

CONTENTS

Acknowledgements	
Summary	
Foreword	
1. National Economic Performance	9
1.1 Bird's eye view of the economy of a country	9
1.2 Aggregate supply	10
1. 2. 1 Total aggregate supply	10
1. 2. 2 Three sectors in the economy	13
1. 2. 3 Industrial structure of GDP in selected countries	16
1.3 Aggregate demand	18
1. 3. 1 Four components of AD	18
1. 3. 2 Private consumption	19
1. 3. 3 Private investment	19
1. 3. 4 Government expenditures on goods and services	21
1. 3. 5 Net exports	21
1.4 Aggregate supply and aggregate demand	22
1. 4. 1 Macroeconomic equilibrium	22
1. 4. 2 Increase in aggregate demand	23
1. 4. 3 Decrease in aggregate demand	24
1. 4. 4 Increase in aggregate supply	25
1. 4. 5 Decrease in aggregate supply	25
2. Business Cycle Analysis	26
2.1 Cyclical development of national economies	26
2.2 General concept of cyclical development in the market economy	28
2. 2. 1 Cyclical development of the national economy of a country is indisputable	28
2. 2. 2 Various theoretical approaches to the business cycle	29
2.3 Course of the business cycle	30
2. 3. 1 General diagram	30
2. 3. 2 Business cycle in reality	31
2. 3. 3 Business cycle modification	34
2.4 Impact of business cycle factors	36
2. 4. 1 Business cycle factors	36
2. 4. 2 Business cycle and growth cycle	38
2. 4. 3 The impact of trend on business cycle	38
2. 4. 4 Responses of countries on the business cycle vary	40
2. 4. 5 Positive impact of recessions	41
2.5 Objectives of the business cycle analysis	42
2. 5. 1 The analysis of the specific business cycle	42
2. 5. 2 Business cycle forecasts	43
2. 5. 3 Selected methods for business cycle forecasts	44
2. 5. 4 Technical analysis	45
2. 5. 5 Success of business cycle forecasts	46
3. Main analytical indicators	48
3.1 Gross domestic product	48
3. 1. 1 Total output	48

3.1.2 Economic growth	49
3.1.3 Economic level of a country	51
3.2 Price level	52
3.2.1 Inflation	52
3.2.2 Deflation	56
3.3 Labour market	58
3.3.1 Main demographic indicators	58
3.3.2 Unemployment	60
3.4 Foreign Trade indicators	64
3.4.1 Exports and Imports	64
3.4.2 Trade surplus or trade deficit	66
3.4.3 Terms of Trade	67
3.4.4 Exchange rates	70
3.5 Indicators with regard to business cycle	72
3.5.1 Leading, coincident and lagging indicators	72
3.5.2 The Harvard barometer	73
3.6 Non cyclical impacts	74
3.6.1 Military conflicts and political tension in relevant countries	74
3.6.2 Political impacts	75
3.6.3 Exceptional incidents	75
3.6.4 Exceptional events in the microsphere	75
3.6.5 Shocks and bubbles	76
4. The impact of government macroeconomic policy on the business cycle	78
4.1 Objectives and concepts of government macroeconomic policy	78
4.1.1 Objectives of macroeconomic policy	78
4.1.2 Main theoretical concepts of government macroeconomic policy	80
4.2 Main fields of macroeconomic policy	83
4.2.1 Fiscal policy	83
4.2.2 Monetary policy	88
4.2.3 Foreign Trade policy	90
4.3 Output gaps	93
4.3.1 Potential product and output gaps	93
4.3.2 Closing output gaps	93
4.3.3 Recent GDP growth and GDP gaps in the Czech Republic	98
List of Figures	101
List of Tables	102
References	103
Index	107