

# KENTUCKY ECONOMIC INDICATORS

October 2009 as of January 5, 2010

## **KY Composite Index of Leading Indicators increased by 0.9 percent in October.**

- The Leading Index increased for the fifth consecutive month.
- The month-over-same-month-last-year growth rate declined for the twenty-ninth consecutive month with -2.8 percent growth.
- Component indicators leaned positive; 4:1.
  - + KY Labor Intensity Index increased by 1.9 percent.
  - + KY Index of Initial UI Claims increased by 6.5 percent.
  - + US Retail Sales increased by 14.6 percent.
  - + US Manufacturer's New Orders Index increased by 9.4 percent.
  - The Louisville Help Wanted Index decreased one point to 4.

*Component weights for October are 68.0, 13.8, 11.7, 5.3 and 1.2 respectively.*

## **KY Composite Index of Coincident Indicators increased by 0.8 percent in October.**

- The Coincident Index growth is positive for just the third time in 2009.
- The month-over-same-month-last-year growth rate is negative for the twentieth consecutive month with -4.3 percent growth.
- All component indicators were mixed, 1:2.
  - + KY Non-farm Employment increased 2.6 percent.
  - US Industrial Production Index decreased 0.2 percent.
  - US Personal Income Less Transfers decreased 0.4 percent.

*Component weights for October are 37.5, 28.6 and 21.4 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.*

\* Leading Index positive for 5th consecutive month.

The Leading Index increased moderately in October, fueled by growth in four of the five component indicators. The August 2009 Leading Index growth rate of 0.6 percent has persisted and is unlikely to change signs in any future revision. Therefore, the trio of three consecutive positive growth months is intact and enduring. After five consecutive months of growth, the Leading Index has made up 8.9 percent of its 2007 recession losses. The Leading Index lost 8.7 points, or 7.8 percent of its value during the recession.

\* There was a mixed group of changes in the Labor Intensity Index.

Growth in the employment sectors of the Labor Intensity Index was mixed. Three of the sectors (fabricated metals, wood products, and petroleum, coal, plastics and rubber products) experienced small increases in employment. Employment in the transportation equipment sector fell by 700 seasonally adjusted jobs, a 1.6 percent single-month decline. This was the largest mover in October both in absolute terms and as a percentage. The increases and decreases in all five employment sectors were small in a historical sense.

Average weekly hours were also mixed. Average weekly hours in three (fabricated metals, petroleum, coal, plastics and rubber products) of the five sectors increased. Seasonally adjusted average weekly hours in fabricated metals increased by 3.4 percent over September 2009, while average weekly hours in petroleum, coal, plastics and rubber products increased by 3.1 percent. Transportation equipment average weekly hours increased by 1.0 percent. Average weekly hours in the lumber products sector decreased by 4.3 percent. Typically, average weekly hours can be expected to change by 0.2 to 0.5 percent in either direction in a particular month. So these are particularly large single-month changes. Each month the Bureau of Labor Statistics revises the data from the previous month. The revision to September for petroleum, coal, plastics and rubber products was unusually large. In September, the preliminary non-seasonally adjusted value was 40.7 average weekly hours, and was revised up to 41.6 following the October 2009 data release. The October 2009 average weekly hours value for petroleum, coal, plastics and rubber products was 42.9. The sign of the October growth rate was preserved, but the revision led to a much smaller increase in the October growth rate. Revised data reflect a more precise measurement of each sector's employment and average weekly hours and therefore the revised data is preferred.

\* A solid increase in KY non-farm employment.

Non-farm employment in October increased by 3,700 seasonally adjusted jobs. That is an increase of 2.6 percent annual rate. This is the largest single-month increase since December 2006. Kentucky non-farm employment has now increased in two of the last three months. Assuming that September 2009 is the bottom, Kentucky lost a net 112,400 seasonally adjusted jobs during the 2001 recession. That is a net decline of 6.0 percent from peak to trough.

\* US non-farm employment declines tapering for the fourth consecutive month.

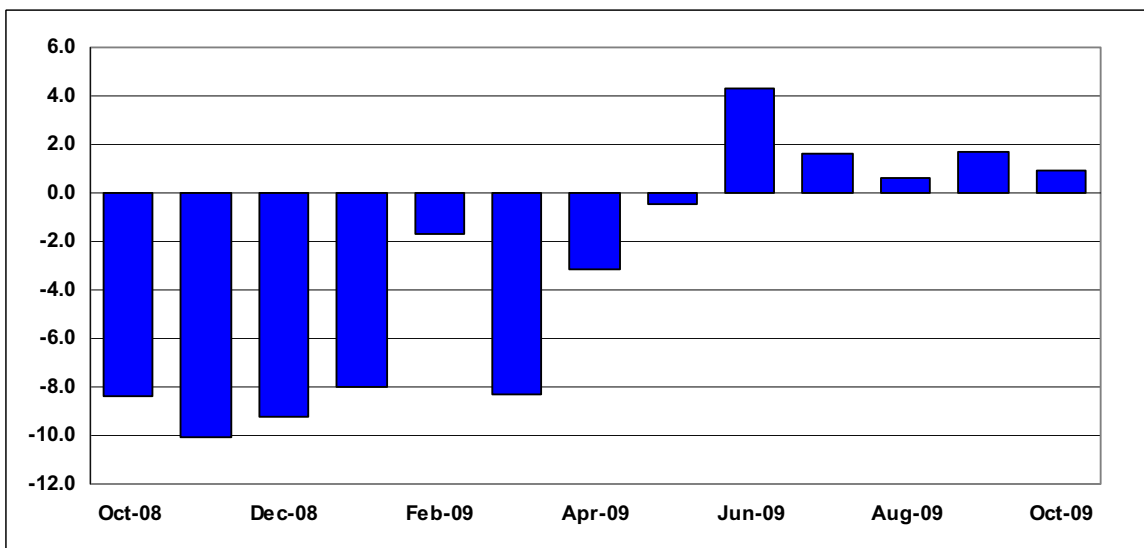
In October Kentucky experienced a reprieve from the months of losses in non-farm employment. Meanwhile, the US non-farm employment continues to fall. As a small consolation, the declines have tapered from 4.1 percent losses like in May 2009 to the

much smaller decline of 1.0 percent for October. US non-farm employment is down 5.4 million seasonally adjusted jobs compared to October 2008. This is a net 3.9 percent decline.

\* US Consumer Expectations indicator is erratic.

US consumer expectations is down moderately, -56.3 percent, in October. The US consumer expectations index is a subset of the consumer confidence index. The US consumer expectations index is the forward-looking part of the survey which asks the survey-takers about business conditions, employment and incomes over the next six months. According to the index, consumers have become generally more positive since February 2009. But are somewhat less optimistic about the next six months than they were in September.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



### About the Indicators

#### Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted General Fund tax receipts are combined to form the GOEA composite reference series.

#### Kentucky Leading Indicators

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: lumber products; chemical and allied products; petroleum, coal, rubber and plastic products; fabricated metals; and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **U.S. Retail Sales:** Inflection points used to determine turning points.
- **U.S. Manufacturer's New Orders Index:** This index has two components: U.S. Manufacturer's New Orders for Nondefense Capital Goods and U.S. Manufacturer's New Orders for Consumer Goods and Materials. Separately these two series slightly missed one or two turning points in the official reference series. But together they preceded each turning point.
- **Louisville Help-Wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.

#### Notes:

- Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- More information is available on our website, <http://www.osbd.ky.gov/>.

Office of State Budget Director  
Room 284, Capitol Annex  
Frankfort, Kentucky 40601-3453

Thomas Jones, Ph.D  
Phone: 502-564-7300  
[taj@ky.gov](mailto:taj@ky.gov)

**SELECTED KENTUCKY ECONOMIC INDICATORS  
SEASONALLY ADJUSTED**

	2009													
	2008	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT
KY Leading Index (1992=100)	107.0	106.1	105.2	104.5	104.4	103.6	103.3	103.3	103.3	103.7	103.8	103.9	104.0	104.1
% Chg Previous Month SAAR	-8.4	-10.1	-9.2	-8.0	-1.7	-8.3	-3.1	-0.4	4.3	1.6	0.6	1.7	0.9	0.9
% Chg Same Month Last Year	-3.6	-4.6	-5.2	-5.7	-5.7	-6.3	-6.0	-6.1	-5.4	-5.0	-4.2	-3.5	-3.5	-2.8
KY Leading Index Diffusion Index	13.3	3.3	3.3	6.7	13.3	13.3	20.0	26.7	36.7	40.0	40.0	40.0	50.0	56.7
KY Coincident Index (1992=100)	134.2	133.9	132.8	131.2	130.1	129.3	129.0	128.4	128.0	128.3	128.3	128.6	128.3	128.4
% Chg Previous Month SAAR	3.1	-2.6	-9.2	-13.8	-9.3	-7.8	-2.6	-5.1	-4.3	2.9	3.0	3.0	-2.3	0.8
% Chg Same Month Last Year	-2.3	-2.6	-3.4	-4.4	-5.0	-5.4	-5.4	-5.7	-5.7	-5.5	-5.5	-5.1	-4.1	-4.3
KY Non-farm Employment (000s)	1,844.8	1,838.1	1,823.8	1,812.4	1,800.9	1,796.4	1,790.3	1,780.0	1,774.4	1,773.1	1,773.2	1,773.2	1,760.0	1,763.7
% Chg Previous Month SAAR	-0.1	-4.3	-8.9	-7.2	-7.4	-3.0	-4.0	-6.7	-3.7	-0.9	0.1	0.1	-8.6	2.6
% Chg Same Month Last Year	-1.3	-1.8	-2.6	-3.0	-3.6	-3.5	-3.8	-4.5	-4.4	-4.6	-4.6	-4.6	-4.6	-4.4
KY Private Services Employment (000s)	1,176.5	1,172.0	1,165.8	1,169.4	1,166.8	1,164.8	1,165.1	1,151.9	1,151.1	1,150.4	1,149.6	1,146.3	1,146.3	1,147.0
% Chg Previous Month SAAR	-1.1	-4.4	-6.1	3.7	-2.6	-2.1	0.3	-12.8	-0.8	-0.7	-0.9	-3.4	-3.4	0.8
% Chg Same Month Last Year	-0.6	-1.1	-1.6	-1.2	-1.4	-1.2	-1.4	-2.5	-2.4	-2.8	-2.8	-2.7	-2.7	-2.5
KY Mfg Employment (000s)	239.9	237.7	230.6	220.5	217.3	215.1	211.6	210.1	208.1	211.4	210.0	209.0	209.0	208.2
% Chg Previous Month SAAR	-2.5	-10.5	-30.5	-41.6	-16.1	-11.5	-17.9	-8.2	-10.8	20.8	-7.7	-5.6	-5.6	-4.5
% Chg Same Month Last Year	-5.1	-6.6	-8.8	-12.6	-13.9	-14.5	-15.1	-16.0	-15.6	-14.0	-13.8	-13.1	-13.1	-13.2
KY Unemployment Rate (%)	6.9	7.2	7.6	8.8	9.3	9.8	9.9	10.7	10.9	11.1	11.2	10.9	10.9	11.3
KY Index of Initial UI Claims (1992=100)	96.8	96.1	94.7	94.6	93.0	92.7	93.5	93.4	93.7	96.0	95.1	95.9	95.9	96.4
% Chg Previous Month SAAR	-11.5	-7.8	-16.2	-1.7	-18.1	-4.3	10.9	-1.7	4.0	35.0	-11.2	10.9	6.5	6.5
% Chg Same Month Last Year	-4.8	-6.5	-7.1	-8.0	-9.4	-8.7	-7.5	-7.8	-6.5	-3.8	-3.9	-1.9	-1.9	-0.4
KY Labor Intensity Index (1992=100)	102.5	102.2	101.7	101.3	101.2	100.7	100.5	100.4	100.3	100.3	100.4	100.4	100.3	100.5
% Chg Previous Month SAAR	-1.4	-3.4	-5.8	-5.2	-0.6	-5.8	-2.4	-1.6	-0.5	-0.4	0.6	0.6	-0.4	1.9
% Chg Same Month Last Year	-1.8	-2.2	-2.5	-2.9	-2.9	-3.2	-3.2	-3.3	-3.0	-2.9	-2.6	-2.6	-2.3	-2.0
Louisville HWI (1992=100)	10.0	8.0	9.0	6.0	6.0	5.0	4.0	4.0	5.0	4.0	4.0	4.0	5.0	4.0
% Chg Previous Month SAAR	-68.1	-93.1	311.0	-99.2	0.0	-88.8	-93.1	0.0	1,355.2	-93.1	0.0	1,355.2	-93.1	-93.1
% Chg Same Month Last Year	-56.5	-57.9	-55.0	-68.4	-66.7	-75.0	-73.3	-73.3	-66.7	-69.2	-63.6	-63.6	-54.5	-60.0
GF Total Tax Receipts (\$ mill)	658.3	674.7	822.2	693.7	503.5	613.1	804.5	592.2	729.9	595.0	599.0	705.1	705.1	623.2
% Chg Same Month Last Year	3.0	8.0	0.0	-4.2	-10.8	0.4	-12.8	-3.0	-10.3	-4.0	-2.5	-10.3	-10.3	-5.3
GF Sales & Use Receipts (\$ mill)	252.5	216.9	246.9	284.3	193.2	213.9	234.9	228.3	235.3	244.4	231.2	218.3	218.3	241.6
% Chg Same Month Last Year	2.4	-8.1	5.0	-4.2	-6.0	2.1	1.1	-4.2	-5.5	-8.2	-8.1	-6.6	-6.6	-4.3
GF Income Tax Receipts (\$ mill)	286.9	269.3	303.4	236.0	212.1	167.4	415.3	245.4	302.9	245.3	259.4	309.7	309.7	259.7
% Chg Same Month Last Year	8.0	13.7	2.7	-13.5	-9.7	-13.5	-23.7	-6.2	-14.7	-6.5	-4.2	-9.9	-9.9	-9.5

**SELECTED U.S. ECONOMIC INDICATORS  
SEASONALLY ADJUSTED**

	2009												
	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT
US Leading Index (2004=100)	99.6	99.0	98.9	98.6	98.2	97.9	98.9	100.2	101.1	102.1	102.5	103.7	104.0
% Chg Previous Month SAAR	-11.3	-7.0	-1.2	-3.6	-4.8	-3.6	13.0	17.0	11.3	12.5	4.8	15.0	3.5
% Chg Same Month Last Year	-3.8	-4.0	-4.0	-3.8	-3.9	-4.0	-3.1	-1.8	-1.0	0.7	1.9	3.1	4.4
US Coincident Index (1996=100)	104.8	104.1	103.4	102.5	101.8	101.0	100.5	100.1	99.7	99.9	100.0	99.9	99.9
% Chg Previous Month SAAR	2.3	-7.7	-7.8	-10.0	-7.9	-9.0	-5.8	-4.7	-4.7	2.4	1.2	-1.2	0.0
% Chg Same Month Last Year	-2.2	-2.9	-3.5	-4.2	-4.7	-5.3	-5.8	-6.0	-6.3	-5.9	-5.5	-4.5	-4.7
US Non-farm Employment (Mil.)	136.4	135.8	135.1	134.3	133.7	133.0	132.5	132.2	131.7	131.4	131.3	131.1	131.0
% Chg Previous Month SAAR	-3.3	-5.1	-5.9	-6.4	-5.9	-5.7	-4.6	-2.7	-4.1	-2.7	-1.4	-1.3	-1.0
% Chg Same Month Last Year	-1.1	-1.6	-2.2	-2.7	-3.1	-3.5	-3.8	-3.9	-4.1	-4.2	-4.2	-4.1	-3.9
US Service-Providing Employment (Mil.)	115.3	114.9	114.5	114.2	113.8	113.5	113.2	113.1	112.9	112.7	112.7	112.6	112.6
% Chg Previous Month SAAR	-2.0	-3.6	-4.1	-3.5	-4.0	-3.5	-2.6	-1.0	-2.6	-2.0	-0.3	-0.5	0.0
% Chg Same Month Last Year	-0.4	-0.9	-1.3	-1.6	-1.9	-2.2	-2.4	-2.4	-2.6	-2.7	-2.6	-2.5	-2.3
US Manufacturing Employment (000s)	13,203.0	13,082.0	12,902.0	12,640.0	12,468.0	12,296.0	12,146.0	12,000.0	11,877.0	11,836.0	11,781.0	11,740.0	11,689.0
% Chg Previous Month SAAR	-10.2	-10.5	-15.3	-21.8	-15.2	-15.4	-13.7	-13.5	-11.6	-4.1	-5.4	-4.1	-5.1
% Chg Same Month Last Year	-4.1	-5.1	-6.4	-8.0	-8.9	-9.9	-10.6	-11.5	-12.1	-12.0	-12.0	-11.9	-11.5
US Unemployment Rate (%)	6.6	6.8	7.2	7.6	8.1	8.5	8.9	9.4	9.5	9.4	9.7	9.8	10.2
US Manufacturer's New Orders Index (1992=100)	111.6	108.2	103.7	99.9	100.8	99.1	99.1	99.4	99.9	102.1	99.8	100.6	101.4
% Chg Previous Month SAAR	-29.6	-31.0	-39.6	-36.4	12.1	-18.6	0.2	3.7	5.8	29.4	-23.7	10.2	9.4
% Chg Same Month Last Year	-14.0	-16.4	-20.4	-21.2	-19.8	-20.9	-19.7	-18.4	-18.3	-16.5	-14.4	-12.4	-9.1
US Initial Claims for UI (000s)	480.1	519.7	544.0	580.9	636.8	658.0	624.4	632.5	616.1	556.5	573.0	540.3	524.4
% Chg Previous Month SAAR	27.8	158.9	73.0	119.8	201.2	48.1	-46.7	16.7	-27.0	-70.5	42.0	-50.6	-30.1
% Chg Same Month Last Year	45.4	54.7	59.3	72.6	85.7	78.9	69.7	69.0	56.5	31.6	30.1	14.9	9.2
US Industrial Production Index (1992=100)	106.2	104.8	102.4	100.1	99.3	97.7	97.2	96.2	95.8	96.8	98.1	98.6	98.6
% Chg Previous Month SAAR	16.3	-14.7	-24.2	-23.4	-8.9	-17.6	-6.1	-12.0	-5.5	14.0	17.1	6.9	-0.2
% Chg Same Month Last Year	-4.7	-6.5	-8.9	-10.9	-11.3	-12.5	-12.4	-13.1	-13.3	-12.3	-10.1	-5.9	-7.1
US Personal Income Less Trans. (Bil. 2000 chnd)	9,433.6	9,500.4	9,495.6	9,321.2	9,188.0	9,113.2	9,119.8	9,122.3	9,075.6	9,084.7	9,073.2	9,062.2	9,059.2
% Chg Previous Month SAAR	-0.5	8.8	-0.6	-19.9	-15.9	-9.3	0.9	0.3	-6.0	1.2	-1.5	-1.4	-0.4
% Chg Same Month Last Year	-2.6	-1.7	-1.6	-3.0	-4.1	-4.6	-4.3	-4.1	-4.0	-3.7	-4.1	-4.0	-4.0
CPI, All Urban (1982-84=100)	216.9	213.3	211.6	212.2	213.0	212.7	212.7	212.9	214.5	214.5	215.4	215.8	216.4
% Chg Previous Month SAAR	-9.4	-18.3	-9.1	3.4	4.8	-1.6	-0.2	1.2	9.3	0.1	5.5	2.0	3.4
% Chg Same Month Last Year	3.7	1.0	-0.1	-0.2	0.1	-0.4	-0.6	-1.0	-1.2	-1.9	-1.4	-1.3	-0.2
US Retail Sales (\$Billions)	354.7	345.5	336.4	342.0	343.4	339.2	338.3	339.9	342.9	342.5	350.8	343.7	347.6
% Chg Previous Month SAAR	-30.9	-27.1	-27.3	21.8	5.1	-13.8	-3.1	5.6	11.3	-1.5	33.3	-21.8	14.6
% Chg Same Month Last Year	-5.1	-9.0	-10.6	-9.1	-8.0	-9.5	-10.0	-9.8	-8.8	-8.5	-5.5	-6.1	-2.0
US Consumer Expectations (1966=100)	57.0	53.9	54.0	57.8	50.5	53.5	63.1	69.4	69.2	63.2	65.0	73.5	68.6
% Chg Previous Month AR	-86.1	-48.9	2.2	126.2	-80.2	99.9	624.6	213.3	-3.4	-66.3	40.1	337.0	-56.3
% Chg Same Month Last Year	-18.7	-18.6	-17.7	-15.1	-19.1	-11.0	18.4	35.8	40.7	18.1	12.3	9.4	20.4
Ave. Prime Interest Rate (%; NSA)	4.56	4.00	3.61	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25