

KENTUCKY ECONOMIC INDICATORS

February 2009 as of April 28, 2009

KY Composite Index of Leading Indicators decreased by 1.4 percent in February.

- The Leading Index has decreased for the ninth consecutive month with a 1.4 percent decline.
- The month-over-same-month-last-year growth rate declined for the nineteenth consecutive month with -5.8 percent growth.
- Component indicators were mixed. Two were positive, two were negative and one was unchanged.
 - KY Labor Intensity Index decreased 0.7 percent.
 - KY Index of Initial UI Claims decreased by -18.4 percent.
 - + US Retail Sales increased by 3.7 percent.
 - + US Manufacturer's New Orders Index increased by 29.2 percent.
 - The Louisville Help Wanted Index remained unchanged at 6.

Component weights for February are 68.6, 13.7, 11.4, 5.1, and 1.2 respectively.

KY Composite Index of Coincident Indicators decreased by 8.9 percent in February.

- The Coincident Index growth is negative for the fourth consecutive month with -8.9 percent.
- The month-over-same-month-last-year growth rate is negative for the twelfth consecutive month with -4.8 percent growth.
- All three coincident components were negative in February.
 - KY Non-farm Employment decreased 7.4 percent.
 - US Industrial Production Index decreased 16.4 percent.
 - US Personal Income Less Transfers decreased 9.1 percent.

Component weights for February are 43.4, 24.1, and 18.0 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 fell by 1.4 percent in February, a decline that would have been steeper but for the strength in the two US components. Both subcomponents of the Kentucky UI Claims Index rose sharply to bring the index down by 18.4 percent in February. Compared to February 2008, Kentucky First Pays rose by 12,645 seasonally adjusted positions (140.3 percent), while US Initial Claims rose by 293,900 seasonally adjusted positions (85.7 percent). The UI Claims Index is now down by 9.4 percent compared to last year. This is the ninth consecutive month that the UI Claims Index has been negative along with the Kentucky Leading Index and the Kentucky Labor Intensity Index.

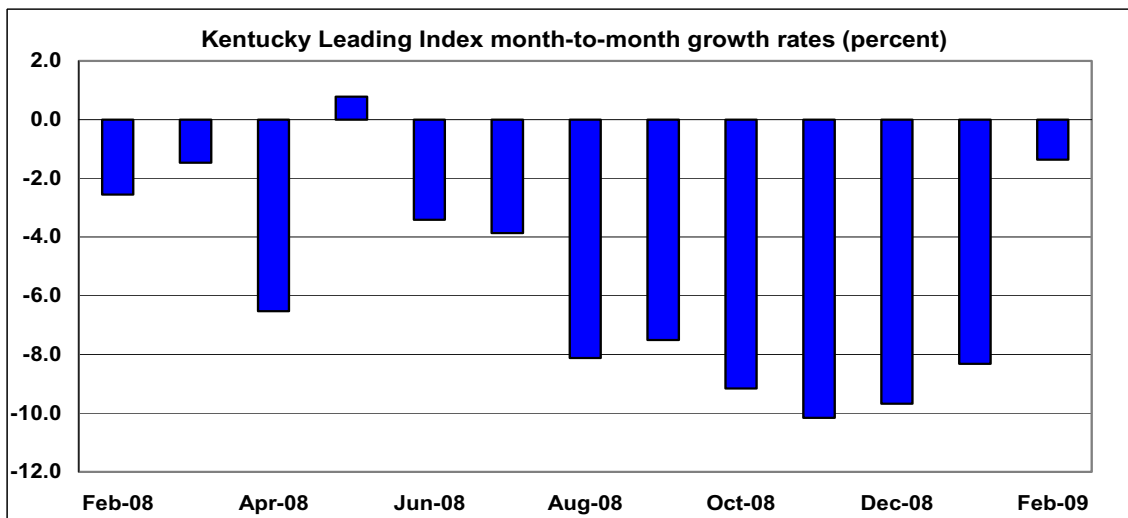
The Labor Intensity Index has the largest weight in the Kentucky Leading Index. The Kentucky Leading Index component weights are based on the inverse of the standard deviation of each series. The Kentucky Labor Intensity Index has the lowest standard deviation, therefore it has the largest weight. A movement of -0.7 percent is not an unusual monthly change for the series, but three of the previous five declines were especially large at -5.3, -6.0 and -5.3 percent. The Kentucky Labor Intensity Index has fallen sharply over this nine month period and is indicative of deep entrenchment in a recession.

The current recession officially started in December 2007, according to the National Bureau of Economic Research (NBER), the official body which determines turning points for the national economy. Real Gross Domestic Product (GDP) growth, expressed on a quarter-over-same-quarter-last-year basis, fell in the fourth quarter of 2008 by 0.8 percent and fell by 2.7 percent (preliminary estimate, Global Insight) in the first quarter of 2009. It is commonly believed that two consecutive declines in GDP is the definition of a recession. In fact, the official determinate of a recession is not that simple. NBER uses a variety of macroeconomic measures to determine if the economy is in a recession. Other important measures of the national economy's well-being are US personal income, US non-farm employment, US industrial production index, wholesale and retail sales, the prime interest rate or the over-night lending rate and the consumer price index.

US Retail Sales posted growth for the second consecutive month with a 3.7 percent increase. That follows six months of sharp declines. During that six month period, US Retail Sales declined by \$43.1 billion (11.2 percent). In the last two months, US Retail Sales made up \$7.4 billion of those losses. US Retail Sales is currently down a net 7.9 percent compared to February 2008. The US Manufacturer's New Orders Index also posted positive growth in February. It made up just over two points in the index with 29.2 percent growth, but it is still down by 18.8 percent from its February 2008 level. Manufacturer's new orders for consumer goods and materials increased 0.8 percent compared to January 2009, while manufacturer's new orders for non-defense capital goods rose by 7.8 percent. Compared to February 2008, manufacturer's new orders for consumer goods and materials have fallen a net 15.2 percent, while manufacturer's new orders for non-defense capital goods fell by a net 32.0 percent.

The Louisville Help Wanted Index remained constant with a measure of 6.0 for February, its lowest level since the index was created in 1958. Consumer prices have inched upward the last two months. The consumer price index increased by 4.8 percent in February, erasing the steep declines of the previous three months. The index is up a net 0.1 percent over February 2008.

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/>.

*Office of State Budget Director
Room 284, Capitol Annex
Frankfort, Kentucky 40601-3453*

*Thomas Jones, Ph.D
Phone: 502-564-7300
taj@ky.gov*

**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2008												2009	
	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	
KY Leading Index (1992=100)	110.9	110.7	110.1	110.2	109.9	109.5	108.7	108.0	107.2	106.2	105.3	104.6	104.5	
% Chg Previous Month SAAR	-2.6	-1.5	-6.5	0.8	-3.4	-3.9	-8.1	-7.5	-9.2	-10.2	-9.7	-8.3	-1.4	
% Chg Same Month Last Year	-0.7	-1.4	-1.5	-1.7	-1.8	-2.0	-2.4	-3.3	-3.8	-4.7	-5.3	-5.9	-5.8	
KY Leading Index Diffusion Index	56.7	50.0	50.0	50.0	50.0	43.3	43.3	36.7	33.3	23.3	23.3	26.7	30.0	
KY Coincident Index (1992=100)	133.1	132.8	132.5	132.5	132.1	132.1	131.7	130.0	130.5	130.0	128.8	127.7	126.7	
% Chg Previous Month SAAR	-1.0	-2.9	-2.5	-0.3	-3.6	-0.1	-2.8	-14.9	4.7	-4.4	-10.3	-10.3	-8.9	
% Chg Same Month Last Year	0.6	0.2	-0.1	-0.2	-0.6	-0.7	-0.9	-2.4	-2.0	-2.5	-3.4	-4.2	-4.8	
KY Non-farm Employment (000s)	1,868.1	1,861.2	1,860.9	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	
% Chg Previous Month SAAR	-0.4	-4.3	-0.2	2.1	-4.8	1.3	-0.5	-8.0	-0.1	-4.3	-8.9	-7.2	-7.4	
% Chg Same Month Last Year	0.5	-0.1	-0.2	-0.2	-0.8	-0.5	-0.4	-1.3	-1.3	-1.8	-2.6	-3.0	-3.6	
KY Private Services Employment (000s)	1,183.7	1,179.1	1,181.7	1,182.0	1,178.2	1,183.4	1,182.8	1,176.0	1,177.4	1,171.9	1,165.5	1,169.6	1,167.1	
% Chg Previous Month SAAR	0.4	-4.6	2.7	0.3	-3.8	5.4	-0.6	-6.7	1.4	-5.4	-6.4	4.3	-2.4	
% Chg Same Month Last Year	0.7	0.0	0.4	0.1	-0.3	0.3	0.2	-0.4	-0.5	-1.1	-1.6	-1.2	-1.4	
KY Mfg Employment (000s)	252.4	251.5	249.3	250.0	246.7	245.7	243.5	240.4	239.9	237.7	230.6	220.5	217.3	
% Chg Previous Month SAAR	0.0	-4.2	-10.0	3.4	-14.7	-4.8	-10.2	-14.3	-2.5	-10.5	-30.5	-41.6	-16.1	
% Chg Same Month Last Year	-2.3	-1.4	-3.2	-2.7	-4.4	-4.1	-3.6	-5.9	-5.1	-6.6	-8.8	-12.6	-13.9	
KY Unemployment Rate (%)	5.6	5.9	6.1	6.2	6.4	6.5	6.7	6.9	6.9	7.2	7.6	8.8	9.3	
KY Index of Initial UI Claims (1992=100)	102.5	101.3	100.9	101.2	100.1	99.9	99.1	97.9	96.7	96.2	94.8	94.5	92.9	
% Chg Previous Month SAAR	-2.4	-13.0	-5.3	3.8	-12.3	-2.0	-9.2	-13.4	-13.8	-6.7	-15.7	-3.7	-18.4	
% Chg Same Month Last Year	-0.4	-2.6	-2.2	-2.5	-3.4	-3.6	-4.0	-5.7	-4.8	-6.5	-7.1	-8.0	-9.4	
KY Labor Intensity Index (1992=100)	104.3	104.0	103.8	103.8	103.5	103.4	103.1	102.6	102.5	102.2	101.7	101.3	101.2	
% Chg Previous Month SAAR	-0.2	-2.6	-2.8	0.1	-3.5	-1.6	-2.8	-5.3	-1.2	-3.5	-6.0	-5.3	-0.7	
% Chg Same Month Last Year	-0.4	-0.4	-0.8	-0.9	-1.2	-1.2	-1.3	-1.8	-1.8	-2.2	-2.5	-2.9	-2.9	
Louisville HWI (1992=100)	18.0	20.0	15.0	15.0	15.0	13.0	11.0	11.0	10.0	8.0	9.0	6.0	6.0	
% Chg Previous Month SAAR	-47.7	254.1	-96.8	0.0	0.0	-82.0	-86.5	0.0	-68.1	-93.1	311.0	-99.2	0.0	
% Chg Same Month Last Year	-41.9	-53.5	-48.3	-50.0	-46.4	-43.5	-50.0	-52.2	-56.5	-57.9	-55.0	-68.4	-66.7	
GF Total Tax Receipts (\$ mill)	564.7	610.5	922.7	610.3	813.5	619.9	614.5	786.1	658.3	674.7	822.2	693.7	503.5	
% Chg Same Month Last Year	3.8	-6.5	37.3	-22.2	3.2	1.9	8.5	-4.4	3.0	8.0	0.0	-4.2	-10.8	
GF Sales & Use Receipts (\$ mill)	205.5	209.6	232.4	238.4	249.0	266.1	251.7	233.6	252.5	216.9	246.9	284.3	193.2	
% Chg Same Month Last Year	6.2	-1.4	14.8	-12.0	2.5	6.0	4.1	-0.8	2.4	-8.1	5.0	-4.2	-6.0	
GF Income Tax Receipts (\$ mill)	235.0	193.6	544.3	261.6	355.3	262.2	270.9	343.6	286.9	269.3	303.4	236.0	212.1	
% Chg Same Month Last Year	3.5	-5.1	92.1	-22.6	22.9	5.2	12.6	3.2	8.0	13.7	2.7	-13.5	-9.7	

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

	2008												2009	
	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	
US Leading Index (2004=100)	102.2	102.0	102.1	102.0	102.1	101.4	100.6	100.6	99.6	98.8	98.8	98.6	98.4	
% Chg Previous Month SAAR	-3.5	-2.3	1.2	-1.2	1.2	-7.9	-9.1	0.0	-11.3	-9.2	0.0	-2.4	-2.4	
% Chg Same Month Last Year	-1.8	-2.2	-1.9	-2.2	-1.9	-3.2	-3.2	-3.2	-3.8	-4.2	-4.1	-3.8	-3.7	
US Coincident Index (1996=100)	106.8	106.7	106.7	106.5	106.4	106.2	105.8	104.6	104.8	104.2	103.4	102.5	101.9	
% Chg Previous Month SAAR	-2.2	-1.1	0.0	-2.2	-1.1	-2.2	-4.4	-12.8	2.3	-6.7	-8.8	-10.0	-6.8	
% Chg Same Month Last Year	0.7	0.4	0.3	0.0	-0.2	-0.7	-1.1	-2.3	-2.2	-2.8	-3.5	-4.2	-4.6	
US Non-farm Employment (Mil.)	137.9	137.8	137.7	137.5	137.4	137.2	137.1	136.7	136.4	135.8	135.1	134.3	133.7	
% Chg Previous Month SAAR	-1.2	-1.1	-1.4	-1.2	-1.4	-1.1	-1.5	-2.8	-3.3	-5.1	-5.9	-6.4	-5.7	
% Chg Same Month Last Year	0.5	0.3	0.2	-0.1	-0.2	-0.3	-0.4	-0.7	-1.1	-1.6	-2.2	-2.7	-3.1	
US Service-Providing Employment (Mil.)	116.0	116.0	116.0	115.9	115.8	115.8	115.7	115.5	115.3	114.9	114.5	114.2	113.8	
% Chg Previous Month SAAR	-0.5	-0.4	-0.4	-0.7	-0.6	-0.5	-1.0	-2.2	-2.0	-3.6	-4.1	-3.5	-3.8	
% Chg Same Month Last Year	1.0	0.9	0.8	0.5	0.4	0.4	0.3	-0.1	-0.4	-0.9	-1.3	-1.6	-1.9	
US Manufacturing Employment (000s)	13,692.0	13,643.0	13,586.0	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	12,471.0	
% Chg Previous Month SAAR	-4.4	-4.2	-4.9	-2.6	-4.4	-4.4	-5.8	-5.7	-10.2	-10.5	-15.3	-21.8	-14.9	
% Chg Same Month Last Year	-2.2	-2.3	-2.5	-2.6	-2.8	-3.0	-3.2	-3.4	-4.1	-5.1	-6.4	-8.0	-8.9	
US Unemployment Rate (%)	4.8	5.1	5.0	5.5	5.6	5.8	6.2	6.2	6.6	6.8	7.2	7.6	8.1	
US Manufacturer's New Orders Index (1996=100)	125.8	125.3	123.4	121.9	122.4	122.2	116.6	114.9	111.6	107.7	103.7	99.9	102.1	
% Chg Previous Month SAAR	-8.9	-4.3	-16.8	-13.7	4.6	-1.1	-43.0	-16.5	-29.6	-34.6	-36.9	-35.5	29.2	
% Chg Same Month Last Year	-2.9	-4.9	-7.0	-6.8	-6.5	-9.0	-10.4	-11.2	-14.0	-16.8	-20.5	-21.2	-18.8	
US Initial Claims for UI (000s)	342.9	367.8	368.0	374.3	393.7	422.9	440.4	470.4	480.1	519.7	544.0	580.9	636.8	
% Chg Previous Month SAAR	24.9	131.9	0.7	22.6	83.4	136.0	62.7	120.5	27.8	158.9	73.0	119.8	201.2	
% Chg Same Month Last Year	5.9	19.8	14.1	20.0	22.6	35.0	35.3	49.0	45.4	54.7	59.3	72.6	85.7	
US Industrial Production Index (1992=100)	112.0	111.6	111.0	110.7	110.4	110.4	109.2	104.8	106.2	104.8	102.5	100.3	98.8	
% Chg Previous Month SAAR	-3.1	-4.1	-6.7	-3.4	-2.5	-0.8	-12.5	-38.4	16.3	-14.0	-23.5	-22.9	-16.4	
% Chg Same Month Last Year	1.1	0.9	0.0	-0.4	-0.7	-1.0	-2.2	-6.4	-4.7	-6.4	-8.8	-10.7	-11.8	
US Personal Income Less Trans. (Bill. 2000 chnd)	8,464.9	8,465.1	8,435.2	8,420.8	8,384.1	8,365.4	8,386.4	8,355.9	8,394.4	8,435.0	8,422.7	8,371.3	8,304.8	
% Chg Previous Month SAAR	-0.2	0.0	-4.2	-2.0	-5.1	-2.6	3.1	-4.3	5.7	6.0	-1.7	-7.1	-9.1	
% Chg Same Month Last Year	0.5	0.3	0.1	0.0	-0.6	-1.1	-1.2	-1.7	-1.3	-0.8	-0.9	-1.1	-1.9	
CPI, All Urban (1982-84=100)	212.9	213.7	214.0	215.0	217.0	218.6	218.6	218.7	216.9	213.3	211.6	212.2	213.0	
% Chg Previous Month SAAR	2.1	4.6	1.9	6.0	11.7	9.1	-0.2	0.5	-9.4	-18.3	-9.1	3.4	4.8	
% Chg Same Month Last Year	4.2	4.1	3.9	4.0	4.8	5.4	5.3	4.9	3.7	1.0	-0.1	-0.2	0.1	
US Retail Sales (\$Billions)	378.2	380.2	380.8	383.8	384.1	381.6	379.0	373.0	360.3	351.8	341.0	347.3	348.4	
% Chg Previous Month SAAR	-9.7	6.5	2.0	9.8	0.9	-7.5	-7.9	-17.3	-34.1	-25.0	-31.2	24.6	3.7	
% Chg Same Month Last Year	2.7	2.4	2.8	2.0	3.1	2.0	1.3	-1.4	-5.1	-8.4	-10.5	-8.9	-7.9	
US Consumer Expectations (1966=100)	62.4	60.1	53.3	51.1	49.2	53.5	57.9	67.2	57.0	53.9	54.0	57.8	50.5	
% Chg Previous Month AR	-65.0	-36.3	-76.3	-39.7	-36.5	173.3	158.2	497.4	-86.1	-48.9	2.2	126.2	-80.2	
% Chg Same Month Last Year	-23.4	-23.6	-29.8	-34.1	-34.1	-34.4	-21.4	-9.3	-18.7	-18.6	-17.7	-15.1	-19.1	
Ave. Prime Interest Rate (% NSA)	6.00	5.66	5.24	5.00	5.00	5.00	5.00	5.00	4.56	4.00	3.61	3.25	3.25	