

# State of the Economy:

Leading, Lagging, and Coincident Indicators

*September 2023*

Economic  
**INSIGHT**



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# Executive Summary

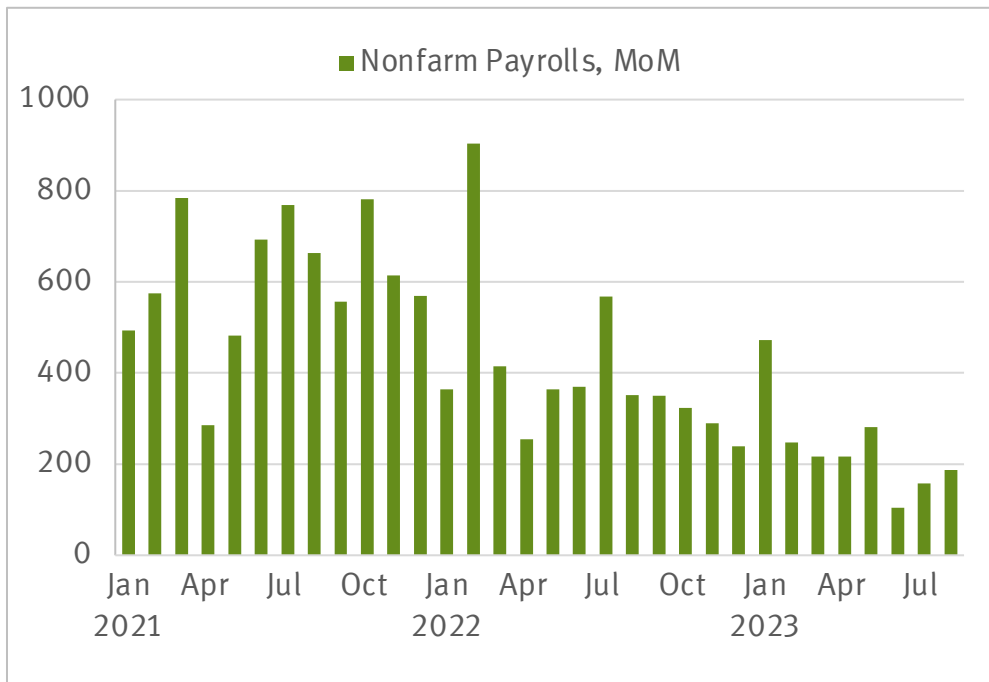
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The Federal Reserve appears confident in the current state of the economy with relatively strong job gains, a resilient banking system, seemingly solid consumer, and recent improvement in the housing market. However, with headline inflation reversing course as of late, threatening at least a portion of the disinflation improvement, policy makers are poised to tighten conditions further, potentially exacerbating hardship on households and businesses. After all, income continues to fall short of spending with real earnings turning lower as of late and savings dropping below pre-pandemic levels. For now, growth is growing steadily above 2%, however, without further support for the consumer – either organic or otherwise – further monetary policy restrictions – however justified – could undermine the current trend of positivity looking out to 2024.

# Leading Indicators

## NONFARM PAYROLLS RISE MORE THAN EXPECTED IN AUGUST

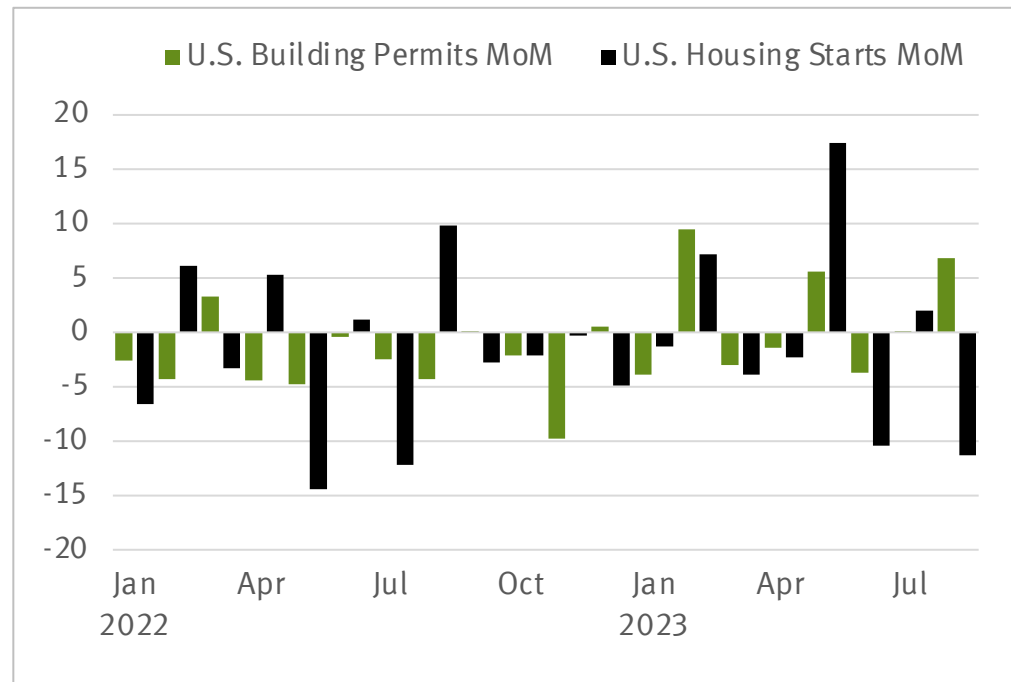
Nonfarm payrolls rose by 187,000 in August, more than the 170,000 gain expected and the strongest pace of monthly job growth since May.



NFP TCH Index (U.S. Employees on Nonfarm Payrolls Total MoM Net Change SA) Nonfarm Payrolls Monthly  
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## BUILDING PERMITS RISE/HOUSING STARTS PLUNGE IN AUGUST; REMAIN SLUGGISH

On a month-over-month (MoM) basis, building permits rose 6.9%, while housing starts dropped 11.3% in August.

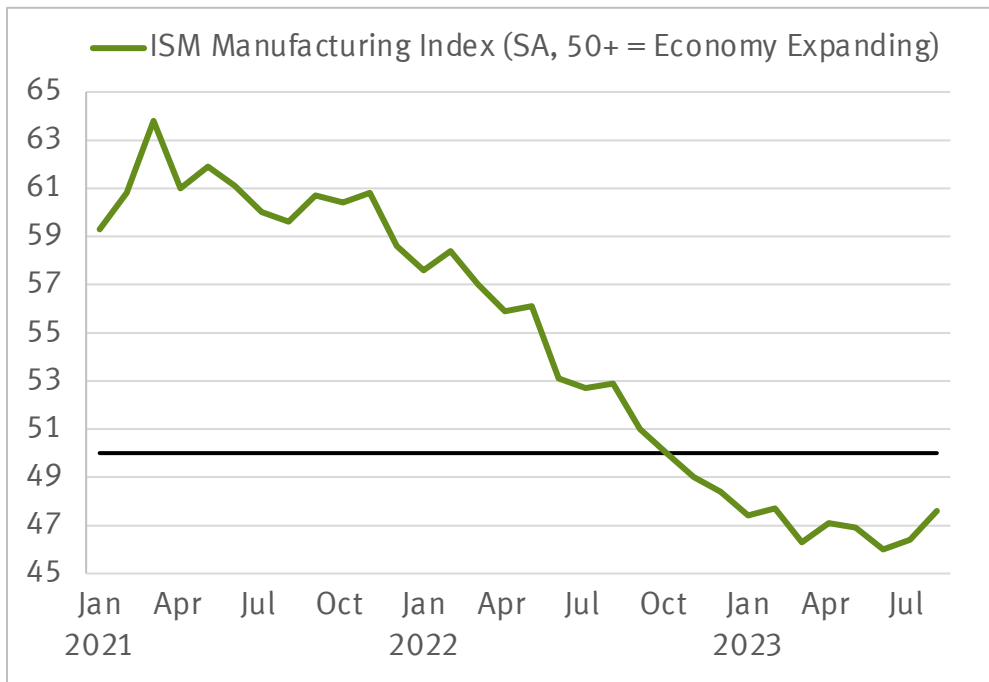


NHCHATCH Index (Private Total Housing Authorized by Building Permits MoM SA) Housing Permits/Starts Monthly  
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# Leading Indicators

## MANUFACTURING ACTIVITY REMAINS IN CONTRACTIONARY TERRITORY

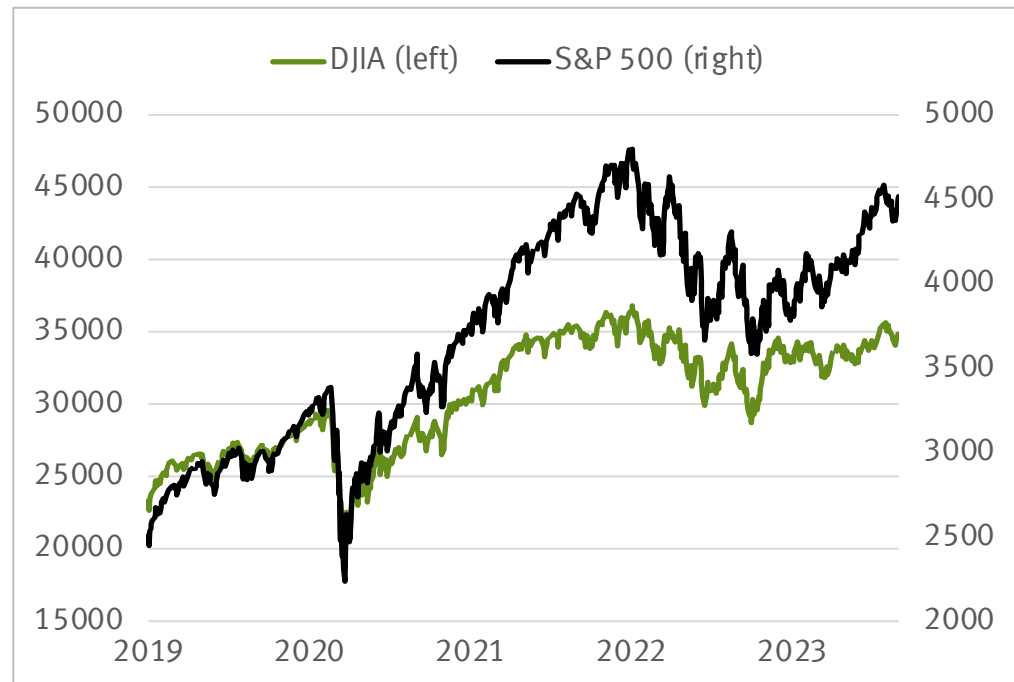
The ISM Manufacturing Index ticked up from 46.5 to 47.6 in August, a six-month high, albeit the tenth consecutive month in contractionary territory (a reading below 50).



NAPMPMI Index (ISM Manufacturing PMI SA) Manufacturing Monthly  
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## STOCKS END LOWER IN AUGUST

Stocks ended lower in August. The S&P 500 started at 4,588.96, sliding 1.8% during the month. The Dow Jones Industrial Average (DJIA), which started at 35,559.53, fell 2.4% in August.



SPX Index (S&P 500 Index) SP500/DJIA Daily  
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# Lagging Indicators

## GDP RISES 2.1% in Q2, DOWN FROM 2.2% IN Q1

Q2 GDP was unrevised at a 2.1% increase in the final Q2 report, down from the 2.2% gain in Q1.



GDP CQQQ Index (GDP U.S. Chained 2012 Dollars Quarter over Quarter SAAR) GDP Bar Chart Quarterly  
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## U.S. EMPLOYMENT RATE TICKS UP BUT REMAINS HISTORICALLY LOW

The U.S. unemployment rate unexpectedly rose from 3.5% to 3.8% in August, albeit still near a five-decade low.

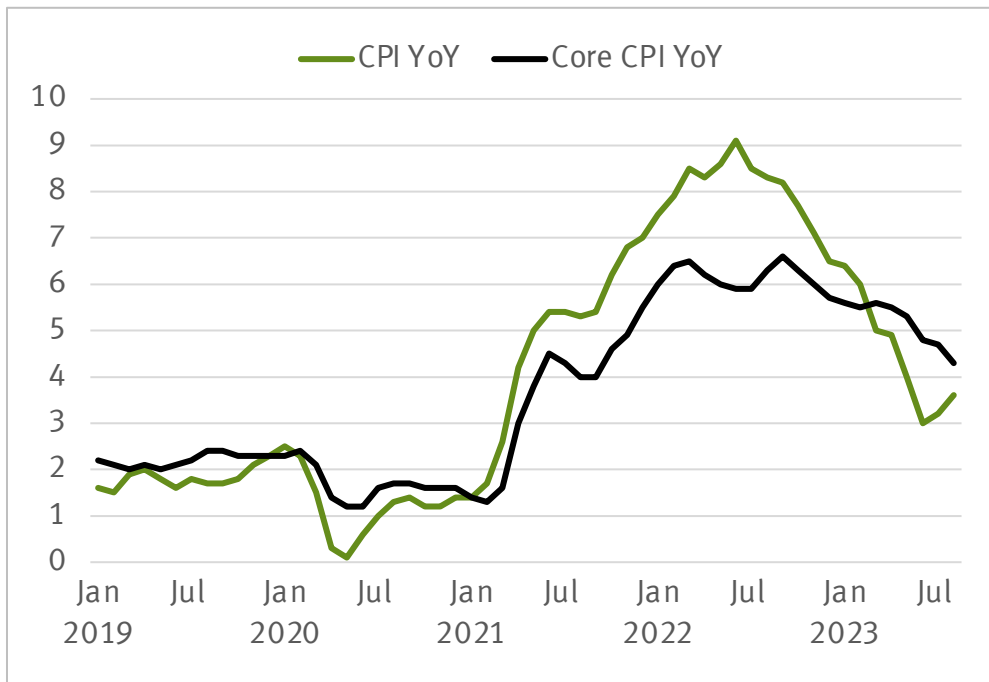


USURTOT Index (U-3 U.S. Unemployment Rate Total in Labor Force Seasonally Adjusted) Unemployment and Wages Monthly  
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# Lagging Indicators

## HEADLINE INFLATION TICKS HIGHER IN AUGUST

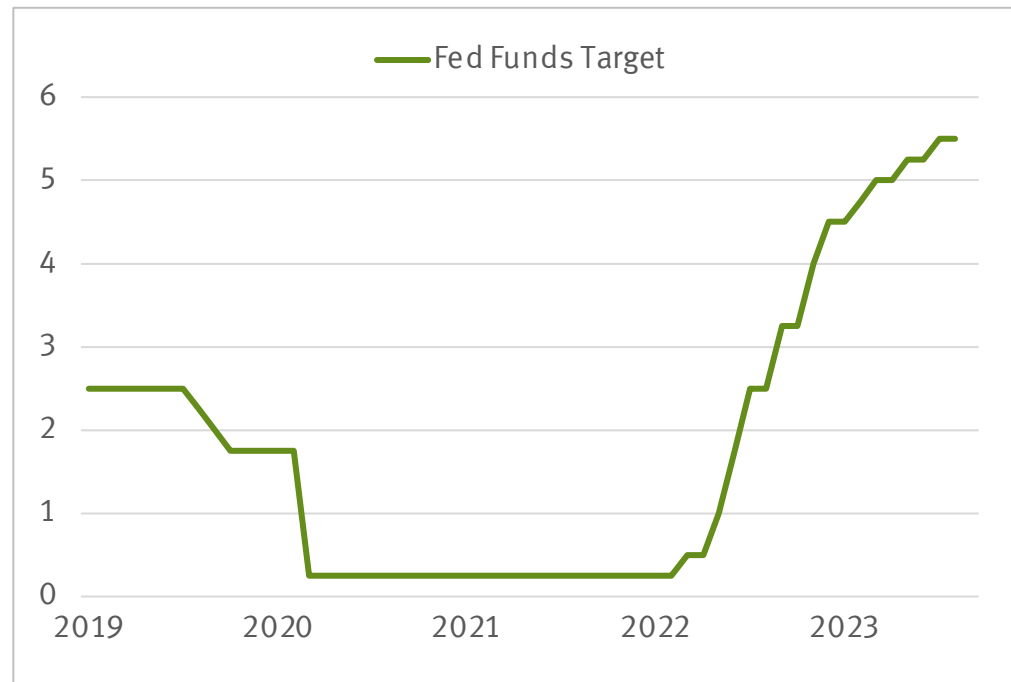
The Consumer Price Index (CPI) rose 0.6% in August and 3.7% over the past 12 months. Excluding food and energy, the core CPI rose 0.3% for the month and 4.3% year-over-year (YoY).



CPI YOY Index (U.S. CPI Urban Consumers YoY NSA) CPI/Core CPI Daily  
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## FEDERAL RESERVE HOLDS RATE STEADY IN SEPTEMBER

The Federal Reserve kept rates steady at a range of 5.25% to 5.50% at its September meeting after raising rates 25bps in July.

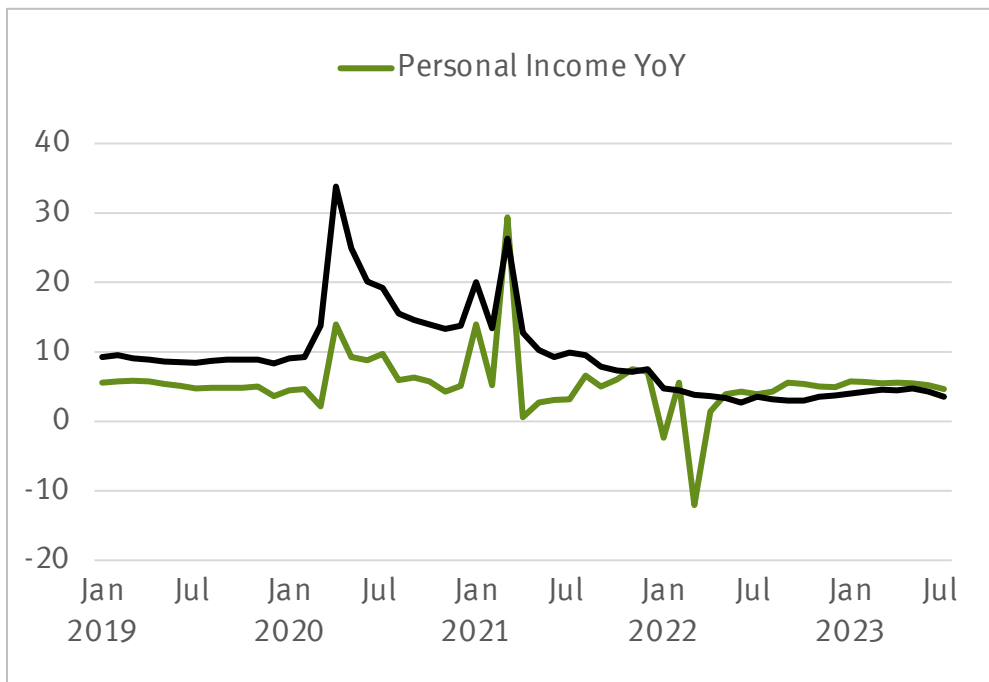


FDTR Index (Federal Funds Target Rate – Upper Bound) Fed Funds Tgt/Effective Daily  
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# Coincident Indicators

## INCOME AND SAVINGS DOWN FROM PEAK

Personal income rose 4.6%. Personal savings as a percent of disposable personal income rose 3.5% in July, down from a 4.3% gain in June.



PITLYOY Index (U.S. Personal Income YoY SA) Personal Income/Saving Daily  
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## U.S. INDUSTRIAL PRODUCTION REMAINS LACKLUSTER

Industrial production rose 0.25% in August from a year prior following a 0.04% annual decline in July.

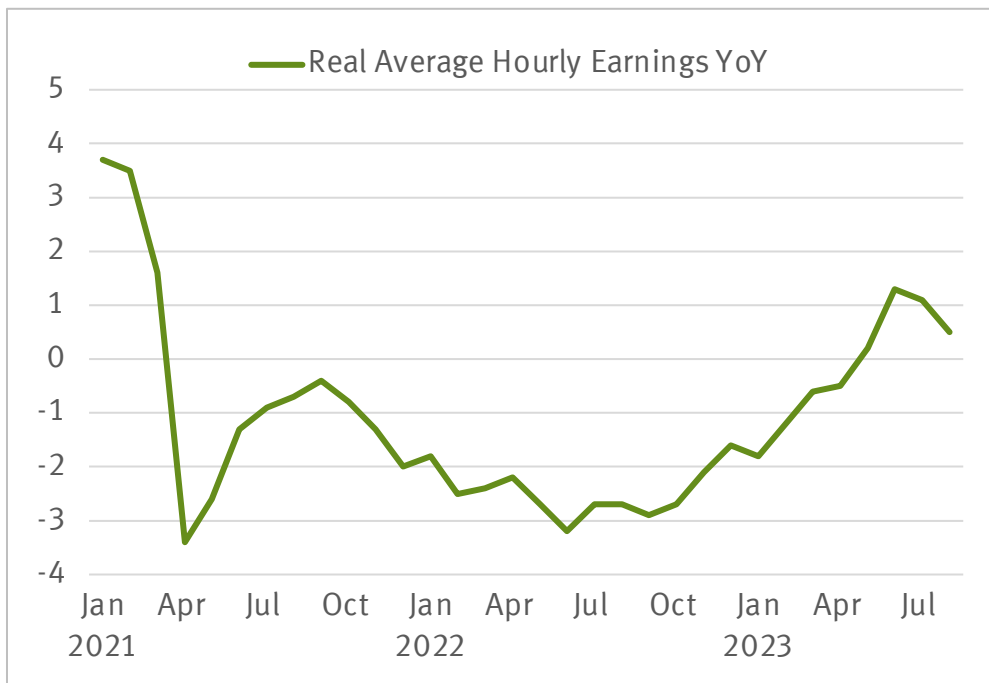


IP YOY Index (U.S. Industrial Production YOY SA) Industrial Production Daily  
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# Coincident Indicators

## REAL EARNINGS TRENDING LOWER

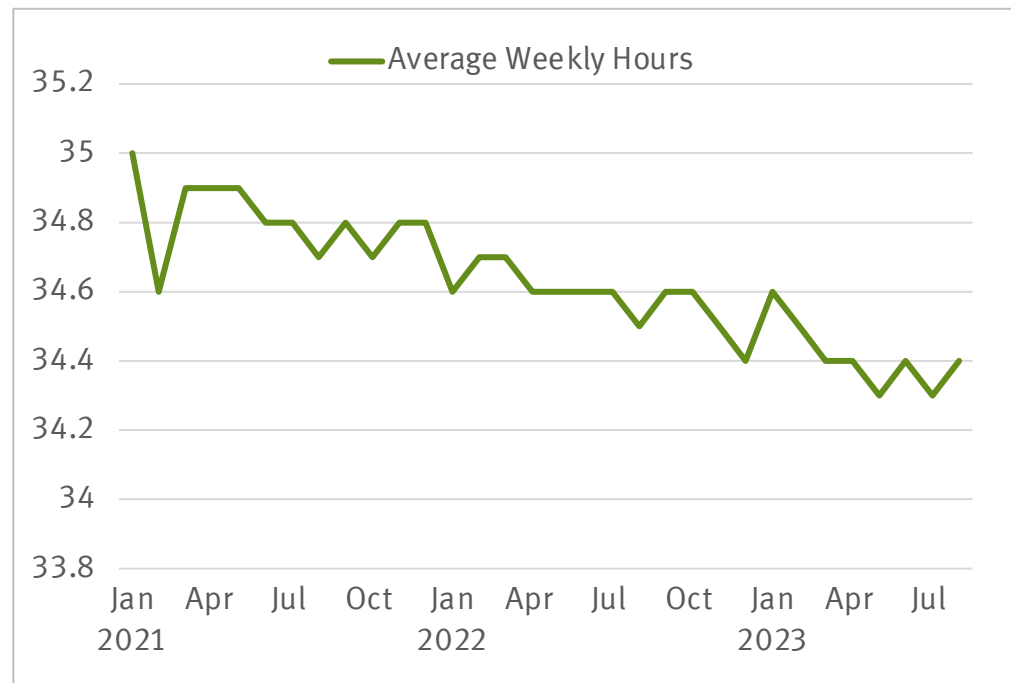
Real average hourly earnings increased by 0.5% in August from a year ago, down from the 1.1% annual gain in July.



REALYRAW Index (U.S. Real Average Hourly Earnings 1982-1984 USD YoY SA) Real Average Earnings Daily  
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## WEEKLY HOURS TICKING DOWN

Average weekly hours ticked up from 34.3 to 34.4 in August, a two-month high.



AWH TOTL Index (U.S. Average Weekly Hours All Employees Total Private SA) Average Weekly Hours Monthly  
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The Dow Jones Industrial Average (DJIA) is an index that shows how 30 large, publicly owned companies based in the United States have traded during a standard trading session in the stock market.

The Standard & Poor’s 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market.

The ISM Manufacturing Index is a composite diffusion index created to monitor employment, production inventories, new orders, and supplier deliveries in national manufacturing based on surveys of more than 300 manufacturing firms by the Institute of Supply Management.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

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