

# FOURTH DISTRICT METRO MIX

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CINCINNATI, OHIO MSA | MARCH 2016

FEDERAL RESERVE BANK of CLEVELAND

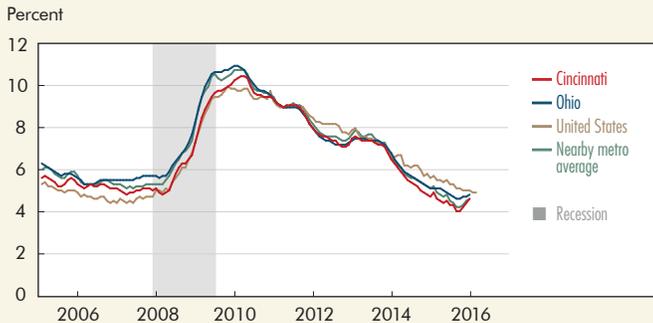
## Cincinnati – Sustained Growth from a Solid Foundation

The Cincinnati metro area's economy continues to deliver strong economic results, particularly with growth in the leisure and hospitality and construction sectors. These sectors, supported by a diversified manufacturing base, provide opportunities for the region to grow long into the future. Employment growth is strong and the unemployment rate has declined to its lowest level in more than ten years, remaining among the lowest of the metro areas in the Fourth Federal Reserve District.

### METRO AREA SNAPSHOT

	Unemployment Rate		Median Home Values		Payroll Employment		Credit Card Delinquency Rates	
	December 2015	One-year change	January 2016	One-year change	September 2015 (thousands)	One-year change	2015:Q4	One-year change
Cincinnati	4.6%	-0.1	\$142,700	4.0%	1,010	2.1%	6.4%	+0.1
Ohio	4.8%	-0.3	\$119,100	2.9%	5,260	1.2%	7.0%	+0.1
United States	5.0%	-0.6	\$184,000	4.2%	139,893	2.0%	7.9%	+0.3
Nearby metro average	4.6%	-0.5	\$125,060	4.8%	642	2.0%	6.5%	+0.0

In December 2015, Cincinnati's unemployment rate sat at 4.6%

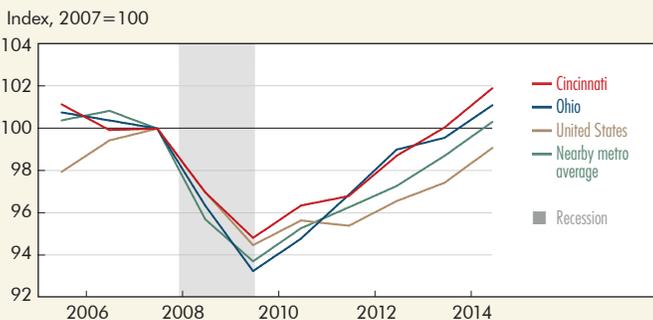


Source: Bureau of Labor Statistics/Haver Analytics.

#### ◀ UNEMPLOYMENT RATE

By the end of 2015, the unemployment rate in the Cincinnati metro area stood at 4.6 percent, a slight increase from the 4.0 percent showing at the end of the third quarter, but still lower than the national average (5.0 percent). The region remains uniquely positioned in industry sectors that benefit from the national recovery, such as leisure and hospitality, manufacturing, construction, and trade, transportation, and utilities. The strong employment demand that the region is experiencing in the skilled manufacturing and construction sectors is a result of pent-up demand for manufactured goods in the aviation and auto sectors, and for residential and nonresidential real estate construction. Cincinnati's low unemployment rate is in line with the average of nearby metro areas and slightly lower than that of the state.

Modest population growth and faster output growth contributed to Cincinnati's per capita GDP growth



Source: Bureau of Economic Analysis/Haver Analytics.

#### ◀ GROSS DOMESTIC PRODUCT

After a long recovery from the Great Recession, per capita GDP is stronger in the Cincinnati metro area than in the nation, state, and nearby metro areas. In 2014, the metro area's per capita GDP stood approximately 2 percent above its pre-recession level. The relatively strong recovery that has occurred in higher-paying sectors, such as professional and business services, skilled manufacturing, and health services, and continued investment in technology have helped to move the region's total output higher. The metro area's population, like many others in the state of Ohio, has continued to see weak population growth. Since July 2010, population in the Cincinnati metro area has increased by approximately 1.5 percent, as opposed to approximately 3.1 percent nationally. Modest population growth coupled with faster growth in output helped to raise the metro area's per capita GDP.

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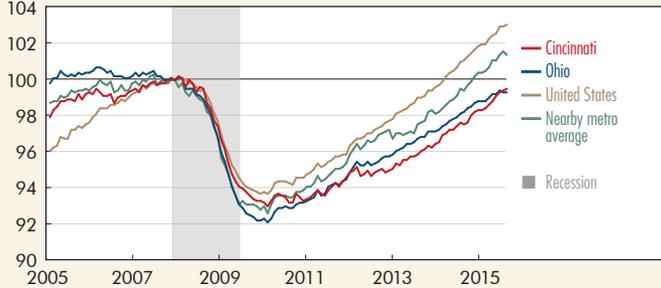
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## EMPLOYMENT AND INDUSTRIAL SECTORS

Cincinnati has yet to recover its pre-recession employment levels, but job growth remains solid

Index, 2007: M12=100

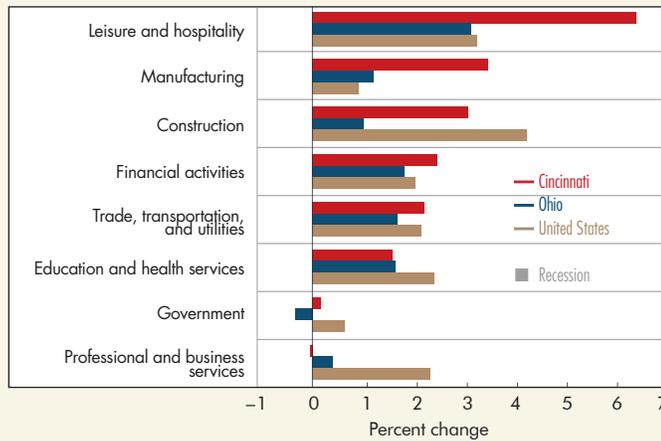


Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

### ◀ EMPLOYMENT

Job growth in the Cincinnati metro area remains strong as the region capitalizes on its highly educated and innovative workforce. Despite these factors, however, the region has yet to return to its pre-recession employment level. Through the end of the third quarter of 2015, employment in the metro area stood approximately 0.5 percent below its pre-recession level. This performance was in line with the rate of recovery in Ohio, but lagged the recovery pace for the average of nearby metro areas and the United States, which have seen increases of approximately 1.5 percent and 3.0 percent, respectively. However, the outlook remains good as multiple companies in the Cincinnati metro area are expanding in order to accommodate larger workforces. For example, General Electric's US Global Operations Center is nearing completion, which will provide an estimated 1,500 positions in fields such as information technology, human resources, and finance.

The leisure and hospitality sector led Cincinnati's employment growth

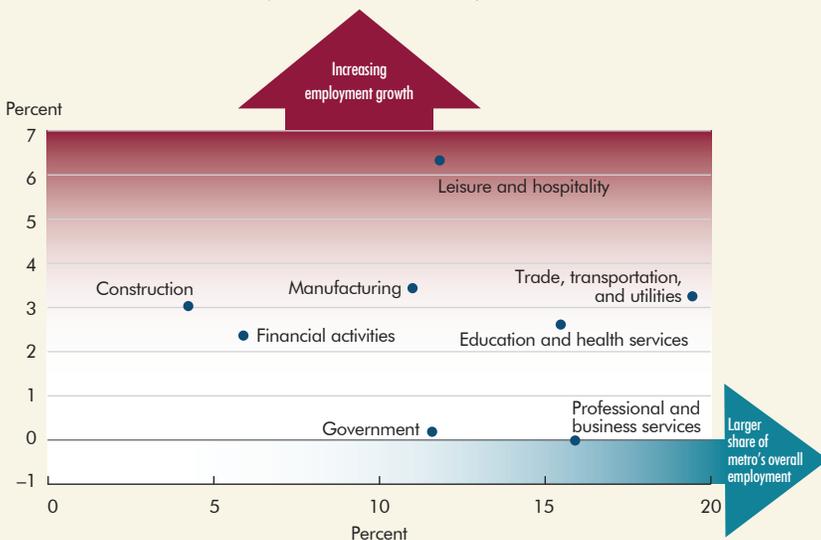


Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

### ◀ EMPLOYMENT GROWTH BY SECTOR

On a year-over-year basis, the Cincinnati metro area is experiencing strong employment growth, most notably in the leisure and hospitality, manufacturing, and construction sectors. Accounting for approximately 12 percent of area employment, the leisure and hospitality sector leads in growth and reflects the region's push to stimulate tourism and draw major events to the area. 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, GE Aviation plans to open a new Additive Technology Center in the region to accommodate the increased demand for engine production.

All but one of Cincinnati's major sectors continue to grow

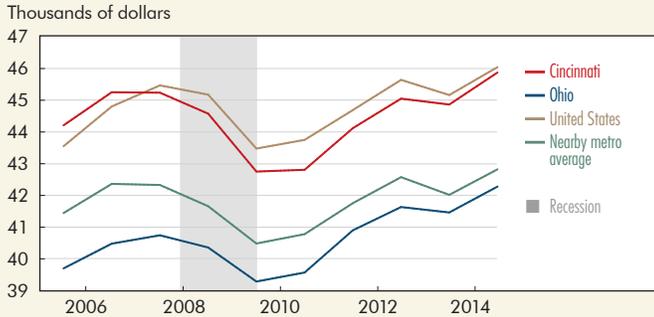


Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

### ◀ RELATIVE EMPLOYMENT GROWTH

The professional and business services and the trade, transportation, and utilities sectors account for the largest shares of employment in the Cincinnati area. From September 2014 to September 2015, professional and business services employment was essentially flat and trade, transportation, and utilities grew 2.0 percent. Recent announcements regarding expanded facilities and operations at area firms indicate expected employment growth in these sectors. Stronger growth is occurring in the manufacturing sector, with employment increasing at a rate of 3.4 percent, likely a result of increased demand from the aviation and auto parts suppliers around the region.

## Cincinnati's strong per capita income growth tracks the national trend



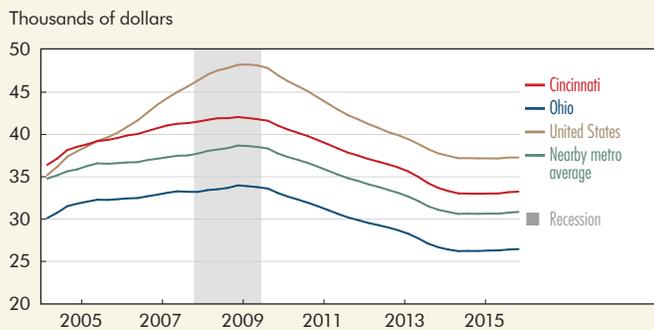
Source: Bureau of Economic Analysis/Haver Analytics.

## INCOME

## ◀ INCOME PER CAPITA

The Cincinnati metro area and the nation continue to see stronger income growth per capita than the state and nearby metros. Since the end of the recession in June 2009, income per capita in the Cincinnati metro area has increased by 4.6 percent. This is in line with the national average, which has increased by 4.7 percent. The metro area's performance is attributed to income growth as a result of employment expansion in relatively high-paying sectors, such as professional and business services, skilled manufacturing, and healthcare, while also contending with slowing population growth. However, continued per capita income growth should stimulate increased in-migration to the region in the future.

## Throughout 2015, consumer debt levels in Cincinnati remained below the national average



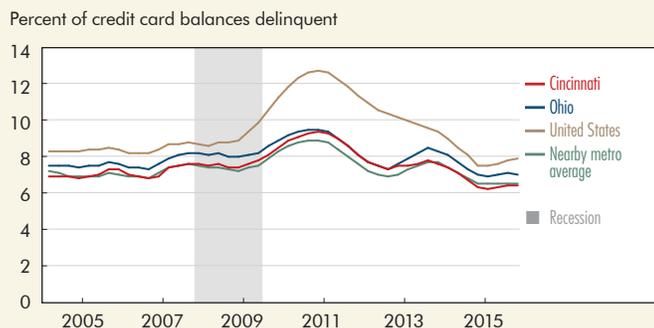
Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

## CONSUMER FINANCES

## ◀ CONSUMER DEBT

Through the end of 2015, average consumer debt levels in the Cincinnati metro area remained below the national average, but above those of the state and nearby metro areas. Consumers in the metro have 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 slowed to the point of remaining stable over the last year. This is likely in response to growing demand for consumer loans, primarily in the area of nonrevolving credit. Much of this growth can be traced to increased demand for auto loans.

## At the end of 2015, Cincinnati's delinquency rate sat below state and national rates



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 declined through the first quarter of 2015, standing at 6.4 percent. This compares to the US rate of 7.9 percent and Ohio's rate of 7.0 percent.

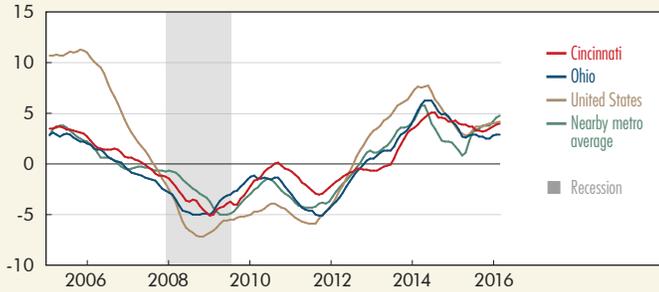
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## In 2015, Cincinnati's housing prices tracked the national average

Year-over-year percent change



Source: Zillow.com/Haver Analytics.

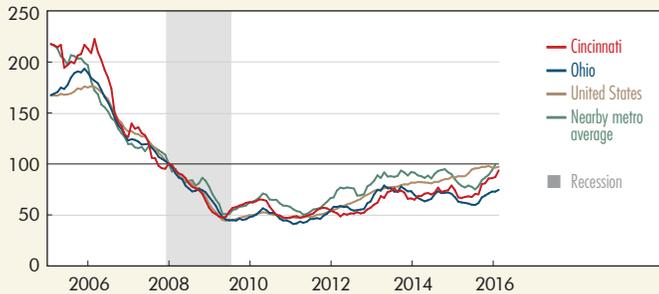
## HOUSING MARKET

## ◀ HOUSING PRICES

Cincinnati's housing market continues to advance at a pace consistent with the nation and nearby metro areas, while slightly outpacing that of the state. In January 2016, house prices were 4.0 percent above their level a year ago, which is comparable to the national increase of 4.2 percent. Similar to the path of the nation and nearby metro areas, price growth in the Cincinnati metro area has slowed since the beginning of 2014, but sales activity in the region has continued to increase. Increased demand coupled with a slowly increasing supply has worked well for the market's pace of activity. However, issues such as weak income growth, moderate rates of household formation, and continued strength in the rental housing market remain.

## The Cincinnati metro area's permitting activity is gaining steam

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



Source: Census Bureau/Haver Analytics.

## ◀ HOUSING PERMITS

Remaining above its post-recession low, homebuilding in the greater Cincinnati region is gaining steam. Housing supply remains tight, helping to prop up house prices. Multifamily vacancy rates remain low as apartment construction has yet to catch up with the growth in regional demand. Tight credit conditions and a scarcity of skilled construction labor are two factors often cited for the slow resurgence of supply. The residential construction labor force is growing and will help reduce the mismatch between growing housing demand and short supply over the long run. Credit conditions remain tight, but more lenders are reporting increased activity in this area. Nonetheless, through February 2016 permitting activity was approximately 7 percent below pre-recession levels. However, this rate is a substantial improvement from the level a year ago when activity was 33 percent below pre-recession levels.

## 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 Area		United States	
	2014	Change from 2009	2014	Change from 2009
Population	2,149,449	+2.0%	318,857,000	+3.9%
Adults with less than a high school diploma	9.6%	-2.9%	13.1%	-1.7%
Adults with an undergraduate degree or higher	31.4%	+2.9%	30.1%	+2.2%
Median age (years)	37.3	+0.4 years	37.7	+0.9 years
Median household income	\$55,771	-2.6%	\$53,698	-3.2%

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).