

FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



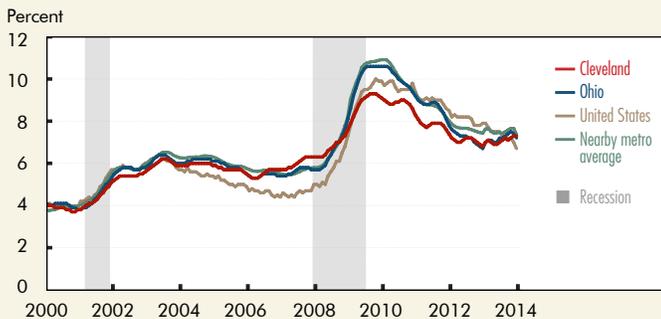
CLEVELAND, OHIO MSA | FIRST QUARTER, 2014

FEDERAL RESERVE BANK of CLEVELAND

Cleveland – A Welcome Recovery

Recessions hit the Cleveland–Elyria metropolitan area harder than the nation as a whole because the metro has a strong concentration of durable goods manufacturing, one of the most vulnerable sectors in a downturn. However, this sector has recovered well from the most recent recession and has contributed to the metro's gain of about 34,000 jobs since the recovery began. This is dramatically better than its loss of 18,000 jobs during the recovery from the 2001 recession. Cleveland's output, earnings, and unemployment rate have also bounced back nicely. Nonetheless, the metro continues to lose population, and, as a result, its housing market remains comparatively weak.

Unemployment in the Cleveland metro area rose to 7.3% in 2013

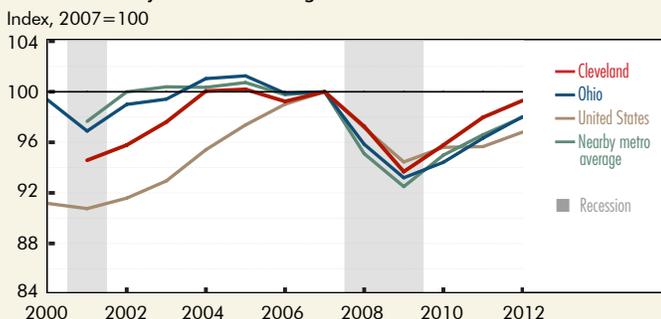


Source: Bureau of Labor Statistics/Haver Analytics.

◀ UNEMPLOYMENT RATE

During the recession, the Cleveland metro's unemployment peak was far below that of the nation, Ohio, and the average of nearby metros. However, it rose from 6.8 percent to 7.3 percent in 2013, while the nation and nearby metros saw further declines in unemployment. Since the metro's output and employment are increasing, the rise in the unemployment rate may result from re-entry into the labor market of people who had given up looking for work. This view is supported by modest growth in the metro's labor force during 2013.

Gains in GDP per capita resulted from export growth, population loss, and the recovery of manufacturing



Source: Bureau of Economic Analysis/Haver Analytics.

◀ GROSS DOMESTIC PRODUCT

The metro's GDP per capita grew steadily in 2010, 2011, and 2012; it was just under pre-recession levels in 2012. Ohio and nearby metros had similar growth rates, but the nation remained more than 3 percent below pre-recession levels. The metro's robust growth in GDP per capita is due to strong export growth, continued population loss, and the recovery of manufacturing output.

Robust price increases in downtown housing could not offset reduced housing demand



Source: Zillow.com/Haver Analytics.

◀ HOUSING PRICES

The population loss that helped increase GDP per capita has also limited the rise in house prices. While the metro's house prices have risen since December 2012, increases in the nation, Ohio, and nearby metros were earlier and stronger. In December 2013, Ohio's year-over-year percent gain in house prices was double the metro's. Although certain submarkets—particularly those in and around downtown Cleveland—have seen vigorous price growth, it has not been enough to counteract the reduced demand for housing that accompanies population loss.

FOURTH DISTRICT METRO MIX

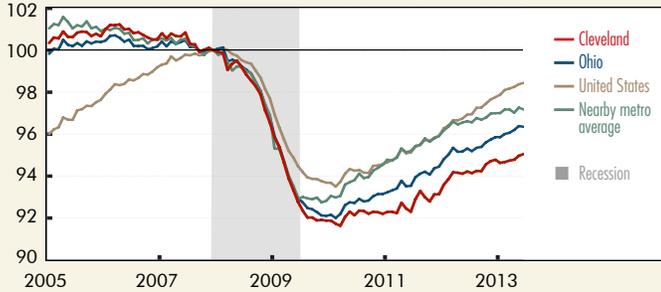
FIRST QUARTER, 2014

YOUR DISTRICT, YOUR DATA

The Cleveland metro's employment growth is outpacing nearby metros but is lagging behind Ohio's

EMPLOYMENT AND INDUSTRIAL SECTORS

Index, 2007: M12=100

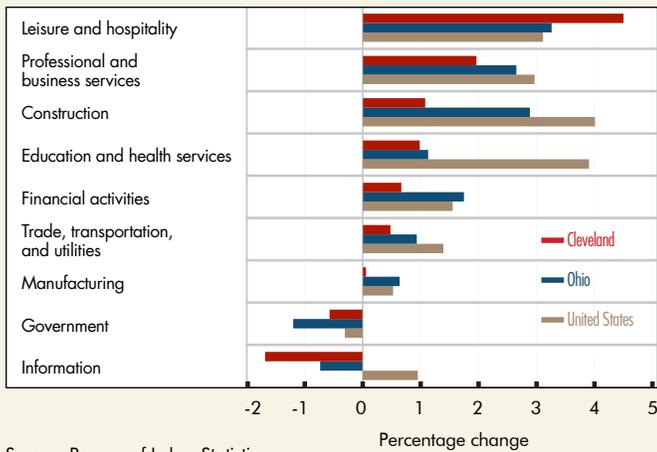


Source: Bureau of Labor Statistics.

EMPLOYMENT

The Cleveland metro, home to seven Fortune 500 companies, has recovered much better from the 2007–09 recession than it did from the 2001 recession. The Cleveland metro and Ohio lost larger jobs shares during the recession than the nation or the group of nearby metros. Employment has grown steadily in all four regions since March 2010. Although the metro's employment growth in 2010 and 2011 was relatively weak, it has held steady since March 2012. Employment is growing faster in Cleveland than in nearby metros but just a little slower than in Ohio.

Leisure and hospitality services grew 4.5% in a year

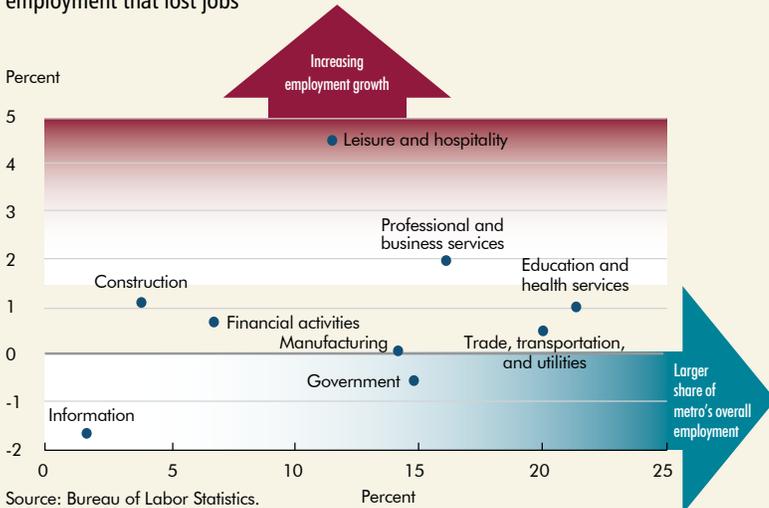


Source: Bureau of Labor Statistics.

EMPLOYMENT GROWTH BY SECTOR

From June 2012 to June 2013, the only supersector that grew faster in the metro than in Ohio or the US was leisure and hospitality services, which grew 4.5 percent. This resulted partly from the opening of the Horseshoe Casino in May 2012, which created jobs directly, attracted new restaurants, and increased demand for hotels. The next-fastest-growing supersector was professional and business services. Construction grew much less in the metro than in the nation or Ohio, which reflects the metro's relatively weak housing market. More worrisome for the future is that the metro's manufacturing employment was essentially flat over the year, whereas it grew in both Ohio and the nation.

Government was the only supersector with more than 10 percent of the metro's employment that lost jobs



Source: Bureau of Labor Statistics.

RELATIVE EMPLOYMENT GROWTH

Although employment growth may be slower in Cleveland than in the nation or the state, it is broadly based. Government was the only supersector with more than 10 percent of the metro's employment that lost jobs; it has suffered in most metros due to federal, state, and local budget cuts. Each of two high-paying sectors, professional and business services and health and education services, employs more people than manufacturing; these sectors continue to grow, showing the metro's evolution toward a more diversified economy. Information lost 1.7 percent of its jobs, but it represents only a tiny portion of the metro's employment.

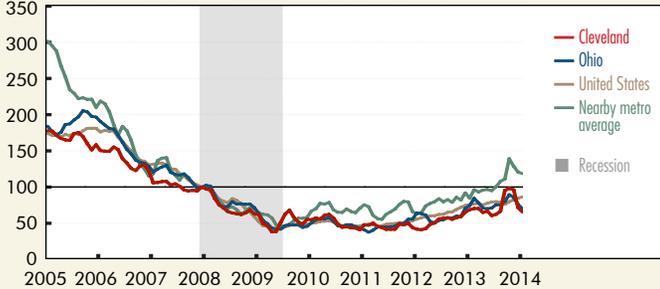
FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA

FIRST QUARTER, 2014

Nearby metros are issuing 20 percent more housing permits than before the recession

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



Source: Census Bureau/Haver Analytics.

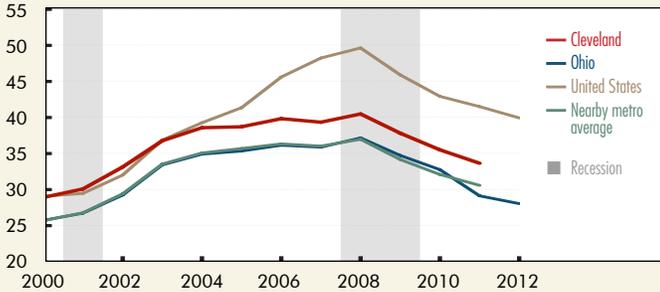
HOUSING MARKET

HOUSING PERMITS

Homebuilding is still well below its pre-recession levels in the Cleveland metro, as well as in Ohio and the nation. This is not surprising, because there was an oversupply of new housing going into the recession. What is surprising is that, on average, metros within 200 miles of Cleveland have 20 percent more housing permits issued than before the recession. This growth is driven by the Pittsburgh and Columbus metros, both having highly educated populations with strong income growth and, in the case of Columbus, population growth. Since the Cleveland metro continues to lose population, the number of housing permits issued will probably remain relatively low.

Mortgage, auto, and credit card debt continue to decline

Thousands of dollars



Source: FRBNY Consumer Credit Panel.

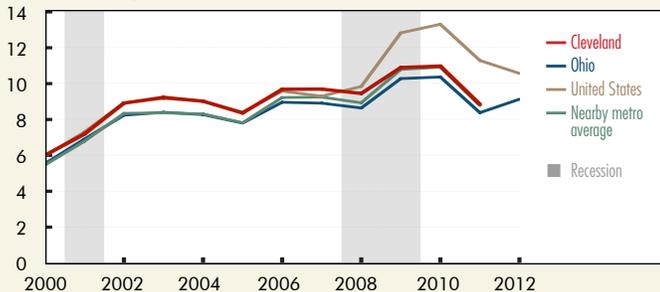
CONSUMER FINANCES

CONSUMER DEBT

Consumer debt per capita grew more slowly in the Cleveland metro than in the US from 2003 to 2007, primarily because house prices rose faster in other parts of the nation. The sharp drop in house prices that accompanied the recession, along with increases in foreclosures and reductions in homeownership, have reduced mortgage debt since 2007. The rate of decline in consumer debt has been roughly the same in the Cleveland metro as in Ohio, nearby metros, and the nation. One would expect the nation to have the largest declines in consumer debt because its house prices fell more, but this effect may be offset by higher foreclosure rates in Ohio and its metros.

The Cleveland metro's credit card delinquency rates remain below prerecession levels

Percent of delinquent credit card balances



Source: FRBNY Consumer Credit Panel/Haver Analytics.

CREDIT CARD DELINQUENCY RATES

After rising steadily from 2005 to 2010, the Cleveland metro's credit card delinquency rates fell in 2011 and remain below pre-recession levels. The improvement probably results from the general economic recovery and from lenders' restriction of access to credit. The nation saw a much sharper increase in credit card delinquency during the recession, a sign that the recession was more severe nationally than in the metro.

FOURTH DISTRICT METRO MIX

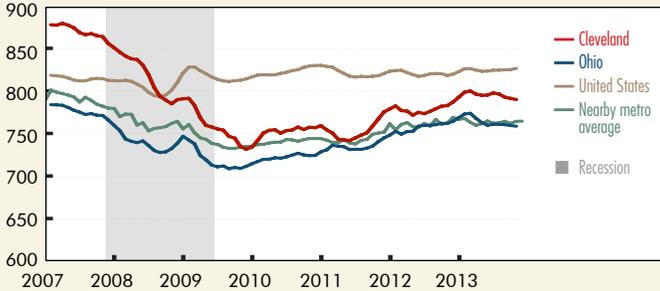
FIRST QUARTER, 2014

YOUR DISTRICT, YOUR DATA

The metro's average weekly wages has risen to \$790

INCOME

Dollars, three-month moving average



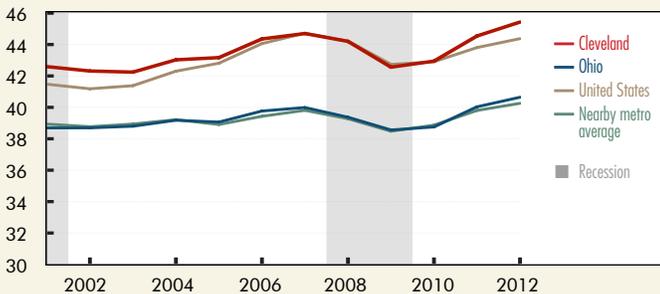
Source: Bureau of Labor Statistics/Haver Analytics.

◀ AVERAGE WEEKLY EARNINGS

The average weekly wages of people employed in the Cleveland metro dropped from \$877 in January 2007 to \$734 in January 2010. This is a sharper drop than in nearby metros, Ohio, or the nation and probably results from the metro's concentration of high-paying manufacturing jobs and the severe reduction in manufacturing employment during the recession. As the metro's economy has recovered, so have average weekly wages, which are now at \$790, halfway between those of the nation and Ohio.

By 2012, the metro's income per capita was \$1,055 higher than the nation's

Thousands



Source: Bureau of Economic Analysis/Haver Analytics.

◀ INCOME PER CAPITA

The Cleveland metro remains a very productive region; its per capita income exceeds that of the nation, Ohio, and the average of nearby metros. Although all four geographic areas experienced similar declines in income per capita from 2007 to 2009, Cleveland's grew fastest from 2009 to 2012. The metro's income per capita was \$1,055 above the nation's in 2012, the largest gap between the two since 2003.

DEMOGRAPHICS AND EDUCATION

◀ CLEVELAND, OHIO

According to 2012 Census estimates, Cleveland is the 29th largest of the nation's 381 metropolitan statistical areas.

	Cleveland metro		United States	
	2012	Change from 2009	2012	Change from 2009
Population	2,063,535	-1.3%	313,914,040	+2.2%
Adults with less than a high school diploma	11.5%	-0.8%	14.1%	-0.7%
Adults with a bachelor's degree or higher	28.5%	+1.6%	28.5%	+0.6%
Median age (years)	41.2	+1.0 years	37.4	+0.6 years
Median household income	\$48,425	-3.5%	\$52,991	-4.6%

Sources: Census Population estimates; American Community Survey.

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.

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).