

## The economic climate



### Knowledge and understanding - definitions

<b>Economic climate</b>	Refers to how well the country is doing in terms of the levels of income and employment
<b>Income</b>	Is the amount of money that people receive from work and assets they own, such as shares and property
<b>Customers</b>	Are buyers <i>why</i> buy goods and services
<b>Consumer income</b>	Is the total amount of income that all customers in the country receive and which they have available to spend
<b>Level of unemployment</b>	Is the numbers of people in work in a country
<b>Level of income</b>	Is the average income of people in a country
<b>Economic growth</b>	Is a period when income and employment is rising
<b>Recession</b>	Is a period when income and employment is falling
<b>Distribution on income</b>	Refers to how the income is shared amongst different people in the community
<b>International economic climate</b>	Refers to what is happening to income and employment in different parts of the world

**How much a business will be affected by a change in employment will be influenced by:**

- How much employment changes
- The change in the type of employment. If there is a rise in the demand for skilled workers, this may be more difficult to deal with than a rise in the demand for unskilled workers.

### Analysis - The impact of changes in income

An increase in income would lead to...

- Increased sales, increasing revenue and profit
- Businesses may need to employ more workers
- Businesses may expand by opening new shops



**How much a business will be affected by a change in income will be influenced by:**

- How much income changes
- The type of product the business sells
- How a business responds to the change in income

### The impact of changes in employment

A decrease in employment (an increase in unemployment) could lead to:

- Firms finding it easier to recruit new workers as there is an increase in available workers
- Production costs may be cheaper as wages may fall as the competition for jobs is greater

**Exam questions**

JC Motors Ltd have been trading for 20 years. They specialise in selling high-end bespoke cars that start from £50,000 and can be as expensive as £300,000. Owing to the recent, downturn in the economy that has led to falling consumer incomes and an increase in unemployment from 2 million to 2.2 million people, they have started to diversify and have a small range of second hand cars on sale that start at £15,000 and go up to £80,000.

**Knowledge**

1. What is meant by 'consumer income'? (1 mark)

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2. What is meant by 'unemployment'? (1 mark)

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**Application**

3. Calculate the percentage increase in the number of people unemployed (3 marks)

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**Analysis**

4. Analyse one impact of falling on consumer income on JC Motors Ltd (3 marks)

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5. Analyse one impact of increase in unemployment on JC Motors Ltd (3 marks)

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