The Macroeconomic Conditions in Britain, France and Canada

Terms of Reference

This report will (a) Compare the macroeconomic conditions in the UK, France and Canada over the period 2000 -2003; (b) Display the main macroeconomic problems in each country; (c) Discuss what the government can do to address these problems and how they might affect our firm.

Major Macroeconomic Indicators

Macroeconomic indicators in Britain, France and Canada
2000-2003

		1* GDP % real growth per year	2* Recorded unemployment %	3 Consumer Prices % change per annum
UK				
	2000	3.78	5.39	0.8
	2001	2.13	5.03	1.22
	2002	1.69	5.11	1.27
	2003	2.3	5.1	1.36
France				
	2000	4.22	9.46	1.69
	2001	2.08	8.68	1.63
	2002	1.21	9.03	1.92
	2003	0.17	9.54	2.11
Canada				
	2000	5.26	6.83	2.73
	2001	1.92	7.21	2.53
	2002	3.28	7.65	2.25
	2003	1.71	7.63	2.8

*source of data: www.economist.com

The table above displays the major macroeconomic indicators for Britain, France and Canada over the years 2000-2003. The figures in column one represent the annual growth in real GDP over the time period for each country. GDP is short for gross domestic product. It is the annual output of which a country produces and real GDP is GDP after allowing for inflation, it calculates GDP in the prices governed at some point of one particular year - 'the base year'. We can measure each year in 2000 prices, this enables us to see exactly how much real GDP has changed from year to year. In the UK, in 2000 the real GDP figure is 3.78%, this figure decreases towards the year

2003 to 2.3%. There is a decrease of 1.48%. In the year 2000 the annual growth rate in France is 4.22% and in 2003 it is 0.17%, there is a decrease of 4.05% between the years 2000-2003. In 2003 the growth rate of 0.17% is well below the EU average of 2%. In Canada, in 2000 the growth rate is 5.26% and in 2003 it is 1.17% and so there is a decrease of 3.55% over the three years.

The unemployment rate is defined as a measure of the number of people who are registered as looking for work, but who are without jobs. Column two illustrates the unemployment rates for the years 2000-2003 in the UK, France and Canada. In the UK the unemployment rare is considerably low compared to France and Canada. In 2000 the unemployment figure is 5.39 % and in 2003 it is 5.1%. This shows that the unemployment rate has fallen, which is a positive thing. The number of people without work in France in 2000 is a very high 9.46%. Over the three years the figure decreases but then rises up to 9.54%. Canada's unemployment rate in 2000 is 6.83% but by 2003 it increased to 7.63%. A country with a high unemployment rate costs the economy a loss of output-underutilisation of resources; loss of tax revenue and results in the organization of benefit schemes and the running of offices, which costs the government money.

Inflation is a rise in prices throughout the economy. The UK's inflation rate has risen over the time period, but it is still fairly low. In France, the inflation rate has increased from 1.69% to 2.11% which is higher than the UK but lower than Canada's 2.8%. A high inflation rate could cause problems as for a lot of people when prices raise their wage's do not raise along side the prices and so people will spend less. Taxes are also affected by inflation, as if prices and wages rise so will taxes, which results in people paying more taxes along side prices rising and so consumers cannot afford to spend as much.

Major Macroeconomic Problems

Table one shows the various macroeconomic problems that The UK, France and Canada are faced with. The table shows that France has an unemployment problem, with unemployment rates as high as 9.54%. France's high unemployment rate is linked to the moderately low rates of growth of GDP over the three years. In 2003 the growth rate is as low as 0.17%. The redundancy and GDP rates collectively signify that there might be a demand shortage of unemployment in France. This problem could be rectified if the government increase the requirement for goods and services and the demand for labour. In Canada the unemployment rate has increased over the years but is still relatively low in comparison with France's unemployment rates. The unemployment rate in all three countries is quite high compared to the unemployment rates in the mid 1980's though, the rise in unemployment is thought to be a result of the 'economic shock wave' after the attack on the world trade centres in New York.

Government Actions-Impact on our firm

It seems that France has a problem of 'demand-deficient unemployment'. There are many ways the government could help rectify this problem. Using their 'fiscal policy' the government could increase the demand for goods and services. If the government reduces taxes or increase government spending, households will spend more. If house holds spend more money, income will increase which will result in more spending. If the demand for goods increased, France would be a better choice for our firm. Economic growth depends largely on technological advancement, but advancement requires capital input, so if the government in France were to invest money into education and training they may raise their economic growth rate.

Conclusion

At the moment, Canada appears to have the most favourable macroeconomic conditions for our firm. As their real growth rate is just around the EU average of 2% as appose to France, whose growth rate in 2003 was 0.17% - well below average. Canada's unemployment rate is a lot lower than France's unemployment rate which makes Canada a better choice as, if the unemployment rate is high there will be less consumers spending. This also has a knock on affect on the growth rate and inflation rate as if consumers are spending less, less money will be invested into advances in technology and also prices will have to be raised to make a suitable profit. Canada does have a higher inflation rate than France but it does not appear to be affecting the growth rate at the present.

References

The Economist Intelligence Unit [online] Available from: World Wide Web: http://www.economist.com/countries/economicdata / [Accessed 11 December 2004]

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