Lexington – Expanding at a Near-Record Pace

The Lexington economy continues to expand across many fronts. Employment growth remains strong, unemployment has hit post-recession lows, the housing market is expanding at a healthy pace, and enrollment has hit record levels at the University of Kentucky, the state’s flagship university.

**Unemployment Rate**

Lexington’s unemployment rate was more than a percentage point below state and national rates.

<table>
<thead>
<tr>
<th></th>
<th>August 2015</th>
<th>One-year change</th>
<th>Home Prices</th>
<th>Payroll Employment</th>
<th>Credit Card Delinquency Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lexington</td>
<td>3.7%</td>
<td>−1.1</td>
<td>$147,500</td>
<td>259</td>
<td>6.5%</td>
</tr>
<tr>
<td>Kentucky</td>
<td>5.2%</td>
<td>−0.8</td>
<td>$126,800</td>
<td>1,823</td>
<td>6.5%</td>
</tr>
<tr>
<td>Nearby metro average</td>
<td>4.1%</td>
<td>−1.2</td>
<td>$147,120</td>
<td>876</td>
<td>6.3%</td>
</tr>
<tr>
<td>United States</td>
<td>5.1%</td>
<td>−1.0</td>
<td>$180,800</td>
<td>138,494</td>
<td>7.6%</td>
</tr>
</tbody>
</table>

**Gross Domestic Product**

Lexington’s per capita GDP was outpaced by the state, nation, and the average of nearby metro areas.

<table>
<thead>
<tr>
<th></th>
<th>March 2015 (thousands)</th>
<th>One-year change</th>
<th>2015:Q2</th>
<th>One-year change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lexington</td>
<td>259</td>
<td>2.8%</td>
<td>6.5%</td>
<td>+0.2</td>
</tr>
<tr>
<td>Kentucky</td>
<td>1,823</td>
<td>1.6%</td>
<td>6.5%</td>
<td>−0.2</td>
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</table>

The Lexington metro area leads the state of Kentucky in improvements in its unemployment rate and general economic growth. As of August 2015, the unemployment rate in the Lexington metro area had declined to 3.7 percent, significantly lower than the state and national performances of 5.2 and 5.1 percent, respectively. Lexington’s unemployment rate was also lower than that of nearby metro areas, which averaged 4.1 percent. Improvement continues to come from employment growth in multiple sectors as the region responds to increased residential and commercial construction, strong demand in the leisure and hospitality sector, and continued strength in the education and health services sector.

Lexington’s per capita GDP continues to underperform the state, nearby metro areas, and the nation as a whole. After declining by approximately 8 percentage points from its pre-recession level per capita GDP in the Lexington metro area has yet to fully recover, remaining approximately 5.4 percentage points below the pre-recession level, as of June 2014. Despite growth in the area’s metropolitan income and production levels, population growth in the region has outpaced the rate of output production.
Relative to other metro areas in the state of Kentucky, Lexington has a relatively diverse economy. Many of the area’s largest employers are experiencing some degree of growth as the national economy expands. A significant amount of that growth can be attributed to the expansion in area economic activities, such as in real estate and leisure and hospitality. Construction is the fastest-growing sector in the metro area, with a growth rate of 9 percent. However, this accounts for only 3.9 percent of metro area’s employment. The much larger education and health services sector, accounting for 12.4 percent of total area employment, is also growing at strong rate of 5.6 percent.

Lexington gained jobs across nearly all of its relatively diverse economy.
CONSUMER FINANCES

**INCOME PER CAPITA**

The Lexington metro area and the nation continue to have higher income levels per capita than the state of Kentucky. Lexington and the nation experienced similar declines during the recession, which were greater than the state's average over the same period. Lexington's mixed performance is due to population growth as the area's economic opportunities increase. Population growth in the metro area has risen in recent years as in-migration, primarily from other similarly sized metro areas in the region, has exceeded out-migration.

**CONSUMER DEBT**

Historically, consumers in the Lexington metro area have supported more mortgage, auto, and credit card debt per capita than the average Kentuckian, but less than the average American. Through the second quarter of 2015, this continued to be the case. Like much of the nation, the metro area has deleveraged since the onset of the recession in late 2007, but has recently held steady it debt holdings. This is in line with activity at both the national and state levels. Reasons for the debt decline include lower mortgage debt due to foreclosures and smaller average outstanding balances on revolving debt instruments, such as credit cards and home equity loans.

**CREDIT CARD DELINQUENCY RATES**

The credit card delinquency rate is an indicator of the financial health of households. The credit profile of Lexington remains much better than the nation's. Lexington's credit card delinquency rate has risen since the end of 2014, but remains in line with those of the state of Kentucky and nearby metro areas.
Housing prices in Lexington advanced in the summer months of 2015

Year-over-year percent change

Source: Zillow.com/Haver Analytics.

Housing permits are nearly even with their pre-recession level

Index, 2007: M12 = 100, six-month moving average

Source: Census Bureau/Haver Analytics.

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DEMOGRAPHICS AND EDUCATION

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