Office of the Comptroller of the Currency

ECONOMIC SNAPSHOT

NATIONAL | **CENTRAL** | NORTHEASTERN | SOUTHERN | WESTERN

August 2021

CED recovery on par with U.S. pace, but headwinds threaten gains

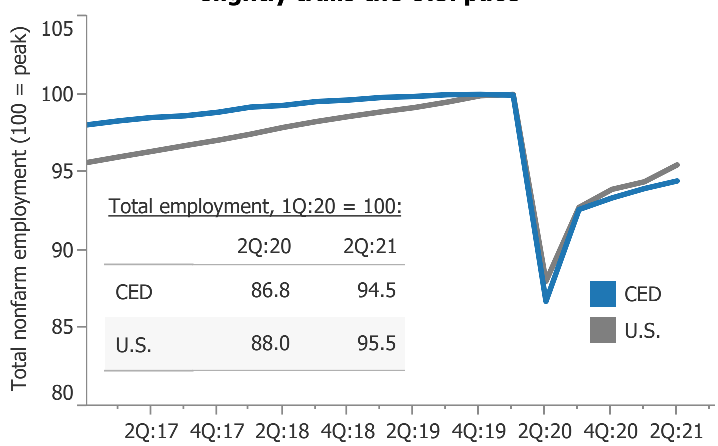
• **Employment in the Central District (CED) is recovering at a slightly slower pace than the U.S. average.** CED employment is 5.5 percent below its 1Q:2020 level, with the district having recovered nearly three in five jobs lost in the recession. See figure 1. Supply chain disruptions and potential restrictions due to a resurgence of COVID-19 cases pose headwinds to key industries in the district. The global semiconductor shortage, for example, resulted in production cuts and plant closures, weighing on the region's factories.

• **Leisure & hospitality led the district in job creation over the past year, as easing COVID-related restrictions and the vaccine rollout boosted consumer-facing industries.** Despite the gains, this industry remains furthest behind its pre-COVID employment level and is sensitive to spread of the Delta variant. Education & health services was second furthest behind, as the sector recovers from reduced campus services and delayed elective surgeries. Government hiring also lagged due to state and local budgetary pressures. See figure 2.

• **Michigan payrolls remain the most depressed, down 7 percent from its pre-COVID peak, despite a strong pace of job creation in the state.** The chip shortage held back auto manufacturing in Michigan. In May, domestic new vehicle sales fell below pre-pandemic levels for the first time, signaling that auto dealers had drawn down inventories and that slowing production has limited new car sales. Indiana and Kentucky, with a greater reliance on transportation and logistics employment, led the district's jobs recovery. See figure 3.

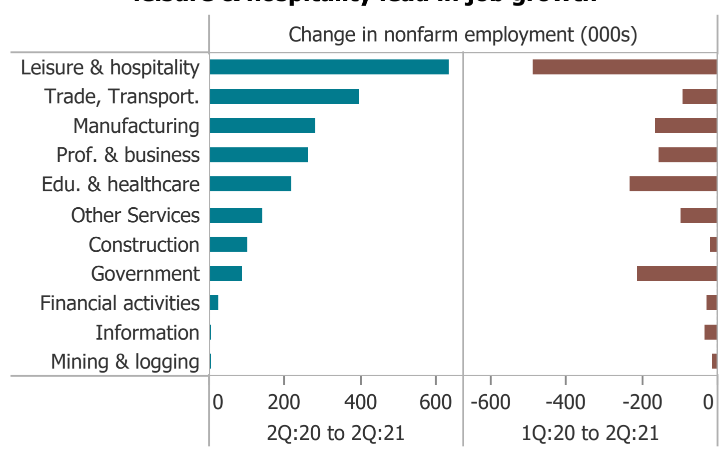
• **The district's largest metros and those with global trade ties lag in the recovery.** Performance in large metros such as Chicago lag due to a slow return of workers downtown, fewer international visitors, and reduced business travel. Metros with strong export industries (Detroit and Cleveland) remain behind due to soft demand from a weaker global economy and supply frictions. Metros with favorable central locations and a comparative advantage in logistics (Louisville and Indianapolis) were closer to pre-pandemic employment levels. See figure 4.

Figure 1: Job growth in the CED slightly trails the U.S. pace



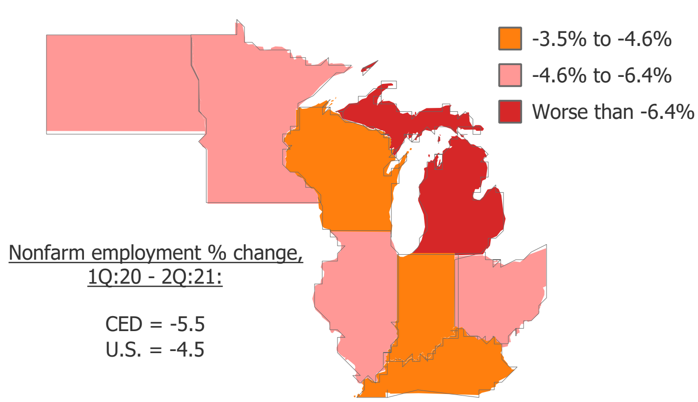
Source: BLS (data through June 2021)

Figure 2: Consumer-facing industries like leisure & hospitality lead in job growth



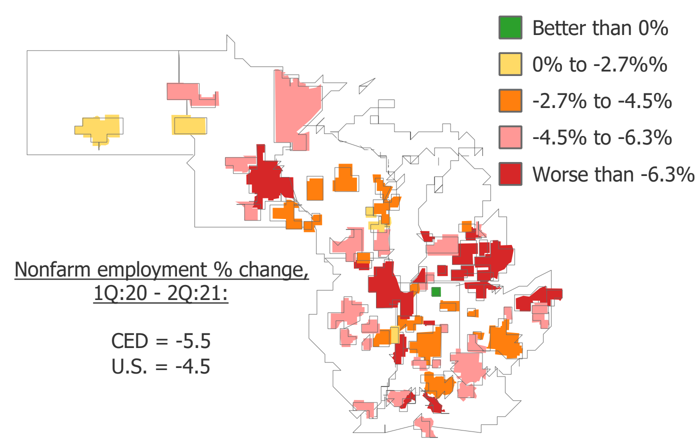
Source: BLS (data through June 2021)

Figure 3: Supply chain disruptions hold back manufacturing in Michigan



Source: BLS (data through June 2021)

Figure 4: Largest metros and those with global trade ties remain furthest below pre-COVID peaks



Source: BLS (data through June 2021)