

2.4.2 Injections and withdrawals

a) *The impact of injections into, and withdrawals from, the circular flow of income*

- Injections: an input into the circular flow of money
- Injections into the circular flow of income:
 - Investment (I)- an increase in the capital stock (assets)
 - Government spending (G)
 - Exports of goods and services (X)
- **Injections cause the circular flow of income to expand**
- Leakages: (aka 'withdrawal') are an exit from the circular flow of money
- Leakages within the circular flow of income:
 - Savings (S)- there is less spending in the current time period
 - Imports of goods and services- money flows out of the country
 - Taxation (T)- when government demands money you cannot spend it.
In many case this is re-spent as (G), but if there is a budget surplus, this will not be the case