

# Kentucky's Economic Outlook 2025

February 11, 2025

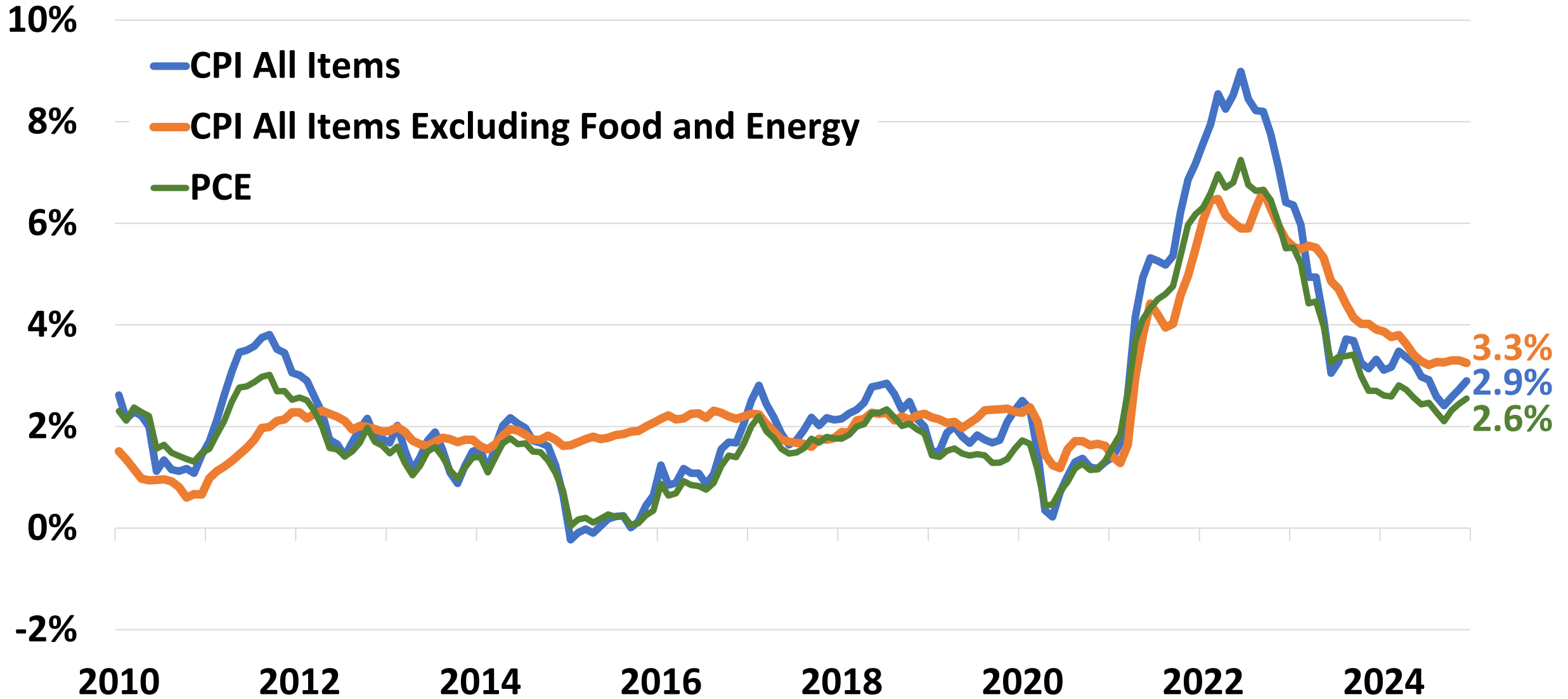
Michael W. Clark, Ph.D.  
Associate Professor of Economics  
Director, Center for Business and Economic Research  
[michael.clark@uky.edu](mailto:michael.clark@uky.edu)

## Overview

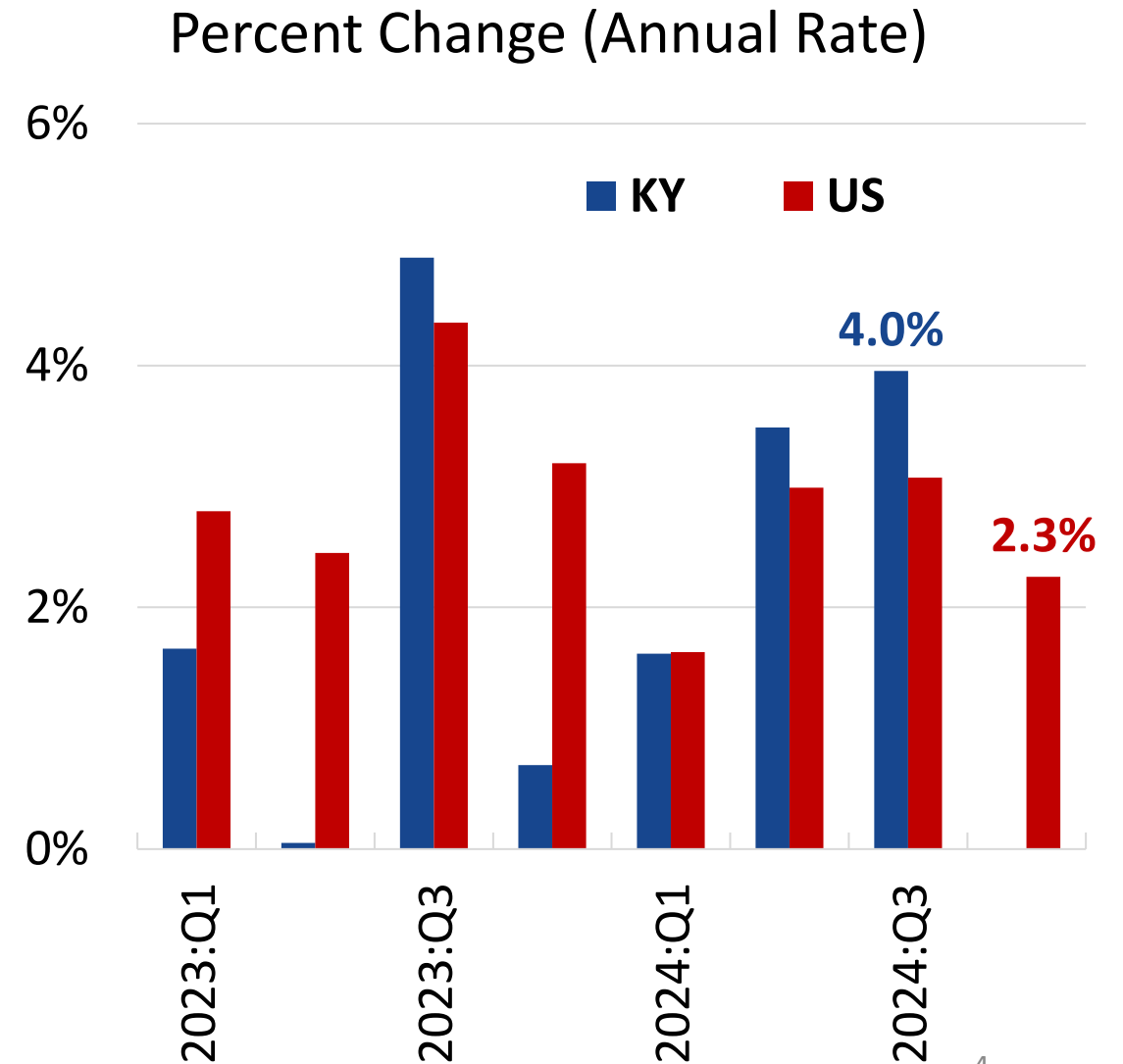
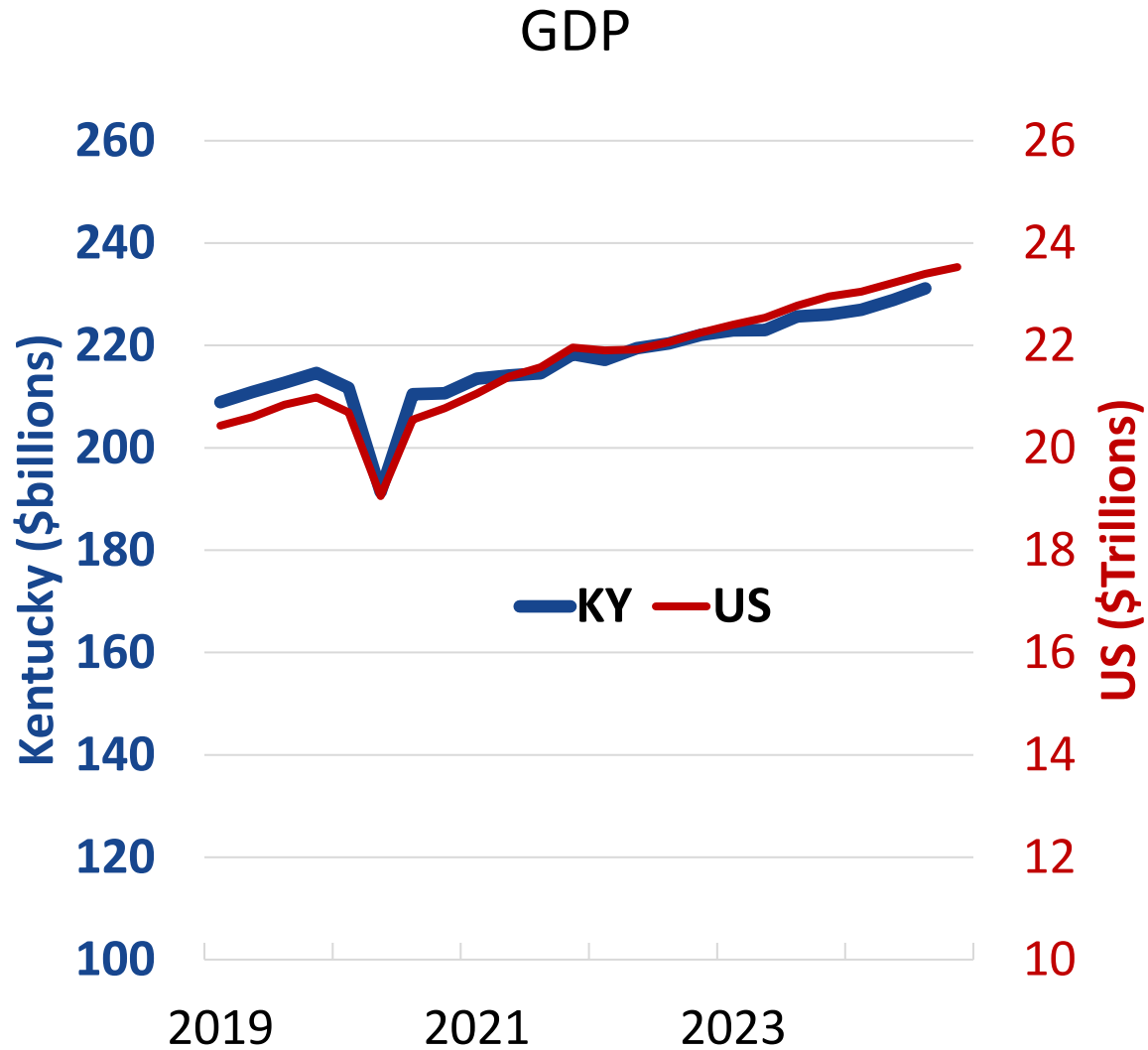
---

- Economy appears to be on solid footing.
  - Employment continues to grow but at slower pace
  - Inflation has eased but is proving stubborn
  - Output better than expected
- Kentucky
  - Employment growth in 2024 was slower
  - Strong job growth in Education & Health Services and in Government
  - Job losses in some sectors

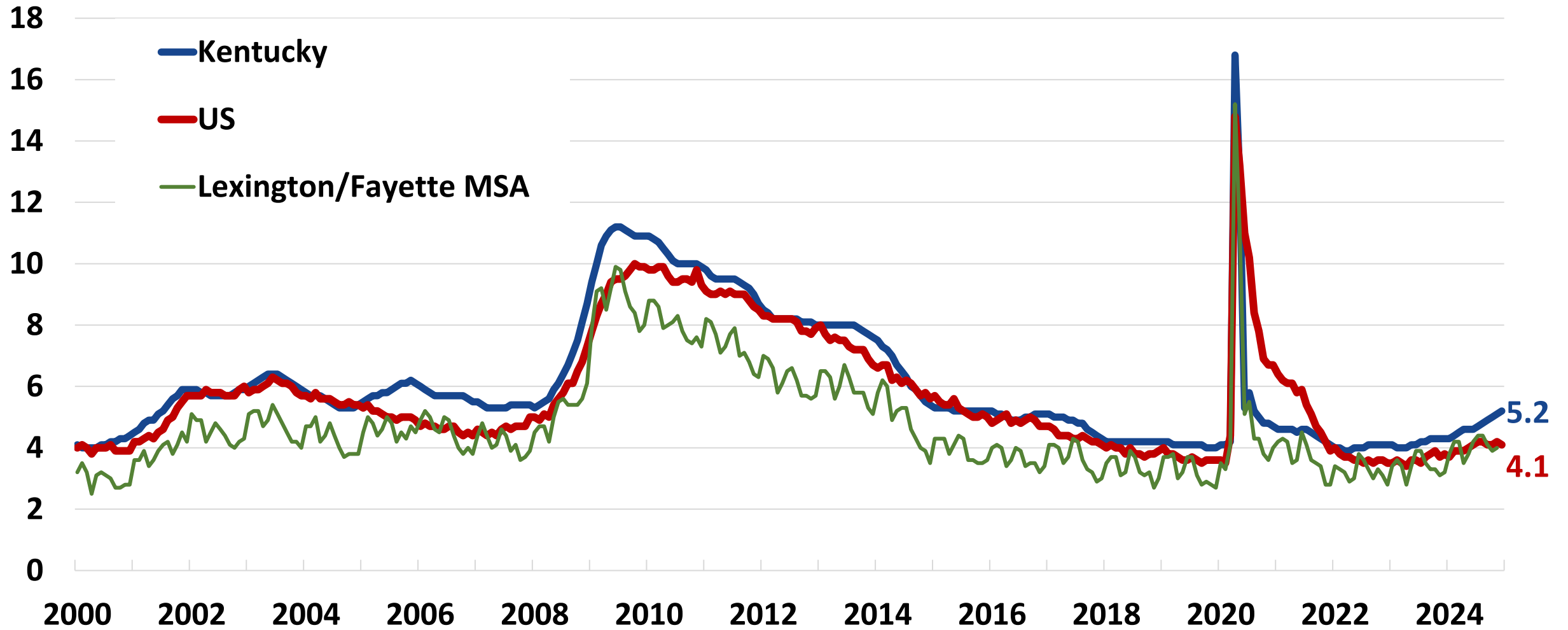
# Inflation: 12-Month Percent Change



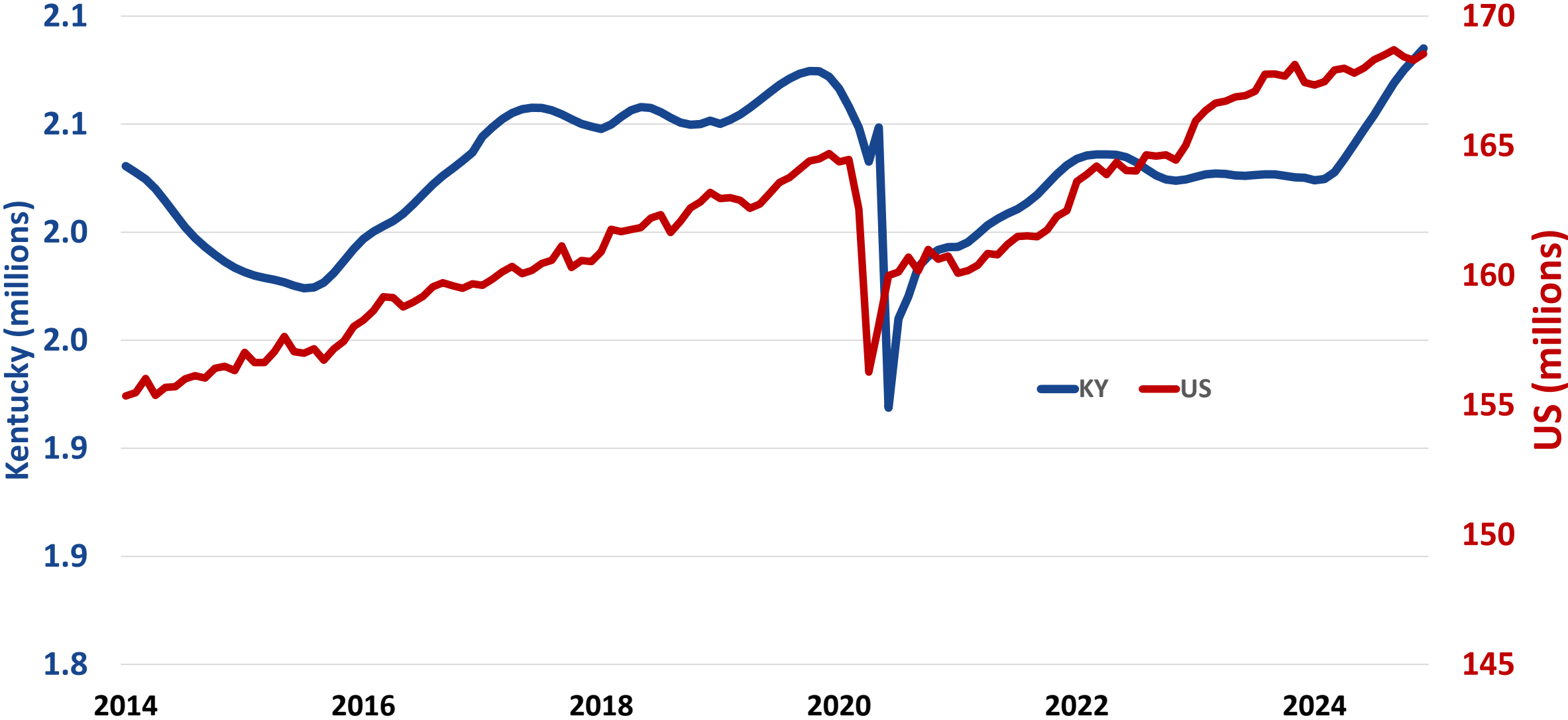
# Real Gross Domestic Product Kentucky & U.S.



# Unemployment Rates Kentucky & U.S.



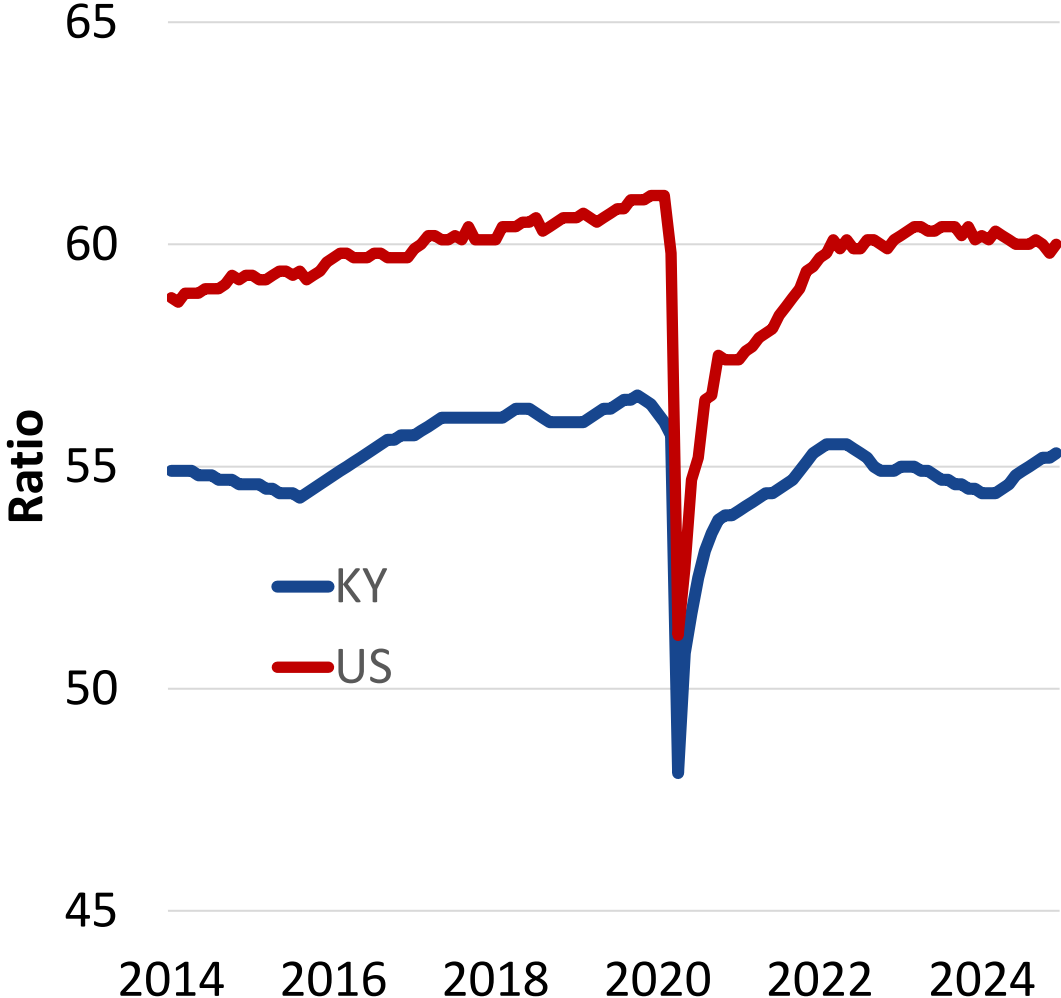
# Number of People in the Labor Force (Employed or Looking for Work)



Source: US Bureau of Labor Statistics. Local Area Unemployment Statistics. Seasonally Adjusted.

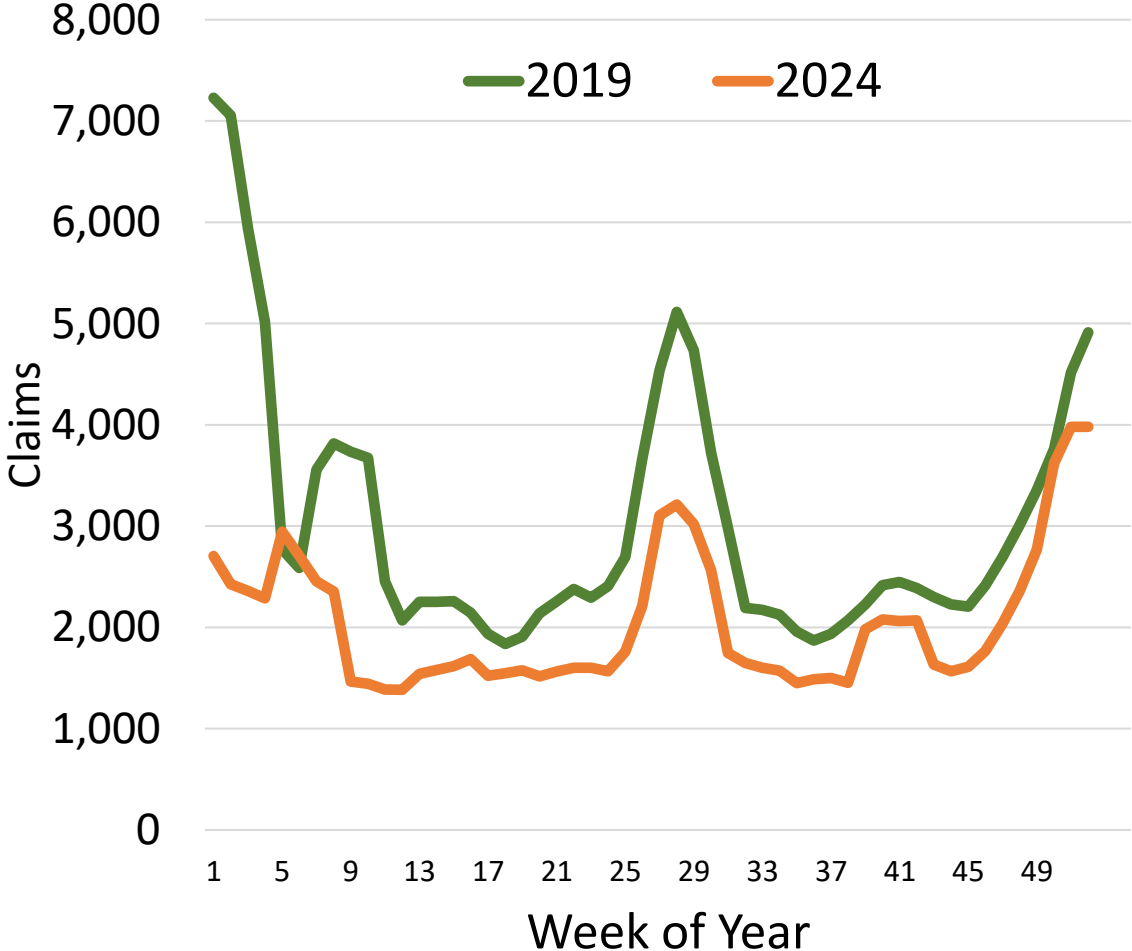
# Labor Market

### Employment to Population Ratio



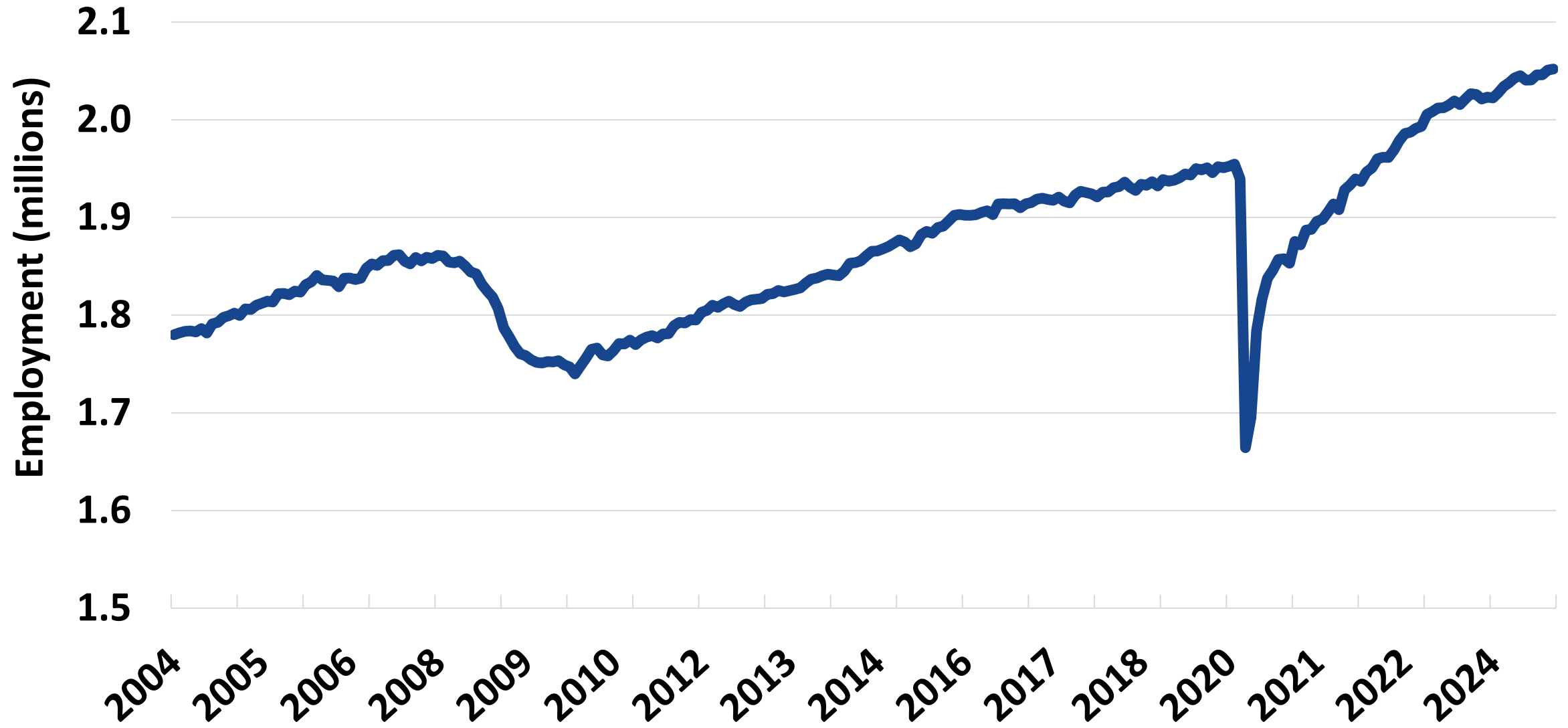
Source: US Bureau of Labor Statistics. Local Area Unemployment Statistics. Seasonally Adjusted.

### Kentucky Initial Claims for UI Benefits



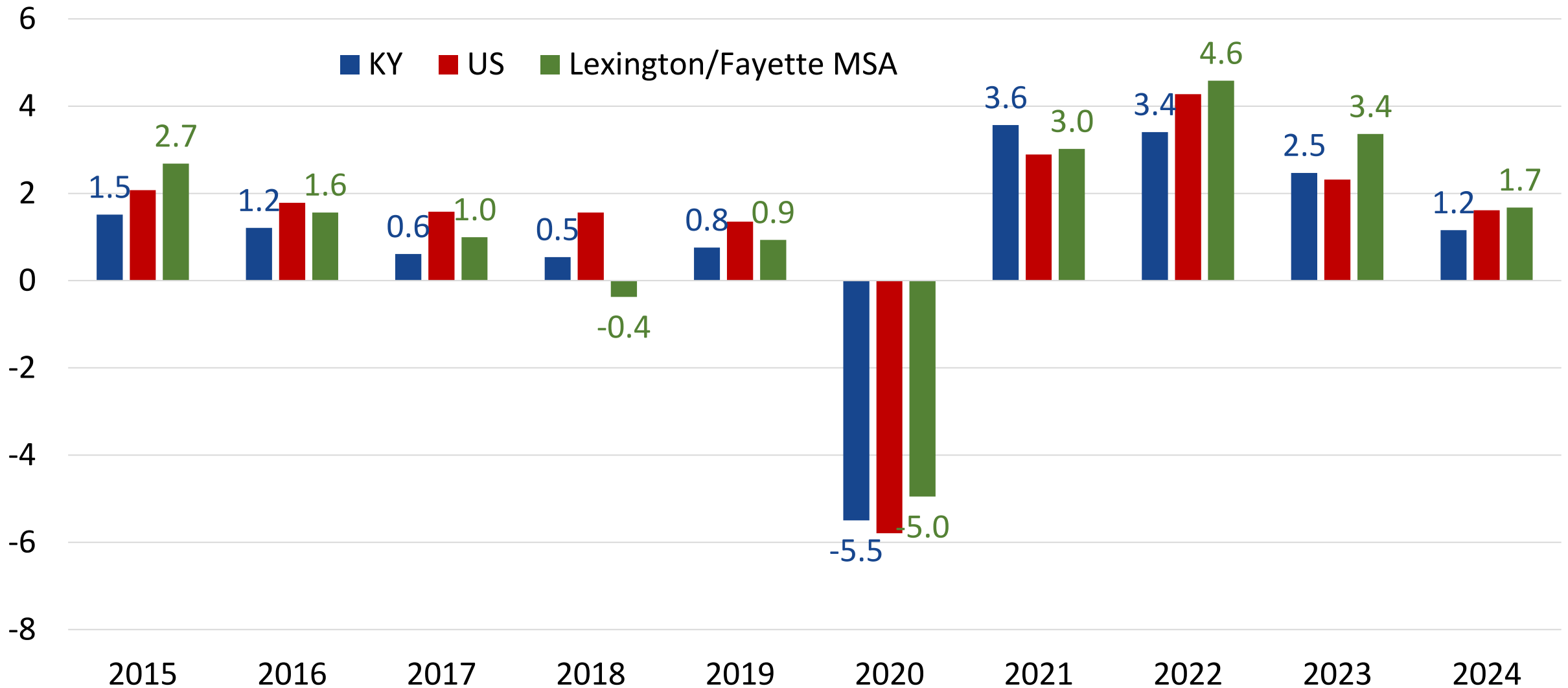
Source: US Department of Labor. Employment & Training Administration.

# Kentucky's Nonfarm Employment (Jobs)

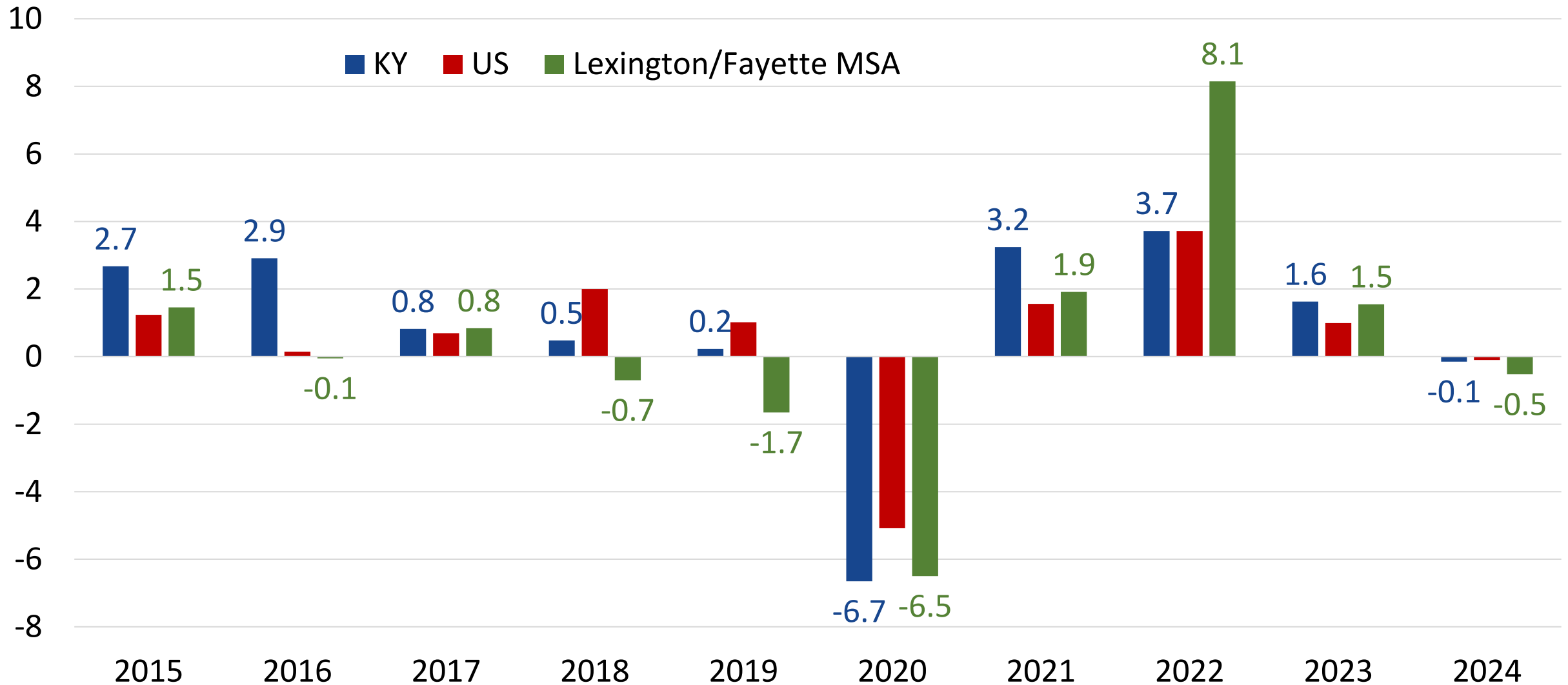




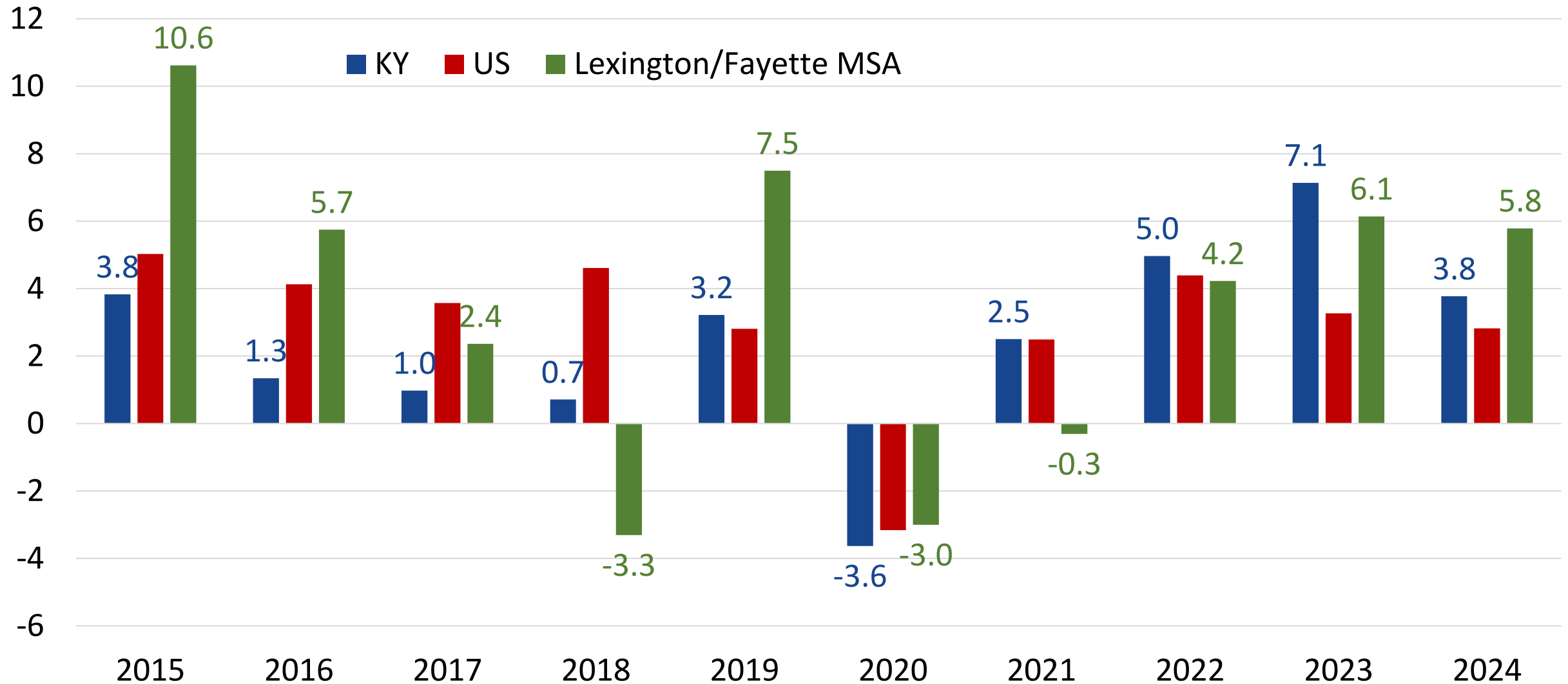
# Percent Change in Annual Total Nonfarm Employment (Jobs)



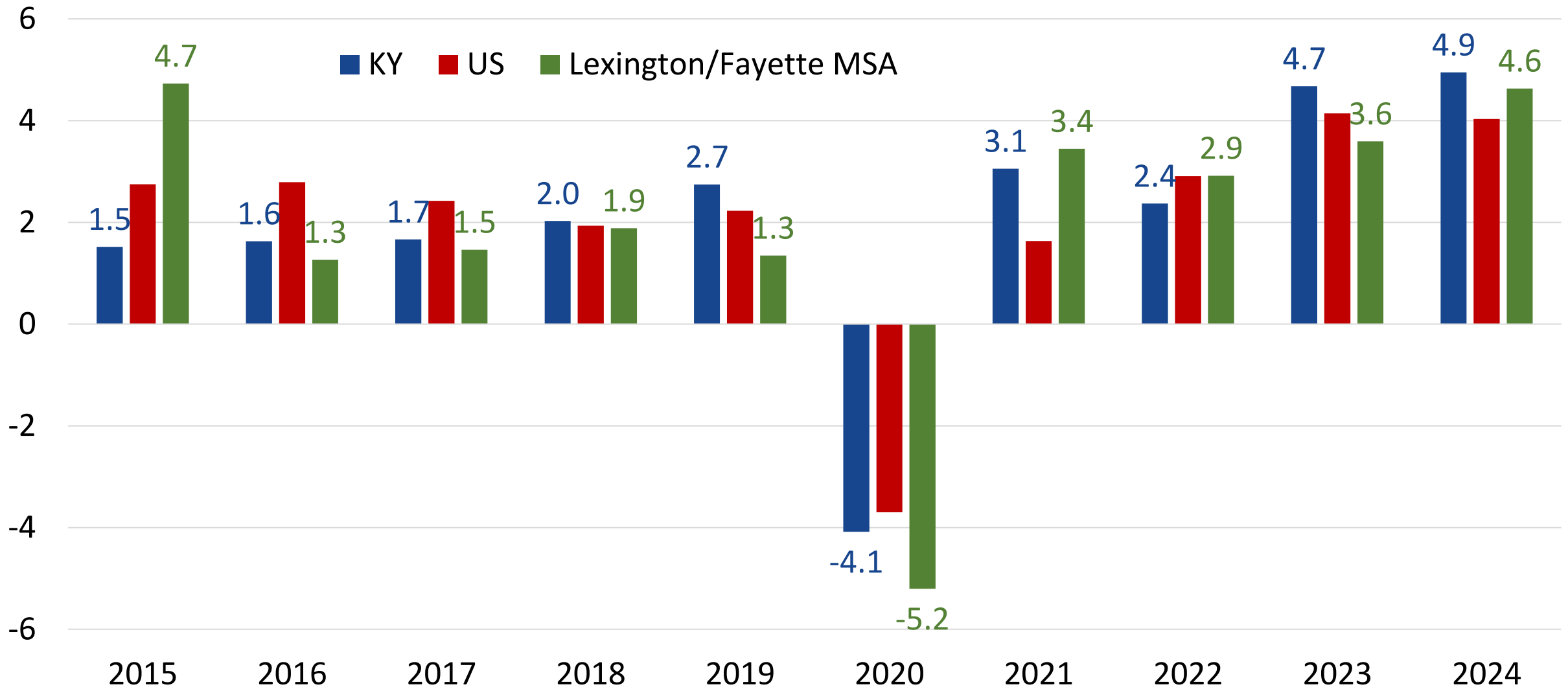
# Percent Change in Annual Manufacturing Employment (Jobs)



# Percent Change in Annual Construction Employment (Jobs)



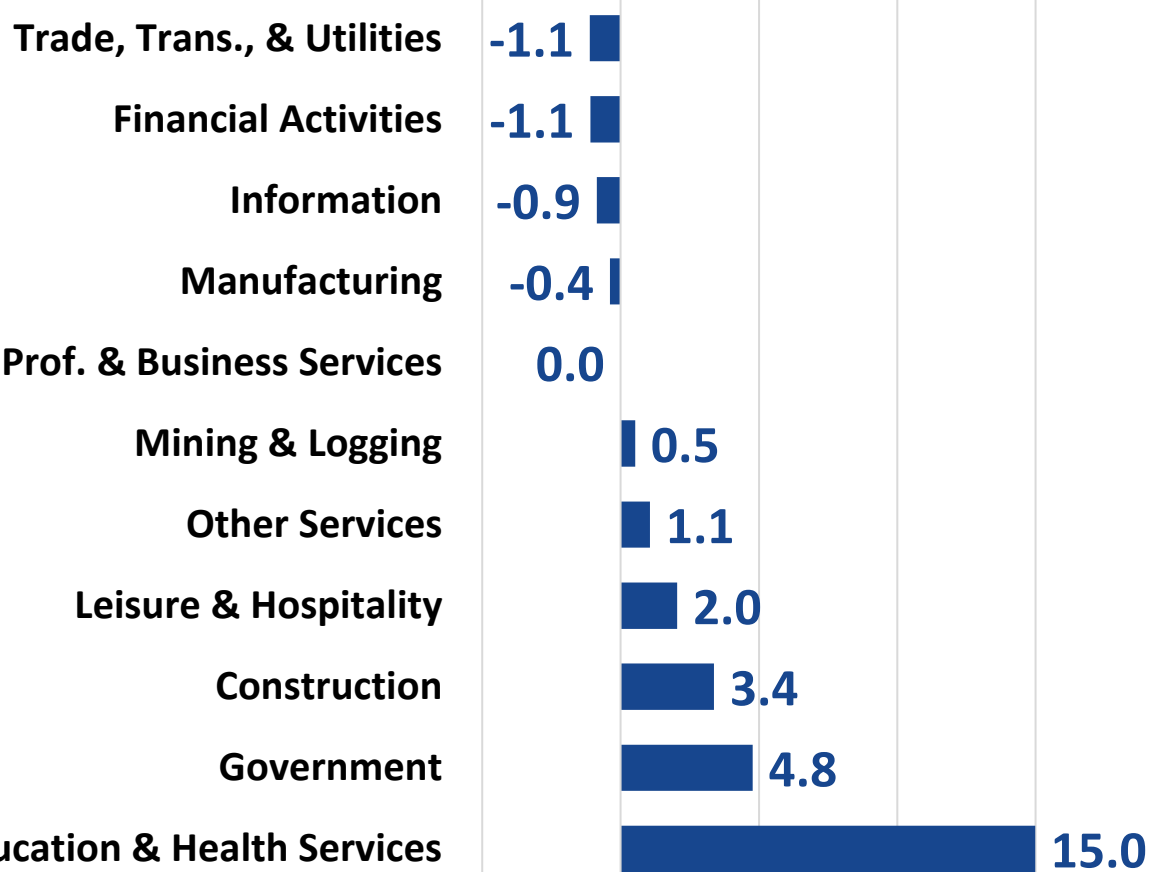
# Percent Change in Annual Education & Health Care Employment (Jobs)



# Change in Average Annual Employment, Kentucky 2023 to 2024

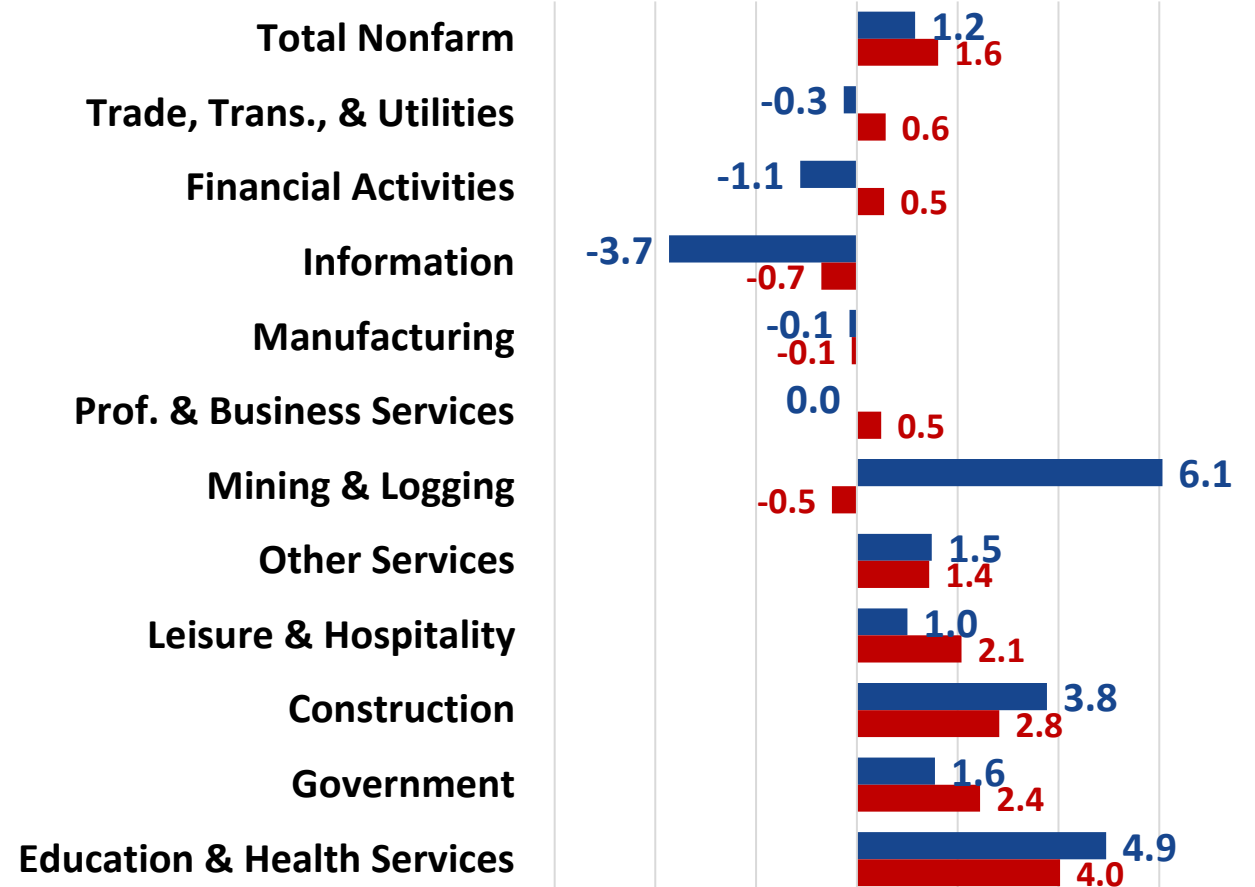
Change (000s)

-5 0 5 10 15 20



Percentage Change

-6 -4 -2 0 2 4 6 8

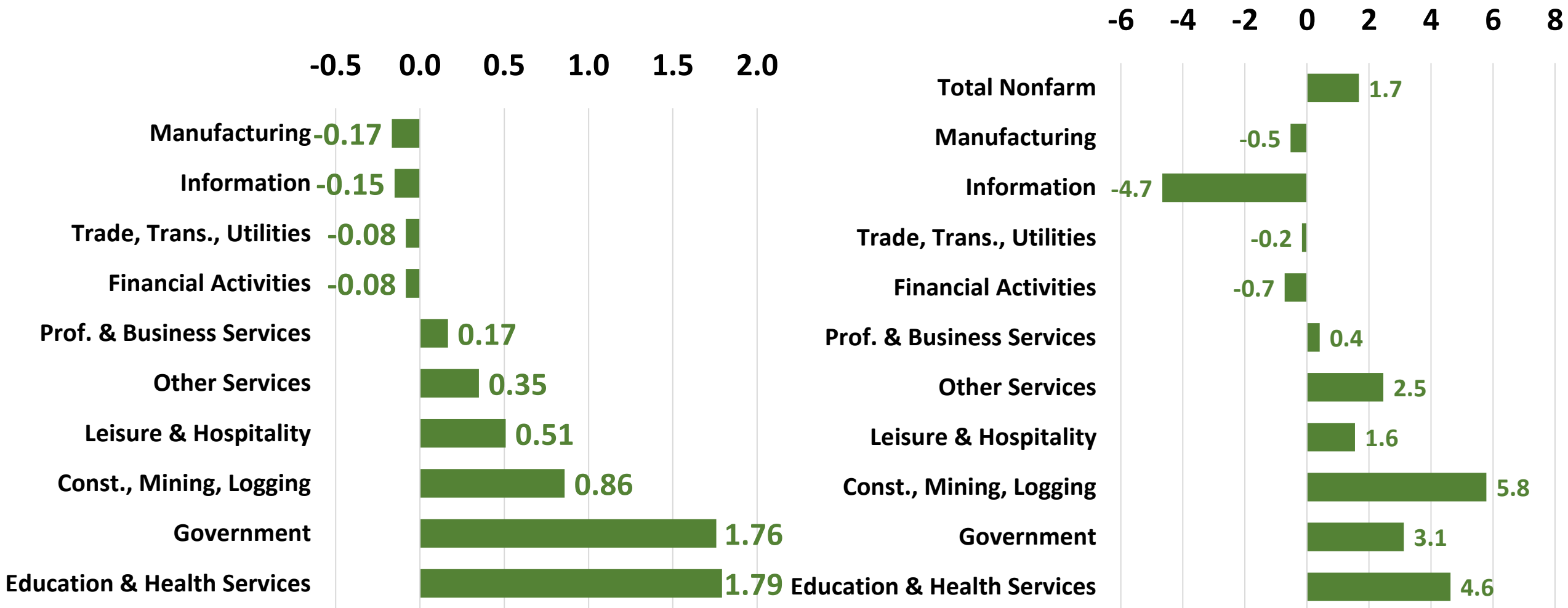


Source: US Bureau of Labor Statistics. Current Employment Statistics.

# Change in Average Annual Employment, Lexington-Fayette MSA 2023 to 2024

Change (000s)

Percentage Change



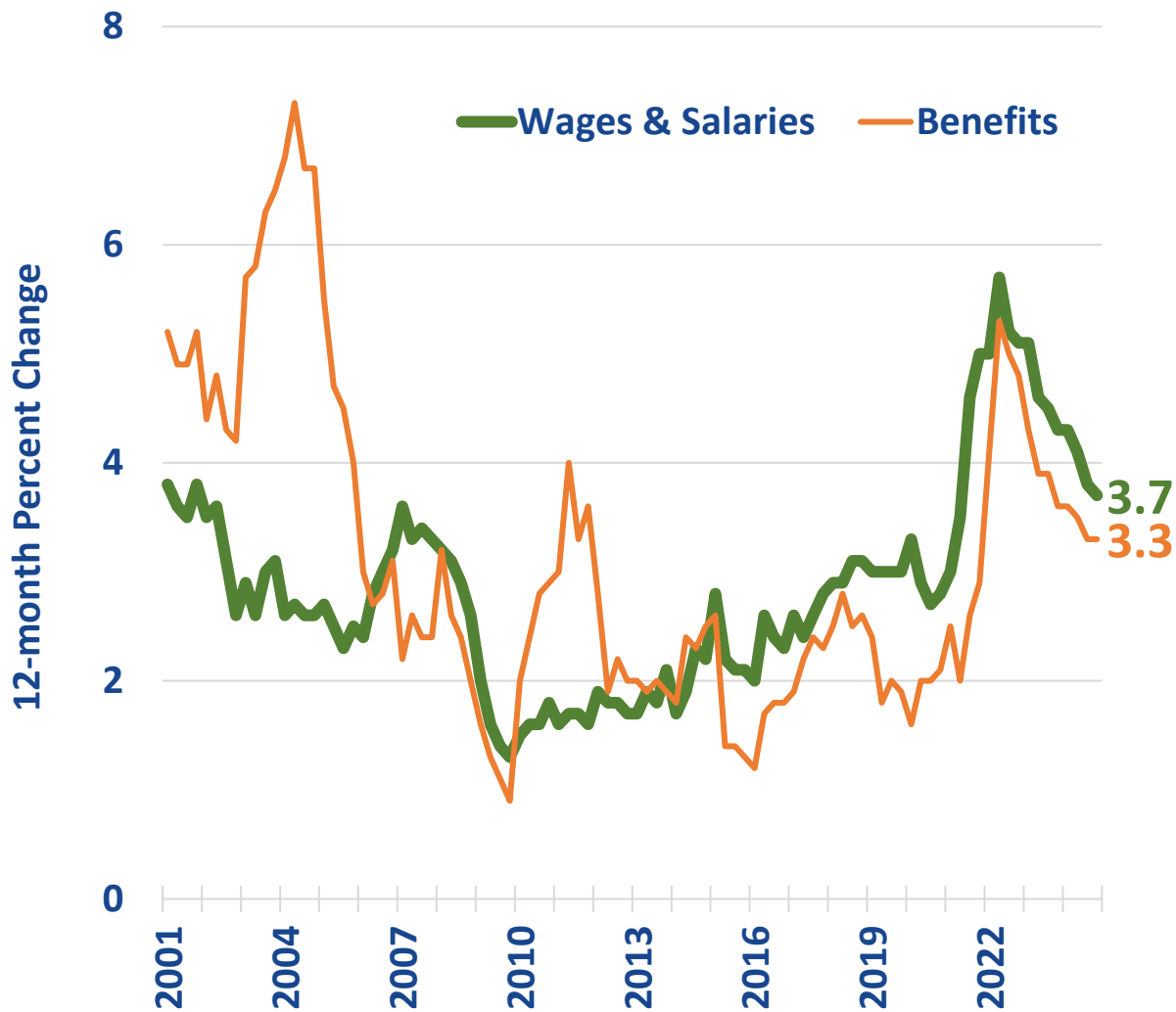
Source: US Bureau of Labor Statistics. Current Employment Statistics.



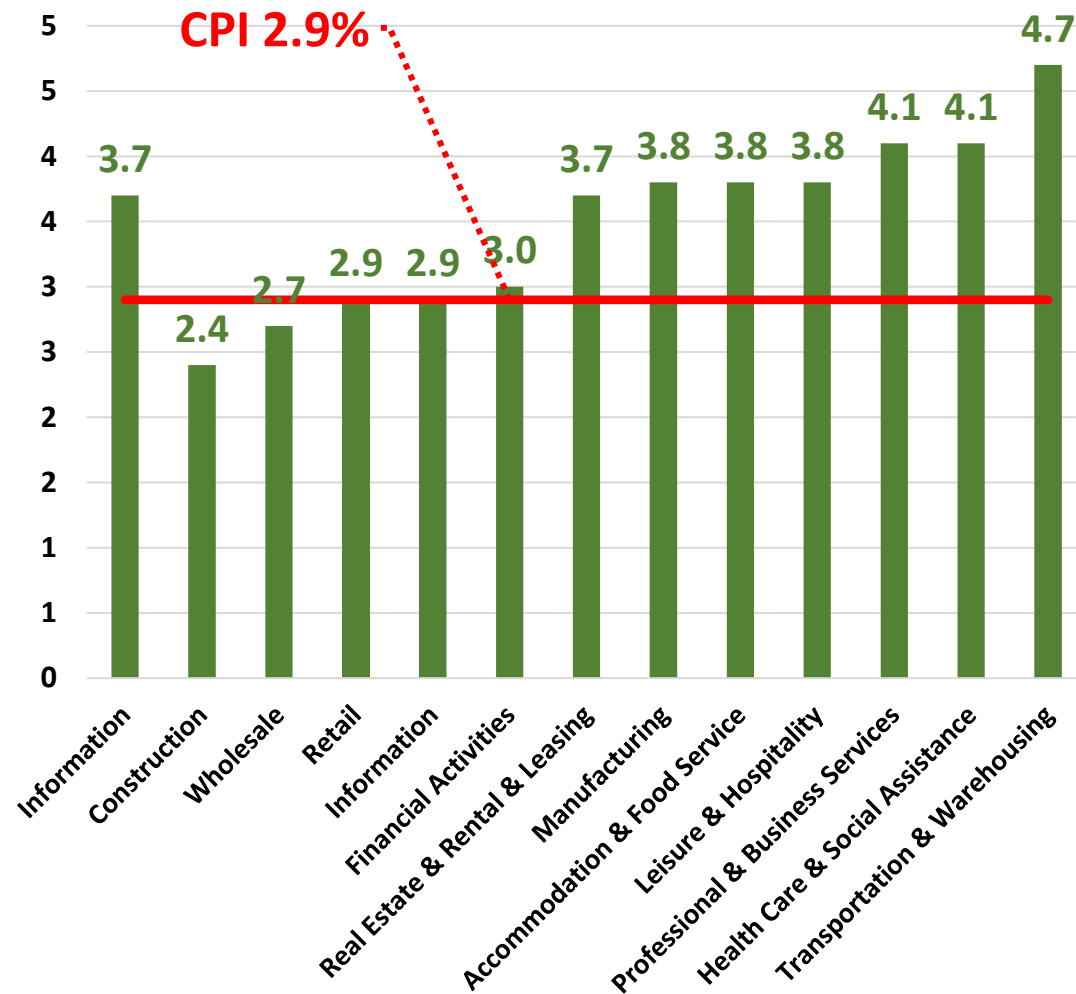
# U.S. Employment Cost Index for Private Workers

## Wages and Salaries and Benefits

All Private Industry Workers



4<sup>th</sup> Quarter 2024  
12-month % Change





# Housing Market

## Demand

- Employment & Income
- Population Growth/Migration
- Financing Costs

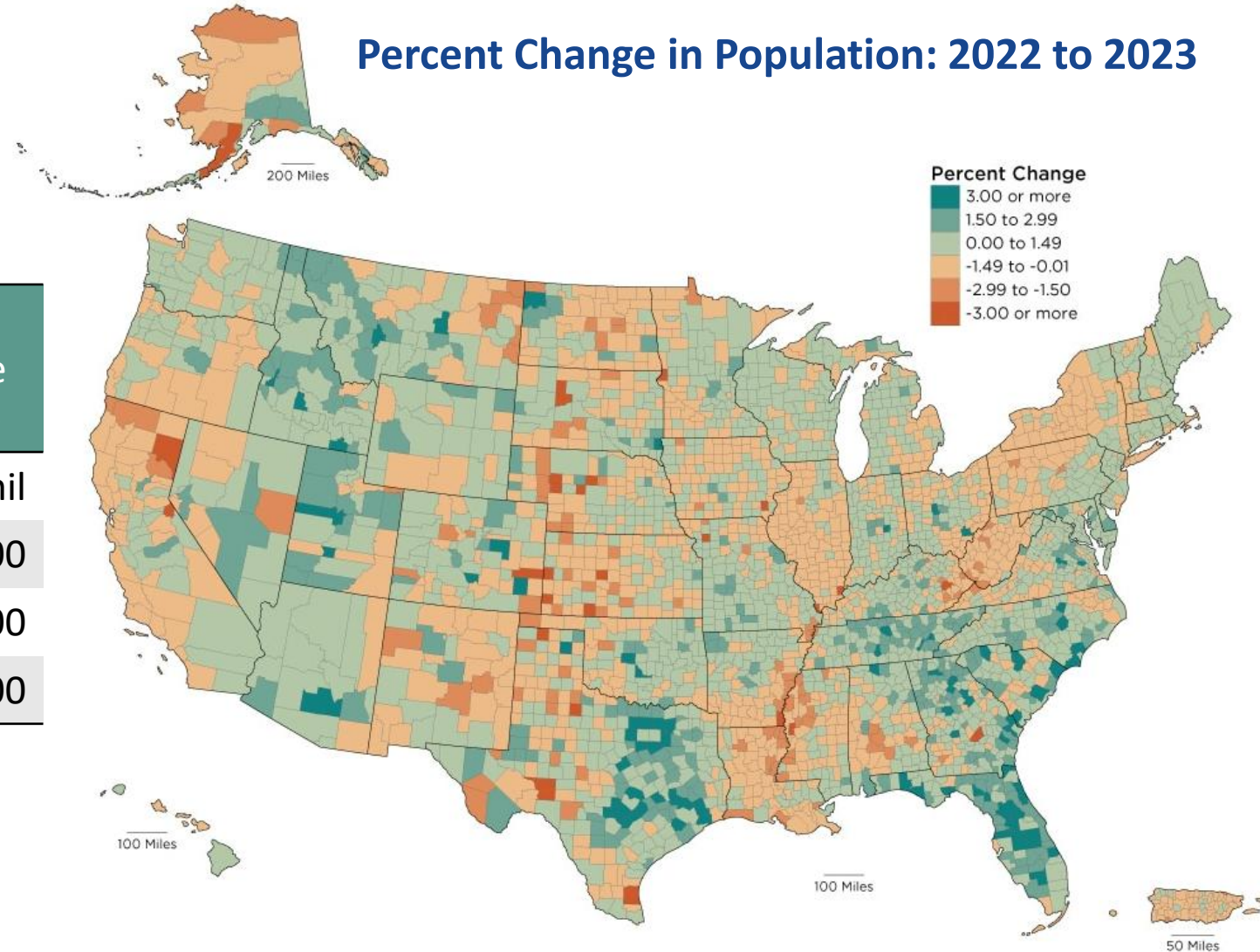
## Supply

- Construction Input Costs
- Lock-in Effects
- New Construction

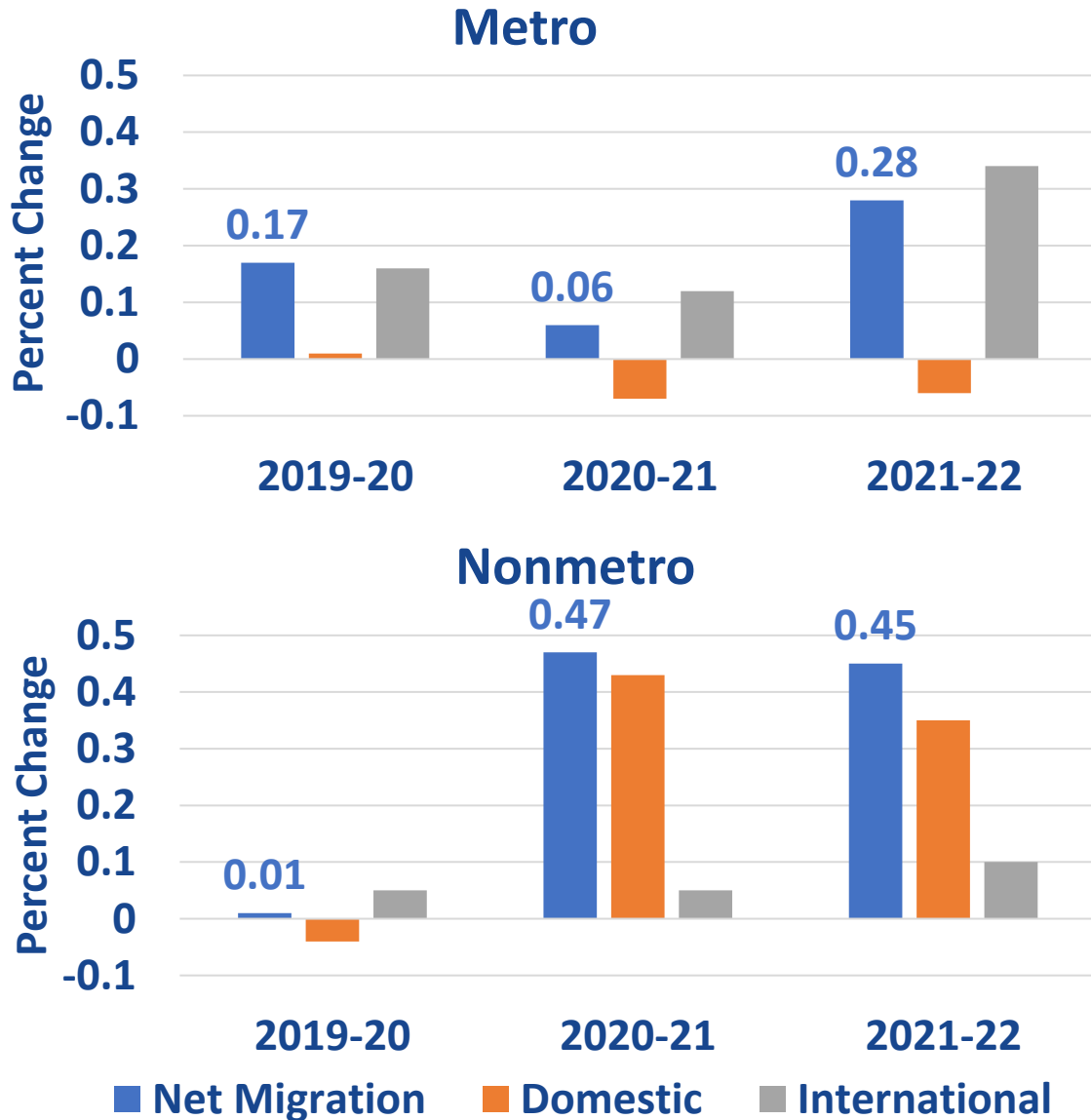
# US Population & Household Growth

## Change 2013 to 2023

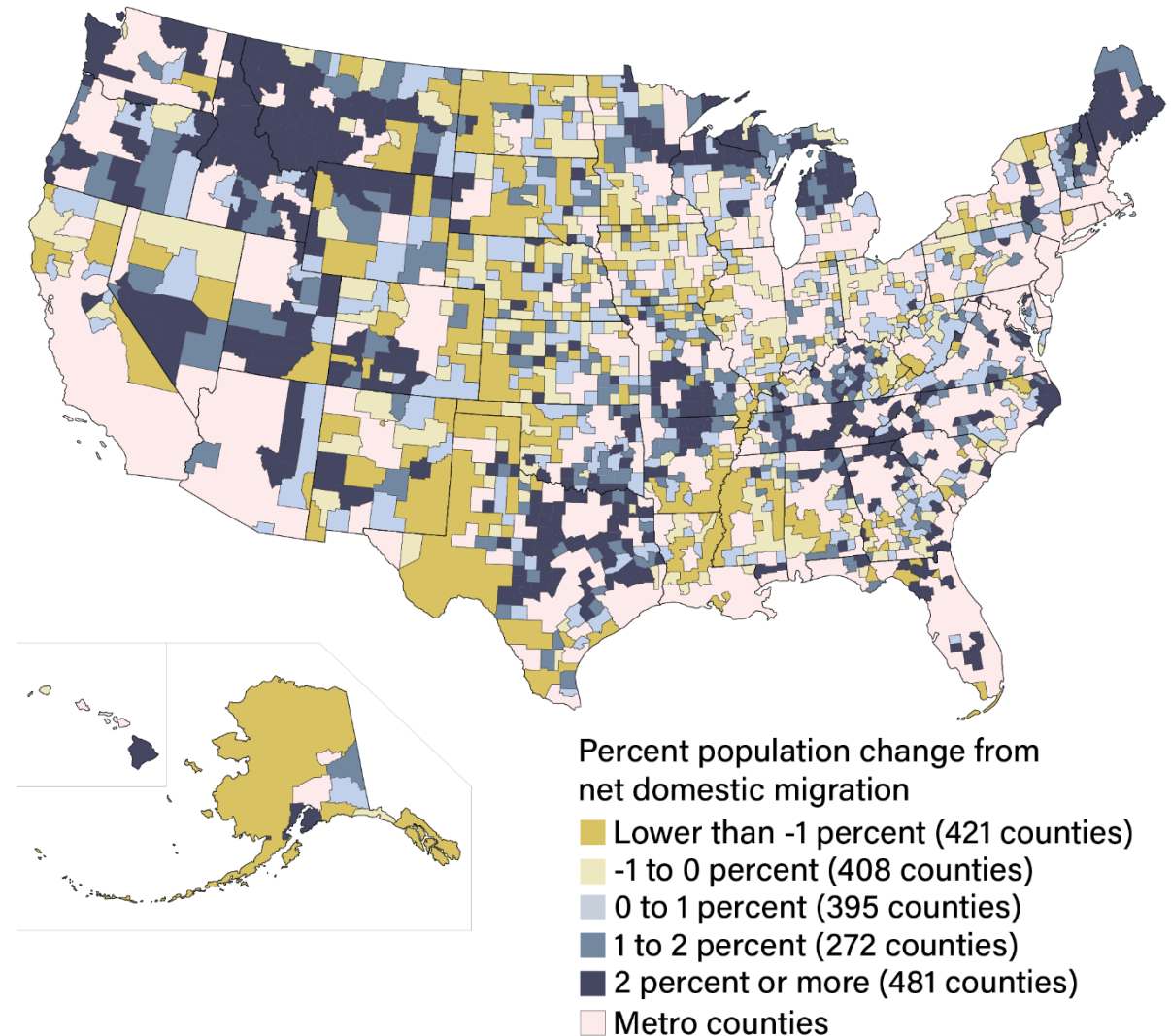
	Annual Average Growth Rate	Annual Average Change
Population	0.5%	1.9 mil
Households	0.7%	897,500
Family Households	0.4%	343,200
Nonfamily Households	1.3%	554,100



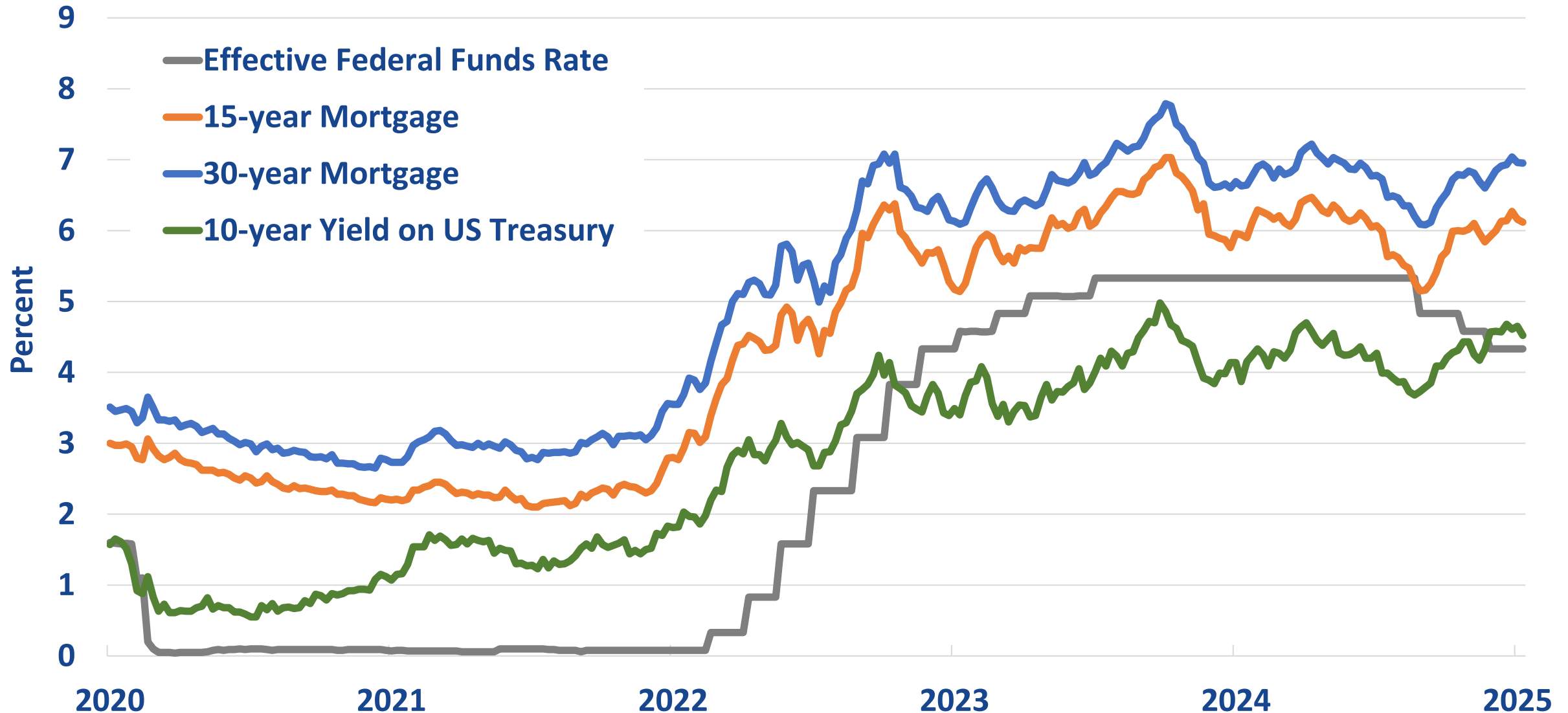
# Net Migration to Rural Areas Have Increased



Net domestic migration rate, nonmetropolitan counties, 2020-22

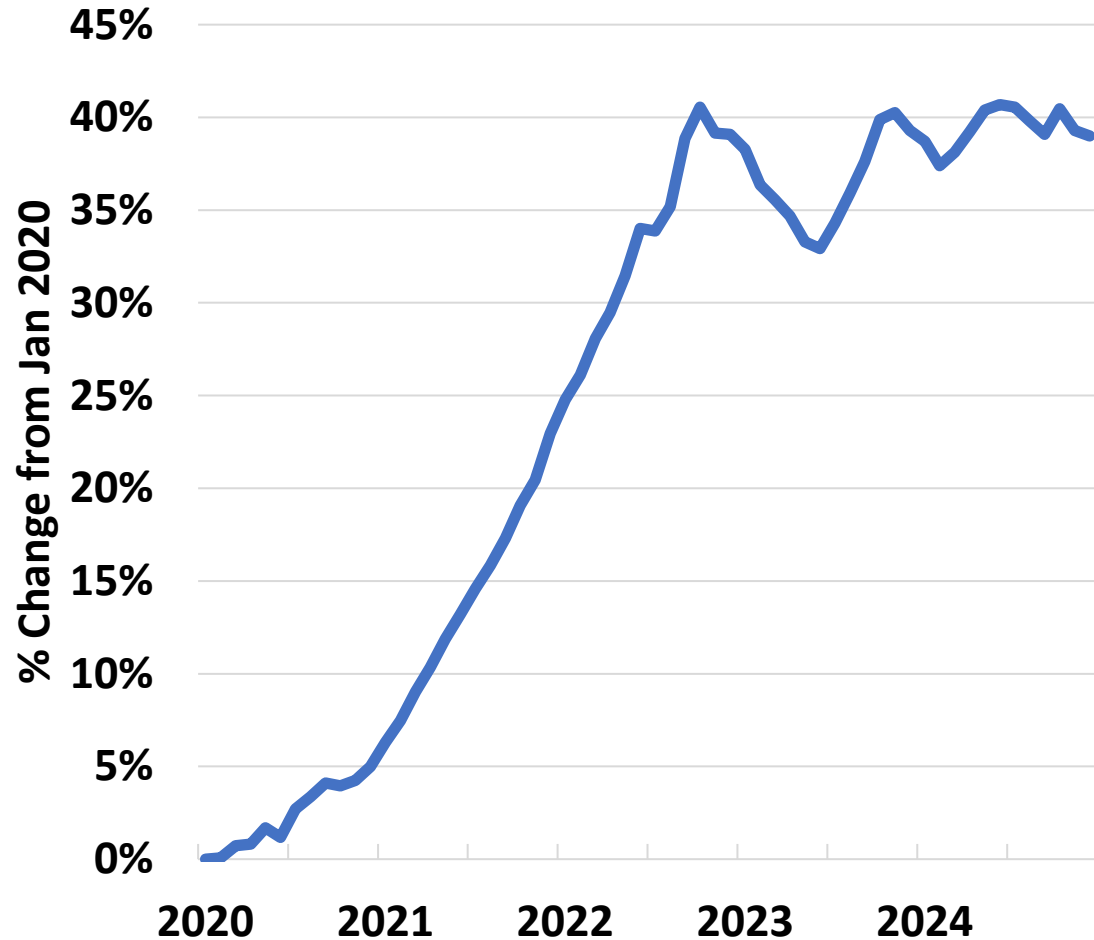


# Mortgage Rates Have Increased Despite the Fed's Actions Last Year



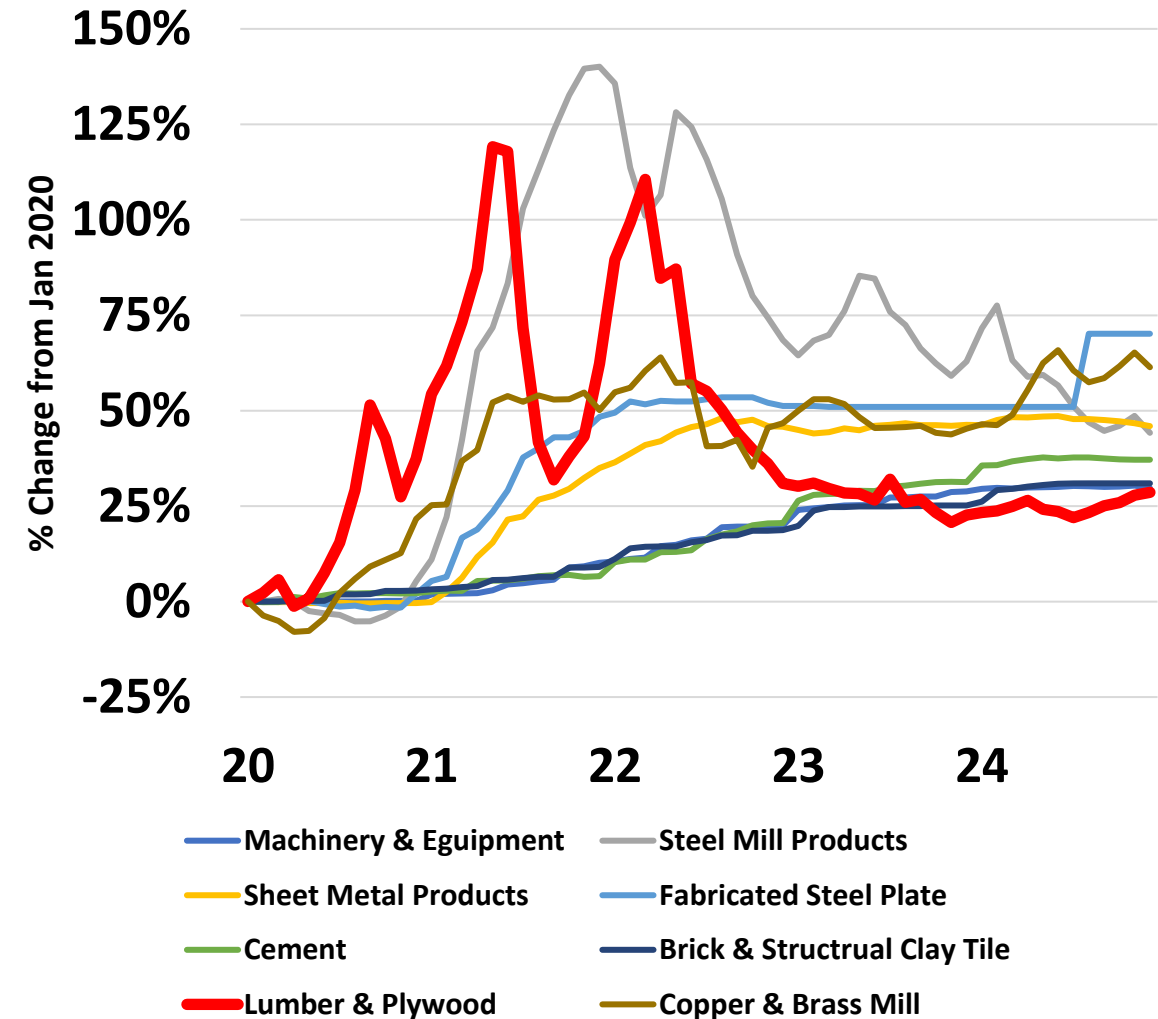
# US Construction Costs Have Stabilized

## Construction Price Index for Single-Family Houses



Source: US Census Bureau, Construction Price Indexes.

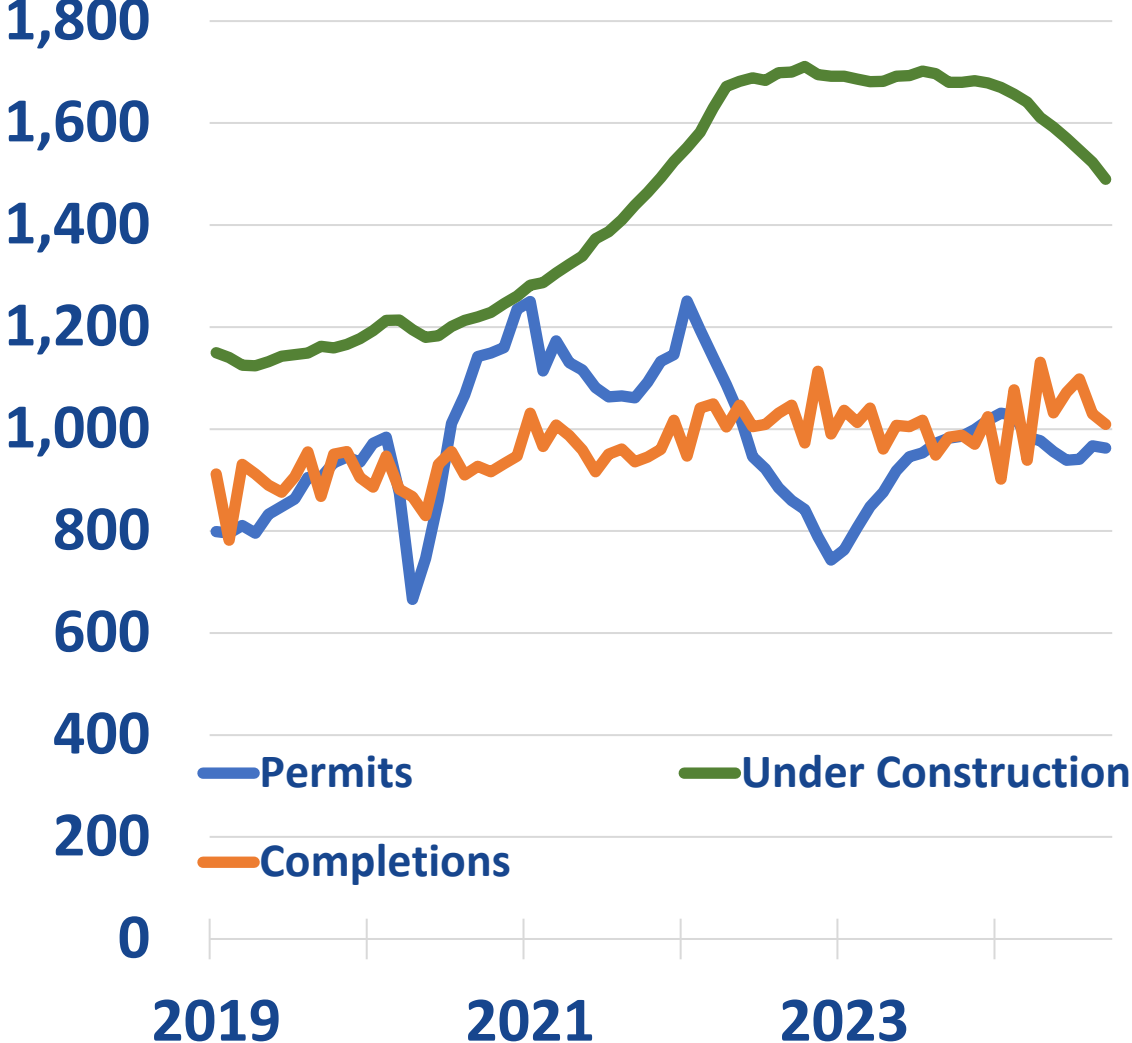
## Prices for Construction Related Inputs



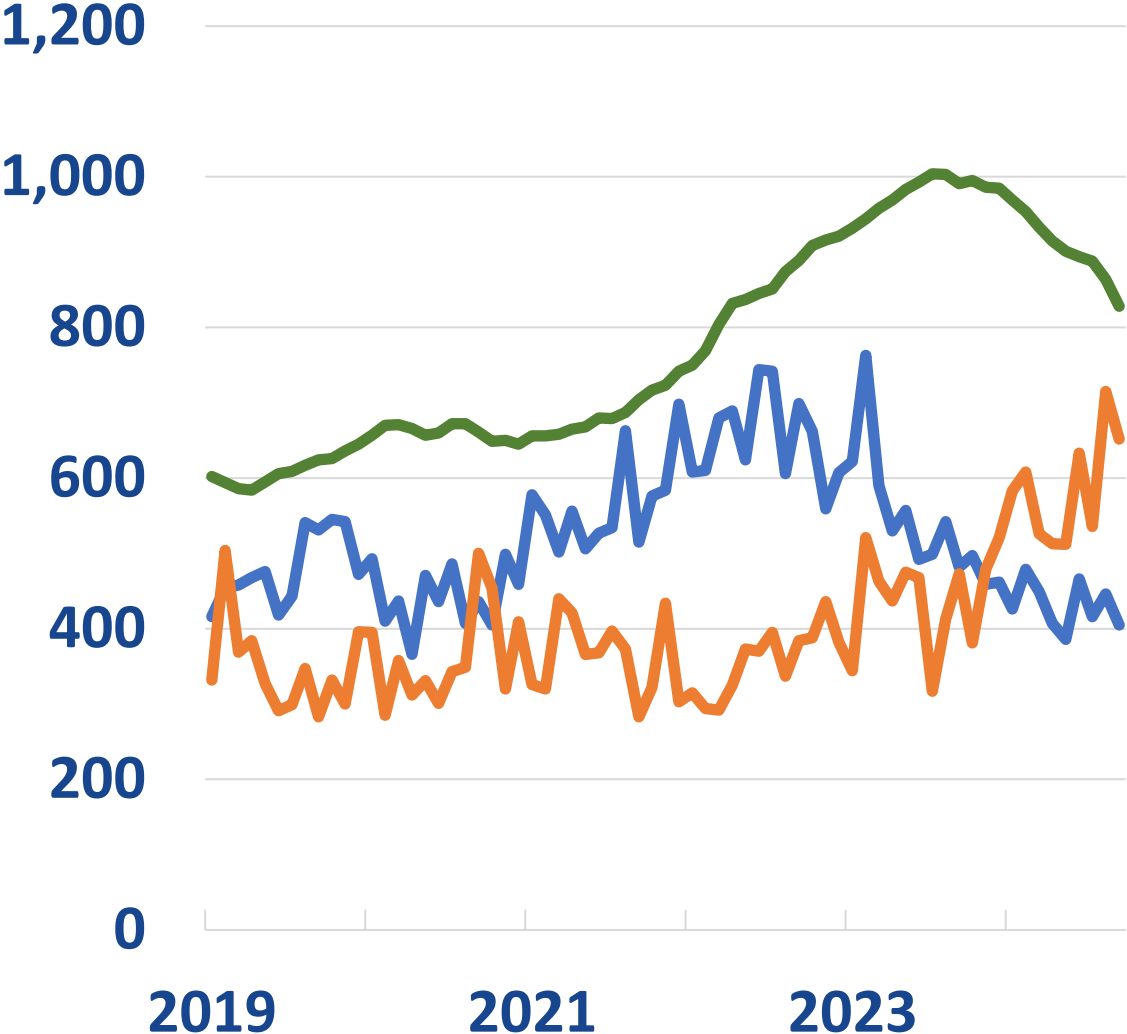
Source: US Bureau of Labor Statistics. Producer Price Index.

# US Housing Units (000s)

## Single Family

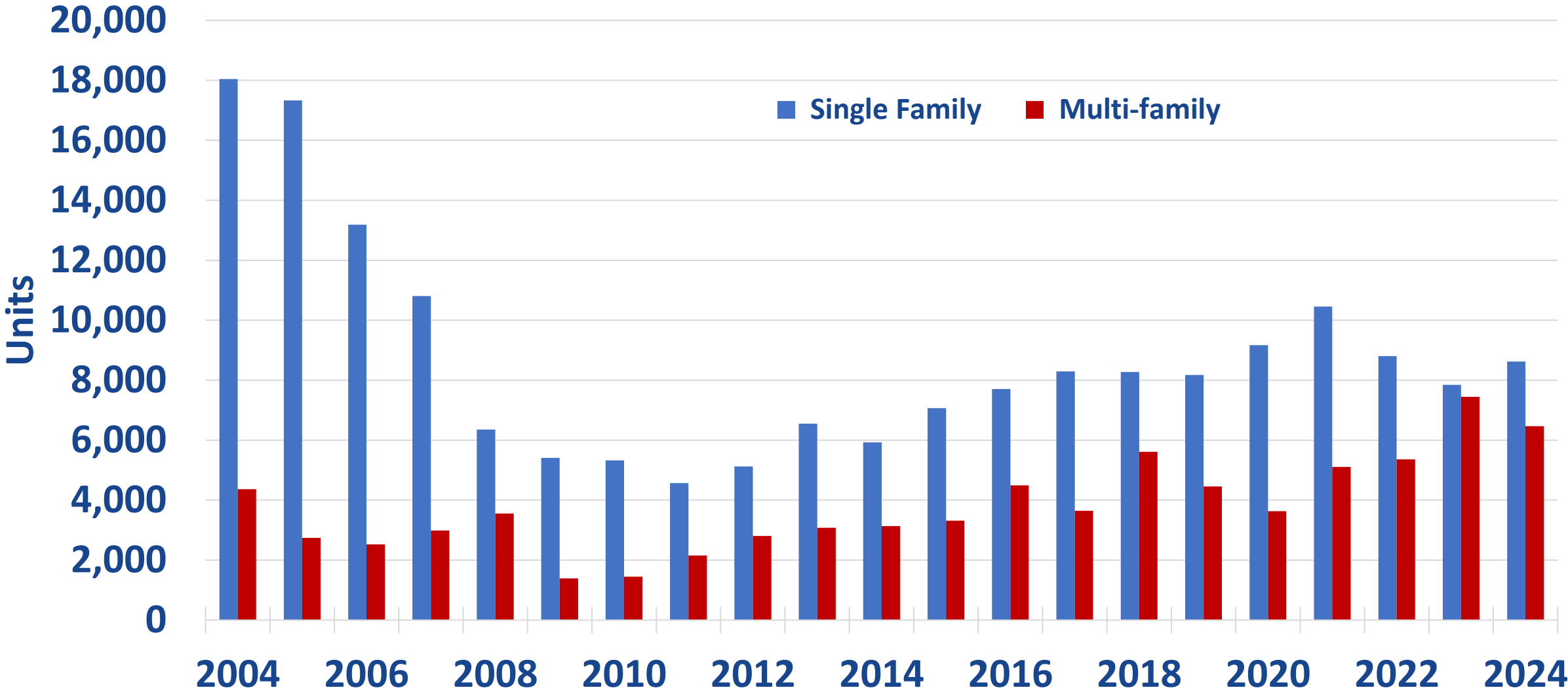


## Buildings with 5+ Units



Source: US Census Bureau and US Department of Housing and Urban Development

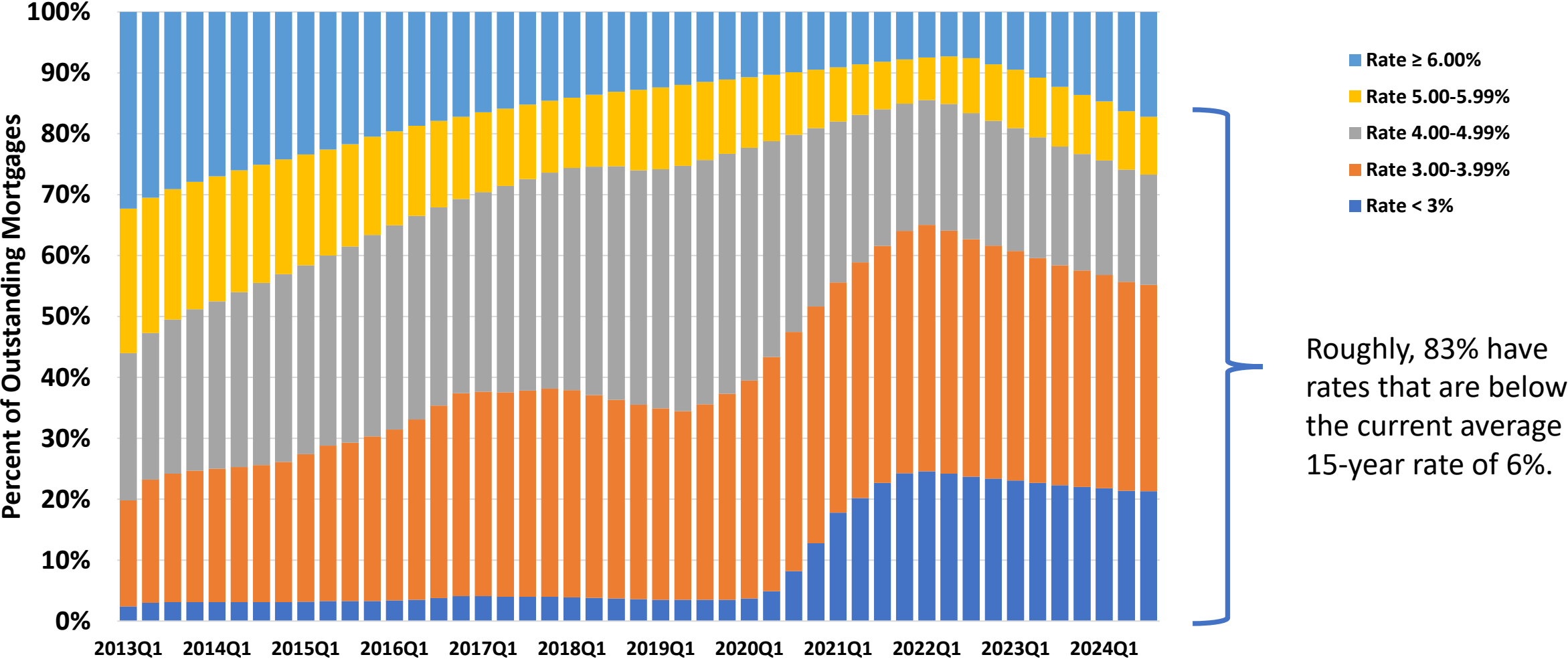
# KY Housing Units Authorized by Permits



Source: US Census Bureau.

# High Interest Rates on Outstanding Mortgages Limit Housing Mobility

## Interest Rates on Outstanding Mortgages

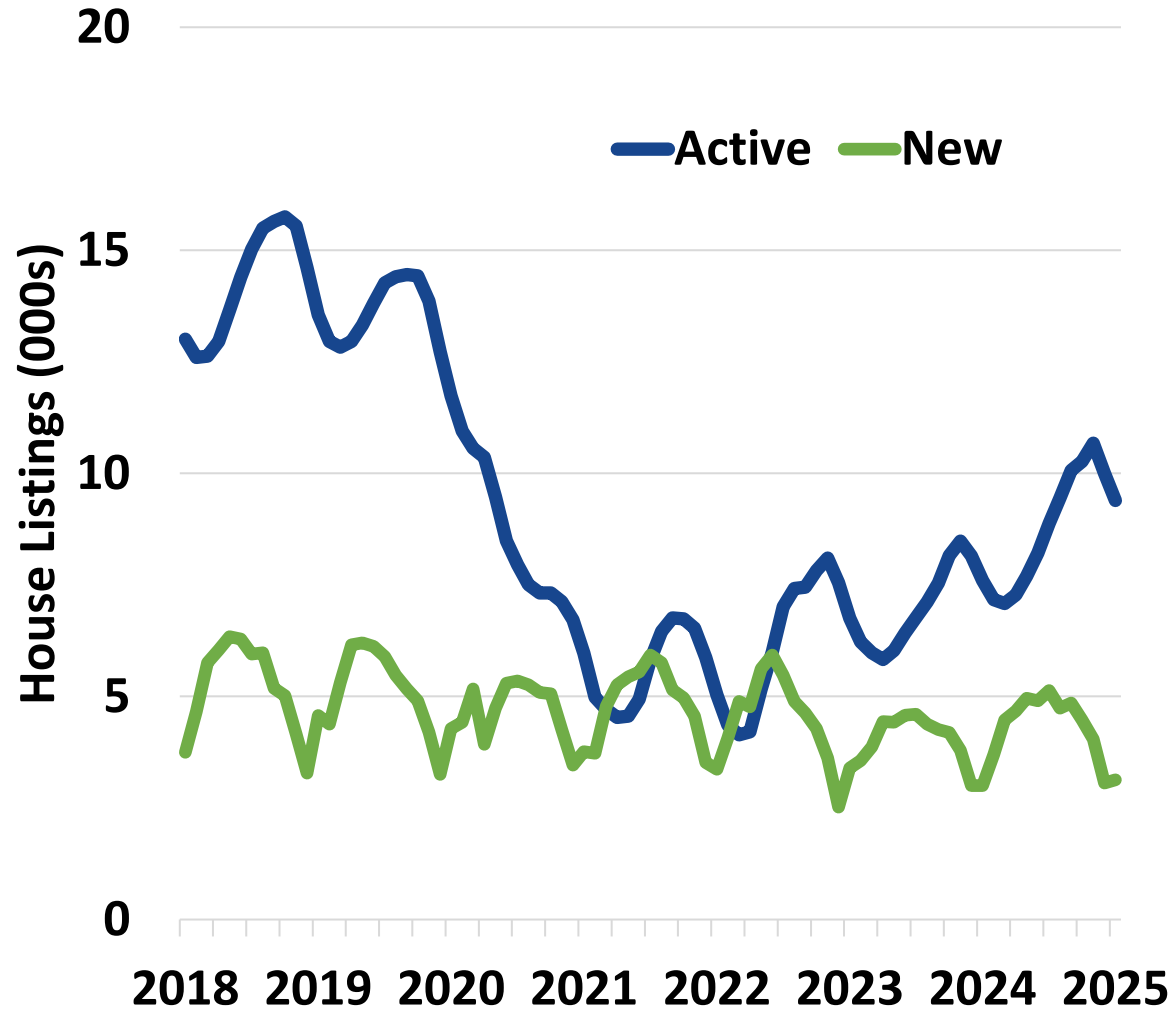


Source: FHFA National Mortgage Database.

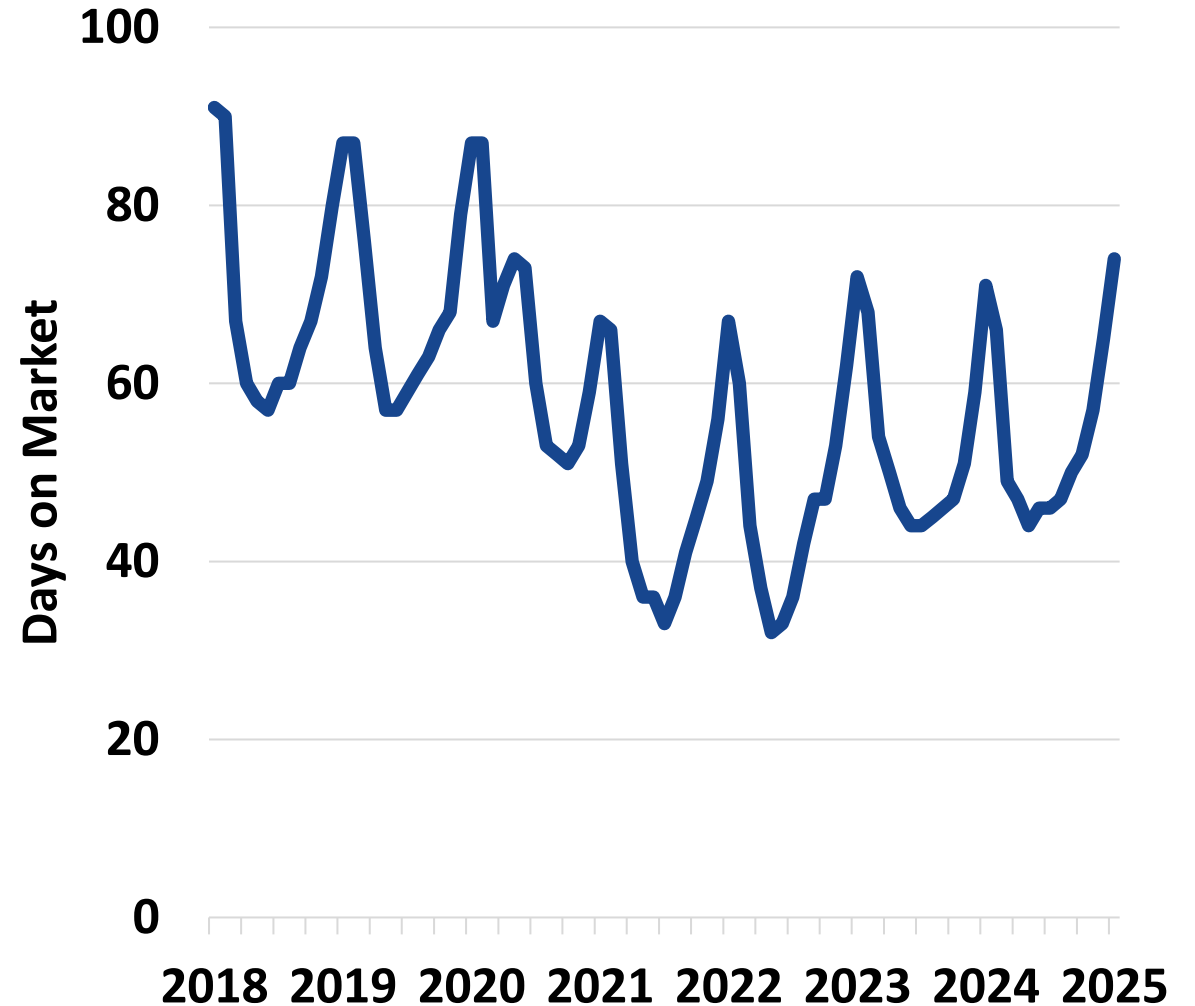


# Housing Market

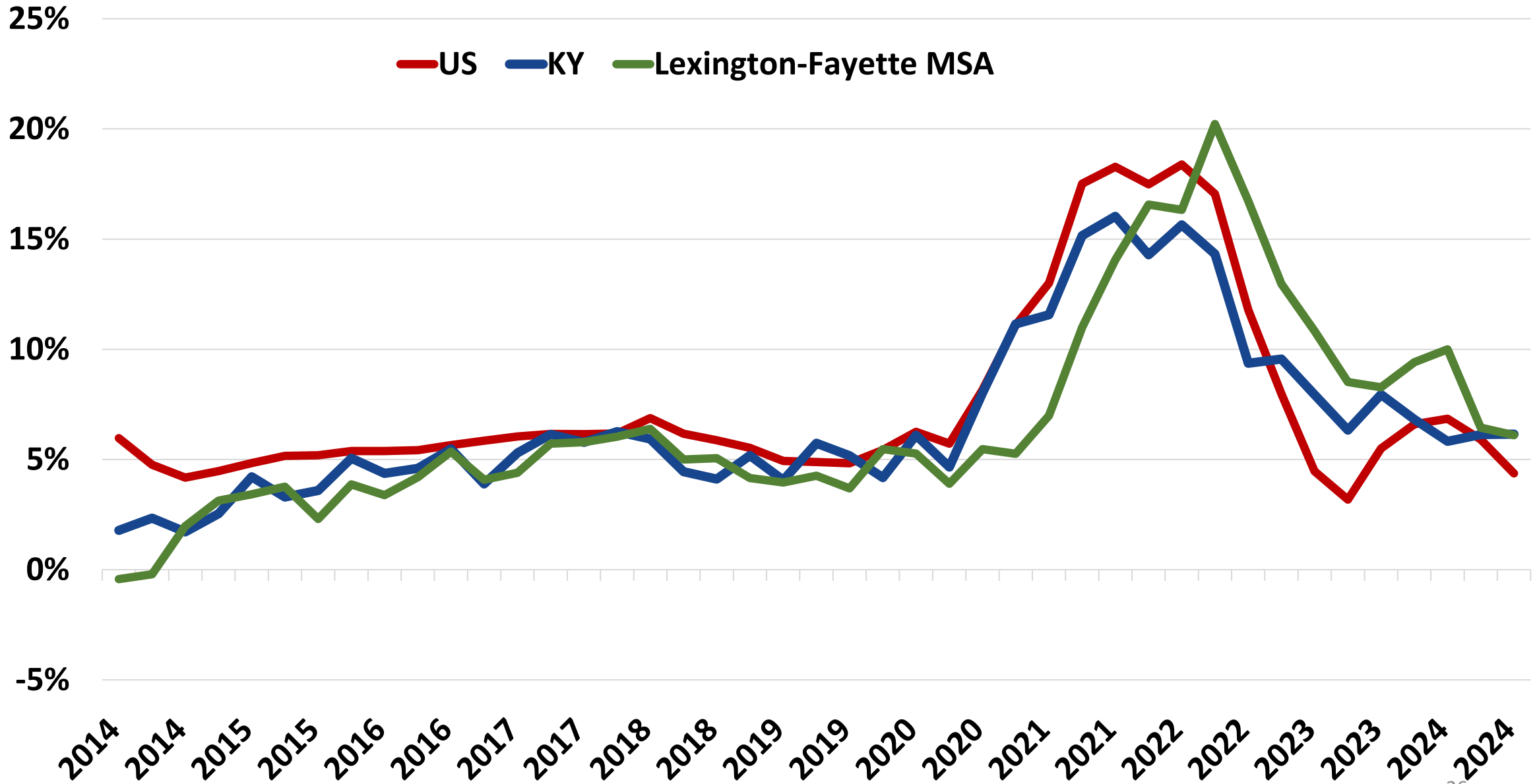
## Number of Listings, KY



## Median Days on Market, KY



# FHFA Housing Price Index, Percent Change Over Same Quarter Last Year



Source: Federal Housing Finance Agency. Seasonally Adjusted.

# Outlook

---

- **Economy will continue to grow but at slower pace**
- **Unemployment rate increases gradually**
- **Inflation pressures will continue to slowly ease**
- **Recession risk still seems low**

# Economic Outlook

---

	<b>2025</b>
<b>Real GDP—US</b>	<b>2.1%</b>
<b>Real GDP—Kentucky</b>	<b>1.9%</b>
<b>Inflation—US</b>	<b>2.3%</b>
<b>Unemployment Rate—US</b>	<b>4.3%</b>
<b>Unemployment Rate—Kentucky</b>	<b>5.3%</b>
<b>Nonfarm Employment—US</b>	<b>1.1%</b>
<b>Nonfarm Employment—Kentucky</b>	<b>0.9%</b>
<b>Manufacturing Employment—Kentucky</b>	<b>-0.5%</b>

---

# Risk to Outlook

---

## **Tariffs & Trade Policy**

- **Period of higher inflation**
- **Slower long-term economic growth**

## **Immigration Policy**

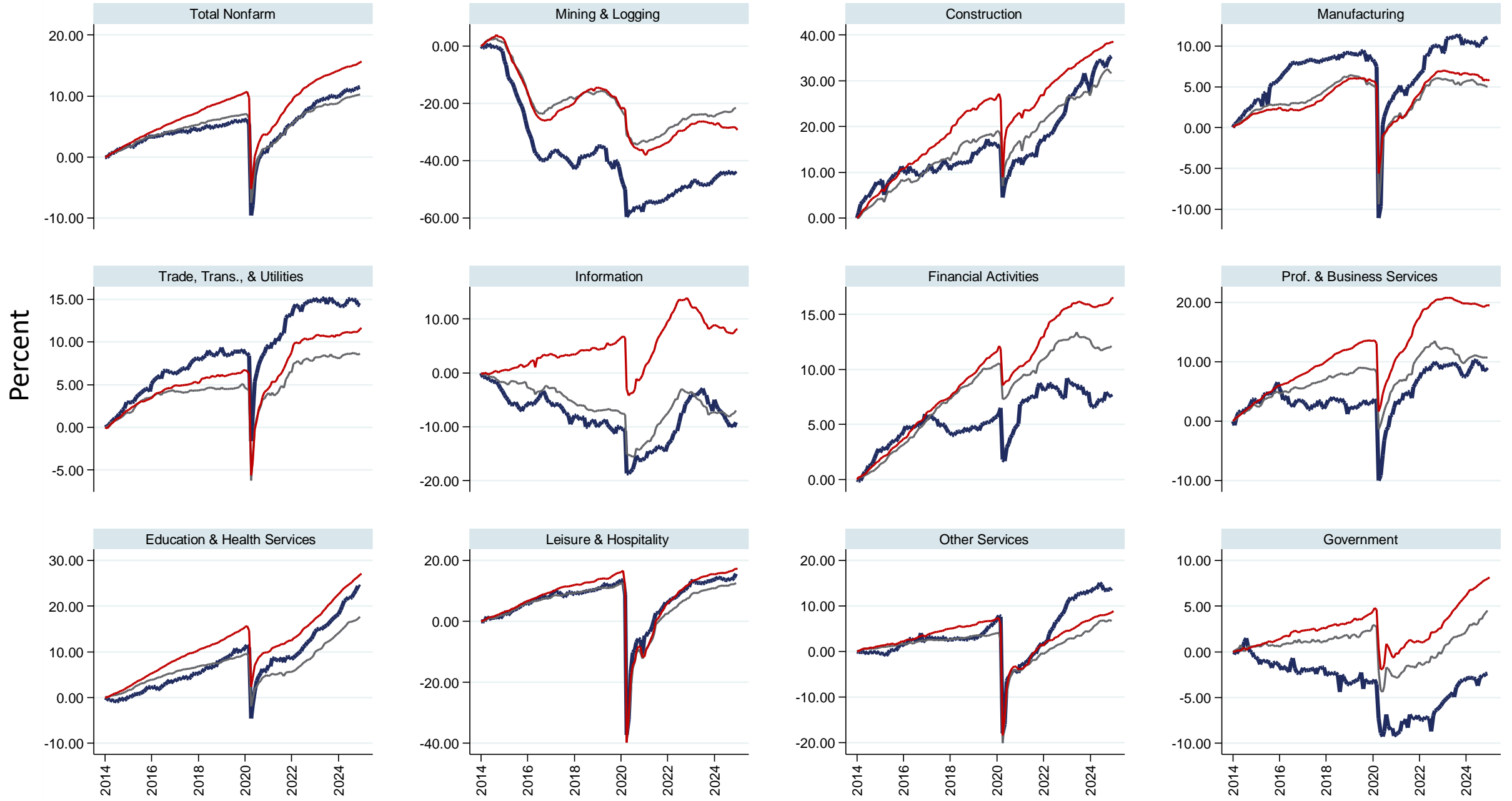
- **Reduce labor supply**
- **Upward pressure on wages and inflation**



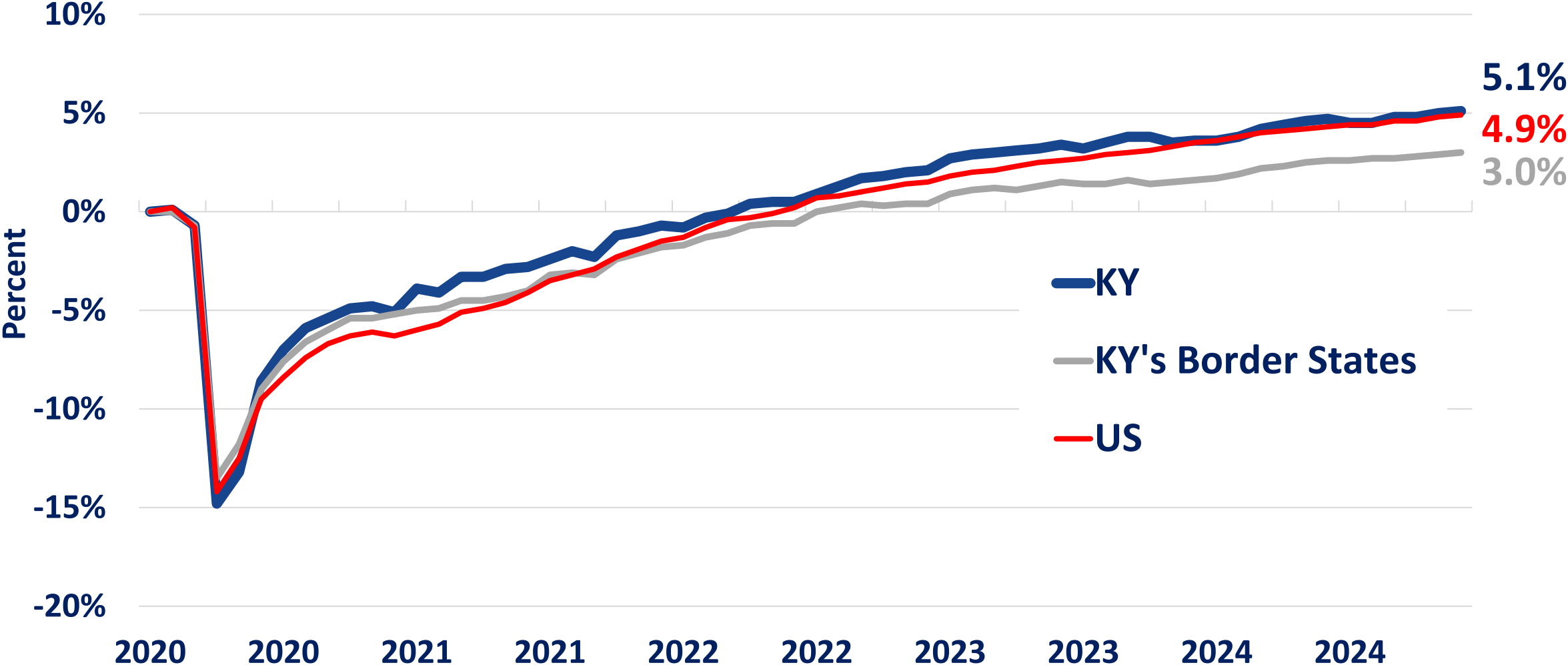
<http://cber.uky.edu/>

# Percent Change in Employment Since January 2014

— KY — Ky's Bordering States — US



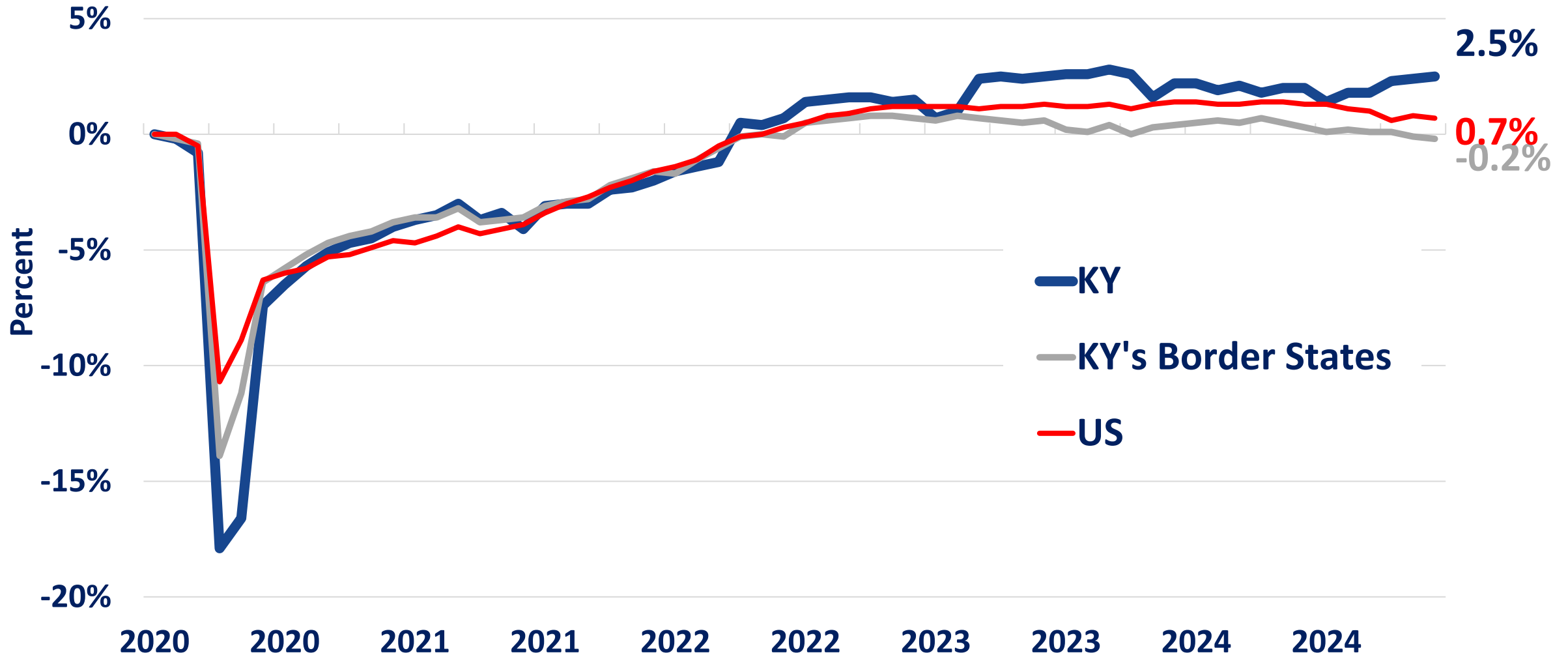
# Total Nonfarm Employment, Percent Change from January 2020



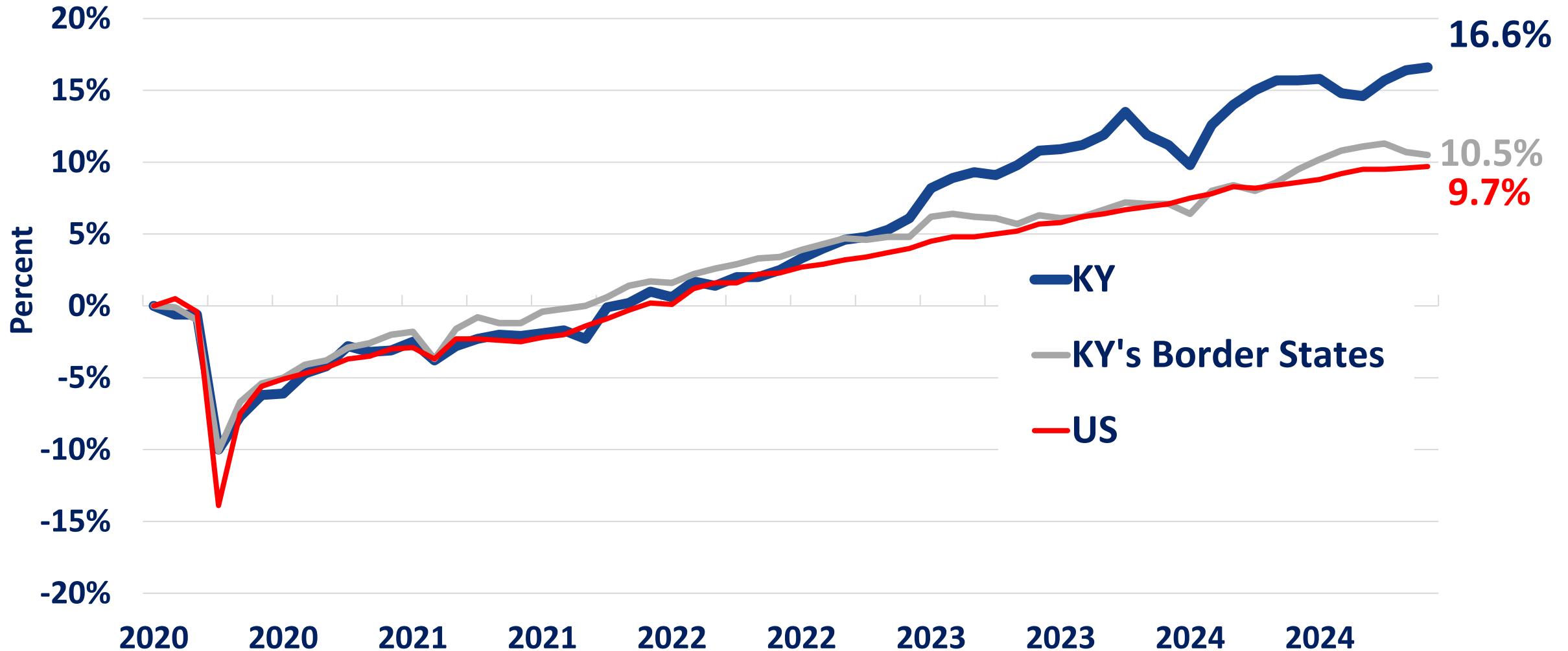
Source: US Bureau of Labor Statistics. Current Employment Statistics. Seasonally Adjusted.



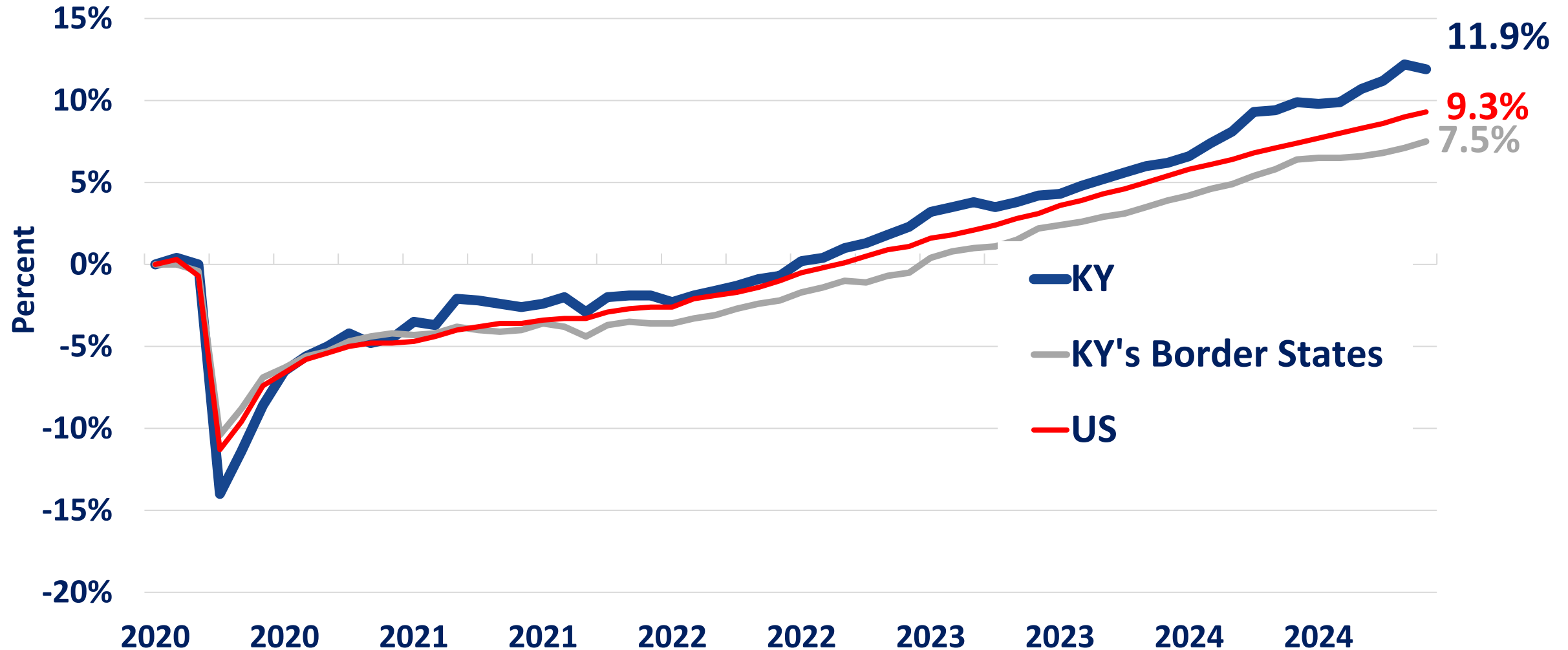
# Manufacturing Employment, Percent Change from January 2020



# Construction Employment, Percent Change from January 2020



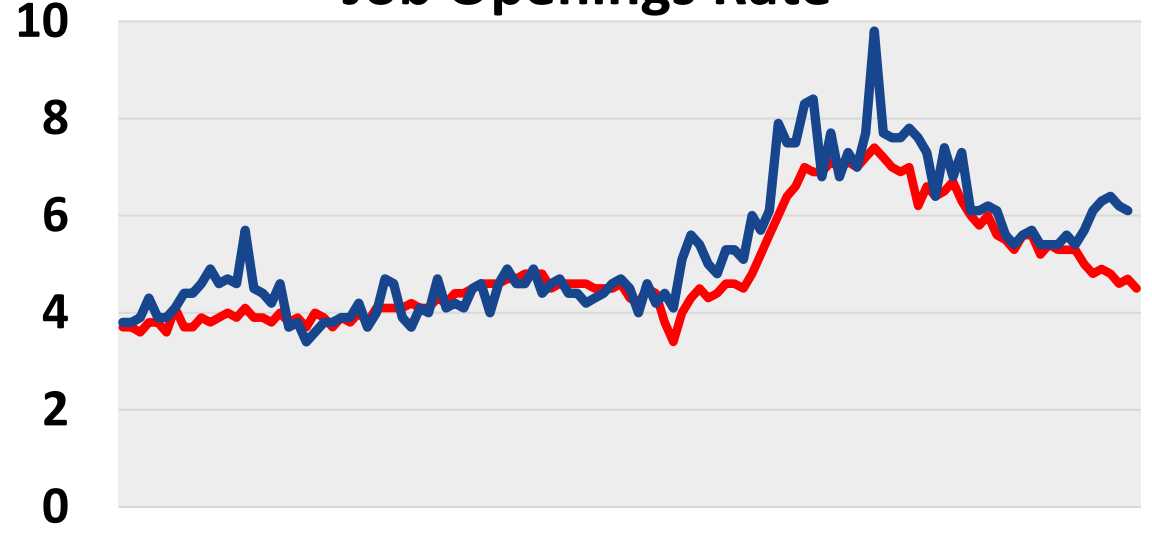
# Education & Health Care Services Employment, Percent Change from January 2020



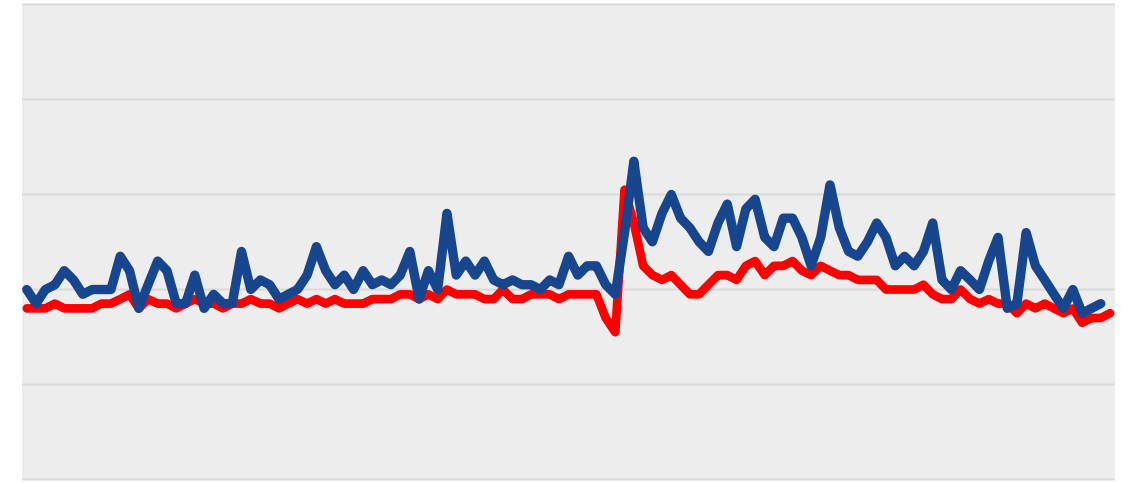
# Job Opening and Turnover

— KY — US

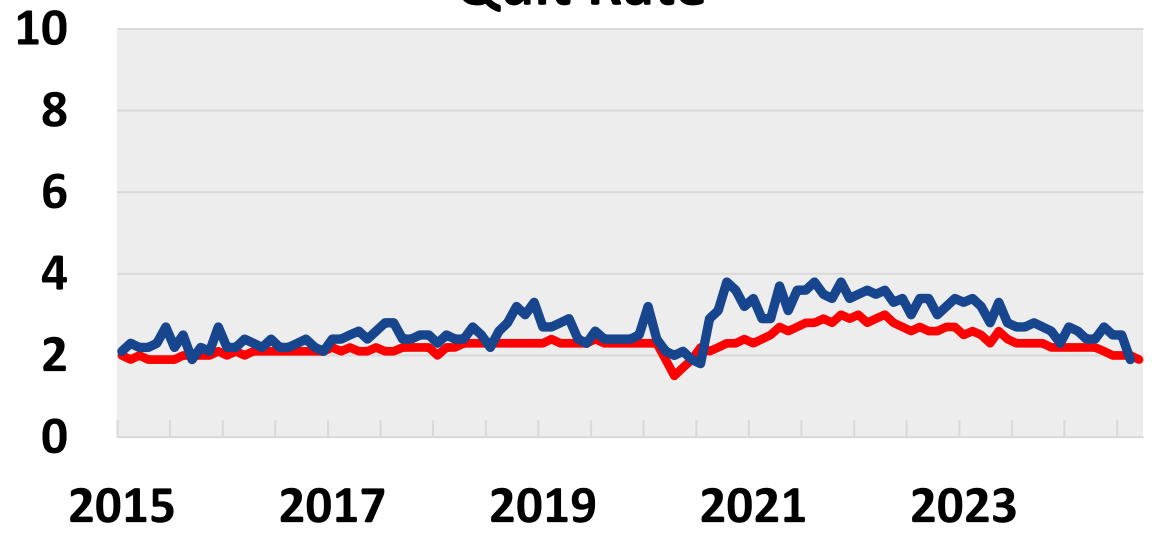
### Job Openings Rate



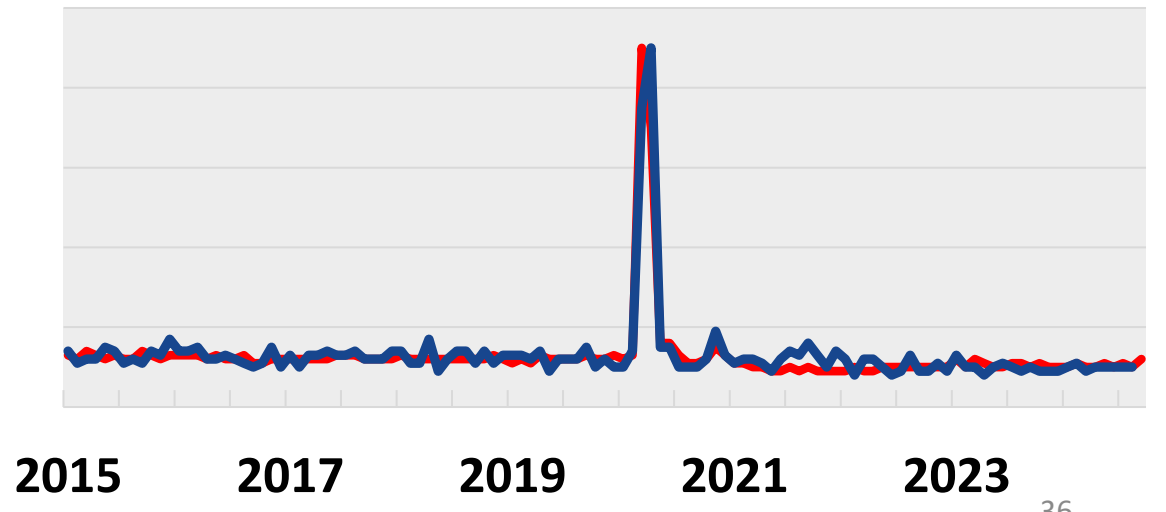
### Hire Rate



### Quit Rate

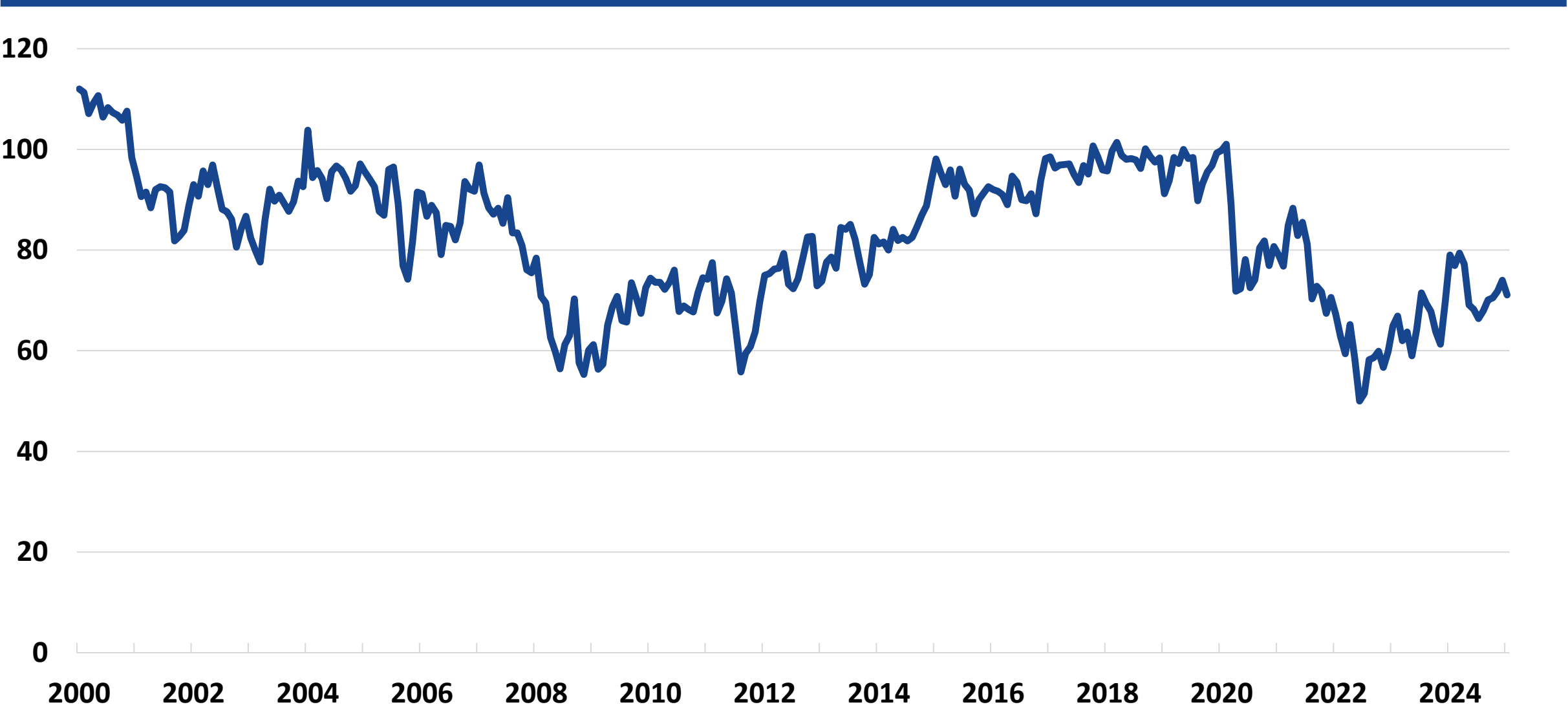


### Layoff & Discharges Rate



Source: US Bureau of Labor Statistics. Job Openings and Labor Turnover Survey.

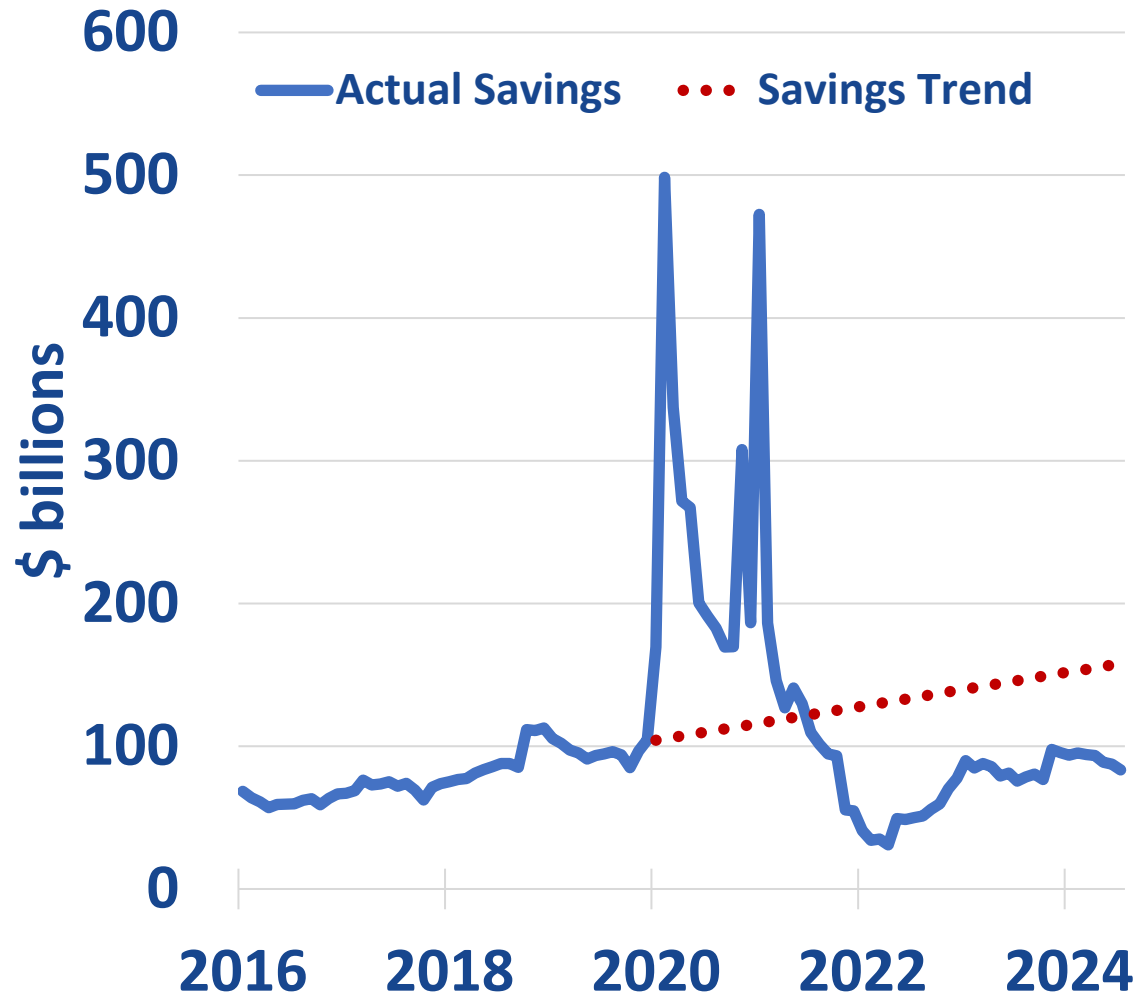
# Consumer Sentiment (1996=100)



Source: University of Michigan.

# Pandemic Excess Savings

## Savings Trend



## Cumulative Excess Savings

