Cleveland – A Welcome Recovery

Recessions hit the Cleveland–Elyria metropolitan area harder than the nation as a whole because the metro has a strong concentration of durable goods manufacturing, one of the most vulnerable sectors in a downturn. However, this sector has recovered well from the most recent recession and has contributed to the metro’s gain of about 34,000 jobs since the recovery began. This is dramatically better than its loss of 18,000 jobs during the recovery from the 2001 recession. Cleveland’s output, earnings, and unemployment rate have also bounced back nicely. Nonetheless, the metro continues to lose population, and, as a result, its housing market remains comparatively weak.

Unemployment in the Cleveland metro area rose to 7.3% in 2013

During the recession, the Cleveland metro’s unemployment peak was far below that of the nation, Ohio, and the average of nearby metros. However, it rose from 6.8 percent to 7.3 percent in 2013, while the nation and nearby metros saw further declines in unemployment. Since the metro’s output and employment are increasing, the rise in the unemployment rate may result from re-entry into the labor market of people who had given up looking for work. This view is supported by modest growth in the metro’s labor force during 2013.

Gains in GDP per capita resulted from export growth, population loss, and the recovery of manufacturing

The metro’s GDP per capita grew steadily in 2010, 2011, and 2012; it was just under pre-recession levels in 2012. Ohio and nearby metros had similar growth rates, but the nation remained more than 3 percent below pre-recession levels. The metro’s robust growth in GDP per capita is due to strong export growth, continued population loss, and the recovery of manufacturing output.

Robust price increases in downtown housing could not offset reduced housing demand

The population loss that helped increase GDP per capita has also limited the rise in house prices. While the metro’s house prices have risen since December 2012, increases in the nation, Ohio, and nearby metros were earlier and stronger. In December 2013, Ohio’s year-over-year percent gain in house prices was double the metro’s. Although certain submarkets—particularly those in and around downtown Cleveland—have seen vigorous price growth, it has not been enough to counteract the reduced demand for housing that accompanies population loss.
Although employment growth may be slower in Cleveland than in the nation or the state, it is broadly based. Government was the only supersector with more than 10 percent of the metro’s employment that lost jobs; it has suffered in most metros due to federal, state, and local budget cuts. Each of two high-paying sectors, professional and business services and health and education services, employs more people than manufacturing; these sectors continue to grow, showing the metro’s evolution toward a more diversified economy. Information lost 1.7 percent of its jobs, but it represents only a tiny portion of the metro’s employment.
CONSUMER FINANCES

The Cleveland metro’s credit card delinquency rates remain below pre-recession levels

Source: FRBNY Consumer Credit Panel/Haver Analytics.

HOUSING MARKET

Nearby metros are issuing 20 percent more housing permits than before the recession


Source: Census Bureau/Haver Analytics.

HOMEOWNER DEBT

Consumer debt per capita grew more slowly in the Cleveland metro than in the US from 2003 to 2007, primarily because house prices rose faster in other parts of the nation. The sharp drop in house prices that accompanied the recession, along with increases in foreclosures and reductions in homeownership, have reduced mortgage debt since 2007. The rate of decline in consumer debt has been roughly the same in the Cleveland metro as in Ohio, nearby metros, and the nation. One would expect the nation to have the largest declines in consumer debt because its house prices fell more, but this effect may be offset by higher foreclosure rates in Ohio and its metros.

Source: FRBNY Consumer Credit Panel.

CREDIT CARD DELINQUENCY RATES

The Cleveland metro’s credit card delinquency rates fell in 2011 and remain below pre-recession levels. The improvement probably results from the general economic recovery and from lenders’ restriction of access to credit. The nation saw a much sharper increase in credit card delinquency during the recession, a sign that the recession was more severe nationally than in the metro.

Source: FRBNY Consumer Credit Panel/Haver Analytics.

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Mortgage, auto, and credit card debt continue to decline

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All monthly figures are seasonally adjusted and all dollar figures are in current dollars. 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).