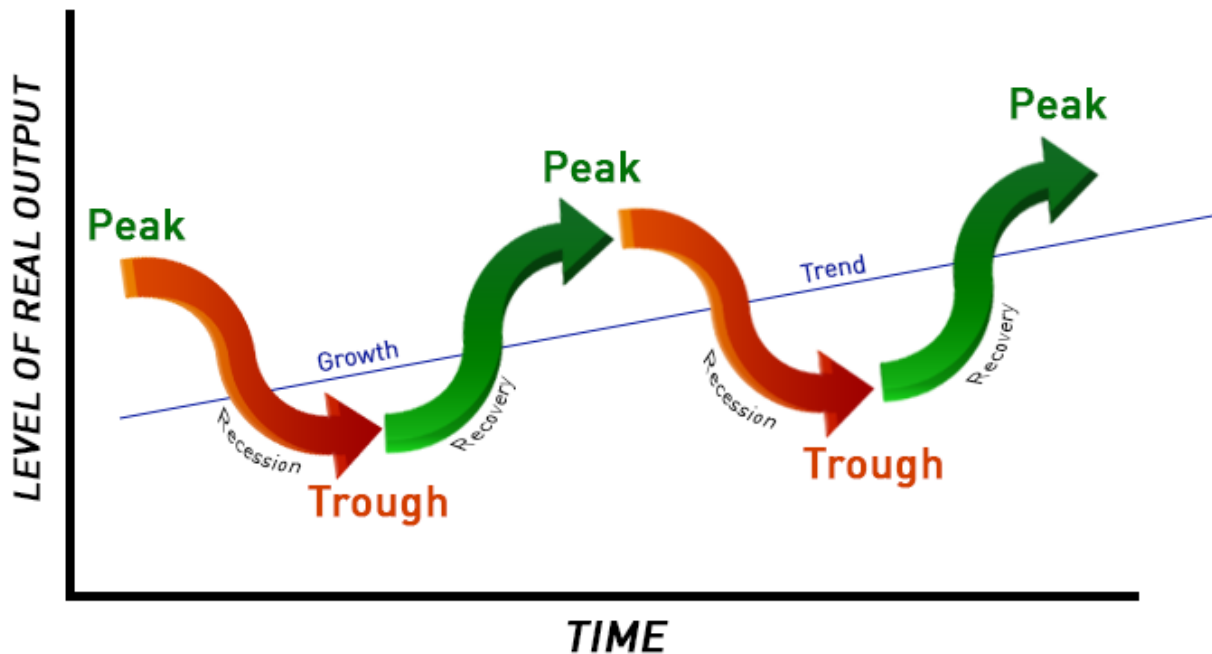


Economic Cycle

Now it is important to know that the markets reflect the growth in the economy and that the economy grows in cycles.

The economy goes through four different cycles known as business cycle stages:

The Economic Cycle



Expansion:

Between trough and peak.

Economy is growing.

Positive Gross Domestic Product which measure economic output.

Peak:

Transition period into contraction.

Contraction:

Starts and Peak and ends at trough.

Economic growth diminishes.

GDP falls (when GDP becomes negative, it is considered a recession.)

Trough:

Stage where the economy transitions from contraction to expansion.

What represents a stronger economy:

- Increase in economic output (GDP)
- Decrease in unemployment
- Increase in inflation
- Increase in investments (capital expenditure)
- Political stability

Growth has to occur in a stable and healthy manner in order to avoid a crisis. To do this the government has to set up ways to control this growth. The 2 main ways available are through monetary policy and Fiscal policy.
