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Prosperity Returns

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

Economic News Summary June 2010

The U.S economy is pulling out of the economic malaise of the past two years and is firmly on the path to economic recovery. The seven economic indicators represented in this report have been moving ever-so-slowly but steadily in an upward direction. This month five out of the seven indicators have shown significant positive change pointing to a strong economic recovery.

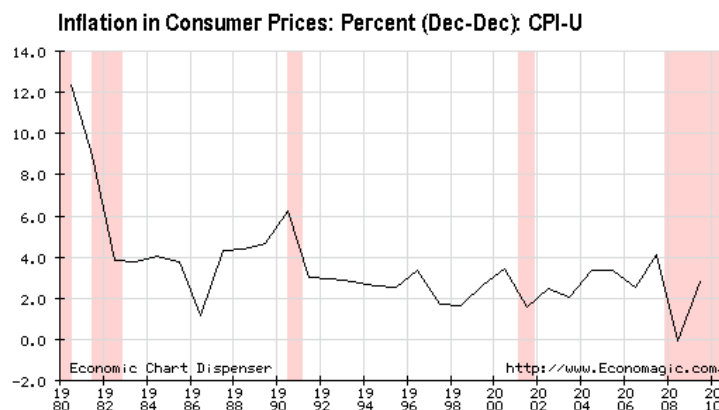
This recovery demonstrates the resiliency of the greatest economic engine the world has seen, moving forward regardless of significant economic chaos in the European Union and serious saber rattling from North Korea. This strength stands in sharp contrast to the progressive belief that Socialism is superior to Capitalism, which will eventually be replaced by that superior system. This while Socialism based an unsustainable economic system crumbles before our very eyes and has failed almost everywhere it has ever been tried. Socialism inevitably devolves into economic chaos, producing social problems and violence whenever it has been used.

“Make no mistake about it – the rising tide of prosperity that this planet has been enjoying since the end of the Second World War is the primary reason we have not seen a repeat of the horrors that plagued nearly the entire world during the first half of the 20th century.”¹ This is the fruit of our root beliefs that hard work, thrift, and building a better future help keep the peace.

Consumer Price Index-Urban (CPI-U)

May 26, 2010

As a measure, inflation CPI dropped in May. Down to -.07 from the previous month and running at an annualized rate of less than 1% and significantly below the average of 2.6% over the past 10 years. **Good.**



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 less food and energy.

¹ Adrian Van Eck,, The Financial Research Center, Inc., Holliston, MA, June 2010

² Definition from the Bureau of Economic Analysis (BEA)

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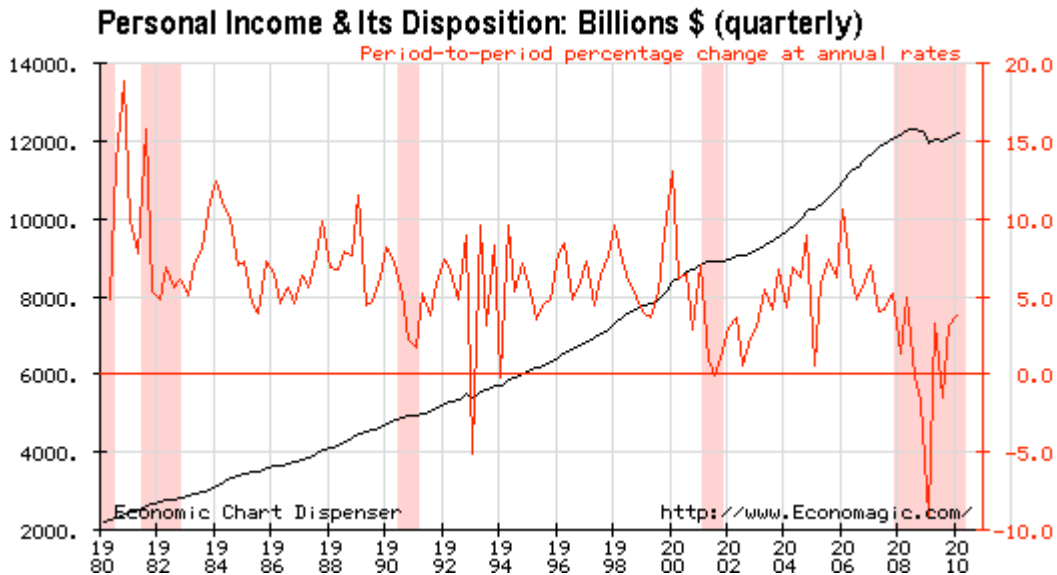
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Personal Income

May 26, 2010

Personal income rose again at an annual rate of 3.86% during the 1st quarter. Consumers will be able to contribute to the economic recovery. **Good.**



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.

³ Definition from the Bureau of Economic Analysis (BEA)

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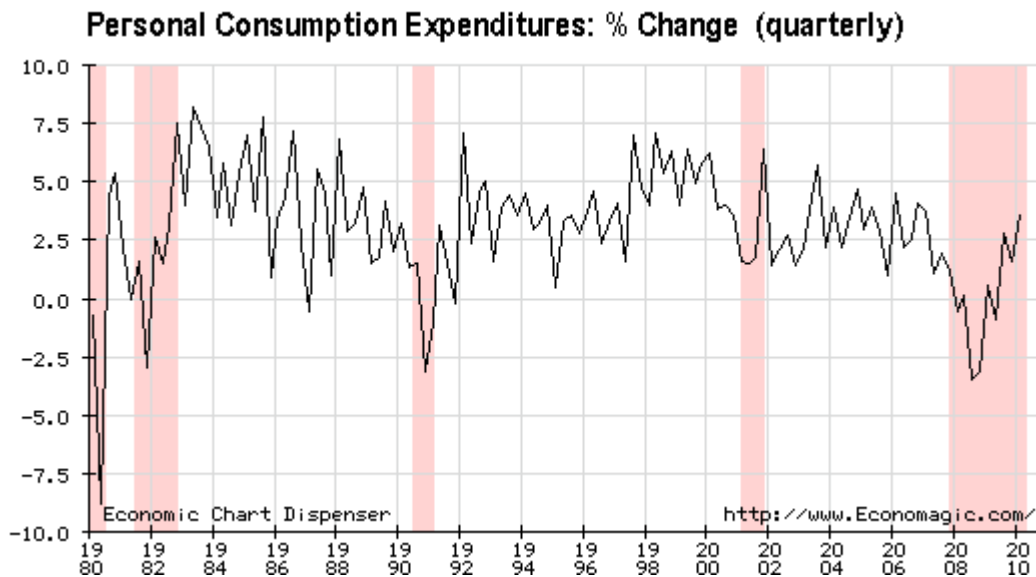
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Personal Consumption Expenditures (PCE)

May 26, 2010

Personal consumption jumped to 3.63% in the first quarter. Part of the increase in personal income went into consumption. **Good.**



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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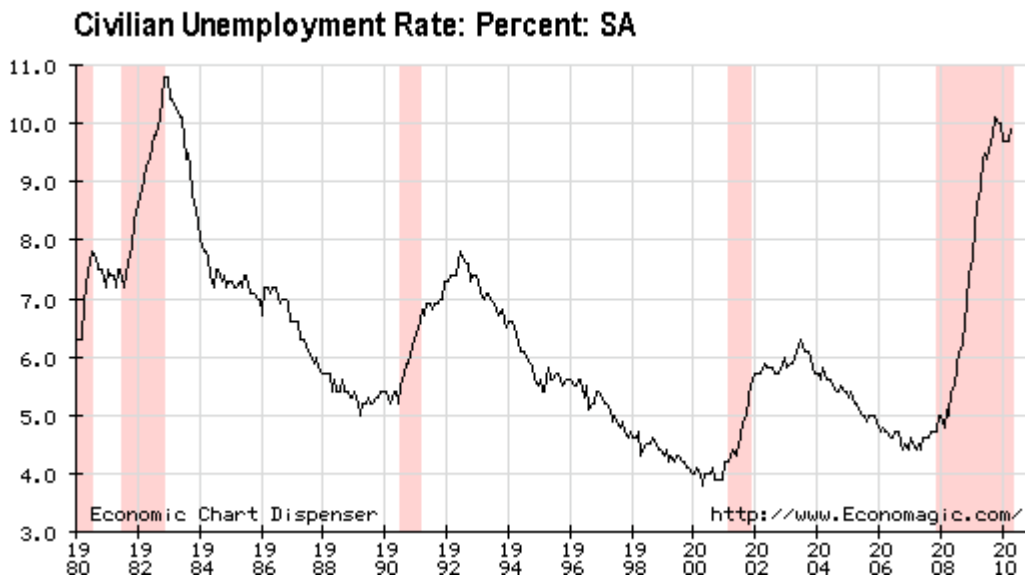
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Civilian Unemployment Rate

May 26, 2010

The rate finally moved to 9.9%. While additional job loss is not good, looking at the previous recession's employment lagged recovery by a significant margin. **Bad.**



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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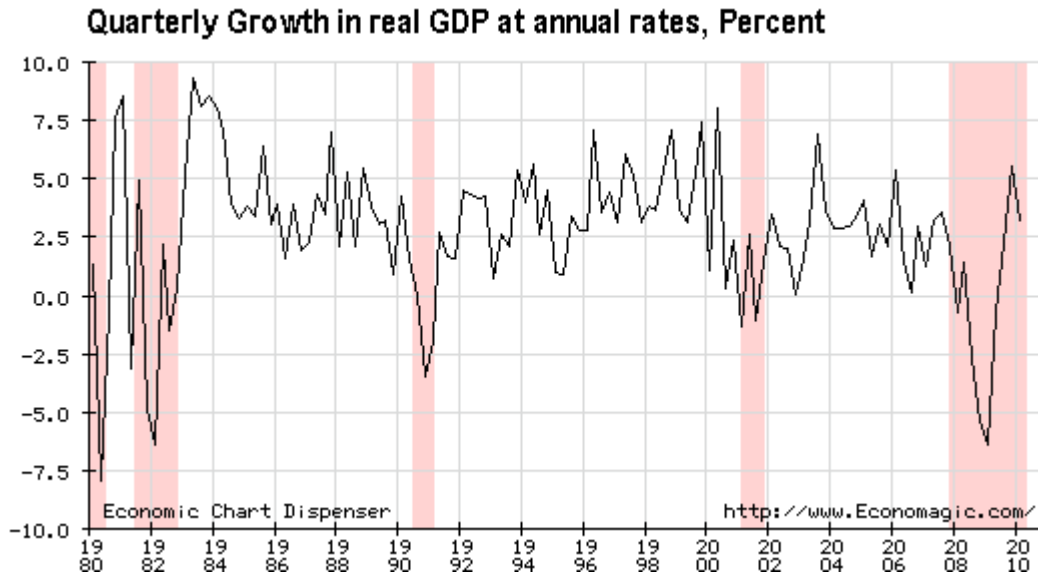
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Gross Domestic Product (GDP)

May 26, 2010

Gross domestic product estimates for the 1st quarter was 3.24% down from the revised 4th quarter rate of 5.5%. The sharp increase in Industrial Production combined with stronger consumer consumption indicate that 2nd quarter GDP will be up. **Bad.**



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.

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.

⁶ Definition from the Bureau of Economic Analysis (BEA)

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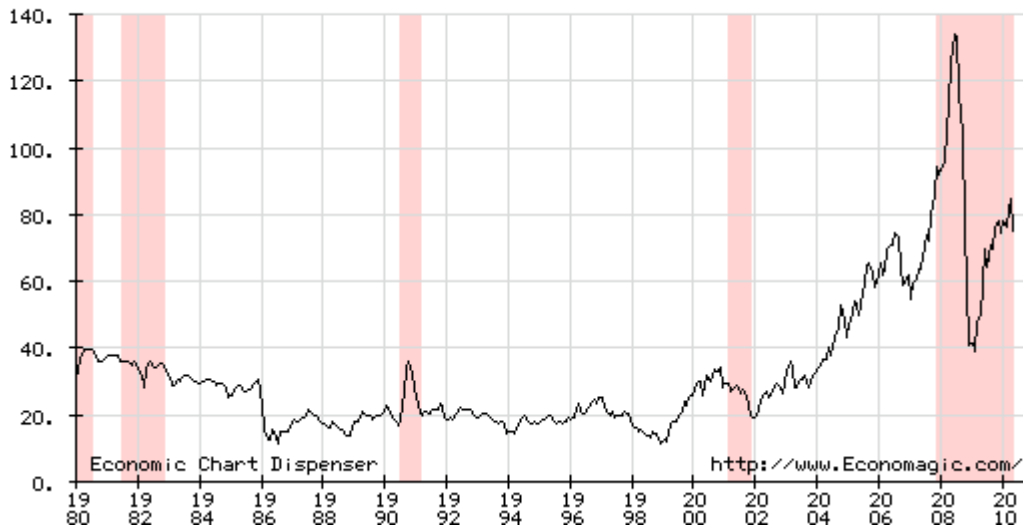
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West Texas Intermediate (WTI)

May 26, 2010

The price of West Texas Crude went down to \$75.20, down 11%. **Good.**

Price of West Texas Intermediate Crude; Monthly NSA, Dollars Per 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.

⁷ Definition from the U.S. Energy Information Administration.

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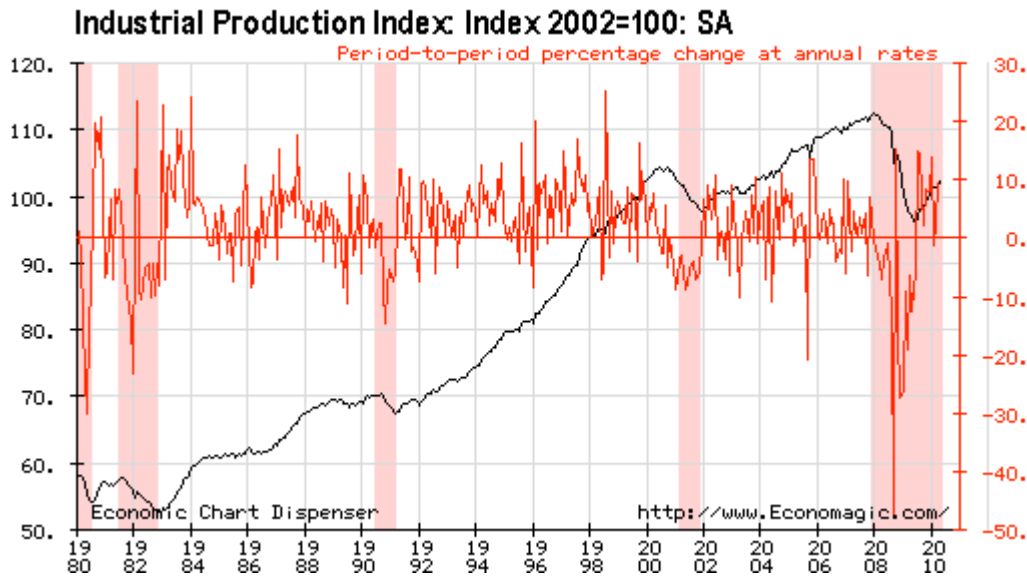
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Industrial Production (IP)

May 26, 2010

Industrial production increased 300% between March and April. This monthly indicator as a component of GDP is a leading indicator of economic growth. **Good.**



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

⁸ Definition from the Bureau of Economic Analysis (BEA)

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