

2.4.2 Injections and Withdrawals

Injections into Circular Flow

- Additions to the circular flow of income
- Investment (I)
 - An increase in capital stock (asset)
- Government Expenditure (G)
 - Government spends money to provide goods and services
- Exports (X)
 - When foreigners buy goods from the UK

Withdrawals from Circular Flow

- Leakages from the circular flow of income

- If money is not re-spent it is classed as being withdrawn from the Circular Flow
- Savings (S)
 - Saving decreases expenditure in current time period
- Taxes (T)
 - Money that is taxed can not be spent by consumers or firms
- Imports (M)
 - When goods are bought from foreign countries, money flows out of the economy