NYC 9/11 Public Portal Document

Region's Economy Still Shaky

Few industries on the upswing after attacks

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A handful of industries are beginning to bounce back from the Sept. 11 terrorist attacks but the New York region's economy remains very weak, the Federal Reserve said yesterday.

The nation's central bank — in its first review of business conditions in the wake of the terrorism — found instances of sales picking up, but said overall the economy continued to slow during the past six weeks. Those reporting a "modest recovery" in sales after last month's nose-dive included retailers, taxis, Broadway theaters, hotels and some factories.

Still, the outlook for the remainder of this year is grim, in part because many experts say the attacks on the World Trade Center pushed the shaky economy into recession. Major chain stores, for example, predicted their holiday sales would be down 1 percent to 2 percent from last year. Earlier, they had forecast a modest increase.

"Many businesses are facing downward price pressures from weakening demand and lower commodity prices [and] the labor markets have shown signs of deteriorating" since August, the Fed said in the Beige Book. The survey of regional economies, which takes its name from the color of its cover page, is prepared every six weeks or so to help Fed Chairman Alan Greenspan and others decide whether to change interest rates.

The Fed's assessment of the regional economy mirrored its grade for the U.S. economy. Consumer spending and factory orders remain sluggish nationwide, and no part of the country has been left unscathed. For instance, demand for loans is way down because businesses have shelved expansion plans.

The Beige Book portrayed the New York area as still reeling from the attacks. The Fed said that apartment sales in Manhattan "ground to a halt" after Sept. 11 "and have edged up only moderately in recent weeks, while prices have fallen by roughly 10 percent."

However, the market for commercial office space

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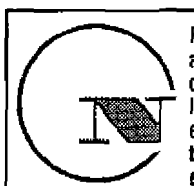
hasn't tightened as experts thought it would after the loss of 7 percent of the city's space. This may be because some displaced companies are replacing their Trade Center space with smaller offices, the Fed said.

Tourism also appears on the upswing. Attendance at Broadway shows picked up earlier this month after a steep drop-off after the terrorism.

"The extreme reactions in the immediate aftermath may be behind us," said Stephen Kagann, chief economist to Gov. George Pataki. "But all industries aren't going to recover at the same time. And we shouldn't expect to bounce back as other economies have from past disasters such as earthquakes and hurricanes."

The attacks undermined three linchpins of the area's economy: financial services, tourism and media. Kagann said their recovery would be hindered by a recession. He also said the rebuilding of lower Manhattan wouldn't serve as a tonic because the billions of dollars in spending will be spread over several years.

"The economic turnaround in these [disaster] cases usually begins in two to four months . . . New York's rebound will be at the far end of that range," Kagann said. "There will be a rebound. The question is will it carry us back to where we were on Sept. 10. I think it's unlikely to carry us back as quickly as we would like."



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