

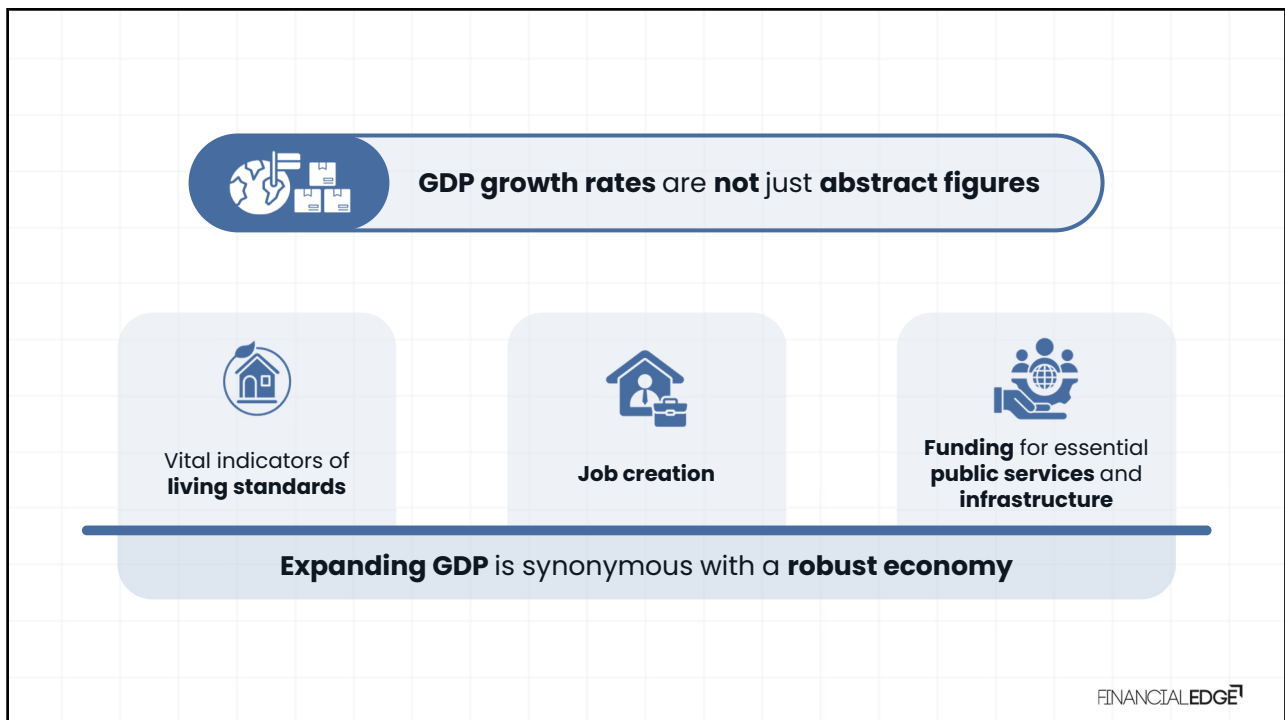
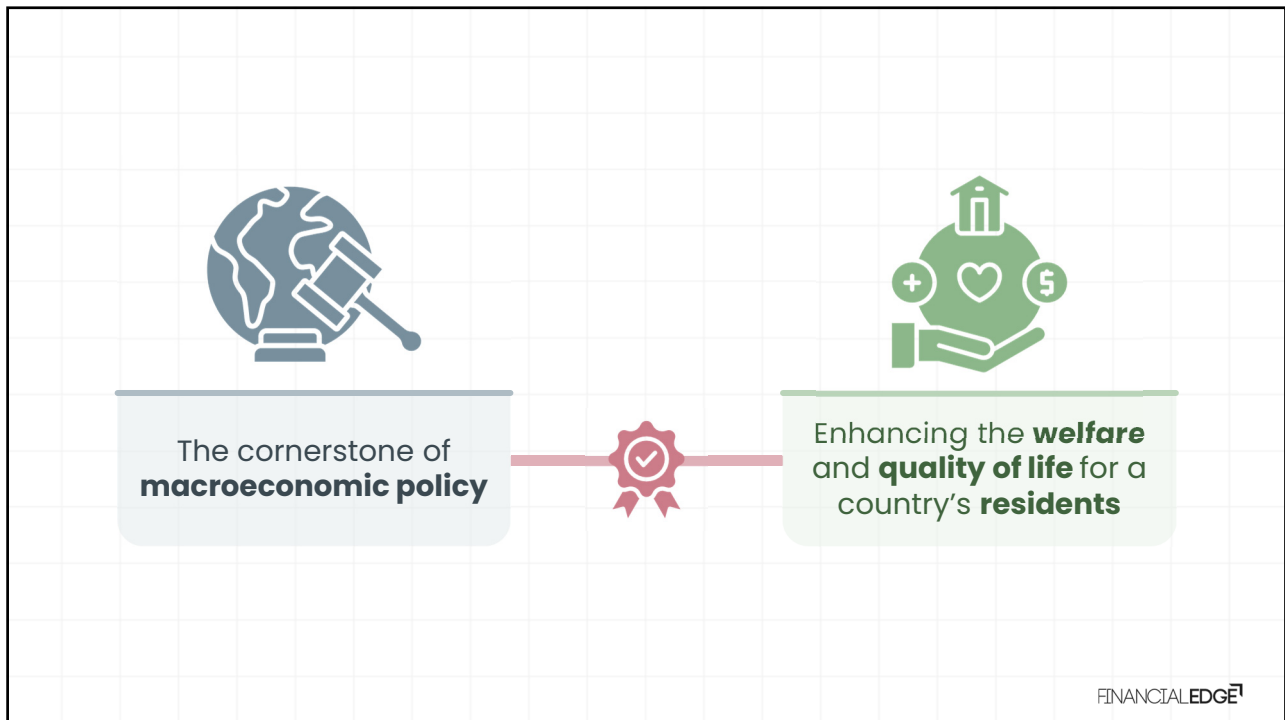


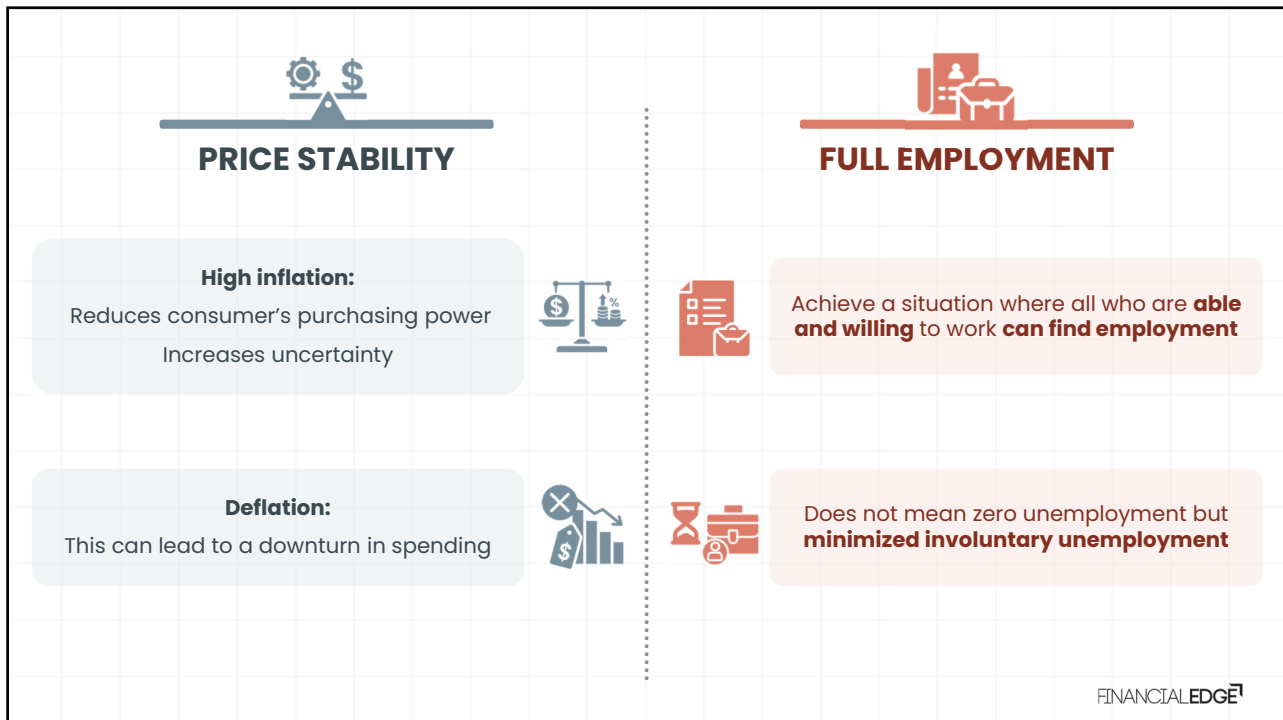
Macroeconomics – Inflation and Unemployment

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Macroeconomic Objectives

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Inflation

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INFLATION



Price levels **increase**



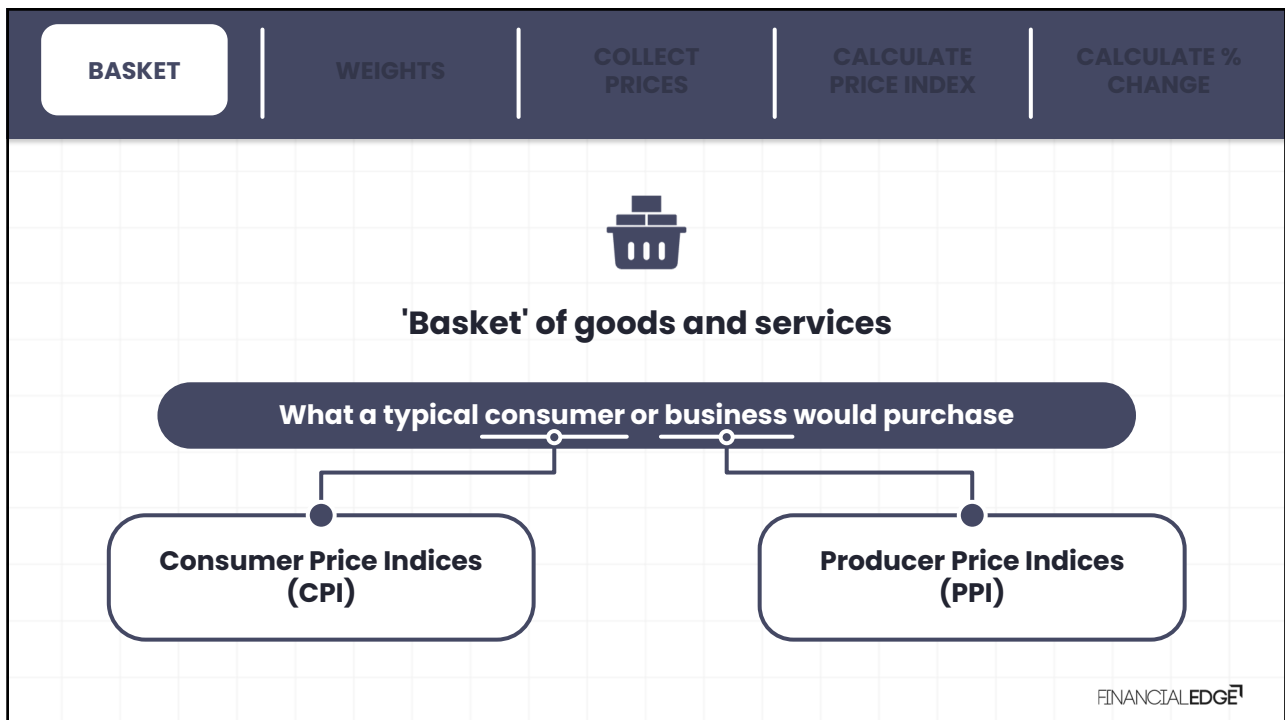
How **purchasing power is falling**

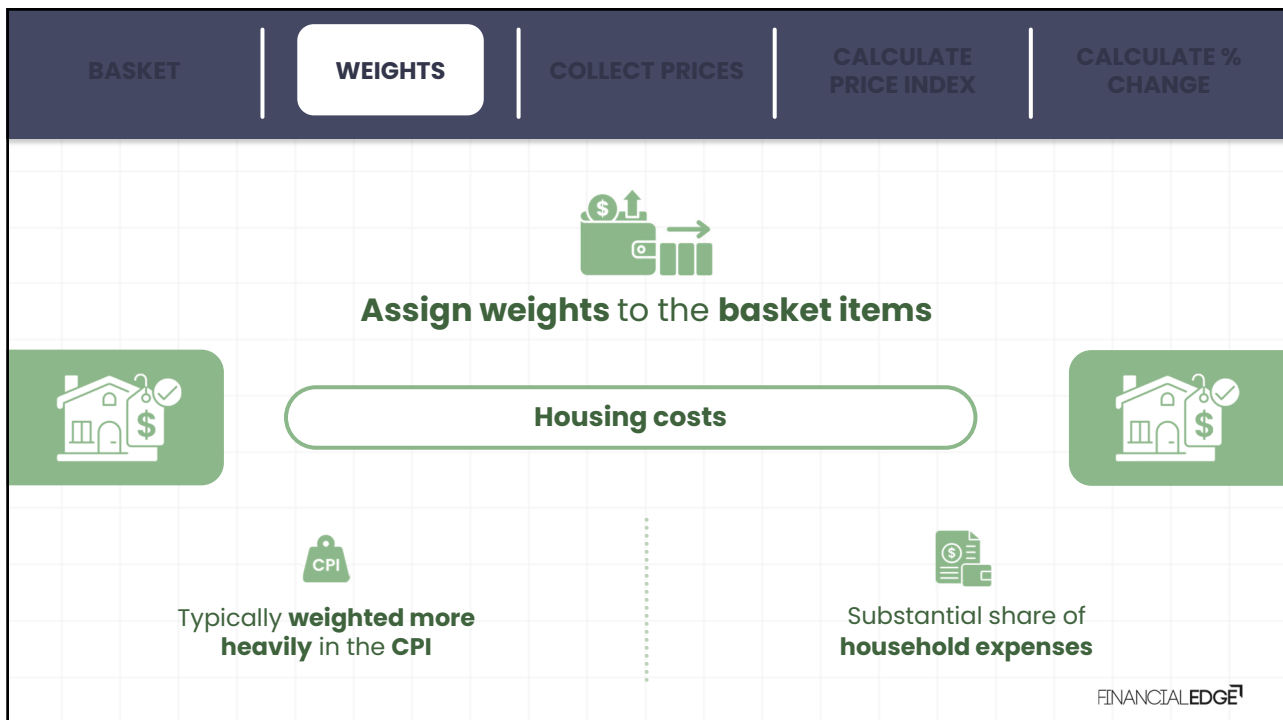
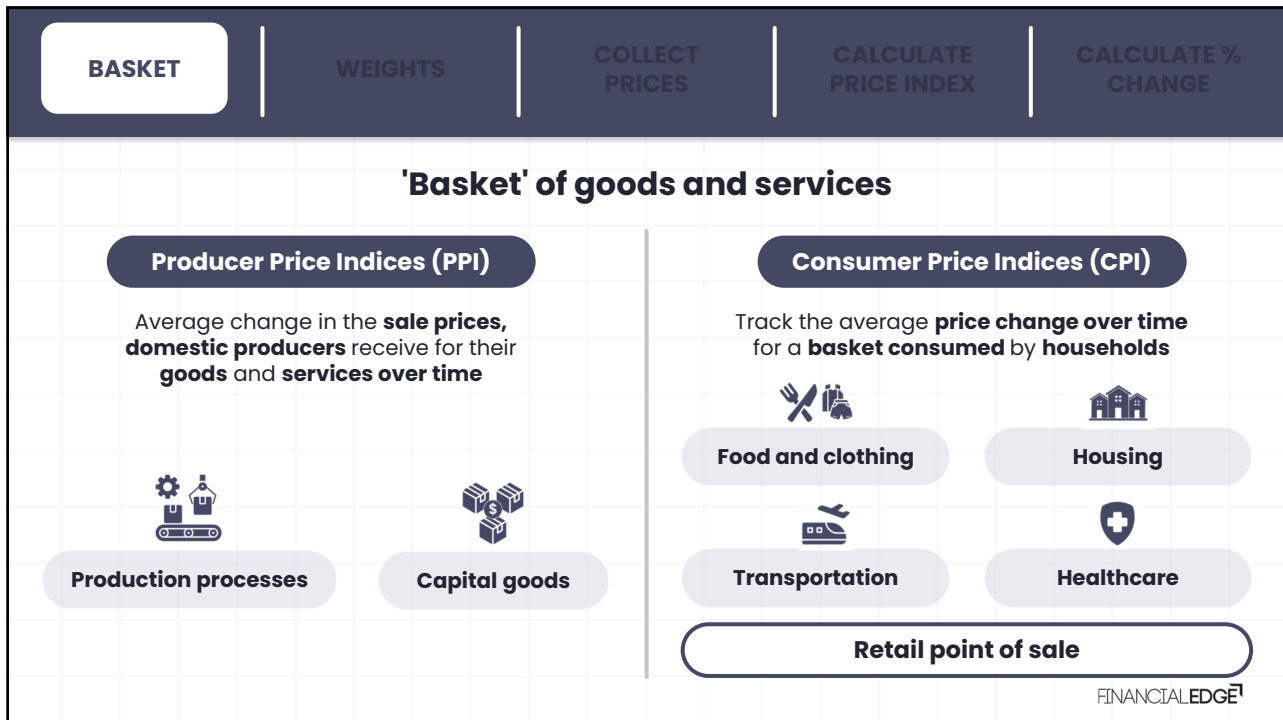
DEFLATION

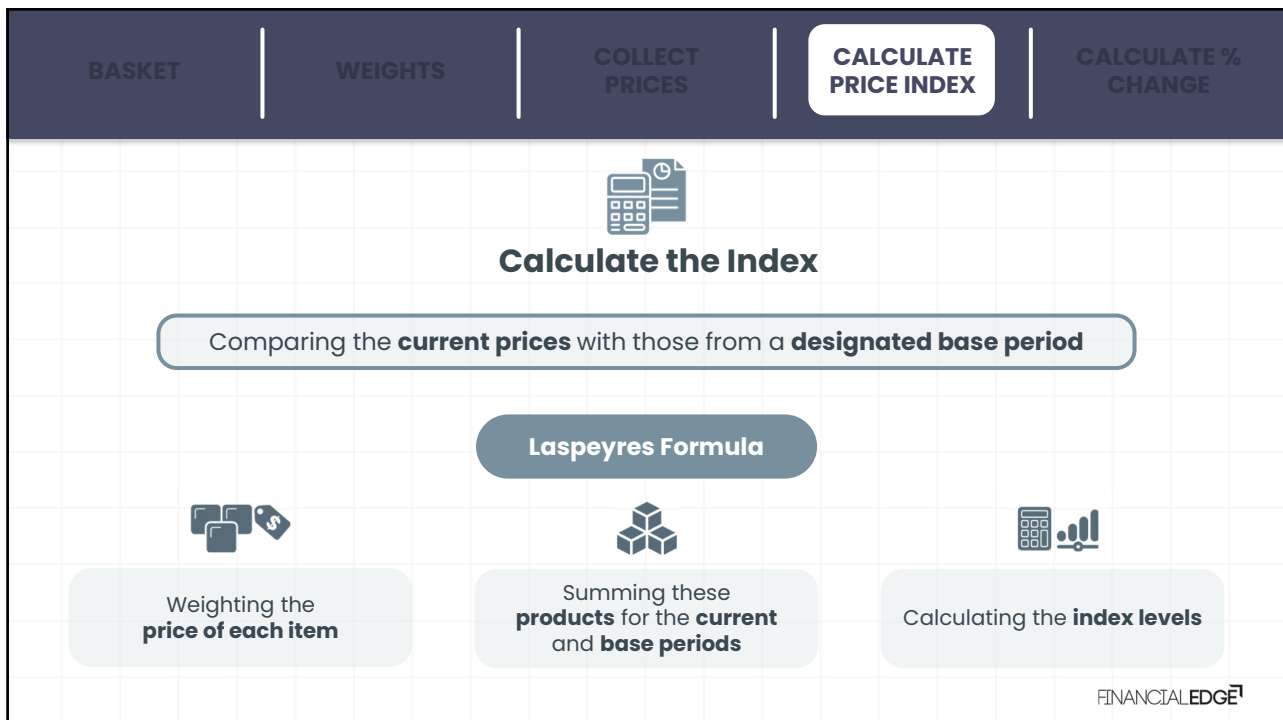


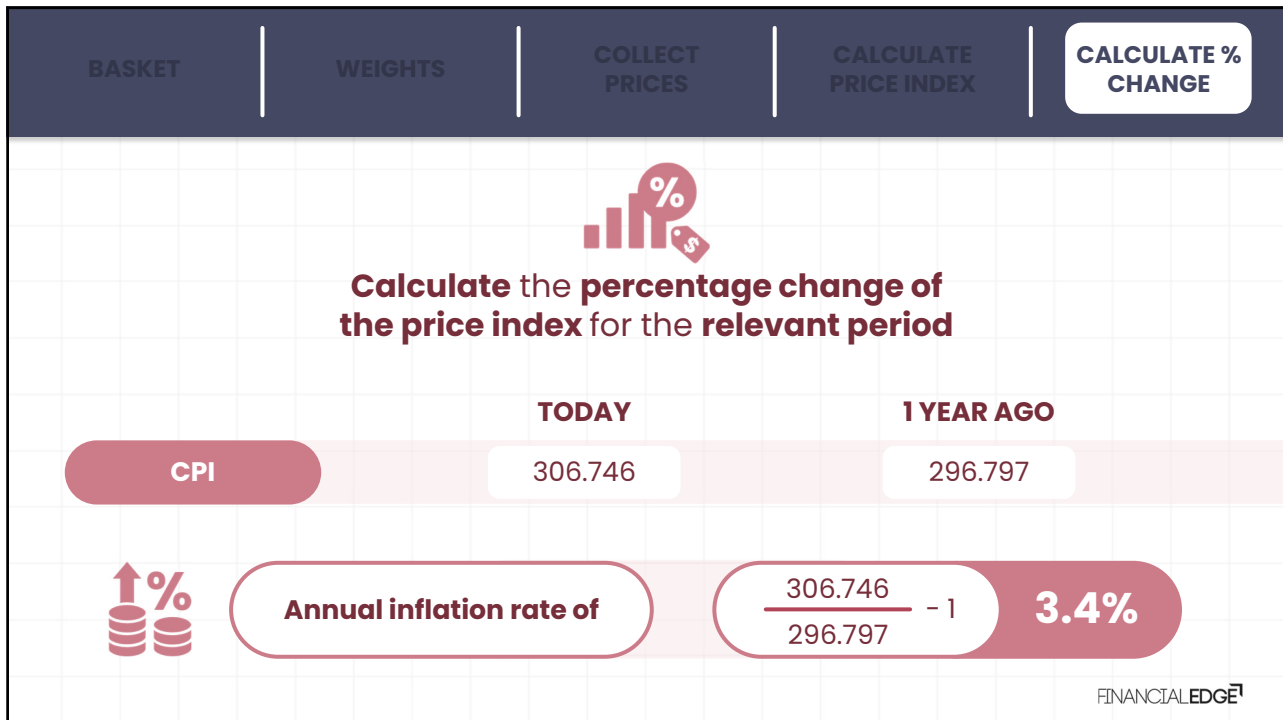
Price levels **decline**

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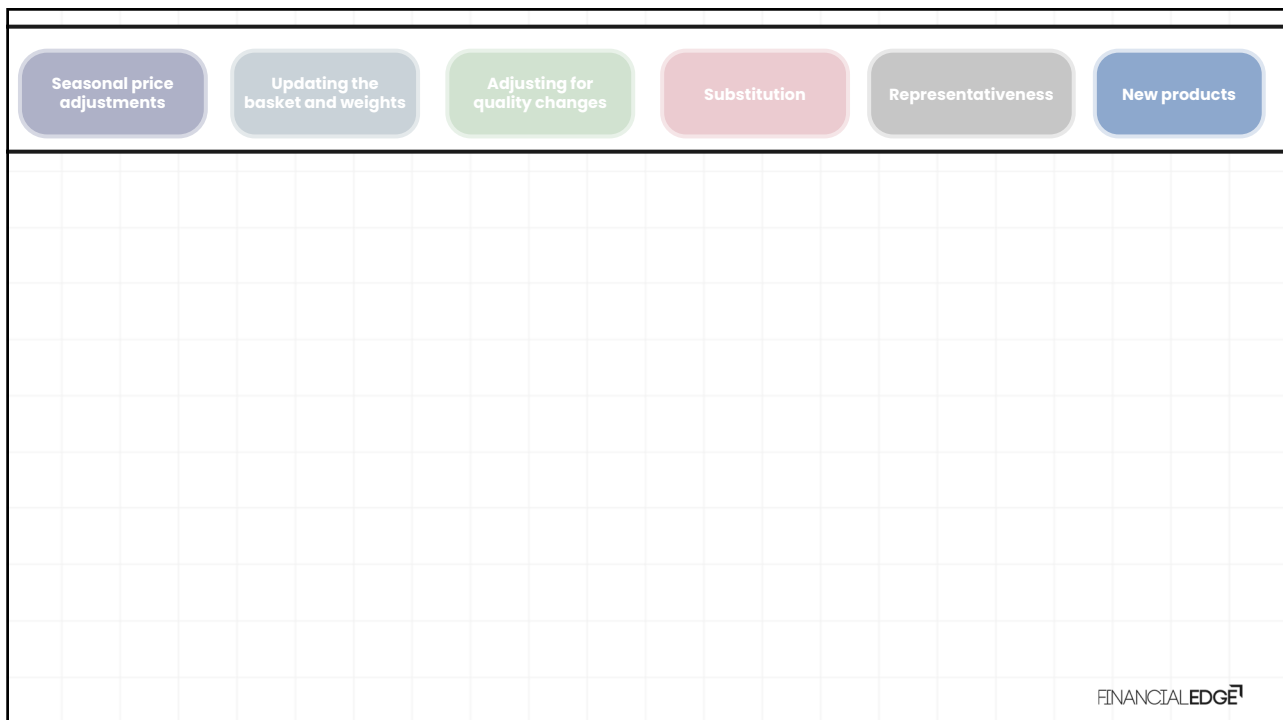
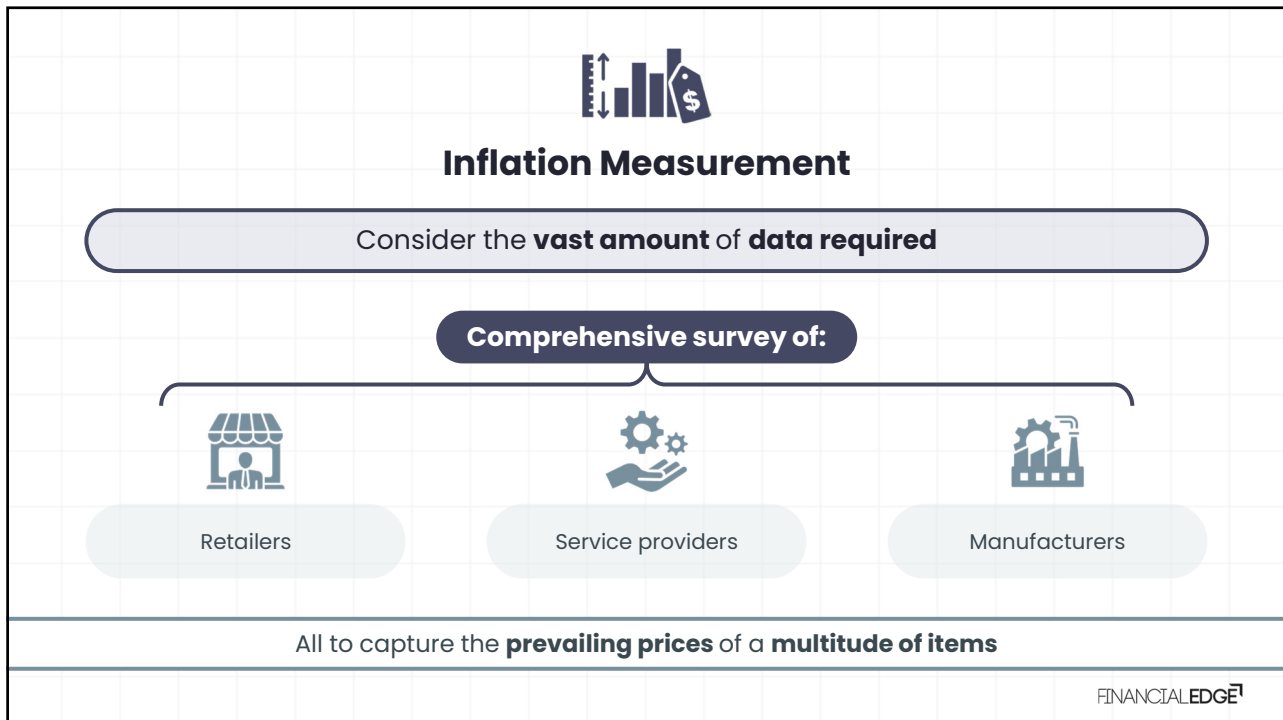
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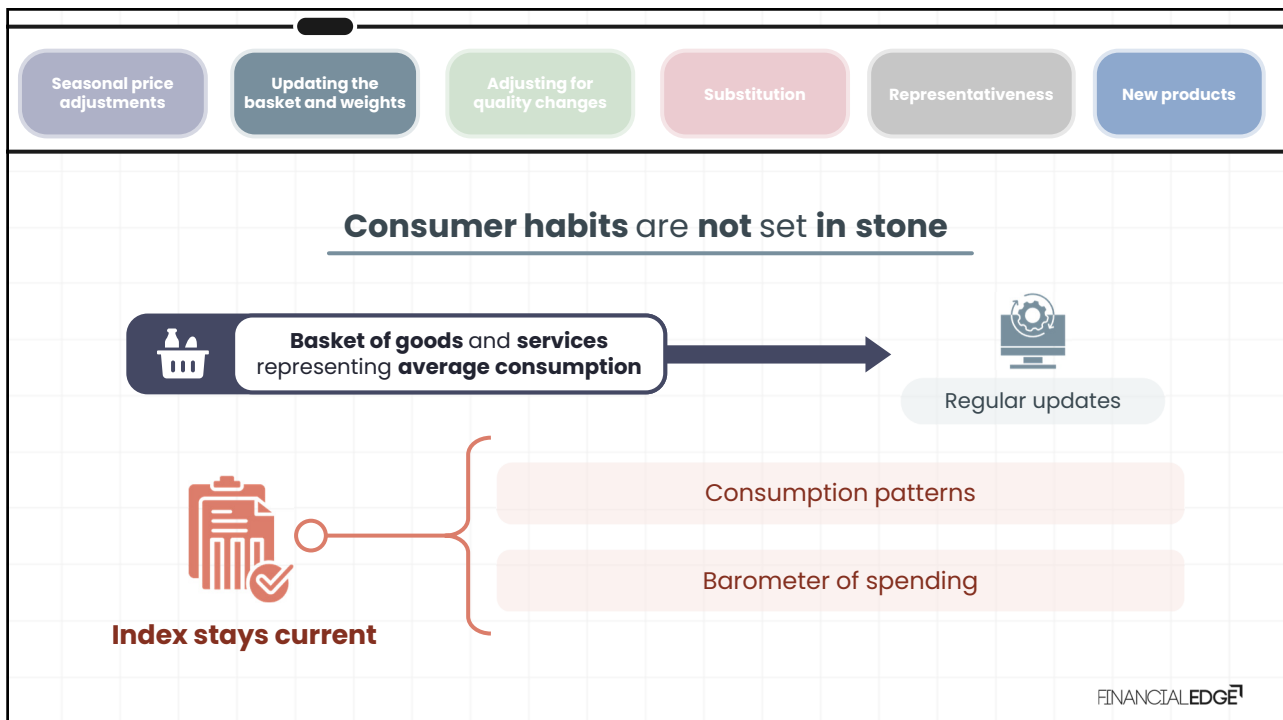
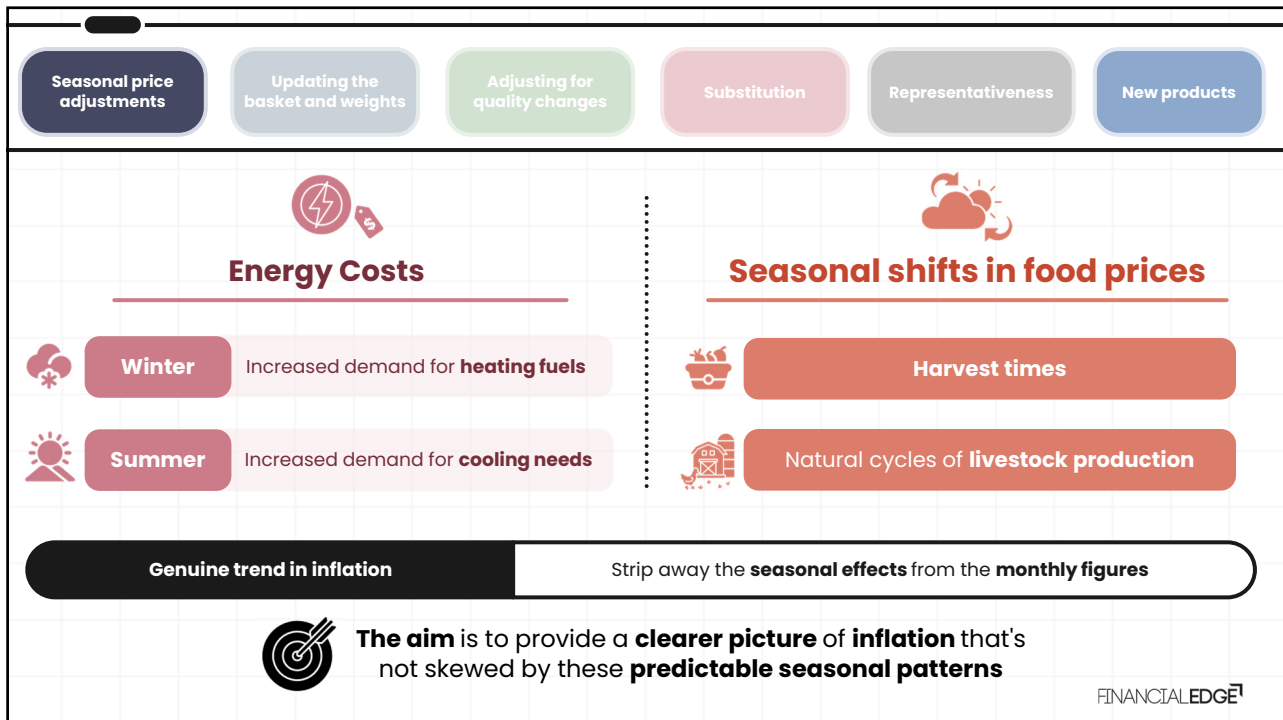


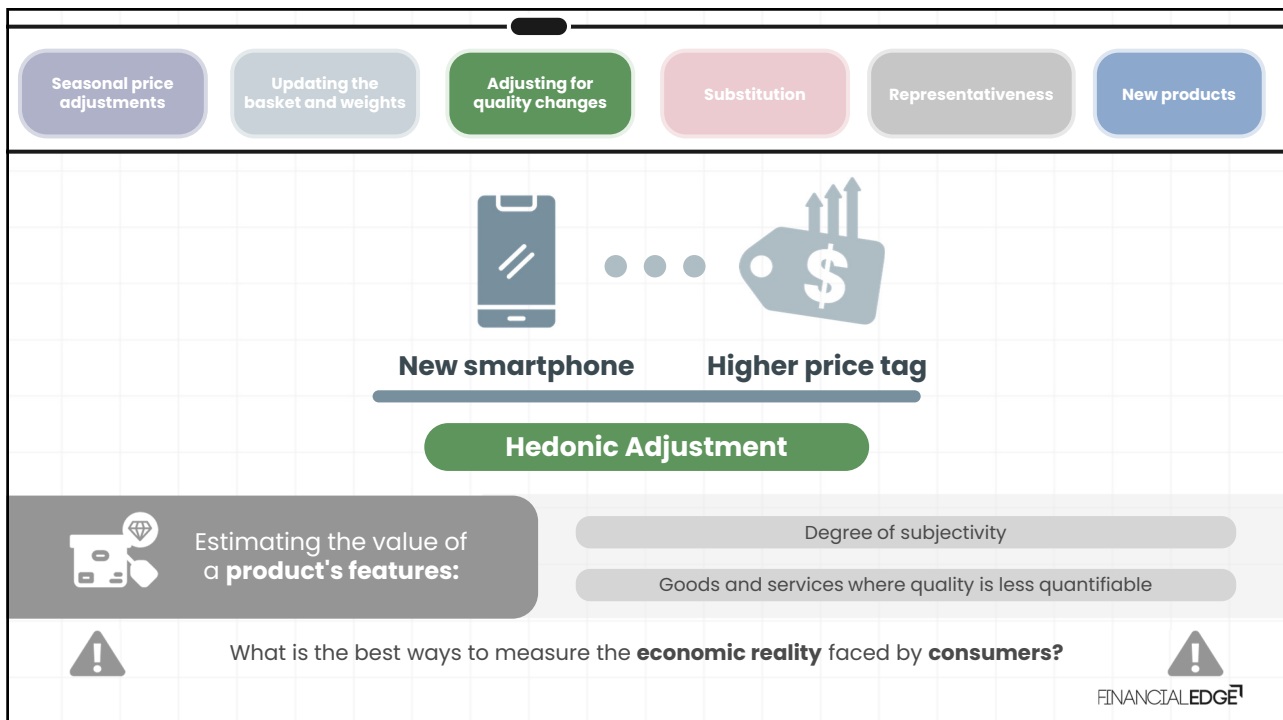
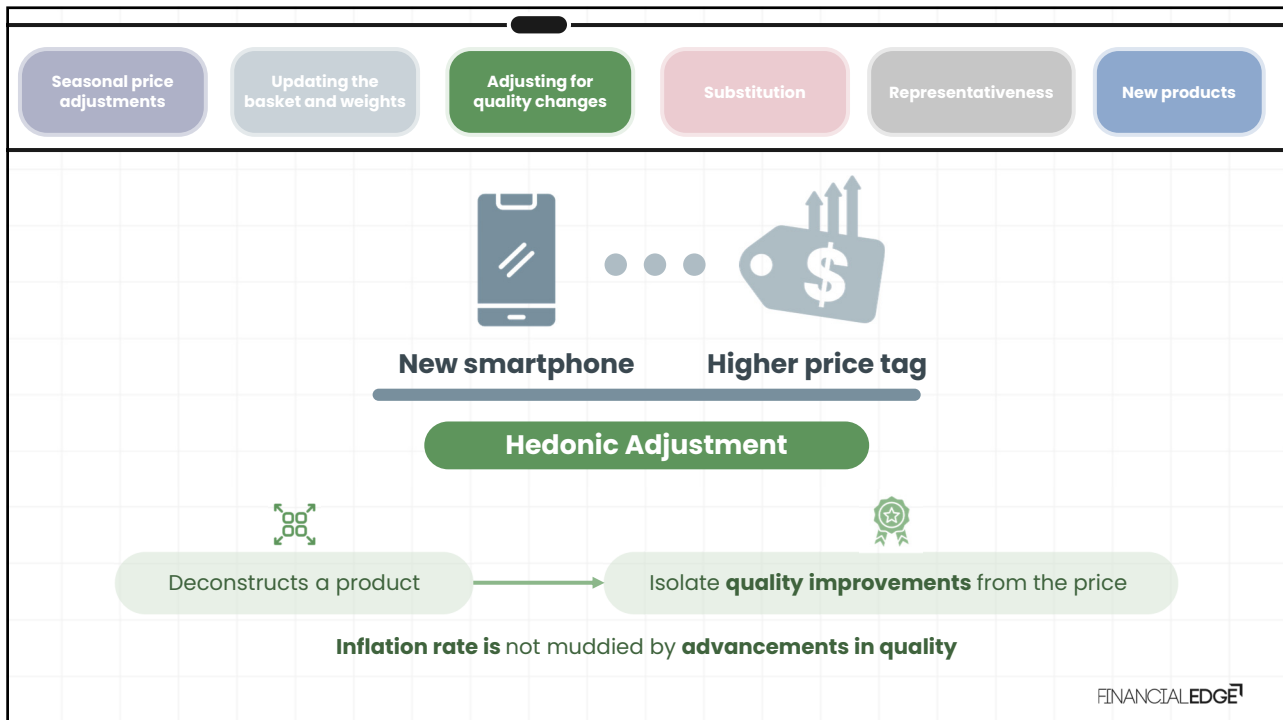


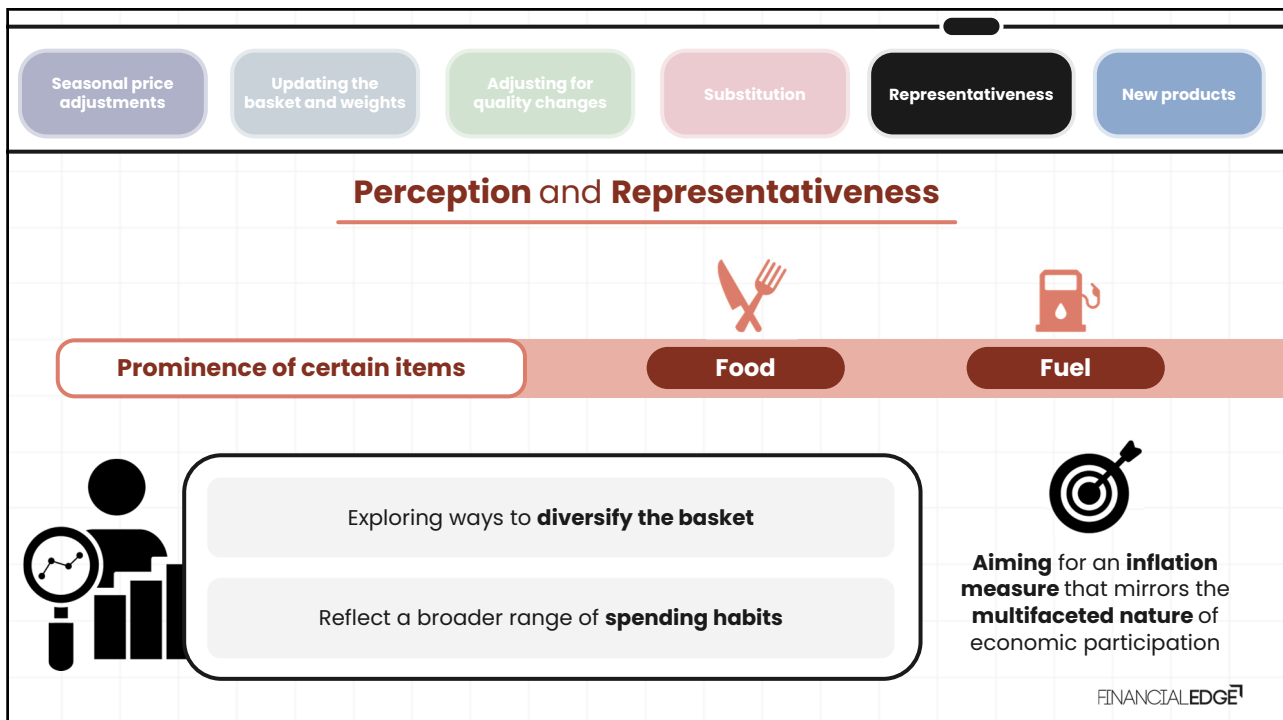
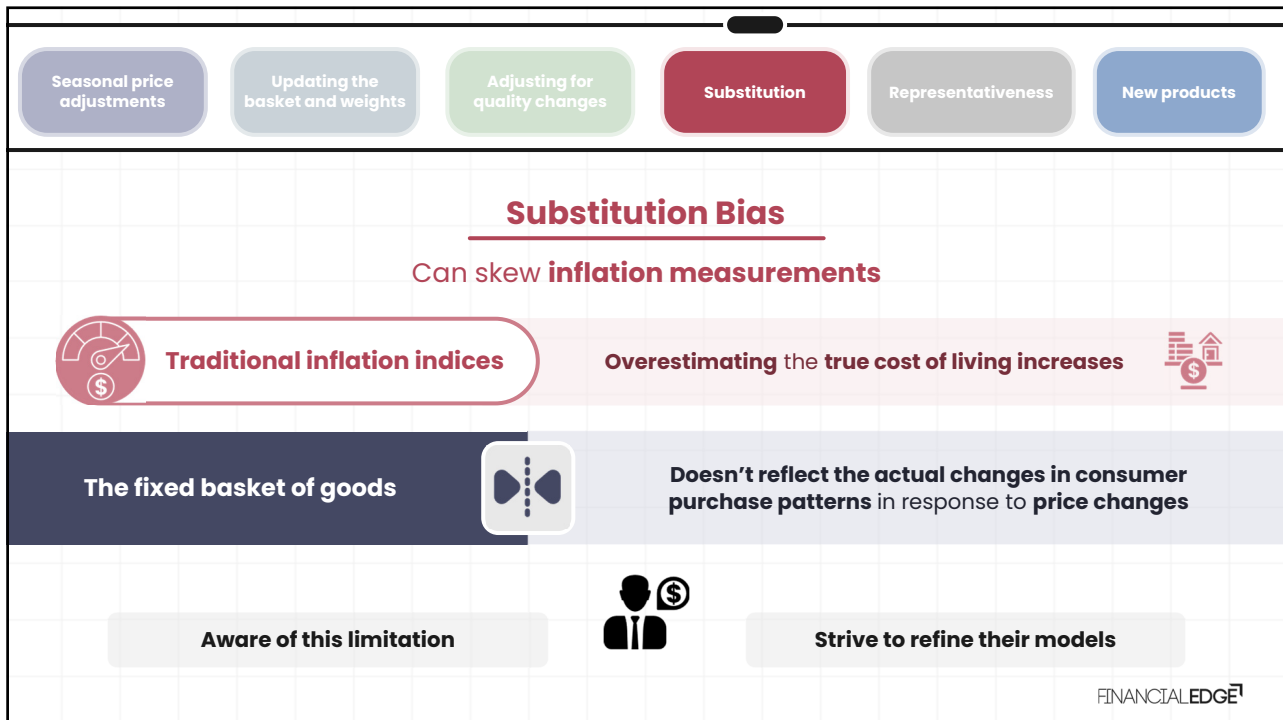


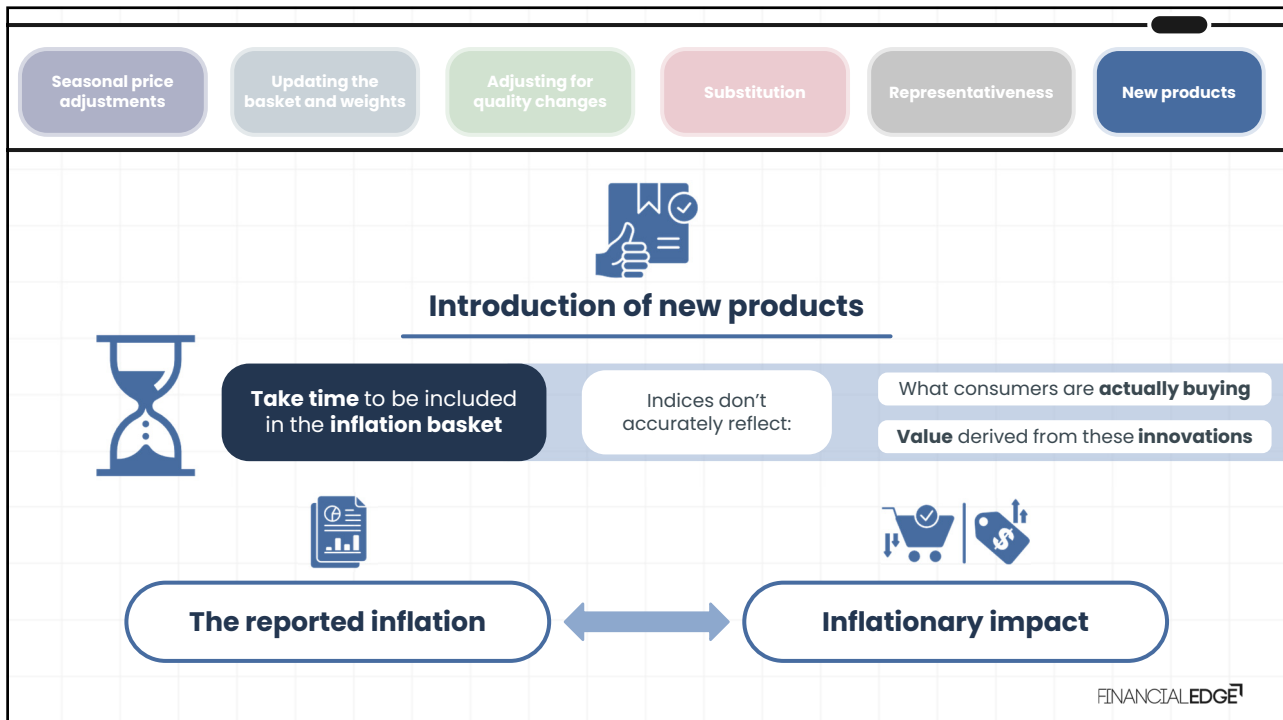
Inflation – Complexities











Core vs. Non-Core Inflation



Core inflation



Non-core inflation



Core inflation

Persistent and underlying price movement trend



Filter out volatile categories:

Energy prices

Food prices



Weather conditions



Geopolitical events



Seasonal demands



Core inflation

Distill the **inflation trend**



Shaping **long-term economic strategies**



Central banks typically prioritize **core inflation** in their **interest rate decisions**

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Non-core inflation

Encompasses all **consumer goods** and **services**



Captures the full scope of **price increases** across the consumer spectrum



Decoding the **direct inflationary forces** bearing down on consumers



Adjusting wages

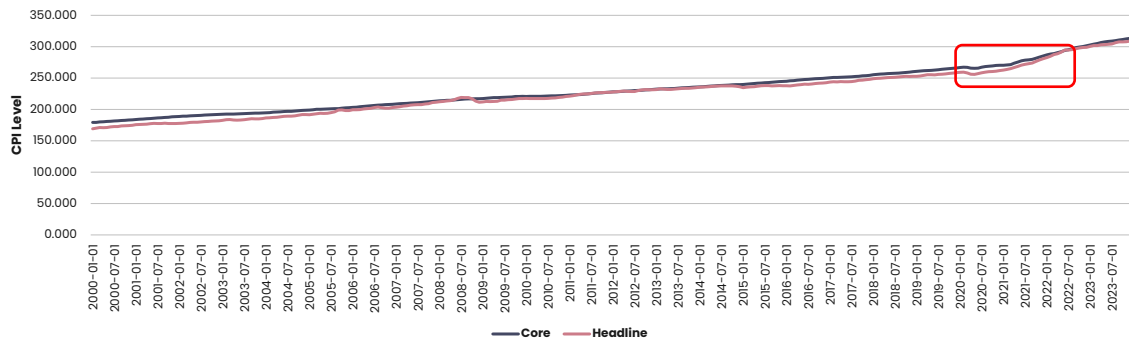


Pensions



Social security

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Source: U.S. Bureau of Economic Analysis, Consumer Price Index for All Urban Consumers, all items [CPIAUCSL] and Consumer Price Index for All Urban Consumers, all items less food and energy [CPIFESL], retrieved from FRED, Federal Reserve Bank of St. Louis

Core Inflation

Smoothed-out perspective

Free from the **often wild swings of energy and food prices**

Headline Inflation

Tendency to be more erratic

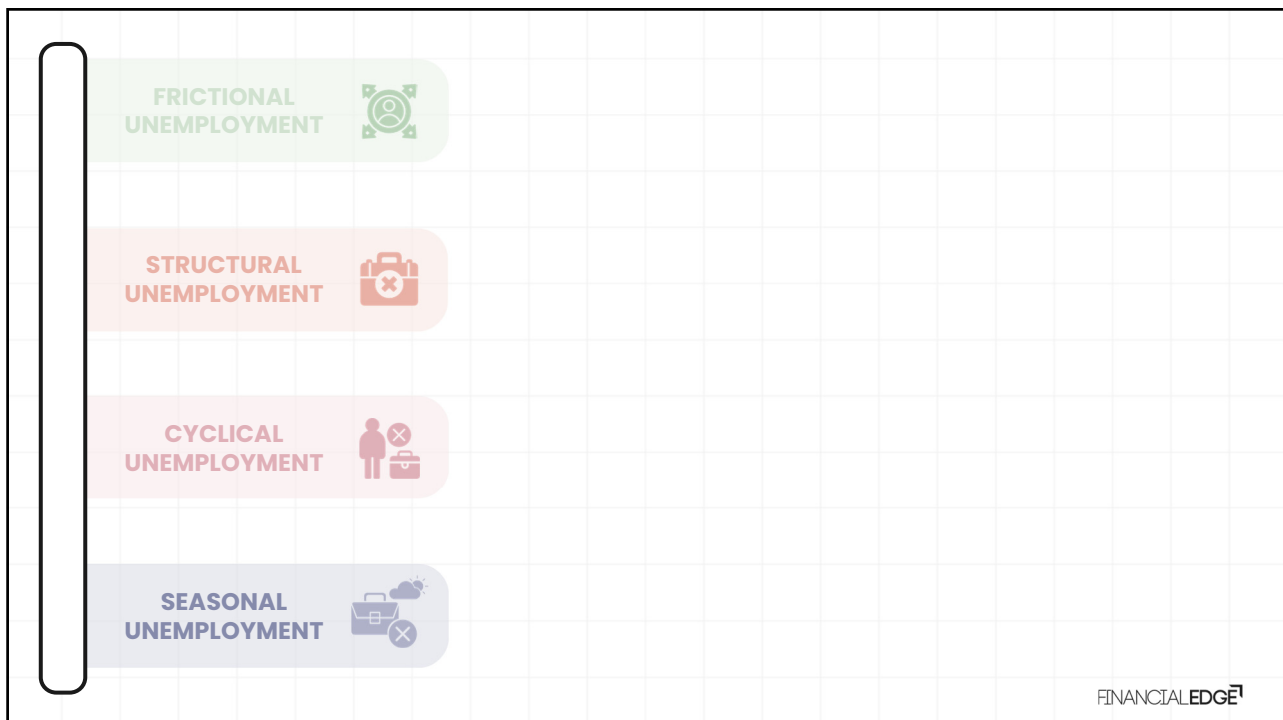
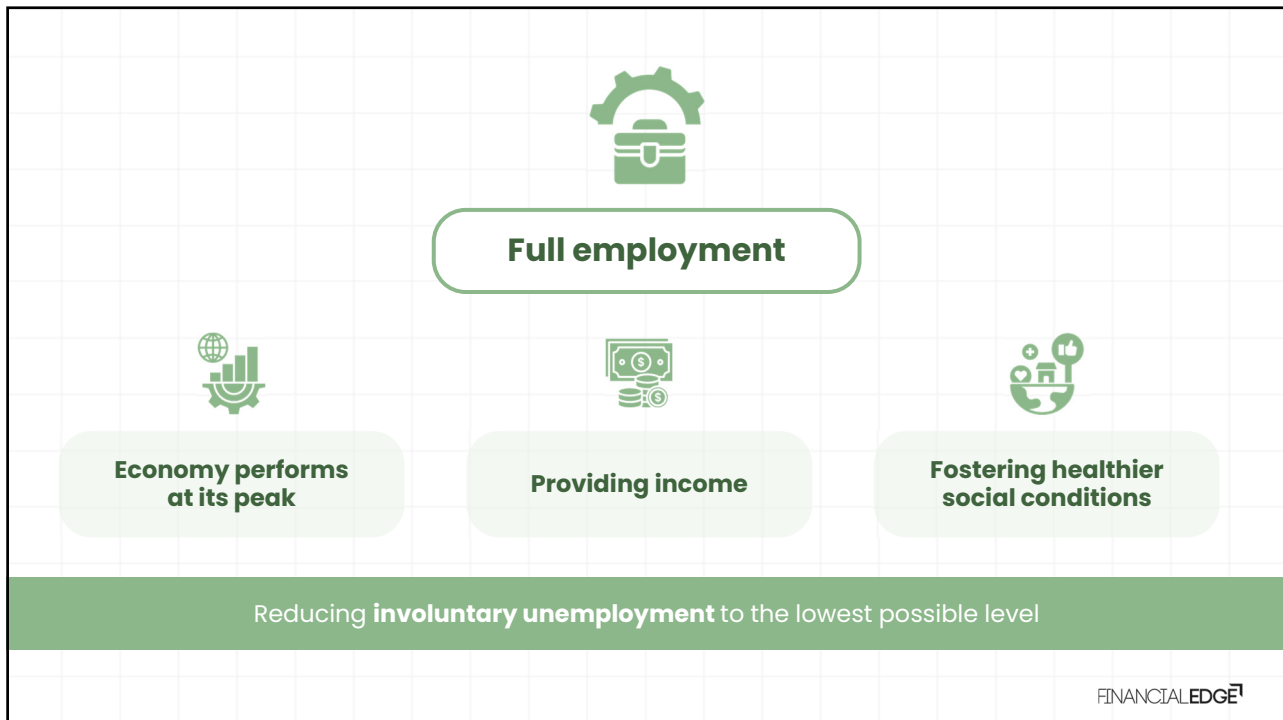
Doesn't consistently **outpace core inflation**

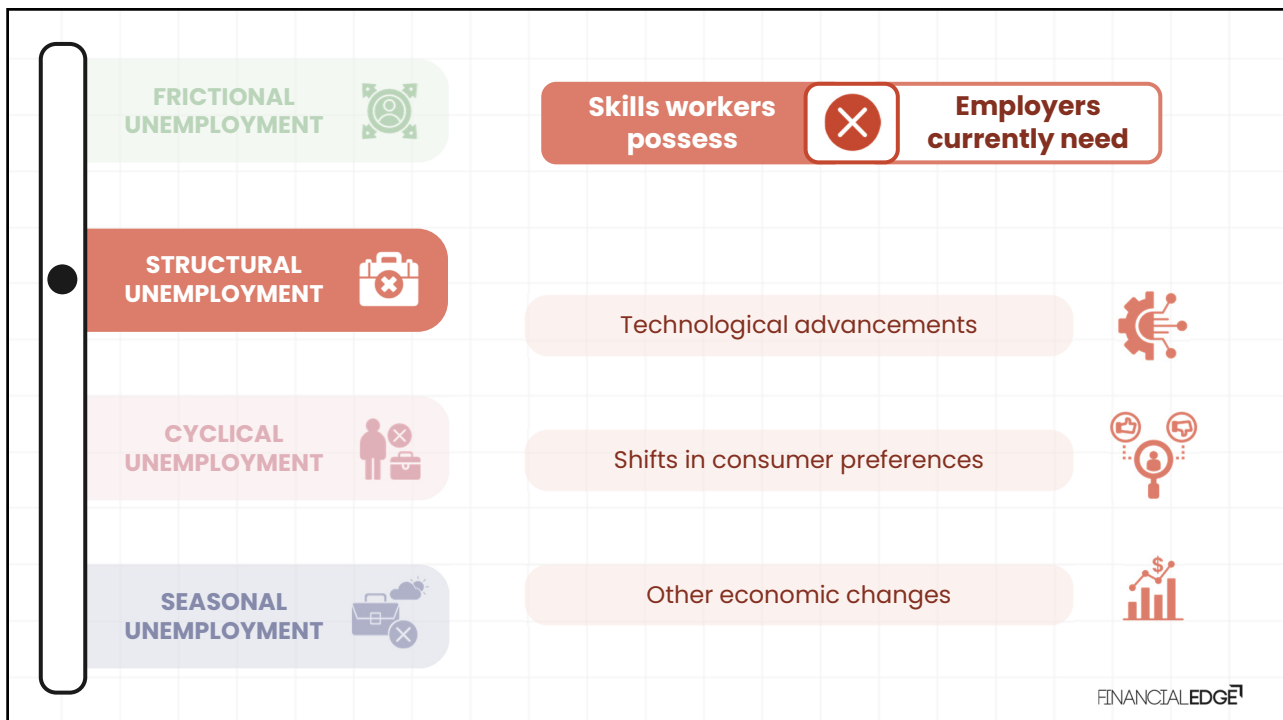
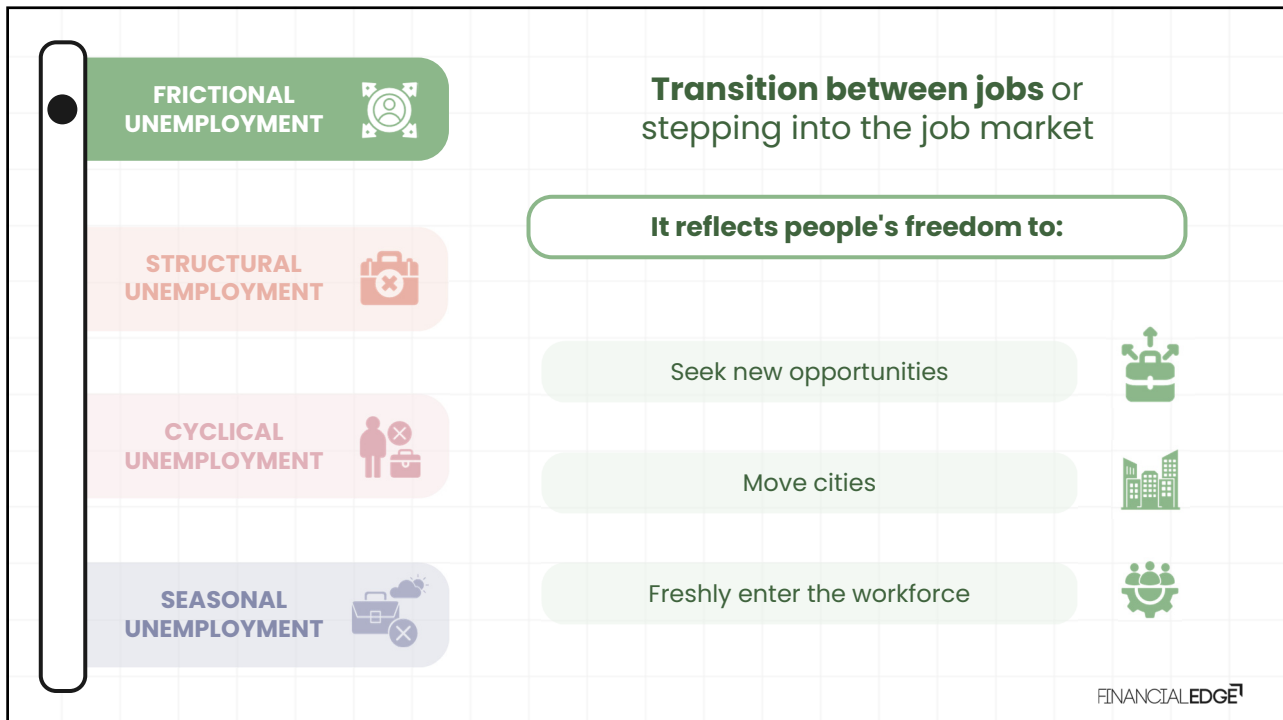
Immediate and full impact of market changes

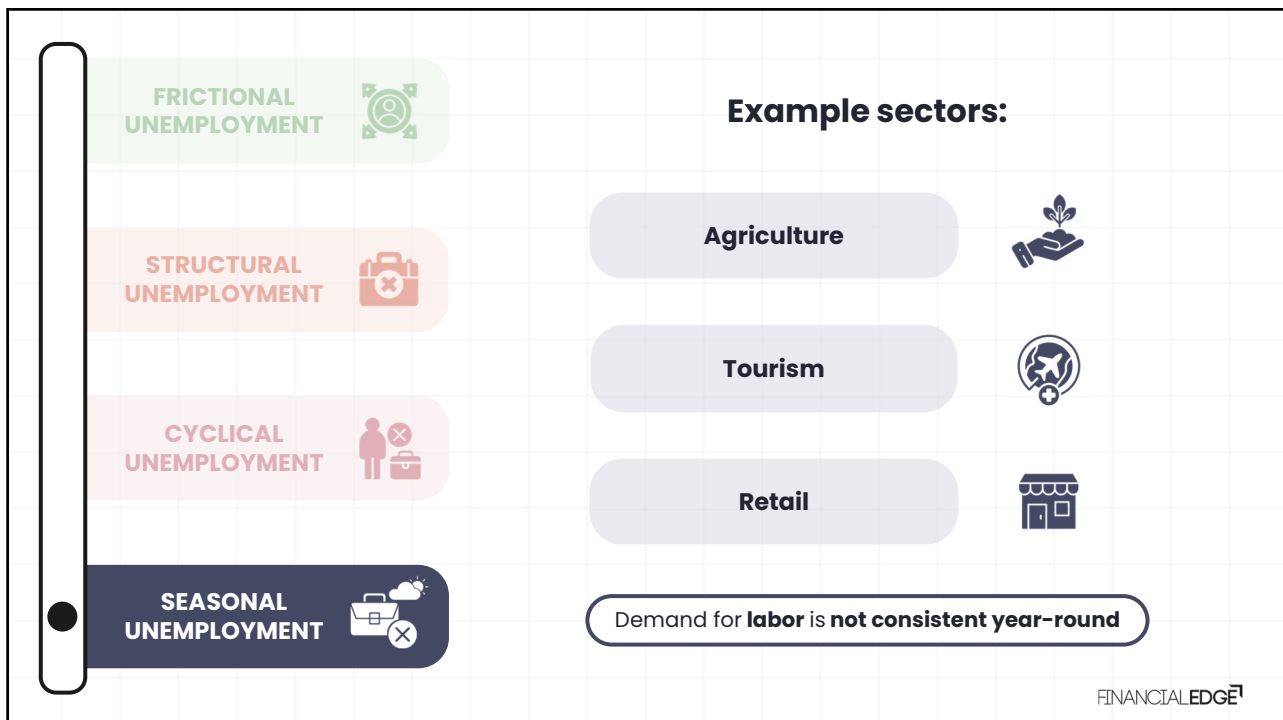
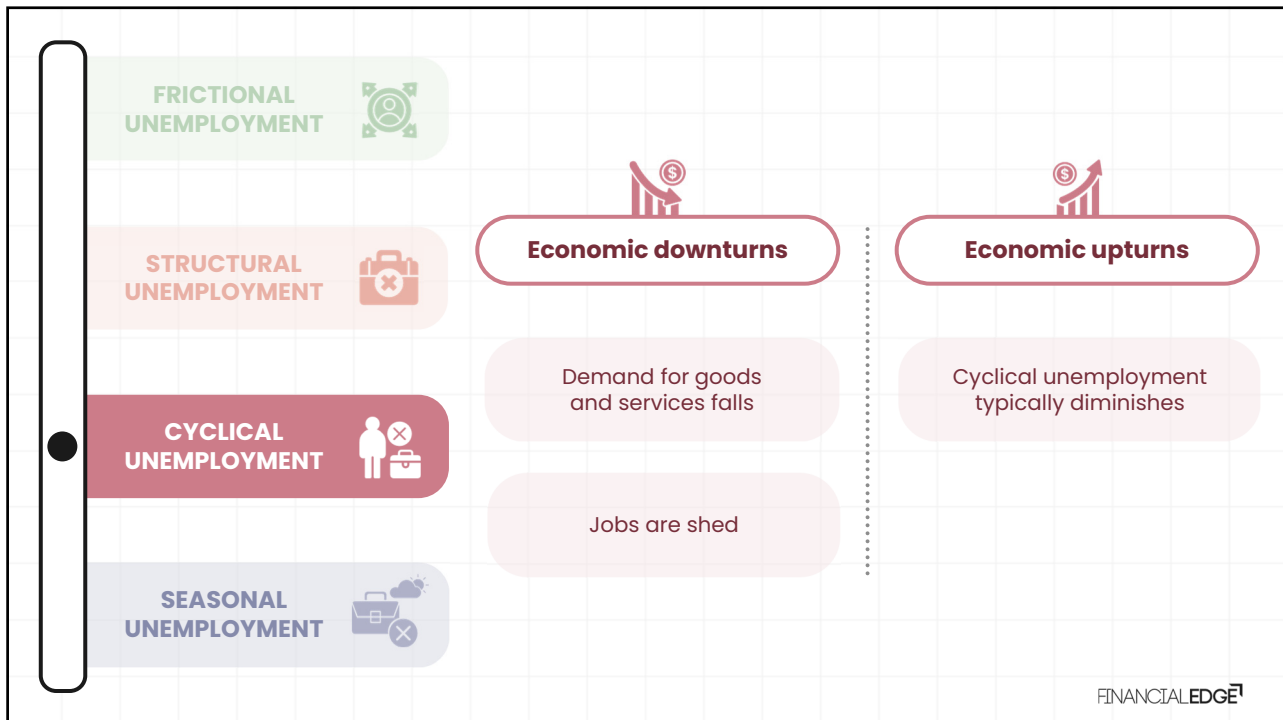
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Types of Unemployment

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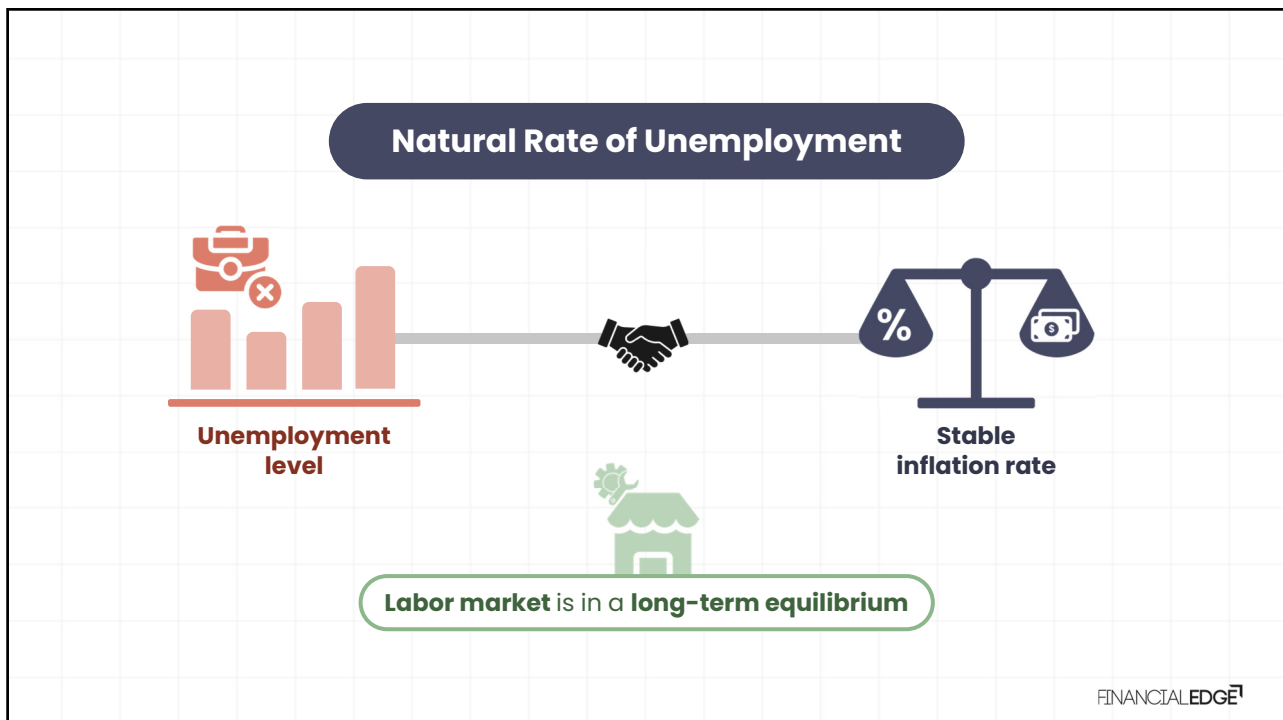
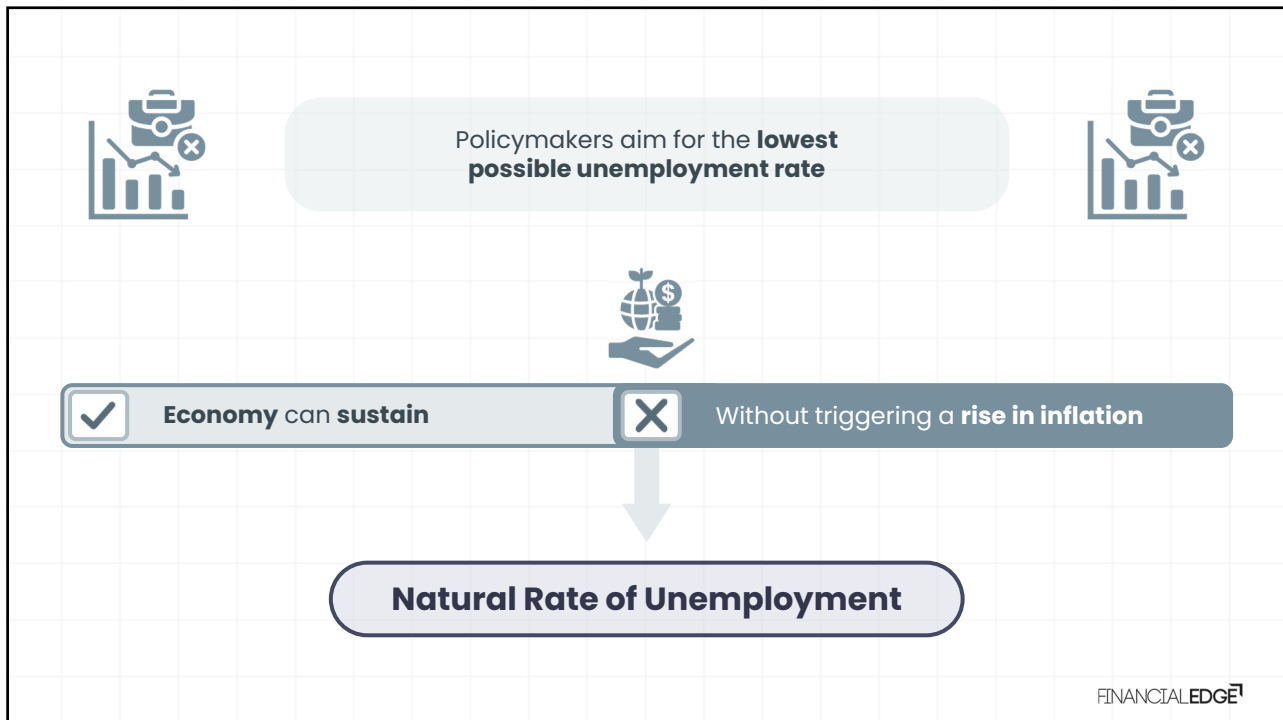


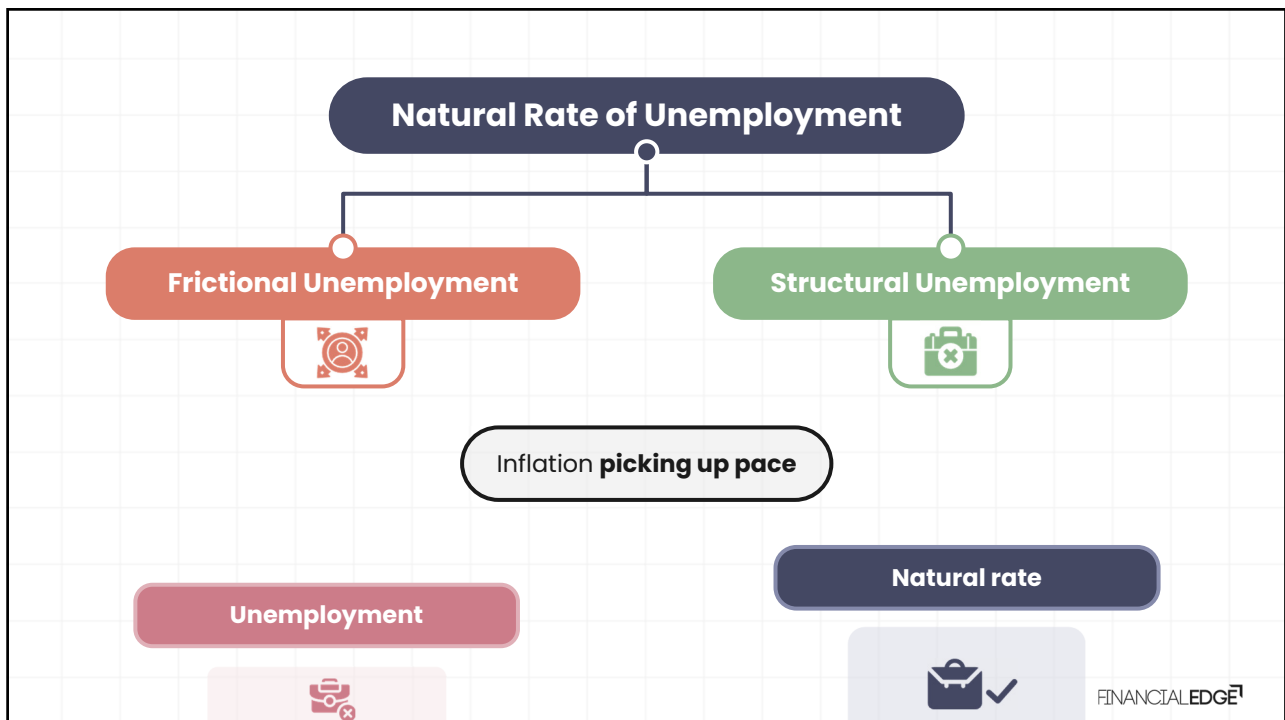
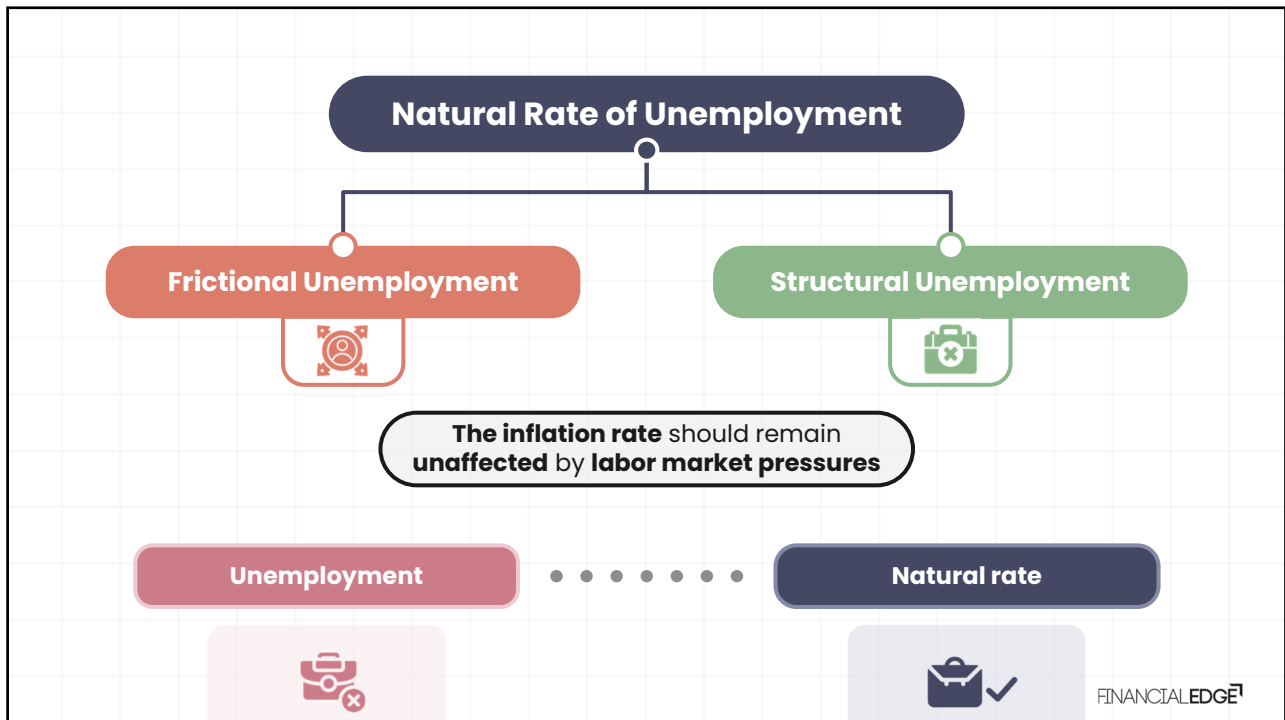
Other unemployment types

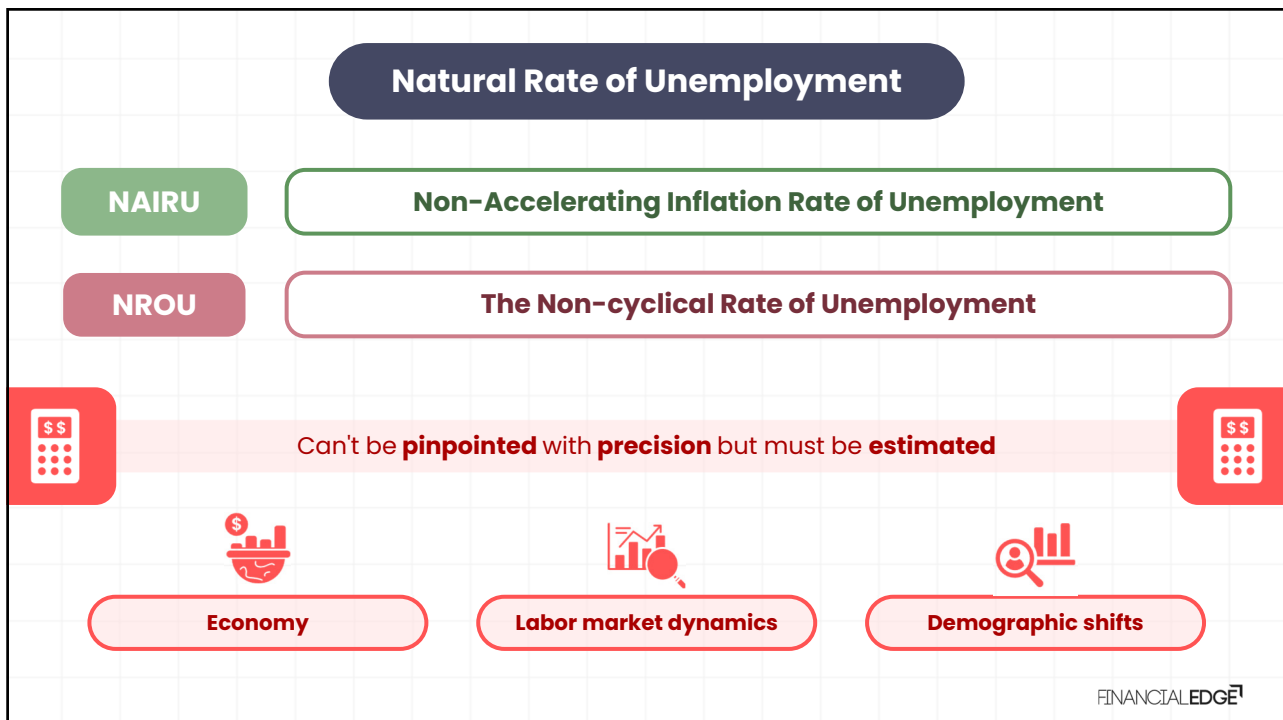
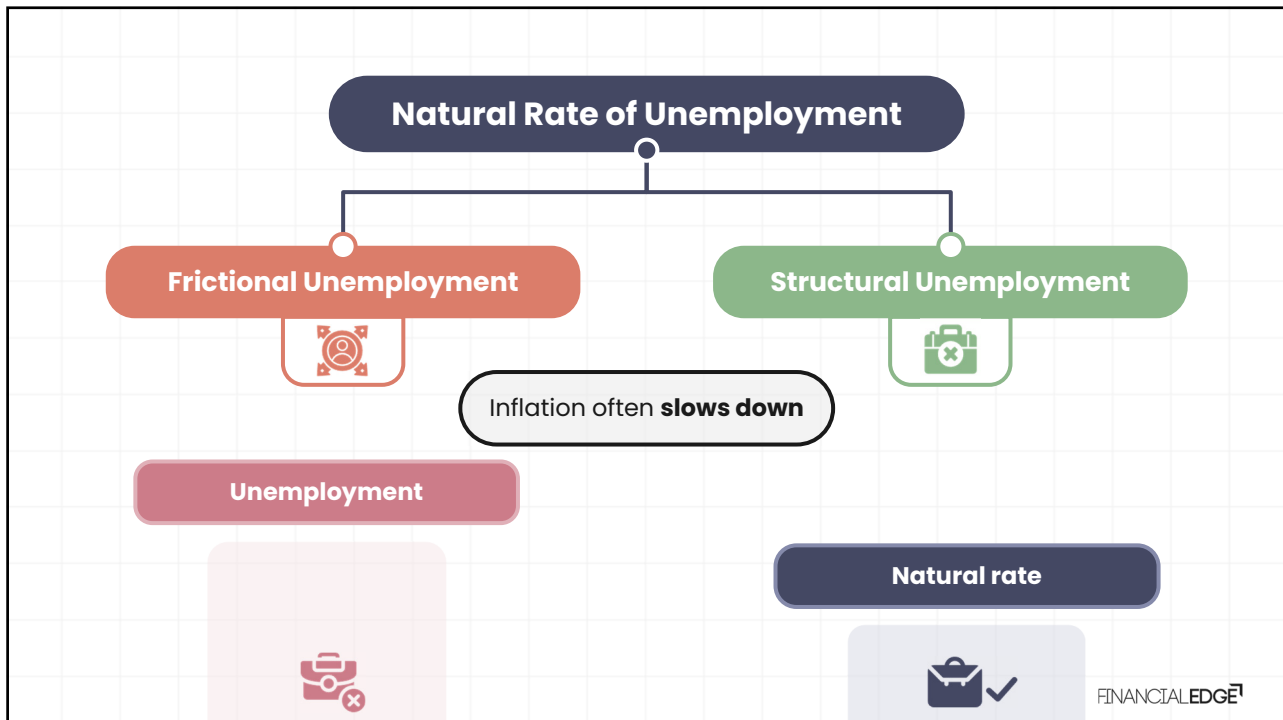


Deeper **economic issues** that require
strategic policy interventions to rectify

Full Employment







Measuring Unemployment

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Metrics behind the **unemployment rate**



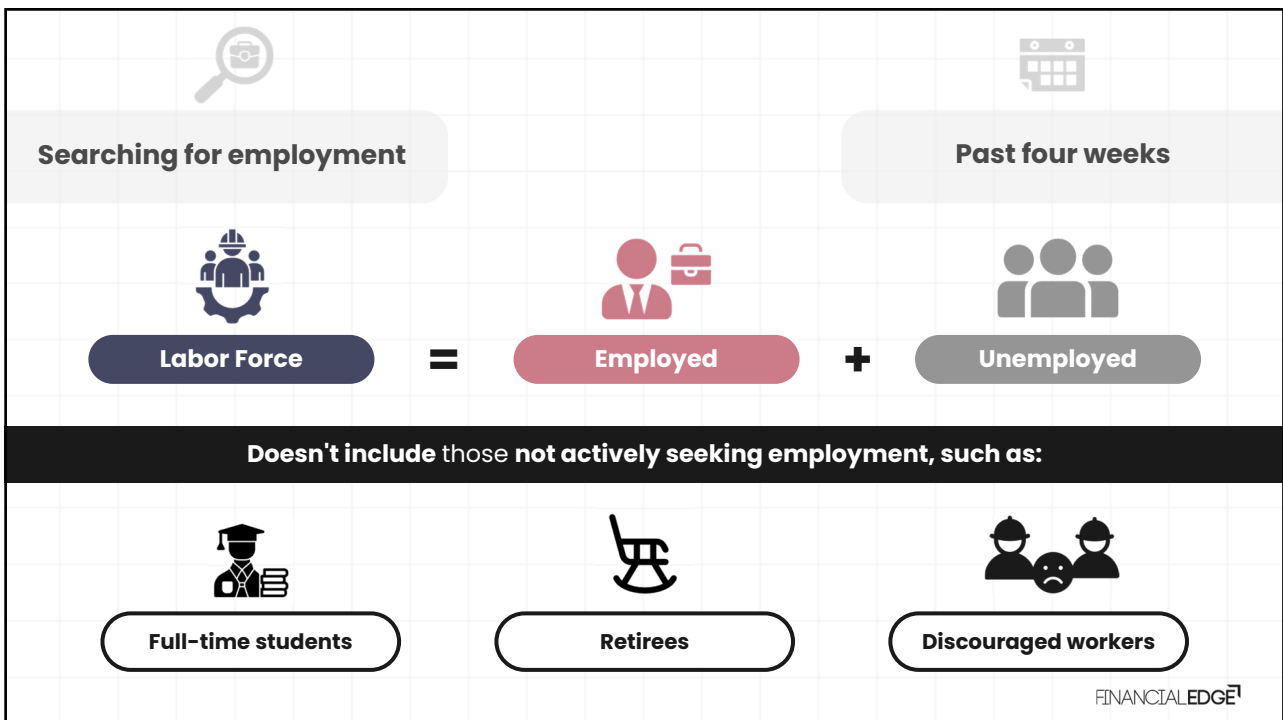
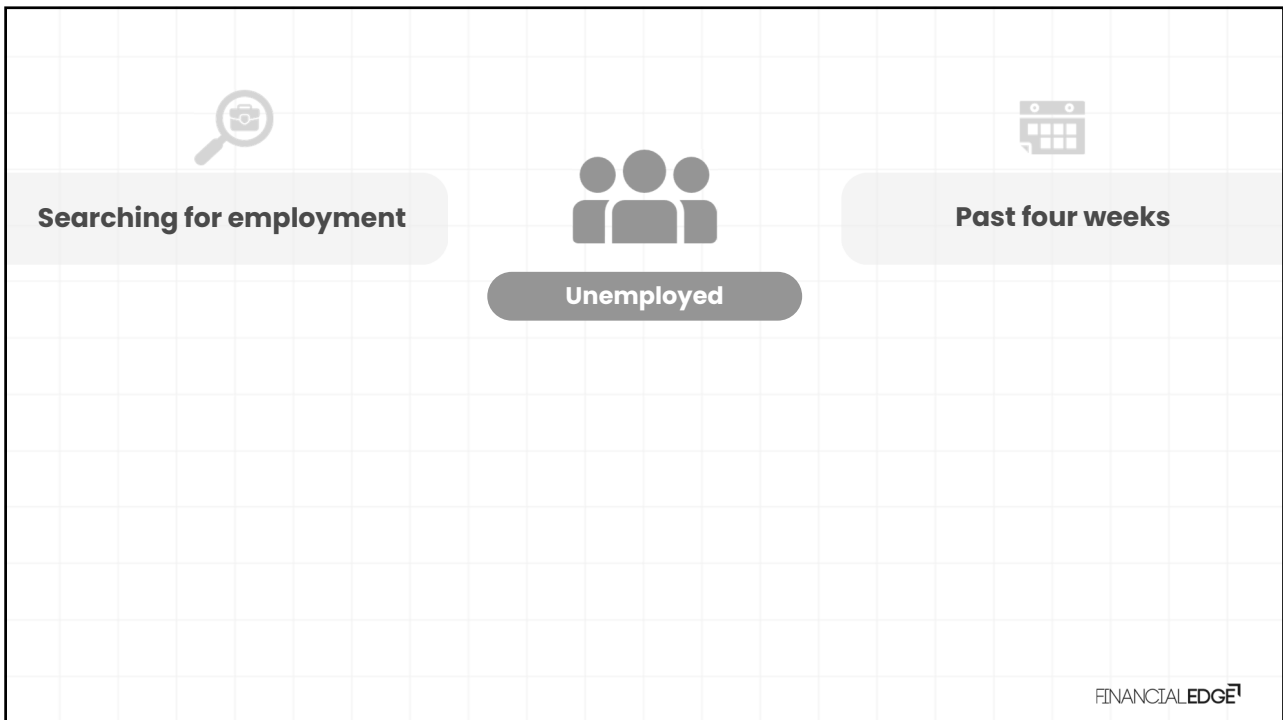
Pulse-check

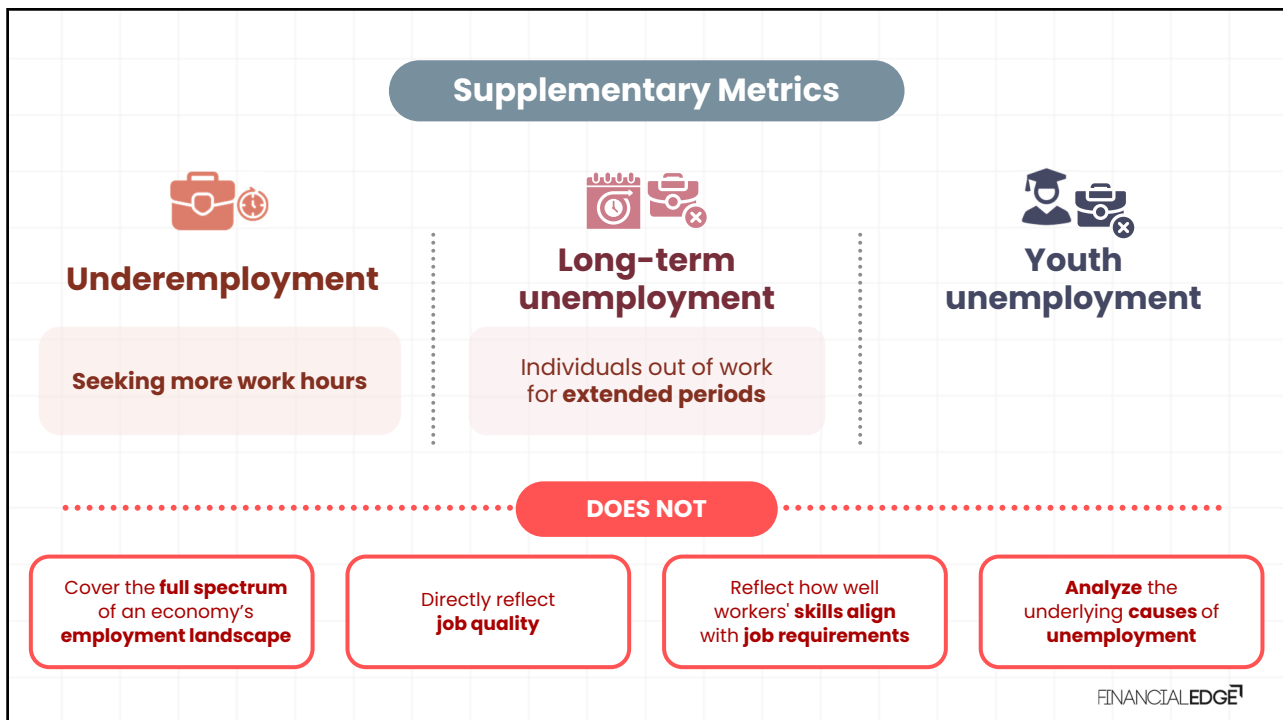
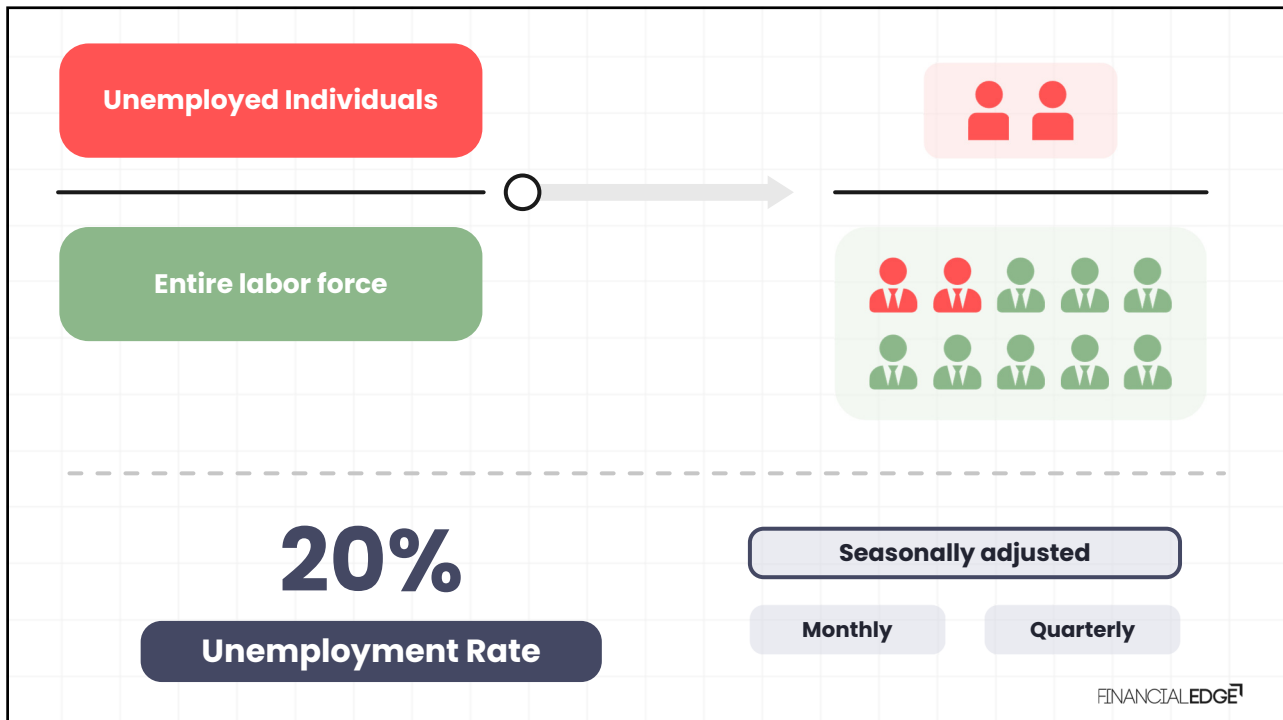


The economy's employment health

Core principles of measuring unemployment are largely universal

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Unemployment Rate's Fluctuations

Several factors that can lead to changes in this rate



A decline in the unemployment rate

Uptick in employment

More individuals are **gaining work**



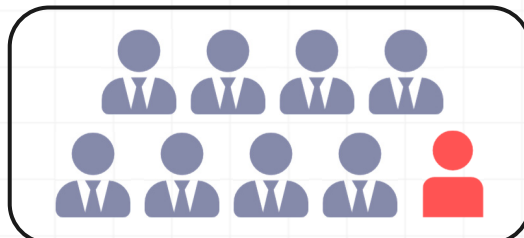
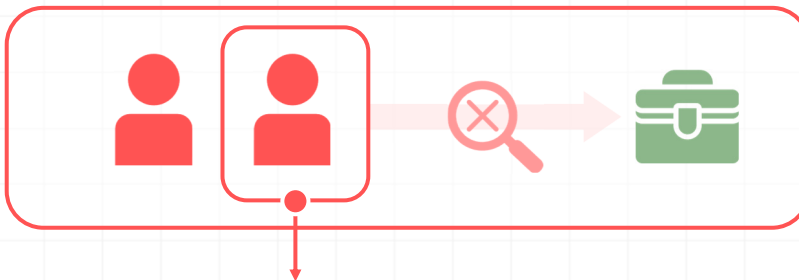
Job seekers become disheartened

Cease their **search** for employment.
No longer counted as **unemployed**

Unemployment rate decreases
but **not** due to **job growth**

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One of the **two unemployed** individuals **stops looking for work**



One unemployed person and **a labor force of nine**

The Unemployment Rate

Now falls to:

11.11%

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Why do we calculate the unemployment rate as a percentage of the labor force rather than the entire working-age population?



The Unemployment Rate

Job market's vitality

Ratio of the labor force

Actively seeking but unable to find work

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Many in the **working-age bracket are not in the labor force** for **non-labor market related reasons**



Students



Retirees



Stay-at-home
caregivers



Individuals with
disabilities

Inflate the figures, providing an inaccurate representation of job market health

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Interpreting a drop in unemployment requires a **discerning eye**



Genuine increase in **employment**?



Is the **labor force** diminishing
because **people are losing hope**?

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Participation Rate



% of **people** within the **working-age population**

Labor force

Employment

Active job seeking

Total labor force

Total working age population

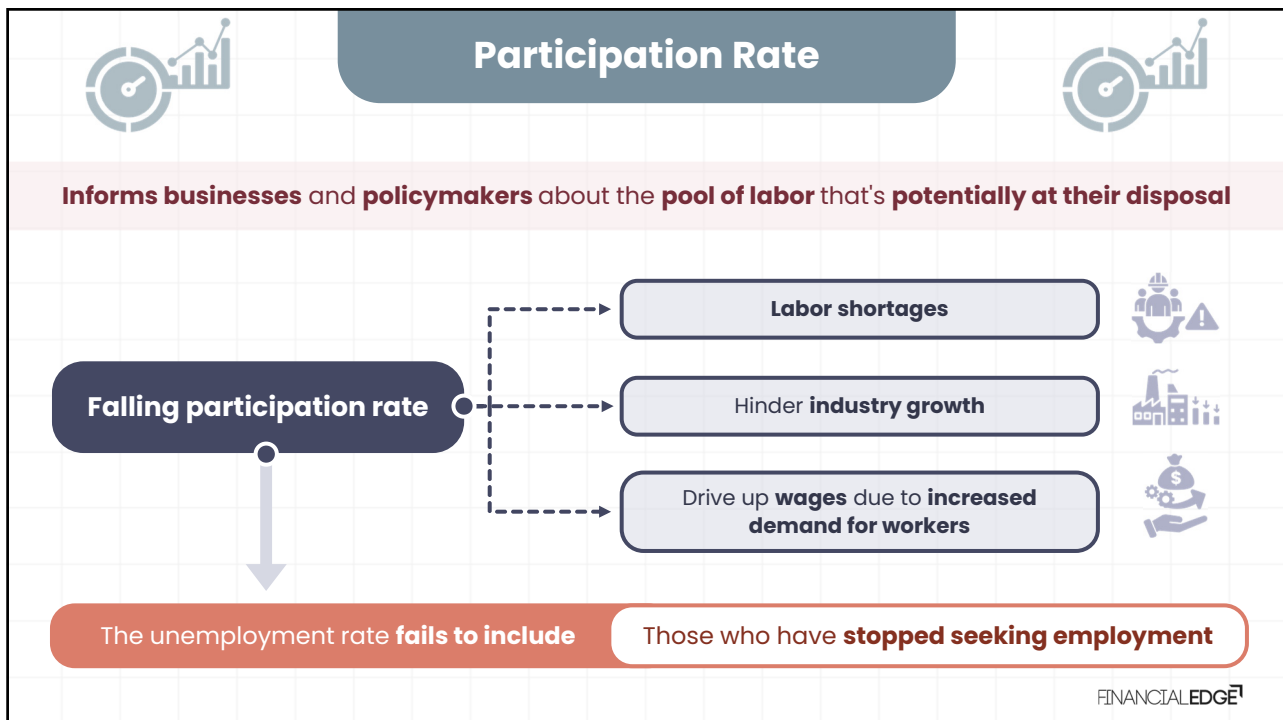
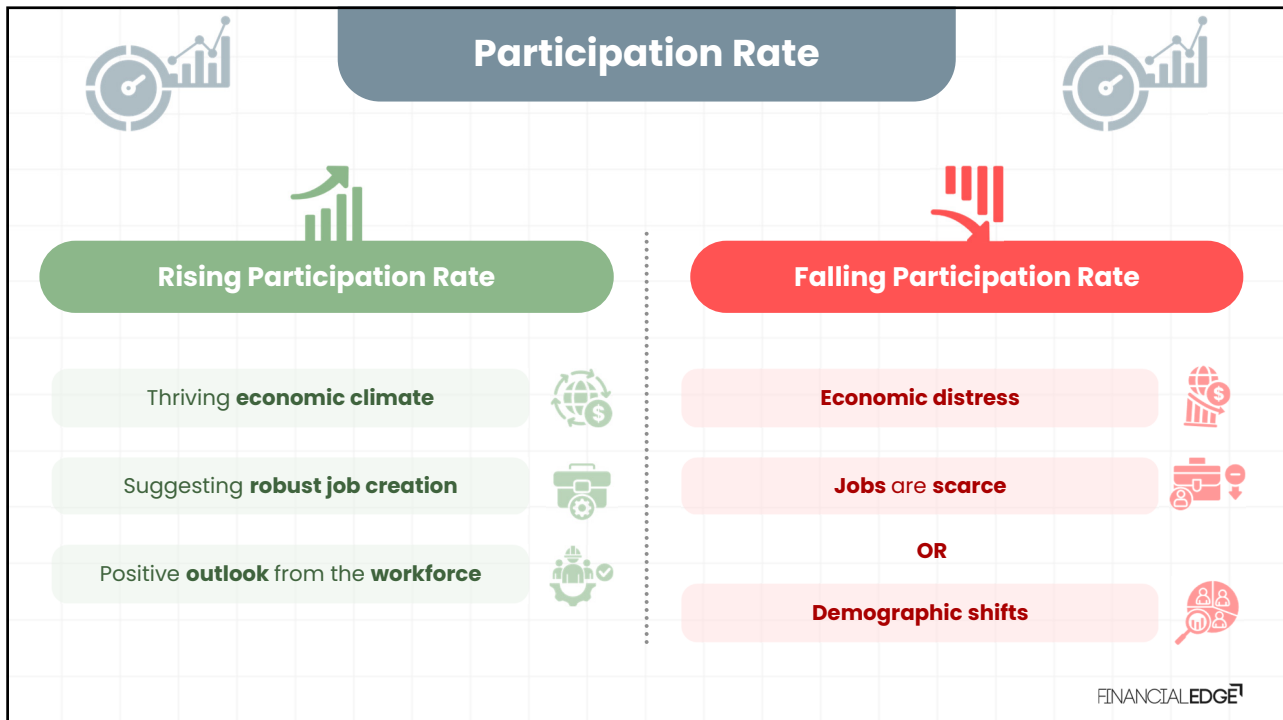
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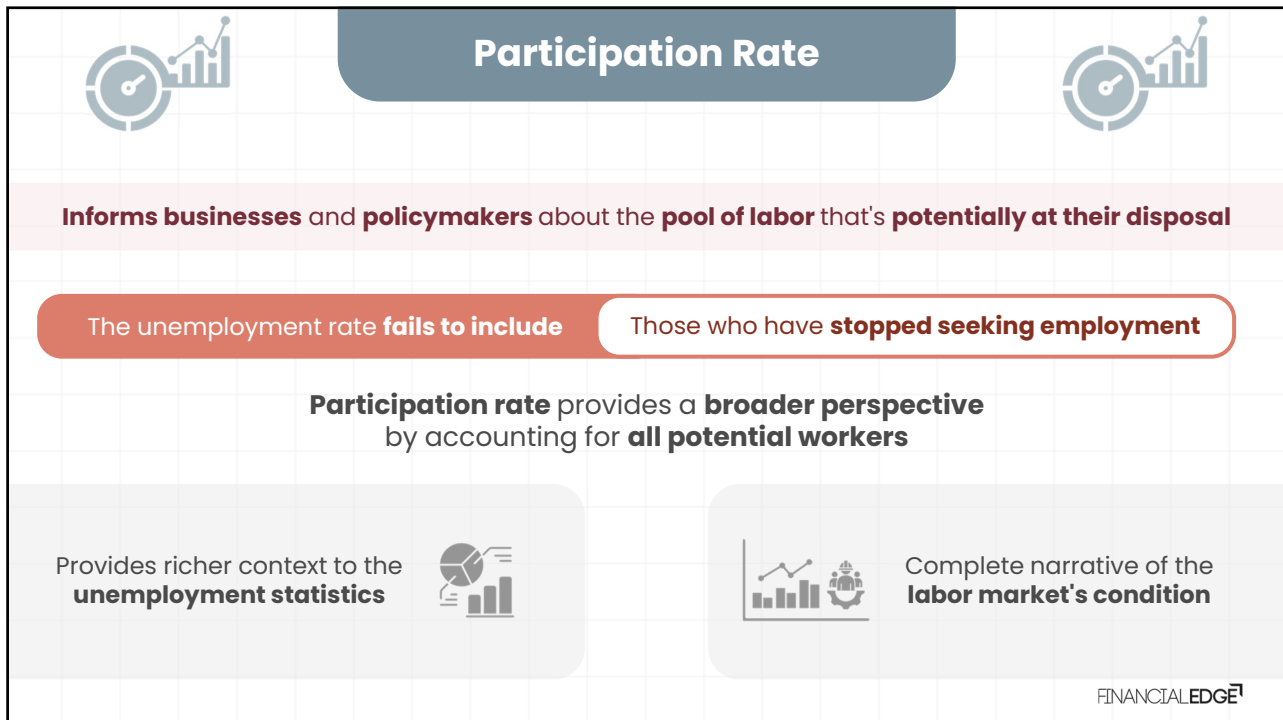
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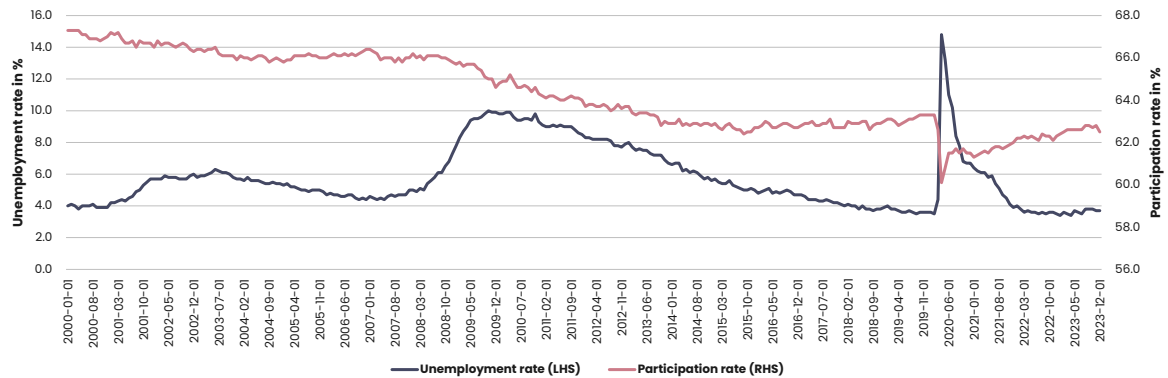
Participation rate

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US Unemployment & Participation Rate



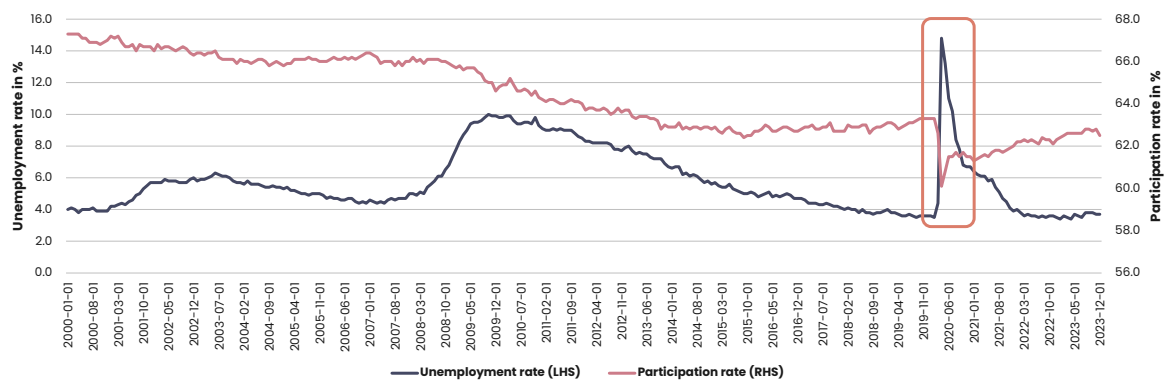
Source: U.S. Bureau of Labor Statistics, Unemployment Rate, Monthly, Seasonally Adjusted [UNRATE] and Labor Force Participation Rate, Monthly, Seasonally Adjusted [CIVPART], retrieved from FRED, Federal Reserve Bank of St. Louis

Demographic shifts

Retirement of the **baby boomer generation**



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Source: U.S. Bureau of Labor Statistics, Unemployment Rate, Monthly, Seasonally Adjusted [UNRATE] and Labor Force Participation Rate, Monthly, Seasonally Adjusted [CIVPART], retrieved from FRED, Federal Reserve Bank of St. Louis



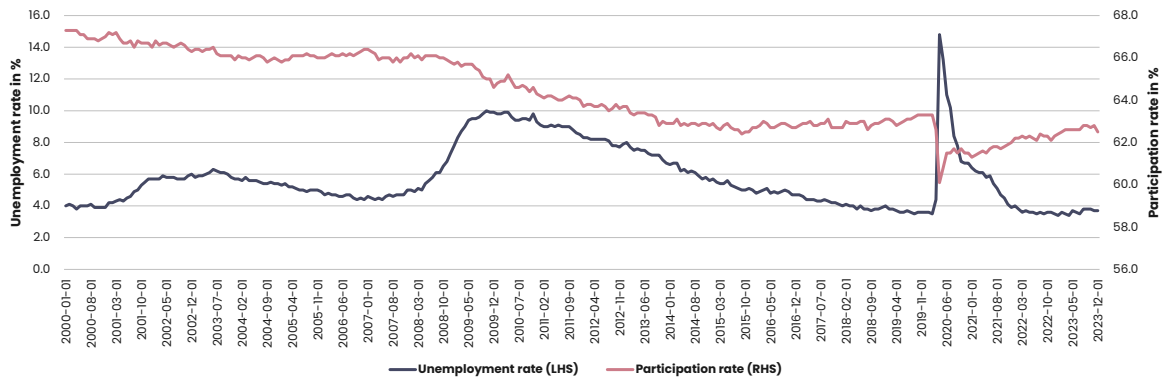
COVID-19 Pandemic

Sharp uptick in the unemployment rate

Many people **stopped looking for work**

Had this not occurred **unemployment rate** might be even **higher**

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Source: U.S. Bureau of Labor Statistics, Unemployment Rate, Monthly, Seasonally Adjusted [UNRATE] and Labor Force Participation Rate, Monthly, Seasonally Adjusted [CIVPART], retrieved from FRED, Federal Reserve Bank of St. Louis

Uneven impact across different sectors



Travel



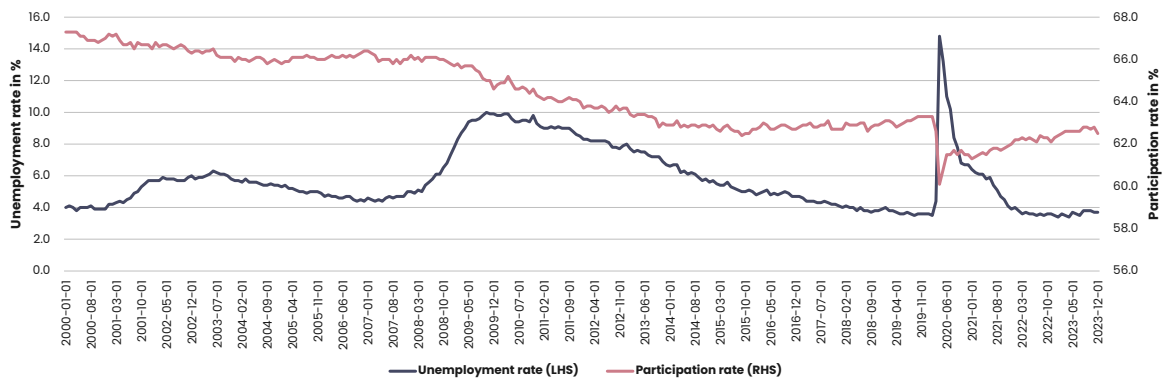
Hospitality



Retail

Severe job losses

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Source: U.S. Bureau of Labor Statistics, Unemployment Rate, Monthly, Seasonally Adjusted [UNRATE] and Labor Force Participation Rate, Monthly, Seasonally Adjusted [CIVPART], retrieved from FRED, Federal Reserve Bank of St. Louis

Uneven impact across different sectors



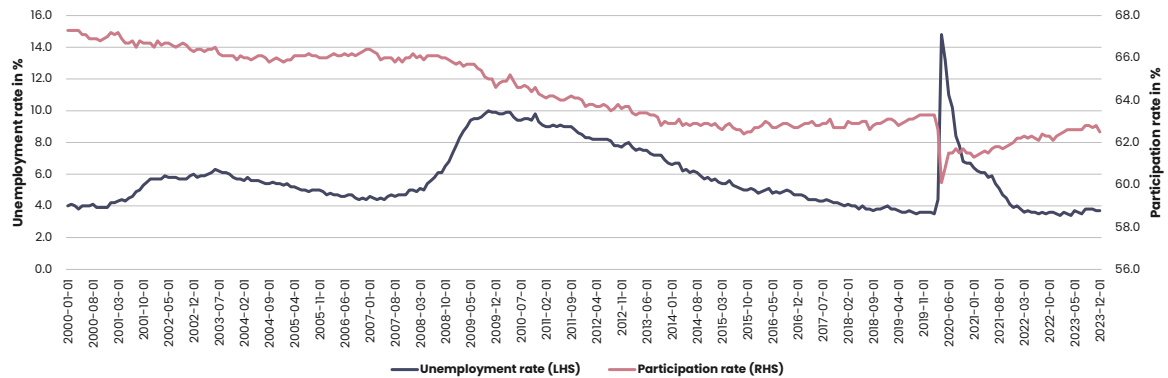
Technology



Remote Services

More resilient

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Source: U.S. Bureau of Labor Statistics, Unemployment Rate, Monthly, Seasonally Adjusted [UNRATE] and Labor Force Participation Rate, Monthly, Seasonally Adjusted [CIVPART], retrieved from FRED, Federal Reserve Bank of St. Louis

Government Intervention



Stimulus packages



Expanded unemployment benefits

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