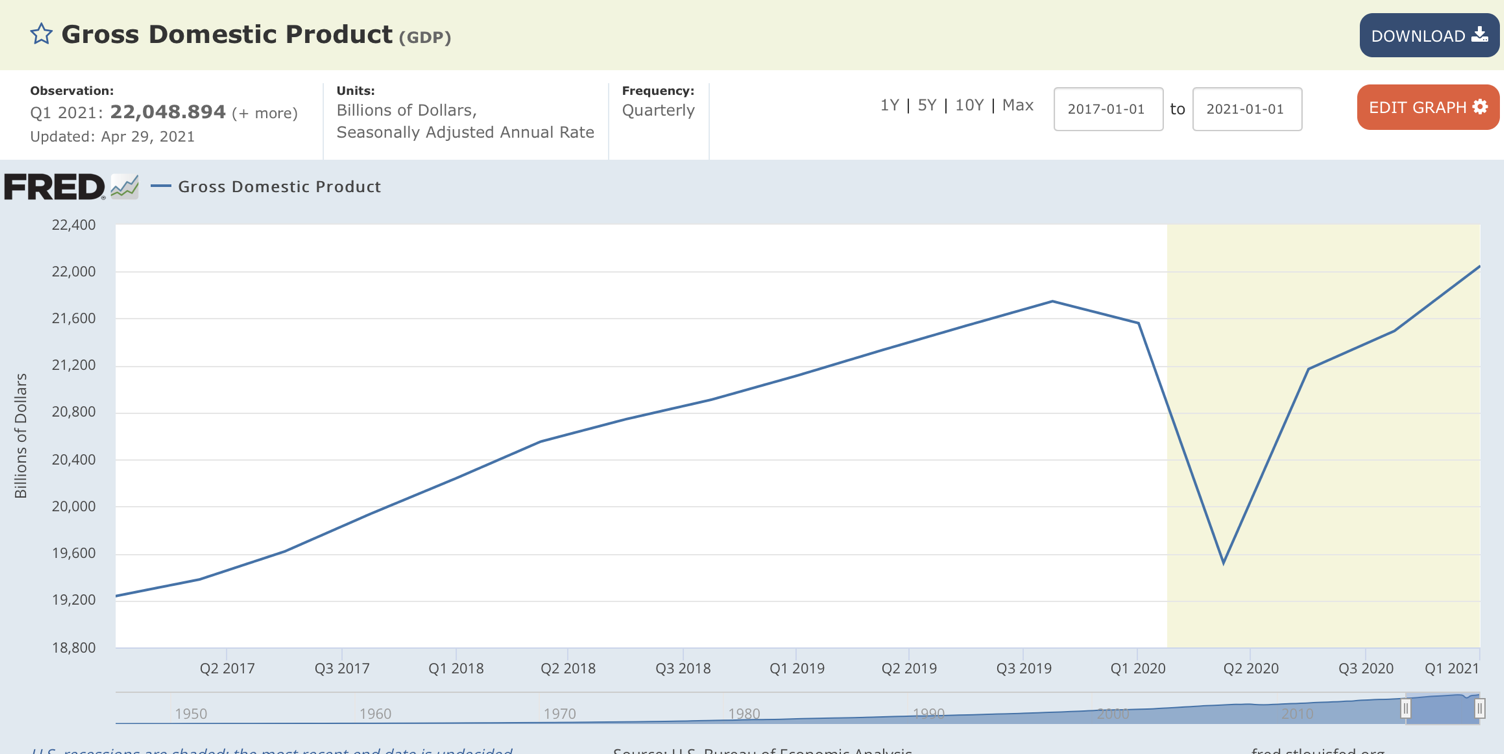
**The Economic/Business/ Cycle.**

1. Economies go through a **business cycle.** How might one define the business, economic or trade cycle?
2. Look at the diagram on the following page and label the following terms :-

# Boom

* **Recession**

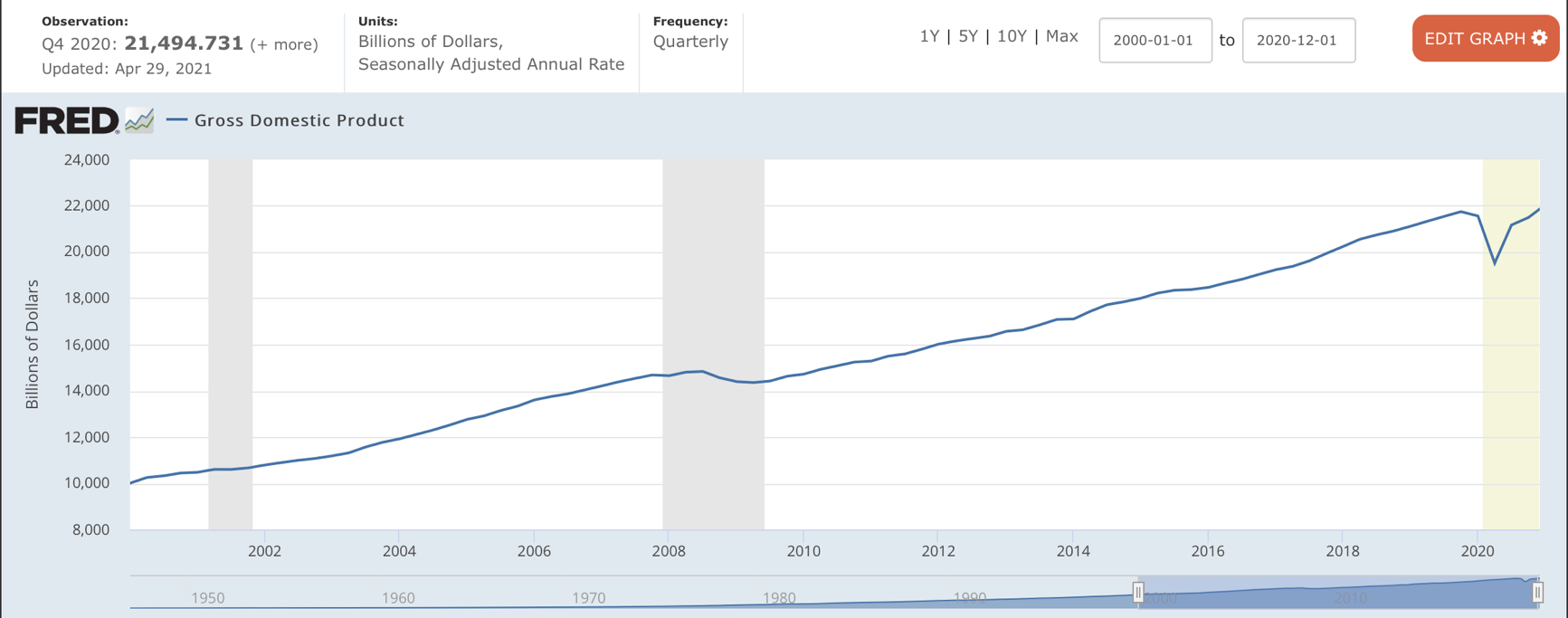
# Recovery

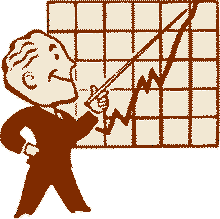
****

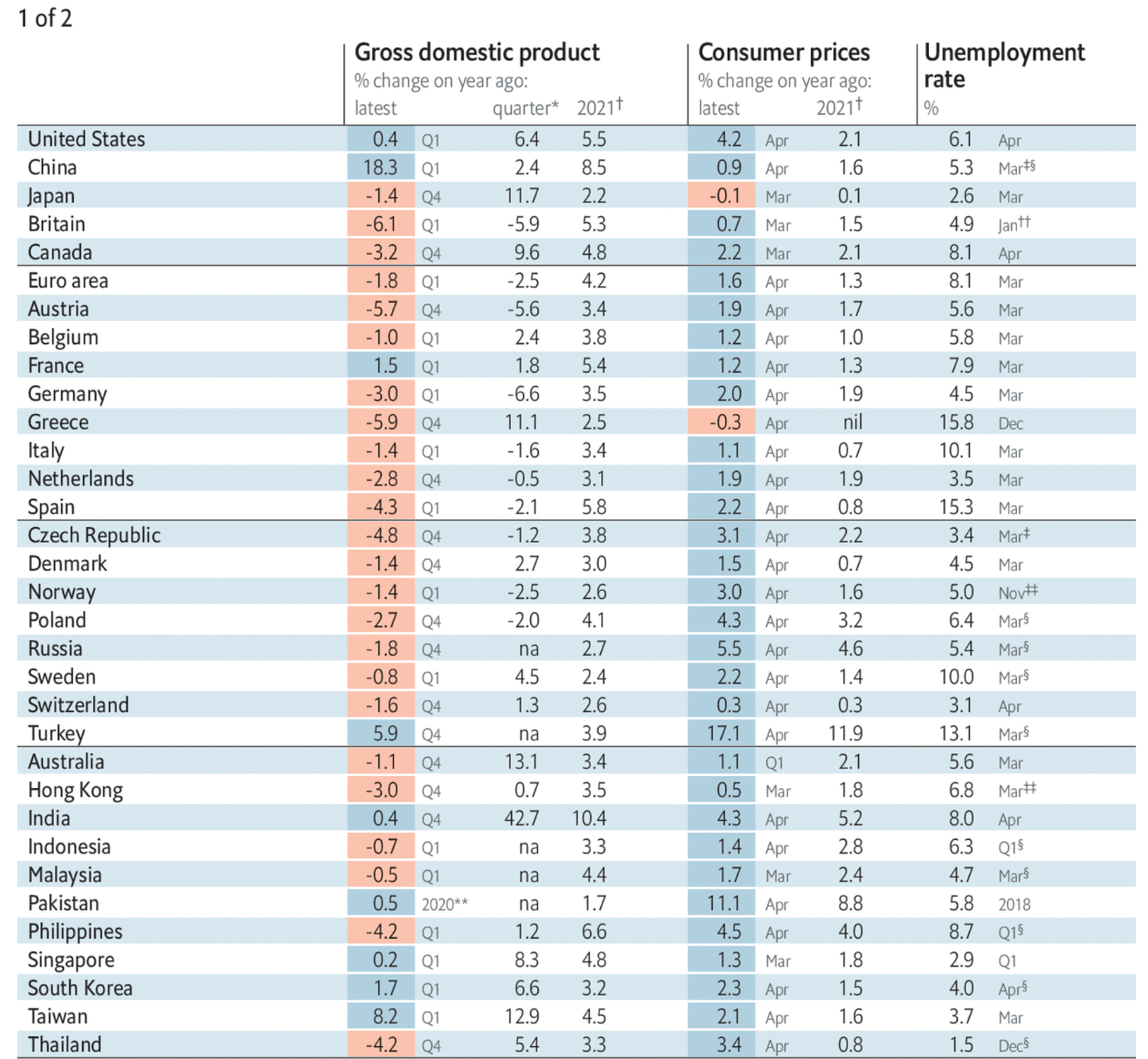
1. Define the terms in the table below.

|  |  |
| --- | --- |
| **Downturn** |  |
| **Recession** |  |
| **Boom** |  |
| **Recovery** |  |

1. On the diagram below identify the **output gap**. Example:



1. Define the term **output gap.**
2. What is the link between the long-term growth trend in the economy and its productive capacity?
3.  Sketch two business cycle diagrams for **total real GDP over time** and **real GDP growth over time.**



1. Identify which countries are experiencing a **boom, recovery or recession**.

|  |  |
| --- | --- |
| **Boom** |  |
| **Recovery** |  |
| **Recession** |  |