GlobalResearch
Center for Research on Globalization

No Economic Recovery in the US

By Bob Chapman
Global Research, May 02, 2012
International Forecaster 2 May 2012

Region: USA
Theme: Global Economy

Real estate investors competing to buy Manhattan apartment buildings have sent prices to record highs as rental demand surges, reducing yields on the properties to the lowest in more than six years. The capitalization rate, a measure of investment return that declines as prices rise, averaged 4.4% for Manhattan multifamily buildings in first three months of this year… 'It's the strongest of all asset classes,' said Doug Harmon, senior managing director at Eastdil Secured LLC… 'There is still plenty of room to run on rents, and I see absolutely no reason why this action will or should stop anytime soon.'"

"Illinois residents, whose income taxes rose by a record last year to help close a budget deficit, are paying the price again for the state's fiscal mismanagement. With its pile of unpaid bills growing about 30% this year, the weakest pension-funding ratio among states and falling federal aid, Illinois and its municipalities are paying a penalty above AAA debt that's twice their five-year average. Illinois plans to issue $1.8 billion of debt as soon as next week…"

"U.S. municipalities from California to Florida are selling the most debt in three years to pay for their workers' retirements in a bet that investment returns will exceed borrowing costs. Fort Lauderdale, Florida, is among issuers considering a sale this year, following an offer by Pasadena, California, last month. Illinois borrowed a combined $7.2 billion in 2010 and 2011. The governments are placing taxpayers at risk by papering over pension deficits with taxable securities. The strategy can backfire if the proceeds don't earn enough to pay off the bonds.

Business activity in the U.S. expanded in April at the slowest pace since November 2009, a sign that manufacturing may be cooling as business investment eases.

The Institute for Supply Management-Chicago Inc. said today its barometer decreased to 56.2 during the month, lower than the most pessimistic forecast in a Bloomberg News survey, from 62.2 in March. Readings greater than 50 signal growth. Economists projected the gauge would fall to 60, according to the median of 55 estimates in the survey.

A slowdown in demand may prompt companies in the U.S. to limit the rate of inventory accumulation, while exports to Europe and Asia may cool. At the same time, auto purchases may prevent a prolonged deterioration in the industry that spurred the recovery that began almost three years ago.

"We could see manufacturing slow a notch," Ryan Sweet, a senior economist at Moody's Analytics Inc. in West Chester, Pennsylvania, said before the report. Fewer inventories "will likely cause production to slow," he said.

Comment on Global Research Articles on our Facebook page

Become a Member of Global Research

Articles by: Bob Chapman