

Extending the Trend

Our call last month for a 3.1 percent rise in 1Q2010 real gross domestic product (GDP) hit close to the mark; the Bureau of Economic Analysis (BEA) pegged the growth rate at 3.2 percent – considerably lower than 4Q2009's 5.6 percent. The 1Q2010 figure would have been slower yet had consumer spending not jumped at the fastest rate in three years. As one pundit put it, "we're back to relying on an extended consumer for economic growth."

On its surface, the April employment report looked quite encouraging. Non-farm payroll employment rose by an estimated 290,000 jobs, although the unemployment rate edged up to 9.9 percent because of the number of people returning to the labor force. After digging into the numbers, however, we can assert with some confidence only that at least 10,000 permanent, full time positions were created in April. Because of slow hiring, the rise in consumer spending outstripped the increase in incomes again in March. Although incomes still exceed outlays, the two metrics are converging.

The manufacturing sector expanded in April for the ninth consecutive month. The performance of individual industries at least somewhat related to the forest products sector improved "across the board." All industries except Agriculture, Forestry, Fishing & Hunting reported growth in new orders; however, only Paper Products reported growth in new *export* orders. All but Real Estate, Rental & Leasing reported stable or growing employment.

Most housing metrics improved in March. In the activity category, only single-family starts and total completions declined. Home resales also rose (6.8 percent) in March, to 5.35 million SAAR. Most analysts attributed the bump in new and existing home sales to the first of two impending federal tax credit deadlines.

The Netherlands Bureau for Economic Policy Analysis estimates the volume of world trade expanded at least through February. Closer to home, U.S. exports and imports both rose in February; the trade deficit widened, though, because imports rose more quickly than exports.

The U.S. dollar appreciated in April against two of the three currencies we track; on a trade-weighted index basis, the dollar depreciated 0.5 percent against a basket of 26 currencies and is 20.9 percent below its February 2002 peak.

The monthly average price of West Texas Intermediate crude oil rose for a second consecutive month in April, to \$84.48 per barrel – a gain of \$3.24 (4.0 percent). That price increase coincided with a weaker dollar, and occurred because of the lagged impacts of an uptick in consumption of roughly 0.3 million barrels per day and despite rising crude stocks.

The next page contains a list of articles posted on our website; those articles relate recent economic developments to the U.S. forest products sector in much greater detail. They also provide context for our complete, 24-month forecast, which is contained in the *Economic Outlook* newsletter available through Forest2Market (<http://www.forest2market.com/f2m/us/products/outlook>). ■

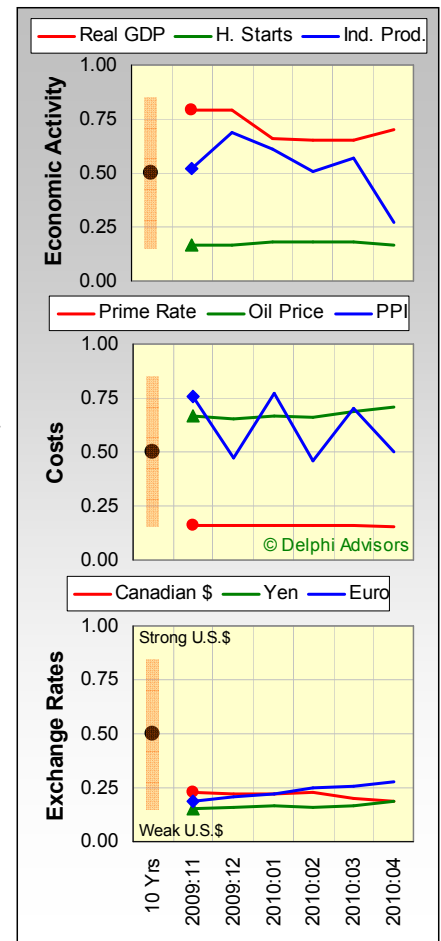


Figure 1. Previous six month's behavior of macroeconomic variables indexed relative to their historical 10-year min, max and average (lower and upper ends of the orange bars, and black dots, respectively)

Delphi Advisors articles relating economic developments to the U.S. forest products sector

Category / Title	Link
Gross Domestic Product	
<i>Consumers Lead the Way on 1Q2010 GDP Growth</i>	http://tinyurl.com/23qkz74
Personal Consumption Expenditures	
Employment	
<i>April 2010 Employment Report: Ghosts, Temps and Census Workers – Oh My!</i>	http://tinyurl.com/28d5hcn
Consumer Spending	
<i>Consumption Outstrips Incomes in March</i>	http://tinyurl.com/248yh6a
<i>Retail Sales Increased in March: The Question is "Why?"</i>	http://tinyurl.com/23qy3uf
Private Domestic Investment	
Manufacturing	
<i>Manufacturing Mixed in March</i>	http://tinyurl.com/2drlowp
<i>March 2010 Manufacturers' Shipments, Inventories and New Orders</i>	http://tinyurl.com/2b4y3fc
<i>Rail Traffic Chugs Ahead in March</i>	http://tinyurl.com/2dhdfkx
<i>April 2010 ISM Reports: Manufacturing Sector Gaining, and Service Sector Holding Head of Steam</i>	http://tinyurl.com/27chgo2
Construction	
<i>March 2010 Value of Construction Put in Place: More Down than Up</i>	http://tinyurl.com/238799a
<i>U.S. Housing Market: Looking Up, but For How Long?</i>	http://tinyurl.com/26hq8to
<i>Residential Vacancies: Still Plenty of Wide Open Spaces</i>	http://tinyurl.com/2gyknxz
<i>March 2010 Housing Affordability Index and February 2010 Case-Shiller Home Price Index</i>	http://tinyurl.com/29yfllma
Net Exports	
<i>U.S. Trade Deficit Widened in February: Is Renewed Dollar Strength Stunting Export Volumes?</i>	http://tinyurl.com/26dvhev
<i>February 2010 World Trade: Volumes Mostly Up but Prices Down</i>	http://tinyurl.com/2flroda
Government Consumption Expenditures (Monetary & Fiscal Policy)	
Price Stability	
<i>March 2010 Consumer and Producer Price Indices: Bottle Rockets and Duds</i>	http://tinyurl.com/2d4x625
Currency Exchange Rates	
<i>April 2010 Currency Exchange Rates: Greenback Pecked by Loonie</i>	http://tinyurl.com/2c2ospj
Energy	
<i>April 2010 Monthly Average Crude Oil Price: Extending the Trend</i>	http://tinyurl.com/28935xl