

# KENTUCKY ECONOMIC INDICATORS

January 2008 as of April 1, 2008

## **KY Composite Index of Leading Indicators increased by 0.6 percent in January.**

- The Leading Index has increased for the first time in 2008.
- Year-over-year the index declined by 0.4 percent.
- The component indicators leaned positive, 3:2.
  - + KY Labor Intensity Index increased 0.3 percent.
  - + KY Index of Initial UI Claims increased by 20.3 percent.
  - + US Retail Sales increased by 5.2 percent.
  - US Manufacturer's New Orders Index decreased by 31.0 percent.
  - Louisville Help Wanted Index decreased by 1 point to 19.

*Component weights for January are 69.0, 13.0, 11.8, 4.9 and 1.2 respectively.*

## **KY Composite Index of Coincident Indicators decreased by 0.1 percent in January.**

- The Coincident Index is negative for the third time in 13 months.
- Year-over-year growth is positive for the fifty-fourth consecutive month at 1.4 percent.
- Component indicators leaned positive, 2:1.
  - + KY Nonagricultural Employment increased 1.0 percent.
  - + US Industrial Production Index increased 1.1 percent.
  - US Personal Income Less Transfers decreased 4.4 percent.

*Component weights for January are 37.8, 31.1 and 18.4 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 by 0.6 percent in January. This was only the fifth increase in the last 13 months. This follows five consecutive changes in direction by the Kentucky Leading Index. During this time, the gains have become small and the losses have varied from small to large. The smallest loss during the last 13 months occurred July 2007 with a 0.5 percent decline. The largest loss during the last 13 months occurred January 2007 with a 5.6 percent decline. Overall the Kentucky Leading Index is down by 0.4 percent since January 2007.

The sign reversal occurred uniformly across the components. All five components reversed sign from December 2007. The Kentucky Index of Initial Unemployment Insurance Claims has reversed its sign every month for the last 13 months. The last four index month-to-month growth rates were unusually large in absolute value. The last four growth rates were -26.1, 18.9, -15.9 and 20.3 percent. Since they were alternating, these sign changes have had a largely canceling effect. Overall the index is down 0.8 points (0.8 percent) over January 2007.

US Retail Sales increased by 5.2 percent in January. US Retail Sales have been largely resistant to the economic slowdown in 2007. The average month-to-month growth over the last 13 months is 3.9 percent. Overall, the series is up by 4.0 percent over January 2007. US Manufacturer's New Orders Index is down by 31.0 percent in January. The index has slowed considerably in the last six months, since its recent peak in July 2007 at 133.4. While the series has fallen considerably since July, it is only down by 0.1 percent over January 2007. The Louisville Help Wanted Index fell by one point to 19.0. This equals its lowest value ever recorded also in November 2007. Historically the series with the highest variance, the Louisville Help Wanted index has shown very little movement in the last seven months.

Kentucky non-farm employment increased for the fifth consecutive month, with 1.0 percent growth. Growth has tapered since October 2007. Kentucky manufacturing employment continues to fall, losing 0.5 percent or 100 jobs for January. Kentucky manufacturing employment is down a net 8,300 jobs (3.2 percent) since January 2007. Private Services performed the best out of the large sectors, increasing by 3.5 percent over December 2007.

The Bureau of Labor Statistics re-benchmarked all of their employment series as of January 2008. Employment series were revised back to January 2006. Benchmarking replaces estimates of employment data with more reliable data about actual employment. The effects of the benchmarking have large and far-reaching effects for both the Kentucky Labor Intensity Index and for the Kentucky Leading Index. Critical revisions occurred in every month of 2007. For instance, the December 2007 Kentucky non-farm employment reported value as of February 27, 2008 was 1,857,300 jobs. The December 2007 employment value has now been revised to 1,880,000 jobs. This is a difference of 22,700 jobs (or 1.2 percent). As one might expect, the revision magnitudes seem to converge farther back in history. It is logical that the revisions farther back are smaller, since more is known about those employment periods. January 2007 Kentucky non-farm employment was reported as 1,854,300 jobs as of February 2008. It was revised up to 1,860,000 in March 2008. This is a difference of 5,700 jobs (or 0.3 percent).

The more important impact concerning the Kentucky economic indicators is due to the revisions that change month-to-month growth rates. As expected the magnitudes were influenced in nearly every month. Moreover, the sign of the growth rates has changed for four of the last thirteen months. The signs for January, April, June, and December 2007 were all changed. The

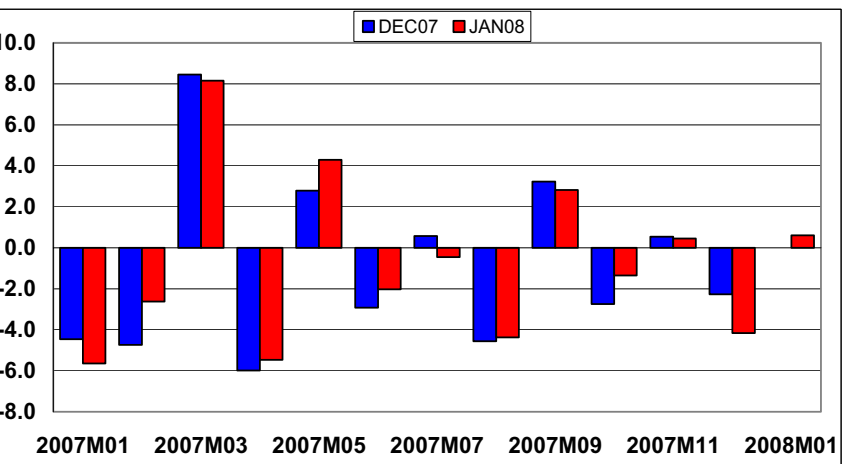
January 2007 growth rate was revised from positive to negative. The other three months had their growth rates revised from negative to positive. These revisions also occurred at the 6-digit NAICS level. Changes to these sectors affect the Kentucky Labor Intensity Index, its monthly growth rate and therefore also affects the Kentucky Leading Index.

The magnitude of every value of the Kentucky Labor Intensity Index for 2007 was affected by the revision. The growth rate signs for January, February, May and July 2007 were reversed. January and July 2007 were revised from positive growth rates to negative growth rates, while February and May were revised from negative to positive. This has a serious implication for the period from June 2007 to August 2007.

May was revised from -1.1 percent to 1.1 percent. June was revised from -1.6 to -0.2 percent. July was revised from 0.3 percent to -1.3 percent. August 2007 was revised by an insignificant amount which left that value for both the Kentucky Labor Intensity Index and the Kentucky Leading Index essentially unchanged. However, the impact on June and July 2007 was substantial. The upward revision to the June Labor Intensity Index caused the Kentucky Leading Index to increase by two-tenths of a point (a 0.9 percent change in the growth rate). Clearly, this was not enough to change the June value from negative to positive. But it did make the hurdle for July that much higher. The July 2007 Kentucky Labor Intensity Index was revised down from 0.3 percent to -1.3 percent. This revision was significant enough to cause the July 2007 Kentucky Leading Index to change from 0.6 percent to -0.5 percent. Therefore the June, July and August 2007 period now create a chain of three consecutive negative growth rates. The rule of thumb indicates that a contraction in the reference series is expected six to nine months from the final month of the chain.\* No other series in the Kentucky Leading Index was revised as of publication time, April 1, 2008.

\*The Conference Board has stated that they will revise several of their key macro-variables at the end of April 2008. So it is expected that one or more of the Kentucky Leading Index variables (and certainly the US Leading Index variables) could be revised again in the next report.

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**

- **KY 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.
- **KY 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](http://www.osbd.ky.gov)

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**SELECTED KENTUCKY ECONOMIC INDICATORS  
SEASONALLY ADJUSTED**

	2007												2008
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN
KY Leading Index (1992=100)	112.8	112.6	113.3	112.8	113.2	113.0	113.0	112.5	112.8	112.7	112.7	112.3	112.4
% Chg Previous Month SAAR	-5.6	-2.6	8.2	-5.5	4.3	-2.0	-0.5	-4.4	2.8	-1.3	0.5	-4.2	0.6
% Chg Same Month Last Year	-0.6	-0.6	0.0	-0.4	0.3	-0.1	0.0	-0.1	-0.1	0.0	0.1	-0.9	-0.4
KY Leading Index Diffusion Index	66.7	66.7	70.0	63.3	70.0	56.7	60.0	56.7	60.0	63.3	60.0	63.3	66.7
KY Coincident Index (1992=100)	136.1	136.5	136.7	136.9	137.0	137.3	137.6	137.7	137.8	137.7	137.9	138.0	138.0
% Chg Previous Month SAAR	-2.1	3.8	1.5	1.7	0.9	3.2	2.8	0.2	1.4	-1.1	1.7	1.2	-0.1
% Chg Same Month Last Year	1.8	1.9	1.7	1.6	1.8	1.7	1.9	1.7	1.8	1.5	1.6	1.2	1.4
KY Non-farm Employment (000s)	1,860.0	1,859.0	1,862.7	1,863.2	1,869.1	1,871.1	1,869.3	1,868.4	1,870.8	1,874.5	1,877.9	1,880.0	1,881.5
% Chg Previous Month SAAR	-0.7	-0.6	2.4	0.3	3.9	1.3	-1.1	-0.6	1.6	2.4	2.2	1.4	1.0
% Chg Same Month Last Year	1.1	0.9	0.7	1.1	1.3	1.4	1.5	1.1	1.2	1.5	1.5	1.0	1.2
KY Private Services Employment (000s)	1,176.0	1,175.4	1,179.5	1,176.8	1,182.6	1,182.9	1,181.2	1,181.2	1,180.8	1,185.0	1,186.8	1,188.3	1,191.7
% Chg Previous Month SAAR	2.1	-0.6	4.2	-2.7	6.0	0.3	-1.8	0.1	-0.5	4.4	1.8	1.5	3.5
% Chg Same Month Last Year	1.9	1.7	1.5	1.6	1.9	1.9	1.9	1.8	1.6	1.7	1.5	1.2	1.3
KY Mfg Employment (000s)	258.9	258.9	255.4	257.9	257.8	258.3	256.3	252.8	254.8	253.9	253.1	250.7	250.6
% Chg Previous Month SAAR	-1.8	0.0	-15.1	12.4	-0.5	2.4	-8.9	-15.2	9.9	-4.2	-3.7	-10.8	-0.5
% Chg Same Month Last Year	-1.6	-1.4	-2.9	-1.8	-1.5	-1.4	-1.3	-3.4	-2.3	-0.9	-0.9	-3.3	-3.2
KY Unemployment Rate (%)	5.7	5.7	5.6	5.5	5.6	5.5	5.5	5.5	5.4	5.4	5.1	5.3	5.2
KY Index of Initial UI Claims (1992=100)	103.8	102.2	103.6	102.7	104.0	103.7	104.2	103.5	104.0	101.4	102.9	101.4	103.0
% Chg Previous Month SAAR	2.9	-16.8	17.1	-9.5	15.6	-3.7	6.4	-8.2	6.8	-26.1	18.9	-15.9	20.3
% Chg Same Month Last Year	-1.1	-2.0	-0.4	-1.5	0.9	-0.2	0.6	1.0	1.2	-1.7	0.2	-2.1	-0.8
KY Labor Intensity Index (1992=100)	104.8	104.8	104.6	104.8	104.9	104.9	104.8	104.6	104.7	105.0	105.0	104.7	104.7
% Chg Previous Month SAAR	-0.8	0.0	-1.6	1.9	1.1	-0.2	-1.3	-1.4	0.8	3.6	0.0	-3.7	0.3
% Chg Same Month Last Year	-0.3	-0.4	-0.5	-0.2	0.0	-0.1	-0.1	-0.3	-0.2	0.4	0.5	-0.1	0.0
Louisville HWI (1992=100)	35.0	31.0	43.0	29.0	30.0	28.0	23.0	22.0	23.0	23.0	19.0	20.0	19.0
% Chg Previous Month SAAR	-88.8	-76.7	4,973.2	-99.1	50.2	-56.3	-90.6	-41.3	70.5	0.0	-89.9	85.1	-46.0
% Chg Same Month Last Year	-20.5	-26.2	7.5	-27.5	-14.3	-24.3	-32.4	-31.3	-34.3	-36.1	-50.0	-52.4	-45.7
GF Total Tax Receipts (\$ mill)	682.8	544.3	652.7	671.9	784.7	788.6	608.6	566.5	822.3	639.4	624.7	822.3	724.3
% Chg Same Month Last Year	0.2	7.1	9.1	-11.2	11.3	-2.5	5.2	2.4	-1.5	1.5	-1.0	-6.7	6.1
GF Sales & Use Receipts (\$ mill)	286.2	193.6	212.5	202.4	270.9	243.0	251.0	241.8	235.5	246.7	236.1	235.2	296.7
% Chg Same Month Last Year	-1.0	1.3	3.9	-12.2	15.1	5.3	0.7	4.9	5.1	1.7	5.5	-1.5	3.7
GF Income Tax Receipts (\$ mill)	202.1	227.1	204.0	283.4	337.8	289.0	249.2	240.6	332.9	265.6	236.9	295.4	272.7
% Chg Same Month Last Year	-8.5	14.1	19.0	-16.7	58.6	11.4	9.0	5.8	18.1	6.9	-2.3	9.7	34.9

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

	2008												
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN
US Leading Index (1996=100)	137.9	137.1	137.9	137.6	137.9	137.6	138.6	137.1	137.4	136.7	136.0	135.9	135.4
% Chg Previous Month SAAR	-4.3	-6.7	7.2	-2.6	2.6	-2.6	9.1	-12.2	2.7	-5.9	-6.0	-0.9	-4.3
% Chg Same Month Last Year	-0.5	-0.6	-0.4	-0.4	0.2	-0.1	0.8	0.1	-0.1	-0.7	-1.2	-1.8	-1.8
US Coincident Index (1996=100)	123.3	123.5	123.8	124.0	124.1	124.3	124.7	124.9	125.0	125.1	124.9	124.9	124.9
% Chg Previous Month SAAR	-1.0	2.0	3.0	2.0	1.0	2.0	3.9	1.9	1.0	1.0	-1.9	0.0	0.0
% Chg Same Month Last Year	1.8	1.8	1.8	1.9	1.9	1.9	2.0	2.0	2.0	1.7	1.5	1.2	1.3
US Non-farm Employment (Mli.)	137.1	137.1	137.3	137.4	137.5	137.6	137.7	137.8	137.8	138.0	138.0	138.1	138.1
% Chg Previous Month SAAR	1.1	0.2	1.6	0.4	1.4	0.9	0.5	0.6	0.7	1.2	0.5	0.4	-0.2
% Chg Same Month Last Year	1.5	1.3	1.2	1.2	1.3	1.3	1.1	1.0	1.0	1.0	0.9	0.8	0.7
US Service-Providing Employment (Mli.)	114.7	114.8	114.9	115.1	115.2	115.4	115.4	115.6	115.7	115.9	116.0	116.1	116.1
% Chg Previous Month SAAR	1.2	1.6	1.4	1.1	2.0	1.2	0.9	1.5	1.2	1.9	1.2	1.2	0.3
% Chg Same Month Last Year	1.8	1.7	1.6	1.6	1.8	1.8	1.6	1.6	1.5	1.6	1.4	1.4	1.3
US Manufacturing Employment (000s)	14,015.0	13,988.0	13,953.0	13,922.0	13,910.0	13,890.0	13,884.0	13,844.0	13,822.0	13,797.0	13,794.0	13,772.0	13,741.0
% Chg Previous Month SAAR	-1.5	-2.3	-3.0	-2.6	-1.0	-1.7	-0.5	-3.4	-1.9	-2.1	-0.3	-1.9	-2.7
% Chg Same Month Last Year	-1.4	-1.6	-1.8	-2.1	-2.0	-2.2	-2.1	-2.2	-2.2	-2.1	-1.9	-1.9	-2.0
US Unemployment Rate (%)	4.6	4.5	4.4	4.5	4.5	4.6	4.7	4.7	4.7	4.8	4.7	5.0	4.9
US Manufacturer's New Orders Index (1996=100)	125.7	126.2	129.7	130.4	128.3	129.6	133.4	128.8	128.2	128.3	128.2	129.4	125.5
% Chg Previous Month SAAR	-45.7	5.1	39.4	6.7	-17.9	12.7	41.0	-34.3	-4.9	1.0	-1.2	12.3	-31.0
% Chg Same Month Last Year	-5.3	-4.7	-4.0	-1.4	-2.9	-2.1	1.7	-0.5	-3.0	-0.5	-0.6	-2.1	-0.1
US Initial Claims for UI (000s)	310.3	338.2	316.3	328.9	307.6	319.6	306.0	324.9	313.1	327.5	340.4	343.3	335.4
% Chg Previous Month SAAR	-30.9	181.0	-55.2	59.8	-55.2	58.3	-40.7	105.3	-35.8	71.5	59.0	10.7	-24.4
% Chg Same Month Last Year	6.9	10.9	3.0	5.5	-7.2	3.2	-2.1	2.7	-0.7	4.3	4.0	7.3	8.1
US Industrial Production Index (1992=100)	111.7	112.5	112.4	113.1	113.0	113.5	114.2	114.1	114.2	113.5	113.9	114.2	114.3
% Chg Previous Month SAAR	-5.7	9.5	-1.1	6.9	-1.2	6.0	8.1	-1.4	1.1	-6.7	4.3	2.4	1.1
% Chg Same Month Last Year	2.4	2.9	2.2	1.9	1.9	1.5	1.7	1.4	1.8	1.4	2.2	1.7	2.3
US Personal Income Less Trans. (Bil. 2000 chnd)	8,362.8	8,406.7	8,439.9	8,419.1	8,411.2	8,441.7	8,469.9	8,504.4	8,522.0	8,527.5	8,508.5	8,508.2	8,476.5
% Chg Previous Month SAAR	-0.2	6.5	4.8	-2.9	-1.1	4.4	4.1	5.0	2.5	0.8	-2.6	0.0	-4.4
% Chg Same Month Last Year	3.4	3.7	4.0	3.6	3.9	3.6	4.3	4.7	4.1	2.6	2.0	1.7	1.4
CPI, All Urban (1982-84=100)	203.6	204.2	205.1	205.8	206.7	207.2	207.7	207.7	208.5	209.1	210.9	211.7	212.5
% Chg Previous Month SAAR	1.5	3.6	5.7	3.9	5.7	3.2	2.7	0.2	4.5	3.2	11.3	4.4	4.8
% Chg Same Month Last Year	2.1	2.4	2.8	2.6	2.7	2.6	2.4	1.9	2.8	3.5	4.4	4.1	4.4
US Retail Sales (\$Billions)	367.6	370.6	372.9	371.7	377.7	374.7	376.9	377.2	380.2	380.3	383.4	380.7	382.3
% Chg Previous Month SAAR	-1.8	10.3	7.4	-3.8	21.3	-9.0	7.2	0.9	10.2	0.4	9.9	-8.0	5.2
% Chg Same Month Last Year	2.3	4.0	4.4	2.8	5.1	4.0	3.7	3.6	5.0	4.8	5.6	3.4	4.0
US Consumer Expectations (1966=100)	87.6	81.5	78.7	75.9	77.6	74.7	81.5	73.7	74.1	70.1	66.2	65.6	68.1
% Chg Previous Month AR	148.5	-57.9	-34.3	-35.3	30.4	-36.7	184.5	-70.1	6.7	-48.6	-49.7	-10.4	56.6
% Chg Same Month Last Year	11.0	9.4	3.6	3.4	13.8	3.8	12.4	8.4	-5.2	-17.3	-20.4	-19.2	-22.3
Ave. Prime Interest Rate (% NSA)	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.03	7.74	7.50	7.33	6.98