



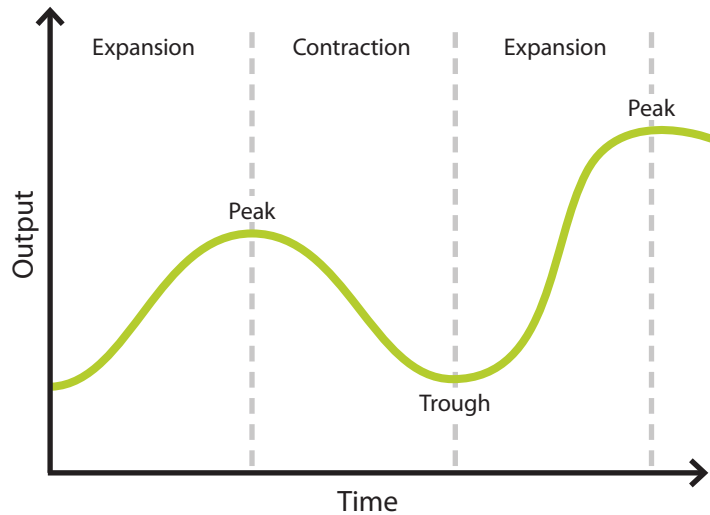
# Activity

## Business Cycle Case Studies



1. Read the case studies below.
2. Decide where in the business cycle the case studies are likely to occur, e.g. at the start of an economic expansion, during an economic contraction.
3. Justify why you have chosen this position in the business cycle.

The Business Cycle



### Case Studies

**A.** Taylor has been thinking about buying a new surfboard and has been saving the money from her part-time job for the last couple of years. She finally has enough to get the surfboard but when she visits the store, she discovers that the prices of surfboards have gone up by 10% over the past two years.

**B.** Alex has been looking for work since he left school two years ago. Recently, he has noticed that there are quite a few new businesses opening up in his town and a number of shops have 'staff wanted' signs in the window. He attends two interviews and is offered a job as a cleaner in a hotel.

**C.** Bhakti owns a chain of bakeries. Over the past few years, sales have been getting lower and lower – she recently had to close one of her stores and let the employees go. If sales don't increase, Bhakti is worried that she might have to close more stores.

**D.** Kyle has been working for a local clothing manufacturer, creating designer t-shirts. They produce around 30 shirts a week. Kyle's boss has recently told staff that the business is doing extremely well and they will all receive a pay rise. In return, she has asked the staff to produce five additional t-shirts each week.

**E.** Kelly and Li Qiang are a young couple who are eager to buy an apartment. However, their incomes have not increased much over the past couple of years and apartment prices are too high for them to afford a mortgage. Last month, the Reserve Bank lowered the cash rate, leading to a reduction in mortgage\* interest rates, making a home loan more affordable.

\*A mortgage is a loan to buy a property.