

Economic Briefs

Week Ending February 18, 2011

Sales/Consumption

Store Sales Slow In January

http://money.cnn.com/2011/02/15/news/economy/retail_sales_january/index.htm

Retailers logged slight increases in store sales last month as consumers primarily focused on paying for grocery and gasoline purchases. The Commerce Department said total retail sales rose 0.3 percent last month. Economists on average had forecast an increase of 0.5 percent for January, compared to a 0.6 percent gain in sales the prior month. Despite missing expectations, the January increase was the seventh consecutive gain in the government measure, indicating that consumers have been more comfortable shopping for discretionary goods in recent months than they were a year ago.

Sales excluding autos and auto parts also rose a weaker-than-expected 0.3 percent, compared to a 0.5 percent increase in ex-auto sales in December. Economists had forecast a rise of 0.6 percent in the measure for January.

The government report showed gasoline station sales increased 1.4 percent in January, boosted by higher gas prices in recent weeks. Grocery store sales also increased 1.4 percent in the month while online sales rose 1.2 percent. But sales at electronics stores increased a modest 0.3 percent. Sales were up 0.5 percent at department stores and up 0.8 percent at general merchandise sellers.

Offsetting those increases, building material sales slumped 2.9 percent, and sales at sporting goods and music stores fell 1.3 percent. Also, furniture store sales dipped. And consumers cut back on new clothes, resulting in a 0.3 percent decline in apparel store sales.

Food And Gas Drive Prices Up In January

http://money.cnn.com/2011/02/17/news/economy/cpi_inflation/index.htm

Prices are still going up on food and gas, but underlying inflation remains low. The U.S. Consumer Price Index, a key measure of inflation, increased 1.6 percent over the past 12 months ending in January, up from 1.5 percent in December, the Bureau of Labor Statistics said. Surging gasoline and food prices helped drive the number higher, accounting for two-thirds of the increase.

Over the past 12 months, the food index has risen 1.8 percent, its fastest pace since 2009, and gasoline prices have soared 13.4 percent. But economists also look at core inflation, which strips out the volatile food and energy components. That number rose just 1 percent during the 12-month period, showing overall price pressures still remain tame. On a monthly basis, the overall CPI rose 0.4 percent in January, unchanged from the previous month. Core CPI rose 0.2 percent for the month, up from a 0.1 percent rate in December.

Manufacturing/Output

US January Industrial Production Declines

<http://online.wsj.com/article/BT-CO-20110216-709057.html>

U.S. industries unexpectedly trimmed production in January as more-seasonable weather reduced demand from utilities. Industrial production last month slipped 0.1 percent, the Federal Reserve said. December's output figures were revised to a 1.2 percent gain after an initial estimate of a 0.8 percent increase. Capacity utilization also fell slightly, dipping to 76.1 percent from a revised 76.2 percent the previous month. Operating rates remain below the 1972-2009 average of 80.6 percent.

Wholesale Price Increases Stoke Inflation Fears

http://www.usatoday.com/money/economy/2011-02-16-wholesale-prices_N.htm

The producer price index for finished goods, excluding food and energy, jumped 0.5 percent last month, the Bureau of Labor Statistics reported. That's far more than the 0.2 percent rise economists expected and the most since October 2008. The overall index for finished goods — those delivered to retail shelves — increased 0.8 percent. So far, inflation worries have been largely confined to rising food and energy costs amid surging demand in emerging markets and poor harvests that limited agricultural supplies.

Food and energy costs tend to be volatile, which is why the Federal Reserve has said it's more focused on core inflation, which excludes those commodities. Core finished good prices were up just 1.6 percent from a year ago.

January Leading Indicators Tick Higher

<http://www.marketwatch.com/story/january-leading-indicators-tick-higher-2011-02-17>

The Conference Board reported that its leading economic index rose 0.1 percent in January. Six of the 10 indicators included in the LEI made positive contributions in January, led by the interest-rate spread. Other contributions came from the index of supplier deliveries, stock prices, the index of consumer expectations, manufacturers' new orders for nondefense capital goods, and manufacturers' new orders for consumer goods and materials.

The largest negative contribution came from building permits. Others included average weekly initial claims for unemployment-insurance benefits, average weekly manufacturing hours and the real money supply.

In December, the LEI had improved 0.8 percent, compared with the Conference Board's prior estimate of 1 percent. The LEI, a weighted gauge of 10 indicators, is designed to signal business cycle peaks and troughs. In recent months, there have been widespread strengths among the indicators, according to the Conference Board. For the six months through January, the LEI gained 3 percent, up from 2.2 percent in the prior six months.

Employment

Jobless Claims Tick Back Above 400,000

http://money.cnn.com/2011/02/17/news/economy/initial_claims/index.htm

The number of Americans filing first-time claims for unemployment benefits edged up last week, the government said. There were 410,000 initial jobless claims filed in the week ended Feb. 12, according to the Labor Department. That was up 25,000 from the week before, and slightly more than the 408,000 claims economists surveyed by Briefing.com had expected.

Continuing claims -- which include people filing for the second week of benefits or more -- rose by 1,000 to 3,911,000 in the week ended Feb. 5, the most recent week available. While initial claims data have been distorted recently by severe winter snow storms, the numbers have been trending lower since August. The weekly figure is near its lowest levels since July 2008.

The numbers still reflect inclement weather in certain parts of the country, but the effect was minimal in the most recent week. The 4-week moving average of initial claims, which aims to smooth out volatility, rose to 417,750 from the previous week's revised average of 416,000.

Gas/Oil

Middle East Effect Helps Push Gasoline Cost To 28-Month High

http://www.usatoday.com/money/industries/energy/2011-02-16-gasoline-prices-28-month-high_N.htm

The national average for regular gasoline rose to \$3.133 a gallon. That's about \$1.20 more than the price at the pump two years ago, according to AAA, Wright Express and the Oil Price Information Service. Just eight states have average prices less than \$3 a gallon. The cheapest is \$2.94 a gallon in Missouri. Hawaii has the highest average of \$3.746 a gallon.

Average gas prices have climbed steadily from about \$2.80 a gallon in November even though consumer demand has been weak and inventory levels remain high. The Energy Department said that supplies of crude and gasoline both rose again last week while distillates, which include heating oil and diesel, declined. All three products are at or above the average range for the past five years.

Demand for gasoline remains weak and may be getting weaker. In its weekly survey Mastercard SpendingPulse said gasoline consumption across the country fell 3 percent last week compared to the week before and suggested that higher prices may be discouraging driving and trips to the gas station.

Higher gas prices are a result of several factors that have created a bottleneck for supplies of West Texas Intermediate crude stored at Cushing, Okla., which is the delivery point for oil traded on the New York Mercantile Exchange. Oil supplies at Cushing are just short of an all-time high.

More North American oil is being produced and delivered to the Cushing facility, but existing pipelines can't move all of the crude out to refineries. And there are no pipelines to Gulf coast refineries, which have the capacity to produce about half the nation's daily supply of gasoline.

In addition the price of Brent crude, used by refineries on the East Coast, is soaring. Although it's produced in Europe's North Sea, Brent is used to price oil produced in other parts of the world, including South America and Africa, which is shipped to refineries in the U.S.

Housing

Homebuilders See No Housing Turnaround

http://www.usatoday.com/money/economy/housing/2011-02-15-home-builder-outlook_N.htm

Homebuilders are not seeing a turnaround in the housing market after the worst year for new-home sales in a half-century. The National Association of Home Builders says its index of builder sentiment for February remained unchanged for the fourth straight month at 16. A reading below 50 indicates negative sentiment about the market. The index hasn't been above that level since April 2006.

Homebuilders are struggling to compete with millions of foreclosed homes on the market that are forcing prices down. Last year was also the worst in more than a decade for sales of existing homes. Weak sales mean fewer jobs. Each new home built creates, on average, the equivalent of three jobs for a year and generates about \$90,000 in taxes.

Home Construction Rises In January

http://money.cnn.com/2011/02/16/news/economy/housing_starts/index.htm

Permits for future home building fell, but initial construction of homes rose in January. The number of permits for future housing construction fell to an annual rate of 562,000 last month, down 10.4 percent from 627,000 in December, the Commerce Department said. Housing starts, the number of new homes being built, rose 14.6 percent to an annual rate of 596,000 in January from 520,000 in December.

Kentucky

Louisville Home Sales Drop 6 Percent In January

<http://www.courier-journal.com/article/20110215/BUSINESS/302150056/Louisville-home-sales-drop-6-percent-January?odyssey=tab|topnews|text|Home>

Members of the Greater Louisville Association of Realtors sold 657 houses and condos in January, a 6 percent drop from a year earlier. The median sales price fell to \$125,000 from \$130,000 a year ago. January marks the seventh consecutive month that Louisville Realtor sales have declined from the previous year — a streak that started immediately following the end of federal homebuyer tax credits.

Louisville Realtors President Lamont Breland said last month's decline is not large considering that in January 2010, the \$8,000 first-time buyer credit had just been extended, and Congress had just created a \$6,500 credit for repeat buyers.

As of Jan. 31, 8,409 homes were listed on the market, a 21 percent increase from a year earlier, according to the association. That figure does not include homes for sale by owners who aren't using a Realtor. The sales figures cover Jefferson, Oldham and Bullitt counties.

Martinrea Expanding Shelbyville Plant

<http://www.courier-journal.com/article/20110216/BUSINESS/302160128/1003/Martinrea-expanding-Shelbyville-plant>

Automotive supplier Martinrea will expand its heavy stampings plant in Shelbyville and add 150 jobs to serve Ford's Louisville Assembly Plant, which is slated to start building the next-generation Escape later this year. The company confirmed it would go through with the \$12 million expansion after being approved on Jan. 27 for up to \$3 million in state and local tax rebates. Plant manager Shawn Adelsberger said the 150 jobs will be in addition to 45 workers on layoff that the plant will call back by the end of the year. Some of the new jobs will be in place by the end of the year and the rest by April 2012. The new jobs will pay an average hourly wages and benefits of \$25, according to documents from the Kentucky Economic Development Finance Authority, which approved the tax rebates for Martinrea.

Kentucky Economic Indicators

November 2010 as of February 2, 2011

<http://www.osbd.ky.gov/publications/econindicator.htm>

The Kentucky Leading Index rose by 2.9 percent in November. Three of the four index components were positive bringing the index to 109.8, or 1.9 percent above the November 2009 level. The leading index seems to be in full recovery mode. The index has increased for four consecutive months and has been trending upward since May 2009. While the index is still below its prerecession peak, it has regained 36.9 percent of its 2007 recession losses since the last trough in May 2009. Three of the four index components are trending upwards; only the US manufacturer's new orders index has been struggling. The overall health across the other three components has brought the diffusion index up to 70.8.

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