

# KENTUCKY ECONOMIC INDICATORS

April 2009 as of June 23, 2009

## **KY Composite Index of Leading Indicators decreased by 2.5 percent in April.**

- The Leading Index has decreased for the seventeenth consecutive month.
- The month-over-same-month-last-year growth rate declined for the twenty-eighth consecutive month with -6.1 percent growth.
- Component indicators were mixed in April, 2:3.
  - KY Labor Intensity Index decreased 1.7 percent.
  - + KY Index of Initial UI Claims increased 10.4 percent.
  - US Retail Sales decreased 2.8 percent.
  - + US Manufacturer's New Orders Index increased 9.3 percent.
  - The Louisville Help Wanted Index declined by 1 point to 4.

*Component weights for April are 68.2, 13.9, 11.6, 5.1 and 1.2 respectively.*

## **KY Composite Index of Coincident Indicators decreased by 3.6 percent in April.**

- The Coincident Index growth is negative for the six consecutive month.
- The month-over-same-month-last-year growth rate is negative for the thirteenth consecutive month with -5.2 percent growth.
- Component indicators were mixed in April, 1:2.
  - KY Non-farm Employment decreased 4.0 percent.
  - US Industrial Production Index decreased 8.0 percent.
  - + US Personal Income Less Transfers increased 0.7 percent.

*Component weights for April 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 Kentucky Leading Index declined for the seventeenth consecutive month in April. The Kentucky Leading Index is heavily influenced by employment indicators, specifically the manufacturing sectors in the Kentucky Labor Intensity Index and the Kentucky component of the Unemployment Insurance Claims Index. Almost all of the employment sectors in Kentucky continue to decline in light of the persistent declines in aggregate demand and spending. The Kentucky Labor Intensity Index declined by 3.3 points to 100.5 from April 2008 to April 2009, a loss of 3.2 percent.

There is a lagged effect on employment after aggregate demand changes. Kentucky is likely to experience some more months of declining employment even after a positive rebound in aggregate demand occurs. Firms will likely proceed with caution and verify that demand for their products has increased (or at least stopped declining). A decrease in several other prices can cause consumers to have more disposable income and therefore increase their purchases of a particular normal good. An increase in the money supply, which has been markedly increased in the last six months, leads to more money in circulation. If consumers are carrying more money, a firm could incorrectly interpret this as an increase in demand for their product. All of these things can cause a short-term increase in sales, which is not accompanied by an increase in demand. Therefore, before an increase in current sales can lead to an increase in output, inventories will need to be depleted and firms will need to confirm that the increase in sales is sustainable. As a result, firms are slow to rehire when demand first increases. Generally firms will increase hours of existing workers before hiring more workers.

Employment in all five Kentucky Labor Intensity Index sectors declined again in April. All of the sectors except transportation equipment declined by less than 100 seasonally adjusted jobs. Transportation equipment employment declined by 1,400 seasonally adjusted jobs, a decline of 3.4 percent. This is strong evidence that labor markets are still adjusting to past and persistent demand declines. Average weekly hours in the chemical products and lumber products sectors each declined in April by less than three-tenths of an hour. Average weekly hours in the petroleum, coal, rubber, and plastic products sector increased by four-tenths of an hour, a 1.0 percent increase over March 2009. Average weekly hours in the fabricated metals and transportation equipment sectors both increased by a marginal amount from March 2009 to April 2009. Average weekly hours in all five sectors have been trending downwards for the last 12 to 18 months. Average weekly hours for the chemical products sector declined on net by 2.7 percent from April 2008 to April 2009. Similarly, average weekly hours for the fabricated metals sector declined on net by 2.6 percent during the same time period. The other three sectors declined by 0.8 to 1.9 percent during that same period. In February and March 2009 average weekly hours fell in four of the five sectors. In April only two sectors declined. Several consistent months of growth will be required to convince firms that incomes are stabilizing and spending is picking up. The Labor Intensity Index has now declined for 17 consecutive months.

The Kentucky Index of Initial Unemployment Insurance Claims increased by 10.4 percent in April. This month-over-month gain breaks a chain of 10 consecutive declines, which started in June of 2008. The index is still down 7.5 percent relative to April 2008. Kentucky first payments declined by 8.2 percent in April over March, but first payments are still almost double what they were in April 2008 (11,498 seasonally adjusted first payments in April 2008 versus 20,019 in April 2009, a 74.1 percent increase). US initial claims decreased by 33,600 seasonally adjusted persons, (a 5.1 percent decline) from March to April 2009. This is the first decline in US initial claims since January 2008. US initial claims have increased by a seasonally adjusted total of 256,400 persons since April 2008, a 69.7 percent increase.

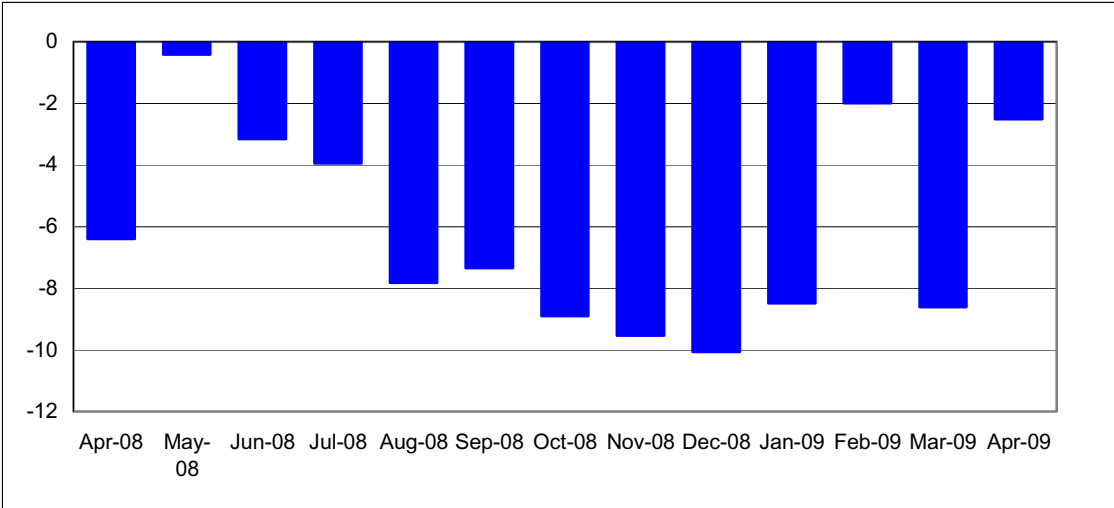
The Louisville Help Wanted Index fell for the second straight month. The index fell by 1 point to 4.0, a new all-time low for the third consecutive month.

The US Manufacturer's New Orders Index increased by 9.3 percent in April. This is the fourth consecutive month in which the index has alternated signs. The index has lost 23.6 points, a 19.2 percent decline, since April 2008. Both components of the new orders index have been trending downwards for over a year. New orders for consumer goods and materials increased by 1.6 percent in April, while new orders for nondefense capital goods declined by 2.8 percent. This was the first time in 10 months that new orders for consumer goods increased. These orders decreased a net 14.5 percent since April 2008. New orders for nondefense capital goods have declined 11 times in the last 13 months. These orders decreased a net 35.3 percent since April 2008. New orders for nondefense capital goods declined by 10.0 percent in both December 2008 and January 2009.

US Retail Sales declined for the second consecutive month, falling 2.8 percent in April. This is the eighth time in ten months that US Retail Sales has declined. US Retail Sales have declined by \$39.8 billion (a 10.5 percent net loss) from the previous peak (November 2007) to April 2009. This is the fourth worst drop in retail sales since World War II. The worst loss in US Retail Sales occurred in the double recessions of 1980-81. Approximately 14 percent of US Retail Sales were lost on net from peak to trough during those two recessions combined. The 1973 recession, considered to be the worst recession since the Great Depression, generated the second worst loss in US Retail Sales with an 11.8 percent decline from peak to trough. The third worst US Retail Sales decline since World War II was during the early 1950s. US Retail Sales declined by 11.4 percent in a very short period of time. This was an unusual loss because the recorded peak date was a one month phenomenon occurring in August of 1950. Extreme deflation occurred during several months of 1950 and 1951. By July 1951, it was as if the increases in sales never occurred and consumption resumed its normal growth path. Clearly prices can have a profound impact on nominal retail sales and thus revenues.

April marks the second consecutive month that the CPI has fallen, with a modest 0.2 percent loss for April. The losses throughout the past year have been almost entirely due to price decreases in the energy items. The CPI excluding energy (SA) increased by 0.2 percent for April. In fact, the CPI excluding energy has increased every month for the last two years. Peak growth occurred in July 2008 when the CPI excluding energy increased by 0.4 percent. The CPI for all goods declined by a net 0.6 percent since April 2008, while the CPI excluding energy increased by a net 2.1 percent during the same period.

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**

	2008												2009			
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR			
KY Leading Index (1992=100)	110.0	110.0	109.7	109.3	108.6	107.9	107.1	106.2	105.2	104.5	104.3	103.5	103.3			
% Chg Previous Month SAAR	-6.4	-0.4	-3.2	-3.9	-7.8	-7.3	-8.9	-9.5	-10.1	-8.5	-2.0	-8.6	-2.5			
% Chg Same Month Last Year	-1.5	-1.7	-1.8	-2.0	-2.4	-3.2	-3.7	-4.7	-5.3	-5.9	-5.8	-6.4	-6.1			
KY Leading Index Diffusion Index	30.0	23.3	23.3	20.0	20.0	13.3	10.0	6.7	3.3	6.7	13.3	13.3	20.0			
KY Coincident Index (1992=100)	132.7	132.6	132.2	132.2	131.9	130.1	130.6	130.1	128.9	127.7	127.0	126.2	125.8			
% Chg Previous Month SAAR	-2.5	-0.3	-3.6	-0.1	-2.8	-14.9	4.4	-4.5	-10.3	-10.4	-7.0	-7.5	-3.6			
% Chg Same Month Last Year	-0.1	-0.2	-0.6	-0.7	-0.9	-2.5	-2.0	-2.6	-3.5	-4.2	-4.7	-5.1	-5.2			
KY Non-farm Employment (000s)	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	1,796.4	1,790.3			
% Chg Previous Month SAAR	-0.2	2.1	-4.8	1.3	-0.5	-8.0	-0.1	-4.3	-8.9	-7.2	-7.4	-3.0	-4.0			
% Chg Same Month Last Year	-0.2	-0.2	-0.8	-0.5	-0.4	-1.3	-1.3	-1.8	-2.6	-3.0	-3.6	-3.5	-3.8			
KY Private Services Employment (000s)	1,182.0	1,182.1	1,178.1	1,183.3	1,182.7	1,176.0	1,177.0	1,171.6	1,166.6	1,169.3	1,166.9	1,165.2	1,165.8			
% Chg Previous Month SAAR	3.2	0.1	-3.9	5.4	-0.7	-6.5	1.0	-5.4	-5.0	2.9	-2.5	-1.7	0.6			
% Chg Same Month Last Year	0.4	0.1	-0.3	0.3	0.2	-0.4	-0.5	-1.1	-1.6	-1.2	-1.4	-1.2	-1.4			
KY Mfg Employment (000s)	249.3	250.0	246.7	245.7	243.5	240.4	239.9	237.7	230.6	220.5	217.3	215.1	211.6			
% Chg Previous Month SAAR	-10.0	3.4	-14.7	-4.8	-10.2	-14.3	-2.5	-10.5	-30.5	-41.6	-16.1	-11.5	-17.9			
% Chg Same Month Last Year	-3.2	-2.7	-4.4	-4.1	-3.6	-5.9	-5.1	-6.6	-8.8	-12.6	-13.9	-14.5	-15.1			
KY Unemployment Rate (%)	6.1	6.2	6.4	6.5	6.7	6.9	6.9	7.2	7.6	8.8	9.3	9.8	9.8			
KY Index of Initial UI Claims (1992=100)	100.9	101.2	100.1	99.9	99.1	97.9	96.7	96.2	94.8	94.5	92.9	92.6	93.3			
% Chg Previous Month SAAR	-6.0	3.6	-12.4	-2.1	-9.2	-13.3	-13.8	-6.7	-15.7	-3.6	-18.4	-4.6	10.4			
% Chg Same Month Last Year	-2.2	-2.5	-3.4	-3.6	-4.0	-5.7	-4.8	-6.5	-7.1	-8.0	-9.4	-8.7	-7.5			
KY Labor Intensity Index (1992=100)	103.8	103.8	103.5	103.4	103.1	102.7	102.5	102.2	101.7	101.2	101.2	100.7	100.5			
% Chg Previous Month SAAR	-2.9	-0.2	-3.4	-1.6	-2.8	-5.2	-1.3	-3.4	-6.0	-5.3	-0.8	-6.0	-1.7			
% Chg Same Month Last Year	-0.8	-0.9	-1.2	-1.2	-1.3	-1.8	-1.8	-2.2	-2.5	-2.9	-2.9	-3.3	-3.2			
Louisville HWI (1992=100)	15.0	15.0	15.0	13.0	11.0	11.0	10.0	8.0	9.0	6.0	6.0	5.0	4.0			
% Chg Previous Month SAAR	-96.8	0.0	0.0	-82.0	-86.5	0.0	-68.1	-93.1	311.0	-99.2	0.0	-88.8	-93.1			
% Chg Same Month Last Year	-48.3	-50.0	-46.4	-43.5	-50.0	-52.2	-56.5	-57.9	-55.0	-68.4	-66.7	-75.0	-73.3			
GF Total Tax Receipts (\$ mill)	922.7	610.3	813.5	619.9	614.5	786.1	658.3	674.7	822.2	693.7	503.5	613.1	804.5			
% Chg Same Month Last Year	37.3	-22.2	3.2	1.9	8.5	-4.4	3.0	8.0	0.0	-4.2	-10.8	0.4	-12.8			
GF Sales & Use Receipts (\$ mill)	232.4	238.4	249.0	266.1	251.7	233.6	252.5	216.9	246.9	284.3	193.2	213.9	234.9			
% Chg Same Month Last Year	14.8	-12.0	2.5	6.0	4.1	-0.8	2.4	-8.1	5.0	-4.2	-6.0	2.1	1.1			
GF Income Tax Receipts (\$ mill)	544.3	261.6	355.3	262.2	270.9	343.6	286.9	269.3	303.4	236.0	212.1	167.4	415.3			
% Chg Same Month Last Year	92.1	-22.6	22.9	5.2	12.6	3.2	8.0	13.7	2.7	-13.5	-9.7	-13.5	-23.7			

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

	2009												
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR
US Leading Index (2004=100)	102.1	102.0	102.1	101.4	100.6	100.6	99.6	99.0	98.9	98.6	98.2	97.9	99.0
% Chg Previous Month SAAR	1.2	-1.2	1.2	-7.9	-9.1	0.0	-11.3	-7.0	-1.2	-3.6	-4.8	-3.6	14.3
% Chg Same Month Last Year	-1.9	-2.2	-1.9	-3.2	-3.2	-3.2	-3.8	-4.0	-4.0	-3.8	-3.9	-4.0	-3.0
US Coincident Index (1996=100)	106.7	106.5	106.4	106.2	105.8	104.6	104.8	104.1	103.4	102.5	101.9	101.2	100.9
% Chg Previous Month SAAR	0.0	-2.2	-1.1	-2.2	-4.4	-12.8	2.3	-7.7	-7.8	-10.0	-6.8	-7.9	-3.5
% Chg Same Month Last Year	0.3	0.0	-0.2	-0.7	-1.1	-2.3	-2.2	-2.9	-3.5	-4.2	-4.6	-5.2	-5.4
US Non-farm Employment (Mil.)	137.7	137.5	137.4	137.2	137.1	136.7	136.4	135.8	135.1	134.3	133.7	133.0	132.5
% Chg Previous Month SAAR	-1.4	-1.2	-1.4	-1.1	-1.5	-2.8	-3.3	-5.1	-5.9	-6.4	-5.9	-5.7	-4.5
% Chg Same Month Last Year	0.2	-0.1	-0.2	-0.3	-0.4	-0.7	-1.1	-1.6	-2.2	-2.7	-3.1	-3.5	-3.7
US Service-Providing Employment (Mil.)	116.0	115.9	115.8	115.8	115.7	115.5	115.3	114.9	114.5	114.2	113.8	113.5	113.3
% Chg Previous Month SAAR	-0.4	-0.7	-0.6	-0.5	-1.0	-2.2	-2.0	-3.6	-4.1	-3.5	-4.0	-3.5	-2.4
% Chg Same Month Last Year	0.8	0.5	0.4	0.4	0.3	-0.1	-0.4	-0.9	-1.3	-1.6	-1.9	-2.2	-2.3
US Manufacturing Employment (000s)	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	12,468.0	12,296.0	12,142.0
% Chg Previous Month SAAR	-4.9	-2.6	-4.4	-4.4	-5.8	-5.7	-10.2	-10.5	-15.3	-21.8	-15.2	-15.4	-14.0
% Chg Same Month Last Year	-2.5	-2.6	-2.8	-3.0	-3.2	-3.4	-4.1	-5.1	-6.4	-8.0	-8.9	-9.9	-10.6
US Unemployment Rate (%)	5.0	5.5	5.6	5.8	6.2	6.2	6.6	6.8	7.2	7.6	8.1	8.5	8.9
US Manufacturer's New Orders Index (1992=100)	123.4	121.9	122.4	122.3	116.7	114.9	111.6	108.2	103.7	99.9	100.7	99.0	99.8
% Chg Previous Month SAAR	-16.8	-13.7	4.5	-1.1	-43.1	-16.5	-29.6	-31.0	-39.6	-36.1	9.8	-18.4	9.3
% Chg Same Month Last Year	-7.0	-6.7	-6.5	-9.1	-10.4	-11.2	-14.0	-16.4	-20.5	-21.2	-19.9	-21.0	-19.2
US Initial Claims for UI (000s)	368.0	374.3	393.7	422.9	440.4	470.4	480.1	519.7	544.0	580.9	636.8	658.0	624.4
% Chg Previous Month SAAR	0.7	22.6	83.4	136.0	62.7	120.5	27.8	158.9	73.0	119.8	201.2	48.1	-46.7
% Chg Same Month Last Year	14.1	20.0	22.6	35.0	35.3	49.0	45.4	54.7	59.3	72.6	85.7	78.9	69.7
US Industrial Production Index (1992=100)	111.0	110.7	110.4	110.4	109.2	104.8	106.2	104.8	102.4	100.2	99.4	97.6	96.9
% Chg Previous Month SAAR	-6.7	-3.4	-2.5	-0.8	-12.5	-38.4	16.3	-14.7	-24.2	-22.8	-8.9	-19.6	-8.0
% Chg Same Month Last Year	0.0	-0.4	-0.7	-1.0	-2.2	-6.4	-4.7	-6.5	-8.9	-10.8	-11.3	-12.6	-12.7
US Personal Income Less Trans. (Bil. 2000 chnd)	8,435.2	8,420.8	8,384.1	8,365.4	8,386.4	8,355.9	8,381.1	8,426.7	8,424.6	8,368.4	8,304.4	8,257.6	8,262.4
% Chg Previous Month SAAR	-4.2	-2.0	-5.1	-2.6	3.1	-4.3	3.7	6.7	-0.3	-7.7	-8.8	-6.6	0.7
% Chg Same Month Last Year	0.1	0.0	-0.6	-1.1	-1.2	-1.7	-1.5	-0.8	-0.8	-1.2	-1.9	-2.5	-2.0
CPI, All Urban (1982-84=100)	214.0	215.0	217.0	218.6	218.6	218.7	216.9	213.3	211.6	212.2	213.0	212.7	212.7
% Chg Previous Month SAAR	1.9	6.0	11.7	9.1	-0.2	0.5	-9.4	-18.3	-9.1	3.4	4.8	-1.6	-0.2
% Chg Same Month Last Year	3.9	4.0	4.8	5.4	5.3	4.9	3.7	1.0	-0.1	-0.2	0.1	-0.4	-0.6
US Retail Sales (\$Billions)	376.0	375.9	376.7	373.9	372.2	366.6	355.0	347.7	336.4	342.0	343.4	339.2	338.4
% Chg Previous Month SAAR	3.8	-0.3	2.4	-8.5	-5.3	-16.7	-31.8	-22.1	-32.7	21.8	5.1	-13.8	-2.8
% Chg Same Month Last Year	2.8	1.6	2.9	1.7	1.1	-1.5	-5.0	-8.4	-10.6	-9.1	-8.0	-9.5	-10.0
US Consumer Expectations (1966=100)	53.3	51.1	49.2	53.5	57.9	67.2	57.0	53.9	54.0	57.8	50.5	53.5	63.1
% Chg Previous Month AR	-76.3	-39.7	-36.5	173.3	158.2	497.4	-86.1	-48.9	2.2	126.2	-80.2	99.9	624.6
% Chg Same Month Last Year	-29.8	-34.1	-34.1	-34.4	-21.4	-9.3	-18.7	-18.6	-17.7	-15.1	-19.1	-11.0	18.4
Ave. Prime Interest Rate (% NSA)	5.24	5.00	5.00	5.00	5.00	5.00	4.56	4.00	3.61	3.25	3.25	3.25	3.25