

The “Fat Lady” Sings, but it’s a “Great Disappointment”

In opera circles, the saying goes that the show isn’t over until “the fat lady sings.” Although the horned helmet and metal breastplate were undoubtedly left on the shelf, the “fat lady” – in this case the National Bureau of Economic Research’s Business Cycle Dating Committee – last month determined a trough in business activity occurred in the U.S. economy in June 2009. This trough marked the end of the recession that began in December 2007, and the beginning of an expansion. The recession lasted 18 months, which makes it the longest of any recession since World War II. Previously the longest postwar recessions were those of 1973 to 1975 and 1981 to 1982, both of which lasted 16 months.

Tellingly, “in determining that a trough occurred in June 2009, the committee did not conclude that economic conditions since that month have been favorable or that the economy has returned to operating at normal capacity. Rather, the committee determined only that the recession ended and a recovery began in that month.”

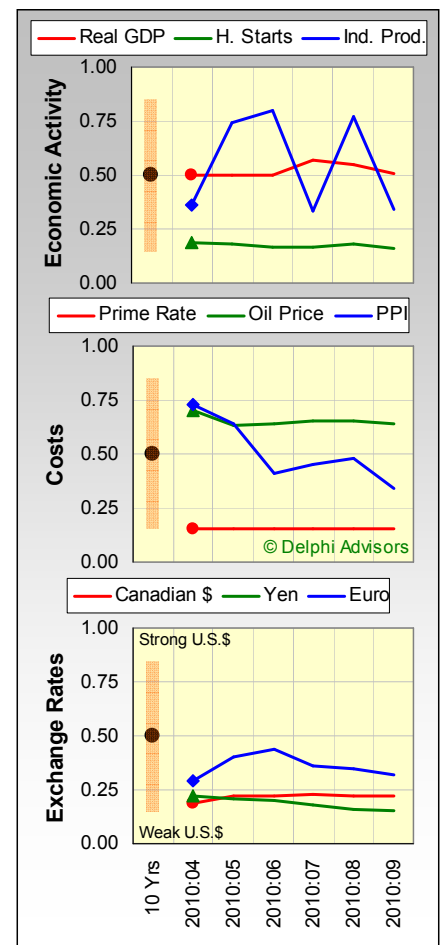
Although the recession may be over in a technical sense, it certainly does not feel that way. If the period between December 2007 and June 2009 constituted the “Great Recession,” said David Rosenberg, chief economist at Gluskin Sheff, “the period since then can be labeled the “Great Disappointment.”

The greatest disappointment so far has been the lack of a rebound in employment. True, the private sector added 64,000 workers in September, but that was well below the 100,000 needed just to keep up with population growth. Manufacturing appears to be running out steam, reflected in noticeably slower growth of the Institute for Supply Management’s manufacturing PMI during September.

On a more positive note, the *number* of total housing starts rose by 10.5 percent in August despite a 0.3 percent decline in the *value* of private residential construction put in place. The housing market may have run aground yet again, however, thanks to revelations of potential foreclosure fraud being perpetrated by banks. How long it will take the market to free itself from this latest challenge remains to be seen, but the details emerging on an almost daily basis are not encouraging.

We were disappointed (but not surprised) to see that Congress adjourned until after the November election without taking any action on the topic of tax cuts. Because of that inaction, the Internal Revenue Service will have to prepare and distribute tax tables with higher amounts for businesses and individuals to use early next year. Those increased tax rates will represent yet another burden weighing on an economy that increasingly appears to be faltering.

This report is a compilation of articles posted on our website (<http://delphiadvisorsmacropulse.blogspot.com/>); 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>). ■



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)