

FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



Joel Elvery and Julianne Dunn

CLEVELAND, OHIO MSA | MARCH 2018

FEDERAL RESERVE BANK of CLEVELAND

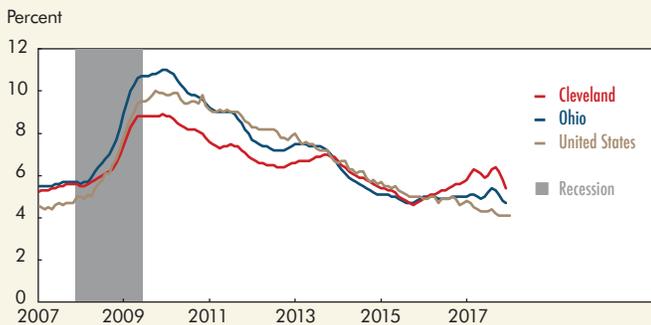
Cleveland—Economic Conditions Improve Slowly

Conditions in the Cleveland metro area are improving slowly. In December 2017, the unemployment rate fell on a year-over-year basis for the first time in 19 months. Employment has been growing slowly, with losses in the education and health and trade, transportation, and utilities sectors offset by gains in the professional and business services sector. Growth in GDP per capita and income per capita slowed in 2016, but both figures continued to track the national average. While residential building permit issuance fell slightly at the end of 2017, median home values continued to grow.

METRO AREA SNAPSHOT

	Unemployment Rate		Median Home Value		Payroll Employment		Credit Card Delinquency Rate	
	December 2017 (percent)	One-year change (percentage points)	December 2017	One-year change (percent)	June 2017 (thousands)	One-year change (percent)	2017:Q4 (percent)	One-year change (percentage points)
Cleveland	5.4	-0.3	\$137,000	5.3	1,009	0.8	7.5	0.1
Ohio	4.7	-0.3	\$130,000	4.7	5,369	1.2	6.9	0.2
United States	4.1	-0.6	\$206,300	6.5	143,931	1.7	7.2	0.1

From December 2016 to December 2017, the Cleveland metro area unemployment rate declined.

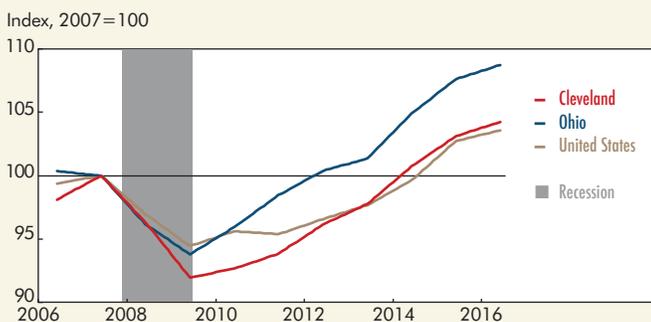


Source: Bureau of Labor Statistics/Haver Analytics.

◀ UNEMPLOYMENT RATE

The unemployment rate in the Cleveland metro area was 5.4 percent in December 2017. Because the metro area's unemployment rate has fluctuated greatly in recent months, it is helpful to look at year-over-year changes. From December 2016 to December 2017, the unemployment rate declined 0.3 percentage points. This change is an encouraging reversal of the recent trend of a slowly climbing unemployment rate driven by growth in the labor force paired with tepid growth in employment. However, it will be important to watch if this reversal remains a lasting change in the local labor market in the coming months.

Real gross domestic product per capita in the Cleveland metro area grew 1.1 percent in 2016.



Source: Bureau of Economic Analysis/Haver Analytics.

◀ GROSS DOMESTIC PRODUCT

Real gross domestic product per capita in the Cleveland metro area grew 1.1 percent in 2016. This growth was much slower than the 2.4 percent growth in 2015. Since before the recession, the metro area's output per capita has grown by 4.2 percent, slightly more than the nation's growth of 3.6 percent, but well below that of Ohio, where the figure has grown 8.8 percent. This discrepancy suggests that while the metro area has had a solid recovery, it lags the rest of the state.

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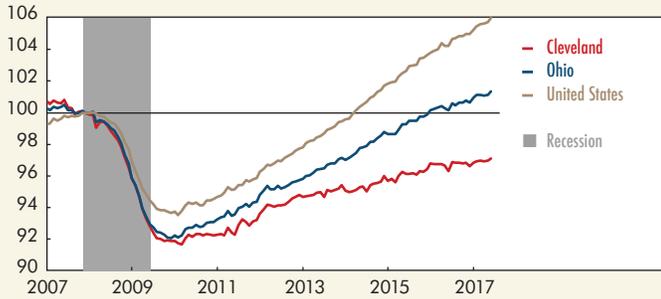
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EMPLOYMENT AND INDUSTRIAL SECTORS

The Cleveland metro area added more than 8,000 jobs in the year that ended with June 2017.

Index, 2007:M12=100

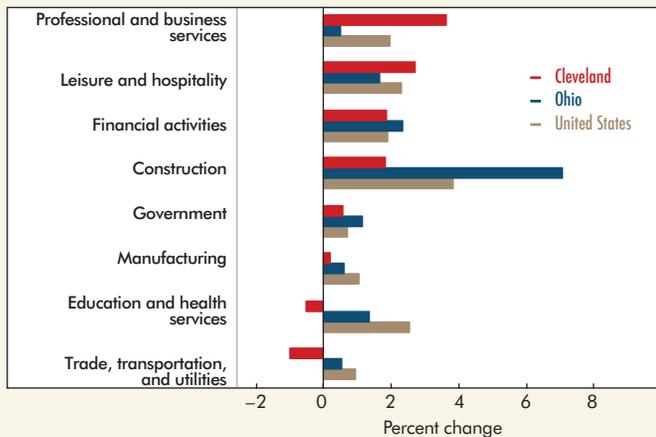


Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

◀ EMPLOYMENT

Employment picked up between June 2016 and June 2017, with more than 8,000 jobs added in the Cleveland metro area. This increase represents growth of 0.8 percent, much higher than the 0.2 percent growth observed between June 2015 and June 2016. However, the metro area's employment growth continues to lag the growth in employment seen in Ohio (1.2 percent) and the nation as a whole (1.7 percent). The number of jobs in the metro area has now reached 97.1 percent of the number of jobs observed just prior to the recession. Taken at face value, the fact that the metro area's number of jobs has not returned to its prerecession number suggests that Cleveland's employment has not fully recovered from the economic downturn. However, it is important to consider that the metro area has a smaller population than it did 10 years ago.

Professional and business services was the fastest-growing sector in the Cleveland metro area between June 2016 and June 2017.



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

◀ EMPLOYMENT GROWTH BY SECTOR

In percentage terms, the fastest-growing sector in the Cleveland metro area between June 2016 and June 2017 was professional and business services, with employment growing 3.6 percent. Although this growth was faster than that in Ohio and in the nation as a whole, the strong growth, in part, reflects a delayed recovery from a downturn in employment in this sector in late 2015 and early 2016. The metro area's employment growth was also strong in leisure and hospitality at 2.7 percent. However, during the year leading up to June 2017, employment in the construction sector grew just 1.8 percent, compared to robust growth in Ohio (7.1 percent). Declines in the metro area's education and health services sector (down 0.5 percent) and trade, transportation, and utilities sector (down 1.0 percent) contrasted both Ohio's and the nation's modest employment growth in these two sectors.

Between June 2016 and June 2017, the Cleveland metro area's professional and business services sector added more than 5,000 jobs.

Sector	Employment	12-month change	Share of employment
Education and health services	190,177	-1,022	18.6
Trade, transportation, and utilities	175,396	-1,778	17.1
Professional and business services	149,099	5,235	14.6
Government	132,627	765	13.0
Manufacturing	121,327	216	11.9
Leisure and hospitality	110,156	2,894	10.8
Financial activities	60,960	1,120	6.0
Construction	36,741	659	3.6

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

◀ SECTOR EMPLOYMENT

The professional and business services sector added the most jobs in the Cleveland metro area between June 2016 and June 2017, compared with other sectors. Although the manufacturing sector added only 216 jobs between June 2016 and June 2017, this was the first positive year-over-year gain since August of 2015. Job losses were greatest in the trade, transportation, and utilities sector, which has experienced year-over-year job losses since August 2016 in the metro area. Growth has been slowing (although not declining) in this sector in Ohio and in the nation as the economy adapts to consumers' growing preference for online shopping. Amazon's opening of two warehouses in the Cleveland metro area could add as many as 3,000 jobs and help to ease employment decline in this sector.

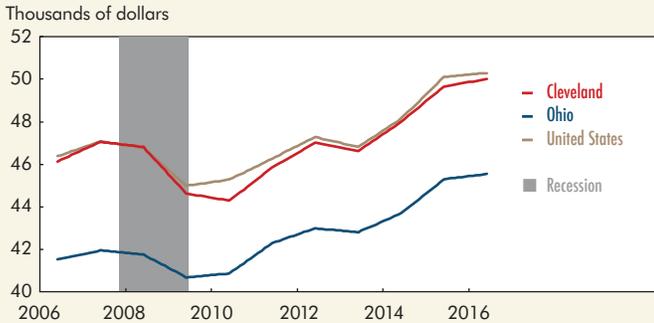
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INCOME

Per capita income in the Cleveland metro area grew to \$50,011 in 2016.



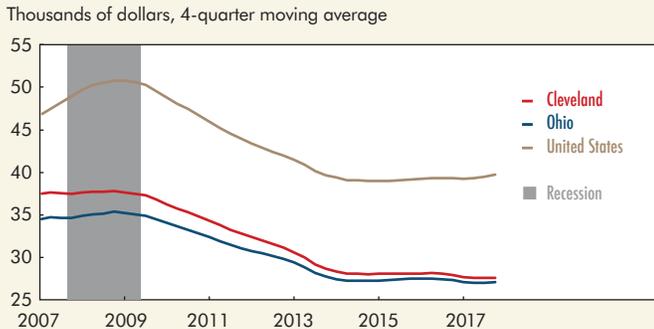
Source: Bureau of Economic Analysis/Haver Analytics.

◀ INCOME PER CAPITA

Annual growth in inflation-adjusted income per capita slowed in 2016 in the metro area, state, and nation. Income per capita in the Cleveland metro area grew 0.7 percent from the previous year, to \$50,011. In Ohio, income per capita grew 0.5 percent to \$45,554. Slowed growth in the nation's level allowed the metro area to almost match the national average income per capita of \$50,295.

CONSUMER FINANCES

Consumer debt per capita in the Cleveland metro area fell \$330 between the fourth quarter of 2016 and the fourth quarter of 2017.

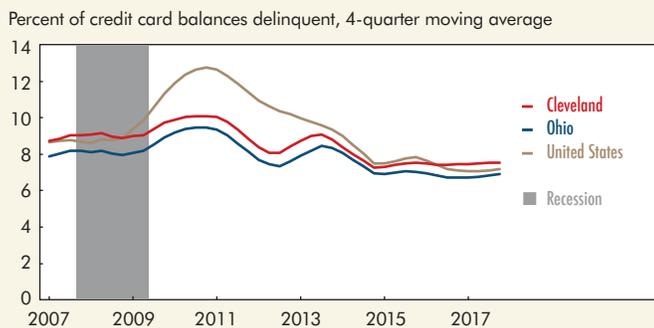


Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

◀ CONSUMER DEBT

Consumer debt per capita in the Cleveland metro area fell \$330 between the fourth quarter of 2016 and the fourth quarter of 2017 to \$27,626 (a 1.2 percent drop). In Ohio, debt per capita declined at a slower rate (0.8 percent), narrowing the gap between the metro area and its home state. While the metro area and the state have seen debt per capita continue to tick down, national debt per capita rose slightly in each quarter of 2017. The metro area and the state continue to have debt levels well below that of the nation, primarily because of lower home values, which result in a smaller mortgage debt burden.

Credit card delinquency rates have remained mostly flat in the Cleveland metro area for the past three years.



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

◀ CREDIT CARD DELINQUENCY RATE

Credit card delinquency rates have been mostly flat in the Cleveland metro area and in Ohio during the past three years. In the metro area, the credit card delinquency rate (smoothed to account for seasonal fluctuations) was 7.5 percent in the fourth quarter of 2017, just above the national average of 7.2 percent. While still lower than was typical 10 years ago, the metro area's delinquency rate has been slightly higher than the national average since the third quarter of 2016.

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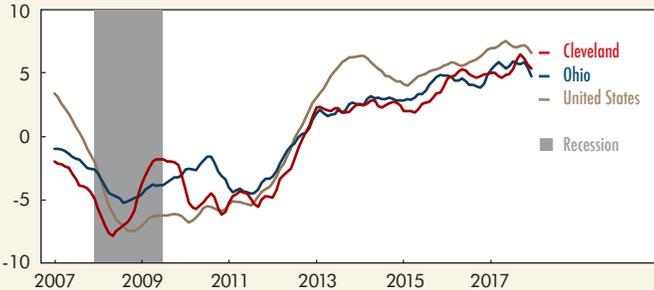
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HOUSING MARKET

In 2017, the median home value in the Cleveland metro area saw its strongest growth in more than a decade.

Year-over-year percent change



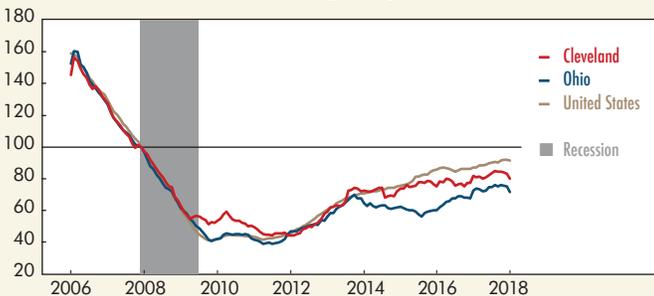
Source: Zillow.com/Haver Analytics.

HOUSING PRICES

Growth in the median home value in the Cleveland metro area has been accelerating during the recovery from the recession. Although this acceleration has flattened out in the last two years, as of December 2017, year-over-year growth in home values in the Cleveland metro area was 5.3 percent. This is a good sign that the housing market has recovered and is stabilizing. In December, the median home value in the metro area was \$137,000, slightly higher than the state average of \$130,000 but well below the national average of \$206,300.

The number of housing permits issued decreased slightly at the end of 2017 in the Cleveland metro area.

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



Source: US Census Bureau/Haver Analytics.

HOUSING PERMITS

The 12-month moving average of residential building permit issuance dropped off slightly in November and December 2017 in the Cleveland metro area and in Ohio. This downturn follows strong growth in late 2016 and early 2017 that was driven in part by a relatively mild winter, when construction activity was a bit higher than normal. A slight drop this year may simply be a return to normal.

DEMOGRAPHICS AND EDUCATION

CLEVELAND, OHIO

The Cleveland metro area's population declined 0.2 percent between 2015 and 2016, while the nation's population increased 0.7 percent during the same period. The metro area's population is slightly older than in the nation as a whole, and a lower percentage of adults in the metro area have less than a high school diploma.

	Cleveland Metro Area		United States	
	2016	Change from 2010	2016	Change from 2010
Population	2,055,612	-1.0%	323,128,000	+4.5%
Adults with less than a high school diploma	9.6%	-1.6 pp	12.5%	-1.9 pp
Adults with an undergraduate degree or higher	30.3%	+2.6 pp	31.3%	+3.1 pp
Median age (years)	41.2	+0.5	37.9	+0.7
Median household income	\$53,546	+2.4%	\$59,181	+4.6%

Note: Percentage points is abbreviated as pp.

Source: 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 senior research 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).