

Economic Briefs

Week of January 15, 2010

Sales/Consumption

A Gift For Nation's Stores: Holiday Sales Gain

http://money.cnn.com/2010/01/14/news/economy/holiday_sales_final_result/index.htm

The nation's merchants scored a surprising increase in their crucial year-end holiday sales, countering expectations of a decline, according to an industry report. Sales in the combined November-December period rose 1.1 percent to \$446.8 billion, according to the National Retail Federation (NRF). The group had forecast a decline of 1 percent for the period, which would have followed a 3.4 percent drop in holiday sales in 2008.

The NRF report, which covers the two months of the holiday period, followed a somewhat disappointing government report that showed a surprising decline in overall retail sales in December. The November sales figures were revised higher, to a gain of 1.8 percent. Some industry watchers said both reports indicated a modest pick-up in consumer spending. Further, the unexpected decline in December retail sales could be revised next month to eventually show a gain, said Michael Niemira, chief economist with the International Council of Shopping Centers (ICSC).

Retail Sales Take A Fall In December

http://money.cnn.com/2010/01/14/news/economy/retail_sales_december/index.htm

Retail sales fell in December, putting a damper on hopes that the holiday shopping season was strong. The Commerce Department said total retail sales fell 0.3 percent to \$353 billion last month, compared with November's upwardly revised 1.8 percent jump. Sales excluding autos and auto parts fell by 0.2 percent from November. Analysts expected sales ex-autos to jump 0.3 percent.

Given that the economy was so weak 12 months ago, the year-to-year increase was strong. December 2009 retail sales jumped 5.4 percent compared to the same month in 2008.

US Consumer Confidence Drops Sharply In Week – ABC

<http://www.reuters.com/article/idUSN1220910120100112?type=marketsNews>

ABC News said that its weekly measure of U.S. consumer confidence tumbled in the latest week after hitting a 16-month high in the prior report. The ABC Consumer Comfort Index slid 6 points to -47 for the week ended Jan. 10 from -41 the prior week. The prior week's reading was the best the index had seen since September 2008. The index is now closer to its record low of -54, which it first hit in the week to Dec. 1, 2008, and again in the week to Jan. 25, 2009. It has not seen positive ground since March 2007.

Consumer Prices Driven Higher By Gasoline

http://money.cnn.com/2010/01/15/news/economy/consumer_prices_december/index.htm

Consumer prices rose in 2009 as gasoline prices were more than 50 percent higher from 2008's depressed levels. The Consumer Price Index, the government's key inflation reading, rose 2.7 percent during the past 12 months. That compares with a 0.1 percent rise for 2008. The increase was due to higher gas prices, which rose 53.5 percent over the last year after declining 43.1 percent in 2008. Food prices fell 0.5 percent last year after climbing 5.9 percent in 2008. It was the first December-to-December decline since 1961.

The so-called core CPI, which is more closely watched by economists because it excludes volatile food and energy prices, was up 1.8 percent over the past year, the same increase as in 2008. For December, overall prices rose 0.1 percent, driven by a sharp rise in prices for used cars and trucks. But the gain was smaller than the 0.2 percent rise Economists surveyed by Briefing.com had forecast. The core CPI also increased 0.1 percent in the month, which matched economists' expectations.

Manufacturing/Output

Inventories Finally Back To Normal Levels

http://www.marketwatch.com/story/us-inventory-adjustment-largely-over-in-nov-2010-01-14?reflink=MW_news_stmp

The inventory adjustment at U.S. companies is largely over, with the inventory-to-sales ratio falling back to normal levels in November, according to Commerce Department data. Inventories rose 0.4 percent in November, the second straight increase after 13 consecutive months of falling inventories.

With sales rising much faster than inventories, the key inventory-to-sales ratio fell to 1.28, the pre-recession average. It's the lowest ratio since March 2008. At the beginning of the year, the inventory-sales ratio had risen as high as 1.46 as businesses couldn't adjust fast enough to the collapse in sales. Since then, however, most businesses have slashed inventories by keeping production and orders lower than sales. Inventories fell at a record pace. In October, inventories turned the corner and began to build up again.

Industrial Production Rises In December

<http://abcnews.go.com/Business/wireStory?id=9570642>

Industrial production rose 0.6 percent in December as unusually cold weather helped energy utilities offset a small drop in manufacturing. The mixed picture from the report by the Federal Reserve shows that economic recovery remains uncertain, as consumers and businesses did not spend enough to spur the production of more factory goods. Experts said the reversal of earlier manufacturing gains reflects persistent unemployment and a struggling economy.

It was the sixth straight monthly gain in production and the reading was in line with economists' expectations. Electric and gas utilities increased production by 5.9 percent and mines by 0.2 percent. Manufacturers produced 0.1 percent less than in November. Construction and consumer durable goods posted losses of 2.0 percent and 0.9 percent, respectively, while paper products output fell 0.9 percent.

Still, industrial production for the fourth quarter as a whole increased at an annual rate of 7.0 percent, reflecting the economy's swing toward growth. The economy grew at an annual 2.2 percent in the third quarter, and was expected to continue growing through the end of 2009.

Employment

Too Many Job Seekers, Not Enough Jobs

http://money.cnn.com/2010/01/12/news/economy/jolts_november/index.htm

In another sign that the labor market is not out of the woods yet, the number of job openings fell again in November, according to a government report. With 15.3 million people out of work and employers hesitant to hire, job seekers still outnumber openings by more than six to one, the greatest differential since the Labor Department began tracking job openings in December 2000.

Job openings: There were 2.4 million job openings in November, down slightly from 2.5 million in October, and 27 percent fewer than a year ago, according to the latest Job Openings and Labor Turnover survey from the Bureau of Labor Statistics. The job openings rate, an indicator that compares the nation's job openings to the number of jobs and openings overall, also fell modestly to 1.8 percent from 1.9 percent in the previous month.

Compared to other industries, the number of job openings as a percentage of total employment was greatest in the professional and business services and education and health services industries, according to the report. By comparison, the job openings rate was weakest in manufacturing.

Unemployment Claims Jump Higher

http://money.cnn.com/2010/01/14/news/economy/initial_claims/index.htm

The number of Americans filing for initial unemployment insurance rose more than expected last week. There were 444,000 initial job claims filed in the week ended Jan. 9, up 11,000 from a revised 433,000 the previous week, the Labor Department said in its weekly report. The 4-week moving average of initial claims was 440,750, down 9,000 from the previous week's revised average of 449,750.

The government also said 4,596,000 people had filed continuing claims in the week ended Jan. 2, the most recent data available. That's down 211,000 from the preceding week's revised 4,807,000 claims. The 4-week moving average for ongoing claims fell by 151,500 to 4,855,000 from the previous week's revised 5,006,500.

But the decline may just mean that more filers are dropping off those rolls into extended benefits. Continuing claims reflect people filing each week after their initial claim until the end of their standard benefits, which usually

last 26 weeks. The figures do not include those people who have moved to state or federal extensions, or people whose benefits have expired.

Housing

Record 3 Million Households Hit With Foreclosure In 2009

http://money.cnn.com/2010/01/14/real_estate/record_foreclosure_year/index.htm

Almost 3 million homeowners received at least one foreclosure filing during 2009, setting a new record for the number of people falling behind on their mortgage payments. RealtyTrac, the online marketer of foreclosed homes, reported that one in 45 households -- or 2,824,674 properties nationwide -- were in default last year. That's 21 percent more than in 2008, and more than double 2007's total.

There was at least one bright spot in the report: In spite of a 21 percent increase in filings, the number of homes actually repossessed was 871,086 -- up just 1.1 percent above 2008's total.

Federal Reserve Beige Book Reports

Fourth District--Cleveland

<http://federalreserve.gov/fomc/beigebook/2010/20100113/4.htm>

The economy in the Fourth District has shown some signs of improvement since our last report, although overall activity remains at a low level. Reports from manufacturers indicated that production was stable or slightly up, with several citing growth opportunities in off-shore markets. Little change was seen in new-home construction, whereas non-residential builders reported a small increase in contract awards. Financing remains a major issue for residential and commercial contractors. Sales by District retailers and auto dealers were flat. Energy production held steady, and reports showed a slight upturn in freight transport volume. Business and consumer lending activity remains soft, while the growth rate in core deposits is starting to decline.

The labor market remains weak, but some business owners started recalling a few workers or increased production hours. Staffing-firm representatives reported an increased number of job openings, especially in the healthcare industry. Given the weak labor market, wage pressures are contained. We heard many reports of rising prices for metals, especially steel. Otherwise, raw material and product pricing were relatively stable. Capital spending and inventories remain under tight control.

Eighth District--St. Louis

<http://federalreserve.gov/fomc/beigebook/2010/20100113/8.htm>

Economic conditions in some areas of the Eighth District have shown further signs of improvement since our previous report. In general, manufacturing activity continued to decline while service sector activity increased. Early reports from retailers in the District indicate a slight increase in holiday sales compared with a year ago. Residential real estate markets showed signs of improvement in parts of the District, while commercial real estate market conditions remained weak. Overall lending at a sample of small and mid-sized District banks declined in the three-month period from mid-September to mid-December.

Kentucky Notes:

Real Estate and Construction

Residential real estate markets are showing signs of improvement in parts of the Eighth District. Compared with the same period in 2008, November 2009 year-to-date home sales held steady in Louisville. Residential construction continued to be weak throughout most of the District. November 2009 year-to-date single-family housing permits fell in most District metro areas compared with the same period in 2008. Permits declined 18 percent in Louisville.

Commercial and industrial real estate market conditions remained weak throughout most of the District. A contact in south-central Kentucky reported that while commercial construction is relatively strong, it consists mainly of education-related projects. Industrial real estate and construction contacts throughout the District also reported a sluggish environment.

Kentucky

Akebono To Add 70 Jobs In Elizabethtown

<http://www.courier-journal.com/article/20100111/BUSINESS/1110336/Akebono+to+add+70+jobs+in+Elizabethtown>

Akebono Brake Corp. will add 70 jobs at its headquarters in Elizabethtown. The company said the administrative-office jobs are a result of discussions with Gov. Steve Beshear during his October 2009 economic-development trip to Japan. Akebono, which recently acquired Robert Bosch LLC's North American Foundation Brake Division, will invest \$800,000 in its Elizabethtown headquarters operation to accommodate its growth.

Nearly 250 Verizon Workers To Lose Jobs

<http://www.kentucky.com/news/local/story/1092706.html>

Verizon told employees at its call center on Harrodsburg Road that it intends to close the facility in March, putting nearly 250 people out of work. The call center, which provides directory assistance, employs 225 hourly workers and 16 managers.

Kentucky Economic Indicators

October 2009 as of January 5, 2010

<http://www.osbd.ky.gov/NR/rdonlyres/0391FC6D-7796-4C47-A4E2-698B44AB26B4/0/0910EconInd.pdf>

Leading Index positive for 5th consecutive month. The Leading Index increased moderately in October, fueled by growth in four of the five component indicators. The August 2009 Leading Index growth rate of 0.6 percent has persisted and is unlikely to change signs in any future revision. Therefore, the trio of three consecutive positive growth months is intact and enduring. After five consecutive months of growth, the Leading Index has made up 8.9 percent of its 2007 recession losses. The Leading Index lost 8.7 points, or 7.8 percent of its value during the recession.

Louisville Home Sales Increase In 2009

<http://www.courier-journal.com/article/20100111/BUSINESS/1110344/Louisville+home+sales+increase+in+2009>

A second-half rally driven in large part by the \$8,000 tax credit for first-time buyers pushed Louisville home sales for 2009 past the previous year's total. Sales were up 28 percent in the final six months of the year, helping lift the total transactions for the year to 11,652, about 2.5 percent more than in 2008, the Greater Louisville Association of Realtors reported.

Still, some say it's not much to cheer. In the midst of the recession, the Louisville Realtors group recorded its lowest sales volume in six years in 2008. Sales were down 21 percent in 2009 compared with 2007 sales, and the median sales price declined for the second straight year, to \$132,000.

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