

# FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



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CINCINNATI, OHIO MSA | MARCH 2018

FEDERAL RESERVE BANK of CLEVELAND

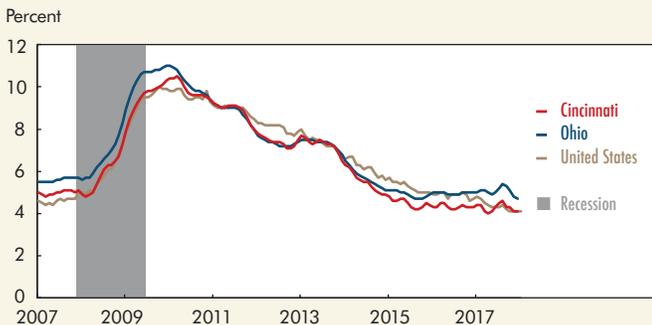
## Cincinnati—Solid Growth Continues

Growth continues at a solid pace in the Cincinnati metro area, with the metro area continuing to outperform the state for most major indicators. Per capita income levels reached an all-time high in 2016, and the metro area's unemployment rate has now been below 5.0 percent for more than three consecutive years. Job growth has occurred in most major sectors, and the metro area has added more than 16,000 jobs during the past year. Though credit card delinquency rates have edged up over the past year, they still remain well below historical norms. Home prices are continuing to increase at a steady clip, fueled by a strong labor market and a smaller number of homes for sale.

### METRO AREA SNAPSHOT

	Unemployment Rate		Median Home Value		Payroll Employment		Credit Card Delinquency Rate	
	December 2017 (percent)	One-year change (percentage points)	December 2017	One-year change (percent)	June 2017 (thousands)	One-year change (percent)	2017:Q4 (percent)	One-year change (percentage points)
Cincinnati	4.1	-0.2	\$156,600	5.5	1,036	1.6	6.4	0.4
Ohio	4.7	-0.3	\$130,000	4.7	5,369	1.2	6.9	0.2
United States	4.1	-0.6	\$206,300	6.5	143,931	1.7	7.2	0.1

The Cincinnati metro area's unemployment rate has been below 5.0 percent for more than three consecutive years.

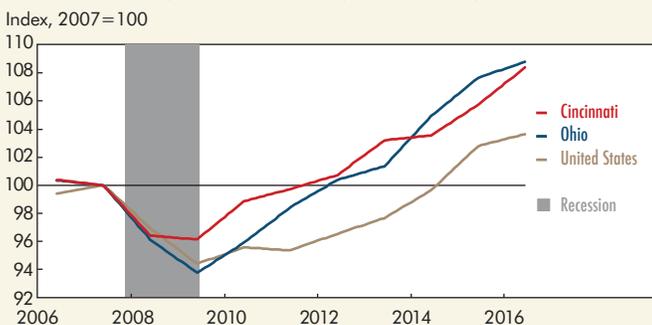


Source: Bureau of Labor Statistics/Haver Analytics.

#### ◀ UNEMPLOYMENT RATE

The Cincinnati metro area's labor market conditions remain tight by historical standards, as the region's unemployment rate ended 2017 at 4.1 percent. The metro area has now experienced 35 consecutive months during which the unemployment rate has been at or below 4.8 percent—the metro area's lowest unemployment rate reading during the previous economic expansion (from 2002 to 2007). During the past 12 months, the metro area's unemployment rate has remained, on average, 0.8 percentage points lower than Ohio's unemployment rate, generally tracking the national unemployment rate.

As of 2016, inflation-adjusted GDP per capita for the Cincinnati metro area exceeded its prerecession level by more than 8 percent.



Source: Bureau of Economic Analysis/Haver Analytics.

#### ◀ GROSS DOMESTIC PRODUCT

As of 2016, the latest year for which data are available, inflation-adjusted GDP per capita for both the Cincinnati metro area and Ohio exceeded their prerecession levels by more than 8 percent. The nation, too, exceeded its prerecession level but by a much smaller percentage (just 3.6 percent). Per capita growth rates for the metro area exceeded 2 percent in both 2015 and 2016, making these years the first two consecutive years of per capita GDP growth exceeding 2 percent since 2005. This is a noteworthy signal that the current economic expansion, which began in 2009, has really begun to take hold in the metro area.

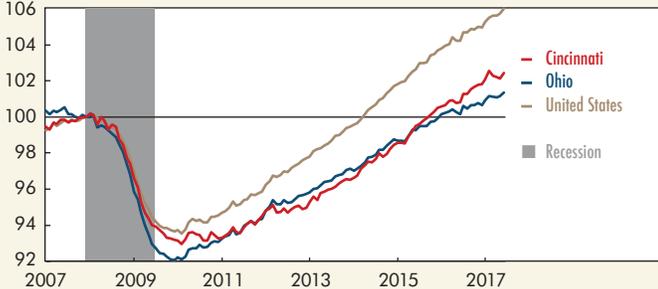
## FOURTH DISTRICT METRO MIX

MARCH 2018

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The Cincinnati metro area has 25,000 more jobs than it did in 2007.

Index, 2007:M12=100



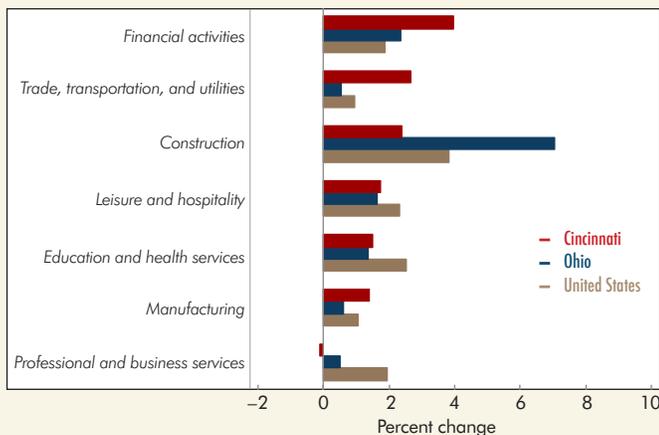
Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

## EMPLOYMENT AND INDUSTRIAL SECTORS

## ◀ EMPLOYMENT

The number of jobs in the Cincinnati metro area continues to expand at a solid pace. Compared to the prerecession levels of 2007, the metro area now has roughly 25,000 more jobs, a net increase of 2.4 percent. The metro area's job growth exceeds that of Ohio (1.4 percent above 2007 levels) but somewhat trails that of the nation to this point (6.0 percent above 2007 levels). The current postrecovery gap between the metro area and the nation can be attributed to the metro area's slower rate of employment growth between 2010 and 2013. However, since the beginning of 2014, metro area job growth has only slightly lagged national job growth (6.0 percent compared to 6.5 percent, respectively). Between June 2016 and June 2017, metro area employment expanded at a rate of 1.6 percent, translating to more than 16,000 jobs. During this same period, employment expanded in Ohio and in the nation at rates of 1.2 percent and 1.7 percent, respectively.

During the past year, the financial activities sector experienced the strongest growth in the Cincinnati metro area.



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

The following sectors were imputed due to missing data: financial activities and construction.

## ◀ EMPLOYMENT GROWTH BY SECTOR

The Cincinnati metro area's leisure and hospitality sector and education and health services sector have gained jobs more briskly than those sectors in Ohio but more slowly than those sectors in the nation. During the past year (June 2016 through June 2017), the financial activities sector experienced the strongest growth in the metro area, adding jobs at a 4.0 percent clip. This growth rate far outpaced the sector's growth rates in the state and nation of 2.3 percent and 1.9, respectively. Though this sector comprises just a 6.5 percent share of employment in the metro area, such growth is a real bright spot for the metro area's economy because, with average annual wages that exceed \$77,000, jobs in the financial activities sector pay nearly 50 percent more than the metro area's average.

Nearly all major sectors of the metro area's economy experienced employment gains between June 2016 and June 2017.

Sector	Employment	12-month change	Share of employment
Trade, transportation, and utilities	204,672	5,275	19.5
Education and health services	160,774	2,394	15.4
Professional and business services	158,450	-160	15.1
Leisure and hospitality	130,039	2,210	12.4
Manufacturing	116,628	1,612	11.1
Financial activities	67,952	2,595	6.5
Construction	45,078	1,045	4.3

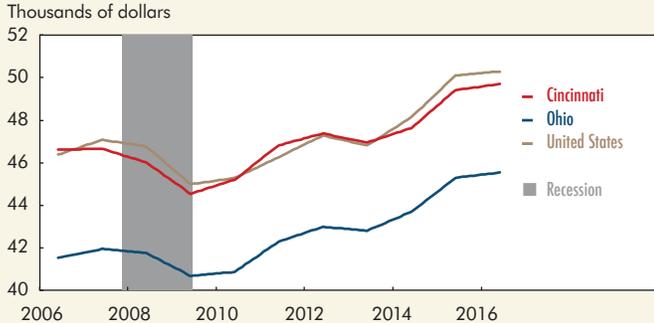
Source: Bureau of Labor Statistics Quarterly Census of Employment and Wages.

The following sectors were imputed due to missing data: financial activities and construction.

## ◀ SECTOR EMPLOYMENT

Consistent with continued, broad-based growth, nearly all major sectors of the metro area's economy experienced employment gains between June 2016 and June 2017. The only exception is the professional and business services sector, which shed 160 jobs (a reduction of 0.10 percent). The metro area's largest sector—trade, transportation, and utilities—gained more than 5,200 jobs and now accounts for one of every five jobs in the metro area. Manufacturing, which now ranks as the metro area's fifth largest job sector, gained more than 1,600 jobs during the past year.

In 2016, income per capita reached an all-time high for the Cincinnati metro area.



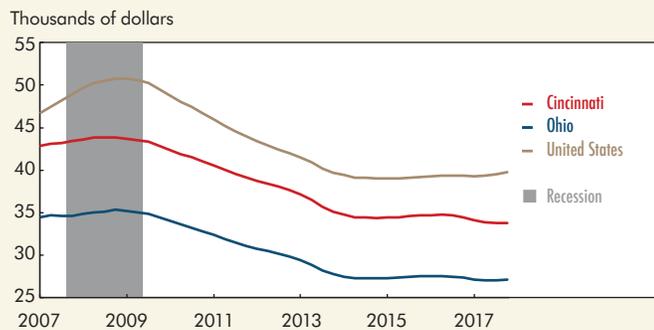
Source: Bureau of Economics/Haver Analytics.

## INCOME

### ◀ INCOME PER CAPITA

Continued employment growth and tightening labor market conditions have helped to propel income per capita to all-time highs in 2016 for the Cincinnati metro area (\$49,704), Ohio (\$45,544), and the United States (\$50,295). This reflects solid growth of 11.6 percent for Cincinnati, 11.9 percent for Ohio, and 11.8 percent for the nation since the lows of the last recession (in 2009). During 2016 (the most recent year for which we have data), inflation-adjusted per capita income grew 0.6 percent in Cincinnati, 0.5 percent in Ohio, and 0.4 percent in the nation.

The Cincinnati metro area's consumer debt level has remained relatively stable since mid-2014.



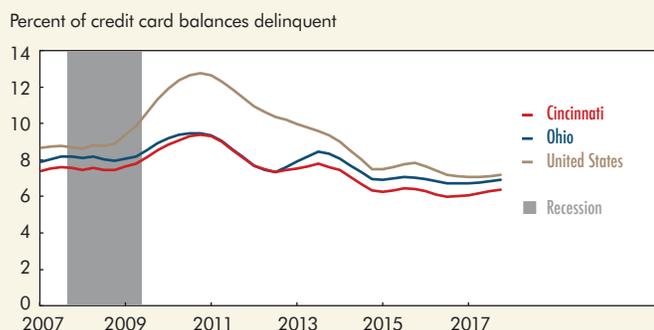
Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

## CONSUMER FINANCES

### ◀ CONSUMER DEBT

Consumer debt levels per capita for the Cincinnati metro area, state, and nation have remained relatively stable since mid-2014. The metro area's current average balance of mortgage, auto, and credit card debt (\$33,709) is more than 20 percent lower than it was when it peaked in 2008. Because roughly two-thirds of all consumer debt nationally is mortgage debt, much of the average per capita debt differences between the metro area and the state and the metro area and the nation can be explained by differences in home prices. Everything else being equal, the average homeowner in the Cincinnati metro area will have more debt than the average homeowner in Ohio because the metro area's home prices are higher than the state's.

The Cincinnati metro area's credit card delinquency rate has remained at or below its current rate for more than a year.

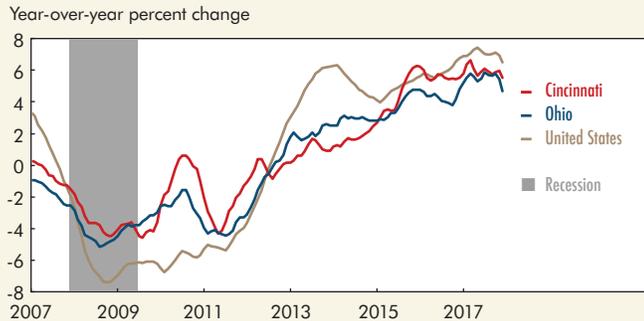


Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

### ◀ CREDIT CARD DELINQUENCY RATE

The credit card delinquency rate in the Cincinnati metro area has remained at or below its current rate for the past 13 months. Presently, 6.4 percent of all credit card balances in the metro area are considered to be delinquent; this rate is lower than that of Ohio (6.9 percent) and the nation (7.2 percent). Comparing the fourth quarter of 2016 with the fourth quarter of 2017, delinquency rates have ticked up from 6.0 percent to 6.4 percent in the Cincinnati metro area, from 6.7 percent to 6.9 percent in Ohio, and from 7.1 percent to 7.2 percent in the nation. However, household balance sheets remain quite strong, and the delinquency rates are still well below historical norms.

Home prices in the Cincinnati metro area have increased 5.5 percent during the last year.



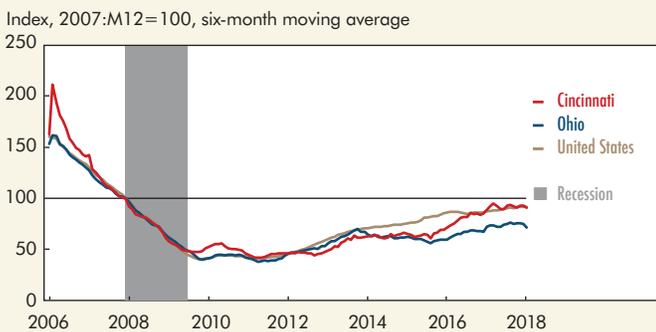
Source: Zillow.com/Haver Analytics.

## HOUSING MARKET

### HOUSING PRICES

As of December 2017, median home values for the Cincinnati metro area, Ohio, and the United States were \$156,600, \$130,000, and \$206,300, respectively. These values constitute increases from the previous year for the metro area (5.5 percent), the state (4.7 percent), and the nation (6.5 percent). While low interest rates and solid employment growth have helped to boost home prices by increasing demand, pressure is also coming from the smaller-than-usual supply of homes for sale in the metro area.

The number of building permits issued in the Cincinnati metro area has been on the rise since April 2011.



Source: US Census Bureau/Haver Analytics.

### HOUSING PERMITS

The number of building permits for single-family homes has been trending upward since April 2011. However, permit issuance levels have yet to return to prerecession levels for the Cincinnati metro area, Ohio, and the United States. According to data from the Bureau of Economic Analysis, construction employment has yet to reach prerecession levels. Additionally, FDIC data show that bank lending to construction and land development projects in Ohio continue to remain below their prerecession levels as well. In December 2017, the number of permits issued in Cincinnati was 7.2 percent below 2007 levels. By comparison, the number of permits issued in Ohio and the United States was below 2007 levels by 24.8 percent and 8.1 percent, respectively. Still, as with increases in GDP per capita and employment, the increase in building permits is a sign that the economy continues to improve.

## DEMOGRAPHICS AND EDUCATION

### CINCINNATI, OHIO

From 2010 to 2016, the population of the Cincinnati metro area and the United States increased by 2.2 percent and 4.5 percent, respectively. Census data points to birth rate increases and an influx of foreign-born migrants as the two primary factors contributing to population growth in the metro area. During the same period, median household income increased more in the Cincinnati metro area (6.2 percent) than in the nation as a whole (4.6 percent) in inflation-adjusted terms. Increases in median household income in Cincinnati and the rest of the nation are partially attributed to tightening labor market conditions, which have been pushing up wages and salaries. Additionally, both the metro area and the nation are seeing higher levels of education among the adult population.

	Cincinnati Metro Area		United States	
	2016	Change from 2010	2016	Change from 2010
Population	2,165,139	+2.2%	323,128,000	+4.5%
Adults with less than a high school diploma	9.6%	-2.2 pp	12.5%	-1.9 pp
Adults with an undergraduate degree or higher	33.1%	+3.8 pp	31.3%	+3.1 pp
Median age (years)	37.8	+0.7	37.9	+0.7
Median household income	\$61,896	+6.2%	\$59,181	+4.6%

Note: Percentage points is abbreviated as pp.

Source: US Census Bureau population estimates, American Community Survey.

Gary Wagner is vice president and senior regional officer of the Cincinnati Branch of the Federal Reserve Bank of Cleveland. Mary DeStefano is a research analyst at the Branch. The authors thank senior research analyst Christopher Vecchio for preparing the charts.

All monthly and quarterly figures are seasonally adjusted, and all dollar figures are in constant dollars, for which the base period is provided by the latest available data. Home prices are an exception, and they are not adjusted for inflation. 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 prerecession levels. If levels were growing before the recession, prerecession indexes will be below 100; if levels were falling before the recession, prerecession 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).