Economic indicators - statistics that show how well the economy is doing.

Inflation is an increase in the price of goods and services. Your money can buy less goods and services than it could before.

What causes inflation?

- Demand for a product is greater than supply.
- The cost of raw materials increases (e.g. if the cost of cocoa increases, chocolate manufacturers are likely to increase prices to ensure their profit is not reduced).

Impact of inflation: On individuals: Individuals can buy less for the same amount of money, as the average price of goods has risen.

On businesses: The cost of raw materials increases for businesses. Jobs may be cut to reduce costs for businesses, resulting in an increase in unemployment.

On economy: Irish products will be less attractive in foreign markets, which reduces revenue for the Irish economy.

The employment rate - percentage of the total labour force that is employed.

THE IMPACT OF INCREASED EMPLOYMENT RATES

- Individuals have more disposable income and a higher standard of living.
- Emigration is reduced- businesses have access to more skilled workers.

THE IMPACT OF INCREASED UNEMPLOYMENT RATES

Individuals have less income and will have to make difficult choices about what they can afford to buy (e.g. they will have to cut back on luxury goods).

Emigration increases as citizens go to other countries for work.

Interest is a reward for saving money or the cost of borrowing money.

The interest rate charged on borrowed money - Annual Percentage Rate (APR),

Interest rates set by the **European Central Bank (ECB).**

The total net earnings from a country's production of goods and services in a year – national income.

Calculated by the Central Statistics Office (CSO). They report on the country's **gross domestic product (GDP).**

GDP measures the value of goods produced and services in a country.

Gross national product (GNP) instead of focusing on where goods and services are produced, it takes into account who produced them.

GNP includes income earned by citizens and companies abroad, but does not include income earned by foreigners within the country.

The total income with Irish residents is the GNP.

Impact on an increase in national income:

- Individuals will have more income, their standard of living will increase.
- Businesses produce more goods and services and their profits increase. Government has more revenue, more money to invest in the economy.

A fall in national income impacts individuals, businesses and the economy in a number of ways:

- Individuals have less income and the standard of living is reduced.
- Businesses produce less goods and services and their profits decrease.

Economic growth is the growth in a country's output of goods and services over time (e.g. a month or a year).

This output is measured by GDP and GNP.

Impact of Economic growth:

- Individuals have more disposable income and a higher standard of living.
- Emigration is reduced, meaning businesses have access to more skilled workers.

In there is a deficit budget, the government will need to borrow money. Amount of money borrowed by a country's government is called **national debt.**

National debt impact:

Taxes may increase- less disposable income for individuals and profit for businesses.

There is less money available to encourage enterprise and create jobs.