

Answer the following.

Define the following terms and give an example: (10 points)

- **Inflation**-Is the increase or the rising of prices of goods and services in a certain country for a certain time.

Ex. John is a middle-class Filipino who struggles to buy necessities such as ingredients for daily meals. Produce such as vegetables, meat, and fruits used to be inexpensive, and having P500 can purchase those products. Currently, produce is expensive due to inflation, and P500 is insufficient for a week's produce stock.

- **Recession**- Is a decrease or the slowing down of economic activity or growth of a particular country due to a negative or decline in GDP for a certain period.

Ex. A country like Lebanon is experiencing a recession as the country's GDP is declining due to high inflation. Lebanese companies faced business bankruptcy as demand for products and services declined. Lebanon's unemployment increased, and consumer spending decreased; contribution to the country's GDP slowed down, and the economy weakened.

- **Hyperinflation**-Extreme or rapid inflation that goes out of control. It is also marked by an excessive and rapid increase in prices in general, frequently leading to the weakening of the nation's currency.

Ex. In a country like Venezuela, hyperinflation is being experienced by the Venezuelans. Fernando, a Venezuelan, bought nuggets at McDonald, which cost him 39,780,000 bolivares; in the past, nuggets only cost 10,907,006.36, cheaper and more affordable.

- **Depression**-An abrupt drop in economic activity, broad unemployment, diminished production, and a generalized sense of financial instability mark an economic downturn that is severe and lasting.

Ex. The United States of America encountered depression when Stock Market Crash, or "Black Tuesday," happened. The crash caused a severe decline in stock prices, eroding people's wealth and triggering a wave of economic panic.

- **Stagflation**-An economic activity where combination of stagnant economic growth, high unemployment, and high inflation.

Ex. Hinaraya is a local business in Iloilo and currently experiencing a decrease in sales due to high inflation. The business is cutting down the supply of raw materials, and labor is expensive. Due to the sudden increase in the price, customers also decreased, and the business faced a loss in sales and started to reduce employees, which caused unemployment. The slow sales of the business also cause slow production of goods and slow economic contribution.

What are the Macroeconomics Instruments or Policies? (15 points)