

# FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



Rick Kaglic and Tristan Young

CINCINNATI, OHIO MSA | AUGUST 2019

FEDERAL RESERVE BANK of CLEVELAND

## Cincinnati—Favorable Economic Conditions Bolstering Cincinnati’s Labor Market

At 3.6 percent in April 2019, the unemployment rate in the Cincinnati metro area was 0.4 percent lower than it was a year earlier. The trade, transportation, and utilities sector led the region in absolute employment growth, with 4,058 jobs added during the 2018 calendar year. Per capita GDP rose 1.4 percent in 2017 for the metro area, similar to the growth seen in Ohio and the United States. In May 2019, the median value of a home in the metro area was \$170,100, while the nationwide median home value was \$226,800.

### METRO AREA SNAPSHOT

	Unemployment Rate		Median Home Value		Payroll Employment		Credit Card Delinquency Rate	
	April 2019 (percent)	One-year change (percentage points)	May 2019	One-year change (percent)	December 2018 (thousands)	One-year change (percent)	2019:Q1 (percent)	One-year change (percentage points)
Cincinnati	3.6	-0.4	\$170,100	6.9	1,059	1.3	6.4	-0.1
Ohio	4.2	-0.4	\$139,100	5.4	5,413	0.6	7.0	-0.0
United States	3.6	-0.3	\$226,800	5.4	146,988	1.5	7.5	0.2

The Cincinnati metro area’s unemployment rate was 3.6 percent in April 2019, the lowest it has been since April 2001.

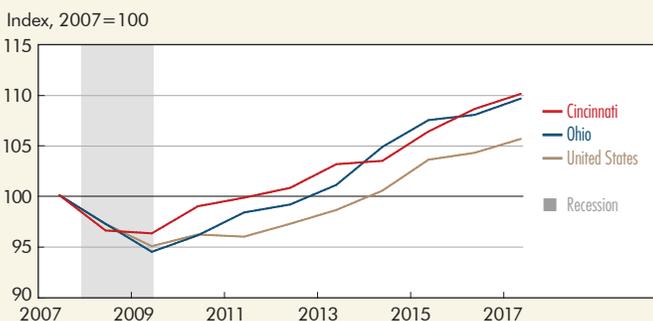


Source: Bureau of Labor Statistics/Haver Analytics.

#### ◀ UNEMPLOYMENT RATE

The Cincinnati metro area’s unemployment rate has trended down since the beginning of 2019, declining from 4.0 percent in January to 3.6 percent in April. The Cincinnati metro area’s unemployment rate is currently on par with the unemployment rate recorded for the United States as a whole (3.6 percent in April) and is well below the statewide average of 4.2 percent. Since the beginning of the year, the metro area has seen a 1.3 percent increase in the size of its labor force. Because the unemployment rate has been declining while the area’s labor force has been increasing, this suggests that newly entered workers are being hired quickly by firms, providing further evidence that labor markets in the metro area are strong.

GDP per capita growth in the Cincinnati metro area outpaced the nation’s average GDP per capita growth in 2017.



Source: Bureau of Economic Analysis/Haver Analytics.

#### ◀ GROSS DOMESTIC PRODUCT

Inflation-adjusted GDP per capita for the Cincinnati metro area grew at a rate of 1.4 percent in 2017, a decline from the 2.1 percent growth rate achieved in 2016. By contrast, Ohio and the United States saw improvement in real GDP per capita from 2016 to 2017. In 2016, Ohio and the United States saw 0.5 percent and 0.7 percent growth in real GDP, respectively, and in 2017, Ohio and the United States saw 1.5 percent and 1.3 percent GDP growth, respectively. All three areas continue to exhibit healthy trends of moderate growth and have surpassed their prerecession levels.

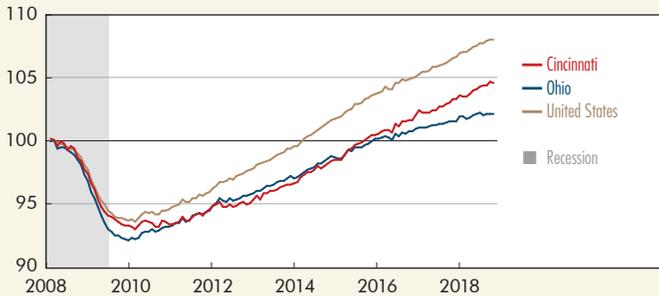
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Employment growth in the Cincinnati metro area accelerated in the last half of 2018, despite a slight dip in December.

Index, 2007:M12=100



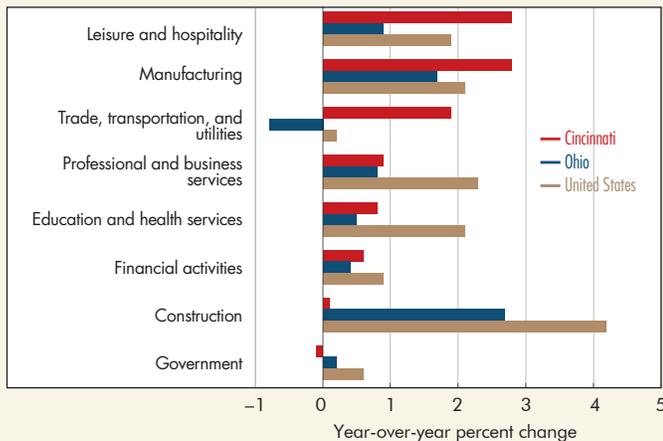
Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

## EMPLOYMENT AND INDUSTRIAL SECTORS

## ◀ EMPLOYMENT

In December 2018, employment in the Cincinnati metro area increased by approximately 13,472 jobs compared to a year earlier. Furthermore, employment growth for the metro area generally accelerated in the second half of 2018, as the average year-over-year employment growth rate was 1.3 percent in the first half of 2018 and 1.6 percent in the second half (despite a slight tick down in December 2018). With a year-over-year employment growth rate of 1.3 for December 2018, the metro area outperformed Ohio (0.6 percent) but slightly underperformed the United States (1.5 percent). Despite some variance in the growth rates, all three areas have surpassed their prerecession levels and continue to exhibit a long-run trend of steady growth in employment.

Manufacturing, trade, and service industries continue to drive Cincinnati metro area employment gains.



Note: The following were imputed because of missing data: construction, financial activities, professional and business services, and leisure and hospitality.

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

## ◀ EMPLOYMENT GROWTH BY SECTOR

Several industries experienced employment gains in the Cincinnati metro area in 2018. The leisure and hospitality sector continued to be a strong component of the metro-area economy, increasing its employee count by 2.8 percent in 2018. This sector's growth in the metro area continues to exceed its growth in Ohio and the United States as a whole. Manufacturing was another strong sector, with 2.8 percent employment growth year-over-year in December 2018; the metro area's growth in this sector also outpaced the statewide and nationwide averages. By contrast, employment growth in construction was very weak, growing only 0.1 percent during the 2018 calendar year. Weakness in the metro area's construction employment diverges sharply from the sector's trends in Ohio and the United States, which saw strong employment growth (2.7 percent and 4.2 percent, respectively). Government was the only sector in the metro area to see a decline in employment in the 12 months through December 2018 (0.1 percent), meaning that all of the job growth in the region came from the private sector.

The trade, transportation, and utilities sector saw the largest absolute gain in employment, adding 4,058 jobs to the Cincinnati metro area.

Sector	Employment	12-month change	Share of employment
Trade, transportation, and utilities	219,261	4,058	20.5
Education and health services	164,354	1,344	15.4
Professional and business services	162,605	1,445	15.2
Leisure and hospitality	123,020	3,383	11.5
Manufacturing	119,985	3,273	11.2
Government	119,046	-100	11.2
Financial activities	68,099	437	6.4
Construction	44,758	55	4.2

Note: The following were imputed because of missing data: construction, financial activities, professional and business services, and leisure and hospitality.

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

## ◀ SECTOR EMPLOYMENT

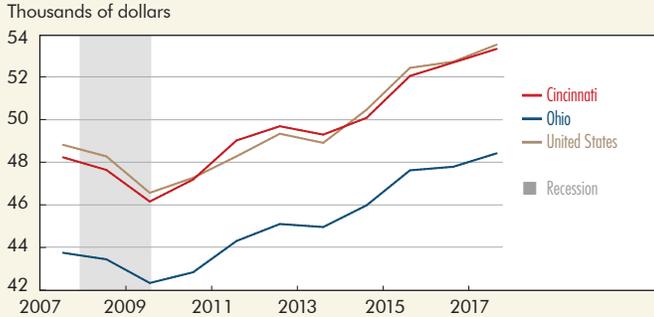
Job gains in the Cincinnati metro area were relatively broad-based across industries in the year ending in December 2018. The trade, transportation, and utilities sector saw the largest employment gains in December 2018 on a year-over-year basis, adding 4,058 jobs to the metro area. The leisure and hospitality and manufacturing sectors also had large gains (3,383 and 3,273 jobs, respectively), but these industries make up a smaller percentage of the metro area's overall employment base. While not as large in absolute terms, the education and health services and professional and business services sectors saw healthy gains in employment, adding 1,344 and 1,445 jobs, respectively, to the metro area's economy. The government and construction sectors were weak in the metro area in the year ending in December 2018, especially when compared to statewide and nationwide performance in these sectors.

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Real per capita income in the Cincinnati metro area has increased consistently since the end of the last recession.



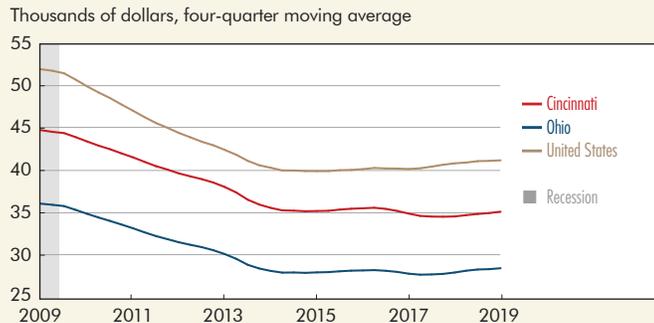
Source: Bureau of Economic Analysis/Haver Analytics.

## INCOME

## ◀ INCOME PER CAPITA

Since the end of the most recent recession (June 2009), real per capita income in the Cincinnati metro area has risen consistently at an average rate of 1.9 percent per year. During this period, the Cincinnati metro area generally outperformed the state and the nation, where real per capita income increased at a rate of 1.7 percent and 1.8 percent, respectively. Because this measure is in real dollars, a positive growth rate indicates that per capita income grew faster than the cost of living. This would suggest that, on balance, the standard of living in all three regions improved from 2009 through 2017.

Debt per capita in the Cincinnati metro area edged up in 2018 but remains much lower than prerecession levels.



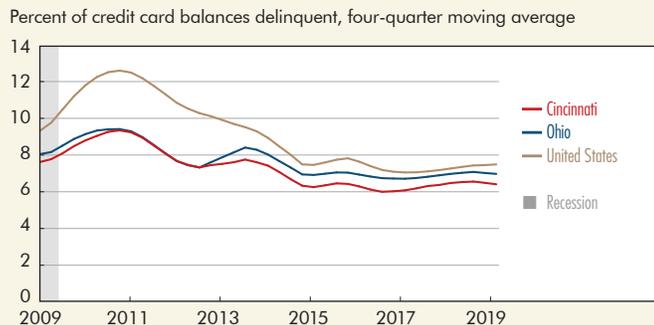
Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

## CONSUMER FINANCES

## ◀ CONSUMER DEBT

After decreasing through all of 2017, per capita consumer debt in the Cincinnati metro area increased 1.6 percent from the first quarter of 2018 through the first quarter of 2019. During the same period, Ohio and the United States saw per capita debt growth of 1.8 percent and 0.9 percent, respectively. Looking at the components of consumer debt, automotive loans had the largest year-over-year gains in the metro area, state, and nation as of the first quarter of 2019, though mortgages and credit card balances saw notable increases as well. Relative to the end of the recession (June 2009), per capita consumer debt levels are about 20 percent lower in each of the geographical areas.

The credit card delinquency rate declined slightly in the Cincinnati metro area in the first quarter of 2019.



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 was 6.4 percent as of the first quarter of 2019, falling from a recent peak of 6.6 percent in the third quarter of 2018. This downturn marks the end of a trend of increasing delinquency rates in the metro area from the fourth quarter of 2016 through the third quarter of 2018. This decrease in the metro area might be speaking to a statewide trend, as credit card delinquencies for all of Ohio also reversed in the fourth quarter of 2018. For the United States, credit card delinquencies continued to increase through the first quarter of 2019, although the rate of growth has been falling in recent quarters.

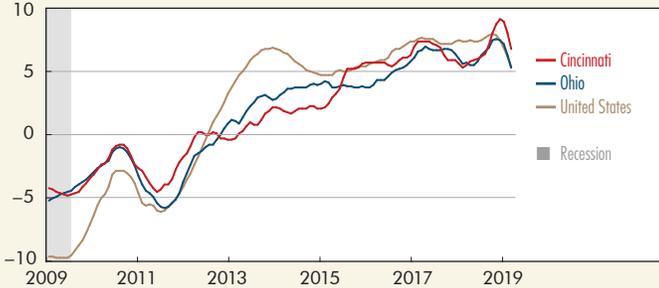
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Cincinnati metro area home price growth began slowing in March 2019; however, temporary dips in house prices are not uncommon.

Year-over-year percent change



Source: Zillow.com/Haver Analytics.

Permit issuance for new housing in the Cincinnati metro area has been relatively stable in recent years.

Index, 2007:M12=100, 12-month moving average



Source: US Census Bureau/Haver Analytics.

## HOUSING MARKET

## HOUSING PRICES

Home values in the Cincinnati metro area rose 6.9 percent year-over-year in May 2019. While this growth rate is lower than the peak of 9.3 percent growth seen in February 2019, it is still robust by historical standards. Growth rates also slowed in Ohio and the United States in the beginning of 2019, suggesting this slowdown in home pricing growth was part of a nationwide trend. However, home prices are known to be volatile, and despite this recent dip, there is little evidence to suggest that the trend of solid growth seen since the end of the recession is reversing.

## HOUSING PERMITS

Since peaking in March of 2017, the average monthly issuance of building permits in the Cincinnati metro area declined 7.6 percent through May 2019. Ohio saw a similar decrease, with permit issuances falling 8.6 percent during the same period. In contrast, the United States as a whole saw strong growth in permit issuance during the period (7.6 percent). Despite the recent declines, the metro area's permit issuance appears relatively stable, as mild fluctuations in permit issuance are common. However, permit issuance in the metro area, state, and nation remains below prerecession levels.

## DEMOGRAPHICS AND EDUCATION

## CINCINNATI, OHIO

In the 10-year period from 2007 to 2017, population growth was significantly lower in the Cincinnati metro area (4.6 percent) than in the United States (7.9 percent). Simultaneously, the average educational attainment level of adults in the metro area rose significantly, as the number of adults with an undergraduate degree or higher increased 5 percentage points. The median annual household income for the metro area was slightly higher than the nationwide median (by about \$1,350), but income grew more slowly in the nation than in the metro area from 2007 to 2017.

	Cincinnati Metro Area		United States	
	2017	Change from 2007	2017	Change from 2007
Population	2,179,858	+4.6%	325,147,000	+7.9%
Adults with less than a high school diploma	9.1%	-4.3 pp	12.0%	-3.5 pp
Adults with an undergraduate degree or higher	33.2%	+5.0 pp	32.0%	+4.5 pp
Median age (years)	37.7	+1.0	38.1	+1.4
Median household income	\$64,413	+0.2%	\$63,037	+0.6%

Note: Percentage points is abbreviated as pp.

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

Rick Kaglic is vice president and senior regional officer of the Cincinnati Branch of the Federal Reserve Bank of Cleveland. Tristan Young is a research analyst at the Branch. The authors thank economic 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).