

Competing Narratives

The election season is in overdrive, and thus it seems any statement or event is interpreted in radically different ways to make it fit a desired narrative. So, too, the U.S. economy – which is either in the midst of the [fourth-longest](#) post-WWII economic recovery (87 months) or experiencing the [weakest](#) post-WWII economic expansion (averaging just 2% annual growth). In a similar vein, the U.S. economy was on the cusp of reaching [full employment](#) (5% [unemployment rate](#)) in September, even while 94 million working-age people were not even included in the workforce. What follows are other examples of seemingly contradictory data:

Manufacturing – Total [industrial production](#) (IP) edged up 0.1% in September after falling 0.5% in August. For 3Q as a whole, IP rose at an annual rate of 1.8% – its first quarterly increase since 3Q2015; however, total IP was 1.2% lower YTD through September compared to the same months in 2015. Also, the percentage change in total IP during past two months was at or below the mid-point of the past 10 years (see dashboard chart at right). Manufacturing output increased 0.2% (3Q: +0.9% SAAR) and was +0.1% YoY on a seasonally adjusted basis (not seasonally adjusted: +0.7% YoY). Forest products sector output was mixed: Wood Products increased 0.8% (+0.4% YoY); Paper edged up 0.1% (but -2.5% YoY).

New orders increased 0.2% in August. Excluding transportation, new orders were unchanged (but -1.6% YoY – the 22nd consecutive month of seasonally adjusted YoY contractions); interestingly, the not-seasonally adjusted data show a 0.7% YoY **increase**. Business investment spending rose by 0.9%, but has contracted on a YoY basis (-0.9% in August) during all but two months since December 2014.

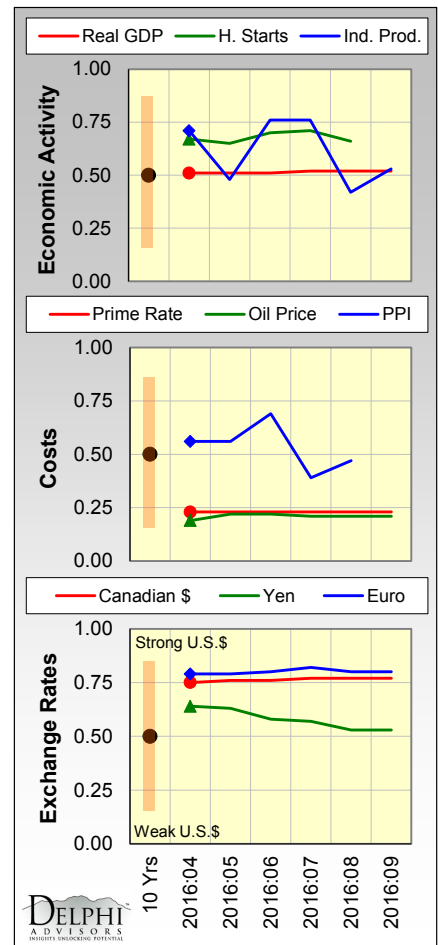
Residential construction – Although better than expectations of a -8.3% SAAR, [sales](#) of new homes dropped by 7.6% in August. Moreover, the not-seasonally adjusted August change (-12.2%) represented the largest MoM dip for that month of the year since the Census Bureau began collecting sales data in 1963. Those who prefer a more upbeat number can take solace in the observation that sales remain 22.0% higher than year-earlier levels.

Housing starts portray a mirror image. Both single- and multi-family starts declined in August, but YoY comparisons remain in positive territory.

International trade – The U.S. goods and services [deficit](#) increased by 3.0% in August, but was 1.3% lower YTD than the same months in 2015. Meanwhile, [softwood lumber](#) exports increased (+6 MMBF or 5.0%), while imports declined (-16 MMBF or 1.2%). Exports were 13 MMBF (10.3%) above year-earlier levels; imports were 175 MMBF (14.6%) higher. As a result, the YoY net export deficit was 361 MMBF (40.1%) larger. The average net export deficit for the 12 months ending August 2016 was 32.9% higher than the average of the same months a year earlier.

If one feels confused by it all, much of that confusion stems from how statistics can be employed to support the perspective chosen when framing the narrative. Also, an economy that is not moving strongly in one direction often generates a considerable amount of contradictory data. ■

This report is typically a compilation of articles posted on our [website](#); those articles relate in greater detail recent economic developments to the U.S. forest products sector.



Previous six months' 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)