



The financial crisis

Lesson code: 127U-C2ZB-G2SL

Upper-intermediate (B2-C1)

1 Warm-up

How has your company been affected by the global economic crisis?

2 Key words

Complete the sentences below:

bailout

interest rates

bargaining position

mortgage

downturn

recession

freefall

reluctant

1. The country's economy is less successful. There is an economic _____ .
2. Business activity has declined for two consecutive quarters. We are officially in a _____ .
3. Many firms are interested in hiring him so he can negotiate high salaries with potential employers. He is in a strong _____ .
4. Most people take out a _____ from the bank in order to buy their first home.
5. Housing prices are in _____ - flats and houses are rapidly and continuously losing value.
6. The chairman is _____ to hire new staff due to his company's financial difficulties.
7. The central bank lowered its _____ by 2% in order to stimulate the economy.
8. After asking for financial help from the government due to huge losses, the bank received a _____ of \$100 billion.

3 Find the information

Now read the article about how the global financial crisis was affecting the British economy in 2008 and find the information below:

1. The number of people who were forecasted to be out of work by 2009
2. The inflation rate in September.
3. The average pay rise.
4. The number of approved first-time mortgages in August.
5. The percentage below asking price of house prices in 2007.
6. The amount of money spent by the British government to help the economic downturn.
7. The losses to Britain's biggest pension schemes since the summer of 2007.



THE
INDEPENDENT

The Financial Crisis: Now the real problems begin

The economic downturn is really starting to bite in households up and down Britain. Sunday, 19 October 2008

- 1 You've read about the worldwide economic crisis and its complex elements. You've anxiously clicked on to websites for updates, and watched economic reports on the television screen. Now it's going to start coming a lot closer to home - maybe even your own. Here is how the different sectors of Britain's economy are being affected.
- 2 **Jobs**
Unemployment is at its highest level for nearly a decade, with a thousand people losing their jobs every day. By Christmas the number without jobs is expected to top two million. David Kuo, financial expert at the money website Fool.co.uk, said: "Job losses are unavoidable because the economy is shrinking. By next year it is likely to reach three million, which will mean one in 12 people out of work."
- 3 **Pay**
Despite last month's inflation rate being the highest for 16 years at 5.3 per cent, the average pay rise this year was 3.4 per cent, the lowest for five years. Mick McAteer of the Financial Inclusion Centre said: "Although inflation is higher than expected, it's difficult to see wages reflecting that. Employees in the private sector will find it hard to be in a strong bargaining position because of the expected rise in unemployment."
- 4 **Mortgages**
Only 15,600 first-time mortgages were approved in August, down 55 per cent from last year, according to the Council of Mortgage Lenders (CML). For those without a deposit of 10 per cent or more it is nearly impossible. Ray Boulger of John Charcol mortgage brokers said: "People won't be able to find a mortgage of more than 90 per cent now, and as long as property values keep falling that will stay the same."
- 5 **Homes**
Houses are selling at an average of 9 per cent below asking price, according to the Royal Institute of Chartered Surveyors, and the volume of sales earlier this year was virtually half that of a year ago. But some estate agents are confident the market will have shown signs of recovery by early next year. "We're certainly at the beginning of the end of the freefall in house prices," said Chris Wood, National Association of Estate Agents
- 6 **Shopping**
Latest figures from the British Retail Consortium (BRC) show sales falling more sharply than at any other time in the past five months. The organisation predicts retail conditions will remain tough until well into next year at least. A BRC spokesman said: "Customers are short of spare cash and reluctant to spend what money they have got, and those conditions show no signs of changing in the near future."
- 7 **Savings and investments**
Falls in stocks and shares hit savings and investments hard. The market will remain volatile until Christmas, say analysts, and is unlikely to start recovering until early next year. "We are at a level now where people will be able to make respectable gains over the long term, although it will be painful in the short term," said Gavin Aldon of the Share Centre. "In the immediate future we will see a substantial fall in interest rates."
- 8 **Taxes**
As fewer people buy houses and unemployment continues to rise, the Government will be getting less money from taxes. And it will have to recoup the £50bn spent on the bailout from somewhere."
- 9 **Pensions**
Britain's biggest pension schemes lost £45bn in value since the summer. Experts warn that recovery will not happen overnight. "There are two important things to grasp about the impact on pensions," said Nigel Peale of the National Association of Pension Funds. "First, if you are already drawing your pension you will be unaffected by the market falls. Second, pension funds are all about long-term investing."



4 Checking understanding

Explain how the following people in Britain are being affected by the crisis according to the article:

1. employees
2. first-time home buyers
3. home owners
4. shoppers
5. investors
6. the government
7. pensioners

5 Find the words

Find a word or phrase in the article which means...

1. in a worried and nervous way (*adverb, P1*) _____
2. become higher than (*verb, P2*) _____
3. a gradual, continuous increase in prices (*noun, P3*) _____
4. the amount of money someone wants when they sell something, especially a building or a piece of land (*2-word noun, P5*) _____
5. likely to change suddenly or unexpectedly (*adjective, P7*) _____
6. increases in money (*plural noun, P7*) _____
7. get back what you have spent or lost (*verb, P8*) _____
8. understand something difficult (*verb, P9*) _____

6 Future prediction and speculation

Various structures and verb forms are used in English to speculate about and predict the future. Look at the following sentences and structures from the text and match them to the correct category below.

1. By Christmas the number without jobs is expected to top two million.
 2. By next year it is likely to reach three million
 3. The organisation predicts retail conditions will remain tough until well into next year at least.
 4. The market will remain volatile until Christmas
 5. But eventually these prices are going to go back up again.
 6. ... as long as property values keep falling, that will stay the same.
- a. 1st conditional (*if/unless/as long as etc.* + present, *will/could* + infinitive)
 - b. prediction verb (e.g. *warn, forecast, etc.*) + (that) + subject + *will/could* + infinitive
 - c. *be going to* + infinitive
 - d. *be* + *expected to* + infinitive
 - e. *be* + *likely/unlikely to* + infinitive
 - f. *will* + infinitive



Now match the following sentences from the text with the correct rule below:

1. ... the market will have shown signs of recovery by early next year.
 2. As fewer people buy houses and unemployment continues to rise, the Government will be getting less money from taxes.
- a. We use the **future continuous** to say that something will be in progress at a time in the future.
 - b. We use the **future perfect** to say that something will be complete before a specific time in the future.

Complete the sentences below with a suitable word or structure from this exercise:

1. As long as housing prices continue to fall, it _____ become more difficult for us to sell our property for the asking price.
2. Experts _____ that next year _____ be a difficult year.
3. China _____ to continue its strong economic growth. It _____ overtaken the USA by 2017.
4. The country's standard of living _____ to improve as its economy grows.
5. Next month, Andrew _____ to start looking for a new job. However, because of his lack of experience he _____ to be offered a very high salary.
6. "What do you think you _____ doing in ten years' time?" "Hopefully, I _____ living somewhere hot and sunny."
7. The construction of the new shopping and entertainment complex _____ to start by the end of next year. It _____ to create many new jobs.
8. Scientists _____ that global warming _____ become a very serious problem in forty years' time.
9. By this time next year, Jack _____ completed his studies. He _____ to achieve a very impressive result.

7 Predicting the immediate future

Look at the following sentences. They all contain phrases for talking about things that are going to happen very soon.

We are on the verge of an economic crisis.

Paul's manager is on the point of giving him the sack.

We are close to finalising the new deal.

The president is about to make a speech to the nation.

Scientists are on the brink of an important new discovery.



For each of the situations below, predict the immediate future using the phrases from this exercise. Use a different phrase each time.

Example: Natalie has been under a lot of stress recently. She is likely to have a nervous breakdown very soon.

Natalie is on the brink of a nervous breakdown.

1. The Yangtze river dolphin, one of the rarest mammals in the world, is going to become extinct very soon due to overfishing.
2. The political leaders are likely to agree very soon on a new economic strategy to deal with the current crisis.
3. Scientists are likely to discover a cure for the disease in the very near future.
4. The election is almost over. She is in the lead and will very soon become the country's first female president.
5. The negotiations were successful. We will soon sign a very profitable new contract.
6. The financial preparations are finally over. We will become a public company very soon.
7. After a long and difficult marriage, the couple will be divorced very soon.
8. Are we going to have a global energy crisis very soon?
9. A new film is going to be released in the cinema very soon.
10. It is nearly the end of the match. Our team is likely to become the world champions very soon.

8 Predicting certain future

Look again at the sentences in the box. Compare them to the sentences below and put the underlined phrases in order of certainty.

By Christmas the number without jobs is expected to top two million.

The market is unlikely to start recovering until early next year.

By next year it is likely to reach three million.

Julia is very talented. She is bound to have a successful career.

The criminal was found guilty of robbing a bank. He is certain to go to prison.

It will definitely happen: 1. is certain to _____

It will definitely or almost definitely happen: 2. _____

It will very probably happen: 3. _____

It will probably happen: 4. _____

It will probably not happen: 5. _____



9 Speaking

In pairs, discuss the following:

1. three things you will be doing this time next year
2. three things you will have done by 2015
3. one certain, one likely and one unlikely future prediction about your country
4. three things you think are going to happen very soon

10 Talking point

Was your country affected by the crisis in a similar way to Britain in 2008? What kind of predictions were made? Have they come true?

