

- **Home and motor vehicle sales.** The purchases of these major items are good indicators of consumer demand, as well as of construction and manufacturing activity. The number of homes and motor vehicles sold can change depending on the time of year (for example, car sales are likely to increase when companies decrease prices to sell older models to make way for the new models), which makes it a smart idea to take two or three months together and compare that with similar periods of previous years.

What to Watch Out For

To avoid being duped, ask yourself the following questions when you hear these indicators bandied about by a politician with an agenda:

- **Whose numbers are they?** Who is reporting the numbers? Is it a government agency? A political party? A business or consumer group? A newspaper? How might the source influence the interpretation of the numbers?

- **What were the expectations?** As important as the actual numbers is whether the numbers met the expectations of economic forecasters. An increase of 50,000 new jobs might seem like positive growth, but not if forecasters projected an increase of 250,000. (Also ask yourself who the forecasters are, and what agenda they might have.)
- **Are the numbers affected by seasonality?** Consumer spending and sales rise and fall at certain times of the year. For example, few people are building houses in the winter, which means that a decline in the number of home sales from August to December does not necessarily mean a drop-off in the economy. For seasonal variables it is best to compare numbers to previous years.

1. *The Economist's Guide to Economic Indicators: Making Sense of Economics*, 5th ed. (Princeton, N.J.: Bloomberg Press, 2003), 1.
2. Ibid.
3. Ibid., 47.
4. Ibid., 85.
5. Norman Frumkin, *Guide to Economic Indicators*, 3rd ed. (Armonk, N.Y.: M. E. Sharpe, 2000).