

Weather Yes or Whether No

5-16-14

The Fed, and therefore the media, have made weather responsible for the poor 1st Quarter GDP growth. Perhaps the May 29th second reading will touch up the drop from 2.6% the last quarter of 2013 to 0.1%.

That official report appeared to be correct when the April jobs report came out with a higher than expected 288,000. As usual, it's always more accurate to judge such figures over a longer period of time. The average for the last five months is roughly (from memory) 187,000. The total jobs figure at the depth of the Great Recession was 129.7 million. The total now is 138.25 million. That averages to 172,000 per month. For what it's worth, the monthly average of those leaving the labor market over the same period is 175,000. About 100 million working age Americans do not have a job. 4 times the figure for 2000.

Okay, we have a negative in the GDP report, and a positive in the April jobs report. A big negative in April is retail sales which grew only 0.1%. Extracting gas and autos, it fell 0.1%. In March it grew 1.5%. Then another positive report -- unemployment filings were at a 7 year low -- 297,000. But the four week moving average is 323,500, just 2000 less than the previous 4 week average.

Then another major negative. Industrial production dropped 0.6% in April after falling 0.4% the previous month. And real hourly earning fell 0.3% in April. Year to year from that month it fell 0.7%. Housing starts were up 13.2% in April. About a third of those starts were of the very volatile multi-family (rental) sort. Single family starts only rose 0.8%. Consumer confidence fell from 84.1 to 81.8 according to the University of Michigan (a better method of calculation than the Conference Board).

Evaluating the pluses and minuses it's easy to see that the nuts and bolts sectors of the economy: GDP, retail sales, industrial production, real hourly earnings were all negative. Jobs, both hiring and firing, reflect forward thinking which is powerfully affected by the unrelenting positive propaganda. After all, even fooling people into thinking things are improving can temporarily make it so. By the end of the year reality should impose itself on make believe.

Meanwhile GDP for the Eurozone in the 1st quarter grew the same 0.2% as it did the previous quarter. Europe is in our temperate zone and had a rough winter but the economies stayed roughly the same over the 6 month period. Japan had its worst current accounts figure on record. But it did have a strong 1.5% first quarter growth largely because of the pending April sales tax increase. Think they might have scheduled it then for that purpose?

In the interests of separating my expectations of economic crises from those of the libertarian/free market loonies I must comment on what they've been saying about the Chinese economy. Given that Chinese communism/capitalism is the most statist of all, including Russia, outfits like the Stockman entourage and Zero

Hedge are daily predicting catastrophic collapse. The immense wealth accumulated by the Chinese state over the years of rapid growth along with the advanced industrial and infrastructure development carries no significance to them. No, it's all that worthless financial crap that will doom their version of capitalism. In fact, their statist system can easily allow all those financial crooks to destroy themselves. Russia has already demonstrated its willingness to throw their biggest capitalists in prison and confiscate their property. It will take at least a generation before their version of capitalism is like ours or Europe's, in which the state and government apparatus is selected by, if not constituted of, the robber barons themselves. The only thing the Chinese rulers have to worry about is a popular rebellion throwing them out.

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