NYC Quarterly Economic Update

Office of the New York City Comptroller

Scott M. Stringer

BUREAU OF BUDGET May 2017

NYC Economy Outperforms the Nation

<u>Overview:</u> **The City's economy started the year on a solid note and outperformed the nation in the first quarter of 2017.** The City's job market was strong and there was an increase in average hourly earnings. However, the residential and commercial real estate markets were mixed and venture capital investment continued to decline.

In this edition of the <u>NYC Quarterly Economic Update</u> we introduce leading economic indicators for NYC. Leading indicators are data which tend to indicate where the economy will be in 6 to 12 months. While not a forecast per se, the leading indicators as a group will tend to be useful in forecasting the economy over the near term. In the first quarter of 2017, the City's leading economic indicators point to continued growth. We are including a brief history and description of leading economic indicators in a special section at the end of this report.

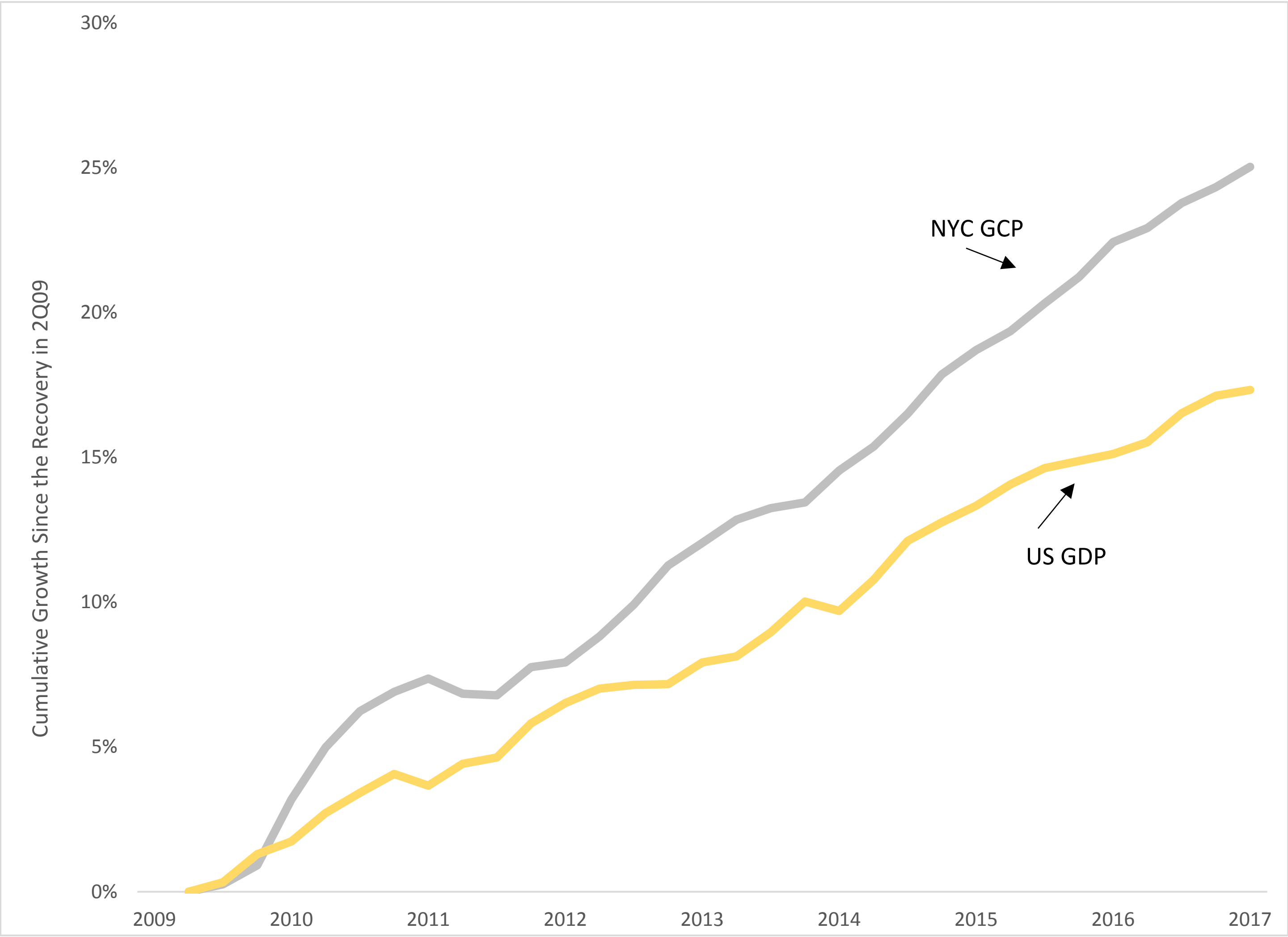
Table 1: First Quarter of 2017 Key Economic Indicators
NYC Compared with U.S. for 4Q16 and 1Q16

Percent change		1Q17	4Q16	1Q16
GCP/GDP Growth, SAAR	NYC	2.3	1.8	4.0
	U.S.	0.7	2.1	0.8
Payroll-Jobs Growth, SAAR	NYC	3.1	-0.7	2.0
	U.S.	1.5	1.4	1.7
PIT Withheld, Growth, NSA	NYC	7.2	4.6	3.1
	U.S.	6.7	1.7	6.0
Inflation Rate, NSA	NYC	2.5	1.6	0.7
	U.S.	2.5	1.8	1.1
Unemployment Rate, SA	NYC	4.3	5.0	5.3
	U.S.	4.7	4.7	4.9

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

Details on the first quarter performance of NYC's economy follow.

Chart 1. NYC Real Gross City Product (GCP) Has Outperformed US Real Gross Domestic Product (GDP)



Source: BEA and NYC Comptroller

Real gross city product (GCP) grew at an estimated seasonally adjusted annual rate of 2.3 percent in 1Q17, better than the 1.8 percent in 4Q16 and the national growth rate (advance estimate) of 0.7 percent. The city's economy outpaced the national economy after two consecutive quarters of lagging. Since the national recovery began, the City's economy, as measured by GCP, has outperformed the nation (Chart 1).

Private-sector jobs rose 3.4 percent in the first quarter of 2017, the biggest increase in almost three years; the unemployment rate fell to a record low of 4.3 percent; the labor force participation rate rose to 60.3 percent, the highest in over three years; the employment-to-population ratio rose to a record high of 57.7 percent; and average hourly earnings of total private NYC employees rose 3.4 percent, the biggest first quarter increase since 1Q15.

Despite the strong labor market and rising incomes, which indicate continued expansion, there were some signs of softness in the first quarter. Venture capital investment experienced its fourth consecutive quarter of year-over-year decline. And despite the increase in commercial leasing in Manhattan, the vacancy rate also increased in 1Q17. The residential market was mixed. Prices and the number of apartments sales increased in Manhattan, Brooklyn, and Queens in 1Q17 from 1Q16, but the number of sales in Manhattan increased only 0.5 percent.

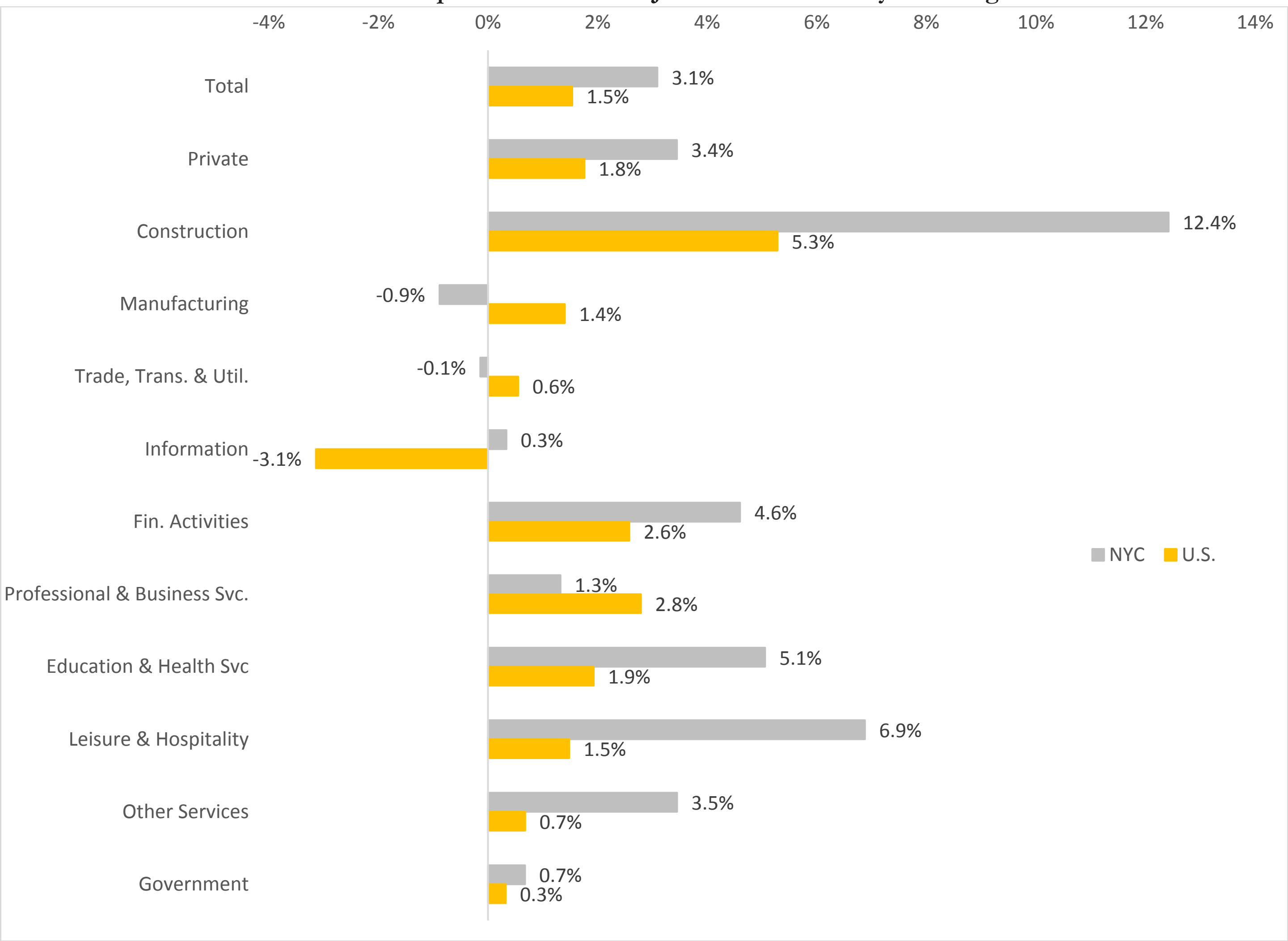
Despite some signs of weakness, the City's leading economic indicators — the ISM-New York metro area business condition indices, initial unemployment claims, and the number of building permits — all improved in 1Q17 and thus point to continued growth.

The U.S. economy, as measured by the change in real GDP, grew only 0.7 percent (advance estimate) in 1Q17, the lowest growth in three years. (Note that the advance GDP estimate is subject to two revisions later this year.) Consumer spending grew 0.3 percent, the lowest growth since 4Q09, and contributed 0.23 percentage points to the GDP growth. Within consumer spending, motor vehicles and parts deducted the most from GDP growth (0.45 percentage points) followed by housing and utilities (0.29 percentage points).

Private investment grew 4.3 percent in 1Q17 and contributed 0.69 percentage points to the GDP growth. The reason for this growth was nonresidential and residential structural investments, which grew 22.1 percent and 13.7 percent, respectively. Warm weather might have helped construction activities in the first quarter.

Net exports added 0.07 percentage points to GDP growth as exports grew 5.8 percent and imports grew 4.1 percent. Government expenditures fell 1.7 percent and deducted 0.3 percentage points from GDP growth. Federal expenditures fell 1.9 percent and state and local government expenditures fell 1.6 percent.

Chart 2. NYC Outperforms the US in Job Growth in Nearly All Categories



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

Establishments in New York City, including government, added 33,300 jobs or 3.1 percent on an annualized basis in the first quarter. This is the best job growth since 33,500 in 4Q14 and more than twice the 1.5 percent recorded for the U.S.

The City's private sector added 32,300 jobs, or 3.4 percent (SAAR) in 1Q17, the biggest increase since 37,500 in 3Q14. The nation's total private-sector jobs grew 1.8 percent (SAAR) in 1Q17, slightly better than the 1.6 percent increase posted in 4Q16 (Chart 2). These numbers are based on the preliminary estimates of non-seasonally adjusted numbers provided by the New York State Department of Labor and are subject to revision.

Most of the 32,300 private-sector jobs added in 1Q17 in the City were in low-wage industries (15,500 or 47.8 percent), followed by medium-wage industries (11,500 or 35.7 percent), and high-wage industries (5,300 or 16.5 percent). This breakdown is similar to the nation's composition of jobs gained in the first quarter where 52.0 percent were in low-wage industries, 31.1 percent in medium-wage industries, and 16.9 percent were in high-wage industries.[1]

Export sector employment, as it pertains to the City, depends on the national and global economies and primarily provides goods and services to customers outside of the City. Export sector employment added fewer jobs than the local sector, which generally provides support for the export sector and the local population or local consumption. Of total private-sector job gains, 46 percent, or 14,900 jobs, were in export-sector industries, such as leisure and hospitality; finance; and professional and business services, while 54 percent or 17,400 jobs were in local-sector industries, such as education and health services.

Among industries that gained jobs in 1Q17 over 4Q16, the biggest gain was in education and health services (+11,600), as education added 4,100 jobs and health care and social assistance added 7,500 jobs. Leisure and hospitality added 7,300 jobs, mostly because of food services and drinking places, which added 6,900 jobs.

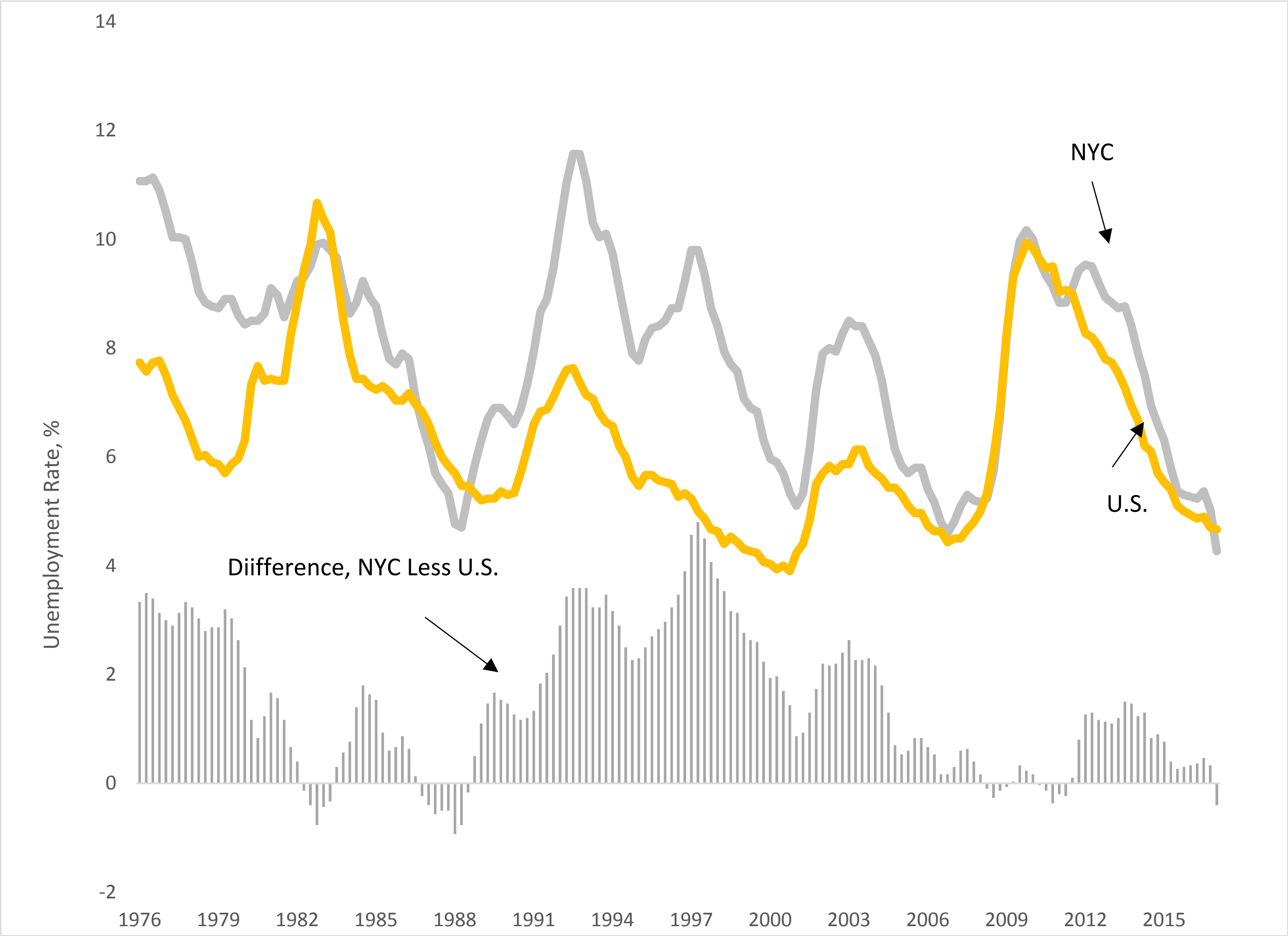
Next, construction added 4,300 jobs followed by finance and insurance, which added 2,900 jobs in 1Q17, the biggest gain since 3,400 in 4Q13. In the finance and insurance sector most of the new jobs were in the securities industry, which added 2,800 jobs, the biggest increase since 3,300 in 1Q11.

Professional and business services added 2,400 jobs, all of which were in professional services, which is generally a high-wage sector. Other services, which includes personal and laundry services, added 1,600 jobs and the information sector added 200 jobs.

In contrast, trade, transportation and utilities lost 200 jobs. Retail trade added 2,200 jobs, the biggest gain since 2,600 in 4Q14, while wholesale trade lost 1,400 jobs and transportation and utilities lost 1,100 jobs in 1Q17. Manufacturing lost 200 jobs.

[1] High-wage jobs include securities industry and typically pay above $119,000 a year; medium-wage jobs include construction and typically pay $60,000 to $119,000 a year; and low-wage jobs include bars and restaurants and typically pay less than $60,000 a year. The average annual salary of a worker in New York City in a low-wage sector job was about $42,000, in a medium-wage sector was about $75,000, and in a high-wage sector was about $187,000 as of 2015.

Chart 3. NYC Unemployment Rate is at an All Time Low

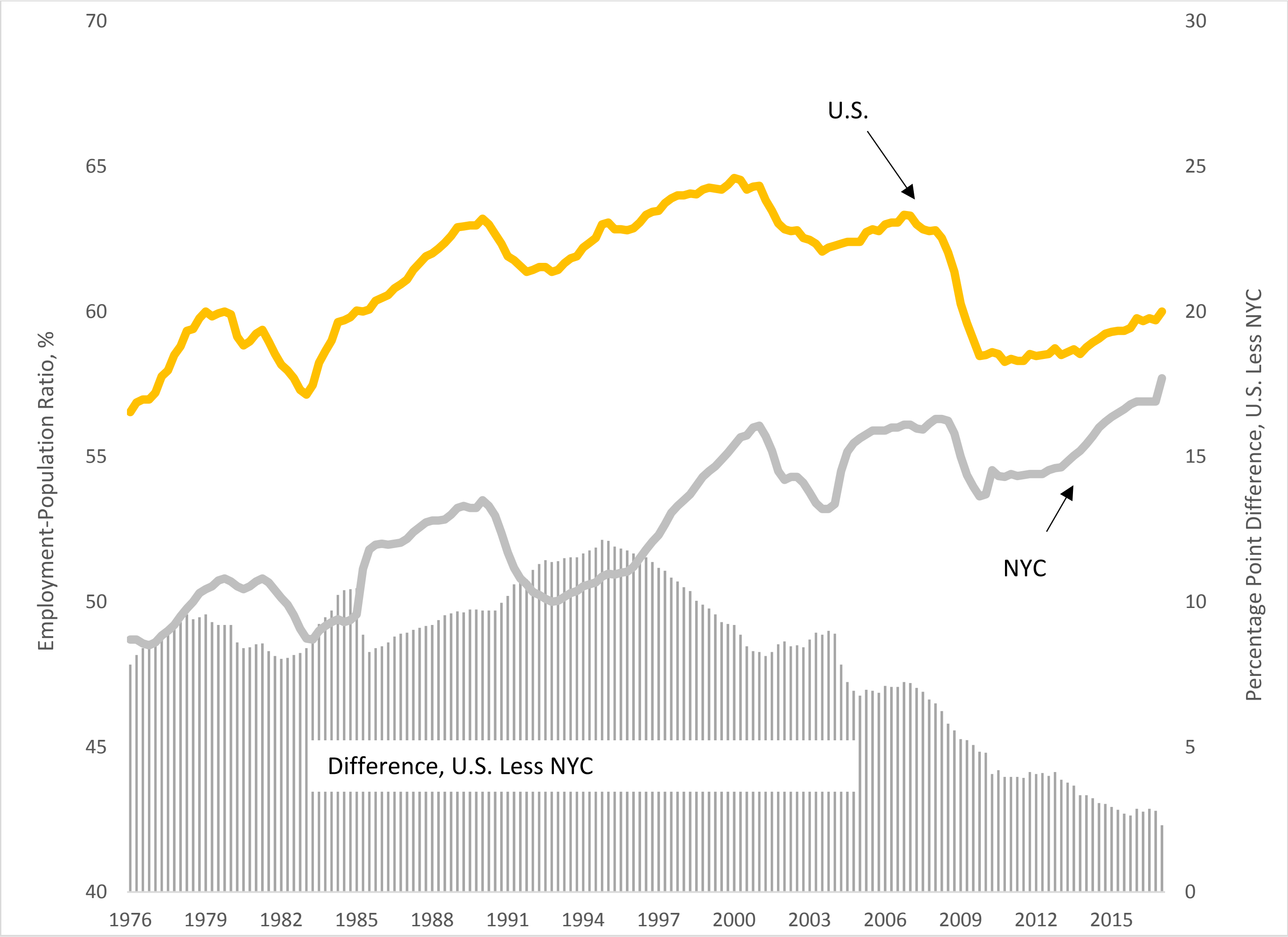


Source: U.S. Bureau of Labor Statistics (BLS) and NYS Department of Labor

NYC's unemployment rate, adjusted for seasonality, fell to 4.3 percent in 1Q17, the lowest on record. In contrast, the U.S. unemployment rate remained unchanged at 4.7 percent, the lowest rate in nine years (since 3Q07) (Chart 3). Last time the City's unemployment rate was less than the U.S. was 2Q11. The decrease in the City's rate was due to a decline in the number of unemployed New Yorkers, which fell by 30,400 in 1Q17, the biggest decline since 2Q09. Additionally the City's labor force grew by 26,500 in 1Q17 suggesting that discouraged workers and others not in the labor force are being enticed to look for work

The unemployment rate (not seasonally adjusted) fell in all five boroughs in 1Q17 compared with 1Q16. The unemployment rate averaged 6.3 percent in the Bronx, 4.6 percent in Brooklyn and Staten Island, and 4.0 percent in Manhattan and Queens in 1Q17. In 1Q16, unemployment averaged 7.6 percent in the Bronx, 5.6 percent in Brooklyn and Staten Island, 4.9 percent in Queens, and 4.8 percent in Manhattan.

Chart 4. The Percentage of New York City Residents Working is Greater Than Any Time In Recent History

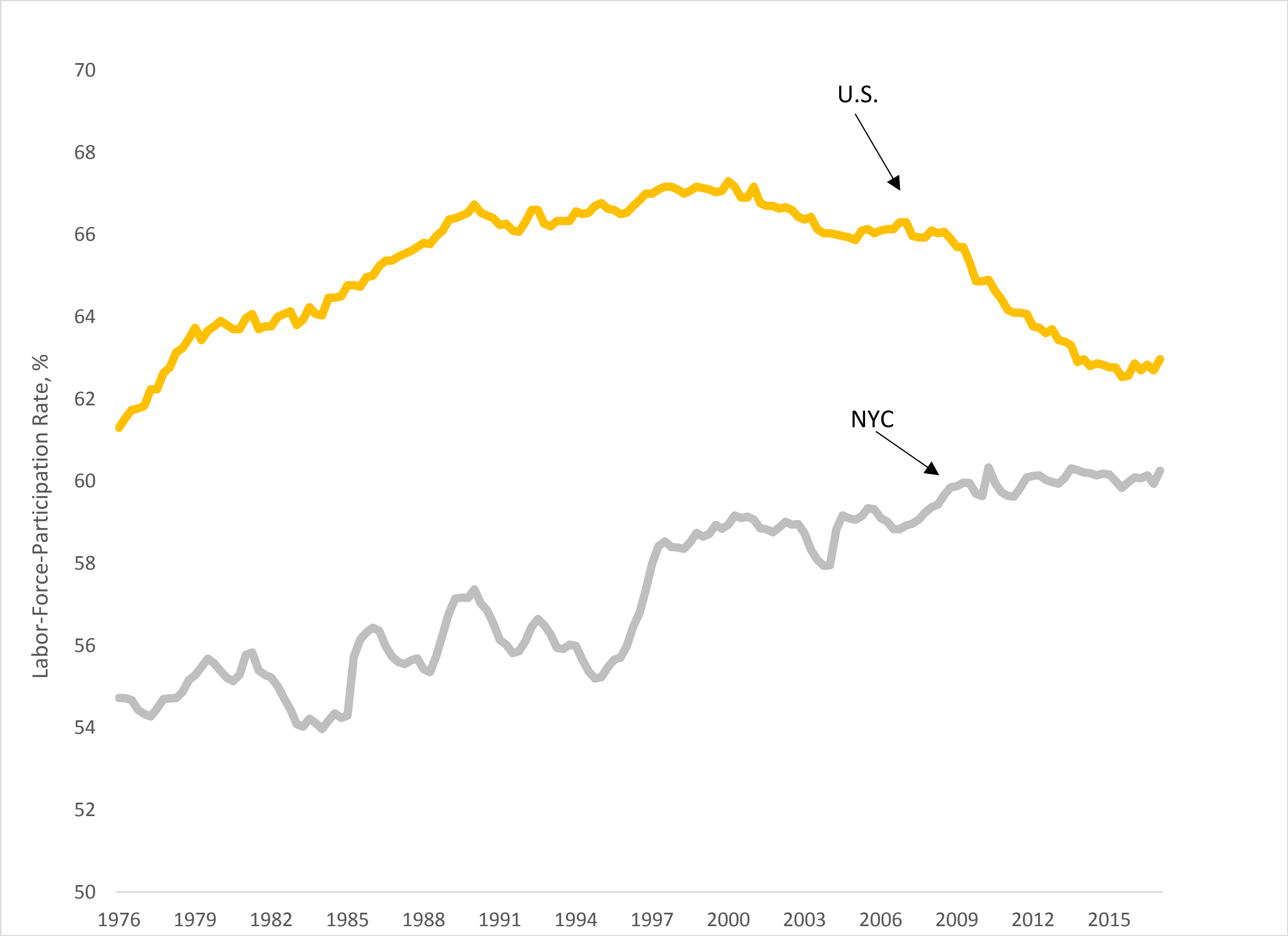


Source: U.S. Bureau of Labor Statistics (BLS) and NYS Department of Labor

The number of employed City residents increased by 56,900 to almost 4.0 million in 1Q17, the biggest gain since 75,100 in 2Q04. As a result, the City's employment-to-population ratio rose to a record high of 57.7 percent in 1Q17.

The national employment-to-population ratio rose to 60.0 percent in 1Q17 from 59.7 percent in 4Q16. As a result, the spread between the two narrowed to 2.3 percentage points, the lowest ever (Chart 4).

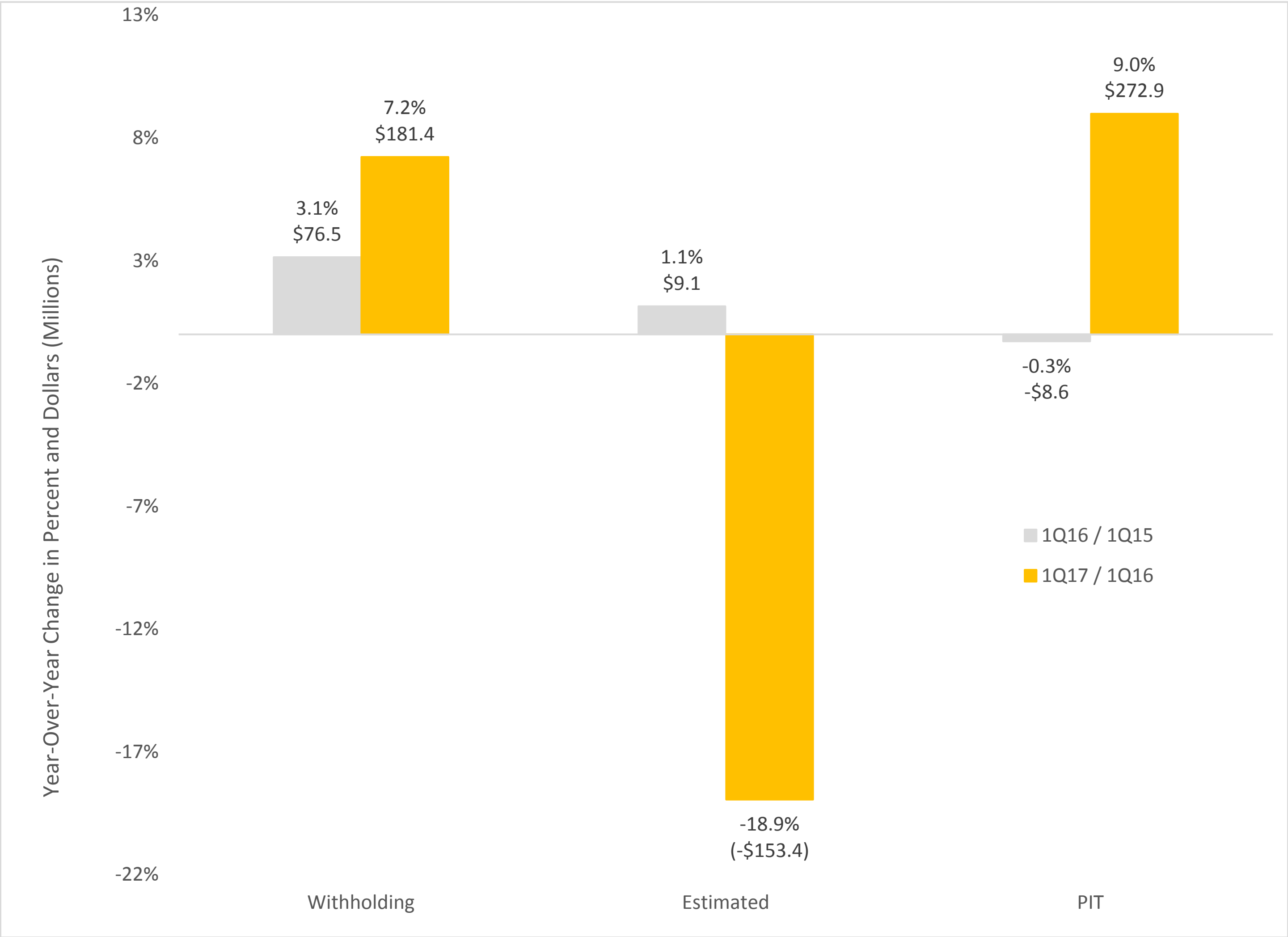
Chart 5. Labor-Force Participation Rate in NYC Rising But Still Below the US Level



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

The City's labor force, which is the sum of all city residents who are employed or looking for a job, increased by 26,500 in 1Q17, the biggest increase since 27,000 in 4Q11. 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 (16 years old and over), rose to 60.3 percent in 1Q17, the highest since 60.3 percent in 4Q13. The national labor-force-participation rate rose to 63.0 percent, the highest since 63.0 percent in 1Q14. As a result, the spread between the two narrowed to 2.7 percentage points (Chart 5). Part of the reason for people leaving the labor force has been lagging real wage growth. As wages and salaries increase, more of the population will tend to join the labor force. The gaps between the City and the nation in the labor force participation rate and the employment-population ratio indicate that the City economy still has room to grow.

Chart 6. Changes in Personal Income Tax Revenues Indicates Strong Growth in Personal Income in NYC

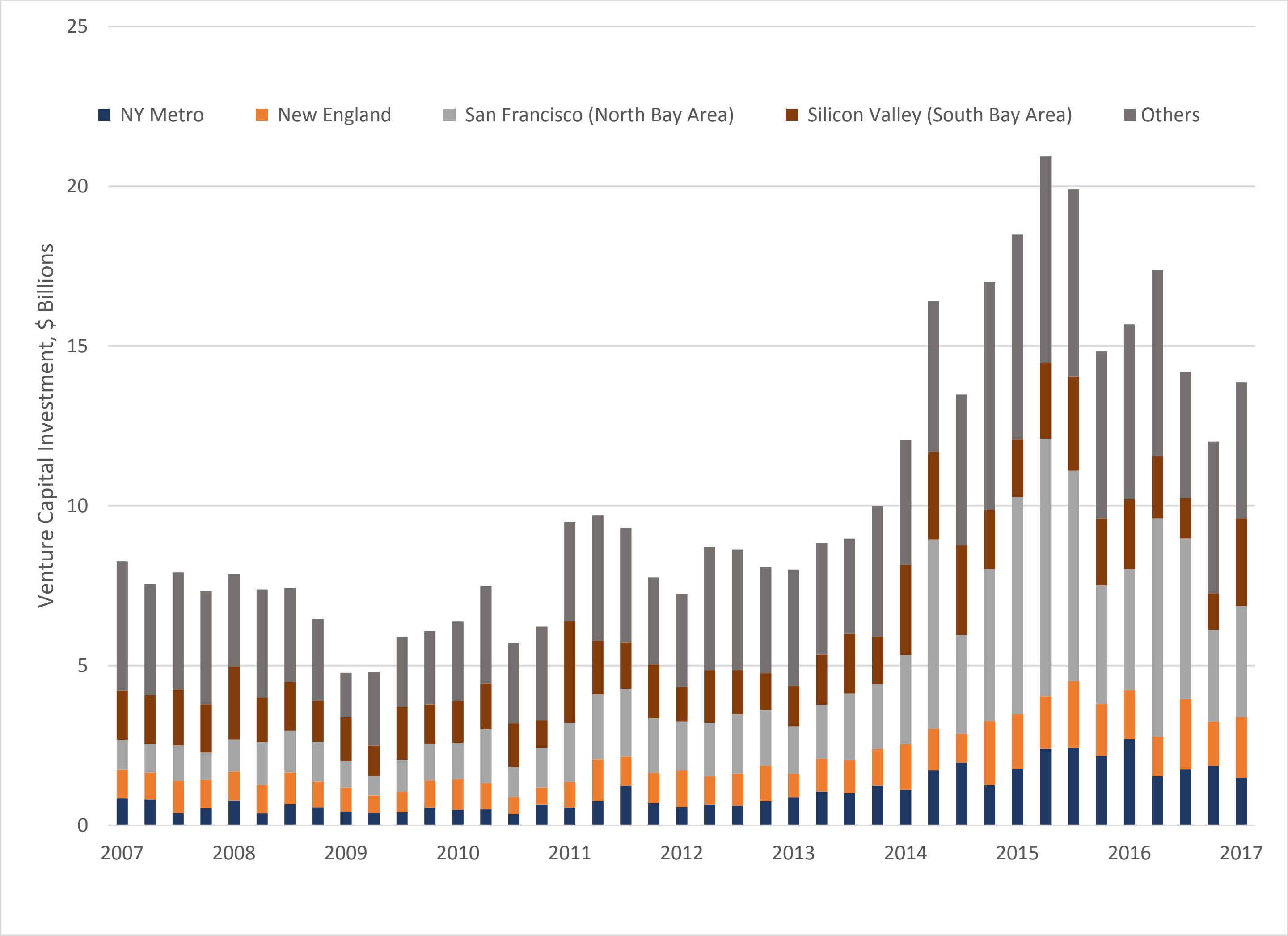


Source: NYC OMB

NYC personal income tax (PIT) revenues, a proxy for personal income, rose 9.0 percent or $273 million on a year-over-year basis to a record high of $3.3 billion in 1Q17. The main reason for the increase in PIT is withholding tax revenues, one of the two main components of PIT revenues. The other main component is estimated tax payments. On a year-over-year basis, personal income taxes withheld from paychecks rose 7.2 percent to about $2.7 billion in 1Q17, which was also a record high. However, estimated tax payments, which reflect trends in taxpayers' non-wage income, including interest earned, rental income, and capital gains, fell to $656 million in 1Q17, 18.9 percent lower than the $810 million in 1Q16 (Chart 6). Other factors behind the 9.0 percent increase in PIT revenues are a 25.0 percent increase in the State/City offset (the additional amount NYS paid the City in order to make up for the actual taxes that State collected on behalf of the City) and a 49.7 percent decline in tax refunds issued by the City compared to a year ago.

Average hourly earnings (AHE) of all private NYC employees, another proxy for personal income, rose 3.4 percent on a year-over-year basis to $35.05 in 1Q17. This was the biggest first-quarter gain since 1Q15. U.S. average hourly earnings grew 2.9 percent to $26.23 in 1Q17 from 1Q15, the highest first-quarter gain since 3.6 percent in 1Q09.

Chart 7. Venture Capital Investment by Regions



Source: PwC MoneyTree™

Venture capital (VC) investment declined in the New York metro area for the fourth consecutive quarter and nationally for the sixth consecutive quarter, on a year-over-year basis.

VC investment fell a sharp 44.9 percent in the NY metro area, to about $1.5 billion in 1Q17 (Chart 7). Total venture capital investment in the U.S. fell 11.6 percent to $13.9 billion in 1Q17 from 1Q16. The New York metro area slipped to fourth place, after San Francisco, Silicon Valley, and New England. Total investment in San Francisco, which has the biggest concentration of VC investment, fell 8.2 percent to $3.5 billion in 1Q17 over 1Q16. This was the sixth consecutive quarter of year-over-year decline.

The number of VC deals in the U.S., New York metro area, and San Francisco followed the same trend as the amount of investment. The number of deals in the New York metro area fell to 154 in 1Q17 from 178 in 1Q16. The number of deals in the U.S. fell to 1,104 and in San Francisco to 212 in 1Q17 from 1,301 and 265, respectively, in 1Q16.

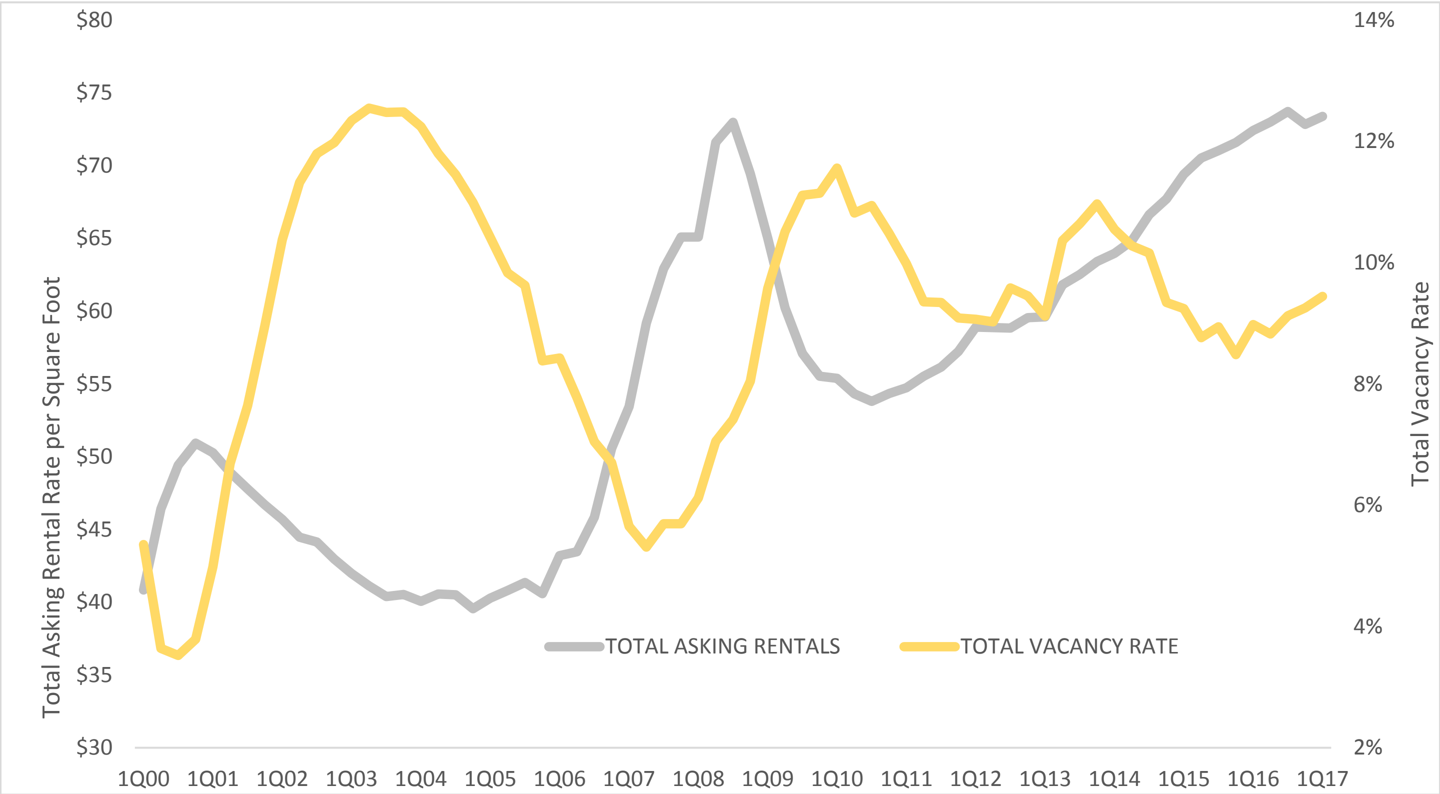
The NY metro area's share of VC investment fell to 10.7 percent in 1Q17 from 17.2 percent in 1Q16, although, the share of deals rose slightly to 13.9 percent in 1Q17 from 13.7 percent in 1Q16. San Francisco's share of VC investment rose to 25.0 percent in 1Q17 from 24.1 percent in 1Q16, while its share of deals fell to 19.2 percent in 1Q17 from 19.8 percent in 1Q16. VC investment in New York State fell 46.5 percent in 1Q17 from a year ago, to about $1.4 billion. The number of deals in New York State fell 16.7 percent to 150 in 1Q17 from 180 in 1Q16.

New commercial leasing activity in Manhattan exceeded 7.6 million square feet (msf) in 1Q17, 16.0 percent higher than in 1Q16, according to Cushman and Wakefield. Most of the new leasing in 1Q17 took place in Midtown (about 4.3 msf) followed by Downtown (over 2.0 msf) and Midtown South (over 1.3 msf). On a year-over-year basis, new leasing increased the most in Downtown (96.8 percent) followed by Midtown (2.9 percent), but declined in Midtown South (-5.1 percent).

Despite the increase in leasing activity, Manhattan's overall office vacancy rate, including sublease space, rose to 9.4 percent in 1Q17 from 9.0 percent in 1Q16. On a year-over-year basis, the vacancy rate fell one percentage point in Downtown, but increased 1.4 percentage points in Midtown South and 0.7 percentage points in Midtown. Overall asking rents increased in all the submarkets except Downtown, which fell to $58.54 in 1Q17 from $59.28 in 1Q16 (Chart 8).

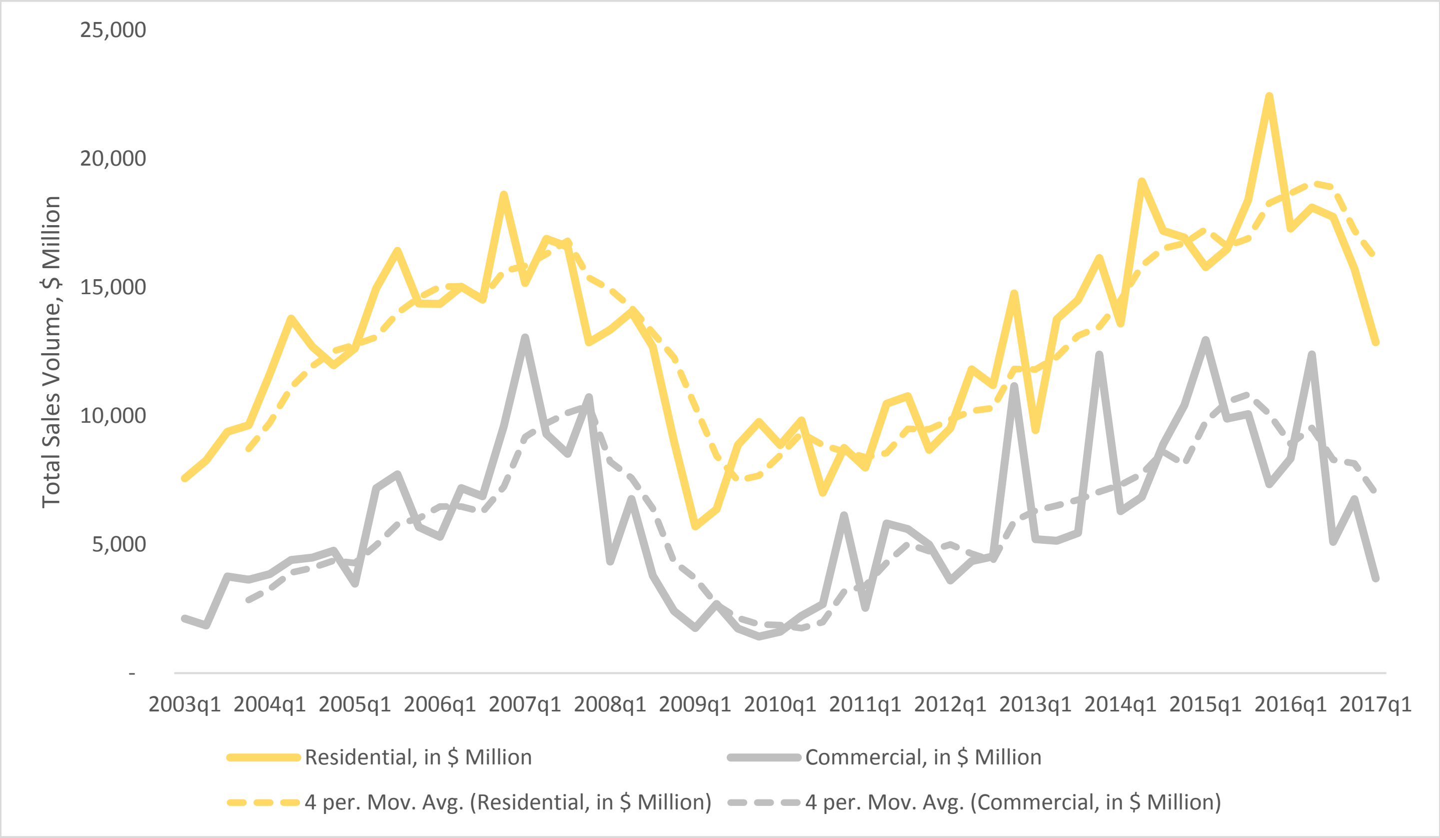
Total commercial sales in the City fell to about $3.7 billion in 1Q17, the lowest first quarter level since 2012. Commercial sales hit its lowest ($1.6 billion) in 1Q10. Since then, it has more than doubled, but it is still 71.5 percent less than its first quarter peak of $13.0 billion in 1Q15 (Chart 9).

Chart 8. Commercial Vacancy Rates Up, but Rental Asking Rates Are Flat



Source: Cushman & Wakefield

Chart 9. Total Commercial and Residential Sales Are Down



Source: NYC Department of Finance

The housing market in Manhattan improved in 1Q17—average sales prices, average price per square foot, and the number of sales increased on a year-over-year basis. According to a report from Douglas Elliman[2], on a year-over-year basis, the average sales price in Manhattan rose 2.6 percent for the eighth consecutive quarter to over $2.1 million. Similarly, the average price per square foot rose 3.8 percent to $1,778 in 1Q17 over 1Q16.

After two quarters of decline, the number of sales rose 0.5 percent to 2,892 in 1Q17. However, the listing inventory increased 6.6 percent to 5,867 from the prior year, leading to an increase in the absorption rate. The absorption rate, defined as the number of months to sell all inventory at the current rate of sales, rose to 6.1 months in 1Q17 from 5.7 months in 1Q16. Days on the market from last list date rose 16.5 percent to 108 days.

Housing market conditions tightened in both Brooklyn and Queens as prices increased, sales expanded and inventories declined. In Brooklyn, the average sales price rose 25percent to $993,955 in 1Q17, compared to 1Q16. On a year-over-year basis, the number of sales rose 46.4 percent to 2,800, the listing inventory fell 19.9 percent to 2,290 and the absorption rate fell to 2.5 months in 1Q17. On the other hand, the days on market rose to 97 in 1Q17 from 70 in 1Q16.

In Queens, the average sales price rose 17.4 percent to $558,259 in 1Q17 over 1Q16. The number of sales rose 34.9 percent to 3,395 and the listing inventory fell 4.0 percent to 3,986 in 1Q17 compared with the same period last year. Days on the market was 105 days in 1Q17, 29.6 percent more than 81 days in 1Q16, and the absorption rate fell 28.6 percent to 3.5 months in 1Q17 from 1Q16 (Table 2).

Douglas Elliman reports that the number of 1- to 3-family homes sold in Brooklyn rose 70.2 percent and in Queens rose 57.6 percent in 1Q17, compared to the previous year. The average sales price per square foot rose 5.1 percent in Brooklyn and 9.2 percent in Queens in 1Q17 compared to 1Q16.

According to the Case-Shiller index, which tracks single-family home prices, the New York metro area home price index increased 3.2 percent in January-February 2017 over the same period in 2016, while the U.S. 20-city composite index

[2] Douglas Elliman Real Estate, https://www.elliman.com

rose 5.8 percent. Both the U.S. and NYC inflation rates were 2.6 percent in January-February 2017 on a year-over-year basis.

Among the Case-Shiller's 20 metro areas, the New York metro area saw the smallest growth (3.2 percent) while Seattle metro area saw the largest jump in home prices (11.7 percent) in January-February 2017, compared to the prior year.

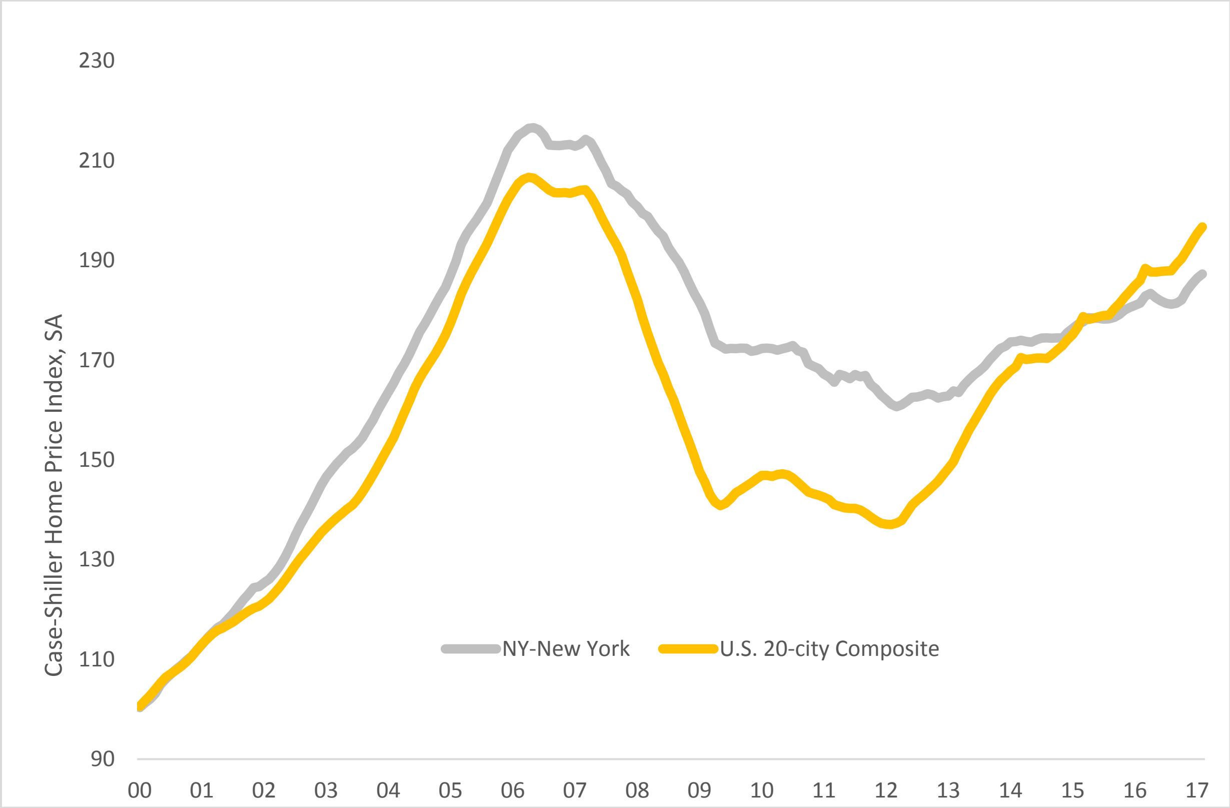
According to the Case-Shiller report, U.S. home prices had a sharper decline during the recession and a faster rebound than the New York metro area. As of February 2017, the U.S. 20-city composite index was 43.6 percent higher than its trough in 2012 and 4.8 percent below its peak in 2006. In comparison, the New York metro area home price index was 16.6 percent higher than at its trough in March of 2012, but was still 13.5 percent below the peak reached in May 2006 (Chart 10).

Table 2. Apartment Sales Flat in Manhattan, Robust in Brooklyn and Queens

	Manhattan	Brooklyn	Queens
Avg. Sales Price	$2,104,350	$993,955	$558,259
Avg. Sales Price (Y/Y, %)	2.6%	25.0%	17.4%
Number of Sales	2,892	2,800	3,395
Number of Sales (Y/Y, %)	0.5%	46.4%	34.9%
Listing Inventory	5,867	2,290	3,986
Listing Inventory (Y/Y, %)	6.6%	-19.9%	-4.0%
Absorption Rate	6.1	2.5	3.5
Days on Market	108	97	105
Days on Market (Y/Y, %)	16.5%	38.6%	29.6%

Source: Douglas Elliman

Chart 10. NYC Single Family Home Prices Lag the Nation



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

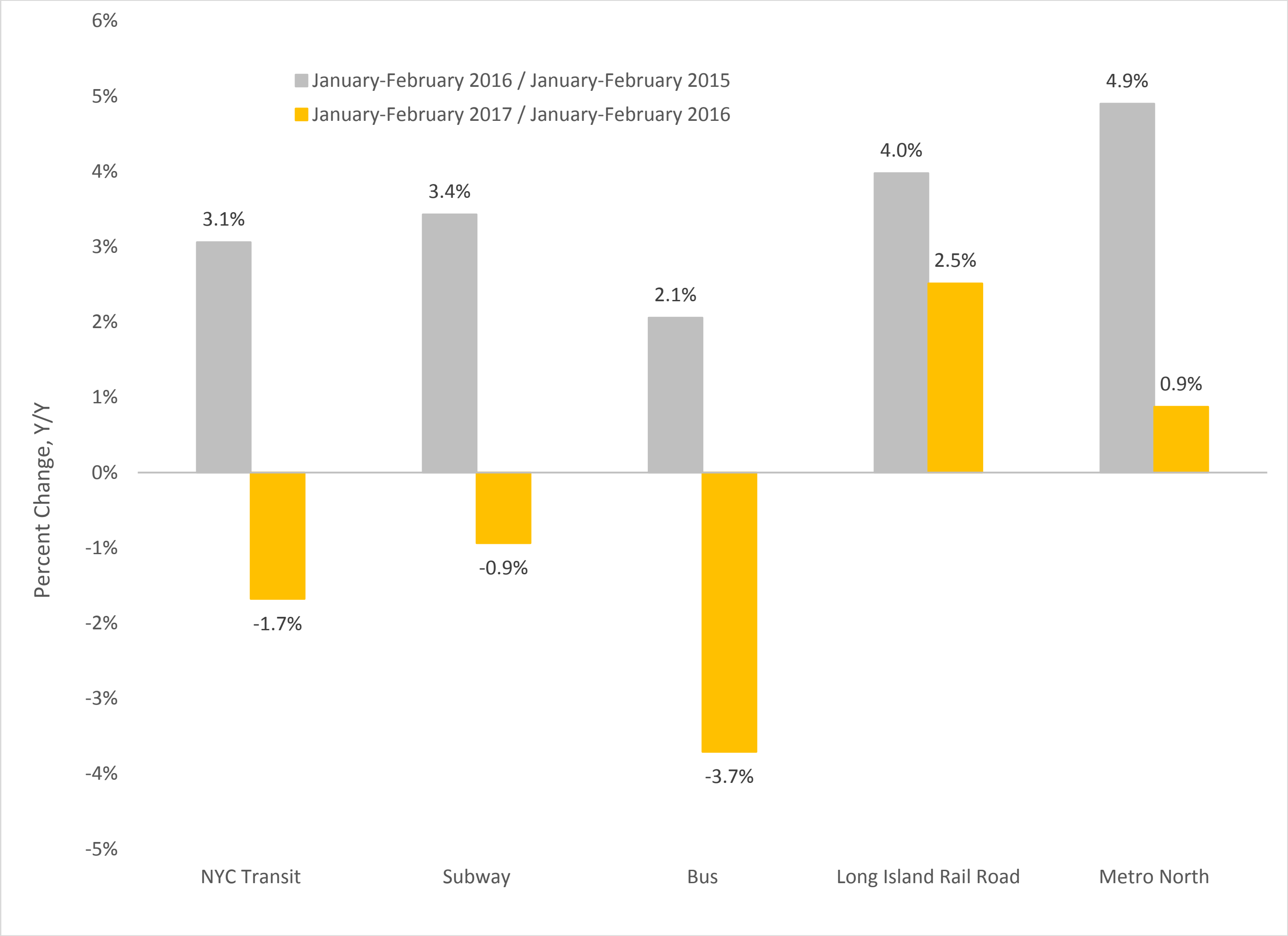
Average weekday ridership on MTA NYC Transit fell 1.7 percent in the first two months of 2017 from a year ago. Average weekday ridership on the system's subways fell 0.9 percent and bus ridership fell 3.7 percent. During the same period, ridership on the Long Island Rail Road (LIRR) rose 2.5 percent and on Metro North rose 0.9 percent. (Chart 11).

Ridership, especially on the LIRR and Metro North, usually reflects the City's economic activity and employment. It is likely that "e-hail" taxi services and the City's Citibike program are impacting the use of public transport in the City.

Broadway show ticket sales improved, but attendance dropped in 1Q17. According to the Broadway League, total gross weekly Broadway ticket sales were about $353 million in 1Q17, 6.4 percent higher than in 1Q16. Total attendance was 3.1 million in 1Q17, 6.2 percent lower than in 1Q16.

The City's hospitality market weakened slightly in the first two months of 2017 over the same period in 2016. According to CBRE Hotels, the hotel occupancy rate in Manhattan averaged 73.5 percent in January-February 2017, lower than 73.8 percent a year ago. Similarly, the average daily room rate fell on a year-over-year basis to $209 in January-February 2017, from $212 in the previous year.

Chart 11. NYC Public Transportation Ridership Down, Slow Growth in the Suburbs



Source: Metropolitan Transportation Authority

Leading Economic Indicators -- With this issue of the Quarterly Economic Update, we introduce a set of leading economic indicators for New York City. A description of Leading Economic Indicators and how they're developed follows on the last page of this report. Those presently include the ISM-NY BCI, Current Business Conditions index, and Six-Month Outlook Index; Initial Unemployment Claims; and Building Permits.

A quick assessment of business conditions among firms in the New York City area is provided by ISM-New York, Inc.[3] The report shows that the business conditions in New York City metro area improved in 1Q17 over 4Q16. The current business condition (which measures the current state of the economy from the perspective of business procurement professionals) index remained about flat at 55.1 percent in 1Q17, slightly below the 55.2 percent in 4Q16, but an improvement upon the 52.9 percent of a year ago. A reading greater than 50 percent indicates growth. The ISM six-month outlook (which measures where procurement professionals expect the economy to be in six months) rose to 71 percent in 1Q17, the highest level of optimism since 2Q15. The NY-BCI (which measures the cumulative change in business activity) rose to 732.8 in 1Q17 from 720.2 a year ago.

Initial unemployment claims, which shows the number of applicants for unemployment insurance, continued to decline on a year-over-year basis for the tenth consecutive quarter. According to the NYS Department of Labor, initial unemployment claims, fell 3.5 percent in 1Q17 on a year-over-year basis, slightly less than the 3.9 percent decline in 1Q16.

Finally, according to the U.S. Department of Housing and Urban Development, total building permits in the City almost tripled in 1Q17 from a year ago, reaching their highest first quarter level since 2007. The increase coincided with an agreement on a residential construction tax abatement to replace the expire 421-a program.

Table 3: Leading Economic Indicators Improved

		1Q17	4Q16	1Q16
ISM-New York Metro Area, SA (Source: ISM-New York, Inc.)	Current Business Conditions	55.1	55.2	52.9
	Six-Month Outlook	71.0	64.0	64.9
	NY-BCI	732.8	722.4	720.2
Initial Unemployment Claims (Source: NYS DOL)	Initial Unemployment Claims	102,268	80,439	105,928
Number of Building Permits (Source: HUD)	Number of Building Permits	6,343	5,021	2,158

[3] ISM-New York, Inc., http://ismny.com/index.php

Table 4: First Quarter 2017 Economic Indicators Compared to 4Q16 and 1Q16

		1Q17	4Q16	1Q16
County Unemployment Rate, NSA (Source: NYS DOL)	Bronx	6.3	6.6	7.6
	Kings	4.6	4.9	5.6
	New York	4.0	4.2	4.8
	Queens	4.0	4.2	4.9
	Richmond	4.6	4.8	5.6
Commercial Vacancy Rate (Source: Cushman & Wakefield)	Midtown	10.0%	9.6%	9.3%
	Midtown South	7.7%	6.7%	6.3%
	Downtown	9.2%	10.2%	10.2%
	Manhattan Total	9.4%	9.3%	9.0%
	Midtown	$78.73	$78.39	$78.42
Commercial Rental Rate (per sq ft) (Source: Cushman & Wakefield)	Midtown South	$71.48	$70.86	$68.58
	Downtown	$58.54	$59.30	$59.28
	Manhattan Total	$73.37	$72.82	$72.40
Number of Apartment Sales (Source: Douglas Elliman)	Manhattan	2,892	2,868	2,877
	Brooklyn	2,800	2,582	1,912
	Queens	3,395	3,917	2,517
Case-Shiller Home Price Index, NSA (Source: S&P) 100=2000	NY Metro Area	184.9*	184.2	179.3
	US 20-City Composite	193.1*	191.9	183.2
Hotel Industry (Source: CBRE Hotels)	Average Daily Occupancy Rate	73.5*	89.9	76.7
	Average Daily Room Rate	$208.90*	$324.94	$221.91
MTA Average Weekday Ridership (Source: MTA)	NYC Transit	7,406,310*	7,739,266	7,664,509
	Subway	5,471,851*	5,716,204	5,606,320
	Bus	1,934,459*	2,023,061	2,058,188
	Long Island Rail Road	303,069*	319,182	297,549
	Metro North	280,249*	298,979	315,123
ISM-New York Metro Area, SA (Source: ISM-New York, Inc.)	Current Business Conditions	55.1	55.2	52.9
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*Data includes January and February, excludes March

Prepared by Farid Heydarpour, Principal Economist; Orlando Vasquez, Economist
Published by the NYC Comptroller's Office, Bureau of Budget
Preston Niblack, Deputy Comptroller for Budget
Lawrence Mielnicki, Chief Economist

NYC Comptroller's NYC Leading Economic Indicators

The concept of a comprehensive list of leading economic indicators was born out the depths of the Great Depression when economists of the day were looking for a way to predict if the fiscal policies of the Roosevelt Administration were actually working to raise the level of economic activity. Originally an academic exercise under the auspices of the National Bureau of Economic Research (NBER), economists developed three composite indices comprised of variables which predicted the path of the business cycle (leading indicators); which were indicative of the present state of the level of economic activity (coincident indicators); and which lagged the business cycle (lagging indicators). The economists at the NBER (who officially declare a recession in the United States) rely on all three to give their recession imprimatur. Of the three, clearly the leading indicators are most useful to those economists who must predict various parts of the economy. The maintenance of the leading; coincident; and lagging indices was originally undertaken by the NBER. In the early 1960's the Bureau of Economic Analysis of the US Department of Commerce was producing these indicators. The maintenance of the indices moved to The Conference Board, Inc. (a 501(c)3 non-profit membership and research organization with over 1200 public and private organizations as members).

The economists at the Comptroller's Bureau of the Budget have been working on developing a list of leading indicators specifically for the NYC economy. We present the first three of these leading indicators in this issue of the *NYC Quarterly Economic Update*. To lend credibility to the NYC indicators we followed the basic principles outlined by The Conference Board for the creation of their index. These are:

- Conformity - The data series must conform consistently in relation to the business cycle.
- Consistent timing - The series must exhibit a consistent timing pattern as a leading, coincident or lagging indicator.
- Economic significance - Its cyclical timing must be economically logical.
- Statistical adequacy - The data must be collected and processed in a statistically reliable way.
- Smoothness - Its month-to-month movements must not be too erratic.
- Currency - The series must be published on a reasonably prompt schedule, preferably every month.

The indicators from 3 sources being presented today are building permits for NYC; initial unemployment claims, and the Institute for Supply Management's three indicators of business conditions in New York City:

- Residential Building permits are reported are reported monthly for New York City by the Department of Housing and Urban Development (HUD);
- Initial unemployment claims are reported monthly for New York City by the NYS Department of Labor;
- The Institute for Supply Management (ISM) Business Conditions Indices are reported monthly by the ISM-NYC (a trade association for procurement professionals in NYC).

As new variables are identified that meet the criteria outlined above and are validated we will add to this list.

New York City Comptroller
Scott M. Stringer

Municipal Building · 1 Centre Street, 5th Floor · New York, NY 10007
Phone (212) 669-3500 · Fax (212) 669-8878
www.comptroller.nyc.gov