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Northeast Ohio GRIDs Monitor

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Groups of Regional Industry Drivers (GRIDs) were identified in Northeast Ohio (NEO).¹ GRIDs are wealth-creating industries that have a strong regional specialization, growing output, rising productivity, and local competitive advantage. Overall, the three identified GRIDs—*Professional Services*, *Growing Legacy Manufacturing*, and *Oil and Gas*—contributed nearly 40% (\$90.4 billion) to NEO's total output and employed 20% (369,054 people) of NEO workforce in 2018.

This research provides an update on the performance of GRIDs economy focusing on 2017-18 changes and projections for 2019. Calculations in this monitor are based on the data from *Moody's Analytics Economy.com*.

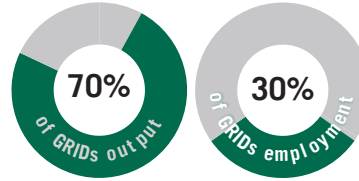
GRIDs Economic Outlook

The United States has traditionally outperformed Ohio and NEO in terms of output due to many reasons including the strong growth in technology-intensive industries on both coasts. However, a comparison of NEO GRIDs with the same group of industries in Ohio and the U.S. reveals a different trend. Since 2013, GRIDs in NEO and Ohio have consistently outperformed the U.S. in terms of real output growth. In 2018, the total output of NEO GRIDs was 39% higher than their total output in 2012. This rate of output growth was 2% higher than the national rate over the same period. By 2019, the gap between output growth in NEO and the US is expected to shrink. Industries in NEO GRIDs are expected to lag behind Ohio in 2019, as has been the trend since 2014.

From 2012-2018, all Non-GRID industries in NEO grew their output by 6%, compared to growth rates of 10% in Ohio and 16% in the U.S. For these Non-GRID industries, the gap between the output growth in NEO and the US is expected to increase to 12% in 2019.

NORTHEAST OHIO GRIDs

PROFESSIONAL SERVICES



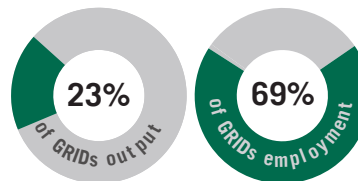
The **Professional Services GRID** provided the largest share of output (\$63.5 billion), which represents 26% of NEO's total output. This GRID showed a 5% increase in output from 2017. It is projected that in

2019, output in this GRID will grow by an additional 3%.

In 2018, the *Professional Services* GRID provided 253,389 jobs, which accounted for 12% of NEO's total workforce. Employment for this GRID showed a 1% growth from 2017 to 2018, and is expected to grow at the same rate in 2019.

The core of this group are industries such as finance and insurance, company headquarters, hospitals, and real estate. From 2017 to 2018, the *Wholesale Electronic Markets and Agents and Brokers* industry saw the most significant increase in output (15%). The *General Medical and Surgical Hospitals* industry that serves as a national hub for biomedical research grew its output by 4%.

GROWING LEGACY MANUFACTURING

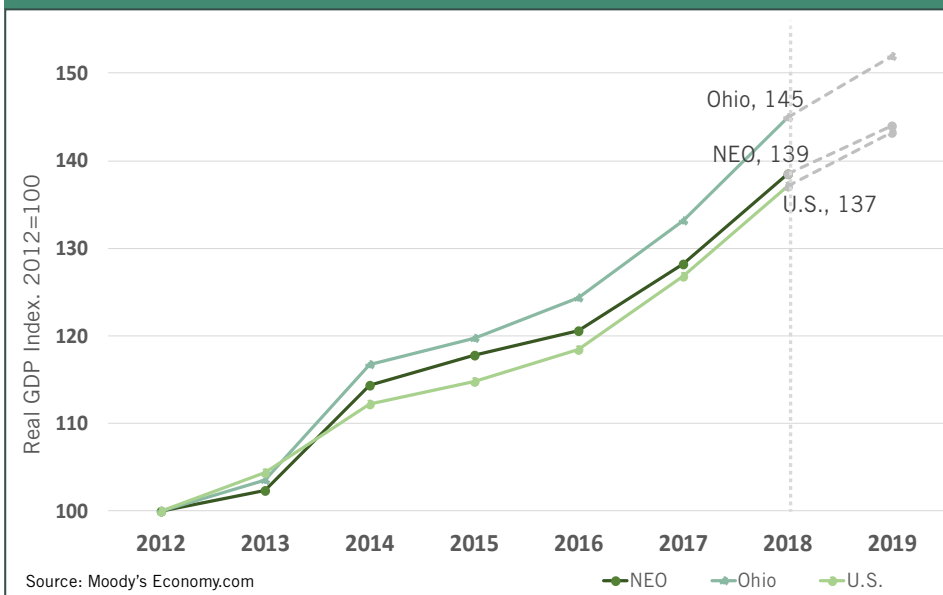


The **Growing Legacy Manufacturing GRID** produced \$20.6 billion in output in 2018, which represents 8% of NEO's total output. This GRID showed a 6% output growth from 2017 and is expected to increase by an

additional 5% in 2019. Although the number of jobs in the *Growing Legacy Manufacturing* GRID increased by 3% from 2017 to 2018, the 2019 projection shows no substantial growth.

Notably, employment in the four industries of Legacy Manufacturing – (1) *Paint, Coating, and Adhesive Manufacturing*; (2) *Steel Product Manufacturing from Purchased Steel*; (3) *Nonferrous Metal (except Aluminum) Production and Processing*; and (4) *Foundries* - is expected to decline by an average of 1% while output may grow by 5% suggesting improved labor productivity, most likely due to the advancements in technology.

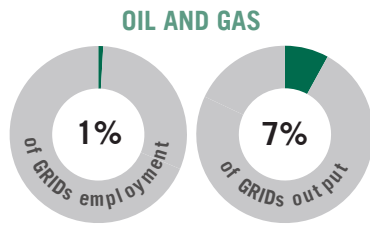
OUTPUT OF GRIDs, 2012 TO 2019



Northeast Ohio is defined as the 18-county area including Ashland, Ashtabula, Columbiana, Cuyahoga, Erie, Geauga, Huron, Lake, Lorain, Mahoning, Medina, Portage, Richland, Stark, Summit, Trumbull, Tuscarawas, and Wayne counties.

¹ Lendel, Iryna., Piazza, Merissa., & Demko, Iryna. (2018). Northeast Ohio Front Runners: Groups of Regional Industry Drivers (GRIDs). *Urban Publications*. Retrieved from https://engagedscholarship.csuohio.edu/urban_facpub/1585

The **Oil and Gas GRID** is an emerging industry group for the NEO economy; it is small, but due to its capital-intensive nature, it contributes sizably to output (3% of NEO's output).



From 2017 to 2018, this GRID showed a double-digit increase (14%) in output. The 2018 output of \$6.3 billion is expected to grow by an additional 7% in 2019. Employment in the *Oil and Gas* GRID saw a 5% increase since 2017 and is projected to grow by an extra 4% in 2019.

As revenues in the *Oil and Gas* industry continue to rise, big data and other digital technology investments present avenues to further increase output and reduce costs. There are emerging partnerships with tech firms to tap into data-based analytics for more efficient production (*The Economist*, 2019).

Declining Economic Base

About half of NEO legacy manufacturing industries belong to GRIDs; another half are still struggling to regain their competitive advantage after the Great Recession. These industries are losing employment, output, and stagnating in their productivity. Many

legacy manufacturers are struggling to adapt to new technology-driven markets and becoming less competitive regionally. Twenty-five (25) manufacturing industries are described as “declining economic base.”

However, these 25 industries showed a significant output growth in 2018 (7%) as well as a 2% increase in employment. Projections show a continuing rise in output (4%) and stable employment (0.4%).

Summary

- Overall, GRIDs total output is projected to grow at faster rates than employment, suggesting increased labor productivity in the region.
- Output growth in NEO GRIDs outperformed the U.S., but the gap between NEO and national output growth is expected to shrink in 2019.
- GRIDs contributed nearly 40% to NEO's total output and employed 20% of NEO workforce in 2018.
- The *Oil and Gas* GRID showed a double-digit increase in output since 2017 and is projected to grow in 2019.
- Total output in the Declining Economic Base industries is expected to grow by 4% in 2019, but employment will remain stable.■

NEO GRIDs INDICATORS

2018 OUTPUT		
Change since 2017		2019 Projection
▲ 5%	Professional Services GRID \$63.5 billion	3% ▲
▲ 6%	Growing Legacy Manufacturing GRID \$20.6 billion	5% ▲
▲ 14%	Oil and Gas GRID \$6.3 billion	7% ▲
▲ 5%	TOTAL GRIDs \$90.4 billion	4% ▲
▲ 7%	Declining Economic Base \$14.8 billion	4% ▲
▲ 5%	TOTAL NEO \$243.8 billion	4% ▲

2018 EMPLOYMENT		
Change since 2017		2019 Projection
▲ 1%	Professional Services GRID 253,389 jobs	1% ▲
▲ 3%	Growing Legacy Manufacturing GRID 112,360 jobs	0% ▬
▲ 5%	Oil and Gas GRID 3,305 jobs	4% ▲
▲ 1%	TOTAL GRIDs 369,054 jobs	1% ▲
▲ 2%	Declining Economic Base 112,389 jobs	0% ▬
▲ 1%	TOTAL NEO 2,074,352 jobs	1% ▲



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