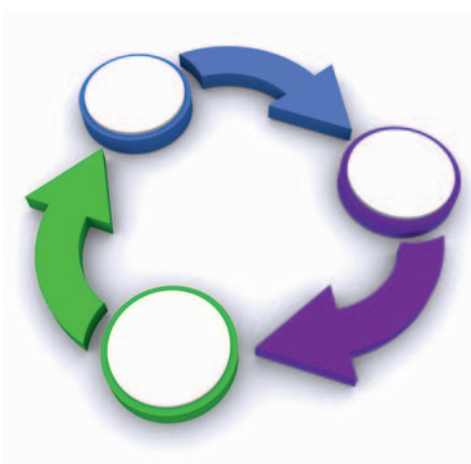


46 The business cycle

A Key indicators

To assess the state of a country's economy, commentators look at **key indicators** such as:

- a the **jobs market** – how many people are **in employment** and how many are **out of work** or **unemployed**.
- b **disposable incomes** – what people have available to spend after buying essentials such as food, electricity, etc.
- c **retail sales / consumer spending** – how much people are spending in the shops. This is related to **consumer borrowing** – how much people have borrowed in loans, on their credit cards, etc.
- d the **property** or **housing market** – **house prices**, and the price and availability of **mortgages** – loans to buy property. **Interest rates** decided by a country's **central bank** – how much it costs to borrow money – are very important in this context.
- e **inflation** – how fast prices are rising.
- f **financial markets**, including the **stock market** for company shares.
- g the **trade balance** – how much the country is importing and exporting. If it exports more than it imports, it has a **trade surplus**; if it imports more than it exports, it has a **trade gap**.
- h **exchange rate** – the value of a country's **currency**.
- i **government spending** – the amount that the government is paying for everything that it provides. There is a **budget surplus** when a government takes in more in taxes than it spends; there is a **budget deficit** when a government takes in less in taxes than it spends.



Note

property, housing: BrE and AmE
 real estate: AmE only

B The business cycle

Economic growth is when a country's economic activity increases. Typically, when the economy recovers from a **trough** – its lowest point – there is a period of **recovery** when growth starts to **pick up** – speed up. This is followed by a phase of **prosperity** when people and companies have money to spend and feel confident about the future. These two phases make up a period of **expansion**.

The economy then **peaks** or reaches its **peak** – highest point – and starts to **decline** – grow more slowly. The economy may even **shrink** in a period of **contraction** or **contract** in a **slowdown** – get smaller – before it **reaches a trough** or **bottoms out** and starts to grow again. This is the **economic** or **business cycle**.

C Boom and bust

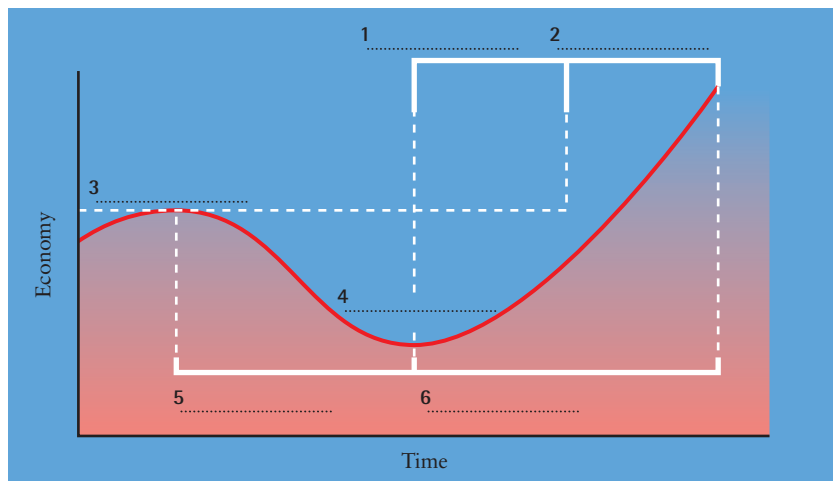
When the economy is **booming** – growing fast – commentators start to talk about the **risks** or **signs of overheating**, with key indicators getting out of control, and a loss of **economic stability**. They talk about the need for a **soft landing**, with the government aiming to bring economic activity back to more **sustainable levels** – ones that can be continued – without the economy going into **recession** – technically, a period of declining activity lasting two consecutive quarters (six months) or more.

A long period of severe recession is a **depression** or a **slump**. This whole process is referred to, slightly informally, as the **boom and bust cycle**.

46.1 Match these headlines (1–9) with the issues that they relate to (a–i) in A opposite.

- | | |
|--|---|
| <p>1 Shares in biggest one-day rise for 10 years</p> <p>2 Average house price now €203,000</p> <p>3 Jobless at lowest for 12 years</p> <p>4 CONSUMERS IN RUSH TO MALLS</p> <p>5 Dollar falls to 15-year low against yen</p> | <p>6 Average pay rises 3 per cent – gas, electricity fall</p> <p>7 TRADE GAP WIDENS BY RECORD £500 MILLION</p> <p>8 Government borrowing rises to unprecedented levels</p> <p>9 Consumers and firms hit by price jump shock</p> |
|--|---|

46.2 Use nouns from B opposite to complete the labels in this diagram.



46.3 Use correct forms of expressions from C opposite to complete these sentences.

- 1 Britain's economy for most of the 'Blair decade', growing by 3 or 4 per cent per year.
- 2 The Chinese Central Bank raised interest rates, a move aimed at reducing the risk of in an economy that is growing at more than 11 per cent per year.
- 3 The president said he is concerned but believes the market will find a without substantial government intervention, and will not go into a recession.
- 4 Government spending went well beyond sustainable levels during the boom and this threatened
- 5 The Turkish economy had a sudden reversal and experienced a severe, following growth of 8 per cent the previous year.
- 6 In the gold industry, cycles last an average of ten years.

Over to you



At what point in the business cycle is your country right now? What is the state of some of the key indicators?