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ENTREPRENEURS, ECONOMISTS AND CODERS

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"Entrepreneurs, Economists and Coders represents the depth of talent among the Year 12 students within the Computing, Business and Economics faculty. Their insights on areas linked to their curriculum of study and how they relate to real-life examples is testament to their critical thinking and love of learning. Their articles will be of great use to future cohorts of students who take Level 3 qualifications in subjects within the faculty."

Miss H. Whalley

Curriculum Leader, Computing, Business and Economics

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Is the UK's economy comparatively worse than other similar countries?

Lukas Barto-Smith



IS THE UK'S ECONOMY COMPARATIVELY WORSE THAN OTHER SIMILAR COUNTRIES?

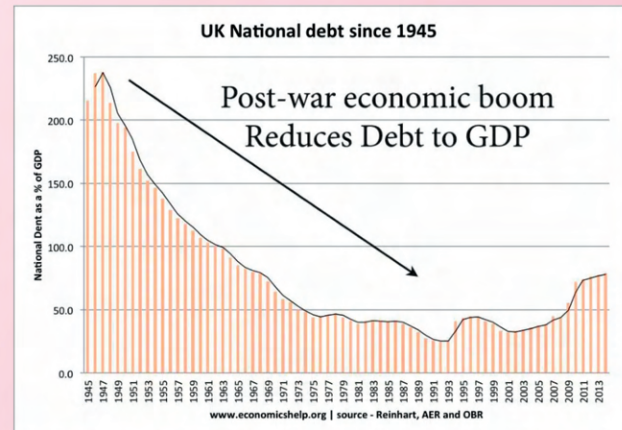
Introduction

The United Kingdom, historically one of the world's most influential economies, faces significant scrutiny in today's global economic landscape. To understand its current economic standing, it is crucial to compare it with other developed economies such as Germany, France, and Canada. These countries are similar in terms of industrialisation, economic structure, and global influence. Key metrics for this comparison include the journey of their economies to their current states, the standard of living, wealth divide, and future economic projections.

The UK's Economic Journey

The UK's economic trajectory has been shaped by numerous historical events and policy decisions. Post-World War II, the UK experienced a period of economic reconstruction, leading to substantial growth during the 1950s and 1960s. However, the 1970s brought economic challenges, including high inflation and unemployment, partly due to oil price shocks. The 1980s, under Margaret Thatcher's government, saw significant liberal reforms, including privatisation and deregulation, which revitalised the economy but also increased inequality.

The 2008 financial crisis severely impacted the UK, leading to a prolonged period of austerity measures aimed at reducing the national deficit. More recently, Brexit has introduced new economic challenges and uncertainties, affecting trade relationships and economic stability. Compared to Germany, which has maintained a strong



Debt to GDP fell following the post-war economic boom (Source: economicshelp.org)

industrial base and robust export economy, and France, with its more balanced approach to economic management, the UK's economic journey has been more volatile. Canada, benefiting from vast natural resources and a strong trade relationship with the US, has also shown more stability.

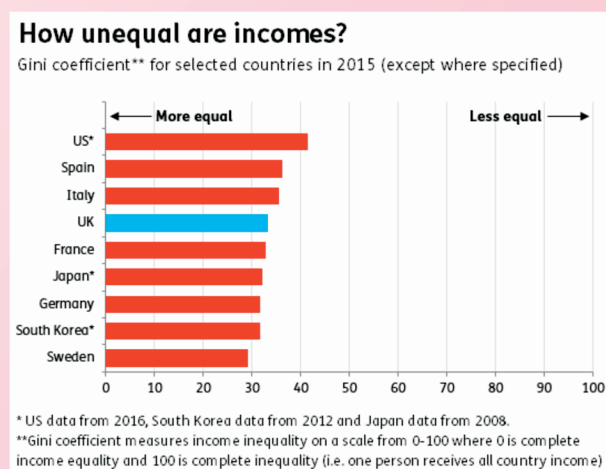
Standard of living

Standard of living is a critical metric for assessing an economy. It includes income, employment, class disparity, poverty rate, housing affordability, and hours of work required to purchase necessities. According to the Human Development Index, which measures life expectancy, education, and per capita income, the UK scores relatively high, but often lags behind Germany and Canada. Germany's strong social safety nets and high levels of public investment in health and education contribute to a higher standard of living for its people. Canada, with its comprehensive healthcare system and higher median incomes, also surpasses the UK.

In contrast, the UK's standard of living has been under pressure due to austerity measures and Brexit-related economic uncertainties. Issues such as rising living costs, stagnant wages, and cuts to public services have contributed to a decline in the overall quality of life. France, despite facing its own economic challenges, maintains a higher standard of living through extensive social welfare programs and labour protections.

Wealth divide

Wealth inequality is a significant issue affecting many developed economies, and the UK is no exception. The UK has one of the highest levels of income inequality among comparable countries. This divide has been exacerbated by economic policies over the past few decades that have favoured the wealthy. The Gini coefficient, a measure of income inequality, places the UK behind Germany and France, where more progressive tax systems and social policies help mitigate the wealth gap.



Gini Index for 2015 (Source: Full Fact, The World Bank)

Germany's robust industrial base and collective bargaining practices have helped maintain relatively lower levels of income inequality. France's wealth divide is also narrower, due to its strong welfare state and labour laws. In contrast, Canada, while having a more unequal income distribution than Germany and France, still fares better than the UK, owing to its more progressive tax system and generous social benefits.

Conclusion: Future economic projections

Looking forward, the UK's economic prospects are mixed. Brexit continues to cast a long shadow, with uncertainties around trade, investment, and regulatory changes. The Bank of England has forecast some growth, but this relies on the resolution of trade agreements and political stability. Additionally, the UK's productivity levels remain lower compared to other developed economies, which could hamper future growth.

Germany, despite facing demographic challenges and the need to transition to a more digital and green economy, is expected to maintain steady growth due to its strong industrial sector and export prowess. France, while facing high public debt, continues to implement reforms aimed at boosting competitiveness and economic resilience. Canada's future appears promising, driven by its resource wealth, immigration policies, and strong trade relationships, particularly with the United States.



The rise of discount supermarkets

Alice Bellamy and
Sophie Dexter

THE RISE OF DISCOUNT SUPERMARKETS

Introduction

In 1990, the first major discount supermarket, Aldi, opened in the UK with the first branch of Lidl opening four years later. Their aim is to sell food at the lowest possible cost for consumers.

Recently, discount supermarkets have been very successful as consumers want the best value for money in the midst of the cost of living crisis. In 2022, 63 per cent of all new supermarkets which opened were discount stores. Customer tastes have changed, as they now value price over convenience and large product ranges; this has caused supermarkets like Aldi and Lidl to be even more successful.

Why are discount supermarkets so popular?

Aldi and Lidl are very popular supermarkets, with 6 in 10 people shopping at the discount stores. Also, people who are not normally in their target market are now shopping at discount stores. Wealthier families now make up 54 per cent of shoppers at Lidl and Aldi. This is because the stores have managed to build a good brand image: high quality at a low price. This has meant that people are shopping there for the high quality, even if they don't need the low prices.

Aldi and Lidl have successfully removed the stigma of shopping at low cost supermarkets. This is because they have worked on improving their quality and increasing their product ranges whilst keeping low prices. This has meant that they are now seen as a good way to save

money without sacrificing the quality of food they eat. This has meant that Aldi and Lidl are becoming more appealing than the major supermarkets who charge more for their products.



An Aldi store in Birmingham

Another reason why low cost supermarkets are more popular is due to the increasing number of consumers who are price-conscious. 14.4 million people live in poverty in the UK, meaning they struggle to afford basic necessities such as food. The number of people experiencing food insecurity has increased in recent years (especially since the pandemic), meaning that more people are looking for the cheapest food possible. Aldi and Lidl have used lots of business strategies to keep costs low, meaning that they can pass this saving on to their consumer.

Other supermarkets have been trying to rival the discount stores to provide the best price for the consumer. One example of this is Tesco who price-matches Aldi on a number of products.

How do they maintain low prices?

In order for discount supermarkets, like Aldi and Lidl to be competitive on price and sell their products and food at very low prices, their costs need to be as low as possible to make a profit and grow. Aldi and Lidl cut costs in so many different ways. One way is that they have minimal employees. This means that they won't have to spend lots of money on wages, helping to save costs. Staff are trained in all areas, from tills to putting out delivery. This allows employees to switch from department to department swiftly, depending on how busy the store is. As they are trained in every area, staff will always have something to do, meaning their skills won't be going to waste.

Another advantage of staff being trained in all areas is that employees won't get bored of doing the same task again and again. This could lead to higher morale and staff will feel happier in store. Therefore, they will be more productive and helpful towards customers. This will help to boost sales and give them a good reputation for customer service.

Another method of cutting down on costs is how they lay out their stores. Instead of using lots of lights, they have lots of windows, to allow natural light to come in. This cuts down on costs and makes customers feel like the store is bigger than it actually is. They rent stores that are smaller in area, to cut on fixed costs like rent, helping to boost their profits.

You won't see many adverts for Lidl or Aldi while you are watching television, as they

simply cost so much money. The focus of these discount stores is far more aligned to their USP - discounted food - in order to attract customers.



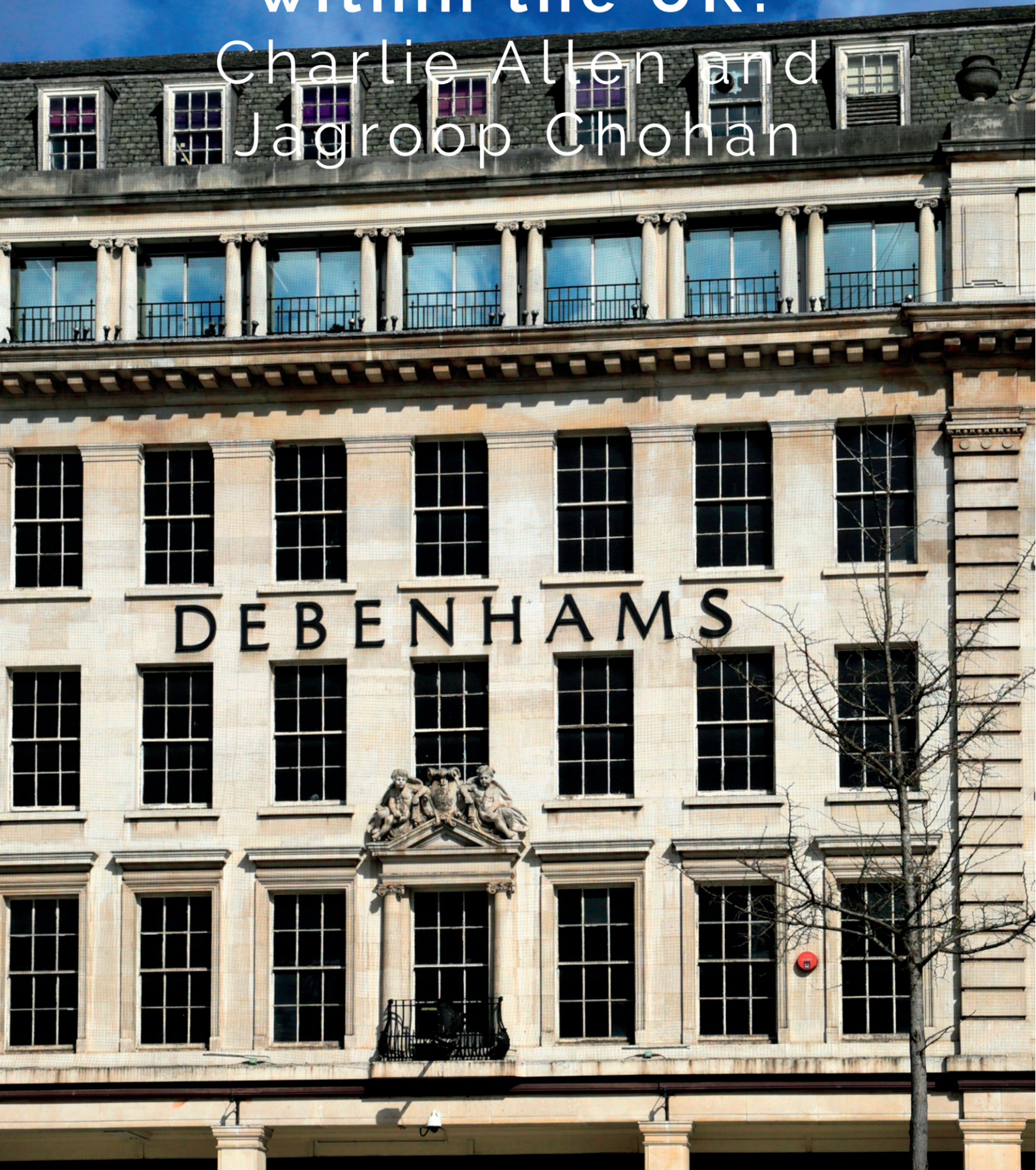
Lidl advertising lower food prices in their store's car park

Conclusion: will Aldi and Lidl continue to be successful?

Aldi and Lidl have been the fastest growing supermarkets, with consumer sales increasing by 24.0% and 23.2% respectively in 2023. The stores now have a combined 17.8% market share; Aldi is now the fourth largest supermarket in terms of market share in the UK, overtaking Morrisons. However, Aldi and Lidl could face problems in the future. Balancing maintaining low price with high quality can be difficult; they need to make sure maintaining low prices doesn't lead to a drop in quality. They can do this by continuing to innovate their own brand products and making sure the quality stays constantly high. Aldi and Lidl must also make sure that they use expansion strategies and product innovation so they can maintain success in what could become a very saturated market.

What impact did the
Coronavirus pandemic
have on businesses
within the UK?

Charlie Allen and
Jagroop Chohan



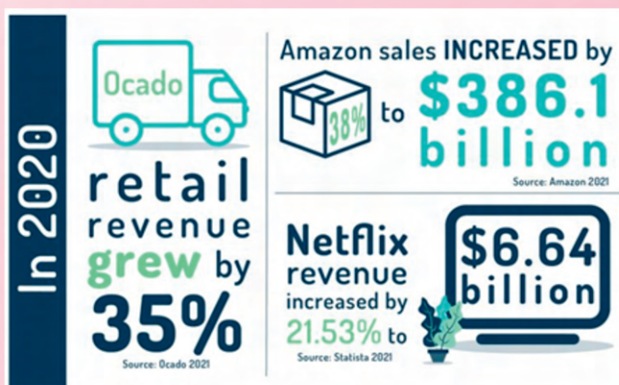
WHAT IMPACT DID THE CORONAVIRUS PANDEMIC HAVE ON BUSINESSES WITHIN THE UK?

Introduction

Covid-19 did not only affect the well-being of the UK, but also damaged the economy in the long and short term. Covid-19 started in late 2019 and caused GDP (gross domestic product) to fall by 19.4% before rebounding by 17.6%. For many businesses, the major impact of Covid-19 was the huge reduction in sales due to the impact of multiple lockdowns, with potential customers not being allowed to leave their houses unless it was strictly necessary.

E-commerce

In January 2021, online sales in the UK had grown by 74% year on year. This is following a consistent rise over the 12 months before, which had predominantly been spent under Covid-19 restrictions. During these months, Britain spent a total of £93 billion online. This played into the hands of online retailers operating through e-commerce; as a result, the rate at which businesses adapted to digital transformation accelerated by more than 7 years in just 7 months. Businesses that have created a strong digital presence in response to changing needs and market forces are leaders in their market such as Amazon, Netflix and Ocado.



Street retailers

Lots of street retailers have shut down due to insignificant businesses sales. However, not all have shut down - some have improvised instead, adapting smartly to the impact of the pandemic. They have adapted by moving their physical stores online and removing their presence on the high street.

Businesses that have made this decision have saved a lot of money on overheads such as storage costs, rent and utility costs. They are also able to operate their stores 24 hours a day, which could result in a higher volume of sales.

An example of a business that has closed its physical stores is Debenhams. In September 2018, the department store group lost £491.5m against profits of £59m the year before. They have closed these stores due to tough, competitive high street competition and the impact of the pandemic negatively affecting sales revenue. However, Debenhams has chosen to function online to meet customer demands.



Debenhams online store (Source: Charged Retail)

Subsidies

Many businesses were given grants and subsidies from the UK government to help make up for a reduction in sales. The latest figures from the Office for Budget Responsibility (the UK's official economic forecaster) estimate that Covid-19 support measures from the government have totalled £169bn since 2020. Most of this extra spending went to individuals, at £100bn, with the remaining £69bn spent on business support schemes.

However, in spite of these government grants, not all businesses were able to survive. The number of business closures in the UK in Quarter 3 (July to September 2021) was 100,835. This number is the highest Quarter 3 figure since the start of the series in 2017, and the fourth-highest figure out of all the quarters.

Furthermore, these support schemes and subsidies did not last forever. Support programmes were gradually phased out over the summer and early autumn of 2021 as public restrictions were lifted and the economy reopened. The final support measures to end – as part of the government's 'Living with Covid' strategy – were the payments for self-isolation and the Coronavirus Statutory Sick Pay Rebate Scheme, in February and March 2022 respectively.

Amazon

Amazon announced record sales and profit in spite of the global pandemic. Its website traffic jumped to 2.54 billion visits in March and its revenue increased by 40 per cent

compared to a year before, from US\$89.9 billion to \$122 billion. As physical stores were forced to shut down, consumers turned to Amazon's diverse online marketplace to satisfy their needs.

Amazon experienced this significant boost in sales because people were staying at home to reduce the risk of getting infected. During the pandemic, Amazon was significantly successful at selling products such as:

- Face masks and other healthcare products such as hand gel;
- School supplies so parents had the ability to teach their children at home whilst they were off school;
- Gaming consoles such as PS4s as children wanted to stay occupied whilst in quarantine;
- Miscellaneous items like pet supplies and baby supplies.



An Amazon warehouse in Milton Keynes

Conclusion

While the pandemic positively impacted e-commerce and businesses that operate through online shopping, and benefitted businesses that received subsidies, street retailers struggled the most throughout this period, with many shutting down across the country due to an extreme lack of sales.



**The Cost of Living Crisis:
will it ever end?**

Cost of living

**Revan Shaleizi and
Courtney Hayes**

Consumers

THE COST OF LIVING CRISIS: WILL IT EVER END?

Introduction: what is the cost of living crisis and what caused it?

The cost of living crisis began in 2021. It is a term used to describe the prices of essential items such as food, gas, electricity and petrol going up significantly in a short time period.

Since 2021, many people have had to make changes to the way they live in order to cut down costs and save money. According to the Office for National Statistics, in September 2021 a pint of milk cost 43p - but a year and a half later, in March 2023, the average price of a pint of milk was 70p. This is just one example of the everyday items that quickly rose in price.

The cost of living crisis is caused in part by a rise in inflation in both the UK and the world in general, as well as the economic impact of issues such as the COVID-19 pandemic, Russia's invasion of Ukraine, and Brexit.

Effects of rising cost of food and energy

The rising costs of energy have had an impact on just about everything, with energy being utilised for the heating of homes, the transportation of goods and production taking place in factories. Therefore, when the cost of energy rises, the cost of everything rises, and this cost is passed on to everyday people through their bills. This creates a problem, as whilst the cost of everyday necessities are increasing, not everyone is experiencing an increase in their pay or benefits at the same time or of the same amount. This is problematic, as their level of income can no longer stretch

to buy the amount of goods that they used to. This creates concern for governments and charities, as the need for charities and food banks is higher than ever before, with the cost of heating and food rapidly rising, leading to an unhealthy and uncomfortable lifestyle for many. The DWP has said that 3 per cent of all individuals in the UK had used a food bank in a 12-month period in 2022/23. This impact carries on outside of households, through to public services such as schools, who find that they cannot afford the resources they used to be able to, which can severely affect the level of education that is being provided to children across the country.

How some food prices have risen since 2020

	January 2020	Change over four years	May 2024
 Whole chicken (1.5kg)	£4.08		£5.76
 Cheddar cheese (400g)	£2.76		£3.51
 Sliced white bread (800g)	£1.03		£1.35
 Semi-skimmed milk (2 litres)	£0.83		£1.25

Source: Office for National Statistics / Getty Images



From the BBC: how some food prices have risen since 2020

The impact of the cost of living crisis on child poverty

On average, the cost of living crisis is more likely to affect low-income families, as they will be most affected by rising food and energy prices. In some cases, the cost of living crisis has

led to some parts of the country, particularly the North, facing child poverty. Child poverty rates are higher in the North than the rest of England and minority ethnicity families, families with younger children, families in which someone is living with a disability, renters, larger families and lone parents, are all more likely to be impacted the most during the cost of living crisis. According to the Child Poverty Action Group (CPAG), around 4.3 million children (30% of all UK children) were in poverty in 2022/23. Poverty is the lead driver of inequalities between children in the North and the rest of England. Rising living costs will lead to immediate and lifelong harms for children: worsening physical and mental health outcomes; undermining children's learning, social wellbeing and education; and risking lower lifelong health and productivity.

When my brother and I go to bed and they think we are asleep I hear my mammy and dad talk about it, they are worried

Pupil, KS1

My parents are struggling with everything, sometimes they can't even buy food... They are struggling to buy clothes and things... My mum says the lights are going to go out and we will be cold... They get mad because they just want us to be happy... they are trying their best

Pupil, KS2

The inflation target of 2%

Is there a link between the level of inflation and the cost of living crisis?

Inflation measures how quickly the price of something rises over a year as a percentage. The UK has a target rate of inflation of 2%.

On 19 June 2024, the BBC reported that inflation had hit the Bank of England's target for the first time in almost three years, with prices rising at 2% in the year to May, down from 2.3% the month before. BBC News also reported that the drop in May's inflation figure was driven by a slight fall in prices for food and soft drinks, and slower price rises for recreation and culture and furniture and household good. Prices for bread, cereals, vegetables, sugar, jam and chocolate actually fell between April and May this year, compared to the previous year.

However, food prices overall are still 25% higher than at the beginning of 2022. Petrol prices also increased, rising by 0.7p per litre between April and May while diesel prices fell by 0.8p per litre. However, just because inflation is decreasing, it does not mean that prices will fall at the same rate, or at all. It just means that they are increasing at a slower rate than previously.

ENTREPRENEURS, ECONOMISTS AND CODERS

Conclusion: is the cost of living crisis over?

The UK cost of living crisis has no official end date, but it has been estimated by The Institute of Chartered Accountants in England and Wales (ICAEW) that it will last until at least the end of 2024.

The BBC reported that workers' wages rose by 6.2% in the last three months of 2023, which means they increased faster than the rate of inflation. This suggests that people should now be able to afford to buy more than they could before.

However, the Bank of England warns that inflation is still high, due to a shortage of workers in the UK. Tony Wilson, director of the Institute for Employment Studies, said more needs to be done to help people get jobs, that in turn will help the economy grow.

As a result, if the level of unemployment in the UK vastly decreases, the cost of living crisis can be diminished, and start to come to an end at a faster rate.



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Let us know what you enjoyed about this edition, and what you would like our students to write about in the future.



Thank you!

