

MONTHLY ECONOMIC INDICATORS

Planning and Regional Development Department

THE PORT AUTHORITY OF NY & NJ

March 2015

UNEMPLOYMENT RATE (percent of labor force)	FEB 2015	PREVIOUS 3 MONTHS AVERAGE	FEB 2014
U.S. (seasonally adjusted)	5.5	5.7	6.7
U.S. (not seasonally adjusted)	5.8	5.7	7.0

UNEMPLOYMENT RATE (percent of labor force)	JAN 2015	PREVIOUS 3 MONTHS AVERAGE	JAN 2014
REGION (not seasonally adjusted)	N/A	6.3	7.9

NON-FARM EMPLOYMENT (thousands)	FEB 2015	PREVIOUS 3 MONTHS AVERAGE	% CHANGE FEB 2015 / FEB 2014
U.S.	141,126	140,562	2.4
REGION	8,659	8,788	1.6
Construction and Manufacturing	641	669	0.4
Financial / Professional / Business	2,115	2,137	1.7
Government	1,219	1,221	-1.4
All Others	4,684	4,761	2.4

REAL GDP (percentage change)	2014Q4	2014Q3	2014Q2
U.S. (seasonally adjusted at annual rates)	2.2	5.0	4.6
REGION (Oxford Economics Estimate)	2.8	3.4	3.6

CONSUMER PRICE INDEX (percentage change)	FEB '15/ FEB '14	FEB '15/ JAN '15	JAN '15/ JAN '14
U. S.	-0.1	0.2	-0.2
Core	1.7	0.2	1.6
REGION	0.1	0.3	-0.5
Core	1.5	0.3	1.3
Food & Beverages	3.0	0.2	3.1
Housing	1.1	0.4	-0.1
Transportation	-8.9	0.0	-8.5
Energy	-19.3	1.5	-23.2

CONSTRUCTION COST INDEX (percentage change)	FEB '15/ FEB '14	FEB '15/ JAN '15	JAN '15/ JAN '14
U.S. 20-CITY	2.9	-0.1	3.2
NY REGION	4.5	-0.2	4.6

GASOLINE PRICES (US dollars per gallon)	FEB 2015	A month ago	A year ago
U.S. (all types NSA)	\$2.63	\$2.60	\$3.73
New York City (all types NSA)	\$2.85	\$2.79	\$4.00
Newark, NJ (all types NSA)	\$2.41	\$2.42	\$3.57

HOUSING PRICES (12-month percentage change)	JAN '15/ JAN '14	DEC '14/ DEC '13	NOV '14/ NOV '13
U.S. 20-CITY COMPOSITE	N/A	4.4	4.3
NY METROPOLITAN AREA	N/A	1.8	1.6

INTERNATIONAL TRADE (billions of dollars)	JAN 2015	% CHANGE VS. JAN 2014	% CHANGE YTD 2015 VS. 2014
U.S.	301.0	-3.6	-3.6
NY CUSTOMS DISTRICT	32.2	-3.4	-3.4
NY Imports	21.1	0.7	0.7
NY Exports	11.1	-10.3	-10.3

MANHATTAN COMMERCIAL REAL ESTATE	FEB 2015	JAN 2015	DEC 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	2015	2016	2017
Real GDP (%)	2.8	2.5	2.9
Nonfarm Employment Growth (%)	1.6	0.7	0.7

SPECIAL FOCUS

Airline Ticket Prices Stick While Oil Prices Slide

As oil prices began their precipitous decline late last year, many consumers booking flights anticipated savings on air travel due to falling jet fuel prices. But jet fuel and ticket price data suggest that there was little, if any, change in ticket prices associated with the drop in jet fuel prices. Looking at the supply and demand dynamics of the airline industry, one might say that the invisible hand of the market helped make the hoped-for savings disappear.

Less than 2.4%: that's the average per-passenger profit margin airlines recorded in 2014 (domestic and international passengers combined) according to a [statement](#) by International Air Transport Association, an industry trade group. It's no surprise that with such thin margins, carriers take special care to minimize costs and maximize revenue in every part of their business—and fuels costs are a huge part of their business, accounting for over one-third of carriers' operating expenses. In the highly competitive field of air travel, fuel costs must be managed effectively on the upside and the downside.

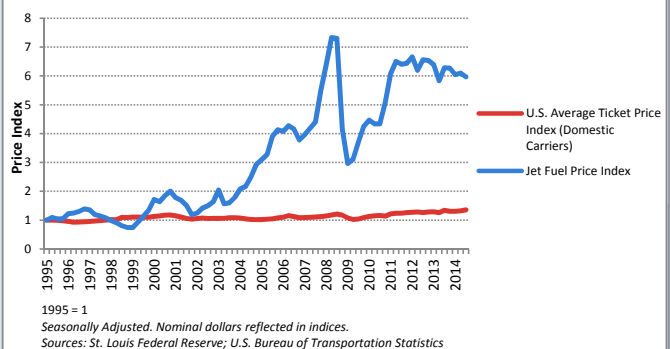
There are many reasons why ticket prices do not immediately respond to swings in the jet fuel market. When jet fuel prices increase, a given carrier cannot pass on the total cost of fuel to passengers without potentially driving consumers to competitors that do not. When oil prices decline, carriers must still maintain a ticket price level sufficient to cover fuel costs and the other two-thirds of their expenses (capital, maintenance, and labor among them), which may grow over time. Demand for air travel plays an important role as well. When demand for air travel is strong, as it has been over the past year, carriers have little incentive to pass on the savings from lower fuel costs to consumers. Instead, they may choose to invest their windfalls in additional capital purchases or pay down existing debt.

Some evidence suggests that air cargo rates have been more responsive to the drop in jet fuel prices compared with passenger ticket prices. In 2014, the volume of air cargo moved through the Port Authority's airports grew for the first time since 2010, in part because some major cargo carriers reduced or eliminated fuel surcharges, making air transportation more competitive with other shipping modes. Arguably, dedicated cargo carriers have a greater incentive to drop their prices when jet fuel prices fall because cargo owners have more options for shipping goods over long distances and (often) more flexible delivery schedules compared with business and recreational consumers of air travel.

It should not go unmentioned in a discussion of air ticket prices and jet fuel prices that airlines have recently taken up the practice of hedging their fuel costs by locking in prices using financial derivatives—another reason for greater stability in ticket prices. However, as fuel prices have fallen, some airlines have rethought their hedging strategy. According to a Reuters report, in 2014 [American Airlines stopped hedging its fuel costs](#), believing it was *less financially risky* to buy fuel on the spot market than to lock in a future price. The result of that decision was not cheaper tickets, but more profit for American's shareholders. However, many carriers have also pursued hedging strategies with renewed vigor in recent months on the expectation that the low price environment for jet fuel cannot last forever.

In recent months, some international passenger carriers have begun to lower their fuel surcharges, but it would be overly optimistic to expect the rest of the industry to follow suit quickly given the financial incentives noted above and the competitive landscape of the industry.

Comparison of Ticket Price to Jet Fuel Price



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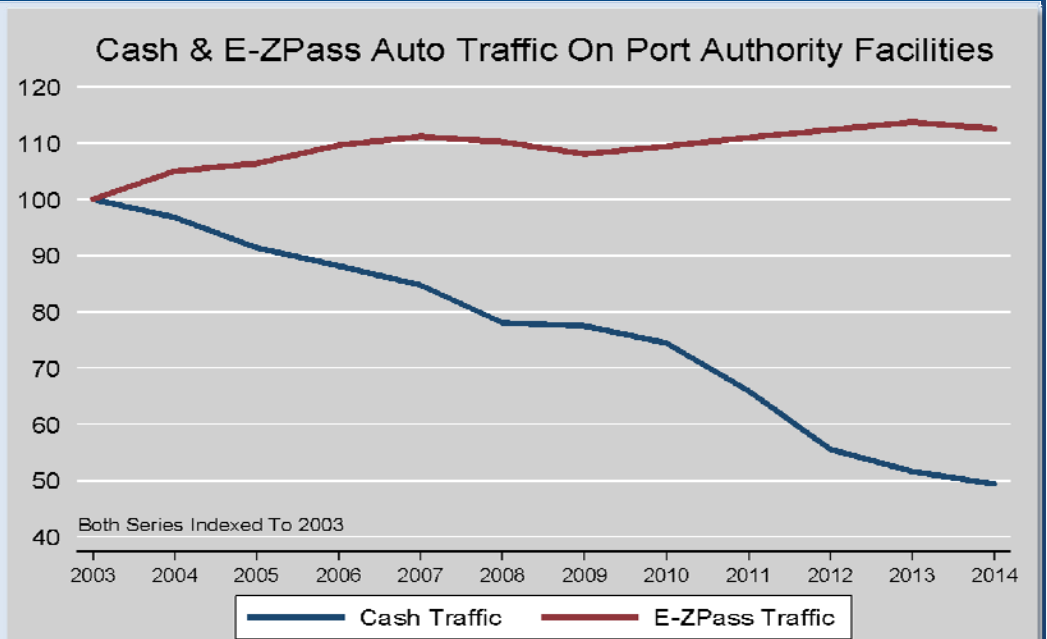
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AVIATION					PORT COMMERCE				
	Jan '15	YTD	Jan '15/'14	YTD '15/'14		Dec '14	YTD	Dec '14/'13	YTD '14/'13
Revenue Passengers (000's)	8,323.6	8,323.6	1.9%	1.9%	Port Trade				
John F. Kennedy International Airport (JFK)	3,950.2	3,950.2	5.8%	5.8%	Container Imports (TEUs)	250,590	2,944,663	11.5%	6.7%
LaGuardia Airport (LGA)	1,831.8	1,831.8	-1.6%	-1.6%	Container Exports (TEUs)	118,006	1,428,845	6.5%	-2.6%
Newark Liberty International Airport (EWR)	2,520.6	2,520.6	-1.0%	-1.0%	Containers lifted on/off Express Rail	37,268	465,051	7.0%	9.2%
Stewart International Airport (SWF)	21.0	21.0	-15.1%	-15.1%					
Revenue Freight (Short Tons)	158,768	158,768	3.2%	3.2%	TUNNELS, BRIDGES & TERMINALS				
Domestic	55,833	55,833	2.9%	2.9%		Jan '15	YTD	Jan '15/'14	YTD '15/'14
International	102,935	102,935	3.4%	3.4%	Eastbound Vehicle Volumes (000's)	8,404	8,404	0.4%	0.4%
Flights	93,569	93,569	1.2%	1.2%	George Washington Bridge	3,614	3,614	1.3%	1.3%
Domestic Air Carrier	66,227	66,227	2.0%	2.0%	Lincoln Tunnel	1,401	1,401	-0.6%	-0.6%
International Air Carrier	22,223	22,223	0.3%	0.3%	Holland Tunnel	1,146	1,146	-3.0%	-3.0%
General Aviation	5,119	5,119	-4.2%	-4.2%	Bayonne Bridge	199	199	-15.8%	-15.8%
Paid Parked Cars	613,460	613,460	-6.1%	-6.1%	Goethals Bridge	1,025	1,025	5.1%	5.1%
Revenue AirTrain Passengers	567,600	567,600	1.4%	1.4%	Outerbridge Crossing	1,018	1,018	2.0%	2.0%
FERRY OPERATIONS					Eastbound Volumes by Vehicle Type (000's)				
	Jan '15	YTD	Jan '15/'14	YTD '15/'14	Autos	7,644	7,644	0.8%	0.8%
Passengers (000's)					Trucks	539	539	-4.4%	-4.4%
New Jersey Ferries	530.8	530.8	-2.6%	-2.6%	Buses	221	221	-2.0%	-2.0%
PATH					PORT AUTHORITY PULSE				
	Jan '15	YTD	Jan '15/'14	YTD '15/'14	(Seasonally Adjusted, 2010=100)				
Passengers (000's)	5,467.0	5,467.0	-4.5%	-4.5%		Dec '14	Nov '14	Change	
Average Weekday	227.6	227.6	-1.7%	-1.7%	PA Pulse (Transportation Activity Index)	98.9	96.8	2.2%	
Average Saturday	88.9	88.9	-2.6%	-2.6%	PA Freight Pulse	96.0	94.5	1.7%	
Average Sunday	65.7	65.7	-9.7%	-9.7%	PA Passenger Pulse	101.8	99.2	2.6%	
					U.S. TRANSPORT. SERVICES INDEX				
					(Prelim., Seasonally Adj., 2000=100)				
						Jan '15	Dec '14	Change	
					TSI - Combined Index	122.3	122.5	-0.2%	
					TSI - Freight	122.9	123.1	-0.2%	
					TSI - Passenger	120.8	120.9	-0.1%	

TRANSPORTATION FOCUS

Since 2003 cash auto traffic has fallen roughly 50 percent while the larger E-ZPass customer cohort has grown more than 10 percent. Although in the first few years some of the opposing trends can be accounted for by customers switching payment methods this is not as true in the later years where economic forces were the main reason for the decline.



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