

# Analysis and evaluation

## Candidate 1 evidence - excerpt

**Purpose: to examine the impact of inflation on individuals, firms and the government**

According to an article published by the Guardian, 'like many other unions, the NEU is striking over pay'. This supports the theory that during periods of high inflation, workers will demand pay rises that match the levels of inflation. Teacher's striking will affect schools, to the extent that the schools will have to close on the strike day. This causes maximum disruption to education, due to the government not agreeing to a pay rise.

According to an article published by Currency Transfer on 25.05.22, 'The UK is facing economic challenges. This is causing the competitiveness of Sterling to lower in comparison to other major currencies'. This confirms that exports can become less competitive, which means there is a decrease in sales to foreign customers. Therefore, there will be a deficit in the Balance of Payments, or even less output will be produced. This can result in increased unemployment and resources not being used efficiently. Unemployment will result in a lower standard of living for those affected.

According to a BBC article, called 'Inflation: Who is hardest hit?', 'Anyone on a fixed income or trying to live off the income from savings is suffering from the effects of inflation'. This supports the theory that those on fixed incomes are the worst affected by inflation. This is a result of an increase in costs, without an increase in income. Therefore, the spending power of those on fixed incomes is greatly depleted, especially during times of high inflation.

According to a New York Times article, written on the 1 August 2022, after Russia's invasion of Ukraine, the price of wheat jumped from around \$9 per bushel, to \$13 per bushel, an example of demand-pull inflation (high demand, faced with a shortage of supply). This backs up the theory that a shortage in supply causes demand-pull inflation, which can increase the cost of production for firms. Therefore, firms must choose to either protect their profit margins and increase the selling price of goods/ services, or they are faced with selling goods/services at a loss.

## Candidate 2 evidence - excerpt

**Purpose: to examine the effects of increased energy prices on individuals, firms and the government**

An article published (Source 3) by Press and Journal in February 2022 states that oil company Shell profits have “ increased by nearly fourteen- fold” due to the rising prices of oil and gas. This shows us that energy and oil companies profits such as Shell were increasing which would then mean Shell would have more dividends for shareholders which could influence future growth and stability meaning Shell’s stock price will rise, this then attracts more investors. This could possibly mean a wage increase for Shell employees meaning staff will have extra disposable income to spend in the economy as well as increased productivity.

Although oil prices were rising individuals were still purchasing as it’s a necessity, this meant that although prices were rising individuals had no choice but to pay. This is seen in (Source 4) as it states that the government would give a £400 discount to energy bills. Which shows that the government needed to get involved in this situation as many individuals and households were in risk of poverty which was why the government gave this discount to everyone. This would mean the government’s finances would decrease meaning the government cannot invest and spend in other aspects such as the NHS or building new schools.

An article (Source 8) published by BBC discussed the UK possibly going a different route with energy supply. Ofgem, The office of gas and electricity markets, approved a new voltage subsea cables to deliver electricity from wind farms and is said to alleviate the UK energy crisis. For individuals this could mean that there may be new job opportunities, meaning more people will be in employment which is one of the government's goals. Not only would this benefit individuals with jobs but this should also try and keep the energy crisis in stable condition additionally this would help firms in this industry as they are building more of these which would bring in profits. The government would also be benefited from this as they wouldn't have to be so reliant on other countries for their supply of energy. Additionally, as more jobs are produced from this it can benefit the economy. This would mean the UK has an increased supply of energy which reduces other costs meaning the country will obtain more finance as costs of energy are not spent elsewhere.