



● **boom-bust cycle** (boom-bust cycles) N-COUNT

A **boom-bust cycle** is a rapid increase in business activity in the economy, followed by a rapid decrease in business activity.

*We must avoid the damaging boom-bust cycles which characterised the 1980s.*

● **stock-market collapse** (stock-market collapses) N-COUNT

▮ A **stock-market collapse** is a sudden decrease in value among all the shares on a particular country's stock market, for example because of a political crisis.

*In the early nineties there was a tremendous boom. And then there was the great stock-market collapse and the peso devaluation.*

☐ If a particular company suffers a **stock-market collapse**, its shares suddenly decrease to a very low value.

*...a share support operation designed to prevent the stock market collapse of Maxwell Communication Corporation.*

● **bond** (bonds) N-COUNT

When a government or company issues a **bond**, it borrows money from investors. The certificate which is issued to investors who lend money is also called a **bond**.

*Most of it will be financed by government bonds.  
...the recent sharp decline in bond prices.*

● **default** (defaults, defaulting, defaulted) VERB

If a company or country **defaults** on its bonds, it is unable to pay back the money it had guaranteed to the buyers of its bonds.

*Purchasers of bonds need to know whether a corporation is likely to default on its bonds.*

● **booming** ADJ

If a market is **booming**, the amount of things being bought or sold in that market is increasing.

*Certain British companies gather business intelligence and collect information to help to fight a booming market in counterfeit luxury goods.*

*For U.S. manufacturers, there's a growing realization that to fuel growth, they must broaden their customer base overseas and take advantage of booming markets in Europe and the Far East.*

● **boom** (booms) N-COUNT

**slump** (slumps) N-COUNT

If there is a **boom** in the economy, there is a sudden large increase in economic activity, for example in the amount of things that are being bought and sold. If there is a **slump** in the economy, economic activity falls suddenly and by a large amount.

*The industry has spent the years since that initial boom 'downsizing' to a more realistic level.*

*The 1980s continued their stately progress towards the Great Boom and the subsequent slump.*

Common Collocations

a <u>consumer</u> boom	boom <u>time</u>
an <u>economic</u> boom/slump	a slump <u>in sales</u>
a <u>market</u> boom/slump	a slump <u>in profits</u>
boom <u>years</u>	a slump <u>in demand</u>

● **bubble** (bubbles) N-COUNT

A **bubble** is a situation in which a lot of people try to buy shares in a company that is not financially successful, or which is so new that no one knows how successful it will be. As a result, people pay more for the shares than they are worth.

When people realise that the shares are not worth what they paid for them, they often try to sell them at a lower price. When this happens, people say that the **bubble** has burst.

*Everyone is hoping that these hi-tech companies will turn out to be the Microsofts of the future. Some of them may be, but at the moment they look more like the focus of a speculative bubble.  
One New York development lawyer says the 1980s lending frenzy created an atmosphere of euphoria. When the development bubble burst, federal regulators started probing the balance sheets of the biggest banks.*

● **bull market** (bull markets) N-COUNT

**bear market** (bear markets) N-COUNT

A **bull market** is a situation on the stock market when people are buying a lot of shares because they expect that the shares will increase in value and that they will be able to make a profit by selling them again after a short time. A **bear market** is a situation on the stock market when people are selling a lot of shares because they expect that the shares will decrease in value and that they will be able to make a profit by buying them again after a short time.

*Interest rates quite often rise in the early stages of a bull market.  
The bank said that the bear market, which followed last April's crash in Internet, telecoms and technology stocks, had deterred many companies from going public.*

☞ **market:** Topic 1.4; **share:** Topic 7.2; **stock market:** Topic 7.2; **downturn:** Topic 7.3; **go bust:** Topic 7.4; **borrow:** Topic 8.4; **lend:** Topic 8.4; **interest:** Topic 8.4; **peak:** Topic 10.1



Topic 7.1

Business Performance – Boom and Bust



PRACTISE YOUR VOCABULARY

1 Put these four words into two pairs – one pair that means prices are rising, and one pair that means prices are falling.

boom bust bear bull

a prices rising: \_\_\_\_\_ b prices falling: \_\_\_\_\_

2 Use the terms in the box to complete the paragraph.

boom-bust stock-market collapse boom slump booming

An economic \_\_\_\_\_ is a period of increased demand and production. The period of booming economic growth inevitably peaks, following which there is a \_\_\_\_\_, or a downturn in the economy. This pattern is known as the business cycle, and an extreme example of this cycle is called the \_\_\_\_\_ cycle. A \_\_\_\_\_ market is good for shareholders, but when the economy slumps it can be accompanied by a \_\_\_\_\_, when the value of shares on the exchange falls significantly.

3 Read these headlines from the business press and answer the questions.

- a City analysts describe emerging markets as 'bubble' economies. Are these emerging markets a good long term investment?
b We are on the edge of a bear market in technology shares. Will technology shares be sold or bought in increased numbers?
c Economic boom set to run for years. Will demand in the economy increase or decrease?
d New market about to go bust. Will output increase or decrease?
e Bull market set to last all year. If you buy shares today and sell in a few months' time, will you make money?

4 Use the terms in the box to complete the sentences.

defaulting defaulting on its bonds bond (x 2)

- a When a company borrows money from its investors it issues the investor a \_\_\_\_\_.
b This \_\_\_\_\_ runs for several years, and the company is obliged to pay back the money at the end of that period. During this period investors earn interest on the amount of money they have lent the company.
c It can happen that a company is unable to pay back the money to an investor, and when this happens the company is \_\_\_\_\_ on its bonds.
d Investors need to have a clear idea about the likelihood of a company \_\_\_\_\_.