



Activity 1: Using Data to Discuss Policy Options

Federal Reserve economists use sophisticated models to assess the economy. This lesson will use a very simple method – comparing recent and current data to FOMC projections.

- The FOMC has communicated that its longer run projections can be interpreted as the economy’s normal or trend rate of growth and its normal unemployment rate over the longer run.
- As such, these projections are a useful guide for comparing the current data to what might be considered normal.

Use the Economic Data Dashboard and the FOMC Economic Projections to make an analysis of the economy’s health. Then express your opinion about potential economic policy changes.

1. Use the [Economic Data Dashboard](#) (Boxes 1, 4, and 7) to fill in the “current data” column.
2. Use the [Economic Data Dashboard](#) (other boxes) to describe (in words) the recent trend in the “recent trend” column. In addition, core inflation is provided (Box 10) to provide extra guidance on inflation trends.
3. Use the most recent [FOMC economic projections](#) to complete the “Longer-run, Range” column. The FOMC has communicated that these longer run projections can be interpreted as the economy’s normal or trend rate of growth and its normal unemployment rate over the longer run. As such, these projections are a useful guide for comparing the current data to what might be considered normal.

	Current Data	Recent Trend	<u>Longer-run, Range</u>
Change in Real GDP			
Unemployment rate			
PCE Inflation			

4. How do the current data compare to the FOMC longer-run projections? What is your assessment of the current economy?

5. Using what you learned about economic data and the Federal Reserve, should the FOMC adjust interest rates to influence the economy?

- If so, should the FOMC use its monetary policy tools to increase or decrease interest rates?
- If not, explain why the economy does not need a policy change at this time. Be sure to defend your opinion with data.