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# Global

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

The overall global economy has returned to a reasonable level of economic growth, led by Asia. Such renewed growth follows the first global recession since just after World War II.

Even as overall global growth has returned, it is uneven at best. Asia has returned to robust performance, led by China, India, and Singapore. The U.S. has returned to moderate growth, with numerous growth forecasts revised higher in recent weeks. Latin America and Africa are also performing better, while Europe deals with a myriad of issues, leading growth to actually slow in recent months.

Chinese economic growth has returned to low double-digit annual levels, fueled by a solid rise in exports and major fiscal stimulus. Fears of overheating, especially in regard to real estate values, have led the government to make it more difficult for people to purchase and finance homes, especially homes bought as investments. The central bank is concerned about higher inflation pressures.

Indian growth has also returned to more impressive levels. Inflation pressures have approached a 10% annual rate, leading the central bank to tighten monetary policy twice in recent months. Japan has returned to limited growth in recent quarters, with such growth tied to government stimulus, stronger consumer demand, and rising exports to Asia.

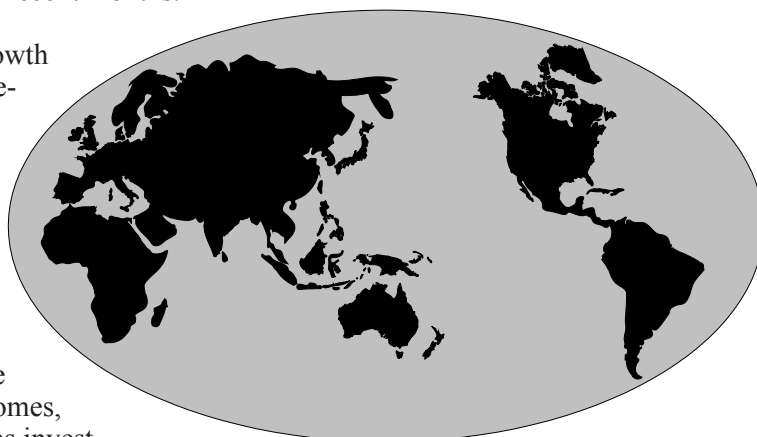
Economic growth in the city-state of Singapore spiked at a 32% seasonally adjusted annual rate during 2010's first quarter (that's not a misprint) led by a 139% jump in manufacturing. Such growth has led to monetary tightening as well. South Korean growth has also returned to a solid pace.

## Sluggish Europe

As usual, the laggard is Europe. The surprising return of modest euro-zone

growth during 2009's third quarter nearly ground to a halt in recent months. Rising anxiety about the Greek debt situation has only escalated in recent days, with Standard & Poor's downgrade of Greek debt to "junk" status.

Similar anxiety exists as to the quantity and quality of debt issued by Portugal (also downgraded), Spain, Italy, and Ireland. It remains safe to say that the Maastricht treaty, which sets out borrowing limits for euro-zone countries, "is facing its biggest challenge since its adoption in 1997." (*The New York Times*)



## Massive Stimulus

While growth has returned, most recognize that it has been associated with massive amounts of money creation and massive government spending, tied to almost unprecedented budget deficits in many countries. Both the International Monetary Fund (IMF) and the "Group of 20" nations (G20) strongly suggest that such monetary stimulus must be pulled back and budget deficits sharply reduced.

Most major nations, including the U.S., have targeted a strong boost in exports in coming years as a major contributor to economic growth. Many nations will be disappointed.

The global economy stood at the precipice of depression 18-20 months ago...and avoided that fall. Aggressive steps needed to reduce monetary and fiscal stimulus over the next few years will be critical to avoiding that precipice again.

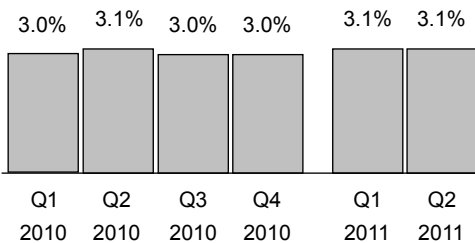


## Quarterly economic survey

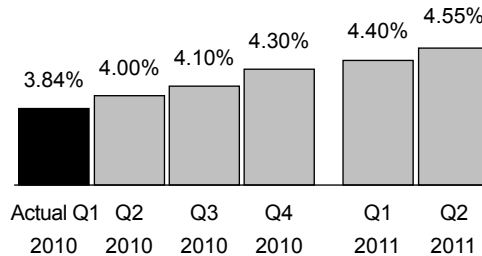
The USA TODAY economic survey of 46 top economists was conducted April 16-21. Median estimates through Q2 2011:

USA TODAY • MONDAY, APRIL 26, 2010

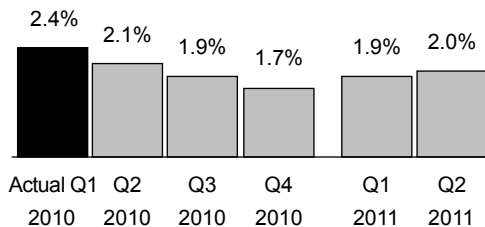
### Gross domestic product (real annual rate)



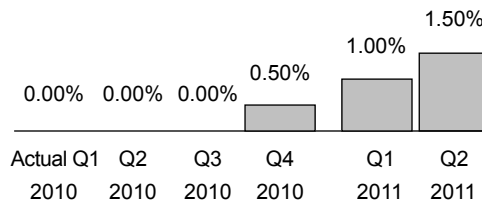
### 10-year T-note yield (quarter end)



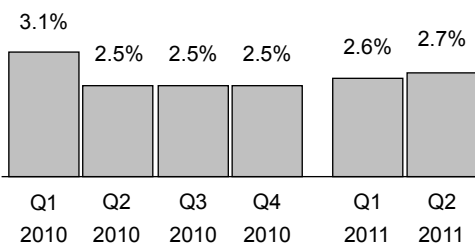
### Consumer price index (rate of change, 12 months ended)



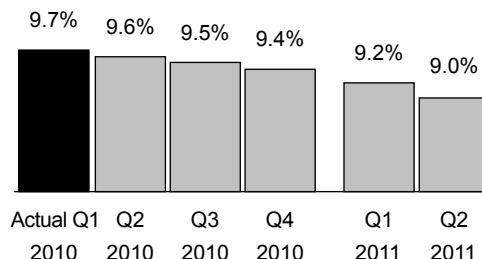
### Federal funds rate target (quarter end)



### Consumer spending (real annual rate)



### Unemployment rate (quarter end)



**Survey participants:** Dean Baker, Center for Economic and Policy Research; Nariman Behravesh, IHS Global Insight; Richard Berner, Morgan Stanley; David Berson, The PMI Group; Jay Brinkmann, Mortgage Bankers Association; Bill Cheney, John Hancock Financial; David Crowe, National Association of Home Builders; J. Dewey Daane, Vanderbilt University; Richard DeKaser, Woodley Park Research; Rajeew Dhawan, Georgia State University; William Dunkelberg, National Federation of Independent Business; Michael Englund, Action Economics; Lyle Gramley, Potomac Research Group; Ethan Harris, Bank of America-Merrill Lynch; Maury Harris, UBS; Stuart Hoffman, PNC Financial Services Group; David Huether, National Association of Manufacturers; William Hummer, Wayne Hummer Investments; Dana Johnson, Comerica Bank; Paul Kasriel, Northern Trust; Dean Maki, Barclays Capital; Daniel Meckstroth, Manufacturers Alliance/MAPI; Jim Meil, Eaton; Robert Mellman, J.P. Morgan; George Mokran, Huntington National Bank; Joel Naroff, Naroff Economic Advisors; Frank Nothaft, Freddie Mac; Donald Ratajczak, Morgan Keegan; Martin Regalia, US Chamber of Commerce; Chris Rupkey, Bank of Tokyo-Mitsubishi UFJ; John Ryding, RDQ Economics; Joshua Shapiro, MFR; Robert Shrouds, DuPont; Allen Sinai, Decision Economics; James Smith, Parsec Financial Management; Sean Snaith, University of Central Florida; Neal Soss, Credit Suisse; Diane Swonk, Mesirow Financial; **Jeff Thredgold, Thredgold Economic Associates;** Bart van Ark, The Conference Board; Chris Varvares, Macroeconomic Advisers; Mark Vitner, Wells Fargo; Brian Wesbury, First Trust Advisors; David Wyss, Standard & Poor's; Lawrence Yun, National Association of Realtors; Mark Zandi, Moody's Economy.com

## “TEA”ser

TEACHER: Millie, give me a sentence starting with ‘I.’

MILLIE: I is...

TEACHER: No, Millie. Always say, ‘I am.’

MILLIE: All right...I am the ninth letter of the alphabet.



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