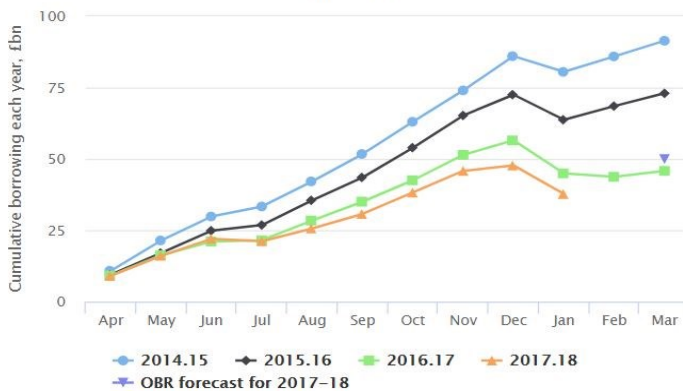


THE LATYMER ECONOMICS BULLETIN

Week Beginning 19/2/18

The deficit is shrinking each year

Source: ONS



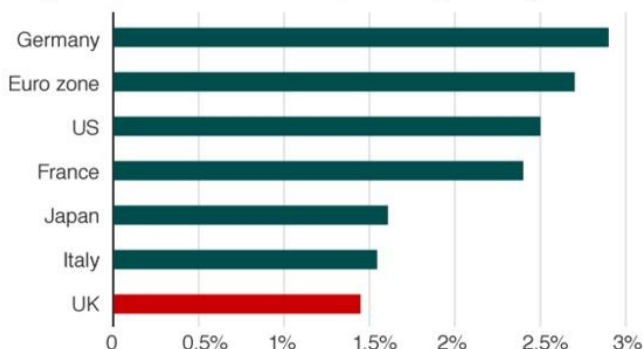
Deficit falls faster than expected



Glencore profits explosion

UK now last among major economies

GDP growth, Q4-on-Q4 annual percentage change



UK economic growth revised downwards

Deficit falls faster than expected

What's going on here?

Philip Hammond, the chancellor, has been given a boost by rising tax revenues, which could mean that government borrowing, may fall this year. The amount that the government borrows is equal to the budget deficit for a particular year. This month has seen pay-as-you-earn (PAYE) income tax revenues rise to £13.1 billion, thanks to rising employment. This financial year, the government has borrowed £37.7 billion, the smallest amount since 2007-08.

Why is this important?

Elizabeth Truss, chief secretary to the Treasury pointed out that "These are strong borrowing figures, which is proof that we are fixing our nation's finances and reducing the burden on future generations." A falling deficit is beneficial to the UK economy, as it means that the government will have to borrow less and so will not have to pay as much interest for bonds it issues. It could also provide a much more positive outlook for the government and make them more confident in investing in areas such as infrastructure development or providing extra funding to the NHS.



Glencore profits explosion

What's going on here?

Glencore, the major miner and commodities trader saw its share price jump 5% after it reported that its profits quadrupled in 2017. Investors would have been particularly pleased to hear this, especially considering that in 2015 the company's heavy debt load coupled with a commodity price crash raised concerns that it would declare bankruptcy. Since then the company Glencore has managed to dramatically reduce its debt and cut costs.



Why is this important?

Glencore's performance is heavily reliant on commodity prices, which have broadly increased since 2015. This increase in commodity prices could be as a result of an improving global economy increasing demand for commodities. This is also good news for the global mining industry as a whole, as mining giants Rio Tinto and BHP Billiton recently reported encouraging results. However the outlook for mining companies may not be so promising, as companies worldwide appear to be facing inflationary pressures from higher energy prices and increasing wage costs.

UK Economic Growth Revised Downwards

What's going on here?

UK economic growth has been revised downwards again with the UK economy expanding by less than previously thought in the last three months of 2017, according to official ONS data. Chief economist at IHS Markit, Chris Williamson, said that some areas of the UK economy looked 'worryingly weak' in the final months of last year, as data suggests the construction industry is in recession and business investment is stagnant.

Why is this important?

Considering that the UK is at the bottom of the G7 table, this shows that the UK's economic performance is struggling compared to other major economies. These downwards revisions in some ways contradict views of the UK economy's performance improving, which could mean that the Bank of England may reconsider its view on raising interest rates sooner.

