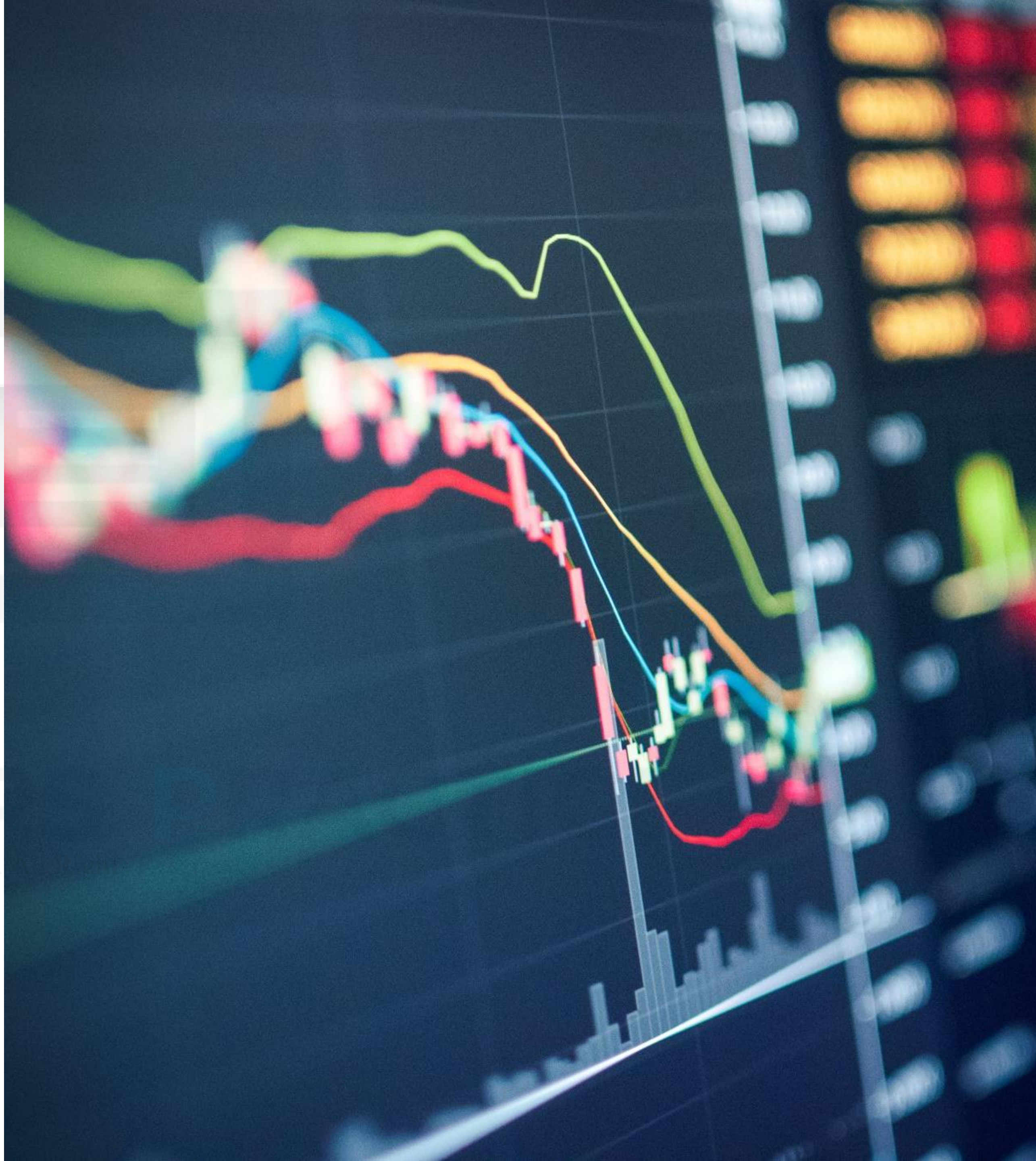
Economic growth

- Measures the rate of a change of a country's output
- Key measure is GDP – calculates the sum of a country's output over 1 year
- The IMF forecasts UK GDP to grow by 0.5% in 2023 (up from 0.4% in its previous forecast) and by 0.6% in 2024 (down from 1.0%).
- Fiscal policy – tax cuts stimulate spending and investment, leading to economic growth.
- Monetary policy – lower interest rates encourages borrowing for investments and consumption, leading to economic growth.



Unemployment

- Represents a waste of resources
- The unemployment rate for the final quarter of 2024 is expected at 4.6%, down from December's estimate of 4.7% but higher than the 4.3% expected for 2023.
- High unemployment is an indicator of poor economic employment
- Strong economic growth likely means low unemployment, so governments pursue a policy of low unemployment.
- Benefits of low unemployment:
  - Higher consumption and AD
  - Higher incomes
  - Improved standard of living
  - Social benefits e.g. reduced crime

Inflation

Measure by CPI, it is the rate of change of average prices in an economy.

We now expect CPI inflation to average 2.1% in 2024, down from our November forecast of 3.1%. Inflation is on track to return to the 2% target in April.

Impacts: workers wage demands, consumer confidence, real income

High inflation damages real value of money and decreases spending power

Inflation target is 2% +/– 1%

Inflation target made independent of government to give more credibility after number of periods in 1970s and 80s of high inflation.

Balance of payments

- Measures the UK’s record of economic activities with other countries.
- The value of goods imports decreased by £1.6 billion (3.3%) in November 2023, with falls in imports from both EU and non-EU countries.
- Exports more that imports = surplus
- Imports more that exports = deficit
- Deficits have to be funded, therefore a surplus or equilibrium is the desired objective on the current account.

EXAM PAPERS PRACTICE