

# Economic Briefs

Week of October 23, 2009

## Sales/Consumption

### **CCI: Back In The Dead Zone**

<http://abcnews.go.com/PollingUnit/abc-news-poll-consumer-confidence/story?id=8869590>

The ABC News Consumer Comfort Index crossed a dubious barrier this week, returning to -50 after a three-month stretch above it. That level, on the CCI's scale of +100 to -100, is about as bad as it gets. The index's been this low or lower just 23 times in 23 years of weekly polls; 22 of them in 2008 or 2009. The index, down 5 points in two weeks, is now its worst since mid-July, and just 4 points above its worst-ever rating, -54 last in January.

The recent slide reflects sagging ratings of the buying climate and personal finances alike. Just 23 percent of Americans now rate buying climate positively, the fewest since July 19, when the CCI last hit -50. Forty-one percent rate their personal finances positively, the fewest since this measure hit its record low in June.

The third component of the CCI, rating the national economy, has been more stable recently, but miserable - only 11 percent positive.

## Manufacturing/Output

### **Leading Indicators Up 1 Percent In September**

<http://www.marketwatch.com/story/leading-indicators-up-1-6th-straight-gain-2009-10-22>

U.S. leading economic indicators rose 1 percent in September, the sixth straight increase and a strong signal that a "recovery is developing," the Conference Board reported. Eight of the 10 indicators were positive in September. Over the past six months, the index of leading indicator has risen 5.7 percent, the fastest increase since 1983. Nine of the 10 indicators have risen over the past six months.

Some analysts say the leading index may be sending a false signal of strength, because many of the gains in the index have come from massive amounts of stimulus from the Federal Reserve and the government that may not be having the same impact on the real economy that they usually have, considering the severe damage that was done to the banking system and to consumers' finances.

The leading index for August was revised down to a 0.4 percent gain from 0.6 percent earlier. The index is revised as more complete data are available. In order to be timely, the Conference Board initially estimates three of the indicators, which have not yet been released.

### **Wholesale Prices Tumble**

[http://money.cnn.com/2009/10/20/news/economy/producer\\_prices.reut/index.htm?postversion=2009102008](http://money.cnn.com/2009/10/20/news/economy/producer_prices.reut/index.htm?postversion=2009102008)

U.S. producer prices dropped an unexpected 0.6 percent in September, mainly because of a 2.4 percent decline in energy prices, the Labor Department said. Analysts had anticipated prices would remain unchanged after they rose an unrevised 1.7 percent in August. Prices paid at the farm and factory gate also fell 4.8 percent on the year, which was steeper than forecasts of a 4.2 percent drop. Excluding food and energy, prices declined by a much slimmer 0.1 percent in September.

## Housing

### **Home Sales Rebound To Highest Level In 2 Years**

[http://money.cnn.com/2009/10/23/real\\_estate/existing\\_home\\_sales/index.htm](http://money.cnn.com/2009/10/23/real_estate/existing_home_sales/index.htm)

Sales of existing homes rebounded sharply in September to their highest level in two years, getting a strong boost from first-time homebuyers. Sales of previously-owned homes jumped 9.4 percent in September after falling for the first time in four months in August. Year over year, sales of existing homes were up 9.2 percent in September.

September home sales hit an annualized rate of 5.57 million properties, up from 5.10 million units in August.

### **Homes: About To Get Much Cheaper**

[http://money.cnn.com/2009/10/20/real\\_estate/home\\_price\\_forecast/index.htm?postversion=2009102011](http://money.cnn.com/2009/10/20/real_estate/home_price_forecast/index.htm?postversion=2009102011)

If you thought home prices were bottoming out, you may be wrong. They're expected to head a lot lower. Home values are predicted to drop in 342 out of 381 markets during the next year, according to a new forecast of real estate prices. Overall, the national median home price is predicted to drop 11.3 percent by June 30, 2010,

according to Fiserv, a financial information and analysis firm. For the following year, the firm anticipates some stabilization with prices rising 3.6 percent.

### **Housing Starts Miss Expectations**

[http://money.cnn.com/2009/10/20/real\\_estate/housing\\_starts/index.htm?postversion=2009102009](http://money.cnn.com/2009/10/20/real_estate/housing_starts/index.htm?postversion=2009102009)

Initial construction of U.S. homes rose far less than predicted in September, according to a government report. Housing starts increased to a seasonally-adjusted annual rate of 590,000 last month, up 0.5 percent above a revised 587,000 in October. New construction of single-family homes, the key sector of the housing market, increased 3.9 percent to an annual rate of 501,000 versus 482,000 in August.

Despite the overall housing starts drop, multi-family homes increased. New construction of buildings with 5 or more units increased to an annual rate of 104,000, up 7.2 percent from 97,000 in August.

Applications for building permits, which are a gauge of future construction activity, also missed predictions. Permit applications fell 1.2 percent to a seasonally adjusted annual rate of 573,000.

### **Mortgage Applications Plummet**

[http://money.cnn.com/2009/10/21/real\\_estate/mortgage\\_applications\\_MBA/index.htm?postversion=2009102108](http://money.cnn.com/2009/10/21/real_estate/mortgage_applications_MBA/index.htm?postversion=2009102108)

Mortgage applications plunged last week as rates ticked higher above 5 percent as the expiration of a home buyer tax credit drew nearer. The Mortgage Bankers Association said its index of mortgage application volume fell 13.7 percent in the week ended Oct. 16 from the prior week. The decline in activity came as rates on the widely-used 30-year fixed mortgage increased to 5.07 percent from 5.02 percent, according to the MBA. The week's adjustments included the Columbus Day holiday.

Uncertainty about a possible extension and expansion of an \$8,000 tax credit for first-time homebuyers may be hampering the housing recovery. The tax credit now can be claimed by anyone buying a home who has not owned one for three years and who closes the deal by Nov. 30.

## **Employment**

### **Jobless Claims Dent Recovery Hopes**

[http://money.cnn.com/2009/10/22/news/economy/initial\\_claims\\_jobless/index.htm?postversion=2009102209](http://money.cnn.com/2009/10/22/news/economy/initial_claims_jobless/index.htm?postversion=2009102209)

The number of first-time filers for unemployment insurance rose last week, snapping two weeks of significant declines. There were 531,000 initial jobless claims filed in the week ended Oct. 17, up 11,000 from an upwardly revised 520,000 the previous week. The week included the Columbus Day holiday.

The 4-week moving average of initial claims was 532,250, down 750 from the previous week's revised average of 533,000. New jobless claims had declined for five of the last six weeks, falling sharply in the first two weeks of October. Earlier this month, initial claims fell to their lowest level since January.

## **Federal Reserve Beige Book Reports**

### **Fourth District--Cleveland**

<http://www.federalreserve.gov/FOMC/Beigebook/2009/20091021/4.htm>

The economy in the Fourth District has shown a few signs of improvement since our last report, though overall activity is sluggish and the recovery remains fragile. Reports from factories indicated that production was steady to up slightly, with increases being attributed to new orders and seasonal adjustments. New home sales showed a modest improvement, while commercial and industrial construction continued at a slow pace. Credit availability remains a major issue for residential and commercial contractors. Sales by District retailers were flat to up slightly. New motor vehicle sales fell since the "cash-for-clunkers" program ended, whereas purchases of used vehicles improved. Coal production declined, with little change noted in oil and gas output. Reports indicated an uptick in freight transport volume. Demand for new commercial and industrial loans was soft, while consumer lending was flat to down. Core deposits continued to grow substantially at most banks.

### **Eighth District--St. Louis**

<http://www.federalreserve.gov/FOMC/Beigebook/2009/20091021/8.htm>

Overall, business conditions in the Eighth District have declined since our last report, and the rate of decline is mostly comparable to that of recent periods. Manufacturing has continued to decline, the services sector has experienced a net contraction of jobs, and the retail sector reported mixed results. Both residential and commercial real estate declined. Banks reported declines in lending activity. Reports from the agricultural sector were mixed.

## **Kentucky Notes:**

### **Real Estate and Construction**

Home sales continued to decline throughout the Eighth District. Compared with the same period in 2008, August 2009 year-to-date home sales were down 10 percent in Louisville. Residential construction also continued to decline throughout the District. August 2009 year-to-date single-family housing permits fell in most District metro areas compared with the same period in 2008. Permits declined 25 percent in Louisville.

## **Kentucky**

### **Kentucky's Jobless Rate Drops To 10.9 Percent In September**

<http://www.workforce.ky.gov/newspub.htm#Oct. 20, 2009>

Kentucky's seasonally adjusted preliminary unemployment rate fell to 10.9 percent in September 2009 from a revised 11.2 percent in August 2009, according to the Office of Employment and Training. September 2009's jobless rate is 4 percentage points higher than the 6.9 percent rate recorded in September 2008.

"Kentucky's economy continued to struggle under the weight of the recession, suffering the biggest monthly employment decline and the largest number of year-over-year job losses on records dating back to January 1990. The drop in the unemployment rate reflects individuals who have faced long-term unemployment becoming discouraged and dropping out of the labor force," said Dr. Justine Detzel, OET chief labor market analyst.

One of the 11 major nonfarm North American Industry Classification System job sectors reported an employment increase in September 2009, while 10 decreased. A decrease of 14,600 jobs in September 2009 brought Kentucky's nonfarm employment to a seasonally adjusted total of 1,758,600. Since September 2008, Kentucky's nonfarm employment has plummeted by 86,400.

### **Harrodsburg Auto Supplier To Close**

[http://www.kentucky.com/latest\\_news/story/989291.html](http://www.kentucky.com/latest_news/story/989291.html)

A second major layoff in six months related to the automotive industry is hitting the city of Harrodsburg. Modine Manufacturing Inc. told workers that the plant, which makes radiators and heating and air-conditioning units for vehicles, will close in the next six to nine months. The company is transferring production to other North American plants as it de-emphasizes the vehicular side of its business.

Harrodsburg Mayor Lonnie Campbell said that many of the 110 employees who will lose their jobs had worked at the plant for all of the 38 years it has been open.

### **Lexmark Plans To Cut 825 Jobs**

[http://www.kentucky.com/latest\\_news/story/984243.html](http://www.kentucky.com/latest_news/story/984243.html)

Lexington-based printermaker Lexmark International announced that it plans to cut 825 jobs worldwide through 2011 in an effort to deal with the challenging economy. The cuts will be focused primarily on the company's manufacturing, which is done overseas, in a bid to improve its supply chain. Other affected areas include service delivery overhead, marketing and sales support, corporate overhead and development.

While some of the 825 jobs affected will be in Lexington, the company said it has been hiring in other areas and will continue to employ around 3,000 workers at the headquarters here. The cuts are not expected to be complete until the first quarter of 2011.

### **ACS To Hire 300 In Lexington**

<http://www.kentucky.com/103/story/983488.html>

Affiliated Computer Services Inc., one of Kentucky's largest private employers, plans to hire 300 employees as soon as possible. The new positions are customer-care agents, taking inbound calls from customers. Spokesman Chris Gilligan said 50 of the jobs will be permanent for a client, but the client's remaining 250 are temporary, to staff a project expected to last until February.