

# KENTUCKY ECONOMIC INDICATORS

December 2009 as of March 9, 2010

## **KY Composite Index of Leading Indicators decreased by 3.1 percent in December.**

- The Leading Index decreased for the sixth time in 2009.
- The month-over-same-month-last-year growth rate declined for the thirty-first consecutive month with -0.4 percent growth.
- Component indicators were mixed, 2:3.
  - KY Labor Intensity Index decreased by 4.2 percent.
  - + KY Index of Initial UI Claims increased by 16.5 percent.
  - US Retail Sales decreased by 1.3 percent.
  - + US Manufacturer's New Orders Index increased by 5.1 percent.
  - The Louisville Help Wanted Index decreased by one point to 4.

*Component weights for December are 67.7, 14.0, 11.8, 5.4 and 1.2 respectively.*

## **KY Composite Index of Coincident Indicators increased by 2.4 percent in December.**

- The Coincident Index growth is positive for only the fifth time in 2009.
- The month-over-same-month-last-year growth rate is negative for the twenty-second consecutive month with -2.8 percent growth.
- All component indicators were positive, 3:0.
  - + KY Non-farm Employment increased 0.1 percent.
  - + US Industrial Production Index increased 8.2 percent.
  - + US Personal Income Less Transfers increased 2.5 percent.

*Component weights for December are 37.5, 28.7 and 21.3 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 First Time in Six Months**

The Kentucky Leading Index declined by 3.1 percent in December, the first decline since May. The index is now 0.4 percent below its December 2008 level. Three of the five component indicators were negative in December. The Kentucky Labor Intensity Index was primarily responsible for the leading index decline. The Kentucky Labor Intensity Index declined by a moderate 4.2 percent in December, nearly erasing all of the gains from November. The index carries the highest weight in the leading index by virtue of its relatively low historical variance. The Kentucky Labor Intensity Index declined in nine of the 12 months of 2009.

All five of the employment sectors experienced declines in employment for December. Transportation equipment employment was hit the hardest of the five, declining by 800 seasonally adjusted jobs in one month, or 2.0 percent. Average weekly hours across the five sectors was mixed with three of the five declining modestly. Average weekly hours in petroleum, coal, plastics and rubber products decreased the most falling - 2.3 hours to 42.1, a 5.2 percent loss.

### **\* Large Increase in Kentucky UI Claims Index**

The Kentucky Index of Initial UI Claims increased for the fourth consecutive month with 16.5 percent growth. The subcomponents moved in tandem. Seasonally adjusted Kentucky first pays decreased by 1,902, a 15.3 percent decline, while US initial claims decreased by a seasonally adjusted 30,600 claims, a 6.4 percent decline. This is the fourth consecutive decline for both of the subcomponents.

### **\* Non-farm Employment Near 11-year Low**

Kentucky non-farm employment rose just 0.1 percent in December to 1,764,500 seasonally adjusted jobs. Despite increases in each of the past three months, total non-farm jobs remain near an 11-year low, which was recorded in September 2009. Both private services and manufacturing employment declined modestly in December.

### **\* Unemployment Rate High and Rising**

The Kentucky unemployment rate rose in December to 10.7 percent. The Kentucky unemployment rate is reported by the Bureau of Labor Statistics and is defined as a ratio, where the numerator is the difference between the total labor force and those employed and the denominator is the labor force. In October 2009, the Kentucky unemployment rate reach a 26-year high with 11.3 percent unemployment. Sometimes, like in December, both employment and the unemployment rate can go up at the same time. This may be caused by several factors, including timing of the employment survey period and changes in the total labor force.

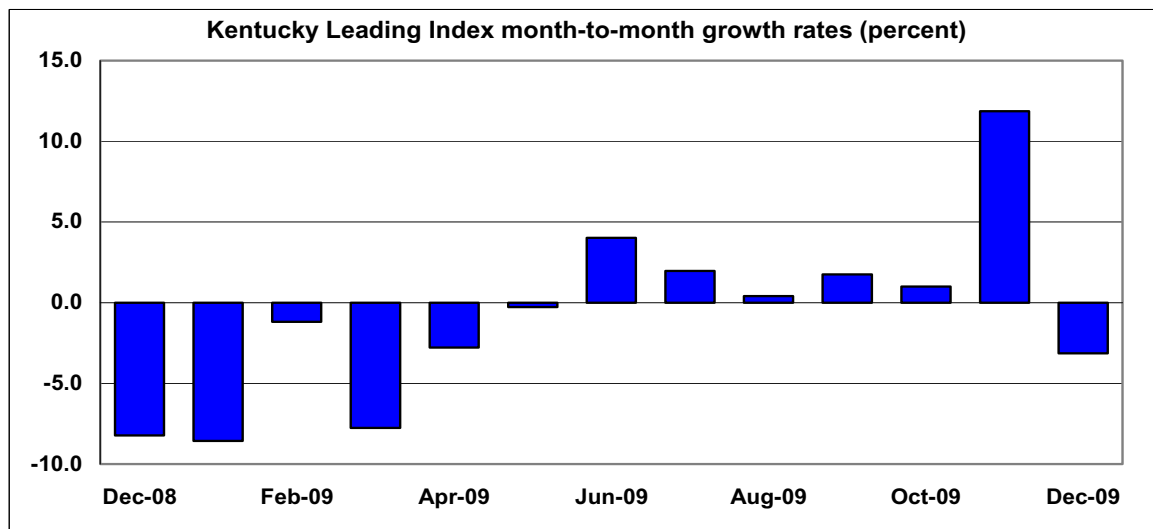
### **\* US Leading Index Rises Sharply and Robustly**

This is the ninth consecutive month that the US Leading Index has risen. In December the index grew by 15.9 percent, putting it 8.1 percent above its December 2009 level. Strong performances in the interest rate spread and in building permits for new private housing units led to the high growth.

**\* Weak Sales and Individual Income Tax Receipts Dragged Down the General Fund**

Sales and use taxes declined by 8.2 percent compared to December 2008. This is the seventh time in the last eight months that year over year sales tax receipts have declined. Nationally, retail sales have performed somewhat better. US retail sales have declined only five times in the last 12 months. Kentucky individual income tax receipts declined 11.4 percent in December compared to December 2008. Individual income tax receipts declined on a year over year basis in all 12 months of calendar year 2009.

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												
	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2008	105.1	104.3	104.2	103.5	103.3	103.2	103.6	103.8	103.8	103.9	104.0	105.0	104.7
KY Leading Index (1992=100)	-8.2	-8.6	-1.2	-7.8	-2.8	-0.3	4.0	2.0	0.4	1.7	1.0	11.9	-3.1
% Chg P Previous Month SAAR	-5.1	-5.7	-5.6	-6.2	-5.9	-5.9	-5.2	-4.7	-4.0	-3.4	-2.6	-0.8	-0.4
% Chg Same Month Last Year	3.3	6.7	13.3	13.3	20.0	26.7	36.7	40.0	40.0	50.0	56.7	63.3	56.7
KY Leading Index Diffusion Index	132.8	131.2	130.1	129.3	129.0	128.4	127.9	128.3	128.6	128.4	128.6	128.8	129.1
KY Coincident Index (1992=100)	-9.2	-13.8	-9.3	-7.7	-2.6	-5.1	-4.3	3.4	2.8	-1.9	1.8	2.5	2.4
% Chg Previous Month SAAR	-3.4	-4.4	-5.0	-5.4	-5.4	-5.7	-5.7	-5.4	-5.1	-4.1	-4.2	-3.8	-2.8
% Chg Same Month Last Year	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	1,760.0	1,763.7	1,764.4	1,764.5
KY Non-farm Employment (000s)	-8.9	-7.2	-7.4	-3.0	-4.0	-6.7	-3.7	-0.9	0.1	-8.6	2.6	0.5	0.1
% Chg Previous Month SAAR	-2.6	-3.0	-3.6	-3.5	-3.8	-4.5	-4.4	-4.6	-4.6	-4.6	-4.4	-4.0	-3.3
% Chg Same Month Last Year	1,166.5	1,169.1	1,166.5	1,164.9	1,165.2	1,151.9	1,151.5	1,150.5	1,149.5	1,146.1	1,147.0	1,146.5	1,144.9
KY Private Services Employment (000s)	-4.8	2.7	-2.7	-1.7	0.3	-12.8	-0.5	-1.0	-1.1	-3.4	0.9	-0.6	-1.6
% Chg Previous Month SAAR	-1.6	-1.2	-1.4	-1.2	-1.4	-2.5	-2.4	-2.8	-2.8	-2.7	-2.5	-2.1	-1.9
% Chg Same Month Last Year	230.6	220.5	217.3	215.1	211.6	210.1	208.1	211.4	210.0	209.0	208.2	209.1	208.8
KY Mfg Employment (000s)	-30.5	-41.6	-16.1	-11.5	-17.9	-8.2	-10.8	20.8	-7.7	-5.6	-4.5	5.3	-1.7
% Chg Previous Month SAAR	-8.8	-12.6	-13.9	-14.5	-15.1	-16.0	-15.6	-14.0	-13.8	-13.1	-13.2	-12.0	-9.5
% Chg Same Month Last Year	7.6	8.8	9.3	9.8	9.9	10.7	10.9	11.1	11.2	10.9	11.3	10.6	10.7
KY Unemployment Rate (%)	94.8	94.6	93.0	92.7	93.5	93.4	93.7	96.0	95.1	95.9	96.4	97.5	98.8
KY Index of Initial UI Claims (1992=100)	-14.9	-3.6	-18.0	-4.2	11.1	-1.6	4.0	34.5	-11.0	10.7	6.5	14.9	16.5
% Chg Previous Month SAAR	-7.1	-8.0	-9.4	-8.7	-7.5	-7.8	-6.5	-3.8	-3.9	-1.9	-0.4	1.5	4.1
% Chg Same Month Last Year	101.8	101.3	101.2	100.7	100.5	100.4	100.4	100.3	100.4	100.4	100.5	101.2	100.8
KY Labor Intensity Index (1992=100)	-5.2	-5.6	-0.5	-5.9	-2.3	-1.6	-0.4	-0.4	0.6	-0.2	1.8	8.7	-4.2
% Chg Previous Month SAAR	-2.5	-2.9	-2.9	-3.2	-3.2	-3.3	-3.0	-2.9	-2.6	-2.3	-2.0	-1.0	-0.9
% Chg Same Month Last Year	9.0	6.0	6.0	5.0	4.0	4.0	5.0	4.0	4.0	5.0	4.0	5.0	4.0
Louisville HWI (1992=100)	311.0	-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
% Chg Previous Month SAAR	-55.0	-68.4	-66.7	-75.0	-73.3	-73.3	-66.7	-69.2	-63.6	-54.5	-60.0	-37.5	-55.6
% Chg Same Month Last Year	822.2	693.7	503.5	613.1	804.5	592.2	729.9	595.0	599.0	705.1	623.2	683.3	765.9
GF Total Tax Receipts (\$ mill)	0.0	-4.2	-10.8	0.4	-12.8	-3.0	-10.3	-4.0	-2.5	-10.3	-5.3	1.3	-6.9
% Chg Same Month Last Year	246.9	284.3	193.2	213.9	234.9	228.3	235.3	244.4	231.2	218.3	241.6	222.7	226.7
GF Sales & Use Receipts (\$ mill)	5.0	-4.2	-6.0	2.1	1.1	-4.2	-5.5	-8.2	-8.1	-6.6	-4.3	2.7	-8.2
% Chg Same Month Last Year	303.4	236.0	212.1	167.4	415.3	245.4	302.9	245.3	259.4	309.7	259.7	259.9	268.8
GF Income Tax Receipts (\$ mill)	2.7	-13.5	-9.7	-13.5	-23.7	-6.2	-14.7	-6.5	-4.2	-9.9	-9.5	-3.5	-11.4
% Chg Same Month Last Year													

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

	2009													
	2008	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
US Leading Index (2004=100)	99.1	98.8	98.3	98.1	99.2	100.6	101.3	102.5	103.1	104.2	104.7	105.8	107.1	
% Chg Previous Month SAAR	-1.2	-3.6	-5.9	-2.4	14.3	18.3	8.7	15.2	7.3	13.6	5.9	13.4	15.8	
% Chg Same Month Last Year	-4.3	-4.2	-4.3	-4.6	-3.4	-1.9	-1.3	0.9	2.2	3.4	4.9	6.7	8.1	
US Coincident Index (1996=100)	103.1	101.9	101.2	100.4	100.0	99.7	99.3	99.5	99.5	99.5	99.6	99.9	99.9	
% Chg Previous Month SAAR	-7.8	-13.1	-7.9	-9.1	-4.7	-3.5	-4.7	2.4	0.0	0.0	1.2	3.7	0.0	
% Chg Same Month Last Year	-3.7	-4.8	-5.1	-5.7	-6.0	-6.0	-6.2	-5.8	-5.5	-4.6	-4.4	-3.8	-3.1	
US Non-farm Employment (Mil.)	134.3	133.5	132.8	132.1	131.5	131.1	130.6	130.3	130.1	129.9	129.6	129.7	129.5	
% Chg Previous Month SAAR	-5.8	-6.7	-6.3	-6.6	-5.2	-3.1	-4.5	-3.1	-1.9	-2.1	-2.1	0.6	-1.4	
% Chg Same Month Last Year	-2.6	-3.2	-3.7	-4.2	-4.5	-4.6	-4.8	-4.9	-4.9	-4.7	-4.5	-3.9	-3.6	
US Service-Providing Employment (Mil.)	114.0	113.7	113.3	112.8	112.6	112.4	112.1	111.9	111.8	111.7	111.6	111.7	111.7	
% Chg Previous Month SAAR	-4.1	-3.5	-4.4	-4.4	-2.6	-1.7	-3.0	-2.3	-0.9	-1.1	-1.0	1.0	-0.6	
% Chg Same Month Last Year	-1.7	-2.0	-2.4	-2.8	-2.9	-3.0	-3.1	-3.3	-3.2	-3.0	-2.8	-2.4	-2.1	
US Manufacturing Employment (000s)	12,822.0	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	
% Chg Previous Month SAAR	-15.2	-23.2	-14.8	-14.9	-13.7	-14.1	-12.2	-4.3	-5.7	-4.8	-5.7	-2.6	-1.9	
% Chg Same Month Last Year	-6.6	-8.6	-9.6	-10.6	-11.3	-12.3	-12.9	-12.8	-12.6	-12.3	-11.8	-11.1	-10.0	
US Unemployment Rate (%)	7.4	7.7	8.2	8.6	8.9	9.4	9.5	9.4	9.7	9.8	10.1	10.0	10.0	
US Manufacturer's New Orders Index (1992=100)	103.5	99.6	99.9	98.9	99.3	99.8	99.9	102.8	100.2	101.0	102.1	102.0	102.5	
% Chg Previous Month SAAR	-33.2	-36.9	3.5	-12.0	5.3	6.3	1.3	41.3	-26.6	10.3	13.4	-0.6	5.1	
% Chg Same Month Last Year	-21.3	-22.4	-20.9	-21.9	-20.2	-18.6	-17.9	-14.6	-13.2	-11.0	-7.5	-4.7	-1.0	
US Initial Claims for UI (000s)	544.0	580.9	636.8	658.0	624.4	632.5	616.1	556.5	573.0	540.3	524.4	480.5	449.9	
% Chg Previous Month SAAR	73.0	119.8	201.2	48.1	-46.7	16.7	-27.0	-70.5	42.0	-50.6	-30.1	-65.0	-54.6	
% Chg Same Month Last Year	59.3	72.6	85.7	78.9	69.7	69.0	56.5	31.6	30.1	14.9	9.2	-7.5	-17.3	
US Industrial Production Index (1992=100)	102.4	100.1	99.3	97.7	97.2	96.2	95.8	96.9	98.1	98.7	98.9	99.5	100.1	
% Chg Previous Month SAAR	-24.2	-23.4	-8.9	-17.6	-6.1	-12.0	-5.5	16.1	15.4	7.1	2.8	7.0	8.2	
% Chg Same Month Last Year	-8.9	-10.9	-11.3	-12.5	-12.4	-13.1	-13.3	-12.2	-10.1	-5.9	-6.8	-5.1	-2.2	
US Personal Income Less Trans. (Bil. 2000 chnd)	9,495.6	9,321.2	9,188.0	9,113.2	9,119.8	9,122.3	9,075.6	9,087.8	9,079.7	9,080.3	9,086.6	9,109.7	9,128.5	
% Chg Previous Month SAAR	-0.6	-19.9	-15.9	-9.3	0.9	0.3	-6.0	1.6	-1.1	0.1	0.8	3.1	2.5	
% Chg Same Month Last Year	-1.6	-3.0	-4.1	-4.6	-4.3	-4.1	-4.0	-3.7	-4.0	-3.8	-3.7	-4.1	-3.9	
CPI, All Urban (1982-84=100)	211.3	212.0	212.9	212.6	212.8	213.1	214.6	214.8	215.6	215.9	216.4	216.9	217.2	
% Chg Previous Month SAAR	-8.6	3.6	5.3	-1.3	0.9	1.4	8.8	1.2	4.5	1.9	2.5	2.8	2.0	
% Chg Same Month Last Year	0.0	-0.1	0.1	-0.4	-0.6	-1.0	-1.3	-2.0	-1.5	-1.3	-0.2	1.8	2.8	
US Retail Sales (\$Billions)	335.5	339.8	343.4	339.2	338.3	339.9	342.9	342.5	350.8	343.7	347.6	354.5	354.1	
% Chg Previous Month SAAR	-28.9	16.4	13.7	-13.8	-3.1	5.6	11.3	-1.5	33.3	-21.8	14.7	26.3	-1.3	
% Chg Same Month Last Year	-10.9	-9.7	-8.0	-9.5	-10.0	-9.8	-8.8	-8.5	-5.5	-6.1	-2.0	2.7	5.5	
US Consumer Expectations (1966=100)	54.0	57.8	50.5	53.5	63.1	69.4	69.2	63.2	65.0	73.5	68.6	66.5	68.9	
% Chg Previous Month AR	2.2	126.2	-80.2	99.9	624.6	213.3	-3.4	-66.3	40.1	337.0	-56.3	-31.1	53.0	
% Chg Same Month Last Year	-17.7	-15.1	-19.1	-11.0	18.4	35.8	40.7	18.1	12.3	9.4	20.4	23.4	27.6	
Ave. Prime Interest Rate (% NSA)	3.61	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	