

KENTUCKY ECONOMIC INDICATORS

January 2010 as of March 29, 2010

KY Composite Index of Leading Indicators decreased by 4.2 percent in January.

- The Leading Index decreased for the second consecutive month.
- The month-over-same-month-last-year growth rate declined for the thirty-second consecutive month with -0.8 percent growth.
- Component indicators were mixed; two increased, two decreased and one did not change.
 - KY Labor Intensity Index decreased by 6.3 percent.
 - KY Index of Initial UI Claims decreased by 9.5 percent.
 - + US Retail Sales increased by 1.8 percent.
 - + US Manufacturer's New Orders Index increased by 4.0 percent.
 - o The Louisville Help Wanted Index remained constant at 4.

Component weights for January are 66.0, 14.7, 12.5, 5.7 and 1.2 respectively.

KY Composite Index of Coincident Indicators decreased by 1.4 percent in January.

- The Coincident Index growth is negative for the first time in seven months.
- The month-over-same-month-last-year growth rate is negative for the twenty-third consecutive month with -1.6 percent growth.
- Component indicators leaned negative, 1:2.
 - KY Non-farm Employment decreased 7.7 percent.
 - + US Industrial Production Index increased 11.2 percent.
 - US Personal Income Less Transfers increased 2.6 percent.

Component weights for January are 37.2, 28.8, 21.6 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.

*** Kentucky Leading Index Declines for Second Consecutive Month**

The Kentucky Leading Index fell moderately in January due to rebenchmarking changes and significant declines in two of the three Kentucky components. The biggest percentage mover for January 2010 was the Kentucky Index of Initial UI Claims, which declined by 9.5 percent. The second biggest mover was the Kentucky Labor Intensity Index, which fell by 6.3 percent for January. This is a significant drop for the Kentucky Labor Intensity Index, which historically has been the most stable (lowest series variance) of the five leading index components.

*** Rebenchmarking, Kentucky Labor Intensity Index and the Kentucky Leading Index Implications**

Both employment and average weekly hours in the Kentucky Labor Intensity Index were rebenchmarking in March 2010. Since rebenchmarking involves revisions to historical data, this led to some large declines to the Kentucky Labor Intensity series' levels. Not only did the index values decline, but also the growth rates from month to month were affected, in some cases significantly. In all cases, the revisions to the levels were downward revisions. In all cases, except December 2009, the growth rates became larger declines. In December 2009, the growth rate increased. The growth rate for December 2009, which was reported in the last monthly indicators report, was -4.2 percent. The new rebenchmarking value for December 2009 is -0.5 percent. This is an increase of 3.7 percentage points. Conversely, the November 2009 growth rate was revised from +8.7 percent to +0.5 percent. This is a downward revision of 8.2 percentage points. The January 2009 Kentucky Labor Intensity Index growth rate was revised from -5.6 percent to -10.8 percent. These are the three largest revisions over the last thirteen months.

The Kentucky Leading Index monthly growth rate signs, which are the cornerstones of the predictive power of the indicators, were largely preserved over the rebenchmarking with the exception of the August 2009 rate, which was revised from +0.6 percent to -0.9 percent. This single sign revision holds considerable significance because it alters the trio of positive growth months which signaled a turning point in the reference series. Prior to the rebenchmarking, the positive trio occurred from June 2006 through August 2006. This rebenchmarking revision eliminates that trio, and the following three months, September 2009 through November 2009, become the new trio indicating a turning point in the reference series approximately nine months forward from November 2009.

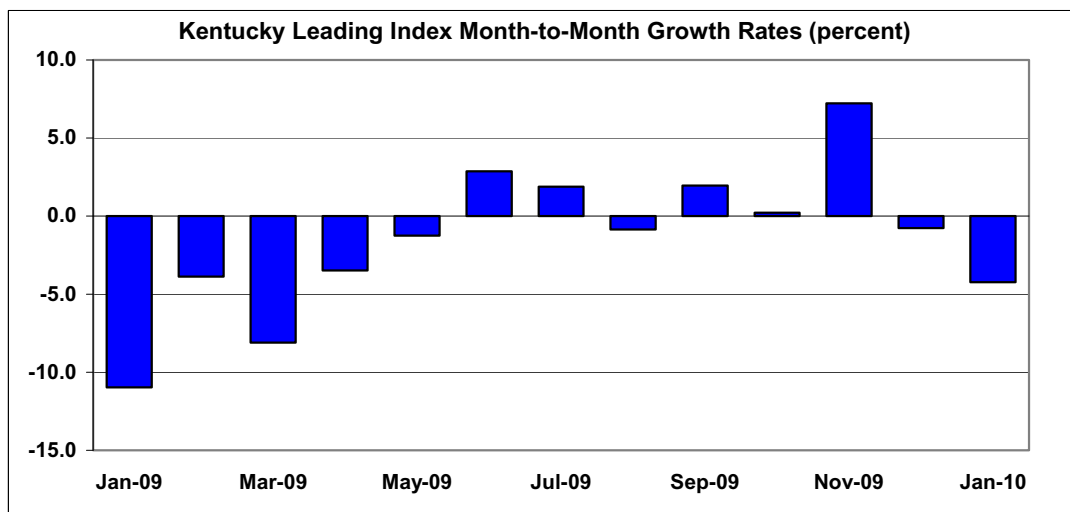
*** State Versus National Divide**

The indicator components were divided along state and national boundaries in January. The two declining indicators were Kentucky series. The two increasing indicators were US series. Louisville Help Wanted remained constant at 4.0 for January. This is a reversal from November when all three Kentucky components were positive. The Kentucky Leading Index has declined two months in a row while the US Leading Index has been positive for 10 consecutive months. In six of those 10 months, the US Leading Index increased with double digit growth, including November and December 2009. The January level increased by 3.4 percent, the smallest improvement during that time. The US Leading Index contains several financial and monetary variables, which the Kentucky index does not. Therefore, it is not particularly unusual that the two series diverge from time to time.

*** Kentucky Non-farm Employment Drops Sharply**

Kentucky non-farm employment fell by 7.7 percent in January. This represents a net loss of 11,800 seasonally adjusted persons in one month. The previous peak in Kentucky employment occurred on June 2007 with 1,871,400 employed. As of January 2010, Kentucky has lost a net 117,200 seasonally adjusted jobs (or 6.3 percent) due to the 2007 recession. It does not appear that the bottom in total non-farm employment has been reached.

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**

	2009												2010
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN
KY Leading Index (1992=100)	104.0	103.6	102.9	102.6	102.5	102.7	102.9	102.8	103.0	103.0	103.6	103.5	103.2
% Chg Previous Month SAAR	-11.0	-3.9	-8.1	-3.5	-1.2	2.9	1.9	-0.9	2.0	0.2	7.2	-0.8	-4.2
% Chg Same Month Last Year	-6.1	-6.3	-6.9	-6.6	-6.7	-6.2	-5.7	-5.0	-4.3	-3.6	-2.1	-1.4	-0.8
KY Leading Index Diffusion Index	6.7	13.3	13.3	20.0	26.7	36.7	40.0	36.7	46.7	53.3	60.0	53.3	53.3
KY Coincident Index (1992=100)	130.9	129.9	128.9	128.7	128.2	127.8	127.9	128.0	128.2	128.4	128.7	128.9	128.8
% Chg Previous Month SAAR	-16.2	-9.1	-8.6	-2.0	-4.6	-4.0	1.5	1.1	1.2	2.7	2.8	1.8	-1.4
% Chg Same Month Last Year	-4.8	-5.4	-5.8	-5.8	-6.1	-6.0	-5.8	-5.5	-4.2	-4.3	-3.8	-3.0	-1.6
KY Non-farm Employment (000s)	1,796.4	1,786.3	1,778.2	1,774.5	1,766.6	1,762.2	1,763.8	1,756.8	1,757.8	1,764.2	1,765.4	1,766.0	1,754.2
% Chg Previous Month SAAR	-13.6	-6.5	-5.3	-2.5	-5.2	-2.9	1.1	-4.7	0.7	4.5	0.8	0.4	-7.7
% Chg Same Month Last Year	-4.0	-4.5	-4.6	-4.7	-5.3	-5.1	-4.9	-5.2	-4.4	-4.0	-3.4	-2.9	-2.3
KY Private Services Employment (000s)	1,146.7	1,141.7	1,137.4	1,135.4	1,132.2	1,130.5	1,132.7	1,130.8	1,131.6	1,134.4	1,134.7	1,133.2	1,134.7
% Chg Previous Month SAAR	-10.4	-5.1	-4.5	-2.1	-3.3	-1.8	2.3	-2.0	0.8	3.1	0.3	-1.5	1.6
% Chg Same Month Last Year	-3.2	-3.6	-3.6	-4.0	-4.2	-4.1	-4.0	-4.2	-3.4	-2.6	-2.1	-2.1	-1.0
KY Mfg Employment (000s)	223.3	221.0	217.7	216.1	212.7	210.9	212.2	209.3	209.2	208.1	208.3	208.5	208.9
% Chg Previous Month SAAR	-38.7	-11.7	-16.5	-8.5	-17.3	-9.7	7.7	-15.2	-0.6	-6.1	1.2	1.2	2.3
% Chg Same Month Last Year	-11.5	-12.4	-13.5	-13.4	-15.2	-14.7	-13.6	-14.0	-12.8	-13.0	-12.1	-10.4	-6.4
KY Unemployment Rate (%)	9.1	9.6	10.1	10.4	10.6	10.8	10.8	10.8	10.8	10.7	10.7	10.6	10.7
KY Index of Initial UI Claims (1992=100)	94.6	93.0	92.7	93.5	93.4	93.6	96.0	95.1	95.9	96.4	97.5	98.7	97.9
% Chg Previous Month SAAR	-2.6	-18.4	-4.2	10.6	-1.3	3.9	35.0	-11.3	10.8	6.5	14.8	16.0	-9.5
% Chg Same Month Last Year	-8.0	-9.4	-8.7	-7.5	-7.8	-6.5	-3.8	-3.9	-1.9	-0.4	1.5	4.1	3.5
KY Labor Intensity Index (1992=100)	100.4	100.0	99.4	99.1	98.8	98.6	98.5	98.3	98.3	98.4	98.4	98.4	97.9
% Chg Previous Month SAAR	-10.8	-4.3	-7.2	-3.7	-3.5	-2.7	-0.8	-1.7	-0.2	0.6	0.5	-0.5	-6.3
% Chg Same Month Last Year	-3.7	-4.1	-4.6	-4.6	-4.9	-4.8	-4.7	-4.5	-4.1	-3.9	-3.5	-2.9	-2.5
Louisville HWI (1992=100)	6.0	6.0	5.0	4.0	4.0	5.0	4.0	4.0	5.0	4.0	5.0	4.0	4.0
% Chg Previous Month SAAR	-99.2	0.0	-88.8	-93.1	0.0	1,355.2	-93.1	0.0	1,355.2	-93.1	1,355.2	-93.1	0.0
% Chg Same Month Last Year	-68.4	-66.7	-75.0	-73.3	-73.3	-66.7	-69.2	-63.6	-54.5	-60.0	-37.5	-55.6	-33.3
GF Total Tax Receipts (\$ mill)	693.7	503.5	613.1	804.5	592.2	729.9	595.0	599.0	705.1	623.2	683.3	765.9	677.2
% Chg Same Month Last Year	-4.2	-10.8	0.4	-12.8	-3.0	-10.3	-4.0	-2.5	-10.3	-5.3	1.3	-6.9	-2.4
GF Sales & Use Receipts (\$ mill)	284.3	193.2	213.9	234.9	228.3	235.3	244.4	231.2	218.3	241.6	222.7	226.7	295.4
% Chg Same Month Last Year	-4.2	-6.0	2.1	1.1	-4.2	-5.5	-8.2	-8.1	-6.6	-4.3	2.7	-8.2	3.9
GF Income Tax Receipts (\$ mill)	236.0	212.1	167.4	415.3	245.4	302.9	245.3	259.4	309.7	259.7	259.9	268.8	233.3
% Chg Same Month Last Year	-13.5	-9.7	-13.5	-23.7	-6.2	-14.7	-6.5	-4.2	-9.9	-9.5	-3.5	-11.4	-1.1

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

	2009												2010	
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	JAN
US Leading Index (2004=100)	98.8	98.3	98.1	99.2	100.6	101.3	102.5	103.1	104.2	104.7	105.9	107.2	107.5	107.5
% Chg Previous Month SAAR	-3.6	-5.9	-2.4	14.3	18.3	8.7	15.2	7.3	13.6	5.9	14.7	15.8	3.4	3.4
% Chg Same Month Last Year	-4.2	-4.3	-4.6	-3.4	-1.9	-1.3	0.9	2.2	3.4	4.9	6.8	8.2	8.8	8.8
US Coincident Index (1996=100)	101.9	101.2	100.4	100.0	99.7	99.3	99.5	99.5	99.5	99.5	99.9	100.0	100.0	100.0
% Chg Previous Month SAAR	-13.1	-7.9	-9.1	-4.7	-3.5	-4.7	2.4	0.0	0.0	0.0	4.9	1.2	0.0	0.0
% Chg Same Month Last Year	-4.8	-5.1	-5.7	-6.0	-6.0	-6.2	-5.8	-5.5	-4.6	-4.5	-3.8	-3.0	-1.9	-1.9
US Non-farm Employment (Mil.)	133.5	132.8	132.1	131.5	131.2	130.6	130.3	130.1	129.9	129.6	129.7	129.6	129.6	129.6
% Chg Previous Month SAAR	-6.7	-6.3	-6.6	-4.7	-3.5	-4.6	-3.1	-1.9	-2.1	-2.1	0.6	-1.0	-0.2	-0.2
% Chg Same Month Last Year	-3.2	-3.7	-4.2	-4.5	-4.6	-4.8	-4.9	-4.9	-4.7	-4.5	-3.9	-3.5	-3.0	-3.0
US Service-Providing Employment (Mil.)	113.7	113.3	112.8	112.6	112.4	112.1	111.9	111.8	111.7	111.6	111.7	111.7	111.7	111.7
% Chg Previous Month SAAR	-3.5	-4.4	-4.4	-2.6	-1.7	-3.0	-2.3	-0.9	-1.1	-1.0	1.0	-0.6	0.3	0.3
% Chg Same Month Last Year	-2.0	-2.4	-2.8	-2.9	-3.0	-3.1	-3.3	-3.2	-3.0	-2.8	-2.4	-2.1	-1.7	-1.7
US Manufacturing Employment (000s)	12,543.0	12,377.0	12,212.0	12,063.0	11,911.0	11,782.0	11,739.0	11,682.0	11,634.0	11,577.0	11,552.0	11,534.0	11,554.0	11,554.0
% Chg Previous Month SAAR	-23.2	-14.8	-14.9	-13.7	-14.1	-12.2	-4.3	-5.7	-4.8	-5.7	-2.6	-1.9	2.1	2.1
% Chg Same Month Last Year	-8.6	-9.6	-10.6	-11.3	-12.3	-12.9	-12.8	-12.6	-12.3	-11.8	-11.1	-10.0	-7.9	-7.9
US Unemployment Rate (%)	7.7	8.2	8.6	8.9	9.4	9.5	9.4	9.7	9.8	10.1	10.0	10.0	9.7	9.7
US Manufacturer's New Orders Index (1992=100)	99.6	99.9	98.9	99.3	99.8	100.0	102.9	100.2	101.3	102.1	102.0	103.3	103.6	103.6
% Chg Previous Month SAAR	-36.8	3.7	-12.0	5.5	6.3	1.8	40.6	-26.7	13.8	9.4	-0.5	15.4	4.0	4.0
% Chg Same Month Last Year	-22.4	-20.9	-21.9	-20.1	-18.6	-17.8	-14.6	-13.2	-10.8	-7.6	-4.7	-0.3	4.0	4.0
US Initial Claims for UI (000s)	580.9	636.8	658.0	624.4	632.5	616.1	556.5	573.0	540.3	524.4	480.5	449.9	469.6	469.6
% Chg Previous Month SAAR	119.8	201.2	48.1	-46.7	16.7	-27.0	-70.5	42.0	-50.6	-30.1	-65.0	-54.6	67.2	67.2
% Chg Same Month Last Year	72.6	85.7	78.9	69.7	69.0	56.5	31.6	30.1	14.9	9.2	-7.5	-17.3	-19.2	-19.2
US Industrial Production Index (1992=100)	100.1	99.3	97.7	97.2	96.2	95.8	96.9	98.1	98.7	98.9	99.5	100.0	100.9	100.9
% Chg Previous Month SAAR	-23.4	-8.9	-17.6	-6.1	-12.0	-5.5	16.1	15.4	7.1	2.5	8.4	5.8	11.2	11.2
% Chg Same Month Last Year	-10.9	-11.3	-12.5	-12.4	-13.1	-13.3	-12.2	-10.1	-5.9	-6.9	-5.0	-2.3	0.8	0.8
US Personal Income Less Trans. (Bil. 2000 chnd)	9,321.2	9,188.0	9,113.2	9,119.8	9,122.3	9,075.6	9,018.8	9,013.4	9,000.3	9,012.8	9,030.6	9,042.4	9,022.3	9,022.3
% Chg Previous Month SAAR	-19.9	-15.9	-9.3	0.9	0.3	-6.0	-7.3	-0.7	-1.7	1.7	2.4	1.6	-2.6	-2.6
% Chg Same Month Last Year	-3.0	-4.1	-4.6	-4.3	-4.1	-4.0	-4.4	-4.7	-4.6	-4.5	-4.9	-4.8	-3.2	-3.2
CPI, All Urban (1982-84=100)	212.0	212.9	212.6	212.8	213.1	214.6	214.8	215.6	215.9	216.4	216.9	217.2	217.6	217.6
% Chg Previous Month SAAR	3.6	5.3	-1.3	0.9	1.4	8.8	1.2	4.5	1.9	2.5	2.8	2.0	2.0	2.0
% Chg Same Month Last Year	-0.1	0.1	-0.4	-0.6	-1.0	-1.3	-2.0	-1.5	-1.3	-0.2	1.8	2.8	2.7	2.7
US Retail Sales (\$Billions)	340.4	342.4	339.2	338.3	339.9	342.9	342.5	350.8	343.7	347.6	354.5	353.8	354.3	354.3
% Chg Previous Month SAAR	19.2	7.0	-10.4	-3.1	5.6	11.3	-1.5	33.3	-21.8	14.7	26.3	-2.2	1.8	1.8
% Chg Same Month Last Year	-9.5	-8.2	-9.5	-10.0	-9.8	-8.8	-8.5	-5.5	-6.1	-2.0	2.7	5.5	4.1	4.1
US Consumer Expectations (1966=100)	57.8	50.5	53.5	63.1	69.4	69.2	63.2	65.0	73.5	68.6	66.5	68.9	70.1	70.1
% Chg Previous Month AR	126.2	-80.2	99.9	624.6	213.3	-3.4	-66.3	40.1	337.0	-56.3	-31.1	53.0	23.0	23.0
% Chg Same Month Last Year	-15.1	-19.1	-11.0	18.4	35.8	40.7	18.1	12.3	9.4	20.4	23.4	27.6	21.3	21.3
Ave. Prime Interest Rate (%; NSA)	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25