



NEW YORK CITY COMPTROLLER
SCOTT M. STRINGER

Bureau of Budget

Q2 2018

NYC Quarterly Economic Update

NYC Economy Grows, But Slower Than
The U.S. in Q2 2018

August 2018



Contents

Overview 4

NYC Economy Keeps Pace, But The Nation Soars 5

Private-Sector Hiring Accelerates 7

Unemployment Rate Continued to Fall to a New Record Low 9

Personal Income Tax Collections and Average Hourly Earnings Continued To Rise.....12

Venture Capital Investment Slows Down14

New Commercial Leasing Surges But Rents and Vacancy Rates Flat.....16

Number of Residential Sales Declined in Manhattan, Brooklyn, and Queens17

Leading Economic Indicators Point to Continued Growth.....20

Special Analysis: The Impact of Tariffs Between the US and China on the NYC Economy22

Overview

- ➡ Solid job growth; unemployment rate at record low
- ➡ Labor force participation rate and employment-to-population ratio remain at record highs
- ➡ Average hourly earnings up
- ➡ New commercial leasing activity surges due to new inventory; vacancy rates and rents flat.
- ➡ Apartment sales down in Manhattan, Brooklyn, and Queens
- ➡ Average sales prices down in Manhattan and Brooklyn; up in Queens
- ➡ NYC leading economic indicators mixed, but continue to point to growth.
- ➡ Negative option

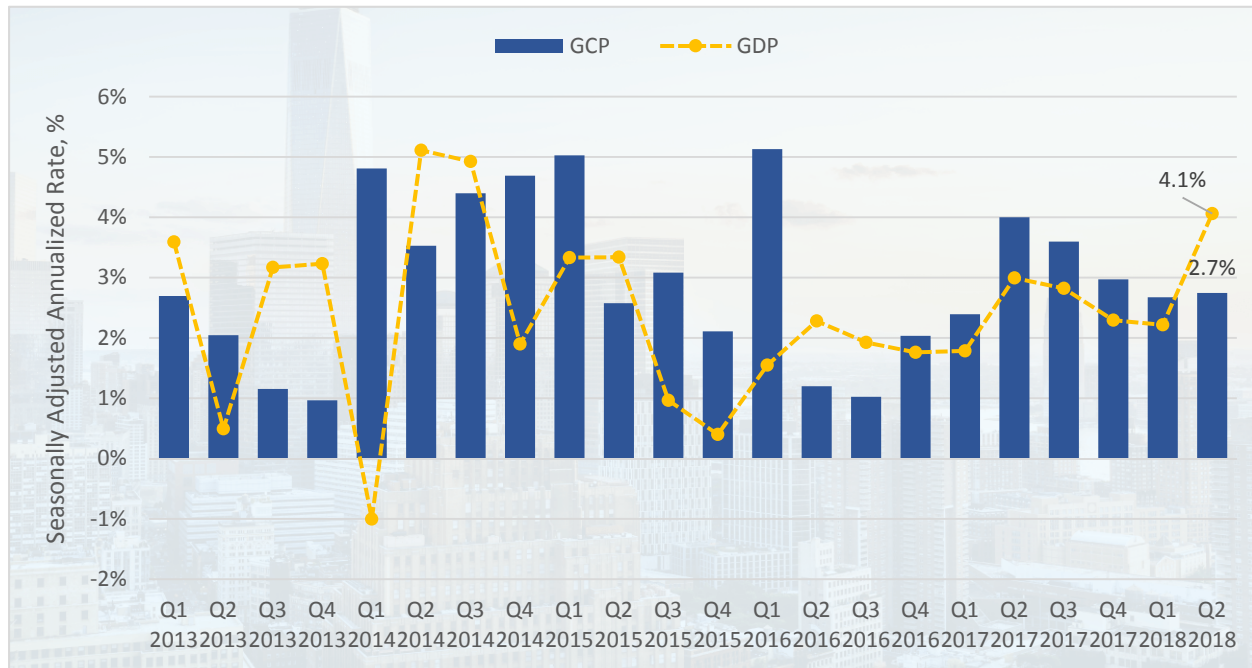
Table 1: Second Quarter of 2018 Key Economic Indicators for NYC and U.S. Compared with Q2 2017

Economic Indicator		Q2 2017	Q2 2018
GCP/GDP Growth, SAAR	NYC	4.0	2.7
	U.S.	3.0	4.1
Payroll-Jobs Growth, SAAR	NYC	1.7	1.1
	U.S.	1.3	1.8
PIT Withheld, Growth, NSA	NYC	6.5	11.8
	U.S.	7.8	-0.2
Inflation Rate, NSA	NYC	1.9	2.0
	U.S.	1.9	2.7
Unemployment Rate, SA	NYC	4.6	4.2
	U.S.	4.3	3.9

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

NYC Economy Keeps Pace, But Nation Soars

Chart 1. NYC Real Gross City Product (GCP) Lags U.S. Real Gross Domestic Product (GDP)



Source: BEA and NYC Comptroller

Strong growth in personal consumption and trade boosted the U.S. economy in Q2 2018 (April through June), **as the City's economy continued to grow moderately.** In Q2 2018, the City's economy grew 2.7 percent for the second consecutive quarter.

The City's economic growth was driven by an expanding labor market and modest wage growth. The banking sector, a key driver of the City's economy, continued to perform strongly as a result of higher interest rates, lower corporate tax rates, and deregulation. Net income after taxes for the top seven banks in the U.S. rose to \$30.9 billion in Q2 2018, 16.8 percent higher than Q2 2017. Strong growth in bank profitability was driven by modest growth in pre-tax income and a steep decline in taxes. Following enactment of the Tax Cuts and Jobs Act (TCJA), which reduced the federal corporate income tax rate from 35 percent to 21 percent, taxes for the top seven U.S. banks fell by 23.8 percent in Q2 2018, as compared to the prior year. In June, the Federal Reserve raised the federal funds rate for the seventh time since 2015 to a range of 1.75 to 2.0 percent, further increasing bank profits.¹

¹ Higher interest rates increase bank profits by increasing the spread between what banks earn through loans (banks' interest income) and what banks borrow through savings accounts or issuing certificates of deposit (banks' interest expense).

The U.S. economy, as measured by the change in real GDP, grew 4.1 percent (advance estimate) in Q2 2018, the strongest growth since the 4.9 percent growth in Q3 2014. (Note that the advance GDP estimate is subject to two revisions in August and September.)

The largest contributor to GDP growth was 4.0 percent growth in personal consumption expenditures, which contributed 2.69 percentage points (pp) to GDP growth. This was the biggest rise since Q4 2014. Consumer spending was driven by 1) a solid labor market, 2) a slight increase in wage rates as measured by average hourly earnings, and 3) the new tax law which was reflected in February paychecks, providing a moderate income boost to most tax filers.

Nonresidential fixed investment (business investment in plant and equipment) grew 7.3 percent and contributed 0.98 pp to GDP growth. Inventories declined 0.5 percent and deducted 0.06 pp from GDP growth in the second quarter. Residential fixed investment (housing) fell 1.1 percent, likely due to a rise in mortgage rates and the new cap on property tax deductions, subtracting 0.04 pp from GDP growth.

Government expenditures rose 2.1 percent and contributed 0.37 pp to GDP growth. Spending on national defense grew 5.5 percent, while nondefense spending expanded by 0.6 percent. State and local government expenditures rose 1.4 percent in Q2 2018 after growing 0.9 percent in Q1 2018. The Bipartisan Budget Act of 2018 and the Consolidated Appropriations Act of 2018 are expected to increase discretionary government expenditure later this year and thus provide another short-term boost to economic growth.

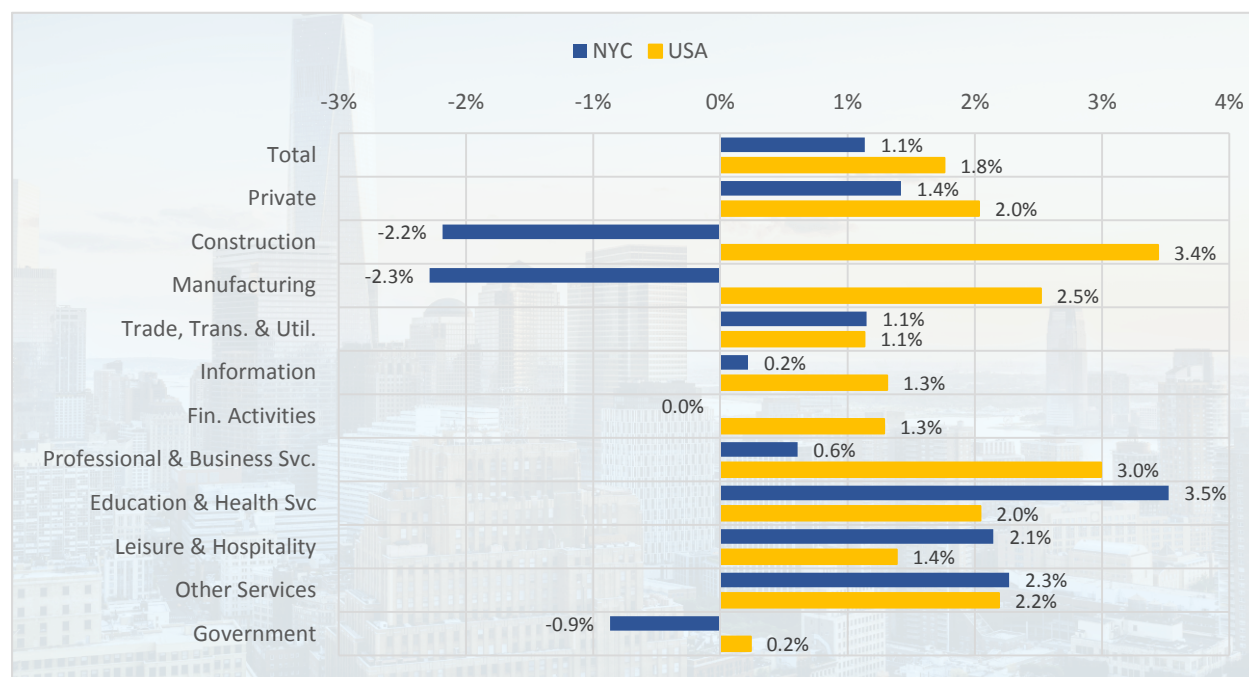
Trade tensions may have provided a temporary increase in national exports contributing to GDP growth. In anticipation of U.S. tariffs and possible retaliation, foreign purchasers may have sought to stock up on U.S. goods. Exports grew by 9.3 percent in Q2 2018 and added 1.12 pp to GDP growth. Excluding trade, the U.S. economy grew by a more moderate 3.0 percent. It is reasonable to expect that export growth will reverse and decline in the next two quarters.²

Because New York City is a service oriented economy, the repercussions of tariffs on goods will be muted. On average between 2009 and 2017, the total export of goods to China contributed 0.1 percentage points, total imports of goods from China deducted 0.3 percentage points, and the net export deducted 0.2 percentage points from the City's nominal GCP growth. (Please see the special analysis on the impact on NYC of trade with China in the appendix.) However, the city could be adversely impacted by any retaliatory non-tariff measures on service industries, which account for a greater share of the City economy.

² <https://www.nytimes.com/2018/07/27/business/economy/economy-gdp.html>

Private-Sector Hiring Accelerates

Chart 2. NYC Job Growth Lagged the Nation



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

The City's job market accelerated in the second quarter, but growth lagged the nation for a second consecutive quarter. Establishments in New York City (including government) added 12,600 jobs, an increase of 1.1 percent on a seasonally adjusted annualized rate (SAAR) basis, after adding 11,300 jobs in Q1 2018. U.S. jobs grew 1.8 percent (SAAR) in Q2 2018, the same rate as in Q1 2018.

The City's private sector added 13,800 jobs or 1.4 percent (SAAR) in Q2 2018, more than the 11,200 jobs created in Q1 2018. National private-sector employment grew 2.0 percent (SAAR) in Q2 2018, similar to the 2.1 percent increase experienced in Q1 2018 (Chart 2).

City job gains were distributed across industries, with the largest gains coming from 7,700 new jobs in health care and social assistance. Across the private sector, job losses occurred only in construction and manufacturing. Housing employment, which includes construction and workers in the real estate and property sector, lost 1,900 jobs in Q2 2018, the biggest decline since Q1 2010.

Of the 13,800 new private-sector jobs, 1,200 were office workers in Q2 2018. This is the smallest increase since Q4 2009. Furthermore, despite gains at the national level, employment in the city's financial activities sector remained unchanged in Q2 2018.

Despite lackluster growth, the composition of new jobs improved in Q2 2018. In recent history, over half of the new private-sector jobs created were in low-wage industries. This turned around in Q2 2018 with less

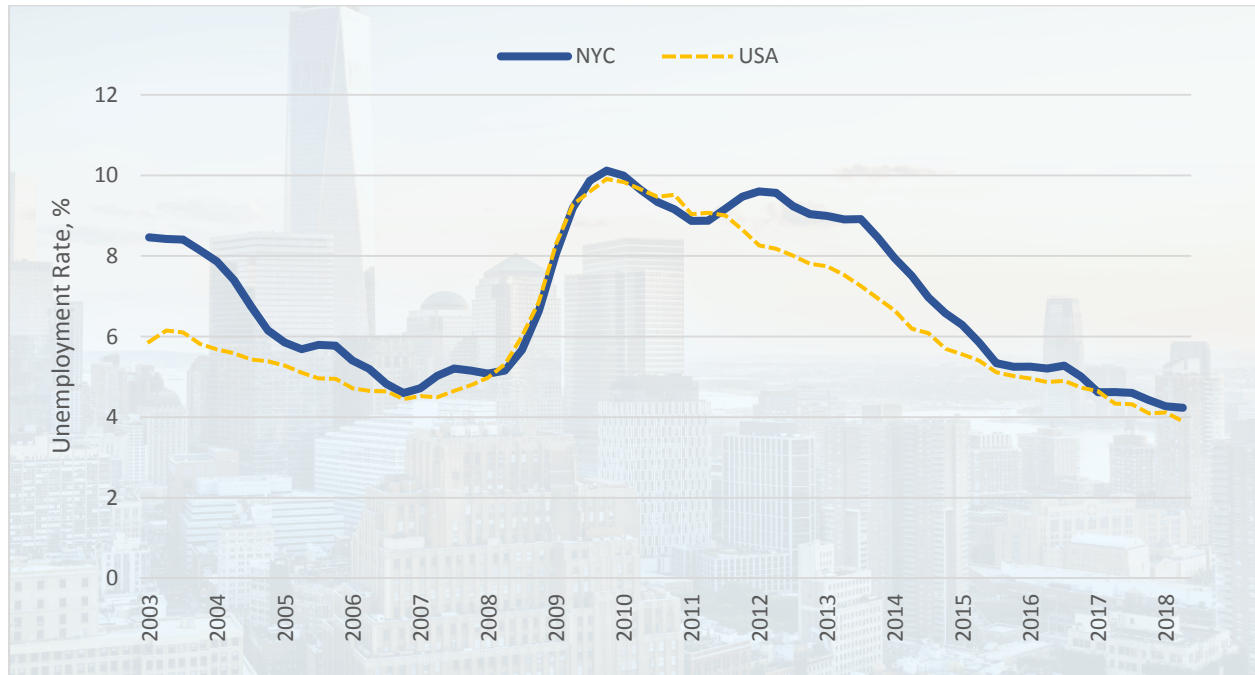
than half of the new jobs created in lower wage industries, and medium- and higher-wage industries contributing the majority. High-wage sectors added 6,000 jobs, the biggest gain since Q3 2016, and medium-wage industries added 1,600 jobs in Q2 2018. Low-wage industries added 6,300 jobs and accounted for 45.2 percent of total private-sector jobs created in Q2 2018. In comparison, 66.3 percent of new private-sector jobs in the U.S. in the second quarter were in low-wage industries, while only 19.0 percent were in high-wage industries, and 14.7 percent were in medium-wage industries.³

Viewed from the perspective of local vs. export jobs most of the city's new private sector jobs were in the local sector and not in the export sector. Export sector jobs (generally higher paying) provide goods and services to people and firms outside of the five boroughs and depend on the national and global economies. Local sector jobs provide support for the export sector and the local population or local consumption. Approximately one-fourth or 3,200 new jobs created in the private sector were in export-sector industries, such as leisure and hospitality and professional and business services, while the rest, 10,600 jobs, were in local-sector industries, such as education and health services.

³ High-wage jobs include securities industry and professional services and pay above \$124,000 a year; medium-wage jobs include construction and health care and pay \$62,000 to \$124,000 a year; and low-wage jobs include bars and restaurants and hospitality pay less than \$62,000 a year. The average annual salary of a worker in New York City in a low-wage sector job was \$43,000, in a medium-wage sector was about \$82,000, and in a high-wage sector was about \$220,000 as of 2017.

Unemployment Rate Continued to Fall to a New Record Low

Chart 3. NYC Unemployment Rate Fell To A Record Low



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

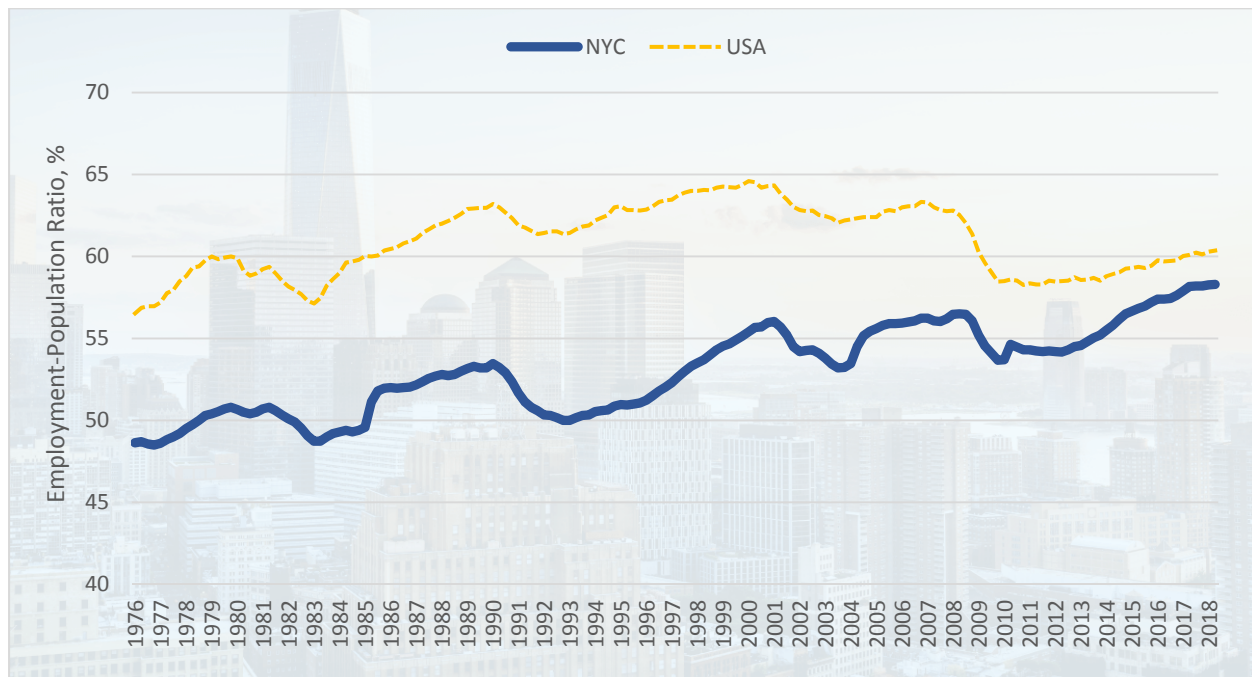
NYC's unemployment rate, adjusted for seasonality, fell to 4.2 percent in Q2 2018 from 4.3 percent in Q1 2018, the lowest rate on record. The U.S. unemployment rate fell to 3.9 percent in Q2 2018, the lowest rate since Q4 2000 (Chart 3).

A change in the unemployment rate can happen due to a change in the number of unemployed or in the number of people in the labor force. The decrease in the City's unemployment rate was due to a decrease in the number of unemployed, which declined by 2,500 to 178,000 in Q2 2018, the lowest level since 176,000 in Q4 2006.

The unemployment rate (not seasonally adjusted) fell in all five boroughs in Q2 2018. The borough unemployment rates in Q2 2018 were:

- 3.4 percent in Queens;
- 3.5 percent in Manhattan;
- 3.9 percent in Staten Island;
- 4.0 percent in Brooklyn; and
- 5.3 percent in the Bronx.

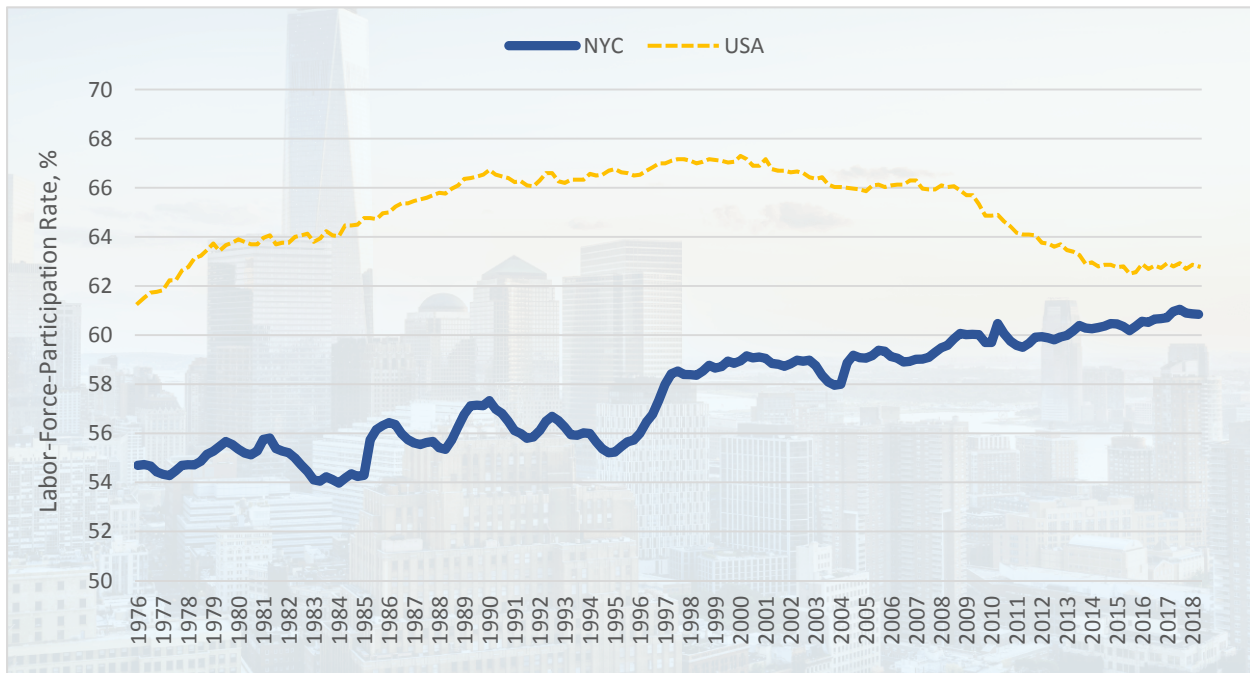
Chart 4. The Percentage of New York City Residents Working Remained At Its All Time High



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

The number of employed City residents increased by 2,400 in Q2 2018 to a record high of 4,049,200 in Q2 2018. As a result, the City's employment-to-population ratio was 58.3 percent, the same as in Q1 2018 and the highest ratio ever, albeit still below national levels. The national employment-to-population ratio rose to 60.4 percent in Q2 2018, the highest rate in nine years. The spread between the city and the nation's employment-to-population ratios widened slightly to 2.1 percentage points in Q2 2018 from 2.0 percentage points in Q1 2018 (Chart 4).

Chart 5. Labor Force Participation Rate Flat

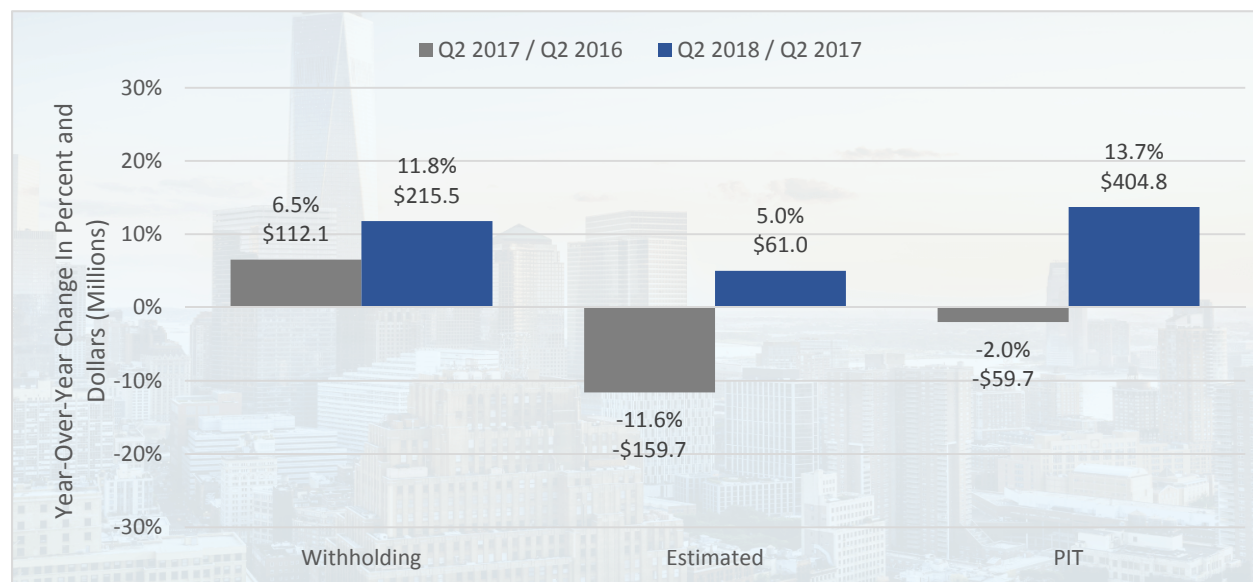


Source: U.S. Bureau of Labor Statistics (BLS) and NYS Department of Labor

The City's labor-force-participation rate (LFPR), which is the ratio of the total labor force to the total non-institutional population (16 years old and over), remained flat at 60.8 percent in Q2 2018, compared to 60.9 percent in Q1 2018. The national labor-force-participation rate was also largely unchanged, at 62.8 percent in Q2 2018 compared to 62.9 percent in Q1 2018.

Personal Income Tax Collections and Average Hourly Earnings Continued To Rise

Chart 6. Change in Personal Income Tax Collections



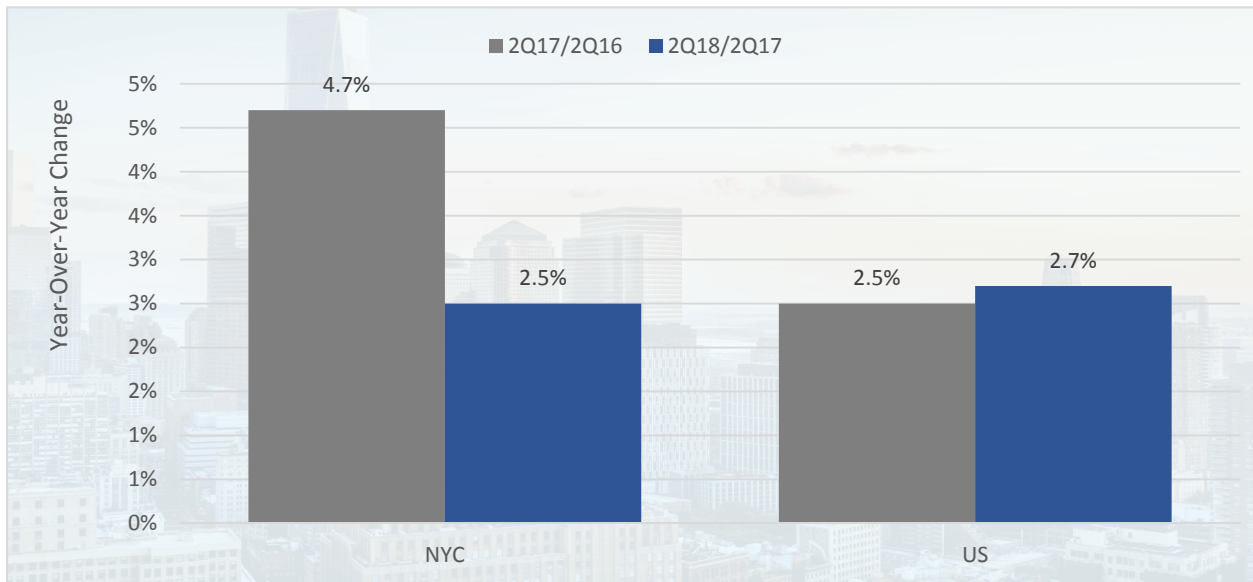
Source: NYC OMB

NYC personal income tax (PIT) revenues, a proxy for personal income, rose 13.7 percent or \$404.8 million on a year-over-year basis to about \$3.4 billion in Q2 2018 (Chart 6). The increase was driven by an 11.8 percent rise in withholding taxes, one of the two main components of PIT revenues. Withholding taxes reflect regular wages as well as one-time bonuses. Thus, the large increase in withholding taxes does not necessarily reflect the average workers' wage increase.

Average hourly earnings (AHE) of all private NYC employees rose 2.5 percent on a year-over-year basis to \$35.94 in Q2 2018, more than the 2.3 percent rate in Q1 2018, but less than the 4.7 percent increase in Q2 2017. U.S. average hourly earnings were \$26.91 in Q2 2018, 2.7 percent higher than the \$26.20 recorded in Q2 2017. The pace of U.S. average hourly earnings growth increased modestly from 2.4 percent growth in Q1 2018 and 2.5 percent growth in Q2 2017, on a year-over-year basis (Chart 7).

Estimated tax payments are another key component of the City's personal income tax and reflect trends in taxpayers' non-wage income, including interest earned, rental income, and capital gains. After a steep decline in the same period last year, estimated payments rose by about \$61.0 million in Q2 2018. The increase reflects a still strong economy, as well as deferred income recognition in 2017 as taxpayers waited for Congress to pass a federal tax overhaul.

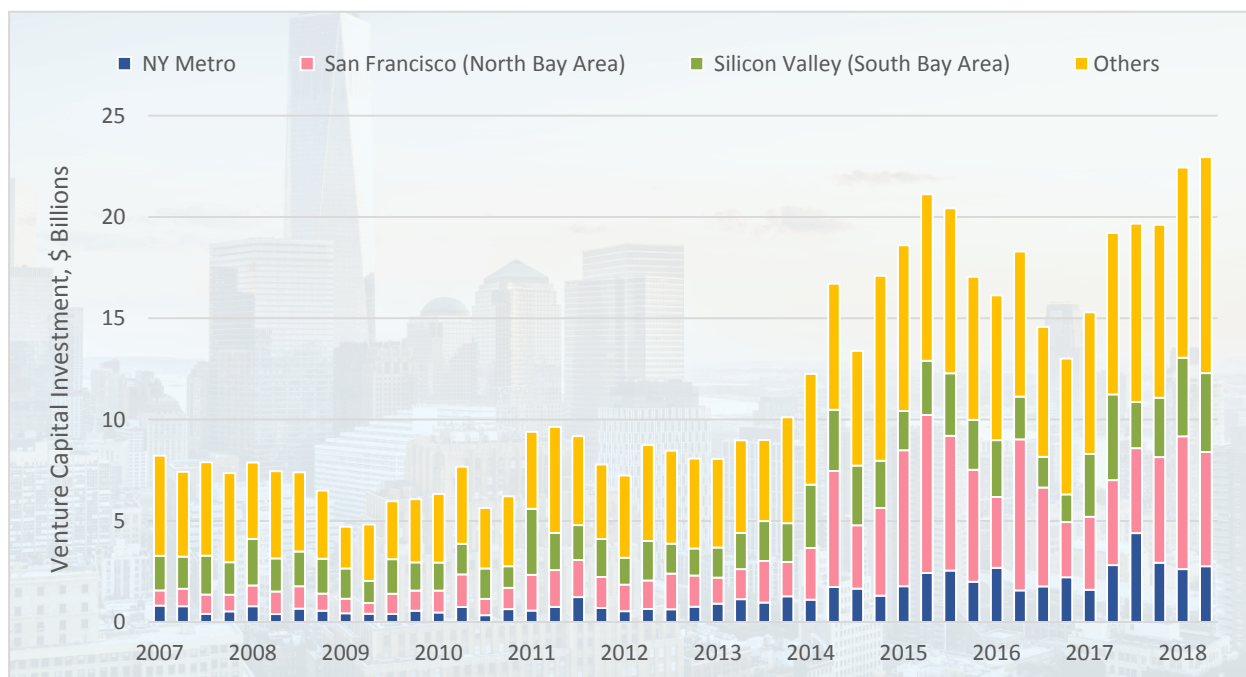
Chart 7. Change in Average Hourly Earnings of Private Employees



Source: U.S. Bureau of Labor Statistics

Venture Capital Investment Slows Down

Chart 8. Venture Capital Investment by Region



Quarter	NY Metro	San Francisco (North Bay Area)	Silicon Valley (South Bay Area)	Others	Total
Q2 2018	\$2.77	\$5.63	\$3.90	\$10.66	\$22.96
Q1 2018	\$2.62	\$6.55	\$3.87	\$9.39	\$22.44
Q2 2017	\$2.81	\$4.19	\$4.23	\$7.97	\$19.21

Source: PwC MoneyTree

Venture capital (VC) investment in the New York metro area fell in Q2 2018 and continued to rank third after Silicon Valley and San Francisco.

Total venture capital investment in the U.S. increased 19.5 percent to \$23.0 billion, but fell 1.7 percent in the NY metro area to \$2.8 billion in Q2 2018, on a year-over-year basis (Chart 8).

Investment in the San Francisco/North Bay area, which usually has the highest concentration of VC investment, rose 34.3 percent to \$5.6 billion. Investment in Silicon Valley fell to \$3.9 billion in Q2 2018, 8.0 percent lower than the \$4.2 billion in Q2 2017.

The number of VC deals in the U.S., San Francisco, New York metro area, and Silicon Valley all rose in Q2 2018, on a year-over-year basis. The number of deals in the New York metro area rose to 193 in Q2 2018 from 186 in Q2 2017. The number of deals in the U.S. rose to 1,416 from 1,336 in Q2 2017.

The NY metro area's share of VC investment fell to 12.0 percent in Q2 2018 from 14.6 percent in Q2 2017. The share of deals fell to 13.6 percent in Q2 2018 from 13.9 percent in Q2 2017. San Francisco's share of VC investment rose to 24.5 percent while its share of deals fell to 19.1 percent.

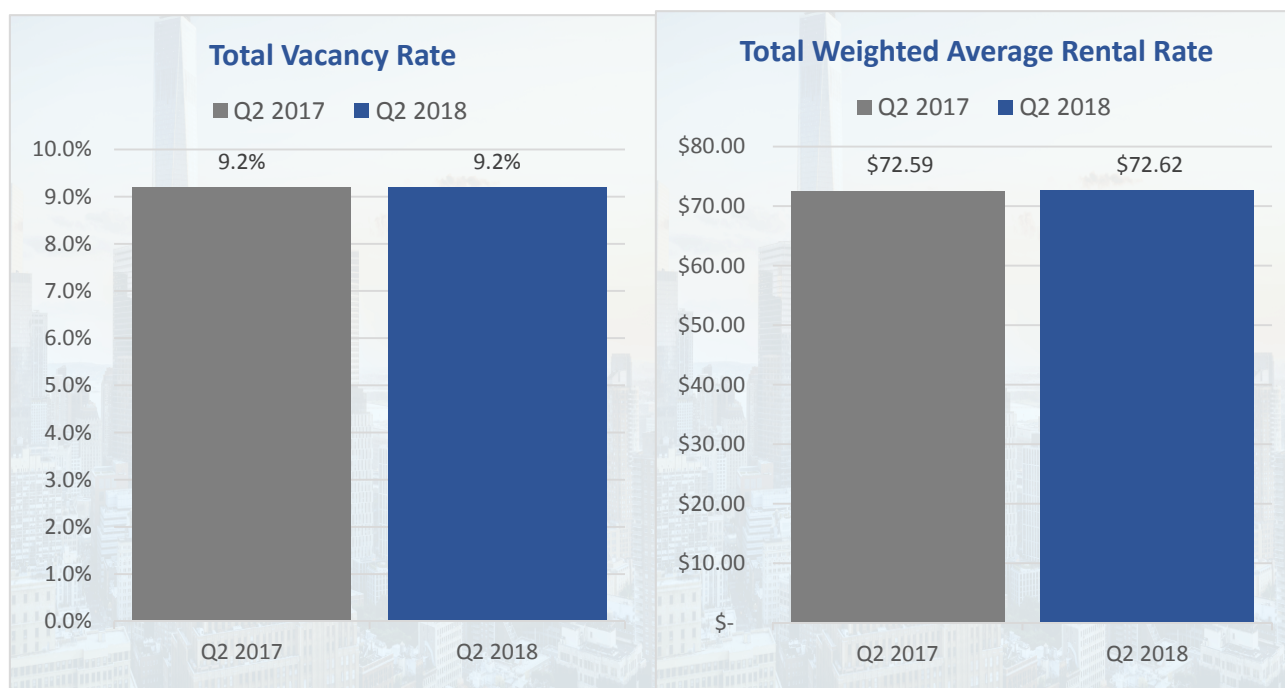
New Commercial Leasing Surges But Rents and Vacancy Rates Flat

New commercial leasing activity in Manhattan rose 16.7 percent, on a year-over-year basis, to 9.1 million square feet (msf), the highest second quarter since 10.1 msf in Q2 2011, according to Cushman and Wakefield. New leasing increased in Downtown (79.5 percent to over 1.9 msf) and in Midtown South (40.1 percent to 1.9 msf) in Q2 2018 on a year-over-year basis. New leasing fell 2.0 percent to 5.2 msf in Midtown in Q2 2018 from a year ago.

Despite the increase in new commercial leasing, Manhattan's overall commercial vacancy rate remained unchanged at 9.2 percent in Q2 2018 from a year ago, due largely to increased supply (Chart 9). On a year-over-year basis, the vacancy rate fell 0.8 percentage point in Midtown South to 6.7 percent and 0.6 percentage points in Midtown to 9.2 percent, but increased 2.3 percentage points in Downtown to 11.3 percent in Q2 2018, largely due to the completion of Three World Trade Center, which brought nearly 1.6 msf of available space to the market.

On a weighted average basis commercial rents remained unchanged in the City. Downtown rents increased to a record high of \$62.09 per square foot because of more expensive space at Three World Trade Center and Pier 17.

Chart 9. Commercial Vacancy Rate and Asking Rents Remain Unchanged



Source: Cushman & Wakefield

Number of Residential Sales Declined in Manhattan, Brooklyn, and Queens

Table 2. Apartment Sales Falls in Manhattan, Brooklyn, and Queens

	Manhattan	Brooklyn	Queens
Avg. Sales Price	\$2,090,567	\$984,047	\$629,869
Avg. Sales Price (Y/Y, %)	-4.5%	-1.4%	7.6%
Number of Sales	2,629	2,683	3,421
Number of Sales (Y/Y, %)	-16.6%	-5.7%	-6.5%
Listing Inventory	6,985	2,675	4,865
Listing Inventory (Y/Y, %)	10.7%	18.5%	8.9%
Absorption Rate (Months)	8.0	3.0	4.3
Days on Market	103	107	147
Days on Market (Y/Y, %)	-4.6%	15.1%	32.4%

Source: Douglas Elliman

The residential market continued to decline. House prices in Manhattan, as measured by the average sales price and average price per square foot, fell on a year-over-year basis in Q2 2018 for the fourth consecutive quarter after nine consecutive quarters of year-over-year growth. Also the number of sales declined for the third consecutive quarter causing an increase in listing inventories. The new federal tax law that limits the deductibility of the mortgage interest and property taxes and the rise in mortgage interest rates are likely contributing factors.

According to Douglas Elliman, on a year-over-year basis, the average sales price in Manhattan fell 4.5 percent to about \$2.1 million. Similarly, the average price per square foot fell 2.3 percent to \$1,733 in Q2 2018 over Q2 2017. The number of sales fell 16.6 percent to 2,629 in Q2 2018 allowing the listing inventory to rise 10.7 percent from the prior year to 6,985 and the absorption rate, defined as the number of months to sell all inventory at the current rate of sales, rose to 8.0 months in Q2 2018 from 6.0 months in Q2 2017. Days on the market from the last list date fell slightly to 103 days in Q2 2018 from 108 days a year ago.

Similar to Manhattan, housing market prices declined in Brooklyn. The average sales price fell 1.4 percent to \$984,047 in Q2 2018 from \$997,654 in Q2 2017. The number of sales declined 5.7 percent, on a year-over-year basis, to 2,683, leading to an 18.5 percent rise in the listing inventory to 2,675. The absorption rate was 3.0 months and the number of days on the market rose to 107 in Q2 2018, higher than 2.4 months and 93 days, respectively, in Q2 2017.

Unlike Manhattan and Brooklyn, average sales prices in Queens rose 7.6 percent to \$629,869 in Q2 2018 over Q2 2017. However, the number of sales fell 6.5 percent to 3,421. As a result, the listing inventory rose 8.9 percent to 4,865 in Q2 2018 compared with the same period last year. The number of days on the market increased to 147 days in Q2 2018, 32.4 percent higher than the 111 days in Q2 2017. The absorption rate rose to 4.3 months in Q2 2018 from 3.7 months in Q2 2017 (Table 2).

Douglas Elliman reports that the number of 1- to 3-family homes sold fell in both Brooklyn (2.5 percent) and in Queens (1.3 percent) in Q2 2018, on a year-over-year basis. However, the average sales price per square foot rose 19.5 percent in Brooklyn and 14.1 percent in Queens in Q2 2018 compared to Q2 2017.

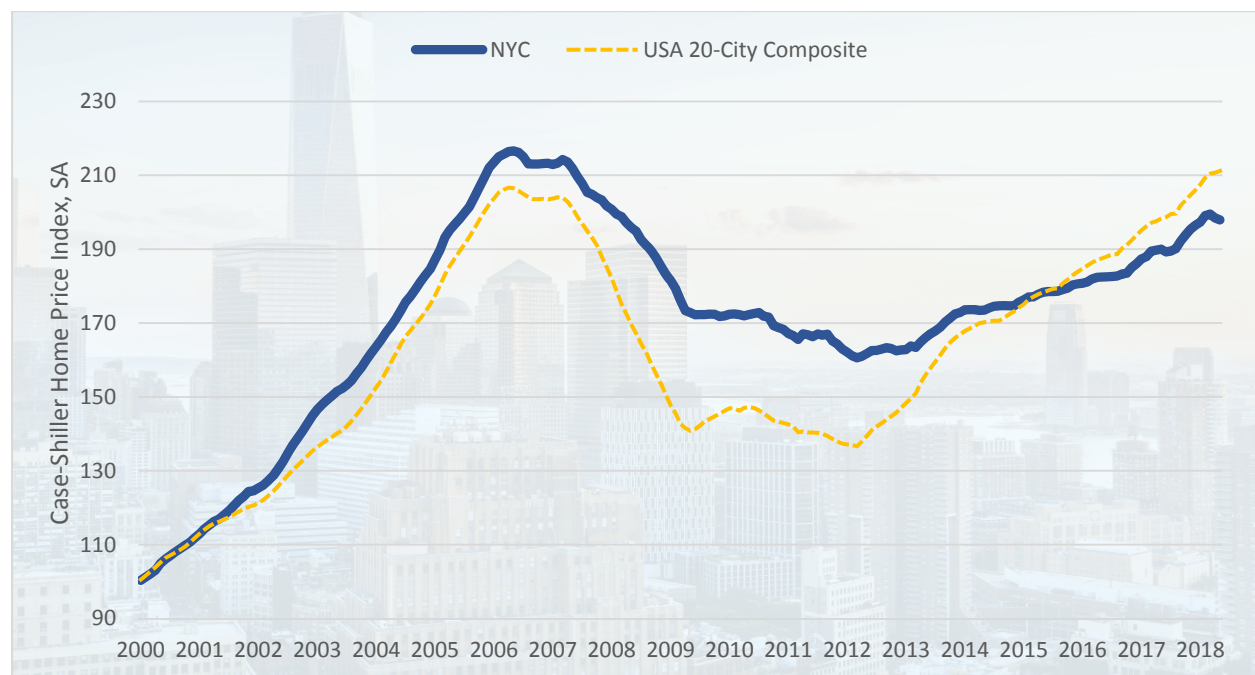
Landlords continued to give a record amount of concessions as the number of new leases continued to decline on a year-over-year basis in June, according to Douglas Elliman. The number of new leases fell 17.5 percent in Manhattan in June 2018, on a year-over-year basis. At the same time the vacancy rate in Manhattan fell to 1.6 percent in June 2018 from 2.2 percent in June 2017.

Similar to Manhattan, the number of new leases fell 17.7 percent in Brooklyn and 13.7 percent in Queens in June 2018, despite the increase in concessions. The average rental price fell 0.7 percent in Manhattan, 0.1 percent in Brooklyn, and 0.1 percent in Queens in June 2018 over June 2017.

According to the Case-Shiller index, which tracks single-family home prices, single family homes in the New York metro area lagged price growth in in US on average. The New York metro area home price index increased 5.0 percent in April-May 2018 over the same period in 2017, while the U.S. 20-city composite index rose 6.6 percent. The U.S. and NYC inflation rates were 2.9 and 2.2 percent respectively in April-May 2018 on a year-over-year basis.

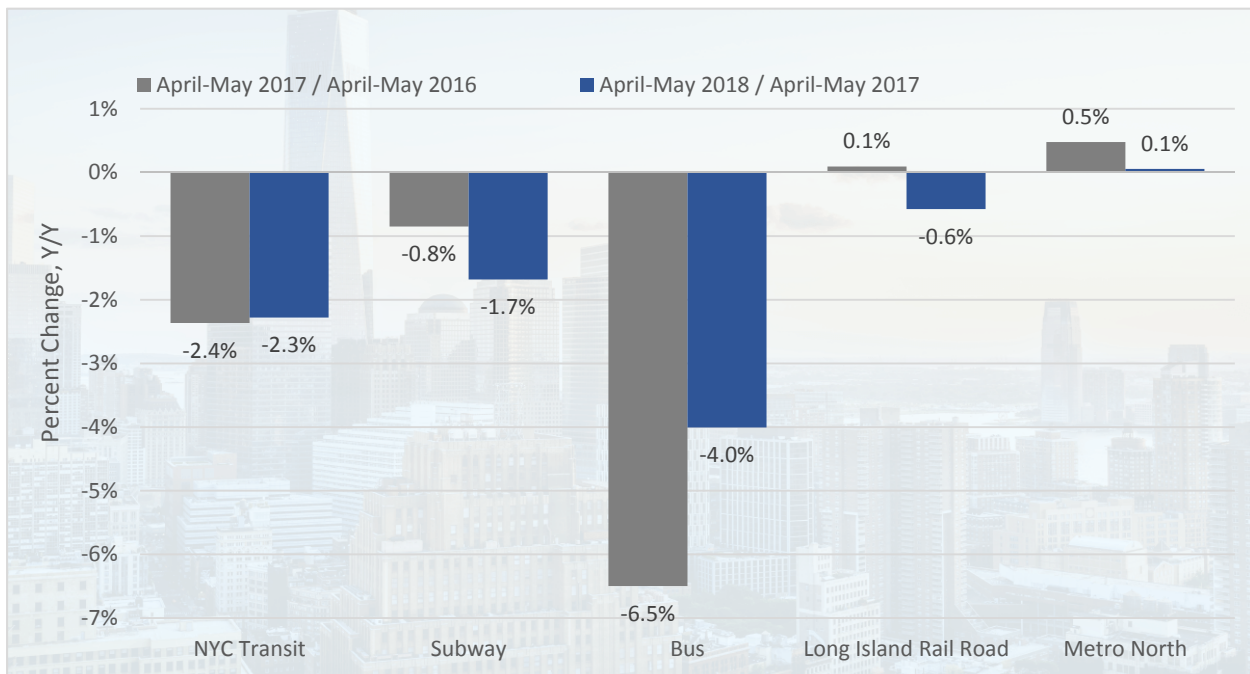
According to Case-Shiller, U.S. home prices have recovered their losses from the last recession while the New York metro area still lags behind. As of May 2018, the U.S. 20-city composite index was 54.6 percent higher than its trough in 2012 and 2.2 percent above its previous peak in 2006. In comparison, the New York metro area home price index was 23.2 percent higher than at its trough in March of 2012, but was still 8.6 percent below the peak reached in May 2006 (Chart 10).

Chart 10. NYC Single Family Home Prices Lag the Nation



Average weekday ridership on MTA NYC Transit fell 2.3 percent in April-May of 2018 from a year ago. Average weekday ridership on the system's subways fell 1.7 percent and bus ridership fell 4.0 percent. During the same period, ridership on the Long Island Rail Road (LIRR) fell 0.6 percent, but rose slightly (0.1 percent) on Metro North (Chart 11). Ridership, especially on the LIRR and Metro North, usually reflects the City's economic activity and employment. A reason for the apparent disconnect this cycle could be found in a recent New York City Transit ridership analysis attributing the decline in ridership in public transport largely to the rise of for-hire vehicles such as Uber and Lyft, and noted that the trend of declining public transit usage is also seen in other large systems nationally.⁴

Chart 11. NYC Public Transportation Ridership Down



Source: Metropolitan Transportation Authority

Broadway show ticket sales and attendance increased in Q2 2018. According to the Broadway League, total gross weekly Broadway ticket sales were over \$499 million in Q2 2018, 11.3 percent more than in Q2 2017. Total attendance was over 3.9 million in Q2 2018, 0.3 percent more than in Q2 2017.

⁴ <https://www.nytimes.com/2018/08/01/nyregion/subway-ridership-nyc-metro.html>

Leading Economic Indicators Point to Continued Growth

Leading economic indicators were mixed, but implied continued expansion. An assessment of business conditions among firms in the New York City area is provided by ISM-New York, Inc. The most recent report shows that the business conditions in New York City metro area improved in Q2 2018 over Q1 2018. Although the current business condition (which measures the current state of the economy from the perspective of business procurement professionals) index fell to 58.6 percent in Q2 2018, from 60.3 percent in Q1 2018, it was still above 50 percent, indicating continued expansion. The ISM six-month outlook (which measures where procurement professionals expect the economy to be in six months) fell to 67.8 in Q2 2018 from 68.8 percent in Q1 2018. The NY-BCI (which measures the cumulative change in business activity) rose to 782.3 in Q2 2018 from 770.1 in Q1 2018.

Initial unemployment claims, which shows the number of applicants for unemployment insurance, declined for the second consecutive quarters. According to the NYS Department of Labor, average initial unemployment claims fell 11.9 percent in Q2 2018 after falling 12.7 percent in Q1 2018, on a year-over-year basis.

Finally, according to the U.S. Department of Housing and Urban Development, total building permits in the City fell 3.1 percent to 5,476 in Q2 2018 from a year ago.

Table 3: Leading Economic Indicators Mixed, But Positive

	Q2 2017	Q1 2018	Q2 2018
ISM-New York Metro Area, SA* Current Business Conditions	52.7	60.3	58.6
ISM-New York Metro Area, SA* Six-Month Outlook	69.4	68.8	67.8
ISM-New York Metro Area, SA* NY-BCI	737.8	770.1	782.3
Initial Unemployment Claims (Source: NYS DOL)	31,322	29,761	27,603
Number of Building Permits (Source: HUD)	5,651	5,170	5,476

*Source: ISM-New York, Inc.

Table 4: Second Quarter 2018 Economic Indicators Compared to Q1 2018 and Q2 2017

		Q2 2017	Q1 2018	Q2 2018
County Unemployment Rate, NSA (Source: NYS DOL)	Bronx	5.9%	6.1%	5.3%
	Kings	4.5%	4.4%	4.0%
	New York	3.9%	3.9%	3.5%
	Queens	3.8%	3.8%	3.4%
	Richmond	4.4%	4.3%	3.9%
Commercial Vacancy Rate (Source: Cushman & Wakefield)	Midtown	9.8%	9.3%	9.2%
	Midtown South	7.5%	6.5%	6.7%
	Downtown	8.9%	9.0%	11.3%
	Manhattan Total	9.2%	8.8%	9.2%
Commercial Rental Rate (per sq ft) (Source: Cushman & Wakefield)	Midtown	\$77.61	\$77.06	\$77.44
	Midtown South	\$69.68	\$60.60	\$61.31
	Downtown	\$58.83	\$59.67	\$62.09
	Manhattan Total	\$72.59	\$72.13	\$72.62
Number of Apartment Sales (Source: Douglas Elliman)	Manhattan	3,153	2,180	2,629
	Brooklyn	2,257	2,411	2,683
	Queens	3,659	3,302	3,421
Case-Shiller Home Price Index, NSA (Source: S&P) 100=2000	NY Metro Area	188.99	196.64	196.84*
	US 20-City Composite	198.88	206.73	201.89*
Hotel Industry (Source: CBRE Hotels)	Average Daily Occupancy Rate	89.5%	78.9%	NA**
	Average Daily Room Rate	\$287.49	\$226.49	NA**
MTA Average Weekday Ridership (Source: MTA)	NYC Transit	7,703,486	7,142,404	7,563,525*
	Subway	5,732,344	5,330,127	5,652,632*
	Bus	1,971,142	1,812,277	1,910,893*
	Long Island Rail Road	311,645	295,937	307,043*
	Metro North	296,500	278,090	292,492*
ISM-New York Metro Area, SA (Source: ISM-New York, Inc.)	Current Business Conditions	52.7	60.3	58.6
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	NY-BCI	737.8	770.1	782.3
Initial Unemployment Claims (Source: NYS DOL)	Initial Unemployment Claims	31,322	29,761	27,603
Number of Building Permits (Source: HUD)	Number of Building Permits	5,651	5,170	5,476

*Data for Q2 2018 includes April and May, excludes June

**NA=Not available

Special Analysis: The Impact of Tariffs Between the US and China on the NYC Economy

Concerns about a trade war with China are escalating. According to the U.S. Department of Commerce, China is currently the largest trading partner of the U.S. in goods. The U.S. trade deficit in goods with China was \$347.0 billion in 2016. The U.S. had a modest trade surplus in services with China of \$38.0 billion in 2016. The Commerce Department estimates that U.S. exports of goods and services to China supported 911,000 jobs in 2015 (601,000 by goods exports and 309,000 by services exports).⁵

Significance of Trade with China in the NYC Economy

According to the U.S. Census Bureau, the export of goods from NYC totaled \$136.3 billion in 2017 of which, \$8.7 billion or 6.4% were to China. NYC imported goods totaling \$227.9 billion in 2017 of which, \$40.7 billion or 17.9% were from China. As a result, the City's goods trade deficit in 2017 was \$91.5 billion of which, \$32 billion or 35.0% were with China.

Table A shows the City's exports and imports with China in 2017 for selected commodities. The City's top three biggest exported commodities to China in 2017 were computer and electronic products, chemicals, and machinery. The City's biggest imports were computer and electronic products, apparel and accessories, and miscellaneous manufactured commodities.

Table A. NYC and China, Exports and Imports for Major Industry Segments, 2017

Dollars in millions

	Total Exports Value	Customs Import Value	Trade Balance
All Commodities	\$ 8,730.31	\$ 40,701.40	\$ (31,971.09)
Chemicals	\$ 1,404.66	\$ 2,597.30	\$ (1,192.64)
Computer & Electronic Products	\$ 1,712.83	\$ 7,866.63	\$ (6,153.81)
Machinery, Except Electrical	\$ 1,085.90	\$ 2,382.81	\$ (1,296.91)
Waste & Scrap	\$ 843.36	\$ 25.73	\$ 817.64
Primary Metal Mfg & Fabricated Metal Products	\$ 760.85	\$ 2,376.57	\$ (1,615.72)
Transportation Equipment	\$ 545.34	\$ 1,323.94	\$ (778.59)

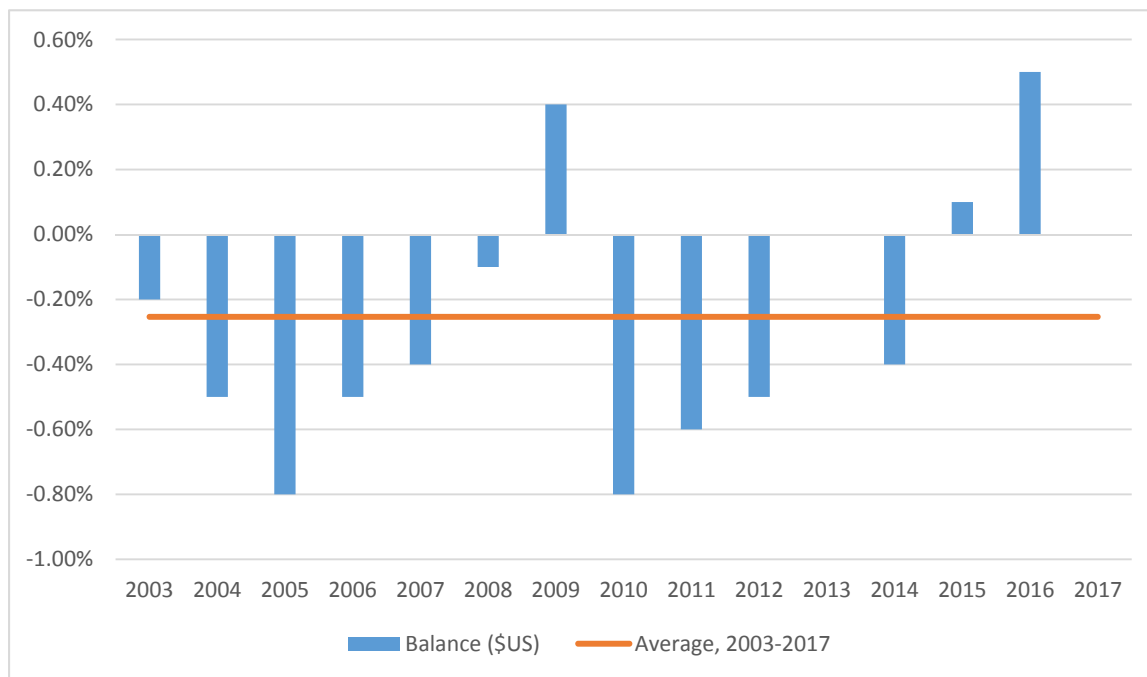
Source: U.S. Census Bureau

Chart A shows the contribution of net exports (exports less imports) of goods between NYC and China to the City's nominal GCP. On average, between 2003 and 2017, exports of goods to China contributed just

⁵ <https://ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china>

0.1 percentage points to GCP, while imports of goods from China deducted 0.3 percentage points; the net impact was a reduction of 0.2 percentage points from the City's nominal GCP growth. This indicates that any changes that would result from the recently announced tariffs, and any future retaliatory tariffs, will have little overall impact on the City's economy. However, NYC's economy is a service-oriented economy. Therefore, any trade war that impacted services like financial services, marketing, consulting, accounting, and legal services could have a more significant direct impact on the local economy.

Chart A: Net Impact of Trade with China on NYC Gross City Product



Source: U.S. Census Bureau and NYC Comptroller's Office analysis

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