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# An Update on Economic Conditions in the Louisville Metro Area

Presentation to the Building Industry  
Association of Greater Louisville  
Louisville, Kentucky

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*Not an official document*

## Disclaimer

The views I will express are my own and do not necessarily reflect the positions of the Federal Reserve Bank of St. Louis or the Federal Reserve System.

# The U.S. Economy: The Big Picture

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- The economy is into the seventh year of expansion.
- The song remains the same . . . Modest growth, low inflation, and an extremely easy monetary policy.
- Job gains remain healthy and the unemployment rate is low, but uncertainty seems to be rising.
- The FOMC finally moved off zero; policy will probably remain very easy for quite a while.

# An Economic Profile of the Louisville Economy

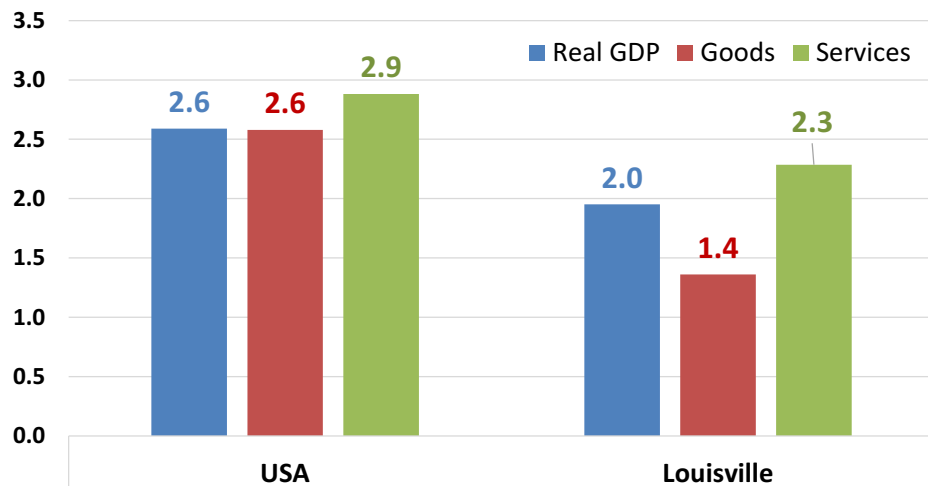
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- The transportation and trade sectors employ the most people.
- Like the nation, professional and business services are becoming more important.
- The education and health care sectors are the third-largest employers.
- The automotive manufacturing industry has a sizable presence.

In contrast with the previous expansion, the Louisville-area economy has outperformed the U.S. economy in the current business expansion.

**Growth of the Louisville Economy vs. the U.S. Economy: 2001 to 2007**

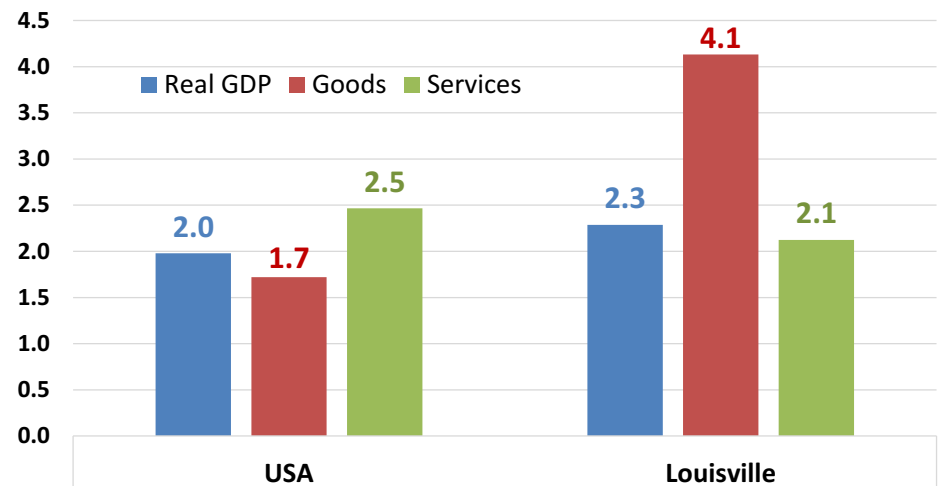
Percent changes at annual rates



2001 to 2007

**Growth of the Louisville Economy vs. the U.S. Economy: 2009 to 2014**

Percent changes at annual rates



2009 to 2014

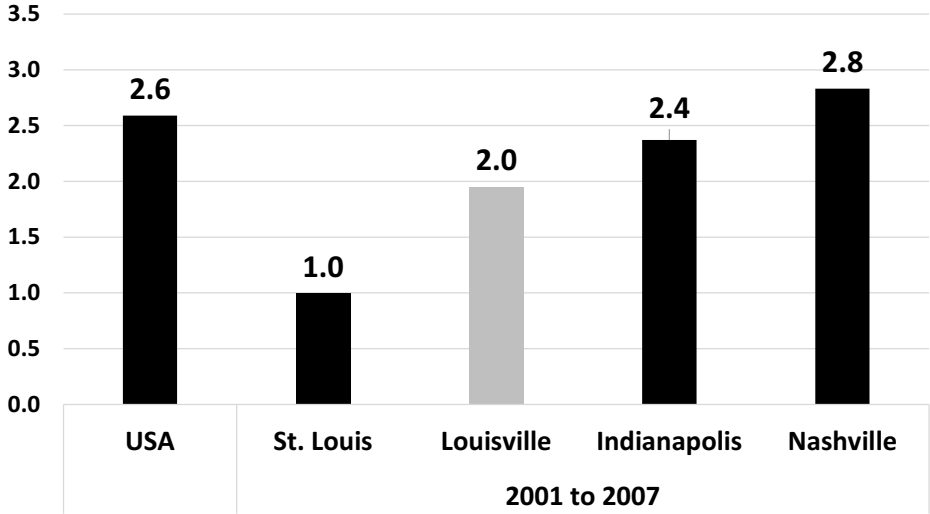
**2001-2007**

**2009-2014**

# The Louisville-area economy's growth has surpassed Indianapolis but still trails Nashville.

**Growth of the Louisville Economy vs. the U.S., St. Louis, Indianapolis, and the Nashville Economies: 2001 to 2007**

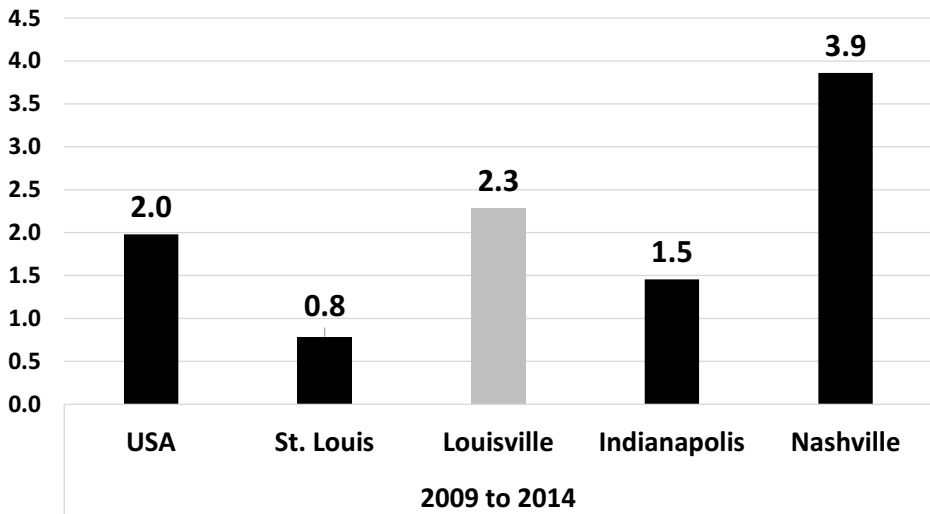
Percent changes at annual rates



**2001-2007**

**Growth of the Louisville Economy vs. the U.S., Indianapolis, and Nashville Economies: 2009 to 2014**

Percent changes at annual rates

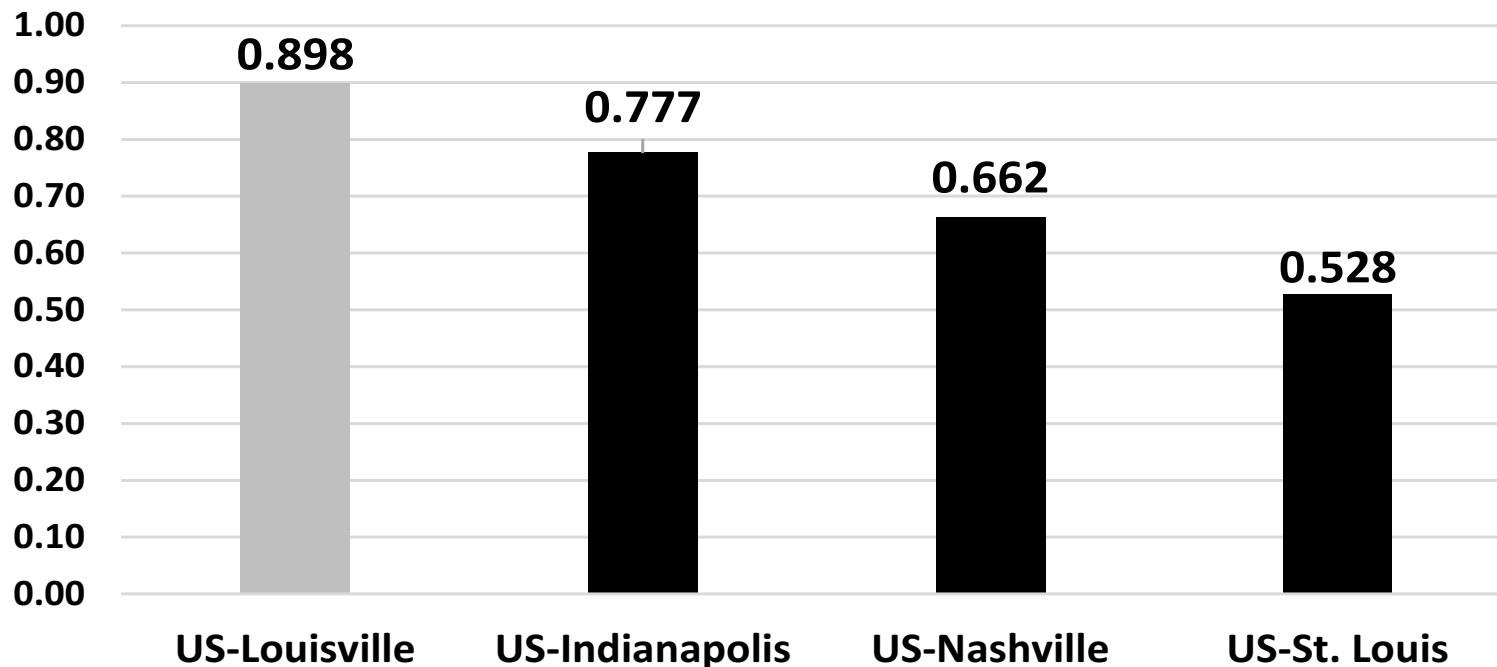


**2009-2014**

# The Louisville-area economy's growth is highly correlated with the U.S. economy's growth.

## Correlation Between the Growth of the U.S. Economy: The St. Louis, Louisville, Indianapolis, and Nashville Economies: 2001 to 2014

Correlation coefficient: 1.0 = 100% correlation





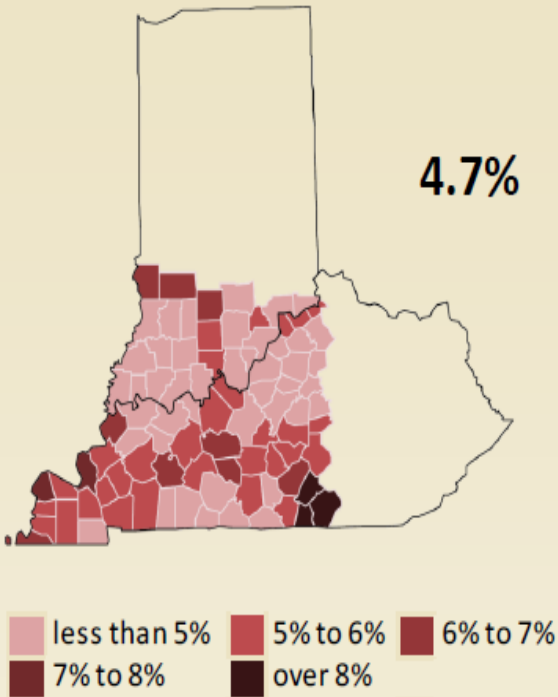
# Burgundy Book

A report on economic conditions in the Louisville zone

Fourth Quarter 2015

# Louisville Zone Highlights

County unemployment rates (SA, Q3-15)



Positive outlook on labor market conditions.

Automotive sector drives manufacturing growth in Kentucky.

Louisville's residential construction activity shows growth.

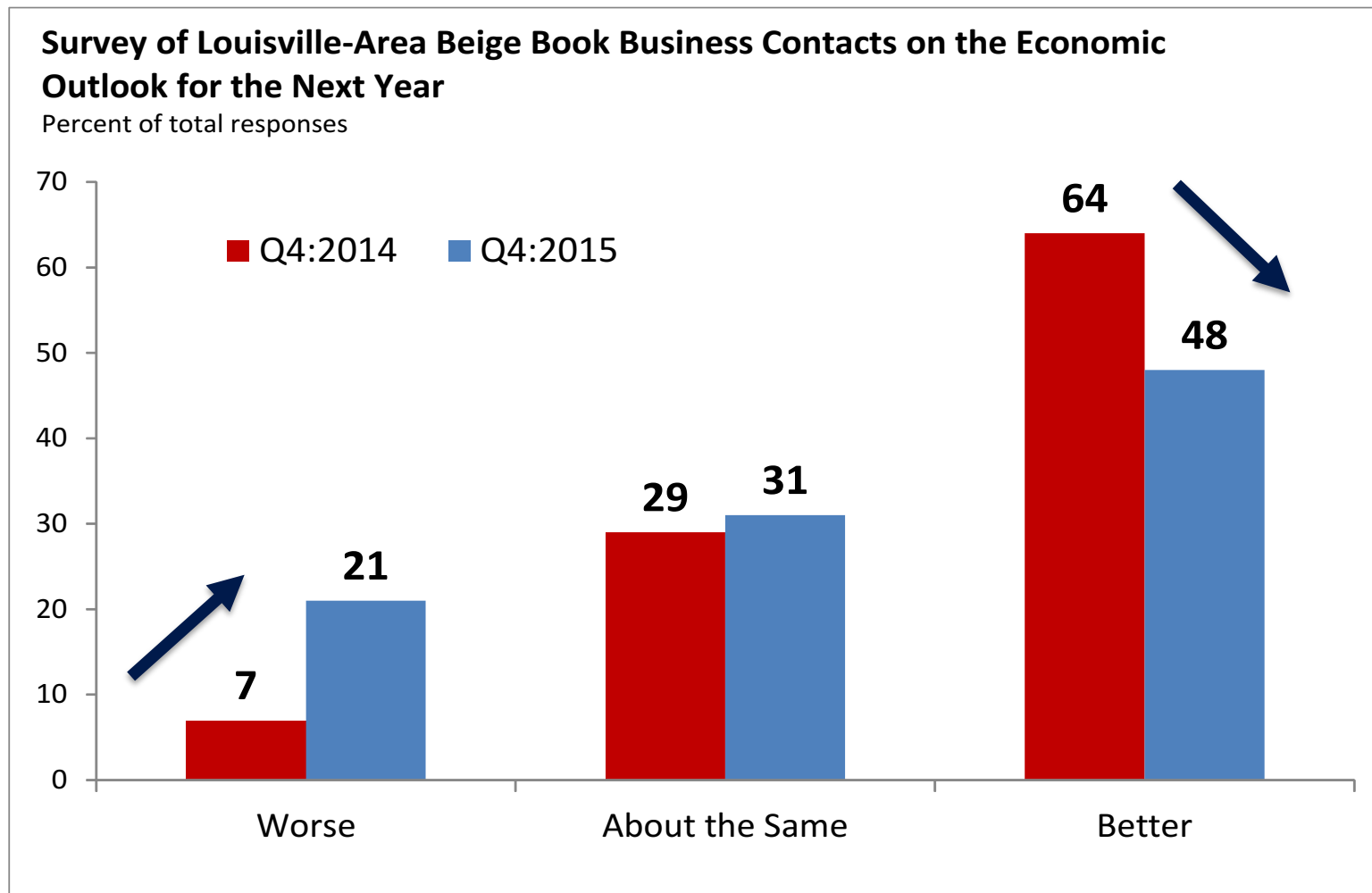
Auto and mortgage debt continues to rise.

Stable loan demand; bank asset quality strong.

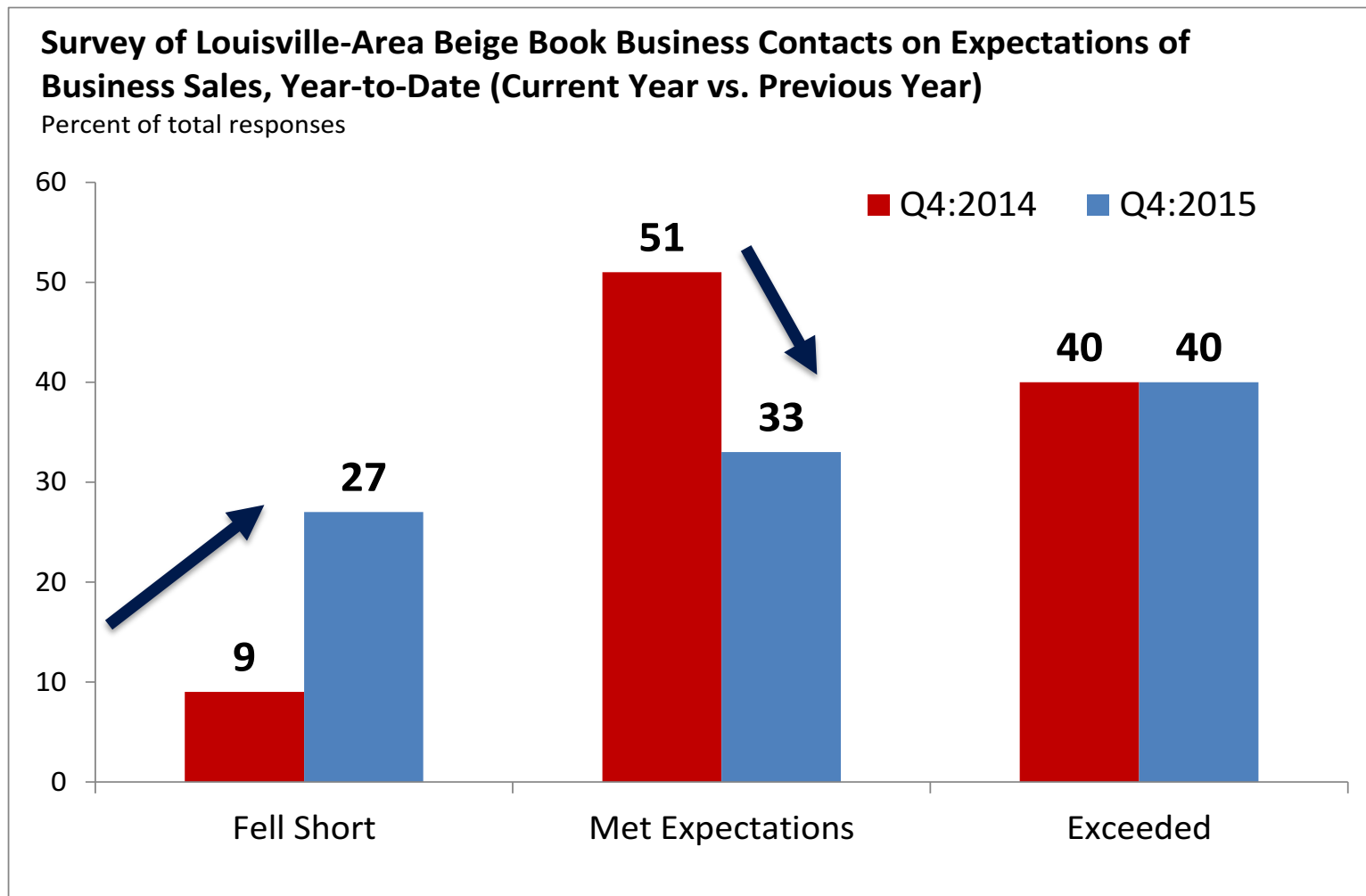
Agriculture is struggling.



Compared with a year earlier, optimism has waned a bit among Louisville-area business contacts.



Compared with a year earlier, a smaller percentage of contacts report sales meeting expectations.



# Burgundy Book Anecdotes (2015:Q4)

*"We've seen fewer exports and more imports as a result of the strong dollar."*

—Evansville manufacturer

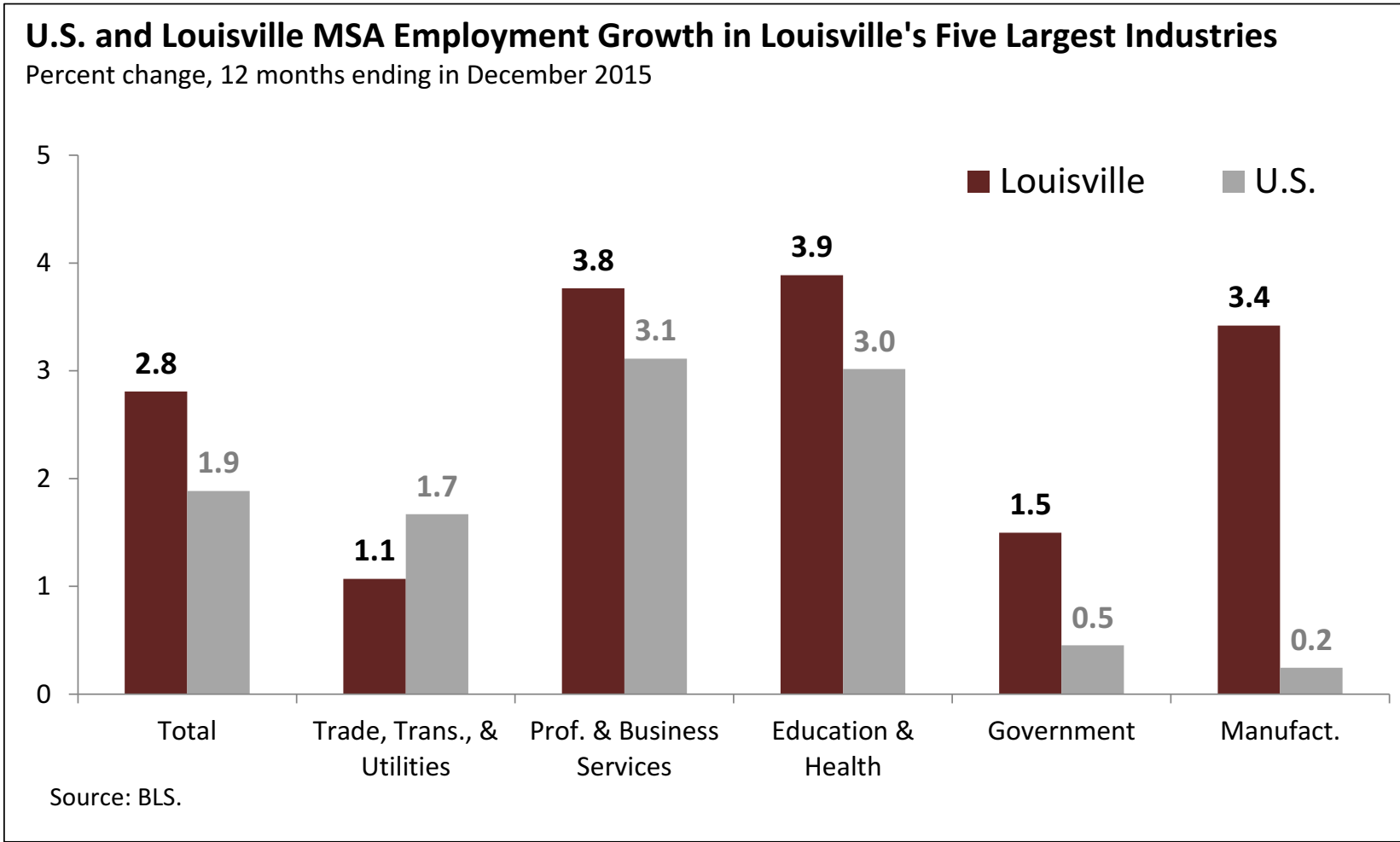
*"Employment is a challenge. Although we have not had much turnover, we just can't find the workers to support new growth. We will soon begin construction on a 50,000 square foot addition and hope to find workers to fill it."*

—Louisville area manufacturer

*"As a [real estate construction] industry, we realize we are lagging behind...more housing construction will take place."*

— Louisville area construction contact

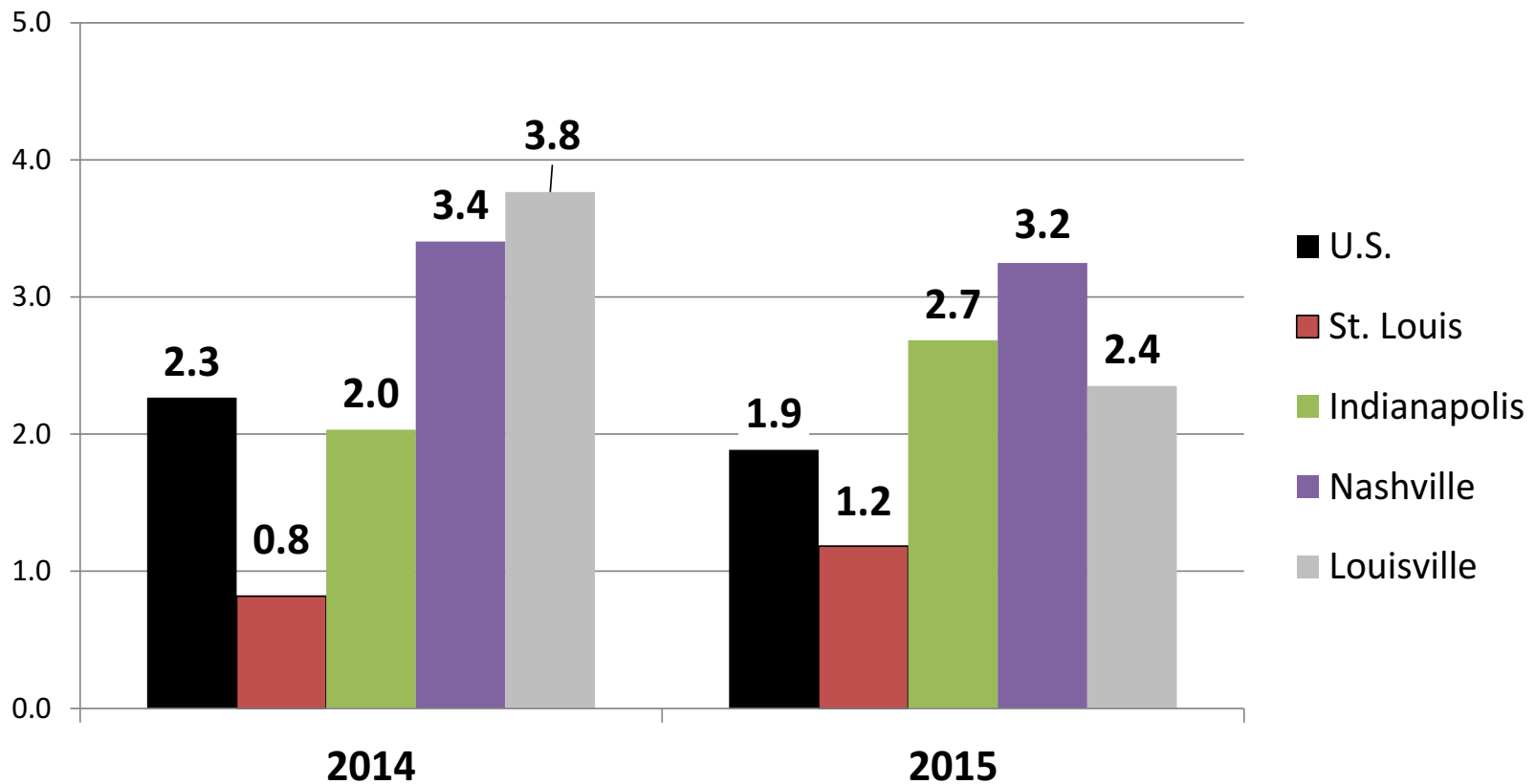
# Louisville has seen strong job growth in most key industries; transportation is a notable exception.



# Louisville's job growth exceeds the U.S., but it has slowed some relative other large MSAs.

## Payroll Employment Growth Rates in Selected MSAs: 2014 vs. 2015

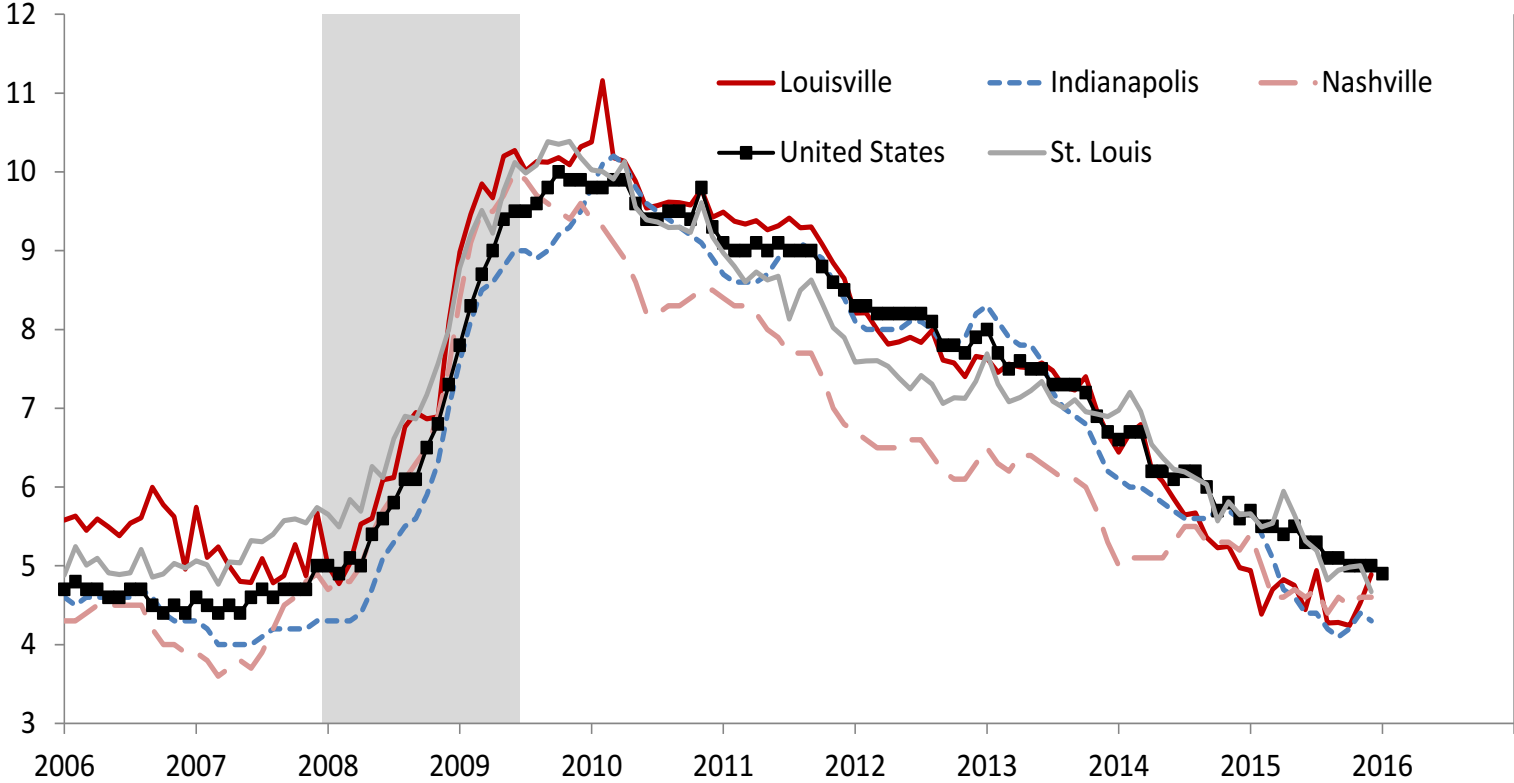
Percent change, December to December for year indicated



# Unemployment rates in Louisville and surrounding MSAs are below the nation's rate.

**Louisville MSA Unemployment Rates vs. Other Large MSAs**

Seasonally Adjusted Percent



Source: Bureau of Labor Statistics/ Haver Analytics

MSA data through Dec. 2015; US is Jan. 2016.

Dec. 2015  
unemployment  
rates:

**LVL: 4.9%**  
IND: 4.3%  
NVL: 4.6%  
STL: 4.7%  
  
**U.S.: 5.0%**

## Potential Risks Facing Key Louisville Industries

- Transportation: Sensitive to domestic and global growth trends. Fuel prices are a wild card.
- Health Care: Continued emphasis on cost containment, but spending and industry employment growth is increasing.
- Real Estate: A rising interest-rate environment. Rising home prices are good for some but not for others.
- Automotive: Light truck sales have been strong, but higher gasoline prices and/or slower U.S. growth will slow sales.

# QUESTIONS?