

MGMT 673 – Global Economic Analysis
Assignment 1: The Great Recession

Due Date

This assignment is due by the end of Module 2.

Objective

The global recession that began in 2008, generally known as the Great Recession, was the worst economic downturn since the Great Depression of the 1930s. The objective of this assignment is a deeper understanding of the relationship between economic indicators and the business cycle. You will track several important economic metrics through this extraordinary recession and recovery.

Directions

Begin by choosing a country of interest from those listed in Marthinsen Appendix 1-1 (Excluding the United Kingdom as it is provided as an example). Using the International Monetary Fund's (IMF) World Economic Outlook database, obtain the following economic metrics for the years 2007 to the present: 1. Gross Domestic Product, 2. Investment, 3. Saving, 4. Inflation, 5. Unemployment rate, and 6. Government debt. Data for some countries may be incomplete. If so, please choose another country.

For this assignment, begin with an introduction explaining the purpose of the paper and the country chosen. Then, present these metrics graphically so that relationships to the contraction and subsequent expansion in GDP are apparent. Detailed guidance on how to create a graph in MS Excel is provided below. The IMF database allows for several choices for the computation of each metric, so notes to the graph and in raw data should specify what the metric measures, for example, year over year percentage change in GDP. Next, explain how and why each varied during the course of the Great Recession. Determine whether each indicator (except GDP, which is the measure of the recession) is procyclical, countercyclical or acyclical. Did the indicator move as the discussion in Marthinsen (see Exhibit 4-13) suggested? If not, suggest a reason.

When interpreting the data, keep in mind that some indicators are computed as a year over year percentage change. If GDP, for example, drops from a 5% year over year increase in one year to zero percent (0%) in the next, then GDP remained unchanged over the two year period. Similarly, some indicators, such as Savings, are computed as a percentage of GDP. If Savings as a percent of GDP showed no change from one year to the next, but GDP declined, then the Savings declined with GDP.

The paper should be in APA format. Use an APA style guide such as the Purdue Online Writing Lab. Purdue OWL also includes an APA sample paper which may be helpful. Do a search within the Purdue OWL website for “sample APA paper.” The paper should not exceed four pages excluding a title page and reference list and appendix.

The graph of the economic indicators should be placed in the body of the paper for easy reference but the raw data is best suited for an appendix.

Creating an Excel Chart Using IMF Data

Access the IMF World Economic Outlook (WEO) database with this path: IMF Home/Data and Statistics (top menu)/ World Economic Outlook Databases (scroll down to find) /World Economic Outlook Database (most recent)/Download WEO Data – By Countries/then select the desired country and select the desired metrics in a five step process. Generate the report which may then be downloaded in an Excel compatible format. The database should look like this:

The screenshot shows the IMF website's 'World Economic and Financial Surveys' section. The main heading is 'World Economic Outlook Database'. Below this, there is a section titled 'Download WEO Data: April 2014 Edition' with three options: 'By Countries (country-level data)', 'By Country Groups (aggregated data) and commodity prices', and 'Entire Dataset'. The page also includes a 'Disclaimer' link, a 'World Economic Outlook Text' link for April 2014, and a 'World Economic Outlook on Google Public Data Explorer' link. A world map is visible on the right side of the page.

Here is an example of the report for the United Kingdom.

World Economic Outlook Database, April 2014

Step 5 of 5

5. Report for Selected Countries and Subjects
You will find [notes](#) on the data and options to [download](#) the table below your results.

Country	Subject Descriptor	Units	Scale	Country/Series-specific Notes	2007	2008	2009	2010	2011	2012	2013
United Kingdom	Gross domestic product, constant prices	Percent change			3.427	-0.769	-5.170	1.660	1.117	0.251	1.756
United Kingdom	Total investment	Percent of GDP			18.195	17.092	14.071	15.016	14.934	14.656	14.382
United Kingdom	Gross national savings	Percent of GDP			16.009	16.149	12.656	12.323	13.471	10.925	11.045
United Kingdom	Unemployment rate	Percent of total labor force			5.350	5.725	7.650	7.850	8.100	7.950	7.604
United Kingdom	General government revenue	Percent of GDP			36.964	37.433	35.561	36.181	36.943	36.806	37.737
United Kingdom	General government total expenditure	Percent of GDP			39.848	42.449	46.818	46.155	44.729	44.768	43.536

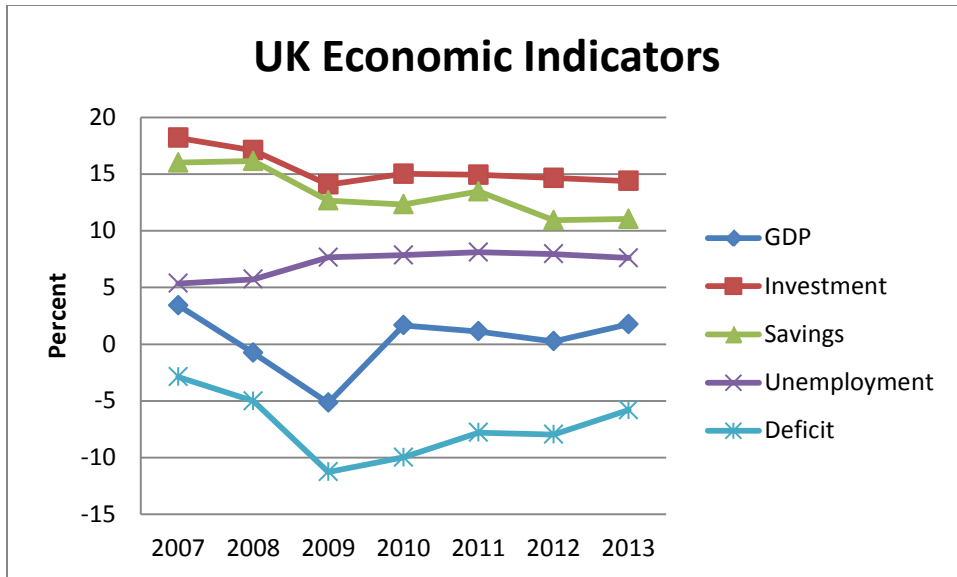
The data from the IMF report were then copied and pasted into Excel. Next, the Excel table was modified by deleting some unneeded columns and a row was added that computes the budget deficit as a percent of GDP. Here is the result.

Subject Descriptor	Units	Scale	2007	2008	2009	2010	2011	2012	2013
Gross domestic product, constant prices	Percent change		3.427	-0.769	-5.17	1.66	1.117	0.251	1.756
Total investment	Percent of GDP		18.195	17.092	14.071	15.016	14.934	14.656	14.382
Gross national savings	Percent of GDP		16.009	16.149	12.656	12.323	13.471	10.925	11.045
Unemployment rate	Percent of total labor		5.35	5.725	7.65	7.85	8.1	7.95	7.604
General government revenue	Percent of GDP		36.964	37.433	35.561	36.181	36.943	36.806	37.737
General government total expenditure	Percent of GDP		39.848	42.449	46.818	46.155	44.729	44.768	43.536
Deficit = revenue - expenditure	Percent of GDP		-2.884	-5.016	-11.257	-9.974	-7.786	-7.962	-5.799

Finally, the spreadsheet was modified to a format suited for creating a line graph.

	2007	2008	2009	2010	2011	2012	2013
GDP	3.427	-0.769	-5.17	1.66	1.117	0.251	1.756
Investment	18.195	17.092	14.071	15.016	14.934	14.656	14.382
Savings	16.009	16.149	12.656	12.323	13.471	10.925	11.045
Unemployment	5.35	5.725	7.65	7.85	8.1	7.95	7.604
Deficit	-2.884	-5.016	-11.257	-9.974	-7.786	-7.962	-5.799

Excel will create a graph with a few clicks. Select the entire table, then use Insert/Line graph (do not choose one of the "stacked" graphs as these add each data point to the previous). Adding a chart title and moving the X-axis label to the bottom yields this chart:



If you need help with creating graphs, Excel has an excellent help feature. Many videos are also available at YouTube.