May Newsletter of the Community Development Society

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United States Small Business Friendliness Map

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Advancing Evaluation Practices in Philanthropy. "This special edition [published by the Aspen Institute] explores ways that leading foundations are using measurement and evaluation to improve their work and the work of their grantees." It can be accessed through the following link http://issuu.com/minnick/docs/summer2012_supplement/1?mode=embed&viewMode=magazine

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A Conceptual Framework for Rural Wealth Creation. Wealth Creation and Rural Livelihoods sponsored a webinar, titled "A Conceptual Framework for Rural Wealth Creation". This was presented by John Pender with the USDA Economic research Service. In his presentation he explained what wealth is, why it is important and introduced a conceptual framework for rural wealth creation and discussed some implications of the framework, and how it could be applied to different rural contexts and strategies. Following his presentation Keith Bisson with the Coastal Enterprises Inc. talked about his perspective on how wealth creation and its importance in rural context. This webinar was recorded and can be accessed through the following link http://energizingentrepreneurs.adobeconnect.com/p1onhk4t9lw/

John Pender's paper, titled "Rural Wealth Creation: Concepts, Strategies, and Measures" gives an example from corn ethanol production on applying the wealth creation framework. The paper can be accessed through the following link www.ers.usda.gov/Publications/ERR131/ERR131.pdf

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Green Lake County Housing Profile: http://dwd.wisconsin.gov/oea/county_profiles/.
24% of all the housing units in Green Lake County are rented. Almost 1/3 of the renters pay more than 30% of their household income for housing. 30% is what HUD has determined is sustainable economically.

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On June 6-7, the City of Madison and area cooperatives will host a conference to discuss how cooperatives can help create jobs and build a sustainable local economy. Conference topics will include:

- Business succession planning and transitions to employee ownership;
- The role of cooperatives in our community, with a focus on health and food systems;
- An introduction to cooperative finance and successful cooperative start-ups;
- How cities and cooperatives can work together to support job creation and local ownership.

The June 6th pre-conference session will focus on small business succession planning and the use of cooperative conversions as a way to maintain thriving businesses under employee ownership upon the retirement of the owners. The workshop is 9:00-4:00, followed by a reception from 4:00-6:00.

This session will be led by Roy Messing, Business Succession Planning Program Coordinator, Ohio Employee Ownership Center, Kent State University. Topics will include: creating a successful decision-making process; the various succession options; and the tax, legal and financial environment of selling to employees. Roy is has significant experience working with small business owners to develop transition plans to employee ownership, and he'll bring a variety of case studies and best practices to the discussion.

Speakers on June 7 will include cooperative development experts, representatives from area cooperative businesses, and economic development staff who are leading cooperative development initiatives in the city of Richmond, CA, and in the province of Quebec. The conference will run from 8:30 until 4:30.

All conference sessions will be at the Pyle Center of the UW-Madison campus. Registration is $25 for one day, or $40 for both. Program and registration information is available at: http://www.cityofmadison.com/business/coopconference/schedule.cfm

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Wisconsin technical college grads landing jobs, Business Journal of Milwaukee, May 3. Despite Wisconsin's current economic challenges, a survey of 2011 technical college graduates revealed 88 percent of graduates were employed within six months of graduation...

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Economic Week in Review: Home, sweet home? May 25, 2012

Be it ever so humble, the current housing market recovery may have a foundation. Although the numbers are still low by historical standards, reports on existing-home and new-home sales were both encouraging in a light week for economic news. There was also a bump in durable-goods orders, largely because of a rise in orders for transportation equipment. For the week ended May 25, the S&P 500 Index rose 1.7% to 1,318 (for a year-to-date total return—including price change plus dividends—of about 5.70%). The yield on the 10-year U.S. Treasury note rose 4 basis points to 1.75% (for a year-to-date decrease of 14 basis points).

Existing-home sales take positive turn

Sales of previously owned homes rose 3.4% in April to an annual rate of 4.62 million, exceeding economists' expectations and snapping two straight months of declines. Compared with April 2011, sales increased 10.0%. Lawrence Yun, National Association of Realtors chief economist, said the data indicate a shift toward a recovery that is more balanced between buyer and seller. Sales advanced countrywide, with the Northeast leading the way. Single-family home sales climbed 3.0%, while condominium and co-op sales were up 6.0%. Housing inventory increased 9.5% in April as the supply—the number of months it would take to sell the entire inventory of homes at the current sales pace—increased to 6.6 months from 6.2 months. The national median existing home price rose to $177,400 in April, up 3.1% from March and 10.1% from a year ago.

"The trends are very encouraging," said Roger Aliaga-Díaz, Vanguard senior economist. "It seems that continued mortgage rate decreases, along with personal income and employment prospects that are moderately positive, are having a more powerful effect over housing demand than the impact that home foreclosures are having on supply. As a result prices have started to pick up."

Sales of new homes climb

New-home sales increased 3.3% in April to an annual rate of 343,000, above economists' expectations, and March's sales were revised upward. Sales were also up 9.9% compared with April 2011. Only sales in the South retreated; the Midwest and West led the gains. The inventory of new supply dropped slightly to 5.1 months, and the median price of a new home sold in April was $235,700. Although the report was positive and reflects some optimism in the real estate market, new-home sales are still near historic lows.

Transportation drives durable goods

New orders for long-lasting manufactured goods increased 0.2% in April, a bit below economists' expectations but a rebound from March's 3.7% fall. Durable-goods data can be volatile and subject to revisions, and the first month of a quarter has a reputation for being weak. Orders for transportation equipment, mostly demand for motor vehicles and parts, rose 2.1% to fuel most of the gains. This strength in transportation equipment offset weakness in machinery, computers, and defense. Excluding transportation, new orders declined 0.6%. Shipments advanced 0.7%, and inventories rose 0.3%. Nondefense new orders for capital goods dipped 0.2%.

The economic week ahead

Economists will be especially busy next Friday, with scheduled reports on employment, personal income, construction spending, and the Institute for Supply Management Manufacturing Index. The Conference Board's leading indicators kicks off the week's releases on Tuesday, followed by Wednesday's update on gross domestic product.

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Economic Week in Review: Boldly back to borrowing. May 11, 2012

Consumers borrowed much more than expected in March, as both student and car loans shot up and credit card borrowing rose after declining in January and February. Analysts are unsure whether this news signals a real pickup in demand or just a need to lean more on credit, as job and income growth remain weak. For the week ended May 11, the S&P 500 Index declined 1.1% to 1,353 (for a year-to-date total return—including price change plus dividends—of about 8.4%). The yield on the 10-year U.S. Treasury note fell 7 basis points to 1.84% (for a year-to-date decrease of 5 basis points).

Consumer borrowing up significantly

Consumer credit surged $21.4 billion in March, more than double analysts' forecasts and the strongest jump for any month since November 2001. Over the last 19 months, consumer credit balances have seen 18 monthly increases.

Nonrevolving credit, which includes student and car loans, accounted for the largest part of the credit increase, climbing $16.2 billion for the month. The surge in student loans could mean that borrowers are trying to lock in interest rates before July—when costs on subsidized Stafford loans are expected to double.

As for revolving credit, which includes credit cards, debt rose $5.1 billion after declining $2.3 billion in February and $2.9 billion in January. The overall credit figures exclude home mortgages and other real estate secured loans.

U.S. trade deficit widens as a result of higher imports

The U.S. trade deficit widened by $6.4 billion in March to $51.8 billion, led by a 5.2% increase in imports. Exports increased nearly 3% to $186.8 billion. The 14% rise in the deficit was the sharpest one-month increase since last May's jump of almost 16%. On an annualized basis, the trade deficit is nearly $600 billion—about 7% higher than the previous year.

Even though U.S. exports to the 27-nation European Union (EU) rose 11.5% to a record $25.1 billion, the trade gap with those countries jumped to $9.8 billion, from $5.9 billion in February. This is because imports from the EU rose almost twice as much, 22.7%, to a record of nearly $35.0 billion. The deficit with China climbed to $21.7 billion and could surpass last year's gap of $295.5 billion—an all-time high for any country.

"With Europe going through a marked slowdown, if not an outright recession, and with many emerging countries in soft-landing mode, U.S. exports aren't growing as fast as imports," said Roger Aliaga-Díaz, Vanguard senior economist. "U.S. imports are holding stronger because, in relative terms, the United States is faring better in the global economy."

Producer prices fall unexpectedly

The seasonally adjusted Producer Price Index dropped 0.2% in April, the first decline this year and the biggest since October 2011. Economists had predicted that prices would be flat. Much of the drop stemmed from a 1.4% decline in energy prices, including gasoline, residential natural gas, and liquefied petroleum gas. Excluding food and energy, prices for finished goods increased 0.2%.

The economic week ahead

A busier week of reports lies ahead with the release of the Consumer Price Index, retail sales, and business inventories on Tuesday; new residential construction, industrial production, and the latest minutes of the Federal Reserve's Open Market Committee on Wednesday; and The Conference Board's leading economic indicators on Thursday.

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Economic Week in Review: Job gains disappoint again. May 04, 2012

The economy continues to seek traction. The latest reports suggest soft job growth, weak business activity in the huge service sector, and increasingly cautious consumers. Yet manufacturing activity appears to be solid and employers seem poised to hire—but who knows when? For the week ended May 4, the S&P 500 Index fell 2.4% to 1,369 (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 5 basis points to 1.91% (for a year-to-date increase of 2 basis points).

April was a month of soft job growth

April's gains in nonfarm jobs were lower than expected, a second month of disappointing numbers. Some 115,000 new jobs were created compared with the 165,000 jobs that were expected. Analysts noted that this may reflect atypically warm weather earlier in the year; one effect was to push expected spring hiring into earlier months. A nonseasonal source of job losses was the government sector, especially local public education, as states and municipalities struggle with recession-strained finances. April's average hourly earnings were flat and were up only 1.78% compared with a year ago—the lowest year-over-year gain since late 2010.

There were positive notes in the report: Temp hiring rebounded after declining a month earlier, suggesting that companies will be in need of more permanent workers at some point, and earlier job results were revised upwards. The unemployment rate declined to 8.1% from 8.2%, even though analysts expected no change. However, some part of the dip may be due to fewer people looking for jobs.

"We don't want to read too much into a single month's worth of data for payrolls," said Roger Aliaga-Díaz, Vanguard senior economist. "There are payback effects from the mild winter weather, and significant upward revisions are always possible. However, payroll numbers like these are well in line with other measures of economic growth such as the 2.2% real GDP growth for the first quarter of 2012. In order to get back to January- or February-type job numbers, we would need to see higher rates of economic growth."

Manufacturing surprises

An index of nationwide manufacturing activity published by the Institute for Supply Management (ISM) rose far more than expected in April, defying analyst expectations of a small decline. The results also contrasted with the March factory orders report, which showed that orders for manufactured goods declined 1.5%. The March result, attributed mainly to a fall-off in volatile commercial aircraft orders, was in line with expectations.

The ISM manufacturing index rose to 54.8 in April from 53.4 in March, although analysts cautioned against reading too much into a one-month figure. The pace of growth in the index's components was solid: For example, new orders grew at the fastest rate for the year; the difference between new orders and inventories widened, which suggests a positive signal for future production; and new export orders have been on the rise despite a slowdown in Japan and in some key European economies.

Service sector shows weak growth

Unlike its manufacturing survey, the Institute for Supply Management's report of service-sector activity showed a greater-than-expected decline in April. The ISM's nonmanufacturing index fell to 53.5 from 56.0 in March. Because an index reading above 50 signals expansion, the results mean that the service sector—which accounts for the bulk of U.S. economic activity—continues to grow, but more slowly. Key index components, such as new orders and employment, grew at a slower pace compared with the previous month. Yet the pace of increase in export orders rose, as did that for imports; the latter is a positive sign for demand domestically. And backlogged orders and inventories rose at a solid pace.

Productivity slips, which may be a good sign

Nonfarm business productivity—a measure of economic efficiency derived from comparing output with hours worked—declined at an annualized rate of 0.5% in the first quarter, matching expectations. By contrast, productivity was positive in the prior two quarters. Behind the decline were slower growth in output and an increase in the number of hours worked. This indicates, analysts said, that businesses would have to hire more workers in order to expand output, which is positive news for the economy. Looked at by sector, manufacturing productivity soared, rising 5.9%, a strong reading that suggests manufacturing is operating at a healthy level. Unit labor costs, which are a key measure of potential inflation, grew 2%, below expectations as a weak labor market slowed increases in hourly compensation.

Squeezed state and local governments reduce construction

Construction spending rose 0.1% in March compared with declines in the prior two months, but lagged the expected increase of 0.5%. Private-sector construction spending, one of the two components of overall construction spending, rose 0.7%; in the residential sector, spending on new single-family homes was a source of strength. The other main component, public-sector construction, declined 1.1%, pulling down overall results. State and local governments continue to be squeezed by the drop in tax revenues caused by the Great Recession.

Consumers turn cautious

Consumers throttled back in March. Personal spending grew by 0.3%, a pullback from jumps in spending in January (0.5%) and February (0.9%). March spending went mostly to nondurable goods, such as clothing. Spending on durable goods, such as autos and appliances, declined, while spending on services edged up only slightly after a 0.6% increase the month before. Growth in spending declined despite a larger increase in income (0.4%) in March compared with February (0.3%). Analysts noted that wage income gains would likely continue to be limited because of the slack labor market.

The economic week ahead

Reports on consumer credit (Monday), international trade (Thursday), and producer prices (Friday) are scheduled for release.

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