
Tracking the Economy

– Eric Makela, Economist, and other LBO staff

Overview

The economy continues to advance, but growth is slower than earlier in the year. Nationally, growth of total nonfarm payrolls in September was the slowest this year, while the unemployment rate fell to its lowest level since March 2020. Aggregate industrial production continues to climb and as of August 2021 was 5.9% above its level a year prior. Inflation adjusted gross domestic product (real GDP) rose at a seasonally adjusted 6.7% rate in the second quarter of 2021. Consumer prices increased 0.3% in August, a brisk pace but down from larger increases in each of the previous six months. The central bank's Federal Open Market Committee (FOMC) met in late September to debate the nation's monetary policy. The Committee kept its target short-term interest rate at its current very low level, but members expect to raise interest rates sooner than they anticipated earlier this year, possibly starting next year.

The seasonally adjusted number of jobs in Ohio decreased by 2,400 in August, with job gains in the goods-producing sector outpaced by losses among employers in the service sector. The state unemployment rate was 5.4% during the month, unchanged from July. Real GDP in Ohio increased at a seasonally adjusted annual rate of 5.2% in the second quarter of 2021, a pace consistent with economic recovery but below the national rate of growth. Wage and salary incomes continue to rise and increased at a 7.2% annualized rate in the second quarter of 2021. Residential housing unit sales and sale prices increased in August 2021, based on Ohio Realtors data. Employers in the vast majority of industries have yet to recoup pandemic-induced job losses, and as of August aggregate nonfarm payrolls remained a seasonally adjusted 264,000 workers, or 4.7%, below their levels in the month prior to the pandemic shutdowns in Ohio.

The National Economy

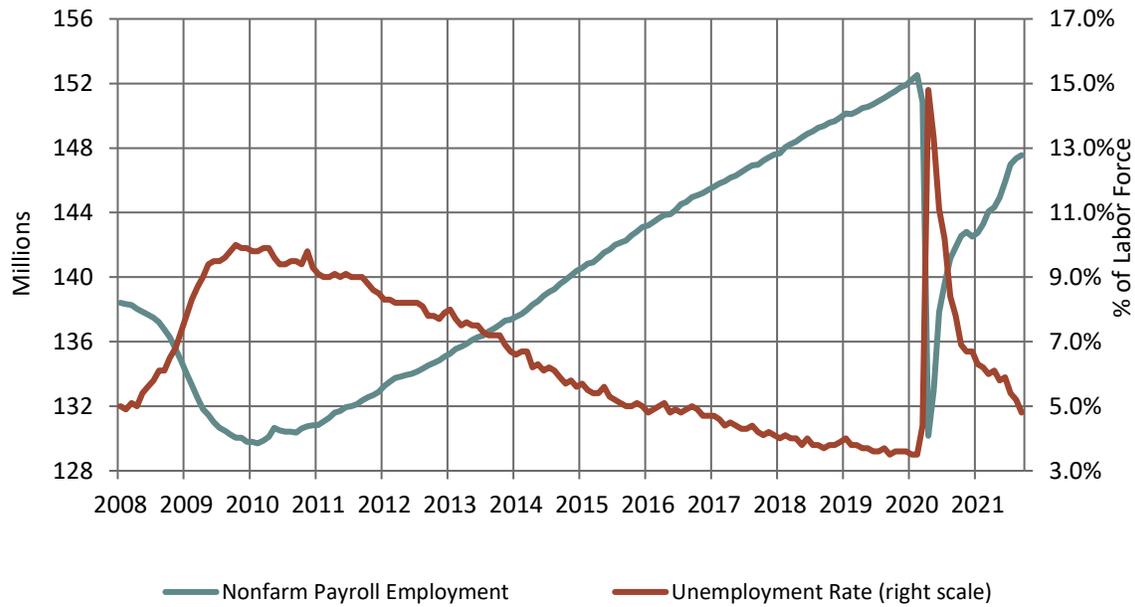
Employment growth in the nation slowed further in September. Total nonfarm payroll employment rose 194,000, seasonally adjusted, following larger monthly increases earlier this year. The nationwide average unemployment rate fell to 4.8% in September, its lowest level since March 2020 (survey conducted in the second week of the month, before many of the pandemic shutdowns were put in place). U.S. employment and the unemployment rate are shown in Chart 5.

Nonfarm payrolls in September were up more than 17 million employees from the 2020 recession trough but remained nearly five million below the peak in February 2020. In September, employment gains were reported in numerous private-sector industry groups, including the leisure and hospitality sector (+74,000), professional and business services (+60,000), retailing (+56,000), transportation and warehousing (+47,000), information (+32,000), social assistance (+30,000), manufacturing (+26,000), construction (+22,000), wholesale trade (+17,000), and mining (+5,000). Seasonally adjusted, employment fell in September by 144,000 in local government education and by 17,000 in state government education, as seasonal hiring in the month was less than usual. The U.S. Bureau of Labor Statistics notes that staffing patterns in education have been distorted by the pandemic.

The number of people counted as unemployed in September totaled 7.7 million. Of these, 2.7 million had been out of work and actively looking for jobs for more than six months. This number continues to decline but is 1.6 million higher than in February 2020. Labor force

participation, people either employed or trying to find jobs, was 61.6% of the civilian noninstitutional population in September, down from 63.4% in January 2020. This decline corresponds to 3.1 million fewer people either employed or seeking jobs than at the beginning of last year. The labor force participation rate has fluctuated in a narrow range for the past 16 months. Employers continue to report difficulty hiring paid employees.

Chart 5: U.S. Employment and Unemployment



Real GDP increased at a seasonally adjusted 6.7% rate during the second quarter of 2021, according to the most recent data released by the Bureau of Economic Analysis.¹¹ During the quarter, consumer spending grew at a brisk 12.0% rate, as outlays on both goods (+13.0%) and services (+11.5%) rose at rates above their long-term trends. Business fixed investment and exports rose, while residential fixed investment and government spending contracted, and business drew down inventories. In the third quarter, total consumer spending through August slowed abruptly as outlays on durable goods declined. Motor vehicle sales dropped precipitously through September, depressed by supply issues.

Personal income decreased at a rapid 21.6% rate during the second quarter, as federal pandemic support programs were pared back. Much of the federal stimulus was disbursed early in 2021. Employee compensation grew in the second quarter at a 7.5% annual rate, and income growth continued in July and August.

Industrial production increased a seasonally adjusted 0.4% in August, held down by disruptions of oil and gas extraction and production in related manufacturing industries caused by Hurricane Ida. The Federal Reserve Board’s industrial production index (IPI) was 5.9% higher in August 2021 than in the same month last year. The aggregate IPI, including manufacturing, mining, and electric and gas utilities, was at its highest point in August 2021 since December 2019. The pandemic has stymied production of some products and encouraged production

¹¹ Growth percentages in this paragraph are all seasonally adjusted at annualized rates.

growth in others. More specifically, the IPIs for computers, video, and audio equipment (+22.2%), information processing equipment (+14.0%), defense and space equipment (+12.5%), and chemical materials (+8.6%) have signaled rapid growth between December 2019 and August 2021. Production of paper products (-10.6%) and energy materials (-4.9%) decreased during that time.

Consumer prices continue to rise, and the consumer price index (CPI) for all items was 5.3% higher in August 2021 than a year prior.¹² Year-over-year inflation measured by the CPI was driven by the rise in prices paid for energy (+25.0%),¹³ commodities (+9.0%), and services (+3.0%).¹⁴ In August, seasonally adjusted price increases were measured in many major expense categories: food (+0.4%), energy (+2.0%), services (+0.1%), commodities (+0.6%), and housing (+0.4%).¹⁵

The number of residential housing starts in the United States is on track to be higher in 2021 than in 2019 and 2020; the number of residential units on which construction began was 21.5% higher through August 2021 as compared with the previous year. On a seasonally adjusted basis, the monthly rate of housing starts increased 3.9% in August 2021 and was 17.4% above the number of housing starts in August 2020. On a national basis, the number of residential building permits¹⁶ issued and the number of residential units completed are also up year over year.

The FOMC last met on September 21 and 22 to discuss current and future economic conditions and to decide on appropriate monetary policy actions. In its press release, the FOMC reiterated the strong linkages between the economy and the pandemic's trajectory. At the end of its meetings, the Committee decided to retain the current range for the federal funds rate, between 0.00% and 0.25%. FOMC policy makers intend that the rate remain in this range until maximum employment in the economy is achieved and long-run inflation trends near 2%; the Committee did note the Federal Reserve System could moderate the pace of securities purchases in upcoming months.

The Ohio Economy

Total nonfarm payroll employment dipped by a seasonally adjusted 2,400 (-0.0%) jobs in August 2021 and results were mixed among industries. Within the private sector, goods-producing industries added workers during the month, as small gains in manufacturing (+900, 0.1%) and mining and logging (+100, 1.2%) outpaced losses in construction (-600, -0.3%). Within the private service sector, employment gains were greatest in professional and business services (+6,300, 0.9%) while decreases in employment were scattered among industries,

¹² The CPI for all items less the more volatile food and energy subcategories increased 4.0% over that time.

¹³ The energy category includes both commodities such as gasoline and fuel oil, as well as services such as electricity and consumer natural gas service.

¹⁴ The services category for the cost of shelter includes rent payments and owners' equivalent rent for a primary residence.

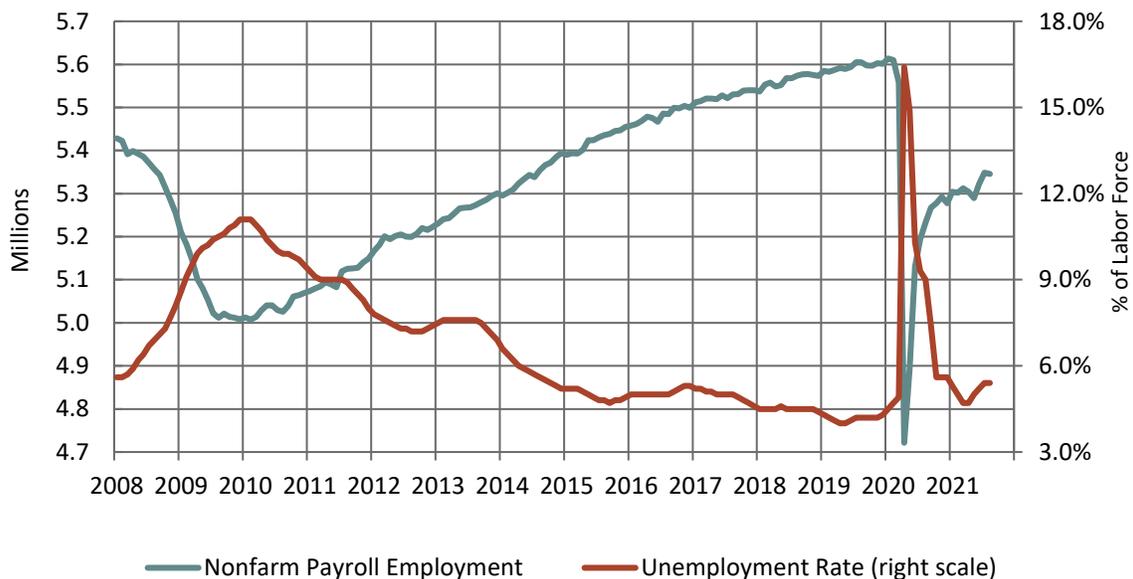
¹⁵ Not all categories presented here are mutually exclusive.

¹⁶ The Census Bureau's Building Permits Survey polls only jurisdictions which require residential building permits.

including educational and health services (-4,800, -0.5%), retail trade (-2,100, -0.4%), financial activities (-1,600, -0.5%), and leisure and hospitality (-1,500, -0.3%). Chart 6 displays the unemployment rate and nonfarm payroll employment in Ohio.

Nonfarm payroll employment in Ohio rose by 113,500 (2.2%) between August 2020 and August 2021, during which time the private sector added 115,800 jobs and government employers shed 2,300 positions in the state.¹⁷ Over the same year, employers in goods-producing industries added 19,500 (+2.2%) positions while employers in private service-providing industries accounted for 96,300 (+2.7%) additional jobs. The pandemic and subsequent containment measures continue to take their toll on the state. Between February 2020 and August 2021, private employers in only one major industry sector, transportation and utilities (+13,900, 5.6%), attained an industry-wide net gain in jobs. In August, the total number of jobs in the state was lower by 264,000 (-4.7%), as compared to February 2020, the month prior to the start of pandemic-related shutdowns.

Chart 6: Ohio Employment and Unemployment



The state’s seasonally adjusted unemployment rate remained unchanged at 5.4% in August, increased from the 12-month low of 4.7% in March and April 2021 but well down from 16.4% in April 2020. The number of labor force participants was nearly 5.64 million in August 2021, up from 5.54 million at the April 2020 recession trough but down from 5.90 million in February 2020.

Unemployment rates were down in August from elevated year-ago levels in all of Ohio’s metropolitan statistical areas (MSAs). The largest net changes in unemployment rates were in the Weirton-Steubenville and Youngstown-Warren-Boardman MSAs, where the unemployment rates dropped from 10.8% to 6.4% and from 11.2% to 6.8%, respectively. As of August, the MSA

¹⁷ Government employment totals are skewed by the decline in temporary 2020 Census workers; federal employment declined by 10,400 year over year.

with the lowest unemployment rate was Cincinnati, where 4.4% of the labor force was unable to find work. The table, below, summarizes the annual changes in unemployment rates for each of the state's metropolitan areas. More information on local area workforce statistics can be found via the Ohio Labor Market Information website.¹⁸

Metropolitan Area Unemployment Rates, not Seasonally Adjusted			
Metropolitan Area	August 2020	August 2021	12-month Change, Percentage Points
Akron	9.2%	5.3%	-3.9
Canton-Massillon	8.9%	5.2%	-3.7
Cincinnati, OH-KY-IN	7.9%	4.4%	-3.5
Cleveland-Elyria	8.1%	5.3%	-2.8
Columbus	8.4%	4.7%	-3.7
Dayton	9.1%	5.3%	-3.8
Huntington-Ashland, WV-KY-OH	8.1%	4.5%	-3.6
Lima	8.7%	5.3%	-3.4
Mansfield	9.1%	5.9%	-3.2
Springfield	8.8%	5.4%	-3.4
Toledo	9.9%	5.8%	-4.1
Weirton-Steubenville, WV-OH	10.8%	6.4%	-4.4
Wheeling, WV-OH	9.7%	5.4%	-4.3
Youngstown-Warren-Boardman, OH-PA	11.2%	6.8%	-4.4

Note: August 2021 MSA data are preliminary

Real GDP in Ohio grew at a seasonally adjusted 5.2% annual rate during the second quarter of 2021, following 3.5% growth during the year's first quarter. The rate of real GDP growth in Ohio in the second quarter was the slowest among its neighboring states and the

¹⁸ LAUS Home (ohiolmi.com).

slowest among states in the Great Lakes region.¹⁹ Production contracted in retail trade in the second quarter in every state and shrank in transportation and warehousing in nearly every state. During 2021's second quarter, the industry contributing most to GDP growth in Ohio was accommodation and food services, followed by manufacturing; professional, scientific, and technical services; the information industry; real estate, rental, and leasing; and finance and insurance.

The personal income of Ohioans reached an all-time peak in the first quarter of 2021, bolstered by a jump in transfer receipts from several federal stimulus packages. Seasonally adjusted personal income tumbled in the second quarter, though the wage and salary component continued its post-pandemic growth, rising at a 7.2% annualized rate.

According to Ohio Realtors, the number of unit home sales in the state was up by 7.3% in the YTD through August 2021, from a year prior. The average sale price so far this year was 14.1% higher than a year earlier. Through the first eight months of the calendar year, the total dollar volume of residential sales was 22.5% higher in 2021 than during 2020. The dollar volume and average sale price appear to be at all-time highs in 2021, and unit sales volume may also be at an all-time high, based on Ohio Realtors data compiled by LBO since 2000.

¹⁹ As classified by the Bureau of Economic Analysis, the Great Lakes region includes Ohio (+5.2% annual rate of growth in the second quarter), Illinois (+6.8%), Indiana (+6.1%), Michigan (+8.3%), and Wisconsin (+5.7%).