Toledo – Recovering, but Headwinds Remain

The Toledo metropolitan statistical area’s recovery from the Great Recession has been mixed. After declining sharply from June 2006 to June 2009, manufacturing employment has seen strong growth, though it remains below 2006 levels. No doubt these job losses in the metro area’s most important sector contributed to the region steadily losing population. The population loss has led to further employment declines in sectors that serve local residents like retail trade, leisure and hospitality services, and housing markets, all of which have seen only a limited recovery. On the positive side, population decline has recently slowed, output growth has been strong, and the professional and business services sector has reached employment levels not seen since 2000.

Unemployment in the Toledo metro area rose to 8.3% in 2013

The Toledo metro area’s unemployment rate has been rising since mid-2012. It appears that this increase is due in large part to people re-entering the labor force and looking for work. As of December 2013, 8.3 percent of the metro area’s labor force was unemployed, compared to 6.7 percent in the US and 7.1 percent in Ohio. The unemployment rate in the region has typically been 1 percentage point higher than Ohio’s since 2002. This is most likely due to the metro area’s relatively low levels of educational attainment and its concentration in durable manufacturing, which never fully recovered jobs lost in the 2001 recession.

GDP has surpassed pre-recession levels

A bright spot for the Toledo region is its GDP per capita, which has surpassed pre-recession levels and recovered more robustly than in nearby metro areas, Ohio, and the US. This is due to strong output growth in nondurable manufacturing and professional and business services. The metro area’s declining population has mixed effects: GDP is divided across fewer people, but industries that serve local residents such as retail trade and construction have also experienced declines in output.

Home prices lag those in Ohio, the nation, and nearby metro areas

Metro areas that lose population tend to have weak housing markets, and Toledo is not an exception. The region’s home prices have also been held back by a higher-than-average foreclosure rate. Since late 2008, the metro area saw larger declines in house prices than Ohio and nearby metros did. House prices have been increasing since November 2012, though not as much as in nearby metro areas, Ohio, or the US. From December 2012 to December 2013, house prices rose 2 percent in Toledo, 5 percent in Ohio, and 6 percent in nearby metro areas and the US.
RELATIVE EMPLOYMENT GROWTH

While most sectors saw slower job growth in the Toledo area than in the nation or Ohio, the three sectors that outperformed the nation and state (government, manufacturing, and professional and business services) make up almost 40 percent of Toledo's jobs. Experiencing growth in core sectors, especially ones like manufacturing that sell their output to other regions, can lead to future growth in other sectors. Construction and financial activities, which grew much more slowly in the region than in Ohio, each represent less than four percent of the Toledo metro area's employment. Therefore, their weakness should not be a major drag on the local economy.

EMPLOYMENT GROWTH BY SECTOR

All but three sectors of Toledo's employment—construction, information, and leisure and hospitality—grew from September 2012 to September 2013. Manufacturing grew 2.6 percent in the Toledo metro area, which is more than four times larger than the sector's growth in the nation and Ohio. Government and professional and business services also posted strong numbers. Given the metro area's population loss, it is not surprising that the Toledo area lagged in population-serving sectors such as construction, leisure and hospitality, education and health services, and trade, transportation, and utilities.

RELATIVE EMPLOYMENT GROWTH

While most sectors saw slower job growth in the Toledo area than in the nation or Ohio, the three sectors that outperformed the nation and state (government, manufacturing, and professional and business services) make up almost 40 percent of Toledo's jobs. Experiencing growth in core sectors, especially ones like manufacturing that sell their output to other regions, can lead to future growth in other sectors. Construction and financial activities, which grew much more slowly in the region than in Ohio, each represent less than four percent of the Toledo metro area's employment. Therefore, their weakness should not be a major drag on the local economy.
CONSUMER FINANCES

At $29,085 per adult with a credit report, the Toledo metro area’s average balance of mortgage, auto, and credit card debt was essentially the same in 2011 (the latest available data) as Ohio’s level and 30 percent lower than that of the US. The US experienced large increases in per capita debt balances after 2004 because of rapid increases in house prices. As house prices fell during the recession and foreclosures rose, balances fell. Toledo, and to a lesser extent Ohio and nearby metros, experienced a less-severe version of this rise and fall in debt balances because house prices were more stable. Increased lending standards and foreclosure rates have also led to reductions in per capita debt balances.

Mortgage and credit card debt continue to decline

Source: FRBNY Consumer Credit Panel.

Toledo’s delinquency rate sits below pre-recession levels

Source: FRBNY Consumer Credit Panel/Haver Analytics.

HOUSING MARKET

Building permits dropped precipitously during the recession, but have begun to recover in Ohio, the US, and metro areas within 200 miles of Toledo. However, the Toledo metro area has seen little recovery in building permits. This is unsurprising as the metro area has an ample stock of existing homes.

HOUSING PERMITS

Source: Census Bureau/Haver Analytics.

CREDIT CARD DELINQUENCY RATES

Credit card delinquency rates increased sharply during the recession as people lost jobs and equity in their homes. As of 2011 (the latest available data), Toledo’s delinquency rate sits slightly below pre-recession levels. Nearby metro areas and Ohio experienced similar trends, while the nation’s credit card delinquency rate remains well above pre-recession levels.

Source: FRBNY Consumer Credit Panel/Haver Analytics.
All monthly figures are seasonally adjusted and all dollar figures are in current dollars. 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 pre-recession levels. If levels were growing before the recession, pre-recession indexes will be below 100; if levels were falling before the recession, pre-recession indexes will be above 100. Employment data in the Metro Mix come from the Quarterly Census of Employment and Wages, which we have found to be the earliest accurate source of the number of jobs in metro areas.

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).

www.clevelandfed.org