

# MONTHLY ECONOMIC INDICATORS

THE PORT AUTHORITY OF NY & NJ

Planning and Regional Development Department

December 2016

	Actual	Annual Forecast	
<b>UNEMPLOYMENT RATE</b>	NOV 2016	NOV 2015	2016
U.S.	4.6%	5.0%	4.9%
REGION	NA	NA	-
<b>NON-FARM EMPLOYMENT</b>	NOV 2016	NOV '16/ NOV '15	2016
U.S.	145.13M	1.6%	1.6%
REGION	9.19M	1.0%	1.4%
<b>REAL GDP</b>	2016Q3	2016Q2	2016
U.S.	3.5%	1.4%	1.7%
REGION	2.5%	2.3%	2.1%
<b>INTERNATIONAL TRADE</b>	NOV 2016	NOV '16/ NOV '15	2016
U.S. (Imports + Exports)	\$130.7B	-0.9%	
NY CUSTOMS DISTRICT	\$16.5B	-1.5%	
NY Imports	\$12.7B	-0.5%	
NY Exports	\$3.8B	-4.5%	
<b>GASOLINE PRICE</b>	NOV 2016	NOV 2015	2016
New York City	\$2.60/g	\$2.34/g	
Newark, NJ	\$2.39/g	\$1.86/g	
<b>PRICES</b>	NOV '16/ NOV '15	NOV '15/ NOV '14	2016
Consumer Prices - U. S.	1.7%	0.4%	1.5%
Consumer Prices - REGION	1.6%	0.6%	1.2%
Personal Income - U. S.	3.7%	3.5%	2.8%
Personal Income - REGION	4.8%	3.1%	2.7%
<b>PRICES</b>	DEC '16/ DEC '15	DEC '15/ DEC '14	2016
Construction Costs - U.S. 20-CITY	3.5%	2.1%	-
Construction Costs - NYC	3.1%	3.5%	-
<b>PRICES</b>	OCT '16/ OCT '15	OCT '15/ OCT '14	2016
Housing Prices - U.S. 20-CITY	5.1%	5.4%	4.8%
Housing Prices - NYC	1.7%	2.6%	-
<b>CLASS A OFFICE SPACE AVERAGE ASKING RENT</b>	2016Q3	2016Q2	2016
Manhattan Totals	\$79.47/sf	\$78.50/sf	-
Midtown	\$85.10/sf	\$84.28/sf	-
Downtown	\$62.18/sf	\$62.24/sf	-

\* For Unemployment Rates, Employment and GDP, U.S. data are seasonally adjusted, regional data are not.

\* Forecast developed by PA Planning staff using Oxford Economics' Macro Model.

## SPECIAL FOCUS

### Structural Economic Problems will remain with us in 2017 and beyond

The post-election economic landscape can be characterized by economists revising their near term economic forecasts due to anticipated fiscal stimulus in the form of tax cuts and infrastructure spending. While the exact nature of these two policy proposals by the incoming administration remains undefined, it appears that economic performance in the near term may indeed be slightly above expectations. In fact, the strong performance of the stock market in recent weeks, and the related return of confidence by businesses in their investment decisions, could show the way towards stronger economic growth in 2017. This will likely also result in higher inflation but price pressures will be affected by the recovery of energy prices and the path of interest rate increases by the Federal Reserve.

While the near term outlook may be rosy, the main structural challenges for the economy remain. In the past, we have commented on falling labor force participation and why a low unemployment rate may be misleading in judging the health of the labor market. Indeed, we may be nearing full employment based on headline unemployment numbers but especially when looked at by gender or age group, participation continues to be a challenge. This brings us to the second significant challenge faced by the labor market: income inequality and slow real wage growth.

New research by Thomas Piketty, Emmanuel Saez, and Gabriel Zucman takes a more detailed look at the trend in income shares and wage levels over the last five decades. Figure 1 below shows average real pre-tax income for the top 1 percent and bottom-50 percent of wage earners. While average real income has grown more than three-fold for the top 1 percent of the income distribution, it has remained constant for the bottom 50 percent since 1980! Not only is the trend over the last four decades astonishing, also the level of average real income is shocking. For half of the country's wage earners, average income was equal to only \$16,000 in 2014. In the same year, workers in the top 1 percent of the distribution earned roughly 80 times that amount in inflation adjusted terms.

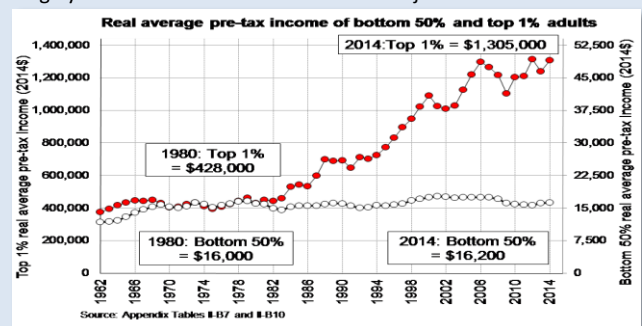


Figure 1: Real Average Pre-Tax Income [Piketty et. al. (2016)]

Piketty and his co-authors also considered the shares of national income earned by the two groups over time. The trend, shown in Figure 2, illustrates how much income has been accrued at the very top. In the early 1970s, the top 1 percent and bottom 50 percent of the distribution earned roughly 10 percent and 20 percent of total pre-tax national income, respectively. In 2014, the allocated shares had nearly completely flipped; the bottom 50 percent now only earned approximately 12.5 percent of national real income, a steady decline over the last four decades. (continued on page 2)

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AVIATION	Oct '16	YTD	Oct '16/15	YTD '16/15
<b>Revenue Passengers (000's)</b>	<b>10,853.6</b>	<b>108,328.7</b>	<b>1.5%</b>	<b>5.3%</b>
John F. Kennedy International Airport (JFK)	4,915.8	49,676.0	0.2%	3.9%
LaGuardia Airport (LGA)	2,548.5	24,971.1	0.7%	5.3%
Newark Liberty International Airport (EWR)	3,368.6	33,454.5	4.3%	7.3%
Stewart International Airport (SWF)	20.7	227.0	-7.7%	-4.4%
<b>Revenue Freight (Short Tons)</b>	<b>188,554</b>	<b>1,702,346</b>	<b>2.3%</b>	<b>0.7%</b>
Domestic	62,510	604,431	-3.1%	5.6%
International	126,044	1,097,915	5.2%	-1.8%
<b>Flights</b>	<b>111,843</b>	<b>1,101,944</b>	<b>1.3%</b>	<b>3.2%</b>
Domestic Air Carrier	80,320	780,062	1.3%	3.5%
International Air Carrier	23,725	248,686	0.6%	1.5%
General Aviation	7,798	73,196	3.3%	5.3%
<b>Paid Parked Cars</b>	<b>606,514</b>	<b>6,711,153</b>	<b>-12.9%</b>	<b>-2.6%</b>
<b>Revenue AirTrain Passengers</b>	<b>850,294</b>	<b>8,226,654</b>	<b>-1.7%</b>	<b>2.7%</b>

FERRY OPERATIONS	Oct '16	YTD	Oct '16/15	YTD '16/15
<b>Passengers (000's)</b>				
New Jersey Ferries	725.8	7,367.0	-1.9%	7.1%

PATH	Oct '16	YTD	Oct '16/15	YTD '16/15
<b>Passengers (000's)</b>	<b>6,622.0</b>	<b>65,738.0</b>	<b>-4.9%</b>	<b>2.9%</b>
Average Weekday	276.4	2,691.3	0.7%	4.4%
Average Saturday	99.3	1,082.6	-19.5%	-4.9%
Average Sunday	76.7	829.5	-18.0%	-5.2%

PORT COMMERCE	Oct '16	YTD	Oct '16/15	YTD '16/15
<b>Port Trade</b>				
Container Imports (TEUs)	286,399	2,663,532	6.2%	-1.8%
Container Exports (TEUs)	119,672	1,129,671	1.3%	-3.0%
Containers lifted on/off Express Rail	45,728	454,465	-6.4%	3.1%

TUNNELS, BRIDGES & TERMINALS	Oct '16	YTD	Oct '16/15	YTD '16/15
<b>Eastbound Vehicle Volumes (000's)</b>	<b>10,144</b>	<b>98,959</b>	<b>0.9%</b>	<b>2.8%</b>
George Washington Bridge	4,414	43,071	1.1%	2.7%
Lincoln Tunnel	1,657	15,995	-1.0%	1.8%
Holland Tunnel	1,317	12,788	-0.9%	-0.3%
Bayonne Bridge	145	1,349	-3.5%	-22.5%
Goethals Bridge	1,304	13,058	0.3%	8.0%
Outerbridge Crossing	1,307	12,698	5.7%	6.0%
<b>Eastbound Volumes by Vehicle Type (000's)</b>				
Autos	9,276	90,410	1.4%	3.0%
Trucks	614	6,061	-5.0%	0.0%
Buses	253	2,487	-2.6%	0.2%

PORT AUTHORITY PULSE (Seasonally Adjusted, 2010=100)	Oct '16	Sep '16	Change
<b>PA Pulse (Transportation Activity Index)</b>	100.7	101.0	-0.3%
<b>PA Freight Pulse</b>	98.7	95.6	3.2%
<b>PA Passenger Pulse</b>	102.7	106.4	-3.5%

U.S. TRANSPORT. SERVICES INDEX (Prelim., Seasonally Adj., 2000=100)	Oct '16	Sep '16	Change
<b>TSI - Combined Index</b>	122.6	121.8	0.7%
<b>TSI - Freight</b>	122.0	120.8	1.0%
<b>TSI - Passenger</b>	123.5	123.5	0.0%

## TRANSPORTATION FOCUS

(from page 1)

The trends identified by this research are not new but add to an already comprehensive discussion of worsening income inequality in the United States. But the paper certainly makes clear how unbalanced the distribution of income has become. Research has identified reasons for these trends and those include "among others" higher returns to capital than to labor, stagnant minimum wage levels, falling unionization throughout the labor market, and growth in the economy centered around the high-skilled, technology sector.

If one believes that such imbalances are not a sign of a healthy economy, then it is also worth thinking about remedies to this problem. While some inequality in the economy may be desirable as it creates incentives, this situation affects *half of the country's currently employed work force*. Solutions therefore need to be broad and address inadequacies in education and worker training, compensation policies by business entities, worker productivity and bargaining power, minimum wages and the role of federal tax policy. These strategies cover a wide area of economic policy, beyond the perceived need to raise employment in the manufacturing sector or bring back corporate funds from offshore locations. In order for economic prosperity to be restored throughout the economy, we need to be open for a broad set of measures for 2017 and beyond.

The Economics Team at the PA wishes all of our faithful readers a wonderful new year and much spirited discussion of regional, national, and global economic issues for many years to come!

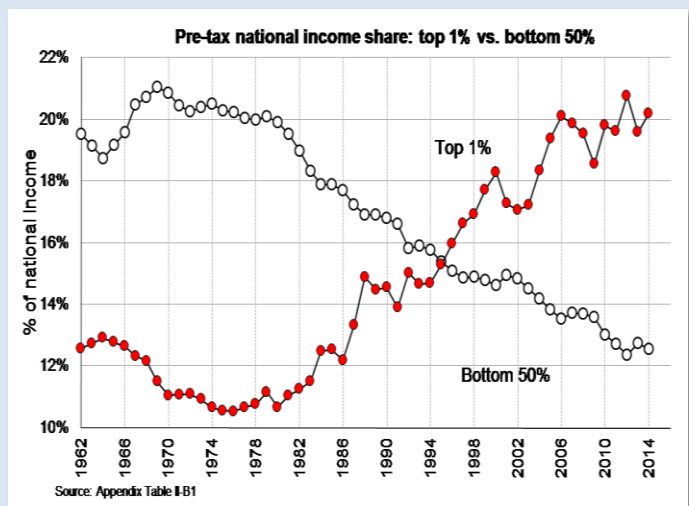


Figure 2: Pre-Tax Income Shares [Piketty et. al. (2016)]

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