

MONTHLY ECONOMIC INDICATORS

Planning and Regional Development Department

THE PORT AUTHORITY OF NY & NJ

SEPTEMBER 2012

UNEMPLOYMENT RATE (percent of labor force)	AUG 2012	PREVIOUS 3 MONTHS AVERAGE	AUG 2011
U.S. (seasonally adjusted)	8.1	8.2	9.0
U.S. (not seasonally adjusted)	8.2	8.3	8.8
REGION (not seasonally adjusted)	na	9.3	8.2

NON-FARM EMPLOYMENT (thousands)	AUG 2012	PREVIOUS 3 MONTHS AVERAGE	% CHANGE AUG 2012/ AUG 2011
U.S.	133,300	133,095	1.4
REGION	8,195	8,253	2.5
Construction and Manufacturing	630	628	-1.4
FIRE / Professional / Business	2,085	2,076	4.3
Government	1,116	1,160	-2.1
All Others	4,363	4,389	3.4

REAL GDP (percentage change)	2012Q2	2012Q1	2011Q4
U.S. (seasonally adjusted at annual rates)	1.3	2.0	3.0
REGION (quarterly at annual rate)	2.3	2.3	2.9

CONSUMER PRICE INDEX (percentage change)	AUG '12 / AUG '11	AUG '12 / JUL '12	JUL '12 / JUL '11
U. S.	1.7	0.6	1.4
Core	1.9	0.1	2.1
REGION	1.1	0.6	1.1
Core	1.6	0.5	1.8
Food & Beverages	2.3	0.1	2.2
Housing	0.7	0.2	0.4
Transportation	0.6	1.2	-0.7
Energy	-2.6	2.4	-6.5

CONSTRUCTION COST INDEX (percentage change)	AUG '12 / AUG '11	AUG '12 / JUL '12	JUL '12 / JUL '11
U.S. 20-CITY	2.9	0.3	2.7
NY REGION	5.3	5.4	0.0

GASOLINE PRICES (US dollars per gallon)	SEP 2012	A month ago	A year ago
U.S. (all types NSA)	\$3.95	\$3.90	\$3.62
New York City (all types NSA)	\$4.24	\$4.12	\$3.93
Newark, NJ (all types NSA)	\$3.94	\$3.83	\$3.61

HOUSING PRICES (12-month percentage change)	JUL '12 / JUL '11	JUN '12 / JUN '11	MAY '12 / MAY '11
U.S. 20-CITY COMPOSITE	1.2	0.6	-0.5
NY METROPOLITAN AREA	-2.6	-2.1	-2.9

INTERNATIONAL TRADE (billions of dollars)	JUL 2012	% CHANGE VS. JUL 2011	% CHANGE YTD 2012 VS JUL 2011
U.S.	313.6	2.1	5.9
NY CUSTOMS DISTRICT	34.9	-0.1	2.3
NY Imports	22.8	3.4	2.0
NY Exports	12.1	-6.0	2.8

MANHATTAN COMMERCIAL REAL ESTATE (Class A Office Market)	AUG 2012	JUL 2012	AUG 2011
Vacancy Rate			
OVERALL	9.8	9.7	9.9
Midtown	10.9	10.5	10.3
Downtown	10.1	8.6	10.1
Average Asking Rent (\$/square foot)			
OVERALL	68.2	67.5	60.5
Midtown	75.1	74.7	67.5
Downtown	43.1	43.1	41.6

REGIONAL ECONOMIC FORECAST ¹	2012	2013	2014
Real GDP (%)	2.2	1.9	2.8
Nonfarm Employment Growth (%)	1.7	1.7	1.9

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

Is China's Economy Headed For a Hard Landing?

China's economy skyrocketed through much of the past decade, driven by a powerful combination of export-oriented trade and foreign and domestic investment flows. In recent months, a number of economic statistics have indicated that China's growth has slowed significantly, suggesting that its economy may be headed for a hard landing, characterized by a recession in exports, rising unemployment, and falling real-estate values. Given China's strong trade ties with the US and the Port Authority region, we review here some of the data that have sparked global anxiety about China's growth prospects and the main reasons why we believe that a hard landing is unlikely.

Slowing GDP growth, low demand for manufactured goods, and declining growth in domestic retail sales have fed fears of an imminent hard landing for China. According to China's National Bureau of Statistics (NBS), China's GDP growth slowed to 7.8 percent in the second quarter of 2012—well below its recent double-digit growth rates and the lowest level since the first half of 2009, when China suffered the impact of the Great Recession. Declining demand for industrial output is a main driver behind the low GDP growth figure. Chinese manufacturers' order volume has declined for ten consecutive months according to the HSBC Purchasing Managers Index, which measures manufacturing demand. China's domestic retail sales have also sagged. NBS reports that China's national year-on-year retail sales growth declined from over 20 percent in 2010 to just over 13 percent as of August 2012.

HSBC China Manufacturing Purchasing Managers Index at Lowest Point since March 2009



Source: HSBC

Although the recent government data suggest deepening economic stagnation in China, we believe that a hard landing is not probable because the Chinese government has the ability to buoy economic growth through monetary policy. In addition, the economic downturn facing China today is not as severe as the downturn that it faced three years ago. First, by lowering the amount of money banks need to set aside to protect their balance sheets from non-performing loans, the Chinese government can give banks the ability to loan more money and stimulate domestic consumption. Second, most of the decline in exports is due to weak demand from the Eurozone, until this year China's largest export market, rather than weak global demand. According to IHS Global Insight, China's export growth should remain weak, but not enter a recession in the near term.

If China were to experience a hard landing, the U.S. economy would likely feel the brunt of the impact from decreased demand for durable goods and raw materials from China as well as Europe, which would experience a slightly deeper recession than we currently forecast. We estimate that a 1 percentage point decrease in China's quarterly GDP growth from our baseline forecast is associated with a .25 percentage point decrease in US GDP from baseline for 2013 to 2015. For the PA region, the hard landing scenario translates into an employment level roughly 35,000 lower than our baseline forecast over the same period. This would be a real hit to the regional economy, but nothing like the more than 300,000 jobs lost during the Great Recession.

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SEPTEMBER 2012

AVIATION	Jul '12	Jul '11	Change
Revenue Passengers (000's)	10,494.1	10,451.5	0.4%
John F. Kennedy International Airport (JFK)	4,902.2	4,823.4	1.6%
LaGuardia Airport (LGA)	2,283.0	2,217.7	2.9%
Newark Liberty International Airport (EWR)	3,272.0	3,369.3	-2.9%
Stewart International Airport (SWF)	36.9	41.1	-10.3%
Revenue Freight (Short Tons)	173,900	182,406	-4.7%
Domestic	61,369	62,309	-1.5%
International	112,531	120,097	-6.3%
Flights	108,103	111,807	-3.3%
Domestic Air Carrier	75,906	79,700	-4.8%
International Air Carrier	26,384	25,771	2.4%
General Aviation	5,813	6,336	-8.3%
Paid Parked Cars	851,253	887,369	-4.1%
Revenue AirTrain Passengers	714,814	663,565	7.7%
FERRY OPERATIONS	Jul '12	Jul '11	Change
Passengers (000's)			
New Jersey Ferries	708.7	706.0	0.4%
PATH	Jul '12	Jul '11	Change
Passengers (000's)	6,690.0	6,419.0	4.2%
Average Weekday	265.1	260.8	1.7%
Average Saturday	124.5	123.7	0.7%
Average Sunday	97.8	92.5	5.7%
PORT COMMERCE	Jul '12	Jul '11	Change
Port Trade			
Container Imports (TEUs)	256,591	236,482	8.5%
Container Exports (TEUs)	135,878	134,867	0.7%
Containers lifted on/off Express Rail	40,357	35,999	12.1%
TUNNELS, BRIDGES & TERMINALS	Jul '12	Jul '11	Change
Eastbound Vehicle Volumes (000's)	10,195	10,819	-5.8%
George Washington Bridge	4,276	4,646	-8.0%
Lincoln Tunnel	1,609	1,714	-6.1%
Holland Tunnel	1,421	1,470	-3.3%
Bayonne Bridge	300	306	-2.0%
Goethals Bridge	1,278	1,325	-3.6%
Outerbridge Crossing	1,311	1,358	-3.5%
Eastbound Volumes by Vehicle Type (000's)			
Autos	9,321	9,918	-6.0%
Trucks	617	624	-1.2%
Buses	258	277	-6.9%
PORT AUTHORITY PULSE (Seasonally Adjusted, 2010=100)	Jul '12	Jun '12	Change
PA Pulse (Transportation Activity Index)	99.3	99.6	-0.3%
PA Freight Pulse	98.4	97.8	0.6%
PA Passenger Pulse	100.2	101.3	-1.1%
U.S. TRANSPORT. SERVICES INDEX (Prelim., Seasonally Adj., 2000=100)	Jul '12	Jun '12	Change
TSI - Combined Index	111.8	111.7	0.1%
TSI - Freight	109.6	109.5	0.1%
TSI - Passenger	117.7	117.6	0.1%

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TRANSPORTATION FOCUS

Traffic Dynamics at the Port Authority Hudson River Crossings

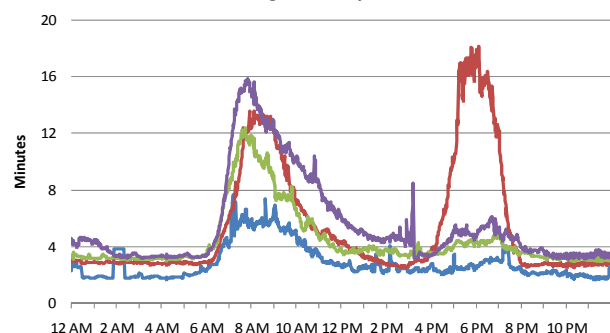
Delays from traffic congestion often affect the commutes of hundreds of thousands of drivers who cross the George Washington Bridge and the Lincoln and Holland Tunnels every day, especially during the morning rush hours when these passageways experience high eastbound volumes. The Port Authority has access to a relatively new tool for tracking congestion on these facilities, provided through the I-95 Corridor Coalition. Since 2010, the Coalition has collected minute-by-minute data on speeds and travel times on key freeways and arterials in New Jersey and other states along I-95. These data may prove to be valuable in tracking changes in travel patterns at our facilities over time.

Figure 1 presents the average eastbound travel times approaching the toll plazas at the three Hudson River Crossings on typical weekdays in 2010. (For the GWB, the graph shows the travel time on the last 3 miles of the New Jersey Turnpike before the main toll plazas; for the Lincoln and Holland Tunnels, it is the last 2 and 1.5 miles, respectively.) Figure 2 shows the average hourly traffic volumes for the same facilities.

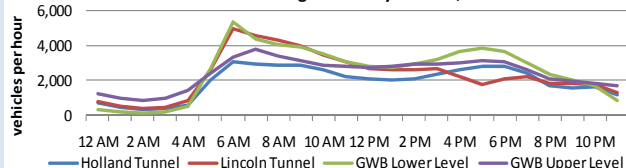
As one would expect, travel times generally begin to grow in the morning as traffic demand starts to build between 5 and 6 AM. The space between vehicles shrinks and speeds drop, but the traffic volume keeps increasing until the roads reach their capacity and become overloaded, at around 6:30 AM. The traffic at this point becomes heavily congested – the delays increase while throughput (volume) falls. Drivers experience this as a stop-and-go condition that only begins to ease around 8 AM, as demand falls and volumes stabilize.

During the afternoon rush hour, eastbound volumes never reach the level of the morning peak, and congestion is much lighter, except at the Lincoln Tunnel. There, eastbound delays are even worse than in the morning. This is because the lane configuration there changes from 4 lanes eastbound and 2 lanes westbound in the morning, to 2 lanes eastbound and 4 lanes westbound in the afternoon. Even though the eastbound traffic demand on the Lincoln actually drops during the afternoon rush, the eastbound lanes that are open see some of the longest travel times of any of our facilities. due to the reduced eastbound capacity.

Eastbound Average Weekday Travel Time, 2010



Eastbound Average Weekday Volume, 2010



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