To view the full Cheese Country Trail study results, go to http://green.uwex.edu/files/2010/11/2012-Cheese-Country-Trail-Survey-Results.pdf

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Free Business Counseling

Want to learn more about state and federal programs for promoting international trade? Want to learn more about financing options for growing your business?

A senior management consultant from the University of Wisconsin Small Business Development Center Network will be available for one-on-one meetings **by appointment** between 9 a.m. and 1 p.m. at UW-Fox Valley in Menasha on the following days:

Tuesday, July 10, 2012

Tuesday, July 31, 2012

Tuesday, August 14, 2012

Tuesday, August 28, 2012

For more details or to make an appointment, contact John Winkler at 920-360-4797 or e-mail: john.winkler@uwex.edu.

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Federal Reserve Bank of Kansas City's Web site: Since the turn of the century, rural America has struggled with the erosion of its manufacturing base. During the past two years, however, rural manufacturing has rebounded with a vengeance. This issue of the Main Street Economist explores the rebound in rural manufacturing and the potential for additional growth at rural factories.
http://www.kansascityfed.org/publications/research/mse/index.cfm?ealert=mse0212

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USDA: Rural Cooperative Development Grants (RCDG)
Application deadline: August 6, 2012

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"Economic development in Walworth County focusing on retention and expansion," Janesville Gazette, June 17.
...While tourism remains strong in Walworth County, industrial development has emerged as a powerful economic engine. Cooperation by the city of Whitewater, UW-

Whitewater and the private sector has resulted in significant investment in the Whitewater Business Park led by Generac and Universal Electronics. The Innovation Center, the centerpiece of the Whitewater University Technology Park, is at 80 percent occupancy...

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Doing Business with Large Corporations. Small and medium-size enterprises have long struggled to get a foot in the door of large corporations. Firms often have to spend months developing a relationship with the business and meet stringent vendor requirements before they can make a sale.

The U.S. Small Business Administration has recently announced a new initiative, **Supplier-Connection.net**, to help those enterprises overcome some of those challenges. The web portal lets a business fill out a single application online to become an acceptable supplier to over 15 major corporate partners including Office Depot Inc., Pfizer Inc. and Caterpillar Inc.

To qualify, a business must have less than $50 million in annual sales or less than 500 employees. For more details or to participate in the program, **click here**

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Vanguard Newsletter

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Economic Week in Review: Will consumers carry the ball?

June 29, 2012

Consumers are growing rattled at a dicey juncture. Just when manufacturing is showing signs of a slowdown, consumers' outlook is dimming as lower gasoline prices and tentative progress in the housing market prove to be no match for the limp job market, zigzagging stock market, and high-stakes squabbling in Europe. For the week ended June 29, the S&P 500 Index rose 2% to 1,362 (for a year-to-date total return—including price change plus dividends—of about 9.5%). The yield on the 10-year U.S. Treasury note fell 2 basis points to 1.67% (for a year-to-date decline of 22 basis points).
Confidence ebbs

With manufacturing flagging, the economic recovery may now depend more on consumers, whose spending powers two-thirds of the economy. But a decline in consumer confidence in June, the fifth in the past six months, added to analysts' concern that consumers could cut back enough to derail the economy. Consumers surveyed by The Conference Board earlier this month expressed less concern about the present than they had in May, but they voiced a bit more worry about the next six months—just when the economy may need them to pick up the slack.

So far, consumers report no plans to slash their spending, although spending fell very slightly in May, the first drop in 11 months, and saving rose slightly. As job creation has turned sluggish in recent months, income growth has followed suit.

"The overly indebted consumer in general cannot continue paying off debt if he or she doesn't restrain spending and save more," said Vanguard senior economist Roger Aliaga-Díaz. "So any growth in consumer spending has to depend entirely on progress on the labor market front, which unfortunately is something that's not happening right now."

Falling prices at the pump may encourage spending somewhat this quarter, analysts say, although spending rose less last quarter than first reported, according to the latest estimate of the gross domestic product. The new GDP figures again confirmed that the economy has slowed considerably since the final quarter of 2011.

GDP: Under the hood

	4Q 2011	**1Q 2012**
Real GDP growth	**+3.0%**	**+1.9%**
Major components: Contributions/subtractions (percentage points)		
Consumer spending	+1.5	+1.7
Business spending and inventories	+2.6	+0.8
Trade (exports minus imports)	–0.3	+0.1
Federal, state, and local government spending	–0.8	–0.8

Annualized quarterly change, rounded.
Get a closer look at GDP and its components.

Hope on the housing front

The housing market, which lies at the heart of much of the economy's struggles, generated enough encouraging news this past week to prompt analysts to suggest—once again—that housing may be turning the corner.

Sales of new single-family homes rose more strongly in May than at any time in more than two years. The boost left sales trending modestly upward so far this year, though prices were soft, and the sales pace remains at a fraction of its peak in 2005. May's much-bigger-than-expected increase also reduced the supply—as measured by how many months it would take to sell all the newly built houses at the current pace—to its lowest point since before the housing crash, a sign that prices may rebound. Analysts don't expect homebuilding to really take off until the job market recovers enough to boost the incomes and credit-worthiness of would-be buyers and until a glut of previously owned homes, many of them distressed properties, is pared.

When housing finally turns around, the effects may reach far: Construction jobs normally spur the economy following recessions, and homebuyers are a significant driver of consumer spending. Also, new properties generate tax revenue for strained local governments.

Although another wave of foreclosures is expected later this year following the settlement of allegations of irregularities by mortgage servicers, analysts believe that as jobs and loans slowly become easier to get, the dampening effect of foreclosures on the market may be limited.

A bright spot for manufacturing

In a positive sign for the nation's factories, a rise in demand for aircraft led to an unexpectedly large jump in orders for durable goods in May. The increase follows a decline in April and comes at a time when other indicators of manufacturing's health suggest weakness.

As Europe slips into recession and Asia's economic growth slows, U.S. manufacturers expect to export less, meaning firms may need to sell more goods at home if they hope to avoid cutting production.

Whether May's jump becomes a trend remains to be seen. By definition, durable goods tend to be purchased at infrequent or irregular intervals—when the dishwasher suddenly dies, for instance, or when a business lands a major client—so orders can swing widely from month to month. Also, the Commerce Department often revises its previously issued totals as more precise data becomes available.

The economic week ahead

Anticipation will be great for the Labor Department's monthly jobs report on Friday. Other reports due out include housing starts and the Institute for Supply Management's manufacturing index on Monday, factory orders on Tuesday, and the ISM non-manufacturing index on Thursday.

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Economic Week in Review: Fed to lend a helping hand, again

June 22, 2012

The U.S. Federal Reserve was back at the center of the week's economic news, as Chairman Ben Bernanke said the Fed would extend its efforts to boost economic growth. The continuation of the Fed's "Operation Twist" is aimed at driving down borrowing costs to stimulate business and consumer spending. Underscoring concerns about the state of the economy, a major credit rating agency late Thursday downgraded its ratings on 15 major international banks, including 5 of the largest U.S. banks. For the week ended June 22, the S&P 500 Index fell 0.6% to about 1,335 (for a year-to-date total return—including price change plus dividends—of about 7.3%). The yield on the 10-year U.S. Treasury note rose 7 basis points to 1.67% (for a year-to-date decline of 22 basis points).

Fed continues Operation Twist

The Federal Open Market Committee (FOMC), led by Mr. Bernanke, cited deteriorating job growth, lackluster household spending, and a depressed housing sector in announcing its decision to extend the Operation Twist bond-buying program for another six months. The extension of the program, which began in 2011, involves selling short-term Treasury bonds to buy $267 billion in longer-term Treasuries. The FOMC said it expects the program to "put downward pressure on longer-term interest rates and help to make broader financial conditions more accommodative."

The committee reiterated that it expects to keep short-term interest rates "exceptionally low" through late 2014 and sought to reassure markets that it stands ready to take further action if needed. "The Fed delivered more accommodation, but it was barely of the magnitude the market was expecting, given the increasing evidence that global weakness may finally be starting to affect U.S. economic growth," said Vanguard senior economist Roger Aliaga-Díaz. "The main purpose of this, as well as previous unorthodox monetary operations, has been to avoid a deflationary scenario."

Existing-home sales slip while prices rise

Sales of previously owned homes fell by 1.5% from April's level, but were up 9.6% from a year earlier. "The slight pullback in monthly home sales is more likely due to supply constraints than softening demand," Lawrence Yun, chief economist at the National Association of Realtors, said in a statement. Fewer distressed homes came onto the market because of a slower foreclosure process. Distressed home sales (which include foreclosures and short sales) accounted for 25% of sales in May compared with 31% a year earlier. This change in the sales mix helped push the national median price of previously owned homes up to $182,600, an increase of 7.9% compared with a year ago.

Dip in new residential construction

Housing starts declined by 4.8% in May on a monthly basis to an annualized rate of 708,000, but were up 28.5% compared with May 2011. The West was the only region to buck the trend—housing starts there increased by 14% compared with April. While still far below historical levels, data from the Commerce Department indicated that single-family housing starts rose by 3.2% compared with April. In contrast, multi-family housing starts, which tend to vary considerably from month to month, showed a drop of 21.3% for May following an 11% increase in April.

Housing permits, a more forward-looking indicator, rose 7.9% overall compared with April to reach their highest level since 2008 (+4.0% for single-family and +15.3% for multi-family housing units). A separate report out this week from the National Association of Homebuilders showed homebuilder confidence at a five-year high.

Economic indicator index edges up
The Conference Board's index of leading indicators inched up 0.3% in May, exceeding expectations. While this was its seventh increase in the past eight months, the index is up a modest 1.7% compared with a year earlier. "Economic data in general reflect a U.S. economy that is growing modestly, neither losing nor gaining momentum," Conference Board economist Ken Goldstein said in a statement.

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Economic Week in Review: A chilly start to summer

June 15, 2012

This week's reports brought an economic chill to the start of summer. Consumers are benefiting from lower gas prices, but remain cautious about spending their newfound savings. High unemployment continues to be a concern and some manufacturers have cut production amid uncertainties in Europe and the potential for sluggish demand. For the week ended June 15, the S&P 500 Index rose 1.3% to about 1,343 (for a year-to-date total return—including price change plus dividends—of about 7.9%). The yield on the 10-year U.S. Treasury note declined 6 basis points to 1.59% (for a year-to-date decline of 30 basis points).

Retail sales down, again

Retail sales fell 0.2% in May, their second consecutive monthly decline. Gas stations and building supply stores were the weakest performers. In a bit of good news, some of the weakness reflected lower gas prices, which significantly pushed down the overall retail sales figures for the month. Some analysts also attributed part of the sales drop to the mild winter, which may have led some consumers to buy home improvement and building supplies earlier in the winter and spring. Excluding gas stations and building supply stores, retail sales rose modestly. While consumers spent less at general merchandise stores such as Wal-Mart and at restaurants, they did not shy away from big-ticket items. Auto, furniture, and appliances sales increased. Some analysts said the lower gas prices might have helped consumers save money for some of these more expensive purchases.

Inventory levels inch up

Business stockpiles rose 0.4% in April, mainly because of increases in retail inventory levels. Auto retail inventories, which rose 1.9%, accounted for much of the gain. Retail and wholesale inventories grew at a faster pace than manufacturing stockpiles, which remained unchanged. Business sales rose 0.2% in April. While business inventory levels rose by a slightly higher margin than sales, the inventory-to-sales ratio, a measure of how many times a company's inventory is sold and replaced in a given period of time, is still considered healthy at 1.26.

Consumer prices get lower

The Consumer Price Index, a key measure of inflation, fell 0.3% in May. A 4.3% drop in the energy index—its steepest decline since December 2008—contributed most to weakness in the CPI. Falling gas prices over the past two months have pushed down the energy index. The CPI for food and beverages held steady. Core CPI, which excludes food and energy, rose 0.2% for the third consecutive month. Analysts predict the steady decline in the CPI will stave off inflation concerns at least in the short term.

Manufacturers cut output

Industrial production slipped 0.1% in May after gaining 1.0% in April. Manufacturing activity fell 0.4% in May and has been down two of the past three months. Motor vehicle and parts production declined 1.5% while other outputs fell 0.3%. Mining and utility output were bright spots. Utilities production rose for the second month in a row and mining output rebounded after declining the previous month. Capacity utilization across industrial producers fell 0.2 percentage point to 79.0% in May, a rate 1.3 percentage points below its long-run (1972–2011) average.

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Economic Week in Review: Fed paints economy in muted tones
June 08, 2012

The Federal Reserve again took center stage as Chairman Ben Bernanke expressed concern over the sluggish pace of economic recovery, even as its Beige Book survey showed modest expansion. Testifying on Capitol Hill, Mr. Bernanke cited the serious risks to recovery but didn't offer any specific policy moves to jump-start the economy. His comments came during a week that produced a drop in factory orders and productivity, slowed service-sector growth, and reduced exports. For the week ended June 8, the S&P 500 Index climbed 3.7% to 1,325.66 (for a year-to-date total return—including price change plus dividends—of about 6.4%). The yield on the 10-year U.S. Treasury note rose 18 basis points to 1.65% (for a year-to-date decline of 24 basis points).

Trade deficit narrows

The U.S. trade deficit tightened to –$50.1 billion in April from March's upwardly revised figure of –$52.6 billion. Imports and exports fell roughly 1.5%, though exports have begun to slide in response to Europe's economic problems and the considerable dip in Chinese economic growth. Analysts fear that mounting economic tension overseas could spread to other countries, which could place an even higher drag on U.S. exports and detract from 2nd-quarter growth in the gross domestic product.

Consumer credit growth slows

Consumer credit grew in April for the 8th consecutive month but at a sharply slower pace. Credit balances rose $6.5 billion, a bit less than half of March's revised $12.4 billion, amounting to a 3.1% annualized expansion that was the lowest monthly gain since October 2011. Nonrevolving credit balances, such as auto financing and student loans, grew by $10.0 billion and accounted for most of the growth, while revolving balances, including credit card debt, fell $3.4 billion. Analysts said that consumers seem reluctant to assume more credit card debt because of the job market and slow income growth.

Beige Book survey sees some light

The U.S. economy continued its modest expansion between early April and late May according to the Federal Reserve's Beige Book, a survey of business leaders and economists throughout the central bank's 12 districts. The survey indicated that job growth was steady and noted the continued strength in the manufacturing sector—particularly in the auto and steel industries. Retail sales were fair to flat in most districts.

Productivity revised downward

Nonfarm business productivity fell sharply in the 1st quarter at a 0.9% annualized rate. Nonfarm employees worked more hours but output declined, a sign that businesses still prefer to stretch existing resources rather than expand and hire more workers to meet future demand. Manufacturing productivity jumped 5.2%, continuing a recent growth pattern that has been a rare bright spot for the otherwise troubled U.S. economy. Labor costs increased 1.3%, down from earlier reports.

Service sector stuck in neutral

Growth in the service sector edged higher in May, a small increase from April but slightly less than expected. The Institute for Supply Management's non-manufacturing index rose to 53.7. Any number above 50 indicates growth, but the latest figures are still well below the 1st-quarter average of 56.7. The service sector accounts for the majority of U.S. economic activity. Employment was the weakest component of the index, dropping 3.4 points to 50.8—the worst reading since last September and consistent with poor job reports over the past few weeks. Export orders also fell in May, an indication that economic uncertainty in Europe and China could be affecting domestic inventory.

Factory orders down again

Demand for goods from U.S. factories plunged to its lowest level in 6 months, a concern for a sector that previously had been creating jobs for the sluggish economy. Orders fell 0.6% in April, fresh on the heels of a downwardly revised 2.1% slide in March. The decrease hit most manufacturing categories, including a 2.1% decline in nondefense capital goods excluding aircraft production—considered a key indicator of business investment.

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Economic Week in Review: Half-speed ahead

June 01, 2012

The U.S. recovery has slowed more sharply than first thought. The spring job market has been much weaker than expected, and new figures indicate that economic growth earlier this year slowed more than originally reported. Financial markets slumped, and U.S. Treasury yields sank to record lows. For the week ended June 1, the S&P 500 Index fell 3% to 1,278 (for a year-to-date total return—including price change plus dividends—of about 2.6%). The yield on the 10-year U.S. Treasury note fell 28 basis points to 1.47% (for a year-to-date decline of 42 basis points).

Recovery advances slowly

This past week's reports illustrated what analysts have been cautioning for some time—that the recovery will likely hang tough, but progress may be painfully slow.
The economy added just 69,000 jobs in May, and April's gain was slashed to 77,000, while the unemployment rate rose slightly, to 8.2%. The fresh numbers put recent job creation even further behind the pace set from December through February, when an average of about 250,000 jobs a month was added—a performance that analysts suspect had much to do with mild winter weather.

Meanwhile, new estimates indicate the economic momentum achieved at the end of last year faded more than first reported. Revised figures show the nation's gross domestic product grew even more slowly in the first quarter of 2012 than initially believed—1.9% versus 2.2%—well down from the 3% pace in the last quarter of 2011. The second quarter is looking better—GDP growth is generally expected to pick up to about 2.5% for 2012—though that's still not considered fast enough to lower unemployment much below 8% by the end of the year.

A bright spot is that global pressures may aid U.S. growth by dampening fuel prices and interest rates. But whether the recovery is robust enough to withstand a potential shock—such as fallout from Europe, a severe slowdown in Asia, or uncertainty over $600 billion in federal austerity measures scheduled to kick in come January 2013—remains a key concern.

"Even if no shock materializes, just the heightened uncertainty can cause companies to hold off on hiring or expanding their operations," noted Roger Aliaga-Díaz, Vanguard senior economist. "So what might be a somewhat-remote risk can instead instantly slow down economic activity."

Manufacturing shows some weakness

May's manufacturing index from the Institute for Supply Management fell more than expected, though it showed that firms are still expanding. New orders rose significantly—a positive for coming months.

The ISM reported a slight dip in hiring. With so much of the overall recovery still dependent on a strong manufacturing sector, the ISM's employment gauge is closely watched, and May's results suggested factory employment is holding up fairly well—a finding also reflected in the Labor Department's May jobs data.

Consumers cooled it a bit in April

Consumers continued to support the recovery in April but increased their spending only modestly compared with March as their wages grew more slowly. Saving slipped to its lowest rate in several years. Consumers had low inflation on their side, including more moderate energy price increases. Earlier figures on wages and overall income were revised downward.

Does slide in confidence signal further slowing?

For the third straight month, consumers polled by The Conference Board were more pessimistic. In May moods generally worsened about both current conditions and expectations for the coming six months, and The Conference Board said the results suggest the economy may grow more slowly in the months ahead. Yet, respondents were more hopeful about their own incomes, and other recent consumer indicators have been more upbeat.

Economists monitor public attitudes for clues on spending, but getting a fix on whether consumers are poised to boost the recovery or pull back can be difficult, since what respondents tell surveyors isn't always the same as what people actually do.

Hope for construction jobs?

Government budget cuts again weighed on construction spending in April, but an increase in private projects propelled the still-weak construction industry. Homebuilding showed signs of strength, suggesting that the housing market may soon begin to create construction jobs.

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