## Okun's Law: an example

Assume the NRU = $5\%$	DP= 12Trillion
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# Actual Unemployment Rate = 9%

% Unemployment above NRU = 9 - 5 = 4%

### Okun's Law: For each 1% extra unemployment we lose 2.5% of GDP

% Lost GDP = 4(2.5) = 10%

Lost GDP = 12T(0.10) = \$1.2T

### \$1.2T worth of goods and services that can never be recovered

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#### Plotting Unemployment and Inflation