

Economic environment

[Environment](#), [Ecology](#)



Impact on business changes in the economic environment Introduction- In this report I will describe and then explain how the GAP, inflation, interest rates and employment rates are affected by the growth and recession stage of the business cycle. I will also explain how the balance of payments is and how Deco's contributes to trade surpluses/deficits. I will also be stating what the conflicting objectives are of Deco's and how they affect them as a business whilst describing, the ripple effects and providing an example of the industries it affects.

This report will also contain a description of structural adjustments and explain the business sector Deco's fits in. What the welfare considerations are and how Deco's contributes to the welfare state. GAP (Gross Domestic Product)- GAP is the value of everything the country makes in the economy. The indicator is used to measure how much is being made in the UK is known and Gross Domestic Product. Changes in the GAP indicate which stage of the business cycle the I-J economy is in. GAP is the measure of the business activity in the country as a whole for a particular quarter.

GAP would be affected by the growth of a business cycle as if businesses within the country are doing well the country will be making more growth and money to invest within the I-J spending budget without having to borrow from banks as people will have enough money to be paying their taxes, VAT etc. If the UK GAP is high in the UK within 2013, Tesco's super market will gain more profit, as businesses will be doing good and people will have more money to spend on within the super market store.

Inflation- Inflation is a rise in the general level of prices of goods and services in an economy over a period of time. Inflation is affected by the growth of a business cycle as if inflation rates are high prices of petrol etc. Inflation affects the business cycle in various ways both positive and negative.

Negative effects could be that there would be no uncertainty of the future as rates will be high, also inflation will discourage investments and saving that people will have saved up for starting up businesses.

Customers at Tests will also be hoarding out of concerns that prices will increase within the future and will want to stop spending money. Inflation affects the business cycle in a positive way as well as it ensures banks that they can adjust to real interest rates to mitigate recession and encourage investments in non-monetary capital projects. Interest rates- The interest rate is the percentage charged, or paid, for the use of money.

It is charged when the money is being borrowed, and paid when it is being loaned. This will affect the business cycle as for those who want to borrow a loan from the bank will have to pay interest on top when they will pay the bank back therefore this will affect the growth of the business cycle as people will be paying a percentage on top of what they borrowed, meaning the money coming in from their businesses will be not only used to repay the bank but an interest rate will also be taken.

This will affect Tests as a business as if they were to borrow a loan they will have to pay interest on top. Employment rates- The employment rate is an important indicator to the health of the economy. A very high positive relation exists between the variation in amount of goods and services produced in

the economy during any given time period and the variability in the employment level shortly after that time period and.

In essence, the greater the level economic production, the greater business cycle and recession stage as if there is unemployment within the I-J and the employment rates are low there will be a lot of people unemployed and people that are unemployed will have no money to spend, this means that businesses will not be generating enough money to pay their staff wages therefore, it does affect the business cycle and recession stage as, the UK recession will be in recession due to businesses not doing well.

If businesses aren't owing well neither are they able to pay bank loans or interest rates. GAP will also be low due to recession and it will effect the business cycle tremendously. Balance of payments and how Tests contributes to surpluses/deficits- The surpluses and deficit indicator is a measurement of how the I-J economy is doing with trade surpluses or trade deficits with other countries. A trade surplus is when the value of exports from the I-J is greater than the value of imports. A trade deficit means that the value of exports from the I-J is less than the value of imports.

The balance of payment s is the preference between the money coming into the country against the money going out. The balances of payments are all the financial imports and exports including those that are trade as well as investments. A negative balance of payment indicates that more money is flowing out of the country then is flowing in. Tests would contribute to trade surplus and trade deficit if they where to get some of their products from

abroad and other countries as England's primary sector of producing raw goods and farming has been finished long ago.

Farmers no longer farm and produce a lot of wheat therefore, Tests will import most of their goods from abroad this is why if a country like the I-J, has a negative balance of payments, this means that the outflow of money is greater than the inflow. For a business like USDA they are well established in the I-J, this may mean that it is harder for them to export their product to other countries. Conflicting objectives and how they affect Tests- Some of the indicators are interlinked and that positively affecting one indicator may have a negative affect on the other.

This is a challenge that the UK government face. If the government will increase the number of people within employment that are able to pay taxes, it must also be in mind that full employment can lead to inflation as more people will be in work and therefore demanding products or there are a few people to work and might ask for more wages, this is why this will affect Tests as the government will always conflict between the indicators therefore, these indicators will affect Tests in many ways this is why the business will have to tackle with these.

Ripple effects and an example of the industries it affect for Tests- The ripple effect is the notion that a single action has an effect over several different entities. When you drop a pebble in a pond, it creates a series of ripples that go out over the water to move surface plants around and disrupt the animals that may be on the water. Businesses will need to understand how the ripple

effect can affect your business and how the actions you take affect the businesses and people connected to your company.

An example of the industry that will effect Deco's are the housing industry as this industry has a big impact on the UK economy as around two-thirds of people in the UK own their own home. If there is a downturn in the prices of houses this has a knock on effect on the wider economy. If prices of houses fall, people may lose confidence in spending and therefore, this will affect demand for goods and services at Deco's as people will either save money or they will stop purchasing goods.

This is why the housing industry affects Tests. Structural adjustments and the business sector Tests fits in- Whilst looking at the economy as a whole they often refer to its structure this is the overall make-up of the many, this is divided into three sectors primary, secondary and tertiary. Tests fits under the tertiary sector as it consists of activities that relate to services, such as banking, education, communications, catering, transport and selling.

Welfare considerations and how Tests contributes to the welfare state- Employment rates greatly impacts on businesses, and during economically challenging times businesses need to cut costs and offer more services or produce more goods in order to be competitive. This is the way economic environment affects the way that businesses operate.

This is why these type of considerations will affect businesses including Tests, in order to control these issues the business must already plan out the business for the up coming years and how to resolve issues to do with the

economic changes, they can also do this by strategically planning and understand the risks of the potential risks of this to avoid it happening and affecting the business. Conclusion- I have described and then explained how the GAP, inflation, interest rates and employment rates are affected by the growth and recession stage of the business yes.

I have also explained how the balance of payments is and how Deco's contributes to trade surpluses/deficits. I have also stated what the conflicting the ripple effects and providing examples of the industries it affects. This report contains a description of structural adjustments and explains the business sector Deco's fits in. What the welfare considerations are and how Deco's contributes to the welfare state in order to tackle situations that will occur within the economic environment. Bibliography- Business a-Tech Level 3 Book 2