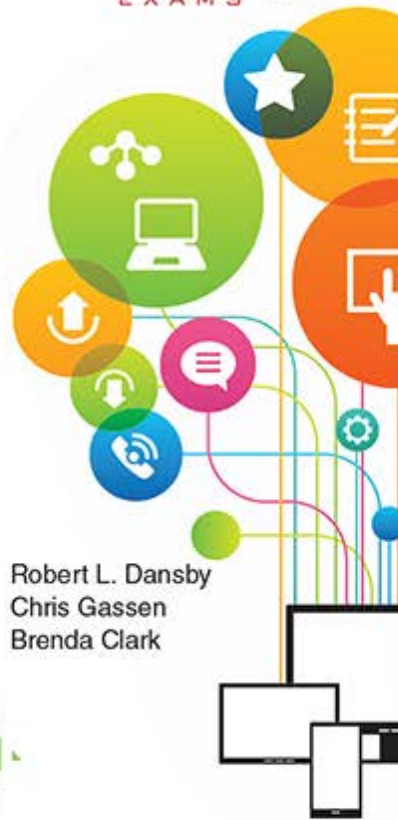


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Principles of Business, Marketing, and Finance

PRECISION
EXAMS



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Presentations for PowerPoint

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G-W
PUBLISHER

The Goodheart-Willcox Co., Inc.
Tinley Park, Illinois

2

Economic Activity

Section 2.1

Measuring Economic Activity

Objectives

- **Describe** common indicators used to measure the strength of an economy.
- **Explain** the four stages of a business cycle.



Essential Question

How does the health of an economy affect businesses?

Economic Measurement

Economic strength can be measured using economic indicators

- Gross domestic product (GDP)
- Inflation
- Interest rates
- Unemployment rate
- Stock markets

Economic Measurement

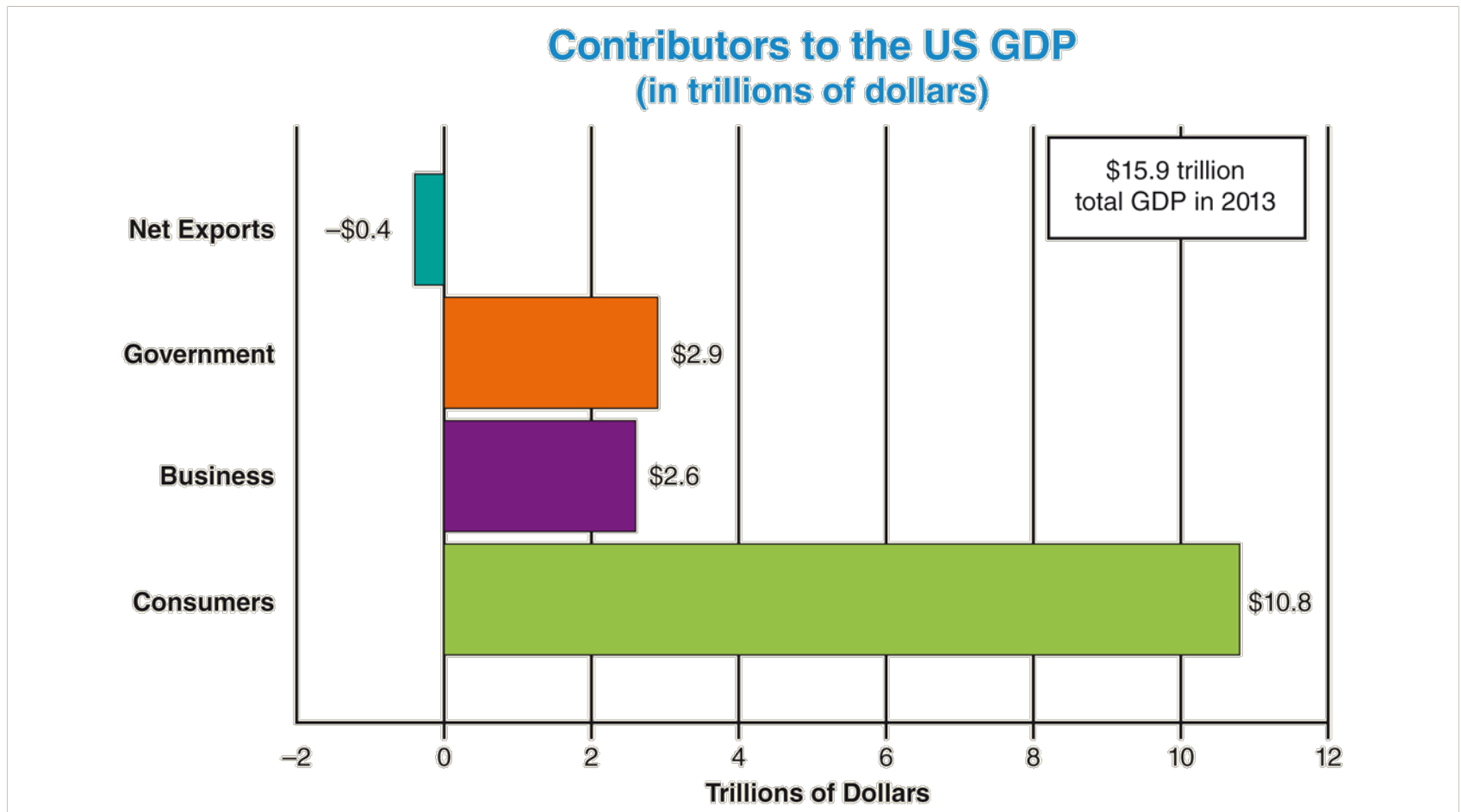
- **Gross domestic product (GDP)** is the market value of all final products produced in a country during a specific time period
 - Also known as *economic output*
 - Measured in dollars
- *Per capita GDP* is GDP of a nation divided by its population

Economic Measurement

GDP is the total amount of money spent on goods and services

- *Consumer spending*
- *Business spending*
- *Government spending*
- Country's exports minus imports

Economic Measurement



Economic Measurement

- **Inflation** is the general rise in prices throughout an economy
- **Inflation rate** is the rate of change in prices calculated on a monthly or yearly basis
- **Deflation** is a general decline in prices throughout an economy

Economic Measurement

Levels of Inflation

Inflation Level	Inflation Rate	Effect on Economy
Low	1% to 4%	Economy remains stable
Medium	5% to 9%	Prices start rising faster than wages
Severe	10% or higher	Purchasing power falls more quickly
Hyperinflation	Over 1,000%	Value of money and the economy is destroyed

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Economic Measurement

- **Interest** is the amount a borrower pays to a lender for a loan
- **Interest rate** represents the cost of a loan and is expressed as a percent of the amount borrowed
 - Determined by supply and demand
- **Labor force:** All the people in a nation who are capable of working and want to work
 - Two categories: *employed* and *unemployed*
- **Unemployment rate** is the percentage of the civilian labor force that is unemployed

Economic Measurement

- **Productivity** is a measure of a worker's production in a specific amount of time, such as an hour, a day, or a week
 - Can lead to higher *standard of living*
- **Stock market** is a system and marketplace for buying and selling stocks
 - Values in stock markets go up and down

Business Cycle

Periods of expansion and recession in the economy are called the **business cycle**

