The Upshot
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G.D.P. Report Emphasizes the Problem of Conflicting Economic Signals

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Friday morning's revised G.D.P. report provides yet another reminder of just how hard it can be to figure out what's actually going on in the economy. Depending on which numbers you emphasize, the economy is either going gangbusters, simply chugging along in its groove or has hit a rut.

It's a useful case study of how economic statistics can send conflicting signals and the complications this can cause policy makers.

According to the government figures, gross domestic product — an estimate of total production in the economy — grew at a rate of 4.6 percent in the second quarter. That's the strongest quarter so far in this recovery. But don't break out the Champagne just yet. Much of this growth is simply catching up from the first quarter when severe winter storms led the economy to contract at an annualized pace of 0.8 percent. The snow, it seems, led spending to be deferred a quarter, rather than canceled.

Better, then, to look through this short-run volatility, and to focus instead on the average growth rate through the first half of this year. By that measure, G.D.P. has been growing at a disappointing annual rate of only 1.2 percent. That's not only slower than the rate through most of the recovery but is also so disappointing that if it persists, it will lead unemployment to start rising.

However, there's actually a better measure of G.D.P., hidden deep inside the same National Income and Product Accounts data. That alternative measure, called Gross Domestic Income, is calculated by adding up everyone's income, rather than everyone's spending.

Because every dollar that you spend also registers as income for someone else, the two measures should, in theory, yield identical estimates. But in reality, Gross Domestic Income is measured using somewhat higher-quality data, and so it tends to yield more reliable signals. Through the first half of the year, this alternative — and more accurate — measure suggests that the economy expanded at an annual rate of 2.2 percent, which is exactly its average rate through the recovery.

So there you have it: a self-contradictory Goldilocks report, which finds that the economy is running too hot, too cold and just right — all at the same time.

Of course, all three can't be true. My judgment is that we're better off trusting the Gross Domestic Income data, which suggests that the economic recovery is continuing on its relentless, albeit disappointingly slow, path.

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