

MONTHLY ECONOMIC INDICATORS

Planning and Regional Development Department

THE PORT AUTHORITY OF NY & NJ

JANUARY 2011

UNEMPLOYMENT RATE (percent of labor force)	DEC 2010	PREVIOUS 3 MOS AVERAGE	DEC 2009
U.S. (seasonally adjusted)	9.4	9.7	10.0
U.S. (not seasonally adjusted)	9.1	9.2	9.7
Region (not seasonally adjusted)	8.1	8.5	9.3

NON-FARM EMPLOYMENT (thousands)	DEC 2010	PREVIOUS 3 MOS AVERAGE	% CHANGE DEC 2010 / DEC 2009
U.S.	131,514	131,366	0.9
REGION	7,771	7,740	0.1
Construction	275	285	-1.5
Manufacturing	344	345	-2.8
Services	7,153	7,109	0.2

GDP (percentage change in the GDP)	2010Q4	2010Q3	2010Q2
U.S. (seasonally adjusted at annual rates)	3.2	2.6	1.7
REGION	0.8	0.8	0.8

CONSUMER PRICES (percentage change in the CPI)	DEC '10 / DEC '09	DEC '10 / NOV '10	NOV '10 / NOV '09
U. S.	1.5	0.2	1.1
Core	0.8	-0.1	0.8
REGION	1.4	0.0	1.3
Core	0.9	-0.3	1.1
Food & Beverages	1.4	-0.2	1.5
Housing	0.8	0.2	0.7
Transportation	4.6	1.3	3.7
Energy	6.9	2.9	3.5

CONSTRUCTION COST (percentage change in the CCI)	DEC '10 / DEC '09	DEC '10 / NOV '10	NOV '10 / NOV '09
U.S. 20-CITY	3.6	0.02	4.2
NY REGION	3.5	-0.02	3.6

GASOLINE PRICES (US Dollars Per Gallon)	Current	A month ago	A year ago
U.S. (all types NSA)	\$3.27	\$3.21	\$2.85
New York City (all types NSA)	\$3.62	\$3.55	\$3.12
Newark, NJ (all types NSA)	\$3.24	\$3.17	\$2.78

HOUSING PRICES ¹ (12-Month Percentage Change)	NOV '10 / NOV '09	OCT '10 / OCT '09	SEP '10 / SEP '09
U.S. 20-CITY COMPOSITE	-1.6	-0.8	0.4
NY METROPOLITAN AREA	-1.7	-1.7	-0.3

INTERNATIONAL TRADE (billions of dollars)	NOV 2010	% CHANGE VS. NOV 2009	% CHANGE YTD 2010 VS. 2009
U.S.	282	18.6	22.6
NY CUSTOMS DISTRICT	31	20.1	23.6
NY Imports	19	18.3	23.8
NY Exports	12	23.1	23.4

MANHATTAN COMMERCIAL REAL ESTATE (Class A Office Market)	DECEMBER 2010	NOVEMBER 2010	DECEMBER 2009
Vacancy Rate			
OVERALL	10.9	11.3	12.3
Midtown	10.9	11.4	13.9
Downtown	11.8	11.9	8.5
Average Asking Rent (\$/square foot)			
OVERALL	58.5	58.1	62.1
Midtown	65.3	64.7	67.3
Downtown	41.9	41.8	45.1

REGIONAL ECONOMIC FORECASTS ²	2011	2012	2013
CPI percent change, NYC MSA	1.8	2.2	2.3
Employment change (000's), Region	75	127	133

¹ Since the peak in June 2006, housing prices have fallen by 30.3 percent nationally and by 21.5 percent in the New York Region

² For optimistic and pessimistic alternative forecasts please contact the Planning and Regional Development Department.

Sources available upon request.

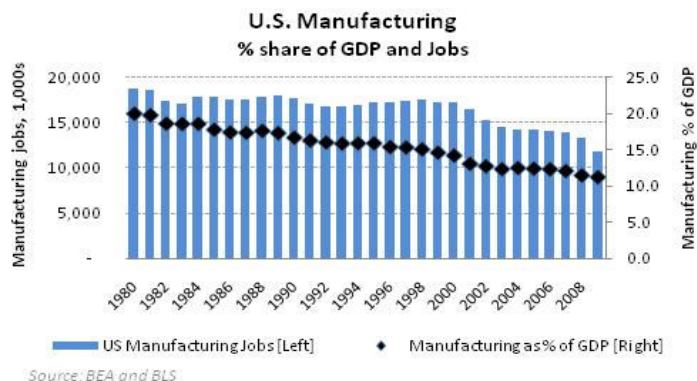
SPECIAL FOCUS

The Decline of US Manufacturing

Conventional wisdom tells us that domestic manufacturing was replaced by foreign production sometime in the mid-1980s and that today most products, such as consumer electronics, apparel, and even automobiles, are increasingly produced in countries like China, Mexico or the Philippines. But how much has US manufacturing actually declined in recent years?

While it is true that the US economy today is more oriented toward services, as roughly two-thirds of consumer expenditures is indeed on services, manufacturing still produces significant economic activity. Manufacturing output net of intermediate goods amounted to \$1.6 trillion in 2009. But manufacturing's share of the economy, as shown in the figure below, fell from 20 percent in 1980 to below 12 percent in 2009. Other sectors grew in importance and diminished the relative role of manufacturing. This trend also holds when considering total manufacturing employment. While there were roughly 18.5 million workers employed in manufacturing industries in 1980, today total employment has fallen below 12 million. The use of technology, such as increased factory automation, has allowed firms to become more efficient and produce output with fewer workers.

The declines in employment and in manufacturing's relative share of the total economy have not always gone hand in hand. For instance, after the recession of the early 1990s, manufacturing employment grew strongly throughout the second half of the decade. Its share of the economy fell nevertheless. The recession of 2001 saw a dramatic decline in employment, which was never reversed and employment fell even further during the most recent economic downturn.



Regional data show a similar trend. Over the last three decades, services, and in particular financial and business services, have gained in relative importance, and manufacturing has seen an even steeper decline than in the US overall. Regional manufacturing employment, once dominated by the textile industry, has fallen by approximately 55% over the last three decades and today the share of the local economy supported by primarily chemical, fabricated metals and electronics manufacturing is less than 5 percent. New Jersey has been especially hard hit. Manufacturing accounted for roughly 27 percent of statewide employment in 1970; by 2008 the share had been reduced to barely 6 percent.

What are the consequences of these trends for the national and regional economies? Manufacturing jobs tend to be higher paid than their equivalent in the services sector. For instance, the average manufacturing job in NJ pays approximately \$71,000 annually compared to \$55,000 for all other sectors combined. Historically, these jobs tended to be a primary form of "middle class" employment. Their overall decline has contributed to stagnating real wages and increasing income inequality. The trend has also been magnified by falling national rates of unionization, although New York and New Jersey still are among the states with the highest union membership rates. In the PA region, the decline of manufacturing as a major economic sector, especially in industries such as textiles and machine manufacturing, has paralleled growth in Wall Street and overall professional services. The region greatly benefits from a strong banking and insurance industry, but the strength and dominance of these businesses may also mean a lack of diversification and increasing dependence on a narrow sector of the economy. Manufacturing was once an engine driving growth and prosperity in the region; it no longer plays that role as its prominence has greatly diminished.