

Blame It on the Weather

A variety of recent data releases have been weaker than expected. In several cases, wintery weather was blamed for the poor showing. For example:

- **Industrial Production** – Bucking [expectations](#) of a 0.2 percent increase, industrial production instead dropped by 0.3 percent in January. Inclement weather was blamed for Manufacturing's decline of 0.8 percent; however, the dashboard graph shows the six-month trend has been downward. Although Wood Products output and capacity utilization contracted (respectively, 2.6 and 2.9 percent), capacity rose by 0.4 percent. In the Paper sector, industrial production, capacity utilization, and capacity all retreated (0.2, 0.1 and 0.1 percent, respectively).

- **Institute for Supply Management** – Expansion of the U.S. manufacturing sector nearly stalled in January. "A number of comments from the [respondent] panel cite adverse weather conditions as a factor negatively impacting their businesses in January," said ISM's Bradley Holcomb when reporting the manufacturing PMI dropped 5.2 percentage points, to 51.3 percent. Weather was also cited as the culprit for a (albeit, smaller) decline in the non-manufacturing NMI.

- **Employment** – Some analysts appealed to the [weather](#) as the reason why non-farm payroll employment rose by only 113,000 jobs in January, well below [expectations](#) of 180,000. However, that finger-pointing was contradicted by the [Bureau of Labor Statistics](#) indicating construction added the most jobs of any sector; it is difficult to imagine construction firms would ramp up hiring during truly inclement weather.

In other economic news:

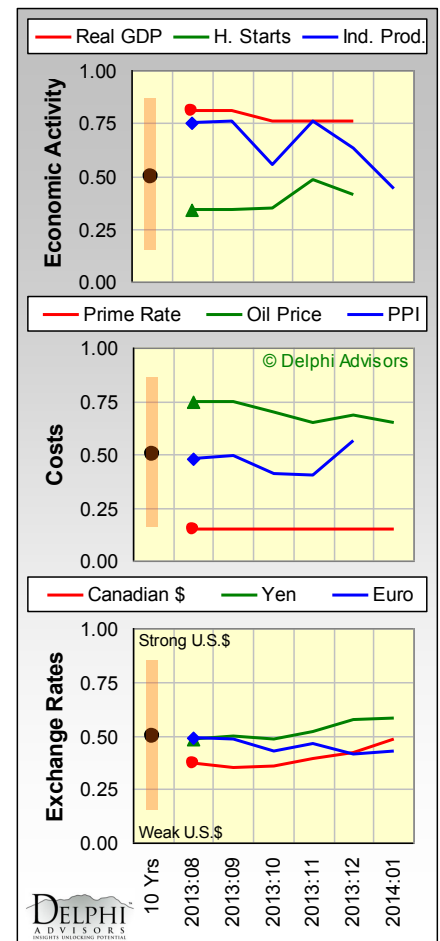
- **Gross domestic product** – Growth in real U.S. GDP during 4Q2013 was estimated at +3.2 percent (SAAR). That rate was slower than the 4.1 percent posted for 3Q, but remained above the "[potential GDP growth rate](#)" for the U.S. economy. Among the details:

- Exports rose and imports fell relative to 3Q, boosting 4Q GDP growth.
- Inventories grew at a faster pace in 4Q, but their contribution to the percentage change in GDP growth plummeted.
- Despite the 4Q ramp-up in housing starts, residential construction exerted a drag on growth for the first time in almost three years.
- Consumer spending accelerated, especially spending on services.

- **Housing starts** – Total housing starts in December retreated to 999,000 units (SAAR), down by 108,000 units (-9.8 percent) from November's peak of 1.107 million units – the biggest fallback since April 2013. Despite December's retreat, total starts during all of 2013 averaged 927,500 units – up 18.4 percent from 2012.

- **New home sales** – Sales of new single-family homes fell by 31,000 units (7.0 percent) to 414,000 (SAAR) in December. This was 13.4 percent below October's peak rate of 463,000 units. However, sales for all of 2013 averaged 429,800 units – up 16.7 percent from 2012.

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)