Unemployment rates for the Fourth District states of Kentucky, Ohio, and Pennsylvania were already on the rise before September 11. A lagging indicator of economic performance, the unemployment rate began rising for all three states in March 2001, which suggests that an economic slowdown was under way in the Fourth District before the onset of a national recession during that month. Year-over-year comparison of October unemployment rates also displays widespread evidence of a regional recession.

October 2001 local area unemployment statistics would be the first to register the terrorist attacks’ effects on local labor markets. Kentucky and Pennsylvania showed steep jumps in unemployment, similar to that of the U.S. as a whole. Surprisingly, Ohio’s October unemployment rate showed no change, which suggests that the attacks did not affect Ohio’s labor markets directly. This is consistent with reports in the Federal Reserve’s Beige Book; for example, Fourth District companies in travel and tourism (an industry devastated by the attacks at the national level) noted that they had been relatively insulated from the attacks’ negative impact.

Examining the change in unemployment at the county level between September and October yields unexpected results: Unemployment increases were not concentrated in areas within the District that rely heavily on travel and tourism or financial companies. For example, only two of the 10 counties in the Cincinnati–Hamilton metropolitan statistical area showed increased unemployment, but part of the reason is that excess labor capacity in the area’s travel and tourism industry had already been shed:

(continued on next page)
A poor economy, riots in April and September, a regional airline strike, and disappointing performances by local professional athletic teams had caused a serious decline in the area’s tourist industry long before September 11.

Weekly initial unemployment claims offer another look at the possible effects of the terrorist attacks. In the weeks after September 11, the U.S. recorded its largest year-over-year percent change in initial claims for 2001. Ohio and Kentucky, however, did not. Ohio saw its highest percent increase in March: The month’s claims were double those of the previous March because steel companies such as LTV laid off workers to contain costs in an industry that continued spiraling downward. In Kentucky, the year-over-year doubling in layoffs that occurred near the end of March resulted from a broader-based, economywide shedding of excess labor capacity.

A breakdown of the initial claims data for each of these Fourth District states in the weeks surrounding September 11 resembles the data for the U.S. as a whole. The last half of August showed general improvement in the level of initial claims, which fell week to week, but claims started to rise again at the beginning of September. Slower processing of claims in a workweek shortened by state offices’ closings on September 11 and the following days, as well as decreased worker productivity, may explain the curious decline Fourth District states’ initial claims for the week of September 15, which runs counter to the national trend. While the U.S., Ohio, and Pennsylvania showed an overall trend of year-over-year increases in initial claims during the period charted, Kentucky’s trend was flat to slightly declining, which suggests that the area’s labor market situation is improving.