Ohio’s unemployment rate generally follows the U.S. trend, but since the beginning of 2001, Ohio’s rate (reported by the Bureau of Labor Statistics) has diverged notably from the national trend. Some analysts suggest that because Ohio depends relatively heavily on manufacturing for employment, a manufacturing slowdown should have a more direct impact on unemployment in Ohio than elsewhere. Indeed, a larger share of initial unemployment claims came from Ohio’s manufacturing sector than from the U.S. as a whole, but recent data do not suggest a drastic increase in claims for 2001. Claims have increased slightly in 2001, but the number of initial claims filed in Ohio does not seem substantially higher than in recent years.

Analysts who suspect an error in the reporting of Ohio’s unemployment rate argue that because manufacturing is in a downturn, the spread between Ohio and U.S. unemployment figures should be shifting in favor of the U.S. In fact, the opposite has been true in 2001. As the National Association of Purchasing Management (NAPM) index fell early this year, the difference between Ohio’s unemployment rate and the national average increased in Ohio’s favor. This also occurred in early 1995, when the country’s economy slowed and manufacturing experienced a short period of contraction.

Plotting the concurrent NAPM manufacturing index against the spread between U.S. and Ohio unemployment rates over the last 20 years suggests no correlation between the two, a finding confirmed by statistical analysis. Nor is there any (continued on next page)
Ohio Unemployment (cont.)

NOTE: The National Association of Purchasing Management compiles the Purchasing Managers Index (PMI), a composite index based on seasonally adjusted indexes for new orders, production, supplier deliveries, inventories, and employment within the manufacturing industry. A PMI reading above 50 indicates that most of the manufacturers surveyed are currently in a period of expansion, while a reading below 50 indicates that most of those manufacturers are in contraction.


direct correlation between concurrent observations of Ohio’s unemployment rate and the NAPM index for this period. Others may argue that changes in the manufacturing index take time to trickle into the labor markets because of union structures and delays in companies’ decisions to adjust to current economic circumstances. In fact, statistical analysis reveals the strongest correlation between the index and Ohio’s unemployment rate when the NAPM index leads Ohio unemployment by 11 months; however, the correlation is not statistically significant.

Although there is no apparent relationship between the NAPM index and statewide unemployment figures, a comparison of manufacturing densities and unemployment rates by county suggests that the two measures may be related on another level. Except for the Appalachian region of southern Ohio, counties with manufacturing densities near or below the U.S. average reported unemployment figures at or below the national average. These lower unemployment areas were clustered around metropolitan areas.

The NAPM index last reached levels comparable to today’s during the 1990-91 recession. In April 1991, 75% of Ohio counties registered rates above the U.S. average. However, in February 2001 (when concerns about Ohio’s reported rate first arose) and in July 2001 (the most recent data available), slightly more than half of the state’s counties posted rates above the national average.