Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

Each answer shows the steps, then the **result**.

2.1

- **saving** is the part of income that is **not spent now** (K)

2.2

- any **two** of: **income** / **interest rates** / **confidence** (K, K)

2.3

- higher interest rates make loans dearer
- **borrowing falls** (K)

3.1 B

- higher interest rates **lower borrowing** and **raise saving** (K)
- A is the opposite; C and D are false

3.2

- a higher interest rate means savers **earn more** (K)
- saving becomes more rewarding, and borrowing costs more (An)
- households save a **larger share** of their income (An)

3.3

- confidence is a key influence on household choices (K)
- if people fear losing jobs, they spend less and borrow less, and save more as a **safety buffer** (An)
- falling confidence **lowers spending** and **raises saving** (which can slow the economy) (An)