

Business/News & Views®

Economic News Summary December 2009

By: David Weatherholt, MBA

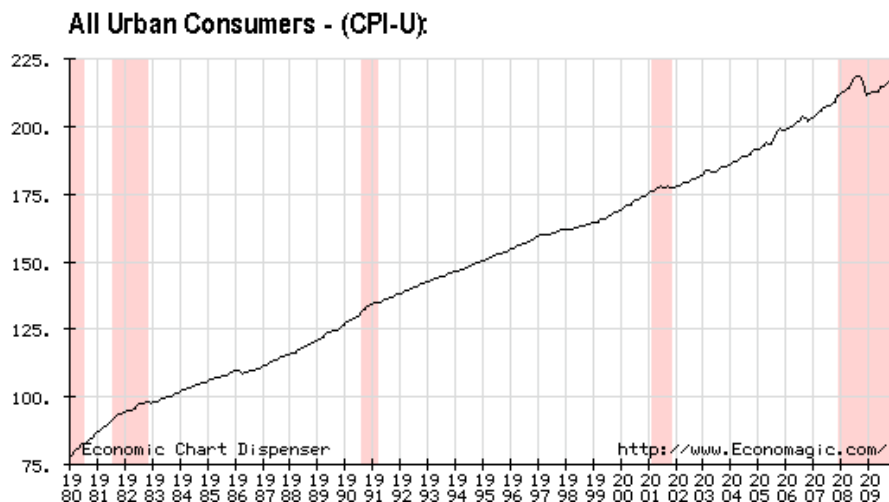
Economic Summary

With each passing month, it is becoming clearer that the recession that gripped the U.S. and world economies over the past 18 months has ended. My research is producing some very optimistic forecasts for 2010, with only one possible blemish, i.e. government control, growth and spending. If we can get our government under control, the U.S. private business sector will blow the socks off of our nation's economy. The depth and length of this recession is now turning into a recovery, surprising many with its strength and durability. The U.S. economy is dynamic and resilient which will clearly be evident in its recovery. The attached charts provide a glimpse at some of the key economic indicators. Keep an eye on CPI-U for signs of inflation and GDP for signs of continued economic growth. Significant increases in Industrial production, see below, is key to sustained economic recovery and job growth.

Consumer Price Index-Urban (CPI-U)

December 18, 2009

On a seasonally adjusted basis, CPI-U rose a modest 0.4% in November and has risen 0.7% over the past two months. This translates into a 1.6% increase on an annualized basis, which is below the 10-year historical average of 2.6% .



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

1Definition: 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.

¹ Definition from the Bureau of Economic Analysis (BEA)

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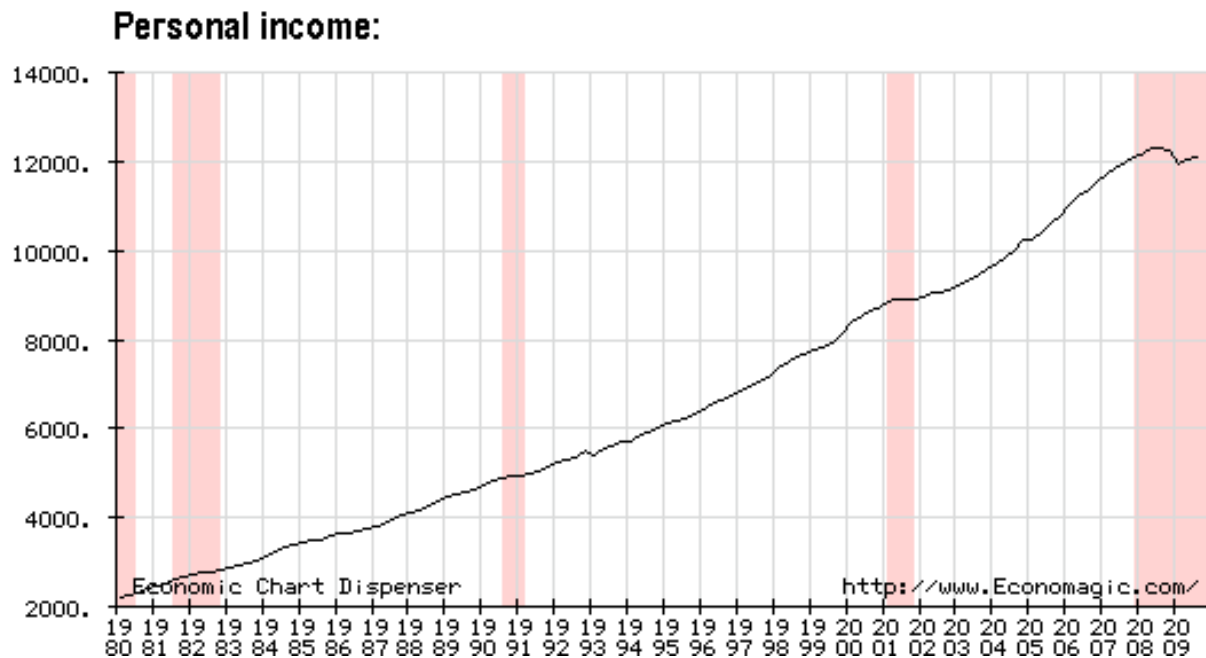
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Personal Income

December 18, 2009

Personal income stood at 11,956.3 in the 3Q, dropping a mere 0.13% from the 2Q. It is down 2.7% from 3Q of 2008. This means that consumers have less money to spend than last year.



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.

² Definition from the Bureau of Economic Analysis (BEA)

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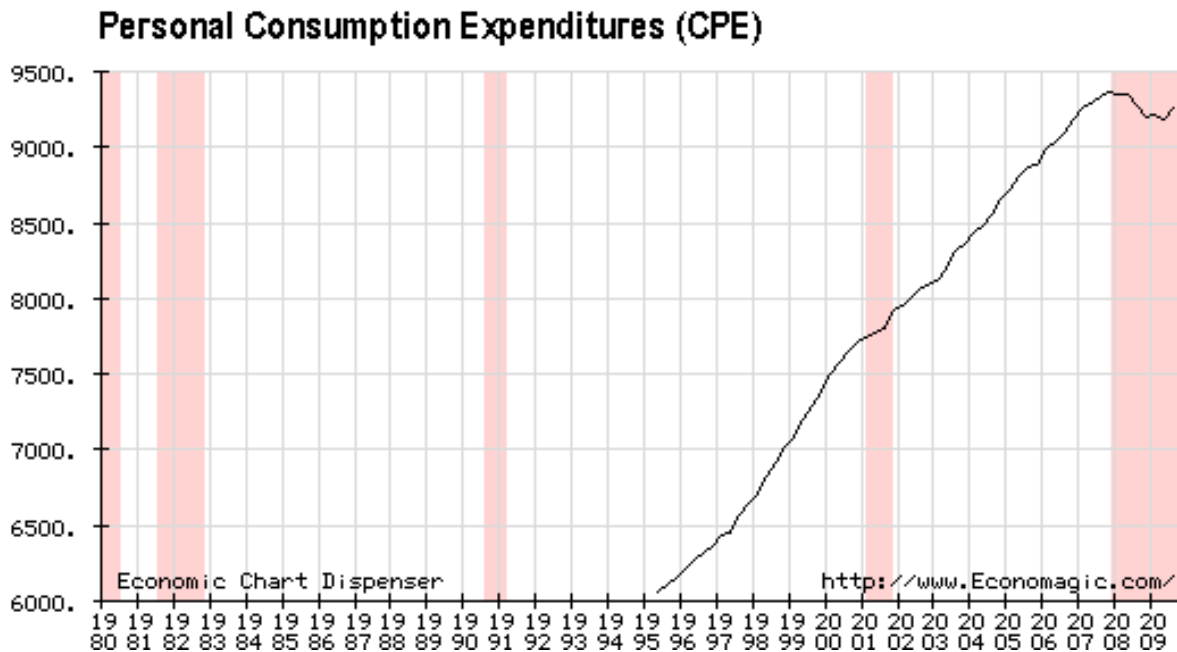
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Personal Consumption Expenditures (PCE)

December 18, 2009

Personal consumption expenditures reached 9,265.1 in the 3Q, a 0.83% upward change from 2Q and down 0.3% from 3Q 2008. Spending more than you take in cannot go on much longer, especially with credit tightening.



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.

³ Definition from the Bureau of Economic Analysis (BEA)

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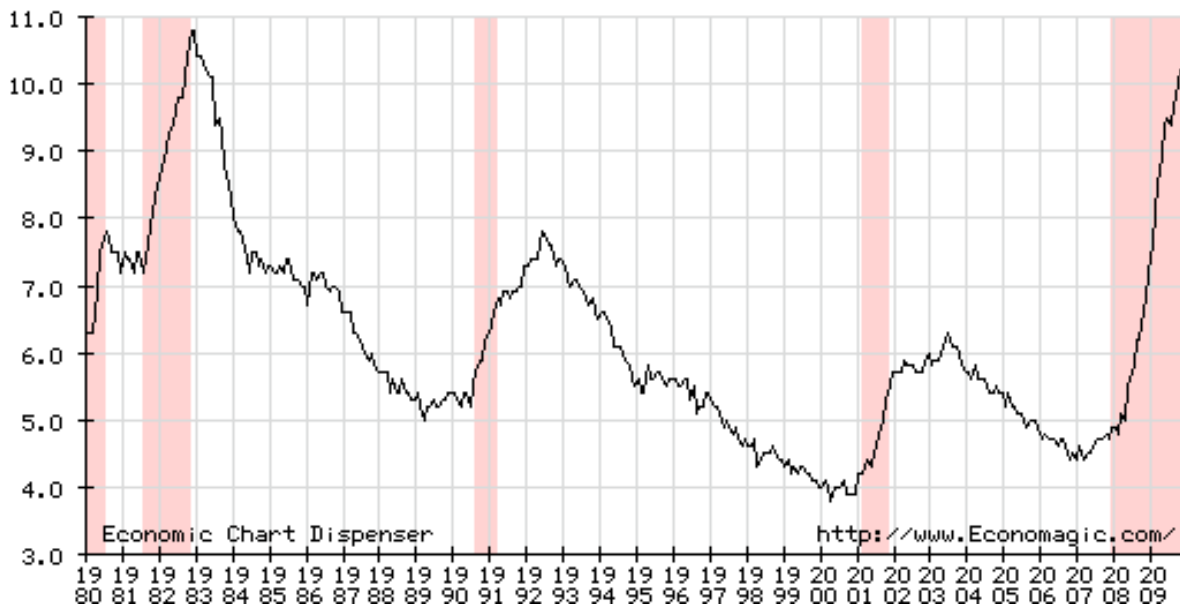
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Civilian Unemployment Rate

December 18, 2009

Unemployment finished November at 10%, down from 10.2%, which is a percentage decrease of over 2% in one month. This drop is good news. However, as a lagging indicator, we may not have seen the end unemployment. If it does hold, we will come in under the 10.8% recorded in 1982, which would be very good.

Civilian Unemployment Rate



4Definition: Civilian unemployment rate comes from a survey designed so that a 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.)

⁴ Definition from the Bureau of Labor Statistics (BLS)

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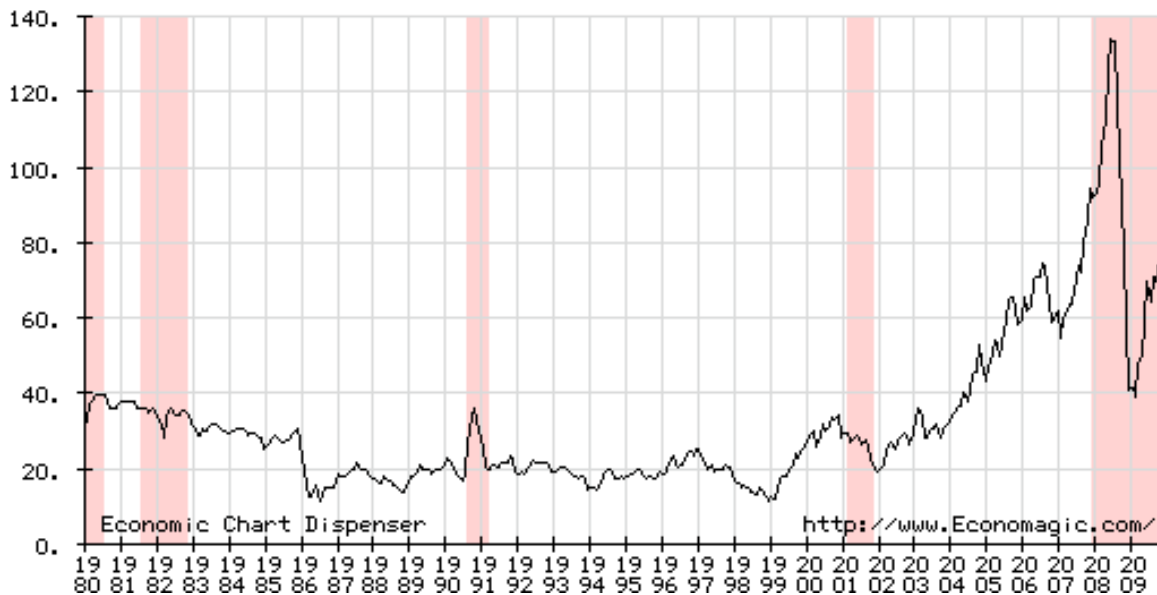
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West Texas Intermediate (WTI)

December 18, 2009

The price of West Texas Crude stands at \$74.30 per barrel down from \$78.10 per barrel last month. In December of 2008, it was \$41.00 per barrel. Since 2005, oil has traded in \$55 to \$75 barrel range except for the run-up in prices in 2008. The more stable trading range is good for the economy and oil companies.

Price of West Texas Intermediate Crude



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

⁵**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.

⁵ Definition from the U.S. Energy Information Administration.

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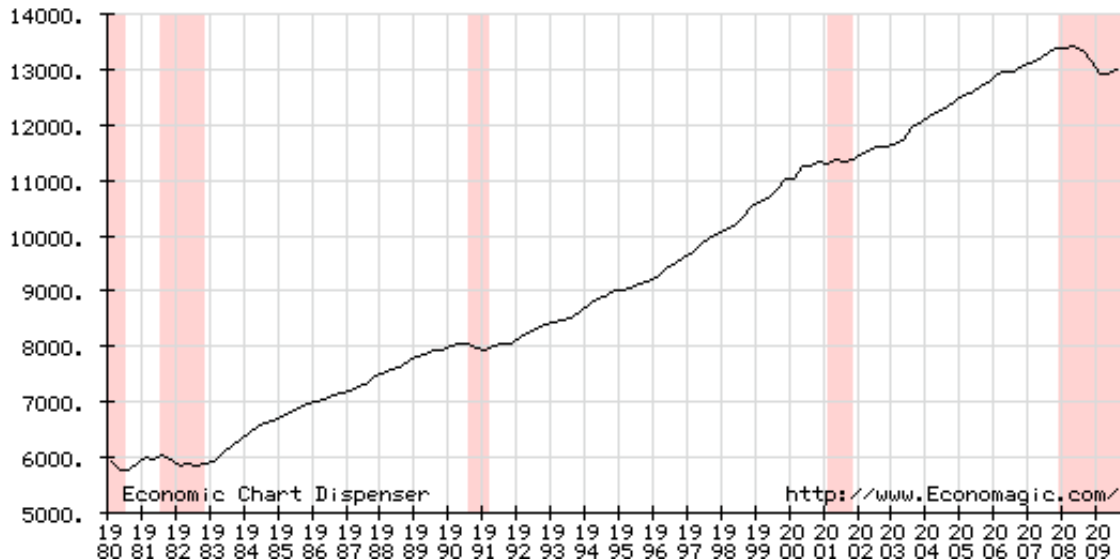
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Gross Domestic Product (GDP)

December 18, 2009

GDP finished the 3Q at 13,014 increasing from 12,901.5 in 2Q or a 1 quarter percentage change of 0.87%. This slight increase ended four straight quarters of declining GDP and may be signaling the end of the recession. It has been widely reported that the 0.87% equals an annualized rate of 3.5%.

Gross domestic product: (quarterly)



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.

⁶ Definition from the Bureau of Economic Analysis (BEA)

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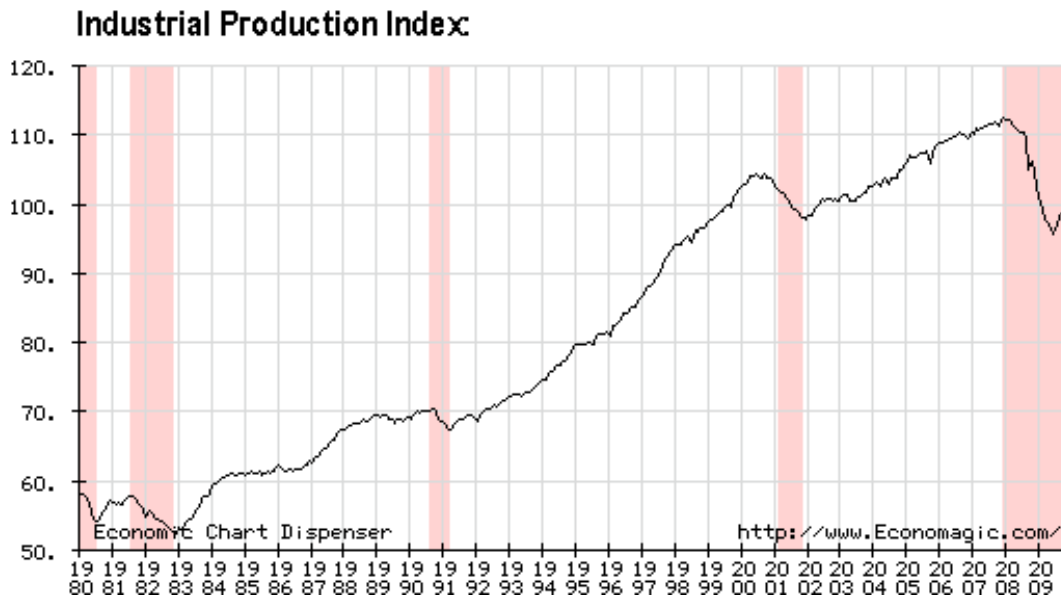
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Industrial Production (IP)

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Industrial production increased to 99.4 from 98.6, or a 1-month percent change of a positive 0.8%, and is up 1.5% in the last two months. Industrial production should continue to increase as companies replace low inventories. Keep an eye on this indicator.



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.

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