

Paris, 21 July 2009.

**U.S. Has Entered Economic Recovery Period**

*Following nearly 18 months of recession, the U.S. economy has entered its initial recovery period; however, as expected, the economic improvement is coming “in fits and starts” according to the Chief Economist for Euler Hermes in the Americas.*

“Positive data abounds, but one month of data that is worse-than-expected seems to derail everyone’s hopes for a recovery,” says Euler Hermes USA Chief Economist Dan North.

“For example, non-farm payrolls (NFP) were worse than expected in June (-467,000 versus -322,000 in May), so to many that was a sign that recovery is not occurring. However, if one looks at the big picture, NFP was at -741,000 in January, and is now down to -467,000, which is a certain sign of improvement.” North also points out that consumer confidence fell in June, but was still much better than when it hit bottom in February of this year.

Other positives can be found among the economic data: the Institute of Supply Management (ISM) indicators have been on the rise, as has the consumer component of GDP, weekly jobless claims, stock market, credit spreads, major retail sales, earnings, and even some housing data.

“Forces are in place to stoke recovery: a “nuclear-powered” monetary policy featuring very low interest rates and the current fiscal stimulus plan, which has barely had a chance to take effect,” explains North. “Recovery is happening, but the situation will continue to feel dire because unemployment – a lagging economic indicator – will stay high and job losses will continue well after other data, such as GDP, turns positive. Also business bankruptcies will continue for some months after the end of the technical recession.”

In the meanwhile, the Federal Reserve will have the issue of inflation to deal with as the economy continues through its recovery. “To fend off inflation, the Fed has to be considering tightening monetary policy in the near future, but it will have a very tough time doing so as long as employment is suffering,” concludes North.

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