

# Business BTEC Summer Work

## Activity 2: Business and Society

## Business and Society

### Instructions:

- Read the three articles.
- Choose ONE of the articles to create a presentation on.
- Create a presentation around your topic. Your presentation should include:
  - A background of the issue your discussing
  - What is happening in the news right now with your issue
  - Research about the key questions considered
  - Your opinions on some of the important questions
  - How the issue affects businesses
- You should also carry out further research around the topic you have chosen using the suggested google searches and key questions to consider.
- You will be presenting back your findings when we meet in September.

Note: If you are unable to access a computer or Microsoft PowerPoint, you are welcome to prepare your research as either a typed report or by hand.

## **Interest rates could be cut to new low**

**The Bank of England could make the first cut to UK interest rates in more than seven years on Thursday.**

Mark Carney, the Bank governor, has indicated that the Monetary Policy Committee (MPC) would vote to cut rates in July or August.

The probable reduction from 0.5% to 0.25% is intended to boost the UK economy in the wake of the Brexit vote.

Although a cut is not certain, financial markets put the probability at about 80%.

Ben Brettell, senior economist at Hargreaves Lansdown, said: "Initially August had looked more likely, but with economic data deteriorating and markets still nervous, it now looks probable the MPC will adjudge that immediate action is warranted."

Surveys for both the **services sector** and the construction industry have pointed to a sharp slowdown, with the latter recording its **worst month in seven years for June**.

However, Joshua Mahony, market analyst at IG, said the lack of economic data since the referendum could prompt the Bank to hold fire: "There is a significant possibility that Mark Carney will disappoint by postponing a rate cut until the August meeting."

Howard Archer, chief economist at IHS, said the Bank could use other methods such as quantitative easing - also known as "printing money" - as well as cutting rates. Quantitative easing has not been used since November 2012.

The Bank has already announced measures to help cushion the Brexit blow, relaxing rules to let banks lend as much as an additional £150bn.

Interest rates have been unchanged since the Bank cut them to a record low of 0.5% in March 2009 at the height of the financial crisis.

Some economists believe that rates could even be cut to zero as soon as August.

### **Savings blow**

However, Mr Carney has said he did not favour rates falling any lower than 0.25% - or below zero.

A rate cut would be good news for borrowers, saving £26 a month on a £200,000, 25-year repayment mortgage, according to the Council of Mortgage Lenders.

Using Office for National Statistics (ONS) house price data, a cut to 0.25% would mean a £22 monthly reduction in the bill for a variable 25-year repayment mortgage on a typically priced home of £209,000 (taking a 20% deposit into account).

Only about 1.5 million mortgages are trackers that, for the most part, follow the movements in the Bank base rate. The cost of new fixed rate deals has been falling already and a cut should mean further reductions, and variable rate deals are likely to be reduced in many cases too.

A Bank rate cut to **0.25%** means...

- **£22** off a typical monthly mortgage  
(But only **1.5m** mortgages automatically track the Bank rate)
- **£25** less in interest a year on a **£10,000** savings pot  
(So **£10,000** in a typical easy access account would gain £43 of gross interest a year)

Sources: ONS, CML, SavingsChampion

**BBC NEWS**



However, it would mean even lower returns for savers.

Hargreaves Lansdown said the average instant access savings account had gone backwards in real terms since the reduction to 0.5%, falling behind the consumer price index of inflation by more than 12%. Savers have lost out on interest worth an estimated £160bn on cash accounts since October 2008, the firm added.

Some "best buy" savings deals have been withdrawn from the market in recent days, according to Moneyfacts.co.uk.

There have been more than 900 cuts to savings rates since the start of the year, with only about 100 increases.

The average rate for a two-year fixed bond has fallen from 1.75% a year ago to just 1.39% in July, while the average easy access Isa that paid 1.12% a year ago now paid less than 1%.

<http://www.bbc.co.uk/news/business-36786159>

### **Key Questions:**

- What is an interest rate?
- What could the change mean for businesses?
- What could the change mean for customers?
- How should small business react to the change?
- How should large business react to the change?

### **Potential Google Search Ideas:**

- Interest rates
- Changes in interest rates
- The Bank of England
- Monetary policy

## Nintendo shares up more than 50% since Pokemon Go release

Shares in the Japanese company Nintendo have seen a sharp rise since the release of the augmented reality game Pokemon Go, gaining more than 50%.

Shares closed 16% higher on Thursday, making an overall increase of 56% since the release - putting Nintendo's market value at 3.6tn yen (\$34bn; £25.7bn).

**Pokemon Go** players search locations in the real world to find virtual Pokemon creatures on their smartphone screens.



The game has become a **global phenomenon** since its release.

It topped the app store download chart on both iPhone's App Store and Google Play just days after its initial release in the US, Australia and New Zealand.

Nintendo shares had already started the week with a **25% jump on Monday** alone.

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### **Pokemon stories**

- An American woman **found a dead body** while she was looking for a Pokemon in a river near her home. Police said the man had died within the last 24 hours and no foul play was suspected.
- **Four people were arrested** after they used the game to lure players to remote places and then rob them at gunpoint. In response, the makers of Pokemon Go have said people should "play with friends when going to new or unfamiliar places" and "remember to be safe and alert at all times".
- The anti-gay Westboro Baptist Church in the US is the location of a "gym" in the game, and players **planted a pink "Cleairy" Pokemon** called Love is Love there. The church has responded with a series of social media posts calling the Pokemon a sodomite.
- There have also been plenty of reports of people falling over and grazing or cutting themselves because they're not paying attention to what's in front of them while they play.

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The Pokemon creatures first emerged in the 1990s on Nintendo's Game Boy device.

For the new game, Nintendo has partnered with US-based developer Niantic and the Pokemon Company, which owns the rights to the characters.

Nintendo, which is also behind the iconic Super Mario game, has traditionally relied on sales of its gaming consoles.

However, sales of those have been slowing in recent years as more gamers move online and onto portable devices.

Analysts have long criticised the company for lagging rivals such as Sony and being late in catering to the growing smartphone market.

<http://www.bbc.co.uk/news/business-36791275>

**Key Questions:**

- What type of business is Nintendo?
- How successful have Nintendo been over the years?
- What is Pokemon?
- How much is Nintendo worth?
- How important is technology to Pokemon's recent success?

**Potential Google Search Ideas:**

- Pokemon Go
- Nintendo share value
- Pokemon phenomenon
- Nintendo gaming
- Game boy

## **Co-op to sell 298 stores to McColl's**

**Co-op Group has agreed to sell 298 of its food stores to McColl's for £117m.**

Co-op is looking to boost sales of its own-label goods and said the stores sold to McColl's were too small to stock a full range of those products.

Ideally the company wants stores of between 3,000 and 3,500 sq ft and the sites sold to McColl's had an average size of 1,700 sq ft.

Staff working at those stores will keep their jobs under the same employment terms and conditions.

"Today's announcement is completely in line with our strategy, as these stores did not allow us to provide a sufficiently compelling own-brand offer for our members going forwards," said Steve Murrells, chief executive of Co-op Food **in a news release**.

"The proceeds will be re-invested to drive sustainable growth for our members and I'm delighted that all 3,808 colleagues will transfer to McColl's on the same terms and conditions," he added.

The deal will require approval from competition regulators and McColl's shareholders.

### **Membership boost**

By 2018 Co-op Group wants to attract 1 million more members, which would take the total to over 6 million.

To help meet that target, later this year it plans to launch an improved discount deal for members.

<http://www.bbc.co.uk/news/business-36789684>

#### **Key Questions:**

- What is a co-operative business model?
- How does it work?
- What are the benefits of it?
- What are the drawbacks of it?
- How could McColl's change the Co-op?
- What are 'competition regulators'?

#### **Potential Google Search Ideas:**

- Co-op buy out
- McColl's
- Co-op employees
- Company buy out
- Competition regulators