Worker productivity up 1.6% in second quarter By Christopher S. Rugaber, Associated Press. WASHINGTON – U.S. companies got slightly more out of their workers this spring after scaling back on hiring. The modest 1.6% annualized gain in productivity from April through June signals employers may need to hire more if demand picks up. The Labor Department said Wednesday that the increase followed a 0.5% decline in the January-March quarter, less than first estimated.

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"NSF expands program to teach researchers to be entrepreneurs," Chronicle of Higher Education, July 18.

The National Science Foundation outlined plans on Wednesday to aggressively expand a program for teaching entrepreneurial skills to faculty members and graduate students, saying the initiative's first year has shown it to be a cost-effective pathway to commercializing discoveries...

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"Bridging the skills gap: Vocational training takes center stage," Capital Times, July 18.

The problem seems to defy logic. Although the unemployment rate remains frustratingly high and most of us know talented people who remain underemployed due to the sluggish economy, workforce experts estimate there are thousands of jobs in Wisconsin that employers are struggling to fill because they can't find workers with the needed skills...

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"Economist says Wisconsin must better prepare students for modern economy," Wisconsin Public Radio, July 17.

The chief economist for the state Department of Workforce Development says Wisconsin will be left behind in the modern economy unless it generates more talented and productive workers... (audio clip)

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Essential Smart Growth Fixes for Rural Planning, Zoning, and Development Codes
2012. Hard copies available by emailing nscep@bps-lmit.com or calling (800) 490-9198 and requesting EPA 231-K-12-001. Offers ten essential fixes to help rural communities amend their codes, ordinances, and development requirements to promote more environmentally and economically sustainable growth.

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DFI issues small business advisory on crowdfunding

The Wisconsin Department of Financial Institutions has issued an advisory for small businesses and entrepreneurs seeking to raise investment capital through crowdfunding. Crowdfunding is an online money-raising strategy that began in the arts and non-profit sectors.

Through the federal Jumpstart Our Business Startups Act, small businesses and entrepreneurs will be able to tap into the "crowd" in search of investments to finance their business ventures. The JOBS Act, which was signed into law in April, directs the Securities and Exchange Commission (SEC) to adopt rules within 270 days to implement a new exemption to allow entrepreneurs and small businesses to offer investments in their ventures through crowdfunding.

Other topics covered in the advisory include the importance of choosing a proper broker or funding portal to assist with your crowdfunding offering, and a reminder that state and federal laws provide additional methods for companies to raise money from a limited number of investors with little or no cost. The full advisory may be found on DFI's website at www.wdfi.org/fi/securities.

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The Wisconsin Innovation Network (WIN) is The Tech Council's membership subsidiary - a community-based economic development organization dedicated to fostering innovation and entrepreneurship. In association with the Tech Council, WIN programs focus on the needs and challenges faced by new and growing technology-based businesses in Wisconsin.
http://www.wisconsintechnologycouncil.com/publications/enewsletter/

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Economic Week in Review: Dog days for the U.S. economy

July 27, 2012
As the nation eases into the lethargy of August, the U.S. economy has also slowed down a tad. The first reading of U.S. GDP for the second quarter showed the economy decelerated from a 2.0% annual growth rate in the first quarter to a 1.5% pace in the second. In a quiet week, two other reports echoed the tepid pace. For the week ended July 27, the S&P 500 Index rose 1.7% to 1,386 (for a year-to-date total return—including price change plus dividends—of about 11.5%). The yield on the 10-year U.S. Treasury note rose 9 basis points to 1.58% (for a year-to-date decline of 31 basis points).

GDP data show a slowing economy
The first estimate of the nation's gross domestic product in the second quarter, a key barometer of economic activity, showed the U.S. economy growing at a 1.5% annual

rate. That number was lower than the first-quarter reading of 2.0% (upwardly revised from 1.9%).

"This report is in line with our expectations of very modest economic growth," said Vanguard senior economist Roger Aliaga-Díaz. "Consumers are restraining their spending in the face of poor prospects for more jobs and income growth, while they continue to reduce their debts. Businesses are also putting off capital spending plans because of weak demand projections and the uncertainty surrounding taxes and regulations. And finally, the government sector continues to consolidate at the state and local levels, while the federal stimulus programs are coming to an end. Overall, not a great story."

There were some encouraging numbers in the report. Spending on services, the largest segment of the U.S. economy, rose from 1.3% in the first quarter to 1.9% in the second. Exports increased for the third straight quarter, rising 5.3%. However, imports also rose from 3.1% to 6.0%, resulting in a net negative GDP contribution. Government spending (–1.4%) continued to be a drag, but less so than in recent months.

GDP: Under the hood

	1Q 2012	**2Q 2012**
Real GDP growth	**+2.0%**	**+1.5%**
Major components: Contributions/subtractions (percentage points)		
Consumer spending	+1.7	+1.0
Business spending and inventories	+0.8	+1.1
Trade (exports minus imports)	+0.1	–0.3
Federal, state, and local government spending	–0.6	–0.3

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

New-home sales disappoint
Some recent encouraging news on the housing front was contradicted this week as new-home sales in June declined 8.4% compared with May's figure. While June's annualized reading of 350,000 was disappointing, May's figure was revised upward by about 4%, to 382,000. The year-over-year trend remains positive—June's number is 15% higher than a year ago. Sales were down in the Northeast and the South, but higher in the Midwest and West. The supply of new homes stood at 4.9 months at the current sales rate, up from 4.5 months in May, reflecting a still-tight market.

Orders for durable goods are tepid
The U.S. manufacturing sector continues to chug along, as new orders for durable goods rose 1.6% in June, matching May's increase. Transportation equipment was up sharply at 8%, but that was due to higher aircraft orders. Excluding transportation, new orders actually fell 1.1%. And vehicle and parts orders actually declined for the first time since November, possibly signaling a slowdown in manufacturing later this year.

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Economic Week in Review: Fed sees continued sluggish job growth

July 20, 2012
Efforts to reduce unemployment are likely to be "frustratingly slow," Federal Reserve Chairman Ben Bernanke told federal lawmakers this week. Mr. Bernanke said the central bank continues to consider options for additional stimulus to help reduce the nation's jobless rate. For the week ended July 20, the S&P 500 Index rose 0.4% to 1,362.66 (for a year-to-date total return—including price change plus dividends—of about 9.6%). The yield on the 10-year U.S. Treasury note fell 3 basis points to 1.49% (for a year-to-date decline of 40 basis points).

"The U.S. economy has continued to recover, but economic activity appears to have decelerated somewhat during the first half of the year," the chairman said in prepared remarks to the Senate Banking Committee in Washington, D.C.

Weakening employment, strengthening housing
The Federal Reserve's latest Beige Book report appeared to offer confirmation of Mr. Bernanke's concerns about stubbornly high unemployment. Employment is softening in most districts with weak demand cited as the primary reason, according to the report. But the Fed report also identified some bright spots. The central bank singled out the housing sector as one area of encouragement. Sales and construction levels increased, home inventories declined, and the rental market continued to strengthen, the report stated.

"The positive housing data make us hopeful that the bottom of the housing market may be behind us, but with two caveats: First, we're not expecting a strong snap back in housing indicators, but rather a shallow, gradual improvement that may play out over several years. Second, after the housing crash, residential investment accounts for less than 3% of U.S. GDP, so the implications for real GDP growth from slow improvements in housing may be very modest currently," Vanguard senior economist Roger Aliaga-Díaz said.

The report indicated that retail sales increased slightly in 9 of the Federal Reserve's 12 districts. Sales in Boston and Cleveland were categorized as flat, while sales in New York softened, according to the report.

Overall, the economy expanded at a "modest to moderate" pace in June and early July, the Federal Reserve said.

Existing-home sales fall
Existing-home sales dropped 5.4% in June to a seasonally adjusted annual rate of 4.37 million homes. The National Association of Realtors attributed the decline to a shrinking inventory, which is limiting buying opportunities and in turn pushing prices higher.
The trade organization said the national median price for existing homes was $189,400, which represented a 7.9% increase from 1 year ago. The increase was attributed in part

to the decline in the number of "distressed" homes being sold. "Distressed" homes typically sell below market value and as a result lower the average home price data.

Leading economic index drops
The Conference Board index of leading economic indicators decreased 0.3% in June, nearly negating the 0.4% gain the index reported in May.
The Conference Board said they envision the economy will continue to maintain its slow growth pace for the next few months.

Consumer Price Index unchanged
The Consumer Price Index (CPI) was unchanged for June, while prices excluding food and fuel (core CPI) rose 0.2% for the month. The data represent the 3rd month in a row that prices have either fallen or remained the same.

The overall CPI was kept in check by lower energy prices, primarily lower prices on gasoline. Medical costs increased as did the cost for most grocery items. The trend of rising food prices is expected to continue as the effects of drought conditions begin to kick in. Many of the nation's farmers have seen their crops ravaged by abnormally dry, hot weather, and supply reductions are anticipated in the coming months.

New residential construction on the rise
Homebuilders were breaking more ground in June, according to the U.S. Department of Commerce. The latest data on new residential unit construction showed a 6.9% increase from the revised May numbers and represented the quickest pace since October 2008. Multifamily housing starts led the way with a 12.8% spike, while single-family housing starts registered a healthy 4.7% increase.

The increase was tempered by a 3.7% drop in housing permits, an indicator of the pace of future construction.

Industrial production numbers beat expectations
Industrial production rebounded in June to levels reached earlier this year. The rise was paced by increases in manufacturing and mining production, which offset a 1.9% decrease in utilities production.

Auto production registered a healthy 1.9% increase in June, rebounding from its first decline of 2012 in May.

Retail sales drop for 3rd straight month
Consumers tightened their belts in June, continuing the trend of recent months. Retail sales fell 0.5% for June, marking the 3rd straight monthly decline. It's the first time since 2008 that retail sales have fallen for three consecutive months.

Declines were broad-based as sales of motor vehicles fell 0.6% for the month, while sales at electronics and appliance stores dipped 0.8%. Sales of building materials were down 1.6% and purchases at gas stations dropped 1.8%.

Business inventories climb
Business inventories were up 0.3% in May; retail inventories led the way with a full 1% rise. The increase in retail inventories marked the largest increase since January. Excluding motor vehicles, retail inventories increased a more modest 0.6%. The inventory-to-sales ratio was marginally higher for the month.

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Economic Week in Review: Fed's next move not an open-and-shut case

July 13, 2012
Members of the Federal Open Market Committee agreed that the economy continues to show few signs of improving, though minutes of their June meeting revealed mixed opinions on remedies the Fed could use. Yet the trade deficit dropped and consumer credit soared, again demonstrating the mixed news that policymakers must consider when deciding how to deal with weak economic growth. For the week ended July 13, the S&P 500 Index rose 0.2% to 1,357 (for a year-to-date total return—including price change plus dividends—of about 9.1%). The yield on the 10-year U.S. Treasury note fell 5 basis points to 1.52% (for a year-to-date decline of 37 basis points).

Producer prices about flat
The Producer Price Index inched up 0.1% in June, above expectations and following a 1% drop in the index for May. The core PPI, which excludes volatile prices of food and energy, increased 0.2%. While the numbers put welcome downward pressure on corporate costs, decreasing energy prices and the weak output of finished energy goods for the last 12 months are consistent with recessionary trends. Analysts said that contained prices could give the Federal Reserve more space to consider additional stimulus measures.

Fed minutes mixed
Policymakers of the Federal Open Market Committee expressed concern over increasingly distressing economic data, according to Wednesday's release of minutes from their June meeting, though their next step is unclear. Some members were pushing for additional stimulus measures such as quantitative easing, while others were less than enthused with the central bank's remaining policy options. More negative economic data released since the meeting could hasten their decision.

"The minutes reveal that the Fed is concerned not only with low economic growth, but also with below-target inflation levels," said Vanguard senior economist Roger Aliaga-Díaz. "Inflation has been running below its 2% target over the last 18 months and FOMC projections have inflation heading even lower in the second half of 2013. With the Fed falling short on both mandates, FOMC members have to give serious thought to further monetary easing."

The Fed also reduced its expectations for growth through 2014 and beyond while growing increasingly concerned over persistently high unemployment. Deteriorating economic conditions in Europe also affected the Fed's decision to extend its so-called "Operation Twist"—a program that sells short-term securities and buys those of longer maturities to keep downward pressure on long-term interest rates.

Trade gap shrinks

The U.S. trade deficit narrowed in May, as declining prices for crude oil and slowing demand for consumer goods cut imports. The gap fell almost 4% to $48.7 billion, fueled by slightly increased exports of food and capital goods, while a $1.42 billion increase in imported computer and telecommunications gear could signal sustained business investment. The trade deficit with China rose to $26 billion, as that nation's slowing economy reduced its import growth while imposing what the American government says are unfair taxes on American cars. The U.S. administration has lodged a trade complaint on these tariffs.

Consumer credit surges

Consumer credit balances jumped in May to $17.1 billion, roughly twice the expected gain and propelled by the largest one-month increase in revolving balances (mostly credit card debt) since 2007. Non-revolving balances, mainly for car and student loans, continued their 18-month growth. Analysts noted that while the increase in credit card balances could boost sluggish growth in consumer spending, the rate of debt expansion is a concern in light of lackluster job and income growth.

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Economic Week in Review: Low job growth still plagues labor market

July 06, 2012

A sluggish labor market remains the main stumbling block for the U.S. economy, which seems to be in the summer doldrums. While there was some job growth in June, the unemployment rate remained unchanged. In other news, factory orders were up although both the Institute for Supply Management's manufacturing and nonmanufacturing indexes reported disappointing results. On a more positive note, construction spending increased. For the week ended July 6, the S&P 500 Index declined 0.5% to about 1,355 (for a year-to-date total return—including price change plus dividends—of about 8.9%). The yield on the 10-year U.S. Treasury note declined 10 basis points to 1.57% (for a year-to-date decline of 32 basis points).

Unsettled employment picture

The economy added 80,000 jobs in June, and the unemployment rate remained unchanged. Employment growth averaged 75,000 per month in the second quarter, down from a monthly average of 226,000 in the first quarter. Private employment grew by 84,000, while government agencies shed 4,000 jobs. Professional and business services tacked on 47,000 jobs, including 25,000 temporary positions. Manufacturing added 11,000 jobs. The report wasn't totally bleak: The average workweek and average hourly and weekly earnings all increased a bit. Overall, while jobs are being added, the totals aren't enough to both absorb new entrants to the job market and reemploy the huge numbers that were affected by the recession.

Residential projects propel construction

Construction spending rose 0.9% in May, above expectations, largely on the strength of private residential projects. Compared to a year ago, construction spending is up 7.0%. Total private-sector construction spending advanced 1.6% in May and 13.1% from a year ago. Spending on manufacturing and commercial projects also fueled the growth. The data for public construction spending wasn't as rosy—a 0.4% decrease in May and a 3.9% drop from a year ago, as struggling state and local governments continued to trim their budgets.

Factory orders climb

New orders for goods from U.S. factories increased by a better-than-expected 0.7% in May, reversing two straight monthly decreases. New orders rose 1.3% for manufactured durable goods, which are meant to last at least three years, and 0.2% for manufactured nondurable goods. Transportation equipment accounted for the largest increase at 2.7%. Shipments were up 0.5%, their fifth rise in six months after a dip in April. Inventories fell 0.2%, the second straight monthly decrease.

Manufacturing index shows contraction

The Institute for Supply Management's manufacturing index, which assesses June's data, differed from May's factory orders report. The index dropped more than forecast in June to 49.7, a decrease of 3.8 percentage points, "indicating contraction in the manufacturing sector for the first time since July 2009," according to the ISM's statement. The new orders index fell 12.3 percentage points and the exports index dropped 6.0 percentage points; manufacturers may be feeling the effects of the troubled global economy. Manufacturers' costs are lessening—the prices index for raw materials decreased 10.5 percentage points. Only seven of the index's 18 manufacturing sectors showed growth in June.

Service sector loses steam

While the service sector grew for the 30th straight month in June, the pace of growth slowed from May and was below expectations. The Institute for Supply Management's nonmanufacturing index fell to 52.1 from May's reading of 53.7, the third decline in four months. Although the report was disappointing, an index reading above 50 still indicates growth. The business activity, new orders, and new export indexes all declined, while the employment index climbed. Also, the prices index fell for the second straight month.

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