

Survey Results on the State of the Economy

The Chamber of Commerce for Greater Philadelphia Economic Outlook
Philadelphia, PA (virtual)

January 14, 2022

Patrick T. Harker

President and Chief Executive Officer
Federal Reserve Bank of Philadelphia



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Good morning! It's great to be here sharing a stage — well, sharing a screen — with so many friends from the chamber and elsewhere. I know this event is a highlight of the year for many of you, and I'm thrilled that there is such a robust turnout this morning — even if we were forced by COVID-19 to come together virtually rather than in person as we had hoped.

Of course, given that so many of you are old friends, I'm sure that many of you know what I'm about to say next. That's right, the standard Fed disclaimer: The views I express today are my own and do not necessarily reflect those of anyone else on the Federal Open Market Committee or in the Federal Reserve System.

We're here today to look ahead to what the year 2022 has in store. But I firmly believe we can't hope to accurately project into the future unless we know what's happening on the ground right now.

With that said, I hope you've had a chance to look at the results from the Chamber of Commerce for Greater Philadelphia's annual member survey. They offer, to my mind, a clear picture of an economy moving in the right direction, particularly compared with where we were a year ago. But to be clear, our survey indicates far from "smooth sailing" for chamber members. The economy is improving, yes, but still freighted with risks and constraints.

Survey data are, to my mind, an underrated tool in the economics business. At the Fed, we look at everything from big broad numbers like GDP and employment growth to more granular figures like auto sales and even restaurant reservations. And in recent years, we've seen the growth of new data sources like mobility data, which give us information on how much people are traveling and to where.

Now, don't worry — I promise you that mobility information is anonymized. We take data security very, very seriously.

But with survey data, we can find out how people and businesses' economic realities are playing out on the ground. And that's crucial to all of our understanding of how the economy is really working. I know that as a policymaker, I find survey data invaluable.

I invite you to delve deep into the survey results, which make for fascinating reading. But I also wanted to highlight just a few data points that jumped out at me.

First is just how much things have improved for chamber members over the course of the past year. The vast majority of survey respondents indicated higher levels of economic activity in 2021 over 2020. A full 56 percent of respondents reported either slightly or significantly higher volumes of new orders, and 72 percent reported slightly or significantly higher sales or revenues in 2021 over the year before.

Our survey respondents are optimistic that these trends will continue. Nearly three-quarters are expecting slightly or significantly higher sales or revenues in 2022 compared with 2021. Nearly 60 percent are either at or have exceeded their prepandemic employment levels.

Now, with increased sales have come increased costs, particularly on the labor side; 92 percent of respondents expect wage and benefit costs to either increase slightly or significantly in the coming year. That probably goes a long way toward explaining why 47 percent of respondents cited wages and 35 percent of respondents cited the availability of labor as their top concerns for their operations going forward.

When it comes to labor supply issues, 56 percent of respondents had difficulty hiring in the past three months because of the lack of qualified applicants, while 29 percent said that candidates were not willing to accept the compensation levels they were offering. And in a fascinating demonstration of how the pandemic has changed the way we work, 17 percent of respondents reported that candidates rejected their offers because of the lack of a fully remote option. Keep in mind that these survey results are largely from before Omicron became widespread, which has further hampered efforts to keep employees healthy and on the job.

In sum, things will keep improving as long as employers have enough workers to staff their businesses. Going forward, employers are going to have to think creatively about how to attract and retain talent. In the end, I believe we will all benefit from that.

So, thank you again for joining us this morning. And now, let me turn things back to Andrea.