

# Economic Briefs

Week of February 19, 2010

## Sales/Consumption

### **Consumer Prices Rise 2.6 Percent**

<http://money.cnn.com/2010/02/19/news/economy/CPI/index.htm>

Consumer prices rose from a year ago amid climbing gasoline prices but the pace of price increases slowed. The Consumer Price Index, the government's key inflation reading, rose 2.6 percent during the past 12 months. In December, prices rose 2.7 percent from the previous year.

The core CPI, which is more closely watched by economists because it strips out volatile food and energy prices, rose 1.6 percent over the past year. That's the lowest level since September, when prices rose at a rate of 1.5 percent.

For the month of January, overall prices rose 0.2 percent. In a surprise drop, the core CPI fell 0.1 percent in the month, the largest decline since December 1982. Analysts had expected a 0.1 percent increase. The drop came amid falling prices of housing and shelter, which fell 0.5 percent. The index for lodging away from home fell the most -- 2.1 percent, while rent prices were unchanged.

### **Consumer Confidence Near Low Point, With Little Optimism About Economy**

<http://abcnews.go.com/PollingUnit/abc-news-poll-consumer-confidence/story?id=9854315>

Consumer confidence is on a cold streak, locked in place since the beginning of the year at very near its worst-ever rating and more than three in four think the economy is stalled or will decline in coming months. The ABC News Consumer Comfort Index stands at -49 on its scale of +100 to -100, in a 2-point range and without significant movement for the past six weeks. It is hovering just 5 points from its all-time low, -54 last January, and is far worse than its long-term average, -13 in 24 years of weekly polls.

A separate, forward-looking measure finds little in the way of optimism for the economy's future. Just 23 percent think things are getting better and 77 percent say the economy is staying the same or getting worse, a chilling assessment given the very low ratings of current sentiment.

A key indicator from last week's ABC News/Washington Post poll underscores these persistent negative feelings. Eighty-eight percent think that the economy, despite what economists say to the contrary, is still in a recession. And on a more personal note, 53 percent say that based on their experience the economy has not begun to recover.

## Manufacturing/Output

### **Leading Indicators Climb 0.3 Percent**

<http://www.marketwatch.com/story/leading-indicators-climb-03-2010-02-18>

Leading U.S. economic indicators rose 0.3 percent in January, further evidence of a continuing spring thaw in the U.S. economy. Leading indicators have risen 10 straight months, spurred by an improvement in U.S. financial markets and a manufacturing upturn, according to the Conference Board.

Yet the monthly increase was the smallest since March 2009, pulled down in part by rising jobless claims in January. On Thursday, the U.S. government reported another uptick in weekly claims.

In January, five of the 10 leading indicators improved: the interest-rate spread, delivery times, average hours worked in manufacturing, stock prices, and consumer expectations. Yet real money supply, jobless claims, building permits and capital-good orders declined. New orders for consumer goods were unchanged.

The coincident index edged up 0.2 percent in January, the fourth gain in the past seven months. Three of the four coincident indicators improved in January, with only payrolls declining. The other coincident indicators are industrial production, business sales, and income.

## **January Wholesale Prices Jump 1.4 Percent**

<http://www.google.com/hostednews/ap/article/ALeqM5gNiyJ905Ho0Ur96V2TQhsBX19IGwD9DUKR300>

Wholesale prices shot up at double the expected pace in January, propelled higher by big increases in energy costs. The surprisingly large jump was viewed as a temporary blip and not the start of inflation problems, however. The Labor Department said that wholesale prices rose 1.4 percent last month, reflecting higher costs for gasoline and other energy products. Private economists had expected a 0.7 percent increase.

Core inflation at the wholesale level, which excludes energy and food, rose 0.3 percent in January, faster than the 0.1 percent increase economists had predicted. But over the past 12 months, core prices at the wholesale level are up a moderate 1 percent. Economists believe that inflation is not a problem at the moment and is not likely to become a threat any time soon because of all the downward pressures on wages and prices as a result of the recession.

The 1.4 percent overall rise in the department's Producer Price Index in January was the biggest gain since a 1.5 percent increase in November. Wholesale prices had risen 0.4 percent in December. Over the past 12 months, wholesale prices are up 4.6 percent, the largest 12-month increase since a 5.2 percent rise in the 12 months ending in October 2008. But the price pressures are coming primarily from big increases in the cost of energy.

## **Rebound On The Factory Floor**

[http://money.cnn.com/2010/02/17/news/economy/manufacturing\\_rebound/index.htm](http://money.cnn.com/2010/02/17/news/economy/manufacturing_rebound/index.htm)

The long-battered U.S. manufacturing sector is showing surprising signs of strength and many experts think it has relatively bright prospects for at least the next several years. Improved productivity, the global economic recovery and a lower value of the dollar have lifted exports of goods 24 percent since April. January was the first month in three years that there was a gain in manufacturing jobs nationwide.

In fact, activity in the sector is better than at any time in more than five years, according to the Institute of Supply Management's survey of manufacturing executives. Further signs of strength came when the Federal Reserve's report on industrial production showed growth for the seventh straight month.

While the index is still 10 percent below where it was at the start of the Great Recession in December 2007, it has jumped 4 percent in the nine months since the low point it hit in April.

## **Employment**

### **Jobless Claims Rise Unexpectedly**

[http://money.cnn.com/2010/02/18/news/economy/initial\\_claims/index.htm](http://money.cnn.com/2010/02/18/news/economy/initial_claims/index.htm)

The number of Americans filing first-time claims for unemployment insurance climbed unexpectedly last week. There were 473,000 initial jobless claims filed in the week ended Feb. 13, up 31,000 from the previous week's upwardly revised 442,000. The 4-week moving average of initial claims, which levels out volatility, was 467,000, down 1,500 from the previous week's revised average of 469,000.

The Labor Department said employers shed a modest 20,000 jobs in January -- an improvement from the 150,000 that were lost in December -- and that the unemployment rate fell to 9.7 percent. Economists expect businesses to add 10,000 jobs in February, but project the unemployment rate will rise to 9.8 percent.

The number of people filing continuing claims in the week ended Feb. 6 was unchanged from the previous week's revised 4,563,000 claims. Continuing claims reflect people filing each week after their initial benefit week until the end of their standard benefits, which usually last 26 weeks. The figures do not include those who have moved into state or federal extensions, or people whose benefits have expired. The 4-week moving average for ongoing claims fell by 24,000 to 4,585,750 from the previous week's revised 4,609,750.

## **Gas/Oil**

### **Oil Falls On Stronger Dollar**

<http://money.cnn.com/2010/02/18/markets/oil/index.htm>

Oil fell for the first time this week ahead of a weekly inventory report and as the dollar firmed against major currencies. Crude oil for March delivery fell 67 cents, or nearly 1 percent, to \$76.66 Thursday after climbing to the highest level in more than two weeks on Wednesday. Oil prices were pressured by a stronger dollar, which rose against the euro and the pound. A firmer greenback weighs on prices of commodities, which are traded in dollars.

## **Housing**

### **Home Construction Rises - Future Still Murky**

[http://money.cnn.com/2010/02/17/news/economy/housing\\_starts/index.htm](http://money.cnn.com/2010/02/17/news/economy/housing_starts/index.htm)

New home construction rose more than expected in January, while the number of building permits issued in the month dropped, according to a government report. Construction of new homes climbed to an annual rate of 591,000 during the month, up 2.8 percent from December's revised rate of 575,000. This is an increase of 21.1 percent from the 488,000 rate in January 2009.

The number of building permits issued during January fell to a seasonally adjusted annual rate of 621,000. That was 4.9 percent below the revised December rate of 653,000, but up 16.9 percent from the January 2009 rate of 531,000. The decline in permits and gain in housing starts were each led by activity in the multi-family sector: Multi-family building permits plummeted 26 percent while starts jumped 17.6 percent.

Meanwhile, single-family housing starts and building permits were both up last month. Single-family starts climbed 1.5 percent from December and permits edged up 0.4 percent.

### **Is The Mortgage Market Starting To Heal?**

[http://money.cnn.com/2010/02/19/real\\_estate/bankers\\_delinquency\\_report/index.htm](http://money.cnn.com/2010/02/19/real_estate/bankers_delinquency_report/index.htm)

The mortgage market may have begun to turn: Fewer borrowers fell behind on their payments during the last three months of 2009. A seasonally adjusted 9.47 percent of all mortgage loans were late during the fourth quarter, down from 9.64 percent at the end of September. This figure is significant because it shows a reduction -- even if just slight -- in the volume of loans heading toward the foreclosure process. This has not happened since 2006. Of course, delinquency rates were still 1.59 percent higher than they were in the last quarter of 2008.

Another positive sign is a drop in the percentage of borrowers whose lenders had initiated foreclosures, the first step in the process of taking homes away from borrowers. That may be only temporary, though: Lenders have been holding back and the number of seriously delinquent loans not in foreclosure has ballooned. As a result, loans 90-days late or more now account for half of all delinquencies calculated by the MBA, a record high and twice the category's share of delinquencies two years ago.

## **Kentucky**

### **About 2,500 Humana Workers Face Losing Their Jobs**

<http://www.courier-journal.com/article/20100217/BUSINESS/2170379/1003/About+2+500+Humana+workers+face+losing+their+jobs>

About 2,500 Humana workers will lose their jobs companywide, including at least 750 at its Louisville headquarters, as the insurer adjusts to fewer plan members and prepares for the possibility of health-care reform. The company says the cuts will be partially offset by plans to add 1,100 jobs, partly to build more Web-based tools that allow doctors and patients more closely monitor how much is spent on health care.

Workers affected by the cuts could transfer to one of the new jobs, but either way, total payroll will fall by 1,400 — about 5 percent — to about 26,800. Humana's Louisville work force will drop from roughly 10,000 workers to 9,250. The local work force is paid about \$610 million a year, according to a study by University of Louisville economist Paul Coomes.

The cuts will be spread across the country, with the bulk occurring in Louisville and Wisconsin where 275 positions will be eliminated. Humana bought an employer-sponsored health insurance provider in Green Bay in 1995.

### **With Too Many Unsold Cars, Toyota To Idle Georgetown Plant**

<http://www.courier-journal.com/article/20100216/BUSINESS/2160332/1003/With+too+many+unsold+cars++Toyota+to+idle+Georgetown+plant>

Toyota is shutting down production of Camrys and other vehicles in Georgetown for up to four days over the next two months, to winnow the number of unsold cars backing up on dealer lots amid unprecedented recalls. The 6,500-employee plant in Georgetown will shut down Feb. 26 and possibly three days in March and April.

A Louisville-area dealer said Tuesday that showroom traffic has slowed this month as many customers assumed incorrectly that the brief sales halt applied to the automaker's entire lineup. During the upcoming production stoppages, all Toyota employees can come to work at full pay and be assigned to other duties, or they can take vacation, or take unpaid time off.

**Beverage Equipment Maker To Add At Least 33 Jobs**

<http://www.courier->

[journal.com/article/20100216/BUSINESS/2160357/1003/Beverage+equipment+maker+to+add+at+least+33+jobs](http://www.courier-journal.com/article/20100216/BUSINESS/2160357/1003/Beverage+equipment+maker+to+add+at+least+33+jobs)

Grindmaster Corp., a maker of beverage dispensing products such as coffee grinders, will add at least 33 jobs at its factory off Collins Lane near Ford's Kentucky Truck Plant in eastern Jefferson County. The company is consolidating its manufacturing operations in Louisville after merging with competitor Cecilware Corp. last year. Grindmaster currently employs about 75 at the Louisville facility.

In announcing the new jobs on Tuesday, Gov. Steve Beshear and Mayor Jerry Abramson touted the state's offer of up to \$600,000 in tax incentives. The jobs would pay an average hourly wage of \$20, plus benefits, according to the Kentucky Economic Development Finance Authority, which approved the deal.

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