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Business Cycles and Economic structures

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In the long run, the tendency of constant economic growth is clearly manifested. However, in the short term, its development is characterized by waves of ups and downs in the economic environment. The patterns of the wave-like nature of macroeconomic dynamics are considered as a problem of the economic business cycle.

*“Changes in interest rates can reduce or induce economic activity by making borrowing by households, businesses, and the government is more or less expensive. Adding to the complexity of interpreting business cycles, famed economist and proto-monetarist Irving Fisher argued that there no such thing as equilibrium and therefore, cycles exist because the economy naturally shifts across a range of disequilibrium as producers constantly over- or under-invest and over- or under-produce as they try to match ever-changing consumer demands”.*

Economic (business) cycle is the fluctuation of the level of economic activity of actual GDP, at which periods of recovery are replaced by periods of economic decline; the process of passing a market economy from one phase to the next is the same, for example, from crisis to crisis.

In this scenario, the interest rate will low. This cycle of expansion is known as the prosperity phase. It is characterized by the increase of production and demand over a short or medium period, followed by a solid economic framework, then a relatively low unemployment rate and finally the increase of the GDP growth rate. In other words, the cycle of expansion is the time when there are the most employees and the investments will also very high. This phase of the business cycle is usually accompanied by inflation. Inflation means the increase in prices, including that of raw materials. The potential of the expansion phase can only be exploited in the short term. As the economy grows and GDP grows, the production of goods and services will grow. An economy, however, has only a limited number of resources (including labor and raw materials), which means that the increasing demand for these resources ends up increasing their prices. The process is repeated as diminished prices increase demand. Usually, the expansion is longer than the contraction, because growth is the expected and normal phase of a prosperous economy (Layton *et al*., 2011).

The Central Bank of Australia cut its key interest rate for the third time this year and pointed to the possibility of further reductions. As reported by Vesti. Ekonomika, Australia's economic growth in the second quarter slowed to a ten-year low amid weak consumer spending and a sharp decline in housing construction. GDP increased by 1.4% compared to the same period last year.  Low sees a “smooth reversal” of the economy after a slowdown in the second quarter. Nevertheless, the regulator is ready to lower interest rates again, if necessary. Record-low interest rates supported house prices, helping to put an end to the two-year continuous decline that affected household welfare and consumption. Housing prices in Australia in September rose by 0.9%, at the fastest rate since March 2019 (Layton *et al.,* 2019).

2. In this scenario, the economy is in the expansion phase. The economic cycle is a special type of periodic fluctuations in economic activity, consisting in the repeated expansion and contraction of the economy, which is accompanied by fluctuations in the level of business activity, production, employment, price levels, and other macroeconomic indicators

In this phase, there comes a moment when the entire produced output cannot be sold, i.e. total costs less than output. Overstock occurs, and at first, firms is forced to increase inventory. The growth of stocks leads to the curtailment of production. Reducing production leads to the fact that firms lay off workers, i.e. unemployment is rising. As a result, total incomes fall (consumer - due to unemployment, investment - due to the senselessness of expanding production amid falling total demand), and, consequently, total expenses. Households primarily reduce the demand for durable goods. The long-term interest rate, as a rule, grows (in the face of declining incomes and a shortage of cash, people start selling bonds, the offer of bonds increases, their price falls, and the lower the price of the bond, the higher the interest rate). Due to a decrease in total income (tax base), tax revenues to the state budget are reduced. The size of government transfer payments is increasing (unemployment benefits, poverty benefits). The state budget deficit is growing.

The Australian economy's growth slowed in the first quarter at its weakest pace in a decade, underscoring the need for strong monetary and fiscal stimulus to keep the country from falling into recession. after 28 consecutive years of expansion. Official Gross Domestic Product (GDP) figures released Wednesday show the economy grew 0.4% in the January-March period, twice as fast as its 0.2% pace in the fourth quarter of 2018 but lower than the 0.5% expected by economists. Annual growth fell to 1.8%, the lowest since the global financial crisis and well below its long-term average of 3.5%. "The Australian economy has lost momentum, and the main culprit has been weak consumer spending," said (Craig James Miranda‐Pinto, J. and Shen, Y., 2019).

Despite the positive aspects and advantages of doing business in Australia, not all entrepreneurs manage to succeed and make a profit in this country. In addition to the enormous competition and the need for substantial investment, in most cases, foreigners are faced with additional requirements that are very difficult to fulfill. The competent choice of a business structure (a form of ownership) for a company is considered one of the most important stages for the launch and subsequent successful implementation of entrepreneurial activity in Australia.

3. It is difficult to attribute Australia to advanced economies. Unlike other countries, in Australia, large business is rather poorly developed. Australia's economy relies more on agriculture and small enterprises processing its products. In many ways, this contributes to the geography of the country. Large cities are located on the coast. And the main territory of the country is a network of agricultural farms (Miranda‐Pinto, J. and Shen, Y., 2019).

Therefore, a small business in Australia occupies the bulk of the country's economy.

* Small businesses account for up to 95% of Australian businesses.
* Small businesses employ more than 50% of employees employed in the non-state sphere.
* Small businesses in Australia include businesses of up to 20 people. There are 1,116,000 small businesses in Australia today.

·         Small business occupies a leading position in the construction industry, in the service sector, in retail trade, and in the processing of agricultural products. Businessmen of this level need to formulate the idea of ​​innovative business, which he intends to implement in the country. An entrepreneur’s proposal requires approval from one of Australia’s six states. The Australian government paid due attention to inexperienced but ambitious entrepreneurs. For them, there are a number of budgetary immigration programs (Morley, J. and Panovska, I.B., 2019). For example, through a full or partial purchase of an existing business, or through opening a business from scratch that does not require significant investments and assets. It's important to know! Also in Australia, there are business visas for investors who want to invest an amount of $ 1.5 million or more in the development of projects approved by the authorities.

**References**

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