aggregate demand	the total demand for goods and services within the economy; components of aggregate demand are: consumption (C); investment (I); government spending (G); and net exports (X-M)
aggregate supply	the total productivity capacity of an economy, i.e. the potential output when all factors of production output when all factors of production are fully utilised
average propensity to consume (APC)	the proportion of total income that is spent on consumption
average propensity to save (APS)	the total income that is not spent, but is saved for future consumption
circular flow of income	a model that describes how economic activity occurs between the different groups in an economy; saving, taxation and spending on imports represent leakages from the circular flow

equilibrium	is achieved in an individual market when any consumer who is willing to pay the market price for a good or service is satisfied, and any producer who offers their good and services at the market price is able to sell their produce; it occurs when quantity demanded is equal to quantity supplied, i.e. when the market clears
investment	any current expenditure where the benefits will be obtained in the future; most typically, this injection will involve the purchase of capital goods or the build up of stock and inventory
marginal propensity to consume (MPC)	the proportion of each extra dollar of income that is spent on consumer products
marginal propensity to save (MPS)	the proportion of each extra dollar of income that is saved
multiplier	the greater than proportional increase in national income resulting from an increase in aggregate demand

multiplier process	explains how an increase in aggregate demand will increase the overall level of national income by much more that the initial increase; this amount is known as the multiplier; the size of the multiplier is determined by the marginal propensity to save
recession	the stage of the business cycle where there is decreasing economic activity, defined as two consecutive quarters (six months) of negative economic growth i.e. a fall in the GDP