

## What is macroeconomics about?

- Macroeconomics studies the aggregate effects of what people do.
- Most of what people do has to do with:
  - (i) the production and use (allocation) of goods (goods means “goods and services”);
  - (ii) the issuance and allocation (resale, trading, exchange) of financial assets.
- The activities related to (i) give rise to the real sector of an economy. Those related to (ii) give rise to the financial sector.

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GDP

## Wealth

- Wealth refers to, and is measured in terms of, goods. More wealth means having a higher amount of goods (to consume or to produce more goods).
- Aggregate production generated in economy  $E$  during a given period  $t$  of time can be used to measure the aggregate wealth created in  $E$  during  $t$ .
- A common measure of aggregate production is the gross domestic product (GDP): (market) value of all the final goods (= not used to produce other goods) produced in an economy in a given period of time.

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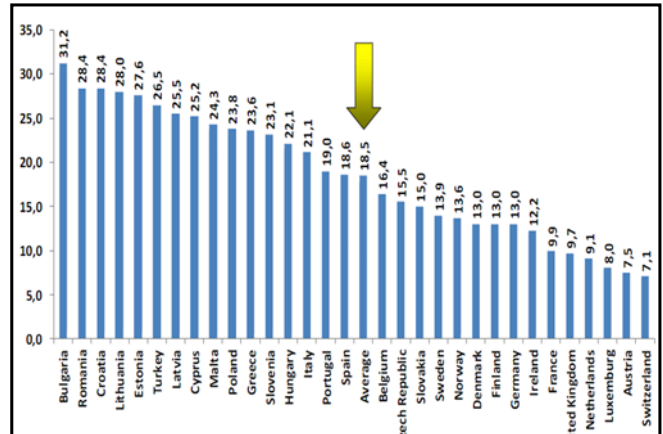
GDP

## GDP and the size of an economy

- GDP is a crude measure of how rich and how big an economy is. It excludes black market activities (underground or shadow economy = legal economic activity that is not taxed) and does not value goods that are not exchanged in markets (quality of education, social institutions, leisure time...).
- Nominal GDP values production at current prices. Real GDP (GDP at constant prices or GDP adjusted for inflation) values production each period using the prices of one period (called “base period”). Changes in nominal GDP are misleading: they may reflect changes in production and prices.

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GDP

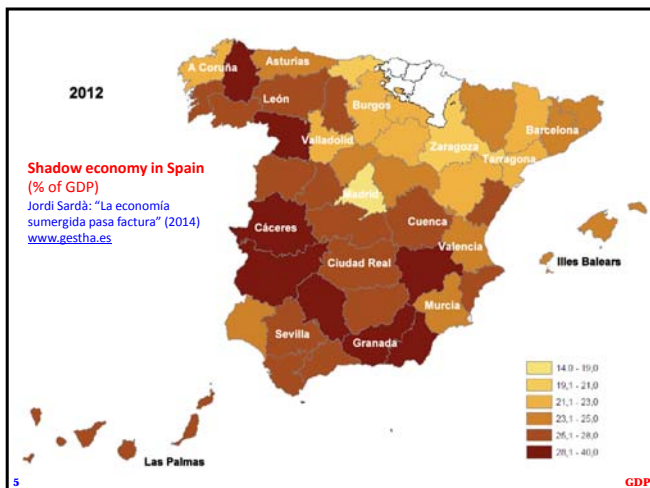


Size of the shadow economy 2012 (% GDP)

Friedrich Schneider, [www.econ.jku.at/members/.../ShadEcEurope31.pdf](http://www.econ.jku.at/members/.../ShadEcEurope31.pdf)

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GDP



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GDP

## “Good” or “bad” for the economy? /1

- The outcomes (or the state) of an economy are subject to assessment: is it “good” or “bad” to have more (or less) shadow economy?
- There is in general no clear-cut answer: some outcomes/states may be favourable to some people and, simultaneously, detrimental to other people.
- Shadow economy: favours those taking part (they do not pay taxes); is detrimental to the rest (unfair competition to rival firms and probably a higher tax burden for the non-participants in the shadow economy, to compensate tax evasion).

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GDP

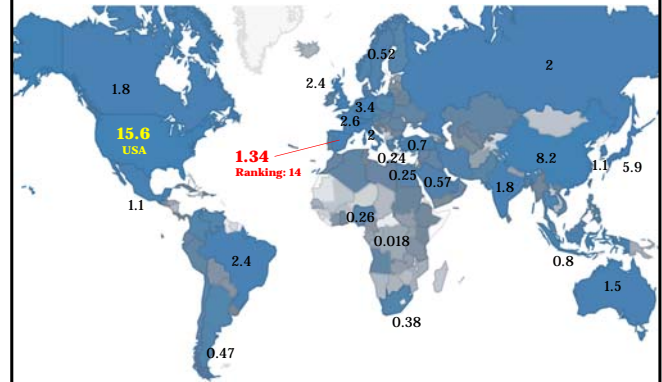
## "Good" or "bad" for the economy? /2

- A high interest rate is more beneficial to lenders than a lower one, as they receive more for lending money. Yet, borrowers are worse off with a higher than with a lower interest rate, since they have to pay more for getting a loan of money. Better high or low depends on the importance of each group.
- It is easier for European exporters to export to the US the lower the exchange rate (expressed in \$/€), since the lower the rate, the more euros Americans get from 1 \$. But the lower the rate, the fewer the dollars Europeans consumers obtain from 1 €, so the more costs (in euros) buying American goods.

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GDP

GDP (US\$ trillions) · 7 February 2014  
<http://www.tradingeconomics.com>



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GDP

	GDP (BILLION USD)	GDP.YOY	GDP.QOQ	INTEREST RATE	INFLATION RATE	UNEMPLOYMENT RATE	GOV. BUDGET	DEBT/GDP	CURRENT ACCOUNT	EXCHANGE RATE	POPULATION
UNITED STATES	15585	2.7%	3.2%	0.25%	1.50%	6.7%	-4.1%	121.6%	-3.0	119.89	317.30
EURO AREA	12195	-0.3%	0.1%	0.25%	0.70%	12.0%	-3.7%	99.6%	1.50	1.35	332.88
CHINA	8230	7.7%	1.8%	6.0%	2.5%	4.0%	-1.5%	28.0%	2.30	6.96	1354.04
JAPAN	5960	2.4%	0.3%	0.0%	1.5%	3.7%	-8.2%	211.3%	1.50	102.10	127.22
GERMANY	3450	1.1%	0.2%	0.25%	1.3%	6.1%	-0.1%	81.0%	6.30	1.25	81.84
FRANCE	2613	0.2%	-0.1%	0.25%	0.70%	10.9%	-4.8%	90.2%	-1.90	1.35	65.28
UNITED KINGDOM	2440	2.8%	0.7%	0.50%	2.0%	7.1%	-4.1%	88.7%	-3.70	1.64	63.25
BRAZIL	2435	2.2%	-0.5%	10.5%	5.9%	4.3%	1.9%	65.1%	-2.40	2.41	193.94
RUSSIA	2015	1.2%	-0.2%	5.5%	5.1%	5.6%	-0.5%	8.4%	4.80	35.23	143.35
INDIA	2013	1.8%	0.0%	0.25%	0.70%	12.7%	-3.0%	127.6%	-0.70	1.35	59.99
INDONESIA	1842	4.8%	0.0%	6.0%	5.1%	3.8%	-5.3%	17.5%	-4.60	62.72	1217.08
CANADA	1821	1.9%	0.7%	1.0%	1.2%	7.2%	-1.5%	84.6%	-3.70	1.11	35.06
AUSTRALIA	1521	2.3%	0.6%	2.5%	2.7%	5.8%	-3.0%	20.7%	-4.10	0.88	22.79
SPAIN	1349	-0.1%	0.3%	0.25%	0.2%	20.0%	-10.6%	89.0%	-1.80	1.35	45.20
MEXICO	1177	1.3%	0.8%	3.5%	3.9%	4.2%	-0.6%	42.8%	-0.82	13.37	116.99
SOUTH KOREA	1153	3.9%	0.0%	2.5%	1.1%	3.0%	1.1%	34.8%	3.80	105.19	50.00
INDONESIA	878	5.7%	1.4%	7.5%	8.2%	6.2%	-1.7%	23.1%	-2.70	12213.00	245.90
TURKEY	789	4.4%	0.0%	10.0%	7.7%	9.7%	-2.8%	36.0%	-6.10	2.27	75.62
NETHERLANDS	772	-0.4%	0.2%	0.25%	1.6%	8.5%	-4.1%	71.3%	8.30	1.35	16.73
SWITZERLAND	632	1.9%	0.5%	0.0%	0.1%	3.5%	0.3%	35.3%	13.50	0.91	7.95
SAUDI ARABIA	577	3.1%	3.1%	2.0%	3.0%	5.6%	14.2%	3.6%	24.50	3.70	29.55
IRAN	549	5.5%	10.5%	25.0%	10.3%	0.1%	-0.1%	10.3%	4.90	24891.00	75.10
NORWAY	526	0.3%	0.1%	0.75%	0.1%	7.5%	-0.2%	38.2%	7.20	6.55	9.48
IRELAND	500	2.1%	0.7%	1.5%	2.0%	3.5%	13.9%	28.3%	13.40	6.28	4.99
POLAND	490	1.9%	0.6%	2.5%	0.7%	13.4%	-3.9%	55.6%	-3.60	3.15	38.53
BELGIUM	484	0.9%	0.4%	0.2%	0.9%	8.4%	-4.0%	99.8%	1.50	1.35	11.08
ARGENTINA	475	5.5%	-2.5%	10.5%	6.8%	0.8%	-2.5%	43.2%	0.60	8.62	41.28
TAIWAN	474	2.8%	2.4%	1.8%	0.7%	4.1%	-1.6%	42.4%	10.50	30.33	23.31
AUSTRIA	400	0.7%	0.2%	0.25%	1.9%	9.9%	-2.5%	74.0%	1.80	1.35	8.44
SOUTH AFRICA	384	1.8%	0.7%	5.5%	5.4%	24.7%	-5.1%	39.9%	-6.30	11.17	52.20
VENEZUELA	382	1.1%	1.1%	15.3%	10.1%	0.7%	-8.5%	49.0%	1.10	6.29	29.72
COLOMBIA	370	5.1%	1.1%	3.2%	2.1%	8.4%	0.2%	32.3%	-3.10	2010.00	47.10
THAILAND	366	2.7%	1.2%	2.2%	1.9%	0.7%	-4.1%	44.3%	-0.40	33.63	66.79

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GDP

## Computing GDP<sup>n</sup>: an example

time t	p <sub>1</sub> <sup>t</sup>	q <sub>1</sub> <sup>t</sup>	p <sub>2</sub> <sup>t</sup>	q <sub>2</sub> <sup>t</sup>
1	4	6	2	8
2	9	5	3	5

- GDP<sup>n</sup> (nominal GDP) at t = 1 is p<sub>1</sub><sup>1</sup> · q<sub>1</sub><sup>1</sup> + p<sub>2</sub><sup>1</sup> · q<sub>2</sub><sup>1</sup> = 4 · 6 + 2 · 8 = 40 (monetary units of t = 1).
- GDP<sup>n</sup> at t = 2 is p<sub>1</sub><sup>2</sup> · q<sub>1</sub><sup>2</sup> + p<sub>2</sub><sup>2</sup> · q<sub>2</sub><sup>2</sup> = 9 · 5 + 3 · 5 = 60 (monetary units of t = 2). From t = 1 to t = 2, GDP<sup>n</sup> has increased a 50%:  $\frac{60-40}{40} \cdot 100$ .

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GDP

## Computing GDP<sup>r</sup>: an example

- GDP<sup>r</sup> (real GDP) in period t = 1 at constant prices of period t = 1 is p<sub>1</sub><sup>1</sup> · q<sub>1</sub><sup>1</sup> + p<sub>2</sub><sup>1</sup> · q<sub>2</sub><sup>1</sup> = 4 · 6 + 2 · 8 = 40 (monetary units of t = 1). So GDP<sup>r</sup> = GDP<sup>n</sup> at the base period (this always happens).
- GDP<sup>r</sup> in t = 2 at constant prices of period t = 1 is given by p<sub>1</sub><sup>1</sup> · q<sub>1</sub><sup>2</sup> + p<sub>2</sub><sup>1</sup> · q<sub>2</sub><sup>2</sup> = 4 · 5 + 2 · 5 = 30 (monetary units of t = 1). GDP<sup>r</sup> has fallen a 25%.
- With base period t = 2: GDP<sup>r</sup> in t = 1 is p<sub>1</sub><sup>2</sup> · q<sub>1</sub><sup>1</sup> + p<sub>2</sub><sup>2</sup> · q<sub>2</sub><sup>1</sup> = 9 · 6 + 3 · 8 = 78; GDP<sup>r</sup> in t = 2 is p<sub>1</sub><sup>2</sup> · q<sub>1</sub><sup>2</sup> + p<sub>2</sub><sup>2</sup> · q<sub>2</sub><sup>2</sup> = 9 · 5 + 3 · 5 = 60. GDP<sup>r</sup> has fallen a 23%.

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GDP

## Strategic use of data

- Economic variables are meaningless without specifying its units of measurement (if any).
- On the other hand, people whose interests are affected by economic information may have an incentive to disclose information selectively.
- In the previous example, a government is interested in informing citizens of only the increase in nominal GDP. The opposition would instead like to point to the fall in real GDP. And if forced to mention real GDP, the government prefers to take period 2 as the base (smaller reduction of real GDP).

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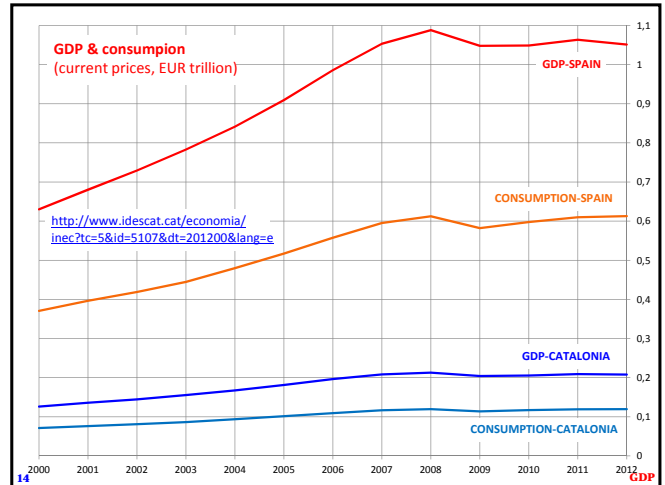
GDP

## Nominal variable

- A nominal variable is measured in terms of current prices.
- Changes of current prices may affect the nominal variable.
- The typical nominal variable is measured in (current) monetary units.
- Examples: GDP at current prices, money stock, (nominal) interest rate, (nominal) exchange rate, and consumer price index (CPI).

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GDP



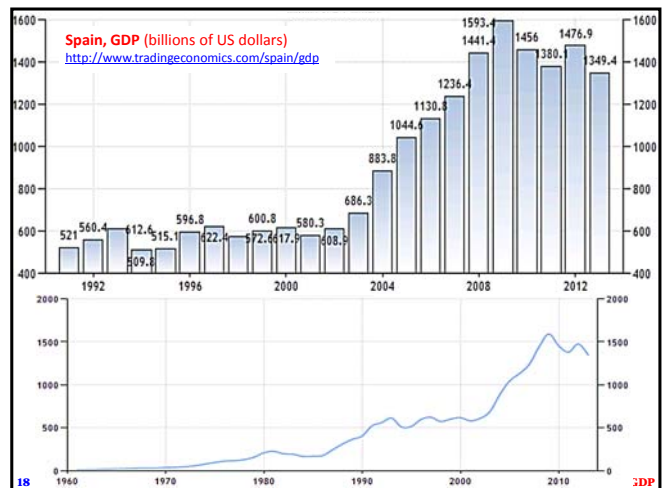
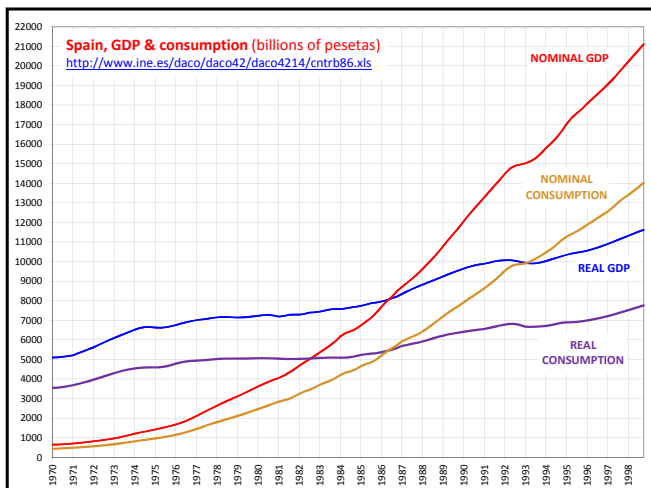
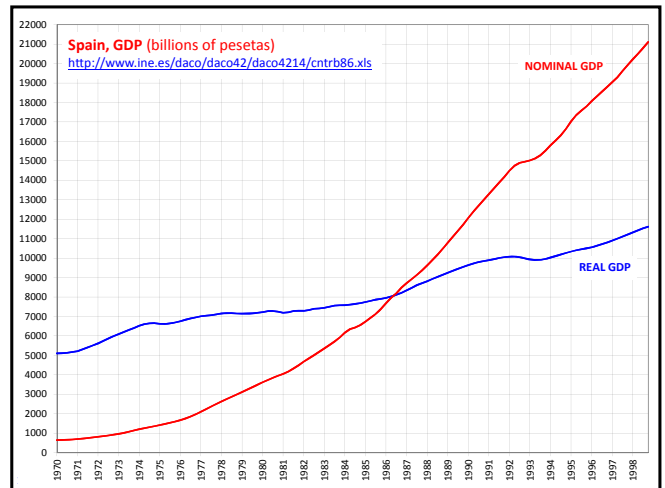
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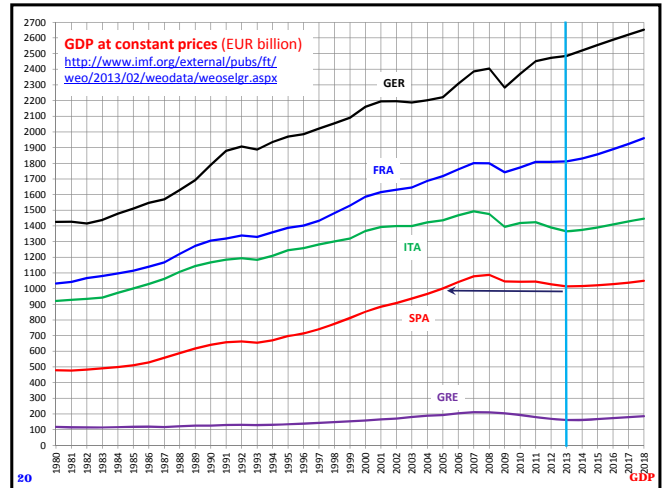
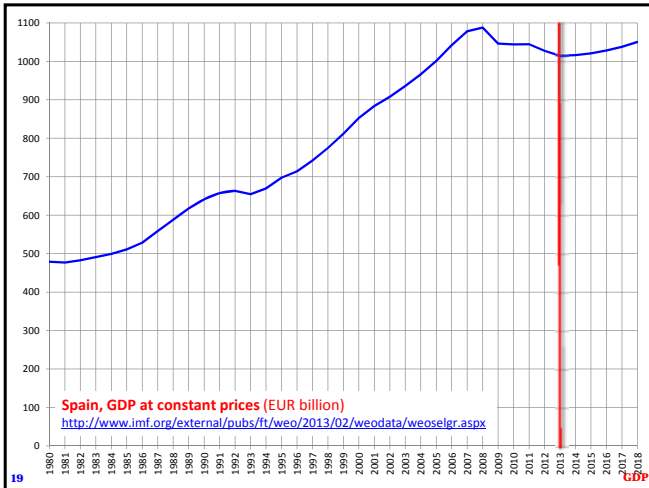
## Real variable

- A real variable measures physical quantities. Real variables are not affected by current prices.
- Some real variables, like total employment or the unemployment rate, need no price to be defined.
- Others are defined by fixing prices, like GDP at constant prices, which measures production using the prices of a base period.
- Still others come from nominal variables by removing the effects of prices, like the real interest rate.

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GDP





### Stock variable vs flow variable

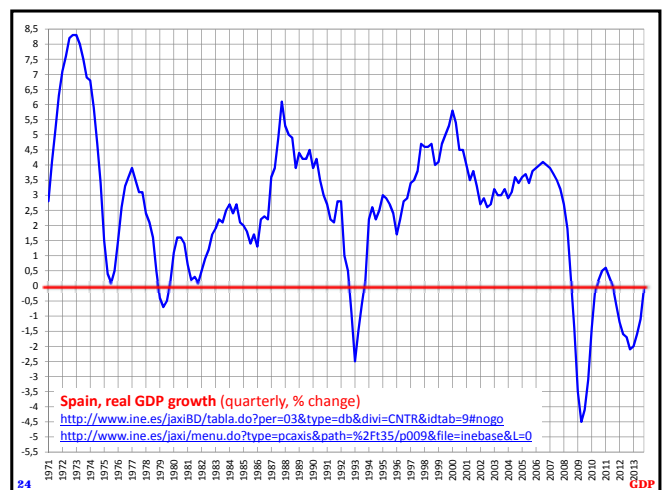
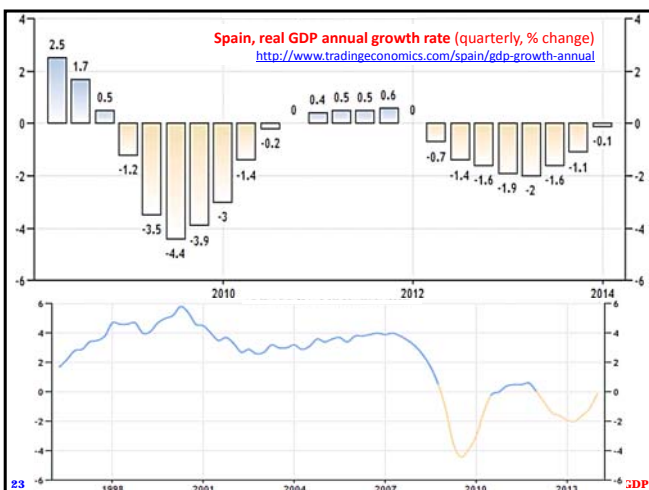
- A stock variable is measured in levels rather than rates of change.
- A flow variable is measured in rates per unit of time rather than levels.
- GDP is a flow variable, as it measures production during a period of time (so GDP is production per unit of time).
- Population at a given moment of time is a stock variable. Wealth is also a stock variable.

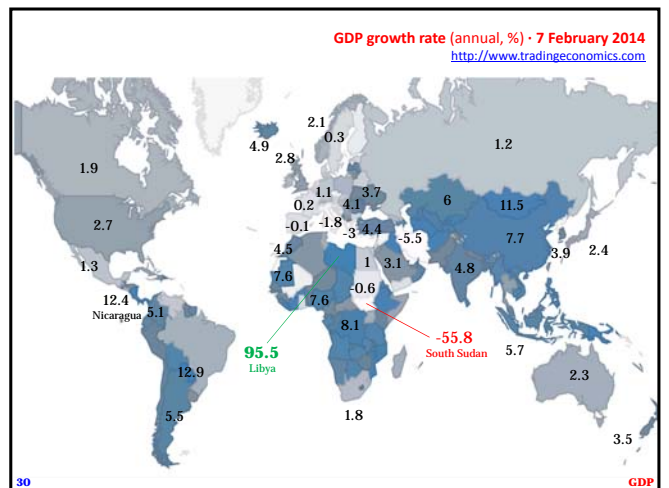
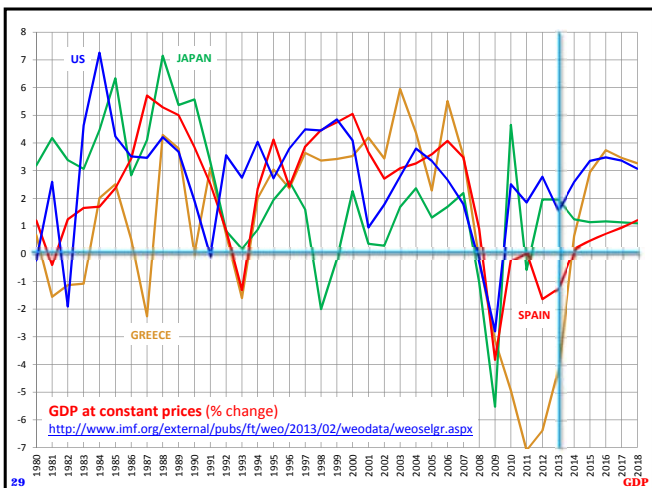
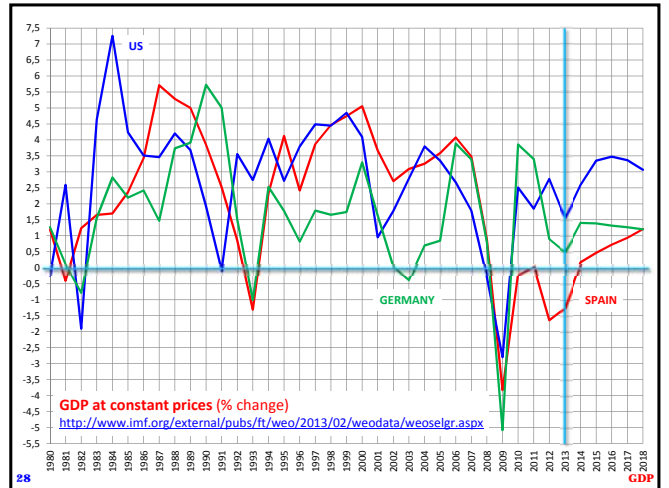
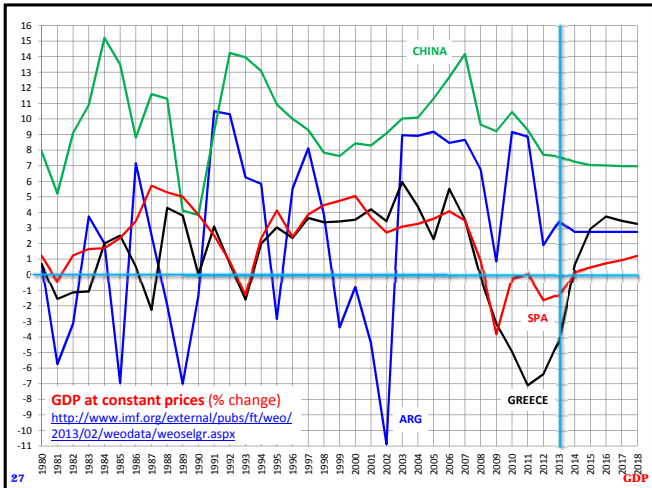
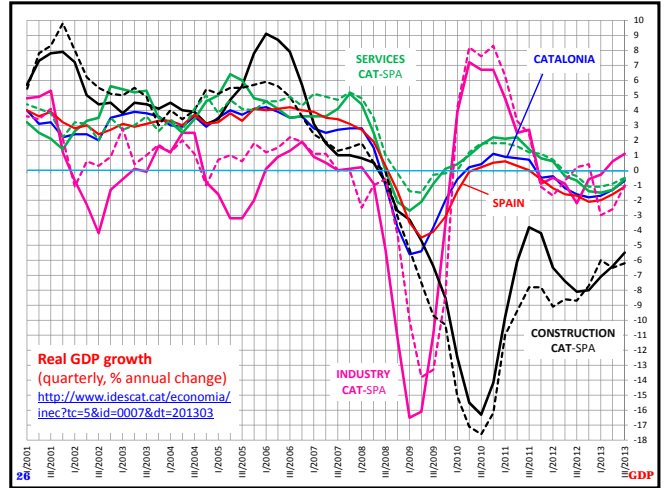
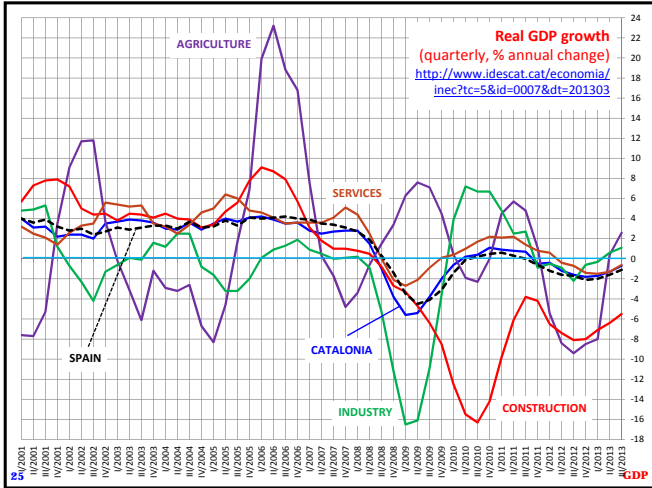
### Rates

- The term “rate” in “GDP growth rate” refers to a relative (in percentage terms) change in GDP.

$$\text{GDP growth rate (from period } t-1 \text{ to } t) = \frac{\text{GDP}_t - \text{GDP}_{t-1}}{\text{GDP}_{t-1}}$$

- This formula gives the rate of change per one. To get a percentage, multiply by 100. If  $\text{GDP}_{t-1} = 40$  and  $\text{GDP}_t = 50$ , the rate of change is  $\frac{50-40}{40} = \frac{10}{40} = \frac{1}{4} = 0.25$  (per one); that is, 25%.
- “Rate” in “exchange rate” means “ratio” (relative price) and “amount” in “interest (or wage) rate”.





	GDP BILLION USD	GDP YOY	GDP G00Q	INTEREST RATE	INFLATION RATE	JOBLESS RATE
SOUTH SUDAN	21	-4.50%			-8.80%	12.00%
IRAN	549	-5.50%	15.00%		35.50%	10.30%
CYPRUS	23	-5.50%	-0.80%	0.25%	-2.89%	17.50%
BRUNEI	17	-3.90%	5.50%		0.20%	1.10%
GREECE	249	-3.00%	0.20%	0.25%	-1.70%	27.80%
SYRIA	74	-2.30%			49.50%	14.90%
ALBANIA	13	-2.30%	-2.00%	3.00%	1.90%	12.80%
ITALY	2013	-1.80%	0.00%	0.25%	0.70%	12.70%
GUINEA BISSAU	1	-1.50%	3.50%		1.60%	7.60%
CZECH REPUBLIC	230	-1.20%	0.20%	0.05%	1.40%	8.20%
MALI	10	-1.20%	3.50%		0.00%	10.50%
LIECHTENSTEIN	5	-1.20%			0.10%	
FINLAND	250	-1.00%	0.00%	0.25%	1.61%	7.90%
PORTUGAL	212	-1.00%	0.20%	0.25%	0.20%	15.30%
SUDAN	59	-0.60%	10.60%		29.40%	15.90%
CROATIA	56	-0.60%	-0.10%	6.25%	0.28%	21.60%
SLOVENIA	45	-0.60%	0.00%	0.25%	0.70%	13.00%
TRINIDAD AND TOBAGO	24	-0.50%	2.75%		5.60%	4.80%
BOSNIA AND HERZEGOVINA	17	-0.50%	7.03%		-1.40%	44.50%
NETHERLANDS	772	-0.40%	0.20%	0.25%	1.67%	8.50%
EURO AREA	12195	-0.30%	0.10%	0.25%	0.70%	12.00%
SPAIN	1349	-0.10%	0.30%	0.25%	0.20%	25.03%
YEMEN	36	0.10%	15.00%		8.60%	29.00%
FRANCE	2513	0.20%	-0.10%	0.25%	0.70%	10.90%
SWAZILAND	4	0.21%	5.00%		4.40%	28.20%
SWEDEN	526	0.30%	0.10%	0.75%	0.10%	7.50%
GHANA	41	0.30%	0.50%	18.00%	13.50%	12.99%
DENMARK	314	0.60%	0.40%	0.20%	0.80%	4.30%

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	GDP BILLION USD	GDP YOY	GDP G00Q	INTEREST RATE	INFLATION RATE	JOBLESS RATE
LIBYA	82	95.50%		3.00%	1.70%	19.50%
PARAGUAY	26	12.90%	1.40%	6.50%	3.90%	7.70%
MOLDOVA	7	12.90%	0.91%	3.50%	5.20%	3.90%
NICARAGUA	11	12.40%			5.06%	7.40%
AFGHANISTAN	20	11.80%	15.00%		6.65%	15.00%
MONGOLIA	10	11.50%	11.50%	10.50%	12.50%	3.60%
TURKMENISTAN	34	11.10%			6.00%	2.60%
EAST TIMOR	1	10.60%			4.00%	3.60%
MACAO	44	10.50%		0.50%	5.72%	1.90%
IRAQ	210	10.20%		6.00%	3.10%	16.00%
IVORY COAST	25	9.80%	3.50%		0.40%	15.70%
PAPUA NEW GUINEA	16	9.20%	6.25%		3.20%	1.90%
KYRGYZSTAN	6	9.20%	4.16%		4.00%	7.70%
PANAMA	36	8.90%	0.75%		3.70%	4.00%
ETHIOPIA	43	8.50%	5.00%		7.80%	17.50%
LIBERIA	2	8.30%	13.53%		8.50%	3.70%
UZBEKISTAN	51	8.10%	12.00%		7.00%	4.80%
CONGO	18	8.10%	2.00%		1.82%	49.30%
MOZAMBIQUE	15	8.10%	1.40%	8.25%	3.54%	17.00%
BURKINA FASO	10	8.00%	3.50%		0.10%	3.30%
LAOS	9	7.90%	5.00%		6.65%	1.90%
SRI LANKA	59	7.80%	7.80%	6.50%	4.40%	4.40%
CHINA	8230	7.70%	1.80%	6.00%	2.50%	4.00%
NIGERIA	263	7.67%	7.67%	12.00%	8.00%	23.90%
MAURITANIA	4	7.60%	9.00%		4.10%	10.10%
ANGOLA	114	7.40%	7.40%	9.25%	7.69%	25.00%
TAJIKISTAN	7	7.40%	4.80%		3.70%	2.50%

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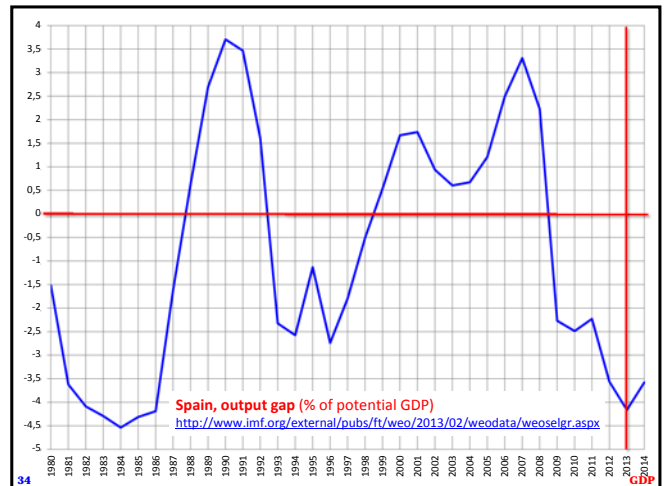
GDP

## Potential GDP and output gap

- Potential (or "natural") GDP refers to the maximum GDP level that an economy can sustain over time.
- The output gap is the difference between potential GDP and actual GDP. It could be viewed as a measure of the degree to which an economy is performing well.
- When GDP is below potential, some production inputs must lie idle (remain unused). The more it is below, the higher unemployment is expected to be.

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GDP



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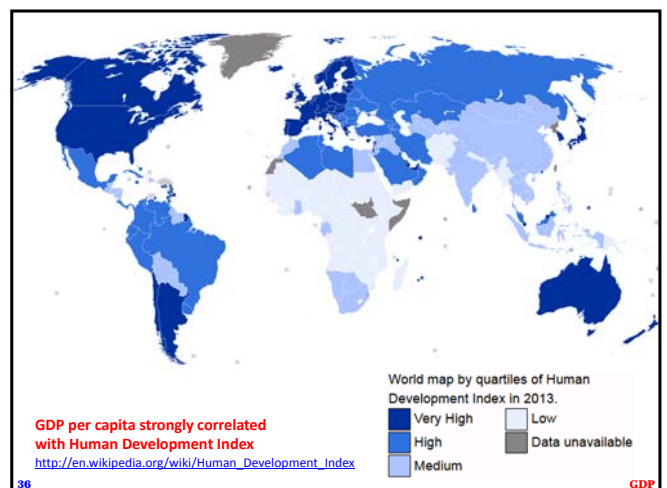
GDP

## Average wealth

- Real GDP per capita provides a measure of how developed or "prosperous" an economy is. It can be interpreted as a measure of the average standard of living in the economy.
- Real GDP per capita is defined as the ratio of real GDP to the population of the economy.
- Real GDP per capita is positively correlated with many indicators of economic development and the quality of life: life expectancy, subjective well-being, education, health care expenditure...

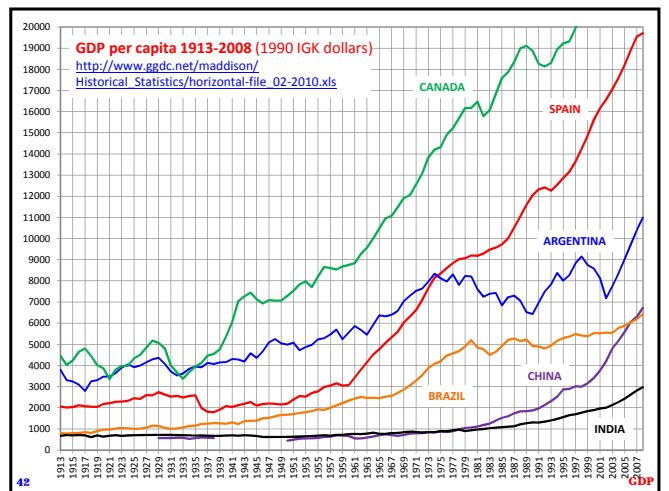
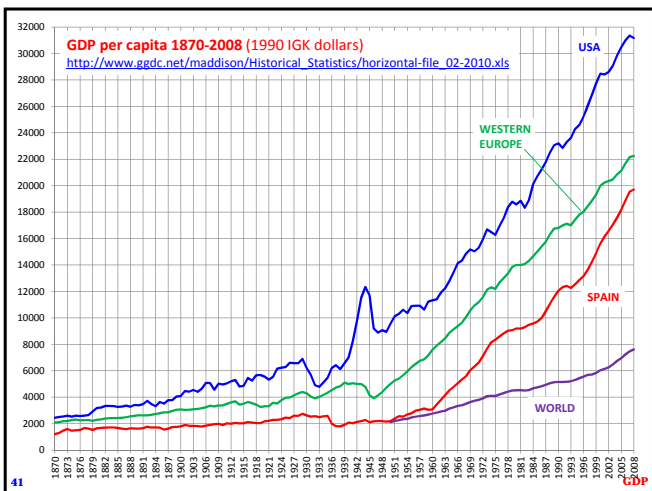
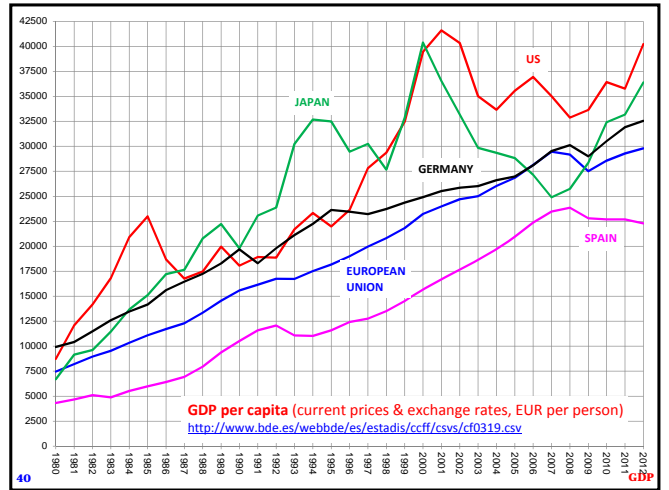
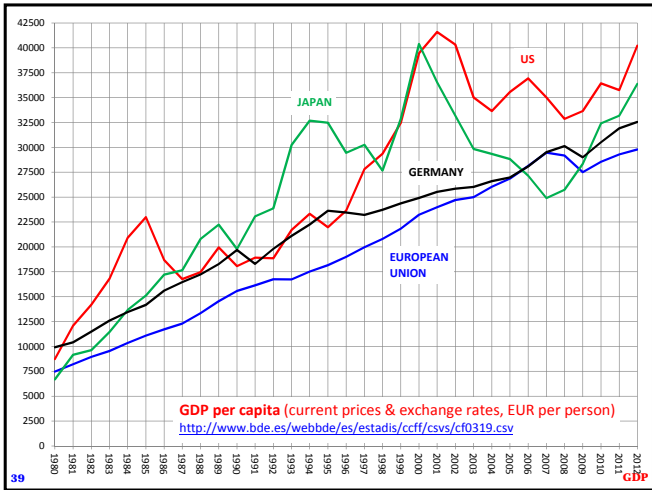
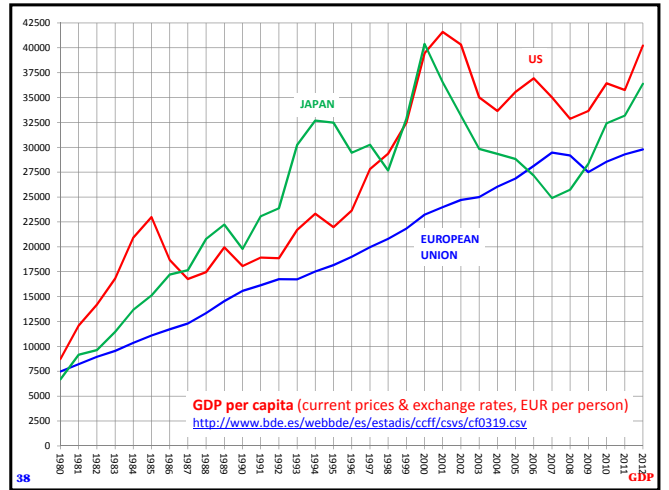
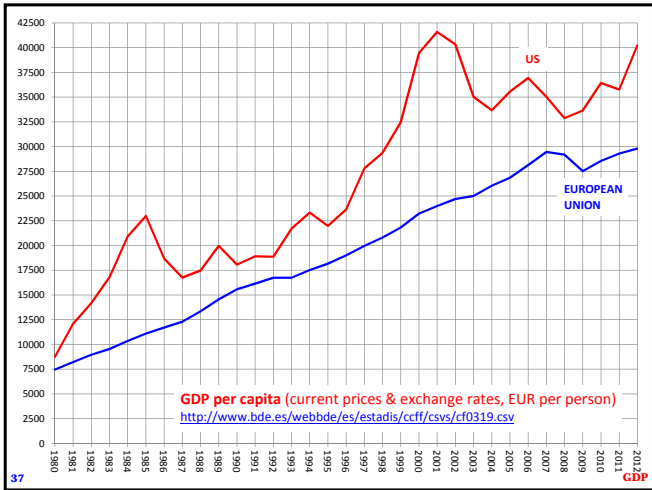
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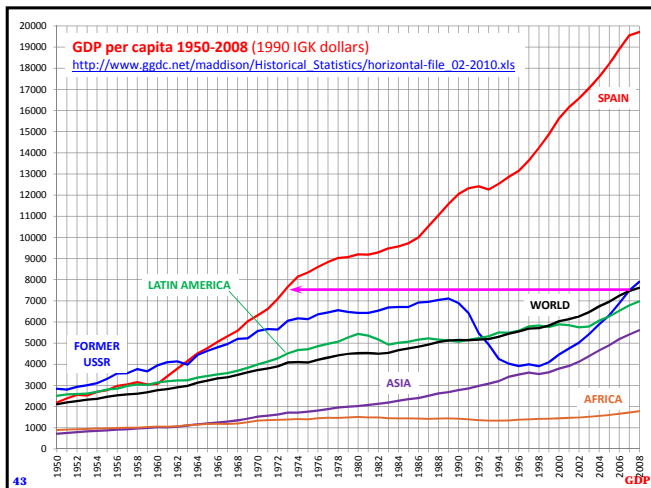
GDP



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GDP

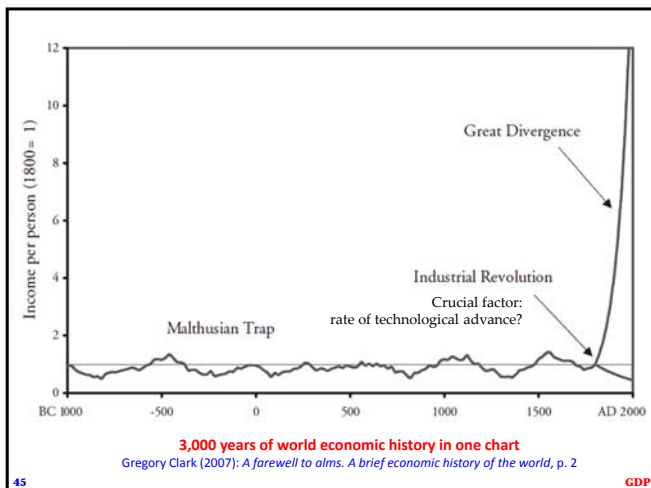




### Short run vs long run

- “Short run” refers to a relative short period of time (a few months to a couple of years). In that period it is presumed that some factors or variables (technology, population) are essentially constant.
- Short-run macroeconomics focuses on explaining the oscillations of real GDP (the business cycle).
- In the long run everything may change. Long-run macroeconomics tries to explain the evolution of real GDP per capita (long-run economic growth).

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### Competing conceptual frameworks

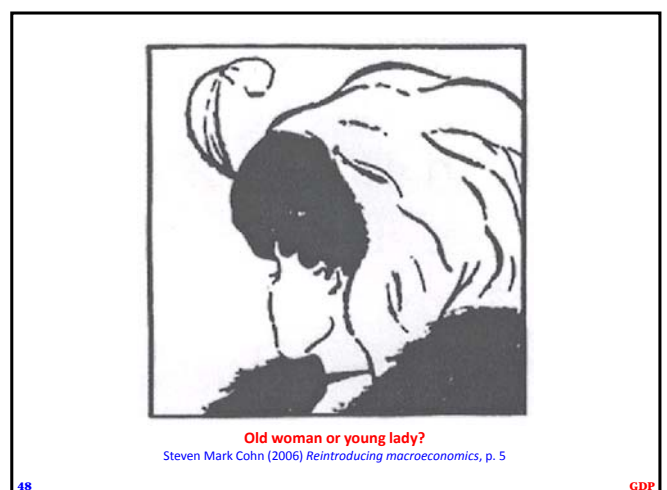
- (Neo)Classical economists contend that
  - markets work well by themselves (produce full employment without government help) in a world of rational and perfectly informed agents;
  - money is neutral (more money only means higher inflation) and exogenous;
  - only supply matters in the long-run.
- Post[-]Keynesians hold the opposite: crucial role of uncertainty; need to regulate markets (they are unstable); endogeneity of money; demand always matters; importance of the distribution of wealth.

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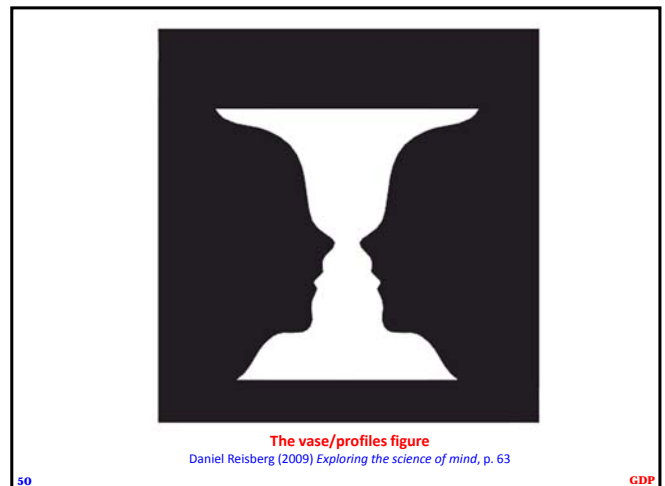
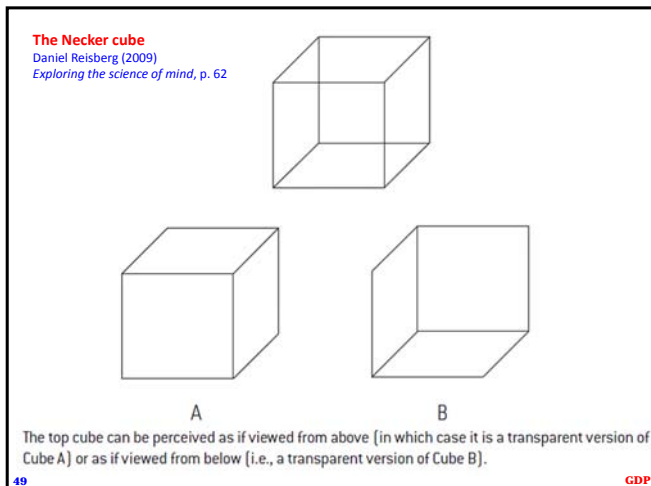
### On “economic reality”

- Physicists face the problem that the act of knowing reality changes reality: “seeing” a particle requires interacting with it, and the interaction alters the (characteristics of the) particle.
- The understanding economic reality presumes a conceptual framework that guides our interaction with reality and within which reality is interpreted.
- The same reality may be interpreted differently in alternative frameworks. What is “actually” the change in real GDP on slide 10? What is “actually” depicted on the next three slides?

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### Price indices

- A price index is a measure of the general price level of an economy. This level can be thought of as a weighted average of the prices of all the goods.
- By assuming the fiction that there is a unique good in the economy (the domestic product), if GDP measures the quantity of the good, then the price level would represent the price of the good.
- As distinguished from GDP, price indices have no units and the value by itself means nothing. It is the rate of change of the index that is informative.

52 GDP

### The GDP (implicit price) deflator

- The GDP deflator is a price index defined as
 
$$\text{GDP deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} .$$
- It measures the changes in prices in all the goods produced in an economy between the base period used in the real GDP and the current period.
- If  $\text{GDP}_{2012}^n = 100$ ,  $\text{GDP}_{2012}^r = 80$ ,  $\text{GDP}_{2013}^n = 135$ , and  $\text{GDP}_{2013}^r = 90$ , then  $\text{GDP}_{2012}^n$  deflator =  $100/80 = 1.25$  and  $\text{GDP}_{2012}^r$  deflator =  $135/90 = 1.5$ , indicating a general price increase.

53 GDP

### Consumer price index (CPI)

- The CPI is a measure on the cost of purchasing a fixed basket of goods of a consumer considered representative.
- The  $\text{CPI}_t$  in period  $t$  is defined as
 
$$\text{CPI}_t = \frac{\text{value of the basket at prices of period } t}{\text{value of the basket at prices of the base period}} .$$
- For the index to have base 100, just multiply the right-hand side by 100.

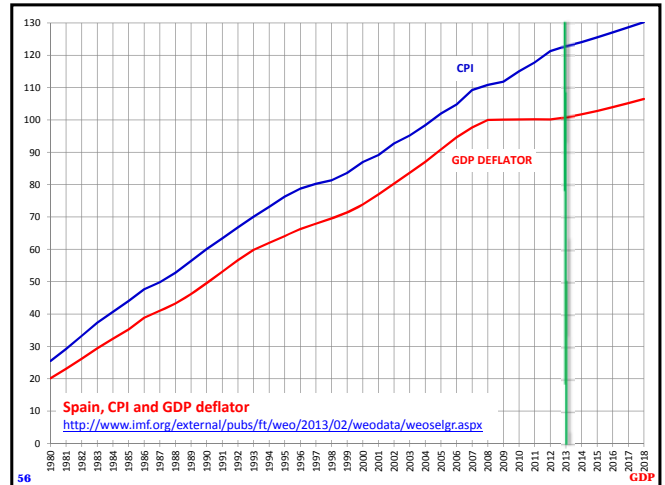
54 GDP

## Differences between CPI and deflator

- The CPI generally includes imported goods.
- The GDP deflator does not: it only includes the goods produced in the economy, not abroad.
- The basket of goods in the GDP deflator may vary from period to period.
- The basket in the CPI generally does not.
- Despite all that, both indices are strongly correlated and tend to move in parallel.

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GDP



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GDP

## Computing a CPI: an example

- The basket is given by  $(x, y, z) = (3, 2, 1)$

time	$p_x$	$p_y$	$p_z$	$V_t = \text{basket value in period } t$
1	1	4	5	$3 \cdot 1 + 2 \cdot 4 + 1 \cdot 5 = 16$
2	2	1	8	$3 \cdot 2 + 2 \cdot 1 + 1 \cdot 8 = 16$
3	3	1	1	$3 \cdot 3 + 2 \cdot 1 + 1 \cdot 1 = 12$
4	2	5	4	$3 \cdot 2 + 2 \cdot 5 + 1 \cdot 4 = 20$

- Taking  $t = 1$  as the base period,  $CPI_1 = V_1/V_1 = 1$ ;  $CPI_2 = V_2/V_1 = \frac{16}{16} = 1$ ;  $CPI_3 = V_3/V_1 = \frac{12}{16} = 0.75$ ; and  $CPI_4 = V_4/V_1 = \frac{20}{16} = 1.25$ .

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GDP

## Inflation rate

- The inflation rate  $\pi$  associated with the price index  $P$  is the rate of change of the price index  $P$  :

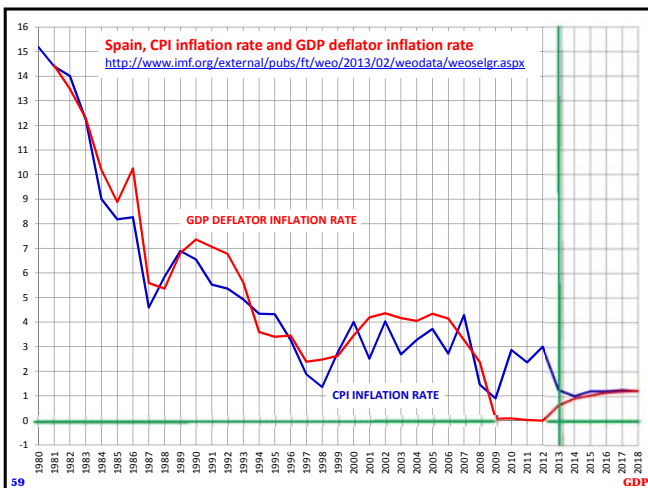
$$\pi = \frac{P - P_{-1}}{P_{-1}}$$

where  $P$  is the price index in the current period and  $P_{-1}$  is the one in the immediately preceding period.

- To express the inflation rate as a percentage, multiply by 100 the right-hand side. For instance, if  $P = 50$  and  $P_{-1} = 40$ , then  $\pi = \frac{50-40}{40} = \frac{1}{4} = 0.25$  (= 25%): the price index has been pushed up a 25%.

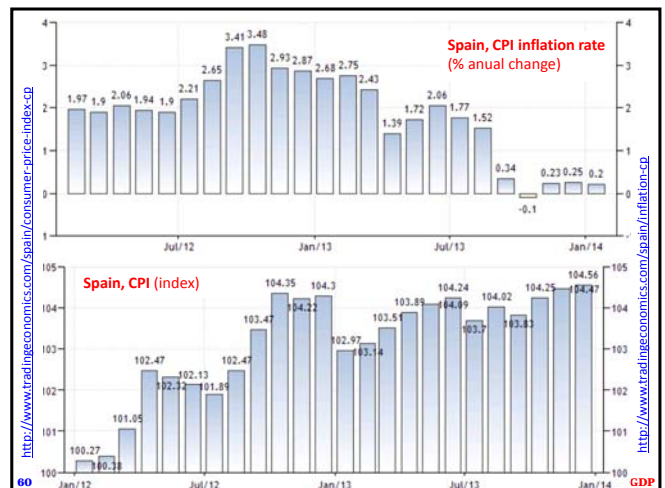
58

GDP



59

GDP



60

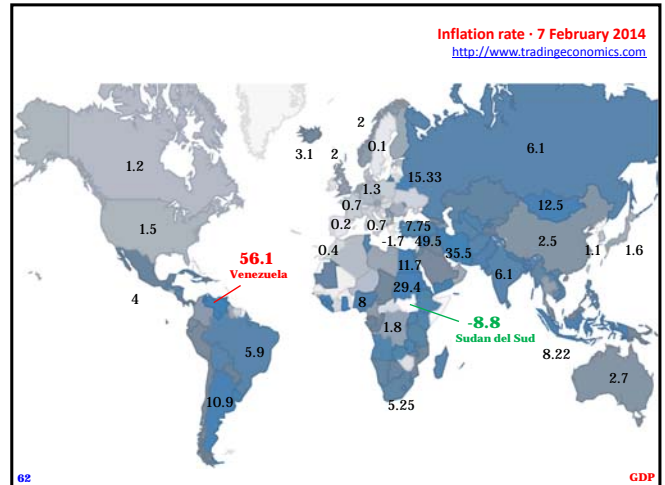
GDP

## Inflation rate: an example

- Let  $\pi_t$  be the inflation rate associated with the CPI of the previous example (slide 57). In this case:
  - $\pi_1$  is not defined (since there is no  $CPI_0$ )
  - $\pi_2 = \frac{CPI_2 - CPI_1}{CPI_1} = \frac{1 - 1}{1} = 0$
  - $\pi_3 = \frac{CPI_3 - CPI_2}{CPI_2} = \frac{0.75 - 1}{1} = -0.25$  (or -25%)
  - $\pi_4 = \frac{CPI_4 - CPI_3}{CPI_3} = \frac{1.25 - 0.75}{0.75} = \frac{2}{3}$  (or 66.6%)
- If  $\pi$  is calculated, for instance, from  $t = 1$  to  $t = 4$ , then  $\pi_{1 \rightarrow 4} = \frac{CPI_4 - CPI_1}{CPI_1} = \frac{1.25 - 1}{1} = 0.25$  (25%).

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GDP



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GDP

	GDP BILLION USD	GDP YOY	GDP QOQ	INTEREST RATE	INFLATION RATE	JOBLESS RATE
MONACO	6	0.90%				
SOUTH SUDAN	21	-55.89%			-8.80%	12.00%
CYPRUS	23	-5.50%	-0.80%	0.25%	-2.89%	17.50%
SOMALIA	1	2.60%			-2.41%	
BENIN	8	3.50%		3.50%	-1.80%	1.00%
GREECE	249	-3.00%	0.20%	0.25%	-1.70%	27.80%
BULGARIA	51	0.70%	0.50%	0.04%	-1.60%	12.00%
BOSNIA AND HERZEGOVIN	17	-0.50%		7.03%	-1.40%	44.50%
TOGO	4	5.00%		3.50%	-0.50%	6.80%
LATVIA	28	4.50%	1.30%	0.25%	-0.40%	11.80%
BAHAMAS	8	1.80%		4.50%	-0.36%	14.00%
SENEGAL	14	4.10%	-1.70%	3.50%	-0.10%	10.20%
MALI	10	-1.20%		3.50%	0.00%	10.50%
SWITZERLAND	632	1.90%	0.50%	0.00%	0.10%	3.50%
SWEDEN	526	0.30%	0.10%	0.75%	0.10%	7.50%
BURKINA FASO	10	8.00%		3.50%	0.10%	3.30%
LIECHTENSTEIN	5	-1.20%			0.10%	
CAPE VERDE	2	1.00%		9.75%	0.10%	16.80%
SPAIN	1349	-0.10%	0.30%	0.25%	0.20%	26.03%
PORTUGAL	212	-1.00%	0.20%	0.25%	0.20%	15.30%
IRELAND	210	1.70%	1.50%	0.25%	0.20%	12.30%
BRUNEI	17	-3.90%		5.50%	0.20%	1.10%
CROATIA	56	-0.60%	-0.10%	6.25%	0.28%	21.60%
MONTENEGRO	4	4.00%			0.30%	14.88%

<http://www.tradingeconomics.com> - 7 February 2014

	GDP BILLION USD	GDP YOY	GDP QOQ	INTEREST RATE	INFLATION RATE	JOBLESS RATE
VENEZUELA	382	1.10%	1.19%		15.36%	56.10%
SYRIA	74	-2.30%			49.50%	14.90%
IRAN	549	-5.50%			15.00%	35.50%
SUDAN	59	-0.60%			10.60%	29.40%
MALAWI	4	5.00%			25.00%	23.50%
BELARUS	63	0.70%			23.50%	15.33%
GHANA	41	0.30%	0.50%		18.00%	13.50%
MONGOLIA	10	11.50%	11.50%		10.50%	12.50%
ERITREA	3	6.30%				12.30%
EGYPT	257	1.04%	1.04%		8.25%	11.70%
ARGENTINA	475	5.50%	-0.20%		19.67%	10.90%
GUINEA	7	3.90%			16.00%	10.30%
JAMAICA	15	0.50%	1.50%		5.75%	9.70%
SIERRA LEONE	4	6.20%			12.00%	9.38%
BHUTAN	2	4.60%			6.00%	9.12%
URUGUAY	49	3.30%	-0.70%		9.25%	9.10%
BURUNDI	2	4.20%			11.45%	9.00%
YEMEN	36	0.10%			15.00%	8.60%
LIBERIA	2	8.30%			13.53%	8.50%
NEPAL	19	3.65%			8.00%	8.41%
INDONESIA	878	5.72%	-1.42%		7.50%	8.22%
NIGERIA	263	7.67%	7.67%		12.00%	8.00%
PAKISTAN	231	3.59%	3.59%		10.00%	7.90%
ETHIOPIA	43	8.50%			5.00%	7.80%
TURKEY	789	4.40%	0.90%		10.00%	7.75%

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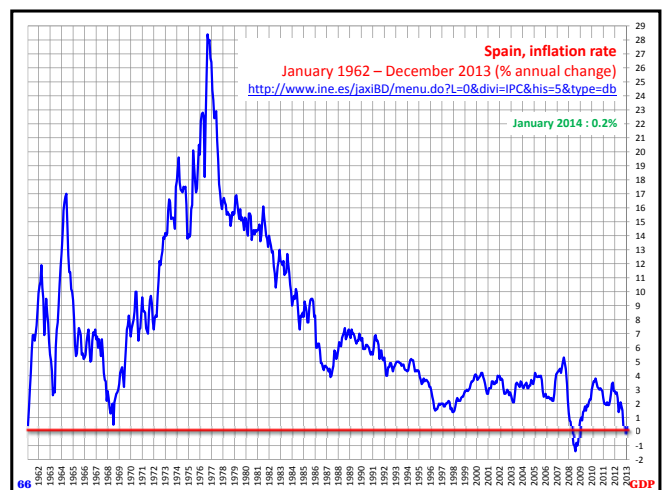
GDP

## Inflation concepts

- As an economic phenomenon, inflation refers to the sustained increase of the CPI. It occurs for periods during which the inflation rate is positive.
- Deflation is the opposite phenomenon: sustained decrease of the CPI (negative inflation rates).
- Disinflation takes place when, during inflation, the inflation rate diminishes (but remains positive).
- Hyperinflation occurs with astronomical inflation rates (monthly inflation rates of at least 50%). Under a hyperinflation, inflation is out of control.

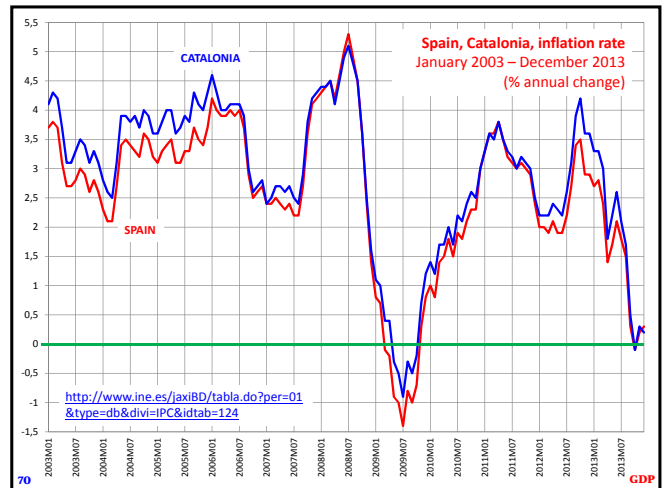
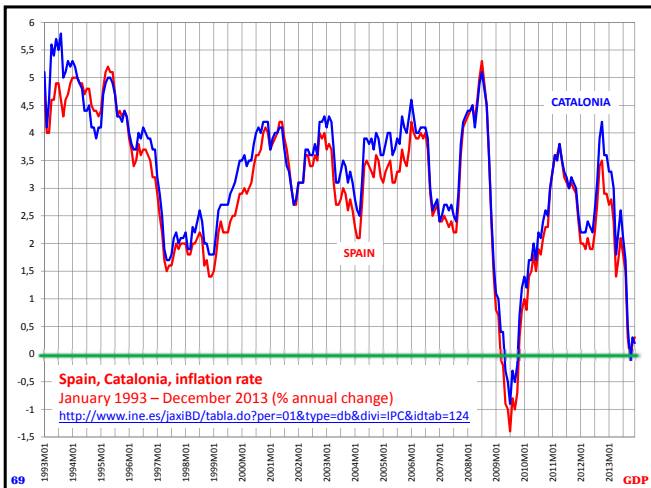
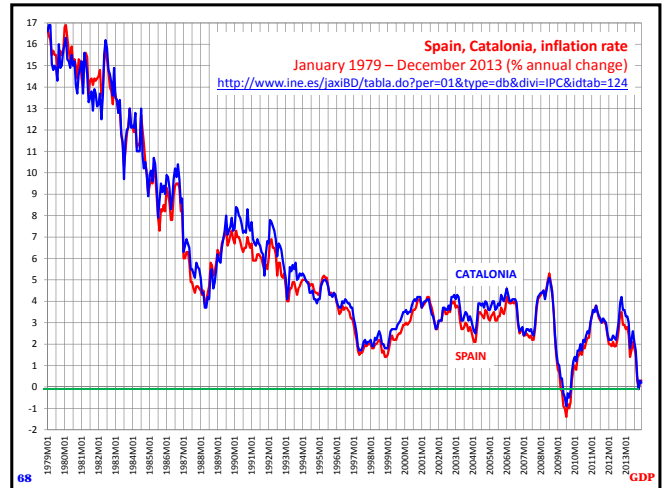
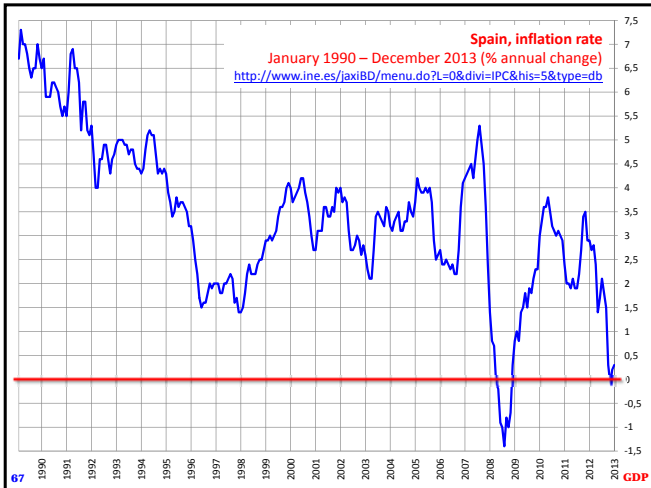
65

GDP



66

GDP



### Core inflation rate

- The core (as opposed to headline) inflation rate is computed by excluding the prices of food and energy prices, which tend to be very volatile.
- It is a measure of underlying long-term inflation. It can also be used as an indicator of future inflation.

**Spain, core inflation rate**  
(% annual change)  
<http://www.tradingeconomics.com/spain/core-inflation-rate>

71 GDP

