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,

When New York City's fiscal crisis hit in the 1970s, one of the factors was a lack of awareness by City officials of the growing mismatch between the cash in the City's bank accounts and the funds needed to cover its obligations. In other words: the City was running short of cash, and no one knew.

As a result, the Financial Emergency Act of 1975 required stronger monitoring of the City's cash position – as well as balanced budgets, stringent limits on short-term borrowing, and other reforms that have strengthened the City's financial management systems and dramatically improved our credit. Since then, the Comptroller's office (along with the Department of Finance and the Mayor's Office of Management and Budget) keeps a sharp eye on the City's daily cash balances.

So we were paying attention earlier this year when the City's cash balance hit its highest amount ever: $18.7 billion on April 21, 2023.

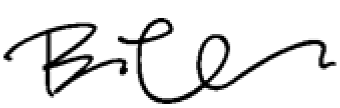
This month's spotlight illuminates the reasons for the past year's elevated levels: an amalgam of higher-than anticipated tax receipts, federal Covid aid, a shift in the timing of income tax collections, deposits into the City's new Rainy Day Fund, and inflation affecting City revenues earlier than expenses. But it also reminds us that we shouldn't get ahead of ourselves: we explain our forecast for balances returning to more normal levels in FY 2024.

Meanwhile, the economic numbers reflect a pattern similar to the last few months: both the national and NYC economy continue to show resilience, despite some slowing in job creation. Office attendance remains far lower than before the pandemic, but attendance is ticking up mid-week. Rising housing costs for New Yorkers and shelter for new arrivals remain high on the list of concerns for New York City's economic thriving and the City's financial stability.

Finally, on June 30, the City Council adopted the City's $107 billion budget for Fiscal Year 2024. The agreement between the Mayor and the Council, buoyed by strong tax receipts, restores some of the cuts to essential services proposed by Mayor Adams in the Executive Budget, but leaves many long-term issues unaddressed. You can read my initial statement here. We'll have much more to say in our full analysis of the adopted budget next month.

In the meantime, we'll keep watching the cash balances (even while many New Yorkers are watching the surf).

Brad



Spotlight

Is Cash Really King in New York City?

On April 21, 2023 NYC's cash balance reached a record high of $18.7 billion. What led to this elevated level of cash and how important is it for City finances? This month's Spotlight answers this question and many more about NYC cash balances—including how the City managed to get through the pandemic without need for short-term borrowing, and when we might expect the City's cash to return to more typical levels.

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

The U.S. Economy

- GDP grew at an upwardly-revised annual rate of 2.0% in the first quarter of 2023—considerably above the prior estimate of 1.3% and consistent with a "soft landing" in the national economy. More recently, personal income grew 0.3% in April and 0.4% in May, while consumer spending increased by 0.6% in April and 0.1% in May—suggesting continued modest real growth in the economy in the 2nd quarter.

- The June employment report pointed to slowing job creation nationwide. Based on the payroll survey, the economy added 209,000 jobs in June—the smallest gain in more than two years. Moreover, with job gains in April and May revised down by a total of 110K, the 3-month average job gain slowed to 244K, versus roughly 300K in the first few months of this year and 400K in 2022. Based on the household survey, unemployment stood at 3.6% in June, down slightly from 3.7% in May but up from 3.4% in April, while labor force participation held steady. That measure of employment, which tends to be more volatile, rose by 273K in June but the 3-month average gain was a meager 34,000.

- Weekly initial jobless claims rose 12,000 to 248K in the week ending July 1st, but this follows a drop of 29,000 in the prior week. The four-week moving average, which smooths out weekly volatility, edged down 3,500 to 253K—still a low level in historical context.

- Despite the slowing job growth, recently released surveys of consumers and businesses have been fairly encouraging. The Conference Board's Consumer Confidence Index jumped 7 points to 109.7 in June—its highest level since January—with the public giving a particularly upbeat assessment of current conditions. University of Michigan's parallel measure registered a similarly solid gain in June.

- The ISM manufacturing index slipped 1 point to 46.0 in June—below expectations, and below the "break-even" threshold of 50. In contrast, its service-sector index climbed 3.6 points to a four-month high of 53.9, pointing to resilience in that large sector of the economy.
- The core Personal Consumption Expenditures (PCE) deflator, an indicator of inflation based on the average pricing of domestic personal consumption, (excluding food and energy) rose 0.3% in May and was up 4.6% from a year ago, which is still well above the Federal Reserve's target inflation rate of 2%. The headline measure (including food & energy) was up just 0.1% on the month and up 3.6% from a year earlier. While there has not been a CPI release since our last newsletter, survey price measures generally point to easing inflationary pressures: the Purchasing Managers' (ISM) service-sector survey shows prices rising at the slowest pace since 2020, and their manufacturing survey points to outright declines in goods prices. Moreover, consumer surveys from University of Michigan and the New York Fed show near-tern inflation expectations edging down.

NYC Labor Markets

Payroll employment & industry trends

- Private employment in NYC increased by about 16,000 jobs in May, largely reversing April's decline. May's job gain can be mainly attributed to Accommodation & Food Services (still 2.5% below pre-pandemic level) and Health Care & Social Assistance (11% above pre-pandemic level), both of which added more than 10,000 jobs in May.
- Information has had about a 25% recovery from last month's losses but is still down about 2,700 jobs from May of last year. Similarly, Transportation & Warehousing has recovered just under half the losses of last month, although it is still down 3,500 jobs from a year ago.
- Partly offsetting these monthly gains was a 17,000 job decline spread across Arts and Entertainment, Educational Services, Professional and Business Services, and Retail Trade.

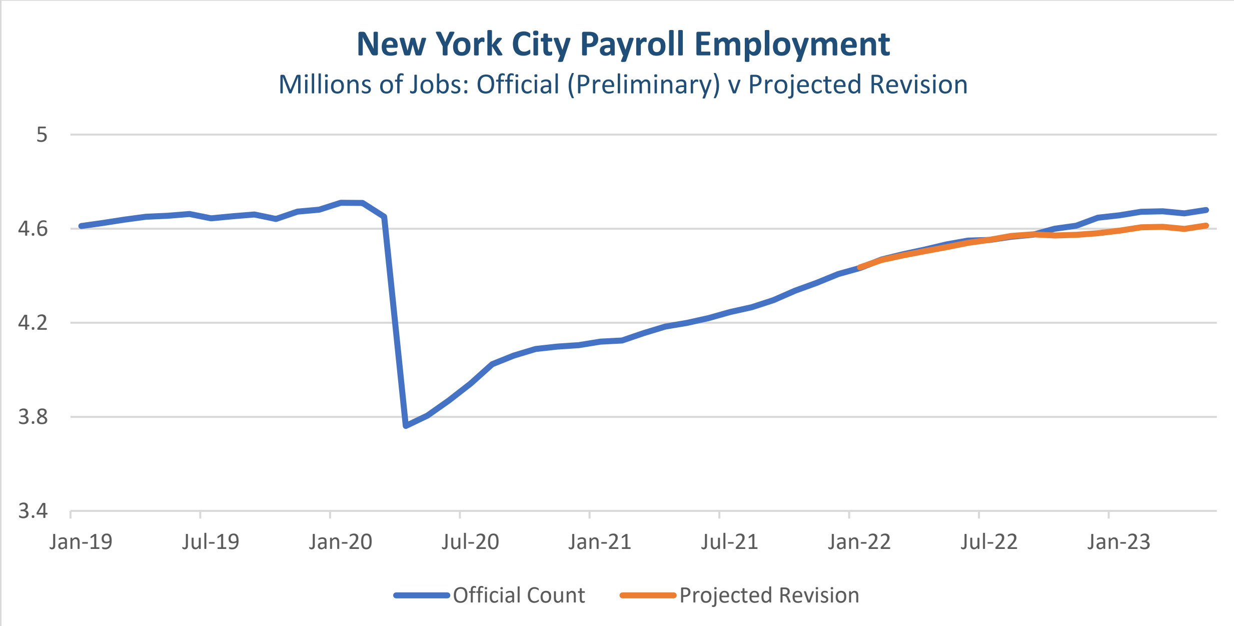
Table 1: Seasonally Adjusted NYC Private Employment, by Industry

(1,000s)	Seasonally Adjusted NYC Employment					May 2023 Change from			
Industry:	Feb. '20	Apr. '20	May. '22	Apr. '23	May. '23	Feb. '20	Apr. '20	May. '22	Apr. '23
Total Private	4108.07	3161.72	3947.48	4078.29	4094.33	-13.74	932.61	146.85	16.05
Financial Activities	487.12	469.13	481.24	493.51	494.58	7.46	25.45	13.34	1.07
Information	229.17	204.17	233.59	229.69	230.88	1.71	26.71	-2.71	1.19
Prof. and Bus. Serv.	781.26	688.11	769.87	788.45	786.37	5.11	98.26	16.50	-2.09
Educational Services	256.40	229.39	259.29	262.31	256.36	-0.04	26.96	-2.94	-5.95
Health Care and Soc. Assist.	823.51	707.48	846.56	903.20	913.79	90.28	206.31	67.22	10.59
Arts, Ent., and Rec.	95.69	50.68	77.81	86.14	79.03	-16.67	28.35	1.22	-7.11
Accomm. and Food Serv.	374.42	105.77	318.05	352.64	364.75	-9.67	258.97	46.69	12.11
Other Services	196.09	129.20	177.28	182.03	182.36	-13.73	53.16	5.08	0.33
Retail Trade	346.05	230.29	306.98	305.65	303.73	-42.32	73.44	-3.25	-1.92
Wholesale Trade	139.81	108.25	130.33	129.25	129.84	-9.97	21.59	-0.49	0.59
Trans. and Warehousing	134.91	98.83	131.30	123.60	127.79	-7.12	28.97	-3.50	4.19
Construction	162.61	87.73	143.06	149.79	152.26	-10.34	64.54	9.21	2.47
Manufacturing	65.95	37.82	57.74	57.63	58.01	-7.94	20.19	0.26	0.38

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.

- Every March, the Labor Department makes annual benchmark revisions to payroll employment over the prior year. But every quarter, incoming data can give an increasingly clear picture of how these revisions will look. Chart 1 shows that total payroll employment in New York City is expected to be revised down by about 1% or roughly 50,000 jobs throughout the first half of this year, based on the New York Fed's "Early Benchmark" estimates.
- The downward revision is expected to accrue largely to construction, wholesale trade, insurance, professional & business services, and health services.

Chart 1

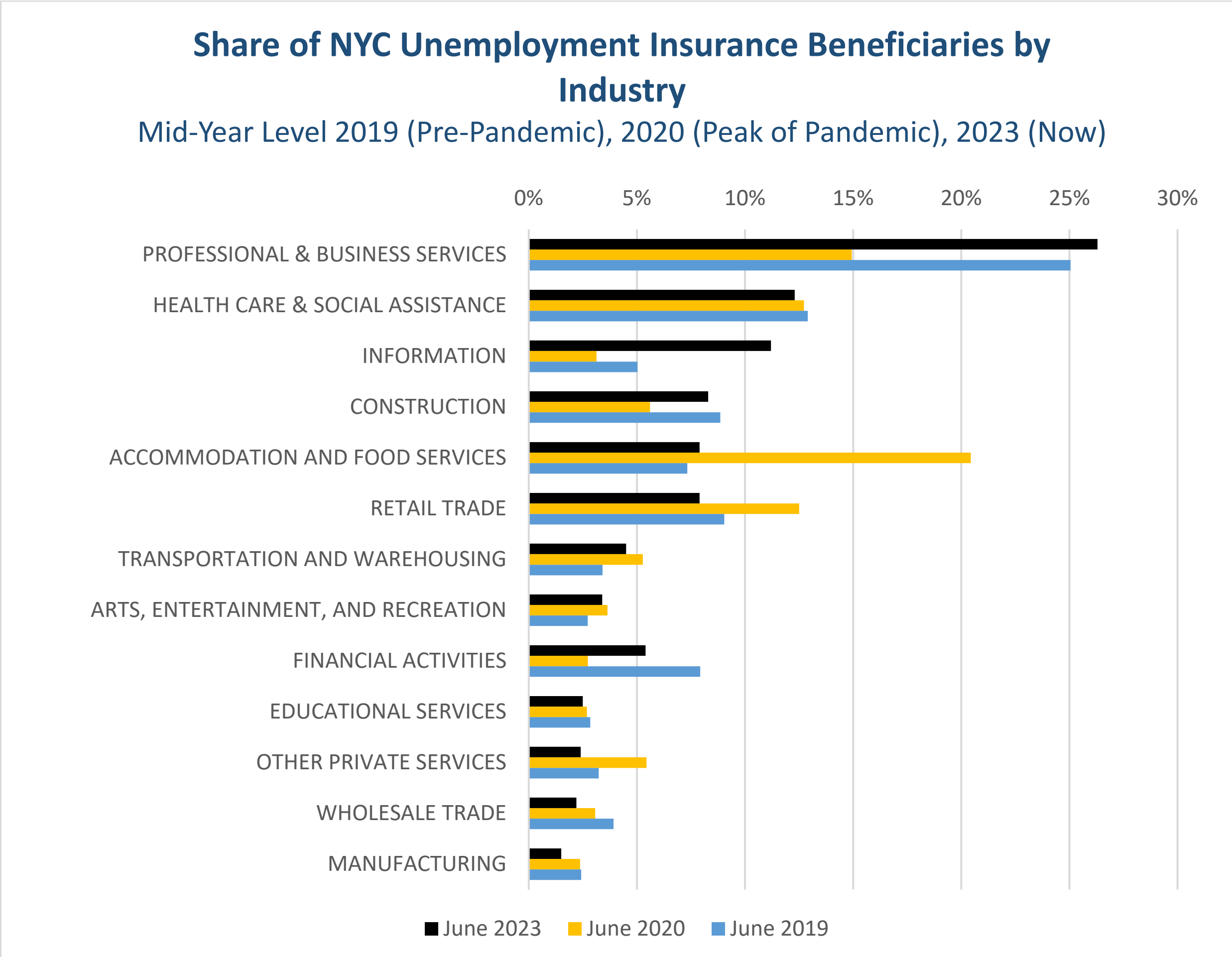


SOURCE: Federal Reserve Bank of New York, New York State Department of Labor

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.
- Current levels of jobless claims are still above pre-pandemic levels, which were exceptionally low by historical standards.
- Initial jobless claims are indicative of the flow of people into unemployment. Given that many people come on and off of the jobless rolls each week, it is useful to look at the total number of unemployment beneficiaries at various points of time: as of late June, there were 52,000 beneficiaries on the rolls in New York City—dramatically below the extraordinary levels of 2020 and 2021 but up from about 37,000 a year ago, and up from 42,000 in June 2019.
- Chart 2 below shows the distribution of beneficiaries across major industry sectors. It should be noted that the total number of beneficiaries rose sharply across *all* industries in 2020, but because it rose much more in some industries than others, the latter group's *share* of the total fell in that year.
- Professional & business services accounts for not only the largest share of unemployed New Yorkers, but also the largest increase since June 2020—though it is not much higher than before the pandemic. [This is because the absolute number did not rise as much as in other sectors, and thus did not fall as much from 2020 to 2023.] There is a similar increase in the share coming from the information sector, and that is also the only industry whose share is significantly higher than before the pandemic—in fact more than twice as high.
- In contrast, face-to-face services—health care, accommodation & food services, retail and other private services—are all noticeably lower than during the pandemic. More generally, it appears that the mix has gravitated toward more normal (i.e. pre-pandemic) patterns.

Chart 2



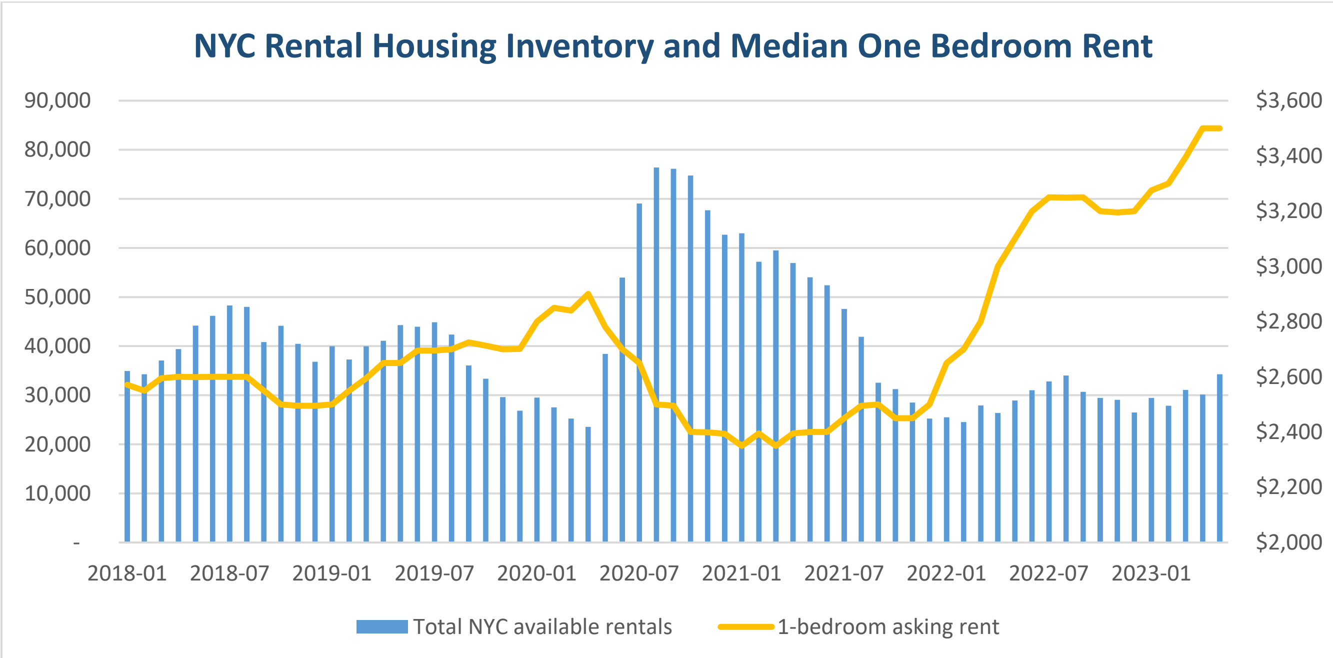
SOURCE: New York State Department of Labor

Real Estate

Home Sales and Rental Markets

- As seen in Chart 3, the median asking rental rate for a one-bedroom apartment in NYC leveled off in May but was still up 13% from the previous year, according to data collected from StreetEasy. This leveling off has been accompanied by a rise in the available inventory to around 34,000 apartments—the highest in almost two years but still below the pre-pandemic average of around 40,000.

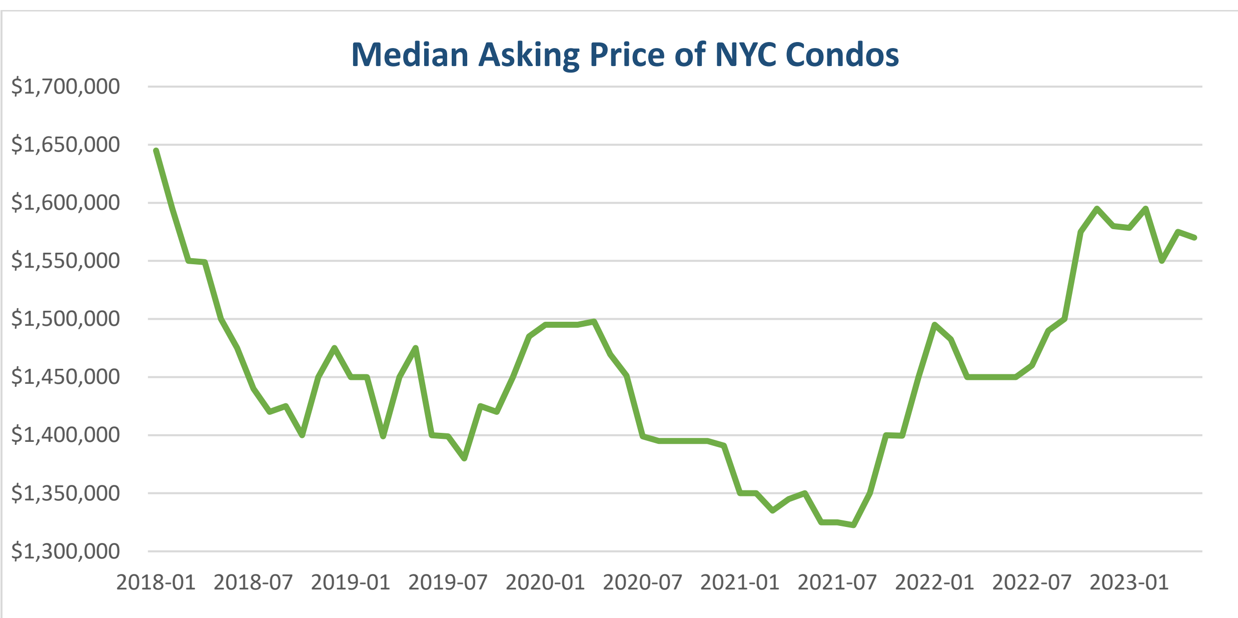
Chart 3



SOURCE: StreetEasy.com

- The median asking price for NYC condos has drifted down slightly since the beginning of this year, but it remains well above pre-pandemic levels. As seen in Chart 4, the median asking price, which was already well off its peak levels prior to the pandemic, fell further during the first year of the pandemic. It then surged until the beginning of 2023, after which it retreated modestly.

Chart 4

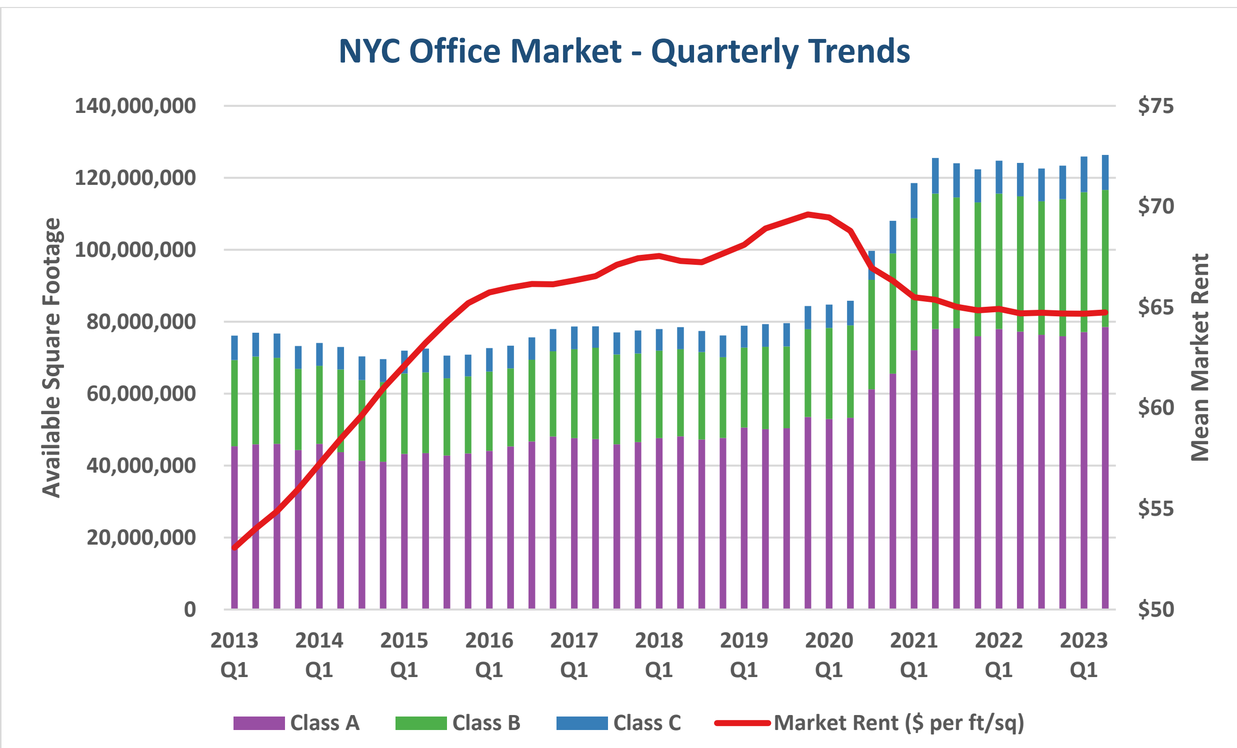


SOURCE: StreetEasy.com

Commercial Real Estate

- In last month's Spotlight, we focused on New York City's office market and its fiscal implications.
- Approximately 126 million square feet of commercial office space are currently available for rent citywide—the highest in well over a decade but only marginally higher than at the prior peak two years ago.
- Three years after the early onset of the pandemic in Q2-2020, citywide available square footage has increased by 47.2%, while mean market rents have decreased by just 5.9%,. Yet it is likely that the effective rents paid by tenants are considerably lower, when factoring in landlord concessions, such as free rent for an extended period and space upgrades.

Chart 5

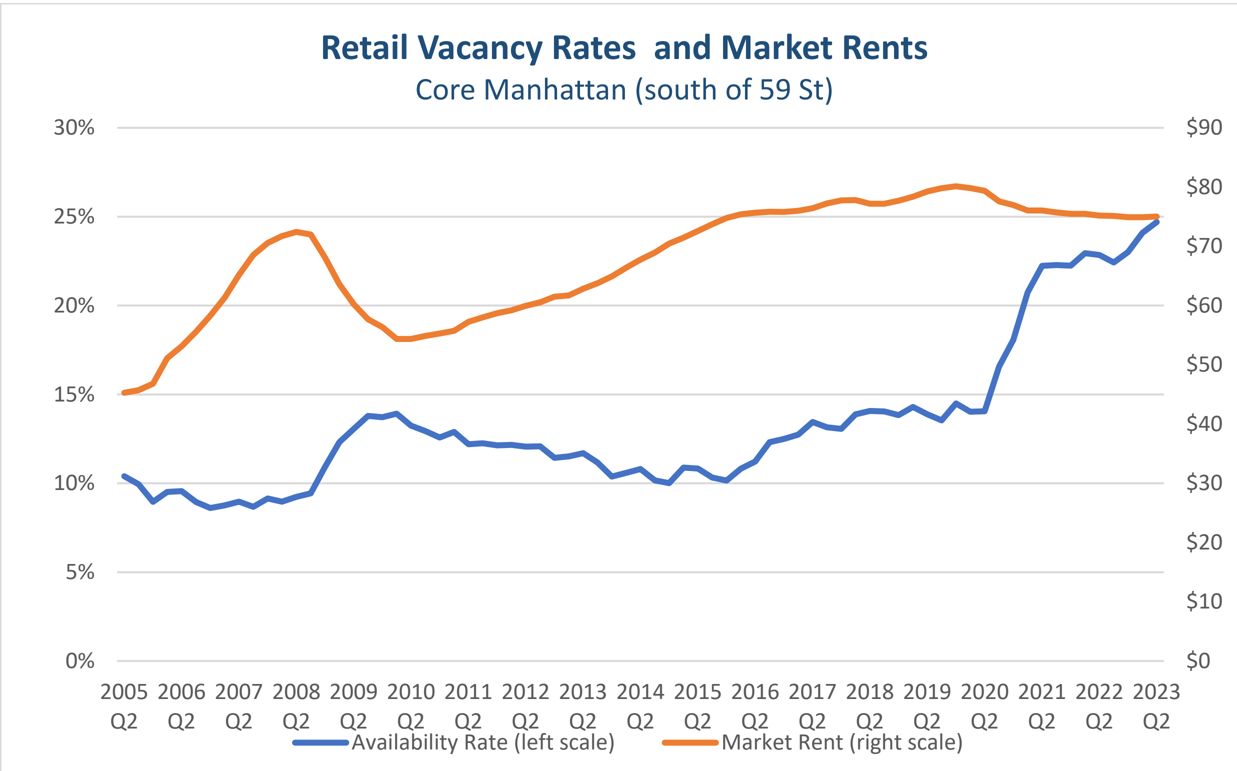


SOURCE: CoStar

- During the pandemic, a dearth of office workers, as well as tourists, ravaged retailers in Manhattan's prime business districts—essentially the southern third of the borough.
- As shown in Chart 6, retail availability rates surged during the first year of the pandemic and then trended up more modestly, as retail leases came up for renewal. As of mid-2023, they appear to have stabilized, though a sizable 25% of the area's retail space was available for lease.

- Market rents have also come down, though not as sharply: as of mid-2023, the market rent per square foot averages roughly $75, or about 6.5% below the pre-pandemic peak of just over $80. However, as is the case with office rents, this does not take into account landlord concessions and may be understating the underlying weakness.

Chart 6



Source: CoStar

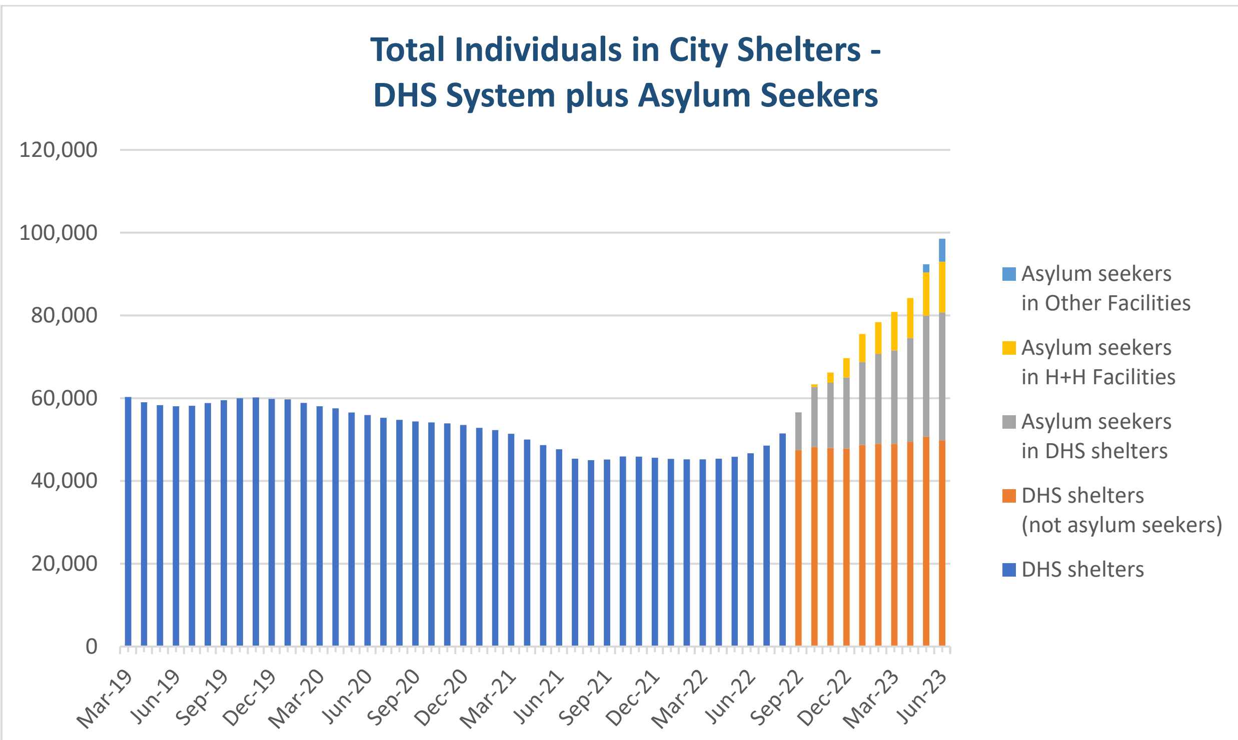
Homelessness & Asylum Seekers

- 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 7 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 averaged approximately 98,522, double the level one year ago. Recently arrived people seeking asylum represented approximately 49% of the total population.

- From September 2022 to June 2023 the shelter count of people seeking asylum grew 433% while the rest of the shelter population grew by 5%, or about 2,375.

- Between June 4th and July 2nd, the number of people seeking asylum housed by the City increased by approximately 4,630, a deceleration from the month prior which saw growth of 9,700. As of July 2nd, over 51,830 individuals seeking asylum are in the City's care.
- The City's asylum seeker population is housed across three shelter types, families with children comprise 71% of the population, 20% single adults, and 9% adult families.
- So far, the City has opened 179 emergency sites to provide shelter for asylum seekers, including 12 Humanitarian Emergency Response and Relief Centers.

Chart 7



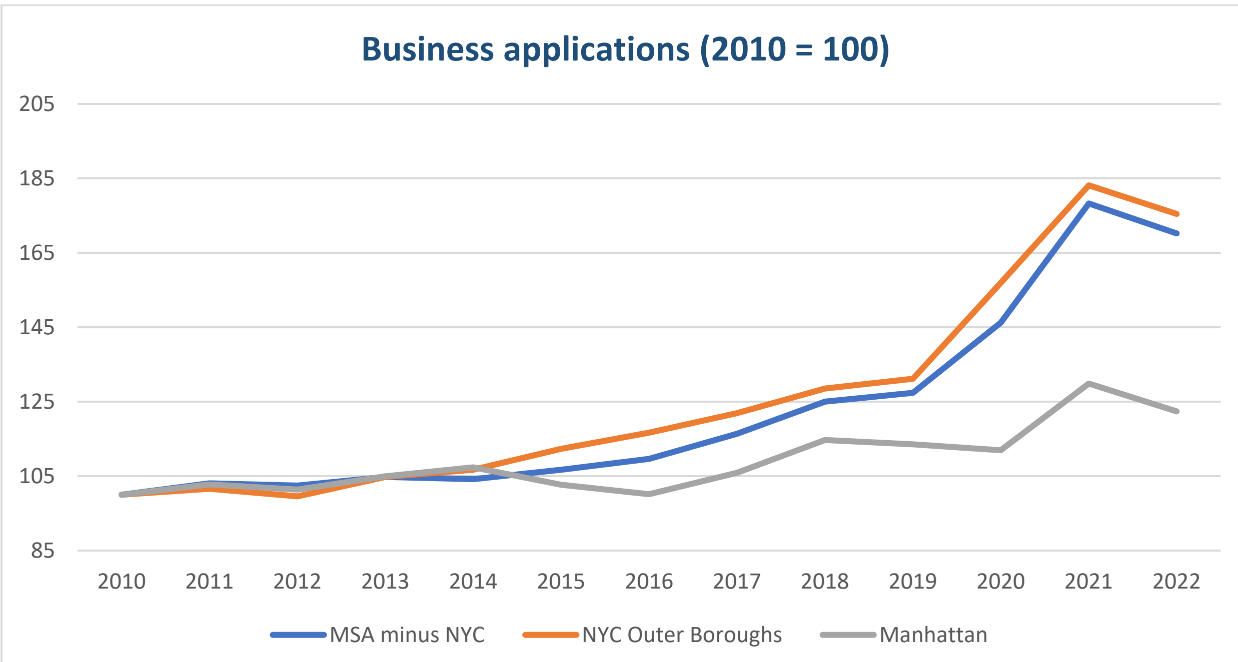
SOURCE: NYC DHS, NYC Mayor's Office, Office of the NYC Comptroller.
NOTE: Figures shown are monthly averages. Data on the asylum seeker population within DHS shelters is not available prior to August 31, 2022. Other Facilities include spaces operated by NYCEM, HPD, and DYCD, and those outside of NYC.

Economic Activity

Business Formation Statistics

- Chart 8 shows the growth of business applications (applications for a new Employer Identification Number, as recently published by the Census Bureau) starting in 2010 in Manhattan, NYC's outer boroughs, and the rest of the MSA. In all geographies, applications peaked in 2021 and slowed in 2022. The City's outer boroughs performed in line with the rest of the MSA, confirming the dispersion of economic activity within NYC.

Chart 8

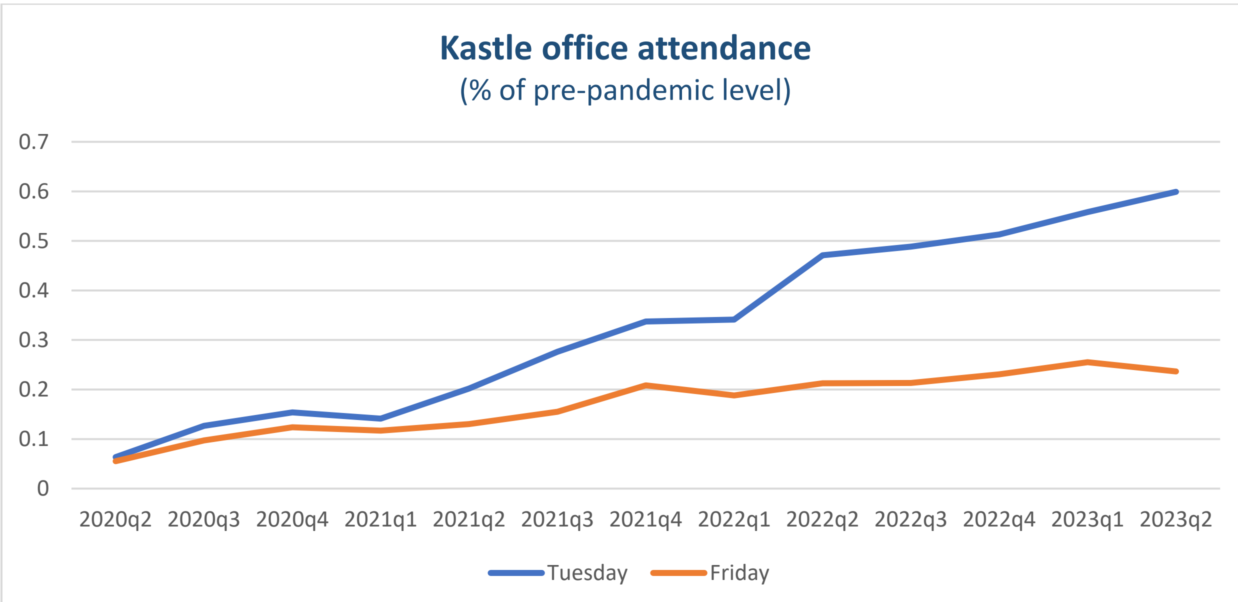


SOURCE: Census Bureau, Office of the NYC Comptroller. Definitions are available here.

MTA Ridership vs. Office Attendance

- As shown in Chart 9, office attendance (as published by Kastle Systems) continues to grow in the NY Metropolitan Area on Tuesdays, while it remains subdued on Fridays. Tuesday attendance averaged 60% in the second quarter of 2023 versus 24% on Fridays.

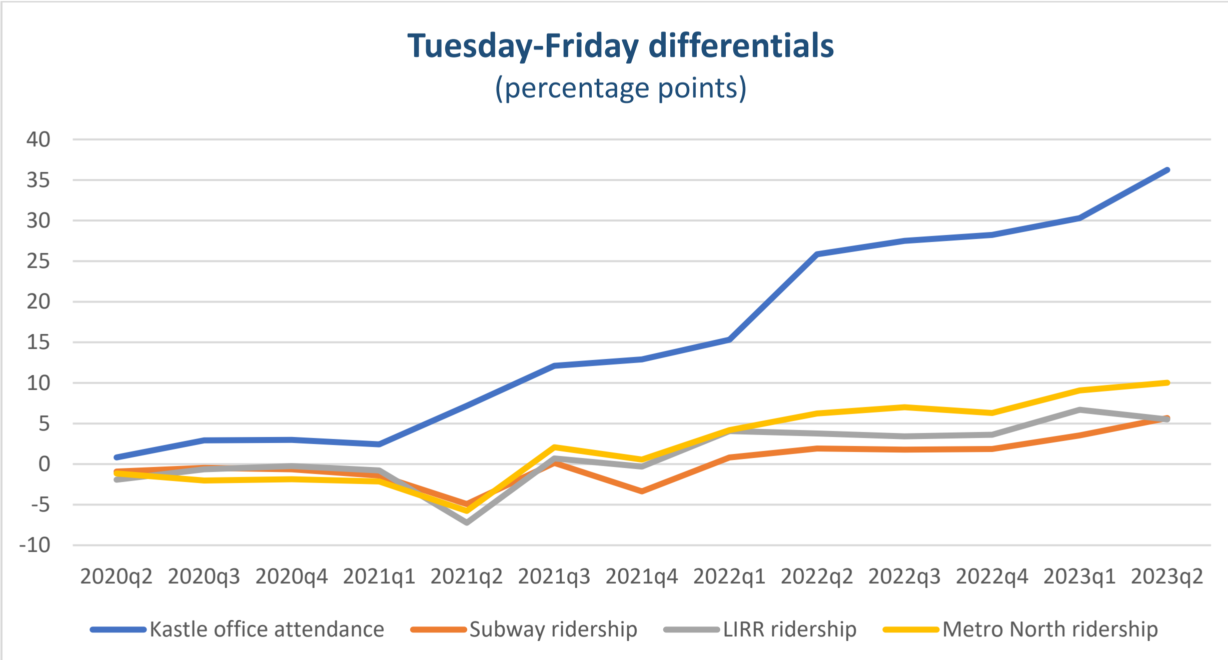
Chart 9



SOURCE: Kastle Systems, Office of the NYC Comptroller. Data up to 6/21/23.

- The Tuesday-Friday differential in mass transit ridership is also increasing but is significantly more muted. As shown in Chart 10, the differential in Subway and LIRR ridership was 6 percentage points in the second quarter of 2023, while it reached 10 percentage points for Metro North.

Chart 10



SOURCE: Kastle Systems, MTA, Office of the NYC Comptroller. Workdays only. Data up to 6/21/23. Differentials equal average Tuesday minus average Friday office attendance/ridership, both relative to pre-pandemic levels.

City Finances

The Adopted Budget: Summary of City Revenues Changes

- The budget adopted on 6/30 contains several changes that we will analyze thoroughly in an upcoming report. Here, we take a first look at changes to City revenues in FY 2023, the year that just ended.

- This is important because, at this stage of the budget process, the increase in current-year revenues is typically used to prepay next year's expenses and to make deposits in the City's rainy-day funds. This year, the Budget identified \$2.4 billion in additional resources to prepay FY 2024 expenses, of which \$2.1 billion came from City revenues. No deposits in the City's long-term reserves (a.k.a. rainy-day funds) were made.

- Table 1 shows OMB's revisions to FY 2023 City revenues and compares them with our estimates published in the report on the Executive Budget. Our projection called for \$1.1 billion more in City revenues than estimated by OMB in April. The State Comptroller and IBO had similar expectations of \$1.2 billion and \$1.1 billion, respectively. The NYC Council

Finance Division carried $926 million in higher tax revenues, while the Financial Control Board only expected $550 million.

- At budget adoption, OMB added $1.9b in tax revenues, the majority of which ($1.3b) derive from personal income taxes (PIT plus PTET – a description of April collections and longer-term trends can be found in the City Finances sections of the May and June Newsletters).
  - The total added is $701m above the Comptroller's estimates, of which $670m is attributable to PIT/PTET (due to stronger June estimated payments, a slow-down in the growth of PIT refunds, and withholding growing 9.1% in the last quarter of the FY).
  - This is not the last word on FY 2023 tax revenues: July and August collections for the City's business taxes, tax audits, and smaller components of other taxes accrue back to the previous year. This is one of the differences between budget and cash numbers, as described in this month's spotlight).
- Miscellaneous revenues (fines, fees, and other) increased by $161m, of which $91.7m was due to interest income deriving from the short-term investments of the City's cash managed by the Bureau of Asset Management within the Comptroller's Office.
  - The increase of interest rates and the large cash balance carried by the City lifted total interest income in FY 2023 to $477m.
  - The difference with the Comptroller's estimates is $250m, and has two main components:
    - Interest income, in part due to the late outflow of the prepayment of FY 2024 expenditures.
    - The resolution of the contractual dispute between the City's Department of Transportation and JCDecaux, the franchisee for the City's Coordinate Street Furniture Franchise. In the contract approved by the Franchise and Concession Review Committee (FCRC), JCDecaux agreed to pay the arrears accumulated in FY 2022 and FY 2023, for which we had carried a risk of $108m.

Table 2. OMB FY 2023 Revenue Revisions, Executive Budget to Adopted Budget

	OMB Executive Budget Revenue Estimate	Comptroller Risk-Offset to Executive Budget	OMB Revisions - Adopted Budget
Property tax	$31,570	$90	50
PIT/PTET	15,941	590	1,260
Business taxes	7,840	297	439
Sales tax	9,462	71	60
Real Estate-Related	2,180	43	(16)
Others	2,895	(1)	(2)
Tax audits	1,200	100	100
Total tax revenues	$71,088	$1,190	$1,891
Miscellaneous revenues	$5,890	($89)	$161
Total	**$76,978**	**$1,101**	**$2,052**

SOURCE: NYC OMB, Office of the NYC Comptroller.

- The projected changes to FY 2024 revenues are much less consequential. OMB left tax revenues unchanged by increasing the property tax forecast by $300m (deriving from the Final Assessed Roll, as we outlined in the June newsletter) and lowering the Personal Income Tax by the same amount. Miscellaneous revenues increased by $21m.

New York City's Cash Balances

- The City ended FY 2023 on June 30th with a cash balance of $12.39 billion, up from $8.16 billion the year before.
- Prepayments of $5.48 billion were made in June towards FY 2024 expenditures, enabled by the higher revenues described above.
- This 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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