

# Current Economic Conditions in the Eighth Federal Reserve District

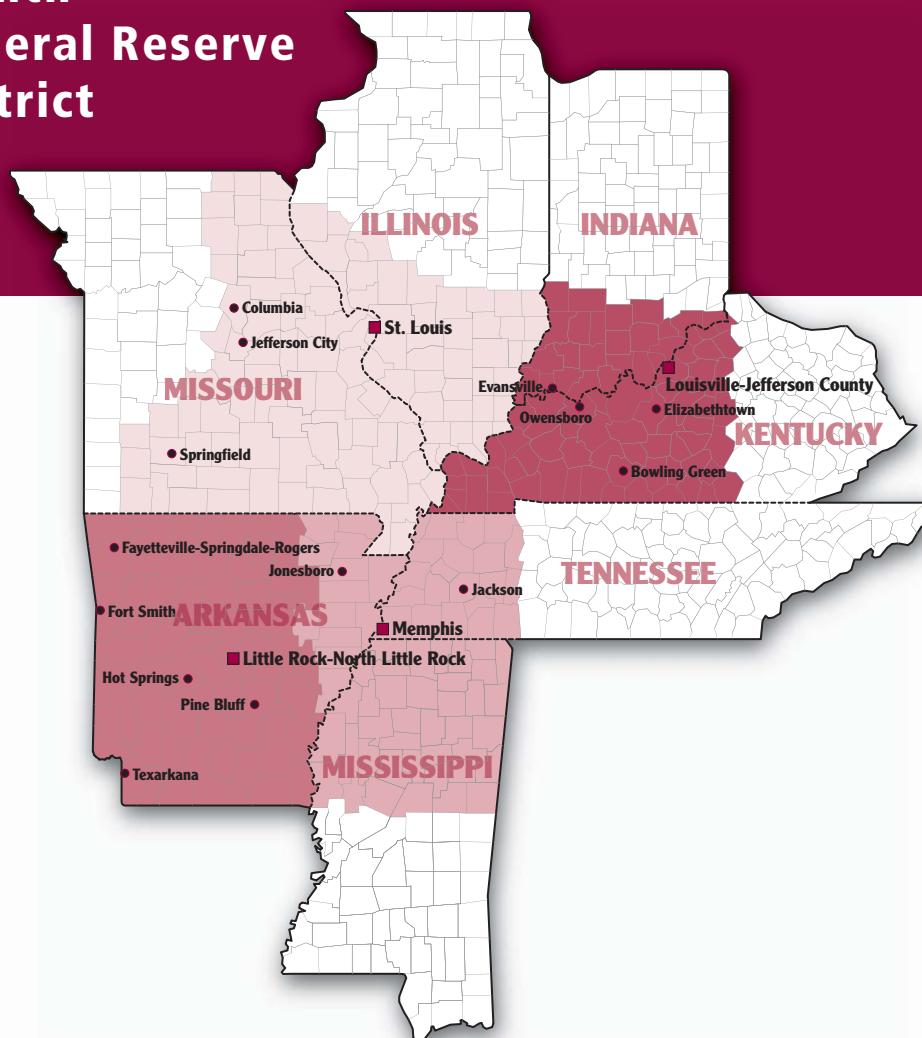
## Louisville Zone

March 18, 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/](https://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.

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# Louisville Zone Report—March 18, 2011

The most recent data—between December 2010 and January 2011—reveals that the annual growth of employment, building permits, and housing prices was 0.5 percent, –43.1 percent, and –0.1 percent in Louisville and 0.7 percent, –8.9 percent, and –1.3 percent in the nation. In the past three months, local employment increased at a rate of 0.1 percent per month, approximately the same rate registered for nationwide employment. The unemployment rate in Louisville (10.2 percent) was higher than the nation’s (9.4 percent). According to three of the five indicators considered, Louisville is outperformed by the nation. This view coincides with weak anecdotal reports from contacts in several sectors.

## General Retailers

- January and early February sales increased compared with the same time last year for one in two contacts; sales decreased for one in three contacts.
- Sales met or exceeded expectations for one in two contacts.
- Sales were expected to increase in this quarter compared with the same time last year for one in two contacts; one in three contacts expected a decrease.

## Car Dealers

- January and early February sales increased compared with the same time last year for one in two contacts; sales decreased for one in three contacts.
- All contacts expected sales to increase in this quarter compared with the same time last year.

## Manufacturing

- Contacts in automobile parts, automobiles, glass, power transmission equipment, and primary metals plan to expand operations and hire new workers.
- A primary metal contact plans to lay off workers and close its plant.

## Services

- Business support and health care contacts plan to hire workers and/or open new facilities.
- A religious organization reports plans to decrease operations and lay off workers.

## Real Estate

- Home sales were 6.4 percent lower in January 2011 than in January 2010.

- Single-family housing permits were 40.5 percent lower in January 2011 than in January 2010.
- Between the third and fourth quarters of 2010, industrial vacancy rates remained constant while all office vacancy rates increased.

## Construction

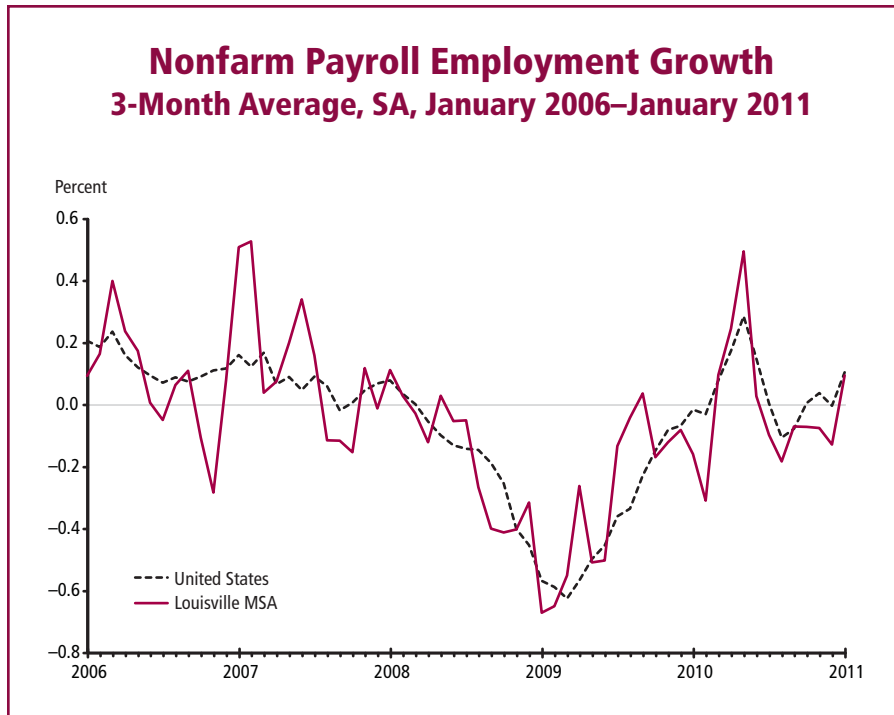
- Contacts in the Louisville area reported that little change was seen in commercial and industrial construction, and speculative construction activity is expected to remain slow during the next few months.
- Contacts in south central Kentucky reported an increase in renovation and expansions of commercial facilities.
- Contacts in southern Indiana noted an increase in “quoting” as well as utility construction.

## Banking and Finance

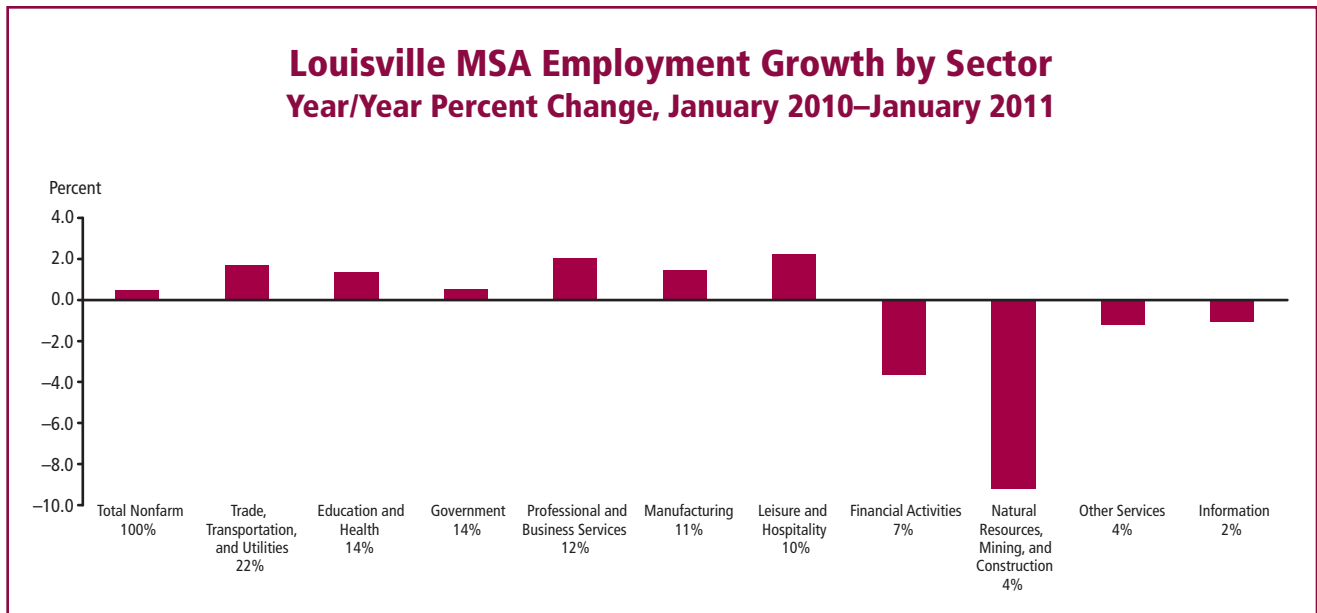
- Lending activity decreased in the commercial and industrial category due to “more stringent underwriting practices.”

## Agriculture

- Combined coal production for Kentucky and Indiana was 4.4 percent higher in 2010 than in 2009.
- The aggregate production value of corn and soybeans was 26.7 percent higher in 2010 than in 2009, while the production value of winter wheat, hay, and tobacco was lower by 17.1 percent.
- The market prices of corn, winter wheat, and soybeans were 48, 26.3, and 21.3 percent higher in 2010 than in 2009, respectively. The prices of hay and tobacco were 8.7 percent and 9.4 percent lower, respectively.



Louisville’s recession-related decline in employment, centered in January 2009, was similar to that of the nation overall. The recovery started roughly at the same time in Louisville as in the nation; however, the recovery seems to have stalled in Louisville from mid-2010 and employment growth became positive again only in January 2011. During the past three months, both Louisville and national employment expanded at an average rate of 0.1 percent per month.



Employment growth by sector during the past 12 months distinguishes general trends from sector-specific trends in Louisville’s economic performance. Annual employment grew by 0.5 percent in this MSA, compared with a 0.7 percent increase for the United States. The three largest sectors in Louisville are Trade, Transportation, and Utilities; Education and Health; and Government, accounting for 22 percent, 14 percent, and 14 percent of Louisville’s employment, respectively. Growth in these three sectors was 1.7 percent, 1.3 percent, and 0.5 percent, respectively. Sectoral and aggregate employment changes in Louisville moved primarily in the same positive direction. The Leisure and Hospitality sector had the best performance in Louisville (2.2 percent) and accounts for 10 percent of employment there.

## Louisville Zone—MSA Employment and Unemployment

Nonfarm payroll employment percent change,  
January 2010–January 2011

	Nonfarm payroll employment percent change, January 2010–January 2011			Unemployment rate December 2010
	Total	Goods producing	Service providing	
Louisville	0.48	-1.69	0.88	10.2
Bowling Green, Ky.	1.75	4.08	1.27	9.4
Evansville, Ind.	1.67	1.05	1.85	8.4
United States	0.69	0.54	0.71	9.4

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.

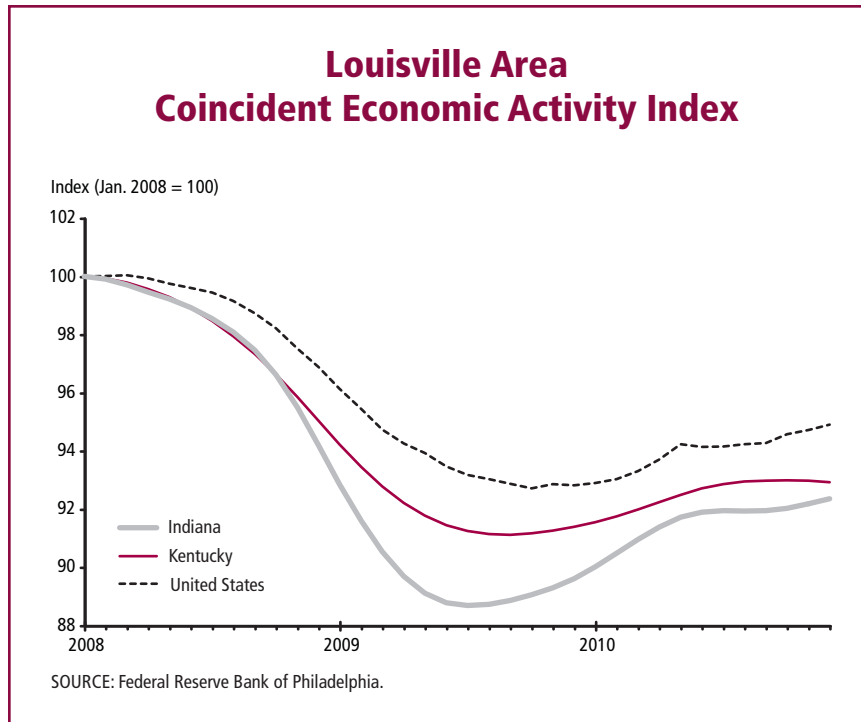
Employment expansion in the Louisville zone is substantial in the Bowling Green and Evansville MSAs for both goods-producing and service-providing activities. The highest unemployment rate in the Louisville zone was registered in Louisville, at 10.2 percent. This unemployment rate is higher than the 9.4 percent rate registered for the United States.

## Louisville Zone—MSA Housing Activity

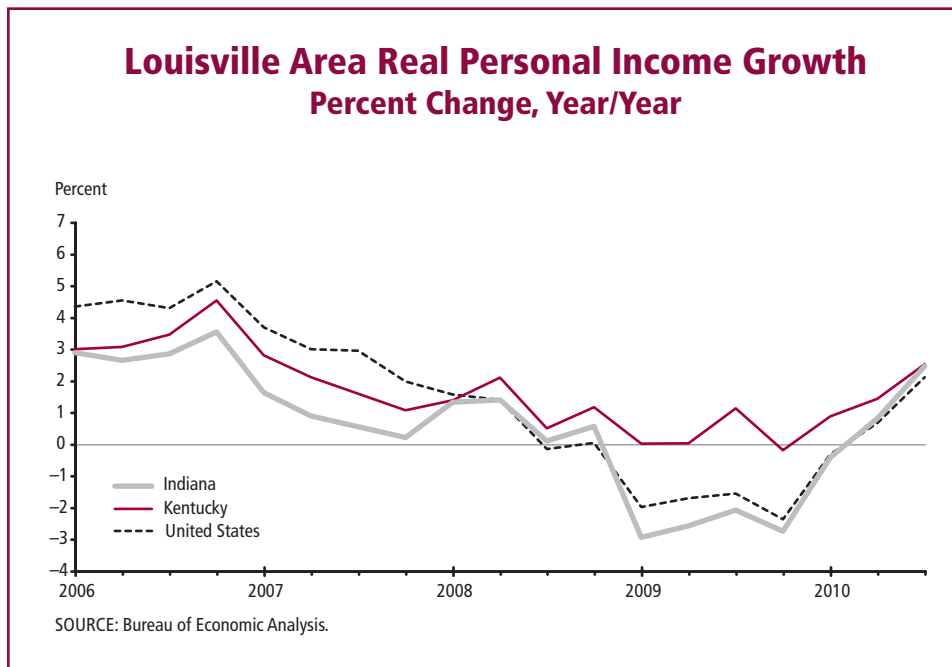
	Total building permits, units year-to-date		House price index, percent change, 2010:Q4/2009:Q4
	January 2011	Percent change	
Louisville	103	-43.1	-0.1
Bowling Green, Ky.	37	37	0.3
Elizabethtown, Ky.	5	-81.5	4.4
Evansville, Ind.	18	-43.8	1
Owensboro, Ky.	16	-27.3	0.7
United States	35,985	-8.9	-1.3

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

The 43.1 percent decline in building permits in Louisville lies in between the 37 percent expansion in Bowling Green and the 81.5 percent contraction in Elizabethtown. This decline is much greater compared with the 8.9 percent decline for the United States. The 0.1 percent house price decrease, on a year-over-year basis, in Louisville was also at the lower end of the change in house prices as compared with the Bowling Green, Elizabethtown, Evansville, and Owensboro MSAs. However, this decline clearly outperformed the 1.3 percent decrease suffered by the United States. The greatest increase in house prices was registered in Elizabethtown, while the lowest was registered in Louisville.



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. This index gives an idea of the state economic environment in which Louisville operates. 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 92.7 for the United States. Current values of the index suggest that economic activity in Kentucky is at 92.9 percent of its pre-recession levels, while it is at 94.9 percent in the nation. Likewise, Indiana's coincident index reveals a stronger impact of the recession and a slower recovery compared with the nation. The index bottomed at 88.7 for Indiana, while it bottomed at 92.7 for the United States. Current values of the index suggest that economic activity in Indiana is at 92.4 percent of its pre-recession levels, while activity is at 94.9 percent in the nation. In summary, the state economic environment of the Louisville zone as a whole should be slightly worse than the nation's according to this index.



In Kentucky and Indiana, personal income growth was below the nation's for several quarters before the 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. In contrast, Indiana's personal income growth was lower than the nation's, while its rate of recovery has been similar to the nation. Between the third quarter of 2009 and the third quarter of 2010, personal income grew by 2.5 percent in both Kentucky and Indiana, while it grew by 2.1 percent in the nation.