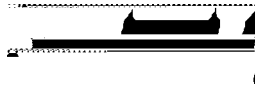


US Economic and Policy Analysis

An Analysis of Tri-State Business Trends

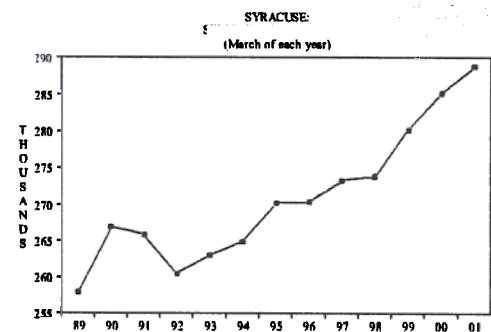
Financial Digest



Syracuse Style . . . A Recipe for Success

Although the slowdown in motor vehicle production earlier this year stung many of Central and Western New York's large auto parts suppliers, the pronounced weakening of factory activity nationwide—especially high technology-related output—has generally spared the Empire State's small- and medium-sized manufacturers. Because of this, even such factory-heavy communities as Syracuse are thriving in the midst of these challenging economic times; while this does not preclude factory job losses, it does mean that recent declines have been manageable. And, with its manufacturing base relatively stable, the metro's other industries, particularly construction and services, are both prospering and expanding, propelling the private industry job count deep into record territory while the unemployment rate touched late winter depths never before experienced. But with the memories of the business collapse of the early 1990s anything but forgotten, the political and economic stewards of the Syracuse metro are hardly resting on their accomplishments. Quite the contrary, they are intensifying their efforts not only to lock-in the economic gains to date, but to build upon them by doing everything from aggressively utilizing such top-notch academic facilities as the *Onondaga Community College* as a platform for innovative initiatives ranging from workforce training to productivity bolstering "lean" manufacturing to literally preparing the groundwork for what-might-be the biggest retail-entertainment-related investment ever undertaken in the Empire State. Throughout this business expansion, the "can do" style of Syracuse's public and private sectors has been instrumental in not only relegating yesterday's economic torpor to the statistical archives while stanching the painful erosion of the population base, but also fashioning the recipe for future business success.

The torpor of the past and the success of the present stem not from subjective opinion but, rather, from objective measurement—specifically, the private industry job count. After peaking in 1990 at a level just an eyelash shy of 285,000, the combination of a brief and mild national recession and a protracted and unprecedentedly severe state economic tailspin squashed the Syracuse job market. By the spring of 1993, the private job count had slipped below 270,000. While these were not the biggest employment losses in the state, the initial jolt was subsequently followed by something arguably worse—a three-year span of economic stagnation that deeply dented consumer and business confidence,



Source: State Labor Department

some of which lingers to this day. It was during this twilight period of little or no growth, which extended deep into the 1990s, that *Onondaga County*, in particular, and Central New York in general, suffered one of the largest population losses of any region in the state.

Nor did it help that the jobs being shed were at the heart of the local economy, factory and

construction jobs that paid well and left the biggest footprint upon regional prosperity. The manufacturing job count, for example, dwindled from nearly 60,000 in 1989 to 49,000 by 1996; disproportionate losses occurred at the lower value-added so-called “soft” goods facilities producing everything from food to paper and which found it extremely difficult to survive in the stagnant business climate. Construction was pummeled, too; its job count tumbled from 17,000 in 1989 to 12,500 in 1996, an eye-catching 27 percent decline. As the muscle of the economy atrophied, the effects appeared everywhere else—in retailing, recreation, banking and insurance. The Syracuse economy had been relentlessly downsized, but its reawakening was about to begin.

Overcoming High Hurdles . . .

As the national business expansion deepened, and the Empire State economy revived—stimulated by the widest-ranging program of tax cuts ever implemented in the state and an unprecedented burst of public sector construction—the prolonged fatigue plaguing Syracuse lifted. To be sure, the lifting was hesitant at first, and job totals only crawled higher in 1996 and 1997. But the upswing was about to quicken and by 1999 the Syracuse metro was adding private industry jobs at a speed nearly 50 percent faster than the nation as a whole. Between December 1996 and December 2000, nearly 20,000 private industry jobs were created, a 6.4 percent advance that boosted the *private* job count to a record high slightly in excess of 296,000. When public sector employment is included—principally, the local school districts—the *total* job count in the metro stood just shy of 360,000 at the end of last year, comfortably exceeding the previous peak of 342,000 reached in the late 1980s.

While a curmudgeon might take issue with this upbeat reading of the numbers, arguing that it required a decade to achieve this employment milestone, this misses an important point—that Syracuse had to overcome high hurdles along the way. These included everything from

SELECTED BUSINESS INDICATORS

(All Dollar Figures in Billions)

		Latest Period	Previous Period	Year Ago
Gross Domestic Product (Current Dollars)*	1st Q'00	\$ 10,243.8	\$ 10,114.4	\$ 9,752.7
Gross Domestic Product (1996 Chain Dollars)*	1st Q'00	\$ 9,439.9	\$ 9,393.7	\$ 9,084.1
Percent Change, Annual Rate	1st Q'00	2.0%	1.0%	4.8%
Industrial Production Index (1992=100)	Mar '01	146.5	145.9	145.2
Change in Consumer Prices*	Mar '01	1.2%	3.6%	7.2%
Change in Consumer Prices; NYC metro area	Mar '01	7.2%	2.4%	7.2%
NAPM-NY Business Conditions Index +	Apr '01	276.4	278.7	254.8

SELECTED TRI-STATE BUSINESS INDICATORS

Payroll Employment (Thousands of Persons; Nationwide)*	Apr '01	132,027.0	132,250.0	131,419.0
New York State Payroll Employment	Mar '01	8,645.5	8,590.8	8,515.8
New Jersey Payroll Employment	Mar '01	4,032.8	4,033.8	3,978.3
Connecticut Payroll Employment	Mar '01	1,699.2	1,700.7	1,688.1
Unemployment as % of Civilian Labor Force; Nationwide*	Apr '01	4.5%	4.3%	4.0%
New York State Unemployment Rate	Mar '01	4.0%	4.3%	4.6%
Upstate Unemployment Rate ††	Mar '01	4.3%	5.0%	5.0%
Downstate Unemployment Rate ††	Mar '01	4.4%	4.7%	5.0%
New York City Rate*	Mar '01	5.1%	5.3%	5.9%
New Jersey Unemployment Rate	Mar '01	3.8%	3.6%	3.6%
Connecticut Unemployment Rate	Mar '01	1.9%	1.9%	2.4%

* Seasonally adjusted + National Association of Purchasing Management-NY †† Calculated by JPMorgan; not seasonally adjusted

manufacturing's all-out effort, nationwide and locally, to do more with less (typically employees), the persistent loss of population for much of the past decade that retarded the growth of such service industries as retailing and entertainment and severe skills shortages that have played hob with hiring by the building trades. But despite having to work around these impediments, the state's fifth largest metro is experiencing a broad-based business upswing currently encompassing virtually every industry in town. Take, for example, construction. At the height of last year's building season, the job count in the industry hit 16,200 in August. This not only marked an increase of 1,400 construction jobs over the preceding three years, stretching from August 1997 to August 2000, but it lifted the building trades job count to its highest August level since 1994. With employment still on the rise, and several large construction projects under active consideration, this industry may soon be even busier, and larger, than ever—if the skilled tradespeople can be found.

Even the fortunes of manufacturing have improved during this business upswing. Although the growth of manufacturing's headcount has proven elusive, no longer are the sharp job losses of years past commonplace; over the past four years the factory job count has remained remarkably stable, hovering in the neighborhood of 50,000. This suggests the metro's manufacturing base is stabilizing around a well-entrenched core that can cope with all of the impediments that hobble manufacturing statewide—it is also noteworthy that the industrial machinery industry, the largest factory activity in the metro, added 300 jobs over the past 12-months, a 3.7 percent advance. But perhaps most reflective of the restoration of the Syracuse economy is the resumption of the growth of the service-producing industries (see chart). With the population stabilizing, everything from retailing to healthcare to hotels and telecommunications are expanding, reversing the drought of the early 1990s.

. . . By Honing A Cooperative Approach

If there is a drought in Syracuse, it is a scarcity of workers. The pool of potential employees has barely been able to cope with reawakened employer demands—the jobless rate in Onondaga County dropped to 3.3 percent in March, the lowest unemployment rate ever posted in the county in the month of March. But rather than permitting this, or any other obstacle within local remediation, to derail today's business upswing, the public and private sector stewards of Syracuse have honed a cooperative, achievements-oriented approach that works. When applied to public finances, the local community can't ask for much more—Onondaga possesses the highest credit rating of any county in New York State north of Westchester County according to *Standard and Poor's*. When applied to the economy, it seeks to ensure that the skills of the local workforce are second to none, that the service-producing industries continue to prosper, that the manufacturing core remains at the cutting edge of innovation and that the population no longer has to look elsewhere for financial security.

For workforce training, the *Whitney Applied Technology Center at Onondaga Community College* is providing the skills preparation required to cope with the “digitalized” economy—whether the arena is personal computers or technology-laden machine tools or automobile trouble-shooting. With these skills, employees are ready to step onto the vastly altered factory floor, for example—since more alterations are on the way, the metro is ramping up its support of a “lean” manufacturing initiative. Designed to boost productivity by stressing the rapid adaptability of machinery and employees to shifting circumstances, “lean” manufacturing is the type of competition-driven concept that may ensure the survival of big-ticket manufacturing in the state. But it is the service-producing industries that comprise the lion's share of the upstate economy, and Syracuse may soon be at the epicenter of their growth. If the proposed \$1 billion expansion of the *Carousel Center* is ultimately realized, the result not only will be the nation's largest retail-entertainment complex, but also a landscape-altering vote of confidence that will be the capstone of the Syracuse-style.