

# Economic Briefs

Week Ending March 18, 2011

## **Sales/Consumption**

### **Consumer Prices Up 2.1 Percent In Past Year**

[http://money.cnn.com/2011/03/17/news/economy/cpi\\_inflation/index.htm](http://money.cnn.com/2011/03/17/news/economy/cpi_inflation/index.htm)

Food and energy prices are surging. Still, underlying inflation remains low, the government said. The U.S. Consumer Price Index, a key measure of inflation, increased 2.1 percent over the past 12 months ending in February, up from 1.6 percent in January. Rising oil and food prices were two of the biggest drivers. Energy prices surged 11 percent over the 12-month period. Food rose 2.3 percent -- its largest increase since May 2009.

Stripping out those volatile categories, the so-called core CPI rose 1.1 percent year-over-year, up from a 1 percent rate in January. On a monthly basis, the overall CPI rose 0.5 percent in February, up from 0.4 percent the previous month. Core CPI rose 0.2 percent in February, unchanged from January.

## **Manufacturing/Output**

### **Industrial Production In U.S. Falls 0.1 Percent; Manufacturing Gains**

<http://www.bloomberg.com/news/2011-03-17/industrial-production-in-u-s-unexpectedly-falls-0-1-manufacturing-gains.html>

Industrial production unexpectedly declined in February, led by a plunge in utility use, a Federal Reserve report showed. Industrial production unexpectedly declined in February, led by a plunge in utility use. Manufacturing rose as automakers ramped up assembly lines.

Output decreased 0.1 percent after a 0.3 percent gain in January that was initially reported as a decline. Manufacturing, which makes up 75 percent of the total, rose 0.4 percent last month following a 0.9 percent gain that was three times as large as the prior estimate. Utilities output fell 4.5 percent on milder weather.

Capacity utilization, which measures the amount of a plant that is in use, fell to 76.3 percent last month from a revised 76.4 percent in January, today's Fed report showed. The gauge compares with the average of 80 percent over the past 20 years, signaling inflation will remain contained.

### **Rising Wholesale Prices Ring Inflation Alarm Bells**

[http://money.cnn.com/2011/03/16/news/economy/ppi\\_wholesale\\_prices/index.htm](http://money.cnn.com/2011/03/16/news/economy/ppi_wholesale_prices/index.htm)

The cost of producing goods is rising, and consumers could soon pay the price. The Producer Price Index rose 1.6 percent in February alone, the Labor Department reported, the biggest jump in nearly two years. The rise was far worse than the 0.6 percent increase that economists were expecting. Overall, prices rose 5.6 percent from a year ago.

The biggest drivers were a 3.9 percent jump in wholesale food prices and 3.3 percent rise in energy prices. But core inflation, which strips out volatile food and energy prices, was up only 1.8 percent compared to a year ago following a 0.2 percent rise in the month -- in line with forecasts. The sharp rise in oil prices is a major concern for economists. In a recent survey, economists identified the oil spike as the biggest headwind facing the nation's economic recovery.

### **U.S. Leading Economic Indicators Rise Again**

[http://www.marketwatch.com/story/leading-economic-indicators-rise-again-2011-03-17?reflink=MW\\_news\\_stmp](http://www.marketwatch.com/story/leading-economic-indicators-rise-again-2011-03-17?reflink=MW_news_stmp)

The index of leading indicators rose again in February, marking the eighth straight increase and suggesting that the U.S. economic recovery is gaining a stronger foothold. The Conference Board said its index climbed 0.8 percent in February after a small 0.1 percent gain in January. The index looks ahead to economic conditions over the next three to six months.

Eight of the 10 indicators in the index advanced. Higher consumer confidence and an improved labor market were among the strongest index components. The interest-rate spread showed even more strength.

The weak housing market was the biggest drag.

## **Employment**

### **Unemployment Claims Dip Lower**

[http://money.cnn.com/2011/03/17/news/economy/initial\\_claims/index.htm](http://money.cnn.com/2011/03/17/news/economy/initial_claims/index.htm)

The number of Americans filing either continuing or first-time claims for unemployment benefits fell last week, a sign that the job market continues to slowly improve. The number of Americans filing for ongoing claims dropped 80,000 to 3,706,000 in the week ended March 5, the most recent week available. That was the lowest number of continuing claims since September 2008, and below economists' forecast for 3,750,000 continuing claims. Ongoing claims reflect people who file each week after their initial claim until the end of their standard benefits, usually at 26 weeks.

Although the decline is a welcome sign, Moody's Capital Markets Group chief economist John Lonski warned that the figure may be skewed by the expiration of benefits for those Americans who have been jobless for long periods of time and are no longer eligible for unemployment insurance. While the length of eligibility varies by state, that maximum length of time Americans can file for benefits is 99 weeks.

The 4-week moving average of initial claims, which aims to smooth out volatility, also improved, falling to 386,250 from the previous week's revised average of 397,250.

## **Housing**

### **U.S. February Housing Starts Drop 22.5 Percent**

<http://www.bloomberg.com/video/67696298/>

Housing starts in the U.S. declined more than forecast in February, marking the slowest pace since April 2009. New home construction fell 22.5 percent to a 479,000 annual rate, according to Commerce Department figures. Building permits, a proxy for future construction, fell 8.2 percent to a 517,000 annual pace. The producer-price index climbed 1.6 percent last month, the most since June 2009.

## **Gas/Oil**

### **Gas Prices Finally Notch Down**

[http://money.cnn.com/2011/03/16/news/economy/gas\\_prices/index.htm](http://money.cnn.com/2011/03/16/news/economy/gas_prices/index.htm)

Gasoline prices dipped for a second straight day on Wednesday, providing a reprieve to motorists after a 20-day streak of gains, even though they're expected to rise again. The nationwide average price for a gallon of regular unleaded gasoline slipped 0.3 cent to \$3.533 on Wednesday, reported the motorist group AAA. The ongoing march of higher prices started in the last week of February and dragged through much of March. The climb in gas prices resulted from an oil rally fueled by political turmoil in the Middle East and North Africa. Demand for oil has been stymied by the deadly earthquake and tsunami that has devastated parts of northern Japan, killing 3,771 people and damaging nuclear reactors. As of Tuesday, oil prices have fallen more than 7 percent since the 9.0-magnitude earthquake struck last week. But they edged up again on Wednesday, settling up 80 cents per barrel to \$97.98.

## **Kentucky**

### **Lexington Ranked As Top Job Market Nationally**

<http://www.kentucky.com/2011/03/17/1673155/lexington-ranked-as-top-job-market.html#>

The Lexington area's job market is expected to be the strongest in the nation in the second quarter, says a recently released report by Manpower employment agency. The Manpower Employment Outlook Survey found 28 percent of companies surveyed locally expect to hire in the quarter. Four percent expect to have layoffs. That yielded a "net employment outlook," as Manpower calls it, of 24 percent, which was tops for U.S. metropolitan areas.

### **Jobless Rates Down In 82 Ky. Counties In January**

<http://www.kentucky.com/2011/03/17/1674517/jobless-rates-down-in-82-ky-counties.html#>

Jobless rates fell in 82 Kentucky counties from January 2010 to January 2011, according to numbers released by the Kentucky Office of Employment and Training. Webster County had the lowest jobless rate at 8.2 percent. Magoffin County had the highest unemployment rate at 21 percent.

### **Australian Clothing Company Brings 80 Jobs**

<http://www.state-journal.com/news/article/5000195>

A company that plans to locally produce military uniforms and accessories will begin hiring a few employees for office work in April and manufacturing workers later this year. Officials at Special Operations Research and Development, an Australian firm, announced it will bring a total of more than 80 jobs to Frankfort during the next three years. The jobs will pay about \$17.62 per hour including wages and benefits.

### **Kentucky Economic Indicators**

December 2010 as of March 14, 2011

<http://www.osbd.ky.gov/NR/rdonlyres/84753CD9-C6E0-424E-888C-E140B01C1FAE/0/1012EconInd.pdf>

The Kentucky Composite Index of Leading Indicators decreased by 0.02 percent in December. The Leading Index fell for the first time in five months. The month-over-same-month-last-year growth rate has been positive for eleven consecutive months with 1.7 percent growth in December.

The component indicators were evenly mixed with two increasing and two decreasing. The KY Labor Intensity Index decreased by 2.3 percent. The US Manufacturer's New Orders Index decreased by 18.8 percent. The KY Index of Initial UI Claims increased by 11.5 percent. The US Retail Sales increased by 6.4 percent.

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