

Economic Overview of Metropolitan Cleveland & Akron

for

**Educational Service Center NEO Business Advisory Council
(Feb 3, 2023)**

By James M Trutko

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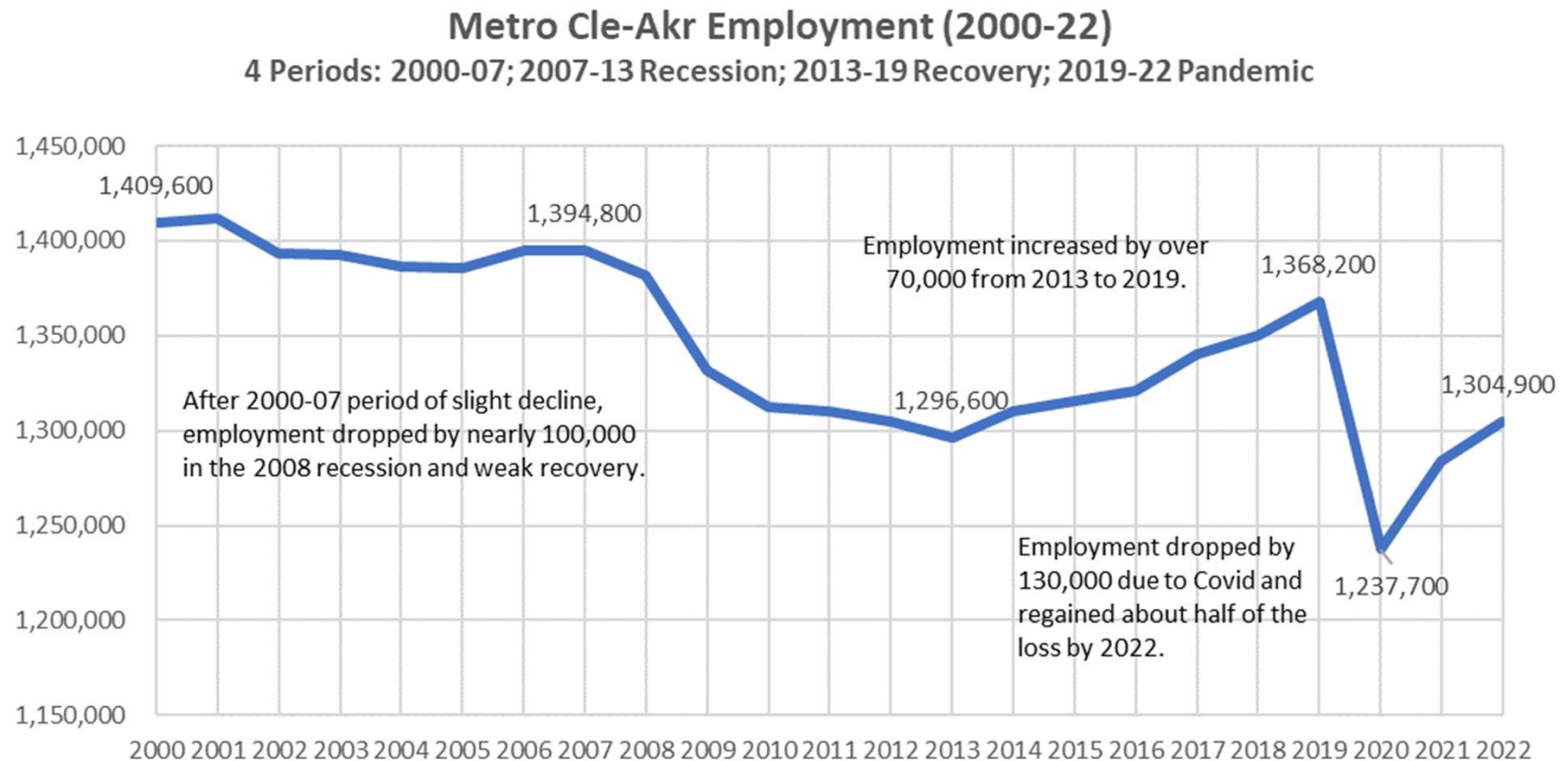
Goal of Today's Presentation:

Discuss Long-Term Economic Trends & Post-Pandemic Economic Outlook

- Focus: Employment/unemployment, business establishments
- Timeframe: Examine 4 periods to add historical perspective
 - 2001-2007, 2008-2010 recession, 2010-19 recovery, 2020-22 Covid
 - What's "normal" vs what's "good/bad"
- Geography: Metropolitan Cleveland & Akron Economies
 - Metro Cleveland: Cuyahoga, Geauga, Lake, Lorain, Medina Counties
 - Metro Akron: Summit & Portage
- Data sources: 4 Bureau of Labor Statistics data series
 - Local Area Unemployment Statistics, Current Employment Statistics, Quarterly Census of Employment and Wages, Current Population Statistics (Data as of 1/20/2023)
 - Some industry detail
- Projecting the Future

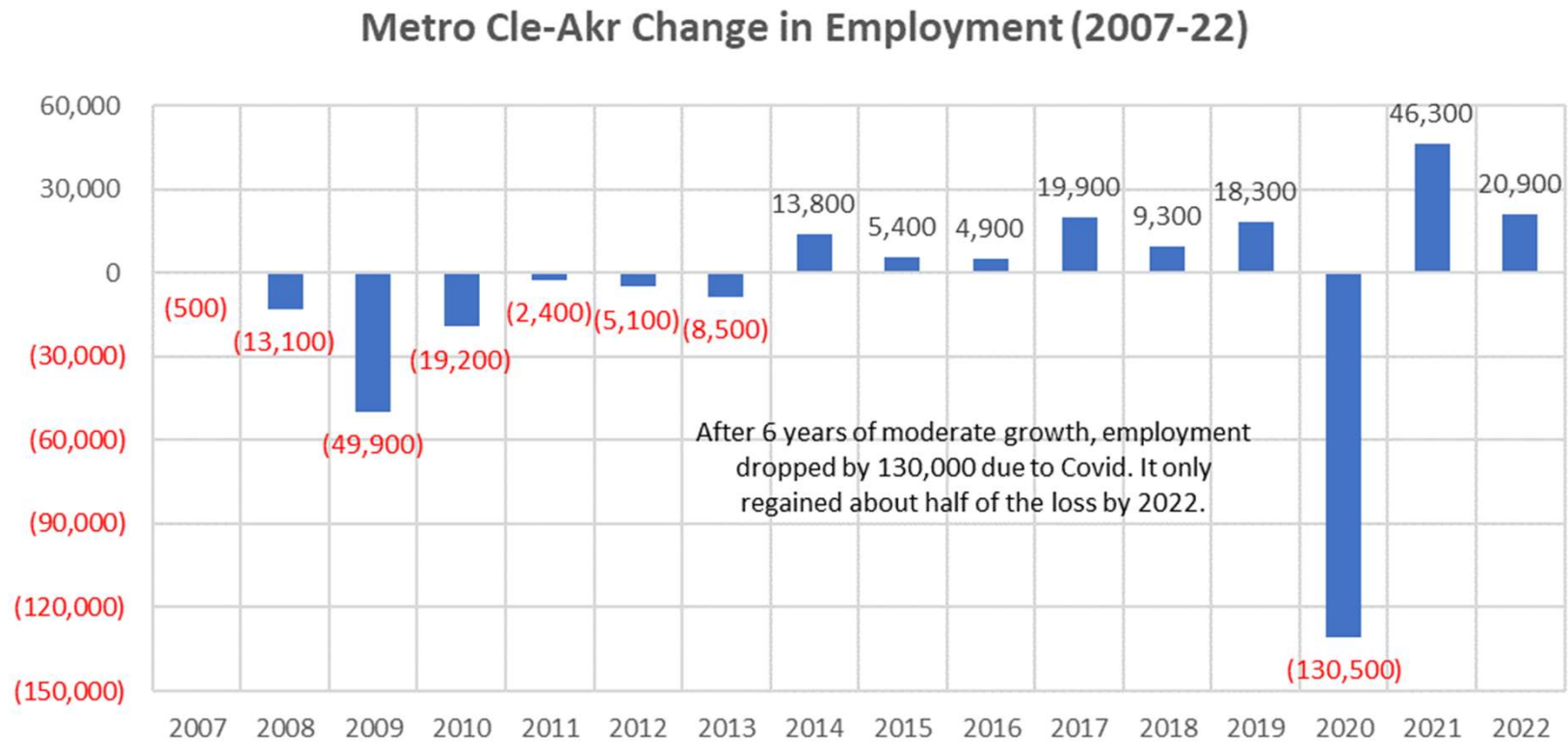
Long-Term Cleveland & Akron Employment Trends (2001-22)

After Period of Recession & Structural Losses, Metro Cle-Akron Employment Increased from 2013 to 2019. Covid Hit, Followed by Incomplete Recovery



Source: BLS, Local Area Unemployment Statistics (LAUS). 2022 Prel.

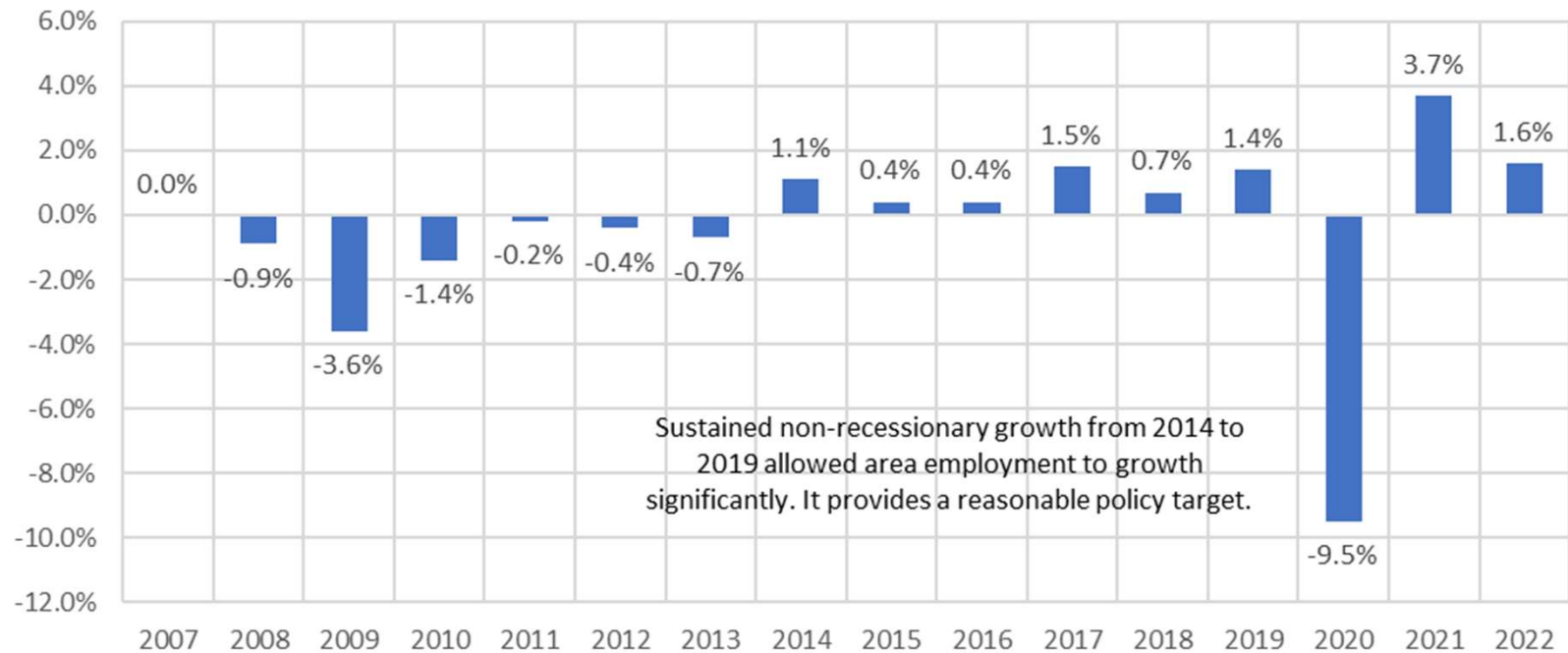
Annual Change in Employment is a Key Metric of Expanding Economy After 2013, Employment Growth Before Pandemic Was Modest But Consistent



Source: BLS, LAUS

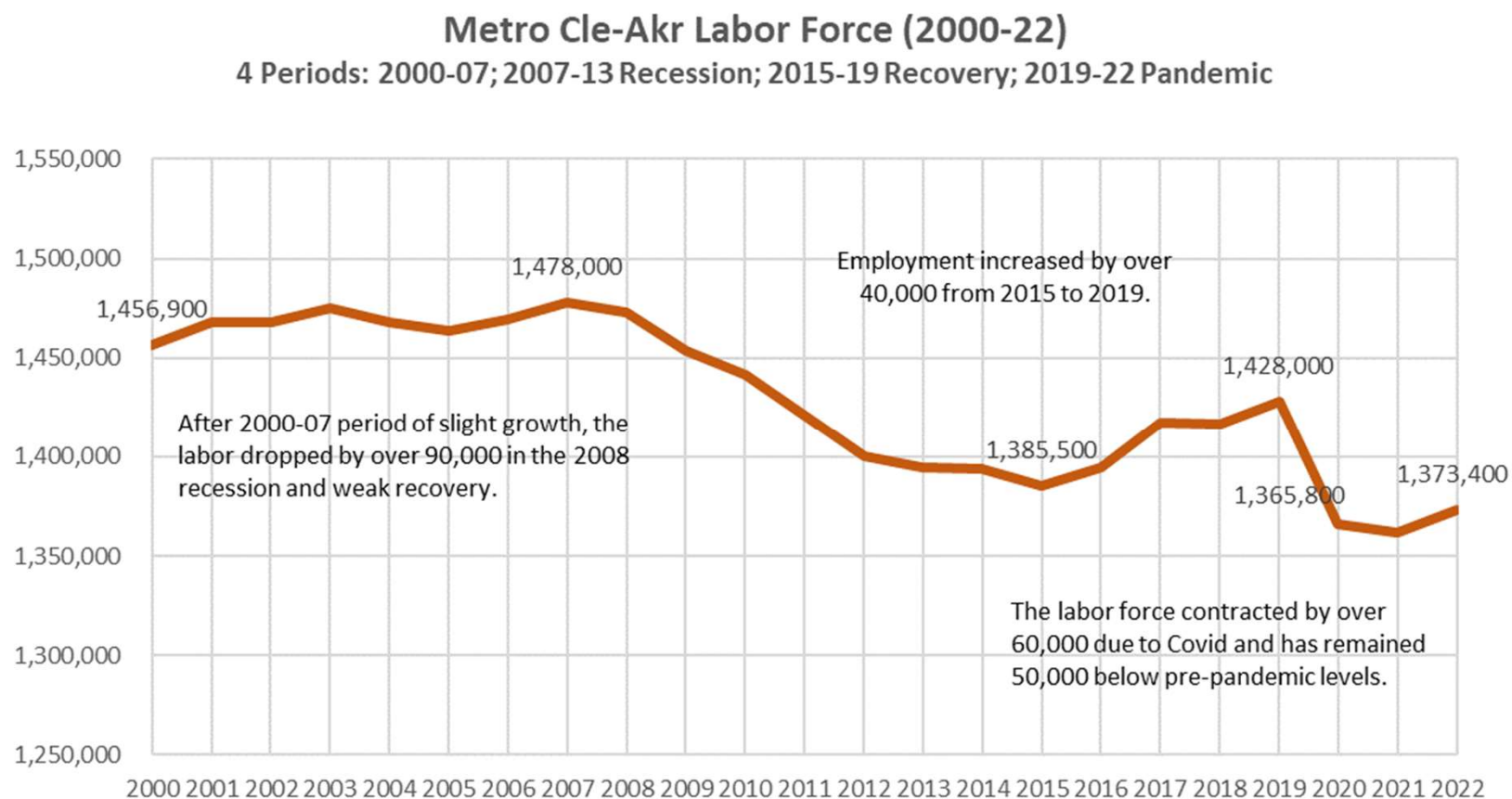
Annual Non-Recessionary Employment Growth Rate of 0.75% to 1% is Good, Comparable Target for Policy Makers.
(0.75% to 1% Rate = 10,000 to 13,000 Metro Cle-Akron Employment Gain per Year)

Metro Cle-Akr % Change in Employment (2007-22)



Source: BLS, LAUS

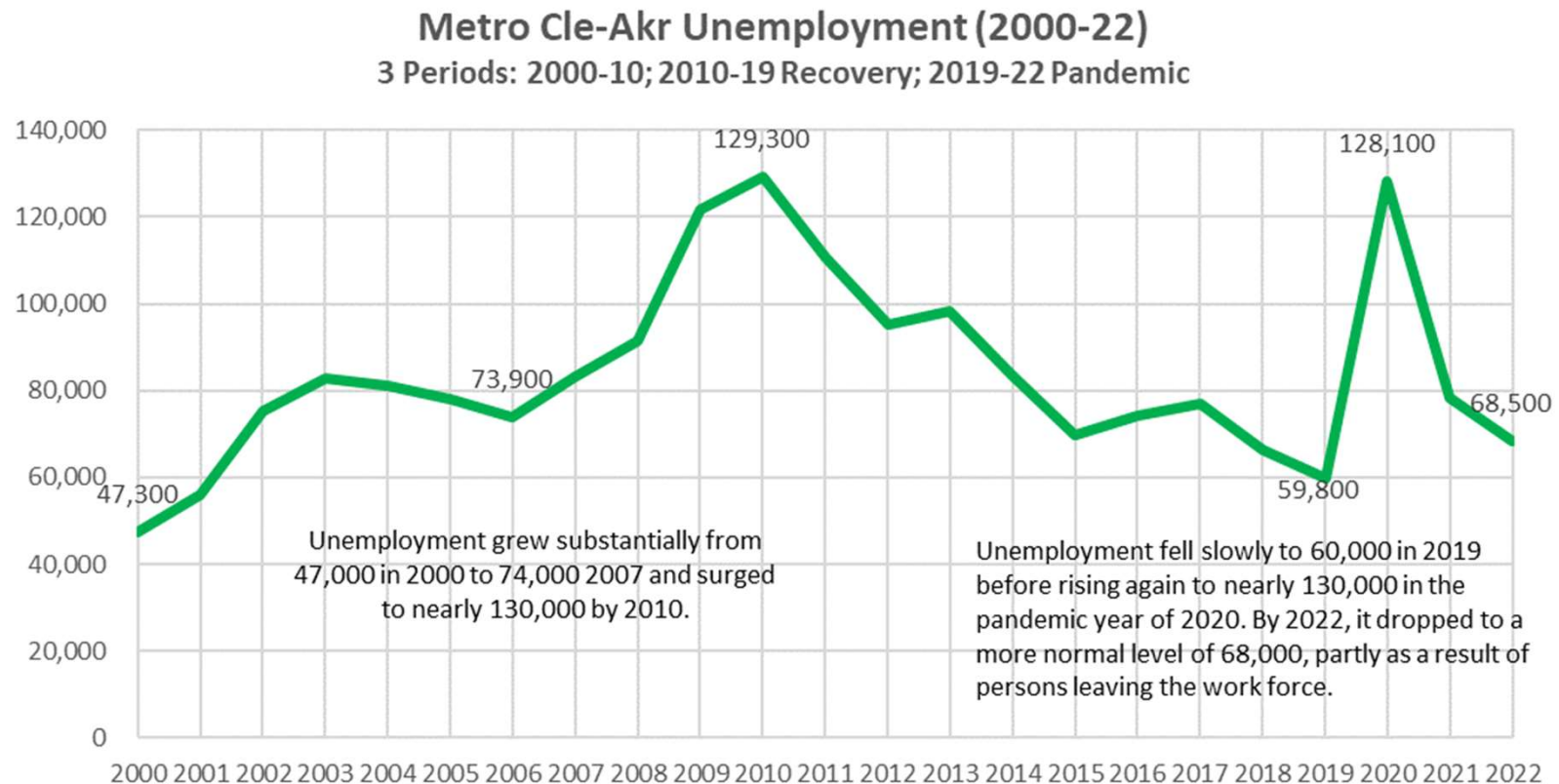
Cle-Akron Labor Force Shrunk By Over 70,000 (-5%) From 2001 to 2015. Pandemic Stopped 2016-19 Growth of Cle Labor Force



Source: BLS, Local Area Unemployment Statistics (LAUS). 2022 Prel.

Cle-Akr Unemployment Averaged 68,500 in 2022, a Moderate Level

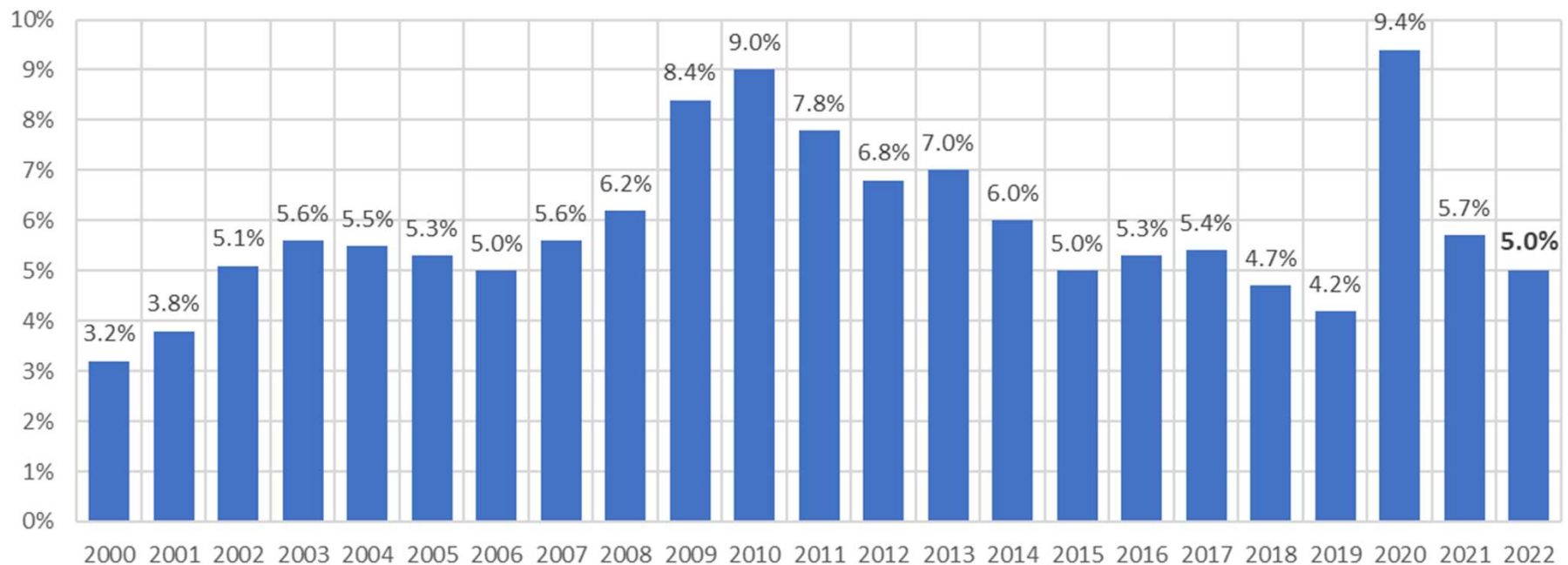
Current Low Level Partially Reflects a Smaller Labor Force



Source: BLS, Local Area Unemployment Statistics (LAUS). 2022 Prel.

Cle-Akr Unemployment Averaged 5% in 2022, a Good Level However, Current Low Level is Based On a Smaller Labor Force

Metro Cle-Akr Unemployment Rate (2000-22)

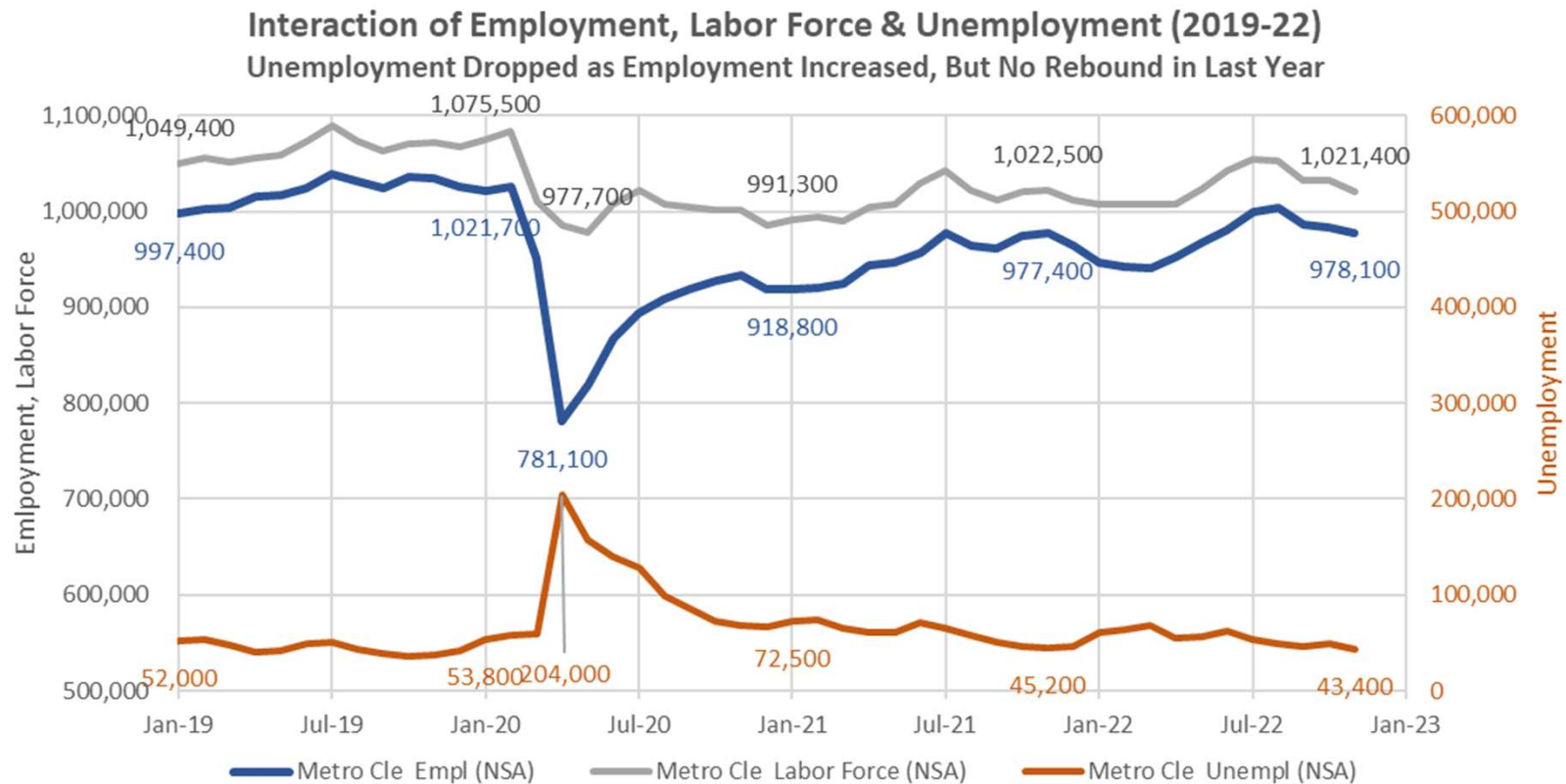


Source: BLS, LAUS

**Short-Term Employment Changes
in Metro Cleveland & Akron:
Pandemic & Recovery (2019-2022)**

Normal Cle Labor Force Dynamics Were Disrupted by Pandemic

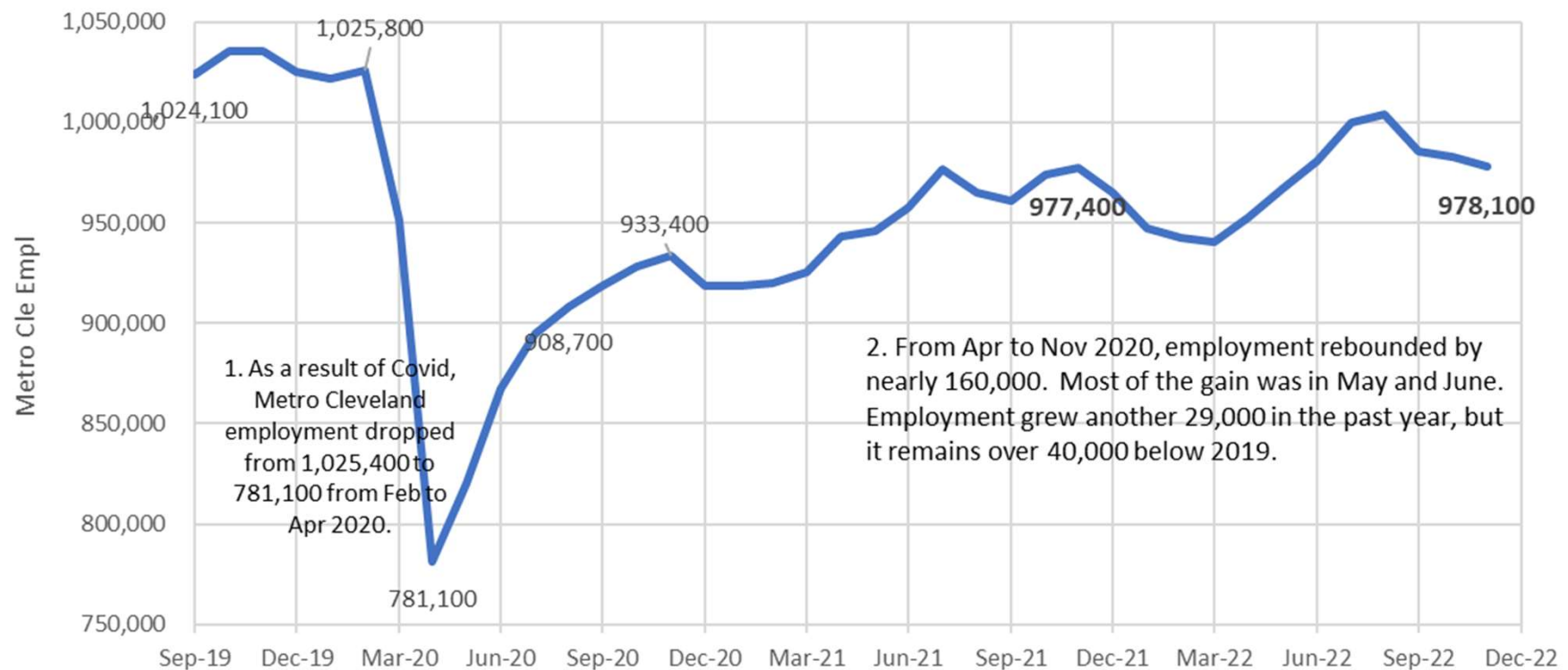
Labor Force Usually Grows As Employment Increases After Drop



Source: BLS, LAUS

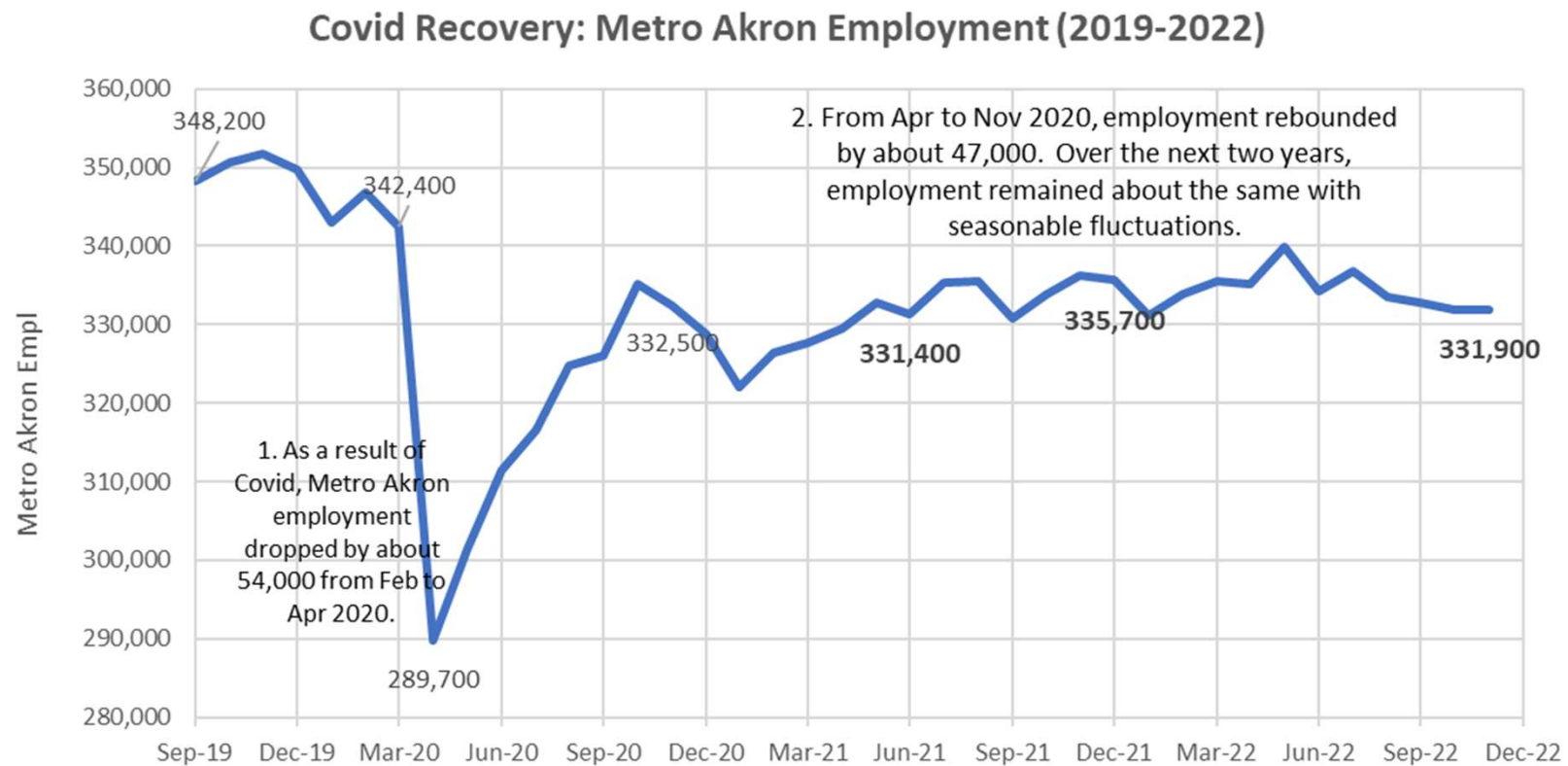
Economy Recovered About Most of Pandemic-Induced Empl Drop, But Cle Recovery Has Stalled at 40,000 Below Pre-Covid Level

Covid Recovery: Metro Cleveland Employment (2019-2022)



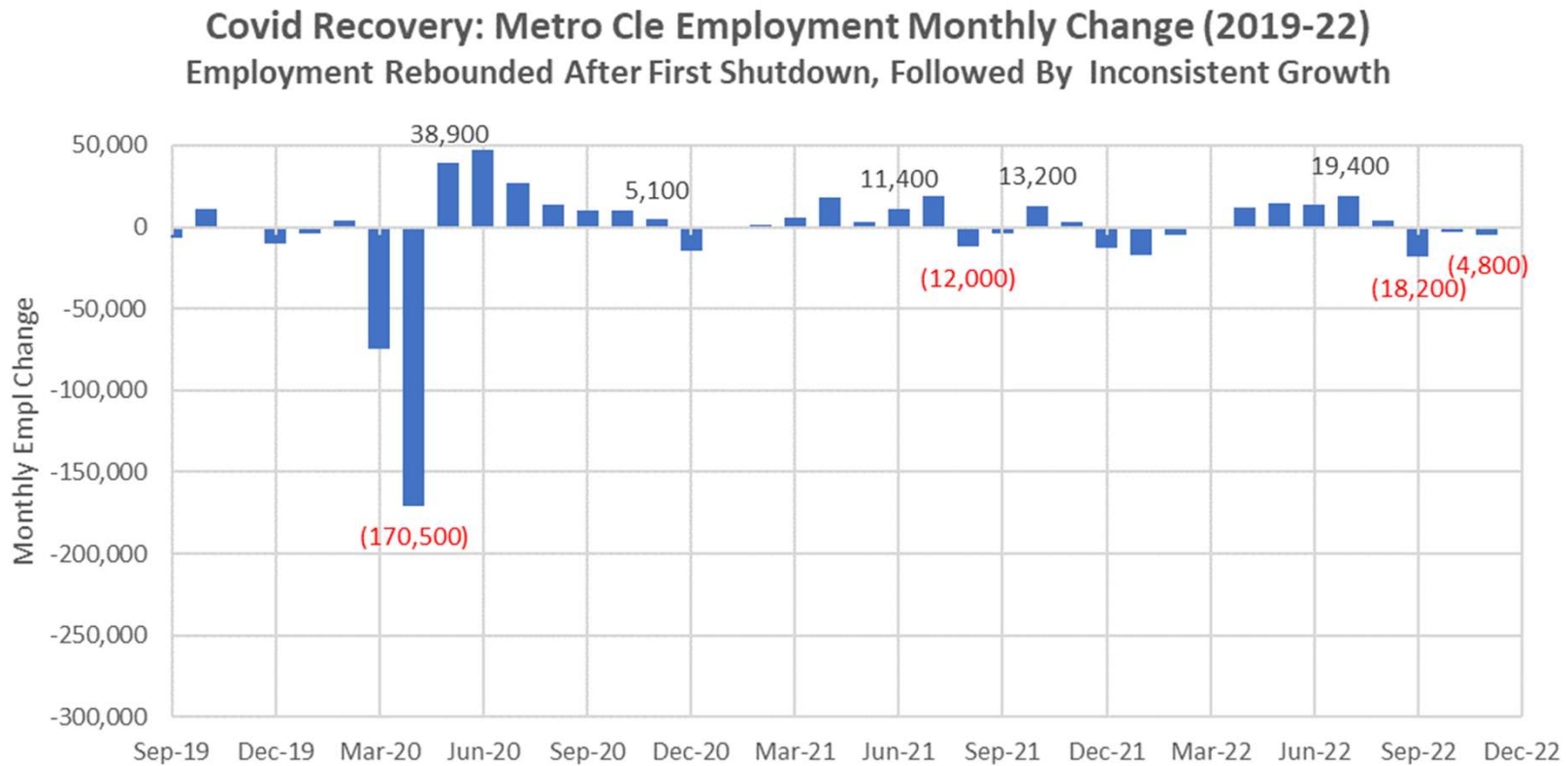
Source: BLS, Local Area Unemployment Statistics (LAUS). Nov Prel.

Akron Empl Dropped Over 50,000 Due to Pandemic, Recovered About 40,000, But Stalled Out 10,000 Below Pre-Pandemic Levels



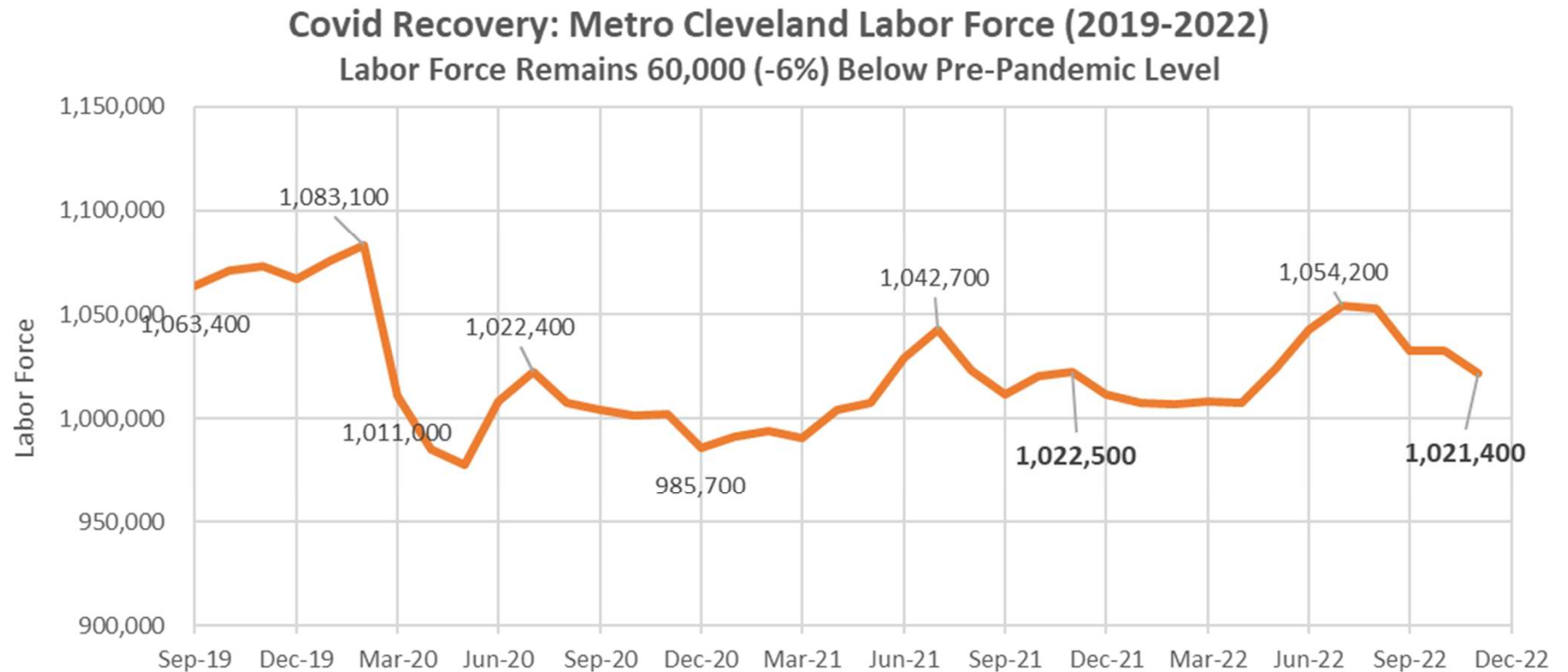
Source: BLS, Local Area Unemployment Statistics (LAUS). Nov Prel.

Monthly Change in Cle Employment Shows Sharp Pandemic Contraction, Rebound & Inconsistent Growth During Recovery



Source: BLS, Local Area Unemployment Statistics (LAUS) Nov. prel.

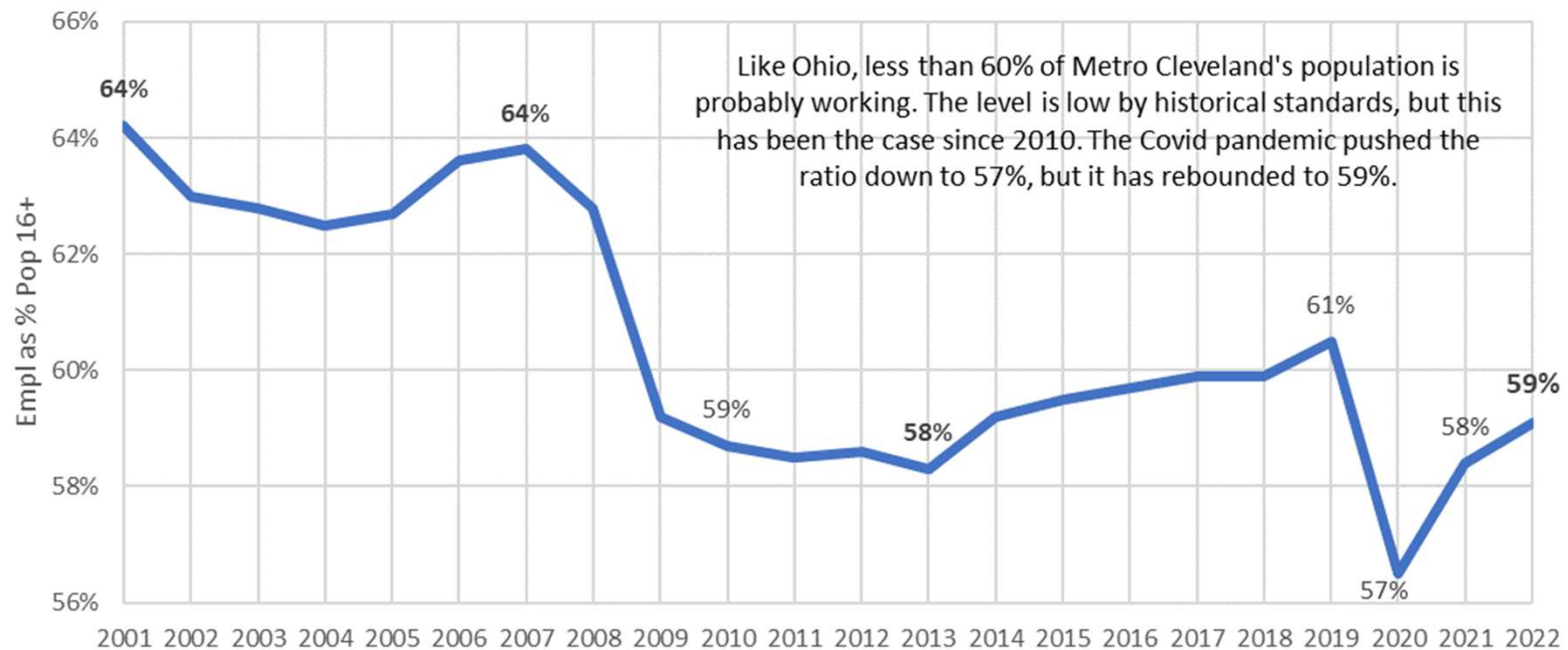
Major Pandemic-Caused Large Drop in Cle Labor Force Persists



Source: BLS, Local Area Unemployment Statistics (LAUS) Nov. prel.

Ohio (& Metro Cle-Akron) Shared Nation's Trend Toward a Smaller Share of the Population Working (Drop of 5%)

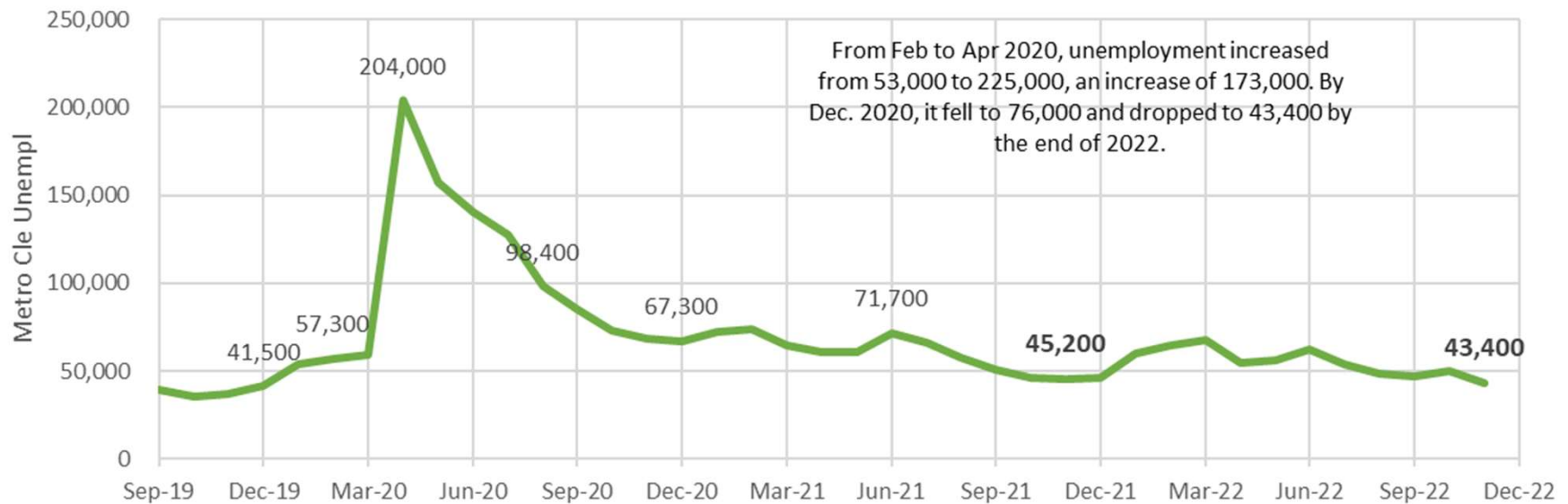
Ohio Employment as % of Population 16 & Over
Social & Cultural Factors Have Resulted in Smaller Working Population



Source: BLS, Local Area Unemployment Statistics (LAUS) Nov. prel.

Cle Unemployment Remains at Low Level With Weak Employment Growth & Labor Force Participation

Covid Recovery: Metro Cleveland Unemployment (2019-2022)
Unemployment Has Dropped to Low/Normal Levels



Source: BLS, Local Area Employment Statistics (LAUS) Nov. Prel.

Akron Unemployment Remains at Low Level With Weak Employment Growth & Labor Force Participation

Covid Recovery: Metro Akron Unemployment (2019-22)
Unemployment Dropped to Low Level in 2022



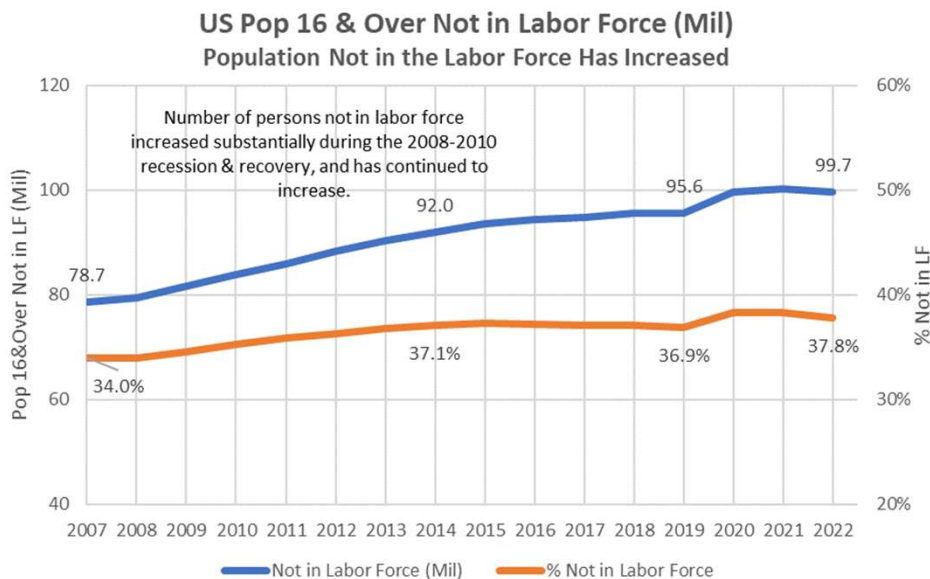
Source: BLS, LAUS. Nov 2022 is prel.

US Population “Not in Workforce” Has Increased Substantially

94% of Persons “Not in Workforce” Do Not Want Job Now

Key Points About Population Not in Workforce

- 61% are 55 yrs & older
- 41% are men, a relatively high number.
- 94% don’t want a job now.
- Many want a job but haven’t recently searched for a job.
- Issue: Will growth of non-working burden social services?



Characteristics of Persons Not in Labor Force					
	Total not in the labor force	Total not in the labor force	Want a job	Do not want a job now	% Do not want a job now
Total	99,686,000	100%	5,639,000	94,047,000	94%
16 to 24 years	16,864,000	17%	1,573,000	15,292,000	91%
25 to 54 years	22,325,000	22%	2,460,000	19,865,000	89%
55 years and over	60,497,000	61%	1,606,000	58,891,000	97%
Men	41,197,000	41%	2,691,000	38,506,000	94%
Women	58,490,000	59%	2,948,000	55,541,000	95%
Not in LF but Want a Job					
Want a job	5,639,000		100%		
Want a job- Did not search for work in prev year	3,500,000		62%		
Want a job- Searched for work in prev yr, but not in past 4 wks	2,139,000		38%		
Want a job but not available to work now	656,000		12%		
Available for work but discouraged over job prospects	407,000		7%		
Available for work but family, school or health reasons	443,000		8%		
Available for work but have other reasons	633,000		11%		

Source: BLS, CPS

Impact of Pandemic on Industry Employment

Pre-Pandemic: Overall Cle Employment Grew By 9% From 2010 to 2019

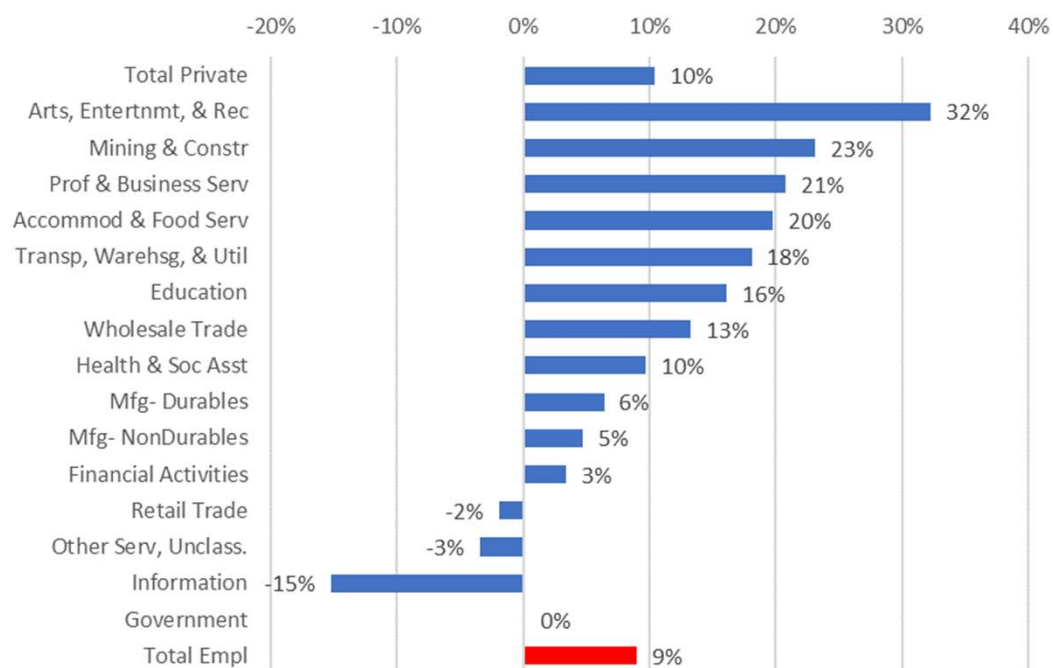
Cle Entertainment, Construction & Professional/Business Services Grew Over 20%

Metro Cle Employment % Change By Industry (2010-19)

	2010	2019	2010-19	2010-19 %
Total Private	852,400	941,300	88,900	10%
Arts, Entertnmt, & Rec	13,000	17,200	4,200	32%
Mining & Constr	31,600	38,900	7,300	23%
Prof & Business Serv	133,700	161,500	27,800	21%
Accommod & Food Serv	73,800	88,400	14,600	20%
Transp, Warehsg, & Util	29,300	34,600	5,300	18%
Education	31,700	36,800	5,100	16%
Wholesale Trade	46,500	52,700	6,200	13%
Health & Soc Asst	154,500	169,500	15,000	10%
Mfg- Durables	82,500	87,800	5,300	6%
Mfg- NonDurables	34,000	35,600	1,600	5%
Financial Activities	64,600	66,800	2,200	3%
Retail Trade	100,200	98,300	(1,900)	-2%
Other Serv, Unclass.	41,300	39,900	(1,400)	-3%
Information	15,800	13,400	(2,400)	-15%
Government	138,500	138,600	100	0%
Total Empl	990,900	1,079,900	89,000	9%

Source: BLS, Current Employment Statistics

Metro Cle Empl By Industry (2010-19 %Chg)



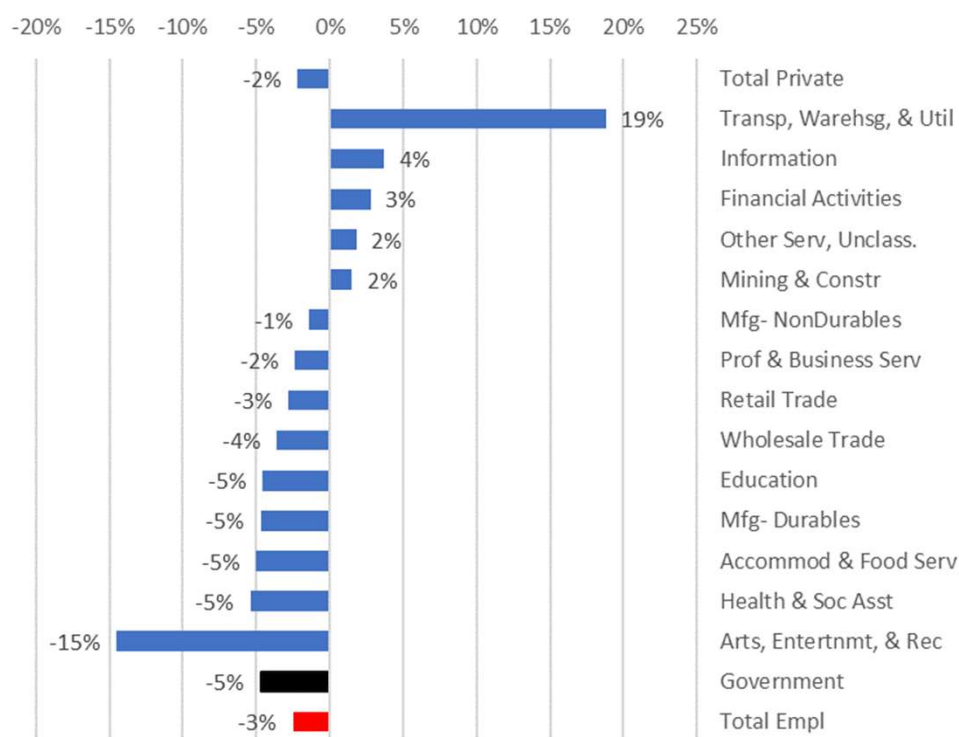
Pandemic Impact: Severe Contraction of Cle Entertainment Employment & Many Other Industries, Big Gains in Transp & Warehousing

Metro Cle Employment % Change By Industry (2019-22)

	2019	2022	2019-22	2019-21 %
Total Private	941,300	920,700	(20,600)	-2%
Transp, Warehsg, & Util	34,600	41,100	6,500	19%
Information	13,400	13,900	500	4%
Financial Activities	66,800	68,700	1,900	3%
Other Serv, Unclass.	39,900	40,600	700	2%
Mining & Constr	38,900	39,500	600	2%
Mfg- NonDurables	35,600	35,100	(500)	-1%
Prof & Business Serv	161,500	157,700	(3,800)	-2%
Retail Trade	98,300	95,500	(2,800)	-3%
Wholesale Trade	52,700	50,800	(1,900)	-4%
Education	36,800	35,100	(1,700)	-5%
Mfg- Durables	87,800	83,700	(4,100)	-5%
Accommod & Food Serv	88,400	84,000	(4,400)	-5%
Health & Soc Asst	169,500	160,400	(9,100)	-5%
Arts, Entertnmt, & Rec	17,200	14,700	(2,500)	-15%
Government	138,600	132,100	(6,500)	-5%
Total Empl	1,079,900	1,052,800	(27,100)	-3%

Source: BLS, Current Employment Statistics (CES). 2022 is estimate.

Metro Cle Empl By Industry (2019-22 %Chg)

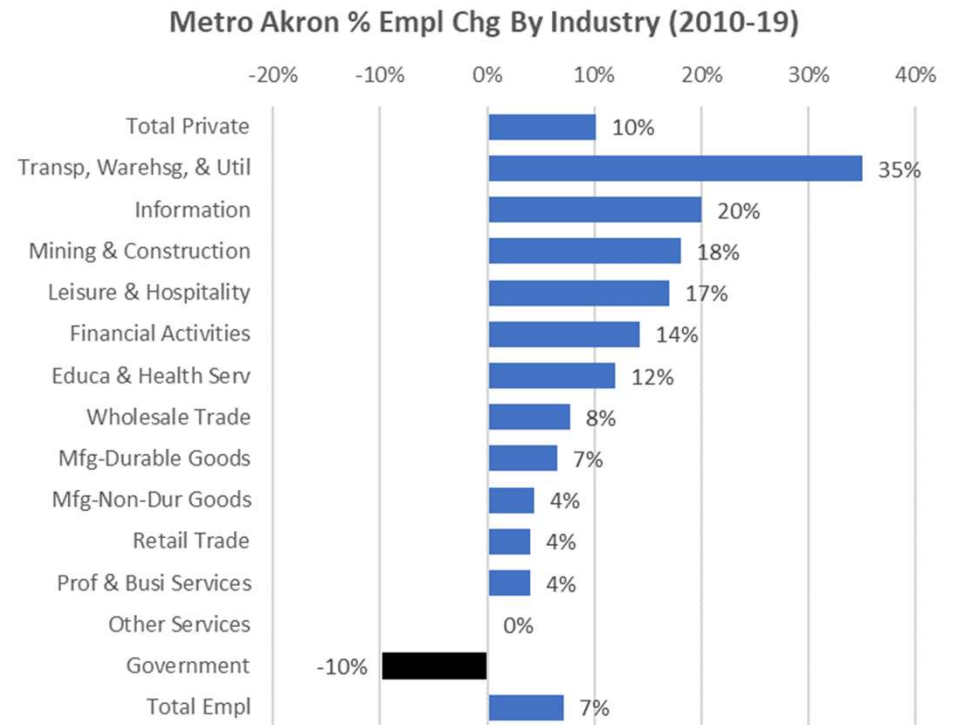


Pre-Pandemic: Overall Akron Employment Grew By 7% From 2010 to 2019

Entertainment, Construction & Professional/Business Services Grew Over 20%

Metro Akron Employment % Change By Industry (2010-19)				
	2010	2019	2010-19	2010-19 %
Total Private	268,400	295,900	27,500	10%
Transp, Warehsg, & Util	9,700	13,100	3,400	35%
Information	4,000	4,800	800	20%
Mining & Construction	11,300	15,000	3,700	18%
Leisure & Hospitality	29,400	34,400	5,000	17%
Financial Activities	13,300	15,200	1,900	14%
Educa & Health Serv	50,200	56,200	6,000	12%
Wholesale Trade	16,800	18,100	1,300	8%
Mfg-Durable Goods	21,600	23,000	1,400	7%
Mfg-Non-Dur Goods	16,000	16,700	700	4%
Retail Trade	34,700	36,100	1,400	4%
Prof & Busi Services	48,100	50,000	1,900	4%
Other Services	13,300	13,300	0	0%
Government	49,200	44,400	(4,800)	-10%
Total Empl	317,600	340,300	22,700	7%

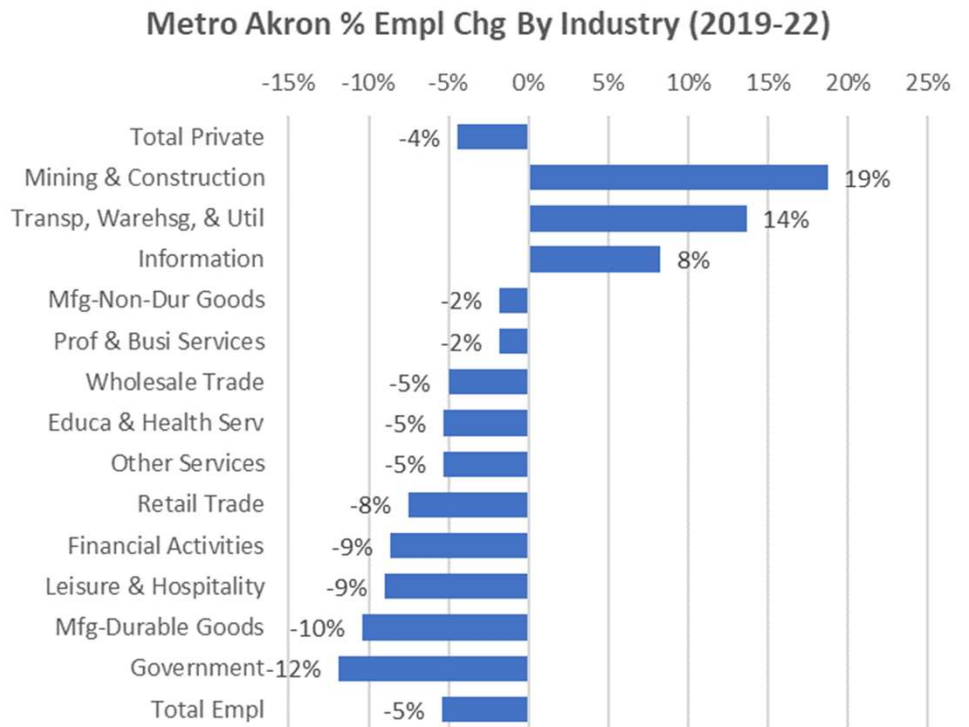
Source: BLS, Current Employment Statistics (CES).



Significant Negative Pandemic Impact on Many Industries in Akron, But Big Gains in Construction, Transp & Warehousing

Metro Akron Employment % Change By Industry (2019-22)				
	2019	2022	2019-22	2019-22 %
Total Private	295,900	282,800	(13,100)	-4%
Mining & Construction	15,000	15,000	0	19%
Transp, Warehsg, & Util	13,100	14,900	1,800	14%
Information	4,800	5,200	400	8%
Mfg-Non-Dur Goods	16,700	16,400	(300)	-2%
Prof & Busi Services	50,000	49,100	(900)	-2%
Wholesale Trade	18,100	17,200	(900)	-5%
Educa & Health Serv	56,200	53,200	(3,000)	-5%
Other Services	13,300	12,600	(700)	-5%
Retail Trade	36,100	33,400	(2,700)	-8%
Financial Activities	15,200	13,900	(1,300)	-9%
Leisure & Hospitality	34,400	31,300	(3,100)	-9%
Mfg-Durable Goods	23,000	20,600	(2,400)	-10%
Government	44,400	39,100	(5,300)	-12%
Total Empl	340,300	321,900	(18,400)	-5%

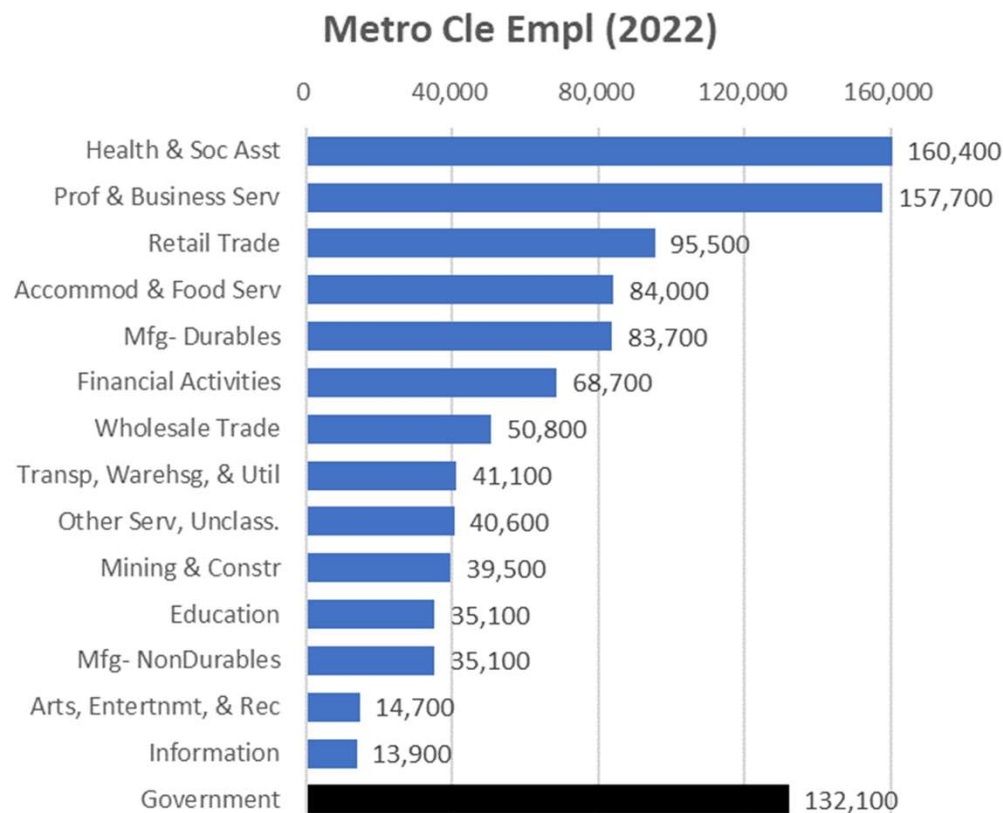
Source: BLS, Current Employment Statistics (CES). 2022 is estimate.



920,000 Metro Cle Employment in Private Industry (2022): Healthcare & Prof/Business Services Total 1/3 of Private Employment

Metro Cle Employment (2022)			
	2022	% of 2022 Private	% of 2022 Total
Total Private	920,700	100%	88%
Health & Soc Asst	160,400	17%	15%
Prof & Business Serv	157,700	17%	15%
Retail Trade	95,500	10%	9%
Accommod & Food Serv	84,000	9%	8%
Mfg- Durables	83,700	9%	8%
Financial Activities	68,700	8%	7%
Wholesale Trade	50,800	6%	5%
Transp, Warehsg, & Util	41,100	5%	4%
Other Serv, Unclass.	40,600	4%	4%
Mining & Constr	39,500	4%	4%
Education	35,100	4%	3%
Mfg- NonDurables	35,100	4%	3%
Arts, Entertnmt, & Rec	14,700	2%	1%
Information	13,900	2%	1%
Government	132,100		13%
Total Empl	1,052,800		100%

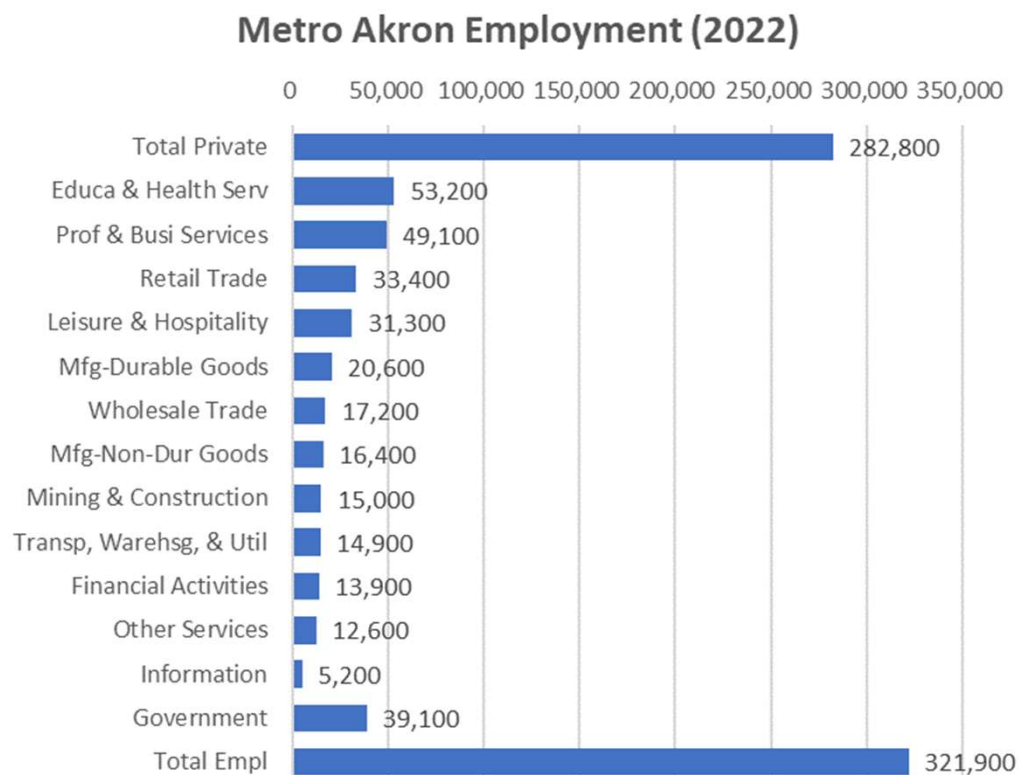
Source: BLS, Current Employment Statistics (CES). 2022 is estimate.



283,000 Metro Akr Employment in Private Industry (2022): Educa/Health Serv & Prof/Business Services are Largest Sectors

Metro Akron Employment (2022)			
	2022	% of 2022 Private	% of 2022 Total
Total Private	282,800	100%	88%
Educa & Health Serv	53,200	19%	17%
Prof & Busi Services	49,100	17%	15%
Retail Trade	33,400	12%	10%
Leisure & Hospitality	31,300	11%	10%
Mfg-Durable Goods	20,600	7%	6%
Wholesale Trade	17,200	6%	5%
Mfg-Non-Dur Goods	16,400	6%	5%
Mining & Construction	15,000	5%	5%
Transp, Warehsg, & Util	14,900	5%	5%
Financial Activities	13,900	5%	4%
Other Services	12,600	5%	4%
Information	5,200	2%	2%
Government	39,100		12%
Total Empl	321,900		100%

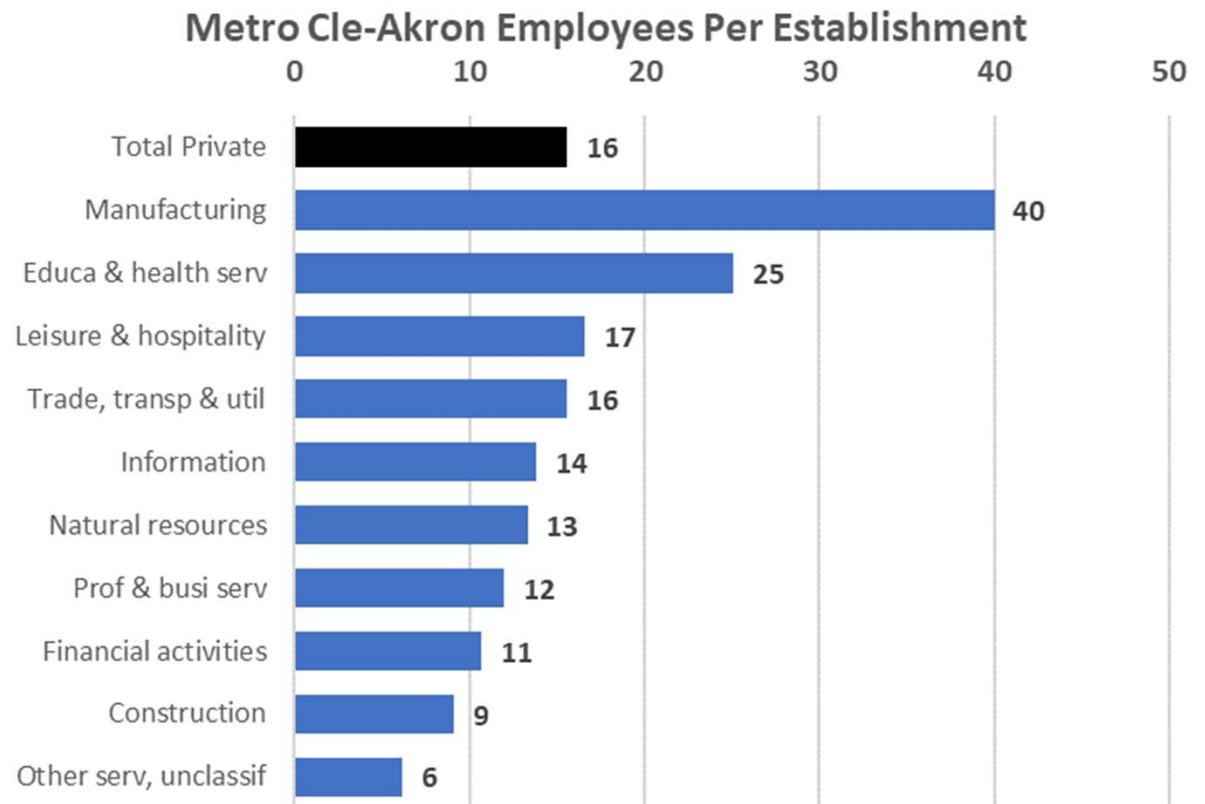
Source: BLS, Current Employment Statistics (CES). 2022 is estimate.



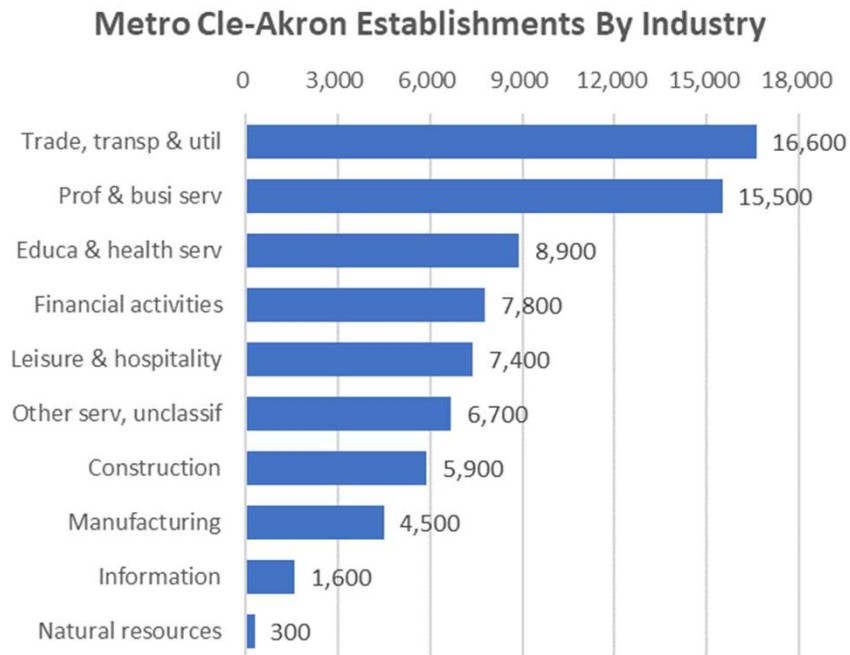
Business Establishment Trends

Shifting Gears: Looking At Business Establishments

- Business establishments are individual business locations (offices, retail locations, plants & warehouses).
- Data source is BLS, Quarterly Census of Employment and Wages.
 - Actual data on employment, number of establishments and wages.
 - Published data lags by six months so full impact of pandemic on establishments is not yet known.
 - Using 2022 annual estimates.
- Establishment openings & closings significantly affect employment opportunities, economic development strategies.



Share of Private Establishments & Employment Varied By Industry

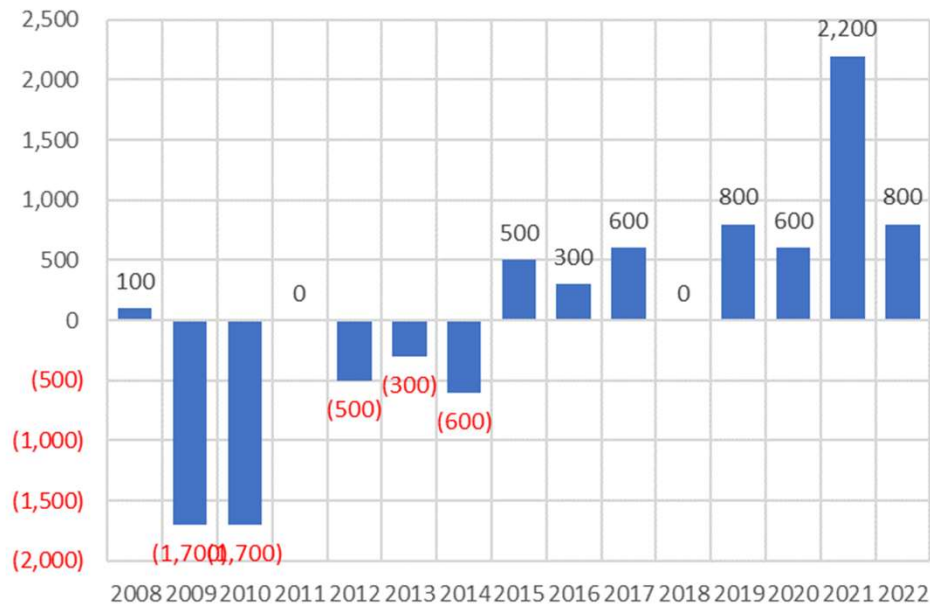


Metro Cleveland-Akron Establishments & Employment By Industry (2022)					
Industry	2022 CI-Ak Estab	2022 CI-Ak Empl	% of Priv Estab	% of Priv Empl	Empl/Estab
Total Private	75,200	1,175,300	100%	100%	15.6
Trade, transp & util	16,600	259,700	22%	22%	15.6
Prof & busi serv	15,500	186,000	21%	16%	12.0
Educa & health serv	8,900	223,000	12%	19%	25.1
Financial activities	7,800	83,400	10%	7%	10.7
Leisure & hospitality	7,400	123,000	10%	11%	16.6
Other serv, unclassif	6,700	40,900	9%	4%	6.1
Construction	5,900	53,500	8%	5%	9.1
Manufacturing	4,500	179,800	6%	15%	40.0
Information	1,600	22,000	2%	2%	13.8
Natural resources	300	4,000	0%	0%	13.3
Government	2,700	177,200			65.6
Source: BLS, QCEW, 2022 Prel.					

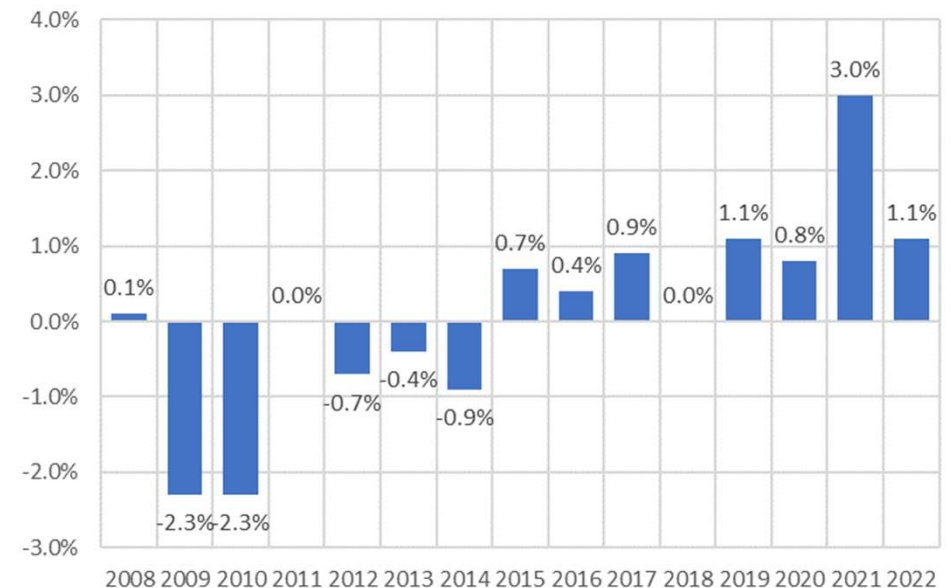
While Employment Fell During Pandemic & Didn't Fully Recover, Number of Business Establishments Continued to Grew Rapidly

Annual Business Growth Rate Has Been About 1% Per Year, Even During Pandemic

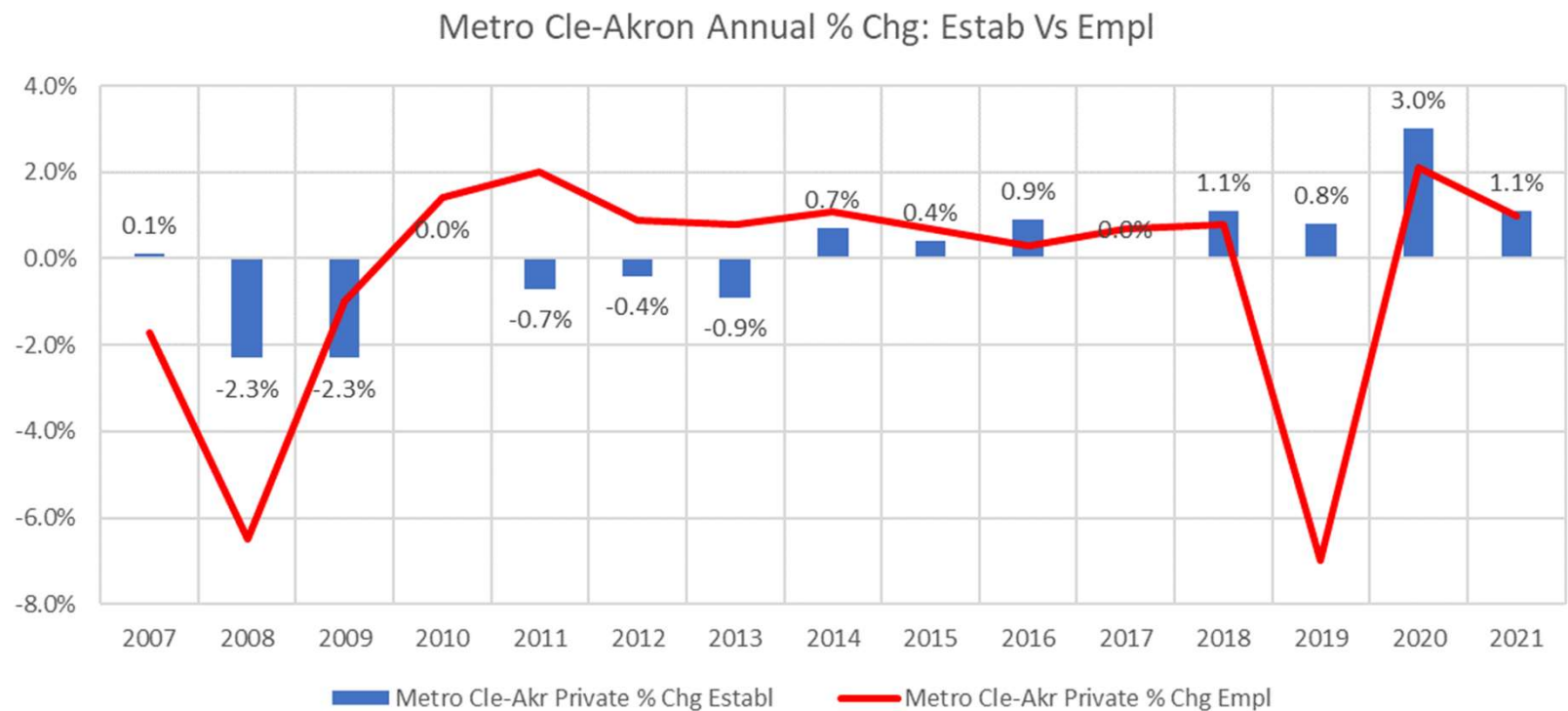
Metro Cle-Akr Annl Chg in Private Establishments



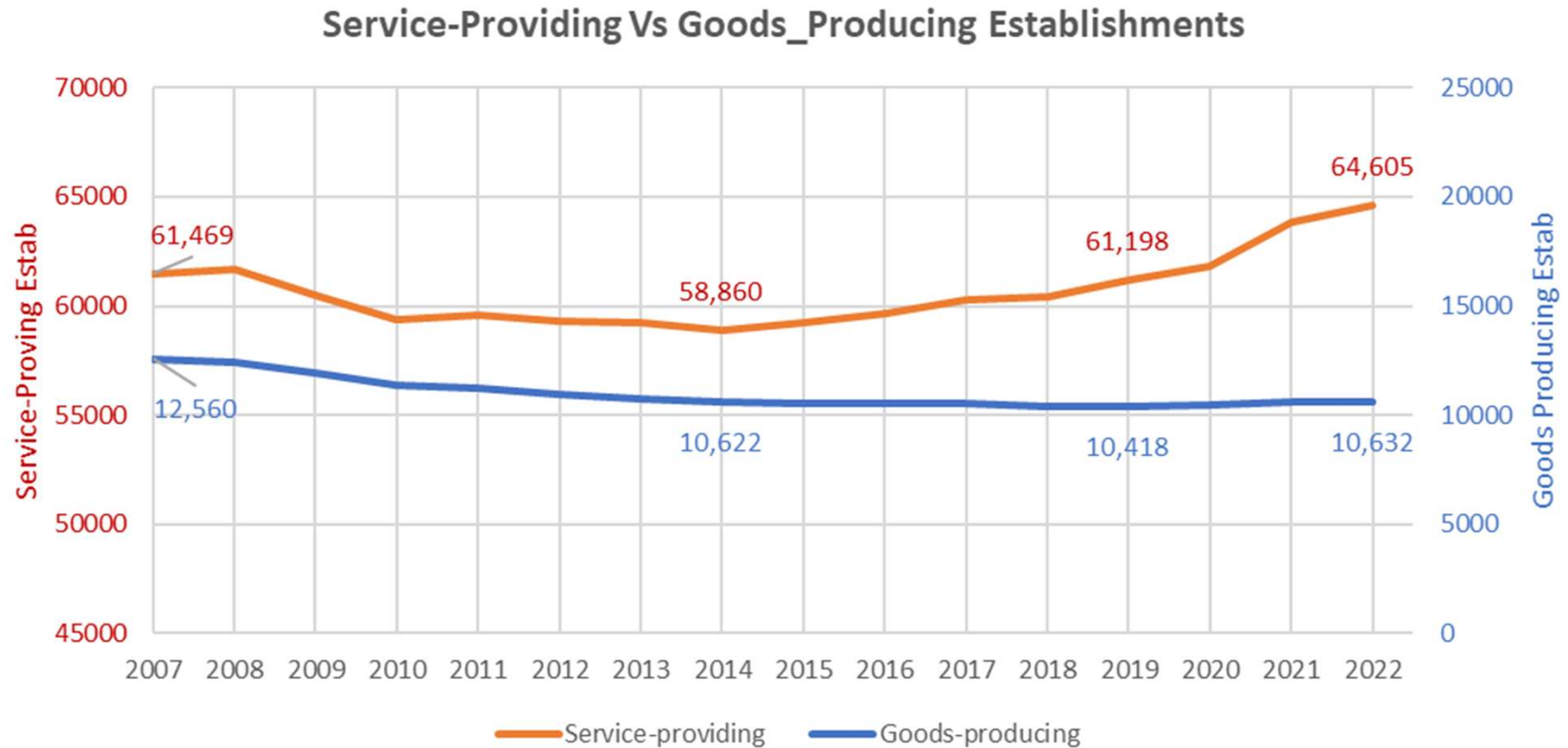
Metro Cle-Akr Annl %Chg in Private Establishments



Growth of Business Establishments Isn't Strongly Linked to Growth of Employment

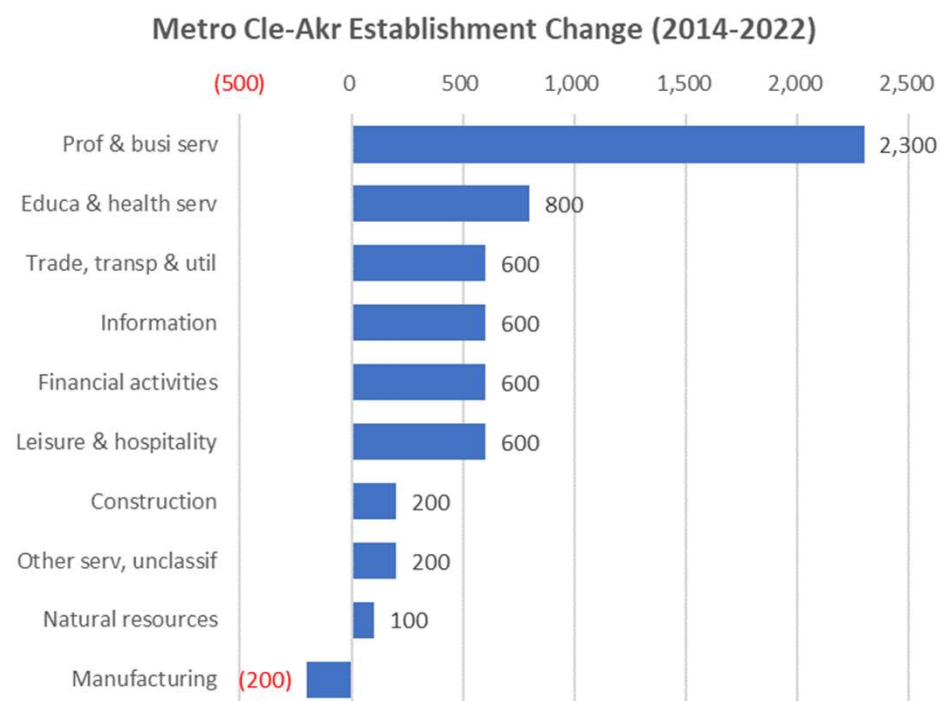


All Establishment Growth in Metro Cleveland Has Been in Service-Providers.



Most Service Industries Had Good Establishment Growth Rates Since 2014, But Prof & Busi Serv Had the Largest Increase

Industry	2014 CI-Ak	2022 CI-Ak	14 to 22	%14 to 22
Total Private	69,500	75,200	5,700	8%
Prof & busi serv	13,200	15,500	2,300	17%
Educa & health serv	8,100	8,900	800	10%
Trade, transp & util	16,000	16,600	600	4%
Information	1,000	1,600	600	60%
Financial activities	7,200	7,800	600	8%
Leisure & hospitality	6,800	7,400	600	9%
Construction	5,700	5,900	200	4%
Other serv, unclassif	6,500	6,700	200	3%
Natural resources	200	300	100	50%
Manufacturing	4,700	4,500	(200)	-4%
Government	2,700	2,700	0	0%
Source: BLS, QCEW, 2022 Prel.				



Projecting Cleveland & Akron's Future Employment

Major Uncertainties Continue to Make Forecasting Difficult

Future Business Climate Will Be Different, But How is Unknown

- High Inflation & Likely Recession
 - Impact on Housing Market & Construction
- Government policies
 - Climate change & Energy Restrictions
 - Huge Government Debt, Spending & Taxation
 - Health & safety measures
- New Social Habits & Technology- What will last?
 - Example: Zoom, Order Pick-up & Delivery, Work At Home
- Labor Force Changes- How Many Workers Will Come Back?
 - Mix of Early Retirement, New Lifestyle Desires, Entrepreneurial Impulses
 - Government Labor regulation (min. wage, independent contractor)
- Asymmetric Impact of Pandemic on Different Industries
 - Damage to more rapidly growing industries (like leisure/hospitality)
 - Different impact on national business chains vs local businesses

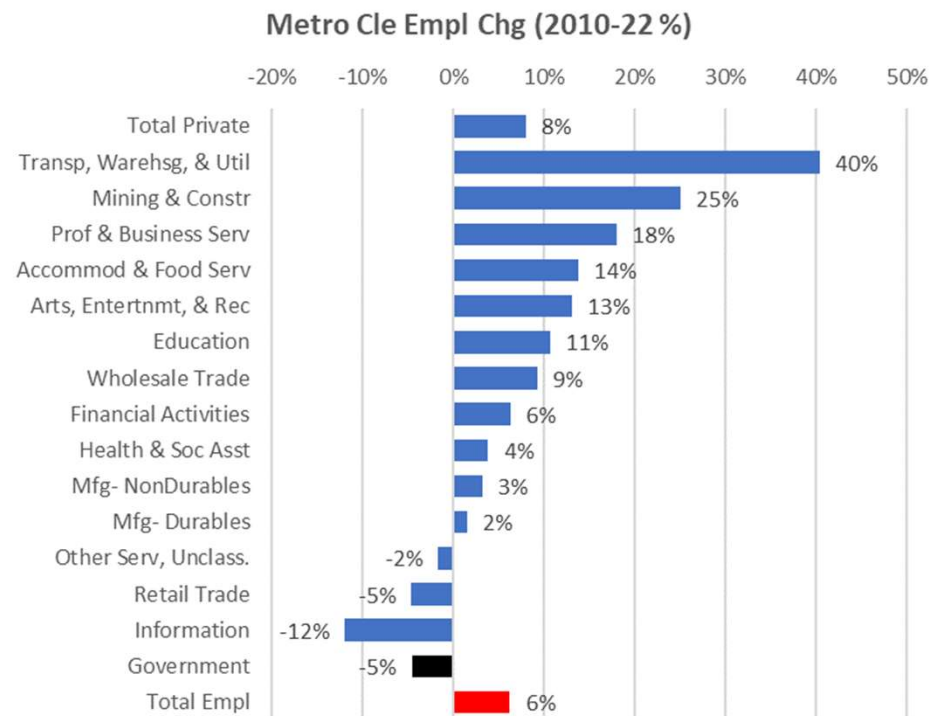
What's Best Bet for Metro Cle Industry Specific Growth Forecast?

2010-22 Industry Pre-Pandemic Growth Rate & Size as Best Indicator

Assumption is Resumption of Decade-Long Trend BUT: Adjust View By Factoring in Recession, View on Social Habits/Technology, Labor Force Changes, Inflation, Government Policy

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Retail Trade	100,200	95,500	(4,700)	-5%
Information	15,800	13,900	(1,900)	-12%
Government	138,500	132,100	(6,400)	-5%
Total Empl	990,900	1,052,800	61,900	6%

Source: BLS, Current Employment Statistics (CES). 2022 is estimate.



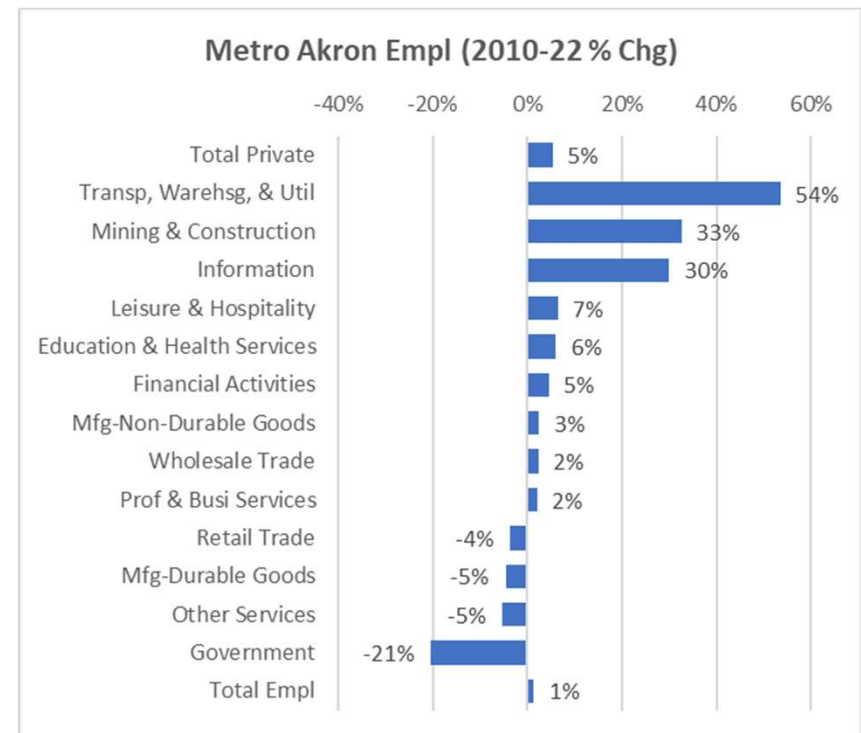
What's Best Bet for Metro Akron Industry Specific Growth Forecast?

2010-22 Industry Pre-Pandemic Growth Rate & Size as Best Indicator

Implicit Assumption is Resumption of Decade-Long Trend BUT: Adjust View By Factoring in Recession, View on Social Habits/Technology, Labor Force Changes, Inflation, Government Policy

Metro Akron Employment % Change By Industry (2010-22)				
	2010	2022	2010-22	2010-22 %
Total Private	268,400	282,800	14,400	5%
Transp, Warehsg, & Util	9,700	14,900	5,200	54%
Mining & Construction	11,300	15,000	3,700	33%
Information	4,000	5,200	1,200	30%
Leisure & Hospitality	29,400	31,300	1,900	7%
Education & Health Servi	50,200	53,200	3,000	6%
Financial Activities	13,300	13,900	600	5%
Mfg-Non-Durable Goods	16,000	16,400	400	3%
Wholesale Trade	16,800	17,200	400	2%
Prof & Busi Services	48,100	49,100	1,000	2%
Retail Trade	34,700	33,400	(1,300)	-4%
Mfg-Durable Goods	21,600	20,600	(1,000)	-5%
Other Services	13,300	12,600	(700)	-5%
Government	49,200	39,100	(10,100)	-21%
Total Empl	317,600	321,900	4,300	1%

Source: BLS, Current Employment Statistics (CES). 2022 is estimate.



What Might Recession Look Like For Cle-Akron Economy?

Approach: Develop Scenarios Based on 2008-10 Severe Recession

Metro Cle-Akron Recession Scenarios						
	Metro Cle-Akr Unempl %	Metro Cle-Akr Unempl	Metro Cle-Akr Empl	Metro Cle-Akr LF	Metro Cle-Akr Unempl Chg	Metro Cle-Akr Empl Chg
2008-10 Severe Recession						
2007	5.6%	83,100	1,394,800	1,478,000	9,200	(500)
2008	6.2%	91,400	1,381,700	1,473,100	8,300	(13,100)
2009	8.4%	121,800	1,331,800	1,453,600	30,400	(49,900)
2010	9.0%	129,300	1,312,600	1,441,900	7,500	(19,200)
2007-10 Chg	3.4%	46,200	(82,200)	(36,100)		
2023-25 Strong Recession						
2022	5.0%	68,500	1,304,900	1,373,400	(9,700)	20,900
2023	5.6%	76,700	1,293,300	1,370,000	8,200	(11,600)
2024	7.0%	95,200	1,264,800	1,360,000	18,500	(28,500)
2025	8.0%	108,000	1,242,000	1,350,000	12,800	(22,800)
2022-25 Chg	3.0%	39,500	(62,900)	(23,400)		
2023-25 Mild Recession						
2022	5.0%	68,500	1,304,900	1,373,400	(9,700)	20,900
2023	5.5%	75,400	1,294,600	1,370,000	6,900	(10,300)
2024	6.0%	81,600	1,278,400	1,360,000	6,200	(16,200)
2025	6.5%	87,800	1,262,200	1,350,000	6,200	(16,200)
2022-25 Chg	1.5%	19,300	(42,700)	(23,400)		

Summary of Key Points

- 2001-07 era of structural change & 2008-10 recession led to large employment losses.
- Weak employment recovery until 2013; gradual improvement from 2014 to 2019.
- Pandemic employment impact (2020-2022):
 - Sharp drop in Mar-Apr 2020; Rebound of 2/3's in balance of 2020.
 - Recovery slowed in 2021 with inconsistent employment growth.
 - Severe impact on Leisure/Hospitality industry.
 - Unemployment rate is low due primarily to smaller labor force.
 - Large drop in labor force persists.
 - Labor force changes due to early retirement, technology, lifestyle changes, entrepreneurship.
- Business Establishments: Consistent, gradual increase since 2014.
 - Strong growth in number of establishments even during pandemic.
 - Growth strongest in service-providing industries, especially Prof/Busi Services.
- Many economic uncertainties limit ability to forecast with confidence
 - Best choice is probably decade-long 2010-22 employment change by industry
 - Factor in recession, high inflation, life-style & technology changes

Questions?

Economic Overview of Metropolitan Cleveland & Akron

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