

MONTHLY ECONOMIC INDICATORS

Planning and Regional Development Department

THE PORT AUTHORITY OF NY & NJ

AUGUST 2012

UNEMPLOYMENT RATE (percent of labor force)	JUL 2012	PREVIOUS 3 MONTHS AVERAGE	JUL 2011
U.S. (seasonally adjusted)	8.3	8.2	9.1
U.S. (not seasonally adjusted)	8.6	8.0	9.1
REGION (not seasonally adjusted)	9.5	8.9	8.3

NON-FARM EMPLOYMENT (thousands)	JUL 2012	PREVIOUS 3 MONTHS AVERAGE	% CHANGE JUL 2012/ JUL 2011
U.S.	133,245	133,027	1.4
REGION	8,233	8,238	2.2
Construction and Manufacturing	634	622	-0.3
FIRE / Professional / Business	2,085	2,065	4.2
Government	1,136	1,170	-2.0
All Others	4,378	4,381	2.7

REAL GDP (percentage change)	2012Q2	2012Q1	2011Q4
U.S. (seasonally adjusted at annual rates)	1.7	2.0	3.0
REGION (quarterly at annual rate)	na	2.3	2.9

CONSUMER PRICE INDEX (percentage change)	JUL '12 / JUL '11	JUL '12 / JUN '12	JUN '12 / JUN '11
U. S.	1.4	0.0	1.7
Core	2.1	0.1	2.2
REGION	1.1	-0.2	1.6
Core	1.8	-0.2	2.2
Food & Beverages	2.2	0.2	2.6
Housing	0.4	-0.1	1.0
Transportation	-0.7	-0.6	-0.2
Energy	-6.5	-0.7	-5.7

CONSTRUCTION COST INDEX (percentage change)	JUL '12 / JUL '11	JUL '12 / JUN '12	JUN '12 / JUN '11
U.S. 20-CITY	2.8	0.2	2.7
NY REGION	2.9	0.1	2.8

GASOLINE PRICES (US dollars per gallon)	AUG 2012	A month ago	A year ago
U.S. (all types NSA)	\$3.90	\$3.63	\$3.74
New York City (all types NSA)	\$4.23	\$4.05	\$4.11
Newark, NJ (all types NSA)	\$3.83	\$3.66	\$3.70

HOUSING PRICES ¹ (12-month percentage change)	JUN '12 / JUN '11	MAY '12 / MAY '11	APR '12 / APR '11
U.S. 20-CITY COMPOSITE	2.3	2.3	1.3
NY METROPOLITAN AREA	2.1	1.4	0.2

INTERNATIONAL TRADE (billions of dollars)	JUN 2012	% CHANGE VS. JUN 2011	% CHANGE VS MAY 2012
U.S.	324.7	6.4	-1.6
NY CUSTOMS DISTRICT	35.6	2.7	-1.3
NY Imports	20.8	1.6	-8.0
NY Exports	14.9	8.0	9.9

MANHATTAN COMMERCIAL REAL ESTATE (class A office market)	JUL 2012	JUN 2012	JUL 2011
Vacancy Rate			
OVERALL	9.7	9.9	10.1
Midtown	10.5	10.6	10.4
Downtown	8.6	8.8	10.2
Average Asking Rent (\$/square foot)			
OVERALL	67.5	67.6	60.5
Midtown	74.7	75.0	67.4
Downtown	43.1	42.8	42.1

REGIONAL ECONOMIC FORECASTS ¹	2012	2013	2014
Real GDP (%)	2.0	2.2	3.1
Nonfarm Employment Growth (%)	1.6	1.9	1.8

Sources available upon request.

The views expressed herein are solely those of the authors and do not reflect the official positions of PANYNJ or its leadership.

¹ For optimistic and pessimistic alternative forecasts please contact the Planning and Regional Development Department.

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SPECIAL FOCUS

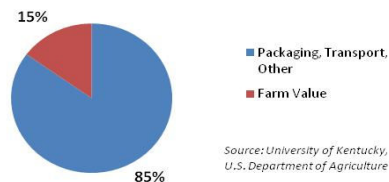
Should Consumers Sweat the Drought?

Farmers and economists expect this summer's record-setting drought in the nation's breadbasket states to hurt crop yields of major agricultural commodities and increase food prices as a result. But the drought will likely not affect all food prices equally. Retail consumers will see the prices that they pay for meat and dairy products rise while the prices of fruits, vegetables, and common processed foods will be largely unaffected by the drought.

The drought has most severely affected crops dependent on weather conditions for rainfall. Chief among these crops are corn and soybeans. The United States Department of Agriculture (USDA) estimated in mid-August that corn crop yields will be 12.7 percent lower than 2011 yields and soybean crop yields will be 11.9 percent lower. According to the agency, more than half of the U.S. corn crop and over one-third of U.S. soybean crops are in "poor" or "very poor" condition.

Livestock and dairy farmers, who use corn and soybeans for feed, widely expect that soaring commodity prices associated with lower crop yields will hammer their bottom lines. Facing higher feed prices, these farmers have little choice but to raise the asking price of the meat and dairy products that they bring to market. Retail consumers will ultimately feel the bite of farmers' price increases, though wholesalers and supermarkets often play significant roles in determining how much of a price hike customers see at the checkout line.

The farm value of food accounts for just 15 cents of every dollar consumers spend on food



The drought will likely not affect fruit and vegetable crops greatly because they are typically irrigated and thus less reliant on weather conditions for rainfall. In addition, the drought will likely have an insignificant effect on the price of processed foods that use corn. This is because the cost of corn used in processed foods is typically very small relative to other input costs. According to the National Corn Growers Association, a 12 ounce box of cornflakes includes 8 cents worth of corn—just 2 percent of the cost of a \$4.00 box. In fact, only about 15 cents of every dollar consumers spend on food is due to the value of farm products, according to the U.S. Department of Agriculture. Changes in transportation, labor, and overhead costs have a much larger effect on food prices.

Although many analysts expect total food prices to remain roughly flat, the expected price increases in dairy and meat products will likely receive full media attention. The USDA expects the rate of food price inflation to accelerate just slightly next year, lifting prices 3.5 percent over 2011. On average, Americans can expect to pay an extra \$32.76 for food next year, or an extra \$2.73 a month, according to estimates by the Wall Street Journal. The price increases will have the largest impact on low income Americans for whom food expenses make up a larger share of their disposable income relative to other income groups, according to Bureau of Labor Statistics data. However, declines in the prices of other consumer goods or growth in consumer income could offset the effect of an uptick in food prices.

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AVIATION	Jun '12	Jun '11	Change
Revenue Passengers (000's)	9,968.6	9,669.2	3.1%
John F. Kennedy International Airport (JFK)	4,508.5	4,345.9	3.7%
LaGuardia Airport (LGA)	2,280.2	2,169.7	5.1%
Newark Liberty International Airport (EWR)	3,148.4	3,119.1	0.9%
Stewart International Airport (SWF)	31.4	34.5	-8.9%
Revenue Freight (Short Tons)	177,000	190,621	-7.1%
Domestic	65,062	72,398	-10.1%
International	111,938	118,223	-5.3%
Flights	105,496	106,889	-1.3%
Domestic Air Carrier	75,905	77,570	-2.1%
International Air Carrier	23,861	23,517	1.5%
General Aviation	5,730	5,802	-1.2%
Paid Parked Cars	797,182	819,819	-2.8%
Revenue AirTrain Passengers	735,413	683,289	7.6%

FERRY OPERATIONS	Jun '12	Jun '11	Change
Passengers (000's)			
New Jersey Ferries	701.7	736.1	-4.7%

PATH	Jun '12	Jun '11	Change
Passengers (000's)	6,610.0	6,772.0	-2.4%
Average Weekday	264.7	265.5	-0.3%
Average Saturday	126.4	128.3	-1.4%
Average Sunday	105.3	104.2	1.1%

PORT COMMERCE	Jun '12	Jun '11	Change
Port Trade			
Container Imports (TEUs)	238,627	221,461	7.8%
Container Exports (TEUs)	130,153	131,265	-0.8%
Containers lifted on/off Express Rail	38,570	35,291	9.3%

TUNNELS, BRIDGES & TERMINALS	Jun '12	Jun '11	Change
Eastbound Vehicle Volumes (000's)	10,174	10,531	-3.4%
George Washington Bridge	4,298	4,475	-3.9%
Lincoln Tunnel	1,624	1,729	-6.1%
Holland Tunnel	1,425	1,447	-1.5%
Bayonne Bridge	304	314	-3.3%
Goethals Bridge	1,231	1,250	-1.5%
Outerbridge Crossing	1,292	1,316	-1.8%

Eastbound Volumes by Vehicle Type (000's)			
Autos	9,279	9,572	-3.1%
Trucks	642	683	-6.0%
Buses	253	276	-8.3%

PORT AUTHORITY PULSE (Seasonally Adjusted, 2010=100)	Jun '12	May '12	Change
PA Pulse (Transportation Activity Index)	99.6	99.4	0.2%
PA Freight Pulse	97.8	97.9	-0.1%
PA Passenger Pulse	101.3	100.9	0.4%

U.S. TRANSPORT. SERVICES INDEX (Prelim., Seasonally Adj., 2000=100)	Jun '12	May '12	Change
TSI - Combined Index	111.7	111.6	0.1%
TSI - Freight	109.5	109.6	-0.1%
TSI - Passenger	117.6	117.0	0.5%

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TRANSPORTATION FOCUS

Bulk Still Big with Commodity Producers

While containers have become the dominant mode of transport for maritime trade in manufactured goods, the majority of waterborne agricultural goods still move in bulk. Although not a major handler of agricultural exports, the Port Authority's system of ports plays an important role in the movement of agricultural imports. According to the US Department of Agriculture, in 2010, the latest year for which data are available, the Port handled 20 percent of all waterborne agricultural import tonnage entering the U.S. – almost three times as much as the second largest handler of agricultural imports, the Port of Los Angeles. The goods, most of which arrive in containers, include edible oils and wines from Europe, and coffee from South America. In contrast, manufactured goods typically arrive from China and other East Asian countries. The Port handles a much smaller share of agricultural exports because producers tend to ship their goods in bulk to closer or more accessible ports on the West Coast and the Gulf Coast.

Although anecdotal evidence suggests that container and bulk shipping rates can sometimes be quite close, producers of major agricultural commodities, such as soybeans, corn, and wheat, tend to gravitate toward the economies of scale and custom-designed physical infrastructure offered by the bulk supply chain. The vehicles used in bulk shipping, such as bulk carriers and barges, are well-designed to move efficiently large volumes of major agricultural commodities, which are often in high demand globally. In addition, bulk freight facilities offer other features that commodity producers favor, such as port terminals designed to handle specific commodities.

Top 2011 Waterborne Agricultural Commodity Imports at New York Customs District	Volume (1000s of Short Tons)
Beverages	2,367
Preserved Food	1,337
Edible Fruit And Nuts	629
Spices,Coffee And Tea	516
Cocoa	496
Top 2011 Waterborne Agricultural Commodity Exports at New York Customs District	Volume (1000s of Short Tons)
Meat	344
Baking Related	180
Cocoa	179
Preserved Food	168
Dairy,Eggs,Honey,Etc	156

Source: U.S. Department of Commerce – Global Trade Information Services
(Commodities include raw and processed varieties using USDA definitions for guidance. Commodities reflect a mix of bulk and containerized cargo. One short ton equals 2,000 pounds).

Although some markets receive bulk commodities by container with the help of transload stations—facilities used to move bulk goods into containers—the construction of new transload stations is constrained by several factors. Firms that run transload stations, such as railroads and ports, must attract customers that can guarantee enough traffic to justify the construction, operation, and maintenance costs of a station, which can be substantial. Transload stations require investments in land, specialized machinery to move goods, multiple lines of heavy-duty railroad, and storage facilities, such as warehouses and grain silos.

A significant increase in bulk shipping rates or the opening of European markets to genetically modified agricultural goods produced in the U.S. could provide reason for commodity producers to containerize a greater share of their goods. Alternatively, container usage may also grow if producers increase their use of containers to service niche markets for specialized products, such as organics or high-quality grain. Until that time, importers and exporters of large volumes of commodities will likely continue to choose bulk over container shipping for many of their long-distance shipping needs.

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