

KENTUCKY ECONOMIC INDICATORS

March 2007 as of May 24, 2007

KY Composite Index of Leading Indicators increased by 2.0 percent in March.

- The Leading Index increased for the first time this year.
- Same-month-last-year growth decreased by 0.6 percent.
- The component indicators leaned positive 3:2.
 - KY Labor Intensity Index decreased 0.3 percent.
 - + KY Index of Initial UI Claims increased by 19.4 percent.
 - + US Retail Sales increased by 12.3 percent.
 - + US Manufacturer's New Orders Index increased 29.8 percent.
 - Louisville Help Wanted Index decreased by 4 points to 27.

Component weights for March are 61.8, 17.2, 12.5, 6.5 and 2.0 respectively.

KY Composite Index of Coincident Indicators increased by 1.5 percent in March.

- The Coincident Index is positive for the second time this year.
- Same-month-last-year growth is positive for the forty-fourth consecutive month at 1.3 percent.
- The component indicators leaned positive, 2:1.
 - + KY Nonagricultural Employment increased 4.7 percent.
 - US Industrial Production Index decreased 3.4 percent.
 - + US Personal Income Less Transfers increased 2.9 percent.

Component weights for March are 37.8, 26.9 and 22.7 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.

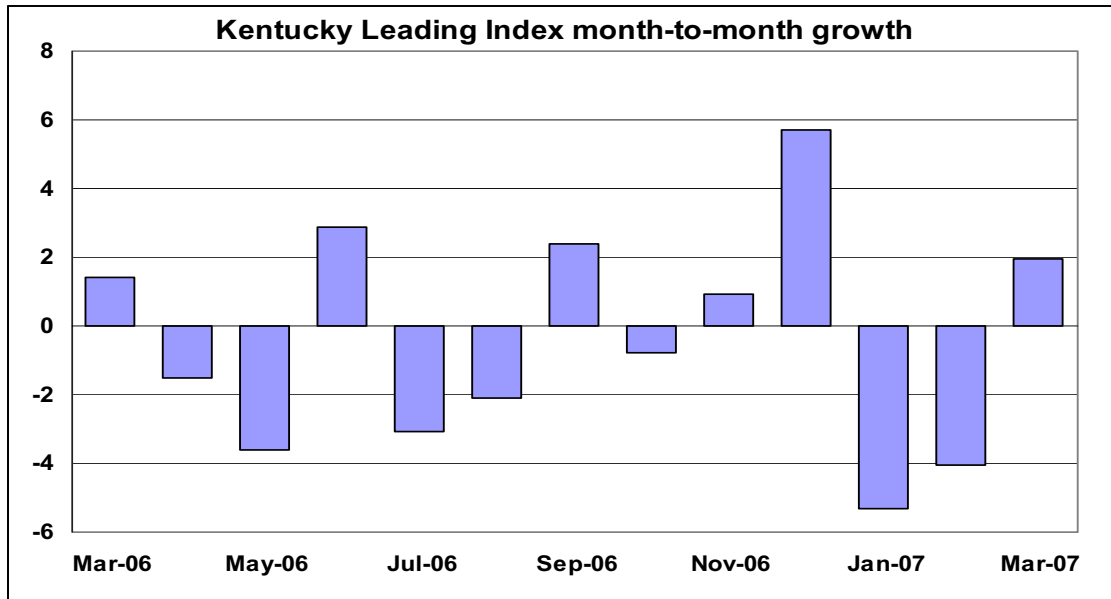
The Kentucky Leading Index increased for the first time since December 2006. This is the third time in 12 months that the Kentucky Leading Index has averted the "three-month rule" on the third month.* Three of the five index components were moderately or strongly positive for March. The Kentucky Index of Initial Unemployment Insurance Claims increased in March, almost completely making up the losses incurred in February. Both components of the index contributed to the decline, but Kentucky First Payments were responsible for the majority, falling 18.6 percent, while US Initial Claims fell by 6.5 percent. US Retail Sales increased by 12.3 percent in March, putting it 4.4 percent above where it was in March 2006. US Manufacturer's New Orders Index was the largest mover this month with a 29.8 percent increase. Despite the solid March growth, the Index is down six points from last year at this time. Meanwhile the Kentucky Labor Intensity Index was nearly flat for March. This series continues to hover near the 104.9 mark. The Louisville Help Wanted Index fell for the third consecutive month to 27.0. This is the lowest value for the Louisville Help Wanted Index since its inception in January 1958.

Kentucky Nonfarm employment grew by 4.7 percent for March. Some 7,100 seasonally adjusted jobs were gained in March; the growth was spread pretty evenly across the major employment sectors. Kentucky Construction and Manufacturing were the only two super-sectors to decline in March. Construction employment fell by 0.8 percent seasonally adjusted annual rate jobs, while Manufacturing declined by 7.1 percent. Kentucky Manufacturing employment has now fallen by 5,100 seasonally adjusted jobs since last March.

The Bureau of Labor Statistics has discontinued the Kentucky employment series Rubber and Plastic Products (NAICS 32326000) as of December 2006. The new series Petroleum, Coal, Rubber and Plastic Products (NAICS 32320046) is being used in its place. The history for this series has now been generated back to January 1990. For consistency of weighting purposes, this actual series has been backcast to January 1978.

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*.

*The three-month rule is used informally to identify a change in the direction of the economy. If the index maintains the same sign (positive or negative) for three consecutive months, which are opposite to the current expansion or contraction cycle, then it is taken as an indicator of a change in the trend in the economy.



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:** During turning points in the Kentucky economy, U.S. Retail Sales was not strictly concave or convex to the origin. For this reason inflexion points were used to test turning points in the U.S. Retail Sales series. U.S. Manufacturing and Trade Sales performed better than U.S. Retail Sales in testing, but because U.S. Manufacturing and Trade Sales was not published in a timely manner it had to be removed from the Kentucky Leading Index.
- **U.S. Manufacturer's New Orders Index:** This index has two components: US Manufacturer's New Orders for Nondefense Capital Goods and US 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.

Table Notes:

- 1) 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.
- 2) More information is available on our website, www.osbd.ky.gov

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**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2007												
	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
KY Leading Index (1992=100)	109.8	109.7	109.4	109.6	109.3	109.1	109.4	109.3	109.4	109.4	109.9	109.4	109.2
% Chg Previous Month SAAR	1.4	-1.5	-3.6	2.9	-3.1	-2.1	2.4	-0.8	0.9	5.7	-5.3	-4.0	2.0
% Chg Same Month Last Year	1.3	1.0	0.6	0.6	0.4	0.0	0.3	-0.1	-0.3	0.0	-0.5	-0.6	-0.6
KY Leading Index Diffusion Index	70.0	66.7	60.0	60.0	53.3	56.7	56.7	60.0	66.7	66.7	70.0	66.7	66.7
KY Coincident Index (1992=100)	134.1	134.1	134.0	134.5	134.5	134.8	134.9	135.1	135.1	135.5	135.4	135.7	135.9
% Chg Previous Month SAAR	4.0	0.0	-0.5	3.8	0.0	2.6	1.2	2.3	0.0	3.4	-1.5	3.2	1.5
% Chg Same Month Last Year	2.6	2.5	2.2	2.2	2.1	3.1	2.7	2.6	2.0	1.9	1.5	1.5	1.3
KY Nonag Employment (000s)	1,849.7	1,842.7	1,845.2	1,845.6	1,838.9	1,846.3	1,845.8	1,844.0	1,846.1	1,850.9	1,854.3	1,854.1	1,861.2
% Chg Previous Month SAAR	4.7	-4.4	1.6	0.3	-4.3	4.9	-0.3	-1.2	1.4	3.2	2.2	-0.1	4.7
% Chg Same Month Last Year	1.9	1.2	1.2	1.2	0.8	0.8	0.8	0.8	0.6	0.9	0.7	0.6	0.6
KY Private Services Employment (000s)	1,163.5	1,159.0	1,159.7	1,161.1	1,161.9	1,162.0	1,164.0	1,163.7	1,164.6	1,161.7	1,171.1	1,171.6	1,175.8
% Chg Previous Month SAAR	7.8	-4.6	0.7	1.4	0.9	0.1	2.1	-0.4	1.0	-3.0	10.1	0.6	4.4
% Chg Same Month Last Year	2.4	1.6	1.6	1.6	1.5	1.4	1.4	1.2	1.2	0.8	1.4	1.3	1.1
KY Mfg Employment (000s)	263.2	262.4	261.7	262.1	257.6	261.1	261.3	259.4	260.6	262.1	260.9	259.7	258.1
% Chg Previous Month SAAR	0.5	-3.6	-3.2	1.8	-18.8	17.6	0.9	-8.4	5.7	7.1	-5.4	-5.4	-7.1
% Chg Same Month Last Year	0.2	-0.4	-0.4	-0.2	0.3	-0.3	-0.3	-1.1	-1.0	0.1	-0.9	-1.3	-1.9
KY Unemployment Rate (%)	5.9	5.8	5.7	5.7	5.7	5.7	5.7	5.7	5.6	5.4	5.6	5.7	5.4
KY Index of Initial UI Claims	104.0	104.2	103.1	103.9	103.5	102.3	102.9	103.0	102.6	103.4	103.9	102.2	103.7
% Chg Previous Month SAAR	-2.0	2.4	-12.9	10.4	-4.2	-13.3	6.5	2.3	-4.8	10.0	5.0	-18.0	19.4
% Chg Same Month Last Year	0.9	0.9	0.2	0.6	0.3	-0.8	2.2	0.3	-1.0	-0.3	-1.1	-2.0	-0.3
KY Labor Intensity Index (1992=100)	105.2	105.0	104.9	105.1	104.7	104.9	104.8	104.8	104.8	104.8	104.9	104.7	104.7
% Chg Previous Month SAAR	1.1	-2.4	-0.9	2.3	-4.1	1.7	-0.7	0.0	0.4	-0.3	0.9	-1.8	-0.3
% Chg Same Month Last Year	0.5	0.2	0.3	0.5	0.2	0.3	0.2	0.2	0.2	-0.1	-0.1	-0.3	-0.4
Louisville HWI (1992=100)	40.0	39.0	35.0	37.0	34.0	32.0	35.0	36.0	38.0	42.0	35.0	31.0	27.0
% Chg Previous Month SAAR	-44.3	-26.2	-72.7	94.8	-63.7	-51.7	193.1	40.2	91.3	232.3	-88.8	-76.7	-80.9
% Chg Same Month Last Year	0.0	2.6	-10.3	-9.8	-17.1	-30.4	-37.5	-33.3	-26.9	-19.2	-20.5	-26.2	-32.5
GF Total Tax Receipts (\$ mill)	598.0	756.5	705.2	808.7	578.7	553.1	834.7	630.1	630.7	881.4	682.8	544.3	652.7
% Chg Same Month Last Year	5.2	-6.4	34.2	9.5	0.8	-0.4	7.2	-0.4	-0.1	5.4	0.2	7.1	9.1
GF Sales & Use Receipts (\$ mill)	204.5	230.5	235.4	230.8	249.3	230.4	224.0	242.5	223.8	238.9	286.2	193.6	212.5
% Chg Same Month Last Year	2.2	2.8	8.9	5.1	4.6	6.0	-2.4	2.9	2.4	4.4	-1.0	1.3	3.9
GF Income Tax Receipts (\$ mill)	171.4	340.2	213.1	259.5	228.6	227.4	281.8	248.4	242.6	269.2	202.1	227.1	204.0
% Chg Same Month Last Year	-2.6	-17.8	-1.0	-2.6	-4.0	-9.3	1.4	-4.2	3.7	5.9	-8.5	14.1	19.0

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

	2006												2007		
	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR		
US Leading Index (1996=100)	138.5	138.2	137.6	137.8	137.5	137.0	137.6	137.6	137.6	137.6	138.4	138.0	137.2	138.0	
% Chg Previous Month SAAR	5.3	-2.6	-5.1	1.8	-2.6	-4.3	5.4	0.0	0.0	0.0	7.2	-3.4	-6.7	7.2	
% Chg Same Month Last Year	2.7	2.4	1.6	0.9	0.7	0.2	1.4	0.7	-0.2	-0.2	0.1	-0.4	-0.5	-0.4	
US Coincident Index (1996=100)	121.6	121.7	121.8	122.0	122.2	122.5	122.6	123.0	123.0	123.0	123.4	123.3	123.5	123.6	
% Chg Previous Month SAAR	3.0	1.0	1.0	2.0	2.0	3.0	1.0	4.0	0.0	0.0	4.0	-1.0	2.0	1.0	
% Chg Same Month Last Year	2.7	2.5	2.4	2.3	2.2	3.2	2.8	2.8	2.2	2.2	2.2	1.8	1.8	1.6	
US Non-Farm Employment (Mil.)	135.7	135.8	135.9	136.0	136.3	136.4	136.6	136.7	136.9	136.9	137.2	137.3	137.4	137.6	
% Chg Previous Month SAAR	2.2	1.3	0.9	1.1	2.0	1.7	1.8	1.0	1.7	1.7	2.0	1.4	0.8	1.6	
% Chg Same Month Last Year	2.1	2.0	1.9	1.8	1.7	1.7	1.8	1.8	1.7	1.7	1.7	1.6	1.5	1.4	
US Service-Providing Employment (Mil.)	113.1	113.2	113.3	113.4	113.6	113.8	114.0	114.2	114.4	114.4	114.6	114.8	115.0	115.1	
% Chg Previous Month SAAR	2.3	1.2	1.2	1.1	2.3	1.9	2.2	1.7	2.6	2.6	2.4	1.3	1.9	1.5	
% Chg Same Month Last Year	2.1	1.9	1.9	1.8	1.7	1.7	1.8	1.9	1.9	1.9	1.9	1.9	1.8	1.8	
US Manufacturing Employment (000s)	14,212.0	14,227.0	14,215.0	14,238.0	14,229.0	14,218.0	14,206.0	14,166.0	14,143.0	14,130.0	14,131.0	14,130.0	14,113.0	14,095.0	
% Chg Previous Month SAAR	0.0	1.3	-1.0	2.0	-0.8	-0.9	-1.0	-3.3	-1.9	-0.1	-1.0	-0.1	-1.4	-1.5	
% Chg Same Month Last Year	-0.4	-0.2	-0.2	0.1	0.1	0.1	0.2	-0.2	-0.4	-0.5	-0.5	-0.6	-0.7	-0.8	
US Unemployment Rate (%)	4.7	4.7	4.6	4.6	4.8	4.7	4.6	4.4	4.5	4.5	4.5	4.6	4.5	4.4	
US Manufacturer's New Orders Index (1996=100)	131.4	128.3	128.5	129.0	127.2	126.8	129.3	125.8	125.9	129.8	129.8	122.1	123.2	125.9	
% Chg Previous Month SAAR	45.5	-25.1	2.2	4.7	-15.3	-3.5	25.8	-28.1	1.1	43.7	-51.7	11.4	29.8	29.8	
% Chg Same Month Last Year	7.0	3.5	-0.7	-0.3	1.5	-2.2	2.2	-1.5	-4.7	-2.0	-4.4	-3.2	-4.2	-4.2	
US Initial Claims for UI (000s)	307.2	311.9	331.4	309.7	312.7	316.3	315.3	314.1	327.4	327.4	320.0	310.3	338.2	316.3	
% Chg Previous Month SAAR	9.4	20.0	107.0	-55.6	12.3	14.7	-3.7	-4.5	64.5	64.5	-24.0	-30.9	181.0	-55.2	
% Chg Same Month Last Year	-9.8	-4.1	1.3	-4.4	-2.2	-0.1	-20.2	-8.2	3.8	3.8	1.9	6.9	10.9	3.0	
US Industrial Production Index	110.0	110.9	110.9	111.9	112.3	112.5	112.2	112.0	111.5	112.2	112.2	111.7	112.6	112.2	
% Chg Previous Month SAAR	6.5	11.3	-0.8	11.2	4.9	2.3	-3.7	-1.8	-4.9	7.8	7.8	-5.7	9.8	-3.4	
% Chg Same Month Last Year	3.6	4.5	4.0	4.3	4.7	4.6	6.0	4.6	3.0	2.8	2.8	2.4	2.9	2.1	
US Personal Income Less Trans. (Bil. 2000 chained)	8,089.8	8,055.8	8,028.1	8,051.6	8,062.3	8,067.0	8,135.0	8,231.8	8,257.4	8,263.0	8,241.2	8,241.2	8,260.8	8,280.6	
% Chg Previous Month SAAR	2.1	-4.9	-4.0	3.6	1.6	0.7	10.6	15.3	3.8	0.8	0.8	-3.1	2.9	2.9	
% Chg Same Month Last Year	4.2	3.7	3.1	2.8	2.3	6.9	3.7	4.6	4.2	3.6	3.6	2.6	2.3	2.4	
CPI, All Urban (1982-84=100)	199.6	200.8	201.9	202.4	203.2	203.8	202.7	201.8	201.9	202.8	203.2	203.2	203.9	205.1	
% Chg Previous Month SAAR	3.1	7.5	6.8	3.0	4.8	3.6	-6.3	-5.2	0.6	5.5	2.1	4.5	7.5	7.5	
% Chg Same Month Last Year	3.4	3.6	4.1	4.3	4.2	3.9	2.1	1.3	2.0	2.5	2.1	2.1	2.4	2.8	
US Retail Sales (\$Billions)	357.3	360.6	360.9	359.2	364.0	364.2	362.0	362.0	363.2	367.3	367.2	367.2	369.3	372.9	
% Chg Previous Month SAAR	2.7	11.9	1.0	-5.5	17.1	0.9	-7.2	0.0	4.2	14.4	-0.4	6.9	12.3	12.3	
% Chg Same Month Last Year	7.4	6.8	7.4	5.0	4.6	6.3	5.4	4.9	4.5	5.6	2.2	2.2	3.6	4.4	
US Consumer Expectations (1966=100)	76.0	73.4	68.2	72.0	72.5	68.0	78.2	84.8	83.2	81.2	87.6	87.6	81.5	78.7	
% Chg Previous Month AR	27.0	-34.1	-58.6	91.7	8.7	-53.6	435.0	164.4	-20.4	-25.3	148.5	148.5	-57.9	-34.3	
% Chg Same Month Last Year	-8.2	-4.7	-9.4	-15.3	-15.2	-11.6	23.5	34.2	19.5	1.2	11.0	11.0	9.4	3.6	
Ave. Prime Interest Rate (% NSA)	7.53	7.75	7.93	8.02	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	