Table Of Contents

Predicting Business Cycles

1-27
Predicting Business Cycles

Figure 1.

REAL GDP
(trillion 2012 dollars, saar, ratio scale)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Bureau of Economic Analysis.

Figure 2.

REAL GDP
(quarterly percent change, saar)

Note: Business cycle peaks (P) and troughs (T) according to the National Bureau of Economic Research.
Source: Bureau of Economic Analysis.
Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Bureau of Economic Analysis.

Figure 3.

US NOMINAL GDP (yearly percent change)

Figure 4.

CORPORATE AFTER-TAX PROFITS REPORTED TO IRS* (yearly percent change)

* After-tax profits as reported to IRS, excluding IVA and CCAdj
Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Bureau of Economic Analysis.
Predicting Business Cycles

Figure 5.
S&P 500 & RECESSIONS
(ratio scale)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Standard & Poor’s.

Figure 6.
S&P 500 BULL & BEAR MARKETS
& THE BUSINESS CYCLE
(monthly, ratio scale)

Note: Shaded green areas denote S&P 500 bull markets, while red areas are bear market declines of 20% or more.
Business cycle peaks (P) and troughs (T) according to the National Bureau of Economic Research.
Source: Standard & Poor’s.
Figure 7.

US TREASURY 10-YEAR BOND YIELD (percent, weekly)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Federal Reserve Board.

Figure 8.

INVESTMENT-GRADE CORPORATE BOND YIELD MINUS US TREASURY 10-YEAR BOND YIELD* (basis points)

* Corporate bond yield is average of Moody’s Aaa and Baa yields through 1996, then average of BoA Merrill Lynch data for AA-AAA and BBB-A yields.
Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Federal Reserve Board and Haver Analytics.
Figure 9.

COMPONENTS OF COINCIDENT ECONOMIC INDICATORS (ratio scale)

- Payroll Employment (millions, sa)
- Real Personal Income Less Transfer Payments (trillion 2012 dollars, saar)
- Manufacturing & Trade Sales (billion 2012 dollars)
- Industrial Production 2012=100, sa

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Predicting Business Cycles

Figure 10.
COINCIDENT ECONOMIC INDICATORS
(2016=100, sa, ratio scale)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Conference Board.

Figure 11.
REAL GDP & COINCIDENT ECONOMIC INDICATORS
(yearly percent change)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Bureau of Economic Analysis and Conference Board.
Predicting Business Cycles

Figure 12. REAL GDP: GOODS (trillion 2012 dollars, saar, ratio scale)

Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Bureau of Economic Analysis.

Figure 13. REAL GDP: SERVICES (trillion 2012 dollars, saar, ratio scale)

Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Bureau of Economic Analysis.
Figure 14.

LEADING & COINCIDENT ECONOMIC INDICATORS
(2016=100, sa, ratio scale)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Conference Board.

Figure 15.

RATIO LEADING TO COINCIDENT ECONOMIC INDICATORS

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Conference Board.
Figure 16.
ADP NONFARM PRIVATE PAYROLL EMPLOYMENT BY COMPANY SIZE
(millions, sa)

Company Size (by employees)
- Small (1-49)
- Medium (50-499)
- Large (over 500)

Source: ADP.

Figure 17.
ADP NONFARM PRIVATE PAYROLL EMPLOYMENT BY COMPANY SIZE*
(as a percent of total ADP payrolls)

Company Size (by employees)
- Small
- Medium
- Large

* Company size by employees: Small (1-49), Medium (50-499), and Large (over 500).
Source: ADP.
Predicting Business Cycles

**Figure 18.**

**NFIB SMALL BUSINESS SURVEY: EARNINGS & EMPLOYMENT PLANS**

(12-month average percent)

* Earnings Over Past 3 Months* (higher minus lower)

* Expecting To Increase Employment* (next 3 months)

* First month of every quarter from 1974 to 1986, then 12-month average.

Source: National Federation of Independent Business.

**Figure 19.**

**NFIB SMALL BUSINESS SURVEY: EARNINGS & CAPITAL SPENDING PLANS**

(12-month average, percent)

* Earnings Over Past 3 Months* (higher minus lower)

* Capital Spending Plans* (next 3 to 6 months)

* First month of every quarter from 1974 to 1986, then 12-month average.

Source: National Federation of Independent Business.
Figure 20.

CORPORATE AFTER-TAX PROFITS REPORTED TO IRS*
(billion dollars, saar, ratio scale)

* Excluding Inventory Valuation Adjustment and Capital Consumption Adjustment.
Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Bureau of Economic Analysis.

Figure 21.

PAYROLL EMPLOYMENT EX GOVERNMENT EMPLOYMENT & CORPORATE AFTER-TAX PROFITS
(ratio scale)

* Excluding Inventory Valuation Adjustment and Capital Consumption Adjustment.
Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Figure 22.

CORPORATE PROFITS MARGIN IN GDP* (after-tax profits as a percent of nominal GDP)

* Using after-tax corporate profits reported to IRS. Excluding Inventory Valuation Adjustment and Capital Consumption Adjustment.

Source: Bureau of Economic Analysis.

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.

Figure 23.

AFTER-TAX CORPORATE PROFIT MARGIN & COSTS

Compensation of Employees Plus Private Fixed Investment (as a percent of nominal GDP)

Corporate Profits After Tax* (as a percent of nominal GDP)

* After-tax tax profits reported to IRS (excluding Inventory Valuation Adjustment and Capital Consumption Adjustment).

Source: Bureau of Economic Analysis.
* Average of all industries’ capacity utilization rate and employment rate, i.e., percentage of labor force that is employed.
Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Bureau of Labor Statistics and Federal Reserve Board.

* Percentage of labor force that is employed.
Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Bureau of Labor Statistics and Federal Reserve Board.
Figure 26.

CORPORATE PROFITS MARGIN IN GDP* & RESOURCE UTILIZATION RATE
(after-tax profits as a percent of nominal GDP)

* After-tax profits reported to IRS (excluding Inventory Valuation Adjustment and Capital Consumption Adjustment).
** Average of all industries’ capacity utilization rate and employment rate, i.e., percentage of labor force that is employed.

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.

Figure 27.

LEI / CEI vs. RESOURCE UTILIZATION RATE

* Average of all industries’ capacity utilization rate and employment rate, i.e., percentage of labor force that is employed.
Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Predicting Business Cycles

Figure 28. S&P 500 FORWARD EARNINGS & AGGREGATE WEEKLY HOURS (yearly percent change)

* Time-weighted average of consensus operating earnings estimates for current and next year.
** Production & nonsupervisory employees.
Source: Bureau of Labor Statistics and Thomson Reuters I/B/E/S.

Figure 29. S&P 500 FORWARD EARNINGS & REAL CAPITAL SPENDING (yearly percent change)

** Nonresidential fixed investment in real GDP.
Source: Bureau of Economic Analysis and Thomson Reuters I/B/E/S.
Predicting Business Cycles

Figure 30.
COINCIDENT ECONOMIC INDICATORS: RECOVERIES & EXPANSIONS*
(2016=100, sa, ratio scale)

* Red horizontal lines span cyclical peaks through subsequent cyclical recoveries. Green horizontal lines are expansion periods following recoveries.
Source: Conference Board, Haver Analytics, and YRI calculations.

Figure 31.
PERSONAL CONSUMPTION EXPENDITURES IN REAL GDP: TOTAL
(billion 2012 dollars, saar, ratio scale)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Bureau of Economic Analysis.

Yardeni Research, Inc.
www.yardeni.com
Figure 32.

PERSONAL CONSUMPTION EXPENDITURES IN REAL GDP: DURABLE GOODS
(billion 2012 dollars, saar ratio scale)

Q4

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Bureau of Economic Analysis.

Figure 33.

CONSUMER CREDIT
(billion dollars outstanding, nsa)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Federal Reserve Board.
Figure 34.

HOUSING STARTS (million units, saar)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Census Bureau.

Figure 35.

PRIVATE RESIDENTIAL INVESTMENT IN REAL GDP (billion 2012 dollars, saar, ratio scale)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Bureau of Economic Analysis.
Figure 36.

UNEMPLOYMENT RATE (percent, sa)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.

Figure 37.

PRIVATE NONRESIDENTIAL FIXED INVESTMENT IN REAL GDP (trillion 2012 dollars, saar, ratio scale)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Bureau of Economic Analysis.
Predicting Business Cycles

Figure 38.

REAL BUSINESS INVENTORIES-TO-SALES RATIO

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Census Bureau.

Figure 39.

INVENTORY INVESTMENT IN REAL GDP
(billion 2012 dollars, saar)

Note: Business cycle peaks (P) and troughs (T) according to the National Bureau of Economic Research.
Source: Bureau of Economic Analysis.
Figure 40.

NONFARM PRODUCTIVITY
(2012=100, sa, ratio scale)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Federal Reserve Board.

Figure 41.

NONFARM UNIT LABOR COSTS
(2012=100, sa, ratio scale)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Federal Reserve Board.
Predicting Business Cycles

**Figure 42.**

**FEDERAL FUNDS RATE \& BUSINESS CYCLE**

(\(^{\text{percent, weekly}}\))

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Federal Reserve Board.

**Figure 43.**

**FEDERAL FUNDS RATE \& FINANCIAL CRISES**

(\(^{\text{percent, weekly}}\))

Note: Blue shaded areas denote periods of monetary easing between cyclical peaks and troughs in the federal funds rate. Red shaded areas denote monetary tightening periods.
Source: Federal Reserve Board.
Figure 44.

US YIELD CURVE* & BUSINESS CYCLE (basis points, weekly)

* 10-year US Treasury yield less federal funds rate.
Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Federal Reserve Board.

Figure 45.

US YIELD CURVE* & FINANCIAL CRISES (basis points, weekly)

* US Treasury 10-year bond yield less federal funds rate.
Source: Federal Reserve Board.
Predicting Business Cycles

Figure 46.

US FEDERAL GOVERNMENT EXPENDITURES & RECEIPTS
(as a percent of nominal GDP)

- Expenditures
- Receipts

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Bureau of Economic Analysis.

Figure 47.

US FEDERAL GOVERNMENT BUDGET DEFICIT
(as a percent of nominal GDP)

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Bureau of Economic Analysis.
Predicting Business Cycles

Figure 48.
US FEDERAL GOVERNMENT OUTLAYS
(as a percent of nominal GDP)

Source: US Treasury Department and Bureau of Economic Analysis.

Figure 49.
US FEDERAL GOVERNMENT OUTLAYS
(as a percent of total outlays)

Source: US Treasury Department.
**Figure 50.**

DEBT OF FINANCIAL SECTORS
(as a percent of total debt)

Source: Federal Reserve Board.

**Figure 51.**

US DEBT
(as a percent of nominal GDP)

Source: Federal Reserve Board Financial Accounts of the United States.
Predicting Business Cycles

Figure 52.

GDP, GDI, & NATIONAL INCOME
(trillion dollars, saar, ratio scale)

- Gross Domestic Product
- Gross Domestic Income*
- National Income

* GDI is Gross Domestic Income, which equals National Income plus Consumption of Fixed Capital

Source: Bureau of Economic Analysis.

Figure 53.

GDP LESS GDI: STATISTICAL DISCREPANCY*
(billion dollars, saar)

(divided by GDP)

* GDI is Gross Domestic Income, which equals National Income plus Consumption of Fixed Capital.

Source: Bureau of Economic Analysis.