

FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



LEXINGTON, KENTUCKY MSA | APRIL 2017

FEDERAL RESERVE BANK of CLEVELAND

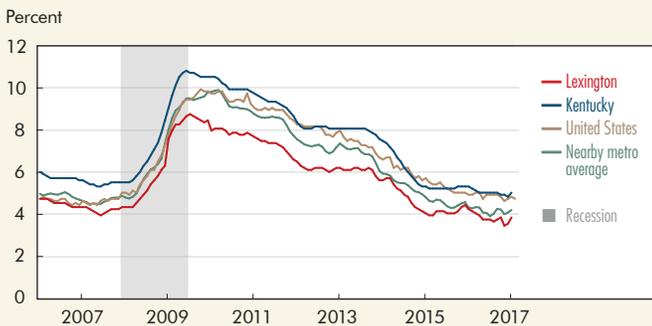
Growth Remains Solid in the Lexington Region

Economic conditions remain strong in the Lexington metro area. The most recent unemployment rate is the lowest it has been since 2001, and the region has nearly 9 percent more jobs today than it did in 2007. Income levels are growing, and consumer debt levels and credit card delinquency rates are both well below the national average. The region's strength as an education center is also evident, as Lexington boasts a higher percentage of adults with bachelor's degrees and a lower percentage of adults without high school diplomas than the national average.

METRO AREA SNAPSHOT

	Unemployment Rate		Median Home Values		Payroll Employment		Credit Card Delinquency Rates	
	January 2017 (percent)	One-year change (percent)	January 2017	One-year change (percent)	September 2016 (thousands)	One-year change (percent)	2016:Q4 (percent)	One-year change (percent)
Lexington	3.8	-0.4	\$153,500	6.6	267	1.8	5.8	-0.9
Kentucky	5.0	-0.3	\$133,700	6.4	1,869	1.5	6.3	-0.4
United States	4.8	-0.1	\$195,300	7.2	142,452	1.8	7.1	-0.7
Nearby metro area average	4.2	-0.1	\$160,520	7.3	913	2.7	6.0	-0.4

The Lexington metro area's unemployment rate has been below those of Kentucky and the nation for a decade.

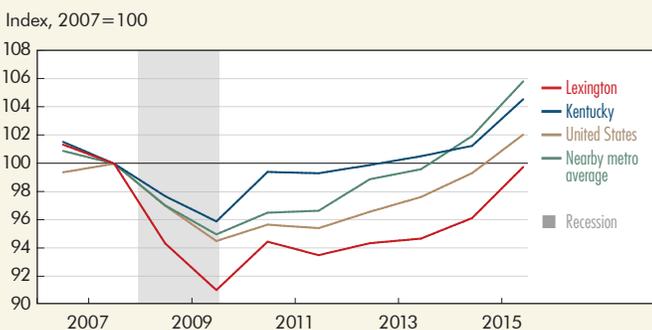


Source: Bureau of Labor Statistics/Haver Analytics.

◀ UNEMPLOYMENT RATE

Labor market conditions in the Lexington metro area remain among the strongest in the Fourth District. With January's reading of 3.8 percent, the region's unemployment rate has been below 4 percent for each of the past 10 months. Recent estimates have been well below Lexington's lowest pre-Great Recession unemployment rate (3.9 percent in June 2007) and are also the strongest readings for the region since 2001. Consistent with rates during much of the past decade, the metro area's unemployment rate continues to be well below levels in the commonwealth (5.0 percent in January), the nation as a whole (4.8 percent), and the average of nearby metro areas (4.2 percent).

Output growth in the Lexington metro area has accelerated sharply during the past two years.



Source: Bureau of Economic Analysis/Haver Analytics.

◀ GROSS DOMESTIC PRODUCT

Real per capita GDP for the Lexington metro area at the end of 2015 (the most recent data available) remains just below its 2007 levels. The metro area's recovery has lagged that of the commonwealth and the nation partially because output declined much more sharply in the Lexington area during the downturn. For instance, from 2007 to 2009, inflation-adjusted per capita output growth declined by more than 9 percent in the metro area, compared to reductions of 5.5 percent and 4.2 percent for the commonwealth and the nation, respectively. However, output growth in the metro area has accelerated sharply during the past two years, increasing from 0.4 percent in 2013 to 3.8 percent in 2015. Lexington's most recent estimate for 2015 is notably higher than that of the commonwealth's (3.3 percent) and the nation's (2.8 percent) during the same period.

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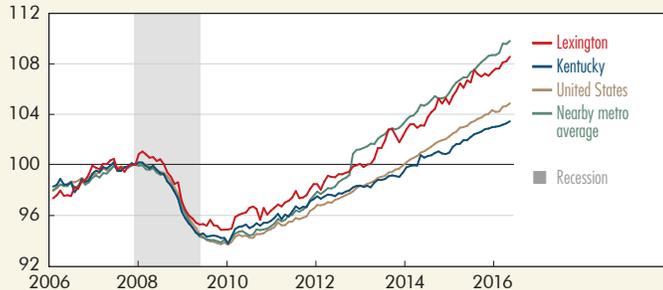
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EMPLOYMENT AND INDUSTRIAL SECTORS

Job growth in the Lexington metro area remains quite strong.

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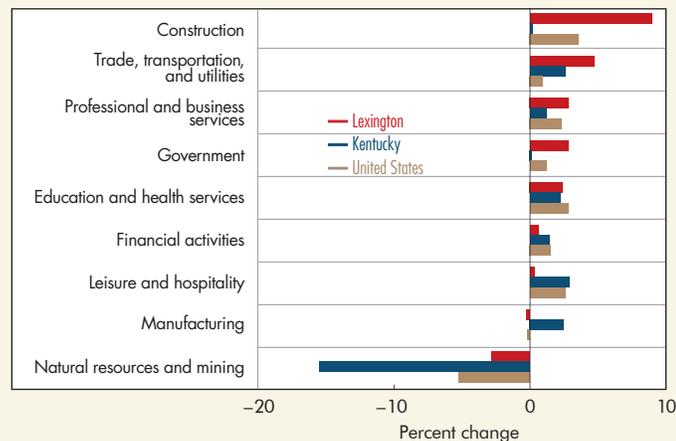


Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

◀ EMPLOYMENT

Job growth in the Lexington metro area remains quite strong and generally continues to outperform both the commonwealth's and the nation's. In the most recent 12-month period ending in September 2016, employment in the Lexington metro area expanded at a rate of 1.8 percent, compared to 1.5 percent for Kentucky and 1.8 percent for the nation. Relative to pre-recession December 2007 employment levels, the Lexington metro area now has 8.7 percent more jobs (as of September 2016). This number is noticeably larger than comparable figures for Kentucky (3.5 percent more jobs than in December 2007) and for the nation (4.9 percent more jobs).

The Lexington metro area experienced widespread employment gains across most sectors during the past 12 months.



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

◀ EMPLOYMENT GROWTH BY SECTOR

The Lexington metro area, the commonwealth of Kentucky, and the nation as a whole continued to experience relatively widespread employment gains across most sectors during the past 12 months ending in September 2016. The notable exception is the natural resources and mining sector, which, during the past 12 months, has contracted by -2.8 percent in the Lexington metro area, -15.5 percent in Kentucky, and -5.2 percent in the nation as energy use and investments continue to transition away from coal. In the Lexington metro area, year-over-year employment growth was in the 2 percent to 3 percent range in three different sectors: education and health services, government, and professional and business services. The region's two hottest sectors—construction and trade, transportation, and utilities—expanded at a clip of 9.0 percent and 4.7 percent, respectively, during the past year.

Lexington's three largest sectors have experienced solid employment gains in the last 12 months.

Sector	Employment	12-month change	Share of employment
Trade, transportation, and utilities	50,853	2,312	19.0
Government	48,695	1,338	18.1
Professional and business services	37,582	1,048	14.0
Education and health services	33,008	783	12.3
Leisure and hospitality	31,248	112	11.6
Manufacturing	30,549	-79	11.4
Construction	12,923	1,067	4.8
Financial activities	9,381	61	3.5
Natural resources and mining	4,513	-132	1.7

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

◀ SECTOR EMPLOYMENT

Lexington's three largest sectors—trade, transportation, and utilities; government; and professional and business services—all experienced solid employment gains between the third quarter of 2015 and the third quarter of 2016. Those sectors, which account for more than 51 percent of the region's jobs, gained nearly 4,700 jobs. Manufacturing employment declined by 79 jobs during the past 12 months (-0.25 percent), while employment in natural resources and mining contracted by 132 jobs. Although natural resources and mining remains a sizable employment sector for Kentucky's economy, the sector employs roughly 4,500 people in Lexington and accounts for only 1.7 percent of the metro area's jobs.

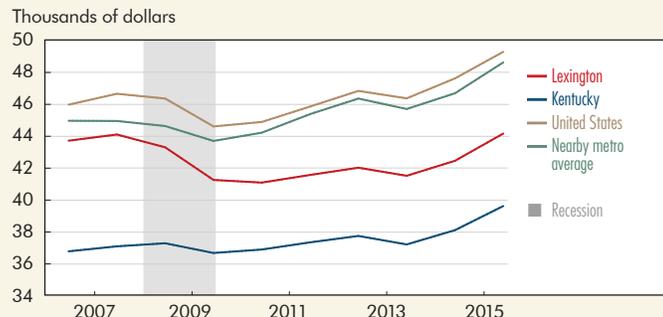
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INCOME

Inflation-adjusted per capita personal income in the Lexington metro area grew 4.0 percent in 2015—almost double the pace of the previous year.



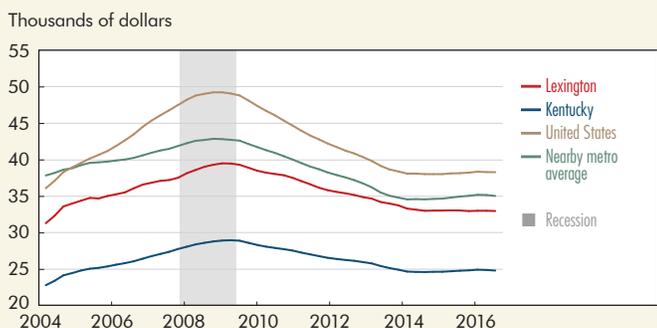
Source: Bureau of Economic Analysis/Haver Analytics.

◀ INCOME PER CAPITA

According to the most recent data, inflation-adjusted per capita personal income in the Lexington metro area grew at a rate of 4.0 percent in 2015. This pace was almost double that of the previous year (2.3 percent from 2013 to 2014) and slightly above the pace for the nation during the same time period (3.5 percent). Despite the recent growth, real per capita income levels in the metro area and the commonwealth remain well below the national average and the average of nearby metro areas. In Lexington, for instance, the current real per capita income of \$44,191 is 9.2 percent below income levels in nearby metro areas and more than 10.0 percent below the national average of \$49,370.

CONSUMER FINANCES

Consumer debt levels in the Lexington metro area, as in Kentucky, are well below the national average.

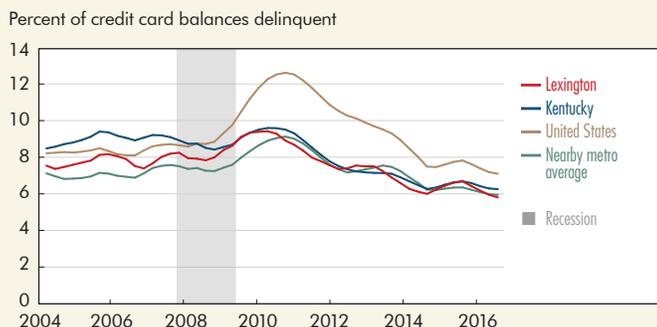


Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

◀ CONSUMER DEBT

Consumer debt levels in the Lexington metro area, Kentucky, and the nation have remained relatively flat since late 2014, following the deleveraging cycle that began in late 2009. In addition, both the Lexington metro area and the commonwealth continue to have consumer debt levels that are well below the national average. For instance, debt levels in the Lexington metro area are 14 percent below the national average and 6 percent below the average of nearby metro areas. Even with some recent (modest) growth in debt levels, current consumer debt in the Lexington metro area is more than 11 percent below the average level from 2007.

The credit card delinquency rate for the Lexington metro area continues to drop from its peak in 2010.



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

◀ CREDIT CARD DELINQUENCY RATES

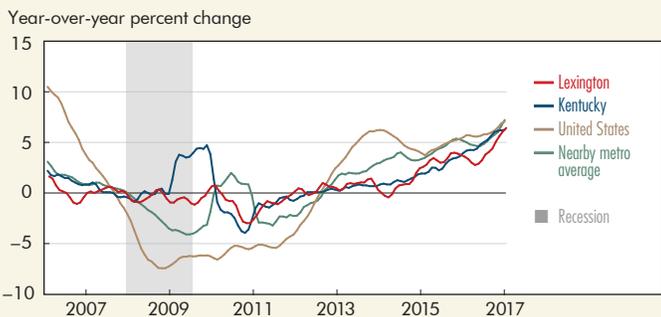
The credit card delinquency rate for the Lexington metro area continues to drop from its peak of 9.5 percent in 2010, and it remains well below the national rate. According to the most recent data available (2016:Q4), 5.8 percent of all credit card balances are considered delinquent in Lexington, compared to 6.3 percent for Kentucky and 7.1 percent for the nation. The current rates for both the Lexington metro area and Kentucky are either the lowest recorded rate or tie the lowest recorded rate documented by the Equifax data (available since 2004:Q1).

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Year-over-year home price growth in the Lexington metro area has accelerated in the past six months.



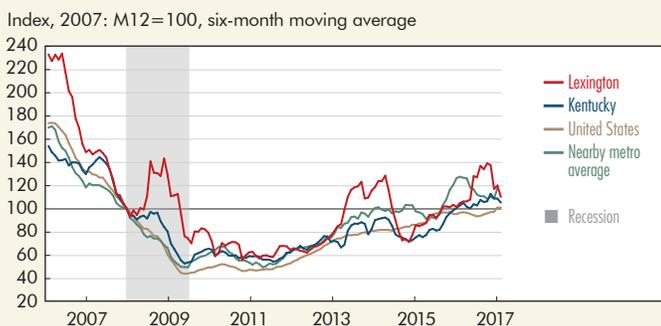
Source: Zillow.com/Haver Analytics.

HOUSING MARKET

HOUSING PRICES

Year-over-year nominal home price growth in the Lexington metro area has accelerated noticeably in the past six months and is now much closer to the national average than at any time in the post-recession period. In the most recent reading (January 2017), annualized home price growth in the area was 6.6 percent, just slightly higher than Kentucky's rate (6.4 percent) and just slightly less than the national rate (7.2 percent). One of the reasons the Lexington metro area and Kentucky have experienced slower growth in nominal home prices is that these housing markets weathered the recession much better than the nation as whole. For example, while home prices dropped 3.6 percent in the Lexington metro area and 4 percent in Kentucky during the Great Recession, home prices nationally fell more than 20 percent. Home prices nationally also remain about 0.6 percent below pre-recession peak values, while prices in the Lexington metro area and Kentucky are presently 11.5 percent and 10 percent above their pre-recession peak figures, respectively.

Though the number of permits issued for new private homes in the Lexington area has slowed in 2017, it is still 10 percent higher than in December 2007.



Source: US Census Bureau/Haver Analytics.

HOUSING PERMITS

Although permits for new private homes in the Lexington metro area have slowed in 2017 from their surge in the second half of 2016, the rate remains above that of the commonwealth and the nation relative to December 2007 levels. In the most recent data available (February 2017), the number of permits for new homes in the Lexington metro area are 10 percent more than December 2007 levels, compared to 5 percent for Kentucky and 0.9 percent for the nation. A total of 2,600 new permits were issued in the Lexington metro area in 2016; this is the highest number of permits issued in a year since 2006.

DEMOGRAPHICS AND EDUCATION

LEXINGTON, KENTUCKY

As of 2015, the Lexington metro area has a population of more than 500,000, up 7.1 percent since 2009. During the same period, population growth in the nation increased at a rate of only 4.8 percent. The presence and strength of the education sector is also evident, as the Lexington metro area has a higher percentage of adults with bachelor's degrees than the national average (35.5 percent compared to 30.6 percent) and a lower percentage of adults without high school diplomas (11.2 percent compared to 12.9 percent).

	Lexington Metro Area		United States	
	2015	Change from 2009	2015	Change from 2009
Population	500,535	+7.1%	321,419,000	+4.8%
Adults with less than a high school diploma (percent)	11.2	-2.2	12.9	-1.9
Adults with an undergraduate degree or higher (percent)	35.5	+1.0	30.6	+2.7
Median age (years)	36	1.1	37.8	+1
Median household income	\$54,593	+2.9%	\$57,325	+0.5%

Sources: 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).