

A

Finance and economics

Finance is:

- money provided or lent for a particular purpose.
- the management of money by countries, organizations or people.
- the study of money management.

A company with money problems has **financial problems**.

High finance involves very large amounts of money used by governments and large companies. A person's or organization's **finances** are the money they have and how it is managed, etc. The related adjective is **financial**.

Economics is:

- the study of the way in which money works and how it is used.
- calculations of whether a particular business activity will be profitable or not. A profitable activity is **economic** and an unprofitable one is **uneconomic**.

A government with money problems has **economic problems**.

Do not confuse 'economic' with **economical**. If something is economical, it is cheap to buy, to use or to do. If not, it is **uneconomical**.

Economic indicators (see below) are figures relating to how well a country's **economy** – system of money, production, etc. – is working.

Note

You don't say 'I'm studying **economy**' but 'I'm studying **economics**'.

B

Inflation and unemployment

Inflation is rising prices, and the rate at which they are rising is the **inflation rate**. The related adjective is **inflationary**.

The **unemployed** are people without jobs in a particular area, country, etc. The level of **unemployment** is the number of people without a job. Unemployed people are **out of work**, and are also referred to as **jobless** (adjective) or **the jobless**, especially by journalists. When there are not enough people available to work, there are **labour shortages**.

C

Trade

The **balance of payments** is the difference between the money coming into and going out of a country. The **trade balance** is the difference between payments for **imports** – goods and services from abroad – and payments for **exports** – products and services sold abroad. When a country exports more than it imports, it has a **trade surplus**. When the opposite is the case, it has a **trade deficit**. The amount of this surplus or deficit is the **trade gap**. If the trade gap gets bigger, it **widens**; if it gets smaller, it **narrows**.

Note

Nouns: **export, import**
Verbs: **export, import**

D

Growth and GDP

Economic output is the value of goods and services produced in a country or area.

Gross domestic product or **GDP** is the value of all the goods and services produced in a particular country. **GDP per capita** is the total output of a particular country divided by the number of people living there.

The size of an economy is also sometimes measured in terms of **gross national product** or **GNP**. This also includes payments from abroad, for example from investments.

Growth is when output in the economy increases. The **growth rate** is the speed at which a country's economy **grows** and gets bigger.

Exercises

38.1 Read the definitions (1–9) and write words from A opposite. The first one has been done as an example.

- 1 A country's system of money, work, etc.: *economy*.....
- 2 The study of this subject in schools, universities, etc.:
- 3 Adjective used to talk about profitable activities:
- 4 The opposite of 3:
- 5 Adjective meaning 'cheap':
- 6 The opposite of 5:
- 7 How money is used, and the study of this:
- 8 An organization's money and how it is managed: its
- 9 Adjective related to 8:

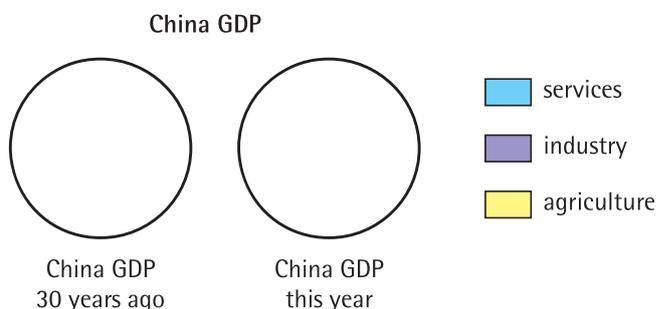
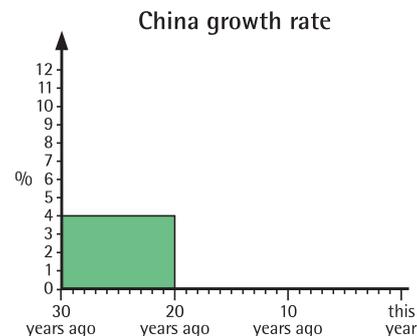
38.2 An economics reporter is talking about the economic situation in China. Complete what she says with expressions from B, C and D opposite.

'China's economic indicators show that growth is likely to continue at its current level, with a **(1)** of about 4 per cent per year over the next few years. Unemployment is not a problem, with very few people **(2)** In fact, there are **(3)**, for example in agriculture. As far as the **(4)** is concerned, China **(5)** more than it imports, but the **(6)** will narrow as the cost of its manufactured goods increases. China will continue to import more services than it exports, so the **(7)** in this area will continue to **(8)** ..?'

38.3 Look at D opposite and complete the bar graph and the pie charts using the information.

The growth rate in China for the first ten years remained stable at around 4 per cent per year. After that the economy took off and a period of very fast growth followed, with 10 per cent growth per year, dipping to 8 per cent nine years later. Growth then picked up – at 10 per cent per year for the following nine years, but reaching 12 per cent this year.

Thirty years ago, 75 per cent of GDP in China came from agriculture, 20 per cent from industry and 5 per cent from services. At that time, GDP was US\$1,000 per person in today's terms. Today, GDP per person is US\$5,500, 45 per cent coming from industry, 45 per cent from agriculture and 10 per cent from services.



Over to you

- What is the difference between a trade surplus and a trade deficit?
- What is the inflation rate at the moment in your country? Is it rising or falling?
- Which three countries currently have the highest GDP?

A

Going up

Journalists in particular use these verbs to describe amounts or figures that are going up.

- | | | |
|---|------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| 1 | BT SHARES <u>ADVANCE</u> IN ACTIVE TRADING | Shares in BT increased in value, and a lot of them were bought and sold. |
| 2 | TRADE SURPLUS <u>JUMPS</u> TO RECORD LEVEL | The value of exports over imports is higher than ever. |
| 3 | FUEL PRICES SET TO <u>SKYROCKET</u> | Prices for fuel are going to rise by a large amount. |
| 4 | UNEMPLOYMENT <u>LEAPS</u> TO TEN-YEAR HIGH | The number of people without work is now higher than it has been for ten years. |
| 5 | GOOGLE <u>SOARS</u> AS INTERNET GROWTH CONTINUES | Shares in Google have increased greatly in value due to continued growth in internet use. |
| 6 | VW PROFITS UP AS CAR SALES CONTINUE TO <u>SURGE</u> | Profits in VW have increased thanks to rapidly rising car sales. |

B

Going down

The verbs here are used to talk about amounts, figures, etc. that are going down.

- | | | |
|----|----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| 7 | 1,000 JOBS <u>AXED</u> AS DEFENCE PLANT CLOSES | A defence company has told 1,000 factory employees that they are to lose their jobs. |
| 8 | EUROPEAN CENTRAL BANK <u>CUTS</u> RATE IN SURPRISE MOVE | The ECB has reduced interest rates when this was not expected. |
| 9 | SIEMENS <u>EASES</u> ON PROFITS WARNING | Siemens' share price has gone down slightly after they said that profits would be lower than expected. |
| 10 | SEPTEMBER RETAIL SALES <u>PLUMMET</u> | Sales in shops have fallen a long way in September. |
| 11 | GOVERNMENT <u>SLASHES</u> INCOME TAX TO TEN PER CENT | The government has reduced income tax by a large amount to 10 per cent. |
| 12 | EURO <u>DIVES</u> TO NEW LOWS | The euro is worth less in relation to other currencies than it has ever been. |

C

Peaks and troughs

If a series of figures rises to a level and then stops rising, it **levels off** or **levels out** and remains **steady** or **stable**, perhaps before going down again. If it reaches a **peak** – its highest level – and then goes down, it **peaks at** that level. If it reaches a **trough** – its lowest level – and then **bottoms out**, it stops falling.

D

Boom and bust

Demand is the amount of goods and services that people want in a particular period. A **boom** is when there is rising demand, fast economic growth, falling unemployment, etc.

Stagnation is when the economy is growing slowly, or not at all. **Stagflation** is when there is slow growth, but prices are increasing fast.

A **recession** is a period when there is **negative growth** – a period when the economy is getting smaller because it is producing less. A **slump** is a very bad recession. A **depression** is a very bad slump. **Boom and bust** is a period of growth and rising company profits followed by one with falling growth and losses. (See also **go bust** – Unit 33.)