

Data Games

The federal government gets a great deal of grief when it issues economic reports and it's not hard to see why. The last several years include lots of reasons for skepticism about the "experts," with many of them related to COVID – "fifteen days to slow the spread," six-foot distance rules that turned out to have no scientific basis, school lockdowns, dying *from* COVID versus dying *with* COVID...etc. – the list goes on and on.

Add to that experts vouching for Trump-Russia Collusion in 2016-17 and then casting doubt about Hunter Biden's laptop in 2020 and we can see why many investors have become skeptical about everything the federal government says, including the monthly reports on the economy, like the jobs report that comes out early every month.

We think skepticism is warranted, too, but also think that sometimes the government gets a little too much grief. The US economy is massive with lots of moving parts; trying to keep track of it is an enormous undertaking and in most cases the mid-level government workers charged with the employment report, for example, are doing the best they can with the tools they have available.

Case in point: Friday's jobs report showing nonfarm payrolls up 143,000 in January, upward revisions of 100,000 for November and December, but a downward revision of 589,000 for March 2024, almost a year ago. Some observers focused on that last part, the downward revision that seemed to swamp those other upward moves.

Obviously, that big downward revision is important. But let's put it in context. Back in August the Labor Department reported that based on data from unemployment claims it expected to revise March 2024 payrolls downward by 818,000. At that point many said this proves that the Labor Department

had been putting its thumb on the scale to help the Biden Administration say the economy was better off than it actually was.

But if the Labor Department were really trying to help the incumbents, why wouldn't it just say back in August that it doesn't expect any significant downward revisions and then wait until February to announce the final and large downward revision, well after the election? Why would they publish an 'estimated' downward revision of 818,000 in August and then get to a much smaller actual revision of 589,000 this past week? A conspiracy here just doesn't make sense. It's also important to recognize that even with that 589,000 revision, job creation was a still solid 2.3 million in the year ending March 2024 versus a prior estimate of 2.9 million.

However, Friday's report also included a massive upward revision to civilian employment and the labor force. Was this because of some sort of sudden economic surge? Of course not; it was because the Labor Department finally got numbers from the Census Bureau recognizing some of the massive surge in immigration of the past several years. The revisions increased the size of the adult civilian population (outside institutions) by 2.9 million, with 2.0 million of them working.

If you are looking for a conspiracy, maybe this was it. Did the Census Bureau ignore the magnitude of immigration flows until after the recent election, which would help explain why civilian employment lagged payroll growth by 4.7 million in the four years ending in December? In other words, maybe politics did play a role.

Today, the labor market is in a pretty good place. Stay skeptical, but apply that skepticism as much to conspiracy theories as you do to the actual reports.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
2-12 / 7:30 am	CPI – Jan	+0.3%	+0.3%		+0.4%
7:30 am	"Core" CPI – Jan	+0.3%	+0.3%		+0.2%
2-13 / 7:30 am	Initial Claims – Feb 8	216K	218K		
7:30 am	PPI – Jan	+0.3%	+0.3%		+0.2%
7:30 am	"Core" PPI – Jan	+0.3%	+0.3%		0.0%
2-14 / 7:30 am	Retail Sales – Jan	-0.1%	-0.1%		+0.4%
7:30 am	Retail Sales Ex-Auto – Jan	+0.3%	+0.2%		+0.4%
7:30 am	Import Prices – Jan	+0.4%	+0.6%		+0.1%
7:30 am	Export Prices – Jan	+0.3%	+0.6%		+0.3%
8:15 am	Industrial Production – Jan	+0.3%	+0.4%		+0.9%
8:15 am	Capacity Utilization – Jan	77.7%	77.9%		77.6%
9:00 am	Business Inventories – Dec	-0.1%	-0.1%		+0.1%