

Economic Briefs

Week of September 3, 2010

Sales/Consumption

Discounts Spur Surprising Retail Sales Gains

http://www.usatoday.com/money/economy/2010-09-02-retail-sales_N.htm

American shoppers, taking advantage of deep discounts and tax-free holidays, opened up their wallets a little more for back-to-school spending, giving retailers surprisingly solid gains for August. The results provided a sliver of hope for the recovery amid an unrelenting batch of bad news, from slumping home prices and high joblessness that have pointed to a stalling economy. Still, the retail data masks underlying weakness in consumer spending as they're being compared with declines a year ago and worries still abound about the critical holiday season.

Shoppers remain selective and are focusing on the necessities, a trend that is expected to continue through the holiday shopping season. In fact, spending on many non-essentials like fashions are still below 2008, according to MasterCard Advisors' SpendingPulse, which tracks all transactions including checks.

GM, Ford Auto Sales Disappoint

http://money.cnn.com/2010/09/01/news/companies/august_auto_sales/index.htm

General Motors and Ford Motor both reported disappointing sales, kicking off what is expected to be the worst August for industrywide auto sales in 27 years.

GM sales topped 25 percent from a year ago, partly because of comparisons to the Cash for Clunkers program of last summer. The federal program created a sugar rush of sales by dangling an incentive of up to \$4,500 in cash for buyers who traded in older gas guzzlers for more efficient models. But it wasn't all Clunkers. August's sales also dropped 7 percent from July and fell short of forecasts from sales trackers Edmunds.com and TrueCar.

Ford reported an 11 percent drop from year-ago sales levels and a 5 percent decline from July. It also missed forecasts from Edmunds and TrueCar.

Consumer Spending Picks Up

http://money.cnn.com/2010/08/30/news/economy/personal_income/index.htm

Consumer spending rose in July, but Americans remain wary about the future of the economy. Personal spending rose by \$44.1 billion last month, or 0.4 percent, after falling less than 0.1 percent in June. This came in above the 0.3 percent increase economists expected.

Personal income edged up \$30 billion, or 0.2 percent, last month, following a revised 0.1 percent decline in June, the Commerce Department said.

Monday's report also showed consumers were saving less in July. Personal savings as a percentage of disposable income rose 5.9 percent, down from last month's downwardly revised 6.2 percent in June.

June 2010's savings rate was the highest since June 2009, when the reading came in at 6.7 percent.

Consumer Confidence Rises In August

http://money.cnn.com/2010/08/31/news/economy/consumer_confidence/index.htm

A key measure of consumer morale made a surprising turn higher in August, but Americans still feel jittery about the economy. The Consumer Confidence Index rose to 53.5 in August, from July's upwardly revised level of 51.0, the Conference Board, a New York-based research group that compiles the index, said.

The rise follows two months of losses and beats the drop to 50 that economists surveyed by Briefing.com were expecting. But the index is still painfully low, falling far below 90 -- a level that typically indicates a stable economy.

Manufacturing/Output

ISM Manufacturing Activity Surges

http://money.cnn.com/2010/09/01/news/economy/ISM_manufacturing/index.htm

Manufacturing activity expanded rapidly in August, a good sign for a key gauge of the overall economy's strength. The Institute for Supply Management index of U.S. manufacturing rose to 56.3 in August from 55.5 in July, marking the 13th straight month of growth. The report was a welcome surprise, as economists had expected a decline to 52.9.

Despite some recent signs of weakness in the broader economy and growing fears of a double-dip recession, manufacturing has been on a tear, growing steadily since June 2009. But the pace of growth had slowed for the last three months, reigniting some fears of a slowdown. Index readings above 50 signal growth, while levels below 50 indicate contraction. Readings below about 41 are associated with a recession in the broader economy.

July Construction Spending Tumbles To 10-Year Low

<http://www.reuters.com/article/idUSTRE6803U120100901>

U.S. construction spending fell more than expected in July to its lowest rate in 10 years. The Commerce Department said construction spending dropped 1.0 percent to an annual rate of \$805.2 billion, the lowest since July 2000. June's construction outlays were revised down to show a 0.8 percent fall, instead of the previously reported 0.1 percent gain.

Productivity Falls While Labor Costs Increase

http://www.google.com/hostednews/ap/article/ALeqM5gaIEiDU_MJhjwngz2RMRf8bQ886wD9HVSTOGO

American companies experienced the largest drop in workplace productivity this spring in nearly four years and a rise in labor costs, suggesting businesses may no longer be able to squeeze more work out leaner staffs. Productivity dropped at an annual rate of 1.8 percent in the April-to-June quarter. That's double the 0.9 percent decline originally reported a month ago.

Unit labor costs rose 1.1 percent, the biggest rise in labor costs since late 2008 and up from the estimate last month of 0.2 percent. While lower productivity and higher labor costs could spell trouble for corporate profits, it could translate into more hiring and larger incomes for U.S. workers.

The drop in productivity was the first decline since the final quarter of 2008 and the biggest drop since productivity fell 1.9 percent in the third quarter of 2006.

Housing

Home Prices Gain 3.6 Percent In Past Year

http://money.cnn.com/2010/08/31/real_estate/June_Case_Shiller/index.htm

Despite a recent spate of bad news coming out of the housing industry, home prices show signs of stabilizing. National home prices jumped a substantial 3.6 percent in the past year, according to the S&P/Case-Shiller Home Price Index. Prices also climbed 4.4 percent in the second quarter compared with a 2.8 percent plunge in the first quarter.

Pending Home Sales Rise 5.2 Percent In July

http://www.usatoday.com/money/economy/housing/2010-09-02-pending-home-sales-mortgages_N.htm

The number of buyers who signed contracts to purchase previously occupied homes increased in July but remained well below last year's levels. The National Association of Realtors said its seasonally adjusted index rose 5.2 percent from a month earlier to a reading of 79.4. The index was still down 19 percent from the same month last year. June's reading was the lowest on records dating to 2001. It was revised slightly downward to 75.5.

Employment

August Jobs Report: Signs Of Life For Employment

http://money.cnn.com/2010/09/03/news/economy/august_jobs_report/index.htm

Business hiring is picking up, but not enough to make up for the massive losses of temporary government jobs. The economy lost a total of 54,000 jobs in August, the Labor Department reported. Businesses added 67,000 jobs to their payrolls in August. It marked the eighth straight month that businesses added jobs, following nearly two straight years of job losses.

The bulk of the losses came from the public sector, as the government cut 114,000 temporary census workers. It was the third straight month that census worker layoffs caused an overall decline in jobs.

But the report showed some improvements in the jobs picture, a welcome piece of good news among a slew of disappointing economic readings in recent months. The overall losses were less than expected. Economists surveyed by Briefing.com forecasted a loss of 120,000 jobs. And upward revisions for June and July showed there were 123,000 additional job gains in those months than previously reported.

Jobs: 'Stopped Firing, Not Yet Hiring'

http://money.cnn.com/2010/09/01/news/economy/job_cuts_challenger/index.htm

The jobs picture still looks sour, but there could be light at the end of the tunnel. The bad news: The private sector slashed more jobs than expected in August, reversing a sixth-month trend of job gains. The good news: Overall employers announced fewer planned job cuts.

Private sector employers cut 10,000 jobs in August -- a drop from the downwardly revised 37,000 jobs they added the month before, according to a report by payroll processing firm Automatic Data Processing. Those cuts were worse than predicted. Economists had expected the report to show 13,000 jobs added in August.

ADP looks backward at the month, compiling data from actual payrolls. But a separate report showed employers' plans for future job cuts sunk to a 10-year low during the month.

After rising for three months in a row, planned job cuts plummeted to 34,768 in August, the lowest level since June 2000 and down 17 percent from the previous month, according to outplacement firm Challenger, Gray & Christmas Inc. Compared to a year ago, downsizing activity dropped 55 percent in August, and job cuts have eased 65 percent so far this year compared with the same period last year.

Jobless Claims Decline, But Not Enough

http://money.cnn.com/2010/09/02/news/economy/jobless_claims/index.htm

The number of first-time filers for unemployment insurance fell for a second straight week last week, but the level suggests that the labor market remains sluggish. There were 472,000 initial jobless claims filed in the week ended Aug. 28, down 6,000 from an upwardly revised 478,000 the previous week. The 4-week moving average of initial claims -- a number that tries to smooth out week-to-week volatility -- was 485,500, down 2,500 from the previous week.

Online Job Demand Dips 57,100 In August, The Conference Board Reports

<http://www.prnewswire.com/news-releases/online-job-demand-dips-57100-in-august-the-conference-board-reports-101969453.html>

Online advertised vacancies dropped 57,100 in August to 4,236,200, following an increase of 139,200 in July, according to The Conference Board Help Wanted OnLine Data Series. The gap between the number of unemployed and advertised vacancies (supply/demand rate) stood at 3.40 unemployed for every advertised vacancy in July (the last available unemployment data) but is down from its peak of 4.73 in October 2009.

Service Sector Grows At Slower Pace In August

<http://www.google.com/hostednews/ap/article/ALeqM5hpRhTcyabHf1qrFi1gCHlm9737vQD9I0HI7G0>

The U.S. service sector, the nation's predominant job generator, expanded for the eighth straight month in August although the pace of growth slowed, according to a trade group survey.

The report provides another sign this summer that the recovery from the recession has slowed, making it difficult for employers to add back the millions of jobs lost during the downturn. The service sector accounts for about 80 percent of the nation's jobs. The Institute for Supply Management said its service-sector index fell to 51.5 last month from 54.3 in July. Economists had expected a higher reading of 53.5. The August reading is the lowest since January.

The index shows service company activity has expanded every month this year, and in 10 of the past 12 months. But the expansion has not been as fast as in the much smaller manufacturing sector. Companies that supply services, which range from hospitals to shops and banks, depend more on spending by consumers in the U.S.

Kentucky

Report: Kentucky Among Worst Job Markets

<http://www.kentucky.com/2010/09/01/1414828/report-kentucky-among-worst-job.html>

Kentucky is among the worst markets for job seekers, with 5.53 unemployed workers for each job opening posted online. That's according to a new analysis of the job market by Juju.com, a search engine that compares traditional unemployment rates with the number of online job postings that it finds in each state.

The worst market is Michigan, where there are 8.24 unemployed workers for each job posted on the Internet. The result is imperfect, of course, because Juju.com can tally only the jobs for which there are online listings — and because many people compete for jobs beyond their own states. But the analysis provides a new way of determining which parts of the country might be most — and least — attractive for job seekers.

ACS To Expand In Lexington, Add 700 Jobs

http://www.kentucky.com/2010/08/31/1413363/acs-to-expand-in-lexington-add.html#storylink=omni_popular

ACS announced that the international company is expanding to its fifth location in Lexington, with 700 new call-center jobs. About 200 jobs are permanent full-time positions, with another 200 temporary jobs expected to become permanent in the next six months. About 200 jobs have been filled, and some jobs are scheduled to start in the next month. Entry-level jobs will pay about \$10 an hour; temporary jobs will not have benefits.

Ford Sales Drop 11 Percent From Clunkers Jump

<http://www.courier-journal.com/article/20100901/BUSINESS/309010091/Ford+sales+drop+11+percent+from+Clunkers+jump>

Ford Motor Co. sales fell 11 percent last month compared to August of 2009, when federal “Cash for Clunker” vehicle purchase incentives cleared dealerships of much of their inventory. In its waning months in production at the Louisville Assembly Plant, Explorer sales dipped 47 percent to 2,474 from August of 2009. Also to be discontinued, Mercury Mountaineer sales remained flat at 400 in August.

Kentucky Truck Plant products fared better with Lincoln Navigator purchases up 29 percent to 610 in August from the same time last year. The Expedition, Ford’s heaviest sport utility vehicle, also rose in popularity with a 57 percent spike in sales, to 2,640 units sold.

F-Series trucks, including the Super Duty manufactured at Kentucky Truck, rose 4.5 percent to 47,652 vehicles sold.

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