



# ECONOMIC INTELLIGENCE REPORT for BERKS COUNTY

2024 | Q2

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MORE INFORMATION:

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## The Lead

Berks County's economy remained relatively steady through Q2 thanks to a growing labor force, low unemployment, and wages outpacing inflation – despite the local labor force having yet to return to pre-pandemic levels.

### 1) Berks County's labor market remained tight.

- Although the local labor force continued to expand over Q2, as of June 2024, it remained well below where it was in June 2019.
- Despite a slight dip in employment over Q2 2024, unemployment remained seasonally low as of June 2024.

### 2) The growth in average hourly earnings in Berks County has outpaced inflation over the last year.

- Berks County consumers continued to spend over Q2 2024.
- However, increased costs of new rental leases in Berks County outpaced inflation.

**3.9%**

Berks County unemployment rate in June 2024

**+630** people

Growth in Berks County labor force over Q2 2024

**-230** people

Drop in Berks County total employment over Q2 2024

**3.0%**

National rate of inflation for the U.S. as of June 2024

**-11.2** index points

Decline in national consumer sentiment score over Q2 2024

**+0.6%** adj. for inflation

U.S. consumer spending increase in Q2 2024

**+1.4%**

Annual growth of Pennsylvania GDP in Q1 2024

**+2.8%**

Estimated annual growth of national GDP in Q2 2024

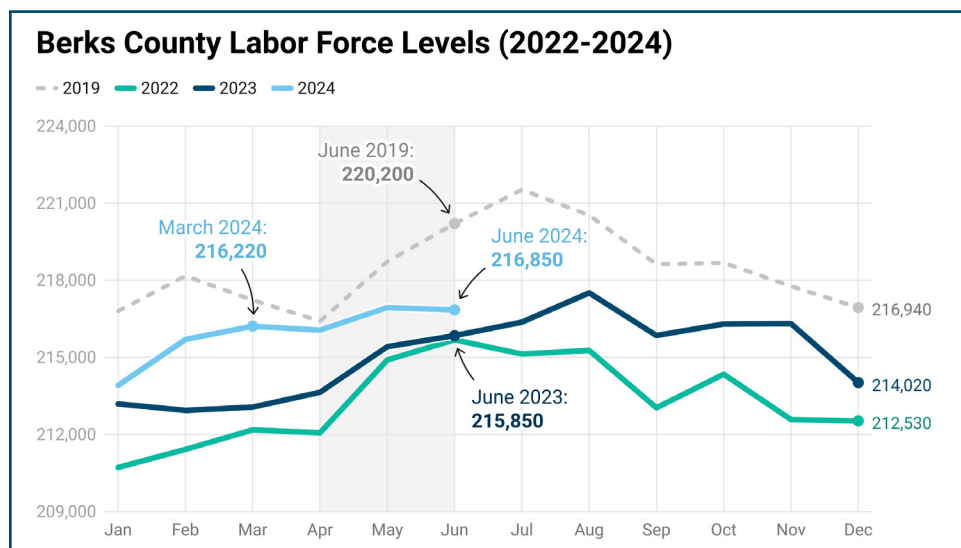
## By the Numbers



## **Berks County's labor force saw a slight growth over Q2 aiding in the continued labor force growth seen over the last year.**

- Berks County's labor force grew by 630 people in Q2 2024.
  - In June, labor force levels were 1,000 people higher than those seen in June 2023.
- Labor force levels were very strong in February and March, so it is possible the people who typically enter the labor force throughout Q2 were already working in Q1.
  - Historically, most of the growth seen from January to June in Berks County happens during the second quarter of the year.
  - In 2024, the local labor force grew by 2,300 people from January to March – the largest Q1 growth in labor force since 1996.
- Despite seeing labor force growth over the last three years, Berks County labor force levels have not recovered back to pre-pandemic levels.
  - In June 2024, Berks County's labor force remains 3,400 people below where it was in June 2019.

**Labor Force**, as defined by the U.S. Bureau of Labor Statistics (BLS), includes all people age 16 and older who are classified as either employed and unemployed. The **labor force level** is the number of people who are either working or actively looking for work.



## **Employment levels in Berks County dipped over Q2. Nonetheless, employment remained above 2023 levels.**

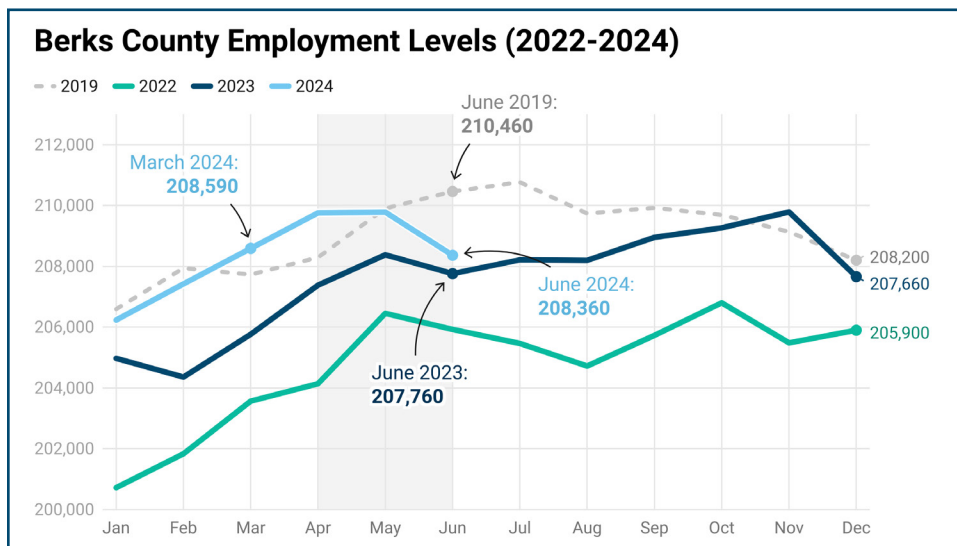
- The number of people employed in Berks County dropped by 230 people over Q2.
  - Historically, Berks County experiences a large rise in employment during the second quarter of the year. The reduction seen in Q2 2024 is only the second time such a dip has happened since the Bureau of Labor Statistics began tracking employment data in 1990, with the first instance having occurred in 2020.
- Berks County saw a significant drop in employment from May to June (-1,400 people), leading to the overall drop across the second quarter of 2024.
  - Pennsylvania also saw employment levels dip in June.
- It's notable, however, that the substantial growth seen in Berks County from January to March (+2,400 people) was well above the growth that's typically seen in the first quarter.
  - Average Q1 growth from 1990 to 2023: +300 people

**What to Watch:** Employment and Labor Force levels over the next few months. Berks County labor data for July 2024 was released by the Bureau of Labor Statistics on August 28, 2024; August data is scheduled to be released October 2, 2024..



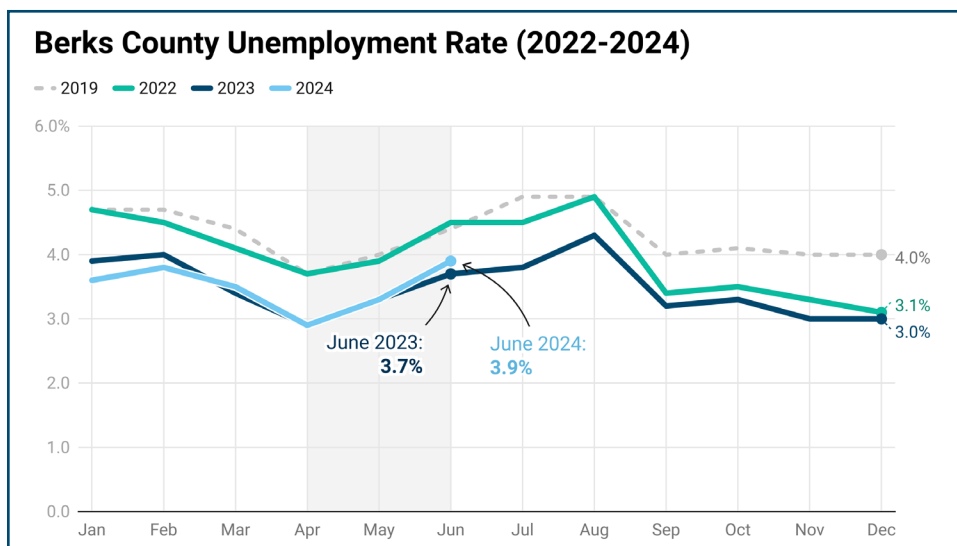
- Despite the drop in employment over Q2 2024, Berks County employment levels in June remained up 600 people year over year.

→ Employment surpassed pre-pandemic (2019) levels in April 2024, recording 1,500 more employees than there had been in April 2019.



### **Although the local unemployment rate rose in Q2 as employment levels dropped, it remained seasonally low in comparison to previous years.**

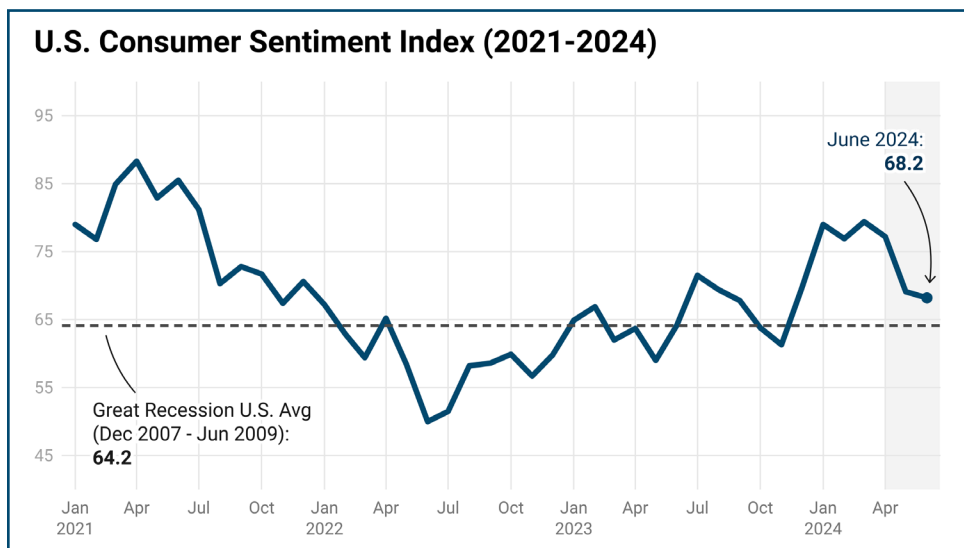
- Berks County's unemployment rate ticked up to 3.9% in June, accounting for 8,500 unemployed residents in Berks County.
  - This marks the second lowest June unemployment rate on record behind June 2023 (3.7%).
- As of June 2024, Berks County's unemployment rate remained below the national unemployment rate of 4.3%.





## Nationally, consumers' confidence in the economy dropped over Q2 2024.

- In its monthly Surveys of Consumers reporting, the University of Michigan recorded three consecutive months of declining consumer sentiment from March to June, ultimately landing down 11.2 points across Q2.
- The largest dip in sentiment occurred from April to May where respondents highlighted:
  - Expectations for a rise in unemployment rates
  - Expectations for slowed income growth
  - Concern about the year ahead outlook for business conditions



## Nonetheless, consumers have continued to spend...and spur economic growth in the process.

- The U.S. economy recorded a 2.8% growth in annual GDP in Q2 2024 – double the 1.4% rate of growth seen in the first quarter of 2024.

→ The Conference Board stated that “the U.S. is likely not on the cusp of recession,” predicting positive national GDP growth through the rest of 2024.

- The continued rise in consumer spending accounted for 56.1% of GDP growth.

→ When adjusted for inflation, national consumer spending grew by 0.6% over the second quarter of 2024.

→ Consumers' usage of credit cards and buy-now-pay-later services also appears to be on the rise.

→ As a result, national credit card debt has increased by 48.3% from its relative low in Q1 2021 to Q2 2024.

### **Real GDP: Percent Change from Preceding Quarter (Annualized) (2023-2024)**

	U.S. GDP	PA GDP
Q1 2023	2.2%	0.8%
Q2 2023	2.1%	2.3%
Q3 2023	4.9%	5.6%
Q4 2023	3.4%	3.8%
Q1 2024	1.4%	1.4%
Q2 2024	2.8%*	

\* Advance estimate

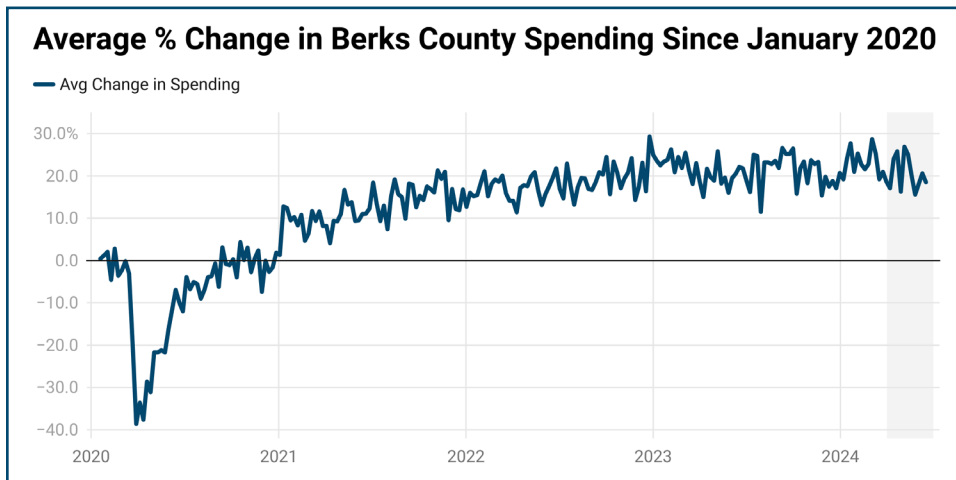
Data source: U.S. Bureau of Economic Analysis

**Consumer Spending** accounts for about 70% of national GDP.

**PA GDP** data for Q2 2024 is scheduled to be released on 9/27/2024.



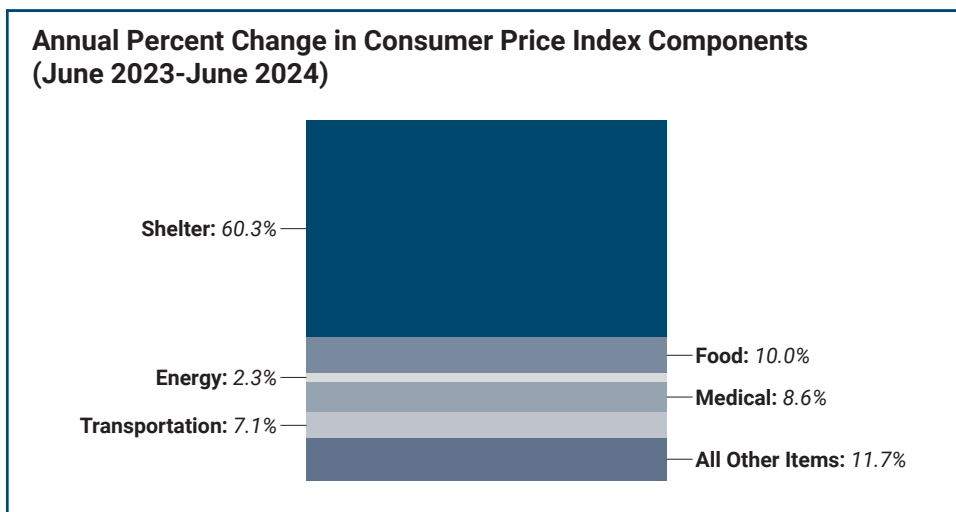
- Berks County consumer spending remained steady in Q2, according to credit and debit card processing data collected and monitored by the Opportunity Insights Economic Tracker.



The Opportunity Insights Economic Tracker uses anonymized data from several private companies (i.e. credit & debit card processors) to compare real-time consumer spending activity against January 2020 levels to gauge how the COVID-19 pandemic has affected the economy at national, state, and county levels.

### Easing inflation relieved price pressures for businesses and consumers alike.

- The year-over-year inflation rate for the U.S. dropped half a percentage point across Q2, landing at 3.0% in June – the lowest level in a year – after ending Q1 at 3.5% in March.
- Shelter costs continue to drive both core and headline inflation.
  - The annual increase of 5.2% for shelter seen in June accounted for 60% of the rise in headline inflation.



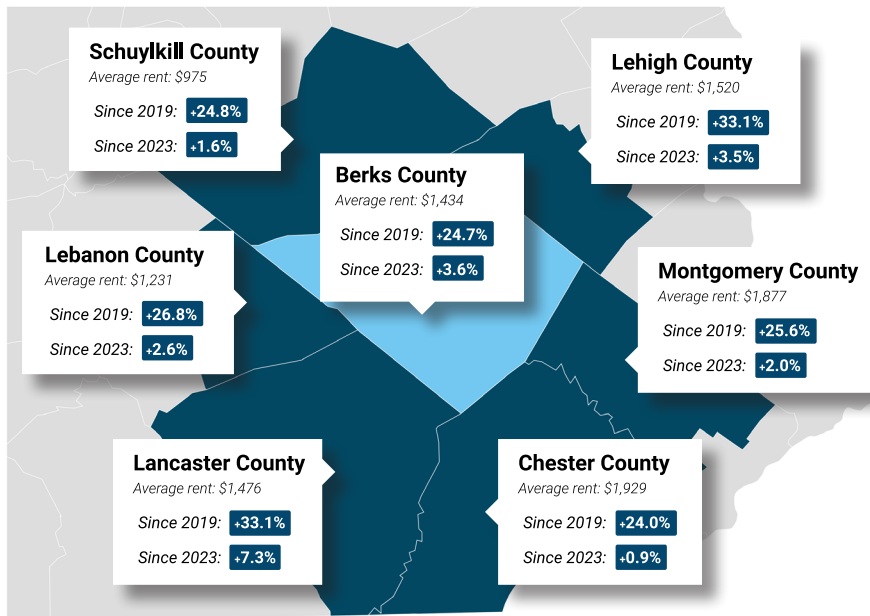
The measure of **Core Inflation** omits changes in food and energy prices, which tend to be more volatile month to month.

**Headline Inflation** is the measure of inflation for all commodities, services, and goods. This is what's reported monthly by the U.S. BLS through the Consumer Price Index (CPI).

- The cost of rent for new leases in Berks County has increased by 3.6% since 2023, higher than the rates at which the cost of rent has grown in most neighboring counties.
  - Over the past five years, however, the rise in the cost of rent in Berks County has been lower than most neighboring counties, growing by 24.7% since 2019.



## Change in Average Rent in June (Since 2019 & 2023)



Data source: CoStar Group via The Washington Post

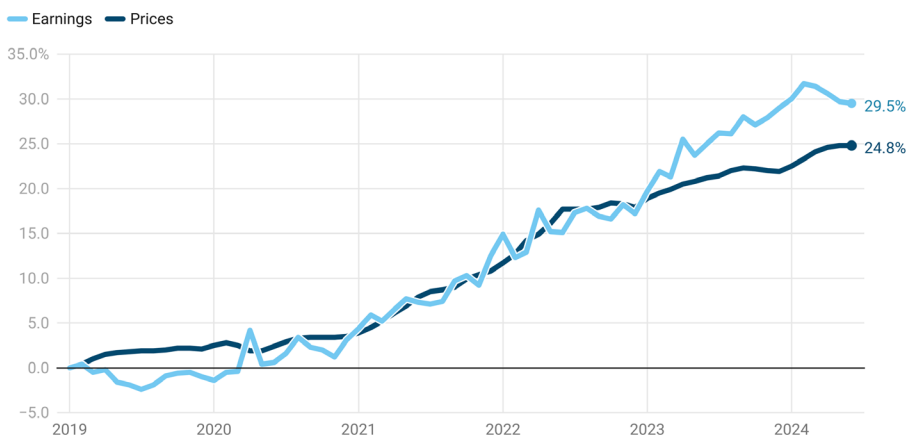
## Rising hourly earnings in Berks County have marginally outpaced inflation growth over the past year.

- Berks County average hourly earnings saw a 3.6% year-over-year increase in June, compared to a 3.0% rise in national inflation during the same timeframe.
- When we zoom out a bit further, we can see that Berks County's average hourly earnings have outpaced inflation over the past five years, with average hourly earnings having risen 29.5% from January 2019 to June 2024 compared to a 24.8% rise in prices during that same period.

→ Average hourly earnings in Berks County have outpaced inflation since the start of 2023 following a \$0.65 increase in earnings from December 2022 to January 2023.

The U.S. BLS measures **Average Hourly Earnings** for all private employees on a "gross" basis, including premium pay for overtime and late-shift work.

## Increase in Average Hourly Earnings vs Inflation (2019-2024)



Data source: U.S. Bureau of Labor Statistics



### **The National Federal Funds rate has remained at a 5.25%-5.5% range – a 23-year high – for 13 months.**

- *The Federal Reserve is charged with a dual mandate to achieve price stability and maximum sustainable employment.*
- *With the national rate of inflation nearing the Fed's 2.0% goal and the national labor force beginning to see both an increase in unemployment and decreased hiring numbers in the wake of Q2, many U.S. economists are suspecting a possible easing of monetary pressure and a slight reduction in the federal funds rate at the Fed's next meeting in September.*
  - *However, there are still many data points between now and the meeting that may affect the federal funds commission's decision.*

**What to Watch:** *The Federal Open Market Committee will decide whether to cut interest rates or to hold rates steady at their current 5.25%-5.50% range at its next meeting on September 17-18, 2024.*



## Data Sources

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- "Gross Domestic Product by State and Personal Income by State, 1st Quarter 2024" (6/28/24); [bea.gov/data/gdp/gdp-state](https://www.bea.gov/data/gdp/gdp-state)
- "Gross Domestic Product, Second Quarter 2024 (Advance Estimate)" (7/25/24); [bea.gov/data/gdp/gross-domestic-product](https://www.bea.gov/data/gdp/gross-domestic-product)

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- "Consumer Price Index (CPI)" (7/11/24); [bls.gov/cpi](https://www.bls.gov/cpi)
- "Local Area Unemployment Statistics (LAUS)" (7/30/24); [bls.gov/lau](https://www.bls.gov/lau)
- "State and Metro Area Employment, Hours, & Earnings" (7/30/24); [bls.gov/sae](https://www.bls.gov/sae)
- "Unemployment Rate [UNRATENSA], retrieved from FRED, Federal Reserve Bank of St. Louis" (8/2/24); [fred.stlouisfed.org/series/UNRATENSA](https://fred.stlouisfed.org/series/UNRATENSA)

**U.S. Federal Reserve**, "Monetary Policy: Open Market Operations"; [federalreserve.gov/monetarypolicy/openmarket.htm](https://www.federalreserve.gov/monetarypolicy/openmarket.htm)

## Methodology

Economic Intelligence Reports for Berks County are produced on a quarterly basis by EDC Lancaster County's Center for Regional Analysis (CRA) with the goal of equipping the local business community with timely, actionable insights on the local economy. In addition to data routinely collected at the national, state and local levels, these intelligence briefings incorporate interviews with business and community leaders to provide essential insights, identify emerging issues, and tease out local relevance from national, state, and regional economic trends.

## For More Information

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