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ROASTS RADIO
AS HOWARD
STERN JUMPS
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NY economy picks up speed with job gains

Retail, tourism spur broad revival

BY TOM FREDRICKSON

After three years of painful retrenchment and recovery, New York City's economy is roaring back.

By the end of this year, the city's economy will have added about 50,000 jobs, taking the count to 3.58 million, and marking the first increase in jobs since 2000. Two of the most important parts of the New York economy, the retail and tourism sectors, are at near-record levels of employment.

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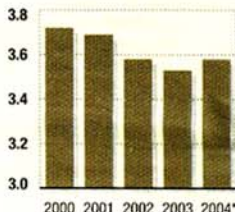
New York will add another 70,000 positions next year, *Crain's* projects, based on economists'

predictions and the performance of the city's economy this year. If growth is that strong, the city would be within 70,000 of its employment peak of 3.72 million jobs in 2000.

"New York is as vibrant as it ever has been in my lifetime," says Tom Hogan, regional chief operating officer for Deloitte & Touche.

Turning the Corner

Annual average number of jobs in New York City, in millions.



*Projected.

SOURCES: NYS LABOR DEPARTMENT, CRAIN'S

JENNIFER CHIU

"All you have to do to see that is go down any street in New York—or try to."

One of the most remarkable things about the recovery is that it is happening without Wall Street. Employment in that sector, regarded as the city's economic engine, is flat compared with 12 months ago. See **NY ECONOMY** on Page 33

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at about 170,000 jobs, or 25,000 below its 2000 peak.

Economists say not to worry, because Wall Street hiring will return and boost the city's economy further, probably sometime next year. "As long as overall corporate profits and the gross domestic product continue to rise, Wall Street will eventually get more business and do more hiring," says James Brown, an economist with the state Department of Labor.

**2005
ECONOMIC
OUTLOOK**

The city is surviving the Wall Street doldrums because the recovery is broad-based. With a growing array of national retail chains opening and hiring in the city, increasingly affluent New Yorkers are finding more ways to spend their money without leaving town. The city also is brimming with visitors. Businesses are spending liberally to purchase the services of lawyers, accountants and temporary agencies.

In fact, the city's economy over the past year has added jobs at a faster clip than the nation's economy, which is being slowed by prob-

lems in its vast manufacturing sector. The city's experience is a contrast to the aftermath of two of the last three downturns, when New York's economy turned up well after the national recovery took hold.

This time, the city's economy is improving faster than the nation's. The unemployment rate dropped to 6.7% in August 2004, from 8.4% a year ago. Income tax receipts in the third quarter ended in September are up 9.1%, compared with the same period of 2003. Home sale prices have smashed records. Sales tax receipts powered ahead more than 10% in all but one month in the six months ended in August.

Retail spending soars

"The sales tax has been growing like gangbusters," says David Belkin, senior economist at the New York City Independent Budget Office.

Such energetic spending has translated into near-record employment at stores. Seasonally adjusted, employment at retail establishments in August stood only 7,000 below the December 2000 peak of 283,500 jobs, according to Barbara Byrne Denham, an economist at Jones Lang LaSalle.

Much of the growth in retail trade, which has added nearly 6,000 jobs this year, is coming at big-box and other national retailers that have filled up their traditional suburban markets and have worked hard to open in urban areas.

Target, Pathmark and Home Depot have all hired hundreds of workers with the opening of new stores in the past year. Swedish furniture seller Ikea is expected to win final approval this week to build a store in Red Hook, Brooklyn, which would employ 600 people. Currently, Brooklyn residents are spending about \$20 million a year at Ikea's Elizabeth, N.J., store.



POSITION EFFECT: The Home Depot on West 23rd Street is one of the big-box retailers that came to conquer Manhattan and created jobs.

"For us, it was a simple decision to locate in Red Hook," says Pat Smith, real estate director for Ikea Property Inc.

Tourists also are contributing to the strong gains in retail and are behind a large increase in hotel employment, which recorded all-time summer highs. The leisure and hospitality sector is up about 8,900 positions this year, or 3.4%, with hotels leading the way with a gain of 3,300 jobs, or 8.6%, Ms. Denham says.

Cultural successes

Visitors are also sparking robust employment gains at cultural venues, such as Broadway theaters and museums. Cultural tourism will only increase with the opening of the rebuilt Manhattan home of the Museum of Modern Art, which will add about 150 employees after it relocates in November from its temporary quarters in Queens, where it employs about 550 people.

Underpinning the recovery is the professional and businesses services sector, which added 14,600 jobs in the past year, for a total of about 550,000.

The TemPositions Group of Cos., which employs about 1,000 people in the city, is billing 20% more hours than it did a year ago, according to James Essey, its chief executive. The temp industry is a harbinger of growth in permanent positions.

Accounting firms have hired significant numbers of people to handle changes under the Sarbanes-Oxley Act of 2002, which requires public companies to undergo far greater scrutiny of their accounting practices. Accounting firms have added 2,800 people, or about 7%, since the beginning of the year, Ms. Denham says.

Now, as the economic recovery continues, financial services companies are spending money on project-related work, such as installing new payment systems, says Mr. Hogan of Deloitte & Touche. The firm expects to add about 15% to its New York City staff of 5,000 employees, or approximately 750 people, during the 12-month period ending next May 31.

"(The company) is already at a new job peak in New York," says Mr. Hogan. ■