

# Economic Briefs

## Week Ending February 4, 2011

### **Sales/Consumption**

#### **Americans Earn And Spend More, Save Less**

[http://money.cnn.com/2011/01/31/news/economy/personal\\_income\\_spending/index.htm](http://money.cnn.com/2011/01/31/news/economy/personal_income_spending/index.htm)

As incomes slowly creep back up, Americans are spending more freely and saving less. Personal income rose 0.4 percent in December, following a 0.4 percent increase in November, according to data released by the Commerce Department.

Spending by individuals ticked up 0.7 percent, compared to a revised 0.3 percent spike the prior month. Americans saved \$614.1 billion in December, compared with \$634.4 billion the prior month. And personal savings as a percentage of disposable income nudged down to 5.3 percent from 5.5 percent in November.

The core Personal Consumption Expenditures price index, an inflation gauge that strips out volatile food and energy prices and is closely watched by the Federal Reserve, fell to 0.7 percent -- the lowest level on record since the Commerce Department started tracking the data in 1959.

#### **GM Sales Start 2011 On A Strong Note**

[http://money.cnn.com/2011/02/01/autos/january\\_auto\\_sales/index.htm](http://money.cnn.com/2011/02/01/autos/january_auto_sales/index.htm)

General Motors kicked off the year with stronger-than-expected sales in January, driven by increased demand from individual customers. Sales of GM's core brands -- Chevrolet, Buick, GMC and Cadillac -- rose 23 percent last month versus January 2010.

January is typically a slow month for auto sales, and the gains came despite severe winter storms across many parts of the country that analysts were expecting to have been a drag on sales.

#### **Consumer Sentiment: Struggling Forward**

[http://blogs.abcnnews.com/consumer\\_confidence/2011/02/consumer-sentiment-struggling-forward.html](http://blogs.abcnnews.com/consumer_confidence/2011/02/consumer-sentiment-struggling-forward.html)

Consumer views of current economic conditions resumed their struggle forward this week, with the weekly Consumer Comfort Index inching back near the high end of its recent range. The index stands at -41 on its scale of -100 to +100, far below its 25-year average, -14, and indeed still below -40, where it's been mired for a record 146 weeks. But, despite ups and downs, there are several indications of gradual advance. The CCI was below -41 for all of 2009 and reached -41 just three times in 2010 - but it's already matched or exceeded this level twice in just the first month of 2011.

### **Manufacturing/Output**

#### **Factory Sector Expands At Fastest Pace In 7 Years**

<http://www.courier-journal.com/article/20110201/BUSINESS/302010051/Factory+sector+expands+at+fastest+pace+in+7+years>

America's factory sector expanded in January at the fastest pace in seven years, as manufacturers reported a sharp jump in new orders. The Institute for Supply Management says its index of manufacturing activity rose last month to 60.8. The sector has expanded for 18 straight months of expansion, and January's reading was the highest since May 2004. Any reading above 50 indicates expansion.

The manufacturing sector bottomed out at 33.3 in December 2008, the lowest point since June 1980. It has helped drive growth since the recession ended in June 2009. The employment index also rose, a sign that manufacturing companies are hiring more workers. And the prices paid index, which measures whether manufacturing companies are paying more for raw materials, jumped sharply.

#### **U.S. December Construction Spending Report**

<http://www.bloomberg.com/news/2011-02-01/u-s-december-construction-spending-report-text-.html>

The U.S. Census Bureau announced that construction spending during December 2010 was estimated at a seasonally adjusted annual rate of \$787.9 billion, 2.5 percent below the revised November estimate of \$807.8 billion. The December figure is 6.4 percent below the December 2009 estimate of \$841.8 billion. The value of construction in 2010 was \$814.2 billion, 10.3 percent below the \$907.8 billion spent in 2009.

Spending on private construction was at a seasonally adjusted annual rate of \$486.9 billion, 2.2 percent below the revised November estimate of \$498.0 billion. Residential construction was at a seasonally adjusted annual rate of \$226.4 billion in December, 4.1 percent below the revised November estimate of \$236.1 billion. Nonresidential construction was at a seasonally adjusted annual rate of \$260.5 billion in December, 0.5 percent below the revised November estimate of \$261.9 billion.

In December, the estimated seasonally adjusted annual rate of public construction spending was \$301.0 billion, 2.8 percent below the revised November estimate of \$309.8 billion.

### **Productivity Up, Labor Costs Down**

<http://abcnews.go.com/Business/wireStory?id=12834918>

Productivity, the amount of output per hour of work, rose at an annual rate of 2.6 percent in the final three months of 2010. Labor costs fell 1.5 percent in 2010 after a 1.6 percent drop in 2009, the first back-to-back declines since 1962 and 1963. Economists believe the two-year boom in productivity will come to an end in 2011 as businesses begin hiring back laid off workers. Some are looking for productivity to grow just 1.5 percent in 2011, less than half the increases of 2009 and 2010.

### **Factories Added 49,000 Jobs In January**

[http://www.usatoday.com/money/economy/2011-02-07-jobs07\\_ST\\_N.htm](http://www.usatoday.com/money/economy/2011-02-07-jobs07_ST_N.htm)

Manufacturers emphatically defied Friday's lackluster employment report, adding 49,000 jobs last month in what some economists say should signal the start of a surge for the beleaguered industry. The job gains were the most by manufacturers since August 1998. More impressive, they came despite an otherwise disappointing report that showed employers added a net total of 36,000 jobs in January, far fewer than the 146,000 expected.

Strong job gains by U.S. factories would be a welcome boon to a sputtering job market. Makers led a modest jobs rebound early last year as firms replenished stocks depleted in the slump. But it petered out in August after shelves were refilled and substantially higher customer demand didn't materialize.

After adding 112,000 jobs in 2010, producers are projected to add 275,000 this year and 300,000 more in 2012, according to the alliance. That would offset some of the 2.3 million losses in the downturn. Last month's job gains were by makers of durable goods, such as cars, factory gear, metals and computers, much of them exported to overseas businesses. Makers of non-durables such as apparel, food and paper shed 13,000 jobs amid still moderate U.S. consumer demand.

## **Employment**

### **January Jobs Report Disappoints**

[http://money.cnn.com/2011/02/04/news/economy/january\\_jobs\\_report/index.htm](http://money.cnn.com/2011/02/04/news/economy/january_jobs_report/index.htm)

Winter weather kept job seekers home in January, getting the year off to a disappointing start, but the unemployment rate took a surprising tumble. The economy added only 36,000 jobs in January -- falling far short of expectations. Meanwhile, the unemployment rate sunk to 9 percent, down from 9.4 percent the month before.

The construction sector, which was affected by severe winter weather, had some of the biggest losses, totaling 32,000 jobs, the Labor Department said. Meanwhile, the manufacturing sector added 49,000 jobs and retailers hired another 28,000. The Labor Department also revised payroll numbers for 2010. Eight months were revised downward, by a combined total of 298,000 jobs. Four months were revised upward, adding 83,000 jobs to the 2010 tally. Overall, there were 215,000 fewer jobs added in 2010 than previously reported.

### **Job Market Looks Stronger Ahead Of Friday Report**

[http://money.cnn.com/2011/02/02/news/economy/jobs\\_challenger/index.htm](http://money.cnn.com/2011/02/02/news/economy/jobs_challenger/index.htm)

The job market started 2011 on solid footing, according to two separate reports. Payrolls among private employers rose by 187,000 in January, payroll processor ADP said. A separate report showed planned job cuts increased in January, which is not unusual for the first month of the year. But it was the lowest number of January job cuts on record.

Employers announced plans to cut 38,519 jobs in January, a 20 percent increase over December, according to outplacement consulting firm Challenger, Gray & Christmas. The level indicates that the low downsizing rate from late last year may very well continue into 2011. According to Challenger's data, January is the worst month on the calendar for layoffs. From 1993 through 2010, employers announced an average of 104,560 job cuts to start the year.

## **First-Time Unemployment Claims Fall**

[http://money.cnn.com/2011/02/03/news/economy/initial\\_claims/index.htm](http://money.cnn.com/2011/02/03/news/economy/initial_claims/index.htm)

The number of Americans filing for first-time unemployment benefits eased more than expected last week, setting the stage for the government's closely-watched jobs report due Friday. There were 415,000 initial jobless claims filed in the week ended Jan. 29, the Labor Department said. That was down 42,000 from the week before, and better than the 425,000 claims economists surveyed by Briefing.com had expected.

Continuing claims -- which include people filing for the second week of benefits or more -- fell to 3,925,000 in the week ended Jan. 22, a decline of 84,000 from the week before.

The 4-week moving average of initial claims -- a measurement used to smooth out week-to-week volatility -- is viewed as a more accurate representation of job market conditions. While that number rose by 1,000 to 430,500, Dye said this is still well below the high levels seen in 2010.

## **U.S. January Online Help Wanted Advertising**

<http://www.bloomberg.com/news/2011-01-31/u-s-january-online-help-wanted-advertising-text-.html>

Online advertised vacancies rose 438,000 in January to 4,273,000 according to The Conference Board Help Wanted OnLine Data Series. With the January increase, labor demand has risen 1.44 million since the series low point in April 2009. This increase now offsets approximately 80 percent of the 1.76 million drop in ad volume during the 2-year downturn period from April 2007 through April 2009.

## **Housing**

### **Rate On 30-Year Fixed Mortgage Rises To 4.81 Percent**

[http://www.usatoday.com/money/economy/housing/2011-02-03-mortgage-rates\\_N.htm](http://www.usatoday.com/money/economy/housing/2011-02-03-mortgage-rates_N.htm)

The average rate on the 30-year fixed mortgage edged up this week as bond yields increased. Freddie Mac said the average rate rose to 4.81 percent this week from 4.80 percent the previous week. It hit a 40-year low of 4.17 percent in November. Rates have been little changed this year after spiking more than half a percentage point in the last two months of 2010. Investors sold off Treasury bonds during that time, driving yields lower. Mortgage rates tend to track the yield on the 10-year Treasury note.

High foreclosures, job worries and expectations that home prices will fall further have kept many potential homebuyers on the sidelines. Historically low mortgage rates haven't been enough to jumpstart the housing market.

## **Gas/Oil**

### **Gas Prices Climbing Despite Hefty Supply**

[http://www.usatoday.com/money/industries/energy/2011-02-04-gas-prices\\_N.htm](http://www.usatoday.com/money/industries/energy/2011-02-04-gas-prices_N.htm)

Retail gasoline prices are likely to creep higher as anti-government protests continue in Egypt and concerns remain about the stability of the Middle East. The national average for a gallon of regular gasoline was \$3.124 on Friday, according to AAA, Wright Express and the Oil Price Information Service. That's up 2.4 cents in the past week.

Analysts expect prices to stay at \$3 a gallon or higher — perhaps rising as much as 8 cents over the next two weeks — until the conflict in Egypt is resolved and tensions ease in neighboring countries.

The pump increases come at a time when U.S. gasoline inventories are at an 18-year high of 236.2 million barrels. Crude oil imports are up, too, averaging 9.1 million barrels a day in the past four weeks, which is 641,000 barrels a day more than the four-week period in 2009. At the same time, motorists are staying off the roads, with demand up less than 1 percent in the past month, as winter storms hit many parts of the country.

Without the uncertainty about the Middle East region, it's likely retail gas prices would have fallen from 5 cents to 10 cents recently, PFGBest analyst Phil Flynn said.

## **Kentucky**

### **Bowling Green Auto Parts Plant To Expand**

<http://www.courier-journal.com/article/20110204/BUSINESS/302040069/Bowling-Green-auto-parts-plant-expand?odyssey=tab|topnews|text|Home>

NHK of America Suspension Components plans to invest more than \$20 million to build a 50,000 square-foot manufacturing plant in Bowling Green. The Japanese automotive supplier will add up to 108 new jobs over the next several years to its existing workforce of more than 200. The new facility, which is expected to be completed by October, will make motor armature parts for electric and hybrid vehicles.

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