



FEDERAL RESERVE BANK *of* NEW YORK

Economic Conditions in the Region

Jaison R. Abel

Buffalo Niagara Association of Realtors – April 20, 2023

The views expressed here are those of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.

Overview of Regional Conditions

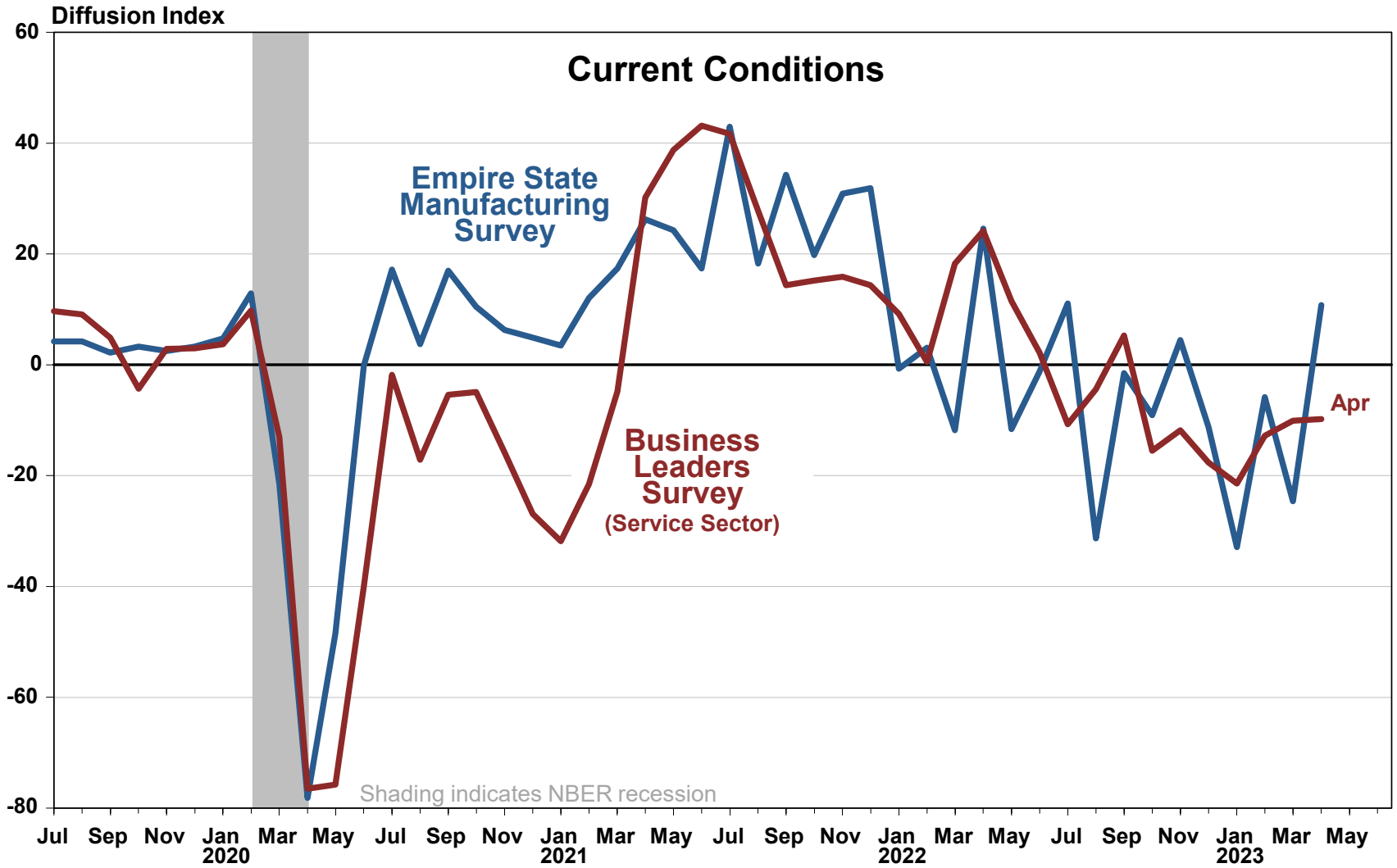
- Economic activity has been weak.
- Despite remarkable progress, the region has not gained back the jobs that were lost during the pandemic recession.
- Inflationary pressures remain persistent but have moderated.
- The housing market has slowed and, since peaking last summer, home prices have plateaued.



Current Economic Conditions

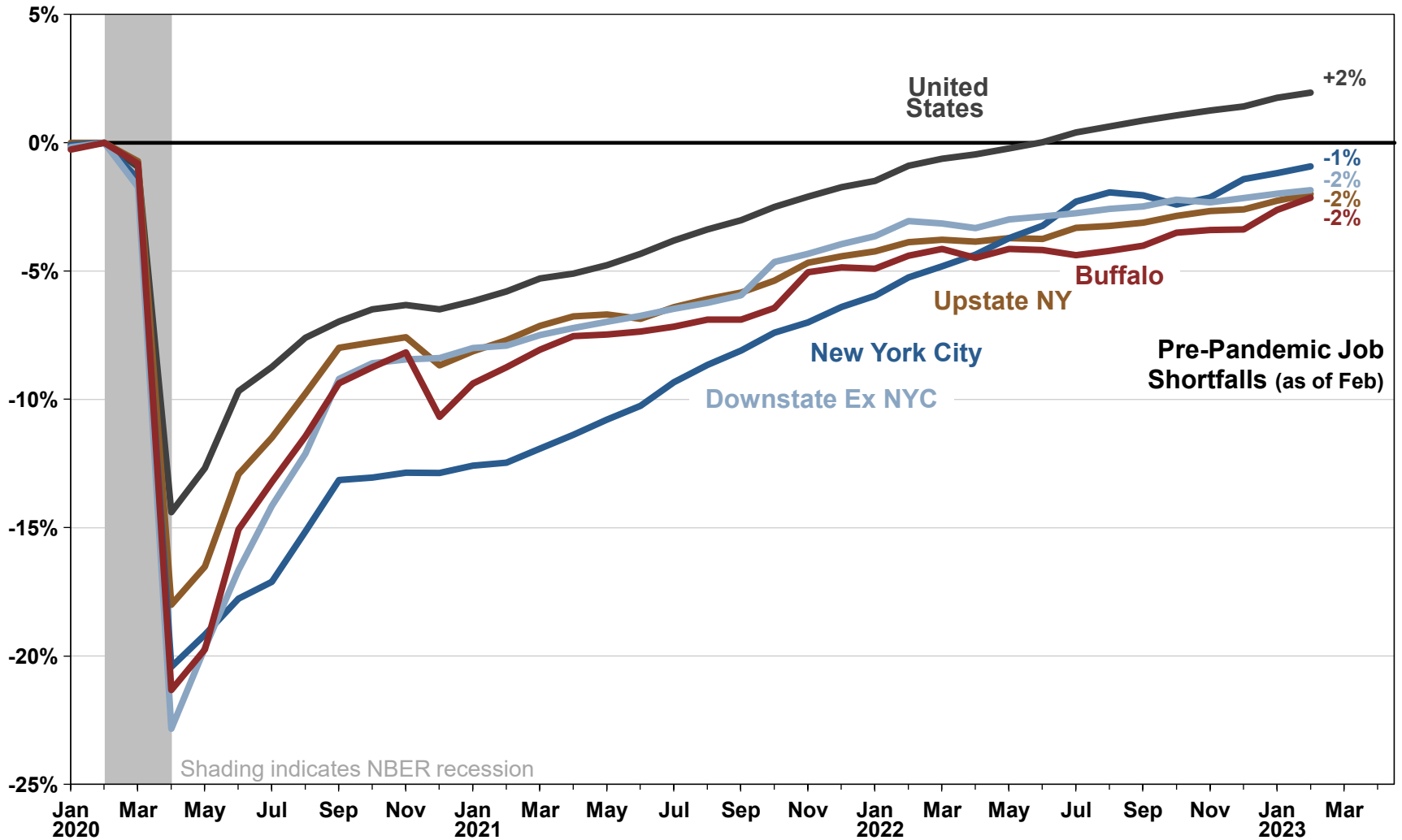
Regional Growth Has Stalled

New York Fed Regional Business Surveys



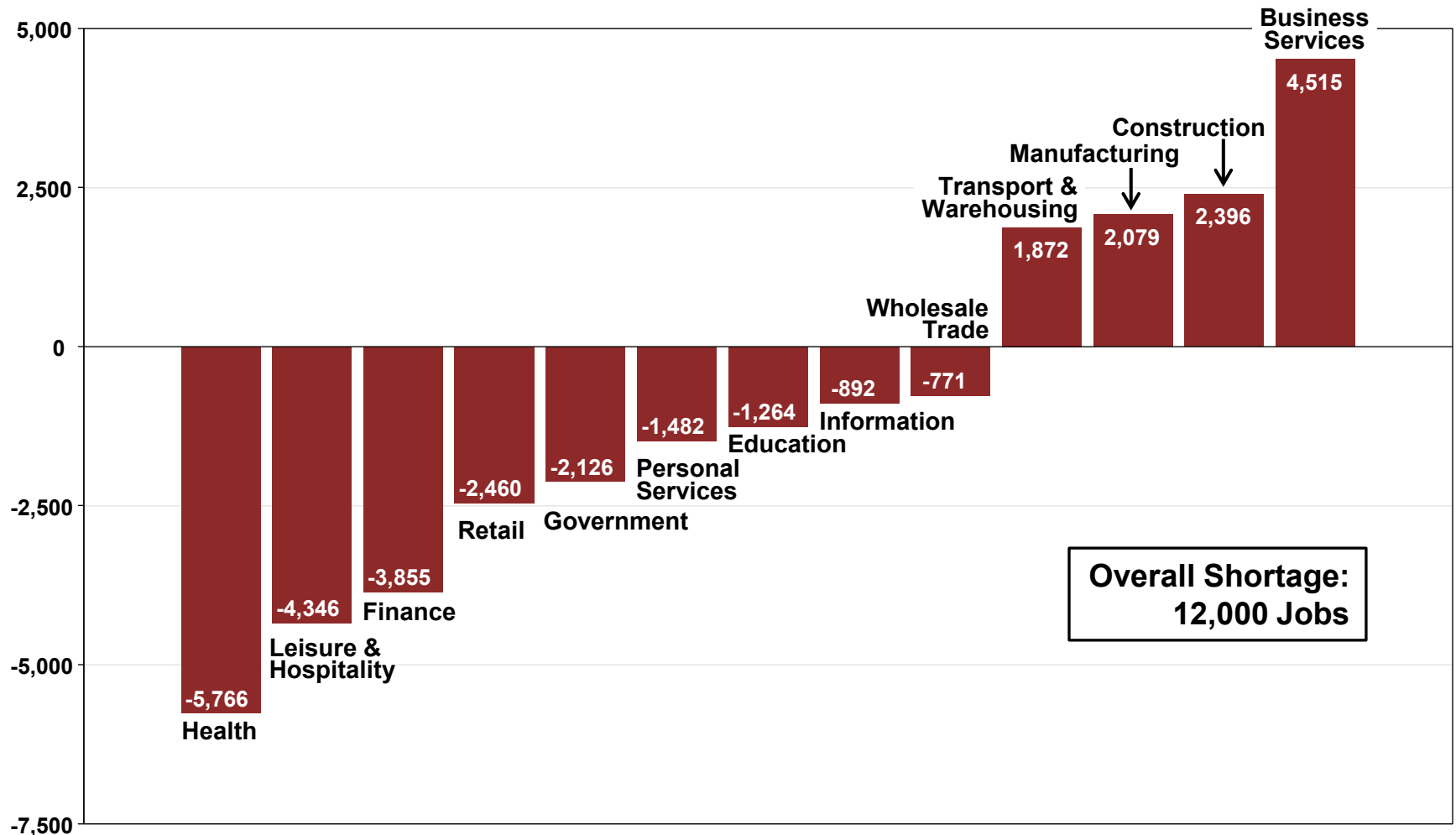
The Region's Jobs Recovery

Percent Change in Total Employment Since Feb 2020



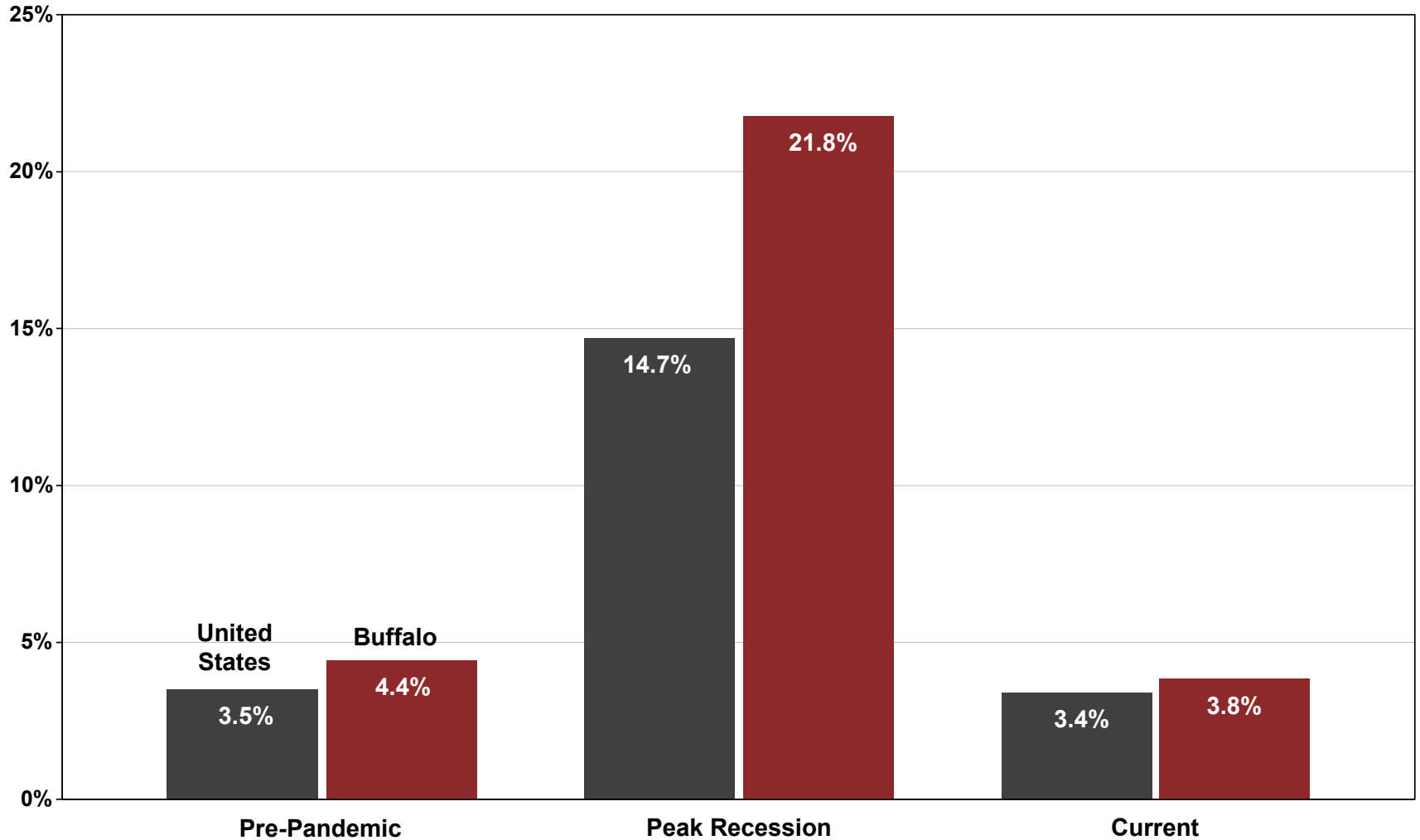
Job Shortfalls and Job Gains in Buffalo

Change in Employment by Sector, Feb 2020 to Feb 2023



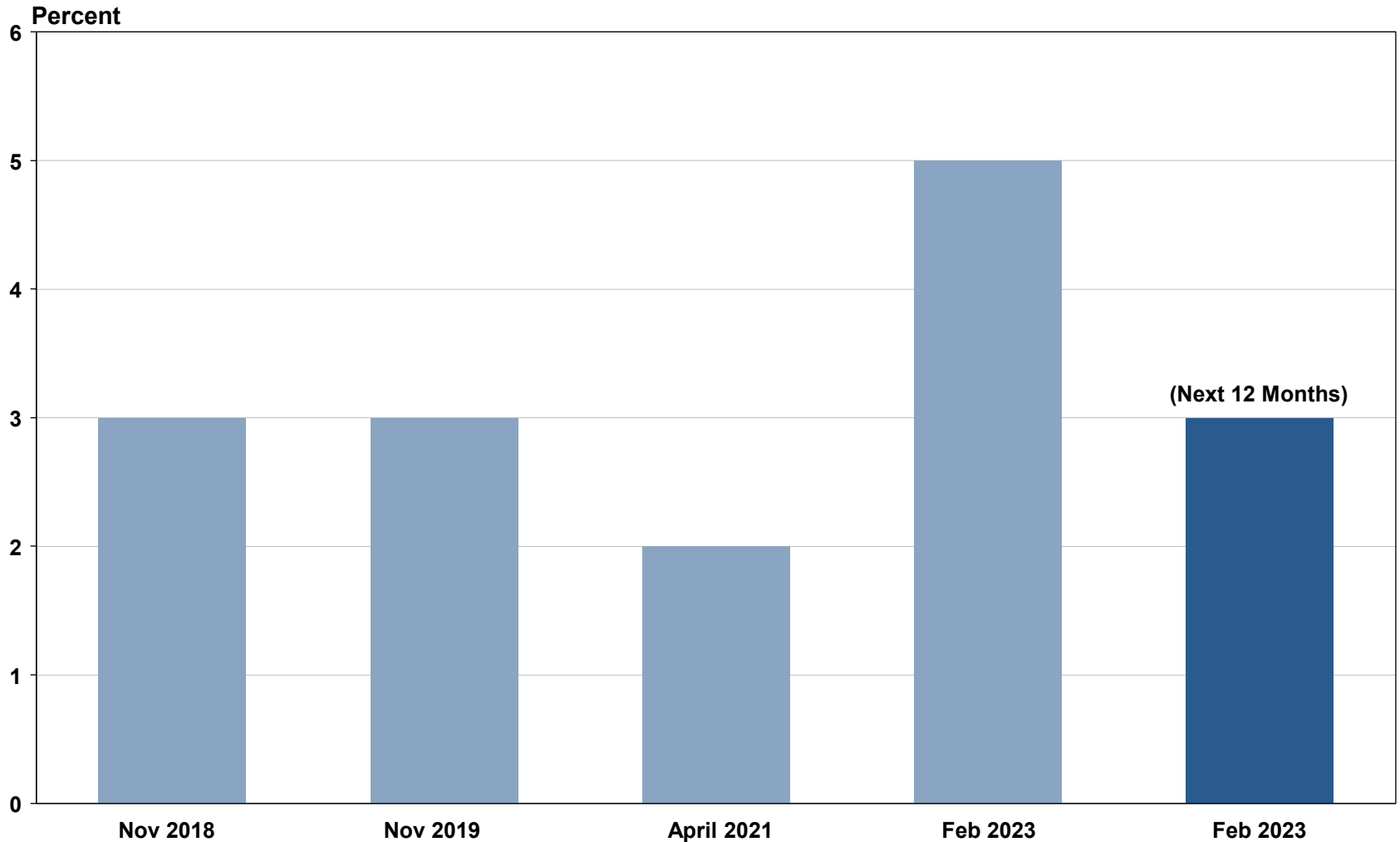
Exceptionally Tight Labor Markets

Unemployment Rates Before, During, and After the Pandemic Recession



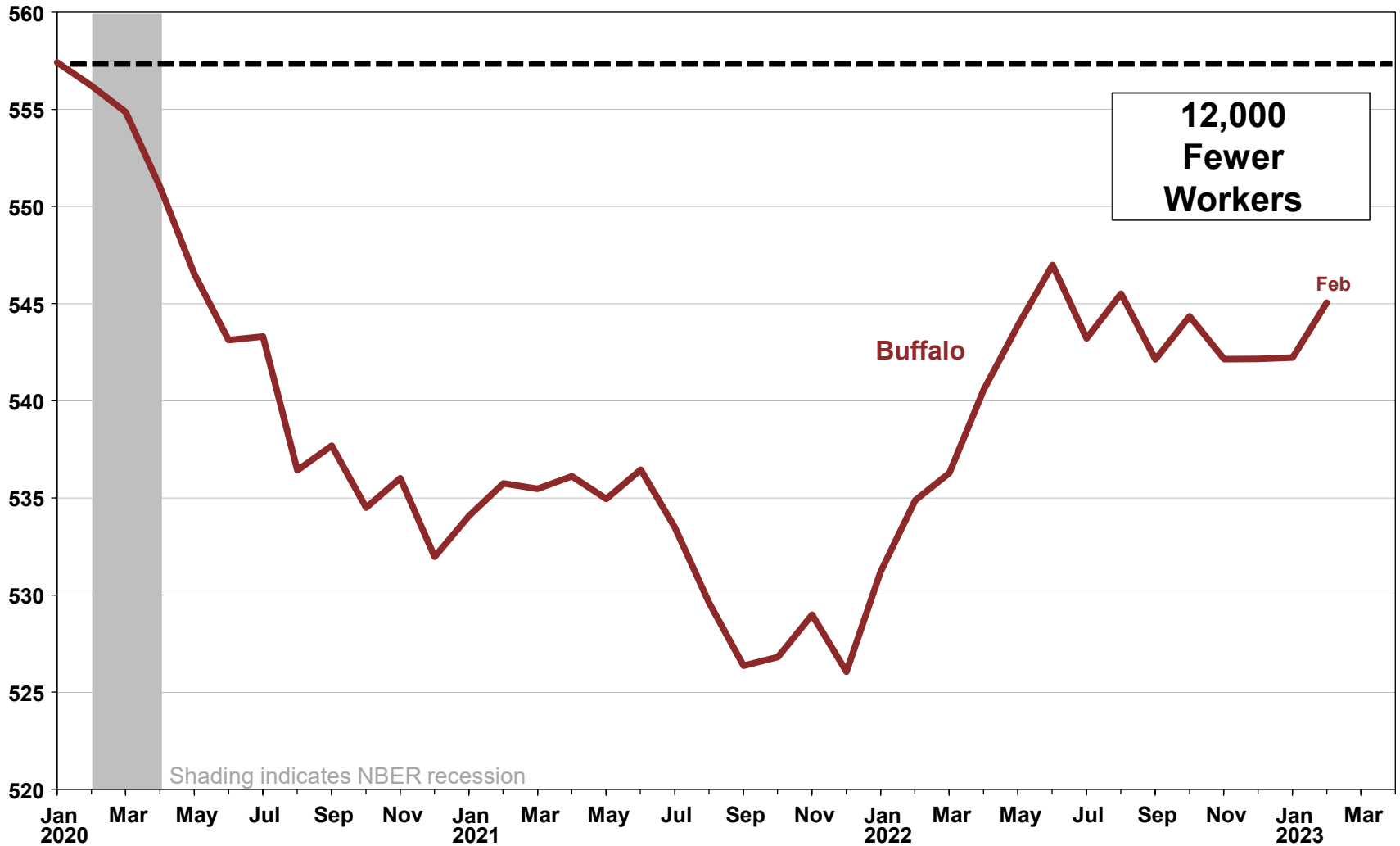
Solid Wage Growth

Median Percent Increases, Past 12 Months



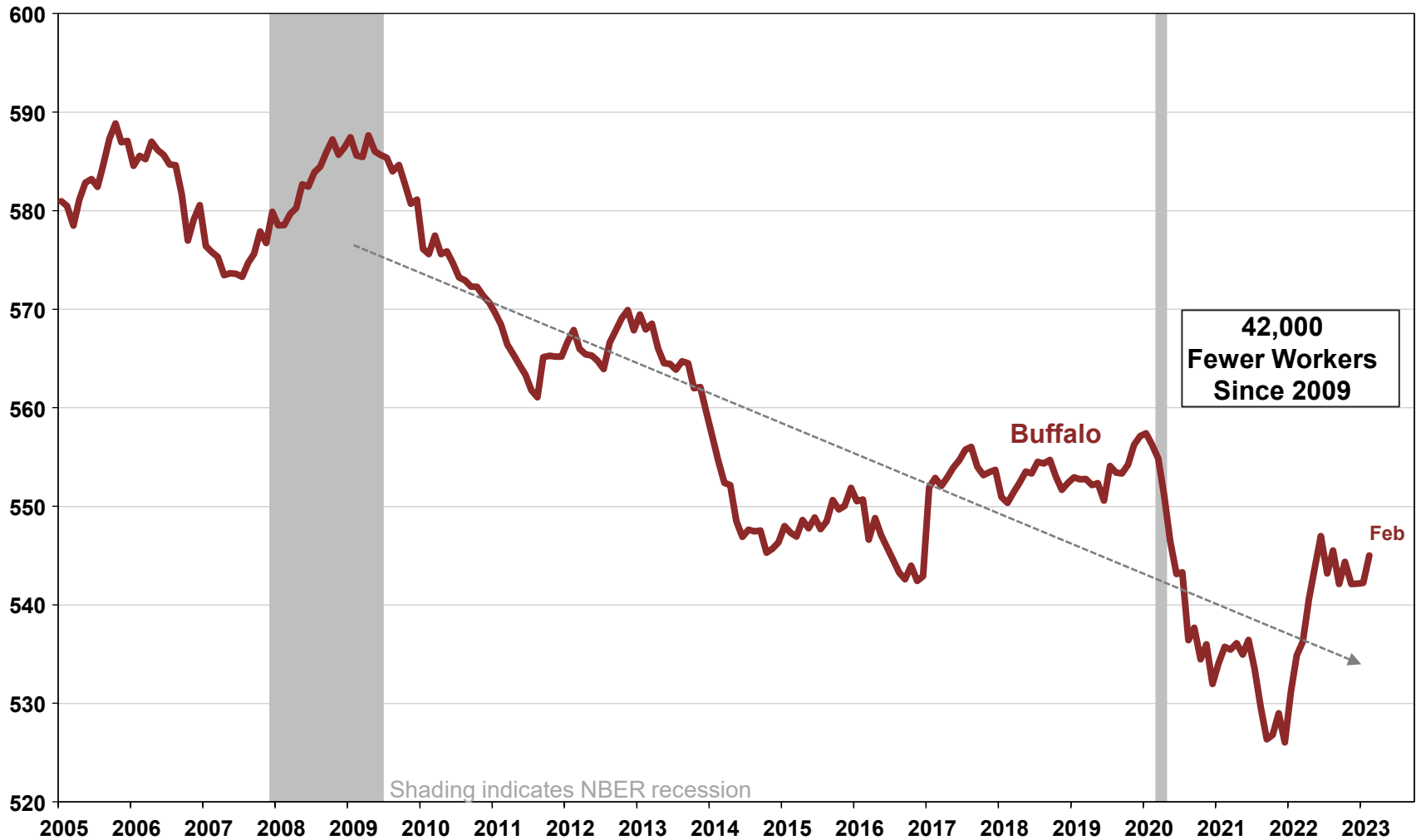
Difficulty Finding Workers in Buffalo

Labor Force, Thousands



Buffalo's Workforce Has Been Shrinking for Years

Labor Force, Thousands



Shading indicates NBER recession

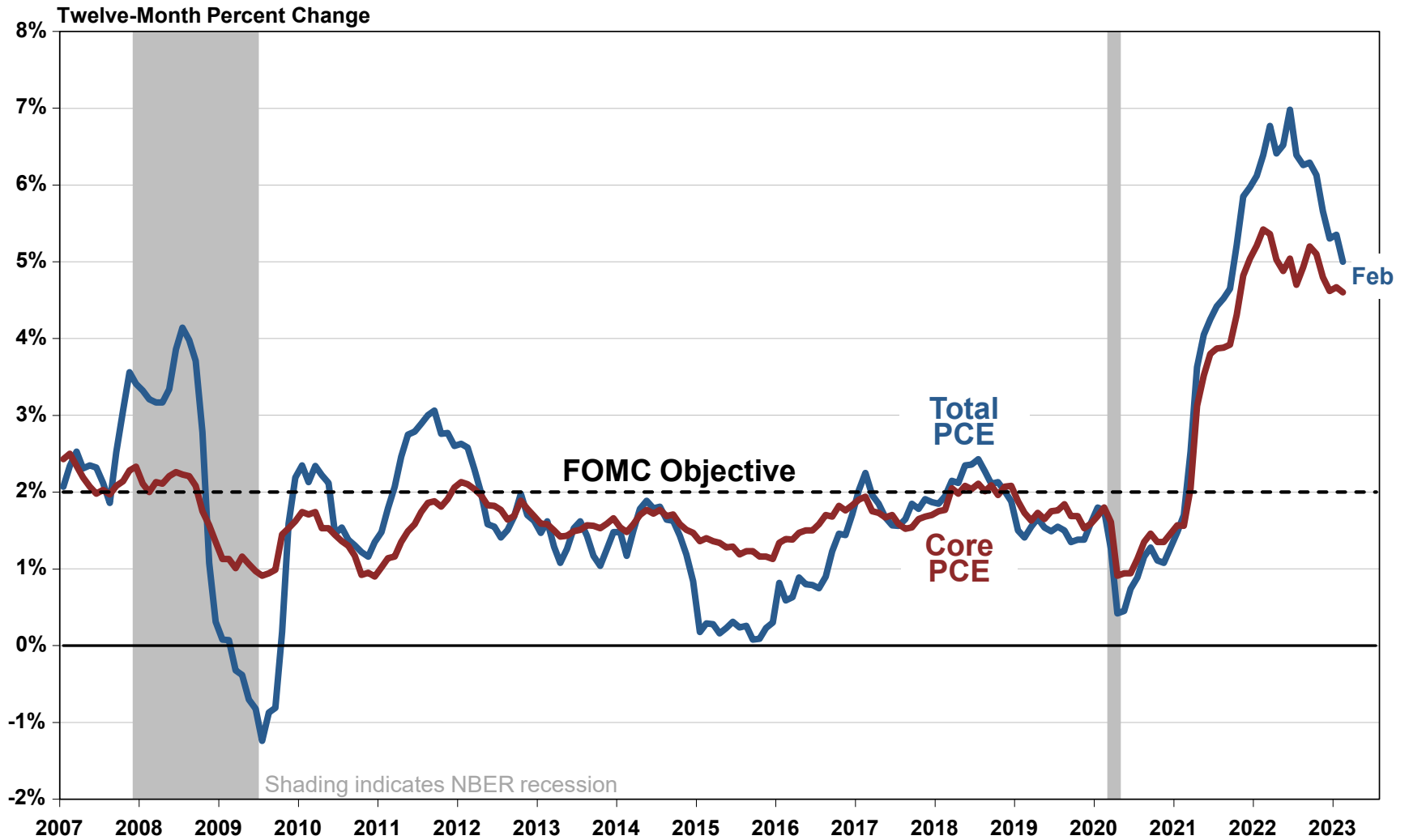
42,000
Fewer Workers
Since 2009

Buffalo

Feb

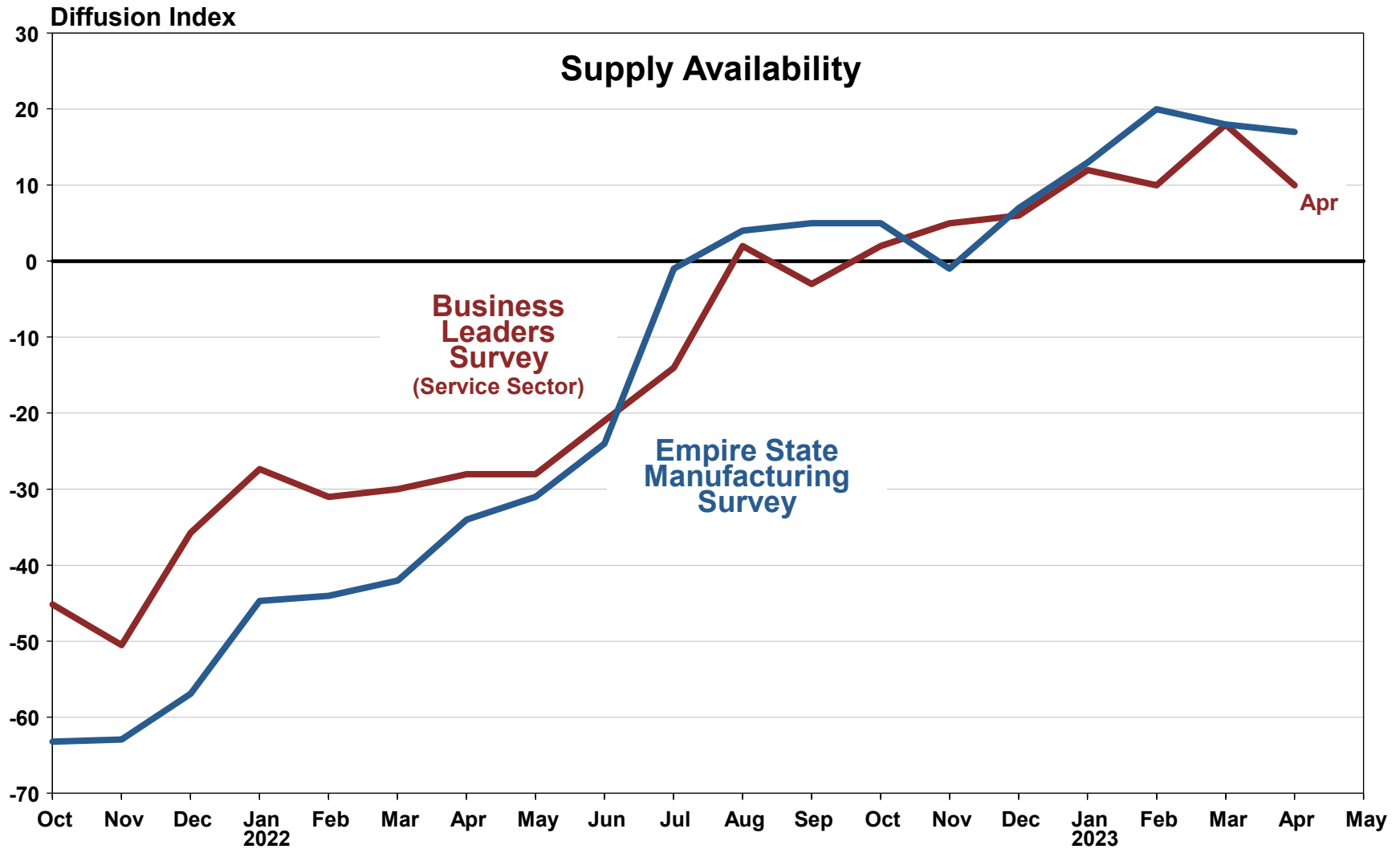
Inflation Remains High

Annual Percent Change in PCE Price Indexes



Supply Disruptions Are Easing

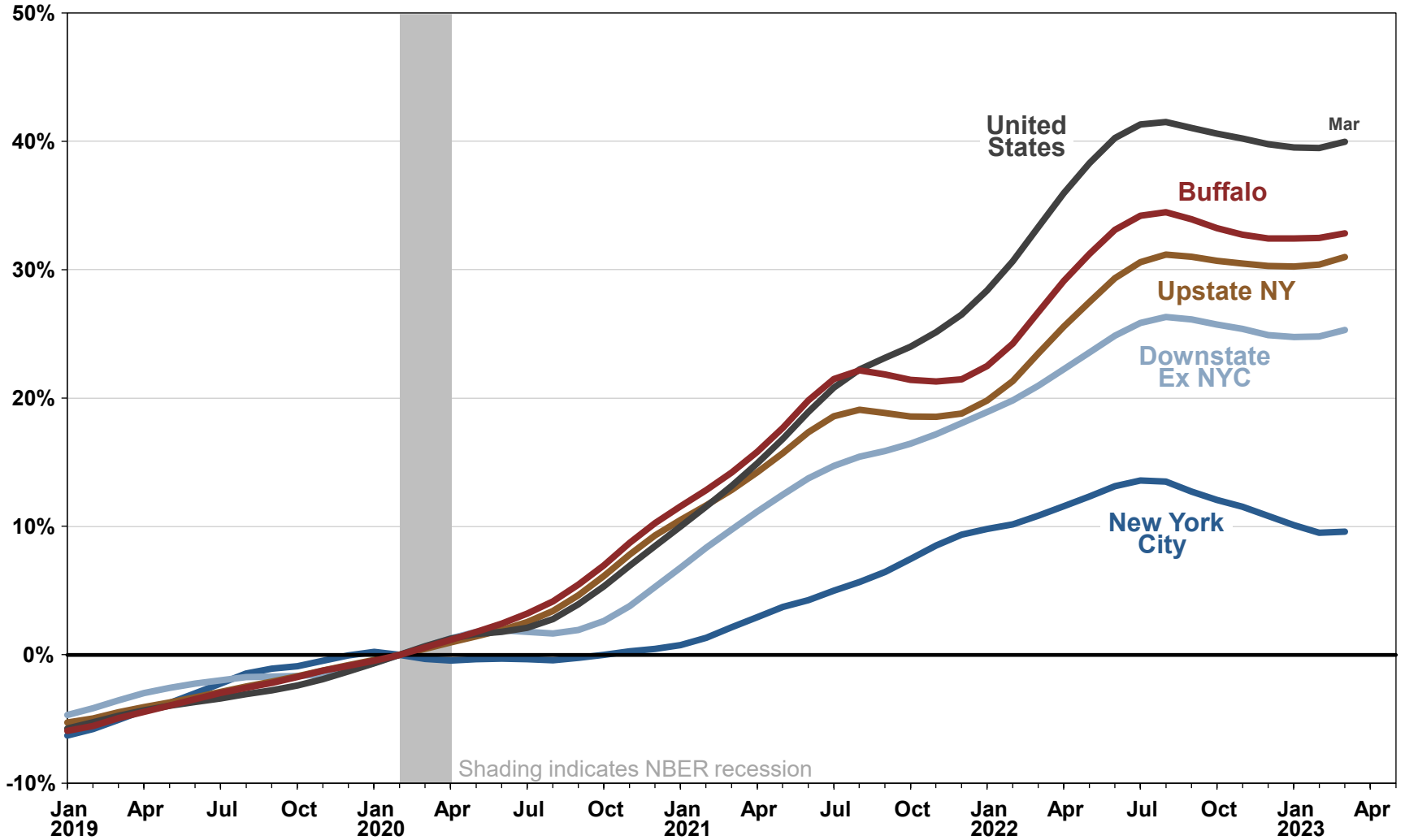
New York Fed Regional Business Surveys



The Pandemic Housing Boom

The Region's Pandemic Home Price Boom

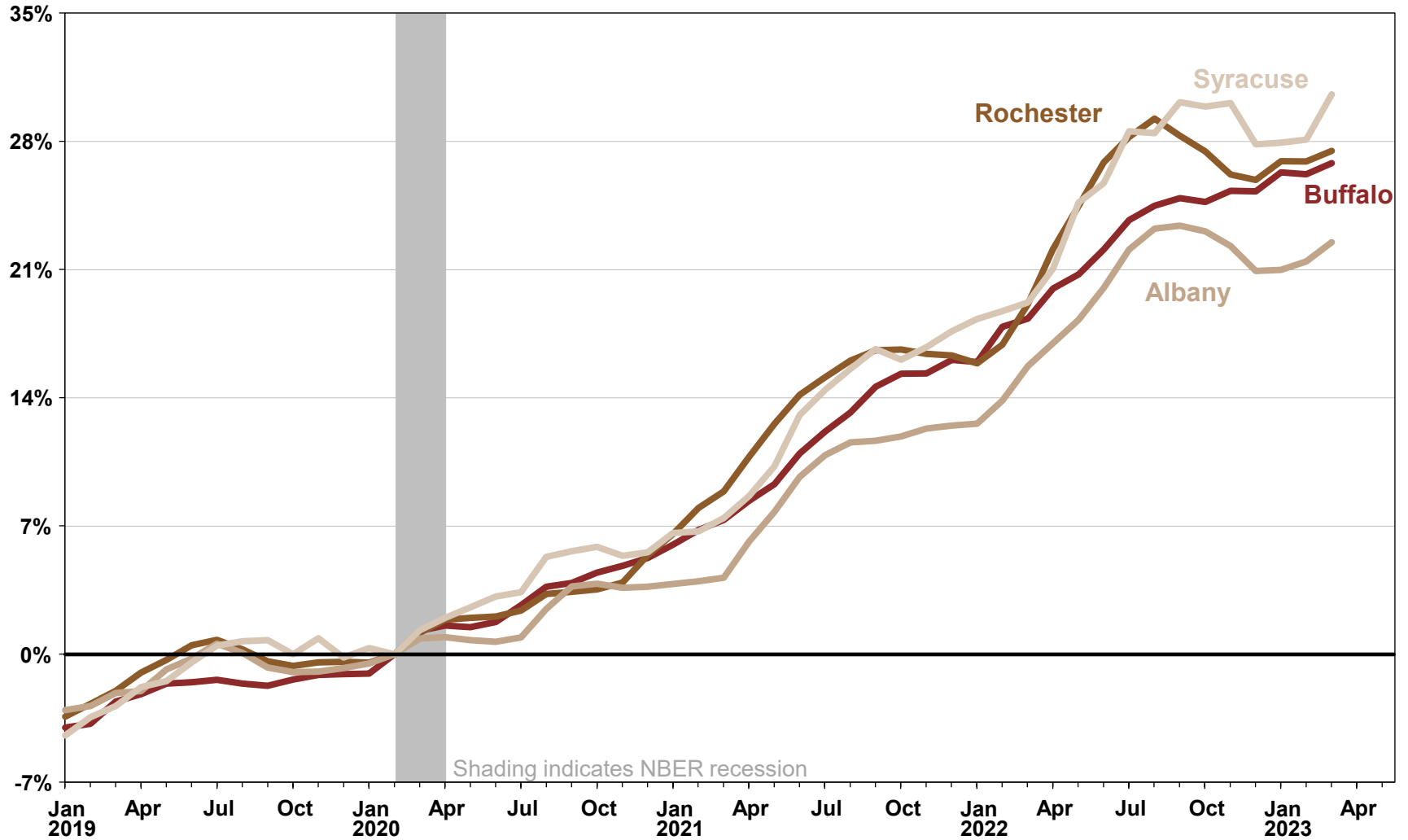
Home Price Growth Since Feb 2020



Shading indicates NBER recession

Rents also Increased Sharply

Percent Change of Typical Rent Since Feb 2020



Shading indicates NBER recession

What Explains the Pandemic Boom?

- **Substantial fiscal support and a favorable financial environment**
 - Pandemic relief provided support to the housing market.
 - Low mortgage rates boosted demand.

Financial Conditions Have Tightened

30-Year Fixed Rate Mortgage Average in the United States



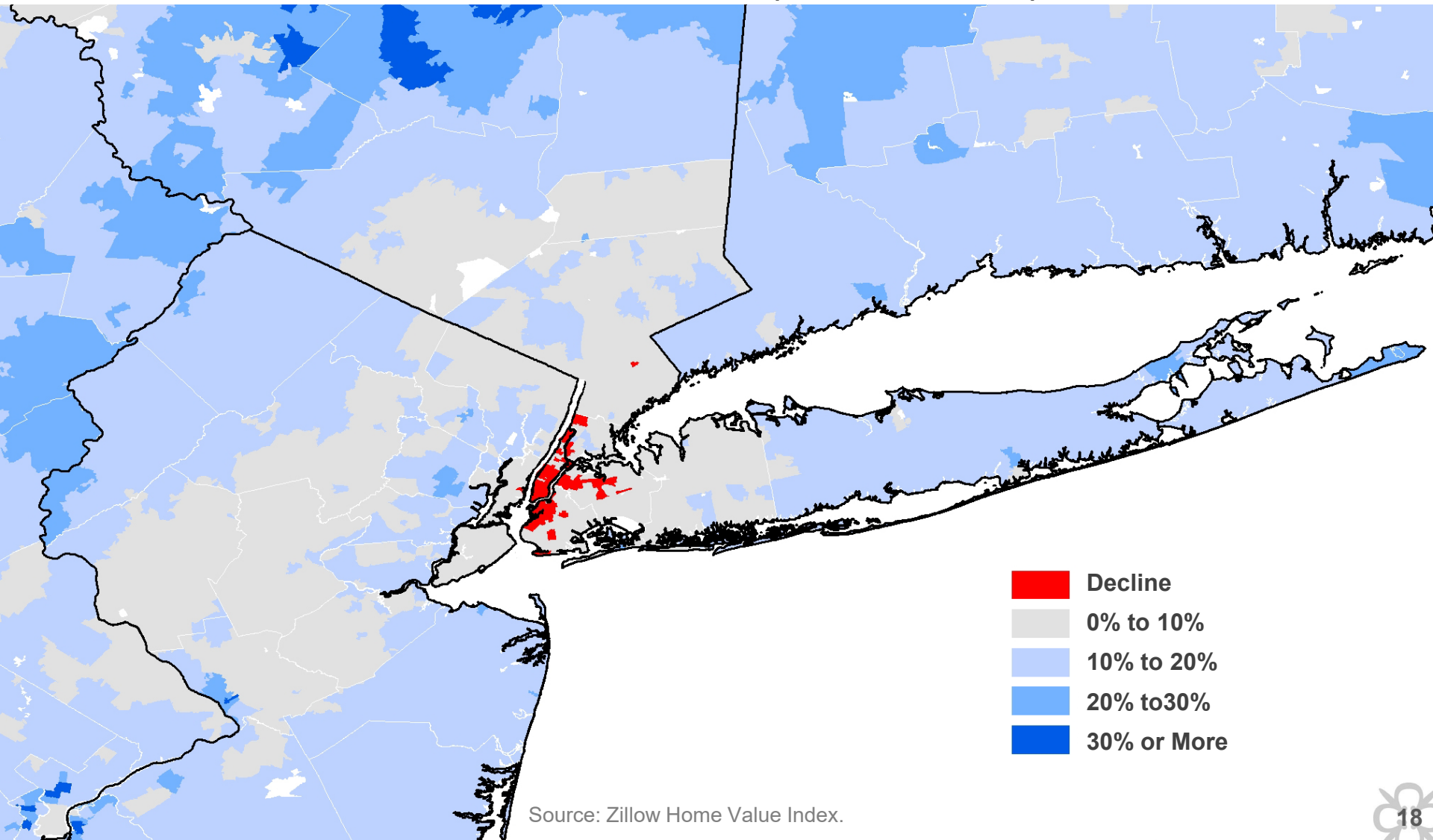
What Explains the Pandemic Boom?

- **Substantial fiscal support and a favorable financial environment**
 - Pandemic relief provided support to the housing market.
 - Low mortgage rates boosted demand.
- **Increased demand for less dense areas, facilitated by the rise of remote work**
 - Value of urban amenities fell early in the pandemic.
 - Working from home reduced the need to live near jobs.
 - Increased demand for physical space.

The “Donut Effect” In and Around New York City

Percent Change in Home Prices by Zip Code

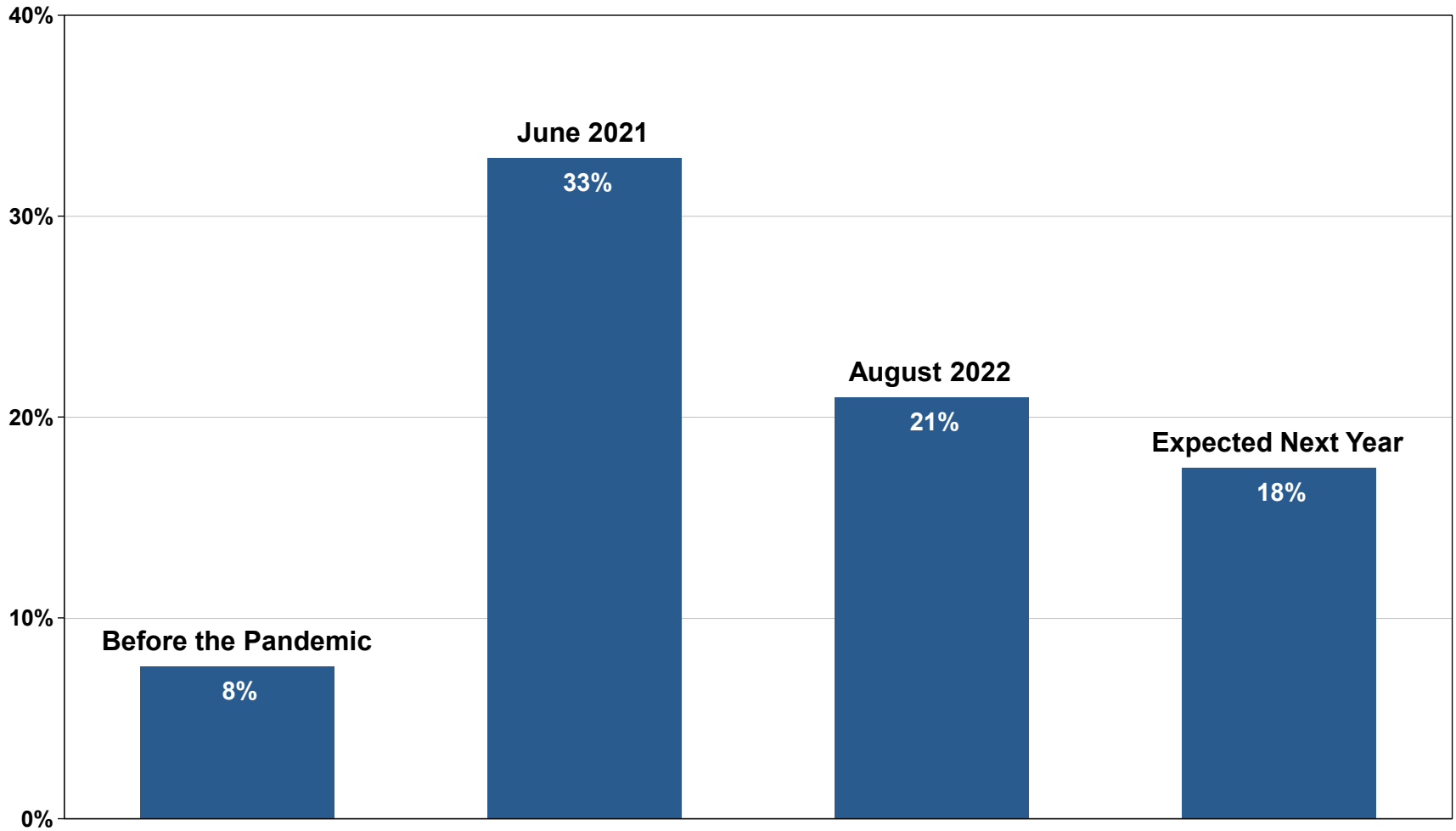
First Year of Pandemic (Feb 20 to Mar 21)



Source: Zillow Home Value Index.

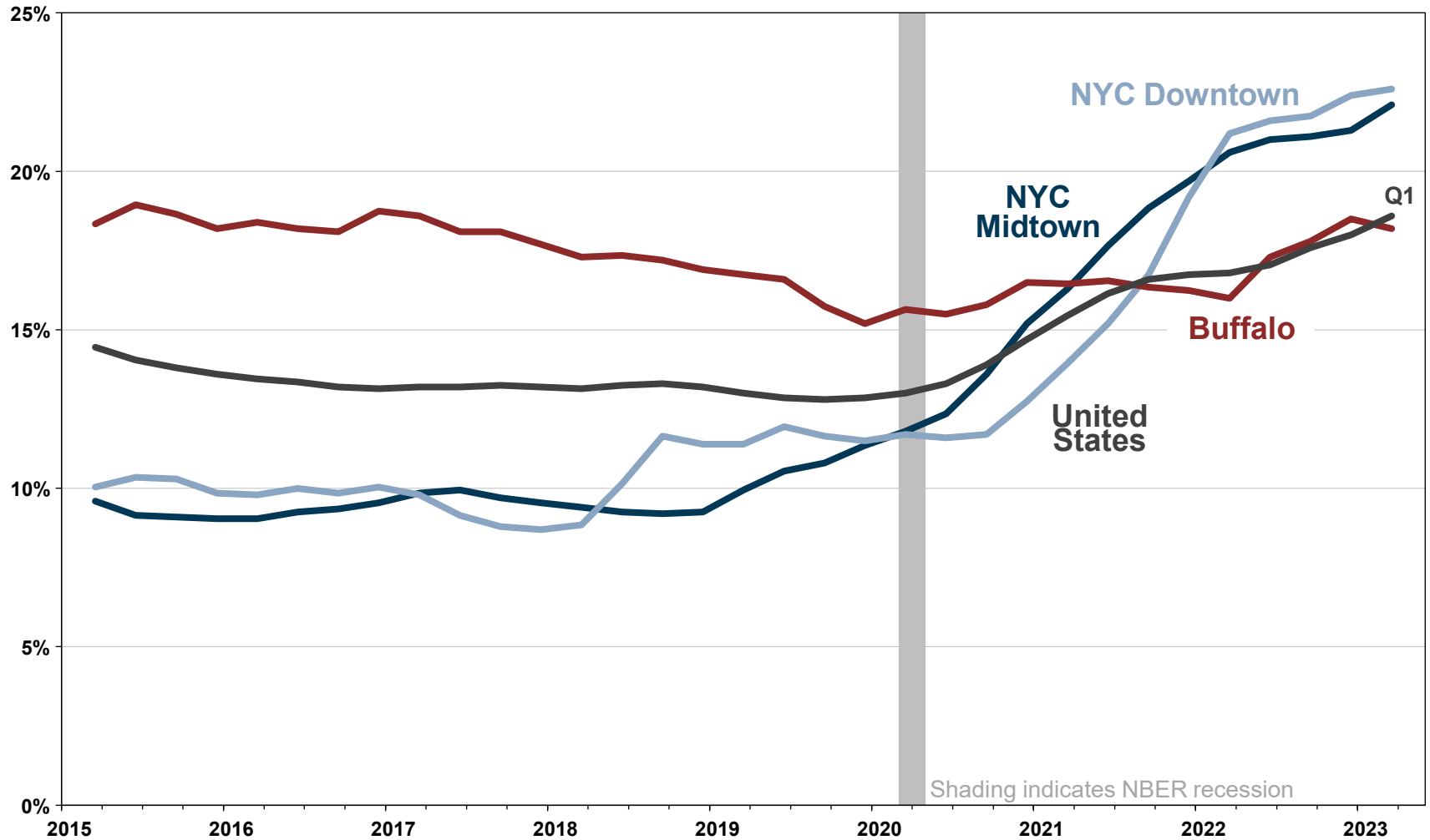
Remote Work Is Sticking

Average Share of Work Done Remotely



High Office Vacancy Rates

Quarterly Rates



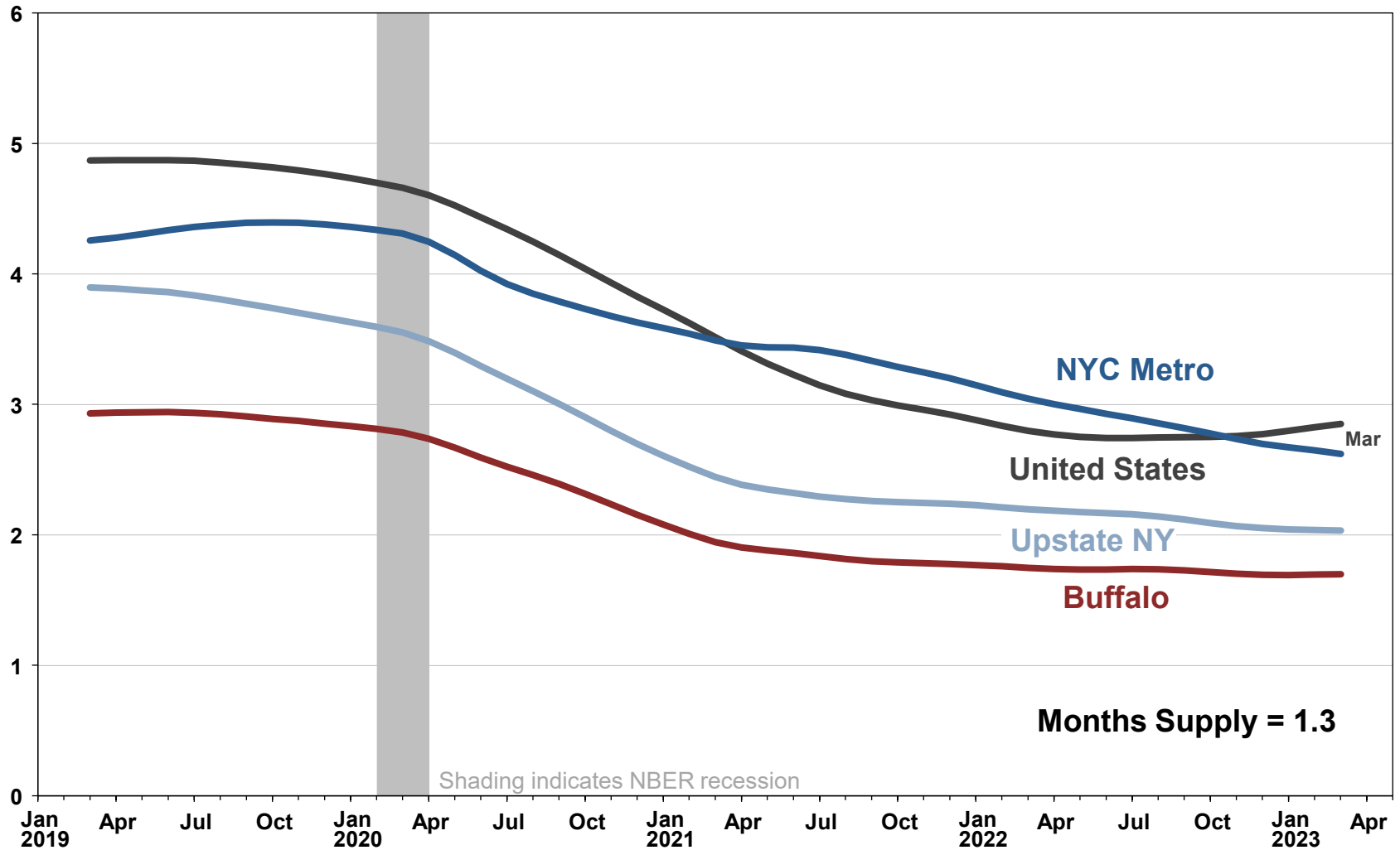
Shading indicates NBER recession

What Explains the Pandemic Boom?

- **Substantial fiscal support and a favorable financial environment**
 - Pandemic relief provided support to the housing market.
 - Low mortgage rates boosted demand.
- **Increased demand for less dense areas, facilitated by the rise of remote work**
 - Value of urban amenities fell early in the pandemic.
 - Working from home reduced the need to live near jobs
 - Increased demand for physical space.
- **Historically low for-sale inventory**
 - Low inventory before the pandemic declined substantially during the boom.
 - Homebuilding response muted by worker shortages and supply chain disruptions.

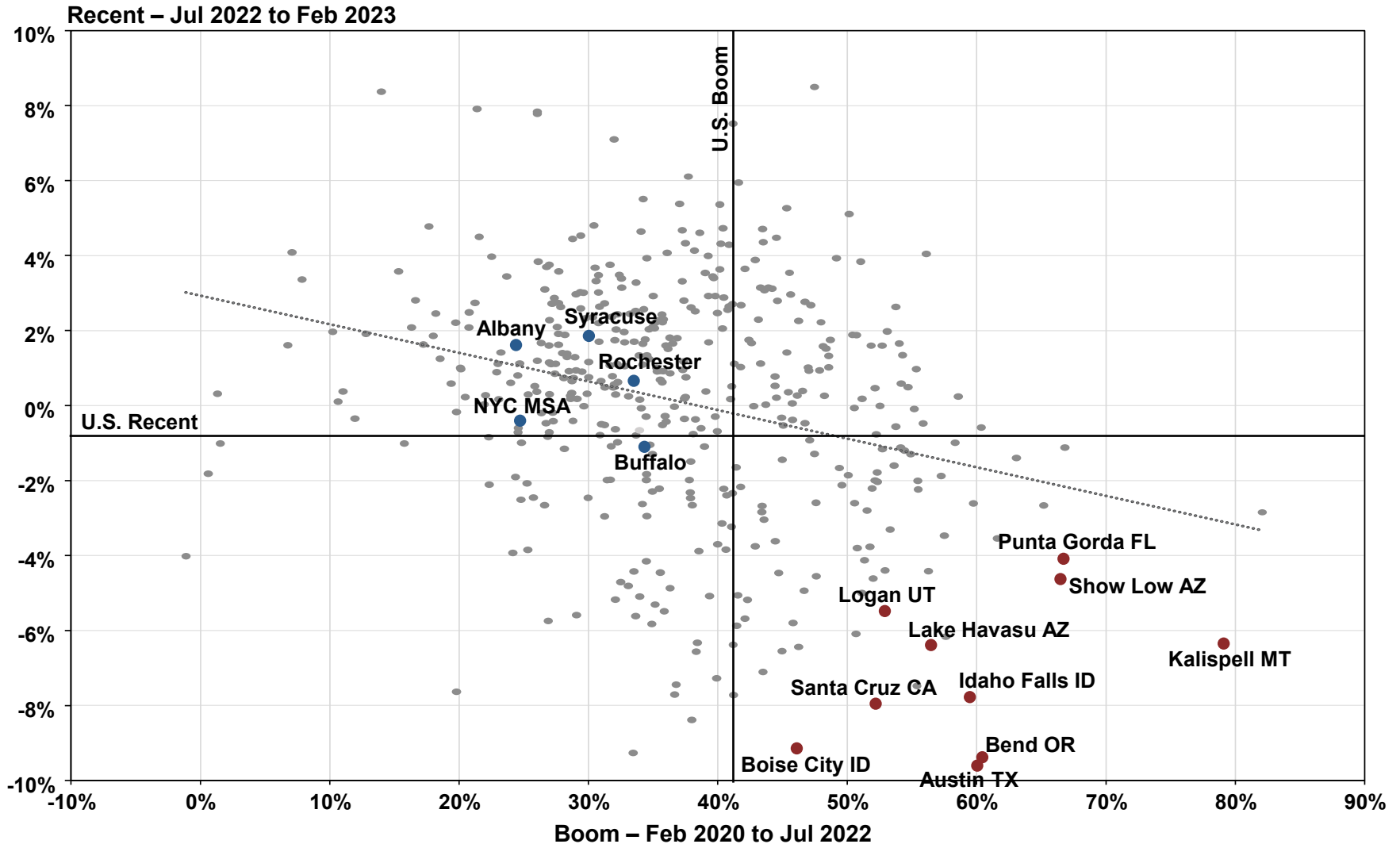
Low Inventory Particularly Severe in Upstate NY

For-Sale Inventory Per Capita (000's), 12 Month Moving Average



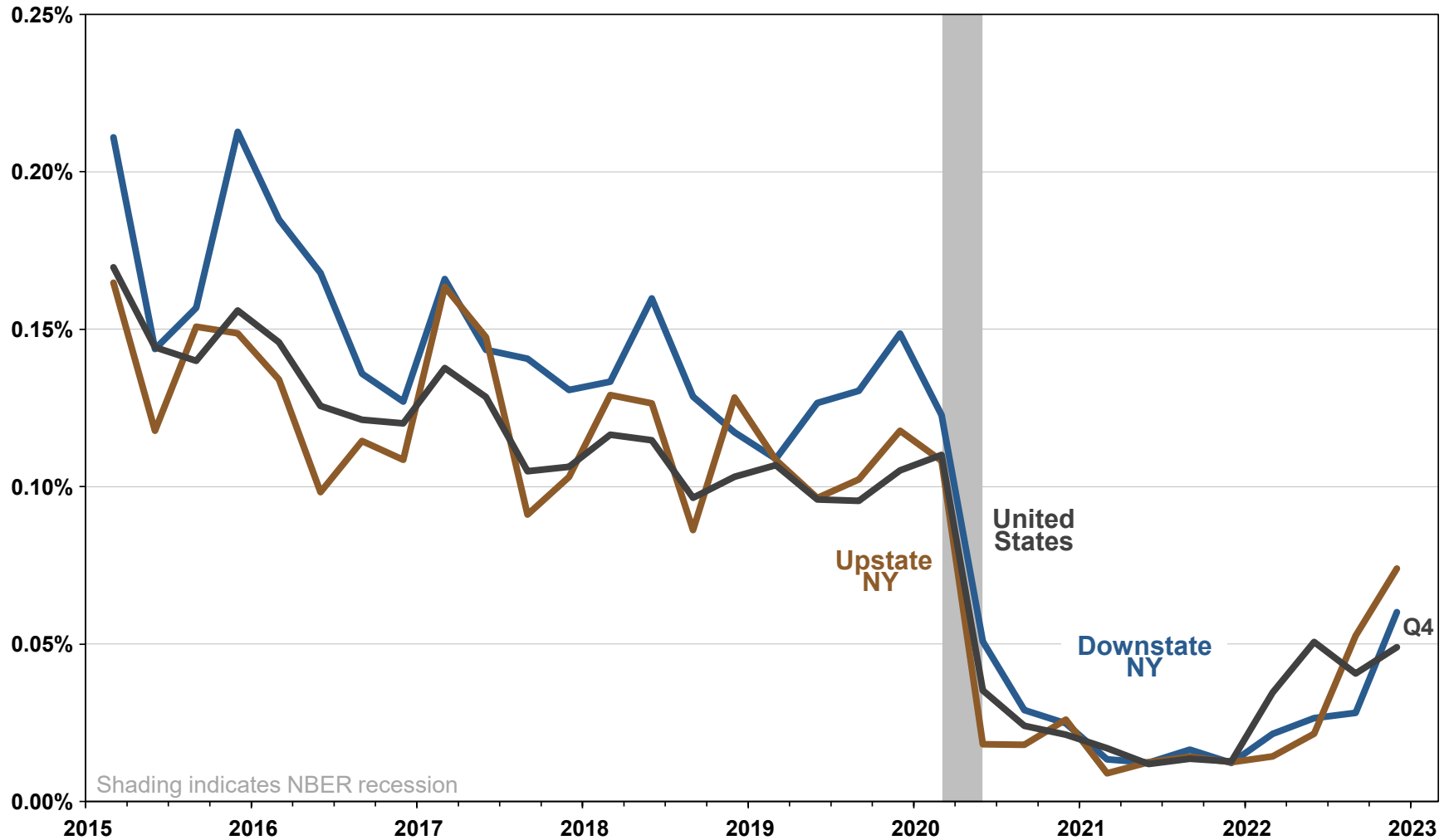
Where Are Home Prices Falling the Most?

Percent Change in Home Prices



Some Homeowners Are Coming Under Financial Stress

New Foreclosures Appearing on Credit Reports

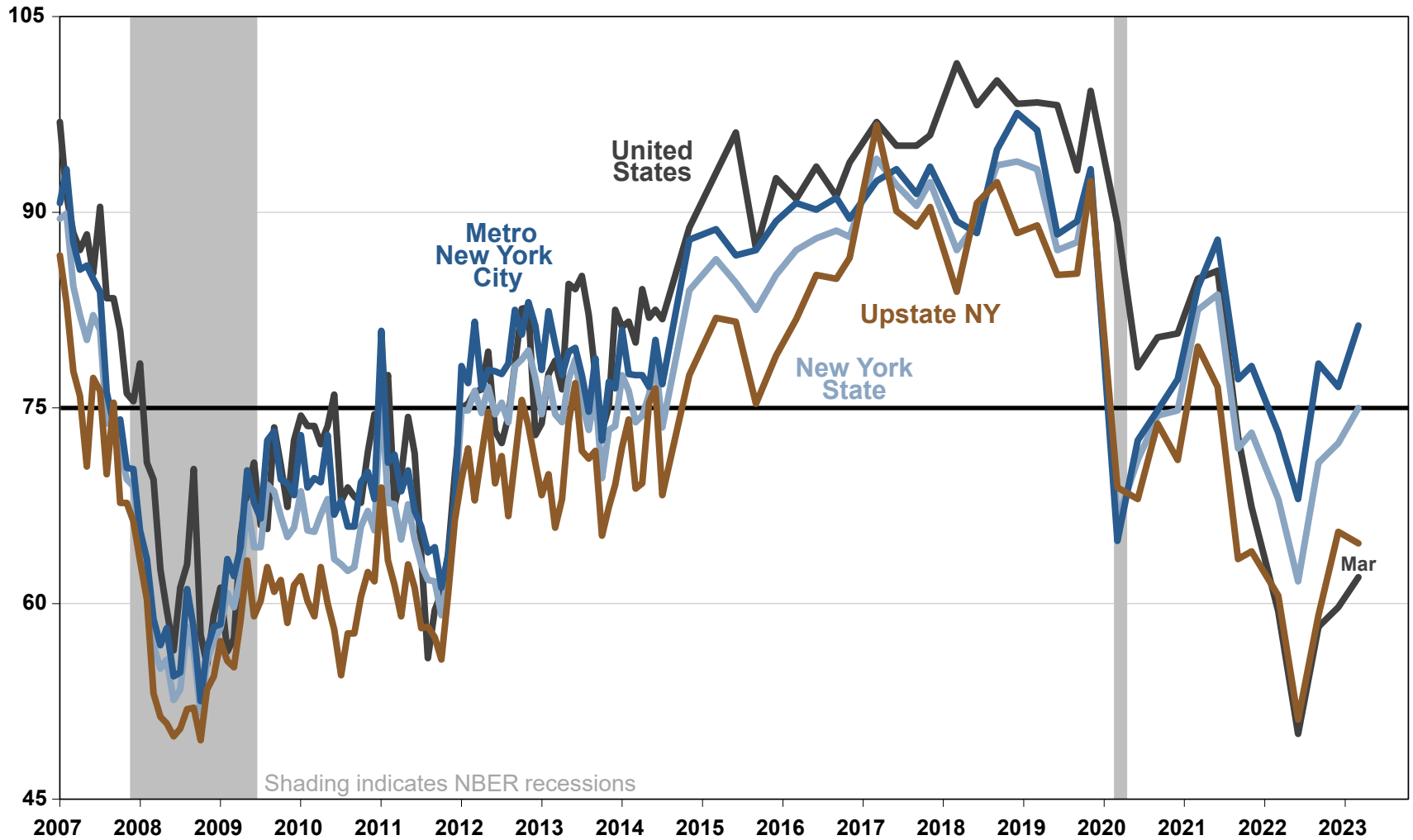


Shading indicates NBER recession

Looking Ahead

Consumer Confidence is Rebounding

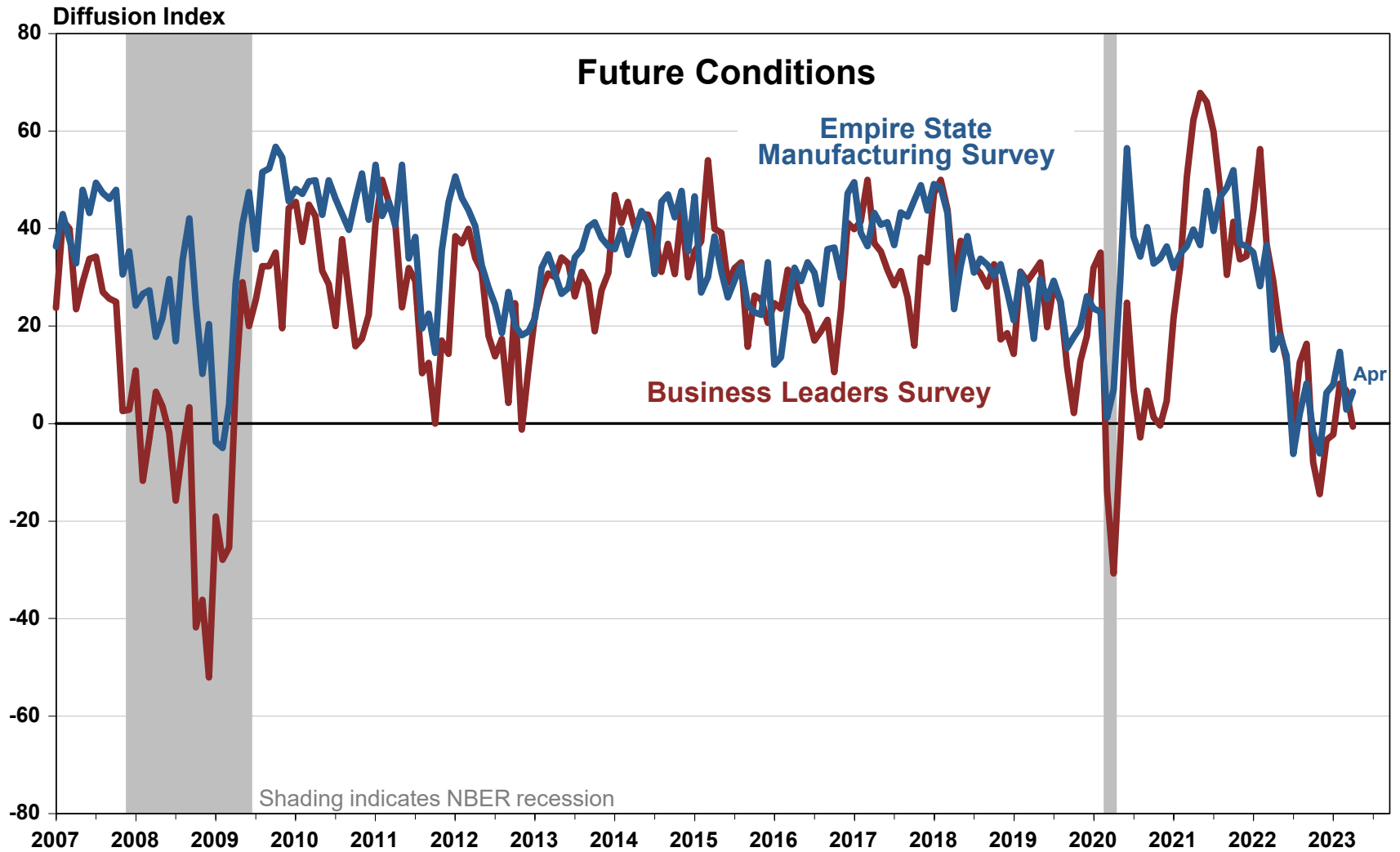
Overall Consumer Confidence



Shading indicates NBER recessions

Businesses Do Not Expect Much Improvement

FRBNY Regional Business Surveys



Shading indicates NBER recession

Apr



FEDERAL RESERVE BANK *of* NEW YORK

Economic Conditions in the Region

Jaison R. Abel

Buffalo Niagara Association of Realtors – April 20, 2023

The views expressed here are those of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.