JARGON ALERT: Leading Indicators

After reading the article (https://www.richmondfed.org/publications/research/econ_focus/2010/q2/~/media/BCEA5BF8E07046F49533F2772909889E.ashx) answer the following questions:

1. Economists forecasting the business cycle may look at leading indicators to gain a perspective on future economic activity. Identify five of the nine components gathered to form the index of Leading Economic Indicators (LEI).

2. Why do we have the index of Leading Economic Indicators (LEI)?

3. The index of Leading Economic Indicators (LEI) is made up of data series that have been previously released and contain historical information. How is it then that the LEI is considered forward-looking?

4. What criteria are used to determine which data series are chosen to be included in the index of Leading Economic Indicators (LEI)?

5. How is consumer confidence measured in the index of Leading Economic Indicators (LEI)?

GLOSSARY

Business cycle: The fluctuating levels of economic activity in an economy over a period of time measured from the beginning of one recession to the beginning of the next.

Economic indicator: Statistical data used to determine the health of the economy.

Economic models: Statistical data used to determine the health of the economy.

Inflation: A general, sustained upward movement of prices for goods and services in an economy.

Interest rate: A period of declining real income and rising unemployment; significant decline in general economic activity extending over a period of time.