MONTHLY ECONOMIC INDICATORS

Planning and Regional Development Department

THE PORT AUTHORITY OF NY & NJ

SEPTEMBER 2010

UNEMPLOYMENT RATE (percent of labor force)	AUG 2010	PREVIOUS 3 MOS AVERAGE	AUG 2009
U.S.[1] (seasonally adjusted)	9.6	9.6	9.7
U.S. (not seasonally adjusted)	9.5	9.5	9.6
Region (not seasonally adjusted)	8.9	8.9	9.2

NON-FARM EMPLOYMENT (thousands)	AUG 2010	PREVIOUS 3 MOS AVERAGE	% CHANGE AUG 2010 / AUG 2009
U.S.	130,149	130,882	0.2
REGION	7,699	7,767	-0.1
Construction	289	278	-2.7
Manufacturing	344	346	-4.2
Services	7,066	7,143	0.2

GDP (percentage change in the GDP)	2010Q2 / 2010Q1	2010Q1 / 2009Q4	2009Q4 / 2009Q3
U.S. (seasonally adjusted at annual rates)	1.6	3.7	5.0
REGION	0.8	0.8	0.8

CONSUMER PRICES (percentage change in the CPI)	AUG '10 / AUG '09	AUG '10 / JULY '10	JULY '10 / JULY '09
U. S.	1.1	0.1	1.2
Core	0.9	0.1	0.9
REGION	1.4	0.2	1.5
Core	1.4	0.2	1.5
Food & Beverages	1.4	0.2	1.0
Housing	0.5	-0.2	0.6
Transportation	3.9	0.0	4.2
Energy	1.0	-0.6	2.0

CONSTRUCTION COST (percentage change in the CCI)			
U.S. 20-CITY	3.4	-0.1	3.5
NY REGION	3.6	0.0	3.6

GASOLINE PRICES (US Dollars Per Gallon)	Current	A month ago	A year ago
U.S. (all types NSA)	$2.84	$2.82	$2.63
New York (all types NSA)	$3.03	$3.07	$2.98
Newark, NJ (all types NSA)	$2.67	$2.69	$2.55

HOUSING PRICES[2] (12-Month Percentage Change)	JULY '10 / JULY '09	JUNE '10 / JUNE '09	MAY'10 / MAY '09
U.S. 20-CITY COMPOSITE	3.1	4.2	4.7
NY METROPOLITAN AREA	0.5	0.1	-0.4

INTERNATIONAL TRADE (billions of dollars)	JULY 2010	% CHANGE VS. JULY 2009	% CHANGE YTD 2009 VS. 2010
U.S.	268.2	21.4	24.4
NY CUSTOMS DISTRICT	31.2	26.6	25.3
NY Imports	19.8	27.5	25.8
NY Exports	11.4	25.0	24.5

MANHATTAN COMMERCIAL REAL ESTATE (Class A Office Market)	AUGUST 2010	JULY 2010	AUGUST 2009
Vacancy Rate			
OVERALL	11.8	12.0	11.8
Midtown	11.9	12.0	13.5
Downtown	12.1	12.4	8.2
Average Asking Rent ($/square foot)			
OVERALL	58.3	57.8	64.4
Midtown	65.1	64.4	68.8
Downtown	41.3	41.1	46.0

REGIONAL ECONOMIC FORECASTS[3]	2010	2011	2012
CPI percent change, NYC MSA	2.1	2.1	2.3
CCI percent change, NYC	1.5	1.8	5.4
Employment change (000's), Region	-100	30	108

[1] The U.S. unemployment rate was 9.6 percent in August.

[2] Since the peak in June 2006, housing prices have fallen by 28.3 percent nationally and by 19.3 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

Diminished Consumer Wealth: What Will Replace Consumer Spending?

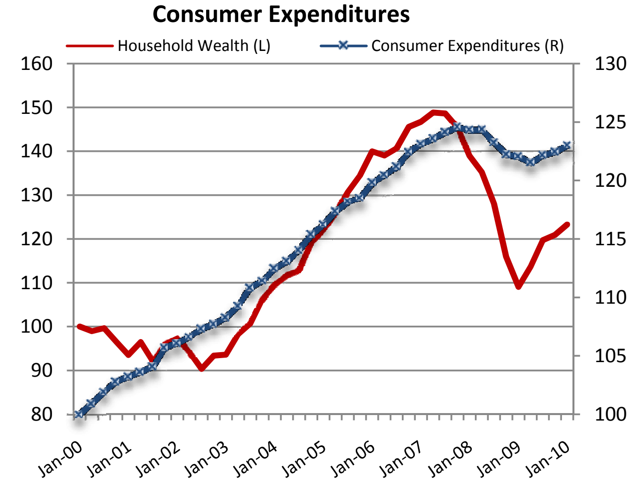
By their peak in the first quarter of 2006, home equity values, or the value of residential real estate net of mortgage balances, had grown by nearly $7 billion since the start of the decade, according to the Federal Reserve Bank's Flow of Funds Accounts data. Households used this increase in wealth to finance purchases from automobiles, vacations and home improvements to general living expenses such as gasoline and groceries.

Active mortgage equity withdrawal (MEW), a measure of home equity borrowing, is considered a driver of consumer spending. Using MEW data obtained from a comprehensive study conducted by former Fed Chairman Alan Greenspan and Fed Economist Jim Kennedy and consumer spending data from the Bureau of Economic Analysis, we estimated a strong positive correlation of .74 between active MEW and consumer spending. In other words, homeowners borrowed heavily against their growing home values and the majority of these equity withdrawals translated into higher consumer expenditures. The relationship between increases in household wealth, primarily consisting of home equity, financial investments and savings, and personal consumption is illustrated in the chart below.

Since April 2006, home values across the country fell by an average of nearly 30 percent as measured by the Case-Shiller Home Price Index. How has this decline in housing values paired with rising unemployment affected consumers? The wealth that appreciating home prices and low interest rates created for many has evaporated and, as a result, consumers have been forced to reduce consumption and spending and increase their savings. The diminishing of this "wealth effect" combined with the elimination of mortgage equity withdrawals created a severe strain for consumers especially for households at the lower end of the income distribution that have less of a safety margin in their personal finances.

What likely will come next for the national and regional consumer is a long period of financial de-leveraging , or the re-payment of debts accumulated over the last decades, combined with lower propensity for consumption. The US economy, 70 percent of which is driven by consumer expenditures, therefore will have to depend on other sources of aggregate demand or be faced with a delayed rebound in economic activity.

Relationship of Household Wealth and Consumer Expenditures



Source: Federal Reserve Bank; Bureau of Economic Analysis.