

# FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



LEXINGTON, KENTUCKY MSA | NOVEMBER 2016

FEDERAL RESERVE BANK of CLEVELAND

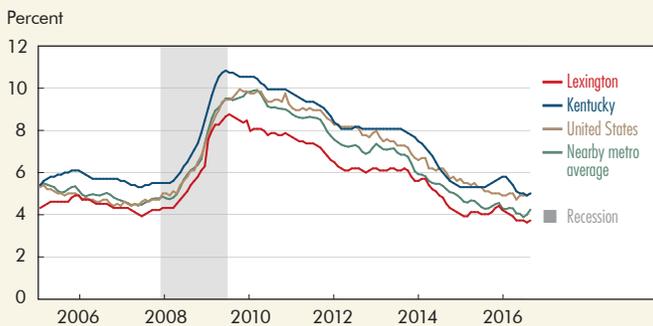
## Lexington—Continuing Economic Expansion

A broad range of indicators show that the economy of the Lexington metro area has continued to expand. Most notably, real output per capita grew 3.8 percent in 2015, more than twice the largest increase in any year since 2011. The region added about 4,100 jobs in the 12 months leading up to March 2016, and the unemployment rate continues to fall. The housing market has also been strong lately, with building permits, home values, and construction employment all showing strength in 2016.

### METRO AREA SNAPSHOT

	Unemployment Rate		Median Home Values		Employment		Credit Card Delinquency Rates	
	September 2016	One-year change	September 2016	One-year change	March 2016 (thousands)	One-year change	2016:Q2	One-year change
Lexington	3.7	-0.3	\$153,500	4.9%	263	1.6%	6.2	-0.3
Kentucky	5.0	-0.4	\$131,300	5.1%	1,858	2.0%	6.4	-0.1
Nearby metro area average	4.2	-0.1	\$155,680	5.1%	904	3.1%	6.1	-0.2
United States	5.0	-0.1	\$189,400	5.5%	141,231	1.9%	7.4	-0.2

Unemployment in the Lexington metro area was 3.7 percent in September 2016.

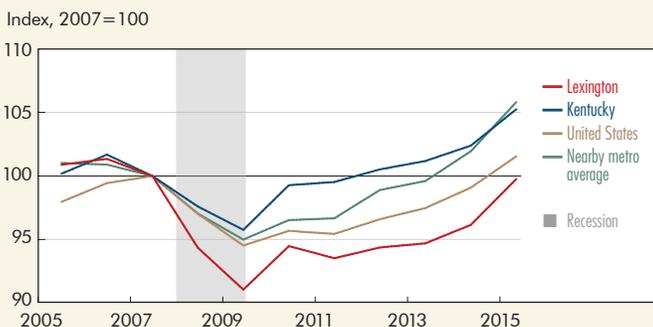


Source: Bureau of Labor Statistics/Haver Analytics.

### ◀ UNEMPLOYMENT RATE

The Lexington metro area continues to enjoy a low unemployment rate. Only 3.7 percent of the Lexington metro area's labor force was unemployed in September 2016, a decline of 0.3 percentage points from 12 months prior. The metro area's unemployment rate is below that of nearby metro areas, Kentucky, and the nation (4.2 percent, 5.0 percent, and 5.0 percent). Lexington's unemployment rate is below typical estimates of the natural rate of unemployment; this implies that there are more jobs available than workers to fill them and that there is upward pressure on wages.

Real GDP per capita grew 3.8 percent in the metro area.



Source: Bureau of Economic Analysis/Haver Analytics.

### ◀ GROSS DOMESTIC PRODUCT

In 2015, real output per capita grew 3.8 percent in the Lexington metro area, its largest one-year increase in at least a decade. This is a larger increase than that experienced by Kentucky or the nation (2.8 percent and 2.5 percent) and is comparable to the average growth rate of large metro areas within 200 miles (3.9 percent). Relative to its level before the recession, the Lexington region's real GDP per capita is 0.4 percent lower. By contrast, nationally, real GDP per capita is 1.6 percent above its pre-recession level, and in Kentucky and nearby metro areas it is more than 5.0 percent above its pre-recession levels. Of these four areas, Lexington has seen the most population growth over this period, which has slowed growth in this per capita measure.

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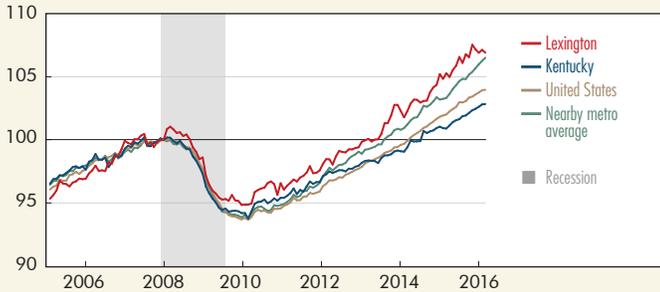
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## EMPLOYMENT AND INDUSTRIAL SECTORS

Between March 2015 and March 2016, the Lexington metro area experienced a 1.6 percent increase in employment.

Index, 2007: M12=100

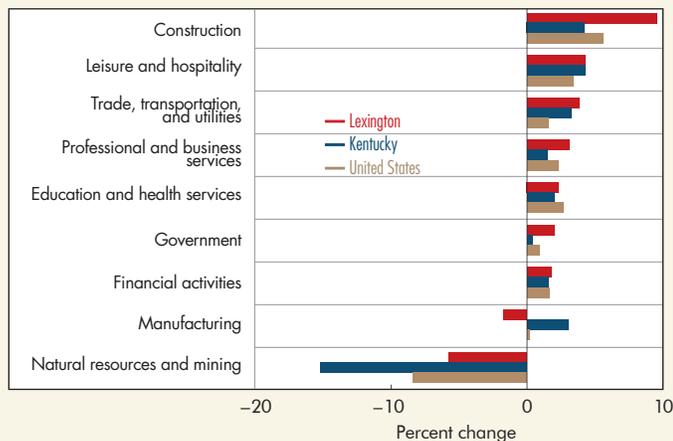


Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

### EMPLOYMENT

Between March 2015 and March 2016, Lexington gained about 4,100 jobs, a 1.6 percent increase. This is below the employment growth rates of Kentucky, the nation, and the average of nearby metro areas in this period. However, overall, Lexington has seen more employment growth since the recession began. Even with this stronger employment growth, however, Lexington's real output per capita remains below its pre-recession level. Strong population growth helps explain this state of affairs. While the Lexington area's employment has grown 7 percent since the end of 2007, its population grew 9 percent between 2007 and 2015.

Construction and leisure and hospitality grew the most in both the Lexington metro area and the nation.



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

### EMPLOYMENT GROWTH BY SECTOR

Construction grew 9.6 percent between March 2015 and March 2016, faster than any other sector in the Lexington area. The sector grew 4 percentage points more in the metro area than nationwide, even though construction was also the fastest-growing sector in the nation. According to anecdotal reports, this strong growth is being driven by projects at the University of Kentucky and commercial projects. The second-fastest-growing sector was leisure and hospitality, which grew 4.3 percent in Lexington and 3.5 percent in the nation. On the negative side, natural resources and mining lost 5.7 percent of its jobs in the metro area in this 12-month period. While this is the largest decline of any sector, it declined less in the metro area than in Kentucky (-15.3 percent) or the nation (-8.4 percent). Lexington also saw manufacturing decline 1.7 percent, though the sector grew 3.1 percent in Kentucky and 0.2 percent in the nation.

The largest three sectors in the Lexington area together added 4,164 jobs between March 2015 and March 2016.

Sector	Employment	12-month change	Share of employment
Trade, transportation, and utilities	49,404	1,834	19.0
Government	47,069	944	18.1
Professional and business services	36,258	1,104	14.0
Education and health services	32,504	749	12.5
Manufacturing	30,198	-535	11.6
Leisure and hospitality	29,767	1,226	11.5
Construction	11,222	980	4.3
Financial activities	9,308	165	3.6

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

### SECTOR EMPLOYMENT

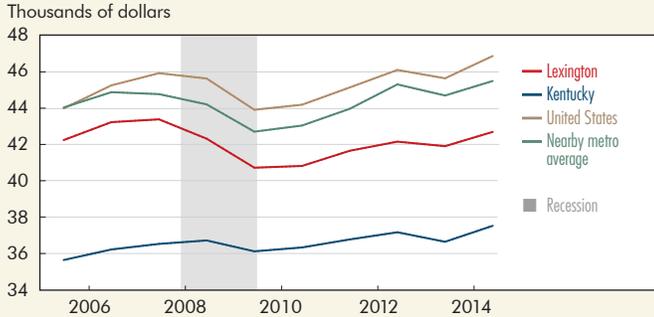
While construction had the fastest growth in percentage terms, it remains a relatively small sector in the Lexington area and added fewer jobs than trade, transportation, and utilities; leisure and hospitality; and professional and business services. Together, those three sectors account for about half of the metro area's jobs and added 4,164 jobs between March 2015 and March 2016. Over that time, the metro area lost 535 manufacturing jobs. The table to the left includes only sectors with at least 2 percent of Lexington's employment, but there were significant declines in two of the region's smaller sectors. According to the Quarterly Census of Employment and Wages, natural resources and mining lost 267 jobs, and information lost 2,377 jobs.

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In 2014, Lexington's income per capita rose 1.9 percent, about the same as the state, but not as much as the nation.



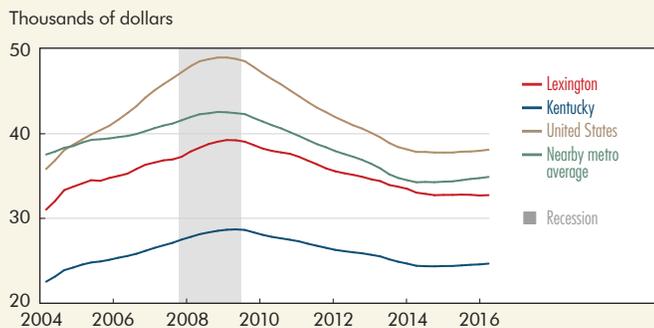
Source: Bureau of Economic Analysis/Haver Analytics.

## INCOME

### ◀ INCOME PER CAPITA

In 2014, Lexington's income per capita rose \$796 to \$42,725. This is a 1.9 percent increase, which is comparable to the increases of the nearby metro areas and Kentucky but not as large as the nation's 2.7 percent increase. Unlike those other areas, Lexington's per capita income remains below its pre-recession level—\$700 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.

Average consumer debt in the Lexington area was higher than in the state and lower than in the nation.



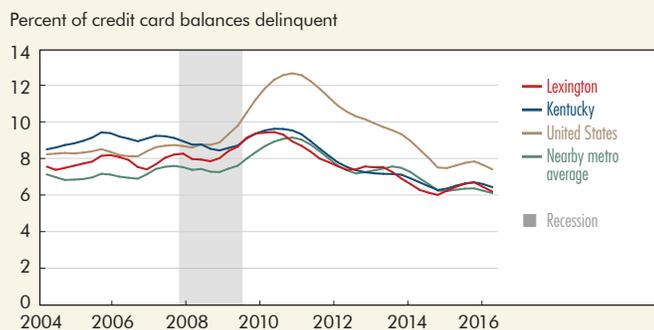
Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

## CONSUMER FINANCES

### ◀ CONSUMER DEBT

As of June 2016, the average level of mortgage, credit card, and auto debt for a person with a credit report in Lexington was \$32,773. This is \$5,400 lower than in the nation and \$8,174 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. After falling \$6,500 from the beginning of 2009 to the beginning of 2015, Lexington's per capita consumer debt has stabilized.

After rising through 2015, the metro area's delinquency rate fell 0.5 percentage points during the first half of 2016.



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

### ◀ CREDIT CARD DELINQUENCY RATES

In the Lexington metro area, 6.2 percent of credit card balances are 90 or more days delinquent, which is more than a percentage point below the nation's delinquency rate of 7.4 percent. After rising through 2015, the metro area's delinquency rate fell 0.5 percentage points during the first half of 2016. Nearby metro areas, Kentucky, and the nation had slightly smaller declines. In all four geographic areas, delinquency rates are below where they were 10 years ago, due to both the economic recovery and tougher lending standards.

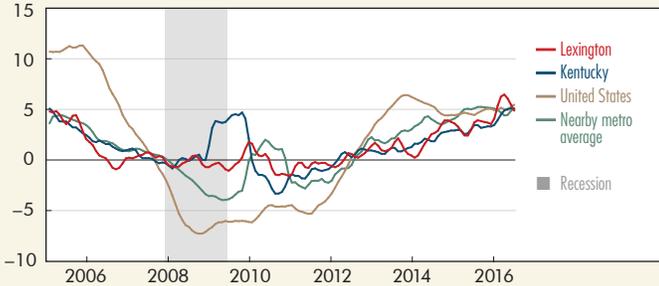
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Lexington's median home value in September was 4.9 percent higher than it was a year prior.

Year-over-year percent change



Source: Zillow.com/Haver Analytics.

## HOUSING MARKET

### HOUSING PRICES

Lexington's median home value in September was 4.9 percent higher than it was a year prior. This is very similar to the increases in Kentucky and nearby metro areas (5.1 percent) and a little smaller than the increase in the nation (5.5 percent). In the Lexington metro area, as well as the state, the nation, and nearby metro areas, home prices have been increasing faster than overall inflation, so the median homeowner is experiencing real house price appreciation.

The number of building permits issued in the Lexington area is higher than before the recession but still lower than in 2005.

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



Source: Census Bureau/Haver Analytics.

### HOUSING PERMITS

The number of permits for private housing units in the Lexington metro area jumped in the middle of 2016, and the six-month moving average in October was 45 percent higher than it was immediately before the recession. The comparable figures for nearby metro areas and Ohio are increases of 8 percent and 11 percent, while building permits are 3.6 percent below pre-recession levels in the nation. The strong increase in Lexington is consistent with the region's growth in construction employment. However, Lexington still has about half as many building permits issued per month as it did at the start of 2005.

## DEMOGRAPHICS AND EDUCATION

### LEXINGTON, KENTUCKY

According to the 2015 US Census Bureau population estimates, Lexington, Kentucky, 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%	318,907,000	+4.0%
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	\$51,266	-2.5%	\$54,720	-3.2%

Sources: 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).