

# Economic Outlook for 2019: Lexington and Beyond

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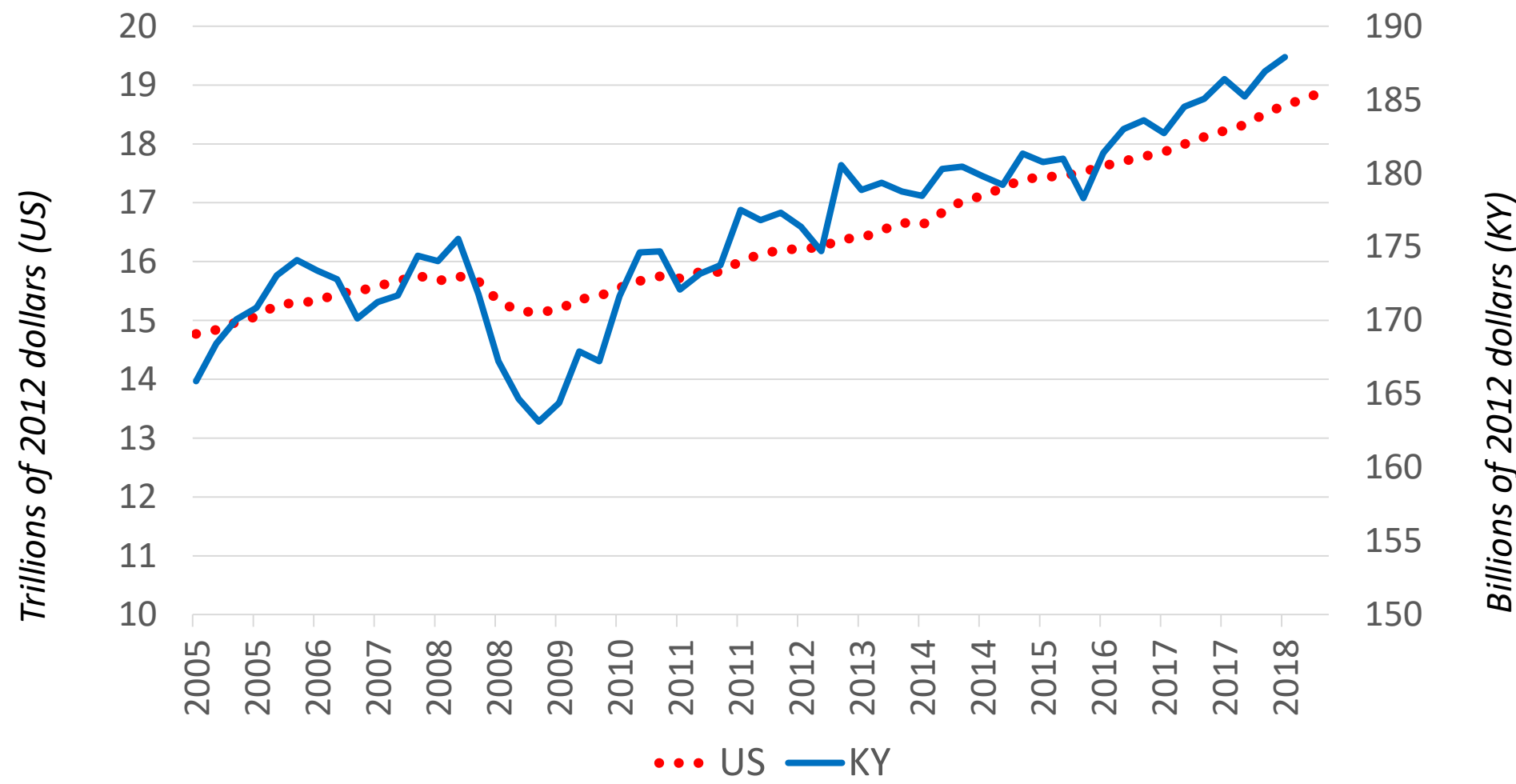
# Some Comments about Data

- County vs MSA
  - County: only Fayette County
  - Metropolitan Statistical Area (MSA): Fayette, Bourbon, Clark, Jessamine, Scott, and Woodford counties
    - Core urban area with adjacent communities “that have a high degree of economic and social integration with that core”
- Timing
  - National data available first
  - Then state, then county/MSA
  - But trends generally very similar! – there is information in the national data

# Current Economic Conditions - national

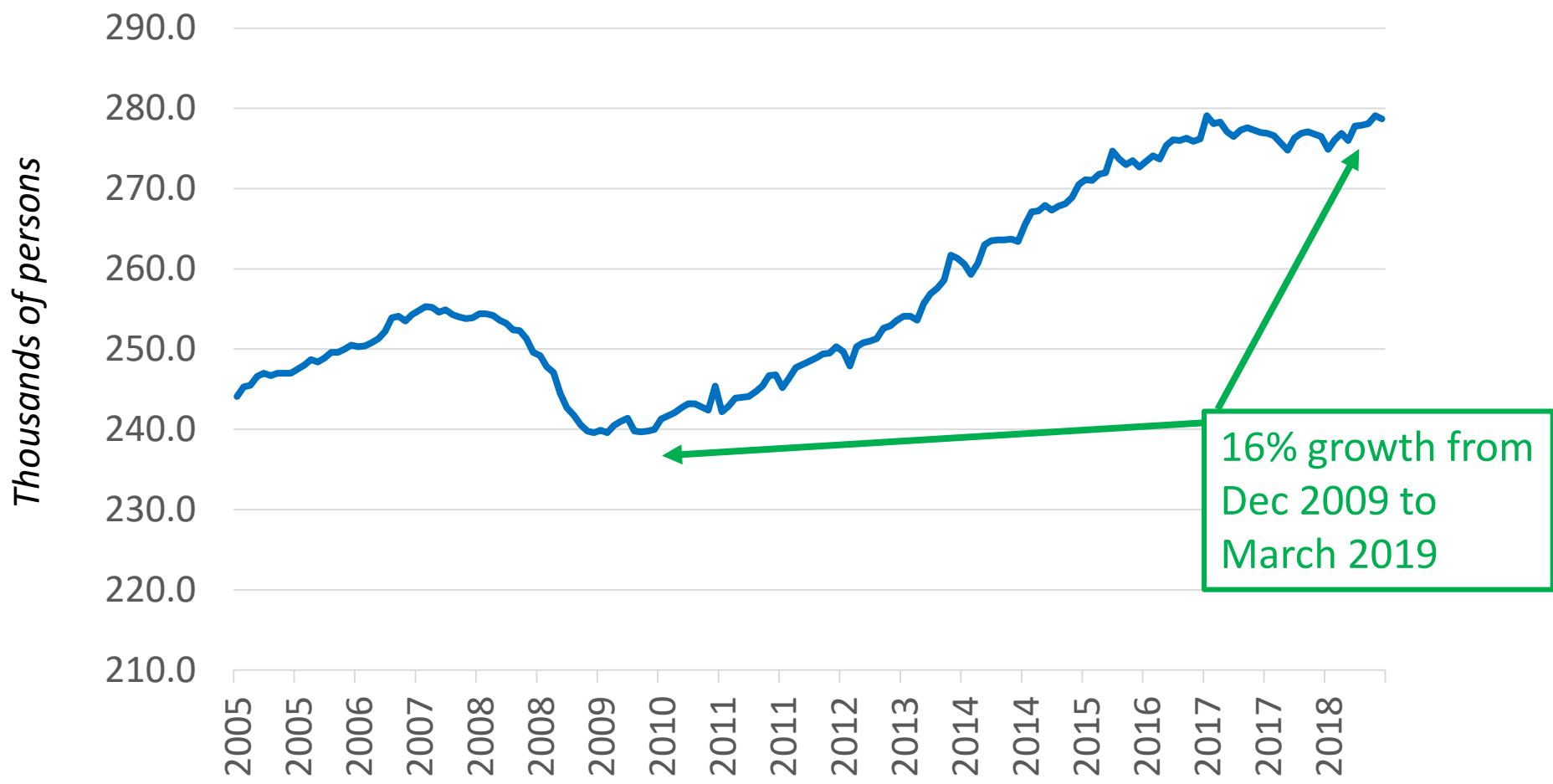
- Strengths:
  - GDP growth strong
  - Unemployment rates low
  - Inflation fairly low
- Concerns:
  - Wage growth low, but has been increasing
  - Uncertainty over trade policy, government shutdown
  - Increasing federal debt

# Real GDP – U.S. and Kentucky



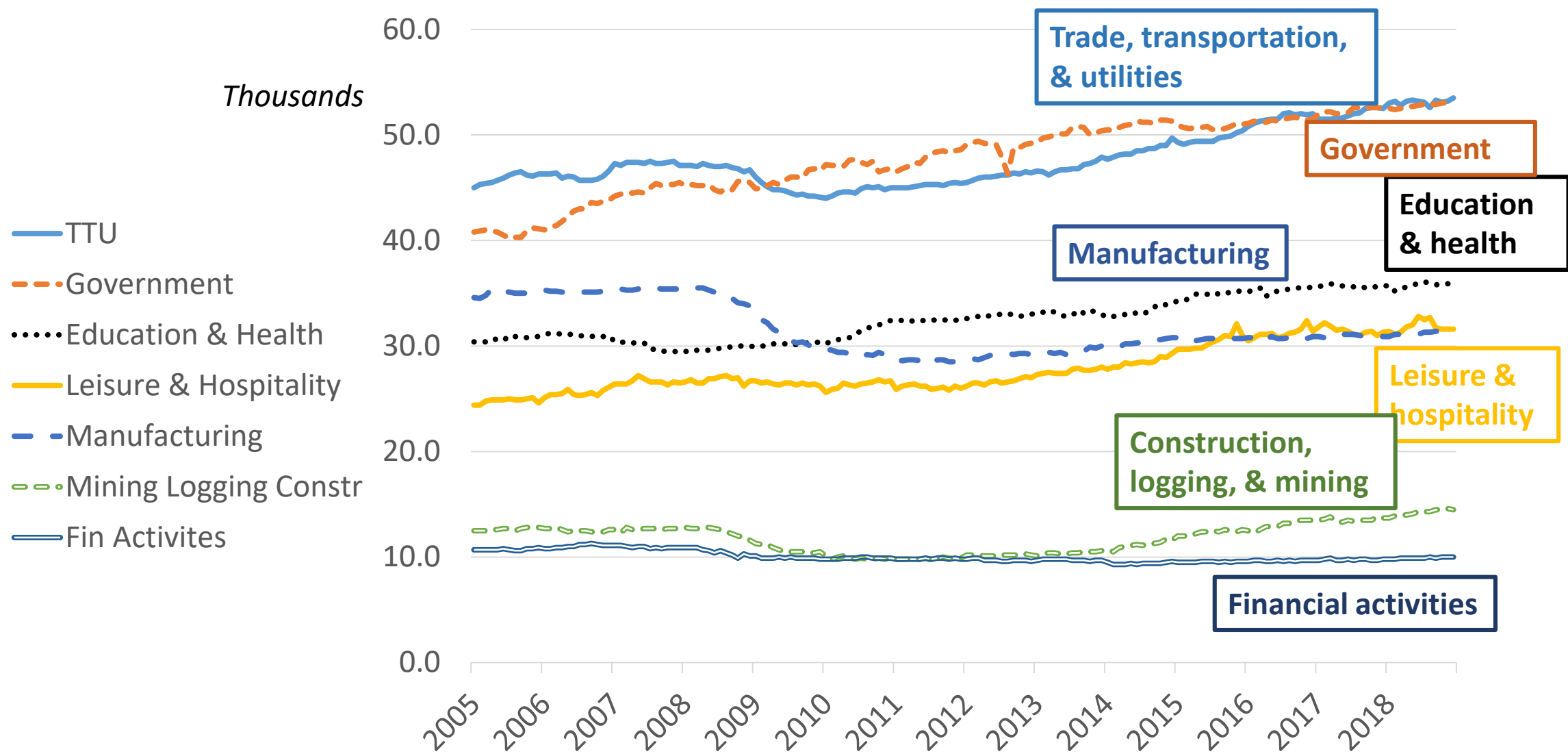
Source: U.S. Bureau of Economic Analysis

# Employment in Lexington-Fayette MSA



Source: U.S. Bureau of Labor Statistics, seasonally adjusted monthly data

# Employment by Sector in Lexington-Fayette MSA

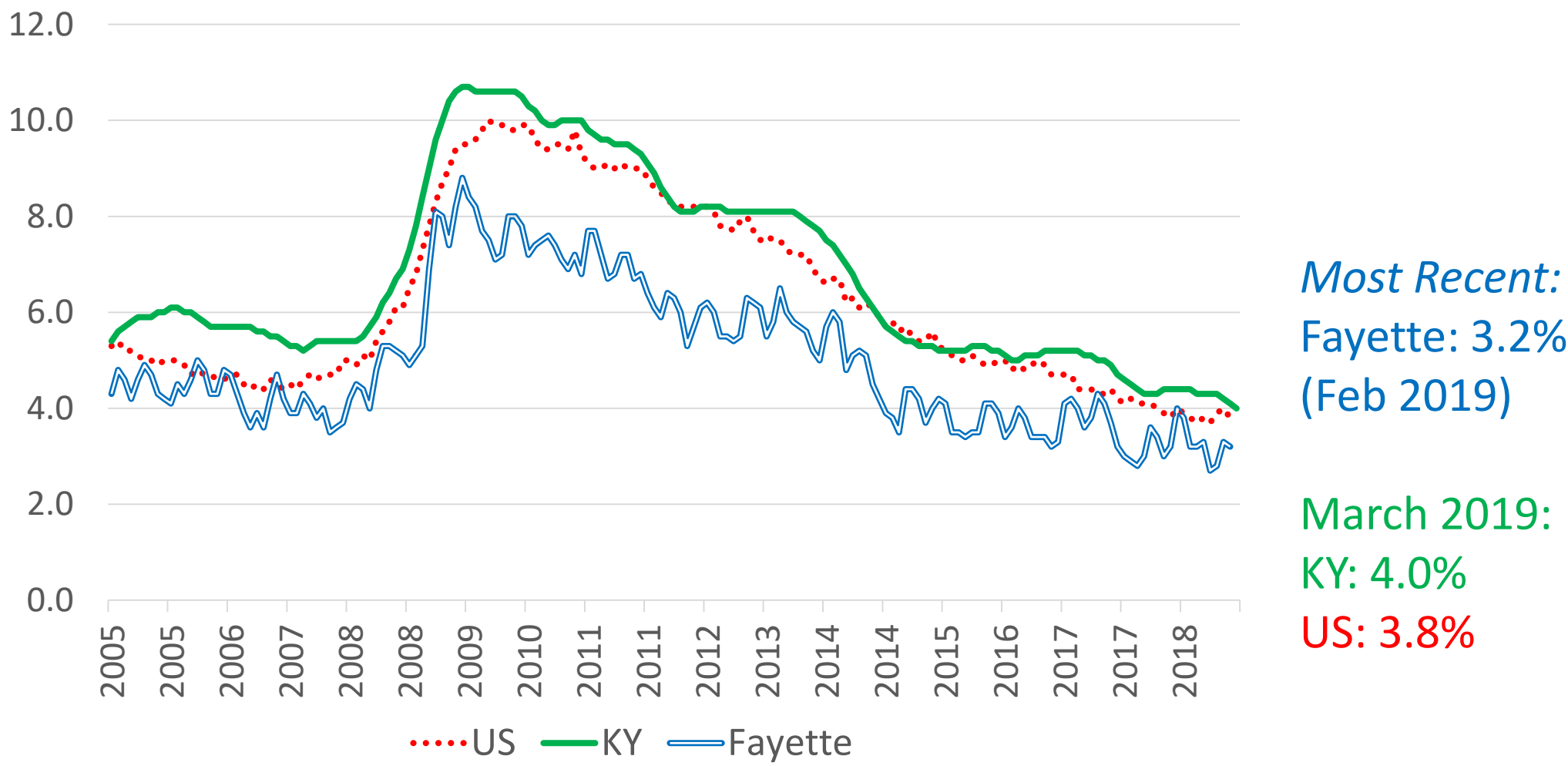


# Employment by Sector, Fayette County

Industry	Employment	Percent
Agriculture, forestry, fishing, hunting, mining	3,166	2.0%
Construction	7,212	4.4%
Manufacturing	15,344	9.5%
Wholesale trade	4,184	2.6%
Retail trade	20,117	12.4%
Transportation, warehousing, utilities	5,447	3.4%
Information	2,784	1.7%
Finance, insurance, real estate, rental/leasing	8,154	5.0%
Professional, scientific, admin, waste mgt services	18,643	11.5%
Education, health care, social assistance	45,610	28.1%
Arts, entertainment, recreation, accommodation, food	17,870	11.0%
Other services except public administration	8,377	5.2%
Public administration	5,372	3.3%

Source: U.S. Census American Community Survey 2017

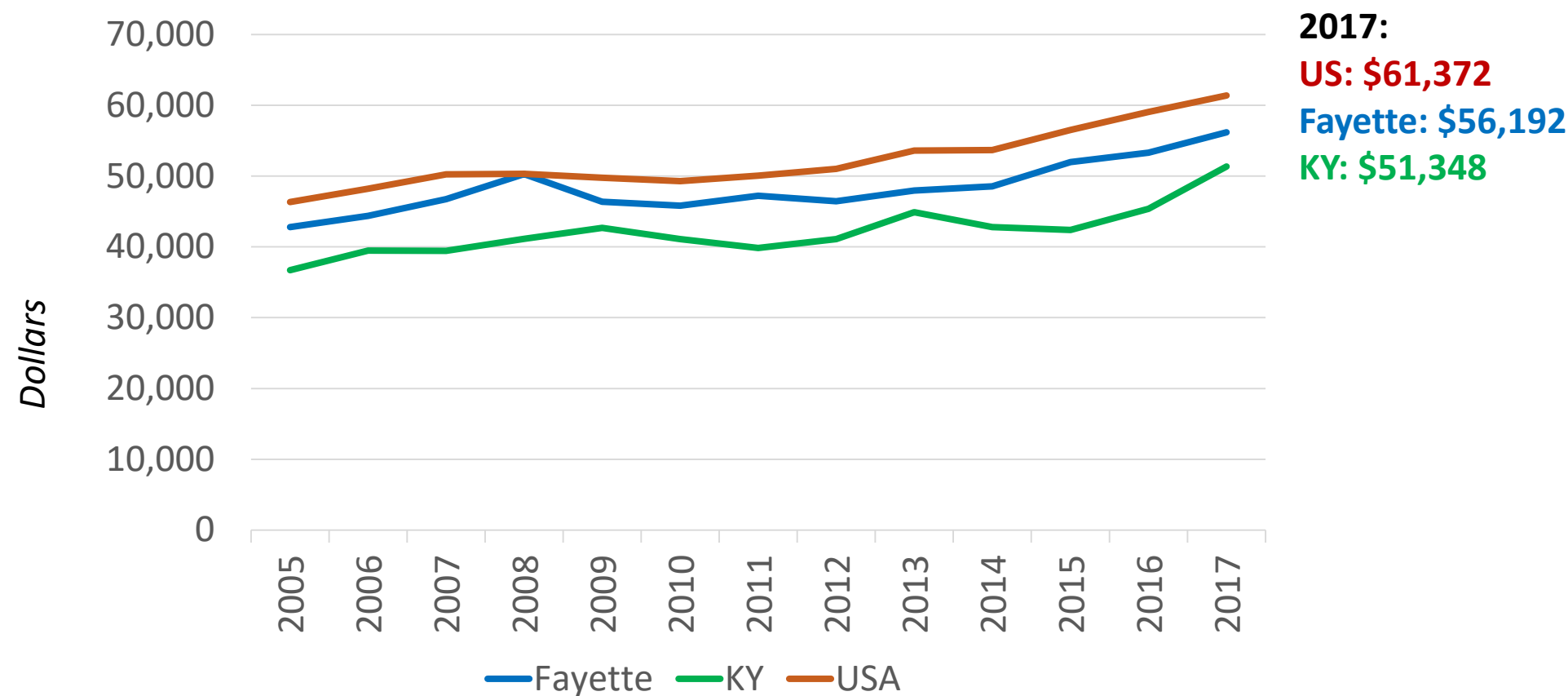
# Unemployment Rates



Source: U.S. Bureau of Labor Statistics



# Median household income



Source: U.S. Bureau of the Census

Nationally, wage growth has been lower than would be expected from such low unemployment rates!

Starting to improve, but still fairly low

## Wage Growth Tracker

three-month moving average of median wage growth



Sources: Current Population Survey, Bureau of Labor Statistics and author's calculations



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# Total Income for 127,336 HHs in Fayette County

**Income** = wage/salary, self-employment income, interest/dividend/royalty income, Social Security income, retirement income, public assistance/welfare income, and all other income

Total Income	Number of HHs	Percent
Less than \$10,000	10,325	8.1%
\$10,000-\$14,999	7,303	5.7%
\$15,000-\$24,999	13,549	10.6%
\$25,000-\$34,999	12,895	10.1%
\$35,000-\$49,999	16,477	12.9%
\$50,000-\$74,999	22,296	17.5%
\$75,000-\$99,999	15,011	11.8%
\$100,000-\$149,999	16,290	12.8%
\$150,000-\$199,999	6,205	4.9%
Over \$200,000	6,985	5.5%

Pov Line: \$24,600

Median: \$53,013

Mean: \$76,300

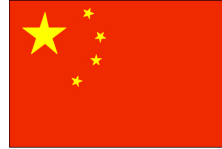
Source: U.S. Census American Community Survey 2017

# Forecast Table

	2018 forecast	2018 actual/ best available	2019 forecast
Real GDP growth – U.S.	2.5%	3.3%	2.3%
Inflation – U.S.	2.0%	2.5%	2.2%
Unemployment rate – U.S.	4.8%	3.7%	3.9%
Unemployment rate – KY	5.2%	4.5%	4.2%
Employment growth – U.S.	1.0%	1.7%	1.5%
Employment growth – KY	1.5%	0.5%	1.0%

Kentucky's exports were  
15% of state GDP – **over**  
**\$30 billion!** – in 2017

# Things to watch: Trade policy



- Tariffs on imports from China
  - July 2018: 10% tariffs on \$2 billion of imports from China, threatened to increase to 25% in 2019
  - Currently negotiating
- Renegotiating NAFTA
  - Canada is Kentucky's largest export destination, Mexico (and China) also important
- Tariffs on imported steel and aluminum
  - Raise prices of domestically produced steel and aluminum
- Retaliation?
- OECD: "global expansion has peaked"



# Things to watch: Tax cut

- \$1.5 trillion tax cut
- Has had short-run stimulus effect reflected in GDP
  - Consumer spending, corporate profits
- Justified as increasing investment
  - 2018 Q1 and Q2 had strong investment, Q3 low
  - 81% of businesses surveyed said that tax cut would not affect investment or hiring decisions
- Longer-term: significant increase in deficit and debt
  - 2018 federal deficit \$778 billion, 17% increase from 2017
  - May increase interest rates

# Reasons for concern in Lexington

- Pension funding
- Balancing growth with infill, concerns about gentrification
  - Availability and affordability of housing, land

# Reasons for optimism in Lexington

- High levels of education
- Great quality of life
- Relatively low cost of living
- Central location

Percent of adult population with  
a bachelor's degree or higher:  
Fayette: 44%  
Kentucky: 24%  
U.S.: 32%