



...weekly since 1976

Your guide to understanding
today's economy and
financial markets

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We're Announcing... ...That We're Not Announcing

Written by Jeff Thredgold, CSP, President, Thredgold Economic Associates

The Business Cycle Dating Committee of the National Bureau of Economic Research (NBER), the "official" scorekeeper of the American economy, announced on its web site on Monday, April 12 that it was not yet ready to make an announcement as to the end of the Great Recession. In contrast, a majority of forecasting economists (including yours truly) largely agree that the recession ended sometime between June and September of 2009.

The Committee indicated in its somewhat unusual non-announcement the following... *"Although most indicators have turned up, the committee decided that the determination of the trough date on the basis of current data would be premature."* The statement continued... *"Many indicators are quite preliminary at this time and will be revised in coming months."*

In No Hurry

The Committee is never in a hurry to make such pronouncements. It clearly does not want to get caught with its pants down if worst case views of a double-dip recession later this year, or in 2011, actually result.

It did announce on December 1, 2008 that the recession "officially" started in December 2007. This lag of 12 months in its decision-making suggests that the Committee will likely make an announcement as to the economic bottom in coming months. At other times, however, the lag between recession end and announcement has stretched beyond 18 months.

Does It Really Matter?

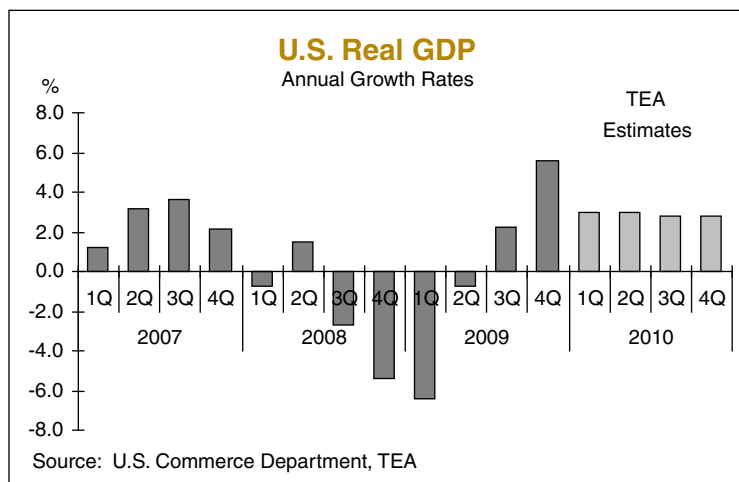
Economists will get somewhat excited when (and if) such an announcement is made. Such an announcement will merely indicate that the worst is behind us. John and Jane Q. Public will be less impressed.

What matters to American consumers is job and income creation. An announcement about the end of recession will be of little consolation to the 15 million now unemployed. Such an announcement will be of little value to those facing foreclosure. Such an announcement will be of little value to the 25% of American homeowners who are currently underwater on their mortgages...who owe more than their home is worth.

The Growth Story

The U.S. economy appears to have been growing since mid-2009. Such a view is clearly reflected in the stock market with the Dow, the S&P 500, and the NASDAQ each at 18-month highs.

The U.S. private sector has added a modest number of jobs during four of the past five months, with larger gains likely in coming months. The nation's manufacturing sector has been growing for the past eight months. Confidence levels are beginning to rise. Retail sales have been solid.



A future issue of the *Tea Leaf*, now in its 35th year as a weekly economic and financial newsletter (which suggests I am getting old and decrepit), will finally announce the NBER's announcement that the Committee is actually making an announcement (or something like that). In the meantime...stay tuned

Canadian Rebound

The Canadian economy has returned to growth, following its unwelcome push into recession by both the U.S. and the global economy during parts of the past two years. The Canadian economy's return to growth is also encumbered by fewer of the major challenges facing the U.S. in coming years.

The Canadian economic rebound has largely been in line with that of the U.S. Modest levels of economic growth and job creation have returned over the past six months or so, with inflation pressures remaining under control. Short-term interest rates remain extremely low, with the Canadian central bank expected to begin tightening prior to similar moves in the U.S.

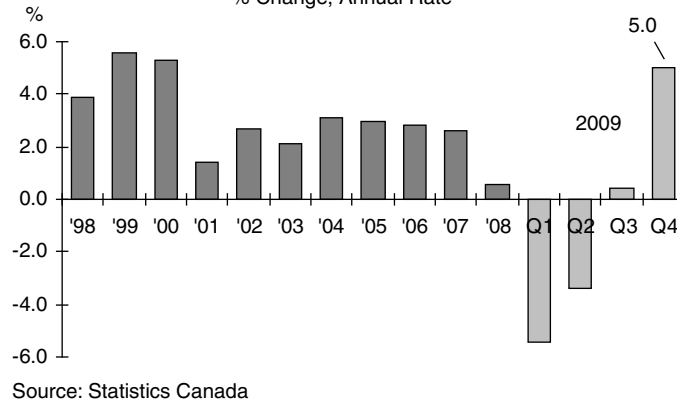
Two Plus... One Minus

Canada has two advantages and one disadvantage versus the U.S. as it seeks to build on the growth registered in recent months. The first advantage is a much less onerous explosion of government spending and debt than found south of its border.

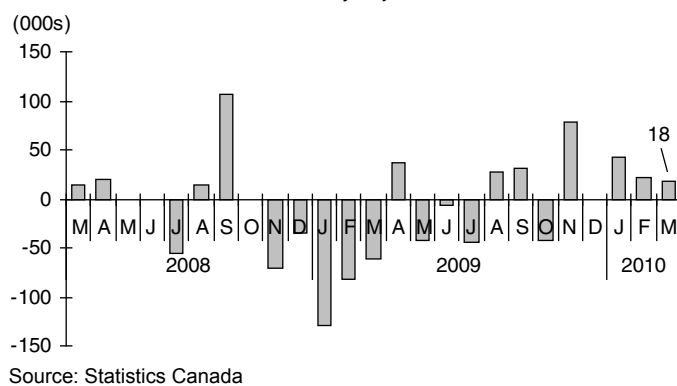
Yes, the Canadians had a stimulus program, with a sizable short-term deficit. However, projected budget deficits going forward are much more affordable than in the U.S. Second, the Canadian housing sector is arguably in better shape than in the U.S. as well...and did not get so caught up in the sub-prime lending disaster as did the U.S. a few years ago.

The challenge is a stronger Canadian dollar, or "loonie." A more optimistic outlook for the Canadian economy versus the U.S. has led the Canadian currency to

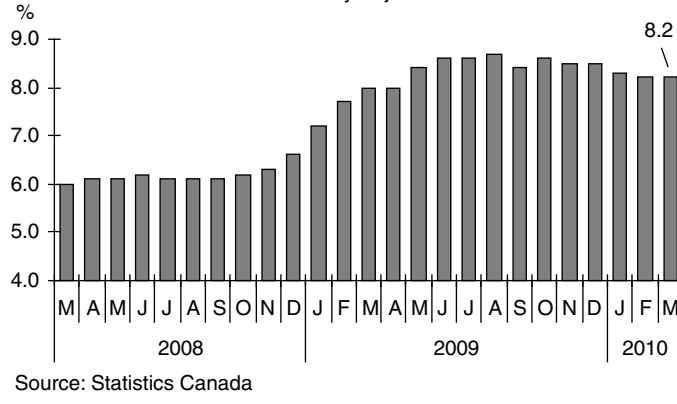
Canadian Real GDP
% Change, Annual Rate



Canadian Employment Change
Seasonally Adjusted



Canadian Unemployment Rate
Seasonally Adjusted



appreciate more than 20% over the past year, with the currency briefly reaching parity with the U.S. dollar. Canadian dollar strength will make it more difficult for Canadian exporters to sell products in the U.S., while also making it more costly for Americans to vacation north of our border.

"TEA"ser

TEACHER: Maria, go to the map and find North America.

MARIA: Here it is.

TEACHER: Correct. Now class, who discovered America?

CLASS: Maria



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