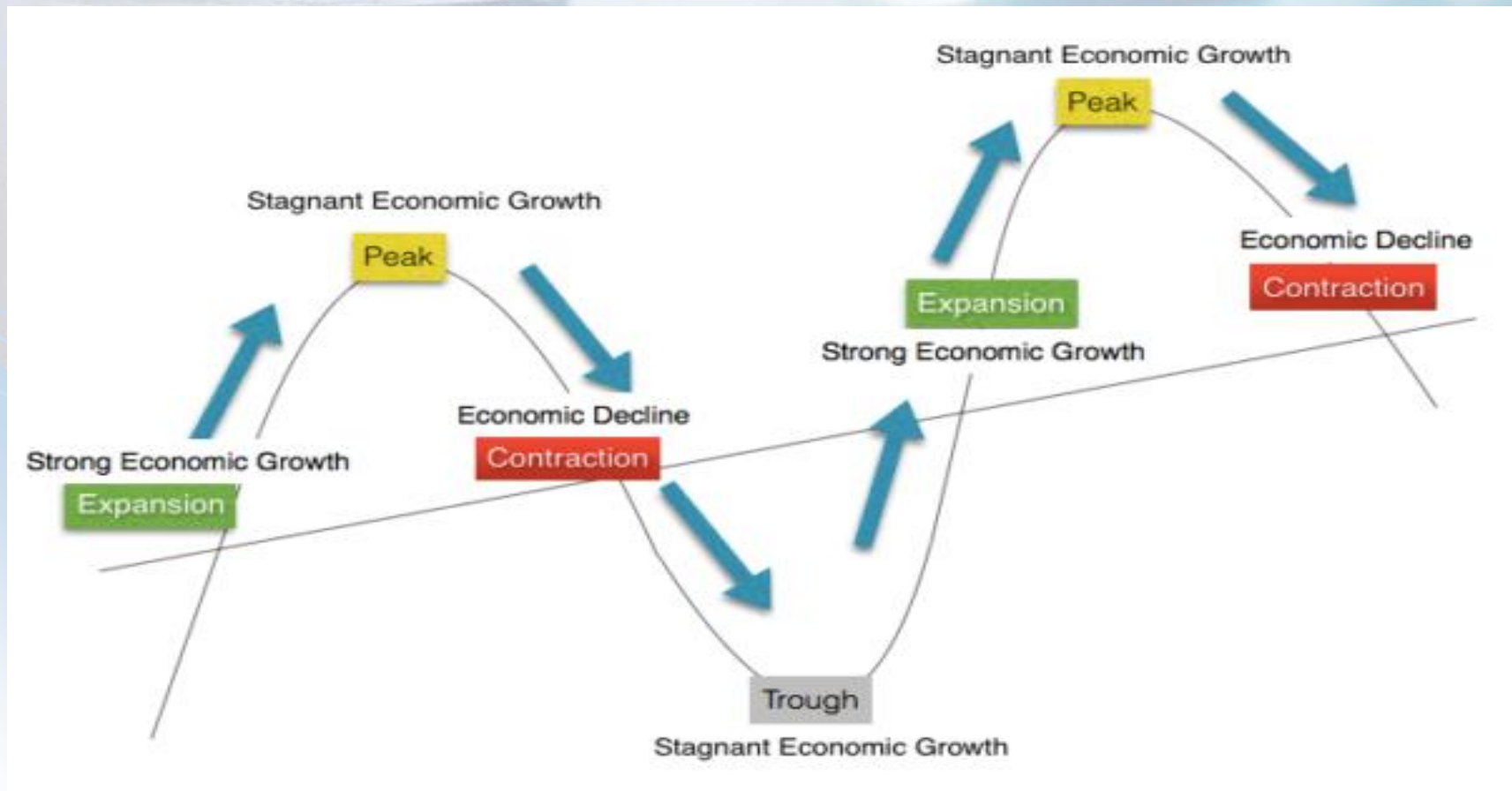


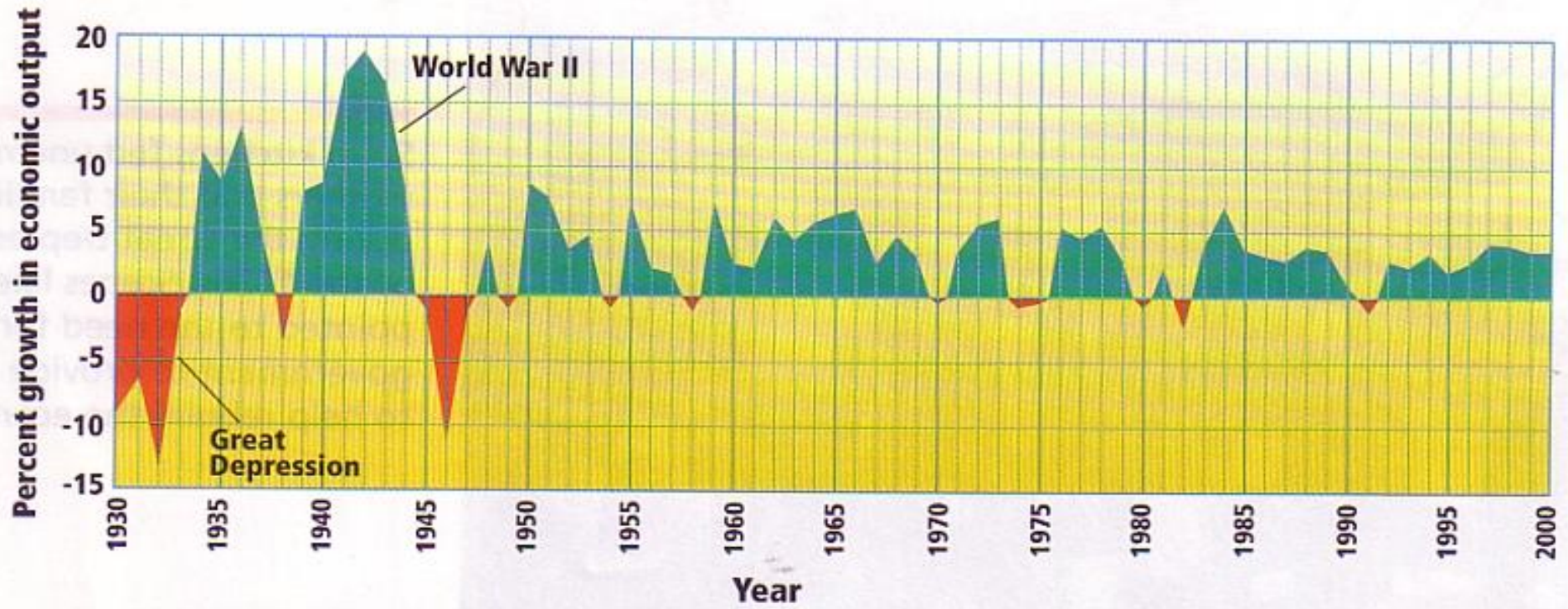
# Economic Performance Indicators



# The Business Cycle

The periodic and cyclical ups and downs  
of any economy

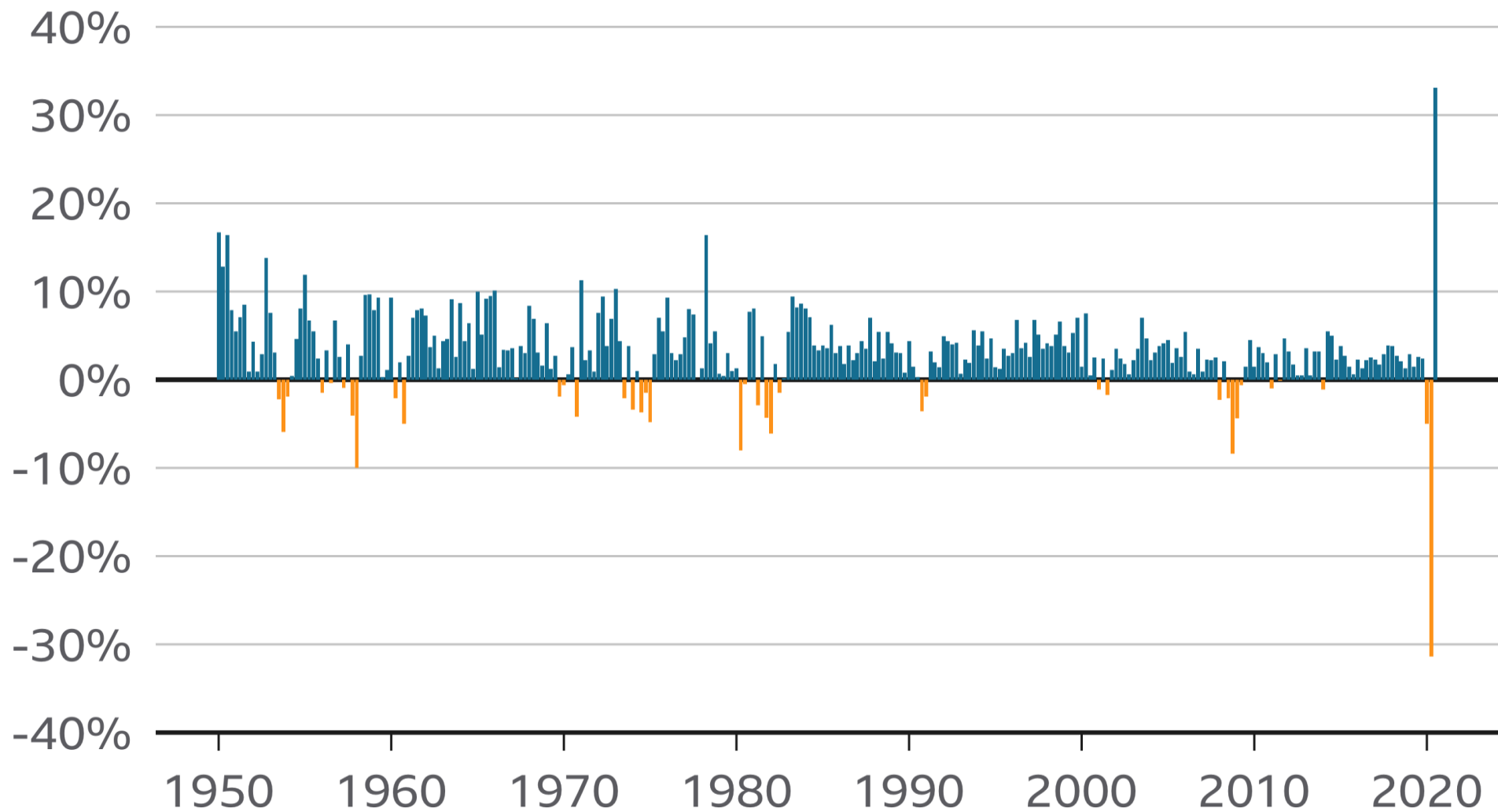




Source: U.S. Department of Commerce, Bureau of Economic Analysis

# US economic growth since 1950

GDP, % change on previous quarter



Note: Seasonally adjusted annual rate

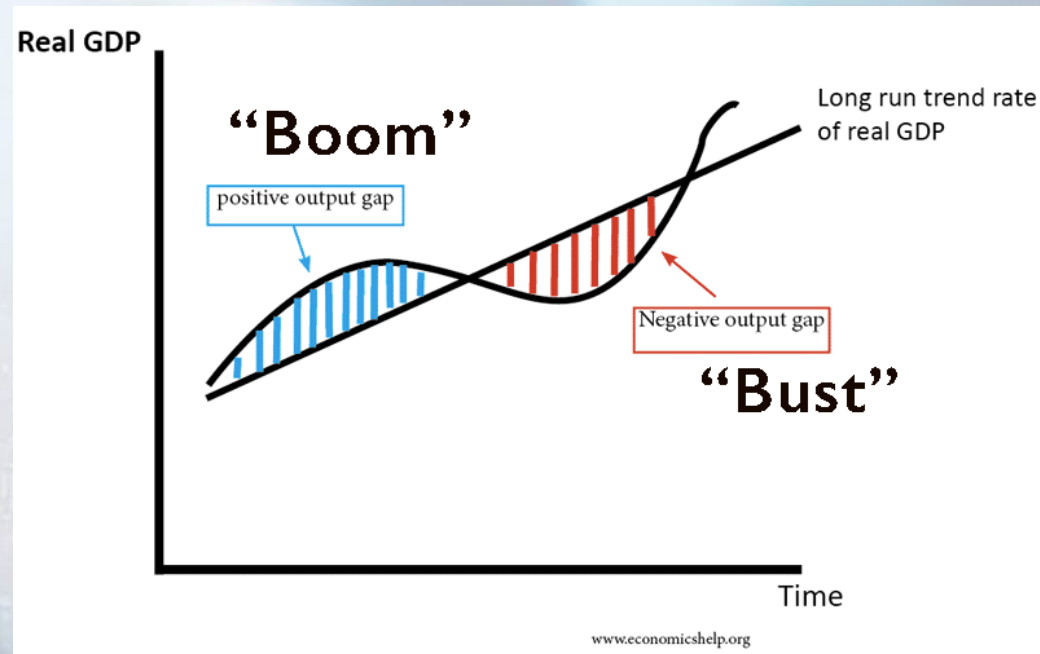
Source: U.S. Bureau of Economic Analysis

# Expansion Period

Phase where the economy is growing (expanding/expansion = growth)

## Symptoms/Effects

- The amount of goods being produced increases
- The number of jobs being expanded or created increases to meet demand for goods
- Employment increases (meaning unemployment is low)
- Opening or expanding a business is less of a risk during expansion
- More consumers are investing in the economy (people are spending)
- Consumer confidence increases

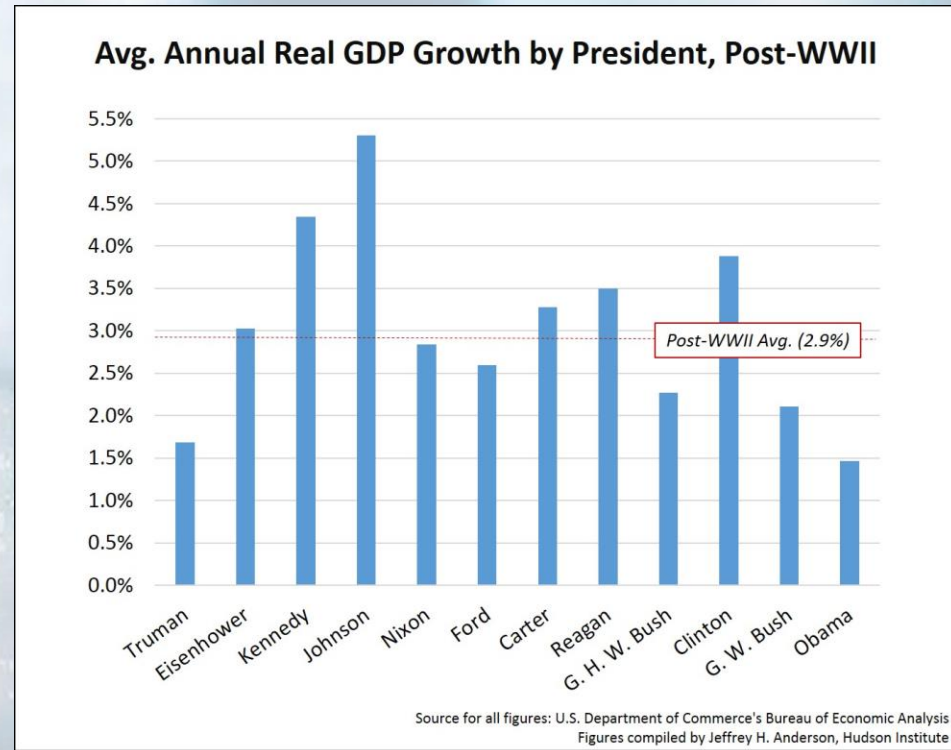


# Peak Period

Phase where the economy has reached its highest point of growth in that current cycle

## Symptoms/Effects

- The amount of goods being produced and the profit from them begins to level off
- The number of jobs being expanded or created peaks
- Employment steadies
- Sales and inventories continue to grow (but may start to disappoint against high expectations during a late peak)
- Equilibrium is reached and government policy is neutral at this point
- Consumer confidence at its height



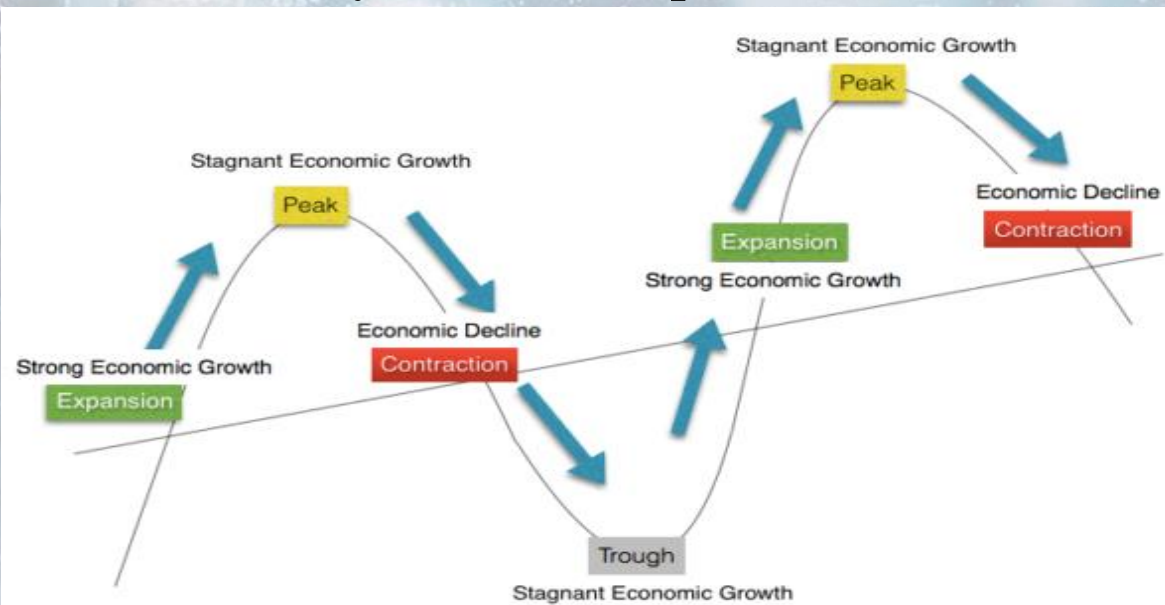
# Contraction Period

Phase where the economy is starting to show signs of a decline in indicators

“What goes up, must come down”

## Symptoms/Effects

- Inventories grow on the shelves because sales growth falls
- Businesses are feeling increasing pressure to reduce labor → unemployment increases, hours employees receive may decrease
- Credit tightens naturally
- Potential new businesses “wait it out” as they see some experience failure
- Consumer confidence drags



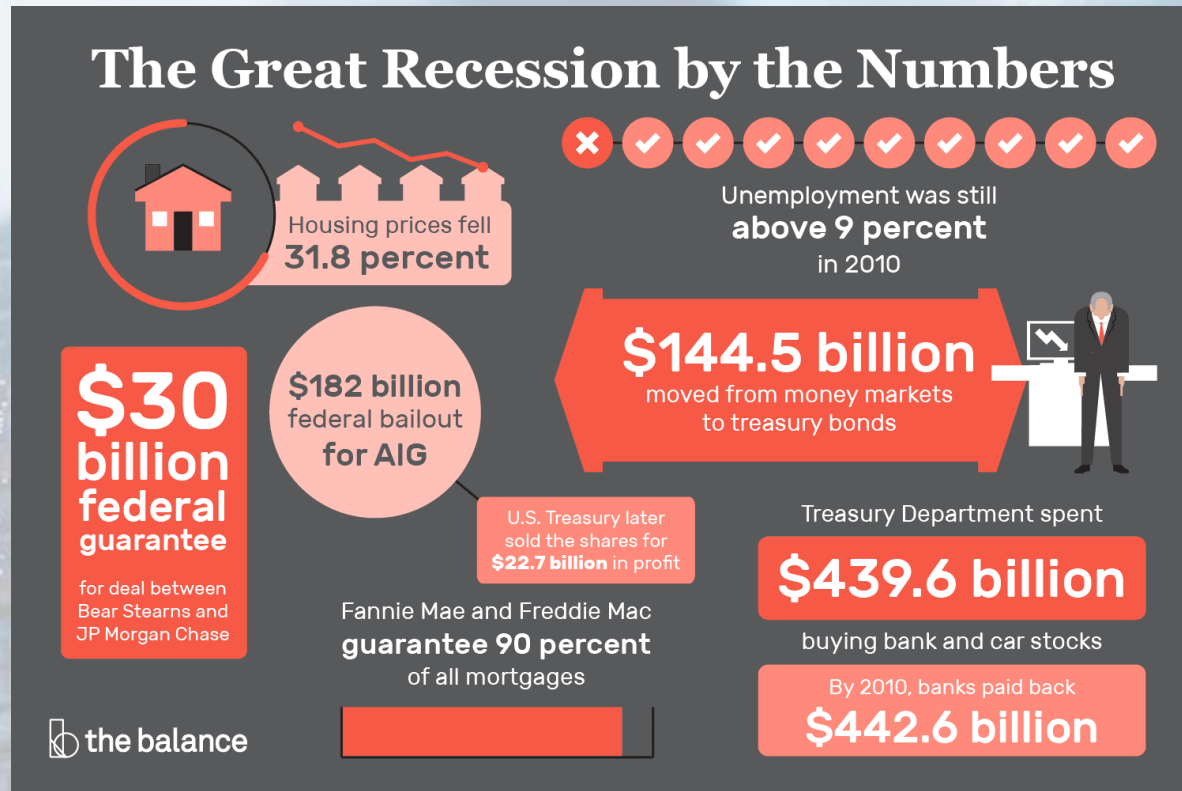
# Trough Period

Phase where the economy has reached its lowest point

A trough is where farm animals eat – think the “bottom of the barrel”

## Symptoms/Effects

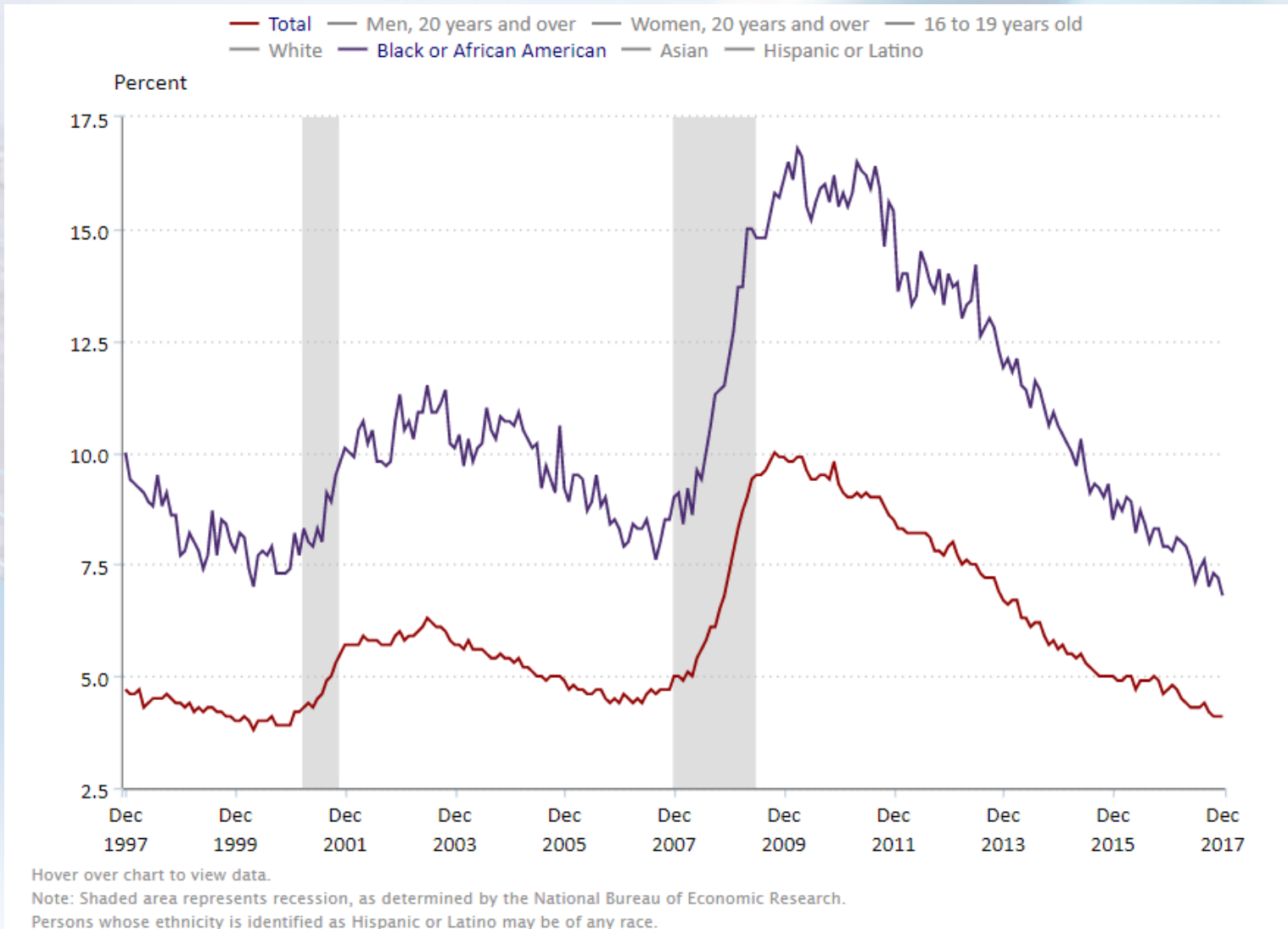
- Inventories grow on the shelves because sales growth is falling actively
- Government policy eases to stimulate the economy
- Credit lending drops
- Unemployment increases
- Sales fall and inventories fall
- Consumer confidence reaches lowest point





-A recession is an extended trough period when it reports two consecutive quarters of negative GDP growth (many economists add that it usually is limited to a country or region)

-A depression is a worsening recession that is more severe and prolonged (many economists add that it has global impacts)



**Gross Domestic Product:** the value of all goods and services produced in a nation in a given year; it is a measuring tool for a nation's economy

**Real Gross Domestic Product:** the value of all final goods and services produced during a single year adjusted for inflation

# Pandemic Ends Longest Growth Cycle in U.S. History

The longest economic expansions in the United States since World War II (in months)\*



\* The NBER broadly defines an expansion as a period, usually lasting several years, during which economic activity rises substantially, spreading across the entire economy.

Sources: National Bureau of Economic Research, BEA



# Inflation

Increase in the cost of goods and services over time, leading to a decreased purchasing power of our money (you get less “stuff” but need more money to buy it with)

-Deflation: purchasing power of money increases and prices decline

-Both are expressed through percentage – a “healthy”, “normal” inflation rate is between 2-3%

Consumer Price Index (CPI): survey of around 400 goods and services that are compared to the same goods and services over time to measure the increase or decrease in prices

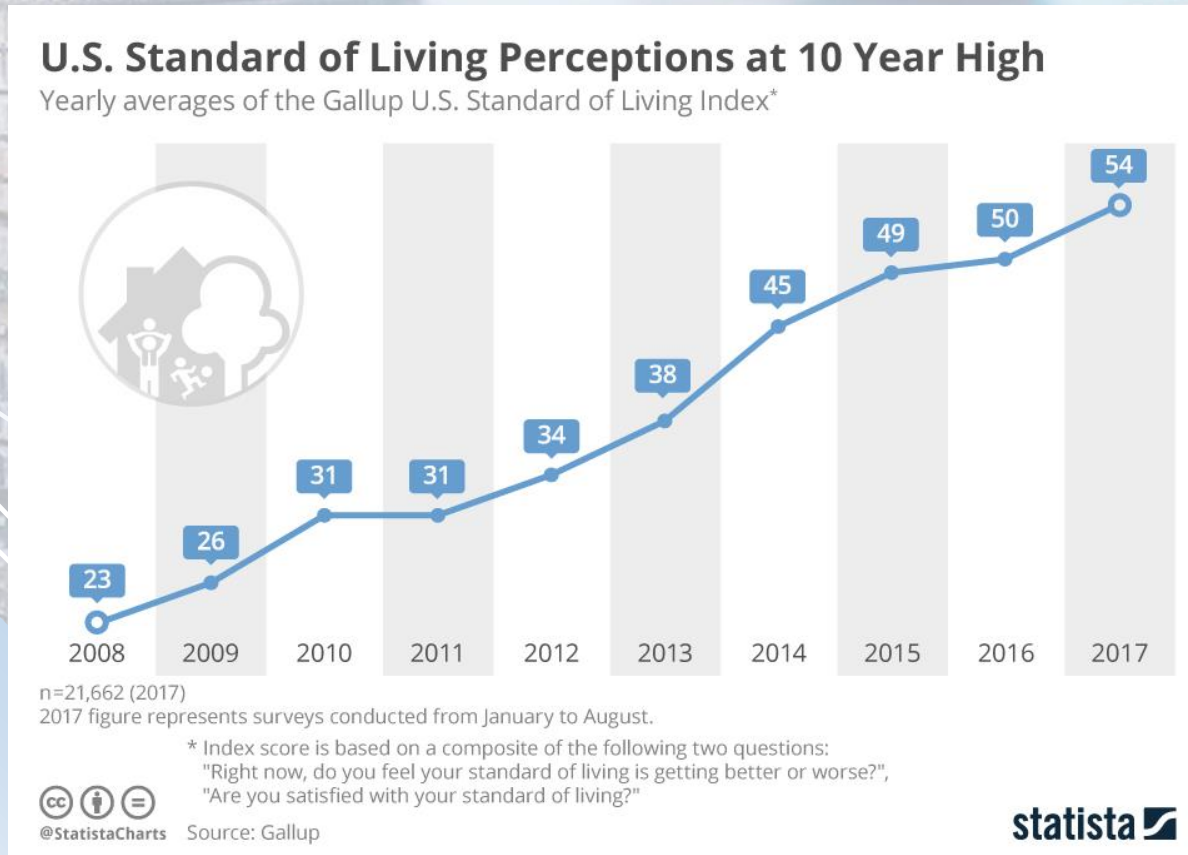
-The CPI serves as a “watchdog” over price changes; the government uses the CPI to monitor the economy



# Standard of Living

A comparison tool used when describing two different geographic areas

-Measured by things that are easily quantified, such as income, Gross Domestic Product, employment opportunities, cost of goods and services, poverty, life expectancy, inflation rate, class disparity, quality of housing, availability of education, environmental quality, incidence of disease, infrastructure, political and religious freedom, climate, safety, etc.



# Quality of Life

More intangible and subjective than Standard of Living and can be harder to quantify

-Vary by people's lifestyles and personal preferences

-Factors can include conditions in the workplace, healthcare, education, material living conditions

The United Nation's Universal Declaration of Human Rights (1948) created a baseline 70 years ago, including factors such as:

-Freedom from slavery and torture

-Right to marry

-Right to privacy

-Freedom of thought

-Right to equal treatment

