

# Economic Development Resources from October 2012

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## Boost Your Local & Tourist Business - A Simple Guide to Get You Started!

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### BizStarts Resource Center

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#### **Free Business Counseling from the Small Business Development Center**

This counseling service is free and confidential, but an appointment is required. To schedule an appointment, call (920) 410-3045 or email [richtert@uwosh.edu](mailto:richtert@uwosh.edu). To assist local business owners with financing, marketing and other management issues and those looking to start their own business, a counselor from the Small Business Development Center will be available at the following locations in October:

1. Appleton - Thursday, November 8 - 9 a.m. to 1 p.m.  
UW Extension Outagamie County Office - 3365 W. Brewster
2. Oshkosh - Wednesday, November 14 - 9 a.m. to 1 p.m.  
UW Extension Winnebago County Office - 625 E. County Road Y
3. Fond du Lac - Tuesday, November 6 - 9 a.m. to 1 p.m.  
UW Extension Fond du Lac County Office - 400 University Dr.
4. Sheboygan - Friday, November 9 - 9 a.m. to 1 p.m.  
UW Extension Sheboygan County - 5 University Dr.
5. Wautoma - Wednesday, November 7 - 9 a.m. to 1 p.m.  
UW Extension Waushara County - 209 S. St. Marie
6. Green Lake - Thursday, November 15 - 9 a.m. to 1 p.m.  
UW Extension Green Lake County - 571 County Road A
7. Montello - Tuesday, November 13 - 9 a.m. to 1 p.m.  
UW Extension Marquette County - 480 Underwood Blvd.

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Learn about heritage tourism. For recordings and or presentations, go to [http://ncrcrd.msu.edu/ncrcrd/heritage\\_tourism\\_for\\_the\\_nc\\_region\\_series](http://ncrcrd.msu.edu/ncrcrd/heritage_tourism_for_the_nc_region_series).

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**Transit Options Lead to Increased Retail Sales in New York City.** DOT found an increase of as much as 49% in retail sales at some downtown businesses since bike lanes were initiated in the fall of 2007...

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### **Losing Ground: The Struggle of Moderate-Income Households to Afford the Rising Costs of Housing and Transportation**

The report from the American Planning Association analyzes 22 public health plans for their adequacy in addressing active living, emergency preparedness, environmental exposures, food and nutrition, health and human services, and social cohesion and mental health. The report was funded by the Centers for Disease Control and Prevention.

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[Investment Ready Places: A Guide to Community Building in the New American Frontier](#). Investment Ready Places are mid-sized towns that are well positioned to respond to retooling. These communities have unique factors, including a demand for mixed-use environments that have transportation options and the need for housing that accommodates a range of income levels and price points. The report lists six characteristics of Investment Ready Places that need to be in place to attract productive investments, and steps communities can use to acquire these characteristics.

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[Bicycling is the new stimulus package](#).

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["Skilled trades prepare to battle looming shortages of workers,"](#) Milwaukee Journal Sentinel, Oct. 27. James Buhrow will be the type of apprentice the skilled trades want: He's an Army veteran with several years of college under his belt, and he likes working with his hands. In a few weeks, he will complete welding classes aimed at placing him into a pipe-fitters apprenticeship. Buhrow, from Waupaca, could then spend the next four years learning that trade through a combination of classroom instruction and on-the-job training...

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An estimated 80.6 percent of all Wisconsin households earn wages, salaries, or self-employment income, according to the U.S. Census 2006-2010 American Community Survey (ACS). The ACS also reports that 27.4 percent of all Wisconsin households received Social Security benefits and 8.4 percent received cash public assistance<sup>1</sup>, food stamps or Supplemental Nutrition Assistance Program (SNAP) benefits.

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["Nationwide study suggests manufacturing skills gap concerns 'overblown',"](#) Business Journal of Milwaukee, Oct. 19. The skills gap problem might not be as dire as many manufacturers and advocacy groups say, according to a new study from The Boston Consulting Group...The BCG study found seven states, six of which are in the bottom quartile of U.S. state manufacturing output, have "significant" or "severe" skills gaps. Wisconsin's problem is classified as low severity...

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How Far Should Communities Go to Subsidize Companies? Recent high-profile news reports of [companies renegeing on promises](#) and generally behaving badly toward the communities they sought special treatment from have highlighted the "growing power imbalance between corporations and governments."

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Insight: The Creative Economy is not just for Large Urban Centers. Vermont has established a successful economic niche, building on its advantages of smaller cities and towns [and their proximity to rural and forested natural landscapes](#), preserved through strict environmental and land use regulations.

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## Rural Areas Use Nature to Attract New Residents

Location and proximity to other creative individuals are important drivers that attract new residents to large urban areas. But other benefits are being touted by smaller communities to entice new residents. For example, a recent study showed that Vermont's smaller towns are recognizing the benefits of pristine natural environments as a draw for new residents. These communities are developing policies to promote and preserve these natural advantages.

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## Economic Week in Review: Growth picks up the pace to a walk

October 26, 2012

Economic releases out this week painted a picture of an economy on the mend, but far from a full recovery. While economic output expanded for the 13th consecutive quarter from July through September, the pace of growth was modest and not enough to bring down the unemployment rate as much as hoped. For the week ended October 26, the S&P 500 Index fell 1.5% to about 1,412 (for a year-to-date total return—including price change plus dividends—of about 14%). The yield on the 10-year U.S. Treasury note fell 4 basis points to 1.75% (for a year-to-date decrease of 14 basis points).

### Consumer spending fuels GDP increase

After dipping to a revised rate of 1.3% in the second quarter of 2012, third-quarter growth in gross domestic product—the broadest measure of the health of the U.S. economy—ticked back up to the 2.0% pace seen in the first quarter.

"It's a surprisingly good report considering the two big drags on the U.S. economy from global weakness and high uncertainty around fiscal policy," said Roger Aliaga-Díaz, Vanguard senior economist. "However, assuming this number survives any revision, 2% growth is below the potential for the United States."

Most of the improvement came from consumer spending—always a key component as it accounts for about two-thirds of economic activity—which contributed 1.4 percentage points to the total. While this rise was a positive development, disposable income only rose at an inflation-adjusted 0.8%, which led to a drop in the savings rate to 3.7% from 4%. Government spending made a positive contribution, largely on an increase in defense spending, after detracting from GDP for eight consecutive quarters.

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Within the business spending and inventories component, a downturn in corporate spending and lower farm inventories caused by droughts weighed against the positive contribution from residential fixed investment. Regarding trade, the contribution from exports, which had been positive for more than three years, turned negative on weaker demand for U.S. goods from abroad.

## **New-home sales move higher**

Sales of new single-family homes rose to a seasonally adjusted rate of 389,000 in September. Although still below the historical average, sales climbed 5.7% over the previous month and 27.1% over September 2011 to reach their highest level in more than two years. Inventories, which stood at 4.5 months' supply at the current sales rate, shrunk to their lowest levels since 2005. Strict lending conditions continued to hamper sales growth, but supportive factors included record-low mortgage rates, pent-up demand, and some improvement in the job market.

While the median sales price slipped to \$242,400 in September, from \$250,400 in August, it was nevertheless 11.7% higher than in September 2011. All regions saw sales increases over the previous month and over the same month in the previous year with the exception of the Midwest, where sales were down by 37.3% and 31.9%, respectively.

## **The Fed's sights set higher than "moderate" expansion**

The Federal Reserve said in its press release on Wednesday that the economy has been expanding at a moderate pace in recent months: employment has grown (the unemployment rate dropped to 7.8% for September), consumer spending has picked up, and the housing market has improved. But this was not the substantial improvement the Fed wanted to see: "[T]he Committee remains concerned that, without sufficient policy accommodation, economic growth might not be strong enough to generate sustained improvement in labor market conditions."

For the time being, the Fed will continue current efforts to stimulate the economy, namely buying \$45 billion of long-term Treasury bonds each month with the proceeds from selling short-term Treasuries, as well as buying \$40 billion of agency mortgage-backed securities each month with the proceeds of maturing housing debt. In addition, the Fed reiterated that it will keep its target for short-term interest rates between 0% and 0.25% "at least through mid-2015."

## **Durable goods claw back some of August's losses**

New orders for manufactured goods expected to last at least three years surged 9.9% in September, offsetting some of the 13.1% drop posted in August. A good part of the volatility was due to orders for civil aircraft—Boeing reported 143 orders in September after only one in August. Excluding transportation, orders for durable goods were up 2.0% following a decline of 2.1% in August.

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Core capital goods—widely considered a proxy for business investment spending as this category includes industrial machinery, electrical machinery, and computers—saw orders stagnate in September. The auto sector, which had been a source of strength earlier in the year, shrunk by 0.4% during the month. Heavy machinery and primary metals fared better, gaining more in September than they had lost in August.

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## **Economic Week in Review: Housing starts to raise the roof**

October 19, 2012

Consumers, including home buyers, are doing their part to help the U.S. economy. Consumer spending remains relatively robust, while two housing reports indicated that low prices, low interest rates, low inventories, and pent-up demand appear to be generating a long-awaited housing turnaround. For the week ended October 19, the S&P 500 Index rose 0.3% to 1,433 (for a year-to-date total return—including price change plus dividends—of about 16%). The yield on the 10-year U.S. Treasury note rose 10 basis points to 1.79% (for a year-to-date decline of 10 basis points).

### **Homebuilders get back to work**

Remembering the Crash of '87

October 19 marks the 25th anniversary of the 1987 stock market crash. Vanguard looks back on that memorable day and how it affected investors, the financial markets, and our company.

[Read the article »](#)

The sound of hammers echoed around the nation as construction of new residential homes surged 15% in September, with 872,000 units (annualized) under way; this is the highest pace since mid-2008. Multifamily construction rose by 25%. The West and South saw the largest gains in housing starts, while the Northeast actually experienced a -5.1% decline. Permits to begin construction rose 11.6%.

"The housing sector continues to be a positive contributor to growth," said Roger Aliaga-Díaz, Vanguard senior economist. "Housing permits and starts feed directly into economic growth, while rising home prices help boost consumer spending and sentiment. And since the supply of new housing still needs to catch up with a normal growth of about 1.5 million starts every month, there's more room for expansion in the sector."

### **Existing home sales reflect optimism**

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The slow but steady recovery in the existing home market was confirmed by September's data, which showed sales of 475,000. The number is 1.7% lower than August's, but 11% higher than a year ago. Additionally, the national median existing-home price for all housing types was \$183,900 in September, up 11.3% from a year ago.

"Despite occasional month-to-month setbacks, we're experiencing a genuine recovery," said Lawrence Yun, chief economist for the National Association of Realtors. "More people are attempting to buy homes than are able to qualify for mortgages, and recent price increases are not deterring buyer interest. Rather, inventory shortages are limiting sales, notably in parts of the West."

## Retail sales continue climbing

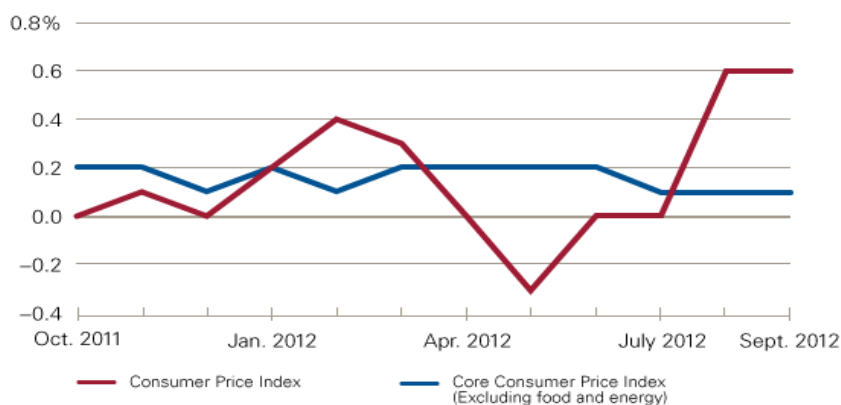
For the third straight month, retail sales climbed smartly. Sales rose 1.1% in September, exceeding expectations, following an upwardly revised 1.2% gain in August. The result was driven in part by strong demand for Apple's iPhone 5. Rising prices for gasoline and strong sales of autos also boosted the data. The only notable weak spot was seen in department stores. Also, some analysts pointed to a possible concern down the road: Since income growth has been modest, consumers may have been increasing their spending recently by drawing down their savings.

## Higher energy costs push up CPI

The Consumer Price Index increased 0.6% in September, matching its rise in August and maintaining the highest monthly increase in three years. Rising energy costs (up 4.5% from a month ago) again accounted for most of the gain. In another echo of the August price report, the "core" CPI, which excludes energy and food prices, again rose just 0.1%. Both the overall and core rates for the past 12 months came in at 2%, which is within the Federal Reserve's comfort zone.

### Consumer Price Index

Monthly change



Source: U.S. Labor Department.

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## **Leading indicators zigzag again, this time upward**

Continuing a six-month-long up-and-down pattern, The Conference Board's index of leading indicators rose in September, registering a better-than-expected 0.6% gain. This reading followed a downwardly revised -0.4% retreat in August. More building permits and a bullish stock market were among the bigger contributors to the upturn.

## **Industrial production increases modestly**

Output from U.S. factories, mines, and utilities advanced a better-than-expected 0.4% in September. The industrial production measurement, which fell -1.4% in August, benefited from a 0.4% increase in nonauto manufacturing output. Auto-related output fell for the second straight month, but the -2.5% retreat may soon reverse based on automakers' production schedules. Manufacturing of business equipment rose 0.8%. Mining (up 0.9%) and utilities (up 1.5%) output also rose nicely.

## **Business inventories rise again**

Following a 0.8% rise in July, business inventories rose 0.6% in August, with increases across retail, wholesale, and manufacturing categories. Inventories are on track to rise more in the third quarter than in the second, indicating that businesses may be keeping pace with rising retail sales.

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## **Economic Week in Review: Churning along with hopeful signs**

October 12, 2012

The U.S. economy is expanding modestly, but challenges remain, including rising energy prices and a broader trade deficit. Excluding food and energy, prices held steady in September, and most Federal Reserve districts reported some expansion, especially in housing. For the week ended October 12, the S&P 500 Index fell 2.2% to 1428.59 (for a year-to-date total return—including price change plus dividends—of about 15.58%). The yield on the 10-year U.S. Treasury note fell 6 basis points to 1.69% (for a year-to-date decrease of 20 basis points).

## **Prices rose, but inflation remained muted**

Producer prices were up 1.1% in September, higher than analysts had anticipated—although a smaller increase than the 1.7% rise in August. Much of the increase came from a 4.7% surge in energy costs, which rose for the second straight month. Excluding food and energy, "core" producer inflation was unchanged for the first time since October 2011.

## Economy expanding "modestly"

According to the Federal Reserve's September Beige Book report, 10 out of 12 districts expanded "modestly." While the residential real estate market continued to climb out of its long slump, consumer spending was up only slightly, manufacturing was mixed, and job growth remained virtually flat. The report seems to support Fed Chairman Ben S. Bernanke's view that economic growth isn't yet strong enough to spur the labor market.

## Trade balance widened unexpectedly

The foreign trade balance widened 4.1% to \$44.2 billion in August, the biggest gap since May, as continued weak demand suppressed imports. Exports were also lower as growth remained weak overseas.

This is the second straight month in which both imports and exports declined. A bright spot was the increase in capital goods exports, indicating that businesses are preparing to expand production. Capital goods account for 40% of overall product exports.

"Trade links are the main transmission channel for global weakness across countries," said Roger Aliaga-Díaz, Vanguard senior economist. "The slowdown in China is affecting not only U.S. capital goods exports but also emerging markets' commodity exports. And the slowdown in emerging markets further affects U.S. capital goods exports, such as machinery and equipment use for mining and agriculture. Almost half of all U.S. exports go to emerging markets."

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