FREE ENTERPRISE ACTIVITY 18

ECONOMIC INDICATORS

Economic indicators help businesses and government determine which way the economy is headed. They also allow businesses to plan their future needs and actions with some degree of accuracy. There are three types of indicators:

Leading indicators *are those whose movement predicts the movement of the economy as a whole.*

Coincident indicators *are those that move at about the same time as the rest of the economy.*

Lagging indicators *are those that signal the strength of an upward or downward swing in the economy after the movement has begun.*

Directions: *In the following chart, check whether each headline is good news or bad news for the economy. Then tell the type of indicator that is referred to by the headline.*

Headline	Good News	Bad News	Type of Indicator
1. Housing Starts Lowest in Months			
2. Fed Lowers Discount Rate: Interest Rates Tumble			
3. Retail Sales Up 3% Over Last Month			
4. Business Debt Down From Last Year			
5. Unemployed Have Average Two-Month Wait Before Finding New Job: Down From Four-Month Wait Last Year			
6. Producer Price Index Rises 0.5%			
7. Businesses Buying More Electronic Office Equipment, Hiring More Clerical Staff			
8. Industry Jobs Go Unfilled as Area Unemployment Rate Sinks to 5%			
9. Consumer Debt Higher Than at Any Time in History			
10. Telephone Company Reports 30-Day Backlog in Installing Business Systems			