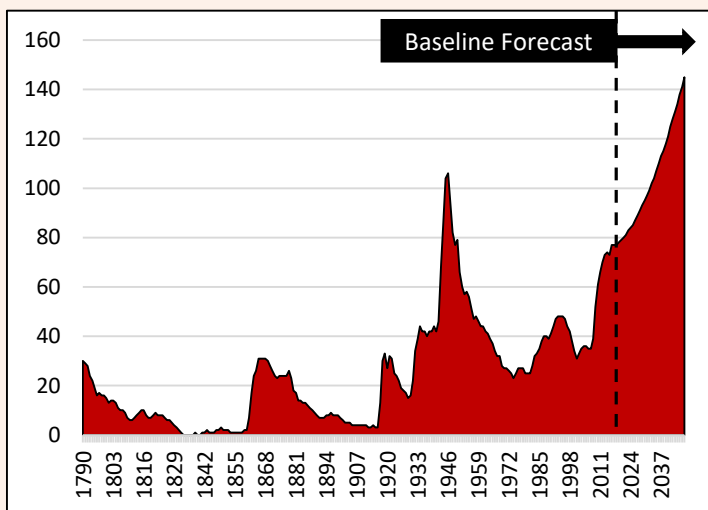


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In case you missed out on any of our regular Weekly 5 features. Here is a collection of all the stories that have captured our imagination so far!



**Soaring US Public Debt (% of GDP):**

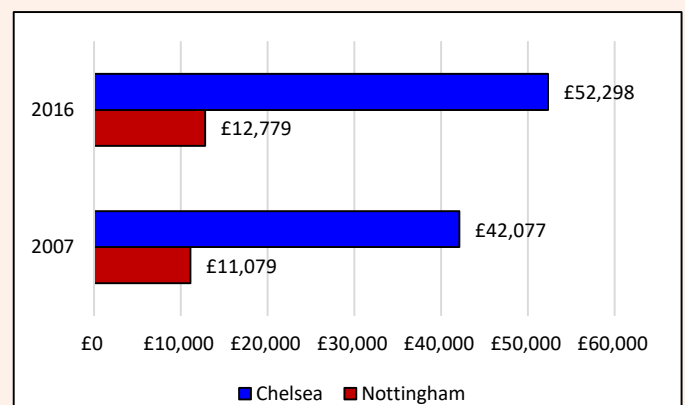


Amidst expected tax cuts and spending plans by the Trump administration, the Congressional Budget Office released data to paint the path of trajectory for US national debt, which currently stands at \$20tn. However, the most significant part of this report was the CBO's baseline projection that Federal Debt (% of GDP) is set to soar from 77% to 89% in 2027!

What impact will higher public spending have on private investment?

Evaluate the impact of expected US tax cuts on US debt.

**A Divided Britain?**



Real Gross Disposable Income per Head:

Chelsea	24%	Nottingham	15%
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The divide between the poorest and richest areas of the UK has continued to grow in the last decade according to data from the ONS.

What are some of the reasons for the widening gap between the rich and poor in the UK?

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## Zimbabwe's New Economic Order:



Zimbabwe \$5bn Budget Reforms:	
	Privatisation of Loss-Making State Owned Firms.
	Civil Service Agents (65+) to Retire.
	Spending Cuts to Reduce Deficit to 4% of GDP.
	Export Taxes to be Cut on Platinum Producers.

The Finance Minister of Zimbabwe announced a series of economic reforms and packages to help boost economic growth to 4.5%. The headline policy was the announcement that all civil servants would be forced to retire at the age of 65 to cut government expenditure by up to 90%.

If the extra revenue generated by these policies is invested into the economy, assess the impact on Zimbabwe's trend rate of growth.

What are some of the factors which may hold back the effectiveness of these policies in Zimbabwe?

## Future Chinese Slowdown?

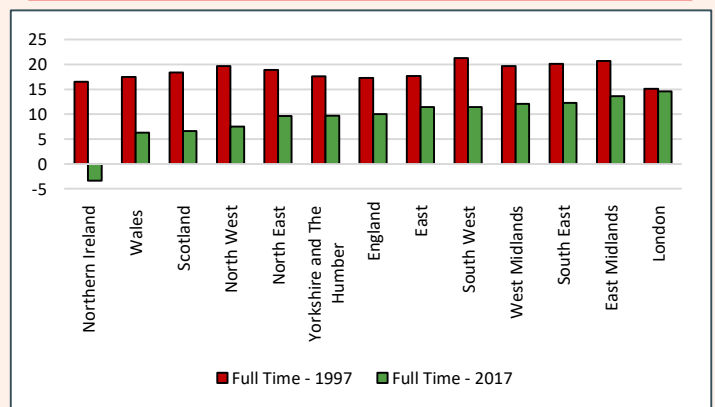


IMF Health Check Report on China:	
	27 out of 33 Chinese Banks Failed Stress Tests.
	Chinese Debt Risen to 234% of GDP.
	Credit-to-GDP Ratio is 25% above the Long-Term Trend

The IMF produced a comprehensive assessment of the future economic picture of China and how well prepared its financial system for an economic slowdown.

What are the systemic risks to the UK economy of a slowdown in the Chinese economy?

## Mind the Gap – UK Gender Pay Gap:








The gender pay gap between men and women continues to exist across a range of industries and regions. The interesting part from this chart is that in 1997 London had the smallest gender pay gap and in 2017 it has the largest for full-time workers!

With reference to labour market theory, identify some of the persistent reasons for wage differentials between men and women in the UK?

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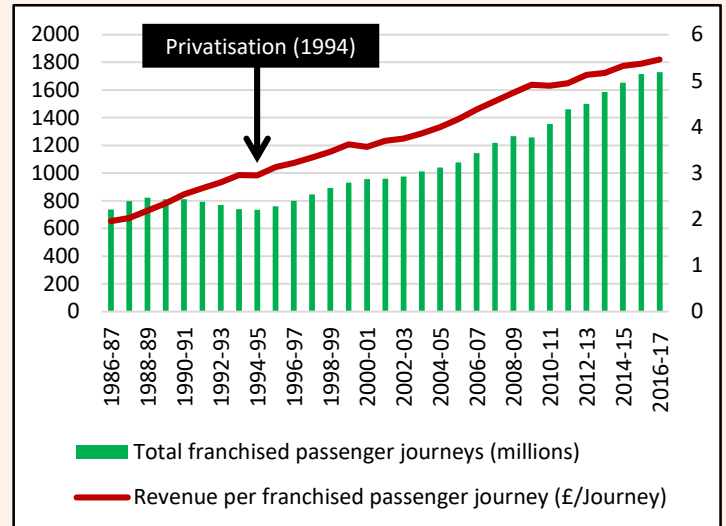
## Clicks vs. Bricks:

Black Friday Compared to Last Year:	
	£1.45bn Store Sales (▲ 4%)
	£1.4bn Online Sales (▲ 11.7%)
	Footfall Figures (▼ 3.6%)
	Card Transactions (▲ 32%)
	4:38pm – Peak Minute

The annual Black Friday sales boom continued in 2017, with consumers waking up earlier and shopping later to capitalise on discount opportunities. The use of online shopping allowed individuals to get the best deals available.

Using a demand and supply diagram show how retailers can take advantage of elastic demand during sales days to boost revenues.

## The Privatisation Surge in the UK Rail Industry :



In December, the UK government proposed a new model when awarding franchise contracts to private train operating companies (TOCs) – making TOCs responsible for both the route infrastructure and route service.

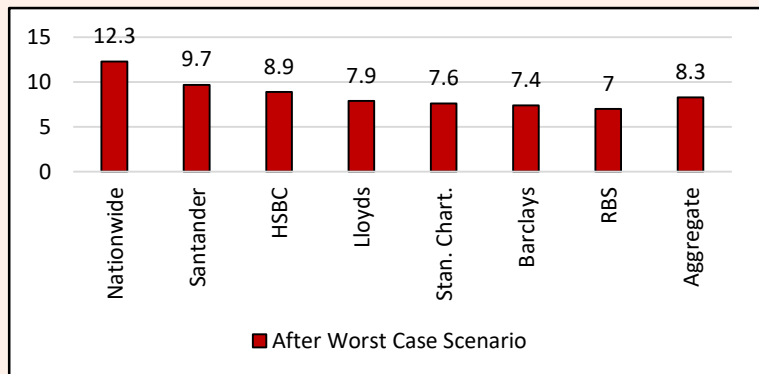
### Assess the Economic Impact on:

Quality of Service

Mobility

Environment

## Bank of England Stress Test Results (Capital Ratio, %):

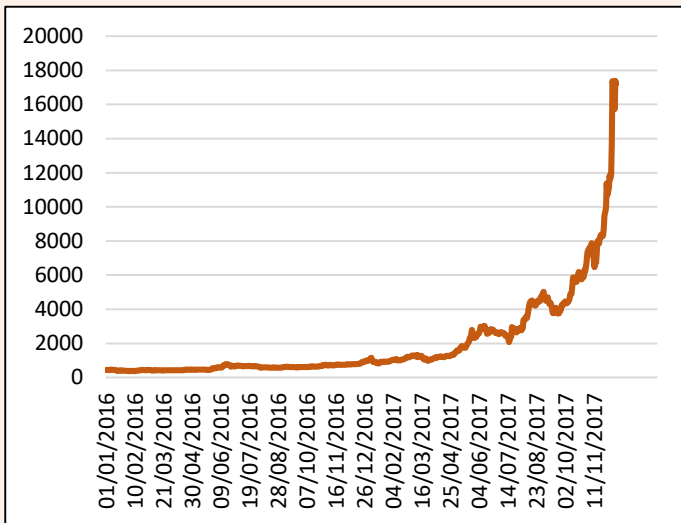


The Bank of England released the results of the latest and most severe set of stress tests in December. The tests attempted to model how the UK's banking system would cope with significant disruption from a global recession and a potentially 'disorderly' exit from the EU. For the first time since 2014, all major banks were found to have adequate capital buffers to absorb losses.

To what extent do you agree that bank stress tests can simulate the impact of a financial crisis such as the one seen in 2008?

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## Is the Bitcoin bubble about to burst?

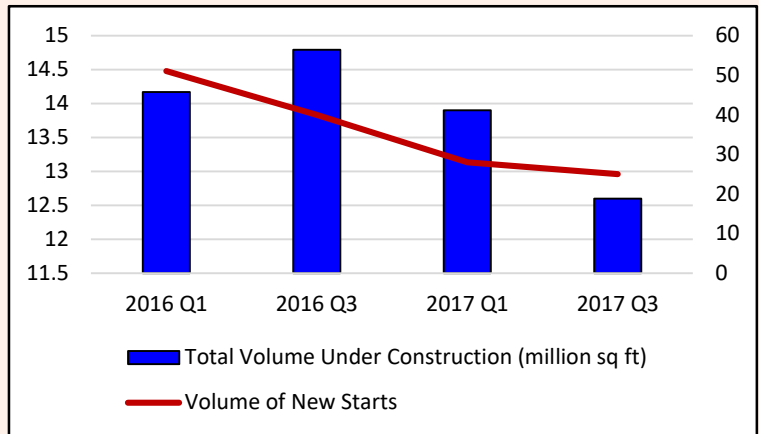


The price of the cryptocurrency Bitcoin surged in December to over \$17,000. This represented a growth rate of nearly 4,000% since the start of 2016. The dramatic price movements have left investors questioning whether this trading price represents fair-value or if it is all part of a wider speculative bubble.

What are the three standard functions of money?

Does Bitcoin meet the definition of 'money' we use for A Level economics?

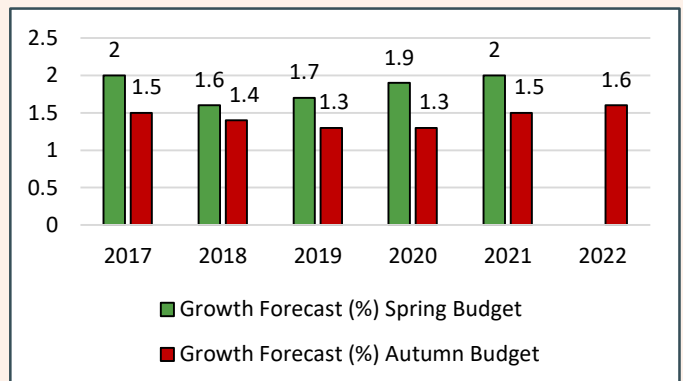
## Slump in London Office Developments and New Starts:



London office developments have dropped by approximately 9% in the last two quarters (primary axis), as well as the number of office starts - dropping to just 25 in the Q3 2017 (secondary axis).

Evaluate the impact the EU referendum in 2016 has had on private business investment in the UK.

## Downgraded OBR Growth Forecasts for UK Economy (%)



The Office of Budget Responsibility (OBR) released its latest growth projections for the UK economy up to 2022. In each year up to the next election year (2022), the OBR downgraded the UK's growth forecast to reflect weaker economic conditions. This represents the first time since the 1980s that growth has been forecast to dip below 2% for more than three years in a row.

What expected impact will this have on UK tax receipts?

Does this suggest that the trend rate of growth in the UK has fallen?

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## Expected Policy Cost of Abolition of Stamp Duty:



Tax Year	Policy Cost
2017-18	£125m
2018-19	£560m
2019-20	£585m
2020-21	£610m
2021-22	£640m
	<b>£2.52bn</b>

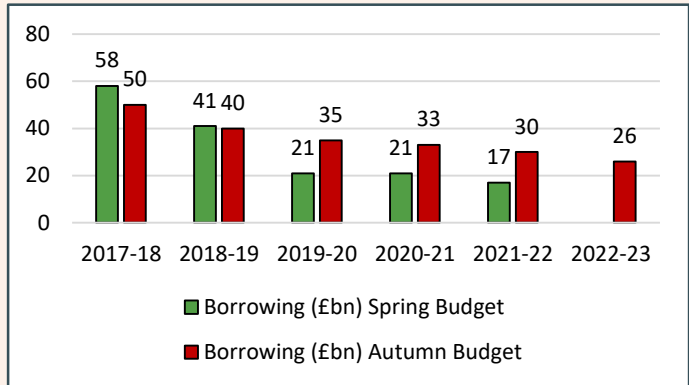
The UK government announced a decision to abolish stamp duty for first time buyers when buying a home up to the value of £300,000. In addition to this, for properties costing up to £500,000, no stamp duty will be paid on the first £300,000. This is a move which is expected to cut stamp duty for 95% of all first time buyers in the UK.

Impact on demand for UK homes?

Impact on supply for UK homes?

Evaluate the effectiveness of recent government intervention in the UK housing market.

## Government Deficit – Public Net Borrowing (£bn):



Amid the backdrop of falling growth and the looming uncertainty of Brexit, the UK government forecasts that borrowing levels will rise by an extra £30bn up to the 2021-22 tax year. This is likely to add to the government's deficit of 2.6% and the UK's National Debt.

To what extent do you agree that the UK government should borrow to invest in stimulating the economy in the context of a low interest rate environment?

## Expected House Price Impact of Stamp Duty Cut:



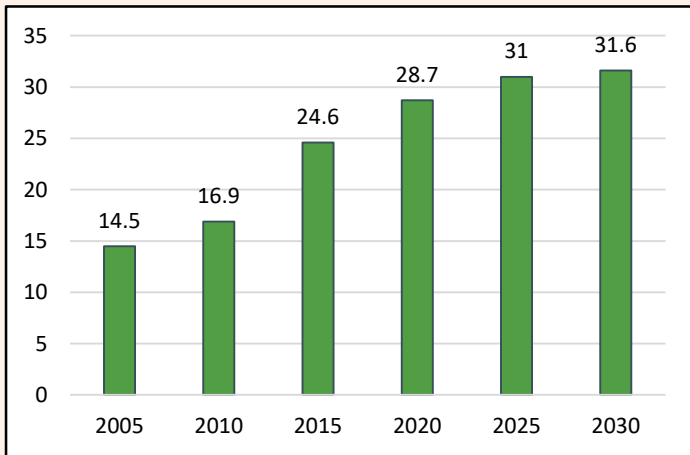
House Price Impact:		
2017-18	0.3%	▲
2018-19	0.1%	▼
2019-20	0.4%	▼
2020-21	0.8%	▼
2021-22	1.1%	▼

The OBR forecast that changes in property transaction taxes (inc. Stamp Duty) will cause an immediate increase in house prices, mitigating the benefit to first-time buyers.

Explain how this relates to the concept of the incidence of an indirect tax.

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## The Only Way is Up?



The International Energy Agency (IEA) produced an energy report to show the changes in US oil and shale gas production (mboe/d) in the next decade. The report forecast that the US shale boom from fracking is expected to continue – US will be the biggest net exporter of oil by 2025!

Using the theory of shut-down points, what impact is US oil production having on the profitability of firms producing oil from more traditional extraction methods?

Consider the wider impact of increased production:

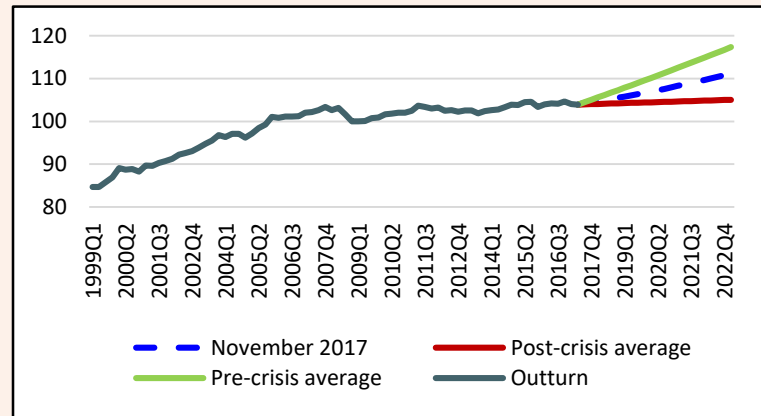
Oil Prices

OPEC Countries

Environment

What impact will this have on the US's AD and LRAS Curve?

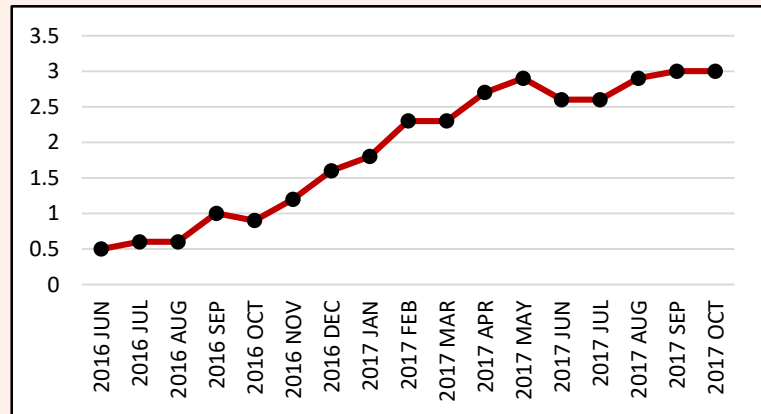
## Productivity Growth (Output per hour) – OBR Forecast:



The OBR downgraded the UK's productivity prospects until 2021-22 as a result of weak productivity conditions persisting in the UK economy since the financial crisis. This is predicted to cost the Government £26bn in lost tax receipts up to 2022.

What impact is low productivity growth having on UK living standards?

## UK Living Standards Squeeze:

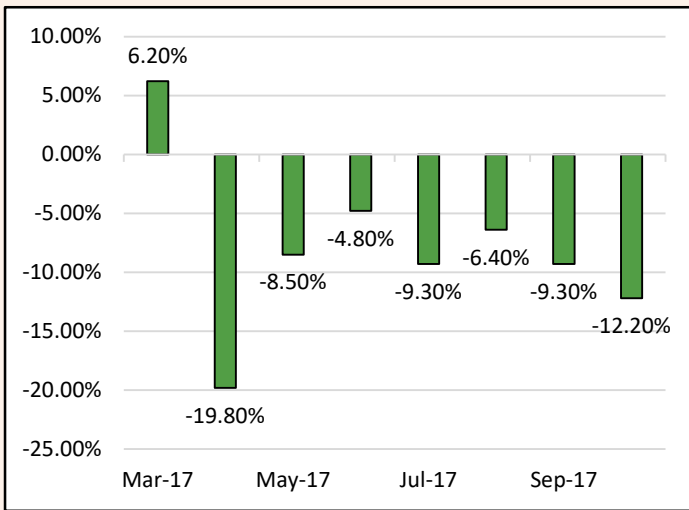


The UK CPI inflation rate has increased to 3.0% in 2017 as both internal and external pressures are placed on the UK economy.

To what extent do you agree with the view that the rise in inflation seen in the UK in last 12 months reflects exchange rate pressures rather domestic strengths.

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**UK Car Registrations (12 Month Change):**



UK car registrations continue fall across the UK economy as the livings standards squeeze shows no sign of abating for the average UK consumer Data from October brought the fastest decline in car registrations since the credit crunch.

To what extent does this signal a sharp drop in confidence across UK consumers.

What impact is government policy on diesel cars affecting these figures?

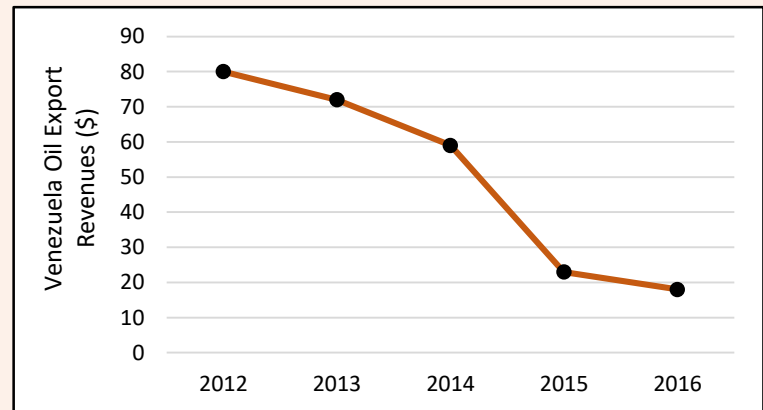
**Japanese Quarterly GDP Growth (%):**



Japan recorded its seventh consecutive month of positive quarterly growth in Q3 2017 to provide more evidence of a reviving economy. This represents the longest stretch of economic growth achieved by the third largest economy in close to two decades.

What impact has the Bank of Japan's monetary policy stance had on this growth?

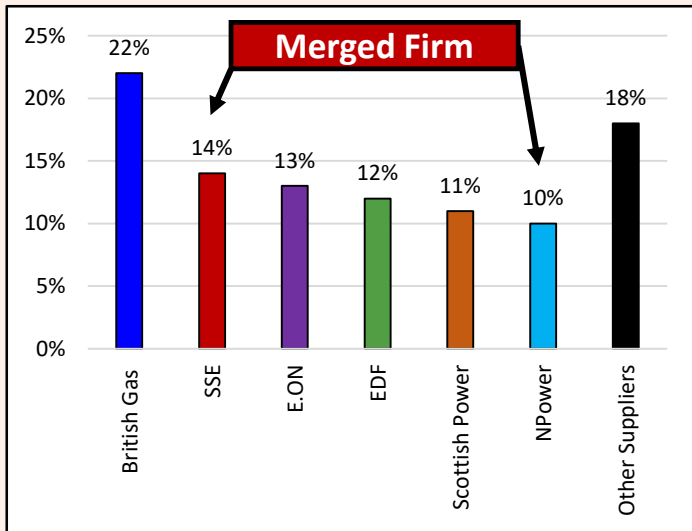
**Venezuela National Debt Crisis:**



The Venezuelan Government initially missed \$200m worth of interest debt payments on its national debt (\$160bn), which alarmed international credit agencies.

What impact will a debt default have upon ordinary Venezuelans?

## UK Energy Market Consolidation:



Two of the 'big six' energy firms in the UK have proposed a merger to raise efficiency.

What impact will this proposed merger in the UK energy market have on:

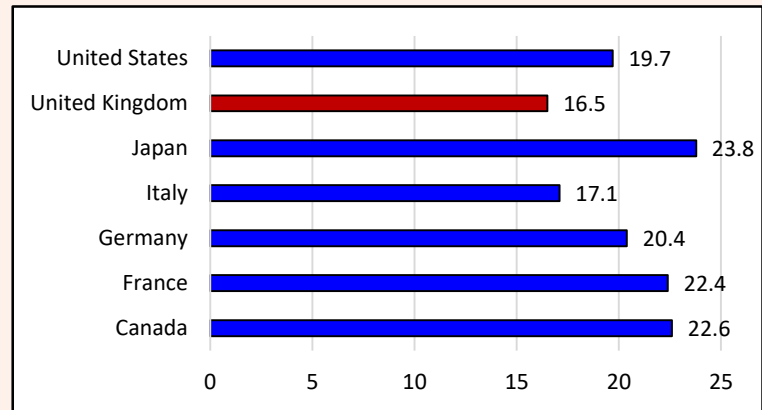
Firm Profits?

UK Energy Prices?

Rivalry Between Firms

In light of your answers, do you think the CMA will allow this merger to go ahead?

## Capital Investment (% of GDP):



Figures collected and produced by the ONS in November showed the UK invested the lowest proportion of GDP on capital investment in the G7 in 2016.

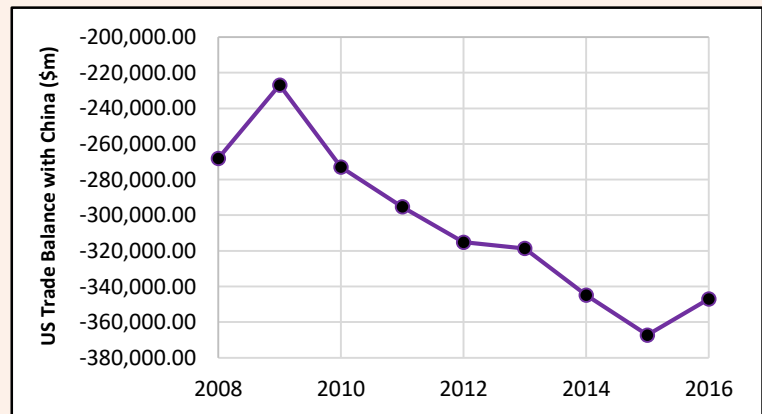
What is the sustained impact of this low level of investment on:

UK Real Wages

UK Productivity

UK Economic Growth

## US Trade Balance with China (\$m):



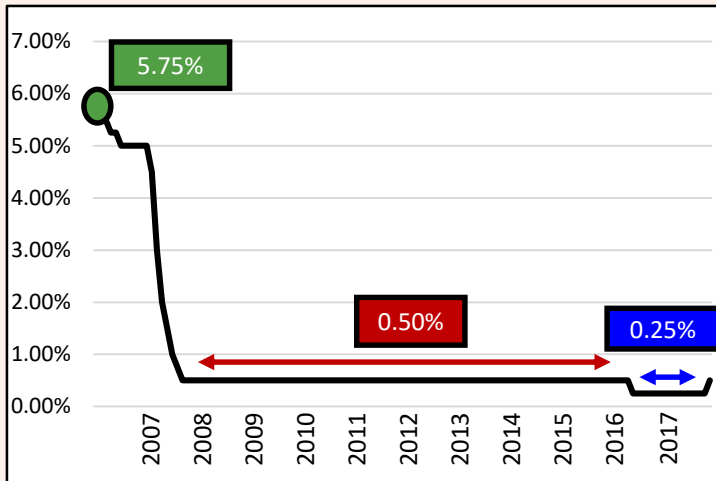
After Donald Trump completed his 12 day tour of Asia. Tough rhetoric has been aimed at countries such as China, Japan and South Korea. All of whom run a trade surplus with the US.

Who are the winners and losers of greater layers of US protectionism?



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## The Hawks have taken off!

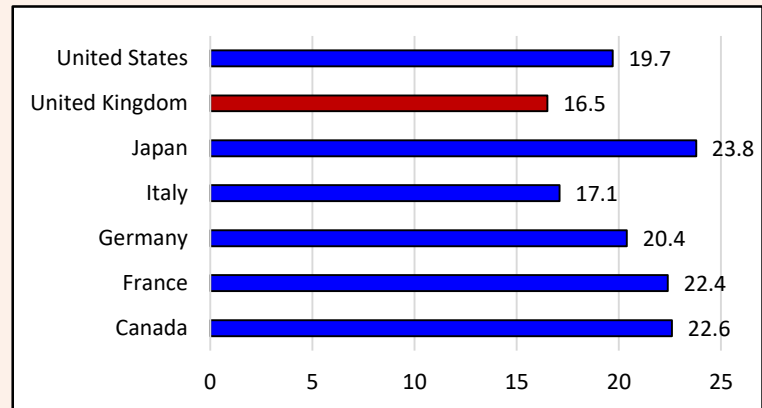


On the 2<sup>nd</sup> of November, the Bank of England raised interest rates, for the first time in a decade, by 25 basis points to 0.50% on Thursday. Many economists and investors have perceived this move as the slow end to the availability of cheap money in the UK.

What will be the expected impact of this bank rate rise on:

CPI Inflation Rate	UK Job Creation	Value of the Pound	UK Growth
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## Capital Investment (% of GDP):

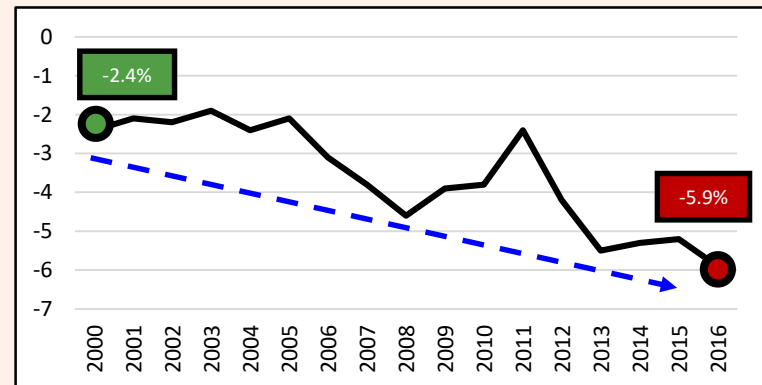


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What is the sustained impact of this low level of investment on:

UK Real Wages	UK Productivity	UK Economic Growth
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## UK Current Account Deficit (% of GDP):



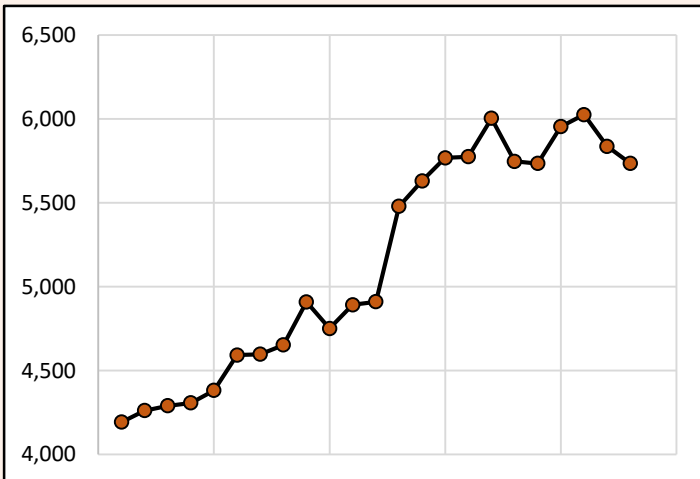
The ONS released data regarding the growing UK current account deficit. This fell to 5.9% of GDP in 2016 – largest deficit since records began in 1948!

Why is it important to express data items such as the current account as a percentage of GDP?

In light of the government's macroeconomic objectives, how much of a priority should reducing the current account deficit?

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Global Butter Prices (per metric tonne):

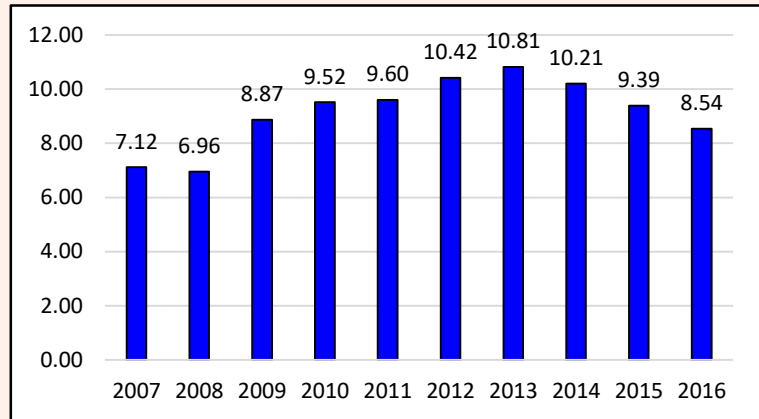


Global butter prices have tripled since mid-2015 as the end of EU milk production quotas resulted in reduced incumbent firm profitability.

Why has the end of the milk quota cause prices to rise?

How would we represent this on a D/S diagram?

Eurozone Unemployment Rate (%)



Eurozone unemployment (%) has fallen to its lowest level since 2009 in September 2017 to continue the recovery path of the region.

To what extent can the eurozone recovery be attributed to the ECB's QE programme?

The Weekly 5 is a collection of the five most interesting stories from the field of economics, released every Friday during term time. This is the perfect way to help kick-start class discussions for budding economists, as well as helping students develop their application skills.

Keep an eye out for the return of the Weekly 5 for the start of the new term in 2018!