MACRO PULSE™

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Farewell to 2013

As 2013 draws to a close, the debate over the U.S. economy's true condition continues unabated. Statistics can be found to support almost any opinion. Our own position is that the "patient" is not as healthy as it could be, but we readily admit at least some of the adverse symptoms seen during the Great Recession have disappeared -- for the time being. A few selected indicators are discussed below:

• Housing -- In mid-December the Census Bureau finally published statistics for housing starts covering September through November. Total housing starts surged in November to their highest seasonally adjusted and annualized rate (SAAR) since February 2008. Total starts rose to 1.091 million units, an increase of 202,000 units (22.7 percent) relative to October. That is the largest monthly increase (on an absolute basis) since January 2006.

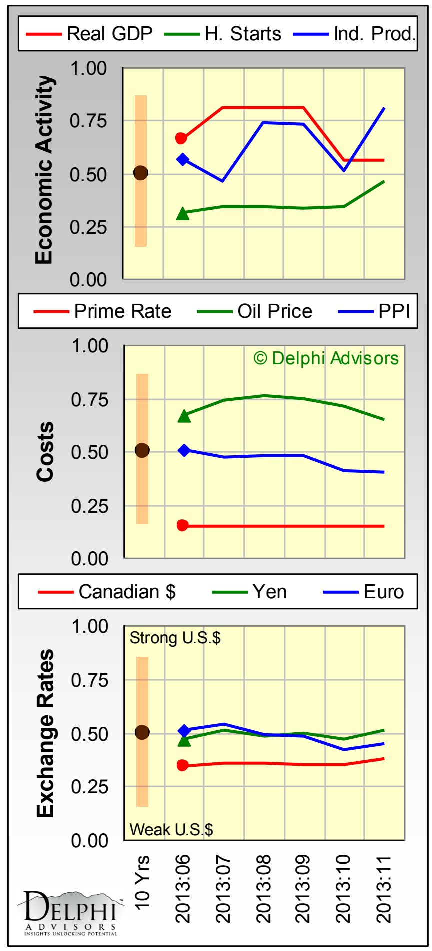
As much as we'd like to believe otherwise, we expect the strong performance in November starts will prove to be an anomaly rather than the start of a new housing-start binge. As evidence for our skepticism, we note sales of new single-family homes slipped in November from October's pace. Likewise, existing home sales also slid lower for the third month in a row. Finally, new home completions and permits also fell in November. Our interpretation of November's housing start surge is builders rushed to get projects started before interest rates and home prices climb higher. If true, November's level basically pulled forward activity that would normally occur in December and perhaps January.

• GDP -- The Bureau of Economic Analysis (BEA) revised its estimate of 3Q2013 growth in real U.S. gross domestic product (GDP) to a rate of +4.1 percent (SAAR). That rate was the fastest increase in two years, and considerably higher than the "advance" estimate of 2.8 percent posted roughly 1½ months earlier. In this revision improvement in the headline growth number came principally from consumption of consumer services and goods, and fixed investment; all other categories were held essentially constant. In the previous revision, virtually all of the revised gain derived from the largest buildup of inventories since 1998.

Because of that overhang of inventories, it was not surprising to see the annualized growth rate for the real final sales of domestic product remained substantially weaker than the headline GDP number. Final sales -- the BEA's "bottom line" measurement of the economy -- increased to 2.45 percent in 3Q (up from the 2.07 percent in the previous quarter).

• Manufacturing -- Industrial production increased 1.1 percent in November, the largest gain in a year. Much of the increase in the headline index originated with utilities, as colder-than-average temperatures boosted demand for heating. In November, industrial production finally surpassed its pre-recession peak of December 2007 and was 21 percent above its trough of June 2009. Manufacturing output also increased, however (+0.6 percent) in November, its fourth consecutive monthly gain. Meanwhile, Wood Products output jumped by 3.1 percent while Paper rose by 0.2 percent.

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)