

# Economic Briefs

Week of March 19, 2010

## Sales/Consumption

### **Inflation Up At 2.1 Percent Annual Rate**

[http://money.cnn.com/2010/03/18/news/economy/consumer\\_prices\\_February/index.htm](http://money.cnn.com/2010/03/18/news/economy/consumer_prices_February/index.htm)

Consumer prices in February rose from a year ago amid higher energy costs, but the pace of price increases slowed for the second straight month. The Consumer Price Index, the government's key inflation measure, rose 2.1 percent over the past 12 months, driven by a 37 percent climb in gasoline costs during the period. In January, prices climbed 2.6 percent from the previous year. The so-called core CPI, which is closely watched by economists because it strips out volatile food and energy prices, rose 1.3 percent over the past year, the smallest gain since February 2004.

For the month, overall prices were unchanged as declining energy prices offset increases in prices of food and other items. Food costs edged up 0.1 percent during the month, while energy prices fell for the first time since April 2009, posting a 0.5 percent decline. The drop was due to a 1.4 percent dip in gasoline prices. Core CPI for the month rose 0.1 percent, in line with economists' expectations and up from the 0.1 percent decrease in January.

## Manufacturing/Output

### **Leading Indicators Rise More Slowly In February**

[http://www.google.com/hostednews/ap/article/ALeqM5gD1AWhgThB8nnXM4MB\\_k9UX2RUiwD9EH3ME01](http://www.google.com/hostednews/ap/article/ALeqM5gD1AWhgThB8nnXM4MB_k9UX2RUiwD9EH3ME01)

A gauge of future economic activity rose 0.1 percent in February, suggesting slow economic growth this summer. The slim rise in the Conference Board's index of leading economic indicators was the smallest gain in 11 months. It matched expectations of economists polled by Thomson Reuters. In January, the index increased 0.3 percent. The leading indicators index forecasts economic activity in the next three to six months based on a variety of economic data on housing, jobs, manufacturing and financial markets, most of which has already been released.

The leading indicators have risen for nearly a year due to a rebound in the manufacturing sector and the rally in the stock market starting in March 2009. But high unemployment, slow income growth and tight credit are weighing on consumers, leaving the recovery modest.

Only four of the leading index's 10 indicators increased in February: the interest rate spread, real money supply, supplier deliveries to companies and manufacturers' new orders for consumer goods. The interest rate spread is the difference between the cost of borrowing money for 10 years and borrowing overnight. A widening gap between the two can that investors expect inflation to increase or that they expect economic activity to pick up.

### **U.S. Producer Prices Fall 0.6 Percent In February**

<http://www.marketwatch.com/story/story/print?guid=737FA502-D3DC-4AAD-8003-E5FD67C34EA2>

Lower costs for energy pushed the U.S. producer price index to a drop of 0.6 percent in February. Core producer prices, excluding volatile food and energy, rose 0.1 percent in line with expectations. A major contributor to the February advance was the index for passenger cars, which rose 0.5 percent. February's decline in the headline PPI was the largest since a fall of 1.2 percent last July. In January, the PPI rate had jumped 1.4 percent, while the core rate had risen 0.3 percent.

For the 12 months through February, producer prices gained 4.4 percent. This is the fourth straight increase. During the worst of the recession, producer prices dropped on a year-over-year basis. Factoring out food and energy inputs, those prices have climbed 1.0 percent. Meanwhile, the core PPI rate has trended lower since hitting 2.3 percent last August.

### **Fed: Low Rates Will Continue**

[http://money.cnn.com/2010/03/16/news/economy/fed\\_decision/index.htm](http://money.cnn.com/2010/03/16/news/economy/fed_decision/index.htm)

The Federal Reserve left its key interest rate near 0 percent once again Tuesday and said rates should stay this low for the foreseeable future. Fed policymakers repeated their prediction that economic conditions are likely to result in "exceptionally low levels of the federal funds rate for an extended period." That promise of an easy-money policy has been in place since March 2009.

The so-called fed funds rate, a benchmark that determines the interest paid by consumers and businesses on a wide variety of loans, has been near 0 percent since December 2008, as the central bank worked to spur greater lending and economic activity.

## **Industrial Production Is Up, Thanks To Mining, Utilities**

[http://www.usatoday.com/money/economy/2010-03-15-industrial-production\\_N.htm](http://www.usatoday.com/money/economy/2010-03-15-industrial-production_N.htm)

Industrial production edged up 0.1 percent in February, beating expectations and marking the eighth monthly increase. But the key manufacturing sector produced less. The Federal Reserve reported that manufacturing output, the index's largest component, fell 0.2 percent; while output at mining companies and utilities increased 2.0 percent and 0.6 percent, respectively.

Manufacturing took a hit from winter storms that shut down most of the Northeast in February, decreasing hours worked at factories and restraining workers' earnings. However, the storms increased demand for energy, boosting mining and utility production. It was a return to more measured gains after January's 0.9 percent increase. But the index's consistent upward trend suggests economic improvement is durable, if modest.

American industry was operating at 72.7 percent of capacity last month. It was up 0.2 percentage point from January, but still 7.9 percentage points below its average from 1972 to 2009.

## **Housing**

### **Home Construction Declines**

[http://money.cnn.com/2010/03/16/news/economy/housing\\_starts/index.htm](http://money.cnn.com/2010/03/16/news/economy/housing_starts/index.htm)

New home construction and building permits fell in February, according to a government report but both readings beat economists' expectations. Construction of new homes fell to an annual rate of 575,000 during the month, down 5.9 percent from January's revised rate of 611,000, the Commerce Department said. It was an increase of 0.2 percent from the 574,000 rate in February 2009. Economists expected February housing starts to dip to an annual rate of 570,000.

The number of building permits issued during February fell to a seasonally adjusted annual rate of 612,000. That was 1.6 percent below the revised January rate of 622,000, but up 11.3 percent from the February 2009 rate of 550,000. Economists had expected building permits would fall to 601,000.

Single-family housing starts and building permits both declined last month. Construction on single-family homes dropped 0.6 percent while permits slid 0.2 percent.

## **Employment**

### **Unemployment Claims Fall**

[http://money.cnn.com/2010/03/18/news/economy/initial\\_claims/index.htm](http://money.cnn.com/2010/03/18/news/economy/initial_claims/index.htm)

The number of Americans filing for initial unemployment insurance fell last week. There were 457,000 initial jobless claims filed in the week ended March 13, down 5,000 from a revised 462,000 the previous week, the Labor Department said in a weekly report. The 4-week moving average of initial claims was 471,250, down 4,250 from the previous week's unrevised average of 475,500.

Heavy snowstorms in the Northeast shut down the government in February. As a result, the Labor Department had a backlog of claims that it wasn't able to process on time, which inflated the numbers in the following weeks. Economists said that the storms and cold weather also led to an increase in job losses within industries such as construction.

Continuing claims: the government said 4,579,000 people filed continuing claims in the week ended March 6, the most recent data available. That's up 12,000 from the preceding week's revised 4,567,000 claims. The 4-week moving average for ongoing claims fell by 8,000 to 4,575,250 from the previous week's revised 4,583,250. But the decline may just mean that more filers are dropping off those rolls into extended benefits.

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**

### **Kentucky Economic Indicators**

December 2009 as of March 9, 2010

<http://www.osbd.ky.gov/NR/rdonlyres/55EEB89A-115F-4950-B3D2-2038E3B8DD0C/0/0912EconInd.pdf>

The Kentucky Leading Index declined by 3.1 percent in December, the first decline since May. The index is now 0.4 percent below its December 2008 level. Three of the five component indicators were negative in December. The Kentucky Labor Intensity Index was primarily responsible for the leading index decline. The Kentucky Labor Intensity Index declined by a moderate 4.2 percent in December, nearly erasing all of the gains from November. The index carries the highest weight in the leading index by virtue of its relatively low historical variance. The Kentucky Labor Intensity Index declined in nine of the 12 months of 2009.

All five of the employment sectors experienced declines in employment for December. Transportation equipment employment was hit the hardest of the five, declining by 800 seasonally adjusted jobs in one month, or 2.0 percent. Average weekly hours across the five sectors was mixed with three of the five declining modestly. Average weekly hours in petroleum, coal, plastics and rubber products decreased the most falling - 2.3 hours to 42.1, a 5.2 percent loss.

### **Jobless Rates Up In 116 Counties From January 2009 To January 2010**

<http://www.workforce.ky.gov/newspub.htm>

Unemployment rates rose in 116 Kentucky counties between January 2009 and January 2010, according to the Kentucky Office of Employment and Training. Fayette County recorded the lowest jobless rate in the Commonwealth at 8.5 percent. Magoffin County recorded the state's highest unemployment rate — 23.5 percent.

### **Louisville Lands Fast-Growing Nursing Home Company HQ**

<http://www.courier-journal.com/article/20100315/BUSINESS/303150045/Louisville+lands+fast-growing+nursing+home+company+HQ>

Signature Healthcare, a fast-growing nursing home operator, is moving its corporate headquarters from Florida to Jeffersontown, creating at least 120 jobs with typical salaries between \$60,000 and \$95,000.

Chief executive E. Joseph Steiner III, a Louisville native, said the company will make the move this summer with the goal of employing 200-220 within three years. The news is especially welcome after Humana and Jewish Hospital & St. Mary's HealthCare announced cutbacks that would shed about 1,250 health care jobs in Louisville.

### **Manufacturer To Create Up To 50 Jobs**

<http://www.courier-journal.com/article/20100316/BUSINESS/303160032/Manufacturer+to+create+up+to+50+jobs>

Kentuckian Curb Co., a maker of metal roof components and other products, is expected to announce that it will create up to 50 jobs paying an average wage of \$25 an hour. The company was approved for up to \$1.125 million in state tax incentives over a 10-year period at the December meeting of the Kentucky Economic Development Finance Authority.

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