NEW YORK CITY COMPTROLLER
BRAD LANDER

New York by the Numbers

Monthly Economic and Fiscal Outlook

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A Message from the Comptroller

Dear New Yorkers,

One of the most important duties of the New York City Comptroller is to steward the pension fund investments that represent the retirement security of over 750,000 current and retired teachers, firefighters, police officers, social workers, crossing guards, secretaries, and other public sector workers.

These investments are how we meet our obligations to the people who've taught our kids, kept us safe, and taken care of our parks and streets and families. And they're part of a social compact between generations that supports a robust public realm as a key to building our future. When these investments earn strong returns, it means the City then needs to deposit less money into the funds, leaving more to spend on affordable housing, child care, education, and other critical needs we face.

That's why I'm pleased to report that for the fiscal year that ended June 30, 2023, NYC's pension funds saw returns of 8.0%, exceeding our 7% target rate. While returns can fluctuate sharply from year to year and are often subject to the whims of the market – FY21 was one of the best years ever for the stock market, FY22 one of the worst – our longer-term trends are strong, with a 7.9% annualized rate-of-return over the past 7 years. Our Spotlight this month goes into detail on the FY23 returns and the pension funds' asset mix across public and private markets (where we've worked hard to increase transparency in recent years).

Our funds' strong long-term economic performance provides validation of our approach to responsible fiduciary investing, which takes into account the environmental, social, and governance (sometimes called "ESG") risks facing our portfolio. Some right-wing politicians are now waging a "war on ESG" at the behest of their fossil fuel donors, the latest in their string of phony-populist culture wars. But taking risks like climate change (have you noticed it's the hottest summer in human history?), inequality, or insider trading into account is not only consistent with fiduciary duty: it's just plain common sense.

Sometimes those risks can be addressed at the level of an individual company; that's why I called out BlackRock for appointing the head of Saudi Aramco, the world's largest oil and gas company, to their board last month. But many of the risks we face are systemic – so they can't be "due-diligenced" or diversified away. That's why we're proud that the Teachers, NYCERS, and BERS funds have adopted Net Zero Implementation Plans which are the boldest of any large U.S. public pension fund. Those plans set a framework through which we expect all of our asset managers and portfolio companies to set science-based targets for decarbonization that are consistent with preserving the value of our investments (and the planet that every one of them is located on).

During this spring's proxy season, we also focused on workers' freedom of association to organize a union and bargain collectively. We won a resounding win at Starbucks, where 52% of investors voted in favor our resolution, calling for the company to conduct an independent, third-party assessment of their labor practices. We believe that respecting workers' rights to organize, and taking a broader "good jobs" approach, is key to the long-term flourishing of the companies we invest in – and of the economy as a whole.

Speaking of the economy as a whole, both the national and local numbers are pretty strong this month, as you can read below. And we'll have a lot more about New York City fiscal trends in our report on the City's adopted budget, due out August 11th.

So hopefully you can take an end-of-summer vacation, and breathe a little easier, while we keep watching the numbers.

Brad

Spotlight

New York City Pension Fund Returns for FY 2023

For the fiscal year ending June 30, 2023, the five New York City public pension systems achieved a positive 8.0% net return, surpassing the 7% target rate set by the state legislature. As a result, the City's required contributions to the pension system will be reduced by approximately $550 million over the next five fiscal years, leaving more funds to meet current obligations. This month's Spotlight dives into the economic and market conditions underlying these returns, as well as the approaches taken to strategic asset allocation and responsible fiduciary investing in pursuit of strong long-term risk-adjusted returns.

Read more at:
comptroller.nyc.gov/reports/spotlight

The U.S. Economy

- GDP Q2 data show the U.S. economy accelerating slightly, expanding at a 2.4% annualized pace. Slowing growth of consumer spending (mainly on durable goods) was more than offset by a brisk pickup in non-residential fixed investment. Underlying this pickup in economic growth, while job growth has moderated, productivity has accelerated, rising at a brisk 3.7% annual pace in the 2nd quarter.

- Retail sales rose by a modest (and less-than-expected) 0.2% in June, though this follows an upwardly-revised gain of 0.5% in May. June sales growth was restrained by sizable (price-driven) declines at gas stations and grocery stores, as well as a fairly steep decline at building materials and garden supply stores. In contrast, sales at non-store retailers (online retail, mail order, etc) continued to grow at a brisk pace, rising almost 2% in June.

- The unemployment rate edged down 0.1 point to 3.5% in July and labor force participation held steady, while non-farm payroll employment rose 187K—slightly below expectations—following a similar gain in June. This represents some moderation from recent trends. Almost half of July's job gain accrued to the health & social services sector, which added 87K jobs. Of note, temp employment, which tends to be a leading indicator of the overall job market, fell 22K, its 6th consecutive monthly decline. Wages continued to increase at a roughly 5% annualized rate in July and were up 4.3% from a year earlier.

- Weekly initial jobless claims edged up 6,000 to 227K in the last week of July, after declining for three straight weeks. More telling, the four-week moving average, which smooths out weekly noise, has trended down steadily since our last monthly report and ended July at its lowest level since March. Similarly, the number of continuing claims—people remaining on the unemployment rolls, as opposed to the newly unemployed—rose marginally in late July, but it remains near a six-month low and is still well below its pre-pandemic level.

- Surveys of consumers continued to point to improving sentiment. The Conference Board's Consumer Confidence Index climbed to a two-year high in July, and the University of Michigan's parallel measure rose to a 21-month high.

- On the business front, sentiment is mixed. Manufacturers continued to report weakening activity in July, based on the ISM's (Institute for Supply Management) monthly survey, as well as regional Federal Reserve Bank surveys. In contrast, service sector surveys by the ISM and regional Feds, as well as the NAHB's (National Assn. of Homebuilders) survey, all point to generally positive sentiment in July and steady to moderately expanding activity.

- The Consumer Price Index (CPI) release for July comes out after this newsletter, but the June report signaled continued easing in inflationary pressures. The overall CPI rose 0.2%

in June and was up 3.1% from a year earlier—the smallest 12-month increase in over two years. The core CPI (excluding food & energy) was up 0.2% in June and was up 4.9% from a year earlier.

- The core Personal Consumption Expenditures (PCE) deflator, an inflation indicator based on pricing of domestic personal consumption (excluding food and energy), rose 0.2% in June and was up 4.1% from a year ago—less than the corresponding CPI measure but still above the Federal Reserve's target inflation rate of 2%. The headline measure (including food & energy) was also up 0.2% on the month and up 3.0% from a year earlier.

- Results from recent business and consumer surveys mostly point to receding inflationary pressures. The Purchasing Managers' (ISM) July service-sector survey shows prices rising at a slightly faster pace than in June, but otherwise at the slowest pace since 2020; and their manufacturing survey points to ongoing moderate declines in goods prices. University of Michigan's July survey of consumers shows near-term inflation expectations rising marginally from 3.3% to 3.4%, which is still lower than it has been for the past year, and longer-term expectations holding steady at 3.0%.

New York City Economy

Payroll Employment & Industry Trends

Table 1: Seasonally Adjusted NYC Private Employment, by Industry (‘000s)

(1,000s)	Seasonally Adjusted NYC Employment					June 2023 Change from			
	Pre-COVID	12 Mos. Ago	6 Mos. Ago	1 Month Ago	Current Month	Pre-COVID	12 Mos. Ago	6 Mos. Ago	1 Mo. Ago
Industry:	Feb. '20	June '22	Dec. ‘22	May '23	June '23	Feb. '20	June '22	Dec. 22'	May '23
Total Non-Farm	4702.56	4537.37	4651.41	4660.21	4680.29	-22.27	142.92	28.88	20.08
Total Private	4108.07	3974.10	4079.44	4090.92	4107.49	-0.59	133.38	28.05	16.57
Government	594.49	563.26	571.97	569.29	572.80	-21.68	9.54	0.83	3.51
Financial Activ.	487.12	486.98	497.98	494.18	498.29	11.16	11.30	0.30	4.11
Securities	182.60	191.32	195.55	192.22	191.65	9.05	0.32	-3.90	-0.58
Information	229.17	237.56	239.12	231.45	227.52	-1.65	-10.04	-11.60	-3.93
Prof. & Bus. Svc.	781.26	777.06	794.03	788.41	795.45	14.19	18.39	1.42	7.04
Educational Svc.	256.40	257.92	252.60	257.69	255.44	-0.96	-2.48	2.84	-2.25
Health & Social Services	823.51	851.65	889.88	914.24	923.42	99.91	71.77	33.54	9.18
Arts, Ent. & Rec.	95.69	77.92	81.27	79.34	83.96	-11.73	6.05	2.69	4.62
Accomm. and Food Serv.	374.42	324.08	351.33	357.26	353.44	-20.98	29.35	2.11	-3.82
Retail Trade	346.05	305.72	302.18	303.84	303.25	-42.80	-2.47	1.07	-0.59
Wholesale Trade	139.81	130.47	132.08	130.24	130.46	-9.35	-0.01	-1.62	0.22
Trans. and Warehousing	134.91	131.25	135.18	127.10	125.69	-9.21	-5.56	-9.49	-1.41
Construction	162.61	144.04	146.69	152.68	152.31	-10.30	8.28	5.62	-0.36
Manufacturing	65.95	57.63	58.31	57.80	58.05	-7.90	0.42	-0.26	0.25

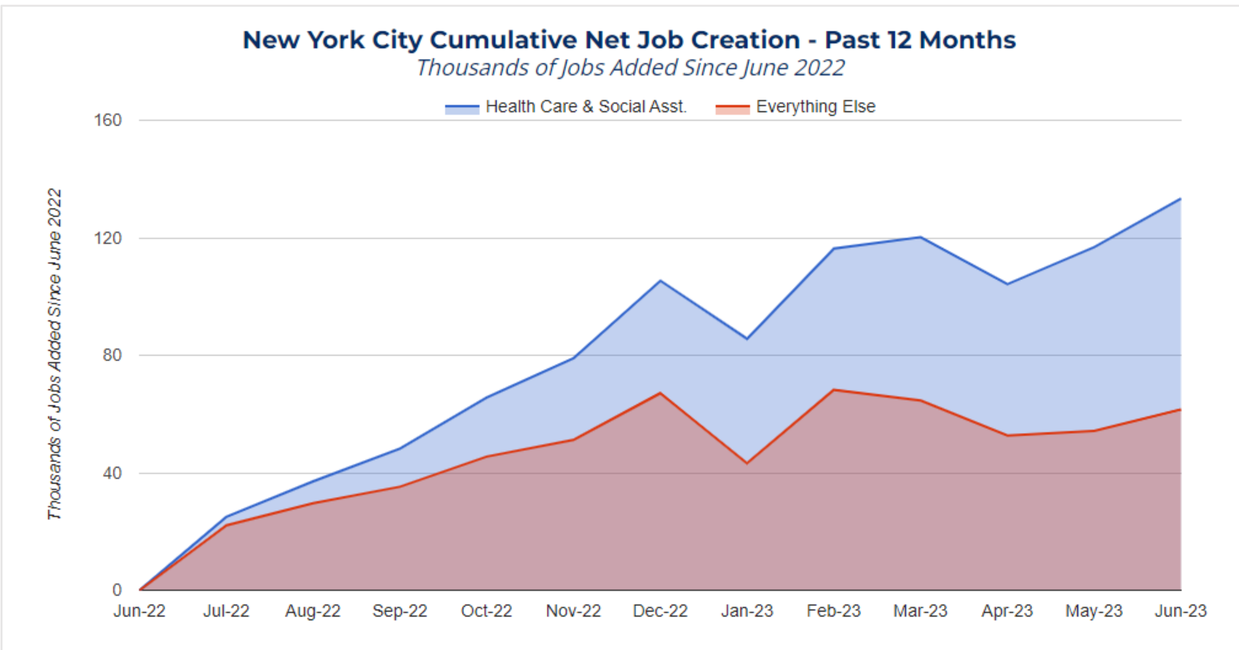
SOURCE: NYS DOL, NYC Office of Management and Budget, and Office of the New York City Comptroller

NOTE: Due to revisions to earlier months, numbers may not match to previous monthly newsletters.

- Private-sector employment in NYC increased by 16,600 in June—a new post-pandemic high and 99.98% of the pre-pandemic peak—though it has expanded by just 28,000 year-to-date, which represents a fairly modest 1.4% annualized growth rate[1].

- More concerning, job creation over the past 12 months—and especially thus far in 2023—has not been broad-based. As shown in Chart 1 below, about half of the 133K jobs added in the past 12 months, as well as just about all of the jobs added year-to-date, has been in Health Care & Social Assistance.

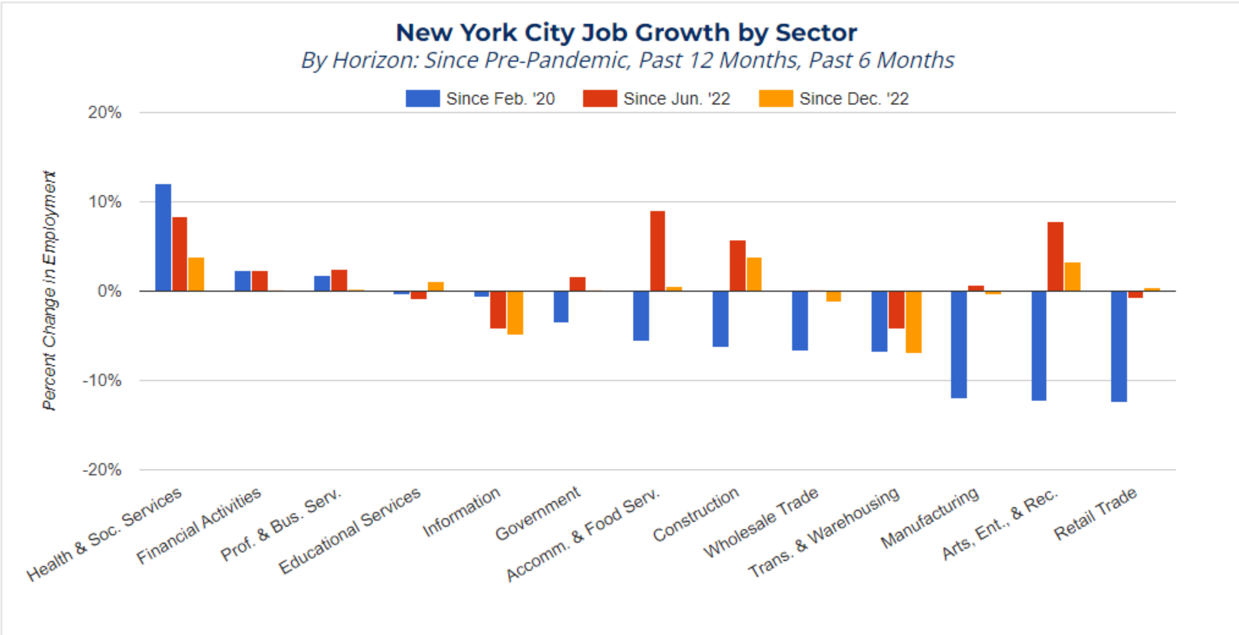
Chart 1



Source: NYC Office of Management & Budget

- Outside that sector, employment has been flat overall. While Accommodation & Food Services, Arts & Entertainment, and Construction have added jobs, a number of industries—most notably Securities, Information, and Transportation & Warehousing—have seen job losses over the past year, as shown in Chart 2.

Chart 2



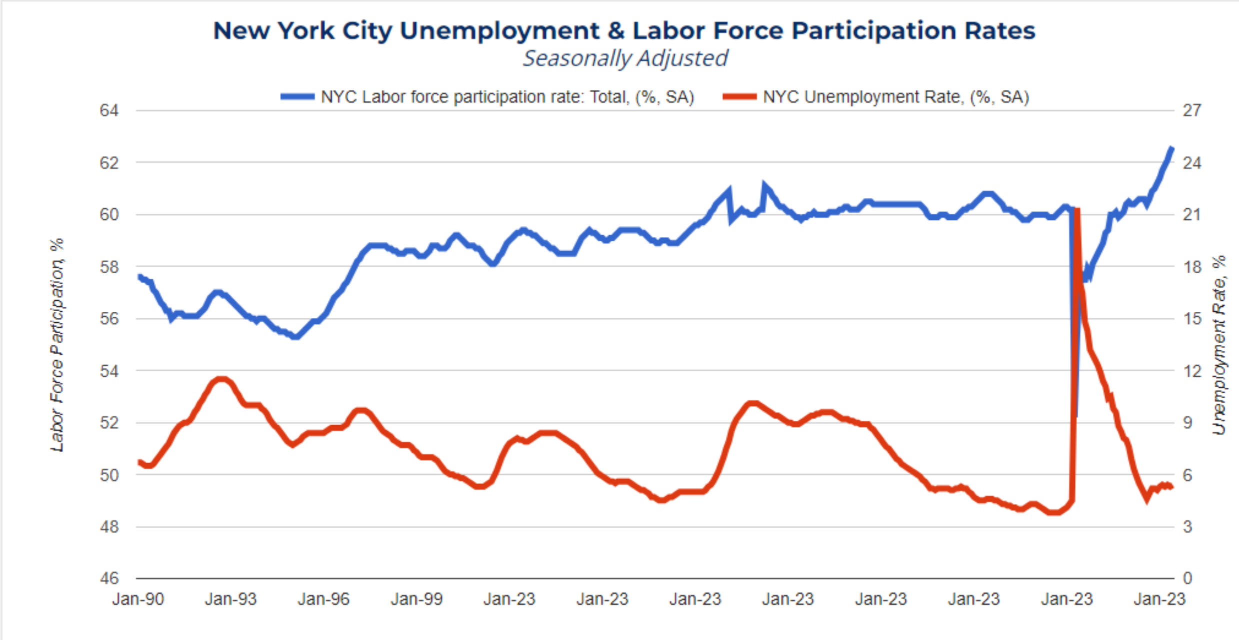
Source: NYC Office of Management & Budget

Labor Force Trends

- Based on the household survey, which estimates employment by place of residence rather than place of work, New York City's unemployment rate edged up 0.1 point in June, to 5.4%, reversing May's small decline.

- The uptick was driven by continued growth in the labor force: both the number of employed and the number of job seekers increased in June, as shown by the labor force participation rate in Chart 3.

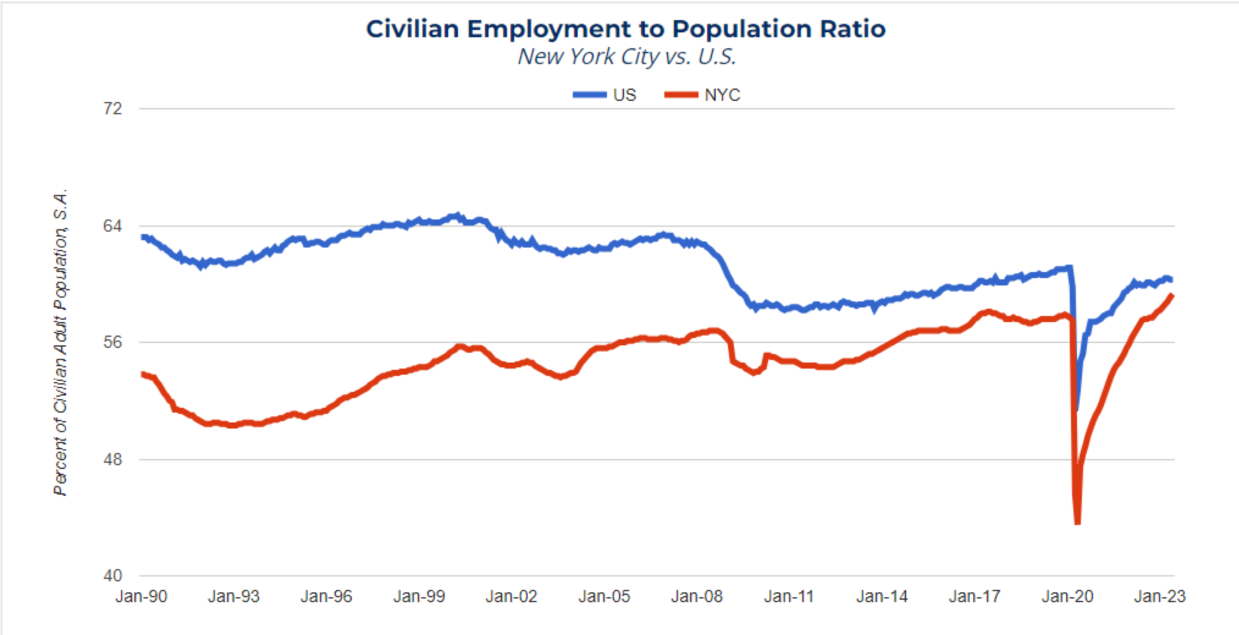
Chart 3



Sources: Bureau of Labor Statistics, Moody's economy.com

- A good barometer of the local labor market, which reflects a combination of unemployment and labor force participation, is the **employment-population ratio**—the proportion of citywide adults with jobs. Driven by job gains, as well as a decline in estimated adult population, this measure has been rebounding strongly since early in the pandemic and is now at a record high for New York City (see Chart 4). This contrasts somewhat with the corresponding nationwide ratio, which is still below its pre-pandemic level and well below its all-time peak back in 2000. [It should be noted, though, that these are model-based estimates based on small samples of households and are subject to revision.]

Chart 4



Sources: Bureau of Labor Statistics, Moody's economy.com

Unemployment claims & beneficiaries

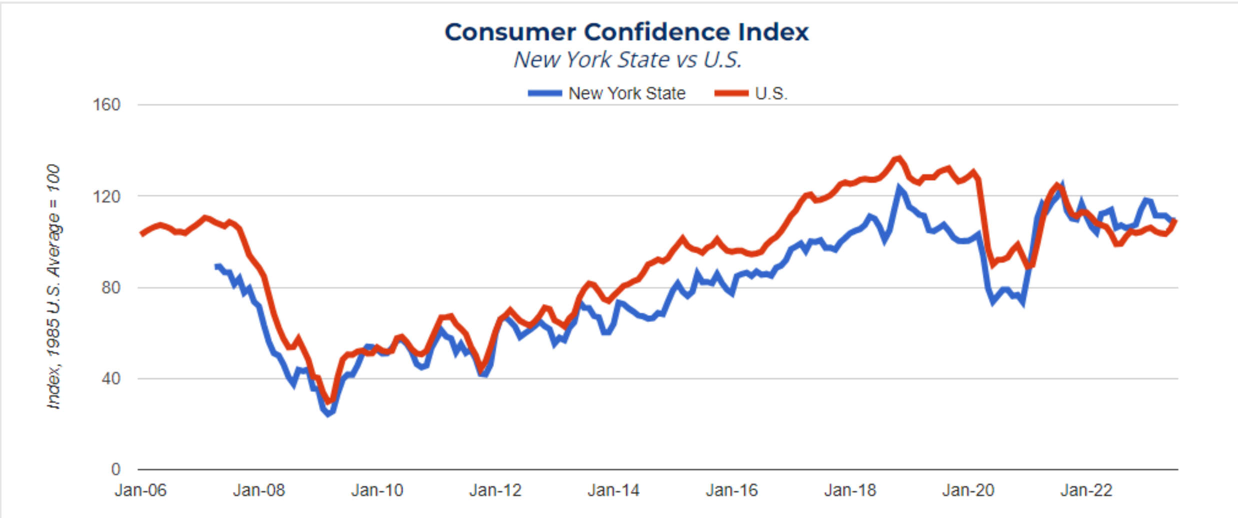
- Initial weekly jobless claims have been steady at fairly low levels across New York State, as well as in New York City. There have been no significant deviations from this trend across the boroughs.
- In July, initial jobless claims were running 8% higher than a year earlier and 18% above pre-pandemic (i.e. July 2019) levels, which were exceptionally low by historical standards.
- The current level of continuing claims—people collecting unemployment insurance—is also up from a year ago, with a particularly steep increase (more than double) in the information sector, likely due, in part, to the writers' guild strike.

Consumer & Business Surveys

- Consumer confidence among New York State residents, as measured by The Conference Board, climbed more than 10 points in July and remains above the nationwide level.
- As monthly state-level data tend to be volatile, we focus on a 3-month moving average. By this measure, confidence edged down in July and is roughly on par with the nation's, as shown in Chart 5. Still, the level of confidence in New York State is higher than during the months leading up to the pandemic, in contrast with the nationwide level.

- Separately, [Siena College's June survey] of New York State residents shows consumer confidence in the New York City metro area holding steady at a fairly high level—well above the national and statewide averages.

Chart 5



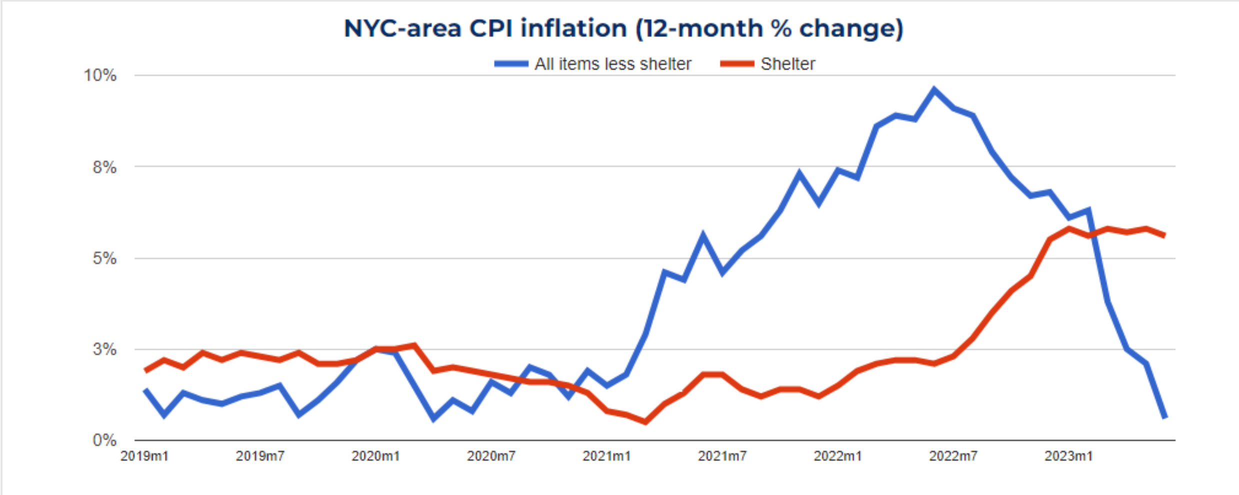
Source: The Conference Board

- The New York Fed's July survey of regional service-sector businesses points to low but improving sentiment, as business leaders' assessment of current conditions and their expectations were at their most positive levels this year.
- In contrast, its parallel July survey of manufacturers across New York State shows sentiment edging down from already weak levels.

Inflation

- New York City area inflation has come down considerably—more so than nationally. As of June, the 12-month change in the local CPI was 2.5% overall, and 3.8 excluding food & energy—both well below the respective nationwide rates.
- As shown in Chart 6 below, local inflation has been driven largely by shelter costs, which tend to lag market data (as we explored back in Monthly #65). Excluding shelter, the 12-month inflation rate has been close to 0.

Chart 6

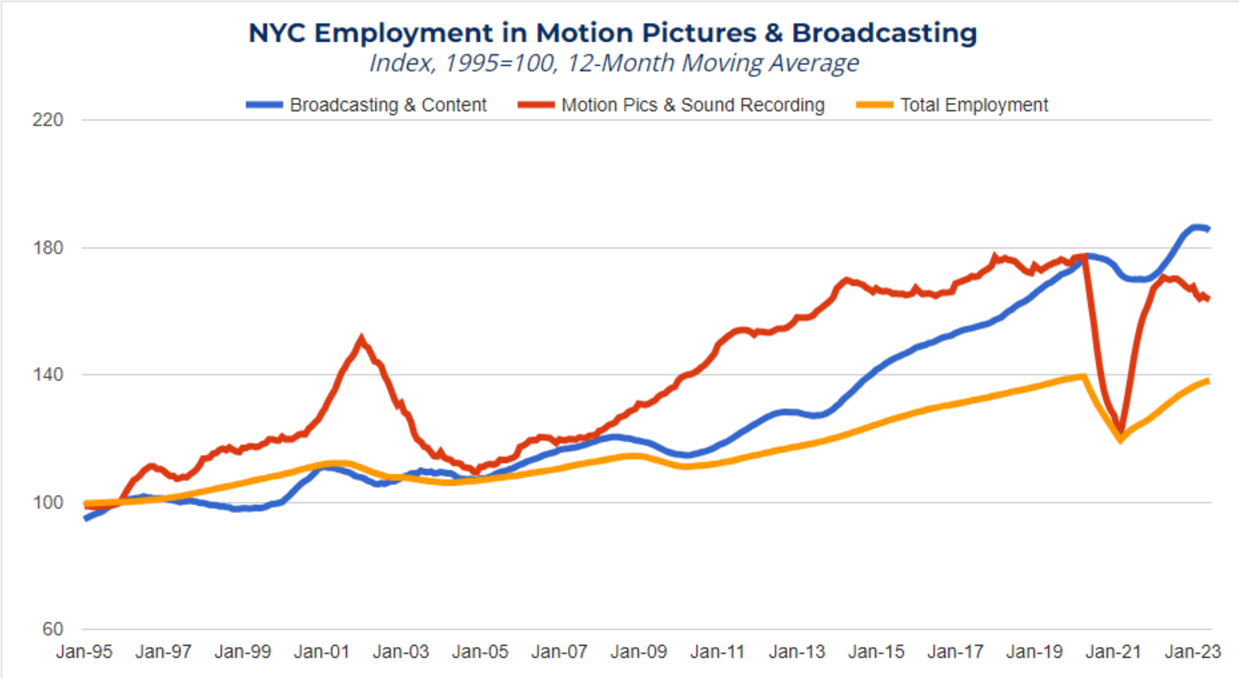


Source: Bureau of Labor Statistics.

Writers & Screen Actors Guild Strikes

- Given the attention to the Writers Guild (WGA) strike that began in mid-May and the Screen Actors Guild (SAG) strike that began in mid-July, we are including data about the local jobs in these sectors.
- The primary industries affected are Motion Pictures & Sound Recording and Broadcasting & Content Providers, both classified in the Information sector. Together, these industries employ about 110,000 people locally, accounting for close to 3% of private-sector employment.
- Both industries have grown strongly in New York City over the past couple decades, as shown in Chart 7 below.

Chart 7



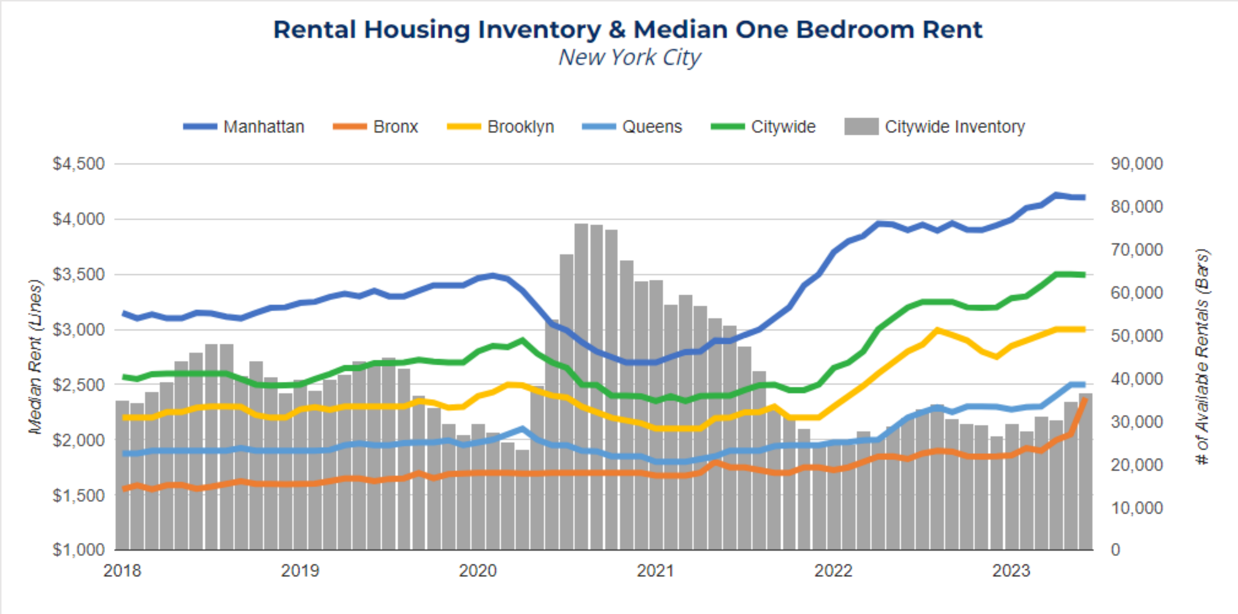
Source: NY State Department of Labor

New York City Real Estate

Home Sales and Rental Markets

- As seen in Chart 8, the median asking rental rate for a one-bedroom apartment in NYC was essentially flat for the second month in a row in June but was still up 9% from the previous year, according to data collected from StreetEasy. This leveling off has been accompanied by a gradual rise in the available inventory to almost 37,000 apartments—almost on par with pre-pandemic levels and the highest since August 2021.
- Looking at median rents across the boroughs, rents are running about 20% above the city-wide level in Manhattan, 15% below in Brooklyn and about 30% below in Queens—closely matching the pre-pandemic pattern of relative rents.
- Compared to this time last year, rents are up 8% in Manhattan, 7% in Brooklyn, 14% in Queens, and 30% in the Bronx.

Chart 8



SOURCE: StreetEasy.com

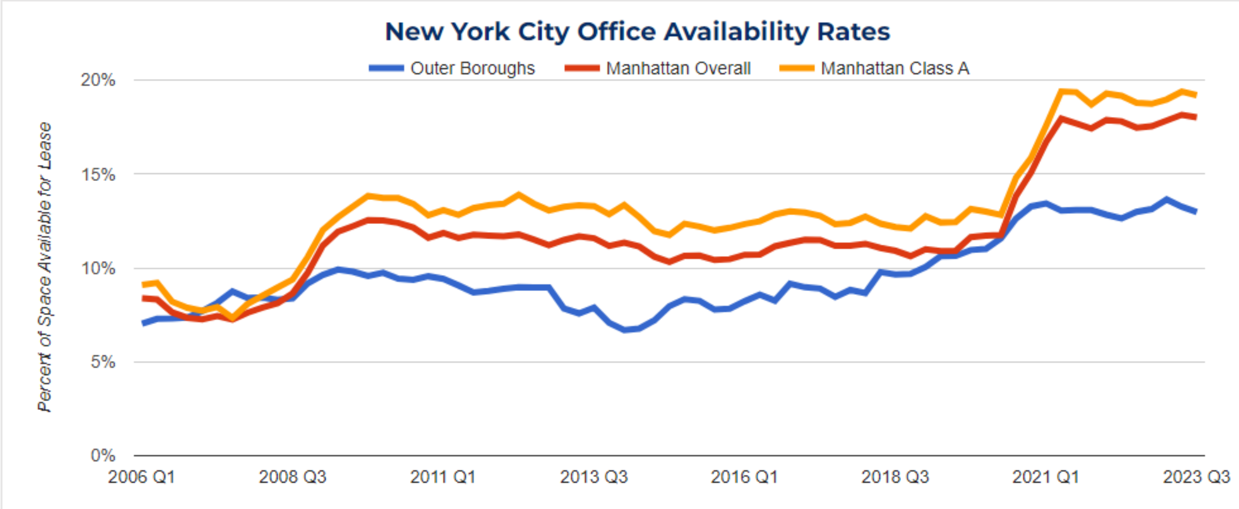
- The median asking price for NYC condos had drifted down slightly earlier this year, but it has held steady since March and remains well above pre-pandemic levels.

Office Market and Commuting Patterns

- In New York City's office market, both rents and availability rates tend to be much lower in the outer boroughs than in Manhattan; this was true before, during, and after the pandemic.

- However, the pandemic led to a much more pronounced weakening in the office market in Manhattan than in the rest of the city, as availability rates rose more sharply, as shown in Chart 9 below, and market rents fell somewhat more steeply. This bolsters the argument that a core driver of workers' appetite for remote work is the time, stress, and cost of commuting, rather than the desire to be at home rather than in the office.

Chart 9

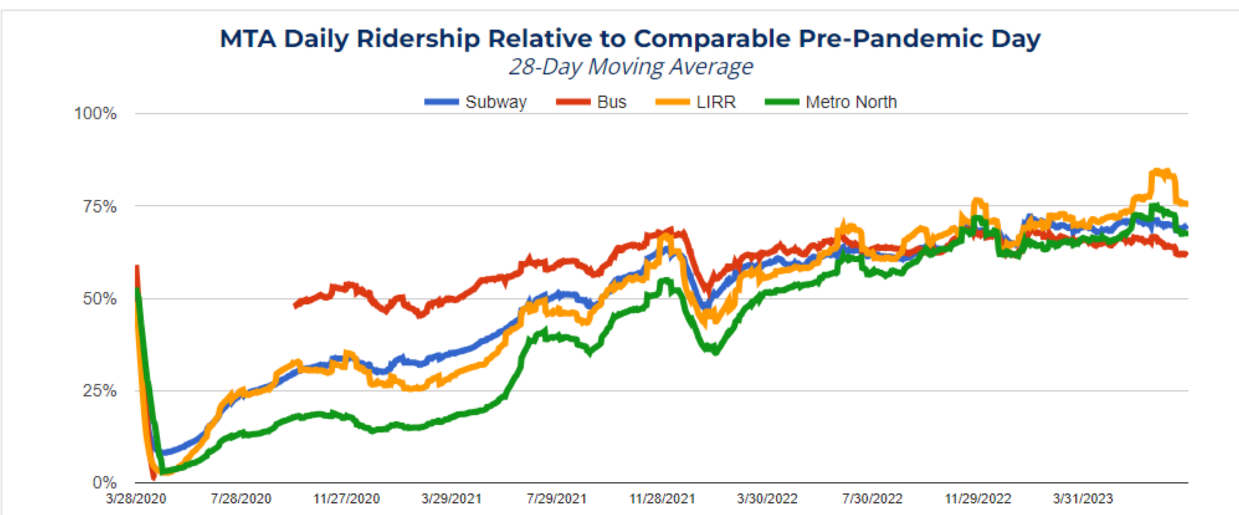


SOURCE: CoStar

- While estimates of weekday office attendance vary somewhat, it appears that commuting overall has stabilized at a level considerably below typical pre-pandemic levels. As shown in Chart 10 below, subway ridership is running around 30% below comparable pre-pandemic levels. Commuter rail performance has been a bit stronger, while bus ridership has tapered off a bit.

- Ridership shortfalls vary by day of the week, with weekend ridership off about 20%, mid-week ridership off by just over 30%, and Monday & Friday ridership off nearly 40%. This is consistent with a roughly 35% shortfall in weekday commuting, and thus office attendance.

Chart 10

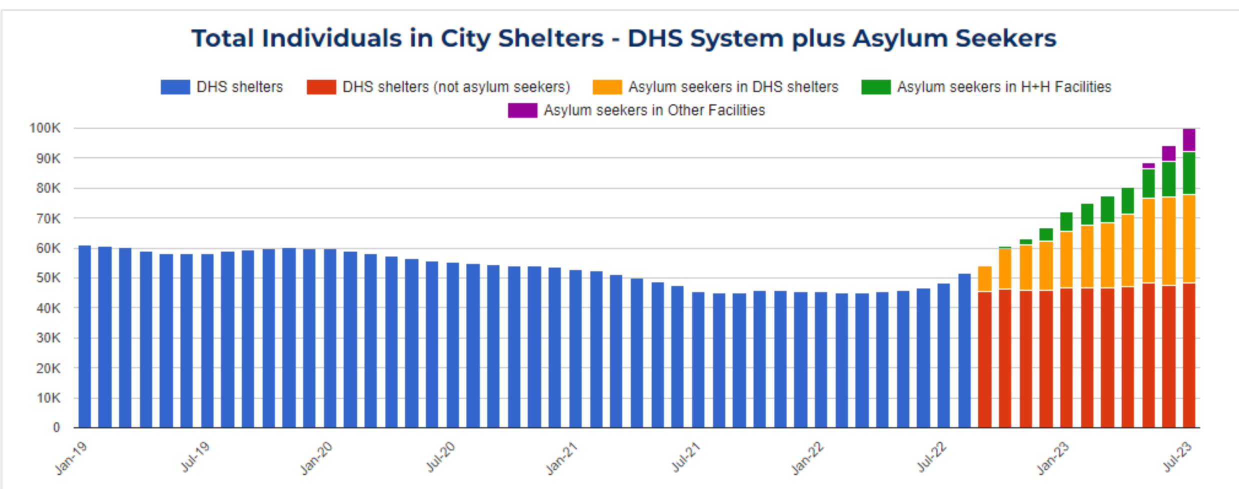


SOURCE: MTA

Homelessness & Asylum Seekers

- The number of people in New York City's shelters continues to rise, driven primarily by steadily increasing numbers of people seeking asylum, as shown in Chart 11 below. In June 2023, the total number of individuals in Department of Homeless Services' (DHS) shelters and facilities run by NYC Health + Hospitals and other City agencies to shelter people seeking asylum averaged 104,555, double the level one year ago. Recently arrived people seeking asylum represented approximately 52% of the total population.
- From September 2022 to July 2023 the shelter count of people seeking asylum grew nearly five-fold (495%, or about 45,300), while the rest of the shelter population grew by 7%, (about 3,400).
- Between July 2nd and July 30th the number of people seeking asylum housed by the City increased by approximately 4,770, a figure comparable to the month of June, which saw growth of approximately 4,600. As of July 30th, over 56,600 individuals seeking asylum were in City shelters.
- Families with children comprise 72% of the population, while single adults and adult families represent 20% and 8% of the total, respectively.
- The City has opened 194 emergency sites to provide shelter for asylum seekers, including 13 Humanitarian Emergency Response and Relief Centers.

Chart 11



SOURCE: NYC DHS, NYC Mayor's Office, Office of the NYC Comptroller.
NOTE: Figures shown are monthly averages. Data on the asylum seeker population within DHS shelters is not available prior to August 31, 2022. Other Facilities include spaces operated by NYCEM, HPD, and DYCD, and those outside of NYC. July 2023 figures are July 1 – July 30.

City Finances

Property Tax Delinquencies

- Overall real property tax delinquencies in FY 2023 as of June were 2.19% of the tax levy or $706 million. The delinquency rate was the highest of the past four fiscal years as of comparable time periods, although only slightly higher than in FY 2021when it reached 2.12% (see Table 2). In FY 2019, the last full fiscal year before the pandemic, the delinquency rate was 1.23%.
- Much of the increase in overall delinquency rate in the last year can be attributed to the increasing delinquencies among Class 2 multi-family rental properties. These rates vary year-to-year, and we cannot be certain of the underlying causes of such an increase. Possible reasons for the elevated multi-family delinquencies include: increased operating expenses due to energy prices and other cost due to inflation; higher debt-service costs from rising interest rates; reduced access to credit from tightening bank lending standards at regional lenders; and a growing level of rent arrears.

Table 2: NYC Real Property Tax Delinquency Rates, Fiscal Years 2020-23 (% by value)

Tax Class	FY 2020	FY 2021	FY 2022	FY 2023
Class 1: Family homes and other small buildings	3.51	3.23	3.05	3.37
Class 2: Larger multi-family residential buildings	2.00	2.04	1.85	2.58
Class 3: Utility property	0.43	0.04	0.06	0.01
Class 4: Commercial and industrial buildings	1.57	2.14	1.75	1.76
All Properties	**1.94**	**2.12**	**1.86**	**2.19**

SOURCE: NYC Department of Finance

New York City's Cash Balances

- The City's central treasury balance (funds available for expenditure) stood at $13.2 billion as of Tuesday, August 1st compared to $10.2 billion at the same time last year.
- Last month's Spotlight explains some of the reasons for the increase in the balance over the course of the past year, as well as expectations for FY 2024.

Contributors

Comptroller Lander thanks the following members of the Bureau of Budget for their contributions to this newsletter: Jonathan Siegel, Chief Economist; Jason Bram, Director of Economic Research; Yaw Owusu-Ansah, Director of Tax Policy and Revenue Analysis; Steve Corson, Senior Research Analyst; Elizabeth Brown, Senior Director of Budget Oversight; Astha Dutta, Economic Data Analyst; Jack Kern, Senior Budget & Policy Analyst; Irina Livshits, Chief, Fiscal Analysis Division; Andre Vasilyev, Principal Economic Development Analyst; Marcia Murphy, Principal Revenue Analyst; Krista Olson, Deputy Comptroller; and Francesco Brindisi, Executive Deputy Comptroller. The Comptroller also thanks Archer Hutchinson, Creative Director, for design and layout.

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[1] While these are the official numbers from the NYC OMB (Office of Management & Budget) based on data from the NY State Department of Labor, it is projected that these numbers will likely be revised down, as noted in our last Newsletter.

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