Cleveland – Growth Continues, but at a Slower Rate

The latest data show that the Cleveland metro area’s economy continues to grow, with GDP per capita, wages, house prices, building permits, and employment all rising and unemployment dropping sharply. However, growth was slower than it was in recent years, especially in employment, GDP, and income. Growth in the United States and Ohio continued at the strong clip of recent years, which suggests that the Cleveland metro area is returning to its longstanding trend of having slower growth than the nation and the state.


Cleveland’s unemployment rate declined in 2014

The Cleveland metro area’s unemployment rate declined from 7.5 percent in December 2013 to 5.9 percent in December 2014. The United States, Ohio, and nearby metro areas also saw large unemployment declines in 2014. Cleveland’s improvement in unemployment was above the nation’s and below the state’s. However, the metro area’s unemployment rate remains higher than these others.


The region’s 2013 GDP per capita exceeded national and state levels

At $60,478, the Cleveland metro area’s real GDP per capita in 2013 was about $6,800 above the nation’s and $10,800 above the state’s. This shows that the region remains highly productive. Cleveland’s 2013 real GDP per capita was 2.5 percent above pre-recession levels. It recovered at about the same rate as Ohio and significantly faster than the United States or nearby metros. Part of the reason the metro area had a stronger recovery in GDP per capita is that it lost population.

Source: Bureau of Economic Analysis/Haver Analytics.

Home prices in Cleveland rose in 2014, but still lag national growth

In 2014, home prices rose 2.8 percent in the Cleveland metro area—the second consecutive year of increases. However, this is about half of the increases seen in the United States, Ohio, and nearby metro areas in 2014. The trend in home prices in 2014 was very similar in the Cleveland metro area and these comparison regions, with growth slowing in late spring.

Source: Zillow.com/Haver Analytics.
RELATIVE EMPLOYMENT GROWTH

The Cleveland metro area’s employment was very stable from June 2013 to June 2014. June 2014 employment was less than 1 percent away from June 2013 employment in all but three sectors. Two of the three—construction and information—together represent just 5 percent of the metro’s employment, so their large percentage changes had minor effects on total employment. The third sector with a large percentage change—government—has about one-eighth of the metro area’s employment and its 3.1 percent decline translates to 4,100 fewer jobs.

EMPLOYMENT GROWTH BY SECTOR

The Cleveland metro area’s employment growth from June 2013 to June 2014 was weaker than national and state growth in every sector. For example, over this time manufacturing employment grew 1.4 percent in the United States and 1.6 percent in Ohio, but only 0.1 percent in the metro area. The fastest growing sector in the metro is construction, which added 1,458 jobs from June 2013 to June 2014, a growth rate of 4.2 percent. The next fastest-growing sector is professional and business services, which added 946 jobs, growing 0.7 percent. Information continues to have the largest percent decline in employment in both Cleveland and Ohio—down 4.0 percent in the metro and 3.8 percent statewide.

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CONSUMER FINANCES

Real auto, home, and credit card debt per adult fell to $26,668 in the fourth quarter of 2014 in the Cleveland metro area. This is $10,000 below the level of debt per adult in the United States, primarily because the metropolis has relatively low home prices and therefore its residents have less mortgage debt. In the Cleveland metro, nearby metros, and Ohio, the level of debt per adult is now at its lowest level since the early 2000s.

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

HOUSING MARKET

While volatile, permits for new single-family homes generally increased during 2014 in the Cleveland metro area, United States, and Ohio. Cleveland’s trend in permits has been similar to Ohio’s since the spring of 2012, with both rising less than the national trend. In the metro, the seasonally-adjusted number of permits granted in December 2014 is down 19 percent from where it was in December 2007—a little better than Ohio (down 25 percent), but not as strong as the United States (down 7 percent). This weakness in single-family construction is not surprising as the metro area lost population over the same period.

CONSUMER FINANCES

Credit card delinquency rates dropped during 2014 in the Cleveland metro area, nearby metro areas, Ohio, and the United States and are now below where they were ten years ago. This is most likely due to both increases in people’s ability to pay their bills as the economy recovers and credit card companies’ tougher lending standards in the aftermath of the financial crisis. In the fourth quarter of 2014, delinquency rates ranged from 6.8 percent in nearby metro areas to 7.5 percent nationally.

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Average weekly wages in the Cleveland metro area were $814 at the end of 2014, which is their highest real level since June 2008. During 2014, real average weekly wages rose $12.00 in the metro, less than in nearby metros (up $22.90) and more than in the United States (up $10.60) and Ohio (down $6.70). The Cleveland area’s average weekly wages remain closer to the nation’s than the state’s.

In 2013, the Cleveland metro area’s real income per capita was $46,489, about $1,000 above the nation and $4,700 above the state. Like the United States, Ohio, and nearby metro areas, the Cleveland metro area’s income per capita rose less in 2013 than it did in 2011 and 2012.

According to the 2013 US Census Bureau population estimates, Cleveland is the 29th largest of the nation’s 381 metropolitan statistical areas.

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).