

## September 11, 2023 – Economic Commentary

A large amount of economic data will be released this week that will shed important light on the state of the US economy in August. None of the data is more important than the inflation numbers on Wednesday (Consumer Price Index) and Thursday (Producer Price Index), as well as the import prices on Friday. The general expectation of analysts is that the inflation numbers will show a bit of acceleration due to an increase in energy prices, with core inflation numbers actually slowing. Complicating matters a bit further, economists are increasingly watching the rolling three month annualized average rate for US inflation, which is forecast to be close to 2.5% even if there is a slight rise in inflation in August — a very good number for the Federal Reserve heading into the FOMC meeting next week.

As several recent articles have pointed out (one is listed below), the quality of economic data can be rightfully questioned, as it appears to have deteriorated. A firm understanding of how the data is collected and a willingness to look to other, sometimes non-traditional, data sources for corroboration/illumination is critical to making sense of the large, dynamic US economy. However, it is not always clear what the Federal Reserve is looking at, or willing to look at, in making important policy decisions about interest rates. This uncertainty is not only frustrating, but mildly dangerous. However, the September FOMC meeting will also include a Summary of Economic Projections (SEP), for which the commentary may provide useful insight into this issue. At the moment, the most recent employment report and the three month averages on inflation seem likely to put the Fed into wait-and-see mode, moving any possible interest rate increases to November. This is all good news, along with US economic growth continuing to track in the 2.5-3% range and third-quarter earnings showing signs of improvement.

### Data to Watch:

1. US Consumer Inflation Expectations, released Monday, September 11
2. US Consumer Price Index for August, released Wednesday, September 13
3. US Retail Sales for August, released Thursday, September 14

### Suggested Reading:

1. [The Job Market Boom Is Over. Here's Why and What It Means.](#)
2. [Economic data lead markets and governments astray](#)
3. [At the G20, Biden joins forces with India and the Middle East, sidelining China](#)

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