

6 Economic influences – Part 1

Name: _____ Class: _____ Date: _____

Vocabulary

Write each word three times.

English	Write it 3 times (English)
external influences	_____
interest rates	_____
inflation	_____
business cycle	_____
recession	_____

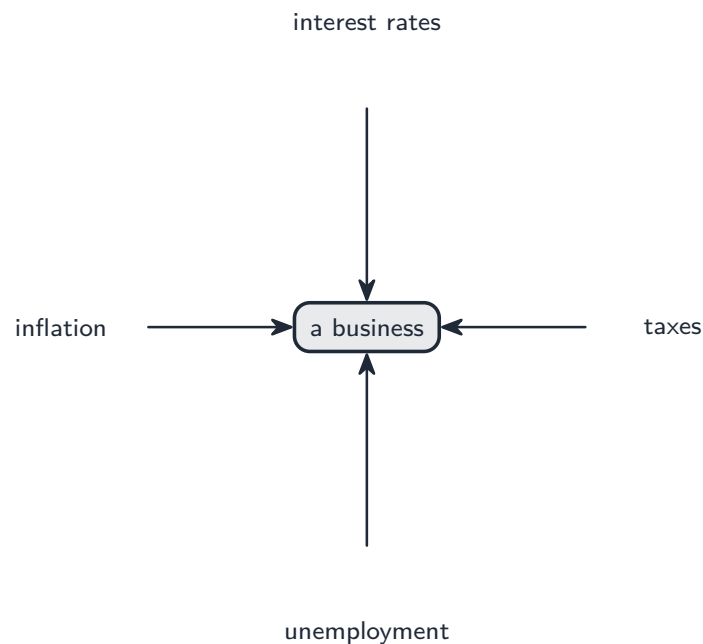
Recall

Businesses are affected by **external influences** – things outside their control, like the economy and the government.

New ideas

Read these first, then do the Practice.

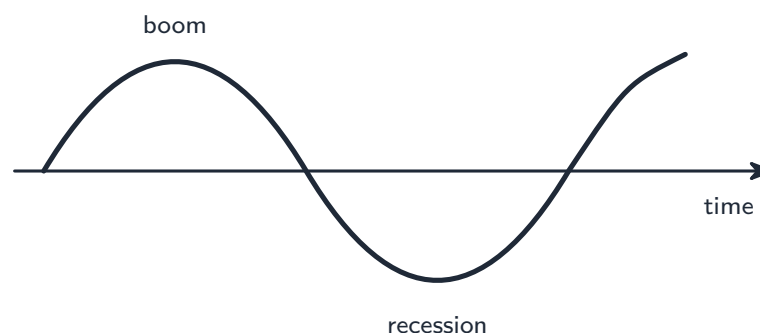
■ 1 Economic influences



- when **interest rates** rise, loans cost more, so businesses borrow and spend less;
- **inflation** (rising prices) raises a business's costs.

■ 2 The business cycle

The economy goes through ups and downs – the **business cycle** :



A **recession** is when the economy shrinks; sales usually fall.

Watch out: when **interest rates rise**, loans cost more, so businesses borrow and spend less. **Inflation** is a *general rise in prices*, which pushes up a business's costs. A **recession** is when the economy *shrinks* and sales usually fall.

Practice

Try these in order.

6.1 What is an *external influence*? [1]

6.2 What happens to the cost of a loan when interest rates rise? [1]

6.3 What is *inflation*? [1]

6.4 What is a *recession*? [1]

6.5 What usually happens to a business's sales in a recession? [1]

6.6 Challenge. Interest rates rise sharply. Explain **two** ways this could affect a business. [2]