

# MONTHLY ECONOMIC INDICATORS

Planning and Regional Development Department

THE PORT AUTHORITY OF NY & NJ

MARCH 2012

UNEMPLOYMENT RATE (percent of labor force)	FEB 2012	PREVIOUS 3 MONTHS AVERAGE	FEB 2011
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U.S. (seasonally adjusted)	8.3	8.7	9.0
U.S. (not seasonally adjusted)	8.8	8.3	9.5
REGION (not seasonally adjusted)	NA	8	8.9

NON-FARM EMPLOYMENT (thousands)	FEB 2012	PREVIOUS 3 MONTHS AVERAGE	% CHANGE FEB 2012/ FEB 2011
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U.S.	132,697	132,179	1.5
REGION	8,042	8,064	2.1
Construction and Manufacturing	600	620	0.8
FIRE / Professional / Business	2,018	1,996	4.6
Government	1,163	1,165	-1.1
All Others	4,261	4,302	2.0

REAL GDP (percentage change)	2011Q4	2011Q3	2011Q2
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U.S. (seasonally adjusted at annual rates)	3.0	1.8	1.3
REGION (quarterly at annual rate)	3.9	3.2	2.7

CONSUMER PRICE INDEX (percentage change)	FEB '12 / FEB '11	FEB '12 / JAN '12	JAN '11 / JAN '10
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U. S.	2.9	0.2	2.9
Core	2.2	0.2	2.3
REGION	2.6	0.4	2.8
Core	2.4	0.3	2.6
Food & Beverages	3.5	0.7	3.9
Housing	1.3	0.4	1.4
Transportation	5.9	0.6	5.8
Energy	3.2	1.7	2.7

CONSTRUCTION COST INDEX (percentage change)	FEB '12/ FEB '11	FEB '12 / JAN '12	JAN '11/ JAN '10
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U.S. 20-CITY	2.2	0.2	2.7
NY REGION	2.9	0.0	3.1

GASOLINE PRICES (US dollars per gallon)	Current	A month ago	A year ago
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U.S. (all types NSA)	\$4.06	\$3.87	\$3.74
New York City (all types NSA)	\$4.27	\$4.15	\$3.94
Newark, NJ (all types NSA)	\$3.86	\$3.75	\$3.54

HOUSING PRICES <sup>1</sup> (12-month percentage change)	JAN '12 / JAN '11	DEC '11 / DEC '10	NOV '11 / NOV '10
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U.S. 20-CITY COMPOSITE	-3.8	-4.0	-3.8
NY METROPOLITAN AREA	-2.9	-2.9	-2.6

INTERNATIONAL TRADE (billions of dollars)	JAN 2012	% CHANGE VS. JAN 2011	% CHANGE YTD 2012 VS. 2011
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U.S.	301.7	9.1	9.1
NY CUSTOMS DISTRICT	32.6	5.5	5.5
NY Imports	20.6	7.5	7.5
NY Exports	12.0	2.4	2.4

MANHATTAN COMMERCIAL REAL ESTATE (class A office market)	JAN 2012	DEC 2011	JAN 2011
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Vacancy Rate			
OVERALL	9.3	9.9	11.2
Midtown	10.1	10.6	11.4
Downtown	7.9	8.6	11.4
Average Asking Rent (\$/square foot)			
OVERALL	65.1	64.1	58.9
Midtown	71.7	70.9	65.3
Downtown	43.1	42.5	42.2

REGIONAL ECONOMIC FORECASTS <sup>2</sup>	2012	2013	2014
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Real GDP (%)	2.0	2.2	2.8
Employment change ('000's), Region	90	135	166

<sup>1</sup> Since the peak in June 2006, housing prices have fallen by 32.2 percent nationally and by 23.2 percent in the New York Region

<sup>2</sup> For optimistic and pessimistic alternative forecasts please contact the Planning and Regional Development Department.

Sources available upon request.

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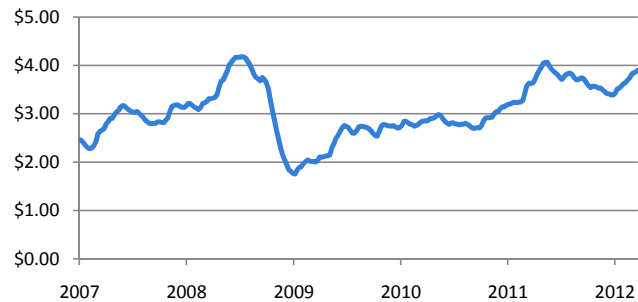
## SPECIAL FOCUS

### Not Your Parents' Oil Shock

In recent months, regional consumers have seen a sharp rise in prices at the gas pump. In New York City, prices surged above \$4.00 in February, and New Jersey prices are not far behind. The high prices likely come from a combination of sources: fears of a disruption of Middle Eastern oil supplies, faster global economic growth, and the closing of refineries in the Northeast. These factors, as well as the usual summer increase in driving, could drive regional gasoline prices to new records in the coming months.

#### Regional Gasoline Prices Near Record

Mid-Atlantic States, Dollars per Gallon



The fears of a disruption in supply are fed by threats from Iran to close the Straits of Hormuz, through which nearly 20 percent of world oil supplies flow. While the US is less dependent on this oil than in decades past, the price of oil is set on world markets, so the US would be affected by this global shock. IHS CERA, the energy research arm of IHS Global Insight, posits a scenario in which Iran mines the Straits of Hormuz. According to CERA, oil prices would immediately double, drivers around the world would wait in gas lines, and US gasoline prices would reach \$8 a gallon. CERA assumes that prices would return to current levels within six months as the US Navy cleared the mines, but the price spike would cut domestic economic growth for the year by 1%. It is not clear how justified the fears of an Iranian action are, but the market seems to have built in a premium to account for this possibility.

Prices have also risen over the last three years as the economy has recovered from the depths of the recession, and the long-term trends that had been driving prices higher before the recession have reasserted themselves. Most importantly, demand is growing rapidly in the emerging market countries as more and more consumers enter the middle class and are able to afford cars and trucks. China's consumption of oil doubled between 2000 and 2010, while India's climbed nearly 50 percent. Yet per capita consumption in these countries is still a small fraction of the American level, suggesting that worldwide demand is likely to continue growing for years.

Oil prices have been highly volatile over the last five years. In July 2008, oil peaked at \$140 per barrel and bottomed out at \$33 just six months later. As the economy climbed out of the depths of the recession, prices recovered and topped \$100 last March. In 2011, as the specter of a double dip recession arose and receded last summer and fall, oil prices dipped and recovered, and are now above \$100 again.

Until recent years, the US market price for oil, cited as the price of West Texas Intermediate (WTI) crude, was closely pegged to the world benchmark price of Brent crude coming from the North Sea. That link has become more tenuous, however, as oil from new sources in the Northern Plains and Canada is having trouble making its way to world oil markets. Pipelines that could transfer this oil to refineries at the Gulf of Mexico and beyond are instead set up to send oil northward, in effect creating two separate pricing points for oil. As a result, a gap of around \$20 per barrel has opened between Brent and WTI crude prices. Until the flow is reversed, which is expected to begin to happen later this year, there will be a glut in the center of the country. (continued on next page)

Sources: Engineering News-Record; US Bureau of Labor Statistics

# MONTHLY ECONOMIC INDICATORS

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MARCH 2012

AVIATION	Jan '12	Jan '11	PCT. CHANGE
<b>Revenue Passengers (000's)</b>	<b>7,736.0</b>	<b>7,343.5</b>	<b>5.3%</b>
John F. Kennedy International Airport (JFK)	3,522.6	3,396.2	3.7%
LaGuardia Airport (LGA)	1,727.8	1,637.0	5.5%
Newark Liberty International Airport (EWR)	2,456.5	2,281.2	7.7%
Stewart International Airport (SWF)	29.1	29.0	0.3%
<b>Revenue Freight (Short Tons)</b>	<b>156,121</b>	<b>176,260</b>	<b>-11.4%</b>
<b>Flights</b>	<b>97,570</b>	<b>93,486</b>	<b>4.4%</b>
Domestic Air Carrier	71,763	67,843	5.8%
International Air Carrier	21,493	21,238	1.2%
General Aviation	4,314	4,405	-2.1%
<b>Ground Transportation</b>			
Paid Parked Cars	670,651	667,965	0.4%
Revenue AirTrain Passengers	515,000	530,915	-3.0%

FERRY OPERATIONS	Jan '12	Jan '11	PCT. CHANGE
<b>Passengers (000's)</b>			
New Jersey Ferries	602.0	565.4	6.5%

PATH	Jan '12	Jan '11	PCT. CHANGE
<b>Passengers (000's)</b>	<b>6,129.0</b>	<b>5,677.0</b>	<b>8.0%</b>
Average Weekday	245.5	233.7	5.0%
Average Saturday	107.2	99.7	7.6%
Average Sunday	79.2	76.8	3.1%

PORT COMMERCE	Jan '12	Jan '11	PCT. CHANGE
<b>Port Trade</b>			
Container Imports (TEUs)	228,051	216,055	5.6%
Container Exports (TEUs)	129,432	123,278	5.0%
Containers lifted on/off Express Rail	34,009	32,744	3.9%

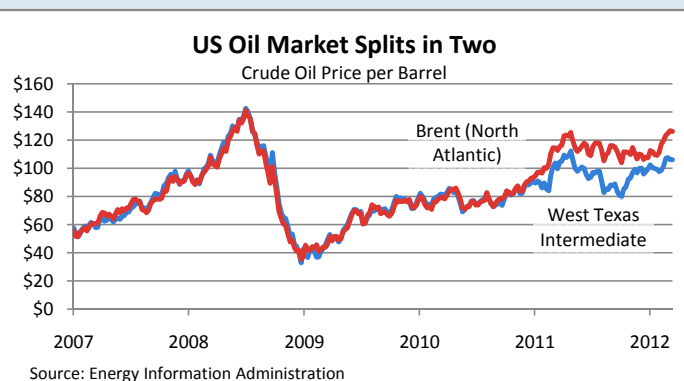
TUNNELS, BRIDGES & TERMINALS	Jan '12	Jan '11	PCT. CHANGE
<b>Eastbound Vehicle Volumes (000's)</b>	<b>9,028</b>	<b>8,749</b>	<b>3.2%</b>
George Washington Bridge	3,782	3,696	2.3%
Lincoln Tunnel	1,511	1,488	1.6%
Holland Tunnel	1,288	1,236	4.2%
Bayonne Bridge	278	262	6.0%
Goethals Bridge	1,062	1,014	4.8%
Outerbridge Crossing	1,107	1,053	5.1%
<b>Eastbound Volumes by Vehicle Type (000's)</b>			
Autos	8,214	7,943	3.4%
Trucks	582	570	2.1%
Buses	231	236	-2.0%

USDOT TRANSPORT. SERVICES INDEX (TSI)	Jan '12p	Dec '11p	PCT. CHANGE
<b>U.S. - Seasonally Adjusted</b>			
TSI - Freight	109.7	113.7	-3.6%
TSI - Passenger	116.4	116.3	0.1%

## TRANSPORTATION FOCUS

### Not Your Parents' Oil Shock (continued from Page 1)

This shows up in prices that, before state taxes, are about 25 cents lower in states such as Montana and Wyoming than in the rest of the country.



Other local factors affect the price paid at the pump by drivers in the Port Authority region. Last year, the Sunoco Corporation and ConocoPhillips began the process of closing three major refineries in the Philadelphia area, totaling about half of the refinery capacity in the Northeast. If Sunoco follows through on plans to shut down the last and largest of these refineries on July 1, parts of the Northeast, especially areas in western New York and Pennsylvania served by pipelines from Philadelphia, could see motor and aviation fuel price spikes later this summer, while the price of newly-mandated low sulfur heating oil in New York could see a bump upward in the fall. The company has said that the facilities are not profitable due to the high price of oil on the coasts, as well as growing imports of refined gasoline products from Europe. Nonetheless, it is still possible that the refineries could be purchased and reopened by a new operator. The largest local factor in pump prices, however, is state taxes, which seem unlikely to change: New York's gas tax, at 67 cents per gallon, is the highest in the nation, while New Jersey's, at 33 cents, is the third lowest. These taxes account for most of the price differential between the two states.

If oil prices move higher for a prolonged period, there would likely be an impact on GDP growth. Macroeconomic Advisors, LLP estimates that a 10 percent increase in price of crude oil from levels seen in early 2011 would lower real GDP growth by approximately 0.2 percent over 12-24 months. Our runs of the Oxford Economics model suggest similar degrees of responsiveness of real GDP to price increases. As an additional consequence, we would expect regional passenger and freight travel to be affected.

Yet the sensitivity of the economy to oil shocks has gradually decreased over time. For the first time in decades, more than half of US consumption is produced within our borders, so the country is less vulnerable to an actual cutoff of supplies. Domestic production has increased – for example, with the application of horizontal drilling technologies in the Bakken shale in North Dakota. At the same time, consumption has begun to fall, as consumption patterns have changed and efficiency measures have taken hold. Americans are driving less – vehicle miles traveled has fallen since 2007 – and when they do drive, their vehicles are getting better mileage than before. Even before the recent run-up in prices, per capita consumption of gasoline had decreased by 8 percent from its 2006 peak and it is now at the lowest level in nearly 20 years. An oil shock would hurt – but much less than the oil shocks of 30 years ago.

Sources: Energy Information Administration; IHS CERA; US DOT.

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