



Economist's Corner



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Update on the U.S. Economy

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By Dan North

Reasonably strong growth in 2011, hope for jobs and housing this spring

The U.S. economy is continuing on its track of modest growth and is expected to do so through the rest of the year. Recent data has been reasonably positive, such as the Fed's "Beige Book" of anecdotal evidence, which reported that the economy "continued to expand moderately from November through December," citing strength in manufacturing and retail sales. Real retail sales actually rose a spectacular 7.3% in 2010, showing that the all-important consumer, who produces two-thirds of U.S. GDP, is doing much better than expected.

The index of leading economic indicators suggests continued strength through the year. There are several forces driving the recovery, such as the falling dollar boosting exports and the new tax package, especially the cut in payroll taxes. However, a new attitude in Washington might in fact represent the biggest boost: Since the November elections, the Obama administration has been reaching out to business to help create jobs.

For now, jobs and housing are the two segments of the economy that continue to perform poorly. They also happen to be the most visible, masking underlying strength. However, hiring should pick up soon, boosted by the current resumption of bank lending, combined with a lower dollar, tax cuts, and a more pro-business Washington. The outlook for housing, on the other hand, is not as positive since real estate prices continue to fall. Nonetheless, existing home sales are up 38% since last July while housing permits are up 21% versus the bottom of April 2009, both suggesting that there may be hope coming with springtime.

About Dan North:

Economist Dan North has been with America's largest trade credit insurer Euler Hermes ACI since 1996. He uses macroeconomic and quantitative analyses to help manage Euler Hermes ACI's risk portfolio of \$200 billion in annual U.S. and Canadian trade transactions. Dan ranked fourth on Bloomberg's list of the top 65 economic forecasters for 2008-2009. He holds an MBA from the Wharton School of Business.

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