

FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



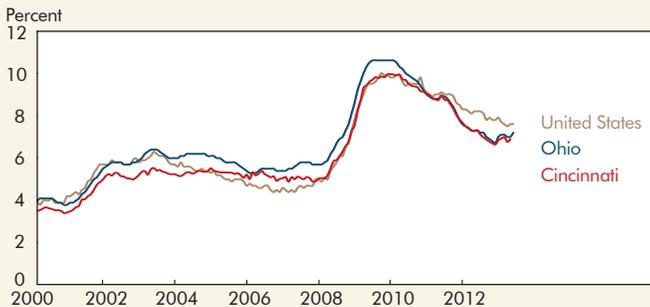
CINCINNATI, OHIO MSA | THIRD QUARTER, 2013

FEDERAL RESERVE BANK of CLEVELAND

Cincinnati – on the path to recovery

Cincinnati's economy is recovering at about the same pace as the nation's, but faster than Ohio's. The metro area seems well poised to continue its recovery, thanks to heavy shares of employment in marketing, healthcare, aerospace manufacturing, and auto parts, industries that are experiencing strong growth. The area's educated workforce is another advantage for continued growth: average educational attainment is higher here than in the state or nation. Challenges include adjusting to recent and future cuts in government payrolls and declines in manufacturing and construction employment.

The Cincinnati MSA unemployment rate remains below both the state and national averages.

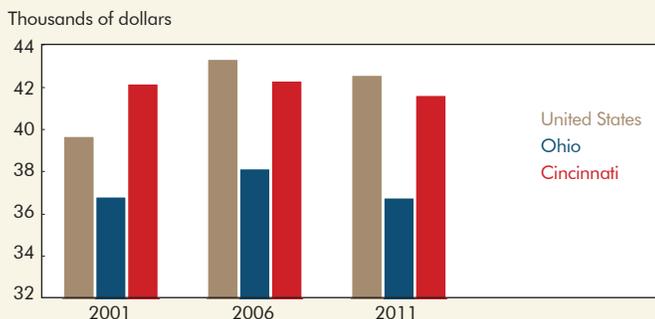


Source: Bureau of Labor Statistics.

◀ UNEMPLOYMENT RATE

One reason for the metro's progress is its heavy concentration of jobs in sectors that require more education and skills training, particularly marketing and health care. Since both of these sectors are expected to grow further, the metro area is poised for continued growth. The marketing sector will grow as consumer demand expands with the recovering economy. The health care sector is expected to grow as the general population ages and the Affordable Care Act goes into force.

Per capita gross domestic product remains close to pre-recession levels.



Source: Bureau of Labor Statistics/Haver Analytics.

◀ GROSS DOMESTIC PRODUCT

GDP per capita in the metro area fell only slightly during the recession due to the diversity of its economy. Industrial production was able to remain strong, and this healthy level of manufacturing activity kept personal consumption levels steady as well. Aerospace manufacturers and auto parts suppliers have fared well since the end of the recession. Aerospace manufacturers have seen increased demand because of the aging airline fleet, and auto suppliers have benefitted from pent-up demand in the auto sector.

House price growth has stabilized but remains below the state's and nation's recovery rates.



Source: Zillow / Haver Analytics.

◀ HOUSING

Housing market transactions have rebounded to pre-recession levels. House prices, which historically have grown more slowly in the Cincinnati metro area than in the nation as a whole, have stabilized. However, prices are being driven up in some price categories by tight supply. Fewer homes are on the market because foreclosure rates have dropped and tight credit conditions have slowed new-home construction. Tight supply, along with growing demand, continues to shorten the average time a house stays on the market. However, housing affordability remains high, encouraging many first-time homebuyers to enter the market.

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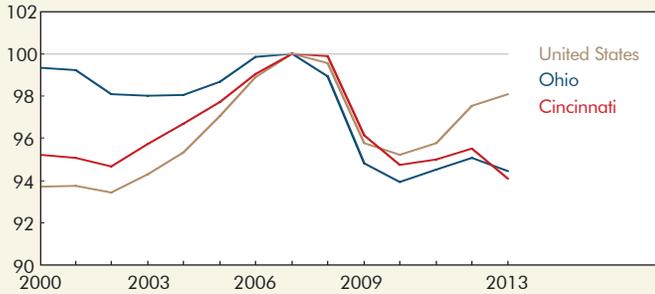
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EMPLOYMENT AND INDUSTRIAL SECTORS

Private sector payroll employment has yet to recover to pre-recession levels.

Indexed to 2007 level=100

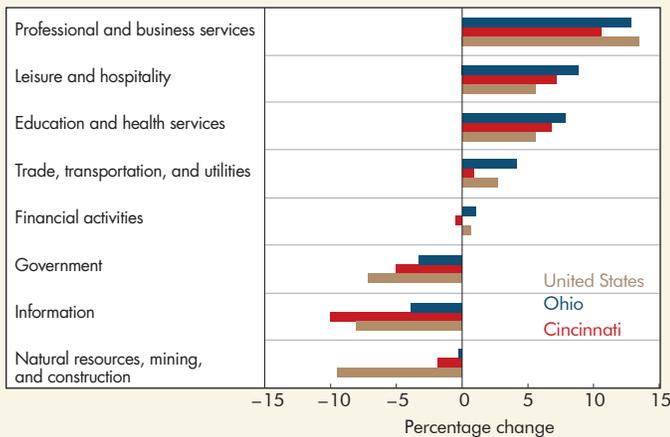


Source: Bureau of Labor Statistics.

EMPLOYMENT

Although employment levels in the metro area have finally started to recover, private-sector payroll employment is still about 6% below pre-recession levels. This situation closely mirrors the trend in the state, where many lower-skilled manufacturing and construction jobs have not yet returned in significant numbers. Government austerity programs have also taken a significant toll on the metro area. About 10,900 government jobs have been lost since the start of the recession, nearly matching the 13,400 manufacturing jobs that were lost over the same period. Government jobs are not expected to recover because further cuts are still expected.

Relative growth in sectoral employment largely mirrors the national trend.

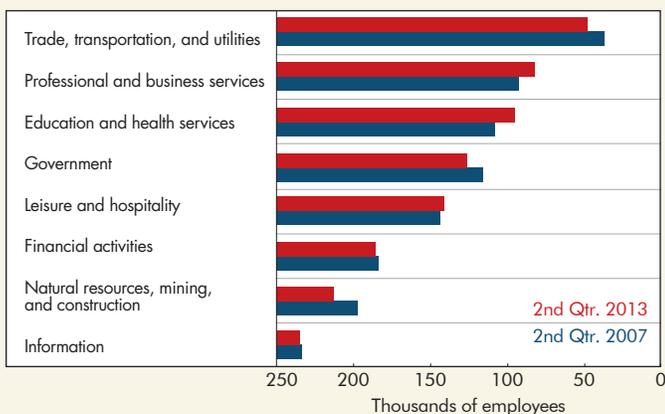


Source: Bureau of Labor Statistics.

EMPLOYMENT GROWTH BY SECTOR

Cincinnati's economy benefits from a relatively high degree of industrial diversity and a well-educated workforce. Many of the nation's largest marketing and retail firms (such as P&G, Kroger, and Macys) are headquartered in the area and are well positioned to aid the local economy as consumer demand grows. The area's professional and business services sector has shown the most resilience during the recovery, as it has elsewhere in the United States. This sector accounts for about 19% of payroll employment in the area, second only to trade, transportation, and utilities, which accounts for about 23%.

The education and health services sector has been growing the fastest.



Source: Bureau of Labor Statistics.

RELATIVE EMPLOYMENT GROWTH

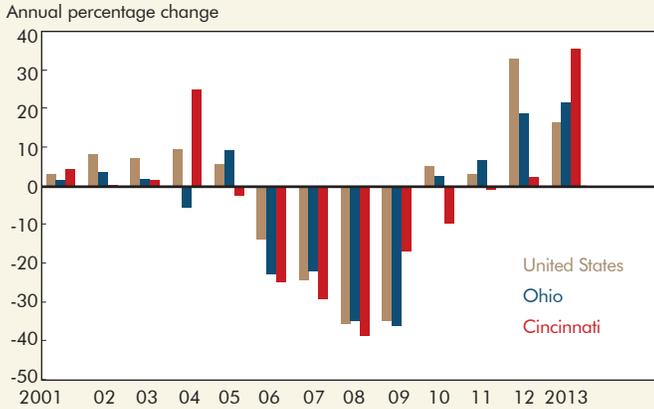
Education and health services account for approximately 18% of Cincinnati's total payroll employment. Since the recession began, this sector has been the fastest-growing in Cincinnati's economy. The sector never lost jobs during the recession, and its total employment since then has risen by 7.1%. Large local healthcare providers, such as TriHealth and Cincinnati Children's Hospital and Medical Center, support the metro area's role as a research and healthcare hub. Both providers, already major employers in the area, have announced or embarked on physical expansion plans that will increase their employment levels through 2015.

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Due to exceptionally short supply, housing permits are rising at twice the national rate.



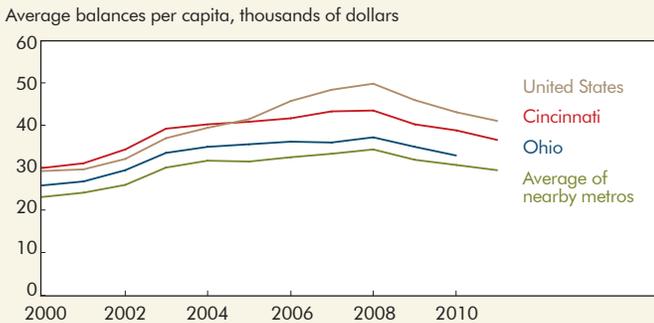
Note: Data for 2013 are year to date.
Source: Census Bureau/Haver Analytics.

HOUSING MARKET

◀ HOUSING PERMITS

The housing supply remains exceptionally tight because builders have not significantly beefed up the total supply since 2006. Multifamily permits have been growing due to low vacancy rates, but they remain significantly below pre-recession levels. Single-family permits finally started to surge in 2013 after declining for five of the last seven years. Single-family permits are estimated to rise by approximately 36% in 2013. Two factors often cited for the slow resurgence of supply are tight credit conditions and the scarcity of skilled construction labor. The scarcity of labor has also helped to increase the price of new construction.

Mortgage, auto, and credit card balances have continued to decline as consumers deleverage.



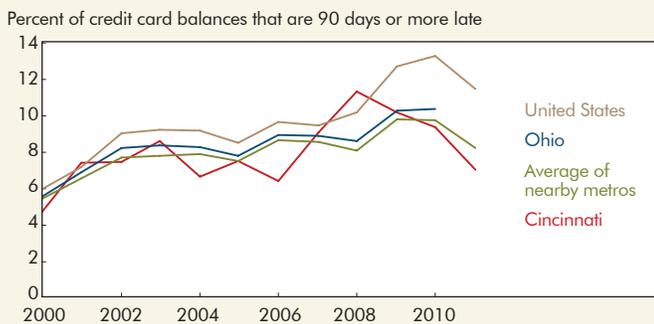
Source: Federal Reserve Bank of New York.

CONSUMER FINANCES

◀ CONSUMER DEBT

In the years running up to the recession, Cincinnati's level of per capita consumer debt (mortgage, auto, and credit cards) was roughly even with the nation's and higher than either the state's or nearby metro areas'. But since that time, Cincinnatians, like people across the nation, have reduced their debt by an average of about \$6,800. Some of this drop reflects lower mortgage debt resulting from foreclosures, but some of it represents smaller average outstanding balances on revolving debt instruments, such as credit cards and home equity loans.

Delinquency rates have continued to decline from their highs during the recession.



Source: Federal Reserve Bank of New York.

◀ CREDIT CARD DELINQUENCY RATES

Although Cincinnati households' financial health worsened during the recession, recent declines in credit card delinquency rates show that it improved in 2011, the latest period for which data is available. The share of the area's credit card balances that were over 90 days delinquent fell by 4.25 basis points from its recession high of 11.3%. The metro area's delinquency rate is roughly equal to Ohio's and nearby metro areas' but significantly lower than the nation's.

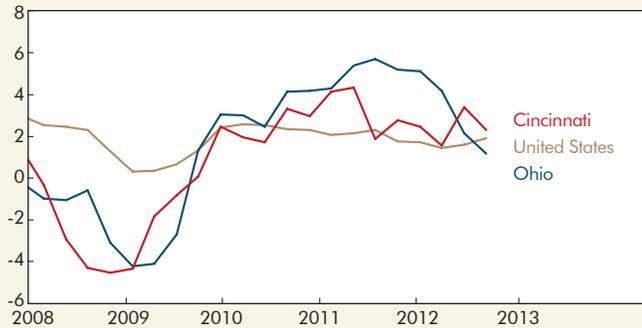
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Growth in weekly earnings of private-sector employees exceeds state and national averages.

Four-quarter percentage change



Source: Bureau of Labor Statistics

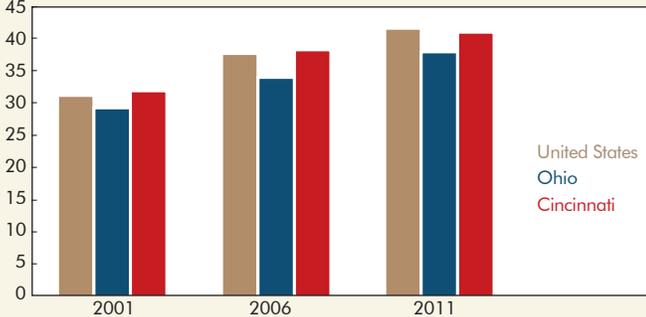
INCOME

◀ AVERAGE WEEKLY EARNINGS

Earnings are growing faster in the metro area than in the state and the nation. During the recession, average annual wage growth fell to approximately -4%. Since late 2010, average weekly earnings have risen by roughly 3%, compared to 2% for the state and nation. The growth of higher-paying sectors, such as professional and business services, accounts for much of this increase. Weekly earnings may well continue to strengthen as the city increases its share of high-paying jobs. However, some downward pressure is likely to be felt as government payrolls continue to shrink in the near term.

Per capita personal income exceeds the state's and approaches the national level.

Thousands of dollars



Source: Bureau of Labor Statistics

◀ INCOME PER CAPITA

Since the end of the recession, Cincinnati's growth in income per capita has approximately matched the nation's at 5%, and it has exceeded the state's. Three separate trends have combined to make this growth possible: slow population growth, expansion in high-paying sectors, and growing demand for high-tech manufacturers' products. From 2007 to 2012, Cincinnati's population rose only about 2.1%. During the same period, employment rose 4.7% in the professional and business services sector and 7.3% in health and education services, two high-paying sectors.

DEMOGRAPHICS AND EDUCATION

◀ CINCINNATI, OHIO

Cincinnati is the 28th largest of the 381 metropolitan statistical areas in the US.

	Cincinnati metro		United States	
	2011	Change from 2009	2011	Change from 2009
Population	2,138,038	-1.6%	311,591,917	+1.5%
Adults with less than a high school diploma	12.2%	-1.1%	14.1%	-0.7%
Adults with a bachelor's degree or higher	29.0%	+1.4%	28.5%	+0.6%
Median years of age	37.0	+0.5 years	37.3	+0.5 years
Median household income	\$56,732	-2.3%	\$52,207	-4.1%

Sources: Census Population estimates; American Community Survey.

All monthly figures are seasonally adjusted and all dollar figures are in current dollars. Several charts use indexed measures to facilitate comparisons across regions and have a reference line at 100. These numbers can be thought of as the percentages of pre-recession levels. If levels were growing before the recession, pre-recession indices will be below 100; if levels were falling before the recession, pre-recession indices will be above 100.

The Federal Reserve Bank of Cleveland, including its branch offices in Cincinnati and Pittsburgh, serves the Fourth Federal Reserve District (Ohio, western Pennsylvania, the northern panhandle of West Virginia, and eastern Kentucky).