Activity 1: Analyzing GDP Data

Use the GDP Economic Dashboard for your analysis: https://research.stlouisfed.org/dashboard/13832

1. Using the information in Box 1, state the current size of the economy, or Nominal GDP (the number is given in billions of dollars – state the size of the U.S. economy in trillions, rounding to the tenth):
   - $____________ trillion
   - _____________ (quarter, year)
   - Using the graph in Box 2, describe the general trend of Nominal GDP since 1948.

2. Real GDP is adjusted for inflation and is used to measure changes in economic output. It is an indicator of economic growth. Examine the graph in Box 3.
   - What happens to Real GDP during recessions?
   - Identify the approximate years of the last three recessions (click the image to view a larger graph).

3. The growth rate of the economy (use Boxes 4-6):
   - Use the information in Box 4 to record the GDP growth rate for the six most recent quarters.

Quarter, year	Real GDP (percent change from preceding period)

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- Using the information from Boxes 5 and 6, give an initial analysis of the state of the economy based on Real GDP. What is the recent trend? Is the economy expanding or contracting?

4. Compare GDP growth to its potential (use Boxes 5 -8):

    - Economists often compare GDP growth to historical averages. From 1948 to 2016 (Q3), real GDP averaged 3.2 percent. Compare the five most recent quarters (Box 4) to the historical average. Has recent growth been faster or slower than the historical average?

    - As the economy changes, its potential growth rate can change too. Federal Open Market Committee publishes their Economic Projections quarterly. Because their longer run projection for GDP is their view of the normal growth rate, it can be used as an indicator of potential GDP. Ask students to read the background provided in Box 7. The most recent FOMC projection is provided in Box 8. What is the FOMC long run median projection for Real GDP growth?

    - Compare the six most recent quarters (Box 4) to the FOMC projection. Has recent growth been faster or slower than the FOMC projection?

    - If the current growth rate is lower than its potential, the economy might not be creating enough jobs to keep the labor force fully employed. If the current growth rate is higher than its potential, it might signal that the inflationary pressures are building. At this point, what are the data telling you – is the economy growing at about the right pace or is growth too slow or fast?

5. Summarize your findings for GDP. It is just one economic indicator but it is an important one because economic growth has implications for unemployment and inflation. From this data, do you think the economy is healthy? Use data as evidence.