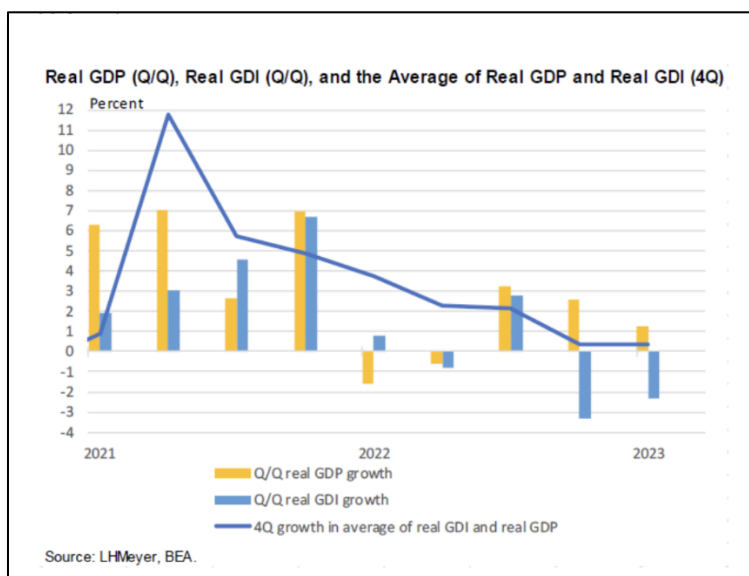


I'm Confused: GDP or GDI; Why Not Both?

July 21, 2023



I'm confused: the market says we are in a slow growth environment. Yet, it feels like a recession. GDP in the last three quarters was positive, but its growth rate has been slowing from 3.2% to 2.9% and in the first quarter 2.0%. The latest forecast by the Federal Reserve is 1% for 2024 with the unemployment rate growing from 4.1% to 4.5%. We are all familiar with GDP; but how many of you are familiar with GDI (Gross Domestic Income).

Both GDP AND GDI have traditionally moved together. However, the two gauges started to

diverge from the first quarter of 2022. Over the past five quarters GDP grew an anemic 1.1% and the GDP data would suggest that a soft landing is possible.

Yet, GDI (all forms of income) has declined 0.5% over the same time frame. That would suggest that we are already in recession.

No wonder that the public is confused. It feels like a recession but the GDP says otherwise. Are we or aren't we in recession? Maybe the real answer is BOTH.

Larry Goldstein is an internationally recognized authority on petroleum markets, and has extensive advisory relationships with energy companies, research institutes, and government agencies. He is a former president of the Petroleum Industry Research Foundation (PIRINC) now the Energy Policy Research Foundation (EPRINC), its successor organization, and continues to be on EPRINC's Board of Trustees. He was a founder and president of the PIRA Energy Group, a major energy consulting firm that was acquired by S&P Global in 2016.

He has testified numerous times before congressional committees and regulatory bodies and has been appointed to the National Petroleum Council (NPC) by every recent U.S. Secretary of Energy. He has briefed the Chairman of the Federal Reserve Board, senior officials at the Government Accountability Office, and a wide range of government agencies on developments in domestic and world petroleum markets. He has also served as consultant to the Iraq Coalition Provisional Authority. During the 1970s and 1980s he frequently appeared on the CBS Evening News anchored by Walter Cronkite.