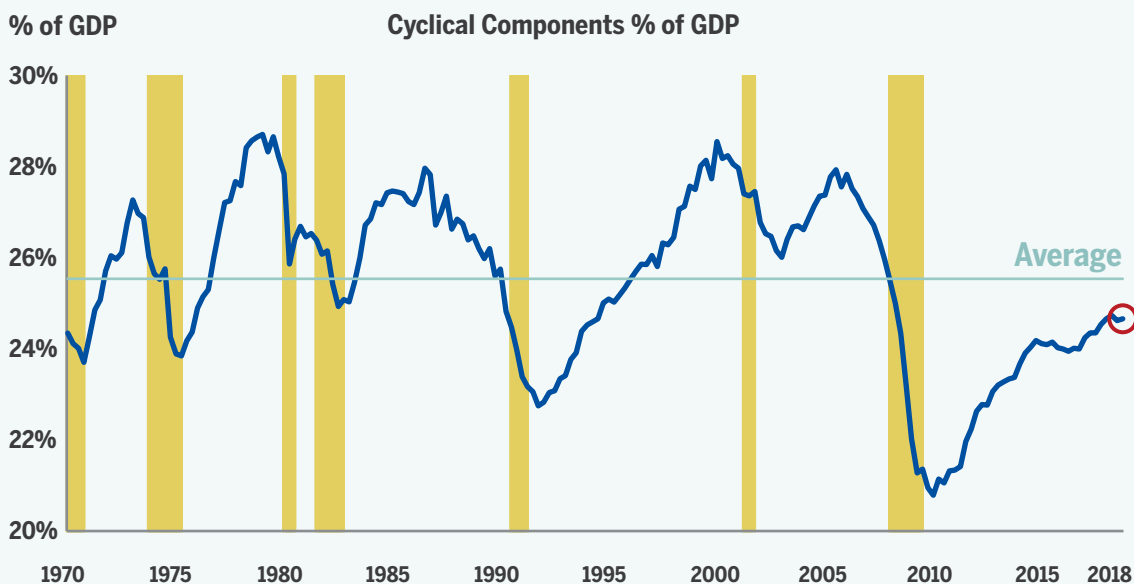


Hidden Message in GDP

Often in economics breaking down a whole into its components tells a unique story. While overall U.S. GDP appears to be at or above potential, some of its components suggest continued growth.

Low Cyclical Spending May Indicate Room for Expansion



Source: U.S. Bureau of Economic Analysis.

Note: Shaded areas denote recessions. The three cyclical components of GDP are business investment, residential investment and consumer durables.

- When businesses and consumers are confident, they tend to make discretionary, long-term investments in things like new plants and equipment on the corporate side or new houses and remodeling projects on the consumer side.
- These investments or cyclical components of U.S. GDP (business investment, residential investment and consumer durables) are still quite depressed even after nearly a decade of expansion. Their relatively low levels indicate potentially more investment to come.
- These investments, which have historically climbed much higher prior to economic peaks, may drive economic growth going forward and corporate earnings as well. These components tell a more bullish story than the representation of U.S. GDP as a whole.

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