

# **2.5.3 Trade (business) Cycle**

## **Trade Cycle Overview**

- There are periods of rapid economic growth (boom) and periods of slow economic growth (slump) and even economic decline (recession if two quarters of negative growth)
- There were major recessions in 2008 and 2020
- A boom transitions to a slump through a slowdown and back to a boom through a recovery

## **Characteristics of an Economic Boom**

- Low unemployment/underemployment
- Increased living standards

- Increased investment
- Rising AD can cause inflation (demand pull)
- Increased income inequality (if due to increases in asset value)

## **Characteristics of an Economic Recession**

- These are the opposite characteristics of a boom
- However there can also be increasing income inequality in a recession too due to higher unemployment