

How the Stock Market Impacts the Economy

BULL MARKET


Prices Rising





BEAR MARKET

Prices Falling




 Increased wealth

 Reduced wealth

 Business growth

 Business slowdown

 Confidence boost

 Lower confidence

IMPACT ON THE ECONOMY



How the Economy Rises and Falls (Simplified)

1. Economy Rises (Growth)

- People buy more goods and services.
- Businesses sell more, make more profit, and hire more workers.
- More jobs → more income → people spend even more.
- Government may collect more taxes and invest in projects.

2. Economy Falls (Slowdown)

- People spend less, often due to job worries.
- Businesses sell less and may cut jobs.
- Less income → less spending → economy slows further.
- Government may lower interest rates or provide stimulus to help.

Role of the Stock Market

- The stock market is where companies sell shares (pieces of their company) to investors.
- **Stock prices reflect confidence:**
 1. If investors believe a company will earn more in the future, more people buy its shares → price goes up.
 2. If investors are worried about profits or the economy, they sell shares → price goes down.
- **Stock prices go up when:**
 1. Company profits increase.
 2. There's strong consumer demand.

3. Economy is growing.
 4. Investors are optimistic about the future.
- **Stock prices go down when:**
 1. Company profits fall.
 2. Demand decreases.
 3. Economy slows.
 4. Investors are pessimistic.

