



INTELLIGENCE REPORT
ON THE STATE OF
BERKS COUNTY'S
ECONOMY



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SUMMARY OF ECONOMIC ACTIVITY

National, state and local economic data paints a mixed picture of Berks County's economy. In general, local economic conditions are aligned with what is occurring at the national and state levels. Last year ended with two consecutive quarters of strong GDP growth in the United States, and the start of 2023 is showing signs that some level of economic expansion will continue. Many economists, however, continue to hold expectations for an economic recession by either the end of 2023 or the beginning of 2024.

Continued product and business demand, paired with low unemployment rates, has played a significant role in boosting Berks County residents' confidence in the economy. The tight labor market has also instilled confidence in their ability to get and maintain a job, leading to continued consumer spending despite ongoing high inflation.

Over 2022, the number of employed people in Berks County rose while the labor force remained below pre-pandemic levels, resulting in the unemployment rate shrinking to the lowest it has been in over 20 years. This tight labor market is expected to hold steady in Berks County throughout the first few months of 2023.

The compressed labor market, combined with continued consumer spending, has kept both the nation and Berks County relatively strong over the past several months. It remains uncertain, however, how economic conditions will change over the course of 2023.

DATA SNAPSHOT

ECONOMIC GROWTH

- +2.6%** » *US GDP growth in Q4 2022*
- +1.0%** » *The Conference Board estimate for US GDP growth in Q1 2023*
- +3.2%** » *PA GDP growth in Q4 2022*

EMPLOYMENT

- 4.6%** » *PA unemployment rate in February 2023*

CONSUMER OUTLOOK

- +21.3** » *Rise in Berks County consumer sentiment index score from December 2022 to February 2023*
- 6%** » *National inflation rate as of February 2023*
- +1.8%** » *US consumer spending increase in January 2023*

GDP: NATIONAL & PENNSYLVANIA

Data Sources:

Board of Governors of the Federal Reserve System, “Monetary Policy: Open Market Operations”; [federalreserve.gov/monetarypolicy/openmarket.htm](https://www.federalreserve.gov/monetarypolicy/openmarket.htm)

The Conference Board, “The Conference Board Economic Forecast for the US Economy” (3/15/23); [conference-board.org/research/us-forecast](https://www.conference-board.org/research/us-forecast)

US Bureau of Economic Analysis (BEA), “Gross Domestic Product, Fourth Quarter and Year 2022 (Third Estimate), GDP by Industry, and Corporate Profits” (3/30/23); [bea.gov/data/gdp/gross-domestic-product](https://www.bea.gov/data/gdp/gross-domestic-product)

US BEA, “Gross Domestic Product by State and Personal Income by State, 4th Quarter 2022 and Year 2022” (3/31/23); [bea.gov/news/2023/gross-domestic-product-state-and-personal-income-state-4th-quarter-2022-and-year-2022](https://www.bea.gov/news/2023/gross-domestic-product-state-and-personal-income-state-4th-quarter-2022-and-year-2022)

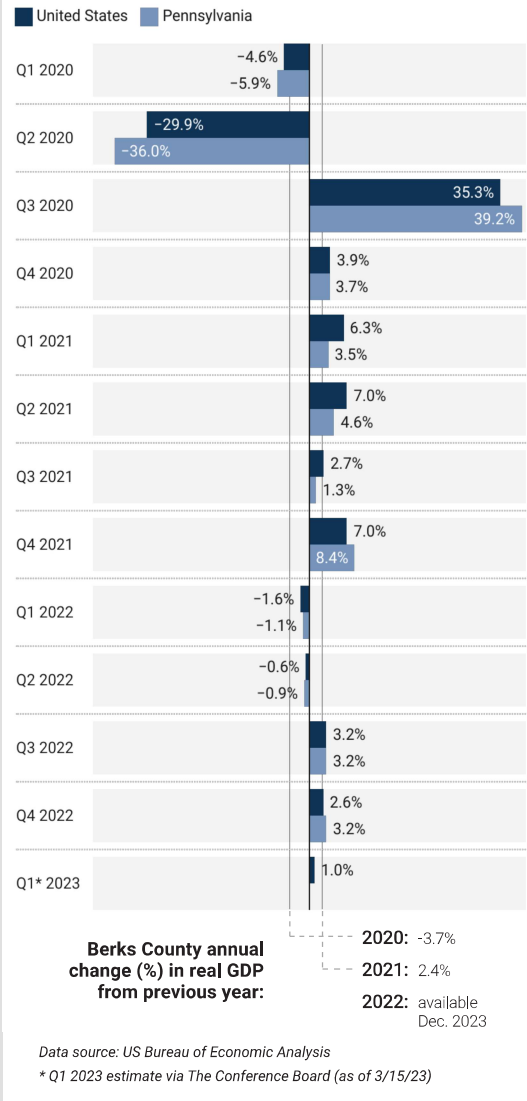
The US economy continued to expand in the fourth quarter of 2022 with +2.6% year over year growth.

The national economy started off shaky in 2022, with negative GDP growth in both the first and second quarters. While the economy hit the typical definition of a recession – two consecutive quarters of contracting GDP – economists refrained from officially declaring a recession due to the strong labor market and continued consumer spending. The latter half of 2022 recorded significant economic growth.

Economists forecast that the US economy has continued to expand in the first quarter of 2023, with The Conference Board estimating a positive 1% growth over the first quarter. How long that growth will persist, however, is being debated. Many economists are expecting the economy will tip into a recession by the end of 2023, given sustained high inflation and ongoing rate hikes the Fed has initiated in an effort to quell the inflated prices.

At the state level, Pennsylvania’s economy rose 3.2% in the fourth quarter of 2022 as it continued its alignment with the nation. Assuming the state continues to mirror national trends, continued expansion into the first quarter of 2023 is expected.

Real GDP: Change (%) from Previous Quarter



STATE OF BERKS COUNTY'S ECONOMY

OUTLOOK

National GDP is expected to have continued expanding in the first quarter of 2023. Economists believe the economy will contract by the end of 2023, or in early 2024, causing the US economy to fall into a recession.

EMPLOYMENT

Labor market data undergoes a benchmarking process in the first quarter of each year that delays the release of reliable estimates. While the national and state data sets have been updated, local data for Berks County will not be released until late April. Despite the lag in data availability, several indicators foreshadow what the data may reveal. These include local unemployment compensation claims, state employment data, and seasonal patterns in the labor market.

Unemployment compensation (UC) claims point to Berks County remaining at full employment. Through the first 10 weeks of the year, the average weekly total claims have been 3,600, which tracks consistently with the volume of UC claims in 2022.

EMPLOYMENT

(CONT'D)

Data Sources:

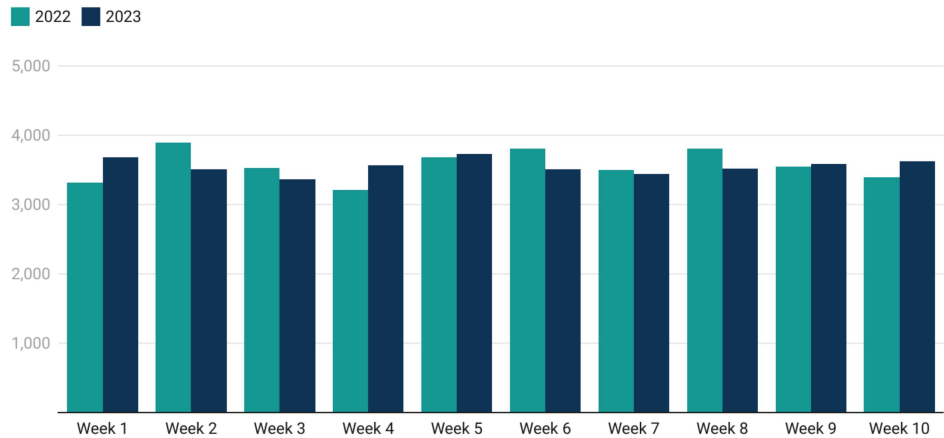
PA Department of Labor & Industry Center for Workforce Information & Analysis (CWIA), "Weekly Unemployment Compensation Claims"; workstats.dli.pa.gov/dashboards/Pages/Weekly-UC.aspx

US Bureau of Labor Statistics (BLS), "Job Openings and Labor Turnover Survey" (3/21/23); bls.gov/jlt

US BLS, "Local Area Unemployment Statistics" (3/24/23); bls.gov/lau

US BLS, "State and Metro Area Employment, Hours, & Earnings" (3/24/23); bls.gov/sae

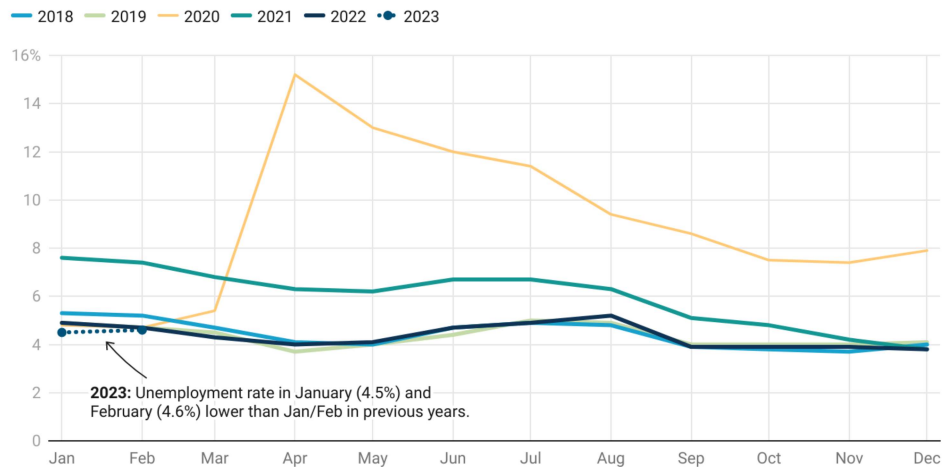
Total Berks County Unemployment Compensation (UC) Claims in the First 10 Weeks of the Year (2022-2023)



Data source: PA Department of Labor & Industry

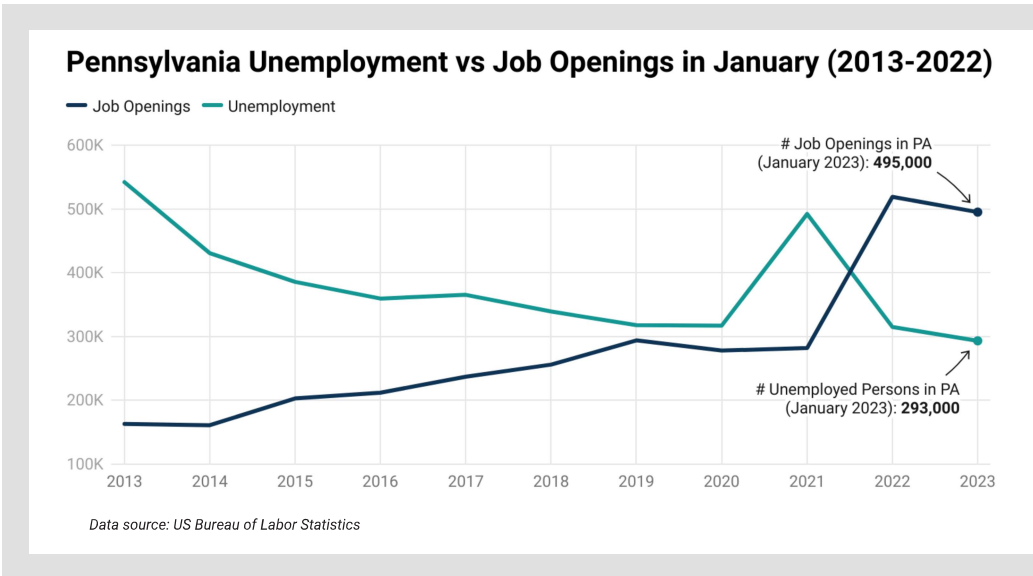
Pennsylvania's **unemployment rate** remained low at the start of 2023. Following seasonal trends, the unemployment rate ticked up from December 2022 at 3.8% to 4.5% in January 2023 and remained at 4.6% in February. When taking into account seasonality in the labor market, these unemployment levels remain consistent with 2022's labor market.

Pennsylvania Unemployment Rate (2018-2023)



Data source: US Bureau of Labor Statistics

Throughout 2022, employment across many key sectors trended in a positive direction despite remaining below pre-pandemic levels. As the economy has expanded, the need for more workers has created added pressure for businesses as they learned to adjust to continued labor difficulties. Even if employers are



experiencing work slowdowns, some have cited a reluctance to lay off workers in recognition of the tight labor market. Underscoring the difficulty employers have in finding workers, the ratio of unemployed people to job openings in the state has flipped over the past decade. In January 2023, there were 1.7 job openings for every unemployed person in Pennsylvania.

Berks County's employment increased between February 2022 and February 2023, yet still remains below 2019 levels. This data points to positive momentum for the County. Looking regionally, Berks has lagged neighboring communities in the pace at which industries have returned to pre-pandemic employment.

OUTLOOK

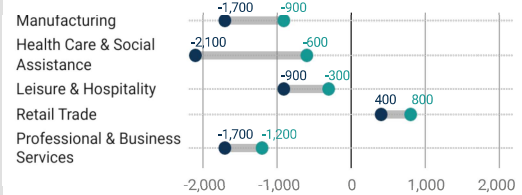
With the upcoming release of updated local unemployment data, expect Berks County's rate to remain at historic low levels yet rising consistent with prior seasonal trends.

Regional Employment Recovery by Sector in 2022 & 2023

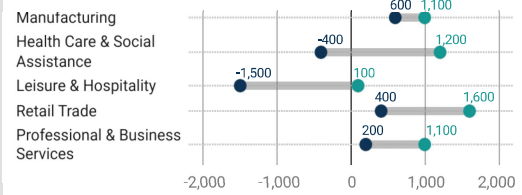
Difference from February 2019 levels

● 2022 ● 2023

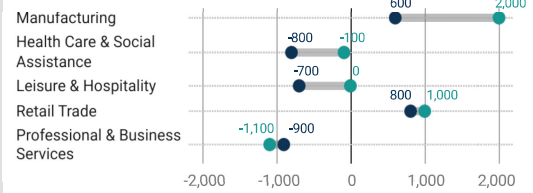
BERKS COUNTY



LANCASTER COUNTY



YORK COUNTY



Data source: US Bureau of Labor Statistics

CONSUMER OUTLOOK

Data Sources:

EDC's Center for Regional Analysis, "Consumer Sentiment in Berks County" (2/23/22)

Opportunity Insights Economic Tracker, "Percent Change in All Consumer Spending (Berks County)" (as of 3/30/23); tracktherecovery.org

University of Michigan Surveys of Consumers (3/31/23); www.sca.isr.umich.edu

US Bureau of Economic Analysis, "Consumer Spending" (2/24/23); bea.gov/data/consumer-spending/main

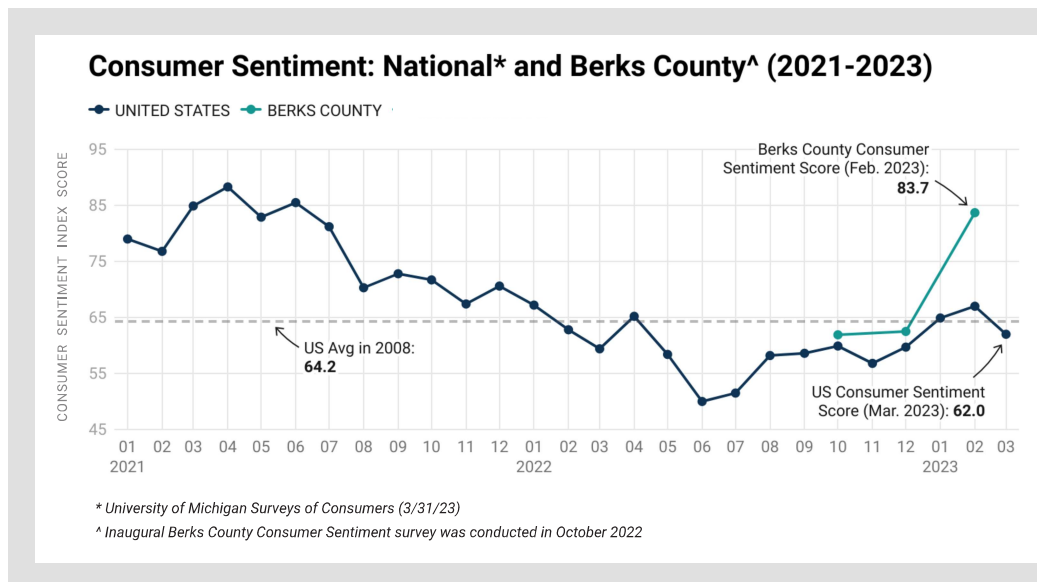
US BLS, "Consumer Price Index" (3/14/23); bls.gov/cpi

US BLS, "State and Metro Area Employment, Hours, & Earnings" (3/24/23); bls.gov/sae

CONSUMER SENTIMENT

Berks County residents expressed a notable uptick in their economic outlook in February 2023 compared to December 2022. The consumer sentiment index score rose 21.3 points, reaching 83.7. During this same period, the US index saw a much more modest increase of 7.3 points, rising to 67.0 before experiencing a 5-point drop in March. Neighboring Lancaster County also experienced a drop from January to March of 10.7 points.

Driving Berks' increase in February was residents' sense that inflation was slowing and that labor market conditions were favorable for employees. Most respondents cited the relative ease of finding a job as contributing to the positive outlook. In general, Berks County residents remain more optimistic about where the economy is headed as compared with the nation.



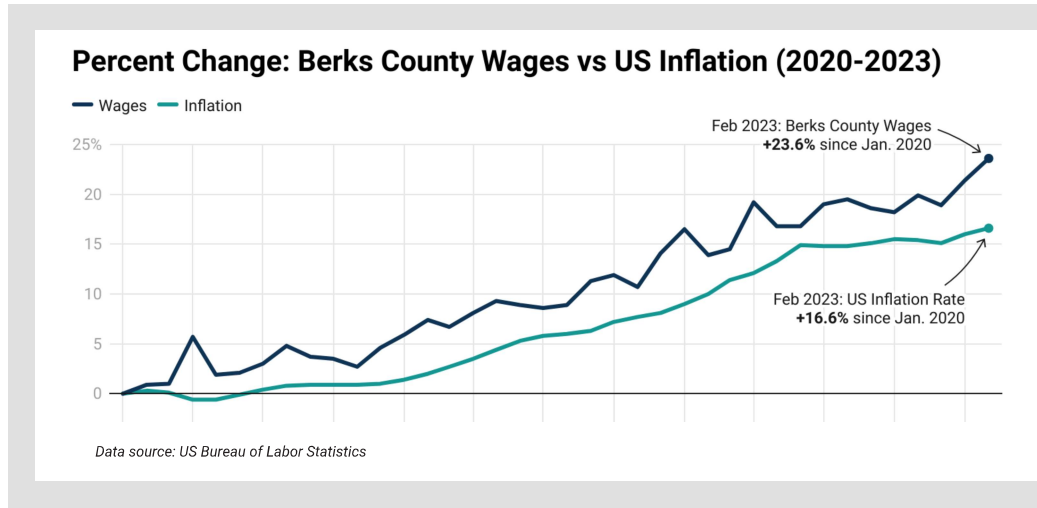
OUTLOOK

Consumer sentiment is likely to drop in April in Berks County, if residents respond similarly to the nation and neighboring Lancaster County. The March interest rate increase, continued inflation and the national banking landscape all may factor into a potential decline.

CONSUMER SPENDING & INFLATION

Improved consumer sentiment in Berks County seems to be tracking with consumer spending, although that isn't always the case. At a national level, consumer spending lagged at the end of 2022, but rebounded in January to show a 1.8% increase over December. The economic tracker, Opportunity Insights, provides a broader lens to spending by tracking consumer spending week over week and comparing it to January 2020. Berks County's spending has consistently tracked stronger than the US and Pennsylvania. Most recent data from mid-March 2023 shows Berks County tracking at 21.9% over spending levels from January 2020 (compared to 15.6% nationally and 19.2% in Pennsylvania). That rate of spending remained relatively constant throughout 2022 and into the first quarter of 2023.

These spending patterns are occurring while inflation remains high. For the U.S., while inflation dropped to 6% in February, it remains well above the Federal Reserve target of 2%. Food inflation was 9.5% year over year, which is felt strongly by consumers. Buffering inflation's impact to household spending is the rise in wages that has continued. Since the start of the pandemic, Berks County shows average hourly wages of workers outpacing inflation. Businesses have felt the price pinch of inflation in both their costs of goods and their cost of labor.



OUTLOOK *Expect inflation to continue to decrease slowly and consumer spending to remain relatively unchanged until the ratio of job openings to unemployed people shrinks.*

Business has remained strong in the region over the last year. Despite headwinds of supply chains, labor challenges, and inflation, many businesses have been experiencing uncharacteristically strong growth periods, particularly in the manufacturing sector. Heading into 2023, the Philadelphia Federal Reserve's *Manufacturing Business Outlook Survey*, which polls businesses in the Third Federal Reserve District inclusive of Berks County, shows many businesses are expecting a slight slowdown from the rapid growth they have been seeing over the last few years. Interviews with regional businesses affirm the *Survey's* results, with positive projections for 2023, yet with a return to a more measured growth pace.

To combat persistent inflation, the Federal Reserve has continued to rapidly raise interest rates. March marked the ninth increase since the start of 2022, with interest rates rising to 4.75%. High interest rates continue to place more pressure on local businesses looking to borrow money to expand.

OUTLOOK *Businesses expect scaled back, but continued growth over the next few months, while continuing to deal with the tight labor market, wage pressures and inflation.*

**BUSINESS
OUTLOOK**

Data Sources:
Federal Reserve Bank of Philadelphia, "March 2023 Manufacturing Business Outlook Survey" (3/16/22); philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2023-03

METHODOLOGY

These bi-monthly briefings draw upon quantitative and qualitative data that's routinely collected at the national, state and local levels. While most of the data skews towards the national and state economies and/or the large urban centers, these reports incorporate in-depth interviews with regional business leaders from key industry sectors to provide essential insight, identify emerging issues and tease out local relevance of national trends.

FOR MORE INFORMATION

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For program funding details, in compliance with the Stevens Amendment, please visit <http://www.co.berks.pa.us/Dept/WDB>.