

Excel with FRED: HW 8 the Federal Funds Rate and GDP Gaps

The Federal Reserve targets the Federal Funds Rate. Survey data on the Federal Funds Rate should correlate with the level of output, especially during the “Stagflation” period.

1. Search FRED for GDP (GDPC96), potential GDP (GDPPOT) and the Federal Funds Rate (FEDFUNDS). Make sure that all data is quarterly, from 1965-1990. Download data in excel.
2. Create a new column: the difference of actual GDP and potential divided by potential GDP.
3. Label the Federal Funds and GDP Gap columns. Insert the new column and the federal funds column into a scatter diagram.
4. Lag the GDP Gap data by 18 months by shifting the Federal Funds data up six rows.
5. Insert a trend line and r-squared correlation coefficient into the scatter diagram.
6. Edit graph for clarity and style.