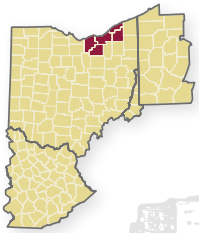
FOURTH DISTRICT METRO MIX
YOUR DISTRICT, YOUR DATA



Joel Elvery and Julianne Dunn

CLEVELAND, OHIO MSA | AUGUST 2018

FEDERAL RESERVE BANK *of* CLEVELAND

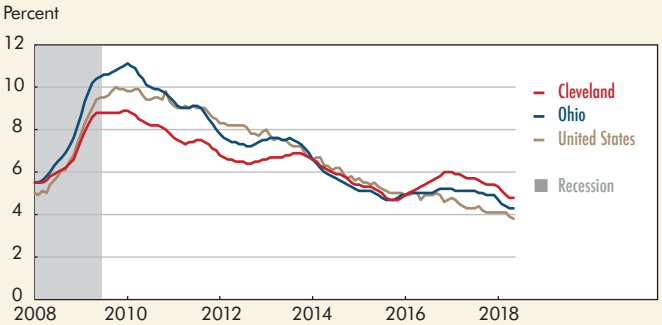
Cleveland—Slow Improvement Continues

Economic conditions in the Cleveland metro area continue to improve. The unemployment rate fell 0.9 percentage points in the 12 months leading up to May 2018. This drop, combined with slow but steady growth in employment, is a sign of real improvement in the local labor market. GDP per capita and income per capita grew slowly in 2016. Though consumer debt per capita and the credit card delinquency rate have risen slightly, they remain at relatively low levels compared to the metro area's recent past. Median home values continue to rise, even as residential building permit issuance has slowed in 2018.

METRO AREA SNAPSHOT

	Unemployment Rate		Median Home Value		Payroll Employment		Credit Card Delinquency Rate	
	May 2018 (percent)	One-year change (percentage points)	April 2018	One-year change (percent)	December 2017 (thousands)	One-year change (percent)	2018:Q1 (percent)	One-year change (percentage points)
Cleveland	4.8	–0.9	$138,700	6.5	1,009	0.3	7.6	0.2
Ohio	4.3	–0.8	$130,900	5.8	5,378	0.8	7.0	0.3
United States	3.8	–0.5	$215,600	8.7	144,816	1.5	7.3	0.2

In the year that ended with May 2018, unemployment in the Cleveland metro area fell by almost 1 percentage point.

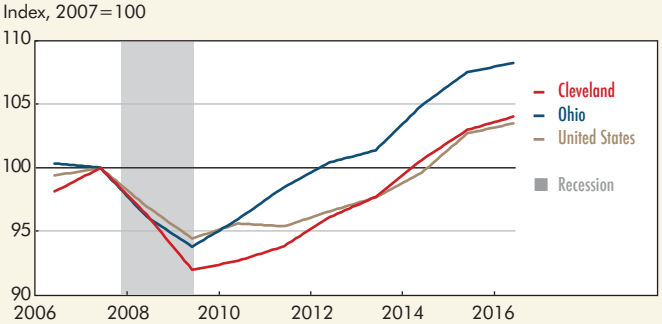


Source: Bureau of Labor Statistics/Haver Analytics.

UNEMPLOYMENT RATE

The unemployment rate remained steady between April and May 2018 in the Cleveland metro area and in Ohio. Though the figure was 4.8 percent in the metro area—a full percentage point higher than the nation's figure (3.8 percent)—it is 0.9 percentage points lower than it was in May 2017. The metro area's labor force continues to shrink, but the year-over-year drop in the unemployment rate indicates an improvement in labor market conditions because the number of unemployed persons fell by more than the number of people who exited the labor force.

In 2016, the Cleveland metro area's real gross domestic product per capita grew 1.0 percent to $65,514.



Source: Bureau of Economic Analysis/Haver Analytics.

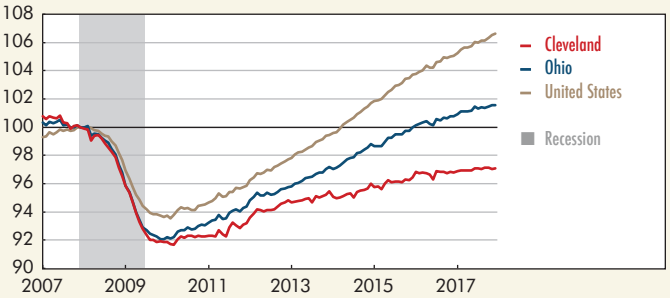
GROSS DOMESTIC PRODUCT

In 2016, the Cleveland metro area's real gross domestic product per capita grew 1.0 percent to $65,514. This growth was just faster than the national growth of 0.8 percent. The metro area's per capita GDP was almost $6,000 more than the nation's in 2016. Because population affects this figure, it is important to consider that some growth in the metro area's GDP is due to population decline. If GDP stays constant while people move away from the metro area, there will be more GDP per person among the residents who remain. Ohio's GDP per capita growth slowed to 0.7 percent during 2016, following strong growth in 2014 (3.5 percent) and 2015 (2.5 percent). Real GDP per capita in Ohio was $55,890 in 2016.

EMPLOYMENT AND INDUSTRIAL SECTORS

The Cleveland metro area added more than 3,100 jobs between December 2016 and December 2017.

Index, 2007:M12=100

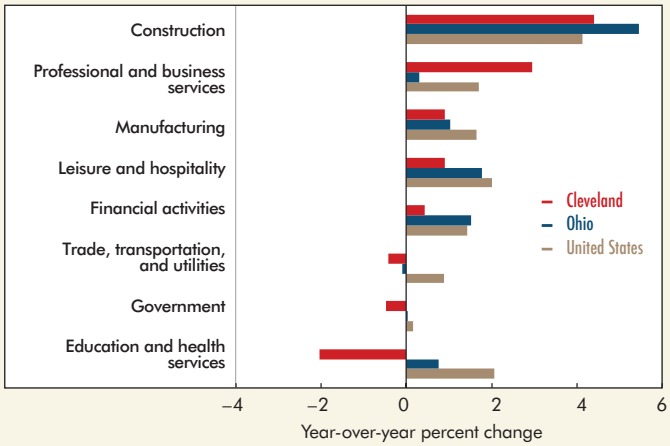


Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

EMPLOYMENT

Employment in the Cleveland metro area grew 0.3 percent between December 2016 and December 2017, an increase of just more than 3,100 jobs. Though the number of jobs has increased, this growth was slower than growth in Ohio (0.8 percent) and in the nation as a whole (1.5 percent) during the same period. While employment in Ohio and in the nation have surpassed their prerecession levels by 1.5 percent and 6.6 percent, respectively, employment in the metro area has grown slowly since the recession, and the metro area has yet to reach its prerecession level. However, much of this lag can be attributed to population decline. Positive employment growth and a declining unemployment rate indicate labor market conditions in the Cleveland metro area are improving.

Five of the Cleveland metro area's eight major employment sectors saw increases between December 2016 and December 2017.



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

EMPLOYMENT GROWTH BY SECTOR

The number of people employed in the Cleveland metro area's construction sector grew by 4.4 percent between December 2016 and December 2017. Much of this growth was in the second half of 2017, as construction employment continued to decline on a year-over-year basis from May 2016 until April 2017. Professional and business services also saw strong growth at 3.0 percent. After declining for nearly two years, employment in manufacturing grew on a year-over-year basis during the second half of 2017; between December 2016 and December 2017, growth in this sector was 0.9 percent. Nearly 122,000 of the metro area's people were employed in manufacturing in December 2017, the highest level since January 2016. Employment in education and health services declined by 2.0 percent in the 12 months leading up to December 2017. Though the education sector saw a slight decline, most of the loss in employment in this sector was in healthcare services.

Though the sector shed almost 4,000 jobs in the 12 months leading up to December 2017, education and health services remains the largest employment sector in the Cleveland metro area.

Sector	Employment	12-month change	Share of employment
Education and health services	191,599	−3,976	18.9
Trade, transportation, and utilities	180,851	−769	17.8
Professional and business services	145,849	4,180	14.4
Government	130,514	−634	12.9
Manufacturing	121,712	1,090	12.0
Leisure and hospitality	102,350	905	10.1
Financial activities	60,424	254	6.0
Construction	34,515	1,452	3.4

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

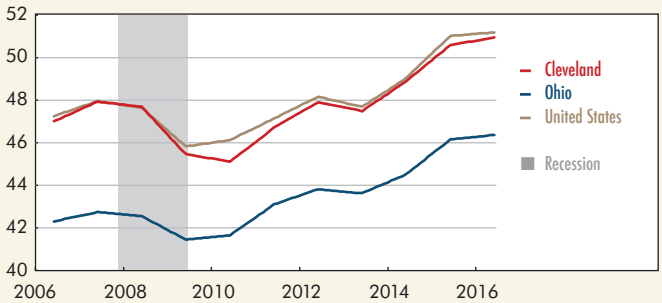
SECTOR EMPLOYMENT

Though the sector shed almost 4,000 jobs in the 12 months leading up to December 2017, education and health services remains the largest employment sector in the Cleveland metro area. Trade, transportation, and utilities and government also saw job losses, but the losses were smaller. The metro area added 4,180 jobs in professional and business services and 1,090 jobs in manufacturing between December 2016 and December 2017, resulting in net total employment gains. Though construction has seen relatively strong growth during recent months, it remains a small sector for the metro area; just 3.4 percent of all employees work in construction.

INCOME

The Cleveland metro area's real personal income per capita rose 0.7 percent between 2015 and 2016.

Thousands of dollars



Source: Bureau of Economic Analysis/Haver Analytics.

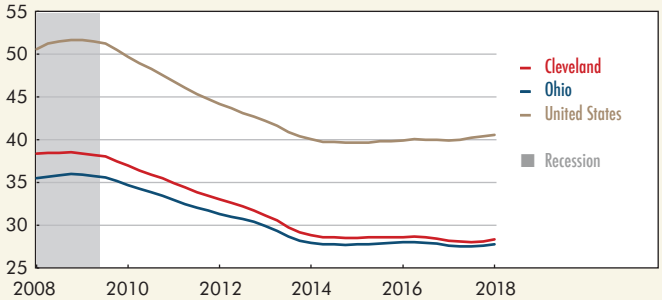
INCOME PER CAPITA

The Cleveland metro area's real personal income per capita rose 0.7 percent (to $50,947) between 2015 and 2016. Income per capita in Cleveland is more than $4,500 more than Ohio's income per capita, which grew slightly slower (0.4 percent) in 2016. Real personal income per capita is a crucial measure of economic well-being because it shows how much average income has grown after removing the effect of inflation.

CONSUMER FINANCES

The Cleveland metro area's consumer debt per capita has ticked up $149 since the first quarter of 2017.

Thousands of dollars, 4-quarter moving average



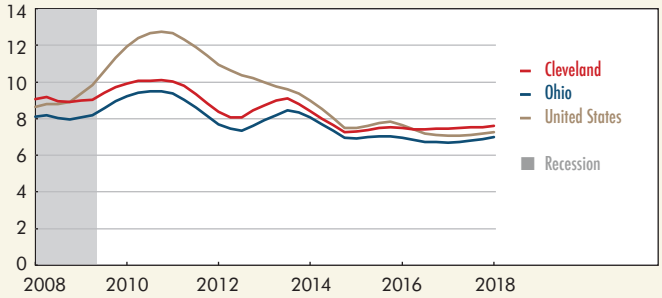
Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

CONSUMER DEBT

The Cleveland metro area's consumer debt per capita ticked up slightly (to $28,335) in the first quarter of 2018. This represents an increase of 0.5 percent ($149) since the first quarter of 2017. This increase is slower than that in the nation, wherein consumer debt per capita rose by 1.7 percent during the same period. At $27,750, Ohio's debt per capita is slightly less than that of the metro area, but both increased by the same amount (0.5 percent) between the first quarters of 2017 and 2018. Though rising debt per capita is an indication that households' financial situations may be deteriorating, overall levels are still relatively low. The discrepancy between the national figure and that of the metro area or the state is largely driven by mortgage balances. Relatively speaking, homes are cheaper in the Cleveland metro area and in Ohio than they are in the nation as a whole.

While the Cleveland metro area's credit card delinquency rate has been ticking up since the beginning of 2017, it remains lower than prerecession levels.

Percent of credit card balances delinquent, 4-quarter moving average



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

CREDIT CARD DELINQUENCY RATE

The Cleveland metro area's credit card delinquency rate rose to 7.6 percent in the first quarter of 2018, a small increase (0.2 percentage points) from the first quarter of last year. Ohio and the nation saw their credit card delinquency rates increase as well—to 7.0 percent and 7.3 percent, respectively. One reason for these increases is that lending standards, after rising sharply in the wake of the financial crisis, have modestly loosened in the past few years. While the delinquency rate has been ticking up since the beginning of 2017, it remains low compared to precrisis levels. For example, the Cleveland metro area's most recent delinquency rate is half a percentage point lower than it was in the first quarter of 2006 (8.1 percent).

FOURTH DISTRICT METRO MIX

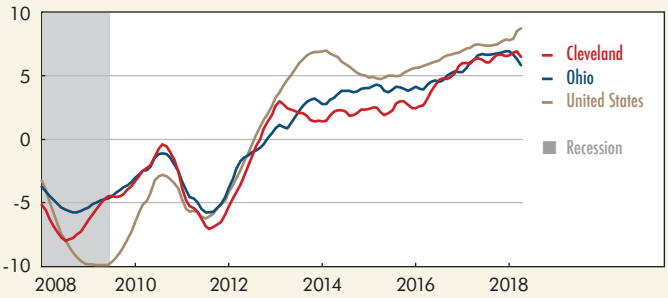
AUGUST 2018

YOUR DISTRICT, YOUR DATA

HOUSING MARKET

Between April 2017 and April 2018, the median home price in the Cleveland metro area grew 6.5 percent, to $138,700.

Year-over-year percent change



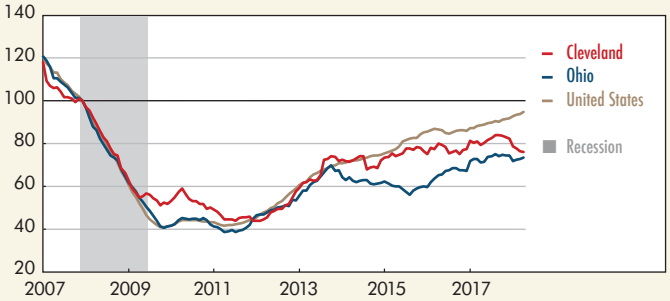
Source: Zillow.com/Haver Analytics.

HOUSING PRICES

Though home prices continued to grow in the Cleveland metro area and in Ohio, that growth slowed in April 2018. Between April 2017 and April 2018, home prices in the metro area grew $8,500 to $138,700 (6.5 percent), a bit slower than the area's home prices grew between March 2017 and March 2018 (7.0 percent). In Ohio, home price growth has been steadily slowing since December 2017, when it peaked at 7.0 percent; between April 2017 and April 2018, Ohio's median home value grew $7,200 to $130,900 (5.8 percent). However, growth is still relatively strong. Between January 2015 and December 2017, year-over-year growth averaged 5.0 percent in Ohio. In the United States as a whole, growth continued to rise in April, to 8.7 percent—the highest the figure has been since June 2006, when home price growth began to slow before the Great Recession. Nationally, price growth continues to steadily accelerate, as opposed to when price growth rapidly accelerated immediately before the housing bubble of the 2000s.

Following strong growth in 2017, Cleveland metro area building permit issuance declined on a year-over-year basis.

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



Source: US Census Bureau/Haver Analytics.

HOUSING PERMITS

Following strong growth in 2017, Cleveland metro area building permit issuance declined on a year-over-year basis in each month between January and April 2018. Between April 2017 and April 2018, the figure dropped by 4.0 percent. Though many new multifamily housing projects in downtown Cleveland and nearby neighborhoods have added to the number of permits issued, the housing market in the metro area is still dominated by single-family homes, and new construction projects for these have declined. In Ohio, total residential building permit issuance grew by 3.3 percent between April 2017 and April 2018, slower than in the nation as a whole, where the number grew by 7.3 percent during the same period.

DEMOGRAPHICS AND EDUCATION

	Cleveland Metro Area		United States	
	2016	Change from 2006	2016	Change from 2006
Population	2,060,065	–1.9%	323,406,000	+8.4%
Adults with less than a high school diploma	9.6%	–3.9 pp	12.5%	–3.4 pp
Adults with an undergraduate degree or higher	30.3%	+4.6 pp	31.3%	+4.3 pp
Median age (years)	41.2	+1.6	37.9	+1.5
Median household income	$54,646	–4.7%	$60,397	+0.1%

Note: Percentage points is abbreviated as pp.
Source: US Census Bureau population estimates, American Community Survey.

CLEVELAND, OHIO

The population in the Cleveland metro area declined by 1.9 percent between 2006 and 2016. This decline is attributed to people's leaving the metro area during the Great Recession. The metro area continues to see year-over-year declines in population, but in more recent years, the outflow has stabilized. The metro area has a smaller percentage of adults who didn't finish high school than the nation as a whole, though a slightly lower percentage of people hold a bachelor's degree or higher compared with the nation. Median household income has fallen significantly faster in the metro area than in the nation; between 2006 and 2016, the metro area's household income dropped by 4.7 percent.

Joel Elvery is a policy economist at the Federal Reserve Bank of Cleveland. Julianne Dunn is a research analyst at the Bank. 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).