

## Activity 11: Motivating Aggregate Supply and Aggregate Demand— The Relationship Between Real GDP and Inflation

This activity focuses on economic growth and inflation, and you will use FRED® to find data that pertain to them. FRED® is a great and simple tool for finding, viewing, and manipulating official data.

1. Go to <https://fred.stlouisfed.org/> and sign in to your personal FRED® account.
2. On the FRED® landing page, under the AT A GLANCE tab on the left, find the link to **Real Gross Domestic Product**. Click on this. The gray bars in the graph represent recessions. How many recessions have there been since 1950? What happened to the percent change of real GDP during each of these recessions?
3. Look at the upper right of the screen for an orange button that says EDIT GRAPH. Click it and make sure the ADD LINE tab is highlighted. In the search bar, type in “CPI.” One of the first few options should be **Consumer Price Index for All Urban Consumers: All Items, Monthly, Index 1982-1984 = 100, Seasonally Adjusted**. Click on this, and then click the **Add data series** button. Click in the **Units** box and change the units to **Percent Change from Year Ago**. Click in the **Modify frequency** box and change the frequency to Quarterly. What happened to the percent change of CPI (an estimate of inflation) during each of the past recessions?
4. Looking at the recessions, describe the relationship between the percent change in real GDP and the inflation rate. Do you see any patterns?

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### Tools for Teaching with FRED®

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