



2.3 The economic climate Flash Cards



The image features a central graphic on a light blue background. At the top, a dark blue line graph trends upwards from left to right. Below the graph, a dark blue outline of a house with a chimney and a window is positioned. In the foreground, a stack of light-colored wooden blocks is arranged in a stepped pyramid shape. The top block has a dark blue arrow pointing up. The second row has two blocks, each with a dark blue arrow pointing up. The third row has three blocks, each with a dark blue percentage symbol (%). The bottom row has four blocks, alternating between a dark blue percentage symbol (%) and a dark blue arrow pointing up. A large, dark blue, rounded rectangular box is superimposed over the middle of the stack of blocks, containing the text "Interest rates" in white, sans-serif font.

Interest rates

Interest rates

Interest rates are either the reward for saving money or the cost for borrowing.

If a business has high debt or wants to get a loan and interest rates are high this will increase their costs.

If interest rates are high customers in general have less disposable income as their mortgage payments may increase. It also encourages saving rather than spending.



Levels of employment

UNEMPLOYED

Levels of employment

Levels of employment affects businesses. If Unemployment levels are high, this means many people are out of work, so there is less disposable income, resulting in lower demand for products.

If unemployment levels are low, this means many people have employment, so more disposable income and more demand for products.

High employment = more income = higher demand

High unemployment = less income = lower demand

Low unemployment = higher wages = higher costs

High unemployment = lower wages = lower costs

Consumer Spending



Consumer Spending

Consumer spending is the total amount of money spent by households on goods and services.

Higher consumer spending increases demand, leading to higher sales and profits.

Lower consumer spending decreases demand, leading to lower sales and lower profits.

Consumer spending is affected by interest rates, inflation, employment levels and consumer confidence.