6 External influences and the cycle – Part 1 —Answers

Answers

Work through these after trying the questions yourself.

6.1 Forces outside the firm (such as the economy) that affect how it works.
6.2 Boom, recession, slump, recovery.
6.3 Slump.
6.4 They rise —loans cost more.
6.5 Loans and mortgages cost more, so customers have less to spend.

6.6 Higher interest rates make borrowing and buying on credit more expensive. Customers have less spare money (loan and mortgage repayments rise) and put off big, non-essential purchases like furniture —so the firm's sales are likely to fall.