

FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



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CLEVELAND, OHIO MSA | AUGUST 2019

FEDERAL RESERVE BANK *of* CLEVELAND

Cleveland—Slow Growth and Falling Unemployment

The Cleveland metro area's economy continues to improve. While employment grew slowly in 2018, the unemployment rate dropped steadily in the early part of 2019, landing at 4.3 percent in May. Employment growth has been driven by the professional business services and manufacturing sectors. GDP per capita and income per capita picked up in 2017, and though consumer debt per capita has drifted up slightly, the credit card delinquency rate remains steady. While home prices dipped slightly in April and May, this drop is consistent with a nationwide trend and not necessarily a cause for concern about the metro area's housing market. The median home value remains well above what it was a year ago, and residential building permit issuance is steady.

METRO AREA SNAPSHOT

	Unemployment Rate		Median Home Value		Payroll Employment		Credit Card Delinquency Rate	
	May 2019 (percent)	One-year change (percentage points)	May 2019	One-year change (percent)	December 2018 (thousands)	One-year change (percent)	2019:Q1 (percent)	One-year change (percentage points)
Cleveland	4.3	-0.8	\$145,800	4.1	1,018	0.8	7.7	0.1
Ohio	4.1	-0.5	\$139,100	5.4	5,413	0.6	7.0	-0.0
United States	3.6	-0.2	\$226,800	5.4	146,988	1.5	7.5	0.2

The unemployment rate in the Cleveland metro area fell to 4.3 percent in May 2019.

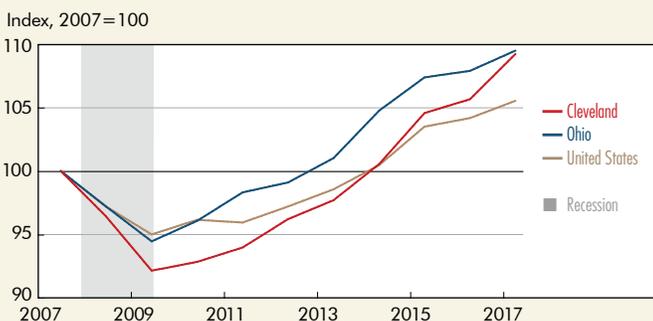


Source: Bureau of Labor Statistics/Haver Analytics.

◀ UNEMPLOYMENT RATE

After holding relatively steady during all of 2018, the unemployment rate in the Cleveland metro area fell steadily beginning in February 2019. In May 2019 the rate was just 4.3 percent, 0.8 percentage points lower than a year earlier. This is the lowest unemployment rate reading for the metro area since October 2001. The unemployment rate in Ohio also fell in May 2019, to 4.1 percent. The state's rate remains a bit higher than the nation's, which was 3.6 percent in May.

Gross domestic product per capita grew 3.5 percent in the Cleveland metro area in 2017.



Source: Bureau of Economic Analysis/Haver Analytics.

◀ GROSS DOMESTIC PRODUCT

After slowing in 2016, growth in gross domestic product (GDP) per capita accelerated in the Cleveland metro area in 2017. GDP per capita, which gives a rough measure of economic well-being, grew 3.5 percent to \$69,978 in the metro area in 2017 but just 1.1 percent in 2016. Growth in GDP per capita was slower in Ohio than in the metro area; Ohio's GDP per capita grew 1.5 percent to \$57,340 in 2017. However, when compared with 2007, before the Great Recession, GDP per capita has grown a similar amount in the metro area and the state, at 9.4 percent and 9.7 percent, respectively. In the nation as a whole, GDP per capita grew 1.3 percent, year-over-year, to \$62,115 in 2017.

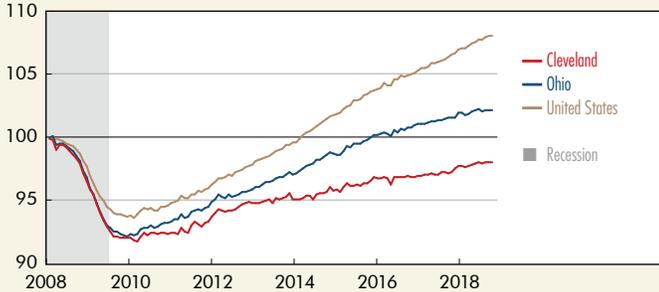
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Employment has grown just 0.8 percent in the Cleveland metro area since December 2017.

Index, 2007:M12=100



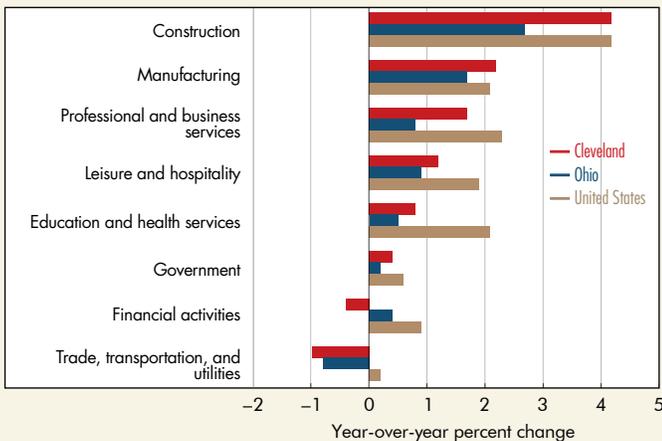
Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

EMPLOYMENT AND INDUSTRIAL SECTORS

◀ EMPLOYMENT

Employment in the Cleveland metro area grew slowly in 2018. As of December 2018, employment was just 0.8 percent higher than it was in December 2017. This increase represents a gain of 7,728 jobs. Employment also grew slowly in Ohio, where it increased 0.6 percent between December 2017 and December 2018. Growth in Ohio and in the Cleveland metro area was slower than in the United States, where employment grew 1.5 percent during the same period. That said, slower growth in the metro area and the state could in part be a result of longer-run population trends. Ohio has experienced slower population growth than the nation as a whole, and the metro area's population has been declining for several years. This means that there are fewer people available to add to the labor force.

The Cleveland metro area's largest employment sector, education and health services, grew 0.8 percent year-over-year in December 2018.



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

◀ EMPLOYMENT GROWTH BY SECTOR

Growth in construction employment was strong in the Cleveland metro area, Ohio, and the United States. In the metro area and the nation, construction employment grew 4.2 percent between December 2017 and December 2018, while growth was slightly slower in the state at 2.7 percent. After declining during much of 2015, 2016, and the first part of 2017, manufacturing employment has picked up in the Cleveland metro area—employment in the sector grew 2.2 percent year-over-year in December 2018. Despite its importance as the largest employment sector in the Cleveland metro area, the education and health services sector saw relatively weak growth, just 0.8 percent year-over-year, compared with the growth in that sector in the United States; nevertheless, even this growth is encouraging when compared with the sector's declines in the metro area during all of 2017.

Education and health services, the top employment sector in the Cleveland metro area, added 1,451 jobs on net during 2018.

Sector	Employment	12-month change	Share of employment
Education and health services	193,255	1,451	18.9
Trade, transportation, and utilities	179,066	-1,834	17.5
Professional and business services	148,062	2,486	14.5
Government	131,083	544	12.8
Manufacturing	124,383	2,686	12.2
Leisure and hospitality	103,789	1,277	10.2
Financial activities	60,208	-250	5.9
Construction	35,994	1,451	3.5

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

◀ SECTOR EMPLOYMENT

Manufacturing and professional and business services each accounted for about a third of the 7,728 net new jobs added in the Cleveland metro area between December 2017 and December 2018. Education and health services remains the top employment sector in the metro area, and it added a net of 1,451 jobs during 2018. This total represents an increase of 1,509 jobs in the healthcare sector and a loss of 58 jobs in education. The leisure and hospitality sector also added a significant number of jobs, most of them in accommodation and food services. Employment in the trade, transportation, and utilities sector has been declining since mid-2016, and the sector shed 1,834 jobs in 2018.

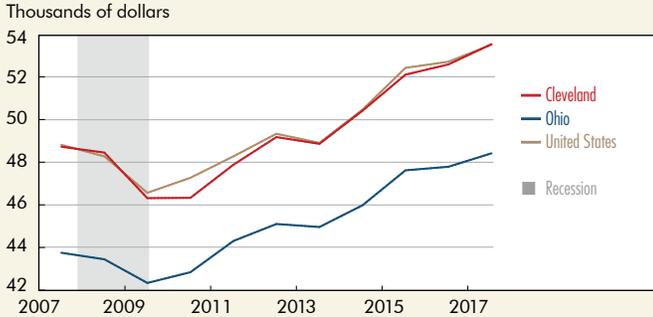
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INCOME

Real personal income per capita grew 1.8 percent in the Cleveland metro area in 2017.



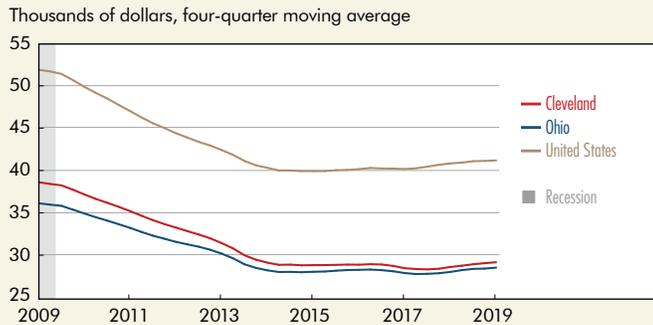
Source: Bureau of Economic Analysis/Haver Analytics.

◀ INCOME PER CAPITA

After slowing in 2016, growth in real personal income per capita picked up in the Cleveland metro area in 2017, to 1.8 percent. Growth a year earlier was just 0.9 percent. At \$53,644, per capita income was a little bit higher in the Cleveland metro area than it was in Ohio (\$48,415) or the United States (\$53,619). Ohio and the United States saw slightly faster growth in income per capita in 2017 than in 2016, at 1.3 percent and 1.5 percent, respectively.

CONSUMER FINANCES

Consumer debt per capita increased 2.0 percent in the Cleveland metro area, to \$565, from 2018 to 2019.

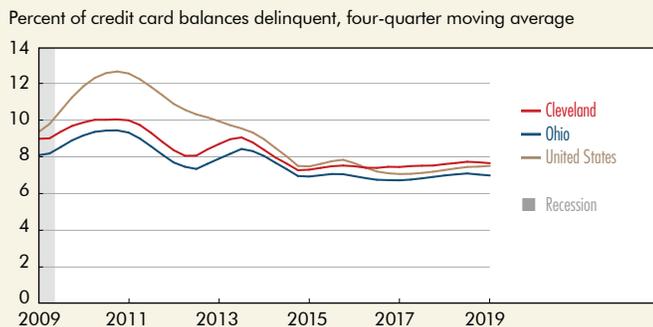


Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

◀ CONSUMER DEBT

Consumer debt per capita increased slightly in the Cleveland metro area, Ohio, and the United States between the first quarter of 2018 and the first quarter of 2019. The increase was largest in the metro area, where the figure grew 2.0 percent, or \$510, to \$29,107. In Ohio, debt per capita grew 1.8 percent, or \$510, to \$28,462. In the United States, debt per capita is higher than in the Cleveland metro area and Ohio (largely the result of higher average home prices elsewhere in the nation), but growth was slower. Nationwide, consumer debt per capita grew 0.9 percent, or \$358, to \$41,252.

The credit card delinquency rate in the Cleveland metro has held steady at 7.7 percent since the second quarter of 2018.



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

◀ CREDIT CARD DELINQUENCY RATE

The credit card delinquency rate has been steady at 7.7 percent of total card balances in the Cleveland metro area since the second quarter of 2018. This is just slightly higher than the delinquency rate in the United States, which was 7.5 percent in the first quarter of 2019. In Ohio, credit card delinquency has stabilized at a lower 7.0 percent.

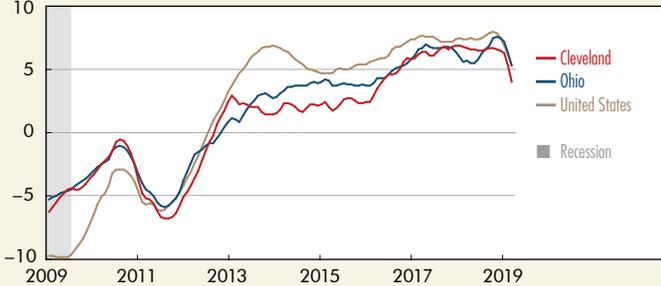
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Home prices grew 4.1 percent year-over-year in the Cleveland metro area.

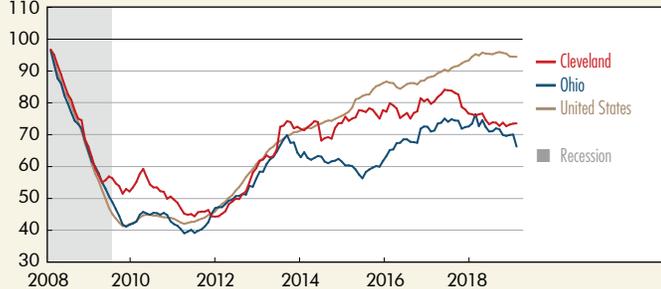
Year-over-year percent change



Source: Zillow.com/Haver Analytics.

The number of housing permits issued in the Cleveland metro area fell 3.2 percent from May 2018 to May 2019.

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



Source: US Census Bureau/Haver Analytics.

HOUSING MARKET

HOUSING PRICES

Home price growth drooped in May 2019 in the Cleveland metro area, Ohio, and the United States. While year-over-year growth remained positive at 4.1 percent, the median home value in the metro area fell from a March peak of \$147,100 to \$145,800 in May (a 0.9 percent drop). Similarly in Ohio, the median home value fell from \$139,900 in March to \$139,100 in May (a 0.6 percent drop), though year-over-year the figure was up 5.4 percent. In the United States, home prices have been stable, falling just \$400—from \$227,200 in March to \$226,800 in May (a 0.2 percent drop). As in Ohio, the median home value increased 5.4 percent, year-over-year, in the United States in May.

HOUSING PERMITS

Residential building permit issuance declined, year-over-year, in the Cleveland metro area, Ohio, and the United States in May 2019. The drop was most pronounced in Ohio, where the 12-month moving average permit issuance was 13.4 percent lower than a year earlier. This sharp decline is due in part to the combination of a large spike in approvals for units in apartment buildings in May 2018 and a relatively low level of permit issuance for these units in May 2019. However, average number of permits issued for single-family homes in Ohio was also 7.8 percent lower in May 2019 than in May 2018. In the Cleveland metro area, residential building permit issuance has leveled off since September 2018. The average number of residential building permits issued was 3.2 percent lower in May 2019 than it was for the same period a year earlier. This is a small decline, but larger than that of the nation (-0.9 percent).

DEMOGRAPHICS AND EDUCATION

CLEVELAND, OHIO

The Cleveland metro area's population declined 1.6 percent between 2007 and 2017, while the nation's population increased by 7.9 percent during the same period. Cleveland's population is slightly older than the nation's population—the median age in the metro area was 41.3 years compared with 38.1 in the United States in 2017. While the percentage of adults holding at least a bachelor's degree increased by 4.1 percentage points during the 10 years before 2017, median household income declined by 7.9 percent.

	Cleveland Metro Area		United States	
	2017	Change from 2007	2017	Change from 2007
Population	2,058,549	-1.6%	325,147,000	+7.9%
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%	+4.1 pp	32.0%	+4.5 pp
Median age (years)	41.3	+1.4	38.1	+1.4
Median household income	\$54,839	-7.9%	\$63,037	+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).