

The Financial University under the Government of the Russian Federation

The business cycle

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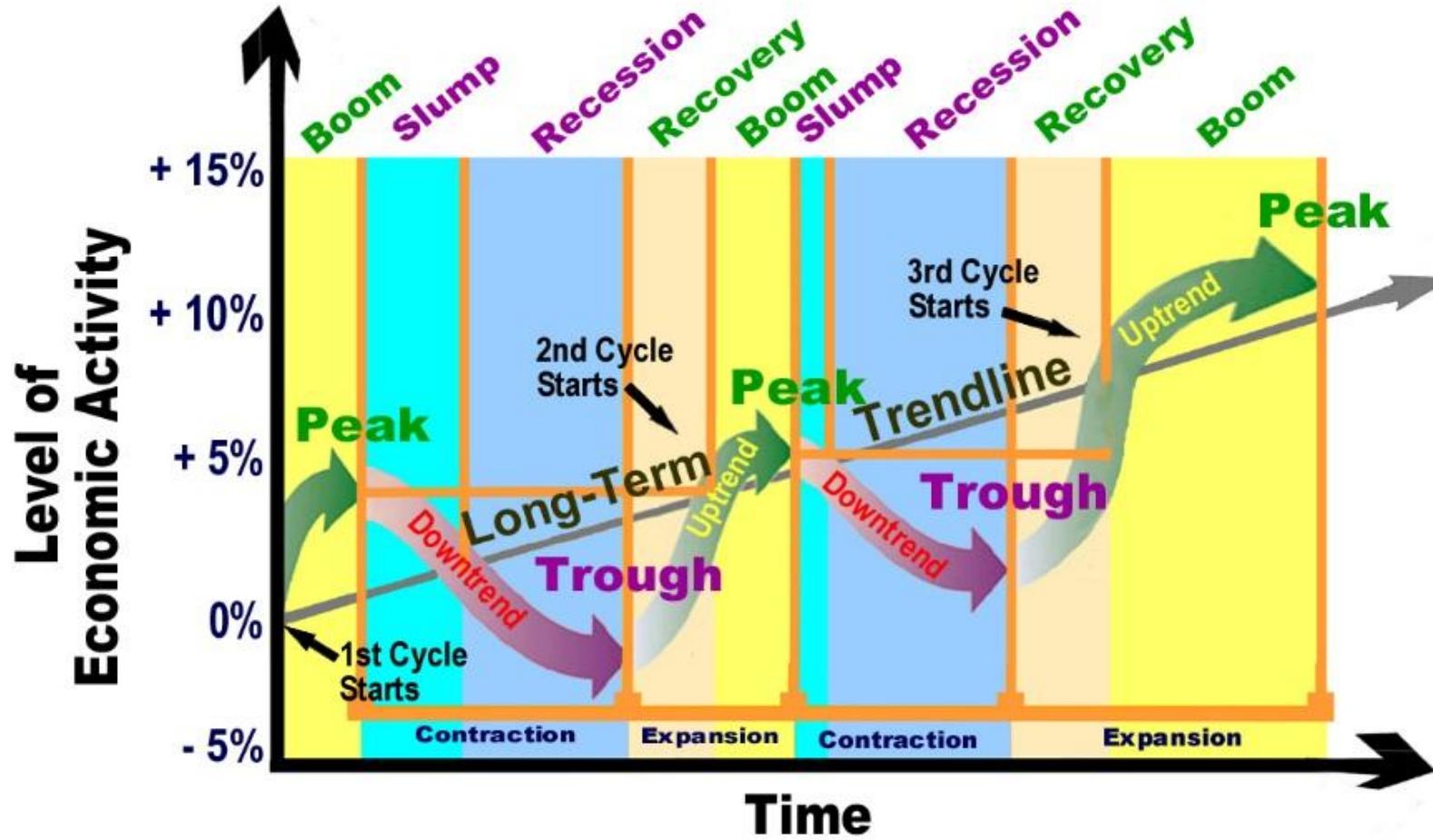
What is mean a business cycle?

- A business cycle refers to periods of expansion and contraction. A peak is the high point following a period of economic expansion. A trough is the low point following a period of economic decline.

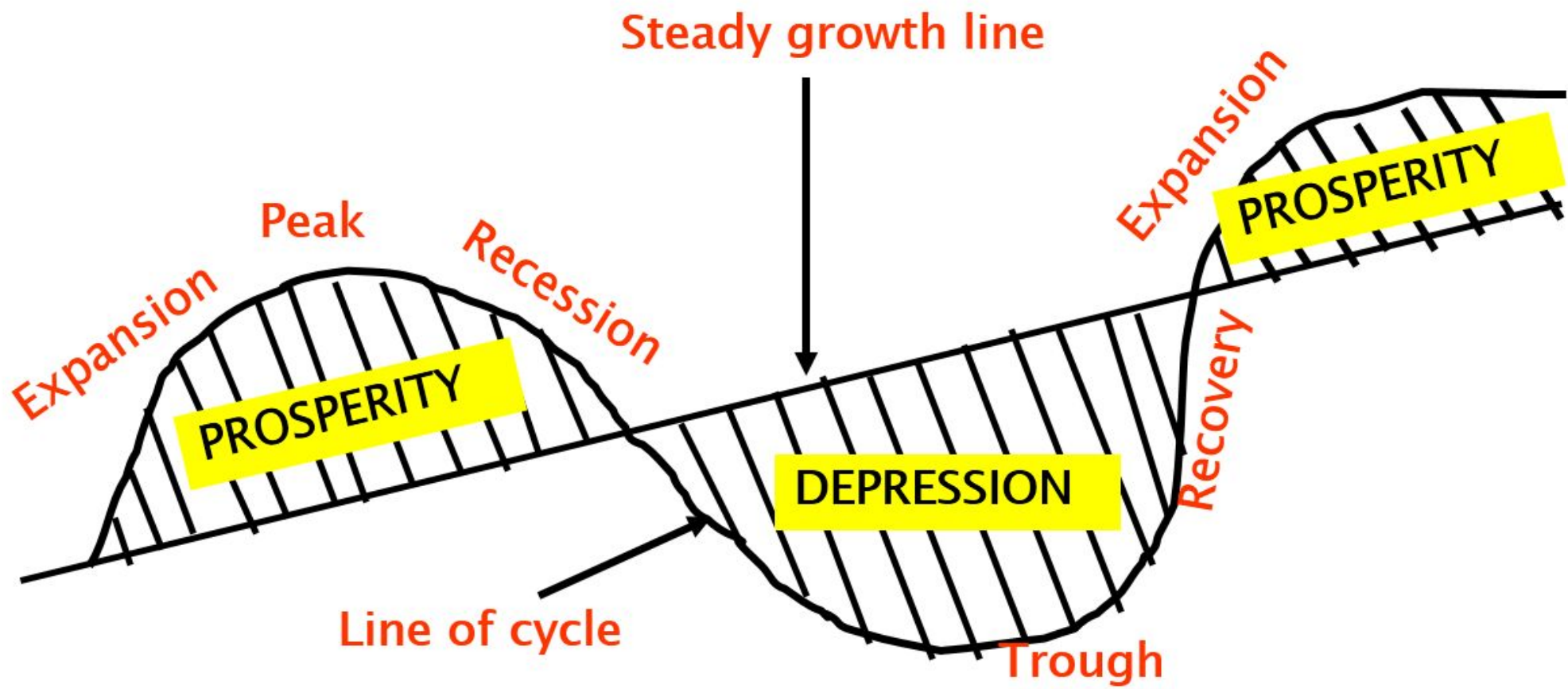
4 stages of business cycle

1. Boom
2. Through \depression
3. Recession
4. Recovery

Phases of the Business Cycle



Again
and
again...



BOOM

characteristics

- The business outlook is extremely optimistic.
- The important features of prosperity are:
 - a high level of output ,trade, employment and income,
 - a high level of effective demand and high marginal efficiency of capital,
 - a large expansion of bank credit, and
 - a rising trend in prices, profits and interest rates.



DEPRESSION

characteristics

- Phase during which the downward trend in the economy slows down and eventually stops
- Economic activities once again register an upward movement
- Period of severe strain on the economy
- Economy registers a continuous and rapid upward trend in output, employment, etc.
- It enters the phase of recovery



RECESSION characteristics

- During recessions, many macro economic indicators vary in a similar way.
- Production, as measured by gross domestic product (GDP), employment, investment spending, capacity utilisation, household incomes, business profits, and inflation all fall
- while bankruptcies and the unemployment rate rise.



RECOVERY

characteristics

- The rising price of an asset
- Increased economic activity during a business cycle, resulting in growth in the gross domestic product.
- Collection of all or a portion of a debt previously considered uncollectible.
- Valuable materials remaining after processing.
- Proceeds from the sale of an asset that represent depreciation that has already been taken.



PEAK characteristics

- Slackening in expansion rate
- Highest level of prosperity
- Downward slide in economic activities



YOUR ATTENTION

**I THANK YOU
FOR**

