

March 11, 2024 – Economic Commentary

Markets are looking for a slight — very slight but critical — improvement in the inflation numbers for February that will be released this week. Fed Chairman Powell has already signaled, with surprising clarity last week, the Fed's confidence that it will be able to cut interest rates later this year. Yet many people retain a jaundiced view of the Federal Reserve's inability to predict anything correctly and, therefore, will look to these inflation numbers as confirmation that the US continues to post strong economic numbers while sustaining a deceleration in inflation. In truth, the 2024 economy is much easier — absent the distortions from COVID supply chain problems and various unusual labor force disruptions — for the Fed to manage, and it is likely that the Fed board has 75% of its near-term outlook comfortably set in place. What may be less certain for the Fed, or anyone else, is the actual improvement in productivity that may be driving both the pace of economic activity and the mitigation of labor cost increases. Productivity growth is notoriously difficult to measure on a real-time basis, but it remains the most likely explanation for current US economic growth, as well as the differential between US economic growth and European economic growth.

Data to Watch:

1. US Consumer Price Index for February, released Tuesday, March 12
2. US Producer Price Index for February, released Thursday, March 14
3. US Retail Sales for February, released Thursday, March 14
4. US Industrial Production for February, released Friday, March 15

Suggested Reading:

1. [Two Canals, Two Big Problems—One Global Shipping Mess](#)
2. [U.S. Employers Add 275,000 Jobs in Another Strong Month](#)
3. [Why Walmart's quick success in generative AI search should have Google worried](#)

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