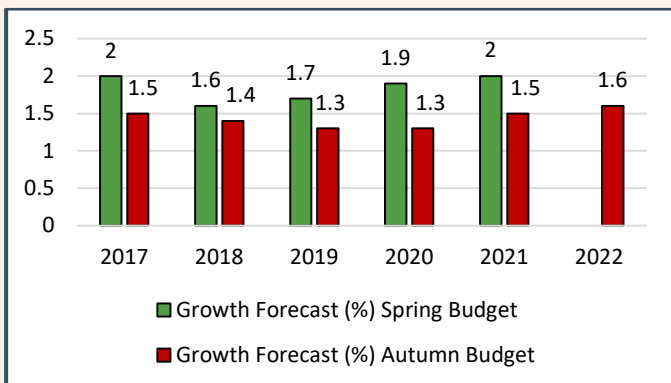


Here are the five economic stories which have caught our eye this week:

# 1

## 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.

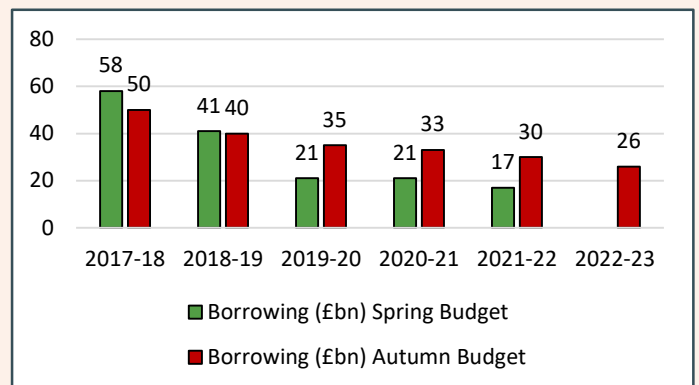
What expected impact will this have on UK tax receipts?

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



# 2

## 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 midst of a low interest rate environment?

24/11/17

# 4

## 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.

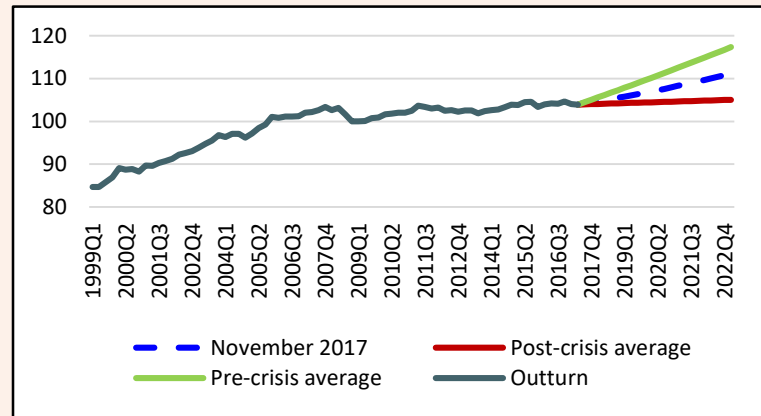
Impact on demand for UK homes?

Impact on supply for UK homes?

Is this a long-term policy solution to solve the problems in the UK housing market?

# 3

## 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 living standards?

# 5

## 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 have a negative impact on potential first-time buyers via higher prices (0.3%) within the first year.

Evaluate the impact of the expected price changes on both first-time buyers and existing property owners?