

Inflation fear puts a new wrinkle on the economy

By B. Z. KHASRU

News on the economic front has been quite mixed lately, with some indicators showing the growth momentum continuing, but others pointing to signs of surging inflation, a fear that has prompted the Federal Reserve to raise the short-term interest rate.



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While the overall inflation is under control, a different picture emerges in health care, drugs and higher education, notes Tom Runiewicz, an analyst with economic consulting firm Global Insight Inc. in Waltham, Mass.

"Furthermore, when the price of oil began to escalate, worries about intermediate price gains surfaced." Oil prices soared again last week.

Would higher oil prices mean surcharges on trucking, air transportation or other delivery services? Would utilities push through higher generation costs? While these questions are grabbing headlines, what most people don't realize that another type of inflation is forming, he contends.

It is "stealthlike" and almost unnoticeable unless you are a purchaser for manufacturing. This is the rising cost of materials. Copper prices were just above \$1,700 per ton a year ago, but now exceed \$2,800.

The inflation fear coincides with a dimmer second-quarter growth report. Growth Domestic Product grew 3 percent, compared with widely expected 4 percent. Second-quarter consumer spending also slowed.

Last week came another piece of grim news. Connecticut purchasing managers say economic conditions in the state continue improving for their industries, but they see there is a new threat on the horizon: inflation.

"The answers indicate that economic recovery is strong, but inflation is definitely an issue that may have the potential to slow or stop further growth and expansion," says Peter Gioia, an economist with the Connecticut Business & Industry Association, which produced a study of local businesses.

On the positive side, the survey contained some good news about jobs growth. Twenty-four percent of the companies responding expect to hire more permanent employees. That's double the number that expected to hire new employees a year ago.

Despite the threats of inflation and slowing growth, an improved job market will certainly bring welcome relief and help boost the

public mood, which will bode well for the economy.

Electro Energy merges, places \$3 million

Electro Energy Inc. of Danbury announced the closing of a private placement totaling approximately \$3 million and the simultaneous stock-for-stock merger with MCG Diversified Inc. The combined company will operate under the name Electro Energy Inc. and will assume and execute Electro Energy's business plan as its sole business.

Electro Energy will retain its senior management team and three of its current directors. Shares will be listed on the Over-the-Counter (OTC) Bulletin Board initially under the trading symbol EEEOB. The company plans to apply for listing its shares on the American Stock Exchange as soon as practicable.

Following the closing of the private placement and merger, Electro Energy has 13.39 million outstanding shares of common stock, inclusive of shares of its series A preferred stock that are convertible into 1.2 million shares of common stock.

Electro Energy develops and manufactures high-power, rechargeable bipolar nickel-metal hydride (BP Ni-MH) and nickel-cadmium (NiCd) batteries, and is developing lithium batteries for use in a wide range of applications. Electro Energy's customer base includes government agencies and defense contractors, as well as aerospace and automotive companies.

The private placement and merger transaction will enable Electro Energy to pursue the commercialization of its technology by investing in manufacturing capabilities and expanding sales and marketing activities.

Toledo offers electronic tax payment options

Official Payments Corp. of Stamford, a wholly owned subsidiary of Tier Technologies Inc., said that taxpayers in Toledo, Ohio, can now make credit and debit card payments for income, estimated and withholding taxes.

The service will provide Toledo taxpayers with a secure electronic credit and debit card tax payment option to make tax payments via the Internet or over the phone.

Official Payments provides electronic payment services for the Internal Revenue Service, 22 states, the District of Columbia and more than 1,500 local government clients nationwide. Official Payments' principal business is processing electronic payments on behalf of government entities. It charges taxpayers a fee for the service.

Olin completes new senior revolving credit facility

Olin Corp. of Norwalk said it has entered into a new \$160 million, five-year senior revolving credit facility that replaces its \$140 million senior credit facility. The new credit facility will expire on July 30, 2009. Borrowing options, restrictive covenants and the letter of credit subfacility are similar to those of the \$140 million senior revolving credit facility.

Citibank will act as administrative agent for the facility; Bank of America N.A. has acted as syndication agent; Wachovia Bank N.A. and The Northern Trust Company have acted as documentation agents; and Citigroup Global Markets Inc. has acted as lead arranger.

Statement regarding InVision voluntary disclosure

InVision Technologies Inc. of Wilton said it has made a voluntary disclosure to the U.S. Department of Justice and the Securities and Exchange Commission (SEC) of an InVision internal investigation.

GE agreed on March 15 to acquire InVision Technologies in a cash merger. GE said that since this matter is before the Department of Justice and the SEC, it will not be making further comments at this time on the investigation. GE said it continues to want to conclude the acquisition and is hopeful that this matter will be resolved.

Better Packages receives award

Better Packages in Shelton, a leading manufacturer of water-activated tape dispensers, said that it has been awarded a Silver Connecticut Quality Improvement Award for its BP555eSa Dispenser and the AMD (Automatic Measuring Device).

"We are delighted that the innovative design and features of our BP555eSa and the AMD are recognized by the Connecticut Quality Improvement Award Partnership. It is an honor to be included along with such an outstanding range of Connecticut companies," said Philip White, president of Better Packages.

The silver Connecticut Quality Improvement Award is broadly based on the Malcolm Baldrige National Quality Award for Performance Excellence's three principles of approach, deployment and results. The award applications were judged by 15 Baldrige-trained Connecticut Quality Innovation Award examiners.

Winners will be recognized at the Connecticut Quality Improvement Award Partnership's 17th Annual Conference on Quality and Innovation on Oct. 13 in Westbrook.