



Economic Intelligence Report for Lancaster County

2024 | Q4

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The Lead

Although Lancaster County's economy was steady throughout the fourth quarter of 2024, inflation has remained top of mind for both consumers and businesses.

1) The local labor market loosened slightly over Q4...but only slightly.

- Unemployment inched up in Lancaster County, with a modest uptick in December unemployment claims as compared to a year prior.
- Employers continued to look for employees, but were more selective when looking for candidates with specific skill sets.

2) Businesses reported steady demand and sales.

- Businesses had work for employees to do, and the average number of hours worked by Lancaster County employees increased over 2024 as a result.
- Regional non-manufacturing businesses reported an increase in sales and revenue from Q3 to Q4 2024.

2.6%

Lancaster County
unemployment rate
in December 2024

2.9%

National rate of
inflation as of
December 2024

+3.9 index points

Rise in national
consumer sentiment
score over Q4 2024

+1.2%

U.S. **consumer**
spending increase
in Q4 2024

+4.1% adj. for
inflation

Annual growth of
Pennsylvania GDP
in Q3 2024

+2.3%

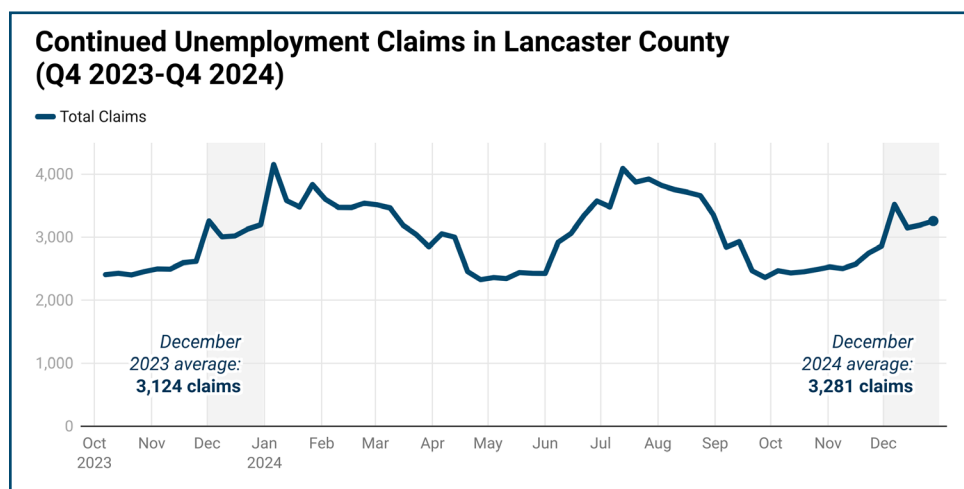
Estimated annual
growth of **national**
GDP in Q4 2024

By the Numbers



Lancaster County's labor force opened slightly in December, but remained historically tight in Q4 2024.

- Throughout 2024, the unemployment rate in Lancaster County remained on par with the record-low unemployment rates seen in 2023.
- The local labor market loosened slightly in Q4 following a slight uptick in weekly continued unemployment claims (+157 more than the previous year) seen in December.
 - Lancaster County's unemployment rate grew from 2.3% in December 2023 to 2.6% in December 2024.
- Three previously issued WARN Notices filed to take place in Q4 2024 resulted in 561 layoffs in Lancaster County.
 - The closings were due to internal business-specific factors rather than reactions to an overall economic downturn.



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.

Employers have settled back down to pre-pandemic hiring trends.

- The U.S. Bureau of Labor Statistics' Current Employment Survey (CES) of establishments recorded an increase of 2,400 more people employed in Lancaster County from December 2023 to 2024.
- In its November Beige Book, the Federal Reserve Bank of Philadelphia reported modest employment growth throughout the Fed's Third District, which includes Lancaster County.
 - Their annual survey of all their contacts revealed steady to positive employment growth expectations, with only 13% of respondents reporting an expected decrease in employment in 2025.
- In its annual outreach to 100+ local businesses, EDC found many businesses have begun searching more narrowly for workers with specialized skill sets to fill open positions.
- BLS reported a year-over-year drop of 7,500 employed people in December in its Labor and Unemployment Statistics (LAUS) reporting.
 - The formula for these estimations is adjusted every January and the readjusted values for the previous year will come out on March 17.
 - A drop in employment at this caliber has not been noted in EDC's conversations with local businesses nor in the BLS' Current Employment Survey – one of the components used to calculate the LAUS numbers.

The Philadelphia Fed is the home of the Federal Reserve's **Third District**, serving over 13.3 million people (4.6% of the nation's population) in Delaware, southern New Jersey, and eastern and central Pennsylvania. The Third District holds nearly the same employment shares as the overall U.S. in the Trade, Transportation, and Utilities sectors and the Professional and Business Services sectors while outpacing national employment levels in the Education and Health Services sectors.

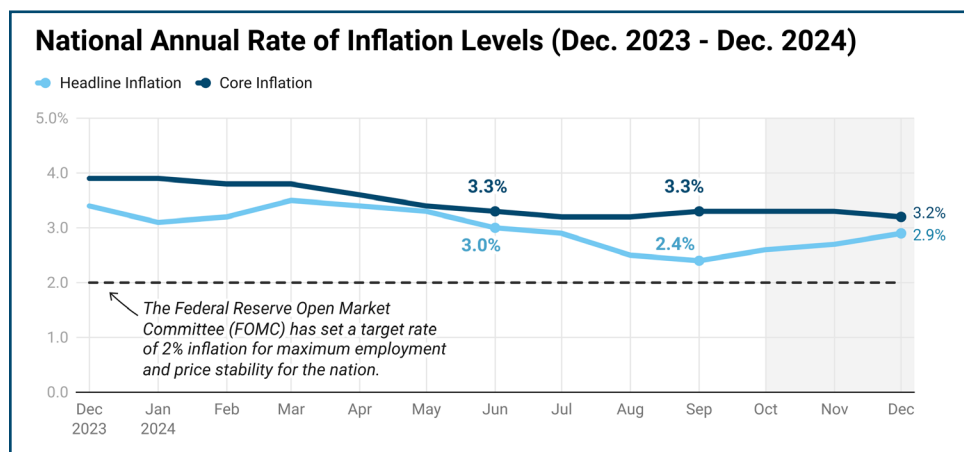


National headline inflation grew from September to December 2024...

- Headline inflation has seen large shifts, dropping 0.6 percentage points to 2.4% in Q3 before ticking back up 0.5 percentage points to 2.9% by the end of Q4.
- Core inflation, on the other hand, has stayed relatively steady over the last six months, dropping only 0.1 percentage points over the last half of 2024 to close Q4 at 3.2%.
- Despite core inflation staying level, consumers have felt the volatility of headline inflation as food and energy are not items that consumers can stop buying.
 - Egg prices saw a 36.8% year-over-year rise in December in the wake of supply shortages caused by bird flu outbreaks.

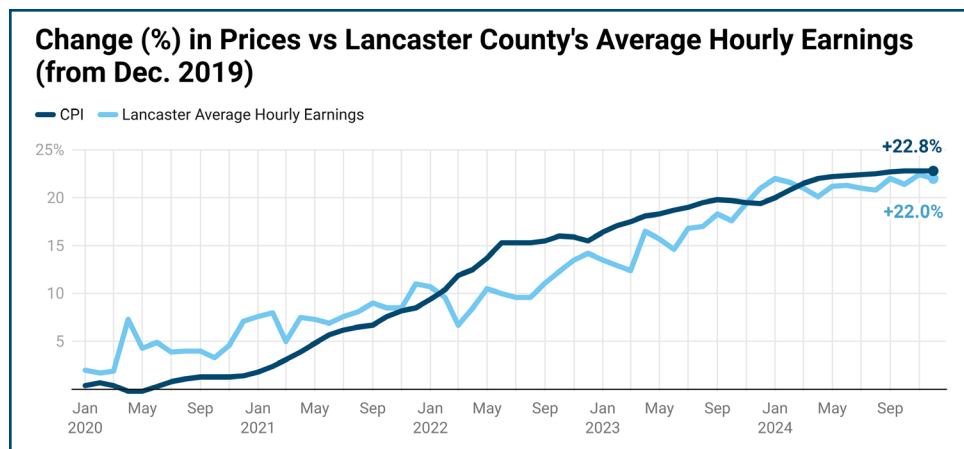
The measure of **core inflation** omits changes in food and energy prices, which tend to be more volatile month to month.

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).



...and Lancaster County's wages did not keep up.

- The average hourly wage in Lancaster County increased by 0.9% from December 2023 to December 2024, while national annual inflation increased by 2.9%.
 - Lancaster's average hourly wage in December 2024 was \$30.07.
 - When adjusted for inflation, the December 2024 average hourly wage is \$29.22 (in December 2023 dollars) – which means Lancaster County residents averaged 59¢ less spending power than they did in December 2023, when the average hourly wage \$29.81.
- Looking more broadly over the last five years – since December 2019, wages have relatively kept up with inflation.
 - In December 2024, real wages were just 0.6% below where they were in December 2019.

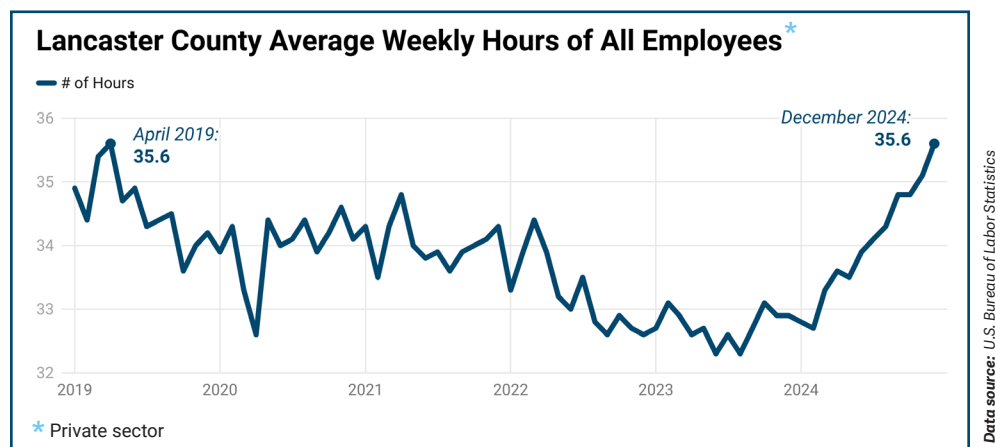




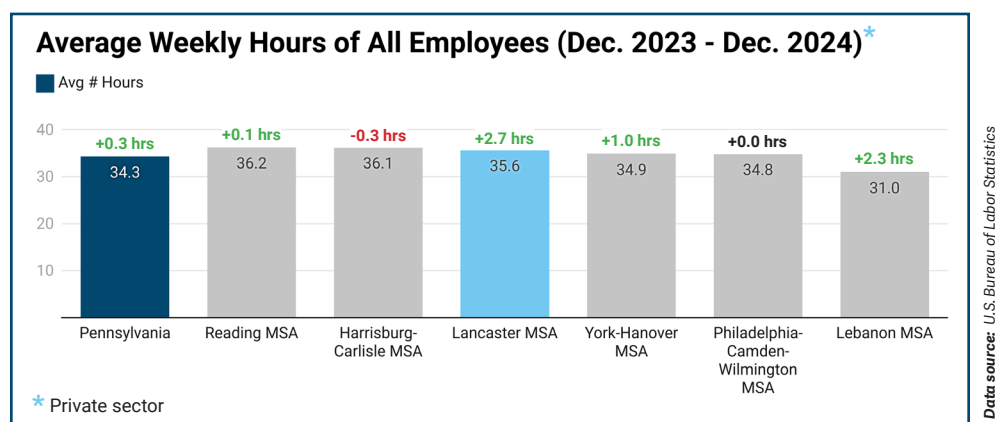
To keep up with inflated prices and compensate for employee labor gaps, Lancaster County workers have increased the number of hours they are working.

- Lancaster employees worked an average of 35.6 hours a week in December – 2.7 hours/week more than a year prior.

→ December matched the Lancaster County record first recorded in April 2019.

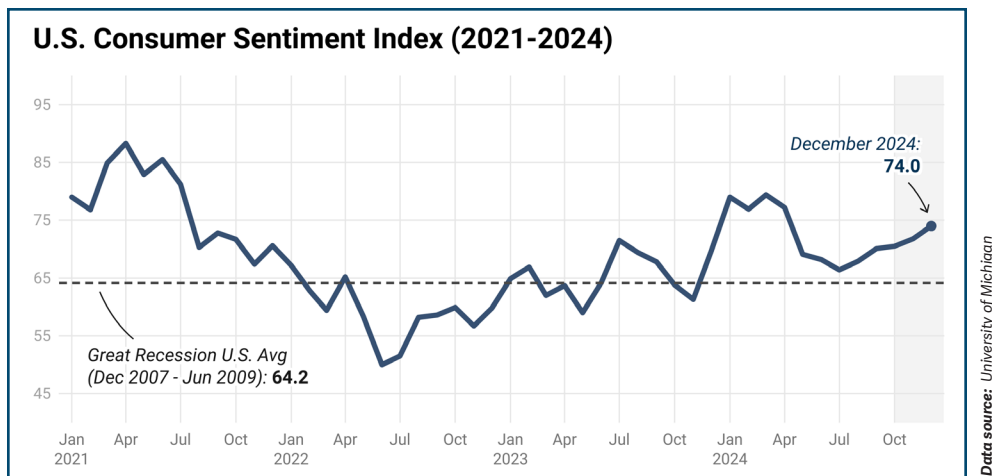


- Lancaster saw the largest annual growth among MSAs in the region, rising to the third-highest average number of hours worked a week behind Reading and Harrisburg-Carlisle.



National consumers and regional businesses remain wary of lingering high inflation.

- The University of Michigan's monthly Surveys of Consumers recorded its fifth consecutive rise in national consumer sentiment in December, climbing from an index score of 66.4 in July 2024 to 74.0 in December.
 - Driving the uptick from November to December (+2.2 points) was a general feeling among respondents that the end of the year was a good time to make large household purchases due to an anticipated rise in prices.
 - Survey director Joanne Hsu echoed that sentiment, noting how "year-ahead inflation expectations rose from 2.6% [in November] to 2.8% [in December], the first month-over-month increase since May."
- In its November Beige Book, the Federal Reserve Bank of Philadelphia reported that "many firms express[ed] concern about the inflationary effects of potential tariffs."



Regardless, consumers continue to spend bolstering national economic growth.

- National GDP increased at an annual rate of 2.3% over Q4 2024, spurred on by consumer and government spending.

→ Real consumer spending increased by 1.2%, reflecting an increase in spending on both goods and services over the holiday season.

- Pennsylvania's economy saw strong growth in Q3 (4.1%), outpacing the national annualized Q3 growth of 3.1%.
- Survey results from the Federal Reserve Bank of Philadelphia reported that the majority of the nonmanufacturing businesses they interviewed in the region saw an increase in sales and revenue from Q3 to Q4, while the majority of manufacturing businesses reported a decrease in production over the same period.
- Regardless of their growth in Q4, a majority of businesses from both surveys expect moderate economic growth over the next six months.

→ Labor supply and access to capital were the largest constraints for nonmanufacturing businesses in the region.

→ Labor supply and supply chain challenges were the largest constraints for manufacturing businesses in the region.

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

	U.S. GDP	PA GDP
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	3.1%	4.1%
Q4 2024	2.3%*	

* Advance estimate

Data source: U.S. Bureau of Economic Analysis

The Federal Reserve lowered the federal funds rate in December for the third time since 2020.

- Although the federal funds rate was lowered by 25 basis points to 4.25%-4.50% at the December 2024 meeting, the majority of voting FOMC members acknowledged they do not expect the federal funds rate to drop more than 50 basis points over 2025.

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

• 1 basis point = 0.01%



Looking back: 2023 GDP for Lancaster County

Each December, the Bureau of Economic Analysis releases county-level GDP data for the previous year. The recently released data for **2023** sheds light on economic growth in Lancaster County as well as the surrounding counties.

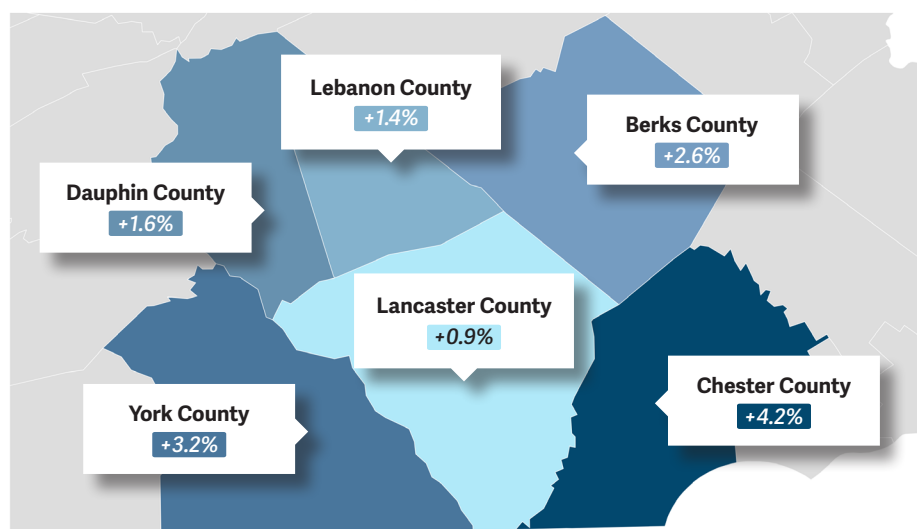
In 2023, local economic growth was considerably slower than the rate of expansion seen for both the state and the nation.

- Year-over-year real economic growth in the private sector:



- Over 2023, Lancaster County saw less economic growth than its surrounding counties.
- Even still, Lancaster County's 2023 private GDP totaled \$36,850,748,000 (current dollars, not adjusted for inflation), maintaining its standing as the 7th largest GDP among counties in Pennsylvania.

Regional Comparison: Change (%) in Private GDP in 2023



Data source: U.S. Bureau of Economic Analysis

Nonetheless, Lancaster County's economic growth has outpaced that of the state over the past 10 years.

- Real private sector economic growth from 2013 to 2023:



- Despite ranking as the 7th largest contributor to the state's GDP, Lancaster County has been the fifth fastest-growing economy in Pennsylvania over the last 10 years.



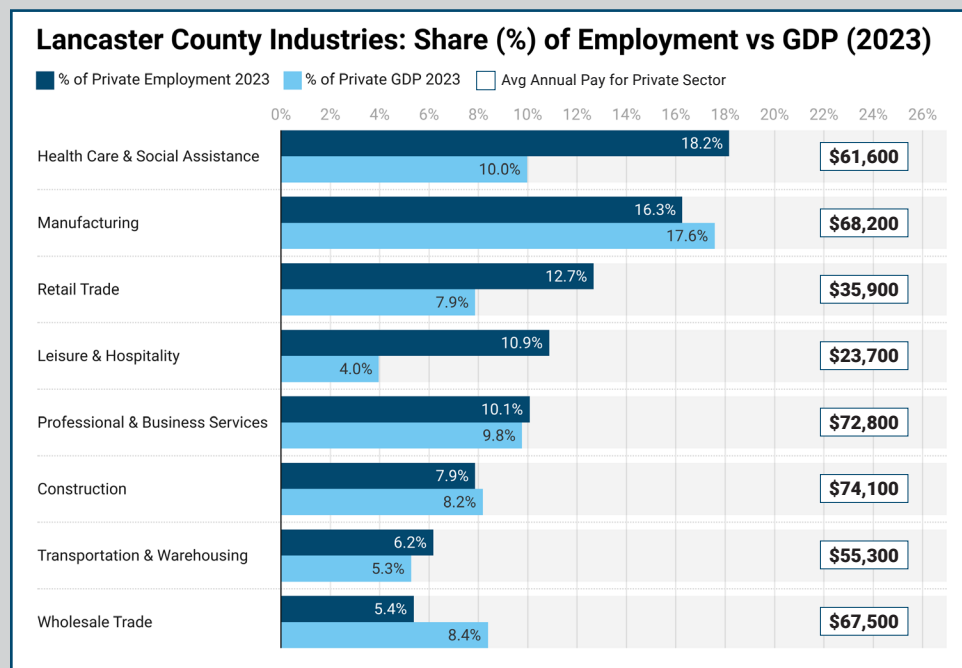
The top three industries leading Lancaster's year-over-year economic growth in 2023:

- **Retail Trade** (+\$221,055,000)
 - This is the first year the Retail Trade sector saw growth since being disrupted by the COVID-19 pandemic in 2020. A return to in-person shopping patterns helped drive the industry past 2019 levels.
- **Health Care & Social Assistance** (+\$129,784,000)
 - The industry has grown at a strong and steady pace, and is one of the few sectors to have not contracted during, or after, the COVID-19 pandemic.
- **Professional & Business Services** (+\$96,414,000)
 - The industry's growth in Lancaster County is in line with national economic growth trends.

Changes to GDP values have been adjusted for inflation in chained 2017 dollars.

The top three industries that saw negative economic growth from 2022 to 2023:

- **Construction** (-\$95,197,000)
 - Higher interest rates, a limited stock of industrial land in the county, and difficulties rebuilding both sales pipelines and employment bases in the wake of the COVID-19 pandemic have continued to challenge the Construction sector.
- **Transportation & Warehousing** (-\$67,039,000)
 - After hitting a high in 2020, this sector has seen consistent decline the following three years, sliding to below 2016 levels when adjusted for inflation.
- **Agriculture, Forestry, Fishing & Hunting** (-\$64,543,000)
 - Markets adjusted back down a bit in 2023 following two years of very strong growth in 2021 (+46.2%) and 2022 (+45.0%) due to global events that had limited supply and driven up prices.



The 2023 average annual pay for all private sectors in Lancaster County was \$57,500.



Data Sources

Federal Reserve Bank of Philadelphia

- “Manufacturing Business Outlook Survey | December 2024” (12/19/24); philadelphiafed.org/-/media/FRBP/Assets/Surveys-And-Data/MBOS/2024/bos1224.pdf
- “Nonmanufacturing Business Outlook Survey | December 2024” (12/24/24); philadelphiafed.org/-/media/FRBP/Assets/Surveys-And-Data/NBOS/2024/nbos1224.pdf
- “The Beige Book | November 2024” (12/4/24); philadelphiafed.org/-/media/FRBP/Assets/Surveys-And-Data/beige-book/2024/241204-bb.pdf

PA Department of Labor & Industry

- “WARN Notices” (retrieved 2/10/25); pa.gov/agencies/dli/programs-services/workforce-development-home/warn-requirements/warn-notice.html
- “Unemployment Compensation Claims Dashboard” (retrieved 2/12/25); pa.gov/agencies/dli/resources/statistic-materials/dashboards/weekly-uc.html

University of Michigan, “Surveys of Consumers” (12/20/24); data.sca.isr.umich.edu/fetchdoc.php?docid=77763

U.S. Bureau of Economic Analysis (BEA)

- “Consumer Spending” (3/3/25); bea.gov/data/consumer-spending/main
- “Gross Domestic Product by County and Metropolitan Area, 2023” (12/4/24); bea.gov/data/gdp/gdp-county-metro-and-other-areas
- “Gross Domestic Product by State and Personal Income by State, 3rd Quarter 2024” (12/20/24); bea.gov/data/gdp/gdp-state
- “Gross Domestic Product, 4th Quarter and Year 2024 (Second Estimate)” (2/27/25); bea.gov/data/gdp/gross-domestic-product

U.S. Bureau of Labor Statistics (BLS)

- “Current Employment Statistics - CES (National)” (1/15/25); bls.gov/ces
- “Consumer Price Index (CPI)” (1/15/25); bls.gov/cpi
- “Local Area Unemployment Statistics (LAUS)” (2/5/25); bls.gov/laus
- “Quarterly Census of Employment and Wages” (11/20/24); bls.gov/cew

U.S. Federal Reserve, “Summary of Economic Projections, December 18, 2024” (12/18/24); federalreserve.gov/monetarypolicy/files/fomcprojtab120241218.pdf

Methodology

Economic Intelligence Reports for Lancaster 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 in-depth 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.

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