

Phase 2: Economics

We hope you enjoyed discovering all about microeconomics. Phase 2 gives you the chance to explore **macroeconomics**.



Phase	Submission Deadline	Submission
1	Monday 21 st June	Email phase 1 work to Mrs Auld at jla@Hardenhuish.wilts.sch.uk
2	Wednesday 14th July	Print phase 2 work & bring to the induction day session.
3	Thursday 2 nd September	Bring phase 3 work to the first Economics lesson.



Phase 2 Tasks: Coroneconomics!

A Macroeconomic Investigation

Investigate the **macroeconomic** implications of Coronavirus & complete the tasks set on a word document. Approximately 1000 words. Bring this document on induction day.

Macroeconomics studies the choices made by governments & the consequences of those decisions. The UK government has four main macroeconomic objectives:

- Sustainable economic growth at 2%.
- Low unemployment at 3%
- Inflation at 2%.
- An improving balance of payments (selling more exports).

Study some macroeconomic implications of Coronavirus on some of the macroeconomic objectives & other factors. Then work through some tasks & questions.

Figure 1.

The UK economy returned to modest growth in February, but remains sharply below its pre-pandemic peak

105 monthly index, 2018 = 100

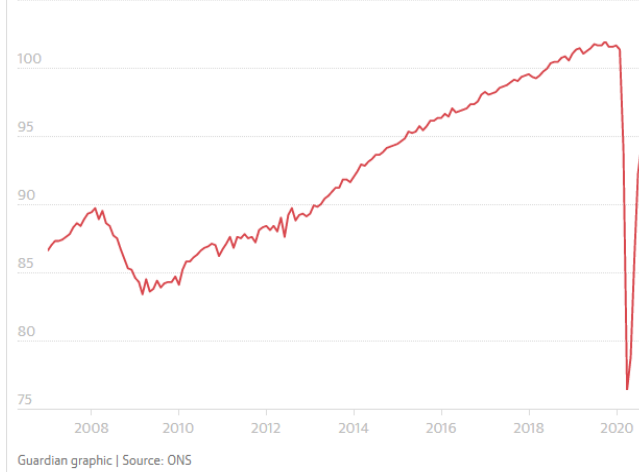


Figure 2.

The impact of coronavirus on stock markets since the start of the outbreak

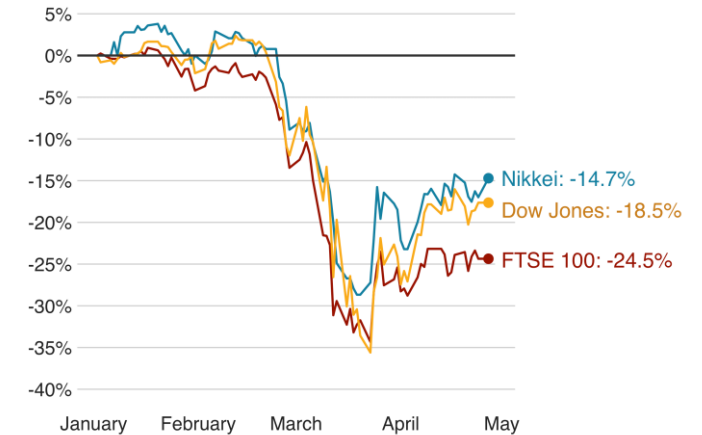


Figure 3.

UK unemployment rate at 4.9%

Dec 2020 to Feb 2021, percentage of economically active people aged over 16 who are unemployed

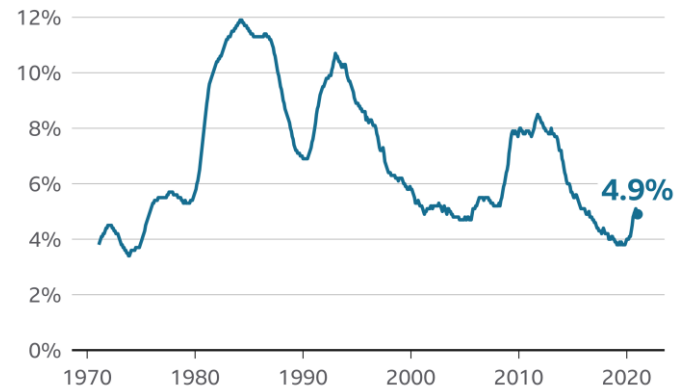


Figure 4.

US oil prices turned negative for the first time

Price per barrel of WTI



Phase 2 Tasks: Coroneconomics!

A Macroeconomic Investigation

Complete these tasks:

1. Define the following key macroeconomic key terms: Economic growth, Gross Domestic Product (GDP), unemployment, recession, stock market, & share price.
2. Graph 1 shows that UK GDP fell by 9.9% in 2020, meaning the UK was in a recession. Explain why the Covid-19 pandemic caused the UK to enter into a recession.
3. Graph 2 shows the UK's Financial Times Stock Exchange (FTSE) 100 Index, which is a share index of the 100 companies listed on the London Stock Exchange with the highest market value. The FTSE saw huge falls in the first few months following the Coronavirus outbreak began, as demand for shares has fallen. Giving examples to support, explain why demand for shares in some companies fell following the Coronavirus outbreak.
4. Graph 3 shows that the UK unemployment rate is at a four year high as it rose dramatically during the last year. Analyse why unemployment normally rises when economic growth falls. Explain what you expect will happen to the unemployment rate in the next six months?
5. Graph 4 shows that oil prices turned negative in the US in April 2020, as a result of decreasing demand for oil as people reduced the amount of driving they did. A negative oil price means that means oil producers are paying buyers to take oil as they are running out of places to store it. This was bad news for oil producing countries like Saudi Arabia & oil corporations like ExxonMobil. However, a low oil price might be good news for a country like the UK, & its businesses, explain why.

Extension Task:

The government uses fiscal policy to either improve or dampen an economy. Fiscal policy includes raising or lowering taxation e.g. income tax or VAT, or raising or lowering government spending, e.g. on healthcare or business grants.

If you had Rishi Sunak's job as Chancellor of the Exchequer, & were presented with the data on slide 11, what policy would you take regarding taxation & government spending.

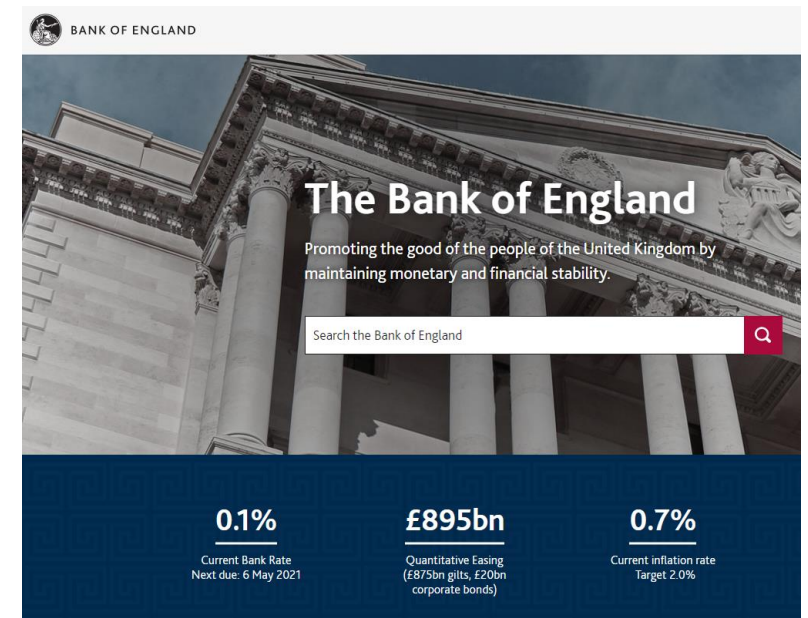
Engaging with Economics: Discovering More

If you want to find out more about the current macroeconomic state of the economy, take a look at some of these websites:

<https://www.bankofengland.co.uk/>

[Economy - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

Or search for the factor you are interested in e.g. UK economic growth on Trading Economics for a graph & current data. E.g. <https://tradingeconomics.com/united-kingdom/gdp-growth>



BANK OF ENGLAND

The Bank of England

Promoting the good of the people of the United Kingdom by maintaining monetary and financial stability.

0.1%
Current Bank Rate
Next due: 6 May 2021

£895bn
Quantitative Easing
(£875bn gilts, £20bn corporate bonds)

0.7%
Current inflation rate
Target 2.0%



Economic output and productivity Manufacturing, production and services indices (measuring total economic output) and productivity (measuring efficiency, expressed as a ratio of output to input over a given period of time, for ...	Environmental accounts Environmental accounts show how the environment contributes to the economy (for example, through the extraction of raw materials), the impacts that the economy has on the environment (for ...	Government, public sector and taxes How the relationship between UK public sector income (including taxes) and expenditure (both on investment and on the day-to-day running of government) lead to changes in deficit and debt.
Gross Domestic Product (GDP) Estimates of GDP are released on a monthly and quarterly basis. Monthly estimates are released alongside other short-term economic indicators. The two quarterly estimates contain data from all ...	Gross Value Added (GVA) Regional gross value added using production (GVA(P)) and income (GVA(I)) approaches. Regional gross value added is the value generated by any unit engaged in the production of goods and ...	Inflation and price indices The rate of inflation is the change in prices for goods and services over time. Measures of inflation and prices include consumer price inflation, producer price inflation and the House Price Index.
Investments, pensions and trusts Net flows of investment into the UK, the number of people who hold pensions of different types, and investments made by various types of trusts.	National accounts Core accounts for the UK economy as a whole; individual sectors (sector accounts); accounts for the regions, subregions and local areas of the UK; and satellite accounts that cover activities ...	Regional accounts Accounts for regions, sub-regions and local areas of the UK. These accounts allow comparisons between regions and against a UK average. Statistics include regional gross value added (GVA) and ...