Using Economic Indicators to Teach Lessons about Emerging Economic Trends

Business leaders are expected to recognize emerging economic trends that will impact strategy and growth. This task is never easy, and will become more complex in the coming years as the United States increasingly turns to automation, innovation, and entrepreneurship for future growth. Therefore, leaders who can analyze these particular developments, especially in their relation to other economic trends, will be extremely valuable going forward.

This article will focus on several economic indicators that measure trends in automation, innovation, and small business, will highlight their main characteristics and describe their connection to future economic trends. My intent is to encourage librarians to integrate these indicators into lesson plans and resource guides, provide access links, and identify the indicators’ importance to business applications.

Labor Productivity and Costs

The relationship between productivity and labor costs will be one of the most important economic trends to watch over the next several years and decades. This is because the normal uptick in hiring that accompanies increased productivity has not occurred during the most recent economic recovery. Many economists worry about the impact of this trend for the future economy. In 2011 for example, the United States produced a record number of goods while requiring seven million fewer workers than were needed in 2001. This trend has put downward pressure on both hiring trends and compensation. Future business leaders will need to track productivity gains and labor costs as they will affect future employees’ wages, as well as set benchmark goals for productivity.

The Bureau of Labor Statistics publishes quarterly reports on productivity, compensation, and unit labor costs for the business, nonfarm business, and manufacturing sectors. These reports document the percentage change from last quarter and last year. Analysts will often compare the change in output per hour of all persons to compensation per hour to determine productivity gains.
The Bureau of Labor Statistics releases their Productivity and Costs Report a few days after the end of the previous quarter (http://www.bls.gov/lpc/).

Research and Development Spending: Gross Domestic Product (GDP)

For years, many economists complained that GDP figures did not accurately capture the contours of the modern US economy. This is mostly because GDP did not count businesses’ spending on research and development (R&D) in its measure of US economic output. However, as of August July 2013, the Bureau of Economic Analysis announced it would reclassify research and development as business investment, and would therefore count towards GDP. In an era when intangible assets such as patents, copyrights, and brand recognition account for about two-thirds of the total value of large US companies, spending on R&D is a significant indicator of future economic trends.

Librarians and students can access R&D data from the Bureau of Economic Analysis website (http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm). The GDP report is released quarterly, typically late in the month following the end of the previous quarter. This report provides the percent change in R&D spending by quarter and year. Additionally, the Bureau of Economic Analysis hosts interactive tables where users can view exact spending on R&D, in billions, since 2010 (http://www.bea.gov/iTable/index_nipa.cfm). R&D is classified as a “Private Fixed Investment,” and its related figures are documented in Tables 5.3.1 through 5.3.6 of the interactive tables.

Institute of Supply Management (ISM) Non-Manufacturing Survey

Though improvements in the US manufacturing sector have been highlighted in recent government reports, America’s economy is predominantly service-based, and this will not change any time soon. In fact, services represent about 70% of the overall US economy in terms of jobs and GDP. Therefore, indicators measuring the growth of the service sector are extremely important for recognizing economic trends.

The ISM surveys approximately 400 service-sector purchasing managers across 60 industries. The survey asks managers to evaluate changes in business activity compared to the previous month. Managers are specifically asked to address changes in productivity, new orders, employment, and export orders among others. This data is calculated to produce several indices, with any index over 50 indicating growth in that area. The ISM’s headline index, labeled in the monthly report as NMI™/PMI™, receives the most media coverage. However, librarians should also point students to some of the other indexes such as New Orders or Export Orders. The Export Orders index will take on additional significance in the coming years as the major economic nations of the world negotiate over broad service-sector trade agreements.

The ISM Non-Manufacturing Survey is released three days after the end of the previous survey month (http://www.ism.ws/ismreport/nonmfgrob.cfm).

Small Business Economic Trends

Small businesses are critical to the US economy. They create about two-thirds of all new jobs, and will likely increase their importance in an age of service specialization. Watching for small business trends is also an indicator of larger economic trends as they’re the first to hire when
the economy gains steam and the first to fire when demand wanes. Therefore, the sentiment of small business owners can provide valuable insight into future business conditions.

The NFIB surveys their members on topics such as hiring plans, sales, and expansion plans. The member’s responses are summarized in a substantial monthly report, including several indices that track trends over the previous two decades. The survey is released the second Thursday of each month (http://www.nfib.com/research-foundation/surveys/small-business-economic-trends)

**Quarterly E-Commerce Report**

While many economic indicators fluctuate with the ups and downs of the economy, one has shown consistent growth. This is the Quarterly E-Commerce Report sales numbers. The performance of e-commerce is critical to the future of the US economy, as more businesses rely on online sales for growth.

The Bureau of Economic Analysis surveys 12,500 retail firms for their quarterly report, asking them to detail their e-commerce sales. The report is straightforward, with a short description and graph depicting e-commerce trends. The report is available on the Bureau of Economic Analysis’s retail trade website (http://www.census.gov/retail/).