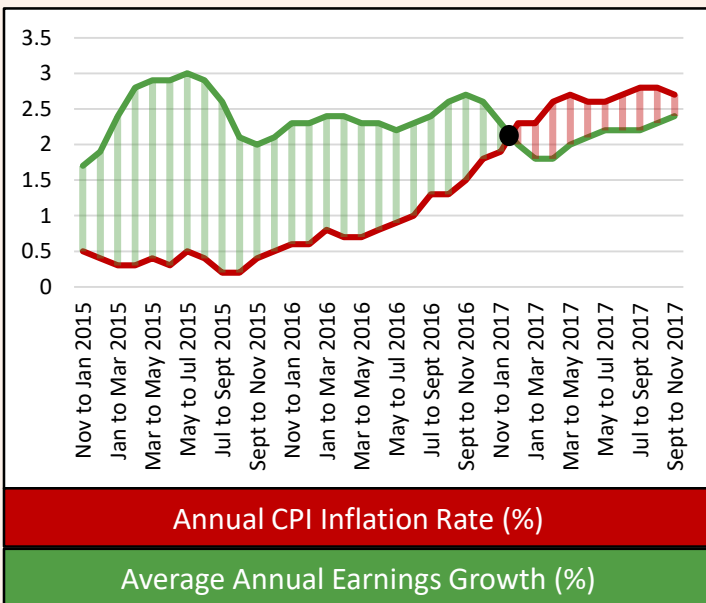


Here are the five economic stories which have caught our eye this week:



UK Pay Squeeze:

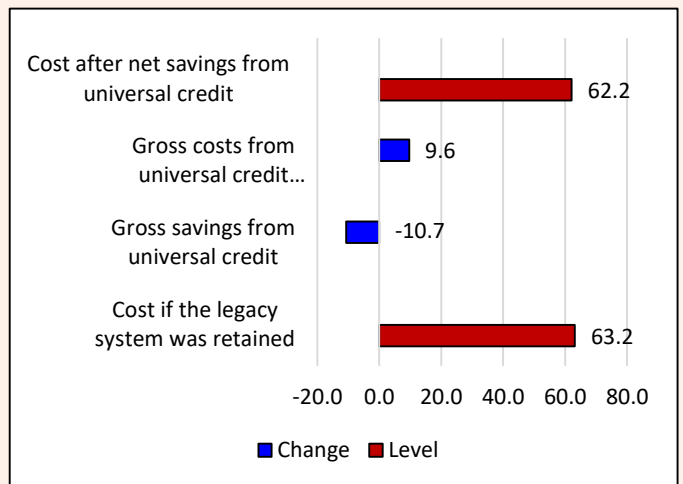


UK labour market statistics were released by the ONS this week. The statistics showed the level of unemployment in the UK dropped to 1.44m (42-year low). This resulted in a slight increase in the number of people employed in the UK at 32.2m people. However, despite these strong figures, the number of unfilled job vacancies between September 2017 and November 2017 was at 810,000 and pay in real terms fell by 0.5%.

Using a relevant diagram, explain why greater demand for labour and a shortage of supply for labour should create higher real wages.

To what extent do you agree with the view that the rise in self employment is holding back real wages.

OBR Welfare Report:

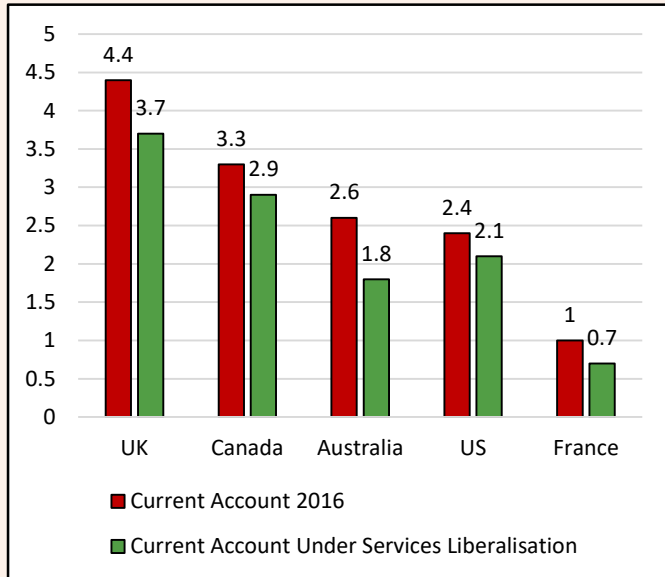


In the OBR's January 2018 Welfare Report the spotlight was placed on the overhaul of the benefits system in the UK – replacing six separate benefits payments with one singular monthly payment. Universal Credit was designed to introduce significant cost savings for the Treasury and provide greater incentives for people to find employment.

Assess the impact that the introduction of universal credit will have on both the Poverty Trap and the Unemployment Trap.

26/01/18

Current Account Imbalances (% of GDP):

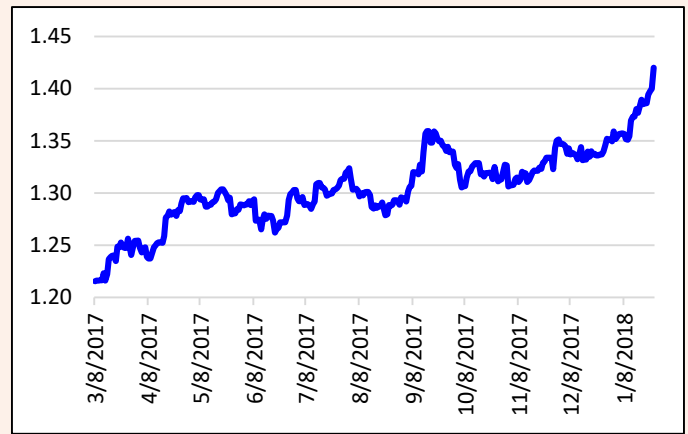


The Bank of England released a Financial Stability Paper on current account imbalances around the world. The paper took an unconventional approach to suggest that trade liberalisation has resulted in asymmetric outcomes, due to the emphasis on goods rather than services. It suggested that countries like the UK, with a large services sector, have run a persistent deficit, whilst countries like China, with a large manufacturing sector, have run a persistent surplus. The paper concludes that by liberalising trade in services, global imbalances would contract by 40%.

Analyse the impact of a concerted global effort to liberalise the trade in services on the UK economy and its main macroeconomic objectives.

Identify and explain some of the regulatory problems that may arise when liberalising the trade in services across the global economy.

Pound-Dollar Exchange Rate:



This week has seen the resurgence of the pound against the dollar. The number of dollars received for very pound exchanged rose to as high as \$1.43 on FX markets on Thursday. Despite the negative impact this may have on UK exporters, a strong pound is seen as a positive from the perspective of importers.

Explain how a stronger pound can help increase real wages in an economy.

Fox-Sky Deal Halted by the CMA:



The Competition and Markets Authority (CMA) ruled that Fox’s proposed takeover of the remaining 61% of Sky it currently does not own, is not in the public interest. The preliminary ruling has been made regarding concerns of breaking rules regarding media plurality i.e. Fox having too much influence on media outlets in the UK. The recent takeover of Fox by Disney will mean if the deal does proceed then the entirety of Sky will be transferred to Disney’s ownership. The CMA outlined three possible solutions to this long-running deal:

Prohibition of the deal

Divesture of Sky’s media assets

Behavioural remedies

Explain how the imposition of a ‘firewall’ between layers of management in Fox and Sky can be used as a behavioural remedy to this deal.