Economic Indicators – 3.9

Inflation

- Definition: The **<u>general increase</u>** in the **<u>price of goods and services</u> in an economy** over a **<u>period of time</u>**
- Rising prices means an increase in the cost of living
- Inflation is measured by the **Consumer Price Index** (CPI)
  - CPI is produced the Central Statistics Office – calculated monthly

$$\frac{\text{Increase in Price}}{\text{Previous Price}} \times 100$$

- Watch this video from the CSO
- More information available here
- Hyperinflation explained
- Zimbabwe and Hyperinflation video

Inflation

- Causes of Inflation
  - **Demand Pull inflation**
    - Excessive demand in the market. Demand is greater than supply therefore prices rise
  - **Cost Push inflation**
    - Increase in taxes, oil, wages, interest rates causes an increase in the cost of producing goods and therefore an increase in price
- Advantages of Low inflation to a country
  - Economic growth is aided
    - Exports remain competitive which brings money in from abroad
- Benefits of low inflation to the consumer (opposite is true of high inflation)
  - Prices in shops are stable
  - Easier to plan and budget
  - Value of savings is protected
    - Consumers should be concerned with the REAL interest rate

Employment

- **Labour Force**
  - Labour force comprises people aged **15 and older** who supply labour for the production of goods and services during a specified period.
  - It includes both the employed **and** the unemployed.
  - In general the labour force includes the unemployed, and first-time job-seekers, but excludes homemakers and other unpaid caregivers and workers in the informal sector.
- **Current Employment Data** is available here
- **Unemployment rate is currently 5.4%** (Sept 2018), down from a peak of 16% in Early 2012
- **Reasons for unemployment**
  - Competition between businesses mean some firms have to close
  - New technology replacing the need for workers
  - Economy going through a recession
  - Businesses moving to foreign countries for cheaper labour

- **THINK:** How does rising/falling employment impact the worker
- **THINK:** How does rising/falling employment impact the government/country

Interest Rates

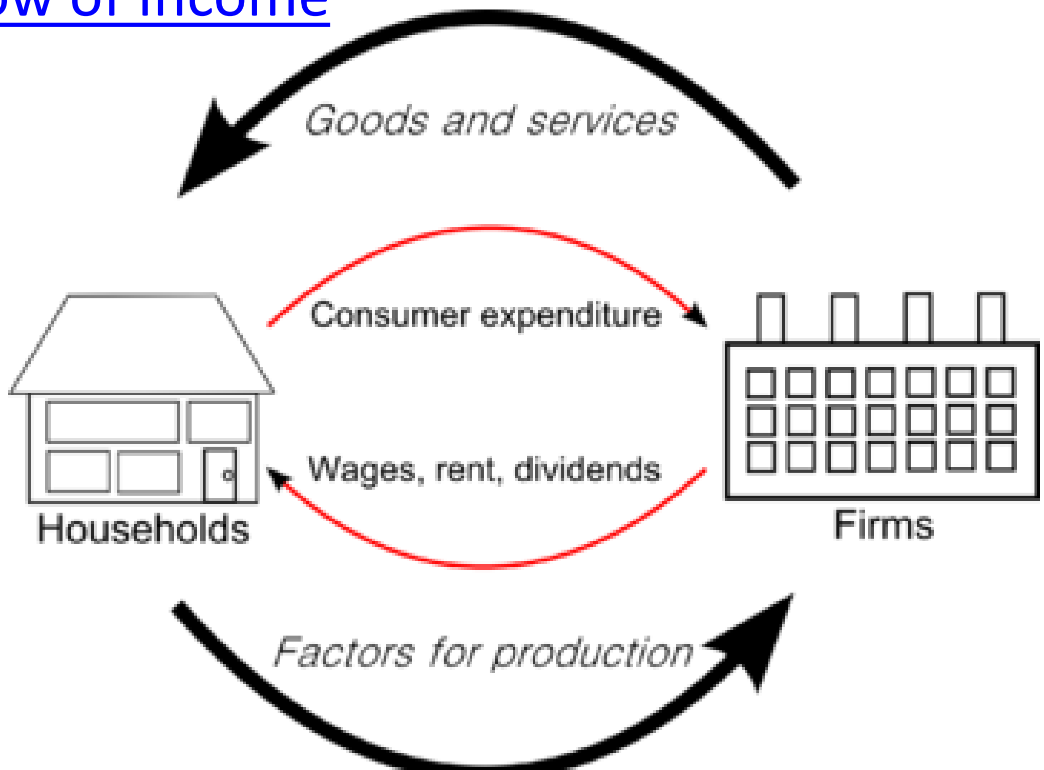
- Interest Rates are part of a country's Monetary policy
  - Monetary policy is defined as "actions by a central bank which influence the money supply, interest rates and the availability of credit."
- **Interest** is the **price** you pay for **borrowing money**. Interest rates in the EMU are controlled by the European Central Bank.
- **Ireland** has **no control** over any of its **monetary policy**
- WATCH this video on the ECB

Interest Rates

- **Benefits of Low interest rates**
  - Mortgages and loans will be cheaper
  - Encourages business investment
  - Increases consumer spending
  - Reduces business costs
  - Reduces the cost of servicing the national debt
- Disadvantages of high interest rates are the opposite of the above

National Income

- National Income measures the income produced within an economy over a period of time
- [Circular Flow of Income]



National Income

- What effect would a **rise in national income** have on an economy?

- What effect would a **fall in national income** have on an economy?

Economic Growth

- **Gross National Product** is total amount of goods and services produced in a country in a year.
- If **GNP** increases from one year to the next there is said to be **economic growth**
- Formula

$$\frac{\text{Increase in GNP}}{\text{Last years GNP}} \times 100$$

National Debt

- **National Debt** is the amount of money **owed by the government**
- **Debt Servicing** is paying the **interest** on the national debt
- Ireland's Debt Clock
- NTMA Debt information