Introduction

As of today, the national debt of the United States is $17.1 trillion or 104% of U.S. GDP with no solution to our fiscal woes insight. Thus it is easy to understand why the latest Wall Street Journal/NBC News poll shows the disapproval of Congress at roughly 83% and the president’s approval rating well below 50%. Uncertainty is not sitting well with the American public.

Key June/July Data

Positive/Negative signs

The ISM Report on manufacturing shows the June’s PMI index rose 1.9% to 50.9%, from May’s reading of 49%. Durable goods for June increased 4.2%, following a 5.2% gain in May, suggesting more confidence in the economy by manufacturers. This represents the fifth month of expansion in manufacturing for the first half of 2013. The housing sector continued to show solid gains with June new home sales rising 8.3%, the highest since May 2008. However, June housing starts took a 9.9% drop, from an 8.9% increase in May, signaling that rising mortgage interest rates (up 1% over the past year to almost 4.5%), could be taking a toll on the housing recovery. In the latest poll by Reuters and the University of Michigan, consumer sentiment rose to its highest level in 6 years to 85.1 points, up 1 point from June’s reading.

In Mid-July, The Conference Board released its June Global Leading Economic Index showing the U.S. at a stagnant level due to gains in consumer expectations being offset by declines in building permits and stock prices. The EU rose 0.5% due to consumers feeling more confident in their economy, while China increased by 1.0% although many of their economic components remained weak. China's manufacturing sector fell to an 11-month low in July. China’s PMI index fell 0.5 points to 47.7, with readings below 50 signifying a contraction in the sector. Second quarter GDP for China grew by 7.5%, one of its lowest growth rates in 5 years.

The July unemployment rate dropped to 7.4%, with the U.S. adding 162,000 jobs with more than half being low paying jobs making this the worst jobs recovery since World War II. With July auto sales up 4.6%, the auto industry remains upbeat, as it continues its resurgence. As of the end of July the Dow Jones Industrial Average was up 4.35% while the NASDAQ was up 6.17%, and the S&P 500 up 5.31%. At the end of July, the national average for gasoline was $3.64 per gallon, up eleven cents since June, the price of oil is $104.70, up 8.29%, the price of Gold is $1,321.50, up 7.50% and Silver was at $19.77, up 0.71%.

Current Issues

In the 1960’s, Dusty Springfield recorded one of her hit singles entitled, “Wishing and Hoping.” The main thrust of the song is that you need to do more than wish and hope in order to find true love. It seems to us that wishing and hoping is not a sound policy to find economic growth nor an effective
one, yet wishing and hoping seems to be the policy of the day, month and year in Washington D.C.. The following data should be enough to convince Americans in general that our policies of the last four years have not worked and are in need of substantive change. According to a July 31, 2013 White House Report, annual real GDP growth since 1929 has been 3.3%. While the Bureau of Labor Statistics (BLS) reports that first quarter 2013 U.S. GDP was 1% and second quarter 2013 U.S. GDP growth initially stands at 1.7%. On the surface, the July 2013 U.S. unemployment report seems to be providing a much rosier picture of the economy. Unemployment dropped from 7.6% in June to 7.4 % in July, the lowest level since December 2008. However, a closer look validates our concern for the economy as a whole. Of the 162,000 jobs created in July, more than half were part-time (35 hours a week or less) or low paying retail jobs with less than 20% being considered high paying jobs. Not only is this the worst economic recovery since The Great Depression in terms of GDP growth, it is the worst jobs recovery since the government began collecting data in 1949.

To make matters worse, the broadest measure of employment dropped again in July. The Labor Force Participation Rate (LFPR) decreased in July to 63.4% from 63.5% in June. The LFPR is the percentage of the working age U.S. population employed in the labor force. The LFPR is at its lowest level since 1979 when it was above 67%. The unemployment rate only includes those who do not have a job and are actively trying to find one. The LFPR is a much broader look at the population. Today, roughly 37% of U.S. adults do not have jobs and are not looking for work. There are four basic reasons why the number is at the highest level in almost 35 years. They are:

1. Retirement. These are individuals who have retired after having worked a number of years and presumably have earned enough money to do so.

2. In college. A higher percentage of people are going to college or returning to college with a larger than usual percentage being re-trained or seeking new or better careers.

3. Staying at home with children. Many couples are doing a cost-benefit analysis and finding that the wages available at one spouse’s job compared to child care costs make the family better off if that parent stays at home once the decision to have children has been made.

4. Simply cannot find work. Roughly 2.5 million Americans are simply reporting that they are frustrated and have given up looking for work and are no longer counted among the unemployed.

**Conclusion**

Our economic recovery is lagging historical trends because it is lacking substantive stimulation and direction. Pro-business/pro-growth tax reform (like the Fair Tax or the Flat Tax) and a balanced budget amendment are two things we should ALL be asking for from Washington D.C. before it is too late for a recovery to begin!

**Contact Us**

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