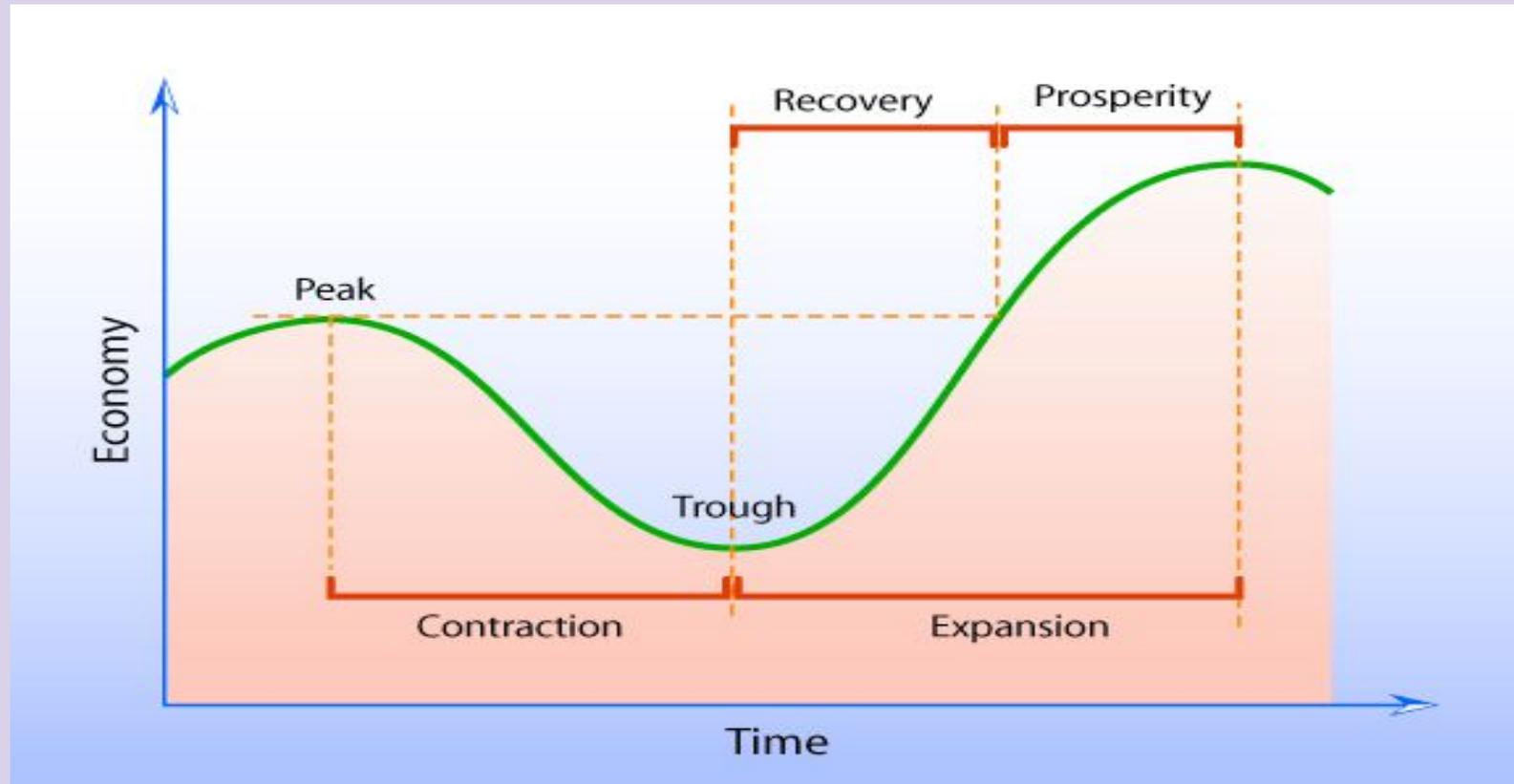


The Business Cycle

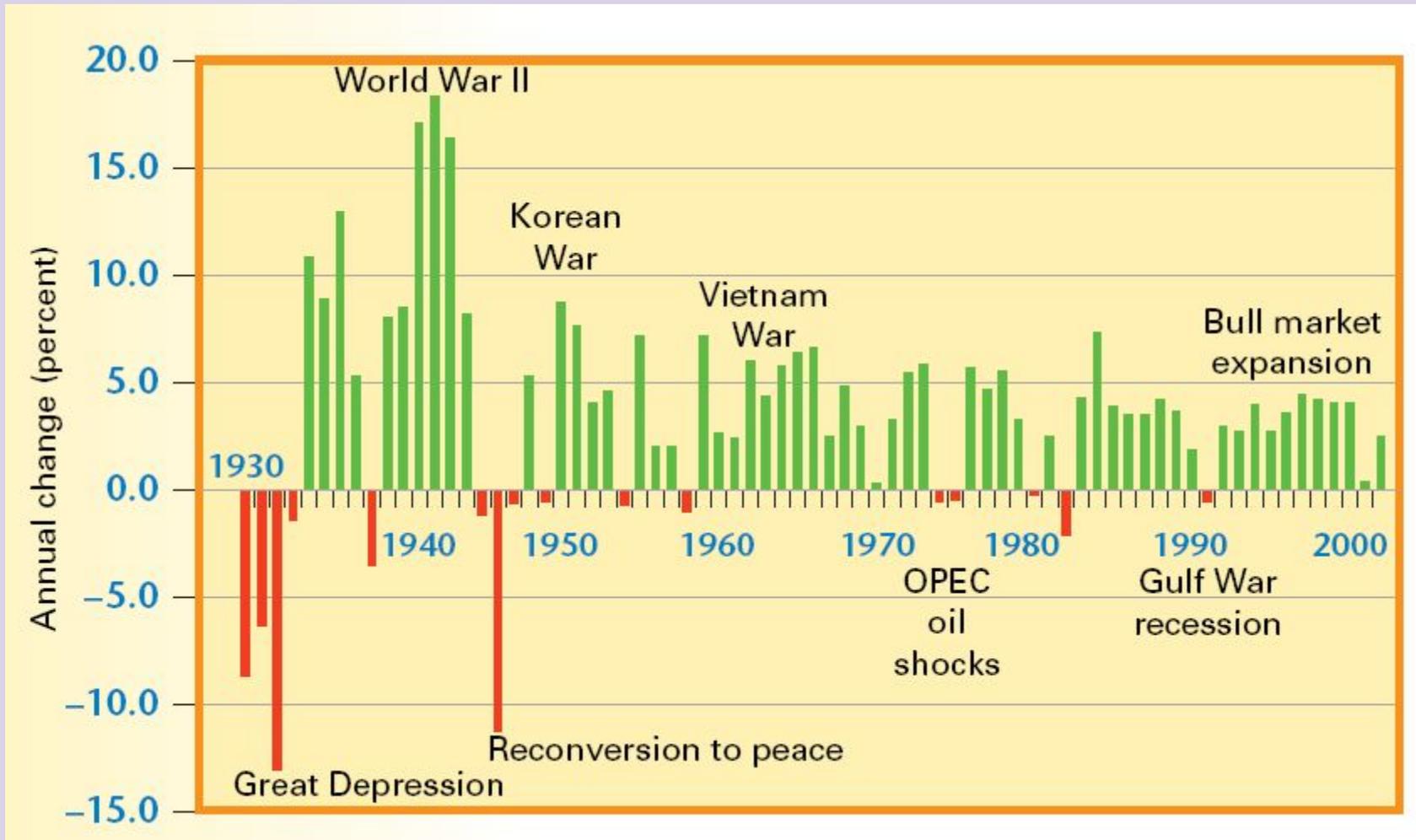
I can analyze the characteristics of the business cycle.

What is the Business Cycle?

The business cycle is a period of economic expansion followed by a period of contraction



Annual Percentage Change in U.S. Real GDP (economic Growth) Since 1929



It's a Recession, but is it a Depression?

How long?

Post World War II recessions.

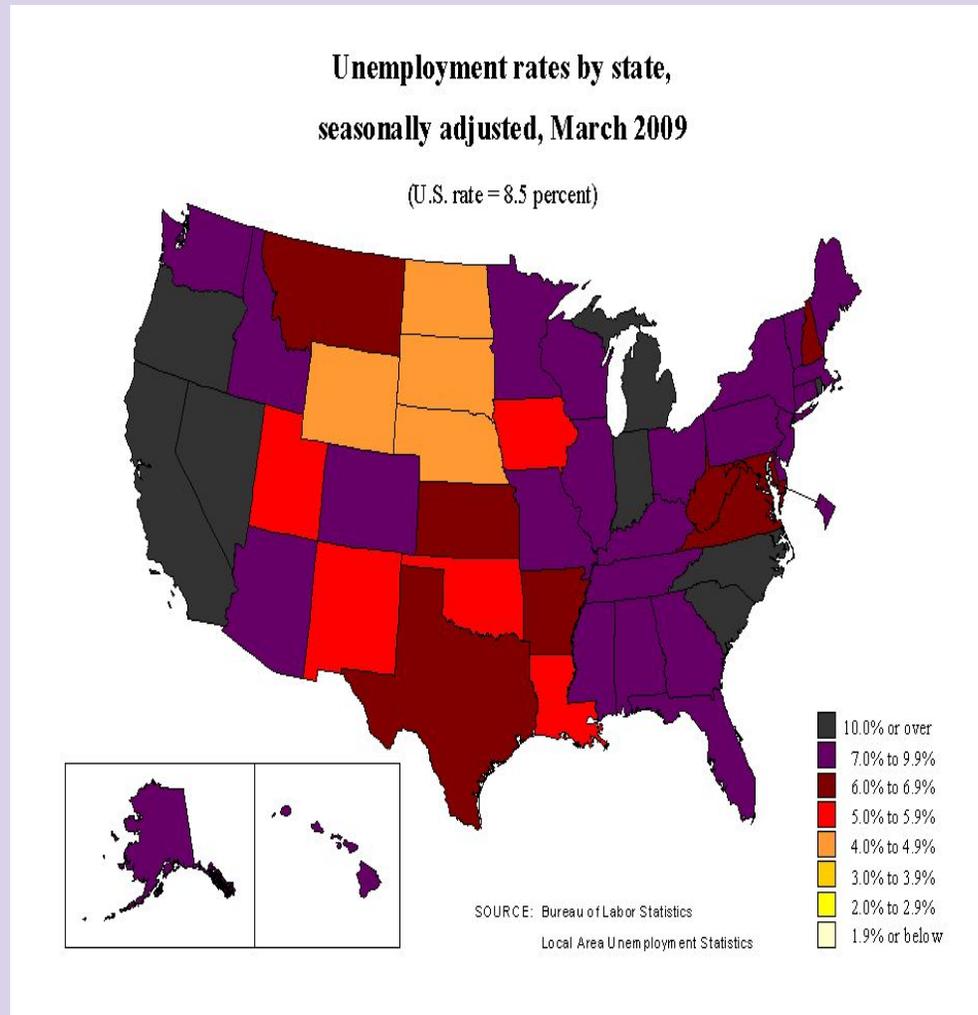
Start - End	Duration
Nov. 1948 - Oct. 1949	11 months
July 1953 - May 1954	10 months
Aug. 1957 - April 1958	8 months
April 1960 - Feb. 1961	10 months
Dec. 1969 - Nov. 1970	11 months
Nov. 1973 - March 1975	16 months
Jan. 1980 - July 1980	6 months
July 1981 - Nov. 1982	16 months
July 1990 - March 1991	8 months
March 2001 - Nov. 2001	8 months
Dec. 2007 - ?	TBD

SOURCE: NATIONAL BUREAU OF ECONOMIC RESEARCH

Recession— This is an economic term meaning 2 consecutive quarters (6 months of negative growth rates)

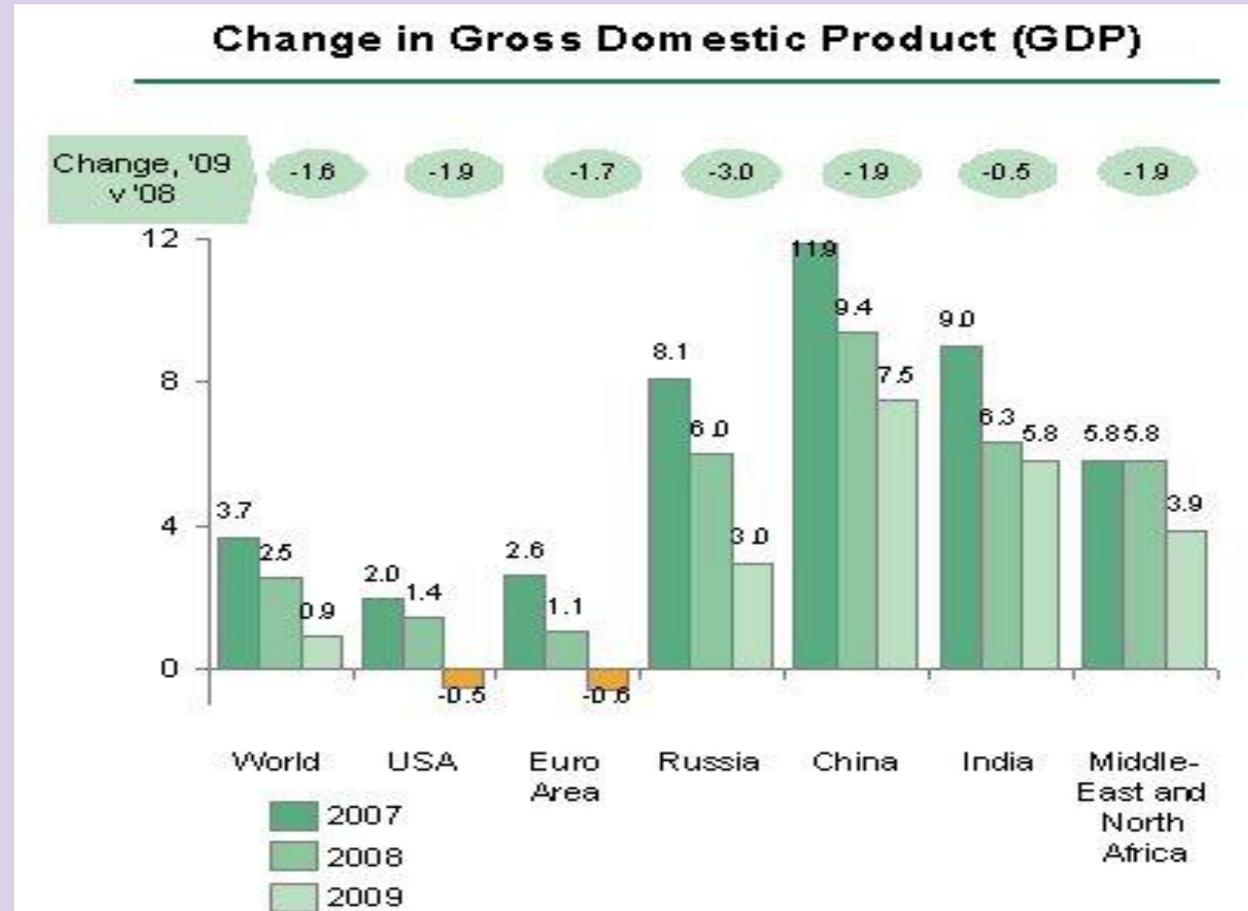
Depression— This is a historical term used to characterize a period in history of an extended and deep recession.

Different Impact on States



- **Intensity of the business cycle varies from region to region across the U.S.**
- **Economically diverse regions usually do better in a recession**

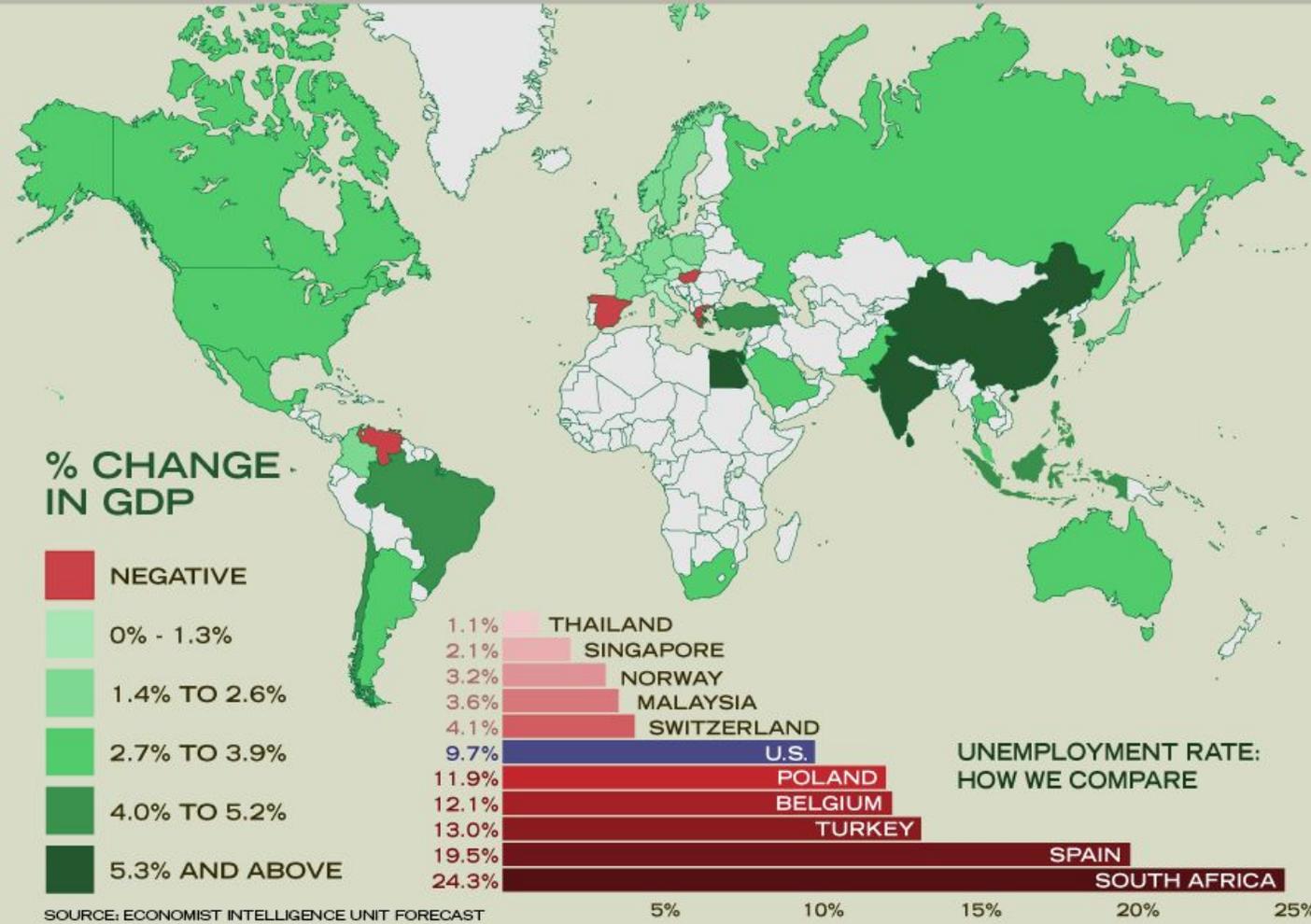
Business Cycles in a Global Economy



Market economies around the world often move together because of so much trade and interdependence.

FINDING THE BOTTOM:

2010 GLOBAL ECONOMIC RECOVERY



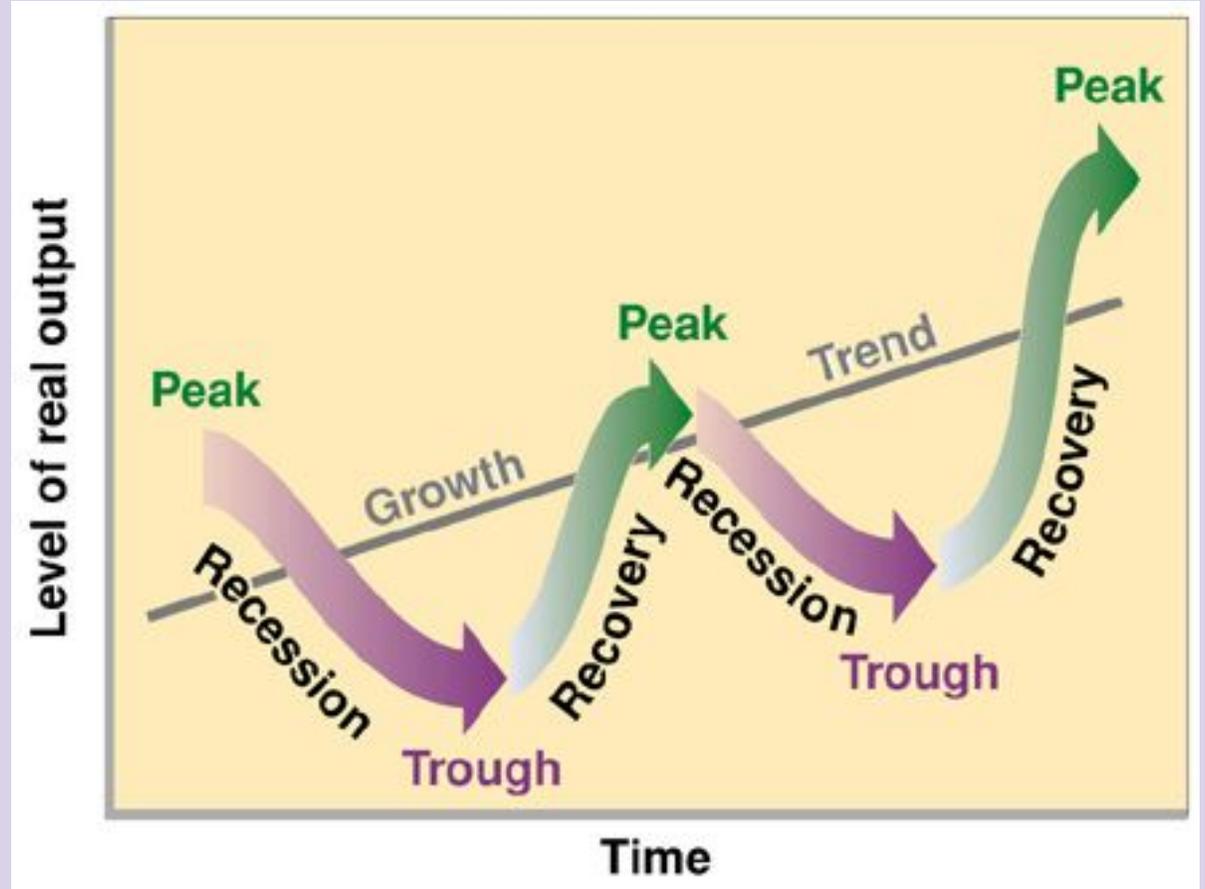
Measuring the Business Cycle: Economic Indicators



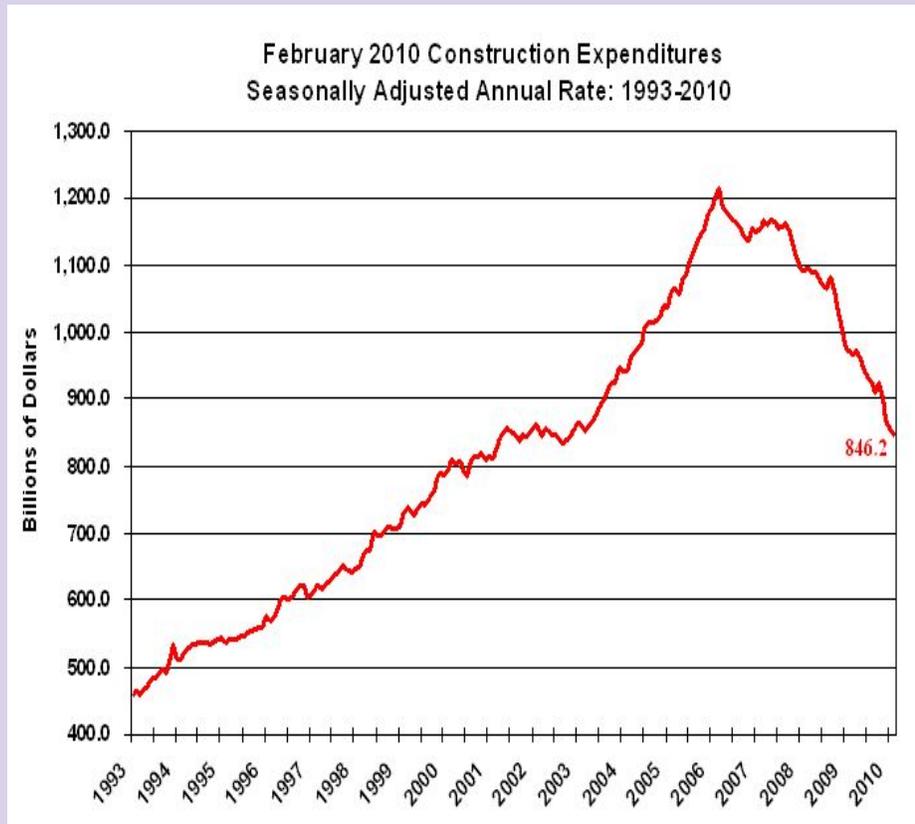
A set of key economic variables that economists use to predict a new phase of the business cycle and identify trends in the economy

Attributes of Economic Indicators

- Relation to the Business Cycle
 - Cyclical
 - Counter cyclical
- Frequency of Data
- Timing
 - Leading
 - Lagging



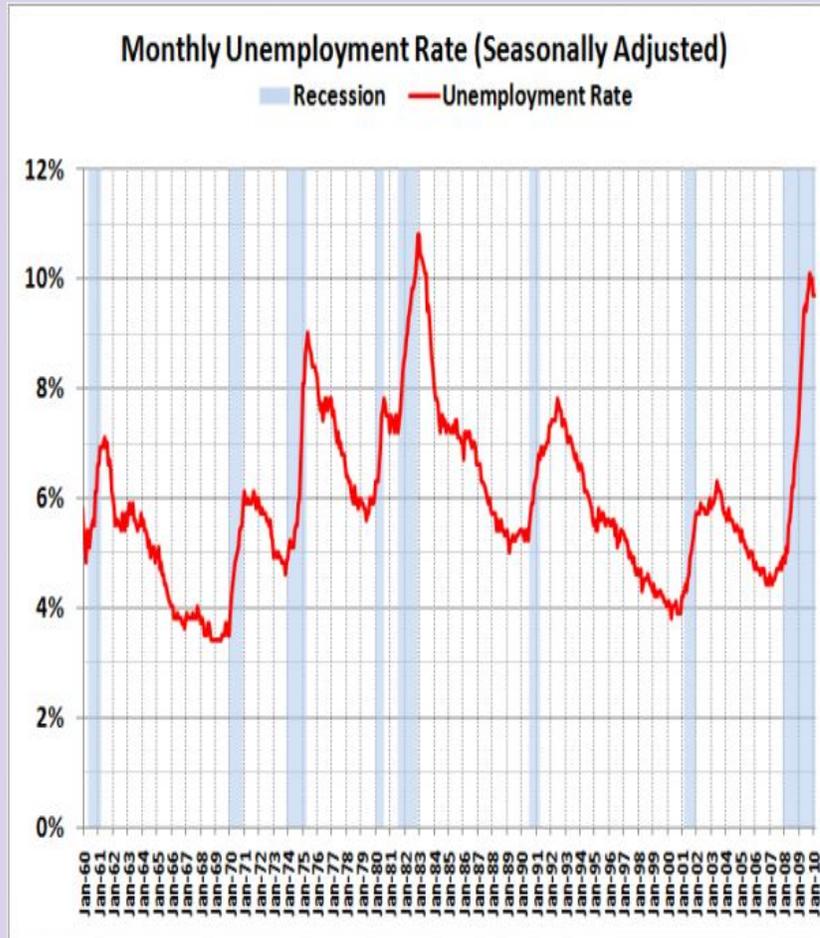
Types of Economic Indicators



Leading Indicators:
predict or show an
upcoming contraction or
expansion

- Stock Market
- Building Permits
- Housing and Auto Sales
- Earnings
- Personal Savings
- Consumer Expectations
- Lending
- Energy Costs

Types of Economic Indicators



Lagging Indicators

follow or trail changes in overall economic activity

- Consumer Prices
- Unpaid loans or indebtedness
- Unemployment
- Interest Rates
- Retail Sales

Major Economic Indicators

- Total Output, Income, and Spending
- Employment, Unemployment, and Wages
- Production and Business Activity
- Prices
- Money, Credit, and Security Markets
- Federal Finance
- International Statistics

Identify the type of economic indicator activity

1. **Sales for a major automobile company have been slow this year.**
2. **Total employment rate increases in May 2010.**
3. **More people are saving money in banks.**
4. **Average price of gas and electricity increase this summer.**
5. **Company investment in capital resources dramatically increases.**
6. **A larger proportion of homeowners have been late on their mortgages.**
7. **The Dow Jones Market grows by 500 points.**
8. **Trade Exports climb significantly.**

Answers: Identify the type of economic indicator activity

1. Sales for a major automobile company have been slow this year. **Lagging**
2. Total employment rate increases in May 2010 **Lagging**
3. More people are saving money in banks **Leading**
4. Average price of gas and electricity increase this summer. **Lagging**
5. Company investment in capital resources dramatically increases **Leading**
6. A larger proportion of homeowners have been late on their mortgages **Lagging**
7. The Dow Jones Market grows by 500 points **Leading**
8. Trade Exports climb significantly **Coincident**