

MONTHLY ECONOMIC INDICATORS

Planning and Regional Development Department

February 2015

| UNEMPLOYMENT RATE (percent of labor force) | JAN 2015 | PREVIOUS 3 MONTHS AVERAGE | JAN 2014 |
|---|----------|---------------------------------|----------|
| U.S. (seasonally adjusted) | 5.7 | 5.7 | 6.6 |
| U.S. (not seasonally adjusted) | 6.1 | 5.5 | 7.0 |

| UNEMPLOYMENT RATE (percent of labor force) | DEC 2014 | PREVIOUS 3 MONTHS AVERAGE | DEC 2013 |
|---|----------|---------------------------------|----------|
| REGION (not seasonally adjusted) | 6.3 | 7.4 | 6.6 |

| NON-FARM EMPLOYMENT (thousands) | JAN 2015 | PREVIOUS 3 MONTHS AVERAGE | % CHANGE JAN 2015 / JAN 2014 |
|-------------------------------------|----------|---------------------------------|------------------------------------|
| U.S. | 140,849 | 140,232 | 2.3 |
| REGION | N/A | 8,654 | N/A |
| Construction and Manufacturing | N/A | 653 | N/A |
| Financial / Professional / Business | N/A | 2,137 | N/A |
| Government | N/A | 1,194 | N/A |
| All Others | N/A | 4,669 | N/A |

| REAL GDP (percentage change) | 2014Q4 | 2014Q3 | 2014Q2 |
|--|--------|--------|--------|
| U.S. (seasonally adjusted at annual rates) | 2.2 | 5.0 | 4.6 |
| REGION (Oxford Economics Estimate) | 2.8 | 3.4 | 3.6 |

| CONSUMER PRICE INDEX (percentage change) | JAN '15/ JAN '14 | JAN '15/ DEC '14 | DEC '14/ DEC '13 |
|---|---------------------|---------------------|---------------------|
| U. S. | -0.2 | -0.7 | 0.7 |
| Core | 1.6 | 0.2 | 1.6 |
| REGION | -0.5 | 0.1 | 0.3 |
| Core | 1.3 | 0.6 | 1.1 |
| Food & Beverages | 3.1 | 0.1 | 3.3 |
| Housing | -0.1 | 0.6 | 1.0 |
| Transportation | -8.5 | -3.4 | -5.9 |
| Energy | -23.2 | -5.2 | -12.9 |

| CONSTRUCTION COST INDEX (percentage change) | JAN '15/ JAN '14 | JAN '15/ DEC '14 | DEC '14/ DEC '13 |
|--|---------------------|---------------------|---------------------|
| U.S. 20-CITY | 3.2 | 0.4 | 2.8 |
| NY REGION | 4.6 | 0.0 | 4.6 |

| GASOLINE PRICES (US dollars per gallon) | JAN 2015 | A month ago | A year ago |
|--|----------|-------------|------------|
| U.S. (all types NSA) | \$2.54 | \$2.24 | \$3.61 |
| New York City (all types NSA) | \$2.76 | \$2.67 | \$3.93 |
| Newark, NJ (all types NSA) | \$2.38 | \$2.19 | \$3.55 |

| HOUSING PRICES (12-month percentage change) | DEC '14/ DEC '13 | NOV '14/ NOV '13 | OCT '14/ OCT '13 |
|--|---------------------|---------------------|---------------------|
| U.S. 20-CITY COMPOSITE | 4.4 | 4.3 | 4.5 |
| NY METROPOLITAN AREA | 1.8 | 1.6 | 2.0 |

| INTERNATIONAL TRADE (billions of dollars) | DEC 2014 | % CHANGE VS. DEC 2013 | % CHANGE YTD 2014 VS. 2013 |
|--|----------|--------------------------|-------------------------------|
| U.S. | 329.8 | 5.3 | 3.2 |
| NY CUSTOMS DISTRICT | 34.7 | 7.8 | 2.8 |
| NY Imports | 22.6 | 6.8 | 5.0 |
| NY Exports | 12.1 | 9.6 | -1.0 |

| MANHATTAN COMMERCIAL REAL ESTATE | JAN 2015 | DEC 2014 | NOV 2014 |
|---|----------|----------|----------|
| Availability (%) | | | |
| Manhattan Totals | 9.5 | 9.4 | 9.7 |
| Midtown | 9.9 | 9.7 | 10.0 |
| Downtown | 9.8 | 10.0 | 10.3 |
| Average Asking Rent (Class A Office APRket) (\$/square foot) | | | |
| Manhattan Totals | 75.8 | 75.5 | 75.3 |
| Midtown | 83.1 | 83.1 | 82.7 |
| Downtown | 54.9 | 55.2 | 55.1 |

| REGIONAL ECONOMIC FORECAST | 2015 | 2016 | 2017 |
|-------------------------------|------|------|------|
| Real GRP (%) | 2.8 | 2.5 | 2.9 |
| Nonfarm Employment Growth (%) | 1.6 | 0.7 | 0.7 |

SPECIAL FOCUS

At Last, Economy Hits the Gas

When looking back at 2014, one cannot resist calling it the year in which the economy finally picked up steam and delivered the results that had been expected much sooner following the financial crisis and Great Recession. US GDP grew by 2.4% for the year, a remarkable accomplishment considering the significant negative growth in the first quarter. But more significant were the gains in employment. In fact, net monthly employment gains averaged 336,000 during the last three months of the calendar year. The regional economy showed similar signs of health, delivering record employment gains in New York City yet again.

The recent collapse of crude oil and gasoline prices has been a major driver of recent domestic growth. These declines in energy prices, especially when sustained over several months, provide a strong stimulus to an economy, similar to a tax cut benefiting individual household budgets. Negative effects such as the job losses and reductions in capital expenditures in the energy sector affected some states more than others, but overall did not drag down growth of the national economy. In addition, consumer spending held up remarkably well, buoyed by low price inflation and some initial signs of rising wages.

In our baseline economic forecast, used for internal traffic modeling and agency analyses, we are projecting a continuation of positive trends throughout 2015. Due to slow and slowing growth in Europe and China, respectively, we expect lower energy prices to be sustained for a while longer with upward price pressures potentially appearing towards the middle of the year. At that point, some of the excess supply in global markets may disappear due to the shutdown of production equipment in the low price climate. As shown in the table below, we expect US GDP growth to average 2.6 percent for the year. Regionally, we forecast a similar level of growth due to the beneficial energy bounce. Our forecasts also call for continued strong employment growth for the regional economy particularly in New York City.

| | Q1 2015 | Q2 2015 | Q3 2015 | Q4 2015 |
|--|---------|---------|---------|---------|
| US Real GDP (%) | 2.9 | 2.7 | 2.5 | 2.5 |
| US Employment(%) | 1.7 | 1.5 | 1.4 | 1.2 |
| US Employment Change in Ths (Average per month) | 198 | 173 | 158 | 144 |
| Regional Real GDP (%) | 2.8 | 2.9 | 2.6 | 2.5 |
| Regional Employment (%) | 1.3 | 0.9 | 1.1 | 0.9 |

Forecast developed by PA Planning with Oxford Economics Global Model

There are a multitude of risks that may imperil our sunny economic outlook. Domestically, a further decline in oil prices may create bankruptcies and layoffs in parts of the energy sector. These may spread into other parts of the economy via supply chains and financial markets. The debt issued by many of the upstart energy firms engaged in fracking and oil exploration may be especially vulnerable. Nevertheless, it is unlikely that these effects will impact the economy sufficiently to overshadow the positive effects from low energy prices. The strengthening US dollar will add to import growth and reduce exports, putting a strain on overall domestic output growth. Internationally, geopolitical concerns among oil producing countries are growing because of their reliance on oil prices closer to \$100 per barrel to balance government budgets and sustain the social services promised to citizens. In addition, after many years of austerity and recession, Greece may be forced to exit the Eurozone after all. While many commentators do not view this as dramatic a step as several years ago, it may still inject significant uncertainty into financial markets.

In summary, our 2015 Q1 baseline forecast has significantly improved compared to older vintages. We view the US and regional economies as fairly resilient and, having emerged yet again as the world engine for economic growth, much depends on the path of the US expansion. If some of the income and wage gains continue to strengthen across the entire labor market, the expansion may gain further sustainability. In the following months, we will continue our study of the linkages of transportation performance and macroeconomic trends. We will report back to you with any findings that we believe deserve your attention.

MONTHLY ECONOMIC INDICATORS

THE PORT AUTHORITY OF NY & NJ

Planning and Regional Development Department

February 2015

| AVIATION | Dec '14 | YTD | Dec '14/'13 | YTD '14/'13 |
|---|----------------|------------------|--------------|--------------|
| Revenue Passengers (000's) | 9,949 | 116,119 | 3.6% | 3.3% |
| John F. Kennedy International Airport (JFK) | 4,442 | 53,254 | 3.4% | 5.6% |
| LaGuardia Airport (LGA) | 2,345 | 26,955 | 1.7% | 1.0% |
| Newark Liberty International Airport (EWR) | 3,137 | 35,600 | 5.5% | 1.7% |
| Stewart International Airport (SWF) | 24 | 309 | -11.2% | -3.5% |
| Revenue Freight (Short Tons) | 191,029 | 2,031,763 | 5.6% | 1.2% |
| Domestic | 72,501 | 677,957 | 6.1% | -3.2% |
| International | 118,528 | 1,353,806 | 5.3% | 3.5% |
| Flights | 105,706 | 1,245,429 | 3.5% | -1.1% |
| Domestic Air Carrier | 75,874 | 875,472 | 3.4% | -2.1% |
| International Air Carrier | 24,534 | 291,678 | 5.6% | 2.8% |
| General Aviation | 5,298 | 78,279 | -3.7% | -4.5% |
| Paid Parked Cars | 660,507 | 8,291,355 | -5.2% | -3.5% |
| Revenue AirTrain Passengers | 758,863 | 8,548,099 | -7.3% | 1.9% |

| FERRY OPERATIONS | Dec '14 | YTD | Dec '14/'13 | YTD '14/'13 |
|---------------------------|---------|-------|-------------|-------------|
| Passengers (000's) | | | | |
| New Jersey Ferries | 677 | 8,233 | 17.0% | 6.1% |

| PATH | Dec '14 | YTD | Dec '14/'13 | YTD '14/'13 |
|---------------------------|--------------|---------------|-------------|-------------|
| Passengers (000's) | 6,079 | 73,649 | 3.3% | 1.2% |
| Average Weekday | 237 | 2,998 | 1.5% | 2.2% |
| Average Saturday | 117 | 1,296 | -7.1% | -5.1% |
| Average Sunday | 86 | 984 | 0.3% | -4.4% |

| PORT COMMERCE | Dec '14 | YTD | Dec '14/'13 | YTD '14/'13 |
|---------------------------------------|---------|-----------|-------------|-------------|
| Port Trade | | | | |
| Container Imports (TEUs) | 250,590 | 2,944,663 | 11.5% | 6.7% |
| Container Exports (TEUs) | 118,006 | 1,428,845 | 6.5% | -2.6% |
| Containers lifted on/off Express Rail | 37,268 | 465,051 | 7.0% | 9.2% |

| TUNNELS, BRIDGES & TERMINALS | Dec '14 | YTD | Dec '14/'13 | YTD '14/'13 |
|--|--------------|----------------|-------------|--------------|
| Eastbound Vehicle Volumes (000's) | 9,737 | 114,019 | 3.2% | -1.4% |
| George Washington Bridge | 4,191 | 49,037 | 5.3% | -0.7% |
| Lincoln Tunnel | 1,603 | 18,790 | 2.2% | 0.2% |
| Holland Tunnel | 1,331 | 15,571 | -0.6% | -3.6% |
| Bayonne Bridge | 233 | 2,778 | -12.6% | -19.2% |
| Goethals Bridge | 1,185 | 13,878 | 3.9% | -1.3% |
| Outerbridge Crossing | 1,194 | 13,965 | 4.9% | 0.7% |

| Eastbound Volumes by Vehicle Type (000's) | Dec '14 | YTD | Dec '14/'13 | YTD '14/'13 |
|---|---------|---------|-------------|-------------|
| Autos | 8,889 | 103,964 | 3.2% | -1.4% |
| Trucks | 601 | 7,095 | 4.2% | -2.6% |
| Buses | 248 | 2,959 | 2.9% | 0.3% |

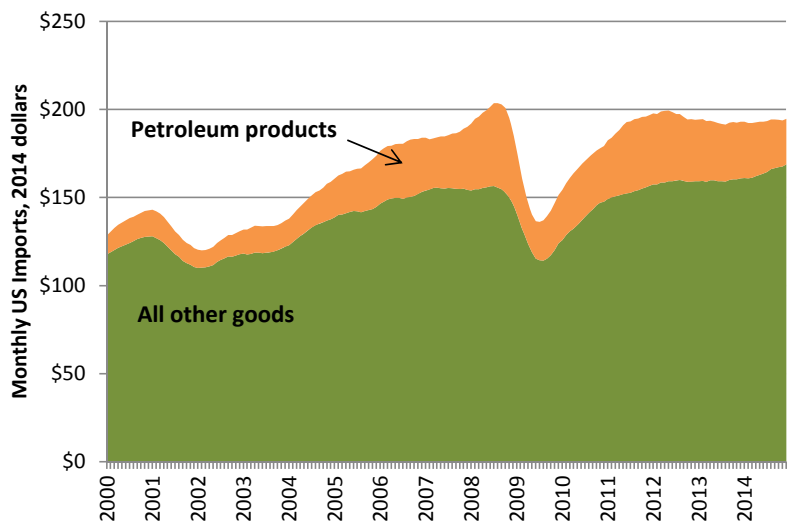
| PORT AUTHORITY PULSE (Seasonally Adjusted, 2010=100) | Dec '14 | Nov '14 | Change |
|---|---------|---------|--------|
| PA Pulse (Transportation Activity Index) | 99.6 | 96.5 | 3.3% |
| PA Freight Pulse | 97.6 | 94.3 | 3.5% |
| PA Passenger Pulse | 101.7 | 98.6 | 3.1% |

| U.S. TRANSPORT. SERVICES INDEX (Prelim., Seasonally Adj., 2000=100) | Dec '14 | Nov '14 | Change |
|--|---------|---------|--------|
| TSI - Combined Index | 122.6 | 122.5 | 0.1% |
| TSI - Freight | 123.8 | 123.9 | -0.1% |
| TSI - Passenger | 119.4 | 118.9 | 0.4% |

TRANSPORTATION FOCUS

Recent numbers on US imports are an interesting case where top-level statistics can be misleading. Those numbers show that, when adjusted for inflation, imports of goods have been flat since 2012. This would seem counter-intuitive, given the US economy's recent strength. Looking beyond the headline numbers, we find that falling oil prices and growing domestic production have cut US dollar imports of oil and related products by 25 percent since 2012. At the same time, imports of all other goods have grown 4 percent to an all-time high. Even these figures understate recent growth in non-petroleum goods, as the dollar's growing strength means that the same amount of money can buy a greater volume of foreign goods. Looking ahead, the dollar's continued strength should translate into stronger growth for imports, on both a volume and dollar basis, as US consumers switch from US-produced goods to cheaper imports.

Falling Oil Prices Mask Rising US Goods Imports



Six month seasonally-adjusted moving average
Source: US Dept. of Commerce, Bureau of Economic Analysis

Port Authority of NY & NJ
Planning & Regional Development Department
4 World Trade Center - 150 Greenwich Street, 16th floor
New York, NY 10006

Alexander Heil, Ph.D., Chief Economist; aheil@panynj.gov
Graciela Ramirez, Input-Output Modeling & Regional Economics
Mark Seaman, Cost-Benefit Analysis & World Economy
Andrew Liebowitz, Forecasting
Huajing Shi, Ph.D., Transportation Statistics
Bradley Egbert, Forecasting
Xiao Wang, Ph.D., Regional Economics