WALL STREET BONUSES CAN FALL UP TO 40 PERCENT, SAY EXPERTS

On Monday, a New York City fiscal watchdog reported that in 2011 Wall Street bonuses had fallen by nearly 25 percent and that it could plunge by 30 to 40 percent this year. This can affect the economies of both New York City and New York State as bonuses constitute a very important part of securities industry employees whose roles are usually performance and incentives based. According the New York City Independent Budget Office, the fall was nearly double that forecasted last week by the state comptroller who estimated only 13 percent shrinkage of bonuses per person. Wall Street is expected to do away with at least 4,300 jobs in 2012 while wages continue to fall. The Independent Budget Office said that both salaries and bonuses would fall by at least 7.5% cumulatively. Experts are of the opinion that the debt problems in Europe are having ripple effects on both Wall Street and the U.S. financial sector. The Finance Committee said in a separate report on Monday that U.S. banks have about $80 billion exposed to Spain, Italy, Portugal, Ireland, and Greece. The Finance Committee also stated in its report that “On a positive side, industry reports suggest Wall Street has been pricing in the possibility of a Greek default since early 2010.” However, a study of the reports submitted by the Independent Budget Office, the Finance Committee, and that of the City Comptroller John Liu underlined that in spite of the bad news in Wall Street the New York City has added back 64 percent of the 139800 private sector jobs lost on recession. However, the city’s unemployment rate rose to 9 percent in December, after dropping to 8.6 percent in April 2011. The future, according to the Independent Budget Office was not all bad, and it could be predicted that the city’s collections would rise by $230 million in tax revenues over last year. In spite of warnings by the IBO that tougher regulations could clip the profits of Wall Street the comptroller predicted that the checks on proprietary trading would help new companies to form. The comptroller said in a statement, “It is our feeling that presumably, proprietary trading operations that are spun off by large financial firms will still operate and for the most part would stay in New York City.”