



## What are the most affected areas in a financial crisis?

- Job Losses
- Business Closures
- Stock Market Volatility
- Falling Property Values
- Increased Demand for Social Welfare

## Vocabulary

## 1. downturn    1. recession    1. reluctant    1. interest rates

1. mortgage    1. freefall    1. bargaining position    bailout

1. The country's economy is less successful. There is an economic \_\_\_\_\_.
2. Business activity has declined for two consecutive quarters. We are officially in a \_\_\_\_\_.
3. Many firms are interested in hiring him so he can negotiate high salaries with potential employers. He is in a strong \_\_\_\_\_.
4. Most people take out a \_\_\_\_\_ from the bank in order to buy their first home.
5. Housing prices are in \_\_\_\_\_ - apartments and houses are rapidly and steadily losing value.
6. The chairman is \_\_\_\_\_ to hire new staff due to his company's financial difficulties.
7. The central bank lowered its \_\_\_\_\_ by 2% in order to stimulate the economy.
8. After asking for financial help from the government due to huge losses, the bank received a \_\_\_\_\_ of \$100 billion.

# The Financial Crisis: Now the real problems begin

The economic downturn is really starting to bite in households up and down Britain.

Sunday, October 19th, 2008

1. You've read about the worldwide economic crisis and its complex elements. You've anxiously clicked on to websites for updates, and watched economic reports on the television screen. Now it's going to start coming a lot closer to home - maybe even your own. Here is how the different sectors of Britain's economy are being affected.

## 2. Jobs

Unemployment is at its highest level for nearly a decade, with a thousand people losing their jobs every day. By Christmas the number without jobs is expected to top two million. David Kuo, financial expert at the money website Fool.co.uk, said: "Job losses are unavoidable because the economy is shrinking. By next year it is likely to reach three million, which will mean one in 12 people out of work."

## 3. Pay

Despite last month's inflation rate being the highest for 16 years at 5.3 percent, the average pay raise this year was 3.4 percent, the lowest for five years. Mick McAteer of the Financial Inclusion Centre said: "Although inflation is higher than expected, it's difficult to see wages reflecting that. Employees in the private sector will find it hard to be in a strong bargaining position because of the expected rise in unemployment."

## 4. Mortgages

Only 15,600 first-time mortgages were approved in August, down 55 percent from last year, according to the Council of Mortgage Lenders (CML). For those without a deposit of 10 percent or more it is nearly impossible. Ray Boulger of John Charcol mortgage brokers said: "People won't be able to find a mortgage of more than 90 percent now, and as long as property values keep falling that will stay the same."

## 5. Homes

Houses are selling at an average of 9 percent below asking price, according to the Royal Institute of Chartered Surveyors, and the volume of sales earlier

this year was virtually half that of a year ago. But some estate agents are confident the market will have shown signs of recovery by early next year. "We're certainly at the beginning of the end of the freefall in house prices," said Chris Wood, National Association of Estate Agents.

## 6. Shopping

Latest figures from the British Retail Consortium (BRC) show sales falling more sharply than at any other time in the past five months. The organization predicts retail conditions will remain tough until well into next year at least. A BRC spokesman said: "Customers are short of spare cash and reluctant to spend what money they have got, and those conditions show no signs of changing in the near future."

## 7. Savings and investments

Falls in stocks and shares hit savings and investments hard. The market will remain volatile until Christmas, say analysts, and is unlikely to start recovering until early next year. "We are at a level now where people will be able to make respectable gains over the long term, although it will be painful in the short term," said Gavin Aldon of the Share Centre. "In the immediate future we will see a substantial fall in interest rates."

## 8. Taxes

As fewer people buy houses and unemployment continues to rise, the Government will be getting less money from taxes. And it will have to recoup the £50bn spent on the bailout from somewhere."

## 9. Pensions

Britain's biggest pension schemes lost £45bn in value since the summer. Experts warn that recovery will not happen overnight. "There are two important things to grasp about the impact on pensions," said Nigel Peaple of the National Association of Pension Funds. "First, if you are already drawing your pension you will be unaffected by the market falls. Second, pension funds are all about long-term investing."

## Find the information

Read the article about how the global financial crisis was affecting the economy in 2008 and find the information below:

1. The number of people who were forecasted to be out of work by 2009
2. The inflation rate in September.
3. The average pay raise.
4. The number of approved first-time mortgages in August.
5. The percentage below asking price of house prices in 2007.
6. The amount of money spent by the British government to help the economic downturn.
7. The losses to Britain's biggest pension schemes since the summer of 2007.

## Future prediction and speculation

1. Experts \_\_\_\_\_ next years will be a difficult due to \_\_\_\_\_
2. The country's standard of living \_\_\_\_\_ improve as \_\_\_\_\_
3. In the next years, people might \_\_\_\_\_ because \_\_\_\_\_
4. Fields like \_\_\_\_\_ and \_\_\_\_\_ might experience the most \_\_\_\_\_ because \_\_\_\_\_
5. Many people are likely to see the effects of this crisis on \_\_\_\_\_ and their \_\_\_\_\_
6. A big group of people definitely won't be able to \_\_\_\_\_
7. When it comes to job opportunities \_\_\_\_\_.
8. Basic goods like water, electricity, or medicine are likely to \_\_\_\_\_

