

Edexcel (A) Economics A-level  
**Theme 2: The UK Economy,  
Performance and Policies**







**2.4 National Income**

**2.4.2 Injections and withdrawals**

Notes



## **The impact of injections and withdrawals from the circular flow of income**

-  An **injection** into the circular flow of income is money which enters the economy. This is in the form of government spending, investment and exports.
-  A **withdrawal** from the circular flow of income is money which leaves the economy. This can be from taxes, saving and imports.
-  The economy reaches a state of equilibrium when the rate of withdrawals = the rate of injections.
-  The amount of savings in an economy is equal to the amount of investment. In the UK, there is a traditionally low savings rate, especially during periods of high economic growth, and this means that the rate of investment is also low. In Japan there is a high savings rate and with this comes a high level of investment.
-  If there are **net injections** into the economy, there will be an expansion of national output.
-  If there are **net withdrawals** from the economy, there will be a contraction of production, so output decreases.

