Tracking the Economy

– Jean J. Botomogno, Principal Economist

Overview

The economy downshifted at the start of 2022 from a combination of factors: elevated inflation, cutbacks in monetary stimulus, expiry of pandemic-related federal income support programs, and war in Europe. Inflation-adjusted gross domestic product (real GDP) contracted by 1.5% during the first quarter, according to the most recent estimate from the U.S. Bureau of Economic Analysis (BEA). On the other hand, nationwide nonfarm payroll employment continued to rise, by 390,000 in May, and unemployment remained low at 3.6% of the country’s labor force.

The Federal Reserve, the nation’s central bank, continued its aggressive steps in the fight against a 40-year-high inflation. In its meeting last month, the Federal Open Market Committee of the Federal Reserve (the Fed) raised its target short-term interest rate for federal funds by half a percentage point, after a quarter percentage point increase in March, and signaled plans to raise the target rate, perhaps by half a percentage point, in each of June and July. On June 1, the Fed started shrinking its balance sheet and the money supply by allowing U.S. Treasuries and mortgage bonds to mature every month without investing the proceeds, which will tend to boost longer-term interest rates. By all these actions, the Fed is hoping to cool demand to moderate price pressures.

Employers in Ohio added a seasonally adjusted 9,500 workers in April, increasing nonfarm payroll by 0.2%. The state’s unemployment rate fell to 4.0%, lowest since June 2019. The number of existing home sales in the state decreased in the first four months of 2022, compared to a year earlier, while the average sales price increased more than 9%. Economic activity in the region continued to expand, but recent business activity decelerated “as firms grappled with ongoing supply chain challenges, tight labor market conditions, and escalating costs” according to the Fed’s most recent Beige Book report.

The National Economy

The economy extended a yearlong streak of strong employment gains in May. Total nonfarm payroll employment rose by 390,000 (0.3%), 333,000 of them in the private sector, to 151.7 million. The total remained 822,000 (0.5%) below its February 2020 peak. Employment gains in May were particularly large in leisure and hospitality, 84,000; professional and business services, 75,000; and education and health services, 74,000. Employment in retail trade declined by 61,000. Employment increased in goods-producing industries by 59,000, more than half of the rise due to construction. The nation’s unemployment rate in May was 3.6% of the labor force, for the third month in a row, and near its prerecession low of 3.5% in early 2020. The number of unemployed persons was just under six million. Those not in the labor force totaled 99.3 million in May; of that number, 5.7 million wanted a job. Labor force participation, the share of the working-age population (age 16 and over) either employed or actively looking for jobs, edged up to 62.3%, from 62.2% in April.

12 Individuals in this category are not counted among the unemployed because they had not actively looked for work during the four weeks before they were surveyed.
Total nonfarm payroll employment is shown in Chart 5. The unemployment rate is shown in Chart 6. Both charts show data through May for the nation and through April for Ohio.

Statistics on job openings and on voluntary separations from employment suggest labor markets remain unusually tight. The number of job openings nationwide decreased to 11.4 million at the end of April, 455,000 (3.8%) below March’s level. Large numbers of job openings were reported in professional and business services, 2.2 million; health care and social assistance, 1.8 million; accommodation and food services, 1.3 million; retailing, 1.1 million; and other fields. Compared to March, job openings fell in health care and social assistance (266,000), retail trade (162,000), professional and business services (149,000), and accommodation and food services (113,000). Partially offsetting those decreases, job openings rose for manufacturing (119,000) and transportation, warehousing, and utilities (97,000). A high number of people continued to leave their jobs. In April, 4.4 million persons quit, a number near (2% below) a record high last November (data published since 2000). More individuals in the South region (1,866,000) voluntarily separated from their jobs than in the Northeast region (587,000).

Nationwide, the industrial production index increased 1.1% in April 2022, the fourth consecutive month of gains of 0.8% or greater, and the index was 6.4% above its level in April 2021. Manufacturing output rose 0.8% in April and was 5.8% above its year-earlier level, with advances in indices for both durable and nondurable goods manufacturing. Mining output rose 1.6% and was 8.6% higher than in April 2021. Output of utilities rose by 2.4% in April, reflecting increases of 2.1% and 4.4%, for electric and natural gas sectors, respectively. Compared to last year, output of all utilities rose 7.5%, with output for electric utilities increasing 8.9%, while that of natural gas falling by 0.2%.

In May, BEA reported that the country’s real GDP fell 1.5% at an annual rate in the first quarter of 2022 in the most recent estimate for this statistic, the first decline in this measure since the 2020 recession. (The statistic was revised from a decrease of 1.4% in the initial report in April.) In the fourth quarter of 2021, real GDP rose at a 6.9% rate. The decrease in first-quarter real GDP reflected decreases in private inventory investment, exports, and government spending. Imports, which are a subtraction in the calculation of GDP, increased. Personal consumption expenditures (PCE) and nonresidential and residential fixed investment also increased.

Domestic production of goods (i.e., tangible products) declined in the quarter, while goods imports rose strongly. U.S. provision of services continued to expand in the quarter, but production of structures fell for the fourth consecutive quarter. Nominal (current dollar, i.e., not adjusted for inflation) GDP rose 6.5% at an annual rate in the latest quarter. However, prices rose more rapidly, as the GDP price index increased at an 8.1% annual rate in the first quarter of 2022, and the PCE price index rose at a 7.0% rate.

Final demand grew in the first quarter of 2022, as real consumer spending rose at a 3.1% annual rate, due to a rise of 4.8% in the demand for services. Real nonresidential fixed investment increased at a 9.2% rate, on rising outlays for equipment and intellectual property, though business investment in structures contracted for the fourth consecutive quarter. The increase in real residential fixed investment was more muted, a gain at a 0.4% annual rate. Increases in these final demand components were partially offset by declines in real government spending (-2.7%) and real exports (-5.4%).
Monthly data show real consumer spending expanding each month this year. In April, real PCE (at a seasonally adjusted rate) grew $91.1 billion (0.7%). Current-dollar PCE increased $152.3 billion (0.9%) in April, reflecting increases of $48.6 billion (0.8%) in spending for goods and $103.7 billion (0.9%) for services. Within goods, increases were widespread across most components, except for gasoline and other energy goods; spending for motor vehicles and parts was the leading contributor to the increase. Within services, increases were also widespread across most components, led by accommodation and food services, and transportation.

The consumer price index (CPI) increased 0.3% in April, well below the 1.2% rise the previous month. Over the last 12 months, the CPI rose 8.3%. Increases in the indices for shelter, food, airline fares, and new vehicles were the largest contributors to the CPI’s seasonally adjusted monthly rise. However, the energy index declined. Excluding food and energy, the CPI rose 0.6% in April, higher than the 0.3% increase in March. Price increases were widespread among most expenditure categories. However, used cars prices have started to soften. For the 12 months ending in April, energy prices rose 30.3% and the food index increased 9.4%, the largest 12-month increase since the period ending April 1981.

A related measure closely watched by the Fed, the PCE price index, rose 0.2% in April, down from an increase of 0.9% in March, and was 6.3% higher than a year earlier. Excluding food and energy, the PCE price index was up from a year ago by 4.9% in April, after a 5.2% year-over-year increase in March.

Chart 5 shows U.S. and Ohio nonfarm payroll employment.

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13 Real consumer spending measures are in 2012 dollars.
Chapter 6 shows U.S. and Ohio unemployment rates.

The Ohio Economy

Ohio’s employment increased in April 2022, and the state’s unemployment rate decreased for the fourth consecutive month. For the month, Ohio’s unemployment rate was 4.0%, down from 4.1% in March. This was the lowest unemployment rate since June 2019. The record low was 3.8% in January to March 2001, in records kept since 1976. Compared to a year ago, Ohio’s unemployment rate was 5.6% in April 2021. The number of unemployed Ohioans was 233,000 in April, down from 237,000 in March, and a decrease of 88,000 in the last 12 months. In comparison, the U.S. unemployment rate was 3.6% in April, unchanged from March, but down from 6.0% in April 2021. Chart 6 above shows trends in unemployment rates for the state and the U.S. since January 2018. As shown in the chart, Ohio’s unemployment rate remained higher than the U.S. unemployment rate since November 2021.

Ohio’s nonfarm payroll employment totaled 5,473,900 in April, an increase of 9,500 (0.2%) from March’s seasonally adjusted number. Chart 5 above shows trends in the state’s employment compared with U.S. employment since January 2018. As shown in the chart, total nonfarm payroll employment in April was at its highest level since pandemic-related economic shutdowns in April 2020 but was still 139,900 (2.5%) below February 2020’s level. The increase in employment from March to April was due to increases in goods-producing industries (7,200), private service-providing industries (1,900), and government employment (400). Increases in the goods-producing sector were primarily from gains in manufacturing and construction. For the private service-providing sector, gains in the other services category, leisure and hospitality, and professional, scientific, and technical services surpassed losses in trade, transportation and utilities, and administrative and support and waste management services. Within government, increases in state and local government employment exceeded losses in federal employment.
Compared to a year ago, total nonfarm payroll employment increased by 117,400 (2.2%). Jobs in the private service-providing sector grew by 83,300, powered by employment gains in leisure and hospitality, trade, transportation and utilities, and professional and business services, which exceeded losses in educational and health services. Increases in the goods-producing industries totaled 33,500, with gains in both durable and nondurable goods manufacturing and in construction. Government employment increased 600, as gains in local government jobs were higher than losses in state and federal employment. The state’s labor force expanded by over 38,100 (0.7%) in April, compared to the same month a year ago. Ohio’s employment to population ratio was 59.3%, up from a pandemic-era low of 49.7% in April 2020 but still shy of the 60.7% in January 2020.

Rising mortgage rates and high home prices are slowing existing home sales. In April, the number of existing homes sold in the state declined by 2.5%, compared to sales in the same month in 2021, following a decrease of 4.8% in March 2022 relative to March 2021, according to monthly reports published by Ohio Realtors. In the first four months of 2022, the residential housing market saw the total number of existing home units sold decline by 495 units, 1.1%, compared to the corresponding period a year earlier. This easing in market activity follows more than a decade when sales rose in most years, including sizable gains in 2019 through 2021. The statewide average sales price of homes sold in January through April 2022 averaged $240,288, or 9.1% higher than in the corresponding months in 2021, after double-digit average price increases for homes sold in 2020 and 2021. The total dollar volume of housing transactions so far in 2022 was about $10.64 billion, up 7.9% from 2021.

While the COVID-19 pandemic has not officially ended, the U.S. Census Bureau’s first release of population estimates for cities and towns this decade reveals how population growth trends shifted during the first year of the pandemic (July 1, 2020, to July 1, 2021). Overall, growth slowed in the nation’s biggest cities and some states experienced an uptick in population due to net migration to the South and West. In Ohio, the largest cities, on balance, experienced a population loss, including Cleveland (-1.1%), Cincinnati (-0.4%), Toledo (-0.6%), Akron (-0.4%), and Dayton (-0.4%). The exception was Columbus which gained 0.1% in the period.