

# FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



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LEXINGTON, KENTUCKY MSA | MAY 2019

FEDERAL RESERVE BANK of CLEVELAND

## Lexington—Economy Showing Mixed Signals

The Lexington metro area has shown signs of strength in some areas and softness in others. At 3.2 percent in January 2019, the Lexington metro area's unemployment rate remains historically low. Total employment numbers decreased by approximately 0.3 percent in the year leading up to September 2018, driven by large declines in construction, professional and business services, and trade, transportation, and utilities. Though credit card delinquencies ticked down in recent months, so did GDP and income per capita. As of February 2019, Lexington's median home value was \$177,300, up 5.7 percent from the year before.

### METRO AREA SNAPSHOT

	Unemployment Rate		Median Home Value		Payroll Employment		Credit Card Delinquency Rate	
	January 2019 (percent)	One-year change (percentage points)	February 2019	One-year change (percent)	September 2018 (thousands)	One-year change (percent)	2018:Q4 (percent)	One-year change (percentage points)
Lexington	3.2	0.2	\$177,300	5.7	268	-0.3	6.4	0.2
Kentucky	4.2	-0.1	\$144,700	6.5	1,888	0.5	7.1	0.5
United States	4.0	-0.1	\$226,300	7.2	146,414	1.6	7.5	0.3

After ticking up in late 2018, the Lexington metro area's unemployment rate was 0.2 percentage points higher in January 2019 than one year prior.

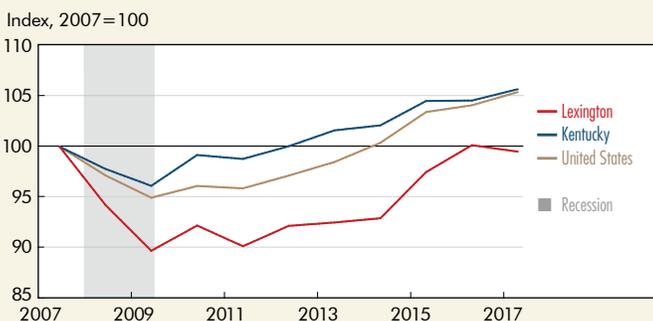


Source: Bureau of Labor Statistics/Haver Analytics.

#### ◀ UNEMPLOYMENT RATE

The Lexington metro area has a particularly tight labor market compared to the rest of the country. The metro area's unemployment rate was 3.2 percent in January 2019, almost a full percentage point lower than Kentucky's (4.2 percent) and the United States' (4.0 percent). All three regions continue to have historically low unemployment rates, indicating significant recovery from recession-era peaks of unemployment.

GDP per capita in the Lexington metro area fell at approximately a 0.7 percent annualized rate in the first half of 2017.



Source: Bureau of Economic Analysis/Haver Analytics.

#### ◀ GROSS DOMESTIC PRODUCT

After experiencing robust growth of 7.9 percent from June 2014 to June 2016, the Lexington metro area's GDP per capita fell at a 0.7 percent annualized rate in the first half of 2017. This drop was a contrast to GDP per capita in the state and the nation, both of which continued to increase in the first half of 2017 (although both increased at a slower pace than the metro area from June 2014 to June 2016). On the downside, while the state and the nation had surpassed their prerecession levels by 2015, the metro area remained just under its prerecession level in June 2017.

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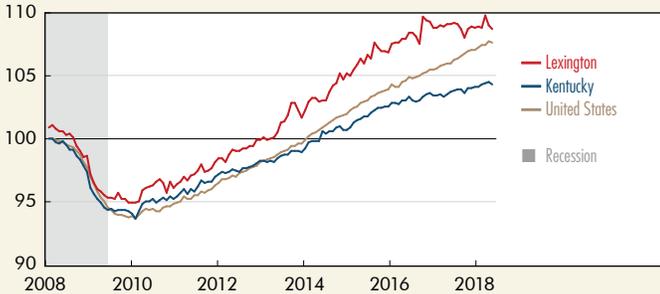
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## EMPLOYMENT AND INDUSTRIAL SECTORS

Employment in the Lexington metro area fell approximately 0.3 percent in the year through September 2018.

Index, 2007:M12=100

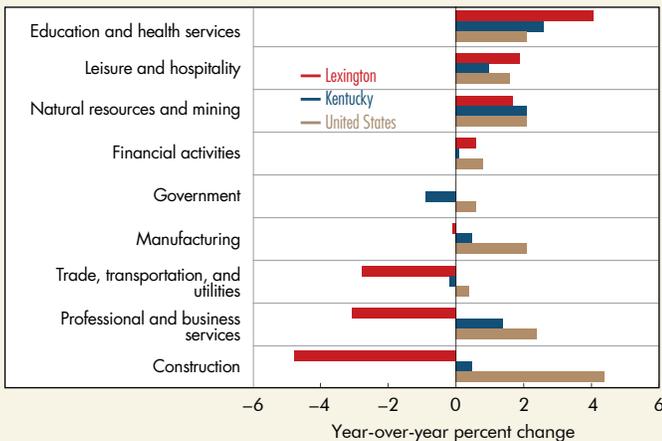


Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

### EMPLOYMENT

Employment in the Lexington metro area declined 0.3 percent in the year through September 2018. In contrast, Kentucky and the United States saw positive employment growth—0.5 percent and 1.6 percent, respectively—during the same time. When measured from the onset of the last recession, the metro area's employment growth has totaled 8.0 percent, outperforming Kentucky (4.4 percent) and the United States (7.8 percent), though the average gap in year-over-year growth rates between the metro area and the nation has been getting smaller in recent months.

Construction, professional and business services, and manufacturing continue to see employment declines in the Lexington metro area.



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

### EMPLOYMENT GROWTH BY SECTOR

In the Lexington metro area, several industries that saw employment declines in 2017 continued to experience declines into September 2018. Construction employment had particularly large declines, decreasing 4.8 percent year-over-year in September 2018. By contrast, in Kentucky and the United States, the sector grew 0.5 percent and 4.4 percent, respectively, during the same time. Because the construction sector's share of the metro area's total employment is relatively small (about 4.6 percent), the 4.8 percent decline translates into a loss of 630 jobs. Similar to construction, professional and business services saw a relatively steep decline of 3.1 percent (about 1,151 jobs) year-over-year in September 2018, despite the sector's modest growth in Kentucky and the United States (1.4 percent and 2.4 percent, respectively) during the same time.

The industries in which employment is concentrated in the Lexington metro area have stayed the same, despite changing employment levels within sectors.

Sector	Employment	12-month change	Share of employment
Trade, transportation, and utilities	50,115	-1,439	18.6
Government	49,714	0	18.5
Professional and business services	36,063	-1,151	13.4
Education and health services	34,172	1,332	12.7
Leisure and hospitality	32,159	614	12.0
Manufacturing	30,575	-45	11.4
Construction	12,385	-630	4.6
Financial activities	9,638	57	3.6
Natural resources and mining	4,670	77	1.7

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

### SECTOR EMPLOYMENT

The Lexington metro area's job gains and losses were concentrated within a few sectors in the year through September 2018. The education and health services sector saw the largest employment gains in September 2018 on a year-over-year basis, adding 1,332 jobs to the metro area. Trade, transportation, and utilities saw a large decline in employment in the first three quarters of 2018, reversing the gains experienced by the sector in the fourth quarter of 2017. The metro area's share of government employees is higher than the nation's average (18.5 percent versus 15 percent), a situation which has both positive and negative implications for employment growth. Government employment is typically stable, meaning that fewer jobs will be lost over time. However, that stability also results in fewer jobs being created in the sector.

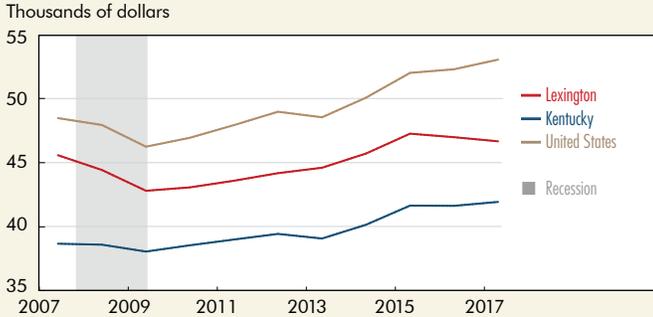
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## INCOME

The Lexington metro area's income per capita fell to \$46,617 in the first half of 2017.



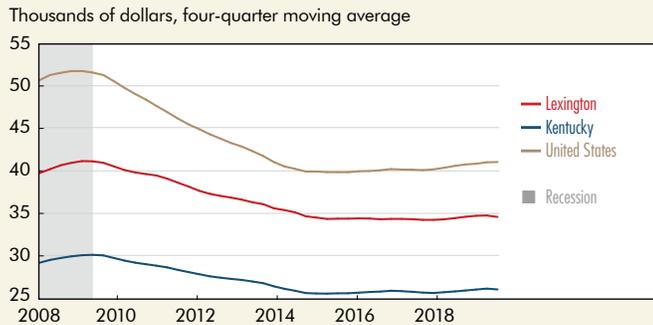
Source: Bureau of Economic Analysis/Haver Analytics.

### ◀ INCOME PER CAPITA

The Lexington metro area's per capita income continued to decline through June of 2017, falling 0.7 percent (to \$46,617) since June of 2016. By contrast, per capita income grew in both Kentucky and the United States as a whole (0.8 percent and 1.5 percent, respectively). The downturn in the metro area's income per capita indicates the population was growing faster than aggregate income from 2016 to 2017. Meanwhile, recent data for the state and the nation indicate that aggregate income has grown faster than population for both.

## CONSUMER FINANCES

Despite falling in the fourth quarter of 2018, the Lexington metro area's debt per capita is up 0.4 percent for the full year.

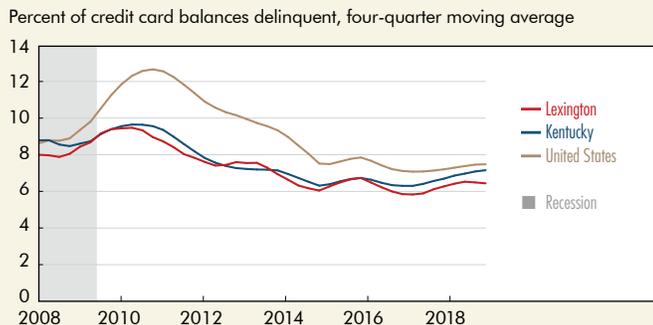


Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

### ◀ CONSUMER DEBT

Although it appears the Lexington metro area's debt per capita ticked down in the fourth quarter of 2018, debt per capita was up 0.4 percent, or \$143, in 2018 overall. On the upside, debt per capita has grown more slowly in the metro area than it has in Kentucky or the United States: In the state and the nation, debt per capita increased 0.9 percent and 1.1 percent, respectively, during 2018. Notably, from 2014 through 2017, debt per capita was approximately \$5,702 lower in the metro area than it was in the nation; however, in 2018, debt per capita was \$6,324 lower in the metro area than it was in the nation. This suggests the gap between the metro area's and the nation's debt per capita has been widening in recent months, likely due to decreases in auto and mortgage debt in the metro area.

In 2018, year-over-year credit card delinquencies grew more slowly in the Lexington metro area than they did in Kentucky and the United States.



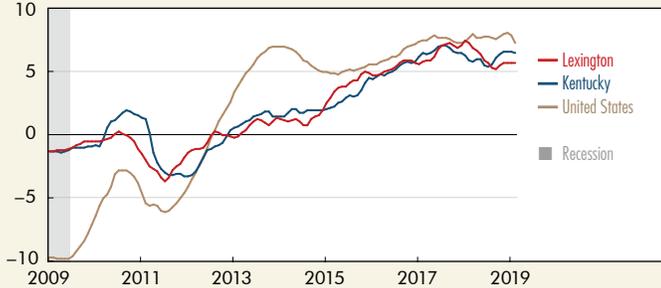
Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

### ◀ CREDIT CARD DELINQUENCY RATE

Year-over-year credit card delinquencies have grown more slowly in the Lexington metro area than they have in Kentucky and the United States (0.2, 0.5, and 0.3 percentage points, respectively). Although delinquencies appeared to decline in 2018, they did not; delinquent balances just grew more slowly than overall balances, resulting in a lower percentage. In the state and the nation, delinquent balances grew faster than overall balances in 2018, resulting in a higher percentage.

Though home values have been rising at a strong pace in the Lexington metro area, they still lag the state and the nation.

Year-over-year percent change



Source: Zillow.com/Haver Analytics.

The 12-month moving average of building permit issuance in the Lexington metro area fell sharply in January 2019.

Index, 2007:M12=100, 12-month moving average



Source: US Census Bureau/Haver Analytics.

## HOUSING MARKET

### HOUSING PRICES

Home values in the Lexington metro area have grown strongly and steadily, increasing 5.7 percent year-over-year every month from November 2018 through February 2019. Despite this strong growth, the metro area still underperformed the state and the nation, which have seen average year-over-year growth rates of 6.6 percent and 7.7 percent, respectively, during the same time. The metro area's median home value was \$177,300 in February 2019; this is higher than Kentucky's (\$144,700) but lower than the United States' (\$226,300). All three regions continue to see home values above their prerecession peaks.

### HOUSING PERMITS

After being relatively flat throughout 2018, the 12-month moving average index of building permit issuance in the Lexington metro area fell approximately 7 percent in January 2019. It is unclear if the metro area's January decrease is a blip in the data or a flattening in the overall trend of growth since 2011. At the same time, permit issuance in Kentucky ticked up 1 percent, and permit issuance in the United States dipped down 0.3 percent. Kentucky is the only region of the three with a level of building permit issuance greater than its prerecession levels, indicating stronger recovery in the state than in the metro area and the nation.

## DEMOGRAPHICS AND EDUCATION

### LEXINGTON, KENTUCKY

The Lexington metro area saw a 13.4 percent increase in population from 2007 to 2017, significantly outpacing population growth in the United States overall. The metro area's population is also more educated than 10 years earlier, as 37.5 percent of adults there have a bachelor's degree or higher, up 4.7 percentage points from 2007. Median household income grew faster in the metro area than it did in the nation during the same time; as a result, the metro area's median household income moved closer to that of the nation's. In 2016, the metro area's median household income was \$4,040 less than that of the nation's. In 2017, the metro area had lessened the gap; its median household income was \$2,338 less than the nation's.

	Lexington Metro Area		United States	
	2017	Change from 2007	2017	Change from 2007
Population	512,650	+13.4%	325,719,000	+8.1%
Adults with less than a high school diploma	9.0%	-4.6 pp	12.0%	-3.5 pp
Adults with an undergraduate degree or higher	37.5%	+4.7 pp	32.0%	+4.5 pp
Median age (years)	36	+0.7	38.1	+1.4
Median household income	\$59,883	+4.3%	\$62,221	+0.6%

Note: Percentage points is abbreviated as pp.

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

Rick Kaglic is vice president and senior regional officer of the Cincinnati Branch of the Federal Reserve Bank of Cleveland. Tristan Young is a research analyst at the Branch. 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).