The Buffalo Economy Since the Great Recession

Jaison R. Abel

Strategies for Equitable Growth: Buffalo Listening Session
September 26, 2019

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

• The Buffalo economy performed *relatively* well through the Great Recession, outperforming many of its upstate peers and its own historical experience.

• The region’s economy has become more polarized over the cycle, with sizeable middle-wage job losses during the Great Recession offset by job gains at the higher and lower ends of the wage distribution through the expansion.

• With low inventory levels, the Buffalo metro area has seen solid home price appreciation in recent years, with particularly strong gains in the City of Buffalo.
Regional Employment Trends
Indexes of Total Employment, Seasonally Adjusted

Index (December 2007 = 100)

Dashed Line Indicates
U.S. Employment Trough
(February 2010)

Percent Change
Q2-18 to Q2-19

+1.6%
+1.1%
+0.5%

Shading indicates NBER recession

Comparison to Previous Recessions

Total Employment Indexed to Local Employment Peak

Index (Start of Downturn = 100)

U.S.

90-91 Recession
2001 Recession
Great Recession

Buffalo

Great Recession
90-91 Recession
2001 Recession

Exceptionally Tight Labor Markets
Long-Run and Current Unemployment Rates, Seasonally Adjusted

Regional Labor Force Trends
Indexes of Total Labor Force, Seasonally Adjusted

Index (Dec2007 = 100)

Sectors Driving Job Growth in Buffalo

Net Change in Employment by Industry, 2010 to 2019

Changing Structure of the Buffalo Economy

Shares of Total Employment

Job Categories

Median Annual Wages by Occupation, United States

Lower Wage
Below $30,000
- Healthcare Support
- Sales
- Building Maintenance
- Personal Care
- Food Preparation

30%

Middle Wage
$30,000-$60,000
- Education
- Arts & Entertainment
- Construction
- Installation & Repair
- Social Services
- Protective Services
- Administrative Support
- Production
- Transportation

50%

Higher Wage
Above $60,000
- Management
- Computer & Math
- Legal
- Engineering
- Business & Finance
- Healthcare Practitioners
- Sciences

20%

Job Gains and Losses in the United States

Net Change in Total Employment, Thousands

Job Gains and Losses in Buffalo NY

Net Change in Total Employment, Thousands

Job Gains and Losses in Upstate NY

Net Change in Total Employment, Thousands

<table>
<thead>
<tr>
<th>Period</th>
<th>Higher Wage</th>
<th>Middle Wage</th>
<th>Lower Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007 to 2010</td>
<td>-72</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>2010 to 2013</td>
<td>-25</td>
<td>15</td>
<td>22</td>
</tr>
<tr>
<td>2013 to 2018</td>
<td>35</td>
<td>5</td>
<td>31</td>
</tr>
</tbody>
</table>

A Shrinking Middle
Share of Jobs, 2007 and 2018

The Geography of the Housing Bust

Percent Change in Home Price, March 2006 – April 2009

Source: CoreLogic Home Price Index (including distressed sales).
Regional Home Price Trends

CoreLogic Single-Family Home Price Index, Seasonally Adjusted

Source: CoreLogic Home Price Index (including distressed sales); aggregation and seasonal adjustment by FRBNY staff.
Low Inventory in the Region

Month’s Supply, Q1-2019

Source: New York State Association of Realtors, Greater Capital Association of Realtors.

<table>
<thead>
<tr>
<th>Metro</th>
<th>Month’s Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York State</td>
<td>5.7</td>
</tr>
<tr>
<td>Buffalo Metro</td>
<td>1.8</td>
</tr>
<tr>
<td>Rochester Metro</td>
<td>2.2</td>
</tr>
<tr>
<td>Syracuse Metro</td>
<td>3.3</td>
</tr>
<tr>
<td>Albany Metro</td>
<td>4.5</td>
</tr>
</tbody>
</table>
Home Price Increases in the Buffalo Metro

Percent Change in Median Home Price, 2011 to 2019

Source: Buffalo Niagara Association of Realtors; calculations by FRBNY Staff for Single Family Homes, Condos, and Townhouses by Zip Code.
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