

JC BUSINESS

HUB

WORKBOOK SOLUTIONS



Inflation

Q1 (i) Define inflation

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

Q1 (ii) State the official measure of inflation in Ireland

Consumer Price Index (CPI)

Q1 (iii) Explain three causes of inflation



Top Tip: 'Explain' means you need to state or write a cause and then explain how the cause leads to inflation – one word answers won't get full marks

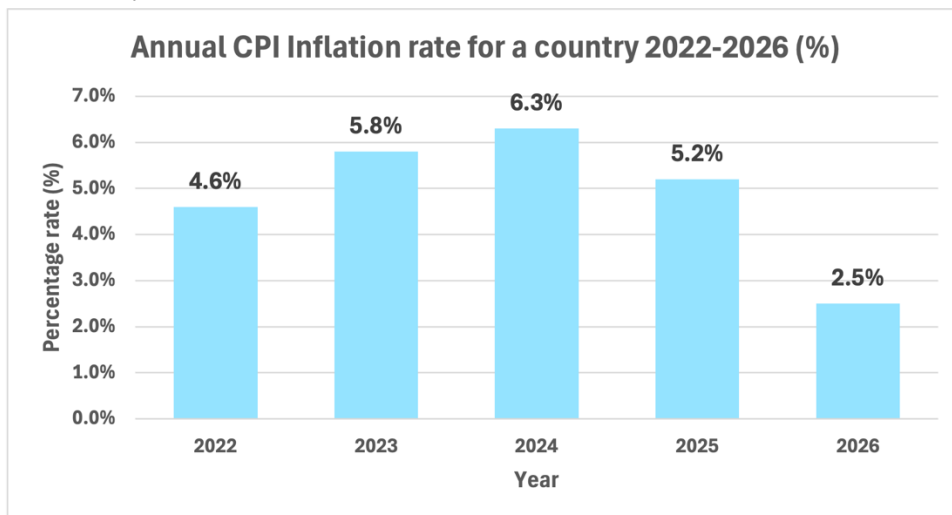
1. Demand-pull inflation – When demand exceeds supply, scarcity occurs causing prices to rise.
2. Cost-push inflation – When production costs increase, firms raise prices to maintain profit levels.
3. Government-induced inflation – When taxes such as VAT increase, businesses pass the cost onto consumers, increasing prices.

Q2 Place a ✓ in the correct column to indicate whether each statement is TRUE or FALSE

Statement	TRUE	FALSE
The European Central Bank (ECB) aims to keep inflation in the EU at approximately 2%	✓	
Inflation measures changes in wages over time in an economy.		✓
The Central Price Index (CPI) is used by the Central Statistics Office (CSO) to measure inflation in Ireland.		✓
Demand-pull inflation occurs when the cost of production increases for businesses.		✓
High inflation reduces purchasing power because goods and services become more expensive.	✓	



Q3 Give one example of each in your answer.



(a) Identify the year with the highest inflation rate

2024

(b) Using data from the graph, explain what the bar chart show about changes in the inflation rate in this country from 2025 to 2026?

Inflation decreased from 5.2% in 2025 to 2.5% in 2026, meaning the increase in price levels fell / which is a positive trend

(c) Indicate with a ✓ in a box below if the trend in the inflation rate from 2025 to 2026 is a positive or negative trend for our economy

Positive

Negative

Explain your answer

Lower inflation means the cost of living rises more slowly. This protects purchasing power, so households can afford more than they could with higher inflation.

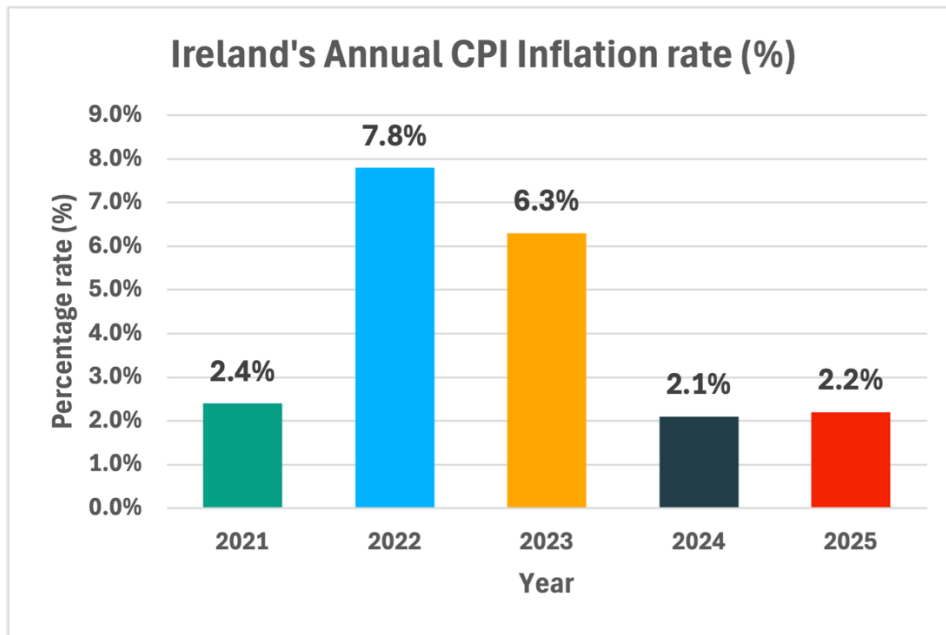
(d) The inflation rate increased from 4.6% to 5.8% from 2022 to 2023. Explain one impact a rising level of inflation can have on an individual **and** a business in your local area.

An individual: Rising inflation reduces purchasing power meaning goods become more expensive, leading to a lower standard of living.

A business in your local area: Higher costs reduce profit margins, which may force the business to increase prices or reduce their output.



Q4



(a) Based on the CPI Inflation Graph (2021–2025), state whether the following statements are True or False.

Statement	TRUE	FALSE
The highest inflation rate occurred in 2022	TRUE	
Inflation decreased between 2022 and 2023	TRUE	
The inflation rate in 2025 was the closest to the ECB target rate of 2%		FALSE
There was a positive trend in inflation between 2021 and 2022		FALSE

(b) Explain how changes in the level of consumer demand can cause inflation

1. Demand-pull inflation – When demand exceeds supply, scarcity occurs causing prices to rise.
2. Cost-push inflation – When production costs increase, firms raise prices to maintain profit levels.
3. Government-induced inflation – When taxes such as VAT increase, businesses pass the cost onto consumers, increasing prices.

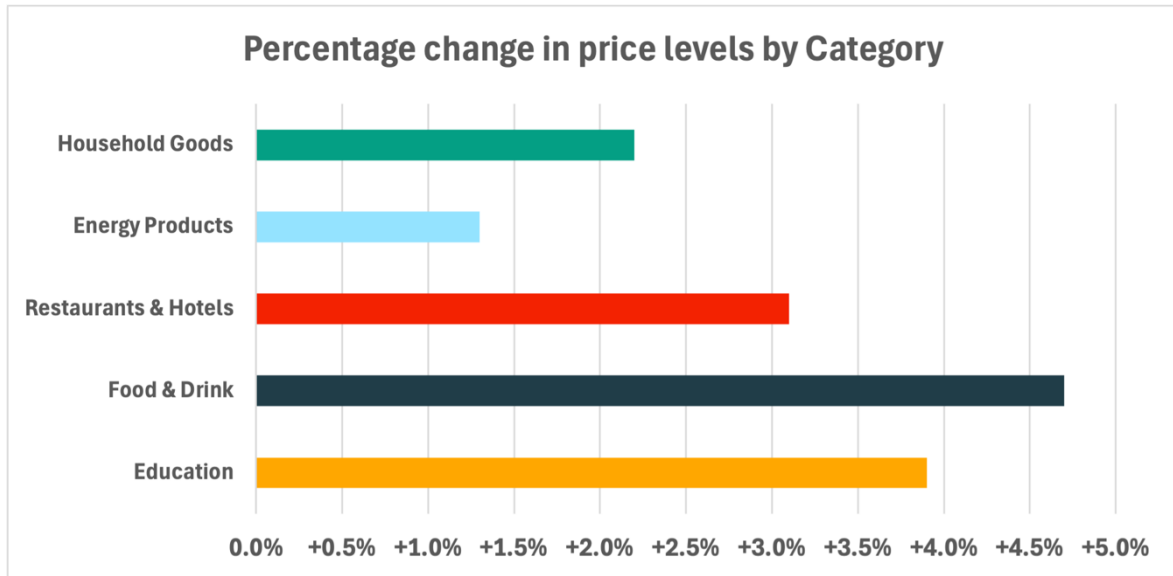
(c) The inflation rate decreased from 6.3% to 2.1% from 2023 to 2024.

Explain one impact this trend in inflation can have on an individual **and** our economy.

- An individual: Lower inflation means prices are rising more slowly, so consumers can maintain their purchasing power. This means their standard of living won't fall.
- Economy: Lower inflation means prices are rising more slowly, which supports economic stability. This reduces pressure on the government to introduce cost-of-living supports and helps steady economic growth.



Q5



(a) Identify the approximate percentage increase in price for Restaurant & Hotels.

3.1%

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

Food & Drink

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

Consumer Price Index (CPI)

(d) Explain one reason low levels of inflation (around 2%) are positive for a business.

Low and stable inflation means costs and prices remain predictable, allowing businesses to plan ahead effectively and maintain profit levels. / create more confidence in the economy leading to greater investment/spending

(e) Outline one way in which a large increase in the rate of inflation may affect our economy

High inflation increases the cost of living, which may lead to higher government spending on supports such as household supports for higher energy bills / cost of living supports.



Employment

Q6 (i) Explain what is meant by the 'unemployment rate' for an economy

The unemployment rate is the percentage of the labour force actively seeking work but unable to find employment.

(ii) State whether the following statements are True or False.

Statement	TRUE	FALSE
An unemployment rate of around 6% can be described as full employment in an economy		FALSE
A fall in unemployment is a positive trend for the economy	TRUE	
A rise in employment means fewer households are earning income		FALSE
Negative economic growth would lead to higher unemployment rates	TRUE	

(ii) Answer each of the questions below:

Explain one impact of falling unemployment on individuals.

Falling unemployment means more people are in paid work, increasing disposable income and improving standard of living.

Explain one impact of rising employment on local businesses in an area.

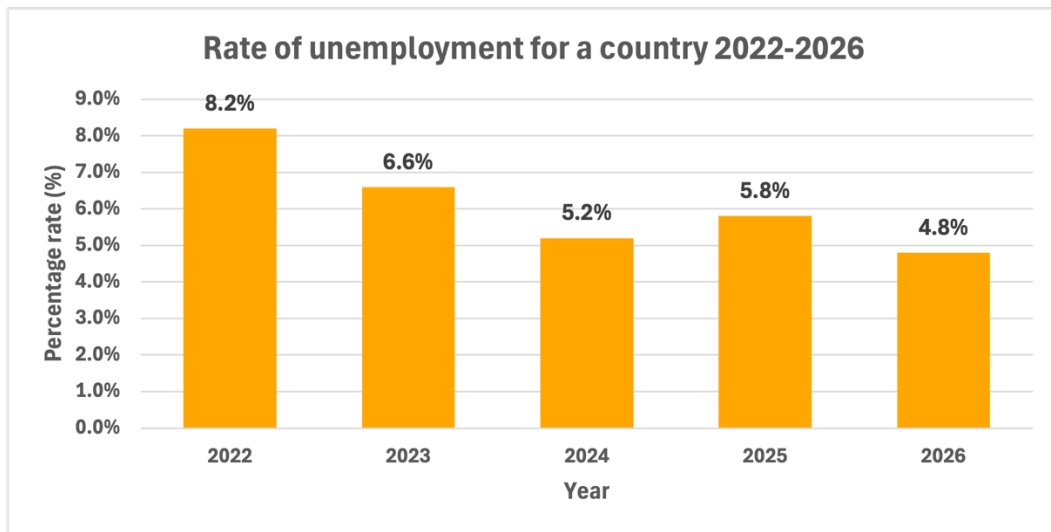
More people in employment increases consumer spending, leading to higher sales and profits for local businesses.

Explain one impact of rising employment on our economy.

Higher employment increases tax revenue such as PAYE and USC, allowing for increased capital expenditure like building roads or hospitals.



Q7



(a) Based on the graph above, state whether the following statements are True or False.

Statement	TRUE	FALSE
The unemployment rate was highest in 2026		✓
The change in unemployment in 2023 from the previous year was a bad trend		✓
The unemployment rate was closest to full employment in 2022		✓
The unemployment rate in 2026 was lower than in 2023	✓	

(b) Indicate whether the change in unemployment in 2025 from the previous year was a good or bad trend. Tick the correct box.

Good trend Bad trend

(c) Explain the impact of the trend in unemployment on:

- An individual
- The economy



Top Tip: For questions with an impact in it ALWAYS show the cause and effect -> State the change first (higher/lower X), then explain the result (causing Y)

More people lose their jobs, so they are no longer earning wages. Their disposable income falls, leading to a lower standard of living.

More people are unemployed and not earning an income, so the government must pay more Jobseeker's Allowance, increasing government spending.



Q8



(i) What does the graph show about the change in unemployment between Q4 2024 and Q4 2025? Use figures in your answer.

Employment increased from 2,776,800 in Q4 2024 to 2,833,100 in Q4 2025, an increase of 56,300 people / the numbers in employment increased by 2% from Q4 2024 to Q4 2025

Indicate whether the change in unemployment between 2024 and 2025 is a good or bad trend. Tick the correct box.

Good trend

Bad trend

(ii) Explain why an increase in employment may improve a person's standard of living.

More people are employed and earning wages. Higher income allows households to afford more goods and services, which improves their standard of living.

(iii) Explain how a rise in employment could reduce government spending

More people are employed and earning wages, so fewer people qualify for Jobseeker's Allowance. This reduces government spending on social welfare payments.

(iv) Explain how higher employment could lead to improved public services

More people are working and paying taxes such as PAYE and USC. Higher tax revenue allows the government to spend more on improving public services such as healthcare e.g. building a new hospital.



Interest Rates

Q9 (i) Explain what interest is, referring to both savings and borrowing

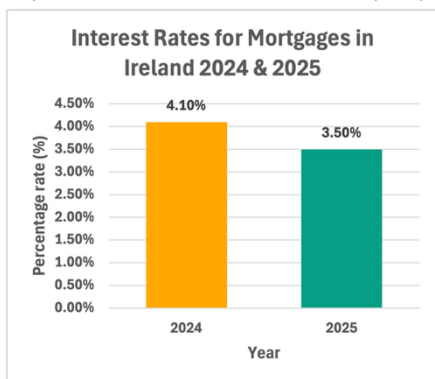
Interest is the reward a person earns for saving money. A bank pays interest to the saver based on a percentage of the amount saved.

Interest is the cost of borrowing money. The borrower pays interest on top of the amount borrowed in their repayments.

Q10 Place a ✓ to indicate whether each statement is TRUE or FALSE.

Statement	TRUE	FALSE
Higher interest rates would encourage more savings.	TRUE	
The ECB may raise interest rates to reduce inflation.	TRUE	
Lower interest rates make loan repayments more expensive.		FALSE
When interest rates fall, borrowing usually increases.	TRUE	

Q11 The graph below shows the interest rates individuals get charged on their mortgage repayments (their loan for a property).



(i) Using the graph, describe the change in average mortgage interest rates between 2024 and 2025. Use a figure in your answer.

Mortgage interest rates fell from 4.1% (2024) to 3.5% (2025).

(ii) Indicate if this is a good or bad trend

Good Bad

(iii) Explain one impact that the fall in mortgage interest rates from 2024 to 2025 may have on a household with a mortgage.

Interest rates fall, so the cost of borrowing decreases. Mortgage repayments become cheaper/lower/more affordable, which increases disposable income for households.



Q12 Interest rates are set by the European Central Bank for Ireland as we are part of the Eurozone.



(i) What is interest?

Interest is the cost of borrowing money or the reward for saving money, usually shown as a percentage.

Interest rates are often shown as an APR. What does APR stand for?

Annual Percentage Rate

(ii) Using the info graph above, outline the trend in the interest rates set by the ECB from September 2023 to March 2025.

ECB interest rates fell by 1.5% from 4% (Sept 2023) to 2.5% (March 2025).

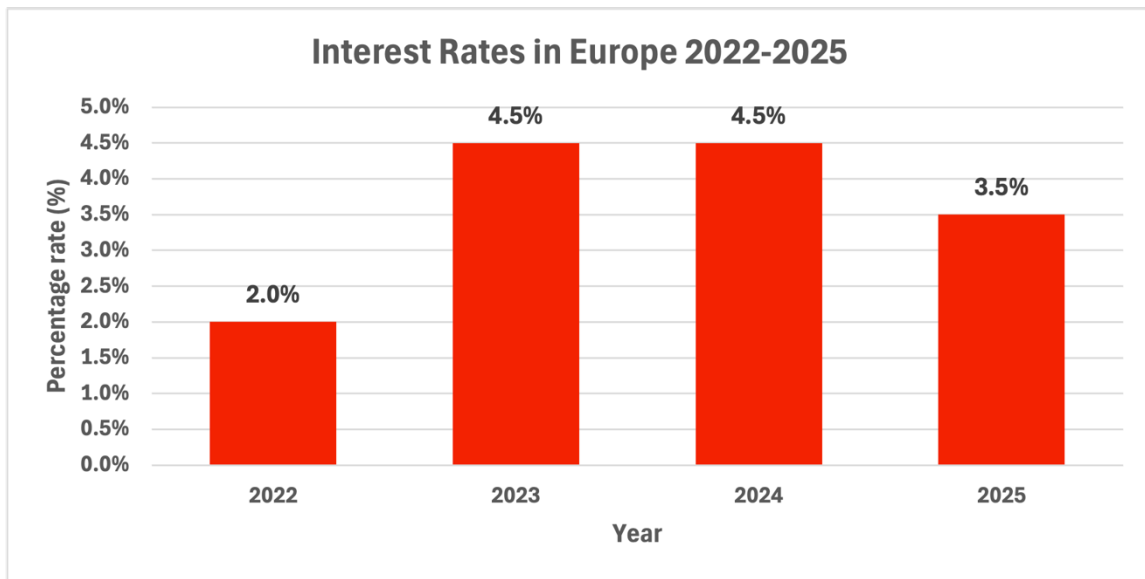
(iii) Explain one impact that lower interest rates will have on individuals and the economy

An individual: Interest rates fall, so the cost of borrowing decreases. Loan repayments become lower, which increases a person’s disposable income.

The economy: Lower interest rates encourage more borrowing which will increase spending, causing economic growth / higher government revenue in VAT.



Q13



(i) Place a ✓ to indicate whether each statement is TRUE or FALSE.

Statement	TRUE	FALSE
The lowest interest rate occurred in 2023		FALSE
Interest rates increased between 2024 and 2025		FALSE
The interest rate in 2025 was lower than in 2022		FALSE
The trend in interest rates from 2024 to 2025 encourages borrowing	TRUE	

(ii) Explain how higher interest rates affect savings

Interest rates rise, so the reward for saving increases. This encourage people to save more money.

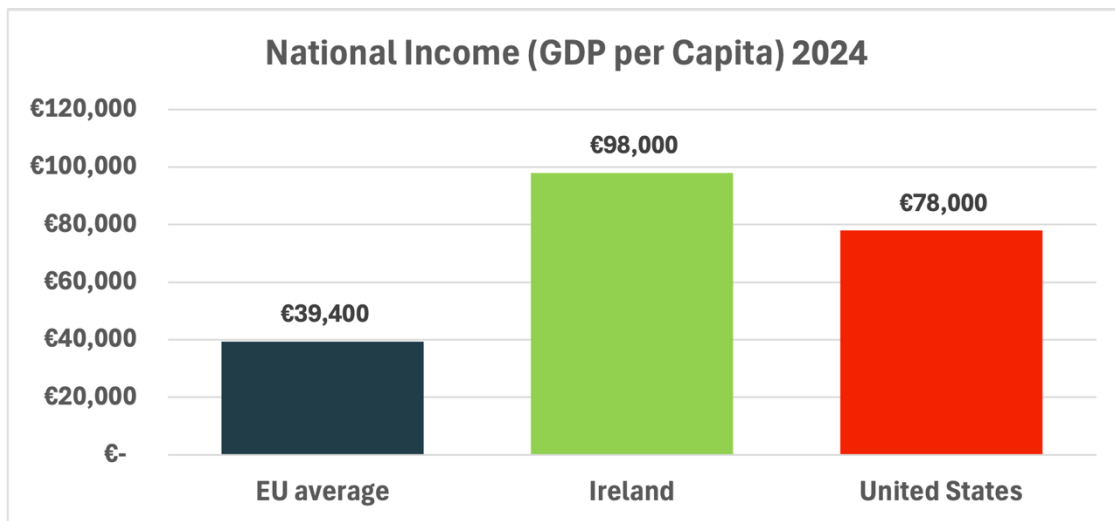
(iii) Outline how lower interest rates affect borrowing.

Lower interest rates make borrowing cheaper. Lower borrowing costs encourage people to take out more loans such as car loans or mortgages.



National Income

Q14



(i) Identify who had the highest GDP per capita in 2024.

Ireland

(ii) Explain one use for National Income statistics

National income statistics can be used to compare standards of living between countries.

Economic Growth

Q15 (i) Define the term 'economic growth'

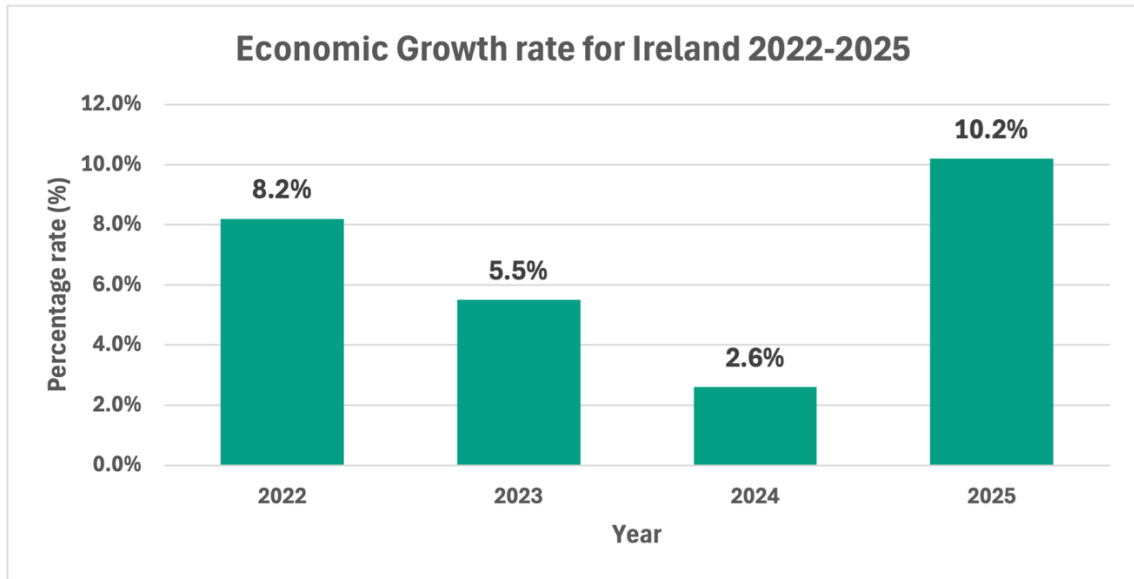
Economic growth is the percentage increase in national income from one period to the next.

(ii) Place a ✓ to indicate whether each statement is TRUE or FALSE.

Statement	TRUE	FALSE
Negative economic growth is a good trend for the economy		FALSE
A recession is two consecutive quarters of positive economic growth		FALSE
When economic growth increases, employment usually rises	TRUE	
Measuring economic growth helps the government plan the Budget	TRUE	



Q16



(i) Identify the year with the highest rate of economic growth.

2025

(ii) Indicate if the trend from the previous year for 2025 is a good or bad trend for the economy Good Bad

(iii) Using the graph, describe the change in economic growth between 2023 and 2024.

Economic growth fell from 5.5% (2023) to 2.6% (2024).

(iv) Explain one impact that an increase in economic growth may have on Irish business and on our economy

Economic growth increases consumer confidence and demand for goods and services. Higher demand increases sales and profits for Irish businesses.

Economic growth leads to higher business profits and household income. This increases government tax revenue through taxes such as PAYE and VAT.

(v) Explain one impact that a negative economic growth may have on individuals in Ireland

Economic activity falls and businesses may reduce staff. Unemployment rises, which reduces household income and lowers a person's standard of living.



National Debt

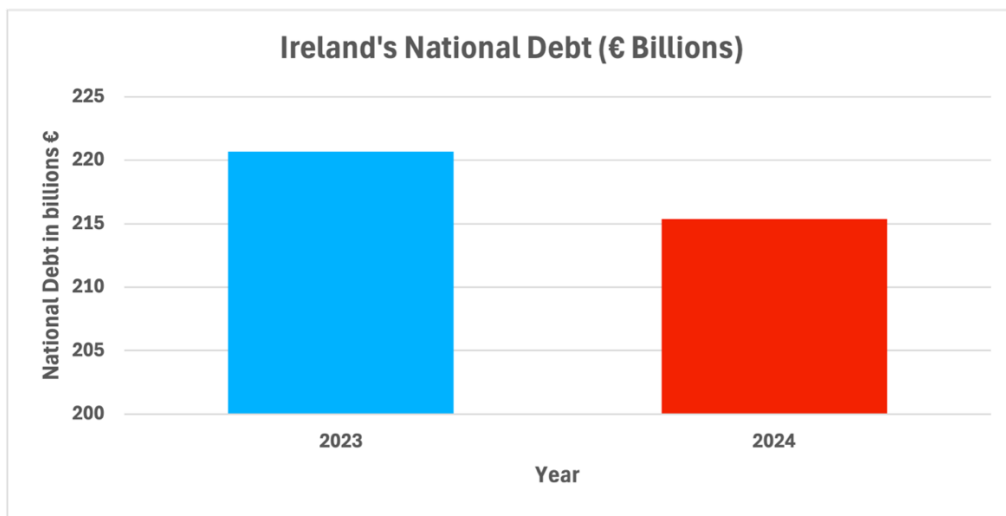
Q17 (i) Define what is meant by a country's 'national debt'.

National debt is the total amount of money the government owes due to borrowing.

(ii) Choose the correct words from the options below to complete the body who manages Ireland's national debt on behalf of the Government.

Options: **Management** **Money** **Authority** **Agency**

The (NTMA) National Treasury Management Agency.



The graph above shows Ireland's national debt in 2023 and 2024.

(iii) Identify the year with the highest level of national debt

2023

(iv) Is the trend in Ireland's National Debt shown in the graph a good or bad trend for our economy? **Good Trend** **Bad Trend**

Give a reason for your answer

It fell from close to €220bn to close to €215bn, so the total amount of money the government owes has fallen reducing the cost of interest/future repayments.

(v) Explain one impact that a fall in national debt may have on an individual.

Individual: Government borrowing falls, so the government pays less interest on its debt. This allows them to spend more money on improving public services such as healthcare e.g. building a new hospital / employing more doctors.

