Tracking the Economy

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Overview

The U.S. economy continues to expand on the strength of the service sector. Industrial production remains below a peak at the end of 2018. In September, 136,000 workers were added to nonagricultural payrolls and the national unemployment rate decreased to 3.5%, lowest since 1969. Real GDP grew at an annualized rate of 2.0% in the second quarter of 2019. Inflation remains low.

In Ohio, total nonfarm payroll employment through August remained below a peak reached in January, seasonally adjusted. However, a broader measure of total Ohio employment, estimated separately in conjunction with unemployment, continued to grow each month this year. Payroll employment increased by 3,700 in August, but the state's unemployment rate increased by 0.1 percentage point to 4.1%. Personal income in Ohio rose at an annual rate of 4.5% in the second quarter of 2019, trailing the national average.

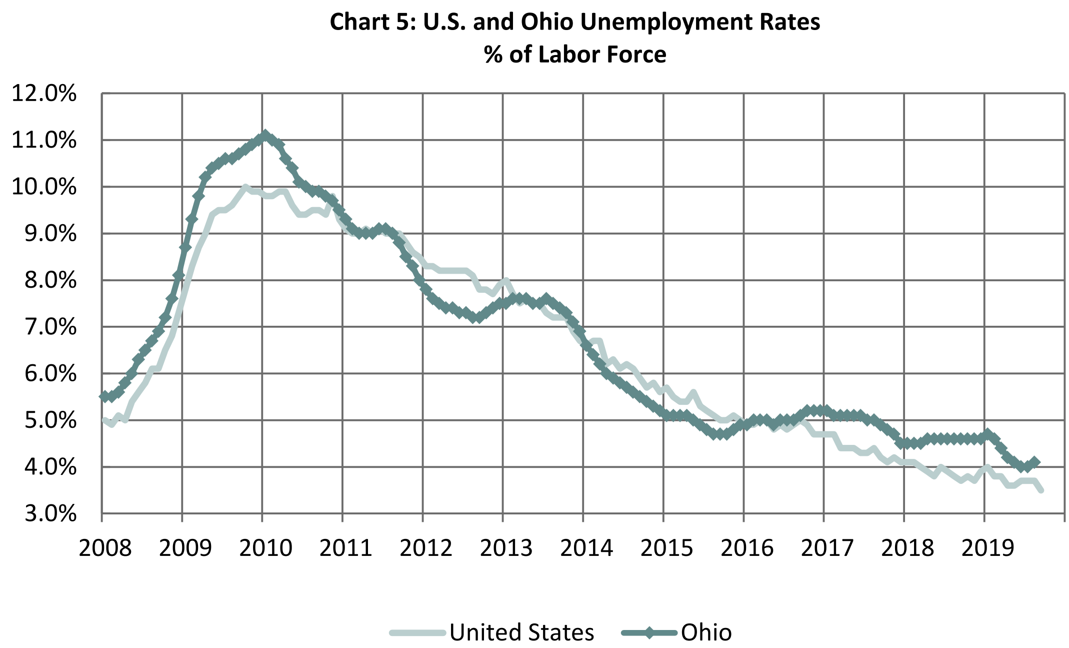
At its September meeting, the Federal Open Market Committee (FOMC), the monetary policy-setting group in the central bank, lowered its short-term interest rate target by 0.25 percentage point to a range of 1.75% to 2.0%. The reduction was the second cut this year following nine increases starting in 2015. In the press release following the September meeting, the FOMC said it acted "[i]n light of the implications of global developments for the economic outlook as well as muted inflation pressures." The median forecast of meeting participants was for no further net change in the interest rate target through the end of calendar year 2020. As of October 7, however, federal funds futures pricing indicated a widespread expectation of another 0.25 percentage point rate cut when the FOMC meets later this month.[11]

The National Economy

The national unemployment rate declined by 0.2 percentage point in September, to 3.5%, the lowest since 1969, according to the Bureau of Labor Statistics. The number of unemployed persons nationally was approximately 5.8 million in September, and the labor force participation rate – defined as the number of employed persons plus persons not employed and looking for work, divided by the noninstitutionalized population – remained level at 63.2%. A comparison of the national and state unemployment rates can be viewed in Chart 5. The rate of unemployment for Ohioans has been greater than the nationwide average since April 2016.

The national economy gained 136,000 nonfarm payroll employees in September, below the average 2019 per-month job growth of 161,000. Employment rose in health care (+39,000), professional and business services (+34,000), government (+22,000), and transportation and warehousing (+16,000). In addition, employment data from July and August were revised upward by a total of 45,000, indicating stronger job growth than previously reported during those months. A comparison of national and state nonfarm payroll employment can be viewed in Chart 6.

[11] https://www.cmegroup.com/trading/interest-rates/countdown-to-fomc.html.



Real GDP rose at a 2.0% annual rate in the 2019 second quarter in the third estimate from the BEA. Consumer spending increased at a 4.6% rate and government spending increased, but other components of final demand fell including exports and both nonresidential and residential fixed investment. Businesses added to inventories at a slower rate in the second quarter than in the year's first three months. Monthly data show real consumer spending continued to rise in July and August, though not as rapidly as in the second quarter.

Light vehicle sales rose a seasonally adjusted 1.1% from August to September, with monthly increases of 1.0% or greater in both the auto and light truck categories. From September 2018 to September 2019, auto sales decreased 11.0%, while light truck sales increased 4.0%. The pace of light vehicle sales remained 2.0% to 3.0% below the recent peak in 2016. The market for new vehicles is likely to continue to favor light trucks according to the National Automobile Dealers Association.

Industrial production rose 0.6% in August as manufacturing output (75% of the total index) rose 0.5%. The indexes remained lower than levels early this year, which were below peaks at the end of 2018. Mining output recovered in August from cuts in oil extraction in July because of Hurricane Barry.

According to the Institute for Supply Management (ISM), activity in the manufacturing sector declined in September, the second straight month of contraction measured by ISM's purchasing managers index (PMI).[12] Reports of declines in production and employment in the manufacturing sector were more widespread in September among surveyed purchasing executives than in August. ISM's nonmanufacturing index registered

[12] ISM's PMI combines measures of production, new orders, inventories, employment, and timeliness of supplier deliveries.

increases in new orders, employment, and overall activity in the month of September, although data indicated slower growth compared to the prior month.[13]

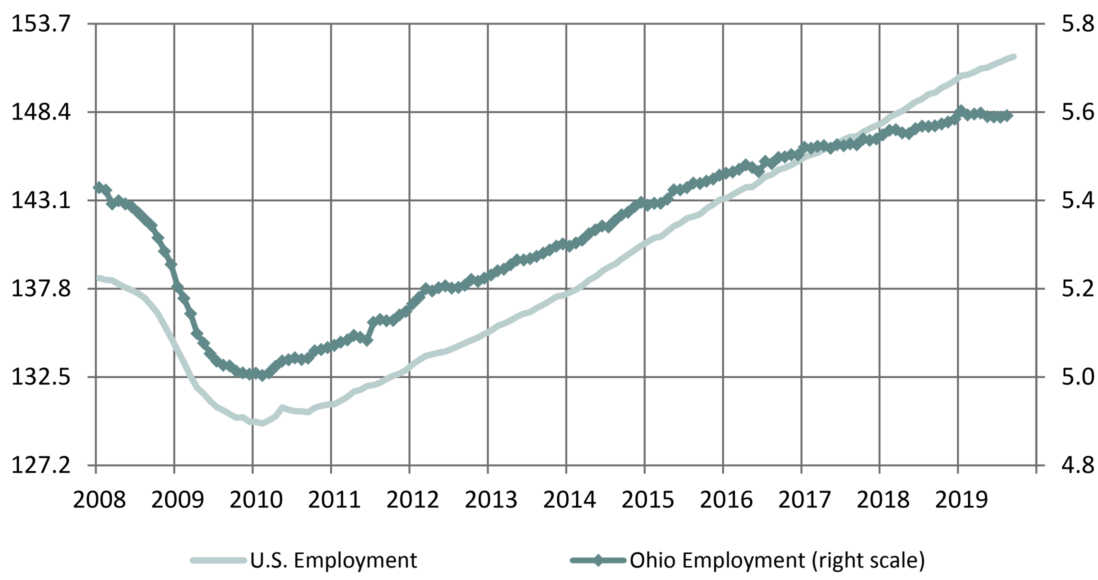
The consumer price index (CPI) rose 0.1% in August, held down by a 1.9% drop in energy prices. Gasoline prices fell 3.5% after rising 2.5% in July. Food prices were unchanged for the third consecutive month. Compared with prices a year earlier, the CPI for all items was 1.7% higher, and excluding volatile food and energy prices increased 2.4%, the largest 12-month rise since July 2018. A related measure, the personal consumption expenditures price index, was 1.4% higher in August than a year earlier and 1.8% higher excluding food and energy prices.

The Ohio Economy

Total nonfarm payroll employment in Ohio rose 3,700 (0.1%) from July to August, and was 24,800 (0.4%) higher than a year earlier. The statewide average unemployment rate rose to 4.1% in August, up from 4.0% in June and July, lowest since 2001. Trends in Ohio unemployment and employment are shown in charts 5 and 6.

As Chart 6 indicates, Ohio employment measured by nonfarm payrolls was little changed through this year's first eight months, seasonally adjusted. Nonfarm payroll employment in August was 0.2% lower than the recent peak in January.[14] Employment was down in construction; manufacturing; transportation, warehousing, and utilities; and wholesale trade from peak levels in late 2018 and early 2019. The number of retail jobs continued a slide underway since 2016, with declines across most lines of business but largest at general merchandise stores, followed by clothing stores. Employment in health care and social assistance rose but more slowly than in recent years. Employment grew in professional and business services, and in leisure and hospitality.

Chart 6: U.S. and Ohio Nonfarm Payroll Employment (in millions)



[13] The nonmanufacturing index is based on a survey of organizations in all private industries other than manufacturing, as well as in public administration.

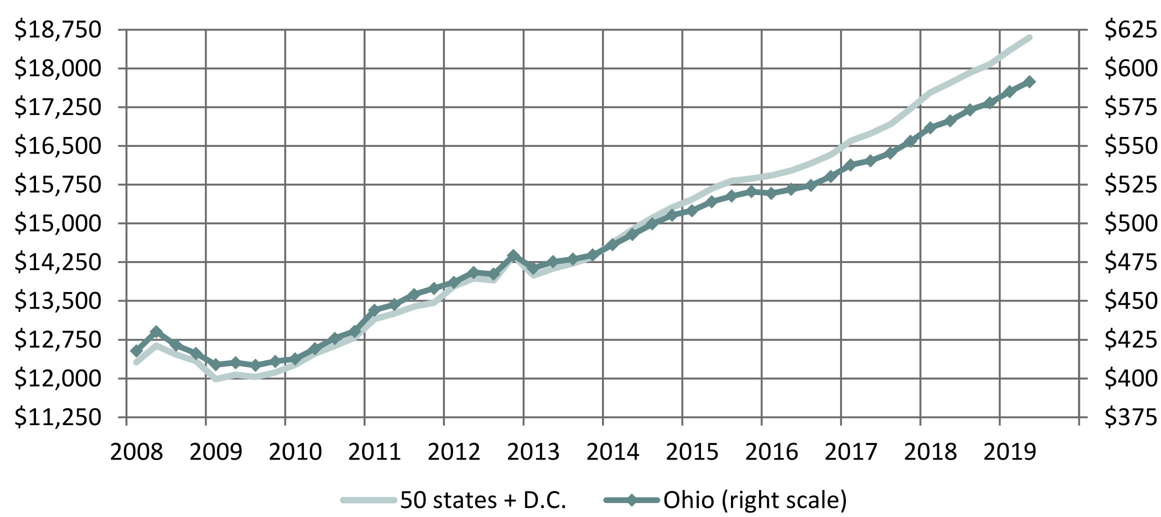
[14] The all-time peak for Ohio nonfarm payroll employment was in 2000.

This year's decline in unemployment appears to reflect greater success in finding jobs. Total employment in Ohio, more inclusive[15] than the nonfarm payroll employment discussed in the previous paragraph, rose about 83,000 or 1.5% from January to August. The acceleration shown by total employment contrasts sharply with the deceleration indicated by the nonfarm payroll numbers. The two employment estimates, based on separate surveys, sometimes give differing indications regarding the state of labor markets. Unemployment fell 31,000 from January to August.

Between August 2018 and August 2019, the unemployment rate remained the same or decreased in ten of the 12 defined metropolitan statistical areas (MSAs) which include Ohio subdivisions. The Cleveland-Elyria MSA had the largest decrease in its unemployment rate over the period, from 5.1% to 4.1%, followed by the Toledo MSA, from 4.9% to 4.4%. Unemployment rates increased in Dayton (to 4.3%) and in Youngstown-Warren-Boardman (to 6.0%) over the year. Year over year, the number of labor force participants increased in all MSAs which include Ohio subdivisions.

Personal income in Ohio rose at a 4.5% annual rate in the 2019 second quarter. This compares with a 5.4% annual rate of increase in personal income in all 50 states plus the District of Columbia (D.C.). Most of the fastest growing states were in the West, followed by those on the East Coast. Personal income includes the income of all state residents from employment, ownership of business or financial assets, and transfers. The statistic excludes capital gains and losses. As shown in Chart 7, growth of personal income in Ohio has generally trailed that of the nation during the past six years, by about one percentage point on average, after more nearly matching that nationwide in the recovery years immediately after the 2007-2009 recession. Ohio personal income was 3.2% of that for the 50 states and D.C. in the latest quarter.[16]

Chart 7: Personal Income
Billions of Dollars, Seasonally Adjusted Annual Rates



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[15] Employment totals released with the unemployment estimates include farm employment and self-employed persons.

[16] Personal income in the 50 states plus D.C. differs from personal income in the national accounts due to differing treatment of incomes of U.S. residents working abroad and foreign residents working in the U.S.

Unit sales of residential real estate in Ohio during August were 2.0% lower than a year earlier, according to an Ohio Realtors' report. For the first eight months of 2019, unit sales were 0.5% lower than a year earlier. In all of 2018, unit sales were 1.0% below those in peak year 2017. The average price for home purchases closed during January-August 2019 was $194,811, 6.3% higher than a year earlier, continuing an uptrend underway since 2012.