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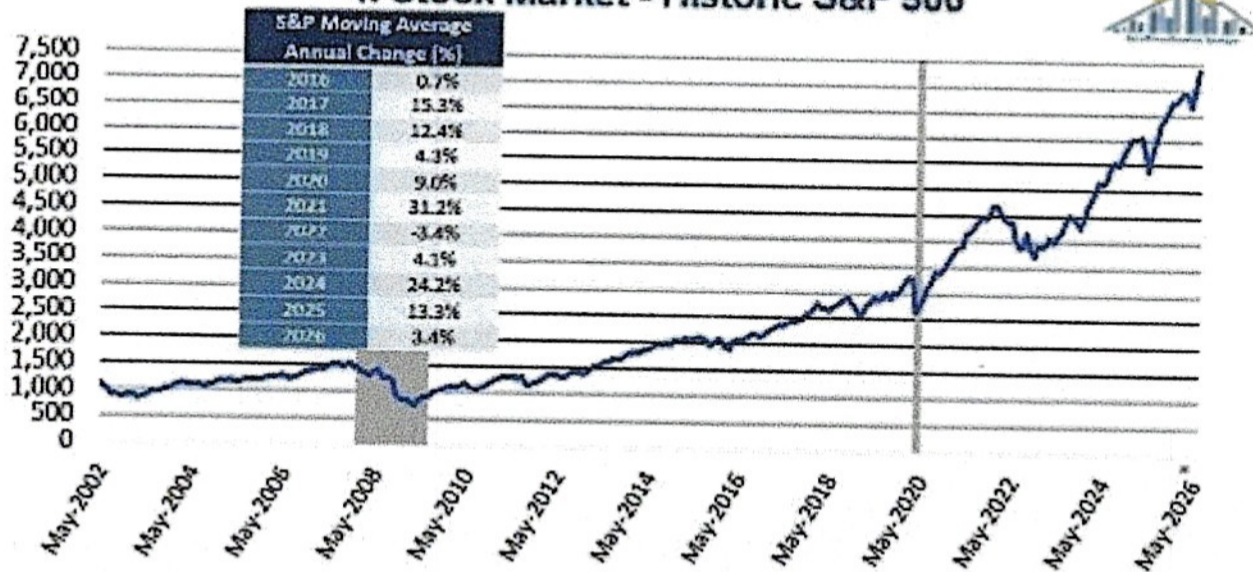
Which economic reality is true?

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While I was out of the country with my family, I couldn't help but follow the economic data. What I see are growing contradictions with people feeling poorly about the economy while many of the traditional indicators suggest continued economic expansion.

4. Stock Market - Historic S&P 500



*May 2026 is through May 22.
Note: Data is monthly averages. Data is not seasonally adjusted. Source: Yahoo! Finance, S&P Dow Jones Indices LLC

In terms of how Americans are feeling, consumer sentiment is at a historic low mostly due to continued cost-of-living pressures. Inflation was already high but then the rate further increased in April to 3.8%. We know that energy prices are the main culprit, but I worry because the core inflation rate that excludes food and energy also has been increasing and now stands at 2.8%. No wonder that the consumer sentiment index is now less than half of what it was pre-pandemic. *Note*

And yet, two key macroeconomic indicators look good. The U.S. unemployment stands at 4% while state and local rates are even lower. Similarly, GDP, which measures overall economic growth, was at a very normal 2% growth rate in the first quarter of this year. The stock market is more reflective of the financial sector than the broader economy and that, too, is outperforming. *Note*

Which reality is true? The answer is that most people do not experience the economy through GDP or stock market reports. They experience the economy at the grocery store, when they pay insurance premiums, make a car payment, pay for child care, or when they try to buy a home.

We are all adjusting to a new normal of permanently higher prices since 2021. The same is true for higher interest rates.

In a similar vein, the stock market has benefited a lot of Americans in the past couple of years, but it's mostly higher-income households that have made meaningful wealth gains through the stock market.

Another important caveat is that GDP has had huge gyrations over the past couple of years, ranging from minus-0.5% to 4.4%. These wide fluctuations are unusual and mostly driven by sizable quarterly changes in imports and exports due to tariffs as well as AI-driven investment. As such, GDP is even further removed from the day-to-day experience of most Americans.

Lastly, economic data looks backward in time, and if I look forward, all this does suggest a teetering economy for me where data and reality are increasingly divergent.

Tatiana Bailey is executive director of the nonprofit Data-Driven Economic Strategies. Other Denver Gazette articles, TV segments, DDES monthly economic dashboards with technical explanations, and how to sponsor their work can be found at ddestrategies.org.