Regional Economic Briefing
Dialogue with the Fed
Louisville, KY

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Not an official document
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

Sources: Bureau of Labor Statistics
So what is different?

Real Gross Metropolitan Product
Billions of 2009 Dollars

Source: Bureau of Economic Analysis and author’s calculations
So what is different?

Unemployment Rate
Percent

Source: Bureau of Labor Statistics
The same number of jobs, but not the same jobs

Some Sectors were Resilient
Louisville Employment by Sector, Jobs

Source: Bureau of Labor Statistics
The same **number** of jobs, but not the same **jobs**

**Some Sectors Bounced Back**

*Louisville Employment by Sector, Jobs*

<table>
<thead>
<tr>
<th>Sector</th>
<th>Recession</th>
<th>Expansion</th>
<th>Net Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing (Transportation Equipment)</td>
<td>-8,000</td>
<td>-500</td>
<td>2,717</td>
</tr>
<tr>
<td>Business Services</td>
<td>-3,000</td>
<td>2,292</td>
<td></td>
</tr>
<tr>
<td>Financial Services</td>
<td>-175</td>
<td></td>
<td>2,292</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics
The same number of jobs, but not the same jobs

Some Sectors Continue to Struggle
Louisville Employment by Sector, Jobs

Source: Bureau of Labor Statistics
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

Economic Activity Index
Annualized Monthly Growth

Source: Author’s calculations
A look from 30,000 feet

### Economic Growth

<table>
<thead>
<tr>
<th></th>
<th>Louisville</th>
<th>U.S.</th>
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</thead>
<tbody>
<tr>
<td>2010</td>
<td>3.5</td>
<td>2.5</td>
</tr>
<tr>
<td>2011</td>
<td>0.6</td>
<td>1.8</td>
</tr>
<tr>
<td>2012</td>
<td>6.5</td>
<td>2.8</td>
</tr>
<tr>
<td>2013</td>
<td>1.3*</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>3.0</strong></td>
<td><strong>2.3</strong></td>
</tr>
</tbody>
</table>

*preliminary

Source: Bureau of Economic Analysis and author’s calculations
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

<table>
<thead>
<tr>
<th>MSA</th>
<th>Avg. Growth (2010-13)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nashville</td>
<td>5.1</td>
<td>1</td>
</tr>
<tr>
<td>Indianapolis</td>
<td>3.3</td>
<td>2 ▲</td>
</tr>
<tr>
<td><strong>Louisville</strong></td>
<td><strong>3.0</strong></td>
<td><strong>3 ▼</strong></td>
</tr>
<tr>
<td>Cincinnati</td>
<td>2.1</td>
<td>4</td>
</tr>
<tr>
<td>St. Louis</td>
<td>1.6</td>
<td>5</td>
</tr>
</tbody>
</table>

Note: Arrow indicates change from 2010-12 ranking

Source: Author’s calculations
Are we keeping up with the Joneses?

## Job Growth (U.S. = 1.4%)

<table>
<thead>
<tr>
<th>MSA</th>
<th>Avg. Growth (2010-13)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nashville</td>
<td>3.1</td>
<td>1</td>
</tr>
<tr>
<td>Indianapolis</td>
<td>2.0</td>
<td>2</td>
</tr>
<tr>
<td>Louisville</td>
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<td>3</td>
</tr>
<tr>
<td>Cincinnati</td>
<td>1.2</td>
<td>4</td>
</tr>
<tr>
<td>St. Louis</td>
<td>0.6</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics
Are we keeping up with the Joneses?

Unemployment Rate (U.S.=7.0%)

<table>
<thead>
<tr>
<th>MSA</th>
<th>Avg. Rate (2013:Q4)</th>
<th>Rank</th>
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</thead>
<tbody>
<tr>
<td>Nashville</td>
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<td>1</td>
</tr>
<tr>
<td>Indianapolis</td>
<td>6.6</td>
<td>2 ▶</td>
</tr>
<tr>
<td>St. Louis</td>
<td>6.9</td>
<td>3</td>
</tr>
<tr>
<td>Cincinnati</td>
<td>7.1</td>
<td>4 ▼</td>
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<tr>
<td>Louisville</td>
<td>7.7</td>
<td>5</td>
</tr>
</tbody>
</table>

Note: Arrow indicates change from 2012:Q4 ranking

Source: Bureau of Labor Statistics
Are we keeping up with the Joneses?

Wage Growth (U.S.=1.9%)

<table>
<thead>
<tr>
<th>MSA</th>
<th>Avg. Growth (2010-13)</th>
<th>Rank</th>
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</thead>
<tbody>
<tr>
<td>Indianapolis</td>
<td>3.3</td>
<td>1</td>
</tr>
<tr>
<td>Cincinnati</td>
<td>2.2</td>
<td>2 ▲</td>
</tr>
<tr>
<td>St. Louis</td>
<td>2.0</td>
<td>3 ▲</td>
</tr>
<tr>
<td><strong>Louisville</strong></td>
<td><strong>1.4</strong></td>
<td>4 ▼</td>
</tr>
<tr>
<td>Nashville</td>
<td>0.5</td>
<td>5</td>
</tr>
</tbody>
</table>

Note: Arrow indicates change from 2010-12 ranking

Source: Bureau of Labor Statistics
Are we keeping up with the Joneses?

House Prices (U.S. = 11.0%)

<table>
<thead>
<tr>
<th>MSA</th>
<th>Annual Growth (2013)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nashville</td>
<td>9.2</td>
<td>1</td>
</tr>
<tr>
<td>St. Louis</td>
<td>7.9</td>
<td>2</td>
</tr>
<tr>
<td>Cincinnati</td>
<td>6.1</td>
<td>3</td>
</tr>
<tr>
<td>Indianapolis</td>
<td>5.5</td>
<td>4</td>
</tr>
<tr>
<td><strong>Louisville</strong></td>
<td><strong>1.6</strong></td>
<td><strong>5</strong></td>
</tr>
</tbody>
</table>

Note: Arrow indicates change from 2012 ranking

Source: Core Logic Home Price Index
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%)

Source: Bureau of Labor Statistics
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

Source: Bureau of Labor Statistics
Hours are at a 14 year high

Average Weekly Hours: Manufacturing
Hours of Production Workers, Louisville

Source: Bureau of Labor Statistics
Increasing optimism among business contacts

Expectations for Local Economic Conditions in 2014

Source: Federal Reserve Bank of St. Louis, Burgundy Book- Louisville Zone
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