

Beyond Political Rhetoric: What the Numbers Say About the U.S. Economy

Those of us who had the mettle to endure the politically charged speeches at the recent Republican and Democratic conventions might rightfully have come away with mixed feelings about the state of the U.S. economy. While Republican Donald Trump argued that U.S. jobs have been exported overseas, leaving American workers in the lurch, Democratic nominee Clinton painted a picture of an economy that has rebounded impressively since 2009 under the steady leadership of President Obama.

Business investment is down for the third consecutive quarter. One major culprit? Declining energy prices, which have curtailed investment in energy exploration.

As with most complex issues, when assessing the economy, the devil is in the details. A close look at some key metrics helps reveal a more nuanced story waiting to be told.

Just the Facts, Please

Key economic reports released on July 29, 2016, by the Bureau of Labor Statistics as well as the Bureau of Economic Analysis revealed some good news as well as some areas of concern. Highlights are included below.

Gross domestic product (GDP) -- Real gross domestic product increased at an annual rate of 1.2% in the second quarter of 2016 -- less than half of the 2.5% that economists had forecast.^{1,2} However, according to commentary by *The New York Times*, the shortfall was due mostly to shrinking business inventories, which alone don't reveal much about the future. Instead, when "final sales" -- a much more meaningful measure of economic growth -- are factored into the analysis, the economy grew at a rate of 2.4% in the second quarter.²

Consumer spending -- The engine that fuels the U.S. economy -- consumer spending -- grew at a robust 4.2% in the second quarter signaling that perhaps Americans are feeling a bit more confident about their jobs and are enjoying the extra cash made available due to cheaper fuel prices.²

Wages -- Workers' pay appears to be on an upward trend as well. According to the Employment Cost Index, a quarterly Bureau of Labor Statistics report that examines what employers spend on pay and benefits for employees, compensation increased 0.6% for workers from March through June 2016.³ In the previous year, compensation rose 2.3%, wages and salaries 2.5%, and benefits 2.0%.³

Among occupational groups, compensation cost increases for private industry workers for the 12-month period ending in June 2016 ranged from 1.9% for management, professional, and related occupations to 3.1% for sales and office

occupations.³ Analysts consider these numbers to be significant in that they suggest not only that wages are on the rise, but that they are also starting to rise at a faster pace.²

Areas of Concern

Business Investment/Productivity -- On the business side of the economic equation, the numbers are looking decidedly less promising. Business investment is down for the third consecutive quarter. One major culprit? Declining energy prices, which have curtailed investment in energy exploration.²

Another more difficult to identify and define -- but potentially more damaging -- trend is the decline in worker productivity, which fell 0.6% in the first quarter of 2016. New data due out on August 9 is expected to reveal a similarly lackluster picture.²

While weak productivity growth can potentially pose a serious drag on the nation's economic outlook over the long term, other important data released recently by the Federal Reserve suggest that U.S. industrial production continues to maintain a steady pace.⁴ Likewise, the ISM Manufacturing Index, a key indicator of sentiment within the manufacturing sector, recently reached a 16-month high.⁴

The state of the economy has historically been a hot-button issue in deciding the outcome of presidential elections. As we enter the home stretch of the 2016 campaign, the current mixed bag of economic numbers offers up fodder to support both sides of the debate.

¹Bureau of Economic Analysis, [Gross Domestic Product, Second Quarter 2016](#) news release text, July 29, 2016.

²*The New York Times*, "[Here's What's Going Right, and Wrong, in the U.S. Economy](#)" July 29, 2016.

³The Bureau of Labor Statistics, [Employment Cost Index news release text](#), July 29, 2016.

⁴Bloomberg, "[A New Normal for the U.S. Economy: Slow and Steady.](#)" July 27, 2016.