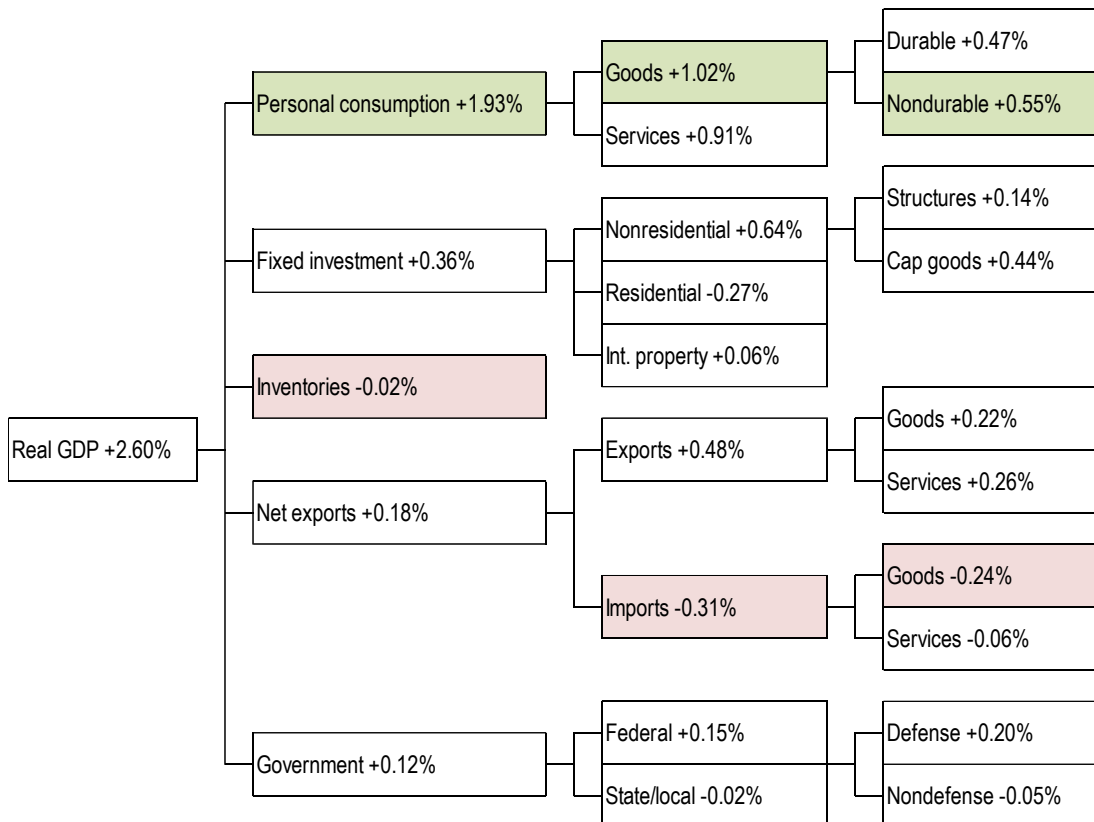# Data Insights: GDP

Friday, July 28, 2017

Today's GDP data: what you need to know -- where did the growth come from?

Contributions to real, sequential quarter change, SAAR   Biggest change per detail-level: ■ positive ■ negative

		Goods +1.02%	Durable +0.47%
	Personal consumption +1.93%		Nondurable +0.55%
		Services +0.91%	
		Nonresidential +0.64%	Structures +0.14%
	Fixed investment +0.36%		Cap goods +0.44%
		Residential -0.27%	
		Int. property +0.06%	
	Inventories -0.02%		
Real GDP +2.60%		Exports +0.48%	Goods +0.22%
			Services +0.26%
	Net exports +0.18%	Imports -0.31%	Goods -0.24%
			Services -0.06%
	Government +0.12%	Federal +0.15%	Defense +0.20%
		State/local -0.02%	Nondefense -0.05%

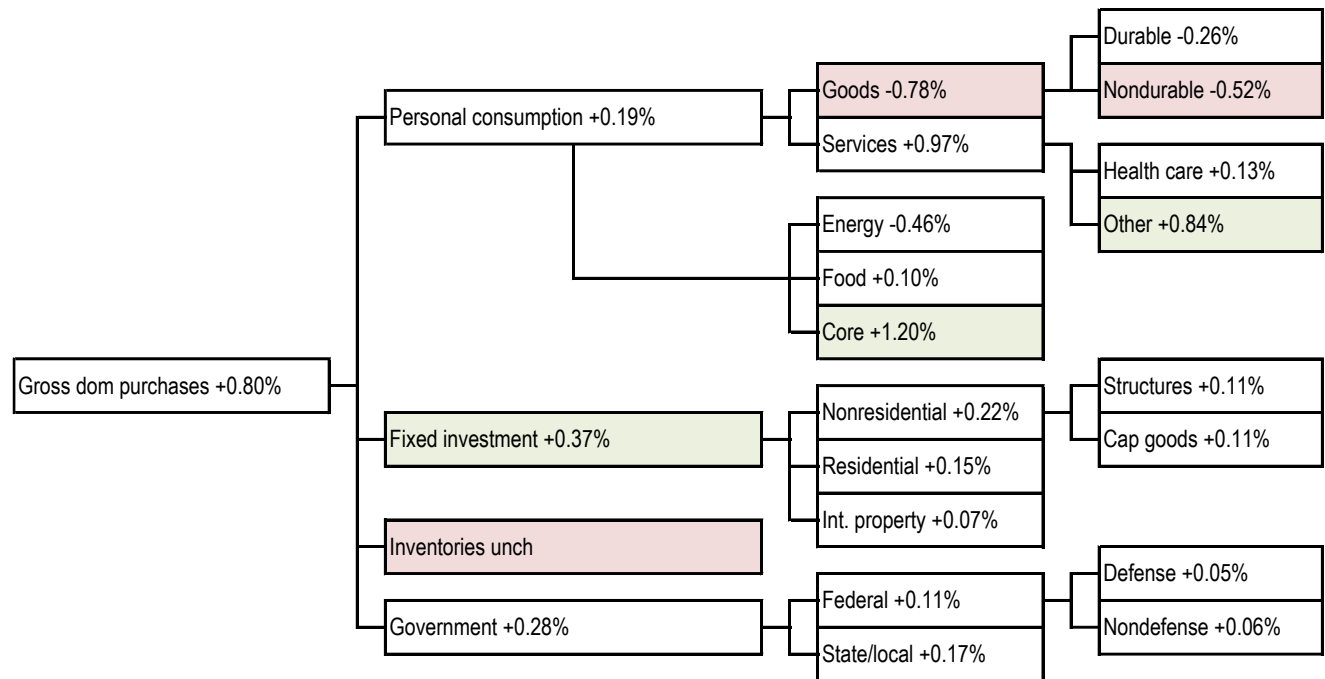Source: Bureau of Economic Analysis

For more information contact us:
Donald Luskin: 312 273 6766 don@trendmacro.com
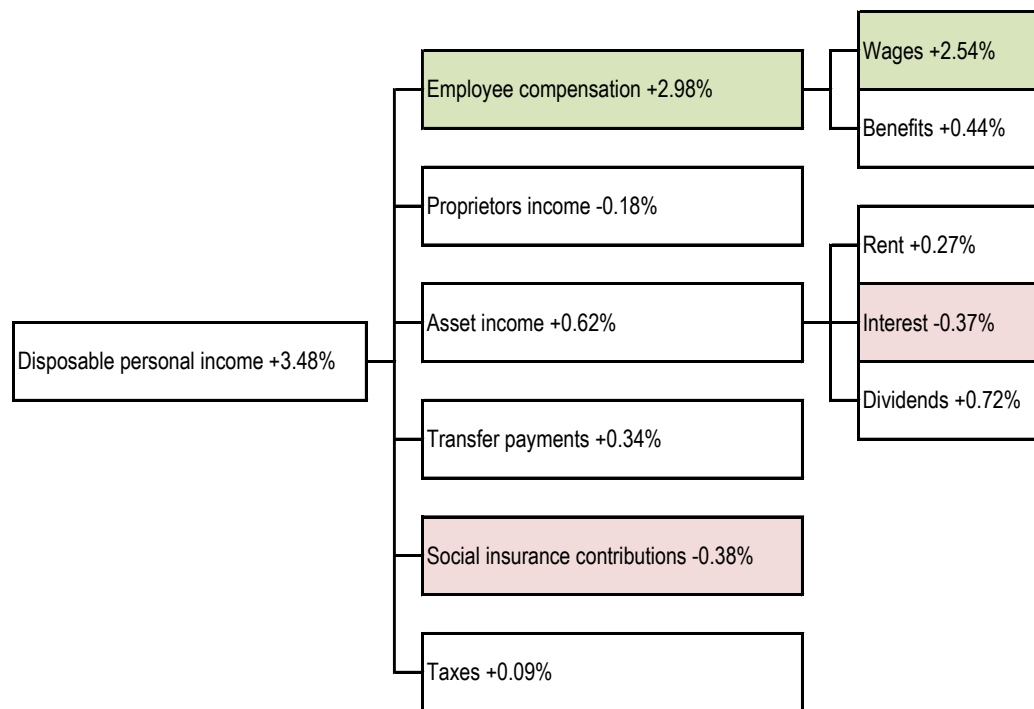Thomas Demas: 704 552 3625 tdemas@trendmacro.com

Price index data: what you need to know -- where did the inflation come from?
Contribution to sequential quarter change, SAAR   Biggest change per detail-level: ■ positive ■ negative

```
                                                    ┌─ Goods -0.78% ──────┬─ Durable -0.26%
                    ┌─ Personal consumption +0.19% ─┤                     └─ Nondurable -0.52%
                    │                                └─ Services +0.97% ──┬─ Health care +0.13%
                    │                                                     └─ Other +0.84%
                    │                               ┌─ Energy -0.46%
                    │                               ├─ Food +0.10%
                    │                               └─ Core +1.20%
Gross dom purchases ┤                               ┌─ Nonresidential +0.22% ─┬─ Structures +0.11%
+0.80%              ├─ Fixed investment +0.37% ─────┤                         └─ Cap goods +0.11%
                    │                               ├─ Residential +0.15%
                    │                               └─ Int. property +0.07%
                    ├─ Inventories unch
                    │                               ┌─ Federal +0.11% ────┬─ Defense +0.05%
                    └─ Government +0.28% ───────────┤                     └─ Nondefense +0.06%
                                                    └─ State/local +0.17%
```
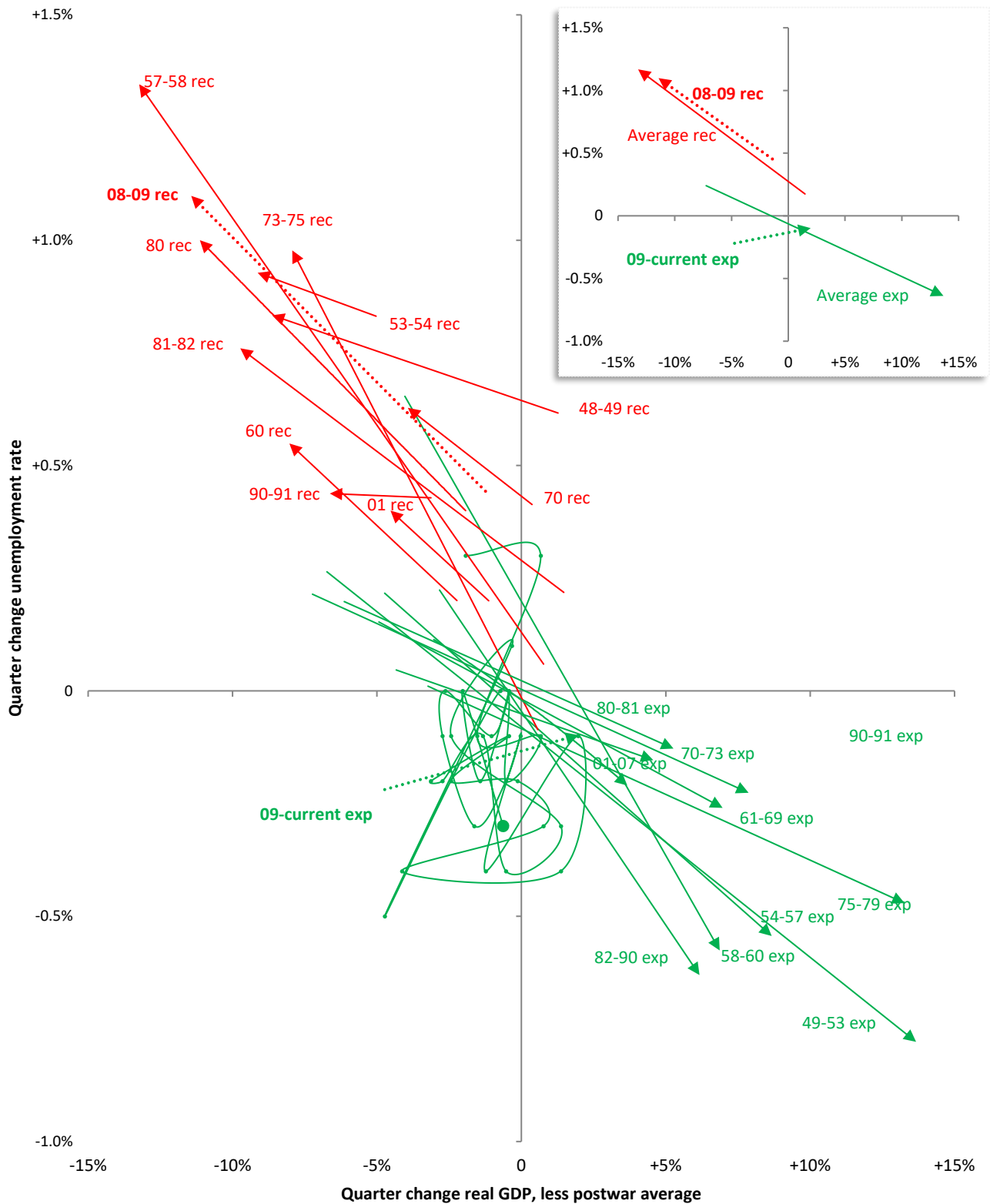
Personal income data: what you need to know -- where did the growth come from?

Contribution to nominal, seq quarter change, SAAR   Biggest change per detail-level: ■ positive ■ negative

```
                                              ┌─ Employee compensation +2.98% ──┬── Wages +2.54%
                                              │                                 └── Benefits +0.44%
                                              │
                                              ├─ Proprietors income -0.18%
                                              │
                                              │                                 ┌── Rent +0.27%
Disposable personal income +3.48% ────────────┼─ Asset income +0.62% ───────────┼── Interest -0.37%
                                              │                                 └── Dividends +0.72%
                                              ├─ Transfer payments +0.34%
                                              │
                                              ├─ Social insurance contributions -0.38%
                                              │
                                              └─ Taxes +0.09%
```

Broken Okun's Law: real growth required to change unemployment

— Expansion — Recession   Linear trend, plus monthly plots for 09-current expansion   • Latest

Quarter change unemployment rate

57-58 rec

08-09 rec

73-75 rec

80 rec

81-82 rec

53-54 rec

48-49 rec

60 rec

70 rec

90-91 rec

01 rec

80-81 exp

90-91 exp

70-73 exp

01-07 exp

61-69 exp

09-current exp

75-79 exp

54-57 exp

82-90 exp

58-60 exp

49-53 exp

Inset:
08-09 rec
Average rec
09-current exp
Average exp

+1.5%
+1.0%
+0.5%
0
-0.5%
-1.0%
-15%   -10%   -5%   0   +5%   +10%   +15%

Quarter change real GDP, less postwar average

The Zarnowitz Law: severity of output loss in recession, versus vigor of recovery

◆ Actual --- Regression for recessions 1948-2001 ▲ Theoretical for current recovery based on regression

$y = -4.9167x + 0.2413$
$R^2 = 0.2231$

Y-axis: 32-quarter gain from recession min
X-axis: Loss from expansion max to recession min

Source: Bureau of Economic Analysis, National Bureau of Economic Research, TrendMacro calculations

The plucked string theory: GDP reverts to trend after perturbation

── Real GDP, USD billions, log scale --- '47-'74 3.99% --- '74-'07 trend 3.02% --- Post-'07 trend ▬ Recession
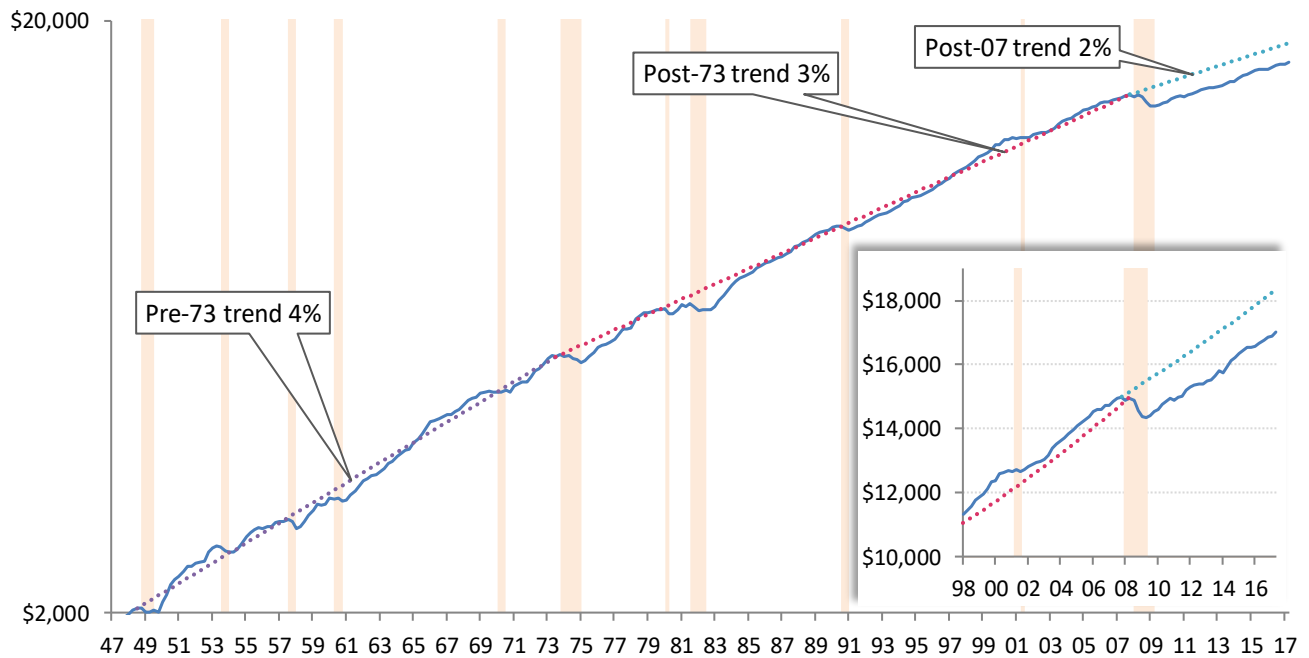
Post-07 trend 2%

Post-73 trend 3%

Pre-73 trend 4%

Source: Bureau of Economic Analysis, National Bureau of Economic Research, TrendMacro calculations

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"New normal" watch: personal consumption share of nominal GDP

— Personal consumption expenditures — Ex-health care services   Recession
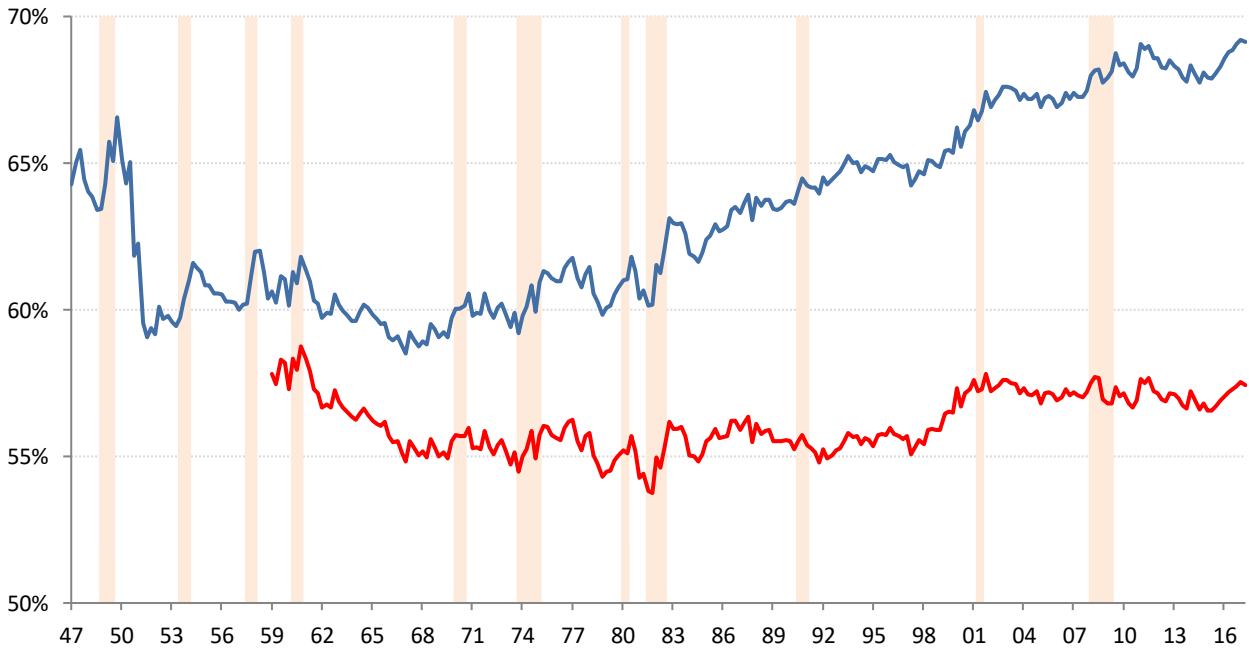
Source: Bureau of Economic Analysis, National Bureau of Economic Research, TrendMacro calculations

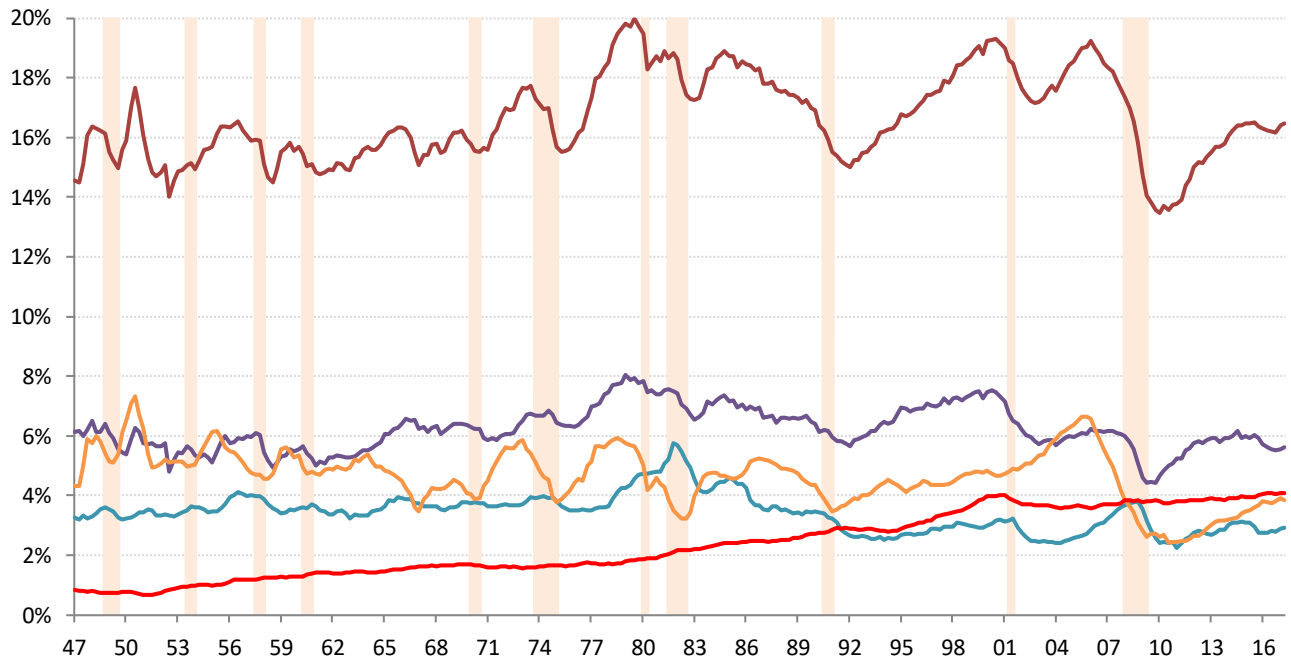## "New normal" watch: nominal personal consumption expenditures

USD billions — Personal consumption expenditures — Ex-health care services   Recession
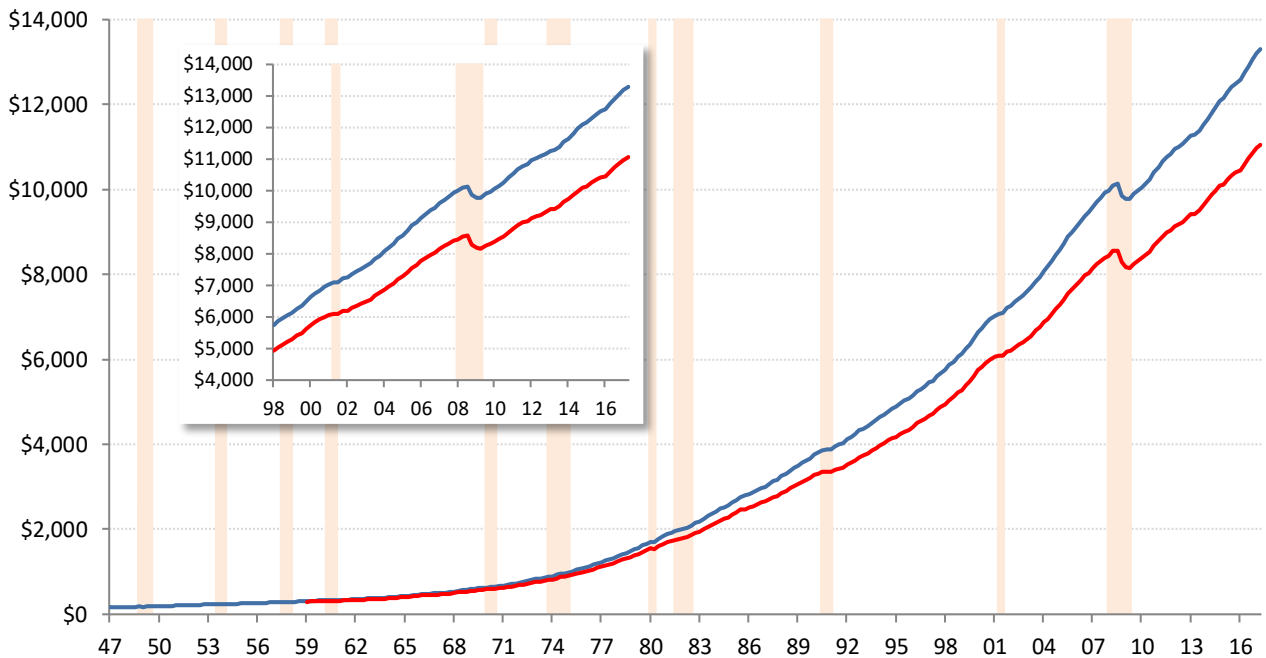
Source: Bureau of Economic Analysis, National Bureau of Economic Research, TrendMacro calculations

Capital on strike: fixed investment share of nominal GDP

— Fixed investment — Equipment — Int. property — Nonresidential structures — Housing ☐ Recession

Capital on strike: nominal fixed investment

USD billions — Fixed investment — Equipment — Int. property — Nonresidential structures — Housing