

## ECONOMIC ADVISORY COMMITTEE MEETING NOTES

July 8, 2024

### Committee Members Present

Dr. Anirban Basu – Chairman

Joe Gonzales – Labor

Matt Copeland – Commercial Real Estate

Andrew Michael – Commercial Banking

David Uhlfelder – Accounting

Dr. Michael Galiazzo – Manufacturing

Todd Marks – Technology

### Council Member Present

Honorable Izzy Patoka

### Staff Present

Lauren Smelkinson

Carrie Vivian

Reginald Sullivan

### Chairman's Briefing

Dr. Basu presented an economic briefing entitled “The Good, The Bad, & The Ugly.”

Noted highlights were as follows:

- U.S. GDP increased 1.4% in 2024:Q1. The Atlanta Federal Reserve estimates GDP to increase 2.2% in 2024:Q2.
- Inflation has impacted consumers' pandemic-era savings. Consumer spending on experiences, such as travel, has been strong.
- The U.S. labor market remains strong, but the pace of hiring has slowed. There were 8.1 million job openings in April 2024, a decline from 8.8 million openings in February 2024 but still above pre-pandemic job openings, as employers struggle to fill positions.
- U.S. monthly job growth continued to exceed expectations, with 272,000 net new jobs in May 2024 and an unemployment rate of 4.1% in June 2024.
- Maryland continued to lag in its economic recovery from the pandemic. Comparing February 2020 to May 2024, Maryland lost 26,400 jobs (-0.9%); in contrast, the U.S. added 6.2 million jobs (4.1%). While the Leisure & Hospitality (-18,600 jobs) sector was hit the hardest, the Government and Professional and Business Services sectors added 24,500 and 15,400 jobs, respectively. In April 2024, Maryland's unemployment rate was 2.6%; the U.S. unemployment rate was 3.9%.
- The Baltimore-Columbia-Towson MSA experienced a 0.2% employment increase (2,400 jobs, including those lost from the Key Bridge collapse) from February 2020 to May 2024 and a 2.7% unemployment rate in April 2024, ranking the third-lowest for employment growth and fourth-lowest for unemployment among the 25 largest

U.S. metropolitan areas. Dr. Basu noted the American south as the dynamic growth center with Dallas-Fort Worth-Arlington, TX ranked first for employment growth (11.7%).

- The Baltimore County labor force (those employed or looking for work) has fallen steadily, and as of the start of 2024, stood at 14% of the total Maryland labor force. In April 2024, Baltimore County's unemployment rate was 2.8%, ranking 12<sup>th</sup> lowest and tied with three other Maryland jurisdictions – Charles, Talbot, and Washington counties.
- Inflation has been stabilizing; in May 2024, the Consumer Price Index – All Items was 3.3% while core inflation (i.e., all items less food & energy) was slightly higher at 3.4%. Comparing May 2020 and May 2024, overall CPI – All Items increased 22.5%, with energy and transportation services being the primary drivers, reflecting 58.5% and 46.1% increases, respectively.
- U.S. credit card debt spiked to \$1.13 trillion in 2023:Q4, and Dr. Basu noted that this creates some vulnerability in a consumer-led economy.
- The federal funds target rate (upper limit) has remained at 5.5% since July 2023, no change as of the last seven meetings of the Federal Open Market Committee.
- For the week ending June 27, 2024, the 15-year and 30-year fixed mortgage rates were 6.16% and 6.86%, respectively.
- In May 2024, the County's months of housing inventory was 1.5, unchanged from May 2023. Dr. Basu noted the impact of a tight housing market on employment.
- Dr. Basu maintained his expectation of a mild recession at some point in 2024/2025 despite there being confidence in the financial markets.

### Labor

Mr. Gonzales reported:

- Employers are taking longer to hire.
- Over the last few years, many workers improved their positions (income, title, flexibility) and are satisfied, and therefore are not looking to change jobs. He also noted many are focused on quality of life rather than climbing the professional ladder.

Discussion ensued regarding remote work.

### Commercial Banking

Mr. Michael reported:

- The commercial lending industry is steady but not growing.
- There is some hesitance to lend, particularly in real estate.
- A recent “stress test” for banks went well.

Discussion ensued regarding the market for private credit.

## Commercial Real Estate

Mr. Copeland reported:

- There is essentially no retail development in the County, and vacancy rates are the lowest he has seen.
- Retail stores (e.g., Walmart, Dollar Tree, grocery stores) are experiencing shrinkage in inventory, and he noted the closure of several stores and stores removing self-checkout.
- Multifamily housing construction has slowed.

Discussion ensued regarding costs of complying with environmental regulations to make buildings energy efficient and State assistance with the costs.

## Accounting

Mr. Uhlfelder reported:

- The 2017 tax cuts will soon expire.
- The accounting sector is “quiet” anticipating the upcoming presidential election.

Discussion ensued regarding the future of the County’s public school system and the County’s economy.

## Manufacturing

Dr. Galiazzo reported:

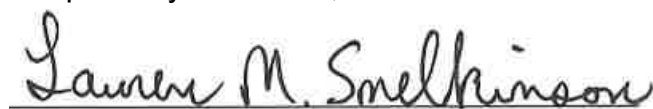
- There are significant opportunities for the County’s Department of Economic and Workforce Development regarding manufacturing in the County.
- Technology will play an important role in helping the State become more competitive in the manufacturing sector.

Discussion ensued regarding how to make the State more competitive.

## Technology

Mr. Marks discussed his views on how public schooling should change to better meet the needs of a knowledge economy (e.g., teach entrepreneurship, AI).

Respectfully submitted,



Lauren M. Smelkinson, County Auditor

Staff to the Baltimore County Economic Advisory Committee