MONTHLY ECONOMIC INDICATORS

THE PORT AUTHORITY OF NY & NJ

Planning and Regional Development Department

November 2014

UNEMPLOYMENT RATE (percent of labor force)	OCT 2014	PREVIOUS 3 MONTHS AVERAGE	OCT 2013
U.S. (seasonally adjusted)	5.8	6.1	7.2
U.S. (not seasonally adjusted)	5.5	6.2	7.0

UNEMPLOYMENT RATE (percent of labor force)	SEP 2014	PREVIOUS 3 MONTHS AVERAGE	SEP 2013
REGION (not seasonally adjusted)	5.8	7.2	7.6

NON-FARM EMPLOYMENT (thousands)	OCT 2014	PREVIOUS 3 MONTHS AVERAGE	% CHANGE OCT 2014 / OCT 2013
U.S.	139,680	139,228	1.9
REGION	8,621	8,563	1.1
Construction and Manufacturing	658	664	-0.6
Financial / Professional / Business	2,137	2,138	1.5
Government	1,190	1,154	-2.3
All Others	4,636	4,607	2.1

REAL GDP (percentage change)	2014Q3	2014Q2	2014Q1
U.S. (seasonally adjusted at annual rates)	3.9	4.6	-2.1
REGION (Oxford Economics Estimate)	2.7	2.9	-3.8

CONSUMER PRICE INDEX (percentage change)	OCT '14/ OCT '13	OCT '14/ SEP '14	SEP '14/ SEP '13
U. S.	1.7	0.0	1.7
Core	1.8	0.2	1.7
REGION	1.3	-0.2	1.0
Core	1.5	0.1	1.4
Food & Beverages	2.9	0.0	2.5
Housing	1.9	-0.1	1.4
Transportation	-1.1	-0.8	-1.5
Energy	-3.7	-4.3	-5.4

CONSTRUCTION COST INDEX (percentage change)	OCT '14/ OCT '13	OCT '14/ SEP '14	SEP '14/ SEP '13
U.S. 20-CITY	2.0	0.2	3.3
NY REGION	0.6	0.1	8.0

GASOLINE PRICES (US dollars per gallon)	OCT 2014	A month ago	A year ago
U.S. (all types NSA)	$3.02	$3.26	$3.45
New York City (all types NSA)	$3.47	$3.68	$3.84
Newark, NJ (all types NSA)	$2.97	$3.16	$3.45

HOUSING PRICES (12-month percentage change)	SEP '14/ SEP '13	AUG '14/ AUG '13	JUL '14/ JUL '13
U.S. 20-CITY COMPOSITE	4.9	5.5	6.7
NY METROPOLITAN AREA	2.7	3.0	3.5

INTERNATIONAL TRADE (billions of dollars)	SEP 2014	% CHANGE VS. SEP 2013	% CHANGE YTD 2014 VS 2013
U.S.	336.3	5.3	3.4
NY CUSTOMS DISTRICT	35.2	8.7	1.9
NY Imports	22.5	8.5	5.3
NY Exports	12.8	9.1	-3.6

MANHATTAN COMMERCIAL REAL ESTATE	SEP 2014	AUG 2014	JUL 2014
Availability (%)			
Manhattan Totals	9.5	9.4	9.7
Midtown	9.9	9.7	10.0
Downtown	9.8	10.0	10.3
Average Asking Rent (Class A Office APRket) ($/square foot)			
Manhattan Totals	75.8	75.5	75.3
Midtown	83.1	83.1	82.7
Downtown	54.9	55.2	55.1

REGIONAL ECONOMIC FORECAST	2014	2015	2016
Real GDP (%)	1.8	2.7	2.5
Nonfarm Employment Growth (%)	1.3	1.4	0.8

SPECIAL FOCUS

Business Dynamism Nationally and Regionally

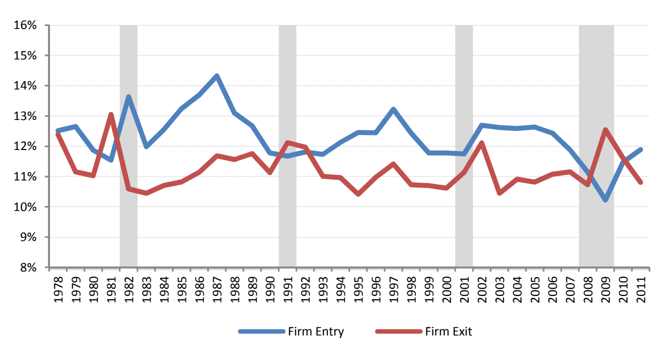
Standard economic theory holds that the U.S. economy thrives on the rise and fall of businesses. This churn, known as “creative destruction” in economic jargon, is the engine of capitalism. When large numbers of new firms are competing in the global marketplace with innovative products and services, they typically create new jobs and consumer value. A decline in firm creation may signal economic stagnation. That’s why some economists have expressed concern about federal census data that shows a falling rate of firm creation at the national level since 1978. In contrast, the rate of firm entries in the New York – New Jersey metro area has been stable over the same period. While we cannot point to a single cause behind the different levels of business dynamism, we can highlight potential explanations for the difference.

First, a little more detail on the national picture. A recent Brookings Institute study, authored by Ian Hathaway and Robert Litan, drew attention to trends in firm entry and exit rates across all fifty states and over three-hundred-fifty metropolitan areas. They found that the firm entry rate has been declining since at least 1978, and fell precipitously over the past ten years in particular. Across the fifty states, new firms as a share of all firms fell from nearly 11 percent in 2006 to about 8 percent in 2011 (notably, the decline began before the onset of the Great Recession). To put that change in perspective, the authors estimate that the rate of business formation in 2011 was almost half of what it was in 1978. Nearly all business sectors experienced a decline in the number of firm entries over the thirty-three year study period.

Firm creation and dissolution data are generally not fine-grained enough to allow analysts to pick out specific economic or social changes associated with the decline in business dynamism. The growth of business regulations, tighter lending standards, immigration policies that make it difficult to attract and retain talented workers, and the consolidation of firms within certain sectors of the economy are among the more popular explanations for the decline of business dynamism at the national level. A more interesting question, perhaps, is why the New York—New Jersey metro area has *not* followed this national trend.

According to our reading of the data, the rate of firm entries in the New York – New Jersey metro region has remained relatively constant since 1978. In 1978 an estimated 12.5 percent of firms in the region were new entrants. By 2011 the rate had slipped just one-half percentage point to 12 percent. The reasons for the relative stability of the firm entry rate are manifold, but it is possible that the New York – New Jersey metro area’s heavy concentration of service-oriented businesses makes it unique. Service-oriented firms may have lower startup costs and contend with fewer regulations compared with manufacturing firms. The recent growth of tech sector firms in the region combined with the churn of consultants, media, marketing, and financial services firms may have helped keep the New York – New Jersey metro area’s firm entry rate stable over the past several decades.

NY-NJ Firm Entry and Exit Rates



Source: Longitudinal Business Database

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AVIATION	Sep '14	YTD	Sep '13/'14	YTD '13/'14
Revenue Passengers (000's)	**9,558.8**	**87,396.8**	**5.0%**	**3.0%**
John F. Kennedy International Airport (JFK)	4,541.0	40,355.7	7.9%	5.6%
LaGuardia Airport (LGA)	2,145.1	20,118.0	1.9%	0.8%
Newark Liberty International Airport (EWR)	2,847.5	26,687.8	2.3%	1.1%
Stewart International Airport (SWF)	25.2	235.3	0.1%	-2.5%
Revenue Freight (Short Tons)	**166,936**	**1,480,526**	**5.5%**	**0.6%**
Domestic	55,255	485,921	4.3%	-5.2%
International	111,681	994,605	6.1%	3.7%
Flights	**105,888**	**937,563**	**1.7%**	**-1.1%**
Domestic Air Carrier	74,276	656,823	1.8%	-2.0%
International Air Carrier	23,955	220,549	3.5%	2.7%
General Aviation	7,657	60,191	-5.3%	-4.3%
Paid Parked Cars	**686,176**	**6,333,402**	**-2.5%**	**-3.7%**
Revenue AirTrain Passengers	**686,976**	**6,095,667**	**-3.4%**	**-1.4%**

FERRY OPERATIONS	Sep '14	YTD	Sep '13/'14	YTD '13/'14
Passengers (000's)				
New Jersey Ferries	756.2	6,170.6	19.5%	4.5%

PATH	Sep '14	YTD	Sep '13/'14	YTD '13/'14
Passengers (000's)	**6,279.0**	**55,195.0**	**1.3%**	**1.7%**
Average Weekday	258.1	2,245.6	0.5%	2.6%
Average Saturday	110.3	972.5	-12.3%	-2.8%
Average Sunday	82.5	734.4	-13.7%	-4.4%

PORT COMMERCE	Sep '14	YTD	Sep '13/'14	YTD '13/'14
Port Trade				
Container Imports (TEUs)	252,232	2,181,898	7.0%	5.4%
Container Exports (TEUs)	110,680	1,062,968	-2.3%	-3.5%
Containers lifted on/off Express Rail	39,430	348,646	14.4%	9.9%

TUNNELS, BRIDGES & TERMINALS	Sep '14	YTD	Sep '13/'14	YTD '13/'14
Eastbound Vehicle Volumes (000's)	**9,615**	**85,041**	**0.4%**	**-2.1%**
George Washington Bridge	4,142	36,536	1.0%	-1.6%
Lincoln Tunnel	1,576	13,980	0.9%	0.0%
Holland Tunnel	1,314	11,622	-0.8%	-3.9%
Bayonne Bridge	216	2,094	-24.5%	-19.1%
Goethals Bridge	1,185	10,360	-4.5%	-1.9%
Outerbridge Crossing	1,182	10,451	11.2%	-0.5%
Eastbound Volumes by Vehicle Type (000's)				
Autos	8,767	77,525	0.2%	-2.1%
Trucks	600	5,303	2.6%	-3.3%
Buses	248	2,211	4.2%	0.0%

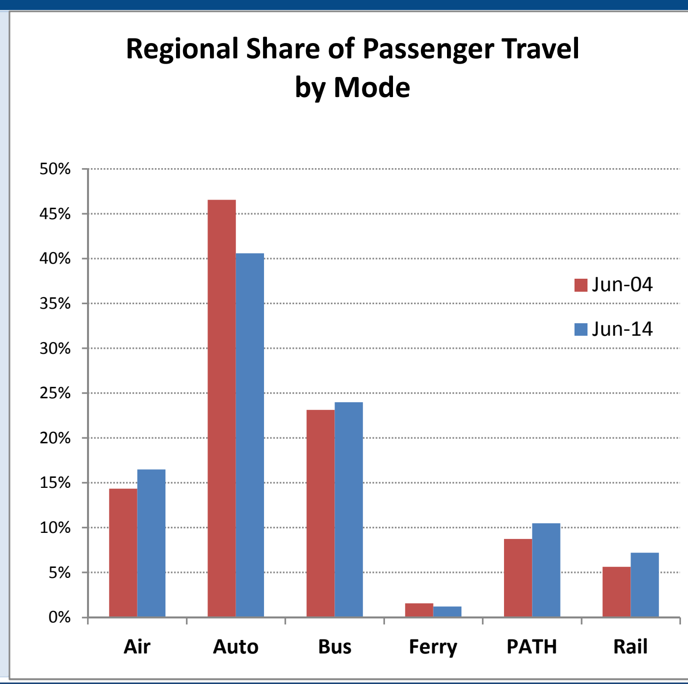
PORT AUTHORITY PULSE (Seasonally Adjusted, 2010=100)	Sep '14	Aug '14	Change
PA Pulse (Transportation Activity Index)	97.6	96.5	1.2%
PA Freight Pulse	93.4	93.0	0.4%
PA Passenger Pulse	101.9	100.0	1.9%

U.S. TRANSPORT. SERVICES INDEX (Prelim., Seasonally Adj., 2000=100)	Sep '14	Aug '14	Change
TSI - Combined Index	121.2	120.9	0.2%
TSI - Freight	121.5	121.2	0.2%
TSI - Passenger	120.0	119.7	0.3%

TRANSPORTATION **FOCUS**

As we've discussed in earlier MEI newsletters, the Port Authority region has experienced declining levels of auto traffic on Port Authority facilities. At the same time, the region has experienced strong growth in transit ridership and growth in passengers at regional airports. The PA Pulse, about to enter its fourth year of service, summarizes the regional dynamics of both passenger and freight movement in the region. Here, we use data from the Pulse to chart the change in estimated shares of regional travelers that use Port Authority facilities by mode. The estimated share of auto passengers has declined by about 6 percentage points while bus, PATH, rail, and air passengers have all grown between 1 and 2 percentage points over the past ten years.

Transit growth has been driven in large part by the increased use of trains and buses among younger cohorts of the regional workforce and shifts in the job composition and commuting schedules of the regional workforce. Much of the passenger growth at the airports can be attributed to rising demand for international travel. Notably, the passenger mix at the airport includes both passengers destined for the region and connecting passengers. Ferry ridership has declined by about 1 percentage point since 2004 due to the Port Authority winding down some of the services offered after 9/11.



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