

# FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



Guhan Venkatu and Julianne Dunn

LEXINGTON, KENTUCKY MSA | SEPTEMBER 2018

FEDERAL RESERVE BANK of CLEVELAND

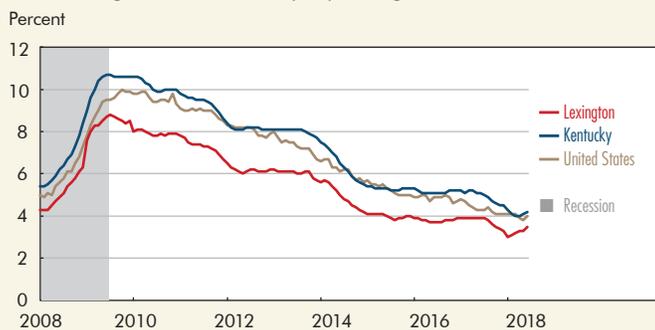
## Lexington—A Strong Labor Market but Some Signs of Stress

Though the unemployment rate ticked up about half a percentage point in the Lexington metro area in the first half of 2018, it remained low at 3.5 percent in June 2018. And although several sectors experienced employment declines, employment grew overall in the metro area about 1.0 percent during 2017. Home price growth slowed but remains robust, while per capita consumer debt levels and credit card delinquency rates have ticked up in recent quarters. Finally, per capita GDP growth in the metro area slowed in 2016, while per capita income fell.

### METRO AREA SNAPSHOT

	Unemployment Rate		Median Home Value		Payroll Employment		Credit Card Delinquency Rate	
	June 2018 (percent)	One-year change (percentage points)	June 2018	One-year change (percent)	December 2017 (thousands)	One-year change (percent)	2018:Q1 (percent)	One-year change (percentage points)
Lexington	3.5	-0.4	\$171,600	6.8	269	1.0	6.4	0.6
Kentucky	4.2	-0.9	\$139,200	6.1	1,876	0.5	6.8	0.6
United States	4.0	-0.3	\$217,300	8.3	144,800	1.5	7.3	0.2

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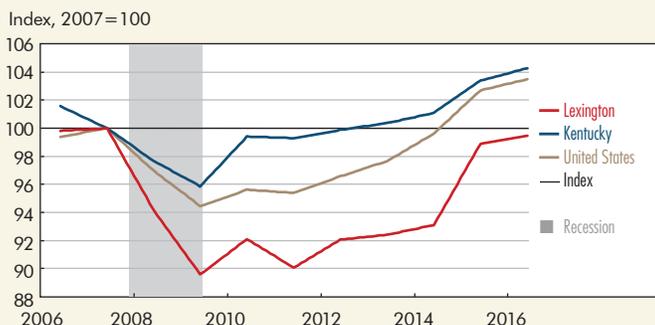


Source: Bureau of Labor Statistics/Haver Analytics.

#### ◀ UNEMPLOYMENT RATE

Following a fairly sizeable drop during 2017, the unemployment rate in the Lexington metro area crept up during the first half of 2018. Arithmetically, the increase is a result of a larger percentage increase in the size of the labor force than in employment between January and June. During this time, the metro area's labor force grew about 1.0 percent, while employment grew by only 0.4 percent; as a result, the unemployment rate ticked up by about half a percentage point. Nevertheless, the unemployment rate remained low at 3.5 percent in June—lower than in Kentucky (4.2 percent) and in the United States as a whole (4.0 percent).

Per capita GDP growth slowed to just 0.6 percent between 2015 and 2016 in the Lexington metro area.



Source: Bureau of Economic Analysis/Haver Analytics.

#### ◀ GROSS DOMESTIC PRODUCT

After growing 6.2 percent between 2014 and 2015, per capita GDP growth slowed to just 0.6 percent between 2015 and 2016 in the Lexington metro area. This growth was slightly slower than that experienced in Kentucky (0.9 percent) and the United States as a whole (0.8 percent). GDP per capita in the metro area remains 0.5 percent lower than it was in 2007, while GDP per capita levels in the state and the nation surpassed their 2007 levels in 2013 and 2015, respectively.

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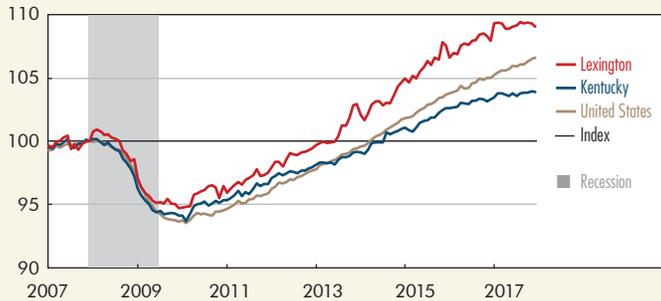
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## EMPLOYMENT AND INDUSTRIAL SECTORS

Employment in the Lexington metro area grew about 1.0 percent in the 12 months leading up to December 2017.

Index, 2007:M12=100

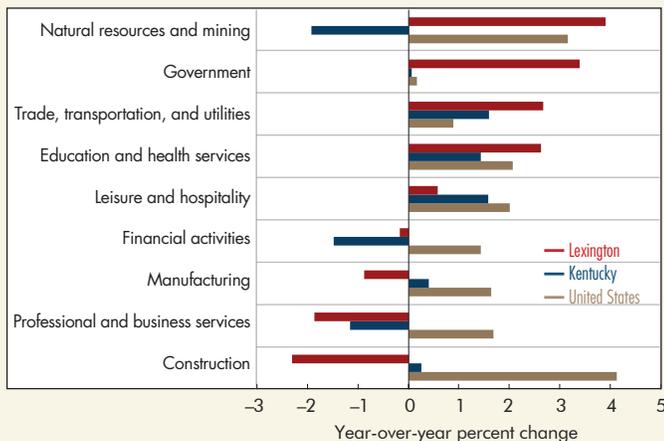


Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

### EMPLOYMENT

Employment in the Lexington metro area grew about 1.0 percent in the 12 months leading up to December 2017. However, these gains were largely achieved in January; declines in the second half of the year unwound small increases in the second quarter. Nevertheless, as of December 2017, there were 9.1 percent more people employed in the metro area compared with 10 years earlier, suggesting that the metro area has had a relatively healthy recovery from the Great Recession. By contrast, during the same period, employment in Kentucky grew 3.9 percent, and employment in the United States grew 6.6 percent.

Several sectors in the Lexington metro area experienced employment declines in the 12 months leading up to December 2017.



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

### EMPLOYMENT GROWTH BY SECTOR

Unlike in the United States, several sectors in the Lexington metro area—construction, professional and business services, manufacturing, and financial activities—experienced employment declines in the 12 months leading up to December 2017. Natural resources and mining was the fastest-growing employment sector in the metro area between December 2016 and December 2017. The sector grew 3.9 percent, but because it is such a small industry—accounting for about 1.6 percent of the area's total employment—its growth represented just 163 additional jobs. Employment at local, state, and federal government institutions increased by 3.4 percent during the same period, while employment in the education and health services sector and in the trade, transportation, and utilities sector each grew by more than 2.5 percent.

The government sector saw the largest gains in employment during the 12 months leading up to December 2017.

Sector	Employment	12-month change	Share of employment
Trade, transportation, and utilities	54,441	1,419	19.9
Government	49,396	1,620	18.0
Professional and business services	39,320	-751	14.4
Education and health services	33,769	864	12.3
Leisure and hospitality	30,731	177	11.2
Manufacturing	30,686	-273	11.2
Construction	12,599	-297	4.6
Financial activities	9,478	-17	3.5
Natural resources and mining	4,326	163	1.6

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

### SECTOR EMPLOYMENT

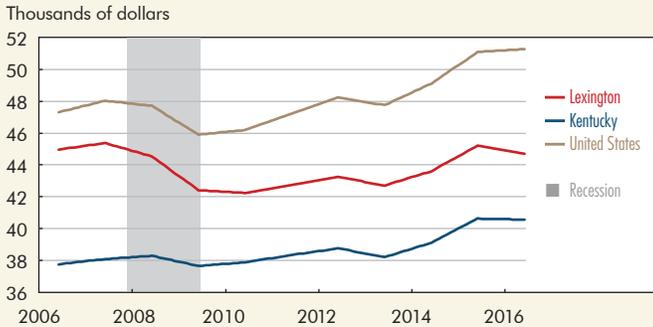
The trade, transportation, and utilities sector and the government sector saw large gains in employment during the 12 months leading up to December 2017, with each sector adding about 1,500 jobs in the Lexington metro area. Nearly one in five people in the metro area works in trade, transportation, and utilities, and more than half of these jobs—about 30,000 of the almost 55,000 total—are in retail and wholesale trade. Education and health services added 864 jobs. The construction and manufacturing sectors each employed about 300 fewer people than a year earlier.

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In 2016, income per capita in the Lexington metro area fell by 1.2 percent, to \$44,696.



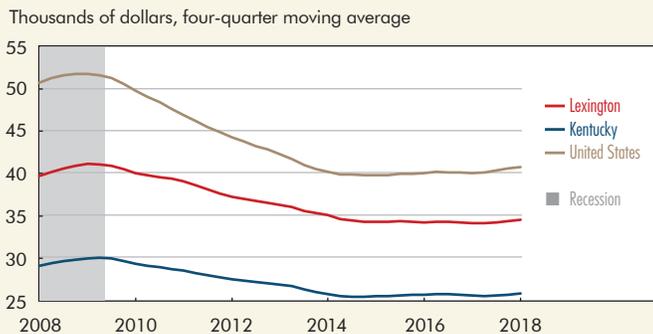
Source: Bureau of Economic Analysis/Haver Analytics.

## INCOME

### ◀ PER CAPITA INCOME

Following strong growth in 2014 and 2015, income per capita in the Lexington metro area fell by 1.2 percent, or \$525, in 2016. The state saw a modest decline, while the nation as a whole experienced a modest increase. At \$44,696, per capita income in the Lexington metro area was more than \$4,000 higher than in Kentucky, but it lagged the national average of \$51,271.

Debt per capita has been fairly stable in the Lexington metro area during the past three years.



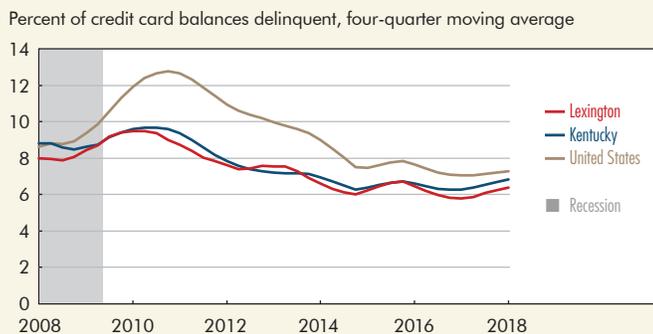
Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

## CONSUMER FINANCES

### ◀ CONSUMER DEBT

Debt per capita has been fairly stable in the Lexington metro area, Kentucky, and the United States during the past three years. In the first quarter of 2018, the metro area's consumer debt per capita ticked up \$368 (1.1 percent) from the first quarter of 2017, to \$34,443. Nevertheless, these levels remain lower than those during the aftermath of the Great Recession. In Kentucky, per capita consumer debt levels also ticked up by about 1.0 percent between the first quarter of 2017 and the first quarter of 2018, to \$25,694, while in the nation as a whole, growth was slightly faster during this period at about 1.7 percent.

In spite of an increase between the first quarter of 2017 and the first quarter of 2018, the Lexington metro area's credit card delinquency rate remains below that of the state and the nation.



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

### ◀ CREDIT CARD DELINQUENCY RATE

The credit card delinquency rate increased 0.6 percentage points between the first quarter of 2017 and the first quarter of 2018 in the Lexington metro area and in Kentucky. At 6.4 percent, the credit card delinquency rate in the metro area is 0.4 percentage points lower than that in Kentucky (6.8 percent) and 0.9 percentage points lower than that in the United States (7.3 percent). However, steady increases during the past several quarters suggest that household financial conditions may be deteriorating slightly.

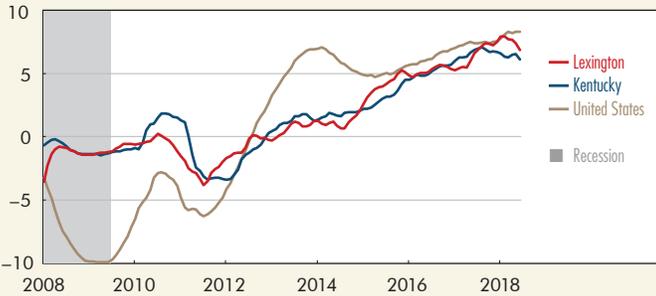
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As of June 2018, the Lexington metro area's median home value has been above its prerecession peak since January 2017.

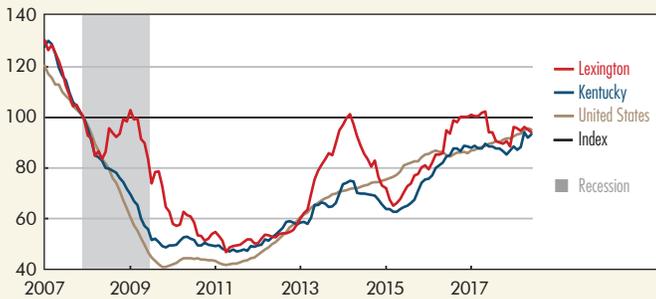
Year-over-year percent change



Source: Zillow.com/Haver Analytics.

The 12-month moving average of building permit issuance in the Lexington metro area in June 2018 matched that of a year earlier.

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



Source: US Census Bureau/Haver Analytics.

## HOUSING MARKET

### HOUSING PRICES

Growth in the Lexington metro area's median home value slowed in May and June 2018 but remained strong at 6.8 percent. At \$171,600 as of June, the median value has been above its prerecession peak (\$155,100 in October 2006) since January 2017. Home price growth also slowed in Kentucky, to 6.1 percent (Kentucky reached its October 2006 peak of \$117,100 in July 2015). Growth was faster in the United States, with the median home value growing 8.3 percent between June 2017 and June 2018. The national median home value surpassed its prerecession peak—a reading of \$200,500 in May 2007—in June 2017.

### HOUSING PERMITS

Overall, the trend in residential building permit issuance has been relatively steady in the Lexington metro area, and the 12-month moving average of building permit issuance in June 2018 matched that of a year earlier. Though the 12-month moving average increased significantly during 2016 before dropping off again, this is largely the result of a strong reading in June 2016. Building permit issuance has risen modestly in Kentucky and in the United States during recent months. In the metro area, state, and nation, permit levels are below where they were at the start of the Great Recession.

## DEMOGRAPHICS AND EDUCATION

### LEXINGTON, KENTUCKY

The Lexington metro area experienced a 13.7 percent increase in population between 2006 and 2016, faster than the increase in the national population of 8.4 percent during the same period. Median household income in the metro area was \$56,453 in 2016, slightly less than in the United States as a whole. Median income declined 0.8 percent between 2006 and 2016; however, this was mostly because it has not fully recovered from a significant drop in 2009. Educational attainment among residents of the Lexington metro area is higher than the national average, with 37.2 percent of adults having attained at least a bachelor's degree.

	Lexington Metro Area		United States	
	2016	Change from 2006	2016	Change from 2006
Population	506,760	+13.7%	323,406,000	+8.4%
Adults with less than a high school diploma	11.2%	-2.8 pp	12.5%	-3.4 pp
Adults with an undergraduate degree or higher	37.2%	+2.4 pp	31.3%	+4.3 pp
Median age (years)	35.9	+0.5	37.9	+1.5
Median household income	\$56,453	-0.8%	\$60,493	-0.1%

Note: Percentage points is abbreviated as pp.

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

Guhan Venkatu is group vice president of Regional Analysis and Outreach at the Federal Reserve Bank of Cleveland. Julianne Dunn is a research analyst at the Bank. The authors thank economic 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.

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).