

Economic Thaw or Just More “Green Shoots”?

The byword regarding the past several months’ less-than-stellar economic news has been “It’s the brutal winter weather.” With winter passing, however, headlines heralding the coming of spring and an anticipated “thaw” of the U.S. economy have proliferated. For example:

Feb 28 – [U.S. GDP revised down, but hints of economic thaw emerge](#) offered hope for improvement.

Mar 7 – [As Job Creation Increases in February, Economists See Signs of a Spring Thaw](#), cited easing fears of another prolonged hiring slowdown.

Mar 31 – [Everyone Will Be Watching For A Spring Economic Thaw This Week - Here's Your Complete Preview](#) promised that “we are now entering the period when pent-up demand should begin to emerge, and a reacceleration in economic activity will become more apparent.”

Apr 21 – [Thawing out: After a bitter winter, warmer spring temperatures are revitalizing the US economy](#) claimed “the economy is regaining momentum...and the improvement appears to be widespread across the country.”

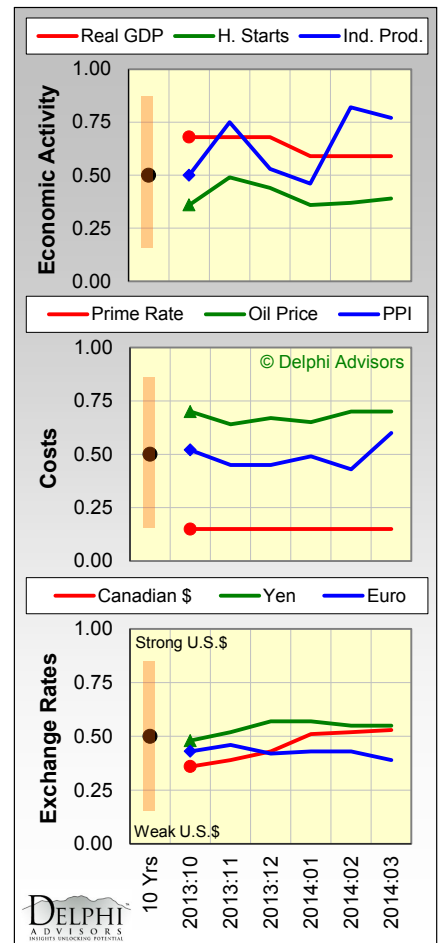
While these reports are all quite encouraging, their tone stirs some memory of another time, not long ago, when then-Federal Reserve Chair Ben Bernanke spoke of “[Green Shoots](#).” Time will tell whether warmer weather is all it takes to shake the U.S. economy from its recent lethargy. For now, we content ourselves with our own review of recent economic signposts....

• **Manufacturing** – The [industrial production](#) report for February and ISM’s [surveys](#) of both the manufacturing and service sectors in March all appear to support the thesis that the economy is improving.

• **Housing** – After a notable pick-up in activity at year-end 2013, [housing starts](#) have dropped back to levels more in line with trends seen before the surge. Interestingly, permits and completions did not exhibit the same advance and retreat, but have been “plodding along” instead. New-home [sales](#) presented more of a concern, as they declined on a year-over-year basis in February. Existing home sales fared no better, falling in February to the slowest rate since July 2012. Although cold weather proved a popular scapegoat for the housing market’s poor performance, we believe a more logical explanation involves the synergistic effects of higher mortgage rates, elevated debt (especially student loan debt), and little improvement in either the quantity or quality of new jobs being created.

• **International trade** – Trade seems to have lost much of the momentum seen in 2013. The volume of [global trade](#) is sitting on another plateau, while prices continue to trend lower. The story is much the same for U.S. exports; the trade deficit has increased slightly because general imports are outpacing U.S. exports. Trade in [softwood lumber](#) is mixed, largely depending upon whether one makes monthly or year-over-year comparisons. Trade in [pulp, paper and paperboard](#) ran into a proverbial “brick wall” in February; both imports and exports dropped rather dramatically. Needless to say, perhaps, but the U.S. economy will have trouble thawing out if the rest of the world fails to supply some “heat.”

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)