North America Bathroom News
March 2010

International Market Strategy

Topics	
Europe	Euro Debt Crisis Is Political Test for Bloc
World	Japan Keeps Title of No. 2 Economy In World Behind U.S
World	Chinese Producer Prices Jumped Sharply in January
World	China Shows Little Patience for U.S. Currency Pressure
USA	Surveys Show an America That's Bruised, But Still Optimistic
USA	A Recovery That's Factory-Built and Gaining Speed
USA	Economy Needs a Stronger Housing Market
USA	Spec Houses Rise as Builders Bet on Buyers Before Tax Credit Ends
USA	Apartment Deals Aplenty As Supply Outstrips Demand
USA	Labor Market Shows Signs of Rebirth in New Data
USA	Construction Unemployment Still On The Rise
USA	After Escaping Jobless Rolls, Trauma May Linger
USA	Tax Gain and 37% More Orders Help BEAZER HOMES Post Profit
USA	HOME DEPOT Swings to Profit, Gives Rosier Outlook
USA	LOWE'S Reports Fourth Quarter Sales and Earnings Results
Europe	WOLSELEY Appoints New CFO, Cuts European CEO Role

International strategic market research and consultancy on building product and related markets

Europe: Euro Debt Crisis Is Political Test for Bloc

6 February 2010 -- What began with worries about the solvency of Greece in the face of high deficits, fake budget figures and low growth has quickly become the most severe test of the 16-nation euro zone in its 11-year history.

Anxiety about the health of the euro, which has spread from Greece to Portugal, Spain and Italy, is not simply a crisis of debts, rating agencies and volatile markets. The issue has at its heart elements of a political crisis, because it goes to the central dilemma of the European Union: the continuing grip of individual states over economic and fiscal policy, which makes it difficult for the union as a whole to exercise the political leadership needed to deal effectively with a crisis.

A policy of muddling through may be comfortable in political terms, but experts warn it can have dire economic consequences. Jean-Paul Fitoussi, professor of economics at the Institute of Political Studies in Paris, said that European leaders had “handled this crisis very badly,” feeding market speculation and greed.

Greece’s ratio of public debt to gross domestic product is no higher than Germany’s, and Greece has not defaulted, he said, but European leaders have done too little to calm the markets and rating agencies.

While no one expects that the European Union will allow Greece or the others to default or the euro zone to collapse, European leaders and the Central Bank will almost surely have to bend the rules to provide guarantees or loans, if necessary. But even tiding over countries in trouble will not solve the main flaw in the euro: the sharp divergence of national economies that share a common currency without significant fiscal coordination, let alone a single treasury.

“The challenges facing the euro zone are very serious,” said Simon Tilford, chief economist for the Center for European Reform in London. “For countries that have become pretty uncompetitive in the euro zone and have weak public finances, the current environment is very dangerous.”

It does not help matters that the European Union is undergoing a major political transition to new leaders, a new Commission and Parliament, and a new governing treaty, the Lisbon Treaty, which creates a new president and foreign affairs chief. But even if all these positions were filled, serious questions remain about whether the union or its leading member states will take charge before further damage is done.

In some sense, there is a game of chicken being played, with Greece counting on help and other countries holding back until Athens pays a steep price for its profligacy and manipulation of statistics. But the delay is costly, and there are deeper structural problems that few want to discuss.

Greece, Italy, Portugal and Spain — known now as the PIIGS, if Ireland is included — are the weak sisters of Europe, with high structural deficits matched with low prospects for the kind of economic growth and productivity improvements that can bring them back to health.

The north-south split is partly geographic, partly cultural, partly religious and partly historical, but the southerners tend to be poorer and to have less competitive economies.

“The markets are having fun testing the euro,” said Nicolas Véron, a senior fellow at Bruegel, an economic policy research institute in Brussels. But the markets are also increasing pressure on the biggest European economies, like Germany and France, to figure out ways to rescue Greece, which is already facing strikes in light of current austerity measures, and to bolster the others.

But with the European Union undergoing a triple political transition, it is not entirely clear where that leadership will come from.

“Who’s in charge now?” asked Antonio Missoroli, director of studies for the European Policy Center in Brussels. “Nobody yet, and it may still take time.”

There is a newly nominated European Commission and now a new European president, Herman Van Rompuy, and European minister for foreign affairs, Catherine Ashton. The commissioner in charge of this crisis, Joaquín Almunia, is a lame duck, due to switch jobs and become competition commissioner.

Mr. Van Rompuy has announced an informal economic summit meeting for next Thursday, to get the member nations to concentrate on the crisis.

Default for a member of the euro zone is simply unacceptable, European officials and analysts say — a country is not a bank. At the moment, even calling in the International Monetary Fund to help Greece is considered too embarrassing and not yet necessary, given the new Greek government’s apparent determination to deal realistically with its problems.

More likely, they say, is a set of bilateral loans or loan guarantees from richer countries like Germany. Leaders in France, Germany and other European nations have already begun discussing how such aid might be structured, officials said last week.

“It’s highly unlikely Greece will be allowed to default,” Mr. Missoroli said. “But no one wants to say that out loud to take the pressure off the Greek government.”

But it is also unprecedented, and difficult politically, for the European Union, or any member country, to impose conditions for economic adjustment on another member country, which is why some analysts urge the involvement of the International Monetary Fund.

Jacques Mistral, an economist at the French Institute for International Relations, said that the main actors now were Jean-Claude Trichet, president of the European Central Bank, and the leaders and finance ministers of Germany and France.

“That’s the troika, and they’re leading the process to explore different ways and compromises,” Mr. Mistral said. “When there is a will there is a path.”

But summoning that will has proved difficult in the northern tier, which mistrusts the southerners. Greece is a prime example of the disease in the euro zone, said Mr. Tilford, the economist in London, made worse by political mismanagement; the global recession, which has hit tax receipts; and the impossibility of devaluing a shared currency.

Portugal, the poorest country in the euro zone, has been stagnating for years, proving that membership in the euro “is not a panacea,” he added.

In addition, Portugal has something of a political crisis, with Parliament voting down an austerity plan on Friday that was promoted by the minority Socialist government.

Spain has relatively low debt, but high unemployment and weak banks, and after the bursting of the housing bubble it can no longer rely on construction and inflated asset prices to propel growth.

These aspects, together with the larger size of the Spanish economy, had led Nouriel Roubini, a professor at New York University, to suggest this week that Spain is a bigger threat to the euro zone than Greece.

At the same time, some northern countries, like Germany and the Netherlands, are still playing “beggar thy neighbor” by their reluctance to stimulate their own domestic purchasing, which could help weaker countries to export.

“The southerners can do their best to cut costs and be competitive,” Mr. Tilford said. “But they need the others to create more domestic demand and be less export dependent.”

Critics like Mr. Fitoussi are left wondering why the crisis was ever allowed to expand to this point. “This is much ado about nothing,” he said. “But the nothing can ruin the whole project. I don’t think the euro is in danger. But the leaders are taking too much time.”

Source: The New York Times

World: Japan Keeps Title of No. 2 Economy In World Behind U.S

16 February 2010 -- Japan narrowly retained its lead over China last year as the world's second-largest economy behind the U.S., buoyed by recovering exports and rising consumer spending. Japan's Cabinet Office released data Monday showing the country's inflation-adjusted gross domestic product grew at 1.1% in the fourth quarter and 4.6% on an annualized basis, beating analysts' expectations. On a nominal basis, before adjusting for inflation, Japan's GDP last year totaled $5.09 trillion compared with China's $4.91 trillion and the USA's $14.26 trillion.

Japan's data suggest that a "strong cyclical recovery" is underway and a "spiral shrinking of Japan's nominal economy has come to a halt," UBS economist Takuji Aida wrote in a note to clients.

In the latest quarter, Japan's exports rose 5% compared with the previous quarter, driven by recovering demand from neighboring Asian nations. Consumer spending, which makes up more than half of the Japanese economy, has also climbed for three consecutive quarters, helping lift the economy out of a severe recession. Government incentives for purchases of cars and electronics fueled consumption, analysts say.

But the recent improvement wasn't enough to reverse the economy's dismal 2009 results: Japan's inflation-adjusted GDP for the full year dropped a record 5%. Going forward, "deflationary pressures are expanding while the economy is recovering," says Takahide Kiuchi, chief economist for NOMURA SECURITIES in Tokyo. Deflation, a period of sustained, declining consumer prices, drags down corporate profits, affecting employers' ability and willingness to hire workers and raise their pay.

Experts also warn that Japan's ballooning debt could undermine the country's growth. In late January, ratings agency Standard & Poor's revised downward the outlook for Japan's long-term credit rating to negative, due to rising "government debt, persistent deflation and a prospect of continued sluggish economic growth."

Economists believe it's only a matter of time before China overtakes Japan as the second-largest economy in the world.

"In 2010, Japan may fall to No. 3 behind China," says Kiuchi, who expects Japan's economy to grow less than 1% in 2010 compared with an estimated 10.5% growth in China. "There's a huge gap between Japan and China."

In 2009, China posted strong GDP growth of 8.7% while other nations were eking out much smaller gains. China also overtook Germany last year as the world's largest exporter.

Source: USA Today

World: Chinese Producer Prices Jumped Sharply in January

11 February 2010 -- The pace of inflation at factories and other producers more than doubled last month in China, government data showed Thursday, with producer prices climbing at their fastest pace in 15 months while the money supply continued to grow briskly.

The sudden acceleration partly reflected the very low level of commodity prices a year ago, during the depths of the global financial crisis, said Ben Simpfendorfer, an economist in the Hong Kong office of the ROYAL BANK OF SCOTLAND.

But the rise in prices at the factory gate, together with a separate government announcement that bank lending had surged in January, indicated that China might be forced to continue tightening controls on bank lending, economists said. The Chinese government typically does this through some combination of administrative controls on the volume of bank loans and higher interest rates for bills issued by the central bank.

Producer prices were up 4.3 percent in January from a year earlier, China's National Bureau of Statistics announced Thursday morning. In December, the increase from a year earlier was just 1.9 percent.

As recently as last October, China was still suffering from gradual deflation at the producer level.

For the most part, those increases are not yet filtering down to the prices that Chinese consumers see at their local stores.

Consumer prices were up 1.5 percent from a year earlier, according to the National Bureau of Statistics, compared with a year-over-year increase of 1.9 percent in December, in a sign that factories and stores had not yet tried to pass increases on to retail customers.

Weaker-than-expected food prices pulled down inflation at the consumer level, as initial reports suggest that rice harvests in Southeast Asia will be bountiful this spring. Food prices were up 3.7 percent in January from a year earlier; in December, they had been up 5.2 percent from a year earlier.

Investors took the various economic reports from China in stride, with the A-share index in Shanghai inching up just 0.1 percent Thursday.

China's central bank, the People's Bank of China, announced separately Thursday that lending by banks across the nation had surged by 1.4 trillion renminbi, or $205 billion, in January. That was more than the increase in the three previous months combined, when banks were struggling to stay under limits for lending in all of 2009.

The People's Bank of China also said that a broad measure of money supply, M2, grew 26 percent in January from a year earlier. That was slightly slower than an increase of 27.7 percent in December.

The central bank said in a monetary policy statement posted on its Web site late Thursday that its target for all of this year is for M2 to increase 17 percent — a goal that would require tighter policy. The People's Bank of China also expressed concern about whether large countries around the world could coordinate their exit from stimulative policies introduced in late 2008 and early 2009 in response to the global financial crisis.

China's economy is booming and asset prices are rising even as the Federal Reserve is keeping short-term interest rates near zero in the United States, producing a large flow of investment from industrialized countries to China and other emerging markets. That makes it even more expensive for China to continue spending hundreds of billions of dollars a year to intervene in currency markets and keep the renminbi weak against the dollar.

In calling for a coordinated exit from stimulus, China's central bank is hinting that other countries should start raising interest rates as well — a policy for which there is limited support in the United States as long as unemployment is close to 10 percent.

Rising prices in China could have a silver lining for leaders in Beijing: They may reduce tensions somewhat between the United States and China over the low value of the renminbi against the dollar.

If prices rise faster in China than in the United States, then the renminbi could effectively start to climb against the dollar in inflation-adjusted terms.

That would make Chinese goods slightly more expensive in the United States, and American goods and services slightly more affordable in China.

The Chinese government has been determined to prevent inflation at the producer level from trickling down to consumers, even imposing price controls at times over the past seven years to prevent this from happening. Government leaders have voiced fears that rising consumer prices could lead to street protests and undermine social stability. Because many Chinese industries suffer from overcapacity, companies often find it hard to pass along their rising costs to consumers, accepting narrower profit margins instead. On Thursday, SJS MARKETS, a Hong Kong research and trading firm, raised its forecast for producer price inflation this year in China to 7.7 percent, from 6.6 percent. But SJS also lowered its forecast for consumer price inflation in 2010, to 4.7 percent from 5.0 percent. Zhou Xiaochuan, the governor of the People's Bank of China, said Tuesday in Sydney, after attending a meeting of central bankers, that the government was closely watching inflation but that it still seemed to be fairly low.

Source: The New York Times

World: China Shows Little Patience for U.S. Currency Pressure

4 February 2010 -- A senior Chinese official said on Thursday that China would not bow to pressure from the United States to revalue its currency, which President Obama says is kept at an artificially low level to give China an unfair advantage in selling its exports.

The official, Ma Zhaoxu, a Foreign Ministry spokesman, said at a regular news conference here that "wrongful accusations and pressure will not help solve this issue."

Mr. Ma was reacting to remarks on trade that Mr. Obama made on Wednesday when he met with Democratic senators in Washington. Mr. Obama stopped short of saying China manipulates its currency, but his words on China's economic policies were harsh — the United States, he said, has "to make sure our goods are not artificially inflated in price and their goods are not artificially deflated in price; that puts us at a huge competitive disadvantage."

Economists agree with that assessment. They say that the Chinese currency, the renminbi, is undervalued by 25 to 40 percent compared to the dollar and other currencies. The gap is wider than at any time since July 2005, when the Chinese government, under pressure from the Bush administration, decided to the do away with the renminbi's peg to the dollar and allow the currency to float in a narrow band against the dollar and other currencies.

The renminbi appreciated 21 percent, but since July 2008 it has remained at the same value — today, one dollar equals about 6.83 renminbi, also called the yuan.

"Judging from the international balance of payments and the currency market's supply and demand, the value of the renminbi is getting to a reasonable and balanced level," Mr. Ma said on Thursday.

The sharp exchange over China's currency is only the latest symptom of rising tensions in American relations with China. Internet censorship, hacking attacks directed at American companies, arms sales to Taiwan and the pending visit of the Dalai Lama to Washington have all cropped up in the last month as points of conflict. China is exhibiting a brash sense of confidence as its economy continues to boom while much of the world remains mired in a recession.

On economics, Chinese officials now regularly lecture their American counterparts on the need to maintain the value of the American dollar. China, which has more than $2.4 trillion in foreign exchange reserves, is the largest holder of American debt. On Wednesday, Xinhua, the official state news agency, said Chinese economists are concerned that the American government, suffering from a record budget deficit, could print more dollars and issue more bonds, eroding the value of the dollar.

The finger-wagging from the American side is almost certain to intensify too. With mid-term elections this fall, Mr. Obama is under pressure to alleviate the high unemployment rate in the United States. Mr. Obama said last week in his State of the Union speech that he hoped to double American exports within five years.

In China, the export industry is a large employer in the coastal regions and draws hordes of migrant workers from interior provinces. Exports have slowed considerably since the global financial crisis began, and Chinese leaders and economists have been saying that domestic consumption should become a larger part of the economy.

Last year, the Chinese economy grew by 8.7 percent, surpassing the 8 percent benchmark set by the government and indicating that China was managing to push through the global recession with little damage. A large driver of the growth was domestic spending — the Chinese government announced in November 2008 a stimulus package worth $585 billion.

But the spending, along with in-flows of foreign currency through private investments and speculation, what some economists call “hot money,” is fueling inflation. The consumer price index in the fourth quarter of 2009 was 1.9 percent. Fears of an overheated economy could lead the Chinese government to revalue the renminbi later this year to help contain inflation.

In late January, Jim O’Neill, the chief economist at GOLDMAN SACHS, told Bloomberg News that he expected the Chinese government to make a one-off revaluation of the renminbi, letting it appreciate by at least five percent before the end of 2010. He said the revaluation will happen suddenly, without any warning from Chinese leaders.

Reopening the battle with Beijing over its currency may pay political dividends for Mr. Obama at a time of double-digit unemployment and growing fears that China is stealing American jobs. But experts say the president will have even less leverage over Beijing than President George W. Bush did. Mr. Bush prodded China for years to adjust its exchange rate with little success.

China, they say, is determined to reignite its export machine after a global recession that sapped demand for Chinese goods. A cheap currency is vital to that goal. And as indicated by Mr. Ma’s statement on Thursday, China’s leaders have grown impatient with lectures on economic policy from their chief debtor, the United States.

“It will be like water off a duck’s back,” said Nicholas R. Lardy, a China expert at the Peterson Institute for International Economics. “They’re puzzled by the criticism. They think they should be praised for keeping their currency stable at a time of global turmoil.”

Criticizing China’s policy, however, is likely to worsen a relationship already frayed by irritants on both sides.

In two weeks, Mr. Obama is expected to meet with the Dalai Lama, the Tibetan spiritual leader, over the objections of the Chinese, who condemn him as a subversive. The administration forged ahead with sales of weapons to Taiwan, drawing an angry blast from Beijing, which regards Taiwan as a breakaway province. Secretary of State Hillary Rodham Clinton criticized China for censoring the Internet, in the wake of GOOGLE’s allegations about hacking.

For its part, the United States is frustrated that the Chinese will not back tougher sanctions against Iran over its nuclear program. And China has resisted American initiatives on climate change policy, turning the recent climate meeting in Copenhagen into a diplomatic drama.

The administration has struggled to prevent the ill will from any single issue from contaminating the broader relationship. “We can’t pick the timing of when an issue becomes important,” said a senior official, who spoke on the condition of anonymity because of the delicacy of the matter.

Exchange rates are an arcane subject, harder to explain than a meeting with the Dalai Lama. But they influence easy-to-understand issues like the competitiveness of American exports and job security.

“The currency issue has the potential to become a very hot political issue,” said Kenneth G. Lieberthal, who worked on China policy in the Clinton White House. “We’re in significant danger of hitting a very rough patch in trade relations, in the latter part of this year.”

Source: The New York Times

USA: Surveys Show an America That's Bruised, But Still Optimistic

16 February 2010 -- Downbeat about today. Upbeat about tomorrow.

With a new decade underway, Americans feel battered by hard times, record home foreclosures, stubbornly high unemployment rates and war. In the latest USA TODAY/Gallup Poll, they are fed up with Washington and convinced by more than 3 to 1 that the nation is heading in the wrong direction.

Even so, confidence that there will be better times ahead — and that the classic American dream endures — hasn't been extinguished. It's not even at its low ebb.

James Hanan of Bear, Del., worries as he watches his grown daughter struggle with cutbacks at the bakery where she works.

"One week she works 17 hours and the next week 20 and then she'll get 12," the 73-year-old disabled Vietnam veteran says, calling it the toughest job market of his lifetime. Job security is a memory and full-time work hard to find.

"It's going to get better," says Hanan, who was called in the survey. Why? He seems surprised by the question. "It's the American way, I guess."

The USA TODAY Poll taken last month and the massive Gallup-Healthways Well-Being Index, which has been surveying 1,000 adults a day for more than two years, underscore the persistence and resiliency of American optimism. Those polled cite the will of the American people — named by more than one in three as a fundamental strength — as well as the power of the U.S. military and the promise of technology and innovation as reasons for optimism about the future.

The leading reasons given for pessimism: government corruption, the threat of terrorism and the travails of the economy and health care.

"There is a kind of default-setting worldview among Americans, and there has been for some time, that depends on the importance of positive thinking, of confidence, of belief in one's own abilities," says Jackson Lears, a historian at Rutgers University and author of Rebirth of a Nation. The attitude is embedded in a national culture of self-help and market-based individualism.

"It's almost un-American not to be optimistic," he says.

Still, Lears and some other analysts question whether this trait, seen as a strength, is always a good thing. An unwillingness to weigh doubts and the possibilities of failure were among the reasons for missteps that led to the economic meltdown and the invasion of Iraq, essayist Barbara Ehrenreich argues in her book, Bright-Sided: How the Relentless Promotion of Positive Thinking Has Undermined America, published in 2009.

Over the past half-century, the Gallup Poll has asked Americans 16 times what step of a ladder the United States was on, with 10 the best possible situation for the nation and zero the worst. The average response has ranged from a high of 6.7 in 1959, at the end of the Eisenhower era, to a low of 4.8 in 1974, during the Watergate crisis.

Now it's a relatively low 5.0.

Where will the nation be in five years, in 2015? Those polled predict the United States will have stepped up to a sunnier 5.7.

Indeed, every time the question has been asked, through good times and bad, Americans have said that the country would be on a higher step five years down the road — in other words, that things were sure to be better in the future.

The effects of hard times

The past year or two have been tough.

Three of four Americans in the USA TODAY Poll are dissatisfied with the way things are going. Nine of 10 call it a bad time to find a good job. Forty-one percent rate the state of moral values as poor or terrible, and most say the nation is doing no better than a fair job in taking care of the poor and needy or providing quality health care.

Just as harsh is the judgement of the country's political leadership. The approval rating for Congress is a dismal 24% — that makes President Obama's middling 50% rating look good in contrast — and 55% say that "quite a few" of the people running the government are crooked.

Eight in 10 trust the federal government to do what's right only some of the time or never.

The survey of 1,023 adults, taken by land line and cellphone on Jan. 8-10, has a margin of error of +/–4 percentage points.

Debra Freyer, 46, of Evergreen, Colo., who was among those surveyed, says the inability or unwillingness of political leaders to act on big problems is undermining the public's trust.

"There's all this talk that 'we're going to get together and do it,' and yet when it comes down to it, there's a hidden agenda behind it all" that blocks action on health care and other issues, the elementary-school teacher says. "It's almost like they're wanting to sabotage what everybody agreed to do in the first place for some political reason rather than the good of the country. That's disheartening."

The Gallup-Healthways survey asked more than 353,000 Americans last year about their jobs, finances, health and communities, creating a huge database of Americans' assessments of their well-being.

It found that job satisfaction in 2009 dropped compared with 2008. The sense that hometowns were becoming better places to live deteriorated. People were less likely to say they had access to health insurance or enough money for food.

In all, the year-to-year ratings fell in five of six categories — on work environment, emotional health, physical health, healthy behavior and basic access to life necessities.

But the sixth category — people's "life evaluations" of their current situations and their future — jumped by 5 percentage points. The biggest gain was among African Americans, perhaps a consequence of the election of the nation's first black president. There were significant increases among young adults — those 18 to 29 years old — and among people of moderate means, with annual incomes of $24,000 to $48,000 a year.

Smaller gains were reported in every racial group and every age group and at every income level.

So despite a range of setbacks they reported, Americans' broad estimation of how things were now and where they were going brightened anyway.

Jim Peterman, 56, the owner of a coffee-roaster business in Newcastle, Maine, says his older son is still repaying college loans four years after he graduated from the University of New Hampshire, and that cost has put graduate school out of his reach for now.

"It's not like when I came out of school," Peterman says. "You had a better opportunity with a high school education. Now you need not just a college degree but you need a master's or a doctorate to get a good job — and that's very hard to get."

He says optimism about the future "absolutely" has been dented by hard times, though he goes on: "It's better than two years ago. We're working toward getting out of Iraq, and, you know, the economy isn't quite as bad as it was."

'The idea of beginning anew'

What is the source of this quintessential American attitude?

"The root probably is our own revolutionary tradition, the idea of beginning anew," says Kevin Mattson, a historian at Ohio University's Contemporary History Institute. "We came from England, where there was this corrupt church and state, and we wanted to create a better society. ... It's this idea of Americans as this chosen people. It's the idea of American exceptionalism." Those beliefs have been "hard-wired" into Americans, he says.

That conviction helped fuel the country's founding, the westward expansion, the determination to persevere through the Great Depression and World War II— although Mattson cautions it also can make it harder to assess intractable problems and learn from past mistakes.

Americans do believe that the nation's role in the world is changing. Although two-thirds in the USA TODAY Poll say the United States is No. 1 militarily now, a majority predict it will be only one of several military powers in 20 years. Three in four say the U.S. will be only one of several economic powers then.

Even so, nearly two-thirds call their outlook for the country over the next 20 years optimistic. More than six in 10 say it's likely that today's youth will have a better life than their parents — a precept of the American dream.

Looking ahead, a majority predict improvements in medicine and health, in race relations and minority affairs, in the willingness of Americans to work hard to better themselves. In fact, in 11 specific areas, a majority say that things will stay the same or get better in all of them over the next 20 years. (On only one, the state of moral values, did a plurality say they would get worse.)

Carol Ferrari, 61, of Walterboro, S.C., has seen the nest egg she and her husband saved plunge in value over the past two years. "We're looking toward retirement, so he keeps an eye on the stock market and on our investments, and he's not happy," she says of her husband. She retired as an art teacher in 2008; he's still working.

With an election coming up in November, however, she figures legislators will feel pressured to get things done, and she sees tentative signs that the economy is turning around.

"People will start buying more stuff and they'll start hiring more people," she predicts. "I really think that there's a chance things are going to go back up, and not too much longer."

Source: USA Today

USA: A Recovery That's Factory-Built and Gaining Speed

5 February 2010 -- A GLOBAL recovery in manufacturing appears to be accelerating. Most manufacturers around the world are reporting an increase in output and new orders, both of which plunged in late 2008 and early 2009 as a credit crisis spurred fears of a new Depression.

The sharpness of the rebound, reflected in the indexes created by the Institute for Supply Management in the United States, and recreated in many other countries by Markit, could indicate that the American economy is not in line for another slow recovery, as happened after the two most recent downturns, in the early 1990s and the early 2000s.

That strength was also reflected in the gross national product estimate for the final quarter of 2009, with an annual rate of growth of 5.7 percent, the fastest for any quarter in more than six years. And on Friday, the Labor Department reported that the unemployment rate fell to 9.7 percent in January. It added that while the entire economy lost 20,000 jobs, there was an increase of 11,000 jobs in manufacturing employment — the first such gain in three years.

"Surprisingly, given the predominant sentiment the United States is in a subpar recovery, the current recovery in real G.D.P. has been right in line with the strong recoveries which took place in the past," said Jim Paulsen, the chief investment strategist of WELLS CAPITAL MANAGEMENT, an investment arm of WELLS FARGO, pointing to the recoveries in the early 1980s and the mid-1970s.

Employment growth so far is more spotty, reflecting both the competitiveness of the local economy and the number of jobs lost in the downturn. Europe and Japan, economies that were slower to fire workers during the recession, seem to have less need to add workers now.

The accompanying charts reflect the monthly surveys of manufacturers in 10 countries around the world, focusing on output and employment. The survey results are usually reported on a scale of zero to 100, with numbers above 50 indicating that more companies are reporting growth than decline. For this article, they were recalibrated to show the numbers over or under 50.

All countries saw very sharp declines in 2008 and early 2009, but the recoveries since have been nearly as rapid, leading some analysts to hope for a V-shaped recovery for the American economy.

That view, however, remains a distinctly minority one. In large part, that is because most people remember the two slow recoveries, and because the unemployment rate remains high. But it also may reflect the political leanings of commentators. Many on the left want a new stimulus package, and view talk of a good recovery as a threat to that, particularly given the rising concern over the government's budget deficit. Many on the right are instinctively critical of the Obama administration and its economic programs.

To some extent, the recoveries around the world may be less due to any government programs than they are to the fact companies overreacted, slashing everything they could — including employment, orders and inventories — when the outlook appeared darkest. Just getting back to the actual low levels of demand in the recession may require some additional production.

Of the 10 countries shown in the accompanying chart, all but one show more manufacturers reporting growing output than reporting declines, with the most widespread increases shown in the United States. The exception is Spain, a country facing severe fiscal woes and difficulties in regaining competitiveness with other European economies.

Despite widespread worry over unemployment in the United States, the surveys show employment growth at a greater proportion of American manufacturers than in most countries.

Source: The New York Times

USA: Economy Needs a Stronger Housing Market

17 February 2010 -- A stronger-than-expected uptick in housing starts confirms that the housing market has bottomed out after its steepest slide since the Great Depression. But it's going to have to do better than that if the economy is to have a sustainable recovery.

Data reported Wednesday show the market is clearly moving in the right direction: Housing starts posted solid gains in January. And with prices down considerably since the market bubble burst in 2006, the "affordability" of homes has improved substantially.

But housing production, at under 600,000 units a year, is still far below the recent peak of more than 2 million at the height of the bubble just four years ago. Meanwhile, millions of homeowners face foreclosure, adding to the enormous supply of unsold homes on the market at distressed prices.

Other recent economic data also point to an economy bouncing along the bottom. A report Wednesday showed that industrial production, as measured by the Federal Reserve, continued to expand in January. But as of December, the index had only recovered to levels last seen in 2002. That means industrial production now stands where it was eight years ago.

Digging out of that deep economic hole will take years, according to a forecast by Fed policymakers released Wednesday. The central bankers predicted it will take "some time" for the economy and the jobs market to get back to normal. In a previous report, Fed officials suggested it could take five or six years for economic conditions to return to full health. A "sizable minority," however, thinks it could take more than five or six years for a return to normal.

So far government and the lending industry efforts to stabilize head off foreclosures and the housing market have focused on trying to make existing mortgages more affordable by lowering payments and stretching out the payoff date. But the plan just isn't working.

On Wednesday, the Treasury released the latest monthly figures for its Making Home Affordable program. As of last month, of the millions of homeowners who were supposed to get help, only 116,000 had gotten permanent relief. As more homeowners lose their jobs, fewer qualify for a loan modification at any level. And so far few lenders have budged on cutting the amount of principal owed.

“The approach right now is we're kicking the can down the road,” said Daniel Mudd, former CEO of mortgage giant FANNIE MAE, which was taken over by the government in 2008. “We're modifying, we're hoping the modifications work," he told CNBC. "But at some point we're going to have to face the music. And the music is that principal is going to have to be reduced. The mortgagers will have to be on a stable footing. Then we can start to move forward.”

It's not clear whether foreclosures have yet peaked; some forecasters expect them to increase again this year. Some lenders fear that when a series of foreclosure “moratoriums” expire in the next few months, a backlog of foreclosures may hit the market at once, sending prices lower again, and putting more homeowners under water.

Housing analysts also point to a backlog of so-called “pay option” adjustable-rate mortgages that are due to reset later this year and next to higher payments. Those resets will add further pressure to financially stressed homeowners trying to keep up. At least some of the credit for the recent housing recovery goes to government initiatives to support the market, including a homebuyer tax credit and a Federal Reserve program to hold down mortgage rates lower though the purchase $1.25 trillion worth of mortgage-backed bonds.

After home sales perked up last fall as people went shopping in time to beat the first deadline for the tax, Congress extended it through this spring. But the credit may have just moved sales up that would have happened anyway. “As we get past the expiration of the tax credit and start to look into the summer, things can change quite a bit if some of these government programs are pulled back,” said Paul Puryear, a housing analyst at RAYMOND JAMES.

The housing industry also is bracing for a possible rise in interest rates after the Fed wraps up its final purchase of mortgage bonds in March. Megan Talbott McGrath at BARCLAYS CAPITAL estimates that every percentage point rise in mortgage rates cuts housing demand by about 8 percent. Once the Fed stops buying, she expects mortgage rates to rise by 1 to 1.2 percentage points by the end of the year.

“We don't think it stops growth, but it could keep a little bit of a lid on it,” she said.

Some banks are trying to dampen another wave of foreclosures by moving more aggressively with so-called “short” sales, in which the home buyer sells the home for less than the mortgage amount and the lender forgives the unpaid principal.

“It’s a good idea, given that (lenders) get a higher price overall for housing,” said McGrath. “We think that's a positive and it will help to clear inventory a little bit quicker.”

With one in four homeowners saddled with a bigger mortgage than their home is worth, according to a recent report, short sales may head off even bigger problems for lenders. After years of slogging through a mortgage modification process clogged by multiple logjams, some homeowners are simply walking away from their mortgages. That’s creating even bigger headaches for lenders.

“It's not a pretty picture: Roofs don’t get maintained, appliances get taken out,” said Mudd. “That's the worst thing for everybody. But the short sale puts new buyers on a new footing — in at a value they can afford. That solves the problem.”

Those lower values may help new home buyers, but they continue to hammer the budgets of state and local governments as falling home prices cut deeply into property tax revenues. Until the housing market recovers, state and local budgets will remain under pressure.

A full-fledged housing recovery will take more than a resolution of millions of underwater mortgages and the unsold inventory of foreclosed homes. Though the housing industry seems to have found a bottom, it has a long way to go before returning to “normal” levels.

No one is expecting a return those boom year levels anytime soon. But without a substantial rebound in home building, the rest of the economy will likely remain stuck in neutral.

Source: MSNBC

USA: Spec Houses Rise as Builders Bet on Buyers Before Tax Credit Ends

10 February 2010 -- Home builders are ramping up speculative construction to attract last-minute home buyers who want to tap a soon-to-expire tax credit.

The strategy is risky. If the buyers don't materialize, builders could be saddled with unsold homes that will require heavy discounting to sell, hurting profits and slowing the housing recovery. New homes may also continue to lose market share to lower-priced foreclosed houses. Indeed, some economists expect an avalanche of foreclosures in the months ahead as lenders release homes they have been keeping off the market.

But that's a chance the industry is willing to take. "We know that we're going to have more people out now," says Lance Wright, co-owner of CASTLEROCK COMMUNITIES in Houston, Texas. "Buying is an emotional decision. Seeing the actual product that you're moving into will certainly make it easier."

Ken Campbell, chief executive of California-based STANDARD PACIFIC CORP., agrees. Buyers trying to beat the tax credit's expiration "will buy a house somewhere," he says. "It does make a difference if the home is ready, available to go."

Late last year, builders lost sales because they didn't have enough houses to satisfy a flurry of demand from buyers looking to take advantage of a federal tax credit for first-time buyers before they expired on Nov. 30.

Some experts believe that those credits have satisfied the urge of potential buyers to jump into the market.

"They did the job," says Christopher Thornberg, a principal at BEACON ECONOMICS, a Los Angeles-based research firm. "They stabilized the market. Now, let the program go."

But that hasn't happened. Instead, the tax credit has been extended and expanded. The current credit, which offers first-time buyers up to $8,000 and repeat purchasers up to $6,500, applies only to deals signed by April 30 and closed by June 30.

Builders expect buyers will wait until the last minute. "As we roll into March and April, more people are going to become aware of the fact that there's a deadline, and it's for real," says Rob Bowman, president of Lancaster, Pa.-based CHARTER HOMES & NEIGHBORHOODS.

Houses typically take between four and six months to build, so the window to start construction is closing quickly. And current inventory is low. At the end of 2009, there were 234,000 homes for sale, the lowest level since April 1971, according to the National Association of Home Builders.

It's difficult to measure the total number of spec homes nationwide. But according to a survey conducted by JOHN BURNS REAL ESTATE CONSULTING, based in Irvine, Calif., home builders have about three finished homes with no buyer per community. That's up slightly from 2.8 finished homes in November but much lower than the peak of six finished homes in July 2008.

"Every builder I talk to around the county is starting a spec home or two [per community] for the spring season, provided they have the cash to do it," said Jody Kahn, a JOHN BURNS vice president.

But not everyone. PULTE HOMES INC., the nation's largest builder, has 2,800 spec homes in inventory and doesn't plan to add more, even if it has to "sacrifice a few sign-ups and closings in the short term," Chief Executive Richard Dugas said in an earnings conference call Tuesday.

"We got caught with a lot of inventory at a bad time in the market, it depressed our margins dramatically, and we're not going back there, God willing," he said.

KB HOME, the nation's fifth-largest builder by annual closings, has been among the most vocal proponents of not building on spec. Like all builders, the company was hurt during the housing bust, which left them with too many high-priced homes that had to be sold at a discount.

But even KB has said it will now build a limited number of spec homes in select markets and communities. It plans to build the houses about half way through, to the drywall phase, allowing enough time for buyers to personalize finishes, such as cabinet and carpet colors, and still close in time for the credit.

CHARTER HOMES also considers itself a build-to-order builder, but it is currently building some 20 speculative homes, about 8% of this year's expected deliveries. It is selecting the most popular colors and upgrades, and every home will include a natural stone countertop on the kitchen island.

"No matter how tough times are, that's still a luxury that most people look at and say, 'That's something I really want,'" says Mr. Bowman, the company's president.

Builders say they're being careful, studying each community to determine demand and what price point and bedroom count will sell most quickly. And they're building just a few spec houses per neighborhood. MERITAGE HOMES CORP.'s average in its 153 communities is 3.4, down from 4.3 a year ago, Brent Anderson, vice president of investor relations, says. Additional starts still require corporate review from the Scottsdale, Ariz., home office.

During the housing frenzy, builders quickly sold everything they built. But when the bubble popped, they were overwhelmed with a glut of speculative homes, as well as with cancellations. The homes were oversized with too many features that didn't match downsized buying preferences, forcing steep price cuts.

Builders responded by scaling back construction, building simpler homes and switching to a build-to-order strategy. Now, with many public and regional private builders increasing construction, inventory should climb during a "spring selling season on steroids," says Ms. Kahn.

Source: The Wall Street Journal

USA: Apartment Deals Aplenty As Supply Outstrips Demand

12 February 2010 -- A record 2,234 apartments will be added to downtown Chicago this year, increasing the supply of rental units at a time when inventory is already outstripping demand.

It's not that interest in downtown living is on the wane. It's just that there aren't enough people for the number of apartments — and increasingly, condos are available for rent.

The additions, which come on top of 1,296 units this year, will ratchet up the pressure to trim rents in existing buildings and could lead to a 10 percent vacancy rate in the rental market, said Ron DeVries, vice president at APPRAISAL RESEARCH COUNSELORS. But what's a negative for property owners should be viewed as welcome news for renters this spring. "There is so much supply, the owners are getting very competitive," DeVries said.

Luxury apartment rents are at their lowest level since 2005's fourth quarter and rents at more modest buildings are at their lowest level since 2006's first quarter, according to APPRAISAL RESEARCH data.

The perks being dangled by landlords aren't that much different from concessions offered as the 2008 spring rental season approached: up to two months free rent, sometimes pro-rated across the life of the lease, a month of free parking, and the occasional flat-screen television. Rental agents report they're being offered bigger commissions for finding tenants too.

Agents also say more management companies are doing away with security deposits and are more willing to listen to potential renters who want to take $50 or $100 off the monthly rent. "We're seeing a lot more concessions in the Gold Coast area, the downtown area, the areas with the high-rise buildings with more units in them," said Sonny Duraku, managing partner of APARTMENT VIGILANTES.

Condominium units available for rent by individual owners, which generally are larger than apartments and come with upgraded appliances and parking, are playing an ever-larger role in the rental marketplace. In the 12 months that ended in June, almost 4,500 condos were rented as apartments. Currently there are more than 1,700 downtown units listed for rent.

However, no geographic area has emerged as the best value among condo rentals in buildings constructed within the past decade. The lowest rents for one-bedroom condos are found in the West Loop and South Loop. But among two-bedroom units, the West Loop is the winner, according to data APPRAISAL RESEARCH COUNSELORS released Thursday.

The new apartment buildings scheduled to open this year include the 848-unit Alta @K Station in the West Loop; Flair Tower, EnV and Parc Huron, which will bring 668 units to River North; and 215 West and 200 Squared, which will add 718 apartments to the Loop.

After this year, the development pipeline is largely empty, so the attractive deals in the market are unlikely to continue for long. By 2012, rents could increase 8 percent, DeVries said.

Source: The Chicago Tribune

USA: Labor Market Shows Signs of Rebirth in New Data

5 February 2010 -- The unemployment rate unexpectedly dipped to 9.7 percent in January, from 10 percent in December, the government reported Friday, buoying hopes that the worst job market in at least a quarter-century is finally improving.

But a different survey in the Labor Department's report found that the economy lost 20,000 net jobs during the month, muddying the picture and underscoring the formidable struggles still confronting millions of Americans. Yet with the pace of decline slowing, most experts focused on signs that the economy was recovering after the longest recession since the Great Depression.

Manufacturing added 11,000 jobs in January, the first monthly increase since November 2007, while the length of the average workweek rose slightly at factories. The economy added 52,000 temporary workers, and average wages increased modestly, amplifying the view that commercial activity is reawakening after two years of hibernation.

"The economy is continuing to improve," said John E. Silvia, chief economist at WELLS FARGO in Charlotte, N.C. "You don't have a boom, but you have an economic recovery. It's a positive sign."

Despite encouraging indications for the future, the government's monthly snapshot of the labor market revealed that last year's collapse was considerably more severe than previously recorded. And the report came wrapped in substantial statistical uncertainty, intensifying debate about the staying power and vigor of the apparent recovery.

The Labor Department revised previous data to show that the economy contained 1.36 million fewer jobs in December, a downward adjustment of roughly 1 percent. The revisions showed the economy lost 150,000 jobs in December, far more than the 85,000 initially reported.

In calculating the unemployment rate, the report used new census estimates of the population, an annual adjustment. That prompted some economists to dismiss the drop in the jobless rate as a statistical quirk, though the Labor Department said the change was negligible.

"Everyone goes crazy over today's number," said Joshua Shapiro, chief United States economist at MFR INC. in New York, "but history has been rewritten."

Mr. Shapiro focused on the economic anxiety and tight finances that still grip many households, suggesting this would dampen consumer spending, which represents more than two-thirds of the economy. That would keep employers reluctant to hire.

"The question is, what is the rate of improvement going to be?" he asked. "Very slow."

The Obama administration portrayed the report as grounds for cautious optimism.

"It's somewhat encouraging," said Christina D. Romer, who leads the president's council of economic advisers. "The overall number is too high. You can't look at 9.7 percent unemployment and say that's anything but a tragedy."

Ms. Romer acknowledged that she and her colleagues failed to grasp the magnitude of the employment crisis last year when putting together a $787 billion package of spending measures aimed at stimulating economic growth. The administration had assumed that without the stimulus the unemployment rate would top out at 8.9 percent by the end of last year, considerably below the 10.1 percent rate reached in October, which now represents the peak.

“Forecasting is a difficult business,” she said, adding that she felt “pretty confident” the economy would produce sustained job growth by the spring.

Economists remain divided on that prognosis. Some envision the jobless rate reaching nearly 11 percent by the end of the year, which would raise the prospect of new shocks to the system: a retreat in consumer spending and renewed fears in the banking system as jobless people lose the wherewithal to pay their mortgages.

Such visions are at the center of concerns that the end of this recession may signal the beginning of a long period of disappointingly slow growth, or perhaps just a pause before another downturn.

Construction continued to suffer in January, losing 75,000 net jobs. Transportation and warehousing lost 19,000 net jobs. State and local governments collectively lost 41,000 jobs.

Small companies complain that loans remain exceedingly difficult to secure, limiting their ability to expand and hire. The Obama administration is seeking Congressional approval for a measure that would direct $30 billion toward loans for small businesses.

In Cleveland, Kirk K. Meurer, the owner of an office furniture store with 30 employees, has frozen wages and stopped buying new cars to trim costs. He has a $250,000 line of credit, but complains that it has been difficult to persuade his bank to lend more.

“I’m being very frugal with my decisions,” Mr. Meurer said. “For us to hire, we need to see a turn in the economy.”

Many economists saw in Friday’s jobs report heartening signs that such a turn had arrived.

For months, American businesses have expanded their production while continuing to shrink the work force. The January data — particularly the increase in manufacturing and the hours worked — suggested that employers finally felt enough confidence in expanding business opportunities to add to their payrolls.

Health care, long a bright spot in a dismal economy, grew by 17,000 jobs. Retailing gained 42,000 jobs, and professional and business services added 44,000.

“We’ve seen a surge in demand for graphic designers and people who create display advertising for the Web,” said Fabio Rosati, chief executive of ELANCE, an online job market for freelance computer programmers and other tech-related workers. “There’s been an increase in confidence among employers.”

Adding to the sense that employers are finally inclined to add labor, the number of so-called involuntary part-time workers — people who cannot find full-time jobs, or whose hours have been cut — fell to 8.3 million in January, from 9.2 million.

But even among the signs of improvement, the report presented unambiguous evidence that these remain grim days for millions of ordinary people.

The unemployment rate reached 16.5 percent among African-Americans, 12.6 percent among Hispanics, and 26.4 percent among teenagers.

“African-Americans and Latinos continue to bear the brunt of this economic recession,” Representative Maxine Waters, Democrat of California, said in a written statement. “We cannot in good conscience welcome these numbers without acknowledging the disparity that exists between the general population and communities of color.”

The so-called underemployment rate — which counts involuntary part-time workers along with people who have given up looking for jobs — was 16.5 percent in January. That amounted to an improvement from the 17.3 percent a month earlier, yet it was nearly double the level of three years ago.

Those who have been out of work for six months or longer swelled to 6.3 million in January, from 6.1 million in December, the highest level since the government began tracking such data in 1948.

“Things are getting bad less rapidly,” said Dean Baker, co-director of the liberal Center for Economic and Policy Research in Washington. “We’re sort of hitting bottom, but there is no evidence of a robust turnaround.”

Source: The New York Times

USA: Construction Unemployment Still On The Rise

25 February 2010 -- For construction worker Christopher Allaway, installing metal roofs while teetering on 4-inch-wide steel beams is an adrenaline rush.

"That's when I know I'm alive," says Allaway, a 20-year industry veteran who often worked 12-hour days and seven-day weeks before he was laid off in July.

Despite enduring the longest hiatus of his life, he has no plans to switch careers. "I'm just riding it out," says Allaway, who lives in Oak Lawn, Ill. "This is the thing I really want to be doing."

Like millions of his colleagues, he might have a long wait. While most of the job market continued to rebound in January, the construction industry remained mired in its worst downturn since the Great Depression. It lost 75,000 jobs last month, almost single-handedly preventing U.S. employment from showing its second gain in two years. Employers overall shed 20,000 jobs.

As the jobless rate hovers around 10%, unemployment in construction jumped to 24.7%, highest on record since 1976. Construction has accounted for nearly a quarter of all job losses the past year, though the industry employs 4.3% of non-farm employees. Even manufacturing added 11,000 jobs in January, its first net increase since the recession began in December 2007.

Many contractors are doing jobs for less than cost. Thousands are going bankrupt or shutting down. And many workers are shifting to new careers, such as truck driving or airplane repair.

Construction "should probably replace manufacturing as the key problem child in terms of trying to turn job growth from negative to positive," says Joel Naroff of NAROFF ECONOMIC ADVISORS.

The sector has lost about 2 million jobs since the recession started. While that's a bit less than the 2.2 million factory jobs eliminated, the construction workforce is about half the size of manufacturing.

Relief is not imminent. The industry will likely slash 50,000 jobs a month the first half of 2010 before a housing rebound offsets a continuing free fall in the commercial sector by late this year, says Ken Simonson, chief economist for ASSOCIATED GENERAL CONTRACTORS OF AMERICA. He predicts another 5% of construction workers will lose their jobs in 2010.

The industry is caught in the vortex of the economy's fiercest headwinds. Residential building tanked after the collapse of the housing bubble in 2006. As housing inventories dwindled to 30-year lows, job losses in home construction began to moderate last spring, though the sector has continued to shed workers, slicing 15,000 in January.

Yet just as the housing picture started to brighten, commercial building began a steep descent early last year as the recession sharply pushed up vacancy rates for office buildings, strip shopping centers and factories. About 60,000 commercial construction jobs were eliminated in January.

Help from Washington

The $787 billion stimulus package was designed to stanch the bleeding, with $135 billion earmarked for construction. So far, highway paving has benefited most. The U.S. government has awarded 77% of $28 billion in road-building funds, saving or creating 280,000 construction jobs, Simonson says.

But other public works projects, such as schools and high-speed rail lines, have been delayed by local government staffing shortages and "Buy American" mandates, he says. While the stimulus should have a bigger impact in 2010, it's affecting only 5% of construction jobs each year, his trade group says.

To stay afloat, contractors specializing in residential and private commercial building have pivoted to public works. The stimulus helped SUNDT CONSTRUCTION stay profitable last year despite the slump, which slashed revenue 23% and forced the firm to lay off a quarter of its 1,600 workers, says CEO Doug Pruitt. Its stimulus projects — valued at $60 million — include building Army barracks at Fort Bliss in El Paso and a sewage pipeline in Tucson. They've saved or created about 100 jobs for SUNDT and its subcontractors, Pruitt says.

But the stimulus only goes so far. After winning $100 million in federal highway projects last year, PIKE INDUSTRIES of Belmont, N.H., added 150 workers to its staff of 1,000, says company President Christian Zimmermann. With stimulus work dried up, it may shed about 200 jobs this year, he says.

For others, federal aid has helped only modestly. A $20 million stimulus-related project on Interstate 95 has not let RANGER CONSTRUCTION avoid 20% cuts in revenue and staffing as its regular work — paving roads and parking lots for strip malls and condos — all but vanished. The West Palm Beach, Fla., firm now competes against 25 bidders on a job instead of five and is doing projects at cost just to generate cash for its asphalt-making unit. "I'd love to break even" in 2010, says RANGER executive Bob Schafer.

The struggle is more dire for workers. Like many of his peers, Allaway, 49, worked mainly for one firm but bounced among a few others for part-time gigs. The former paratrooper enjoyed the physical and mental challenges of breaking off and lifting 200-pound metal sheets and fitting them in their spots. He earned up to $80,000 a year in the boom, but his pay fell the last two years. Now, he clears $385 a week in unemployment benefits and has drawn $16,000 from savings. He has stopped renting DVDs; his grocery bill is a fraction of what it was. "You feel like the lowest," says Allaway, who lives in a modest two-bedroom condo.

Others switch fields, at least temporarily. After losing his job as a ductwork installer in July, David Kuper, 48, returned to truck driving, a job he had in the early 1980s. The Brownsburg, Ind., resident began cross-country treks in September, earning 65% of his former $32-an-hour pay. The 22-year construction veteran says he'd like to return to the field, but only for full-time work. "I don't want to be a guy that just gets a piece of it now and then."

Some leave for good. When cabinet installer Carl Riley of Victorville, Calif., couldn't find work after being laid off early last year, he sought training as an airplane mechanic through San Bernardino County's Workforce Investment Board.

Construction "is not going to be like it was for a very long time," says Riley, 35.

Source: USA Today

USA: After Escaping Jobless Rolls, Trauma May Linger

5 February 2010 -- Antje Newby went back to work in September, but she has still not escaped the burden imposed by nine months of unemployment.

Mrs. Newby and her husband were forced to walk away from their home in suburban Detroit and are now living here in a rented house with their three children. They are bracing for a huge tax bill in the spring because of early withdrawals they made on her 401(k) and taxes they still owe on unemployment benefits. Their credit is in tatters, and their 16-year marriage showed cracks they are still trying to repair.

“We’re not done living through the fallout of all of that,” Mrs. Newby said, four months into her new job as an account director of an advertising agency here.

The wound of unemployment, as her family has learned, is not cauterized so quickly, and lives do not simply go back to the way they were.

Interviews with more than a dozen people who were out of work at least a half-year during the recession and have now landed jobs found many adjusting to new realities. Some of the changes are self-imposed; others forced upon them. They include grappling with newfound insecurities and scaled-back budgets; reshaped priorities and broken relationships. In some ways, it is equivalent to the lingering symptoms of post-traumatic stress.

In returning to work, Mrs. Newby, 41, has fulfilled a dream of millions of jobless people as the economy lurches back to life. But with the average duration of unemployment now more than six months, the consequences of the period will continue to ripple through the lives of many.

Matt Grogan, 40, who lost his job in Michigan in 2007 and was out of work for close to two years before landing a position in information technology in West Virginia seven months ago, said he was petrified heading into his first performance review.

“I could not sleep that night,” Mr. Grogan said. “I called my mom. I had so much anxiety. I was worried about going to that meeting and having them say, ‘You’re done.’ ”

Lee Black, 43, who lost his job in information technology twice for a total of eight months in the recession, forcing him to declare bankruptcy, has now taken over from his wife the handling of his family’s finances, and is hewing for the first time to a strict budget. Their family of five goes to church now every Sunday. And he has quit drinking.

Still, even though Mr. Black has been back to work for more than six months, he continues to feel as if he is living on a knife’s edge. The job he found is in Cincinnati, a two-hour drive from his home in Columbus. He stays in a camper he keeps in a parking lot near his work during the week and pours himself unrelentingly into his job, volunteering for extra shifts, including overnight on Christmas.

“If the rug is pulled out again, I’m not going to survive,” he said.

In the case of the Newbys, the strife between Mrs. Newby and her husband, Tom, 42, whose work in commercial flooring dried up last year as well, has cooled after flaring in the crucible of unemployment, but the embers remain.

The fate of their house in Michigan, on which they have not made payments in months, is still looming, and with it, the full impact on their credit. With no savings and little chance of securing a loan, they worry about how they will be able to get a new car in June when the lease on their old one expires.

“We’ve got financial impact we’re going to deal with forever,” said Mrs. Newby, who is still behind on her bills.

And small and large changes now abound in their lives. The family packed up and moved south in a matter of weeks after Mrs. Newby was hired. Their older daughter, Allison, 16, once an avid basketball player, is no longer playing in her new school. The couple has resolved to rent and never own again after feeling trapped by their old house.

“This has totally changed my perspective,” Mrs. Newby said.

It is not clear whether those who have gone back to work will embrace a new frugality. The Newbys are doing their best to rein in their spending, both out of necessity and to make sure they are better protected for the future. Like many other Americans, they had always simply spent what they earned.

But they have failed to set aside anything so far, even with Mrs. Newby’s six-figure salary. Their race to catch up on bills is only part of the explanation. They are still without a second income, because the couple agreed that Mr. Newby would stay home initially to help the children, including Tommy, 4, and Mackenzie, 7, through the transition. The cost of day care also means it makes little sense for him to take just any job.

They have tried to exercise discipline, but the reality is they have struggled at times to shed old habits. They had initially set a budget of $1,300 a month for their rental home, the same as their mortgage back in Michigan, but they wound up inching up to $1,600, because they fell in love with the house they are living in now.

Mr. Newby has intentionally been less strict with the children to help them through the tumult. He has been especially conscious about giving Allison, a high school junior who still breaks down in tears at times over their move, a wide berth.

For her part, Allison says she is studying harder than ever because she believes she now needs to get a scholarship to go to college. Her career goals have shifted as well. She is focused on finding a job in a stable field to avoid what happened to her parents.

She has observed her parents’ relationship warm up, but it is not clear if they are all the way back. The other day, the couple found themselves arguing once again about the Michigan house. Mrs. Newby wanted to go to the bank and finally settle the matter, but her husband argued it was fine to wait.

“It was the old tapes playing again,” Mrs. Newby said.

Even with the long shadow of her job loss, Mrs. Newby’s attitude toward work has shifted, driven in part by her Christian faith. In an all-consuming advertising career, she is now less inclined to throw herself completely into it.

"I gave so much of my life, so much of my energy and time to serving this company and clients and for what?" she said. "Where did it get me?"

Source: The New York Times

USA: Tax Gain and 37% More Orders Help BEAZER HOMES Post Profit

5 February 2010 -- BEAZER HOMES USA posted a quarterly profit on Friday, helped by a hefty tax gain.

The company said it earned $48 million, or $1.17 a share, in the quarter, reversing a year-earlier loss of $80.3 million, or $2.08 a share. Sales in the period, which ended Dec. 31 and was the first quarter of BEAZER's fiscal year, rose only slightly, to $218.8 million, from $218.2 million.

The profit included a tax gain of $101 million.

Stock in BEAZER, which is based in Atlanta and caters primarily to first-time home buyers, rose 5 cents, to close at $4.16 a share.

The company said orders for new homes increased almost 37 percent compared to year-earlier levels. Completed sales also rose 8 percent from the same period a year earlier. And the number of buyers who backed out of contracts dropped to 27 percent from 46 percent a year earlier, a sign shoppers are gaining confidence.

The builder has focused on offering more energy-efficient homes. It also has geared up to buy more land this year.

Like other builders, BEAZER was helped by low mortgage rates and a tax credit for homebuyers.

But many industry experts question whether the housing recovery will sputter once the tax credits of $8,000 for new buyers and $6,500 for current owners expire at the end of April.

Source: The New York Times

USA: HOME DEPOT Swings to Profit, Gives Rosier Outlook

23 February 2010, NEW YORK -- In another sign that the battered home-improvement sector is poised for a recovery, HOME DEPOT INC. reported a better-than-expected fourth-quarter profit Tuesday after demand for kitchen, bath, paint and flooring products led to unexpected comparable-store-sales gains.

The largest home-improvement retailer also raised its quarterly dividend for the first time since 2006 and gave a profit outlook that also topped Wall Street expectations.

HOME DEPOT's report came a day after smaller rival LOWE'S COS. posted its first quarterly profit increase in over two years. LOWE'S also said it's seen improvement in demand for kitchen cabinets and other bigger-ticket items, suggesting a bottom in the battered housing market. See full story on LOWE'S.

HOME DEPOT shares rose 1.4% in pre-market trading.

"The sector is rebounding and is one to own in 2010," said J.P. Morgan analyst Christopher Horvers in a report. "

The Atlanta-based company swung to a profit of $342 million, or 20 cents a share, from a loss of $54 million, or 3 cents a share, in the year-earlier period. Sales in the quarter ended Jan. 31 decreased 0.3% to $14.6 billion.

Comparable-stores sales rose 1.2%, including a 1.1% drop from its US stores. Some analysts had expected total same-store sales to drop 2%. The company said it also grew its US market share by 1 percentage point.

On an adjusted basis, earnings from continuing operations totaled 24 cents a share.

Analysts, on average, estimated the Atlanta-based retailer -- a Dow member -- would earn 16 cents a share on sales of $14.03 billion, according to FactSet.

In 2010, it forecast profit of $1.79 a share with comparable sales increasing about 2.5%.

Analysts surveyed by FactSet had expected profit of $1.71 a share.

The home-improvement retailer lifted its quarterly dividend by 5% to 23.625 cents a share, the first increase since 2006.

Home-improvement retailers have been among the worst hit in the economic downturn after the collapse of the housing market sapped demand for pricier home-improvement projects.

LOWE'S said Monday consumers are now less likely to delay major projects, suggesting the worst of the economic cycle is behind. Still, it said the still-high unemployment rate and falling home prices will force it to plan conservatively.

Retailers also continue to take measures to make their operations more efficient. HOME DEPOT said in January that it's cutting 1,000 jobs as it plans to shut three underperforming pilot stores and consolidate various back-end functions. See full story on Home Depot's job-cut plan.

To offset the negative impact of the housing market downturn that has hurt big-ticket spending, HOME DEPOT Chief Executive Frank Blake has launched a "More saving. More doing" campaign, lowered product prices, improved customer service and kept more merchandise in stock to bolster demand.

The company also is shipping more products from regional distribution centers instead of directly from suppliers to stores to make operations more efficient.

The company has also slowed its square footage growth target to about 1.5% each year from 10.2% as recently as 2003.

Source: www.marketwatch.com

USA: LOWE'S Reports Fourth Quarter Sales and Earnings Results

22 February 2010 -- LOWE'S COMPANIES, INC., the world's second largest home improvement retailer, today reported net earnings of $205 million for the quarter ended January 29, 2010, a 26.5 percent increase from the same period a year ago. Diluted earnings per share increased 27.3 percent to $0.14 from $0.11 in the fourth quarter of 2008. For the fiscal year ended January 29, 2010, net earnings declined 18.8 percent to $1.78 billion and diluted earnings per share also declined 18.8 percent to $1.21.

Sales for the quarter increased 1.8 percent to $10.2 billion, up from $10.0 billion in the fourth quarter of 2008. For the fiscal year ended January 29, 2010, sales declined 2.1 percent to $47.2 billion. Comparable store sales for the fourth quarter declined 1.6 percent and declined 6.7 percent for fiscal 2009.

"Our fourth quarter results, including sales and earnings that exceeded our guidance, suggest the worst of the economic cycle is likely behind us," commented Robert A. Niblock, LOWE'S chairman and CEO. "While the psychological impact of falling home prices and an uncertain employment picture continue to weigh on consumers, improving comparable store sales trends, including improvement in many bigger-ticket, project categories, provides an encouraging sign that consumers are gaining the confidence to take on more discretionary projects.

"Our advancing customer service scores, driven by our knowledgeable and engaged workforce, have been a key factor in LOWE'S solid market share gains throughout this downturn," Niblock added. "Our commitment to service, shared by our more than 238,000 employees, positions LOWE'S to best capitalize on the markedly different competitive landscape we will experience as the economy bottoms and home improvement demand improves."

During the quarter, the company repurchased $500 million, or 21.9 million shares, of the company's common stock. The $1.7 billion share repurchase capacity remaining under the Board's 2007 authorization expired at the end of fiscal 2009. In addition, the Board of Directors has authorized the repurchase of up to $5 billion of the company's common stock. Although this new repurchase authorization has no expiration, the company expects to use the full amount over the next three years. The repurchases will be subject to market conditions, and will be made from time to time either in the open market or through private transactions in accordance with the requirements of the Securities and Exchange Commission. The company's repurchase program may be suspended, discontinued or resumed at any time.

During the quarter, LOWE'S opened 11 stores. As of January 29, 2010, LOWE'S operated 1,710 stores in the United States and Canada representing 193.2 million square feet of retail selling space, a 3.5 percent increase over last year.

First Quarter 2010 (comparisons to first quarter 2009)

•The company expects to open approximately 11 new stores reflecting square footage growth of approximately 3 percent

•Total sales are expected to increase 1 to 3 percent

•The company expects comparable store sales to range between a 2 percent decline and flat

•Earnings before interest and taxes as a percentage of sales (operating margin) is expected to decline 90 to 100 basis points

•Depreciation expense is expected to be approximately $400 million

•Diluted earnings per share of $0.27 to $0.29 are expected

•LOWE'S first quarter ends on April 30, 2010 with operating results to be publicly released on Monday, May 17, 2010

Fiscal Year 2010 (comparisons to fiscal year 2009)

•The company expects to open 40 to 45 stores in 2010 reflecting total square footage growth of approximately 2 percent

•Total sales are expected to increase 4 to 6 percent

•The company expects comparable store sales to increase 1 to 3 percent

•Earnings before interest and taxes as a percentage of sales (operating margin) is expected to increase 40 to 50 basis points

•Depreciation expense is expected to be approximately $1.62 billion

•Diluted earnings per share of $1.30 to $1.42 are expected for the fiscal year ending January 28, 2011

Source: LOWE'S

Europe: WOLSELEY Appoints New CFO, Cuts European CEO Role

25 January 2010 -- U.K. building materials firm WOLSELEY said Monday that its Chief Financial Officer Steve Webster will step down on March 31 and will be succeeded by John Martin, a partner with ALCHEMY PARTNERS and former CFO at TRAVELEX GROUP. The company also said that it is getting rid of its European CEO position and that Rob Marchbank will therefore be leaving the group on March 1. The company said the decision was made "in order to get greater focus on business unit performance and accelerate decision making in response to local market conditions." The regional managing directors in Europe will now report directly to CEO Ian Meakins.

Source: Fox Business