

Describe the influence of two contrasting economic environments on business activities within a selected organisation (P5) and Compare the challenges to selected business activities within a selected organisation, in two different economic environments (M2)

In this task I will be looking at two contracting economic environments on business activities within a selected business, the business which I will be looking into is Ipeco, which is engaged in the design, development, manufacture and test of niche products for the aerospace and defense industries. Ipeco main headquarters is based in England (Southend-On-Sea) and they also have businesses in the United States of America.

The economic environment is the totality of economic factors, such as employment, income, inflation, interest rates, productivity, and wealth, that influence the buying behavior of consumers and institutions. The economic environment is forever changing and sometimes this can be for good or bad. Stability in the economy is forever changing again for good and bad and it all depends on if we have changed our buying habits, if we spend more we will have a strong and stable economy and it's the opposite for a bad and unstable economy, if people spend less and save more the economy will begin to full because the money is not being spent.

Economic growth is the opposite to recession, economic growth is the period of time in where more goods and are being produced by producers and consumers, and incomes are rising. Recession is when there is a decrease in growth and this can be because of two reasons, the first is that the consumer is cutting back on the amount on which they are spending (they may be saving more instead of spending) and this will lead to the manufactures to cut back on how much they order from suppliers and then this will result in cut backs and this will then lead to business making people redundant because they cannot afford to hire them.

Inflation is the rise of the price of goods in the whole economy, this can be for reasons such as the overall price for materials have risen and also the wages for employees making on the item or delivering a service have risen, inflation can have bad effects on a business because they will have to make the choice do they keep the price the same and see the profits decrease or raise prices but then this could mean that you will lose out to competitors. Availability and cost of credit (borrowing money) is the rate of interest, when the interest rate rises this can affect the business badly because this means that the business will have to pay additional costs and if the business is not good financially then this may put them in the breaking point and they will go bankrupt.

Labour is skilled workers that are required to carry out certain jobs and do certain things within the business, Labour costs are about 70% of the business overall costs, Labour is very important for a business because these are the people which are making the business money so they are like an investment the business is giving them money and in return they are making you money. The Government has the responsibility for managing the economy and they do this a number of ways such as ensuring there is stability and growth, inflation is low, there is credit available and low interest rate and also the business has access to suitable supplies of Labour. The government keeps the economy strong and stable by taxation and spending, the government's two main policies are the monetary policy which is policies related to money available in the economy and fiscal policies are the policies involving changes in government spending and government taxation.

Demand is the term which is used to describe the quantity of goods and services that consumer will buy at a particular price; the consumers will buy more products when they are cheaper than when they are expensive, there are different influences that demand includes, such as the following:

- Affordability