

Business/News & Views®

The Slow Motion Recovery

By: [David W. Weatherholt, MBA](#)

Economic News Summary February 2010

The \$13.2 trillion U.S. economy caught a cold and was down-and-out for a bit as marked by the sharp drop in GDP during the 3rd quarter of 2008. This was the most serious economic downturn since the 1930's.

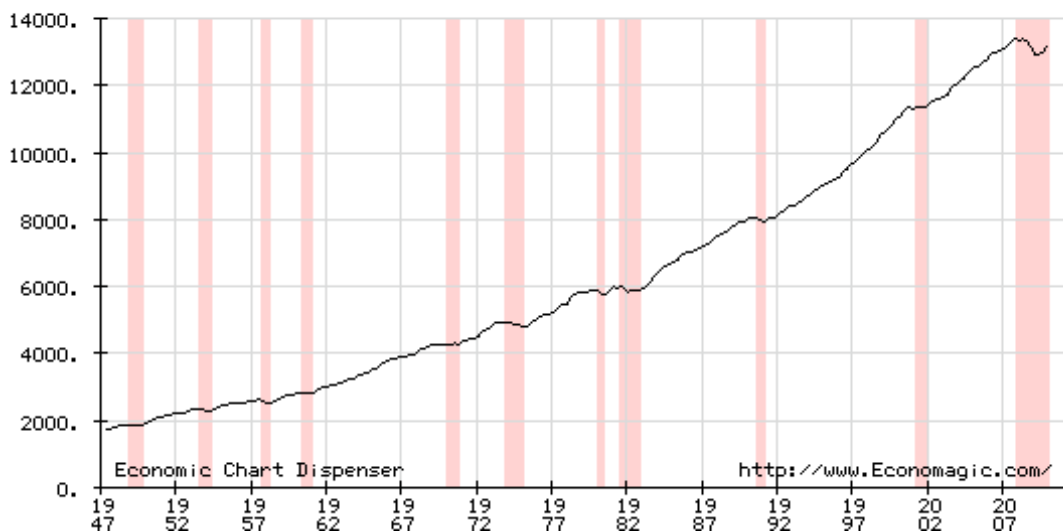
However, since the 1930's our economy has pushed steadily upward marked by only shallow declines, as the growing economy seemed to almost stop simply to catch its breath, before continuing its upward climb. This recession was severe and is turning out to be quite long, which makes the recovery seem like it is in "s l o w ...m o t i o n." We have turned a corner, and the largest, most resilient economy in the world is now refreshed, healthy and ready to move to greater heights.

Gross Domestic Product (GDP)

February 25, 2010

Gross domestic product is the standard for measuring economic health. Over the past 63 years, since 1947, the U.S. economy has grown from \$1.8 trillion to \$13.2 trillion, or a percent change of over 630%.

2) Real GDP, Chained \$: Billions of chained 2005 \$'s



Full title: 1) Gross domestic product: Real Gross Domestic Product, Chained Dollars: Billions of chained 2005 dollars; Seasonally adjusted at annual rates (quarterly). 2) Quarterly Growth in real GDP at annual rates, as a percentage change.

1Definition: 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.

¹ Definition from the Bureau of Economic Analysis (BEA)

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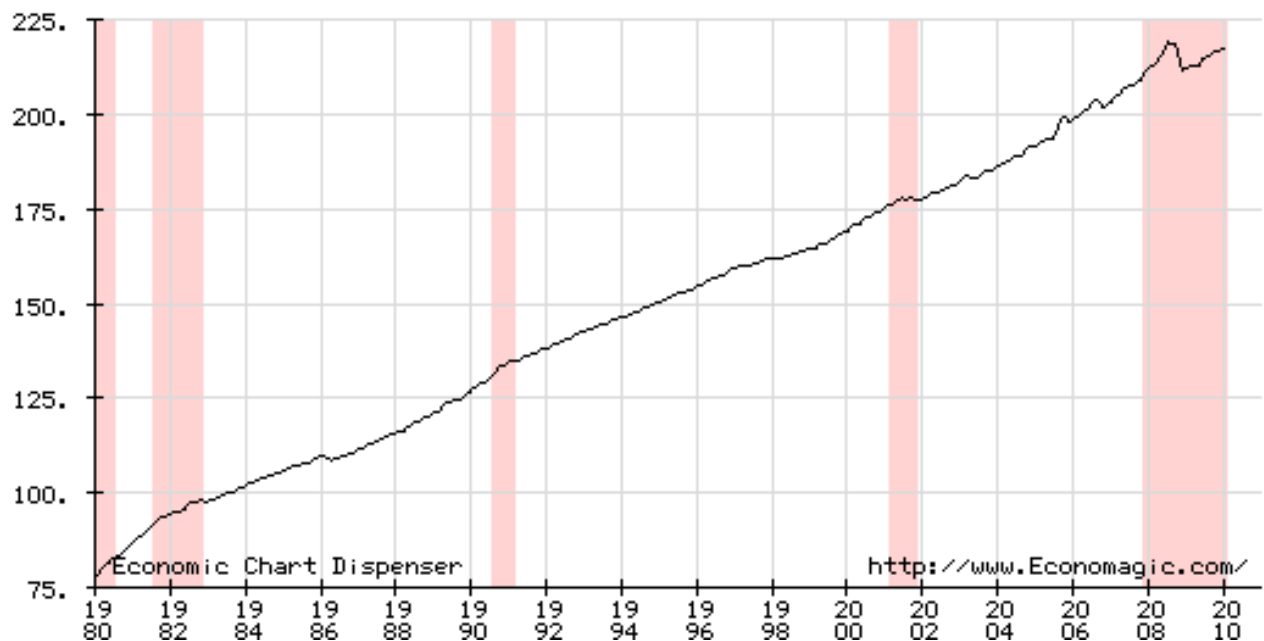
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Consumer Price Index-Urban (CPI-U)

February 25, 2010

Consumer prices indicates the level of inflation. To limit the damage to the economy, the Federal Reserve pumped trillions of dollars into the economy. If not handled properly, all of those extra dollars can create inflation. In the coming months, the Federal Reserve will take steps to mitigate inflation. Currently inflation is at a 2% annual rate, which is below the average of 2.6% over the past 10 years.

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



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.

² Definition from the Bureau of Economic Analysis (BEA)

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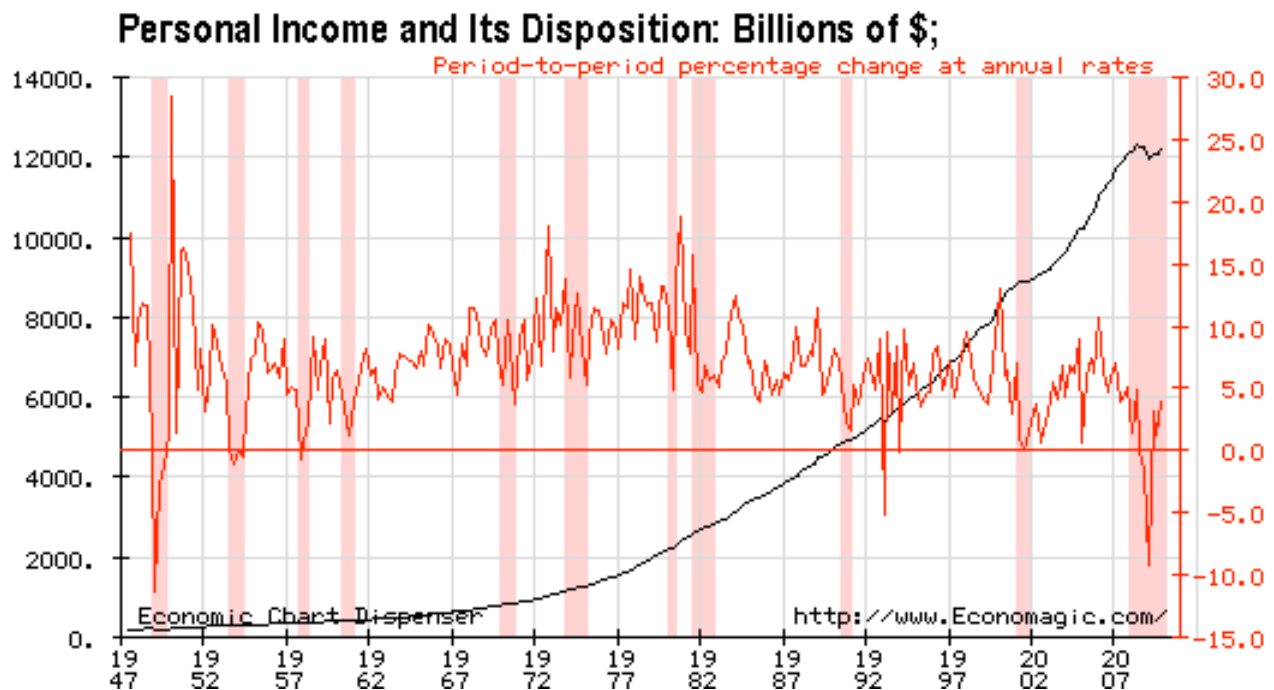
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Personal Income

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Personal income in the U.S. approached a 63-year low, see chart below. The negative trend has been reversed, returning to a positive annualized rate of 4%. 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)

³Definition: 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 CCA_{adj}, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance.

³ Definition from the Bureau of Economic Analysis (BEA)

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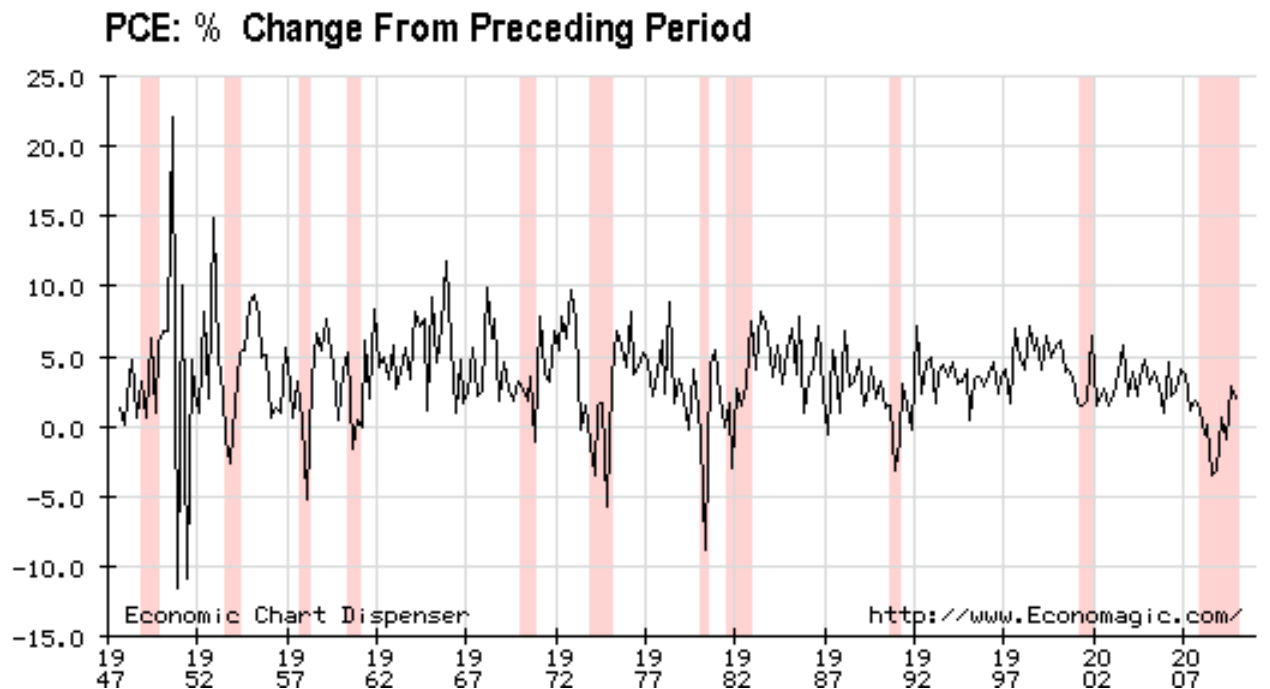
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Personal Consumption Expenditures (PCE)

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Personal consumption expenditures have regained the positive ground lost during this recession. Recovering from a -3.5% annual decline to a positive 2% annual increase. We have extended this chart back to 1947 for better context.



Full Title: 1) 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). 2) Personal consumption expenditures: Percent Change From Preceding Period in Real Personal Consumption Expenditures by Major Type of Product: Percent; Seasonally adjusted at annual rates (quarterly)

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

⁴ Definition from the Bureau of Economic Analysis (BEA)

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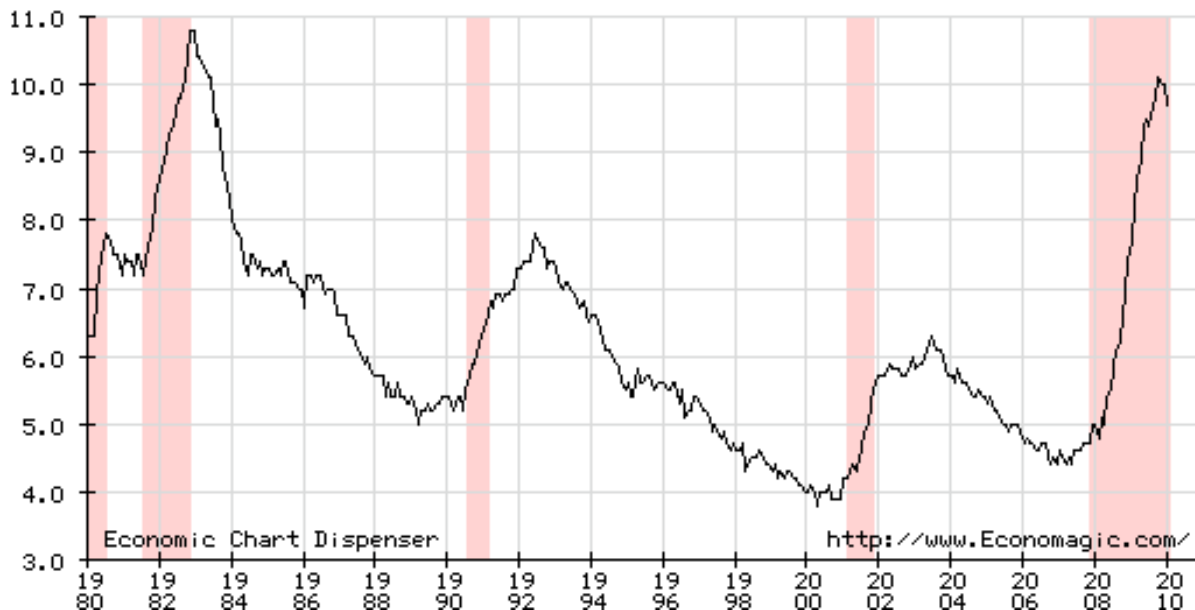
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Civilian Unemployment Rate

February 25, 2010

This widely published index went down in January to 9.7% from December's rate of 10%. Normally a downward revision is good if the reason for the drop is caused by employers hiring more workers. This drop seems like it was caused by the unemployed losing benefits and dropping out of work force. We need to wait and see on this part of the "s l o w ...m o t i o n" recovery.

Civilian Unemployment Rate: Percent: SA



⁵**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.)

⁵ Definition from the Bureau of Labor Statistics (BLS)

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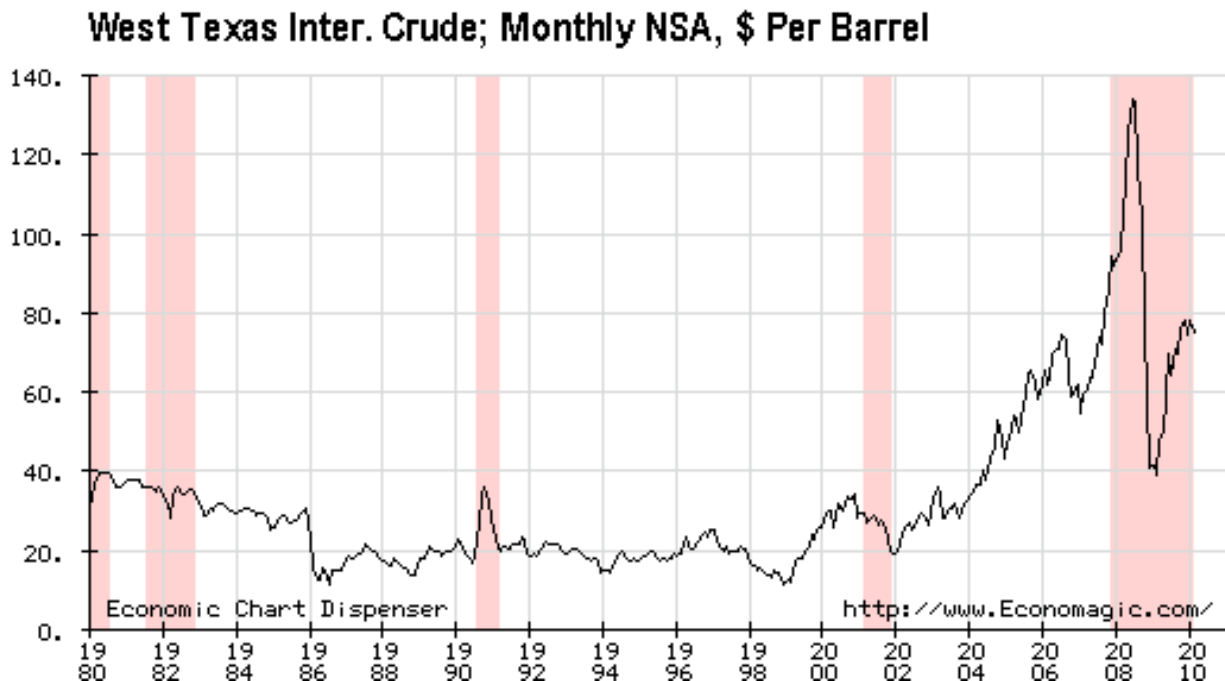
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West Texas Intermediate (WTI)

February 25, 2010

The price of West Texas Crude dropped to \$75.10. The historical trading range for crude has been in the \$55 to \$75 per barrel range, except for the run-up in 2008. The more stable trading range is good for the economy and oil companies.



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.

⁶ Definition from the U.S. Energy Information Administration.

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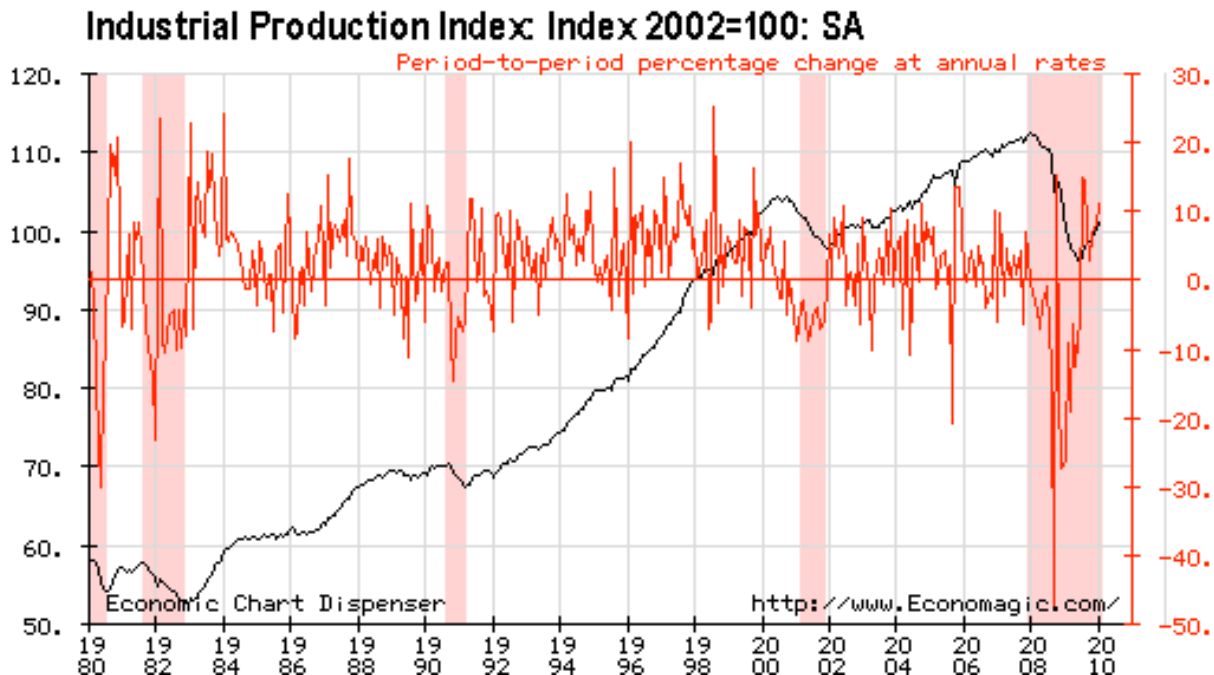
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Industrial Production (IP)

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Industrial production increased to 101.1 in January. This is an annual percentage change of 11.81%-- a huge change over the -23.41% from the previous year. When looking at the percentage change, red in chart below, we can see the dramatic change in industrial production and the one indicator not in "slow motion."



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

7Definition: 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.

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