

WELCOME TO THE WEBINAR
FRB MIAMI & FRB NASHVILLE TEACHERS!

WEBINAR LINK

[HTTP://FRBATL.ADOBECONNECT.COM/ECONINDICATORS/](http://FRBATL.ADOBECONNECT.COM/ECONINDICATORS/)

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REMINDER:

- **PLEASE MUTE YOUR PHONE**

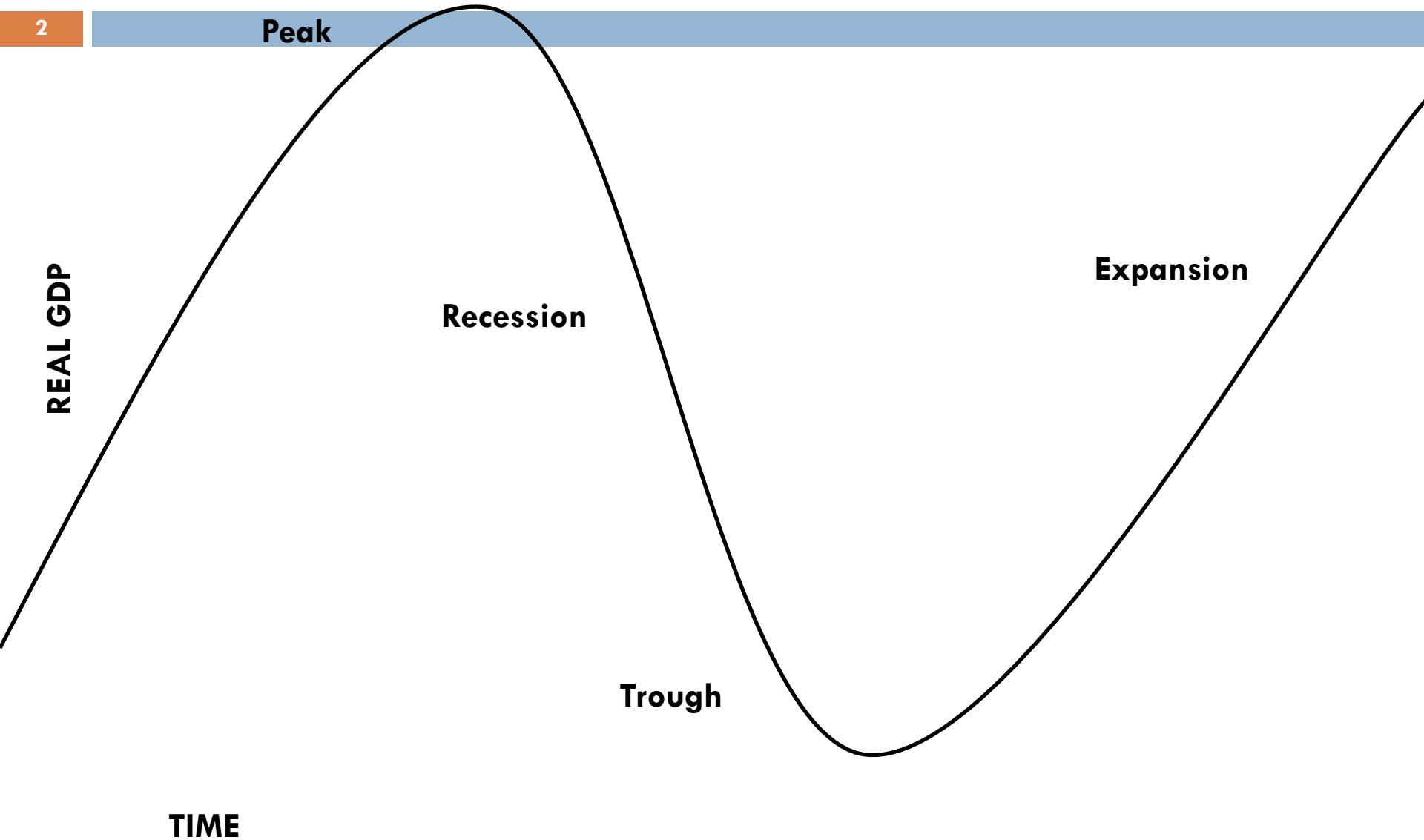
MAKING SENSE OF ECONOMIC INDICATORS

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Economic Education Specialist

Federal Reserve Bank of Atlanta- Miami branch

The Business Cycle



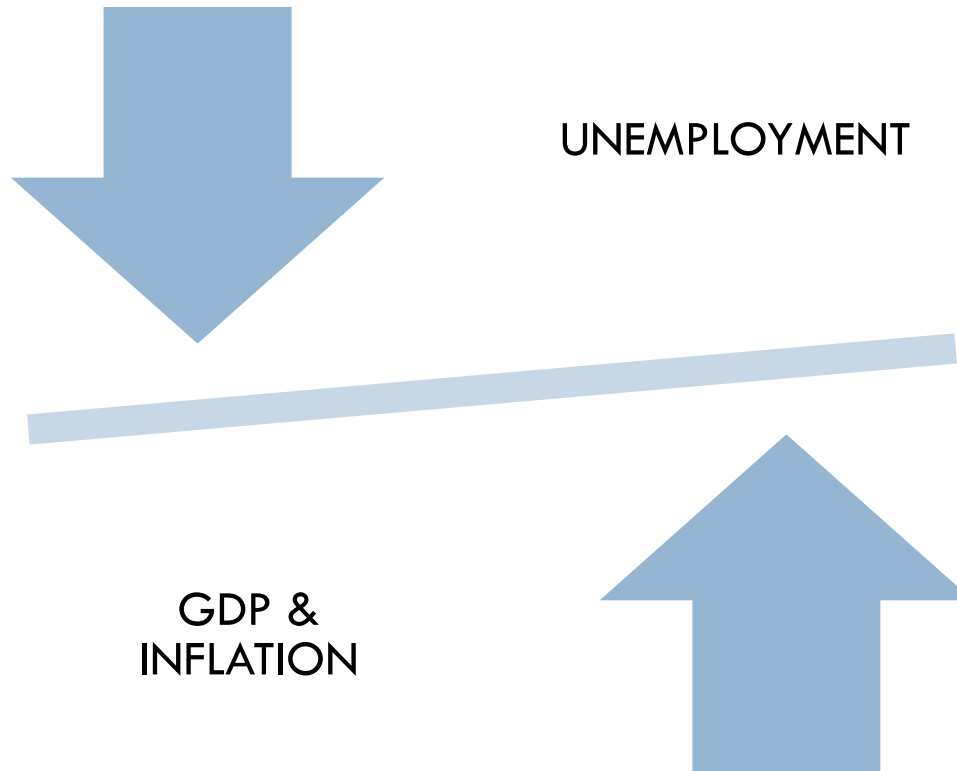
WHY

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- Business cycles do occur when disturbances to the economy of one sort or another push the economy above or below full employment.
- Inflationary booms can be generated by surges in private or public spending.
- A substantial cut in government spending or a wave of pessimism among consumers and firms may cause the output of all types of goods to fall.

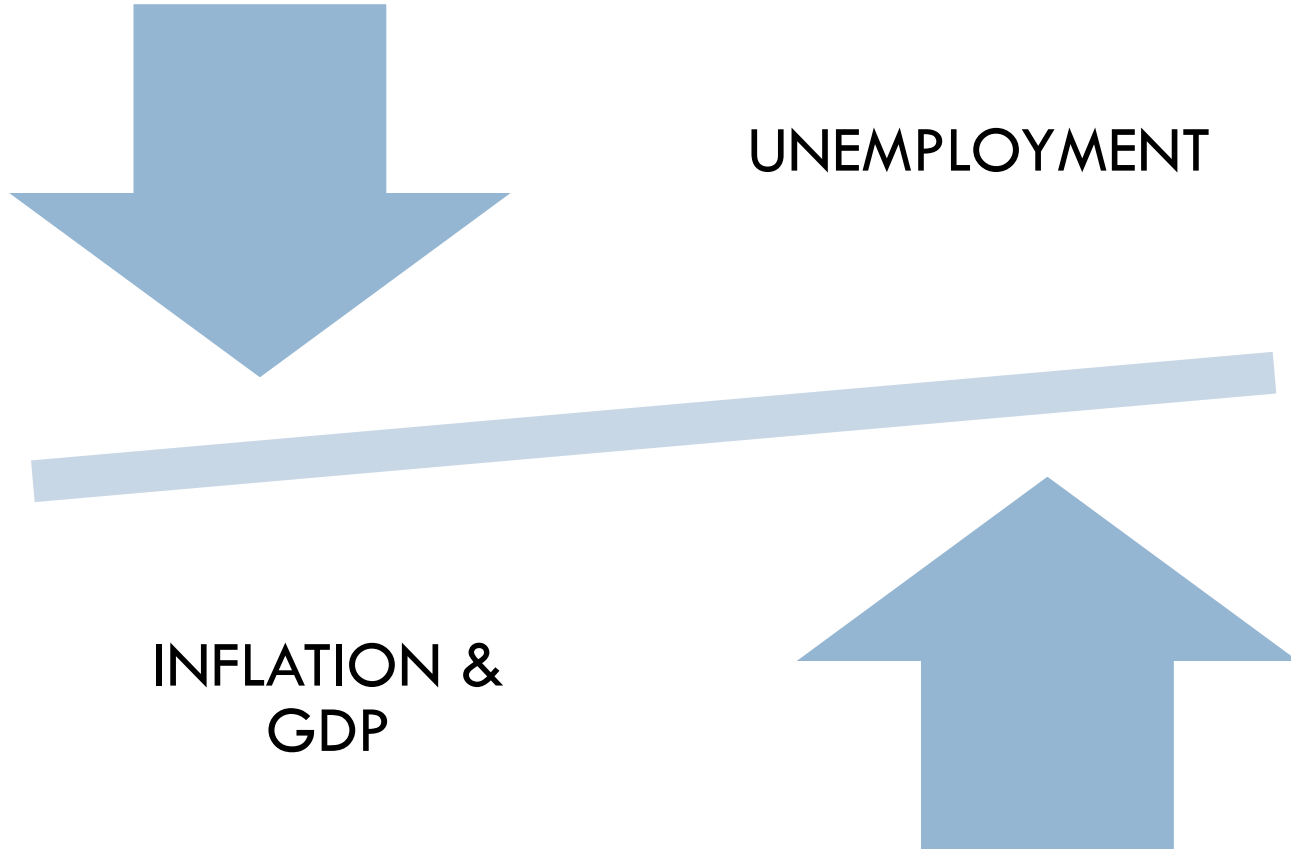
EXPANSION

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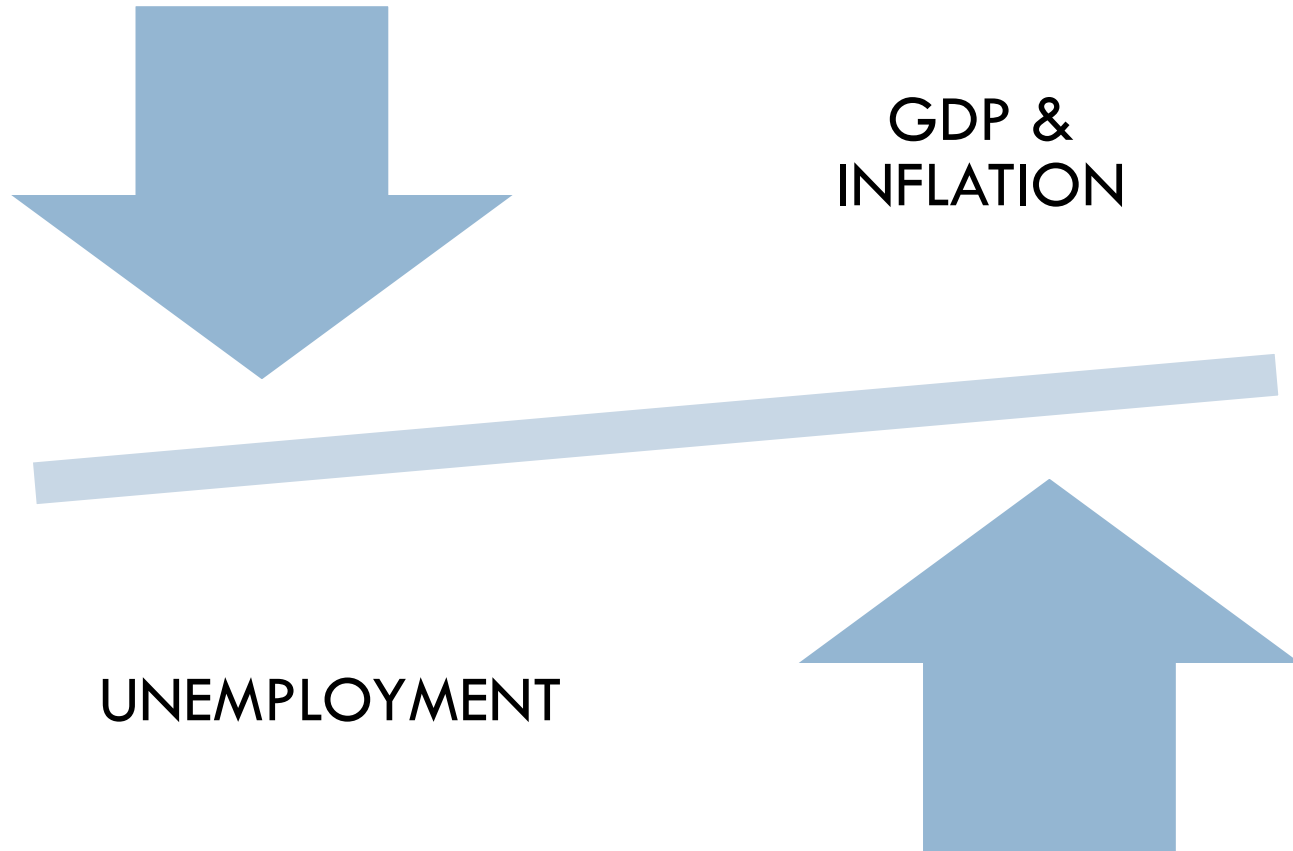
PEAK

5



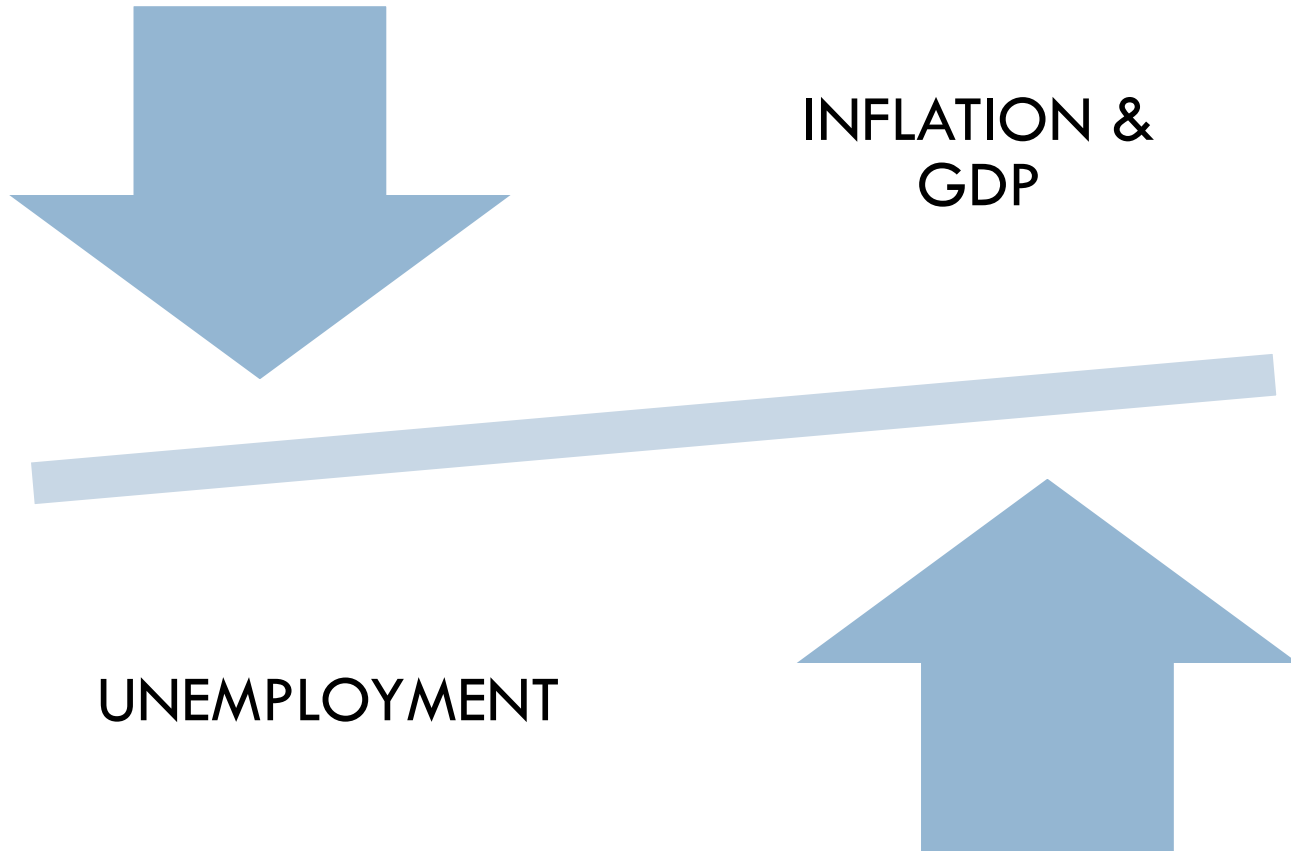
RECESSION

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TROUGH

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Chronology of Euro-area business cycles

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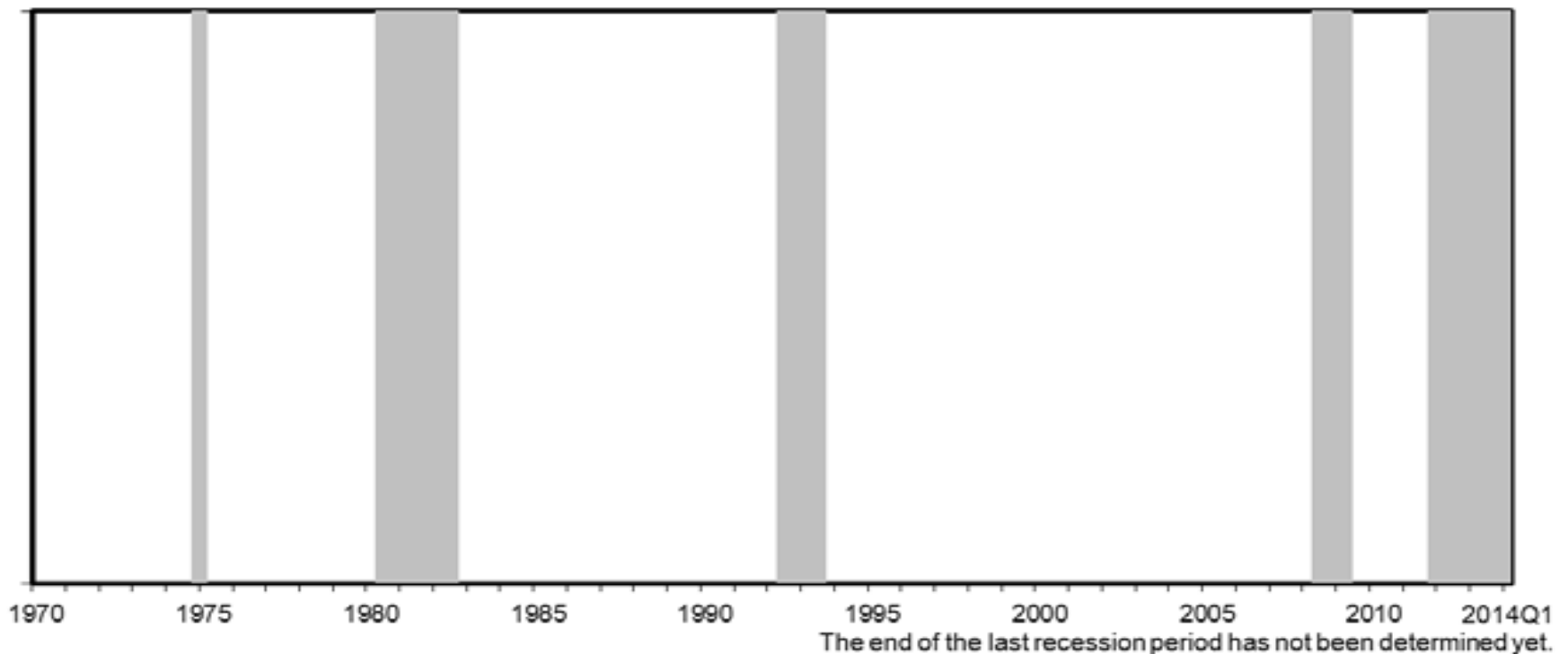
DATE	PEAK/TROUGH
2011Q3	Peak
2009Q2	Trough
2008Q1	Peak
1993Q3	Trough
1992Q1	Peak
1982Q3	Trough
1980Q1	Peak
1975Q1	Trough
1974Q3	Peak

Euro Area

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- EU recession from 4Q 2011 through present (double-dip)

CEPR based Recession Indicator
for Euro Area Business Cycles



Economic Indicators

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- CLIs (early signal)
- Real GDP (measured by CEPR)
- Inflation
- Unemployment

OECD CLIs

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- Designed to provide early signals of turning points ahead of the Business Cycle by using measures that are highly sensitive to upcoming changes in business conditions.
- Provides qualitative vs. quantitative info on short-term economic movements
- Monthly versus quarterly (GDP)

OECD Composite Leading Indicators

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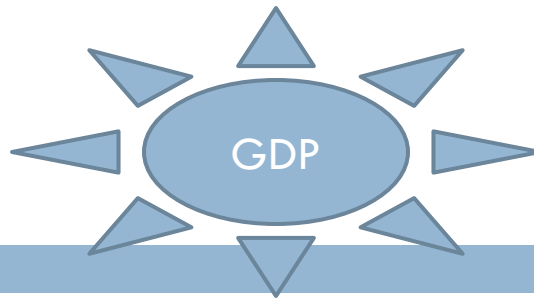


Components of CLI

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- Change from country to country
- New passenger car registrations
- Consumer confidence indicator
- Cost of residential construction retail sales volume
- CPI
- Some use export &/or import data

GDP



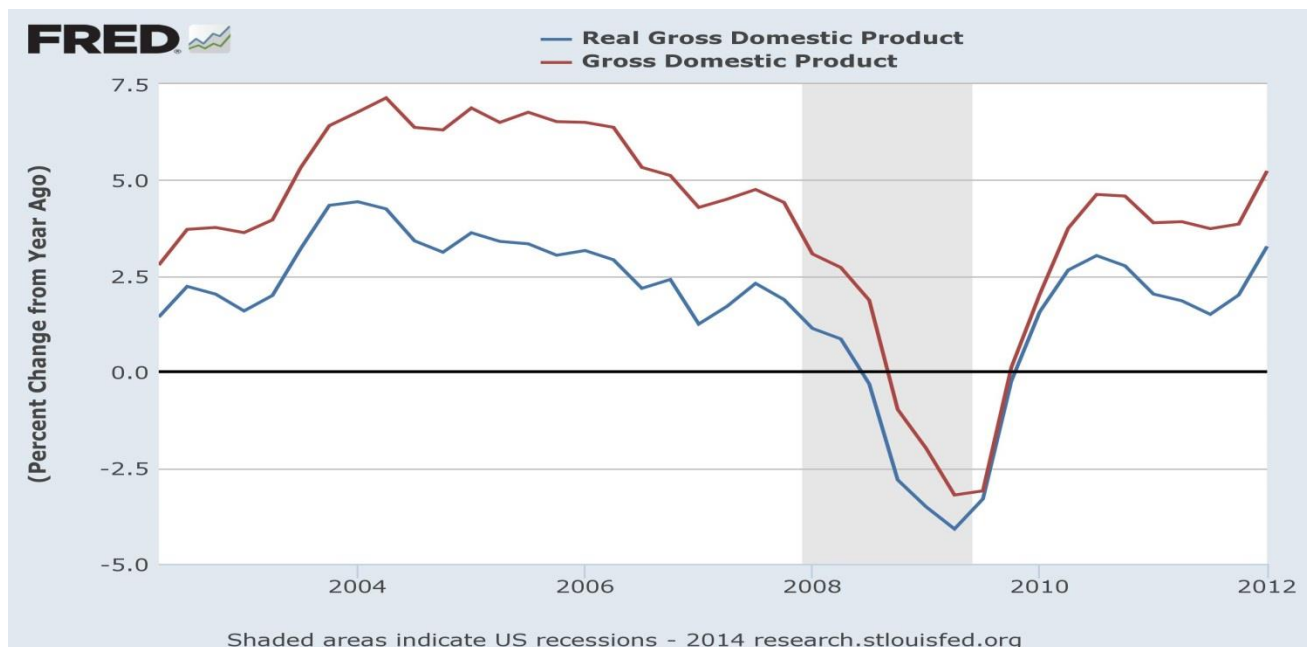
14

- **G**ross **D**omestic **P**roduct
- Definition- the market value \$\$ of all **final** goods and services **produced** within a country in a given period of time
- GDP is used as an indicator of economic progress, it is not a measure of well-being (for example, it does not account for rates of poverty, crime, or literacy).

Nominal vs. Real

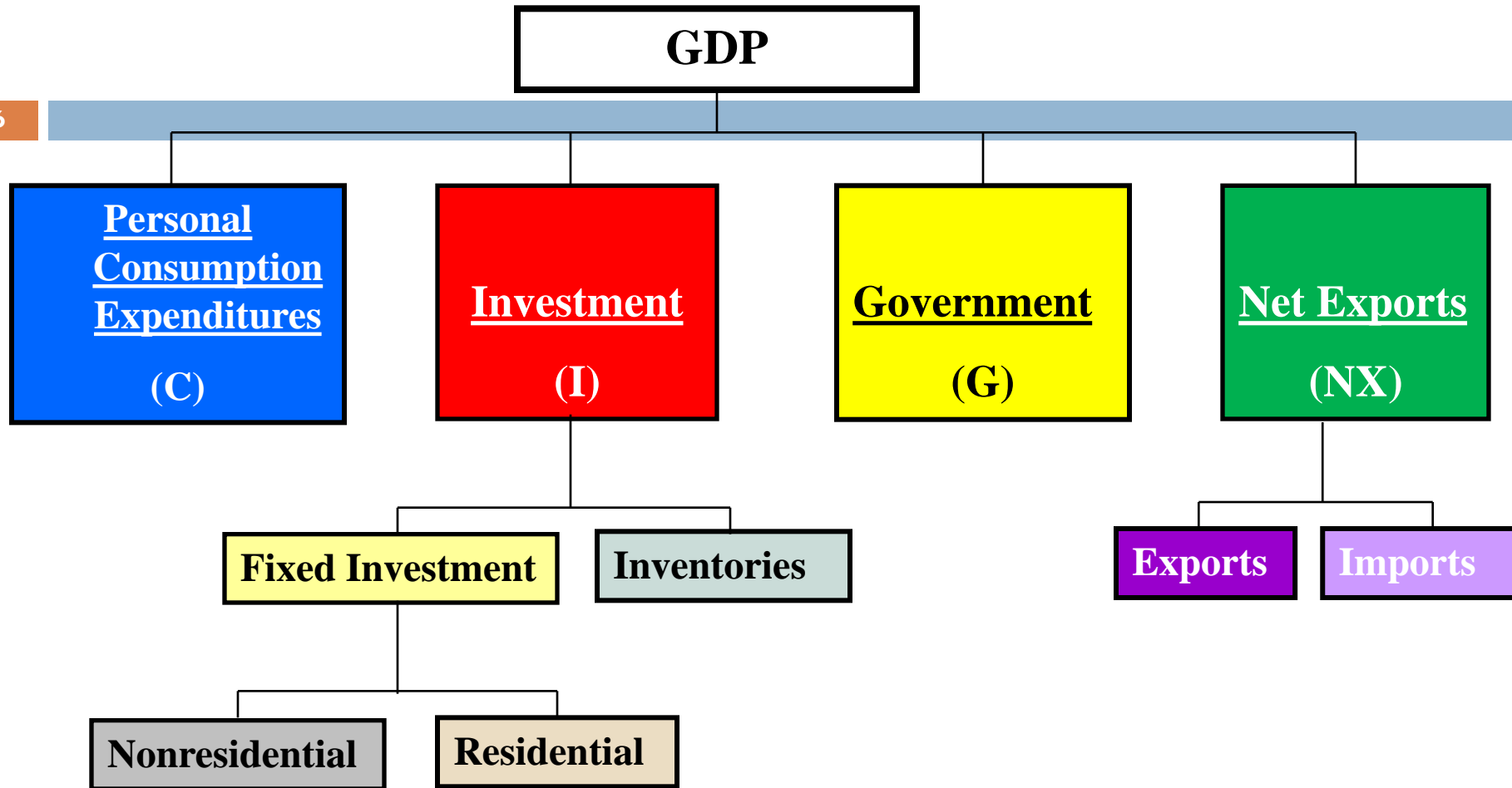
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- **Nominal GDP-** production of this year's final goods and services valued at this year's prices
- **Real GDP-** nominal GDP adjusted for inflation



What are the components of GDP?

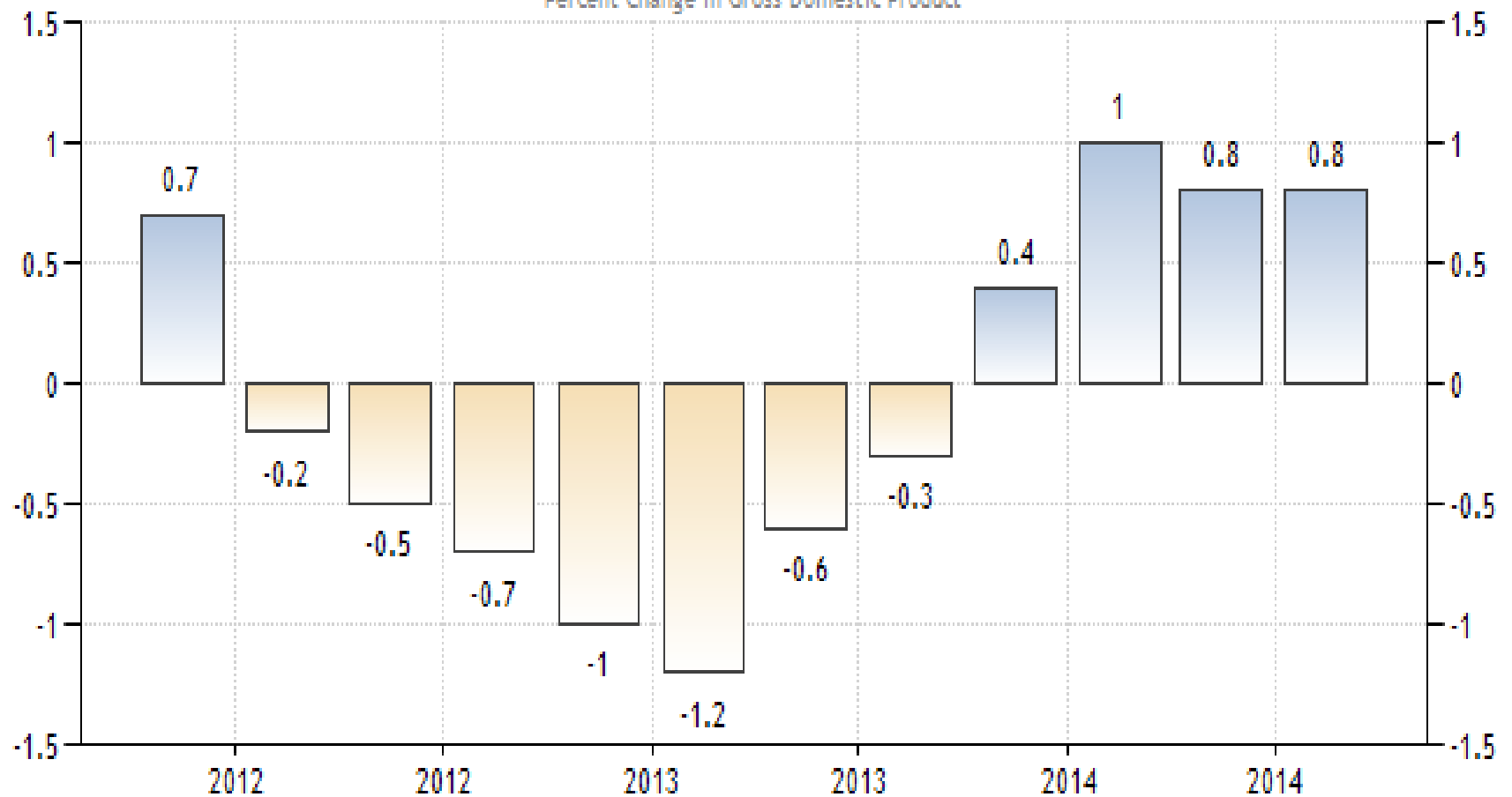
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$$\text{GDP} = C + I + G + NX$$

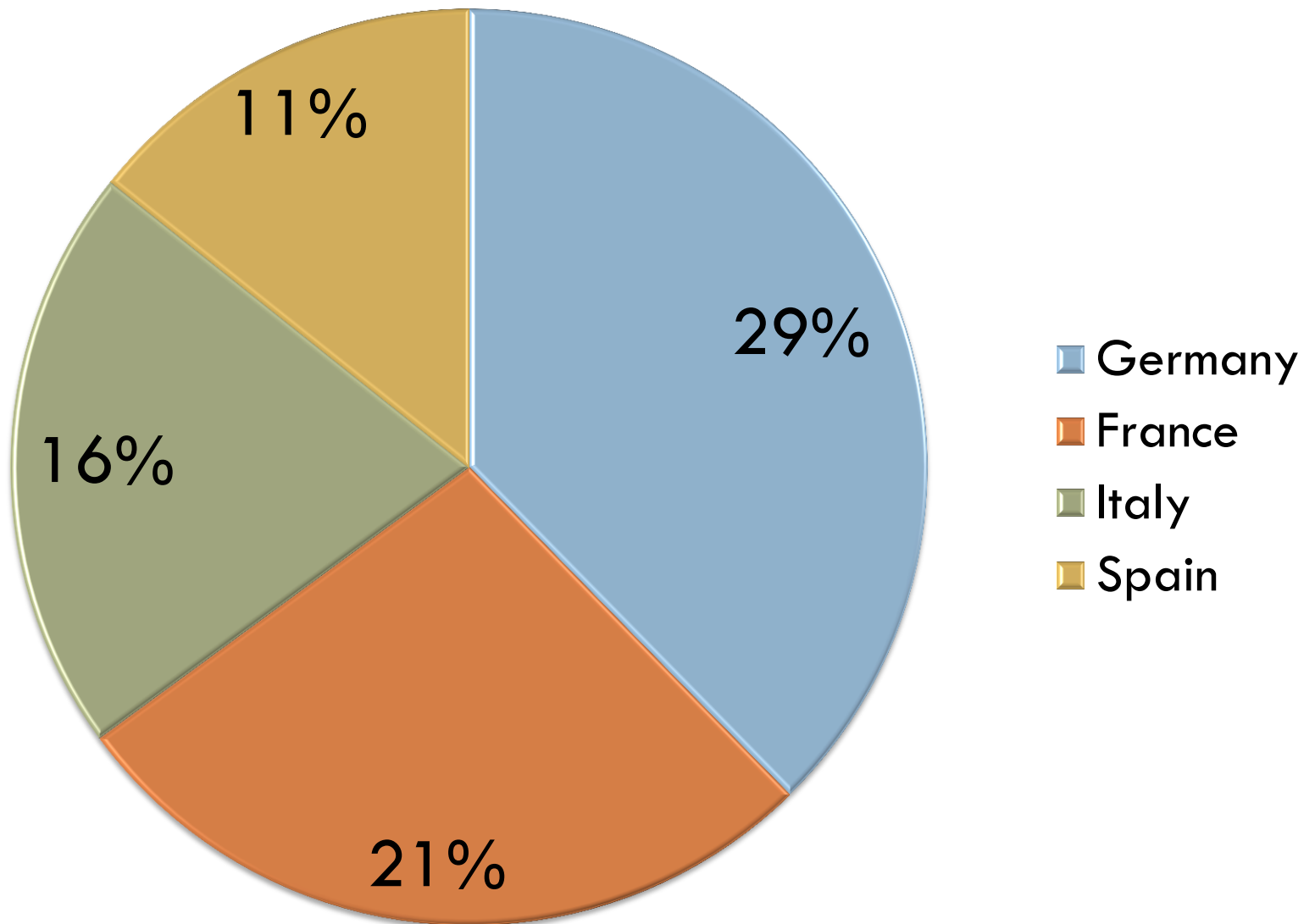
EURO AREA GDP ANNUAL GROWTH RATE

Percent Change in Gross Domestic Product



SOURCE: WWW.TRADINGECONOMICS.COM | EUROSTAT

GDP Euro Area largest contributors



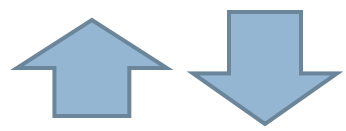
EU GDP

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- The EU GDP Q2 + 0.1%
- Q3 grew 0.2%
- H/H & G up (+)
- Investments & external trade (-)

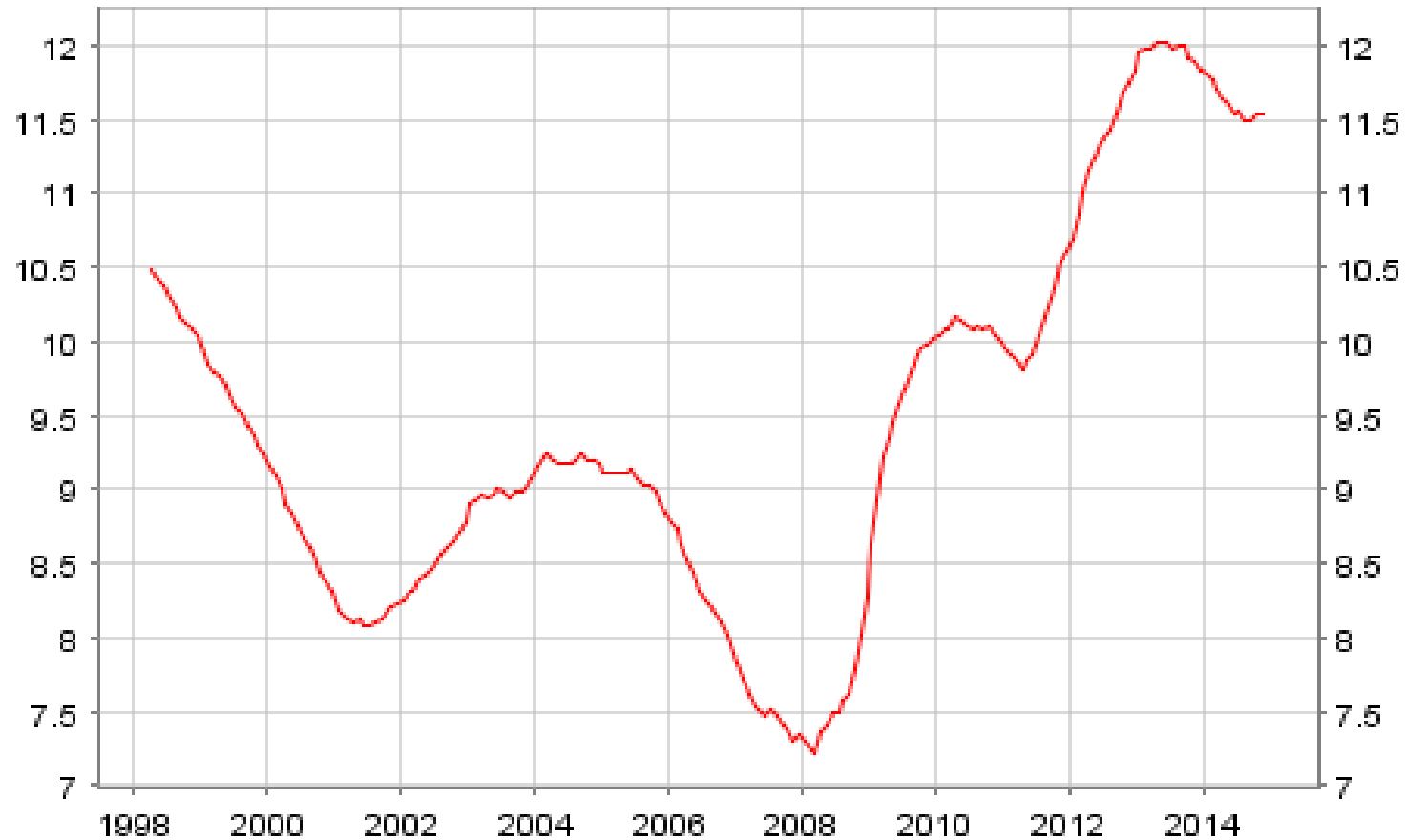
LABOR

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- • One of the macroeconomic goals for is maximum sustainable employment
- GDP and Unemployment 
- How is unemployment measured?
- $UW / TLF * 100$
- Monthly
- 11.54% (11 / 14)

Euro Area Unemployment Rate

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Who Is In The Labor Force?

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- ❑ **Employed**
- ❑ **Unemployed (those seeking work)**
- ❑ **Involuntarily Part-time**
- ❑ Discouraged (not in labor force)
- ❑ Retired (not in labor force)
- ❑ Prisoners (not in labor force)
- ❑ Military (not in civilian labor force)
- ❑ Full-time students (not in labor force)

TYPES OF UNEMPLOYMENT

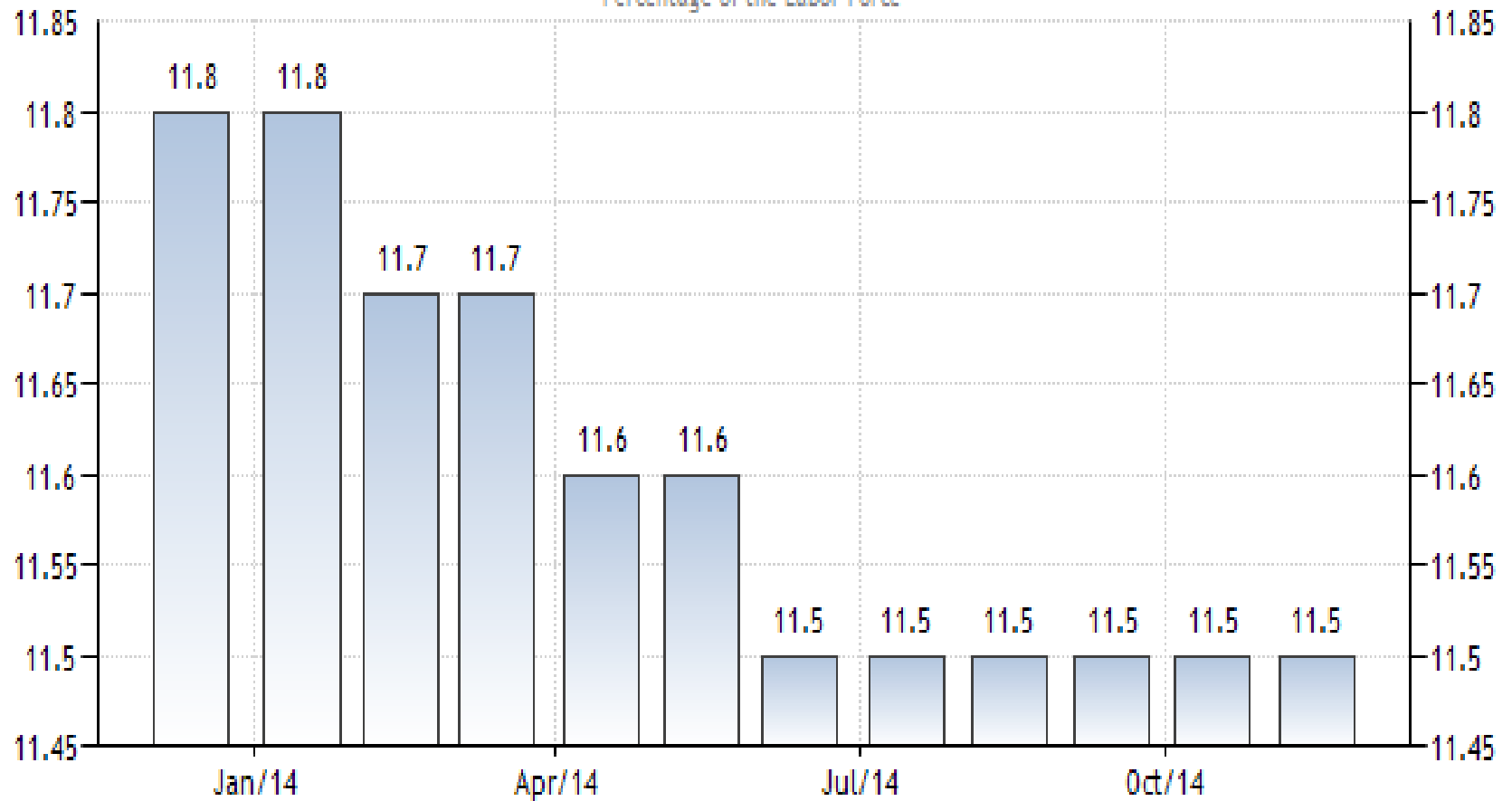
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- **Frictional:** is the unemployment that arises from normal labor turnover; people entering and leaving the labor force and from the ongoing creation and destruction of jobs.
- **Structural:** is the unemployment that arises when changes in technology or international competition change the skills needed to perform jobs or change the locations of jobs.
- **Seasonal:** is the unemployment that arises because of seasonal weather patterns.
- **Cyclical:** is the fluctuating unemployment over the business cycle that increases during a recession and decreases during an expansion. It includes people who are not working because firms do not need their labor due to a lack of demand or a downturn in the business cycle. For example, if people are not buying many goods and services, workers are laid off.



EURO AREA UNEMPLOYMENT RATE

Percentage of the Labor Force



SOURCE: WWW.TRADINGECONOMICS.COM | EUROSTAT

EU Labor Market

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- **Euro Area Unemployment Rate Steady at 11.5%**
- Lowest UR: Austria (4.9%), Germany (5.0%)
- Highest UR: Greece (25.7%), Spain (23.9%)
- Youth Unemployment rate is the highest in Spain, Greece, Croatia and Italy.

INFLATION

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- **One of the macroeconomic goals is stable price levels.**
- **What is inflation?**
- **How is it measured?**
 - ▣ • HICP- Harmonised Index of Consumer Prices- calculates the average change over time in prices paid by h/h for a basket of goods) (ie. Food, clothing, appliances, services etc) It includes residents & non-residents(tourists)
- **What causes inflation?**



CORE & HEADLINE INFLATION

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□ Core

- ▣ • Excludes food, alcohol & tobacco and energy prices
- ▣ • Preferred indicator by Fed
- ▣ • Measured by personal consumption expenditures price index, which includes substitution
- ▣ • Is a better predictor of underlying long-term inflation

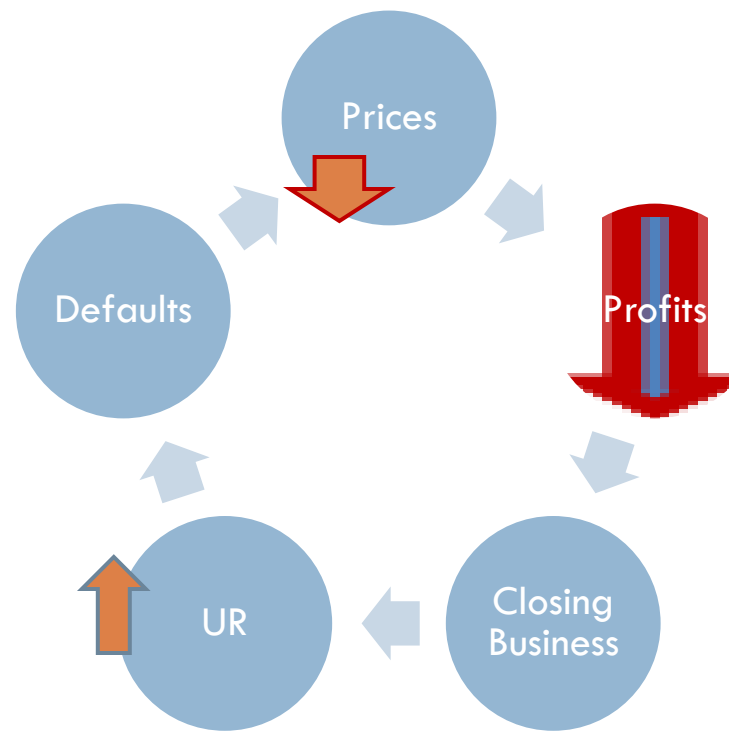
□ Headline

- ▣ • Measure of total inflation, including volatile prices of food and energy

Deflation

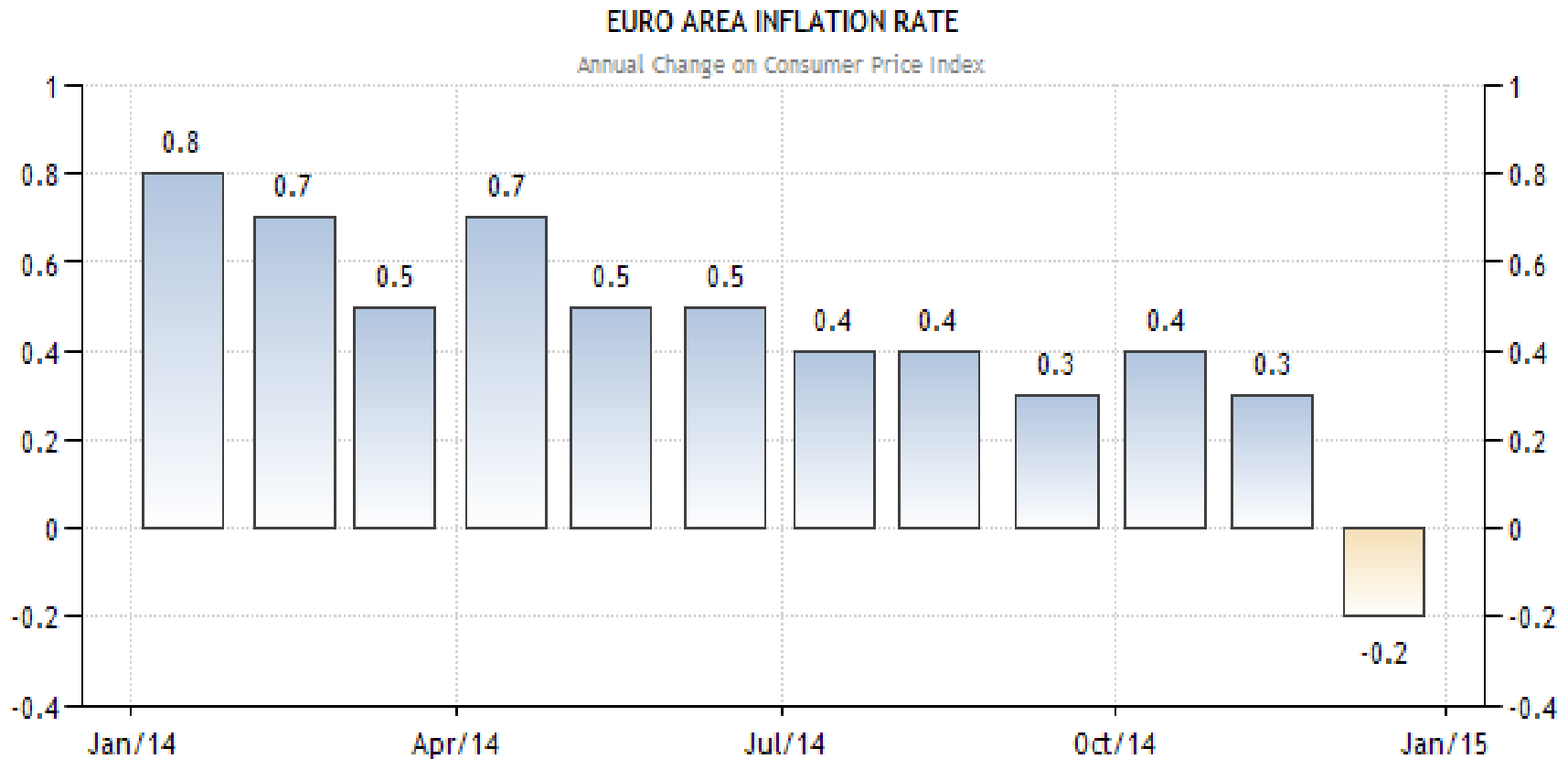
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- General decline in prices
- Causes: \$ S ↓ , ↓ spending (G,P or I)
- Increases Unemployment.....depression



EU Inflation Rate

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FRB vs ECB

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FRB Structure

- 12 Federal Reserve District Banks
- 7 Governors
- Appointed by president confirmed by Senate 14 yr. staggered terms

ECB Structure

- 11 national central banks (country)
- Executive Board – 6
- Appointed by the Council of Europe for 7-year terms

Differences FRB vs ECB

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FRB Roles

- Monetary Policy- FOMC
- Dual Mandate – Stable Prices & Full Employment

ECB Roles

- Monetary Policy- Governing Council of the ECB (11 countries + 6 members)
- Single Mandate- Stable Prices

EU Sources of Indicators

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- Eurostat, the Statistical Office of the European Union.
- For monetary and financial statistics – ECB

- www.principalglobalindicators.org
- www.tradingeconomics.com
- www.oecd.org
- www.oecd.org/std/cli
- www.ecb.int
- www.cepr.org

Web Sites

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- Eurozone

Epp.eurostat.ec.europa.eu

- France

www.insee.fr

- Greece

www.statistics.gr

- Ireland

www.cso.ie

- Italy

www.istat.it

- Portugal

www.ine.pt

- Spain

www.ine.es

Wrap Up

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- Questions?
- Webinar Evaluation
 - ▣ <http://www.instant.ly/s/kHzaN>
- Evidence of Participation Email (TN Teachers)
 - ▣ Will be sent later this week based on webinar report
 - ▣ If on phone only, please stay on at end of webinar so we can account for your participation