

## The Business Cycle: Where Are We Now?

Written by James Hickman  
Wednesday, 01 April 2009 00:00

---

In our economy, we evaluate the business cycle in terms of phases: Contraction, Trough, Expansion, and Peak. In spite of efforts, even economic masterminds cannot predict when the next phase will come. It can even be difficult to tell which phase we are currently in. The *contraction* is determined by economic slowing, measured in terms of indicators such as Gross Domestic Product. It is clear that we crossed this threshold some time ago. The *trough* is the phase that contains what we call "The Bottom", which is what we have been hoping and praying for. The trough is a springboard for the *expansion* phase, where the economic pace speeds up and the country is prospering. The *peak* contains the point at which the economy begins the next contraction.

So, where are we? Many would say that we are falling further into the trough, based on reports of increasing unemployment foreclosure rates. These are no doubt dire times for our country, but the bigger picture may be a bit brighter.

Based on recent reports from the Mortgage Banker's Association, the average interest rate for a 30 year fixed mortgage fell to 4.61% from 4.63% last month, the lowest since the survey started in 1990. With this decrease in rates came a spike in refinance applications, which grew to 79.1% of total mortgage applications.

The housing crisis is a leading indicator, if not the crux, of our economic state. Though new housing starts remain low, inventories continue to drop. In February, the number of new homes available for sale fell 2.9% from January and 30.8% from last February.

In addition, there are reports that demand for manufactured durable goods is on the rise. This is an indicator that businesses are becoming more confident that this is the time to invest.

While we don't have a crystal ball, there are enough indicators to suggest that we may be approaching the slopes of the expansion phase. However, phases of the business cycle can be argued long after they have come to pass. There is often conflicting data from economic reports that make it hard to understand even where we were a year ago.

## The Business Cycle: Where Are We Now?

Written by James Hickman  
Wednesday, 01 April 2009 00:00

---

So much of our future depends on policies implemented by the current administration, and by our world environment. If you believe that history repeats itself, perhaps it is best to look at the U.S. business cycle since the Great Depression. If you dig deep and compare economic indicators, you may have a glimmer of hope that prosperity is around the corner.