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.

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

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

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.

METRO AREA SNAPSHOT

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<th>Unemployment Rate</th>
<th>Median Home Value</th>
<th>Payroll Employment</th>
<th>Credit Card Delinquency Rate</th>
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<tr>
<td>(percent)</td>
<td>(percentage points)</td>
<td>(thousands)</td>
<td>(percent)</td>
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<tr>
<td>Pittsburgh</td>
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<tr>
<td>Pennsylvania</td>
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<tr>
<td>United States</td>
<td>4.0</td>
<td>7.2</td>
<td>1.6</td>
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**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.
Since the beginning of 2017, employment in the Pittsburgh metro area has been growing at an average annual rate of 1.1 percent.


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.

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.

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

### INCOME

**Inflation-adjusted per capita income**

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 FINANCES

**Consumer debt levels**

Real per capita consumer debt levels in the Pittsburgh metro area rose by about $1,300 during 2018. 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.

### 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.
Home prices in the Pittsburgh metro area rose 5.2 percent from February 2018 through February 2019. Year-over-year percent change

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

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 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.

Explore more regional analyses like this Metro Mix, along with research, datasets, and the Beige Book, at www.clevelandfed.org/region.