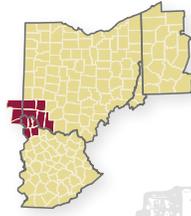


FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



CINCINNATI, OHIO MSA | AUGUST 2015

FEDERAL RESERVE BANK of CLEVELAND

Cincinnati – Building Momentum toward Long-Term Growth

The Cincinnati metro area's economy continues to deliver strong economic results, with superior growth in the construction and manufacturing sectors. A robust professional and business services sector and a growing education and health services sector continue to provide opportunities for the region to grow upon its stable base well into the future. Employment growth is strong as the unemployment rate, having declined to its lowest level in more than ten years, remains among the lowest for metropolitan statistical areas in the Fourth Federal Reserve District.

METRO AREA SNAPSHOT

	Unemployment Rate		Home Prices		Payroll Employment		Credit Card Delinquency Rates	
	June 2015	One-year change	May 2015	One-year change	December 2014 (thousands)	One-year change	2015:Q1	One-year change
Cincinnati	4.3%	-1.1	\$136,900	1.8%	996	2.0%	6.2%	-1.2
Ohio	5.2%	-0.4	\$115,600	1.7%	5,228	1.6%	6.9%	-1.1
United States	5.3%	-0.8	\$179,200	3.0%	138,068	2.2%	7.5%	-1.5
Nearby metro average	4.5%	-1.1	\$127,200	2.1%	704	2.0%	6.4%	-1.0

Cincinnati's unemployment rate has dropped to 4.3%

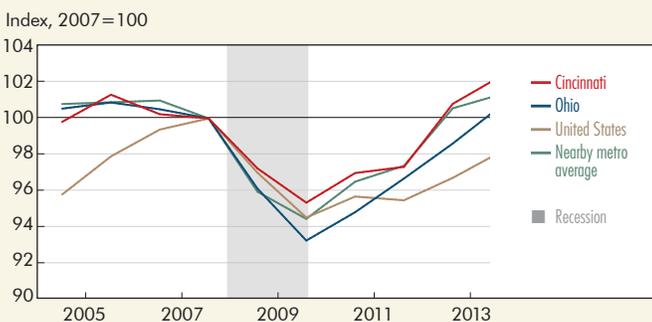


Source: Bureau of Labor Statistics/Haver Analytics.

◀ UNEMPLOYMENT RATE

By June 2015, the unemployment rate in the Cincinnati metro area dropped to 4.3 percent. This was the metro area's best showing in the past ten years. As the nation's recovery continues, the metro area's relatively large share of employment in high-growth, high-demand sectors continues to prove beneficial. The region remains uniquely positioned in industrial sectors that benefit from the national recovery, such as professional and business services, education and health services, and trade, transportation, and utilities. The region is also seeing strong employment demand in the skilled manufacturing and construction sectors as it responds to pent-up demand for manufactured goods in the aviation and auto sectors, and for real estate construction—both residential and nonresidential. Cincinnati's low unemployment rate is approximately one percentage point lower than both the state of Ohio and the nation, and is slightly lower than the average for nearby metro areas.

Cincinnati's GDP per capita was about 2% above its pre-recession level



Source: Bureau of Economic Analysis/Haver Analytics.

◀ GROSS DOMESTIC PRODUCT

After a long recovery from the Great Recession, per capita GDP was stronger in the Cincinnati metro area than in the nation, state, and nearby metro areas through the end of 2013. At this point, the Cincinnati metro area's per capita GDP stood approximately 2 percent above its pre-recession level. A relatively strong recovery is occurring in somewhat higher-paying sectors such as professional and business services, skilled manufacturing, and health services. The metropolitan area's population, like many others in the state of Ohio, has continued to see weak population growth. According to the US Census Bureau, population in the Cincinnati metro area has increased by approximately 1.5 percent since July 2010, while the nation has increased by approximately 3.1 percent. Modest population growth and faster growth in output helped jointly raise the area's per capita GDP.

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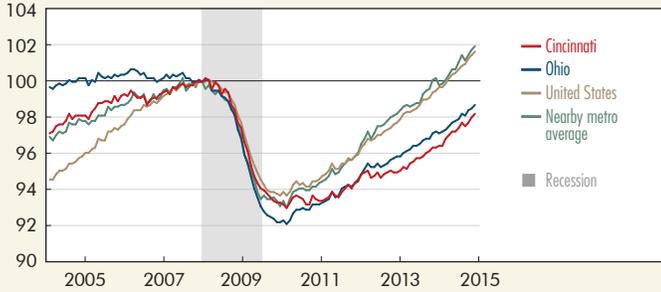
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EMPLOYMENT AND INDUSTRIAL SECTORS

Employment in the metro area continues to grow, but is outpaced by national job growth

Index, 2007: M12=100

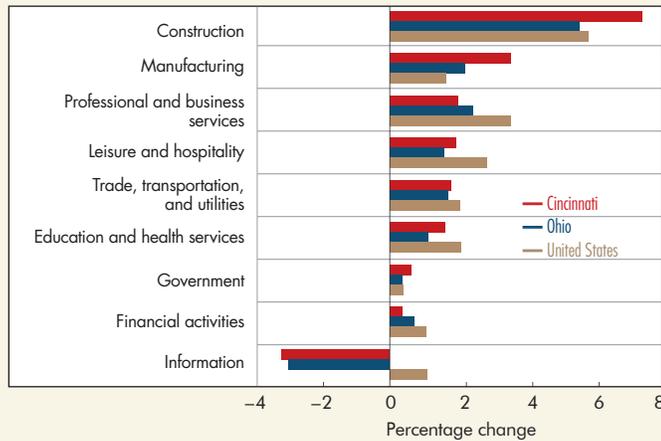


Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

EMPLOYMENT

Job growth in the Cincinnati metro area remains strong as the region capitalizes on its highly educated and innovative workers. Despite these factors, however, the region has yet to return to its pre-recession employment level. Through December 2014, employment in the metro area stood approximately 2 percent below its pre-recession level. This performance remains in line with the rate of recovery in the state of Ohio, but substantially below the pace of recovery for the average of nearby metro areas and the United States, where employment is approximately 2 percent above pre-recession levels. For the Cincinnati metro area, continued employment growth is expected as multiple companies have announced plans to expand in order to accommodate larger workforces.

Construction and manufacturing led Cincinnati's employment growth

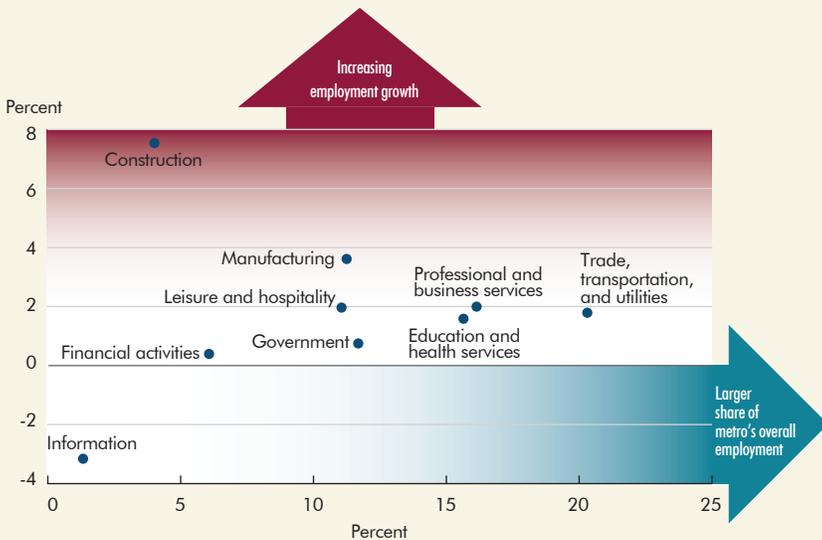


Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

EMPLOYMENT GROWTH BY SECTOR

The Cincinnati metro area is experiencing strong growth in all of its industrial sectors except its very small information sector. Although accounting for a mere 4 percent of area employment, the construction sector leads in growth. In response to increased homebuilding, more people are being hired into the residential construction sector. Additionally, commercial real estate employment is also rising with increased industrial construction in the downtown area. Employment growth in the manufacturing sector is outpacing that of the state and nation. This growth is primarily in response to the increased demand for parts coming from the auto and aviation sectors. For example, a top area employer and aerospace manufacturer, GE Aviation, is planning to open a new Additive Technology Center in the Cincinnati suburb of West Chester this summer to handle the increased demand for additional engine production.

Cincinnati's largest sectors added jobs at a rate of approximately 2% per year



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

RELATIVE EMPLOYMENT GROWTH

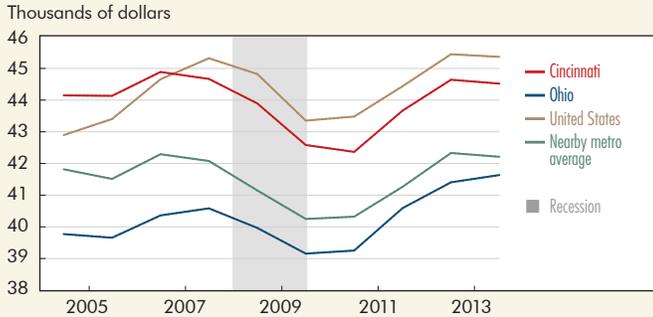
As a percentage of employment, the professional and business services and the trade, transportation, and utilities sectors account for the largest shares of employment in the Cincinnati area. Both are growing at a rate of approximately 2 percent. Recent announcements have contributed to current growth and are expected to add more jobs in these sectors in the future. For example, General Electric is building a global operations center that will add an estimated 1,500 positions in information technology, human resources, finance, and other high-value-added fields. Barclays Services is in discussions with local taxing authorities to bring a call center and 1,500 jobs to Hamilton County. Colorado-based Startek USA launched its call center operation in Hamilton last month and is expected to increase hiring in the coming months.

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Cincinnati's income per capita has increased 4.6% since 2009, in line with national performance



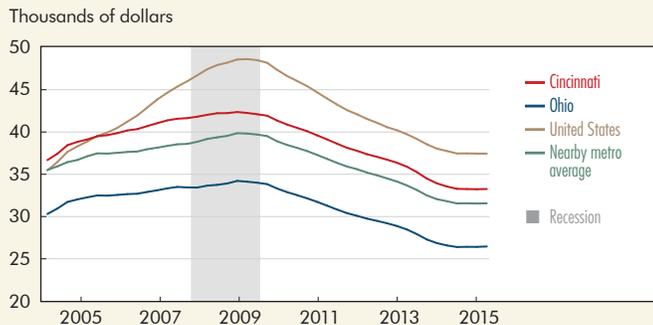
Source: Bureau of Economic Analysis/Haver Analytics.

INCOME

◀ INCOME PER CAPITA

The Cincinnati metro area and the nation continue to see stronger income growth per capita than nearby metros. Since the end of the recession in June 2009, income per capita in Cincinnati has increased 4.6 percent. This is in line with the national average, which has increased 4.7 percent. The reasons for this superior performance are that the metro area continues to experience income growth due to expansion of employment in relatively higher-paying sectors, such as professional and business services, skilled manufacturing, and healthcare, while also contending with slowing population growth. However, as income growth per capita continues to increase, it should stimulate increased in-migration to the region in the future and support population growth.

After 5 years of decline, the level of consumer indebtedness has stabilized



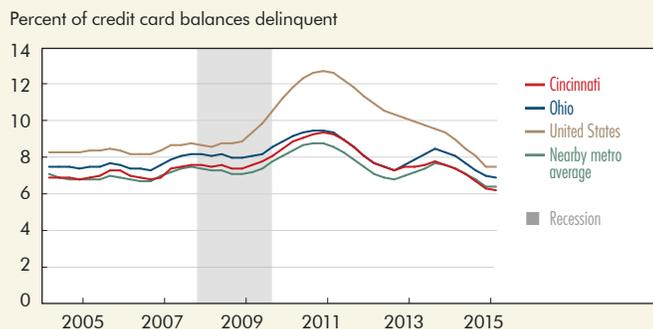
Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

CONSUMER FINANCES

◀ CONSUMER DEBT

Through the first quarter of 2015, average consumer debt levels in the Cincinnati area remain below those of the nation, but above those of the state of Ohio and nearby metro areas. The metro has actively sought to deleverage since the onset of the recession in late 2007 and has succeeded at a rate similar to that of the nation. However, like the nation, state, and nearby metro areas, the decline in the level of consumer indebtedness has slowed to the point of remaining stable throughout the last year. This is likely in response to growing consumer demand for consumer loans, primarily in the area of nonrevolving credit. Much of this growth can be traced to significantly increased demand for auto loans.

Cincinnati's credit card delinquency rate declined to 6.2% in 2015:Q1



Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

◀ CREDIT CARD DELINQUENCY RATES

The credit card delinquency rate is an indicator of the financial health of households. The credit profile of Cincinnati remains much better than the nation's and is in line with nearby metro areas. After peaking at 9.4 percent at the end of 2012, the metro area's credit card delinquency rate continued to decline through the first quarter of 2015, when it stood at 6.2 percent. This compares to the national rate of 7.5 percent and the state's rate of 6.9 percent.

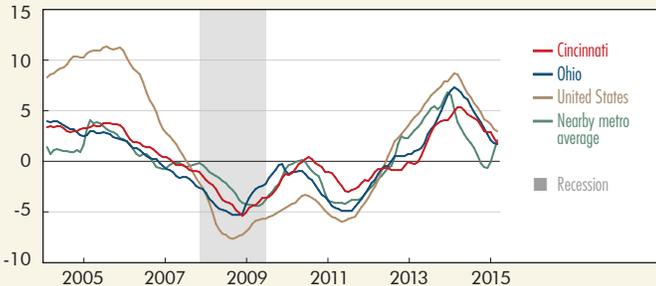
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Home price growth has slowed, but prices sat 1.8% above levels from a year ago

Year-over-year percent change



Source: Zillow.com/Haver Analytics.

HOUSING MARKET

◀ HOUSING PRICES

The Cincinnati housing market continues to advance at a pace consistent with the state and nearby metro areas, but is slightly behind that of the nation. In May 2015, house prices were 1.8 percent above their level a year ago, which is comparable to the state average of 1.7 percent. Similar to the path of the nation and state, price growth in the metro area has slowed since the beginning of 2014, but sales activity in the region has increased. Despite increased demand and slowly increasing supply, house price growth has slowed for multiple reasons, including but not limited to weak income growth, moderate rates of household formation, and continued strength in the rental housing market. However, the local market for homes is likely to accelerate as employment strengthens.

Permitting activity, while seeing modest increases, remained 36% below pre-recession levels

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



Source: Census Bureau/Haver Analytics.

◀ HOUSING PERMITS

Remaining above its post-recession lows, homebuilding in the greater Cincinnati region is gaining steam. Housing supply remains tight, helping to prop up slowly increasing house prices. Multifamily vacancy rates remain low as apartment construction has yet to catch up with the growth in regional demand. Two factors often cited for the slow resurgence of supply are continued tight credit conditions and a scarcity of skilled construction labor. The residential construction labor force has begun to grow, helping to reduce the mismatch between slow-growing housing demand and short supply. Credit conditions to support the growth in construction demand remain tight, but more lenders are reporting increased activity in this area. Nonetheless, permitting activity remains approximately 36 percent below pre-recession levels. This is below that of both nearby metro areas and the national average, but is in line with the average for the state.

DEMOGRAPHICS AND EDUCATION

◀ CINCINNATI, OHIO

According to 2014 US Census Bureau estimates, Cincinnati is the 28th largest of the 381 metropolitan statistical areas in the United States.

	Cincinnati metro		United States	
	2013	Change from 2009	2013	Change from 2009
Population	2,137,406	+1.4%	316,129,000	+3.1%
Adults with less than a high school diploma	10.4%	-2.0%	13.4%	-1.3%
Adults with an undergraduate degree or higher	31.2%	+2.6%	29.6%	+1.7%
Median age (years)	37.9	+1.0 years	37.5	+0.7 years
Median household income	\$54,680	-5.2%	\$53,524	-4.2%

Sources: Census Population estimates; American Community Survey.

All monthly and quarterly figures are seasonally adjusted and all dollar figures are in current dollars, except home prices (which are left nominal). Where applicable, these adjustments are made prior to calculating percent changes or indexes. 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).