

MONTHLY ECONOMIC INDICATORS

THE PORT AUTHORITY OF NY & NJ

Planning and Regional Development Department

	Actual		Annual Forecast
	DEC 2016	DEC 2015	2017
UNEMPLOYMENT RATE			
U.S.	4.5%	4.6%	4.6%
REGION	NA	NA	-
NON-FARM EMPLOYMENT	DEC 2016	DEC '16/ DEC '15	2017
U.S.	145.30M	1.5%	1.3%
REGION	9.21M	1.0%	1.2%
REAL GDP	2016Q4	2016Q3	2017
U.S.	1.9%	3.5%	2.3%
REGION	2.5%	2.5%	2.5%
INTERNATIONAL TRADE	NOV 2016	NOV '16/ NOV '15	2017
U.S. (Imports + Exports)	\$127.9B	3.9%	
NY CUSTOMS DISTRICT	\$15.5B	-0.3%	
NY Imports	\$12.1B	5.0%	
NY Exports	\$3.3B	-15.8%	
GASOLINE PRICE	DEC 2016	DEC 2015	2017
New York City	\$2.65/g	\$2.16/g	
Newark, NJ	\$2.40/g	\$1.71/g	
PRICES	DEC '16/ DEC '15	DEC '15/ DEC '14	2017
Consumer Prices - U. S.	1.6%	0.1%	2.3%
Consumer Prices - REGION	1.2%	0.4%	2.0%
Personal Income - U. S.	3.5%	3.9%	3.2%
Personal Income - REGION	4.8%	3.1%	3.1%
Construction Costs - U.S. 20-CITY	3.7%	2.2%	-
Construction Costs - NYC	5.5%	-0.4%	-
PRICES	NOV '16/ NOV '15	NOV '15/ NOV '14	2017
Housing Prices - U.S. 20-CITY	5.3%	5.6%	5.7%
Housing Prices - NYC	2.4%		-
CLASS A OFFICE SPACE AVERAGE ASKING RENT	2016Q4	2016Q3	2017
Manhattan Totals	\$76.76/sf	\$79.47/sf	-
Midtown	\$81.67/sf	\$85.10/sf	-
Downtown	\$63.17/sf	\$62.18/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.

January 2017

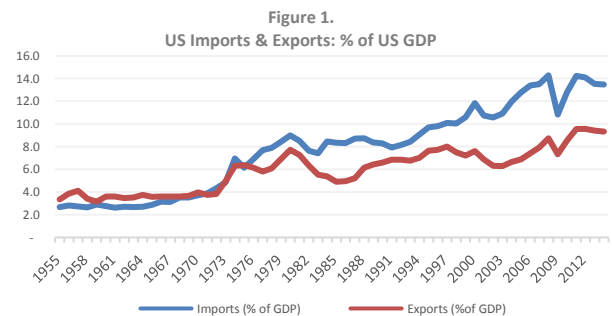
SPECIAL FOCUS

Trade: A New Era of Protectionism?

The last several decades have witnessed a reduction of trade barriers across the world, led by major bilateral treaties and trade pacts such as the North American Free Trade Agreement and the European Union. But recent developments, including but not limited to Brexit and policy proposals from the Trump Administration, suggest the world may be positioned to trend the opposite direction. As the owner of the third largest port in the United States, the Port Authority is keenly interested in what this may mean for shipping volumes and, in turn, what it could spell for the vitality of the port region.

Overall, economists agree that trade is largely beneficial to all trading partners for one simple reason: It allows for the better allocation of resources and enhances efficiency. Going back to the 18th century, David Ricardo and Adam Smith argued that protectionism would result in lower living standards and free trade would be the only way for nations to improve their economic prospects. Over time, nations have advanced the cause of free trade and large trade pacts have formed. Globalization has been nothing short of an unstoppable force, changing the ways many people live and work.

World trade overall has grown by nearly 700 percent since 1980, and the US has contributed to this growth. Looking at import and export trends over the last several decades, as shown in Figure 1 below, it is apparent that imports and exports, expressed as a percentage of GDP, have grown substantially. Also apparent from the graph is that the United States has moved from having a trade surplus in the early 1960s to running sustained trade deficits in more recent decades. The United States has become a major participant in globalization. Concentration among the United States' trading partners also has occurred: as of November 2016, our three main trading partners — China, Mexico and Canada — make up roughly 45 percent of total trade with the United States, up from less than 40 percent a decade earlier.



Growth in trade indeed has been enormous. Since 1980, real imports and exports of goods and services have grown by 628 percent and 475 percent, respectively. But who have been the beneficiaries of trade? And who has lost out as a result? Trade theory tells us that the benefit from trade tend to be diffuse whereas the costs are concentrated. In this case, US consumers have benefitted from a larger portfolio of goods, goods they were able to buy at lower prices. But domestic manufacturers have been adversely affected by foreign competition and lower priced manufactured products overseas. A frequently cited piece of evidence is the decline in manufacturing employment in the US, as shown in Figure 2. (continued on page 2)

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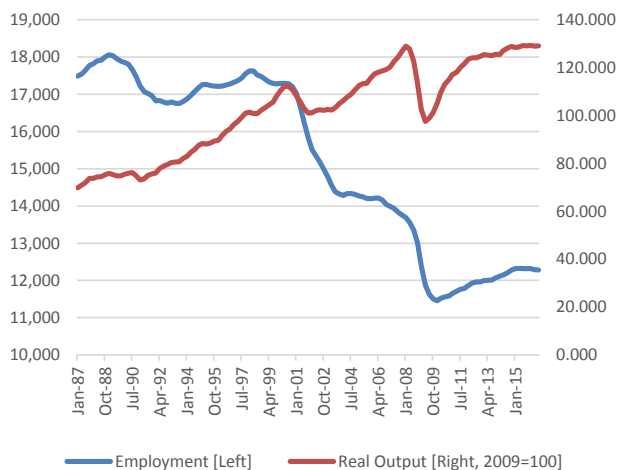
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AVIATION	Nov '16	YTD	Nov '16/15	YTD '16/15	PORT COMMERCE	Nov '16	YTD	Nov '16/15	YTD '16/15
Revenue Passengers (000's)	10,274.8	118,605.3	4.8%	5.0%	Port Trade				
John F. Kennedy International Airport (JFK)	4,469.3	54,145.4	2.8%	3.8%	Container Imports (TEUs)	271,755	2,937,980	9.1%	-0.8%
LaGuardia Airport (LGA)	2,452.0	27,423.1	5.1%	5.3%	Container Exports (TEUs)	114,884	1,244,555	-1.8%	-2.9%
Newark Liberty International Airport (EWR)	3,331.5	36,787.9	7.6%	7.4%	Containers lifted on/off Express Rail	43,556	498,021	5.7%	3.4%
Stewart International Airport (SWF)	22.0	249.0	-0.5%	-4.0%					
Revenue Freight (Short Tons)	183,230	1,884,369	4.1%	1.0%	TUNNELS, BRIDGES & TERMINALS	Nov '16	YTD	Nov '16/15	YTD '16/15
Domestic	66,565	670,997	16.9%	6.6%	Eastbound Vehicle Volumes (000's)	9,785	108,744	1.3%	2.6%
International	116,665	1,213,372	-2.0%	-1.9%	George Washington Bridge	4,245	47,316	1.1%	2.5%
Flights	106,647	1,208,605	2.8%	3.2%	Lincoln Tunnel	1,586	17,581	-0.3%	1.6%
Domestic Air Carrier	77,410	857,486	3.5%	3.5%	Holland Tunnel	1,271	14,059	0.3%	-0.2%
International Air Carrier	21,823	270,509	-1.2%	1.3%	Bayonne Bridge	165	1,514	11.2%	-19.9%
General Aviation	7,414	80,610	7.8%	5.6%	Goethals Bridge	1,277	14,335	1.0%	7.3%
Paid Parked Cars	566,122	7,273,931	-12.3%	-3.5%	Outerbridge Crossing	1,241	13,939	4.1%	5.8%
Revenue AirTrain Passengers	824,145	9,050,799	3.6%	2.8%	Eastbound Volumes by Vehicle Type (000's)				
					Autos	8,936	99,346	1.2%	2.9%
					Trucks	610	6,671	3.7%	0.3%
					Buses	240	2,727	0.8%	0.3%
FERRY OPERATIONS	Nov '16	YTD	Nov '16/15	YTD '16/15	PORT AUTHORITY PULSE	Oct '16	Sep '16	Change	
Passengers (000's)					(Seasonally Adjusted, 2010=100)				
New Jersey Ferries	652.0	8,019.0	-0.4%	6.4%	PA Pulse (Transportation Activity Index)	100.7	101.0	-0.3%	
					PA Freight Pulse	98.7	95.6	3.2%	
					PA Passenger Pulse	102.7	106.4	-3.5%	
PATH	Nov '16	YTD	Nov '16/15	YTD '16/15	U.S. TRANSPORT. SERVICES INDEX	Nov '16	Oct '16	Change	
Passengers (000's)	6,456.0	72,194.0	4.2%	3.0%	(Prelim., Seasonally Adj., 2000=100)				
Average Weekday	277.5	2,968.7	3.5%	4.3%	TSI - Combined Index	123.3	122.7	0.5%	
Average Saturday	104.7	1,187.3	-8.1%	-5.2%	TSI - Freight	123.2	122.6	0.5%	
Average Sunday	79.0	908.5	-14.9%	-6.1%	TSI - Passenger	123.1	122.4	0.6%	

TRANSPORTATION FOCUS

Figure 2
Manufacturing: Employment vs. Output



(from page 1)

But painting a picture that frames these manufacturing-specific employment losses as a result of globalization alone would be too simplistic. Much of the loss is due not to globalization but to automation of production, which has resulted in higher productivity in this sector. For instance, manufacturing output per employee in New York and New Jersey increased by 63 and 32 percent, respectively, between 1998 and 2015. That compares to productivity gains of 6 and 3.2 percent in the two states over the same period for all other sectors. The productivity revolution is not going to reverse itself, despite any efforts to the contrary, and manufacturing employment is not going to return to levels last seen three decades ago. A more sustainable growth path may be to focus on new technologies and innovative economic sectors such as technology or renewable energy.

So what are we to make of a political climate that may move us back towards higher trade barriers? Such measures would carry, as did trade liberalization before them, an unequal distribution of benefits and costs. Domestic producers may benefit from the barriers put in place to the disadvantage of foreign firms but, at the same time, US consumers will end up paying higher prices. Interventions in markets always come with inefficiencies and the combinations discussed above would provide no exception. That is important to keep in mind when buying avocados and tequila for next week's Super Bowl party.

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