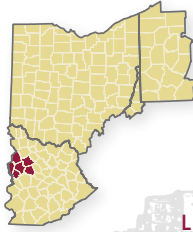


FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA



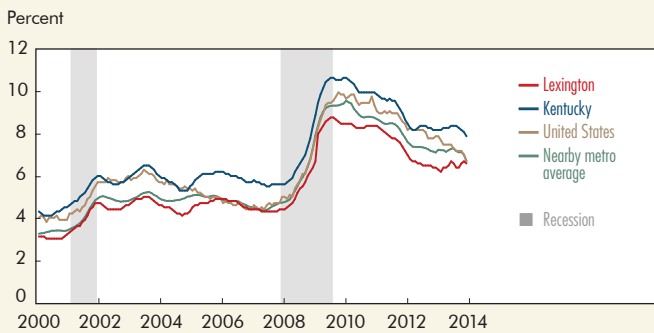
LEXINGTON, KENTUCKY MSA | SECOND QUARTER, 2014

FEDERAL RESERVE BANK of CLEVELAND

Lexington – Expansion Continues

The Lexington metro area continues to expand at a moderate pace as it benefits from significantly increased construction at the area's largest employer, the University of Kentucky, and expansion at Toyota's largest automotive plant outside of Japan. Area employment has returned to pre-recession levels as the region continues to benefit from growth in the construction, leisure and hospitality, and professional and business services sectors.

Lexington's 6.6% unemployment rate is much better than Kentucky's

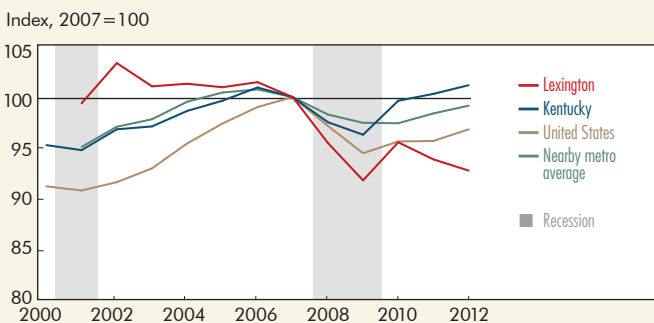


Source: Bureau of Labor Statistics/Haver Analytics.

◀ UNEMPLOYMENT RATE

The Lexington metro area has benefited from a relatively large share of employment in sectors that have recently seen strong growth nationally, such as leisure and hospitality, professional and business services, and construction. Largely because of this, as of the end of 2013, the area's 6.6 percent unemployment rate was marginally better than the nation's rate of 6.7 percent, but significantly better than Kentucky's 7.9 percent. Being the seat of the state's premier university and the storied equine industry also helps the Lexington metro area expand, as the demand for education and leisure grows in the region.

Per capita GDP was 7% below its pre-recession level at year-end 2012

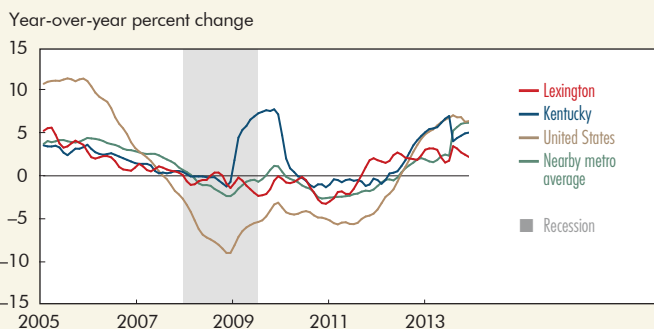


Source: Bureau of Economic Analysis/Haver Analytics.

◀ GROSS DOMESTIC PRODUCT

By the end of 2012, the Lexington metro area's GDP per capita remained at 7 percent below its pre-recession level, while Kentucky's average exceeded pre-recession levels by approximately 1.7 percent. Metropolitan income and production levels continue to increase, and population growth in the metro area has outpaced the rate of output production due to its attractive lifestyle and growing employment opportunities.

Housing prices grew 2.5% in 2013, but still lag the nation



Source: Zillow.com/Haver Analytics.

◀ HOUSING PRICES

The housing recovery continues apace in the Lexington metro, but is lagging the nation. This is largely due to the area's housing prices, which never fell as low as that of the national housing market. Nonetheless, the annual growth rate has approximately reached pre-recession levels, with a gain of 2.5 percent in 2013. Housing demand and prices are expected to continue to improve as area population expands and residential real estate construction responds. However, growth in the foreclosure inventory has recently increased due to the lengthy period of time that judicial foreclosure states such as Kentucky take to resolve the process. This will work to contain price growth even in the face of expanding demand.

FOURTH DISTRICT METRO MIX

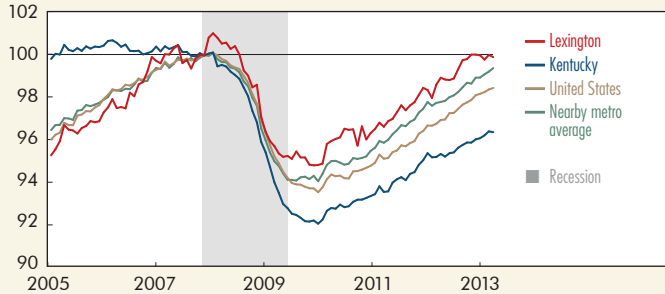
SECOND QUARTER, 2014

YOUR DISTRICT, YOUR DATA

EMPLOYMENT AND INDUSTRIAL SECTORS

Lexington's educated and innovative workers fuel employment growth

Index, 2007: M12=100

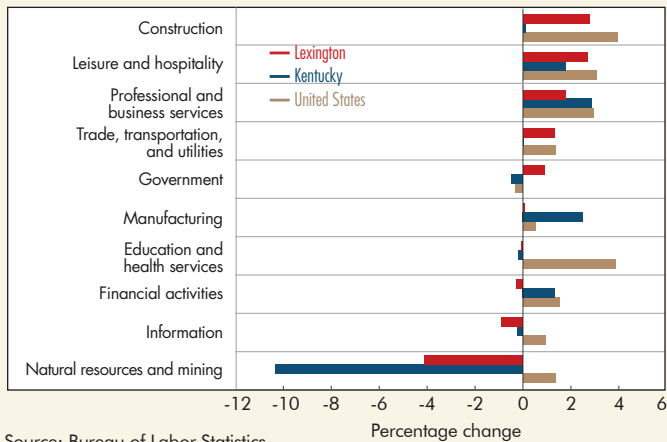


Source: Bureau of Labor Statistics.

EMPLOYMENT

Job growth in the Lexington metro area remains strong as the region capitalizes on its substantial base of highly educated and innovative workers. The construction sector, along with the leisure and hospitality and professional and business services sectors, has led the growth in payroll employment. The region benefits from the presence of the state's premier institution of higher learning, the University of Kentucky, which has continued to see expanding enrollment and construction projects. The region also continues to benefit from its exceptionally high percentage of individuals with a college degree or higher compared to the state and national average (35 percent in the metro area, versus 28 percent nationally).

Lexington's construction sector grew the most from June 2012 to June 2013

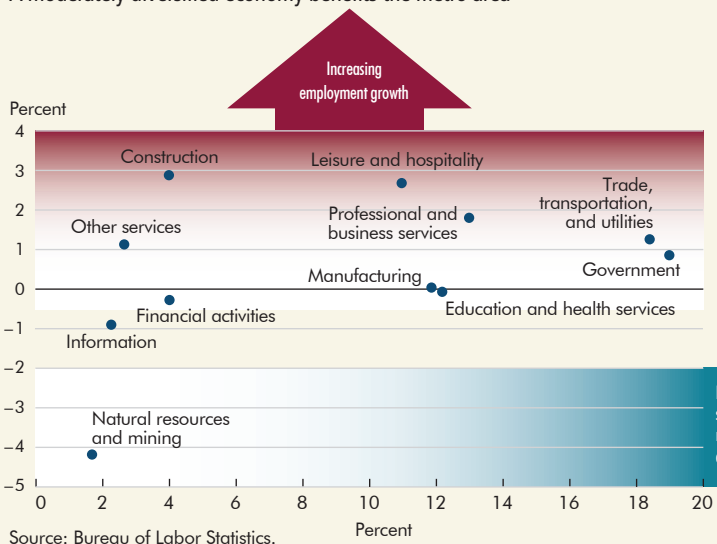


Source: Bureau of Labor Statistics.

EMPLOYMENT GROWTH BY SECTOR

The Lexington economy benefits from a highly educated and relatively young workforce and a large, established presence in key sectors. From June 2012 to June 2013, the construction sector exhibited the strongest growth as the University of Kentucky embarked on a multiyear project to expand its facilities. Additionally, Toyota's nearby automotive manufacturing plant is adding an assembly line to accommodate growing demand for its popular Camry and Lexus vehicles. The leisure and hospitality sector has also seen strong growth. The horse industry, after many years of retrenchment due to the suffering economy, is gaining steam as interest in farm land and equine-focused recreation are again on the rise.

A moderately diversified economy benefits the metro area



Source: Bureau of Labor Statistics.

RELATIVE EMPLOYMENT GROWTH

Employment in the Lexington metro area is benefiting from growth in the construction and leisure and hospitality sectors. Additionally, professional and business services and the trade, transportation, and utilities sectors are also expanding as population and consumer demand grow. Lexington is a town of primarily moderate- to smaller-size companies, but it still boasts significant employment bases from larger institutions and companies such as the University of Kentucky (14,000), Toyota (7,900), Central Baptist Hospital (3,000), Xerox (3,000), and Lexmark International (2,800). The Lexington economy is moderately diversified with growth also occurring in those sectors that are growing fastest at the national level.

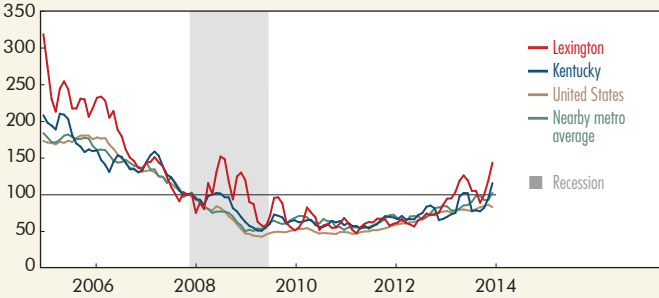
FOURTH DISTRICT METRO MIX

YOUR DISTRICT, YOUR DATA

SECOND QUARTER, 2014

Housing permits far exceed those of the state and Lexington's nearby metros

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



Source: Census Bureau/Haver Analytics.

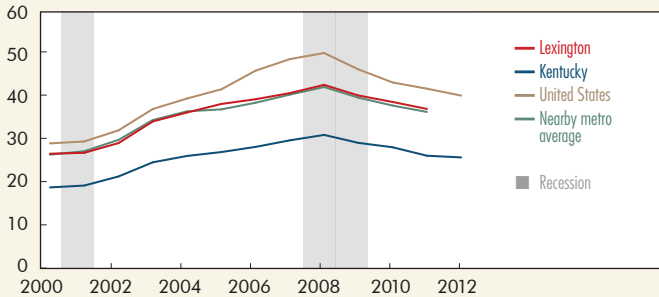
HOUSING MARKET

HOUSING PERMITS

Construction in the housing sector has continued to advance as the supply of residential homes has waned in the face of increasing demand. Through February 2014, housing permits are running at approximately 144 percent of the 2007 level. By way of comparison, the nation is at 82 percent, Kentucky 115 percent, and Lexington's nearby metro areas 102 percent. Housing supply remains exceptionally tight, also helping to prop up house prices. Multifamily vacancy rates remain low, as apartment construction has yet to catch up with growth in regional demand. Two factors often cited for the slow resurgence of supply are the ongoing tight credit conditions and a scarcity of skilled construction labor. Recently, the residential construction labor force has begun to grow, helping to reduce the disparity between increased housing demand and short supply.

Trends in consumer debt mirror the nation's

Thousands of dollars



Source: FRBNY Consumer Credit Panel.

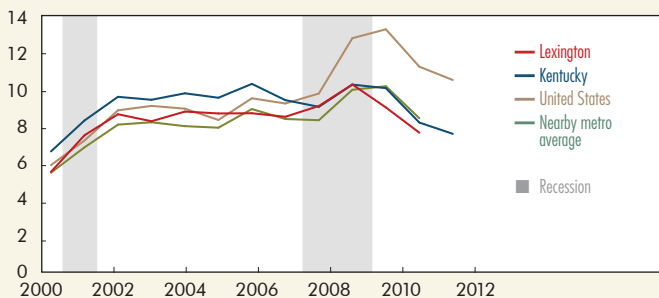
CONSUMER FINANCES

CONSUMER DEBT

Historically, consumers in the Lexington metro area have supported more mortgage, auto, and credit card debt per capita than the average Kentuckian, but less than the average American. Like much of the nation, the metro area has actively sought to deleverage since the onset of the recession in late 2007 and has succeeded at a rate similar to that of the nation. Reasons for the debt decline include lower mortgage debt due to foreclosures and smaller average outstanding balances on revolving debt instruments, such as credit cards and home equity loans.

The credit profile of the area is better than the nation's

Percent of credit card balances delinquent



Source: FRBNY Consumer Credit Panel/Haver Analytics.

CREDIT CARD DELINQUENCY RATES

The credit card delinquency rate is an indicator of the financial health of households. The credit profile of the Lexington region remains much better than the nation's and is in line with Kentucky. Declines in credit card delinquency rates continued through 2011, the latest period for which data is available. In 2011, the share of credit card balances that were 90-or-more days delinquent was approximately 4 percentage points lower in the Lexington metro than in the United States, falling back to its pre-recession level.

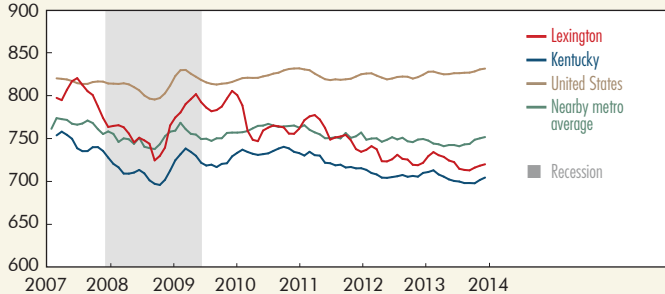
FOURTH DISTRICT METRO MIX

SECOND QUARTER, 2014

YOUR DISTRICT, YOUR DATA

Wages in the area remain stagnant due to slow growth in high-paying sectors

Dollars, three-month moving average



Source: Bureau of Labor Statistics/Haver Analytics.

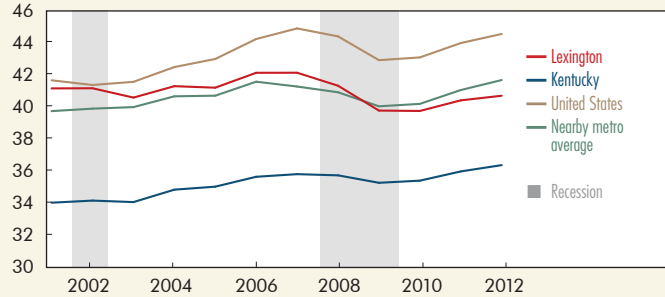
INCOME

◀ AVERAGE WEEKLY EARNINGS

In the Lexington metro area, average weekly wages fell from \$764 in December 2007 to \$720 in January 2014. Average wages in nearby metro areas and in Kentucky did not decline as much and have stabilized at higher levels than the Lexington region. The stagnancy of the recovery in Lexington wages is largely in response to relatively slow growth in the higher-paying manufacturing sector. Despite the fact that the major manufacturing facility in the region, Toyota, is significantly expanding, the growth is likely to have a short-term impact on wage growth as much of the plant's retooling is focused on using automation and robotics, thus reducing the need for human labor.

Income per capita continues to increase, though at a slower rate

Thousands



Source: Bureau of Economic Analysis/Haver Analytics.

◀ INCOME PER CAPITA

The Lexington metro area and the nation continue to have higher income levels per capita compared to Kentucky. The area saw declines similar to the nation's, but greater than Kentucky's average, during the recession. A significant reason for this mixed performance is that the Lexington metro area continues to benefit from population growth, along with increasing income opportunities. Population growth in the region has risen in recent years as in-migration, primarily from other similar-sized metro areas in the region, has exceeded out-migration. However, as income per capita continues to increase, albeit at a relatively slower rate, this should encourage continued in-migration in the region as economic growth continues.

DEMOGRAPHICS AND EDUCATION

◀ LEXINGTON, KENTUCKY

According to 2012 Census estimates, Lexington is the 107th largest of the 381 metropolitan statistical areas in the United States.

	Lexington metro area		United States	
	2012	Change from 2009	2012	Change from 2009
Population	485,023	+3.0%	313,914,040	+2.2%
Adults with less than a high school diploma	12.2%	-1.2%	14.1%	-0.7%
Adults with an undergraduate degree or higher	35.2%	+0.7%	28.5%	+0.6%
Median age (years)	35.3	+0.4 years	37.4	+0.6 years
Median household income	\$49,465	-4.3%	\$52,991	-4.6%

Sources: Census Population estimates; American Community Survey.

All monthly figures are seasonally adjusted and all dollar figures are in current dollars. 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. Employment data in the Metro Mix come from the Quarterly Census of Employment and Wages, which we have found to be the earliest accurate source of the number of jobs in metro areas.

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).