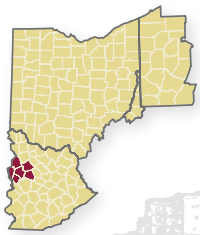
FOURTH DISTRICT METRO MIX
YOUR DISTRICT, YOUR DATA



LEXINGTON, KENTUCKY MSA | DECEMBER 2015

FEDERAL RESERVE BANK *of* CLEVELAND

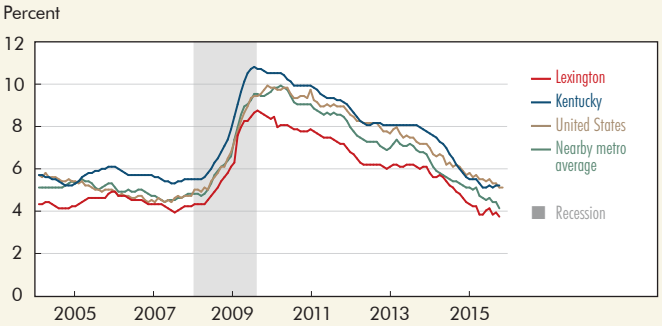
Lexington – Expanding at a Near-Record Pace

The Lexington economy continues to expand across many fronts. Employment growth remains strong, unemployment has hit post-recession lows, the housing market is expanding at a healthy pace, and enrollment has hit record levels at the University of Kentucky, the state's flagship university.

METRO AREA SNAPSHOT

	Unemployment Rate		Home Prices		Payroll Employment		Credit Card Delinquency Rates	
	August 2015	One-year change	August 2015	One-year change	March 2015 (thousands)	One-year change	2015:Q2	One-year change
Lexington	3.7%	–1.1	$147,500	3.5%	259	2.8%	6.5%	+0.2
Kentucky	5.2%	–0.8	$126,800	2.3%	1,823	1.6%	6.5%	–0.2
Nearby metro average	4.1%	–1.2	$147,120	4.3%	876	2.0%	6.3%	–0.6
United States	5.1%	–1.0	$180,800	3.3%	138,494	2.1%	7.6%	–0.9

Lexington's unemployment rate was more than a percentage point below state and national rates

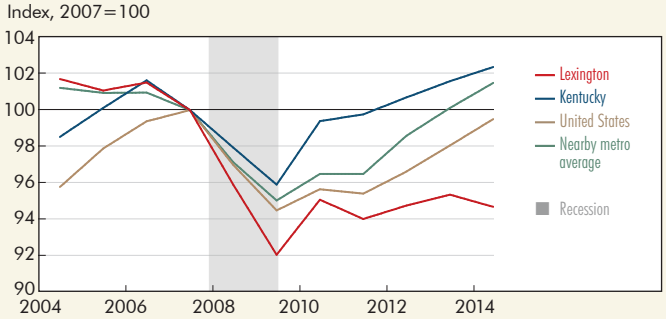


Source: Bureau of Labor Statistics/Haver Analytics.

UNEMPLOYMENT RATE

The Lexington metro area leads the state of Kentucky in improvements in its unemployment rate and general economic growth. As of August 2015, the unemployment rate in the Lexington metro area had declined to 3.7 percent, significantly lower than the state and national performances of 5.2 and 5.1 percent, respectively. Lexington's unemployment rate was also lower than that of nearby metro areas, which averaged 4.1 percent. Improvement continues to come from employment growth in multiple sectors as the region responds to increased residential and commercial construction, strong demand in the leisure and hospitality sector, and continued strength in the education and health services sector.

Lexington's per capita GDP was outpaced by the state, nation, and the average of nearby metro areas



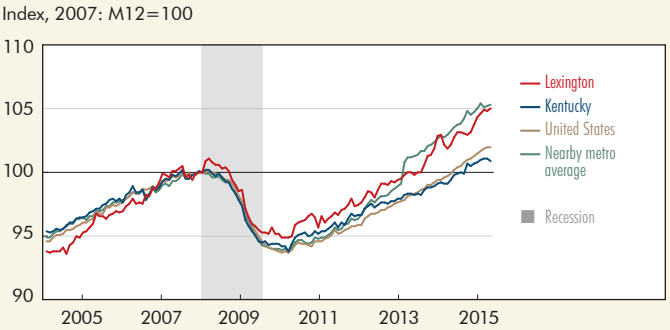
Source: Bureau of Economic Analysis/Haver Analytics.

GROSS DOMESTIC PRODUCT

Lexington's per capita GDP continues to underperform the state, nearby metro areas, and the nation as a whole. After declining by approximately 8 percentage points from its pre-recession level per capita GDP in the Lexington metro area has yet to fully recover, remaining approximately 5.4 percentage points below the pre-recession level, as of June 2014. Despite growth in the area's metropolitan income and production levels, population growth in the region has outpaced the rate of output production.

EMPLOYMENT AND INDUSTRIAL SECTORS

Employment in Lexington stood 5% above its pre-recession level, a record

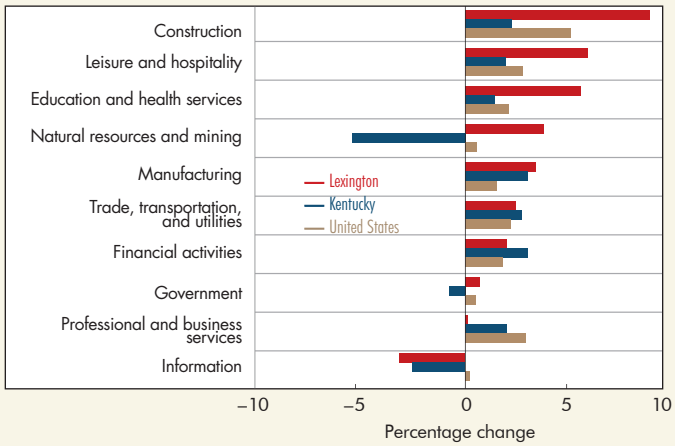


Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

EMPLOYMENT

Job growth in the Lexington metro area has reached record levels, standing approximately 5 percent above pre-recession levels as of March 2015. A significant contributor to the growth is the strong automotive sector, where national sales rates are running at levels comparable to pre-recession levels. Likewise, expansion of multiple commercial construction projects at the state's flagship university, the University of Kentucky, and continued improvement in residential real estate construction have advanced the metro area's employment growth.

Sectoral employment growth was strong

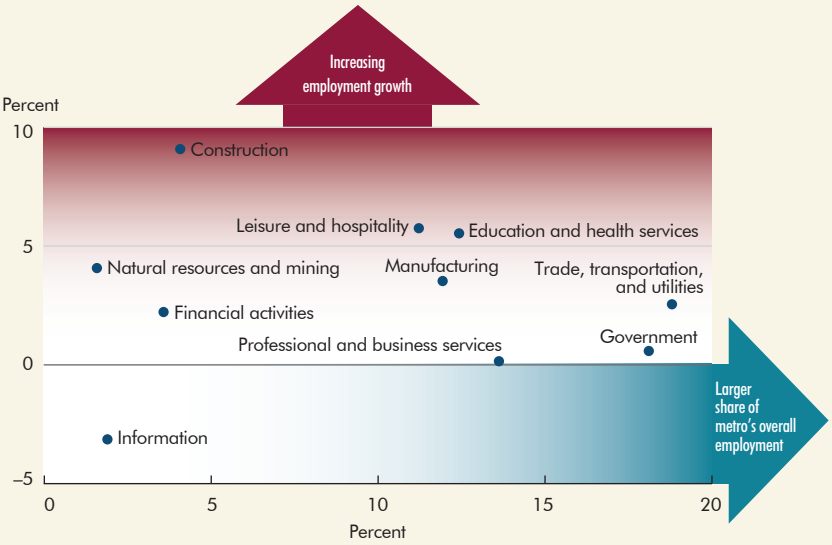


Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

EMPLOYMENT GROWTH BY SECTOR

The Lexington metro area economy benefits from a highly educated and relatively young workforce, with a strong presence in key sectors such as professional and business services, government, education and healthcare, and leisure and hospitality. The construction and leisure and hospitality sectors have led growth as activity in the downtown area has increased, supplemented by the 2015 Breeders Cup and the expansion of the University of Kentucky. The education and healthcare sector follows closely as the university's enrollment increases and more health services are offered across the region. With the exception of information and professional and business services, all of the metro area's sectors exceeded the national rate of growth as measured on a year-over-year basis.

Lexington gained jobs across nearly all of its relatively diverse economy



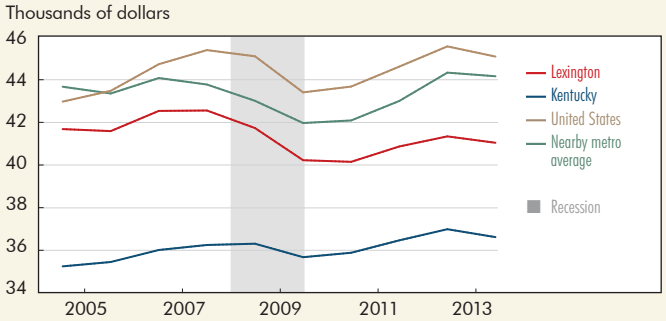
Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

RELATIVE EMPLOYMENT GROWTH

Relative to other metro areas in the state of Kentucky, Lexington has a relatively diverse economy. Many of the area's largest employers are experiencing some degree of growth as the national economy expands. A significant amount of that growth can be attributed to the expansion in area economic activities, such as in real estate and leisure and hospitality. Construction is the fastest-growing sector in the metro area, with a growth rate of 9 percent. However, this accounts for only 3.9 percent of metro area's employment. The much larger education and health services sector, accounting for 12.4 percent of total area employment, is also growing at strong rate of 5.6 percent. After many quarters of strong growth, the professional and business services sector has slowed but remains positive. The much smaller information sector, primarily consisting of print media, continues to contract, declining at a rate of 3.2 percent year-over-year.

INCOME

Lexington's income level well exceeds Kentucky's



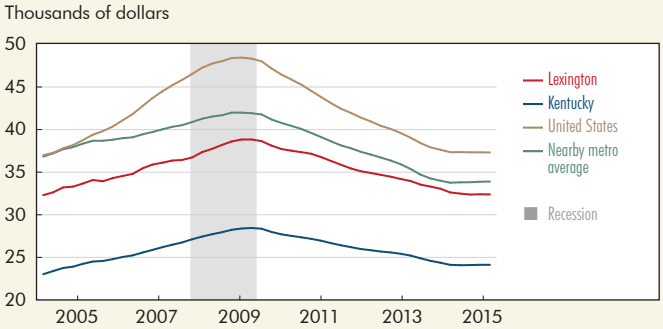
Source: Bureau of Economic Analysis/Haver Analytics.

INCOME PER CAPITA

The Lexington metro area and the nation continue to have higher income levels per capita than the state of Kentucky. Lexington and the nation experienced similar declines during the recession, which were greater than the state's average over the same period. Lexington's mixed performance is due to population growth as the area's economic opportunities increase. Population growth in the metro area has risen in recent years as in-migration, primarily from other similarly sized metro areas in the region, has exceeded out-migration.

CONSUMER FINANCES

Lexington consumers continued to deleverage in the second quarter of 2015

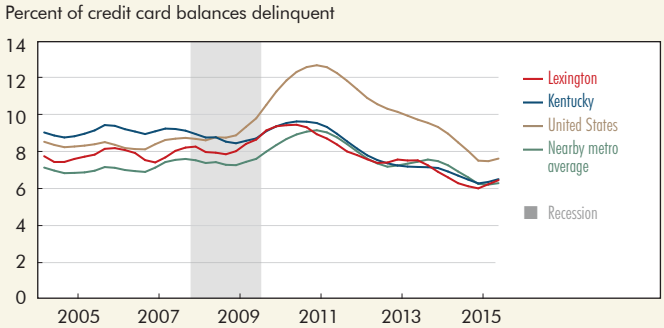


Source: Authors' calculations from the Federal Reserve Bank of New York's Consumer Credit Panel/Equifax.

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. Through the second quarter of 2015, this continued to be the case. Like much of the nation, the metro area has deleveraged since the onset of the recession in late 2007, but has recently held steady it debt holdings. This is in line with activity at both the national and state levels. 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.

Lexington's credit card delinquency rate is more than a percentage point below the nation's



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

CREDIT CARD DELINQUENCY RATES

The credit card delinquency rate is an indicator of the financial health of households. The credit profile of Lexington remains much better than the nation's. Lexington's credit card delinquency rate has risen since the end of 2014, but remains in line with those of the state of Kentucky and nearby metro areas.

FOURTH DISTRICT METRO MIX

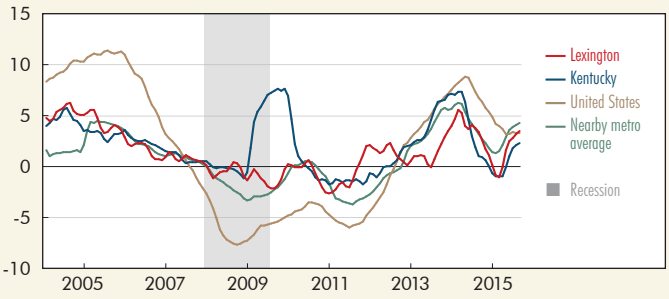
DECEMBER 2015

YOUR DISTRICT, YOUR DATA

HOUSING MARKET

Housing prices in Lexington advanced in the summer months of 2015

Year-over-year percent change



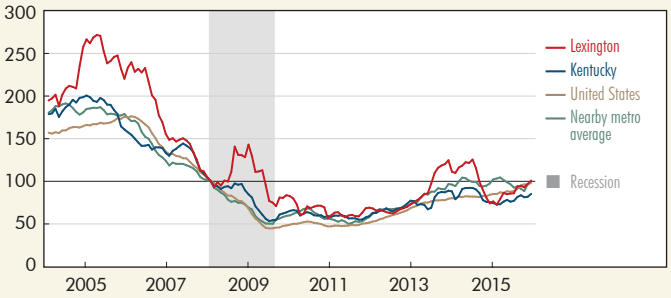
Source: Zillow.com/Haver Analytics.

HOUSING PRICES

The housing recovery picked up steam during the summer. Through August 2015, the year-over-year percent change in Lexington's house prices sat at 3.5 percent, slightly above the nation's 3.3 percent and handily surpassing the state's 2.3 percent. Housing demand and prices are expected to continue their improvement, albeit at a moderate pace as area population expands and residential real estate construction catches up with demand. Likewise, strong employment growth is underpinning housing market growth.

Housing permits are nearly even with their pre-recession level

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



Source: Census Bureau/Haver Analytics.

HOUSING PERMITS

Similar to 2013–2014 performance, construction in Lexington's housing market remains highly volatile in 2015 as builders hesitate to replenish a tight housing stock. Tight credit and shifts in underlying housing demand contribute to this trend. However, housing construction continues to expand as tight supply drives up prices. New housing permits are running at approximately the level that they were just prior to the start of the Great Recession. Multifamily vacancy rates remain low, as apartment construction has yet to catch up with growth in regional demand.

DEMOGRAPHICS AND EDUCATION

	Lexington Metro Area		United States	
	2014	Change from 2009	2014	Change from 2009
Population	494,189	+5.7%	318,857,000	+3.9%
Adults with less than a high school diploma	10.4%	–3.0%	13.1%	–1.7%
Adults with an undergraduate degree or higher	35.0%	+0.5%	30.1%	+2.2%
Median age (years)	36	+1.1 years	37.7	+0.9 years
Median household income	$50,605	–2.5%	$54,015	–3.2%

Sources: Census Population estimates; American Community Survey.

LEXINGTON, KENTUCKY

According to the 2014 US Census Bureau estimates, Lexington is the 107th largest of the 381 metropolitan statistical areas in the United States. metro area.

All monthly and quarterly figures are seasonally adjusted and all dollar figures are in current dollars, except home prices (which are left nominal). 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 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.

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).