

Economic Trends

September 3, 2015

FEDERAL RESERVE BANK
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The Toledo Metropolitan Statistical Area

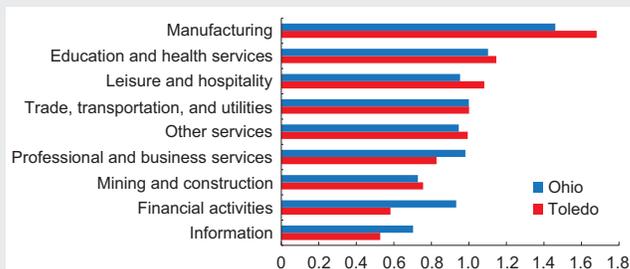
Caitlin Treanor and Brendan Costello

The Toledo metropolitan statistical area (MSA) is home to over 600,000 people, making up about 5 percent of the total population of Ohio. The MSA comprises Fulton, Lucas, Ottawa, and Wood Counties. In this Economic Trends, we track the relative performance of Toledo's economy and compare it to those of Ohio and the country at large.

Overall, the Toledo MSA is heavily reliant on manufacturing; trade, transportation, and utilities; professional and business services; education and health; and leisure sectors for employment. In 2014, these industries accounted for 72 percent of total nonfarm employment. Using location quotients (LQs) allows us to compare Toledo's employment makeup to that of the country at large. An LQ greater than 1 indicates that a region has a higher fraction of its employment in that sector than the United States' aggregate, while an LQ less than 1 indicates that the region has a relatively lower share.

Relative to the national average, Toledo and Ohio have a much greater employment share in manufacturing, which is 1.7 times more concentrated in Toledo compared to the average across the United States. Indeed, manufacturing accounted for 15 percent of Toledo's total nonfarm employment in 2014, while in the United States it accounted for only 9 percent. By contrast, Toledo has much lower shares of financial

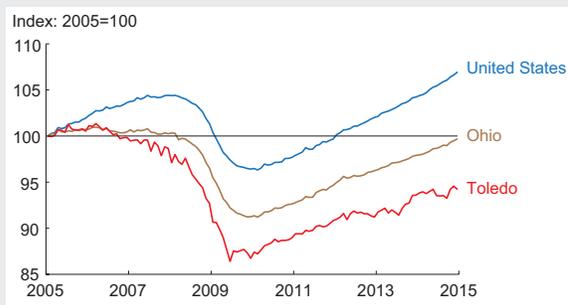
2014 Location Quotients



Note: For both Ohio and the Toledo MSA, the base area is the United States. Data is annual for 2014.

Source: Quarterly Census of Employment and Wages, Bureau of Labor Statistics.

Payroll Employment



Source: Quarterly Census of Employment and Wages, Bureau of Labor Statistics.

activities and information than does the nation, even though Ohio's shares are closer to the national average.

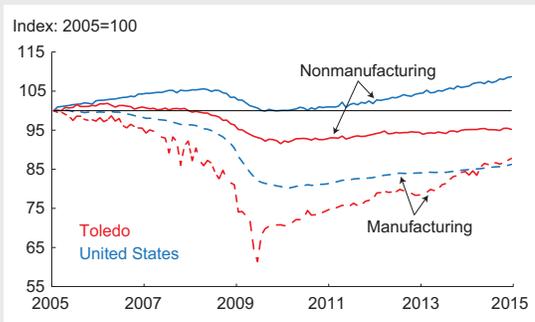
Employment in Ohio and Toledo followed a trend similar to that of the United States: growing prior to the Great Recession, falling during the recession, and increasing from 2010 onward. Ohio and Toledo, however, saw a decrease in employment during the recession that was far greater in magnitude than the national average, with Ohio falling below 95 percent of its 2005 level and Toledo below 90 percent of its 2005 level. While the United States has now grown over 5 percent above its 2005 employment level, Ohio has barely made it back to its 2005 employment level, while Toledo still has fewer jobs than it did in 2005. Part of this could be driven by Toledo's negative population growth, which we will discuss below.

When examining the manufacturing industry in particular, the contrast between Toledo and the United States becomes starker. The United States' manufacturing industry bottomed out in early 2010 at 80 percent of its 2005 employment level. Toledo, however, found its manufacturing employment falling by nearly 40 percent, bottoming out at 61 percent of 2005 levels in mid-2009. Since then, Toledo's manufacturing sector has recovered more quickly than the national average. While manufacturing employment for the United States has risen slowly since 2010, Toledo has seen more rapid employment gains in manufacturing and is now closer to its 2005 employment levels.

Toledo's employment growth can be disaggregated into its drivers to better analyze which sectors are bolstering Toledo's growth and which are dragging it down. We do this by taking the employment change in each sector and weighting it by the sector's fraction of Toledo's total employment. We see that in 2009, manufacturing along with trade, transportation, and utilities were the largest drivers of employment decline and growth in Toledo, followed closely by professional and business services. Employment in manufacturing and trade, transport, and utilities also make up the vast majority of job growth in 2014. Leisure, hospitality, education, and health declined substantially in 2013, but the sector has made a substantial recovery in 2014.

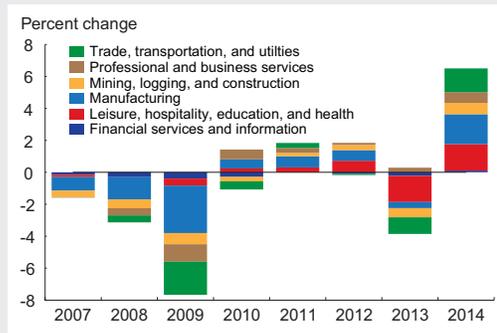
From 2013 to 2014, Toledo saw overall gains in total private employment of about 1 percent. The metro area posted job losses in five different industries, all of which fall under the services-providing sector. In the Toledo MSA in 2014, the services-providing sector

Payroll Employment



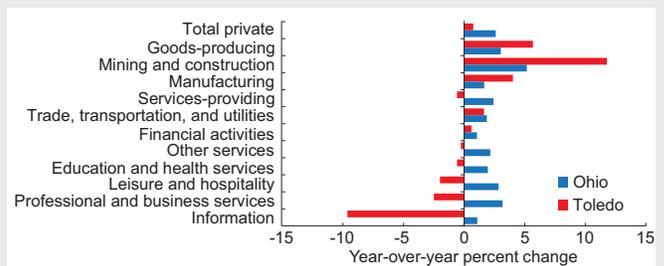
Source: Quarterly Census of Employment and Wages, Bureau of Labor Statistics.

Components of Employment Growth, Toledo MSA



Source: Quarterly Census of Employment and Wages, Bureau of Labor Statistics.

Payroll Employment Growth, December 2014



Source: Quarterly Census of Employment and Wages, Bureau of Labor Statistics.

accounted for 77 percent of total private employment, while the goods-producing sector accounted for the remaining 23 percent. Within the services sector, those hit most heavily were information, and professional and business services. Other industries that contracted include education and health services, leisure and hospitality, and other services. In the goods-producing sectors, Toledo's rate of employment growth has substantially outpaced that of the United States as a whole. For manufacturing in particular, Toledo's rate of employment growth has outpaced that of the United States. Toledo saw the most growth in mining and construction, with a growth rate of about 12 percent. However, mining, logging, and construction accounts for only 5 percent of total private employment in the Toledo MSA.

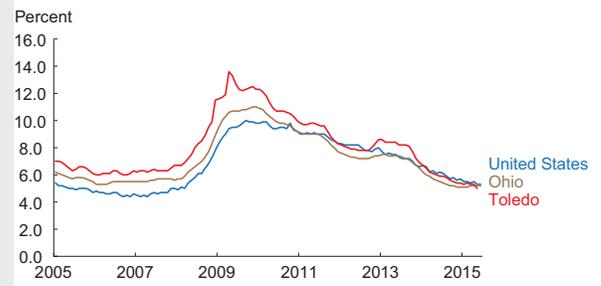
The MSA's unemployment rate before the crisis hovered between 6 percent and 7 percent, above both the nation's and Ohio's averages. When the crisis hit, Toledo's unemployment rate went as high as 13.6 percent, with the United States reaching 10 percent and Ohio topping out at 11 percent. Toledo's post-crisis unemployment rate shows a complete recovery, with the most recent data putting it at 5.0 percent in June 2015, very close to the nation's average.

Ohio's and Toledo's per capita income has remained noticeably below the nation's average since the 1990s, with the gap increasing as time goes on. As of 2013, the nation's average per capita income was \$44,765, while the Toledo MSA's per capita income was \$38,604, a difference of over \$6,000. Toledo has also been trailing behind Ohio, where per capita income was \$41,049 in 2013.

Toledo's population remained unchanged from 1990 to just before 2005, and the residential population has been declining ever since. From 2004 to 2014, the average annual population growth in Toledo has been -0.17 percent. In contrast, the nation's population has grown every year throughout this entire period, averaging growth at around 1 percent from 1980 to 2010, and Ohio has seen positive population growth since the mid-1980s.

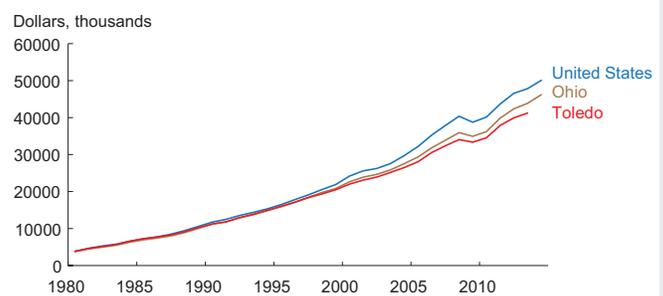
The percent of the population that is black is higher in Toledo than in Ohio or the United States. Other minorities, however, constitute a much smaller percentage of the population in both Ohio and Toledo than in the nation. The age distributions in Ohio and Toledo are very much in line with the distribution in the United States, though the median age in Ohio is marginally higher. The Toledo MSA has a higher percentage of

Unemployment Rate



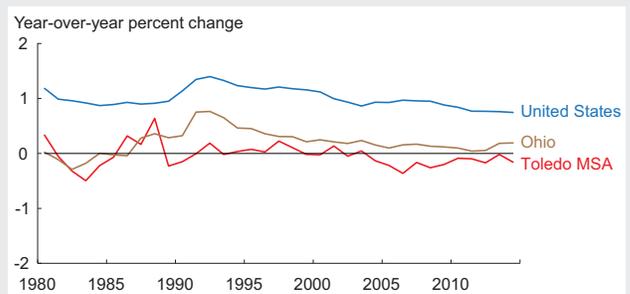
Source: Bureau of Labor Statistics/Haver Analytics.

Real Per Capita Personal Income



Source: Bureau of Economic Analysis/Haver Analytics.

Population Growth



Source: Census Bureau/Haver Analytics.

bachelor's degree holders, with nearly 29 percent of the population holding a four-year degree, compared to 25 percent in Ohio and 24 percent in the United States.

While the Toledo MSA is heavily reliant on several different industries, particularly in the services sector, manufacturing played an important role during the recession. In times when manufacturing was hit hard, such as 2009, this sector drove a substantial part of the decline in the Toledo economy. However, in the years post-recession, manufacturing has rebounded, and Toledo's economy has grown with it. The trade, transportation, and utilities sector has played a similarly important role. Overall, Toledo's economy has made some substantial strides in its recovery from the financial crisis. It is currently experiencing positive growth rates in employment, especially in manufacturing. However, the metropolitan statistical area has not completely returned to its pre-recession employment level and is also experiencing a persistent decline in total population.

Demographics and Education

	Toledo	Ohio	United States
Total population (millions)	0.6	11.5	311.5
Percent by race			
White	79.2	82.9	74.0
Black	14.3	12.1	12.6
Other	6.5	5.0	13.4
Percent by age			
0-19	26.6	26.2	26.9
20-34	20.5	19.1	20.7
35-64	39.5	40.3	39.0
65 and older	13.4	14.4	13.4
Percent with bachelor's degree or higher	24.1	25.2	28.8
Median age	37.1	39.0	37.3

Source: US Census Bureau, 2009–2013 Five-Year American Community Survey.



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