Tracking the Economy

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Overview

The U.S. economy continued to expand in the first half of 2023, but with the Federal Reserve, the nation's central bank, working to reduce inflation, recent economic indicators have been somewhat mixed. The national unemployment rate decreased slightly to 3.6% in June. Job openings declined in May after increasing in April. Both hiring and total separations changed little. U.S. inflation adjusted gross domestic product (real GDP) grew at a 2.0% annual rate in this year's first quarter after increasing at a 2.6% annual rate in the fourth quarter of 2022. Industrial output fell 0.2% in May, after increases in March and April.

Inflation eased in May but remained elevated. The all-item consumer price index (CPI) increased 0.1% in May and was up 4.0% from a year earlier. Prices of gasoline and most consumer energy commodities fell in May. Prices of food increased. Excluding food and energy, the CPI rose 0.4% to 5.3% higher than a year earlier. Unit sales of light motor vehicles (autos and light trucks, including SUVs) increased in June, and sales in the first six months of 2023 were 13% higher than in the corresponding period in 2022.

The Federal Open Market Committee (FOMC) chose to pause its rate hikes at its June 13-14 meeting after a series of rate hikes since early 2022. It opted to hold the federal funds rate[12] target steady at 5.0%-5.25% as it waits to gauge the effect of its monetary policy on the economy. The next FOMC meeting will be held on July 25 and 26. Based on the CME Fed Watch Tool, the probability that the FOMC would resume its rate hikes with a 25 basis point increase at its July meeting (i.e., increase the federal funds rate target to 5.25%-5.50%) was forecasted at 97.3% as of July 6, 2023.

Ohio's unemployment rate in May reached its lowest level based on the U.S. Bureau of Labor Statistics' recorded data since 1976. Ohio's total nonfarm payroll employment rose by 6,600 in May, following larger increases in March and April. Ohio's real GDP increased 1.3% at a seasonally adjusted annual rate in the first quarter of 2023. The statewide housing market was down in the first five months of this year compared to the same period a year earlier, but the average sales price through May was up compared to a year earlier.

The National Economy

In June, the U.S. economy added 209,000 jobs and the national unemployment rate decreased slightly to 3.6%. Unemployment rates have fluctuated in a narrow range between 3.4% and 3.7% nationally since March 2022. U.S. and Ohio employment growth are presented in Chart 4 while U.S. and Ohio unemployment are shown in Chart 5. Growth of U.S. nonfarm payroll employment so far in 2023 averaged 278,000 employees per month, slower growth than the 399,000 monthly average in the entire year of 2022. The U.S. Bureau of Labor Statistics revised downward its estimates of total employment in April and May, and the revised figures were

[12] The federal funds rate is a short-term (generally overnight) interest rate at which banks lend reserves to each other. Though it is a market-determined rate, the Federal Reserve has substantial influence over it by way of its ability to increase or decrease available bank reserves.

included in the YTD 278,000 average cited above. For the month, there were job gains in government, including both local and state government levels; in health care, including both hospitals and nursing and residential care facilities; in social assistance, mostly in individual and family services; and in construction. Over the past year, employment increases were widespread among goods-producing and service-providing industries and government.

The number of people counted as unemployed nationally was 6.0 million in June, a decline from 6.1 million in May. Of these, 1.1 million had been without jobs and actively looking for work for six months or more, a number lower than in both the previous month and a year earlier. The number of people working part-time for economic reasons was 4.2 million in June, an increase of 452,000 from May. The labor force participation rate, the share of the population that is either employed or actively seeking work, remained at 62.6% (since March), and the employment-population ratio, at 60.3%, was unchanged from the previous month. The labor force participation rate has been gradually rising since the beginning of the COVID-19 pandemic, before which it was 63.3%.

Job openings declined to 9.8 million in May after having increased to 10.3 million in April. Decreases in job openings were primarily reported in health care and social assistance, finance and insurance, and other services. Numerous job openings were reported in educational services, state and local government education, and federal government. For the month, both hiring and total separations (i.e., quits, layoffs and discharges, retirements, deaths, disability, and transfers to other locations of the same firm) changed little compared to the previous month. The number of people choosing to quit rose to 4.0 million (2.6%), mostly in health care and social assistance and in construction. Employees are more likely to quit jobs if they are confident they can find other or better positions.

U.S. real GDP grew at a 2.0% annual rate in this year’s first quarter according to the third estimate published by the U.S. Bureau of Economic Analysis (BEA). The third estimate was revised upward from the BEA’s second estimate of a 1.3% annual rate. Growth in the first quarter was driven by consumer spending, exports, nonresidential fixed investment in structures, and government spending at both the federal level and the state and local level. Growth was restrained by residential fixed investment and fixed investment in equipment. Real GDP rose at a 2.6% annual rate in the fourth quarter of 2022. For the entire year of 2022, real GDP grew by 2.1%.

Industrial output nationwide fell 0.2% in May, after increases in March and April. Total industrial output in May was 0.2% higher than a year earlier. Manufacturing output gained 0.1% for the month. However, mining production, fell 0.4% in May, attributed to declines in oil and gas well drilling activities, and utility output fell 1.8% as electricity production decreased.

The CPI increased 0.1% in May, seasonally adjusted, following a 0.4% increase in April. Compared to a year ago, the CPI increased 4.0% before seasonal adjustment. The increase in May was largely due to increases in prices for shelter and for used cars and trucks. The food index rose 0.2% in May, while the energy index decreased 3.6%. The CPI core index (all items excluding food and energy) increased 0.4% in May, after increasing at the same pace in the previous two months. Compared to May 2022, the food index was up 6.7%, the core index was up 5.3%, and the energy index declined 11.7%. Chart 6 below shows percentage increases from the prior year in the CPI since the beginning of 2021. Inflation by this measure peaked in June of 2022 and has trended downward since.

The producer price index for final demand (PPI) decreased 0.3% in May, seasonally adjusted, after a 0.2% increase in April and a decrease of 0.4% in March. The decrease in May was driven by a 1.6% decrease in prices for final demand goods, the largest decline since July 2022. The decrease in goods prices was largely due to decreases in prices of foods and energy. The index for final demand services rose 0.2% in May, following an increase of 0.3% in April. The index for final demand less food, energy, and trade services was unchanged from April.

Personal income, not adjusted for inflation, increased 0.4% in May largely driven by increases in private wages and salaries and Medicaid payments. A related measure of inflation, an indicator used by the Federal Reserve, the personal consumption expenditures (PCE) price index rose 0.1% in May and was 3.8% higher than a year earlier. Excluding food and energy, the price index increased 0.3% in May and was up 4.6% over the year. Real personal consumption expenditures decreased by less than 0.1% for the month, after a 0.2% increase in April.

In June, sales of light motor vehicles were up to a seasonally adjusted annual rate of 15.7 million units, from a 15.1 million unit rate in May. Through the first six months of 2023, a total of 7.7 million light motor vehicles were sold, 13% more than the 6.8 million units sold in the corresponding period in 2022.

Housing starts in the U.S. rose 21.7% in May, seasonally adjusted, an increase of just 5.7% compared to a year earlier. Building permits for new housing units in the U.S. increased by 5.2% from April to May but declined by 12.7% from the preceding year. Midwest housing starts jumped 66.9% for the month and were 24.2% higher compared with the prior May. Building permits for new housing units in the Midwest went up 7.5% for May but decreased by 19.7% from a year earlier. New home sales rose 12.2% nationally in May, seasonally adjusted, and increased 20.0% from a year earlier. In the Midwest, the number of new houses sold in May went up 4.1% from April and increased by 40.0% from a year earlier. Long-term borrowing costs for home loans have increased to the highest level so far this year. The average 30-year mortgage rate climbed to 6.81% in the first week of July but were still lower than the peak rate of around 7.08% in the months of October and November of last year.

The Ohio Economy

In May, Ohio's total nonfarm payroll employment continued to increase while the unemployment rate decreased to 3.6% from 3.7% in April. Ohio's unemployment rate in May was the lowest recorded based on available data since 1976. Ohio's unemployment rate was 3.9% in May of last year. The number of unemployed Ohio workers was 207,000 in May, 4,000 less than in April and 16,000 less than in May of last year. The state's unemployment rate in May was lower than the U.S. unemployment rate for the first time since September 2021. The U.S. unemployment rate was 3.7% in May, having ticked up from 3.4% in April, and was up from 3.6% in May of last year.

Ohio's total nonfarm payroll employment, seasonally adjusted, increased by 6,600 or 0.1% in May from the revised total in April, following increases over the past six consecutive months since November 2022. In May, employment in private service-producing industries, goods-producing industries, and government increased by 5,400, 500, and 700, respectively. Job gains were particularly large in private educational and health services and trade, transportation, and utilities. Job gains in those business sectors and some others were partially offset by losses in sectors including professional and business services, financial activities, and durable goods manufacturing.

Compared to May of last year, the state's nonfarm payroll employment was 85,400, or 1.5% higher. Employment in private service-producing industries, goods-producing industries, and government employment increased by 63,800, 18,200, and 3,400, respectively. Year-over-year employment gains were essentially in all industries, largely in private educational and health services (32,300), leisure and hospitality (27,000), other services (15,800), and durable goods manufacturing (9,200). Job losses were in professional and business services (8,800), information (1,900), retail and wholesale trade (5,100), and local government (400).

Among Ohio metropolitan areas, payroll employment growth in the year ended in May was strongest in Cincinnati at 2.8%. The unemployment rate in May in the Cincinnati area was low at 3.1%. The Ohio metropolitan area with the lowest unemployment rate in May was Columbus at 3.0%. Payroll employment growth in the latest 12 months in Columbus, at 1.4%, exceeded that in most other areas of the state. The area with the weakest employment change was Lima, where the number of payroll jobs fell 1.5% in the latest 12 months, but the unemployment rate there was still just 3.7%. The unemployment rate in the Weirton-Steubenville metropolitan area in May was highest in the state at 4.3% and payroll employment in that area also fell in the past 12 months, by 1.2%. Metropolitan area employment and unemployment rates are not seasonally adjusted.

Ohio's real GDP increased 1.3% at a seasonally adjusted annual rate in the first quarter of 2023, less than the 2.0% increase in real GDP for the 50 states and the District of Columbia.[13] Ohio's growth in the first quarter was ranked 32nd among the 50 states. The industry group contributing the most to Ohio's growth was health care and social assistance, followed by agriculture, forestry, fishing, and hunting, and then retail trade. Ohio's current-dollar GDP, not adjusted for inflation, reached $852.9 billion at an annual rate in the first quarter of 2023, contributing about 3.2% of U.S. GDP.

Ohio's personal income grew 6.5%, at an annual rate, in the first quarter of 2023, after 4.0% growth in the fourth quarter of 2022. Personal income growth in Ohio was led by net earnings,[14] which accounted for 3.4 percentage points (i.e., a little over half) of the income growth. The rest of the income growth came from investment earnings and transfer receipts (largely payments from government). Among economic sectors, the leading contributors to Ohio's personal income growth in the first quarter were health care and social assistance, state and local government, and professional, scientific, and technical services. Nationwide, personal income grew 5.1% in the first quarter of 2023, up from 5.0% in the fourth quarter of 2022. For the entire year of 2022, Ohio's personal income grew 1.6%, below the nationwide growth rate for the period of 2.4%. Ohio's growth in 2022 ranked 39th in the nation (from highest growth to lowest).

The number of existing homes sold in Ohio decreased by 16.0% compared to May of last year, according to the Ohio Realtors. From January through May of this year, existing home sales

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[13] GDP for the 50 states plus the District of Columbia differs from GDP because GDP by state for the nation excludes U.S. military and federal civilian activity located overseas, which cannot be attributed to a particular state.

[14] Net earnings is earnings by place of work – the sum of wages and salaries, supplements to wages and salaries, and proprietors' income – less contributions for government social insurance plus an adjustment to convert earnings by place-of-work to a place-of-residence basis.

was 16.5% lower than the corresponding period in 2022. The statewide sales price of homes sold in January through May 2023 averaged $259,231, or 3.0% higher than the corresponding period a year ago.

Chart 4: U.S. and Ohio Nonfarm Payroll Employment (in millions)

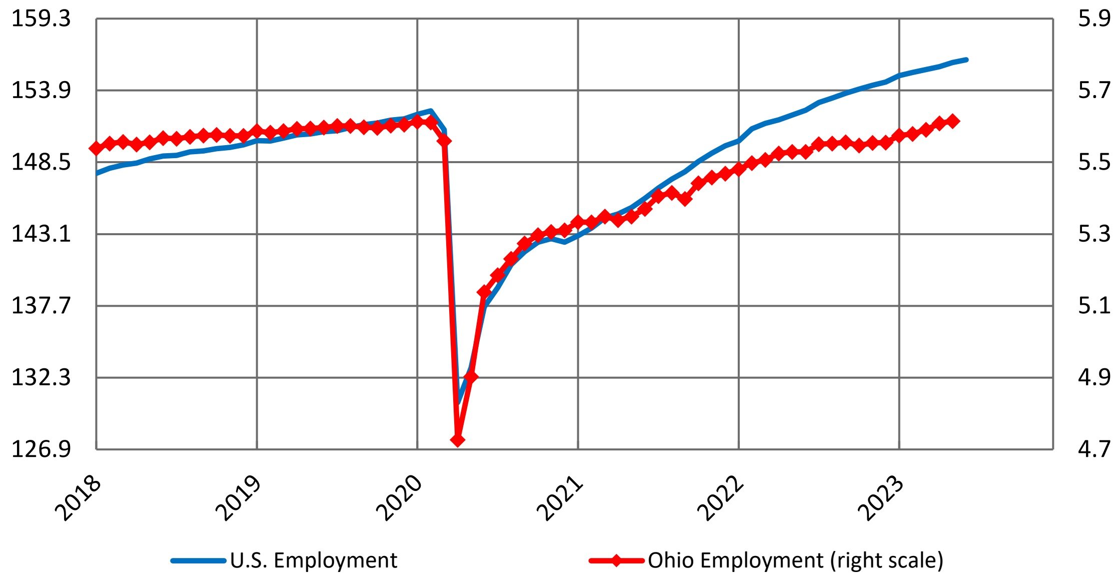
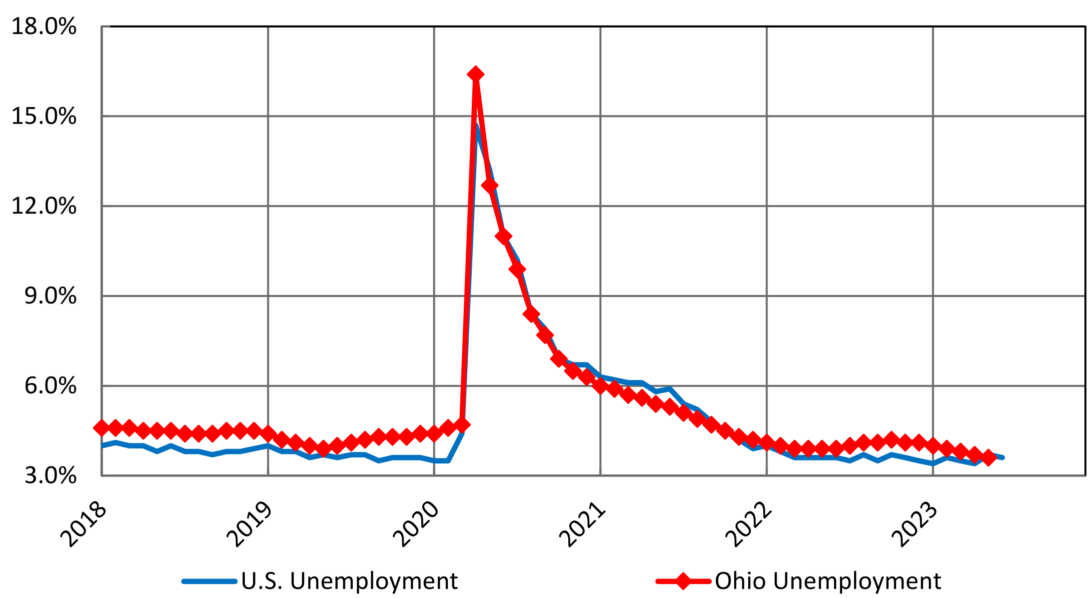


Chart 5: U.S. and Ohio Unemployment Rates % of Labor Force



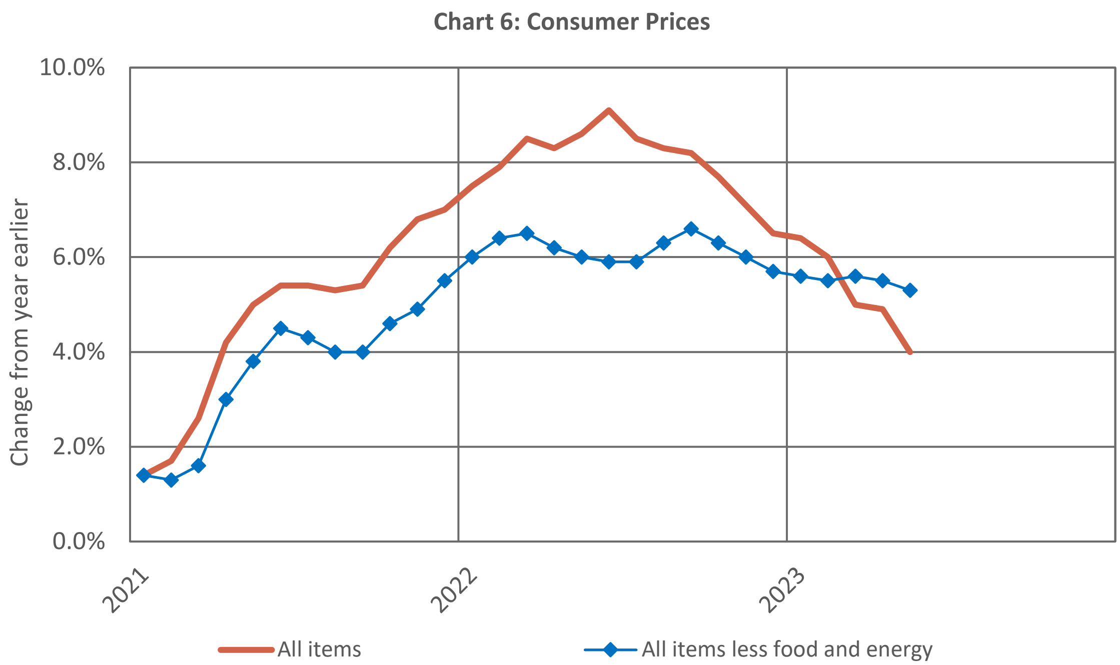


Chart 6: Consumer Prices
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
Change from year earlier
2021
2022
2023
All items
All items less food and energy