New York City Comptroller
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COMPTROLLER STRINGER: NEW YORK CITY ECONOMY CONTINUES EXPANSION IN FIRST QUARTER, BUT SIGNS OF A SLOWDOWN EMERGE

32,000 more New York City residents are engaged in the labor market now than last quarter, the highest quarterly increase in 12 years

Average hourly earnings for City private-sector workers, however, remain stagnant

(New York, NY) – Strong gains in private-sector payroll jobs helped New York City's economy grow by an estimated 3.4 percent during the first quarter of 2016, significantly faster than the national economy according to a Quarterly Economic Update released today by New York City Comptroller Scott M. Stringer. However, signs of a cooling economy emerged as average hourly earnings in the private sector were flat and venture capital fell for the first time since 2012.

"The City's job market was a bright spot in the first few months of 2016 as more New Yorkers joined the workforce, but there are signs of a slowdown on the horizon," said New York City Comptroller Scott M. Stringer. "More City residents than ever before are now employed, but too many of the jobs we're gaining are in low-wage industries. When New Yorkers work full time and still can't afford a decent living, it undermines our entire economy."

Released every quarter, the Comptroller's Quarterly Economic Update examines a broad range of indicators that reflect the City's current conditions in the national context.

Specific findings for the First Quarter of 2016 include:

Continued Overall Economic Growth

- New York City's economy, as estimated by Gross City Product (GCP), grew at a 3.4 percent annual rate in the first quarter of 2016, greatly outpacing U.S. GDP growth of only 0.5 percent. While the past two years began with similarly divergent rates, over the course of those years, the gap in growth narrowed.

- New York City resident employment grew by 21,200 in the first quarter, reaching a record level of more than 4 million and raising the employment-to-population ratio to 58.1 percent. The spread between the national and the city employment-to-population remains close to its historical low.

- Signaling optimism in the local labor market, the number of city residents working or looking for a job soared. About 32,000 city residents joined or rejoined the labor force, the highest quarterly increase in 12 years.

Stagnating Wages

- Of the total 41,700 private-sector payroll jobs added in the first quarter, nearly half (19,100) were in low-wage industries and 36 percent were in mid-wage industries. All major sectors expanded except for the high-paid financial activities sector.

- The continued dominance of low-wage job creation contributed to disappointing wage gains. Average hourly earnings for private-sector payroll workers grew only 0.1 percent year-over-year.

- Between the end of the Great Recession and 2014, average pay in low-wage industries has fallen 3.2 percent after adjusting for inflation. Real wages for mid-wage industries have grown 4.1 percent, while high-wage industries experienced 10.3 percent real wage growth in those five years.

Falling Venture Capital Investment and Weak Income Tax Collections

- Venture capital investment in the New York metro area fell 6.2 percent to about $1.4 billion in the first quarter of 2016, the first year-over-year decline since 2012. Nationwide, venture capital investment fell even faster, leading the New York metro area's share of investment to grow from 10.7 percent in the final quarter of 2015 to 11.3 percent in the first quarter of 2016.

- Quarterly City personal income tax revenues fell 0.3 percent on a year-over-year basis, driven by a 28 percent increase in tax refunds. The steep increase in refunds was offset by modest growth in taxes withheld from paychecks (3.1 percent) and estimated payments (1.1 percent).

- A decrease in financial sector bonus payments contributed to relatively weak first quarter personal income tax collections. Wall Street bonuses are estimated to have been $23 billion in the 2015 bonus season, 15.9 percent lower than $27.5 billion in 2014, and the lowest level since 2011. Lower bonuses coincided with a 10.5 percent drop in Wall Street profits in 2015.

Real Estate Market Growth, but Signs of Cooling

- Manhattan's vacancy rate for commercial property fell to 9.0 percent, the lowest first-quarter level since 2008. Vacancy rates in Midtown South dropped from 7.0 percent in the first quarter of 2015 to 6.3 percent this quarter, as Midtown overall and Downtown recorded smaller declines.

- New commercial leasing activity in Manhattan, however, fell 6.0 percent to 6.5 million square feet. The highest-leasing sector was TAMI (technology, advertising, media and information services), accounting for nearly 37 percent of new leases 10,000 square feet and larger.

- The volume of residential home sales increased 8.1 percent in Manhattan and 26.9 percent in Brooklyn. However, home sales in Queens fell 1.9 percent in the first quarter, after growing 32.7 percent in the final quarter of 2015. Similarly, average home sales prices increased in Manhattan and Brooklyn but fell in Queens.

"A strong City economy and job gains are always welcome news, but stagnant wages, a potential cool off in the commercial real estate market, and slowing venture capital investment are causes for concern. We'll be keeping an eye on these economic indicators and continuing to focus on enacting policies that ensure every New Yorker has a fair chance to share in our City's growth," Stringer said.

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