

MONTHLY ECONOMIC INDICATORS

THE PORT AUTHORITY OF NY & NJ

Planning and Regional Development Department

August 2016

	Actual		Annual Forecast
UNEMPLOYMENT RATE	JUL 2016	JUL 2015	2016
U.S.	4.9%	5.3%	4.9%
REGION (JUN 2016)	5.9%	6.3%	-
NON-FARM EMPLOYMENT	JUL 2016	JUL '16/ JUL '15	2016
U.S.	143.24M	1.9%	1.6%
REGION	9.03M	1.5%	1.4%
REAL GDP	2016Q2	2016Q1	2016
U.S.	1.1%	0.8%	1.7%
REGION	1.1%	2.6%	2.1%
INTERNATIONAL TRADE	JUN 2016	JUN '16/ JUN '15	2016
U.S.	\$313.9B	-4.4%	-
NY CUSTOMS DISTRICT	\$33.0B	-8.3%	-
NY Imports	\$21.3B	-5.5%	-
NY Exports	\$11.7B	-13.0%	-
GASOLINE PRICE	JUL 2016	JUL 2015	2016
New York City	\$2.46/g	\$2.86/g	\$2.31/g
Newark, NJ	\$1.99/g	\$2.29/g	\$1.87/g
PRICES	JUL '16/ JUL '15	JUL '15/ JUL '14	2016
Consumer Prices - U. S.	0.9%	0.2%	1.5%
Consumer Prices - REGION	1.0%	-0.1%	1.2%
Personal Income - U. S.	4.9%	3.7%	2.8%
Personal Income - REGION	4.6%	3.7%	2.7%
Construction Costs - U.S. 20-CITY	3.5%	2.0%	-
Construction Costs - NYC	3.0%	4.2%	-
Housing Prices - U.S. 20-CITY	5.0%	5.0%	4.8%
Housing Prices - NYC	1.7%	2.7%	-
CLASS A OFFICE SPACE AVERAGE ASKING RENT	2016Q2	2016Q1	2016
Manhattan Totals	\$78.50/sf	\$77.59/sf	-
Midtown	\$84.28/sf	\$83.54/sf	-
Downtown	\$62.24/sf	\$62.13/sf	-

* For Unemployment Rates, Employment and GDP, U.S. data are seasonally adjusted, regional data are not.

* Forecast developed by PA Planning staff using Oxford Economics' Macro Model.

SPECIAL FOCUS

2016 so far: Weak economic growth but strong transportation activity

The year to date has provided a challenging environment for the US economy. While at the end of last year, one could be hopeful because of strengthening wage gains and employment conditions, this year has been very disappointing. Real GDP growth in Q2 2016 has been estimated as 1.2 percent. Productivity growth, a measure of prosperity, of negative 0.4 percent over last year has been disappointing too. Despite sustained consumer spending, the U.S. economy has felt the negative impacts of significant business investment decline, a global slowdown, and uncertainty about emerging markets, the impact of the Brexit, and the November presidential elections. For the year, short of a turnaround during the second half of the year, it is unlikely that the US economy will grow even close to 2 percent.

The Port Authority's economics team generates a new economic forecast every quarter. Our activity forecasts are based on econometric models that incorporate economic variables such as the ones displayed below. The most recent forecast, completed last week, calls for real output growth of 1.7 percent nationally with an uptick in economic conditions next year. Our long-term outlook predicts average output growth of the US economy just below 2 percent. Regionally, our forecast is more optimistic with total employment growth in the Port Authority's 18-county region remaining well above 1 percent this year.

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	<u>Baseline Growth</u>	<u>2016</u>	<u>2017</u>	<u>Long-term Average</u>
US Real GDP		1.7%	2.3%	1.9%
Real US Goods Exports		0.0%	2.0%	4.0%
Real US Goods Imports		-0.1%	2.6%	4.0%
Regional Total Employment		1.4%	1.1%	0.7%
Manhattan Office Employment		1.5%	0.7%	0.7%
Regional CPI-U		1.2%	2.4%	2.2%
Gasoline Price [US, Average]		-9.1%	7.8%	1.8%

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AVIATION	Jun '16	YTD	Jun '16/15	YTD '16/15	PORT COMMERCE	Jun '16	YTD	Jun '16/15	YTD '16/15
Revenue Passengers (000's)	11,600.6	61,755.9	5.5%	6.2%	Port Trade				
John F. Kennedy International Airport (JFK)	5,318.3	28,012.8	3.2%	5.1%	Container Imports (TEUs)	270,617	1,543,489	-3.0%	-2.0%
LaGuardia Airport (LGA)	2,699.4	14,329.3	6.5%	6.3%	Container Exports (TEUs)	115,484	676,319	-0.4%	-3.3%
Newark Liberty International Airport (EWR)	3,560.4	19,283.9	8.5%	8.4%	Containers lifted on/off Express Rail	46,560	266,624	1.9%	3.7%
Stewart International Airport (SWF)	22.6	129.9	-6.6%	-5.3%					
Revenue Freight (Short Tons)	169,704	990,980	0.8%	-1.8%	TUNNELS, BRIDGES & TERMINALS	Jun '16	YTD	Jun '16/15	YTD '16/15
Domestic	65,871	356,708	19.5%	6.4%	Eastbound Vehicle Volumes (000's)	10,262	57,534	2.2%	3.7%
International	103,833	634,272	-8.3%	-5.7%	George Washington Bridge	4,447	24,861	1.3%	3.6%
Flights	113,558	641,754	3.4%	4.2%	Lincoln Tunnel	1,647	9,440	2.2%	2.6%
Domestic Air Carrier	79,088	458,160	3.0%	4.9%	Holland Tunnel	1,308	7,543	-1.7%	0.4%
International Air Carrier	25,583	142,977	-1.0%	1.1%	Bayonne Bridge	139	814	-23.2%	-25.9%
General Aviation	8,887	40,617	22.6%	8.1%	Goethals Bridge	1,374	7,577	10.5%	10.4%
Paid Parked Cars	744,744	3,972,302	0.7%	1.8%	Outerbridge Crossing	1,347	7,299	5.0%	6.8%
Revenue AirTrain Passengers	891,944	4,693,245	13.0%	5.9%	Eastbound Volumes by Vehicle Type (000's)				
					Autos	9,359	52,479	2.4%	3.8%
					Trucks	645	3,597	0.5%	2.0%
					Buses	259	1,460	0.0%	0.9%
FERRY OPERATIONS	Jun '16	YTD	Jun '16/15	YTD '16/15	PORT AUTHORITY PULSE	Mar '16	Feb '16	Change	
Passengers (000's)					(Seasonally Adjusted, 2010=100)				
New Jersey Ferries	846.5	4,212.8	11.0%	12.4%	PA Pulse (Transportation Activity Index)	99.1	102.2	-3.1%	
					PA Freight Pulse	94.2	98.0	-3.8%	
					PA Passenger Pulse	103.9	106.4	-2.4%	
PATH	Jun '16	YTD	Jun '16/15	YTD '16/15	U.S. TRANSPORT. SERVICES INDEX	Jun '16	May '16	Change	
Passengers (000's)	6,975.0	38,958.0	3.6%	5.5%	(Prelim., Seasonally Adj., 2000=100)				
Average Weekday	277.9	1,594.8	4.1%	5.4%	TSI - Combined Index	123.0	122.5	0.4%	
Average Saturday	120.9	666.0	3.9%	2.5%	TSI - Freight	122.3	121.6	0.6%	
Average Sunday	94.2	499.2	-3.5%	0.1%	TSI - Passenger	124.2	124.1	0.1%	

TRANSPORTATION FOCUS

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In the long-term, average annual growth in employment is forecast as roughly 0.7 percent. There is some variation when one unpacks the aggregate employment outlook. We expect sectors such as professional & business services, healthcare, education, retail and hospitality to be the main drivers of any new employment gains while the traditional financial, insurance, and real estate sectors are likely to lag behind. In that sense, our forecast is a continuation of the employment dynamics found in the region since the Great Recession.

Although any slowdown in national economic growth may bring with it lower transportation and logistics volumes, actual transportation performance in 2016 for the Port Authority has not shown any deterioration. This is because in relative terms economic activity in the region has remained quite buoyant, outperforming the country overall. The Port Authority has seen transportation activity increases across all major facilities. Specifically, for the first six months of 2016 revenue passenger growth at the three main airports exceeded 6 percent, automobile and truck traffic at trans-Hudson River crossings has grown by 4 percent, and total PATH ridership also has increased by nearly 6 percent compared to the same period last year. These are all remarkable results that exceed most historical growth patterns and that could stem from any of a number of factors: Strong regional employment growth led by the region's main commuter destination, New York City; a reduced cost of surface transportation due to low gas prices, and; New York City's sustained status – despite the relatively strong dollar – as one of the most attractive destinations for international travelers.

Our view is that improving economic conditions in the second half of the year and into 2017 will likely further propel regional transportation activity upward. The medium-term outlook for activity at our facilities, however, may be governed just as much by capacity concerns, congestion and delay, demographic trends, residential and business location patterns and behavioral changes among the traveling public. As in the past, we will continue to monitor these trends and provide a platform for discussion among policy-makers, analysts and economists.

Port Authority of NY & NJ
 Planning & Regional Development Department
 4 World Trade Center | 150 Greenwich St., 16th Floor
 New York, NY 10006

Alexander Heil, Ph.D., Chief Economist; aheil@panynj.gov
 Graciela Ramirez, Input-Output Modeling & Regional Economics
 Mark Seaman, Cost-Benefit Analysis & World Economy
 Christopher Eshleman, Forecasting
 Kevin Morris, Forecasting
 Matthew W. Jacobs, Forecasting

Huajing Shi, Ph.D., Transportation Statistics