## Questions

1. What do you understand by the term "expansion phase"? (4)

1. What do you understand by the term "contraction phase"? (4)

1. Name three economic indicators are used to forecast the future direction of the business cycle (3)

1. Draw a diagram of the business cycle in which you identify the four phases of the business cycle and give a short description of each phase. (8)

1. Indicate whether the following variables increase or decrease during a contraction phase. (9)

|  |  |
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| Variable  | Contraction phase  |
| a) Gross domestic product  |   |
| b) Level of economic activity  |   |
| c) Total spending  |   |
| d) Level of production  |   |
| e) Consumer spending  |   |
| f) Investment confidence  |   |
| g) Investment spending  |   |
| h) Imports  |   |
| i) Inflation  |   |

1. Give three reasons why an expansion phase might turn into a contraction phase. (8)

1. Differentiate between endogenous and exogenous causes of the business cycle and give an example of each. (8)