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Question 13 (Answer: **B**)

- A negative output gap means actual output is below potential.
- It grows during a downturn, as output falls further below capacity.
- That is the recession phase; at the trough it stops growing, and in recovery it narrows.

Question 26 (Answer: **A**)

- Real GDP per capita is nominal GDP adjusted for prices and divided by population.
- So it rises most when GDP rises, prices fall and population falls.
- All three effects then work in the same direction.

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Question 15 (Answer: **A**)

- An inflationary gap exists when aggregate demand exceeds the economy's potential output.
- There is no spare capacity, so the excess demand raises prices instead of output.
- It is a *demand* excess relative to capacity, not a statement about investment or profits.

Question 28 (Answer: **D**)

- Inward investment can bring technology, training, jobs, tax revenue and export earnings.
- The risks are profit repatriation, environmental damage and the loss of local firms.
- So the option that is *not* a benefit is the one describing value flowing out of the country.