

Subject Content	What students need to learn?
1.5.4 The economy and business	The impact of the economic climate on businesses: <ul style="list-style-type: none"> • unemployment, changing levels of consumer income, inflation, changes in interest rates, government taxation, changes in exchange rates.

The economy: The Economy concerns the interactions between people and groups of people in a certain area.

Here are the rules to follow when making an exchange rate calculation:

Rule 1: When exchanging from pounds to a foreign currency, multiply

Rule 2: When exchanging from a foreign currency to pounds, divide

Definitions	Descriptions:
Unemployment	When someone of working age wants a job but cannot get one.
Changing levels of consumer income	Consumer incomes is the amount households have available to spend after income taxes have been deducted.
Inflation	Inflation is the sustained increase in prices over a period of time.
Changes in interest rates	Interest rates can take two forms: <ul style="list-style-type: none"> • The additional cost of borrowing money from a bank that has to be paid each month • The reward received each month for saving your money in a bank
Government taxation	Charges placed by the government on goods, imported products and incomes of both individuals and businesses
Changes in exchange rates	The value of one currency expressed as another. There is not just one exchange rate, it is between 2 currencies only

S	trong
P	ound
I	mprts
C	heaper
E	xports
D	earer

Key terms:

Recession: A recession happens when there is a significant decline in economic activity. It is visible in areas such as production and employment.

Imports: Bringing goods and services into a country from other countries in order to sell to consumers

Exports: Exports are the goods and services produced in one country but sold overseas.

