

FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



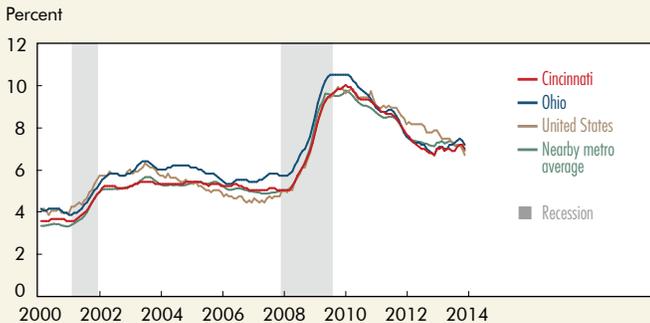
CINCINNATI, OHIO MSA | FIRST QUARTER, 2014

FEDERAL RESERVE BANK of CLEVELAND

Cincinnati – Continuing to Recover

The Cincinnati metro area continues to outperform most other Ohio MSAs and many elsewhere in the Midwest. Its recovery continues apace; it benefits from a highly educated workforce, a diversified industrial base, and the presence of several Fortune 500 companies that are headquartered or doing business there. Employment continues to recover: The professional and business services sector, along with the education and health services sectors, show the greatest strength.

At 7%, unemployment in the Cincinnati metro is on par with Ohio's and the nation's

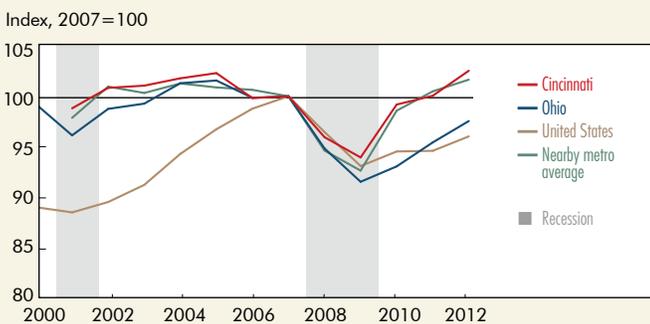


Source: Bureau of Labor Statistics/Haver Analytics.

◀ UNEMPLOYMENT RATE

As the nation's recovery continues, the Cincinnati metro area's relatively large share of employment in high-growth, high-demand sectors continues to prove beneficial. The area's unemployment rate of 7.0 percent remains in line with rates for the state of Ohio and the nation. This is largely because the metro area is uniquely positioned in industrial sectors that are benefitting from the national recovery, such as professional and business services, education and healthcare services, and skilled manufacturing. The region also continues to benefit from having a large percentage of its workforce with jobs in consumer marketing. As consumer demand grows in the national recovery, Cincinnati metro employment will naturally benefit.

Cincinnati's per capita GDP exceeds its pre-recession levels

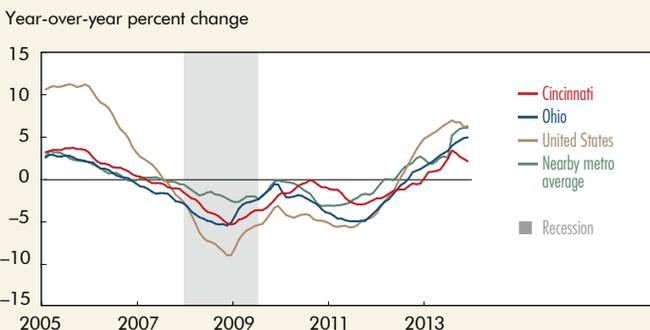


Source: Bureau of Economic Analysis/Haver Analytics.

◀ GROSS DOMESTIC PRODUCT

After a long recovery from the Great Recession, GDP for the Cincinnati metro area and the surrounding areas exceeds its pre-recession level. This contrasts with Ohio and the nation, which have yet to regain their pre-recession status. Cincinnati's renewed growth results from strong underlying growth in metro income and production levels; those measures exceed growth in the metro area's population, which continues to be an area of weakness in the region. By the end of 2012, the Cincinnati metro's per capita GDP stood 2 percent above its 2007 level, while the state's was approximately 2 percent below its 2007 level.

House prices ended 2.5% higher in 2013 than a year earlier



Source: Zillow.com/Haver Analytics.

◀ HOUSING PRICES

Despite some temporary weakness in the second half of 2013, house prices finished higher than in 2012. By year's end, house prices were approximately 2.5 percent higher than they were a year earlier. This growth largely reflects the labor market's solid performance, growing consumer confidence, and the increasingly tight supply of new homes going on the market. Consistent with the national trend, foreclosure rates have also been declining, which helps reduce additions to the shadow inventory. The real estate sector is likely to continue expanding as employment strengthens further and homebuilding speeds up in response to a shrinking supply of new and existing homes for sale.

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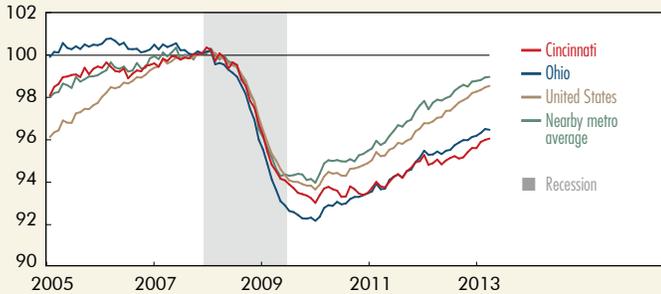
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EMPLOYMENT AND INDUSTRIAL SECTORS

Rising payroll employment needs time to exceed pre-recession levels

Index, 2007: M12=100

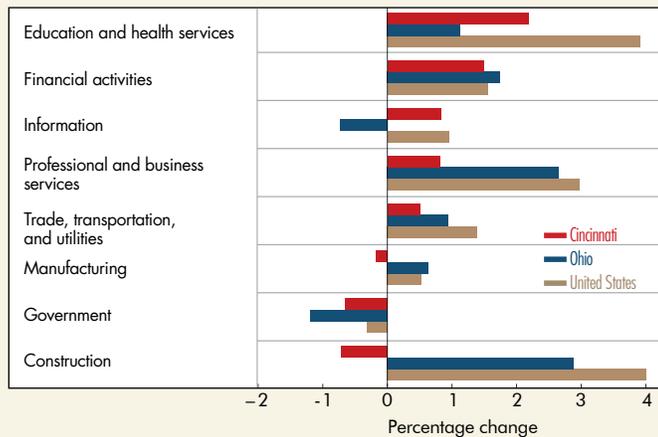


Source: Bureau of Labor Statistics.

EMPLOYMENT

Jobs growth in the Cincinnati metro remains strong; the region capitalizes on its highly educated, innovative workers. The professional and business services sector, along with the education and healthcare, finance, and information sectors, continue to contribute to payroll growth. The region is home to several corporate headquarters and a growing business-analytics sector. These firms' increased presence increases demand for skilled, highly educated labor. Around 30 percent of the local population has a college degree, surpassing the US. However, despite continued improvement, total payroll employment has not regained its pre-recession peak; that will take 18 months to two years of strong growth.

The metro's well-diversified economy positions it for growth

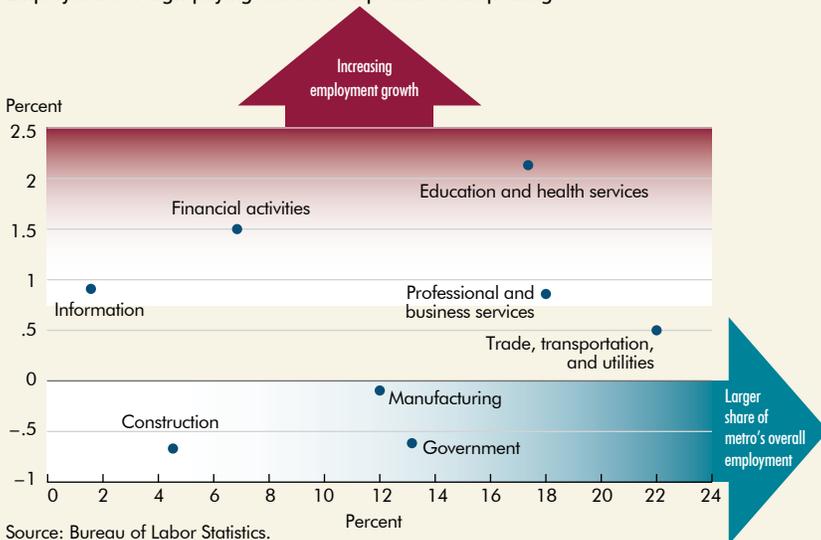


Source: Bureau of Labor Statistics.

EMPLOYMENT GROWTH BY SECTOR

Cincinnati's economy enjoys a well-educated workforce and a large presence in service-sector employment. Its largest employers—the Kroger Company, the University of Cincinnati, the Cincinnati Children's Hospital Medical Center, and the Procter & Gamble Company—have all grown and can anticipate further growth in their sectors. The Cincinnati manufacturing sector is positioned well to accommodate possible growth as the national sector resumes its growth. However, since the end of the recession, growth in local manufacturing has lagged both the state's and the nation's performance. Cincinnati's concentration of aerospace parts and equipment manufacturers will increase greatly as the world's air carriers replace their aging fleets. For example, one of the region's top employers, GE Aviation, recently received a \$2.5 billion order from German air carrier Lufthansa for Boeing aircraft.

Employment in high-paying sectors is expected to keep rising



Source: Bureau of Labor Statistics.

RELATIVE EMPLOYMENT GROWTH

Ten Fortune 500 companies are headquartered in the Cincinnati metro area. On a per capita basis, this is more than New York, Los Angeles, or Chicago—the nation's three largest metros. Collectively, these companies employ more than 50,000 people in the metro, and many of them are boosting their hiring as the US economy moves forward. This also benefits small companies in the region, many of which supply significant amounts of goods and services to the corporate giants. Employment in high-paying professional and business services is expected to keep rising over the near-to-medium term, as are the education and healthcare services sectors.

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Housing permits stand at 64% of their pre-recession levels

Index, 2007: M12=100, three-month moving average



Source: Census Bureau/Haver Analytics.

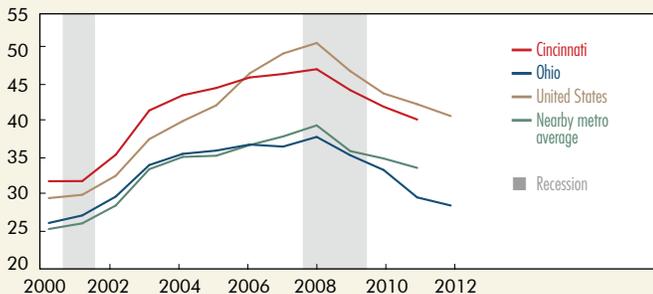
HOUSING MARKET

◀ HOUSING PERMITS

Although above its post-recession lows, Cincinnati's homebuilding remains sluggish. At the beginning of 2014, building permits stood at about 64 percent of their pre-recession level, lagging the nation's 86 percent and Ohio's 69 percent. In contrast, metros near Cincinnati are expanding construction at 109 percent of pre-recession levels. The supply of housing remains exceptionally tight, propping up prices. Multifamily vacancy rates are still low because apartment construction lags demand in the region. Two factors often blamed for supply's slow resurgence are continued tight credit and a scarcity of skilled construction labor. Area realtors and homebuilders anticipate that new home construction will increase in 2014.

Mortgage, auto, and credit card debt has continued to decline

Thousands of dollars



Source: FRBNY Consumer Credit Panel.

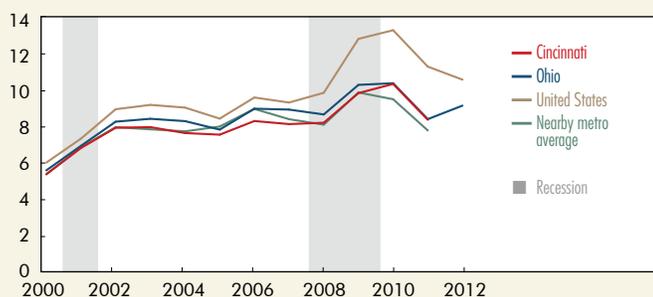
CONSUMER FINANCES

◀ CONSUMER DEBT

Since 2006, consumers in the Cincinnati metro have had less mortgage, auto, and credit card debt per capita than the national average. However, consumer debt in the Cincinnati area still exceeds that of nearby metro areas and Ohio as a whole. The metro has actively sought to deleverage since the recession's onset late in 2007 and has progressed at a rate similar to the nation's. Reasons for the debt's decline include lower mortgage debt due to foreclosures and the smaller average outstanding balances on revolving debt instruments, such as credit cards and home equity loans.

Cincinnati's credit profile is in better shape than the nation's

Percent of delinquent credit card balances



Source: FRBNY Consumer Credit Panel/Haver Analytics.

◀ CREDIT CARD DELINQUENCY RATES

The credit card delinquency rate is an indicator of households' financial health. The credit profile of Cincinnati remains much better than the nation's and is in line with the state of Ohio. Declines in credit card delinquency rates continued through 2011, the latest year for which data is available. In 2011, the share of credit card balances that were 90 or more days delinquent was approximately 3 percentage points lower in Cincinnati than in the United States, falling back to its pre-recession level.

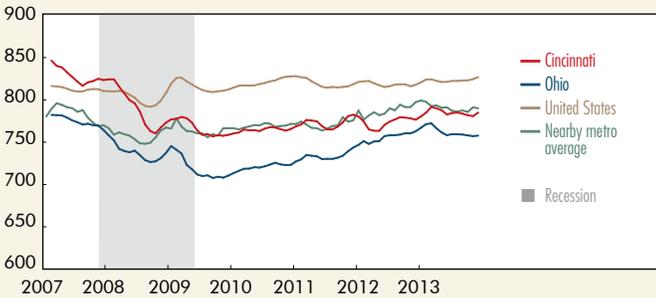
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The metro's stagnant weekly wages are expected to pick up eventually

Dollars, three-month moving average



Source: Bureau of Labor Statistics/Haver Analytics.

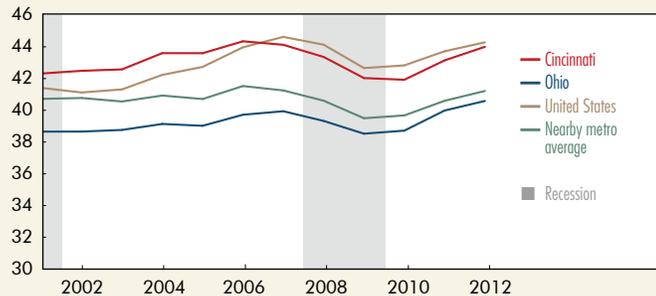
INCOME

◀ AVERAGE WEEKLY EARNINGS

In the Cincinnati area, average weekly wages fell from \$825 in December 2007, the start of the recession, to \$786 in December 2013. Average wages in nearby metros and Ohio saw similar declines, but have recovered faster than the Cincinnati metro. The stagnancy of the Cincinnati metro's wages results largely from relatively slower growth in the higher-paying manufacturing sector. While significant growth continues in the professional and business services and education and healthcare sectors, wage growth has been muted because the oversupply of labor has kept pressure on wage growth across most sectors. However, this phenomenon is expected to decrease as consumer demand picks up, increasing general labor demand and, ultimately, average weekly earnings.

Income per capita has risen since the end of the recession

Thousands



Source: Bureau of Economic Analysis/Haver Analytics.

◀ INCOME PER CAPITA

The Cincinnati metro and the nation continue to see stronger income growth per capita than Ohio and nearby metros. The Cincinnati metro also had a much smaller decline during the recession. A significant reason for this superior performance is that the Cincinnati metro area continues to contend with slowing population growth. The metro's population growth has risen in recent years as out-migration accelerated and the natural rate of population growth slowed. However, as income growth per capita continues to increase, it should stimulate increased in-migration to the region in the future and help to slow the population drain.

DEMOGRAPHICS AND EDUCATION

◀ CINCINNATI, OHIO

According to 2012 Census estimates, Cincinnati is the 28th largest of the 381 metropolitan statistical areas in the United States.

	Cincinnati metro		United States	
	2012	Change from 2009	2012	Change from 2009
Population	2,128,603	-2.0%	313,914,040	+2.2%
Adults with less than a high school diploma	10.7%	-1.8%	14.1%	-0.7%
Adults with an undergraduate degree or higher	29.6%	+1.1%	28.5%	+0.6%
Median age (years)	37.6	+0.7 years	37.4	+0.6 years
Median household income	\$54,093	-5.6%	\$52,991	-4.6%

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 indexes will be below 100; if levels were falling before the recession, pre-recession indexes 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).