

Kentucky's Economic Recovery

Interim Joint Committee on Appropriations and Revenues

August 4, 2021

Michael W. Clark, Ph.D.

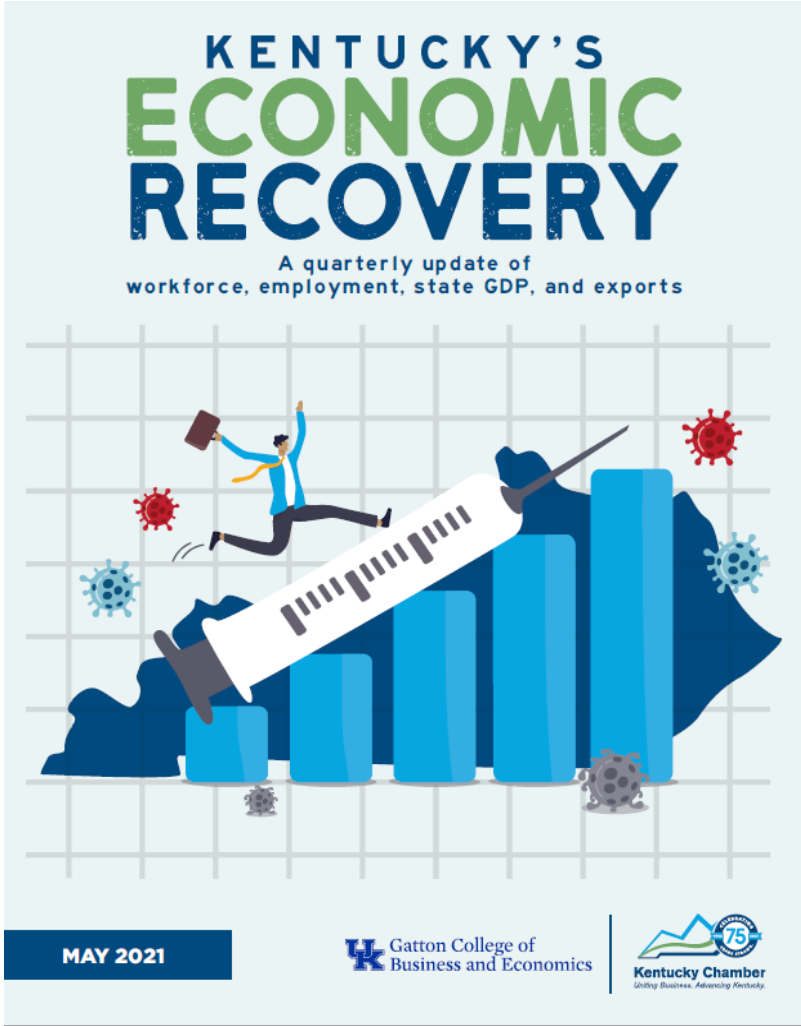
Associate Professor of Economics

Director, Center for Business and Economic Research

michael.clark@uky.edu



UK's Center for Business and Economic Research

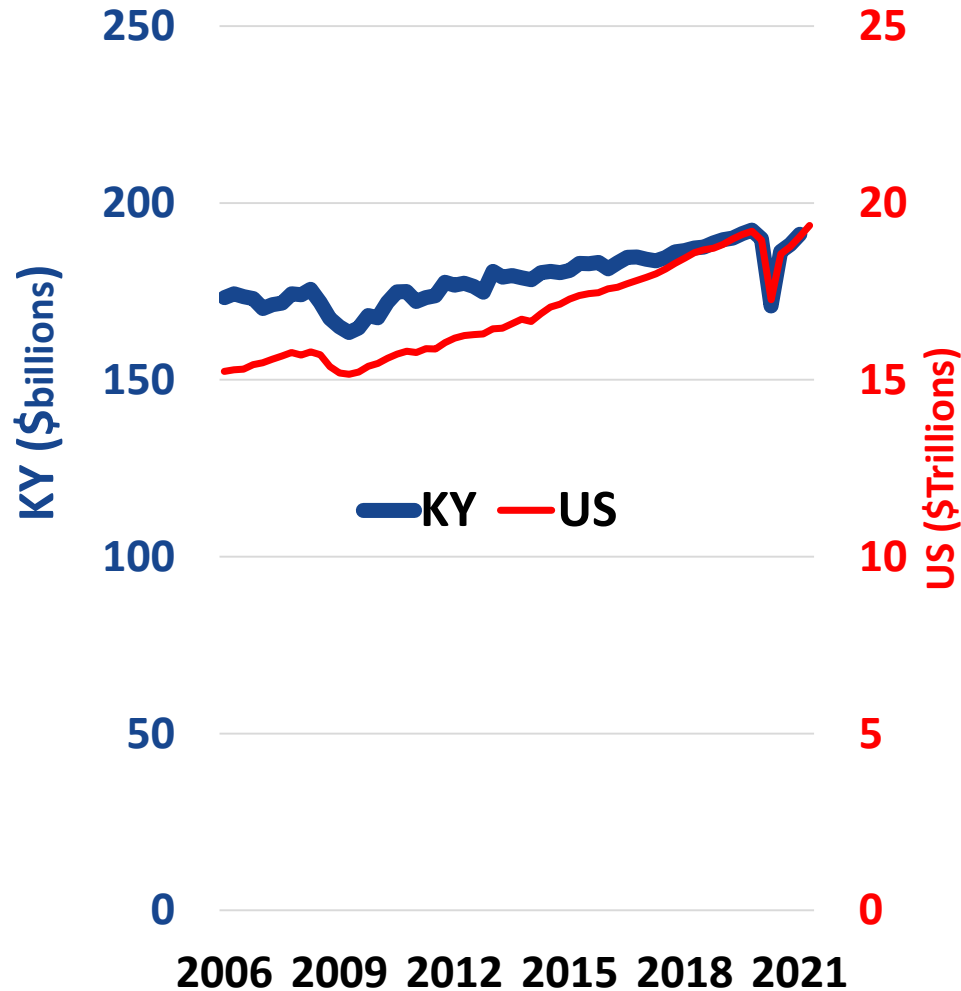


Overview

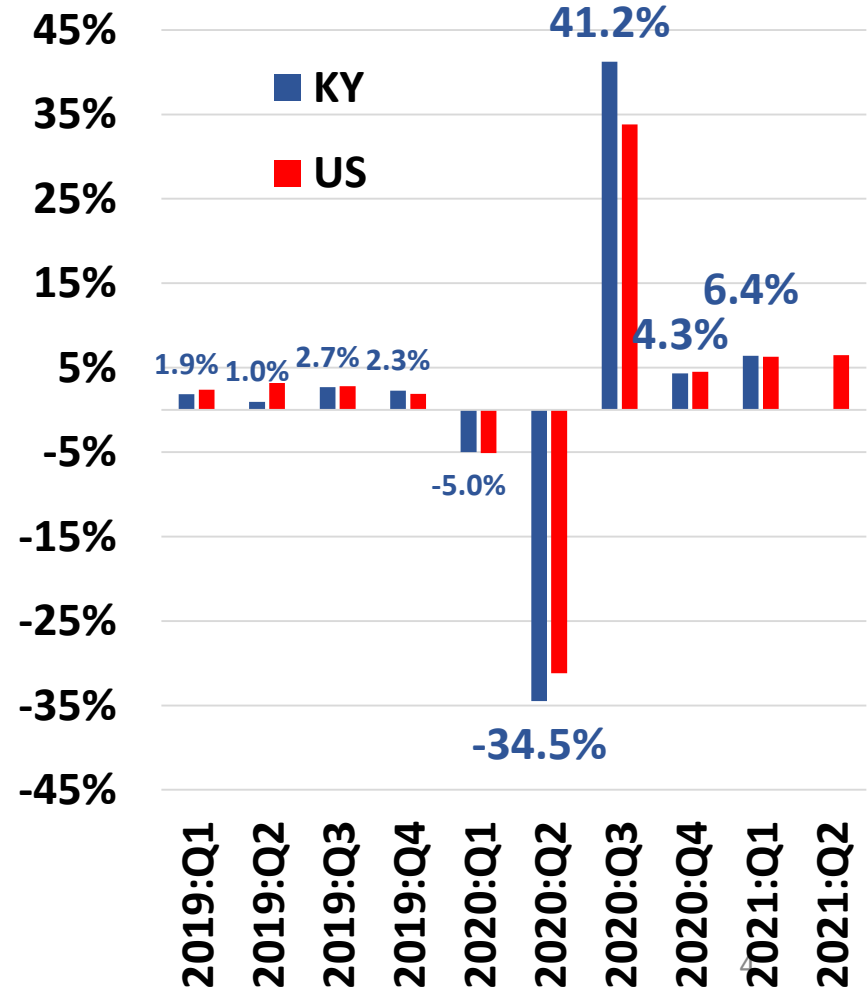
- Economic output continues to improve
- Employment has rebounded but remains below pre-pandemic levels
- Recovery is uneven across sectors
- Employers are hiring but labor force participation remains low
- Inflation has increased

Real Gross Domestic Product Kentucky & U.S.

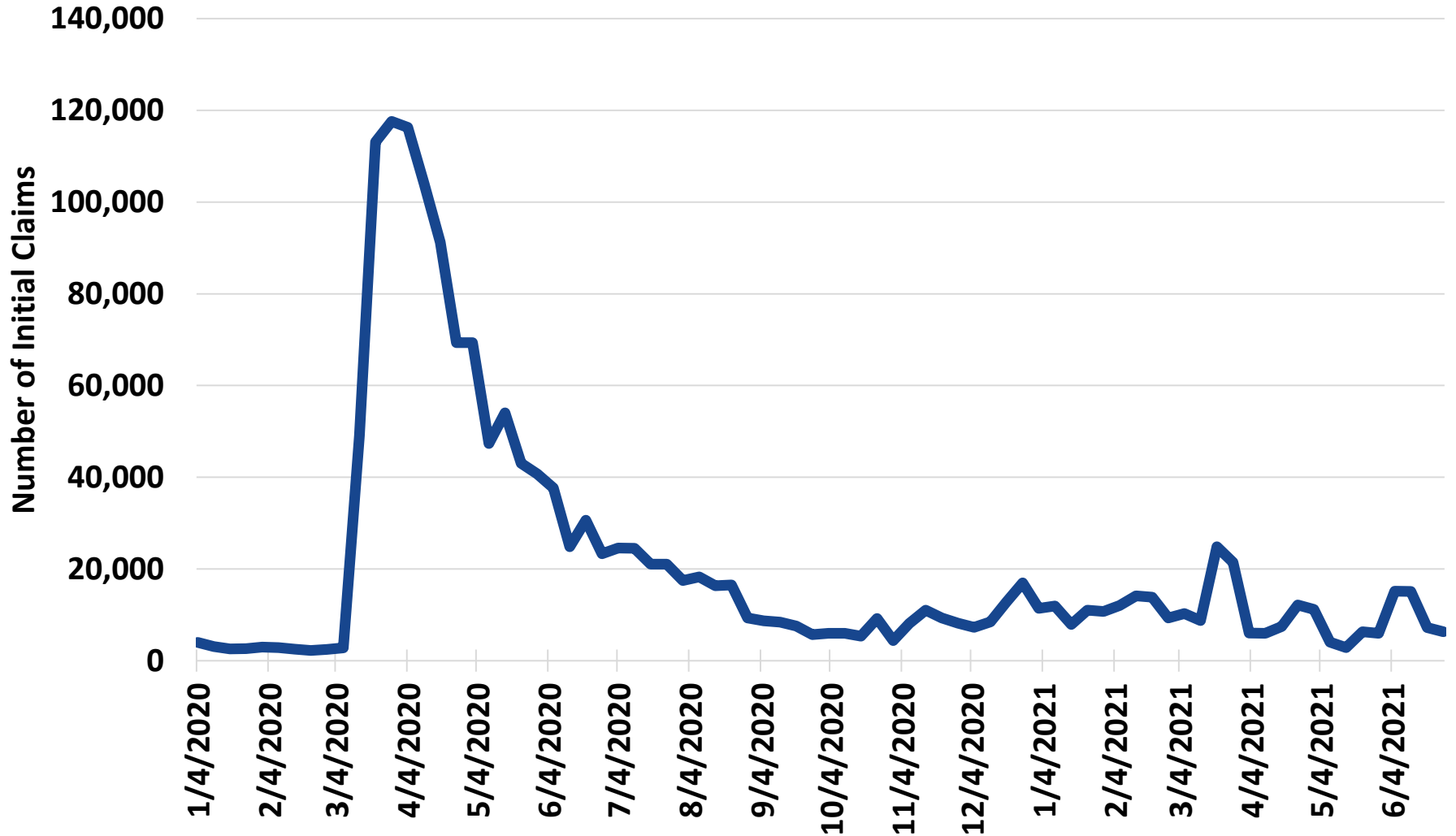
GDP



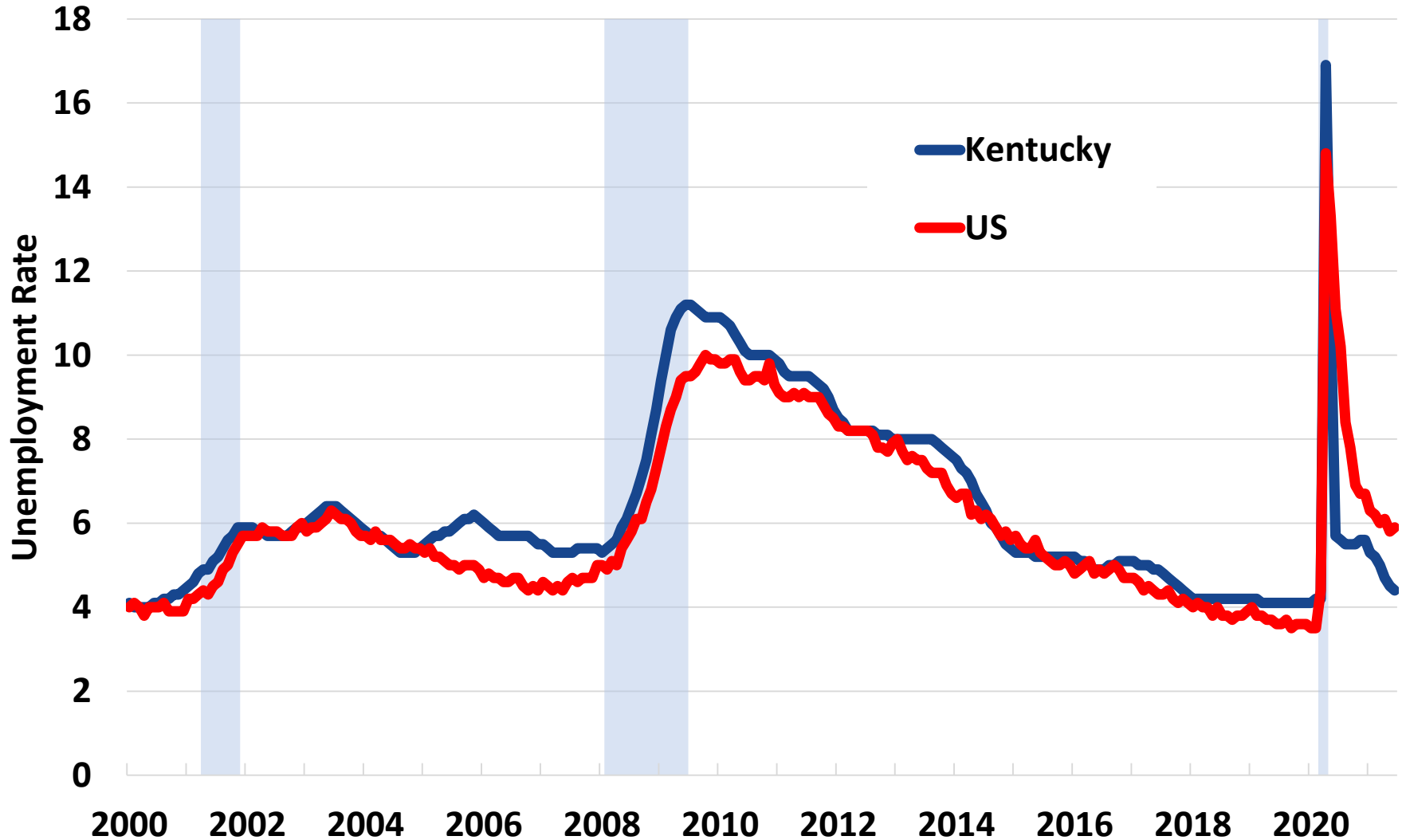
Percent Change from Previous Quarter (Annual Rates)



Unemployment Insurance Initial Claims Kentucky

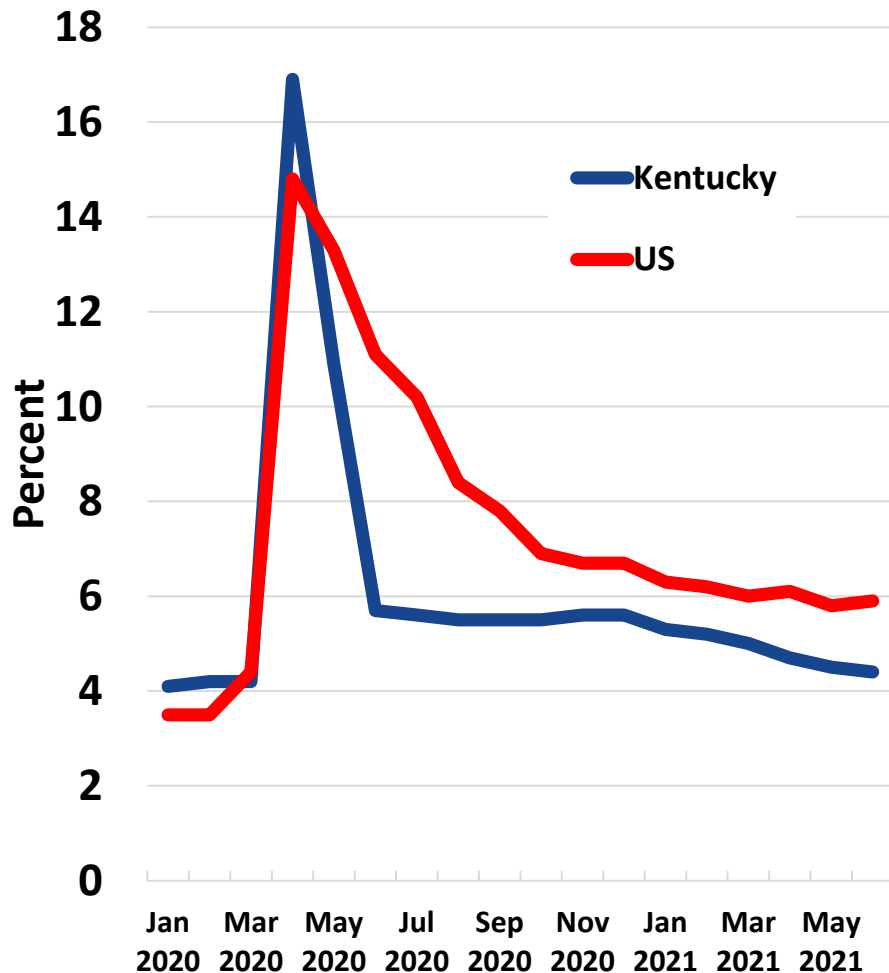


Unemployment Rates Kentucky & U.S.



Unemployment Rates Kentucky & U.S.

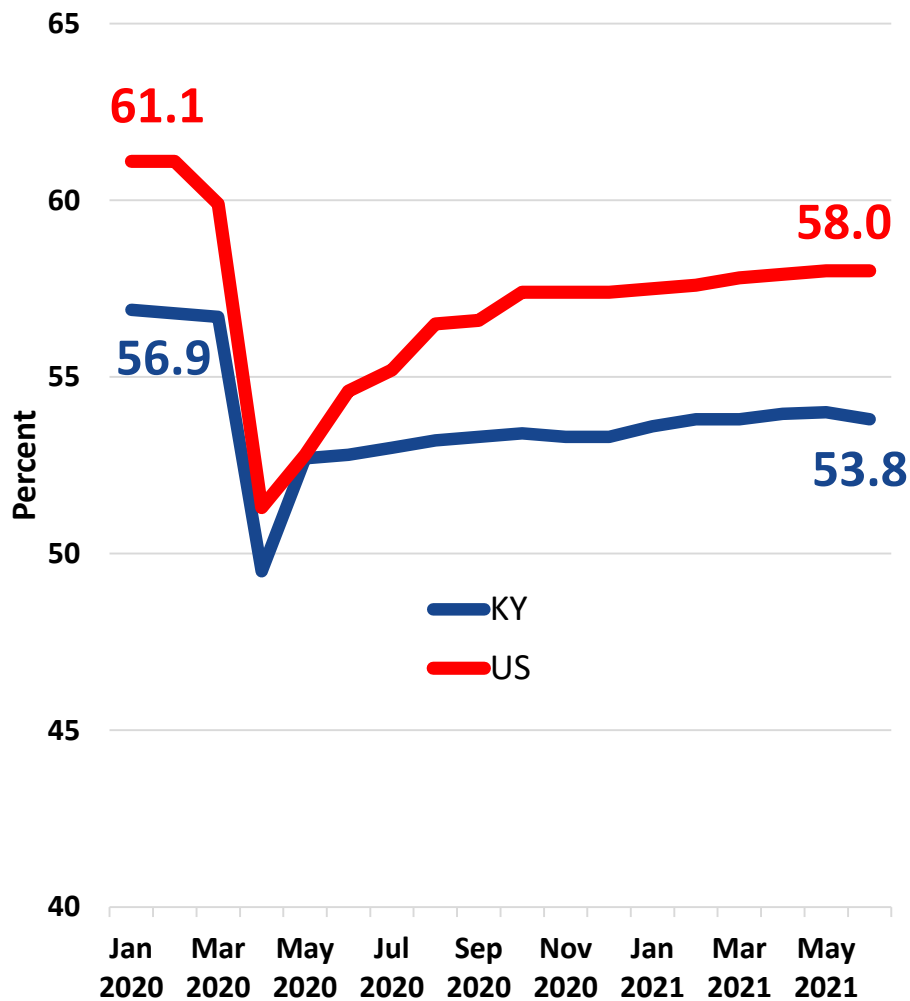
Unemployment Rate



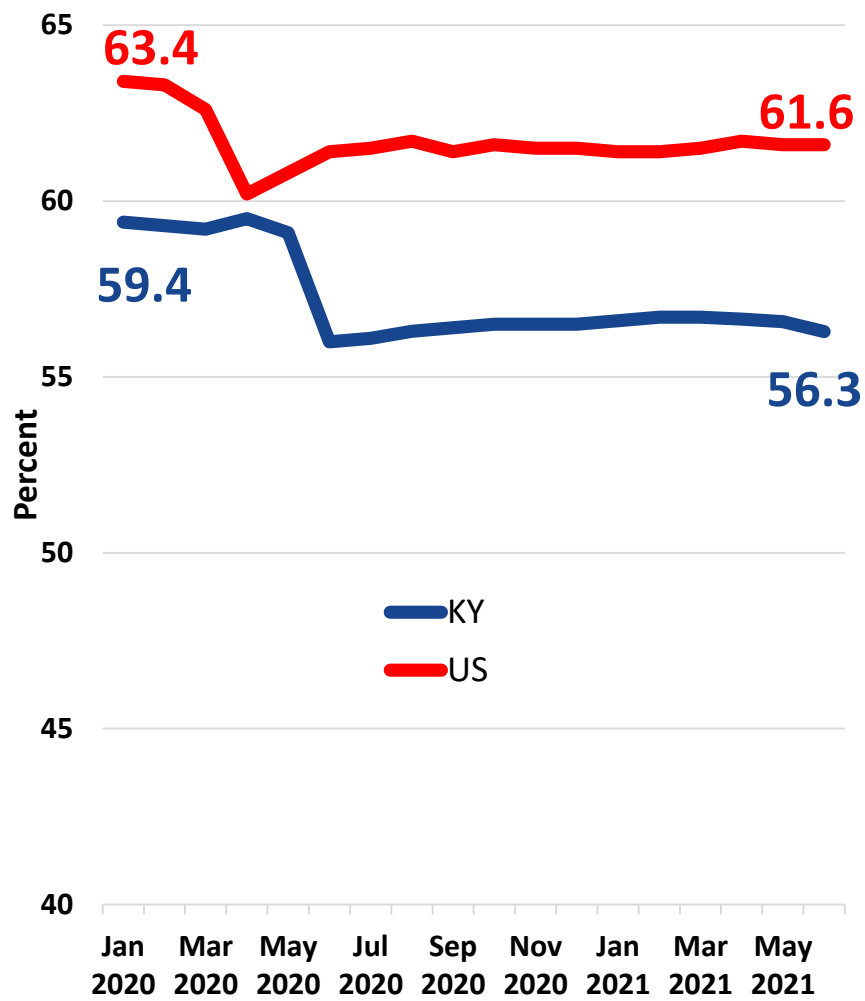
- **Employed:** Individuals who worked for pay
- **Unemployed:** Those who did not work for pay but *searched* for work during the past 4 weeks
- **Not in Labor Force:** People who are not employed and *not searching* for work
- **Unemployment Rate =**
$$\frac{\text{Unemployed}}{\text{Employed} + \text{Unemployed}}$$

Labor Force Statistics Kentucky & U.S.

Employment to Population Ratio



Labor Force Participation Rate

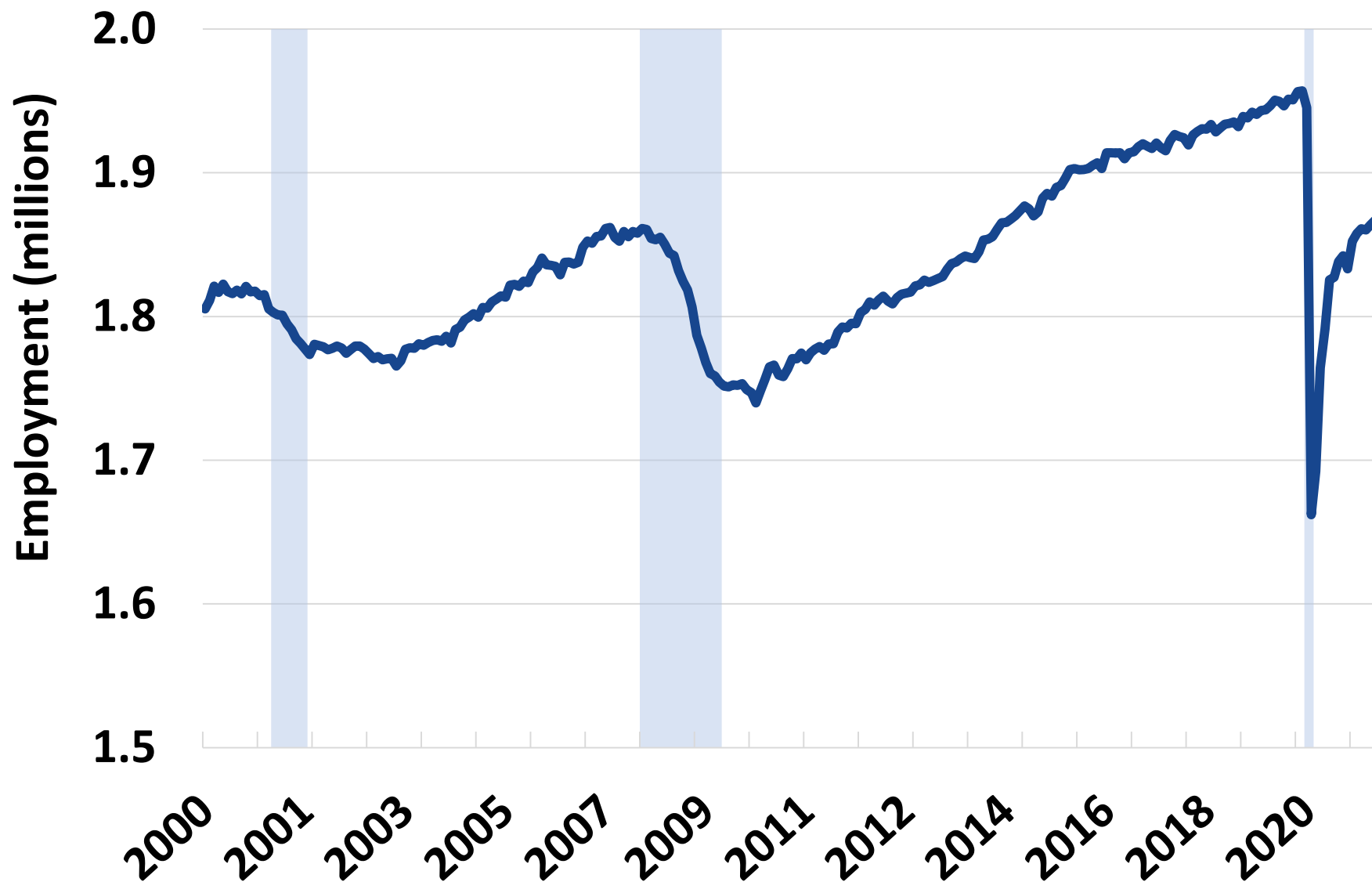


Some Factors Affecting Labor Force

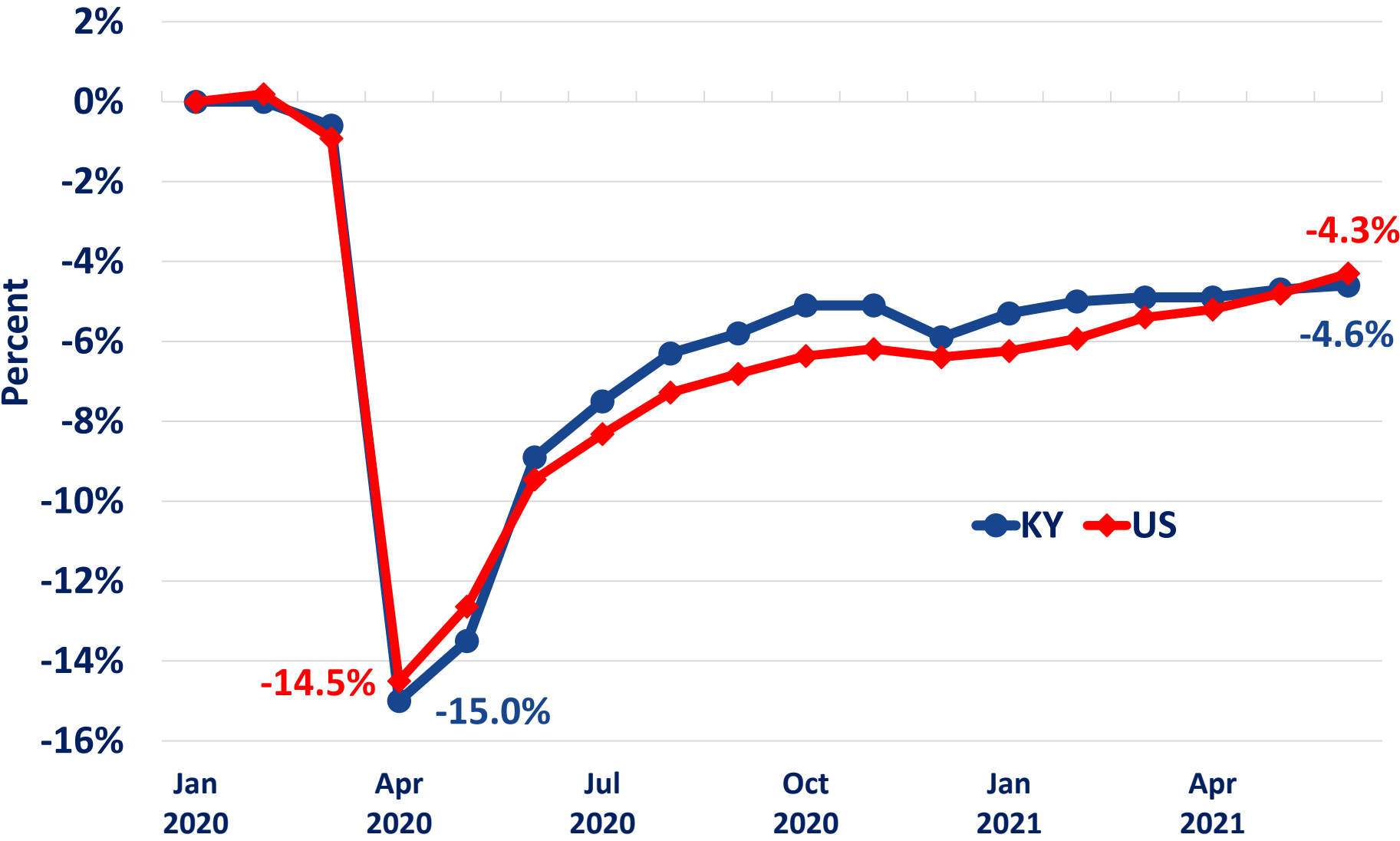
- **Health Concerns**
- **Access to Childcare**
- **Increased Retirements**
- **Skills & Geographic Mismatch**
- **Enhanced Unemployment Benefits**

Not clear how much each factor contributes to lower labor force participation.

Kentucky's Nonfarm Employment (Jobs)

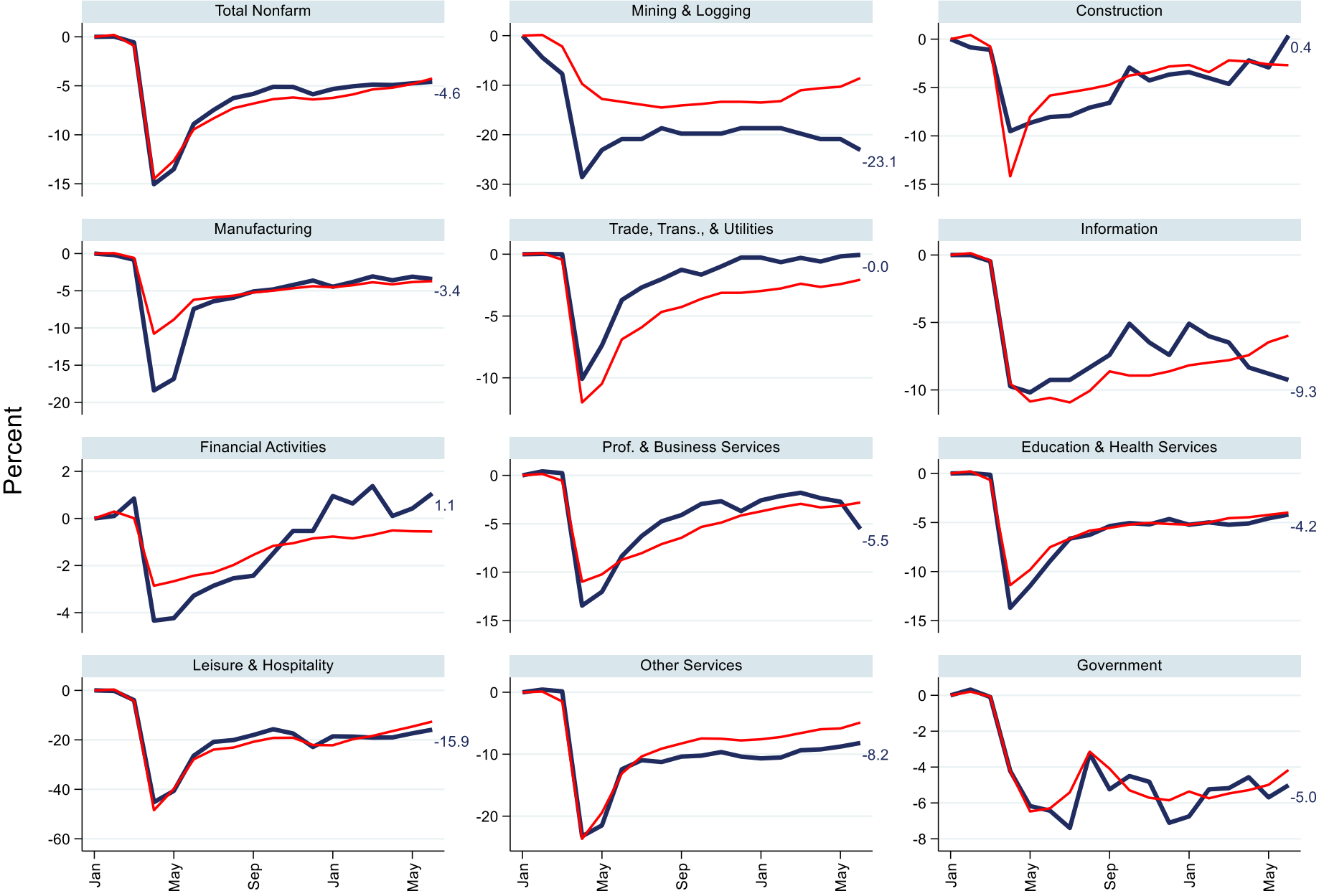


Total Nonfarm Employment, Percent Change from January 2020 Kentucky & US



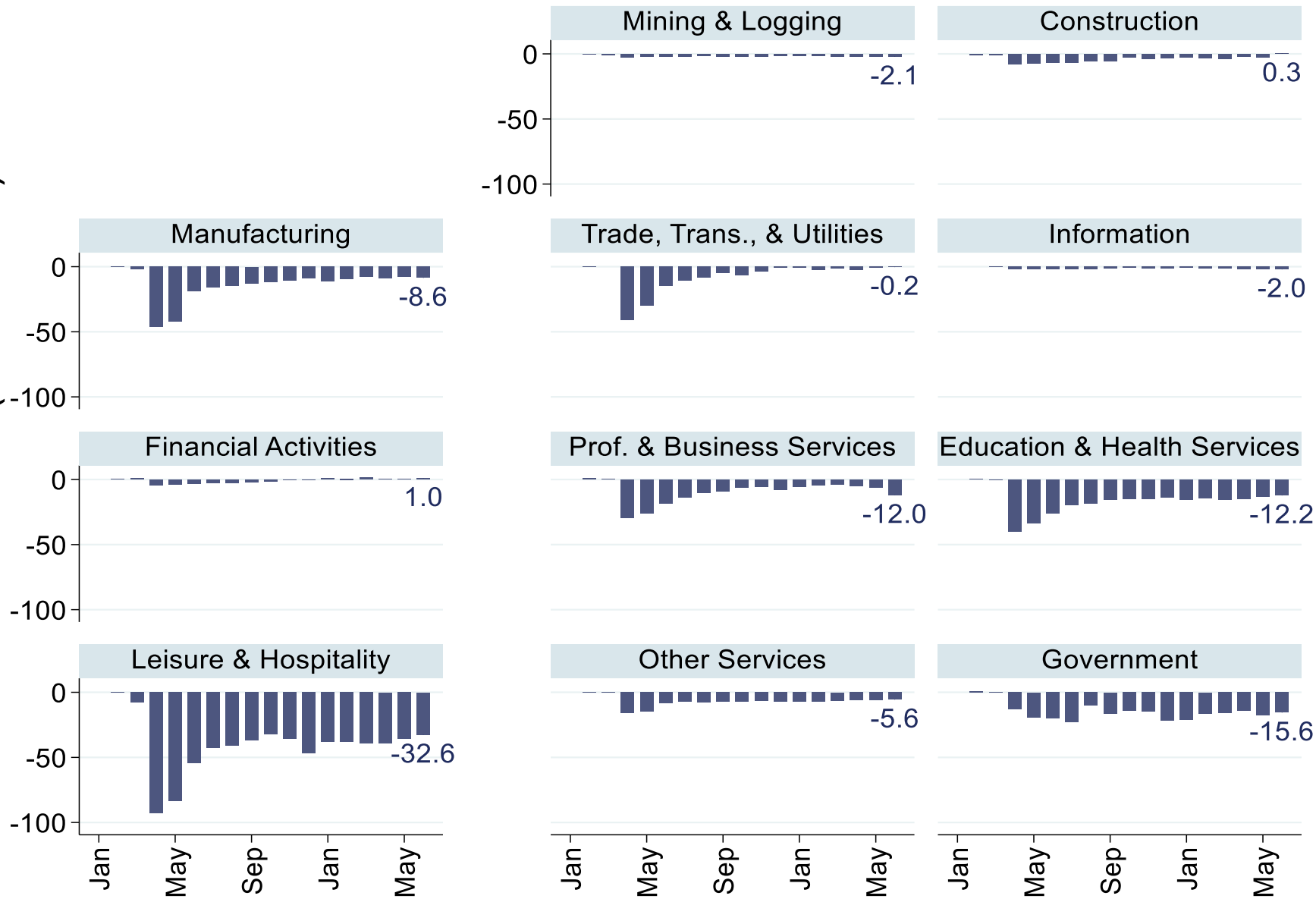
Source: US Bureau of Labor Statistics. Current Employment Statistics. Seasonally Adjusted.

Kentucky Percent Change in Employment Since January 2020

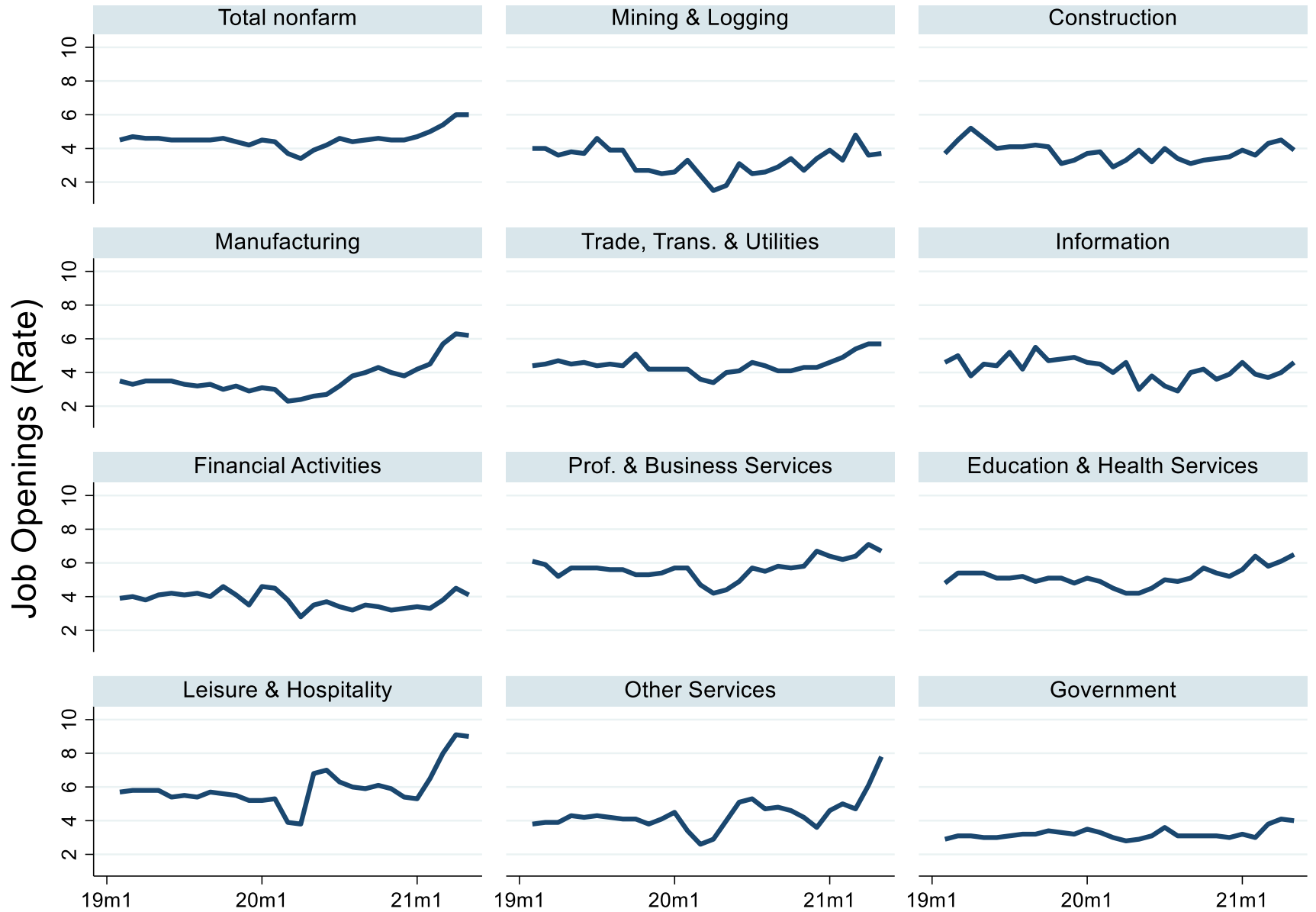


Kentucky Change in Employment Since January 2020

Number of Jobs (thousands)



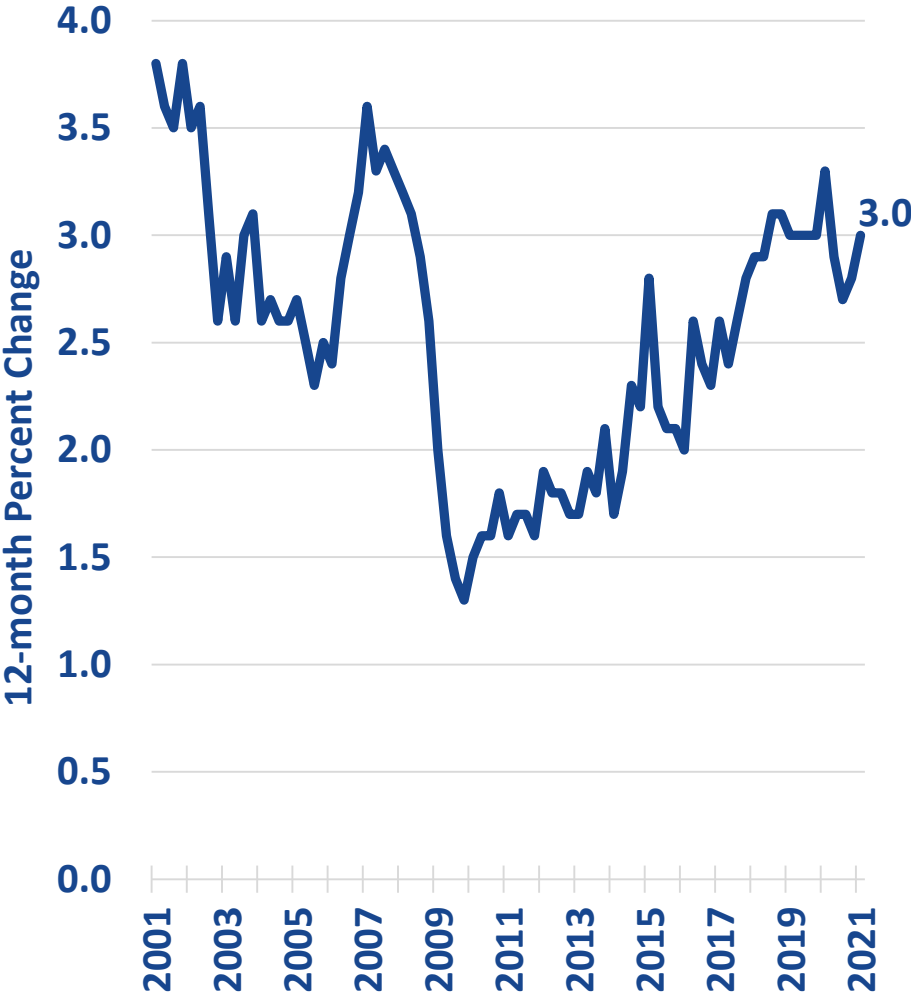
US Job Openings



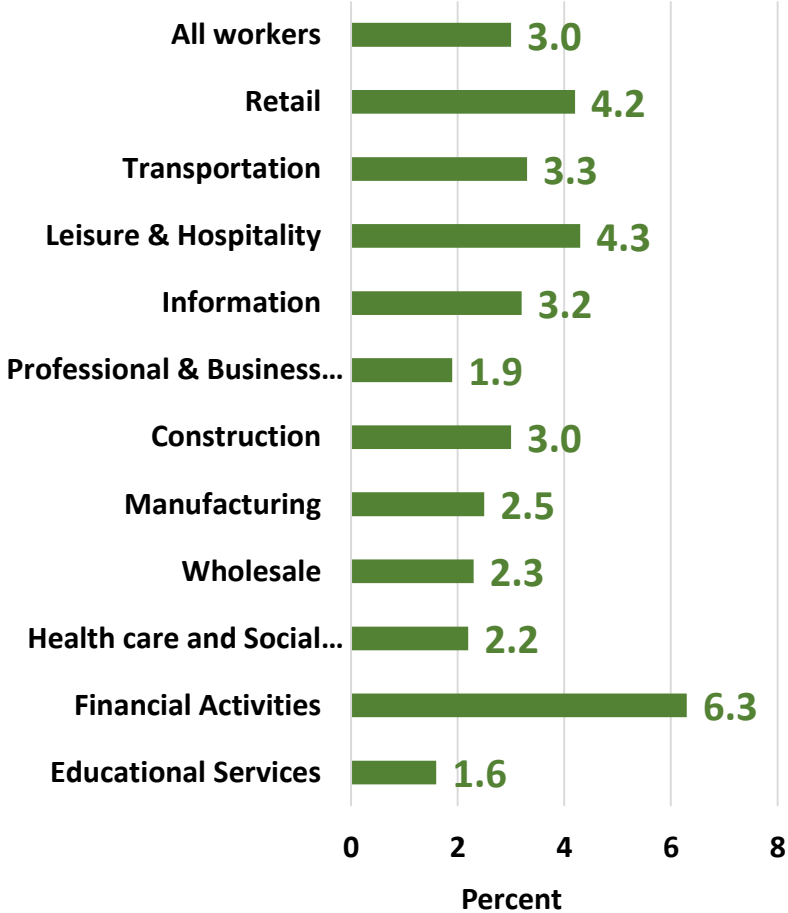
U.S. Employment Cost Index

Wages and Salaries

All Private Industry Workers



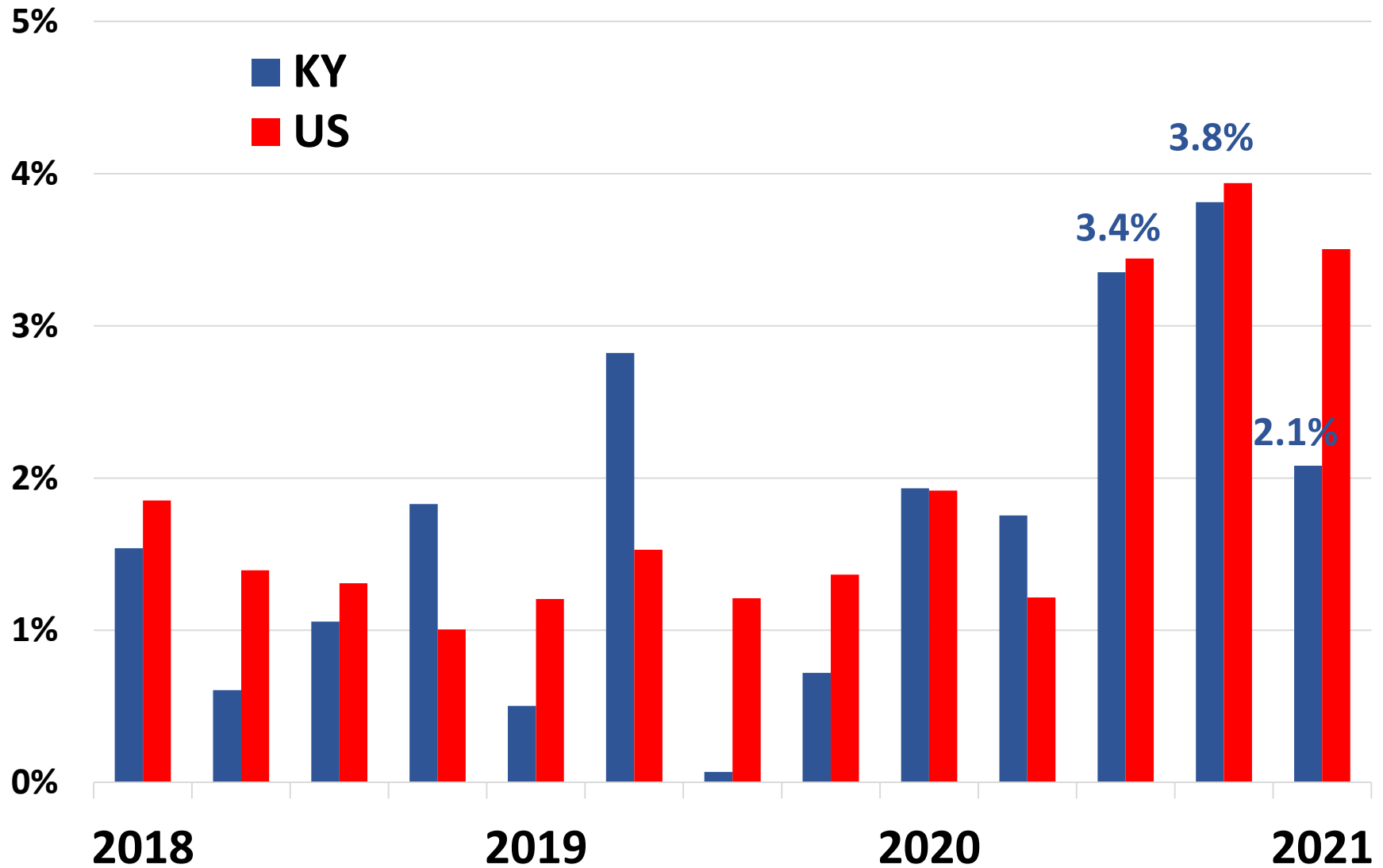
1st Quarter 2021
12-month % Change



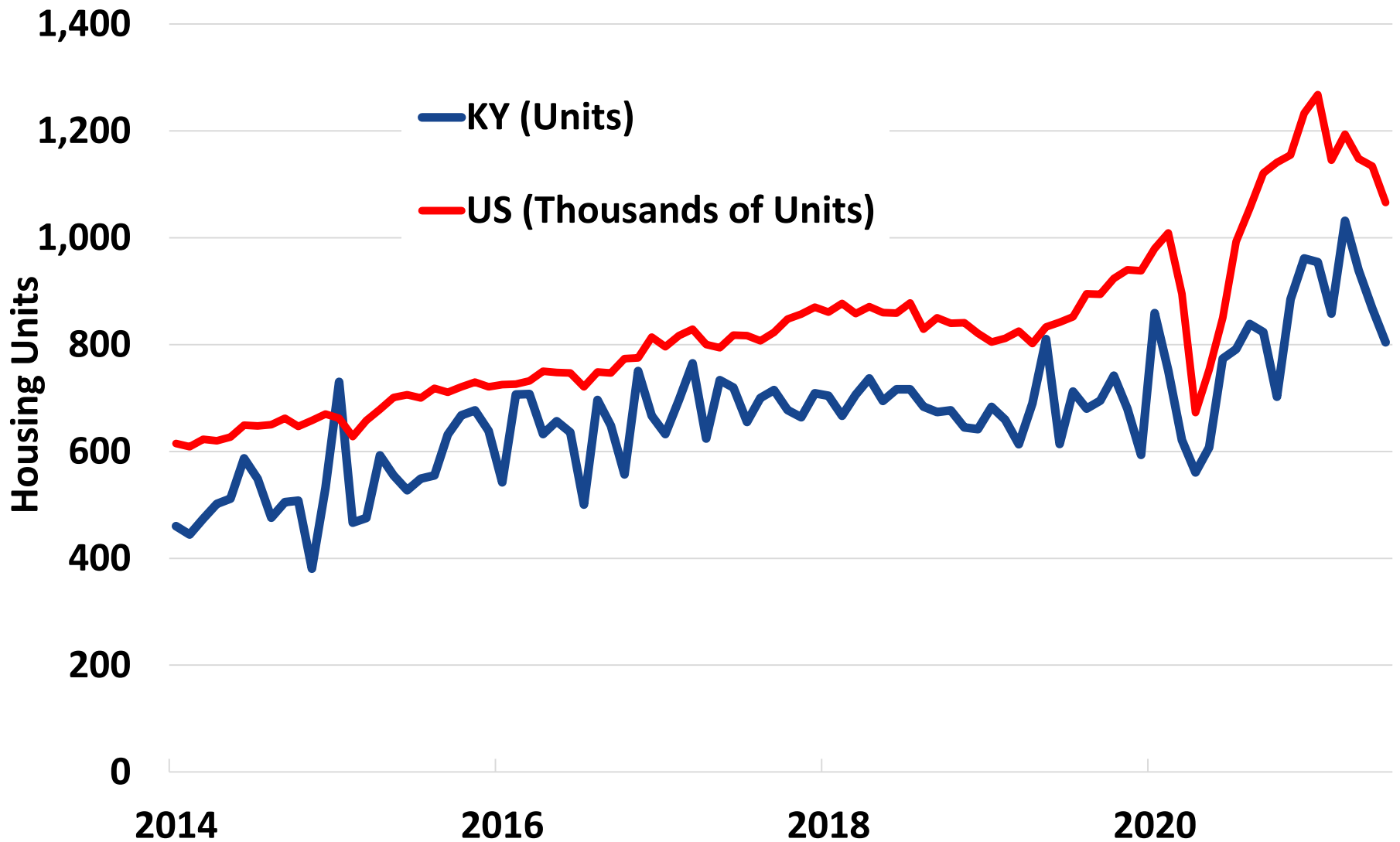
Source: US Bureau of Labor Statistics.

Housing Price Index

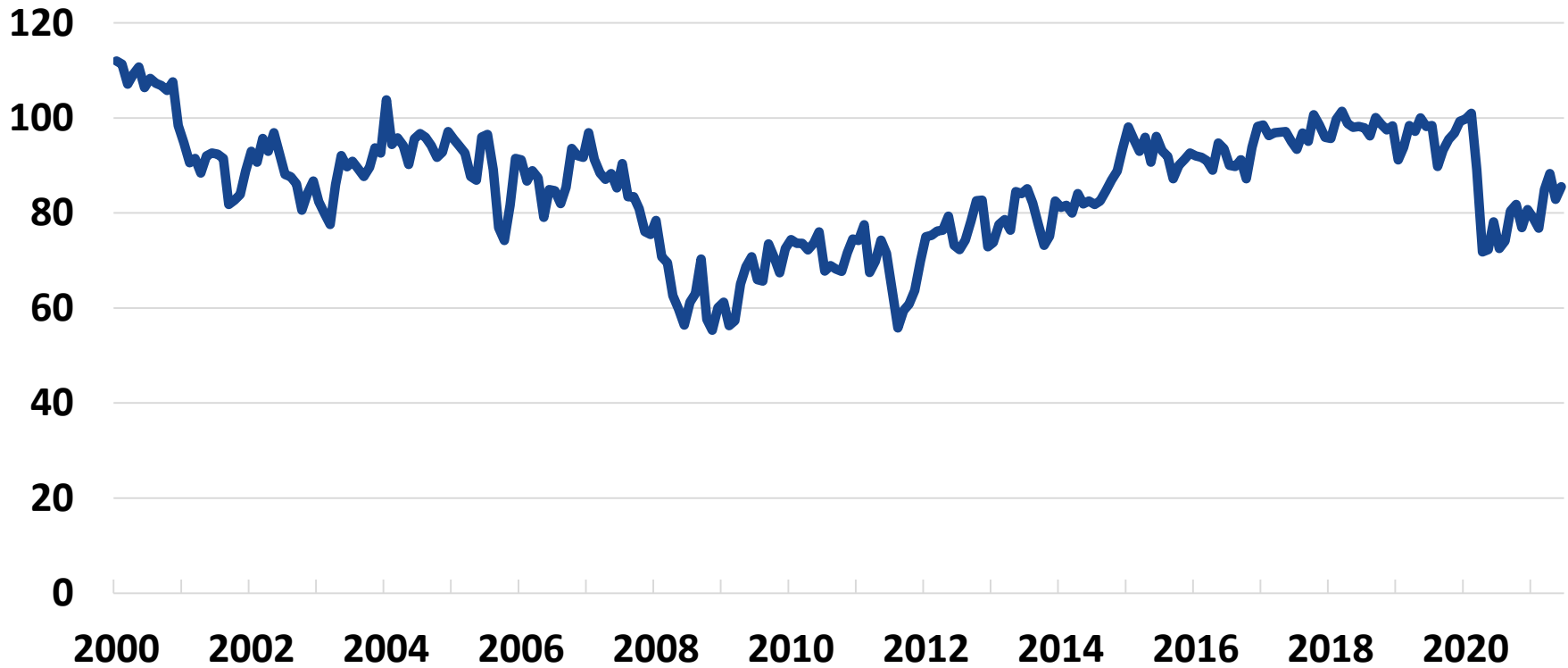
Percent Change from Prior Quarter



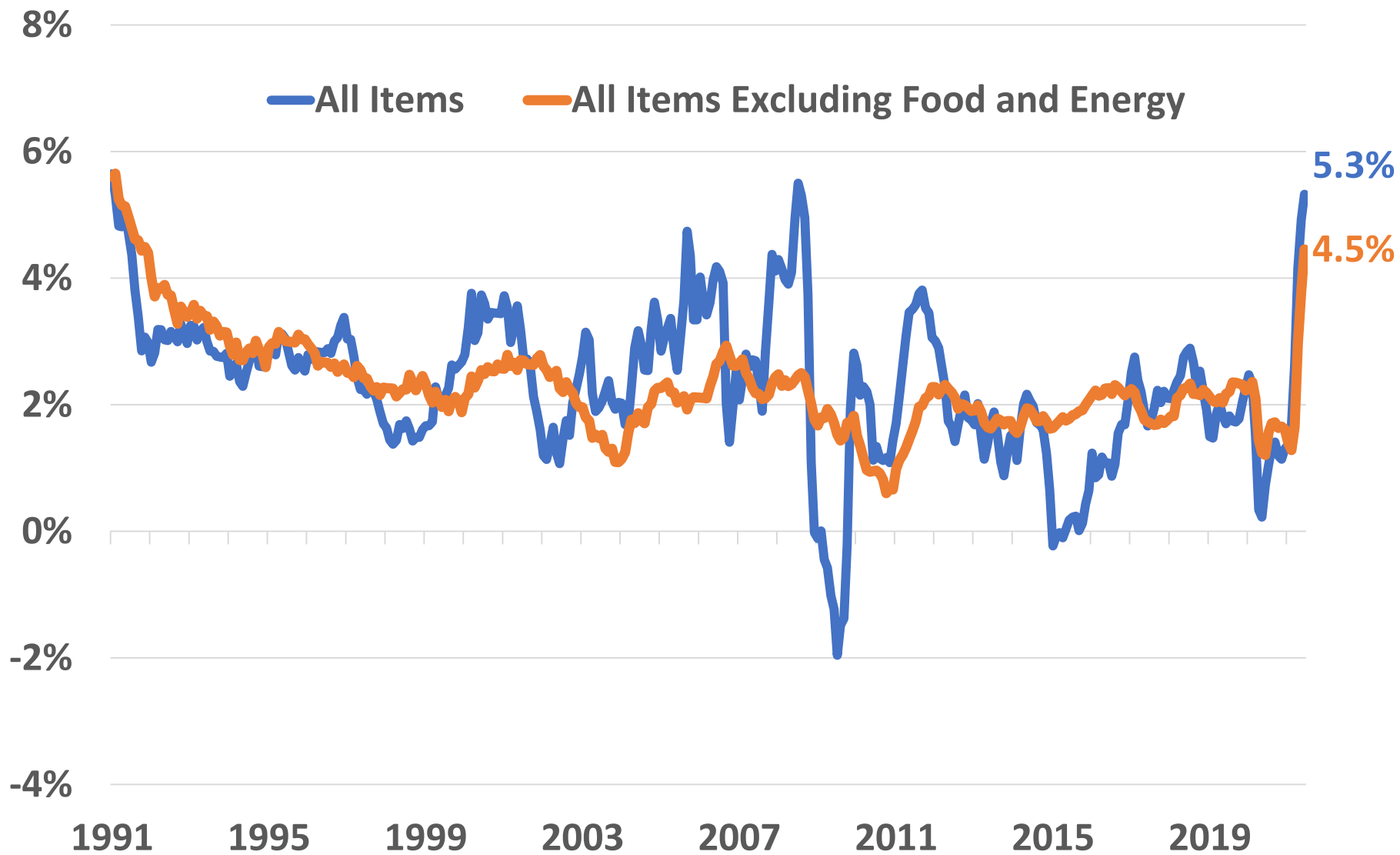
New Housing Units Authorized by Building Permits (Single Units)



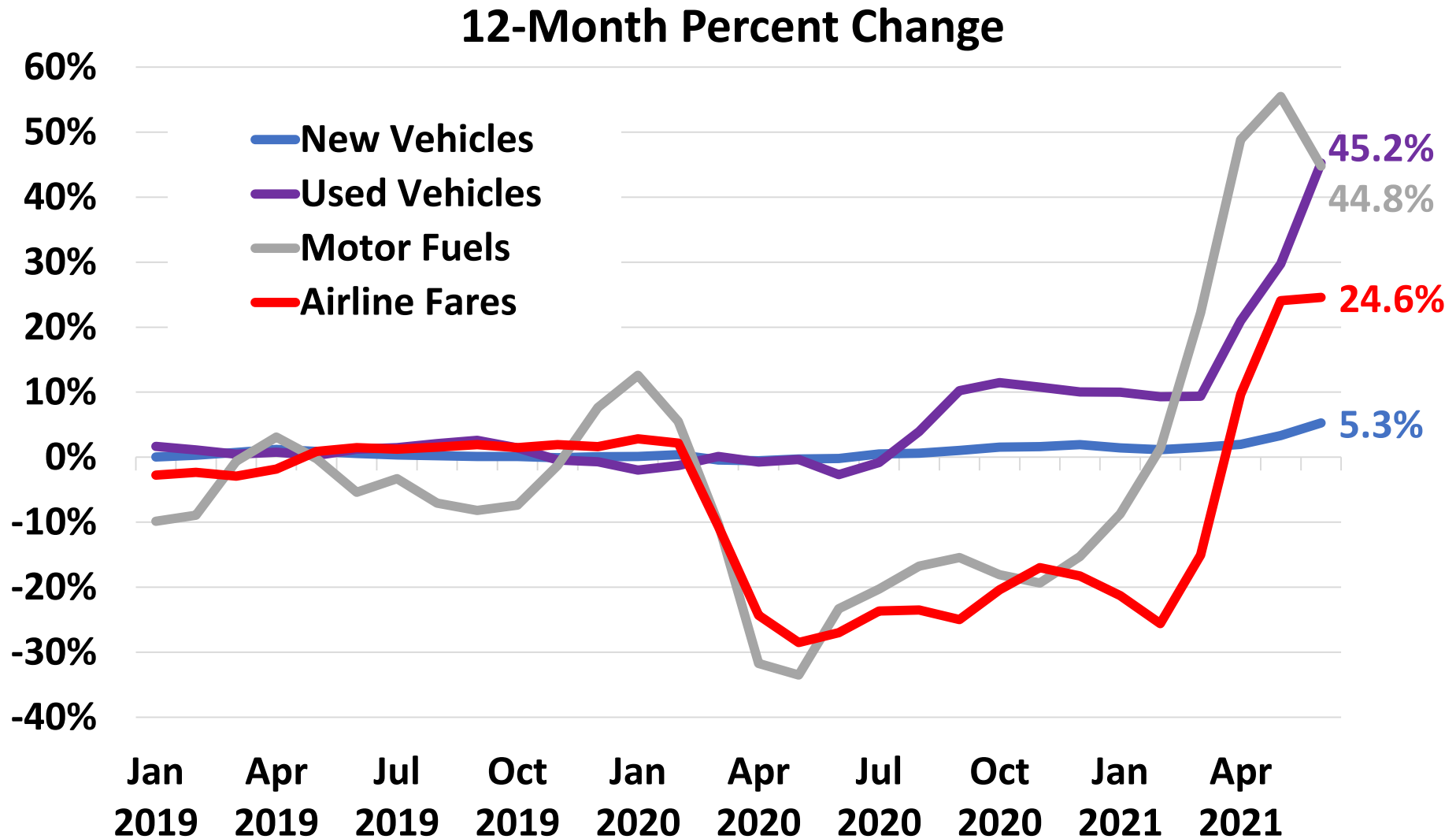
Consumer Sentiment (1996=100)



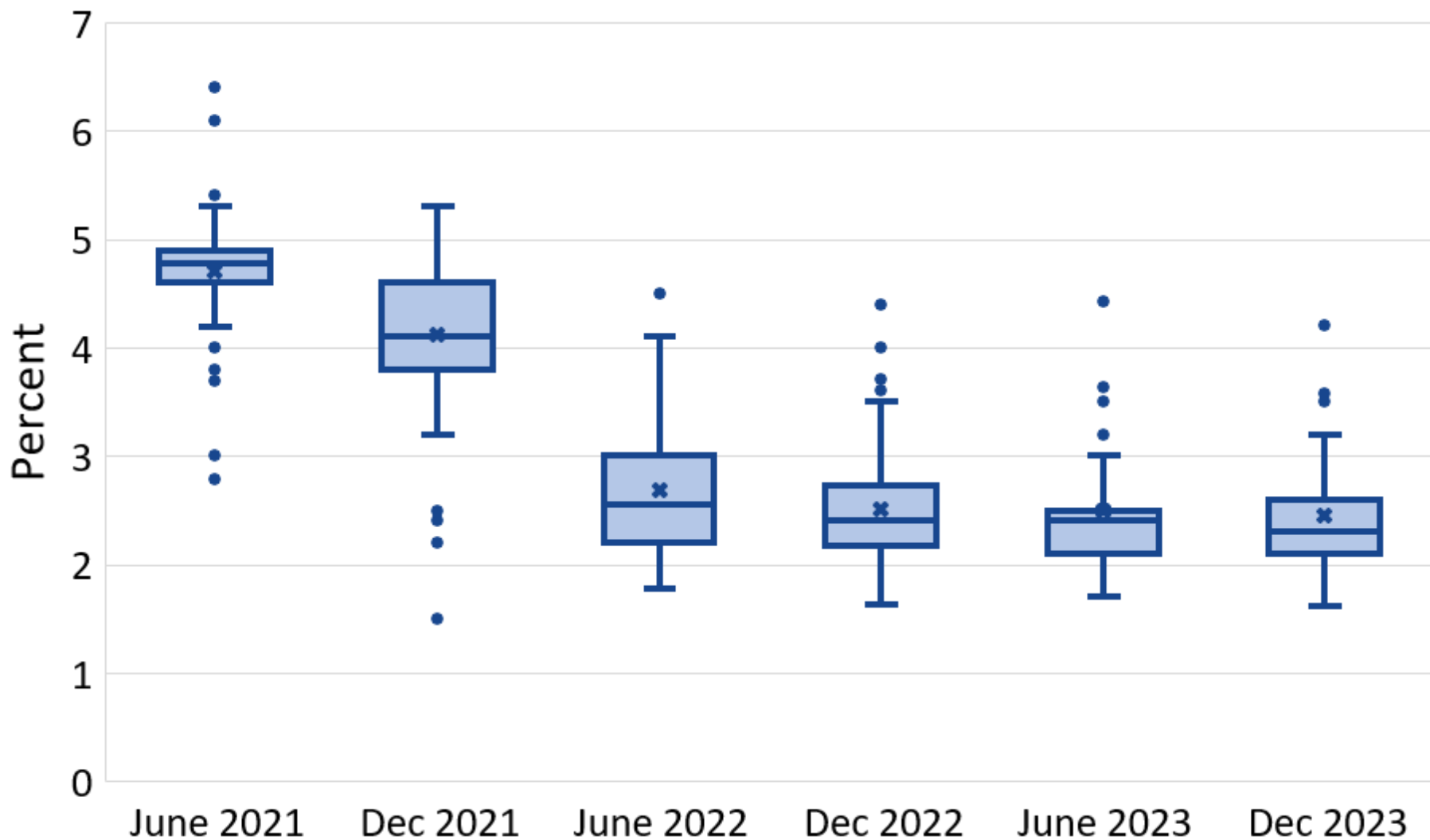
Inflation: Consumer Price Index (CPI) 12-Month Percent Change



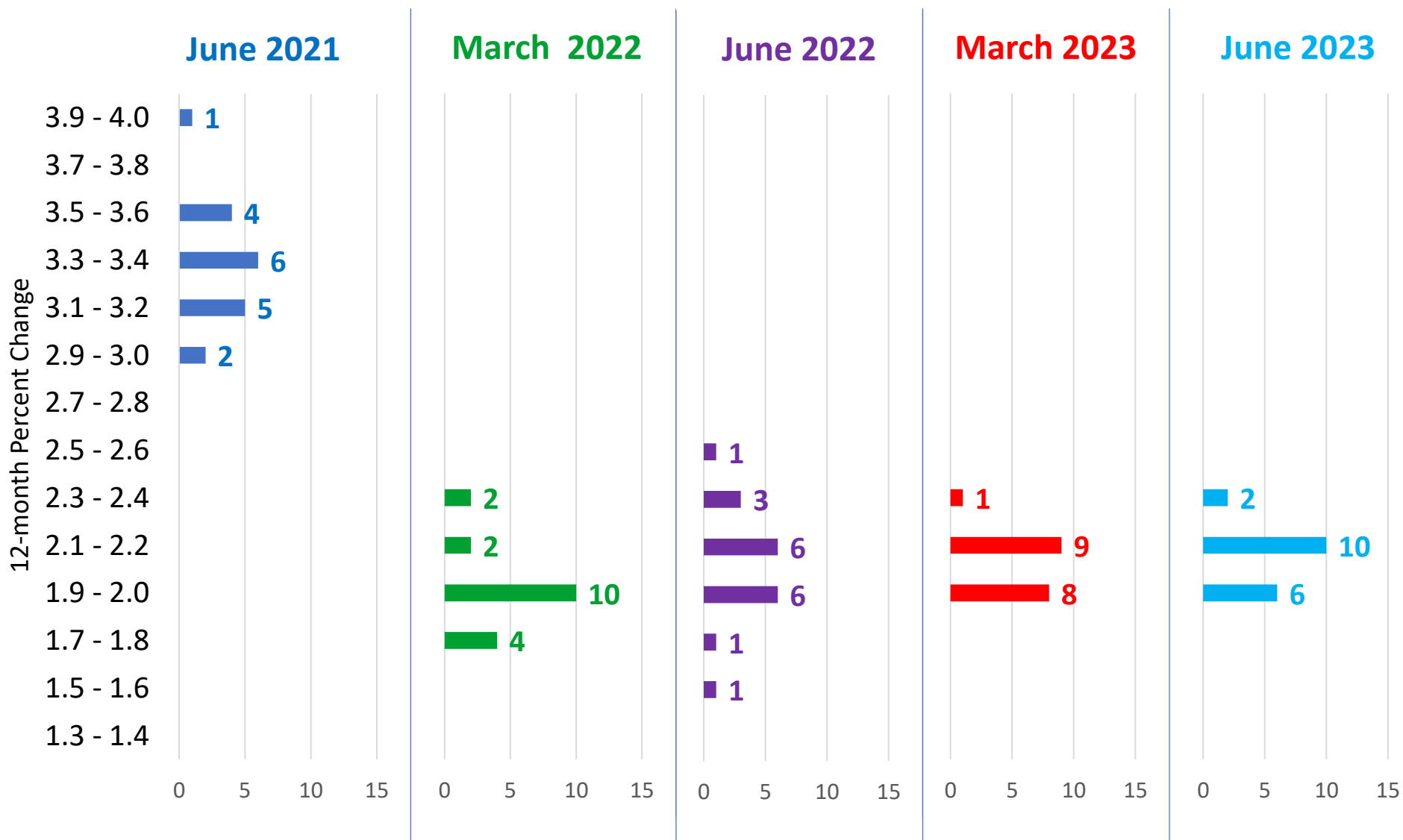
What's Driving Inflation?



Distribution of Inflation (CPI) Projections from Wall Street Journal Forecasting Survey, July 2021



Distribution of Inflation (PCE) Projections from Federal Open Market Committee Participants June 16, 2021



What to watch

- **Consensus Forecasting Group**
- **Initial Unemployment Insurance Claims**
- **Monthly national, state, and county jobs reports**
(KY Center for Statistics)
- **Quarterly Economic Update (CBER & Kentucky Chamber of Commerce)**
- **Be careful interpreting changes in unemployment rates**
- **Focus on changes in:**
 - **employment**
 - **labor force participation**



Gatton College of
Business and Economics
Center for Business and Economic Research

<http://cber.uky.edu/>