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ANALYSIS: PHILADELPHIA HARDEST HIT BY POSSIBLE RECESSION

By Anthony Hennen, The Center Square



If an expected recession hits America, Philadelphia could suffer more than any other major city. After GDP growth through 2022, this year could be a reversal of fortunes.

An analysis from the University of North Carolina's Kenan Institute of Private Enterprise warns of volatility in the U.S. economy, but notes that not all regional economies will see a downturn.

"Our economic models don't bear particularly glad tidings for the new year, as we expect the U.S. economy will enter a recession in the second half of 2023 or early 2024," the analysis noted.

However, that recession will be "relatively mild," the analysis noted. Cities with a large tech industry – such as San Francisco, Austin and Raleigh – are expected to keep growing, even though their economies will slow. Other cities that boom with tourists – such as Orlando, Miami and Las Vegas – are expected to hardly grow or see negative economic growth.

Even worse off could be construction-focused city economies. Yet, of the 50 cities analyzed, the Kenan Institute expects Philadelphia to have the greatest change in growth: a 2.6 percent decline from 2022 to 2023. Philadelphia grew by 1.7mpercent in 2022, but the Institute expects it to decline by -0.9 percent in 2023.

Only Memphis, Detroit and Virginia Beach are expected to have a greater economic contraction.

"Philadelphia, which is not normally thought of as a construction hotbed but has recently seen a jump in activity, is being buffeted by the double whammy of local policy changes and interest rate-driven weakness," the analysis noted.

The city saw a construction boom in 2021, thanks to the end of a 10-year property tax abatement on new housing: Philadelphia approved 1,000 more

permits than in 2020, representing 10,000 new housing units if all get built.

As those units get built, the local economy will be less buoyed by the activity.

Other Pennsylvania cities will see a slowdown in economic growth, but still remain positive. Pittsburgh has a marginal slowdown, from 1 percent growth in 2022 to 0.9 percent in 2023. Harrisburg is expected to drop from a 1.1 percent increase in 2022 to only 0.2 percent in 2023.

A recession or economic slowdown isn't guaranteed, however.

"Despite widespread fears of a recession looming on the horizon, there are few recessionary signs to date," the analysis noted. "In fact, even sectors such as tech, with its spate of layoff announcements, and real estate, with a doubling of mortgage rates, are continuing to see national job growth for the moment, albeit at a slower pace."

Other economic analyses have warned of the possibility of a recession in Pennsylvania, though they expect growth in the short-term. The Independent Fiscal Office expects growth of almost 2 percent annually for Pennsylvania by 2025, but shrinking participation in the labor force could cause problems.

The commonwealth "probably faces more challenges than most states" thanks to a falling population as well, IFO Director Matthew Knittel said in November.

Anthony Hennen is a reporter for The Center Square. Previously, he worked for Philadelphia Weekly and the James G. Martin Center for Academic Renewal. He is managing editor of *Expatalachians*, a journalism project focused on the Appalachian region.

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