Productivity has increased 9%
Health Care employment grew 13%
25% net wage growth
Employment nearing pre-recession levels
Industry Diversity is Key to NEO’s Stable Economy

Northeast Ohio’s economy lost more than 168,000 jobs between 2007 and 2010, a decline of 8% of total employment. Since 2010, the region has steadily added jobs back to the economy, particularly in sectors such as health care and headquarters, while still seeing net declines in large sectors like manufacturing. Going forward, an emphasis on the need for the region to continue to diversify will be important to NEO’s resilience in future downturns.

One area where the economy has seen meaningful improvement since the economic low point in 2010 is productivity growth, particularly in sectors like manufacturing. Regionally, productivity has risen 9%, outpacing the U.S. growth rate over the same period of time.

**Years to Employment Recovery After Northeast Ohio Recessions: 1981-2019**

In the four recessions that have occurred since 1980, only two, 1980 and 1990, regained all of the jobs initially lost during the contraction. We went into the Great Recession in 2007 not having fully recovered from the 2001 recession. Employment was at 2.13 million workers in 2001, and down 4% heading into the Great Recession with only 2.05 million workers. In 2019 employment is averaging 1.94 million workers, improved from 2010’s low of 1.83 million, but noticeable lower than the highpoint back in 2001.
Health Care and Company Management Sectors See Significant Employment Growth

Industries from the top 10 sectors that have recovered and surpassed their 2007 levels include health care, which has grown by almost 38,000 workers, or 13%. Management of companies and enterprises has seen an increase of more than 10,000 employees, representing 26% growth.

Source: Moody’s Economy.com

Evidence of Northeast Ohio’s transitioning economy can be found in the diversification of the types of projects we are seeing in the post-recession market. In the last 18 months alone, the region has seen nearly half of its projects concentrated in diversifying sectors of the economy such as health care, professional services, information technology and aerospace. Further, global companies have made commitments of more than 7,000 new jobs as well – Great Lakes Cheese Company, Inc. (400 jobs), HomeGoods (1,000 jobs) and Amazon (1,500 jobs) – contributing in meaningful ways to the economic future of the region.

While this diversification is critical, advanced manufacturing companies continue to create jobs while also making important capital investments that can drive productivity growth even higher in the future. This includes investments like Kennametal ($145 million), Swagelok Company ($152 million) and NSG Glass North America, Inc. ($250 million). With investments like these, the painful transition out of the Great Recession offers a more promising future for the potential of the region.
Health Care and Professional, Scientific and Technical Services Grow

From 2007 to 2019, output for health care grew nearly 20%, or $3.8 billion, to become a $23 billion industry, the second largest sector of the economy. The region’s strength, with 20 Fortune 1000 companies, including law firms, attorneys and major banks, helped the professional, science and technical services industry see output grow by $2.3 billion, or almost 22%, over the same time period. Another sector that realized significant growth was oil and gas, where momentum grew as oil and gas companies embraced the potential of the Utica and shale deposits here. Oil and gas grew 525% — from a $1.3 billion industry in 2007 to an $8.2 billion industry in 2019. Manufacturing output, while improving, remains $3 billion below its 2007 high mark.

Source: Moody’s Economy.com

NEO Productivity Outpaces U.S.
Since the end of the Great Recession, Northeast Ohio’s productivity for output has fully recovered and surpassed 2007’s rate by 9%, compared to the U.S. increase of 7% for the same time period.

Source: Moody’s Economy.com
25% Net Wage Growth Since Great Recession

Average wage growth in Northeast Ohio since 2007 has trailed the U.S. slightly, with net growth of 25%, compared with 32% for the nation overall. Average wages for the region in 2019 are $58,789, slightly lower than the U.S. average of $59,125.

Source: Moody’s Economy.com

Is Productivity the Answer to Continued Economic Growth?

By Jeff Korzenik, Chief Investment Strategist, Fifth Third Private Bank

Much of the data is telling us that the U.S. is more or less at full employment. Unemployment is low. Apart from one blip in February, jobs created each month are high. The labor force is tight. People who want to work are finding jobs – and there are even some industries who have jobs to fill but can’t find the people to fill them.

So the question becomes, given these circumstances, how do we continue to expand the economy? In theory, an economy at full employment can continue to grow at its “long-term potential growth” rate, one currently estimated by the Congressional Budget Office as under 2%. But sub-2% potential maximum growth is a vulnerable level, one where events could easily tip the country into a recessionary spiral.

When the economy is at full employment, only two paths remain to lifting growth to safer levels. One is through lifting labor force participation rates. The other path is through raising productivity.

In economic terms, productivity is calculated by dividing GDP by the total number of hours worked. So we continue to grow the economy by increasing productivity – as Northeast Ohio has done since the Great Recession - by improving the output given the number of hours works. That is currently driving—and should continue to drive—our ongoing expansion in this era of full employment.

The views expressed by the author are not necessarily those of Fifth Third Bank and are solely the opinions of the author. This article is for informational purposes only. It does not constitute the rendering of legal, accounting, or other professional services by Fifth Third Bank or any of their subsidiaries or affiliates, and are provided without any warranty whatsoever.
Speculative Industrial Properties Ready for Lease or Purchase

Developers view building speculative, or spec, facilities as risky investments. Indeed, if not filled quickly, the developer/owner must absorb the building’s construction and maintenance costs. Since the Great Recession, we have seen an upturn in spec facilities being built, signaling confidence in the market. The sites shown here are a sampling of recent spec projects in the region.

1. Madison Industrial Park - Midland Steel
   - Address: 10615 Madison Avenue, Cleveland, Cuyahoga County
   - Size: 168,750 sf available
   - Developer: Weston
   - Date Available: Mid-October 2019
   - Type: Industrial, Warehouse

2. Victory Commerce Center
   - Address: 43500 Victory Parkway, Glenwillow, Cuyahoga County
   - Size: 434,000 sf available
   - Developer: Gels
   - Date Available: Immediately
   - Type: Office, Industrial, Warehouse
Weston Spec Building

Address: 38585 Jet Center Pl., Willoughby, Lake County
Size: 130,000 sf available

Developer: Weston
Date Available: Mid-October 2019
Type: Industrial, Warehouse,

Seasons Business Center

Address: 4863 Scarlet Lane, Stow, Summit County
Size: 34,564 sf available

Developer: FOGG
Date Available: Immediately
Type: Industrial, Warehouse, Flex

Cornerstone Spec Building 2

Address: 8601 Independence Pkwy, Twinsburg, Summit County
Size: 180,000 sf available

Developer: Scannell
Date Available: Immediately
Type: Office, Industrial, Warehouse

Cedar Tree Center I, French Creek Business Park

Address: 3620 Mallard Run, Sheffield, Lorain County
Size: 103,527 sf available

Developer: Amware Group
Date Available: Immediately
Type: Industrial, Warehouse
TOTAL EMPLOYMENT GROWS YEAR-OVER-YEAR

Total employment averaged 1.95 million workers in Q4 2018, an increase of 12,400 jobs year-over-year.

Source: Quarterly Census of Employment and Wages (QCEW). This is the most current reliable data available for total jobs in Northeast Ohio.

NEO YEAR-OVER-YEAR UNEMPLOYMENT RATE HOLDS STEADY

The unemployment rate for Northeast Ohio averaged 4.8% in Q4 2018, the same rate as Q4 2017. The state of Ohio averaged 4.4% while the U.S. averaged 3.6%.

Source: Current Population Survey (CPS), a survey of 60,000 households nationwide.

ALL SECTORS SEE YEAR-OVER-YEAR GROWTH

With employment averaging more than 270,400 workers in Q4 2018, the manufacturing sector added 4,300 jobs year-over-year while the services sector added 2,400 jobs, with employment averaging 1.3 million. Construction employment also grew by more than 2,200 jobs for the same time period.

Source: Quarterly Census of Employment and Wages (QCEW). This is the most current reliable data available for total jobs in Northeast Ohio.
GRP PROJECTED TO REACH $238.5 BILLION

Moody’s Economy.com is projecting Northeast Ohio’s GRP to grow 2.3% in 2018 to reach $238.5 billion. Projections are continuously updated and subject to change for up to 18 months.

Source: Moody’s Economy.com

INDUSTRIAL AND OFFICE VACANCY RATES TRACKING LOW

In Q1 2019, the vacancy rate for industrial space is at 3.5%, while the vacancy rate for office space is at 7.0%.

Source: CoStar

OHIO UTICA WELL ACTIVITY (NONCUMULATIVE)

This graph shows the status of Utica shale wells originally permitted, drilled and in production for each quarter. Since tracking results in Q4 2012, 2,955 total permits have been issued, of which 2,011 have been drilled. Of the 2,011 drilled, 1,037 are currently in production in the state.

Source: Ohio Department of Natural Resources
Team Northeast Ohio uses a number of data sources for the Regional Economic Review. One of the primary sources is Moody’s Economy.com (economy.com) data for Northeast Ohio. Moody’s Economy.com county-level output, employment and payroll historical data are estimated from several publicly available sources and are summarized into the Team NEO regional footprint. It is important to understand data provided by Economy.com are estimates of economic activity.

Team NEO also uses data from federal and state sources as part of this report. We rely heavily on data from the U.S. Bureau of Labor Statistics (bls.gov) and Ohio’s Labor Market Information (lmi.state.oh.us) for information on wages, unemployment and both general and industry-specific employment.

Industrial and office real estate data for this edition were derived from the CoStar Group. Due to market limits within the CoStar database, historic trend data for the Team NEO region are reflective of 14 of the 18 counties forming the regional footprint. These counties include: Ashtabula, Cuyahoga, Erie, Geauga, Huron, Lake, Lorain, Mahoning, Medina, Portage, Richland, Stark, Summit and Trumbull.

For a complete list of funders, visit teamneo.org/investors.

DATA SOURCES

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ECONOMIC DEVELOPMENT PARTNERS ACROSS 18 COUNTIES OF NORTHEAST OHIO

Ashland Area Economic Development
Columbiana County Port Authority
Erie County Economic Development Corporation
Geauga Growth Partnership, Inc.
Greater Akron Chamber
Greater Cleveland Partnership
Growth Partnership for Ashtabula County
Huron County Development Council
Lake County Ohio Port & Economic Development Authority
Medina County Economic Development Corporation
Portage Development Board
Richland Community Development Group
Stark Economic Development Board, Inc.
Tuscarawas County Economic Development Corporation
Youngstown/Warren Regional Chamber
Wayne Economic Development Council

ABOUT TEAM NEO

Team NEO is a private, nonprofit economic development organization accelerating business growth and job creation throughout the 18 counties of Northeast Ohio. As the designated JobsOhio Network Partner, we align and amplify local economic development efforts in Northeast Ohio’s 18-county region; we conduct research and data analysis to inform local conversations and influence solutions; we market Northeast Ohio as a region; and we work to increase access to jobs, education and training for the region’s 4.3 million people. For more information, visit teamneo.org.

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