

Economic Briefs

Week of November 27, 2009

Sales/Consumption

Personal Income And Spending Increase By More Than Expected In October

<http://www.rttnews.com/ArticleView.aspx?Id=1140342&SMap=1>

The Commerce Department released its report on personal income and spending in the month of October, showing that income and spending both increased by a little more than economists had been expecting. The report showed that personal income increased by 0.2 percent in October following a revised 0.2 percent increase in September. Economists had been expecting income to edge up by 0.1 percent compared to the lack of growth originally reported for the previous month.

Additionally, the Commerce Department said that personal spending rose by 0.7 percent in October after falling by 0.6 percent in the previous month. The growth exceeded economist estimates of a 0.5 percent increase in spending.

The report also showed that disposable personal income, or personal income less personal current taxes, rose by 0.4 percent in October following a 0.2 percent increase in September. With spending increasing at a faster pace than income, personal saving as a percentage of disposable personal income was 4.4 percent in October compared with 4.6 percent in September.

Consumers More Optimistic About Recovery

http://money.cnn.com/2009/11/24/news/economy/consumer_confidence/index.htm

A key measure of consumer confidence gained slightly in November, snapping a two-month declining streak. The Conference Board said its Consumer Confidence Index rose to 49.5 in November from an upwardly revised 48.7 in October. The overall index remains at historically low levels. A reading above 90 indicates the economy is solid, and 100 or above signals strong growth.

Despite the modestly upbeat figure, Lynn Franco, director of the Conference Board, said "consumers are entering the holiday season in a very frugal mood." The index component that evaluates consumers' judgment of the present situation was virtually unchanged, slipping to 21 in November from 21.1 the previous month. The measure stands at the lowest level since the 17.5 measured in February 1983.

Consumers' assessment of the job market also continued to deteriorate. The percentage of those claiming that jobs are currently hard to get reached a new high of 49.8 percent, while the number of consumers claiming that jobs are "plentiful" hit a new low at 3.2 percent.

The expectation index, which measures consumers' outlook over the next few months, climbed to 68.5 from 67 last month.

Bankruptcies Spike 33 Percent

<http://money.cnn.com/2009/11/25/news/economy/bankruptcy/index.htm>

The total number of bankruptcies filed in the third quarter surged 33 percent in 2009 and is at the highest level since 2005. The American Bankruptcy Institute, an industry research firm, said 388,485 bankruptcies were filed during the last quarter, compared to 292,291 filed during the same period in 2008, according to data released by the Administrative Office of the U.S. Courts.

Filings for the first nine months of the year climbed 35 percent to 1,100,035, compared to 841,496 filings during the same period in 2008. A total of 1,117,771 bankruptcies were filed last year.

Bankruptcies are at the highest level since 2005, when 2,078,415 were filed before Congress passed amendments to the Bankruptcy Code.

Manufacturing/Output

Economy Not As Strong As Believed

<http://money.cnn.com/2009/11/24/news/economy/gdp/index.htm>

Economic growth was weaker in the third quarter than originally reported, according to government data. The gross domestic product, the broadest measure of the nation's economic activity, rose at an annual rate of 2.8 percent in the three months ending in September, according to the Commerce Department's first revision in the reading. The initial reading of the report a month ago came in with a 3.5 percent growth rate.

The new reading was in line with forecasts of economists. They had expected the other readings since the original estimate, including a larger trade gap and a drop in the inventory of products on hand at businesses, to trim the growth estimate. Still, despite being weaker than the original estimate, the quarter snapped a streak of four straight quarters of severe economic decline that saw the U.S. economy slow more than at any time since the Great Depression.

U.S. October Durable-Goods Orders Fall 0.6 Percent

<http://www.marketwatch.com/story/us-october-durable-goods-orders-fall-06-2009-11-25>

Orders for U.S.-made durable goods fell in October, declining 0.6 percent on weaker demand for machinery and defense goods, the Commerce Department reported. Excluding transportation goods, orders fell 1.3 percent. Economists had expected a gain of 0.5 percent for durable-goods orders, and a gain of 0.4 percent for orders excluding transportation.

Durable-goods orders had gained 2 percent in September, and were up 1.8 percent excluding transportation.

Housing

Home Prices Climb For 2nd Straight Quarter

http://money.cnn.com/2009/11/20/real_estate/home_prices_third/index.htm

Home prices rose for the second straight quarter, but remained nearly 9 percent lower than a year earlier. Prices nationwide rose 3.1 percent in the three months ended Sept. 30, according to the S&P/Case-Shiller Home Price Index. That followed a similar 3.1 percent rise during the second quarter of the year.

Prices were still below a year ago, however, down 8.9 percent compared with the third quarter of 2008. Nevertheless, that's an improvement from the double-digit price decreases the index had been reporting; the second quarter year-over-year decline was 14.7 percent. Prices had dropped 19 percent year-over-year during the first quarter of 2009.

1 In 4 Mortgages 'Underwater'

http://money.cnn.com/2009/11/24/real_estate/mortgages_underwater/index.htm

In a sign that more foreclosures could be on the horizon, 23 percent of people with mortgages owe more than their home is worth. Almost 10.7 million U.S. mortgages were "underwater" as of September. Another 2.3 million homeowners are within 5 percent of negative territory. The two figures combined comprise almost 28 percent of all residential properties with mortgages.

Negative equity, also called an "underwater" or "upside down" mortgage, has become more common as home values plummet.

Existing Home Sales At Highest Level Since 2007

http://money.cnn.com/2009/11/23/real_estate/existing_home_sales/index.htm

Existing home sales surged in October to the highest level in more than 2-1/2 years, according to a real estate industry report. The National Association of Realtors reported that existing home sales rose 10.1 percent last month to a seasonally adjusted annual rate of 6.1 million units, up from the downwardly revised rate of 5.54 million in September. Sales activity is the highest since February 2007, when the annual rate was 6.55 million.

The gain was likely due to an influx of buyers looking to take advantage of an \$8,000 tax credit that the Obama administration made available for qualified first-time home buyers. The tax credit was scheduled to expire at the end of November, but it has been extended to April 30 and expanded to include more home buyers.

Price and inventory. The median price of homes sold in October was \$173,100, a 7.1 percent year-over-year drop. Distressed properties comprised 30 percent of the houses sold during the month.

New Home Sales Spike In October

http://money.cnn.com/2009/11/25/real_estate/October_new_homes/index.htm

New home sales spiked in October, one month after declining unexpectedly. The Commerce Department said new home sales rose 6.2 percent last month, to a seasonally adjusted annual rate of 430,000, from an upwardly revised rate of 405,000 in September. It was the sixth time new home sales had risen in the past seven months.

The October increase far surpassed industry expectations. A panel of expert forecasts compiled by Briefing.com had predicted new home sales of 404,000.

"The evidence continues to show stabilization in the housing market," said Mike Larson, a real estate analyst with Weiss Research. "It's not a huge new bull market, mind you, but an end to the relentless flood of bad news we had [in previous years]."

New houses sold in October for a median price of \$212,200, up from \$204,800 in September. The average sales price was \$261,100.

Employment

Jobless Claims Plummet To 14-Month Low

http://money.cnn.com/2009/11/25/news/economy/initial_jobless_claims/index.htm

The number of first-time filers for unemployment insurance fell to 466,000, the lowest level in 14 months, according to a government report. That's the lowest number in the Labor Department figure since the week ended Sept. 13, 2008, and a decrease of 35,000 from the previous week's downwardly revised figure of 501,000.

The government said 5,423,000 people filed continuing claims in the week ended Nov. 14, the most recent data available. That's down 190,000 from the preceding week's 5,613,000 ongoing claims.

Kentucky

Jobless Rates Up In 120 Counties From October 2008 To October 2009

<http://www.workforce.ky.gov/newspub.htm#Nov. 25, 2009>

Unemployment rates rose in all 120 Kentucky counties between October 2008 and October 2009, according to the Kentucky Office of Employment and Training, an agency of the Kentucky Education and Workforce Development Cabinet. Fayette County recorded the lowest jobless rate in the commonwealth at 7.8 percent. Magoffin County recorded the state's highest unemployment rate — 21.7 percent.

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