

NO MAN'S LAND

WEB BUZZ 2011.02.28

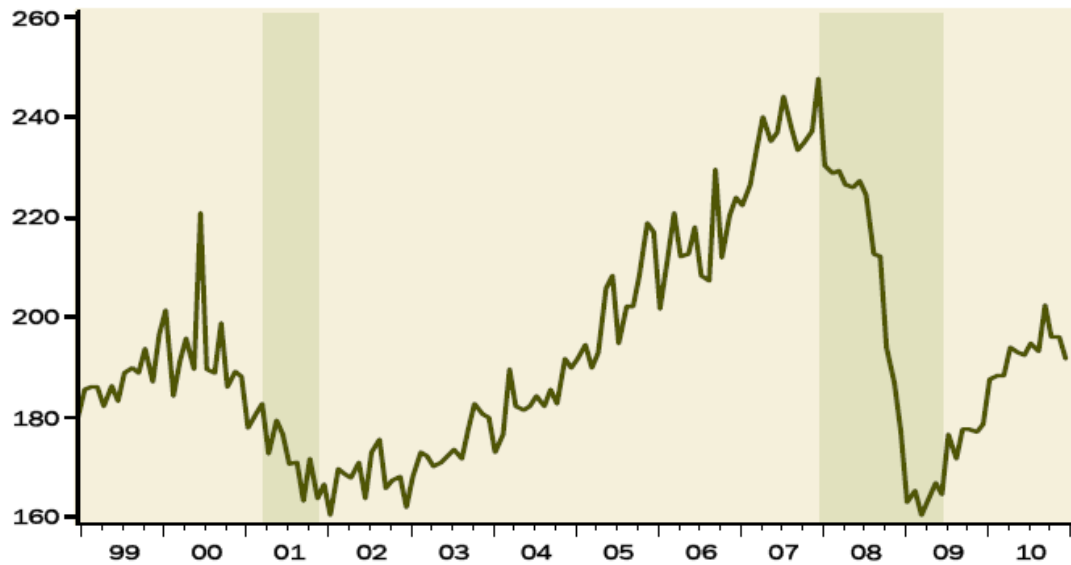
As we have opined many times previously, it is just very difficult to see where we are in this recovery/expansion cycle. It has been 20 months since the National Bureau of Economic Analysis declared the end to the last recession. The federal government has added some \$2 trillion to the economic mix through bailouts and stimulus, yet here we are with Wall Street and Washington living high off the hog, while the rest of us are picking you know what with the chickens. Note the following:

1. Employment is 7.6 million less than the pre-recession peak.
2. 20% of personal income comes from government transfers.
3. Corporate profits and margins are at all-time highs, while personal bankruptcies are reaching new highs each month.
4. Ratio of corporate profits to number of employees is now 17.5:1 compared to 7.5:1 in 1995.
5. Gasoline and food prices have wiped out nearly all stimulus provided for 2011.
6. Housing prices have hit a new low and seem destined to decline another 10-15%.
7. Riots are spreading around the world, and they are primarily food related.
8. Never before have we seen such a spread between the haves and have nots.
9. Manufacturing and inventory building have been the mainstay of the economy, yet industrial production is down 6%, shipments are down 10%, and order books are down 23% from pre-recession levels.
10. The Fed, along with government fiscal stimulus have created a Tennessee Ernie Ford "Another day older and deeper in debt" 16 Ton affair.

We seem to be on the road to nowhere. Please note the chart below which illustrates item 9 above.

CHART 3: ORDER BOOKS ARE 23% SMALLER TODAY

United States: Manufacturers' New Orders – Durable Goods
(\$ billions)



Shading represents periods of U.S. recession

Source: Haver Analytics, Gluskin Sheff

Adapted from Gluskin Sheff