

# KENTUCKY ECONOMIC INDICATORS

May 2009 as of July 27, 2009

## **KY Composite Index of Leading Indicators decreased by 0.3 percent in May.**

- The Leading Index has decreased for the eighteenth consecutive month.
- The month-over-same-month-last-year growth rate declined for the twenty-fourth consecutive month with -6.2 percent growth.
- Component indicators were mixed in May.
  - KY Labor Intensity Index decreased by 1.6 percent.
  - KY Index of Initial UI Claims decreased by 1.5 percent.
  - + US Retail Sales increased by 5.8 percent.
  - + US Manufacturer's New Orders Index increased by 6.8 percent.
  - o The Louisville Help Wanted Index did not change from its value of 4.0.

*Component weights for May are 68.1, 13.9, 11.6, 5.2, and 1.2 respectively.*

## **KY Composite Index of Coincident Indicators decreased by 6.3 percent in May.**

- The Coincident Index growth is negative for the seventh consecutive month.
- The month-over-same-month-last-year growth rate is negative for the fifteenth consecutive month with -5.7 percent growth.
- All component indicators decreased in May, 0:3.
  - KY Non-farm Employment decreased 6.7 percent.
  - US Industrial Production Index decreased 13.6 percent.
  - US Personal Income Less Transfers decreased 0.2 percent.

*Component weights for May are 43.1, 24.2, and 18.3 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.*

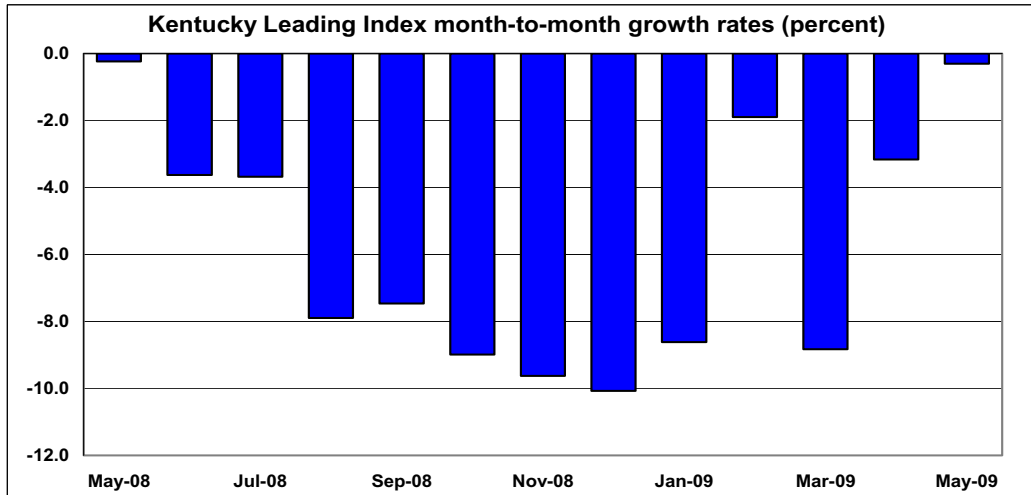
The Leading Index has fallen only marginally this month with a loss of only 0.3 percent. This is a welcome sign considering the two large losses in March and April. The indicator components were split along national and state lines for May. The national components, US Retail Sales and the US Manufacturer's New Orders Index both increased by moderate amounts, offsetting the still troubling Kentucky components, which are heavily influenced by the employment market. Two of the three Kentucky components, the Kentucky Labor Intensity Index and the Kentucky Index of Initial Unemployment Insurance Claims, declined in May. The Louisville Help Wanted Index remained unchanged at 4.0, an all-time low.

The Kentucky Labor Intensity Index fell for the eighteenth consecutive month with a -1.5 percent fall. The last peak occurred in February of 2006 with a value of 105.0. The Kentucky Labor Intensity Index stayed flat for one and a half years lingering near 104.7 area during that time. The 2007 recession hit the Kentucky Leading Index manufacturing sectors early. Substantial declines in the Kentucky Labor Intensity Index can be seen back as far June 2007. The Kentucky Labor Intensity Index has now lost 4.7 points, or 4.5 percent, since that previous peak. By comparison, the Kentucky Labor Intensity Index lost 3.9 points, or 3.6 percent, from peak to trough during the 2001 recession. The index has moderated some. Four times from September 2008 to March 2009, the index exhibited declines in excess of five percent.

All five employment sectors of the Kentucky Labor Intensity Index declined in May. Transportation equipment employment fell by the most, losing 1,400 seasonally adjusted workers, for a loss of 3.6 percent. The other four employment sectors declined by less than one percent. Three of the five employment sectors have improving average weekly hours for May: chemical products; fabricated metals; and petroleum, coal, rubber and plastic products. However, four of the five sector's average weekly hours are still well below where they were in May 2008. These four sectors are two percent or more lower than they were the previous May. Only petroleum, coal, rubber and plastics product's average weekly hours has improved with 0.5 percent growth over May 2008. Economists closely follow average weekly hours data throughout the business cycle to gleam advanced notice of a turning point. Firms tend to vary the intensity of utilization for existing workers in periods of greater uncertainty before making hiring and firing decisions.

Total Kentucky non-farm employment continues to fall sharply. Employment in May fell by 9,700 seasonally adjusted positions, or 6.7 percent, in just one month. The recession of 2007 officially began in December 2007 according to the National Bureau of Economic Research. However, the peak for Kentucky non-farm employment occurred in November of 2007 with 1,833,600 seasonally adjusted jobs. Since this recent peak, non-farm employment has fallen by 92,400 seasonally adjusted positions, a loss of 4.9 percent. For comparison Kentucky lost 56,000 seasonally adjusted jobs from peak to trough during the 2001 recession, a 3.1 percent loss. There is some indication that employment will sustain some additional losses before forming a bottom. Monthly employment losses have been considerably greater in the last six months than in the prior six months. The increase in the rate of decline may suggest that firms who were hoping to maintain existing staffing levels during the recession were finally forced to cut employment due to the length and magnitude of the downturn.

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												
	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY
KY Leading Index (1992=100)	110.1	109.8	109.4	108.7	108.0	107.1	106.2	105.3	104.5	104.3	103.5	103.3	103.2
% Chg Previous Month SAAR	-0.2	-3.6	-3.7	-7.9	-7.5	-9.0	-9.6	-10.1	-8.6	-1.9	-8.8	-3.2	-0.3
% Chg Same Month Last Year	-1.7	-1.8	-2.0	-2.4	-3.3	-3.8	-4.7	-5.4	-5.9	-5.9	-6.5	-6.2	-6.2
KY Leading Index Diffusion Index	26.7	23.3	20.0	20.0	13.3	10.0	3.3	3.3	6.7	13.3	13.3	20.0	26.7
KY Coincident Index (1992=100)	132.6	132.2	132.2	131.9	130.1	130.6	130.1	128.9	127.7	126.9	126.1	125.7	125.1
% Chg Previous Month SAAR	-0.3	-3.6	-0.1	-2.8	-14.9	4.4	-4.5	-10.3	-10.7	-7.1	-7.4	-3.6	-6.3
% Chg Same Month Last Year	-0.2	-0.6	-0.7	-0.9	-2.4	-2.0	-2.6	-3.5	-4.2	-4.7	-5.1	-5.2	-5.7
KY Non-farm Employment (000s)	1,864.1	1,856.5	1,858.5	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
% Chg Previous Month SAAR	2.1	-4.8	1.3	-0.5	-8.0	-0.1	-4.3	-8.9	-7.2	-7.4	-3.0	-4.0	-6.7
% Chg Same Month Last Year	-0.2	-0.8	-0.5	-0.4	-1.3	-1.3	-1.8	-2.6	-3.0	-3.6	-3.5	-3.8	-4.5
KY Private Services Employment (000s)	1,181.7	1,178.7	1,183.3	1,182.6	1,175.8	1,177.1	1,171.8	1,166.7	1,169.6	1,167.0	1,165.0	1,165.5	1,152.0
% Chg Previous Month SAAR	-0.1	-3.0	4.8	-0.7	-6.6	1.3	-5.3	-5.1	3.0	-2.6	-2.0	0.5	-13.1
% Chg Same Month Last Year	0.1	-0.3	0.3	0.2	-0.4	-0.5	-1.1	-1.6	-1.2	-1.4	-1.2	-1.4	-2.5
KY Mfg Employment (000s)	250.0	246.7	245.7	243.5	240.4	239.9	237.7	230.6	220.5	217.3	215.1	211.6	210.1
% Chg Previous Month SAAR	3.4	-14.7	-4.8	-10.2	-14.3	-2.5	-10.5	-30.5	-41.6	-16.1	-11.5	-17.9	-8.2
% Chg Same Month Last Year	-2.7	-4.4	-4.1	-3.6	-5.9	-5.1	-6.6	-8.8	-12.6	-13.9	-14.5	-15.1	-16.0
KY Unemployment Rate (%)	6.2	6.4	6.5	6.7	6.9	6.9	7.2	7.6	8.8	9.3	9.8	9.9	10.7
KY Index of Initial UI Claims (1992=100)	101.1	100.1	99.9	99.1	97.9	96.7	96.1	94.8	94.5	92.9	92.6	93.4	93.3
% Chg Previous Month SAAR	2.3	-11.6	-2.1	-9.3	-13.4	-13.8	-6.9	-15.3	-3.9	-18.2	-4.4	10.7	-1.5
% Chg Same Month Last Year	-2.5	-3.4	-3.6	-4.0	-5.7	-4.8	-6.5	-7.1	-8.0	-9.4	-8.7	-7.5	-7.8
KY Labor Intensity Index (1992=100)	103.8	103.5	103.3	103.1	102.6	102.5	102.2	101.7	101.2	101.2	100.6	100.5	100.3
% Chg Previous Month SAAR	-0.1	-3.5	-1.5	-2.8	-5.3	-1.3	-3.4	-6.0	-5.3	-0.8	-6.1	-2.3	-1.6
% Chg Same Month Last Year	-0.9	-1.2	-1.2	-1.3	-1.8	-1.8	-2.2	-2.5	-2.9	-2.9	-3.3	-3.2	-3.3
Louisville HWI (1992=100)	15.0	15.0	13.0	11.0	11.0	10.0	8.0	9.0	6.0	6.0	5.0	4.0	4.0
% Chg Previous Month SAAR	0.0	0.0	-82.0	-86.5	0.0	-68.1	-93.1	311.0	-99.2	0.0	-88.8	-93.1	0.0
% Chg Same Month Last Year	-50.0	-46.4	-43.5	-50.0	-52.2	-56.5	-57.9	-55.0	-68.4	-66.7	-75.0	-73.3	-73.3
GF Total Tax Receipts (\$ mill)	610.3	813.5	619.9	614.5	786.1	658.3	674.7	822.2	693.7	503.5	613.1	804.5	592.2
% Chg Same Month Last Year	-22.2	3.2	1.9	8.5	-4.4	3.0	8.0	0.0	-4.2	-10.8	0.4	-12.8	-3.0
GF Sales & Use Receipts (\$ mill)	238.4	249.0	266.1	251.7	233.6	252.5	216.9	246.9	284.3	193.2	213.9	234.9	228.3
% Chg Same Month Last Year	-12.0	2.5	6.0	4.1	-0.8	2.4	-8.1	5.0	-4.2	-6.0	2.1	1.1	-4.2
GF Income Tax Receipts (\$ mill)	261.6	355.3	262.2	270.9	343.6	286.9	269.3	303.4	236.0	212.1	167.4	415.3	245.4
% Chg Same Month Last Year	-22.6	22.9	5.2	12.6	3.2	8.0	13.7	2.7	-13.5	-9.7	-13.5	-23.7	-6.2

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

	2009												
	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY
US Leading Index (2004=100)	102.0	102.1	101.4	100.6	100.6	99.6	99.0	98.9	98.6	98.2	97.9	98.9	100.2
% Chg Previous Month SAAR	-1.2	1.2	-7.9	-9.1	0.0	-11.3	-7.0	-1.2	-3.6	-4.8	-3.6	13.0	17.0
% Chg Same Month Last Year	-2.2	-1.9	-3.2	-3.2	-3.2	-3.8	-4.0	-4.0	-3.8	-3.9	-4.0	-3.1	-1.8
US Coincident Index (1996=100)	106.5	106.4	106.2	105.8	104.6	104.8	104.1	103.4	102.5	101.9	101.1	100.8	100.5
% Chg Previous Month SAAR	-2.2	-1.1	-2.2	-4.4	-12.8	2.3	-7.7	-7.8	-10.0	-6.8	-9.0	-3.5	-3.5
% Chg Same Month Last Year	0.0	-0.2	-0.7	-1.1	-2.3	-2.2	-2.9	-3.5	-4.2	-4.6	-5.2	-5.5	-5.6
US Non-farm Employment (Mil.)	137.5	137.4	137.2	137.1	136.7	136.4	135.8	135.1	134.3	133.7	133.0	132.5	132.2
% Chg Previous Month SAAR	-1.2	-1.4	-1.1	-1.5	-2.8	-3.3	-5.1	-5.9	-6.4	-5.9	-5.7	-4.6	-2.9
% Chg Same Month Last Year	-0.1	-0.2	-0.3	-0.4	-0.7	-1.1	-1.6	-2.2	-2.7	-3.1	-3.5	-3.8	-3.9
US Service-Providing Employment (Mil.)	115.9	115.8	115.8	115.7	115.5	115.3	114.9	114.5	114.2	113.8	113.5	113.2	113.1
% Chg Previous Month SAAR	-0.7	-0.6	-0.5	-1.0	-2.2	-2.0	-3.6	-4.1	-3.5	-4.0	-3.5	-2.6	-1.1
% Chg Same Month Last Year	0.5	0.4	0.4	0.3	-0.1	-0.4	-0.9	-1.3	-1.6	-1.9	-2.2	-2.4	-2.4
US Manufacturing Employment (000s)	13,556.0	13,505.0	13,454.0	13,387.0	13,322.0	13,203.0	13,082.0	12,902.0	12,640.0	12,488.0	12,296.0	12,146.0	11,990.0
% Chg Previous Month SAAR	-2.6	-4.4	-4.4	-5.8	-5.7	-10.2	-10.5	-15.3	-21.8	-15.2	-15.4	-13.7	-14.4
% Chg Same Month Last Year	-2.6	-2.8	-3.0	-3.2	-3.4	-4.1	-5.1	-6.4	-8.0	-8.9	-9.9	-10.6	-11.6
US Unemployment Rate (%)	5.5	5.6	5.8	6.2	6.2	6.6	6.8	7.2	7.6	8.1	8.5	8.9	9.4
US Manufacturer's New Orders Index (1992=100)	121.9	122.4	122.2	116.6	114.9	111.6	108.2	103.7	99.9	100.8	99.0	99.3	99.9
% Chg Previous Month SAAR	-13.7	4.6	-1.1	-43.0	-16.5	-29.6	-31.0	-39.6	-36.5	12.1	-19.6	3.5	6.8
% Chg Same Month Last Year	-6.7	-6.5	-9.0	-10.4	-11.2	-14.0	-16.4	-20.5	-21.2	-19.8	-21.0	-19.5	-18.1
US Initial Claims for UI (000s)	374.3	393.7	422.9	440.4	470.4	480.1	519.7	544.0	580.9	636.8	658.0	624.4	632.5
% Chg Previous Month SAAR	22.6	83.4	136.0	62.7	120.5	27.8	158.9	73.0	119.8	201.2	48.1	-46.7	16.7
% Chg Same Month Last Year	20.0	22.6	35.0	35.3	49.0	45.4	54.7	59.3	72.6	85.7	78.9	69.7	69.0
US Industrial Production Index (1992=100)	110.7	110.4	110.4	109.2	104.8	106.2	104.8	102.4	100.1	99.4	97.7	96.9	95.8
% Chg Previous Month SAAR	-3.4	-2.5	-0.8	-12.5	-38.4	16.3	-14.7	-24.2	-23.4	-8.7	-18.7	-8.4	-13.6
% Chg Same Month Last Year	-0.4	-0.7	-1.0	-2.2	-6.4	-4.7	-6.5	-8.9	-10.9	-11.3	-12.5	-12.7	-13.5
US Personal Income Less Trans. (Bil. 2000 chnd)	8,420.8	8,384.1	8,365.4	8,386.4	8,355.9	8,381.1	8,426.7	8,424.6	8,362.6	8,293.3	8,241.4	8,250.7	8,249.4
% Chg Previous Month SAAR	-2.0	-5.1	-2.6	3.1	-4.3	3.7	6.7	-0.3	-8.5	-9.5	-7.3	1.4	-0.2
% Chg Same Month Last Year	0.0	-0.6	-1.1	-1.2	-1.7	-1.5	-0.8	-0.8	-1.2	-2.0	-2.6	-2.2	-2.0
CPI, All Urban (1982-84=100)	215.0	217.0	218.6	218.6	218.7	216.9	213.3	211.6	212.2	213.0	212.7	212.7	212.9
% Chg Previous Month SAAR	6.0	11.7	9.1	-0.2	0.5	-9.4	-18.3	-9.1	3.4	4.8	-1.6	-0.2	1.2
% Chg Same Month Last Year	4.0	4.8	5.4	5.3	4.9	3.7	1.0	-0.1	-0.2	0.1	-0.4	-0.6	-1.0
US Retail Sales (\$Billions)	376.7	375.9	373.9	372.2	366.6	355.0	347.7	336.4	342.0	343.4	339.2	338.3	339.9
% Chg Previous Month SAAR	2.1	-2.4	-6.2	-5.3	-16.7	-31.8	-22.1	-32.7	21.8	5.1	-13.8	-3.1	5.8
% Chg Same Month Last Year	1.8	2.7	1.7	1.1	-1.5	-5.0	-8.4	-10.6	-9.1	-8.0	-9.5	-10.0	-9.8
US Consumer Expectations (1966=100)	51.1	49.2	53.5	57.9	67.2	57.0	53.9	54.0	57.8	50.5	53.5	63.1	69.4
% Chg Previous Month AR	-39.7	-36.5	173.3	158.2	497.4	-86.1	-48.9	2.2	126.2	-80.2	99.9	624.6	213.3
% Chg Same Month Last Year	-34.1	-34.1	-34.4	-21.4	-9.3	-18.7	-18.6	-17.7	-15.1	-19.1	-11.0	18.4	35.8
Ave. Prime Interest Rate (% NSA)	5.00	5.00	5.00	5.00	5.00	4.56	4.00	3.61	3.25	3.25	3.25	3.25	3.25