



# NYC Quarterly Economic Update

Office of the New York City Comptroller  
**Scott M. Stringer**

BUREAU OF FISCAL & BUDGET STUDIES

MAY 2014

## NYC's Economy Stays Warm While the Nation's Freezes in 1Q14

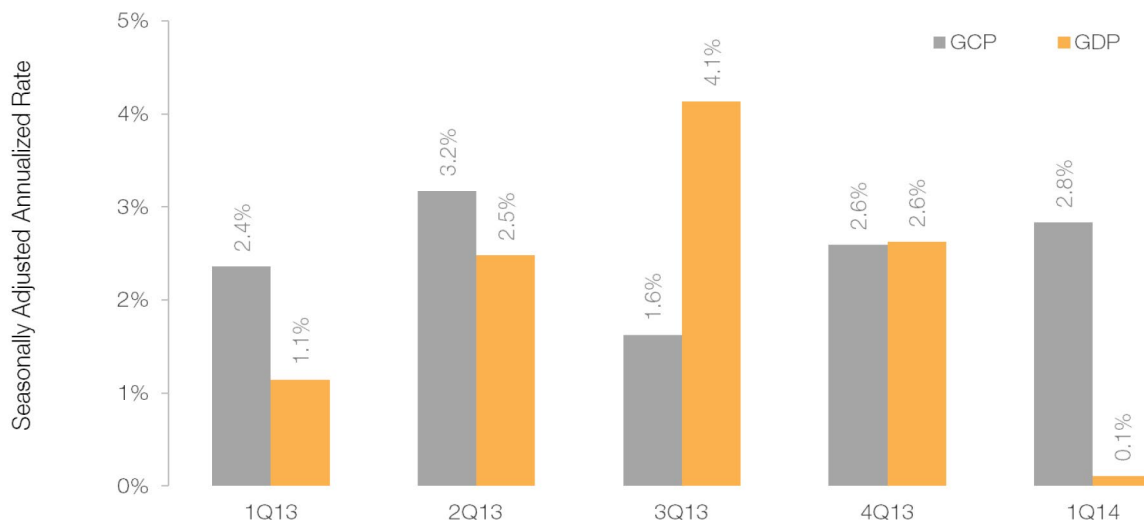
**Overview:** Despite a harsh winter, New York City's economy posted 2.8 percent growth in 1Q14, faster than the 0.1% US gross domestic product (GDP) growth. The city's jobs, income, and residential and commercial real estate activities all improved in 1Q14. US economic growth is expected to rebound during the rest of 2014.

**Table 1: NYC Quarterly Key Economic Indicators with US 1Q14, 4Q13, and 1Q13**

		For 1Q14	For 4Q13	For 1Q13
<b>GCP/GDP, SAAR</b>	<b>NYC</b>	<b>2.8%</b>	<b>2.6%</b>	<b>2.4%</b>
	<b>US</b>	<b>0.1%</b>	<b>2.6%</b>	<b>1.1%</b>
<b>Payroll Jobs, SAAR</b>	<b>NYC</b>	<b>1.9%</b>	<b>1.2%</b>	<b>1.7%</b>
	<b>US</b>	<b>1.5%</b>	<b>1.8%</b>	<b>1.9%</b>
<b>PIT Withheld, NSA</b>	<b>NYC</b>	<b>10.3%</b>	<b>2.9%</b>	<b>8.2%</b>
	<b>US</b>	<b>9.6%</b>	<b>-3.7%</b>	<b>2.3%</b>
<b>Inflation, NSA</b>	<b>NYC</b>	<b>1.4%</b>	<b>1.3%</b>	<b>2.1%</b>
	<b>US</b>	<b>1.4%</b>	<b>1.2%</b>	<b>1.7%</b>
<b>Unemployment, SA</b>	<b>NYC</b>	<b>7.9%</b>	<b>8.2%</b>	<b>8.9%</b>
	<b>US</b>	<b>6.7%</b>	<b>7.0%</b>	<b>7.7%</b>

GCP- Real Gross City Product, GDP- Real Gross Domestic Product, NSA- Not Seasonally Adjusted, PIT – personal income tax, SA- Seasonally Adjusted, SAAR- Seasonally Adjusted Annualized Rate

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



Source: US Bureau of Economic Analysis (BEA) and NYC Comptroller



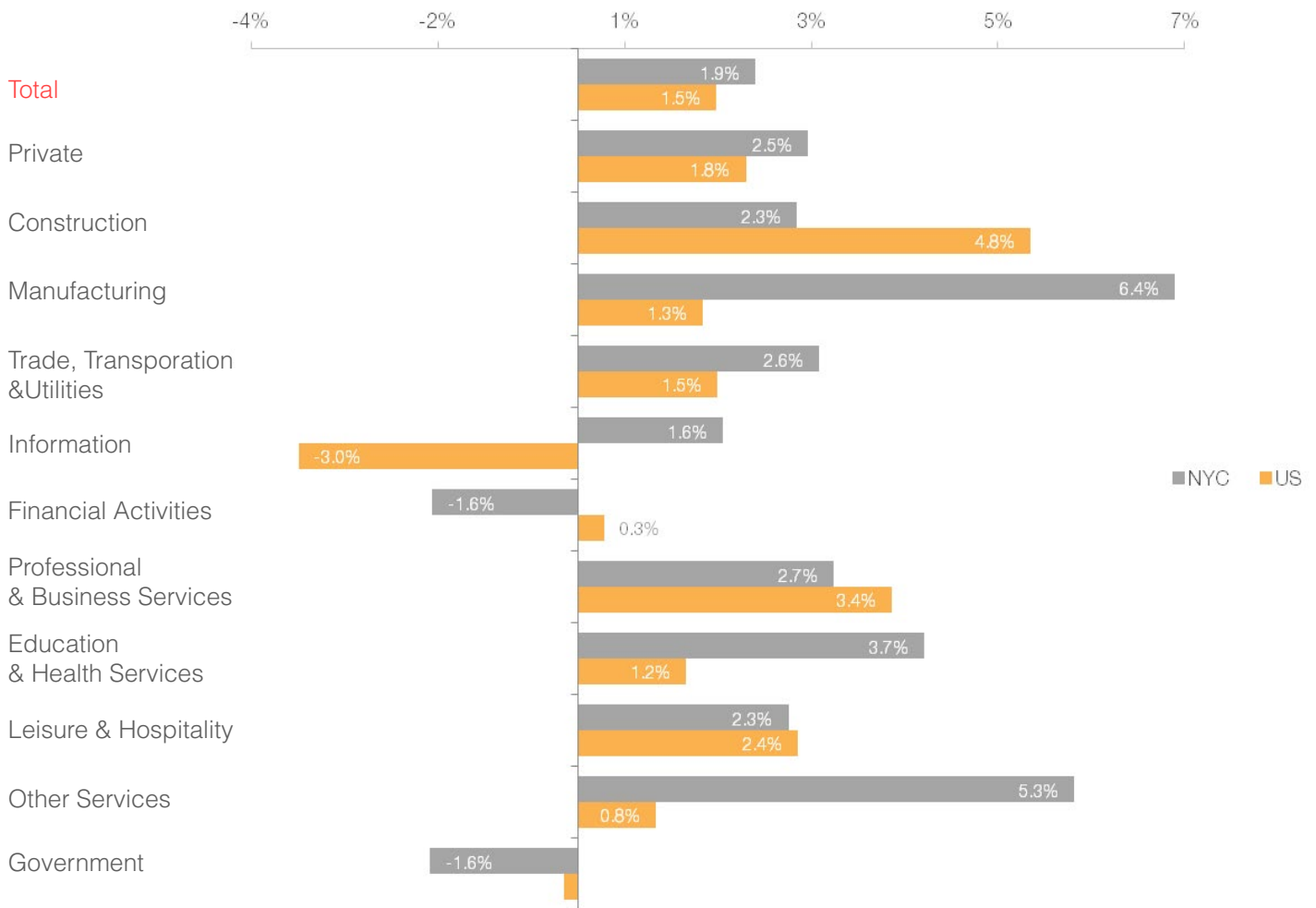
**Real Gross City Product (GCP) grew an estimated 2.8 percent in 1Q14 after growth of 2.6 percent in 4Q13.** Stronger job growth and higher personal income tax withholding, a proxy for personal income, are contributing factors to the growth in the city (Chart 1).

In contrast, the US economy grew only 0.1 percent (advance estimate) in 1Q14, the slowest growth rate since 4Q12. The low GDP growth may be partly attributable to adverse weather - the coldest winter in four years.

Consumer spending grew 3 percent and contributed about 2.1 percentage points to GDP growth. A 6.1 percent drop in private investment, a \$31.6 billion increase in the trade deficit, and a 0.5 percent drop in government spending offset the strong consumer spending.

The city's GCP represented about 4 percent of the nation's total economic output, although it contains only 2.6 percent of the nation's population and less than .01 percent of its land area.

**Chart 2. Payroll Jobs Growth, NYC and the US, SAAR, Quarter-over-Quarter, Percent Change, 1Q14**



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



The city added 18,800 payroll jobs in 1Q14 after adding 12,100 during 4Q13. The first-quarter job increase translates into a 1.9 percent seasonally-adjusted-annualized growth rate, the biggest gain since 3Q13. US job growth slowed to 1.5 percent in 1Q14, compared with 1.8 percent during 4Q13.

New York City’s private-sector added 21,000 jobs in 1Q14 after adding 11,300 during 4Q13. This was a strong gain considering the unusually cold and snowy winter. As of March, total jobs are up 207,900 compared to a previous cyclical peak in August 2008, and private-sector jobs are up 231,300 from their previous peak.

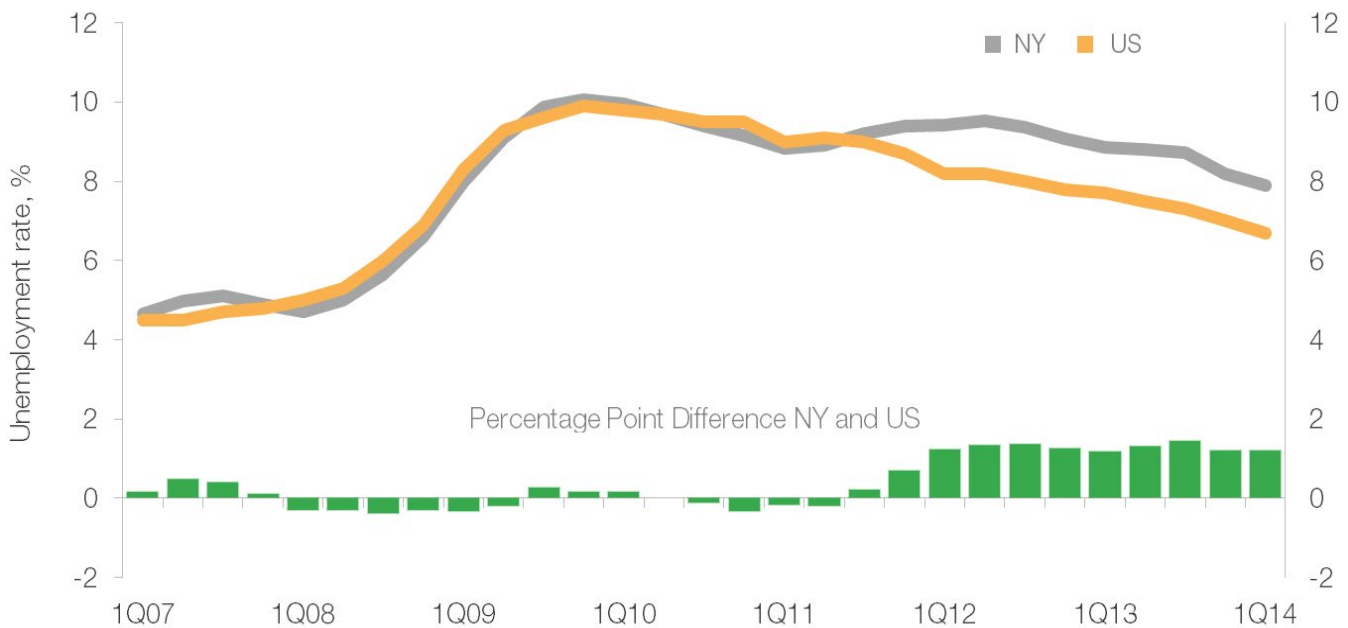
The biggest gains were in education and health services (+7,500), professional and business services (+4,400), trade, transportation and utility (+3,900), leisure and hospitality (2,100), and other services (2,300) (Chart 2).

NYC’s unemployment rate fell to 7.9 percent in 1Q14 from 8.2 percent in 4Q13. The city’s unemployment rate has been falling steadily from 9.5 percent in 2Q12 and it is at its lowest since 4Q08 (Chart 3).

The US unemployment rate fell to 6.7 percent in 1Q14, the lowest since 3Q08. The US unemployment has been falling continuously from its peak of 9.9 percent in 4Q09.

The number of unemployed city residents, which soared to 398,700 in 4Q09 fell to 321,500 in 1Q14, the lowest in five years (since 1Q09). The city’s labor force increased by 19,200, a sign that many job seekers and discouraged workers are actively looking for work. The number of employed city residents rose by 31,200 in 1Q14, the biggest increase in 14 years.

Chart 3. Unemployment Rate, NYC, US and NYC Less US, Quarterly (SA), 1Q2007-1Q2014

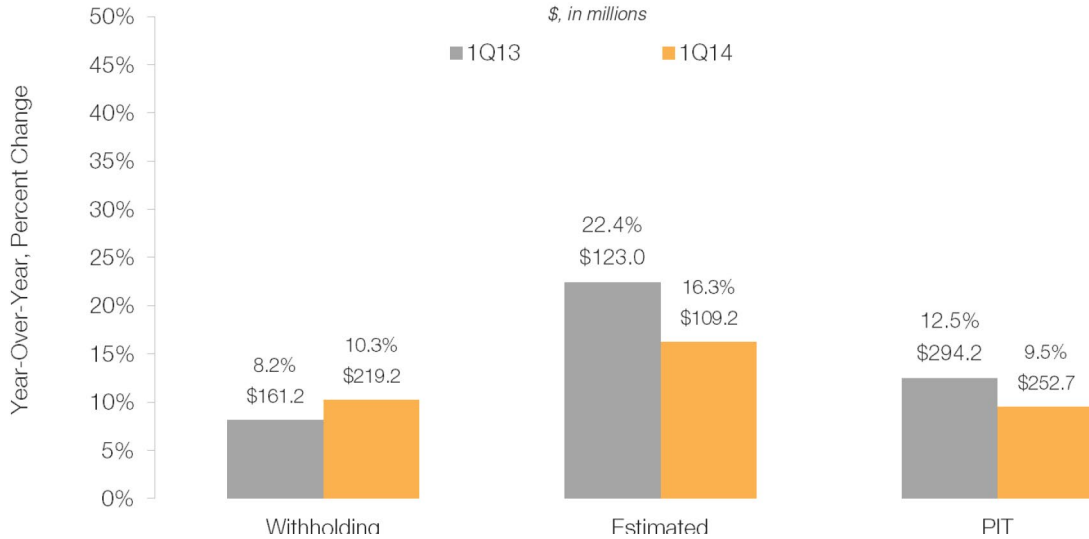


NYC personal income tax withheld from paychecks rose 10.3 percent, to about \$2.4 billion in 1Q14, from \$2.1 billion in 1Q13. Personal income taxes withheld rose 5.4 percent for all of 2013, on a year-over-year basis, reflecting an increase in employment and higher estimated Wall Street bonuses, demonstrating that financial firms

were less restrained in awarding cash bonuses. Estimated tax payments, which are based on taxpayers’ estimates of interest earned, rental income, and capital gains, rose 16.3 percent in the 1Q14, reflecting the strength of the stock market (Chart 4).



**Chart 4. NYC Personal Income Taxes, Year-over-Year Percent Change, 1Q13 and 1Q14**



Source: NYC Office of Management and Budget

**Table 2: NYC Quarterly Economic Indicators 1Q14, 4Q13, and 1Q13**

		For 1Q14	For 4Q13	For 1Q13
<b>County Unemployment Rate, NSA</b> (Source: NYS DOL)	Bronx	11.6%	11.2%	12.5%
	Kings	8.8%	8.8%	9.9%
	New York	6.7%	6.7%	7.7%
	Queens	7.6%	7.2%	8.3%
	Richmond	7.6%	7.2%	8.3%
<b>Commercial Vacancy Rate</b> (Source: Cushman & Wakefield)	Midtown	11.1%	11.2%	10.1%
	Midtown South	7.9%	8.6%	6.9%
	Downtown	11.2%	12.2%	8.0%
	<b>Manhattan Total</b>	<b>10.5%</b>	<b>11.0%</b>	<b>9.1%</b>
<b>Commercial Rental Rate (sq ft)</b> (Source: Cushman & Wakefield)	Midtown	\$70.1	\$69.5	\$66.3
	Midtown South	\$60.0	\$62.6	\$52.0
	Downtown	\$49.1	\$48.3	\$40.3
	<b>Manhattan Total</b>	<b>\$64.0</b>	<b>\$63.4</b>	<b>\$59.6</b>
<b>Number of Apartment Sales</b> (Source: Prudential Douglas Elliman)	Manhattan	3,307	3,297	2,457
	Brooklyn	1,572	1,752	1,608
	Queens	2,377	3,344	2,377
<b>Case-Shiller Home Price Index</b> (Source: Standard & Poor's)	NY Metro Area	174.2	171.4	163.7
	<b>US 20-City Composite</b>	<b>168.6</b>	<b>164.7</b>	<b>149.1</b>
<b>Hotel Industry (2 mos. of Q)</b> (Source: PKF Consulting)	Avg Daily Occupancy Rate	77.1%	89.7%	78.9%
	Avg. Daily Room Rate	\$234	\$334	\$219
<b>MTA Average Weekday Ridership</b> (Source: MTA)	NYC Transit	7,491,675	7,780,534	7,527,241
	Subway	5,429,553	5,593,294	5,347,623
	Long Island Rail Road	283,856	297,099	282,292
	Metro North	278,927	286,507	275,632



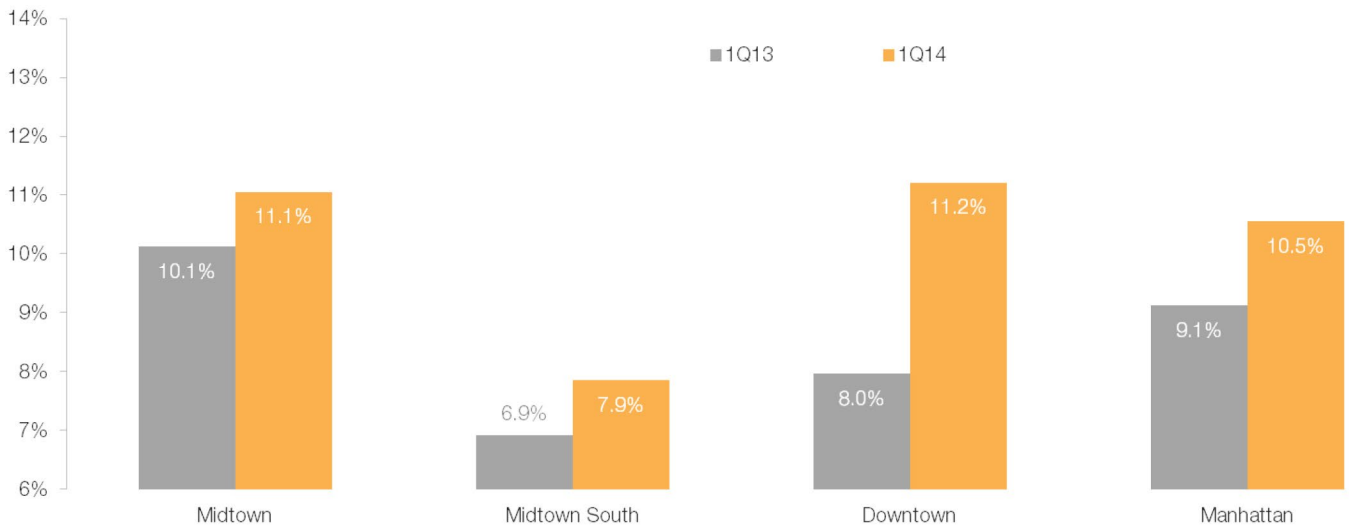
NYC general sales tax collection rose 4.4 percent to \$1.6 billion in 1Q14, on a year-over-year basis. Sales tax collection was up 6.2 percent in 4Q13 on a year-over-year basis. It appears that the cold winter had some impact on consumer spending, but the effect was more pronounced in the rest of New York State. The NYS sales tax collection, excluding the city, was up only 1.1 percent in 1Q14, much lower than the 5.3 percent in 4Q13.

In 2013, NYS sales tax collection, excluding the city, rose 3.3 percent and NYC sales tax collection rose 6.8 percent. The city's sales tax collection accounts for about 58 percent of total NYS sales tax collection.

The Manhattan office vacancy rate, including sublease space, rose to 10.5 percent in 1Q14 from 9.1 percent in 1Q13, as per Cushman & Wakefield. The vacancy rate rose most in the Downtown submarket, followed by Midtown, and Midtown South in 1Q14 from 1Q13.

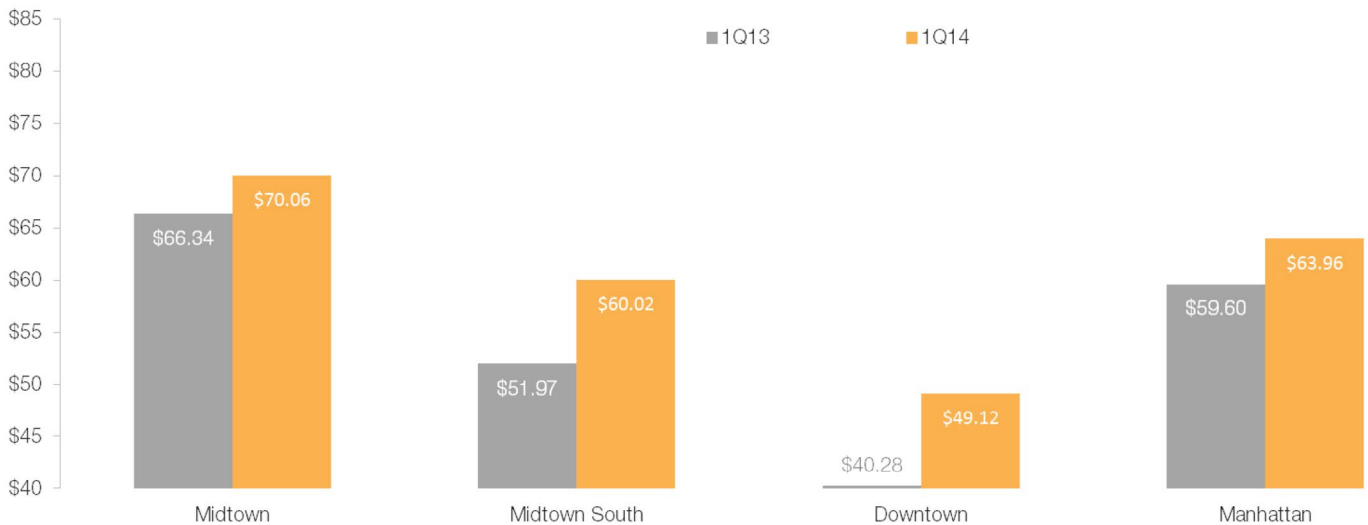
However, new leasing activity in 1Q14 totaled over 9.4 million square feet, 67.2 percent more than in 1Q13 and the highest first quarter leasing activity on record. Most of the new leasing took place in Midtown South followed by Midtown and then Downtown. Overall asking rents increased in all the submarkets (Chart 5 and 6).

Chart 5. Overall Commercial Vacancy Rates, 1Q14 and 1Q13



Source: Cushman & Wakefield

Chart 6. Overall Commercial Rental Rate per Square Foot, 1Q14 and 1Q13



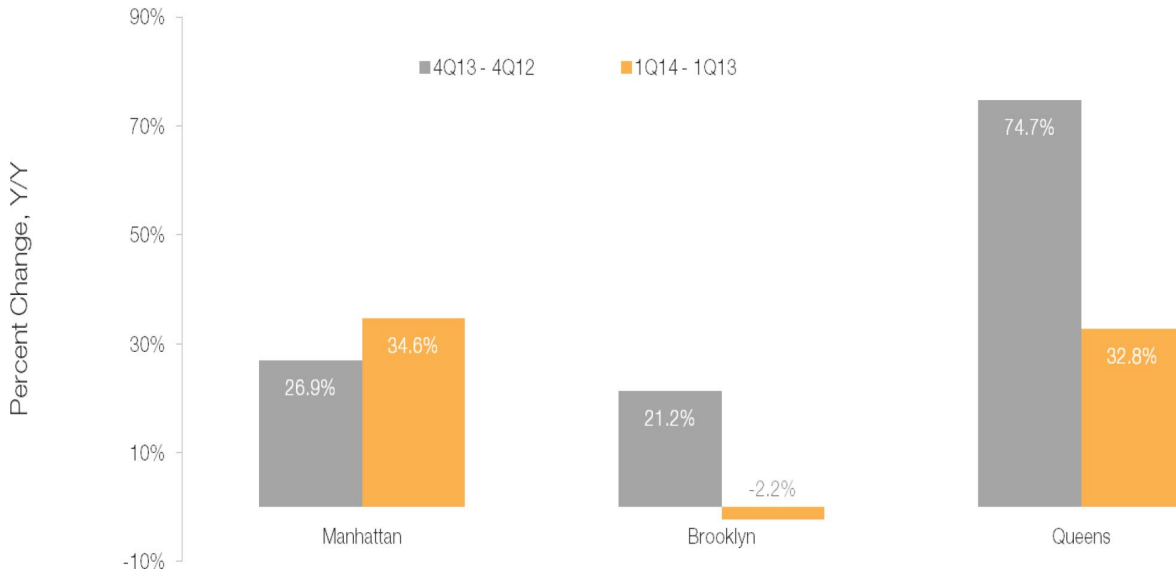
Source: Cushman & Wakefield



The number of Manhattan apartments sold (condos and co-ops) rose to 3,307 in 1Q14, 34.6 percent higher than in 1Q13 and the highest first quarter in seven years, according to a report from Prudential Douglas Elliman. The average sales price per square foot was \$1,363, a 25-year record. The firm reports that the number of 1-to 3-family homes sold in Brooklyn fell 1.1 percent, but rose 20 percent in Queens, in 1Q14 over 1Q13. The average sales price per square foot rose 10.3 percent in Brooklyn and 12.6 percent in Queens, compared to the prior year (Chart 7).

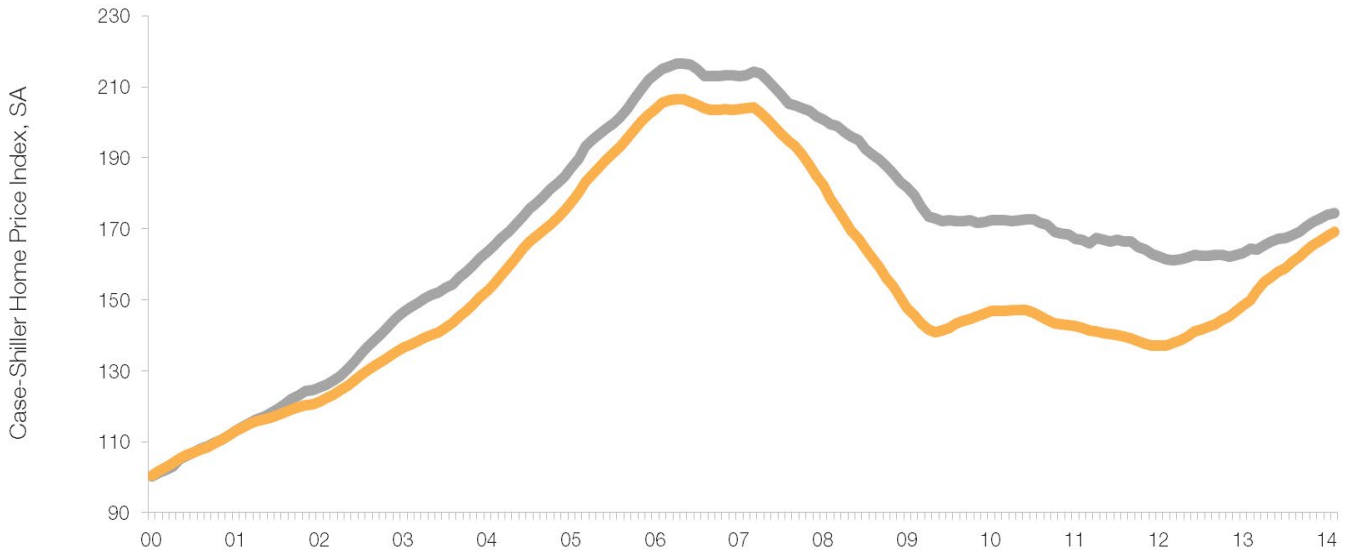
According to the Case-Shiller index, the seasonally adjusted NY metro area home price index grew 0.2 percent in February 2014, much slower than the 0.7 percent rise in January and the 0.8 percent increase for the US 20-City composite index. Nonetheless, the NY metro area home price index in February 2014 was 8.3 percent higher than at its trough in March of 2012. It was still 19.5 percent below its peak in May, 2006 (Chart 8).

Chart 7. Number of Apartment Sales, Manhattan, Brooklyn, Queens, Year-over-Year, 4Q13 and 1Q14



Source: Prudential Douglas Elliman

Chart 8. Case-Shiller Home Price Index, Monthly SA, January 2000 to February 2014



Source: Standard and Poor's

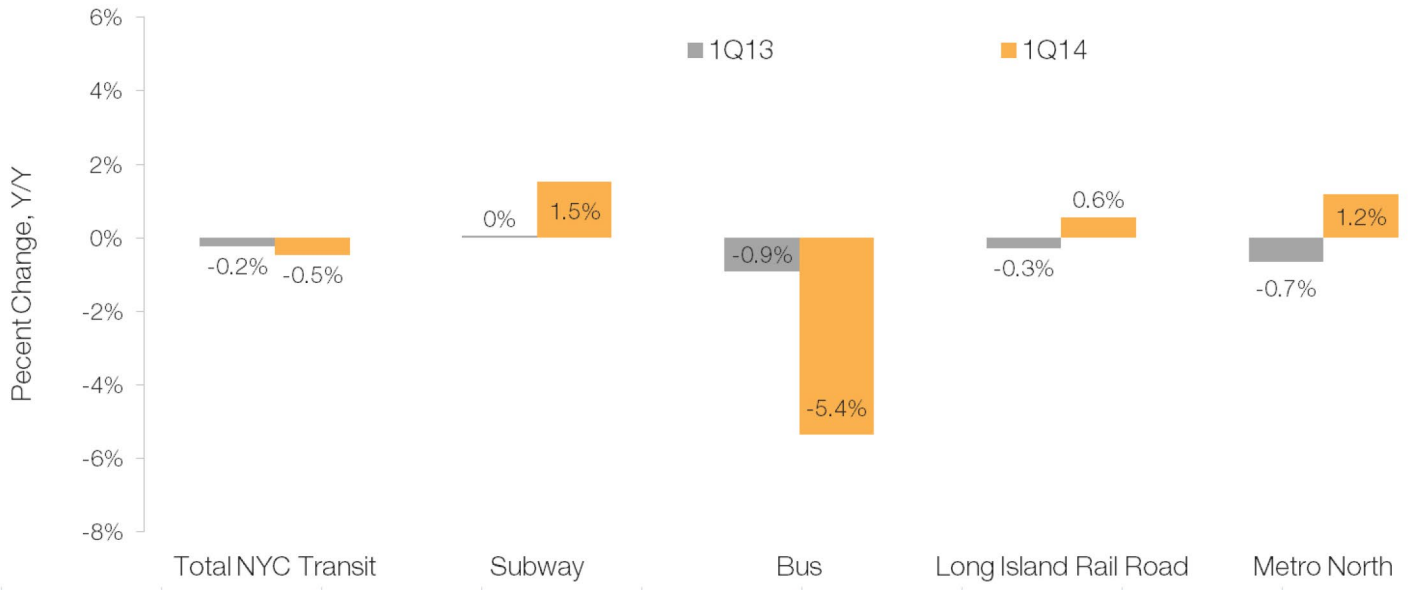


The average weekday ridership on NYC Transit (subway and buses) fell 0.5 percent in 1Q14, on a year-over-year basis. Average weekday bus ridership fell 5.4 percent perhaps due to the cold winter. Average weekday subway ridership rose 1.5 percent, according to the MTA, while Long Island Rail Road ridership rose 0.6 percent

and Metro North ridership rose 1.2 percent in 1Q14, compared with the same period in 2013 (Chart 9).

When ridership is up, it means New Yorkers and tourists are out and about, likely infusing more cash into the local economy.

Chart 9. Change in MTA Average Weekday Ridership, Year-over-Year, Percent, 1Q13 and 1Q14



\*NYC Transit includes subways and buses

Source: Metropolitan Transportation Authority (MTA)

The hospitality industry has been thriving in the city. Although hotel occupancy was lower than last year, tourists spent more money on indoor leisure. According to the PKF consulting, the Manhattan hotel occupancy rate was 79.9 percent in 1Q14, lower than 81.8 percent in 1Q13 (which was the best first quarter since 1993). However, the hotel average daily room rate rose to \$239 in 1Q14 from \$233 in 1Q13.

The Broadway League shows gross weekly Broadway ticket sales were about \$377 million in the first 16 weeks of 2014, 15.1 percent higher than during the same period in 2013. Total attendance was up 11.3 percent during the same period. Broadway's theatres provided a welcome refuge from the city's stormy winter.



**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

