Revenue and Economics Forecast Update
Fiscal 2023 Executive Plan Fact Sheet

FY23 Size of Budget
$99.7 Billion
$1.1 billion more than
Fiscal 2023 Preliminary Budget

FY23 Tax Revenue (OMB)
$66.3 Billion
$393 Million more than
Fiscal 2023 Preliminary Budget

City Economy

Real GCP
2021: +5.9%
2022: +4.1%
IHS Markit

Private Employment
2022: +173,000 jobs
NYCC Finance Division

Current Economic Situation

National Economy

Following a 6.9% (annual rate) acceleration in 2021 Q4, real GDP declined by 1.4% in 2022 Q1.

As of Mar. 2022, the U.S. had recovered 95% or 19.7 million of the jobs lost during the pandemic (not seasonally adjusted).

Unemployment rate down to 3.6% as of Apr 2022 - on par with the pre-pandemic level.

Inflation was 8.3% (annual rate) in Apr. 2022 – a slight drop from previous month. Price surges are driven by supply bottlenecks and high energy prices.

City Economy

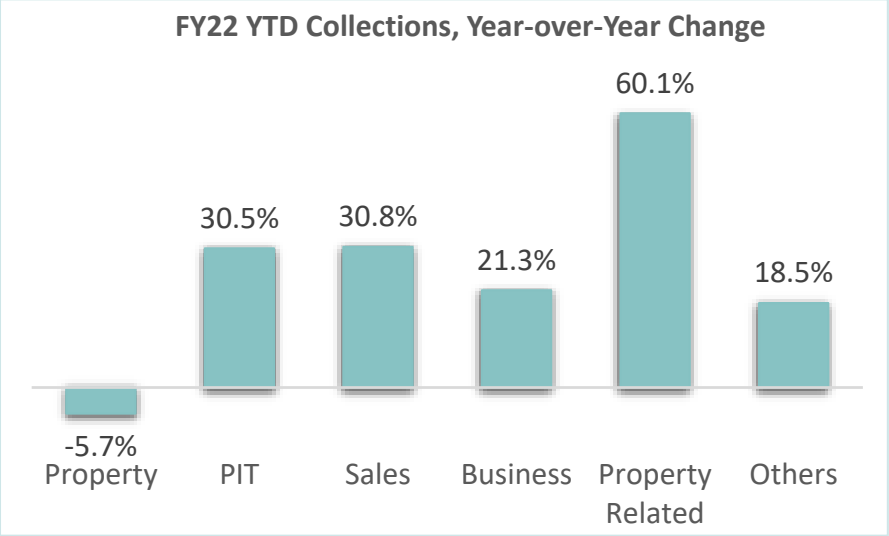
Income in NYC (measured by Real GCP), which fell 21.1% in Q2 of 2020, has now surpassed its pre-pandemic level as of Q4 of 2021.

Employment, while immensely improved, is still far from full recovery. While the U.S. has recouped 95% of it lost jobs, NYC has recouped only 72%.

NYC added 283,000 jobs in 2022 Q1 (year-over-year) – propelled by low wage industries like accommodations and food services.

The pace of NYC's job recovery has finally surpassed the U.S. - after having lagged due to extra COVID-related constraints.

NYC Year-to-Date (YTD) Tax Collection



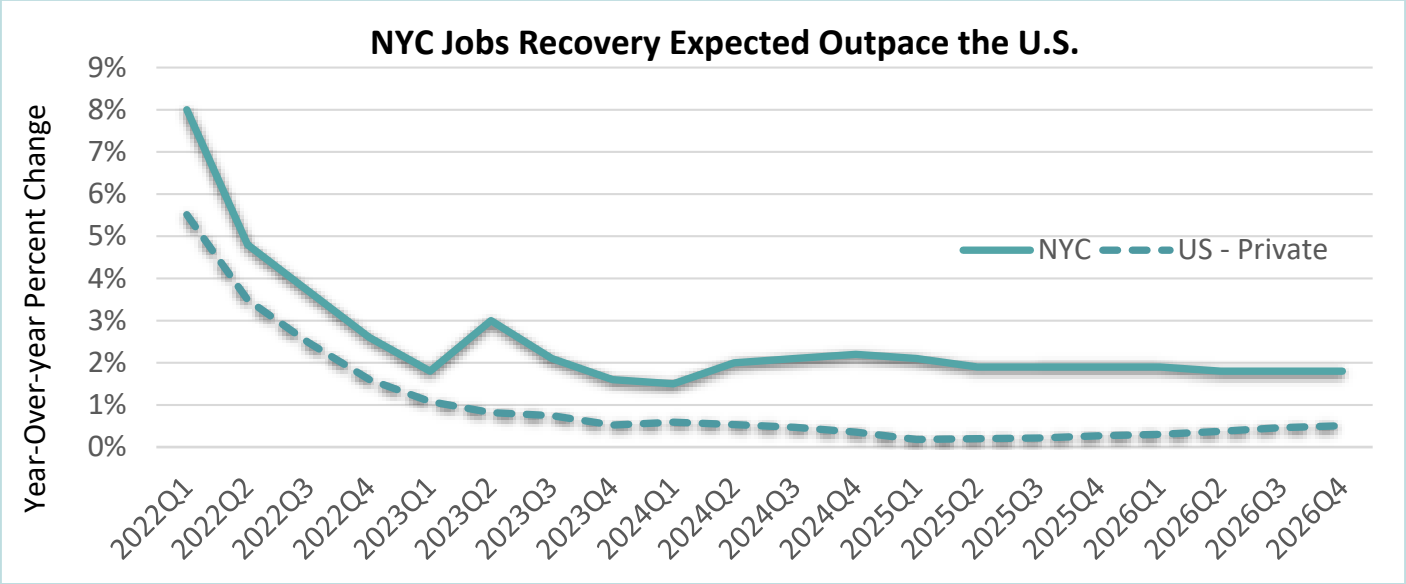
** PIT & Sales are through April 2022. Other collections through March 2022.*

- Total YTD collections for Fiscal 2022 are up $5.7 billion or 10.4%, 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 Executive Plan.

National Economy Forecast

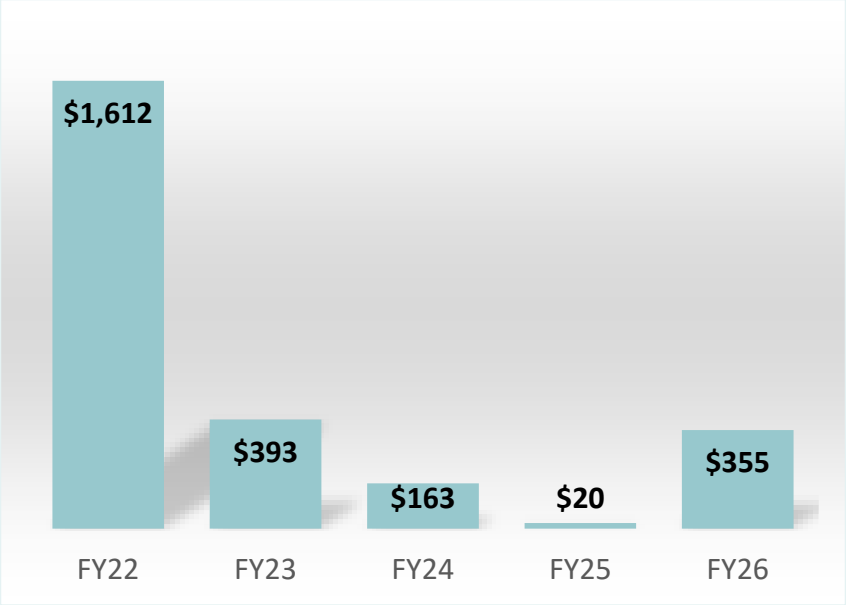
- Real GDP expected to rebound in Q2 and maintain a trend of around 2.4% in 2022.
- Expected decline in imports and reversal of reduction in federal defense spend will boost real GDP in Q2.
- U.S. unemployment rate fell to the pre-pandemic level (3.6%) for the first time in March – remained unchanged in April.
- The jobless rate will remain at the pre-pandemic level for the rest of 2022, but inch up to 5% in 2025.

City Economy Forecast (NYCC Finance Division)



- The City's labor market is expected to continue to strengthen throughout the forecast years.
  - Over 173,000 private sector jobs will be added in 2022, reflecting a stronger economy with minimal Covid restrictions on businesses.
- Going forward, NYC is expected to recover jobs at a faster pace the than rest of the country.
  - NYC labor market has more slack than the rest of the country
- However, job levels in NYC will not return to pre-pandemic level until Q2 of 2025.

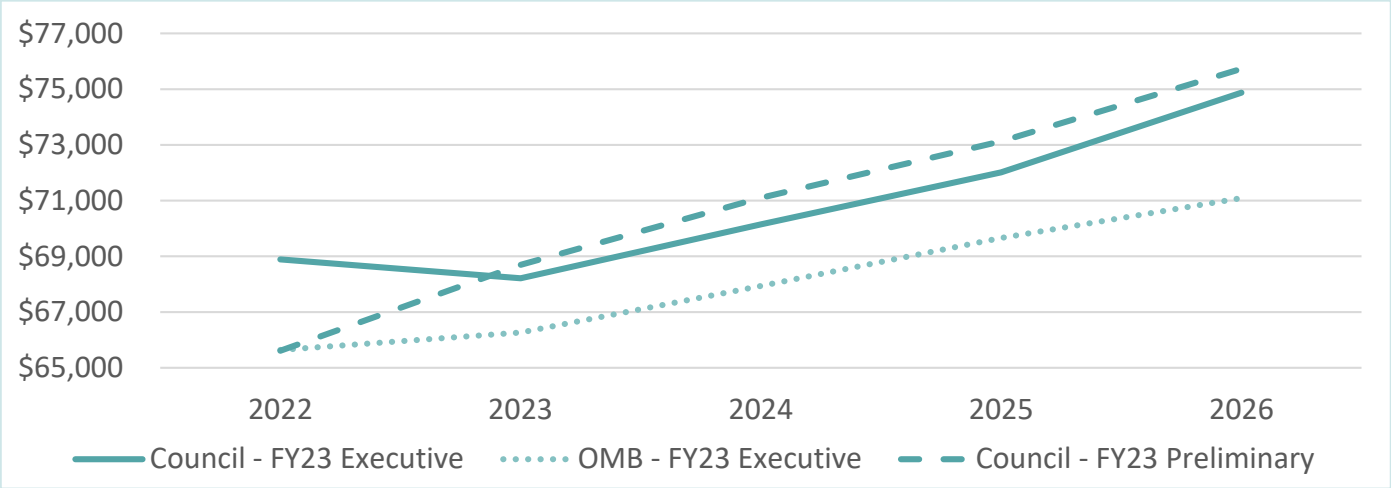
OMB Tax Revenue Changes Since Preliminary



Dollars in Millions

- OMB raised its Fiscal 2022 forecast for most taxes, resulting in a $1.6 billion increase compared to its Preliminary forecast.
- The upward revision mostly reflects stronger than expected collections through March.
- The current Plan includes two new City tax programs that reduce tax revenues.
- After adjusting for tax programs, the increased FY22 forecast for most taxes barely carry over in FY23 and beyond. The business taxes and PIT actually see decreases.

Tax Revenue Forecast



Dollars in Millions

- The Finance Division has raised its FY22 forecast by $3.3 billion compared to the Preliminary budget.
- The upward adjustment is mainly a reflection of a recent surge in collections.
  - PIT, driven by extensions, far exceeded our projections.
  - Sales, business, hotel and transaction taxes have all been stronger than expected.
- The increases have been partially offset by reduction in property taxes.

Forecast Growth Rate (Year-Over-Year)

	FY22	FY23	FY24	FY25	FY26
Council – FY23 Exec	5.1%	-1.0%	2.8%	2.7%	4.0%
OMB – FY23 Exec	0.2%	1.0%	2.5%	2.5%	2.1%
Council – FY23 Prelim	0.1%	4.7%	3.5%	2.9%	3.6%

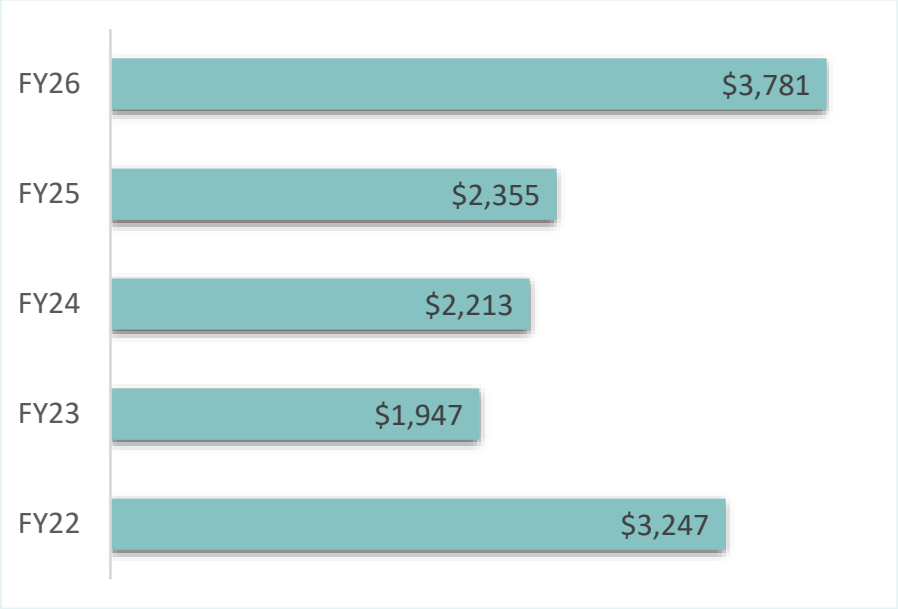
- Going forward, collections are expected to fall by almost 1% in Fiscal 2023, before rebounding with an average growth rate of 3.2% in the outyears.
- Interest rate hikes and projected weakness in the stock market will put drag on income and transaction taxes collections in Fiscal 2023.

Finance Division Tax Forecast

Type of Tax	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026
Real Property	$29,672	$31,379	$32,402	$33,155	$34,632
Personal Income	16,341	14,547	15,018	15,496	16,114
Business Corporate	5,195	4,499	4,497	4,651	4,822
Unincorporated	2,286	2,269	2,279	2,302	2,329
Sales	8,609	8,904	9,248	9,548	9,985
Commercial Rent	869	913	950	980	1,008
Real Property Transfer	1,829	1,651	1,664	1,697	1,736
Mortgage Recording	1,396	1,325	1,298	1,266	1,249
Utility	395	399	403	409	423
Hotels	334	540	609	732	796
All Others	1,063	985	982	979	977
Audits	900	800	800	800	800
Total Taxes	**$68,889**	**$68,211**	**$70,149**	**$72,016**	**$74,872**

Dollars in Millions

Differences from OMB's Fiscal 2023 Executive Plan



Dollars in Millions

- The Finance Division's forecast exceeds OMB's by about $3.2 billion in FY22 and by $1.9 billion in FY23.
- For FY22, the difference mostly reflects a surge in recent collections, driven by PIT.
- Sales, business and the transaction taxes are expected to be stronger than OMB's projections.
- There are still substantial differences in FY23 and beyond; sales and property taxes have the largest differences from OMB.

Risks to the Forecast

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

- New and/or existing COVID-19 strains could cause another wave of infections
- Feds failing to achieve soft-landing
- Persistent high inflation
- Supply shortages may persist longer than expected
- Financial market could prove more volatile and go on for longer than investors expect
- Widespread economic changes could reduce the value and productivity of existing capital in the City