

## Lehigh Valley Economy Strong, But Slowing Slightly

Hiring is slowing and business confidence is gradually declining, but the Lehigh Valley economy remains built for continued long-term growth, according to regional experts.

During an episode of Lehigh Valley Discourse, on WDIY, economist Kamran Afshar said his latest survey of Lehigh Valley businesses injects a dose of reality into a regional economy that's been expanding for a near-record 10 years. Purchasing plans of Lehigh Valley companies that responded to the survey dropped by 4% in the past three months, hiring plans dropped 9% and overall business confidence in the economy fell 7%, according to Afshar's quarterly analysis, released in May.

It was the second consecutive quarter in which all of those indicators fell, Afshar said to his radio show guests LVPC Executive Director Becky Bradley, Manufacturing Resource Center President Jack Pfunder and Lehigh Valley International Airport (LVIA) Executive Director Thomas Stoudt.

"This was a surprise to me," Afshar said. "I did not expect this kind of drop."

Those numbers may signal a cooling ahead, but development, air traffic and employment are humming regionwide.

It's all blue skies at LVIA, where year-over-year passenger traffic has increased 18 consecutive months, taking numbers to heights the airport hasn't seen since 2011.

"We've certainly seen growth in the travel and leisure markets," Stoudt said. "We still see this thing chugging upward."

And Development is right with it, Bradley said – for now.

"The amount of development activity has been up," Bradley said. "When it's this good, it's usually a sign that it's hitting a plateau. So, you may be looking at an economy at the top of the hill."

That makes sense, Afshar and Pfunder agreed. The national economy has been on a 118-month climb since the recession, challenging the record 120-month expansion that began in 1991.

"I think some companies are resting a little bit," Pfunder said. "We expected that 2019-2020 would be a little slow down in hiring, but long-term growth should be strong."

The key, Pfunder and Bradley agreed, will be adapting to a new industrial revolution in which innovations such as autonomous vehicles, robot technology, 3D printed bridges and ultra-efficient manufacturing will bring a sea change to employment.

“We’re on the edge of a really interesting frontier,” Bradley said. “Every vehicle company has said they’re committed to electric vehicles. We’re in the midst of a transportation revolution.”

There will be fewer low-skill jobs, creating an opportunity to those willing to get the right training – an opportunity the Lehigh Valley is well-positioned to take advantage of.

“Technology will be more important than cheap labor,” Pfunder said. “That’s good for the U.S., bad for Mexico.”

The key, Bradley said, is planning today for the economy of tomorrow. The LVPC is drafting FutureLV: The Regional Plan, which will serve as a blueprint carrying the region through 2045. Due this fall, FutureLV will not only recommend future land use policies, but present a roadmap for \$2.8 billion in regional transportation funding for more than two decades. That requires forecasting where the more than 4,000 new residents who arrive every year will live, where all those new people will work and where investments should be made to handle a changing region.

“Economies run in cycles. What’s happening is part of a natural cycle,” Bradley said. “Our task is knowing where we go from here.”