

Economic Briefs

Week of October 16, 2009

Sales/Consumption

Retail Sales Drop Points To Slow Recovery

http://money.cnn.com/2009/10/14/news/economy/September_retail_sales/index.htm?postversion=2009101409

Retail sales fell in September after a popular program aimed at boosting auto sales ended, but the drop was smaller than economists had expected. The Commerce Department said total retail sales fell 1.5 percent last month, down sharply from an increase of 2.7 percent in August, when overall sales were boosted by the government's Cash for Clunker's program.

Sales excluding autos and auto parts rose 0.5 percent, compared to a 1.1 percent increase in August. The stronger-than-expected gain in sales outside the auto industry suggests that consumers are gradually becoming more confident as the U.S. economy emerges from a deep recession.

Confidence Is Mired; Expectations, Less Glum

<http://abcnews.go.com/PollingUnit/abc-news-poll-consumer-confidence/story?id=8815516>

Consumer confidence lost its mild forward momentum this week, with Americans' ratings of their own finances now their weakest since July. Nonetheless relatively few think the economy's getting even worse; a dramatic change from the record pessimism a year ago.

Peering into the abyss on Oct. 13, 2008, a remarkable 82 percent of Americans said the economy was getting worse - a record in ABC News polls back to 1981. Today, 32 percent say so, almost matching the fewest in the last five years, 31 percent in August.

The fact that fewer say the economy's worsening, of course, is at least in part a function of how bad it is now - and for vast numbers, it's plenty bad. Just 11 percent rate the economy positively, 25 percent call it a good time to spend money and 42 percent say their own finances are O.K., all far below their averages in 23 years of weekly polls. ABC's Consumer Comfort Index, based on these, stands at -48 on its scale of -100 to +100, compared with a long-term average of -12.

Inflation Cools Off

<http://money.cnn.com/2009/10/15/news/economy/cpi/index.htm?postversion=2009101509>

A smaller rise in energy prices resulted in a slower increase in overall prices in September, according to a government report. The Consumer Price Index, the government's key inflation measure, is now down 1.3 percent over the past 12 months, driven by a 30 percent drop in the price of gasoline and a 2.5 percent drop in food prices during that time.

So-called core CPI -- which strips out food and energy prices -- is up 1.5 percent during the same period. For September, prices rose 0.2 percent, down from the 0.4 percent rise posted in August. The increase was in line with forecasts of economists. Core CPI for the month rose 0.2 percent. That increase was up from only a 0.1 percent rise in both July and August. Economists had forecast another 0.1 percent increase.

Foreclosures: 'Worst Three Months Of All Time'

http://money.cnn.com/2009/10/15/real_estate/foreclosure_crisis_deepens/index.htm?postversion=2009101507

Despite concerted government-led and lender-supported efforts to prevent foreclosures, the number of filings hit a record high in the third quarter. During that time, 937,840 homes received a foreclosure letter -- whether a default notice, auction notice or bank repossession. That means one in every 136 U.S. homes were in foreclosure, which is a 5 percent increase from the second quarter and a 23 percent jump over the third quarter of 2008.

The RealtyTrac report also unveiled the results for September, and it found that there was slight relief from foreclosure filings. Last month, notices totaled 343,638, down 4 percent compared with August. Unfortunately, that total accounts for 87,821 homes that were repossessed by lenders. That deluge contributed significantly to the quarter's record 237,052 repossessions, a 21 percent jump from the previous three months. So far this year lenders have taken back 623,852 homes.

Manufacturing/Output

Industrial Production In Surprise Jump

http://money.cnn.com/2009/10/16/news/economy/industrial_production/index.htm?postversion=2009101610

Industrial production rose more than expected in September and recorded its largest quarterly gain in more than four years. The Federal Reserve said industrial production rose 0.7 percent last month after an upwardly revised increase of 1.2 percent in August. The better-than-expected figures suggest that economic growth in the third quarter could be stronger than anticipated. In the second quarter, U.S. gross domestic product shrank at a 0.7 percent annual rate.

Output for the entire third quarter rose at an annual rate of 5.2 percent, the first quarterly gain since the first quarter of 2008 and the largest increase since the first quarter of 2005, according to the report.

The capacity utilization rate increased to 70.5 percent, up from a revised 69.9 percent in August. However, capacity utilization was 10.4 percentage points below its average for the years 1972 through 2008.

Gas/Oil

Oil Crosses \$77 For First Time In 2009

<http://money.cnn.com/2009/10/15/markets/oil/index.htm?postversion=2009101512>

Oil prices climbed above \$77 a barrel on Thursday -- a first for the year -- after a bullish government showed a surprise drop in gasoline stockpiles and a lower-than-expected rise in crude inventories. Oil for November delivery rose \$1.88, or 2.5 percent, to \$77.06 a barrel in midday trading, after hitting an intraday high of \$77.28.

"Crude oil has been enjoying incredible momentum and piggybacking on the stock market for the last several weeks, especially with the Dow going over 10,000 yesterday," said James Cordier, president of Liberty Trading Group. Oil prices settled above \$75 Wednesday for the first time since October 2008.

Though the government's inventory report showed a sharp drop in gasoline stockpiles and pushed oil prices higher, Cordier said the significance of the figure will dwindle because demand for gas naturally drops in the fourth quarter. He said it will not be a factor again until next spring.

Employment

Initial Jobless Claims In Surprise Drop

http://money.cnn.com/2009/10/15/news/economy/initial_claims/index.htm?postversion=2009101510

The number of U.S. workers filing new claims for jobless insurance unexpectedly fell last week to the lowest level since January. Initial claims for state unemployment benefits fell 10,000 to a seasonally adjusted 514,000 in the week ended Oct. 10. New jobless claims have declined for five of the last six weeks. The four-week moving average for new claims dipped 9,000 to 531,500 last week, declining for a sixth straight week. The four-week moving average is considered a better gauge of underlying trends as it irons out week-to-week volatility.

Even more encouraging, the number of people collecting long-term unemployment benefits dropped 75,000 to 5.99 million in the week ended Oct. 3, the latest week for which the data is available. That was the first time that the so-called continuing claims had dropped below the 6 million mark since late March. This measure has trended lower for four consecutive weeks. The fall, however, could be a sign that many jobless workers have exhausted their unemployment benefits.

Kentucky

Louisville Home Sales Up For Third-Straight Month

<http://www.courier-journal.com/article/20091013/BUSINESS/910130339/Louisville+home+sales+up+for+third-straight+month>

Members of the Greater Louisville Association of Realtors sold almost 15 percent more homes in September than they did a year ago, the third consecutive month of year-over-year sales gains. Realtors sold 1,160 houses and condos last month, compared with 1,012 in September 2008. The median sales price also rose to \$132,000, from \$131,000 a year ago. In July, realtors broke two years of declining sales by posting 1,276 transactions — 26 percent more than in July 2008. The group sold 1,084 homes in August, a 12 percent increase from the previous year.

Bluegrass-Area Home Sales Up In Third Quarter

http://www.kentucky.com/latest_news/story/978227.html

The number of residential real estate sales that closed during the third quarter in Central Kentucky increased 4 percent, the Lexington-Bluegrass Association of Realtors said. During the quarter, 2,110 such sales closed, up from 2,028 in the same quarter of 2008. Sales were gaining momentum as the quarter ended, with a 6.7 percent rise in September with 651 sales, 41 more than a year ago. September is the first month this year that home sales exceeded their 2007 figures, according to the data provided by LBAR's members.

The numbers reflect sales in a 14-county area of Central Kentucky covered by LBAR's members. Sales declined 0.7 percent in the area in August but were up 6.2 percent in July. Year-over-year price changes varied during the quarter. In July, the median sales price for residential homes was \$147,398, down 1.7 percent year-over-year. In August, the median price fell to \$144,000 from \$152,900 in August 2008, a drop of 5.8 percent. In September, the percentage drop-off narrowed to 1.8 percent with a median sales price of \$140,000.

Ky. Foreclosures Up

<http://www.courier-journal.com/article/20091015/BUSINESS/910150358/Ky.+foreclosures+up++Ind.+down>

Kentucky's foreclosure filings were up 12 percent in the July-September quarter from the same period in 2008, according to a report from RealtyTrac Inc. The state's foreclosures per housing unit ranks it 41st nationwide. Nevada had the highest foreclosure rate.

E. Ky. Mining Company Lays Off 85 At 3 Sites

<http://content.usatoday.net/dist/custom/gci/InsidePage.aspx?cId=courier-journal&sParam=31809549.story>

An eastern Kentucky coal company says it has laid off 85 employees at three mine sites. Officials with Miller Brothers Coal LLC told WYMT-TV that the workers in Magoffin, Floyd and Knott counties lost their jobs and hours were reduced for the more than 200 remaining employees. Officials say the move is in response to a weak demand for coal and the uncertainty that new mining permits will be issued.

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