

FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



Joel Elvery and Julianne Dunn

CLEVELAND, OHIO MSA | MARCH 2019

FEDERAL RESERVE BANK of CLEVELAND

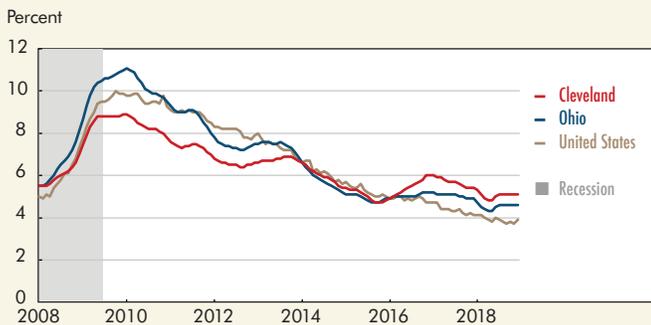
Cleveland—Improved Economic Conditions

Economic conditions in the Cleveland metro area have improved. Payroll employment is up, particularly in construction and manufacturing. The unemployment rate has been steady even as the size of the labor force grew in 2018; this means that jobs are being created just as fast as people are entering the labor force. GDP per capita increased, a development that suggests that businesses in the metro area have become more productive. Consumer debt per capita and the credit card delinquency rate have worsened slightly but remain low when considered in historical perspective. The housing market appears stable: Permit issuance is down some, but home price growth remains strong and steady.

METRO AREA SNAPSHOT

| | Unemployment Rate | | Median Home Value | | Payroll Employment | | Credit Card Delinquency Rate | |
|---------------|-------------------------|-------------------------------------|-------------------|---------------------------|-----------------------|---------------------------|------------------------------|-------------------------------------|
| | December 2018 (percent) | One-year change (percentage points) | December 2018 | One-year change (percent) | June 2018 (thousands) | One-year change (percent) | 2018:Q3 (percent) | One-year change (percentage points) |
| Cleveland | 5.1 | -0.3 | \$145,000 | 6.5 | 1,015 | 0.6 | 7.7 | 0.2 |
| Ohio | 4.6 | -0.3 | \$138,500 | 7.4 | 5,403 | 0.7 | 7.1 | 0.3 |
| United States | 3.9 | -0.2 | \$223,900 | 7.6 | 146,079 | 1.5 | 7.4 | 0.3 |

The unemployment rate in the Cleveland metro area held steady at 5.1 percent during the second half of 2018.

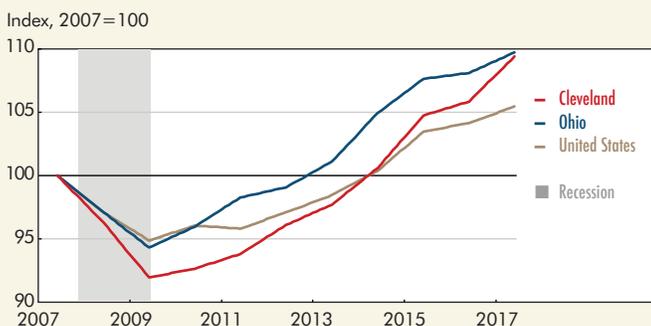


Source: Bureau of Labor Statistics/Haver Analytics.

◀ UNEMPLOYMENT RATE

The unemployment rates in the Cleveland metro area and Ohio were steady during the second half of 2018, at 5.1 percent and 4.6 percent, respectively. Though these rates remained above the national average of 3.9 percent in December 2018, they are relatively low historically, and the stability indicates that labor markets remain healthy. In the metro area, the labor force grew year-over-year during the last five months of 2018. When the unemployment rate remains steady while the labor force grows, it suggests that jobs are being created at the same rate as the rate at which people are joining the labor force.

In 2017, the Cleveland metro area's real gross domestic product per capita rose to \$69,153.



Source: Bureau of Economic Analysis/Haver Analytics.

◀ GROSS DOMESTIC PRODUCT

The Cleveland metro area's real gross domestic product per capita rose in 2017, growing 3.4 percent to \$69,153. This growth suggests that businesses in the metro area have become more productive because the economy is producing a lot more output with slightly fewer people. Real GDP per capita growth was slower in Ohio and the United States (1.5 percent and 1.3 percent, respectively). Economists like to analyze real GDP per capita because it is a measure of a region's economic output that can easily be compared across time (because it is adjusted for inflation) and across areas of different size (because it is per resident).

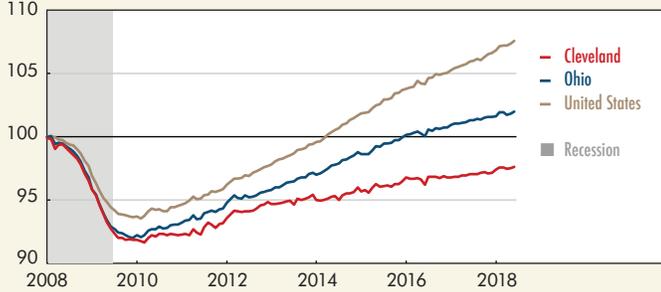
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In the 12 months leading up to June 2018, the Cleveland metro area added 5,838 jobs.

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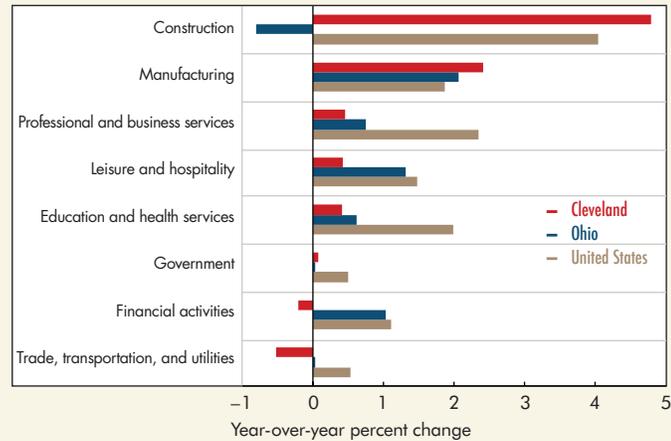
Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

EMPLOYMENT AND INDUSTRIAL SECTORS

◀ EMPLOYMENT

Employment has grown slowly in the Cleveland metro area during the past few years. In the 12 months leading up to June 2018, the metro area added just 5,838 jobs, or 0.6 percent of employment. However, as the metro area's population declines and ages, it is encouraging to see continued positive employment growth. Employment growth in Ohio was also relatively slow, at 0.7 percent (36,315 jobs) between June 2017 and June 2018. Nationwide, employment grew 1.5 percent during the same period.

Construction employment in the Cleveland metro area grew 4.8 percent from June 2017 to June 2018.



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

◀ EMPLOYMENT GROWTH BY SECTOR

Construction remains an important growth industry for employment in the Cleveland metro area. As of June 2018, the sector had grown 4.8 percent since June 2017. Construction employment in Ohio declined slightly, but this decline is largely a result of a larger-than-normal build-up in Ohio's construction employment in June 2017. Solid employment growth in manufacturing continued in the metro area, the state, and the nation. Compared with the nation as a whole, the metro area showed slightly slower growth in service-producing industries such as professional and business services, leisure and hospitality, and education and health services. In financial activities and trade, transportation, and utilities, employment declined in the metro area.

Manufacturing added nearly 3,000 jobs to the Cleveland metro area between June 2017 and June 2018.

| Sector | Employment | 12-month change | Share of employment |
|--------------------------------------|------------|-----------------|---------------------|
| Education and health services | 191,206 | 778 | 18.6 |
| Trade, transportation, and utilities | 174,689 | -911 | 17.0 |
| Professional and business services | 150,127 | 677 | 14.6 |
| Government | 132,721 | 98 | 12.9 |
| Manufacturing | 124,254 | 2,928 | 12.1 |
| Leisure and hospitality | 110,554 | 468 | 10.7 |
| Financial activities | 60,784 | -130 | 5.9 |
| Construction | 38,584 | 1,763 | 3.7 |

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

◀ SECTOR EMPLOYMENT

Between June 2017 and June 2018, nearly 3,000 manufacturing jobs were added in the Cleveland metro area. Fabricated metal products manufacturers added 1,123 jobs, and machinery manufacturers added 963 jobs. The construction sector added more than 1,700 jobs during the same period, while jobs were lost in the trade, transportation, and utilities sector. Despite these losses, trade, transportation, and utilities accounts for 17.0 percent of employment in the metro area, second only to education and health services. For comparison, education and health services accounts for 15.2 percent of employment in the United States. The metro area is more specialized in this sector; 18.6 percent of its jobs are in education or health services.

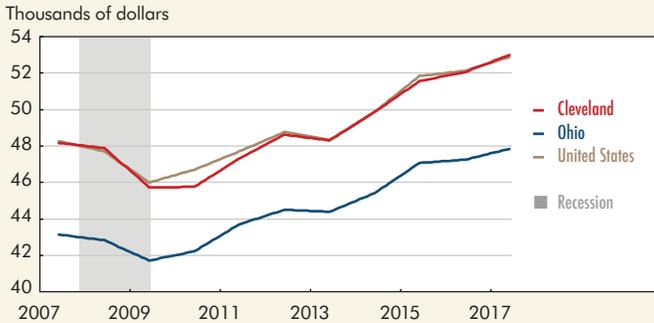
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INCOME

Inflation-adjusted income per capita in the Cleveland metro area was \$53,019 in 2017—an increase of \$958 from 2016.



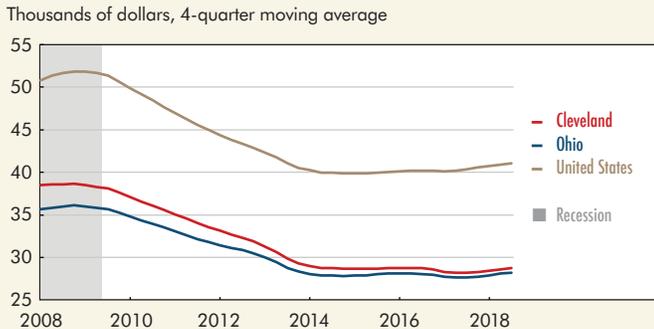
Source: Bureau of Economic Analysis/Haver Analytics.

◀ INCOME PER CAPITA

Inflation-adjusted income per capita in the Cleveland metro area increased \$958 to \$53,019 in 2017, barely passing the United States as a whole, which reached \$52,902. Growth in the metro area and the nation was 1.8 percent and 1.5 percent, respectively, in 2017. In the state, income per capita grew 1.3 percent (\$609) to \$47,872 in 2017. In all three of these regions, income per capita growth was dramatically stronger in 2017 than in 2016.

CONSUMER FINANCES

Year-over-year, consumer debt per capita grew 2.2 percent to \$28,768 in the Cleveland metro area.

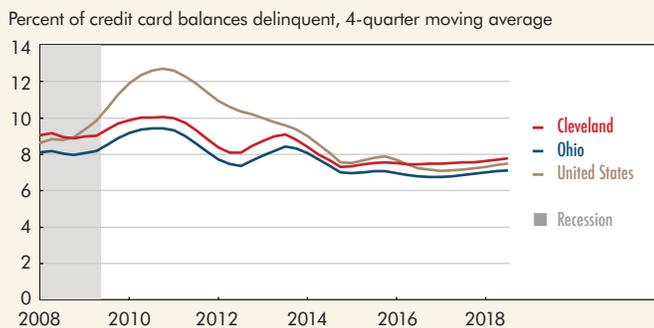


Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

◀ CONSUMER DEBT

The four-quarter moving average of consumer debt per capita rose during the third quarter of 2018 in the Cleveland metro area, Ohio, and the United States. Year-over-year, the figure grew 2.2 percent to \$28,768 in the metro area. This is slightly higher than in the state, where debt per capita was \$28,217. Both the metro area and the state have lower consumer debt per capita than the nation as a whole (\$41,017). Because homes are more affordable in the metro area and the state, residents in these two regions have less mortgage debt than people in many parts of the country.

In the third quarter of 2018, credit card delinquencies in the Cleveland metro area were at 7.7 percent.



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

◀ CREDIT CARD DELINQUENCY RATE

In the third quarter of 2018, 7.7 percent of all credit card balances in the Cleveland metro area were on cards with payments that were 90 or more days overdue. This number is slightly more than in Ohio (7.1 percent) and in the United States (7.4 percent). In all three geographical areas, the delinquency rate has been slowly drifting upward in recent years. This is most likely because credit card lending standards have loosened in recent years, but it could be due to weakening of households' financial positions. Nevertheless, by historical standards, credit card delinquency remains low.

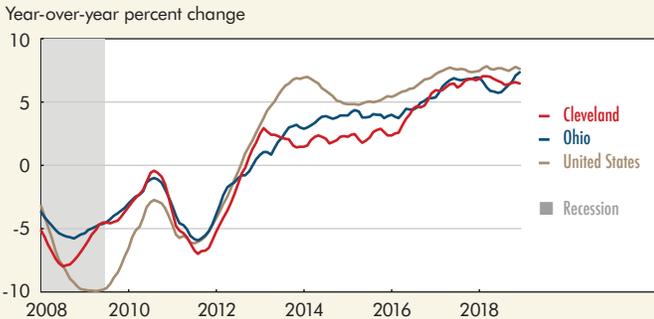
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HOUSING MARKET

In December 2018, year-over-year home price growth was 6.5 percent in the Cleveland metro area.

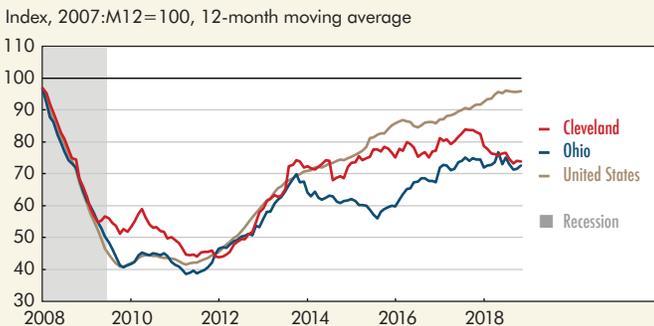


Source: Zillow.com/Haver Analytics.

HOUSING PRICES

Following a rapid acceleration during 2017, the rate of home price growth in the Cleveland metro area steadied in 2018. In 2018, the median home value in the metro area rose \$8,800 to \$145,000, a 6.5 percent increase. Growth also steadied in the United States as a whole and was 7.6 percent in 2018. In Ohio, home price growth accelerated toward the end of 2018, driven by strong growth in other parts of the state, such as the Cincinnati metro area.

In the 12 months leading up to November 2018, the average number of building permits issued each month in the Cleveland metro area was 11.1 percent lower than it was a year before.



Source: US Census Bureau/Haver Analytics.

HOUSING PERMITS

In the 12 months leading up to November 2018, the average number of building permits issued each month in the Cleveland metro area was 11.1 percent lower than it was during the 12 months leading up to November 2017. This is a significant decline, but it can, in part, be attributed to timing. A few relatively large multifamily projects were approved during 2017, a situation which elevated the moving average for the following 12 months, and permit issuance for single-family homes was particularly soft in January 2018, a situation which had the opposite effect. In Ohio and in the United States, building permit issuance has leveled off in recent months. The 12-month moving average was down slightly (2.7 percent) in Ohio and up (4.8 percent) in the United States in November 2018.

DEMOGRAPHICS AND EDUCATION

CLEVELAND, OHIO

The Cleveland metro area's population continues to shrink, declining by 1.6 percent between 2007 and 2017. This decline is in contrast to the 8.1 percent population growth in the United States during the same period. The metro area has a smaller share of adults at either end of the education spectrum than does the nation—60 percent of the metro area's adults have at least a high school degree but less than a bachelor's degree, versus 56 percent nationwide. Though the metro area's population continues to become more educated over time, median household income declined by nearly 8 percent between 2007 and 2017.

| | Cleveland Metro Area | | United States | |
|---|----------------------|------------------|---------------|------------------|
| | 2017 | Change from 2007 | 2017 | Change from 2007 |
| Population | 2,058,844 | -1.6% | 325,719,000 | +8.1% |
| Adults with less than a high school diploma | 9.5% | -3.4 pp | 12.0% | -3.5 pp |
| Adults with an undergraduate degree or higher | 30.8% | +4.1pp | 32.0% | +4.5 pp |
| Median age (years) | 41.3 | +1.4 | 38.1 | +1.4 |
| Median household income | \$53,798 | -7.9% | \$61,841 | +0.6% |

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

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).