What is the stock market?

KS3 KS4 Ages 11-16 ⏰ 4 min read

The stock market sounds complicated, but at its heart it's just a giant marketplace — like a farmers' market, except instead of buying carrots, you're buying tiny slices of ownership in companies.

What is a share?

When a company wants to raise money — to expand, build a factory, hire more staff — it can split itself into millions of tiny pieces called **shares**. It then sells those shares to the public. Each share represents a tiny fraction of ownership in the company. If the company has 1 million shares and you buy 1, you own one-millionth of it.

In return, you get two potential benefits: **dividends** (a share of the profits if the company pays them out) and the hope that your share will be worth *more* in the future than you paid for it.

Your school is running a cake stall, and they need money to buy ingredients. They sell 100 "shares" at £1 each, raising £100. Now you own 1% of the cake stall. When they make £50 profit on their first day, your share of that is 50p. If the stall becomes really popular and someone wants to buy your stake, they might offer you £3 for that £1 share — because the business is clearly doing well. That's the stock market in miniature.

Why do prices go up and down?

Share prices change constantly based on supply and demand, exactly like anything else. If lots of people think a company is going to do well — because it just launched a popular product, or the economy is booming — more people want to buy its shares. More demand, same number of shares, so the price goes up. If a company reports bad news, people sell, the price drops. Sometimes prices move on nothing more than mood, rumour, or panic.

What's the FTSE 100?

The FTSE 100 (say "footsie") is an index — a number that tracks the average performance of the 100 biggest companies listed on the London Stock Exchange. When the news says "the FTSE closed up 1%," it means those 100 companies are collectively worth 1% more than yesterday. It's a rough weather report for the UK economy.

Is it gambling?

It can feel like it, especially when prices swing wildly. But there's an important difference: when you buy a share, you own part of a real business that makes real things and employs real people. Over long periods, the stock market has tended to grow alongside the economy. The risk is real — companies can fail, prices can crash — but so is the genuine ownership underneath it.