The Fourth Federal Reserve District includes the eastern half of Kentucky, which, because of its coal supplies, has closer economic ties to the industrial economies of Pittsburgh and Cleveland than to the more agricultural western counties. As in the other Fourth District states, unemployment in Kentucky peaked during the early 1980s, when the manufacturing sector went through an extended restructuring. The jobless rate fell below the national average in 1992, and has generally stayed there.

Although Kentucky's economic prospects have improved in the last few years, many counties in the eastern part of the state continue to experience high unemployment rates. This is particularly true of the rural counties, which have been hit by job losses in the textile and coal mining industries in recent years.

Kentucky's metropolitan areas, by contrast, have very low unemployment rates and tight labor markets. Covington, part of the Cincinnati metropolitan area, has experienced some of the strongest growth in the region, while Lexington, home to the University of Kentucky and the Toyota Georgetown assembly plant, has consistently maintained a low jobless rate.

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Although the mining industry employs only a small fraction of the total Fourth District workforce, it plays a significant role in many rural counties, particularly those of eastern Kentucky. Coal mining production has risen slowly for decades in the eastern Kentucky fields, but employment in the industry is just slightly more than half its 1979 level. This reflects productivity increases that span most of the coal mining industry, both surface and underground, as well as a shift toward more surface mining in the eastern Kentucky counties. The average coal miner in the state's Fourth District areas produced 3.28 tons of coal per hour in 1994, up from 2.2 tons in 1977.

Preliminary reports indicate that employment losses in Kentucky's mining industry may finally be halting. Electric utilities are the primary consumers of the eastern counties' coal, so the current effort to deregulate these industries (directed toward opening local power distributors to competition in power production) will also impact the coal mining industry. If coal-burning power plants continue to be positioned as the lowest-cost providers in the region, mining may be ripe for further growth as power is shipped outside the area to replace higher-cost sources used elsewhere.