



An Economic Snapshot of the Buffalo Metropolitan Region

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Highlights

- The Buffalo region remains a major manufacturing center, accounting for 11 percent of all manufacturing jobs in New York State.
- Trade, transportation, and utilities is the largest employment sector in the region, accounting for almost 19 percent of total employment; the majority of these jobs are in retail trade.
- Total wages in the Buffalo region grew by 4.7 percent during 2006 and remained strong in 2007, with a 4.3 percent increase during the first half of the year.
- Between 2000 and 2007, median home values increased at an average annual rate of 4 percent in Erie County and 3.5 percent in Niagara County.
- Although 84 percent of the business establishments in the Buffalo region in 2005 were small businesses, 30 area businesses employed 1,000 or more people (including seven hospitals and six manufacturing companies).
- The Buffalo region is developing into a major center for credit collection agencies, which has contributed to strong wage growth.
- The weak dollar—which has lost 35 percent of its value compared with the Canadian dollar since 2002—has helped boost tourism and visitor spending from Canada.
- The State University of New York at Buffalo is the region's sixth-largest employer. It spends more than \$250 million annually on research into subjects ranging from bioinformatics to homeland security.
- The crime rate fell by 4.9 percent in 2006 in the Buffalo region, to 35.0 crimes per 1,000 people, which is still significantly higher than the statewide average.

The Buffalo region has faced many challenges in recent years. A large number of jobs were lost during the last recession and the population has declined as residents have sought opportunities elsewhere. While overall employment has increased only slightly since 2003, the Buffalo economy is undergoing a slow transformation. In place of lost manufacturing jobs, the region has gained jobs in professional and business services, education and health services, tourism, and trade.

The region is also benefiting from a number of economic development efforts, including new office and retail projects as well as a research consortium involving the University at Buffalo, Roswell Park Cancer Institute and Hauptman-Woodward research center. Finally, the weak value of the dollar has boosted trade and increased tourism from Canada.

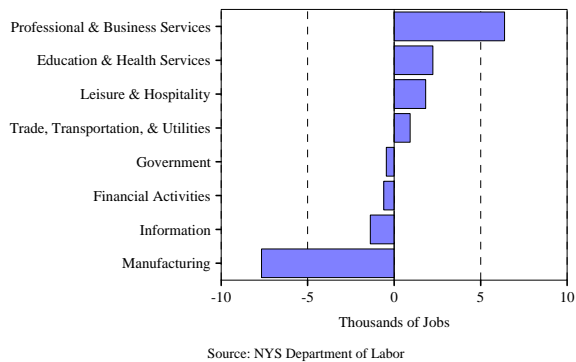
Employment

Employment in the Buffalo metropolitan statistical area, which includes Erie and Niagara counties, lost 13,600 jobs (mostly in manufacturing) during the last recession, and since then overall employment has been stagnant. Between 2003 and 2007, employment grew by just 0.3 percent, to reach 547,000 jobs. During the first four months of 2008, employment grew by 0.5 percent—the best annual start this decade.

While Buffalo's manufacturing sector continues to contract (declining by 7,700 jobs since 2003), the region remains a major industrial center. In 2007, Buffalo's manufacturing sector provided 60,000 jobs, which represented 11 percent of all jobs in the region and 11 percent of the State's manufacturing jobs.

At the same time, the region's economy has been undergoing a restructuring, with jobs created in other sectors (see Figure 1). The expanding sectors include professional and business services (up 10.2 percent or 6,400 jobs), educational and health services (up 2.7 percent or 2,200 jobs), and leisure and hospitality (up 4 percent or 1,800 jobs).

Figure 1
Employment Changes in the Buffalo Region
 2003-2007



The trade, transportation, and utilities sector is the largest in the region, providing 103,600 jobs and accounting for almost 19 percent of total employment. More than half of the sector's jobs are in retail trade. Other major sources of jobs include government (94,400 jobs, or 17.3 percent of the region's employment) and educational and health services (85,300 jobs, or 15.6 percent of employment).

Wages and Average Salaries

Wage growth accelerated in 2006, as total wages in the Buffalo region grew by 4.7 percent that year. Growth remained strong in 2007, with a 4.3 percent increase during the first half of the year compared with the same period in 2006. Regional wages have increased annually since 2001 (even in 2002, when wages declined statewide). In 2006, the average salary in the area increased by 4.9 percent to \$36,982. This showed a notable acceleration from the 2.4 percent average annual growth rate from 2001 to 2005.

Unemployment

The regional unemployment rate declined to 4.8 percent in 2007—only slightly higher than the statewide rate of 4.5 percent. The city of Buffalo's unemployment rate also declined, reaching 5.8 percent in 2007. During the first four months of 2008 the region's rate increased to 6 percent and the city's grew to 6.6 percent—both well above the State's rate of 5.1 percent.

Real Estate

Between 2000 and 2007, median home values increased at an average annual rate of 4 percent in Erie County and 3.5 percent in Niagara County, to reach \$113,000 and \$98,000, respectively.

The national credit crunch has affected the region to a lesser extent than other parts of the State. The rate of mortgage application acceptances (84.8 percent in 2006) has stayed well above the statewide rate (74.5 percent). Similarly, the Buffalo region had a significantly lower concentration of subprime loans among accepted mortgages in 2006 (19.5 percent) than did the State as a whole (27.7 percent).

Demographics

In 2007, the population in the Buffalo region totaled 1,128,183, which was 3.5 percent (or 40,681 people) fewer than in 2000. Population in the region has declined in every year during the current decade, including reductions of at least 0.5 percent in each of the past three years.

The rate of population decline was greater in the city of Buffalo. Between 2000 and 2006, population declined by 5.5 percent (or 16,114 people) to reach 276,059. The population fell in each year during the period, and since 2004 the annual rate of decline has exceeded 1 percent.

Economic Development

The City of Buffalo is working to revitalize its communities. Under one new initiative, 5,000 abandoned and vacant properties will be demolished. This plan, to be financed with city, state, and federal funds, is expected to reduce Buffalo's 15 percent vacancy rate to 5 percent over the next ten years.

Commercial developments include the new 469,000-square-foot regional headquarters recently opened for BlueCross BlueShield of Western New York, and the Seneca Buffalo Creek Casino, expected to open in 2010. This project—which includes a 90,000-square-foot casino, a 22-story hotel, four restaurants, and a full-service spa and salon—is expected to provide 1,000 jobs.

A \$275 million commercial development is being planned at the former site of Memorial Auditorium. The project, to be anchored by a 200,000-square-foot Bass Pro Outdoor World store, will provide an additional 600,000 square feet of retail, restaurant, and entertainment space.