WELCOME TO THE WEBINAR
FRB MIAMI & FRB NASHVILLE TEACHERS!

WEBINAR LINK
HTTP://FRBATL.ADOBECONNECT.COM/ECONINDICATORS/

DIAL-IN NUMBER (MUST USE FOR AUDIO)
855-377-2663  ACCESS CODE: 71032685

REMINDER:
• PLEASE MUTE YOUR PHONE

MAKING SENSE OF ECONOMIC INDICATORS
The Business Cycle

- **Peak**
- **Recession**
- **Trough**
- **Expansion**

TIME

REAL GDP
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

UNEMPLOYMENT

GDP & INFLATION
PEAK

UNEMPLOYMENT

INFLATION & GDP
RECESSION

GDP & INFLATION

UNEMPLOYMENT
TROUGH

INFLATION & GDP

UNEMPLOYMENT
## Chronology of Euro-area business cycles

<table>
<thead>
<tr>
<th>DATE</th>
<th>PEAK/TROUGH</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011Q3</td>
<td>Peak</td>
</tr>
<tr>
<td>2009Q2</td>
<td>Trough</td>
</tr>
<tr>
<td>2008Q1</td>
<td>Peak</td>
</tr>
<tr>
<td>1993Q3</td>
<td>Trough</td>
</tr>
<tr>
<td>1992Q1</td>
<td>Peak</td>
</tr>
<tr>
<td>1982Q3</td>
<td>Trough</td>
</tr>
<tr>
<td>1980Q1</td>
<td>Peak</td>
</tr>
<tr>
<td>1975Q1</td>
<td>Trough</td>
</tr>
<tr>
<td>1974Q3</td>
<td>Peak</td>
</tr>
</tbody>
</table>
Euro Area

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

CEPR based Recession Indicator for Euro Area Business Cycles

The end of the last recession period has not been determined yet.
Economic Indicators

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

- 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
Components of CLI

- 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

- **Gross Domestic Product**

- 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

- **Nominal GDP** - production of this year’s final goods and services valued at this year’s prices

- **Real GDP** - nominal GDP adjusted for inflation

![Graph showing nominal and real GDP](image)
What are the components of GDP?

GDP = \( C + I + G + NX \)
EURO AREA GDP ANNUAL GROWTH RATE

Percent Change in Gross Domestic Product

- 2012: 0.7%
- 2012: -0.2%
- 2013: -0.5%
- 2013: -0.7%
- 2013: -1%
- 2014: -1.2%
- 2014: -0.3%
- 2014: 0.4%
- 2014: 1%
- 2014: 0.8%
- 2014: 0.8%

SOURCE: WWW.TRADINGECONOMICS.COM | EUROSTAT
GDP Euro Area largest contributors

- Germany: 29%
- France: 21%
- Italy: 16%
- Spain: 11%
EU GDP

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

- One of the macroeconomic goals for is maximum sustainable employment
- GDP and Unemployment
- How is unemployment measured?
- \( \frac{UW}{TLF} \times 100 \)
- Monthly
- 11.54% (11/14)
Euro Area Unemployment Rate
Who Is In The Labor Force?

- 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

- **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.
EU Labor Market

- **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.
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 (i.e., Food, clothing, appliances, services etc). It includes residents & non-residents (tourists).

What causes inflation?
CORE & HEADLINE INFLATION

- **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

- General decline in prices
- Causes: $ S \downarrow, \downarrow \text{ spending (G,P or I)}
- Increases Unemployment......depression
<table>
<thead>
<tr>
<th>FRB Structure</th>
<th>ECB Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 Federal Reserve District Banks</td>
<td>11 national central banks (country)</td>
</tr>
<tr>
<td>7 Governors</td>
<td>Executive Board – 6</td>
</tr>
<tr>
<td>Appointed by president confirmed by Senate 14 yr. staggered terms</td>
<td>Appointed by the Council of Europe for 7-year terms</td>
</tr>
</tbody>
</table>
## Differences FRB vs ECB

<table>
<thead>
<tr>
<th>FRB Roles</th>
<th>ECB Roles</th>
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</thead>
<tbody>
<tr>
<td>- Monetary Policy - FOMC</td>
<td>- Monetary Policy - Governing Council of the ECB (11 countries + 6 members)</td>
</tr>
<tr>
<td>- Dual Mandate – Stable Prices &amp; Full Employment</td>
<td>- Single Mandate - Stable Prices</td>
</tr>
</tbody>
</table>
EU Sources of Indicators

- 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

- 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

- Questions?

- Webinar Evaluation

- 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