

MONTHLY ECONOMIC INDICATORS

Planning and Regional Development Department

THE PORT AUTHORITY OF NY & NJ

AUGUST 2010

UNEMPLOYMENT RATE (percent of labor force)	JUNE 2010	PREVIOUS 3 MOS AVERAGE	JUNE 2009
U.S. ¹ (seasonally adjusted)	9.5	9.8	9.5
U.S. (not seasonally adjusted)	9.6	9.7	9.7
Region (not seasonally adjusted)	8.8	8.9	8.9

NON-FARM EMPLOYMENT (thousands)	JUNE 2010	PREVIOUS 3 MOS AVERAGE	% CHANGE JUNE 2010 / JUNE 2009
U.S.	131,345	130,099	-0.1
REGION	7,805	7,711	-0.4
Construction	279	267	-6.0
Manufacturing	347	345	-5.1
Services	7,178	7,099	0.0

GDP (percentage change in the GDP)	2010Q2 / 2010Q1	2010Q1 / 2009Q4	2009Q4 / 2009Q3
U.S. (seasonally adjusted at annual rates)	2.4	3.7	5.0
REGION	1.1	1.0	0.6

CONSUMER PRICES (percentage change in the CPI)	JULY '10 / JULY '09	JULY '10 / JUNE '10	JUNE '10 / JUNE '09
U. S.	1.2	0.0	1.1
Core	0.9	0.0	0.9
REGION	1.5	0.1	1.5
Core	1.5	0.2	1.5
Food & Beverages	1.0	-0.2	0.8
Housing	0.6	0.3	0.8
Transportation	4.2	0.0	4.9
Energy	2.0	-0.2	2.9

CONSTRUCTION COST (percentage change in the CCI)			
U.S. 20-CITY	3.5	0.7	2.6
NY REGION	3.6	0.0	3.4

GASOLINE PRICES (US Dollars Per Gallon)	Current	A month ago	A year ago
U.S. (all types NSA)	\$2.85	\$2.87	\$2.77
New York (all types NSA)	\$3.10	\$3.12	\$3.06
Newark, NJ (all types NSA)	\$2.72	\$2.74	\$2.71

HOUSING PRICES ² (12-Month Percentage Change)	JUNE '10 / JUNE '09	MAY '10 / MAY '09	APR '10 / APR '09
U.S. 20-CITY COMPOSITE	NA	4.6	3.9
NY METROPOLITAN AREA	NA	-0.4	-0.9

INTERNATIONAL TRADE (billions of dollars)	JUNE 2010	% CHANGE VS. JUNE 2009	% CHANGE YTD 2009 VS. 2010
U.S.	275.8	29.1	25.0
NY CUSTOMS DISTRICT	31.1	28.1	25.0
NY Imports	19.1	30.6	25.4
NY Exports	12.0	24.4	24.4

MANHATTAN COMMERCIAL REAL ESTATE (Class A Office Market)	JULY 2010	JUNE 2010	JULY 2009
Vacancy Rate			
OVERALL	12.0	11.8	12.0
Midtown	13.6	12.4	13.6
Downtown	8.4	10.6	8.4
Average Asking Rent (\$/square foot)			
OVERALL	57.8	58.7	64.2
Midtown	64.4	64.4	68.2
Downtown	41.1	41.9	47.7

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 July.

² Since the peak in June 2006, housing prices have fallen by 28.4 percent nationally and by 20.6 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

Is The Economy Double-Dipping?

After economic growth of 3.7 percent in Q1 2010, the US economy significantly slowed during the next three months. The most recent real GDP growth estimate of 2.4 percent will likely be revised downward due to a growing trade deficit. Consumer spending is weak as a result of persistently high unemployment and little confidence in a turnaround this year. To further complicate matters, the savings rate has reached a recent high of approximately 6 percent. While a large portion of the government stimulus program (ARRA) is still unspent, painful spending cuts enacted by state governments to curtail severe budget shortfalls threaten to counteract any possible remaining Federal stimulus.

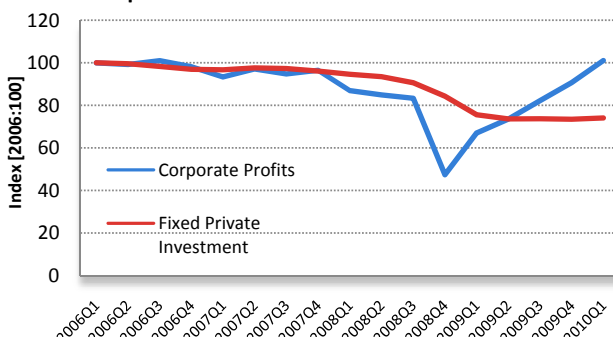
Economists agree that a sustained recovery needs to be driven by private employment growth but so far very few improvements have been visible. In fact, the BLS estimated the private sector added only 93,000 jobs on average in the first six months of this year. In comparison, the economy needs to create approximately 150,000 jobs each month simply to keep up with population growth. But why is the private sector so reluctant to hire and expand its workforce? Historically, there is a strong statistical relationship between corporate profits and private investment, resulting in expansionary conditions for the labor market. When corporate profits collapsed in 2008, private fixed investments also declined substantially, as shown in Figure 1. Although profit levels are back to pre-recession levels, investments have not followed this trend. The result is anemic private sector employment growth.

The reason for this lack of willingness to invest may be two-fold. First, businesses are not confident that demand for their goods and services will return as consumers struggle with job losses, high debt loads, and continuing mortgage foreclosures. Policymakers are giving mixed signals about their willingness and ability to tackle these problems. Secondly, the financial sector has yet to fully recover from the 2008 crisis. Lending conditions are stricter and while responsible lending in general is beneficial and desirable, businesses face higher borrowing costs and the potential cancellation of credit lines even in the current environment of extremely low interest rates. As a result, businesses may be using more of their profits to finance ongoing activities or as financial reserves.

In the New York-New Jersey region, business conditions mirror the national picture. According to the Federal Reserve's Empire State Manufacturing Survey, companies are cautious about future investment decisions due to low expected sales growth and low capacity utilization. While there is some expectation for higher capital investment, the overall outlook, although stronger than the nation, remains relatively weak by historical standards.

Will the US economy enter a double-dip recession? Government and consumers appear to have run out of resources to sustain any aggregate spending growth. Businesses on the other hand have been able to generate profits at pre-recession levels. Therefore, the answer may lie in the private sector's capital investment and whether profits will be spent and leveraged or if caution will continue to rule. In the latter case, a double-dip recession appears more and more likely.

Figure 1
Corporate Profits vs. Fixed Private Investment



Source: Bureau of Economic Analysis