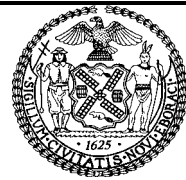


Economic Notes

New York City Office of the Comptroller

William C. Thompson, Jr., Comptroller

1 Centre Street, NY, NY 10007 • www.comptroller.nyc.gov/budget



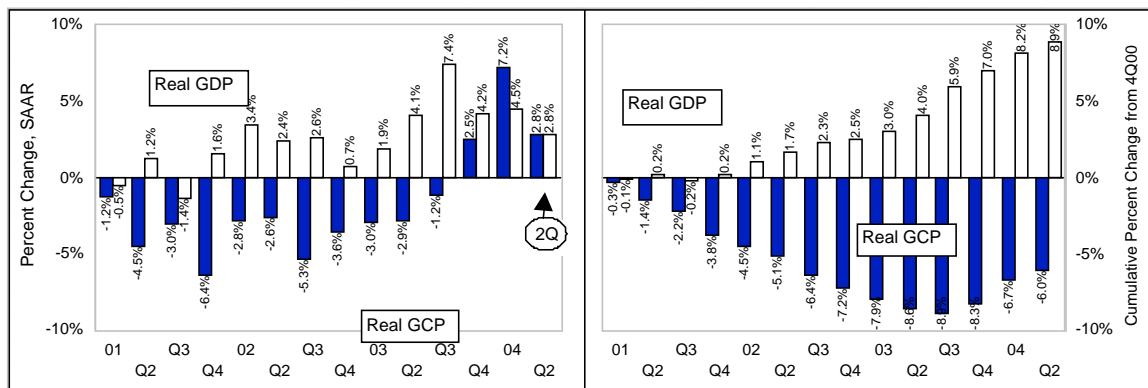
Vol. XII, No. 3

September 2004

Third Consecutive Quarter of Growth, but Slower than 1Q04 **NYC ECONOMY GROWS IN 2Q04**

- **The City's economy grew for the third consecutive quarter.** Real Gross City Product (GCP), a measure of the overall economy, increased in 2Q04 at an annualized rate of 2.8 percent, the same increase as the nation's GDP. But both GCP and GDP grew at a slower pace than in 1Q04, as higher interest rates and inflation took their toll. As shown in the Summary Chart, only two out of five overall key economic indicators improved in both the City and the nation. (See numbers in the Summary Table on the next page.) The important indicator of Wall Street profits fell in the second quarter. The profits of the 236 New York Stock Exchange member firms that report their numbers were \$1.7 billion in the second quarter, down 68 percent from the same quarter in 2003 and 66 percent below the previous quarter.

Summary Chart. Real GDP Has Grown Since 4Q01, But Real GCP Resumed Growth Only in 4Q03



Sources: See Chart 1 on p. 3. Percent changes are quarter-to-quarter, SAAR (Seasonally Adjusted Annualized Rate). Real GDP = Percent change in real U.S. Gross Domestic Product. Real GCP = Percent change in real Gross [New York] City Product. A widely used definition of a U.S. recession is two or more consecutive quarters of negative real growth in GDP. By this standard, revised data from the Bureau of Economic Analysis do not show a U.S. recession in 2001 – GDP was negative only in the first and third quarters.

- **Payroll jobs increased.** In 2Q04 the City added 5,600 jobs (seasonally adjusted), about one-fourth the increase of 21,000 in 1Q04, and much less than the nation's 2Q04 job growth. Private firms added 6,400 jobs and the public sector lost 800 jobs. On a year-over-year basis (i.e., compared with 2Q03 without seasonal adjustment), payroll jobs rose, for the first time after 12 consecutive quarters, by 0.6 percent. The City's job growth in 2Q04 ranked in the middle when compared with the 20 largest metro areas.
- **Personal income tax (PIT) revenues rose.** PIT increased 40.1 percent in 2Q04 compared with 2Q03. PIT is a current proxy for personal incomes, data for which are reported with a lag of about two years. The 2Q04 increase partly reflects higher City PIT rates on high-income taxpayers and partly reflects the unexpected rebound in Wall Street in the second half of 2003. Estimated taxes increased 75.0 percent. Withholding taxes increased 9.6 percent. U.S. PIT revenues fell 1.6 percent in 2Q04, possibly because of cuts in U.S. tax rates.

- **NYC's inflation rate soared to 4.1 percent, the City's highest rate since 1991.** The NYC metropolitan-area inflation rate was 4.1 percent in 2Q04, significantly higher than the 2.8 percent rate in 1Q04. The 2Q04 rate was the highest since 4.2 percent in 3Q91. The U.S. inflation rate in 2Q04 was 2.9 percent, the highest since 1Q03 when it was also 2.9 percent. When the City's inflation rate is higher than the national average, it reduces the City's economic competitiveness relative to the rest of the nation.
- **NYC's unemployment rate fell but remained significantly higher than the nation's.** NYC's seasonally adjusted unemployment rate fell to 7.4 percent in 2Q04. This is the lowest number since 7.0 percent in 4Q01. The U.S. unemployment rate, seasonally adjusted, remained at 5.6 percent in 2Q04, unchanged from 1Q04. The U.S. unemployment rate was also the lowest since 5.6 percent in 4Q01. Despite the City's weak payroll-job growth, 20,900 more New Yorkers were working in 2Q04 than in 1Q04.
- **Average real estate commercial vacancies and rents both fell.** The Manhattan commercial vacancy rate in 2Q04 fell to 11.8 percent, below the 2Q03 rate of 12.5 percent. The vacancy rate fell most steeply in Midtown South, followed by Midtown, but it increased in Downtown. The decline in vacancy rates is usually a sign of rising demand for space. But the average Manhattan commercial rent decreased to \$40.56 per square foot in 2Q04, down from \$41.12 in 2Q03. Although rents decreased in Midtown South and Downtown, they increased in Midtown.
- **Leading economic indexes improved.** In 2Q04, all three leading indexes rose: the NYC business-conditions index by 24.1 percent, the number of building permits authorized by 10.2 percent, and the City's quarterly help-wanted-advertising index by 3.8 percent.

Summary Table. Five Key Economic Indicators, NYC and U.S., 2Q04

	1. GCP/GDP Growth, SAAR	2. Payroll-Jobs Growth, SAAR	3. Personal-Income-Tax Growth, NSA	4. Inflation Rate, NSA	5. Unemployment Rate, SA
2Q04 compared with:	1Q04	1Q04	2Q03	2Q03	1Q04
NYC	2.8% Worse	0.6% Worse	40.1% Better	4.1% Worse	7.4% Better
U.S.	2.8% Worse	2.3% Better	-1.6% Better	2.4% Worse	5.6% No Change

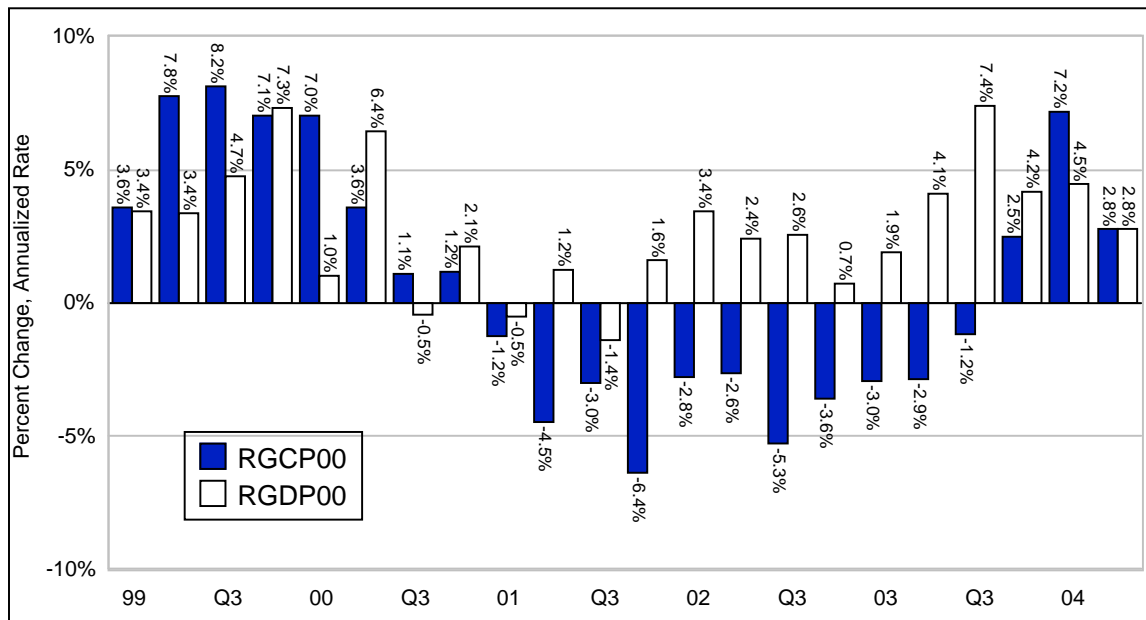
Note: See Charts 1, 3, 7, 9, and 10. NSA=Not Seasonally Adjusted. SA=Seasonally Adjusted. SAAR=SA Annualized Rate. 1. GCP/GDP growth=overall real-dollar increase in the economy (3 percent growth is a long-term sustainable target). 2. Payroll jobs=number of people on payrolls, by place of work, a key factor in GCP/GDP. 3. Income=key determinant of GCP/GDP (jobs times average income is 60-70 percent of GCP/GDP). 4. Inflation=a measure of economic sustainability. 5. Unemployment=a measure of human-resource utilization.

The City's recovery in the second quarter of 2004 continued, for the third consecutive quarter, despite the Federal Reserve's having increased target overnight interest rates (from historically low levels), and inflation rates rose under the influence of higher oil prices. However, Wall Street profits, as measured by the pre-tax net income of the 236 New York Stock Exchange member firms that report their data, fell by two-thirds in the second quarter, to \$1.7 billion, according the Securities Industry Association. These profits were 68.2 percent below the level of the same quarter a year earlier and were 65.9 percent below the level of the first quarter of 2004. The U.S. economy grew in the second quarter, but at a slower pace than in the first quarter.

1. GCP, GDP and the Silicon Alley 15

The U.S. and City economies continued to grow moderately in the second quarter of 2004. New York's Gross City Product (GCP) increased for the third consecutive quarter but at a slower rate, a sign that the City's recovery is stabilizing. Meanwhile, national economic growth also slowed, with GDP rising by 2.8 percent as shown in Chart 1. GDP numbers were recently revised back to 2000 by the Bureau of Economic Analysis of the U.S. Department of Commerce. The revisions eliminated the two consecutive quarters of GDP decline in 2001 and therefore would – by the traditional rule of thumb, i.e., two consecutive negative quarters – eliminate the existence of the U.S. recession. Based on revised GDP data, the City's GCP numbers were also revised back to 2001, but the revisions did not alter the City's 11-quarter recession from 2001 to 2003. (GCP numbers may be revised again when updated Gross State Product numbers are released later in 2004.)

Chart 1. *Real NYC GCP and Real U.S. GDP, Percent Change, Annual Rate, Quarterly, 1Q99-2Q04*



Source: RGCP00 = Estimated percent change in Real Gross City Product in 200 dollars by the NYC Comptroller's Office. RGDP00=Estimated percent change in real GDP in chain-weighted 2000 dollars, from the Bureau of Economic Analysis (BEA) of the U.S. Dept. Commerce. NYC recessions are defined as two consecutive quarters of negative real growth in GCP. U.S. recessions are determined by the Business Cycle Dating Committee of the National Bureau of Economic Research (NBER), which in July 2003 announced that the most recent U.S. recession lasted from March to November 2001. GDP was revised by the BEA, eliminating the two consecutive quarters of GDP decline in 2001 and therefore the 2001 recession as traditionally defined. The NBER Committee does not rely solely on the GDP numbers, so that the U.S. recession may not necessarily be determined nonexistent. The City's 11-quarter string of consecutive GCP losses in 2001-2003 remains unaffected by the revisions.

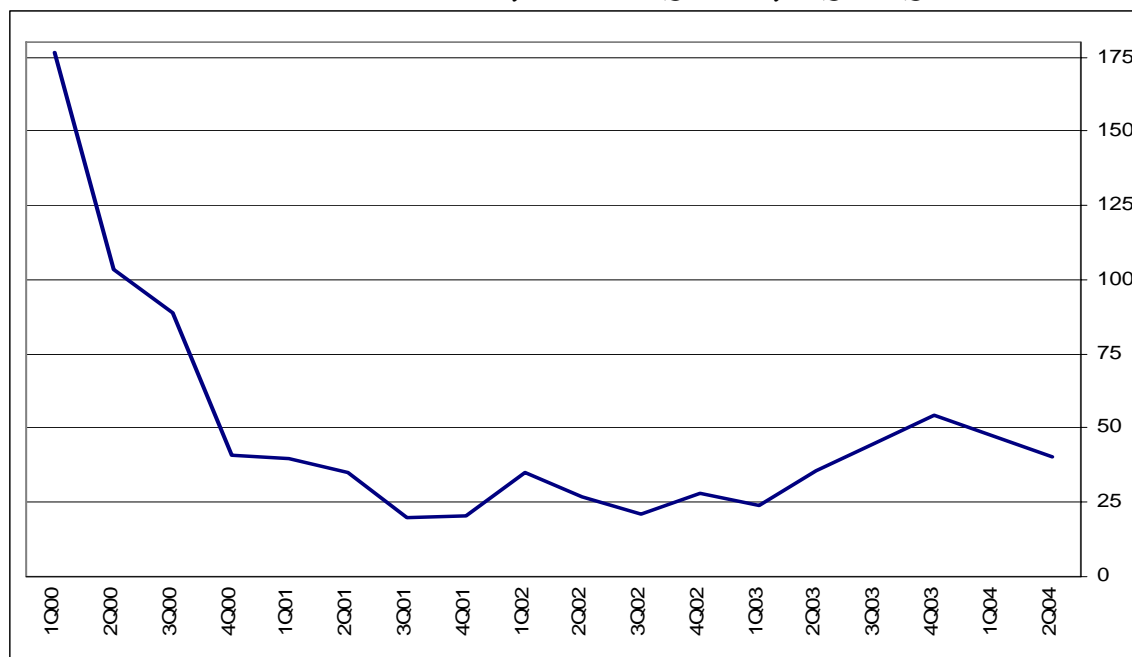
GCP. Real chain-weighted GCP rose 2.8 percent in the second quarter, after increasing 7.2 percent in the

first quarter. Weaker job gains and income growth were the main reasons behind the slowdown. Higher inflation and interest rates were two factors that contributed to the City's weaker economic growth.

GDP. U.S. GDP (preliminary) rose 2.8 percent in the second quarter, after posting a 4.5 percent increase in the first quarter. Private investment led with the highest increase, 17.3 percent, and contributed 2.6 percentage points to GDP growth in the second quarter. Government expenditure grew 2.4 percent and contributed 0.45 percentage points to GDP growth. Personal consumption grew 1.6 percent and added 1.11 percentage points to GDP growth. However, the trade deficit (negative net exports) increased by \$38.6 billion to \$588.7 billion in the second quarter of 2004 – consequently reducing GDP growth by 1.37 percentage points.

The Silicon Alley 15 Index. The Comptroller's Silicon Alley 15 Index, which measures the change in the market capitalization of the 15 largest New York City-based information-technology companies, rose 12.9 percent to 40.2 in the second quarter of 2004 from 35.6 in the second quarter of 2003. Also, the recent peak in the fourth quarter of 2003 was above the level in the fourth quarter of 2000.

Chart 2. *The Silicon Alley 15 Index, Quarterly, 1Q00-1Q04*

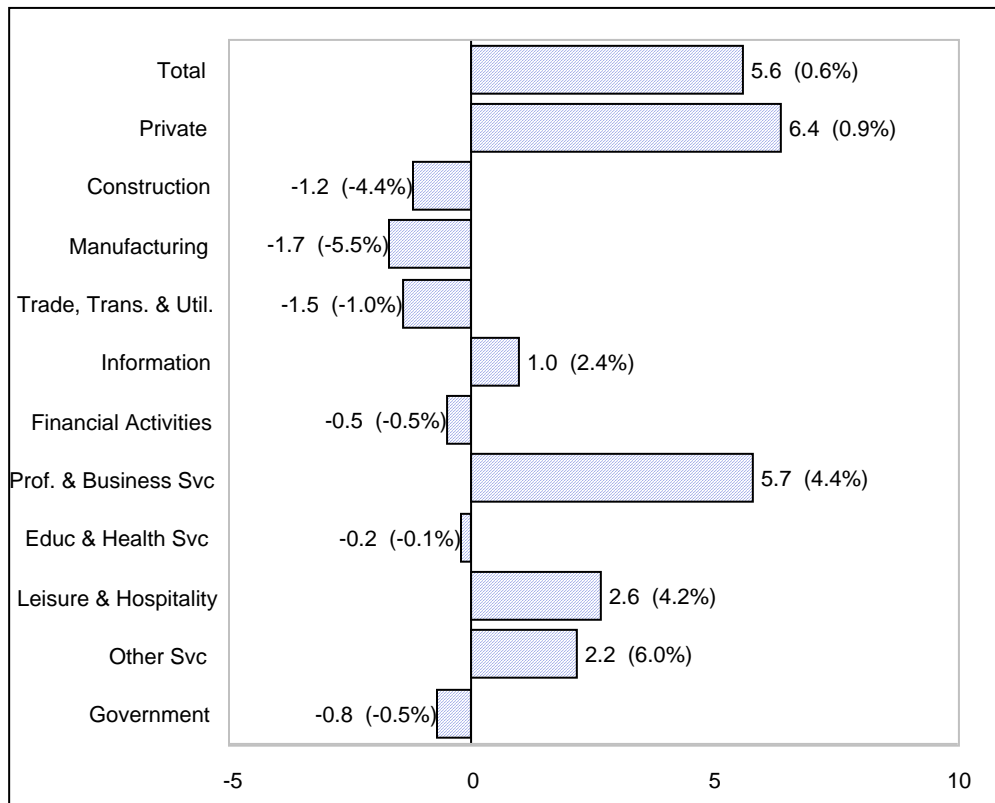


Source: NYC Comptroller's Office, based on information in DowJones.com/quotes. The calculations are based on the stock prices of the 15 largest NYC-based IT companies (June 30, 2000=100) and the number of shares outstanding. The chart shows that the sum of the Alley 15 market capitalizations fell by nearly 50 percent during the second quarter of 2000 to the June 2000 index value of 100, declining at a slower rate in the third quarter, and by another 50 percent in the fourth quarter and another 50 percent as of the third quarter of 2001. As of the fourth quarter of 2004, the index has recovered somewhat from its low, but was down from its fourth-quarter 2003 recent high.

2. Jobs

In the second quarter of 2004, the City added only 5,600 jobs, on a seasonally adjusted basis – about one-fourth the number (21,000) of jobs added in the first quarter. The private sector added 6,400 jobs, but the public sector lost 800, as shown in Chart 3.

Chart 3. *NYC Quarterly Job Growth ('000) and Percent Change, SAAR 2Q04 vs. 1Q04*



Source: NYS Department of Labor. Quarterly/seasonal adjustments by the NYC Comptroller's Office. SAAR=Seasonally Adjusted Annual (percentage) Rate. Changes are from the previous quarter. Numbers of jobs are in thousands, so that "Total 5.6" means a gain of 5,600 jobs in the second quarter of 2004 compared with the first quarter of 2004. Numbers in parentheses such as "(0.6%)" indicate the annualized percentage job gains by sector between the second and first quarters. The Comptroller's latest monthly seasonally adjusted job numbers may be found in press releases posted on the Comptroller's website, www.comptroller.nyc.gov.

Within the private sector, professional and business services added 5,700 jobs, after adding 5,900 jobs in the first quarter. Leisure and hospitality added 2,600 jobs. This category includes accommodation and food services, which added 1,700 jobs, and art and entertainment and recreation, which added 1,000 jobs. Other services added 2,200 jobs, and the information sector added 1,000 jobs.

Education and health services lost 200 jobs for the first time in three years. Education lost 1,500 jobs, but health services added 1,500 jobs.¹

Trade, transportation and utilities lost 1,500 jobs, mostly because of the loss of 1,700 jobs in transportation and utilities. Trade added 200 jobs in the second quarter after adding 2,600 jobs in the first quarter.

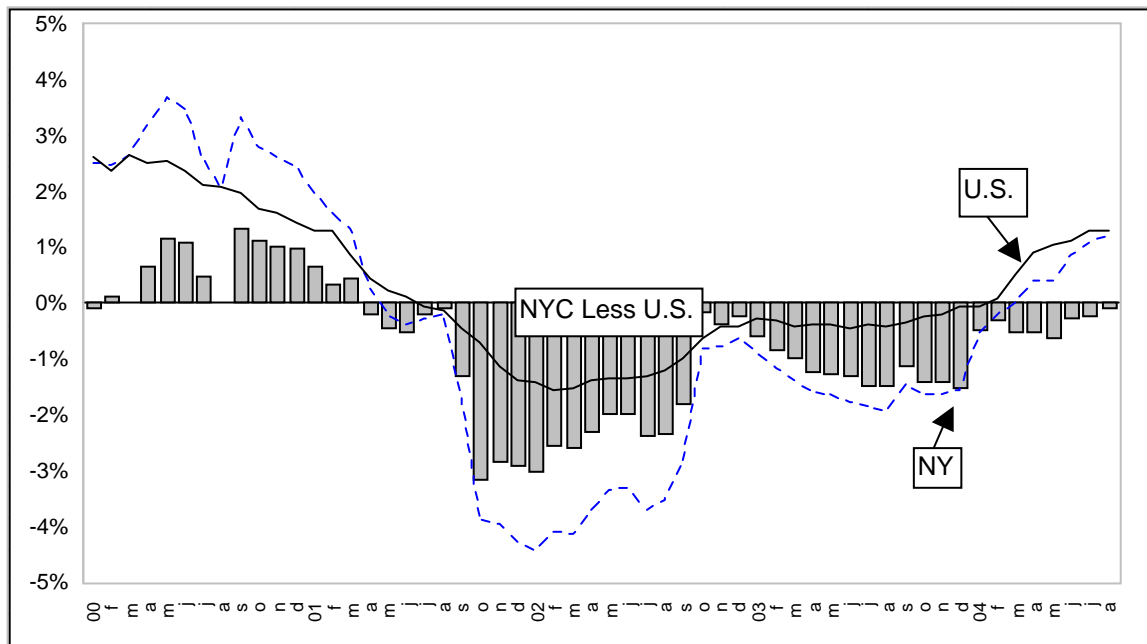
The construction industry lost 1,100 jobs. Except for the 100 jobs that the construction industry added in the fourth quarter of 2001, this industry has been continuously losing jobs since the second quarter of 2001, for a total of 17,700 lost jobs. This is surprising in view of the large number of building plans under discussion and the growth in the number of building permits.

¹ Under the NAICS system, non-seasonally adjusted components are estimated independently and therefore do not add up to the totals.

Financial activities lost 500 jobs in the second quarter after losing 300 in the first quarter. Loss of jobs in the financial activities sector reflects declines in the securities industry (which lost 800 jobs), finance and insurance (which lost 200 jobs), and real estate (which lost 300 jobs). Banks added 1,100 jobs in the second quarter, after four quarters of job losses.

On a year-over-year basis, the City's job growth continued to lag the nation's, but the gap is smaller than it was a year earlier. On a year-over-year monthly basis, NYC jobs increased for the fourth consecutive month in July 2004 by 0.9 percent, as U.S. jobs increased by 1.3 percent. The City has lagged the nation in job creation since March 2001, with the gap opening up significantly in September 2001. The gap between the U.S. and City percentage job losses in August is 0.08 percentage points. This is the smallest gap since the 0.08-percentage-point gap in August 2001, as may be seen in Chart 4.

Chart 4. *Payroll-Jobs, NYC and U.S., Year-over-Year Monthly Percent Change, Jan. 00 to Aug. 04*

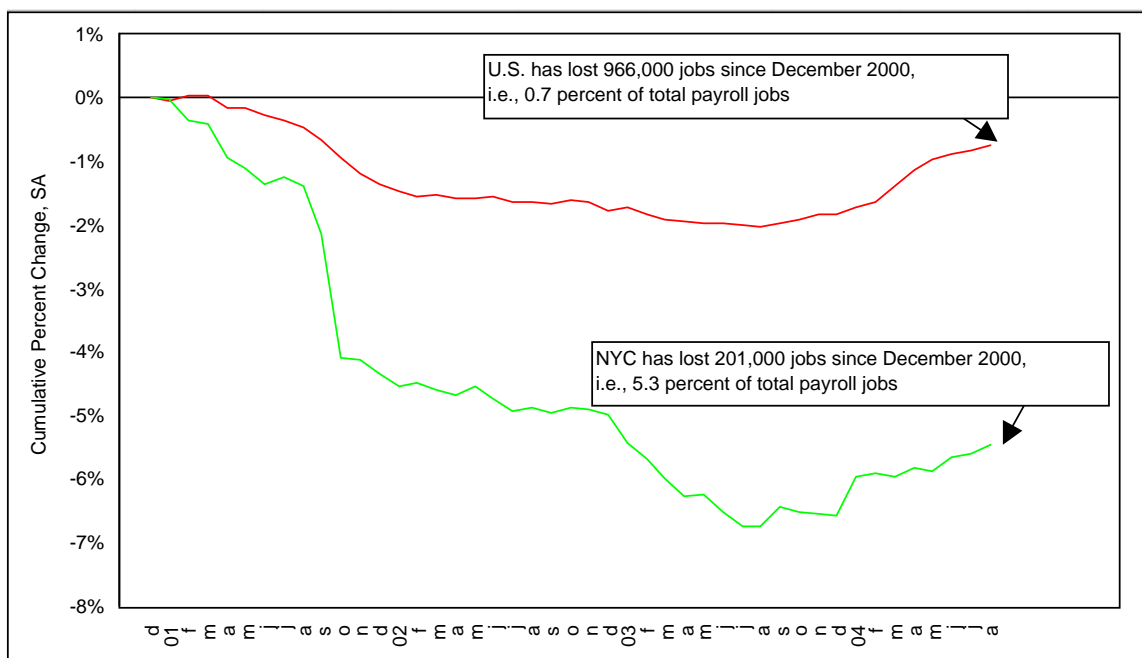


Source: U.S. Bureau of Labor Statistics and NYS Department of Labor.

From December 2000 to August 2004, the City's payroll jobs have declined by 201,000, or 5.3 percent, compared with a relatively much smaller U.S. loss of 966,000, or 0.7 percent, as shown in Chart 5. Both the City and nation suffered more in payroll-job losses than in employment losses.

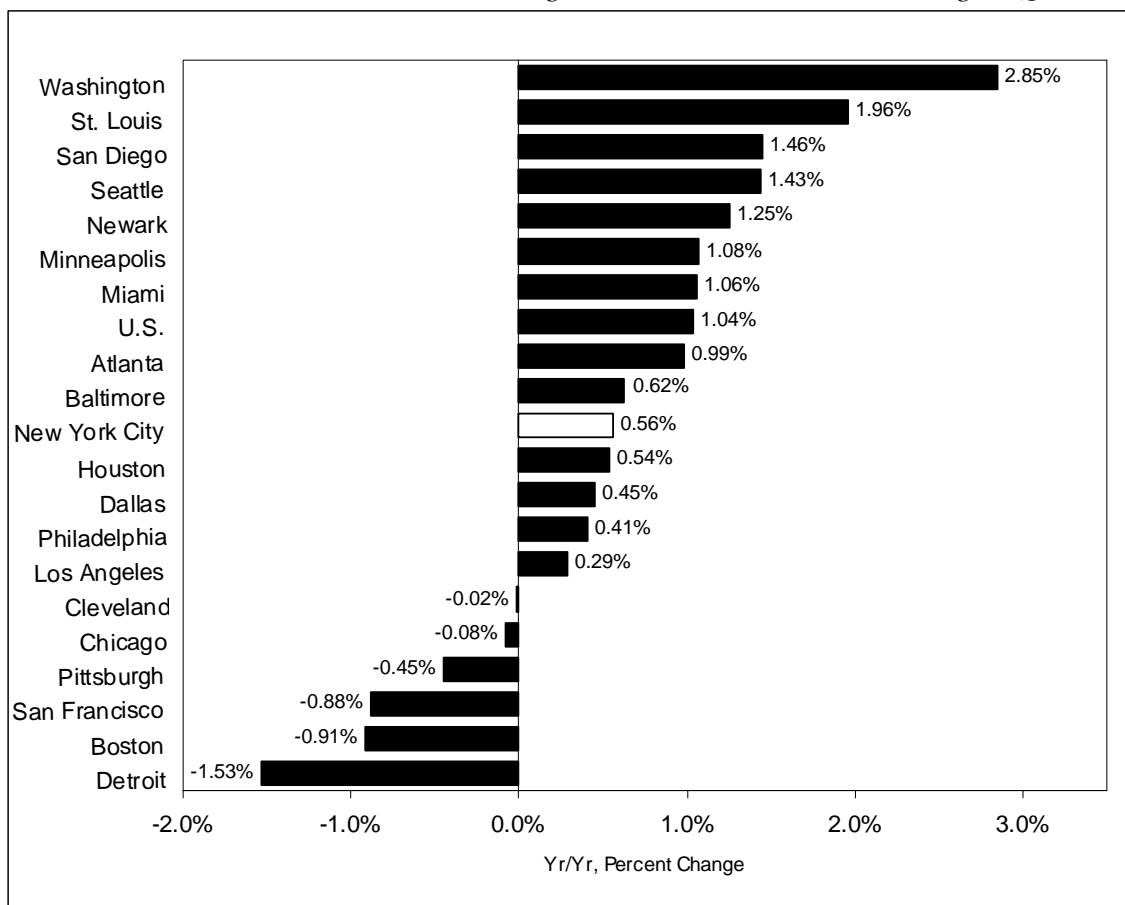
On a year-over-year basis, NYC jobs increased by 0.6 percent in the second quarter, after 12 consecutive quarterly losses. This ranked in the middle of job growth compared with the 19 largest metro areas. Washington D.C. had the highest rate of job growth, 2.9 percent, and Detroit had the lowest rate, losing 1.5 percent of its jobs. The nation's average job growth was 1 percent, as shown in Chart 6.

Chart 5. *Cumulative Change in Payroll Jobs, U.S. and NYC, Monthly (SA), December 2000-August 2004*



Source: Computation by the NYC Comptroller's Office based on monthly data from the NYS Department of Labor and U.S. Bureau of Labor Statistics.

Chart 6. *Job Growth, NYC and the 19 Next-Largest Metro Areas, Percent Change, 2Q04 over 2Q03*

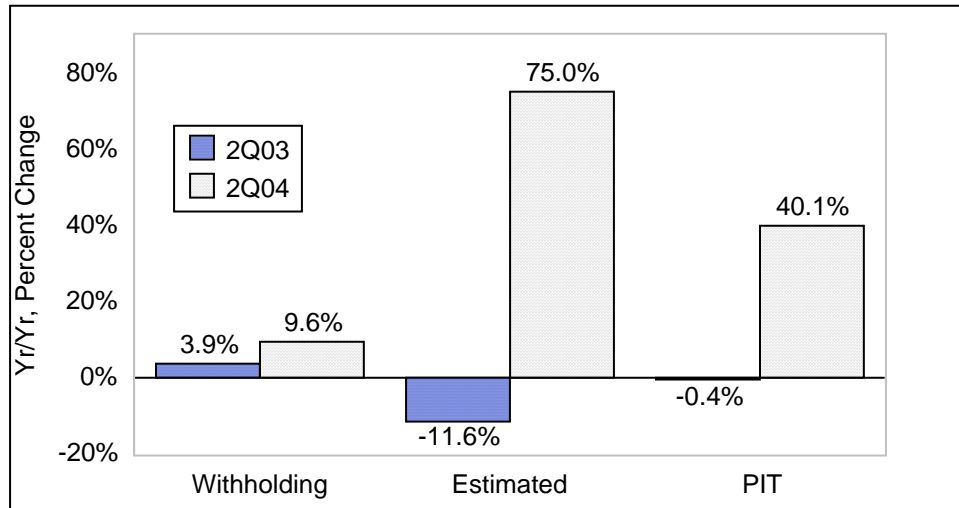


Source: U.S. Bureau of Labor Statistics (BLS). All data are for Metropolitan Statistical Areas (MSAs) or Primary MSAs (PMSAs), except for NYC, in which case City data are used. These job numbers are not seasonally adjusted because adjusted numbers are not available for cities or metropolitan areas other than NYC.

3. Income

Personal-income-tax (PIT) revenue, which the Comptroller's Office has used as a proxy for personal income because of the lag in publication of income data, showed a huge 40.1 percent gain in the second quarter of 2004 on a year-over-year basis. Withholding taxes, which are deducted from wages and salaries, rose 9.6 percent, and estimated taxes (paid either by installment or with extensions by those with significant capital gains or non-wage income) rose 75 percent, as shown in Chart 7.

Chart 7. NYC Personal Income Taxes, Year-over-Year Percent Change, 2Q03 and 2Q04



Source: NYC Comptroller's Office, based on data from the NYC Department of Finance. Withholding and estimated taxes are components of personal income taxes (PIT) and provide an indication of the nature of changes in PIT revenue. Since the data are not seasonally adjusted, the second quarter of 2004 is compared with the second quarter of 2003 in one bar and the second quarter of 2003 is compared with the second quarter of 2002 in the other bar.

Using PIT as an income proxy in the second quarter is complicated by the City's PIT rate increase in mid-2003, from 3.648 percent to 4.25 percent for taxable incomes of joint filers between \$150,000 and \$500,000 (single filers started at \$100,000) and to 4.45 percent for taxable incomes above \$500,000.² The increase was retroactive to the beginning of 2003. The Comptroller's Office has estimated that 84 percent of the increase in overall PIT revenues in FY2004 is attributable to a higher tax rate, as withholding rates were increased by twice the rate increase to catch up on the PIT owed for the first half of the year.

The sharp increase in estimated PIT payments in the second quarter of 2004 results in part from the low expectations of filers in the second quarter of 2003. A significant group of these taxpayers found they had underpaid their April and June 2003 estimated-PIT installments because they didn't know that PIT rates on high-income earners would increase retroactively until the year was half over. This group also didn't anticipate that capital gains and dividends and interest income would rebound as much as they did in the second half of 2003.³ The steep 75 percent change in estimated taxes is attributable to the fact that estimated PIT payments were only 16.5 percent of collections in 2003.

² City filers also were subject to the New York State PIT increase from 6.85 percent to 7.5 percent for 2003 taxable incomes of joint filers between \$150,000 and \$500,000 and to 7.7 percent for 2003 taxable incomes above \$500,000.

³ The City of New York itself didn't anticipate the impact because the PIT rates had not yet been approved by the New York State Legislature and because Wall Street (NYSE member-firm) profits had fallen from \$10.4 billion in 2001 to \$7 billion in 2002. It was not expected in mid-2003 that Wall Street profits would rebound to \$16.8 billion, the second-highest level on record after the peak dot-com-bubble year of 2000. In the FY 2004 Executive Budget (p. 57) the City anticipated estimated PIT payments of \$720 million. In the FY 2005 Executive Budget (p. 59) the City anticipated estimated PIT payments of \$997 million in FY 2004 (an increase of 38.5 percent).

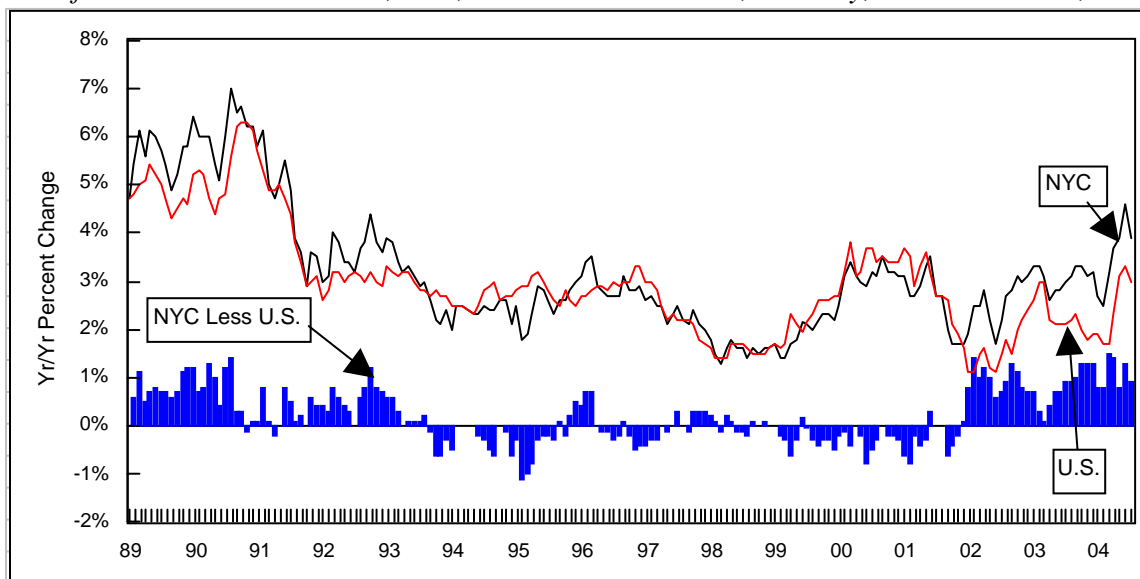
4. Inflation

The NYC metro area inflation rate, as measured by the year-over-year change in the consumer price index, surged to 4.1 percent in the second quarter, from 2.8 percent in the first quarter. The core inflation rate, which includes all items except food and energy, rose to 3.5 percent in the second quarter from 2.6 percent in the first quarter. Energy prices rose 11.1 percent in the second quarter, much more than the 4.2 percent rise in the first quarter, but a smaller increase than the national rise of 12.5 percent.

Apparel and upkeep rose 6.5 percent in the second quarter, almost three times the 2.3 percent increase in the first quarter. Housing prices rose 4.6 percent and food and beverage prices rose 4.3 percent. The combined total of apparel and upkeep, housing, and food and beverages had the highest quarterly inflation rate in the last 12 years of data. Services prices rose 4.3 percent, the highest since 4.5 percent in first quarter of 2002. Transportation prices rose 3.9 percent after rising only 1.7 percent in the first quarter of 2004. Medical-care prices rose 3.3 percent in the second quarter, slightly less than the 3.4 percent increase in the first quarter.

The NYC metro area inflation rate of 4.1 percent was much higher than the national average of 2.9 percent. Chart 8 shows the monthly inflation rates for the City and the nation as well as the differences between the two rates. It is a matter of great concern for the future of the City's economic competitiveness when its inflation rate is significantly higher than the nation's, as last occurred in the period before and during the City's deep recession of 1989-1993.

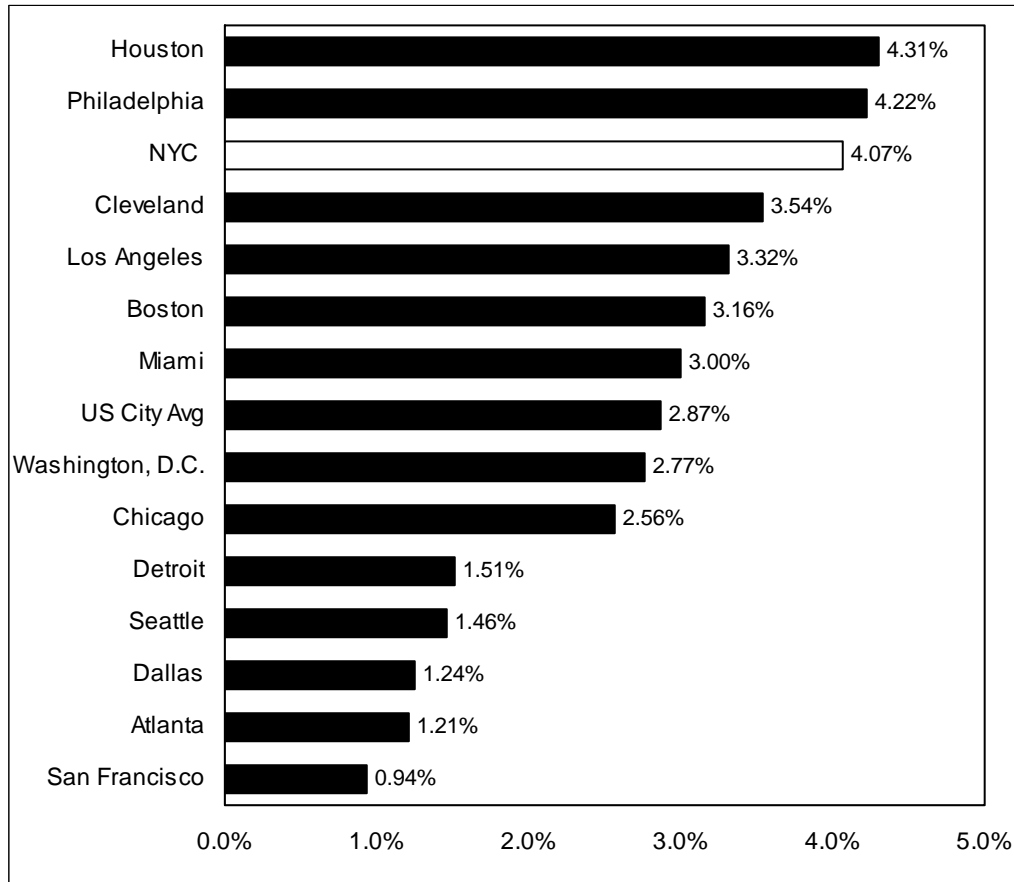
Chart 8. *Inflation Rates: NYC Area, U.S., and NYC Minus U.S., Monthly, Year-over-Year, 1989-2004*



Source: U.S. Bureau of Labor Statistics (BLS). Computation of differences by the NYC Comptroller's Office. Inflation data for NYC and other cities are collected by the BLS on a metropolitan-wide basis.

Compared with the 14 largest metro areas, the NYC metro area had the third-highest inflation rate, 4.1 percent. Houston's inflation rate was highest, at 4.3 percent. Philadelphia was in second place at 4.2 percent. San Francisco had the lowest inflation rate, one percent. (See Chart 9.)

Chart 9. *Inflation Rate, 14 Large Metro Areas and U.S. Urban Average, 2Q04*



Source: U.S. Bureau of Labor Statistics (BLS). Quarterly inflation rates are computed by the NYC Comptroller's Office as averages of monthly BLS data. Data are collected by the BLS for the 14 largest metro areas.

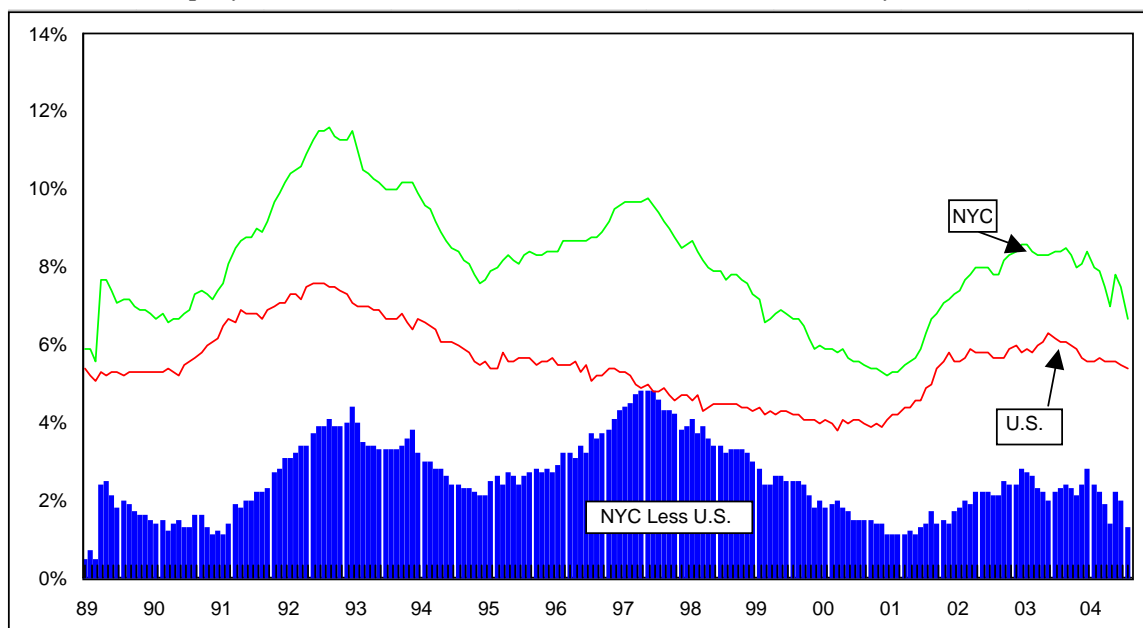
5. Unemployment

Despite anemic payroll-job gains, NYC civilian employment showed strong growth in the second quarter. The seasonally adjusted number of employed City residents grew by 20,900 in the second quarter, after growing by 8,000 in the first quarter of 2004 and by 6,300 in the fourth quarter of 2003. However, the number of unemployed residents fell by 24,600, a sign that 3,700 residents might have moved out the City or became discouraged and are therefore no longer seeking employment.

The City's seasonally adjusted unemployment rate fell to 7.4 percent, the lowest since 7.0 percent in the fourth quarter of 2001. Chart 10 shows that the gap between the City and the national unemployment rate has narrowed to 1.3 percentage points in August, the lowest since July 2001.

The City has been slowly recovering from its long recession, which began in January 2001. The civilian employment data show that City's recession was significantly more serious than the national downturn. From December 2000 to August 2004, 78,600, or 2.2 percent, fewer City residents were employed. During the same period, the number of U.S. residents who were employed increased by 1.5 percent. Chart 11 shows the cumulative changes. As previously noted, payroll-job losses were larger for both the City and nation than were employment losses. The City lost 5.3 percent of its payroll jobs between December 2000 and August 2004, but in the same period only 2.2 percent fewer City residents reported they were not employed.

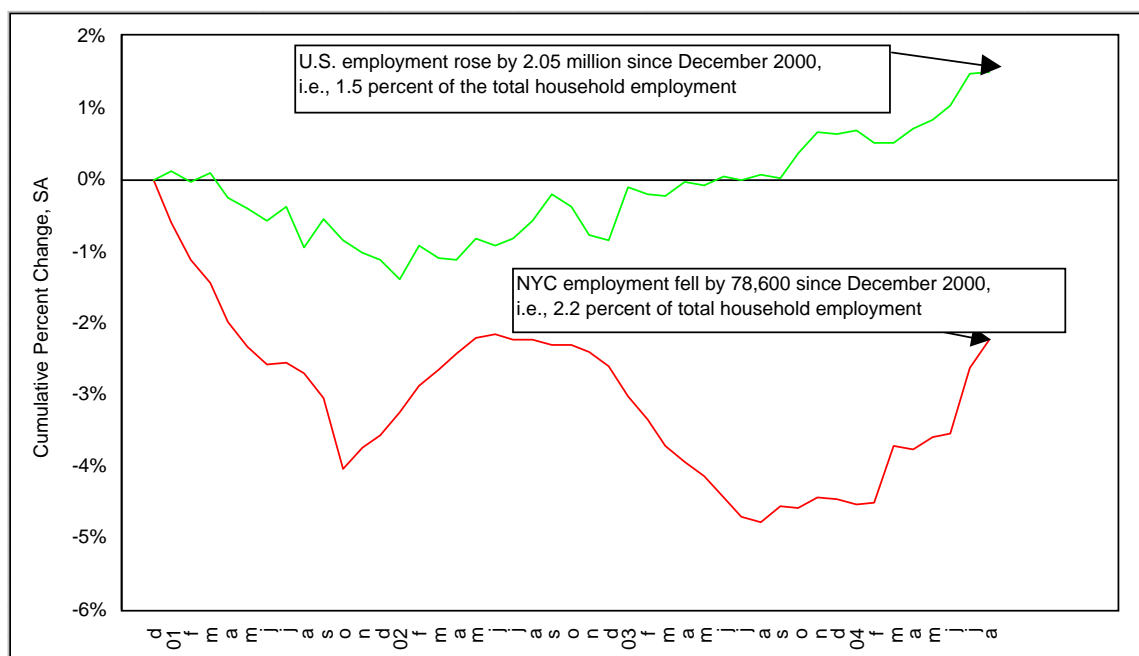
Chart 10. *Unemployment Rate, NYC, U.S. and NYC Less U.S., Monthly (SA), 1989-2004*



Source: Seasonally Adjusted (SA) series and differences computed by the NYC Comptroller's Office based on monthly data from the NYS Department of Labor and U.S. Bureau of Labor Statistics.

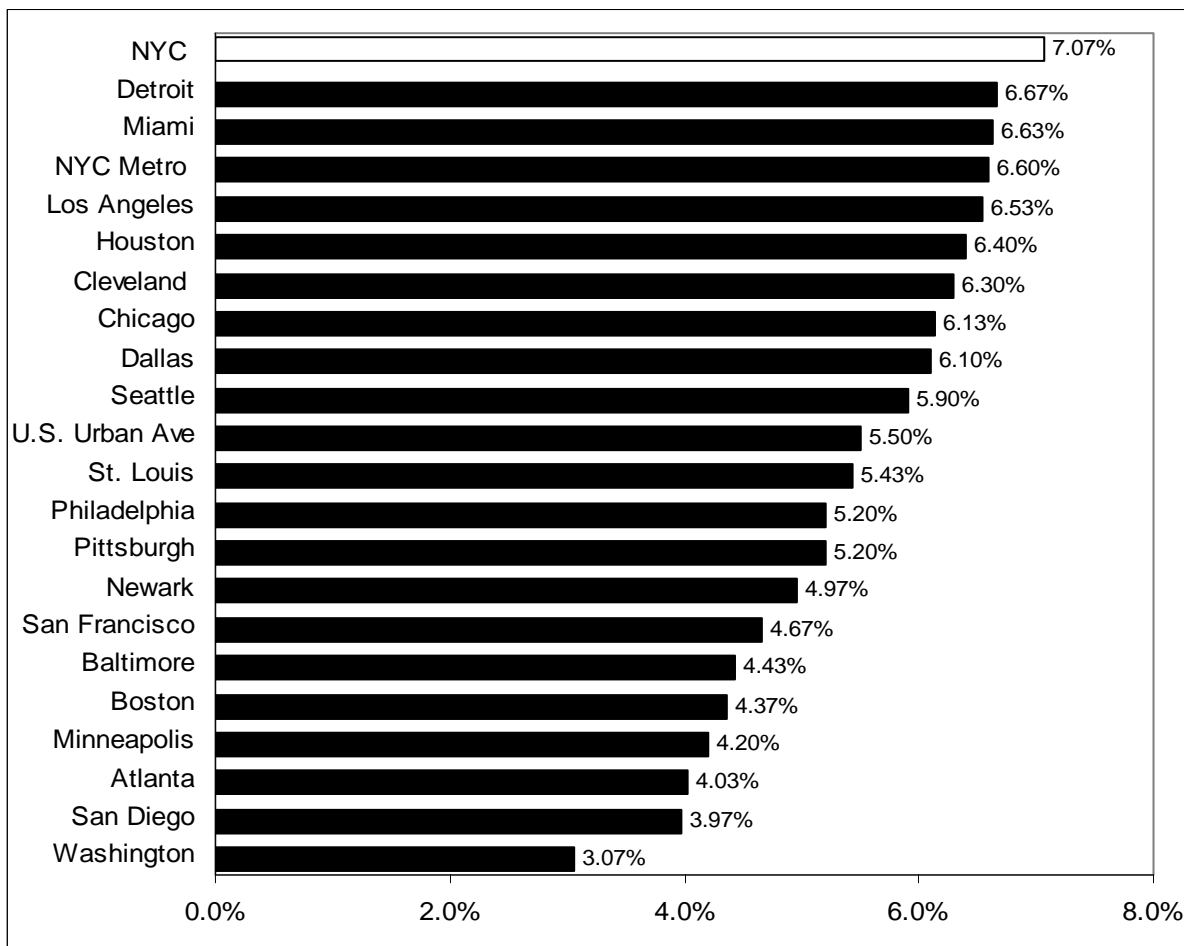
In the second quarter of 2004 NYC continued to have the highest unemployment rate compared with the 20 largest metro areas. The City's seasonally unadjusted unemployment rate was 7.1 percent in the second quarter. Metro Washington D.C. had the lowest unemployment rate of 3.1 percent, while the U.S. urban average unemployment rate was 5.5 percent, as shown in Chart 12.

Chart 11. *Cumulative Change in Civilian Employment, U.S. and NYC, Monthly (SA), Dec. '00-August '04*



Source: Computation by the NYC Comptroller's Office based on monthly data from the NYS Department of Labor and U.S. Bureau of Labor Statistics.

Chart 12. *Unemployment Rate, NYC and the 20 Largest Metro Areas and U.S. Urban Average, 2Q04*

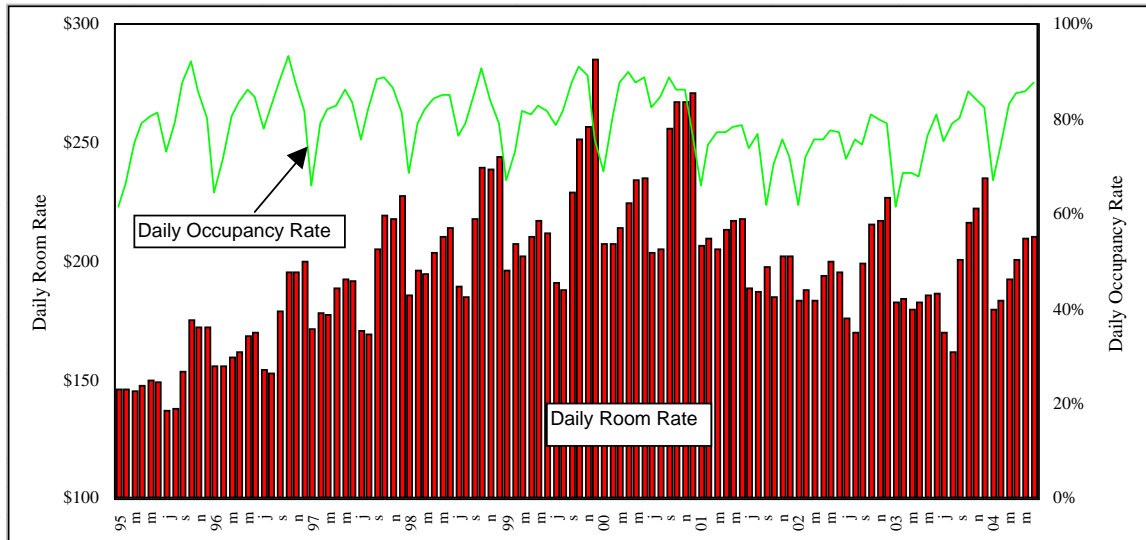


Source: BLS. All data are for the entire metro areas (MSAs or PMSAs, as defined in Chart 6); the NYC metro area is a PMSA, which is composed of the five NYC boroughs plus Westchester, Putnam, and Rockland counties. The unemployment rate for NYC alone is slightly higher and is shown for comparison. These numbers are *not* seasonally adjusted.

6. Tourism and the Hotel Industry

The tourism industry showed a surge in the second quarter, partly because of a weak dollar. The average hotel occupancy rate was 86.4 percent in the second quarter, the highest rate since 88.9 percent in the second quarter of 2000. The average daily room rate in the second quarter of 2004 was approximately \$207, compared with \$185 in the second quarter of 2003. Chart 13 shows the monthly occupancy and room rates since 1995.

Chart 13. *Daily Room and Occupancy Rates, NYC Hotels, 1995-2004*

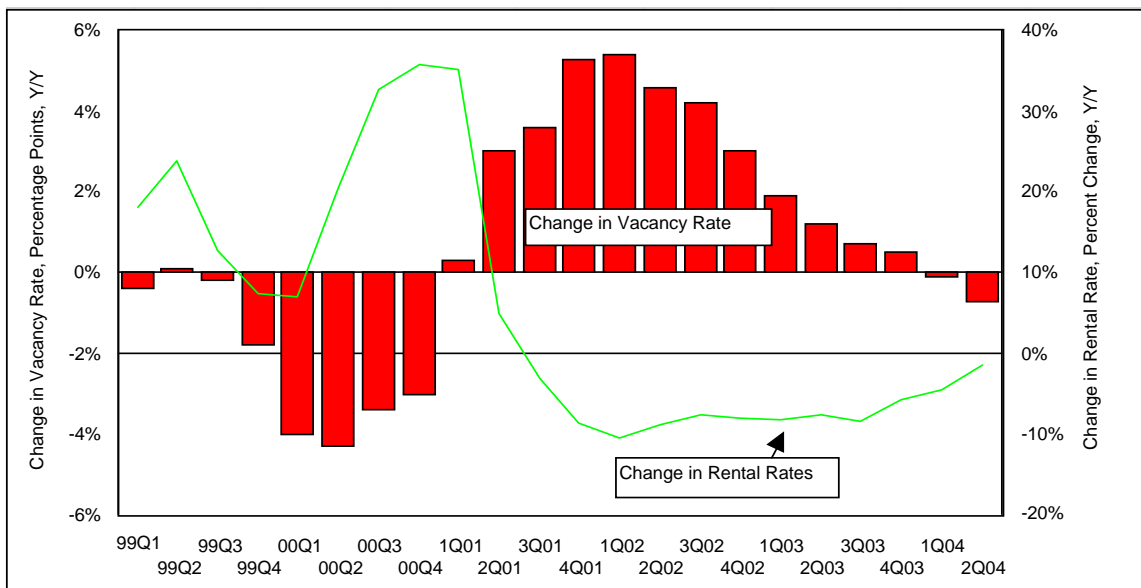


Source: PKF Consulting. Quarterly rates in the text are the Comptroller's Office averages of monthly rates.

7. Real Estate

The real estate market gave mixed signals. The average Manhattan commercial (office) real-estate vacancy rate, which was increasing on a year-over-year basis since the first quarter of 2001, declined in the second quarter of 2004, for the second consecutive quarter. Despite this fall in the average vacancy rate, the average rental rate did not increase. Chart 14 shows the year-over-year change in Manhattan vacancy rates and rental rates.

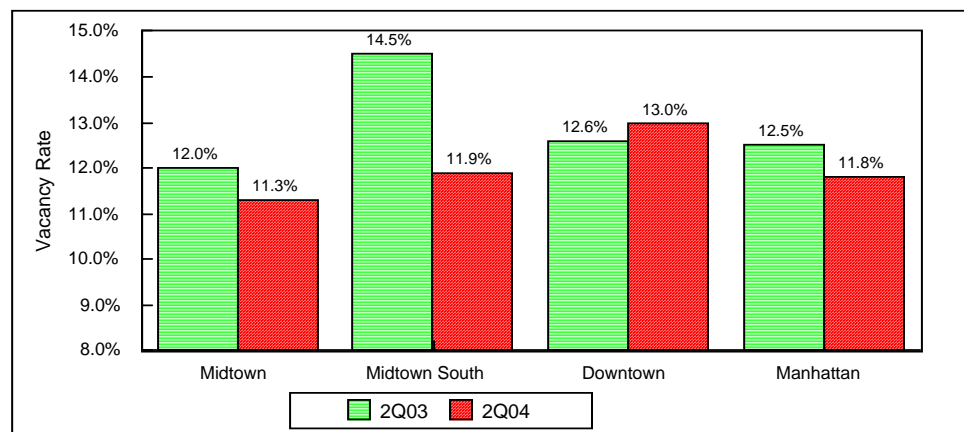
Chart 14. *Change in Vacancy Rates and Rental Rates, Manhattan, Overall Commercial, Y/Y, 1Q99-2Q04*



Source: Cushman & Wakefield. Calculations of changes are by the NYC Comptroller's Office.

Manhattan commercial vacancy rates fell to 11.8 percent in the second quarter of 2004, from 12.5 percent in the second quarter of 2003, as shown in Chart 15. The vacancy rate in Downtown rose to 13.0 percent, but fell in Midtown and especially in Midtown South

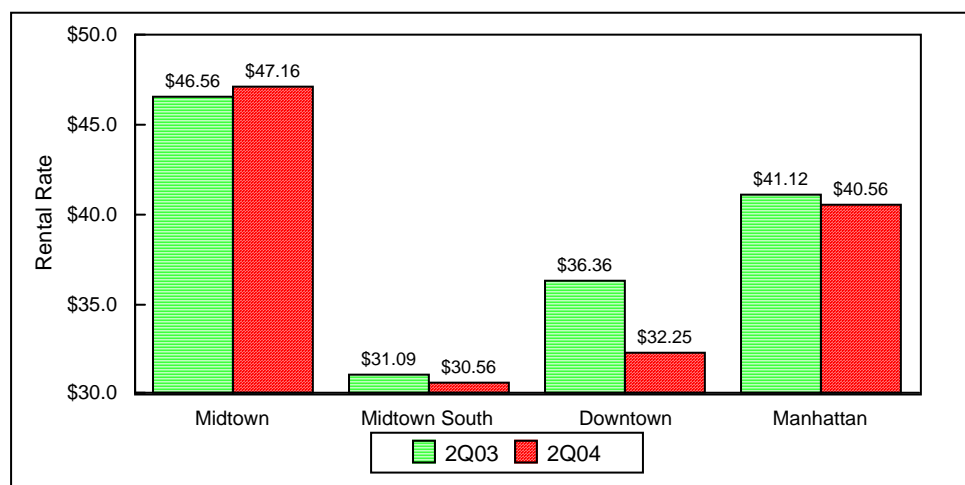
Chart 15. *Vacancy Rates, Manhattan, Overall Commercial, 2Q03 and 2Q04*



Source: Cushman & Wakefield.

As noted, despite the fall in vacancy rates, rental rates did not increase in Manhattan. As shown in Chart 16, on a year-over-year basis, Manhattan rental rates fell by 1.4 percent in the second quarter. But rental rates in Midtown were up by 1.3 percent on a year-over-year basis, reflecting decisions made by firms like Cantor Fitzgerald that had been Downtown to move to the Midtown area.

Chart 16. *Rental Rates per Square Foot, Manhattan, Commercial, Average, 2Q03 and 2Q04*



Source: Cushman & Wakefield.

8. Leading Economic Indexes

The City's leading economic indexes improved in the second quarter of 2003, as shown in Table 1.

Table 1. *Three Leading Economic Indexes, NYC, 2Q04 over 2Q03*

	2Q03	2Q04	Change
Business Conditions Index (1996=100)	231.0	286.7	+24.1%
Number of Building Permits Authorized	24,570	27,064	+2,494 (10.2%)
Help-Wanted-Advertising Index (1987=100)	17.3	18.0	+3.8%

Source: NYC Dept. of Buildings (permits), National Association of Purchasing Management-New York (business conditions index) and the Conference Board (help-wanted ads).

Business Conditions Index. The business conditions index (BCI), a gauge based on purchasing managers' buying plans in NYC, improved in the second quarter. The City's BCI was 286.7 in the second quarter of 2004, compared with 231.0 in the second quarter of 2003. The current conditions index

was 62.7 in the second quarter of 2004, up from 39.8 in the second quarter of 2003. The six-month outlook index was 69.4 in the second quarter of 2004, up from 60.0 in the second quarter of 2003.

Number of Building Permits. On a year-over-year basis, the number of building permits authorized rose by 10.2 percent (2,494) in the second quarter of 2004 compared with the second quarter of 2003. Low interest rates and the strong demand for housing and office space have continued to sustain a high level of development-planning activity in the City.

Help-Wanted Advertising Index. On a year-over-year basis, the City's help-wanted-advertising index rose 3.8 percent in the second quarter of 2004. Compared with the previous second quarters, this is the first increase since the second quarter of 1998 when the index rose 7.7 percent over the second quarter of 1997. The help-wanted- advertising index is sensitive to labor-market conditions and provides a gauge of changes in demand for workers. The Conference Board publishes the help-wanted advertising index for 51 cities and the nation every month. The national average was 38.3 in the second quarter of 2004, up from 36.3 in the second quarter of 2003. However, because the number of job vacancies posted on the Internet has steadily increased, this indicator is not useful for long-term purposes; it is useful only as a quarter-to-quarter guide.

New York City Economic Indicators

	Labor Market											Inflation			
	Payroll Jobs ¹ (thousands)		Private Jobs ¹ (thousands)		Civilian Employment ² (thousands)		Unemployment Rate (%)		Labor Force Participation Rate (%)		Help Wanted Advertising	Consumer Price Index (CPI), 1982-84 = 100			
												All Items		Core CPI ³	
2002	NSA*	SA	NSA	SA	NSA	SA	NSA	SA	NSA	SA	1987=100	Level	%ch year ago	Level	%ch year ago
Oct.	3,593.1	3,579.0	3,032.1	3,012.1	3,434.4	3,438.4	8.3	8.2	59.6	59.6	19	193.7	3.1	207.9	3.6
Nov.	3,620.5	3,578.4	3,051.4	3,009.3	3,440.5	3,435.1	8.3	8.3	59.7	59.6	19	193.4	3.0	207.1	3.0
Dec.	3,634.2	3,575.2	3,062.3	3,006.6	3,440.3	3,428.7	8.3	8.4	59.7	59.6	17	193.1	3.1	206.5	2.8
2003															
Jan.	3,505.2	3,559.5	2,946.5	2,997.0	3,389.0	3,414.1	9.1	8.6	59.3	59.5	18	194.7	3.3	208.4	3.1
Feb.	3,514.3	3,550.8	2,957.7	2,987.8	3,395.1	3,403.0	9.0	8.6	59.4	59.2	22	196.2	3.3	208.9	2.3
Mar.	3,524.9	3,540.1	2,968.5	2,980.4	3,391.0	3,390.4	8.7	8.4	59.1	58.9	17	197.1	3.1	209.4	1.8
Apr.	3,521.5	3,530.2	2,963.7	2,972.0	3,375.7	3,382.9	8.1	8.3	58.4	58.7	17	196.7	2.6	209.7	1.9
May	3,541.2	3,530.3	2,983.3	2,972.2	3,364.1	3,375.9	7.9	8.3	58.1	58.5	17	196.8	2.8	210.1	2.2
June	3,541.7	3,521.2	2,982.1	2,963.1	3,372.7	3,366.2	7.9	8.3	58.2	58.4	18	196.9	2.8	210.1	2.5
July	3,518.9	3,513.4	2,945.9	2,961.9	3,397.2	3,357.3	8.4	8.4	58.9	58.2	18	197.7	3.0	211.0	2.7
Aug.	3,498.8	3,513.2	2,937.7	2,961.5	3,370.8	3,354.8	8.4	8.4	58.3	58.1	15	199.1	3.1	212.5	2.6
Sept.	3,501.7	3,524.1	2,962.3	2,968.3	3,338.0	3,361.8	8.4	8.5	57.7	58.2	20	199.6	3.3	212.2	2.4
Oct.	3,534.7	3,520.9	2,986.3	2,966.6	3,357.4	3,361.4	8.4	8.3	57.9	57.9	16	200.0	3.3	213.3	2.6
Nov.	3,562.2	3,520.4	3,008.4	2,966.9	3,371.4	3,366.2	8.1	8.0	57.9	57.7	17	199.4	3.1	212.6	2.7
Dec.	3,577.4	3,519.1	3,019.5	2,964.6	3,376.4	3,365.1	8.0	8.1	57.8	57.7	13	199.3	3.2	212.2	2.8
2004															
Jan.	3,487.3	3,540.6	2,937.1	2,986.5	3,337.5	3,362.9	8.9	8.4	57.6	57.7	17	199.9	2.7	212.7	2.1
Feb.	3,506.8	3,542.7	2,957.8	2,987.3	3,356.1	3,364.1	8.5	8.0	57.5	57.4	16	201.1	2.5	213.9	2.4
Mar.	3,524.9	3,540.1	2,974.8	2,986.4	3,390.5	3,389.9	8.1	7.9	57.8	57.6	17	203.4	3.2	216.6	3.4
Apr.	3,535.8	3,545.2	2,983.1	2,991.6	3,381.5	3,388.8	7.2	7.5	57.0	57.3	18	204.0	3.7	217.4	3.7
May	3,555.7	3,543.7	3,001.9	2,990.1	3,382.8	3,394.3	6.6	7.0	56.5	57.0	18	204.4	3.9	216.9	3.2
June	3,572.3	3,551.5	3,017.8	2,999.2	3,403.4	3,396.5	7.4	7.8	57.3	57.4	18	206.0	4.6	217.5	3.5
July	3,557.8	3,553.5	2,994.6	3,011.0	3,464.8	3,426.8	7.6	7.5	58.3	57.6		205.5	3.9	217.1	2.9

*NSA=Not Seasonally Adjusted. SA=Seasonally Adjusted.

Notes: 1. Payroll jobs are derived from the Establishment Survey.

2. Civilian employment is derived from the Household Survey.

3. Core CPI=all items less food and energy.

Continued →

Cont'd	Real Estate Transaction Taxes		Income-Sensitive Taxes				Manhattan Commercial Real Estate (Overall)				Construction		Hotel	
							Vacancy Rate		Asking Rental Rate		Total Number of Building Permits Authorized		Hotel Occupancy Rate	Daily Room Rate
	MRT ¹	RPTT ²	Sales	Corp.	Bank	PIT	Midtown	Downtown	Midtown	Downtown				
2002	\$ mil.	\$ mil.	\$ mil.	\$ mil	\$ mil	\$ mil	(%)	(%)	(\$/s.f.)	(\$/s.f.)	(# of units)	Year-to-date	(%)	(\$)
Oct.	50.6	59.2	244.6	22.9	-15.8	321.9	Na	na	na	Na	8,652	75,914	81.1	216.02
Nov.	47.4	32.1	241.3	20.4	-5.8	347.2	Na	na	na	Na	7,352	83,266	80.1	216.94
Dec.	53.4	45.6	399.3	221.3	17.4	472.2	11.1	13.2	49.37	39.45	7,100	90,366	79.5	227.20
2003														
Jan.	23.9	19.3	301.5	12.9	3.6	659.2	Na	na	na	Na	7,324	7,324	61.7	182.85
Feb.	29.6	25.1	240.7	5.0	-27.1	380.8	Na	na	na	Na	6,397	13,721	68.8	184.29
Mar.	39.7	30.2	351.6	397.9	43.2	265.4	11.5	13.3	47.30	38.24	7,367	21,088	68.7	179.54
Apr.	44.7	48.2	253.0	54.4	3.5	509.5	Na	na	na	Na	7,954	29,042	67.9	182.51
May	45.3	32.3	267.2	14.9	-21.4	93.9	Na	na	na	Na	8,064	37,106	76.5	185.55
June	60.0	26.0	366.0	203.0	130.0	449.0	12.0	12.6	46.56	36.36	8,552	45,658	81.0	186.57
July	71.3	57.3	261.9	0	0	346.9	Na	na	na	Na	8,833	54,491	75.9	168.68
Aug.	53.1	32.5	269.2	0	0	280.9	Na	na	na	Na	8,035	62,526	79.2	161.66
Sept.	85.5	69.2	371.4	303.9	82.8	453.5	11.9	13.0	45.63	35.60	8,511	71,037	80.2	200.83
Oct.	42.9	42.3	301.6	25.8	10.4	338.5	Na	na	na	Na	9,720	79,548	85.9	216.73
Nov.	41.7	30.6	283.8	-9.3	-22.2	369.5	Na	na	na	Na	7,321	86,869	84.3	222.16
Dec.	65.8	30.7	411.4	311.2	104.0	618.6	11.9	13.5	45.37	36.92	7,291	94,160	82.7	235.05
2004														
Jan.	69.0	31.1	337.2	74.8	11.0	809.5	Na	na	na	Na	6,480	6,480	67.1	179.77
Feb.	74.8	32.7	275.3	-49.1	-15.4	512.4	Na	na	na	Na	7,054	13,534	74.0	183.84
Mar.	91.1	74.6	400.0	482.3	67.3	337.1	11.8	12.9	45.61	33.68	9,011	22,545	83.3	192.35
Apr.	90.8	28.2	309.7	63.5	13.3	709.8	Na	na	na	Na	8,649	31,194	85.6	200.47
May	78.4	55.2	310.0	-4.7	-7.7	244.6	Na	na	na	Na	8,661	39,855	85.8	209.96
June	46.0	60.0	438.0	291.0	162.0	518.0	11.3	13.0	47.16	32.25	9,754	49,609	87.7	210.35
July							Na	na	na	Na			83.4	185.72

1. MRT= Mortgage Recording Tax. 2. RPTT= Real Property Transfer Tax. n.a.=not available.