

**Economy
Questions**

NAME:

1. Calculate the unemployment rate in 2011?

17.5%.....

2. Calculate the unemployment rate at the start of 2018?

8.7%.....

3. Explain how decreasing levels of unemployment can be good for businesses in Bowton?

More sales as more people in work and feeling confident to spend money

4. Are there any disadvantages to a business from lower rates of unemployment in an area?

Higher inflation as people are spending more – eg property prices increasing including business premises

May have to pay more to find good

workers.....

5. Did Bowton experience a recession between 2008 and 2011? Give reasons for your answer.

A recession is defined as a period of economic decline where the economy is shrinking over two consecutive quarters (6 months). It is indicated by rises in unemployment, falls in income, a drop in demand for goods, and a fall in output. **This could lead to the closure of businesses. Bowton does appear to have experienced recession as unemployment rose, incomes fell and more businesses closed down than started up.**

6. Define inflation

Increase in average prices across economy

7. Is Bowton still in recession from 2011 to 2014? Give reasons for your answer.

Bowton appears to be coming out of the recession because there has been some increase in employment and sales of goods are expected to rise. It would be in the recovery period of the trade cycle.

8. How did the council encourage businesses to the area?

Offered grants to businesses to relocate to the area or for existing businesses to expand

9. What did the council say was responsible for the increase in jobs?

The council investment, in the form of grants.

10. Why would increased confidence in the town cause an increase in property prices?

When there is a higher demand for property, the prices will increase.

11. Define 'business rates'?

tax set by the government and **business rates** are collected by local authorities are the way that those who occupy non-domestic property contribute towards the cost of local services.....

12. Explain why the Bank of England might increase interest rates during an economic boom?

To ease inflation – people are encouraged to save rather than spend. People not using credit cards. Prices will therefore fall.....

13. Define economic growth

Increase in living standards – measured by GDP

14. How could businesses in Bowton be affected by high business rates and council tax?

Increase outgoings – less profits to reinvest in the business. NB taxes are not classes as a cost and so will affect retained profit but not GROSS or OPERATING profit

15. To what extent might businesses in Bowton be affect by an increase in interest rates?

Will increase costs and so reduce net profit

Depends on whether the business has fixed the interest payments with the bank

Depends on the source of finance used – may not have high bank loans

Also sales may fall as people save rather then spend

Depends on what type of products they sell – will affect luxurys more

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