



The Securities Industry in New York City

Highlights

- NYSE member firms reported \$25.8 billion in profits in 2022, down 55.8 percent from the prior year, but comparable to pre-pandemic levels (an average of \$22.3 billion per year from 2015 to 2019).
- The Federal Reserve's interest rate increases have driven firms' debt servicing costs much higher, reducing profits. Firms' interest expenses in 2022 were more than seven times higher than in 2021, which continued into 2023 and fueled a 4.3 percent decline in first half profits.
- In 2021, the securities industry was responsible for 16.4 percent of all economic activity in the City, up from the prior year level of 16.2 percent.
- The sector added 10,500 jobs for a total of 190,800 positions in 2022, the highest level since 2001 and the largest single-year increase since 1994.
- Average salaries fell by 3.7 percent in 2022 to \$497,420, driven in part by a 26 percent decrease in the average sector bonus to \$176,700.
- Compensation for CEOs at financial firms in New York State was 328 times more than the median for all employees of their companies in 2022, a much larger gap than the prior year (261 times more in 2021).
- The industry's tax revenue contribution to the City was \$5.4 billion in FY 2023 (7.5 percent of total revenue) and to the State was \$28.8 billion (27.4 percent of tax revenues) in SFY 2023. While the contribution rose in the State, it declined in the City.

The securities industry saw record performance in 2020 and 2021, facilitated by lower borrowing costs and increased liquidity resulting partly from the federal government's policy response to the pandemic. The industry returned to more typical levels of profitability in 2022, reporting total pretax profits of \$25.8 billion, as the Federal Reserve began raising the target interest rate. Higher rates caused financial firms' interest liability on outstanding debt to rise substantially, while further access to credit was constrained.

This trend has continued in 2023. New York Stock Exchange (NYSE) member firm profits during the first half of 2023 were \$13 billion, a decline of 4.3 percent from the prior year. Profits for the first half of 2023 are comparable to pre-pandemic levels (\$13.6 billion in 2018). Revenues from commissions and underwriting activities have fallen by 46.8 percent in the past two years, as the higher cost of credit has precipitated a major slowdown in debt issuances, equity issuances and mergers and acquisitions. Market signals suggest an expectation for interest rates to remain elevated over an extended period, though geopolitical uncertainty, as well as domestic policy going into a presidential election year, mean conditions may shift rapidly.

As profits rose during the pandemic, securities firms in the City increased their headcounts significantly, bringing employment in 2023 to 195,100 (based on year-to-date data), the highest level in over 20 years. Whether firms will retain these additional positions as profits return to normal remains to be seen. Lower profits have also resulted in smaller bonuses, with the bonus pool [estimated](#) to be down 21 percent year over year, meaning a decline in related income tax revenue for the City and State.

Inflationary Pressure and Interest Rate Expectations

To mitigate the initial impact of the COVID-19 pandemic, the federal government undertook multiple economic stimulus measures, including direct stimulus payments, the [Paycheck Protection Program](#) and [Economic Injury and Disaster Loans](#), among others. Expanded unemployment insurance and the suspension of federal student loan payments also served to provide economic relief. During that time, the Federal Reserve lowered interest rates and purchased bonds through a policy known as quantitative easing.

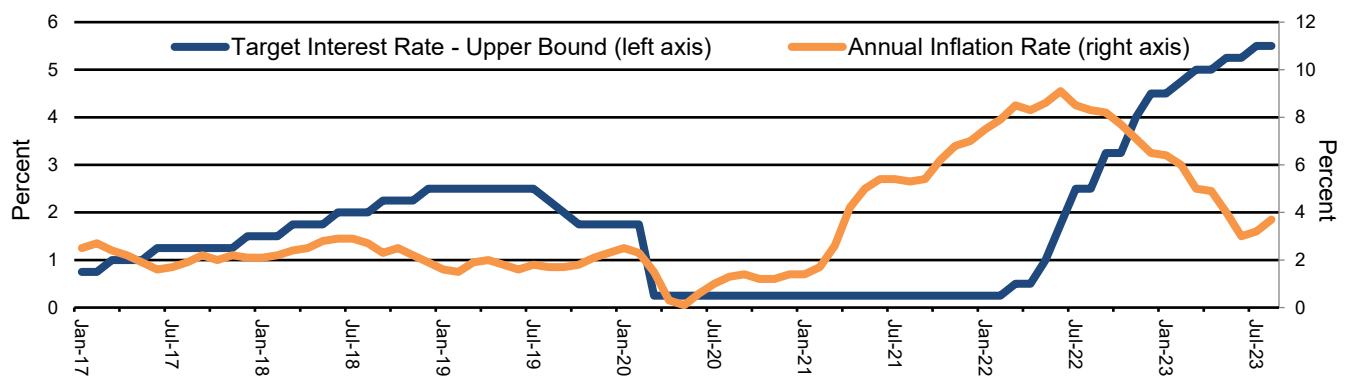
At least in part because of these programs and policies, the pandemic recession was limited to the second quarter of 2020 before the economy returned to growth. However, the increased liquidity in the market, in combination with supply chain issues that persisted for nearly two years, caused inflation to increase dramatically beginning in 2021 (see Figure 1).¹ Despite continuing increases in inflation, the Federal Reserve held interest rates at near-zero levels until March of 2022, when it instituted the first of 11 rate hikes through September 2023 so far. The federal funds rate target range is now 5.25 to 5.5 percent, the highest level since 2001, and inflation stands at 3.7 percent as of August 2023,

higher than the Federal Reserve’s target of 2 percent but far below the levels seen last year.

Despite the Federal Reserve’s progress in taming inflation, market uncertainty persists around interest rate expectations. In recent months, concerns that higher rates could cause the economy to stall have lessened, while the likelihood of a “soft landing” in which inflation ebbs without a major contraction in gross domestic product (GDP) has grown. Economists say the odds of a recession in the next 12 months have declined since last year, though they remain above 50 percent.² If a recession does occur in the next year, it is expected to be small and short-lived. *The Wall Street Journal’s* consensus forecast, based on a survey of economists, expects GDP to contract for only a single quarter (in the fourth quarter of 2023) and by only 0.1 percent.

As a result, the market does not expect interest rates to see significant declines, which would be more likely to happen if a major recession occurred. The bond yield curve, which can be used to indirectly infer market expectations about future interest rates, currently shows short-term bonds yielding greater than 5 percent, an outcome last seen during the Great Recession. Currently high yields are expected to remain above 5 percent for at least the next several

FIGURE 1
Federal Funds Target Interest Rate and Annualized Inflation Rate



Sources: Federal Reserve Bank of St. Louis; US DOL Bureau of Labor Statistics Consumer Price Index; OSC analysis

years as the Federal Reserve has signaled it will keep the federal funds rate higher for longer than previously expected. Economists expect rates to decline in 2024 but remain above 4 percent.³ While the strength seen in various economic indicators is generally good news, higher interest rates over the long term mean less credit availability, which can constrain market activity.

Market Impact

The market’s reaction and the Federal Reserve’s response to persistent inflation pushed major stock indices into a bear market in January 2022, but stocks began to recover in July 2022. As of September 2023, all major stock indices have improved over the last year, in part due to investor confidence over the intended course of the Federal Reserve to reduce price increases to its target rate (see Figure 2). However, a looming federal government shutdown, labor stoppages, a resumption of student loan payments and the potential for higher interest rates to linger could threaten those gains.

Among the major indices, the Nasdaq (commonly used as a proxy for the technology sector) has seen the most volatility over the last year, plummeting in 2022 amid high interest rates and surging the following year as investors seek to capitalize on artificial intelligence (AI) tools and capabilities. While the index remains elevated compared to the beginning of the year, there has been a retreat in recent months as the investor rush into AI has ebbed and market conditions add further pressure.

FIGURE 2
Major Equity Index Returns

Index	2022	2023 YTD*	10-Year CAGR**
S&P 500	-19.4%	11.4%	10.4%
Dow Jones	-8.8%	1.1%	9.7%
NASDAQ	-33.1%	26.3%	13.2%

*Through September 29, 2023

**Compound Annual Growth Rate for 2013-2022

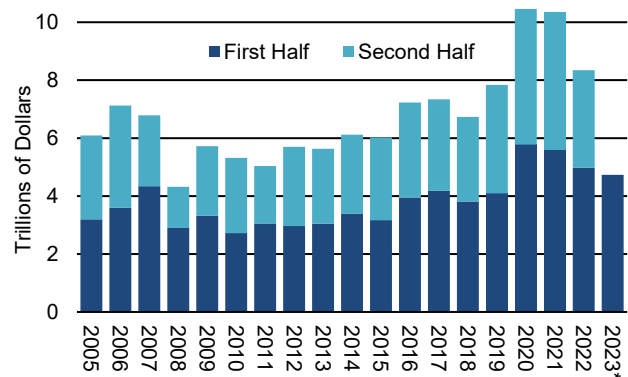
Sources: Bloomberg; OSC analysis

Trading activity (a driver of commission fees, and thereby a contributor to industry profitability) as measured by average daily volume set yet another record in 2022, up 4.4 percent from the prior year. This follows tremendous growth during the pandemic (55.7 percent in 2020 and 4.6 percent in 2021; see OSC’s securities industry reports for [2021](#) and [2022](#) for more details). Total trade volume was up in 2022 for the S&P 500 and Dow Jones indices (4.1 percent and 7.3 percent, respectively). Trade volume declined slightly for the Nasdaq in 2022 (down 3.5 percent), though it remains at more than twice the pre-pandemic volume in 2019.

The Federal Reserve paused interest rate increases in September 2023 in an effort to allow changes in key economic indicators to catch up to prior months’ rate increases. The Federal Reserve may still raise rates one more time this year, at its November policy meeting, before potentially cutting rates in 2024 based on its latest economic projections from September 2023. The Federal Reserve now expects to cut rates by a smaller amount than suggested by its prior projections.

Higher interest rates have impacted underwriting activity, such as debt issuance, due to the higher cost of raising capital. Global debt offerings fell in 2022 but have since recovered somewhat (see Figure 3). Global debt fell from \$10.3 trillion to \$8.3 trillion in 2022, driven by a steep decline in

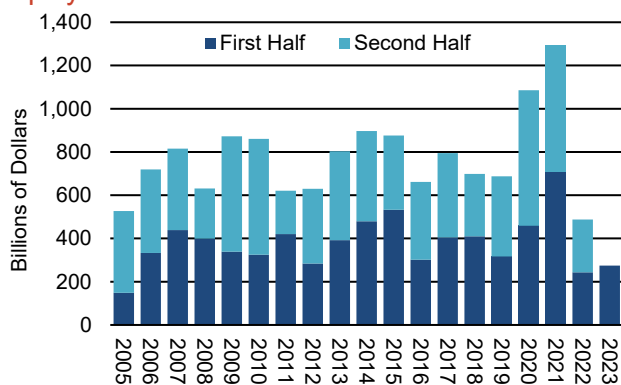
FIGURE 3
Global Debt Issuances



Sources: Refinitiv; OSC analysis

*Through June

FIGURE 4
Equity Issuances



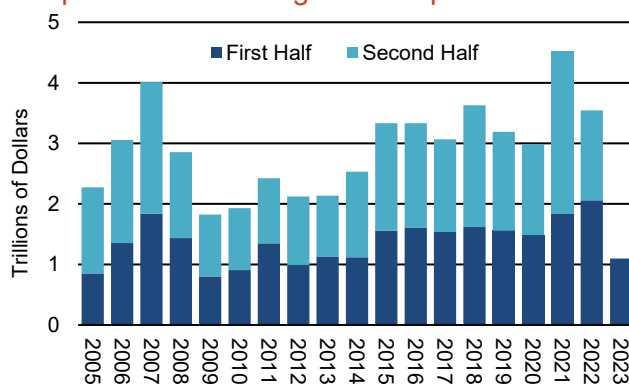
Sources: Refinitiv; OSC analysis *Through June

bond offerings likely due to a combination of geopolitical conflict, high inflation and rising interest rates.⁴ In the first half of 2023, global debt offerings totaled \$4.7 trillion, down 4.9 percent from the prior year. Debt issuances saw a significant spike in September, reflecting a typical seasonal increase, though analysts said the increase in bond issuances had surpassed expectations.⁵

Global equity offerings fell even more dramatically than debt offerings in 2022 to reach \$487.5 billion, its lowest level since the dataset began in 2005 and 62 percent lower than in the prior year, which was buoyed by initial public offerings (IPOs; see Figure 4). In the first half of 2023, global equity offerings totaled \$274 billion, 12.7 percent greater than in the prior year and driven by relatively strong IPO activity in the U.S. Investors were hopeful that the latter half of 2023 would see a continuing uptick in IPO activity, but weaker than anticipated starts for several recent high-profile listings (microchip maker ARM, online shopping service Instacart, and software group Klaviyo) may dampen prospects for the remainder of the year.⁶

Activity in mergers and acquisitions has seen a similarly dramatic fall from the highs achieved in 2021 (see Figure 5). Activity declined to \$3.5 trillion in 2022, down 21.5 percent from the prior year. The first half of 2023 has seen a more dramatic decline, down 46.8 percent to \$1.1 trillion, the lowest level since 2012. While

FIGURE 5
Completed Global Mergers & Acquisitions



Sources: Refinitiv; OSC analysis *Through June

market participants are optimistic that interest rates may be nearing their peak, they anticipate that deals for the second half of the year will be dominated by mid-market acquisitions rather than mega-deals. Activity is expected to remain depressed through at least the end of this year.⁷

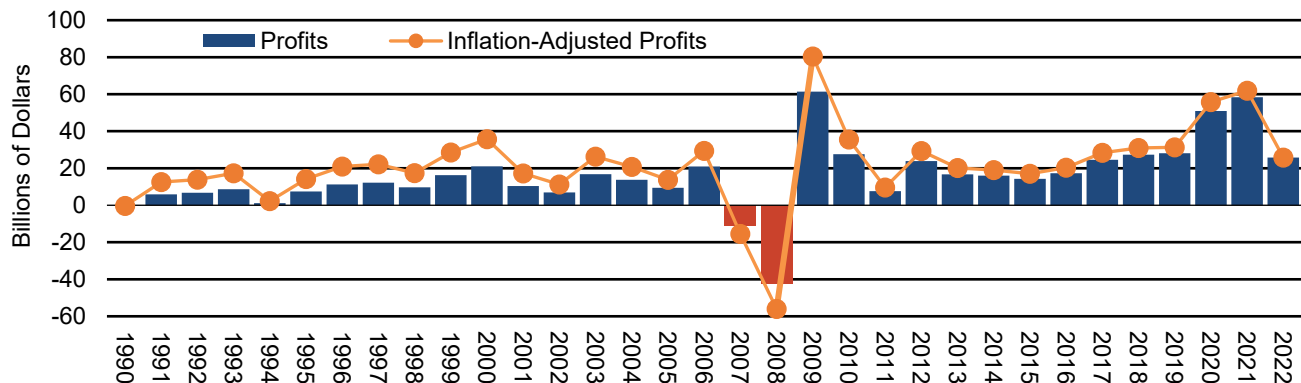
Industry Profitability

The profitability of NYSE member firms, which serves as the traditional profitability measure for the securities industry, increased considerably during the pandemic, with combined pretax profits for 2020 and 2021 (\$109.3 billion) nearly as high as the previous five years combined (\$111.5 billion for 2015 to 2019; see Figure 6). Member firms' profits tend to benefit from low interest rates because their interest liability is greater than their interest revenue.

As noted in [last year's Securities report](#), the high profitability fueled by historically low interest rates could not be sustained, and firms' pretax profits fell by 55.8 percent in 2022 to \$25.8 billion. The Federal Reserve's increases in its target interest rate to combat inflationary pressures increased the debt liability held by member firms. As a result, member firms saw their interest expense increase more than seven-fold between 2021 and 2022, cutting profits significantly.

Net revenue, defined as gross revenue less interest expense, declined by 14.7 percent in 2022 to \$190.5 billion, driven by decreases in

FIGURE 6
Securities Industry Profits



Note: Pretax profits for broker/dealer operations of New York Stock Exchange member firms.
Sources: Securities Industry and Financial Markets Association; NYSE/Intercontinental Exchange; U.S. Bureau of Labor Statistics; OSC analysis

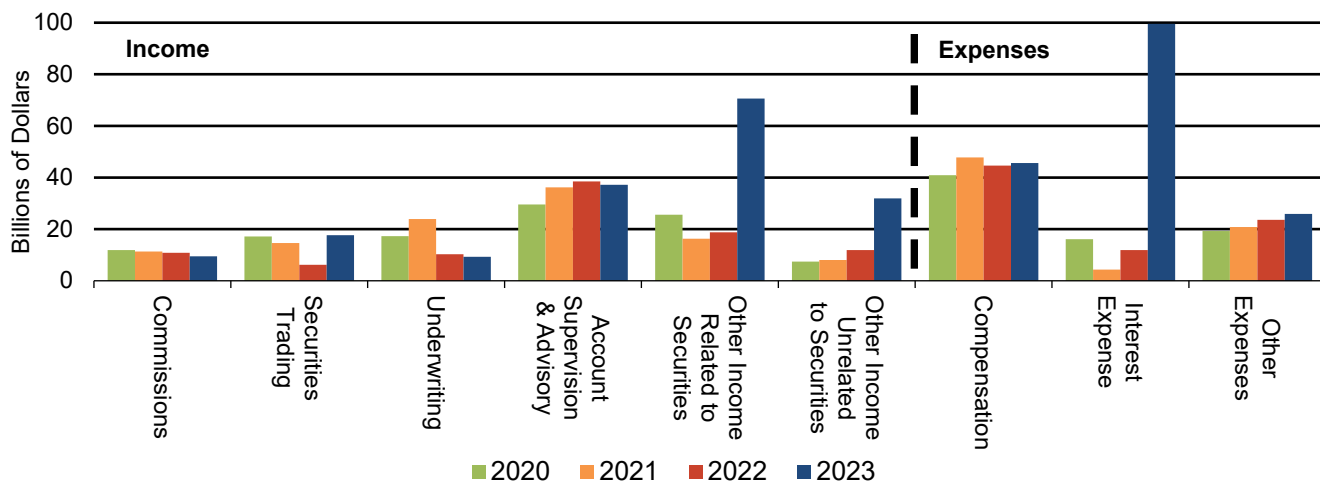
underwriting activities and securities trading. Non-interest expenses were virtually unchanged from the prior year (down 0.1 percent).

In 2023, profits have held relatively steady. Pretax profits totaled \$13.0 billion in the first six months of the year, a decline of 4.3 percent from the same period in 2022. Revenues (net of interest expense) increased 3.4 percent to \$99.8 billion, bolstered by increases in securities trading (up \$11.4 billion year over year), other income related to securities (which includes dividends and interest from investments, mergers

and acquisitions, and placement fees, up \$51.8 billion) and other income unrelated to securities (up \$20 billion). These increases were offset by interest expenses climbing from \$11.9 billion in the first half of 2022 to \$99.6 billion in the first half of 2023. Expenses (net of interest) increased by 4.6 percent, driven by modest increases in compensation, occupancy, and other expenses (see Figure 7 for details on major income and expense line items).

If the rate of decline in profits in the first half of 2023 holds steady for the remainder of the year,

FIGURE 7
Select Income and Expense Line Items for NYSE Member Firms
First Half of Year, 2020-2023



Note: Both "Other Income" categories contain revenues that are directly impacted by higher interest rates.
Sources: Securities Industry and Financial Markets Association; NYSE/Intercontinental Exchange; OSC analysis

profits could fall to \$24.7 billion from \$25.8 billion in 2022, a further normalization from pandemic highs. However, economic uncertainty may result in further declines in the third and fourth quarters.

Employment

Securities employment in the City peaked in the year 2000, then declined significantly in the wake of the Sept. 11th attacks and subsequent recession. Another major reduction in employment occurred during the Great Recession, with a 12 percent decline from 2007 to 166,200 jobs in 2010. Securities employment in the City then grew by 10.4 percent to reach 183,500 jobs in 2019 (see Figure 8).

While the onset of the COVID-19 pandemic caused large job losses in many sectors, employment in the securities industry was relatively unscathed. In 2020, employment declined by just 1.6 percent (2,900 jobs) compared to 12.2 percent in the total private sector. The industry lost another 300 jobs the following year for a total reduction of 1.7 percent over two years; see [OSC's Industry Sector Dashboards](#) for additional information.

This trend saw a significant reversal in 2022 with 10,500 jobs added to the sector, the largest single-year increase since 1994. This brought securities employment to 190,800 jobs, the highest level since 2001. Preliminary data for the

current year to date shows the industry is on pace to add an additional 4,300 jobs in 2023.

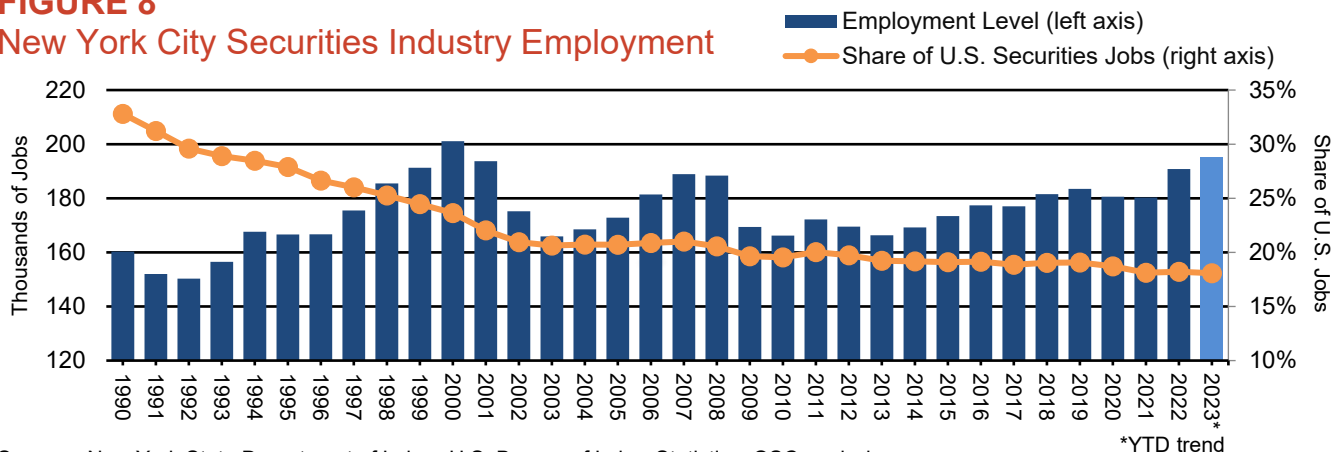
With the greatest number of industry jobs in the nation, New York City remains the center of securities employment. However, its share of the nation's industry jobs has declined steadily for decades, from one-third in 1990 to 18.1 percent in 2023 (based on year-to-date figures).

Eighty-nine percent of securities jobs in New York State are located in the City (with 88 percent in Manhattan). Half of the jobs outside the City are in the nearby counties of Westchester, Nassau and Suffolk. The remainder of securities employment is spread throughout the State, with concentrations in the metropolitan areas around Albany, Buffalo, Rochester and Syracuse.

Since 2019 (the most recent year unaffected by the pandemic) New York State's total employment in the industry grew by 4.1 percent through 2022, adding 8,200 jobs. During the same period, Texas added the most securities jobs of any state in the nation with 14,900 positions, a growth rate of 20.4 percent (see Figure 9). Utah had the nation's highest growth rate of 32.3 percent during this period, adding 2,400 securities jobs.

In the first quarter of 2023 (the most recent available data), New York State showed an increase of 10,100 jobs from the first quarter of

FIGURE 8
New York City Securities Industry Employment



Sources: New York State Department of Labor; U.S. Bureau of Labor Statistics; OSC analysis

FIGURE 9
State Ranking by Securities Employment

Rank	State	Jobs in 2022	Added from 2019 to 2022	Added in 2023 Q1*
1	New York	207,500	8,200	10,100
2	California	97,100	2,600	6,000
3	Texas	87,900	14,900	7,900
4	Florida	57,500	9,300	4,700
5	Illinois	54,600	3,000	2,400
6	Massachusetts	47,600	2,800	4,300
7	Pennsylvania	46,900	2,300	2,400
8	New Jersey	41,300	3,000	1,200
9	North Carolina	31,100	5,200	2,600
10	Colorado	25,000	1,600	1,500

*Note: Based on comparison to 2022 Q1.
 Sources: U.S. BLS Quarterly Census of Employment and Wages; OSC analysis

2022, a growth rate of 5 percent. This increase is based on preliminary data and may moderate with subsequent data releases. While the employment data shows increases in jobs, several firms have announced plans to reduce headcounts. Goldman Sachs reportedly plans to cut up to 5 percent of its staff deemed “underperformers,” while Citigroup has announced a major restructuring plan that is expected to result in significant layoffs.⁸ Similar actions among other firms could occur and are worth monitoring to understand their effect on local employment in the industry.

Workforce Characteristics

During the 2017-2021 period (the latest data available), 65 percent of the employees in New York City’s securities industry resided in the City (see Figure 10).^{9, 10} Commuters represented 35 percent of industry employees, the highest share among any major industry. Almost one-fifth came from New Jersey, 6 percent came from Long Island and 5 percent came from Westchester County, followed by Connecticut at 4 percent.

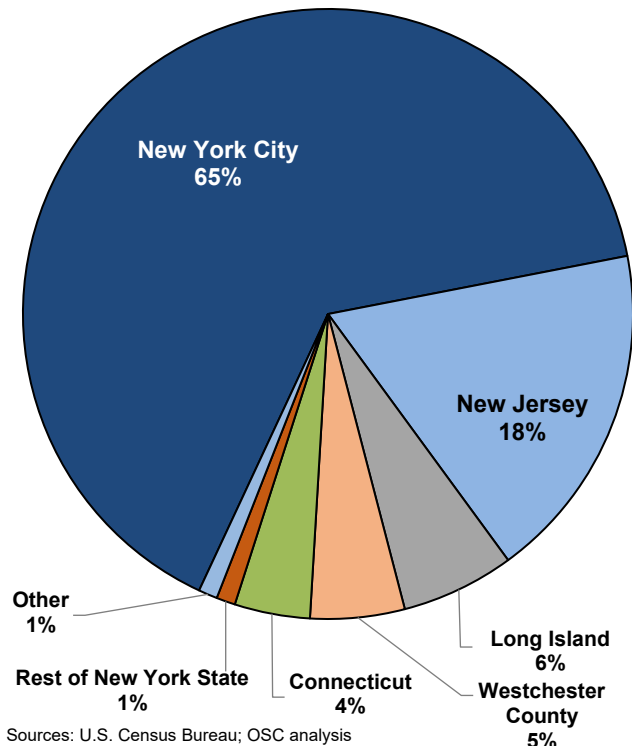
While almost a quarter (24 percent) of City residents employed in the industry earned more than \$250,000, over half (53 percent) of the commuters from Westchester County and 46 percent from Connecticut earned more than \$250,000. Commuters accounted for 40 percent

of the wages paid by the industry in New York City.

Over three-fifths (61 percent) of industry employees were White, 21 percent were Asian American, 9 percent were Hispanic and 6 percent were African American. Immigrants (primarily from Asia and Europe) made up one-third of the employees, lower than the immigrant share of all City employment (41 percent).

Two-thirds of the employees in the industry were men, a share that has remained relatively constant over the past decade. Over 90 percent of employees earned at least a bachelor’s degree, a higher share than all other major sectors. In addition, 40 percent of industry employees had an advanced degree, almost twice the citywide share (23 percent). Employees in tech occupations made up 12 percent of the workers in the securities industry.

FIGURE 10
Place of Residence
Employees in New York City’s Securities Industry 2017-2021



Besides direct employees, the securities industry also enters into contracts with individuals (e.g., financial advisors or sales agents). These self-employed workers accounted for only a small share of the securities workforce (5 percent). Compared with industry employees, self-employed workers were less likely to earn more than \$250,000. A larger share of these workers lived in the City, a smaller share were immigrants, and they were more likely to have advanced degrees.

Post-Pandemic Remote Work

Emergency measures put in place at the onset of the pandemic moved many employees from the office to remote work arrangements. Seen as a temporary change at the time, remote work has become a permanent fixture of the workplace for many employees in office settings. Measuring the exact share of remote workers has proven challenging (see Figure 11 for a comparison of various office occupancy measures). On a typical weekday, approximately 50 to 60 percent of the office workers in the City are on-site.

While having the option of remote work is largely seen as the “new normal” for office workers, some employers, particularly in the financial sector, have made various attempts to incentivize workers to return to the office, while others are mandating a return.¹¹ Most financial firms require

employees to be in the office at least three days per week, though some types of workers may be required to attend the office full time.¹²

The prevalence of hybrid work schedules has had a substantial impact on the commercial real estate market in the City. The vacancy rate for office space has doubled during the pandemic, rising from 11.1 percent in the fourth quarter of 2019 to 22.4 percent in the second quarter of 2023.¹³ Median asking rents have declined from \$73.41 per square foot to \$72.12 during the same period, though they have recovered from their low point of \$69.67 per square foot in the fourth quarter of 2021.

The City’s latest economic forecast expects the vacancy rate to remain above 19 percent through 2027. Discussions over converting office to residential may also impact the overall property market, including commercial vacancy rates and asking rents (see OSC’s report on [residential real estate in NYC](#) for further information). However, many feel that an incentive program would need to be enacted before developers undertake such expensive projects, particularly as increased borrowing costs make it more difficult to secure financing for large-scale projects. Office buildings are also a key source of property tax revenue (see the Tax Contribution section for a full discussion), so residential conversions, particularly if they are accompanied by tax

FIGURE 11
Comparative Measures of In-Office Shares

Measure	Time Period	Share	Methodology
Kastle Systems	Week of 9/27/2023	47.9%	Compares key card, key fob and digital access rates to comparable weekday in 2019 at buildings that utilize Kastle access control systems.
Partnership for NYC	Post-Labor Day 2023	58.0%	Survey of 140 major office employers.
Real Estate Board of New York	Q2 2023	64.0%	Based on data from Placer.ai location analytics.
Subway Ridership	September 2023	64.7%	Total weekday subway ridership compared to comparable day in 2019.
Commuter Rail Ridership	September 2023	69.4%	Total weekday ridership for Long Island and Metro North Railroads compared to comparable day in 2019.
WFH Research	August 2023	64.5%	Share of full paid days working in office, based on the Survey of Working Arrangements and Attitudes

Sources: Kastle Systems; Partnership for NYC; Real Estate Board of New York; Metropolitan Transportation Authority; WFH Research; OSC analysis

incentives, could impact commercial property tax collections.

Average Salaries

In 2022, the average annual salary (including bonuses) in New York City’s securities industry declined by 3.7 percent from the prior year to \$497,420.¹⁴ Adjusting for inflation shows a more dramatic drop of 9.2 percent, as the inflation-adjusted average salary was \$548,040 in 2021 (see Figure 12). Despite the decline, salaries were still the second highest on record behind 2021. Average salaries fell largely due to a decrease in bonuses (see the following Bonuses section for more information).

In Manhattan, where 98.8 percent of the City’s securities jobs are located, the average salary was \$501,740 in 2022. The industry’s average salary in the outer boroughs was \$144,950.

The counties in the larger metro area also had high average salaries for securities workers. Westchester County reported an average securities salary of \$265,620, down 7.7 percent from 2021. Average salaries on Long Island declined 19.9 percent to \$447,770 in 2022. Long Island salaries were hurt by the large presence of hedge-fund firms in Suffolk County, where the average salary declined by 27.6 percent to \$665,050 (hedge funds saw big declines in profitability in 2022).¹⁵ Despite the decline,

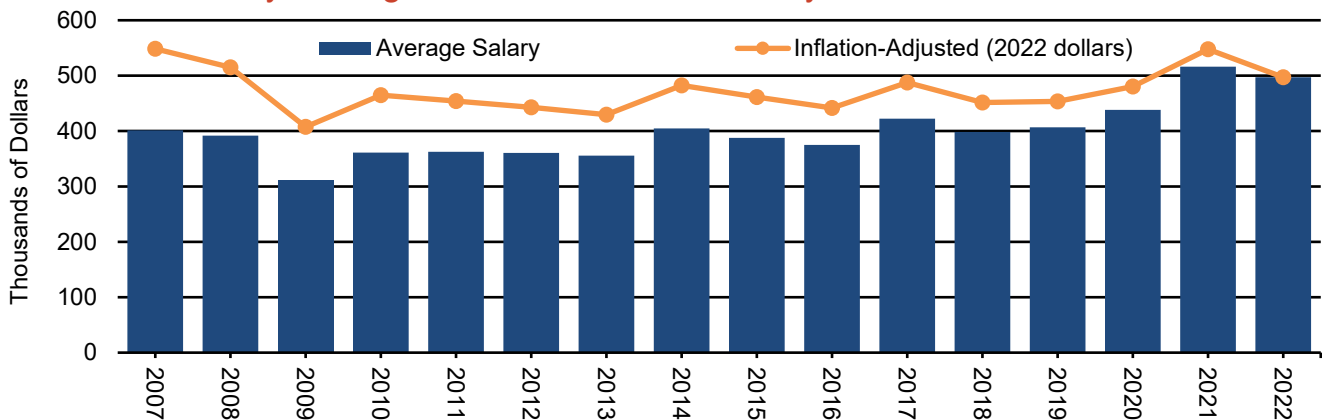
Suffolk County still had the second highest average securities salary of any county in the nation.¹⁶

The securities industry has the highest average salary of any major industry in the City, and almost twice the second-highest average (\$272,410 in the web search portals and other information services industry). Other industries with high average salaries include fund and trust management (\$263,170), banking (\$240,180), and management of companies (\$233,140). The average salary in the securities industry was more than five times the average salary of the rest of the private sector.

The average salary in the securities industry in New York State was \$473,750, more than twice the average in the rest of the nation (\$225,620). The industry’s average salary in New York State has been higher than in any other state since 2007. (Before 2007, Connecticut had a higher average salary.) The high average salary in New York reflects the concentration of highly compensated industry employees, such as chief executive officers (CEO), in New York City.

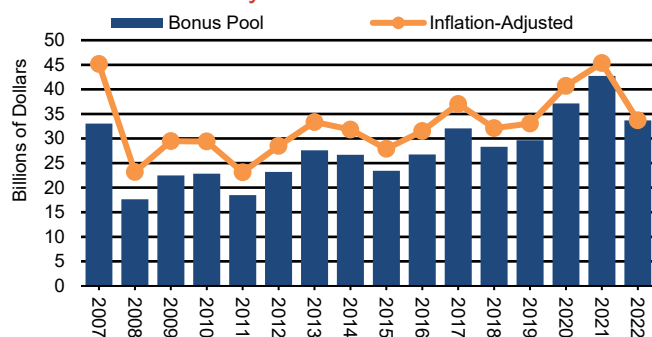
The Dodd-Frank Act requires a publicly traded company to report the ratio of the salary for its CEO to the median salary for all employees. According to data for 2022, the CEOs for finance companies (including securities firms) listed on

FIGURE 12
Securities Industry Average Salaries in New York City



Sources: NYS Department of Labor, Quarterly Census of Employment and Wages; OSC analysis

FIGURE 13
Securities Industry Bonus Pool



Sources: NYS Department of Labor; U.S. Bureau of Labor Statistics; OSC analysis

the S&P 500 that were headquartered in New York State earned an average of 328 times more than the median for all employees of their companies, a much larger gap than the prior year (261 times more in 2021). The gap was also much higher in the State than the national average of 218 times more (179 times more when excluding companies headquartered in New York State).

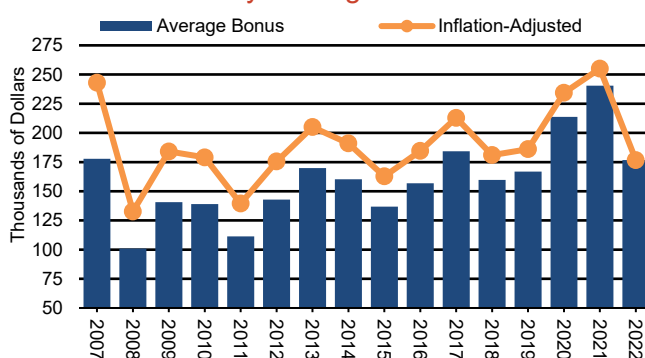
From 2017 to 2021, 27 percent of industry employees who worked in the City had salaries of more than \$250,000, compared with 9 percent who worked in the rest of the nation.¹⁷

Bonuses

After two years of reaching record highs, bonuses have dropped back closer to pre-pandemic levels. In March 2023, OSC estimated that the bonus pool for industry employees in New York City during the traditional December-March bonus season had decreased by 21 percent to \$33.7 billion (see Figure 13).¹⁸

This amounts to an average bonus of \$176,700 per industry employee in 2022, a decrease of 26 percent from last year's record high and more in line with pre-pandemic levels (see Figure 14).¹⁹ Bonuses accounted for an estimated 38 percent of securities industry wages, a larger share than in any other major industry in the City. The industry accounted for more than half (51 percent) of all private sector bonus payments and

FIGURE 14
Securities Industry Average Bonuses



Sources: NYS Department of Labor; U.S. Bureau of Labor Statistics; OSC analysis

21 percent of private sector wages in New York City in 2022, while accounting for a small share (4.9 percent) of private sector employment.

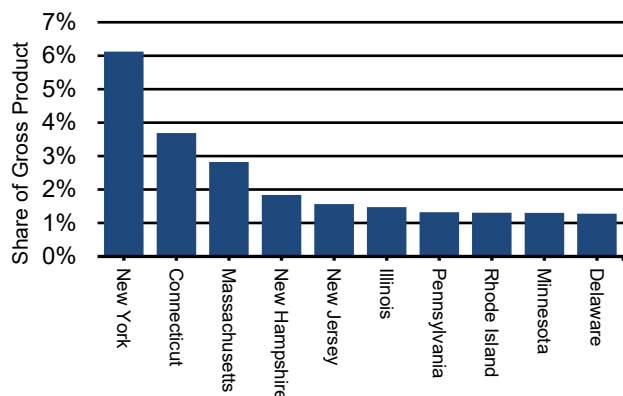
In the first half of 2023, NYSE member firms increased compensation expenses by 2.1 percent from the prior year, less than the annual inflation rate. As market activity and profits have declined, the overall bonus pool is likely to fall as well. An August report by Johnson Associates (a compensation consulting firm) suggests that bonuses at financial firms for 2023 will likely decline, with a large range between the different business segments.²⁰ While bonuses in investment banking (including underwriting and advisory) are expected to decline by up to 25 percent, those in retail and commercial banks may increase by 20 percent.

The City's latest forecast expects bonuses to decline by 16 percent in 2023. Between the drop in profits in the first half of the year and continuing economic headwinds, bonuses may experience another decline following last year. In March 2024, OSC will release its 2023 bonus estimate for industry employees in New York City based on tax withholding trends.

Economic Contribution

OSC estimates that in 2021 (the most recent year for which county-level data is available), the securities industry was responsible for 16.4 percent of the City's total gross product, a

FIGURE 15
Securities Industry as a Share of Total State Gross Product in 2021



Sources: U.S. Bureau of Economic Analysis; OSC analysis

small increase from the prior year level of 16.2 percent. This figure is based on county-level gross product data from the U.S. Bureau of Economic Analysis and wage data from the NYS Department of Labor. OSC estimates that the overall output of the industry grew by 7.5 percent in 2021, higher than the growth in all industry activity citywide of 6 percent. As the industry’s profitability has declined from the highs of 2021 and continued to normalize, it is likely that the economic contribution will also show a decline when data for 2022 is released. The industry’s share of economic activity is likely to return to more typical pre-pandemic levels (14.5 percent in 2019).

The securities industry also makes up a larger share of the State’s economy compared to the rest of the nation. In total, the securities industry comprised 6.1 percent of the State’s gross product in 2022, according to the U.S. Bureau of Economic Analysis (see Figure 15), a decline from 6.4 percent in 2021. This is well above the states with the next-largest shares: Connecticut (3.7 percent) and Massachusetts (2.8 percent). All other states’ securities industries accounted for less than 2 percent of their economies, with the majority at less than 1 percent. Nationally, the industry accounts for 1.4 percent of the country’s gross domestic product.

The high incomes earned by many industry employees create economic activity in other employment sectors. However, the industry has contributed less over time (in 2012 it was responsible for 18 percent of all economic activity in the City). The pandemic accelerated the already declining multiplier impact of the securities industry, potentially due to the work-from-home trend.²¹ Using the 2021 IMPLAN, an economic modeling software, OSC estimates that 1-in-11 jobs (9 percent) in New York City was associated with the securities industry, a drop from the 1-in-9 ratio in 2019. This decline likely reflects the fact that with fewer workers in the office, there is less opportunity for them to patronize City businesses such as restaurants, retail stores, dry cleaners, and arts and recreation events.

In New York State, 1-in-18 jobs (over 5 percent) was associated with the industry in 2021, also lower than the 2019 ratio of 1-in-16. OSC also estimates that each job gained or lost in the industry leads to the creation or loss of an additional job in other industries in the State.

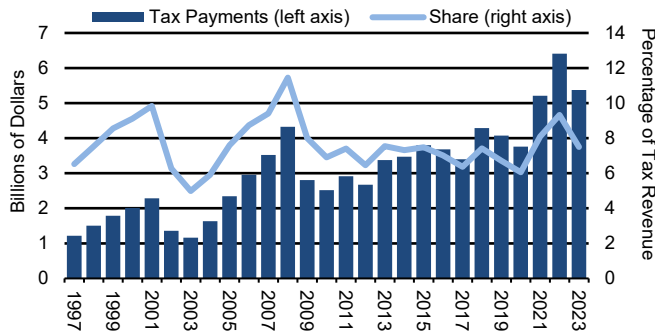
Tax Contribution

The securities industry is a major source of tax revenue for the State and the City. Firms pay business taxes on their profits, and employees pay personal income taxes on their salaries and bonuses. Nonwage income derived from the industry’s activities, such as capital gains, also generates personal income tax revenue.²²

New York City

OSC estimates that tax collections attributable to the industry reached \$5.4 billion in City fiscal year (CFY) 2023, down 16 percent from the previous year’s record high (highest since 1996, the earliest year in the dataset) of \$6.4 billion (see Figure 16).²³ This performance, which is still the second highest on record, reflects a decline from the previous year’s record high bonuses and near-record-high profits. Personal income tax collections accounted for 74 percent of the

FIGURE 16
Securities Industry-Related Tax Payments
New York City



Sources: NYS Department of Labor; U.S. Bureau of Labor Statistics; OSC analysis

industry’s tax contribution and 23 percent of total personal income tax collections. The industry accounted for an estimated 7.5 percent of City tax collections in CFY 2023, down from the prior year’s share of 9.3 percent, though still higher than pre-pandemic levels.

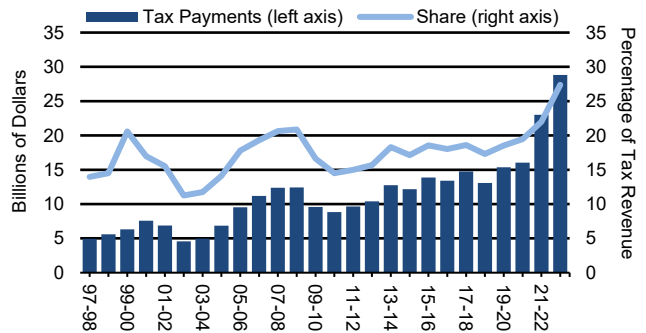
In the five years prior to CFY 2021, collections attributable to the industry averaged \$3.8 billion annually and accounted for an average share of 6.7 percent of total tax collections. In CFY 2024, collections may drop back to these levels as the City’s budget anticipates a large decline in non-property tax collections, a large portion of which is reliant on the securities industry.

New York State

New York State depends on Wall Street tax revenues even more than the City, because the State relies more heavily on revenue from personal income taxes and does not levy a general real property tax. As a result, the industry accounted for an estimated 27.4 percent of total tax collections in State fiscal year (SFY) 2022-23, which ended March 31, 2023 (see Figure 17). The City and State fiscal years begin in different months, leading to some timing effects on the industry’s tax contribution for their respective budgets.

OSC estimates that tax payments attributable to the securities industry in SFY 2022-23 exceeded

FIGURE 17
Securities Industry-Related Tax Payments
New York State



Sources: NYS Department of Labor; U.S. Bureau of Labor Statistics; OSC analysis

the prior year’s record high by 25 percent to reach \$28.8 billion (highest since SFY 1996, the earliest year in the dataset). Personal income tax collections accounted for 89 percent of this amount. During SFY 2015-16 through 2019-20, securities-related tax collections averaged \$14.1 billion and accounted for an average of 18.2 percent of total tax collections. The difference between the State’s and the City’s trends is attributable to timing differences between the City and State fiscal years.

Unquantified Impacts

In addition to personal income tax collections, the securities industry contributes to City property-related tax revenues as the largest segment of financial services office space tenants in the City. If the move to hybrid work causes financial firms to reduce their office footprints, it could impact City tax revenues significantly. Property taxes are the largest component of tax revenues, and office properties accounted for 54.8 percent of Class 4 commercial property taxable values in FY 2024. The office sector accounts for over one-fifth of overall property tax revenues, which are forecast to be \$32.6 billion in FY 2024. Office properties are also a major component of real estate transaction taxes and the commercial rent tax. The financial services sector is estimated to occupy approximately 30 percent of all office space in the City, and tends toward the higher-value Class A properties.²⁴

Recent data shows that financial services firms are responsible for an increasing share of office leasing activity, with notable recent transactions by Bank of America, Scotiabank, HPS Investment Partners, and Two Sigma Securities. Consumer bank Wells Fargo also recently agreed to a major property purchase at Hudson Yards for \$550 million. Despite recent activity, if pressures to cut costs or the shift to remote work become more permanent, a change to office space needs in the industry could have implications for New York City's finances in the future.

ENDNOTES

- ¹ Lazaro Gamio and Peter S. Goodman, "How the Supply Chain Crisis Unfolded," *The New York Times*, December 5, 2021, at <https://www.nytimes.com/interactive/2021/12/05/business/economy/supply-chain.html>.
- ² Harriet Torry and Anthony DeBarros, "Economists Are Cutting Back Their Recession Expectations," *The Wall Street Journal*, July 15, 2023, at <https://www.wsj.com/articles/economists-are-cutting-back-their-recession-expectations-74118938>.
- ³ Ibid.
- ⁴ Jacqueline Poh, "Global Debt Market Lost at Least \$75 Billion of Business in 2022," *Bloomberg*, December 13, 2022, at <https://www.bloomberg.com/news/articles/2022-12-13/global-debt-market-lost-at-least-75-billion-of-business-in-2022>.
- ⁵ Joe Rennison, "A Sudden Bond Binge on Wall St. Reflects Rising Optimism," *The New York Times*, September 8, 2023, at <https://www.nytimes.com/2023/09/08/business/bond-market-optimism.html>.
- ⁶ Nicholas Megaw and George Hammond, "Instacart and Arm shares lose steam after IPO pops," *Financial Times*, September 22, 2023, at <https://www.ft.com/content/665137ac-0c93-4b08-8ca0-7197d835e9cd>.
- ⁷ "Global M&A Industry Trends: 2023 Mid-Year Update," *PwC*, accessed on September 28, 2023, at <https://www.pwc.com/gx/en/services/deals/trends.html>.
- ⁸ Rob Copeland, "Citi, Falling Behind Peers, Unveils 'Uncomfortable' Changes and Layoffs," *The New York Times*, September 13, 2023, at <https://www.nytimes.com/2023/09/13/business/citi-layoffs.html>.
- ⁹ U.S. Census Bureau, American Community Survey, 2017-2021 5-year estimates, at <https://www.census.gov/programs-surveys/acs>. Some analysis in this report draws on ACS data for the five-year period ending in 2021, due to pandemic-related data issues in 2020. Because there is no single reference date, the term "2017-2021" is used to refer to the data.
- ¹⁰ The share of the City's securities industry employees that live in the City may be inflated because some respondents could have misreported their location of employment due to teleworking arrangements.
- ¹¹ In addition to securities, the financial sector includes commercial banking, credit unions, insurance agencies and brokers.
- ¹² Aisha S. Gani, "Wall Street Gets Tough on Return-to-Office Laggards," *Bloomberg*, September 1, 2023, at <https://www.bloomberg.com/news/articles/2023-09-01/banks-get-tough-on-return-to-office-laggards-after-summer-break>.
- ¹³ Cushman & Wakefield, "MarketBeat Manhattan Office Q2 2023," at <https://www.cushmanwakefield.com/en/united-states/insights/us-marketbeats/new-york-city-area-marketbeats>.
- ¹⁴ For detailed securities sector industry salary history, see Office of the New York State Comptroller's (OSC) Securities Sector Industry Dashboard, at <https://www.osc.state.ny.us/osdc/reports/nyc-sectors/securities-sector>.
- ¹⁵ Carolina Mandl, "Hedge funds in 2022 post worst performance since 2018, dragged down by equities," *Reuters*, January 9, 2023, at <https://www.reuters.com/business/finance/hedge-funds-2022-post-worst-performance-since-2018-dragged-down-by-equities-hfr-2023-01-09/>.
- ¹⁶ Madison County, MT had the highest average salary of any county in the nation at \$1,092,970. However, this county reported a total of only four jobs in 2022.
- ¹⁷ U.S. Census Bureau, American Community Survey (see note 9).
- ¹⁸ OSC's bonus estimate includes bonuses paid for work performed in 2021, as well as bonuses deferred from prior years.
- ¹⁹ OSC, "Wall Street 2022 Bonuses Fell 26% From Previous Year, Return to Pre-Pandemic Levels," press release, March 30, 2023, at <https://www.osc.state.ny.us/press/releases/2023/03/dinapoli-wall-street-2022-bonuses-fell-26-previous-year-return-pre-pandemic-levels>.
- ²⁰ Johnson Associates, *Financial Services Compensation Second Quarter Trends and Year-End Projections*, August 7, 2023, at <https://johnsonassociates.com/wp-content/uploads/2023/08/Johnson-Associates-2023-Q2-Comp-Estimates.pdf>.
- ²¹ IMPLAN uses a variety of data sources to calculate the multipliers for various industries and cautions that changes from year to year are not easily attributed to specific causes. For more information, see "Multipliers Changing Over Time," <https://support.implan.com/hc/en-us/articles/360049768074-Multipliers-Changing-Over-Time>, and "2020 Data Release Notes," <https://support.implan.com/hc/en-us/articles/4412244641179-2020-Data-Release-Notes>.
- ²² OSC estimates for tax collections attributable to the industry are subject to revision.
- ²³ These estimates exclude revenue from real property taxes, real estate transaction taxes and sales taxes because OSC is unable to identify the securities industry's share of those tax payments.
- ²⁴ Cushman & Wakefield, "MarketBeat Manhattan" (see note 13).

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