

As seen in



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Optimism rises among businesses

Companies stock up as sales expected to grow

By Barbara Hagenbaugh

PHILADELPHIA — Consumers have been keeping the economy afloat with their pocketbooks for the past three years, but new data suggest businesses may finally be ready to pull their weight.

The National Federation of Independent Business on Monday said its index of small-business optimism rose in October to near-record highs. The government, meanwhile, said firms added to their inventories in September while sales rose, a sign CEOs are stocking their shelves in anticipation of higher sales.

"What businesses are saying is they are becoming . . . more confident in the future," Federal Reserve Bank of Philadelphia President Anthony Santomero told reporters at a conference sponsored by the regional Fed Friday. "We're starting to see that in a number of sectors."

The news comes as consumers, whose spending accounts for more than two-thirds of U.S. economic activity, are

showing some signs of losing steam. After increasing for four consecutive months starting in May, retail sales fell in both September and October.

Data out Monday:

- ◆ The small-business optimism index rose to 104 in October, up 2.1 points from the previous month and just a hair under August's level, which was the highest in two decades. Not only did expansion, spending and investment plans increase, but owners reported a gain in hiring plans, the NFIB said.

- ◆ Businesses increased their inventories 0.3% in September, the biggest gain since March, the Commerce Department said. With sales rising, the ratio of inventories to sales remained at the lowest level in at least a decade, suggesting firms will continue to build stockpiles for months.

"When businesses are more optimistic about sales prospects, if they have to make a decision about keeping inventories slightly ahead or slightly behind, they will keep them ahead" to make sure they do not lose sales,

National City chief economist Richard DeKaser says.

- ◆ The New York Fed said its index of factory activity in the region rose in November as gauges of shipments and new orders gained.

A resurgence in business activity would create a much more balanced — and perhaps stable — economy than the USA has seen for years. After going on a buying and hiring binge during the late 1990s, businesses have drastically cut back since late 2000.

Although economists at the Philadelphia Fed forum were optimistic and welcomed recent job gains, many said hiring was too slow to declare the recovery a done deal.

"The last couple of numbers have been improvements, but we don't have jobs growing at the rate that is going to bring the unemployment rate down yet," Richmond Fed President Alfred Broaddus said in Philadelphia Friday. "We need to be cognizant of that."

As seen in Experience TODAY



Optimism rises among businesses, 2B

APPLICATIONS: *economics, comprehension, research, analysis*

DISCUSSION: Who has been propping up the economy for the last three years? What signs indicate that businesses are becoming more optimistic? Why do you think retail sales fell in September and October? What does the ratio of inventories to sales indicate? What needs to happen before economists declare that the recession is over?

ACTIVITY: Economists gather data from many sources and analyze it in different ways. The article mentions several measures – the small business optimism index, the Commerce Department's inventory index and the New York Fed's factory activity index. Look through the Money section for mention of two other measures of economic activity. Briefly explain the purpose of each in writing. (For answers to additional questions about the economy and the Fed, visit <http://www.frbsf.org/education/> and click on "Ask Dr. Econ.")

CURRENCY CONNECTION: List the purchases you would make with a \$20 bill at your local shopping center (e.g., earrings, French fries, a hat, etc.). What factors might influence your decisions? Then, identify five workers in five different industries who would be affected by your actions (e.g., potato farmers, sales clerks, etc.).

NATIONAL STANDARDS

NSS-EC.5-8.2 EFFECTIVE DECISION MAKING

(Students) understand how to determine the best level of consumption of a product, people must compare the additional benefits with the additional costs of consuming a little more or a little less. (NCEE)

NSS-EC.5-8.20 FEDERAL BUDGETARY INFLUENCES

(Students) understand federal government budgetary policy and the Federal Reserve System's monetary policy influence the overall levels of employment, output, and prices. (NCEE)

The New Color of Money Challenge

The USA TODAY Charitable Foundation supports the Federal Reserve System and Department of Treasury's campaign to raise awareness of the newly redesigned \$20 note and U.S. currency among students, teachers and parents.



Q: Name one person who appears on current U.S. paper currency that never served as president?

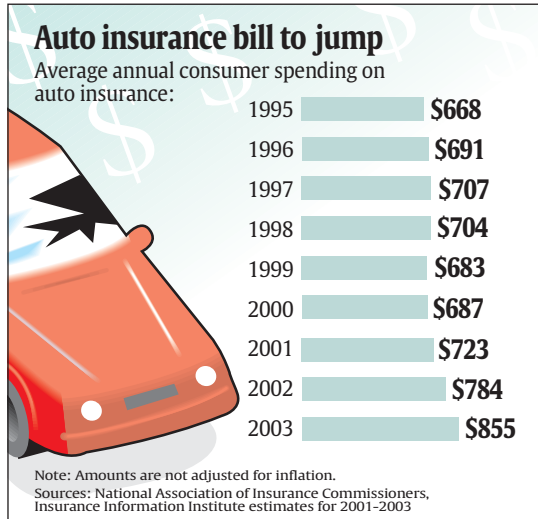
For more information about The New Color of Money and available materials and resources:

■ www.moneyfactory.com/newmoney ■ www.FederalReserveEducation.org ■ www.usatodayfoundation.org

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Money Matters

USA TODAY Snapshots®



APPLICATIONS: *knowledge, analysis, math, evaluation*

Most teens dream of getting their own car around the same time they get their driver's license. But consider this: teenagers who own their own vehicles don't just need to pay for the expense of gasoline, oil changes and other routine maintenance; they also have to pay for insurance (as required by law in all states). Auto insurance provides coverage in case damage is done to your

vehicle or injury is inflicted on you or other passengers.

If the average cost of auto insurance was \$855 in 2003, how much would a person pay per month to insure his or her vehicle? Given the trend shown, by what percentage will auto rates increase in 2004? How much more per year will drivers pay, on average, to insure their vehicles?

Is owning a car an affordable option for you?

COMPLIMENTARY EDUCATIONAL RESOURCES

On October 9, 2003, the United States government began issuing currency with new designs and security features beginning with the \$20 note. The new \$20 design retains three of the most important, easy-to-check security features that were first introduced in the 1990s: a watermark, security thread and color-shifting ink.

As part of a national campaign to raise awareness about the newly redesigned currency, the U.S. government is making educational materials available to teachers. These materials, correlated to national educational standards, aim to teach students about our nation's currency. The program, part of a broader initiative supported by education, civic and volunteer organizations, includes a range of interactive educational activities:

► **Interactive CD-ROM** – Educational activities related to the history, security features and production process of the newly redesigned currency.

► **Classroom Activity Poster** – Information on the newly redesigned currency and activities that drive students to the web and interactive CD-ROM.

► **USA TODAY Educational Lessons** – Daily and weekly activities challenging students on current events related to financial literacy and the newly redesigned currency.

► **Currency Puzzle Challenge** – Students are to find pieces in three issues of USA TODAY, assemble them, and complete the related activities.

All of these educational materials are available free to teachers online at www.moneyfactory.com/newmoney and www.usatodayfoundation.org. For more information, email: education@usatoday.com or contact Katie Mee at 202-530-4518.