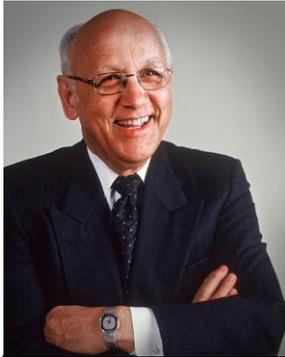




Caswell **CORPORATE COACHING** Company

Making companies better places to work - worldwide

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Dead Money Equals Good News

A message about the economy

A note tucked away in a small corner of the Ottawa Citizen on August 22, 2012, reported that Mark Carney, Canada's central bank Governor, chided Canadian business for not spending their \$562-billion-dollar business cash reserve, the largest in Canadian history. Because of what (he called) 'dead money' really signifies, the Citizen note deserves much more than a small corner of an every-day newspaper.

Recent history had governments performing a heroic act to rescue a world economy heading for a depression. Today, those governments are vilified as their payback time drags economic growth. Hidden behind this 'bad news' is the substantial business-sector growth in Canada, and the U.S.

But we are all shell shocked – and almost afraid to look at the good news financial facts. We lack confidence in our economy. Unfortunately, as reported by Chief Economist, Peter Hall, (Vice President of Export Development Corporation), confidence is an essential element of an economic system¹ and is a base for growth stimulation – or lack thereof. Low confidence will keep a modest-growth economy on that same modest recovery track. Rumors and bad feelings can govern the day. Until we get confidence back, the economy will remain in its rut.

Some rough facts: double-digit gains are happening in U.S. factory orders, housing and auto markets. Correspondingly, employment growth has been positive in this market. Statistics show a 4.5% 'underlying growth' – like an economy on the mend. It definitely is running above the recession water-line. Specifically the U.S. housing market absorbed more than a million units in the past few months without any special incentives.

The exciting news is the manifestation of the growth – over \$2 trillion currently in cash reserve in U.S. businesses (termed non-financial institutions), 12.9% of the U.S. GDP. Canada's figure of \$ 562 billion represents 13.2% of its assets. This huge corporate cash-stash (of dead money) is a tremendous source of economic fire-power whenever it will be tapped. It is only a matter of time. And what prevents it from being used? Confidence – concerns over Europe's ills and the slow-down in China. History tells us that corporations don't spend until there is a true need. But the need is showing – the manufacturing sector is now within a hair of the pre-recession peak capacity utilization. Economists state that the U.S. construction sector may soon be on the same positive path as manufacturing.

Here is some more good news: U.S. corporations have another cash source of \$2.4 trillion of trade receivables – typically due within the next 60 days.

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But why are there so few U.S. jobs? Like its reticence to part with its money, Corporate America is in no rush to hire. Realize, however, that employment is always a lagging economic indicator.

Here are some actual under-the-surface indicators:

- Container shipments at West Coast ports are up 4.3% over the year
- Second quarter freight rail traffic is up 4.2% - and April-June segment was up 6.6%, annually
- Auto shipments have risen 24% over last year
- Heavy-duty truck sales (a well-regarded business activity barometer) are up 27%
- Petroleum product shipments are up nearly 50%
- Growth in emerging markets helped register a million employees in Canadian sales efforts abroad

In conclusion, behind today's considerable fiscal withdrawal is a faster-growing private sector that will lead the world economy to a real recovery. This reservoir of corporate cash is on the verge of being unleashed into the U.S. and Canadian economies – a grand private-sector stimulus program. Any time now, the business machine could have the confidence to believe the recovery is real. If that is so, then watch out!

Bill