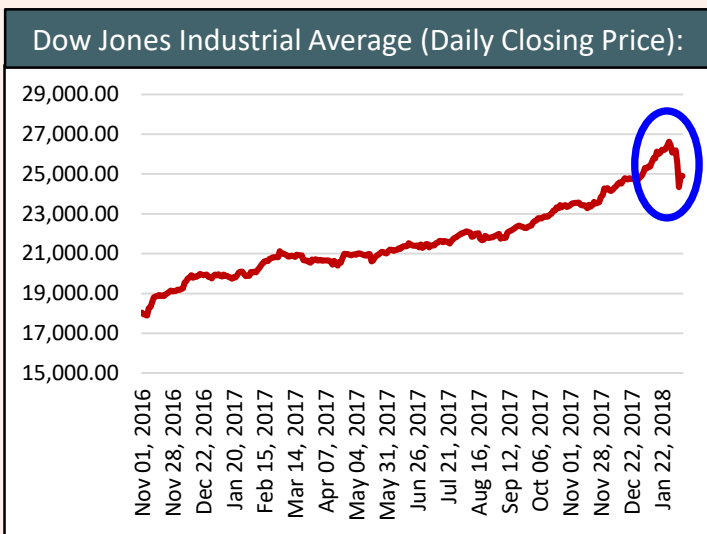


Here are the five economic stories which have caught our eye this week:



What Goes Up Must Come Down:

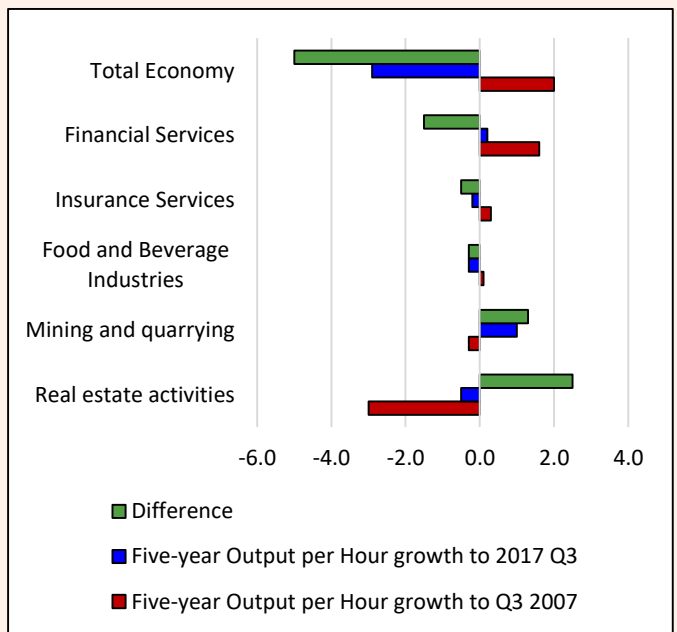


It has been a turbulent week for stock markets this week as investor expectations of higher interest rates start to gather pace. US stocks experienced their worst losses since 2011 – falling by 4.6% on Monday. Similar losses have been recorded across the global economy, with the worst falls in Asia and Europe. Despite these losses, market analysts are calling this a healthy ‘correction’ to markets, as the global economy rebalances away from low interest rates.

Explain the chain of reasoning which explains why faster than expected growth in US wages has contributed to this investor sell-off.

Using a diagram, explain the expected impact of a fall in the stock market on US bond yields.

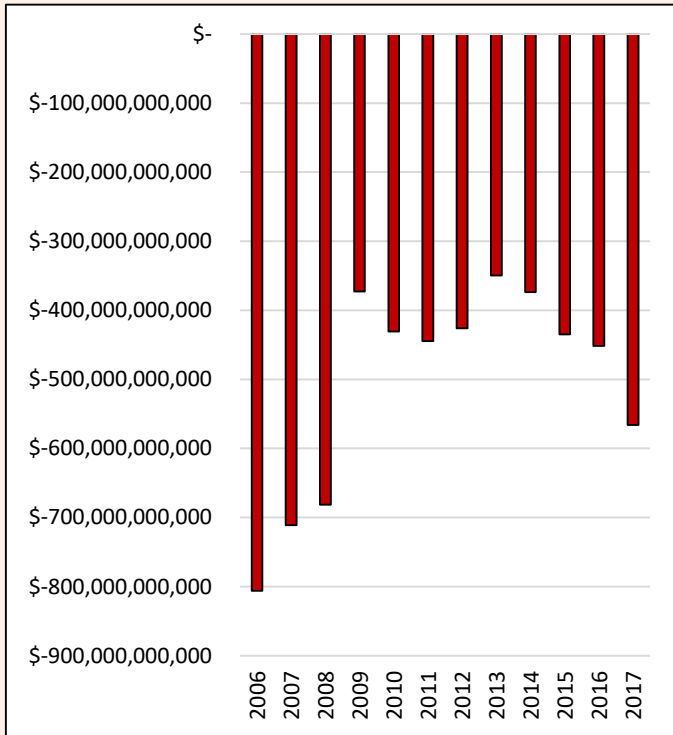
UK Productivity Puzzle:



The ONS produced a report this week that looked into explaining the influential factors behind the UK’s sluggish productivity growth. The research concludes that weak levels of UK productivity has emanated from workers switching from efficient industries such as mining and aviation to industries in the services sector where productivity performance is weak.

Discuss some of the reasons why productivity growth in the services sector often lags behind more traditional manufacturing industries.

US Trade Deficit Fears:



New data was released this week on the US current account deficit. The data showed that the US trade deficit in goods and services increased by 12.1% from 2016's level – the highest level since the 2008 financial crisis (\$566bn). This data comes despite the strong rhetoric that has been coming from President Trump on the subject of re-writing America's trading relationship with the rest of the world. Many economists attribute the strong economic performance of the US economy as the main factor behind this trade outlook.

Using a diagram, explain why the latest US deficit figures partly reflect stronger macroeconomic conditions in the US.

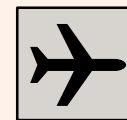
UK Brexit Analysis:

Government Region	Single Market	Free Trade	No Deal
East Midlands	-1.80%	-5%	-8.50%
Eastern	-1.80%	-5%	-8%
London	-1%	-2%	-3.50%
North-East	-3%	-11%	-16%
North-West	-2.50%	-8%	-12%
South-East	-1.50%	-4.50%	-7.50%
South-West	-1%	-2%	-5%
West Midlands	-2.50%	-8%	-13%
Yorkshire and Humber	-1.50%	-5%	-7%
Northern Ireland	-2.50%	-8%	-12%
Scotland	-2.50%	-6%	-9%
Wales	-1.50%	-5.50%	-9.50%
UK	-2%	-5%	-8%

A UK Government report that analyses the growth impact of Brexit under three different scenarios was leaked earlier on in the week to highlight the negative growth implications of leaving the EU on different parts of the UK.

Explain why the North East of England might be the worst hit region if the UK fail to get a deal with the EU.

Will the Third Runway ever take off?



The argument over whether to build a third runway at Heathrow airport took another twist this week. The owner of British Airways (BA) has criticised the airport for its projected £17bn expansion plan, suggesting that the spiralling cost will be passed down to customers and commercial airlines in the long-run. The company has suggested that Heathrow's monopoly over its terminals and commercial facilities should be broken up.

Do you agree with the view that airports can be defined as natural monopolies?

What impact would allowing third parties to design, build and run commercial facilities at Heathrow have on the market?