Asking Questions about Recessions

IMPORTANT GUIDELINES

Here are some main ideas to think about when working with Economic Data:

1. An individual's personal financial data is not public information

- Do not expect to be able to look up your neighbor's net worth or other private facts and figures about their finances. You can **use financial samples done in your area of interest to estimate it**.

2. Understand the difference between sample & population data

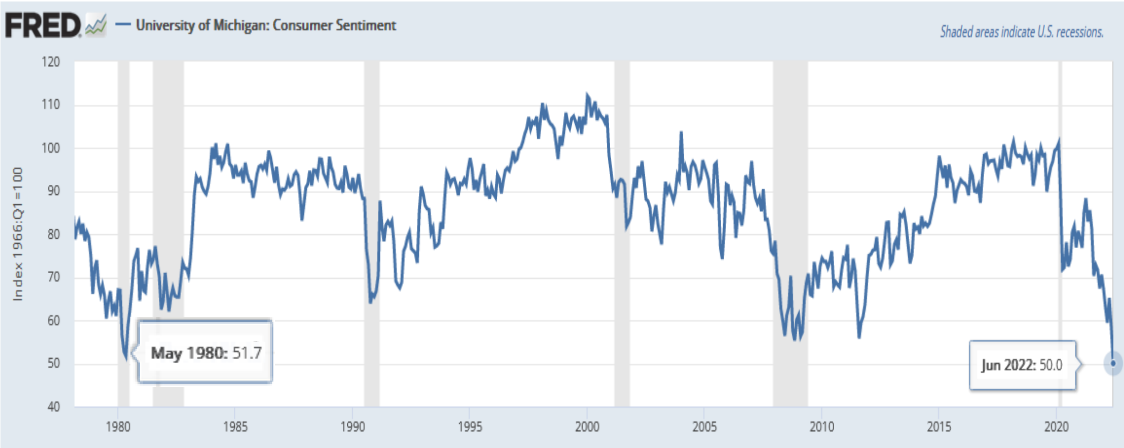
- **Sample data** is data gathered from a **specific** group while **population data** is data gathered from the **entire** group. Estimating is done with **samples.** Definitive values are generated with **populations**. Almost all data you will find will be **sample data** except census data.

3. Correlation does not mean Causation

- Data from your **sample** might not accurately reflect your **population**. This is a good reason to include a measure of margin of error in your predictions because this will determine your accuracy.

4. Clean your data before using it

- Most datasets will include **unnecessary information that has no relationship with the data** you are trying to analyze, and **you may not know what data is necessary just by looking at it.** Being able to **interpret the correlations between datasets is important** because that is what allows us to draw our conclusions.



RECESSIONARY INDICATORS

Description:

A recession can be defined as **a longer period of time when the economy produces less, and Gross Domestic Product (GDP) decreases for two consecutive quarters.** Most often, **workers start losing their jobs** or becoming unemployed soon after.

Example:

People tend to see their income decrease during a recession due to management lowering their wages or firing them. When people have less money, they tend to make fewer purchases, so the amount of retail sales also decreases. Since people are buying less, there isn't as much of a need to produce, so manufacturers often scale back their production. Lowering of prices can occur because to sell products that are overstocked when demand was high, producers lower their prices to incentivize buying them again, sometimes resulting in losses for the company. These factors combined make up the bulk of recessionary indicators.

Why ask questions about recessions?

Recessions are significant, widespread and prolonged economic downturns. Economists care about recessions because during these periods many people lose work and struggle to support themselves financially. Even those who do not lose work may see cuts in hours or pay, which lowers their standard of living or the quality of life they want to enjoy. This can affect you if you have a job, but, maybe more importantly, your parents as they are the ones who ultimately support you.

Financial losses in the stock market also happen during a recession because investors may pull their funds as companies begin making less money. An upside to recessions is that by driving down stock market prices, recessions can also provide opportunities for investors to make money by buying for the long run. However, this may be one of the only good parts to a recession.

A recession may be caused by a one-sidedness within the economy, such as lower consumer spending financed by a lot of debt like a credit card or a drop in housing prices. It can also stem from an external shock such as a global pandemic or a spike in energy prices caused by a supply issue. Recessions are a natural, unavoidable stage of the economic cycle that make life tough for individuals who lose their jobs or businesses.

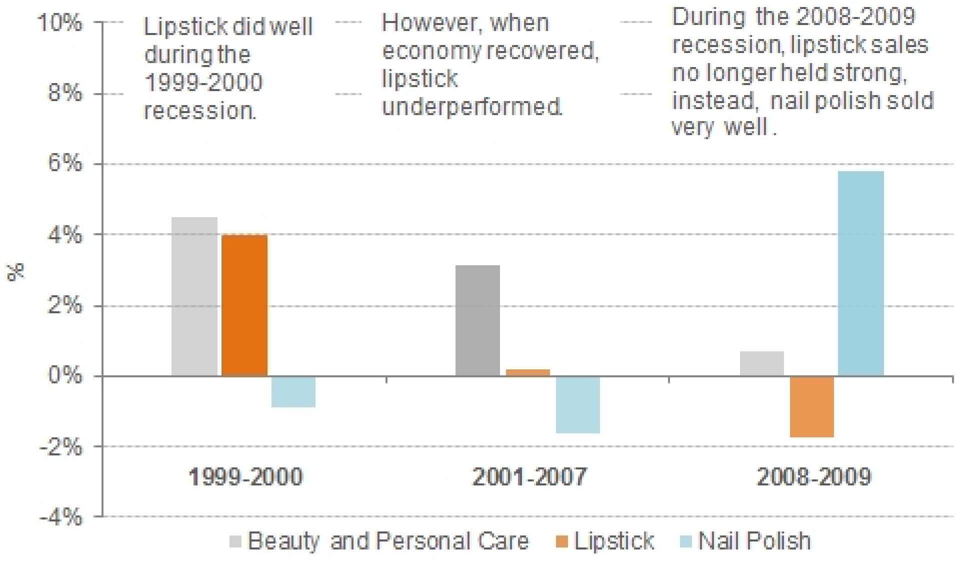
EXAMPLE RECESSIONARY INDICATOR RESEARCH QUESTIONS

1. Can men's underwear purchases be used to determine a recession within a certain timeframe?

2. Can higher thrift-store or second-hand store activity along with lower personal income be used to determine when a recession might be near or present?

3. Which beauty product purchases can be used to determine a possible upcoming recession?

4. Can falls in birth rate be used to predict falls in future consumer confidence, a statistical measure of consumers' feelings about current and future economic conditions?



RECESSIONARY DATA SETS

FRED

ECONOMIC DATA | ST. LOUIS FED

FRED Economic Data: Consumer Sentiment

Time Frame: Feb. 1971 to Present
Location: United States

Use Directions:

Utilize consumer sentiment from the University of Michigan to see if moves in birth rate precede or proceed moves in consumer sentiment. When consumer sentiment is low, it may be less likely to have an increase in births and vis versa. Lower consumer sentiment also usually precedes a problem with the economy such as a recession.

CDC Centers for Disease Control and Prevention

CDC, National Center for Health Statistics: Births

Time Frame: Feb. 1950 to Present
Location: United States

Use Directions:

Utilize consumer sentiment from the University of Michigan to see if moves in consumer sentiment precede or proceed moves in birth rate . When consumer sentiment is low, it may be less likely to have an increase in births and vis versa.

RECESSIONARY DATA SETS

<u>US Census Bureau: Monthly Retail Trade</u>
Time Frame: 1992 - Present
Location: United States

<u>Use Directions:</u>
Utilize increase or declines in discount dept. store sales (NAICS Code: 452112) to estimate thrift store usage over different periods. Correlate this with periods of Personal Income increases and decreases to see if when income changes does thrift store usage increase or decrease. Lower income, with higher thrift store activity may correlate with previously indicated recessions. This dataset can also be used to estimate other purchases such as beauty products or underwear.

<u>FRED Economic Data: Personal Income</u>
Time Frame: Feb. 1959 to Present
Location: United States

<u>Use Directions:</u>
Utilize increases or declines in personal income to identify periods of high economic expansion or contraction. When personal income contracts or decreases, it is usually a sign that a recession is impending or happening. Combine lower income, with higher thrift store activity and you may see if it correlates with previously indicated recessions.

ADDITIONAL SOURCES TO EXPLORE

THE WORLD BANK

SAMHSA
Substance Abuse and Mental Health Services Administration

HealthData.gov

WESTERN PENNSYLVANIA REGIONAL DATA CENTER

yahoo! finance

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BUREAU OF ECONOMIC ANALYSIS
U.S. DEPARTMENT OF COMMERCE

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CDC Centers for Disease Control and Prevention

BLS
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U.S. DEPARTMENT OF LABOR

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VA | U.S. Department of Veterans Affairs

United States™ Census Bureau

Google Dataset Search Beta

data.world