**Revenue and Economics Forecast Update**

**FY23 Size of Budget**

$98.5 Billion  
$611 million more than Fiscal 2023 November Budget

**FY23 Tax Revenue (OMB)**

$65.9 Billion  
$435 Million more than Fiscal 2023 November Budget

**City Economy**

**Real GCP**

2021: +6.5%  
2022: +5.0%  
IHS Markit

**Private Employment**

2022: +200,843 jobs  
Compared to 2021  
NYCC Finance Division

**Current Economic Situation**

**National Economy**

Real GDP growth accelerated to 7.0% (annual rate) in Q4 of 2021, following a 2.3% growth in the previous quarter.

Consumer spending rose 3.1% in Q4 of 2021, propelled by 3.5% recovery in services spending.

As of Jan. 2022, the U.S. had recovered 19.1 million of the jobs lost during the pandemic.

Unemployment rate down to 4% as of Jan. 2022 - slightly higher than pre-pandemic level (3.6%).

Inflation surged to 7.5% (annual rate) in Jan. 2022 – highest since Feb. 1982. Recent price surges are driven by supply bottlenecks and high energy prices.

**City Economy**

Growth in NYC (measured by Real GCP), which fell 21.1% in Q2 of 2020, has now surpassed its pre-pandemic level as of Q4 of 2021.

Employment, while immensely improved, is still far from full recovery. While the U.S. has recouped 96% of it lost jobs, NYC has recouped only 64%, as of December 2021.

Despite improvement, the pace of NYC’s job recovery still lags that of the U.S. – attributable to the City’s slower pace of reopening and its industrial mix.

Job recovery has been led by low-wage jobs. 68% of recovered jobs are from industries that pay under $65,360 a year.

**NYC Year-to-Date (YTD) Tax Collection**

- YTD collections for Fiscal 2022 are up $1.7 billion or 3.8%, compared to the same period in Fiscal 2021.
- The strong collections so far have been driven by sales, personal income, business, hotel and the transaction taxes.
- Property taxes, on the other hand, are down $1.7 billion so far this year.
- YTD collections are about $1.5 billion more than OMB’s November Plan.

* *All collections are through January 2022.*
National Economy Forecast

- After falling steeply due to the pandemic, real GDP rebounded sharply in 2021.
- Economic growth is expected to accelerate in Q2 of 2022, as Omicron cases remain subdued, and the warmer weather encourages outdoor activities.
- U.S. unemployment rate has declined steadily since soaring to 14.7% in April 2020.
- The unemployment rate is expected to drop to pre-pandemic level (3.6%) by Q2 of 2022.

City Economy Forecast (NYCC Finance Division)

- The City’s labor market is expected to continue to strengthen throughout the forecast years.
  - The average level of private sector jobs in 2022 will be over 200,000 the average level in 2021, reflecting a stronger economy driven by aggressive vaccination and relaxation of remaining restrictions on businesses.
- Overall, going forward, NYC is expected to recover jobs at a faster pace than the rest of the country.
- However, job levels in NYC will not return to pre-pandemic level until Q3 of 2025.
The Finance Division expects total tax revenues to experience a slight uptick in Fiscal 2022, with collections increasing by about $80 million from the previous year. The slight growth is mainly attributable to increases in the sales tax, transaction taxes and hotel tax. Declines in the property, personal income and business corporation taxes will offset most of the projected increases in collection.

- OMB raised its Fiscal 2022 forecast for most taxes, resulting in a $1.6 billion increases in tax revenues compared to its November forecast.
- The upwards revision reflects stronger economic conditions since its November Forecast.
- Except for the property tax, the increased FY22 forecast for most taxes barely carry over in FY23 and beyond. Sales tax actually sees a decrease.
- The current Plan also includes three tax policy proposals expected to cost $300 million beginning in Fiscal 2023.

- Going forward, collection growth is expected accelerate to 4.7% in Fiscal 2023, before slowing to an average of 3.3% in the outyears.
- Fiscal 2023 surge will be driven by strong growth in property, personal income and sales taxes. The hotel tax will also continue with its resurgence.
Differences from OMB’s Fiscal 2023 November Plan

- The Finance Division’s forecast is nearly $4.4 billion higher than OMB’s Preliminary Plan for Fiscal 2022 and 2023.
- The Finance Division’s stronger estimates are based on buoyant growth in wages, capital gains, and consumer spending.
- Market-driven declines in property tax collections are expected to be slightly less than OMB projects.

The following factors heighten the level of uncertainty around the Finance Division’s forecast.

- **COVID-19 & vaccination rate**: The low global vaccination rate poses a substantial risk. The Finance Division assumes the pandemic will transition to an epidemic and COVID-related restriction will continue to be relaxed, as more people get vaccinated.
- **Supply bottlenecks**: Forecast assumes a gradual unwinding of supply side bottlenecks. If that does not happen, GDP and GCP will be lower than forecasted, and inflation higher.
- **Federal Reserve Policy**: Rising interest rates could provoke capital flight from emerging markets, threatening their asset markets and overall growth. This could force the Federal Reserve to change policy again, since these economies constitute almost half of global GDP.
- **Russia-Ukraine Conflict**: The conflict between Russia and Ukraine could disrupt energy and financial markets, posing a major downward risk.