What are Economic Indicators?

Worksheet

Economic indicators are quantitative measures of economic health like GDP, unemployment rate and inflation. They help investors forecast growth or recessions and guide market analysis.

Questions

1. Economic indicator definition?
A) Metric measuring economic health
B) Company profit margin
C) Stock price movement
D) Tax revenue only

2. What does GDP measure?
A) Total goods and services produced
B) Unemployment rate
C) Inflation
D) Tax rates

3. Which is a leading indicator?
A) Jobless claims (predicts future)
B) Unemployment rate (past)
C) Inflation rate
D) GDP

4. Why do investors watch inflation (CPI)?
A) Predicts Federal Reserve rate changes
B) Affects bond prices
C) Indicates purchasing power loss
D) All of the above

5. US GDP grows 2.5% annually. What does this signal about the economy?

6. Unemployment rate jumps from 3.5% to 5% in three months. What is the economic signal?

7. Consumer Price Index (inflation) rises 5% year-over-year. What action might the central bank take?

8. Define: What are economic indicators?

9. Define: Name three major economic indicators.

10. Define: Why do investors use economic indicators?

Answer Key

1. A) Metric measuring economic health — Economic indicators are broad measures of economy-wide health.
2. A) Total goods and services produced — GDP = gross domestic product = total economic output.
3. A) Jobless claims (predicts future) — Jobless claims rise before unemployment rate, making it a leading indicator.
4. D) All of the above — CPI drives policy, impacts bonds, and erodes purchasing power.
5. 2.5% annual growth indicates a healthy, expanding economy Stocks tend to rise when GDP growth is positive and steady
6. Rising unemployment signals economic weakness Companies are hiring less → consumer spending may decline → recession risk
7. 5% inflation is above typical 2% target Central bank likely raises interest rates Higher rates slow spending and inflation
8. Statistical metrics that measure the health and performance of an economy.
9. GDP, unemployment rate, and inflation (CPI).
10. To forecast economic growth or recessions and make better investment decisions.