Economic Conditions in New York State

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IBANYS: March 7, 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

• New York State has still not recovered all the jobs lost during the early stages of the pandemic. Job growth has been particularly weak upstate.

• The housing market is cooling after a rousing pandemic boom. Price and rent increases have stalled.

• Commercial real estate markets have weakened, reflecting the ongoing profusion of remote work.
Business Activity Declining
New York Fed Regional Business Surveys: Activity Indexes

Source: Federal Reserve Bank of New York.
Job Growth Remains Elusive Upstate, but Solid in NYC

Percent Change in Total Employment Since Feb 2020


Shading indicates NBER recession.
Sizeable Job Shortfalls Remain Across the State

Percent Below Feb 2020 Employment Level (as of Dec 2022)

Job Shortfalls by Sector
Percent Below Feb 2020 Employment Level (as of Dec 2022)

Housing Conditions
The Rousing Pandemic Housing Boom Is Over

Percent Change in Home Prices Since Feb 2020

Source: Zillow Home Value Index, U.S. Census Bureau, Moody’s Analytics.
Home Prices Increases Have Stalled
Percent Change of Home Prices Since February 2020

Source: Zillow Observed Rent Index.
Home Price Increases by Local Area
Percent Change in Home Prices, Feb 2020 to Jan 2023

Source: Zillow Home Value Index, U.S. Census Bureau, Moody’s Analytics.
Rent Increases Have Stalled

Percent Change of Typical Rent Since February 2020

Source: Zillow Observed Rent Index.
Rent Increases Have Stalled
Percent Change of Typical Rent Since February 2020

Source: Zillow Observed Rent Index.
Some Homeowners Coming Under Financial Stress

New Foreclosures Appearing on Credit Reports

Remote Work Is Sticking

Average Share of Hours Worked Remotely, Service Firms

Before the Pandemic

- June 2021: 33%
- August 2022: 21%
- Expected Next Year: 18%

Source: Abel, Bram, and Deitz “Remote Work is Sticking,” FRBNY Liberty Street Economics, August 18, 2022.
Many Firms Reducing their Footprints

Share of Firms Reducing Footprint, FRBNY Business Surveys, August 2022

Percentage of Respondents

Reduced Footprint

<table>
<thead>
<tr>
<th>Service Firms</th>
<th>Manufacturers</th>
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<td>16%</td>
<td>7%</td>
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Plan to Reduce Footprint Over the Next 1-2 Years

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<th>Service Firms</th>
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<td>11%</td>
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Source: Federal Reserve Bank of New York, Supplemental Survey Reports.
Office Vacancy Rates Continuing to Move Up

Overall Vacancy Rates

Source: Cushman & Wakefield.
Summary

- Economic activity has been weak in New York State, with sizeable job shortfalls across the state.

- The housing market is clearly slowing, and prices are starting to fall, as financial stressors increase.

- The rise in remote work has coincided with a rise in office vacancies, as businesses and the commercial real estate market adjust to a new normal.