

# KENTUCKY ECONOMIC INDICATORS

March 2009 as of June 3, 2009

## **KY Composite Index of Leading Indicators decreased by 8.3 percent in March.**

- The Leading Index has decreased for the thirteenth consecutive month.
- The month-over-same-month-last-year growth rate declined for the twenty-second consecutive month with -6.4 percent growth.
- All five components declined in March, 0:5.
  - KY Labor Intensity Index decreased 6.0 percent.
  - KY Index of Initial UI Claims decreased 4.6 percent.
  - US Retail Sales decreased 14.7 percent.
  - US Manufacturer's New Orders Index decreased 8.4 percent.
  - The Louisville Help Wanted Index declined by 1 point to 5.

*Component weights for March are 68.2, 13.9, 11.6, 5.1 and 1.2 respectively.*

## **KY Composite Index of Coincident Indicators decreased by 7.2 percent in March.**

- The Coincident Index growth is negative for the fifth consecutive month.
- The month-over-same-month-last-year growth rate is negative for the twelfth consecutive month with -5.1 percent growth.
- All three components declined in March, 0:3.
  - KY Non-farm Employment decreased 3.0 percent.
  - US Industrial Production Index decreased 18.6 percent.
  - US Personal Income Less Transfers decreased 6.6 percent.

*Component weights for March are 43.2, 24.3 and 18.1 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.*

The Kentucky Leading Index fell sharply in March to 103.5 with a 8.3 percent single-month loss. That is the index's lowest level since February 1994. March's setback marks the thirteenth consecutive month of declines in the Leading Index. The US Leading Index has declined for the last six consecutive months. In September 2008, it remained constant, neither increasing nor declining. Prior to that one flat month, the US Leading Index declined in both July and August. There have been no increasing months since June 2008. Neither index is poised to create a trio of positives, the signal that the trough in the reference series is approaching, before June 2009.

The Labor Intensity Index, which carries the largest weight in the KY Leading Index, fell by 4.6 percent in March. This is the seventeenth consecutive month that this component has declined. The index is down 3.3 percent compared to its level in March 2008. In the 2001 recession, the Labor Intensity Index fell from 107.3 to 103.4 from peak to trough. That is a decline of 3.9 points or 3.6 percent. Currently, the index is down 4.4 points or 4.2 percent from its March 2006 peak. The March 2009 decline is equal to the largest single-month decline (-6.0 percent) during this contraction. The Labor Intensity Index also declined by 6.0 percent in December 2008. All five employment sectors declined in March. Transportation equipment employment declined by the most with a loss of 1,000 seasonally adjusted jobs (a 2.3 percent decline). The other four sectors declined by less than 150 jobs each. Four of the average weekly hours components declined in March, while Wood Products increased by marginally. When both employment and average weekly hours are declining simultaneously it typically means that the labor market is still contracting and production is falling. That is, employers are not just laying off workers and asking the remaining workers to work more hours to make up for the losses which would keep output relatively constant. Declines in both suggest that firms remain cautious about the direction of the economy and are scaling back operations until aggregate demand improves.

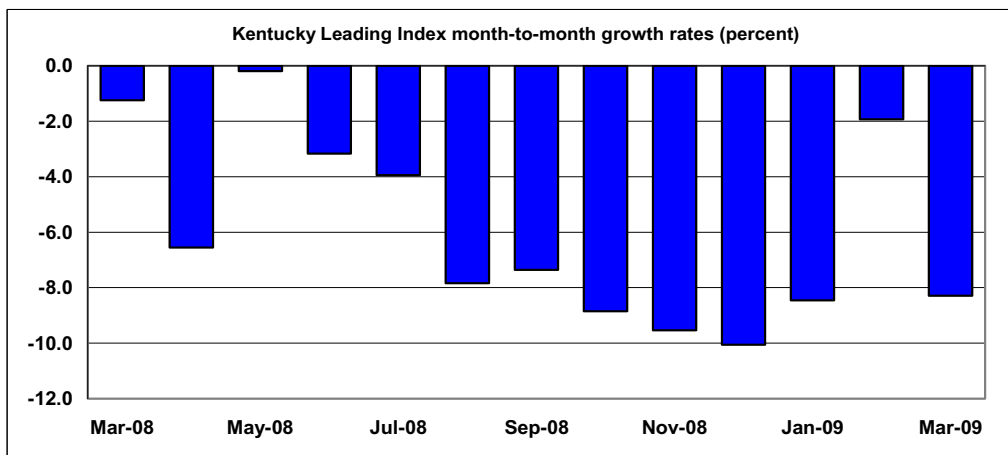
The Kentucky Index of Initial Unemployment Insurance Claims declined for the tenth consecutive month with a 4.6 percent decline. The index is down 8.7 percent over March 2008. This is the lowest level of the UI index since June 1980. The index is made up of two components, Kentucky First Pays and US Initial Claims. This is an inverted index, so when unemployment claims go up, the index goes down. Kentucky First Pays increased by just over 12,000 seasonally adjusted persons (or 123.6 percent) over March 2008. US Initial Claims increased by just over 290,000 seasonally adjusted persons (or 78.9 percent) over March 2008. March 2009 was third highest all-time level for a single-month of Kentucky First Pays, while it was the seventh highest all-time level for a single-month of US Initial Claims. The highest level of Kentucky First Pays occurred in June 1980, while the highest level of US Initial Claims occurred in September 1982.

US Retail Sales resumed their losses in March following two moderate gains in January and February 2009. March 2009 was the seventh decline in nine months for US Retail Sales. US Retail Sales is now down \$37.8 billion since June 2008. That is a 10.0 percent net decline in just nine months. Historically, this is one of the largest declines in consumption since World War II. This 10.0 percent decline is the fourth largest peak to trough decline since World War II.\* In 1951, US Retail Sales decreased 11.4 percent from peak to trough. In 1974, US Retail Sales decreased 11.8 percent from peak to trough. In 1982, US Retail Sales decreased 13.9 percent from peak to trough, although the overall decline includes losses from two different recessions.

The US Manufacturer's New Orders Index has declined eight times in the last nine months with a decrease of 8.4 percent in March. The index is down 20.2 percent over March 2008, a loss of 25.3 points. The Manufacturer's New Orders Index was established in 1979. During the 1980-81 recessions, the index lost 27.3 percent from peak to trough. During the 1990 recession, the index lost 13.6 percent from peak to trough. During the 2001 recession, the index lost 14.6 percent. So far in this recession, the US Manufacturer's New Orders Index has lost 27.8 percent from the previous peak (November 2005) to March 2009.

\* The 2007 trough has not yet been established.

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		
	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR		
KY Leading Index (1992=100)	110.6	110.0	109.7	109.3	108.6	107.9	107.0	106.1	105.2	104.4	104.3	103.5			
% Chg Previous Month SAAR	-1.3	-6.5	-0.2	-3.9	-7.8	-7.4	-8.9	-9.5	-10.1	-8.5	-1.9	-8.3			
% Chg Same Month Last Year	-1.4	-1.5	-1.7	-2.0	-2.4	-3.2	-3.7	-4.7	-5.3	-5.9	-5.8	-6.4			
KY Leading Index Diffusion Index	46.7	46.7	43.3	40.0	40.0	33.3	30.0	23.3	23.3	26.7	30.0	30.0			
KY Coincident Index (1992=100)	132.9	132.6	132.2	132.2	131.8	130.1	130.5	130.0	128.9	127.7	126.9	126.1			
% Chg Previous Month SAAR	-2.9	-2.5	-0.3	-3.6	-2.8	-14.9	4.4	-4.5	-10.1	-10.3	-7.7	-7.2			
% Chg Same Month Last Year	0.2	-0.1	-0.2	-0.6	-0.9	-2.5	-2.0	-2.6	-3.5	-4.2	-4.8	-5.1			
KY Non-farm Employment (000s)	1,861.2	1,860.9	1,864.1	1,856.5	1,858.5	1,857.8	1,845.0	1,844.8	1,838.1	1,812.4	1,800.9	1,796.4			
% Chg Previous Month SAAR	-4.3	-0.2	2.1	-4.8	1.3	-0.5	-8.0	-0.1	-4.3	-7.2	-7.4	-3.0			
% Chg Same Month Last Year	-0.1	-0.2	-0.2	-0.8	-0.5	-0.4	-1.3	-1.3	-1.8	-3.0	-3.6	-3.5			
KY Private Services Employment (000s)	1,179.1	1,182.3	1,182.1	1,178.2	1,183.4	1,182.7	1,176.0	1,177.1	1,171.8	1,169.5	1,167.0	1,165.3			
% Chg Previous Month SAAR	-4.5	3.4	-0.3	-3.9	5.5	-0.7	-6.6	1.2	-5.3	4.3	-2.5	-1.7			
% Chg Same Month Last Year	0.0	0.4	0.1	-0.3	0.3	0.2	-0.4	-0.5	-1.1	-1.2	-1.4	-1.2			
KY Mfg Employment (000s)	251.5	249.3	250.0	246.7	245.7	243.5	240.4	239.9	237.7	230.6	217.3	215.1			
% Chg Previous Month SAAR	-4.2	-10.0	3.4	-14.7	-4.8	-10.2	-14.3	-2.5	-10.5	-30.5	-41.6	-11.5			
% Chg Same Month Last Year	-1.4	-3.2	-2.7	-4.4	-4.1	-3.6	-5.9	-5.1	-6.6	-8.8	-13.9	-14.5			
KY Unemployment Rate (%)	5.9	6.1	6.2	6.4	6.5	6.7	6.9	6.9	7.2	8.8	9.3	9.8			
KY Index of Initial UI Claims (1992=100)	101.4	100.9	101.2	100.1	99.9	99.1	97.9	96.7	96.2	94.8	92.9	92.6			
% Chg Previous Month SAAR	-12.5	-5.8	3.8	-12.4	-2.1	-9.4	-13.4	-13.6	-6.7	-15.7	-18.4	-4.6			
% Chg Same Month Last Year	-2.6	-2.2	-2.5	-3.4	-3.6	-4.0	-5.7	-4.8	-6.5	-7.1	-9.4	-8.7			
KY Labor Intensity Index (1992=100)	104.1	103.8	103.8	103.5	103.4	103.1	102.6	102.5	102.2	101.7	101.2	100.7			
% Chg Previous Month SAAR	-2.2	-3.0	-0.1	-3.4	-1.6	-2.8	-5.2	-1.3	-3.4	-6.0	-5.3	-6.0			
% Chg Same Month Last Year	-0.4	-0.8	-0.9	-1.2	-1.2	-1.3	-1.8	-1.8	-2.2	-2.5	-2.9	-3.3			
Louisville HWI (1992=100)	20.0	15.0	15.0	13.0	11.0	11.0	11.0	10.0	8.0	6.0	6.0	5.0			
% Chg Previous Month SAAR	254.1	-96.8	0.0	-82.0	-86.5	0.0	-68.1	-93.1	311.0	-99.2	0.0	-88.8			
% Chg Same Month Last Year	-53.5	-48.3	-50.0	-43.5	-50.0	-52.2	-56.5	-57.9	-55.0	-68.4	-66.7	-75.0			
GF Total Tax Receipts (\$ mill)	610.5	922.7	610.3	813.5	619.9	614.5	786.1	658.3	674.7	822.2	693.7	613.1			
% Chg Same Month Last Year	-6.5	37.3	-22.2	3.2	1.9	8.5	-4.4	3.0	8.0	0.0	-4.2	0.4			
GF Sales & Use Receipts (\$ mill)	209.6	232.4	238.4	249.0	266.1	251.7	233.6	252.5	216.9	246.9	284.3	213.9			
% Chg Same Month Last Year	-1.4	14.8	-12.0	2.5	6.0	4.1	-0.8	2.4	-8.1	5.0	-4.2	2.1			
GF Income Tax Receipts (\$ mill)	193.6	544.3	261.6	355.3	262.2	270.9	343.6	286.9	269.3	303.4	212.1	167.4			
% Chg Same Month Last Year	-5.1	92.1	-22.6	22.9	5.2	12.6	3.2	8.0	13.7	2.7	-13.5	-13.5			

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

	2009												
	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
US Leading Index (2004=100)	102.0	102.1	102.0	102.1	101.4	100.6	100.6	100.6	99.6	99.0	98.9	98.7	98.0
% Chg Previous Month SAAR	-2.3	1.2	-1.2	1.2	-7.9	-9.1	0.0	-11.3	-7.0	-7.0	-1.2	-2.4	-2.4
% Chg Same Month Last Year	-2.2	-1.9	-2.2	-1.9	-3.2	-3.2	-3.2	-3.8	-4.0	-4.0	-4.0	-3.7	-3.9
US Coincident Index (1996=100)	106.7	106.7	106.5	106.4	106.2	105.8	104.6	104.8	104.1	104.1	103.4	102.5	101.3
% Chg Previous Month SAAR	-1.1	0.0	-2.2	-1.1	-2.2	-4.4	-12.8	2.3	-7.7	-7.7	-7.8	-10.0	-6.8
% Chg Same Month Last Year	0.4	0.3	0.0	-0.2	-0.7	-1.1	-2.3	-2.2	-2.9	-2.9	-3.5	-4.2	-5.1
US Non-farm Employment (Mil.)	137.8	137.7	137.5	137.4	137.2	137.1	136.7	136.4	135.8	135.8	135.1	134.3	133.0
% Chg Previous Month SAAR	-1.1	-1.4	-1.2	-1.4	-1.1	-1.5	-2.8	-3.3	-5.1	-5.1	-5.9	-6.4	-6.1
% Chg Same Month Last Year	0.3	0.2	-0.1	-0.2	-0.3	-0.4	-0.7	-1.1	-1.6	-1.6	-2.2	-2.7	-3.1
US Service-Providing Employment (Mil.)	116.0	116.0	115.9	115.8	115.8	115.7	115.5	115.3	114.9	114.9	114.5	114.2	113.4
% Chg Previous Month SAAR	-0.4	-0.4	-0.7	-0.6	-0.5	-1.0	-2.2	-2.0	-3.6	-3.6	-4.1	-3.5	-3.9
% Chg Same Month Last Year	0.9	0.8	0.5	0.4	0.4	0.3	-0.1	-0.4	-0.9	-0.9	-1.3	-1.6	-2.2
US Manufacturing Employment (000s)	13,643.0	13,586.0	13,556.0	13,505.0	13,454.0	13,387.0	13,322.0	13,203.0	13,082.0	13,082.0	12,902.0	12,640.0	12,301.0
% Chg Previous Month SAAR	-4.2	-4.9	-2.6	-4.4	-4.4	-5.8	-5.7	-10.2	-10.5	-10.5	-15.3	-21.8	-14.9
% Chg Same Month Last Year	-2.3	-2.5	-2.6	-2.8	-3.0	-3.2	-3.4	-4.1	-5.1	-5.1	-6.4	-8.0	-9.8
US Unemployment Rate (%)	5.1	5.0	5.5	5.6	5.8	6.2	6.2	6.6	6.8	6.8	7.2	7.6	8.1
US Manufacturers New Orders Index (1992=100)	125.3	123.4	121.9	122.4	122.2	116.6	114.9	111.6	108.2	108.2	103.7	99.9	100.7
% Chg Previous Month SAAR	-4.3	-16.8	-13.7	4.6	-1.1	-43.0	-16.5	-29.6	-31.0	-31.0	-39.6	-36.1	9.8
% Chg Same Month Last Year	-4.9	-7.0	-6.8	-6.5	-9.0	-10.4	-11.2	-14.0	-16.4	-16.4	-20.5	-21.2	-19.9
US Initial Claims for UI (000s)	367.8	368.0	374.3	393.7	422.9	440.4	470.4	480.1	519.7	519.7	544.0	580.9	658.0
% Chg Previous Month SAAR	131.9	0.7	22.6	83.4	136.0	62.7	120.5	27.8	159.9	159.9	73.0	119.8	201.2
% Chg Same Month Last Year	19.8	14.1	20.0	22.6	35.0	35.3	49.0	45.4	54.7	54.7	59.3	72.6	85.7
US Industrial Production Index (1992=100)	111.6	111.0	110.7	110.4	110.4	109.2	104.8	106.2	104.8	104.8	102.4	100.3	97.6
% Chg Previous Month SAAR	-4.1	-6.7	-3.4	-2.5	-0.8	-12.5	-38.4	16.3	-14.7	-14.7	-23.6	-22.5	-11.7
% Chg Same Month Last Year	0.9	0.0	-0.4	-0.7	-1.0	-2.2	-6.4	-4.7	-6.5	-6.5	-8.9	-10.7	-12.6
US Personal Income Less Trans. (Bil. 2000 chnd)	8,465.1	8,435.2	8,420.8	8,384.1	8,365.4	8,366.4	8,355.9	8,381.1	8,426.7	8,426.7	8,424.6	8,368.4	8,257.6
% Chg Previous Month SAAR	0.0	-4.2	-2.0	-5.1	-2.6	3.1	-4.3	3.7	6.7	6.7	-0.3	-7.7	-6.6
% Chg Same Month Last Year	0.3	0.1	0.0	-0.6	-1.1	-1.2	-1.7	-1.5	-0.8	-0.8	-0.8	-1.2	-1.9
CPI, All Urban (1982=100)	213.7	214.0	215.0	217.0	218.6	218.6	218.7	216.9	213.3	213.3	211.6	212.2	212.7
% Chg Previous Month SAAR	4.6	1.9	6.0	11.7	9.1	-0.2	0.5	-9.4	-18.3	-18.3	-9.1	3.4	4.8
% Chg Same Month Last Year	4.1	3.9	4.0	4.8	5.4	5.3	4.9	3.7	1.0	1.0	-0.1	-0.2	0.1
US Retail Sales (\$Billions)	374.8	375.6	375.9	376.7	373.9	372.2	366.6	355.0	347.7	347.7	336.4	342.0	338.9
% Chg Previous Month SAAR	5.6	2.5	0.8	2.6	-8.5	-5.3	-16.7	-31.8	-22.1	-22.1	-32.7	21.8	5.1
% Chg Same Month Last Year	1.8	2.7	1.6	2.9	1.7	1.1	-1.5	-5.0	-8.4	-8.4	-10.6	-9.1	-8.0
US Consumer Expectations (1966=100)	60.1	53.3	51.1	49.2	53.5	57.9	67.2	57.0	53.9	53.9	54.0	57.8	50.5
% Chg Previous Month AR	-36.3	-76.3	-39.7	-36.5	173.3	158.2	497.4	-86.1	-48.9	-48.9	2.2	126.2	-80.2
% Chg Same Month Last Year	-23.6	-29.8	-34.1	-34.1	-34.4	-21.4	-9.3	-18.7	-18.6	-18.6	-17.7	-15.1	-19.1
Ave. Prime Interest Rate (% NSA)	5.66	5.24	5.00	5.00	5.00	5.00	5.00	4.56	4.00	4.00	3.61	3.25	3.25