

Candidate 1 evidence (example 4)

I recommend the UK firms should look at increasing wages proportionally to increases in inflation, in order to keep living standards in check. My evidence shows that there has been an 2.2% decrease in disposable income this year. While it may be cheaper for the government to not increase wages in the short term, the long-term impacts of this are higher unemployment due to less incentive to work.

I conclude that inflation has had an overall negative effect on firms, as my evidence found that it has a negative effect on retail sales, leading to a lower revenue for these firms, as well as an increase in costs due to the increase in price of raw materials needed to make the goods. This has had a massive

impact on small businesses who need a minimum income to pay for fixed costs.

I recommend that firms decrease spending from their budgets in order to ensure that their costs remain low. My evidence shows that retail sales dropped 5.7% in the 3 months leading up to January 2023, this shows how firms have to act in order to not go bust, and by cutting spending they will be able to reduce their costs and maintain their revenue.

I conclude that inflation has had an overall negative effect on the on the government as my evidence found that it has a negative effect on Government borrowing, leading to an increase in Government debt, as well as leading to the government to have to make more decisions about spending and a greater opportunity cost. This has had massive impacts on the Government debt and has led to uncertainty about the future of many welfare states in their current form.