

# FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



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PITTSBURGH, PENNSYLVANIA MSA | SEPTEMBER 2019

FEDERAL RESERVE BANK of CLEVELAND

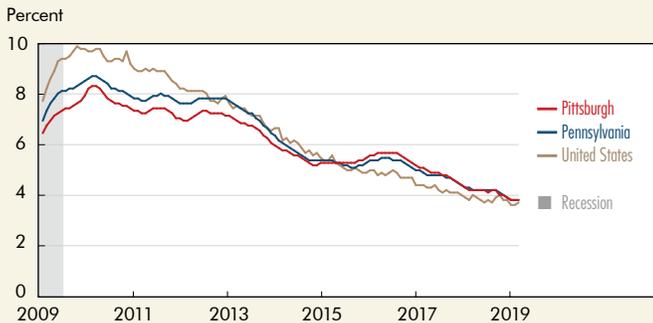
## Pittsburgh—Employment Steadily Advancing

Employment in the Pittsburgh metro area expanded at a slow and steady pace through the end of 2018, and the unemployment rate declined slightly in the first half of 2019. Healthcare, construction, and manufacturing sectors accounted for most of the net job gains in 2018. Consumer finances are in relatively good shape: debt and the credit card delinquency rate remain low, while income per capita has increased. A declining and aging population could create challenges for the future, but overall economic momentum is positive.

### METRO AREA SNAPSHOT

	Unemployment Rate		Median Home Value		Payroll Employment		Credit Card Delinquency Rate	
	June 2019 (percent)	One-year change (percentage points)	June 2019	One-year change (percent)	December 2018 (thousands)	One-year change (percent)	2019:Q1 (percent)	One-year change (percentage points)
Pittsburgh	3.8	-0.4	\$143,600	1.9	1,123	0.9	6.6	0.1
Pennsylvania	3.8	-0.4	\$173,800	3.2	5,891	1.1	7.3	0.4
United States	3.7	-0.3	\$227,700	5.2	146,988	1.5	7.5	0.2

The Pittsburgh metro area's unemployment rate has held steady at 3.8 percent since April 2019.

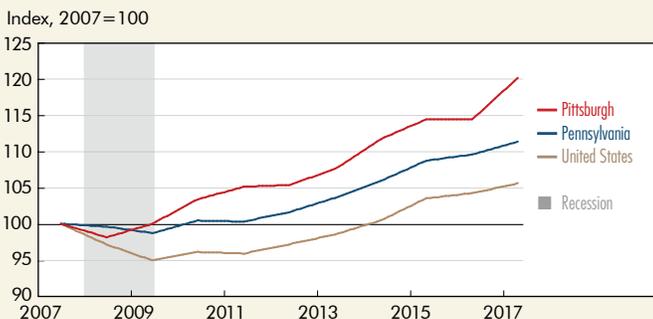


Source: Bureau of Labor Statistics/Haver Analytics.

### ◀ UNEMPLOYMENT RATE

The Pittsburgh metro area's unemployment rate has held steady at 3.8 percent since April. This is the lowest unemployment rate since at least 1990, and it indicates that the job market is currently tighter relative to job market conditions during other economic expansions. For comparison, the unemployment rate reached lows of 4.1 percent in early 2007 and 4.2 percent in early 2000. What is encouraging is that the labor force has grown relative to a year ago, a possible sign that the tight job market is attracting job seekers into the workforce. In Pennsylvania, the unemployment rate has drifted downward over the course of 2019. In June, the state's unemployment rate was 3.8 percent, 0.4 percentage points below where it was a year earlier. At 3.7 percent in June 2019, the national unemployment rate was 0.3 percentage points below the nation's reading in June 2018.

The Pittsburgh metro area's GDP per capita has made a stronger recovery from the Great Recession than that of the state and nation.



Source: Bureau of Economic Analysis/Haver Analytics.

### ◀ GROSS DOMESTIC PRODUCT

Following a flattening in 2016, real GDP per capita rose 5.1 percent in 2017 in the Pittsburgh metro area. This was significantly faster growth than in Pennsylvania (1.7 percent) and the United States (1.3 percent). The metro area's GDP per capita has made a stronger recovery from the Great Recession than that of the state and nation, and in 2017, it was 20.4 percent higher than it was 10 years earlier, before the most recent recession. The 10-year change for Pennsylvania and the United States was 11.5 percent and 5.7 percent, respectively. Rising real GDP per capita over time generally indicates a rising standard of living. However, GDP per capita is calculated by taking an area's GDP and dividing it among its residents, and the metro area's population has fallen steadily since 2013. As a result, this statistic may tell a rosier story than other economic measures would suggest.

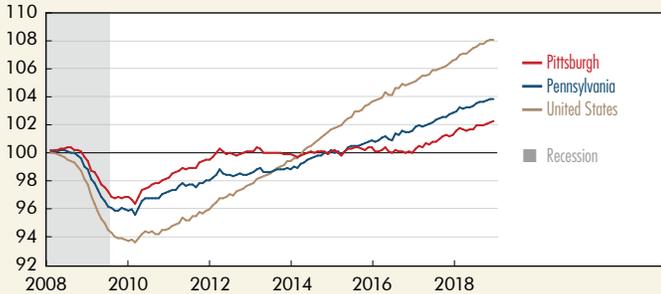
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Recent employment gains are an encouraging sign of an uptick in economic activity in the Pittsburgh metro area.

Index, 2007:M12=100



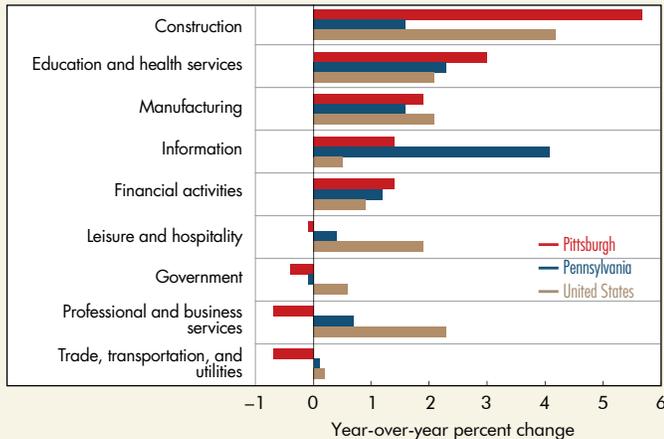
Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

## EMPLOYMENT AND INDUSTRIAL SECTORS

### EMPLOYMENT

In December 2018, employment in the Pittsburgh metro area was 0.9 percent higher than it was a year earlier. This reflects slower growth than in the state (1.1 percent) and nation (1.5 percent). Following a relatively quick recovery from job losses during the Great Recession, the metro area's employment was roughly steady at prerecession levels for just more than five years beginning in 2012. In mid-2017, employment began to climb, so recent employment gains are an encouraging sign of an uptick in economic activity in the metro area. In December 2018, employment was 2.3 percent higher in the Pittsburgh metro area than it was in December 2007.

Growth in construction employment remained strong in the Pittsburgh metro area through the end of 2018.



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

### EMPLOYMENT GROWTH BY SECTOR

Overall job gains in the Pittsburgh metro area in 2018 leaned on fewer sectors than was true in the state or national economies. Consistent with the national trend, however, growth in construction employment remained strong in the Pittsburgh metro area through the end of 2018, growing 5.7 percent between December 2017 and December 2018. Manufacturing and education and health services sectors also saw significant employment gains, growing 1.9 percent and 3.0 percent, respectively, during the same period. Employment in financial activities—including finance, insurance, and real estate—continues to grow faster in the metro area than in the state and the nation. Contrary to national trends, between December 2017 and December 2018, employment in the Pittsburgh metro area shrank in the professional and business services and trade, transportation, and utilities sectors.

The education and health services sector added 6,972 net new jobs in the Pittsburgh metro area during the 12 months to December 2018.

Sector	Employment	12-month change	Share of employment
Education and health services	243,181	6,972	21.6
Trade, transportation, and utilities	208,767	-1,556	18.5
Professional and business services	164,422	-1,123	14.6
Leisure and hospitality	117,006	-105	10.4
Government	114,083	-412	10.1
Manufacturing	87,688	1,597	7.8
Financial activities	70,941	991	6.3
Construction	55,756	3,019	4.9
Information	17,029	243	1.5

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

### SECTOR EMPLOYMENT

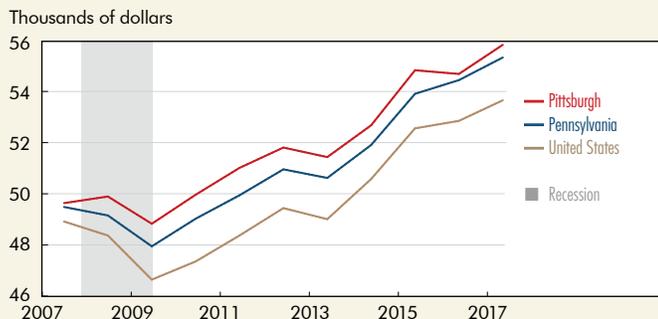
The education and health services sector added the most jobs in the Pittsburgh metro area during the 12 months to December 2018. Of the 6,972 net new jobs in this sector, more than 83 percent of them (5,823) were in health services. The healthcare sector alone added almost as many jobs as all of the other sectors combined. The manufacturing sector added nearly 1,600 net new jobs during the same period, and nearly a third of these (547) were in computer and electronic product manufacturing. This distribution of added jobs suggests the metro area may be making ground toward becoming a more technology-oriented economy. Though the trade, transportation, and utilities sector shed more than 1,500 jobs, it remains an important employment sector in the Pittsburgh metro area—almost 1 in 5 workers are employed in this sector. Job losses in trade, transportation, and utilities and professional and business services were offset by gains in the construction sector.

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Real income per capita in the Pittsburgh metro area resumed growing in 2017 after stagnating during 2016.



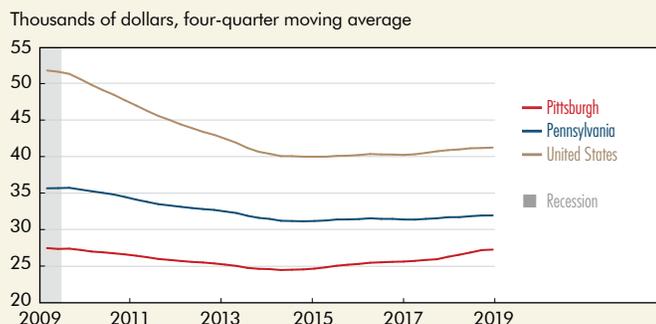
Source: Bureau of Economic Analysis/Haver Analytics.

## INCOME

## ◀ INCOME PER CAPITA

As did real GDP per capita, real income per capita in the Pittsburgh metro area resumed growing in 2017 after stagnating during 2016. Inflation-adjusted per capita income increased 2.1 percent (\$1,150) between 2016 and 2017, slightly faster than growth in the figure for the state (1.6 percent or \$897) and for the nation (1.5 percent or \$816). Just as with real GDP per capita, comparing the metro area's inflation-adjusted per capita income with the state's can be somewhat misleading. For instance, the metro area and the state experienced nearly identical growth in overall personal income during the period, but the state's growth in per capita income looks slower because its population is growing, while the metro area's is shrinking.

The Pittsburgh metro area's absolute level of consumer debt is lower than the state's and the nation's.



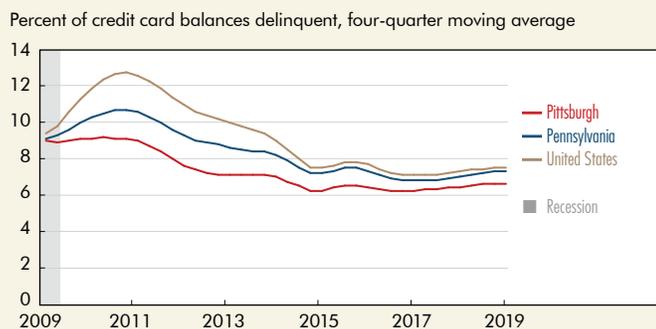
Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

## CONSUMER FINANCES

## ◀ CONSUMER DEBT

Consumer debt per capita increased slowly during 2018 before leveling off during the first quarter of 2019 in the Pittsburgh metro area. At \$26,968, debt per capita was \$1,003 (or 3.9 percent) higher in the first quarter of 2019 than it was in the first quarter of 2018. During the same period, debt per capita in Pennsylvania and the United States climbed more slowly than in the metro area—0.8 percent and 0.9 percent, respectively. Nevertheless, the metro area has a lower absolute level of consumer debt than does the state or the nation. This difference is partly the result of less mortgage debt in the metro area, where homes are relatively cheaper than in other parts of the state and the nation.

At 6.6 percent in the first quarter of 2019, the Pittsburgh metro area's credit card delinquency rate is lower than the state's and the nation's.



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

## ◀ CREDIT CARD DELINQUENCY RATE

A low and stable credit card delinquency rate in the Pittsburgh metro area suggests household finances here are in relatively better positions than in the state or nation. After rising slowly during 2016 and 2017, the credit card delinquency rate in the metro area leveled off during the second half of 2018. At 6.6 percent in the first quarter of 2019, the metro area's rate is slightly lower than the state's (7.3 percent) and the nation's (7.5 percent). Moreover, the national delinquency rate has crept up in recent quarters. The credit card delinquency rate gives a measure of how much credit card debt is held by people who have missed payments for the past three months or more, so an increase could represent a weakening in the financial position of households. Fortunately, in the United States, Pennsylvania, and the Pittsburgh metro area, the rates remain well below where they were during the last recession and recovery from that recession.

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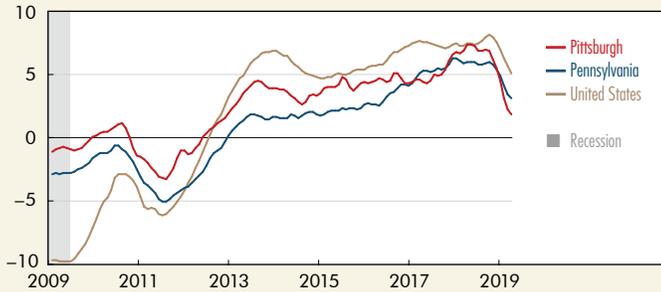
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## HOUSING MARKET

Though the Pittsburgh metro area's home price appreciation slowed during the first six months of 2019, home prices continue to increase at a reasonable pace.

Year-over-year percent change



Source: Zillow.com/Haver Analytics.

### HOUSING PRICES

Home price appreciation slowed in the United States, Pennsylvania, and the Pittsburgh metro area during the first six months of 2019. However, home prices continue to increase at a reasonable pace. In the Pittsburgh metro area, the median home value rose 1.9 percent, or \$2,700, between June 2018 and June 2019, and it is well above the median home value prior to the Great Recession. Similarly, the median home price rose 3.2 percent, or \$5,400, year over year in Pennsylvania in June. Nationwide, the median home value continued to rise at a fast pace—5.2 percent, or \$11,300, during the same period. At \$227,700, the national median home value is higher than the state's (\$173,800) and the metro area's (\$143,600).

The steady rate of residential permit issuance in the Pittsburgh metro area suggests housing construction will be modest in the near-term.

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



Source: US Census Bureau/Haver Analytics.

### HOUSING PERMITS

Residential permit issuance in the Pittsburgh metro area continued at a slow and steady rate, which suggests that housing construction will be modest in the near term. After making a relatively quick recovery after the Great Recession, residential building permit issuance tumbled at the end of 2015. Fluctuations in the 12-month moving average since 2016 are primarily the result of a couple of months with a large number of authorizations for multifamily buildings. Permit issuance for single-family homes has been very steady at around 100 permits per month since early 2015. Residential building activity also flattened in Pennsylvania beginning in 2014, though the average during the 12 months through June 2019 was 6.0 percent higher than during the same period a year ago. In the nation as a whole, permit issuance nearly reached its prerecession level before declining slightly during the first six months of 2019.

## DEMOGRAPHICS AND EDUCATION

### PITTSBURGH, PENNSYLVANIA

A shrinking and older-than-average population could limit the Pittsburgh metro area's economic growth. In 2017, the metro area's population was 1.2 percent smaller than it was 10 years earlier. Moreover, the population has declined steadily since 2013. The metro area's population also is getting older. The median age increased 1.1 years and is 5 years older than the national median age, reflecting a steady increase in the share of the population that is older than retirement age and a steady decrease in the share that is younger than 25. This situation could create worker shortages if there are not enough younger workers to replace retirees. On a positive note, the metro area's population is, on average, better educated than the nation's, and this can help attract high-wage, high-skilled employment. Just 6.1 percent of adults living in the Pittsburgh metro area have not completed high school, and 35.1 percent have earned a bachelor's degree or higher. This educational attainment compares with 12.0 percent and 32.0 percent, respectively, in the nation.

	Pittsburgh Metro Area		United States	
	2017	Change from 2007	2017	Change from 2007
Population	2,330,283	-1.2%	325,147,000	+7.9%
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	\$61,153	+8.5%	\$63,049	+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. 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).