

Findings, analysis and interpretation

Example 1

Topic – the impact of COVID-19 in the UK economy

Findings, analysis and interpretation

According to the Office of National Statistics⁴, ‘accommodation and travel agency businesses saw the sharpest decline in turnover during the first national lockdown, falling to 9.3% of their February levels in May 2020.’ Accommodation and travel agencies are part of the tourism sector. This shows that the tourism sector lost revenue because of the decrease in demand for transport to the UK and the decrease in accommodation in the UK during the lockdown. This decrease in revenue for the tourism sector can result in less profit and decreased workers wages. A decrease in demand causes a shift to the left in the demand curve on the demand and supply diagram as shown below. Due to the decrease in demand, accommodation and travel agency companies in Scotland will decrease the price of hotel rooms and holidays to meet the demand at the new equilibrium. The decrease in revenue contributes to the decrease in the UK’s GDP as the tourism sector contributes to a significant amount of the UK’s GDP. GDP is defined as gross domestic product and is the total value of the goods and services produced in a country in a year.

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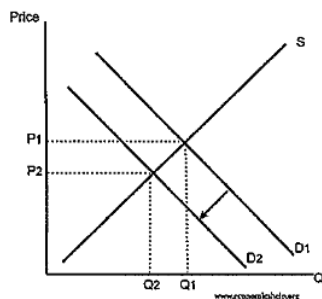
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<https://www.ons.gov.uk/businessindustryandtrade/tourismindustry/articles/coronavirusandtheimpactontheuktravelandtourismindustry/2021-02-15>

[According to the BBC⁵, 'the unemployment rate - for January to March, when most of the restrictions were still in place - was 4.8%.] Many people were unemployed during this time. [This means that the unemployed workers will lose their purchasing power and their standard of living will decrease.] The unemployed workers would also have reduced efficiency as an unemployed worker loses his skill, fitness and motivation. [Unemployment is categorised as those who are actively seeking work but are unable to find a job.] Unemployment is measured by the Labour Force Survey and the Claimant Count. [The effect of this unemployment on the economy means that the real GDP will fall due to the lost output.] This also means reduced taxation revenue for the Government as the Government will have a fall in revenue from income tax and taxes on consumer spending.]

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[According to the Resolution Foundation⁶, 'The World Trade Organisation has estimated that global trade is likely to fall between 13 and 32 per cent'.] [The fall of this global trade could cause less access to medical supplies and a general decline in economic activity which may lead to recession.] A recession is defined as a 'significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales.'

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[According to the Guardian⁷, 'Britain's economy is on track to suffer more than £700 billion of lost output caused by Covid-19.'] This once again means the economy is going through a recession due to an economic shock which is the COVID-19 pandemic. [This recession was also caused by the large decrease in business.]

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⁵ <https://www.bbc.co.uk/news/business-52660591>

⁶ <https://www.resolutionfoundation.org/app/uploads/2020/04/The-economic-effects-of-coronavirus-in-the-UK-fast-indicators-8th-ed.pdf>

⁷ <https://www.theguardian.com/business/2021/may/10/uk-economy-to-suffer-700bn-output-loss-due-to-covid-and-brexit-thinktank-warns>

[According to the London School of Economics⁸, 'the UK economy's growth contracted by 9.8% in 2020'] This means the UK experienced negative economic growth (recession). [Negative growth can be caused by decrease in quality of labour, decrease in entrepreneurship and decrease in improvement of technology.]

[Recession causes unemployment to rise. This is because if there is less demand for goods and services, firms will produce less and therefore will need less workers.]

[According to Economics Observatory⁹, 'firms in all sectors reported a large reduction in sales, which was close to 60% in recreational services', during the first year of the pandemic.] This means that all these sectors lost a significant amount of revenue due to the decrease in demand because of the inability of customers being able to use the services. As there is a large reduction in sales, firms' profits will fall.

[As there is less demand for goods and services, this will lead to less jobs being available in firms, therefore increasing unemployment.]

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<https://blogs.lse.ac.uk/businessreview/2021/07/05/the-impact-of-covid-19-restrictions-on-uk-growth-and-the-benefits-of-full-inoculation/>

⁹

<https://www.economicsobservatory.com/update-which-firms-and-industries-have-been-most-affected-by-covid-19>

FAI 12/12

Theory 3/3

Example 2

Topic – what impact do multinationals have on the UK economy?

Findings, analysis and interpretation

[The IG news website (Source 1) showed the biggest multinational companies that are based in the UK it also showed that the UK economy is currently the sixth largest in the world behind some of the biggest countries economically in the world such as USA, China and India. The source goes into detail about the different sectors the multinationals sit in such as Unilever which is the biggest multinational in the UK as of 2021 with the market cap of 113.85 billion sits in the food and Tabaco sector. Unilever own over 400 brands as of 2021] with a lot of jobs to offer following that. [This impacts the Uk economy a lot as it gives jobs to the economy which therefore reduces unemployment in the UK then boosting the economy] [However, this also means that t local firms cannot compete with these multinationals then possibly putting them out of business for good, another disadvantage to the Uk economy of having these big multinational businesses is that it may use up A lot of natural resources and this is not good as they are non-reusable and then in turn the Uk local population will not be able to use them.

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These disadvantages of multinationals in the Uk economy are that with these multinationals using up natural non-reusable resources they may also cause

unemployment in local businesses despite also making them with new job opportunities.]

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The warwick.ac.Uk website showed that multinational companies only make up 0.4% of the total jobs in the UK there are currently as of 2022 5.6 billion companies in the UK and out of the 5.6 there are only 2148 multinational companies. These jobs created in the UK may influence other companies abroad to come over to the UK. Multinationals such as unilever the number 1 multinational is making a lot of income and companies feed on income. Countries such as America, China and India with big companies that affect the world with firms such as apple and amazon. China have shares in almost over 100 of the biggest companies in the UK including some big multinationals such as Tesco, [these investments made by other big countries may influence other multinationals to go from their country to the UK as it has bigger suppliers and more demand.]

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Multinationals companies that have disadvantages on the UK are the firms that take up jobs and destroy environment sometimes these multinationals don't even benefit the UK despite being based in it, sometimes these multinationals make profit, and the profit doesn't stay in the economy and or go to the UK economy therefore having a negative impact on the UK. Other potential drawbacks of having MNCs in the UK are that some MNCs may not feel obliged to meet the UKs expectations and may act socially irresponsible then therefore making a bad reputation on multinationals traveling to the UK. [From this source <https://www.dividend.com/how-to-invest/bad-for-your-health-good-for-your-portfolio/> there are examples of irresponsible multinational such as Coca cola, British American tobacco and Pepsi. British American tobacco although being one of the biggest multinationals currently during 2022 they are also one of the most irresponsible.] They are said to have high returns and bad revues and it is hard to defend a firm like this from a health Vue as smoking is one of the biggest killers we know to this day.

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Theory 0/3

Example 3

Topic – what are the causes of high inflation, and what impact will it have on the UK economy?

FINDINGS, ANALYSIS, AND INTERPRETATION

[The BBC article stated that in 2021 prices rose by 5.5% on average [3.1].	F
This means that inflation has risen almost 5% in the previous year.	
[Inflation is defined as the general and persistent rise in the price of goods and services over a period of time usually a year. [This means that individuals will need to spend more on purchasing goods and services]	Th
and [will not be able to save as much money as they may have done previously.]	A
Individuals may not be able to afford certain luxury items or even some of their basic needs. [With this decrease in savings individuals may not be able to afford a down payment on a first property, making them unable to get onto the property ladder.]	A
[As individual's discretionary income falls, firms' revenues and profits will decrease.]	A DEV
This will cause economic growth to slow. Economic growth is defined as an <u>increase in the percentage change</u> of Gross Domestic Product over a period of time.	A max
[The Guardian article stated that firms are expecting to award pay rises of 3% [3.2], which is still below the rate of inflation.]	F
[This means that real term wages are actually falling.] The term 'real' means that inflation has been taken into account. [This means that individual's standard of living will fall.]	A
This means that they may not be able to purchase the same goods and services as they may have done previously. ^{REP} [Individuals may demand pay rises from the firms that they work for. If firms award the	A
pay rises but also want to maintain their profit margins they will need to	

<p>increase their prices.] This may cause wage-price spiral inflation. Wage-price spiral inflation is the economic phenomenon where individuals receive pay rises, but in turn the prices of goods and services increase. As a consequence, inflation increases at an almost uncontrollable rate.</p>	A
<p>[The Guardian reported that households will be paying 54% more on energy bills in 2022.] The average household will be paying £2000 a year to heat and light their homes.] The rise in the price of energy has been one of the main drivers of inflation. [This increase in energy prices means that the average household is paying £700 more on energy compared to last year.] This increase in prices will mean that individuals will need to make choices. Individuals may need to decide whether they wish to heat their homes or feed their families.] This will cause an opportunity cost. [Opportunity cost is the sacrifice of the next best alternative forgone.] This is a huge sacrifice for many households, who simply do not have this much money extra available. [This increase in prices will mean that many households will have to purchase cheaper alternatives to goods they are used to. For example they may need to start shopping at budget shops instead of high end counterparts.]</p>	F F F A Th A max
<p>[The House of Commons Library said that the increase in the cost of living would disproportionately affect low-income households [3.4] This means that low-income households are spending higher percentages of their incomes on their basic needs compared to high-income households. [Therefore inflation has a higher impact on low-income households. This means that members of low-income households could fall behind on rent or repayments on a mortgage.] [This could cause them to become homeless.]</p>	F max A max A max

[This graph (see appendix 3.5) from the Office for National Statistics shows that Housing and Household services contributed the largest portion to the rate of inflation January 2022 at 1.37%. Included in this section are energy, gas, and other household services.] This means that individuals will need to pay more for these goods and services. This means that they will not be able to purchase other goods and services and may need to sacrifice luxury items. [This means that the government will receive less tax revenue through VAT.] [This means that the government will need to cut back on spending if they do not want to increase taxes.] This cut in spending could mean that our National Health Service could become underfunded and collapse. [However if the government choose to increase direct taxes, consumers discretionary incomes will fall.] A direct tax is a tax that changes depending on your income. In turn demand will fall and firms' profits will decrease.

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Theory 2/3

Example 4

Topic – how does the increase in inflation affect the UK economy?

Findings and Analysis

According to source 3, inflation reached a 30 year high of 5.4%, measured by the CPI. The 5% inflation that the Bank of England had predicted for April 2022 arrived almost 6 months early. The consequences of this large rate of inflation would be a decrease in purchasing power for individuals and households and this would lower the standard of living for individuals and households within the UK. In addition, this 5.4% rise in inflation is hitting the poorest families far worse than the richest, due to soaring costs of essentials such as gas and food, which further increases inequality within the UK in particular the housing market. As well as a lower standard of living and increased inequality, source 3 states that 98% of our clothes are made abroad, and that the UK is much more dependent on what happens elsewhere in the world than it was 50 years ago. I feel that the UK is not self-sufficient and this means that in.

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Source 1 states that the main reason why prices, and therefore inflation, are rising now is due to the rising global price of energy. This rise in energy prices means that there are higher costs of energy and transport bills for businesses, who then have to increase their prices to maintain profit margin or make workers redundant to lower their costs and this then lowers the standard of living for consumers, and increases the level of unemployment within the UK. This then leads to a decrease in government spending as the government is spending more on benefits for unemployed people and this takes away potential investment from education and the NHS. In addition to rising global energy prices, source 1 also states that supply issues and high shipping costs are also harming UK businesses. As COVID 19 has destroyed global production of many manufactured goods this has led to very limited supply for goods and services however with people becoming vaccinated and businesses reopening the global demand for products is extremely high, but supply is limited so businesses are struggling to be able to obtain products to match the short-term demand.

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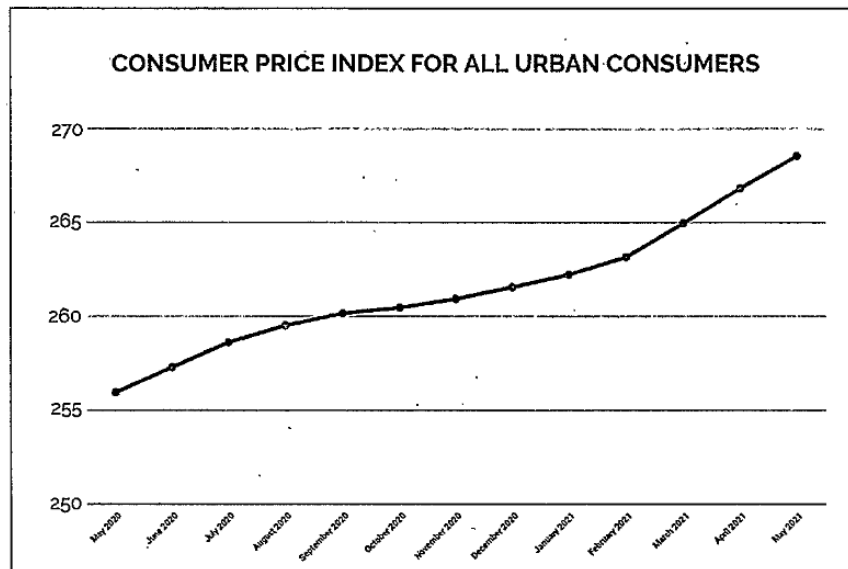
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According to source 2, the main reasons why inflation has increased are energy prices and the cost of used cars. Due to the COVID 19 pandemic, the world's supply chains have taken a huge hit, and therefore, there are massive delays in the global production of motor vehicles, and this is leading to a 29.7% spike in the prices of second hand cars, vans and other vehicles. This spike is increasing inequality within the UK as many people cannot afford to pay these increased prices, or wait for the delays in car manufacturing. Source 2 also states that energy costs will rise by 28.5% in 2021. The reason for these large increases in the cost of energy and used vehicles is because factories and businesses were closed in 2020 during the lockdowns, and production came to a halt. But as the economy began to open, and people were getting vaccinated, the factories could not generate the raw materials or products needed for such large-scale, short term demand.

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[Source 4 states that Britain's cost of living crisis has jumped to 5.4%, and is driven by higher costs of clothes, food and footwear. The Bank of England expects the CPI to rise to 6% in April; however, experts claim that it could potentially be 7% unless the government decides to invest heavily in the energy sector.] This large and seemingly uncontrollable increase in inflation is extremely detrimental to the UK and its residents, many of whom are struggling post-COVID 19, and cannot afford to pay these increases in energy bills, food and clothing, all of which are essential and necessary. [The 'Guardian' also states that the speed of the increase in inflation has taken forecasters by surprise, and that last month the Bank of England said it expected inflation to peak at 5%, but not until April next year.] [Source 5 says that a big contributor to this rapid increase in inflation is transport costs. Petrol prices rose by 5.1% month on month to reach a record high.] These large increases in prices of petrol prices are leading to increased cost of production for businesses, who are already struggling from the COVID 19 pandemic, and therefore, businesses have to increase prices to be able to cover the increase in their cost of production. This results in products being less accessible to consumers, whose disposable income will be decreased, which in turn decreases their standard of living.

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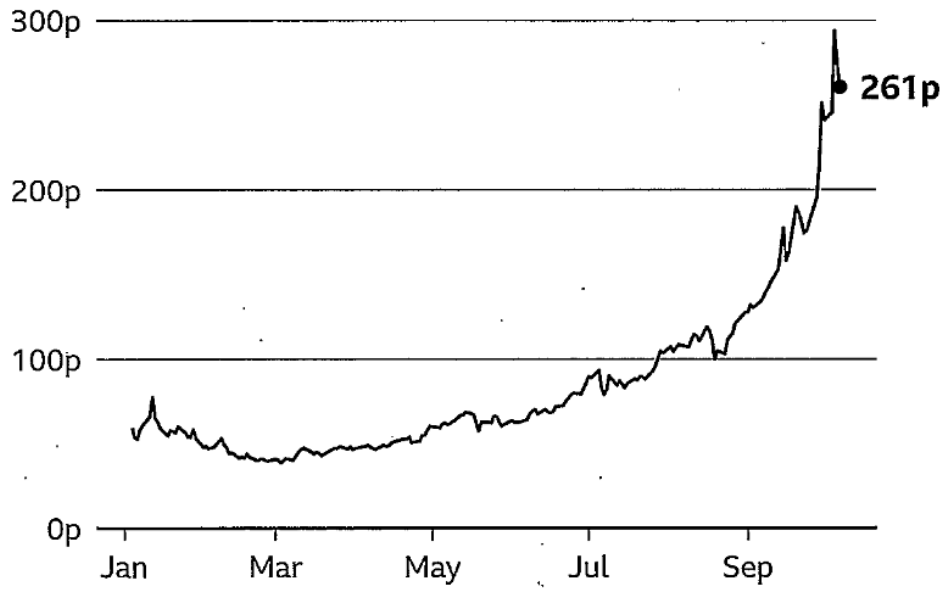
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Gas prices have soared in the last year

Price per therm in 2021, pence



Source: Bloomberg. Last update: 7 October 11:30 BST



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Theory 0/3

Example 5

Topic – what impact will the minimum unit alcohol price have on the Scottish economy?

