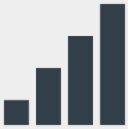
Allentown, PA

Headlines

- The Allentown-Bethlehem-Easton, PA-NJ Metropolitan Statistical Area enters the second half of 2026 riding a wave of economic performance that has topped national, state, and regional peer markets for two straight years.
- The number of unemployed workers in the MSA has fallen by 8.5% since February's peak, which in turn has pushed the unemployment rate down to 4.2%.
- The nearby Scranton-Wilkes-Barre, PA MSA has also seen a turn for the better in its labor market since the start of this year, although not quite as strong as in Allentown.
- Home values in the Allentown MSA have posted above-average growth since the U.S. housing market reset following the COVID-19 pandemic-induced spike in demand.

KEY FACTS

Population: 0.9 mil.
(ranked 89/411 MSAs)
Source: Bureau of Census; Moody's Analytics



GDP: 2.5%
(ranked 168/411 MSAs)
Source: Bureau of Economic Analysis; Moody's Analytics

Job Growth: 0.7%
(ranked 124/411 MSAs)
Source: Bureau of Labor Statistics

HPI Growth: 4.0%
(ranked 127/411 MSAs)
Source: CoreLogic, Inc.; Moody's Analytics

"Allentown is also benefiting from some of the strongest labor force gains in the U.S.; labor force growth of greater than 2% over the past year puts Allentown in the top 4% of MSAs."

The Allentown-Bethlehem-Easton, PA-NJ Metropolitan Statistical Area (MSA) enters the second half of 2026 riding a wave of economic performance that has topped national, state, and regional peer markets for two straight years. Hiring in Allentown has been strongest in the market's largest industries, education and health services (23% of total employment) and professional and business services (13%). Manufacturing and transportation have lost jobs over the past year but are set to benefit from a national resurgence in hiring in these industries in the second half of 2026. Allentown is also benefiting from some of the strongest labor force gains in the U.S.; labor force growth of greater than 2% over the past year puts Allentown in the top 4% of MSAs (see Figure 1). Strong labor force growth creates optimism that the area can sustain its strong recent economic gains.

Allentown's unemployment rate has been falling through the first half of 2026, according to the Bureau of Labor Statistics (BLS). Even as the labor force has been expanding, the number of unemployed workers in the MSA has fallen by 8.5% since February's peak, which in turn has pushed the unemployment rate down to 4.2% from a recent peak of 4.9% in August 2025. The local unemployment rate is now even with the national rate, after being above it since late 2024. Although the Allentown area joblessrate is higher than the exceptional troughs during the bounce back from the COVID-19 pandemic, it is back in line with the market's pre-pandemic trend.

This low rate is occurring simultaneously with a rapidly growing workforce, meaning that new job market entrants in Allentown are finding opportunities. These attractive hiring trends will enable Allentown to continue its recent economic gains thanks to the virtuous cycle of job creation, income creation, and stronger local consumer spending that will complete the circle to create more local jobs.

The nearby Scranton-Wilkes-Barre, PA MSA has also seen a turn for the better in its labor market this year, although not quite as strong as in Allentown. The Scranton-Wilkes-Barre unemployment rate rose consistently from mid-2024 through the start of this year, ultimately topping 5%. Both that rate and the total number of unemployed workers were flat through the first half of this year, indicators that the labor market is no longer deteriorating.

Stronger hiring in manufacturing should help Scranton-Wilkes-Barre, in particular, in the second half of this year. Manufacturing accounts for more than 11% of total employment in that market, above both the Pennsylvania (9%) and U.S. (8%) shares.

Weak wage growth has been part obstacle, part blessing for the Allentown and the northeastern Pennsylvania local economies. Average hourly earnings in Allentown are down by 3.2% versus one year ago. The local economy's fast-growing labor force is a significant contributor to this result as there is little need for businesses to raise wages to attract and retain workers given an ample labor supply. Weak wage growth helps local businesses as they expand to meet healthy consumer demand, whether local or from outside of the region. However, weak wage growth in Allentown also comes at a time when high inflation continues to eat away at household balance sheets. U.S. manufacturing activity is beginning to strengthen, however. Average hourly earnings in manufacturing are generally above average, and an improvement in manufacturing employment should support stronger near-term income growth in Allentown.

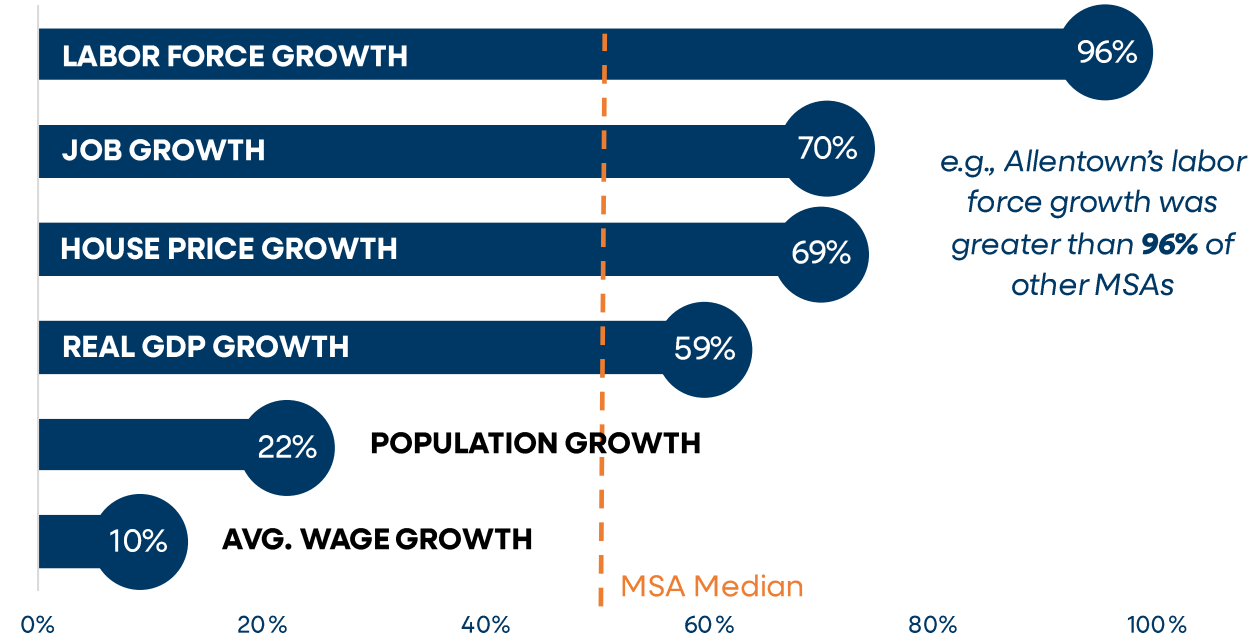
One sign that households are weathering recently softer wage growth is that **home values in the Allentown MSA have posted above-average gains since the U.S. housing market reset following the COVID-19 pandemic-induced spike in demand**. The CoreLogic, Inc.'s Case-Shiller House Price Index in Allentown is up by 4.3% versus one year ago, compared to 3.4% for Pennsylvania and just 1.1% for the

U.S. Allentown's home price appreciation trend has historically followed the state's, with both running below U.S. aggregate growth. The recent reversal in this relationship is an indication that demand remains stable. Temporarily weak wage growth has not been enough to douse the local market's affordability advantages and the new demand that it has enjoyed as a result of robust local job creation.

Allentown's all-around attractiveness as an economic option is demonstrated in its demographic trends. The market's growth in what has traditionally been considered the working-age population has outperformed benchmark averages in growth terms over the past ten years. That growth gap even widened through the upheaval of the COVID-19 pandemic. The number of Allentown residents aged 20 through 64 grew by 2.2% from 2019 through 2025, according to U.S. Bureau of Census estimates. This compares with the local economic hegemon, Philadelphia, at 0.9%, the Pennsylvania state average at a decline of 3.4%, and the national average of 1.5% more working-age members of the population. Allentown's stark turnaround from a decline of 5.3% in this demographic from 2005 through 2015 bodes well for the local economy's future growth potential, supplying businesses in the market with a pool of prime working-age workers to fulfill their labor needs.

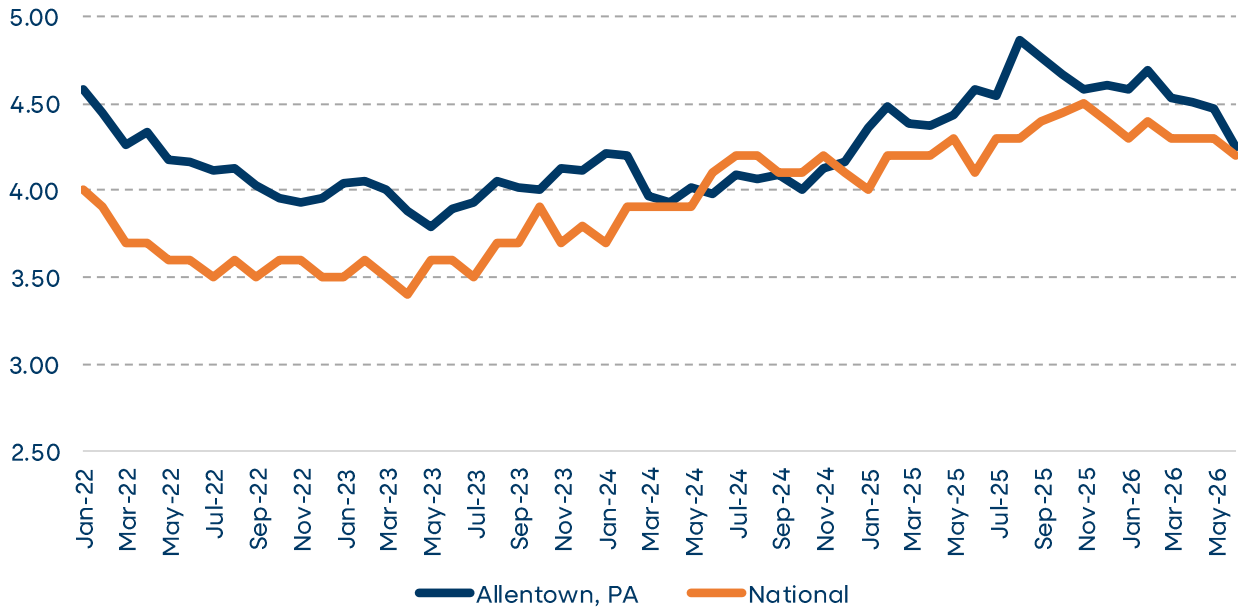
Key Charts and Figures

Figure 1: Key Metric Percentiles – Allentown, PA vs. the Rest of the Country



Sources: Bureau of Economic Analysis; Moody's; Bureau of Labor Statistics; CoreLogic, Inc.; U.S. Census Bureau

Figure 2: Unemployment Rate: Allentown, PA vs. National Average*



Sources: Bureau of Labor Statistics

*The October 2025 unemployment rates are an approximation. The official figures were not published due to the federal government shutdown during that month.

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