

Home sales in Indiana jump

House prices falling in several areas

By MARTIN CRUTSINGER
THE ASSOCIATED PRESS

WASHINGTON

Indiana recorded the largest increase in home sales in the fourth quarter of 2006, according to reports from the National Association of Realtors.

The report, released Thursday, showed that the biggest declines were in former boom areas.

The slump in housing deepened in the final three months of last year with sales falling in 40 states and median home prices dropping in nearly half the metropolitan areas surveyed.

While some economists said they believed the worst may be over for housing, others predicted more price declines to come until near-record levels of unsold homes are reduced.

According to the report, the states with the biggest declines in sales from October through December compared with the same period in 2005 were: Nevada, down 36.1 percent; Florida, down 30.8 percent; Arizona, down 26.9 percent; and California, down 21.3 percent.

In all, the Realtors said sales declined in 40 states, six states showed gains and one state, Utah, had no change in activity in the final three months of last year. There was not enough information from Idaho, New Hampshire and Vermont to make a comparison.

Nationally, sales declined by 10.1 percent in the fourth quarter compared with the same period a year ago. The national median price, the point where half sell for more and half sell for less, fell to \$219,300, down 2.7 percent from the fourth quarter of 2005.

"This information confirms 2006 was the year of contraction and hopefully the fourth quarter was the bottom."

David Lereah
Chief economist for Realtors on the fourth-quarter slump in housing sales in 40 states

In all, median home prices fell in 49 percent of the 149 metropolitan areas surveyed, the largest percentage of areas showing price declines in the 27-year history of the Realtors' price survey.

A total of 73 metro areas had price declines from a year ago while 71 areas had increases. Five metro areas reported no change.

The price declines were led by an 18 percent decline in the Sarasota-Bradenton-Venice area of Florida. The city with the biggest price gain was Atlantic City, N.J., where the median home price was up 25.9 percent in the fourth quarter.

David Lereah, chief economist for the Realtors, said he believed the report would represent the low-point in the current housing slowdown.

"When we get the figures for the spring, I expect to see a discernible improvement in both sales and prices," he said.

But Mark Zandi, chief economist for Moody's Economy.com, predicted that home prices in many parts of the country would continue to be under pressure for the rest of this year as the market works through still large inventories of unsold homes.

Giving American drivers what they want



AP PHOTO

Ford Edge vehicles are displayed at the Bob Maxey Ford dealership in Detroit on Thursday. Now that all three domestic auto companies have announced thousands of job cuts, they must concentrate on building vehicles that people want, experts say.

After downsizing, companies focusing on vehicle quality

By TOM KRISHER
THE ASSOCIATED PRESS

DETROIT

Shrink to grow. That's the message from Detroit, where all three of the traditional domestic auto companies have announced thousands of job cuts in the hopes of turning red ink to black.

But they all know they can't cut their way to profitability. In the end, they have to build more cars and trucks that people want to buy. These days, that means smaller and more fuel efficient vehicles.

"There's no doubt that the easier part of the two prongs of restructuring is cost-cutting," said Efraim Levy, senior industry analyst with Standard & Poor's. "The hard part is getting the vehicles that consumers want."

With Chrysler's announcement Wednesday that it will cut 13,000 jobs and shut down one plant and some assembly lines, all the traditional domestic manufacturers have downsized considerably in the past two years. Ford Motor Co. will cut up to 38,000 blue-collar jobs and another 14,000 salaried positions. General Motors Corp. has trimmed its salaried ranks and about 35,000 production jobs.

GM alone says it has cut about \$2,000 from the cost of building each car. All three lost billions last year and were forced to shrink as expensive gasoline shifted demand from trucks and sport utility vehicles to smaller, more fuel efficient models, sending the Big Three scrambling to come out with new models to try and recapture buyers who fled to Asian competitors.

The domestic brands' market share dropped from more than 70 percent in the 1980s to 53.7 percent last year, and

Toyota likely will unseat Ford as the No. 2 auto seller in the U.S. this year.

With many of their new products already in the market, several industry analysts say the jury is still out on whether the automakers can recover.

"There are some new products that have taken hold and there are others that are questionable," said Tom Libby, J.D. Power and Associates' senior director of industry analysis.

Among the successes he points to is the Pontiac Solstice, a niche car that sits only a short time on dealer lots and has sold roughly 1,000 to 2,000 per month since its introduction in October 2005. The sleek two-seat roadster is priced around \$20,000.

"You have a combination of this sexy appeal of a car with this low price," Libby said. "You have to have both, and that proves itself with the Solstice."

Mortgage rates rise slightly

By MARTIN CRUTSINGER
THE ASSOCIATED PRESS

WASHINGTON

Rates on 30-year mortgages rose slightly this week, reversing last week's brief decline.

Mortgage giant Freddie Mac reported Thursday that 30-year, fixed-rate mortgages averaged 6.30 percent this week, up from 6.28 percent last week. Last week had been the first decline in rates since early December.

The small rebound this week came as Federal Reserve Chairman Ben Bernanke was telling Congress he believed the economy would continue growing at a moderate pace this year and next with inflation pressures continuing to ease.

"Mortgage rates exhibited little change in the past week ... as there was little new information that would cause any great

change," said Frank Nothaft, chief economist for Freddie Mac.

He said financial markets could have more of a reaction to upcoming reports on inflation and housing construction.

Many analysts think that 30-year mortgages will remain in a narrow band between 6.3 percent and 6.5 percent for the rest of this year with the Fed expected to keep interest rates unchanged for much of that time.

The Freddie Mac survey showed that other types of mortgage rates also rose slightly this week.

Rates on 15-year, fixed-rate mortgages, a popular choice for refinancing, edged up to 6.03 percent, compared to 6.02 percent last week.

Five-year adjustable rate mortgages rose to 6.01 percent, up from 5.99 percent last week.

One-year ARMs rose to 5.52 percent, up from 5.49 percent last week.

Industrial output declines 0.5 percent

Jobless claims at highest level since November

By MARTIN CRUTSINGER
THE ASSOCIATED PRESS

WASHINGTON

Industrial output fell in January by the largest amount in 17 months, reflecting huge cutbacks at auto factories.

The Federal Reserve reported Thursday that output at the nation's factories, mines and utilities was down 0.5 percent in January, the biggest setback since Hurricane Katrina disrupted activity in the fall of 2005.

Half of the decline last month reflected a drop of 6 percent in output at auto and auto parts factories. Overall, manufacturing fell by 1.2 percent.

In addition to the cuts in the auto industry, output in the mining sector, which includes oil production, fell by 1.2 percent in January.

The declines were offset somewhat by a 2.3 percent rise in utility output as the unusually mild weather of December was followed by more normal winter weather in January, boosting electricity and natural gas output.

In other economic news, the

Labor Department reported that the number of newly laid off workers jumped last week, reflecting in part the frigid weather in many parts of the country.

Jobless claims rose to 357,000 last week, the highest level since late November. The increase of 44,000 claims from the previous week was the biggest one-week increase since Sept. 10, 2005, when claims soared in the aftermath of Hurricane Katrina hitting the Gulf Coast.

The four-week moving average for claims rose to 326,250 last week, the highest level in nine weeks and an indication that conditions in the job market have softened.

Part of the increase in jobless claims last week was due to a blast of cold in the Midwest and Northeast, which triggered higher layoffs in such industries as construction.

Many analysts believe that the unemployment rate, which edged up from 4.5 percent to 4.6 percent in January, will keep rising to perhaps a peak of 5 percent later this year as the economy slows under the impact of previous credit-tightening by the Federal Reserve.

More Indiana jobs affected by Chrysler cuts

By TOM KRISHER
THE ASSOCIATED PRESS

DETROIT

The fallout from Chrysler's big downsizing announcement will hit eight factories in addition to the three initially identified by the company.

The eight plants, in Kokomo, Michigan and Ohio, make components that go into slower-selling mid-sized sport utility vehicles, pickup trucks and other large

vehicles on which Chrysler plans to cut production through 2009.

The Indiana Transmission Plant I in Kokomo would lose 100 jobs this year, said Chrysler spokesman Mike Aberlich.

The Chrysler Group, which had an operating loss of \$1.475 billion in 2006 and expects to show losses through 2007, announced Wednesday that it would eliminate 13,000 positions, including 11,000 production jobs and 2,000 white-collar posts, as it seeks to cut costs and

return to profitability in 2008.

Of the production job cuts, 9,000 are in the U.S. and 2,000 are in Canada.

Chrysler, part of Germany-based DaimlerChrysler AG, said Wednesday it plans to close the Newark, Del., assembly plant during the next two years and cut shifts at plants in Warren, Mich., and St. Louis. The company also announced that a parts distribution center which employs 100 workers near Cleveland also will close this year.

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