A Guide To Economic Data

Understanding the figures that matter

Almost every day there are major economic data releases which could have a significant impact on markets.

These releases typically give an insight into a particular country's economic health and can have wider ramifications if the data is from a major economy, such as the USA or the Eurozone.

This guide focuses on the significance of US economic data releases. Given the size and influence of the US economy, as well as the dominance of the US dollar as the world's primary reserve currency, these releases often move global markets.

It's worth noting that economic data releases follow similar formats across most major economies. For example, Australia publishes its own Consumer Price Index (CPI) report. While it may not have the same global impact as the US version, it can carry significant weight for domestic markets and monetary policy decisions.

Current Account Balance

Released quarterly, typically 30 days after the end of the quarter.

This is the broadest measure of US transactions with the rest of the world. This quarterly statistic measures US trade in goods and services and includes income from investments overseas and payments to entities overseas. A positive value (current account surplus) indicates that the flow of capital from these components into America exceeds the capital leaving the country (more money coming in than leaving the country). A negative value (current account deficit) means that there is a net capital outflow from these sources (there is more money leaving the country than coming in).

Trade Balance

Released typically 40 days after the end of the month

This statistic is the difference between US exports and imports of goods and services, such as cars, electronics, textiles, banking and insurance. A positive balance is known as a trade surplus and this occurs if there are more exports than imports of the above goods and services. A negative balance is referred to as a trade deficit.

Export demand and currency demand are directly linked because foreigners must buy the domestic currency to pay for the nation's exports. Export demand also impacts production and prices at domestic manufacturers.

Consumer Price Index or CPI

Released monthly, days after the end of the month

This is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance.

Changes in CPI are used to assess price changes associated with the cost of living. Traders and economists often consider CPI as the best monthly measure of inflation for the US economy. Food and energy prices account for approximately a quarter of CPI. The FOMC (Federal Open Market Committee) usually pays the most attention to the 'core' data (which excludes food and energy from the CPI figure). A rapid increase in the value of the CPI figures can signal inflationary fears as rising prices could lead the central bank to respond by raising interest rates. Raising rates generally leads to less disposable income, reducing spending and thus decreasing the inflationary pressure.

Producer Price Index or PPI

Released monthly, typically 17 days after the end of the month

This index measures the change in price of factory produced goods. Analysts focus on 'core' PPI inflation -the rate of change in finished goods' prices, excluding food and energy prices (as these tend to add too much volatility to the figures). The PPI is a goods-only index and does not include the cost of transportation, wholesaling and retailing. It does not measure costs in the service sector. PPI tends to have more impact when it's released ahead of the CPI data because the reports are significantly correlated. It's a leading indicator of consumer inflation - when producers charge more for goods and services the higher costs are usually passed on to the consumer.

A rapid rise in the PPI is considered inflationary and can depress bond prices and increase long-term interest rates.

Non-Farm Payroll employment

Released monthly, typically on the first Friday after the end of the month

This is a monthly survey statistic of non-farm payroll employment nationwide across the US and is one of the most important and closely watched economic releases in the world. It is intended to represent the total number of paid US workers of any business, excluding the following employees:

- general government employees
- private household employees
- employees of non-profit organisations that provide assistance to individuals
- farm employees

The total non-farm payroll accounts for approximately 80% of the workers who produce the entire gross domestic product of the United States.

The non-farm payroll statistic is used to assist government policy makers and economists in determiningthe current state of the economy and forecast the future state of the economy based on the trend.. Historically, stronger employment figures have been associated with rising interest rates and a stronger US dollar, although outcomes may vary depending on broader economic conditions. Inversely, if the figures are weak then interest rates and the dollar could fall   Many traders closely monitor this release each month due to its potential impact on financial markets.

Unemployment Claims

Released weekly, typically 5 days after the week ends

This is the number of individuals who filed for unemployment insurance for the first time during the past week. There tends to be more focus on the release when traders need to diagnose recent developments, or when the reading is at extremes. Although it's generally viewed as a lagging indicator (it comes out 5 days after the week ends), the number of unemployed people is an important signal of overall economic health as consumer spending is highly correlated with labour-market conditions.

Gross Domestic Product or GDP

Released quarterly, approximatelty typically 30 days after the quarter ends

The gross domestic product (GDP) is one of the primary indicators used to gauge the health of a country's economy. It represents the total dollar value of all goods and services produced over a specific time period. . Usually, GDP is expressed as a comparison to the previous quarter or year. For example, if the year-to-year GDP is up 3%, this is thought to mean that the economy has grown by 3% over the last year.

Economic production and growth (what GDP represents) has a large impact on nearly everyone within that economy. For example, when the economy is healthy, you will typically see low unemployment and wage increases as businesses demand labour to meet the growing economy. Changes in GDP can influence stock markets and currency valuations, but the magnitude and direction of such impacts can vary.

Retail Sales

Released monthly, typically 14 days after the month ends

This figure represents the total sales of physical goods to consumers. Services are largely excluded from this statistic. Retail Sales has additional relevance during the Christmas period as this sector makes a large percentage of its total yearly revenue at this time. Monthly changes are often erratic and the data is subject to later large revisions.

Industrial Production

Released monthly, typically 16 days after the month ends

This is an economic report that measures changes in output for the industrial sector of the economy. The industrial sector includes manufacturing, mining, and utilities. Although these sectors contribute only a small portion of GDP (gross domestic product), they are highly sensitive to interest rates and consumer demand.

This makes Industrial Production an important tool for forecasting future GDP and economic performance. Industrial Production figures are also used by central banks to measure inflation, as high levels of industrial production can lead to uncontrolled levels of consumption and rapid inflation.

Purchasing Managers Index (PMI)

Released monthly, typically on the first business day after the month ends

The PMI is a survey-based indicator that measures the health and direction of economic activity in key industries, particularly construction, services, and manufacturing.

PMI is a key sentiment indicator, not just for manufacturing but for the broader economy. This is because the sectors it tracks are often where recessions begin and end. In other words, industries like manufacturing and construction are typically the first to slow in a downturn and among the first to rebound in a recovery. As a result, PMI is closely watched and often sets the tone for the month ahead and for other data releases.

A PMI reading of 50 or higher generally indicates that the industries surveyed are expanding. If these industries are expanding, theire is a high likelihood that the overall economy is also expanding. Therefore, it is considered a helpful indicator of future GDP levels. Many economists will adjust their GDP estimates after reading the PMI report. Another useful figure to remember is 42. An index level higher than 42%, over time (months and years), is considered the benchmark for economic (GDP) expansion. The different levels between 42 and 50 speak to the strength of that expansion. If the number falls below 42%, recession could be just around the corner. The index is designed so that a reading above 50 means that purchasing managers expect manufacturing conditions to improve. PMI readings should rise as the pace of spending remains healthy. Accelerating manufacturing output will strain capacity, pushing producer price inflation higher.

Other releases

There are a lot of other minor statistics in addition to the ones mentioned above. These are released on an ongoing basis and serve to further reinforce the overall statistical picture of the US (and for that matter, any other) economy at any particular point in time.

In practical terms, other major economies, like those in the UK, Japan and Germany, have their own versions of similar 'major' and 'minor' statistics. The Japanese Tankan report of Japanese investing intentions is an example. These statistics are used to paint that country's own fundamental economic picture and serve as the basis for currency and international comparisons.

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