UGC APPROVED JOURNAL - 47940

© UNIVERSAL RESEARCH REPORTS | REFEREED | PEER REVIEWED

ISSN : 2348 - 5612 | Volume : 05 , Issue : 02 | January – March 2018

Stages and Measuring of the Business Cycle

Upasana

Associate Professor, Department of Commerce. HKMV Jind

email : upasnamittal72@gmail.com

Abstract

Historically, business cycle (BC) changes have been ignored in marketing studies. However, a severe recession rocked the global economy at the start of the twenty-first century, reminding marketers that BCs may seriously disrupt commercial activity and even jeopardise the survival chances of many enterprises. Business cycles, or BA cycles, are characterised by a period of growth followed by a period of contraction, a period of recovery, and then a period of growth. BA cycles are recurring but not periodic, and their duration can range from more than a year to ten or twelve years.

Key words: Business, Cycle, Economic, Expansion etc.

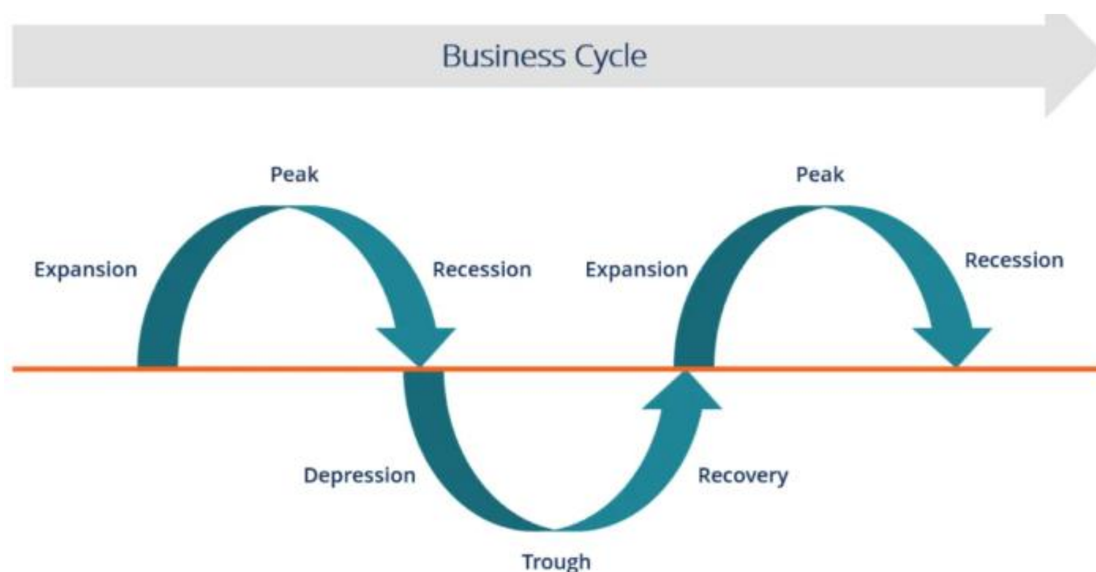
Introduction

Market oscillation, The rate of economic activity, as shown by changes in employment, inflation, and output, tends to rise and fall at regular intervals. For a long time, economics scholars have argued about what causes prosperous times to be followed by recessions (stock-market crashes, bankruptcies, unemployment, etc.). People have seen cycles in market economies that last anywhere from eight to ten years, and even longer cycles have been predicted, most notably by Nikolay Kondratev. The amount of economic activity is mostly influenced by investment and consumption, with external factors like wars and technical advances playing a smaller role. “When investment rises, such when a factory is constructed, consumption rises as well because the people whose earnings finance the construction of the factory have more disposable income. On the other side, when demand rises, manufacturers expand their facilities to meet the increased demand. When the economy hits maximum capacity and there is no more demand or free money to invest, the process turns around and contraction occurs. Initial shifts in investment and consumption have been attributed to a variety of causes, including volatility in agricultural markets, psychological factors like the bandwagon effect, and shifts in the money supply. Since the end of World War II, several governments have employed monetary policy to dampen the economic cycle, with the goals of

© UNIVERSAL RESEARCH REPORTS | REFEREED | PEER REVIEWED
ISSN : 2348 - 5612 | Volume : 05 , Issue : 02 | January – March 2018

avoiding inflation and depression by boosting the economy during slow periods and slowing it down during booms.

The phrase business cycle refers to the repeated ups and downs that the GDP experiences around its long-term natural growth rate. A gradual increase and decrease in economic activity over time is explained.



When an economic expansion is followed by a recession, the cycle has been completed. The duration of a business cycle is the time it takes for this pattern to repeat itself. An economic boom is defined by fast expansion, whereas a recession is characterised by slow expansion. These are evaluated by looking at how quickly inflation-adjusted gross domestic product (GDP) increases.

Stages of the Business Cycle

The solid line in the centre of the given figure represents continuous expansion. The economy goes through a cyclical pattern that follows a roughly linear pattern. Each phase of the business cycle is described in further depth below.

1. Expansion

Growth occurs at the start of the business cycle. At this juncture, most measures of economic health are trending upwards, including employment, income, production, wages, profits, demand, and supply. Investors are confident, the velocity of the money supply is strong, and

UGC APPROVED JOURNAL - 47940
© UNIVERSAL RESEARCH REPORTS | REFEREED | PEER REVIEWED
ISSN : 2348 - 5612 | Volume : 05 , Issue : 02 | January – March 2018

borrowers are timely in their payments. If the economy remains stable, this process will keep going.

2. Peak

In the second phase of the economic cycle, the economy reaches a maximum level of activity, often known as a peak. The ceiling of possible expansion has been reached. Not only have economic indices plateaued, but they've reached all-time highs. We have reached a price ceiling. It is at this juncture that the upward tendency in the economy begins to decline. At this stage, many consumers reevaluate their financial priorities..

3. Recession

Following the peak period is the recession. After this point, there is a marked slowing in the decline in demand for goods and services. As a result, the market is flooded with surplus supplies because producers fail to quickly respond to the falling demand. In general, costs decrease. Consequently, declines in income, output, wages, etc., and other positive economic indicators, begin to occur.

4. Depression

Unemployment rates have increased proportionally. When economic growth continues to fall below the steady growth line, we enter a depression.

5. Trough

When an economy enters the depression phase, it experiences a decline in growth. There is a continuation of the fall until the factor prices, together with the demand and supply for products and services, have contracted to their minimum level. The economy always bottoms out. It's the moment at which an economy begins to contract. National resources, including both revenue and spending, are being severely depleted.

6. Recovery

The economy enters the recovery phase after the low. Here, the economy experiences a reversal and starts to recover from its previous negative growth rate. As demand rises on the back of lower prices, supply responds by rising. People become more open to new opportunities for work and investment, and output rises.

With more money in deposit accounts, banks are more willing to extend loans, leading to an uptick in employment. Capital that has depreciated is replaced at this stage, which results in

© UNIVERSAL RESEARCH REPORTS | REFEREED | PEER REVIEWED
ISSN : 2348 - 5612 | Volume : 05 , Issue : 02 | January – March 2018

further investments in the manufacturing process. As long as growth rates have not stabilised, the recovery process will continue.

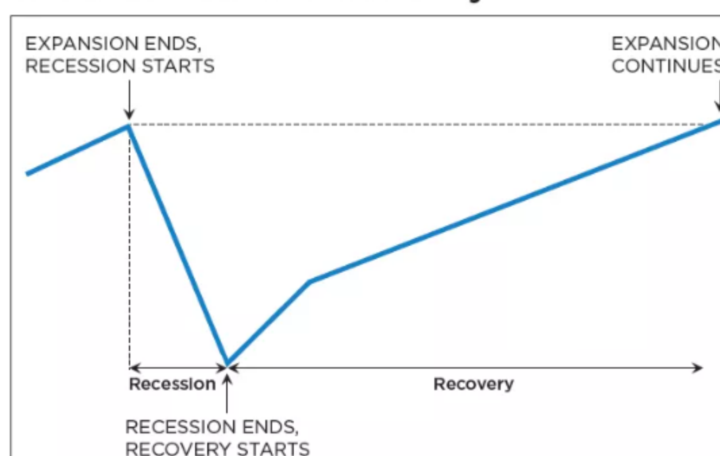
This concludes the expansion and contraction phases of the business cycle. The high and low positions represent the two extremes.

Measuring and Dating Business Cycles

When assessing the severity of a recession, economists look at its three Ds: its depth, its spread, and its length of time. The peak-to-trough decrease in broad economic indicators such as output, employment, income, and sales is a good indicator of the severity of a recession. Diffusion is quantified by looking at how far it has gone across various sectors of the economy and different parts of the world. The distance from its highest point to its lowest point is a measure of how long it will last.

In a similar vein, an expansion's potency is measured by its intensity, breadth, and longevity. Similar to the three D's of a recession, these three P's are essential to survival.

When an economic cycle reaches its peak, a recession sets in and lasts until the next trough, while an expansion begins at the trough and lasts until the next high.



The dates of recessions and recoveries in the United States are established by the National Bureau of Economic Research (NBER). Therefore, a recession is defined as a major fall in economic activity across the economy, lasting more than a few months, generally observable in real GDP, real income, employment, industrial output, and wholesale-retail sales by the Business Cycle Dating Committee.

UGC APPROVED JOURNAL - 47940

© UNIVERSAL RESEARCH REPORTS | REFEREED | PEER REVIEWED

ISSN : 2348 - 5612 | Volume : 05 , Issue : 02 | January – March 2018

Recession beginning and ending dates are usually determined by the Dating Committee after the fact. It waited to finalise its decision until adjustments in the National Income and Product Accounts [were] posted on July 30 and Aug. 27, 2010 (after the end of the 2007-2009 recession) and announced the June 2009 recession end date on Sept. 20, 2010." Recession notification delays have averaged eight months for peaks and fifteen months for bottoms since the Committee's inception in 1979.

Conclusion

The term business cycle refers to the periodic ups and downs in economic output that occur above and below the equilibrium level. If economies shouldn't be prone to swings, then why do they? Experts point to a number of causes, including: Uncertainty and shakiness in the economy (whether rational or irrational) might put off investors, slowing growth in the long run. If innovation and creative destruction are lacking, the economy may experience a downturn. The government's anti-inflationary actions (especially as elections approach) may influence the interest of investors. Natural catastrophes are a potential source of economic instability.

References

1. Burns, A.F. and Mitchell W.C. (1946), Measuring business cycles, New York, National Bureau of Economic Research.
2. Pagan, A. (1997),Toward an understanding of some business cycle characteristics, Australian Economic Review, 30,1-15.
3. Harding, D. and Pagan, A. (2001), Dissecting the cycle: A methodological investigation, journal of monetary economics, Forthcoming.
4. Hamilton, J. (1989), A new approach to the andlysis of non-stationary time seires and the business cycle, Econometrica 57, 357-384.
5. Bry, G. and Boschan, C. (1971), Cyclical analysis of time series: selected procedures and computer programs, technical paper 20, New York: Columbia University Press for NBER.
6. Mintz, I. (1969), Dating postwar business cycles, Methods and their applications to Western Germany, 1950-1967, Nber Occasional paper 107, New York.
7. Mintz, I. (1972), Dating American Growth Cycles, in V.Zarnowitz: Business cycles today, NBER, New York, 39-88.

© UNIVERSAL RESEARCH REPORTS | REFEREED | PEER REVIEWED
ISSN : 2348 - 5612 | Volume : 05 , Issue : 02 | January – March 2018

8. Zarnowitz V. (1992), Business cycles: Theory, History, Indicators and Forecasting, University of Chicago Press for the NBER.
9. Niemira M.P. (1993), Forecasting financial and economic cycles, John Wiley and Sons.
10. Banerji A. and Hiris L., A multidimensional framework for measuring business cycle.