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(Transcript)

Just how strong are those fundamentals?

by Mark Garrison August 27, 2015

During this week's wild ride for stocks, analysts have been telling people not to freak out because, essentially, the stock market is not the economy and vice versa. Kai Ryssdal says that on Marketplace so often that a fan built that phrase into a drinking game. (Which, by the way, is not to be played while driving!)

There's a phrase politicians like to use: "the fundamentals of our economy are strong." As for economists, they answer questions about economic fundamentals by looking at an array of numbers.

There's the gross domestic product, of course, which we learned Thursday grew at a 3.7 percent rate last quarter. Beyond that, analysts watch a mix of data including a range of employment and inflation numbers. Housing and industrial production data help too. Context is vital.

"There's been a lot of talk about wages simply rising at around 2 percent," says **Bernie Baumohl of the Economic Outlook Group**. "But that only tells half the story. You have to look at the rise in income relative to inflation."

And with inflation currently low, 2 percent wage growth isn't quite so disappointing.

It's also important to look beyond the headlines, such as when the big employment report comes out a week from Friday.

“Certainly the overall unemployment rate is a number that a lot of people focus on,” says former Fed economist Ann Owen, now a professor at Hamilton College. “But I think when we wanna think about the health of the labor market right now, there are some really key numbers.”

She carefully watches the portion of Americans currently working or job hunting, a number that’s now stuck at 62.6 percent.

Add all this up, and many economists see a mixed bag.

“We’re not looking at growth in incomes or output that would make you, you know, wave your fist in the air and cheer,” says Michael Strain, an economist at the American Enterprise Institute. “But we’re also not looking at a situation that you would describe as terrible.”

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