Starter worksheet - Chapter 3

1. **Inflation**
   The video mentions that Irish inflation is now below 2%.

What does it mean for inflation to be below 2%? How might this benefit consumers and businesses?

2. **Full Employment**
   Ireland is said to be at a point of full employment – this means that anyone looking for a job can find one.

What is a potential positive and possible negative effect of full employment on businesses in Ireland that want to expand?

3. **Economic Growth Forecast**
   The outlook for how much the economy would grow was revised down from 3.2% to 2.7% due to uncertainty in trade relationships.

Why might global trade tensions cause Irish economic growth forecasts to be lowered?

4. **Impact of US Trade**
   The video warns that changes in EU–US trade policy could affect business investment.

Give one example of how these trade tensions could influence a business's decision to invest.

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Chapter 3 Starter Worksheet – True or False?

1. Inflation is always good for businesses as it means they can sell at higher prices.	TRUE / FALSE
2. The Consumer Price Index (CPI) is based on the prices of over 600 goods and services that households typically buy.	TRUE / FALSE
3. High inflation can make Irish exports more competitive abroad.	TRUE / FALSE
4. When employment levels are high, businesses may face staff shortages and higher wage demands.	TRUE / FALSE
5. Low employment means consumers have less income to spend, reducing demand for goods and services.	TRUE / FALSE
6. Interest rates represent the cost of borrowing money expressed as a percentage.	TRUE / FALSE
7. High interest rates usually encourage businesses to borrow more to expand.	TRUE / FALSE
8. Low interest rates can lead to higher consumer spending and greater business investment.	TRUE / FALSE
9. Economic growth always guarantees that businesses will expand.	TRUE / FALSE
10. A weaker euro makes Irish exports more competitive in foreign markets.	TRUE / FALSE
11. Consumer confidence measures how optimistic or pessimistic people feel about their finances and the wider economy.	TRUE / FALSE
12. When consumer confidence is low, businesses are more likely to expand and invest.	TRUE / FALSE

Answer Key with Corrections and Prompts

1. False - Prompt: Why might inflation hurt a business?
Correction: High inflation increases input costs and reduces competitiveness.

2. True - Prompt: What is the role of weighting in the CPI?
Correction: Items are weighted by how much of household income is spent on them.

3. False - Prompt: What happens to Irish exports if inflation is higher here than abroad?
Correction: Irish exports become less competitive as they are more expensive.

4. True - Prompt: Can you think of an Irish sector where shortages are common?
Correction: Sectors like ICT, hospitality, and healthcare often face shortages.

5. True - Prompt: How does unemployment affect consumer demand?
Correction: With fewer people earning wages, spending falls and demand weakens.

6. True - Prompt: Who sets interest rates for the euro area?
Correction: The European Central Bank (ECB).

7. False - Prompt: Why do high interest rates discourage borrowing?
Correction: High rates increase loan repayments, making expansion less likely.

8. True - Prompt: Can you give an example of how low rates affect consumer spending?
Correction: Cheaper mortgages/free cash boost demand for goods like cars or furniture.

9. False - Prompt: What's the difference between growth and development?
Correction: Growth measures output; development includes living standards and quality of life.

10. True - Prompt: Why would a weaker euro help exporters?
Correction: Irish goods become cheaper in foreign markets, boosting competitiveness.

11. True - Prompt: What is one factor measured in Ireland's Consumer Sentiment Index?
Correction: Household finances, job security, or spending intentions.

12. False - Prompt: Why would low consumer confidence reduce investment?
Correction: When confidence is low, consumers spend less and businesses delay expansion.