**KEYWORDS**

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

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

**Consumer Price Index** This is how inflation is measure. It is am index of all the product price in one year compare to the previous year

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

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

**Unemployed** These are the people in the labour force who can’t find a job

**Interest Rates** This is the cost of borrowing and the reward for

saving

**National Debt** This the amount of money that the government

has borrowed

**Debt Servicing** This is the interest the Government pays on the

loans that they have

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

**National Income** This is the of all new goods and service produced

in a year

**GDP** Gross Domestic product. This is the value of

goods and service produce in a year in a country.

It includes indigenous and foreign owned business

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

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

**SELF TEST QUESTIONS**

1. Identify and outline each of the economy indicators  
2 .Explain the effect of each of the indicators on the household business and the economy  
3. Calculate inflation  
4. Calculate the rate of economic growth

**ECONOMIC INDICATIORS**

There are 6 different indicators that you will need to know. They

include

the following

1. Inflation
2. Employment Levels
3. Interest Rates
4. National debt
5. National Income
6. Economic Growth

**EMPLOYMENT LEVELS**

*The Impact of high unemployment*

|  |  |  |
| --- | --- | --- |
| **Household** | **Business** | **Economy** |
| 1. Less demand for goods and services | 1. Harder to get investment as the demand for the product has decreased | 1. Reduced economic activity due to less demand |
| 1. Household will have a lower standard of living | 1. There will be a decrease in profit and demand and sales have decreased | 1. Less attractive to FDI as people are emigrating |

**INFLATION**

*Cause of inflation*

The following are some of the causes of inflation

1. The cost of producing the goods increase
2. The cost of the good imported has increased (Import Inflation)
3. Indirect costs – For example VAT
4. The demand for the product has increased

*The Impact of High Inflation*

|  |  |  |
| --- | --- | --- |
| **Household** | **Business** | **Economy** |
| 1. Consumer will not be to buy as many goods or service due to the increase | 1. Worker will look for a wage increase as the cost of living has increased | 1. Irish goods and service will become more expensive |
| 1. People will not save if the interest rate is less that inflation | 1. Business expansion will decrease as it is more expensive | 1. This will result in more imports coming in from abroad |

**INTEREST RATES**

*The impact of High Interest Rates*

|  |  |  |
| --- | --- | --- |
| **Household** | **Business** | **Economy** |
| 1. There will be more borrowing and spending due to cheaper finance | 1. Expansion and new product development will be easier due to cheaper finance | 1. Increase in VAT to the government due to increase in spending |
| 1. Increased in borrowing will increase the household debt | 1. Repayment of existing loans will fall | 1. The cost of servicing the national debt will decrease |

**CALCULATIONS**

**Inflation**

Difference in cost off living between year 2 and 1 X 100

Cost of living in year 1

**Economy growth**

Difference year 1 and year 2 X 100

Production in year 1 1

**ECONOMIC GROWTH**

*The impact of Economic Growth*

|  |  |  |
| --- | --- | --- |
| **Household** | **Business** | **Economy** |
| 1. There will be an increase in employment | 1. As more money is spent, demand will increase, which leads to more employment | 1. Can lead to increase inflation as resource become scares price increase |
| 1. This will lead to in increase standard of living | 1. This increase in employment and sales the govt will receive more income |  |

**THE NATIONAL DEBT**

*The impact of The National Debt*

|  |  |  |
| --- | --- | --- |
| **Household** | **Business** | **Economy** |
| 1. Taxes may increase to service the debt | 1. Consumer will have less disposable income so demand will decrease | 1. Public service are likely to be cut because we can keep borrowing to pay for them |
| 1. Government spending may reduce leading to less public services | 1. Reduce demand may lead to job loses | 1. Debt is an opportunity cost – the money could be sent elsewhere |