The Economics of Buffalo

The New Normal

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Buffalo Economic Outlook: Navigating Regional and National Trends

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Is the new normal the old normal?

Two important events have shaped the economy of Buffalo and New York State.

- COVID-19
- The Great Recession of 2008

In some ways COVID has allowed us to reshape the economy into a new normal.

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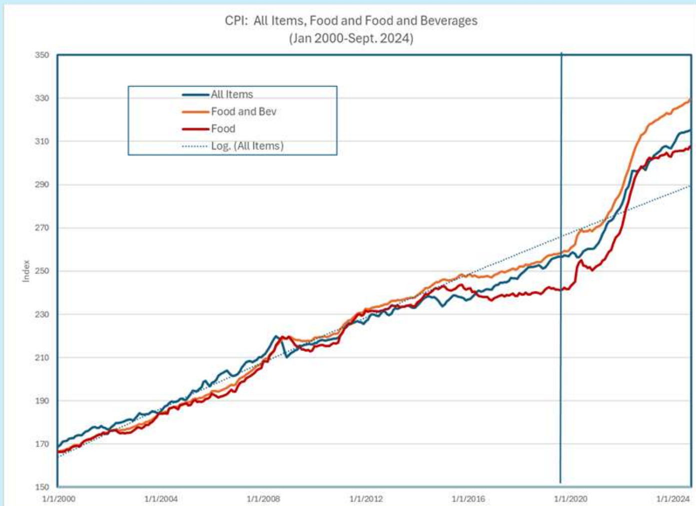
Inflation is now higher than it has been since the recession, lead by food and is above trend.



Data: BLS CPI

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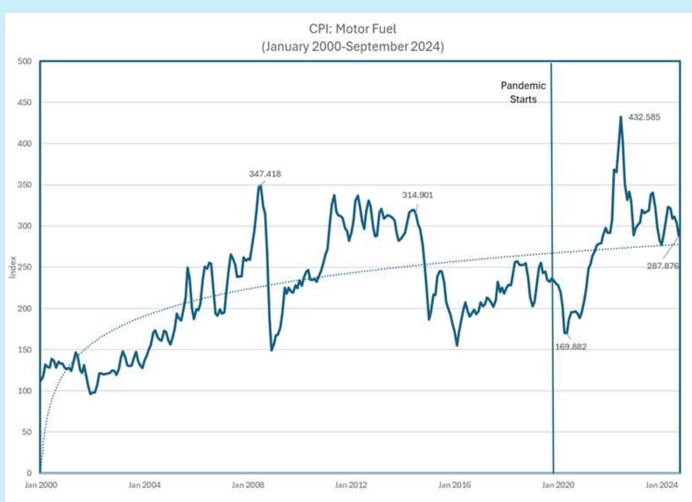
But Gas prices are now back to normal levels



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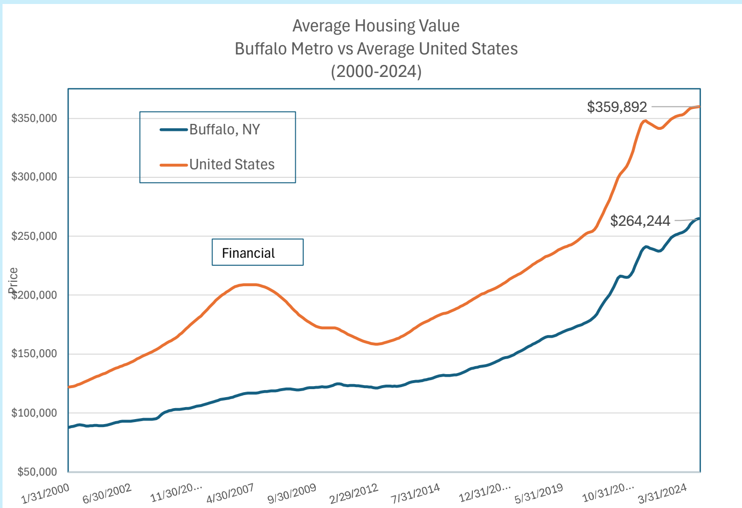
Home prices still are much lower in the Buffalo Metro



Buffalo did not see the decline in housing prices during the financial crisis that many other metros did.

Data: Zillow Database

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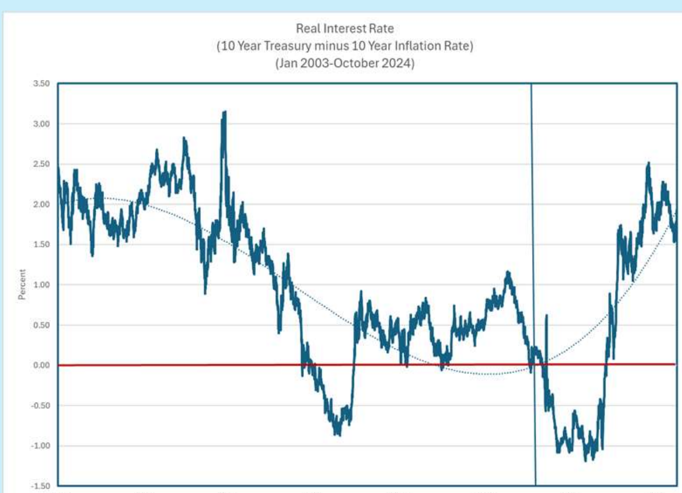
Real Interest Rates are returning to more normal levels. During COVID and the Great Recession there were periods of negative rates.



<u>The Problem with negative rates</u>.

If firms can borrow at no cost, non-productive firms with continue wasting resources. Zombie Firms

The Federal Reserve estimates that there are between 10-13% of US firms which fall into this category.

Households also miscalculate the amount of home they can afford.

Data: FRED

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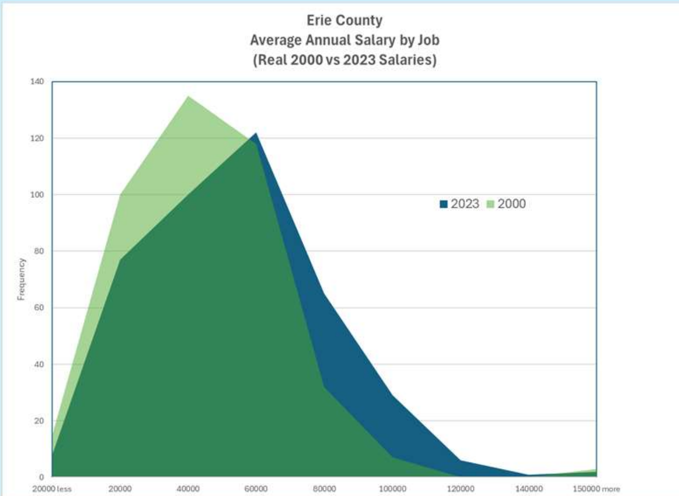
What about wages?



While real wages have risen for many positions in the last 23 years, for many jobs pay has stagnated.

Further, the positions which have increased the most are in the upper income levels.

6% of positions paid less in 2023 than they did in 2000 in real terms.

25% paid 5% more or less in total over the 23 years.

Data: BLS QCEW

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But looked at another way wages have grown, and the Buffalo MSA has kept its own compared to the other 385 MSAs

Average Earnings per Job

MSA	2000	Rank	2022	Rank	Growth	Change in Rank
New York-Newark-Jersey City, NY-NJ-PA (Metropolitan Statistical Area)	$58,272	3	$93,485	7	60.4%	-4
Albany-Schenectady-Troy, NY (Metropolitan Statistical Area)	$40,997	37	$77,224	27	88.4%	10
Rochester, NY (Metropolitan Statistical Area)	$39,122	59	$66,601	106	70.2%	-47
Buffalo-Cheektowaga, NY (Metropolitan Statistical Area)	$38,173	73	$68,964	81	80.7%	-8
Syracuse, NY (Metropolitan Statistical Area)	$37,834	77	$70,150	69	85.4%	8
Binghamton, NY (Metropolitan Statistical Area)	$35,775	115	$63,276	158	76.9%	-43
Ithaca, NY (Metropolitan Statistical Area)	$33,506	172	$67,215	99	100.6%	73
United States (Metropolitan Portion)	$41,858	31	$73,858	37	76.4%	-6
Chicago-Naperville-Elgin, IL-IN-WI (Metropolitan Statistical Area)	$47,739	12	$78,066	21	63.5%	-9
Cleveland-Elyria, OH (Metropolitan Statistical Area)	$41,062	36	$67,333	96	64.0%	-60
Pittsburgh, PA (Metropolitan Statistical Area)	$40,185	45	$73,005	44	81.7%	1
Erie, PA (Metropolitan Statistical Area)	$33,380	180	$55,888	294	67.4%	-114

Data: BEA REIS

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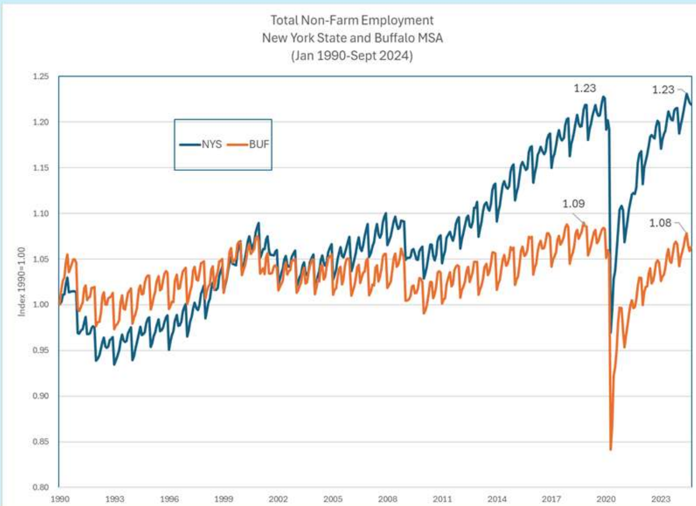
Buffalo and New York have stalled in getting back to their pre-COVID employment levels



Both New York State and Buffalo's employment growth is slower than the rest of the country.

NYS has 9.8 million jobs and is 4th in the nation in total non-farm employment. The state is still 70,000 below pre-COVID levels.

Buffalo has 559,900 jobs or about 11,000 less jobs than the 570,900 they had pre-COVID.

Data: BLS CES

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Where are the jobs?

Category	2024 NYS	2024 BUF	2024 NYS	2024 BUF	1990 NYS	1990 BUF	1990 NYS	1990 BUF
Total Nonfarm	9,869,200	559,900	100%	100%	8,213,500	550,200	100%	100%
Mining, Logging and Construction	398,800	23,600	4%	4%	349,700	25,500	4%	5%
Manufacturing	422,900	55,100	4%	10%	985,700	94,000	12%	17%
Trade, Transportation, and Utilities	1,471,000	98,700	15%	18%	1,564,200	114,100	19%	21%
Information	265,700	5,500	3%	1%	289,200	10,800	4%	2%
Financial Activities	753,500	35,700	8%	6%	778,500	30,300	9%	6%
Professional and Business Services	1,394,500	75,100	14%	13%	869,400	49,600	11%	9%
Private Education and Health Services	2,341,700	96,600	24%	17%	1,071,200	71,500	13%	13%
Leisure and Hospitality	956,400	57,000	10%	10%	594,800	49,700	7%	9%
Other Services	389,300	23,100	4%	4%	278,400	19,100	3%	3%
Government	1,475,400	89,500	15%	16%	1,432,400	85,600	17%	16%

Data: BLS CES

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So what does this say?

It looks like we are going to a new normal.

- One which looks very much like the pre-Great Recession
  - Interest rates will be higher
  - Wages will grow slowly with those with more education benefiting the most.
  - Inflation will moderate but not be so low as it has been
- For many born after 2000, this will be an entirely new economy. One we all will have to adjust too.

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