



NEW YORK CITY COMPTROLLER
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Bureau of Budget

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NYC Quarterly Economic Update

Economic Growth Moderates In Q3 2019

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Table 1: Third Quarter of 2019 Key Economic Indicators for NYC and U.S. Compared with Q3 2018

Economic Indicator		Q3 2018	Q3 2019
GCP/GDP Growth, SAAR	NYC	2.8	2.4
	U.S.	2.9	1.9
Payroll-Jobs Growth, SAAR	NYC	1.7	0.6
	U.S.	1.8	1.4
PIT Withheld, Growth, NSA	NYC	4.4	7.6
	U.S.	-6.4	12.1
Inflation Rate, NSA	NYC	2.1	1.7
	U.S.	2.6	1.8
Unemployment Rate, SA	NYC	4.0	4.2
	U.S.	3.8	3.6

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

Full data series are available on-line at <https://comptroller.nyc.gov/reports/new-york-city-quarterly-economic-update/>

NYC Economic Growth Moderates

Chart 1. NYC Real Gross City Product (GCP) Remains Above The U.S.



Source: BEA and NYC Comptroller

The City's economy grew 2.4 percent in Q3 2019 on an annualized basis, the slowest pace in over two years (since Q1 2017), and down from the 3.1 percent rate in the second quarter. The slower economic pace was partially caused by a soft labor market and a more moderate wage growth as measured by average hourly earnings.

U.S. GDP rose at a 1.9 percent annual rate in Q3 2019, slightly below the 2.0 percent rate in the previous quarter. The biggest contributor to GDP growth was consumer spending and the largest drag on growth was nonresidential fixed investment. Consumer spending contributed 1.93 percentage points (pp) to GDP growth, less than the 3.03 pp in Q2 2019. The increase in consumer spending is attributable to the strength in the labor market, growth in wages, and low interest rates. Within consumer spending, services (health care) and nondurable goods (other nondurable goods and food and beverages purchased) contributed the most to GDP growth.

Government expenditures contributed 0.35 pp to the GDP growth of which 0.22 pp was federal and 0.12 pp were by state and local governments. Nondefense Federal government expenditure rose 5.2 percent, and defense spending grew 2.2 percent on annualized basis in Q3 2019.

In contrast, private investment and net exports lowered economic growth. Private investment deducted 0.27 pp from GDP growth after deducting 1.16 pp in Q2 2019. As a result, gross private investment grew only

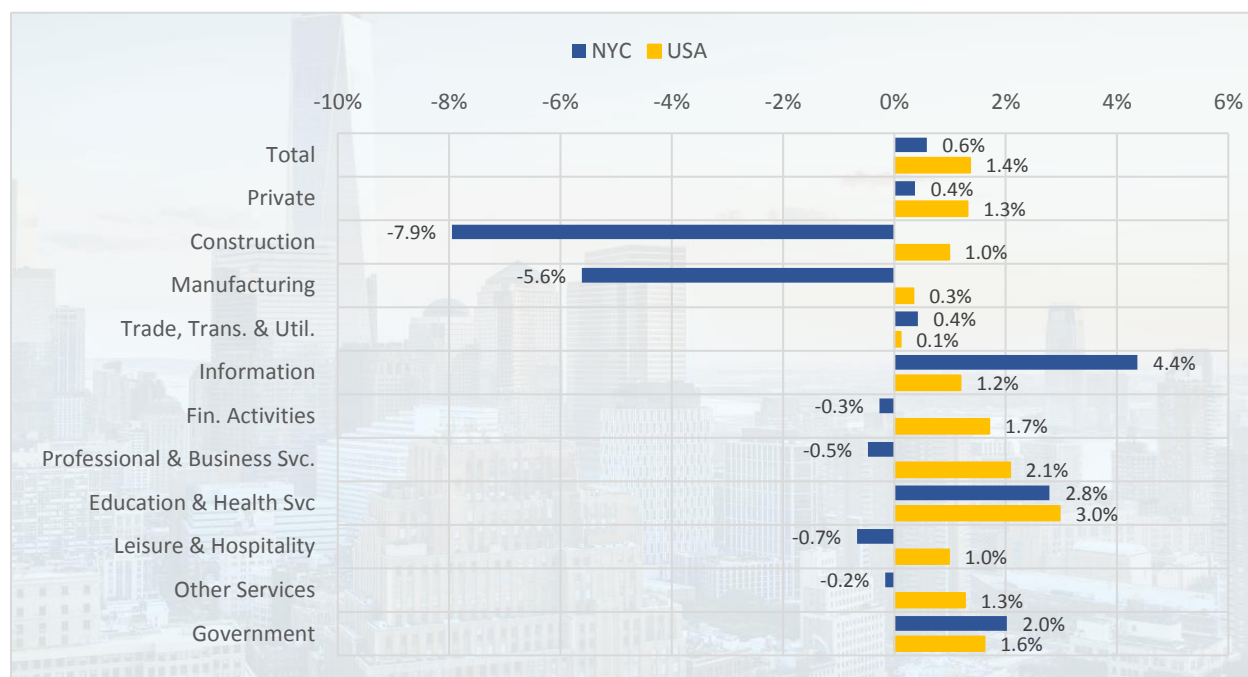
0.2 percent in Q3 2019 from a year ago. Likely causes include the waning impact of the 2017 Tax Cuts and Jobs Act stimulus effect, and hesitation in the face of uncertainties over the path of trade negotiations.

Finally, the inflation rate was below the Federal Reserve's 2.0 percent target, boosting the argument for future rate cuts.¹ The U.S. inflation rate as measured by the year-over-year change in the consumer price index rose 1.8 percent, and the personal consumption expenditure deflator rose 1.4 percent in Q3 2019.

¹ The Federal Open Market Committee announced a quarter point cut to the federal funds rate target range at its Oct. 29/30 2019 meeting.

Private-Sector Hiring Growth Slows To A 10-Year Low

Chart 2. NYC Job Growth Cools Down



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

Job growth in the City slowed in Q3 2019. New York City establishments (including government) added 6,700 jobs, an increase of only 0.6 percent on a seasonally adjusted annualized rate (SAAR) basis, the smallest gain since Q3 2010. U.S. jobs grew by 1.4 percent in Q3 2019 after increasing 1.2 percent (SAAR) in Q2 2019, which was the weakest gain in almost seven years (since Q3 2012) (Chart 2).

The City's private sector added 3,700 jobs or 0.4 percent (SAAR) in Q3 2019, the weakest growth since Q4 2009. The public sector added 3,000 jobs in Q3 2019 after adding 900 jobs in Q2 2019. Nationally, private-sector employment grew 1.3 percent (SAAR) in Q3 2019, the same rate as in Q2 2019, and the slowest growth since a 1.2 percent increase in Q3 2010.

In the private sector the largest employment gains were in healthcare and social assistance, with a gain of 12,900 new jobs, of which almost two-thirds (8,500 jobs) were in home healthcare services. We believe the

strength on healthcare is due to changes in Medicaid allowing family members to be paid to care for their loved ones).²

The education services sector lost 5,700 jobs. The information sector added 2,200 jobs, the biggest gain since Q2 2018. Trade, transportation and utilities added 700 jobs all of which, were in retail trade (+500 Jobs) and wholesale trade (+400 jobs) in Q3 2019.

Professional and business services lost 900 jobs. Professional, scientific, and technical services added 1,700 jobs and management of companies and enterprises added 700 jobs but these gains were more than offset by the loss of 3,300 administrative, support, and waste management jobs.

Employment in the financial activities sector declined for the fourth consecutive quarter, shedding 300 jobs as the earnings of the nation's six largest banks declined 7.7 percent in the third quarter, on a year-over-year basis.³ Lower interest rates may be contributing to lower net interest income growth than banks may have anticipated. The financial activities sector has lost a total of 4,500 jobs since Q3 2018.

Leisure and hospitality lost 800 jobs, the first decline since Q3 2018. The main driver of this loss was in arts, entertainment, and recreation which lost 1,300 jobs, the biggest decline since Q2 2016. In contrast, restaurants and bars added 500 jobs (after losing 400 jobs in the previous two quarters).

Construction lost 3,300 jobs in Q3 2019 after losing 1,000 jobs in the previous quarter. Manufacturing continued to contract, losing 1,000 jobs.

The number of office workers increased by 1,000 in Q3 2019 after increasing by 11,400 in Q2 2019, the biggest increase since Q1 2015. However, housing employment, which includes construction workers and the real estate and property sector, lost 1,100 jobs after losing 2,100 jobs in Q2 2019, the biggest decline since Q1 2010.

All the new private sector jobs were in low- and high-wage industries; 9,400 jobs were in low-wage industries and 2,100 jobs were in high-wage industries. Medium-wage industries – notably education services, construction, and arts and entertainment -- lost jobs for the second consecutive quarter; 7,700 in Q3 2019 and 2,500 in Q2 2019.⁴

For the first time since Q4 2009, all the new private-sector jobs were in the local sector. There were 4,500 new private-sector jobs in local-sector industries, such as education and health services. Export-sector industries, such as leisure and hospitality and professional and business services, lost 800 jobs.⁵

² Independent Budget Office of the City of New York, *Revised Histories and Extraordinary Trends in the New York City Economy*, May 2019. <https://ibo.nyc.ny.us/iboreports/past-as-prologue-revised-histories-and-extraordinary-trends-in-the-new-york-city-economy-may-2019.html>

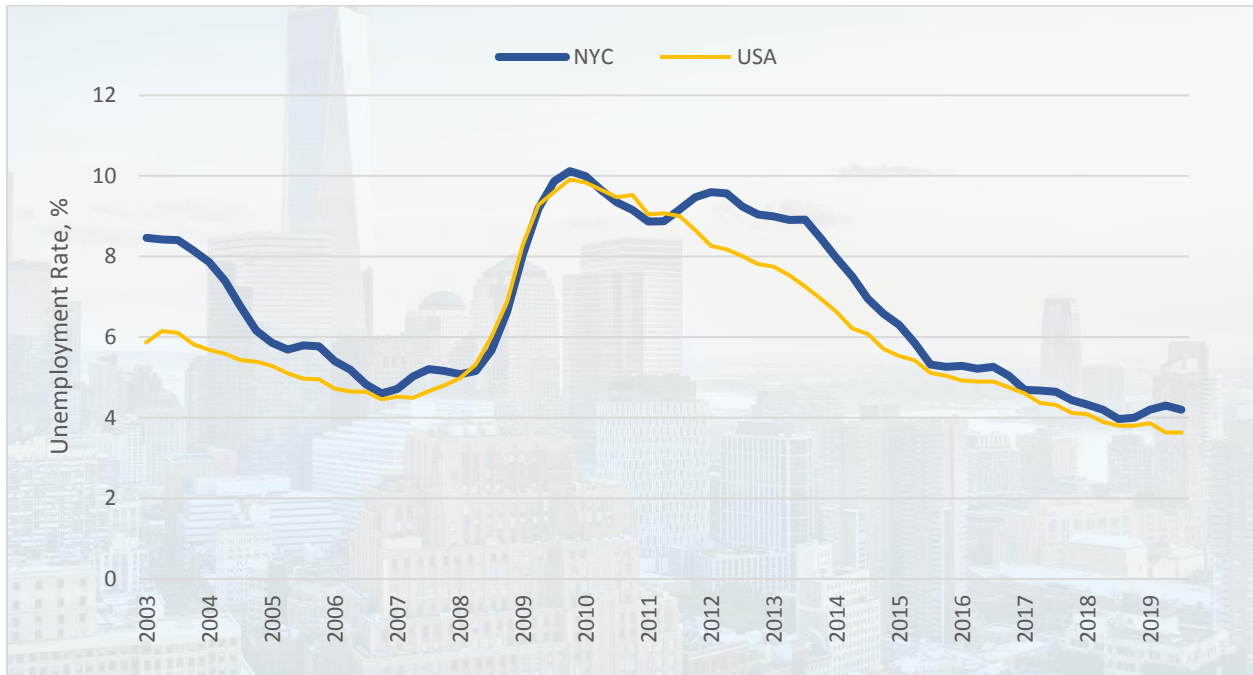
³ JPMorgan Chase, Bank of America, Wells Fargo, Citigroup, Goldman Sachs, and Morgan Stanley. All but Bank of America and Wells Fargo are headquartered in NYC.

⁴ We define high-wage private-sector jobs as those that pay above \$126,000 a year; medium-wage jobs as those paying \$63,000 to \$126,000 a year; and low-wage jobs as earnings of less than \$63,000 a year. The average annual salary of a worker in New York City in a low-wage sector job was \$45,000, in a medium-wage sector was about \$87,000, and in a high-wage sector was about \$219,000 as of 2018.

⁵ Export sector jobs (generally higher paying) provide goods and services to people and firms outside of the five boroughs and depend more heavily on the national and global economies. Local sector jobs provide support for the export sector and the local population or local consumption.

Unemployment Rate Remains Near-Record Lows

Chart 3. NYC Unemployment Rate Fell



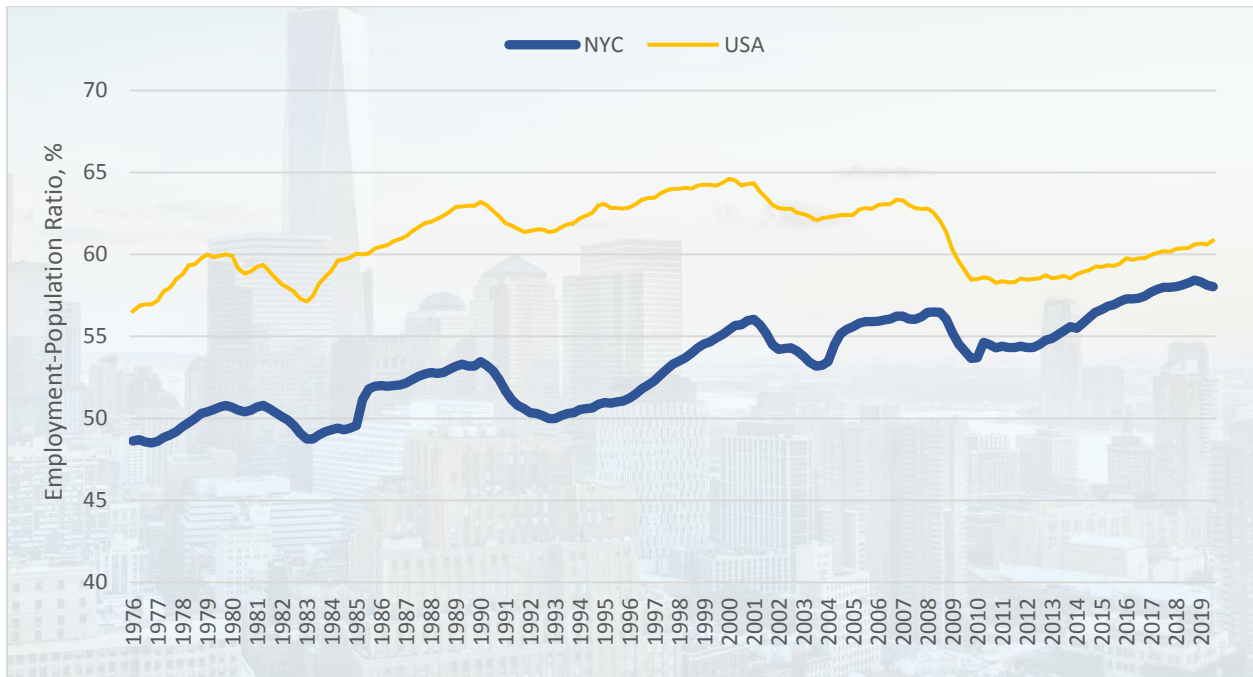
Source: U.S. Bureau of Labor Statistics (BLS) and NYS Department of Labor

Increases in payroll jobs helped the City's unemployment rate fall to a seasonally adjusted rate of 4.2 percent in Q3 2019 from 4.3 percent in Q2 2019, close to its record low of 4.0 percent in Q4 2018 (Chart 3). The number of unemployed in the City declined by 5,800 to 171,300 in Q3 2019. The U.S. unemployment rate was 3.6 percent in Q3 2019, the same as in Q2 2019, and the lowest rate since the fourth quarter of 1969.

The unemployment rate (not seasonally adjusted) remained unchanged in Brooklyn, Queens, and Manhattan, but fell further in the Bronx and Staten Island in Q3 2019 from Q3 2018. Nonetheless, the unemployment rates in all the five boroughs were at their historically low third-quarter levels in Q3 2019. The borough unemployment rates changes from Q3 2018 to Q3 2019 were:

- the same, at 3.6 percent in Queens;
- the same, at 3.7 percent in Manhattan;
- 4.3 to 4.2 percent in Staten Island;
- the same, at 4.3 percent in Brooklyn; and
- 5.8 to 5.7 percent in the Bronx.

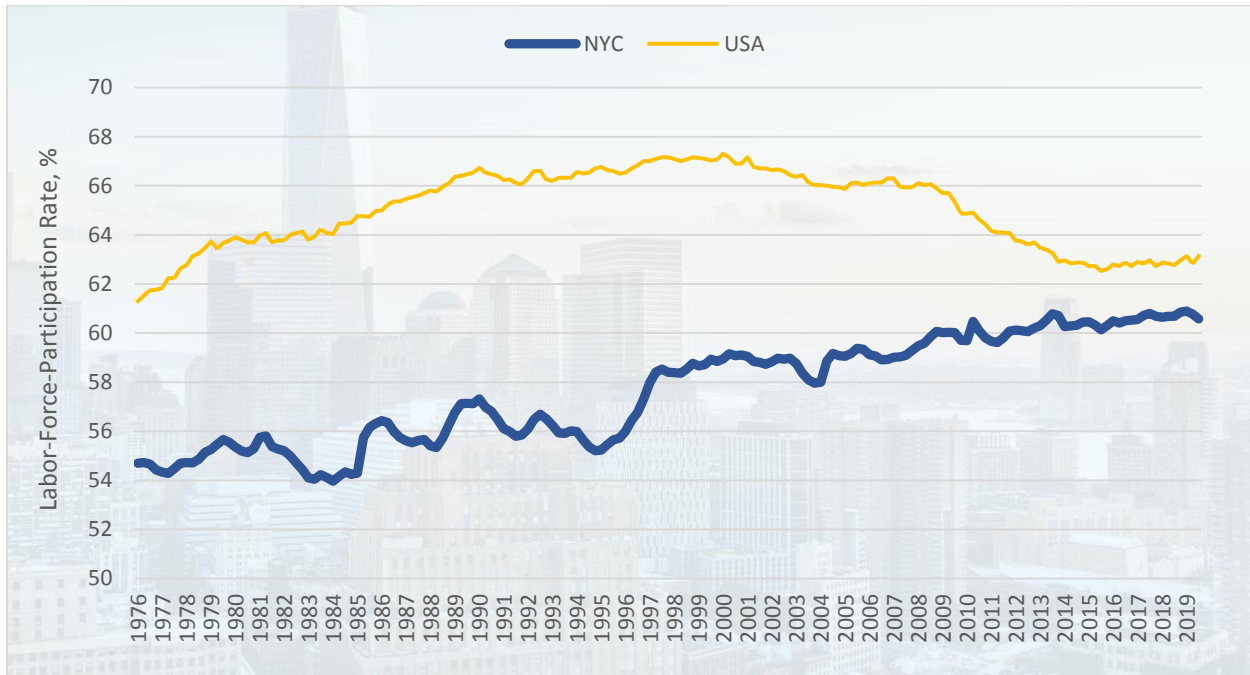
Chart 4. The Percentage of New York City Residents Working Remains Around a Record High



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

On a quarter-over-quarter basis, the number of employed City residents (who may work either in the City or the commutable suburbs) fell by 11,500 to slightly over 3.9 million in Q3 2019. The City's employment-to-population ratio fell to 58.0 percent in Q3 2019 from 58.1 percent in Q2 2019 (Chart 4). The national employment-to-population ratio rose to 60.9 percent in Q3 2019, the highest rate since 61.4 percent in Q4 2008. The spread between the nation's and the City's employment-to-population ratios (which may be explained by differences in demographics, i.e. age or skill levels) rose to 2.8 percentage points in Q3 2019, the highest in five years.

Chart 5. Labor Force Participation Rate Declined, But Remains Close to Peak



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

The City’s labor force declined by 17,300 in Q3 2019, the biggest decline since dropping 24,200 in Q1 2014. As a result, the City’s labor force participation rate (LFPR), which is the ratio of the total labor force to the total non-institutional population aged 16 years old and over, fell to 60.6 percent in Q3 2019 from 60.8 percent in Q2 2019. The national labor force participation rate rose to 63.1 percent in Q3 2019 from 62.8 percent in Q2 2019. Table 2 provides a summary of the City’s household data for the second and third quarters of 2019.

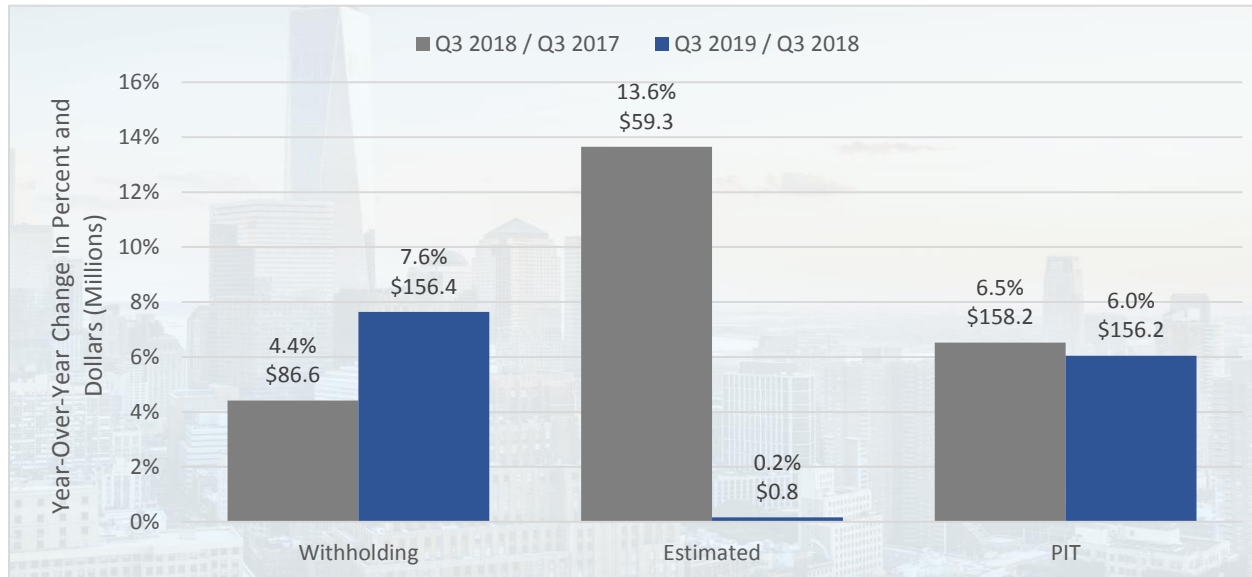
Table 2. Employment Status of the Resident Population

	Q2 2019	Change, Q3	Q3 2019
Employed City Residents	3,931,700	(11,500)	3,920,300
+ Unemployed City Residents	177,100	(5,800)	171,300
= Labor Force	4,108,800	(17,300)	4,091,500
Unemployment Rate	4.3%		4.2%
All Persons (Non-institutional 16 and Up)	6,760,700	(6,500)	6,754,200
Labor Force Participation Rate	60.8%		60.6%

Source: NYS Department of Labor

Strong Growth in Withholding PIT Revenues

Chart 6. Change in Personal Income Tax Collections



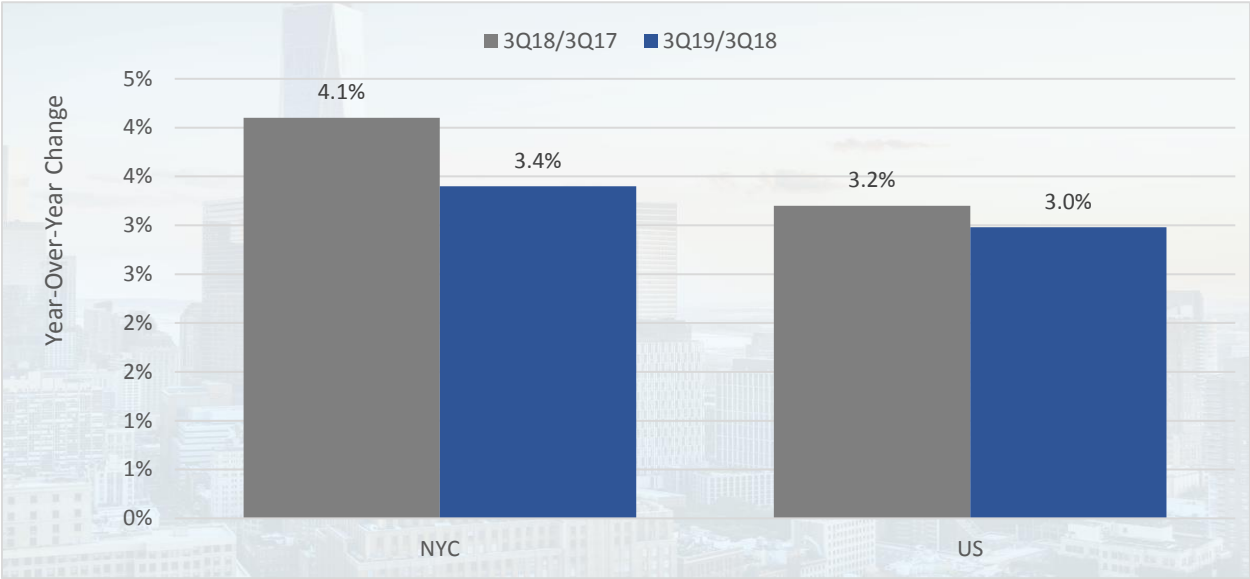
Source: NYS OPTA

NYC personal income tax (PIT) collections rose 6.0 percent or by \$156.2 million on a year-over-year basis to over \$2.7 billion in Q3 2019 (Chart 6). All the gains were a result of withholding tax revenues which are generally directly related in wages and salaries.

Estimated tax payments including extension payments, (generally related to dividends and other investment income), remained almost flat, increasing only 0.2 percent or \$0.8 million in Q3 2019 over a year ago.

Average hourly earnings (AHE) of all private sector NYC employees rose 3.4 percent on a year-over-year basis to \$37.61 in Q3 2019, less than the 4.1 percent growth in Q3 2018, but still above the 2.4 percent average for the third quarters since 2009. U.S. average hourly earnings grew 3.0 percent to \$27.99 in Q3 2019 from Q3 2018, less than the 3.2 percent in Q3 2018, but higher than the 2.5 percent average for the third quarters since 2007 (Chart 7). Wage gains exceeded the year-over-year change in the Consumer Price Index for urban consumers of 1.7 percent in the New York metro area.

Chart 7. Growth in Average Hourly Earnings of Private Employees



Source: U.S. Bureau of Labor Statistics

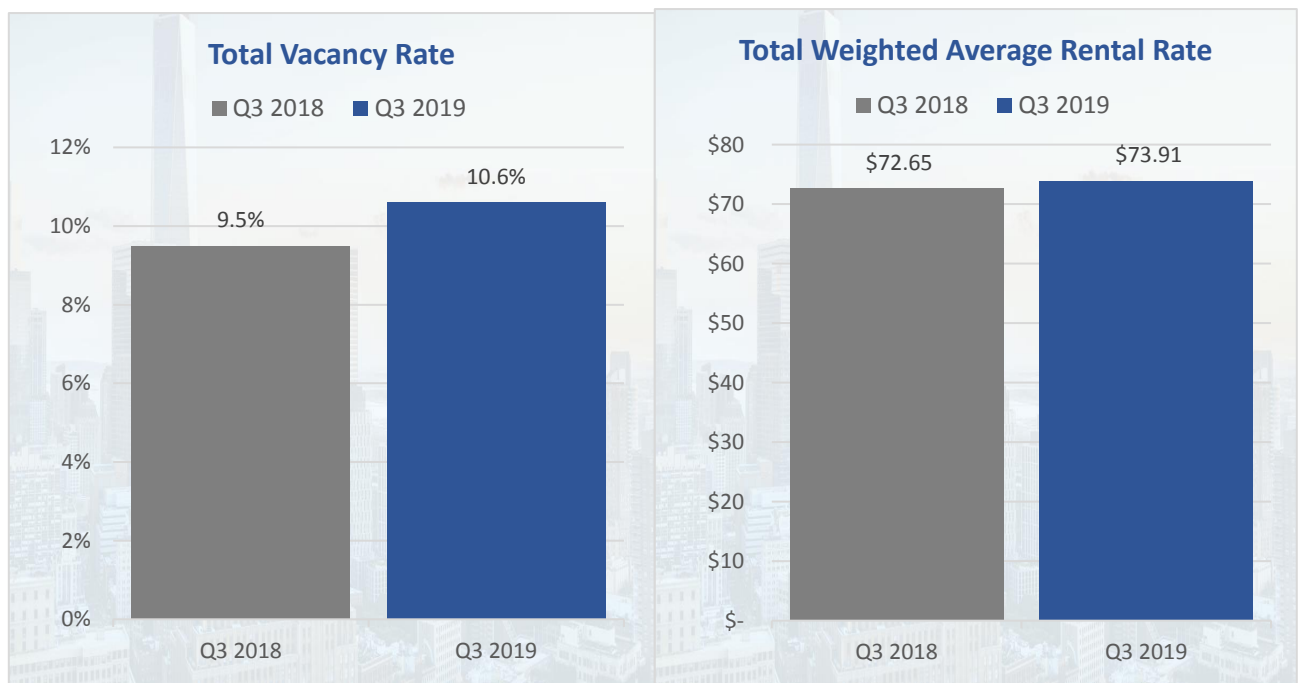
Vacancy Rates Rise as New Commercial Leasing Activity Cools

After a relatively strong Q2 2019, new commercial leasing activity in Manhattan cooled off in Q3 2019. According to Cushman and Wakefield, there were about 7.3 million square feet (msf) of new commercial leasing in Manhattan in Q3 2019, 23.7 percent less than 9.6 msf in Q3 2018 and 27.3 percent lower than 10.0 msf in Q2 2019. Underlying the lackluster performance in the City as a whole was 3.1 msf of leasing in Midtown in Q3 2019, which was 56.4 percent less than a year ago; 2.7 msf in Midtown South, 47.1 percent higher than a year ago; and 1.5 msf in Downtown, more than twice of the 0.7 msf in Q3 2018.

Manhattan's overall commercial vacancy rate increased to 10.6 percent in Q3 2019 from 9.5 percent in Q3 2018 (Chart 8). The primary reason for the increase was an increased supply of available space, which grew by more than 4.4 msf on a year-over-year basis. Available space increased in Midtown by 4.8 msf, in Midtown South by 0.4 msf, but in Downtown declined by about 0.8 msf, on a year-over-year basis. On a year-over-year basis, the vacancy rate rose 1.9 percentage points in Midtown to 11.1 percent, 0.7 percentage points in Midtown South to 8.1 percent, but fell 0.9 percentage points in Downtown to 11.1 percent in Q3 2019.

On a weighted average basis commercial rents increased in Manhattan although there were differences by neighborhood. Compared with Q3 2018, rents fell in Downtown, but increased in Midtown and Midtown South as higher-priced space entered those markets in Q3 2019.

Chart 8. Commercial Vacancy Rate and Rental Rate Increased



Source: Cushman & Wakefield

Residential Real Estate Sales Fall in Manhattan, Brooklyn and Queens

Table 3. Residential Sales Falls in Manhattan, Brooklyn, and Queens

	Manhattan	Brooklyn	Queens
Avg. Sales Price	\$1,656,395	\$977,259	\$651,216
Avg. Sales Price (Y/Y)	-14.1%	-7.1%	2.5%
Number of Sales	2,562	2,596	3,416
Number of Sales (Y/Y)	-14.2%	-10.4%	-7.0
Listing Inventory	7,352	3,435	6,029
Listing Inventory (Y/Y)	6.2%	9.0%	13.8%
Absorption Rate (Months)	8.6	4.0	5.3
Days on Market	91	81	81
Days on Market (Y/Y)	-1.1%	1.3%	42.1%

Source: Douglas Elliman

According to Douglas Elliman, housing prices fell in Manhattan and Brooklyn, but increased in Queens in Q3 2019, on a year-over-year basis (Table 3). Prices in Manhattan and Brooklyn fell by 14.1 percent and 7.1 percent, respectively, while prices in Queens rose 2.5 percent.

In Manhattan, sales fell 14.2 percent to 2,562 in Q3 2019, after increasing 12.5 percent in Q2 2019. The sharp increase in Q2 and the sharp decline in Q3 is believed to be a tax-avoidance strategy in reaction to the new Mansion Tax implemented on July 1, 2019. On a year-over-year basis (to control for the Mansion Tax effect) sales fell 1.7 percent in the third quarter.

The listing inventory in Manhattan rose 6.2 percent from the prior year to 7,352 in Q3 2019. Decline in sales and increase in inventory resulted in higher absorption rate, defined as the number of months to sell all inventory at the current rate of sales. Absorption rate or months of supply, rose to 8.6 months in Q3 2019 from 7.0 months in Q3 2018. Days on the market from the last list date decreased to 91 days in Q3 2019 from 92 days a year ago.

In Brooklyn, sales volume declined 10.4 percent, on a year-over-year basis to 2,596, leading to a 9.0 percent rise in the listing inventory to 3,435. The absorption rate rose to 4.0 months in Q3 2019 from 3.3 in Q3 2018, and the number of days on the market rose to 81 from 80.

In Queens, sales volume fell 7.0 percent to 3,416 in Q3 2019 over Q3 2018. As a result, the listing inventory rose 13.8 percent to 6,029 in Q3 2019 compared with the same period last year. The number of days on the market rose to 81 days in Q3 2019, significantly slower than the 57 days in Q3 2018. The absorption rate rose to 5.3 months in Q3 2019 from 4.3 months in Q3 2018.

Douglas Elliman reports that the number of 1 to 3-family homes sold fell in Brooklyn (17.6 percent), and in Queens (6.0 percent) in Q3 2019, on a year-over-year basis. However, while the average sales price per square foot fell 6.8 percent in Brooklyn, it rose 2.7 percent in Queens in Q3 2019 over Q3 2018.

Table 4. StreetEasy Citywide Data

	Q3 2018	Q3 2019
Sale-to-List Ratio	96.8%	95.9%
Share of Price Cuts	11.9%	11.7%

Source: Comptroller’s Office based on data from StreetEasy

Further signs of softness in the residential housing market are provided by StreetEasy, which reports that the citywide median sale-to-list ratio – the final recorded sales price of a home or apartment as a percentage of its initial asking price – was 95.9 percent in Q3 2019, down from 96.8 percent in Q3 2018 (Table 4).⁶ A lower sale-to-list ratio is an indicator that sellers are not realizing the value they believe they have in their properties.

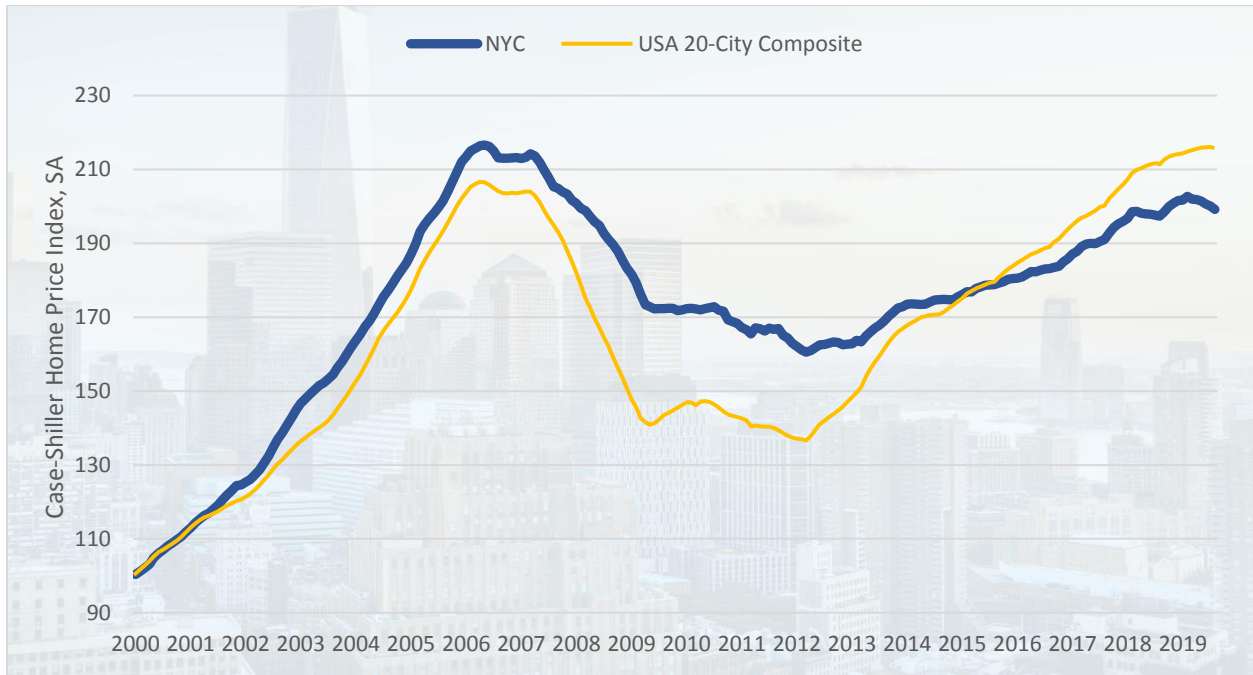
As an indicator that sellers may be adjusting to the lower prices, the share of all active sales listings on StreetEasy that had a reduction in asking price during Q3 2019 fell slightly to 11.7 percent from the 11.9 percent in Q3 2018, albeit still high compared to the 7.3% average monthly rate in 3Q2015

Finally, 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 the U.S. on average (Chart 9). The New York metro area home price index increased 1.0 percent in July-August 2019 over the same period in 2018, while the U.S. 20-city composite index rose 2.0 percent. As a comparison, both the U.S. inflation rates and NYC metro area inflation rate were 1.8 percent in July-August 2019 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 August 2019, the U.S. 20-city composite index was 57.9 percent higher than its trough in 2012 and 4.4 percent above its previous peak in 2006. In comparison, the New York metro area home price index was 24.1 percent higher than at its trough in March of 2012, but was still 8.0 percent below the peak reached in May 2006.

⁶ <https://streeteasy.com/blog/data-dashboard/>

Chart 9. NYC Single Family Home Prices Lag the Nation



Source: Standard and Poor's Case-Shiller Home Price Index

Residential Rental Markets Are Mixed

Table 5. Residential Rents Were Mixed in September

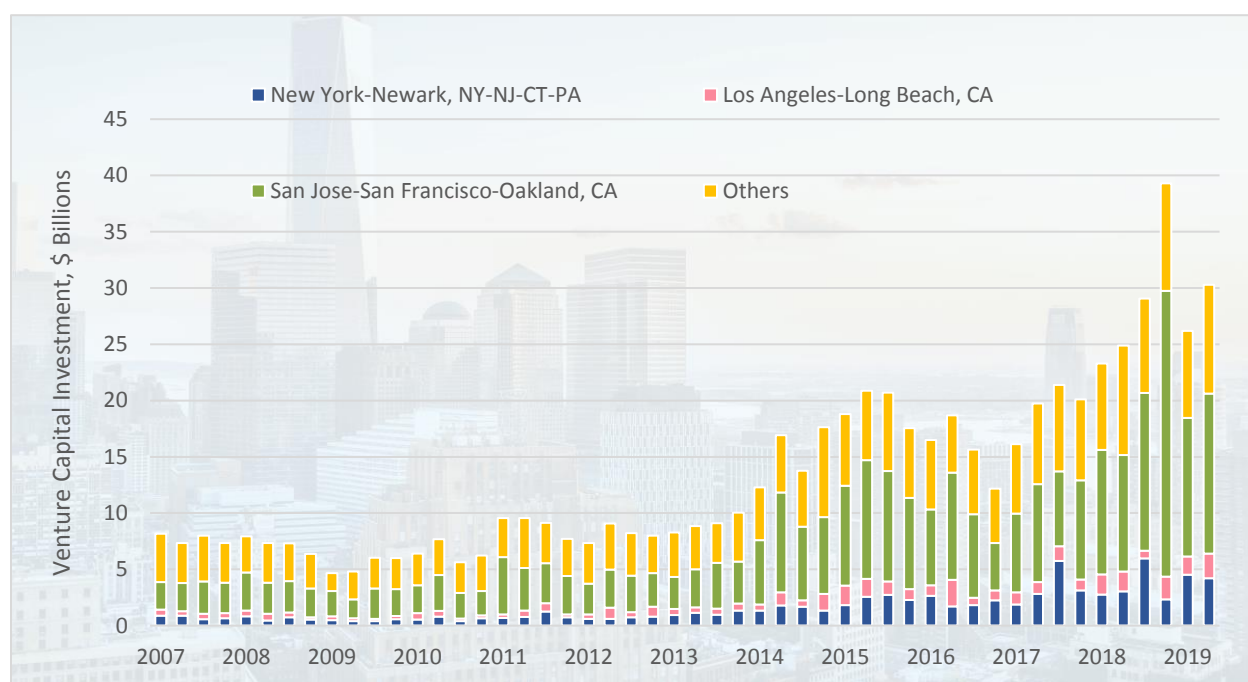
	Manhattan	Brooklyn	NW Queens
Avg. Rental Price	\$4,336	\$3,366	\$3,056
Avg. Rental Price (Y/Y)	4.0%	7.6%	-1.3%
Number of New Leases	5,019	1,293	283
Number of New Leases (Y/Y)	-4.0%	8.7%	-9.6%
Days on Market (from original list date)	28	26	24
Days on Market (Y/Y)	-3.4%	0.0%	4.3%
Listing Discount (from original list price)	1.5%	0.9%	1.1%
Listing Inventory	5,299	1,506	297
Listing Inventory (Y/Y)	-2.2%	-19.9%	-31.9%
Share of New Leases with Concessions	34.3%	34.6%	33.6%

Source: Douglas Elliman

The rental market was mixed in September 2019, according to Douglas Elliman (Table 5). In Manhattan, the average rental price increased 4.0 percent, but the number of new leases fell 4.0 percent from a year ago. As a result, the vacancy rate in Manhattan rose to 1.96 percent from 1.51 percent in September 2018. In Brooklyn, the average rental price rose 7.6 percent and the number of new leases rose 8.7 percent. In Queens, the average rental price fell 1.3 percent and the number of new leases fell 9.6 percent in September 2019, from a year ago. Manhattan's share of new leases with concessions fell to 34.3 percent in September 2019 from 37.4 percent a year ago, in Brooklyn it fell to 34.6 percent from 43.1 percent and in Queens it fell to 33.6 percent from 55.6 percent.

Solid Venture Capital Investment in the New York Region

Chart 10. Venture Capital Investment by Region, \$ in billions



Quarter	New York-Newark, NY-NJ-CT-PA	Los Angeles-Long Beach, CA	San Jose-San Francisco-Oakland, CA	Others	Total
Q3 2019	\$4.27	\$2.39	\$11.47	\$7.74	\$25.86
Q2 2019	\$4.20	\$2.19	\$14.23	\$9.66	\$30.28
Q3 2018	\$5.99	\$0.67	\$14.03	\$8.37	\$29.06

Source: PwC MoneyTree

Total Venture capital (VC) investment in the U.S. and New York metro area fell in Q3 2019 from a year ago (Chart 10) but the region is still attracting solid investments to local start-ups. According to the PwC/CB MoneyTree Report⁷, total VC investment in the New York metro area fell 28.7 percent to \$4.27 billion in Q3 2019 from its record high of about \$6.0 billion in Q3 2018, but it was higher than the

⁷ <https://www.pwc.com/us/en/moneytree-report/assets/moneytree-report-q3-2019.pdf>

\$4.20 billion in Q2 2019. New York VC funding rounds included five rounds of over \$100 million of which, two were in business product and services (Authentic Brands Group and Knotel), one was in internet (Compass), one in mobile and telecommunications (Capsule), and one in automotive and transportation (Wheels Up Partner).⁸

Investment in the San Jose-San Francisco-Oakland area, which usually has the highest concentration of VC investment, fell 18.3 percent from a year ago to \$11.47 billion in Q3 2019. Total venture capital investment in the U.S. decreased 11.0 percent to \$25.86 billion.

The number of VC deals in the U.S., San Jose-San Francisco-Oakland, and the New York metro area fell in Q3 2019, on a year-over-year basis, reflecting a trend to fewer investments at higher values. The number of deals in the New York metro area fell to 189 in Q3 2019 from 211 in Q3 2018. The number of deals in San Jose-San Francisco-Oakland area fell to 388 from 448 in Q3 2018. The number of deals in the U.S. fell to 1,280 from 1,510 in Q3 2018.

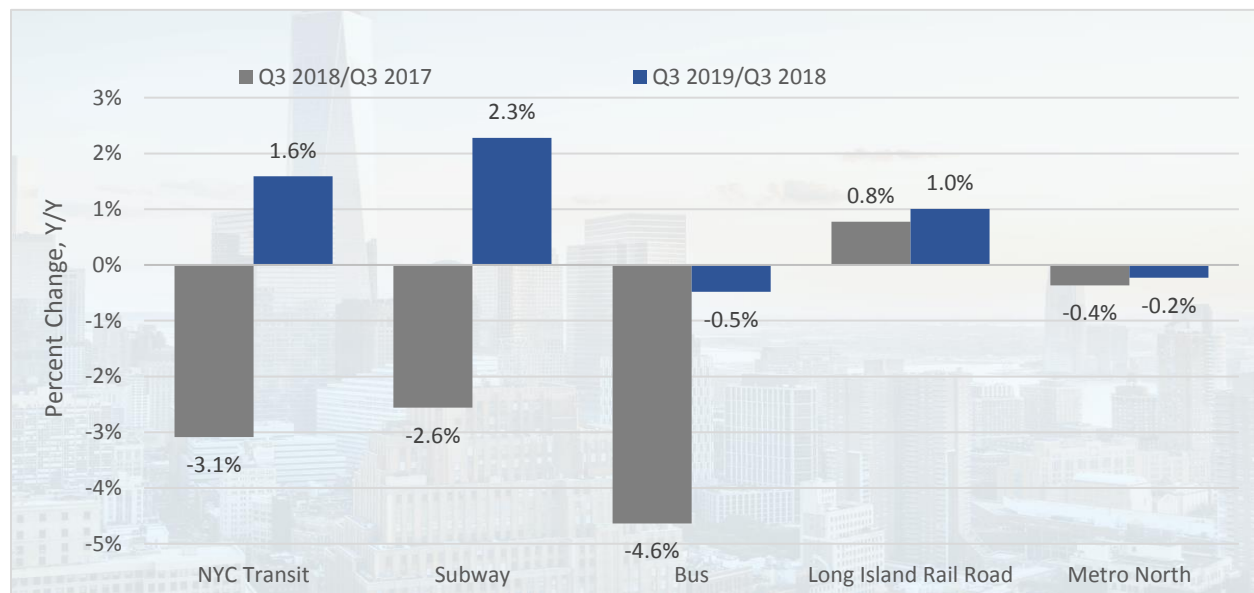
The NY metro area's share of VC investment fell to 16.5 percent in Q3 2019 from 20.6 percent in Q3 2018. However, the share of deals rose to 14.8 percent in Q3 2019 from 14.0 percent in Q3 2018. San Jose-San Francisco-Oakland area's share of VC investment rose to 30.3 percent in Q3 2019 from 29.7 percent in Q3 2018.

⁸ For a detailed review of recent venture capital activity in New York City, see Office of the New York City Comptroller, *Venture Capital in New York City's Economy*, April 2019 (<https://comptroller.nyc.gov/reports/venture-capital-in-new-york-citys-economy/>)

Other Indicators Are Mixed

Average weekday ridership on MTA NYC Transit (buses and subways) rose 1.6 percent in Q3 2019 from a year ago. Average weekday ridership on the system's subways rose 2.3 percent, but fell 0.5 percent for bus ridership. During the same period, ridership on the Long Island Rail Road (LIRR) rose 1.0 percent, but fell 0.2 percent on Metro North (Chart 11). Ridership, especially on the LIRR and Metro North, usually reflects the City's economic activity and employment. Reasons for the decline in ridership are thought to be poor service, fare evasion, and the rapid rise of Uber and other for-hire vehicles.⁹

Chart 11. NYC Public Transportation Ridership Mixed



Source: Metropolitan Transportation Authority

According to the Broadway League, **Broadway show ticket revenues and attendance decreased in Q3 2019, on a year-over-year basis.** Total gross weekly Broadway ticket sales were over \$403 million in Q3 2019, 7.7 percent less than in Q3 2018, the first third-quarter decline since 2016. Total attendance fell 3.0 percent to over 3.3 million in Q3 2019, also the first third-quarter decline since 2016.

The City's hospitality market cooled off in July-August of 2019 over the same period in 2018. According to CBRE Hotels, the hotel occupancy rate in Manhattan averaged 90.2 percent in July-August 2019, less than the 91.1 percent during the same time in 2018. This is consistent with the declines in employment in this sector. Similarly, the average daily room rate was \$254.68 in July-August 2019, lower

⁹ <https://www.nytimes.com/2018/08/01/nyregion/subway-ridership-nyc-metro.html>

than the \$259.56 in July-August 2018. The reason for the slowdown could be the strong dollar and a weaker global economy¹⁰.

¹⁰ <https://www.nytimes.com/2019/08/19/nyregion/nyc-tourism.html>

Leading Economic Indicators Still Positive, But Signal Caution

Leading economic indicators signal caution. 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 business in the New York City metro area turned pessimistic in Q3 2019. The current business condition index (which measures the current state of the economy from the perspective of business procurement professionals) fell for the fourth consecutive quarter to 45.5 percent in Q3 2019, its lowest level since 42.2 percent in Q2 2009. Any number below 50 percent indicates contraction. Subsequent to the low September index, October's index (which isn't in the 3rd quarter numbers) is higher. The ISM six-month outlook (which measures where procurement professionals expect the economy to be in six months) fell to 59.9 in Q3 2019, but still above the 50 percent threshold. The NY-BCI (which measures the cumulative change in business activity) fell to 877.7 in Q3 2019 from the record high of 882.3 in Q2 2019.

On a positive note, the number of City's residents applying for unemployment insurance declined 4.6 percent to 27,787 in Q3 2019. Initial unemployment claims, which shows the number of applicants for unemployment insurance, was the lowest third quarter level on record in Q3 2019.

Also, the U.S. Department of Housing and Urban Development, which reports the number of building permits in the City, shows that the total number of building permits rose 19.6 percent from a year ago to 5,336, the highest third-quarter level since 2014 (Table 6) as a result of low mortgage interest rates. A higher number of building permits should mean more construction, and construction jobs in the future.

Table 6: Leading Economic Indicators Mixed, But Positive

	Q3 2018	Q2 2019	Q3 2019
ISM-New York Metro Area, SA* Current Business Conditions	74.7	58.6	45.5
ISM-New York Metro Area, SA* Six-Month Outlook	79.7	61.7	59.9
ISM-New York Metro Area, SA* NY-BCI	810.1	882.3	877.7
Initial Unemployment Claims (Source: NYS DOL)	29,119	27,278	27,787
Number of Building Permits (Source: HUD)	4,461	5,657	5,336

Source: ISM-New York, Inc.

Appendix: Q3 2019 Economic Indicators

Table A: Third Quarter 2019 Economic Indicators Compared to Q2 2019 and Q3 2018

		Q3 2018	Q2 2019	Q3 2019
County Unemployment Rate, NSA (Source: NYS DOL)	Bronx	5.8%	5.4%	5.7%
	Kings	4.3%	4.2%	4.3%
	New York	3.7%	3.6%	3.7%
	Queens	3.6%	3.5%	3.6%
	Richmond	4.3%	3.9%	4.2%
Commercial Vacancy Rate (Source: Cushman & Wakefield)	Midtown	9.2%	10.5%	11.1%
	Midtown South	7.4%	8.9%	8.1%
	Downtown	12.0%	11.6%	11.1%
	Manhattan Total	9.5%	10.5%	10.6%
Commercial Rental Rate (per sq ft) (Source: Cushman & Wakefield)	Midtown	\$76.12	\$76.56	\$76.41
	Midtown South	\$76.42	\$82.32	\$81.67
	Downtown	\$63.72	\$63.40	\$62.87
	Manhattan Total	\$72.65	\$74.15	\$73.91
Number of Apartment Sales (Source: Douglas Elliman)	Manhattan	2,987	2,957	2,562
	Brooklyn	2,898	2,561	2,596
	Queens	3,672	3,022	3,416
Case-Shiller Home Price Index, NSA (Source: S&P) 100=2000	NY Metro Area	199.5	200.7	201.2*
	US 20-City Composite	213.8	216.7	218.1*
Hotel Industry (Source: CBRE Hotels)	Average Daily Occupancy Rate	90.7%	90.2%	90.2%*
	Average Daily Room Rate	\$293.45	\$300.97	\$254.68*
MTA Average Weekday Ridership (Source: MTA)	NYC Transit	7,033,418	7,447,072	7,145,199
	Subway	5,275,125	5,634,565	5,395,351
	Bus	1,758,293	1,812,506	1,749,848
	Long Island Rail Road	315,783	320,818	318,959
	Metro North	290,210	297,896	289,544
ISM-New York Metro Area, SA (Source: ISM-New York, Inc.)	Current Business Conditions	74.7	58.6	45.5
	Six-Month Outlook	79.7	61.7	59.9
	NY-BCI	810.1	882.3	877.7
Initial Unemployment Claims (Source: NYS DOL)	Initial Unemployment Claims	29,119	27,278	27,787
Number of Building Permits (Source: HUD)	Number of Building Permits	4,461	5,657	5,336

*Data for Q3 2019 includes July and August, excludes September.

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