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Summertime: Seasonal trends in economic activity

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Hugh Kelly, CRE presented his conclusions on 24 Hour Cities and Investment Performance at the May meeting of the New England Chapter of The Counselors. Because Dr. Kelly reported on results of his recent doctoral thesis, we expected contemporary rigor and practical enlightenment. Dr. Kelly did not disappoint. Boston ranks comfortably on the short list of ten 24 Hour American cities. Without a rigorous basis, many believe our four seasons are part of our success. With the onset of summer, economists start exploring the seasonality of economic data and look for trends.

The first day of summer is June 20th, and this year, summer solstice, the longest day of the year, is also June 20th. Commuter traffic on the Southeast Expressway is lighter in July and August. Those are beach days. However the greater Boston economy is becoming a better 365-12, and a real 24-7 city for the residents. Seasonal trends in economic activity have been observed and baked into seasonal adjusters for economic data for a while, particularly in single-family housing sales and production. Most reporting notes seasonal adjustments in the interpretive commentary.

Our New England regional economy has a significant tourist and hospitality sector which supports seasonal employment. Vacationing commuters impact traffic and transit ridership. Students seek summer employment. The American summer season can be a robust period particularly in economic recovery when increases in activity are already adding momentum to overall economic growth. Measuring and comparing current data with data from 12 months ago can be helpful and informative. However, the gradual lifting that has been continuous at least since 2011 means that absolute and relative monthly performance, adjusted and unadjusted, is also helpful to measuring economic activity and expectations. Calculating trailing series and other smoothing techniques are helpful trending if not measuring methodologies.

None of this wisdom will help interpret bad data which has been tumbling forth from U.S. Department of Commerce on labor markets in the northeast lately. Survey size and smoothing methodology was blamed for disparity and revisions in 2011 Massachusetts employment. The seasonal biases baked into adjusters from 2008 result in employment data in the spring and summer data being depressed and fall and winter data getting a boost. Indeed, Fed chairman Bernanke after the FOMC April meeting said seasonal adjustment problems were making economic data "harder to interpret."

The two respected sources for consumer outlook recorded a dramatic disparity during May which was justified by a decline in oil pricing by some pundits. Behavioral economics and curiosity propelled the economists to develop indicators of consumer outlook based on periodic consumer surveys. The University of Michigan reported May 25th, that its consumer sentiment index hit its highest level since October 2007. On May 29th, the Conference Board reported its Consumer Confidence index dropped to 64.9 in May, a four-month low. Knowledgeable commentators said

Michigan's index is more sensitive to the financial markets and the Conference Board is more sensitive to the labor markets. A name change, or two, might help!

At the beach with my sandy screen saver, I plan a vigilant and enjoyable summer quarter, behind the desk and on the deck!

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