OFFICE OF THE NEW YORK STATE COMPTROLLER

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The Securities Industry in New York City

Highlights

- NYSE member firm profits in 2023 grew 1.8 percent from the prior year, above the pre-pandemic average of $22.3 billion for 2015 through 2019.
- Profits in the first half of 2024 suggest the annual total could rise above $47 billion if the current rate of growth continues.
- The securities industry contributed $5.1 billion to the City's budget in FY 2024 via business and personal income taxes, down 5.9 percent from FY 2023.
- The industry contributed $19.4 billion to the State's budget in SFY 2023-24, down significantly from the prior state fiscal year collections of $29.1 billion.
- OSC estimates that in 2022 (the most recent year for which county-level data is available), the industry was responsible for 18.6 percent of gross City product.
- Securities industry employment reached 198,500 jobs in 2023, the highest level since 2000. Preliminary data for 2024 shows a decline of 3,400 based on year-to-date figures through August.
- In 2023, the average annual salary declined by 5.2 percent from the prior year to $471,370. The 2023 bonus pool stayed flat at $33.8 billion but is expected to increase this year along with industry profits.
- Compensation for CEOs at financial firms in New York State was 234 times more than the median for all employees of their companies in 2023, a smaller gap than in the prior year (328 times more in 2022) but still above the national industry average of 194.

After record performance during the pandemic, securities industry profits returned to levels more typical prior to the pandemic. Profits in 2022 ($25.8 billion) and in 2023 ($26.3 billion) were in line with the five-year pre-pandemic average, as the Federal Reserve increased interest rates to cool inflation. Higher rates caused financial firms' interest liability on outstanding debt to rise substantially, as borrowing costs were elevated.

For 2024, the City expects industry profits to decline slightly from the last two years, forecasting a drop of 5.7 percent in the most recent financial plan. However, in the first half of the year, New York Stock Exchange (NYSE) member firm profits grew substantially from the same period in 2023, increasing by 79.3 percent to $23.2 billion. While multiple revenue lines saw increases, the largest were in securities trading, underwriting and selling, fees from account supervision, and other income.

Strong year-to-date performance, coupled with long-awaited relief on interest rates, suggest profits for 2024 are likely to strengthen significantly over 2023. The City's expectation of a decline in profits partly reflected the impact of rates remaining relatively higher to combat inflation. In September, the Federal Reserve lowered the federal funds rate to 5 percent after holding it at 5.5 percent for over a year.

The securities industry remains a key contributor to the City's and State's economy and tax base. New York City has the greatest number of industry jobs in the nation despite a decline this year. The industry also continues to contribute tax revenues at or above pre-pandemic levels, and its contribution should exceed tax forecasts if stronger-than-expected profits hold up.

Inflation and Interest Rates

As the country was recovering from the COVID-19 pandemic, residual liquidity from economic stimulus programs combined with supply chain disruptions caused a surge in inflation. The annualized inflation rate in 2022 reached 8 percent, the highest level since 1981 (see Figure 1).[1] In response, the Federal Reserve increased its target interest rate in March 2022, the first of 11 rate increases that brought the target rate to 5.5 percent in July 2023. Higher rates increased interest liability on debts held by financial firms (see last year's [Securities Industry Report](#) for details).[2]

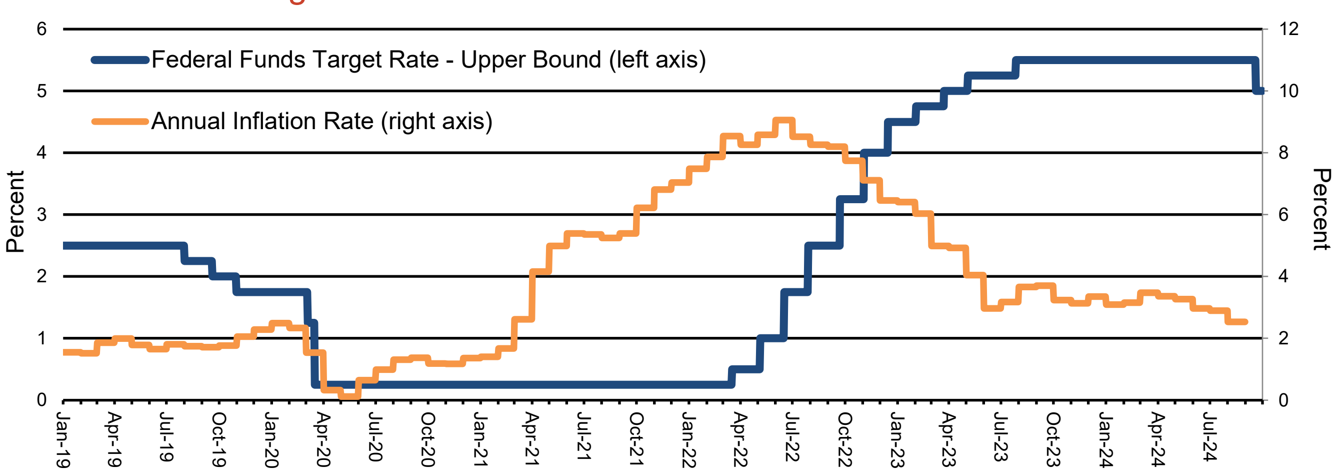
Amid higher rates and reduced supply chain disruption, inflation fell from its high of 9.1 percent in June 2022 to 3 percent in June 2023 (inflation rates, as measured by the consumer price index, are calculated on an annual basis). Despite progress, the rate stayed above 3 percent until July 2024, when it fell to 2.9 percent, and then to 2.5 percent in August. Industry activity slowed significantly in a number of revenues streams (debt issuance, mergers and acquisitions and initial public offerings) as investors appeared poised to simply wait out the higher rates.[3] While the inflation rate continues to decline, it remains above the Federal Reserve's stated target of 2 percent, with a 2024 year-to-date average of 3.1 percent through August.

While inflation has slowed, the unemployment rate rose to 4.4 percent in August, compared to 3.9 percent during the same month last year, raising concerns about the strength of the labor market. Recent employment data shows a slowing in the pace of total nonfarm jobs added. The Bureau of Labor Statistics' preliminary benchmark adjustment suggests job increases were substantially overestimated (with an average of 68,500 fewer jobs added per month than was initially reported for April 2023 through March 2024).[4]

Lower inflation and higher unemployment have caused a shift in expectations for monetary policy, as the Federal Reserve manages its dual mandate to address both concerns, and the financial markets now expect multiple rate decreases over the next year to help avoid sustained weakness in the labor market.

The Federal Reserve lowered its target interest rate to 5 percent at its meeting on September 18. Though the change was expected, market signals showed uncertainty regarding the magnitude of the reduction prior to the meeting. The cut of 50 basis points reflected concerns over still-high

FIGURE 1
Federal Funds Target Interest Rate and Annualized Inflation Rate



Sources: Federal Reserve Bank of St. Louis; U.S. DOL Bureau of Labor Statistics Consumer Price Index; OSC analysis inflation (driven by housing and energy costs) and a potentially weakening labor market.[5] The Federal Reserve indicated it expects another 50 basis point reduction by the end of the year (in line with analysts' expectations), noting it will continue to take economic data into consideration as it proceeds.

Market Impacts

Market indices saw substantial year-over-year growth in 2023, after concerns over interest rate hikes pushed major indices into bear market territory in the first half of 2022. The S&P 500 provided a return of 24.2 percent in 2023, and the Nasdaq saw 43.4 percent growth (see Figure 2). This strength has continued into 2024 with all major U.S. indices posting year-to-date gains through September, though market volatility has also risen significantly since midyear.

FIGURE 2
Major Equity Index Returns

Index	2022	2023	2024 YTD*	10-Year CAGR**
S&P 500	-19.4%	24.2%	18.4%	9.9%
Dow Jones	-8.8%	13.7%	10.3%	8.6%
Nasdaq	-33.1%	43.4%	18.0%	13.6%

*Through September 30, 2024
**Compound Annual Growth Rate for 2014-2023
Sources: Yahoo Finance; OSC analysis

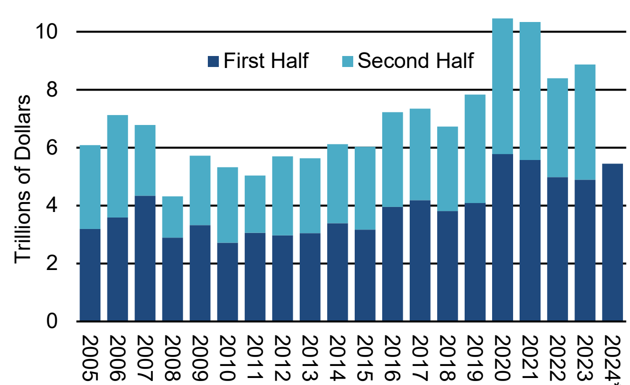
Equity market risk as measured by the Cboe Daily Volatility Index (VIX) has increased heavily compared to the previous two years.[6] In 2022 and 2023 the VIX saw highs of 38.9 and 30.8, respectively. The high for 2024 occurred in early August, reaching 65.7, the highest level since March 2020 (85.5). Market activity suggests an expectation that volatility will continue in the near future, with investors attempting to hedge against volatility increases.[7]

The Nasdaq (commonly used as a proxy for the technology sector) surged in 2023 as investors sought to capitalize on demand for artificial intelligence (AI) tools and capabilities. While the index remains elevated in 2024, concerns have arisen about the pace of investment in companies related to AI, as some investors fear an AI bubble.[8] Chip maker Nvidia saw a 166.4 percent return from the beginning of the year before its earnings release on August 27, only to see the share price decline by 15.8 percent in the following week, despite reporting strong earnings, and the stock price remains below the high set in August. AI-related company stocks are still seen as a good investment vehicle in the long-term, but the market continues cooling from the frenzied pace of investment seen in recent years, with corporate investment in AI declining by 43.9 percent in 2023 from the height set in 2021.[9]

Trading activity (a driver of commission fees, and thereby a contributor to industry profitability) as measured by average daily volume declined in 2023. Total trade volumes declined 13.4 percent for the S&P 500, 14.4 percent for the Dow Jones Industrial Average, and 0.3 percent for the Nasdaq, as strong growth reduced volatility. Year-to-date trade volumes through September in 2024 are up more than 10 percent for both the Dow Jones and the Nasdaq. S&P 500 activity continued to decline from 2022, though at a slower pace than was seen in 2023.

The years 2020 and 2021 saw record levels of dealmaking, including capital raising and merger and acquisition activity, due to low interest rates and substantial liquidity (see Figure 3). Rising interest rates beginning in 2022 impacted underwriting activity, such as debt issuance, due

FIGURE 3
Global Debt Issuances



Sources: LSEG Data & Analytics; OSC analysis
*Through June

to the higher cost of raising capital. Global debt offerings fell from $10.3 trillion in 2021 to $8.3 trillion in 2022 driven by a steep decline in bond offerings.[10] Debt offerings recovered somewhat in 2023, up 5.7 percent for the full year. The second half of 2023 saw stronger growth, as investors adapted to new market conditions, rather than waiting for rates to fall.[11] Debt issuances in the first half of 2024 saw an increase of 11.3 percent over the prior year to $5.4 trillion, well above pre-pandemic levels (an average of $3.8 trillion annually from 2015 to 2019). Performance in the second half is expected to continue to strengthen as interest rates come down.

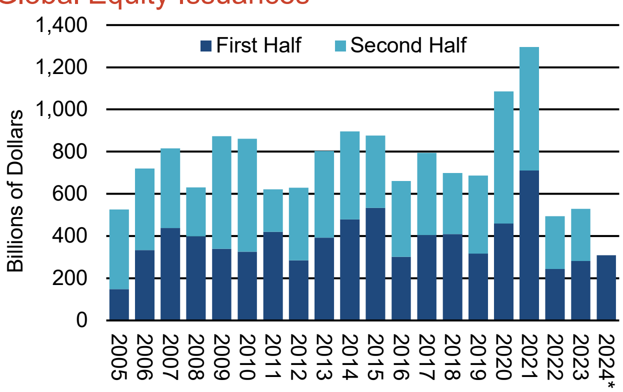
Bond issuances recently saw a significant spike, with an estimated $43 billion in bonds issued in U.S. markets on September 3, and the full month reaching an estimated $171 billion.[12] A surge in bond offerings is typical in September, but this year was especially strong as global bond yields fell to their lowest level in two years, reducing borrowing costs for companies. The timing may also reflect firms attempting to get ahead of uncertainty surrounding the U.S. presidential election cycle.[13]

Global equity offerings fell even more dramatically than debt offerings in 2022, down 61.9 percent from 2021, when activity was driven by a surge in special purpose acquisition companies (SPACs; see [OSC's 2021 Securities Report]() for details). Offerings recovered somewhat in 2023, increasing by 7 percent to $528 billion, though it was still the second lowest level since 2005 (see Figure 4). Growth has been slightly stronger in the first half of this year at 10.1 percent (reaching $310 billion), though it remains well below the typical pre-pandemic levels.

Initial public offerings (IPOs) surged in 2021 as global economies reopened and interest rates stayed low, with more than 1,000 IPOs (including SPACs) taking place.[14] As market conditions shifted, the total number plummeted to 181 IPOs in 2022 and to 154 last year. The year 2024 has seen an increase in IPOs, as total offerings through August were up 22.9 percent from the same period last year. Major offerings include cold storage company Lineage, Inc. and sporting equipment maker Amer Sports. The IPO market is expected to remain weak through the rest of the year. While September is typically a busy month for IPOs, only a handful of small companies have offerings scheduled, and many companies have indicated they will wait until 2025.[15]

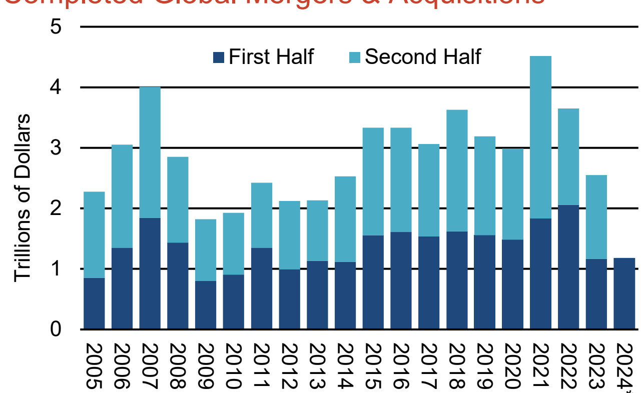
Mergers and acquisitions activity has seen a similarly dramatic fall from the highs achieved in 2021 (see Figure 5). Activity in 2022 declined by 19.1 percent to $3.7 trillion, and 2023 was down another 30.1 percent (a total decline of 43.5 percent in two years). Activity in the first half of 2024 remains sluggish, up 1.1 percent from the same period in the prior year but otherwise at the

FIGURE 4
Global Equity Issuances



Sources: LSEG Data & Analytics; OSC analysis *Through June

FIGURE 5
Completed Global Mergers & Acquisitions



Sources: LSEG Data & Analytics; OSC analysis *Through June lowest level since 2014. Nevertheless, market participants are optimistic for the remainder of the year, as cuts to interest rates are expected to spur activity.[16]

Industry Profitability

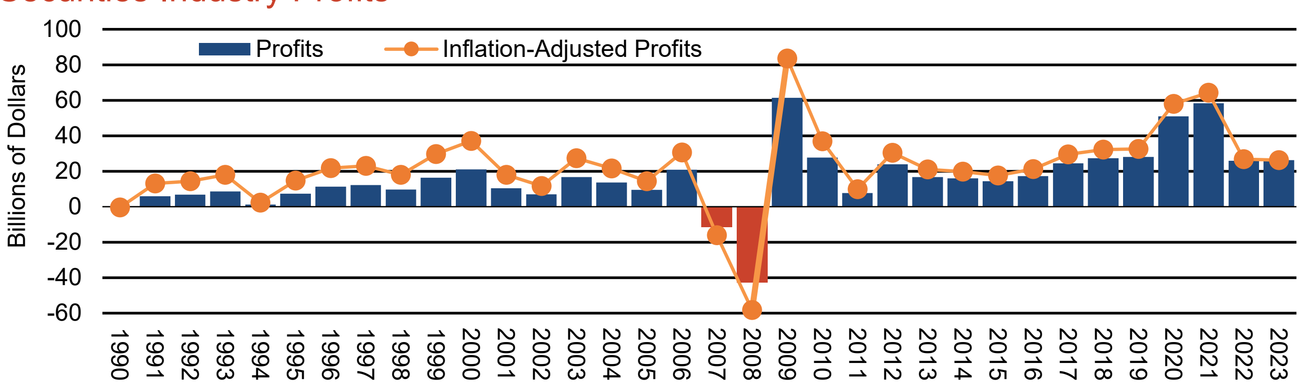
The profitability of NYSE member firms, which serves as the traditional profitability measure for the securities industry, surged during the pandemic on increased liquidity and low interest rates (annual pretax profits rose 81.2 percent in 2020; see OSC's 2021 Securities Report). Profits returned to more typical levels in 2022 and 2023 as the Federal Reserve adjusted monetary policy and as government stimulus programs wound down. Total profits in 2023 were $26.3 billion, up 1.8 percent from 2022, and slightly above the pre-pandemic average of $22.3 billion for 2015 through 2019, although slightly below these levels once adjusted for inflation (see Figure 6). Expenses (less interest) increased $11.9 billion from the prior year, but revenues increased by $12.4 billion, leading to a boost in profitability.

Total revenues at member firms in 2023 rose 58.8 percent from the prior year to reach $414.1 billion. The largest driver of this increase was margin interest income, which reached $38.1 billion in 2023, more than double the prior year ($16.3 billion), due to changes to the Federal Reserve's monetary policy. Excluding interest revenue impacts, net revenues increased by 6.5 percent. Revenue increases were fueled by trading gains ($37.2 billion in 2023, more than double the prior year) and other securities income ($141 billion, also more than double the 2022 level; see Figure 7). The other income category includes dividends and interest from investments, mergers and acquisitions, service charges and placement fees, among other things. The increases seen in recent years were driven largely by interest-related income, as activity in mergers and acquisitions remain well below record levels set during the pandemic.

Corresponding increases in total income were offset by rising expenses, which grew by 65 percent in 2023. As with revenues, higher interest rates drove interest expenses from $70.3 billion in 2022 to $211.2 billion in 2023. Compensation costs increased by 5.3 percent (up $4.6 billion), and occupancy costs grew by 15.4 percent ($813 million).

In 2024, first-half member firm profits have seen a substantial increase over last year. Combined profits for the first two quarters were $23.2 billion, up 79.3 percent from the same period in 2023 ($13 billion). Most revenue lines saw increases, including supervisory fees (up $5.6 billion), securities trading (up $5.2 billion) and underwriting activities (up $4.2 billion). Growth in expenses was driven by increases in compensation (up $4.5 billion) and other

FIGURE 6
Securities Industry Profits

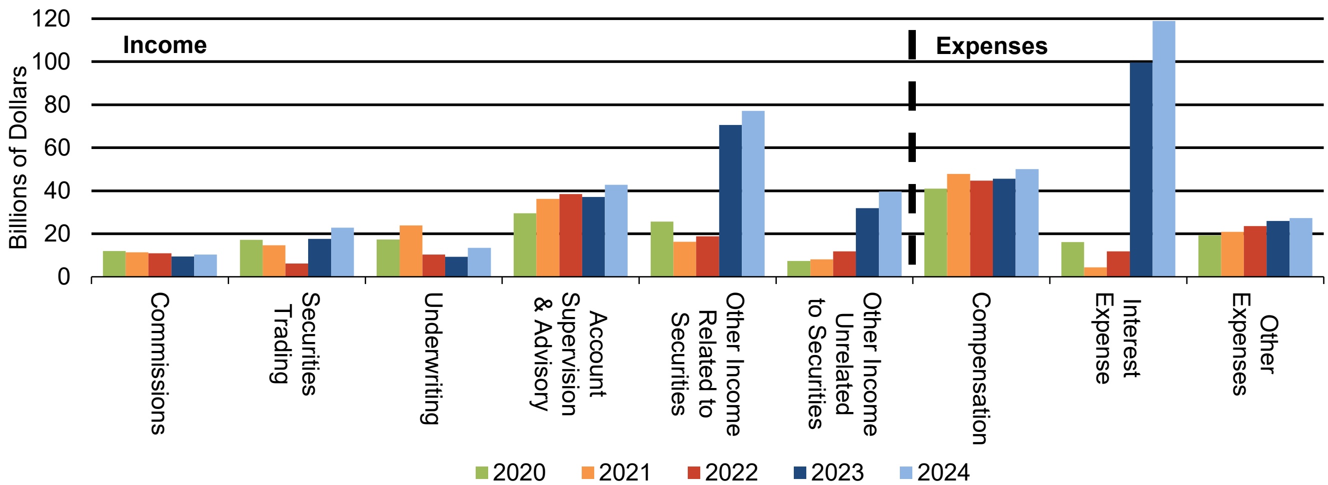


Note: Pretax profits for broker/dealer operations of New York Stock Exchange member firms.
Sources: Securities Industry and Financial Markets Association; NYSE/Intercontinental Exchange; U.S. Bureau of Labor Statistics; OSC analysis

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

expenses (up $1.5 billion). However, the rate of increase in net expenses (8.2 percent) was more than offset by growth in net revenues of 17.4 percent, resulting in the jump in pretax profits. If the growth rate in the first half were to continue at the same pace for the rest of the year, annual profits in 2024 would reach $47.1 billion (in the April Executive Plan, the City forecasted $24.8 billion in profits for 2024, a decline of 5.7 percent from the prior year). However, continuing uncertainty around economic performance amid geopolitical conflict and the upcoming U.S. presidential election could dampen earnings in the coming quarters.[17]

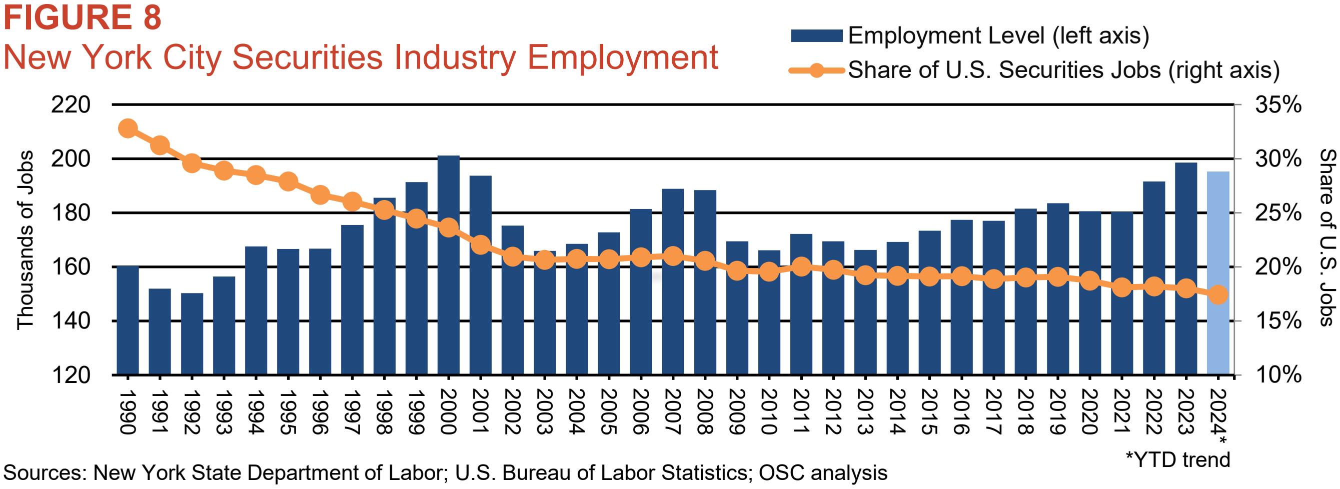
Employment

Securities employment in the City peaked in the year 2000, then declined significantly in the wake of the September 11 attacks and subsequent recession, as jobs moved to Connecticut and New Jersey. 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 (0.2 percent) the following year; see OSC's Industry Sector Dashboards for details.

In recent years, employment in the securities industry in New York City has lagged changes in firm profits. While profits increased dramatically in 2020 and 2021, employment actually declined (1.7 percent) from 2019 to 2021. As profits returned to more typical levels in 2022, firms increased headcounts by 11,300 positions (a 6.3 percent increase), the largest one-year increase since the dataset began in 1990. Total industry jobs in 2023 reached 198,500 in the City, the highest level since 2000. Preliminary data for 2024 show a decline of 3,400 jobs for the current year-to-date, though total jobs remain well above pre-pandemic levels.

FIGURE 8
New York City Securities Industry Employment



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

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 17.4 percent in 2024 (based on year-to-date figures through August).

Eighty-nine percent of securities jobs in New York State are located in New York City (with 88 percent of statewide jobs 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 Saratoga Springs.

Since 2019 (the most recent year unaffected by the COVID-19 pandemic), New York State's total employment in the industry grew by 7.8 percent through 2023, adding 15,600 jobs. During the same period, Texas added the most securities jobs of any state in the nation with 19,400 positions, a growth rate of 26.6 percent (see Figure 9). Utah had the nation's highest growth rate of 40.5 percent during this period, increasing to 10,500 securities jobs; see OSC's Industry Sector Dashboards for details.

In the first quarter of 2024 (the most recent available data), New York State showed an increase of 2,400 jobs from the first quarter of 2023, a growth rate of 1.1 percent, 1,900 of which were in the City. This increase is based on preliminary data and may change with subsequent data releases. While the employment data shows an increase in jobs through the first quarter of 2024, the industry still anticipates some jobs will be cut as part of annual review processes or restructurings. For example, Goldman Sachs reportedly plans to cut up to 4 percent of its staff deemed underperformers, while Citigroup continues its restructuring plan that is expected to result in significant layoffs.[18] While these cuts are across firms' global headcounts and not New York City alone, similar

FIGURE 9
State Ranking by Securities Employment

Rank	State	Jobs in 2023	Added from 2019 to 2023	Added in 2024 Q1*
1	New York	214,900	15,600	2,400
2	California	102,100	7,600	2,000
3	Texas	92,400	19,400	-500
4	Florida	61,400	13,300	1,700
5	Illinois	56,300	4,700	1,100
6	Massachusetts	50,700	5,900	400
7	Pennsylvania	48,700	4,200	1,000
8	New Jersey	44,300	6,000	700
9	North Carolina	33,000	7,000	700
10	Colorado	24,100	700	2,400

*Note: Preliminary Data; based on comparison to 2023 Q1.
Sources: U.S. BLS Quarterly Census of Employment and Wages; OSC analysis

actions in the industry are worth monitoring to understand their effect on local employment.[19]

Remote Work in the Industry

Financial services firms continue to have one of the highest return-to-office rates among all industry sectors in New York City. The Partnership for New York's May 2024 survey found that office attendance rates for the financial services sector were at 60 percent (compared to 79 percent before the pandemic and 56 percent for firms surveyed citywide).[20] Data from commercial real estate firm Newmark suggests that the finance, insurance and real estate segment of the market has comprised a greater share of new leasing activity since the pandemic (see OSC's recent Office Real Estate report for details). The sector has also helped drive the development of new property, as JP Morgan Chase is close to completing its new 60-story headquarters building in Midtown, and is also expected to purchase another nearby building (250 Park Ave) to add to its portfolio.[21] Other major financial firms are also active in the market, such as BlackRock, which is increasing its footprint in Hudson Yards to over a million square feet.[22]

The finance industry may see even higher in-office rates in the near future, as the Financial Industry Regulation Authority is piloting a new program that would require home offices of remote workers to be inspected every three years.[23] Though the rule is not meant to curb remote work, if firms find compliance with the additional regulatory requirements difficult, they may opt to bring workers back into the office.

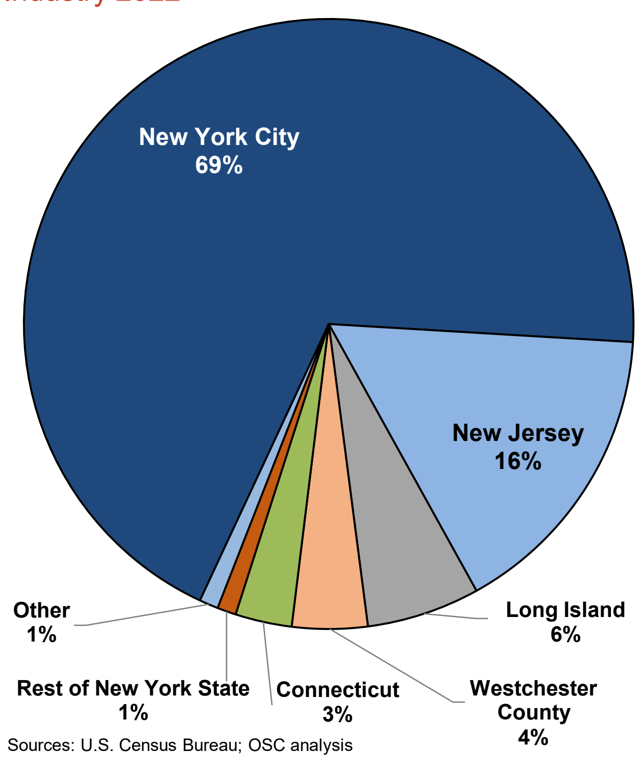
Workforce Characteristics

In 2022 (the latest data available), 69 percent of the employees in New York City's securities industry resided in the City (see Figure 10).[24] Commuters represented 31 percent of industry employees, tied with construction for the highest share among any major industry. Over 15.7 percent of commuters came from New Jersey, 6 percent came from Long Island and 4 percent came from Westchester County, followed by Connecticut at 2.6 percent.

While over a quarter (28 percent) of City residents employed in the industry earned more than $250,000, over half (56 percent) of the commuters from Westchester County and 64 percent from Connecticut earned more than $250,000. This figure was 41 percent for workers in the industry commuting from Long Island. Commuters accounted for 35 percent of the wages paid by the industry in New York City.

Over half (53 percent) of industry employees were non-Hispanic White, 24 percent were non-Hispanic Asian, 11 percent were Hispanic and 7 percent were non-Hispanic Black or African American. The share of non-Hispanic White employees was 64 percent in 2012, suggesting the industry has diversified over the last decade. Immigrants (primarily from Asia and Europe)

FIGURE 10
Place of Residence
Employees in New York City's Securities Industry 2022



Sources: U.S. Census Bureau; OSC analysis made up 37 percent of the employees, lower than the immigrant share of all City employment (42 percent).

Two-thirds of the employees in the industry were men, a share that has remained relatively constant over the past decade. Almost 90 percent of employees earned at least a bachelor's degree, a higher share than all other major sectors. In addition, 35 percent of industry employees had an advanced degree, much higher than the citywide share (22 percent). Employees in tech occupations made up 12 percent of the workers in the securities industry.

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.

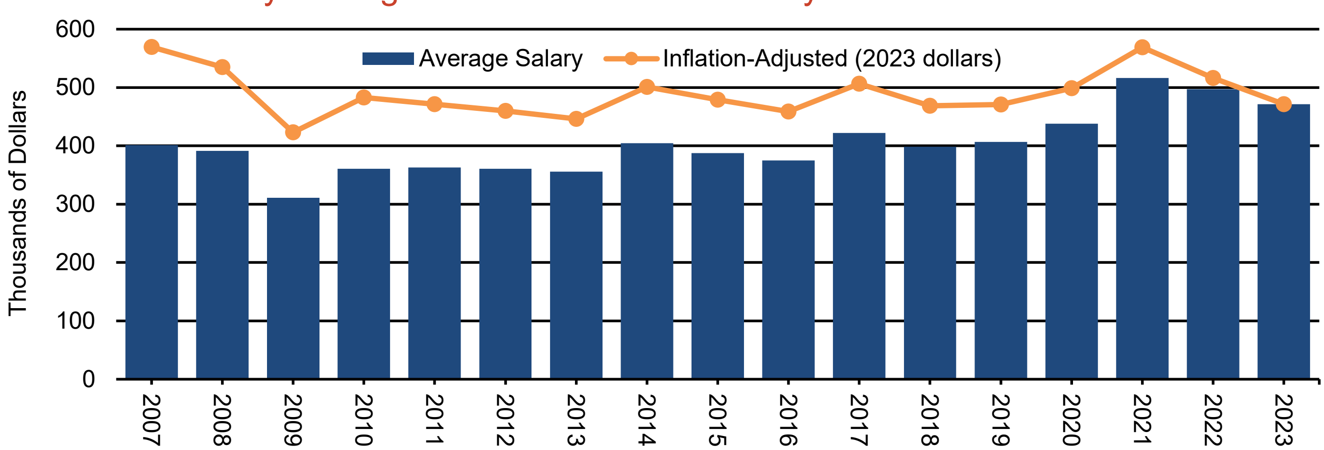
Average Salaries

In 2023, the average annual salary (including bonuses) in New York City's securities industry declined by 5.2 percent from the prior year to $471,370, the second year of decline.[25] Adjusting for inflation shows a more dramatic drop of 8.7 percent, as the inflation-adjusted average salary was $516,270 in 2022 (see Figure 11). Despite the decline, salaries were still the third highest on record on a nominal basis. Average salaries continued their fall largely due to a decrease in bonuses as profits came down from the highs of 2020 and 2021 (see the following Bonuses section for details).

In Manhattan, where 98.8 percent of the City's securities jobs are located, the average salary was $475,250 in 2023. The industry's average salary in the outer boroughs was $150,370. In 2022, 32 percent of industry employees who worked in the City had salaries of more than $250,000, compared with 12 percent of securities workers in the rest of the nation.[26]

Counties in the larger metro area also had high average salaries for securities workers. Westchester County reported an average securities salary of $295,330, up 11.2 percent from 2022. Average salaries on Long Island declined 15.8 percent to $376,710 in 2023. Long Island salaries were hurt by the large presence of hedge-fund firms in Suffolk County, where the average salary declined by 18.9 percent to $539,300, despite hedge funds

FIGURE 11
Securities Industry Average Salaries in New York City



Sources: NYS Department of Labor, Quarterly Census of Employment and Wages; OSC analysis generating far more in returns in 2023.[27] Despite this decline, Suffolk County still had the second highest average securities salary of any county in the nation.[28]

The securities industry had the highest average salary of any major industry in the City, 65.5 percent higher than the next industry ($284,880 in the web search portals and other information services industry) in 2023. Other industries with high average salaries include fund and trust management ($276,220), banking ($249,200), and broadcasting and content providers ($241,740). The average salary in the securities industry was nearly five times the average salary of the rest of the private sector ($98,700).

The average salary in the securities industry in New York State was $449,180, twice the average in the rest of the nation ($223,770). 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 (CEOs) and traders, in New York City.

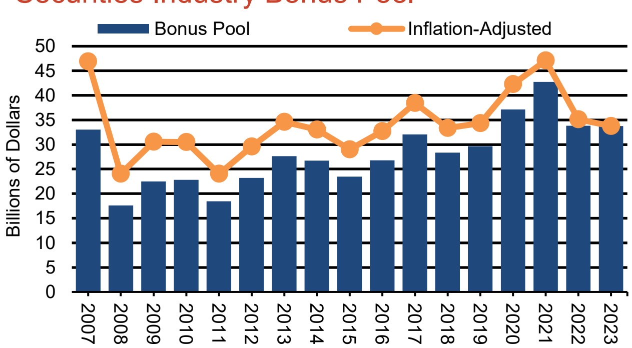
The Dodd-Frank Act requires a publicly traded company to report the ratio of the salary for its CEO to the median salary for all employees. According to data for 2023, the CEOs for finance companies (including securities firms) listed in the S&P 500 that were headquartered in New York State earned an average of 234 times more than the median for all employees of their companies. This represented a significant decline from the prior year (328 times more in 2022). The gap was higher in the State than in the rest of the nation, where CEO compensation was 184 times higher, on average, than the median for all workers.

Bonuses

In March 2024, OSC estimated that the bonus pool for industry employees in New York City during the traditional December-March bonus season had stayed flat at $33.8 billion (see Figure 12).[29] Even though this was 21 percent lower than the record high from 2021, the 2023 level is higher than any of the previous 13 years before the pandemic on a nominal basis.

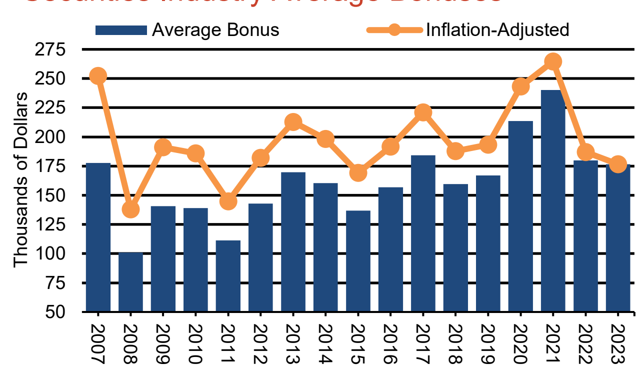
This amounts to an average bonus of $176,500 per industry employee in 2023, a decrease of 2 percent from the 2022 average and 27 percent lower than the record high in 2021, but in line with pre-pandemic levels (see Figure 13).[30] Bonuses accounted for an estimated 37 percent of securities industry wages, a larger share than in any other major industry in the City. The industry accounted for more than half (53 percent) of all private sector bonus payments and 20 percent of private sector wages in New York City in 2023, while accounting for a relatively small share (4.9 percent) of private sector employment.

FIGURE 12
Securities Industry Bonus Pool



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

FIGURE 13
Securities Industry Average Bonuses



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

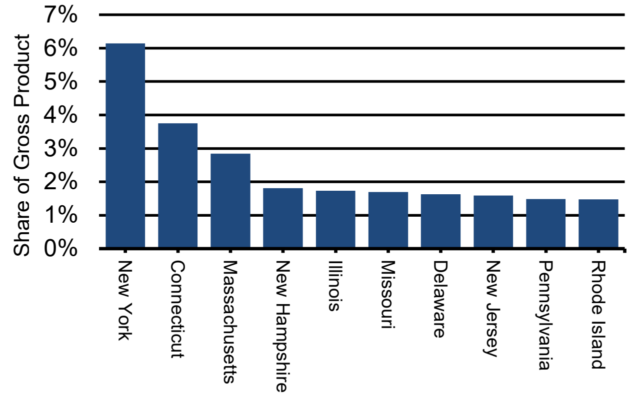
In the first half of 2024, NYSE member firms increased compensation expenses by 9.8 percent from the prior year. As market activity and profits have increased, the overall bonus pool in 2024 is likely to increase as well. An August report by Johnson Associates (a compensation consulting firm) suggests that bonuses at financial firms for 2024 will likely increase, with a large range between the different business segments.[31] The report also suggested that while bonuses in investment banking (including underwriting and advisory) are expected to increase by up to 35 percent, those in fixed income sales and trading may increase by just 5 percent to 10 percent.

The City's latest forecast expects the bonus pool to increase by 7.4 percent in 2024. With the increase in profits in the first half of 2024, OSC anticipates that bonuses are likely to bounce back in the coming year and may even exceed budget projections. In March 2025, OSC will release its 2024 bonus estimate for industry employees in New York City based on tax withholding trends.

Economic Contribution

OSC estimates that in 2022, the most recent year for which county-level data is available, the securities industry was responsible for 18.6 percent of gross City product, a decrease from 19.6 percent from the prior year, but comparable to the year before (18.8 percent in 2020). This figure is based on county-level gross product data from the U.S. Bureau of Economic Analysis (BEA) and wage data from the NYS Department of Labor. Despite the decrease in its share contribution, OSC estimates that the overall output of the industry grew by 1.1 percent in 2022, but its share declined as growth in all industry activity citywide was 6.1 percent. This reflects the industry's profitability declining from the highs seen in 2021 and continuing to normalize, while other industries saw higher growth as the pandemic recovery continued. OSC anticiates this trend that is likely to continue when the data for 2023 is released.

FIGURE 14
Securities Industry as a Share of Total State Gross Product in 2023



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

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 2023, according to the BEA (see Figure 14), a decline from 6.5 percent in 2022. The industry's share of the State economy is well above the states with the next-largest shares: Connecticut (3.8 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 1.5 percent of the country's gross domestic product.

The high incomes earned by many industry employees create economic activity in other employment sectors as well. Using IMPLAN, an economic modeling software, OSC estimates that 1-in-11 jobs (9 percent) in New York City was associated with the securities industry in 2022, a drop from the 1-in-9 ratio in 2019, but in line with recent years.[32] This decline may reflect 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-19 jobs (over 5 percent) were associated with the industry in 2022, 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 more than one 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.[33] Revenue from sales tax, property tax, and real estate transaction taxes are not included in OSC's industry estimates of City and State tax contributions.

New York City

OSC estimates that tax collections attributable to the industry reached $5.1 billion in City fiscal year (CFY) 2024. This represents a 5.9 percent decline from the previous year and a 21.7 percent decline from CFY 2022's record high of $6.5 billion (see Figure 15).[34] This decline can be attributed to a continued retreat from record high bonuses and industry profits to levels more typical of years prior to the pandemic. Personal income tax collections accounted for 70 percent of the industry's tax contribution and 22.8 percent of total personal income tax collections. The industry accounted for an estimated 7 percent of City tax collections in CFY 2024, down from the prior year's share of 7.5 percent, though similar to pre-pandemic levels.

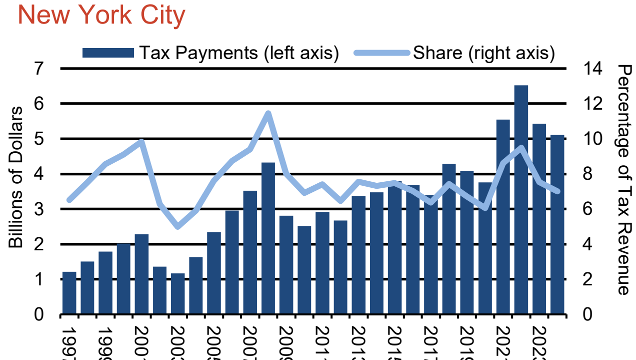
In the five years prior to CFY 2021, collections attributable to the industry averaged $3.8 billion annually and accounted for an average share of 6.7 percent of total tax collections. In CFY 2025, the City assumes collections will surpass these levels (with an increase of 7.4 percent in the size of the bonus pool), as its budget anticipates growth in non-property tax collections, a substantial 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 19 percent of total tax collections in State fiscal year (SFY) 2023-24, which ended March 31, 2024 (see Figure 16). 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.

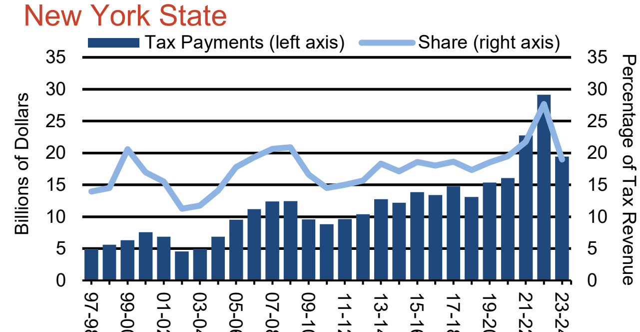
OSC estimates that tax payments attributable to the securities industry in SFY 2023-24 declined

FIGURE 15
Securities Industry-Related Tax Payments
New York City



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

FIGURE 16
Securities Industry-Related Tax Payments
New York State



Sources: NYS Department of Labor; U.S. Bureau of Labor Statistics; OSC analysis from the prior year's record high by 33 percent to $19.4 billion (still higher than pre-pandemic levels). Personal income tax collections accounted for 84 percent of this amount, down from last year's share of 89 percent. During SFY 2015-16 through SFY 2019-20, securities-related tax collections averaged $14.1 billion and accounted for an average of 18.2 percent of total tax collections. The State assumes the larger finance and insurance industry bonuses will rise by 7.7 percent in SFY 2024-25, which may support stronger-than-expected revenues.

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. Property taxes are the largest component of City tax revenues, and office properties accounted for 54.3 percent of Class 4 commercial property taxable values in FY 2025. The office sector accounts for over one-fifth of overall property tax revenues, which are forecast to be $34.2 billion in FY 2025. Office properties are also a major component of real estate transaction taxes and the commercial rent tax. The broader financial services sector is estimated to account for approximately 30 percent of all new office space leasing in the City, and tends toward the higher-value Class A properties.[35] In addition, purchases made by securities firms and their employees contribute to the City's economy and support revenues via sales taxes.

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