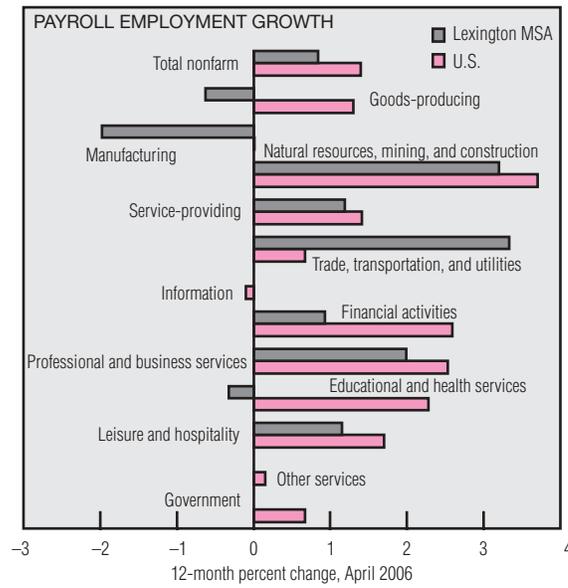
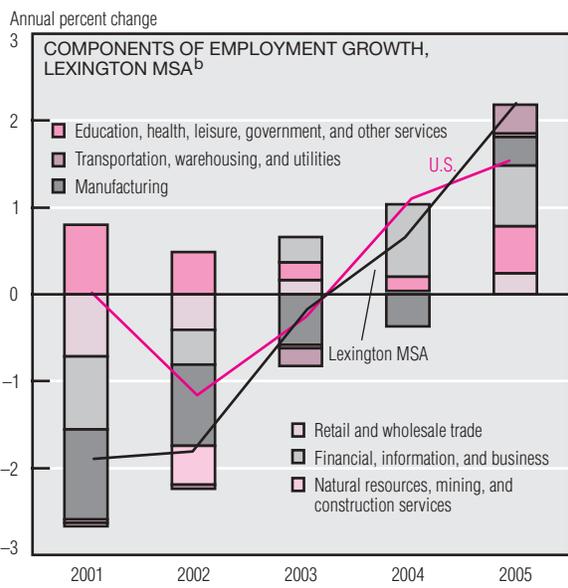
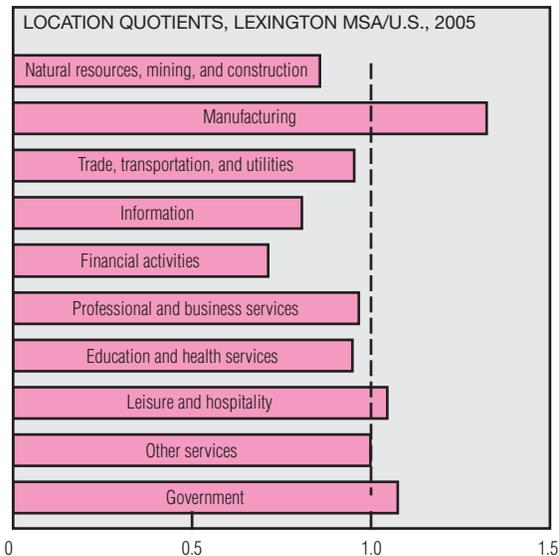


The Lexington Metropolitan Area



NOTE: The Lexington-Fayette, KY metropolitan statistical area consists of Bourbon, Clark, Fayette, Jessamine, Scott, and Woodford counties.
 a. Seasonally adjusted.
 b. Lines represent total employment growth for the U.S. and the Lexington MSA.
 SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

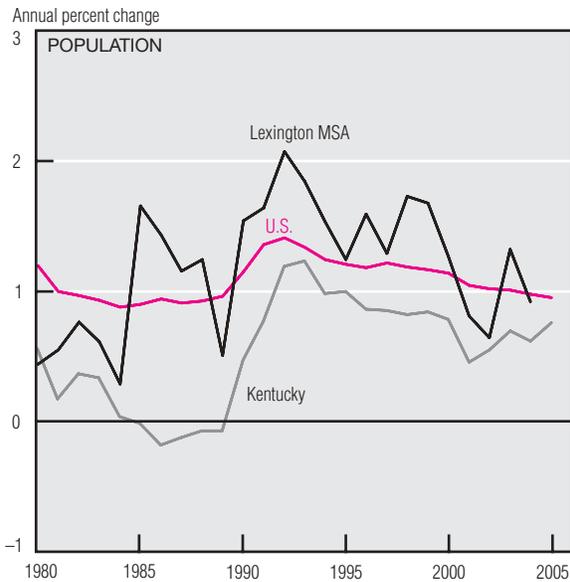
The Lexington area is an economically important component of the Fourth District. In terms of employment, it is the ninth-largest metro area in the District and the second-largest in Kentucky. The industrial composition of the area's employment is generally similar to the nation's, but its manufacturing sector's presence is somewhat stronger. In addition, Lexington's proportion of jobs in information and finance lags the U.S. average.

When the national recession began in March 2001, employment fell more sharply in the Lexington area than in the U.S. or Kentucky. (In terms of employment, the state and nation have performed similarly throughout the recession and recovery.) Recently, however, employment has grown more rapidly in the area than in either the U.S. or Kentucky. Lexington's above-average share of manufacturing employment may partly explain its more marked job losses when the recession began.

The manufacturing sector subtracted from Lexington's employment growth from 2001 to 2004 but added to it in 2005. Within the service sector, education, health care, leisure, and government have added to the area's total employment growth in each of the last five years. As of April, Lexington's year-over-year employment growth was weaker than the nation's (0.8% versus 1.4%). The area's manufacturing employment contracted sharply; its health-

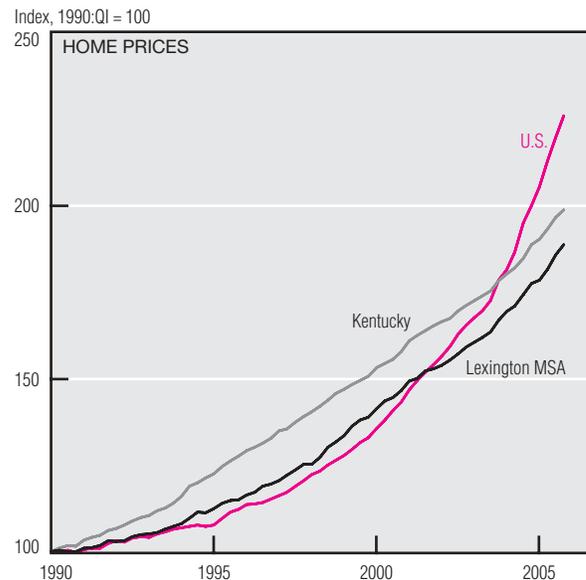
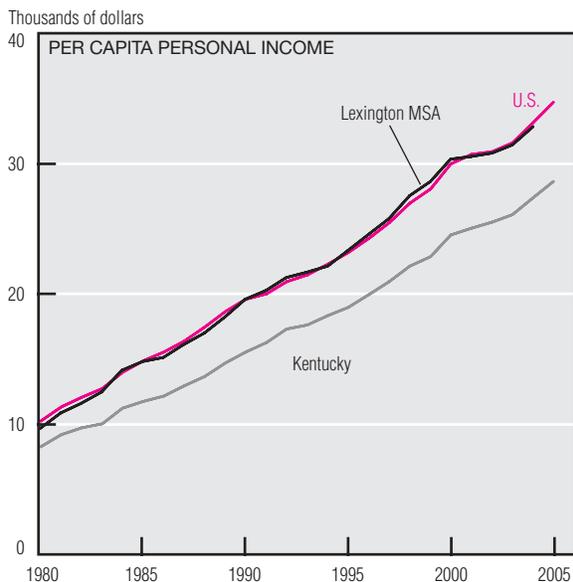
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The Lexington Metropolitan Area (cont.)



Selected Demographics, 2004

	Lexington MSA ^a	Kentucky	U.S.
Total population (millions)	0.5	4.0	285.7
Percent by race			
White	88.0	91.2	77.3
Black	10.0	7.3	12.8
Other	2.0	1.4	9.9
Percent by age			
0-19	25.7	26.6	27.9
20-34	24.1	20.3	20.3
35-64	40.0	40.9	39.8
65 and older	10.2	12.1	12.0
Percent with bachelor's degree or higher	29.7	19.0	27.0
Median age	35.1	37.3	36.2



NOTE: The Lexington-Fayette, KY metropolitan statistical area consists of Bourbon, Clark, Fayette, Jessamine, Scott, and Woodford counties.

a. Includes Madison County.

SOURCES: U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis; and U.S. Department of Housing and Urban Development, Office of Federal Housing Enterprise Oversight.

care and education employment also suffered. Until April, its year-over-year employment growth exceeded the nation's back to the beginning of 2005.

In population growth, the area has generally performed as well as or better than the national average since 1985; it has also been outperforming the state since 1980. By 2004, Lexington's population had grown to almost half a million. It tends to be less diverse and younger

than the nation's. The area has a higher percentage of residents in the 20-to-34 age bracket than either the state or the U.S. It is also better educated: The share of college graduates in Lexington's population is somewhat larger than in the U.S. but markedly larger than in Kentucky as a whole.

The disparity in educational attainment between the Lexington area and Kentucky may help account for differences in per capita personal income.

Although Lexington and the U.S. are similar in per capita income and educational attainment, there is a much greater gap on both measures between Lexington and Kentucky.

Home-price appreciation is one respect in which the area and the state are similar: Neither has shared much in the recent nationwide acceleration in home prices. Since 1990, U.S. home prices have risen roughly 25% to 35% more than those in either Lexington or Kentucky.