

KENTUCKY ECONOMIC INDICATORS

August 2009 as of October 28, 2009

KY Composite Index of Leading Indicators decreased by 0.1 percent in August.

- The Leading Index decreased for the sixth time this year.
- The month-over-same-month-last-year growth rate declined for the twenty-seventh consecutive month with -4.3 percent growth.
- Component indicators were mixed; one increased, three decreased and one remained constant, 1:3:1.
 - KY Labor Intensity Index decreased by 0.1 percent.
 - KY Index of Initial UI Claims decreased by 11.3 percent.
 - + US Retail Sales increased by 29.2 percent.
 - US Manufacturer's New Orders Index decreased by 23.1 percent.
 - o The Louisville Help Wanted Index remained constant at 4.

Component weights for August are 68.5, 13.6, 11.5, 5.2 and 1.2 respectively.

KY Composite Index of Coincident Indicators increased by 2.3 percent in August.

- The Coincident Index growth is positive for the second consecutive month.
- The month-over-same-month-last-year growth rate is negative for the eighteenth consecutive month with -5.5 percent growth.
- All component indicators were mixed, 2:1.
 - + KY Non-farm Employment increased 0.1 percent.
 - + US Industrial Production Index increased 16.1 percent.
 - US Personal Income Less Transfers decreased 3.1 percent.

Component weights for August are 37.5, 28.5 and 21.5 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 declined by 0.1 percent in August, breaking the short string of two growth months. Had it not been for a robust US retail sales figure, the Kentucky Leading Index would have been significantly negative. Still, there is some upside. The growth rate is so close to zero, that when the September data is posted, there is the potential for July and/or August to be revised in such a way as to lead to a positive growth rate for August, thus creating a trio of positives. In a downturn, three consecutive increases in the leading index indicate that the reference series will hit a trough and begin increasing in the upcoming months.

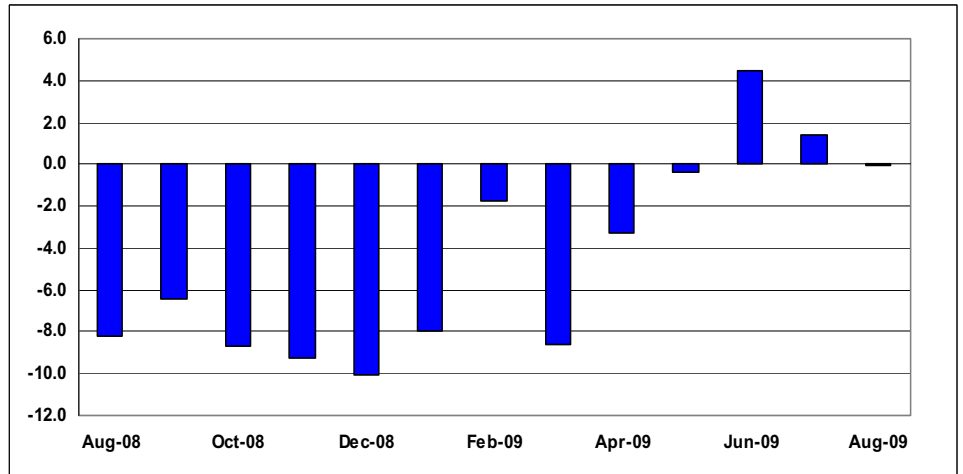
Each month, data is typically only revised one or two months back. It is only during the annual February rebenchmarking, that a greater amount of history would be revised. As a rule, rebenchmarking does not alter growth rate signs; usually only the magnitudes of indices are altered slightly to account for the more complete data which is collected at that time. A growth rate as small as 0.1 percent is subject to revision both during normal monthly revision and in a rebenchmarking. In particular, employment and average weekly hours within the Kentucky Labor Intensity Index are revised regularly each month. In the first eight months of this year, the leading index has fallen a net 0.8 points, or 0.8 percent decline and the labor intensity index has fallen a net 1.0 points, or 1.0 percent decline.

US retail sales increased by 7.4 billion in August, an increase of 29.2 percent. US retail sales peaked in November of 2007 at \$379.8 billion. The trough occurred in December of 2008 with \$336.4 billion. This is a loss of \$44.3 billion or 11.4 percent. Excluding the 1980-81 dual recessions, for which separate US retail sales effects cannot be generated, the 2007 recession retail sales losses ties the second worst losses since World War II. The worst losses occurred during the 1973 recession; US retail sales declined by 11.8 percent. US retail sales declined by 11.4 percent during the 1950 recession, tying the current losses by percent. For reference, the net loss during the combined 1980 and 1981 recessions was 13.9 percent. Under the old SIC computation for US retail sales (called RSALES by the St. Louis Federal Reserve Board), US retail sales declined by 1.6 percent during the 2001 recession. However, under the new formulation using NAICS classifications, there were only two single-month declines in the US retail sales series during that time, which do not qualify as peaks nor troughs. In other words, US retail sales were very resilient during the 2001 recession.

The Kentucky Labor Intensity Index continues to fall, but the declines have tapered considerably over the last three months. The last three monthly growth rates were -0.4, -0.6 and -0.1 percent respectively. This is considerably better than the four and five percent single-month drops that were experienced throughout 2008. Still, the index is performing poorly and has shown no irrefutable signs of recovery. The previous peak occurred in March of 2006. Since then the index has fallen by 4.8 points, a 4.6 percent net decline. This now eclipses the losses to the labor intensity index during the 2001 recession, which were also considerable. As the highest weighted component of the Leading Index, it is this component which is likely to be key to signaling the recovery.

Kentucky non-farm employment increased in August for the first time in 13 months with 0.1 percent growth. Assuming that July was the trough, non-farm employment lost 99,300 jobs from peak (November 2007) to trough. This is a net 5.3 percent decline. Kentucky manufacturing employment fell again in August. As was anticipated, there was another artificial spike in employment created because of timing issues in when many manufacturing sectors take their planned seasonal shutdowns in July. This can be seen now in the August manufacturing employment data. Almost all of the gains from July were lost and employment fell back to 210,000 jobs in August. On the positive side, this is still slightly higher than the June level of 208,100 jobs. So some of the July increase does appear to be real. But the majority of the growth in July and losses in August are simply a phenomenon of uncaptured seasonality in the transportation equipment industries.

The index of initial UI claims fell by 11.3 in August following two promising months. This is coupled with continued elevated figures in Kentucky exhaustees. In August another 9,544 non-seasonally adjusted persons exhausted their regular program benefits. This is the third consecutive month of exhaustees surpassing the 9,000 person mark. The peak of 9,867 exhaustees was reached in July. This is the highest recorded level of exhaustees since the state began collecting data on this category in 1981.



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

	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG
KY Leading Index (1992=100)	108.4	107.8	107.0	106.1	105.2	104.5	104.3	103.5	103.2	103.2	103.6	103.7	103.7
% Chg Previous Month SAAR	-8.2	-6.4	-8.7	-9.3	-10.0	-7.9	-1.8	-8.6	-3.3	-0.4	4.4	1.4	-0.1
% Chg Same Month Last Year	-2.4	-3.2	-3.7	-4.6	-5.2	-5.8	-5.7	-6.3	-6.1	-6.1	-5.4	-5.0	-4.3
KY Leading Index Diffusion Index	20.0	13.3	10.0	3.3	3.3	6.7	13.3	13.3	20.0	26.7	36.7	40.0	36.7
KY Coincident Index (1992=100)	135.4	133.8	134.2	133.9	132.8	131.2	130.1	129.2	128.7	128.1	127.6	127.8	128.0
% Chg Previous Month SAAR	-2.2	-13.2	3.1	-2.6	-9.2	-13.8	-9.3	-7.8	-4.6	-5.8	-4.7	2.0	2.3
% Chg Same Month Last Year	-1.3	-2.6	-2.3	-2.6	-3.4	-4.4	-5.0	-5.4	-5.6	-6.0	-6.0	-5.8	-5.5
KY Non-farm Employment (000s)	1,857.8	1,845.0	1,844.8	1,838.1	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
% Chg Previous Month SAAR	-0.5	-8.0	-0.1	-4.3	-8.9	-7.2	-7.4	-3.0	-4.0	-6.7	-3.7	-0.9	0.1
% Chg Same Month Last Year	-0.4	-1.3	-1.3	-1.8	-2.6	-3.0	-3.6	-3.5	-3.8	-4.5	-4.4	-4.6	-4.6
KY Private Services Employment (000s)	1,181.8	1,177.6	1,177.0	1,171.7	1,165.9	1,169.4	1,166.8	1,164.6	1,165.1	1,151.8	1,151.3	1,150.4	1,149.3
% Chg Previous Month SAAR	-1.1	-4.2	-0.6	-5.3	-5.8	3.7	-2.6	-2.2	0.4	-12.9	-0.5	-0.9	-1.1
% Chg Same Month Last Year	0.2	-0.3	-0.5	-1.1	-1.6	-1.2	-1.4	-1.2	-1.4	-2.5	-2.4	-2.8	-2.8
KY Mfg Employment (000s)	243.5	240.4	239.9	237.7	230.6	220.5	217.3	215.1	211.6	210.1	208.1	211.4	210.0
% Chg Previous Month SAAR	-10.2	-14.3	-2.5	-10.5	-30.5	-41.6	-16.1	-11.5	-17.9	-8.2	-10.8	20.8	-7.7
% Chg Same Month Last Year	-3.6	-5.9	-5.1	-6.6	-8.8	-12.6	-13.9	-14.5	-15.1	-16.0	-15.6	-14.0	-13.8
KY Unemployment Rate (%)	6.7	6.9	6.9	7.2	7.6	8.8	9.3	9.8	9.9	10.7	10.9	11.1	11.2
KY Index of Initial UI Claims (1992=100)	98.9	97.9	96.7	96.2	94.7	94.6	93.0	92.6	93.4	93.3	93.6	96.0	95.1
% Chg Previous Month SAAR	-9.7	-11.7	-14.0	-6.1	-16.8	-2.1	-18.3	-4.5	10.8	-1.4	4.1	35.4	-11.3
% Chg Same Month Last Year	-4.0	-5.7	-4.8	-6.5	-7.1	-8.0	-9.4	-8.7	-7.5	-7.8	-6.5	-3.8	-3.9
KY Labor Intensity Index (1992=100)	103.0	102.6	102.5	102.2	101.7	101.3	101.2	100.7	100.5	100.3	100.3	100.2	100.2
% Chg Previous Month SAAR	-3.1	-4.0	-1.8	-3.3	-5.9	-4.9	-0.7	-6.1	-2.5	-1.6	-0.4	-0.6	-0.1
% Chg Same Month Last Year	-1.4	-1.8	-1.8	-2.2	-2.5	-2.9	-2.9	-3.2	-3.2	-3.3	-3.0	-2.9	-2.7
Louisville HWI (1992=100)	11.0	11.0	10.0	8.0	9.0	6.0	6.0	5.0	4.0	4.0	5.0	4.0	4.0
% Chg Previous Month SAAR	-86.5	0.0	-68.1	-93.1	311.0	-99.2	0.0	-88.8	-93.1	0.0	1,355.2	-93.1	0.0
% Chg Same Month Last Year	-50.0	-52.2	-56.5	-57.9	-55.0	-68.4	-66.7	-75.0	-73.3	-73.3	-66.7	-69.2	-63.6
GF Total Tax Receipts (\$ mill)	614.5	786.1	658.3	674.7	822.2	693.7	503.5	613.1	804.5	592.2	729.9	595.0	599.0
% Chg Same Month Last Year	8.5	-4.4	3.0	8.0	0.0	-4.2	-10.8	0.4	-12.8	-3.0	-10.3	-4.0	-2.5
GF Sales & Use Receipts (\$ mill)	251.7	233.6	252.5	216.9	246.9	284.3	193.2	213.9	234.9	228.3	235.3	244.4	231.2
% Chg Same Month Last Year	4.1	-0.8	2.4	-8.1	5.0	-4.2	-6.0	2.1	1.1	-4.2	-5.5	-8.2	-8.1
GF Income Tax Receipts (\$ mill)	270.9	343.6	286.9	269.3	303.4	236.0	212.1	167.4	415.3	245.4	302.9	245.3	259.4
% Chg Same Month Last Year	12.6	3.2	8.0	13.7	2.7	-13.5	-9.7	-13.5	-23.7	-6.2	-14.7	-6.5	-4.2

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

2008

2009

	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG
US Leading Index (2004=100)	100.6	100.6	99.6	99.0	98.9	98.6	98.2	97.9	98.9	100.2	101.1	102.1	102.5
% Chg Previous Month SAAR	-9.1	0.0	-11.3	-7.0	-1.2	-3.6	-4.8	-3.6	13.0	17.0	11.3	12.5	4.8
% Chg Same Month Last Year	-3.2	-3.2	-3.8	-4.0	-4.0	-3.8	-3.9	-4.0	-3.1	-1.8	-1.0	0.7	1.9
US Coincident Index (1996=100)	105.8	104.6	104.8	104.1	103.4	102.5	101.8	101.0	100.5	100.1	99.7	99.8	99.9
% Chg Previous Month SAAR	-4.4	-12.8	2.3	-7.7	-7.8	-10.0	-7.9	-9.0	-5.8	-4.7	-4.7	1.2	1.2
% Chg Same Month Last Year	-1.1	-2.3	-2.2	-2.9	-3.5	-4.2	-4.7	-5.3	-5.8	-6.0	-6.3	-6.0	-5.6
US Non-farm Employment (Mill.)	137.1	136.7	136.4	135.8	135.1	134.3	133.7	133.0	132.5	132.2	131.7	131.4	131.2
% Chg Previous Month SAAR	-1.5	-2.8	-3.3	-5.1	-5.9	-6.4	-5.9	-5.7	-4.6	-2.7	-4.1	-2.7	-1.8
% Chg Same Month Last Year	-0.4	-0.7	-1.1	-1.6	-2.2	-2.7	-3.1	-3.5	-3.8	-3.9	-4.1	-4.2	-4.3
US Service-Providing Employment (Mill.)	115.7	115.5	115.3	114.9	114.5	114.2	113.8	113.5	113.2	113.1	112.9	112.7	112.6
% Chg Previous Month SAAR	-1.0	-2.2	-2.0	-3.6	-4.1	-3.5	-4.0	-3.5	-2.6	-1.0	-2.6	-2.0	-0.7
% Chg Same Month Last Year	0.3	-0.1	-0.4	-0.9	-1.3	-1.6	-1.9	-2.2	-2.4	-2.4	-2.6	-2.7	-2.7
US Manufacturing Employment (000s)	13,387.0	13,322.0	13,203.0	13,082.0	12,902.0	12,640.0	12,468.0	12,296.0	12,146.0	12,000.0	11,877.0	11,836.0	11,770.0
% Chg Previous Month SAAR	-5.8	-5.7	-10.2	-10.5	-15.3	-21.8	-15.2	-15.4	-13.7	-13.5	-11.6	-4.1	-6.5
% Chg Same Month Last Year	-3.2	-3.4	-4.1	-5.1	-6.4	-8.0	-8.9	-9.9	-10.6	-11.5	-12.1	-12.0	-12.1
US Unemployment Rate (%)	6.2	6.2	6.6	6.8	7.2	7.6	8.1	8.5	8.9	9.4	9.5	9.4	9.7
US Manufacturer's New Orders Index (1992=100)	116.6	114.9	111.6	108.2	103.7	99.9	100.8	99.1	99.1	99.5	100.0	102.1	99.9
% Chg Previous Month SAAR	-43.0	-16.5	-29.6	-31.0	-39.6	-36.4	12.1	-18.6	0.2	3.7	6.4	28.4	-23.1
% Chg Same Month Last Year	-10.4	-11.2	-14.0	-16.4	-20.4	-21.2	-19.8	-20.9	-19.7	-18.4	-18.3	-16.5	-14.4
US Initial Claims for UI (000s)	440.4	470.4	480.1	519.7	544.0	580.9	636.8	658.0	624.4	632.5	616.1	556.5	573.0
% Chg Previous Month SAAR	62.7	120.5	27.8	158.9	73.0	119.8	201.2	48.1	-46.7	16.7	-27.0	-70.5	42.0
% Chg Same Month Last Year	35.3	49.0	45.4	54.7	59.3	72.6	85.7	78.9	69.7	69.0	56.5	31.6	30.1
US Industrial Production Index (1992=100)	109.2	104.8	106.2	104.8	102.4	100.1	99.3	97.7	97.2	96.2	95.8	96.6	97.8
% Chg Previous Month SAAR	-12.5	-38.4	16.3	-14.7	-24.2	-23.4	-8.9	-17.6	-6.1	-12.2	-4.8	10.8	16.1
% Chg Same Month Last Year	-2.2	-6.4	-4.7	-6.5	-8.9	-10.9	-11.3	-12.5	-12.4	-13.1	-13.3	-12.5	-10.4
US Personal Income Less Trans. (Bil. 2000 chnd)	9,456.2	9,437.3	9,433.6	9,500.4	9,495.6	9,321.2	9,188.0	9,113.2	9,066.2	9,051.1	8,988.3	8,991.9	8,968.0
% Chg Previous Month SAAR	3.0	-2.4	-0.5	8.8	-0.6	-19.9	-15.9	-9.3	-6.0	-2.0	-8.0	0.5	-3.1
% Chg Same Month Last Year	-2.2	-2.6	-2.6	-1.7	-1.6	-3.0	-4.1	-4.6	-4.9	-4.8	-4.9	-4.7	-5.2
CPI, All Urban (1982-84=100)	218.6	218.7	216.9	213.3	211.6	212.2	213.0	212.7	212.7	212.9	214.5	214.5	215.4
% Chg Previous Month SAAR	-0.2	0.5	-9.4	-18.3	-9.1	3.4	4.8	-1.6	-0.2	1.2	9.3	0.1	5.5
% Chg Same Month Last Year	5.3	4.9	3.7	1.0	-0.1	-0.2	0.1	-0.4	-0.6	-1.0	-1.2	-1.9	-1.4
US Retail Sales (\$Billions)	371.3	365.4	355.0	347.7	336.4	342.0	343.4	339.2	338.3	339.9	342.9	342.5	349.9
% Chg Previous Month SAAR	-8.6	-17.5	-29.2	-22.1	-32.7	21.8	5.1	-13.8	-3.1	5.6	11.3	-1.5	29.2
% Chg Same Month Last Year	0.8	-1.8	-5.0	-8.4	-10.6	-9.1	-8.0	-9.5	-10.0	-9.8	-8.8	-8.5	-5.8
US Consumer Expectations (1966=100)	57.9	67.2	57.0	53.9	54.0	57.8	50.5	53.5	63.1	69.4	69.2	63.2	65.0
% Chg Previous Month AR	158.2	497.4	-86.1	-48.9	2.2	126.2	-80.2	99.9	624.6	213.3	-3.4	-66.3	40.1
% Chg Same Month Last Year	-21.4	-9.3	-18.7	-18.6	-17.7	-15.1	-19.1	-11.0	18.4	35.8	40.7	18.1	12.3
Ave. Prime Interest Rate (% NSA)	5.00	5.00	4.56	4.00	3.61	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25