**Topic 5.4 The Impact of the Business Cycle: Activity**

1. **Fill in the blanks:**

The is the term used to refer to all people and businesses in a country that engage in buying and selling. Over the last fifty years people have become much better off, being able to afford higher quality products. The reason why people are better off is because there has been an increase in wealth averaging around 2.5 per cent each year. This means that every year, on average, the economy produces 2.5 per cent more goods and services in the previous year.

However, in some years, it is more than this percentage in some years it is less. There might be a few years where is rising but then there are other years when it slows down. This is otherwise known as the . When the economic activity slows down this is known as a . In this situation, consumer confidence begins to fall. Consumers are less willing to borrow money to pay for items.

When the economic activity speeds up it is known as a . People feel confident about the security of their jobs and they may be getting reasonable pay increases each year. Many of these items are bought on , which increase borrowing. This means more revenue for businesses.

|  |
| --- |
| **Economic Growth, Boom, Business Cycle, Economic Activity, Credit, Economy, Recession, Luxury** |

1. **Read the key terms:**

|  |  |
| --- | --- |
| **Key Term:** | **Definition:** |
| **Recession** | A situation when the level of economic growth is negative for two successive quarters. |
| **Boom** | A situation when the level of economic growth is positive. |

1. **How does a RECESSION and BOOM affect different areas of the economy :**

|  |  |  |
| --- | --- | --- |
|  | **Recession**  | **Boom** |
| **Employment** |  |  |
| **Customer confidence** |  |  |
| **Small business** |  |  |
| **UK Sales overall** |  |  |

1. **Look at these three products and discuss whether all businesses are affected by the business cycle.**

**Choose any 5 products below and explain how their sales would be affected by BOOM and RECESSION**

|  |  |  |
| --- | --- | --- |
| **Bread** | **Milk** | **Holiday** |
|  |  |  |
| New cars | DIY Tools | Restaurants |
|  |  |  |
| Decorators | Cable TV | Poundshops |
|  |  |  |

**Higher level tasks**

**Is there a link between borrowing and economic cycles, and if so what is it?**

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**4 marks**

**What is the difference between a worker being made redundant and being sacked?**

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**2 marks**