



NYC Quarterly Economic Update

Office of the New York City Comptroller
Scott M. Stringer

BUREAU OF FISCAL & BUDGET STUDIES

AUGUST 2014

Solid Economic Gains for NYC and the Nation in 2nd Quarter of 2014

Jump in Income Tax Withholdings Suggests Strong Income Growth in 2Q14

Overview: New York City's economy grew 3.1 percent in the second quarter of 2014, the fastest in almost a year, but slower than the US growth of 4.0 percent. The city's persistently robust job growth has been the primary driver of its economy. Personal Income Tax withholdings, which is an indicator of paycheck income trends, rose 6.6 percent in New York City. National economic growth is expected to continue during the rest of 2014 and NYC's growth is expected to top the national rate.

Table 1: NYC Quarterly Key Economic Indicators with U.S., 2Q14, 1Q14, and 2Q13

		2Q14	1Q14	2Q13
GCP/GDP Growth, SAAR	NYC	3.1%	1.9%	4.8%
	U.S.	4.0%	-2.1%	1.8%
Payroll-Jobs Growth, SAAR	NYC	2.1%	2.0%	2.6%
	U.S.	2.2%	1.5%	1.8%
PIT Withheld, Growth, SAAR	NYC	6.6%	10.3%	4.4%
	U.S.	7.6%	9.6%	5.1%
Inflation Rate, NSA	NYC	1.7%	1.4%	1.6%
	U.S.	2.1%	1.4%	1.4%
Unemployment Rate, SA	NYC	7.9%	7.9%	8.8%
	U.S.	6.2%	6.7%	7.5%

Real Gross City Product (GCP) grew an estimated 3.1 percent, the fastest growth since the 3rd quarter of 2013. Solid job gains and higher personal income (as evidenced by income tax withholdings), were the principal contributors to the city's GCP growth (Chart 1).

The U.S. economy grew 4.0 percent (advance estimate) in 2Q14 after a 2.1 percent decline in 1Q14, the strongest gain since 3Q13. Despite the U.S. seeing larger growth than the city in 2Q14, U.S. economic growth for all of 2014 will remain subpar. The weak start in 1Q14 will limit GDP growth to about 2.2 percent in 2014, on an annual basis. While the city's growth was less than the nation's, the growth to the national GDP was realized in the wake of a weak first quarter, whereas the city's second quarter GCP results follow a quarter of stronger growth. It appears the

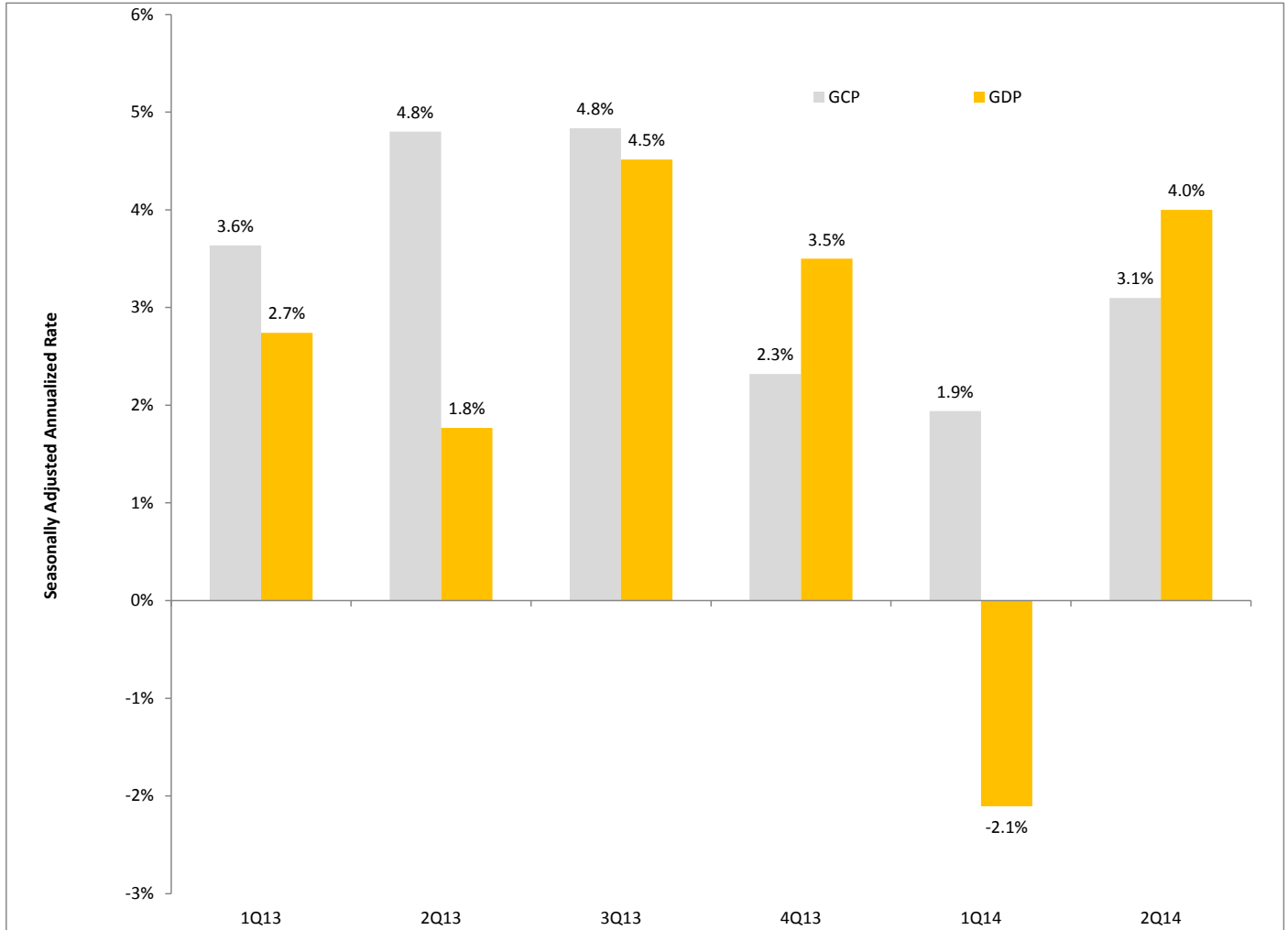
city escaped some of the volatility experienced by the US economy in 2014.

The biggest single contributor to GDP growth was the change in private inventories, which contributed about 1.7 percentage points to GDP growth. However, inventory accumulation is often a double-edged sword, as rapid growth in one quarter is usually followed by slower growth the next. Fixed investment also posted a solid increase, contributing 0.9 percentage points to GDP growth. Consumer spending added 1.7 percentage points, but government expenditures contributed only 0.3 percentage points to growth in 2Q14.

The city's GCP represents an estimated 4.0 percent of the nation's total economic output.



Chart 1. Percent Change in Real Gross City Product (GCP) and National Real Gross Domestic Product (GDP), 1Q13 to 2Q14



Source: BEA and NYC Comptroller

Financial Activity Jobs Up Two Percent, Highest in Three Years and Better than the Nation

New York City private-sector payroll employment posted another solid gain in 2Q14. The city’s private sector added 22,400 payroll jobs, a seasonally-adjusted annualized growth rate (SAAR) of 2.6 percent, compared to growth of 2.5 percent in the U.S. Except for two quarters (4Q13 and 4Q11), the city’s private-sector job base has grown faster than the nation’s for the past eight years (1Q06).

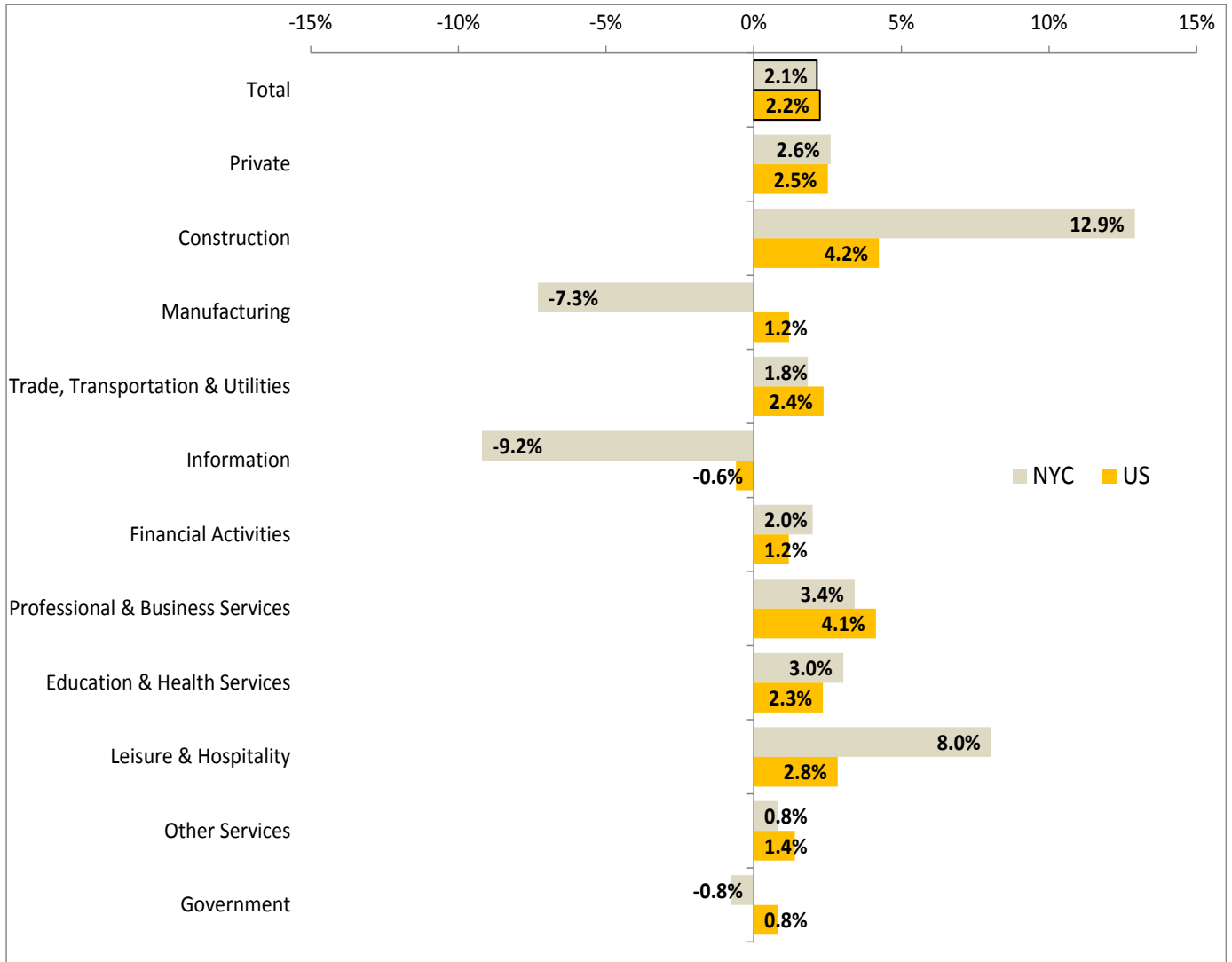
The city’s total payroll employment, including the government sector, increased by 21,300, or 2.1 percent, in 2Q14. It was the biggest gain since 3Q13, but slightly below the U.S. jobs growth of 2.2 percent, which was the biggest gain since 1Q12.

In May, after almost seven years, total jobs in the U.S. finally matched the previous peak reached in January 2008. As of June 2014, the number of total jobs slightly surpassed the previous peak by 0.3 percent. The city saw more dramatic job growth. As of June, both New York City total jobs and private-sector jobs were up by 6.5 percent and 8.4 percent respectively, compared to the previous cyclical peak in August 2008.

The biggest gains during the second quarter were in leisure and hospitality (+7,500), education and health services (+6,200), professional and business services (+5,500), construction (+3,700), trade, transportation and utility (+2,800), and financial activities (+2,200) (Chart 2).



Chart 2. Payroll-Jobs Growth, NYC and the U.S., SAAR, Quarter-over-Quarter, Percent Change, 2Q14



Source: US Bureau of Labor Statistics (BLS) and NYS Department of Labor

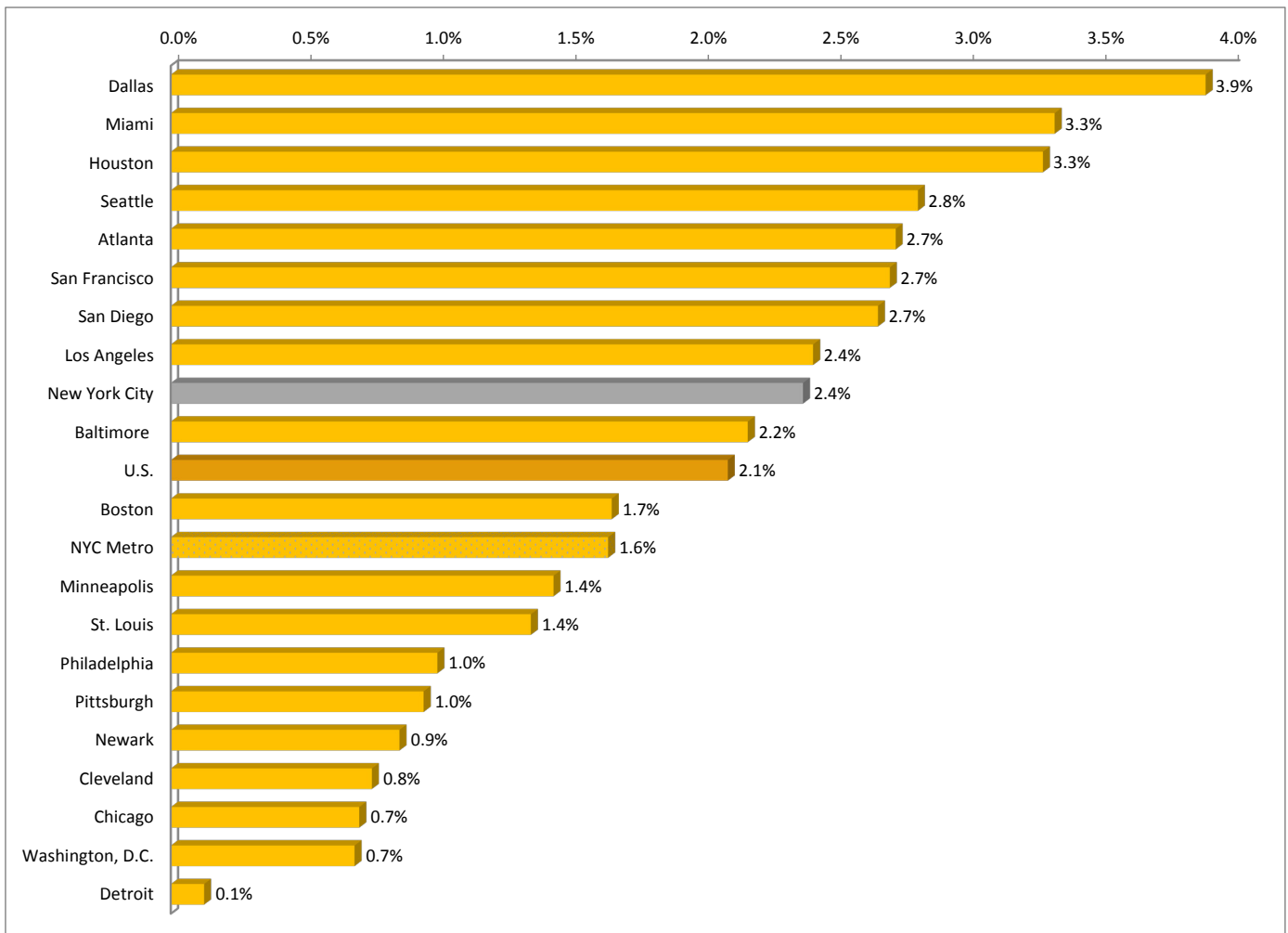
The New York City Metropolitan Area has the Largest Job Base in the Nation

Among the top 20 largest metro areas in the U.S., the NYC metropolitan area had the eleventh-highest rate of private job creation during the past year. The NYC metro area has the largest job base in the country, with about 7.6 million private payroll jobs, followed by

the metropolitan areas of Los Angeles with about 5 million and Chicago with 3.9 million. Considered on its own, and not within the metro area, NYC would have ranked 9th in private-sector job growth in 2Q14. (Chart 3).



Chart 3. Total Private Jobs, NYC, the 20 Largest Metro Areas and U.S. Average, Percent Change, 2Q14 over 2Q13



Source: US Bureau of Labor Statistics (BLS) and NYS Department of Labor

The City’s Labor Force Participation Rate Reaches its Second Highest Level On Record

NYC’s unemployment rate was 7.9 percent in the 2nd quarter of 2014, the same as in the 1st quarter of 2014, which is the lowest in five years. The US unemployment rate fell to 6.2 percent in 2Q14, also the lowest in over five years (Chart 4). Although the city’s unemployment rate is much higher than the nation’s, the city’s labor market appears to be firming. NYC’s comparatively high unemployment rate is somewhat deceptive, as it has been elevated by strong labor force growth. In contrast, the fall in the US unemployment rate is partly attributable to the shrinking number of unemployed people actively seeking jobs.

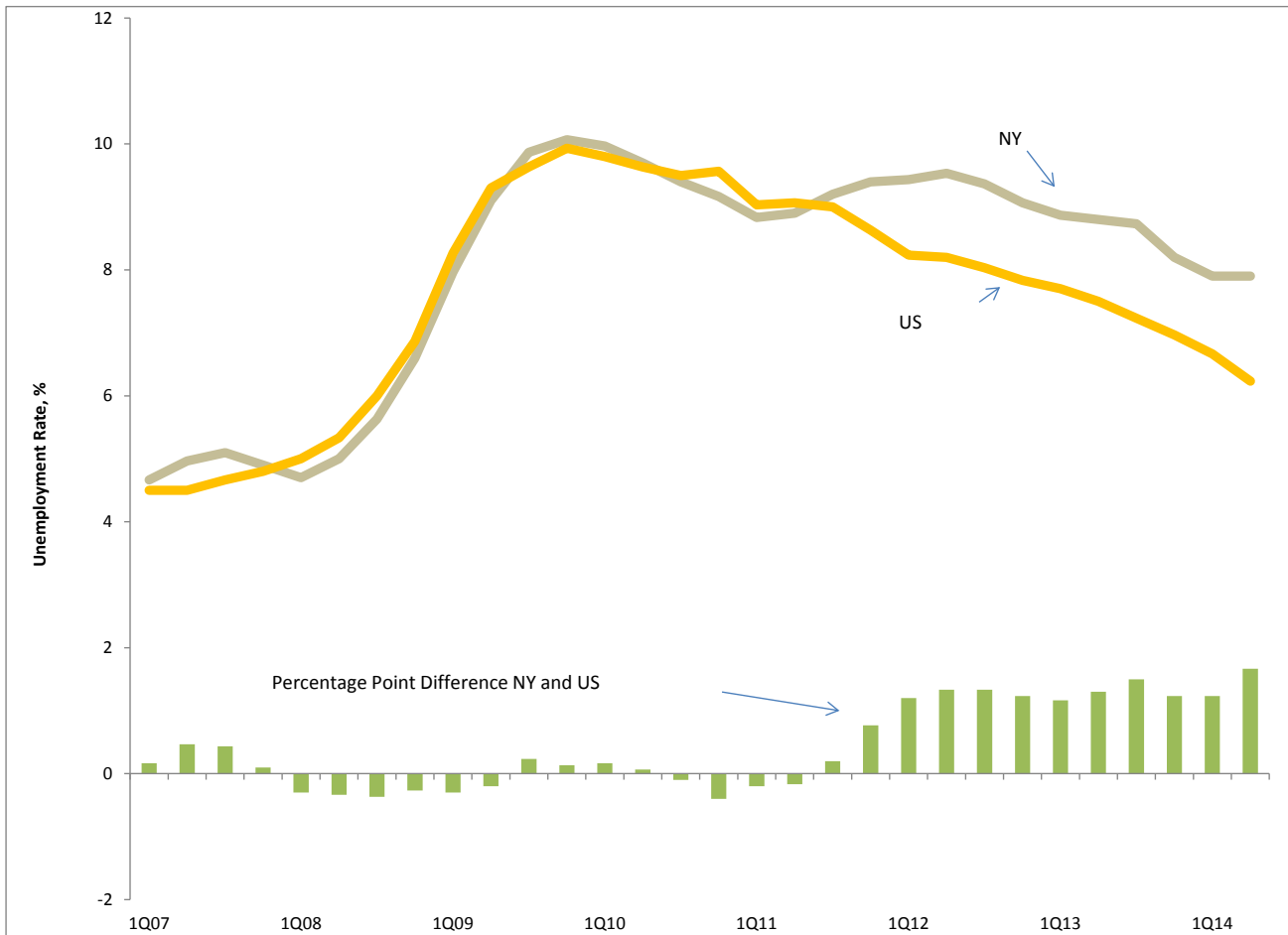
The city’s labor force increased by 37,100 in 2Q14, the largest increase in over 12 years. As a result, the labor-

force-participation rate, which is the total number of city residents employed or looking for a job as a portion of the total population (16 years and over), increased to 60.5 percent, the second highest ratio on record. Conversely, the US labor force shrank by 0.6 percent (SAAR) and the labor-force-participation rate fell to 62.8 percent in 2Q14, the lowest since 1978.

Furthermore, the city’s civilian employment total increased by 33,300 in 2Q14. Civilian employment counts only resident population and includes self-employed workers. The employment-to-population ratio, considered by some economists to be a better measure of labor market conditions than the unemployment rate, rose to 55.7 percent, the highest in over five years.



Chart 4. Unemployment Rate, NYC, U.S. and NYC Less U.S., Quarterly (SA), 1Q07-2Q14



Source: US Bureau of Labor Statistics (BLS) and NYS Department of Labor

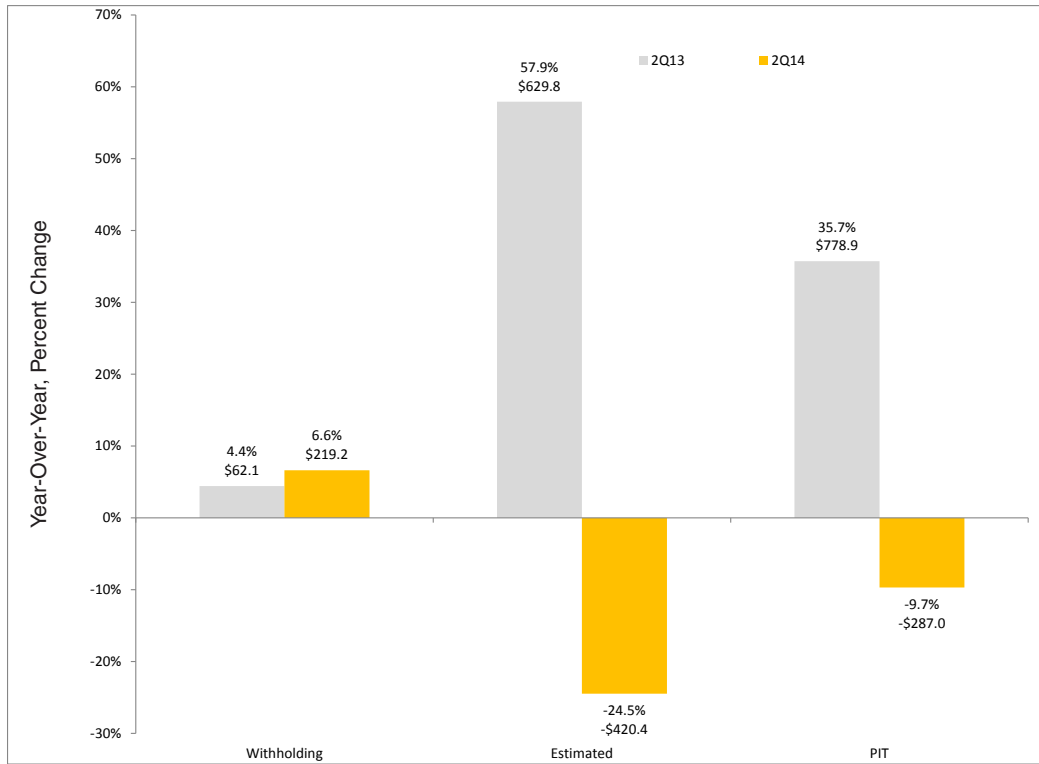
Highest Second Quarter On Record For PIT Withholdings

NYC personal income tax withheld from paychecks rose 6.6 percent in the 2nd quarter of 2014, on a year-over-year basis, to about \$1.6 billion. The amount of personal income taxes withheld in 2Q14 was the most in any second quarter on record, since consistent data was made available in 1994. The tax withholdings, which are a good indicator of resident income trends, reflect the city’s job growth, salary increases, and some late bonuses in 2Q14.

Estimated tax payments, which are based on taxpayers’ estimates of interest earned, rental income, and capital gains, fell 24.5 percent in 2Q14, on a year-over-year basis, to \$1.3 billion, probably due to the after-effects of federal tax changes in 2012 (Chart 5). Many taxpayers accelerated their capital gains realizations into calendar year 2012 to avoid the higher rates that were anticipated to take effect in 2013, thereby boosting estimated tax payments early during the 2013 tax season.



Chart 5. Personal Income Taxes, Year-over-Year Percent Change, 2Q13 and 2Q14



Source: NYC OMB

Table 2: NYC Quarterly Economic Indicators for 2Q14, 1Q14, and 2Q13

		2Q14	1Q14	2Q13
County Unemployment Rate, NSA (Source: NYS DOL)	Bronx	13.5%	17.3%	16.5%
	Kings	8.6%	8.5%	8.0%
	New York	5.9%	6.8%	6.7%
	Queens	5.6%	6.7%	6.8%
	Richmond	7.9%	7.0%	5.6%
Commercial Vacancy Rate (Source: Cushman & Wakefield)	Midtown	11.0%	11.1%	10.8%
	Midtown South	8.2%	7.9%	7.2%
	Downtown	10.0%	11.2%	11.6%
	Manhattan Total	10.3%	10.5%	10.4%
Rental Rate (per sqft) (Source: Cushman & Wakefield)	Midtown	\$70.8	\$70.1	\$68.2
	Midtown South	\$60.2	\$60.0	\$59.5
	Downtown	\$49.2	\$49.1	\$45.9
	Manhattan Total	\$64.8	\$64.0	\$61.8
Number of Apartment Sales (Source: Prudential Douglas Elliman)	Manhattan	3,342	3,307	3,144
	Brooklyn	2,086	1,572	1,855
	Queens	2,404	3,156	2,493
Case-Shiller Home Price Index, (Source: Moody's)	NY Metro Area	174.5*	174.4	166.4
	US 20-City Composite	171.3*	169.6	156.4
Hotel Industry (Source: PKF Consulting)	Average Daily Occupancy Rate	93.2%	79.9%	90.4%
	Average Daily Room Rate	\$306	\$239	\$297
MTA Average Weekday Ridership (Source: MTA)	NYC Transit	7,916,694*	7,494,025	7,830,717
	Subway	5,709,227*	5,430,879	5,596,736
	Bus	2,207,467*	2,063,146	2,233,981
	Long Island Rail Road	295,875*	283,856	290,009
	Metro North	289,420*	273,052	290,659

*Data includes April and May, excludes June



Sales Tax Collections in New York City Outpaces New York State

NYC general sales tax collections rose 5.2 percent to \$1.7 billion in 2Q14, on a year-over-year basis. Sales tax collections were up 4.4 percent in 1Q14 on a year-

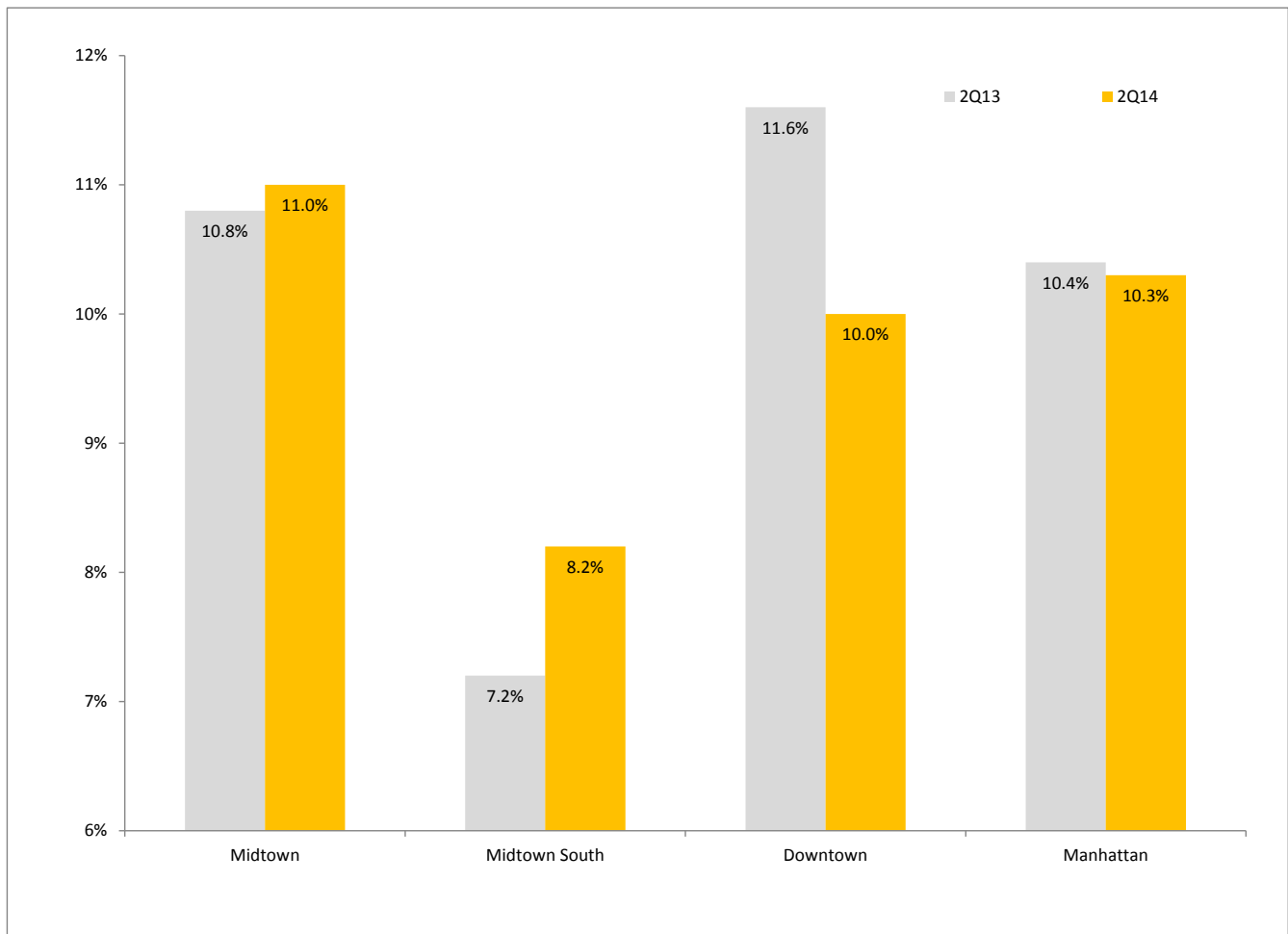
over-year basis. NYS sales tax collections outside the city (excluding the local portions of the tax), were up only 0.4 percent in 2Q14.

Manhattan New Leasing Activity in 2nd Half of 2014 was the Highest in Three Years

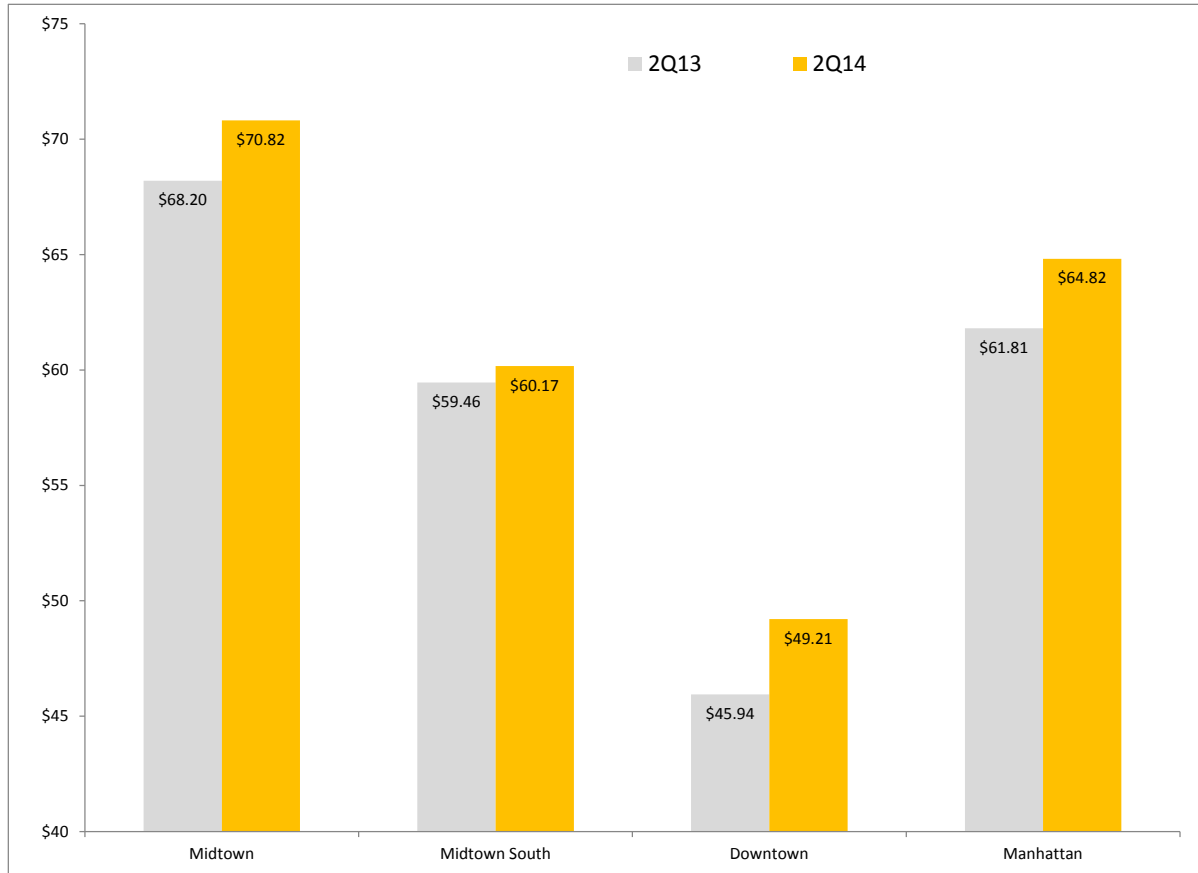
The Manhattan office vacancy rate, including sublease space, rose to 10.3 percent in 2Q14 slightly lower than the 10.4 percent rate in 2Q13, as per Cushman & Wakefield. The vacancy rate fell in the Downtown submarket, but increased in Midtown and Midtown South in 2Q14 from 2Q13.

New leasing activity in 2Q14 totaled about 7.4 million square feet, the highest volume since 2Q11. As a result, year-to-date leasing activity was about 16.8 million square feet, which was 35.5 percent more than in the first half of 2013. Most of the new leasing in 2Q14 took place in Midtown, followed by Downtown and then Midtown South. Overall asking rents increased in all the submarkets (Charts 6 and 7).

Chart 6. Overall Commercial Vacancy Rates, 2Q14 and 2Q13



Source: Cushman & Wakefield

**Chart 7. Overall Commercial Rental Rate per Square Foot, 2Q14 and 2Q13**

Source: Cushman & Wakefield

Metro-Area Home Prices Firming

The number of Manhattan apartments (condos and co-ops) sold rose to 3,342 in the 2nd quarter of 2014, 6.3 percent higher than in the 2nd quarter of 2013, according to a report from Prudential Douglas Elliman with all metrics improving on a year-over-year basis. The average sales price per square foot rose 10.4 percent to \$1,268, the median sales price rose 5.2 percent to \$910,000, and the number of days on the market fell 46.1 percent to 96 days in 2Q14 from 2Q13.

The borough of Brooklyn continues to enjoy popularity as its housing market continued to do well. The median sales price rose 4.5 percent as the number of sales rose 12.5 percent and listing inventory fell 5.9 percent in 2Q14 over 2Q13. The Queens housing market was not as active. The median sales price fell 9.0 percent, the number of sales fell 3.6 percent, and listing inventory fell 5.3 percent in 2Q14 over 2Q13 (Chart 8).

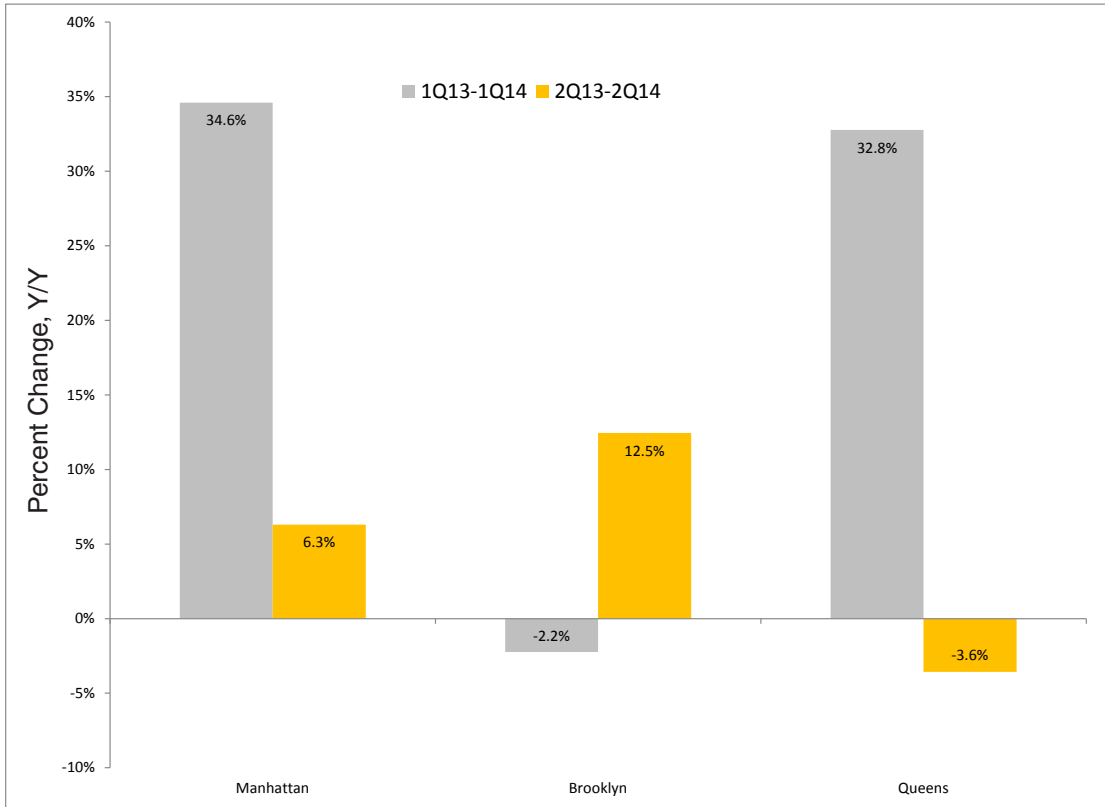
Prudential Douglas Elliman reports that the number of 1 to 3-family homes sold in Brooklyn rose 41.5 percent, but fell 17.5 percent in Queens in 2Q14 compared to 2Q13. The average sales price per square foot rose 28 percent in Brooklyn and 8.2 percent in Queens, compared to a year earlier.

According to the Case-Shiller index, the seasonally adjusted NY metro area home price index fell 0.2 percent in May 2014, on a month-over-month basis, slightly less than the 0.3 percent decline for the U.S. 20-city composite index. In April, the NY metro area home price index did not change from the previous month, while the U.S. 20-city composite rose 0.1 percent.

As of May 2014, the NY metro area home price index was 8.3 percent higher than at its trough in March 2012, but still 19.5 percent below its peak in May 2006. On the other hand, the U.S. 20-city composite index was 24.7 percent higher than its trough, but 17.2 percent below its peak (Chart 9).



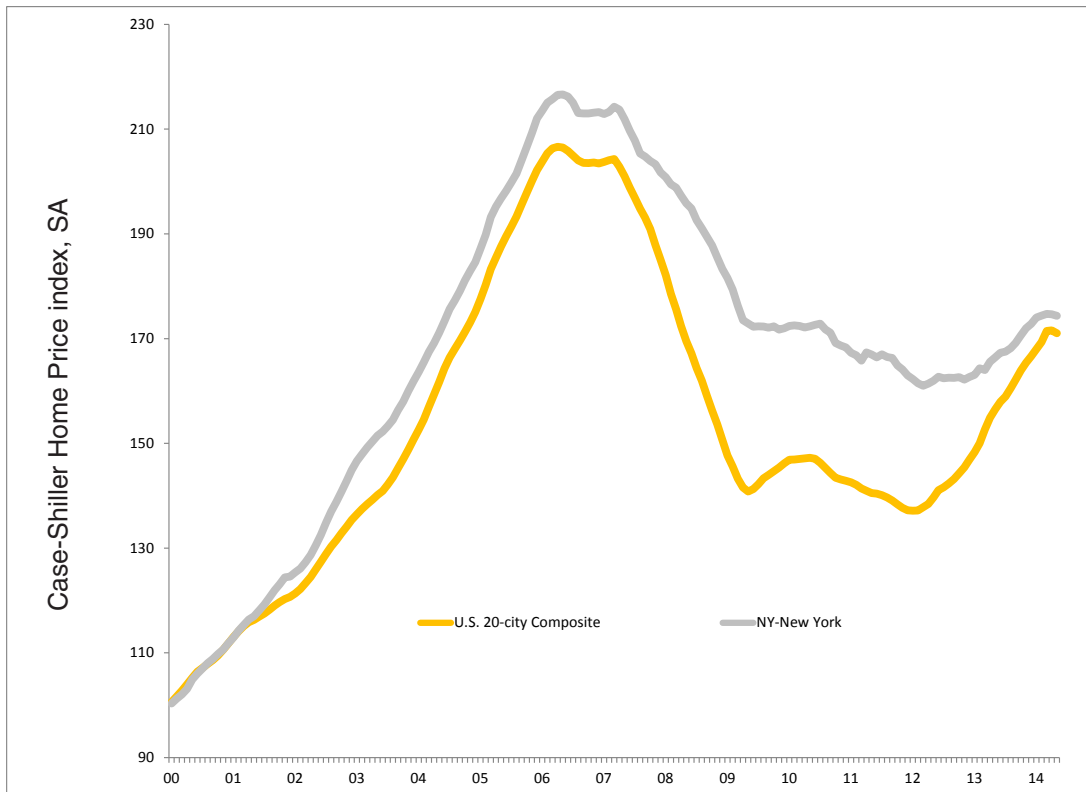
Chart 8. Number of Home* Sales, Manhattan, Brooklyn, Queens, Year-over-Year, 1Q14and 2Q14



Source: Prudential Douglas Elliman

**Manhattan data includes only co-ops and condos; Brooklyn and Queens data include co-ops, condos and conventional homes*

Chart 9. Case-Shiller Home Price Index, Monthly SA, Jan. 2000 to May 2014



Source: Standard and Poor's

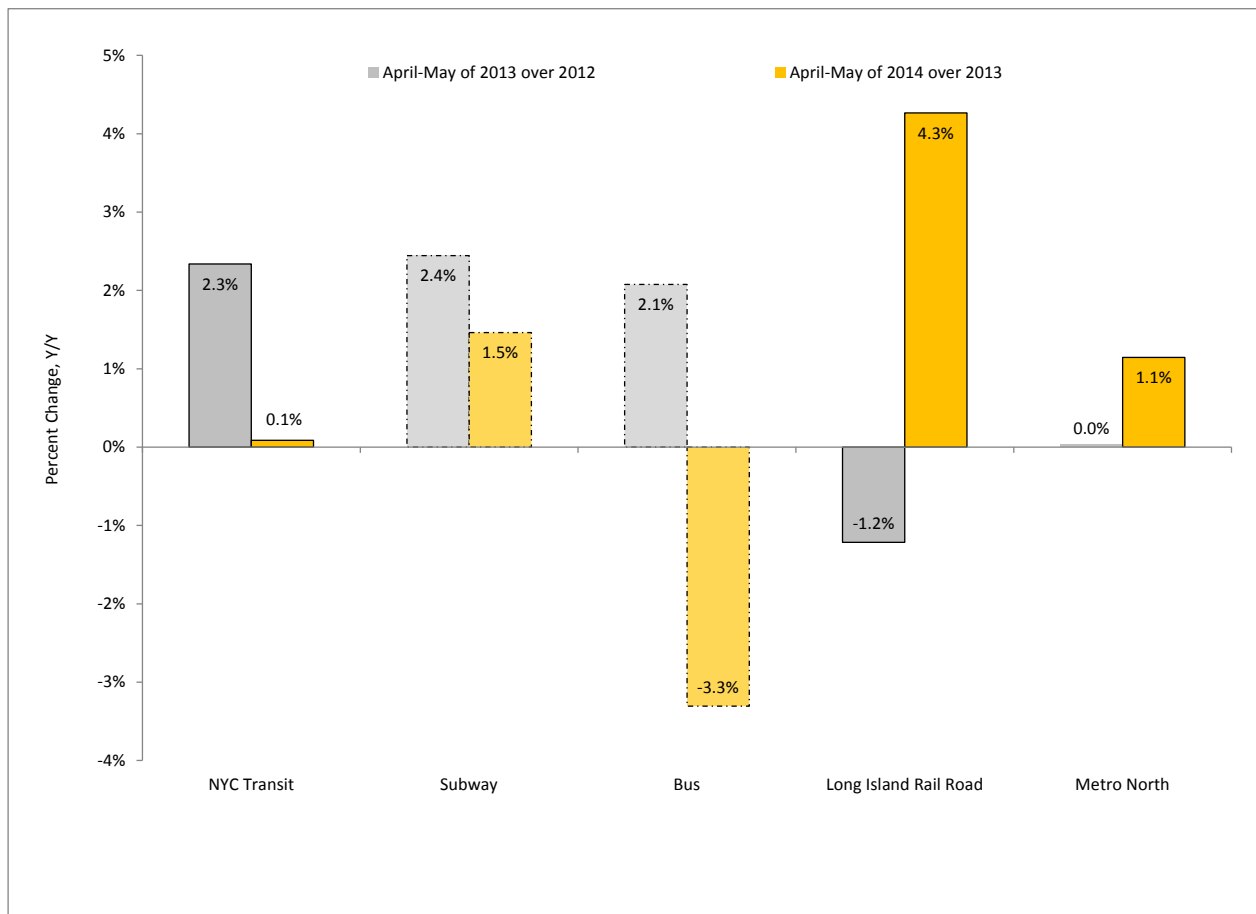


Transit Ridership Remains Steady

The average weekday ridership on NYC Transit was essentially steady, rising 0.1 percent in April and May of 2014, compared to the same period in 2013. Average weekday subway ridership rose 1.5 percent, but bus ridership fell 3.3 percent, according to the MTA. Long Island Rail Road ridership rose 4.3 percent and Metro North ridership rose 1.1 percent in April-May of 2014, compared with the same period in 2013 (Chart 10).

Since the last MTA fare increase was in March 2013, the year-over-year changes are relatively free of price-induced effects. The transit data is consistent with a picture of the city’s economy that is growing moderately in real terms.

Chart 10. Change in MTA Average Weekday Ridership, Percent, April and May of 2014 over 2013 and 2013 over 2012



Source: Metropolitan Transportation Authority



Tourism Industry Booming – Hotel Occupancy Rate Reaches Record High

The tourism industry continues to boom. According to PKF Consulting, the average hotel occupancy rate in Manhattan was 93.2 percent in 2Q14, the highest quarterly rate since consistent data became available in 1993.

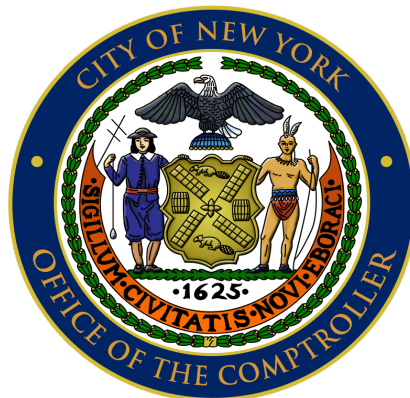
Although the Manhattan hotel occupancy rate hit a record high, the increase in average daily room rates remained moderate. The hotel average daily room rate rose to \$306 in 2Q14 from \$297 in 2Q13. The highest average daily

room rate is usually in the fourth quarter of the year, and the highest on record was \$340 in 4Q13.

The Broadway League reports gross weekly Broadway ticket sales were about \$387 million in 2Q14, 21.7 percent higher than during the same period in 2013. Total attendance also rose 21.7 percent during that time period.

Prepared by Frank Braconi, Chief Economist; Farid Heydarpour, Principal Economist; Orlando Vasquez, Economist •
Published by the NYC Comptroller's Office, Fiscal & Budget Studies • Tim Mulligan, Deputy Comptroller for Budget

Visit www.comptroller.nyc.gov for latest news, events and initiative
Follow Comptroller Stringer on [Twitter](#). To receive Twitter updates via text message,
text "follow scottmstringer" to 40404.
View the latest Comptroller's office videos on Youtube.



NEW YORK CITY COMPTROLLER
SCOTT M. STRINGER

MUNICIPAL BUILDING • 1 CENTRE STREET, 5TH FLOOR • NEW YORK, NY 10007
PHONE (212) 669-3500 FAX (212) 669-8878
WWW.COMPTROLLER.NYC.GOV

