

# Business/News & Views®

## Economic News Summary January 2010

By: David Weatherholt, MBA

### Economic Summary

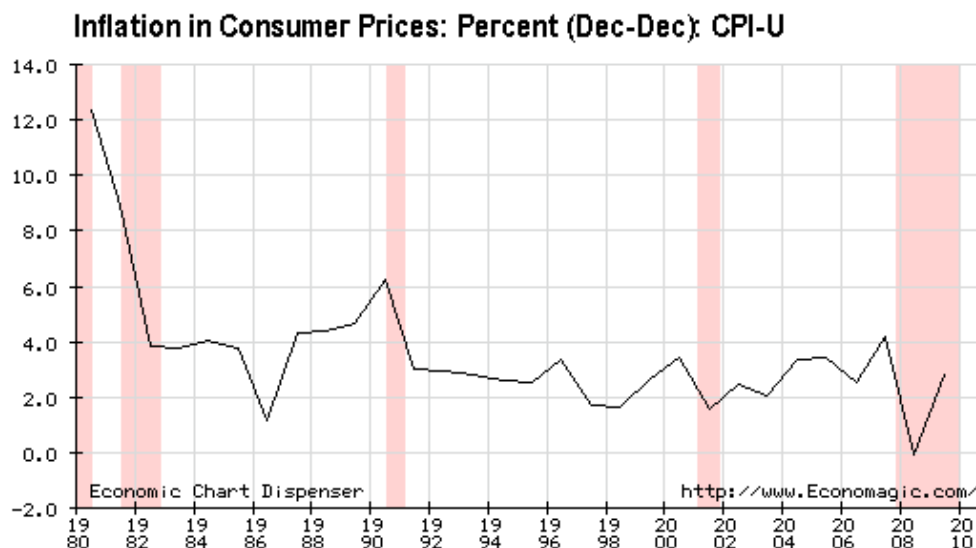
The student turns into the master? The Federal Reserve pumped millions of dollars into the economy as chairman Ben Bernanke, an expert on the Great Depression of the 1930's, learned from mistakes made then. The fear with his approach was that inflation would run wild. So far inflation remains low (see below); the banking system has been stabilized, and moderate growth has returned.

You will notice a different look to some of the charts below as we have in some cases taken a different look at the same indicators. In some cases, we have gone back to 1947 to provide a better perspective.

### Consumer Price Index-Urban (CPI-U)

January 20, 2010

On a seasonally adjusted basis, CPI-U rose a modest 0.09% in December and is still at an annualized rate of 1.6% and below the 10-year historical average of 2.6%. The chart below shows the inflationary trend since the old double digit days of the 1980's (comparing December - December annual rates which is currently at 2.82%).



**Full Title:** All Urban Consumers - (CPI-U): U.S. city average: All items: 1982-84=100

**Definition:** Monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services. All Items Less Food and Energy.

<sup>1</sup> Definition from the Bureau of Economic Analysis (BEA)

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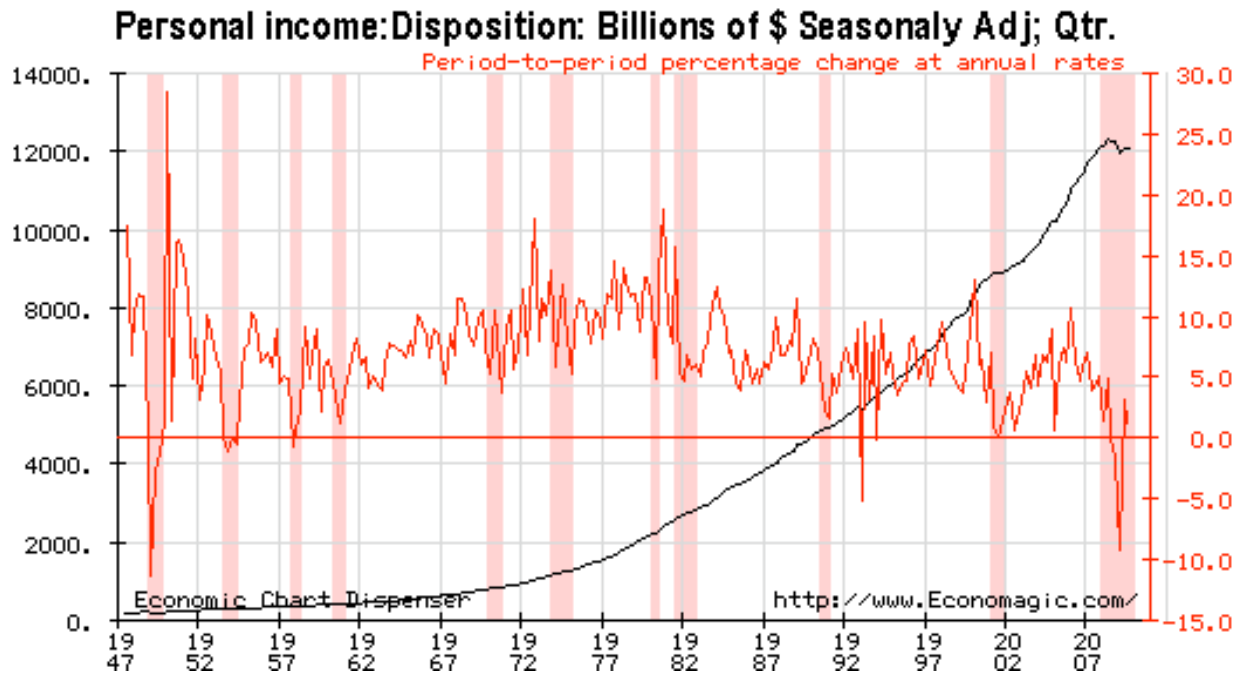
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### Personal Income

January 20, 2010

Personal income in the U.S. approached a 61-year low, see chart below. The negative trend has been reversed, returning to a positive annualized rate of 1.17%. Consumers are not in a position to lead economic recovery.



**Full Title:** Personal income: Personal Income and Its Disposition: Billions of dollars; Seasonally adjusted at annual rates (quarterly)

**Definition:** Personal income. Income received by persons from all sources. It includes income received from participation in production as well as from government and business transfer payments. It is the sum of compensation of employees (received), supplements to wages and salaries, proprietors' income with inventory valuation adjustment and capital consumption adjustment, rental income of persons with CCAAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance.

<sup>2</sup> Definition from the Bureau of Economic Analysis (BEA)

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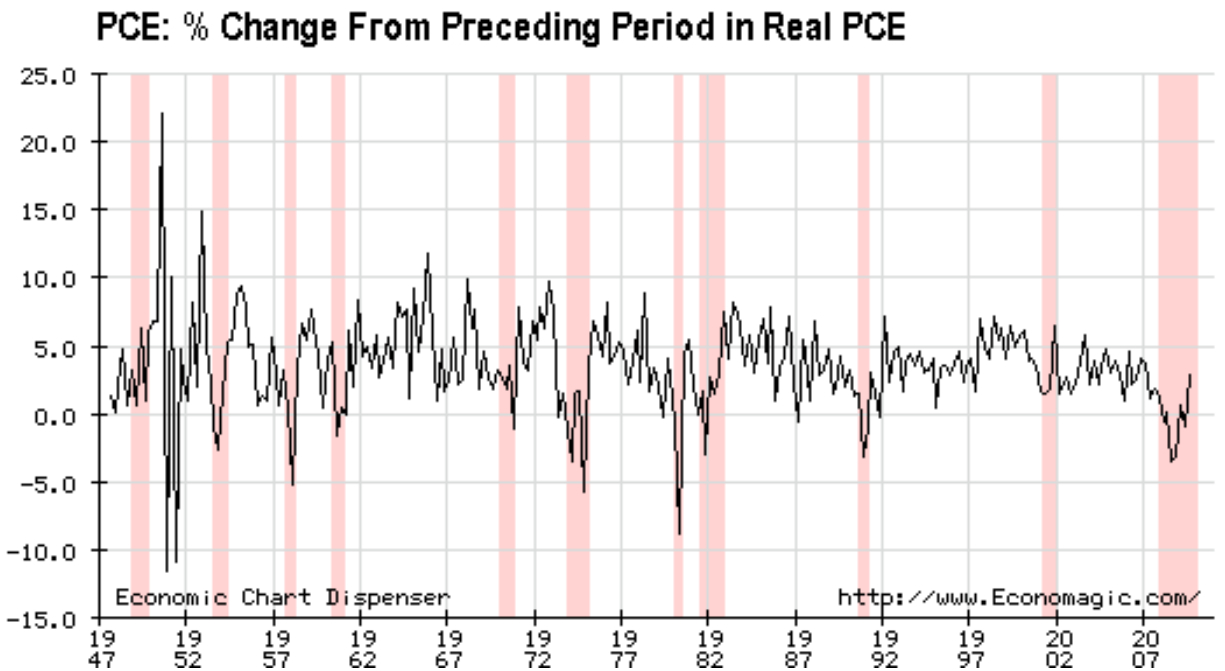
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### Personal Consumption Expenditures (PCE)

January 20, 2010

Personal consumption expenditures have regained the positive ground lost during this recession. Recovering from a -3.5% annual decline to a positive 2.8% annual increase. We have extended this chart back to 1947 for better context.



**Full Title:** Personal consumption expenditures: Real Personal Consumption Expenditures by Major Type of Product, Chained Dollars: Billions of chained 2005 dollars; Seasonally adjusted at annual rates (quarterly)

**Definition:** Personal consumption expenditures (PCE). The goods and services purchased by persons.

<sup>3</sup> Definition from the Bureau of Economic Analysis (BEA)

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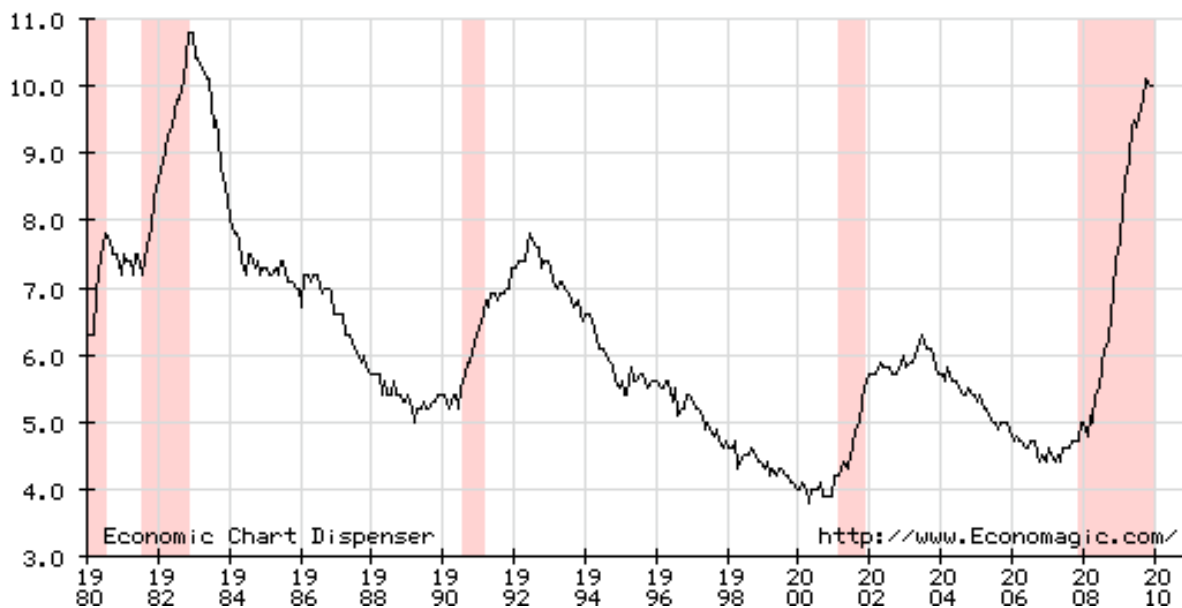
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### Civilian Unemployment Rate

January 20, 2010

This widely published index remained unchanged in December, with 10% of the population unemployed. My educated guess is that in January 2010, unemployment will get slightly worse.

Civilian Unemployment Rate: Percent: SA



<sup>4</sup>**Definition:** Civilian unemployment rate comes from a survey designed so that person age 16 and over that are neither in an institution nor on active duty in the Armed Forces is counted and classified in only one group. The sum of the employed and the unemployed constitutes the civilian labor force. Persons not in the labor force combined with those in the civilian labor force constitute the civilian noninstitutional population 16 years and over. (There is no upper age limit.)

<sup>4</sup> Definition from the Bureau of Labor Statistics (BLS)

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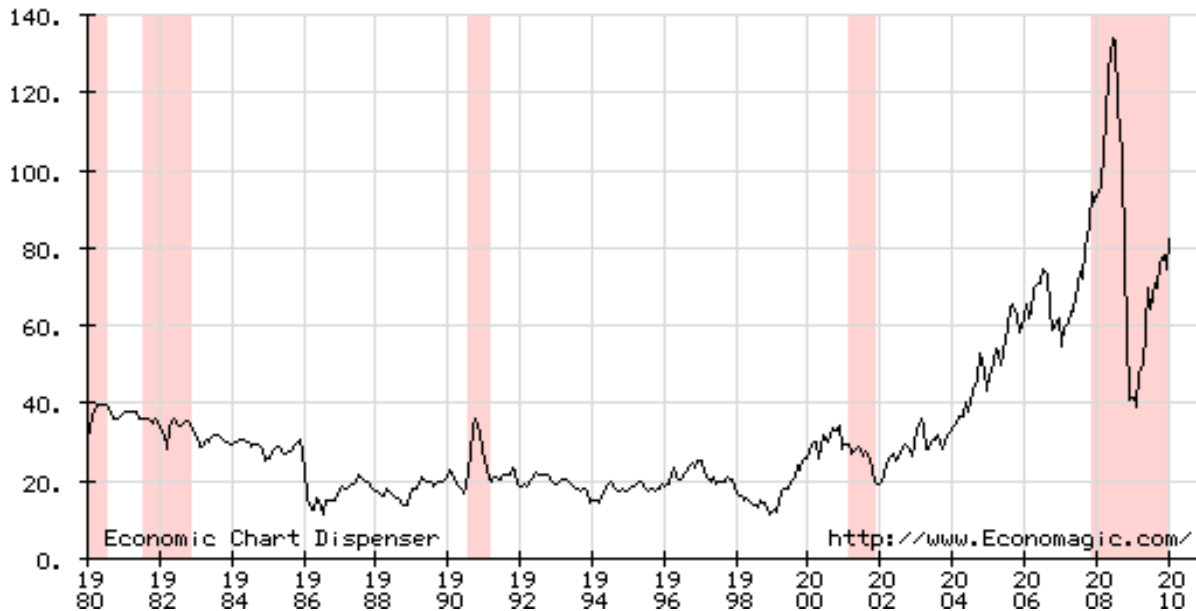
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### West Texas Intermediate (WTI)

January 20, 2010

The price of West Texas Crude increased to \$82.30 per barrel. This is a percentage change of 10.8%-- a large jump. This is outside the historical trading range of \$55 to \$75 per barrel, except for the run-up in 2008. The more stable trading range is good for the economy and oil companies.

Price of WTI Crude; Monthly NSA, \$/Barrel



**Full Title:** Price of West Texas Intermediate Crude; Monthly NSA, Dollars Per Barrel

**Definition:** West Texas Intermediate (WTI) crude oil is of very high quality and is excellent for refining a larger portion of gasoline. WTI is the major benchmark of crude oil in the Americas. WTI is generally priced at about a \$5 to \$6 per-barrel premium to the OPEC Basket price and about \$1 to \$2 per-barrel premium to Brent, although on a daily basis the pricing relationships between these can vary greatly.

<sup>5</sup> Definition from the U.S. Energy Information Administration.

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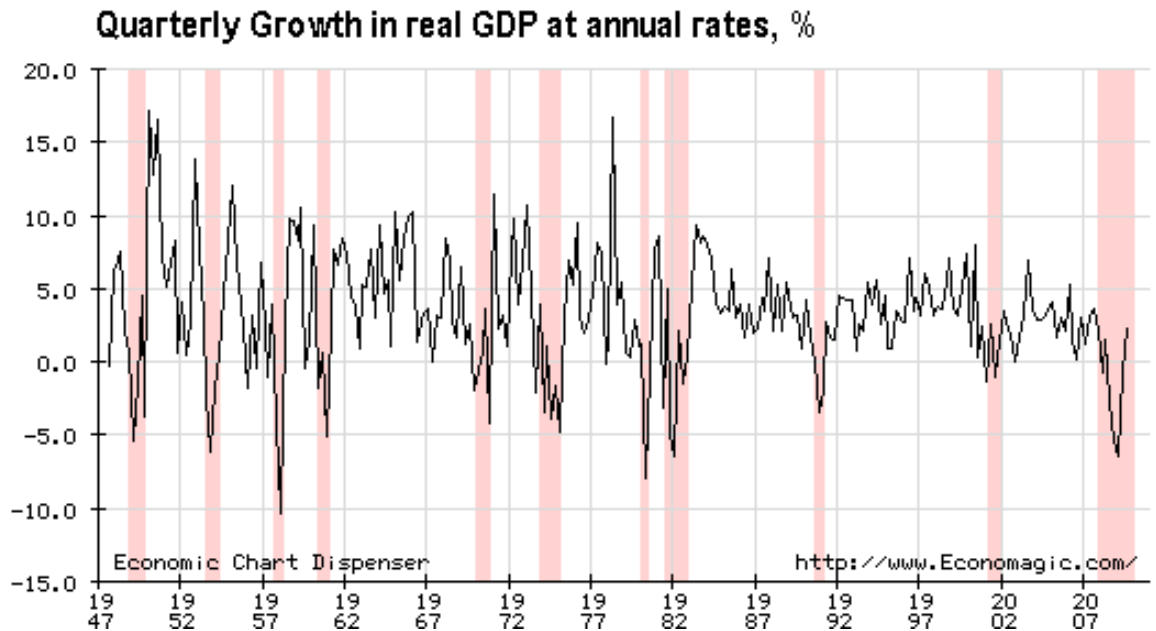
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### Gross Domestic Product (GDP)

January 20, 2010

Third quarter gross domestic product was revised downward to 12,973 but still is up from 2Q 2009. The annualized rate is still a positive 2.24%. The chart below has been extend back to 1947 to provide better historical perspective for our current recession.



**Full title:** Gross domestic product: Real Gross Domestic Product, Chained Dollars: Billions of chained 2005 dollars; Seasonally adjusted at annual rates (quarterly)

**Definition:** Gross domestic product (GDP) price index. Measures the prices paid for goods and services produced by the U.S. economy and is derived from the prices of personal consumption expenditures (PCE), gross private domestic investment, net exports of goods and services, and government consumption expenditures and gross investment.

<sup>6</sup> Definition from the Bureau of Economic Analysis (BEA)

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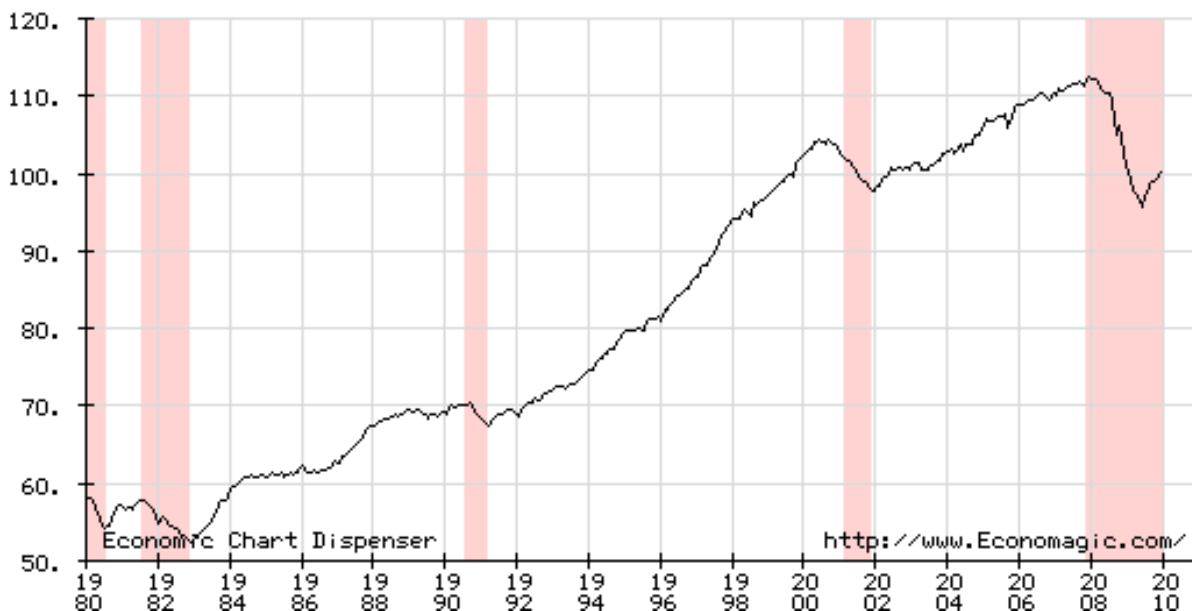
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### Industrial Production (IP)

January 20, 2010

Industrial production increased to 100.3 in December. This is an annual percentage change of 7.9%-- a huge increase from the -24.4% the previous year.

#### Industrial Production Index: Index 2002=100: SA



**Full Title:** Industrial Production Index: Index 2002=100: SA

**Definition:** Industrial production (IP) includes output, capacity, and capacity utilization in the U.S. industrial sector, which is defined by the Federal Reserve to comprise manufacturing, mining, and electric and gas utilities.

#### NOTES:

1. This summary contains some quarterly indicators such as personal income, real personal consumption, and gross domestic product and may not have changed from the last issue of B/N&V®.
2. Pink band indicates recessionary period.



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Let me know if you have any comments, questions, or suggestions.

Write David W. Weatherholt at [david@bnewsviews.com](mailto:david@bnewsviews.com)

<sup>7</sup> Definition from the Bureau of Economic Analysis (BEA)

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