

Scaffold for Describing Impacts of Different Flows on Economic Activity in the 5 Sector CFoY

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Flow	Type of Flow	Impact on Economic Activity	Expansion/ Contraction of the Economy	Example
Savings(S)	Leakage	Decrease	Contraction	Deposit in Bank
Taxation(T)	Leakage	Decrease	Contraction	Paying PAYE tax
Imports(M)	Leakage	Decrease	Contraction	Overseas holiday
Investment(I)	Injection	Increase	Expansion	Farm buying a new Tractor
Government Spending(G)	Injection	Increase	Expansion	Transfer payments
Exports(X)	Injection	Increase	Expansion	Selling 2 tonnes beef to China

Task:

Describe the impact on the economy of 2 examples of the flows within the 5 sector CFoY

Scaffold:

1. State the example	
2. State the flow	
3. State injection/leakage	
4. State impact on Economic Activity	
5. State impact on Expansion/Contraction of the economy	

Model Answer

Household's travelling overseas for a holiday is considered an import flow and as such, a leakage in the CFoY. A leakage in the CFoY will cause a decrease in economic activity as money is removed from the CFoY, and therefore, will cause the economy to contract as a result.

Your Turn...

Describe the impact on the economy of 2 examples of the flows within the 5 sector CFoY (4 marks)

The first example is:
The second example is: