

Definitions and Concepts for AQA Economics A-level

Paper 2: Macroeconomics

Topic 3 – Economic Performance

Activity rate/ participation rate: Proportion of the population of working age in a job or actively seeking work.

Balance of payments: Record of a country's trading and financial transactions with the rest of the world.

Balance of payments equilibrium: Occurs where the balance of payments is relatively balanced over a few years.

Balance of trade: Difference between the monetary value of an economy's exports and their imports.

Balance of trade deficit: When the monetary value of an economy's imports exceed their exports.

Balance of trade in goods: Part of the current account comparing the difference in the monetary value of an economy's exported goods and their imported goods.

Balance of trade in services: Part of the current account comparing the difference in the monetary value of an economy's exported services and their imported services.

Balance of trade surplus: When the monetary value of an economy's exports exceed their imports.

Closed economy: A country with no international trade.

Cost push inflation: A rise in the price level due to an increase in costs of production.

Current account deficit: When currency outflows in the current account exceed currency inflows.

Current account of balance of payments: Measures monetary flow into/out of an economy based on balance of trade in goods and services, primary income and secondary income.

Cyclical unemployment (demand-deficient unemployment): Unemployment caused by a lack of aggregate demand.

Deflation: The persistent fall in the average price level.

Demand pull inflation: A rise in the price level due to an increase in aggregate demand.

Disinflation: A fall in the rate of inflation.

Economic cycle: Upswings and downswings in aggregate economic activity over a period of time.

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Economic performance: Success and/or failure in meeting economic objectives.

Economic recovery: Short run economic growth after a recession

Export-led growth: Economic growth arising from and increase in exports as a component of aggregate demand, in the short run.

Frictional unemployment: Unemployment caused by transferring between two jobs.

Harrod-Domar model: Model illustrating the importance of savings and investment as key factors of economic growth.

Import-cost inflation: A rise in the price level due to an increase in the price of imported resources.

Inflation: The persistent rise in the average price level.

Investment: Increase in the capital stock of an economy.

Involuntary unemployment: When there are no jobs available at the market wage rate for those willing and able to work.

Long run economic growth: An increase in the productive potential of the economy.

Long run Phillips curve: Vertical curve that depicts the role of expectations in the inflationary process.

Money illusion: When individuals confuse nominal and real values when making economic decisions.

Negative output gap: How much lower actual real output is than the trend output level.

Net investment income: Difference between income earned by UK assets located abroad and income earned by foreigner owned assets located in the UK.

Net inward migration: When the number of migrants entering a country exceeds the number exiting the country.

Net outward migration: When the number of migrants entering a country is less than the number exiting the country.

Non-accelerating inflation rate of unemployment (NAIRU): The rate of unemployment consistent with a country experiencing a stable rate of cost & price inflation.

Open economy: A country with international trade.

Output gap: The difference between actual real output and the trend output level.



Phillips curve: Curve that depicts the relationship between inflation and unemployment.

Policy conflict: Occurs when two policy objectives interfere and thus cannot be met simultaneously.

Positive output gap: How much higher actual real output is than the trend output level.

Recession: A fall in real GDP for 6 months or more.

Seasonal fluctuation: Variations in economic activity caused by seasonal changes to the economy.

Seasonal unemployment: Unemployment caused by the changes in the seasons of the year.

Speculation: When uncertainty of the future impacts economic transactions.

Stagflation: High inflation and high unemployment.

Structural unemployment: Unemployment caused by the decline in certain industries.

Transfers: Payments between countries, with which nothing of economic value is given in return.

Unemployment rate: The unemployment level as a proportion of the labour force.

Voluntary unemployment: When workers choose to remain unemployed.

Wage-cost inflation: A rising price level caused by an increase in wages.

