

Economic Briefs

Week of August 27, 2010

Sales/Consumption

Credit Card Debt At An 8-Year Low

http://money.cnn.com/2010/08/25/news/economy/credit_card_transunion/index.htm

The amount of credit card debt consumers are carrying dropped to an eight-year low and delinquencies continued to decline in the second quarter as consumers looked to shore up their savings. Credit card debt fell 4.1 percent to an average \$4,591 during the quarter. That marks the fifth straight quarter of declines and the first time credit card debt has dipped below \$5,000 since the first quarter of 2002.

Credit card delinquencies, which measure the percentage of debtors who are at least 90 days late in making payments, also continued to slide, to a mere 0.92 percent. That's down a whopping 21.3 percent from the prior year and 17.1 percent from the prior quarter. Both are the biggest decreases since the recession began at the end of 2007.

US Consumer Confidence Index -44 In Latest Week

<http://www.reuters.com/article/idUSN2427540320100824>

ABC News reported that its weekly index of U.S. consumer confidence rose in the latest week, though it remains deeply negative. The ABC Consumer Comfort Index rose to -44 for the week ended Aug. 22 from -45 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.

Manufacturing/Output

GDP Report: Sharp Slowdown In Economic Growth

<http://money.cnn.com/2010/08/27/news/economy/gdp/index.htm>

The U.S. economy sputtered to a near stop in the second quarter, according to new estimates from the government, although the slowdown wasn't as bad as many had feared. The nation's gross domestic product, the broadest measure of economic activity, was revised sharply lower to an annual growth rate of 1.6 percent in the three months ending in June. The initial reading had been for a 2.4 percent growth rate in the period.

The report fed into growing fears that the nation could be at risk of a new economic downturn -- a double-dip recession -- leading some economists to darken their outlook for the economy, upping estimates for another slowdown. One leading concern is stubbornly high unemployment. While the economy is still growing, growth of less than 2 percent is considered too weak to prompt businesses to start hiring again.

The downward revision was mostly due to businesses doing less to restock their inventories than previously estimated in the face of weak consumer demand. Inventories grew by only \$19 billion in the quarter, down \$28 billion from the earlier estimate. Construction spending also came in weaker than assumed at the time of the original reading, with non-residential building taking the biggest hit.

Durable Goods Orders Drop 3.8 Percent In July, Excluding Aircraft

http://www.usatoday.com/money/economy/2010-08-25-durable-goods-orders_N.htm

Orders to factories for big-ticket manufactured goods increased slightly in July, but businesses spent less. Demand for durable goods rose 0.3 percent last month, the Commerce Department said. The increase was driven by a 75.9 percent increase in orders for commercial aircraft. Without the volatile transportation sector, orders dropped 3.8 percent — steepest decline since January. Businesses spent less on equipment and machines. Orders for capital goods fell 8.0 percent.

Machinery and computers were especially hard-hit. Orders for machinery dropped 15 percent, biggest decline on record for that category.

Housing

Plunging Home Sales Could Sink Recovery

http://money.cnn.com/2010/08/24/real_estate/existing_home_sales/index.htm

With home sales plunging to their lowest level in 15 years, economists warn that a double-dip in housing prices is just around the corner, threatening to further slow the overall recovery. Existing home sales sank 27.2 percent in July, twice as much as analysts expected, to a seasonally adjusted annual rate of 3.83 million units. Much of that drop is attributed to the end of the \$8,000 homebuyer tax credit. That credit brought buyers out in droves, as they tried to sign home contracts before the April 30 deadline. Now, two months later, sales are 34 percent below April's tax incentive-induced peak.

The sales pace of all homes -- single-family homes, townhomes, condominiums and co-ops -- is at the lowest since NAR began tracking the figure in 1999. Sales of single-family homes, which account for a bulk of the transactions, are at the lowest level since May 1995.

Inventory has also continued to climb, rising 2.5 percent to 3.98 million existing homes for sale. That represents a 12.5-month supply at the current sales pace, the highest since October 1982 when it stood at 13.8 months. A six-month of supply is considered normal.

New Home Sales Drop 12.4 Percent To Record Low

http://money.cnn.com/2010/08/25/real_estate/new_home_sales/index.htm

New home sales unexpectedly fell in July to the lowest level on record as the housing market continued to suffer from the end of the homebuyer tax credit boost. New home sales dropped 12.4 percent to a seasonally adjusted annual rate of 276,000 last month, down from a downwardly revised 315,000 in June. Sales year-over-year fell 32.4 percent.

Home sales had soared in March and April as homebuyers rushed to sign contracts ahead of the April 30 deadline for the \$8,000 tax credit. But sales plummeted in May, the first month after the incentive expired, to an annual rate of 281,000. The pace only improved modestly in June.

U.S. Mortgage Applications Index Increased By 4.9 Percent Last Week

<http://www.bloomberg.com/news/2010-08-25/u-s-mortgage-applications-index-increased-by-4-9-last-week-mba-reports.html>

The number of mortgage applications in the U.S. increased for a fourth straight week, boosted by refinancing as borrowing costs reached record lows. The Mortgage Bankers Association's index rose 4.9 percent in the week ended Aug. 20. Refinancing climbed 5.7 percent to reach the highest level since May 1, 2009, while purchases gained 0.6 percent.

One In 10 With A Mortgage Face Foreclosure

http://www.usatoday.com/money/economy/housing/2010-08-26-mortgages-foreclosure_N.htm

One in 10 American households with a mortgage was at risk of foreclosure this summer as the government's efforts to help have had little impact stemming the housing crisis. About 9.9 percent of homeowners had missed at least one mortgage payment as of June 30, the Mortgage Bankers Association said. That number, which is adjusted for seasonal factors, is down slightly from a record-high of more than 10 percent as of April 30.

In a worrisome sign, the number of homeowners starting to have problems with their mortgages rose after trending downward last year. The number of homes in the foreclosure process fell slightly, the first drop in four years.

Employment

Jobless Claims Slide More Than Expected

http://money.cnn.com/2010/08/26/news/economy/jobless_claims/index.htm

The number of first-time filers for unemployment insurance fell more than expected last week, according to a weekly government report released Thursday. There were 473,000 initial jobless claims filed in the week ended Aug. 21, down 31,000 from an upwardly revised 504,000 the previous week, according to the Labor Department's weekly report. Claims had been stuck in the mid- to upper-400,000 range for about nine months, but spiked above 500,000 for the first time since November in last week's report. The 4-week moving average of initial claims -- a number that tries to smooth out week-to-week volatility -- was 486,750, up 3,250 from the previous week.

The government said 4.46 million people continued to file unemployment claims for their second week or more, during the week ended Aug. 14, the most recent data available. That's down 62,000 from an upwardly revised 4.52 million the week before.

Kentucky

Louisville House Prices Down But Not As Bad As Most

<http://www.courier-journal.com/article/20100825/BUSINESS/308250104/1003/BUSINESS/Louisville+house+prices+down+but+not+a+s+bad+as+most>

Louisville-area house prices are down 2.25 percent compared to a year ago, according to federal data, but Louisville was the 83rd best-performing market among 303 metro areas. The Federal Housing Finance Agency's House Price Index measures price changes using sales and refinancing information from Fannie Mae and Freddie Mac. It does not include condos.

The latest release of the index, which covers April through June, shows the 13-county Louisville-Southern Indiana metro area's decline was less than Nashville (137th) but behind Cincinnati (79th) and Indianapolis (60th). Compared to five years ago, Louisville prices are up 4.1 percent, according to the index.

Jobless Rates Drop In 111 Ky. Counties

<http://www.kentucky.com/2010/08/26/1406792/jobless-rates-drop-in-111-ky-counties.html>

Jobless rates fell in 111 Kentucky counties from July 2009 to July 2010, according to numbers released by the Kentucky Office of Employment and Training. Boyd County's rate, 7.7 percent, was the lowest in the state. Magoffin County reported the highest unemployment rate, 18.1 percent.

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