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# Regional Economic Briefing

## Dialogue with the Fed Louisville, KY

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*Not an official document*

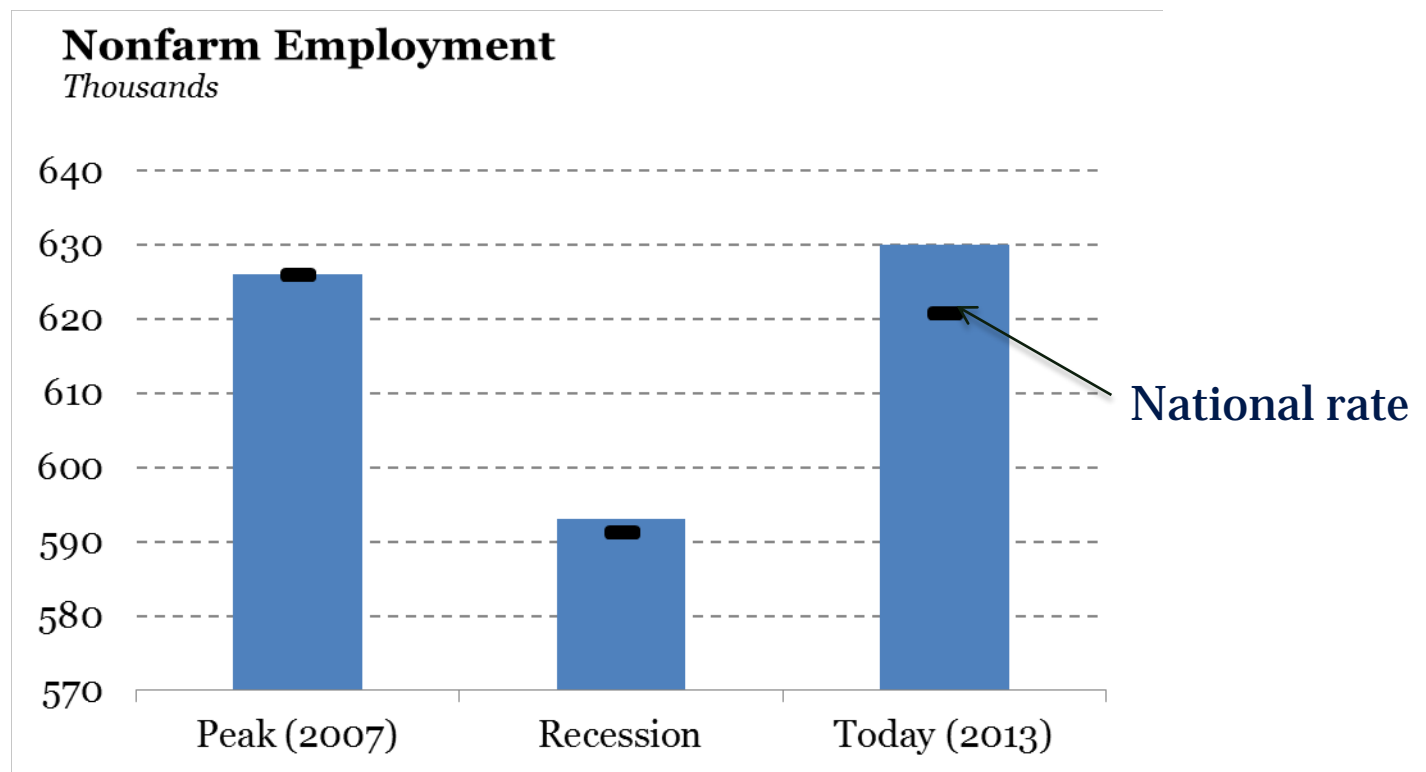
## Disclaimer

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.

# Outline

- A look back
- A look from 30,000 feet
- A look around
- A look forward

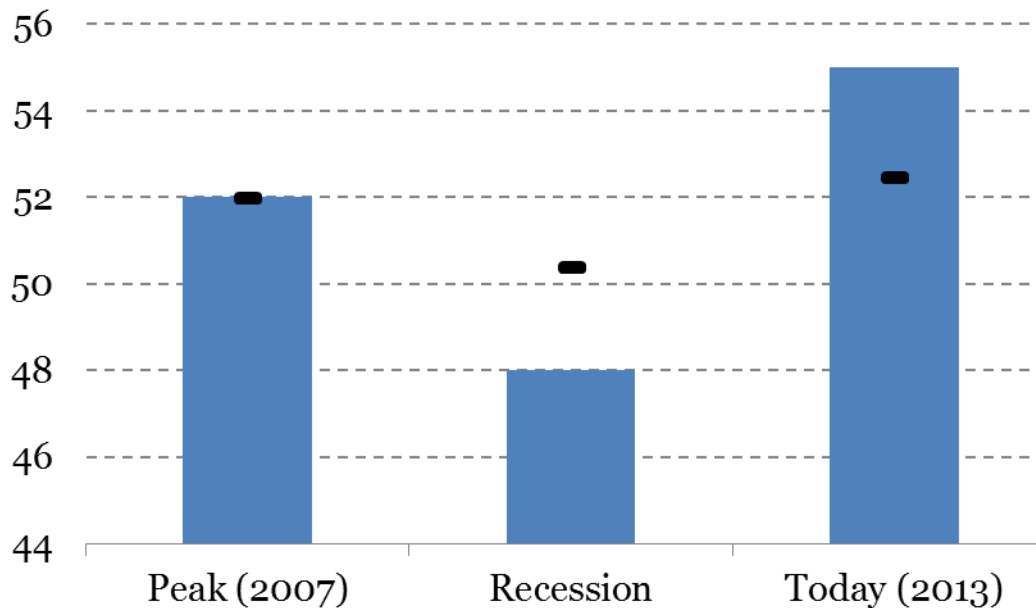
# Louisville regains all jobs lost since recession



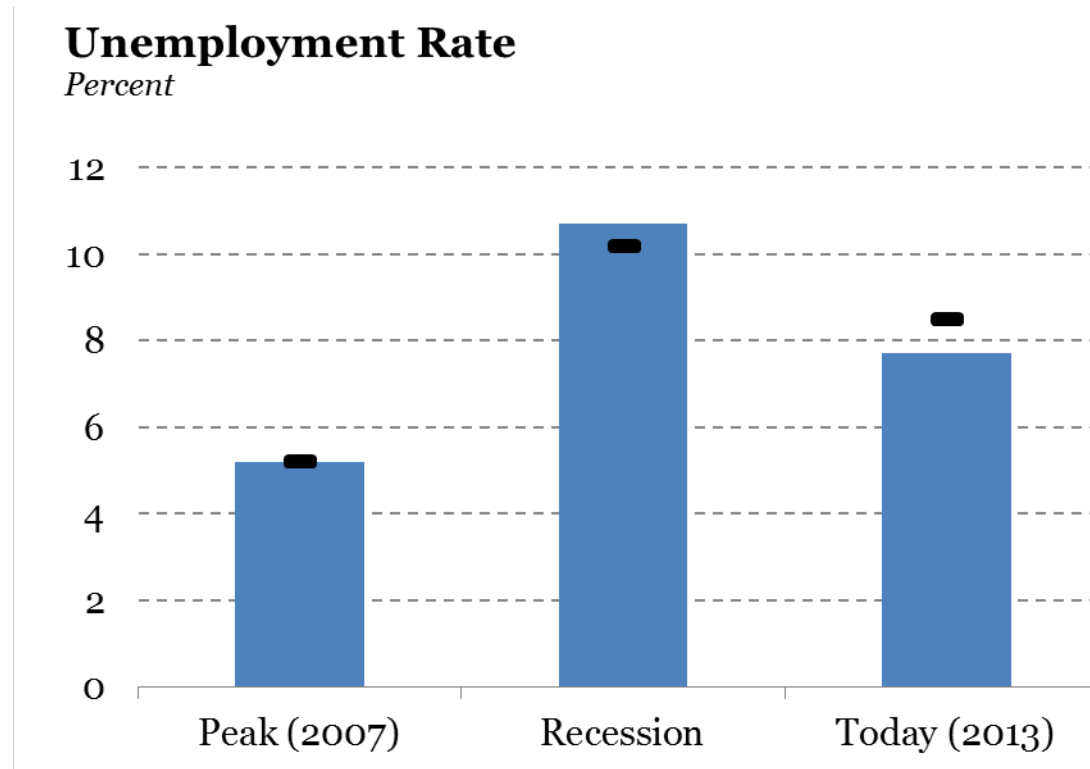
## So what is different?

### Real Gross Metropolitan Product

*Billions of 2009 Dollars*



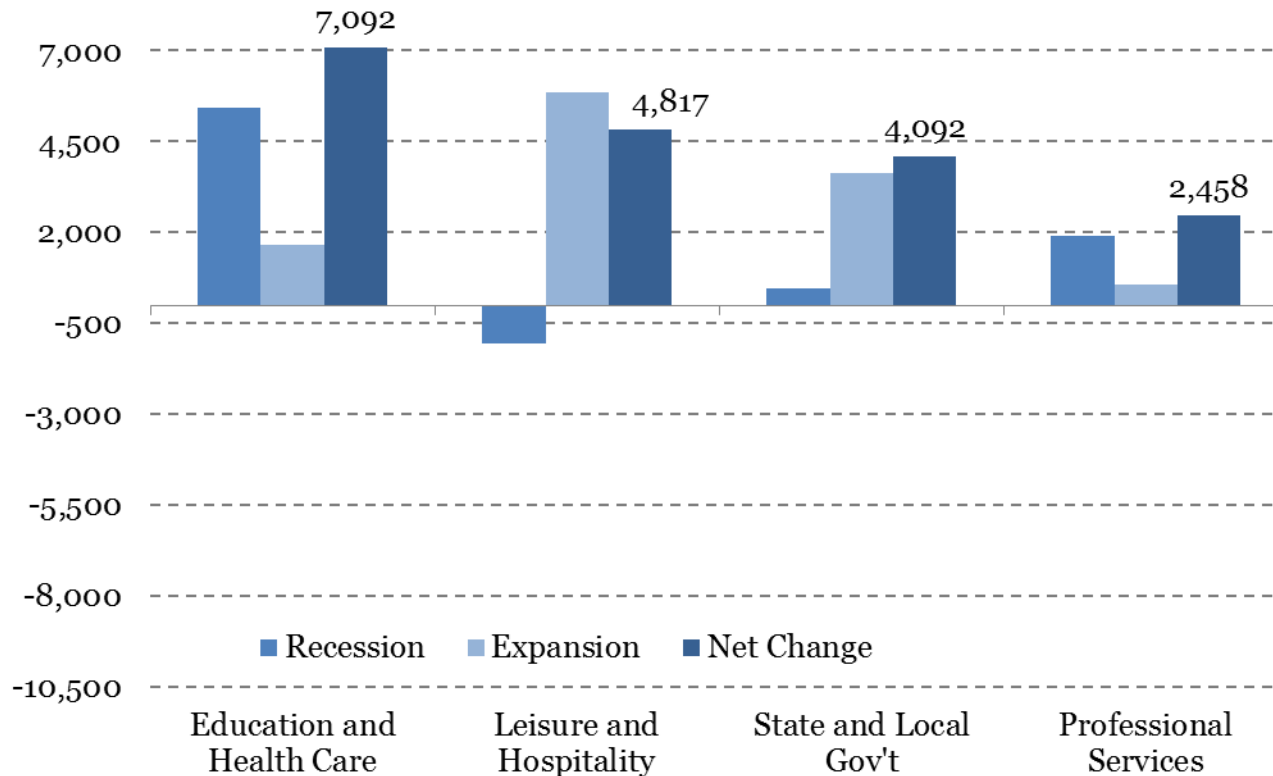
## So what is different?



# The same number of jobs, but not the same jobs

## Some Sectors were Resilient

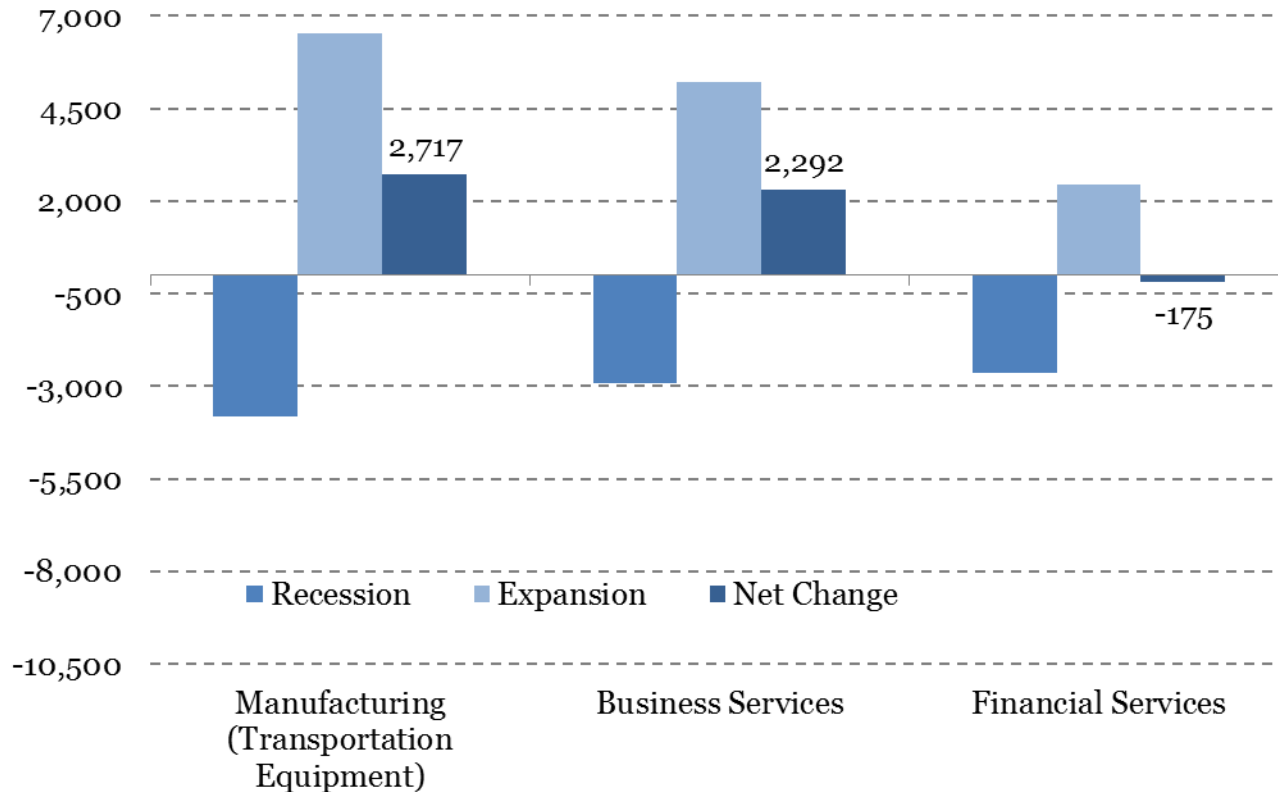
*Louisville Employment by Sector, Jobs*



# The same number of jobs, but not the same jobs

## Some Sectors Bounced Back

*Louisville Employment by Sector, Jobs*

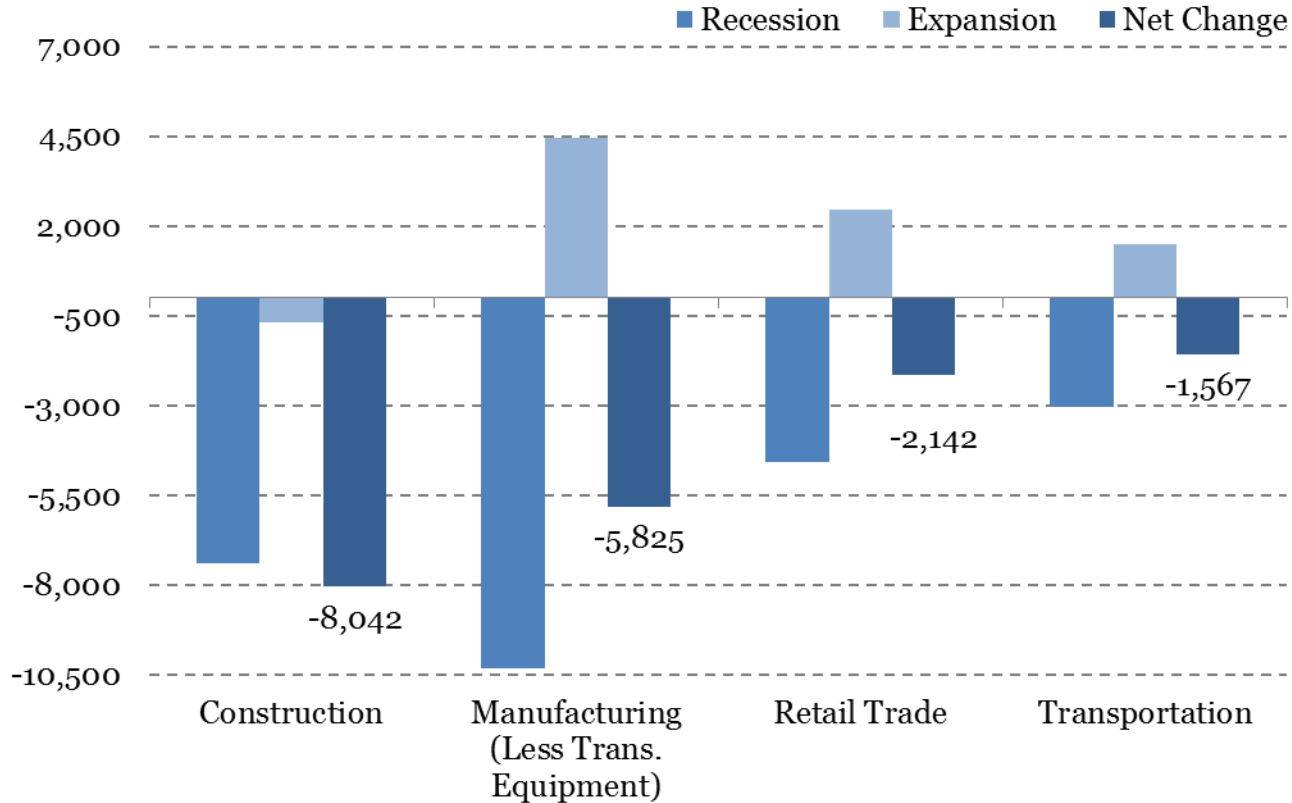




# The same number of jobs, but not the same jobs

## Some Sectors Continue to Struggle

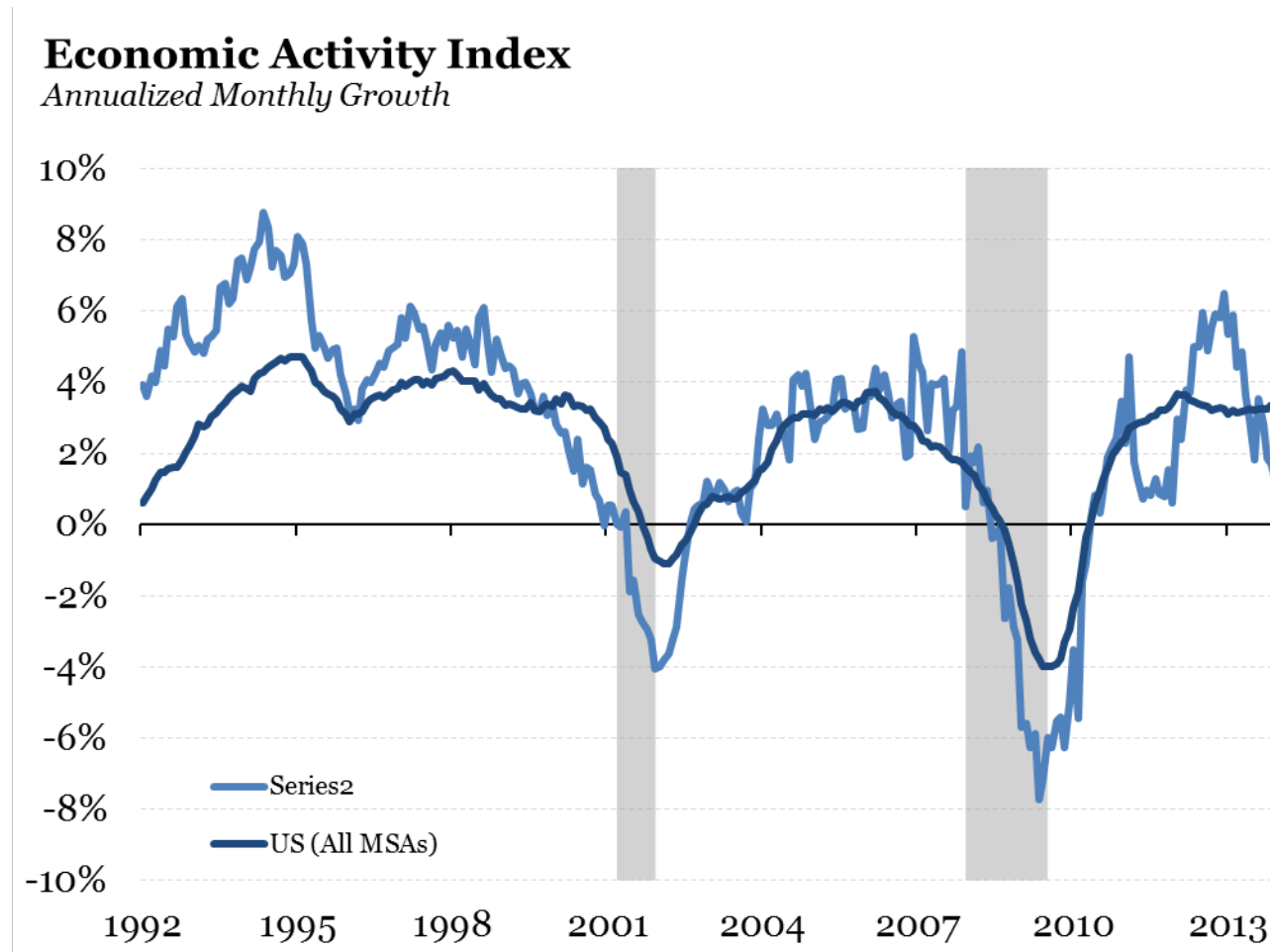
*Louisville Employment by Sector, Jobs*



# A look from 30,000 feet

- **Economic Activity Index**
  - Combine 16 regional indicators
    - Employment
    - Income/Wages
    - Housing/Construction
    - Office/Industrial markets
    - Banking Performance
  - Extract common trend: “business cycle”
  - Scale index to “GDP” measure

# A look from 30,000 feet



# A look from 30,000 feet

## Economic Growth

	<b>Louisville</b>	<b>U.S.</b>
2010	3.5	2.5
2011	0.6	1.8
2012	6.5	2.8
2013	1.3*	1.9
<b>Average</b>	<b>3.0</b>	<b>2.3</b>

\*preliminary

## A closer look at 2013

- About 1.3% growth
- +7,600 jobs
- Unemployment rate ticked up
- Wages stagnate (then slip)
- Continued weakness in housing and construction
  
- National economy didn't help...

# Are we keeping up with the Joneses?

## Economic Activity Index

MSA	Avg. Growth (2010-13)	Rank
Nashville	5.1	1
Indianapolis	3.3	2 ▲
<b>Louisville</b>	<b>3.0</b>	<b>3 ▼</b>
Cincinnati	2.1	4
St. Louis	1.6	5

Note: Arrow indicates change from 2010-12 ranking

# Are we keeping up with the Joneses?

Job Growth (U.S.=1.4%)

<b>MSA</b>	<b>Avg. Growth (2010-13)</b>	<b>Rank</b>
Nashville	3.1	1
Indianapolis	2.0	2
<b>Louisville</b>	<b>1.5</b>	<b>3</b>
Cincinnati	1.2	4
St. Louis	0.6	5

# Are we keeping up with the Joneses?

Unemployment Rate (U.S.=7.0%)

<b>MSA</b>	<b>Avg. Rate (2013:Q4)</b>	<b>Rank</b>
Nashville	6.5	1
Indianapolis	6.6	2 ▲
St. Louis	6.9	3
Cincinnati	7.1	4 ▼
<b>Louisville</b>	<b>7.7</b>	<b>5</b>

Note: Arrow indicates change from 2012:Q4 ranking



# Are we keeping up with the Joneses?

Wage Growth (U.S.=1.9%)

MSA	Avg. Growth (2010-13)	Rank
Indianapolis	3.3	1
Cincinnati	2.2	2 ▲
St. Louis	2.0	3 ▲
<b>Louisville</b>	<b>1.4</b>	<b>4 ▼</b>
Nashville	0.5	5

Note: Arrow indicates change from 2010-12 ranking

# Are we keeping up with the Joneses?

House Prices (U.S.=11.0%)

MSA	Annual Growth (2013)	Rank
Nashville	9.2	1
St. Louis	7.9	2
Cincinnati	6.1	3 ▲
Indianapolis	5.5	4
<b>Louisville</b>	<b>1.6</b>	<b>5 ▼</b>

Note: Arrow indicates change from 2012 ranking

# A look forward

- **Six places to look:**
  - Recent history
  - Housing and construction
  - Healthcare sector
  - Manufacturing
  - Anecdotal information

# What history tells us

- Average job growth during the recovery:
- 2010-2013: 9,300 jobs (1.5%)
- 2012 = 20,000 jobs (3.3%)
- 2013 = 7,600 jobs (1.2%)

# Housing and Construction

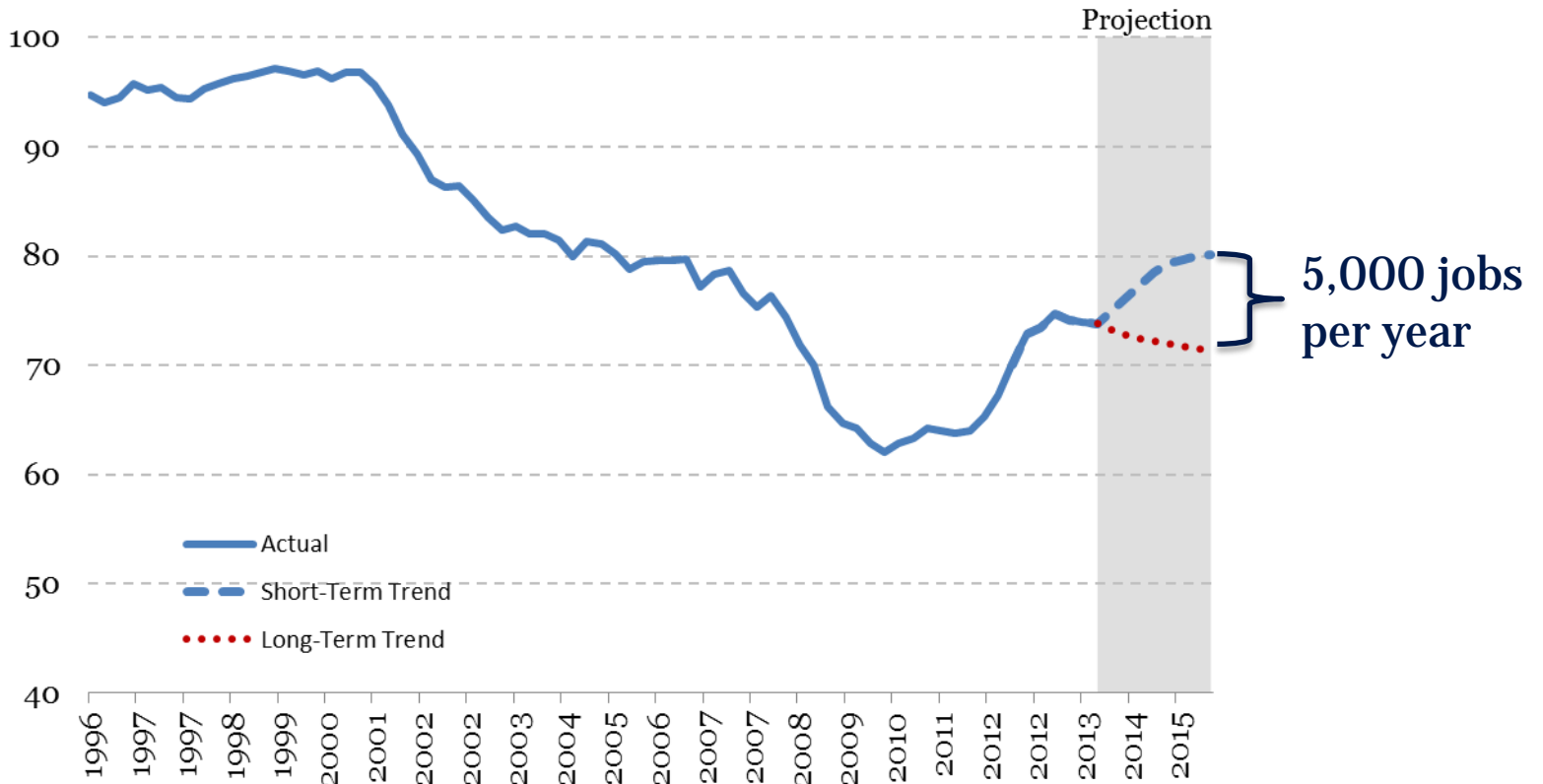
- Is 2014 the year for more construction jobs?
  - National growth has been 3% per year
- ...that would be 1,000 jobs

# Healthcare Uncertainty

- Hiring has slowed to a trickle in 2013
- Layoffs announced
- 2014 is likely another slow year
- Aging population: positive long-term outlook

# Can manufacturing buck the long-term trend?

**Manufacturing Employment, Louisville**  
*Thousands of Jobs*

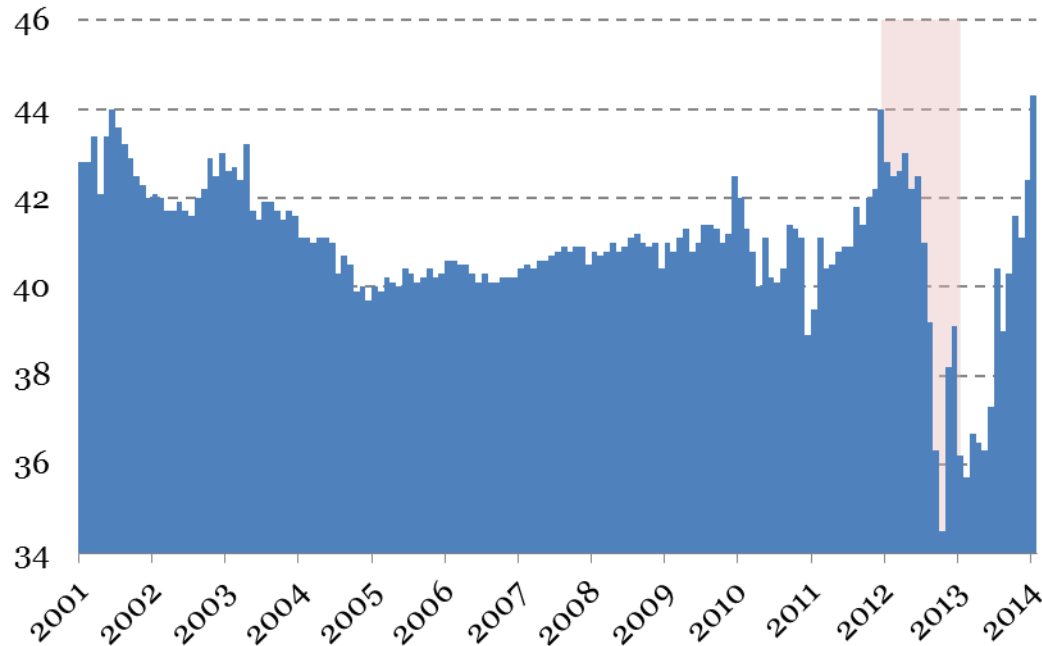


# Hours are at a 14 year high

## Average Weekly Hours: Manufacturing

*Hours of Production Workers, Louisville*

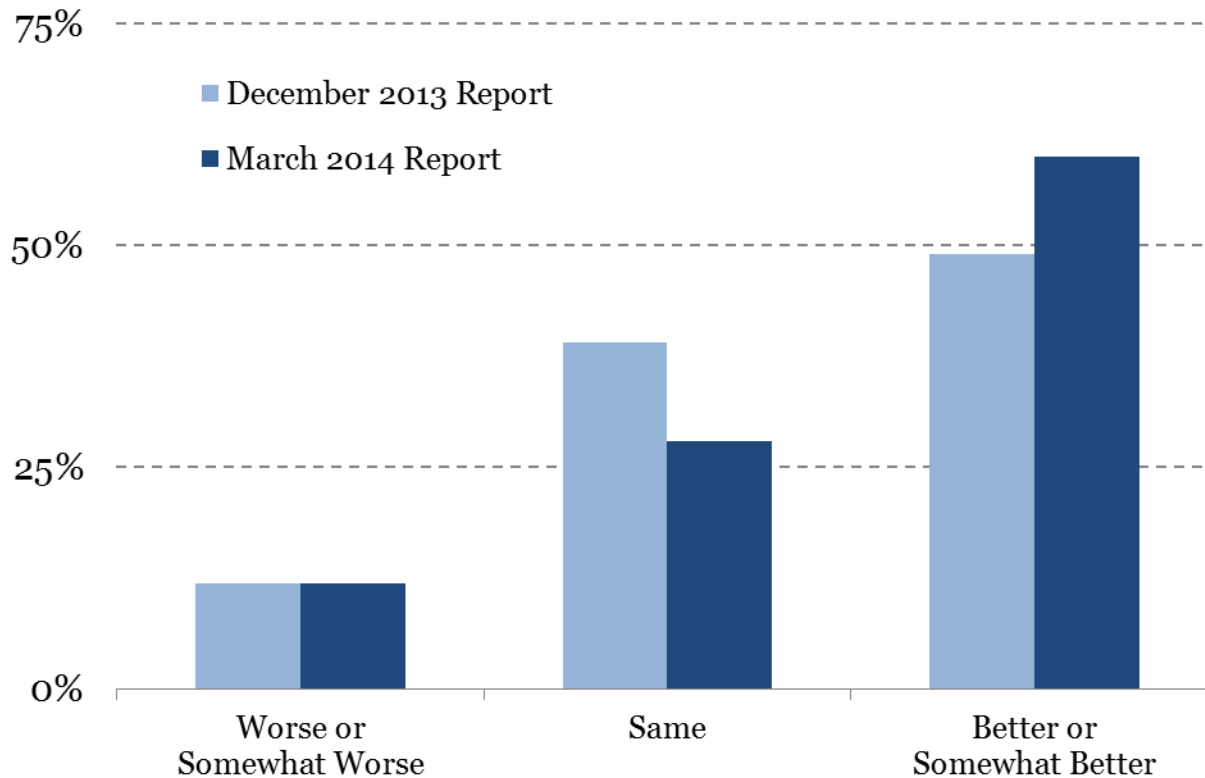
2012 Hiring Boom





# Increasing optimism among business contacts

## Expectations for Local Economic Conditions in 2014



## Looking ahead: 2014

- If activity picks up (3.0% GDP), Louisville should outperform the nation.
- My projection is for about 12,000 jobs or 1.9% growth
- National pace expected around 1.6% growth