

The Port Authority Region and Foreign Exports

PREPARED FOR THE CENTENNIAL SYMPOSIUM OF
THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

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An Economic Transformation

During the past hundred years, the Port Authority region has undergone a dramatic transformation, from an economy based on manufacturing to one tied to advanced business services. This report highlights the way in which services have emerged as the leading exports of the Port Authority region. Today, the movement of goods through the maritime and aviation facilities of the Port Authority plays a vital role in the region's and nation's economy. However, the NY-NJ region's exports are increasingly tied to information-based services.

Moreover, the island of Manhattan, with its concentration of banks, financial service firms, global media and entertainment firms, information technology firms, management consultants, advertising agencies, law firms—as well as medical and educational institutions—is the hub for the services that account for the region's leading foreign exports.

The face-to-face communication that occurs in office towers, restaurants, and cultural settings is the raw material that is converted into products and services that are then distributed over fiber optic and satellite systems around the world. Of course, the flow of ideas and information depends on the people who move in, through, and out of the city—by foot, bike, scooter, automobile, subway, commuter rail, ferry, bus, helicopter, and airplane. Indeed, the New York-New Jersey region has a robust mix of transportation systems, built and operated by the Port Authority of New York and New Jersey, the Metropolitan Transportation Authority, the State of New Jersey, and the City of New York.

More than 400 years ago, the Dutch established a trading post at the tip of Manhattan to obtain the highly valued beaver pelts that were the raw material for the felt hats worn throughout Europe. Today, New York is still exporting high value goods, but they are based on information and ideas, not animal skins. They are produced by thousands of people working in office buildings in the bistate region.

In this report, we examine important indicators of the Port Authority's evolving role in foreign trade:

- a comparison of foreign business exports for the United States as a whole to those exported by the Port Authority's 18-county region¹
- the top 10 export industries in the Port Authority region in 2017
- how the mix of top export industries has changed for the Port Authority region between 2003–2017
- the Port Authority region's share of US exports by industry in 2017

¹ The bistate Port Authority region, as referenced herein, contains nine New York counties (Bronx, Kings, Nassau, New York, Richmond, Rockland, Queens, Suffolk, and Westchester) and nine New Jersey counties (Bergen, Essex, Hudson, Middlesex, Monmouth, Morris, Passaic, Somerset, and Union).

- the Port Authority region's share of US export growth by industry over the years 2003–2017
- a comparison of the Port Authority region to major US cities by number of departing international flights

The analysis of export industries in this report is based upon the 2018 edition of the Brookings Institution's *Export Monitor*, a collection of export industry statistics for the years 2003 to 2017.² By contrast, the US Census Bureau publishes trade data, reported at the state and metropolitan area levels, on imports and exports of commodities, but not services.³ The Brookings database is unique in two ways. First, it includes export data for both goods and service industries.⁴ This highlights the ongoing shift from a commodities-reliant export economy to one increasingly tied to information and services. Second, the Brookings data is aggregated at the state, metropolitan area, and county levels. This allows the aggregation of data for the 18 counties comprising the Port Authority region.

² Brookings. (2018). *Export Monitor 2018*. Retrieved from <https://www.brookings.edu/research/export-monitor-2018/>.

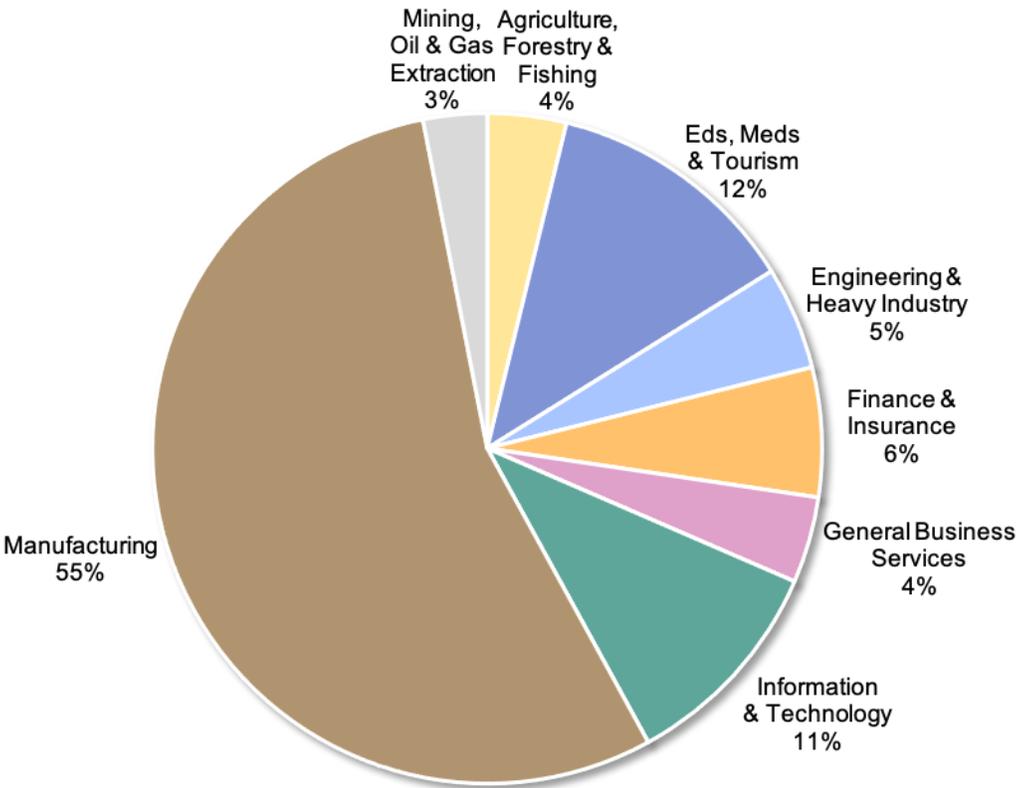
³ US Census Bureau. (2021). *Foreign Trade*. Retrieved from <https://www.census.gov/foreign-trade/index.html>.

⁴ A guide to the methodology for the Brookings export database is available at <https://www.brookings.edu/wp-content/uploads/2017/08/brookings-export-series-methodology-nm-5715.pdf>. Table B of this document shows the component NAICS codes for each of the Brookings database's service industries. See Appendix for an adapted version of Table B that describes the service industries specifically highlighted in this report.

How the Port Authority Region’s Exports Differ from the US Overall

The Port Authority region’s export economy differs from that of the nation as a whole. The total exports of the region and the nation (in 2017 USD) are compared by broad categories in **Figures 1 and 2**.

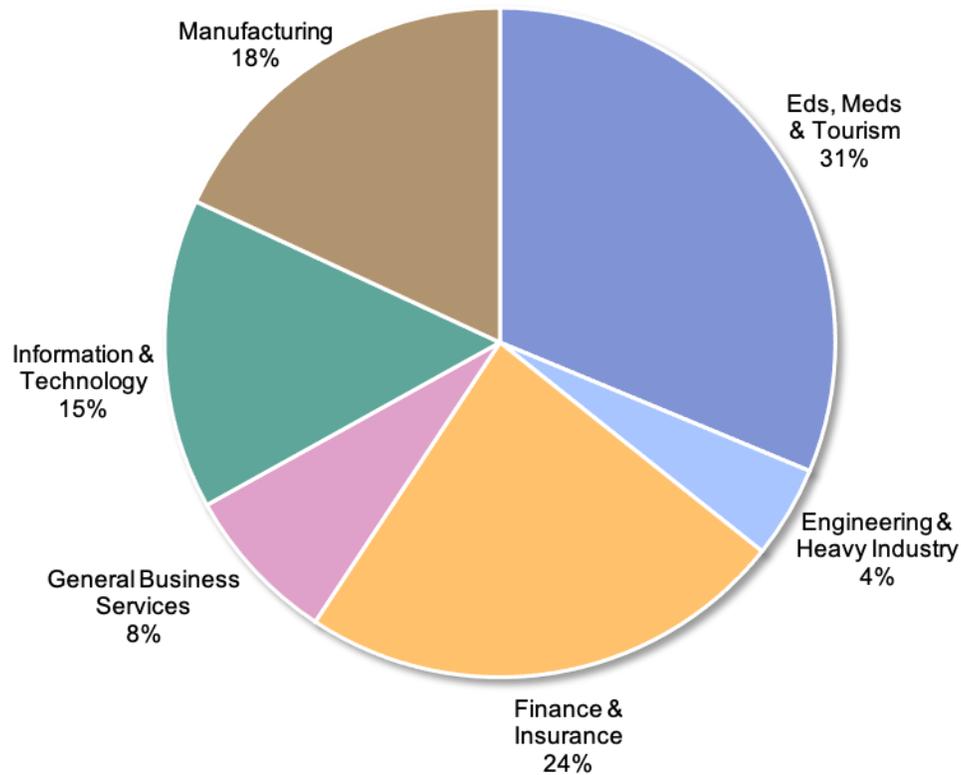
Figure 1: United States Exports by Broad Industry in Dollar Value, 2017



Source: Brookings Export Monitor 2018

Manufacturing is the basis for more than 55 percent of the value of the nation’s total exports. For the 18 counties in the Port Authority region, manufacturing accounts for less than one-fifth of these exports.

Figure 2: Port Authority Region Exports by Broad Industry in Dollar Value, 2017



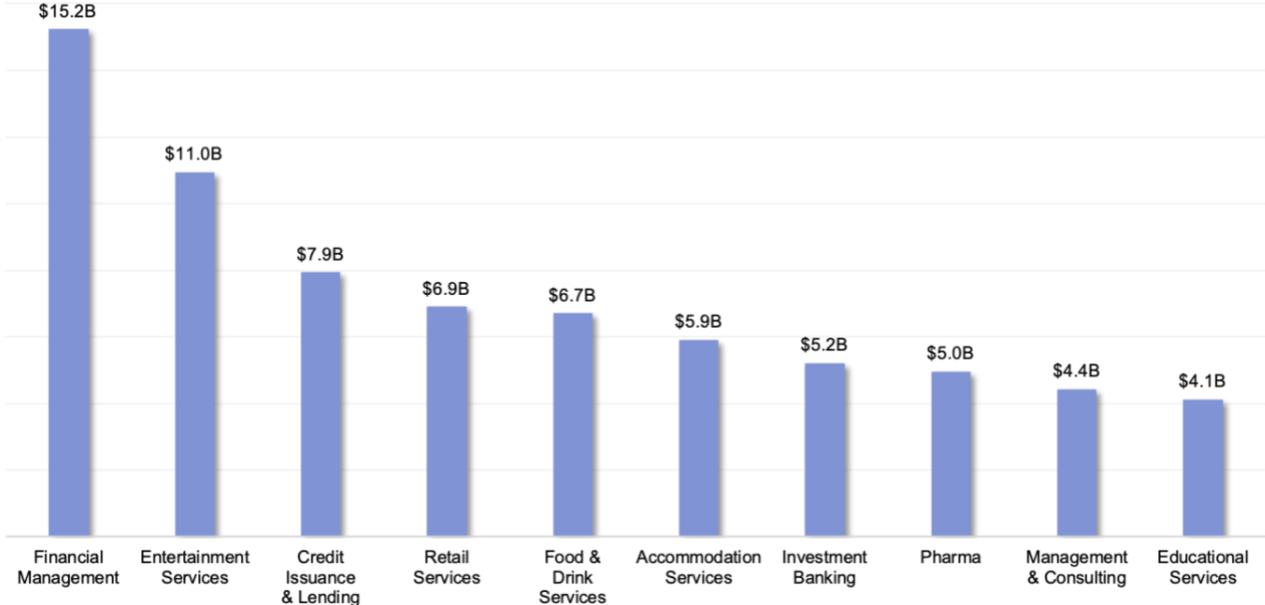
Source: Brookings Export Monitor 2018

In 2017, education, medicine, and tourism accounted for nearly a third of total USD exported by the region; finance and insurance were responsible for approximately one-quarter of the region's export dollars. In 2003, the region more closely resembled the nation. At that time, manufacturing accounted for 35 percent of the region's export dollars.

Top Industries in the Port Authority Region's Export Economy

The Port Authority region's exports are increasingly based on advanced services. As **Figure 3** indicates, all but one of the region's top export industries by dollar value in 2017 were service-based.

Figure 3: Port Authority Region Top Ten Export Industries, 2017



Source: Brookings Export Monitor 2018

This trend is further illuminated when comparing the mix of top export industries in 2017 to those in 2003, as shown in [Table A](#). In real dollars, the Port Authority region’s total exports increased by \$51.6 billion between 2003 and 2017. Over that period, financial management grew from \$3.6 billion to \$15.2 billion in real exports, while entertainment services increased from \$5.5 billion to \$11.0 billion.

Table A: Port Authority Region Top Ten Industries, by Real Exports, 2003 vs. 2017

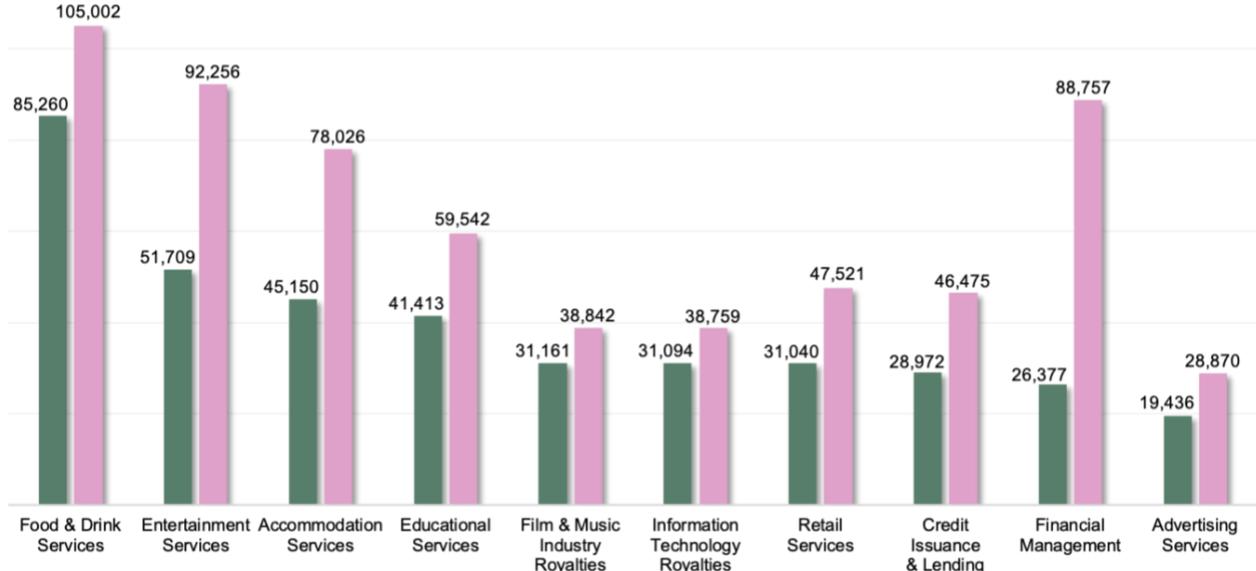
2003			2017		
1	Pharmaceuticals	\$8.3B	1	Financial Management	\$15.2B
2	Entertainment Services	\$5.5B	2	Entertainment Services	\$11.0B
3	Retail Services	\$4.9B	3	Credit Issuance & Lending	\$7.9B
4	Investment Banking	\$4.8B	4	Retail Services	\$6.9B
5	Food & Drink Services	\$4.0B	5	Food & Drink Services	\$6.7B
6	Accommodation Services	\$3.7B	6	Accommodation Services	\$5.9B
7	Financial Management	\$3.6B	7	Investment Banking	\$5.2B
8	Basic Chemicals	\$2.4B	8	Pharmaceuticals	\$5.0B
9	Information Technology Royalties	\$2.1B	9	Management & Consulting	\$4.4B
10	Film & Music Industry Royalties	\$2.1B	10	Educational Services	\$4.1B

Source: Brookings Export Monitor 2018

Education services, which were not even among the top 10 regional exports in 2003, were ranked 10th in 2017 with \$4.1 billion in foreign exports. Credit issuance and lending, with \$7.9 billion in exports and management consulting, with \$4.4 billion in exports, were among the top 10 foreign exports from the Port Authority region in 2017, but neither made the list in 2003. Most striking is the pharmaceutical sector, which was the leading export industry for the region in 2003, with \$8.3 billion in exports. In 2017, pharmaceuticals were responsible for \$5.0 billion in exports and ranked eighth in the region in foreign exports.

The Port Authority region’s top job-producing industries are service-based industries—such as food and drink, entertainment, accommodation, and educational services—which produce a high number of direct jobs (Figure 4). Especially noteworthy is financial management—which has a high job multiplier of 3.4, generating almost 90,000 total jobs but just 26,377 direct jobs.

Figure 4: Port Authority Region Top Ten Export Industries, by Direct and Total Jobs, 2017

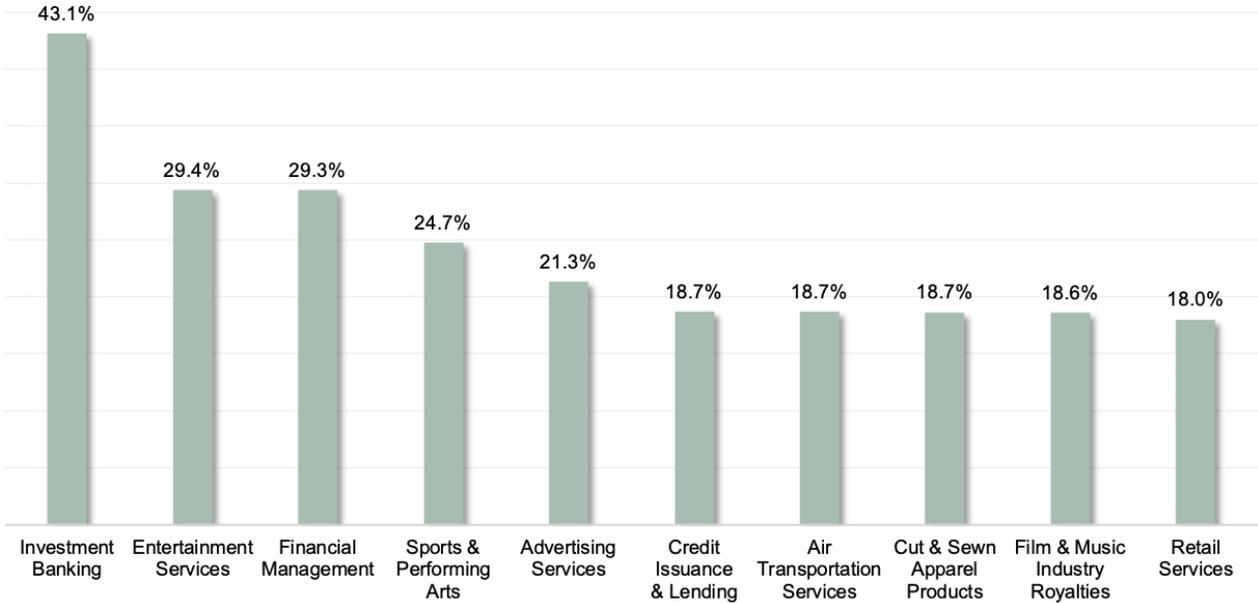


Source: Brookings Export Monitor 2018

The Port Authority Region Dominates US Exports in Key Service Industries

Perhaps the most striking aspect of the overall foreign business exports generated by the Port Authority region is the region’s comparatively large share of the nation’s exports in selected sectors. In 2017, the Port Authority region was responsible for 43% of US exports in investment banking and 29% of exported dollars in entertainment services (Figure 5).

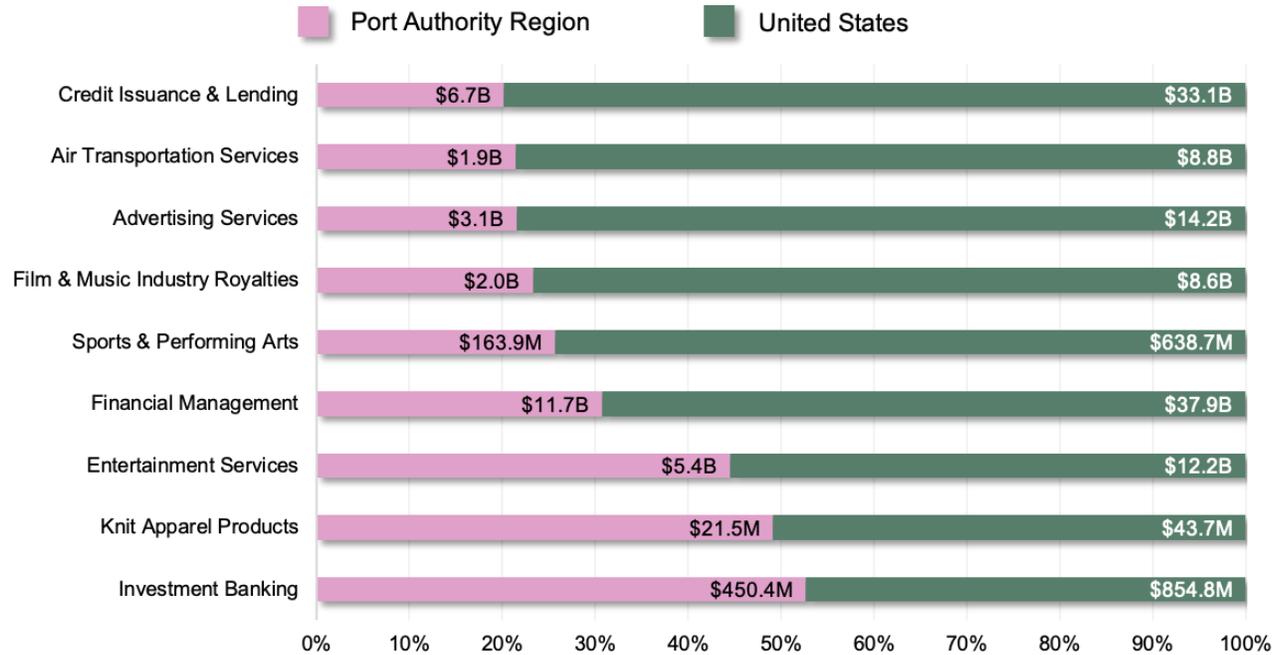
Figure 5: Port Authority Region Share of US Exports by Industry in Dollar Value, 2017



Source: Brookings Export Monitor 2018

In addition, the Port Authority region accounted for 40% of the nation’s growth in financial management between 2003 and 2017 and 53% of the growth in investment banking between 2003 and 2017 (Figure 6).

Figure 6: Port Authority Region Share of US Export Growth for Selected Industries, 2003-2017

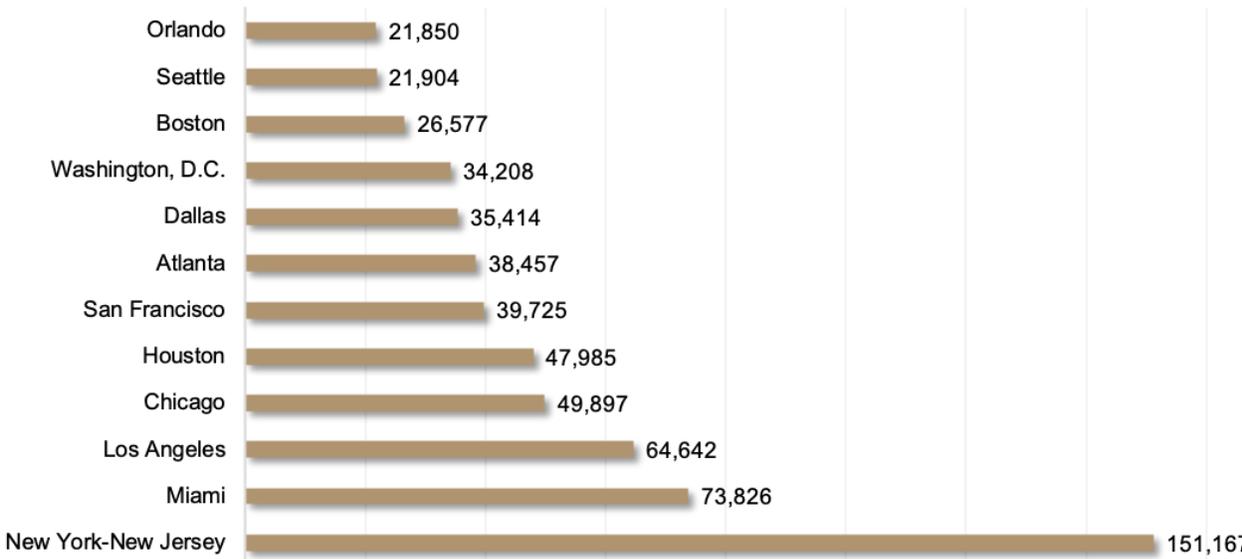


Source: Brookings Export Monitor 2018

International Air Travel and the Region's Export Growth

One hundred years ago, people traveled across the world by sea on the great steamships of the world. Today, seas are predominantly used for the movement of cargo, apart from the cruise ship industry. Ever since transcontinental jet service began in the 1950s, the airplane has superseded the passenger ship. And the airports under the control of the Port Authority provide more direct international departing flights than are available from any other city in North America (Figure 7). For business travelers, frequency of flights is a measure of accessibility. The New York-New Jersey region is more accessible to more international destinations than any other location on the continent.

Figure 7: Comparison of Departing International Flights from Major US Cities, 2019



Source: Port Authority of New York & New Jersey

The NY-NJ airports were particularly dominant in serving African destinations, providing 2,215 departing direct flights—more than Chicago, Los Angeles, Washington, D.C., Houston, Dallas, Miami, Boston, Atlanta, and Seattle combined (2,126).

The creation of, and export of, foreign services from the NY-NJ region depends on the skilled workers in the office towers of the bistate region. The capacity of the telecommunications systems to connect the region with all parts of the globe as well as the aviation linkages enable people to meet face-to-face. Simply put, the strength of the region's position in the world economy depends on the Port Authority's continued investment in airports and in the region's capacity to retain and attract the skilled talent who invent and develop the advanced services we export to the world.

Investing in Growth

The Port Authority region's export economy is increasingly based on information and service industries. Two decades ago, the region's mix of export industry sectors was distinctly different from that of the United States as a whole. However, by 2017, this divergence became far more pronounced. Whereas manufacturing still leads the nation's total exports in dollars, the Port Authority region's manufacturing exports have continued to contract, while the region's education, medicine, tourism, finance, and insurance export sectors have flourished.

The region is responsible for a disproportionately large share of national exports for industries such as finance, entertainment, and advertising. Not surprisingly, the region accounts for much of the US growth in these industries between 2003 and 2017 as well.

International air travel is key to the face-to-face communication that is essential for information and service industries to thrive in the global economy, and, as shown in this report, the Port Authority region has stronger aviation linkages than any other major city in the United States.

The capacity of Manhattan to provide an abundance of face-to-face communications in high-rise office towers depends on the Port Authority's robust transportation infrastructure: the region's airports, the George Washington Bridge, the PATH system, and the Lincoln and Holland Tunnels.

The growth that has occurred over the past two decades must continue into the future: This requires investment in the transportation systems that allow face-to-face activities to occur in the bistate region.

Appendix

Brookings Export Monitor Database Industries by NAICS Components

Brookings Export Monitor Database Industry		NAICS Component Industry	
Code	Title	Code	Title
03TT	Accommodation Services	721	Accommodation
17SV	Advertising Services	5418	Advertising, Public Relations, and Related Services
01TT	Air Transportation Services	481	Air Transportation
		4881	Support Activities for Air Transportation
3251	Basic Chemicals	3251	Basic Chemical Manufacturing
09SV	Credit Issuance & Lending	5222	Nondepository Credit Intermediation
		5223	Activities Related to Credit Intermediation
3152	Cut & Sewn Apparel Products	3152	Cut and Sew Apparel Manufacturing
04SV	Educational Services	611	Educational Services
05TT	Entertainment Services	5121	Motion Picture and Video Industries
		5615	Travel Arrangement and Reservation Services
		7113	Promoters of Performing Arts, Sports, and Similar Events
		7114	Agents and Managers for Artists, Athletes, Entertainers, and Other Public Figures
		7115	Independent Artists, Writers, and Performers
		7121	Museums, Historical Sites, and Similar Institutions
		7131	Amusement Parks and Arcades
		7132	Gambling Industries
		7139	Other Amusement and Recreation Industries
05RY	Film & Music Industry Royalties	512	Motion Picture and Sound Recording Industries
		515	Broadcasting (except Internet)
08SV	Financial Management	5239	Other Financial Investment Activities
04TT	Food & Drink Services	722	Food Services and Drinking Places
05RY	Information Technology Royalties	511	Publishing Industries (except Internet)
		517	Telecommunications
		519	Other Information Services

07SV	Investment Banking	5231	Securities and Commodity Contracts Intermediation and Brokerage
		5232	Securities and Commodity Exchanges
3151	Knit Apparel Products	3151	Apparel Knitting Mills
14SV	Management & Consulting	5416	Management, Scientific, and Technical Consulting Services
		5611	Office Administrative Services
3254	Pharmaceuticals	3254	Pharmaceutical and Medicine Manufacturing
06TT	Retail Services	441	Motor Vehicle and Parts Dealers
		442	Furniture and Home Furnishings Stores
		443	Electronics and Appliance Stores
		444	Building Material and Garden Equipment and Supplies Dealers
		445	Food and Beverage Stores
		446	Health and Personal Care Stores
		448	Clothing and Clothing Accessories Stores
		451	Sporting Goods, Hobby, Musical Instrument, and Book Stores
		452	General Merchandise Stores
		453	Miscellaneous Store Retailers
		454	Nonstore Retailers
		8129	Other Personal Services
23SV	Sports & Performing Arts	7111	Performing Arts Companies
		7112	Spectator Sports

Note: Adapted from Table B in *Brookings export database methodology* (updated May 2015), available at <https://www.brookings.edu/wp-content/uploads/2017/08/brookings-export-series-methodology-nm-5715.pdf>.