Unit 2 – Problem Solving, Reasoning and Mathematical Modeling

Section D – Financial and Economic Analysis

Topics: CPI-U, inflation, unemployment rate, GDP, National income.

Economic Terms:

- The Consumer Price Index (CPI-U) is compiled by the Bureau of Labor Statistics and is based upon a 1982 Base of 100.
- A Consumer Price Index of 158 indicates 58% inflation since 1982.
- The average CPI-U for each year is typically called the Annual CPI-U.
- The percent change in the Annual CPI-U from year to year is commonly known as Inflation.
- The Work Force is the total number of people able to work.
- The Unemployment Rate is the number of unemployed individuals expressed as a percentage of the labor force.
- For the United States, Gross Domestic Product (GDP) is the main measure of production. GDP measures the output of all labor and capital within the U.S. geographical boundary regardless of the residence of that labor or owner of capital. GDP is represented as the sum of consumer spending, housing and business investment, net exports, and government purchases. GDP is generated by individual labor combined with both proprietors’ and business capital, raw materials, energy, and technology in a myriad of different industries.
- National Income is the income generated by a country’s production, and therefore the total income of its factors of production. A measure of the money value of goods and services available to a nation from economic activity. It is calculated as gross national product minus depreciation minus sales taxes and other small items.