Economy back in growth mode, bank expert says

Strong dollar could challenge exporters

By Roddie Burris
The State

Look around the world, South Carolina.

Other major powers — most notably Europe and Japan — are still struggling to get their economies back even to the production levels they experienced prior to the worldwide economic crisis in 2008, which led to the greatest recession the U.S. has witnessed since the Great Depression.

But today, the greenback and the U.S. economy are back, according to the currency strategist of a major national bank, though you might not know it from all the doom and gloom pouring out of Washington.

"I think we've recovered — that's the message," said Shaun Osborne, TD Securities chief currency strategist, speaking Thursday to the Columbia World Affairs Council. "We've recovered all the ground lost in many of the economic metrics that we'd look at for growth in terms of jobs.

"So, we've gone beyond the recovery phase. We are in the growth phase now.

The economy is well ahead of where it was (when the economy went into major recession in 2008)."

Most Europeans and Americans alike are too busy with their lives to keep tabs on international economies and currencies, Osborne said.

A strong dollar probably affects the average South Carolinian in ways they might not fully appreciate, Osborne said.

For U.S. exporters, potentially challenging and interesting times lie ahead because the U.S. dollar is strong and strengthening still. Currencies in places like Europe, Mexico and Brazil are depreciating, giving foreign competitors a "pretty significant" cost advantage over U.S. companies, Osborne said.

"A stronger dollar probably means lower commodity prices, lower energy prices, lower gas prices — so they should be seeing falling gas prices at the pump. We think that's gonna be positive for the average consumer, the average person.

"For businesses here that are exporters, that's going to be probably more challenging. A higher dollar is not going to be conducive to export growth, necessarily. So that's always a challenge," Osborne said.

While South Carolina has a strong export business, even the state's businesses that don't have any direct import or export exposure could be impacted by a stronger dollar, Osborne said.

"The challenge there is there may be a competitor in Mexico or in Europe that is actually going to be able to benefit from the falling euro by giving better pricing to the manufacturer here. So there may (be) a competitive challenge for domestically based businesses that they're unaware of," he said.

South Carolina set an export record in 2013, shipping more than $26 billion in goods overseas, a 4 percent increase over 2012's volumes. Georgia and Tennessee also set net export records last year, all helping the U.S. reach its $2.3 trillion total export market in 2013, which supported more than 10 million U.S. jobs.

"In North America, I think things are looking not-too-bad," Osborne said.

In terms of U.S. numbers, the key area is still jobs and unemployment, he said, noting that the monthly U.S. jobs report Friday showed more than 214,000 jobs were created last month — a level that is becoming consistent.

"The labor market is improving," Osborne said, amid early signs labor demand might be starting to put upward pressure on wages.

The U.S. budget deficit, which hovered around 6 percent in 2008, has decreased to about 2.5 percent to 3 percent annually now, Osborne said, and he called it sustainable. Likewise, U.S. crude oil production is higher than ever, and gas prices are falling.

Housing prices are showing strong signs of recovery in many areas of the country, Osborne said. Gold prices are expected to be under $1,000 an ounce for the next few years as the dollar remains strong, and Osborne said crude oil could hover around $60 to $65 a barrel for some time to come.

Osborne, who is British and based in Toronto, said he thinks Europe is headed back into recession, and he doesn't have much confidence the euro will survive. The consumer-based U.S. economy should be able to withstand economic turbulence elsewhere in the world for a few years, though, Osborne said.