Candidate 3

9a. Interest rates are currently at 4.5%, with the latest cut being in November 2024. Further cuts would not be favoured by savers as they will generate a lower rate of return. However a lowered interest rate would likely increase borrowing by individuals which increases aggregate demand and therefore increasing consumer spending. Increased spending has positive effects on the economy and will ultimately lead to a positive multiplier effect. Further cuts to interest rates will be beneficial to those on variable rate mortgages as they will see a reduction in their mortgage payments. A lowered interest rate may encourage firms

borrow and increase investment. Investments may be put towards new machinery or technology which would increase productivity leading to greater output and therefore increased economic growth.
Cuts to interest rates will however reduce the value of Sterling meaning UK consumers find foreign goods more expensive. This is positive as it reduces imports. A reduced value of Sterling also means foreign consumers find UK goods cheaper which will lead to increased exports. Therefore the balance of payments position improves as the trade deficit moves towards a surplus. However the reduced value of Sterling

would make holidays abroad more expensive for UK citizens as ~~the~~ Sterling will buy less of foreign currencies.

9b.	In Labours 2024 Autum Budget they announced their project to build 1.5 million new homes. This is a large project that will require a lot of workers. Therefore new jobs in construction ~~will~~ are created, reducing UK unemployment which is currently at 4.3%. Reduced

unemployment reduces the unemployment benefits expense for the government. More people in work means more incomes are being earned which raises tax revenue. With additional tax revenue and reduced unemployment benefits public finances are improved. There will also be increased disposable incomes so aggregate demand increases and therefore consumer spending also. Increased consumer spending will lead to a positive multiplier effect. However the sudden increase in demand for labour and materials could be inflationary. This would have negative impacts on other sectors of the economy not involved in the construction industry as it would increase the cost of production for firms who require similar materials. If wages were to rise cost of production would increase and firms would look to increase prices to maintain their profit margins. This would reduce their international competitiveness and so foreign consumers buy less UK goods leading to a reduction in exports. However the house building programme once complete would increase the supply of houses. This, in theory, should reduce house prices as a whole across the UK. This then makes buying a house more affordable, especially for first time buyers.

9c. A declining oil and gas industry will lead to many job losses in oil and gas companies. This will increase UK unemployment and regional unemployment particularly in areas such as Aberdeen and Grangemouth. Increased unemployment will increase the unemployment benefits expense for the government. The UK government will also recieve significantly less in tax receipts due to corporation tax revenue getting lower as the oil and gas industry declines until its officially been abolished. The government will also recieve less income tax revenue as more individuals loose their jobs. Less tax revenue means the budget deficit will increase. The decline of the oil and gas industry come with the burden of the large decomissioning cost. Billions is estimated to be required to fully decomission the oil and gas industry in the North sea which creates an opportunity cost of other areas of public spending such as on schooling. Also ~~if renewab~~ since the UK will be increasingly reliant on ~~renew~~ renewables for energy, if they don't keep up with our energy demands we will have to import more ~~energy energy~~ oil and gas as we won't be producing enough in the North Sea. Increased

imports will increase the
trade deficit.