

## Beyond the Headlines

The macroeconomic headlines published during the past month were generally upbeat. The most obvious example was the revision of 2Q2014 real [GDP growth](#) to 4.6 percent – the best quarter-to-quarter improvement since 2Q2000, and the second best since the 2Q1982. Other positives included the addition of 248,000 [non-farm jobs](#) in September (with the prior two months revised up by 69,000 jobs), and the unemployment rate's 0.2 percentage point drop to 5.9 percent. Of course, recent data releases were not universally positive, however. For example:

- **Residential construction** – Total [housing starts](#) retreated by 161,000 units (-14.4%), to a SAAR of 956,000 units – nine-tenths of which occurred in the multi-family component. Total starts were 7.0% above year-earlier levels. Total permits decreased by 59,000 units (-5.6%), to 998,000 SAAR. Here, too, the drop was confined almost entirely to the multi-family component (-54,000 units or 12.7%). Total permits were 0.3% **below** year-earlier levels.

[Sales](#) of new single-family homes were a relative bright spot in August, rising by 77,000 units (18.0%) from July, to 504,000 SAAR. Sales in August were 32.3% above year-earlier levels. By contrast, existing home sales retreated (90,000 units or -1.8%) to 5.05 million SAAR, in the face of an uptick in mortgage rates and slowing home-price appreciation. August's existing-home sales rate was 7.5% **below** year-earlier levels, attributed to all-cash buyers "[stepping away](#)" from the market.

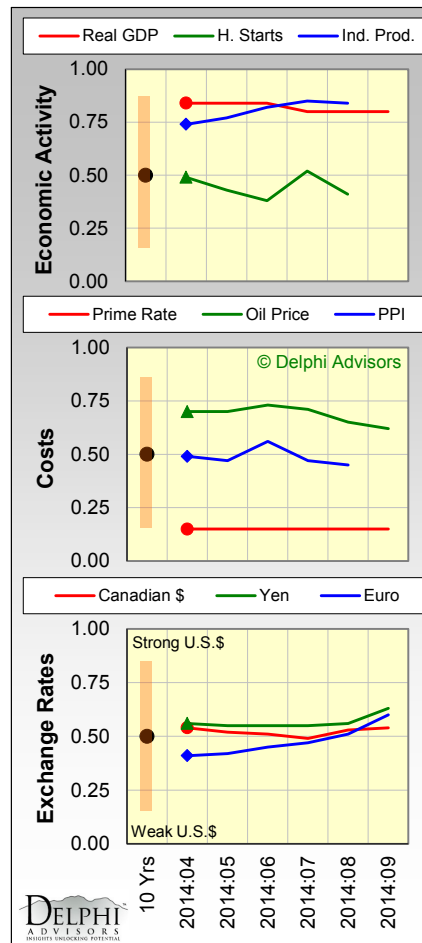
- **Manufacturing** – Total [industrial production](#)'s luster dimmed slightly in August when ticking down by 0.1 percent. Manufacturing output also fell 0.4 percent after jumping by 1.0 percent (the largest increase since February) in July. Wood Products and Paper bucked the broader trend in August, rising by 0.2 and 0.3 percent, respectively.

Meanwhile, ISM's [latest surveys](#) showed that growth slowed in both the manufacturing and service sectors during September. The PMI fell back to 56.6 percent, a decrease of 2.4 percentage points, while the NMI declined by 1.0 percentage point, to 58.6 percent. In both cases, new and backlogged orders shrank. Contrary to overall manufacturing, Wood and Paper Products both expanded during September.

Beyond the headlines, underlying details of some ostensibly positive reports were somewhat troubling. For example, the unemployment rate fell in September because, according to the household survey, 232,000 people found jobs while another 315,000 (setting a record-high 92.6 million) dropped out of the labor force. Also, four of the five industries with the largest job gains (retail trade, leisure and hospitality, education and health, and temp help) pay the lowest wages. As a result, average hourly wages fell a penny to \$24.53, reducing the 12-month increase to 2.0 percent (from 2.1 percent in August).

Our take-away, after sifting through official reports and analysts' commentaries, is that the U.S. economy expanded during 3Q – though likely not at the rate seen in 2Q.

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)