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,

As the New York State legislative session begins in Albany, housing affordability remains one of the biggest economic challenges facing the metro region.

Last year, the governor and the legislature failed to reach a deal on housing. I hope this year will be different. We need more housing production across income levels, stronger tenant protections to keep people in unregulated housing from being displaced, and more housing vouchers to help low-income and homeless New Yorkers afford to find their way home.

In this month's Spotlight, we begin a multi-issue look at the housing market by reviewing the dynamics of the rental market since the beginning of the pandemic. Though median asking rents first dipped as people fled the city, they have since skyrocketed to their highest levels ever – with asking rents now at $3,500 per month citywide.

This has exacerbated the housing struggles of unregulated tenants facing rent increases; of New Yorkers looking to find new apartments (e.g. growing families who need more space, young people moving out on their own, homeless families seeking to leave shelter); and of those moving here for jobs and opportunities – from across the country or the continent.

And while economists continue to debate their overall impact, the data here strongly suggest that NYC's rent regulation programs and large stock of subsidized housing allow us to retain a large number of low, moderate, and middle-income residents who would otherwise have been priced out of the city long ago.

In future Spotlights, we'll take a look at the question of housing supply/development in recent decades, and its relationship to availability and affordability, and the for-sale/ownership market.

As usual, we also present this month's economic data. While job growth in NYC has been relatively slow in recent months, the good news is that new unemployment claims have been low. The end of the film and TV industry strikes is a promising sign for 2024. And though much of the recent job growth has been concentrated in lower-wage industries, new data indicate that real output (GDP) for NYC's higher-wage industries grew in each year of the pandemic, with cumulative growth of 11% over three years.

We'll keep watching the numbers (even when the rent is too damn high),

Brad

Spotlight

New York City's Rental Housing Market

This month's Spotlight zeroes in on New York City's housing rental market, which is unique in many ways relative to other cities across the nation. More than two in three homes are renter-occupied, and about half of those are subject to regulation that caps rent levels. Still, we find that affordability is a widespread problem with more than half of renters seeing more than 30% of their income consumed by housing. A cross-city comparison reveals that affordability is even more of a challenge in many major cities, suggesting that New York City's situation could be even more daunting if not for rent regulation. One might have thought that the post-pandemic dip in the city's population would at least alleviate the situation somewhat, but this does not seem to have been the case.

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

The U.S. Economy

- Revised data indicate that **real GDP** grew at a 4.9% rate in Q3, slightly below the prior estimate of 5.2% but right in line with the initial estimate. Projections for the fourth quarter of 2023 are for growth in the range of 2-2.5% based on nowcasts from the New York and Atlanta Feds, while the Blue-Chip consensus forecast is a bit lower.

- **Housing starts** picked up strongly in November, led by the single-family segment; multi-family starts rose slightly but remain at a subdued level. And the December survey of homebuilders shows sentiment nationwide rising modestly but still near a one-year low; across the Northeast, however, sentiment has been increasingly positive and at a five-month high. [For a deeper dive on New York City's residential rental market, check out our latest Spotlight report.]

- The **U.S. job market** remained fairly steady and strong in December. Based on the establishment survey, payroll employment rose 216K, though the prior two months' gain was revised down by 71K. Monthly job gains averaged about 165K in the final quarter of 2023. Based on the household survey, the unemployment rate held steady at 3.7%, though the employment-population ratio fell, as a decline in this measure of employment was matched by a drop in labor force participation.

- **Weekly jobless claims** remained quite subdued since our last Newsletter. Both the level and four-week moving average of jobless claims have hovered around 200K in recent weeks—below November levels and lower than for almost all of 2023.

- The **Consumer Price Index (CPI)** rose 0.3% in December, following a 0.1% rise in November, as energy costs stopped falling, and it was up 3.4% from a year earlier. The core CPI (excluding food & energy) also rose 0.3% in December; it increased at an annual pace of 3.3% over the last 3 months and 3.9% for the past 12 months. This is well below the rates of a year ago, but still above the Fed's 2% target.

- The **Core Personal Consumption Expenditure (PCE) deflator** (excluding food & energy) rose 0.1% in November and was up 3.2% from a year earlier; the overall PCE deflator fell 0.1% in November and was up 2.6% from a year ago—the smallest 12-month gains in both since early 2021.

- **Surveys of consumers and businesses** have given more positive signals of late. The Conference Board's December Consumer Confidence Index jumped nearly 10 points, and University of Michigan's parallel index posted a comparable rise; both are at five-month highs. The Purchasing Managers' December business surveys continue to indicate a moderate in manufacturing activity but steady service-sector growth. Inflation expectations among both businesses and consumers have receded.

New York City Economy

Gross Domestic Product, 2019 - 2022

- The Bureau of Economic Analysis released county and metro area GDP estimates for 2022. Table 1 shows the growth rates of NYC real GDP.
- Private sector real GDP dropped by 4% in 2020 but surpassed the 2019 level the following year (growth of 6%). The pace of economic growth slowed to 3% in 2022. Cumulatively, private sector real GDP was 4% higher in 2022 than in 2019.
- The headline number masks significant differences within the private sector. Real GDP among high-wage industries did not fall in 2020 and, by 2022, it was 11% higher than in 2019. These industries represented 54% of 2022 private sector GDP and 26% of its jobs.
- On the other hand, real GDP in Leisure and Hospitality, and Retail Trade, the sectors most affected by the pandemic, fell 29% in 2020 and was 11% below pre-pandemic levels in 2022. These industries represented 8% of 2022 private sector GDP and 18% of its jobs.

Table 1. Real GDP Growth rates in NYC

	2020	2021	2022	'19-'22
Private sector	-4%	6%	3%	4%
High-wage industries*	3%	5%	3%	11%
Leisure and Hospitality, and Retail Trade	-29%	15%	9%	-11%

* Includes Finance and Insurance, Information, and Professional, Scientific, and Technical Services. The choice of industries is dictated by data constraints.

Source: Bureau of Economic Analysis, Office of the NYC Comptroller

Payroll Employment & Industry Trends

Table 2: Seasonally Adjusted NYC Private Employment, by Industry (‘000s)

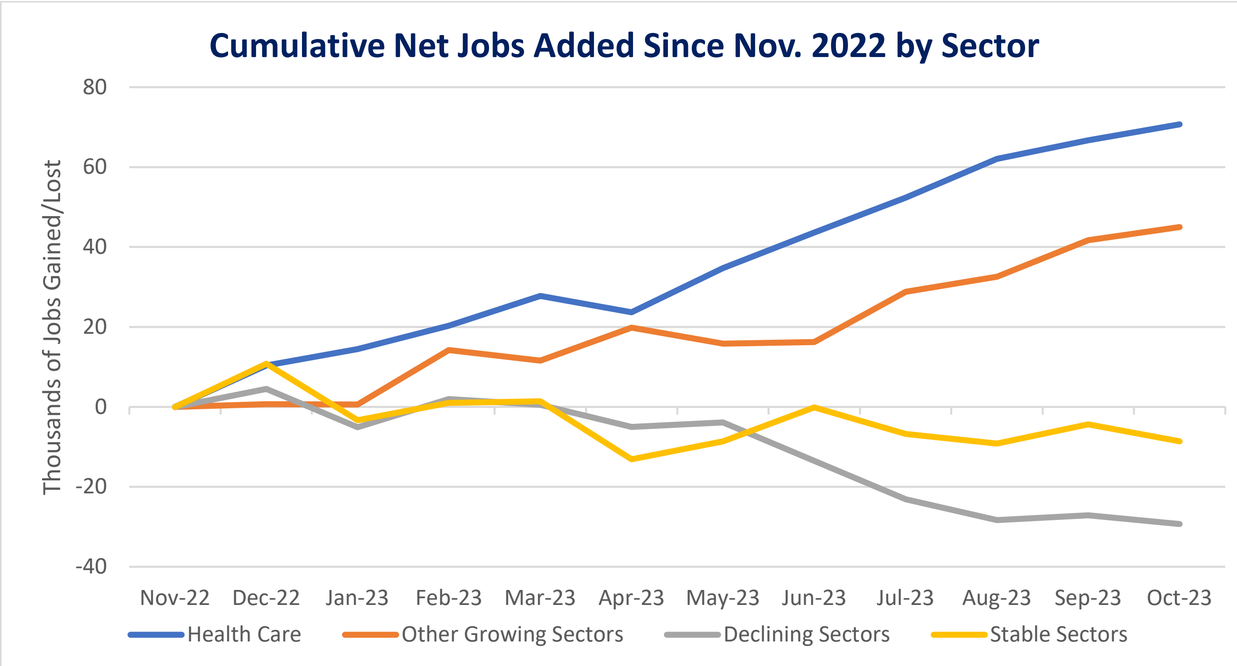
(1,000s)	Seasonally Adjusted NYC Employment					November 2023 Change from			
Industry:	Feb. '20	Nov. '22	May '23	Oct. '23	Nov. '23	Feb. '20	Nov. '22	May '23	Oct. '23
Total non-farm	4,702.6	4,622.3	4,660.3	4,704.7	4,701.0	(1.6)	78.7	40.7	(3.7)
Total Private	4,108.1	4,053.0	4,091.0	4,130.8	4,132.6	24.5	79.6	41.6	1.8
Government	594.5	569.3	569.3	573.9	568.4	(26.1)	(0.9)	(0.9)	(5.6)
Financial Activities	487.1	494.7	494.2	495.5	494.4	7.3	(0.3)	0.3	(1.1)
Securities	182.6	194.3	192.2	190.3	189.4	6.8	(4.9)	(2.8)	(0.9)
Information	229.2	235.5	231.4	211.0	210.7	(18.5)	(24.8)	(20.7)	(0.3)
Prof. and Bus. Serv.	781.3	787.8	788.4	784.2	793.3	12.1	5.5	4.9	9.1
Educational Services	256.4	254.8	257.7	269.7	269.1	12.7	14.3	11.4	(0.6)
Health Care & Soc. Assist.	823.5	879.5	914.2	950.2	956.8	133.3	77.3	42.6	6.6
Arts, Ent., and Rec.	95.7	79.3	79.4	84.9	82.6	(13.1)	3.3	3.2	(2.4)
Accomm. & Food Svc.	374.4	350.6	357.3	361.9	362.7	(11.7)	12.1	5.5	0.8
Retail Trade	346.1	303.0	303.9	301.5	296.4	(49.7)	(6.6)	(7.5)	(5.1)
Wholesale Trade	139.8	130.6	130.2	127.9	128.3	(11.5)	(2.3)	(1.9)	0.4
Trans. & Warehousing	134.9	134.7	127.1	128.6	129.4	(5.5)	(5.4)	2.3	0.8
Construction	162.6	146.5	152.7	159.7	156.3	(6.3)	9.8	3.6	(3.4)
Manufacturing	66.0	58.1	57.8	57.5	57.2	(8.7)	(0.9)	(0.6)	(0.2)

Source: NY Department of Labor, NYC Office of Management and Budget, and Office of the New York City Comptroller

Note: Due to revisions to earlier months made by NY DOL, numbers may not match to previous monthly newsletters.

- Private-sector employment in NYC edged up by 1,800 in November 2023, held down by declines in Construction, Arts, Entertainment & Recreation, and Retail Trade.
    - Construction employment, although down 3,400 for the month, continues to run well ahead of a year earlier by about 10K jobs.
    - Arts, Entertainment, and Recreation shed 2,400 jobs during the month, possibly influenced by seasonal volatility, though it is still up moderately from a year ago.
    - Retail Trade continued its downward trend, declining by 5,100 jobs in November. Overall, the decline in this sector likely stems from a combination of post-pandemic changes in consumer behaviors, increased competition from online retailers, and operational challenges faced by brick-and-mortar stores.
- Professional & Business Services showed resilient growth despite economic uncertainties, adding 9,100 jobs in November 2023, though still only up moderately from a year earlier. Growth in the Professional & Business Services sector is often a bellwether of the city's economy, driven by support services that businesses require to grow.
- Health Care & Social Assistance continued to add jobs at a brisk pace and remains the dominant driver of overall job growth.
- Government employment fell by 5,600 in November 2023, though it was down only slightly from a year earlier. Since the pre-pandemic peak in February 2020, the increase via recovery in private sector jobs (24,500) has been offset by a decline in public sector jobs (26,100).
- As shown in Table 1 above, private-sector employment is up by about 80K jobs over the last 12 months. However, much of this net job creation has accrued to the Health Care sector. Outside of Health Care, employment trends have been mixed. Chart 1 below groups these other sectors according to their recent trends: job-creating sectors, such as Construction, Leisure & Hospitality, and Professional & Business Services are shown in orange, while job-losing sectors, predominantly driven by Information, are shown in gray.

Chart 1

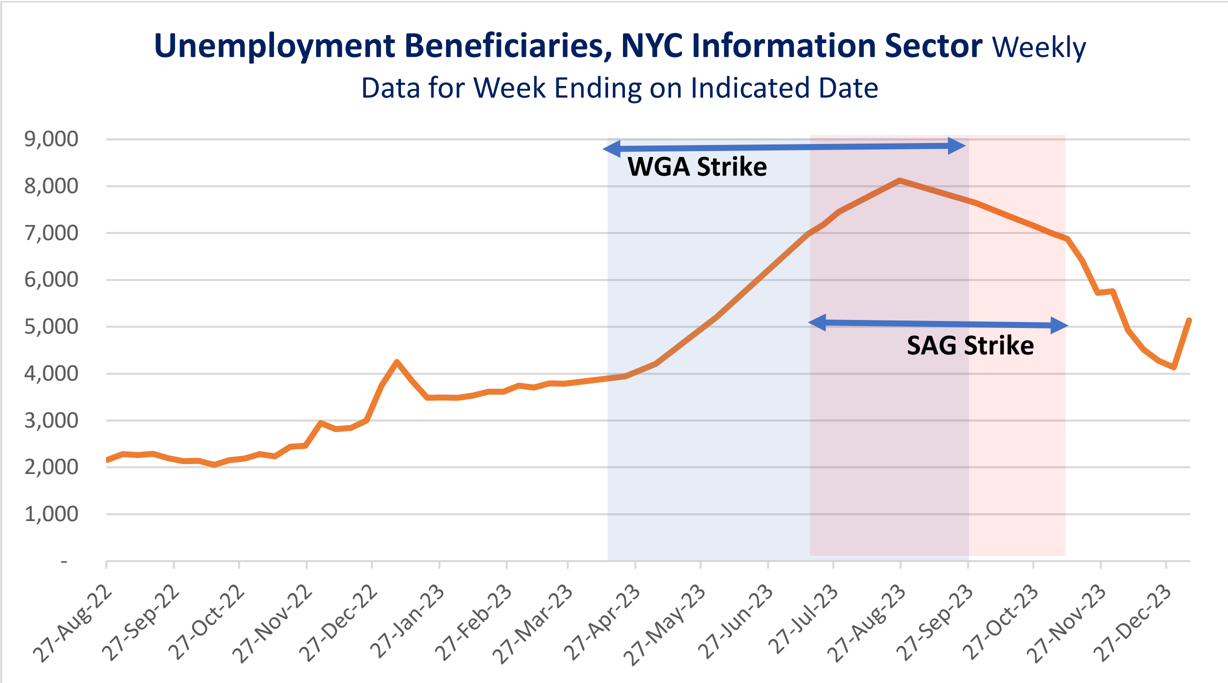


Source: NY Department of Labor, NYC Office of Management and Budget, and Office of the New York City Comptroller

Other Growing Sectors: Construction, Leisure & Hospitality, Professional & Business Services, Private Education
Declining Sectors: Manufacturing, Information, Trade/Transportation/Warehousing

- The Information sector has been the biggest drag on employment this past year, and, as of mid-November, employment in this sector had not yet rebounded significantly following the end of the WGA and SAG/AFTRA strikes. However, as shown in Chart 2 below, the number of workers from the Information sector on the unemployment rolls—a more current indicator—has fallen markedly since the end of the SAG strike in early November, foretelling a likely rebound in that sector's employment in the months ahead. [*The uptick in the first week of January, as also occurred a year earlier, appears to be a typical seasonal spike and is not likely an incipient sign of a reversal of trend*.]

Chart 2

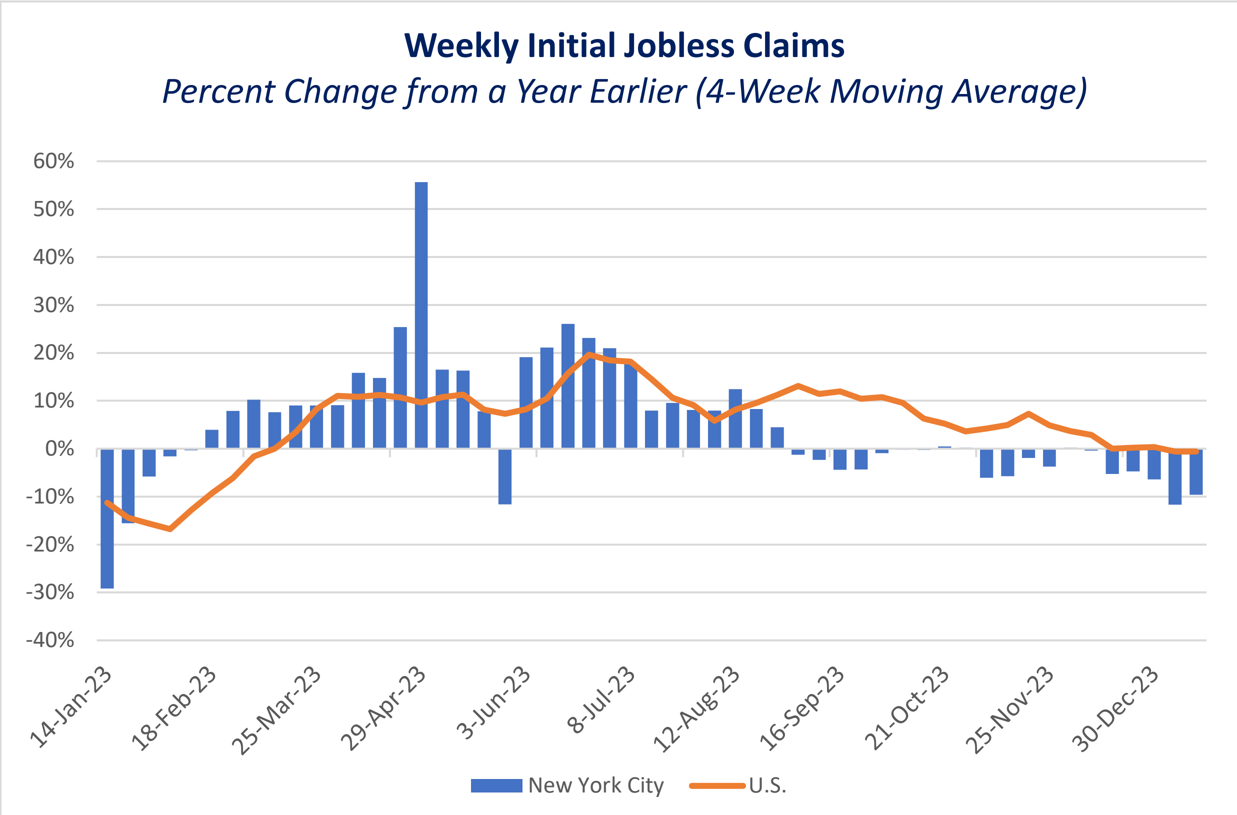


Source: NY Department of Labor; NYC Office of Management and Budget, and Office of the New York City Comptroller

Labor Force Trends

- While privately funded employment growth in NYC has been weak in recent months, there are indications that payrolls are unlikely to decline in the near future. Initial weekly claims for unemployment insurance, considered a leading indicator of the job market, have remained low in New York City. While claims had been running above comparable 2022 levels up until mid-August, they were running roughly on par with year-earlier levels up until November and have fallen well below a year earlier in December and into the first week of January, as shown in Chart 3.

Chart 3

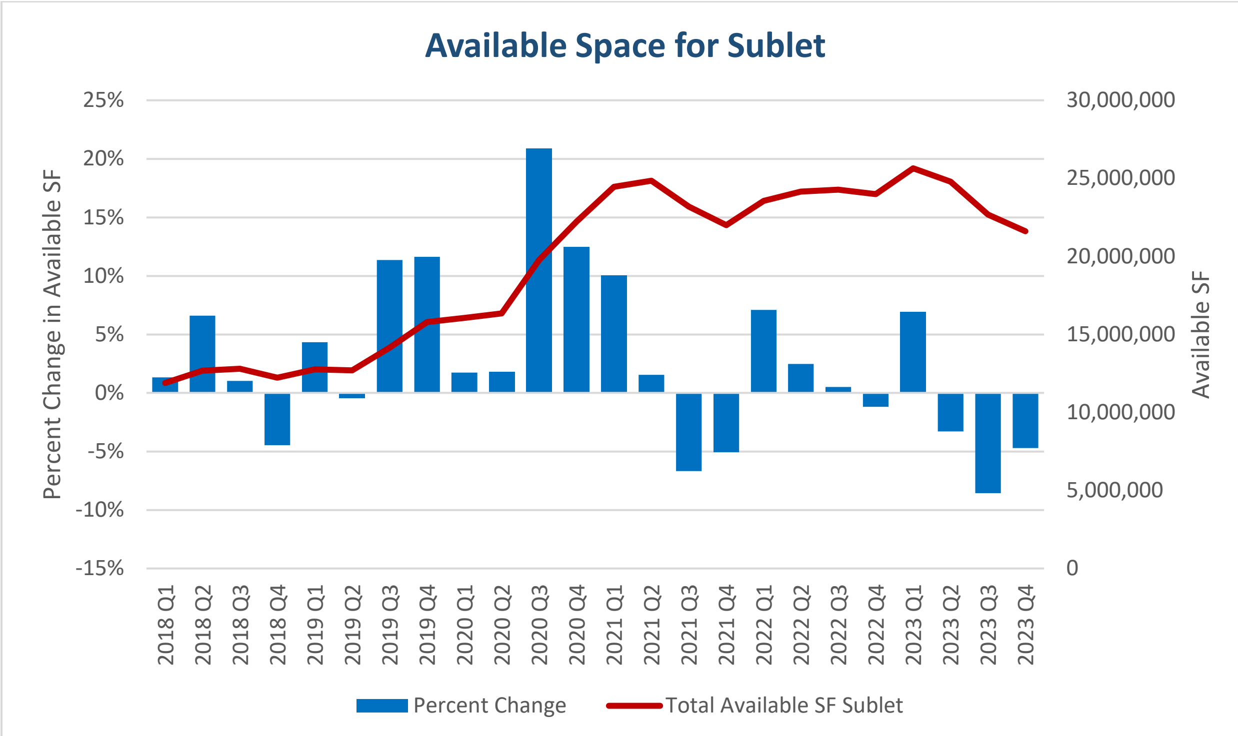


Source: NY Department of Labor

Real Estate Markets

- The residential rental market has shown signs of cooling, with rents receding from their mid-2022 peaks and the inventory receding modestly. For a deeper dive into the city's residential rental market, please see this month's Spotlight.
- Meanwhile, the co-op and condo market showed signs of strengthening in the final months of 2023, as mortgage rates retreated from their recent highs.
- 2023 closed as a weak year in the citywide NYC office market, with leasing activity down 15%, market rent per square foot still down 7.5% from its pre-pandemic peak, and vacancy rates at record highs near 15% (all data from CoStar).
- Available office space for subletting fell in the last three quarters of 2023 and is 10% lower than at the end of 2022.

Chart 4



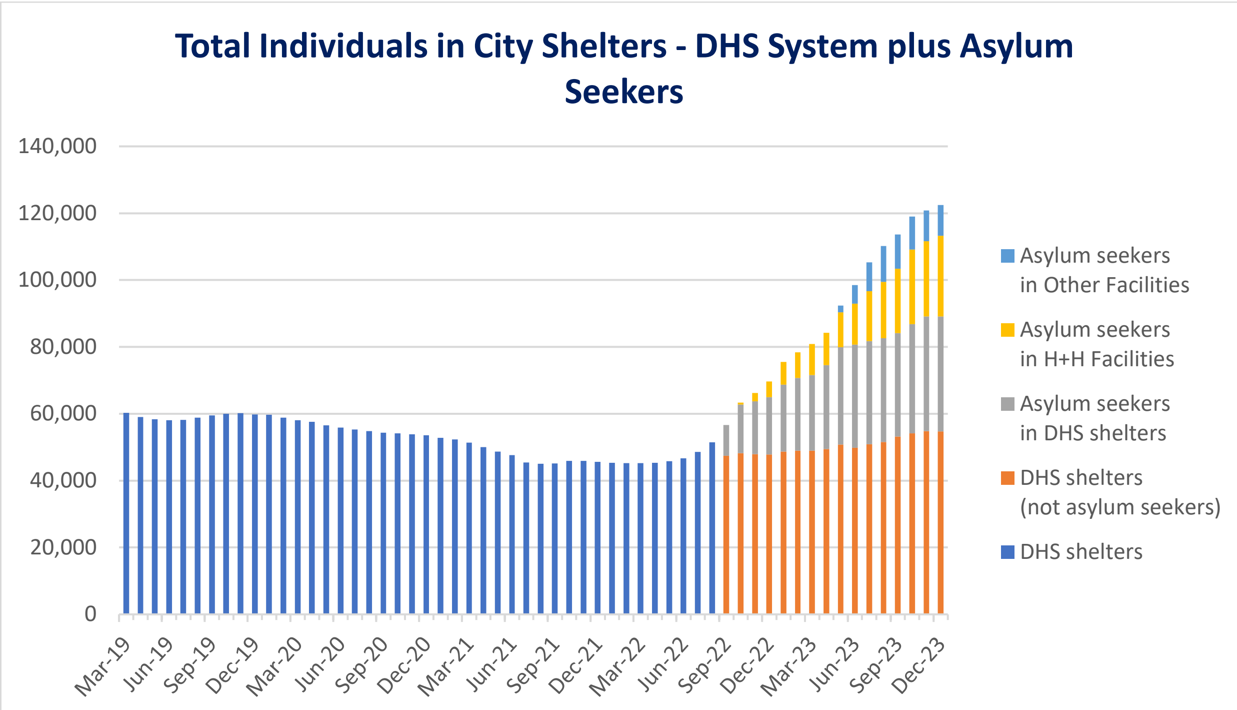
Source: CoStar

Homelessness & Asylum Seekers

- Chart 5 shows the population in City shelters and other City-provided facilities through December. Recently arrived people seeking asylum represented approximately 55% of the total population in shelter.
- The population of people in shelter who are *not* asylum-seekers decreased by approximately 80 individuals, holding flat in December compared to November after trending up slightly in recent months.
- As of December 31st, families with children make up 78% of the asylum-seeking population currently in the City's care, the highest proportion since increased rates of asylum seekers began coming to New York. This is likely due, at least in part, to the implementation of a 30-day shelter stay limit on single adults in non-DHS shelters; the implementation of a similar 60-day rule on families began on January 9th.
- The City of New York has opened more than 215 sites to house new arrivals, operated by a growing number of agencies. The City is also covering the shelter costs of approximately 2,200 people in hotels upstate.

- More detailed information can be found on the Comptroller's resource hub [Accounting for Asylum Seekers] for more detail.

Chart 5



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.

City Finances

Personal Income Tax – First Data on the Bonus Season

- Bonus incentive pay makes up an important part of NYC's Personal Income Tax (PIT) base, especially in the financial industry, and is subject to year-to-year fluctuation. The most significant season for payment of bonuses lasts from December through March, with such bonuses often accounting for about 10 percent of total annual NYC PIT collections. Last winter, in FY 2023, NYC tax collections on bonus payments in NYC during this season were estimated to be $1.38 billion, down 18.0% from FY 2022.

- This year, the compensation consulting firm Johnson Associates projects bonus incentive pay across the financial industry to be flat or declining.

- Although it's very early in the season, tax withholding thus far suggests that, in aggregate, somewhat lower bonuses were paid in December 2023 versus the prior year.

  - An estimate of tax payments resulting from disbursement of bonus pools is constructed by subtracting average tax withholding amounts seen during the most recent non-bonus months from the withholding tax payments received in December. Adjustments are made to account for the inconsistent patterns of collections across the week and month.

  - Table 3 shows our most recent estimate of this year's bonus pool which uses collections data through the first week of January. Thus far, bonuses are tracking 8.3% below the same period last winter.

  - The first week in January, however, points to a rosier outlook, with bonus payments up 10.4%. We will update the estimates regularly though the bonus season.

Table 3. NYC Winter Bonuses Though the First Week of January

	Growth FY 2024 from prior year
Adjusted* **non-bonus withholding tax collections (April to November)**	6.3%
Adjusted* withholding tax **collections (December thru 1st week of January)**	1.1%
Estimated bonus pool **disbursement**	-8.3%

Source: New York State Department of Taxation and Finance; Office of the NYC Comptroller calculations

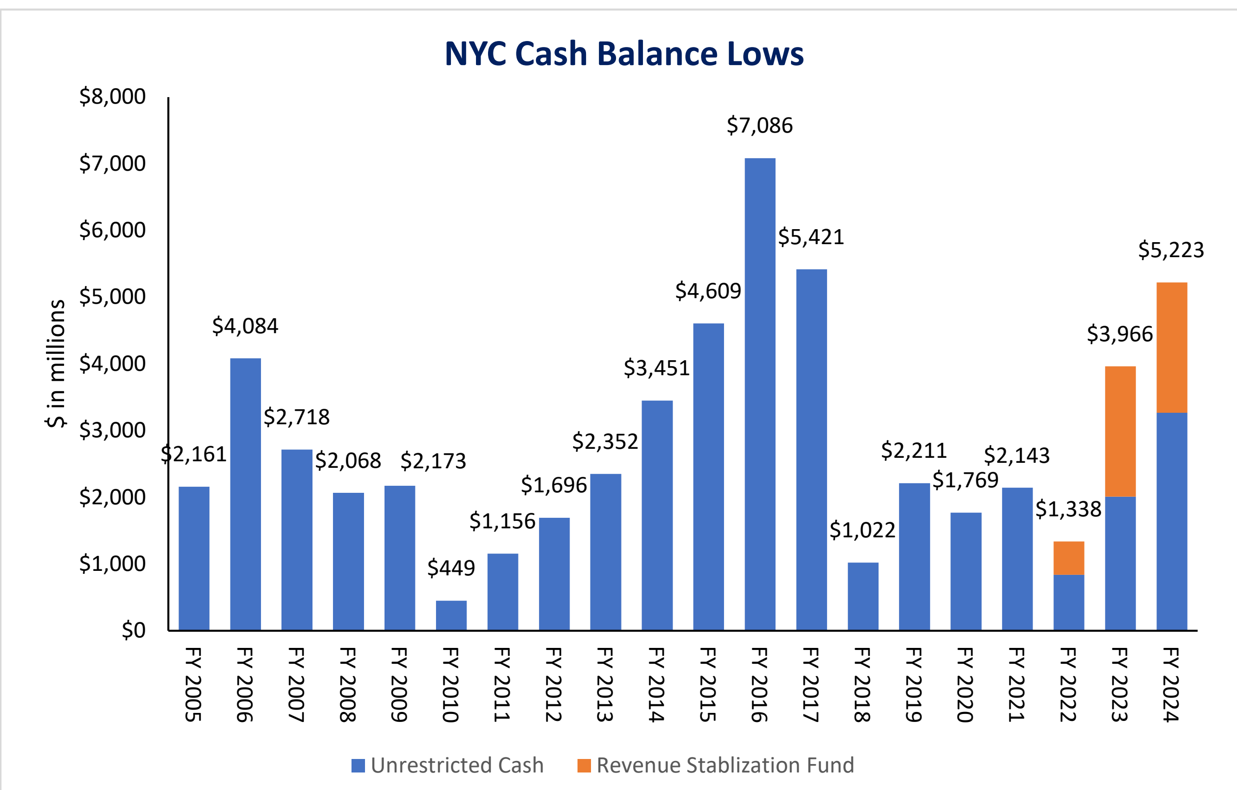
*Collections are adjusted to account for irregular variability of payments across weeks and months.

New York City's Cash Balances

- Over the course of every year, the City's cash balances fluctuate significantly month-to-month because of large and lumpy cash receipts and payments. The cash trough typically occurs in early December, right before the arrival of semi-annual property tax bills, usually due by January 1st. This year's seasonal low occurred on Friday, December 1st, and measured $5.223 billion, one of the highest in recent year.

- Chart 6 shows cash balance lows over the last 20 fiscal years. The highest seasonal low occurred in FY 2016 and measured $7.086 billion, due to strong tax collections and high capital transfers.
- In early 2021, the City established the Revenue Stabilization Fund (RSF), also known as the Rainy-Day Fund, setting aside resources for unexpected events. The City allocated $499 million to the RSF in FY 2021, $1.455 billion in FY 2022, and $5.1 million in FY 2023, for a total of $1.959 billion. The RSF balance is included in the City's cash total. Without counting that balance, the low point this year is more in line with prior years.
- As of January 4th, 2024, the cash balance stood at $16.319 billion, compared to $14.644 billion at the same time last year. The Comptroller's Office's review of the City's cash position during the first quarter of FY 2024 and projections for cash balances through March 29, 2024, are available here.

Chart 6



Source: Office of the New York City Comptroller

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