

FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



CLEVELAND, OHIO MSA | MARCH 2016

FEDERAL RESERVE BANK of CLEVELAND

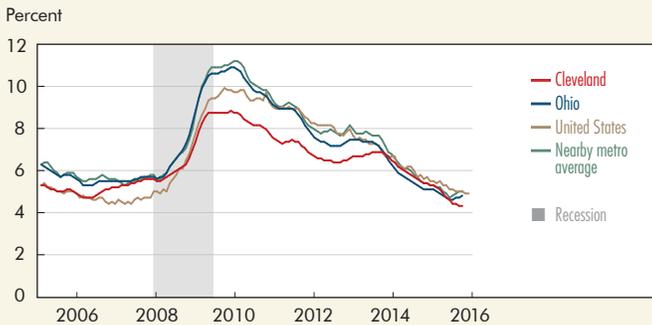
Cleveland – Population Loss Dampens Growth

By a number of measures, the Cleveland metro area's economy continues to improve: the unemployment rate is lower than it has been in a decade, GDP per capita and income per capita continue to outpace the nation, and credit card delinquencies remain low. At the same time, other measures like employment levels, home prices, and homebuilding remain relatively weak, largely because of sustained population loss. However, population loss slowed greatly in 2013 and 2014. Hopefully this headwind will continue to fade.

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 |
| Cleveland | 4.3% | -1.1 | \$124,700 | 2.2% | 997 | 0.5% | 7.5% | +0.3 |
| 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 | 5.0% | -0.4 | \$125,350 | 3.5% | 1,072 | 1.3% | 6.8% | +0.0 |

At 4.3%, Cleveland's unemployment rate is at its lowest level since 2001

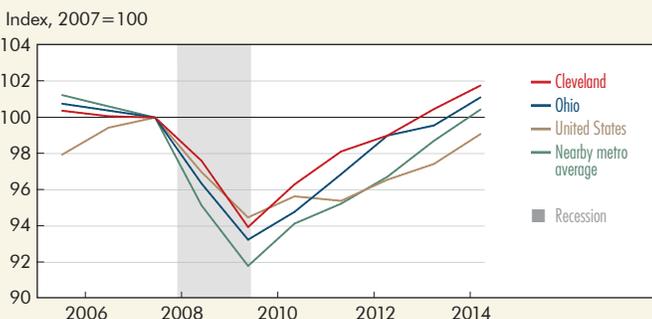


Source: Bureau of Labor Statistics/Haver Analytics.

◀ UNEMPLOYMENT RATE

The Cleveland metro area's unemployment rate fell to 4.3 percent in December 2015, its lowest level since November 2001. Unemployment is lower and fell faster in the metro area than in the state, nearby metro areas, and the nation. This is a strong indication that the region's labor market is doing well.

GDP per capita was higher in Cleveland than in the state, nearby metro areas, and the nation



Source: Bureau of Economic Analysis/Haver Analytics.

◀ GROSS DOMESTIC PRODUCT

In 2014, GDP per capita was \$60,430 in the Cleveland metro area. Adjusting for inflation, this is just over \$1,000 higher than it was in 2007 (\$59,596), a gain of 1.8 percent. This is a little higher than the comparable gains in Ohio and nearby metro areas (1.1 percent and 0.4 percent, respectively). GDP per capita at the national level remains 0.6 percent below 2007 levels.

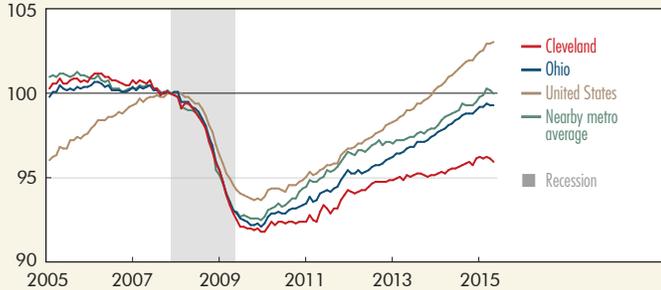
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Cleveland's employment continues to lag national performance

Index, 2007: M12=100



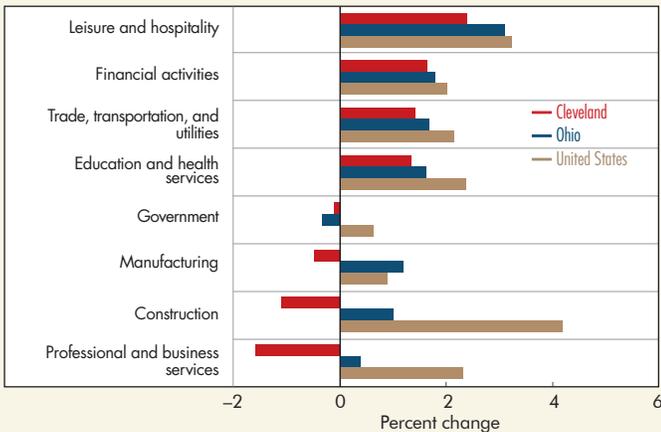
Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

EMPLOYMENT AND INDUSTRIAL SECTORS

◀ EMPLOYMENT

While the nation has 3 percent more jobs than it did when the recession began in 2007, as of September 2015 the number of jobs in the Cleveland metro area remains about 4 percent below pre-recession levels. Ohio's employment is 0.7 percent below pre-recession levels. This may appear to be at odds with the fact that the metro area has a lower unemployment rate than the state and nation. However, the metro area has lost population while the state and the nation have gained it. While there are fewer jobs, there are also fewer people.

With the exception of government, all sectors grew faster at the state and national levels

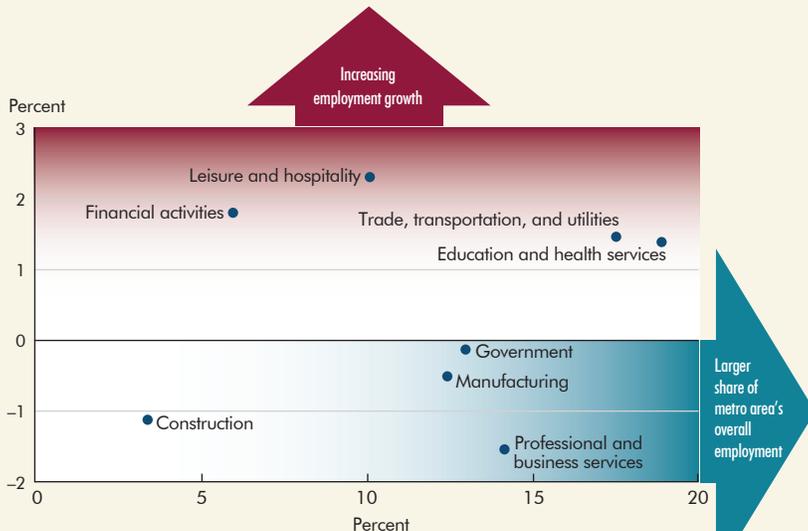


Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

◀ EMPLOYMENT GROWTH BY SECTOR

From September 2014 to September 2015, every sector's employment grew more slowly in the Cleveland metro area than in the nation. The metro area's employment growth was below Ohio's in all sectors except government, where both lost jobs. The two fastest-growing sectors in Cleveland over the 12 months ending in September 2015 were leisure and hospitality (2.4 percent) and financial activities (1.7 percent). The two slowest-growing sectors were professional and business services (down 1.6 percent) and construction (down 1.1 percent). Manufacturing, which remains one of the most important sectors in Cleveland, fell one-half of a percent in the metro area while rising about 1.0 percent in Ohio and the United States. Year-over-year growth in manufacturing employment has been lower in the metro area than in the state or the nation for all but one month since April 2013.

Education and health services, the sector with the largest share of Cleveland's employment, added more than 2,500 jobs



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

◀ RELATIVE EMPLOYMENT GROWTH

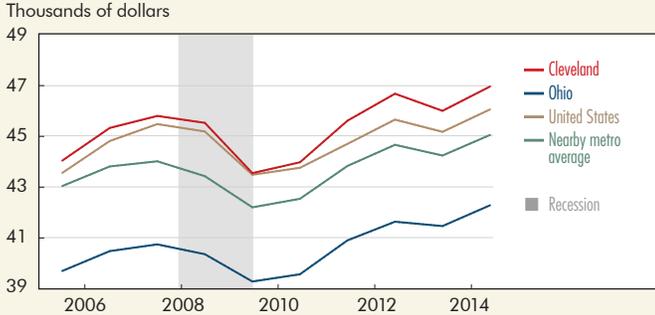
Three sectors each added more than 2,000 jobs in the Cleveland metro area in the 12 months leading up to September 2015: education and health services (2,531); trade, transportation, and utilities (2,446); and leisure and hospitality (2,364). The sector with the largest job loss over that period was professional and business services, which lost 2,265 jobs. Manufacturing had the next largest job loss, losing 600 jobs over that period.

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Per capita income gains were highest in the Cleveland metro area



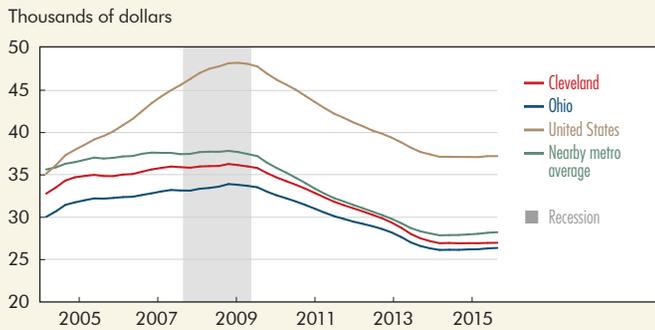
Source: Bureau of Economic Analysis/Haver Analytics.

INCOME

◀ INCOME PER CAPITA

After declining in 2013, income per capita rose in all four geographic areas during 2014. Cleveland's income per capita rose \$968 from 2013 to 2014, a larger gain than seen in the nation, state, or nearby metro areas. At \$46,996, the Cleveland metro continues to have higher income per capita than the other three areas.

Consumer debt levels in Cleveland were stable in 2015 and well below the national level of debt per adult



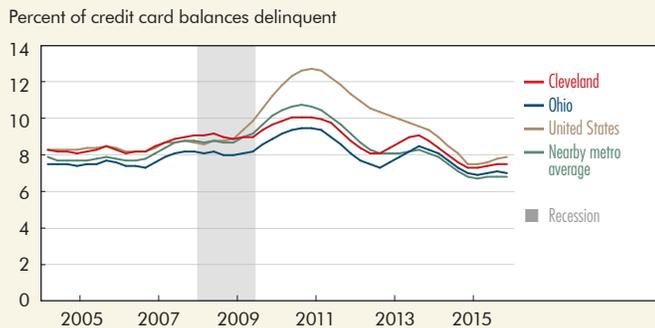
Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

CONSUMER FINANCES

◀ CONSUMER DEBT

Real auto, home, and credit card debt per adult was \$26,972 in the fourth quarter of 2015 in the Cleveland metro area. This is a little more than \$10,000 below the level of debt per adult in the United States, primarily because the metro area has relatively low home prices and therefore its residents have less mortgage debt. Debt levels have been quite stable since the beginning of 2014 in the United States, Ohio, Cleveland, and nearby metro areas.

Credit card delinquency rates are below levels from ten years ago



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

◀ CREDIT CARD DELINQUENCY RATES

Credit card delinquency rates rose slightly during 2015 in the Cleveland metro area and the nation and remained essentially unchanged in Ohio and nearby metros. In all four areas, delinquency rates are below where they were ten years ago. This is most likely a result of people's increased ability to pay their bills as the economy recovers, and credit card companies' tougher lending standards in the aftermath of the financial crisis.

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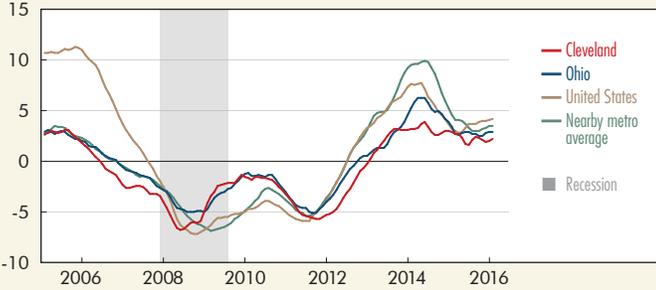
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HOUSING MARKET

Cleveland home values increased in 2015 but were outpaced by state and national growth

Year-over-year percent change



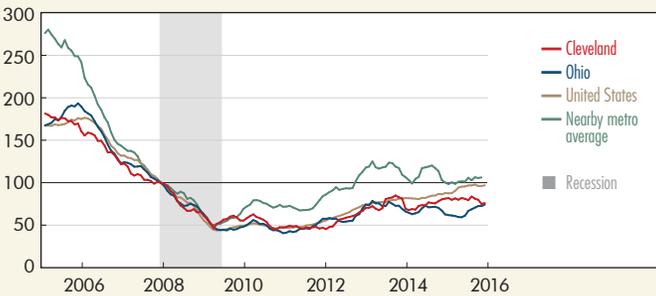
Source: Zillow.com/Haver Analytics.

HOUSING PRICES

Home values in the Cleveland metro area increased 2.2 percent from January 2015 to January 2016. This is about half the increase seen nationally and below Ohio's growth of 2.9 percent. It is not surprising that the metro area is experiencing relatively small home value increases because its population has not been growing. Population growth helps increase home prices by increasing the number of people looking for homes. The Cleveland metro area has been losing population since 1997, but the rate of loss has slowed in recent years. For example, the metro area's population fell by 10,988 people from 2010 to 2012, but only by 972 people from 2012 to 2014.

Building permits in the Cleveland metro area were fairly stable in 2015

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



Source: Census Bureau/Haver Analytics.

HOUSING PERMITS

The number of building permits for private residences issued in the Cleveland metro area was fairly stable in 2015, though it began declining in the fourth quarter of 2015. The number of permits issued appears to have stabilized around 250 per month in 2015, which is well below the 600 permits per month that was typical from 1995 to 2005. This is not surprising because there is less need for new housing when an area is losing population.

DEMOGRAPHICS AND EDUCATION

CLEVELAND, OHIO

According to the 2014 US Census Bureau population estimates, Cleveland is the 31st largest of the nation's 381 metropolitan statistical areas. This is down from 29th largest in 2013.

| | Cleveland Metro Area | | United States | |
|---|----------------------|------------------|---------------|------------------|
| | 2014 | Change from 2009 | 2014 | Change from 2009 |
| Population | 2,063,598 | -0.8% | 318,857,000 | +3.9% |
| Adults with less than a high school diploma | 10.8% | -1.5% | 13.1% | -1.7% |
| Adults with an undergraduate degree or higher | 29.5% | +2.6% | 30.1% | +2.2% |
| Median age (years) | 41.2 | +1.0 years | 37.7 | +0.9 years |
| Median household income | \$49,927 | -0.4% | \$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).