Overview of the Regional Economy
January 17, 2023
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Long Island Association Meeting

These views are my own and not necessarily the view of the Federal Reserve Bank of NY or the Federal Reserve System.
Preview

• Recent findings from our business surveys
• Overview of local area employment trends
• Local housing markets
• Commercial real estate markets & remote work
Price Pressures in the Region Have Receded…a Bit

New York Fed Regional Business Surveys

Source: Federal Reserve Bank of New York.
Businesses’ Expected Change* in Prices, Next 12 Months

December 2022 Supplemental Surveys

Average expected % change

- Own Firm's selling prices
- Own Firm's costs
- Overall Inflation (CPI)

*The average represents a trimmed mean among responses; the highest 5% and lowest 5% of responses are excluded.

Source: Federal Reserve Bank of New York December 2022 Supplemental Survey
https://www.newyorkfed.org/medialibrary/media/survey/business_leaders/2022/2022_12supplemental.pdf?la=en
Surveys Show Business Activity & Jobs Diverging

Service Sector Diffusion Indexes, Business Leaders Survey

Activity Index

Employment Index

Diffusion Index

Shading indicates NBER recession

Source: Federal Reserve Bank of New York.
Total Employment
Seasonally Adjusted Index

Percent Above/Below Feb 2020

Shading indicates NBER recessions

Source: Bureau of Labor Statistics and Moody's Economy.com; data are early benchmarked by FRBNY staff.
Job Gains/Losses by Industry Since the Pandemic

Percent Change from February 2020 to Nov. 2022

Source: Bureau of Labor Statistics and Moody's Economy.com; data are early benchmarked by FRBNY staff.
Manhattan Lags, Suburbs Lead in Home Price Appreciation

Index of Typical Home Prices, February 2020 = 100

Source: Zillow Home Value Index.
Manhattan Lags, Suburbs Lead in Home Price Appreciation

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Source: Zillow Home Value Index.
Residential Rents Seem to Have Peaked

Index of Typical Rent, February 2020 = 100

Source: Zillow Observed Rent Index.
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Index of Typical Rent, February 2020 = 100

Source: Zillow Observed Rent Index.
NYC Area Price/Rent Ratios Remain High

Typical Transaction Price Divided by Typical Annual Rent*

Source: Zillow Home Value Index, Zillow Observed Rent Index, FRBNY Staff Calculations.
Office Vacancy Rates

Overall Vacancy Rates

Percent

Shading indicates NBER recessions

Source: Cushman & Wakefield.
Remote Work Is Sticking in the Region
Average Share of Hours Worked Remotely, Service Firms

Source: Abel, Bram, and Deitz “Remote Work is Sticking,” FRBNY Liberty Street Economics, August 18, 2022.
Compared to before the pandemic, have you reduced or expanded your business’ footprint directly in response to changes in your remote work arrangements?

How about in the next 1-2 years?

Source: Federal Reserve Bank of New York, Supplemental Survey Reports.
NYC Subway Ridership

Percent Change from Comparable Pre-Pandemic Day

Moving 7-day average of daily data

Source: MTA

Source: MTA. Note: Moving 7-day average of daily data.
Summary

• Regional business surveys show inflation receding, business slowing.

• Local employment is still below pre-pandemic levels and job growth slowed in late 2022.

• Local housing markets, both sales and rental, have cooled in recent months.

• Commercial real estate markets have been weak reflecting the ongoing prevalence of remote work.