

OCR Economics A-level

Macroeconomics

Topic 2: Economic Policy Objectives

2.6 Trends in Macroeconomic Indicators

Notes

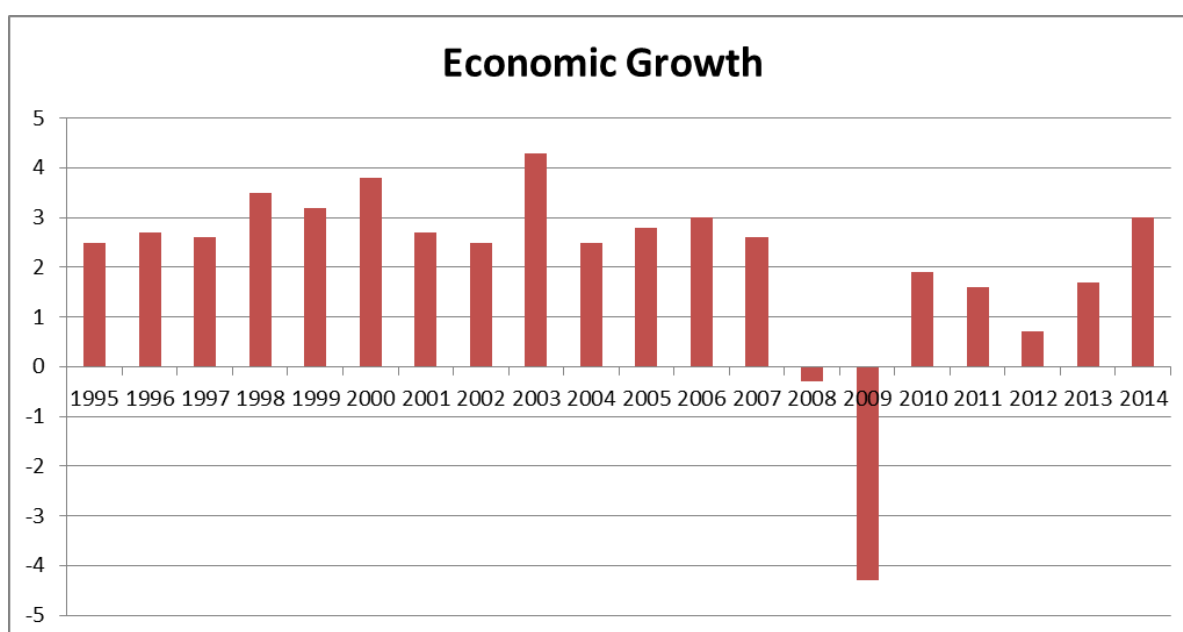
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Trends in UK macroeconomic variables in the last 20 years

All data in these notes have been adapted from the ONS. More can be found at <http://visual.ons.gov.uk/uk-perspectives-trends-in-the-uk-economy/>.

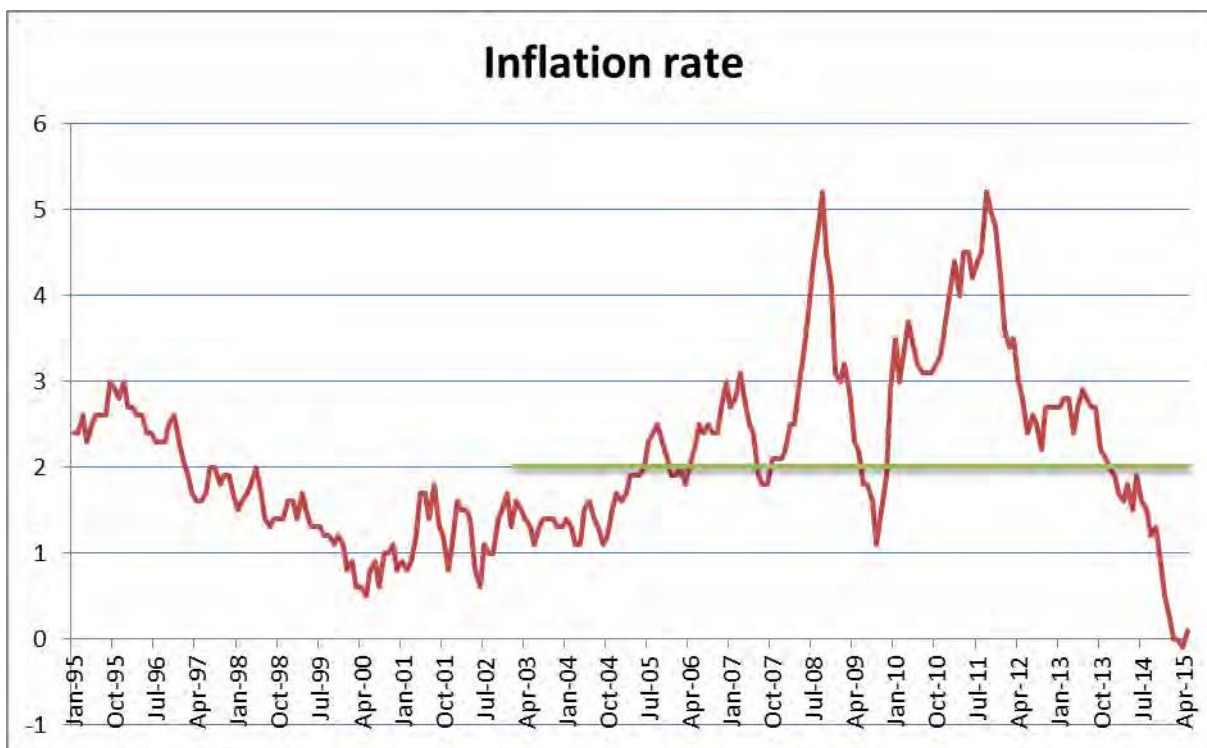
Economic growth



Generally, the UK has experienced economic growth over the last 20 years. From the chart, it can be seen that output fell significantly after 16 years of economic growth during the financial crisis of 2008.



Inflation



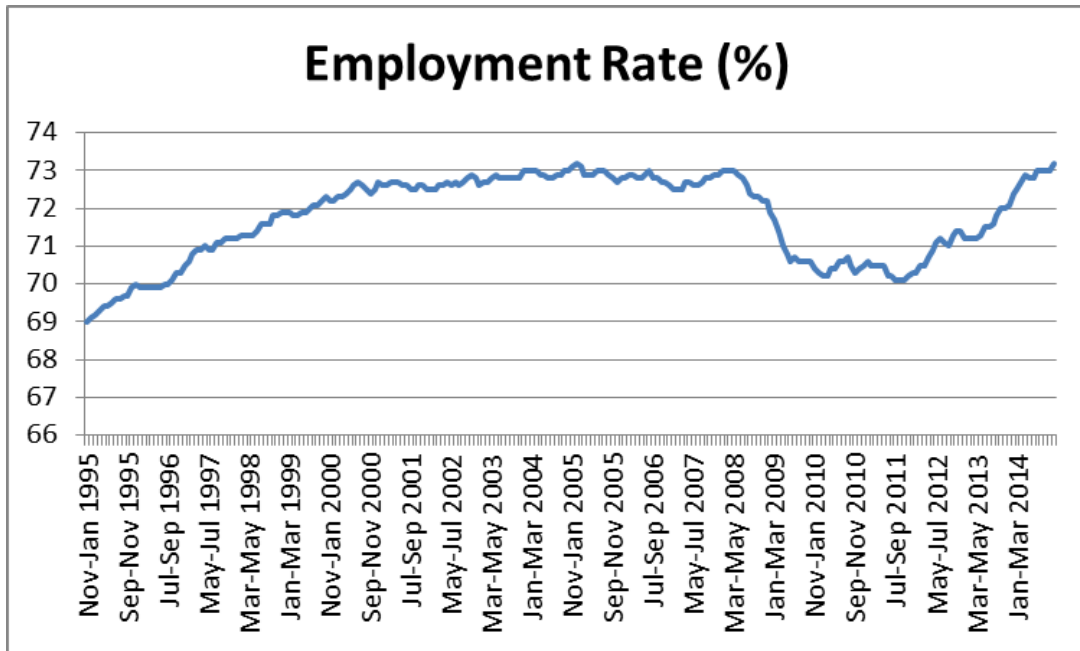
The red line shows the rate of inflation in the UK over the last 20 years. The green line shows the Bank of England inflation target, which has been set at 2% since switching to CPI in 2003.

The UK experienced a short period of deflation in April 2015, when prices fell by 0.1%. The time prior to this that the UK experienced deflation was in the 1960s.

Shortly after the financial crisis, the UK experienced high inflation from 2010 to 2011, with prices rising by 5.2% at the peaks in September 2008 and September 2011.

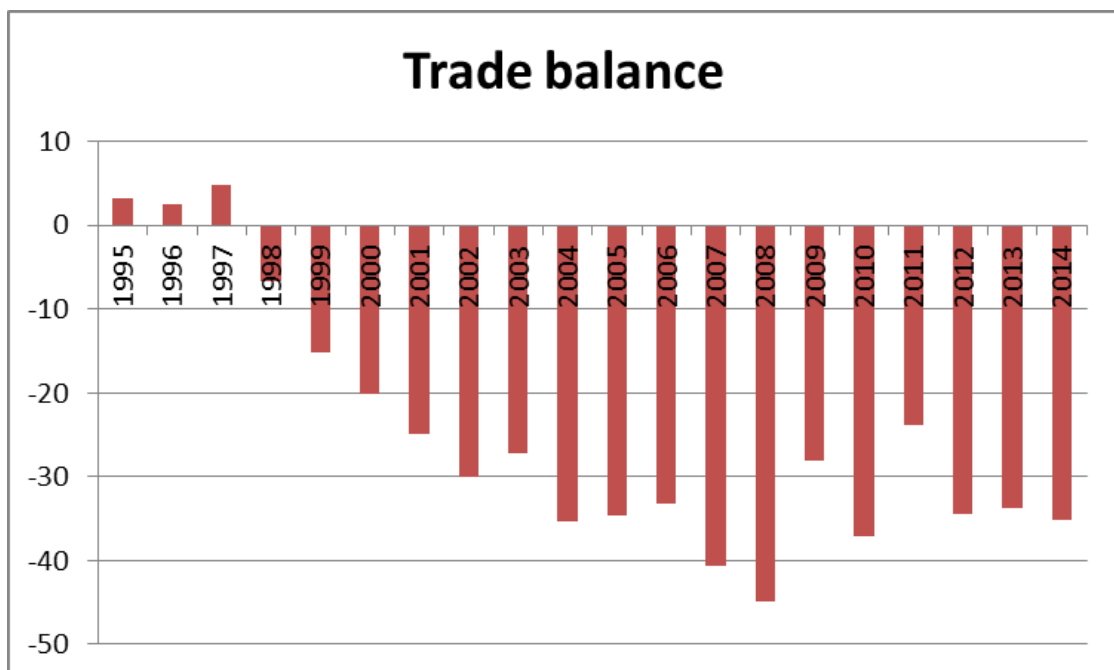


Employment



The graph shows the employment rate for people aged 16-64 between 1995 and 2014. In December 2014, the employment rate peaked at 73.2%. As the graph shows, the employment rate fell during the period of the financial crisis. After the start of the crisis, the employment rate fell to 70.1%.

Balance of Payments



The UK is a net importer of goods and services. Over the past 20 years, a trade deficit has been run for the majority of the time. Both imports and exports have grown, although imports grew more than exports since 1998. The UK has a trade deficit in goods and a trade surplus in services.



Evaluate the current performance of the UK economy compared with other developed economies, emerging economies and developing economies

In 2014, the UK grew faster than the US, Canada, Germany, Spain, France, Japan and Italy. The UK grew by 2.6%, whilst the next fastest growing was the US at 2.4%.

In 2012, the UK had the world's eighth largest economy in terms of nominal GDP. In the G7, the UK had the fourth highest GDP per capita.

The IMF expected global growth in 2014 to be 3.3%, whilst the UK was predicted to grow by 3.2%. In 2015, the global growth rate is predicted to be 3.8%.

China, India and Brazil, which are important emerging markets, were projected to contribute to half of global growth in 2013.

In 2012, the UK had a GDP of \$2.47 trillion, whilst China had a GDP of \$8.23 trillion. Mexico and Indonesia had GDPs of \$1.18 trillion and \$0.88 trillion, respectively. It is estimated that by 2050, Mexico and Indonesia will overtake the UK. Mexico is projected to have a GDP of \$6.95 trillion, whilst Indonesia is estimated to grow to a size of \$6.04 trillion. The UK is estimated to have a GDP of \$5.69 trillion. China is estimated to become the world's largest economy at a size of \$52.62 trillion. (Data adapted from <http://www.bbc.co.uk/news/magazine-25548060>)

