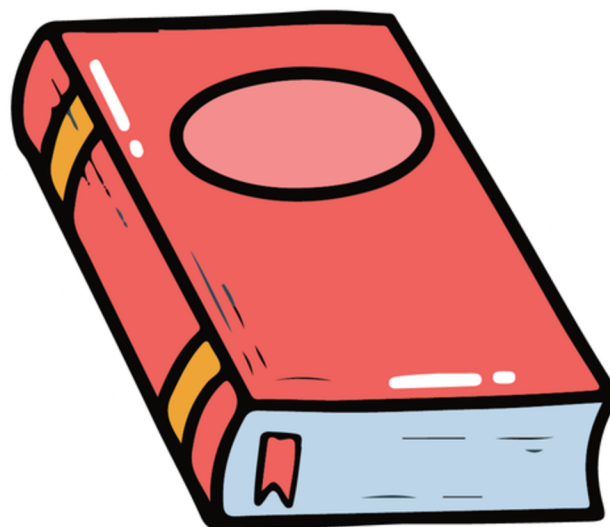


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CLASS NOTES



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Chapter 35 Economic Indicators

Learning Outcome 3.9 Explain the relevance of economic indicators such as inflation, employment rates, interest rates, economic growth, national income and national debt for individuals and the economy

Learning Links

Chapter	18	28	30	31	32	34	36	37
L.O.	2.5	3.2	3.4	3.5	3.6	3.8	3.10	3.11

Keywords

Inflation	CPI – Consumer Price Index	Cost-of-living	Demand pull inflation	Cost Push inflation
Employment rates	Labour Force Survey	Full Employment	Interest rates	ECB European Central Bank
Economic growth	National Income	National Debt	Full Employment	

Key Skills

1. Define and explain each economic indicator
2. Identify positive or negative trends for each economic indicator from diagrams / infographics
3. Explain how changes in each economic indicator impacts on individuals, businesses and the economy
4. Explain what causes inflation
5. Explain the impact of changing interest rates on savings and borrowings

Introduction	Class Activity
<p>If you turn on the news or read a newspaper, you will often hear terms such as <i>inflation</i>, <i>interest rates</i>, <i>employment</i> and <i>economic growth</i>. But what do these actually tell us?</p> <p>These are economic indicators - statistics used to measure how the economy is performing that can help individuals, businesses and the government make more informed decisions.</p> <p>They help us understand:</p> <ul style="list-style-type: none"> • Are prices rising? (Inflation) • How many people are in work? (Employment / Unemployment) • Is borrowing expensive? (Interest Rates) • Is the economy growing? (Economic Growth / National Income) • Does the government have large debt? (National Debt) <p>Each indicator provides different information about the health of the Irish economy.</p>	<p>Part A – What do you already know about Economic Indicators?</p> <p>True or False</p> <ol style="list-style-type: none"> 1. High inflation means prices are rising quickly 2. A rise in unemployment means more people are in paid work 3. Higher interest rates make borrowing more expensive. 4. Economic growth means the economy is getting bigger. 5. National debt rises when the government spends more than it collects. <p>Part B – Identify whether each trend is generally ‘good’ or ‘bad’ for the economy:</p> <ol style="list-style-type: none"> 1. Unemployment falls from 6% to 4%. 2. Inflation rises from 2% to 7%. 3. Interest rates fall from 5% to 3%. 4. Economic growth becomes negative. 5. National debt increases sharply.



Inflation

Inflation measures the rise in the prices of goods and services over time in an economy

How Is Inflation Measured In Ireland?

The Central Statistics Office (CSO) measures inflation using the Consumer Price Index (CPI). To do this, they track a 'shopping basket' of over **600 items** that an average household spends money on. These items range from essentials like groceries and electricity to extras like clothing and streaming services. Every month, the CSO checks over **50,000 prices** for these items in shops all over Ireland.

An Phríomh-Oifig Staidrimh Central Statistics Office

Changes to the National Basket of Goods and Services 2023

The Consumer Price Index (CPI) measures the overall change in the prices of goods and services that people typically buy.

The CPI Basket will now contain **612** items

Spending habits and tastes change over time. The National Basket of Goods and Services is reviewed and updated regularly to represent Ireland's changing shopping habits.

Selection of some of the items added to the CPI Basket in 2023

- Disposable E-Cigarettes
- Smart Watches
- Gin
- Air Fryers
- Milk and Meat Substitutes

Selection of some of the items removed in 2023

- Landline Telephones
- Swiss Rolls
- Nightclub Admissions
- Digital Cameras

Source: <https://www.cso.ie/en/releasesandpublications/ep/p-cpi/consumerpriceindexjanuary2024/>

Why Is Measuring Inflation Useful?

By comparing these prices to the prices of the previous month, the CSO can calculate if the average **cost-of-living** is rising or falling.

What Is A Normal Level Of Inflation?

The European Central Bank (ECB) aims to keep EU inflation at **2%**.

- High inflation (bad trend) means prices are rising rapidly, reducing purchasing power as goods and services are more expensive.
- Very low or negative inflation (bad trend) can signal economic weakness. Low and stable inflation of 2% (good trend) supports steady economic growth.



What Causes Inflation?

1. Demand-Pull Inflation

When demand for goods and services exceeds supply, **scarcity** occurs, causing prices to rise in the economy. This can happen when there is high employment and incomes increase, which usually results in an increase in spending.

2. Cost-Push Inflation

When the cost of production increases (eg, wages, energy bills, cost of raw materials), firms may increase their prices to maintain their profit levels.

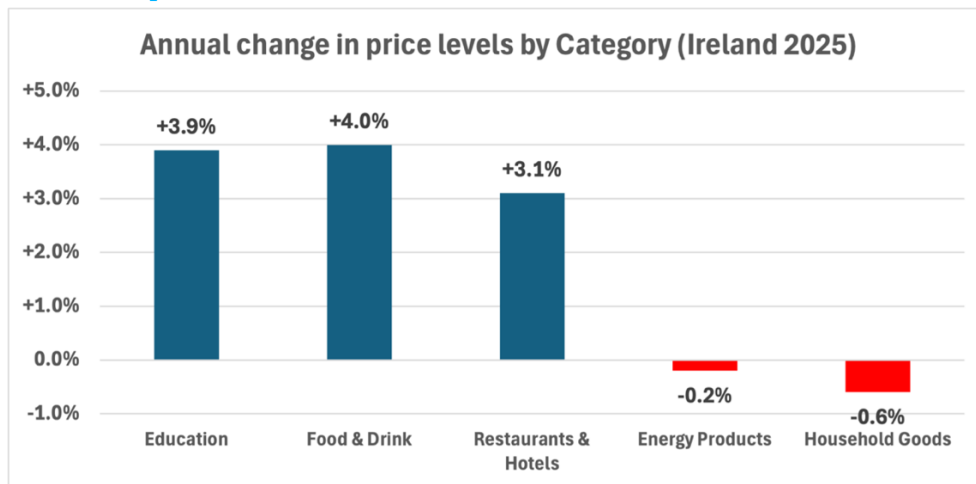
3. Government Induced Inflation

The Government may increase VAT on goods or services or introduce new taxes like the carbon tax or a sugar tax, to discourage the use of items like petrol or fizzy drinks. This will increase their prices.

Top Tip: If you are explaining any cause of inflation, ensure you include how each one causes price levels to rise "...this causes prices to rise due to...".

Class Activity 35.1

Key Skill: Explain what causes inflation



(a) Identify the category that had the highest percentage increase in price level in 2025.

(b) Identify a category where their price level decreased in 2025.

(c) If Education costs rose because of students having to pay more for third-level college places, would this be an example of **demand-pull** or **cost-push** inflation?

Explain your answer.



How Do Changes In Inflation Impact Ireland?

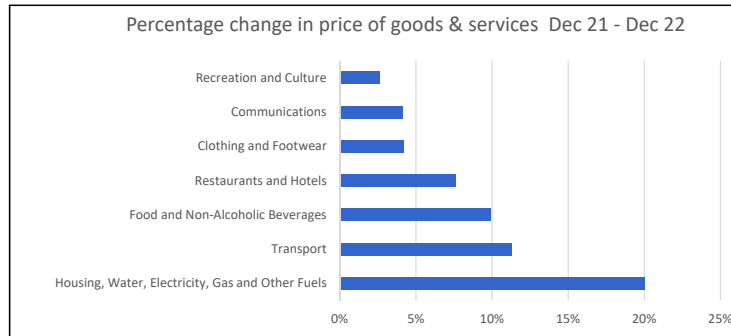
Impact	Inflation Falling Towards 2% (good trend)	Rising / High Inflation above 2% (bad trend)
Impact on Individuals and Households	<ul style="list-style-type: none"> • Slow price increases mean the cost-of-living does not rise sharply. This allows households to maintain their standard of living. • When prices rise slowly and predictably, households know roughly what things will cost. This makes it easier to plan spending and manage their budget. 	<ul style="list-style-type: none"> • Rising inflation reduces purchasing power. As a result, the same amount of money buys fewer items, so individuals may struggle to pay their bills. • Higher prices mean households have less disposable income after paying essential bills, lowering their standard of living.
Impact on Businesses	<ul style="list-style-type: none"> • When costs increase slowly, businesses can predict their expenses more accurately. This helps them set prices and maintain profits. • Stable inflation supports steady consumer demand. This helps businesses maintain their sales levels. 	<ul style="list-style-type: none"> • Higher input costs may reduce profits or force firms to increase prices, making them less competitive. • Employees may seek higher wages using cost-of-living claims, increasing business expenses.
Impact on the Economy	<ul style="list-style-type: none"> • Low and stable inflation (2%) supports steady economic growth which improves confidence and investment in the economy. • When inflation is stable, households face fewer cost-of-living problems. This means the government won't need to introduce extra cost-of-living supports in the Budget, controlling government spending. 	<ul style="list-style-type: none"> • When prices rise quickly, households may reduce spending. Lower spending reduces business sales and slows economic growth. • Rising inflation may lead to higher interest rates. The European Central Bank may increase interest rates to control inflation. Higher interest rates reduce borrowing and spending in the economy.

Workbook
Q1 -> Q5



Exam Corner 2023 Paper Q18 (a) (ii) & (iii)

(a) Using the information given below answer the questions that follow.



adapted from cso.ie

(i) Identify which category of goods and services shows the largest increase in price.

Housing, Water, Electricity, Gas and Other Fuels 5m

(ii) State the official measure of inflation in Ireland.

Consumer 1m

Price 1m

Index 1m

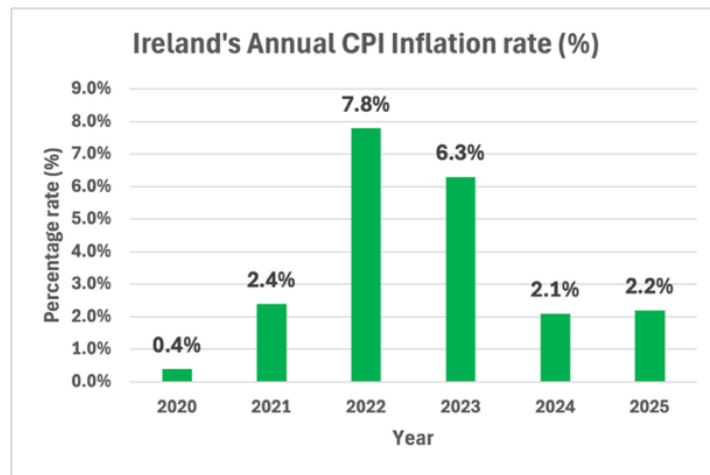
(ii) Explain one impact a rising level of inflation can have on an individual and a business in your local area.

An individual: It costs an individual more to buy what they normally buy so they will have less disposable income 1m and they may now struggle to pay for some of their bills. 1m

A business in your local area: It may lead to a business becoming less competitive as they may put their prices up 1m due to higher costs of production. 1m

Class Activity

Key Skill: Explain the impact that changes in inflation have on individuals, businesses and the economy



(a) Identify the year that inflation was at its highest rate

(b) Calculate the trend in inflation in 2024 from the previous year. State whether this represents a good or bad trend for Irish consumers and explain your answer.

(c) Outline one impact on each of the following from inflation falling from 5% to 2%:

(i) Individuals

(ii) Businesses in Ireland

(iii) Our economy

(e) Explain two causes of inflation that could have caused prices to rise over this period



Employment

Employment in Ireland is measured in two ways:

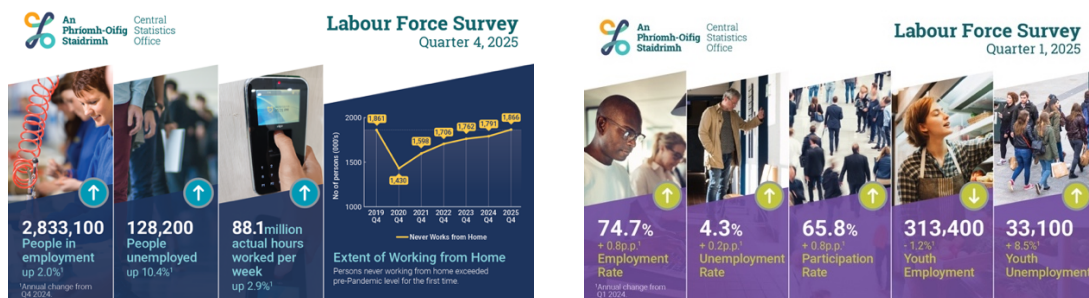
1. **The Employment Rate:** The percentage of the working-age population (15–64) who are currently in paid employment.
2. **The Unemployment Rate:** The percentage of the labour force (aged 15–74) who are without a job but are available for and seeking work.

The **labour force** does not include everyone aged 15–74. The labour force includes people of working age who are **either in paid employment or unemployed and actively looking for work**. It does not include people who are not seeking work, such as full-time students, retired people or those unable to work.

For example, in a country if 100 are in the labour force and 96 people currently have paid jobs, the unemployment rate is 4%.

How Is Employment And Unemployment Measured In Ireland?

The **Central Statistics Office (CSO)** measures employment and unemployment in Ireland through the Labour Force Survey.



What Is A Good Level For An Economy?

- An unemployment rate of around **4%** is described as **full employment** for an economy. This means that most people who want to work can find a job.
- **A fall in unemployment or rise in employment** is a good trend as more households are earning income so demand for goods and services will rise.
- **A rise in unemployment or fall in employment** is a bad trend as more individuals need government support through jobseekers allowance payments.

High employment or low unemployment usually indicates a strong economy.

A fall in economic growth may lead to higher unemployment in the future, as businesses reduce hiring or cut jobs.



How Do Changes In Employment And Unemployment Impact Ireland?

Impact	High Employment / Low Unemployment (Good Trend)	Low Employment / High Unemployment (Bad Trend)
Impact on Individuals and Households	<ul style="list-style-type: none"> • A steady job provides regular income, increasing disposable income and standard of living. • If there are fewer people unemployed, there is less competition for jobs, so it is easier for someone to find work. 	<ul style="list-style-type: none"> • Being unemployed reduces disposable income and lowers standard of living. • If a lot of people are unemployed, there is more competition for jobs, so it is harder to find work so people may have less disposable income for a longer period of time.
Impact on Businesses	<ul style="list-style-type: none"> • More people in work means more consumer spending, increasing demand, sales and profits for businesses. 	<ul style="list-style-type: none"> • A fall in disposable income reduces consumer spending, reducing demand, sales and profits for businesses.
Impact on the Economy	<ul style="list-style-type: none"> • More workers increase the PAYE, PRSI and USC collected, meaning the government increase revenue and can increase spending on public services, eg improving health services. • Government spending on Jobseeker’s Allowance falls, which would reduce government expenditure and improve a budget deficit. 	<ul style="list-style-type: none"> • Less income tax (PAYE, PRSI and USC) is collected so less revenue is available to spend on public services which may lead to a cut in services. • Government spending on Jobseekers Allowance rises, which may mean cuts in spending in other public services.

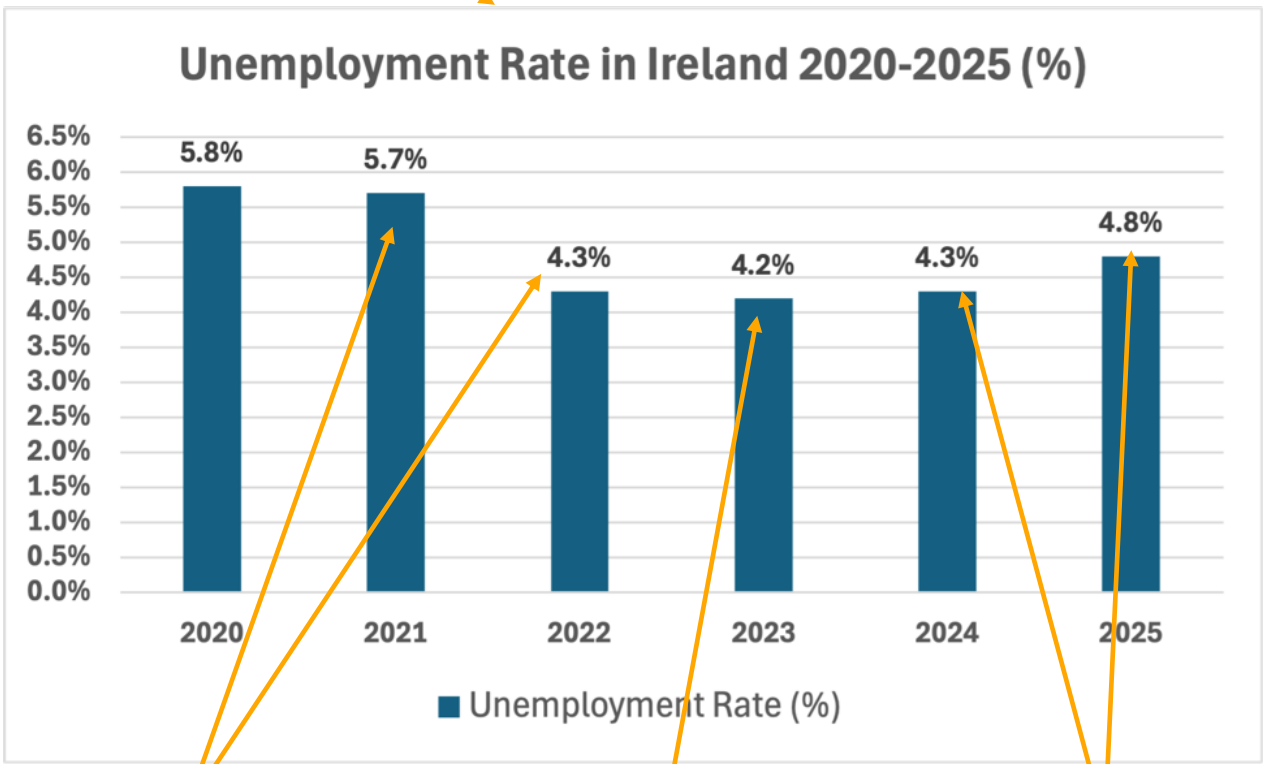


Workbook
Q6 -> Q8



Reading Data From A Graph

The **title** shows what is being measured (unemployment)



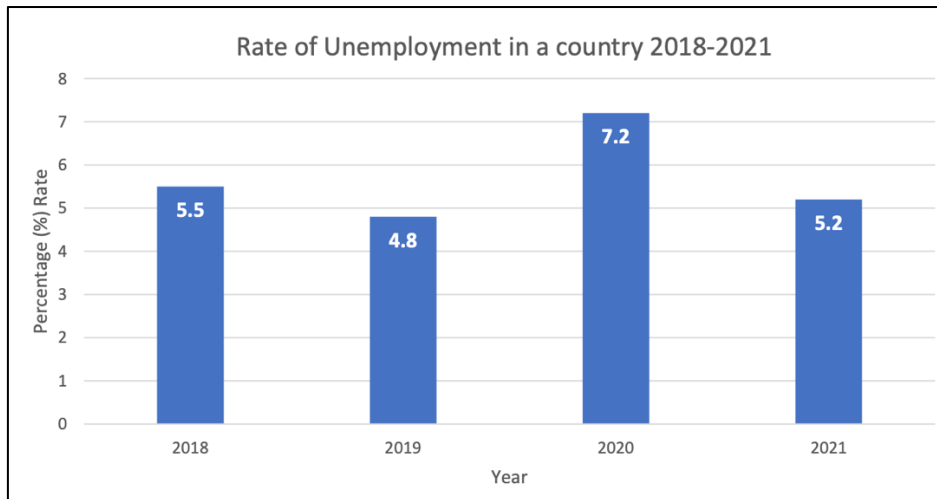
A decrease in the unemployment rate is a **good (positive) trend** for the economy.
 In 2022, unemployment fell to 4.3% from 5.7% in 2021

The lowest figure on a graph like this would indicate the closest year to **full employment** (around 4%)

An increase in the unemployment rate is a **bad (negative) trend** for the economy.
 In 2025, unemployment increased to 4.8% from 4.3% in 2024



Exam Corner – 2022 Q14



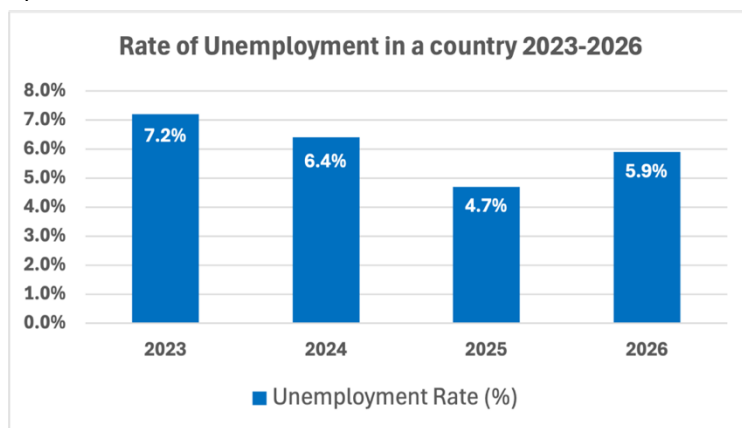
Based on the graph above indicate whether the following statements are True or False. Tick (✓) the correct box.

Statement	True	False
The unemployment rate was closest to full employment in 2019.	✓	
The unemployment rate decreased in 2020 from the previous year.		✓
There was a positive trend in the unemployment rate for 2021 when compared with the previous year.	✓	

Class Activity 35.3

Key Skill: Identify trends in employment figures

Based on the graph below choose whether the statements are True or False



- The unemployment rate was closest to full employment in 2026
- The unemployment rate decreased in 2024 from the previous year
- There was a positive trend in the unemployment rate for 2025 when compared with the previous year
- The highest rate of unemployment occurred in the country in 2025



Interest Rates

Interest rates affect how much people are likely to save and how much they are likely to borrow.

Savings: Interest is the **reward** given by banks and other financial institutions for saving money with them.

Borrowing: Interest is the financial **cost/fee** charged for borrowing money. Interest is generally expressed as a percentage, such as an annual percentage rate (APR).

The Impact Of Changing Interest Rates On Savings And Borrowings

Higher Interest Rates

Savings: Savings will increase because banks pay a higher interest on deposits.

Borrowing: Borrowing will decrease because the cost of loans and mortgages become more expensive to repay.

Lower Interest Rates

Savings: Savings will decrease because banks pay less interest on deposits. Some people may look for higher returns by moving money into riskier assets such as shares or cryptocurrencies.

Borrowing: Borrowing will increase because the cost of loans and mortgages are cheaper to repay.

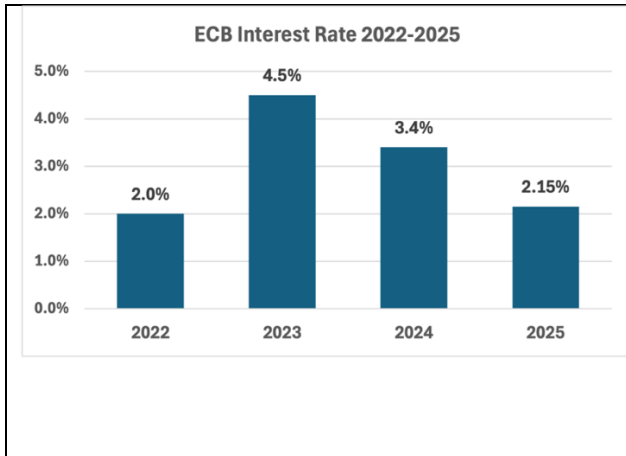
Who Sets The Interest Rate In Ireland?

The **European Central Bank (ECB)** sets and adjusts interest rates for the EU. These rates influence the interest rates used by banks and financial institutions in Ireland.

The ECB may **lower interest rates** to encourage economic growth by reducing the cost of borrowing and increase spending in the economy.

The ECB may **raise interest rates** to reduce inflation by making borrowing more expensive and slowing down spending.





The European economy experienced very high inflation in 2022. As a result, the ECB increased interest rates from 2% to 4.5%. The higher interest rates increased the cost of borrowing, which reduced spending. Lower spending reduces demand for goods and services, helping to bring inflation under control.

How do changes in interest rates impact Ireland?

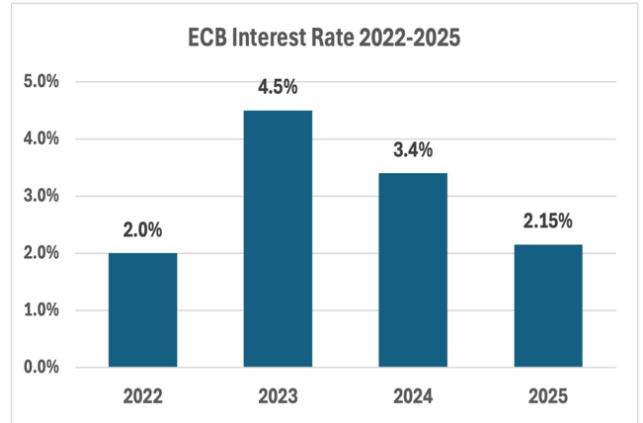
Impact	Low Interest Rates	High Interest Rates
Impact on Individuals and Households	<ul style="list-style-type: none"> Individuals with loans will have lower repayments, so they will have more disposable income to spend. Savings will earn less interest, so people may reduce their savings. 	<ul style="list-style-type: none"> Individuals who have loans will have higher repayments, so they have less disposable income to spend. Savings earn more interest, so people may increase their savings, so are better prepared for future emergencies.
Impact on Businesses	<ul style="list-style-type: none"> Businesses with loans will have lower repayments, so have more ability to expand. Money kept in savings accounts will earn less interest, so businesses receive a lower return on any savings. 	<ul style="list-style-type: none"> Businesses with loans will have higher repayments, so expansion becomes more expensive. Money kept in savings accounts will earn more interest, so businesses receive a higher return on any savings.
Impact on the Economy	<ul style="list-style-type: none"> Lower interest rates encourage borrowing, so spending in the economy will increase, increasing economic growth. 	<ul style="list-style-type: none"> Less borrowing reduces spending, which can slow economic growth in the economy.



Class Activity 35.4

Key Skill: Explain how changes in interest rates impact on savings and borrowing.

Study the graph showing ECB interest rates from 2022 to 2025.



A. State whether the following statements are **True** or **False**.

Statement	True	False
The ECB interest rate increased between 2022 and 2023		
Savings would likely increase in 2023 from 2022		
Interest rates fell between 2023 and 2024		
Interest rates in 2025 were lower than in 2022		

B. Explain how the increase in interest rates between 2022 and 2023 would affect:

(a) Savings

(b) Borrowing

Key Skill: Explain how changes in interest rates impact on individuals, businesses and the economy

C. State whether the following statements are **True** or **False**.

Statement	True	False
Higher interest rates increase repayments reducing disposable income		
Lower interest rates increase borrowing because loans are cheaper		
Higher interest rates reduce consumer spending		
Lower interest rates can increase economic growth by increasing borrowing and spending		



National Income

National income measures the total income earned by individuals and businesses in a country over a period of time.

It shows the overall level of economic activity in a country and helps us understand changes in the living standards of individuals in a country.

How is National Income measured in Ireland?

National income is measured using:

- **GDP (Gross Domestic Product)** – the total value of goods and services produced within Ireland in a given period.
- **GNP (Gross National Product)** – GDP plus income earned by Irish companies abroad, minus income earned in Ireland by foreign-owned companies in a given period.

In Ireland's case, GDP can sometimes appear very high due to the large number of multinational companies operating here. Ireland often uses a different measure called **GNI*** (Modified Gross National Income) that adjusts for the impact of multinational companies. This gives a more accurate picture of income generated within the Irish economy.

Why is measuring National Income useful?

Measuring national income every year helps us to:

- Compare Ireland's economic performance over time
- Compare Ireland with other countries
- See if there are changes in living standards.

National income is often shown **per capita** (per person), which allows fair comparisons between countries with different population sizes.

An increase in National Income is a good trend, a decrease in National Income is a bad trend.



Estimated figures are given here to compare Ireland against other European countries.

Albania had the lowest GDP per capita at approximately €24,000 per capita in 2025.



Economic Growth

Economic Growth measures the change in national income over time in a country.

Economic Growth is usually shown as a **percentage change** from one year to the next. A positive figure indicates that an economy is growing.

Why Is Measuring Economic Growth Useful?

Measuring economic growth helps us to see whether the economy is expanding (growing) or contracting (decreasing). This can be useful for the government when it is planning the National Budget. It can help them predict tax revenue to plan which departments in which it might increase expenditure.

What Is A Normal Level?

- A **positive figure**, typically between **2% and 4% per year**, is generally considered a good trend as it shows the economy is expanding steadily.
- A **lower rate than the previous year** may indicate an economy slowing down.
- A **negative figure** (a fall in national income from one year to the next) is a bad trend.
- A **negative figure for two consecutive quarters** is called a recession.

Linking Economic Growth To Other Indicators

When economic growth increases:	When economic growth decreases:
<ul style="list-style-type: none"> • Employment usually rises • National income increases • Tax revenue increases 	<ul style="list-style-type: none"> • Unemployment may increase • Government borrowing may rise • Consumer confidence may fall



How Does Economic Growth Impact Ireland?

Impact	Positive Economic Growth (Good Trend)	Negative Economic Growth / Recession (Bad Trend)
Impact on Individuals and Households	<ul style="list-style-type: none"> • More employment opportunities leading to higher incomes and improved standard of living. 	<ul style="list-style-type: none"> • Job losses or reduced hours cause lower household income and reduced spending.
Impact on Businesses	<ul style="list-style-type: none"> • Increased demand for goods and services increases investor confidence so its easier to access finance to expand. 	<ul style="list-style-type: none"> • Falling sales and profits, increasing the risk of closures or downsizing.
Impact on the Economy	<ul style="list-style-type: none"> • Higher tax revenue (PAYE,VAT) and reduced government spending on jobseekers allowance will reduce the need for increased government borrowing. 	<ul style="list-style-type: none"> • Lower tax revenue (PAYE,VAT) and increased government spending needed for extra supports like more Jobseeker's Allowance.

Workbook
Q15 -> Q16



National Debt

National Debt is the total amount of money the government owes after borrowing to cover budget deficits.

Governments need to borrow money when their planned spending is greater than their planned revenue. This means most countries have a National Debt. The government regularly pays the interest owed on the money borrowed. This is called **servicing the national debt**.

Who Manages Ireland's National Debt?

The **National Treasury Management Agency (NTMA)**. It borrows money on behalf of the government, manages repayments and ensures interest on the debt is paid on time. The government borrows this money by selling 'government bonds' (which are like IOUs) to big investors, such as banks and pension funds, all over the world.

When Would The National Debt Increase?

When the government runs a **budget deficit** (government expenditure is greater than government revenue) they may need to borrow more money.

This may happen due to:

- **Tax revenue falling**, for example during a recession.
- **Government spending rises**, such as during an economic crisis or a global health emergency like COVID-19.

When Would The National Debt Decrease?

When the government runs a **budget surplus** (government revenue is greater than government expenditure) they may be able to repay some money owed.

Impact	Falling / Low Debt (Good Trend)	Rising / High Debt (Bad Trend)
Impact on Individuals and Households	More government revenue is available to spend on public services rather than interest.	The government may have to increase taxes (eg PAYE) to pay off the debt, leaving families with less disposable income .
Impact on Businesses	Creates a more stable economy which gives businesses confidence to invest and create new jobs.	Higher debt can lead to greater economic uncertainty , making businesses less likely to expand .
Impact on the Economy	Ireland will have a better credit rating , making it cheaper and easier to borrow in the future.	A large slice of tax revenue is spent on interest on the debt , making it harder to improve budget deficits .



Chapter 35 Keyword Summary – Economic Indicators

Inflation	<ul style="list-style-type: none"> • Measures the rise in prices of goods and services over time in an economy. • Measured by the CSO using the Consumer Price Index (CPI). • It is used to calculate changes in the cost-of-living . <p><u>Causes of inflation:</u></p> <ol style="list-style-type: none"> 1. Demand-pull (high demand creates scarcity and pushes prices up) 2. Cost-push (higher costs lead firms to raise prices to maintain profits) 3. Government-induced (eg increases in VAT lead to higher prices). <p><u>Impact Of Changes In Inflation</u></p> <p>Individuals: Stable prices make it easier to plan as purchasing power remains similar; rising inflation reduces purchasing power leading to a lower standard of living.</p> <p>Businesses: Stable prices allow firms to maintain profits; rising inflation mean higher costs reducing profits or forcing price increases.</p> <p>Economy: Stable inflation supports steady growth; high inflation may lead to higher government spending on cost-of-living supports.</p>
Employment / Unemployment	<ul style="list-style-type: none"> • Employment rate: Percentage of people of working age in paid work. • Unemployment rate: Percentage of the labour force actively seeking work but unable to find it. • Around 4% unemployment = full employment in an economy • Positive trend: A fall in unemployment, or a rise in employment. • Negative trend: A rise in unemployment, or a fall in employment. <p><u>Impact Of Changes In Employment/Unemployment:</u></p> <p>Individuals: Employment provides income and improves standard of living; unemployment reduces disposable income lowering standard of living.</p> <p>Businesses: More employment increases consumer demand increasing sales; high unemployment reduces sales.</p> <p>Economy: Higher employment increases tax revenue (higher PAYE, USC); higher unemployment increases government spending on Jobseeker’s Allowance.</p>
Interest Rates	<ul style="list-style-type: none"> • The cost of borrowing or the reward for saving (expressed as a percentage %). • Higher rates: savings increase; borrowing becomes more expensive. • Lower rates: savings decrease; borrowing becomes cheaper. • Interest rates are set for Ireland by the European Central Bank (ECB).



	<p><u>Impact Of Changes In Interest Rates:</u></p> <p>Individuals: Higher rates increase loan repayments, reducing disposable income; lower rates reduce repayments increasing disposable income.</p> <p>Businesses: Higher rates make expansion more expensive; lower rates encourage investment/expansion as it is cheaper to borrow.</p> <p>Economy: Higher rates reduce spending lowering economic growth; lower rates increase borrowing and economic growth.</p>
<p>National Income</p>	<ul style="list-style-type: none"> • The total income earned in a country over a period of time. • Measured using GDP (production within Ireland) and GNP (GDP adjusted for foreign income flows). • Used to compare economic performance and living standards.
<p>Economic Growth</p>	<ul style="list-style-type: none"> • The percentage increase in national income from one period to the next. • Positive growth indicates expansion; negative growth indicates a contraction of the economy (economic activity has decreased). • Two consecutive quarters of negative economic growth is called a recession. <p><u>Impact Of Changes:</u></p> <p>Individuals: Positive economic growth increases job opportunities, raising income levels; negative growth reduces employment opportunities, lowering household income.</p> <p>Businesses: Growth increases demand and confidence, improving sales and profits; recessions reduce sales, increasing risk of closures.</p> <p>Economy: Growth increases tax revenue, reducing the need for government borrowing; recessions increase the need for government borrowing, increasing the National Debt.</p>
<p>National Debt</p>	<ul style="list-style-type: none"> • The total amount of government borrowing • Managed by the National Treasury Management Agency (NTMA). • National Debt increases when government expenditure exceeds revenue (the government need to borrow to pay for budget deficits). <p><u>Impact Of Changes:</u></p> <p>Individuals: Higher debt may lead to higher taxes reducing disposable income.</p> <p>Businesses: Rising debt can create economic uncertainty reducing business confidence and investment.</p> <p>Economy: Rising debt increases interest payments reducing funds available for public services.</p>

