

Ahead of the return of the **Weekly 5** next week, we have compiled a neat round-up of some of the economics stories that you may have missed whilst you were away on your holidays, with external links for further reading on each topic. Whether you are a first year student or a student returning for your second and final year of study, it is important to stay up to speed with the latest events in the world of economics.



### UK GDP GROWTH STALLS

Fears of a recession began to gather round the UK economy as a result of the publication of the UK's Q2 growth figures for 2019. Data from the ONS indicated a 0.2% contraction in economic activity between April and June. This downturn effectively offset the upturn in Q1 because of UK firms' decision to unwind stockpiles built up in anticipation of Brexit on the 23<sup>rd</sup> of March. This is a great example of the cyclical nature of economies and why we need to look beyond the raw numbers and focus on the economic setting instead.

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### SUPERMARKETS "MISLEADING" DEALS

UK supermarkets have been warned to stop advertising "misleading" deals that promote savings discounts to customers to create the illusion of price savings, when in fact, those deals do not necessarily create a legitimate saving. Supermarkets have regularly used pricing strategies to psychologically tempt customers in to making impulse purchases. A lot of these strategies have been developed by firms that have gone into partnership with analytics companies that help apply the concepts of behavioural economics to mine consumer behaviour and shopping habits.

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### UK SPENDING PLEDGES

The political storm sweeping through Westminster shows no sign of relenting as the UK approaches the cut-off date of its existing relationship with the EU. However, behind the prominent EU debate lie a series of domestic policy pledges that will attempt to turbocharge UK growth. A spending review has already promised to channel more investment into the public budgets of schools, hospitals and care homes, with future spending commitments made on broadband infrastructure.

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### US INTEREST RATE CUT

The US central bank cut interest rates in July for the first time since the initial shocks of the 2008 Financial Crisis began to take hold. This only represented a small cut by 0.25%, but it represents a symbolic retrenchment from the world's largest economy. The US began to see a strong performance in growth after a series of audacious tax cuts and infrastructure plans to stimulate the economy, but now there is a sign that growth is levelling out once again. US interest rate policy affects the relative attractiveness of the US market for investors, as well as the strength of the US Dollar.

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### US-CHINA TRADE WAR

The US-China trade war continues to rumble on in the background, with the effects on China's trade performance beginning to show. Chinese exports to the US have fallen significantly as tariffs continue to put off US consumers and businesses. Over the summer, China used its managed exchange rate system to devalue the Yuan to offset the effect of US tariffs on their goods. The US has continued to threaten to escalate tariffs unless China vows to address the large trade imbalances between the two economies.

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### UK REAL WAGE GROWTH

The UK's impressive record in the labour market continued over the summer, with the latest release indicating that earnings after inflation (real wages) have reached their highest level in just over a decade (3.9%). Wages are being driven up by the tight nature of the UK labour market (Unemployment rate is at a four-decade low), whilst inflation has been subdued due to moderate growth in GDP. The faster wages outstrip inflation, the greater the purchasing power of consumers in the country.

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### HS2 GOVERNMENT REVIEW

The UK government has announced a review into the high-speed rail infrastructure project, HS2. The project aims to connect four of the UK's main metropolitan cities via a new rail route to improve the speed of those inter-city journeys, as well as providing more rail capacity for freight travel. The project's overall cost has spiralled to close to £90bn and the completion date has been put back by at least 5 years. The government needs to assess whether the economic benefits of mobility and efficiency gains is outweighed by the financial and environmental costs.

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### RECORD REMITTANCES

A host of different sources are forecasting that 2019 will be the year when inflows from remittance payments to developing economies becomes the biggest source of financial funding for these countries. These payments represent the funds that workers abroad send back to their families back home. These payments attempt to improve living standards of impoverished citizens and, in turn, strengthen the health of the economy at the same time. However, the cost of these money transfers are important to consider especially when compared to productive FDI.

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### ARGENTINA CURRENCY CONTROLS

The South American country has been battling against a crippling financial crisis and the government has tried to intervene to avoid a repeat of the Peso crisis in 2001. The country has experienced a deepening crisis after markets were spooked by the political potential of a pro-business President being replaced by a state-driven alternative. The government tried to prevent the currency from sliding further by blocking foreign currency purchases using the Peso. This is important as two thirds of Argentinian debt is held in US dollars.

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