

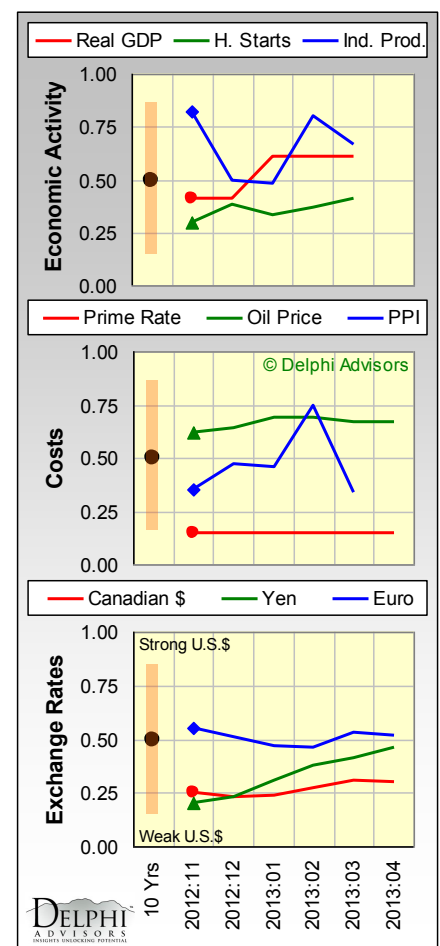
Déjà Swoon?

For the third year in a row, the U.S. economy appears to be losing momentum with the arrival of spring. “In fact,” the [Washington Post](#) observed, “the slowdowns have become so reliable, and the timing so consistent, that economists have given them a name: the ‘spring swoon.’” The following overview of articles we’ve posted on our website during the past month paints a less-than-flattering picture of current conditions.

- U.S. [construction spending](#) declined although housing starts topped 1 million units. The gain in starts was limited to multi-family units, however, as single-family starts dropped rather substantially. Futures traders apparently put more “stock” in the spending statistic because, like most other commodities, [lumber futures](#) recently have been dropping like a rock.
- [Crude oil prices](#) have been flat or declining since February, thanks to the combination of tepid demand, a [stronger U.S. dollar](#), and reserves at all-time highs.
- The April [employment report](#) bounced back from a terrible March report (which was revised higher). The underlying details of the April report were rather unsettling, however, especially the revelation that the shorter average work-week was equivalent to over 700,000 people losing their jobs.
- [ISM manufacturing growth](#) nearly stalled in April. Wood products notably slowed while paper showed some resilience. Growth in the service sector also waned, but was still more robust than manufacturing. If the [Empire State Manufacturing Survey](#) for May is any indication, manufacturing nationwide will remain weak.
- The value of manufactured [shipments](#) declined. Shipments for both wood and paper retreated. Non-coal rail activity was also down. Wood products inventories climbed ominously, but paper inventories registered a slight reduction. New orders declined; so, too, did unfilled orders for durable goods (a good [litmus test](#) for sector growth).
- On [trade](#), exports declined (due to slowing global growth and/or the rising U.S. dollar) and imports fell (stronger dollar and/or slowing domestic growth). The stronger dollar and improving U.S. housing market supported an increase in [lumber imports](#); lumber exports, on the other hand, were lower on a year-over-year basis – again the result of a stronger dollar and slower global growth.
- [Personal income](#) and disposable personal income registered slight increases. Consumer spending has moderated commensurately, as slow income growth and higher taxes take their toll.

All in all, in our opinion, not a very rosy picture.

This report is a compilation of articles posted on our [website](#); those articles relate recent economic developments to the U.S. forest products sector in much greater detail. ■



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)