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

<table>
<thead>
<tr>
<th></th>
<th>Unemployment Rate</th>
<th>Home Prices</th>
<th>Payroll Employment</th>
<th>Credit Card Delinquency Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 2015</td>
<td>May 2015</td>
<td>December 2014 (thousands)</td>
<td>2015:Q1</td>
</tr>
<tr>
<td>Cincinnati</td>
<td>4.3%</td>
<td>1.8%</td>
<td>996</td>
<td>6.2%</td>
</tr>
<tr>
<td>Ohio</td>
<td>5.2%</td>
<td>1.7%</td>
<td>5,228</td>
<td>6.9%</td>
</tr>
<tr>
<td>United States</td>
<td>5.3%</td>
<td>3.0%</td>
<td>138,068</td>
<td>7.5%</td>
</tr>
<tr>
<td>Nearby metro average</td>
<td>4.5%</td>
<td>2.1%</td>
<td>704</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

Cincinnati’s unemployment rate has dropped to 4.3%

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

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.
EMPLOYMENT AND INDUSTRIAL SECTORS

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.

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.

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.
CONSUMER FINANCES

INCOME

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.

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.

INCOME PER CAPITA

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

Thousands of dollars

Source: Bureau of Economic Analysis/Haver Analytics.

CONSUMER FINANCES

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

Thousands of dollars

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

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

Percent of credit card balances delinquent

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.
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.

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

Source: Census Bureau/Haver Analytics.

Cincinnati metro United States

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<thead>
<tr>
<th></th>
<th>Change from</th>
<th>United States</th>
<th>Change from</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>2,137,406</td>
<td>+1.4%</td>
<td>316,129,000</td>
</tr>
<tr>
<td>Adults with less than a high school diploma</td>
<td>10.4%</td>
<td>-2.0%</td>
<td>13.4%</td>
</tr>
<tr>
<td>Adults with an undergraduate degree or higher</td>
<td>31.2%</td>
<td>+2.6%</td>
<td>29.6%</td>
</tr>
<tr>
<td>Median age (years)</td>
<td>37.9</td>
<td>+1.0 years</td>
<td>37.5</td>
</tr>
<tr>
<td>Median household income</td>
<td>$54,680</td>
<td>-5.2%</td>
<td>$53,524</td>
</tr>
</tbody>
</table>

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).