

Economic Briefs

Week of September 17, 2010

Sales/Consumption

Americans' Net Worth Dropped In Spring As Stocks Tanked

http://www.usatoday.com/money/economy/2010-09-17-net-worth_N.htm

Americans' wealth shrank in the spring for the first time since early 2009 as financial turmoil eroded stock portfolios. The Federal Reserve says household net worth fell 2.7 percent — or \$1.5 trillion — in the April-to-June quarter. The decline left Americans' net worth at \$53.5 trillion. Shriveled stock portfolios were the biggest force dragging down wealth. Net worth is the value of assets such as homes, checking accounts and investments, minus debt such as mortgages and credit cards.

Before last quarter's decline, net worth had been growing slowly for four straight quarters. Americans' net worth would have to rise another 23 percent to revisit its pre-recession peak of \$65.8 trillion.

Back-To-School Spending Drives Retail Uptick

<http://www.washingtonpost.com/wp-dyn/content/article/2010/09/14/AR2010091406776.html>

Back-to-school spending helped boost retail sales in August for the second straight month, according to government data, providing hope that consumers still have firepower despite the sputtering economic recovery. The Commerce Department reported that sales rose 0.4 percent in August compared with the previous month, driven in part by big gains at clothing and sporting goods stores, common back-to-school shopping destinations. Clothing store sales jumped 1.2 percent in August after four months of declining performance, a boost some analysts attributed to aggressive promotions for state sales-tax holidays. Sporting goods sales rose 0.9 percent, while drugstore sales increased 0.6 percent.

The National Retail Federation, a trade group, predicted that back-to-school spending this year would reach an average of \$606.40 per family, compared with \$548.72 last year. Back-to-school is typically the second-biggest shopping period of the year and can be a bellwether of the all-important holiday season.

US Consumer Confidence Index -43 in Latest Week

<http://www.reuters.com/article/idUSN14BCSNAP20100914>

ABC News reported that its weekly index of U.S. consumer confidence held steady in the latest week, though it remains in deeply negative territory. The ABC Consumer Comfort Index stayed at -43 for the week that ended Sept. 12. The index was at the same level in the previous week. The index hit an all time low of -54 in the week to Dec. 1, 2008, and then again in the week to Jan. 25, 2009. The index has not been in positive territory since March 2007.

Poverty in the U.S. Spikes

http://money.cnn.com/2010/09/16/news/economy/Census_poverty_rate/index.htm

The nation's poverty rate jumped to 14.3 percent in 2009, its highest level since 1994, and the 43.6 million Americans in need is the highest number in 51 years of record-keeping. The Office of Management and Budget defined the poverty threshold level as less than \$21,954 for a family of four in 2009. The poverty rate increased for all racial groups except Asians.

The income used to calculate poverty status includes earnings, workman's compensation, unemployment insurance, Social Security, veteran's payments, pensions, interest and dividends, and just about every other source of cash. Non-cash benefits, such as food stamps or subsidized rents, also do not count as income.

Inflation Rate Flat Amid Price Confusion

http://money.cnn.com/2010/09/17/news/economy/cpi_inflation/index.htm

Overall, food and energy costs drove consumer prices up -- albeit very slowly -- over the last 12 months, but stripping out those components, prices are flat year-over-year. Consumer prices rose 1.1 percent over the last 12 months ending in August, the Bureau of Labor Statistics said. While any number above zero means prices are rising, that's a slightly slower pace than in July, when the annual inflation rate was at 1.2 percent.

Rising energy and food prices were the biggest drivers, with gasoline rising 4.1 percent over the last year and food rising 1 percent. Overall, the entire energy index -- which includes fuel, electricity and gas utilities -- rose 3.8 percent. Stripping out the volatile food and energy component though, the so-called core CPI remained unchanged, showing prices rose 0.9 percent over the last year.

Manufacturing/Output

Industrial Production Rises 0.2 Percent in August

http://www.usatoday.com/money/economy/2010-09-15-industrial-production_N.htm

Industrial production rose modestly in August and the manufacturing sector grew for the 12th time in 14 months. Output at the nation's factories, mines and utilities edged up 0.2 percent last month. It rose 0.6 percent in July. Production gains at factories, the largest single element of industrial production, slowed to 0.2 percent after rising 0.7 percent in July. Much of the softness came from a decline in auto production, which spiked in July. Excluding autos, manufacturing rose 0.5 percent. Output rose more than 1.0 percent for basic consumer goods such as food, clothing and paper.

Manufacturing has helped drive economic expansion over the past year. Companies built up their stockpiles in the first half of the year after slashing them during the recession. But demand for goods has slowed in recent months as consumers are saving more and spending with caution.

Business Inventories Rise 1.0 Percent in July

http://www.marketwatch.com/story/us-says-business-inventories-up-10-in-july-2010-09-14?reflink=MW_news_stmp

U.S. business inventories rose 1.0 percent during July, the seventh consecutive monthly increase and the largest in two years. Business sales rose 0.7 percent on the month, the biggest increase since March. Sales have risen in five of the last seven months.

Energy Costs Push Up U.S. Producer Prices

[http://www.nytimes.com/2010/09/17/business/economy/17econ.html?scp=2&sq=producer percent20price percent20index&st=cse](http://www.nytimes.com/2010/09/17/business/economy/17econ.html?scp=2&sq=producer%20price%20index&st=cse)

Higher energy costs pushed the overall measure of producer prices higher in August, a modest increase that many analysts said reduced concerns about the possibility of deflation even as the economy continued to recover. The Labor Department said that its Producer Price Index, which follows prices that producers are paid for goods before they are sold to consumers, rose 0.4 percent in August after a 0.2 percent increase in July. That increase was the first in the index in three months.

The August rise was attributed to a 2.2 percent increase in energy prices. When volatile food and energy prices are removed, the core index rose 0.1 percent in August, compared with a 0.3 percent increase in July, which was the largest gain since January. Food prices fell 0.3 percent in August, the fourth decline in five months.

Employment

Jobless Claims Down For Second Week in a Row

http://money.cnn.com/2010/09/16/news/economy/jobless_claims/index.htm

The number of Americans filing for first-time unemployment benefits declined for a second straight week last week, according to a government report. There were 450,000 initial jobless claims filed in the week ended Sept. 11, which included Labor Day. That was the lowest level in two months and down 3,000 from an upwardly revised 453,000 in the previous week, the Labor Department reported. Delays due to the Labor Day holiday on Monday could have also caused the latest reading to come in slightly lower.

The four-week moving average of initial claims, calculated to smooth out volatility, totaled 464,750, down 13,500 from the previous week's revised average of 478,250.

Housing

Foreclosure Rates Hold Steady

http://money.cnn.com/2010/09/16/real_estate/steady_foreclosure_rates/index.htm?hpt=T2

The foreclosure crisis has entered a new phase: The number of properties entering the foreclosure process has dropped, and now nearly matches the number of repossessions. The number of homeowners falling enough behind on their loans to attract initial notices of default was down 30 percent in August. Eventually, that should translate into fewer people losing their homes. But lenders repossessed more than 95,000 homes -- a record -- and that was up from 76,000 a year ago.

Kentucky

Kentucky Foreclosures Up

<http://www.courier-journal.com/article/20100915/BUSINESS/309160007/1003/BUSINESS/Kentucky+foreclosures+up++Indiana+dow+n+from+last+year>

Foreclosure filings in Kentucky were up 4.5 percent in August over the same period last year, according to figures from real estate data company RealtyTrac. Nationally, filings were down 5 percent from last year, according to RealtyTrac. The firm tracks all stages of foreclosure, from default notices to bank repossessions.

Foreclosures have been much less common in Kentucky than nationwide. One in every 1,669 Kentucky housing units received a filing last month, according to the firm, compared to one in every 381 units for the nation as a whole. RealtyTrac counts 1,151 Kentucky residences in foreclosure and 338,836 for the nation as a whole.

New Business Locating In Garrard County

<http://www.kentucky.com/2010/09/14/1434648/new-business-locating-in-garrard.html>

An animal feed company plans to open a distribution center and retail location in Garrard County. Performance Feeds and Animal Health plans to hire seven to 10 people for the site and expand to 20 employees in the next two years.

Kentucky Unemployment Rate Back Up To 10 Percent

<http://www.courier-journal.com/article/20100916/BUSINESS/309160039/1003/BUSINESS/Kentucky+unemployment+rate+back+up+to+10+percent>

Kentucky employers shed 7,000 jobs last month, sending the state's unemployment rate back to double digits after a dip in July. August's rate of 10 percent is up from 9.9 percent in July but down from 10.8 percent a year earlier. Except for July, Kentucky has endured a double-digit unemployment rate for 18 months.

Kentucky's losses were led by trade, transportation and utilities — the state's largest sector — which shed 2,800 jobs in August. Retail stores accounted for most of the losses. The government sector, which includes public school teachers and state-owned hospitals, lost 1,700 jobs, and the professional and business services sector fell by 1,500 jobs.

However professional and business services employment is still up 12,700 in the past year, mainly because of gains in administrative and support companies as well as expansions at call centers, billing firms and technical support firms. Educational and health services, which includes private schools and health care, lost 1,200 positions primarily because the closing of an ambulance service and layoffs at a medical center.

Sectors that also lost ground include financial activities (insurance, real estate), mining and logging and other services (religious organizations, repair and maintenance).

Sectors that gained were leisure and hospitality, manufacturing, construction and information — though no single sector added more than 700 jobs.

There are 205,938 unemployed Kentuckians, according to a Bureau of Labor Statistics estimate. In the recession, that figure has been as high as 226,247 in July 2009.

Hitachi Expanding In Harrodsburg

<http://www.kentucky.com/2010/09/17/1438318/hitachi-expanding-in-harrodsburg.html>

Hitachi Automotive Products announced plans to increase the scope of an expansion of its Harrodsburg facility. The company said last year that it planned to invest \$20 million to add a production line for a new advanced fuel system that would bring an additional 101 jobs to the plant. The plant already employed more than 625.