The Buffalo Economy During the Pandemic

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Buffalo Niagara Partnership Annual Meeting – November 19, 2020

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

• While coronavirus cases were fairly contained in the Buffalo area earlier in the pandemic, the region is now experiencing a rapid surge in the spread of the disease, creating considerable uncertainty about the near-term economic outlook.

• Following an unprecedented contraction in the spring with the onset of the pandemic, regional economic activity rebounded in the summer, though the pace of recovery has slowed through the fall.

• Even with the rebound that has occurred, business activity, consumer spending, and employment remain below pre-pandemic levels.

• Buffalo’s housing market has held up well through the pandemic, with home prices continuing to increase at a solid clip.
Economic Conditions Before the Pandemic

Indexes of Total Employment, Seasonally Adjusted

Index (December 2007 = 100)

Shading indicates NBER recession

Source: U.S. Bureau of Labor Statistics and Moody’s Economy.com; data are early benchmarked by New York Fed staff.
The Coronavirus Shock

Daily New Cases Per Capita, 7-Day Average

Many Local Businesses Still Struggling

New York Fed Regional Business Surveys, Current Conditions

Source: Federal Reserve Bank of New York.
Consumer Confidence Shaken

Overall Consumer Confidence

Source: Sienna Research Institute, University of Michigan.
Consumer Spending Remains Weak
Percent Change in Total Spending, Indexed to January 2020

Source: Opportunity Insights Economic Tracker and Affinity Solutions.
Employment Well Below Pre-Pandemic Levels

Indexes of Total Employment, Seasonally Adjusted

Index (February 2020 = 100)

Remaining Jobs Shortfall

- United States: Oct -7%
- Buffalo: Oct -9%
- New York City: Oct -13%

Source: U.S. Bureau of Labor Statistics and Moody’s Economy.com; data are early benchmarked by New York Fed staff.
Note: Dashed lines are preliminary estimates.
Jobs Lost and Gained in Buffalo

Change in Employment by Sector

Source: U.S. Bureau of Labor Statistics and Moody's Economy.com; some data are early benchmarked by New York Fed staff.
Unemployment Claims Remain Elevated

Initial Claims in New York State

Source: Department of Labor and Haver Analytics.
The Pandemic Resembles a Natural Disaster

Indexes of Total Employment, Seasonally Adjusted

Index (Start of Recession or Disaster = 100)

- Puerto Rico Hurricane Maria
- U.S. 90-91 Recession
- U.S. 2001 Recession
- U.S. 2007-2009 Recession
- U.S. 2020 Covid-19
- Buffalo 2020
- NYC 2020
- New Orleans Hurricane Katrina

Source: U.S. Bureau of Labor Statistics and Moody’s Economy.com; data are early benchmarked by New York Fed staff.
Home Prices Continuing to Increase

CoreLogic Home Price Index, Seasonally Adjusted

Index (January 2015 = 100)

United States

Buffalo MSA

Upstate NY

Shading indicates NBER recession

Source: CoreLogic Home Price Index (including distressed sales).
Only Modest Improvement Expected

New York Fed Regional Business Surveys, Future Conditions

Source: Federal Reserve Bank of New York.
Businesses Anticipate a Long Road Ahead

New York Fed November Supplemental Survey Report

Q: When Do You Expect Employment to Return to Pre-Covid Levels?

- Already at or Above Pre-Covid Level:
  - Manufacturers: 42%
  - Service Firms: 30%
- One year or less:
  - Manufacturers: 22%
  - Service Firms: 25%
- More than one year/never:
  - Manufacturers: 36%
  - Service Firms: 45%

Source: Federal Reserve Bank of New York.
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