

# Economic Briefs

Week of February 26, 2010

## Sales/Consumption

### **Consumer Confidence Tumbles In February**

[http://money.cnn.com/2010/02/22/news/economy/consumer\\_confidence\\_index/index.htm](http://money.cnn.com/2010/02/22/news/economy/consumer_confidence_index/index.htm)

A closely-watched measure of consumer confidence fell sharply in February after three straight months of improvement. The Conference Board, a New York-based research group, said its Consumer Confidence Index fell to 46.0 in February from an 56.5 in January. According to a Briefing.com consensus survey, economists expected the index to fall slightly to 55.0 from 55.9. The index, which is based on a survey of 5,000 U.S. households, is closely monitored because consumer spending drives two-thirds of the nation's economic activity.

February's present situation index, which indicates how consumers feel about current economic conditions, hit a 27 year low of 19.4, according to the Conference Board. That means that consumers feel things are worse now than they were during the throes of the financial crisis in the fall of 2008.

The expectation index, a measure of consumer outlook over the next few months, also fell to 63.8 from an upwardly revised 77.3 in January. Only 16.7 percent of consumers expect to see improvement in business conciliations over the next 6 months, down from 20.7 percent.

### **Consumer Sentiment Tapers Off In February**

<http://www.marketwatch.com/story/story/print?guid=E7A51268-8B72-46DD-9E6B-A6F9B6622ABC>

U.S. consumer sentiment fell slightly in February amid persistent concerns about a weak job market and a slow economic recovery. The consumer sentiment index fell to 73.6 from 74.4 in January, according to Thomson Reuters/University of Michigan. Economists expected the index to taper off to 73.7.

The survey's current conditions index rose in February to 81.8 from 81.1. Yet the expectations index -- one of 10 leading economic indicators -- fell to 68.4 from 70.1. The consumer sentiment index has been little changed over the past six months. Its fell to its lowest point during the recent recession in November 2008, with a reading of 55.3.

## Manufacturing/Output

### **Economy Grew 5.9 Percent In Fourth Quarter**

<http://money.cnn.com/2010/02/26/news/economy/gdp/index.htm>

The U.S. economy grew at a slightly faster pace than originally thought during the last three months of 2009, according to a government report. The nation's gross domestic product, the broadest measure of the nation's economic activity, grew at an annual rate of 5.9 percent in the quarter, the Commerce Department reported. Economists had forecast that the revision would show the same 5.7 percent growth that was originally reported a month ago.

The report is another sign that the U.S. economy has pulled out of the deepest downturn since the Great Depression. The solid growth, the best improvement for the U.S. economy in more than six years, follows a 2.2 percent annualized increase in the third quarter. Most economists now agree that the recession probably ended at some point last summer.

Still, the strong end of 2009 wasn't enough to make up for the even larger declines in the first half of the year. For the full year, GDP fell 2.4 percent, the biggest decline in the annual reading since 1946.

### **Economists: Recovery Is Firmly On Track**

[http://money.cnn.com/2010/02/22/news/economy/nabe\\_economic\\_survey/](http://money.cnn.com/2010/02/22/news/economy/nabe_economic_survey/)

Leading economists are upbeat about the U.S. recovery, forecasting steady growth over the next two years as businesses grow and jobs return.

"We see a healthy expansion under way, although it will take time to reduce economic slack and repair damaged balance sheets," said Lynn Reaser, president of the National Association for Business Economics, which conducted the survey of 48 top economic forecasters in late January and early February.

The NABE panel says it "expects the recovery to remain firmly on track." Its forecast is for the economy to grow 3.1 percent in both 2010 and 2011, an estimate that is essentially unchanged from the 3.2 percent target in NABE's

November survey. The group's estimate is a marked improvement from last year's survey, which had forecast that the economy would contract.

The NABE panelists expect that jobs will return slowly this year, forecasting an average monthly increase of 50,000 jobs in the first quarter, followed by average monthly job gains of 103,000 the rest of the year. The unemployment rate, which now stands at 9.7 percent, is expected to tick down to 9.6 percent by the fourth quarter.

As jobs return, so will consumer spending, which should rise by 2.2 percent in 2010 and then climb 2.8 percent in 2011. These relatively small gains can be attributed to the fact that Americans are still feeling financially conservative.

### **Durable Goods Orders Surge 3 Percent**

<http://www.marketwatch.com/story/story/print?guid=561B5B01-7AE9-4A98-8CBF-451DE31F5A13>

Orders for U.S.-made durable goods soared 3 percent in January to a seasonally adjusted \$175.7 billion on higher bookings for civilian airplanes, the Commerce Department estimated. The 3 percent gain in orders was the biggest gain since July. December's orders were revised sharply higher as well to a 1.9 percent increase compared with the 1 percent gain reported last month.

Most of the strength in January came from the 126 percent increase in volatile civilian aircraft orders. Boeing had reported higher bookings in December, but they showed up in the government data in January's report due to timing differences between the reports.

Outside of aircraft, most industrial sectors reported lower demand in January. Excluding the 15.6 percent gain in transportation orders, orders fell 0.6 percent in January to \$131 billion after rising 2 percent in November and December. Read the full report on the government website. Orders for core civilian capital equipment goods excluding aircraft fell 2.9 percent in January after rising more than 3 percent in both November and December. Machinery orders fell 9.7 percent in January after hefty gains in November and December.

## **Housing**

### **Existing Home Sales Drop**

[http://money.cnn.com/2010/02/26/real\\_estate/existing\\_home\\_sales\\_January/index.htm](http://money.cnn.com/2010/02/26/real_estate/existing_home_sales_January/index.htm)

Sales of existing homes unexpectedly fell in January, according to an industry report, highlighting concerns that the housing market is weaker than previously thought. The National Association of Realtors reported that home resales fell 7.2 percent last month to a seasonally adjusted annual rate of 5.05 million units, down from the revised rate of 5.44 million in December. Still, on a year-over-year basis, sales were up 11.4 percent.

The drop surprised many industry analysts. Existing home sales were expected to increase slightly to an annual rate of 5.5 million, according to consensus estimates. The January sales rate was the lowest since June, when the rate stood at 4.9 million units. The drop was due in part to a delay between shopping for a home and closing on it among buyers taking advantage of a popular tax credit, according to Lawrence Yun, NAR's chief economist.

### **New Home Sales Fall To A Record Low**

[http://money.cnn.com/2010/02/24/real\\_estate/new\\_home\\_sales\\_January/](http://money.cnn.com/2010/02/24/real_estate/new_home_sales_January/)

Sales of new homes plunged to a record low in January, as the weak economy and a glut of foreclosed homes continue to weigh on the market. The seasonally adjusted annual rate of new home sales plummeted 11.2 percent to 309,000 last month, compared with a revised rate of 348,000 in December, the Census Bureau said. That's a decline 6.1 percent from January 2009. It was the lowest rate since the government began keeping records in 1963 and comes after declines in November and December.

### **Home Prices Fall Another 2.5 Percent**

[http://money.cnn.com/2010/02/23/real\\_estate/2009\\_Case-Shiller\\_report/index.htm?hpt=T2](http://money.cnn.com/2010/02/23/real_estate/2009_Case-Shiller_report/index.htm?hpt=T2)

Home prices fell just 2.5 percent during the last three months of 2009 compared with the fourth quarter of 2008, according to a closely watched gauge of home price movement. That was a big improvement over the past three years. National prices peaked during the second quarter of 2006, according to the S&P/Case-Shiller Home Price Index, then dropped a total of 32 percent before bottoming out during the first quarter of 2009.

## **Duck! Watch Out For Falling Home Prices**

[http://money.cnn.com/2010/02/25/real\\_estate/home\\_price\\_forecast/index.htm](http://money.cnn.com/2010/02/25/real_estate/home_price_forecast/index.htm)

Despite signs that the real estate market might be lurching forward, prices are expected to fall further this year and next. The average home price in the United States will fall by about 6 percent by September 2011, according to a joint report between Fiserv and Moody's Economy.com. And that's after plunging more than 27 percent in the past three years. Most of the projected home price decline will occur during the usually slow summer months of 2010. After that, prices should begin to stabilize, according to Fiserv, and stay almost flat through fall of 2011.

The main reason for continued decline, according to Mark Zandi, economist and co-founder of Economy.com, is foreclosures -- the same thing that's plagued markets for the past three years.

"Foreclosure sales will pick up this spring as mortgage servicers figure out who can qualify for a modification and who can't," said Zandi.

## **Nearly 25 Percent Of All Mortgages Are Underwater**

[http://money.cnn.com/2010/02/23/real\\_estate/underwater\\_rates\\_rise/index.htm](http://money.cnn.com/2010/02/23/real_estate/underwater_rates_rise/index.htm)

More bad news on the housing bust front: Nearly 25 percent of all mortgage borrowers were underwater, meaning they owe more on their loans than their homes are worth. First American CoreLogic, the research firm that monitors housing equity, reported that 11.3 million homeowners -- or 24 percent of all homes with mortgages -- were underwater as of the end of 2009. That's up from 23 percent and 10.7 million borrowers three months earlier.

Traditionally, being underwater was one of two main factors in determining a borrower's likelihood of foreclosure. The other is having sufficient income to pay bills. But, there's an increasingly important exception: strategic default. As equity gets more and more negative, some homeowners are choosing to quit paying and give the keys to the bank. As long as negative equity remains a big problem, it will be difficult to stem the tide of foreclosures that continue to plague many local real estate markets around the nation.

## **Employment**

### **Jobless Claims Up 12 Percent In Past 2 Weeks**

[http://money.cnn.com/2010/02/25/news/economy/initial\\_claims/index.htm](http://money.cnn.com/2010/02/25/news/economy/initial_claims/index.htm)

The number of Americans filing for initial unemployment insurance surged to just below the 500,000 level last week, and have climbed more than 12 percent over the past two weeks. There were 496,000 initial job claims filed in the week ended Feb. 20, up 22,000 from a revised 474,000 the previous week. The prior week, there were 442,000 claims filed.

The 4-week moving average of initial claims was 473,750, up 6,000 from the previous week's revised average of 467,750.

The government said 4,617,000 people filed continuing claims in the week ended Feb. 13, the most recent data available. That's up 6,000 from the preceding week's revised 4,611,000 claims. The 4-week moving average for ongoing claims rose by 4,250 to 4,600,750 from the previous week's revised 4,596,500. Continuing claims reflect people filing each week after their initial claim until the end of their standard benefits, which usually last 26 weeks. The figures do not include those people who have moved to state or federal extensions, or people whose benefits have expired.

## **Kentucky**

### **Three Start-Up Companies Plan To Hire 145**

<http://www.courier-journal.com/article/20100223/BUSINESS/2230332/Three+start-up+companies+plan+to+hire+145>

Three start-up companies announced plans to create a total of 145 jobs in Louisville. Gov. Steve Beshear said the new jobs are "especially heartening" given the weak economy.

Trax Mechanical Systems plans to hire up to 110 people, mostly skilled manufacturers, at its 93,000-square-foot facility on National Turnpike Drive. The company plans to make components like axles and suspension systems for trucks, buses and trailers.

Bio Pharma Logistics plans to build a 50,000-square-foot cold storage facility in Riverport where it will warehouse and distribute pharmaceuticals and frozen blood plasma. The company plans to hire 25.

And Liberty Processing and Services Innovation, a new check processing operation, plans to hire 10 after opening an 11,000-square-foot facility near General Electric's Appliance Park.

The state offered the three companies a total of \$2.5 million in tax incentives tied to the creation of each job. The incentives can be earned over a 10-year period.

The three companies were among 13 that were offered incentives to create up to 658 jobs in Louisville at December's meeting of Kentucky Economic Development Finance Authority.

Of the 13, another five have confirmed they plan to follow through with the jobs, while the remaining five have to yet to confirm their plans.

#### **Pacific Pulmonary Services Adding 40 Jobs In Lexington**

<http://www.kentucky.com/2010/02/22/1151929/pacific-pulmonary-services-adding.html>

Pacific Pulmonary Services plans to hire 40 full-time workers for its customer-care center in Lexington by June. Available jobs include two levels of customer-care representatives in various shifts. The jobs pay between \$11.25 and \$12.87 hourly and come with benefits.

#### **Louisville Realtors Continue Sales Gains In January**

<http://www.courier-journal.com/article/20100222/BUSINESS/2220354/Louisville+Realtors+continue+sales+gains+in+January>

Members of the Greater Louisville Association of Realtors sold 702 houses and condos in January, a 33 percent increase from a year earlier. It marks the group's seventh-straight month of double-digit percentage gains from a year earlier. With only 529 sales, January 2009 was the slowest month in at least five years.

Aside from the normal seasonal slowdown, sales took a dive last January just after the height of banking crisis and credit crunch. A month later, the \$8,000 tax credit for first-time homebuyers was enacted as part of the federal economic stimulus package. Sales slowed last month compared to December's total of 974, but that's normal because buyers don't do as much house shopping once winter sets in.

The median price also increased last month to \$130,000 from \$123,000 a year earlier.

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