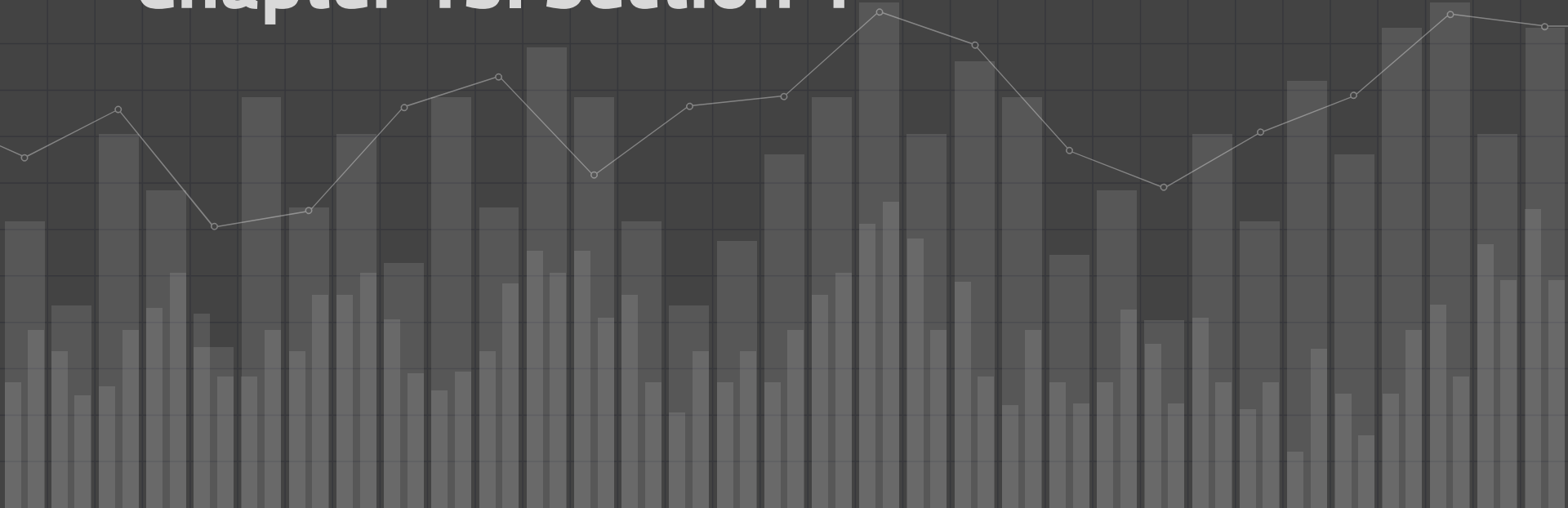


The Business Cycle

Chapter 13. Section 1



Vocabulary

Business cycle

Trough

Expansion

GDP (gross domestic product)

Depression

Recession

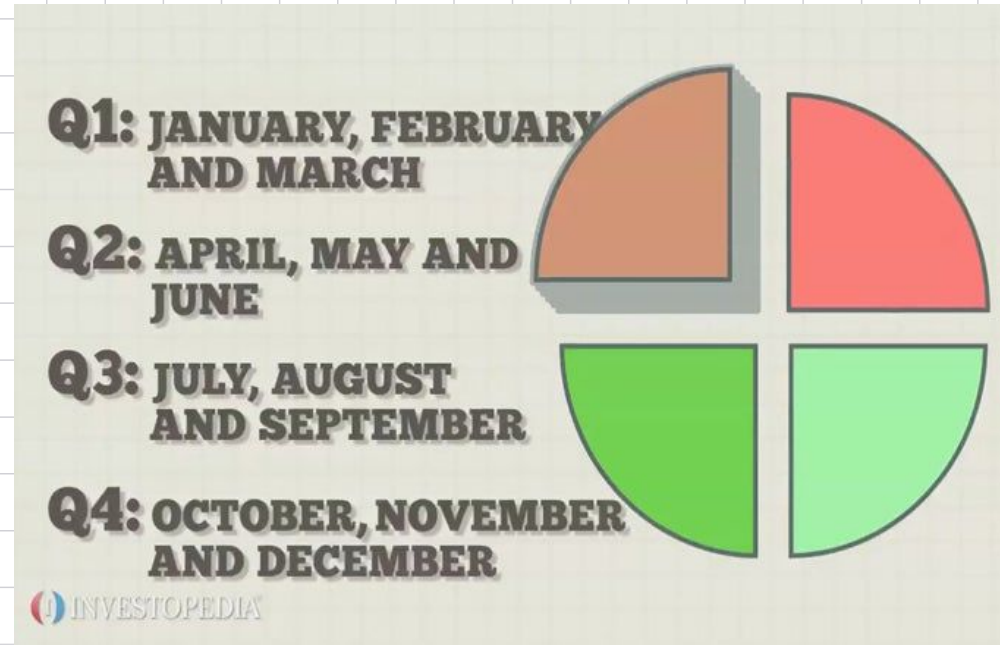
Peak

Trend line

Quarters in the business world

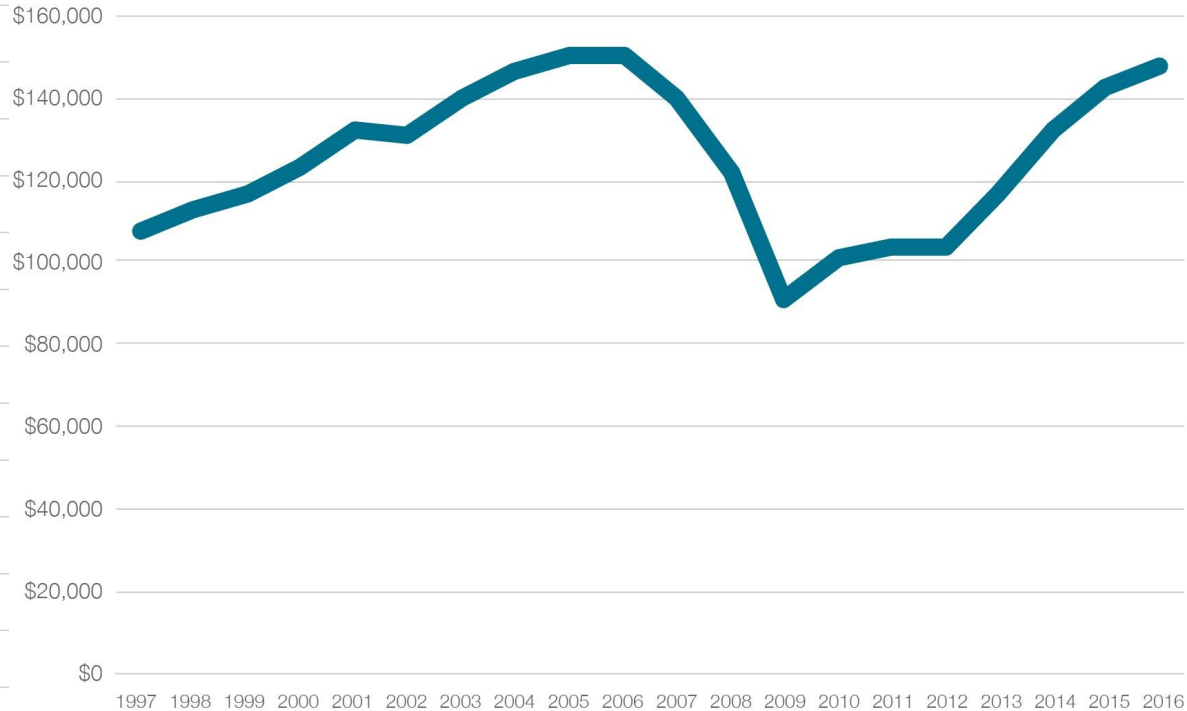
A quarter is a three-month period. Companies & countries gauge activity in this time.

Recessions & Expansions are set gauged by GDP for two or more consecutive quarters.



The average value of home during the great recession dropped from \$150,000 to \$90,000

June YTD Average Prices of Home Sales



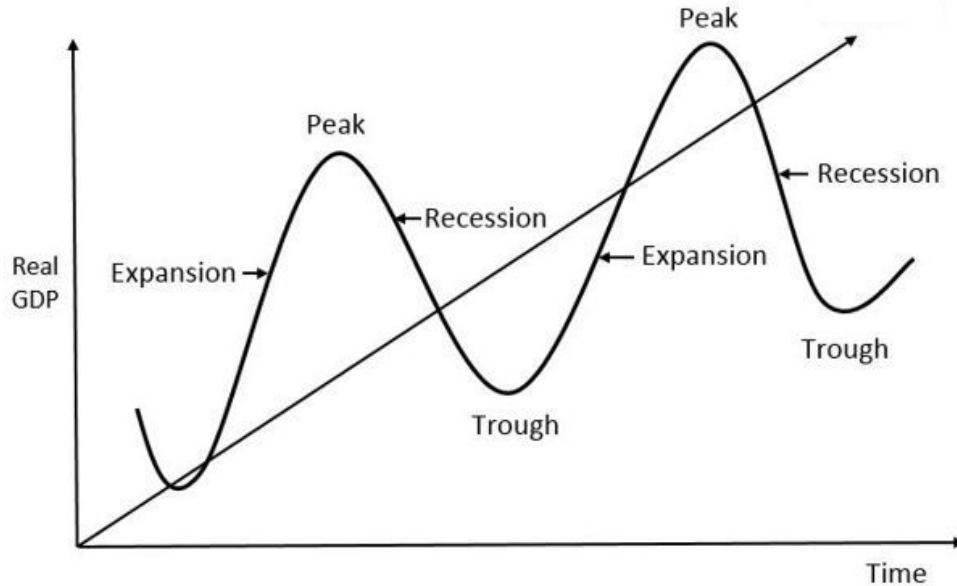
Source: Michigan Association of Realtors

mackinac.org

The Business Cycle

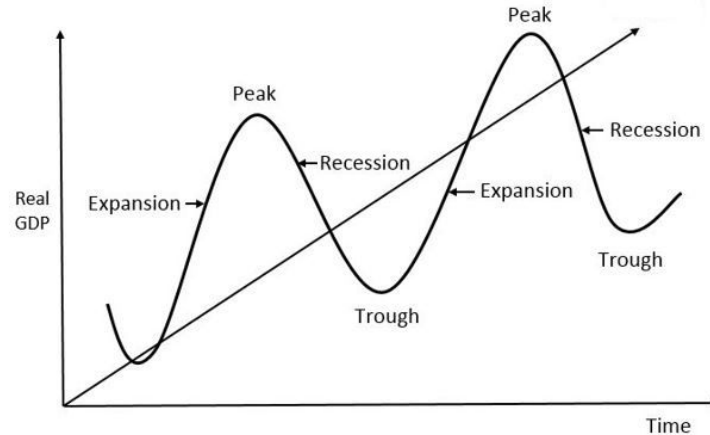
Changes in the GDP Marked by the alternating periods of expansion and contraction.

This cycle is normal and has to go through both periods of expansion and contraction.



Trough

- **Point in time where GDP stops declining and begins to expand**
- **Lowest point in prices**



Expansion

- **Period of uninterrupted growth of the GDP. This is typically accompanied by a rise in employment, consumer confidence, and equity markets**



Peak

- **Point in time where the growth of the GDP stops expanding and begins to decline.**
- **The highest point in the business cycle**

