

MONTHLY ECONOMIC INDICATORS

Planning and Regional Development Department

THE PORT AUTHORITY OF NY & NJ

JULY 2010

UNEMPLOYMENT RATE (percent of labor force)	MAY 2010	PREVIOUS 3 MOS AVERAGE	MAY 2009
U.S. ¹ (seasonally adjusted)	9.7	9.8	9.4
U.S. (not seasonally adjusted)	9.3	10.0	9.1
Region (not seasonally adjusted)	8.7	9.2	8.4

NON-FARM EMPLOYMENT (thousands)	MAY 2010	PREVIOUS 3 MOS AVERAGE	% CHANGE MAY 2010 / MAY 2009
U.S.	131,198	129,050	-0.4
REGION	7,764	7,645	-0.7
Construction	273	259	-7.6
Manufacturing	346	346	-5.5
Services	7,145	7,040	-0.2

GDP (percentage change in the GDP)	2010Q1 / 2009Q4	2009Q4 / 2009Q3	2009Q3 / 2009Q2
U.S. (seasonally adjusted at annual rates)	3.0	5.6	2.2
REGION	1.1	1.1	0.2

CONSUMER PRICES (percentage change in the CPI)	JUNE '10 / JUNE '09	JUNE '10 / MAY '10	MAY '10 / MAY '09
U. S.	1.1	-0.1	2.0
Core	0.9	0.0	0.9
REGION	1.5	-0.1	2.2
Core	1.5	0.0	1.3
Food & Beverages	0.8	0.2	0.8
Housing	0.8	0.4	0.8
Transportation	4.9	-1.0	9.5
Energy	2.9	-1.7	15.4

CONSTRUCTION COST (percentage change in the CCI)			
U.S. 20-CITY	2.6	0.5	2.2
NY REGION	3.4	0.1	3.2

GASOLINE PRICES (US Dollars Per Gallon)	Current	A month ago	A year ago
U.S. (all types NSA)	\$2.86	\$2.88	\$2.59
New York (all types NSA)	\$3.13	\$3.14	\$2.95
Newark, NJ (all types NSA)	\$2.74	\$2.78	\$2.55

HOUSING PRICES ² (12-Month Percentage Change)	MAY '10 / MAY '09	APR '10 / APR '09	MAR '10 / MAR '09
U.S. 20-CITY COMPOSITE	NA	3.9	2.4
NY METROPOLITAN AREA	NA	-1.0	-2.4

INTERNATIONAL TRADE (billions of dollars)	MAY 2010	% CHANGE VS. MAY 2009	% CHANGE YTD 2009 VS. 2010
U.S.	261.3	30.3	24.1
NY CUSTOMS DISTRICT	29.4	31.3	24.4
NY Imports	17.7	34.3	24.3
NY Exports	11.7	26.9	24.4

MANHATTAN COMMERCIAL REAL ESTATE (Class A Office Market)	JUNE 2010	MAY 2010	JUNE 2009
Vacancy Rate			
OVERALL	11.8	12.2	11.8
Midtown	12.4	13.0	13.5
Downtown	10.6	10.7	7.8
Average Asking Rent (\$/square foot)			
OVERALL	58.7	58.7	65.6
Midtown	64.4	64.2	69.7
Downtown	41.9	41.8	48.6

REGIONAL ECONOMIC FORECASTS ³	2010	2011	2012
CPI percent change, NYC MSA	2.0	2.2	2.6
CCI percent change, NYC	-1.8	0.8	5.7
Employment change ('000's), Region	-5.0	122	163

¹ The U.S. unemployment rate was 9.5 percent in June.

² Since the peak in June 2006, housing prices have fallen by 28.8 percent nationally and by 21.1 percent in the New York Region

³ For optimistic and pessimistic alternative forecasts please contact the Planning and Regional Development Department.

Sources available upon request.

SPECIAL FOCUS

Financial Services: The Engine of the Region

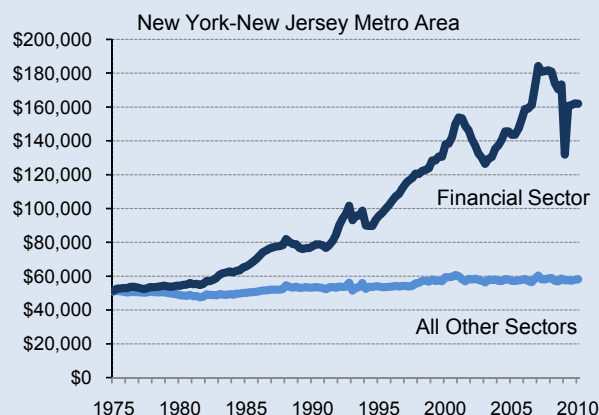
Over the last thirty-five years, the financial sector has emerged to become the engine of the region's economy. In 2009, wages and salaries from financial activities accounted for 21 percent of all wages in the region, up from just 10 percent in 1975. This change was part of a larger shift away from blue collar industries, as aggregate manufacturing wages declined from 17 percent of the regional wage base to just 5 percent today. Professional and business services have also grown in importance and represent 19 percent of the region's wages, up from 10 percent in 1975.

The rise of the financial sector as a catalyst for regional growth is due not to industry employment expansion but rather to much faster wage growth than in other sectors of the economy. In fact, the number of financial jobs is essentially unchanged since 1981. Since 1975, however, annual wages per worker have increased from \$51,000 to \$162,000 (in 2010 dollars), while wages in the rest of the region's economy edged up from \$51,000 to \$58,000 in inflation adjusted terms, as illustrated in Figure 1. An increasing share of the region's economic activity is directly driven by compensation in the financial sector.

A key risk of this rising inequality and the greater dependence on the financial sector is that the region's economic performance has become more volatile. Typically, a large portion of financial sector pay is tied to the performance of the financial markets and trading results of financial institutions, whereas average workers' wages reflect more long term productivity improvements and labor market trends. Since 1980, financial sector wages have bounced up or down by an average of 6.4 percent annually, while average wages in the rest of the economy have changed by less than a quarter that amount annually. For example, average financial sector wages fell from a peak of above \$180,000 in 2007 to a low of \$132,000 in early 2009, reflecting the huge drop in Wall Street bonuses last year amid the global financial crisis. During the same period, non-financial wages fell just 2 percent.

At the same time, the relative stagnation of non-financial wages has made it hard for the average worker to improve his or her standard of living and save for the future. Regionally and nationally, we have seen millions of households go deep into debt to "keep up with the Joneses," and households save less than half as much as they did in the 1970s. Wage stagnation has thus put many households in very precarious straits, creating severe future challenges for the region's economy.

Figure 1. Annual Wages per Worker in the Financial Sector



Source: Moody's Economy.com. Wages in 2010 dollars.