

ECO 156, Fall 2025, Required Assignment #3

Leading versus Lagging Indicators

This assignment focuses on current and recent data around the U.S. economy. It also asks you to analyze upcoming economic news around inflation and monetary policy.

Before beginning, you may want to review the following articles:

- a. A [short Investopedia article](#) on lagging versus leading economic indicators.
- b. On Friday, October 24, the Bureau of Labor Statistics will release the September CPI (inflation) report. The report [will be available here](#).
- c. On Wednesday, October 30, the Federal Open Market Committee (FOMC) will announce its policy decision (whether it will lower interest rates). This announcement will be widely reported in the press. The [official statement](#) will be available here at 2 PM.

Instructions Answer each of the following questions. Most questions can be effectively answered in a few concise sentences. Submit your assignment via [this Google form](#). You will need to be logged into your Bates account to access the link. **The assignment is due by 5 PM on Monday, November 3.** You may wish to aim to complete it by the prior Friday, however, if you want to take advantage of office hours. Submit your assignment as a pdf, word file, or Google doc.

1. What is the difference between a lagging and leading economic indicator? Which is more useful for predicting what will happen to an economy over the *next* year?
2. Is housing usually considered to be a leading or lagging indicator? Provide a potential reason for why this is the case. I am asking you to say something about what motivates people to buy or build houses. Do they become less likely to buy or build a home before the economy gets worse, or once it does?

3. Provide some relevant data about the U.S. housing market. This may be related to housing prices, construction, or something else. What does this suggest about the current or future state of the U.S. economy?
4. Is unemployment considered a leading or lagging economic indicator? Provide a potential reason for why this is the case. As with #2, avoid just restating the definition (*e.g.* unemployment is a leading indicator because it increases before the economy weakens). Instead, say something about why and when firms might layoff workers.
5. Provide some relevant data about the U.S. labor market. What does this suggest about the future state of the U.S. economy?
6. Did the September CPI report raise or lower concerns about high inflation? Provide a source.
7. Why do economists often use “core” inflation instead of overall inflation and how did the two differ in September?
8. What was the most important result from the October FOMC meeting?
9. How might the September CPI report have affected the FOMC’s October decision?
10. Consider the data that you presented in #3 and #5. Collectively, should these urge the FOMC to raise, lower , or hold interest rates steady?

AI usage: The use of AI is limited to i) finding sources and 2) suggesting edits. You may not use AI to craft answers or perform economic analysis..