

Survey Results on Economic Conditions

The Chamber of Commerce for Greater Philadelphia
Philadelphia, PA

January 13, 2023

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 with so many friends from the chamber and elsewhere. And after a couple of years of virtual events, it's particularly gratifying to see all of you in 3D! Thanks so much for having me. It's truly an honor and a pleasure.

Of course, given that so many of you are old friends, I'm sure you know what I'm about to say next. That's right, it's time for 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 (FOMC) or in the Federal Reserve System.

In a few minutes, I'll be on a panel devoted to forecasting what 2023 holds in store for our national and local economies. But, to my mind, you can't hope to predict what will happen in the future without having an accurate perception of what's going on right now.

That's where the Chamber of Commerce for Greater Philadelphia's annual member survey comes in. This survey — and thank you to all who participated — is an invaluable tool for understanding what's happening right now in the real economy. I hope you all have had a chance to look at the results because they really do tell us a lot.

Survey data are an important tool in the economic business. At the Fed, we look at everything from big broad numbers like GDP and employment growth to more granular figures like restaurant reservations and mobility data. These data — *hard* data — tell us a lot.

But as a policymaker, I've come to believe that *soft* data like survey results are perhaps equally important to getting a full understanding of our economic situation. Candidly, an overemphasis on hard

data can lead to policy errors; last year, hard data suggested to us that inflation would be “transitory,” whereas the soft data we were hearing from our contacts indicated that rising prices were proving more persistent than we may have expected. Which is to say, paying due attention to soft data is vitally important to effective policymaking.

So again, I hope you will take a few minutes to delve into the survey results. But in the meantime, I want to share a few insights that I found particularly important.

Overall, members reported strong activity in both the region and for their businesses in 2022 compared with 2021. However, expectations for 2023 were mixed. While firms remained somewhat optimistic for their own operations, they also expressed uncertainty over the expected economic performance of the broader region.

Not surprisingly — and unfortunately — a vast majority of respondents reported higher prices paid in 2022 than in 2021. To offset these increased costs, most respondents reported higher prices received in 2022 than in 2021. Most respondents expect prices to continue to rise this year.

Turning to the labor market, firms reported having more full-time employees on their payrolls in 2022 than during the year prior. While there were a few firms that laid off some of their employees, that represented a very small percentage of respondents.

Firms’ wages and benefit costs rose, with nearly all respondents reporting slightly or significantly higher labor costs in 2022 than the year before. Respondents also expect increases to persist into 2023.

Members reported that hiring has been a challenge, particularly because of the level of compensation being demanded by applicants. To hire new workers or retain existing staff, many respondents have raised compensation, introduced a remote work policy, or promoted existing employees.

Given this backdrop, it’s not surprising that labor was cited as a top concern by many respondents. Chamber members also cited the availability of financing and interest rates as pressing concerns. This, too, is no surprise, given changes in monetary policy over the past year.

So, I think all in all, you can say respondents have painted a picture of mixed economic conditions. I’d expect similarly mixed conditions in the year ahead, which we can delve into during the panel discussion. While I recognize forecasting can be a tricky business, I’m very excited for the discussion.

I will add that one forecast I'm fully confident in making at this point is that the Eagles will soon embark on a remarkable playoff run.

Again, thank you so much for having me.