

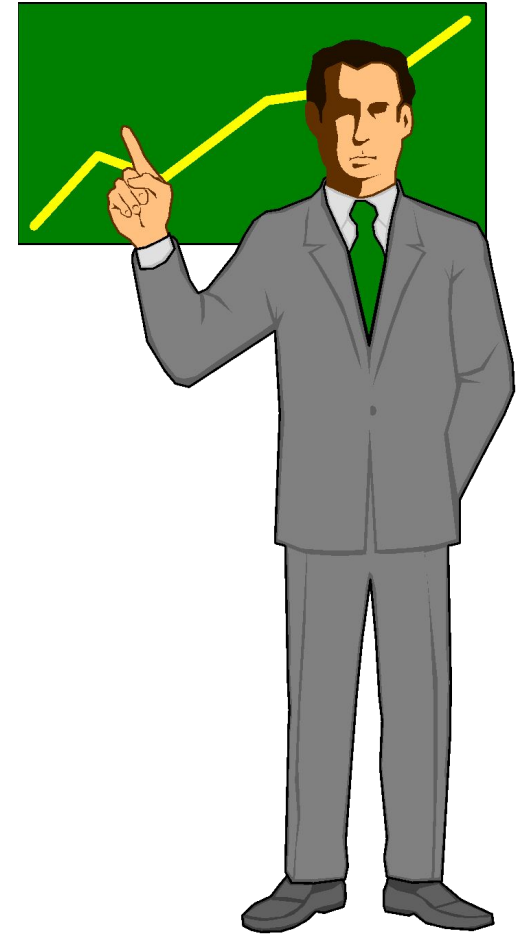
Business cycle

The term **business cycle** (or **economic cycle**) refers to economy-wide fluctuations in production or economic activity over several months or years.

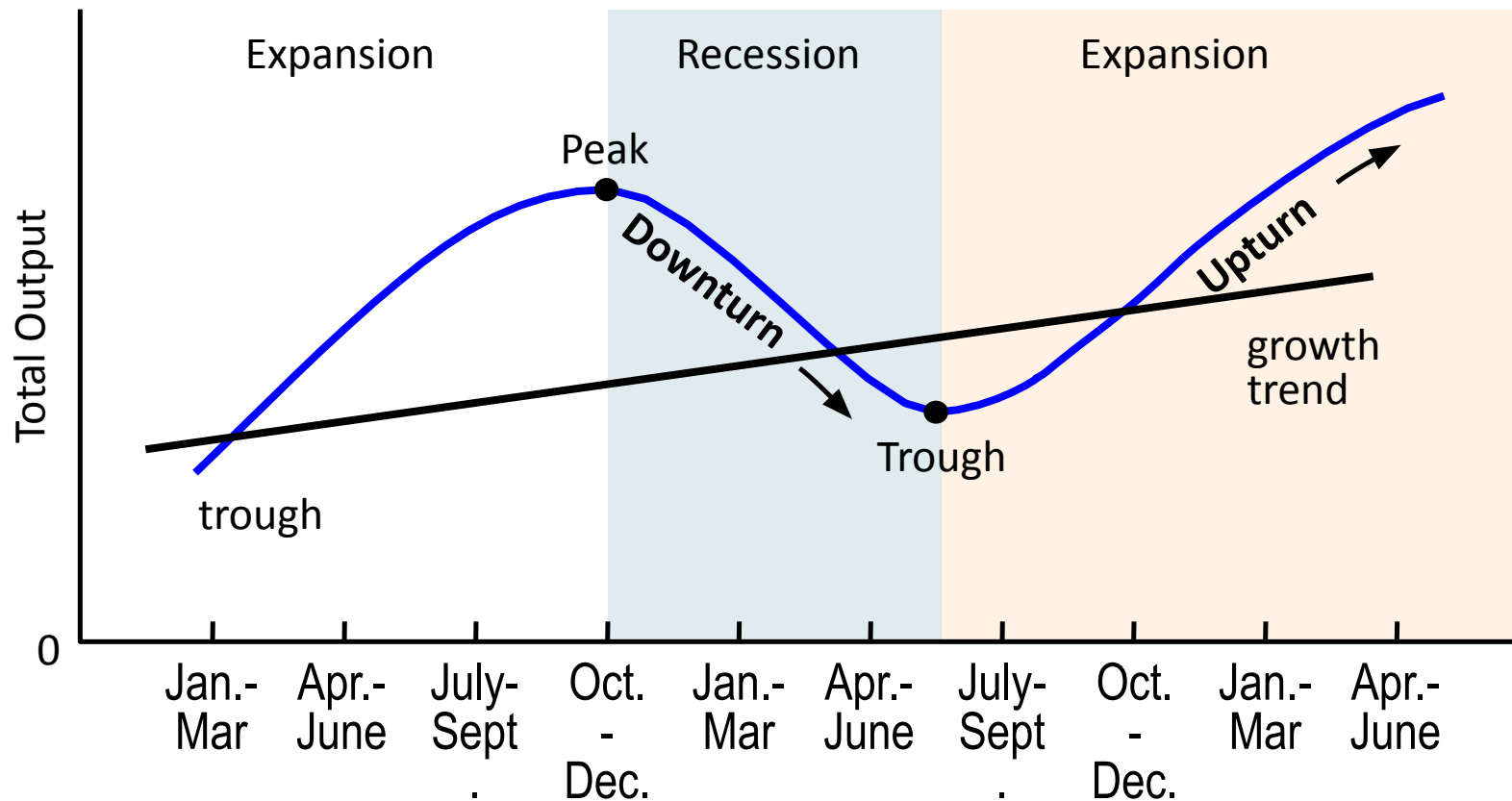
These fluctuations occur around a long-term growth trend, and typically involve shifts over time between periods of relatively rapid economic growth (expansion or boom), and periods of relative stagnation or decline (contraction or recession).

Phases of business cycle

- ❖ Trough
- ❖ Recovery
- ❖ Expansion of economic activity
- ❖ Peak or prosperity
- ❖ Recession, the down trend



The Phases of the Business Cycle



Trough :The stage of the economy's business cycle that marks the end of a period of declining business activity and the transition to expansion.

Recovery: Period in a business cycle when economic activity picks up and the Gross National Product grows, leading into the expansion phase of the cycle.

Prosperity/expansion : Prosperity or expansion phase starts when the company or business has developed its roots strong enough in the market, its name is recognized and the business has introduced products which are new, innovative and there demand is rising with each passing day.

In other words, prosperity means speedy growth and increased revenue.

The activities involved in this phase are efficient processing, economies of scale, timely delivery of service, innovative products and services, and competitive pricing.

BOOM:

A phase of the business cycle characterized by high levels of output and some upward pressure on the general price level. Boom conditions encourage the private sector to increase investment because of growing opportunities to sell goods and services.

A period of time when resources are being fully used and GDP is growing steadily.

Peak

The high point at the end of an economic expansion until the start of a contraction.

The highest point between the end of an economic expansion and the start of a contraction in a business cycle. It is at this point that real GDP spending in an economy is its highest level

Recession : A significant decline in activity across the economy, lasting longer than a few months. It is visible in industrial production, employment, real income and wholesale-retail trade. The technical indicator of a recession is two consecutive quarters of negative economic growth as measured by a country's gross domestic product (GDP).

Depression : In economics, a **depression** is a sustained, long-term downturn in economic activity in one or more economies. It is a more severe downturn than a recession, which is seen as part of a normal business cycle.