

## Green Shoots: 8 Signs of Economic Recovery

By Paul Gibson



The President of the Federal Reserve Bank (Bernanke) makes reference to 'green shoots' or positive signs of economic recovery in the US, but can we say the same in our own country?

The first question on everyone's mind these days is: "Can it get even worse than this?" If you are a US citizen living in the States the answer might be, "maybe not." Just recently, a study shows that the US economy might be beginning to pick up the pieces. The study focuses on eight different areas: homes, stocks, starts, consumers, earning, jobs, orders and credit.

New home construction in the US is coming to a screeching halt, and for the first time in months housing prices have finally bottomed out. Stocks are showing renewed strength. Share values have begun to pick up due to the recent addition of internal controls and buyers have finally flooded the gates to greet the bull once again.

Consumer confidence rose in April by 12 points to 39.2, which is the largest increase since August of last year. Earnings reports may not be positive, but at least they seem to reflect that the worse may finally be over. Orders for manufactured goods have also risen notably by almost 6 percentage points. The number of jobless claims even fell by 14000. And finally, credit markets are beginning to ease up and interest rates continue to fall, increasing the liquidity of currency markets.

So the million euro question is: can we say the same is true here in Europe or at least in Spain? In the past, the Spanish economy is famous (notorious?) for mimicking US socio-economic trends, but unfortunately, we can not begin to say the same in the year 2009. For one thing, the real estate and construction debacle has clearly made matters worse than they already were. The bubble finally burst and now we are left with thousands upon thousands of jobless claims that are exacerbating the initial effect of the financial crisis. Credit controls have gone into effect and institutions have become reluctant to hand out any sort of consumer loans.

Earnings may not be all that bad considering the fact that banking practices in Spain were much stricter than in other countries of Europe (which says a lot about the European bank system's lax business codes). The stock market

seems to be making up for lost time and money and consumers that only a few months ago had cancelled all their holiday travel might be thinking twice when they see the amazing special rates some hotels, airlines and travel agencies are offering. This coupled with the falling interest rates in the Euro zone seems to be positive news for consumers.

However, we must return to the real source of the problem: the rising unemployment caused initially by the real estate and construction sectors. This is causing the real lapse in time of recovery. Until banks begin to rent out their newly acquired homes, Spanish consumers should not expect to see any signs of recovery just yet.

If the banks decide to wait out the crisis or do not flood the markets with cheap housing, do not expect any kind of drastic positive change. Furthermore, if businesses are not encouraged to create more flexible working conditions, Spain will certainly be one of the last countries in Europe to experience economic revival.