

Chapter 3 Business Cycle Measurement

- **Definition:**

The primary defining feature of **business cycles** is that they are *fluctuations about trend in real GDP*

- **Procyclical:**

An economic variable is said to be procyclical if its deviations from trend are positively correlated with the deviations from trend in real GDP

- **Countercyclical:**

If its deviations from trend are negatively correlated with the deviations from trend in real GDP

- **Acyclical:**

Neither procyclical nor countercyclical

- **Leading variable:**

If a macroeconomic variable tends to aid in predicting the future path of real GDP

- **Lagging variable:**

If real GDP helps to predict the future path of a particular macroeconomic variable

- **Coincident variable:**

Neither leading nor lagging