

## IS THE ECONOMY RECOVERING OR IS IT NOT? THE TRUTH LIES SOMEWHERE IN BETWEEN



There is increasing proof that the labor market is getting better and that whatever one may deduce from the numbers floating around, there is evidence of strong economic growth. The labour department said that new claims for benefits had dipped to its lowest levels since April 2008 and that jobless claims have been showing signs of moving increasingly lower. The department said that last week's claim were 359,000, the lowest in four years. Other positive indications that the economy was growing came from the Commerce Department, which said on Thursday, that the ' latest tally of the nation's gross domestic product, the total value of goods and services produced, showed a solid 3% annualized increase in the fourth quarter last year. Even though this was the same as last year, another report by the Commerce Department showed that the gross domestic income, a yardstick by which one can measure economic activity, " jumped at a much higher annualized rate of 4.4% in that quarter." Since, what you earn you spend, in theory both the GDP and the GDI should be the same. GDP denotes what you spend, whilst GDI shows what you earn. But GDI shows a significant gain compared to the GDP. Ryan Sweet, an analyst at Moody'sAnalytics said, "recent GDP readings are too low and will be revised upward" The difference gains more importance as it could provide the answer to Federal Reserve Chairman Ben Bernanke's reservation that the declining unemployment rates were out of sync with the overall pace of expansion. The confusion and uncertainty regarding what is the actual status of the economic growth, was further fuelled by the difference in findings by the Labour department. Surveying employers it found that the "economy added an average 244,000 jobs a month from December through February," whereas for the same period, the survey of households showed "employment gains of about 480,000 a month on average." Experts consider that employers survey are more reliable, whilst household surveys includes those who are self-employed. Lynn Reaser, chief economist at Point Loma Nazarene University in San Diego, raised the poser, "Will the real economy please stand up?" "The truth is probably somewhere in between." The fog of uncertainty that currently engulfs the true status of the economy, is however, expected to clear in due course, as Lynn Reaser points out, "that over time, the GDP and GDI numbers should converge, as will the employment numbers derived from the survey of employers and the one of households."

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