

# FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



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LEXINGTON, KENTUCKY MSA | MAY 2018

FEDERAL RESERVE BANK of CLEVELAND

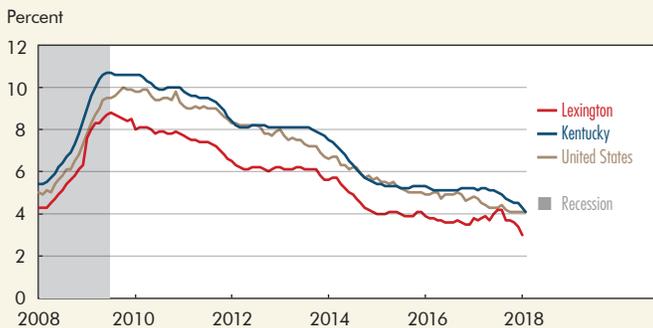
## Lexington—Steady Growth Continues

Growth in the Lexington metro area continues at a steady pace as evidenced by a decreasing unemployment rate, increasing employment, increasing median home values, stable levels of consumer debt, and historically low credit card delinquency rates. In addition, according to the Bureau of Labor Statistics, the Lexington metro area had the second-lowest metro area unemployment rate in Kentucky in January 2018, trailing only the Evansville, IN-KY metro area.

### METRO AREA SNAPSHOT

	Unemployment Rate		Median Home Value		Payroll Employment		Credit Card Delinquency Rate	
	January 2018 (percent)	One-year change (percentage points)	February 2018	One-year change (percent)	September 2017 (thousands)	One-year change (percent)	2017:Q4 (percent)	One-year change (percentage points)
Lexington	3.0	-0.8	\$161,600	4.1	269	0.7	6.2	0.4
Kentucky	4.3	-0.9	\$139,400	4.3	1,877	0.5	6.7	0.4
United States	4.1	-0.7	\$210,200	7.6	143,869	1.0	7.2	0.1

In January 2018, the Lexington metro area's unemployment rate was the lowest it has been in a decade.

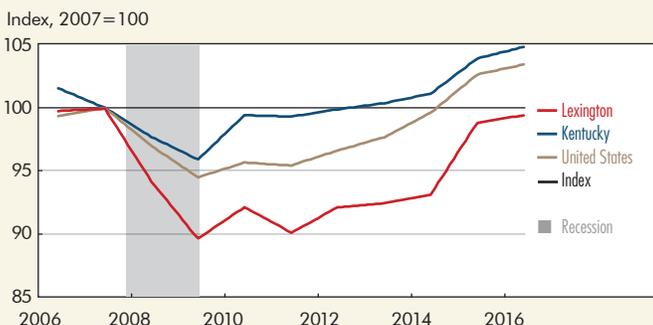


Source: Bureau of Labor Statistics/Haver Analytics.

#### ◀ UNEMPLOYMENT RATE

In January 2018, the Lexington metro area's unemployment rate was 3.0 percent, the lowest rate in the past decade and the second lowest metro area rate in Kentucky behind the Evansville, IN-KY metro area. Kentucky and the United States also saw their lowest unemployment rates of the past decade, with the state's unemployment rate dropping to 4.3 percent and the nation's rate dropping to 4.1 percent. The Lexington metro area's unemployment rate has also fallen sharply during the past 6 months—from 4.2 percent in August 2017 to 3.0 percent in January 2018. This reduction of 1.2 percentage points is the largest 6-month drop in the metro area's unemployment rate since mid-2014.

Though the Lexington metro area's per capita GDP continues to improve, it has yet to return to its prerecession level.



Source: Bureau of Economic Analysis/Haver Analytics.

#### ◀ GROSS DOMESTIC PRODUCT

The Lexington metro area's per capita GDP continues to improve; however, growth has flattened somewhat since 2015 for the metro area, the state, and the nation. Despite the recent slowdown, per capita GDP growth in the metro area, the state, and the nation has expanded by 11 percent, 9.5 percent, and 9.6 percent, respectively, since the recovery began in 2009. Because the metro area also experienced a much larger percentage reduction in per capita GDP than either Kentucky or the United States between 2007 and 2009, per capita GDP in 2016 in the metro area remains 0.5 percent lower than its 2007 level. In contrast, 2016 per capita GDP levels for the state and the nation are now 4.9 percent higher and 3.5 percent higher than their respective prerecession levels.

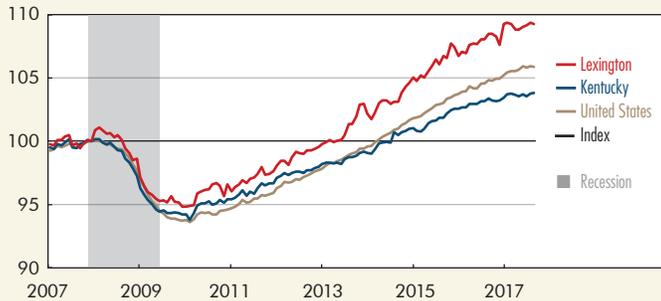
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MAY 2018

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Employment in the Lexington metro area continues to outperform Kentucky and the United States.

Index, 2007:M12=100



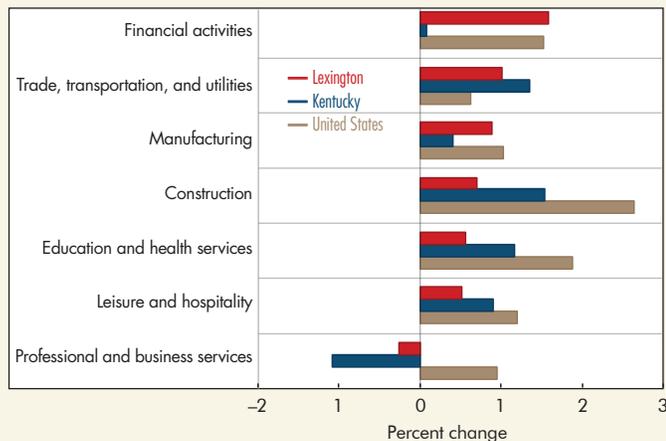
Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

## EMPLOYMENT AND INDUSTRIAL SECTORS

### EMPLOYMENT

Employment continues to increase in the Lexington metro area, Kentucky, and the United States. By September 2017, employment levels were 9.4 percent higher than December 2007 levels in the metro area, 3.9 percent higher in the state, and 6.0 percent higher in the nation. The metro area's employment level returned to its prerecession peak in May 2013. By comparison, state and national employment did not return to their prerecession levels until August 2014 and April 2014, respectively. In general, the metro area has been able to recover from the recession at a faster rate than both the state and the nation. After April 2012, the gap in recovery rates for the metro area and the state became apparent and has continued to widen. In May 2013, the national recovery surpassed the state recovery, but though the nation has continued to outperform the state, it has yet to outpace the metro area.

Financial activities was the fastest-growing major sector in the Lexington metro area between September 2016 and September 2017.



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

### EMPLOYMENT GROWTH BY SECTOR

Between September 2016 and September 2017, the Lexington metro area's financial activities sector experienced the highest growth rate (1.6 percent) of all sectors. The sector was also the only sector in the metro area that saw a higher employment growth rate than the state (0.1 percent) and the nation (1.5 percent). Although the financial activities sector constitutes only 3.5 percent of employment in the metro area, its growth is welcome because its average annual private salary (\$70,236) is about 57 percent higher than the average annual private salary for the metro area (\$44,662). The metro area's professional and business services sector was the only sector to see a decrease in employment (0.3 percent). Trade, transportation, and utilities, the sector that employs the most people in the metro area, saw the second-highest increase in the employment growth rate (1.0 percent). The average annual private salary for this sector in the Lexington metro area is \$44,709, just 0.1 percent higher than the average annual private salary for all sectors in the metro area.

During the year that ended with September 2017, the number of jobs grew in all but one of the Lexington metro area's major sectors.

Sector	Employment	12-month change	Share of employment
Trade, transportation, and utilities	51,144	511	18.9
Government	49,736	997	18.4
Professional and business services	37,534	-95	13.9
Education and health services	33,097	183	12.3
Leisure and hospitality	31,574	163	11.7
Manufacturing	30,677	269	11.4
Construction	13,018	91	4.8
Financial activities	9,530	149	3.5
Natural resources and mining	4,578	86	1.7

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

### SECTOR EMPLOYMENT

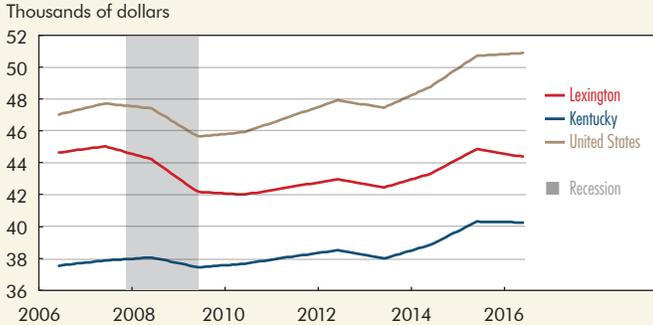
As overall employment increased by 0.8 percent in the Lexington metro area from September 2016 to September 2017, all but one sector saw growth. The professional and business services sector decreased at a rate of 0.3 percent. Trade, transportation, and utilities—the metro area's largest sector—added more than 500 jobs, a 1.0 percent increase. The government sector added nearly 1,000 jobs, the highest number of jobs added by any sector; this was a 2.0 percent increase for the sector from September 2016.

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On a year-over-year basis, per capita income decreased for the Lexington metro area by 1.2 percent.



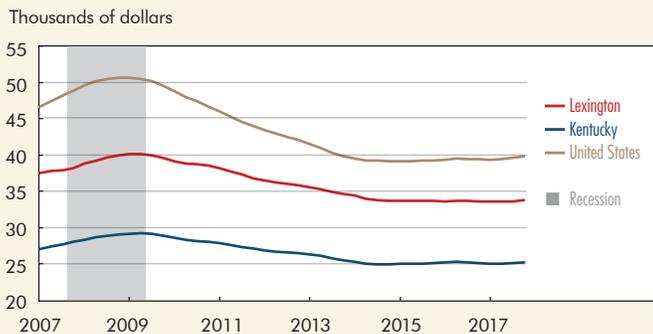
Source: Bureau of Economic Analysis/Haver Analytics.

## INCOME

### ◀ PER CAPITA INCOME

Although employment has been generally increasing since June 2015, per capita income growth flattened for the metro area, state, and nation. Per capita income even decreased slightly for the metro area. In this case, both the population and personal income levels increased from 2015 to 2016, but population growth outpaced personal income growth. By June 2016, per capita income was \$44,399 in the metro area, \$40,301 in the state, and \$50,930 in the nation. On a year-over-year basis, per capita income decreased for the Lexington metro area (by 1.2 percent) and state (by 0.1 percent), and it increased slightly for the nation (by 0.3 percent).

Consumer debt in the Lexington metro area has remained flat for the past three years.



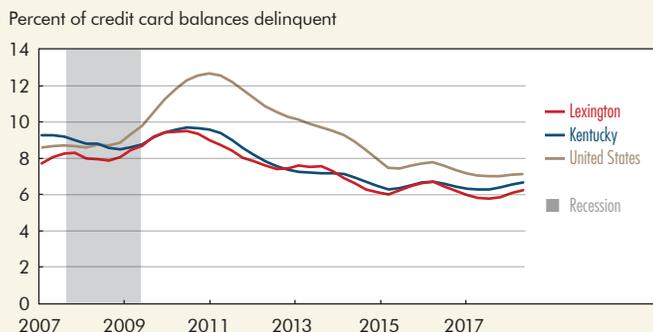
Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

## CONSUMER FINANCES

### ◀ CONSUMER DEBT

Consumer debt has remained flat since approximately June 2014 for the Lexington metro area, the state, and the nation. Since then, average consumer debt was \$33,566 for the metro area, \$24,987 for the state, and \$39,208 for the nation. By December 2017, consumer debt had increased slightly for the metro area (\$33,633), the state (\$25,101), and the nation (\$39,717). From June 2014 to December 2017, the average monthly rate of change in total consumer debt at the metro area, state, and national levels was less than 1.0 percent.

Since 2010, credit card delinquency rates in the Lexington metro area have been generally trending downward.



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

### ◀ CREDIT CARD DELINQUENCY RATE

Credit card delinquency rates remain below those seen during the recession and also below the peak levels observed immediately after the recession. Compared to peak rates observed in 2010, credit card delinquency rates in December 2017 were lower by 34.2 percent, 31.1 percent, and 43.6 percent for the Lexington metro area, Kentucky, and the United States, respectively. Since 2010, the delinquency rates have been generally trending downward despite some minor oscillation, particularly for the metro area and the state. Current delinquency rates for the metro area, the state, and the nation are 6.2 percent, 6.7 percent, and 7.2 percent, respectively.

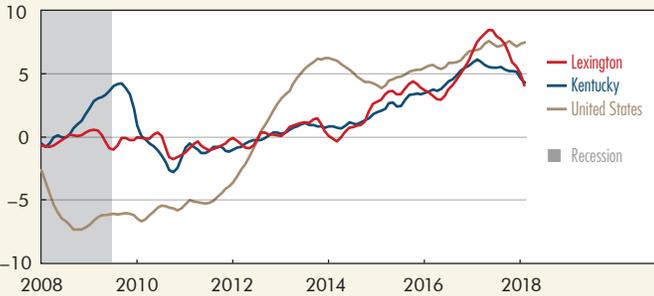
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Lexington metro area median home values continue to increase on a year-over-year basis.

Year-over-year percent change



Source: Zillow.com/Haver Analytics.

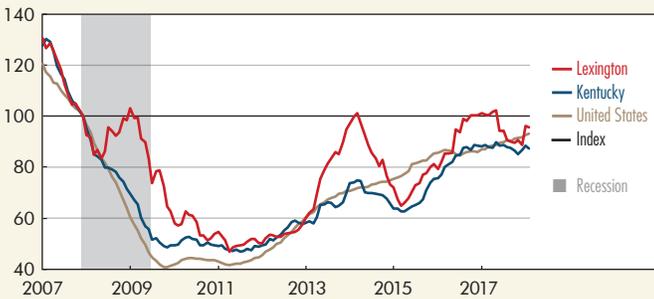
## HOUSING MARKET

### HOUSING PRICES

Median home values continue to increase on a year-over-year basis, although rates of growth are slowing for the Lexington metro area and Kentucky. The metro area achieved its record-high median home value of \$162,000 in January 2018. As of February 2018, the median home value for the metro area was \$161,600, and the state and the nation reached their record highs, with median home values of \$139,400, and \$210,200, respectively.

As of February 2018, building permits issued in the Lexington metro area still trail their prerecession levels.

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



Source: US Census Bureau/Haver Analytics.

### HOUSING PERMITS

Although housing permit issuances are generally trending upward in the metro area, state, and nation, the number of permits issued remains below prerecessionary levels. In the Lexington metro area, the number of permits issued in February 2018 was 4.4 percent below its prerecession level. By comparison, the pace was somewhat slower for the state and the nation, as their numbers of permits issued were 12.8 percent and 6.7 percent below their respective prerecession levels. For brief periods of time, the metro area saw issuance levels at or above its prerecession levels, but this has not been experienced since May 2017.

## DEMOGRAPHICS AND EDUCATION

### LEXINGTON, KENTUCKY

The Lexington metro area's population is increasing at a faster rate than the nation as a whole. According to the Census Bureau, the growing population can be attributed to in-migration (both domestic and international) as well as the higher birth-to-death ratio. Although the metro area's median household income is nearly 7 percent lower than the nation's, income is growing more strongly in the metro area than in the nation overall. Additionally, 37.2 percent of the metro area's adult population has at least a bachelor's degree; this is 5.9 percentage points greater than the nation's same population. Lexington's proximity to the University of Kentucky makes higher education more accessible to those living in the metro area.

	Lexington Metro Area		United States	
	2016	Change from 2010	2016	Change from 2010
Population	506,760	+7.1%	323,406,000	+4.5%
Adults with less than a high school diploma	11.2%	-2.1 pp	12.5%	-1.9 pp
Adults with an undergraduate degree or higher	37.2%	+6.1 pp	31.3%	+3.1 pp
Median age (years)	35.9	+0.7	37.9	+0.7
Median household income	\$55,782	+5.6%	\$59,774	+4.6%

Note: Percentage points is abbreviated as pp.

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

Gary Wagner is vice president and senior regional officer of the Cincinnati Branch of the Federal Reserve Bank of Cleveland. Mary DeStefano is a research analyst at the Branch. The authors thank senior research analyst Christopher Vecchio for preparing the charts.

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.

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