The Daily Dish

Blips on the Economic Radar Screen

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Eakinomics: Blips on the Economic Radar Screen

The outlook for growth in wages, incomes, and prices is obviously a very important personal and political matter. The big picture is of an economy that is growing more slowly than a year ago — the Atlanta Fed's GDPNow puts 3rd quarter growth at 1.8 percent, while the New York Fed's NowCast has it at 1.9 percent. That overall performance masks sharply different experiences. The household sector continues to grow rapidly, while business investment and net export sales are nearing stall speed, and manufacturing and agriculture are outright struggling.

This week will provide several important pieces of information on the outlook, beginning on Wednesday. At 8:30 a.m., the Department of Commerce's Bureau of Economic Analysis (BEA) will release its initial estimate of economic growth in the 3rd quarter of 2019. Not only will it likely confirm the roughly 2 percent overall growth rate, it will provide valuable additional detail on the composition of economic activity. Those can be viewed from an optimistic angle — are there signs of pickup in business fixed investment or residential investment? — or defensive viewpoint — is there any inkling that the household sector is beginning to flag?

That same afternoon, the Federal Open Market Committee (FOMC) will deliver the policy decision agreed upon during the two-day meeting that commences Tuesday. Most people expect another quarter-point cut in the policy rate; the real information will be what the Fed says about the outlook. After all, the FOMC has access to the same monthly information that informs the regional Feds' real-time forecasts, which is, in turn, the foundation for the 3rd quarter BEA report. Having processed the data, where does the Fed end up?

Thursday morning brings the Employment Cost Index (ECI) for the 3rd quarter from the Department of Labor's Bureau of Labor Statistics. The ECI is the best measure of growth in wages and compensation. It will be followed in short order with the Employment Report for October on Friday at 8:30 a.m. Once again, the attention in the employment report should (but, sigh, probably won't) be moving away from counting jobs created in the month. At this point in the cycle, there simply are not enough new workers to generate 200,000-300,000 job growth numbers. But one would hope that there will continue to be enough labor market vitality to maintain or raise the employment-population ratio, push up the growth of average hourly earnings, and depress broader measures of unemployment like the U-6.

What will economic sentiment be at the end of the week? Realistically, probably not dramatically changed. But if there is drama, it will be to the downside in the information received on housing or the upside in the Fed's overall assessment of the outlook.