

FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



Joel Elvery and Julianne Dunn

TOLEDO, OHIO MSA | NOVEMBER 2018

FEDERAL RESERVE BANK of CLEVELAND

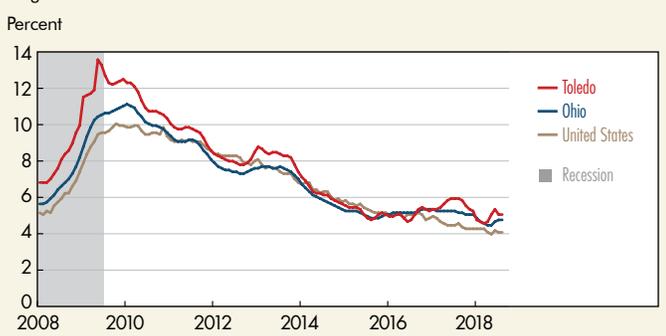
Toledo—Economic Situation Has Improved

The economic situation in the Toledo metro area has improved in recent months. The unemployment rate dropped 0.9 percentage points in the 12 months that ended with August 2018, and gains in manufacturing employment are helping to fill the gap left by the closure of the Jeep Cherokee plant. Home price growth has slowed but remains strong, and residential building permit issuance continues to increase. Households' financial situations are holding steady, as measured by the credit card delinquency rate and consumer debt per capita. Though the metro area suffers from a declining population and little change to aggregate measures such as personal income per capita and GDP per capita, the economy appears to be firming up.

METRO AREA SNAPSHOT

	Unemployment Rate		Median Home Value		Payroll Employment		Credit Card Delinquency Rate	
	August 2018 (percent)	One-year change (percentage points)	August 2018	One-year change (percent)	March 2018 (thousands)	One-year change (percent)	2018:Q2 (percent)	One-year change (percentage points)
Toledo	4.9	-0.9	\$109,300	3.7	295	0.1	7.4	0.3
Ohio	4.6	-0.4	\$132,900	5.1	5,403	0.9	7.0	0.3
United States	3.9	-0.5	\$216,700	6.5	145,640	1.6	7.4	0.3

The Toledo metro area's unemployment rate stabilized at 4.9 percent in August 2018.

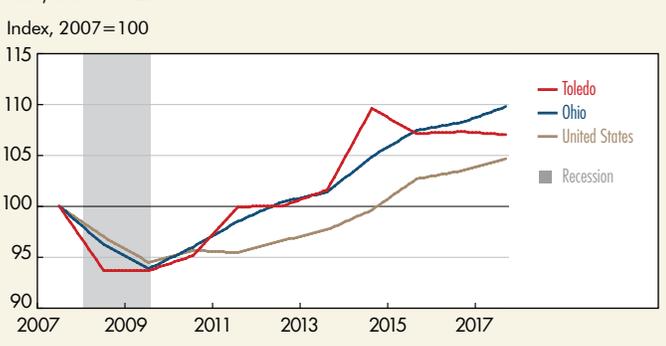


Sources: Bureau of Labor Statistics/Haver Analytics.

< UNEMPLOYMENT RATE

After rising earlier in the year, the unemployment rate in the Toledo metro area stabilized at 4.9 percent in August 2018; this is almost a full percentage point (0.9 percentage points) lower than it was in August 2017. The size of the labor force declined in all but one month of 2018. This situation can cause the unemployment rate to rise if the number of unemployed people stays the same because the unemployment rate is the number of unemployed workers divided by the size of the labor force. It is encouraging that the metro area has continued to see year-over-year unemployment rate declines despite a declining number of workers in the labor force. In Ohio and the United States, the unemployment rate has been declining, but the downward trend seems to be slowing as the economy approaches full employment. Ohio's unemployment rate was 4.6 percent in August 2018, and that of the United States was 3.9 percent.

At around \$57,000, the Toledo metro area's real GDP per capita has been fairly flat since 2015.



Sources: Bureau of Economic Analysis/Haver Analytics.

< GROSS DOMESTIC PRODUCT

The Toledo metro area's real GDP per capita has been largely flat since 2015, with only small fluctuations in both population and real GDP. At \$57,060, the metro area's GDP per capita is slightly higher than the state's (\$56,918), but, in percentage terms, the metro area's output per person has not grown as much as the state's average has since 2007. This shows that the metro area remains highly productive, but its productivity has not grown in recent years. Most likely, the metro area's slow productivity growth is due to the fact that manufacturing continues to be a large share of the metro area's output and, nationally, manufacturing productivity has been fairly stagnant since 2010. Since before the recession, the metro area's GDP per capita has grown 7.1 percent, the state's GDP per capita has grown 9.9 percent, and the nation's GDP per capita has grown 4.7 percent.

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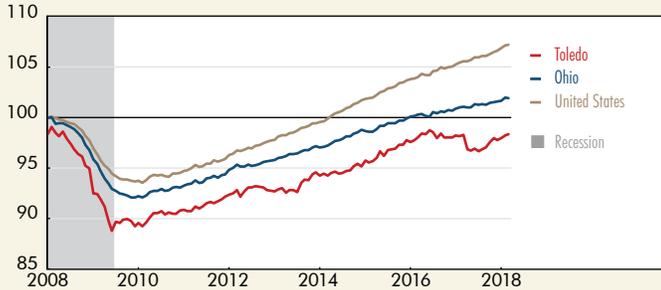
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EMPLOYMENT AND INDUSTRIAL SECTORS

Employment in the Toledo metro area has been slowly but steadily increasing since April 2017.

Index, 2007:M12=100

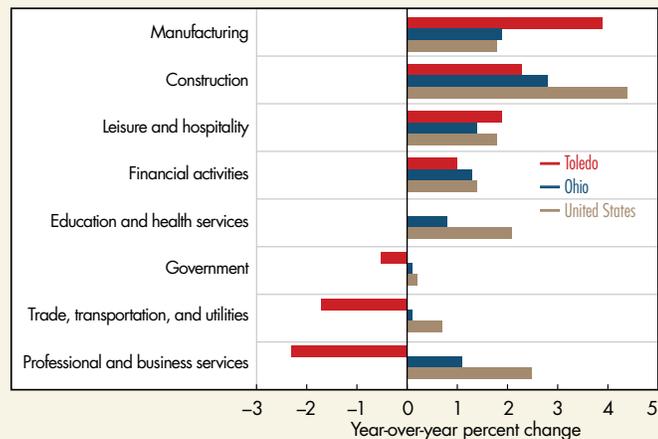


Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

◀ EMPLOYMENT

After employment in the Toledo metro area declined following the closure of the Jeep Cherokee plant in April 2017, it has steadily increased and was 0.1 percent higher in March 2018 than in March 2017. Though Toledo's employment growth has been slower than that in Ohio (0.9 percent) and in the United States (1.6 percent), the metro area's population has steadily declined; this decline affects employment because it limits the number of people available to work in the metro area.

Manufacturing saw the strongest job growth (3.9 percent) of any sector in the Toledo metro area during the 12 months that ended with March 2018.



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

◀ EMPLOYMENT GROWTH BY SECTOR

The manufacturing sector saw the strongest job growth (3.9 percent) of any sector in the Toledo metro area during the 12 months that ended with March 2018. Employment also increased in construction and leisure and hospitality, and first-quarter gains in leisure and hospitality were much stronger than in 2017. Professional and business services showed a marked decline of 2.3 percent. This sector has seen year-over-year declines in employment since April 2017. The trade, transportation, and utilities and government sectors also saw declines of 1.7 percent and 0.5 percent, respectively.

In March 2018 the Toledo metro area's manufacturing sector saw its largest year-over-year gain in two years.

Sector	Employment	12-month change	Share of employment
Trade, transportation, and utilities	54,391	-932	18.6
Education and health services	49,890	23	17.1
Manufacturing	45,653	1,706	15.6
Government	39,398	-208	13.5
Professional and business services	34,779	-832	11.9
Leisure and hospitality	32,515	607	11.1
Construction	12,524	276	4.3
Financial activities	9,707	93	3.3

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

◀ SECTOR EMPLOYMENT

The Toledo metro area's manufacturing sector added 1,706 jobs in the 12 months that ended with March 2018, the largest year-over-year gain in this sector in two years. The sector remains an important part of the metro area's economy, accounting for 15.6 percent of the jobs there. Trade, transportation, and utilities lost 932 jobs between March 2017 and March 2018, with year-over-year declines during all 12 months. Professional and business services lost 832 jobs during the same period.



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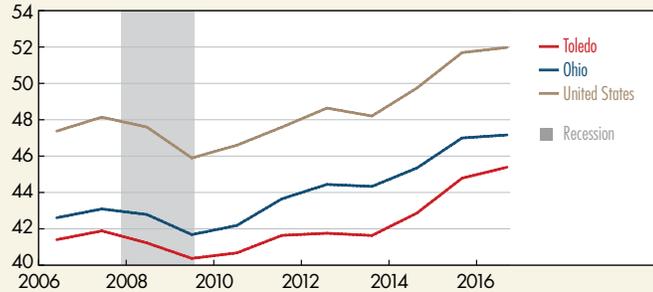
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INCOME

At \$45,374, income per capita in the Toledo metro area trails that of the state and the nation.

Thousands of dollars



Sources: Bureau of Economic Analysis/Haver Analytics.

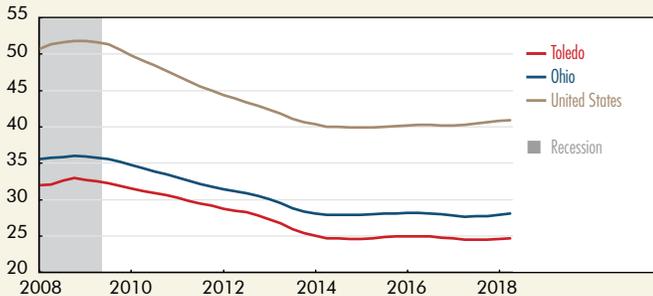
◀ INCOME PER CAPITA

The Toledo metro area's per capita income growth slowed to 1.4 percent in 2016 after making strong gains in 2014 and 2015. While some of the metro area's increase in income per capita in 2016 was driven by a declining population, real personal income in the metro area also grew 1.3 percent in 2016. At \$45,374, income per capita in the metro area remains below that in the state (\$47,165) and in the nation (\$52,027).

CONSUMER FINANCES

Since 2014, consumer debt per capita has remained low and been quite stable in the Toledo metro area.

Thousands of dollars, four-quarter moving average



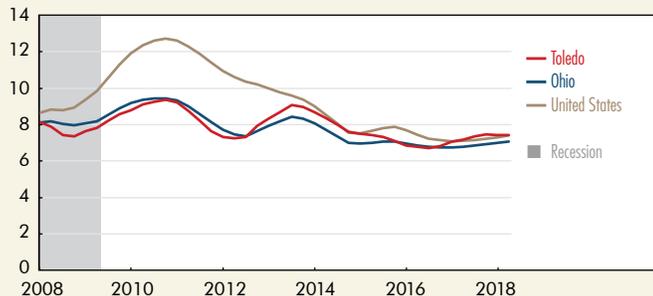
Sources: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

◀ CONSUMER DEBT

Consumer debt per capita has been quite stable in the Toledo metro area, Ohio, and the United States since 2014. State and national averages rose 1.7 percent, year-over-year, in the second quarter of 2018, but the metro area's debt per capita rose just 0.7 percent—or \$168 to \$24,642—during the same period. One reason the metro area had less growth in debt is that growth in the median home value—which has an impact on the average mortgage balance included in consumer debt—has been lower in the metro area than in Ohio or the United States. In all three regions, debt per capita remains low compared to its level in the 2000s.

After drifting upward in 2017, the credit card delinquency rate in the Toledo metro area stabilized at 7.4 percent during the first two quarters of 2018.

Percent of credit card balances delinquent, four-quarter moving average



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

◀ CREDIT CARD DELINQUENCY RATE

After drifting upward in 2017, the credit card delinquency rate in the Toledo metro area stabilized at 7.4 percent during the first two quarters of 2018. In the second quarter, the rate was equal to that of the United States, which has been increasing steadily during the past four quarters. In Ohio, the credit card delinquency rate also increased slightly, to 7.0 percent, though it remains low compared to rates during the years immediately following the Great Recession.



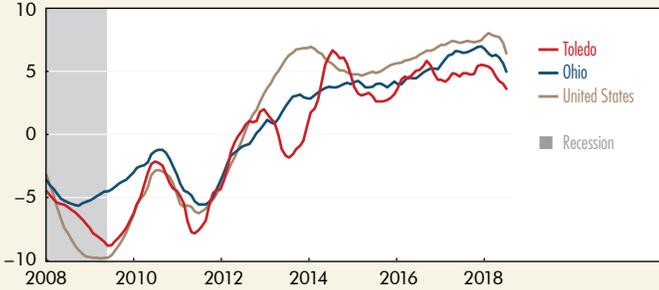
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Year-over-year growth in the median home value slowed but remains strong in the Toledo metro area.

Year-over-year percent change



Sources: Zillow.com/Haver Analytics.

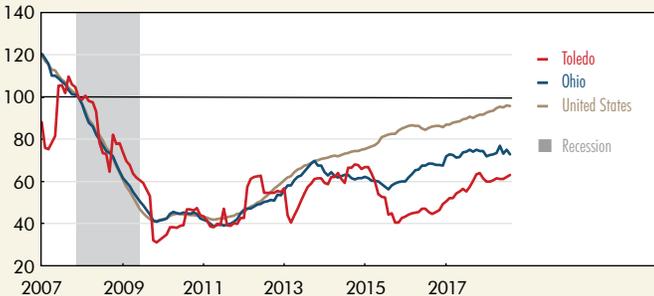
HOUSING MARKET

< HOUSING PRICES

Year-over-year growth in the median home value slowed in the Toledo metro area, Ohio, and the United States in August 2018; however, growth remains strong. In the metro area, the median home value rose 3.7 percent, year over year, to \$109,300. This value is consistent with home values in late 2003, when the housing market was healthy but hadn't started to overheat, so a slowdown in growth is probably appropriate. In Ohio, the median home value rose 5.1 percent, to \$132,900, while the national average rose 6.5 percent to \$216,700.

Building permit activity in the Toledo metro area has increased steadily since August 2017.

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



Sources: US Census Bureau/Haver Analytics.

< HOUSING PERMITS

Building permit activity in the Toledo metro area has increased steadily in recent months. In August 2018, the 12-month moving average was 10 percent higher than in August 2017. By comparison, permit issuance in Ohio has leveled off and was down 3 percent in August 2018 compared with a year earlier, while in the United States permit issuance grew 5.8 percent in August 2018 over the previous year. In fact, US permit issuance has nearly reached its December 2007 level.

DEMOGRAPHICS AND EDUCATION

< TOLEDO, OHIO

Between 2006 and 2016, the population of the Toledo metro area declined by 1.6 percent. Overall, the population has become more educated since 2006. The proportion of adults who have not finished high school decreased by 2.8 percentage points, and the proportion who have a bachelor's degree or higher increased by 4.1 percentage points. Residents of the metro area are slightly younger on average than those of the nation as a whole, with a median age of 37.3. Median household income has dropped significantly (-9.0 percent) during the 10-year period; this is surprising given the share of households with income of \$100,000 or more rose from 14 percent in 2006 to 20 percent in 2016, according to the American Community Survey. This combination of facts suggests that the Toledo metro area has experienced income polarization, with a decline in the share of households with "middle-class" incomes.

	Toledo Metro Area		United States	
	2016	Change from 2006	2016	Change from 2006
Population	604,591	-1.6%	323,406,000	+8.4%
Adults with less than a high school diploma	9.5%	-2.8 pp	12.5%	-3.4 pp
Adults with an undergraduate degree or higher	27.1%	+4.1 pp	31.3%	+4.3 pp
Median age (years)	37.3	+1.0	37.9	+1.5
Median household income	\$51,291	-9.0%	\$60,531	-0.1%

Note: Percentage points is abbreviated as pp.

Sources: 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).