

Economic Briefs

Week Ending February 11, 2011

Sales/Consumption

Consumers Using Credit Cards Again

http://www.usatoday.com/money/economy/2011-02-07-consumer-credit_N.htm

Americans are putting more money on their credit cards after two years of cutting back, helping fuel the third straight monthly increase in consumer borrowing. The Federal Reserve reported that consumers increased their borrowing by \$6.1 billion in December to a seasonally adjusted annual rate of \$2.41 trillion. That represented a gain of 3 percent.

Borrowing in the category that includes credit cards rose 3.5 percent, the first advance after a record 27 straight monthly declines. Borrowing on auto loans increased 2.8 percent.

Even with the December gains, consumer borrowing is just 0.7 percent higher than the more than three-year low hit in September. It is 6.6 percent below the high set in July 2008. Households began borrowing less and saving more after the country fell into a recession in December 2007. The decline in borrowing has dampened consumer spending, which accounts for 70 percent of total economic activity.

Rising Gas Prices Slam Consumer Sentiment

http://blogs.abcnews.com/consumer_confidence/2011/02/rising-gas-prices-slam-consumer-sentiment.html

Soaring gasoline prices slammed consumer sentiment into reverse this week, threatening the slow recovery in economic views that's been under way. With gas now at record high for a February in Energy Department data back to 1990, the weekly Consumer Comfort Index dropped by an unusually steep 5 points to -46 on its scale of -100 to +100. It's dropped that far only 36 times in more than 1,300 weeks of ongoing polling since late 1985; this shift erases an equally unusual 5-point gain in early January.

It's likely no coincidence that the change in sentiment follows the federal government's report that gas has jumped to an average \$3.13 a gallon, up steadily from \$2.74 six months ago, \$2.65 a year ago and \$1.89 two years ago this month. The portent is not a good one. Gas prices tend to drop in winter, when demand is down, and rise in summer, when more Americans hit the road. Gas last approached this wintertime level in February 2008 – on its way to a record high of \$4.11 the following July.

The index is based on Americans' ratings of their personal finances, the buying climate and the national economy. Positive ratings of the buying climate and the economy took 3-point hits this week; 43 percent rate their finances positively and 25 percent call it a good time to buy, compared with long-term averages of 56 and 37 percent, respectively. Just 13 percent rate the national economy positively, 24 points below its average.

Manufacturing/Output

U.S. Wholesale Inventories Rise More Than Forecast

<http://www.bloomberg.com/news/2011-02-10/u-s-wholesale-inventories-rise-more-than-forecast-sales-climb.html>

Inventories at U.S. wholesalers rose more than forecast in December as distributors tried to keep up with improving sales. The 1 percent increase in stockpiles compared with a 0.7 percent gain median forecast and followed an unchanged reading in November, Commerce Department figures showed. Sales grew 0.4 percent to \$371.5 billion, the highest level since August 2008.

Strengthening demand indicates orders to factories will keep climbing, which will keep manufacturing at the forefront of the economic expansion in coming months. The need to replenish stockpiles will probably contribute to growth in coming months.

The median projection for wholesale inventories was based on a survey of 35 economists whose estimates ranged from an increase of 1.8 percent to a decline of 0.4 percent. The November reading was revised from a previously reported 0.2 percent decline.

Employment

Job Openings Fall For A Second Month

http://www.usatoday.com/money/economy/2011-02-08-job-openings_N.htm

Employers posted fewer job openings in December, the second straight month of declines. The Labor Department said that employers advertised nearly 3.1 million jobs that month, a drop of almost 140,000 from November. That's the lowest total since September.

Openings have risen more than 700,000 since they bottomed out in July 2009, one month after the recession ended. That's an increase of 31 percent. But they are still far below the 4.4 million available jobs that were advertised in December 2007, when the recession began.

The report, known as the Job Openings and Labor Turnover survey, or JOLTS, counts number of jobs advertised on the last business day of the month. The figures are for December, but economists say the report provides an indication of future hiring patterns because it can take several months to fill many jobs.

Job openings dropped sharply in professional and business services, a category that includes temporary help agencies. They also fell in construction, manufacturing, and in education and health services.

Job openings rose in trade, transportation and utilities, and in retail.

New Claims For Unemployment Benefits Lowest Since '08

http://www.usatoday.com/money/economy/2011-02-10-unemployment-benefits_N.htm

The number of people applying for unemployment benefits fell last week to the lowest level in nearly three years. Applications are well below their peak of 651,000, reached in March 2009, when the economy was deep in recession. Applications below 425,000 tend to signal modest job growth. But they would need to dip consistently to 375,000 or below to indicate a significant and steady decline in the unemployment rate.

Last week's sharp decline continues a downward trend that took shape late last year. The last time applications fell below 400,000 was near the end of December.

Harsh winter snowstorms along in the Southeast forced some companies to temporarily layoff workers last month. That sent applications surging to 457,000 in the week of Jan. 22. But since then applications have been falling.

The four-week average, a less volatile measure, dipped to 415,500 last week. The two-year low of 411,250 was reached in the week ending Jan. 1.

Housing

Home Sales Grow, Aided By More Stable Prices

http://money.cnn.com/2011/02/10/real_estate/realtors_home_prices/index.htm

Home sales volume rose sharply in the final three months of 2010, aided by more stable prices on a year-over-year basis. Sales jumped 15.4 percent in the fourth quarter to an annual rate of 4.8 million units compared with 4.16 million a quarter earlier, the National Association of Realtors said.

Prices of single-family homes stabilized, rising 0.2 percent compared with 12 months earlier. The national median for homes sold during the period was \$170,600. The number of sales fell nearly 20 percent nationally, however, compared with the same period in 2009, when the homebuyer's tax credit was in effect.

The survey revealed that single-family home prices held up better than those of condos. The national median for condos fell 6.4 percent compared with 12 months earlier, to \$164,200. In some markets, condo prices have rarely been so affordable.

30 Percent Of Mortgages Are Underwater

http://money.cnn.com/2011/02/09/real_estate/underwater_mortgages_rising/index.htm

Sometime, somehow, the foreclosure crisis will ease. But probably not anytime soon. Home prices dropped 2.6 percent nationwide during the last three months of 2010, pushing more borrowers underwater, according to a quarterly real estate market survey from Zillow.com. Now 27 percent of homeowners with mortgages owe more than their homes are worth. That's up from 23.2 percent a quarter earlier.

That will surely lead to higher foreclosure rates soon. That's because being underwater is second only to unaffordable payments in leading to foreclosure. Additionally, the report found that more than one-third of all

homes were sold at a loss in December. That trend has been on a steady uptick for the past six months, as homeowners try to find ways around foreclosure or out from under their homes.

The so-called "robo-signing" events of the fall also forced the number of underwater mortgages higher. When banks' foreclosure paperwork came under scrutiny, many halted all repossessions until they could straighten things out. With foreclosures no longer being cleaned out of the system, more homes stayed underwater rather than moving on to foreclosure.

The moratoriums have been only temporary, however, and the defaults that had been stopped up in the foreclosure pipeline could come out in a gush over the next few months. And any bump in the number of foreclosures adds to the likelihood that more homes will be dumped onto an already bloated market. That would just further depress home prices, continuing the vicious cycle that has plagued the industry for several years.

Foreclosures Are Falling - But It's A Fake Out

http://money.cnn.com/2011/02/10/real_estate/foreclosure_filings_fall/index.htm

Foreclosure filings plunged in January, but don't shake those pom-poms yet. It's strictly a fake out.

The number of homes receiving foreclosure filings -- default notices, auctions and repossessions -- fell 17 percent in January compared to a year earlier, RealtyTrac reported. But that's still 261,333 properties and a 1 percent increase compared to December.

Even with the slowdown, more than 78,000 borrowers lost their homes in January, easing off the record 102,000 that was reached last September. But, experts argue, this doesn't reflect the true number of potential foreclosures since most are just being postponed. Inevitably, they'll show up in future RealtyTrac statistics.

Kentucky

Kentucky Economic Indicators

October 2010 as of January 24, 2011

<http://www.osbd.ky.gov/NR/rdonlyres/1E0336C5-1AFD-4798-BFCE-A097A8798376/0/1010EconInd.pdf>

The Leading Index grew by 4.8 percent in October. That is the seventh month of growth in the last nine months. The index has been trending upwards since June 2009. The rate of growth is consistent with past recovery periods. The 2007 recession impacted the Kentucky Leading Index profoundly. The 2007 losses were twice as large as the losses from the 2001 recession in percent and absolute magnitude. During the 2007 recession, the index lost 4.0 points a 3.6 percent decline. During the 2007 recession, the index lost 9.3 points and fell 8.3 percent. Since May 2009, the leading index has grown by a net 2.4 percent, making up 27.0 percent of its 2007 recession losses.

Shepherdsville Lays Off Seven Employees Due To Budget Shortfall

<http://www.courier-journal.com/article/20110209/ZONE10/302090121/-1/go4Ajax/Shepherdsville-lays-off-seven-employees-due-budget-shortfall?odyssey=mod|newswell|text|Home|p>

Shepherdsville laid off seven employees as city officials grappled with a multimillion-dollar budget shortfall. The City Council agreed last week to cut \$500,000 in expenses, which was achieved through staff cuts. The city laid off workers from the Public Works Department and support staff in the Shepherdsville Police Department, Ellis said. No police officers were let go.

Tubing Company Closing Kentucky Location

<http://www.courier-journal.com/article/20110213/BUSINESS/302130066/1003/BUSINESS/Tubing-company-closing-Kentucky-location>

A stainless steel tubing company is closing its Kentucky production site, the only stateside facility the business has. The closure of the Elizabethtown plant of Samuel, Son & Co. Ltd., parent company of Associated Tube Group, will eliminate 48 jobs. Samuel, Son & Co., Corporate Vice President of Communications Peter M. Baines told The News-Enterprise that the closure is expected to be complete by June 30, but will begin in phases depending on job function.