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The Upshot
BY THE NUMBERS

Jobs Report Adds to Evidence of a Slowing Economy

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This morning's disappointing employment report confirms what an array of economic indicators has been suggesting for some time: The economy is slowing.

Over the past few months, consumption spending has been flat. Industrial production has fallen slightly. Real retail sales are down. And durable goods orders have fallen sharply. The latest readings of gross domestic product suggest a tepid rate of growth at the end of 2014, and tracking estimates point to continuing weakness at the start of 2015.

Likewise, measures of sentiment among both consumers and businesses point to some degree of dissipating optimism.

Against this background, it comes as little surprise to learn that recent reports of strong jobs growth had been overstated. The latest revisions say the economy is creating around 150,000 to 200,000 jobs per month, rather than the 250,000 to 300,000 that optimists had hoped for.

One useful way of summarizing the flow of recent economic data is something called an economic surprise index. For each new piece of data that comes out, the index assesses whether it beat economists' expectations or not. Good news yields a positive score, and bad news yields a negative. The index scales each piece of news by how big a surprise it is, and how important the indicator, summing up surprises over the past three months.

The latest readings of this index underscore the fact that, on average, the sum of economic data released so far through 2015 has tended to be worse than expected.

I like to think of this as an index that tells economists how much they need to change their minds, and in what direction. And it says that it is time to revisit earlier optimism, and to warn about the possibility that the recovery may be at risk of stalling.

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