

FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



LEXINGTON, KENTUCKY MSA | JULY 2016

FEDERAL RESERVE BANK of CLEVELAND

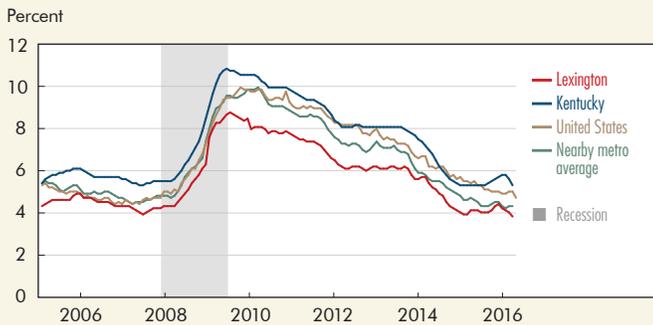
Lexington — Strong and Broad-Based Employment Growth

With a notably lower unemployment rate and faster employment growth, the Lexington metro area continues to have a stronger labor market than the nation or the state of Kentucky. The construction, leisure and hospitality services, and education and health services sectors continue to grow quickly. The metro area has a stable level of building permits and rising home values, which is on par with national housing market trends.

METRO AREA SNAPSHOT

	Unemployment Rate		Median Home Values		Payroll Employment		Credit Card Delinquency Rates	
	April 2016	One-year change	April 2016	One-year change	December 2015 (thousands)	One-year change	2016:Q1	One-year change
Lexington	3.8%	-0.3	\$151,300	5.1%	264	2.7%	6.5%	0.2
Kentucky	5.3%	0.0	\$129,400	3.9%	1,851	1.5%	6.6%	0.2
United States	5.0%	-0.4	\$187,000	4.9%	140,751	1.9%	7.7%	0.2
Nearby metro average	4.3%	-0.4	\$152,040	5.5%	896	2.2%	6.2%	0.0

Lexington's unemployment rate remained exceptionally low, sitting at 3.8 percent in April 2016



Source: Bureau of Labor Statistics/Haver Analytics.

◀ UNEMPLOYMENT RATE

The Lexington metro area continues to have an exceptionally low unemployment rate, with 3.8 percent of the labor force unemployed in April 2016. While Lexington and Kentucky have similar trends in unemployment rates, the metro area's rate is consistently lower than that of the state. Nearby metro areas have been following the national trend. Both nearby metro areas and the nation have higher unemployment rates than the Lexington metro area.

Lexington's weak GDP per capita performance can be attributed to strong population growth in the metro area



Source: Bureau of Economic Analysis/Haver Analytics.

◀ GROSS DOMESTIC PRODUCT

Lexington's per capita GDP continues to underperform the state, nearby metro areas, and the nation. The reason for this disparity is that the Lexington metro area has had steady, strong population growth. Output fell during the recession while population continued to grow, which pulled down per capita GDP. This means that while Lexington's real GDP fell 5.0 percent from 2007 to 2009, its real per capita GDP fell 8.0 percent. The metro area's real per capita GDP has increased \$1,523 (3.0 percent) since 2009.

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By the end of 2015, Lexington had 8.0 percent more employment than it did at the outset of the Great Recession

Index, 2007:M12=100



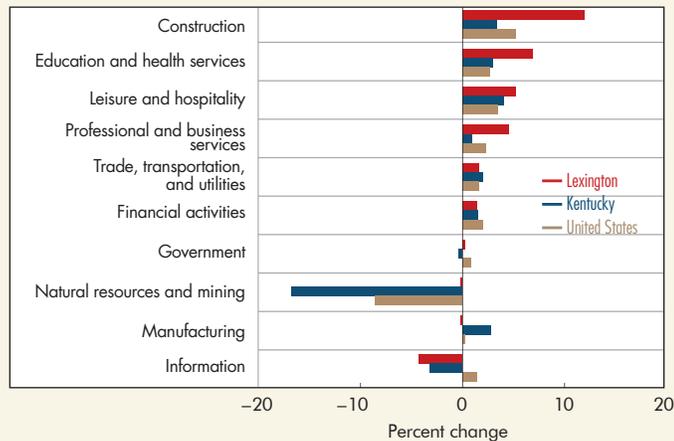
Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

EMPLOYMENT AND INDUSTRIAL SECTORS

EMPLOYMENT

Employment has continued to grow quickly in the Lexington metro area. The region added 7,072 jobs in 2015, a 2.7 percent increase. This is faster growth than the state, nation, and nearby metro areas had last year (respectively 1.5 percent, 1.9 percent, and 2.3 percent). At the end of 2015 Lexington had 8.0 percent more employment than it did at the start of the most recent recession, comparable to the average of nearby metro areas, but outpacing state and national growth. Lexington's strong employment growth is tied to its hospitals and the University of Kentucky, as well as its well-educated workforce and population growth.

The construction sector posted Lexington's highest rate of employment growth

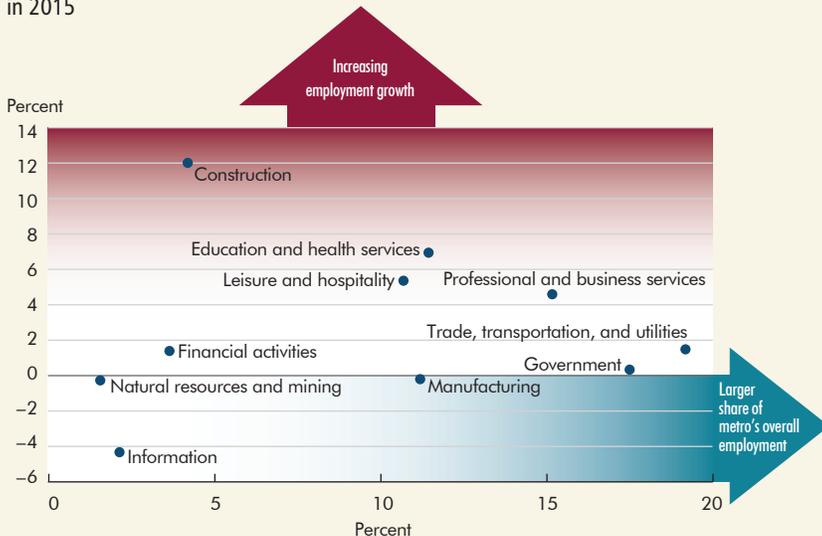


Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

EMPLOYMENT GROWTH BY SECTOR

With a 12 percent increase in employment in 2015, construction was the fastest-growing sector in the Lexington metro area and is experiencing strong demand from both commercial and residential customers. The next fastest-growing sector was education and health services, which grew 6.9 percent. Both of these sectors grew more than twice as much in Lexington as they did in the United States or Kentucky. Three sectors lost employment in Lexington in 2015: information (down 4.3 percent), manufacturing (down 0.2 percent), and natural resources and mining (down 0.2 percent).

Lexington's education and health services sector added more than 2,000 jobs in 2015



Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

RELATIVE EMPLOYMENT GROWTH

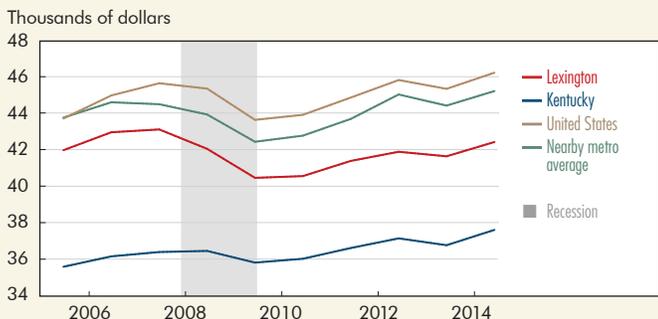
With its high growth rate and large share of employment, the education and health services sector added 2,072 jobs in 2015—the most of any sector in the Lexington metro area. Professional and business services had the second-largest job gain, with 1,806 jobs added in 2015. The construction and leisure and hospitality sectors each gained more than 1,200 jobs in 2015.

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The Lexington metro area has yet to recover its pre-recession income per capita level



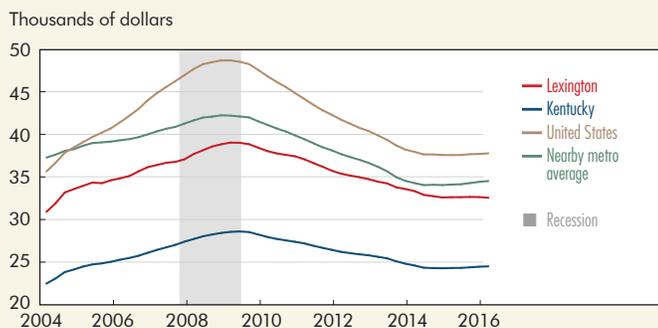
Source: Bureau of Economic Analysis/Haver Analytics.

INCOME

◀ INCOME PER CAPITA

In 2014, Lexington's income per capita rose \$791 to \$42,430. This is a 2.0 percent increase, which is comparable to the increases of the nearby metro areas, the state, and the nation. Unlike the other areas, however, Lexington's per capita income remained below its pre-recession level—\$695 lower to be precise. The growth of per capita income has been restrained by population increases and because students are a sizable component of the metro area's population.

As of March 2016, Lexington's consumer debt level remained below the national trend



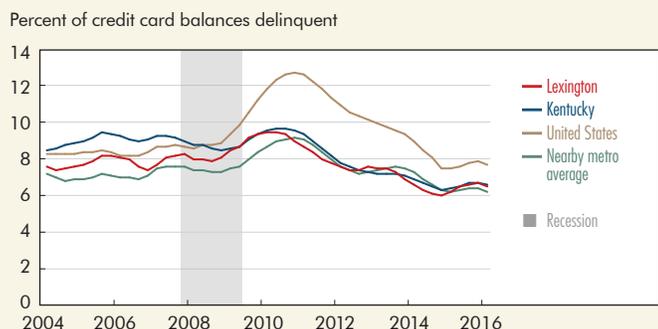
Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

CONSUMER FINANCES

◀ CONSUMER DEBT

After falling \$6,500 from the beginning of 2009 to the beginning of 2015, Lexington's per capita consumer debt has stabilized. As of March 2016, the average level of mortgage, credit card, and auto debt for a person with a credit report in Lexington was \$32,501. This is about \$5,300 lower than in the nation and \$8,166 higher than in Kentucky. The Lexington metro area's per capita debt is lower than the national level primarily because of relatively low home values. It is higher than Kentucky's per capita debt because Lexington has higher home values and a younger population.

The credit card delinquency rate in Lexington was more than a percentage point lower than the nation's in March 2016



Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

◀ CREDIT CARD DELINQUENCY RATES

In March 2016 (the most recent period for which data is available), 6.5 percent of credit card balances in Lexington were 90 or more days delinquent. This is more than a percentage point below the nation's delinquency rate of 7.7 percent. Credit card delinquency rates rose slightly during 2015 in the United States, Kentucky, and the Lexington metro area, but remained essentially unchanged in nearby metro areas. In all four geographic areas, delinquency rates are below where they were ten years ago. This is most likely a result of people's increased ability to pay their bills as the economy recovers and credit card companies' tougher lending standards in the aftermath of the financial crisis.

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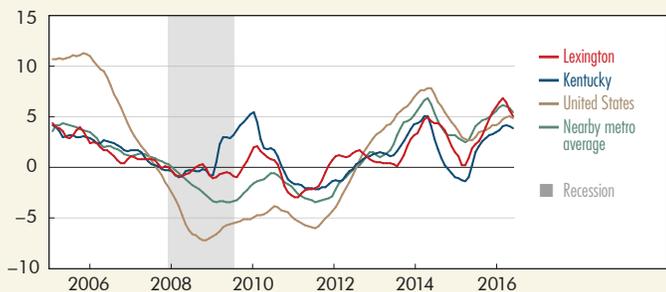
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HOUSING MARKET

As of April 2016, home prices had increased 5.1 percent year-over-year

Year-over-year percent change



Source: Zillow.com/Haver Analytics.

HOUSING PRICES

The metro area has continued to have strong growth in home prices, with a year-over-year increase of 5.1 percent in April 2016, the most recent period for which data is available. This is well above the gain in Kentucky (3.9 percent) and comparable to the gains in nearby metro areas (5.5 percent) and the nation (4.9 percent). A key factor in the rise of home prices in Lexington is the region's robust population growth. Home construction has been increasing and population growth has been slowing down since 2013, so it is reasonable to expect that home prices will grow more slowly in the years ahead.

Building permits in the Lexington metro area have been fairly stable since mid-2015

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



Source: Census Bureau/Haver Analytics.

HOUSING PERMITS

Residential building permits have been fairly stable in the Lexington metro area and the nation since the middle of 2015. They have been stable in nearby metro areas and Kentucky since late 2015. While permits in Kentucky, Lexington, and nearby metro areas have returned to the levels seen immediately before the Great Recession, they remain well below what was typical during the housing boom of the mid-2000s.

DEMOGRAPHICS AND EDUCATION

LEXINGTON, KENTUCKY

According to the 2015 US Census Bureau population estimates, Lexington remained the 107th largest of the nation's 381 metropolitan statistical areas.

	Lexington Metro Area		United States	
	2014	Change from 2009	2014	Change from 2009
Population	494,982	+5.9%	318,857,000	+3.9%
Adults with less than a high school diploma	10.4%	-3.0%	13.1%	-1.7%
Adults with an undergraduate degree or higher	35.0%	+0.5%	30.1%	+2.2%
Median age (years)	36	+1.1 years	37.7	+0.9 years
Median household income	\$50,806	-2.5%	\$54,229	-3.2%

Source: US Census Bureau population estimates, American Community Survey.

All monthly and quarterly figures are seasonally adjusted and all dollar figures are in current dollars, except home prices (which are left nominal). Where applicable, these adjustments are made prior to calculating percent changes or indexes. Several charts use indexed measures to facilitate comparisons across regions and have a reference line at 100. These numbers can be thought of as the percentages of pre-recession levels. If levels were growing before the recession, pre-recession indexes will be below 100; if levels were falling before the recession, pre-recession indexes will be above 100.

The Federal Reserve Bank of Cleveland, including its branch offices in Cincinnati and Pittsburgh, serves the Fourth Federal Reserve District (Ohio, western Pennsylvania, the northern panhandle of West Virginia, and eastern Kentucky).