

MONTHLY ECONOMIC INDICATORS

Planning and Regional Development Department

THE PORT AUTHORITY OF NY & NJ

JULY 2011

UNEMPLOYMENT RATE (percent of labor force)	JUN 2011	PREVIOUS 3 MOS AVERAGE	JUN 2010
U.S. (seasonally adjusted)	9.2	9.0	9.5
U.S. (not seasonally adjusted)	9.3	8.9	9.6
Region (not seasonally adjusted)	8.6	8.2	8.8

NON-FARM EMPLOYMENT (thousands)	JUN 2011	PREVIOUS 3 MOS AVERAGE	% CHANGE JUN 2011 / JUN 2010
U.S.	131,017	130,910	0.8
REGION	7,868	7,793	0.0
Construction and Manufacturing	611	596	-2.8
FIRE and Professional Business	1,941	1,913	1.3
Government	1,175	1,179	-4.6
All Others	4,141	4,104	1.3

REAL GDP (percentage change)	2011Q2	2011Q1	2010Q4
U.S. (seasonally adjusted at annual rates)	1.3	0.4	2.3
REGION (quarterly at annual rate)	2.5	2.7	3.9

CONSUMER PRICE INDEX (percentage change)	JUN '11 / JUN '10	JUN '11 / MAY '11	MAY '11 / MAY '10
U. S.	3.4	-0.2	3.4
Core	1.6	0.3	1.5
REGION	3.2	0.2	2.9
Core	1.8	0.3	1.6
Food & Beverages	3.2	0.8	2.6
Housing	1.4	0.6	1.2
Transportation	12.5	-0.6	12.0
Energy	17.3	-1.7	17.2

CONSTRUCTION COST INDEX (percentage change)	JUL '11 / JUL '10	JUL '11 / JUN '11	JUN '11 / JUN '10
U.S. 20-CITY	2.4	-0.3	3.4
NY REGION	2.8	0.1	2.7

GASOLINE PRICES (US dollars per gallon)	Current	A month ago	A year ago
U.S. (all types NSA)	\$3.83	\$3.68	\$2.89
New York City (all types NSA)	\$4.22	\$4.11	\$3.12
Newark, NJ (all types NSA)	\$3.83	\$3.78	\$2.75

HOUSING PRICES ¹ (12-month percentage change)	MAY '11 / MAY '10	APR '11 / APR '10	MAR '11 / MAR '10
U.S. 20-CITY COMPOSITE	-4.5	-4.2	-4.0
NY METROPOLITAN AREA	-3.2	-3.0	-4.1

INTERNATIONAL TRADE (billions of dollars)	MAY 2011	% CHANGE VS. MAY 2010	% CHANGE YTD 2011 VS. 2010
U.S.	312.0	19.4	9.9
NY CUSTOMS DISTRICT	36.2	23.1	14.3
NY Imports	22.6	27.4	22.7
NY Exports	13.6	16.7	22.9

MANHATTAN COMMERCIAL REAL ESTATE (class A office market)	JUN 2011	MAY 2011	JUN 2010
Vacancy Rate			
OVERALL	10.4	10.9	11.8
Midtown	10.8	11.3	12.4
Downtown	10.3	10.6	10.6
Average Asking Rent (\$/square foot)			
OVERALL	60.6	60.2	58.7
Midtown	67.5	67.0	64.4
Downtown	41.6	41.1	41.9

REGIONAL ECONOMIC FORECASTS ²	2011	2012	2013
CPI percent change, NYC MSA	2.8	3.2	3.4
Employment change (000's), Region	75	127	133

¹ Since the peak in June 2006, housing prices have fallen by 32.3 percent nationally and by 23.4 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.

Contact: Alexander Heil, Chief Economist, aheil@panynj.gov

SPECIAL FOCUS

Rising Prices Pinching Businesses and Consumers

Recent inflation reports suggest a softening of prices, but these mask the inflationary pressure felt by US and regional consumers. The June reading of the national Consumer Price Index (CPI) shows that consumer prices fell by 0.2 percent. The monthly decline was driven by lower energy prices after a run-up of crude oil to more than \$100 per barrel earlier in the year. Other price measures such as the closely watched Personal Consumption Expenditure (PCE) Index show only very modest price inflation. The annualized PCE Index rose to the Fed's target inflation level of 2 percent in May. However, this benign inflation picture is likely misleading because some underlying data appear worse than what is illustrated by the headline numbers.

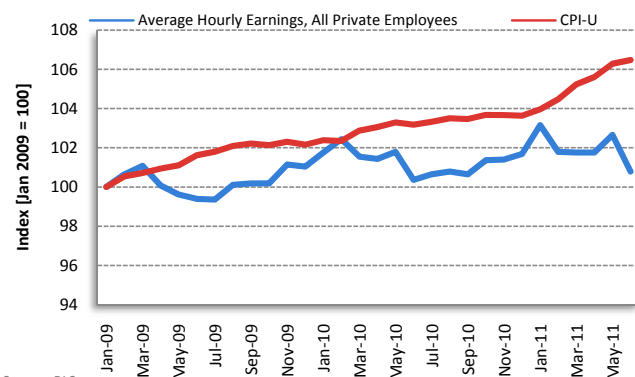
When considering the year-over-year changes in the headline CPI and not just monthly changes, inflation is estimated at a rate of 3.4 percent. The core CPI, excluding the volatile food and energy components, has been steadily increasing since the start of the year and rose 1.6 percent since last June, the largest year-on-year gain since December 2009. In May and June, the core CPI rose at an annual rate of 3.6 percent. With unemployment high, businesses have been avoiding burdening consumers with price increases for several months as higher import prices, producer prices and construction costs squeezed their profit margins. But now price increases have found their way into the economy through those producers, wholesalers, and retailers forced to pass on rising costs, despite an economic recovery with anemic GDP and employment growth. In the New York – New Jersey Metro region, the CPI increased 3.2 percent in June 2011 over the same month last year, the largest increase in 32 months.

What is contributing to this inflation trend in the region? Food and energy prices have jumped 3.2 and 17.3 percent since last year, respectively. There are also other contributing factors including housing, apparel and healthcare expenses. While the US housing market still has not recovered from the price collapse that began in 2006, rents have seen some strengthening, especially in New York City and New Jersey. Metro region rents increased by 2.4 percent over the last 12 months. Apparel prices are up 4 percent and medical expenses have seen increases of 3 percent over the same timeframe.

While these inflation rates seem negligible by historical standards, they impact consumers who have been adversely affected by stagnant wages and persistently high unemployment. Average private weekly earnings only increased 0.7% in May 2011 over a year ago in the region. As a result, consumers have experienced declining purchasing power; this assessment does not even consider the impact on those who have lost their jobs since the onset of the Great Recession. While the recent fall in oil prices, albeit likely transitory, might lessen the pain, it will not be until stronger economic and employment growth takes hold that relative consumer welfare will improve. Unfortunately, given the continued weakness in the fundamentals underlying the economy, that day appears to be quite some time off.

Regional Price & Wage Inflation Trends

NY-NJ Metropolitan Area



Source: BLS