

# Economic Briefs

Week of July 16, July 23 and July 30, 2010

## Sales/Consumption

### **Retail Sales Drop 0.5 Percent In June, Worse Than Expected**

[http://www.usatoday.com/money/economy/2010-07-14-retail-sales\\_N.htm](http://www.usatoday.com/money/economy/2010-07-14-retail-sales_N.htm)

Retail sales fell in June for the second straight month. Retail spending dropped 0.5 percent in June. That followed a 1.1 percent fall in May. Excluding autos, spending was down 0.1 percent in June. Much of the weakness last month came from a drop in auto sales and a decline in gasoline prices. Excluding autos and gasoline, sales would have risen 0.1 percent in June after having plunged 1 percent in May.

### **Consumer Price Index Falls; Could Deflation Be In Future?**

[http://www.usatoday.com/money/economy/2010-07-16-deflation16\\_ST\\_N.htm](http://www.usatoday.com/money/economy/2010-07-16-deflation16_ST_N.htm)

The consumer price index fell for the third straight month in June, dropping 0.1 percent, the Labor Department said. Less expensive energy bills were a big factor behind the drop. Prices for some food items and airlines fares also fell. Falling prices, of course, can benefit consumers — so long as the economy is expanding and the declines are seen as temporary. But if the declines are expected to continue indefinitely, consumers delay purchases, and businesses postpone investments. As incomes shrink, mortgages and other debts become harder to repay.

### **ABC News Consumer Confidence Index Dips In Latest Week**

<http://www.reuters.com/article/idUSN1327168520100713>

ABC News reported its weekly index of U.S. consumer confidence fell in the latest week. The ABC Consumer Comfort Index fell to -44 for the week ended July 11 from -42 in the previous week. The 2010 high was reached in the Jan. 3 week, and then again in June 27 week. The index hit its all-time low of -54 in the week to Dec. 1, 2008, and then again in the week to Jan. 25, 2009, and has not seen positive territory since March 2007.

### **Consumer Confidence Continues To Sink**

[http://money.cnn.com/2010/07/27/news/economy/consumer\\_confidence/index.htm](http://money.cnn.com/2010/07/27/news/economy/consumer_confidence/index.htm)

Uncertainty about the economy continued to shake consumer confidence in July, pushing a key measure of morale to the lowest level since February. The Conference Board, a New York-based research group, said that its Consumer Confidence Index dropped for a second straight month, to 50.4 in July from June's upwardly revised level of 54.3.

Before the sharp drop in June, the consumer confidence index had risen for three straight months. And while the latest reading of 50.4 is much higher than the record low of 25.3 hit in February 2009, it is still significantly below 90, a level that typically indicates a stable economy. The decline in consumer confidence in July was driven by lower expectations about short-term economic improvement and more pessimism about the present state of the economy.

## Manufacturing/Output

### **U.S. Economic Growth Slows To 2.4 Percent**

<http://money.cnn.com/2010/07/30/news/economy/gdp/index.htm>

The U.S. economy continued to grow during the second quarter, but the pace slowed even more than economists were expecting. Gross domestic product, the broadest measure of the nation's economic activity, rose at a 2.4 percent annual rate during the three months ended June 30. The sluggish pace is down from the upwardly revised 3.7 percent growth rate in the first quarter, and missed economists' forecast for a 2.5 percent increase. Still, the figure marked the fourth straight quarter of growth and confirmed economists' views that the recession that began in December 2007 ended at some point in the middle of 2009.

### **Leading Indicators Drop In June As Recovery Slows**

[http://www.google.com/hostednews/ap/article/ALeqM5gD1AWhgThB8nnXM4MB\\_k9UX2RUiwD9H46CCO2](http://www.google.com/hostednews/ap/article/ALeqM5gD1AWhgThB8nnXM4MB_k9UX2RUiwD9H46CCO2)

A gauge of future economic activity dropped in June, the second decline in past 3 months, suggesting the economic recovery will weaken. The Conference Board, a private research group, said its index of leading economic indicators fell 0.2 percent last month. Economists had expected a drop of 0.3 percent. The leading indicators gauge had risen almost every month since April 2009 as the economy rebounded from recession. It was pulled higher by the increasing amount of money in the economy, the rebound in manufacturing and slow improvements in the job market.

But weakness in the housing sector, faltering consumer spending and high unemployment have raised fears about a big slowdown in growth. The index was revised higher to a 0.5 percent increase in May from the initial report of a 0.4 percent gain. The April report was revised to a 0.1 percent drop from a prior estimate of no change.

### **Durable Goods Orders Fall While Business Spending Up**

<http://abcnews.go.com/Business/wireStory?id=11267785>

New orders for long-lasting manufactured goods fell unexpectedly for a second straight month in June, posting the largest drop since August in a sign economic recovery cooled in the second quarter. However, the Commerce Department report showed cash-flush businesses continued to invest in equipment. That implied underlying demand remained intact with firms exhibiting confidence in the moderate economic recovery.

Durable goods orders dropped 1.0 percent after falling 0.8 percent in May, surprising financial markets that had expected a 1.0 percent increase. Durable goods include big-ticket items such as cars and planes. But orders for non-defense capital goods excluding aircraft, a proxy for business spending, unexpectedly rose 0.6 percent after increasing by an upwardly revised 4.6 percent in May. Markets had expected a flat reading.

### **Wholesale Prices Drop 0.5 Percent In June**

<http://www.google.com/hostednews/ap/article/ALeqM5jfuYCNDwSbDIL48PB87SrT8ZBSPAD9GVGM600>

Wholesale prices fell for a third consecutive month as another drop in energy costs and the biggest plunge in food costs in eight years banished inflation in June. Wholesale prices dropped 0.5 percent last month, following declines of 0.1 percent in April and 0.3 percent in May, the Labor Department reported. Core inflation, which excludes food and energy, posted a modest 0.1 percent increase.

The third month of declines in Labor's Producer Price Index raised new concerns about the possibility of deflation, a prolonged period of falling prices which has not been seen in the United States since the Great Depression of the 1930s.

Energy costs dropped 0.5 percent, the third straight fall, as lower global crude oil prices have pushed energy prices lower. The cost of gasoline dropped 1.6 percent in June while home heating oil fell 8.1 percent, the biggest decline in 11 months.

The overall June decline in prices was the third consecutive monthly drop, the longest stretch since a similar three-month fall from October through December 2008, a period when extreme turbulence in financial markets sent the economy into a tailspin.

The 0.1 percent rise in core wholesale inflation, excluding food and energy, followed two months of 0.2 percent increases. Over the past 12 months, core inflation has risen by just a very modest 1.1 percent.

### **U.S. Industrial Production Up 0.1 Percent In June**

[http://www.marketwatch.com/story/us-industrial-production-up-01-in-june-2010-07-15?reflink=MW\\_news\\_stmp](http://www.marketwatch.com/story/us-industrial-production-up-01-in-june-2010-07-15?reflink=MW_news_stmp)

U.S. industrial output rose 0.1 percent in June as higher mining and utility production offset a decline in manufacturing, the Federal Reserve reported. The increase was a modest upside surprise, as economists were expecting a 0.1 percent decline after a 1.3 percent increase in May. Industrial output is up 8.2 percent compared with a year ago after falling at the fastest rate since World War II. Capacity utilization, a key gauge of inflationary pressures, was unchanged at 74.1 percent. Manufacturing output fell 0.4 percent in June after a 1 percent gain in May. It was the first decline since February.

### **Manufacturing Survey Shows Better Times Ahead**

<http://www.marketwatch.com/story/manufacturing-survey-shows-better-times-ahead-2010-07-15>

The recovery in the U.S. manufacturing sector is holding steady, as orders pile up, inventories decline and companies fire up more plants. In fact, the most recent quarterly Manufacturers Alliance/MAPI business outlook survey shows that its June 2010 composite index has never been higher, reaching 81 percent from 78 percent in the first quarter of the year. The benchmark, which has been tracking orders, exports, prospective shipments and various other measures since 1991, previously touched a high of 80 percent in 2004.

Donald Norman, the MAPI economist who led the study, said the strong results indicate that the recovery is moving along, though he still urged caution because they are based on year-over-year comparisons. And early 2009 was a brutal time for the economy.

## **Housing**

### **Home Prices Show Stability After Modest Gain**

[http://money.cnn.com/2010/07/27/real\\_estate/May\\_Case\\_Shiller/index.htm](http://money.cnn.com/2010/07/27/real_estate/May_Case_Shiller/index.htm)

Home prices rose slightly in May compared with a month earlier, appearing to have stabilized at the lower levels that followed the end of the residential real estate bubble, according to the S&P/Case-Shiller Home Price Index of 20 major housing markets. Prices were up 1.3 percent from April, and 4.6 percent from 12 months earlier. Home prices peaked back in July 2006 and fell for 33 straight months before bottoming out in April 2009. The peak-to-trough decline came to more than 32 percent.

The price rise might have reflected one of the last gasps of the government's incentive program, which paid tax refunds of as much as \$8,000 to homebuyers if they signed a sales contract before May 1.

### **New Home Sales Rebound 24 Percent**

[http://money.cnn.com/2010/07/26/real\\_estate/new\\_home\\_sales/index.htm](http://money.cnn.com/2010/07/26/real_estate/new_home_sales/index.htm)

New home sales rebounded in June from the record low hit the previous month but remained sluggish. New home sales increased 23.6 percent to a seasonally adjusted annual rate of 330,000 last month, up from an downwardly revised 267,000 in May, the Commerce Department reported. Sales year-over-year fell 16.7 percent. The June sales pace is the second slowest ever on record since the Commerce Department began tracking the data in 1963.

Home sales had surged in March and April as homebuyers scrambled to sign contracts ahead of the April 30 deadline for the tax credit. But sales plummeted 40 percent in May, the first month after the incentive expired.

### **Existing Home Sales Fall 5.1 Percent**

[http://money.cnn.com/2010/07/22/real\\_estate/existing\\_home\\_sales/index.htm](http://money.cnn.com/2010/07/22/real_estate/existing_home_sales/index.htm)

In the latest sign of renewed turbulence in the housing market, sales of existing homes fell 5.1 percent in June. The National Association of Realtors reported that existing home sales fell last month to a seasonally adjusted annual rate of 5.37 million units, down from 5.66 million in May. Sales year-over-year were up 9.8 percent.

### **Housing Starts Fall, Permits Offer Ray Of Hope**

<http://abcnews.go.com/Business/wireStory?id=11204657>

Housing starts hit their lowest level in eight months in June, further evidence the economy lost momentum in the second quarter, but a rise in permits offered hope of a pick up in homebuilding. The Commerce Department said housing starts dropped 5.0 percent to a seasonally adjusted annual rate of 549,000 units, the lowest since October. It was the second straight month of declines in groundbreaking activity and was well below market expectations for a 580,000-unit rate.

Although housing starts fell last month, applications for building permits unexpectedly rose 2.1 percent to a 586,000-unit annual pace. That implied home construction activity could pick up in July. Building permits dropped 5.9 percent in May and markets had expected them to slip to a 570,000 rate in June.

### **Foreclosures Fall 5 Percent**

[http://money.cnn.com/2010/07/15/real\\_estate/foreclosures\\_level\\_off/index.htm](http://money.cnn.com/2010/07/15/real_estate/foreclosures_level_off/index.htm)

The foreclosure plague seems to have reached its peak and started to fade, but the recovery is still fragile. The number of foreclosure filings of all types -- including notices of delinquency, auction notices and repossessions -- fell during the first six months of 2010, according to RealtyTrac. There were 1,654,634 properties with foreclosure filings, a 5 percent decline compared with the previous six months. That equates to 1 out of every 78 homes being at risk.

Unfortunately, the pace of bank repossessions quickened, with nearly 270,000 homes lost to foreclosure during April, May and June, a 5 percent increase over the three winter months.

### **Foreclosures Climb In 75 Percent Of Metro Areas**

[http://money.cnn.com/2010/07/29/real\\_estate/new\\_face\\_of\\_foreclosure/index.htm](http://money.cnn.com/2010/07/29/real_estate/new_face_of_foreclosure/index.htm)

Foreclosure filings climbed in 75 percent of the nation's metro areas during the first half of 2010, according to a report. RealtyTrac, an online marketer of foreclosed homes, said that California, Florida, Arizona and Nevada continue to lead the nation in the rate of foreclosures. Las Vegas was the worst-hit city. But now unemployment has replaced toxic mortgages as the leading cause of foreclosures throughout the country.

## **Home-Buying Loan Applications At 13-Year Low**

[http://money.cnn.com/2010/07/14/real\\_estate/mortgage\\_applications\\_MBA/index.htm](http://money.cnn.com/2010/07/14/real_estate/mortgage_applications_MBA/index.htm)

Mortgage applications to buy a home plunged last week - to the lowest level in more than 13 years - as the housing recovery continued to struggle following the expiration of the homebuyer tax credit. The Mortgage Bankers Association said application for mortgages to purchase a home sank a seasonally adjusted 3.1 percent for the week ended July 9 on a week-over-week basis, driving the volume to its lowest level since December 1996. On an annual basis, applications for the week were down 43 percent.

Much of the slowdown has come since the April 30 expiration of homebuyer tax credit. Homebuyers had until that deadline to sign contracts. Congress extended the deadline to close deals to Sept. 30. The government's latest reading on new home sales plummeted to a record low in May, thanks largely to the expiration of the tax credit.

## **Employment**

### **Job Openings Drop In May As Hiring Stays Weak**

[http://www.usatoday.com/money/economy/2010-07-13-job-openings\\_N.htm](http://www.usatoday.com/money/economy/2010-07-13-job-openings_N.htm)

Job openings dropped in May from the previous month and layoffs edged up, fresh evidence that U.S. employers are reluctant to add workers. The decline in openings comes after a sharp rise the previous two months, driven by temporary government hiring for the 2010 Census and more openings in the private sector. The Labor Department said that job openings fell to 3.2 million in May from 3.3 million in the previous month. April's upwardly revised figure was the highest in 18 months.

The department's report, known as the Job Openings and Labor Turnover survey, illustrates how competitive the job market is. There were about 4.7 unemployed people, on average, for each job opening in May. That's down from the peak of 6.3 last November, but is much higher than the 1.8 unemployed per opening when the recession began in December 2007. Job openings have rebounded from the depths of the recession. May's total is 37 percent above the low point of 2.3 million openings in July 2009. But it's still far below pre-recession levels of about 4.5 million.

### **Jobless Claims Sink To Near 2-Year Low**

[http://money.cnn.com/2010/07/15/news/economy/jobless\\_claims/index.htm](http://money.cnn.com/2010/07/15/news/economy/jobless_claims/index.htm)

The number of Americans filing for initial unemployment insurance dropped to the lowest level in nearly two years last week, according to a government report. There were 429,000 initial jobless claims filed in the week ended July 10, the lowest level since Aug. 23 2008 and down 29,000 from a revised 458,000 in the previous week. The number of claims was much lower than expected. A consensus estimate of economists expected 450,000 claims. The 4-week moving average of initial claims, which is calculated to smooth out volatility, was 455,250, down 11,750 from the previous week's revised average of 467,000.

The number of people filing continuing claims rose to 4,681,000 in the week ended July 3, the most recent data available. That was up 247,000 from the preceding week's revised 4,434,000 claims. The 4-week moving average for ongoing claims rose by 22,000 to 4,581,250 from the preceding week's revised 4,559,250.

## **Federal Reserve Beige Book Reports**

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

<http://www.federalreserve.gov/fomc/beigebook/2010/20100728/4.htm>

On balance, economic activity in the Fourth District held steady during the past seven weeks. Manufacturers reported that the rise in production which began late last year is leveling off. Contacts in nonresidential construction cited fewer inquiries and a small drop in backlog, while residential builders noted that new home construction has slowed. Retail sales were flat to up slightly, whereas auto dealers reported a slight downturn in new vehicle purchases. Energy production increased modestly, and reports indicated a continuing upturn in freight transport volume. Demand by businesses and consumers for new loans remained weak.

A small pickup in employment was limited to the manufacturing sector. Staffing-firm representatives reported some improvement in the number of new job openings, with opportunities concentrated in the healthcare field. Wage pressures continue to be contained. Apart from a downward trend in steel and lumber prices, raw materials and product pricing was generally stable.

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

<http://www.federalreserve.gov/fomc/beigebook/2010/20100728/8.htm>

Economic conditions in the Eighth District have continued to improve since our previous report. Manufacturing activity increased, on balance, as did activity in the services sector. Auto sales increased over a year ago. Residential real estate market conditions continued to improve across the District's largest metropolitan areas, while commercial and industrial real estate markets remained weak, especially construction. Overall lending activity at a sample of small and mid-sized banks in the District decreased from early April to late June.

## **Kentucky Notes:**

### **Real Estate and Construction**

Home sales continued to improve throughout the Eighth District. Compared with the same period in 2009, May 2010 year-to-date home sales were up 30 percent in Louisville. Residential construction also continued to improve throughout the District. May 2010 year-to-date single-family housing permits were up in most District metro areas compared with the same period in 2009. Permits increased 27 percent in Louisville.

Commercial and industrial real estate market activity remained slow throughout most of the District. Contacts noted that financing requirements for new construction remained stringent and lease rates remained low. A contact in Louisville reported that demand for industrial real estate continued to be weak.

## **Kentucky**

### **Jobless Rates Down In 107 Counties From June 2009 To June 2010**

[http://www.workforce.ky.gov/newspub.htm#July\\_22,\\_2010](http://www.workforce.ky.gov/newspub.htm#July_22,_2010)

Unemployment rates fell in 107 Kentucky counties between June 2009 and June 2010, according to the Kentucky Office of Employment and Training, an agency of the Kentucky Education and Workforce Development Cabinet. Fayette and Woodford counties recorded the lowest jobless rates in the Commonwealth at 7.8 percent each. Magoffin County recorded the state's highest unemployment rate — 19 percent.

### **N.J. Factory Moving To Georgetown**

<http://www.kentucky.com/2010/07/14/1347306/beshear-announces-nj-factorys.html>

Gov. Steve Beshear announced that a manufacturing facility in Lakewood, N.J., plans to move to Georgetown. The relocation of Vogelsang Corp., which makes steel-based products such as roll pins, coil pins, hydro-bushings, weld-eye rings and agricultural bushings, is expected to create 43 full-time jobs. It also could create a capital investment of about \$3.5 million for Kentucky.

### **Lexington Home Sales Down In June**

<http://www.kentucky.com/2010/07/13/1347989/lexington-home-sales-down-in-june.html>

Home sales in Lexington fell 6.1 percent in June compared with a year earlier, the Lexington-Bluegrass Association of Realtors said. The group said there were 450 sales in June compared to 479 a year ago. For the year-to-date, though, sales are up 22.7 percent to 2,079 from 1,695 in 2009.

The median sales price in Lexington in June was \$154,750, down just slightly from \$154,900 a year ago. For the year-to-date, the median sales price is also down just slightly from \$150,350 to \$150,000. The average days on market of a home rose to 67 in June from 66 a year ago.

### **Nanotechnology Firm Locating In Lexington**

<http://www.kentucky.com/2010/07/30/1368799/nanotechnology-firm-locating-in.html>

An Atlanta company announced it plans to open a laboratory in Lexington to develop nanomaterials to be used in the next generation of automotive batteries. The company, nGimat, plans to hire 18 people during the next three years at an average salary of \$58,500. It also expects to hire an additional 50 full-time employees in production and administrative positions.

In fact, the state has approved a \$3.5 million grant that will be used to buy equipment to help test batteries, certain capacitors and other energy-storage systems. The state's money will be matched with \$3.5 million from the U.S. Department of Defense or the Kentucky State Energy Program.

State money also was approved Thursday to assist nGimat in locating here. The Kentucky Economic Development Finance Authority approved three sets of tax incentives including a forgivable loan of up to \$250,000 through the state's High-Tech Investment Pool. The company also was approved for up to \$550,000 through the state's Kentucky Business Investment program, as well as up to \$60,000 through a program that allows companies to recoup sales and use taxes paid on construction costs and equipment.

The forgivable loan requires the company to create 18 jobs by June 2012 and maintain them for an additional three years. The KBI funding is contingent on 50 jobs being created during the next 10 years, according to state documents.

### **Tax Incentives Awarded To Expanding Companies**

<http://www.kentucky.com/2010/07/30/1368929/tax-incentives-awarded-to-expanding.html>

The Kentucky Economic Development Finance Authority board approved several tax incentives for companies at its monthly meeting Thursday. In general, when a company is approved for tax incentives, it can keep that amount of money, which it would otherwise pay in taxes, assuming it fulfills the terms of the deal.

Here are selected board approvals:

Corning in Harrodsburg, \$4.5 million for its plans to expand production of a cover glass used in electronic devices. The company estimates the expansion will cost \$186.57 million. It is expected to add 80 jobs that pay an average hourly wage of \$25. Under a different tax incentive program, the company also was approved for up to \$1 million.

CSC in Somerset, \$1 million for its plans to expand its call center. The company estimates the expansion will cost \$2.11 million. It is expected to add 200 jobs that pay an average hourly wage of \$15.

American Howa Kentucky in Bowling Green, \$900,000 for its plans to expand its facility that manufactures headliners and dash insulators for automakers. The company estimates the expansion will cost \$11.48 million. It is expected to add 86 jobs that pay an average hourly wage of \$18.09. Under a different tax incentive program, the company also was approved for up to \$100,000.

R.L. Schreiber in Lebanon, \$2 million for the food company's plans to relocate its production and distribution operations. The company estimates the relocation will cost \$7.36 million. It is expected to add 83 jobs that pay an average hourly wage of \$17.

Integrated Pharmaceutical Packaging in Glasgow for \$1.5 million for its plans to add a new location for its operations, which include converting bulk medicine into unit-size packaging. The company estimates the new location will cost \$5.15 million. It is expected to add 100 jobs that pay an average hourly wage of \$13.95.

Rogers Foam in Mount Sterling, \$200,000 for its plans to locate a manufacturing facility for the production of parts for child-care products. The company estimates the new location will cost the same amount as the tax incentive package. It is expected to add 20 jobs that pay an average hourly wage of \$11.

Maker's Mark Distillery in Loretto in Marion County, \$48,000 for its plans to expand its barrel storage facilities. The company estimates the expansion will cost \$2 million. No job creation is required under this program.

Sister Schubert's Homemade Rolls in Horse Cave, \$600,000 for its plans to expand to produce more frozen dinner rolls and other bread items. The company estimates the expansion will cost \$33.25 million. No job creation is required under this program.

Plasticware in Mount Vernon, \$3.8 million for its completed acquisition of the Alcoa Reynolds Food Packaging facility. The company estimated the project cost \$16 million.

Also at Thursday's meeting, officials disclosed that Systems Integration, which was considering building a nearly \$2 million call center in Lexington that would employ 20 people, has decided against the project. The company has opted instead to locate the work at its facility in London. It had been previously approved for up to \$200,000 in incentives.