

Changes in the Economy

If you had a wish list for the future of our country, it would probably include:

- ✓ Jobs for everyone
- ✓ Nobody worrying about money
- ✓ Houses for everyone Lots of factories making things we like to buy
- ✓ Lots of shops to buy things in.

There are times when some - or even all - of the above will be true.

However, the reality is that times change and we go through periods when there are fewer jobs and fewer factories making the things we like. We call a time like this an 'economic downturn'.



Case Study

Ailsa Forrester owns and runs a small factory in the Scottish Highlands. Ailsa's factory makes organic bath products, made only from natural ingredients, such as rose petals and strawberries.



Ailsa opened her factory in 1998, having previously made her products in the garage of her home. Her business expanded and she was able to rent a unit in an industrial estate. By 2006, Ailsa employed 26 people, most in the production process, but some in administration and marketing.

2006 was the year that Ailsa started the online version of her business enterprise. Prior to 2006, Ailsa only sold her products through gift shops throughout Scotland. Ailsa continued to sell her products in this way but also found she had a growing market from foreign customers, mostly in the USA, France and Germany.



By 2008, Ailsa had reduced her workforce by almost 20%. She fears that she will have to let even more of her loyal workforce go.



Lots of factors contributed to the change in Ailsa's business success. A product like hers is likely to be a luxury and when people have less money to spend, products such as organic bubble bath will not be in such high demand.



Ailsa also sells online and many of her customers come from the USA, France and Germany. These countries are also experiencing an economic downturn so again there will be less demand for Ailsa's organic bath products.

TASK 1

Look at the following points Ailsa has identified as possible reasons for the fall in demand for her products.

- ❖ Supplier of ingredients are giving less time to pay for supplies
- ❖ There is less demand from the USA, France and Germany because the British Pound is weak against the US dollar and the Euro
- ❖ Unemployment is rising in Scotland

Do you agree or disagree with Ailsa, give your reasons why.

TASK 2

Some of Ailsa's workers have lost their jobs. Look at the following businesses which have been affected because of Ailsa's workers becoming unemployed. Write down why each business has been affected.

- ❖ Thomson Holidays
- ❖ First Bus
- ❖ Hannah Quinn, Registered Child Minder

TASK 3

Make a list of FIVE luxury products for which there is likely to be less demand during an economic downturn.

TASK 4

At present Ailsa only produces bath products, but she could start making other products using similar ingredients. List THREE additional products Ailsa could consider making.

DID YOU KNOW

If the British pound is weak against the Euro, we are inclined to see this as bad news - but there are positive points. For example, if euro zone countries, such as France and Germany, can get more pounds for their euro, it means British products are less expensive for them to buy. This will encourage these countries to buy British products.

TASK 5

List FIVE British made products that are sold in Europe.