

#44 New, Improved Stock Valuation Model

#45 Earnings: The Phantom Menace Episode I

#46 Irrational Exuberance: Earnings Growth & Stock Valuation

#47 The Technology Lottery

Topical Study #48

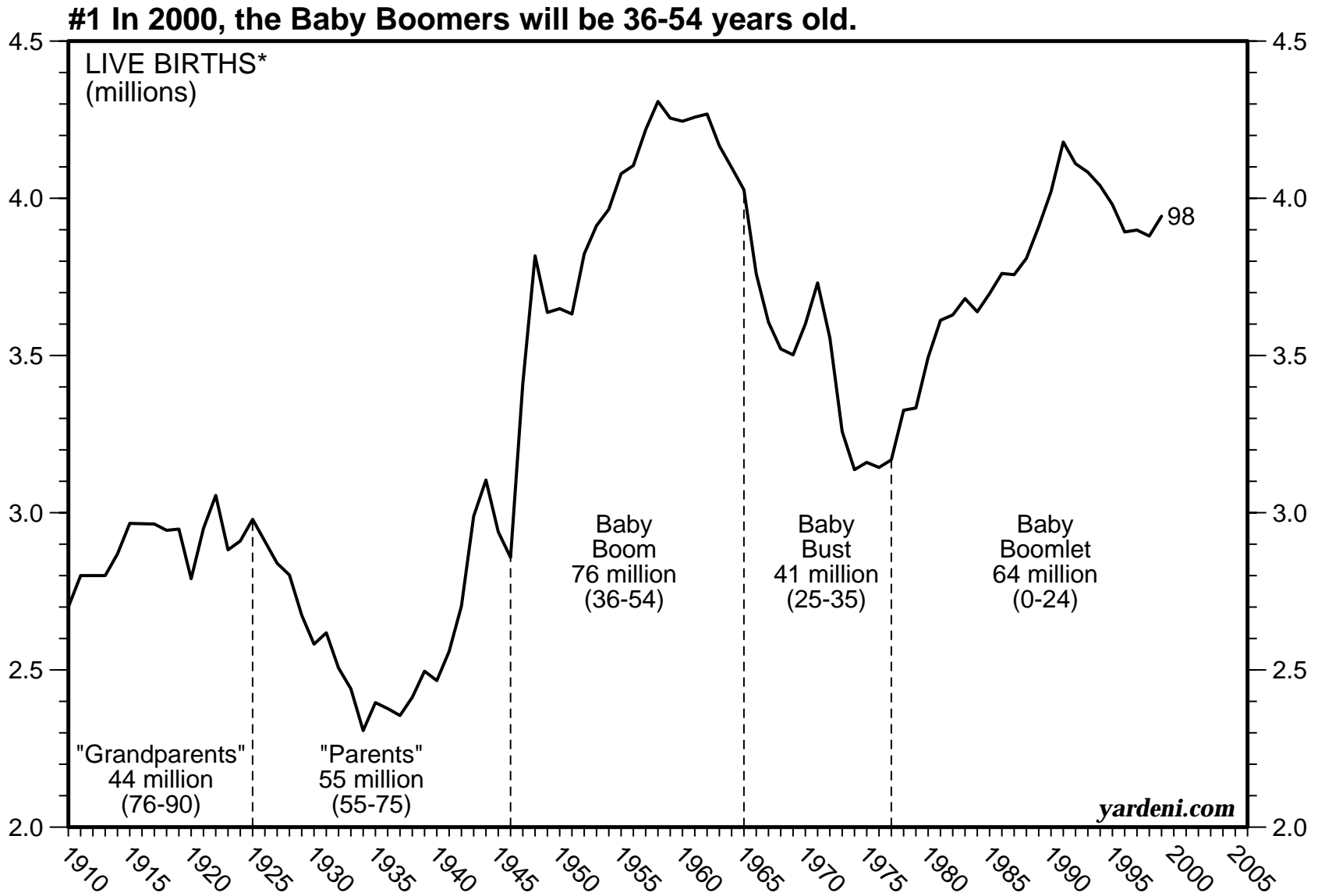
**THE BABY BOOM
CHART BOOK 2000**



Dr. Edward Yardeni

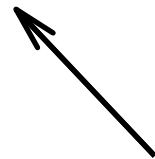
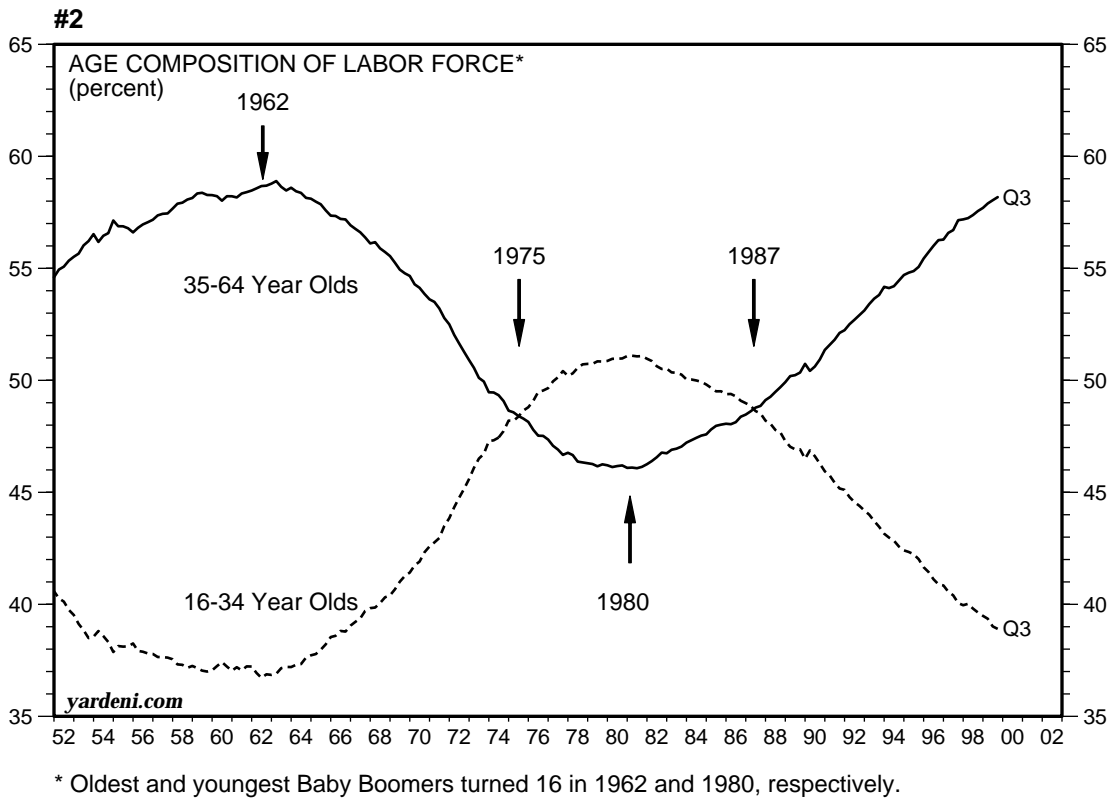
Amalia F. Quintana

December 20, 1999

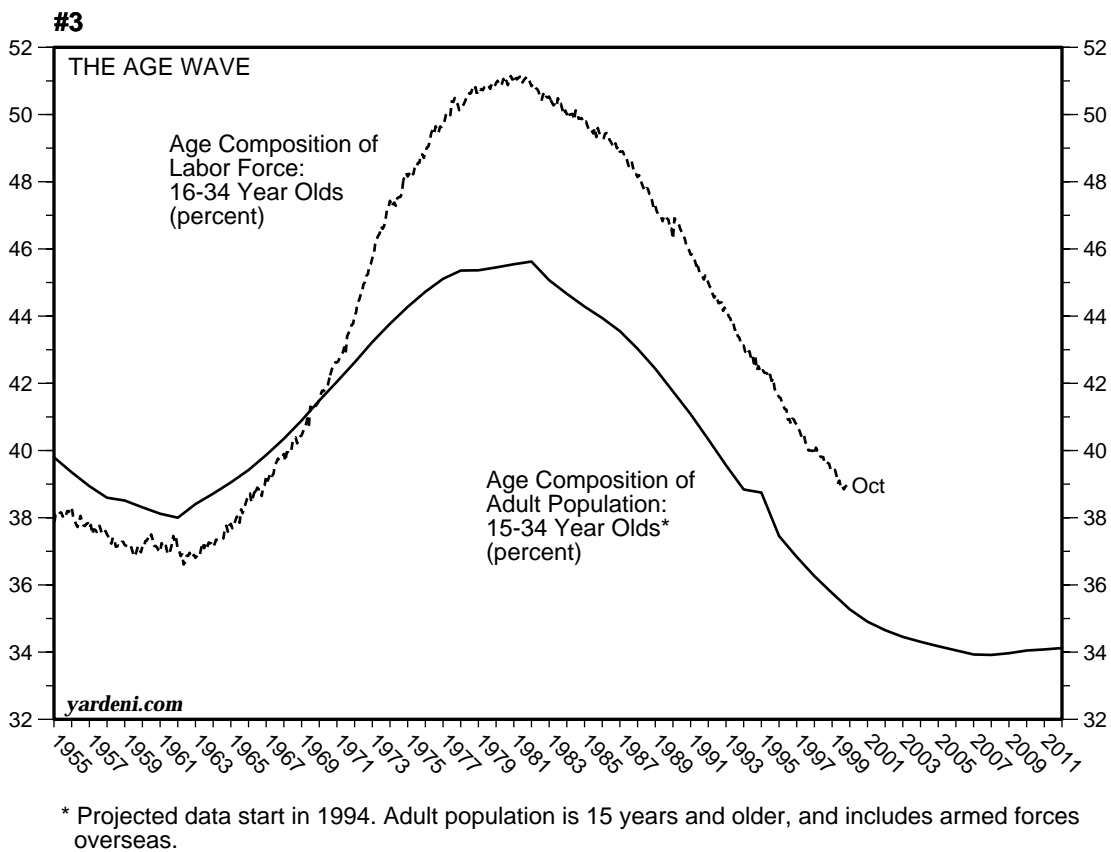
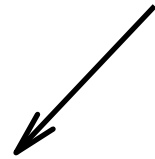


* Numbers in parentheses are the youngest and oldest ages of group members during 2000.

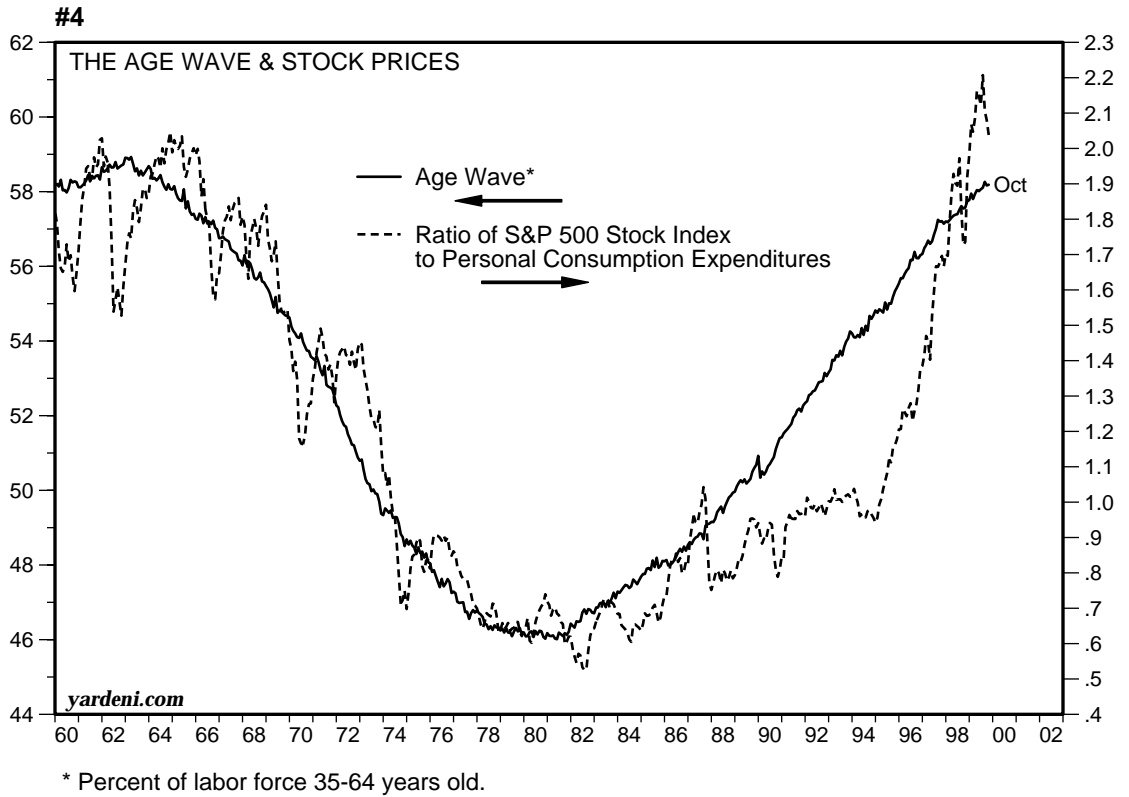
- Age Wave -



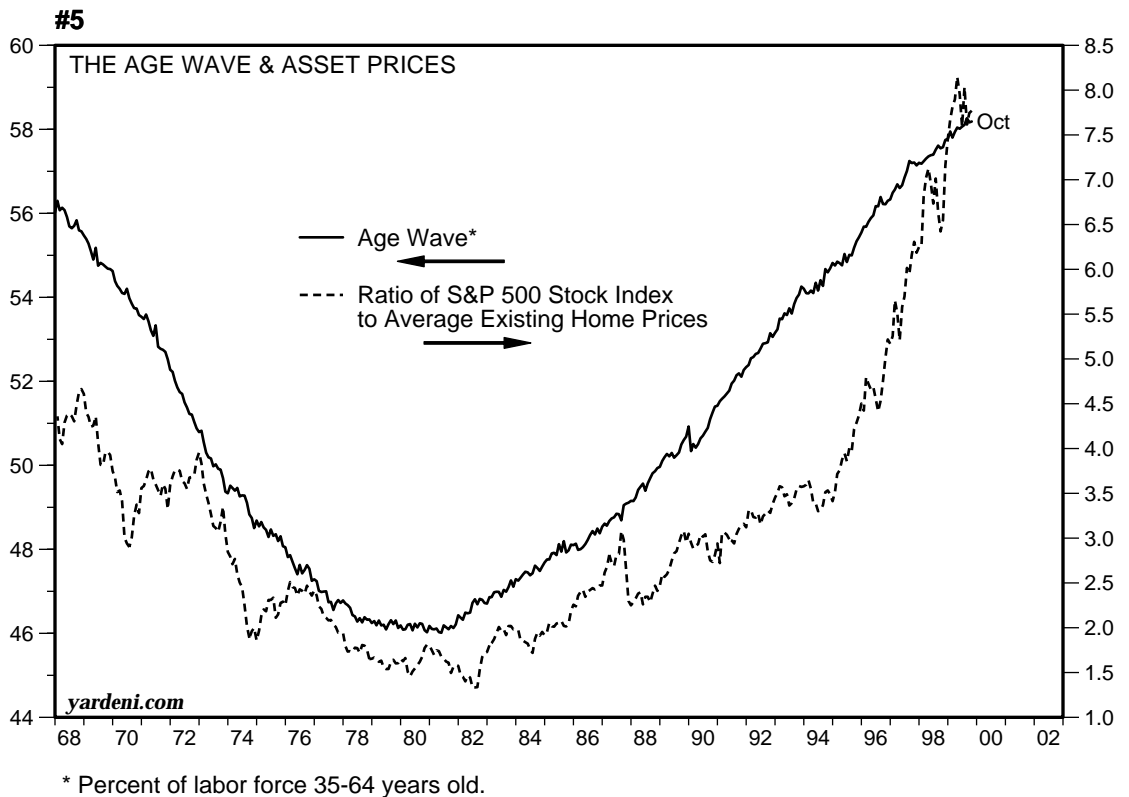
In 1980, the Baby Boomers all turned 16 years or older. Maturity will increase through 2010. The labor force is the most mature since the early-1960s.



- Age Wave -

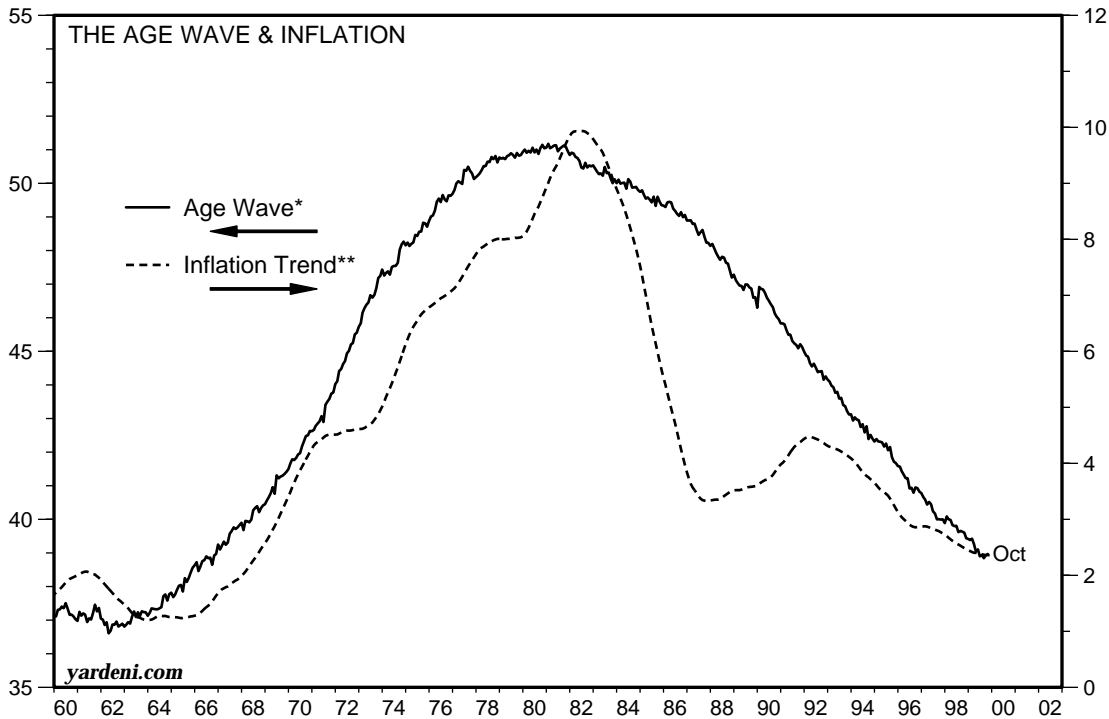


Stock prices have risen faster than consumption and home prices as the Baby Boomers have aged.

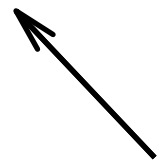


- Age Wave -

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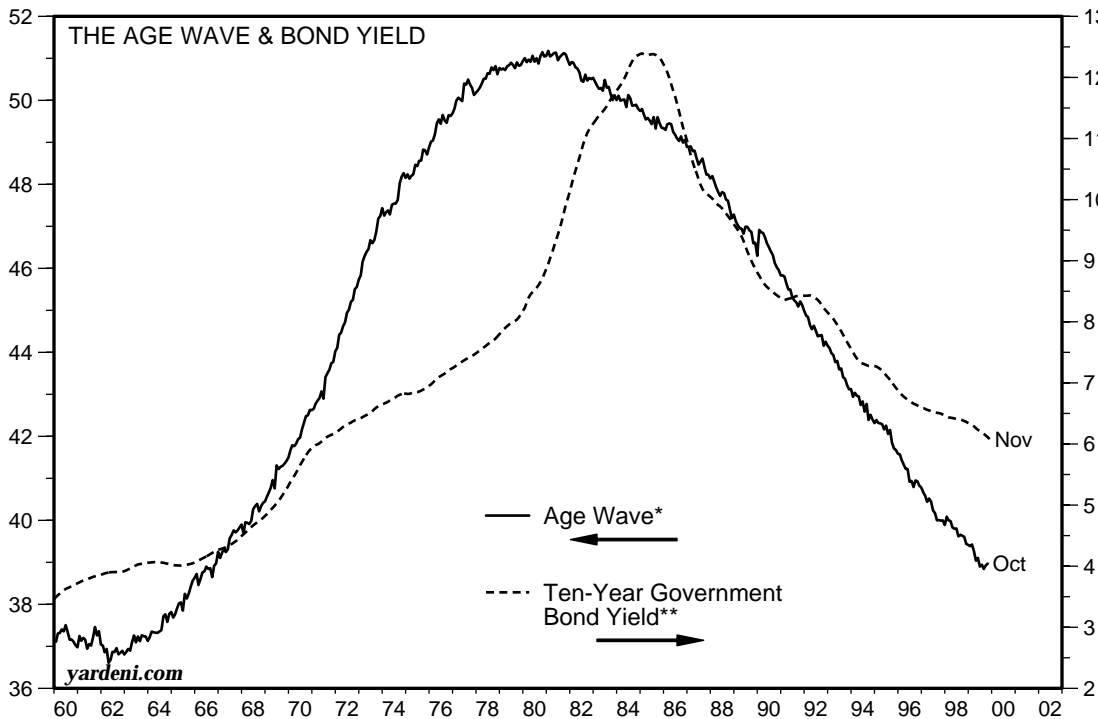


* Percent of labor force 16-34 years old.
 ** Five-year moving average of yearly percent change in CPI.

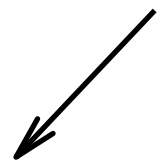


Age Wave is a big influence on inflation trend and bond yield, and suggests both will remain low at least through end of the coming decade.

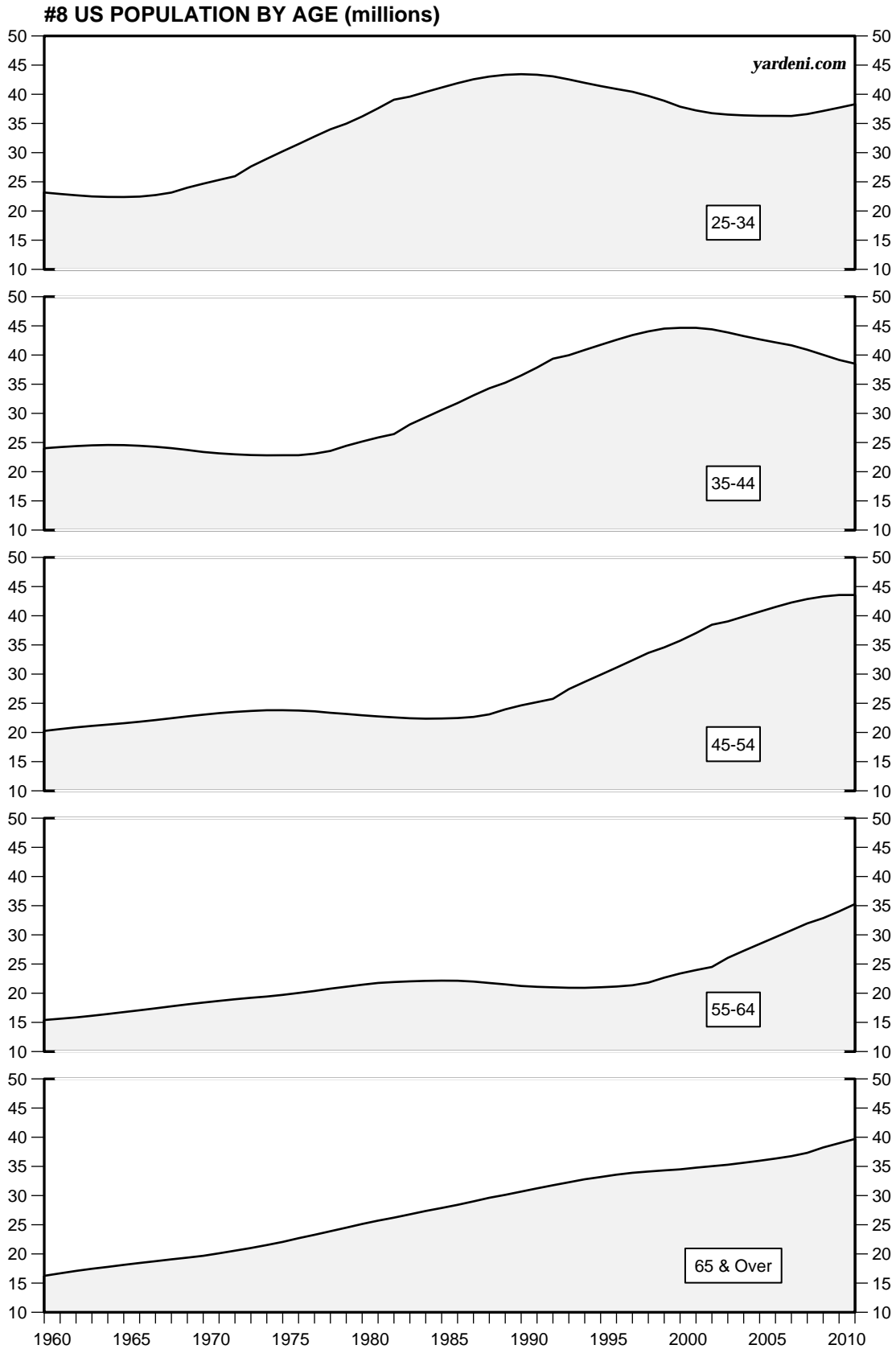
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* Percent of labor force 16-34 years old.
 ** Five-year moving average of ten-year government bond yield.

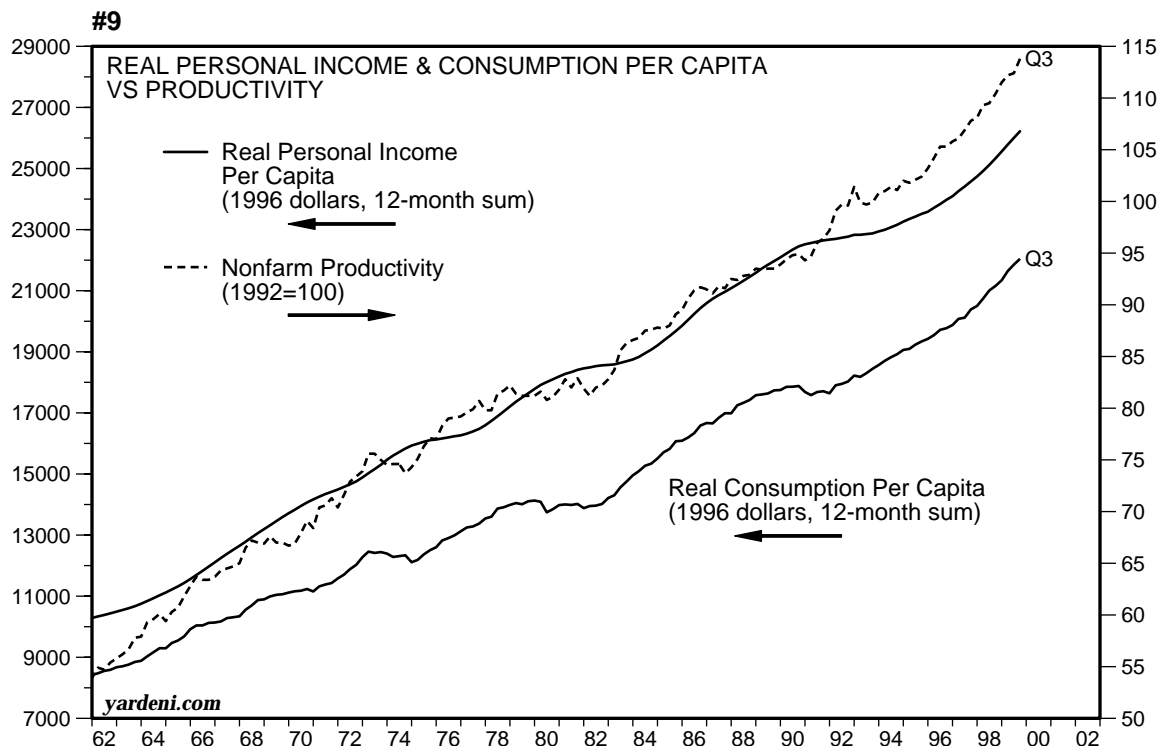


- Age Wave -

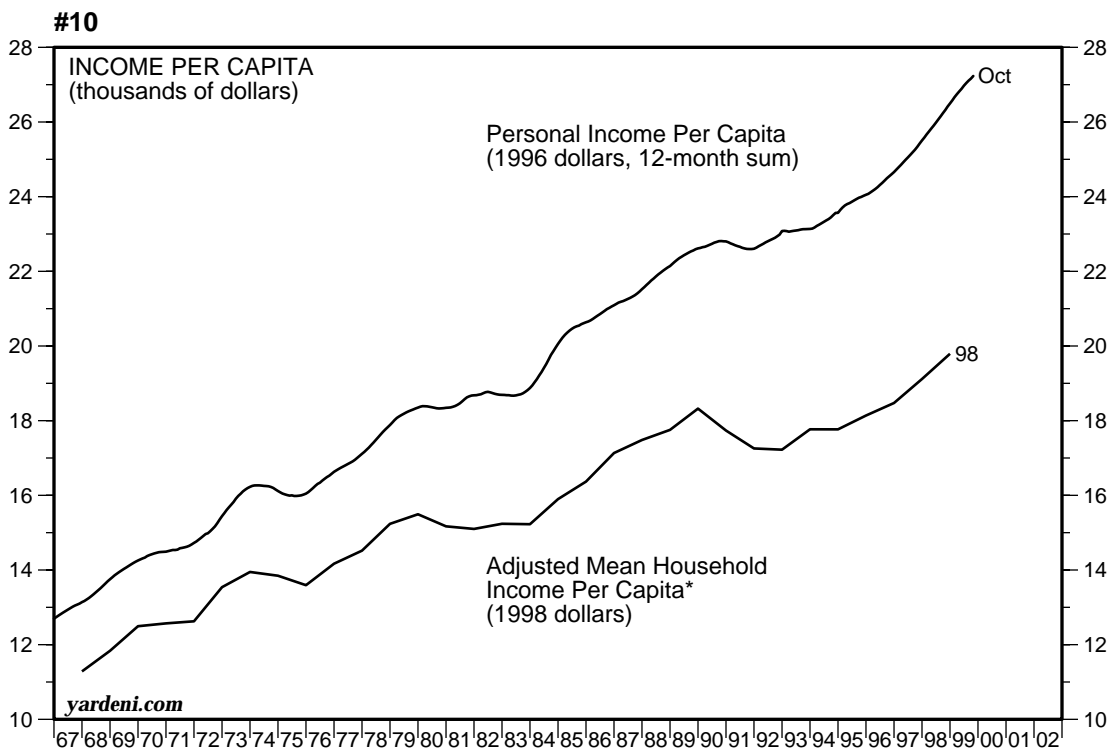


Source: Bureau of the Census, U.S. Department of Commerce

- Income & Productivity -



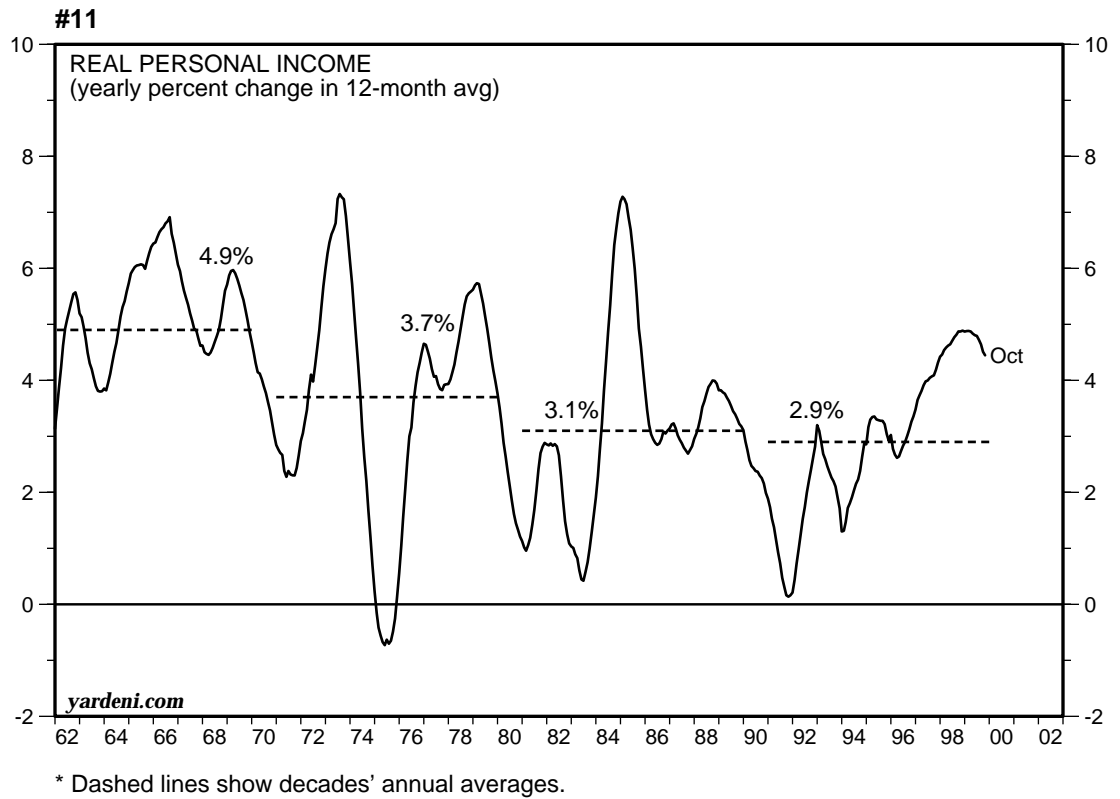
Per capita real personal income and consumption are at record highs. Productivity is the main determinant of these two measures of the standard of living and it is also at a record.



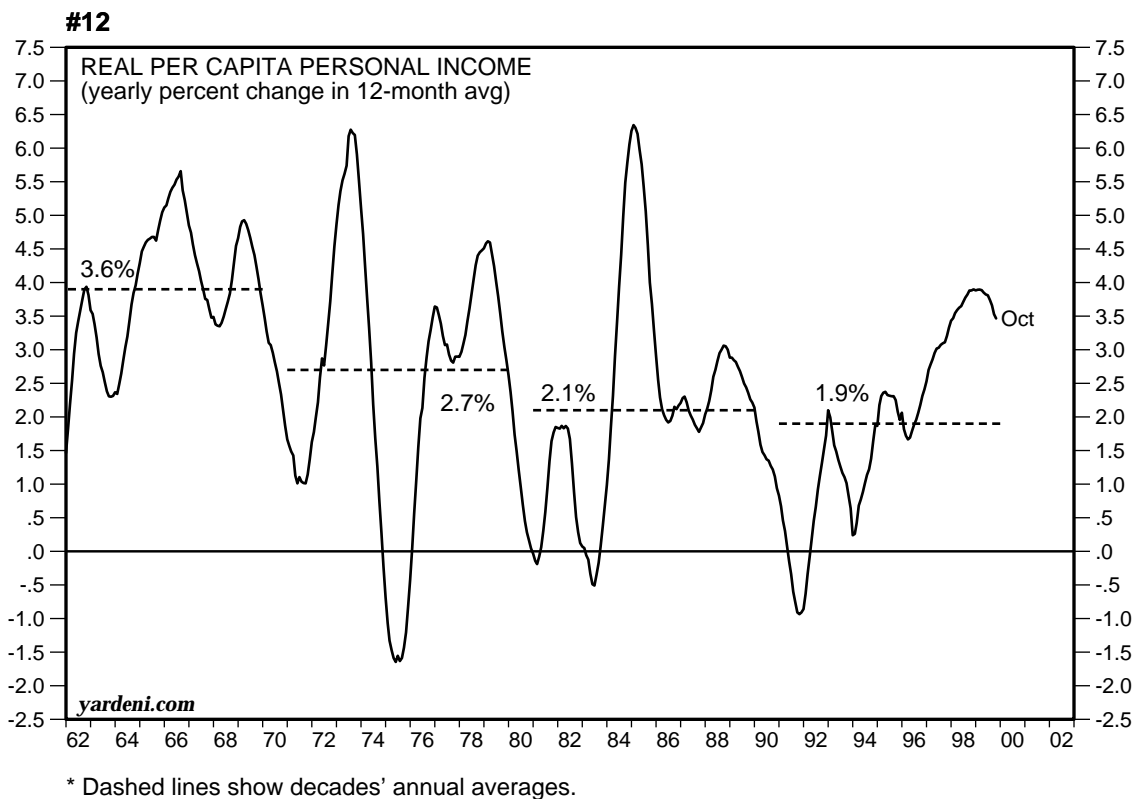
Both median and mean family household income data show virtually no growth over the past 25 years. Both measures need to be divided by the average size of the household unit, which has been falling. Adjusted this way, mean household income per capita has been growing in line with personal income per capita!

* Mean income of households divided by average population per household.

- Income Growth -

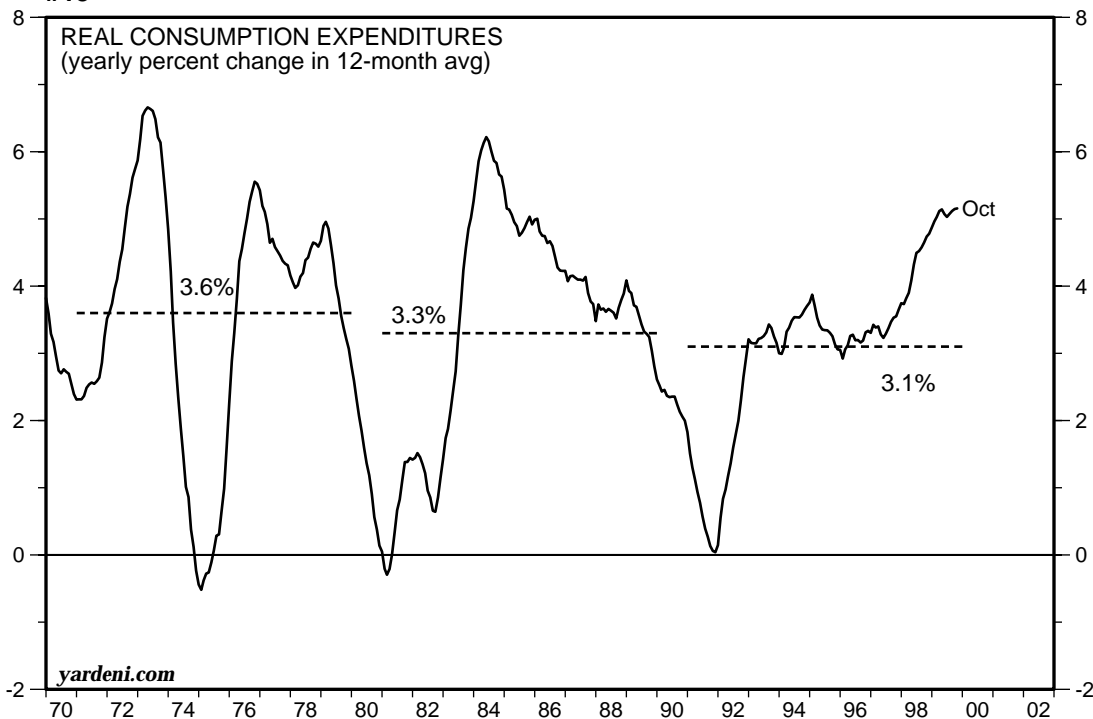


Real personal income growth was on a downtrend over the past three decades as growth in productivity stagnated. This long-term trend started to be reversed in the 1990s as productivity staged a secular rebound.

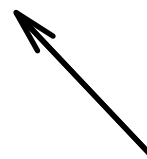


- Consumption Growth -

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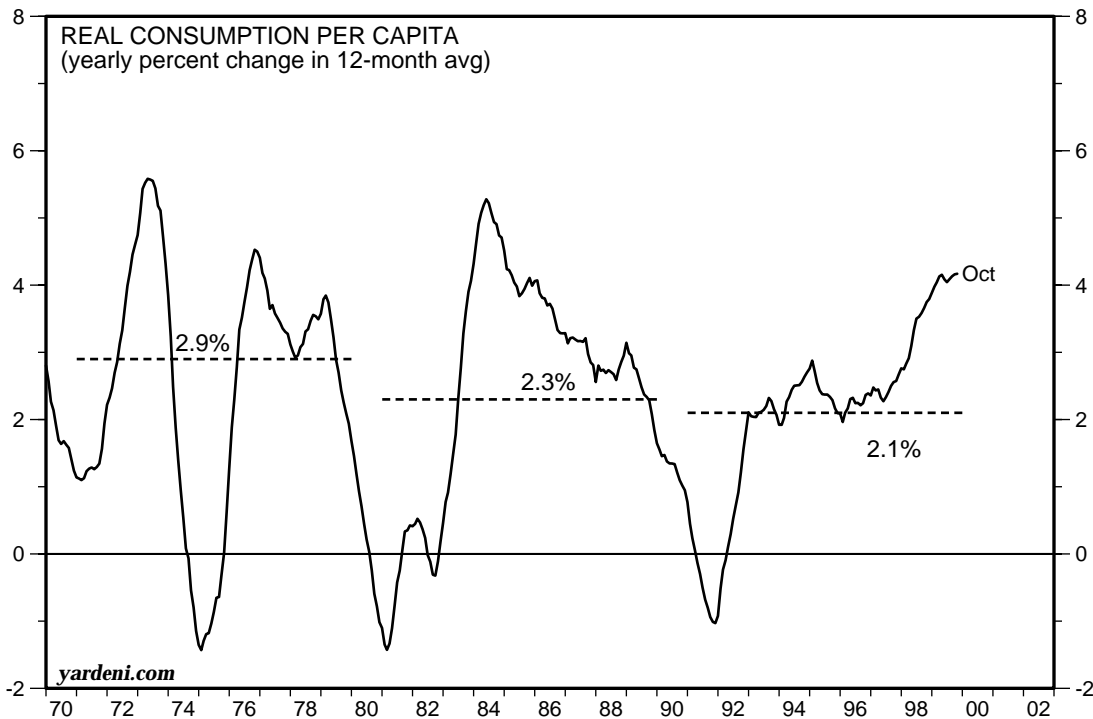


* Dashed lines show decades' annual averages.



Consumer spending growth has been on slight downtrend since 1970s, but is likely to grow faster in the decade ahead.

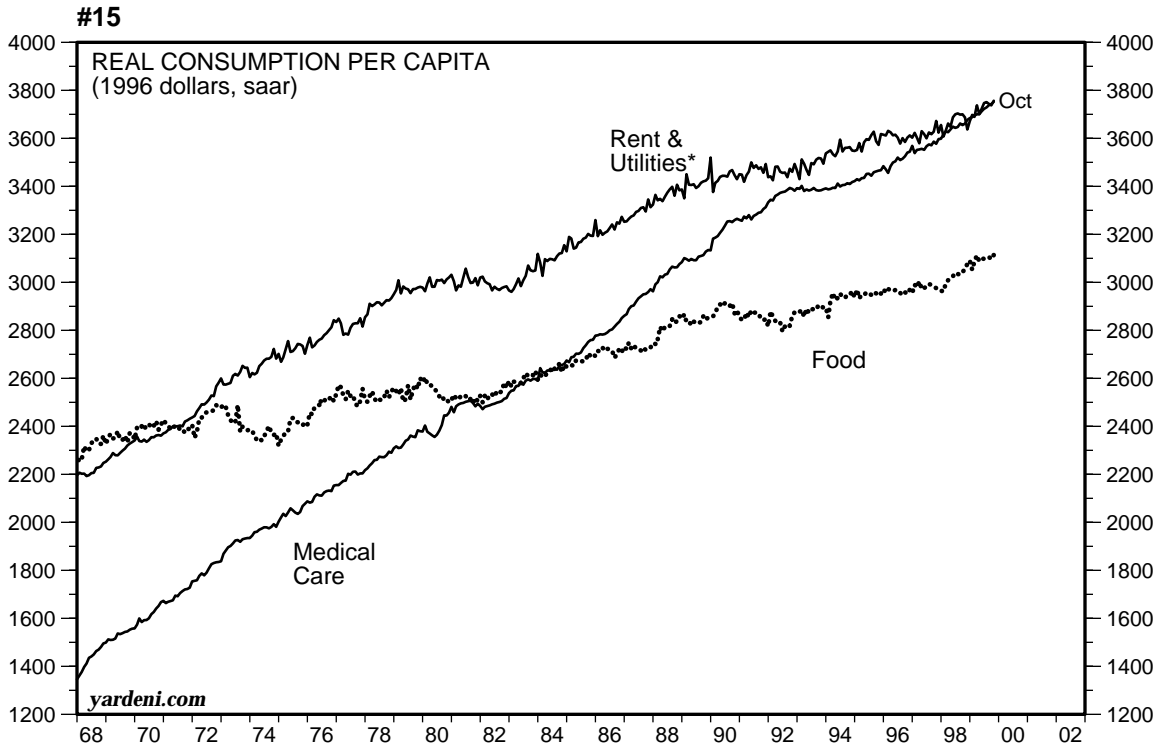
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* Dashed lines show decades' annual averages.

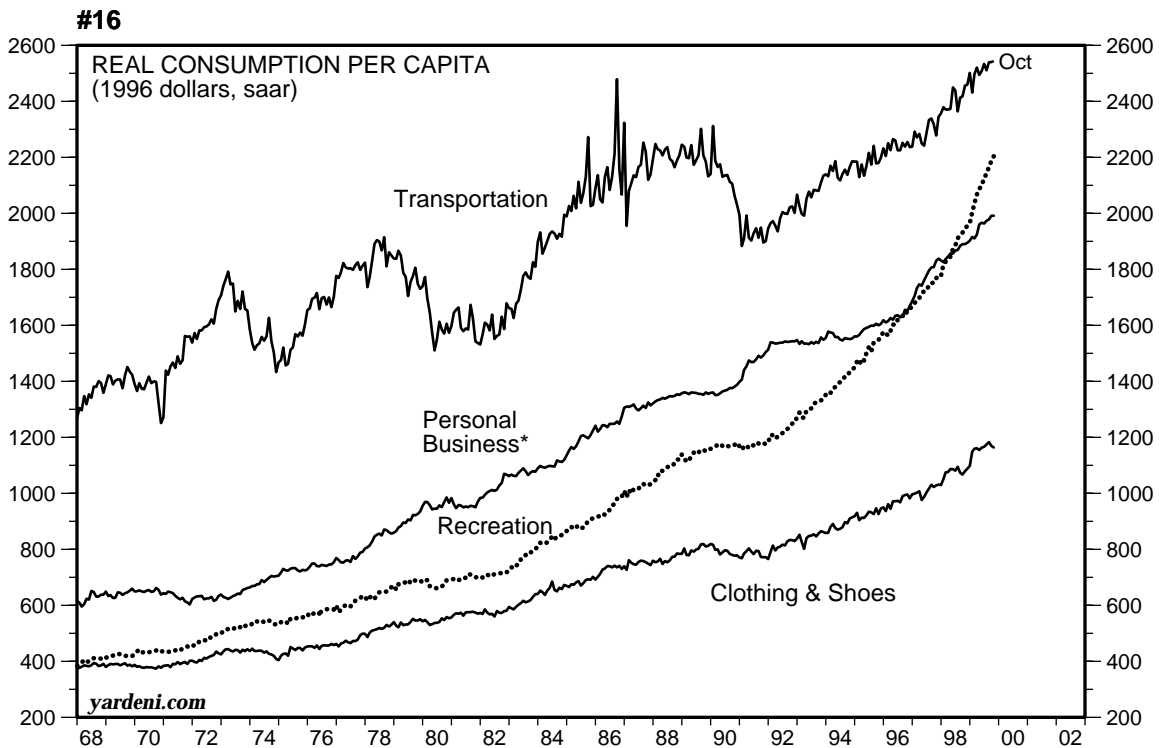


- Consumption -



On a per capita basis, the fastest growing category of real consumption is recreation.

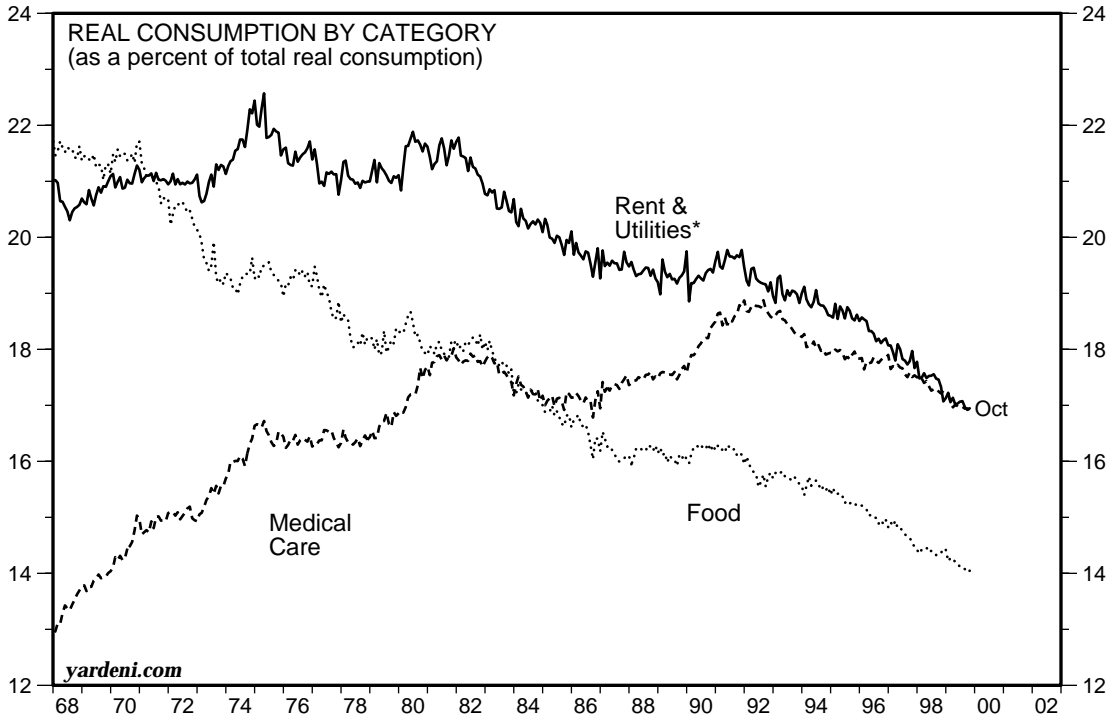
* Rent includes owner- and tenant-occupied rent. Utilities include electricity, gas, water and other sanitary services, fuel oil and coal.



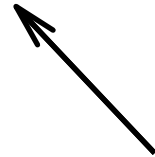
* Includes brokerage charges and investment counseling, bank service charges, services furnished without payment by financial intermediaries except life insurance carriers and private noninsured pension plans, expense of handling life insurance legal services, funeral and burial expenses and other.

- Consumption -

#17

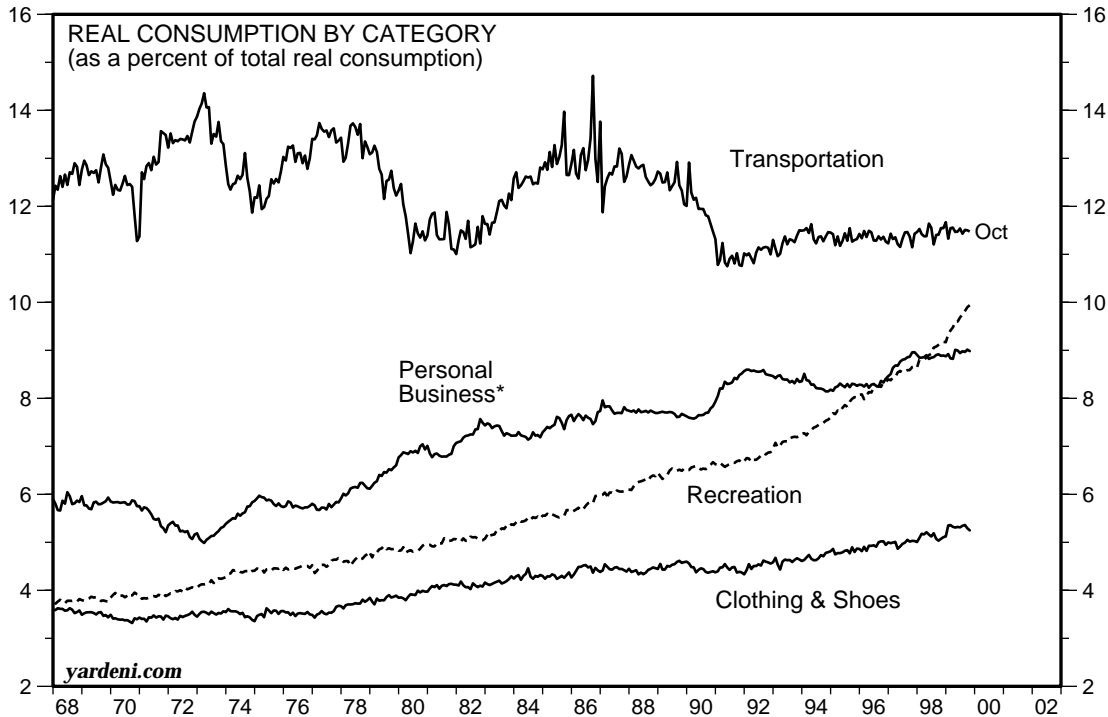


* Rent includes owner- and tenant-occupied rent. Utilities include electricity, gas, water and other sanitary services, fuel oil and coal.

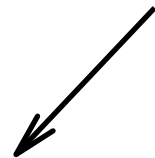


In the decade ahead, consumers likely to spend relatively more on medical care and continue to spend more on recreation.

#18

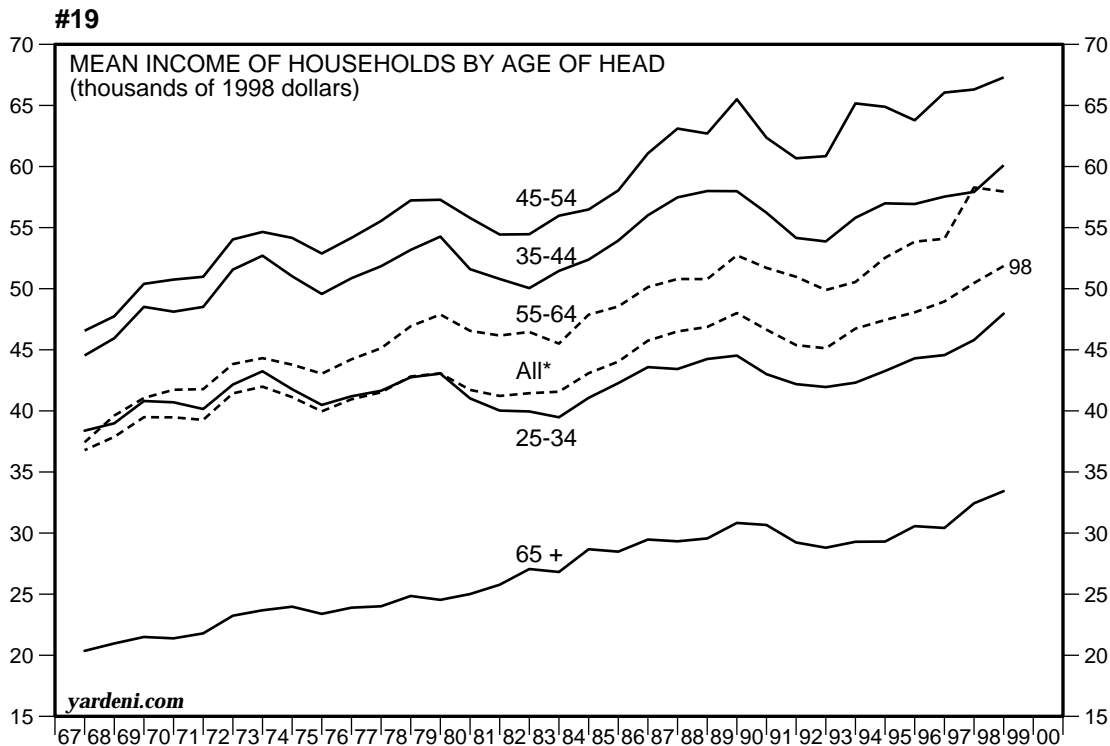


* Includes brokerage charges and investment counseling, bank service charges, services furnished without payment by financial intermediaries except life insurance carriers and private noninsured pension plans, expense of handling life insurance legal services, funeral and burial expenses and other.



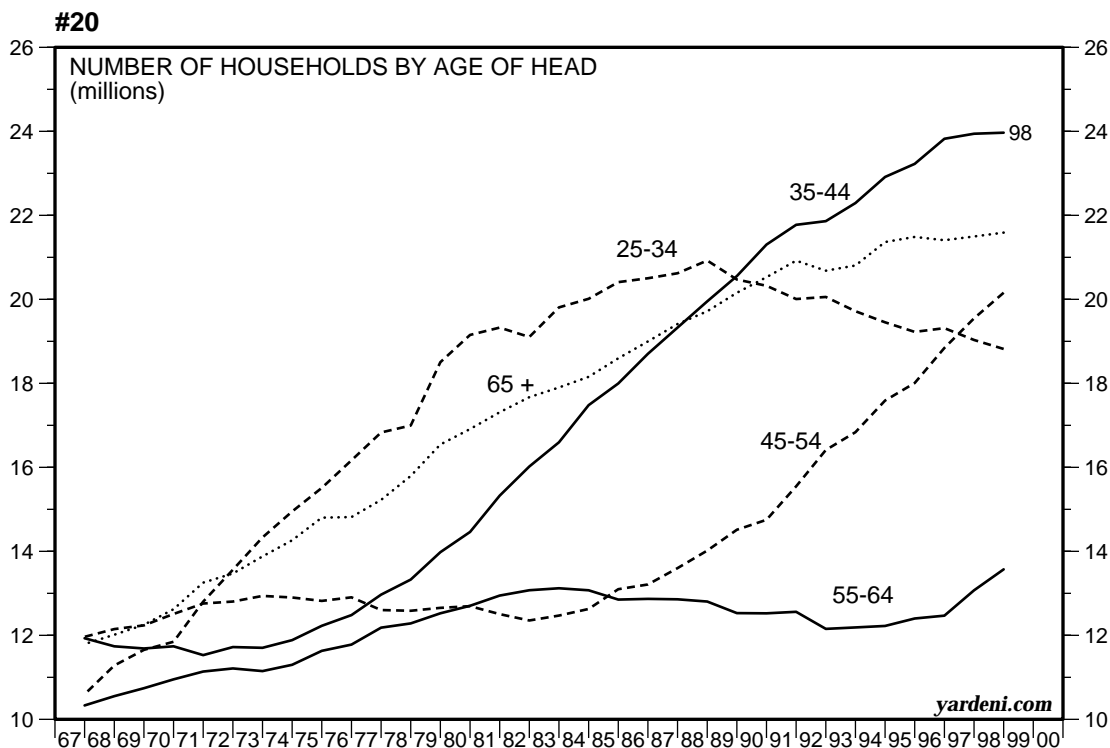
- Income Shares -

Older workers tend to earn more than younger ones, presumably because they are more experienced, productive, and committed to their jobs. In 2005, the Baby Boomers will be 41-59 years old. So there will be more households earning more money than ever before.



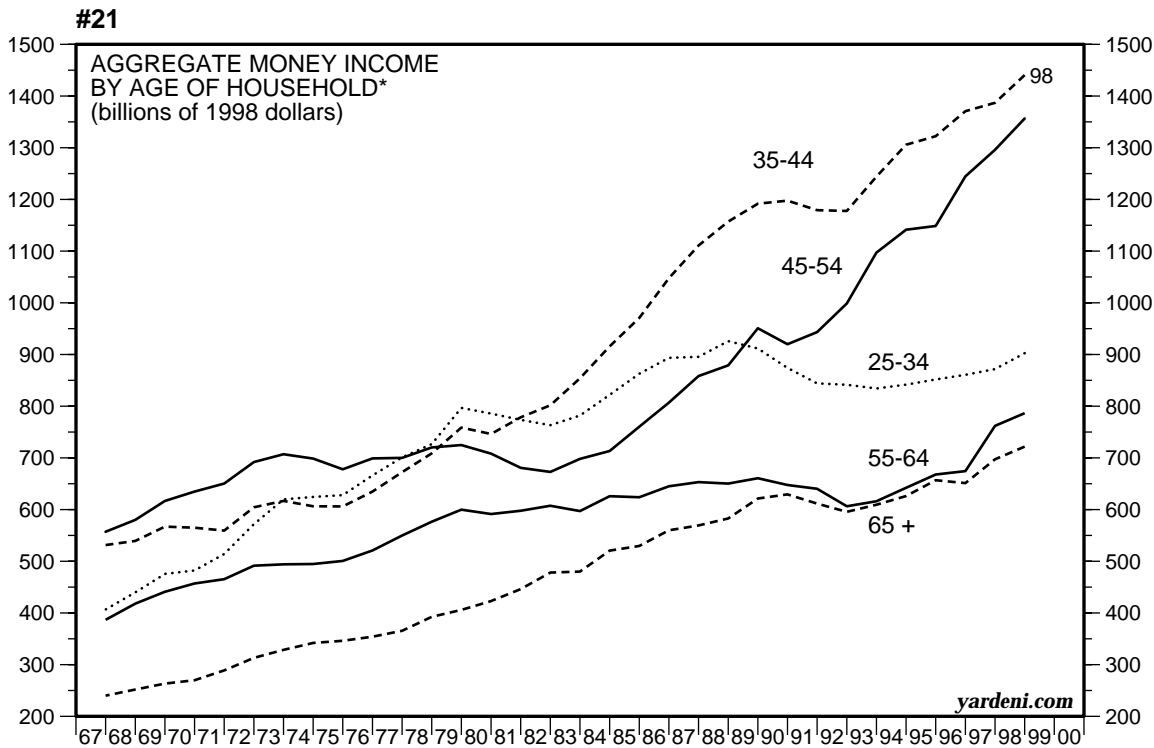
* Includes 15-24 year olds. Source: Bureau of the Census, Income Statistics Branch, unpublished data.

By 2010, the Baby Boomers will be 46-64 and have the biggest share of income.



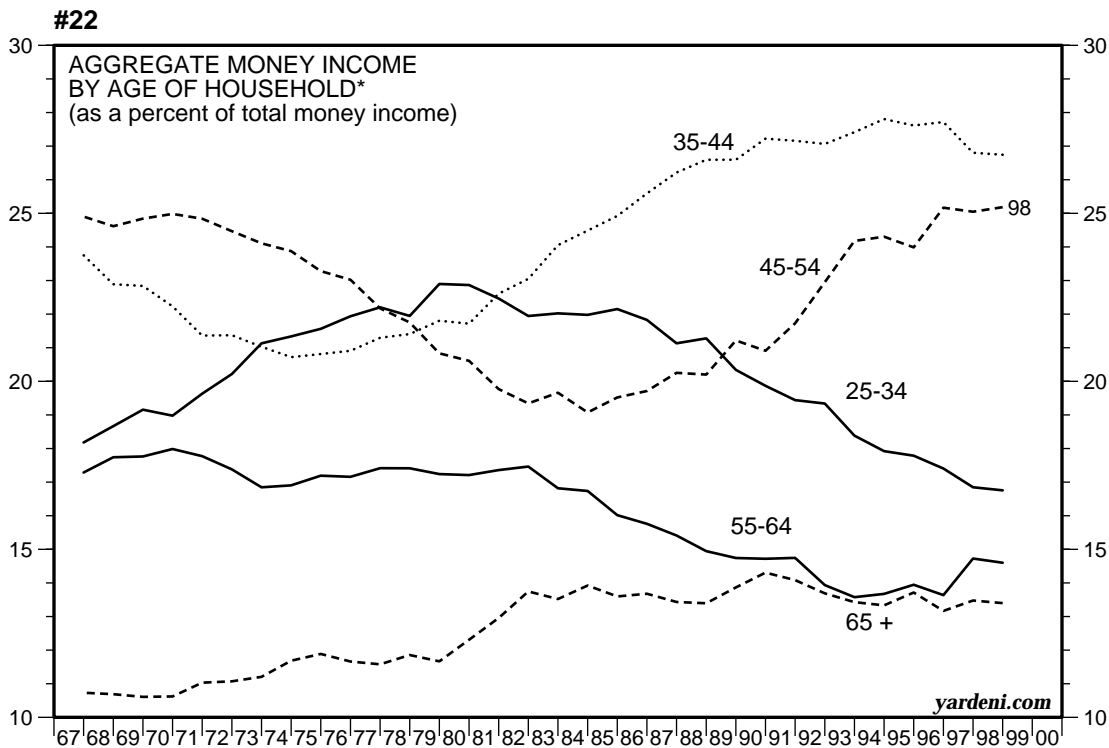
Source: Bureau of the Census, Income Statistics Branch, unpublished data.

- Income Shares -



In the decade ahead, the biggest gain in total group income will be for 55-64 year olds.

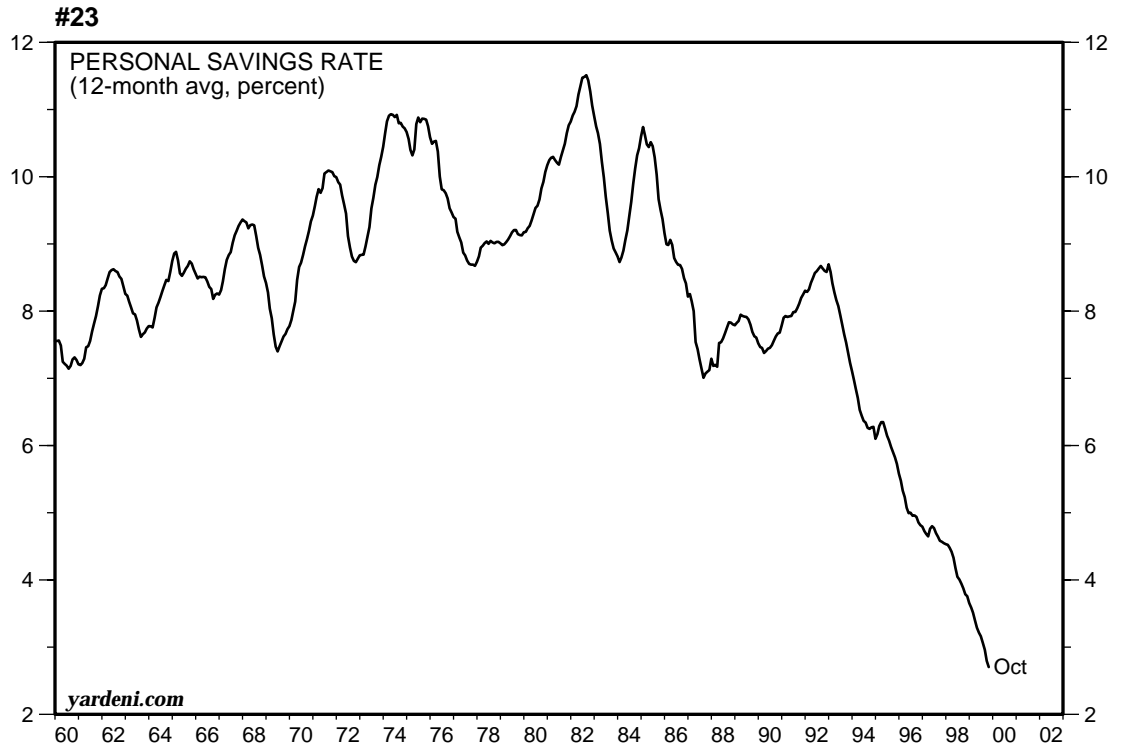
* Mean income times number of households.
Source: Bureau of the Census, Income Statistics Branch, unpublished data.



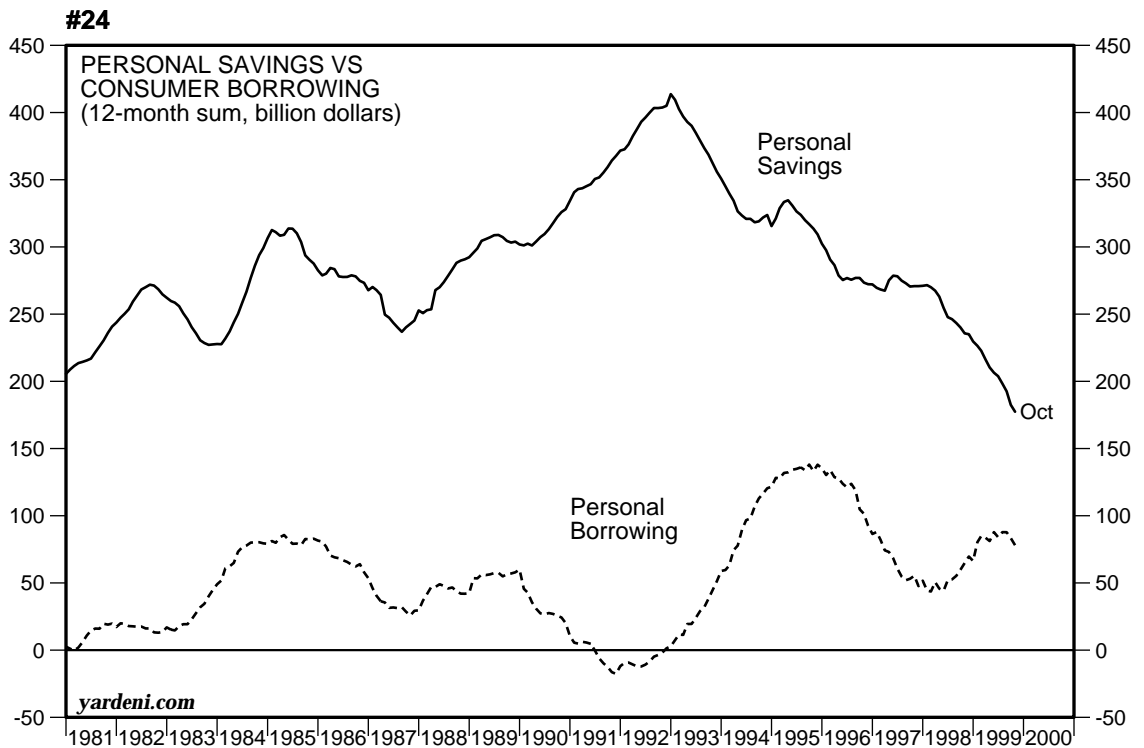
By the year 2005, 35-54 year olds will probably account for 65% of personal income, up from over 52% currently.

* Mean income in 1998 dollars times number of households.
Source: Bureau of the Census, Income Statistics Branch, unpublished data.

- Personal Savings -

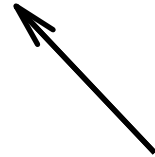
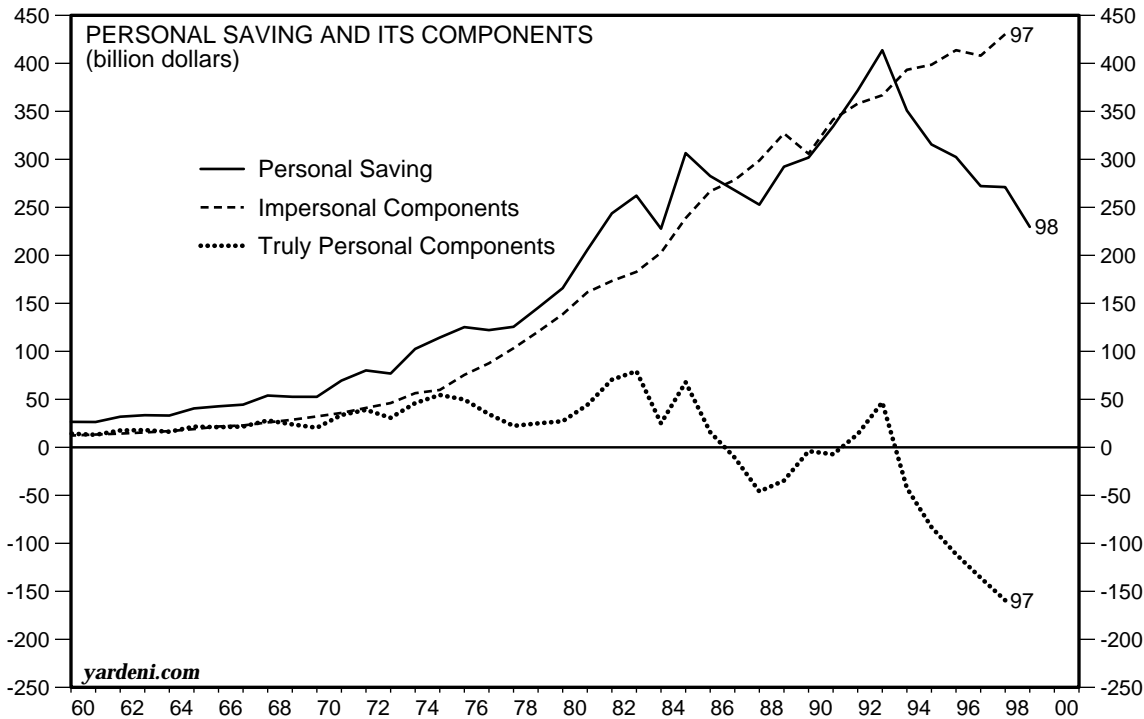


As the Baby Boomers have aged, the savings rate has plunged. They poured money into stocks. Soaring stock prices boosted their net worth and reduced their need to save.



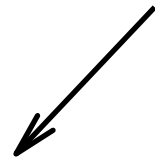
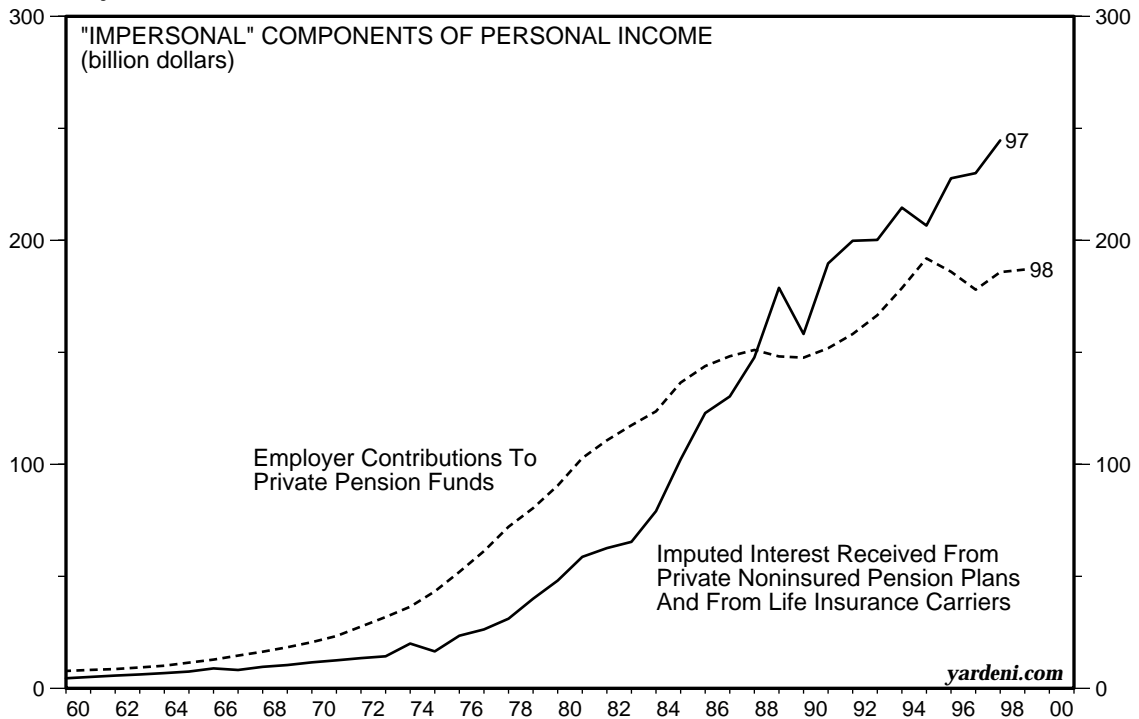
- Personal Savings -

#25



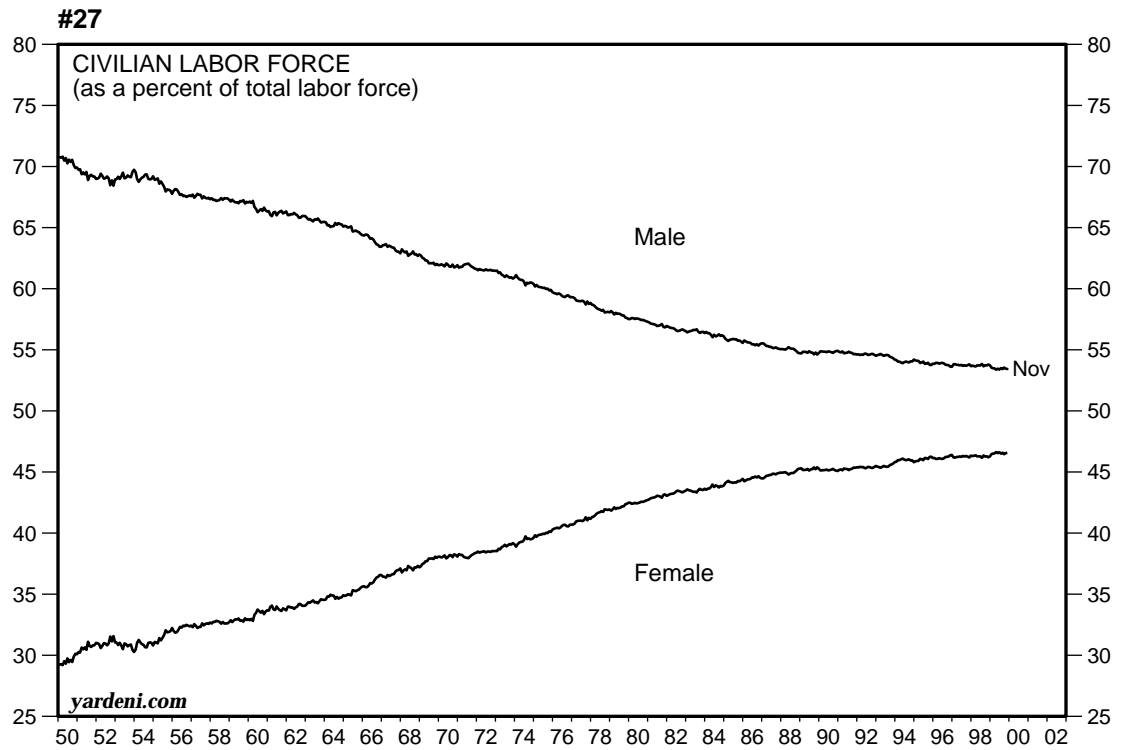
Personal savings includes two big "impersonal" sources of income which are not taxed and can only be saved. They exceed \$400 billion and currently exceed total personal savings. Indeed, excluding these two, "truly" personal savings has been mostly negative since 1987.

#26

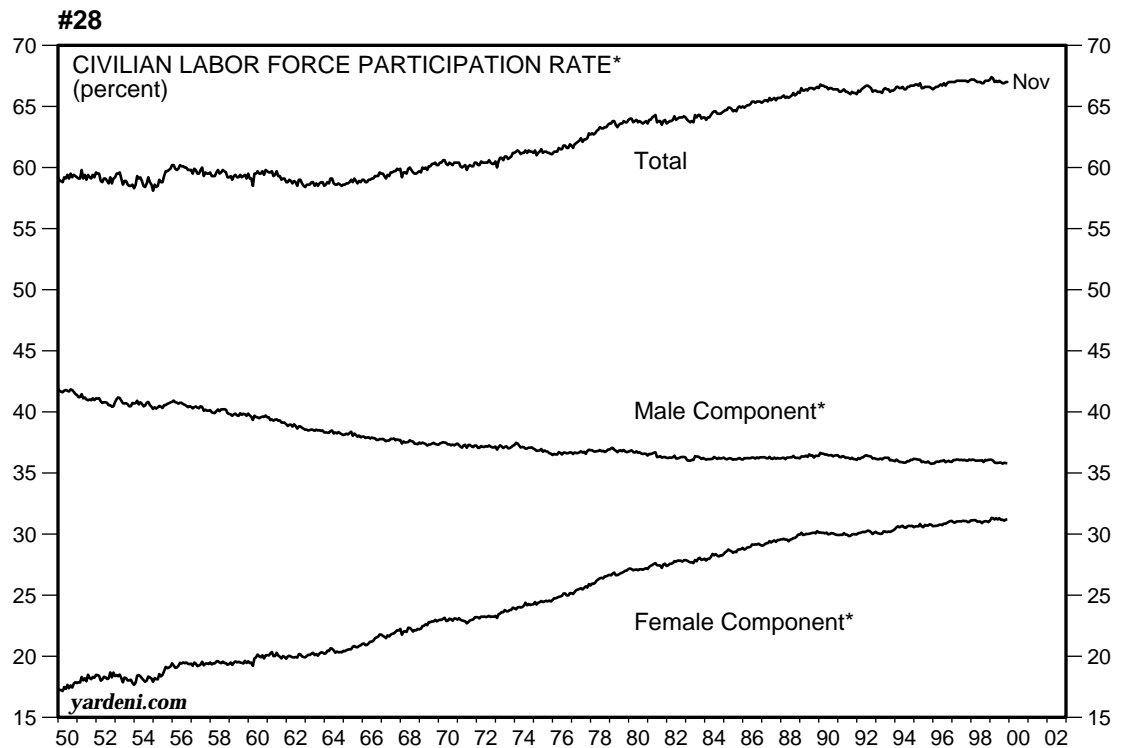


- Labor Force -

Males now account for less than 55% of the labor force, down from 70% in the early 1950s. Females account for 46%, up from 29% in the early 1950s.



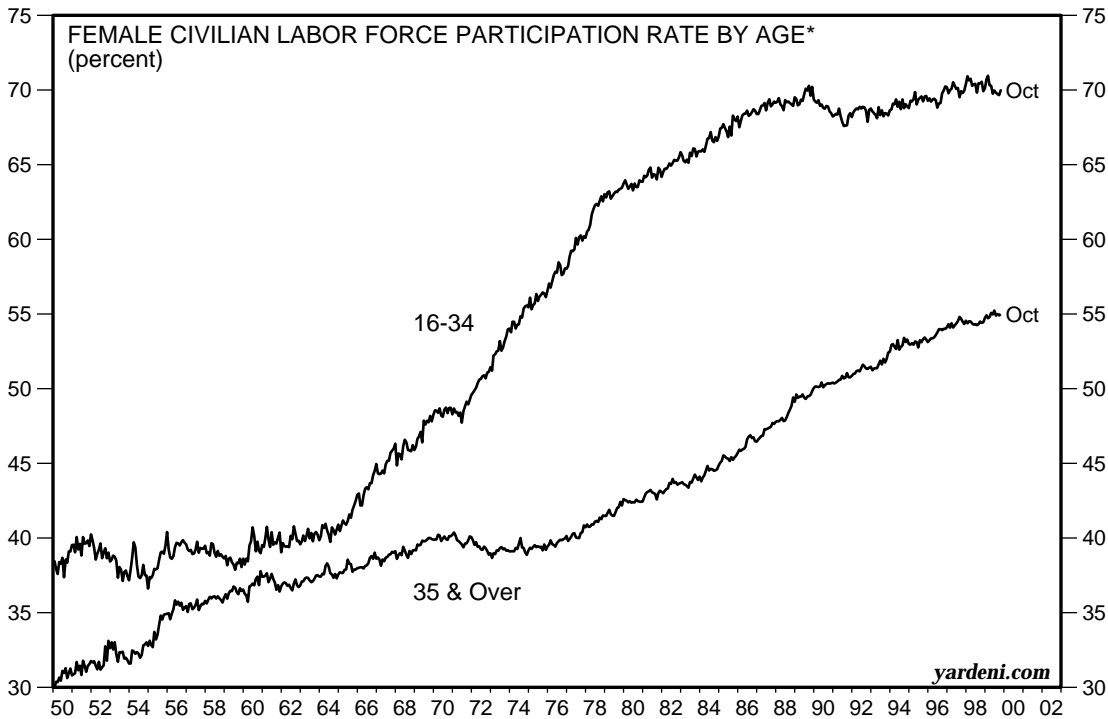
The labor force participation rate is hovering around 67%. Since the 1950s, the decline in the male component of the labor force participation rate has been more than offset by females.



* Labor force divided by noninstitutional working-age population. Male and female components are persons that are 16 years and older.

- Labor Force -

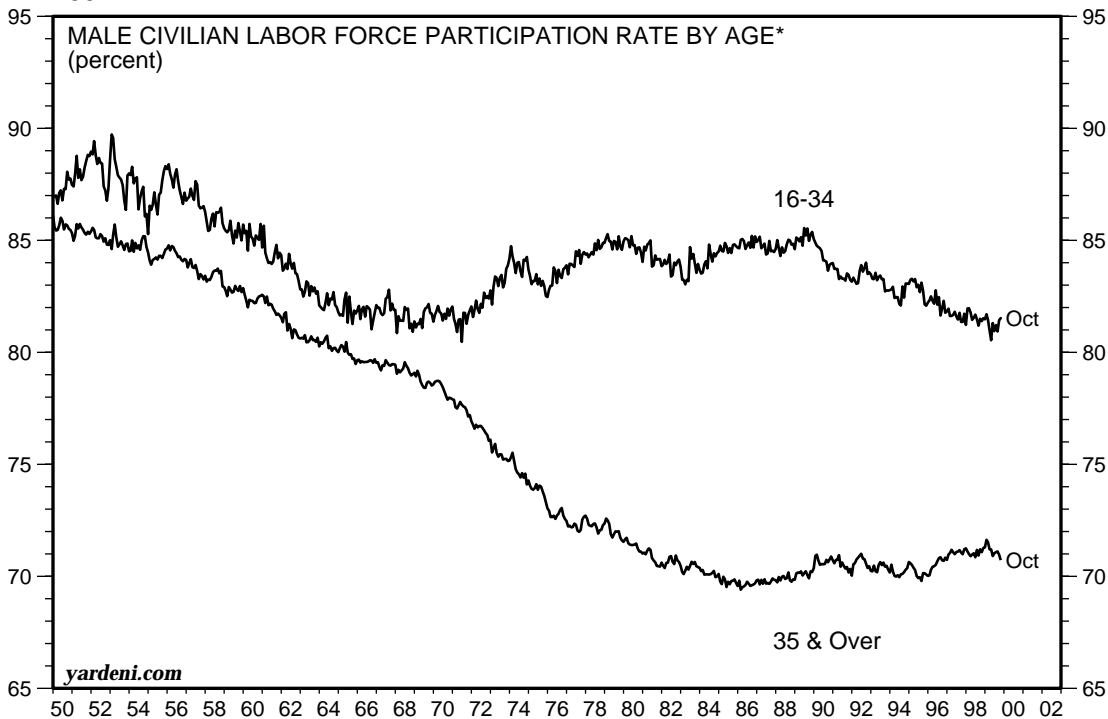
#29



A record 55% of all women who are 35 years or older are in the labor force. The labor force participation rate of younger women has stabilized around 70% in recent years.

* Female labor force divided by female noninstitutional working-age population.

#30



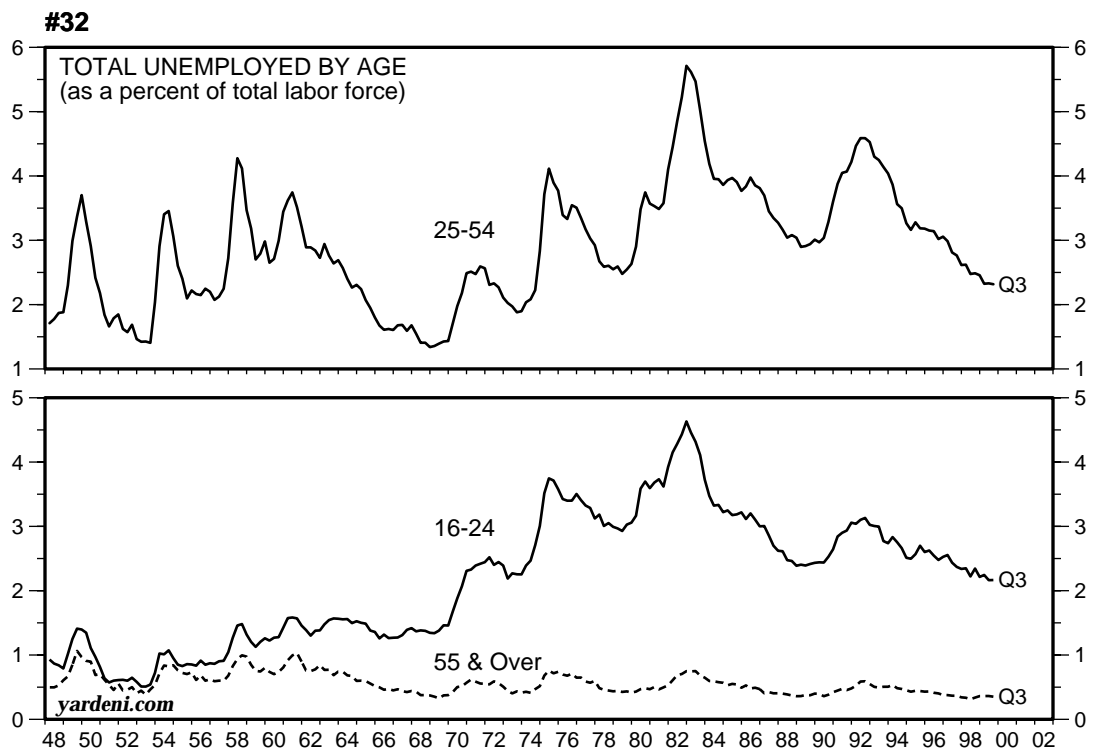
The percent of older males participating in the labor force is hovering around 70%, while the younger ones' participation rate is heading down toward 80%.

* Male labor force divided by male noninstitutional working-age population.

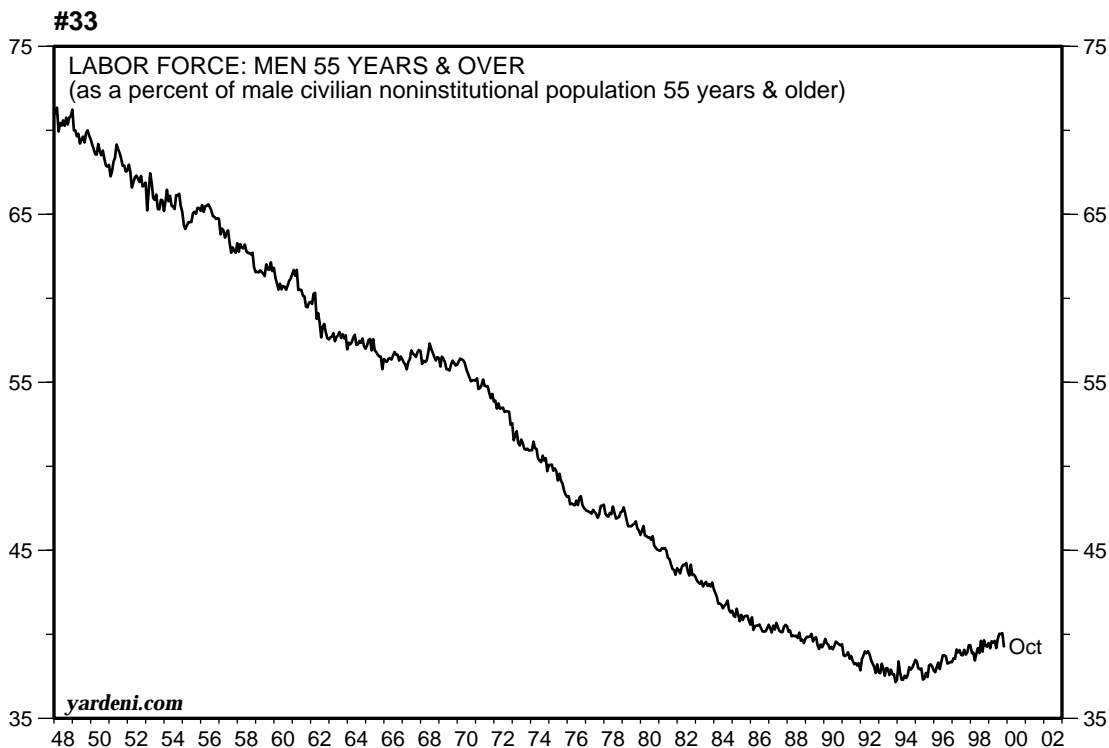
- Unemployment -



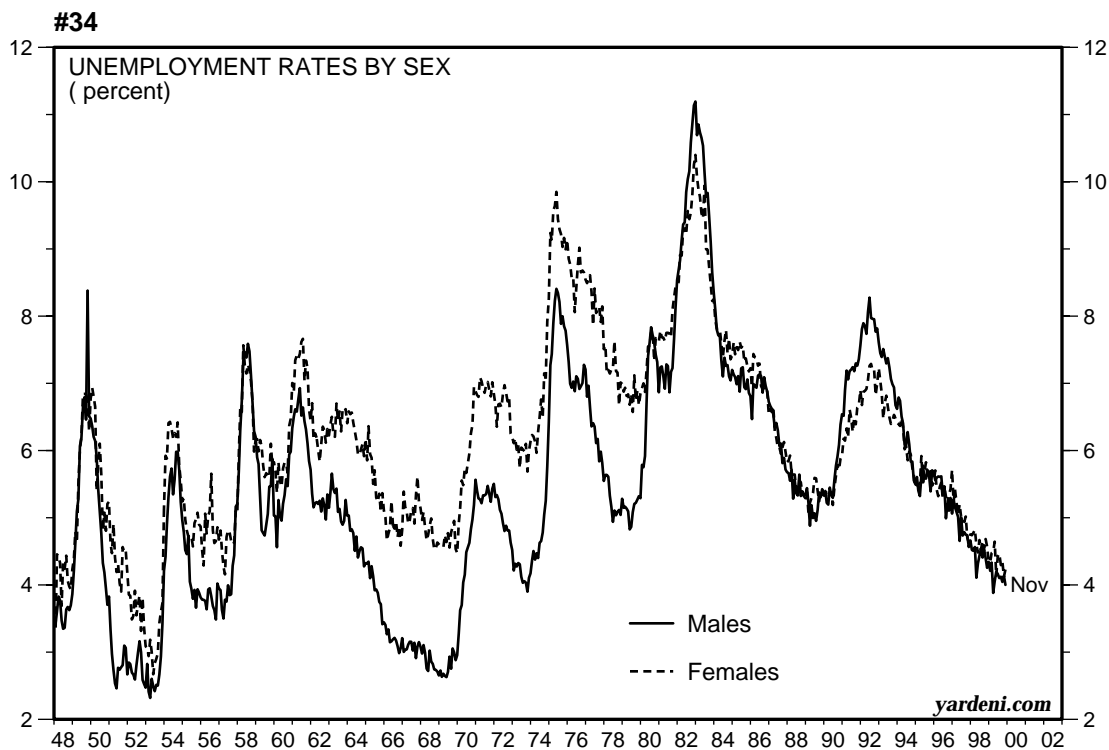
The unemployment rate shifted upward during the 1970s and early 1980s relative to inflation because there was a huge influx of young workers who tend to have higher unemployment rates than older ones. Since the early 1980s, the unemployment rate has been shifting back down. Currently, it is at a 29-year low.



- Unemployment -

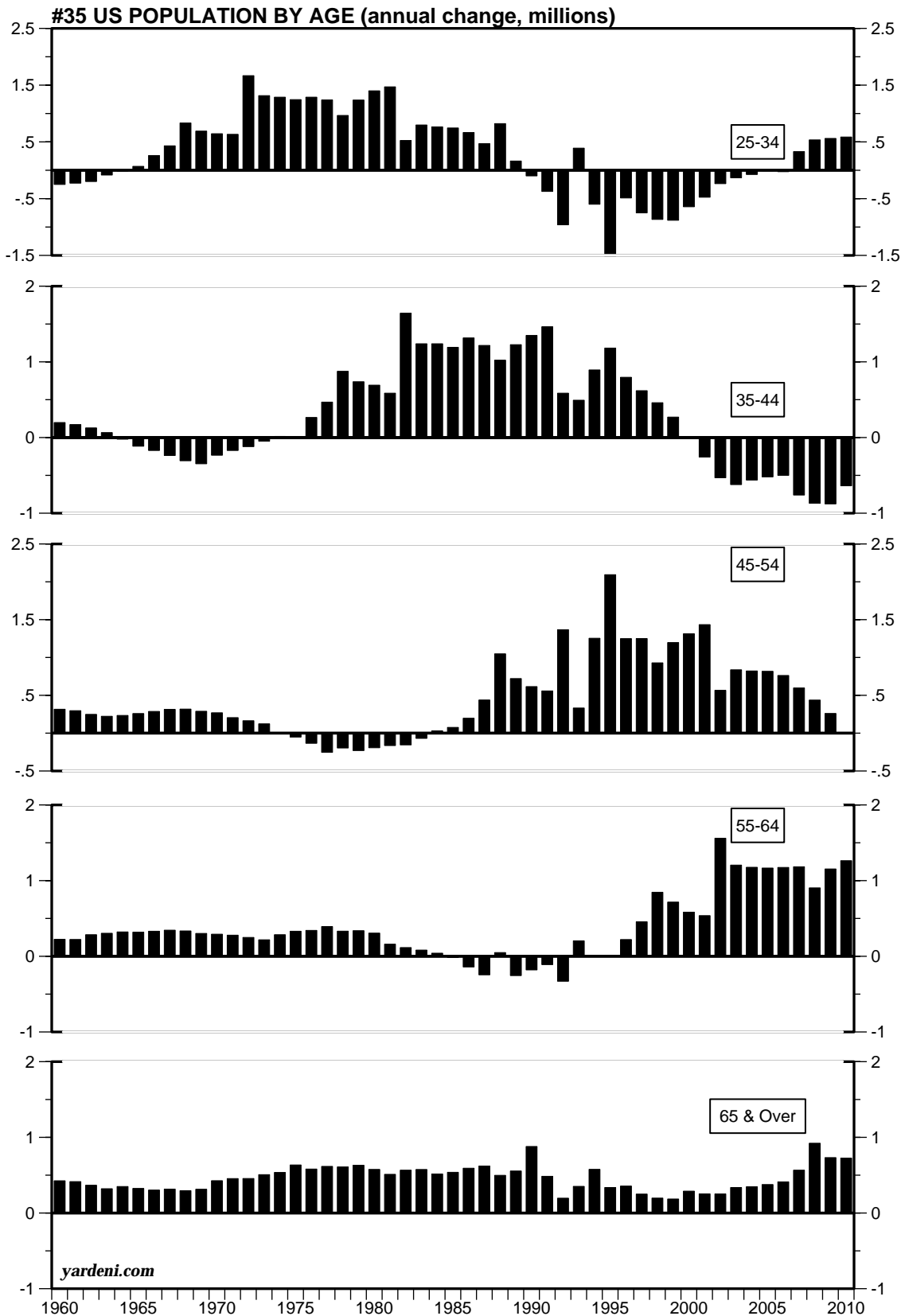


There was a dramatic long-term downward trend in the labor force participation rate of older men since the late 1940s until flattening out in the mid-1990s. Now there is a slight uptrend.



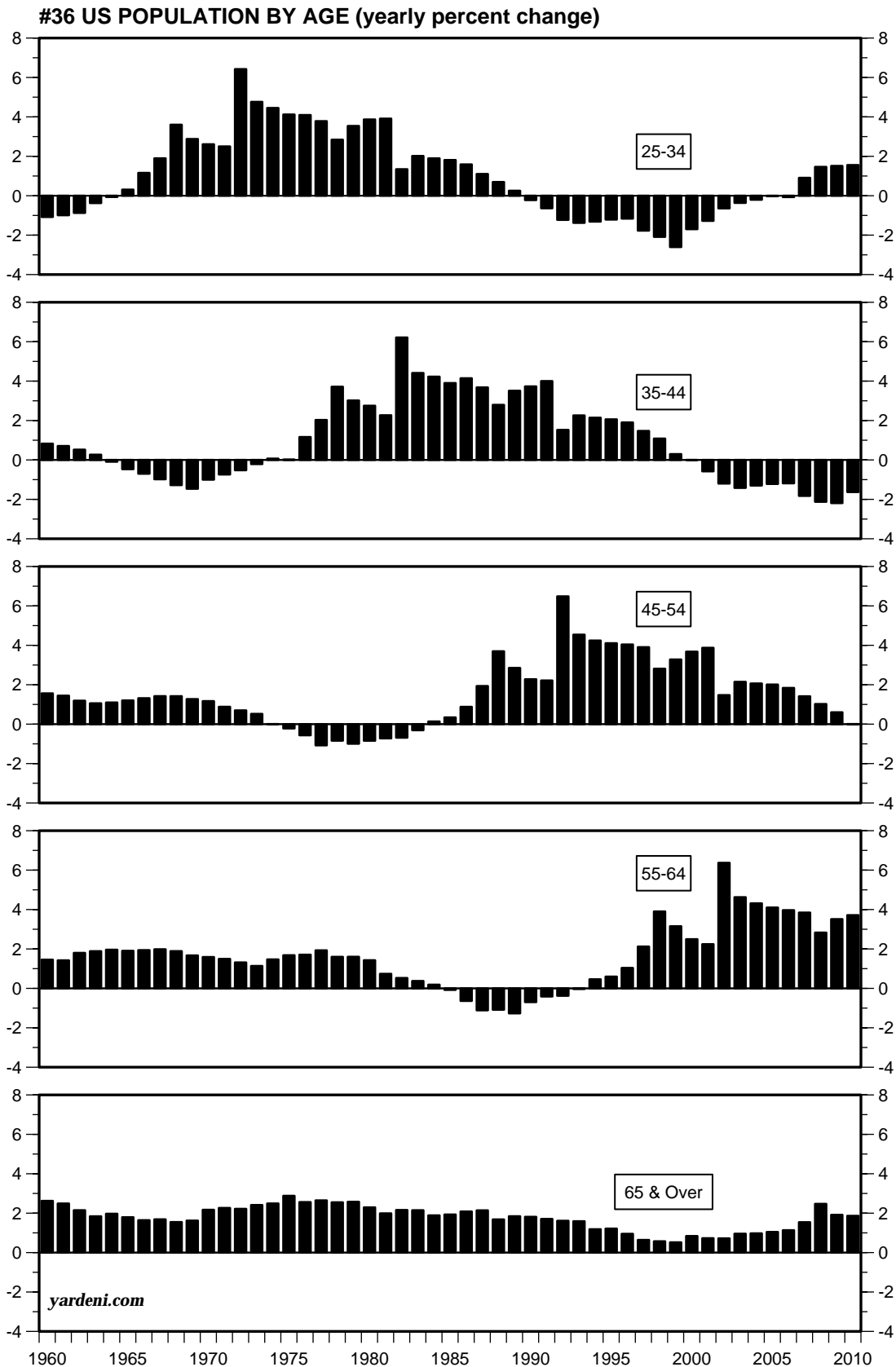
During the 1950s, 1960s, and 1970s, the female unemployment rate usually exceeded the male rate. Since the 1980s, the two rates have been nearly identical. Both are down to about 4.0%.

- Population: Numbers -



Source: Bureau of the Census, U.S. Department of Commerce

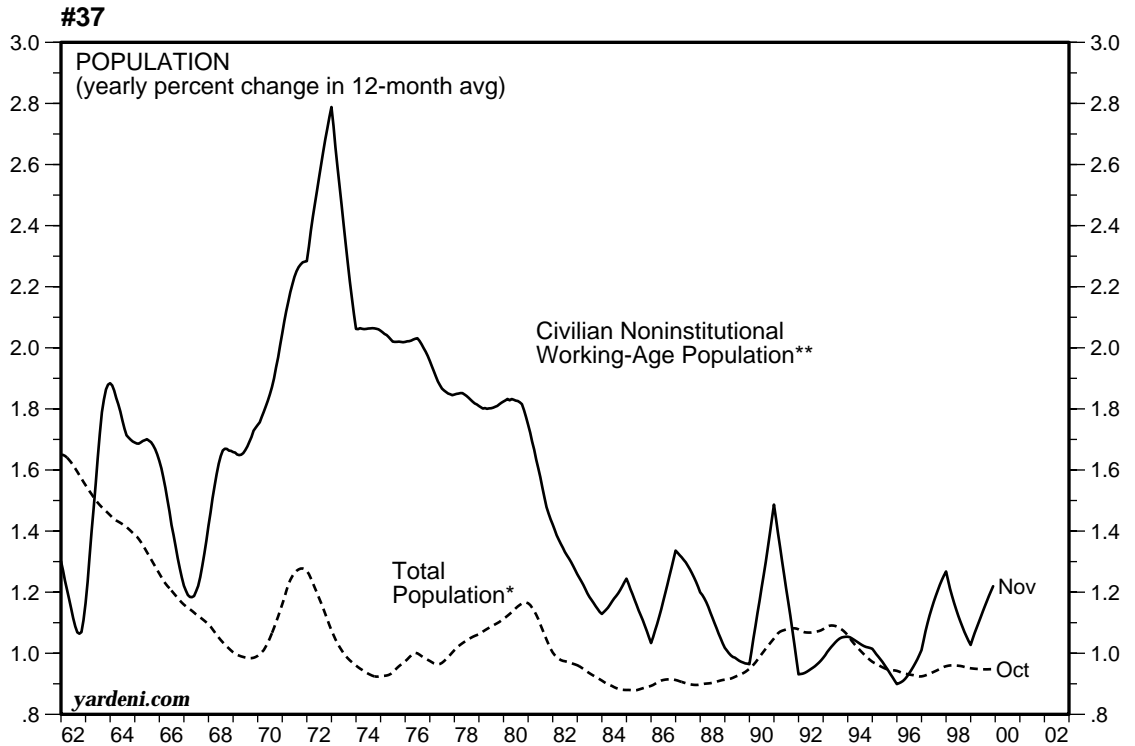
- Population: Numbers -



Source: Bureau of the Census, U.S. Department of Commerce

- Population: Numbers -

The working-age population grew much faster than the total population during the late 1960s and 1970s as the Baby Boomers flooded into the labor markets. This growth rate has been much closer to that of the population through most of the 1990s.

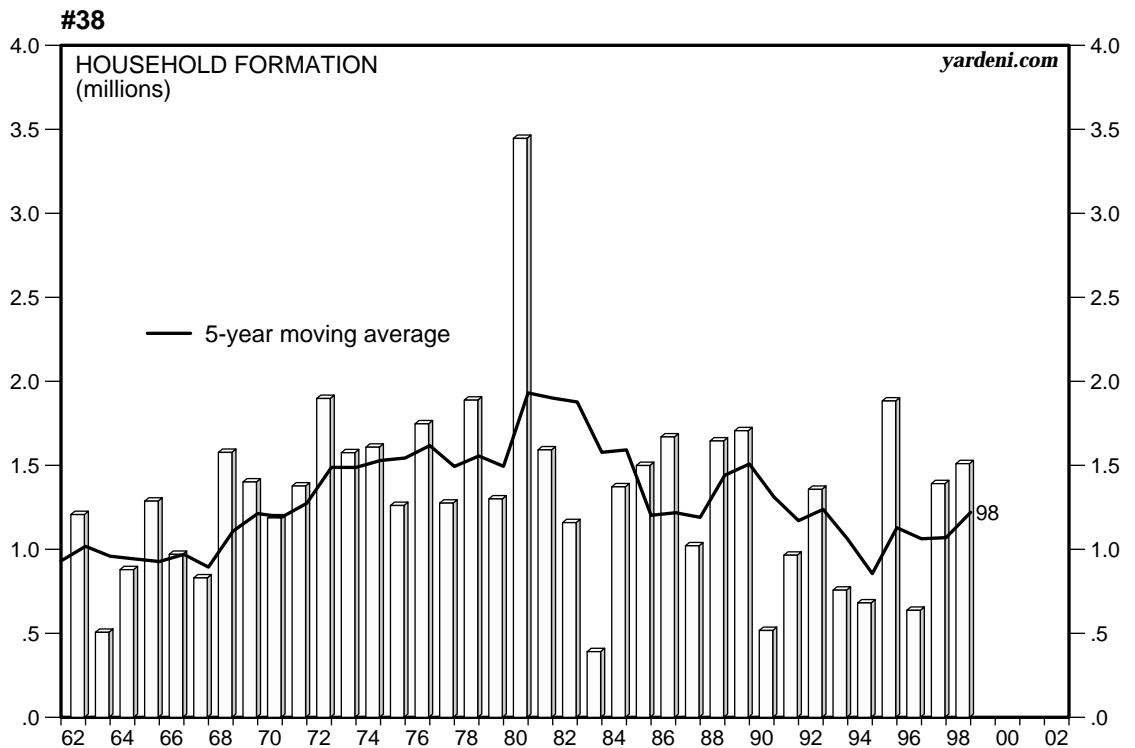


* Population used to calculate per capita income. Includes military in US.

Source: Census Bureau.

** Source: US Department of Labor, Bureau of Economic Analysis.

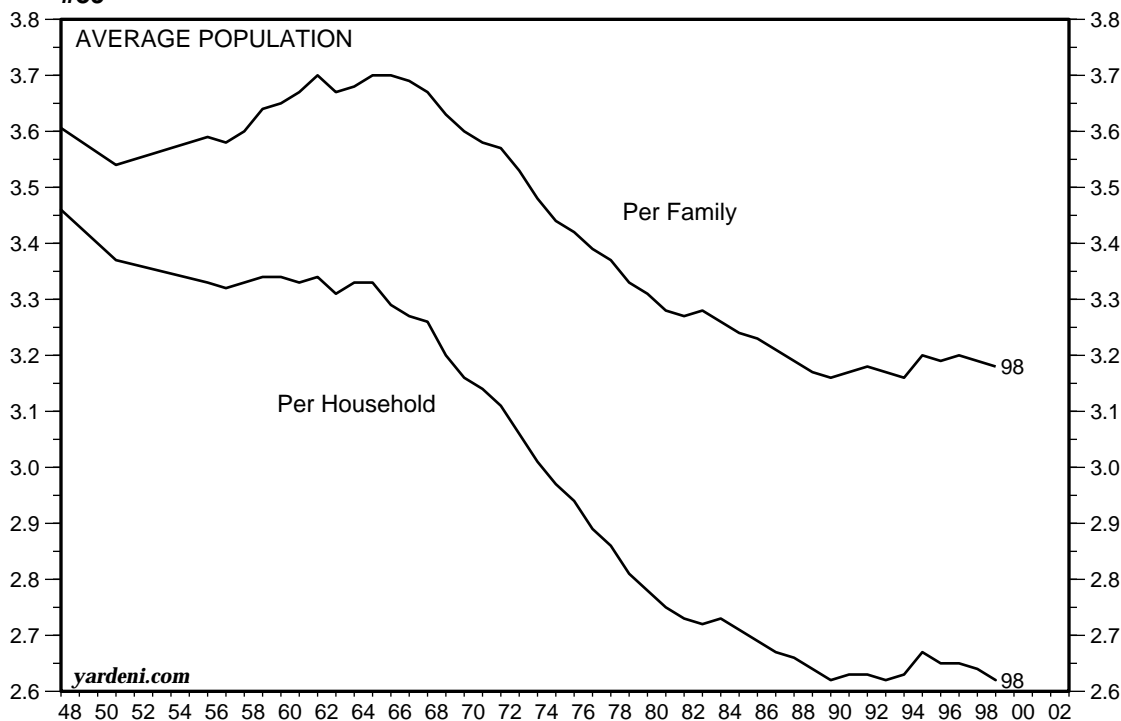
Household formation likely to rise in the decades ahead as the children of Baby Boomers become independent adults.



Source: US Department of Commerce, Bureau of the Census, Series P-20.

- Population: Characteristics -

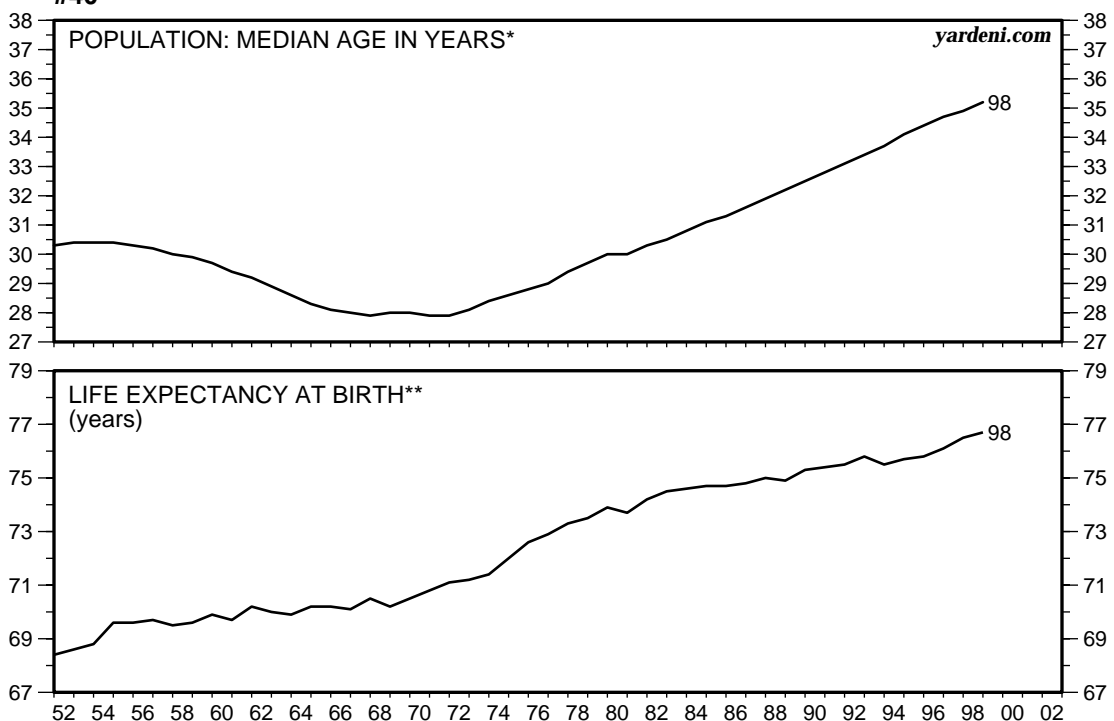
#39



Source: Current Population Reports

Since the mid-1960s, there has been a significant downtrend in the average number of people in both family and household living units. However, both have flattened in recent years. Households are smaller than families, on average, because there are many single-person households: People are marrying later, getting divorced, and living longer.

#40



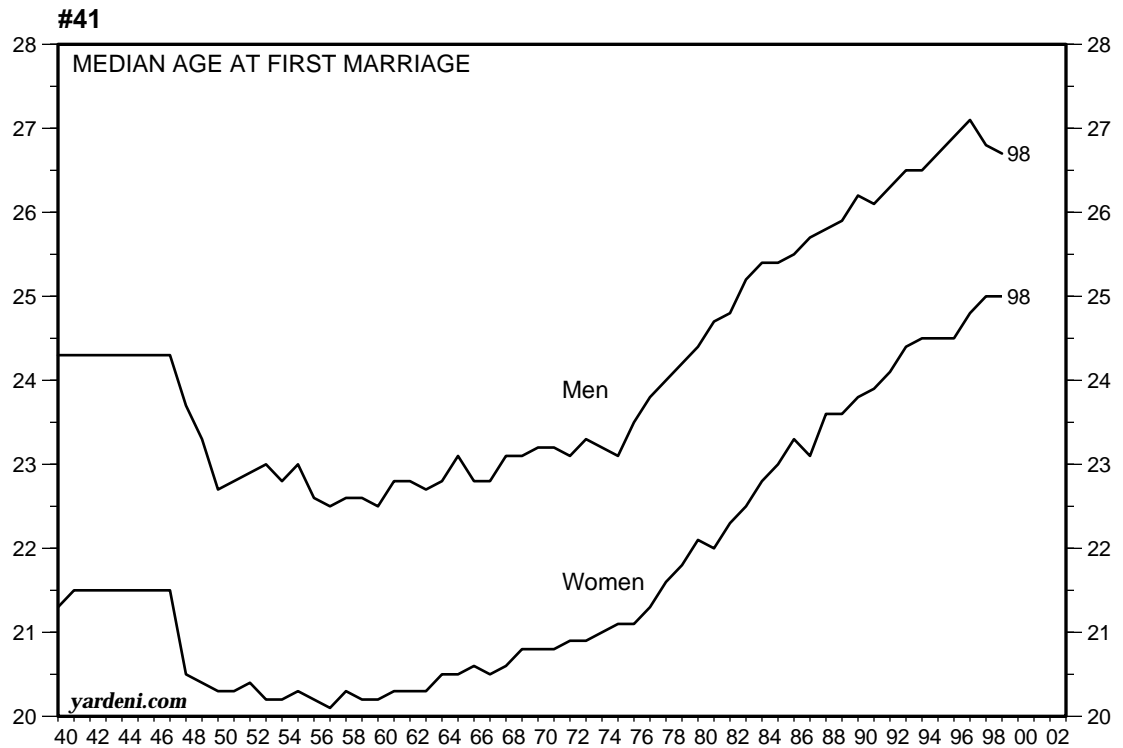
* Source: US Bureau of the Census, Population Division, release PPL-57, United States Population Estimates by Age, Sex, Race and Hispanic Origin.

** Source: US National Center for Health Statistics, Vital Statistics of the United States.

The median age of the population is 35, up from 28 twenty years ago, and it will continue to rise over the rest of the decade because the Baby Boomers are aging and senior citizens are living longer. Life expectancy is up over 76 years compared to about 70 years during the late 1960s.

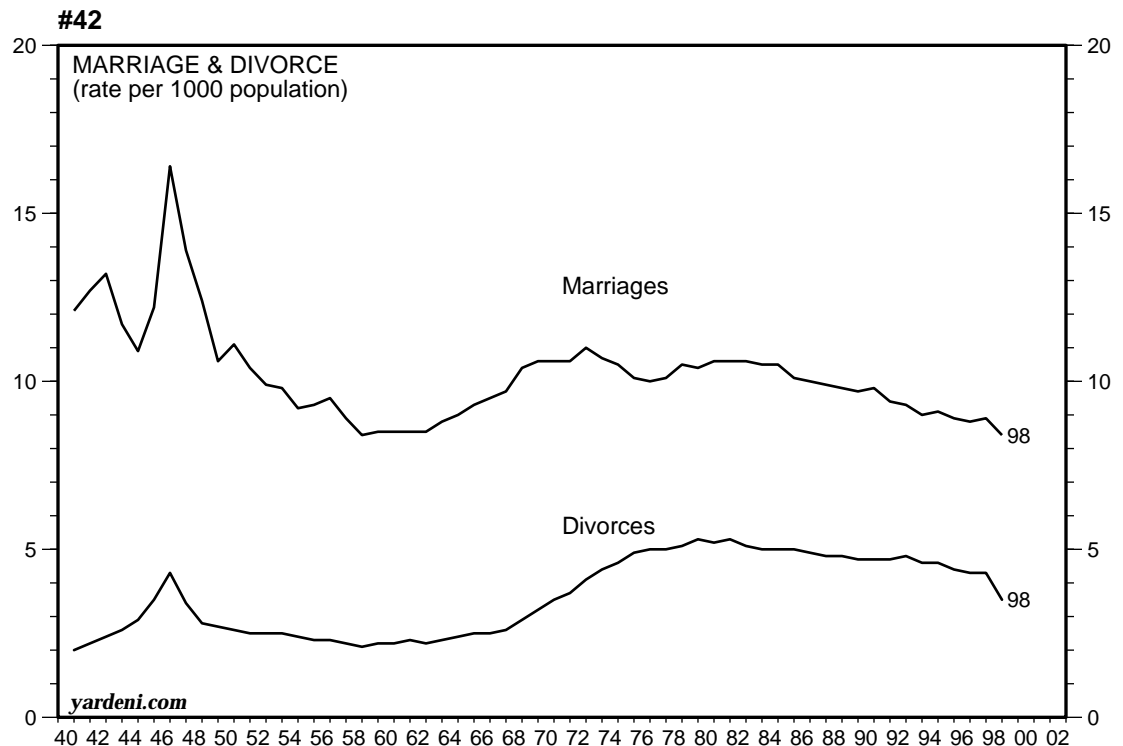
- Population: Characteristics -

People are getting married for the first time at a later age. The median age for men is up near 27 from about 23 twenty years ago. Women are waiting until their mid-twenties to marry. During the 1950s and 1960s, they tended to marry in their early twenties.



Source: Current Population Reports

The marriage rate and divorce rate have been falling recently.



Source: US National Center for Health Statistics, Vital Statistics of the United States.