MONTHLY ECONOMIC INDICATORS

Planning and Regional Development Department

THE PORT AUTHORITY OF NY & NJ

FEBRUARY 2011

UNEMPLOYMENT RATE (percent of labor force)	JAN 2011	PREVIOUS 3 MOS AVERAGE	JAN 2010
U.S. (seasonally adjusted)	9.0	9.6	9.7
U.S. (not seasonally adjusted)	9.8	9.1	10.6
Region (not seasonally adjusted)	NA	8.4	9.6

NON-FARM EMPLOYMENT (thousands)	DEC 2011	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)	2.8	2.6	1.7
REGION (quarterly at annual rate)	3.9	3.0	2.0

CONSUMER PRICES (percentage change in the CPI)	JAN'11 / JAN '10	JAN '11 / DEC '10	DEC '10 / DEC '09
U. S.	1.6	0.5	1.5
Core	1.0	0.2	0.8
REGION	1.5	0.3	1.4
Core	1.0	0.1	0.9
Food & Beverages	2.0	0.9	1.4
Housing	0.7	0.1	0.8
Transportation	5.3	1.0	4.6
Energy	6.2	1.5	6.9

CONSTRUCTION COST (percentage change in the CCI)	JAN '11/ JAN '10	JAN '11 / DEC '10	DEC '10 / DEC '09
U.S. 20-CITY	3.2	-0.16	3.6
NY REGION	3.5	-0.03	3.5

GASOLINE PRICES (US Dollars Per Gallon)	Current	A month ago	A year ago
U.S. (all types NSA)	$3.48	$3.27	$2.85
New York City (all types NSA)	$3.73	$3.62	$3.06
Newark, NJ (all types NSA)	$3.35	$3.24	$2.73

HOUSING PRICES[1] (12-Month Percentage Change)	DEC '10 / DEC '09	NOV '10 / NOV '09	OCT '10 / OCT '09
U.S. 20-CITY COMPOSITE	-2.4	-1.6	-0.8
NY METROPOLITAN AREA	-2.3	-1.9	-1.7

INTERNATIONAL TRADE (billions of dollars)	DEC 2010	% CHANGE VS. DEC 2009	% CHANGE YTD 2010 VS. 2009
U.S.	283	15.7	22.0
NY CUSTOMS DISTRICT	31	13.5	22.7
NY Imports	19	11.8	12.1
NY Exports	12	16.4	22.7

MANHATTAN COMMERCIAL REAL ESTATE (Class A Office Market)	JANUARY 2011	DECEMBER 2010	JANUARY 2010
Vacancy Rate			
OVERALL	11.2	10.9	12.2
Midtown	11.5	10.9	13.8
Downtown	11.4	11.8	8.1
Average Asking Rent ($/square foot)			
OVERALL	58.9	58.5	63.1
Midtown	65.3	65.3	67.6
Downtown	42.2	41.9	44.6

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 31.0 percent nationally and by 22.4 percent in the New York Region

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

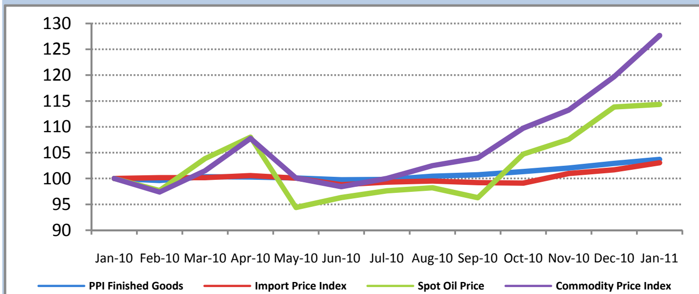
Sources available upon request.

SPECIAL FOCUS

Will inflation be a problem for the economy in 2011?

The Bureau of Labor Statistics reports that consumer prices rose by just 1.4 percent in 2010, and by even less when volatile food and energy prices are left out of the calculation. Just last fall, the Federal Reserve eased monetary policy to keep the economy out of a deflationary spiral. But now, some commentators see inflation accelerating, and the question has become not "if" but "when" inflation will find its way into the US economy and affect consumers and their purchasing power. There are two key arguments behind this line of reasoning.

Since the middle of 2010, energy and especially commodity prices have been on a rapid and steady incline with no signs of easing in light of increased demand from emerging markets and supply shortfalls. As shown in the figure below, the commodity price index took off in June of last year and has measured a combined price increase of 27.7 percent since January 2010. Energy prices have followed the same trend, with the price of crude oil rising by 14.3 percent over the same timeframe. The current turmoil in the Middle East poses great risks for further upward movement in energy prices as the continued spread of unrest raises uncertainty of energy production and access to reserves. Import prices and wholesale prices overall have seen more moderate increases of 3.0 and 5.7 percent, respectively. Faced with these rising production cost pressures, companies across most industries will either see their profit margins get squeezed or start raising prices themselves. What we may be experiencing right now is the lag period before wholesale price changes trickle down into consumer price changes.



Source: Federal Reserve Bank of St. Louis

A second factor that could affect price increases in the medium to long term is the increase in the monetary base, also referred to as monetary inflation. Since the middle of the financial crisis in 2008, the Federal Reserve has added much liquidity to the banking sector. The Fed's actions include direct support and several rounds of expansionary bond purchases. The most recent series of bond purchases, a technique called quantitative easing, was initiated the day after the November election. As a result, bank reserves, and more technically the monetary base, have increased by a factor of 2.5 since mid-2008. Traditional monetary economic theory suggests that this increase in liquidity can become inflationary at some point. While it is still to early for this trend to materialize, financial markets have registered changes in interest rates recently. Yields on 10-year government debt have moved up by 120 basis points, or 1.2%, since the middle of 2010 possibly signaling investor concerns about inflation or maybe just recent market activities in Treasuries, i.e. a move out of bonds and into equities. While these might be different circumstances in which the old rules of monetary relationships no longer apply, some concern should still be raised in light of this expansionary monetary climate.

The price trend in the New York – New Jersey metro region mirrors the national patterns. Consumer price inflation in January 2011 was less than 2 percent year-on-year and the largest CPI component price increase was for energy related goods such as motor fuel. New York City regular grade retail gasoline price the week of February 28th rose over 7 percent since the end of December 2010. Housing markets across the region have not seen sustained price increases but there are some signs that this might change, especially in Manhattan. Rising commodity and energy prices will ultimately push up prices in the region as well as nationally. Most likely this process will take some time, and the sluggish economy will cause businesses to further delay any price increases. Nevertheless, recent economic reports point to a recovering consumer sector, and more activity in consumer borrowing and spending will provide additional price pressures. The revival of the consumer sector will also allow firms to start raising prices without fear of losing market share and sales volume.