

MONTHLY ECONOMIC INDICATORS

Planning and Regional Development Department

THE PORT AUTHORITY OF NY & NJ

AUGUST 2011

UNEMPLOYMENT RATE

(percent of labor force)

	JUL 2011	PREVIOUS 3 MOS AVERAGE	JUN 2010
U.S. (seasonally adjusted)	9.1	9.1	9.5
U.S. (not seasonally adjusted)	9.3	8.9	9.7
Region (not seasonally adjusted)	8.6	8.3	9.2

NON-FARM EMPLOYMENT

(thousands)

	JUL 2011	PREVIOUS 3 MOS AVERAGE	% CHANGE JUL 2011 / JUL 2010
U.S.	131,190	131,025	1.0
REGION	7,839	7,842	1.0
Construction and Manufacturing	614	604	-2.4
Fire and Professional Business	1,952	1,928	1.7
Government	1,158	1,177	-0.5
All Others	4,114	4,133	1.5

REAL GDP

(percentage change)

	2011Q2	2011Q1	2010Q4
U.S. (seasonally adjusted at annual rates)	1.0	0.4	2.3
REGION (quarterly at annual rate)	2.5	2.7	3.9

CONSUMER PRICE INDEX

(percentage change)

	JUL '11 / JUL '10	JUL '11 / JUN '11	JUN '11 / JUN '10
U. S.	3.6	0.5	3.4
Core	1.8	0.2	1.6
REGION	3.3	0.2	3.2
Core	1.8	0.3	1.8
Food & Beverages	3.4	0.8	3.2
Housing	1.5	0.6	1.4
Transportation	12.3	-0.6	12.5
Energy	17.7	-1.7	17.3

CONSTRUCTION COST INDEX

(percentage change)

	AUG '11/ AUG '10	AUG '11 / JUL '11	JUL '11/ JUL '10
U.S. 20-CITY	2.6	0.1	2.4
NY REGION	2.9	0.1	2.8

GASOLINE PRICES

(US dollars per gallon)

	Current	A month ago	A year ago
U.S. (all types NSA)	\$3.74	\$3.83	\$2.82
New York City (all types NSA)	\$4.10	\$4.22	\$3.07
Newark, NJ (all types NSA)	\$3.70	\$3.82	\$2.68

HOUSING PRICES¹

(12-month percentage change)

	JUN '11 / JUN '10	MAY '11 / MAY '10	APR '11 / APR '10
U.S. 20-CITY COMPOSITE	-4.5	-4.6	-4.2
NY METROPOLITAN AREA	-3.6	-3.1	-2.9

INTERNATIONAL TRADE

(billions of dollars)

	JUN 2011	% CHANGE VS. JUN 2010	% CHANGE YTD 2011 VS. 2010
U.S.	315.3	14.3	10.7
NY CUSTOMS DISTRICT	35.3	13.3	14.1
NY Imports	21.5	12.6	20.8
NY Exports	13.8	14.4	21.4

MANHATTAN COMMERCIAL

REAL ESTATE

(class A office market)

	JUL 2011	JUN 2011	JUL 2010
Vacancy Rate			
OVERALL	10.2	10.4	12.0
Midtown	10.5	10.8	12.0
Downtown	10.2	10.3	12.4
Average Asking Rent (\$/square foot)			
OVERALL	60.5	60.6	57.8
Midtown	67.4	67.5	64.4
Downtown	42.1	41.6	41.1

REGIONAL ECONOMIC

FORECASTS²

	2011	2012	2013
CPI percent change, NYC MSA	2.8	3.2	3.4
Employment change ('000's), Region	14	37	51

¹ Since the peak in June 2006, housing prices have fallen by 31.5 percent nationally and by 22.3 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.

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SPECIAL FOCUS

Housing Market Woes: An Obstacle to Economic Recovery

As of August 2011, the US economy faces the threat of another recession; the economic data released in the last few weeks has been more than grim. One sector that continues to show no sign of life or recovery is housing. The latest read of the national Case-Shiller Home Price Index shows an overall decline of 31.5 percent since the peak of the market in 2006. More households have found themselves in a position of negative equity, i.e. the point at which the loan on a property exceeds its value. Mortgage rates have hit historic lows and currently a new borrower with good credit can obtain a fixed-rate mortgage loan with an interest rate of close to 4 percent. This is indeed uncharted territory!

The combined low financing rates and home valuations should have created additional demand for housing. On the contrary, existing home sales in July fell by 3.5 percent according to the National Association of Realtors. The uptick in transactions that occurred due to the now-expired Federal tax credits for first time homebuyers is a distant memory.

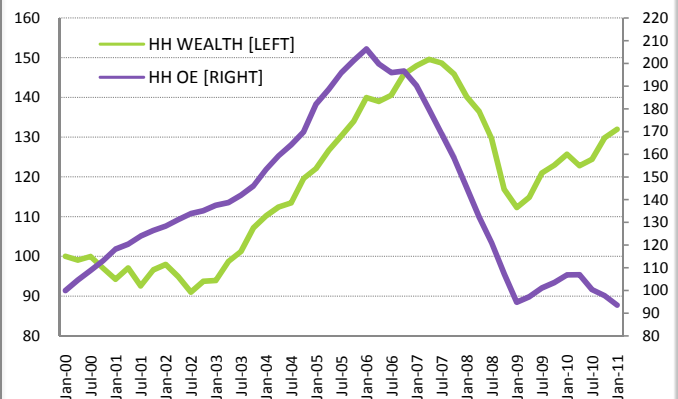
The NY-NJ region mirrors the national trend with some notable exceptions. Negative equity rates are significantly lower than the national average, and the high-end housing market in some parts of New York City (certain neighborhoods in Manhattan and Brooklyn) has seen an increase in sales transactions and prices. But housing especially in NJ counties is still severely depressed. It appears that the non-existent recovery in housing is and will continue to affect other economic activity, especially consumer spending. Homeowner equity in real estate at the peak of the market accounted for over 22 percent of total household wealth. As illustrated in the graph below, since the peak in 2006 over half of the wealth created by the housing bubble has evaporated, depressing household wealth alongside the decline in the stock market. Likewise, investment spending and job generation associated with the housing market have deteriorated and show no signs of returning without a remedy to the market's ailments.

The Affordability Programs created by the Treasury Department have not been very successful. As of June 2011, 659,000 homeowners have received a modification to their loans either in the form of interest reductions or extension of the repayment period. Affordability remains a problem even for these borrowers as nearly 20 percent of them fell behind in their payments again within one year of the modification. The NY-NJ metro area received roughly 41,000 modifications but delinquency rates in that group also remain high at above 10 percent. The bottom line is that the volume of modifications is simply too small to have any significant impact on the housing market overall compared to the number of households in default or foreclosure.

Considering the current state of the US and regional economy, a recovery of housing will be critical to a sustained future growth path. Without additional sales activity, an uptick of prices across all segments of the market, and demand for construction and home improvement services, the consumer sector will remain weak and fail to be the source of sustained and healthy growth the economy needs.

Household Wealth vs. Household Owner Equity

Index 100 = Jan 2000



Source: Federal Reserve Bank

MONTHLY ECONOMIC INDICATORS

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AUGUST 2011

AVIATION	JUN '11	JUN '10	PCT. CHANGE
Revenue Passengers (000's)	9,675.9	9,451.3	2.4%
John F. Kennedy International Airport (JFK)	4,352.6	4,282.1	1.6%
LaGuardia Airport (LGA)	2,169.7	2,126.1	2.1%
Newark Liberty International Airport (EWR)	3,119.1	3,009.8	3.6%
Stewart International Airport (SWF)	34.5	33.3	3.7%
Revenue Freight (Short Tons)	190,817	186,470	2.3%
Flights	106,867	103,246	3.5%
Domestic Air Carrier	77,570	73,798	5.1%
International Air Carrier	23,495	23,099	1.7%
General Aviation	5,802	6,349	-8.6%
Ground Transportation			
Paid Parked Cars	830,068	832,731	-0.3%
Revenue AirTrain Passengers	683,289	631,377	8.2%
FERRY OPERATIONS	JUN '11	JUN '10	PCT. CHANGE
Passengers (000's)			
New Jersey Ferries	736.1	715.9	2.8%
PATH	JUN '11	JUN '10	PCT. CHANGE
Passengers (000's)	6,772.0	6,482.0	4.5%
Average Weekday	265.5	254.8	4.2%
Average Saturday	128.3	122.3	4.9%
Average Sunday	104.2	94.3	10.5%
PORT COMMERCE	JUN '11	JUN '10	PCT. CHANGE
Port Trade			
Container Imports (TEUs)	221,461	222,671	-0.5%
Container Exports (TEUs)	131,265	126,520	3.8%
Containers lifted on/off Express Rail	35,291	32,739	7.8%
TUNNELS, BRIDGES & TERMINALS	JUN '11	JUN '10	PCT. CHANGE
Eastbound Vehicle Volumes (000's)	10,531	10,588	-0.5%
George Washington Bridge	4,475	4,461	0.3%
Lincoln Tunnel	1,729	1,738	-0.5%
Holland Tunnel	1,447	1,478	-2.1%
Bayonne Bridge	314	316	-0.5%
Goethals Bridge	1,250	1,254	-0.3%
Outerbridge Crossing	1,316	1,341	-1.9%
Eastbound Volumes by Vehicle Type (000's)			
Autos	9,572	9,628	-0.6%
Trucks	683	688	-0.7%
Buses	276	272	1.6%
USDOT	JUN '11p	MAY '11p	PCT. CHANGE
TRANSPORTATION SERVICES INDEX (TSI)			
U.S. - Seasonally Adjusted			
TSI - Freight	108.3	105.6	2.6%
TSI - Passenger	115.7	116.3	-0.5%

TRANSPORTATION FOCUS

Introduction to the Expanded Edition of Monthly Economic Indicators

The Port Authority was created to advance the region's economy through infrastructure that enables efficient interstate commerce. This novel strategic mandate links transportation and economy and has given rise to the Port Authority's longstanding practice of monitoring the region's economic pulse, both to support its internal financial planning, and as a service to businesses and partner agencies throughout the region. *Monthly Economic Indicators* seeks to support this mission by exploring and communicating trends in the region's economy.

This expanded edition of *MEI* introduces a new set of key transportation indicators in the box at the left, that illustrate year-over-year growth in the wide range of markets served by Port Authority facilities and programs.

Most of these indicators are self-explanatory, but a few explanations are appropriate for this inaugural issue.

- The Aviation figures include the Port Authority's four commercial airports, but exclude Teterboro Airport. More extensive aviation data are available on the Port Authority's website.
- The data on ferry passengers are reported to us by the private ferry operators that run between New York and New Jersey, including NY Waterway, BillyBey, Seastreak, NY Water Taxi, and Liberty Park Water Taxi.
- The PATH data report total passenger boardings (or entries).
- The Port data report containers in "twenty-foot equivalent units" (TEUs), which is a standard volume measure used in international trade statistics. A full-length international shipping container is 40 feet long, and counts as two TEUs. The data on ExpressRail lifts count the number of containers arriving at or departing from the port by rail.
- The data on traffic volumes at Port Authority bridges and tunnels include traffic in the eastbound (New York-bound) direction only. In keeping with the PA's vehicle classification definitions, all Class 1 vehicles (i.e., two-axle, four-tire vehicles including many light trucks and vans) are reported here in the auto category.

The year-over-year numbers reported here provide a useful but imperfect snapshot of how transportation activity in the region is changing. A variety of factors introduce random variations into these year-to-year comparisons, including the weather and the number of weekdays in a given month. As a result, these statistics should be interpreted with caution.

In addition to these regional activity indicators, the U.S. Transportation Services Index (TSI) is also included here. The TSI was created at the University at Albany in 2003, and is now published regularly by the U.S. Department of Transportation. It consists of two weighted composite indices of domestic "for-hire" transportation services – one for passenger transportation, and one for freight. The TSI has been shown to be a leading economic indicator, predicting business cycle peaks by an average of six months. The data reported here are the latest preliminary data available; revised estimates and further information on the TSI are available at the Bureau of Transportation Statistics website.

An additional new feature this month is the "Transportation Focus" column that you are reading right now. It will profile key issues and trends on the region's transportation system, with an emphasis on analysis of newly available data.

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