Despite a dramatic stock market drop in late 2018, the economy appears stable, with growth slowing but steady.

The national unemployment rate, at 3.9% is the lowest it’s been in decades. Although the workforce participation rate has not recovered to its pre-recession peak, this suggests a tightening labor market.

Economic growth will likely be slower than from 2017 to 2018, but no recession is predicted in the immediate future.

If the current expansion continues into July, it will become the longest since 1850.

As in the rest of the country, City growth is slowing as the labor market tightens.

Jobs in health care and social services provided a huge portion—43 percent—of new employment in the City.

The retail sector, despite recent concerns, has seen renewed employment growth in 2018.

However, the strength of these two sectors also reflects the fact that most job growth is in low-wage sectors.

Citywide wage growth in 2018 was at 3.3 percent.
Taxes and Total Revenue

Revenue Forecast

- Across Fiscal 2019 and Fiscal 2020 the NYCC Finance Division forecasts $917 million in revenues over OMB’s forecast.

- Council Finance forecasts a 3.0 percent increase in tax collections, following the explosive growth of 8.2 percent in Fiscal 2018.

- The federal tax changes are reflected in the income tax spike last year, and decline this year. Some NY taxpayers rushed to file before the changes went into effect, resulting in some revenue realized last year rather than this one.

- However, some of the decline in personal income tax are also due to economic factors and may portend persistently lower collections.

Revenue Risks

- The global economy is slowing down. If these conditions persist, the U.S. economy and the financial market, which New York City depends on, would be at risk.

- It is unknown how much of the huge drop in PIT payments may still be realized later in the year, but the drop may be permanent and even recurring in the outyears.

- The new Federal Tax Policy poses the most substantial risk to the City’s revenue. The elimination of the State and Local Taxation (SALT) deduction penalizes NY, and could possibly lead to some amount of tax flight or decreased competitiveness over time.

- The State Budget also poses risks to the City, including Cuomo’s Equity Plan, and cuts to Medicaid, TANF, and other programs and grants.

- On the other hand, proposed legislation from the State to eliminate the internet sales tax advantage could increase revenue by improving sales tax compliance on online transactions.

Sources: IHS Markit, NYS Department of Labor, Bureau of Economic Analysis, Quarterly Census of Employment and Wages (QCEW), and June 2018 Adopted Budget and February 2019 Preliminary Plan from OMB. Forecasts by OMB and Council Finance.