Economy improving amid anxiety about end of QE2: TrimTabs

By Editor Test *Mon, Apr 11, 2011*

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Income and employment are increasing at much stronger rates than the Bureau of Economic Analysis (BEA) and the Bureau of Labor Statistics (BLS) are reporting, according to TrimTabs Investment Research.

In a research note, TrimTabs' real-time and near real-time indicators point to a rapid acceleration in economic growth:

- The TrimTabs' real-time measure of wages and salaries posted a huge year-ago increase of 8.6% in March, up markedly from 4.7% in February and the largest increase since 2006. TrimTabs' data for the first six days in April show the strong growth trend is continuing. Meanwhile the BEA just released their data for February documenting an increase in wages and salaries of 4.1% year-over-year. Data for March will not be available until April 29.
- The TrimTabs tax-based employment model shows that the U.S. economy added 293,000 jobs in March, 36% higher than the BLS estimate of 216,000 new jobs.
- The TrimTabs Online Job Postings Index is up 11.9% in 2011.
- The four-week average of new claims for unemployment insurance sits at 394,250, just above the lowest level since July 2008.

"Our real-time data already shows that wage and salary growth accelerated sharply in March," said Madeline Schnapp, Director of Macroeconomic Research at TrimTabs. "Meanwhile it took the BEA until last week to release an estimate for February while we are already analyzing growth trends for early April."

While TrimTabs' research points to healthy economic growth, the company is concerned about the health of the U.S. economy as government stimulus measures begin to wane in the second half of the year.

"We are happy to finally see stronger economic growth in the wake of trillions of dollars in fiscal and monetary stimulus," Schnapp noted. "Our biggest fear concerns how the economy will perform after the Feds quit QE2 cold turkey in June. We are far from convinced that the recent surge in economic growth is sustainable."

Schnapp says that TrimTabs' real-time analysis of daily tax deposits provides a more reliable measure of income and employment because it is a real-time measure of income from all salaried U.S. employees. Meanwhile the BEA and BLS initial estimates rely on either historical data or surveys and are subject to frequent and at times sizeable revisions.

Additionally, TrimTabs estimates are available immediately after the end of the reporting period, while estimates from the BEA and the BLS are released in lagged fashion. Government statistics reflect critical

economic changes only after the fact, not in real time.