MACRO PULSE™

May 2014 A Delphi Advisors Publication Volume 5, No. 5

When Does a Recovery Stop Being a Recovery?

As of June 2014, five years (60 months) will have passed since the official end of the Great Recession in June 2009. The average post-WWII expansion lasted [58.4 months]() (median = 45 months), with a range between 12 and 120 months. In terms of longevity, then, the ongoing business cycle has definitely reached middle age.

The term "recovery" refers to the initial phase of a business expansion when the economy is growing vibrantly following the business cycle trough (i.e., end of recession). By most metrics, this recovery has been tepid. GDP growth, for example, typically "rockets out of the gate" during the first quarter after the end of a recession (average = 7.3 percent) and then gradually loses steam. The current business cycle, by contrast, posted a beginning-quarter expansion of only 1.3 percent, then meandered aimlessly (the economy actually ***shrank*** by 1.3 percent in 1Q2011) before finally hitting a post-recession high of 4.9 percent 30 months later (in 4Q2011). Someone coined the term "trampoline economy" to describe the up-one-quarter-down-the-next behavior.

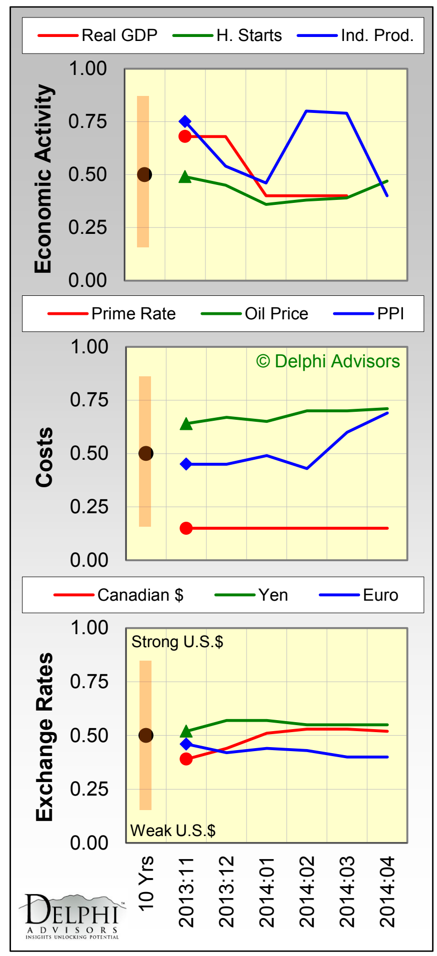
So, we return to our title question: When does a recovery stop being referred to as a "recovery?" What term should be used when the normal post-recession vibrancy is essentially lacking? And can one describe what is likely to be the "downhill" half of a business expansion as a "recovery?"

What follows are some of the developments we covered during the past month:

• ***Manufacturing*** – After having risen about 1 percent in both February and March, industrial production decreased 0.6 percent in April. Also, manufacturing output fell 0.4 percent. This data from the Federal Reserve countered the Institute for Supply Management's monthly survey of businesses (which showed stronger growth in the manufacturing sector during April). Interestingly, the Federal Reserve also showed a widening divergence in capacity between the Wood Products and Paper sectors – with Wood Products capacity increasing while Paper decreased.

• ***Construction*** – Total housing starts rose noticeably in April, to a seasonally adjusted and annualized rate (SAAR) of 1.072 million units. That was 125,000 more units (26.4 percent) than March's 947,000, and just 3.0 percent below November's peak of 1.101 million units. The multi-family component contributed virtually all of the increase (120,000 units or 39.6 percent); the single-family component edged up by 5,000 units (0.8 percent).

Total permits advanced by 80,000 units (8.0 percent) SAAR, to 1.080 million in April – the highest level since June 2008. As was the case with starts, the increase in permits occurred almost entirely in the multi-family component (78,000 units or 19.5 percent); single-family permits were nearly flat (+2,000 units or 0.3 percent). Total permits were 3.8 percent higher than year-earlier levels. The multi-family component was 14.4 percent higher than April 2013 but the single-family component was 3.2 percent ***lower***.



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)

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. ■