

Current Economic Conditions in the Eighth Federal Reserve District

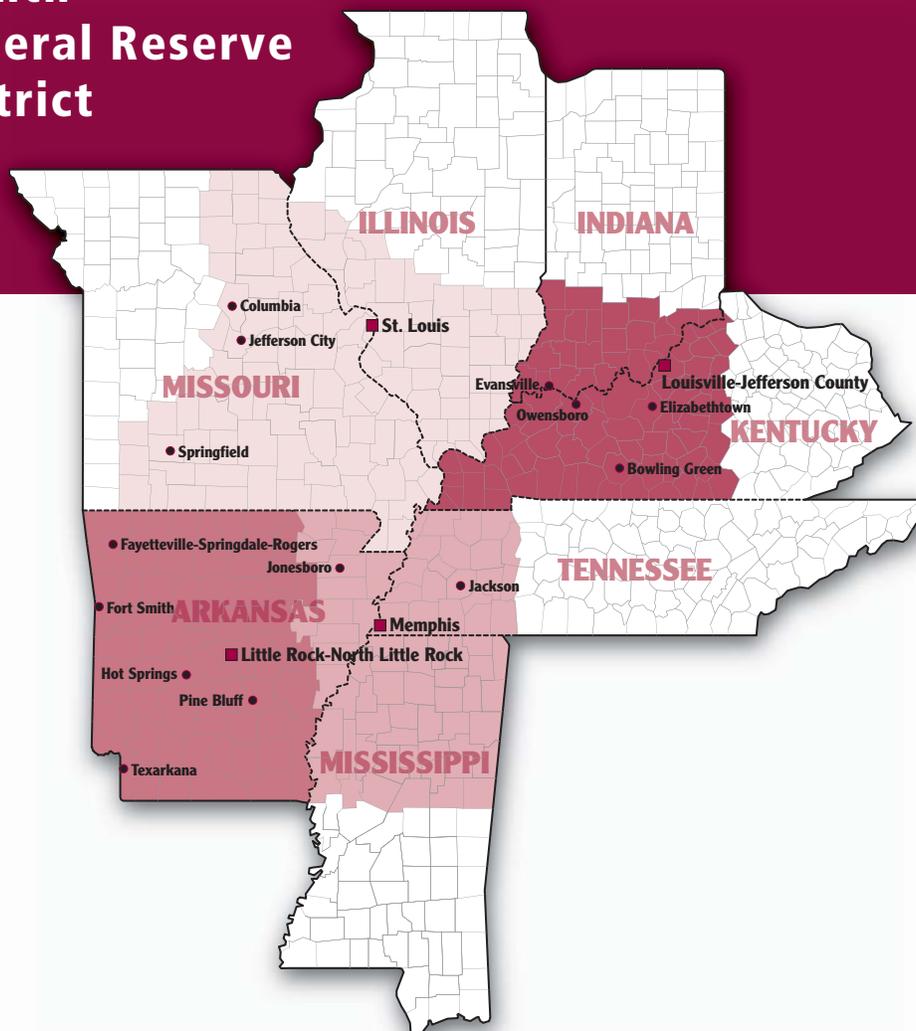
Louisville Zone

June 30, 2011

Prepared by the
Research Division of the
Federal Reserve Bank of St. Louis



Eighth Federal Reserve District



This report (known as the *Burgundy Book*) summarizes information on economic conditions in the Louisville zone of the Eighth Federal Reserve District (see map above), headquartered in St. Louis. Separate reports have also been prepared for the Little Rock, Memphis, and St. Louis zones and can be downloaded from research.stlouisfed.org/regecon/.

The report includes government-provided data for Kentucky and the metro areas of the Louisville zone. These data are the most recent available at the time this report was assembled.

NOTE: Metropolitan statistical areas (MSAs) are larger geographic areas than cities, as defined by the Census Bureau. Unless noted otherwise, when we refer to a location—such as Louisville—we refer to the Louisville MSA and not to the city of Louisville.

For more information, please contact the Louisville office:

Maria G. Hampton, 502-568-9205, maria.g.hampton@stls.frb.org

Economist:

Alejandro Badel, 314-444-8712, alejandro.badel@stls.frb.org

Louisville Zone Report—June 30, 2011

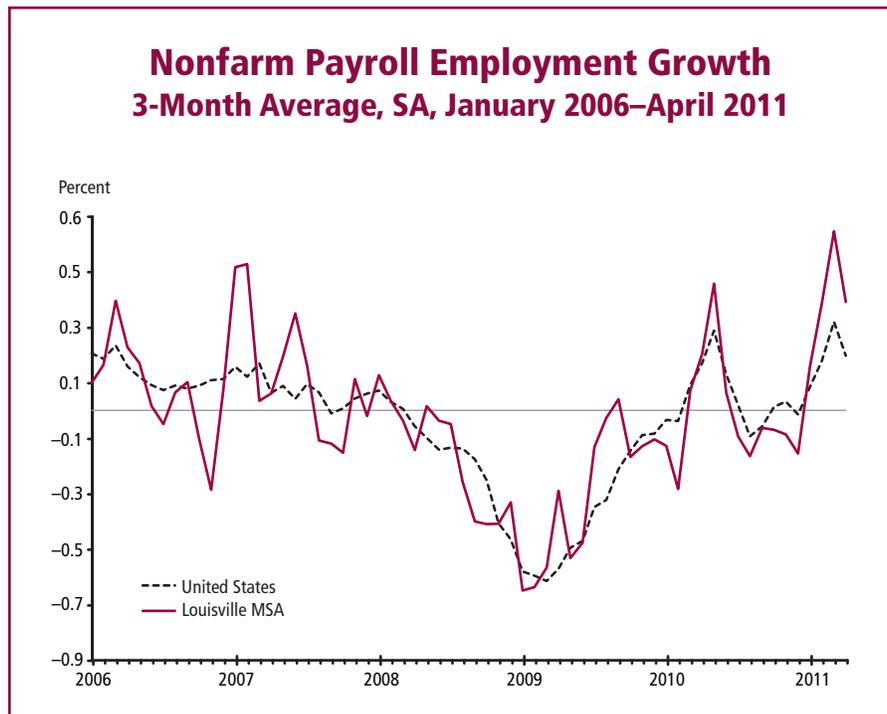
At the close of April, the annual growth of employment, building permits, and house prices was 1.2 percent, 4.1 percent, and –0.3 percent in Louisville and 1.0 percent, –12.7 percent, and –3.1 percent in the nation.

The annual growth of personal income was 3.5 percent in Kentucky and 2.7 percent in the nation.

In the past three months, local employment increased at a rate of 0.4 percent per month—approximately twice the rate registered for nationwide employment.

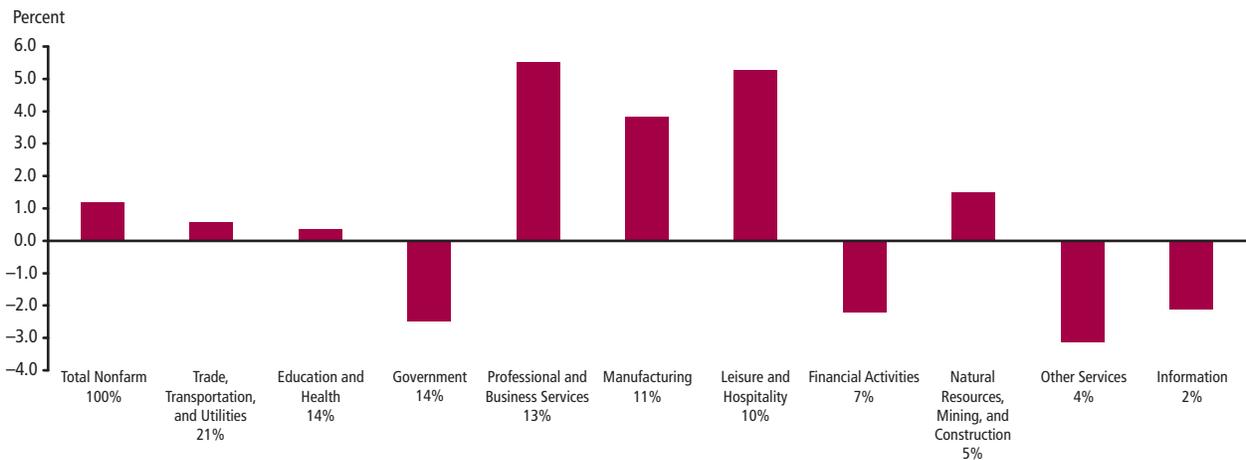
The unemployment rate in Louisville (9.8 percent) was higher than the nation's (8.9 percent).

Louisville outperformed the nation according to five of the six indicators considered.



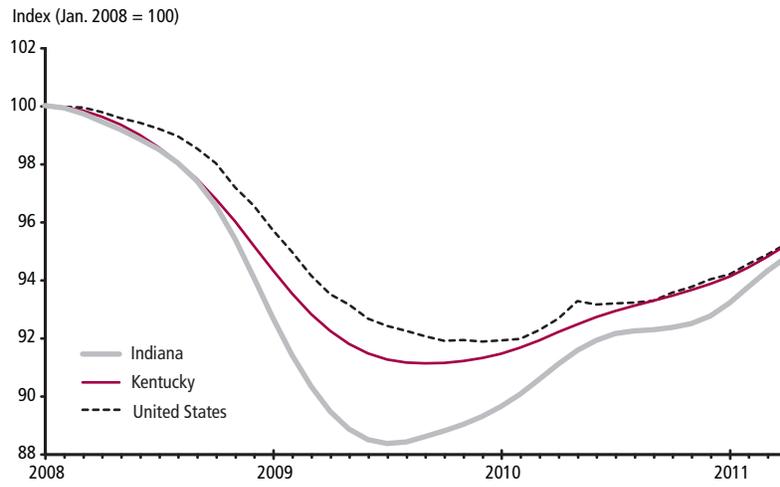
Louisville's recession-related decline in employment, which was centered near January 2009, was similar to the nation's decline. The recovery started roughly during the same period in Louisville as in the nation; however, the recovery seemed to have stalled in Louisville during the third and fourth quarters of 2010, and employment expansion restarted only in January of 2011. During the past three months, Louisville's employment expanded at an average rate of 0.4 percent per month and national employment expanded at an average rate of 0.2 percent per month.

Louisville MSA Employment Growth by Sector Year/Year Percent Change, April 2010–April 2011



Employment growth by sector during the past 12 months distinguishes general trends from sector-specific trends in Louisville’s economic performance. Employment increased by 1.2 percent in this MSA with respect to one year ago, while the increase was only 1.0 percent for the United States. The three largest sectors in Louisville are Trade, Transportation, and Utilities; Education and Health; and Government, accounting for 21 percent, 14 percent, and 14 percent of Louisville’s employment, respectively. Growth in these three sectors was 0.5 percent, 0.4 percent, and -2.5 percent, respectively. Employment growth was heterogeneous across sectors, with 4 of 10 sectors reducing employment and the rest increasing employment. The Professional and Business Services sector had the best performance in Louisville (5.5 percent) and accounts for 13 percent of employment.

Louisville Zone Coincident Economic Activity Index



The Philadelphia Fed's coincident index combines information on payroll employment, wages, unemployment, and hours of work to give a single measure of economic performance. Kentucky's coincident index reveals a stronger impact of the recession and a slower recovery compared with the nation. The index bottomed at 91.1 for Kentucky, while it bottomed at 91.9 for the United States. Current values of the index suggest that economic activity in both Kentucky and the United States is at 95.2 percent of its pre-recession levels. Likewise, Indiana's coincident index reveals a stronger impact of the recession and a slower recovery compared with the nation; the index bottomed at 88.4. Current values of the index suggest that economic activity in Indiana is at 94.8 percent of its pre-recession levels and still slightly below the nation's. In summary, the state economic performance of the Louisville zone as a whole should roughly coincide with the nation's according to this index.

Louisville Zone—MSA Employment and Unemployment

Nonfarm payroll employment percent change,
April 2010–April 2011

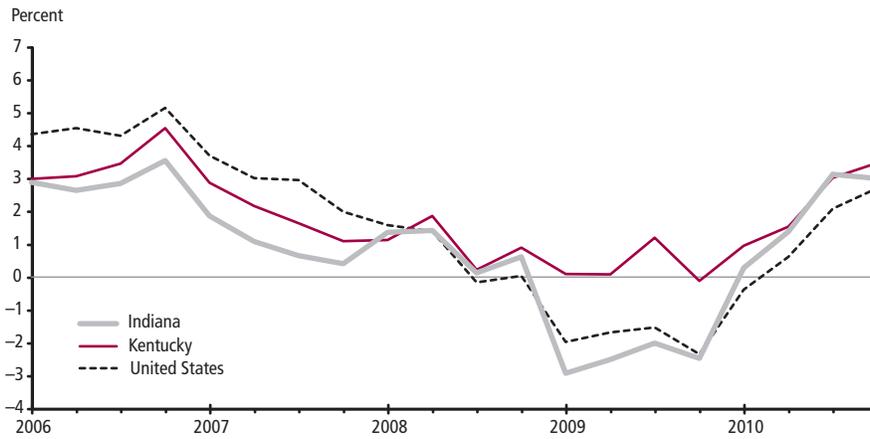
	Total	Goods producing	Service providing	Unemployment rate April 2011
Louisville	1.16	3.12	0.81	9.8
Bowling Green, Ky.	-0.67	2.91	-1.42	8.7
Evansville, Ind.	1.27	0.74	1.43	6.9
United States	0.98	1.31	0.96	8.9

NOTE: Sector-level employment data are not available for Elizabethtown, Ky., or Owensboro, Ky.; as a result, these MSAs are not included in the previous chart or in this table.

SOURCE: Bureau of Labor Statistics.

Employment expansion in the Louisville zone is substantial in Louisville and Evansville for both goods-producing and service-providing activities. The highest unemployment rate in the Louisville zone was registered in Louisville at 9.8 percent. This unemployment rate is almost 1 percentage point higher than the 8.9 percent rate registered for the United States.

Louisville Zone Real Personal Income Growth Percent Change, Year/Year



SOURCE: Bureau of Economic Analysis

In Kentucky and Indiana, personal income growth was below the nation's for several quarters before the most recent recession, which started in the last quarter of 2007. The recession's impact on Kentucky's personal income was milder and the recovery stronger than in the nation. Indiana's rate of recovery has also been stronger than the nation's, although its drop in personal income during the recession was deeper than Kentucky's. Between the fourth quarter of 2009 and the fourth quarter of 2010, personal income grew by 3.5 percent in Kentucky and 3.0 percent in Indiana, while it grew by 2.7 percent in the nation.

Louisville Zone—MSA Housing Activity

	Total building permits, units year-to-date		House price index, percent change, 2011:Q1/2010:Q1
	April 2011	Percent change	
Louisville	841	4.1	-0.3
Bowling Green, Ky.	154	-6.1	-0.4
Elizabethtown, Ky.	58	-66.9	3.8
Evansville, Ind.	133	-36.7	2.4
Owensboro, Ky.	75	-17.6	3.9
United States	176,883	-12.7	-3.1

SOURCE: Bureau of the Census, Federal Housing Financing Authority.

Housing activity in the Louisville zone shows a combination of a slowdown in building permits with strong house prices. The zone's number of issued building permits during 2011 is generally weaker than the number issued by the same time last year. Downward swings in the number of housing permits were more pronounced in each of the declining MSAs than in the nation, where they declined by 12.7 percent. By contrast, house prices were relatively strong in the zone. The 0.3 percent house price decrease, on a year-over-year basis, in Louisville is at the lower end of the changes in house prices within the zone. This decline is mild compared with the 3.1 percent decrease for the United States. The greatest increase in house prices was registered in Elizabethtown, while the greatest decline was registered in Bowling Green.