

# Economic Briefs

Week of December 25 and December 31, 2009

## Sales/Consumption

### **Personal Incomes And Spending Rose In November**

[http://www.usatoday.com/money/economy/2009-12-23-incomes-spending\\_N.htm](http://www.usatoday.com/money/economy/2009-12-23-incomes-spending_N.htm)

Personal incomes rose in November at the fastest pace in six months while spending posted a second straight rise. The report raises hopes that the recovery from the nation's deep recession might be gaining momentum. The Commerce Department said that personal incomes were up 0.4 percent in November, helped by a \$16.1 billion increase in wages and salaries, reflecting the drop in unemployment that occurred last month.

The gain in incomes helped bolster spending, which rose 0.5 percent in November. Both the income and spending gains, while healthy, were slightly less than economists expected.

The 0.4 percent rise in incomes followed a 0.3 percent October gain. It was the best showing since a 1.5 percent spurt in May, a month when incomes were boosted by government payments and tax relief from the \$787 billion economic stimulus program.

The 0.5 percent rise in consumer spending reflected the surprisingly strong 1.3 percent jump in retail sales during November, a boost that came from shoppers crowding malls searching for deep discounts over Thanksgiving weekend.

### **Shoppers Make A Holiday Comeback**

[http://money.cnn.com/2009/12/28/news/economy/shoppers\\_spend\\_more\\_during\\_holidays/index.htm](http://money.cnn.com/2009/12/28/news/economy/shoppers_spend_more_during_holidays/index.htm)

An initial report on the holiday shopping season showed a solid year-over-year gain, both in stores and online. The report from MasterCard Advisors' SpendingPulse data service showed a 3.6 percent increase in retail sales in the period from Nov. 1 to Dec. 24. That compared with a 2.3 percent drop in last year's report, which was based on charges rung up on MasterCard credit cards as well as a survey of sales made by cash or check.

### **Christmas Week Shopping Surged**

[http://money.cnn.com/2009/12/30/news/economy/holiday\\_week\\_shopping\\_surged/index.htm](http://money.cnn.com/2009/12/30/news/economy/holiday_week_shopping_surged/index.htm)

Retail sales surged 8.8 percent during the week that included Christmas, although foot traffic was down slightly, according to an industry group report. Four of the season's top seven days of traffic were during the week ended Dec. 26, sales and traffic tracking firm ShopperTrak reported. The firm based its results on a sample of over 50,000 retail stores and enclosed malls.

The week followed a disappointing Saturday before Christmas, Dec. 19, that saw the major cities in the Northeast socked by a huge snowstorm.

Spending totaled \$7.9 billion on Dec. 26, up from \$7.8 billion last year, making it the second best shopping day of the holiday season. Foot traffic climbed 7.7 percent compared with the previous Saturday, but dropped 6.6 percent from the same day last year.

### **Consumer Confidence In 2nd Straight Boost**

[http://money.cnn.com/2009/12/29/news/economy/consumer\\_confidence/index.htm](http://money.cnn.com/2009/12/29/news/economy/consumer_confidence/index.htm)

A key measure of consumer confidence rose for a second straight month in December with outlook for the next few months reaching a 2-year high. The Conference Board, a New York-based research group, said its Consumer Confidence Index rose to 52.9 in December, from an upwardly revised 50.6 in November.

Economists were expecting the index to climb to 53. The figure, which is based on a survey of 5,000 U.S. households, is closely watched because consumer spending makes up two-thirds of the nation's economic activity. Still, the overall index remains at historically low levels and is lower than the it was in August at 54.5. A reading above 90 indicates the economy is stable, and 100 or above indicates strong growth.

The expectation index, which measures consumers' outlook over the next few months, rose to its highest level in two years to 75.6 from 70.3 last month. It reached 75.8 in December 2007.

The percentage of those expecting the job market to improve edged higher to 16.2 percent from 15.8 percent the previous month. The national unemployment rate improved to 10 percent last month and employers cut the fewest jobs in November of any month since the start of the recession.

The percentage of consumers expecting business conditions to improve increased to 21.3 percent from 19.7 percent. Those expecting a rise in their incomes fell to 10.3 percent from 10.9 percent in November.

### **U.S. Consumer Sentiment Improves In December**

[http://www.marketwatch.com/story/us-consumer-sentiment-improves-in-december-2009-12-23?reflink=MW\\_news\\_stmp](http://www.marketwatch.com/story/us-consumer-sentiment-improves-in-december-2009-12-23?reflink=MW_news_stmp)

U.S. consumer sentiment improved in December, according to media reports about the Reuters/University of Michigan index. The consumer sentiment index came in at 72.5 in late December. Analysts were looking for the index to climb to 74.0. In November, the index was 67.4.

## **Manufacturing/Output**

### **Economic Rebound Weaker**

<http://money.cnn.com/2009/12/22/news/economy/gdp/index.htm>

U.S. economic growth in the third quarter was much weaker than previously estimated, according to the government's final reading. Gross domestic product, the broadest measure of the nation's economic activity, grew at an annual rate of only 2.2 percent in the three months ending in September. A month ago the estimate was growth of 2.8 percent, and the initial reading in October was more robust growth of 3.5 percent.

The latest report showed that consumer spending, which accounts for more than two-thirds of the nation's economic activity, was much weaker than previously thought. But much of the change was due to a lower estimate for spending on services, primarily health care. Spending on both durable goods, such as cars and other big-ticket items, as well as nondurable goods such as food, gasoline and clothing, were little changed from previous estimates.

Businesses also cut inventories more than earlier estimates anticipated, although they still cut inventories less than they had in the second quarter. Some economists see the lower inventory number as a good sign for future economic growth. The expectation is that business will have to ramp up production to replenish those inventories.

### **U.S. Nov. Durable Goods Orders Rise 0.2 Percent**

[http://www.marketwatch.com/story/us-nov-durable-goods-orders-rise-02-2009-12-24?reflink=MW\\_news\\_stmp](http://www.marketwatch.com/story/us-nov-durable-goods-orders-rise-02-2009-12-24?reflink=MW_news_stmp)

A big drop in volatile aircraft orders masked a broad-based increase in demand for other U.S.-made durable goods in November, the Commerce Department estimated. Orders for durable goods rose a seasonally adjusted 0.2 percent in November, held back by a massive 32.6 percent drop in aircraft bookings. Excluding transportation goods, orders rose 2 percent. Orders were stronger in every major industrial category outside of transportation. Orders for core capital equipment goods - a gauge of business capital investment - jumped 2.9 percent. Total orders were weaker than the 0.6 percent increase expected by economists. Orders are up in two of the past three months and are up 3.8 percent since June.

## **Housing**

### **November Home Sales Leap**

[http://money.cnn.com/2009/12/22/real\\_estate/november\\_existing\\_home\\_sales/index.htm](http://money.cnn.com/2009/12/22/real_estate/november_existing_home_sales/index.htm)

After surging 10 percent in October, sales of existing homes jumped again in November, growing 7.4 percent compared with October to an annualized rate of 6.54 million units, according to the National Association of Realtors. November was originally going to be the last month in which sales to first-time homebuyers would qualify for a federal tax credit of up to \$8,000. However, that deadline was extended and expanded, and buyers now have through June to purchase homes.

The strength of sales in November surprised the industry. A panel of experts had forecast month-over-month sales growth of just 2.5 percent to 6.25 million from 6.1 million a month earlier. The sales total was a also huge improvement over a year ago. Sales rose 45.7 percent over the paltry annualized rate of 4.49 million units during November 2008.

The contribution made by first-time buyers is evident in a separate survey NAR conducted of its members. They estimate that 51 percent of sales in November were by newcomers to the market, up a point from 50 percent in October. Normally, first timers account for about 40 percent of sales.

Also propelling sales higher were rock-bottom interest rates. The average for a 30-year, fixed-rate loan during the month was just 4.88 percent, down from 4.95 percent in October and 6.09 percent a year ago.

### **New Home Sales Slump**

<http://abcnews.go.com/Business/wireStory?id=9408799>

A surprise drop in new home sales to a seven-month low was a reminder that the economic recovery would be bumpy. A report showed sales of newly built single-family homes unexpectedly dropped 11.3 percent last month to a 355,000 unit annual rate. Financial markets had expected new home sales to increase to 440,000 units. Analysts blamed the drop on the expectation that a popular tax credit for first-time home buyers would expire at the end of November.

New home sales are counted after a contract is signed, but closing on a contract usually takes 30 to 60 days more. The credit has since been extended and expanded and analysts expect sales to resume their upward trend in coming months.

### **Bad News For Housing: Prices Flattening**

[http://money.cnn.com/2009/12/29/real\\_estate/October\\_home\\_prices/index.htm](http://money.cnn.com/2009/12/29/real_estate/October_home_prices/index.htm)

Home price gains earlier this year flattened out in October. The S&P/Case Shiller Home Price index, covering 20 of the largest metropolitan areas in the nation, was unchanged in October, after four consecutive months of gains. The index is down 7.3 percent from 12 months earlier. Prices are down from their all-time highs set in 2006 by 29 percent for the 20-city index.

## **Employment**

### **More Employers To Boost Hiring In 2010**

[http://money.cnn.com/2009/12/29/news/economy/careerbuilder\\_hiring\\_outlook/index.htm](http://money.cnn.com/2009/12/29/news/economy/careerbuilder_hiring_outlook/index.htm)

Job seekers may get some reprieve in the new year, according to a study released by a job search company. Twenty percent of employers plan to increase the number of full-time, permanent employees in 2010, up from 14 percent in 2009, according to CareerBuilder's 2010 Job Forecast.

Only 9 percent of the employers surveyed said they plan to decrease headcount in 2010, down from 16 percent last year, while 61 percent don't plan to change staff levels and 10 percent are unsure. Part-time opportunities are also on the rise. Eleven percent of employers said they plan to add part-time employees in 2010, up from 9 percent in 2009.

Just 8 percent said they plan to decrease their part-time help in the year ahead, down from 14 percent, while 69 percent plan no change in headcount and 13 percent are unsure.

### **Jobless Claims Fall To 17-Month Low**

[http://money.cnn.com/2009/12/31/news/economy/initial\\_claims/index.htm](http://money.cnn.com/2009/12/31/news/economy/initial_claims/index.htm)

The number of Americans filing first-time claims for unemployment insurance fell sharply last week to the lowest level in 17 months. There were 432,000 initial jobless claims filed in the week ended Dec. 26, down 22,000 from the previous week's revised 454,000, the Labor Department said. The figure is the lowest since July 19, 2008, when there were 413,000 claims filed.

The 4-week moving average of initial claims totaled 460,250, down 5,500 from the previous week's revised average of 465,750. Jobless claims have been trending downward since the end of March, when they peaked at 674,000, the highest figure since 1982.

The government said 4,981,000 people filed continuing claims in the week ended Dec. 19, the most recent data available. That's 57,000 down from the preceding week's revised 5,038,000 claims. The 4-week moving average for ongoing claims fell by 122,250 to 5,101,250 from the previous week's revised 5,223,250.

## **Kentucky**

### **U.S. Bank Planning To Add 50 Bowling Green Jobs**

<http://www.courier-journal.com/article/20091221/BUSINESS/912210352/1003/U.S.+Bank+planning+to+add+50+Bowling+Green+jobs>

U.S. Bank plans to hire more than 50 new workers in Bowling Green starting early next year when it expands its mortgage operations center. The expansion will bring the number workers at the center to nearly 170.

### **Trane Cutting 140 Workers In Lexington**

<http://www.kentucky.com/103/story/1077373.html>

Trane, one of Lexington's largest employers, plans to lay off 140 hourly workers effective Monday, according to the president of the union representing them. The union was told of the company's plans in mid-December, said United Auto Workers Local 912 President Tom Coffey, who linked the decision to the recession.

The plant employs around 1,300 people, including 850 hourly workers, Coffey said. It was the first set of permanent layoffs in some time, though the company has had voluntary layoffs in which people would take off two months at a time and then return, he said.

---

*Commonwealth of Kentucky  
Office of State Budget Director  
Governor's Office for Economic Analysis  
502-564-3093*