

- Changes in Monetary Policy – *if interest rates fall, the cost of borrowing and the incentive to save will fall, encouraging consumption and investment.*
- Changes in Fiscal Policy – *income tax affects disposable income.*
- Economic events in the world economy – *a depreciation in a currency makes imports dearer and exports cheaper and will result should be that UK aggregate demand rises. An increase in overseas incomes raises demand for exports. In contrast, a recession in a major export market will lead to a fall in exports and a left shift of aggregate demand.*
- Changes in household wealth – *changing share and property prices affect the level of wealth, whilst declining asset prices can hit confidence and reduce expectations.*
- Changes in the supply of credit – *the availability of credit is vital for the smooth functioning of most modern economies. Many banks and other lenders are now more reluctant to lend, and interest rates on different loans have become more expensive.*

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