



NYC Quarterly Economic Update

Office of the New York City Comptroller

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BUREAU OF FISCAL & BUDGET STUDIES

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New York City's Economy Stayed Course, But U.S. Stalled in 4Q15

Overview: The city's economy managed to stay on course in 4Q15, but the U.S. economy stalled compared with its growth earlier in the year. The U.S. economy's minimal growth is attributable to a decline in private investment and exports. For all of 2015, the city's economy grew faster than in the previous year, while U.S. GDP growth remained unchanged. Payroll data shows that while job creation has been strong, most of the new jobs created were in the low-wage sectors. Also, while the economic growth has lowered the unemployment rates in all boroughs, most jobs created in boroughs other than Manhattan are in low- or medium-wage industries.

Economic outcomes in New York City during the fourth quarter of the year include:

Overall city economic growth continued	page 2
High share of new jobs in low-wage sectors	page 3
Low borough unemployment rates but real wage declines in four boroughs	page 4
Venture capital investment reaches highest level since 2000	page 10
Commercial property vacancy rate lowest since 2008	page 11

**Table 1: Fourth Quarter of 2015 Key Economic Indicators
NYC Compared with U.S. for 3Q15 and 4Q14**

		4Q15	3Q15	4Q14
GCP/GDP Growth, SAAR	NYC	2.5	2.5	5.0
	U.S.	0.7	2.0	2.1
Payroll-Jobs Growth, SAAR	NYC	1.1	2.7	1.2
	U.S.	2.0	1.9	2.3
PIT Withheld, Growth, NSA	NYC	1.8	7.9	11.7
	U.S.	1.8	6.3	8.2
Inflation Rate, NSA	NYC	0.6	0.1	0.8
	U.S.	0.5	0.1	1.2
Unemployment Rate, SA	NYC	4.9	5.4	6.5
	U.S.	5.0	5.2	5.7

SAAR=Seasonally adjusted annual rate. SA=Seasonally adjusted. NSA=Not seasonally adjusted.



Real gross city product (GCP) grew at an estimated annual rate of 2.5 percent in 4Q15, the same as in 3Q15, but much faster than the national economic growth rate of only 0.7 percent (advance estimate). Also, the city's economy grew 3.4 percent in 2015, faster than 2.1 percent in 2014 and above the national rate of 2.4 percent recorded in both 2015 and 2014.

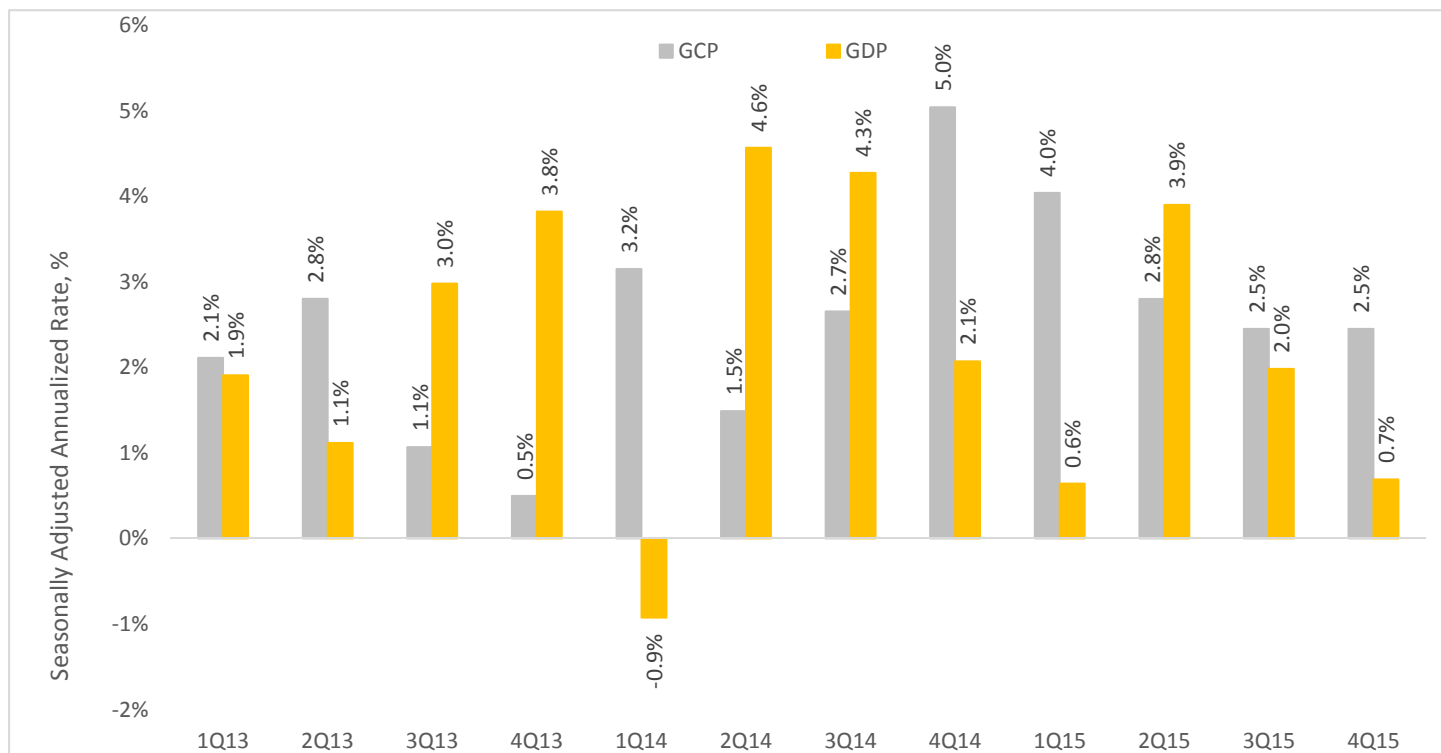
The labor market continued to strengthen, albeit at a slower pace than in the third quarter. Also, most of the new jobs created were in the low-wage sector, which partially explains the lower personal income tax (PIT) revenue growth. Venture capital investment in the city soared to its highest fourth-quarter level since 2000, while commercial real estate markets tightened further as the vacancy rate fell to its lowest fourth-quarter level since 2008. Residential market prices rose in 4Q15 on a year-over-year basis.

The U.S. economy grew 0.7 percent (advance estimate) in 4Q15, the smallest gain since 0.6 percent in 1Q15 and slower than the Blue Chip consensus forecast of 1.9 percent, published on January 10, 2016.

Consumer spending grew 2.2 percent and contributed 1.46 percentage points to the GDP growth. Household consumption expenditures on services and durable goods were the main contributors to consumer spending. Government expenditures grew at an annual rate of 0.7 percent and contributed 0.12 percentage points to the GDP growth, mainly because of national defense spending. Net exports deducted 0.31 percentage points from the GDP growth as imports grew and exports declined. The deteriorating trade balance is attributable to the stronger dollar and a slowdown in the global economy.

Gross private domestic investment fell at a 2.5 percent annual rate in 4Q15, deducting 0.41 percentage points from GDP growth. A change in private inventories and spending on structures contributed negatively to GDP growth while spending on industrial equipment, intellectual property products, and residential investment contributed positively.

Chart 1. Percent Change in Real Gross City Product (GCP) and National Real Gross Domestic Product (GDP), 1Q13 to 4Q15



Source: U.S. Bureau of Economic Analysis (BEA) and NYC Comptroller



New York City's private sector added 10,700 jobs, or 1.2 percent (seasonally adjusted annualized rate), in 4Q15, compared to a 27,200 increase in 3Q15. The nation's total private jobs grew 2.4 percent (SAAR) in 4Q15, a somewhat stronger showing than the 2.1 percent increase posted in 3Q15 (Chart 2).

Except for two sectors — 1) trade, transportation, and utilities and 2) other services, such as laundry services or religious organizations, which lost 2,100 and 500 jobs respectively — all remaining sectors in the city registered gains. Professional and business services added 5,100 jobs, education and health services added 2,400 jobs, financial activities added 2,300 jobs, construction added 2,000 jobs, leisure and hospitality added 1,300 jobs, and information and manufacturing each added 100 jobs in 4Q15 compared to the previous quarter.

A good portent was that most of the new private-sector job gains were in the export sector as opposed to the local service sector. Export industries bring wealth from outside of the city while local sector jobs provide the support for the export sector and the local population. Of the 10,700 new private-sector job gains, 8,900 or 84 percent, were in the export sector and 1,700 or 16 percent were in the local sector.

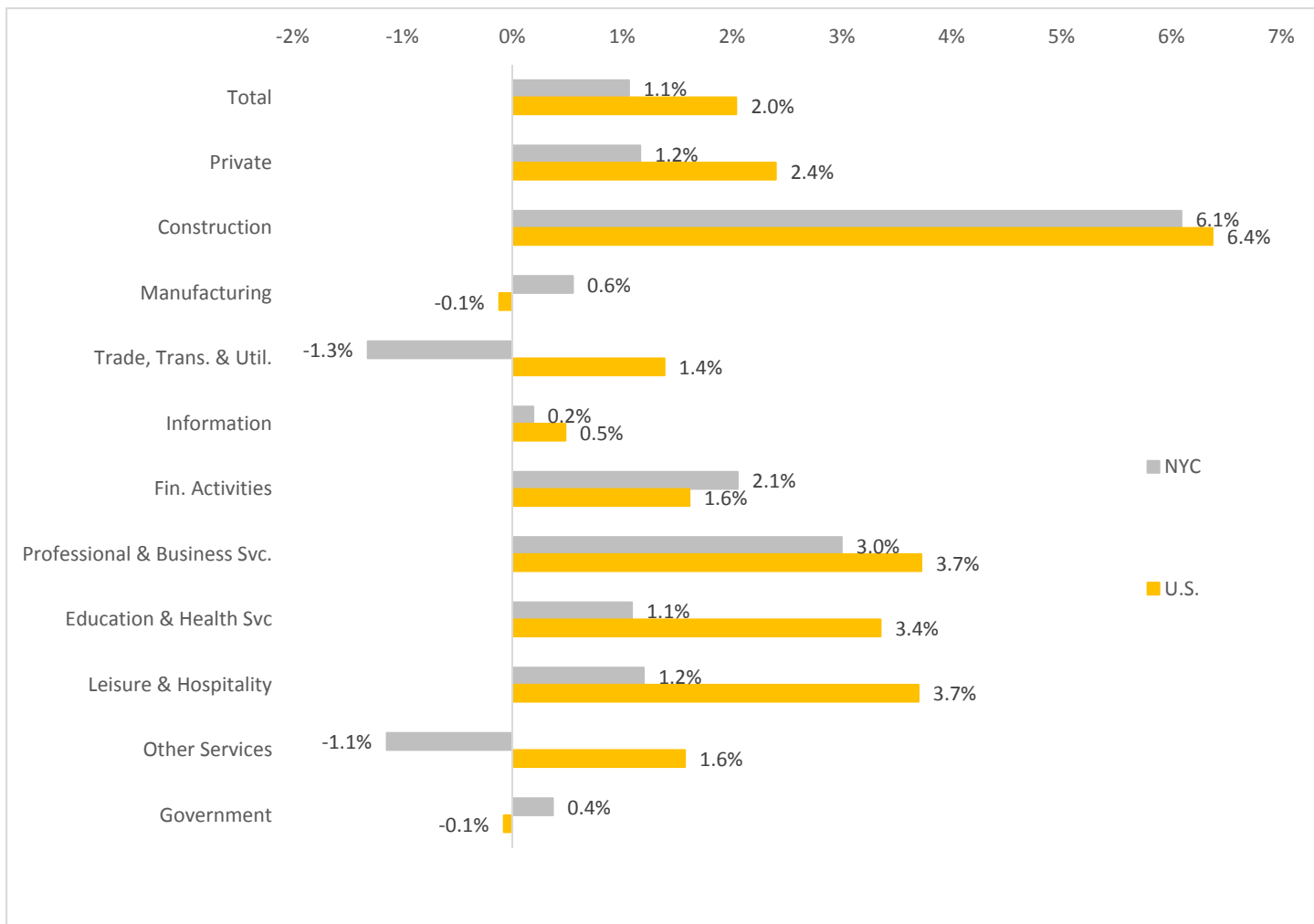
Most of the new jobs created were in the low-wage sector, while jobs in the medium-wage sectors contracted. Of the total 10,700 new private-sector jobs created, 9,000 were in the low-wage industries and 6,400 were in the high-wage

industries. The medium-wage sector lost 4,700 jobs. Jobs in high-wage industries pay over \$117,000 annually, jobs in medium-wage industries pay between \$59,000 and \$117,000, and low-wage industries pay below \$59,000.

In 2015, New York City added 97,700 new private-sector jobs, the second highest gain after 2014 when 120,200 jobs were added. The city's private-sector has been adding more than 90,000 jobs annually for the past five years, the strongest pace of job growth on record. The city's total payroll jobs grew 2.4 percent and private-sector jobs grew 2.7 percent in 2015, better than the nation's 2.1 percent and 2.4 percent gains, respectively.

Of the 97,700 new private-sector jobs added in 2015, 53,000, or 54 percent, were in the low-wage sectors; 25,000 or 26 percent were in the high-wage sectors; and 19,000, or 20 percent, were in the medium-wage sectors.

In general, the average salary of an employee in a low-wage sector job was about \$41,000 annually, in a medium-wage sector job about \$73,000 annually, and in a high-wage sector job, about \$188,000 annually as of 2014. From the end of recession in 2009 through 2014, the most current year for which data is available, the wage gap between low-wage, medium-wage, and high-wage earners widened. During that time the average pay in high-wage industries increased by about 10.3 percent after inflation, while the average real wage in low-wage industries decreased by about 3.2 percent. Wages of workers in mid-wage industries gained about 4.1 percent in real terms over those 5 years.

**Chart 2. Annualized Percent Change in Payroll-Jobs, NYC and the U.S., SAAR, 4Q15 over 3Q15**

Source: U.S. Bureau of Labor Statistics (BLS) and NYS Department of Labor

NYC's unemployment rate, adjusted for seasonality, fell to 4.9 percent in 4Q15, the lowest in over eight years. The U.S. unemployment rate fell to 5.0 percent in 4Q15, the lowest rate in over seven years. The last time that the city's unemployment rate fell below the nation's was 2Q11 (Chart 3).

The decline in the city's unemployment rate was due to a drop in the number of unemployed coupled with a relatively small increase in the city's labor force. The seasonally-adjusted number of unemployed NYC residents fell by 21,900 from the previous quarter, while the labor force increased by 6,400 in 4Q15. The slowing of the city's labor force growth may indicate that the city's pool of discouraged job seekers, which flooded back into the labor market in recent years, is gradually diminishing.

In 2015, the city's yearly average unemployment rate was 5.7 percent, the lowest since 2008 when the rate was 5.6 percent. The monthly average number of unemployed declined by 59,100 and the labor force increased by 64,100 as the number of civilians employed increased by a record 123,200.

Among the five boroughs, Manhattan had the lowest unemployment rate (not seasonally adjusted) in 4Q15 at 4.2 percent. Queens' unemployment rate was 4.3 percent, Staten Island's was 4.9 percent, Brooklyn's was 5.0 percent, and the Bronx had an unemployment rate of 6.8 percent. Manhattan's, Brooklyn's, and Queens' unemployment rates were the lowest fourth quarter unemployment rate since 2006. Staten Island and the Bronx had their lowest fourth quarter unemployment rates since 2007.

For 2015, the full-year average unemployment rate was 4.9 percent in Manhattan, 5.1 percent in Queens, 5.8 percent in



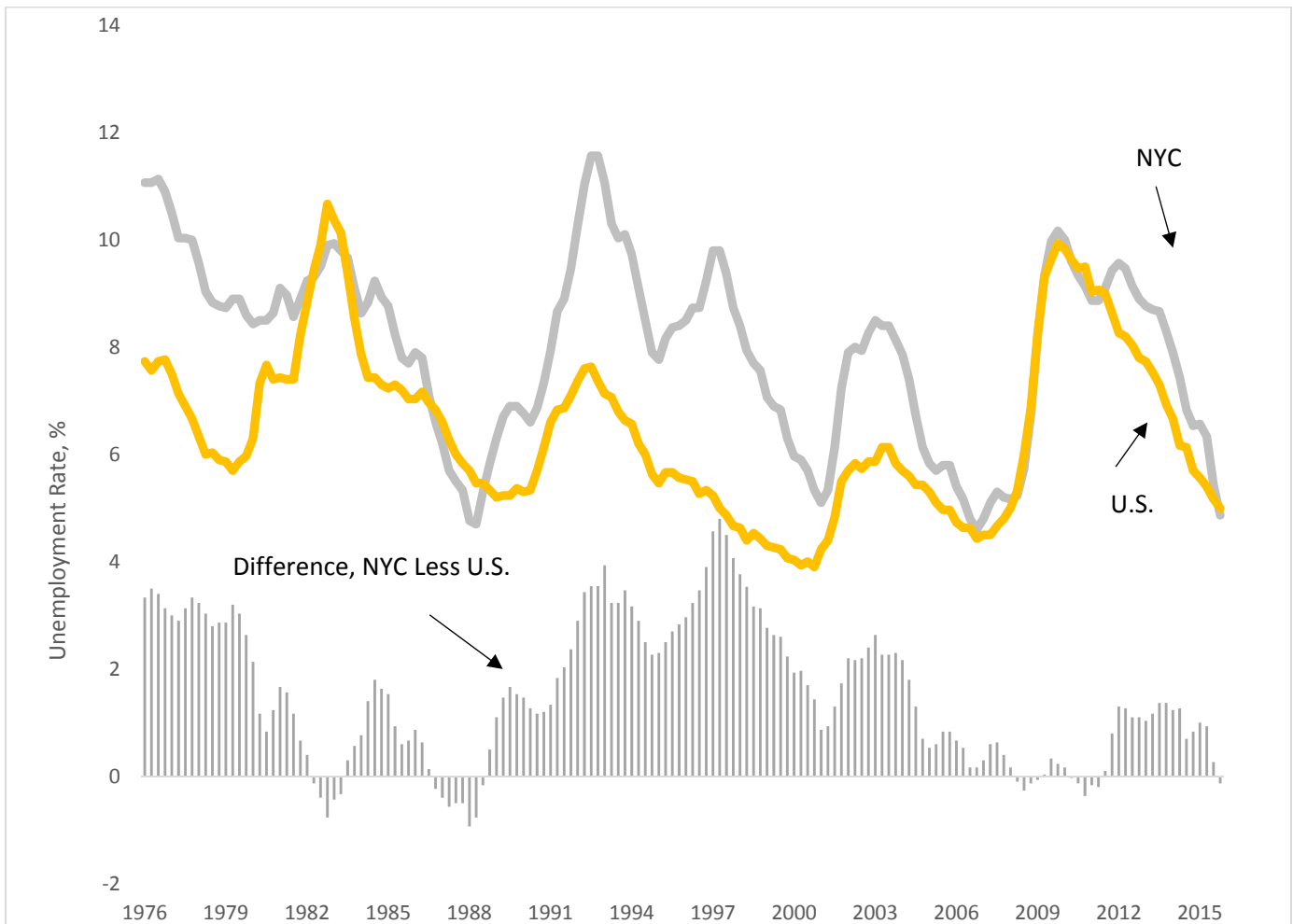
Staten Island, 5.9 percent in Brooklyn, and 7.9 percent in the Bronx. The 2015 unemployment rate for all the boroughs was the lowest since 2008 except for Brooklyn, which experienced its lowest unemployment rate since 2007. Despite the improvement in the boroughs' unemployment rates, the private-sector wage rates adjusted for inflation have also declined. In fact, average pay in every borough other than Manhattan has declined, and that's because most jobs in high-wage industries are located in Manhattan.

From the end of the recession in 2009 to 2015 (estimated), average real wages in the private-sector fell 3.0 percent in Queens, 2.9 percent in Brooklyn, 2.5 percent in the Bronx, and 1.6 percent in Staten Island. Real wages increased only in Manhattan, by 7.5 percent. The reason is that most high-wage jobs are located in Manhattan; 38 percent of all private-

sector jobs are in high-wage industries and 83.5 percent of them are in Manhattan. That sector had the highest real wage-rate growth (10.3 percent) between 2009 and 2014.

Moreover, the rapid job creation in boroughs other than Manhattan has come disproportionately in the medium- and low-wage sectors. From the end of the recession to the most current year for which data is available (2009 to 2014), of all the new private-sector jobs created in the other boroughs, about 57 percent were in the medium-wage industries, 27 percent were in the low-wage industries, and only about 16 percent were in the high-wage industries. In Manhattan, 41 percent of the private-sector jobs created were in the medium-wage industries, about 41 percent were in the high-wage industries, and just 18 percent were in low-wage industries.

Chart 3. Unemployment Rate, NYC, U.S. and NYC Less U.S., Quarterly (SA), 1Q76-4Q15



Source: U.S. Bureau of Labor Statistics (BLS) and NYS Department of Labor

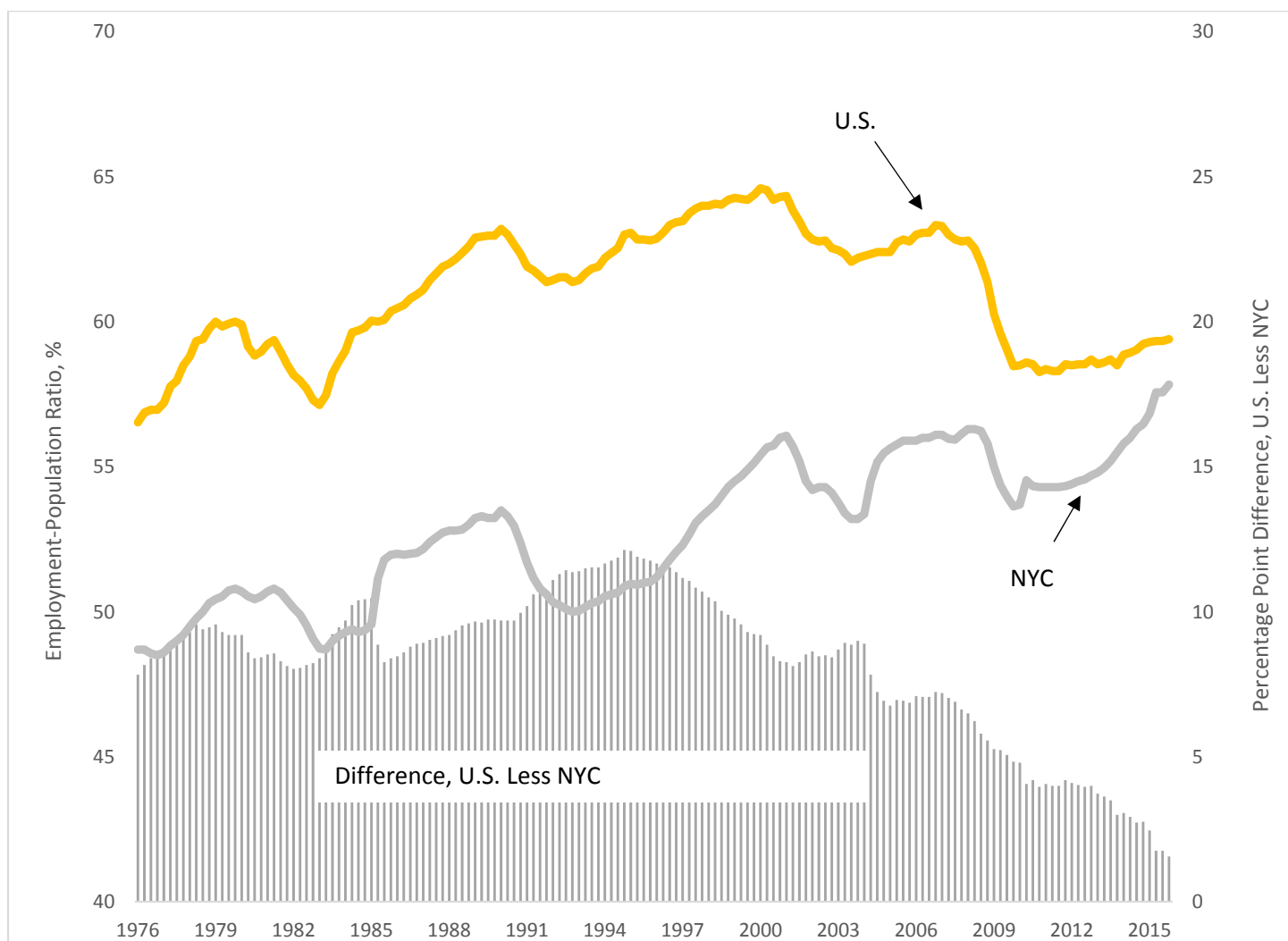


Civilian employment increased by 28,300 in 4Q15, after rising by 7,300 in 3Q15. Civilian employment reflects employed city residents while private-sector employment measures jobs based in New York City. Since its most recent trough in 4Q09, the city's civilian employment count has increased by more than 433,000, or 12.2 percent, to a record level of about four million. As a result, the city's employment-to-population ratio rose to a record high of 57.8 percent in 4Q15. Although it is still below the nation's

ratio of 59.4 percent, the spread between the U.S. and the city has fallen to a historical low of 1.6 percentage points (Chart 4).

In 2015, the city's civilian employment rose by 123,200, the highest increase ever. As a result, the city's employment-to-population ratio rose to a record high of 57.5 percent. The U.S. employment-to-population ratio rose to 59.3 percent, the highest since 2009.

Chart 4. Employment-Population Ratio, NYC, U.S. and NYC Less U.S., Quarterly (SA), 1Q76-4Q15



Source: U.S. Bureau of Labor Statistics (BLS) and NYS Department of Labor



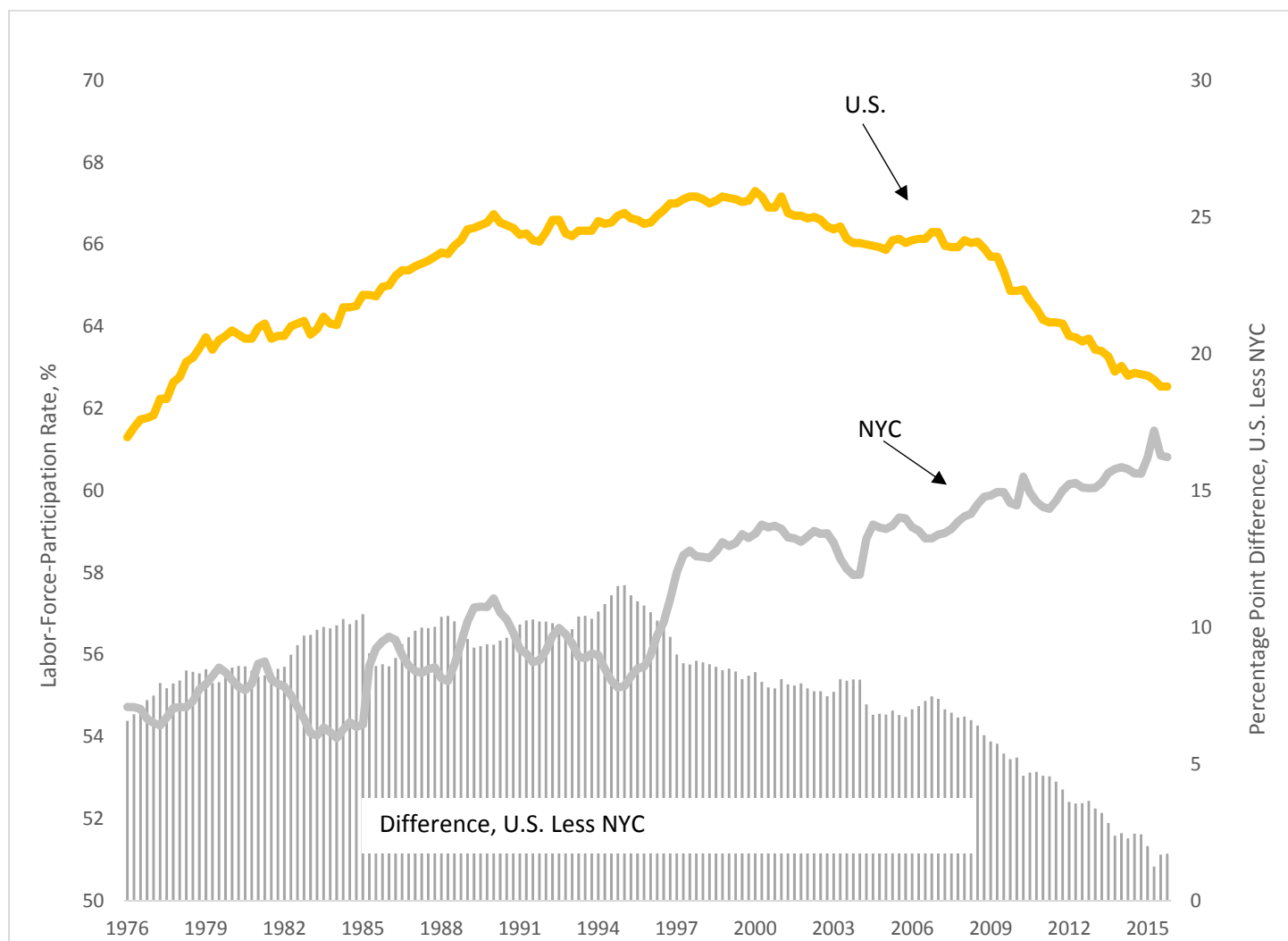
The city's labor force rose by 6,400 in 4Q15 after falling by a record 33,100 in 3Q15. However, the city's labor-force-participation rate (LFPR), which is the total number of city residents employed or looking for a job as a portion of the total non-institutional population (16 years old and over), fell to 60.8 percent in 4Q15 from 60.9 percent in 3Q15. The slowing of the city's labor force growth comes after several years of very rapid increase and probably reflects a maturing of the local economic recovery with fewer discouraged job seekers.

The U.S. LFPR was 62.5 percent in 4Q15 same as in 3Q15 and the lowest since 3Q77. The spread between the U.S. and

the city's LFPR, which had reached a record low of 1.2 percentage points in 2Q15, widened to 1.7 percentage points in 4Q15 (Chart 5).

For all of 2015, the city's labor force increased by 64,100 to a record high of about 4.2 million. Also, the city's LFPR rose to a record level of 61.0 percent while the U.S. LFPR fell to 62.7 percent in 2015, its lowest since 1977. The convergence of the local and national LFPRs probably reflects the city's strong economic performance as well migration and immigration trends that are producing a more favorable demographic for employment in the city.

Chart 5. Labor-Force-Participation Rate, NYC, U.S. and NYC Less U.S., Quarterly (SA), 1Q76-4Q15



Source: U.S. Bureau of Labor Statistics (BLS) and NYS Department of Labor

**Table 2: Fourth Quarter Economic Indicators Compared to 3Q15 and 4Q14**

		4Q15	3Q15	4Q14
County Unemployment Rate, NSA (Source: NYS DOL)	Bronx	6.8%	7.2%	8.8%
	Kings	5.0%	5.5%	6.8%
	New York	4.2%	4.5%	5.4%
	Queens	4.3%	4.6%	5.7%
	Richmond	4.9%	5.4%	6.5%
Commercial Vacancy Rate (Source: Cushman & Wakefield)	Midtown	8.8%	9.3%	9.8%
	Midtown South	6.2%	5.8%	7.1%
	Downtown	9.4%	10.3%	9.7%
	Manhattan Total	8.5%	8.9%	9.3%
Rental Rate (per sq ft) (Source: Cushman & Wakefield)	Midtown	\$76.65	\$77.04	\$75.14
	Midtown South	\$69.66	\$67.05	\$60.72
	Downtown	\$59.58	\$57.92	\$51.04
	Manhattan Total	\$71.58	\$71.02	\$67.70
Number of Apartment Sales (Source: Douglas Elliman)	Manhattan	2,973	3,654	2,718
	Brooklyn	2,112	2,368	1,697
	Queens	3,436	3,642	2,590
Case-Shiller Home Price Index (Source: Standard and Poor's)	NY Metro Area	179.99*	177.96	174.18*
	US 20-City Composite	181.97*	178.93	172.20*
Hotel Industry (Source: PKF Consulting)	Average Daily Occupancy Rate	90.0%*	92.5%	91.1%*
	Average Daily Room Rate	\$333.2*	\$297.1	\$341.0*
MTA Average Weekday Ridership (Source: MTA)	NYC Transit	7,907,398	7,494,297	7,897,637
	Subway	5,790,370	5,512,229	5,737,292
	Bus	2,117,027	1,982,067	2,160,345
	Long Island Rail Road	313,,049	311,210	306,221
	Metro North	298,799	293,950	297,209

*Data includes October and November, excludes December



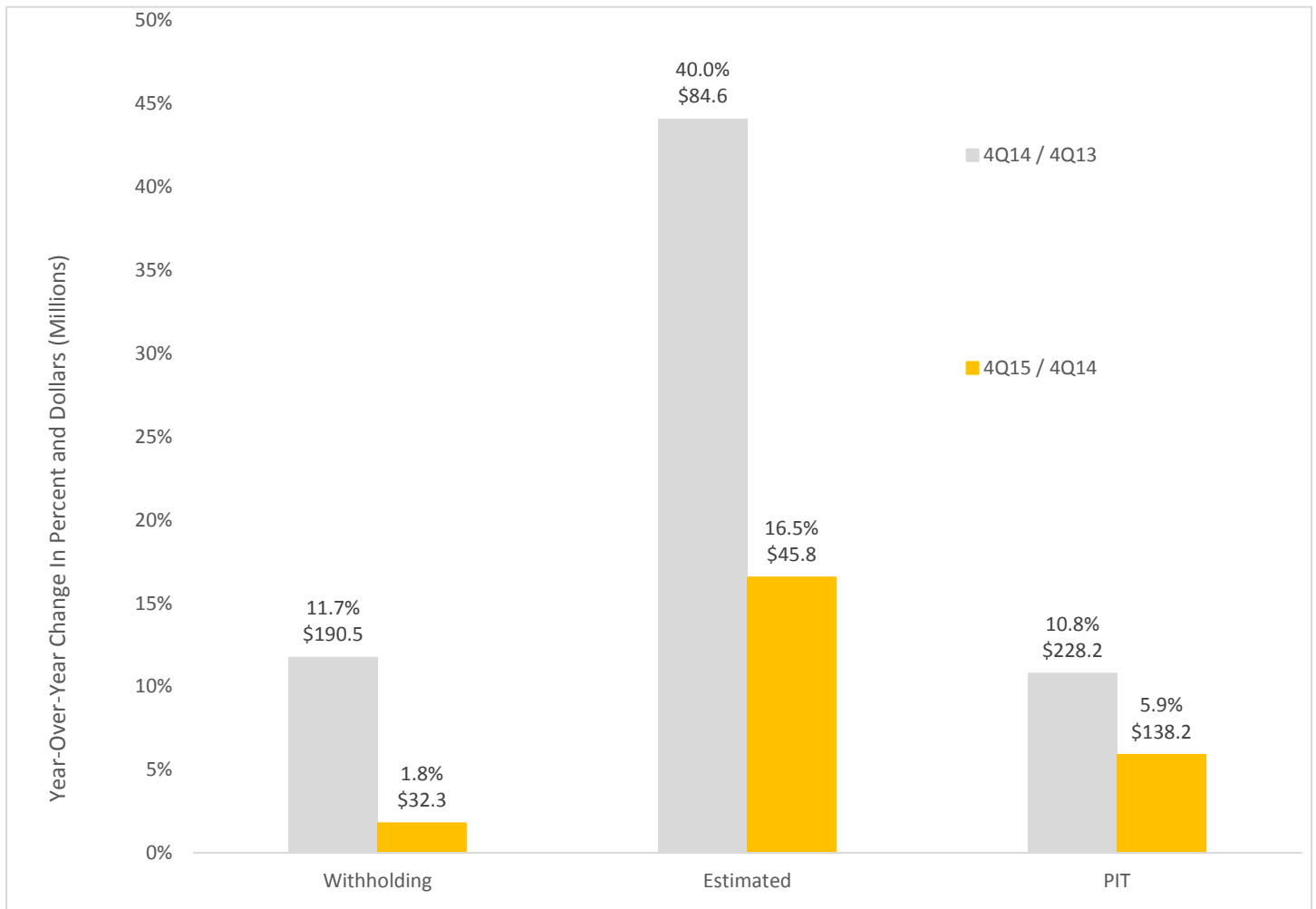
NYC personal income tax (PIT) revenues rose 5.9 percent on a year-over-year basis to about \$2.5 billion in 4Q15, the highest fourth quarter level on record. On a year-over-year basis, personal income taxes withheld from paychecks, a proxy for wage income, rose 1.8 percent to over \$1.8 billion in 4Q15, the highest fourth quarter level on record. The relatively small percentage increase from the prior year suggests a slow start to the financial industry's bonus season.

Estimated tax payments, which reflect trends in taxpayers' non-wage income, including interest earned, rental income, and capital gains, rose to about \$323 million in 4Q15, 16.5

percent higher than the \$277 million in 4Q14. The city's estimated tax payments collections in 4Q15 were also the highest fourth quarter on record (Chart 6).

Average hourly earnings (AHE) of total private NYC employees, another proxy for wage income, rose 1.8 percent to \$33.81 in 4Q15 on a year-over-year basis after rising 3.8 percent in 3Q15. However, AHE grew 3.2 percent for all of 2015, the greatest increase since 2008. The U.S. average hourly wages grew 2.4 percent to \$25.24 in 4Q15 from 4Q14, the greatest fourth-quarter year-over-year increase since 2009.

Chart 6. Changes in Personal Income Tax Revenues, in Percent and Dollars (millions), 4Q14 over 4Q13 and 4Q15 over 4Q14



Source: NYC Office of Management and Budget (OMB)



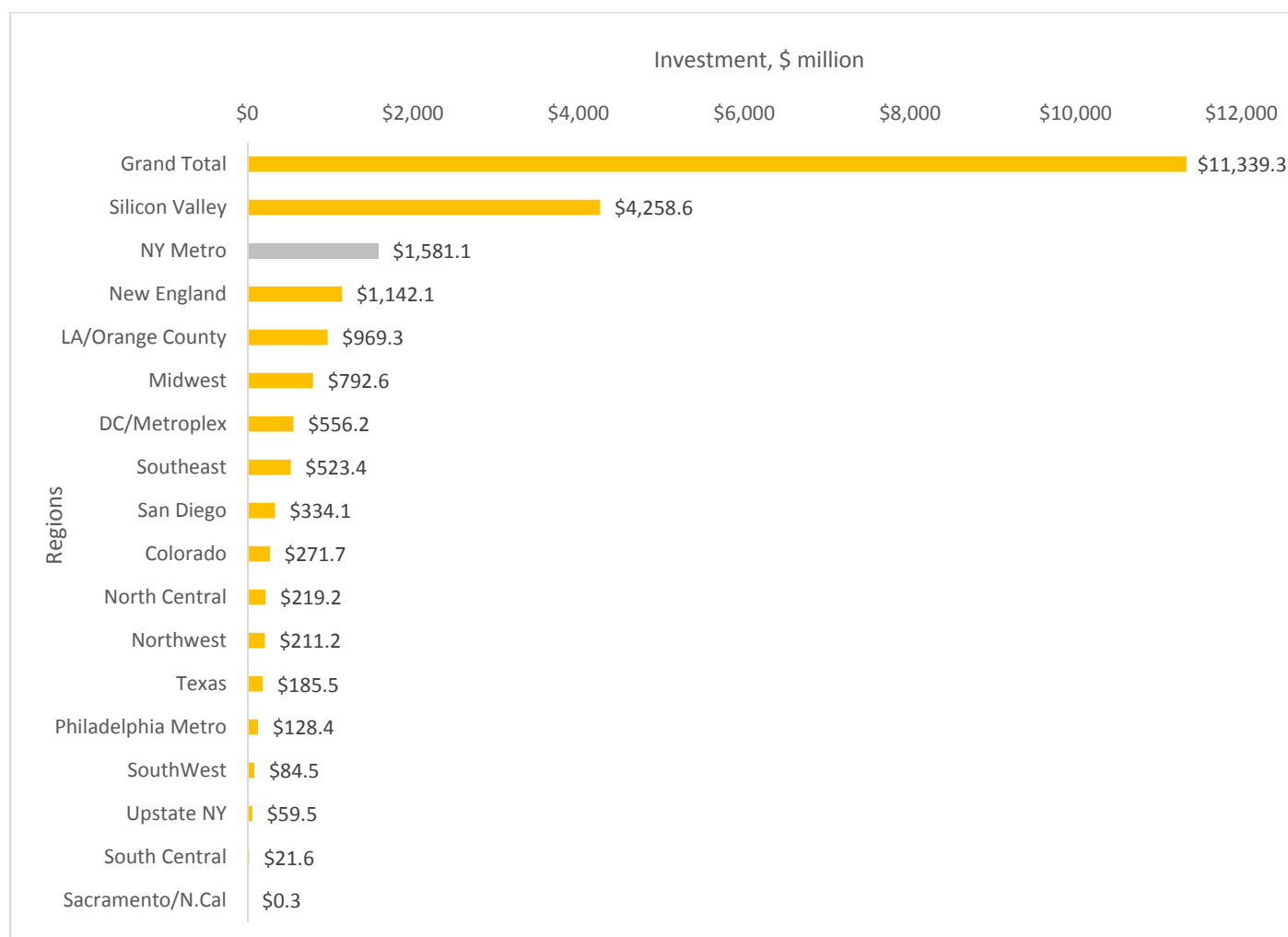
Venture capital investment in the New York metro area rose 34 percent, from almost \$1.2 billion in 4Q14 to about \$1.6 billion in 4Q15, the highest fourth quarter level since the height of the dot-com boom in 4Q00 (Chart 7). The number of venture capital deals remained nearly constant at 108 in 4Q15, compared to 109 in 4Q14. In all of 2015, New York metro area investments rose 38.7 percent to over \$7.3 billion, the second highest level after \$10.2 billion tallied in 2000. Similarly, the number of deals rose 5.6 percent in 2015 compared to 2014 for a total number of 512 deals, the second highest level after the 813 deals recorded in 2000.

The New York metro area's share of venture capital investment and its share of deals were the highest on record in 2015. Of \$58.8 billion of national venture

capital investment in 2015, 12.4 percent was in the New York metro area, up from 10.4 percent in 2014. Similarly, 512, or 11.7 percent of the 4,380 deals, were in the New York metro area. By comparison, Silicon Valley, which is the biggest recipient of venture capital investment, saw its share of total investment fall to 46.5 percent, and its share of total deals fall to 30.4 percent in 2015, from 50 percent and 33 percent, respectively, a year earlier.

Venture capital investment in New York State increased 4.2 percent to over \$1 billion in 4Q15 from a year ago. The number of deals in New York State remained nearly constant at 97 in 4Q15, compared to 98 in 4Q14. New York State investments were up 41 percent and the number of deals were up by 4.3 percent in 2015 over 2014.

Chart 7. Venture Capital Investment by Regions, 4Q15



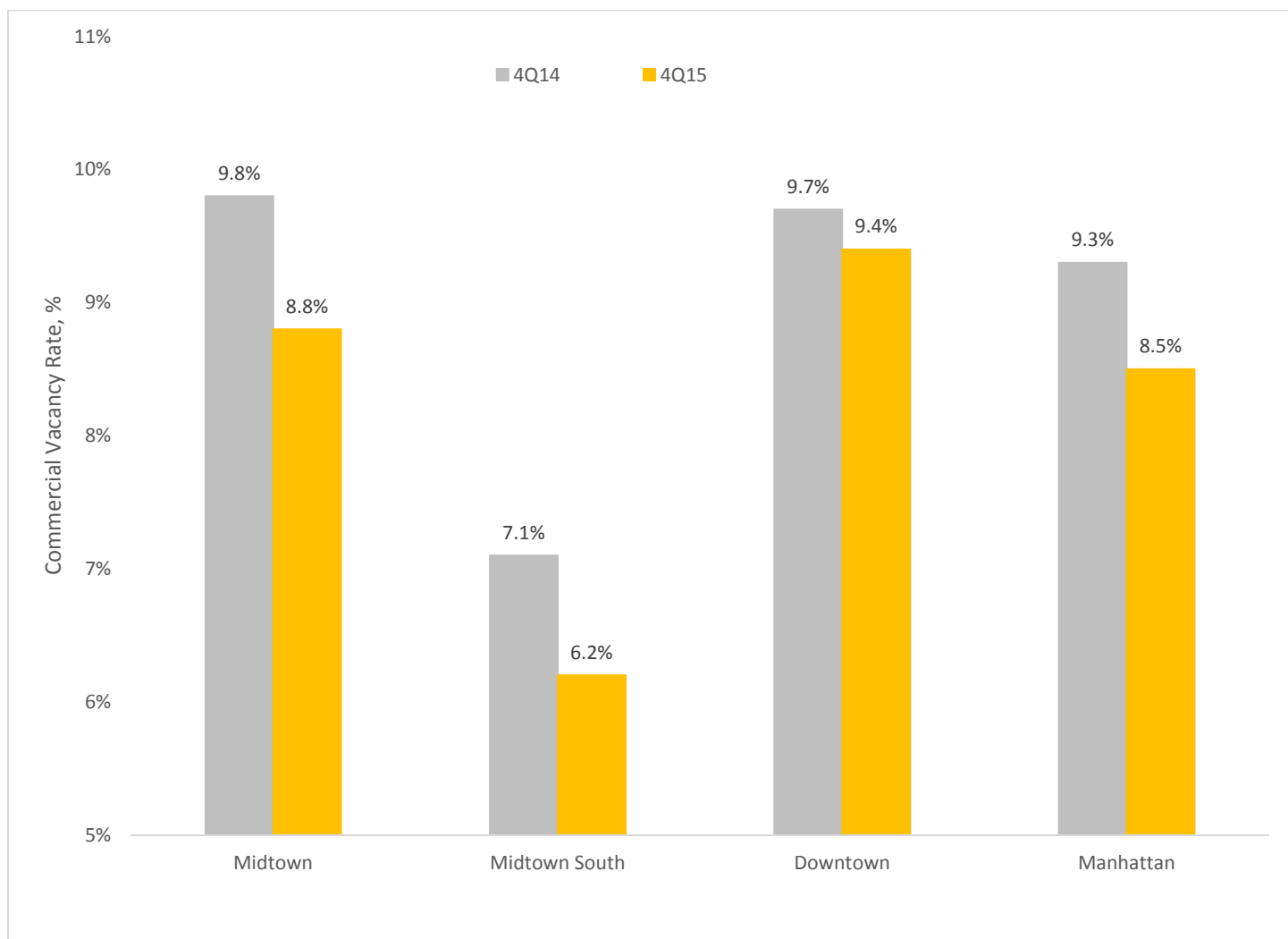
Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters



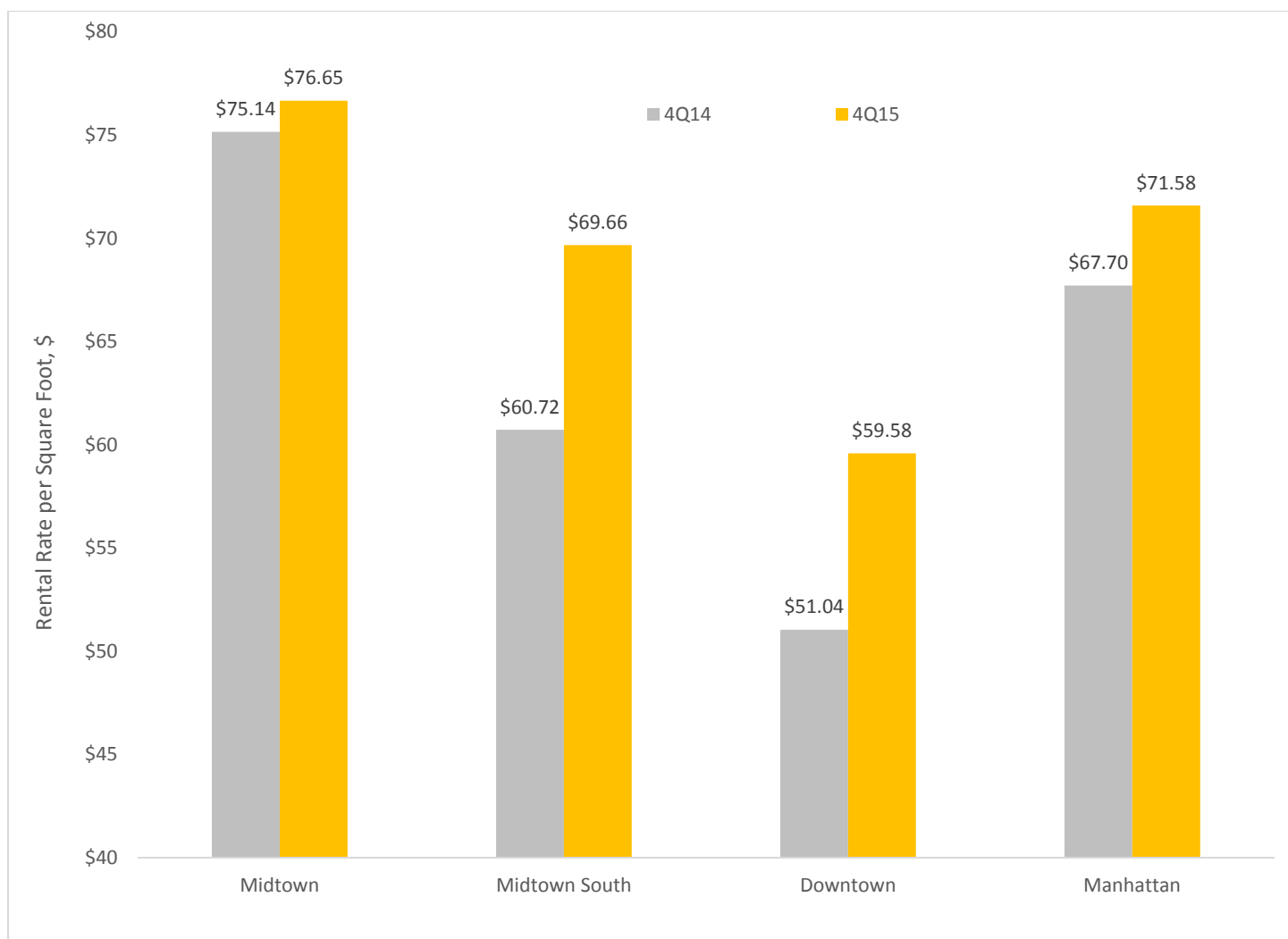
The Manhattan office vacancy rate, including sublease space, fell to 8.5 percent in 4Q15, the lowest fourth quarter since 2008, as reported by Cushman & Wakefield. On a year-over-year basis, the vacancy rate dropped one percentage point in Midtown, 0.9 percentage points in Midtown South, and 0.3 percentage points Downtown. Relatively little new office space was added to the Manhattan market in 2015, but that situation is expected to change in the next two years.

New leasing activity in 4Q15 totaled 6.3 million square feet (msf), 24.7 percent lower than 4Q14. Total leasing in 2015 was 14 percent lower than the previous year. Most of the new leasing in 4Q15 took place in Midtown (4.1 msf) followed by Midtown South (1.1 msf) and then Downtown (1.1 msf). Overall asking rents increased in all the submarkets (Chart 8 and 9).

Chart 8. Overall Commercial Vacancy Rates, 4Q15 and 4Q14



Source: Cushman & Wakefield

**Chart 9. Overall Commercial Rental Rate per Square Foot, 4Q15 and 4Q14**

Source: Cushman & Wakefield

The city's housing market continued to do well in 4Q15 as prices and transactions climbed on a year-over-year basis. According to a report from Douglas Elliman, the number of sales in Manhattan rose to 2,973 in 4Q15, an increase of 9.4 percent from 4Q14. The average sales price rose 12 percent to over \$1.9 million, the average price per square foot rose 28.1 percent to \$1,645, and the median sales price rose 17.3 percent to about \$1.2 million.

The listing inventory rose one percent to 5,046 during the same period, but the absorption rate, defined as the number of months to sell all inventory at the current rate of sales, fell to 5.1 months in 4Q15 from 5.5 months in 4Q14. Also, days on the market from last list date fell to 82 days in 4Q15 from 105 days the prior year.

Brooklyn apartment prices also increased. The average sales price rose 6.8 percent to \$808,121 and the median sales price rose 11.1 percent to \$650,000 in 4Q15, compared to 4Q14. The number of sales rose 24.5 percent to 2,112 in 4Q15, while the listing inventory fell 6.5 percent to 3,233 compared to the same period in 2014. Also, the absorption rate fell to 4.6 months and days on the market fell to 64 in 4Q15, both trends indicating tighter market conditions.

Apartment sales in Queens rose 32.7 percent to 3,436 in 4Q15, compared to 4Q14, and the listing inventory fell 6.3 percent to 5,249 during the same period. The average sales price rose 6.1 percent to \$522,372 and the median sales price rose 9.2 percent to \$470,000, 4Q15 over 4Q14. The absorption rate fell 29.4 percent to 4.6 months and days on



the market fell 41.6 percent to 57 days in 4Q15 from 4Q14 (Chart 10).

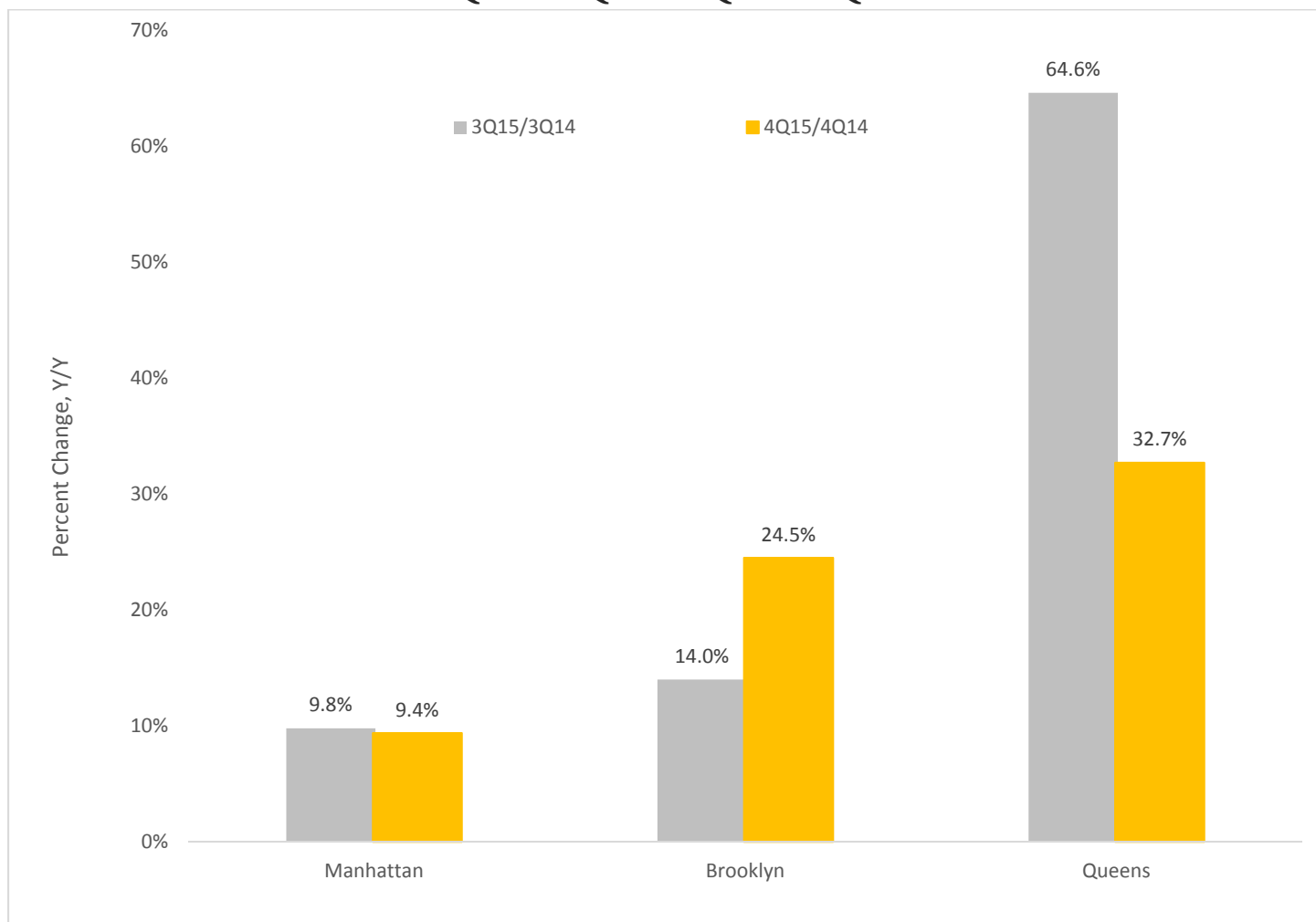
Douglas Elliman reports that the number of 1- to 3-family homes sold in Brooklyn rose 78.8 percent and in Queens rose 39.7 percent in 4Q15, compared to the previous year. The average sales price per square foot rose 5.1 percent in Brooklyn and 8.9 percent in Queens, compared to a year earlier.

According to the Case-Shiller index, which tracks single-family home prices, the not-seasonally-adjusted New York metro area home price index increased 3.7 percent in November 2015 over November 2014. During the same period, the New York metro area's inflation rate was 0.6 percent, indicating a real increase in home prices. The home price index in the metro area in November 2015 was the highest since January 2009.

The U.S. 20-city composite index rose 5.8 percent in November 2015 on a year-over-year basis to 182.82, its highest level since December 2007. The U.S. inflation rate was 0.5 percent in November 2015. The Portland, Oregon metro area saw the largest jump in home prices (11.1 percent) while the Chicago metro area had the smallest increases (2.0 percent) in November 2015, compared to the prior year.

As of November 2015, the New York metro area home price index was 12.3 percent higher than at its trough in March of 2012, but still 16.6 percent below the peak reached in May 2006. In comparison, the U.S. 20-city composite index was 33.4 percent higher than its trough and 11.5 percent below its peak (Chart 11).

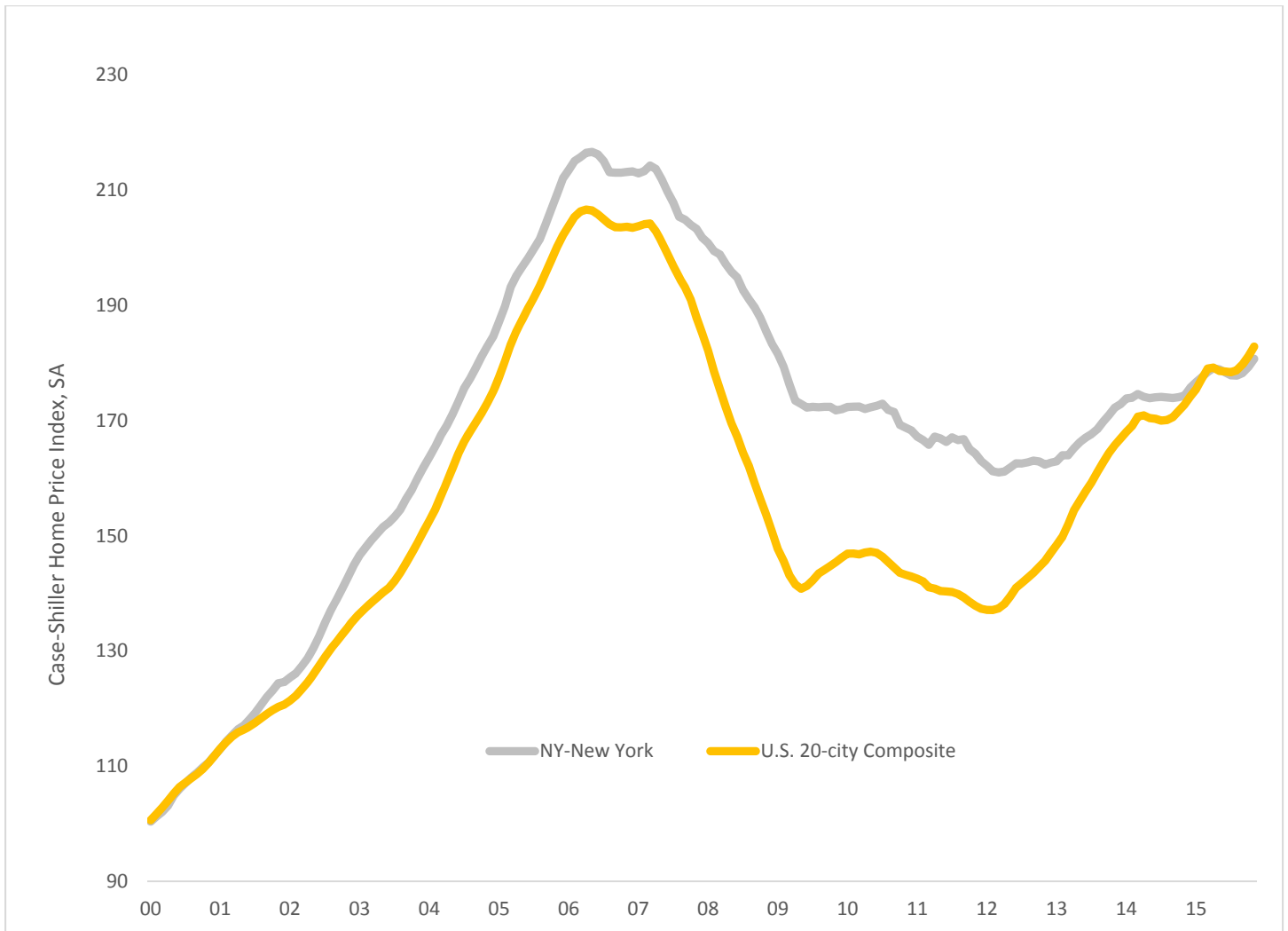
Chart 10. Percent Change in the Number of Apartment Sales, Manhattan, Brooklyn, Queens, 3Q15 over 3Q14 and 4Q15 over 4Q14



Source: Douglas Elliman



Chart 11. Case-Shiller Home Price Index, Monthly SA, January 2000 to November 2015



Source: Standard and Poor's



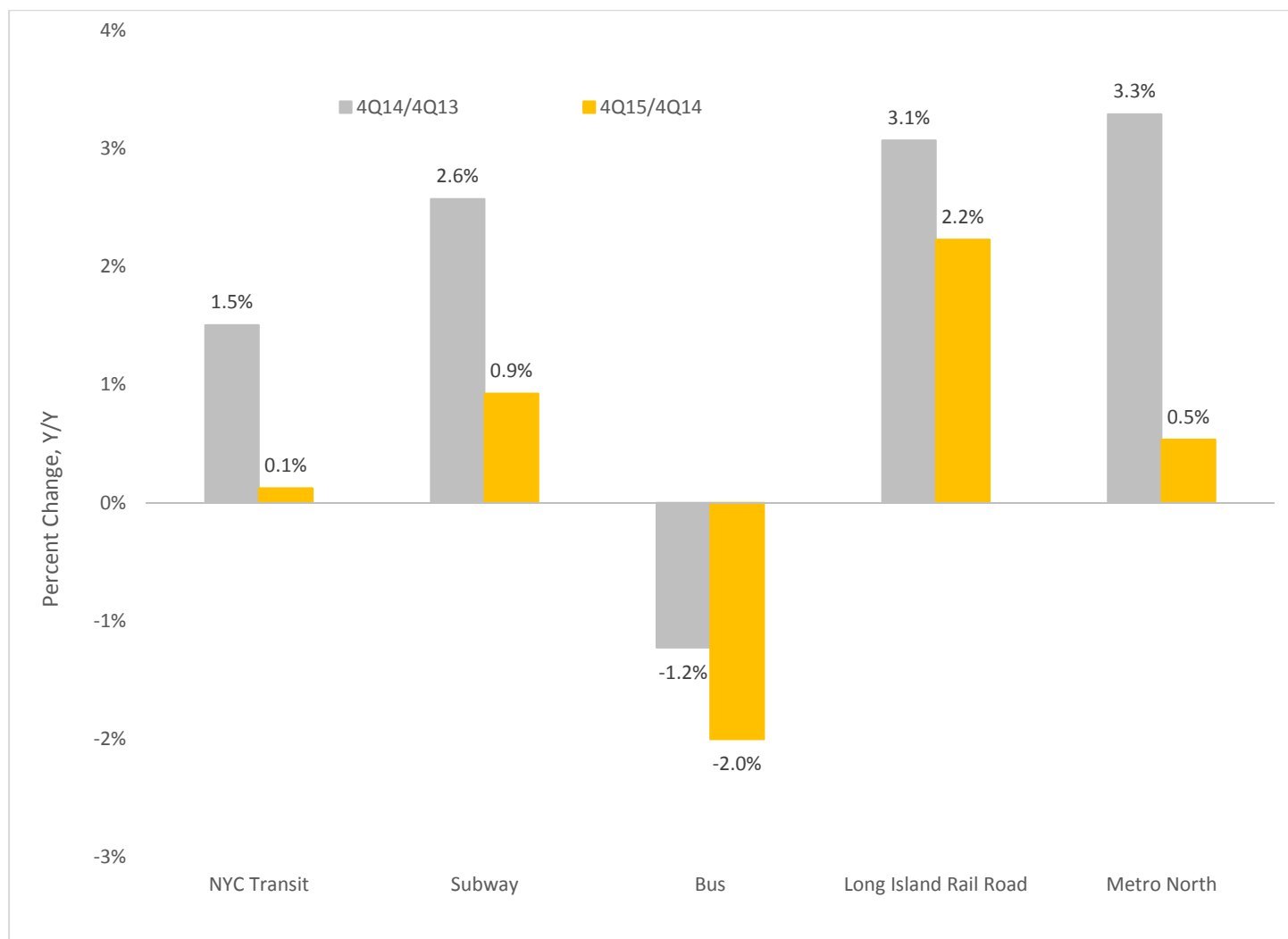
Average weekday ridership on MTA NYC Transit rose 0.1 percent in 4Q15, on a year-over-year basis. Average weekday ridership on the system's subways rose 0.9 percent, but bus ridership fell 2.0 percent. During the same period, ridership on Long Island Rail Road rose 2.2 percent and ridership on Metro North rose 0.5 percent (Chart 12).

In 2015, average weekday ridership on MTA NYC Transit was the same as in 2014. However, the subway ridership rose 0.9 percent, but the bus ridership fell 2.5 percent.

Ridership on Long Island Rail Road rose 2.1 percent and Metro North increased 0.1 percent.

Higher ridership usually reflects an increase in the city's economic activity and employment. However, slightly lower ridership does not necessarily imply a decline in economic activities. A rise in income and more for-hire car services could explain some of the decline. Mild fall weather could also have contributed to the decrease in bus ridership.

Chart 12. Percent Change in MTA Average Weekday Ridership, 4Q15 over 4Q14 and 4Q14 over 4Q13



Source: Metropolitan Transportation Authority



The city's hospitality market softened slightly in October-November of 2015 (December numbers are not yet available). According to PKF Consulting, the hotel occupancy rate in Manhattan averaged 90 percent in October-November of 2015, lower than the highest October-November average of 91.1 in 2014.

The average daily room rate also fell on a year-over-year basis. The hotel average daily room rate was \$333 in October-November 2015, compared to \$341 in October-November 2014.

The drop in occupancy rates may be partially due to the economic slowdown in China, as well as the stronger dollar, which makes visiting New York more expensive for many foreign tourists. Large additions to the city's room inventory may also play a role.

Despite the warmer weather, Broadway show ticket sales and attendance fell. According to the Broadway League, total gross weekly Broadway ticket sales were about \$364 million in 4Q15, 2.5 percent lower than the \$373 million sales in 4Q14. Total attendance was 3.4 million in 4Q15, 0.6 percent lower than in 4Q14.





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