

# FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



LEXINGTON, KENTUCKY MSA | SEPTEMBER 2017

FEDERAL RESERVE BANK of CLEVELAND

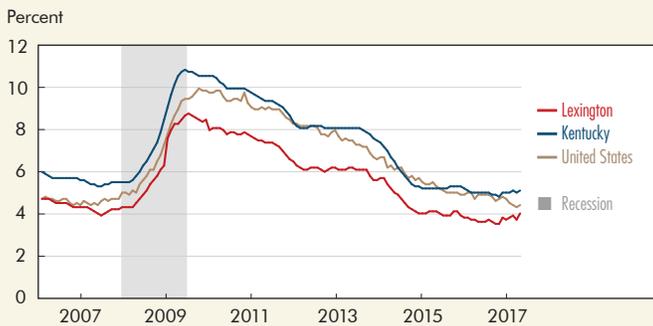
## Lexington—Continued Economic Growth

The Lexington metropolitan area continues to exhibit signs of economic growth across various performance metrics. Most notably, recent figures for unemployment, real GDP per capita, income per capita, consumer debt, and credit card delinquency rates are near prerecession levels. Additionally, employment has been following a general upward trend since 2010, and most sectors experienced employment growth between 2015 and 2016. Furthermore, housing prices and permits have been increasing in recent months. Finally, population levels, education levels, and median household income have increased from 2010 to 2015 and to a greater degree than the nation overall.

### METRO AREA SNAPSHOT

	Unemployment Rate		Median Home Value		Payroll Employment		Credit Card Delinquency Rate	
	June 2017 (percent)	One-year change (percentage points)	June 2017	One-year change (percent)	December 2016 (thousands)	One-year change (percent)	2017:Q1 (percent)	One-year change (percentage points)
Lexington	4.0	0.4	\$159,500	9.4	265	0.2	5.8	-0.7
Kentucky	5.1	0.1	\$135,300	5.7	1,863	0.6	6.3	-0.3
United States	4.4	-0.5	\$200,400	7.4	142,524	1.3	7.1	-0.6

As of June 2017, the unemployment rate in the Lexington metro area has been at or below 4.1 percent for 31 consecutive months.

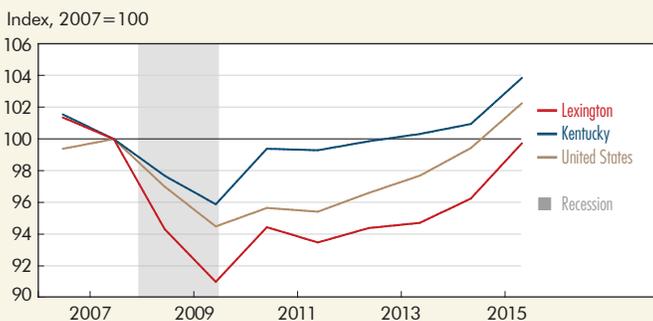


Source: Bureau of Labor Statistics/Haver Analytics.

#### ◀ UNEMPLOYMENT RATE

The unemployment rate in the Lexington metro area hit the 4.0 percent mark in June 2017, following 17 consecutive months of remaining below this threshold. Despite this recent uptick, the metro area's current reading remains well below the unemployment rate in both the commonwealth (5.1 percent) and the nation (4.4 percent). In addition, the unemployment rate in the metro area has been very stable for quite some time, remaining at or below 4.1 percent since December 2014 (31 consecutive months). The metro area's unemployment rate has also averaged at least one percentage point lower than both the commonwealth's and the nation's rates during the past 12 months.

Though per capita inflation-adjusted GDP in the Lexington metro area is growing, it continues to be below its 2007 level.



Source: Bureau of Economic Analysis/Haver Analytics.

#### ◀ GROSS DOMESTIC PRODUCT

Following the downturn, per capita inflation-adjusted GDP grew 9.7 percent in the Lexington metro area between 2009 and 2015, which is the most recent year data are available for the metro area. During the same period, per capita GDP expanded at a rate of 8.3 percent for the commonwealth and 8.4 percent for the nation. Even though the Lexington metro area had greater GDP growth than the commonwealth and the nation from 2007 to 2015, the metro area's strong population growth has kept its per capita GDP below its 2007 level.

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The Lexington metro area's employment has trended upward since 2010.

Index, 2007:M12=100



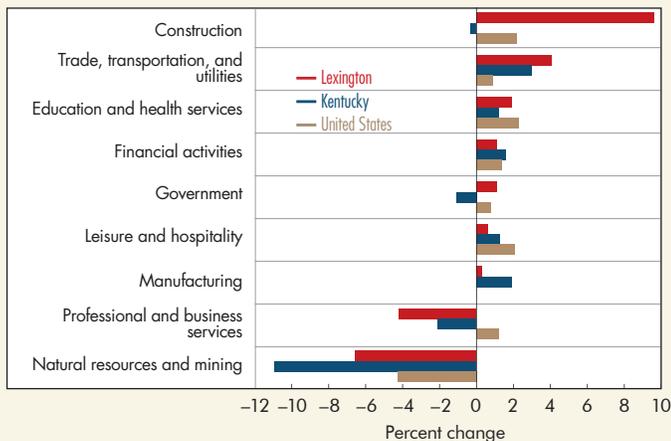
Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

## EMPLOYMENT AND INDUSTRIAL SECTORS

### ◀ EMPLOYMENT

Since 2010, employment has been trending upward for the Lexington metro area, the commonwealth, and the nation, although there was a slight decrease in employment in the metro area and the commonwealth near the end of 2016. Despite this decrease, during the past 10 years, the Lexington metro area's employment growth has been stronger than that of the commonwealth and the nation. As of December 2016, the metro area, the commonwealth, and the nation exhibited employment levels that were above 2007 levels by 7.6 percent, 3.2 percent, and 5.0 percent, respectively.

Construction employment grew strongly in the Lexington metro area in 2016, well outpacing the sector's growth in the commonwealth and the nation.



### ◀ EMPLOYMENT GROWTH BY SECTOR

Of nine employment supersectors, natural resources and mining was the only one to experience year-over-year job losses in the Lexington metro area, the commonwealth, and the nation during 2016. Both the metro area and the commonwealth also saw job losses in the professional and business services sector, with losses of 4.2 and 2.1 percent, respectively. Employment growth in the metro area outpaced both the commonwealth and the nation in the construction and trade, transportation, and utilities sectors. Construction employment expanded at a pace of 9.7 percent in the metro area in 2016, compared to -0.3 percent in the commonwealth and 2.2 percent in the nation. Metro area growth in other sectors, including education and health services, financial activities, government, and manufacturing, was generally on pace with that of the nation during the past 12 months.

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

Across all sectors, the Lexington metro area gained more than 2,600 jobs in 2016.

Sector	Employment	12-month change	Share of employment
Trade, transportation, and utilities	53,145	2,085	19.6
Government	47,776	500	17.6
Professional and business services	40,064	-1,778	14.8
Education and health services	32,836	619	12.1
Manufacturing	30,884	80	11.4
Leisure and hospitality	30,350	179	11.2
Construction	12,844	1,133	4.7
Financial activities	9,461	100	3.5
Natural resources and mining	4,104	-289	1.5

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

### ◀ SECTOR EMPLOYMENT

Between December 2015 and December 2016, most sectors in the Lexington metro area experienced job gains. The largest sector—trade, transportation, and utilities—gained more than 2,000 jobs during the year and now employs 53,145 people (19.6 percent of the metro area's total). In percentage terms, the construction sector experienced the most growth, with the number of jobs expanding by 9.7 percent (1,133 jobs). The professional and business services and natural resources and mining sectors are the only two sectors to shed jobs over the past year, with declines of 1,778 jobs (-4.2 percent) and 289 jobs (-6.6 percent), respectively.

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The Lexington metro area's income per capita has been rising steadily since 2013.

Thousands of dollars



Source: Bureau of Economic Analysis/Haver Analytics.

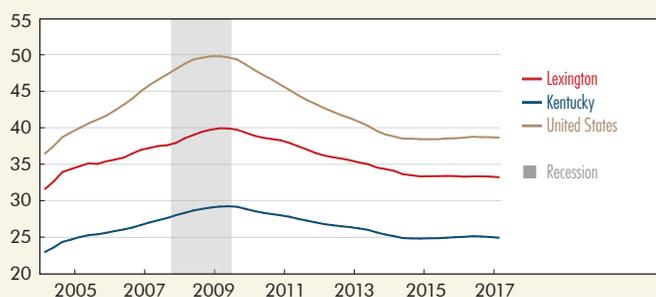
## INCOME

### INCOME PER CAPITA

The most recent data continue to show that the Lexington metro area's inflation-adjusted per capita income (\$44,347) remains above the per capita income of the commonwealth (\$39,738) but below that of the nation (\$49,625). Because of slower growth in the metro area from 2009 to 2015, the income gap between the metro area and the nation has widened since 2007. The metro area's per capita income was 11.9 percent below that of the nation in 2015, compared to having been only 5.8 percent below that of the nation prior to the financial crisis. Income growth has been rising steadily in the metro area, the commonwealth, and the nation since 2013, with year-over-year growth rates exceeding 4 percent for the metro area and the commonwealth between 2014 and 2015.

Since 2014, consumer debt per capita for the Lexington metro area has generally plateaued.

Thousands of dollars



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

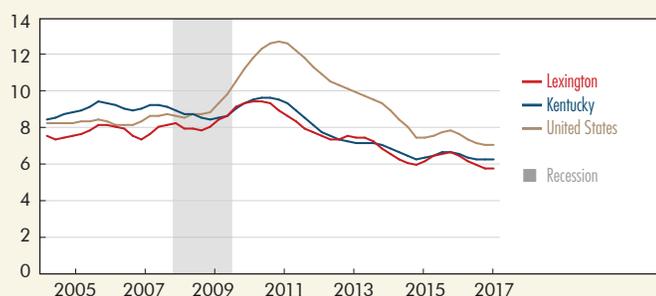
## CONSUMER FINANCES

### CONSUMER DEBT

As of March 2017, consumer debt per capita in the Lexington metro area was \$33,175, a 0.2 percent decrease from March 2016, when consumer debt per capita was \$33,245. Since June 2014, consumer debt per capita for the metro area, commonwealth, and nation has generally plateaued. Though consumer debt per capita in March 2017 for the metro area was higher than that of the commonwealth (\$24,773), it remains much lower than that of the nation (\$38,674). Average debt levels in the metro area are currently 16.9 percent below their peak 2009 level (\$39,964).

The Lexington metro area's credit card delinquency rate is lower than that of Kentucky and the United States.

Percent of credit card balances delinquent



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

### CREDIT CARD DELINQUENCY RATES

As of March 2017, the Lexington metro area's credit card delinquency rate was at 5.8 percent—its lowest rate since 2004. This is also lower than its rate in March 2016 (6.5 percent). Additionally, the metro area's credit card delinquency rate was lower than the commonwealth's (6.3 percent) and the nation's (7.1 percent) in March 2017. The Lexington metro area generally fared better in terms of delinquency rates during the recession when compared to Kentucky and the United States. Since reaching its peak rate of 9.5 percent in 2010, the metro area's delinquency rate has experienced a general yet unsteady downward trend.

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Housing prices in the Lexington metro area rose 9.4 percent year-over-year in June 2017.

Year-over-year percent change



Source: Zillow.com/Haver Analytics.

The number of residential building permits issued in the Lexington metro area has slightly increased since May 2017.

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



Source: US Census Bureau/Haver Analytics.

## HOUSING MARKET

### HOUSING PRICES

In June 2017, the median home value in the Lexington metro area was \$159,500. While this was higher than the commonwealth's median home value (\$135,300), it was not as high as the national median home value (\$200,400). The year-over-year growth rate in the metro area's median home value reached its highest point since 2006 in June 2017 (9.4 percent). This figure for June 2017 is also larger than the corresponding figure for the commonwealth (5.7 percent) and the nation (7.4 percent). Since June 2016, the growth rate of the metro area's median home value has been increasing, although this has slowed slightly during the second quarter.

### HOUSING PERMITS

The number of building permits issued has followed a relatively volatile trend in the Lexington metro area when compared to the commonwealth and the nation. In July 2017, the metro area's number of building permits was 15.8 percent above its 2007 number; however, this number is not nearly as high as it was in 2006, the year during which the number of housing permits peaked at 234.8 percent above its 2007 number. Additionally, the metro area's July 2017 number of housing permits was less than its July 2016 number, which was 27.3 percent more than its 2007 number. The metro area's permit index in July 2017 was higher than that of the commonwealth (5.7 percent) and the nation (1.0 percent).

## DEMOGRAPHICS AND EDUCATION

### LEXINGTON, KENTUCKY

The Lexington metro area and the nation have seen increases in their populations since 2010 (5.7 percent and 3.7 percent, respectively). Both the Lexington metro area and the nation have seen increases in the percentage of adults with at least a bachelor's degree and decreases in the percentage of adults with less than a high school diploma. For both metrics—adults with less than a high school diploma and adults with a bachelor's degree or higher—the metro area outperformed the nation between 2010 and 2015. The portion of the metro area's adult population that has at least a bachelor's degree (35.5 percent, a 4.4 percentage point increase from 2010) is higher than that of the nation (30.6 percent, a 2.4 percentage point increase from 2010). While the metro area still trails the nation in median household income, median household income has increased at a faster rate in the metro area than it has in the nation (5.6 percent versus 2.5 percent).

	Lexington Metro Area		United States	
	2015	Change from 2010	2015	Change from 2010
Population	500,663	+5.7%	320,897,000	+3.7%
Adults with less than a high school diploma	11.2%	-2.1 pp	12.9%	-1.6 pp
Adults with an undergraduate degree or higher	35.5%	+4.4 pp	30.6%	+2.4 pp
Median age (years)	36.0	+0.8	37.8	+0.6
Median household income	\$54,896	+5.6%	\$57,643	+2.5%

Note: Percentage points is abbreviated as pp.  
Source: US Census Bureau population estimates, American Community Survey.

All monthly and quarterly figures are seasonally adjusted, and all dollar figures are in constant dollars, for which the base period is provided by the latest available data. Home prices are an exception, and they are not adjusted for inflation. 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 prerecession levels. If levels were growing before the recession, prerecession indexes will be below 100; if levels were falling before the recession, prerecession 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).