



What is Economic Growth?

- Economic growth occurs when:

An economy produces more products or services in a year than it did in the previous year

- This means that **output** is increasing
- Output is measured by **Gross Domestic Product (GDP)**





Factors That Affect Economic Growth

MORE LAND

Increases in natural resources usually allow more to be produced

MORE LABOUR

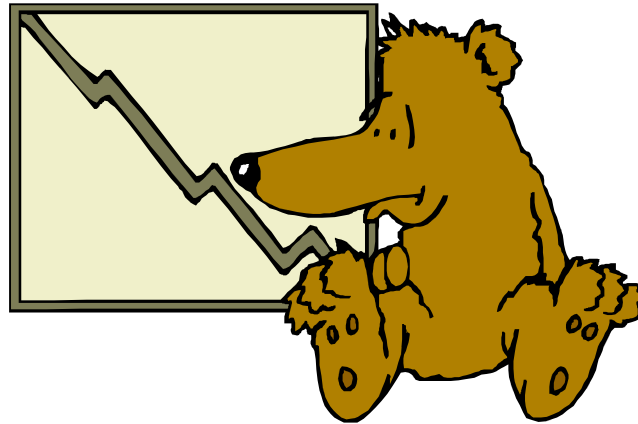
More workers will help increase production

GOVT POLICY

Governments can influence consumer spending through taxation and interest rates

INVESTMENT

The latest equipment and technology will allow firms to be more efficient, and produce more



COMPETITIVE ADVANTAGE

If countries specialise in one area they may be able to produce more



Why is Economic Growth Important?

- Economic growth means firms are producing more
- Firms will only produce more if they think they can sell it
- As such:
 - Economic growth means that firms expect demand to increase
 - A fall in economic growth means that firms expect demand to fall





Economic Growth and Businesses

- Most firms benefit if the economy is growing because they experience:
 - Increased sales
 - Opportunities to expand
 - Increased security
- As such governments will want to achieve economic growth

BUT

- If the economy grows too quickly, spending increases faster than production
- This means **demand** increases faster than **supply**
- This will result in increased prices - or **inflation!**