

Will Atlas Shrug?

[Atlas](#) was the primordial Titan in Greek mythology who held up the celestial spheres. In somewhat similar fashion, the United States “is carrying the world economy at the moment, [but] that is simply not sustainable,” Canadian Finance Minister [Joe Oliver](#) recently remarked. “Collectively, [the leading indicators] suggest that the U.S. is not immune to a global slowdown,” agreed [Charlie Bilello](#), research director at Pension Partners. “From easy monetary policy to plummeting yields and inflation expectations, the U.S. looks very much like its global peers.” So, will “Atlas” shrug and allow the global economy to fall? Perhaps the following observations will provide some answers.

- **Gross domestic product** – The Bureau of Economic Analysis' (BEA) “advance” estimate pegged 4Q2014 growth in real U.S. GDP at a 2.6% SAAR – or 2.4 percentage points lower than 3Q’s 5.0%. Personal consumption expenditures and private domestic investment contributed to 4Q growth, while net exports and government consumption expenditures subtracted from it. [Consumer Metrics Institute](#) suspects the oil price collapse is wreaking havoc with the deflators the BEA uses to adjust nominal GDP for inflation; substantial adjustments to 4Q data could be forthcoming.

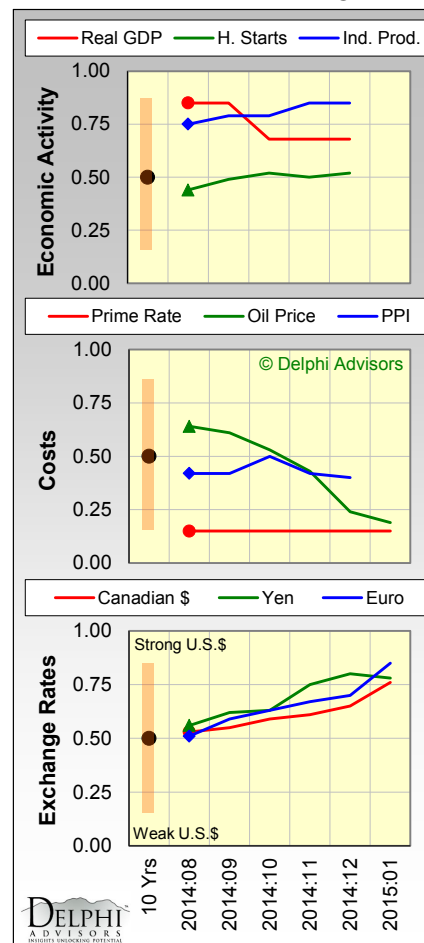
- **Manufacturing** – [Industrial production](#) (IP) edged down 0.1% in December. Excluding utilities, IP rose 0.7%. Manufacturing posted a gain of 0.3% for its fourth consecutive monthly increase. Wood Products output retreated by 1.2% while Paper rose 0.1%. Capacity utilization (CU) for all industries decreased 0.4% in December to 79.7%. Wood Products CU fell by 1.6% (to 70.8%, 3.3% below its November 2011 peak) while Paper rose 0.3% (to 84.2%, 1.6% below its December 2007 peak). Meanwhile, [durable goods](#) orders not only declined by an unexpected 3.3% in December, but November’s data was also revised substantially lower (to -2.2%, from -0.7%).

- **Housing** – Borrowing a baseball analogy, [David Blitzer](#), chair of the Index Committee at S&P Dow Jones Indices commented, “With the spring home buying season, and spring training, still a month or two away, the housing recovery is barely on first base.” Blitzer’s dour assessment is understandable since [existing home sales](#) were 3.0% lower for all of 2014 than 2013 despite a pick-up in December. Full-year statistics for [new construction](#), however, were fairly positive even with December’s mixed results. “The markets are improving at a consistent pace,” said [Tom Woods](#), chair of the National Association of Home Builders.

- **International trade** – The strong [U.S. dollar](#) and the West Coast [port slowdown](#) are adversely affecting U.S. trade. The goods and services [deficit](#) was \$46.6 billion in December (well above [expectations](#) of \$37.9 billion), \$6.8 billion higher than in November. December exports declined \$1.5 billion from November while imports climbed \$5.3 billion.

On a month-over-month basis, [softwood lumber](#) exports decreased by 2 million board feet (-1.8%), to 117 MMBF in December (the smallest volume since September 2012); imports also fell, by 59 MMBF (-5.9%) to 1,054 MMBF. Exports were 29 MMBF (-19.7%) below year-earlier levels; imports were 161 MMBF (+18.0%) higher. For all of 2014, lumber exports were 48 MMBF (-2.7%) lower than 2013; imports, 1,252 MMBF (+11.1%) higher.

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)