

FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



CLEVELAND, OHIO MSA | AUGUST 2016

FEDERAL RESERVE BANK of CLEVELAND

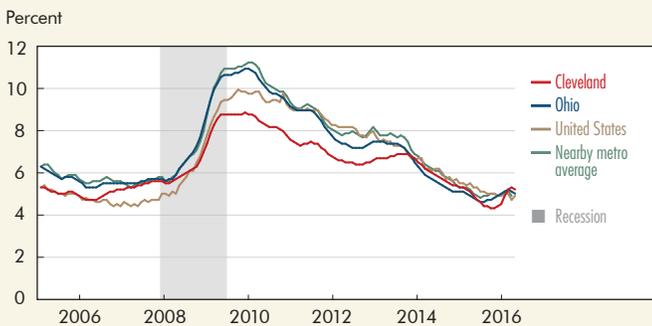
Cleveland—Mixed Economic Performance

The most recent data for the Cleveland metro area show mixed economic performance. The region continues to slowly add jobs, but the manufacturing sector and the professional and business services sector each lost over 1,500 jobs in 2015. It appears that a number of people entered the labor force and started looking for jobs in the first half of 2016. This is good news because it suggests that the economy has improved enough to draw people back into the labor market, but the downside is that the unemployment rate has increased as a result. The news with some measures is strictly good—GDP per capita continues to rise, home prices increased for 12 months in a row, and residential construction has been ticking up.

METRO AREA SNAPSHOT

	Unemployment Rate		Median Home Values		Payroll Employment		Credit Card Delinquency Rates	
	May 2016	One-year change	June 2016	One-year change	December 2015 (thousands)	One-year change	2016:Q1	One-year change
Cleveland	5.3%	0.2	\$128,500	3.8%	1,000	0.4%	7.5%	0.2
Ohio	5.1%	0.2	\$121,100	3.3%	5,288	1.2%	6.9%	0.0
United States	4.7%	-0.8	\$187,000	5.4%	140,751	1.9%	7.7%	0.2
Nearby metro average	4.9%	-0.3	\$129,600	4.4%	1,076	1.2%	6.7%	0.0

Cleveland's unemployment rate has risen since the start of the year, but it could be a measurement issue or higher labor force participation.

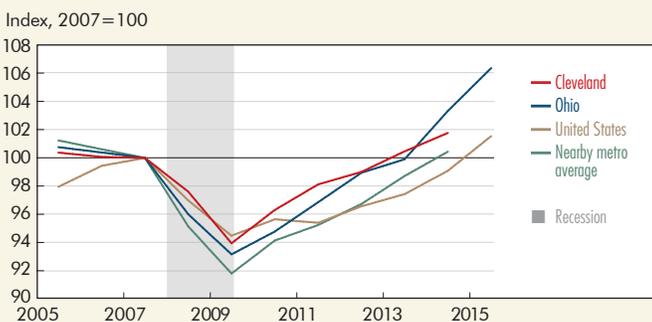


Source: Bureau of Labor Statistics/Haver Analytics.

◀ UNEMPLOYMENT RATE

Even though job growth continues, the unemployment rate in the Cleveland metro area has risen nearly a percentage point since the start of 2016. There are two logical ways to interpret this increase. The first is that as firms have increased hiring there has been strong growth in the size of the region's labor force, with people who were out of the labor force beginning to look for work. The second interpretation is that the increase in the unemployment rate is due to measurement error, since estimates of metro area unemployment rates have a large margin of error. Both of these interpretations imply that the increase in the metro area's unemployment rate is not a reason for alarm.

GDP per capita grew steadily in the Cleveland area in 2014.



Source: Bureau of Economic Analysis/Haver Analytics.

◀ GROSS DOMESTIC PRODUCT

In 2014, the Cleveland area continued to experience steady growth in per capita gross domestic product. It grew 1.3 percent in 2014, which is similar to its growth nationally that year (1.7 percent), though it is less than half of Ohio's growth (3.5 percent). The Cleveland metro area remains highly productive. Adjusting for inflation, the region's per capita GDP was \$60,906 in 2014—far exceeding that of Ohio or the nation (\$51,226 and \$54,514, respectively).

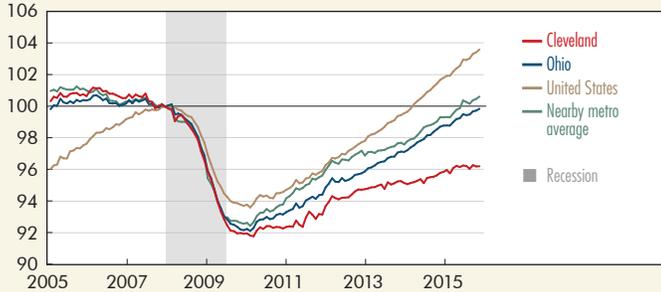
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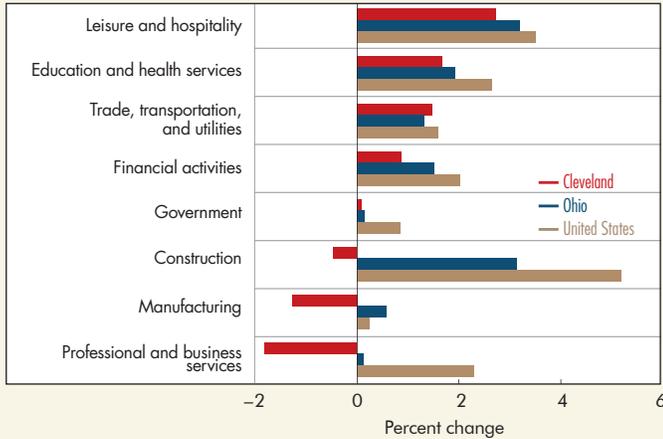
Cleveland added jobs in 2015, but at a slower rate than Ohio or the nation.

Index, 2007:M12=100



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

Most of Cleveland's major employment sectors grew more slowly in the metro area than in Ohio and the nation.



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

Cleveland lost jobs in two of the sectors that account for a larger share of its employment.

Sector	Employment	12-month change	Share of employment
Education and health services	193,184	3,165	19.2
Trade, transportation, and utilities	183,531	2,654	18.2
Professional and business services	139,475	-2,576	13.8
Government	129,498	101	12.8
Manufacturing	123,273	-1,597	12.2
Leisure and hospitality	99,277	2,650	9.9
Financial activities	59,465	510	5.9
Construction	34,112	-157	3.4

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

EMPLOYMENT AND INDUSTRIAL SECTORS

EMPLOYMENT

The Cleveland metro area added 4,413 jobs in 2015, an increase of 0.4 percent. This is a slower rate of growth than in the nation (1.9 percent), Ohio, and nearby metro areas (both 1.2 percent). At the end of 2015, the Cleveland area still had 3.8 percent fewer jobs than it did at the beginning of the Great Recession. Employment in the nation is 3.7 percent higher now than at the start of the recession and, on average, in nearby metro areas it is exceeding pre-recession levels by 0.6 percent. Employment in Ohio is nearly at pre-recession levels. If Cleveland's employment continues to grow at the rate it has been growing since the start of 2012, it will reach pre-recession levels in 2020.

EMPLOYMENT GROWTH BY SECTOR

In 2015, the two fastest-growing sectors in the Cleveland area were leisure and hospitality and education and health services. The fastest-shrinking sectors were professional and business services and manufacturing. Nearly all of the sectors that account for at least 3 percent of Cleveland's employment grew more slowly in the metro area than in Ohio and the nation. The exception was trade, transportation, and utilities, which grew 1.5 percent, just below the sector's national growth rate of 1.6 percent and just above its growth rate of 1.3 percent in Ohio.

SECTOR EMPLOYMENT

The sectors that added the most jobs in Cleveland in 2015 were education and health services; leisure and hospitality; and trade, transportation, and utilities. Together, these sectors added just under 8,500 jobs in 2015. The sectors that lost the most jobs were manufacturing and professional and business services—these sectors lost a total of 4,173 jobs in 2015. The losses in those sectors are particularly troubling because each accounts for at least 12 percent of Cleveland's employment, and both grew in Ohio and the nation.

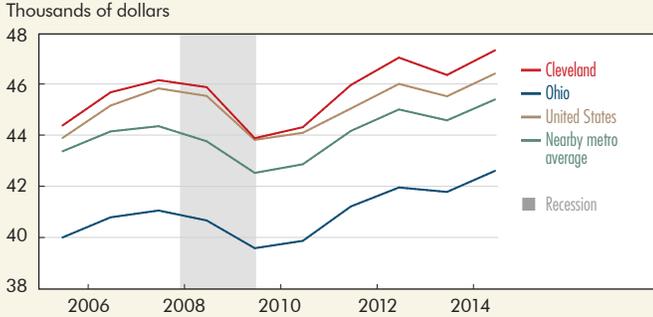
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INCOME

Real per capita income grew in Cleveland at about the same pace as Ohio and the nation.



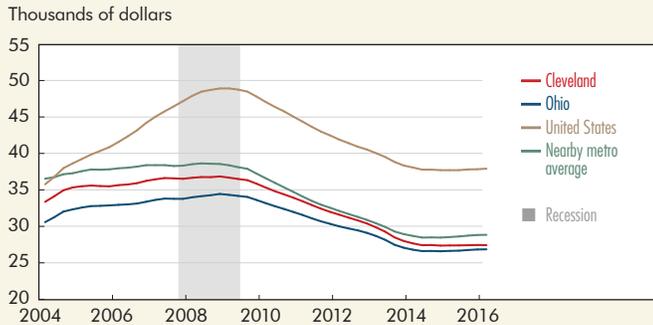
Source: Bureau of Economic Analysis/Haver Analytics.

◀ INCOME PER CAPITA

The Cleveland metro area's real per capita income rose 2.1 percent to \$47,366 in 2014, up \$976 from 2013. This is quite similar to the rate of growth in the nation, Ohio, and nearby metro areas, where real per capita income growth ranged from 1.9 percent to 2 percent. In contrast to employment, Cleveland's real per capita income is 2.6 percent above its pre-recession level. This difference exemplifies the effect that population loss has had on the metro area's economy. Between 2007 and 2014, the region lost 1.3 percent of its population. This population loss has held back employment growth and increased per capita GDP and income.

CONSUMER FINANCES

Average household debt is lower in Cleveland than in the nation, primarily because of lower mortgage debt.

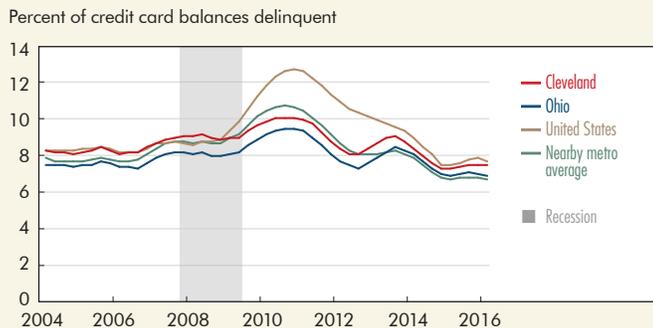


Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

◀ CONSUMER DEBT

As of the first quarter of 2016, Clevelanders with credit reports had \$27,361 on average in mortgage, auto, and credit card debt. Average debt in the metro area has been hovering around that level since the second quarter of 2014, after five years of deleveraging. Household debt has followed similar trends in the nation, Ohio, and nearby metro areas. Average household debt remains about \$10,000 higher in the nation than in the three other areas, mainly due to higher mortgage debt.

The credit card delinquency rate in Cleveland has been stable since 2014.



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

◀ CREDIT CARD DELINQUENCY RATES

In the Cleveland metro area, in the first quarter of 2016, 7.5 percent of credit card balances were in accounts that were 90 or more days past due. Cleveland's credit card delinquency rate appears to have stabilized around this rate, which is about 0.8 percentage points below where it was before it began increasing in 2007. Like debt levels, credit card delinquency rates have been quite stable since the middle of 2014. The delinquency rate in Cleveland is comparable to that of the nation and a little higher than those of Ohio or nearby metro areas.

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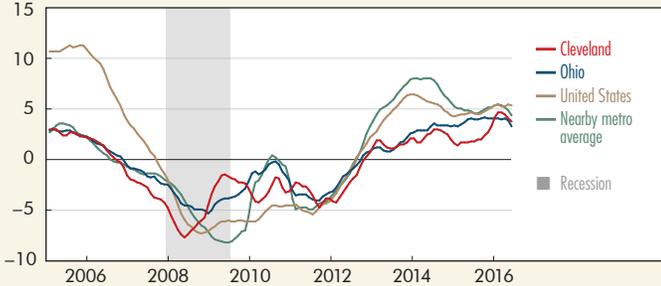
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HOUSING MARKET

By June 2016, the median home value in the Cleveland area had risen \$4,700 over the year before.

Year-over-year percent change



Source: Zillow.com/Haver Analytics.

HOUSING PRICES

The median home value in the Cleveland metro area grew every month from March 2015 to April 2016, its longest continuous growth streak in over a decade. The median home value was \$4,700 higher in June 2016 than it was in the prior June, an increase of 3.8 percent. This increase is lower than that in the nation and nearby metro areas (5.4 and 4.4 percent, respectively) and higher than Ohio (3.3 percent).

Since the end of 2013, the number of building permits issued in the Cleveland area has steadily increased.

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



Source: US Census Bureau/Haver Analytics.

HOUSING PERMITS

In the first half of 2016, an average of 267 permits for new private housing units were issued in the Cleveland metro area. This continues the steady increase in building permits the region has seen since the end of 2013. As in the nation, Ohio, and nearby metro areas, there are many fewer permits being issued than there were during the mid-2000s' housing boom.

DEMOGRAPHICS AND EDUCATION

CLEVELAND, OHIO

According to the 2015 US Census Bureau population estimate, Cleveland remained the 31st largest of the nation's 382 metropolitan statistical areas.

	Cleveland Metro Area		United States	
	2014	Change from 2009	2014	Change from 2009
Population	2,064,079	-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	\$50,796	-0.4%	\$54,632	-3.2%

Source: US Census Bureau 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).