

ECONOMIC INDICATORS
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Economic indicators

Definition

1. These provide a direction in which the economy is going.
2. They are piece of economic information that highlight the conditions of the economy

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Inflation

Definition

This is the increase the price of products over a period of time usually a year

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Consumer Price Index

Definition

This is how inflation is measure. It is an index of all the product price in one year compare to the previous year

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Calculate the inflation

Difference cost off living yr 2 and 1
Cost of living in year 1

Remember to multiply it by 100/1

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Cause of inflation

the cause of inflation include

1. The cost of producing the goods increase - for example Wages -the business will put the increase onto the price of the product
2. The cost of the good imported has increased (Import Inflation)
3. Indirect cost have increase - For example VAT
4. The demand for the product has increased

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The Economic Indicators

There are 6 economic indicators. They include

1. Inflation
2. Employment
3. Interest Rates
4. Economic Debt
5. Economic Income
6. Economic Growth

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The Impact of High inflation

Household

1. Consumer will not be to buy as many goods or service due to the increase
2. People will not save if the interest rate is less that inflation

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The Impact of High inflation

Business

1. Worker will look for a wage increase as the cost of living has increased
2. Business expansion will decrease as it is more expensive

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The Impact of High inflation

Economy

1. Irish goods and service will become more expensive
2. This will result in more imports coming in from abroad

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Labour Force

Definition

This is all the people aged between 16-65 who are willing and able to work

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Employed

Definition

These are the people in the labour force who can find a job

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Unemployed

Definition

These are the people in the labour force who can't find a job

Full employment in Ireland is around 4% (2020)

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The Impact of High unemployment

Household

1. Less demand for goods and services
2. Household will have a lower standard of living

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The Impact of High unemployment

Business

1. Harder to get investment as the demand for the product has decreased
2. There will be a decrease in profit and demand and sales have decreased

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The Impact of High unemployment

Economy

1. Reduced economic activity due to less demand
2. Less attractive to FDI as people are emigrating

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Interest Rates

Definition

1. This is the cost of borrowing and the reward for saving
2. Low interest rate will encourage people and business to borrow - the interest repayment will be low.
3. People will not save as the return is too low.

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The Impact of low interest rates

Household

1. There will be more borrowing and spending due to cheaper finance
2. Increased in borrowing will increase the household debt

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The Impact of low interest rates

Business

1. Expansion and new product development will be easier due to cheaper finance
2. Repayment of existing loans will fall

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IMPACT

The Impact of low interest rates

Economy

1. Increase in VAT to the government due to increase in spending
2. The cost of servicing the national debt will decrease

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Define

National Debt

Definition

This the amount of money that the government has borrowed

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Define

Debt Servicing

Definition

This is the interest the Government pays on the loans that they have

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Define

NTMA

Definition

National Treasury Management Agency are the state body that looks after the countries debt

Ireland debt at present is €184 Billion (2020)

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IMPACT

The Impact of National Debts

Household

1. Taxes may increase to service the debt
2. Government spending may reduce leading to less public services

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IMPACT

The Impact of National Debts

Business

1. Consumer will have less disposable income so demand will decrease
2. Reduce demand may lead to job loses

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IMPACT

The Impact of National Debts

Economy

1. Public services are likely to be cut because we can keep borrowing to pay for them
2. Debt is an opportunity cost - the money could be sent elsewhere

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Define

National Income

Definition

This is the of all new goods and service produced in a year

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Define

GDP

Definition

Gross Domestic product. This is the value of goods and service produce in a year in a country. It includes indigenus and foreign owned business

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GNP

Definition

Gross National Product. This is the value of goods and service product by a country in a year. It includes home and foreign produce

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Economic growth

Definition

This occurs when there is an increase in the amount of goods and service produced in an economy from one year to the next

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Calculation of economy growth

$$\frac{\text{Difference year 1 and year 2}}{\text{Production in year 1}}$$

Remember to multiply it by 100/1

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The effects of Economic Growth

Household

1. There will be an increase in employment
2. This will lead to an increase in standard of living

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Economic Boom

Definition

This is continuous period of economic growth

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Recession

Definition

This is usually a slowdown in economic growth. It is usually when there is a decrease in the economic growth in a country in 6 months in a row

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Economic Depression

Definition

This is when a recession is very serious and continue for a period of time

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The effects of Economic Growth

Business

1. As more money is spent, demand will increase, which leads to more employment
2. With this increase in employment and sales the government will receive more income

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The effects of Economic Growth

Business

1. As more money is spent, demand will increase, which leads to more employment
2. With this increase in employment and sales the government will receive more income

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