**Notes for Interest rates and the rate of inflation:**

**NOTES:**

Higher interest rates mean you pay more for mortgages and credit cards = people have less to spend = reduced inflation as less consumers are placing demands on the economy

Higher interest rates will affect producers requiring loans = increased costs = less spending by firms = reduced inflation as producer spending is not placing demands on the economy

**Lower interest rates mean:**

* More people able to afford mortgages
* More consumer spending e.g. loan for a car, credit card spending
* More demand for goods and services and/or demand may not be able to be met = shortage
* Firms are able to expand through increased revenue or through loans