

FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



Mekael Teshome and Sarah Mattson

PITTSBURGH, PENNSYLVANIA MSA | MAY 2019

FEDERAL RESERVE BANK of CLEVELAND

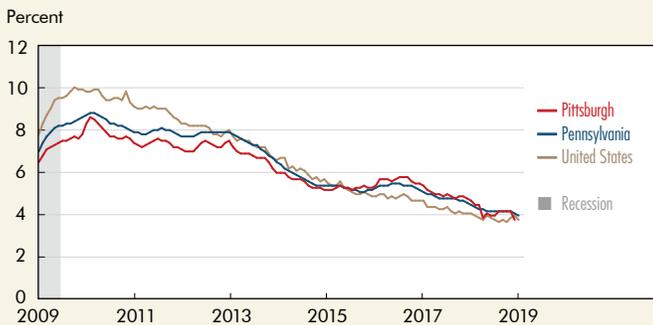
Pittsburgh—Job Market Strengthens

The Pittsburgh metro area's economy strengthened as employment grew steadily in the first nine months of 2018. The unemployment rate has been near record-low levels for several months, even as the labor force grew. This shows that the economy added enough jobs to accommodate those entering the workforce. Two measures of local prosperity, GDP per capita and income per capita, rose in 2017, suggesting businesses and workers have become more productive. Housing permitting was stable, and home price appreciation, though a bit slower than in 2018, continued at a strong pace consistent with long-term trends.

METRO AREA SNAPSHOT

	Unemployment Rate		Median Home Value		Payroll Employment		Credit Card Delinquency Rate	
	January 2019 (percent)	One-year change (percentage points)	February 2019	One-year change (percent)	September 2018 (thousands)	One-year change (percent)	2018:Q4 (percent)	One-year change (percentage points)
Pittsburgh	3.8	-1.0	\$144,400	5.2	1,118	0.6	6.6	0.2
Pennsylvania	4.1	-0.5	\$173,300	4.8	5,871	0.9	7.3	0.4
United States	4.0	-0.1	\$226,300	7.2	146,414	1.6	7.5	0.3

The Pittsburgh metro area's unemployment rate has been near record-low levels since spring 2018.

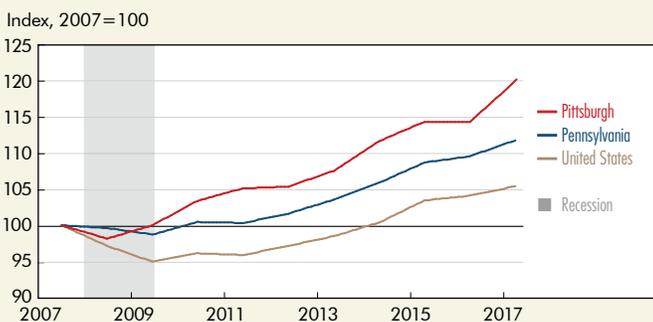


Source: Bureau of Labor Statistics/Haver Analytics.

◀ UNEMPLOYMENT RATE

The Pittsburgh metro area's unemployment rate has been near record-low levels since the spring of 2018 and has ranged from 3.8 percent to 4.2 percent during that time. By comparison, the unemployment rate in the previous two business cycles briefly reached lows of 4.1 percent (in early 2007) and 4.2 percent (in early 2000). In addition to rising employment, the metro area's labor force rose in recent months. A rising labor force is a good sign that job seekers are confident that if they enter the workforce they will be able to find employment. It is also a welcome turnaround from the trend of a shrinking labor force that was seen between early 2016 and mid-2018. The metro area's most recent unemployment rate was somewhat above the national level but was in line with state trends in the latter half of 2018.

GDP per capita has been growing faster in the Pittsburgh metro area than in the state and the nation since the Great Recession.



Source: Bureau of Economic Analysis/Haver Analytics.

◀ GROSS DOMESTIC PRODUCT

After a year of stagnation in 2016, the Pittsburgh metro area's inflation-adjusted GDP per capita shot up nearly 5 percent on a year-over-year basis in 2017. This growth in the metro area was faster than that in the state (2.0 percent) and the nation (1.3 percent) in 2017, as it has been since the Great Recession. Although rising per capita GDP over time usually indicates that the standard of living is increasing, in Pittsburgh's case, the statistic is not as optimistic as it seems at first glance. Total real GDP has grown faster in the metro area than in the state or nation since 2007, which is a good thing. However, the population in the metro area has fallen. Because GDP per capita is total GDP divided by population, the Pittsburgh metro area's falling population contributes to the growth of the GDP per capita statistic, making it seem more positive than it actually is.

FOURTH DISTRICT METRO MIX

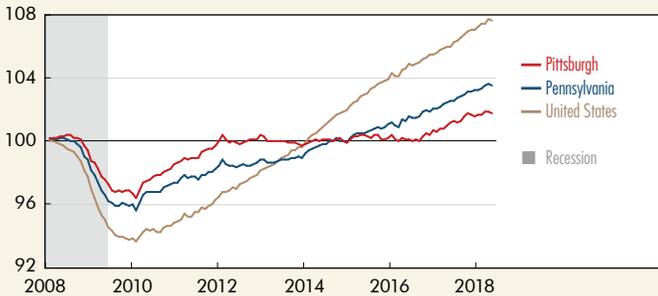
MAY 2019

YOUR DISTRICT, YOUR DATA

EMPLOYMENT AND INDUSTRIAL SECTORS

Since the beginning of 2017, employment in the Pittsburgh metro area has been growing at an average annual rate of 1.1 percent.

Index, 2007:M12=100

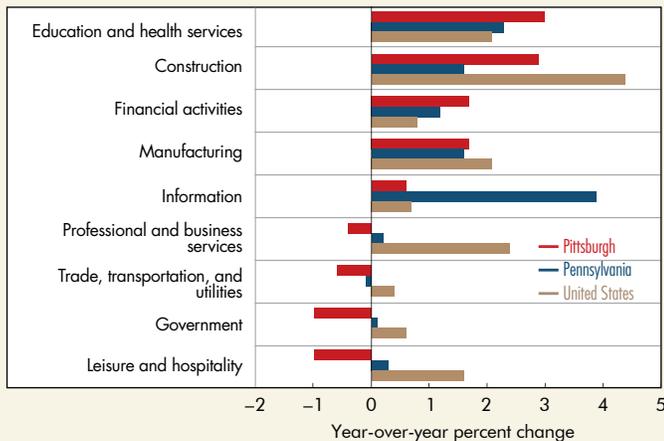


Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

EMPLOYMENT

Since the beginning of 2017, employment in the Pittsburgh metro area has been growing at a 1.1 percent average annual rate, bucking the trend of stagnant employment levels that the metro area had seen between 2012 and 2016. The 2017 growth rate is in line with the state's employment growth and is moderately slower than the nation's employment growth. In the five years from 2012 through 2016, the metro area added only about 5,000 net jobs—an average annual growth rate of 0.1 percent. In contrast, in the 21 months of data since 2017, the metro area added more than 20,000 net jobs. Job growth was somewhat slower in the first nine months of 2018 relative to 2017 (0.7 percent annualized growth vs. 1.3 percent), but nevertheless, the continuation of a growth trend is encouraging for the metro area's near-term prospects.

More than half of the Pittsburgh metro area's employment sectors added jobs in the 12 months that ended with September 2018.



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

EMPLOYMENT GROWTH BY SECTOR

The overall net job gains in the Pittsburgh metro area from September 2017 through September 2018 relied on a few sectors. Education and health services, financial activities, and construction added jobs during this period, as they have been consistently doing throughout this economic expansion. Manufacturing and natural resources and mining (not shown) added jobs during the period as well. However, professional and business services and leisure and hospitality, sectors that had been creating jobs throughout most of this expansion, broke trend and lost workers on net from September 2017 through September 2018. Additionally, trade, transportation, and utilities and government continued trending downward, as they have throughout this expansion.

As of September 2018, the Pittsburgh metro area's largest job sector—education and health services—is also its fastest-growing.

Sector	Employment	12-month change	Share of employment
Education and health services	240,759	6,906	21.4
Trade, transportation, and utilities	200,335	-1,233	17.8
Professional and business services	165,847	-664	14.8
Leisure and hospitality	120,573	-1,269	10.7
Government	112,141	-1,177	10.0
Manufacturing	86,788	1,431	7.7
Financial activities	70,680	1,193	6.3
Construction	59,217	1,646	5.3
Information	16,915	95	1.5

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

SECTOR EMPLOYMENT

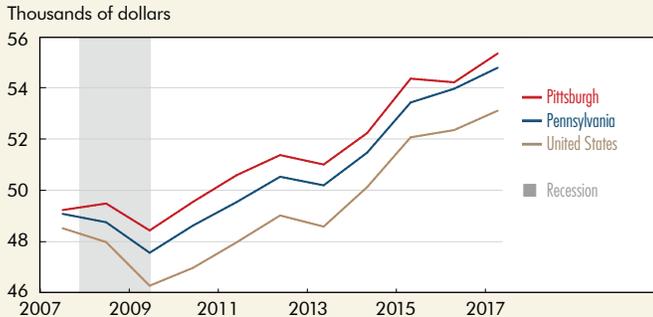
The Pittsburgh metro area added about 7,300 jobs on net from September 2017 through September 2018. Pittsburgh's largest sector, education and health services, is also its fastest growing, and it is driving much of the metro area's employment growth. The next four-largest sectors in the metro area lost jobs on net during this period. Losses in these larger sectors were partially offset by gains in smaller sectors. Most of the sectors that contributed substantially to job growth in the metro area during this period account for a larger share of employment in the metro area than in the nation. This is especially true of education and health services, whose share of local employment is 40 percent higher than in the nation. The sector accounts for more than 1 in 5 jobs in the metro area compared with about 1 out of 7 jobs in the nation. The one main exception is manufacturing. While manufacturing began adding jobs on net in 2017, it still accounts for a smaller percentage of jobs in the metro area than the sector does in the nation.

FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA

MAY 2019

After a slow 2016, inflation-adjusted per capita income in the Pittsburgh metro area grew in 2017.



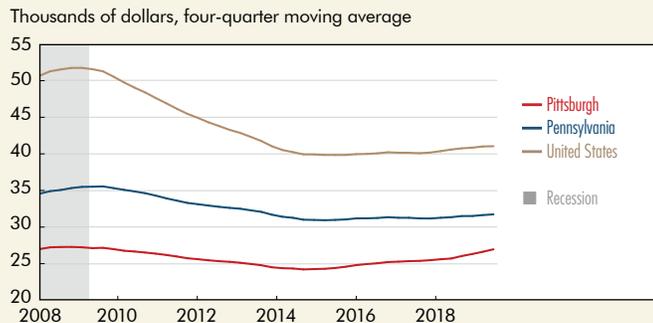
Source: Bureau of Economic Analysis/Haver Analytics.

INCOME

◀ INCOME PER CAPITA

Inflation-adjusted per capita income in the Pittsburgh metro area resumed growing in 2017 after remaining essentially unchanged in 2016. Between 2016 and 2017, incomes adjusted for inflation grew 2.1 percent, or about \$1,100 in real purchasing power terms. This is slightly faster than the metro area's average annual real income increase during this economic expansion and is also modestly faster than real income growth in the state or nation during 2017. Real per capita income in the Pittsburgh metro area exceeds the state average by about \$600 and the national average by about \$2,300.

Consumer debt levels in the Pittsburgh metro area rose by about \$1,300 during 2018.



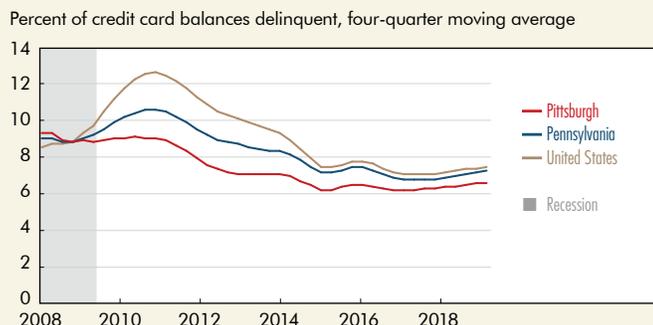
Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

CONSUMER FINANCES

◀ CONSUMER DEBT

Real per capita consumer debt levels in the Pittsburgh metro area rose 5.2 percent, or about \$1,300, during 2018, which is a faster pace than has been seen in this economic expansion. The majority of this growth was driven by a notable acceleration in mortgage debt increases. Mortgage debt was the primary driver of debt growth because homes in the metro area appreciated at an accelerated pace during 2018, and mortgage debt accounts for about three-quarters of overall household debt in the metro area. Debt from auto loans and credit cards both increased about \$100 per capita each during this period, in line with trends of the last few years. The metro area's per capita consumer debt is still about \$5,000 lower than the state's per capita consumer debt and about \$14,000 lower than the national average. These differences can be almost entirely accounted for by differences in average mortgage debt across these geographies.

As of the fourth quarter of 2018, credit card delinquency rates remain low and stable in the Pittsburgh metro area.



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—that is, the percent of credit card balances that are more than 90 days past due—remains low and stable in the Pittsburgh metro area. Metro area delinquency rates have been between 6 percent and 7 percent since 2014; the most recent rate (fourth quarter of 2018) is 6.6 percent. By contrast, credit card delinquency rates in the state and nation have been higher than in the metro area throughout this economic expansion, and neither the state nor nation currently has a rate below 7 percent. The comparatively low delinquency rates in the metro area, combined with relatively low per capita debt levels, suggests that households in the Pittsburgh metro area are relatively financially stable.

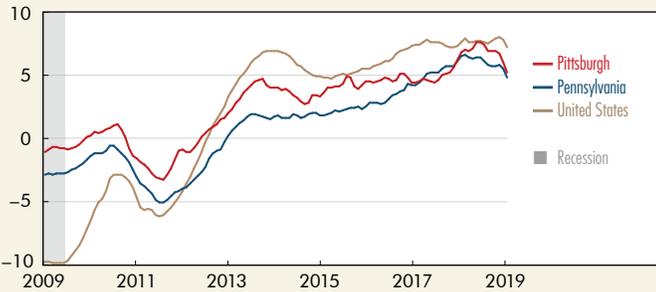
FOURTH DISTRICT METRO MIX

MAY 2019

YOUR DISTRICT, YOUR DATA

Home prices in the Pittsburgh metro area rose 5.2 percent from February 2018 through February 2019.

Year-over-year percent change



Source: Zillow.com/Haver Analytics.

As of January 2019, the level of residential building permits issued continues to be stable (but low).

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



Source: US Census Bureau/Haver Analytics.

HOUSING MARKET

HOUSING PRICES

Pittsburgh metro area home price appreciation moderated to 5.2 percent in February 2019 from a peak of 7.6 percent in July 2018. This slower rate of appreciation is more in line with longer-term trends in the metro area. To illustrate that 7.6 percent was exceptional for the metro area, historically, year-over-year growth rates peaked at just under 7 percent during the national housing bubble in the mid-2000s. Much of the acceleration in price appreciation in 2018 was driven by rapidly rising values for the least-expensive third of homes in the metro area. Single-family homes remain relatively affordable in the metro area. The average home value in the metro area is about \$145,000, relative to \$173,000 in the state and \$226,000 in the nation.

HOUSING PERMITS

Residential building permit issuance continued at a stable, albeit low, level. In the 1980s and 1990s, before the more volatile periods in the housing market, an average of more than 400 permits were issued per month. Permit issuance fell sharply in the Pittsburgh metro area during the Great Recession and again in the middle of this decade, down to an average of only 143 permits per month from January 2017 through January 2019. Accelerated population decline in the metro area may be contributing to this new normal, as the existing housing stock serves fewer residents every year.

DEMOGRAPHICS AND EDUCATION

PITTSBURGH, PENNSYLVANIA

Demographics continue to be one of the Pittsburgh metro area's greatest economic challenges. Of the 50 most populous metropolitan areas in the 2010 census (here referred to as large metro areas), the Pittsburgh metro area saw the steepest decline in population since the 2010 census. This decline was largely driven by a negative natural change in population; that is, deaths exceeded births in the metro area by about 24,000. Pittsburgh is the only large metro area to have had a negative natural change in population during this period. This is related to the fact that Pittsburgh has the oldest median population of all large metros areas. In the metro area, 18.7 percent of residents are older than 65, relative to 14.9 percent nationally. The unusual age distribution of the metro area's population suggests further population decline in the future, a situation which would limit the region's economic growth.

	Pittsburgh Metro Area		United States	
	2017	Change from 2007	2017	Change from 2007
Population	2,333,367	-1.1%	325,719,000	+8.1%
Adults with less than a high school diploma	6.1%	-4.0 pp	12.0%	-3.5 pp
Adults with an undergraduate degree or higher	35.1%	+7.4 pp	32.0%	+4.5 pp
Median age (years)	43.3	+1.1	38.1	+1.4
Median household income	\$60,349	+8.5%	\$62,221	+0.6%

Note: Percentage points is abbreviated as pp.

Source: US Census Bureau population estimates, American Community Survey.

Mekael Teshome is vice president and senior regional officer of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland. Sarah Mattson is a research analyst at the Branch. 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).