

# MONTHLY ECONOMIC INDICATORS

Planning and Regional Development Department

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THE PORT AUTHORITY OF NY & NJ

January 2019

## 2020: An end to the expansion?

Last year ended with strong economic performance driven by consumer expenditures and the effects of a tax cut passed into law at the end of 2017. The trade disputes did not have the effect of derailing the path of economic growth but may have pushed up producer and consumer prices towards the end of the year. Now, in early 2019, it is important to recognize that some of the supporting factors for the economy are diminishing while some headwinds are appearing.

Much of the fiscal support created in the form of lower tax rates and higher direct government spending is now quickly diminishing. This trend is accelerated by the effects of the government shutdown which was estimated by the Council of Economic Advisers as reducing real economic growth by 0.13 percent for every week that it lasted. Estimates by private sector economists were lower but all in all the effects of these fiscal effects are weighing on first quarter economic growth in particular.

The Federal Reserve has continued its strategy of slowly moving up its short term interest rate target and higher rates for mortgages, auto loans and commercial and residential construction activity appear to be putting the initial breaks on transactions. In fact, construction employment in New York City in 2018 experienced its first decline in a while. While the pace of future rate hikes may be slowing, we are still moving towards an economy characterized by higher borrowing costs.

## THE WATCHLIST

Economic Variables	Current	One Year Trend
<b>UNITED STATES</b>		
Real GDP [Annual Rate]	Q3 2018	3.4%
Unemployment Rate	Dec-18	3.9%
Consumer Price Index [Annual]	Dec-18	1.9%
Gasoline Price [Regular]	Dec-18	\$2.37
<b>PORT AUTHORITY REGION</b>		
Regional Employment [NY MSA]	Dec-18	9,843
Consumer Price Index [Annual]	Dec-18	1.9%
Port District Exports [\$Bill]	Oct-18	\$13.31
Port District Imports [\$Bill]	Oct-18	\$23.00
Case-Shiller Home Price Index	Nov-18	3.7%
<b>Commercial Real Estate Asking Rent</b>		
Midtown	Q42018	\$81.69
Downtown	Q42018	\$67.88

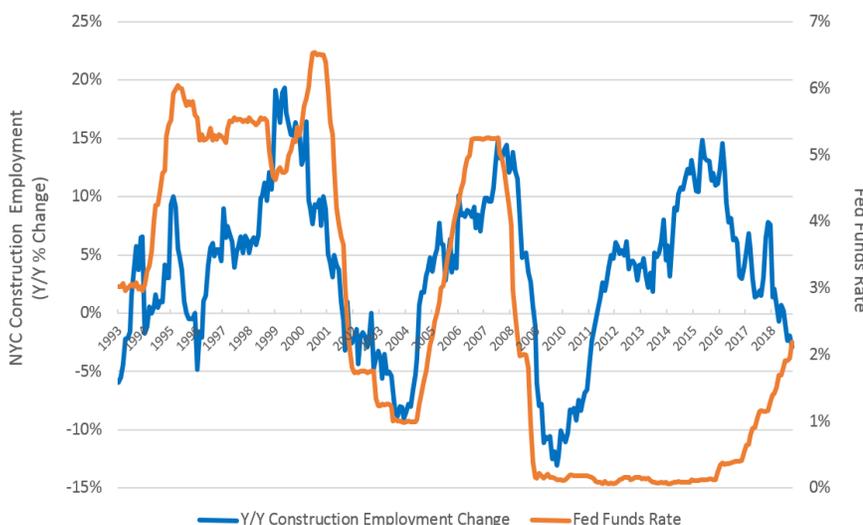
A lack of a negotiated agreement between the US and China could weigh heavily on growth and slow the expansion further. This may come exactly at the same time that the United Kingdom is exiting the European Union, without a doubt creating further disruptions in a global economy that is already showing signs of deceleration across the board.

In the Greater New York region, employment growth has continued at a rate far exceeding its long-term average. But we are reverting back to the mean and, over the next few years, employment growth in New York City as well as the New Jersey and New York suburbs will ease slightly before settling between 0.5 and 0.8 percent. This still represents strong growth, and it promises to place continued pressure on Trans-Hudson commuting assets such as Port Authority tunnels and bridges, the PATH system, the bus terminal as well as the rail tunnels into Penn Station.

As indicated by the New York State Manufacturing Survey, business activity in the region has slowed and managers are more cautious about general business conditions in the near future. In addition, one critical question is to what extent the tax cut bill will affect regional households. With the reduction in the deductibility of state and local income taxes households may find themselves with higher federal tax bills. We think that most of these changes have not been factored in by regional residents and come relatively unexpected. Granted, these changes may disproportionately affect households in higher income brackets but especially for the affluent commuter market into New York City we expect this effect to present a drag on spending and therefore growth.

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NYC Construction of Buildings Employment Change and Fed Funds Rate



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AVIATION	Nov '18	YTD	Nov '18/'17	YTD '18/'17	PORT COMMERCE	Nov '18	YTD	Nov '18/'17	YTD '18/'17
<b>Revenue Passengers (000's)</b>	<b>11,140.6</b>	<b>127,292.1</b>	<b>5.9%</b>	<b>4.5%</b>	<b>Port Trade</b>				
John F. Kennedy International Airport (JFK)	4,785.5	56,847.1	5.8%	3.8%	Container Imports (TEUs)	301,826	3,358,781	5.9%	7.6%
LaGuardia Airport (LGA)	2,573.5	27,580.9	1.0%	1.8%	Container Exports (TEUs)	115,415	1,360,853	-10.4%	5.1%
Newark Liberty International Airport (EWR)	3,724.8	42,230.8	9.5%	6.9%	Containers lifted on/off Express Rail	53,609	593,806	13.9%	14.4%
Stewart International Airport (SWF)	56.8	633.2	25.9%	57.4%	<b>TUNNELS, BRIDGES &amp; TERMINALS</b>	<b>Nov '18</b>	<b>YTD</b>	<b>Nov '18/'17</b>	<b>YTD '18/'17</b>
<b>Revenue Freight (Short Tons)</b>	<b>200,061</b>	<b>2,102,149</b>	<b>-0.7%</b>	<b>3.3%</b>	<b>Eastbound Vehicle Volumes (000's)</b>	<b>9,851</b>	<b>109,982</b>	<b>-0.5%</b>	<b>0.6%</b>
Domestic	76,120	756,477	1.8%	5.7%	George Washington Bridge	4,177	47,135	-2.5%	-0.6%
International	123,941	1,345,672	-2.1%	2.0%	Lincoln Tunnel	1,556	17,371	-1.6%	-0.3%
<b>Flights</b>	<b>122,284</b>	<b>1,366,101</b>	<b>1.1%</b>	<b>1.3%</b>	Holland Tunnel	1,255	13,740	1.1%	1.0%
Domestic Air Carrier	77,191	867,728	1.7%	2.9%	Bayonne Bridge	235	2,616	7.8%	22.7%
International Air Carrier	24,294	280,660	5.9%	1.6%	Goethals Bridge	1,412	15,115	8.1%	4.4%
General Aviation	20,799	217,713	-6.0%	-4.5%	Outerbridge Crossing	1,216	14,005	-3.9%	-2.0%
<b>Paid Parked Cars</b>	<b>680,685</b>	<b>6,361,260</b>	<b>27.6%</b>	<b>-2.6%</b>	<b>Eastbound Volumes by Vehicle Type (000's)</b>				
<b>Revenue AirTrain Passengers</b>	<b>1,595,708</b>	<b>18,497,073</b>	<b>-9.5%</b>	<b>-4.1%</b>	Autos	8,994	100,396	-0.4%	0.5%
					Trucks	616	6,854	-0.6%	1.9%
					Buses	241	2,733	-1.9%	0.5%
<b>FERRY OPERATIONS</b>	<b>Nov '18</b>	<b>YTD</b>	<b>Nov '18/'17</b>	<b>YTD '18/'17</b>	<b>U.S. TRANSPORT. SERVICES INDEX</b>	<b>Nov '18</b>	<b>Oct '18</b>	<b>Change</b>	
<b>Passengers (000's)</b>					<b>(Prelim., Seasonally Adj., 2000=100)</b>				
New Jersey Ferries	733.5	8,649.4	3.2%	4.3%	<b>TSI - Combined Index</b>	136.9	135.5	1.0%	
					<b>TSI - Freight</b>	140.0	138.2	1.3%	
<b>PATH</b>	<b>Nov '18</b>	<b>YTD</b>	<b>Nov '18/'17</b>	<b>YTD '18/'17</b>	<b>TSI - Passenger</b>	130.4	130.1	0.2%	
<b>Passengers (000's)</b>	<b>6,707.0</b>	<b>75,381.0</b>	<b>-1.8%</b>	<b>-1.3%</b>					
Average Weekday	287.7	3,112.2	-1.3%	-0.8%					
Average Saturday	111.5	1,214.4	-3.5%	-5.0%					
Average Sunday	88.8	903.3	1.9%	-8.2%					

## TRANSPORTATION FOCUS

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Since the Great Recession, the Greater New York City region has diversified its economic base and activity and, as of today, the regional economy centers around growing sectors such as healthcare, technology and professional services. But even the forward momentum in these innovation clusters may not be enough to withstand the headwinds in 2019 and 2020. Based on available data today, we expect 2020 to be the weakest year on record since 2009. With its near trillion-dollar annual deficit the federal government has less ability to enact stimulative policies and there are limits to what the Federal Reserve may be able to do in a downturn.

We will continue to watch the regional economy and may see transportation activity as an early indicator for slower economic growth. But with the PA's port facilities recording a record year of activity in 2018, arrival volumes growing fast at the regional airports, and surface transportation also growing strongly, the regional expansion may continue for a little while longer.



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