below the trend, or GDP might be falling.

- **Characteristics of a recession include:**
- ➔ High unemployment (particularly demand-deficient unemployment).
- ➔ Lower/negative GDP growth/output.
- ➔ More government spending (and therefore a larger budget deficit).
- ➔ Lower inflation.
- ➔ Low business and consumer confidence.
- **Characteristics of a boom include:**
- Low unemployment (maybe a positive output gap).
- High rates of economic growth
- Improving government budget balance (tax revenue rises and expenditure on benefits falls).
- Demand-pull inflationary pressures.
- High business and consumer confidence.

## The impacts of economic growth

### Benefits of economic growth

- **Consumers:**
  - ➔ Higher real wages.
  - ➔ More employment opportunities - career progress.
  - ➔ People can afford to save more money.
  - ➔ Increased consumer confidence in jobs - likely to spend more on high value goods like cars.



- **Firms:**
  - ➔ Increased profits because consumption has increased.
  - ➔ More likely to invest.
  - ➔ Better business expectations and confidence for the future.
  - ➔ More competitive.

- **Governments:**
  - ➔ Less unemployment means that the government pays out less in benefits. They also have more coming in from income tax/VAT/corporation tax.
  - ➔ Smaller budget deficit - spending less.

- **Living standards:**
  - ➔ People feel better off.
  - ➔ As employment rates increase, poverty rates decrease.
  - ➔ The government may open more public spaces like libraries to increase living standards.
  - ➔ Firms may be incentivised to use cleaner technology, having external benefits.
  - ➔ Living standards are defined as your ability to buy imports.