



# ECONOMIC INTELLIGENCE REPORT for BERKS COUNTY

2024 | Q3

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MORE INFORMATION:

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## The Lead

In the wake of a rather even-keeled second quarter, the Berks County economy remained steady throughout Q3.

### 1) Berks County's labor market continued to remain tight in Q3.

- The County's unemployment rate dropped to its lowest level ever for the month of September, landing almost a full percentage point below the national rate in September.
- In September, there were just over two and a half job openings posted for every unemployed person in the County.

### 2) Regional businesses reported continued growth in 2024.

- Despite experiencing negative growth in Q1, the Commonwealth's GDP rebounded considerably in Q2 (+3.7% quarter over quarter).
- The Philadelphia Federal Reserve's surveys of local businesses revealed an increase in production and sales from Q2 to Q3 2024.

**3.1%**

Berks County unemployment rate in September 2024

**-4,100** people

Decline in Berks County's labor force over Q3 2024

**-2,300** people

Total employment decline in Berks County over Q3 2024

**2.4%**

National rate of inflation as of September 2024

**+1.9** index points

Rise in national consumer sentiment score over Q3 2024

**-50** basis points

Drop in the national federal funds rate in Q3 2024

**+3.2%**

Annual growth of Pennsylvania GDP in Q2 2024

**+2.8%**

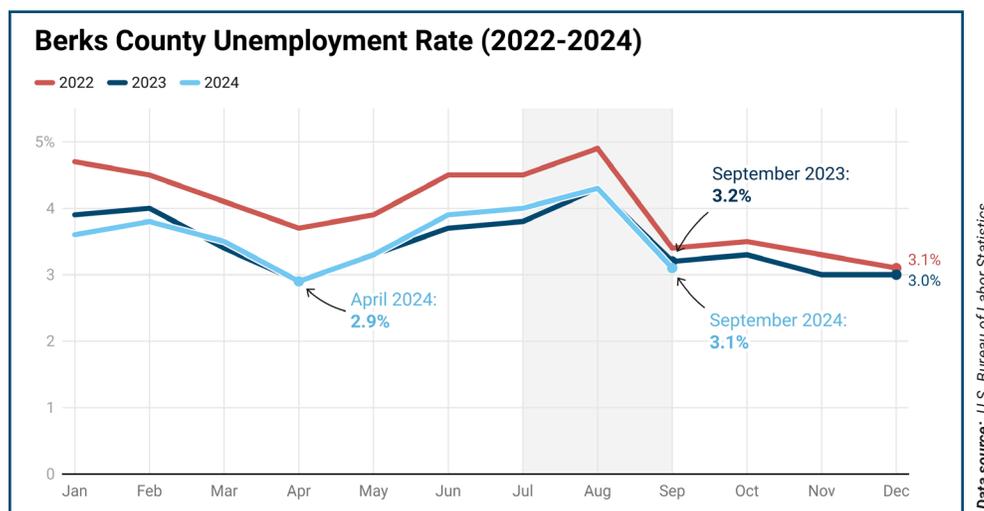
Estimated annual growth of national GDP in Q3 2024

## By the Numbers



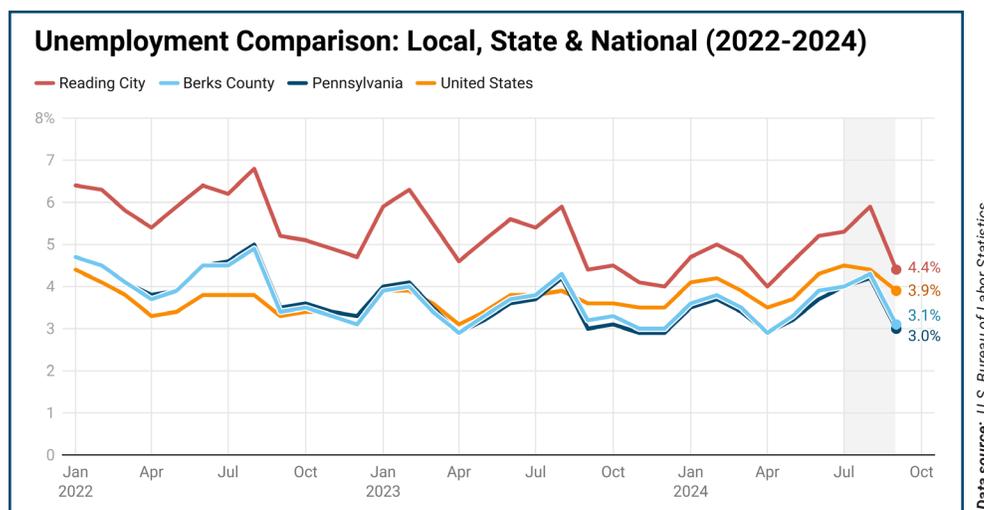
## The labor market remained tight in Berks County in Q3 2024, as the unemployment rate continued to hover around record lows.

- Berks County's unemployment rate fell to 3.1% in September, accounting for 6,600 people.
  - September 2024 marks the lowest September unemployment rate on record in Berks County, just below September 2023 (3.2%).



## Berks County's labor markets were tighter than those of the nation, yet on par with Pennsylvania in Q3 2024.

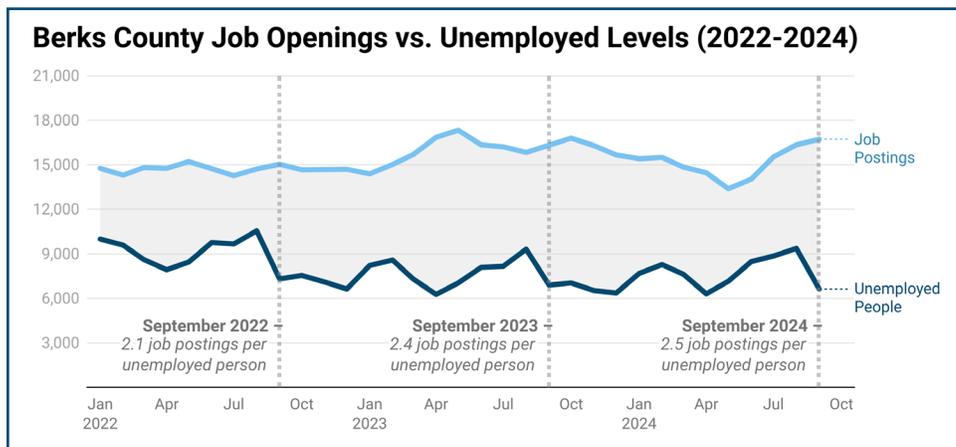
- In September, Berks County's unemployment rate was well below that of the nation (3.9%) and slightly above that of Pennsylvania (3.0%).
- The gap between unemployment rates for Reading City and Berks County has narrowed, reflecting businesses' heightened demand for workers and their readiness to employ a more diverse group of job seekers.
  - Reading City's September unemployment rate (4.4%) was 1.3 percentage points above that of the County, compared to the average divergence of 2.7 percentage points from 2015-2019.





## Berks County businesses' hiring challenges persisted amid low unemployment.

- In Q3 2024, there was an average of 2.0 job postings for every unemployed person in Berks County. By comparison, there was an average of 2.0 job postings per unemployed person in Q3 2023 and 1.6 job postings per unemployed person in Q3 2022.
- Although Berks County's low unemployment rates have eased pressure on people looking for work, they can also present a challenge for businesses seeking employees.

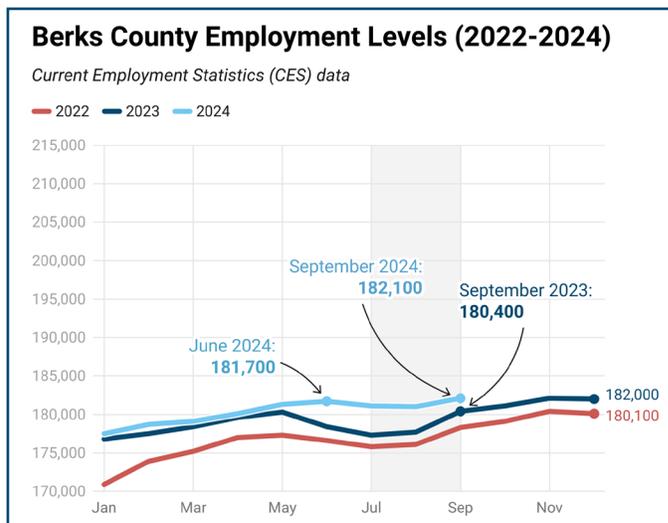
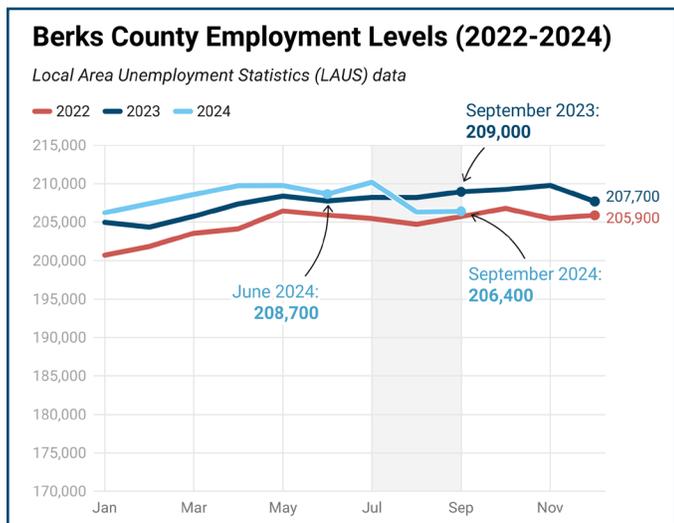


Each month, LAUS reporting comprises data from:

- **Current Population Survey** - This survey of households is the main data set affecting LAUS values.
- **Current Employment Statistics** - This data set does not include all workers, leaving out: agricultural workers, self-employed workers whose businesses are unincorporated, unpaid family workers, and people on unpaid leave.
- **State Unemployment Insurance** - Continued claims for unemployment.

## The number of people employed in Berks County may have dropped in Q3...

- Local Area Unemployment Statistics (LAUS) data from the Bureau of Labor Statistics (BLS) show a drop in Berks County's employment levels over Q3 2024.
  - ➔ LAUS data show a decline of 2,300 workers between June and September 2024.
  - ➔ Additionally, there were 2,600 fewer people employed in Berks County in September 2024 compared to the same month the previous year.
- However, BLS Current Employment Statistics (CES) data – one of several data sets included in LAUS – recorded employment levels that tracked closer with historic seasonal patterns.
  - ➔ CES data reported a growth of 400 Berks County workers over Q3 2024, and an increase of 1,700 workers from September 2023 to September 2024.





- Economic Intelligence Reports for Berks County typically reference the more comprehensive LAUS data set, however CES data is regularly reviewed as well.
  - Although divergence between the two data sets is not uncommon, the extent to which LAUS and CES levels diverged in September is notable.
  - The stark divergence seen in Q3 could be the result of data adjustments. National employment and jobs data have been adjusted already for 2024, however annual revisions to the LAUS data set aren't expected until April 2025.

### **Despite labor supply challenges, local and regional businesses reported having a stronger third quarter of 2024 compared to Q2.**

- In its September surveys of regional businesses, the Philadelphia Federal Reserve found that 72% of manufacturers and 63% of non-manufacturers reported production and sales that were stronger or equal to the previous quarter.
  - The largest constraining factor to both manufacturing and non-manufacturing businesses was the challenge of finding qualified workers.
- "Overall, Berks County employers remain in a hiring mode with plenty of open positions to fill," said Dan Fogarty, Chief Operating Officer for the Berks County Workforce Development Board.
  - Local employers have reported improvements to both candidate quality as well as employee retention over the past 18 months, said Fogarty.
  - Fogarty also noted that recruitment and retention successes have varied by industry sector, and that many local employers "have adjusted wages and working conditions to boost retention rates" and remain competitive within the County's tight labor market.

### **Pennsylvania experienced a modest slowdown in economic growth during the first quarter of 2024 before rebounding in Q2.**

- Revisions to state and national GDP data in September revealed negative GDP growth for PA during the first quarter of 2024 (-0.5%).
  - The revised data is more in step with what local businesses had been experiencing, many of which had noted a rocky beginning of the year before coming into stride in Q2.
- Pennsylvania's economy grew in Q2 2024, expanding by an annualized 3.2%.
- The national economy kept pace with Q2 growth (3.0%), recording an annualized 2.8% growth in the third quarter of 2024.

**Upcoming GDP releases:**  
- 12/20/24: Pennsylvania GDP data for Q3

<b>Real GDP: Percent Change from Preceding Quarter (Annualized) (2023-2024)</b>		
	<b>U.S. GDP</b>	<b>PA GDP</b>
Q1 2023	2.8%	1.9%
Q2 2023	2.5%	2.2%
Q3 2023	4.4%	4.2%
Q4 2023	3.2%	3.3%
Q1 2024	1.6%	-0.5%
Q2 2024	3.0%	3.2%
Q3 2024 *	2.8%	

\* Advance estimate

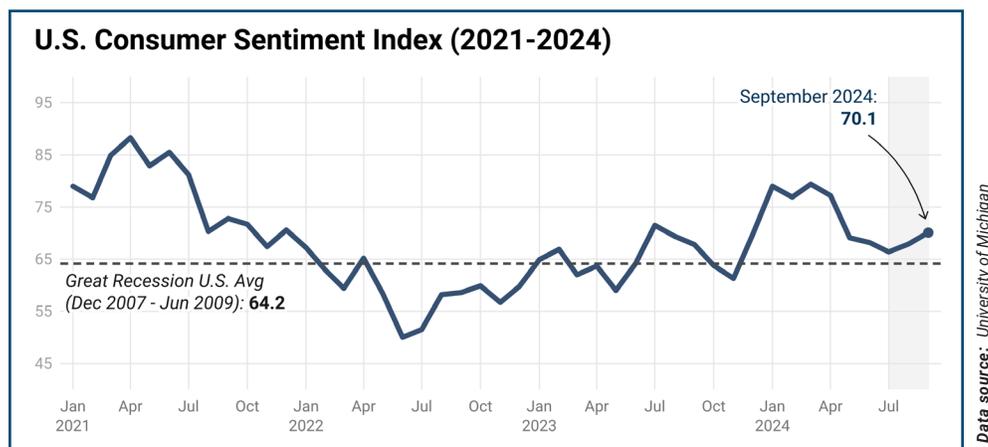
Data source: U.S. Bureau of Economic Analysis

Previous national and state **Gross Domestic Product** data was revised by the Bureau of Economic Analysis on 9/27/2024.



## Americans' attitudes toward the economy improved over Q3...

- The University of Michigan's monthly Surveys of Consumers recorded a slight uptick in optimism, increasing from an index score of 68.2 in June to 70.1 in September.
- Despite ongoing frustrations over high prices, respondents view slowing national inflation as cause for optimism around where the economy is heading.



## ...correlating with continued growth in national consumer spending.

- When adjusted for inflation, national consumer spending grew by 0.9% over Q3.
  - Spending on services grew at a slightly faster clip than spending on goods.
  - Despite continued spending, Berks County's household debt-to-income ratio in Q1 2024 (1.27) remains slightly lower than before the pandemic in Q4 2019 (1.42).
  - Q1 2024 marks the lowest household debt-to-income ratio in Berks County since 2002 (1.26).

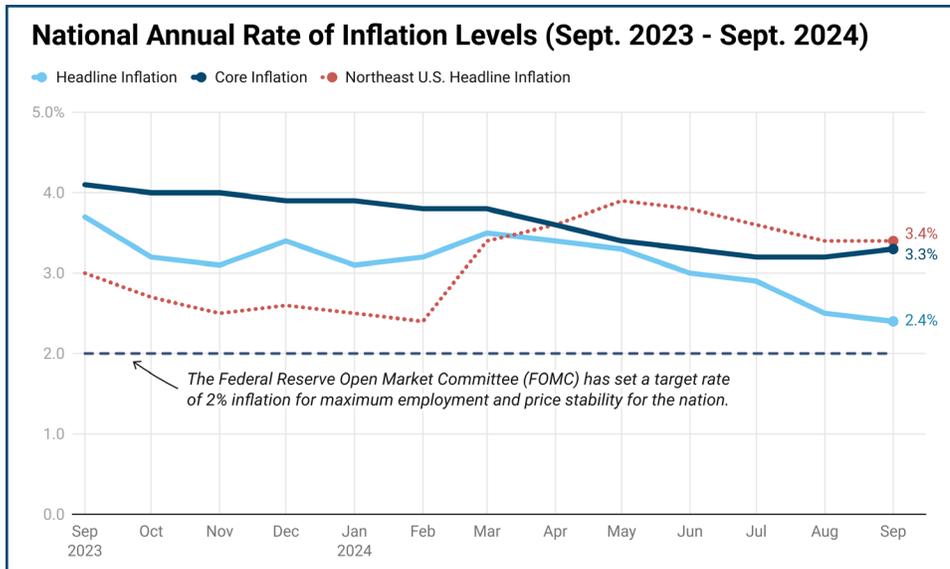
**Consumer Spending** accounts for about 70% of national GDP.

## National annual inflation continued to decline down to the lowest annual inflation rate since February 2021.

- The 0.6% drop in the annual rate of inflation seen from June (3.0%) to September (2.4%) was largely influenced by a decline in the nation's energy prices, which have deflated by 6.8% over the last year.
  - National gasoline prices fell by 24 cents from June to September 2024.
- National core inflation ticked back up to 3.3% in September, however, returning to levels seen in June 2024 despite having dipped to 3.2% in July and August.
  - National shelter prices rose by an annualized rate of 4.9% in September.
  - In September, the median sale price of a house in Berks County rose 6.4% from a year ago, with the median home price reaching \$410,000.
- Prices in the Northeast region of the country have risen at a higher rate than the national average over the last year.
  - Annual headline inflation in the Northeast region was 3.4% in September, a full percentage higher than the nation.
  - The rising costs of shelter, transportation, and education and communication grew more quickly in the Northeast region than the full United States over the last year (September 2023-September 2024).

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 Federal Reserve lowered the federal funds rate in September 2024 for the first time since 2020.

- **CONTEXT:** In March 2020, the Federal Reserve lowered interest rates to a range of zero to 0.25% in response to the economic disruptions caused by the COVID-19 pandemic. Since March 2022, however, the Fed has boosted the federal funds rate 11 times in 16 months as part of a tightened monetary policy aimed at reining in elevated national inflation.
- Noting that inflation had closed in on its 2% target, the Federal Open Market Committee (FOMC) voted to lower the federal funds rate by 50 basis points to 4.75% to 5.00% at its September 2024 meeting.
  - The FOMC also signaled the likelihood of additional cuts to the federal funds rate through the end of 2024 and in 2025.
- Although the direct implications of these rate reductions remain to be seen, rate cuts can help to ease financial pressures for both consumers and producers, and spur economic growth over time.

**Basis points** offer a consistent way to quantify small percentage shifts in financial markets.

• 1 basis point = 0.01%

**What to Watch:** After reducing the federal funds rate by another 25 basis points in November, the FOMC will weigh an additional rate cut at its final meeting of the year on December 17-18, 2024.

## Q3 saw the lowest quarterly volume of housing permit approvals in Berks County since Q4 2022.

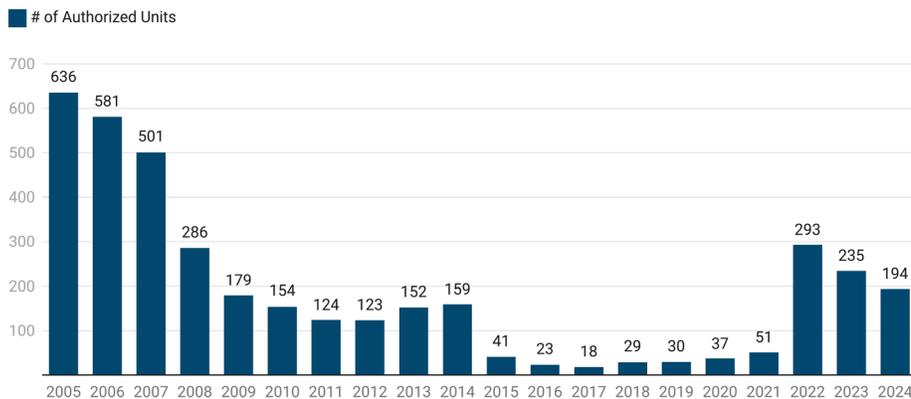
- **CONTEXT:** Shelter costs have grown at nearly double the rate of other household costs in 2024. A primary driver for elevated shelter costs has been a misalignment between housing supply and consumer demand, with the latter outpacing the former.
- Reviewing historical data for new housing permit approvals can shed light upon how a local economy's real estate and construction markets have performed year to year:
  - Berks County saw a significant drop in the volume of housing permits issued in the wake of the Great Recession in 2008, and has remained well below pre-2008 levels.

Per the U.S. Census Bureau, **building permits** represent the number of new privately-owned housing units that have been authorized for construction.

Since not all permits become actual housing starts and starts lag the permit stage of construction, these numbers do not represent total new construction, but should provide a general indicator on construction activity and the local real estate market.



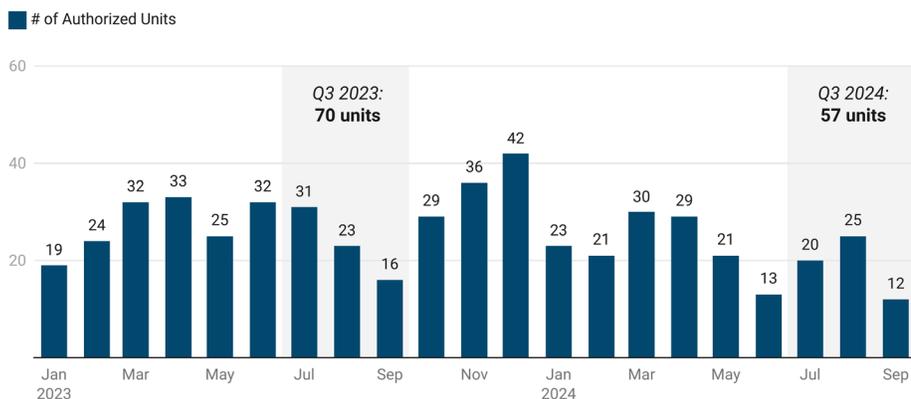
### Total New & Privately-Owned Housing Unit Authorizations in Berks County in January-September (2005-2024)



Data source: U.S. Census Bureau

- The number of housing permits issued in Berks County ticked up in 2022, suggesting growing confidence among local builders, developers, and private homeowners in the wake of the COVID-19 pandemic.
- Housing permit approvals issued in 2024 were below 2023 levels as of September. Of the 194 housing units authorized between January and September of this year:
  - 57 were issued in Q3 2024, the lowest quarter since Q4 2022 (57 approvals).
  - 93% of the approved units have been single-family homes.

### Increase in New & Privately-Owned Housing Unit Authorizations in Berks County (2023-2024)



Data source: U.S. Census Bureau



## Data Sources

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- "Federal Reserve issues FOMC statement" (9/18/24); [federalreserve.gov/newsevents/pressreleases/monetary20240918a.htm](https://federalreserve.gov/newsevents/pressreleases/monetary20240918a.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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