

# MONTHLY ECONOMIC INDICATORS

Planning and Regional Development Department

THE PORT AUTHORITY OF NY & NJ

November 2012

| UNEMPLOYMENT RATE<br>(percent of labor force) | OCT<br>2012 | PREVIOUS 3<br>MONTHS<br>AVERAGE | OCT<br>2011 |
|---|-------------|---------------------------------|-------------|
| U.S. (seasonally adjusted)                    | 7.9         | 8.1                             | 8.9         |
| U.S. (not seasonally adjusted)                | 7.5         | 8.1                             | 8.5         |
| REGION (not seasonally adjusted)              | 9.1         | 9.2                             | 8.2         |

| NON-FARM EMPLOYMENT<br>(thousands) | OCT<br>2012 | PREVIOUS 3<br>MONTHS<br>AVERAGE | % CHANGE<br>OCT 2012/<br>OCT 2011 |
|------------------------------------|-------------|---------------------------------|-----------------------------------|
| U.S.                               | 133,755     | 133,421                         | 1.5                               |
| REGION                             | 8,270       | 8,214                           | 2.6                               |
| Construction and Manufacturing     | 632         | 632                             | -0.9                              |
| FIRE / Professional / Business     | 2,084       | 2,085                           | 4.6                               |
| Government                         | 1,161       | 1,128                           | -0.2                              |
| All Others                         | 4,393       | 4,369                           | 2.9                               |

| REAL GDP<br>(percentage change)            | 2012Q3 | 2012Q2 | 2012Q1 |
|--|--------|--------|--------|
| U.S. (seasonally adjusted at annual rates) | 2.7    | 1.3    | 2.0    |
| REGION (quarterly at annual rate)          | 2.2    | 2.3    | 2.3    |

| CONSUMER PRICE INDEX<br>(percentage change) | OCT '12 /<br>OCT '11 | OCT '12 /<br>SEP '12 | SEP '12 /<br>SEP '11 |
|---|----------------------|----------------------|----------------------|
| U. S.                                       | 2.2                  | 0.1                  | 2.0                  |
| Core  | 2.0                  | 0.2                  | 2.0                  |
| REGION                                      | 1.6                  | -0.1                 | 1.6                  |
| Core  | 1.6                  | 0.1                  | 1.6                  |
| Food & Beverages                            | 1.9                  | 0.3                  | 1.9                  |
| Housing                                     | 1.1                  | -0.2                 | 1.1                  |
| Transportation                              | 1.8                  | 0.2                  | 1.8                  |
| Energy                                      | 1.1                  | -2.3                 | 1.1                  |

| CONSTRUCTION COST INDEX<br>(percentage change) | OCT '12 /<br>OCT '11 | OCT '12 /<br>SEP '12 | SEP '12 /<br>SEP '11 |
|--|----------------------|----------------------|----------------------|
| U.S. 20-CITY                                   | 2.5                  | 0.4                  | 2.5                  |
| NY REGION                                      | 5.1                  | 0.0                  | 5.1                  |

| GASOLINE PRICES<br>(US dollars per gallon) | NOV 2012 | A month ago | A year ago |
|--|----------|-------------|------------|
| U.S. (all types NSA)                       | \$3.58   | \$3.72      | \$3.44     |
| New York City (all types NSA)              | \$4.16   | \$4.15      | \$3.83     |
| Newark, NJ (all types NSA)                 | \$3.74   | \$3.76      | \$3.41     |

| HOUSING PRICES<br>(12-month percentage change) | SEP '12 /<br>SEP '11 | AUG '12 /<br>AUG '11 | JUL '12 /<br>JUL '11 |
|--|----------------------|----------------------|----------------------|
| U.S. 20-CITY COMPOSITE                         | 3.0                  | 2.0                  | 1.2                  |
| NY METROPOLITAN AREA                           | -2.3                 | -2.3                 | -2.5                 |

| INTERNATIONAL TRADE<br>(billions of dollars) | SEP 2012 | % CHANGE VS.<br>SEP 2011 | % CHANGE YTD<br>2012 VS<br>SEP 2011 |
|--|----------|--------------------------|-------------------------------------|
| U.S.   | 314.6    | -0.6                     | 4.9                                 |
| NY CUSTOMS DISTRICT                          | 34.5     | -7.6                     | 0.3                                 |
| NY Imports                                   | 20.9     | -4.2                     | 0.8                                 |
| NY Exports                                   | 13.6     | -12.4                    | -0.3                                |

| MANHATTAN COMMERCIAL<br>REAL ESTATE<br>(Class A Office Market) | OCT 2012 | SEP 2012 | OCT 2011 |
|--|----------|----------|----------|
| Vacancy Rate   |          |          |          |
| OVERALL  | 9.8      | 9.6      | 10.0     |
| Midtown  | 10.9     | 10.6     | 10.9     |
| Downtown   | 8.9      | 8.4      | 8.7      |
| Average Asking Rent (\$/square foot)                           |          |          |          |
| OVERALL  | 69.1     | 69.5     | 63.1     |
| Midtown  | 76.3     | 76.8     | 69.6     |
| Downtown   | 44.1     | 43.9     | 42.1     |

| REGIONAL ECONOMIC<br>FORECAST | 2012 | 2013 | 2014 |
|-------------------------------|------|------|------|
| Real GDP (%)                  | 2.1  | 2.4  | 2.9  |
| Nonfarm Employment Growth (%) | 1.6  | 1.0  | 1.5  |

Sources available upon request.

The views expressed herein are solely those of the authors and do not reflect the official positions of PANYNJ or its leadership.

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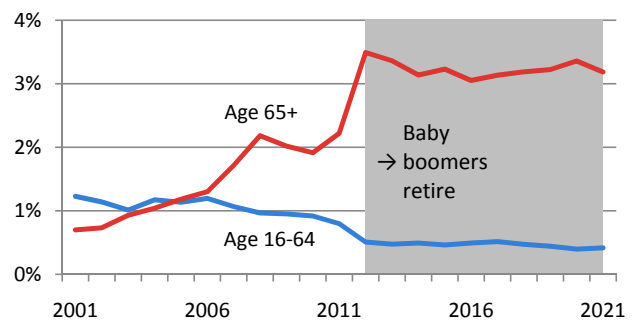
## SPECIAL FOCUS

### The New Normal for Monthly Job Growth

Since the official end of the Great Recession, the US has seen much weaker job growth than during other recent recoveries. During the boom years from 1993 to 1999, the US added an average of 250,000 jobs each month, and economists have until recently assumed that the economy needed to add 125,000-150,000 jobs each month just to keep up with population growth. By those standards, this recovery has been subpar, with job growth averaging just 152,000 jobs per month for the last two years, according to the Bureau of Labor Statistics (BLS). The severity of the 2007-2009 housing and banking collapse explains much of this sluggishness. However, long-term demographic trends – in particular, the retirement of the baby boomers – suggest that the US should expect slower job growth over the next decade, regardless of the state of the economy.

The figure below shows that the composition of the US population is shifting dramatically as the first baby boomers move into retirement. The figure shows annual population growth through 2008, along with the US Census Bureau's projections through 2021, for two age groups: those 65 and above; and those in the 16-64 age group. The projections show that in 2012, the growth of the 65+ age group is shooting up as the first baby boomers retire, while the growth rate for the core working age population is falling to half its level of five years ago. These growth rates remain stable for the rest of the decade as the baby boom generation moves out of the core working age population toward retirement. For the labor market, these demographics will tend to push labor force growth down over the next few years.

Annual US Population Growth by Age Group



A number of other trends are also affecting labor force growth. While most Americans over the age of 65 are retired, an increasing number are working longer, and this trend will grow with the retirement of the baby boomers. Greater longevity and improving health partly explain this trend, but many older workers are also delaying their retirements to maximize benefits under 401(k) programs or to make up for savings that were devastated during the financial crisis. At the same time, a growing number of high school graduates are going to college and delaying their entrance into the labor force, slowing the expansion of the labor force.

Taking all of these trends into consideration, we expect that the economy needs to create fewer jobs every month than the 125,000-150,000 previously assumed to stay on par. In fact, based on BLS's estimates for labor force participation trends through 2020, population projections from the US Census Bureau and the Congressional Budget Office, and our own computations, we estimate that employment will need to grow at a monthly rate of about 110,000 over the next ten years to keep up with population growth. This makes the recent job growth look more positive, and it helps explain the gradual downward trend in the unemployment rate, recently at the lowest level since January 2009.

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| AVIATION  | Sep '12        | Sep '11        | Change        |
|---|----------------|----------------|---------------|
| <b>Revenue Passengers (000's)</b>   | <b>8,964.1</b> | <b>8,769.3</b> | <b>2.2%</b>   |
| John F. Kennedy International Airport (JFK)                                   | 4,166.9        | 4,032.2        | 3.3%          |
| LaGuardia Airport (LGA)   | 2,133.4        | 1,992.3        | 7.1%          |
| Newark Liberty International Airport (EWR)                                    | 2,639.6        | 2,711.2        | -2.6%         |
| Stewart International Airport (SWF)   | 24.2           | 33.6           | -27.8%        |
| <b>Revenue Freight (Short Tons)</b>   | <b>172,600</b> | <b>181,594</b> | <b>-5.0%</b>  |
| Domestic  | 63,976         | 65,885         | -2.9%         |
| International   | 108,624        | 115,709        | -6.1%         |
| <b>Flights</b>  | <b>101,409</b> | <b>102,950</b> | <b>-1.5%</b>  |
| Domestic Air Carrier  | 71,765         | 74,752         | -4.0%         |
| International Air Carrier   | 23,661         | 22,099         | 7.1%          |
| General Aviation  | 5,983          | 6,099          | -1.9%         |
| <b>Paid Parked Cars</b>   | <b>725,306</b> | <b>752,028</b> | <b>-3.6%</b>  |
| <b>Revenue AirTrain Passengers</b>  | <b>740,000</b> | <b>704,999</b> | <b>5.0%</b>   |
| <b>FERRY OPERATIONS</b>   | <b>Sep '12</b> | <b>Sep '11</b> | <b>Change</b> |
| <b>Passengers (000's)</b>   |                |                |               |
| New Jersey Ferries  | 619.0          | 677.9          | -8.7%         |
| <b>PATH</b>   | <b>Sep '12</b> | <b>Sep '11</b> | <b>Change</b> |
| <b>Passengers (000's)</b>   | <b>6,354.0</b> | <b>6,545.0</b> | <b>-2.9%</b>  |
| Average Weekday   | 267.5          | 263.3          | 1.6%          |
| Average Saturday  | 132.0          | 130.1          | 1.4%          |
| Average Sunday  | 103.8          | 100.0          | 3.7%          |
| <b>PORT COMMERCE</b>  | <b>Sep '12</b> | <b>Sep '11</b> | <b>Change</b> |
| <b>Port Trade</b>   |                |                |               |
| Container Imports (TEUs)  | 238,063        | 242,771        | -1.9%         |
| Container Exports (TEUs)  | 129,863        | 138,158        | -6.0%         |
| Containers lifted on/off Express Rail   | 35,739         | 38,328         | -6.8%         |
| <b>TUNNELS, BRIDGES &amp; TERMINALS</b>                                       | <b>Sep '12</b> | <b>Sep '11</b> | <b>Change</b> |
| <b>Eastbound Vehicle Volumes (000's)</b>                                      | <b>9,621</b>   | <b>9,902</b>   | <b>-2.8%</b>  |
| George Washington Bridge  | 4,071          | 4,196          | -3.0%         |
| Lincoln Tunnel  | 1,562          | 1,638          | -4.7%         |
| Holland Tunnel  | 1,349          | 1,347          | 0.1%          |
| Bayonne Bridge  | 284            | 298            | -4.6%         |
| Goethals Bridge   | 1,153          | 1,198          | -3.8%         |
| Outerbridge Crossing  | 1,202          | 1,225          | -1.9%         |
| <b>Eastbound Volumes by Vehicle Type (000's)</b>                              |                |                |               |
| Autos   | 8,804          | 8,986          | -2.0%         |
| Trucks  | 582            | 657            | -11.4%        |
| Buses   | 235            | 259            | -9.4%         |
| <b>PORT AUTHORITY PULSE</b><br>(Seasonally Adjusted, 2010=100)                | <b>Sep '12</b> | <b>Aug '12</b> | <b>Change</b> |
| <b>PA Pulse (Transportation Activity Index)</b>                               | 98.3           | 99.2           | -0.9%         |
| <b>PA Freight Pulse</b>   | 95.2           | 96.3           | -1.1%         |
| <b>PA Passenger Pulse</b>   | 101.5          | 102.1          | -0.6%         |
| <b>U.S. TRANSPORT. SERVICES INDEX</b><br>(Prelim., Seasonally Adj., 2000=100) | <b>Sep '12</b> | <b>Aug '12</b> | <b>Change</b> |
| <b>TSI - Combined Index</b>   | 111.7          | 111.2          | 0.4%          |
| <b>TSI - Freight</b>  | 109.2          | 109.0          | 0.2%          |
| <b>TSI - Passenger</b>  | 118.5          | 117.4          | 0.9%          |

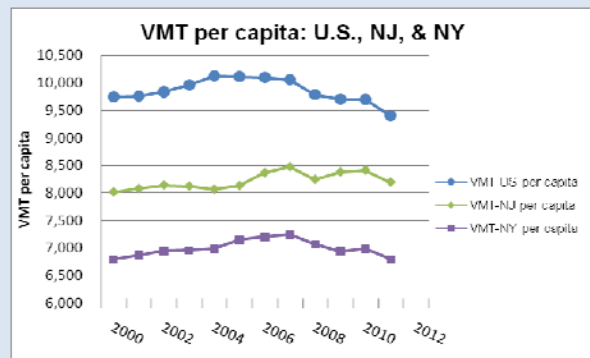
## TRANSPORTATION FOCUS

### Are Americans Driving Less?

Vehicle Miles Traveled (VMT) is a useful measure of roadway activity published on a monthly basis by the Federal Highway Administration (FHWA). After decades of nearly uninterrupted increase, VMT has shown a clear decline over the past several years. In 2010, the nation displayed the greatest drop in VMT (-68,000 million) since 1970. The total decline has been deeper in New York State and somewhat milder in New Jersey. National VMT dropped 3.6 percent from its all-time peak in November 2007 to a low at the end of 2011. It has since recovered 0.6 percent. In part, the drop resulted from the recession, but the decline may also reflect larger societal shifts. This month, we take a glance at VMT trends and illuminate some of the potential factors for its decline.

There have been many explanations for this trend. While the recession can be blamed for much of the decline, demographic, cultural, and geographic factors are also likely at play. Aging baby-boomers means that a larger share of the population is retired and do not commute daily. Increasingly, young adults are putting off obtaining driver's licenses and driving significantly less than their peers in earlier generations. Automobile travel and ownership are expensive. Population growth in the New York/New Jersey region in recent years has been concentrated in urbanized areas where various alternatives to driving exist. The region has also invested heavily in transit systems, providing a viable alternative for many travelers. PATH and New Jersey Transit, for example, has seen strong ridership growth despite several fare increases.

Examining VMT trends on a per capita basis illustrates the persistence of this trend. The chart below combines FHWA's VMT estimates with the Census Bureau's annual population estimates. It shows that U.S. VMT per capita has declined more rapidly than in New Jersey and New York, and is now below pre-2000 levels. VMT per capita in New York State was virtually the same in 2011 as it was in 2000. In New Jersey, VMT per capita was below 2006 levels.



Since 2007 (as with most of the country), NY VMT continued to decline as did VMT per capita. NJ, on the other hand, showed a brief new peak in VMT and VMT per capita in 2010 before dropping again. Like many sets of large data estimates, both the VMT and population data series are subject to their own uncertainties.

At this point, there is not enough evidence to conclude that VMT in total or per capita will continue to decline. However, if cultural and demographic shifts explain the downward trend, we may well see the mid-2000s as an enduring "Peak Per Capita VMT." If economic conditions are a more significant driver, it may still take several years for per capita VMT to return to pre-recession levels.

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