

KENTUCKY ECONOMIC INDICATORS

July 2009 as of October 26, 2009

KY Composite Index of Leading Indicators increased by 1.4 percent in July.

- The Leading Index increased for the second consecutive month with 1.4 percent growth.
- The month-over-same-month-last-year growth rate declined for the twenty-sixth consecutive month with -5.0 percent growth.
- Component indicators were mixed, 2:3.
 - KY Labor Intensity Index decreased by 0.6 percent.
 - + KY Index of Initial UI Claims increased by 35.4 percent.
 - US Retail Sales decreased by 1.5 percent.
 - + US Manufacturer's New Orders Index increased by 28.4 percent.
 - The Louisville Help Wanted Index decreased by one point to 4.

Component weights for July are 68.5, 13.6, 11.5, 5.2 and 1.1 respectively.

KY Composite Index of Coincident Indicators increased by 2.0 percent in July.

- The Coincident Index growth is positive for the first time this year.
- The month-over-same-month-last-year growth rate is negative for the seventeenth consecutive month with -5.8 percent growth.
- All component indicators were mixed, 2:1.
 - KY Non-farm Employment decreased 0.9 percent.
 - + US Industrial Production Index increased 10.8 percent.
 - + US Personal Income Less Transfers increased 0.5 percent.

Component weights for July are 37.5, 28.5 and 21.5 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.

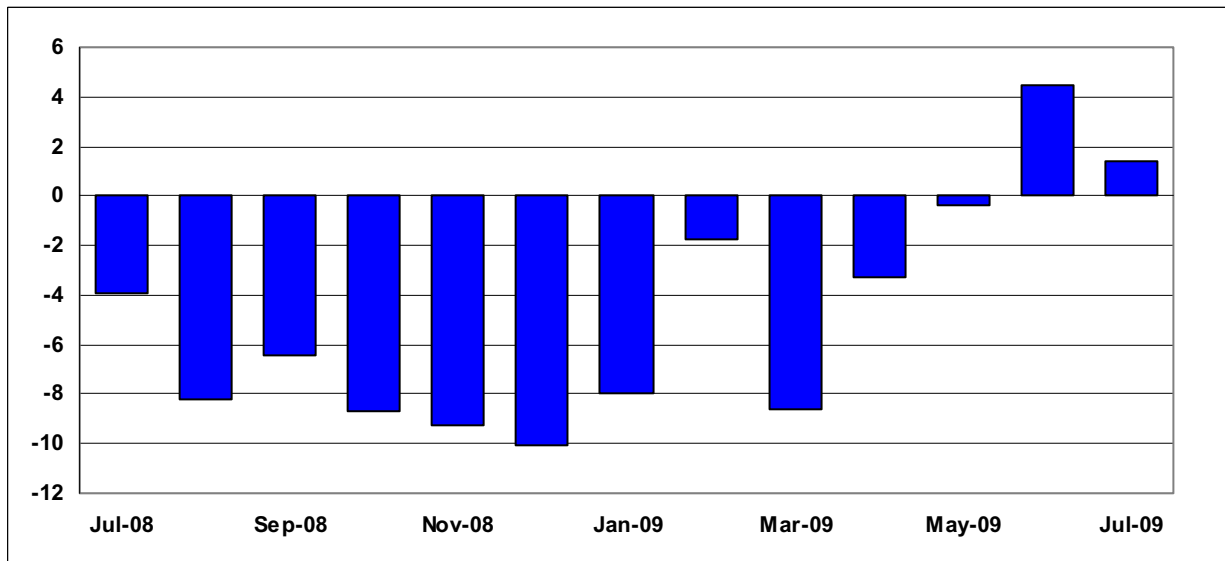
This is the second consecutive month of growth for the Kentucky Leading Index. With a growth rate of 1.4 percent it is unlikely that data revisions will completely negate the positive growth in the index. Despite the two recent positive months, there are still some concerns about reaching a trio of positives with the August 2009 data. First, three of the five components are negative for the month, including the important and heavily weighted labor intensity index. Second, almost all the positive weight occurred in a single component, the index of initial UI claims. A more broadly-based reversal of negative trends will be required before making definitive inferences regarding the Kentucky economy.

The largest mover in July was the Kentucky index of initial UI claims, which rose 35.4 percent. This is the second consecutive month of growth and the third improvement in the last seven months. This follows 10 consecutive months of declines which started in June of 2008. Assuming that March 2009 was the trough, then the UI claims index lost 12.2 points off its peak of 104.8 in January 2006. This is a net decline of 11.6 percent. Since March 2009 the series has made up 3.4 points, or 27.8 percent, of those losses. The 2007 recession losses are more profound than the losses in the 2001 recession. Peak to trough losses during the 2001 recession were 9.9 points, or a 9.3 percent decline.

The Kentucky index of initial UI claims made up the large majority of the 1.4 percent gains for the Leading Index. The Kentucky index of initial UI claims, an inverted index, is composed of two components, Kentucky first payments and US initial claims. Kentucky first pays (SA) declined for the fourth consecutive month in July. From June to July 2009 Kentucky first pays, the number of persons receiving their first unemployment payment in a benefits year, declined by just over 7,000 persons, a 37.3 percent decline. The first pay numbers are still historically high, and the July 2009 figure is still 2,300 persons higher than July 2008, but the trend has finally turned downward. Similarly, the US initial claims figures have declined for the second consecutive month. US initial claims declined by 59,000 over June 2009, a 9.7 percent reduction. While these are positive signs about recent claims, the other end of unemployment, exhaustees, is getting worse. In June 2009, exhaustees, those persons who have exhausted their regular program benefits, hit an all-time one-month high of 9,010 non-seasonally adjusted persons. In July, that mark was further eclipsed with 9,867 non-seasonally adjusted exhaustees. While these persons likely qualify for additional coverage under the federal government unemployment extension plans, it is clear that the job market is still tight and employers remain cautious about rehiring.

Kentucky non-farm employment declined by a net 0.9 percent in July. This represents a decline of 1,300 persons from June 2009. Non-farm employment has declined by a net 4.6 percent since July 2008, a decline of 85,400 seasonally adjusted jobs in just 12 months. Kentucky private services employment declined by an equal percentage for July, while Kentucky manufacturing employment increased for the first time since May of 2008. For the last several years, there has been a seasonal June or July employment burst, which has not been picked up by the seasonally adjustment factors. It is not clear if any or all of the current July increase is due to this phenomenon. It should be clearer whether this is a transitory employment gain or a permanent one following the August 2009 data release.

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/>.

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**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

2008

2009

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL
KY Leading Index (1992=100)	109.2	108.4	107.8	107.0	106.1	105.2	104.5	104.3	103.5	103.2	103.2	103.6	103.7
% Chg Previous Month SAAR	-4.0	-8.2	-6.4	-8.7	-9.3	-10.0	-7.9	-1.8	-8.6	-3.3	-0.4	4.4	1.4
% Chg Same Month Last Year	-2.0	-2.4	-3.2	-3.7	-4.6	-5.2	-5.8	-5.7	-6.3	-6.1	-6.1	-5.4	-5.0
KY Leading Index Diffusion Index	20.0	20.0	13.3	10.0	3.3	3.3	6.7	13.3	13.3	20.0	26.7	36.7	40.0
KY Coincident Index (1992=100)	135.7	135.4	133.8	134.2	133.9	132.8	131.2	130.1	129.2	128.7	128.1	127.6	127.8
% Chg Previous Month SAAR	-0.5	-2.2	-13.2	3.1	-2.6	-9.2	-13.8	-9.3	-7.8	-4.6	-5.8	-4.7	2.0
% Chg Same Month Last Year	-1.1	-1.3	-2.6	-2.3	-2.6	-3.4	-4.4	-5.0	-5.4	-5.6	-6.0	-6.0	-5.8
KY Non-farm Employment (000s)	1,858.5	1,857.8	1,845.0	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
% Chg Previous Month SAAR	1.3	-0.5	-8.0	-0.1	-4.3	-8.9	-7.2	-7.4	-3.0	-4.0	-6.7	-3.7	-0.9
% Chg Same Month Last Year	-0.5	-0.4	-1.3	-1.3	-1.8	-2.6	-3.0	-3.6	-3.5	-3.8	-4.5	-4.4	-4.6
KY Private Services Employment (000s)	1,183.0	1,181.8	1,177.6	1,177.0	1,171.7	1,165.9	1,169.4	1,166.8	1,164.6	1,165.1	1,151.8	1,151.3	1,150.4
% Chg Previous Month SAAR	2.9	-1.1	-4.2	-0.6	-5.3	-5.8	3.7	-2.6	-2.2	0.4	-12.9	-0.5	-0.9
% Chg Same Month Last Year	0.3	0.2	-0.3	-0.5	-1.1	-1.6	-1.2	-1.4	-1.2	-1.4	-2.5	-2.4	-2.8
KY Mfg Employment (000s)	245.7	243.5	240.4	239.9	237.7	230.6	220.5	217.3	215.1	211.6	210.1	208.1	211.4
% Chg Previous Month SAAR	-4.8	-10.2	-14.3	-2.5	-10.5	-30.5	-41.6	-16.1	-11.5	-17.9	-8.2	-10.8	20.8
% Chg Same Month Last Year	-4.1	-3.6	-5.9	-5.1	-6.6	-8.8	-12.6	-13.9	-14.5	-15.1	-16.0	-15.6	-14.0
KY Unemployment Rate (%)	6.5	6.7	6.9	6.9	7.2	7.6	8.8	9.3	9.8	9.9	10.7	10.9	11.1
KY Index of Initial UI Claims (1992=100)	99.8	98.9	97.9	96.7	96.2	94.7	94.6	93.0	92.6	93.4	93.3	93.6	96.0
% Chg Previous Month SAAR	-3.9	-9.7	-11.7	-14.0	-6.1	-16.8	-2.1	-18.3	-4.5	10.8	-1.4	4.1	35.4
% Chg Same Month Last Year	-3.7	-4.0	-5.7	-4.8	-6.5	-7.1	-8.0	-9.4	-8.7	-7.5	-7.8	-6.5	-3.8
KY Labor Intensity Index (1992=100)	103.3	103.0	102.6	102.5	102.2	101.7	101.3	101.2	100.7	100.5	100.3	100.3	100.2
% Chg Previous Month SAAR	-1.8	-3.1	-4.0	-1.8	-3.3	-5.9	-4.9	-0.7	-6.1	-2.5	-1.6	-0.4	-0.6
% Chg Same Month Last Year	-1.2	-1.4	-1.8	-1.8	-2.2	-2.5	-2.9	-2.9	-3.2	-3.2	-3.3	-3.0	-2.9
Louisville HWI (1992=100)	13.0	11.0	11.0	10.0	8.0	9.0	6.0	6.0	5.0	4.0	4.0	5.0	4.0
% Chg Previous Month SAAR	-82.0	-86.5	0.0	-68.1	-93.1	311.0	-99.2	0.0	-88.8	-93.1	0.0	1,355.2	-93.1
% Chg Same Month Last Year	-43.5	-50.0	-52.2	-56.5	-57.9	-55.0	-68.4	-66.7	-75.0	-73.3	-73.3	-66.7	-69.2
GF Total Tax Receipts (\$ mill)	619.9	614.5	786.1	658.3	674.7	822.2	693.7	503.5	613.1	804.5	592.2	729.9	595.0
% Chg Same Month Last Year	1.9	8.5	-4.4	3.0	8.0	0.0	-4.2	-10.8	0.4	-12.8	-3.0	-10.3	-4.0
GF Sales & Use Receipts (\$ mill)	266.1	251.7	233.6	252.5	216.9	246.9	284.3	193.2	213.9	234.9	228.3	235.3	244.4
% Chg Same Month Last Year	6.0	4.1	-0.8	2.4	-8.1	5.0	-4.2	-6.0	2.1	1.1	-4.2	-5.5	-8.2
GF Income Tax Receipts (\$ mill)	262.2	270.9	343.6	286.9	269.3	303.4	236.0	212.1	167.4	415.3	245.4	302.9	245.3
% Chg Same Month Last Year	5.2	12.6	3.2	8.0	13.7	2.7	-13.5	-9.7	-13.5	-23.7	-6.2	-14.7	-6.5

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

	2009												
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL
US Leading Index (2004=100)	101.4	100.6	100.6	99.6	99.0	98.9	98.6	98.2	97.9	98.9	100.2	101.1	102.1
% Chg Previous Month SAAR	-7.9	-9.1	0.0	-11.3	-7.0	-1.2	-3.6	-4.8	-3.6	13.0	17.0	11.3	12.5
% Chg Same Month Last Year	-3.2	-3.2	-3.2	-3.8	-4.0	-4.0	-3.8	-3.9	-4.0	-3.1	-1.8	-1.0	0.7
US Coincident Index (1996=100)	106.2	105.8	104.6	104.8	104.1	103.4	102.5	101.8	101.0	100.5	100.1	99.7	99.8
% Chg Previous Month SAAR	-2.2	-4.4	-12.8	2.3	-7.7	-7.8	-10.0	-7.9	-9.0	-5.8	-4.7	-4.7	1.2
% Chg Same Month Last Year	-0.7	-1.1	-2.3	-2.2	-2.9	-3.5	-4.2	-4.7	-5.3	-5.8	-6.0	-6.3	-6.0
US Non-farm Employment (Mil.)	137.2	137.1	136.7	136.4	135.8	135.1	134.3	133.7	133.0	132.5	132.2	131.7	131.4
% Chg Previous Month SAAR	-1.1	-1.5	-2.8	-3.3	-5.1	-5.9	-6.4	-5.9	-5.7	-4.6	-2.7	-4.1	-2.7
% Chg Same Month Last Year	-0.3	-0.4	-0.7	-1.1	-1.6	-2.2	-2.7	-3.1	-3.5	-3.8	-3.9	-4.1	-4.2
US Service-Providing Employment (Mil.)	115.8	115.7	115.5	115.3	114.9	114.5	114.2	113.8	113.5	113.2	113.1	112.9	112.7
% Chg Previous Month SAAR	-0.5	-1.0	-2.2	-2.0	-3.6	-4.1	-3.5	-4.0	-3.5	-2.6	-1.0	-2.6	-2.0
% Chg Same Month Last Year	0.4	0.3	-0.1	-0.4	-0.9	-1.3	-1.6	-1.9	-2.2	-2.4	-2.4	-2.6	-2.7
US Manufacturing Employment (000s)	13,454.0	13,387.0	13,322.0	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
% Chg Previous Month SAAR	-4.4	-5.8	-5.7	-10.2	-10.5	-15.3	-21.8	-15.2	-15.4	-13.7	-13.5	-11.6	-4.1
% Chg Same Month Last Year	-3.0	-3.2	-3.4	-4.1	-5.1	-6.4	-8.0	-8.9	-9.9	-10.6	-11.5	-12.1	-12.0
US Unemployment Rate (%)	5.8	6.2	6.2	6.6	6.8	7.2	7.6	8.1	8.5	8.9	9.4	9.5	9.4
US Manufacturer's New Orders Index (1992=100)	122.2	116.6	114.9	111.6	108.2	103.7	99.9	100.8	99.1	99.1	99.5	100.0	102.1
% Chg Previous Month SAAR	-1.1	-43.0	-16.5	-29.6	-31.0	-39.6	-36.4	12.1	-18.6	0.2	3.7	6.4	28.4
% Chg Same Month Last Year	-9.0	-10.4	-11.2	-14.0	-16.4	-20.4	-21.2	-19.8	-20.9	-19.7	-18.4	-18.3	-16.5
US Initial Claims for UI (000s)	422.9	440.4	470.4	480.1	519.7	544.0	580.9	636.8	658.0	624.4	632.5	616.1	556.5
% Chg Previous Month SAAR	136.0	62.7	120.5	27.8	158.9	73.0	119.8	201.2	48.1	-46.7	16.7	-27.0	-70.5
% Chg Same Month Last Year	35.0	35.3	49.0	45.4	54.7	59.3	72.6	85.7	78.9	69.7	69.0	56.5	31.6
US Industrial Production Index (1992=100)	110.4	109.2	104.8	106.2	104.8	102.4	100.1	99.3	97.7	97.2	96.2	95.8	96.6
% Chg Previous Month SAAR	-0.8	-12.5	-38.4	16.3	-14.7	-24.2	-23.4	-8.9	-17.6	-6.1	-12.2	-4.8	10.8
% Chg Same Month Last Year	-1.0	-2.2	-6.4	-4.7	-6.5	-8.9	-10.9	-11.3	-12.5	-12.4	-13.1	-13.3	-12.5
US Personal Income Less Trans. (Bill. 2000 chnd)	9,433.3	9,456.2	9,437.3	9,433.6	9,500.4	9,495.6	9,321.2	9,188.0	9,113.2	9,066.2	9,051.1	8,988.3	8,991.9
% Chg Previous Month SAAR	-2.8	3.0	-2.4	-0.5	8.8	-0.6	-19.9	-15.9	-9.3	-6.0	-2.0	-8.0	0.5
% Chg Same Month Last Year	-2.3	-2.2	-2.6	-2.6	-1.7	-1.6	-3.0	-4.1	-4.6	-4.9	-4.8	-4.9	-4.7
CPI, All Urban (1982-84=100)	218.6	218.6	218.7	216.9	213.3	211.6	212.2	213.0	212.7	212.7	212.9	214.5	214.5
% Chg Previous Month SAAR	9.1	-0.2	0.5	-9.4	-18.3	-9.1	3.4	4.8	-1.6	-0.2	1.2	9.3	0.1
% Chg Same Month Last Year	5.4	5.3	4.9	3.7	1.0	-0.1	-0.2	0.1	-0.4	-0.6	-1.0	-1.2	-1.9
US Retail Sales (\$Billions)	374.1	371.3	365.4	355.0	347.7	336.4	342.0	343.4	339.2	338.3	339.9	342.9	342.5
% Chg Previous Month SAAR	-6.1	-8.6	-17.5	-29.2	-22.1	-32.7	21.8	5.1	-13.8	-3.1	5.6	11.3	-1.5
% Chg Same Month Last Year	1.7	0.8	-1.8	-5.0	-8.4	-10.6	-9.1	-8.0	-9.5	-10.0	-9.8	-8.8	-8.5
US Consumer Expectations (1966=100)	53.5	57.9	67.2	57.0	53.9	54.0	57.8	50.5	53.5	63.1	69.4	69.2	63.2
% Chg Previous Month AR	173.3	158.2	497.4	-86.1	-48.9	2.2	126.2	-80.2	99.9	624.6	213.3	-3.4	-66.3
% Chg Same Month Last Year	-34.4	-21.4	-9.3	-18.7	-18.6	-17.7	-15.1	-19.1	-11.0	18.4	35.8	40.7	18.1
Ave. Prime Interest Rate (% NSA)	5.00	5.00	5.00	4.56	4.00	3.61	3.25	3.25	3.25	3.25	3.25	3.25	3.25