

## Moneywise Tip – Understanding Economic Terms

The current state of the United States economy is a common news headline. However, the terms used to describe or discuss the current economic conditions are not always easy to understand. Developing a greater understanding of the terms used by media to discuss the recession can help consumers feel more confident in their ability to manage their personal financial situation.

**What is an economic recession?** An economic recession is a down turn in the economy. In general an economic recession is a contraction or slow down of the economy. The [National Bureau of Economic Research](#) (NBER), is responsible for officially determining entry and exit points of economic recession. The NBER uses several indicators to measure both growth and decline in the United States economy, including changes in production, employment, and real income, as well as other indicators.

**What are economic indicators?** Economic indicators are used to measure growth or decline in the economy. The economic indicator most commonly talked about is Gross Domestic Product. Gross Domestic Product is the value of all the goods and services that are produced within the United States during a certain time period, such as a month, quarter, or year. Gross Domestic Product is divided up into five categories, including services produced, such as health care, durable and non-durable goods, business investment and government. Durable goods are items that last a long-time and tend to be more expensive, such as a car. Non-durable goods are consumables such as food or gasoline.

**What is the unemployment rate?** According to the [United States Bureau of Labor Statistics](#), the unemployment rate represents the percent of the labor force that is not employed. The Kentucky unemployment rate in July 2010 was 9.9%. This represents nearly a one percent drop in unemployment numbers since July 2009.

**What is inflation?** Prices of goods increase as a result of inflation. Inflation occurs when more people demand a good or service than what is available. The competition between consumers for the good or services increases the price.

**What is deflation?** Deflation is the opposite of inflation. Prices of goods decrease as a result of deflation. Deflation will occur with the supply of goods and services are greater than the demand.

**What is a double-dip recession?** A double dip recession is simply as it name states. It is a second period of economic recession (or negative economic growth) that follows a short-lived period of positive economic growth.

If you are looking for additional money tips, educational materials may be found on [Moneywise](#).

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