

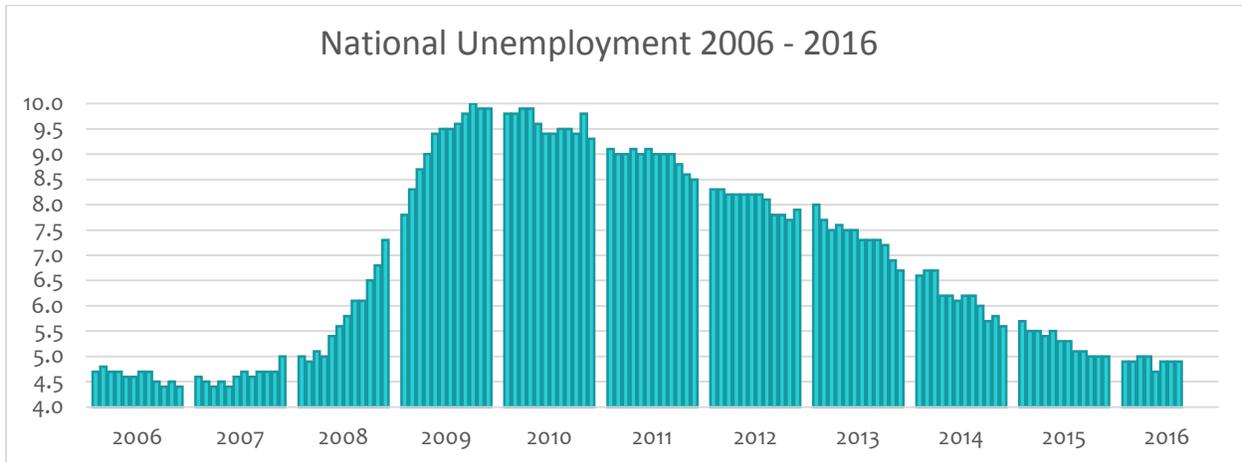
# ECONOMIC AND REVENUE EXPECTATIONS

## INTRODUCTIONS

This section of the budget provides a survey of economic indicators and an outlook for the year ahead with a view to providing context for some of the estimates contained in the budget.

## NATIONAL OVERVIEW

Overall, the national economy has continued growing at a moderate pace for the first half of 2016. National job growth and labor income remain constrained, with the unemployment rate declining to around 4.9 percent in July of 2016 from 5.3 in July of 2015 according to the US Department of Labor. January thru August 2016, the national unemployment rate was at or below 5%, the first time since 2007.



The national housing market has not fully recovered to pre-recession highs, but continue to make consistent gains. Real estate activity continued to strengthen with banks reporting overall increases in loan demand. Consumer spending was generally positive but has shown some signs of softening. The pace of auto sales declined in the third quarter of 2016 but remained at high levels in general (Federal Reserve Beige Book).

According to the Conference Board, the Leading Economic Index (LEI) increased 0.4% in July 2016, which followed a 0.3% for June 2016. Over the August 2015 thru July 2016 timeframe, the LEI saw 6 months of increases, 5 months of declines and 1 month of no change. The overall LEI over this time frame increased from 123.3 to 123.7. These factors show a continuing trend of economic growth.

## REGIONAL AND LOCAL ECONOMY

June 2016 figures from the United States Bureau of Labor Statistics report New York's unemployment rate was 4.5%. This is down from 5.2% in June 2015. Likewise, Albany County's unemployment rate fell to 4.0% compared to 4.6% for June of 2015. Compared to the same month last year, Albany area nonfarm employment decreased by 6,115 or 1.4% to 461,200 in June of 2015. The number of unemployed people for the area decreased from 20,862 in June 2015 to 17,466 in 2016 or 19.3%. The decrease in the unemployment rate can be attributed more to a decrease in jobless claims than the expansion of the labor force.

While the national housing market experienced a series of unprecedented growth followed by devastating decline, the local housing market remained relatively stable. Local home sales did not over accelerate in the pre-recessionary market and generally remained in-line with actual value. Both average residential sale price and median residential sale prices remained relatively constant throughout the last decade.

## ECONOMIC AND REVENUE EXPECTATIONS

The Consumer Price Index for the Northeast region for July 2015 thru July 2016 increased 0.8%, due mostly to a 1.9% increase in all items less food and energy. The food index edged up 0.2% and the energy index fell 9.6% during the same time period. The large decrease in the energy index can be attributed to a 17.8% drop in gasoline prices and accompanied by a small decrease 0.7% in electricity.

According to the Greater Capital Association of Realtors, closed sales are up 9.9% year over year thru July 2016. New listing and median sale price are down 7.2% and 1.2% respectively during the same timeframe. Housing stock remains low due to the higher than average closing sales and downturn of new listings. Additional residential development continues throughout the County - with several large apartment projects being pursued throughout Albany County.

Meanwhile, recent developments in the Commercial sector point to an increase in demand. Development along State Street, the construction on the Albany convention center, expanded development in "Park South" along with commercial development throughout Albany County, all point towards an increase in demand for commercial office and retail space.

The Capital Region, Albany County specifically, has traditionally been dependent on government, healthcare and education for employment. These sectors are traditionally less volatile than other employment segments, insulating Albany County from many global economic-related job losses. While the 'Great Recession' led to significant curtailment in public employment in the region, that trend has continued to slowly reverse as we approach a natural unemployment rate. Albany area government employment declined by 0.2% in July 2016, compared to the same time in the prior year, as reported by the US Bureau of Labor Statics. Private sector jobs declined by 0.4% or 1,700 jobs during the same timeframe.

Current trends point to a baseline adjustment of long-term employment and economic trends in the region, shifting away from heavy reliance on State government jobs as high technology sector continues to expand, while the traditional dependence on the health and education sectors continue.

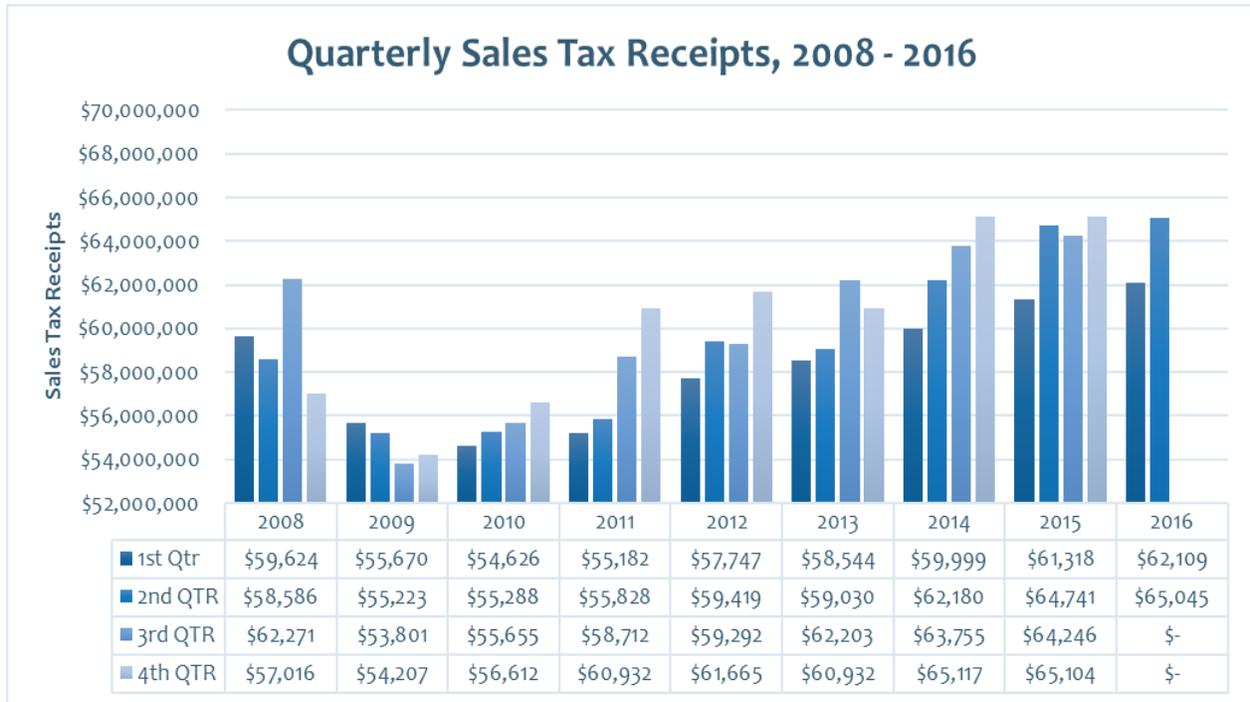
### **SALES TAX RECEIPTS**

For Albany County government, the largest source of revenue is sales tax receipts. Sales tax revenue decreased sharply in recent years impacting local government cash flow. Consecutive years in which sales tax receipts were substantially lower than anticipated resulted in the need for the County to borrow money through the issuance of a Tax Anticipation Note (TAN) to provide sufficient cash to meet ongoing obligations. This is no longer the case however since 2015 as Albany County has retained adequate liquidity to meet obligations as they come due.

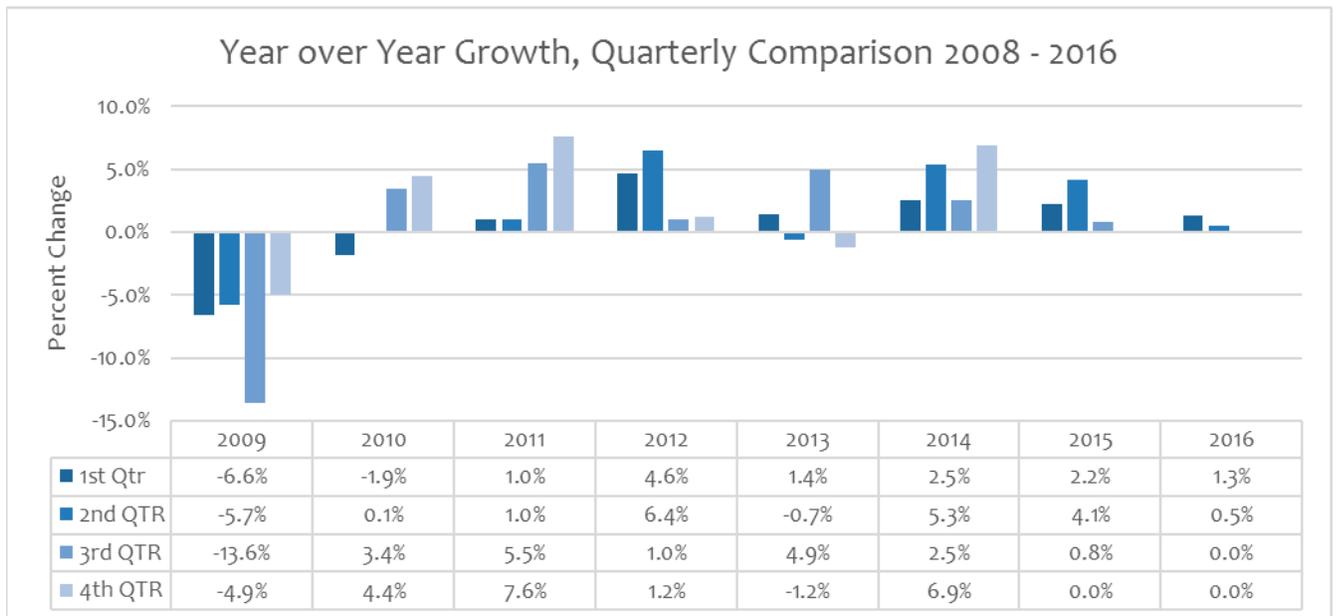
Albany County's sales tax revenue has more than bounced back from the depths of the recent economic downturn. Sales tax revenue has increased by approximately 1.8% through the first two quarters of 2016. (Since payments from the State Tax Department are adjusted at the end of every quarter, full quarters of payments are the best way to accurately determine trends.) This builds on annual growth in 2015 and 2014 of approximately 1.74% and 4.3% respectively. Preliminary third quarter 2016 data though is trending to be down 0.5%.

## ECONOMIC AND REVENUE EXPECTATIONS

As can be seen from the graphs below, the general trend of sales tax receipts has grown since the onset of the 'Great Recession'. Constant growth of the consumer markets over the past five years has led to sales tax receipts to rebound to their pre-recession levels.



\*All quarters are in thousands of dollars (\*,000)



## ECONOMIC AND REVENUE EXPECTATIONS

### **CONCLUSION**

The economic and financial picture of Albany County has improved from a decade ago but some early signs of economic stagnation have recently arisen. Local unemployment has fallen to its lowest point in 5 years but this is attributed to a loss in jobseekers more than job growth. While sales tax is up this year, the growth is at a slower pace than in recent years. The economic factors have been generally positive for Albany County but with world market uncertainty with 'Brexit' and upcoming presidential election, large economic impacts can happen in the upcoming year.