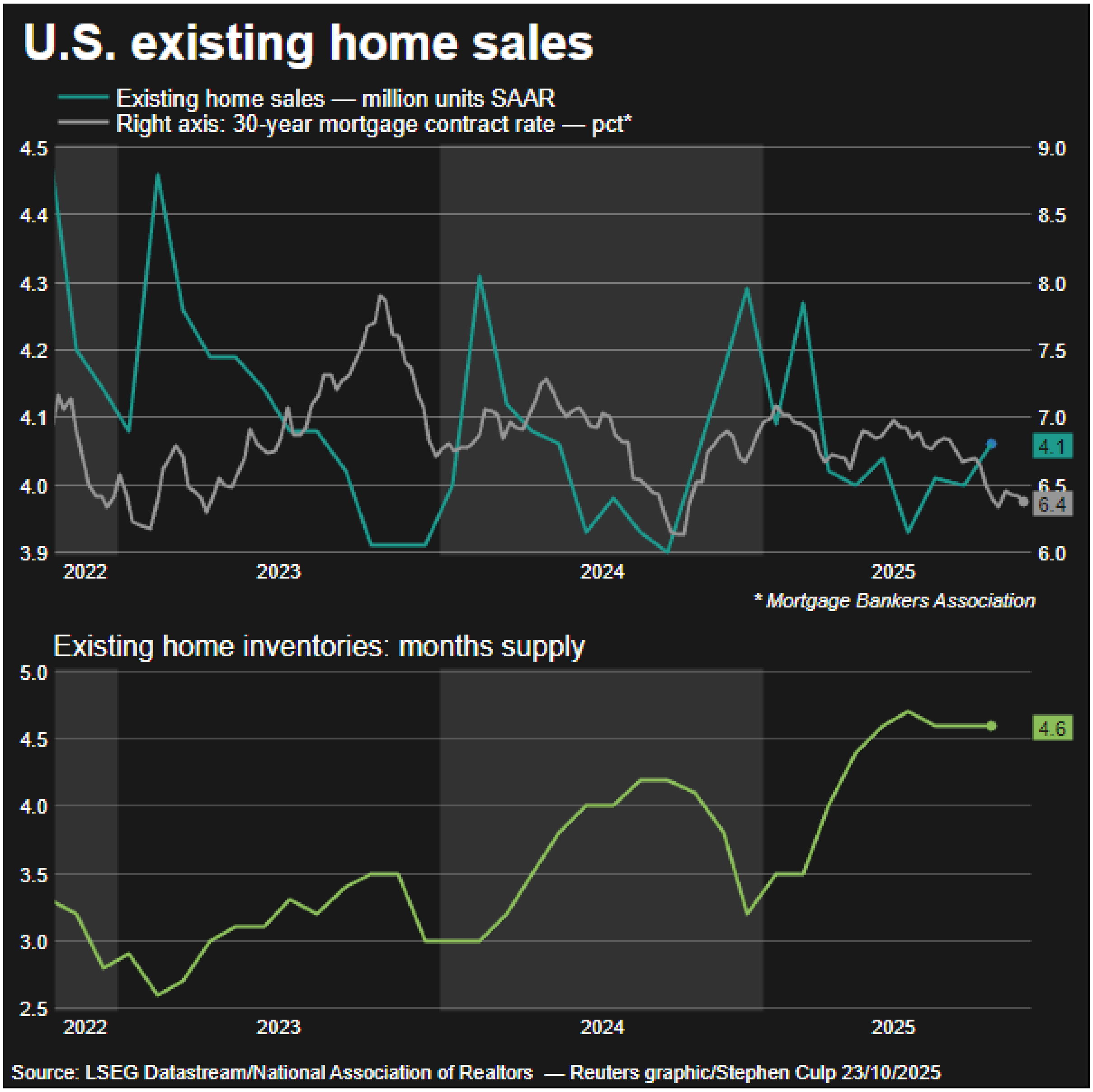
[redacted]

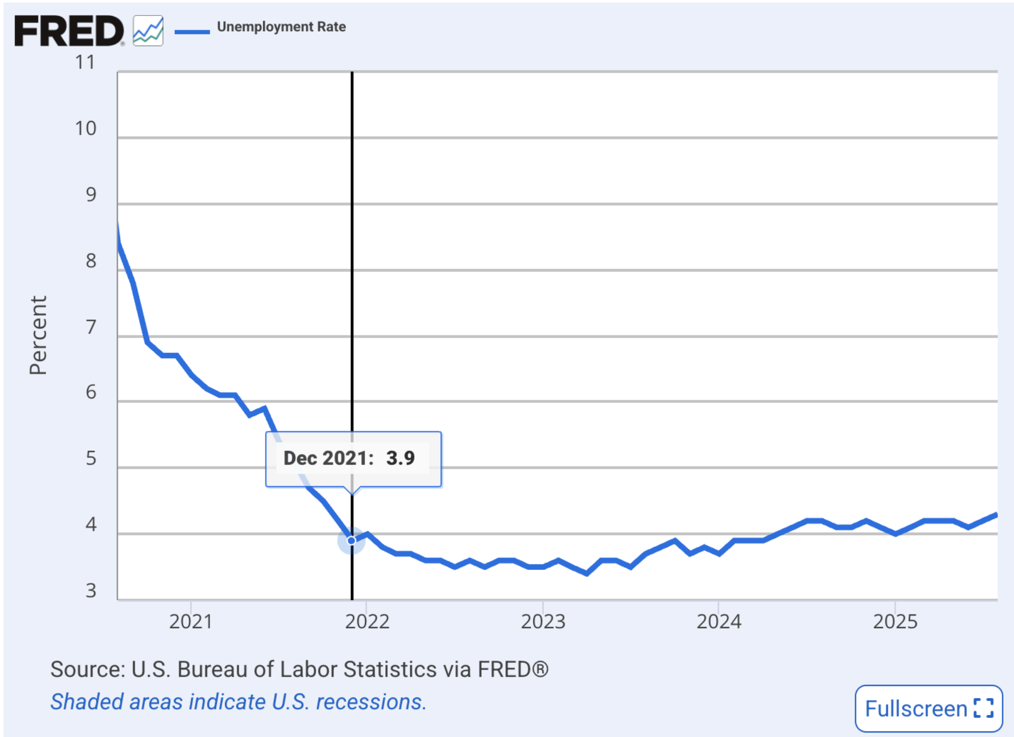
1. What is the difference between a lagging and leading economic indicator? Which is more useful for predicting what will happen to an economy over the next year?
    a. A leading economic indicator predicts and anticipates future economic trends while lagging indicators confirm economic patterns after events have occurred. A leading economic indicator would be more useful for predicting what will happen to an economy over the next year because they are used to predict future economic trends.
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?
    a. Housing is considered to be a leading indicator because the housing market reflects how much confidence people have in the economy currently and how they will act in the future. People become less likely to buy or build a home before the economy gets worse because housing is a leading indicator. When the housing market begins to decline it indicates that the overall economy will also begin to get worse as well. Companies will also be less likely to build houses if they fear that demand will begin to decrease. People are motivated to build and buy houses when there are lower interest rates because it is easier to obtain loans at a lower price. This also causes people to sell their houses when interest rates are lower because people are more willing to spend larger amounts of money.
3. Provide some relevant data about the U.S housing market. This may be related to housing policies, construction, or something else. What does this suggest about the current or future state of the U.S economy?
    a.

b. 

c. The data shows that the housing market is beginning to stabilize as more people are buying houses since the recent decrease in interest rates. Although the Fed's decision to increase interest rates does not reflect that the economy is currently in a good spot, the new rise in housing sales illustrates that the economy is beginning to get stronger because more people are entering the housing market and spending more money.

d. Mutikani, Lucia. "US Existing Home Sales Hit 7-Month High; Affordability Remains a Challenge | Reuters." *Reuters*, 23 Oct. 2025, www.reuters.com/business/us-existing-home-sales-rise-seven-month-high-september-2025-10-23/.

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.
    a. Unemployment is a lagging economic indicator because the unemployment rate illustrates a pattern which shows how the economy has been behaving. If the unemployment rate shows a trend in which it continues to rise it can be concluded that the economy will decline because people are going to spend less money if they do not have jobs. Firms are more likely to lay off workers when the demand for their product decreases. This means that the firms would have to compensate for the decrease in demand by lowering their prices which would result in them laying off some workers. Companies do not want to fire workers before they know what is happening in the economy. It would be too risky to fire people before they are able to confirm the state of the economy which is why unemployment is a lagging indicator.
    b. Gratton, Peter. "Leading, Lagging, and Coincident Indicators." *Investopedia*, Investopedia, 11 Mar. 2025, www.investopedia.com/ask/answers/what-are-leading-lagging-and-coincident-indicators/.
5. Provide some relevant data about the U.S. labor market. What does this suggest about the future state of the U.S economy?

a. 

b. The graph above displays the unemployment rate in the U.S. over the last 5 years. The overall trend shows that the unemployment rate decreases from 2021 through July of 2023. After July in 2023 the unemployment rate begins to slowly increase through the beginning of 2025. An increase in unemployment shows that people are losing faith in the economy. Companies are more likely to lay off workers when demand decreases and firms do not want to pay as many workers as a result in the decrease in sales.

c. U.S. Bureau of Labor Statistics, Unemployment Rate [UNRATE], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/UNRATE, November 1, 2025.

6. Did the September CPI report raise or lower concerns about high inflation? Provide a source.

    a. The September CPI report lowered concerns about inflation. The current inflation rate is 3% and the CPI increased by .3%; however, the CPI was not as high as it was estimated to be which has caused economist to shift their concerns towards other factors such as unemployment

    b. United States Department of Labor. “CPI Home.” *U.S. Bureau of Labor Statistics*, U.S. Bureau of Labor Statistics, 23 Oct. 2025, www.bls.gov/cpi/.

7. Why do economists often use “core” inflation instead of overall inflation and how did the two differ in September
    a. Economists use core inflation because it eliminates goods like energy and food which have highly fluctuating prices. Core inflation is used more instead of overall inflation because it allows for economists to obtain a more cohesive comprehension of the inflation rate by excluding volatile goods. The core inflation in September was .2% while the CPI was .3%. The core inflation rate is lower because it does not include energy prices which were up the past month.
    b. Mutikani, Lucia. “US Consumer Inflation Cools in September; Government Shutdown Threatens Next Report | Reuters.” *Reuters*, 24 Oct. 2025, www.reuters.com/world/us/us-consumer-prices-rise-slightly-less-than-expected-septembe r-2025-10-24/.
8. What are the most important results from the October FOMC meeting?
    a. The most important results from the October FOMC meeting was that they decided to lower interest rates from 4% to 3.75%. They did this in hope that it would encourage more people and businesses to enter the market because lower interest rates make it easier to obtain and spend money.
    b. The Federal Reserve Bank. “For Release at 2:00 p.m. EDT October 29, 2025.” *Federal Reserve Bank*, 29 Oct. 2025, www.federalreserve.gov/monetarypolicy/files/monetary20251029a1.pdf.
9. How might the September CPI report have affected the FOMC’s October decision?
    a. The September CPI report affected the FOMC’s October decision because the increase in CPI shows that prices are continuing to increase. This increase also means inflation is going up. However, even though the CPI increased, it was lower than expected which has

made inflation less of a concern. Currently, they are focused on increasing interest rates because this would stimulate the economy by making it easier to get more money which would give businesses the confidence to expand and spend more as well. This would lead businesses to hire more workers.

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?
    a. Given the data on housing sales and the inflation rate over the past 5 years the FOMC should only slightly lower interest rates. The graph from #3 illustrates that housing sales have increased recently because the FED lowered the interest rates. This caused more people to join the housing market because they could access loans for a cheaper price. The graph from #5 illustrates that unemployment has been slowly, but steadily increasing. Slightly lowering interest rates would stimulate the economy and encourage more people to spend money and for business to expand. With more people entering the market and demand increasing, businesses would also have to hire more employees. Slightly lowering interest rates decrease unemployment satisfying part of the dual mandate. However, since the September CPI did not increase as much as it was expected, inflation became less of a concern while the unemployment rate continued to increase. This would cause the Fed to prioritize maximizing unemployment by decreasing interest rates.