Economic Highlights: Growth & Profits

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Where Are We In the Business Cycle?

U.S. Real Gross Domestic Product
% Change - Year to Year    SAAR, Bil.Chn.2009$

Source: Bureau of Economic Analysis
Where Are We In the Business Cycle?

U.S. Real Gross Domestic Product

% Change - Year to Year   SAAR, Bil.Chn.2009$

Source: Bureau of Economic Analysis
Even in Bad Times, It’s Easy To Get a “Bounce”

Real Gross Domestic Product
% Change - Year to Year   Bil.Chn.2009$

Source: Bureau of Economic Analysis

1930s
Pent-Up Demand Is Powerful

3 U.S. Areas To Watch:

1) Capex
2) Housing
3) State & Local Govt
Pent-Up Demand Is Powerful

Mfrs’ Shipments: Nondefense Capital Goods ex Aircraft

% Change - Year to Year  SA, Ml.$

Source: Census Bureau
Pent-Up Demand Is Powerful

![Chart showing Mfrs' Shipments: Nondefense Capital Goods ex Aircraft and All Employees: Total Nonfarm % Change - Year to Year SA, Mil.$ and SA, Thous. Sources: Census Bureau, Bureau of Labor Statistics.](chart.png)
Household Formation Is Key

Total Number of Households, Break-adjusted

% Change - Year to Year  Thous

Source: Census Bureau/Haver Analytics
Economic Symmetry

2007-2009 Deep Recession

2009-2010 Moderate Recovery (Missing housing)

2011 Muddle Through (Deleveraging)

2012 Muddle Through (Deleveraging)

Late-2012, early 2013 Slowdown (Fiscal Cliff / Sequester Uncertainty)

2013-14 Recovery (We get housing & capex back)
But U.S. Inflation Is Not a Problem, With Wage Growth Restrained

Source: Bureau of Labor Statistics
So What Is the Fed Doing With Tapering?

Civilian Unemployment Rate: 16 yr +

SA, %

Source: Bureau of Labor Statistics
Labor Share At a Low

U.S. Corporate Compensation % Corporate GDP

Source: Haver Analytics
Future Productivity Gains Will Be Important

Nonfarm Business Sector: Real Output Per Hour of All Persons

% Change - Year to Year  SA, 2009=100

Source: Bureau of Labor Statistics