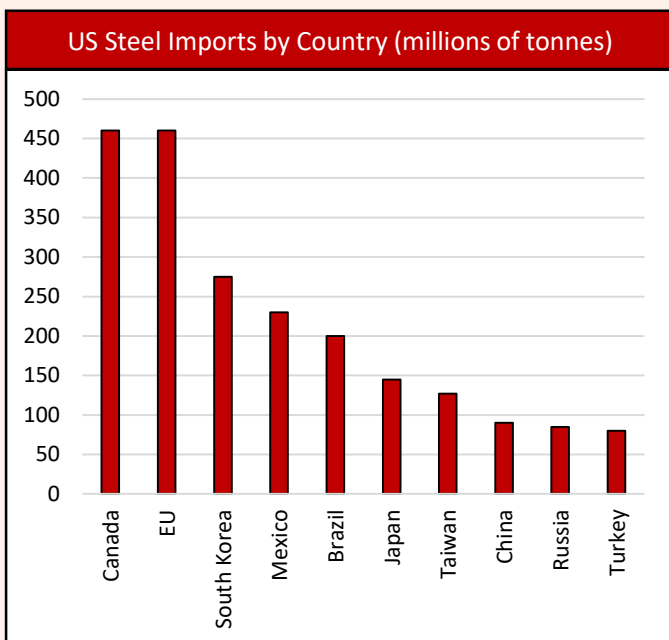


09/03/18

Here are the five economic stories which have caught our eye this week:

**US Steel Tariffs:**



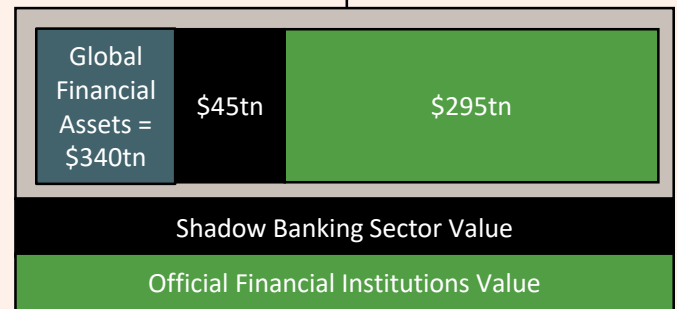
Last week, the US administration confirmed proposals to introduce import tariffs of 25% on steel imports and 10% tariffs on aluminium imports. The argument for protectionism of this form is the commitment to protect US manufacturing industries. The US steel industry has seen production fall by 23% and employment fall by 38% since the turn of the century. Those in favour of free trade believe this could be the catalyst for a retaliatory trade war.

Using the principles of game theory, explain why this action taken by the US administration may create a bilateral trade war between the US and the EU.

Explain how import tariffs imposed on steel and aluminium will negatively affect the performance of the US manufacturing sector.

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**Shadow Banking Sector:**

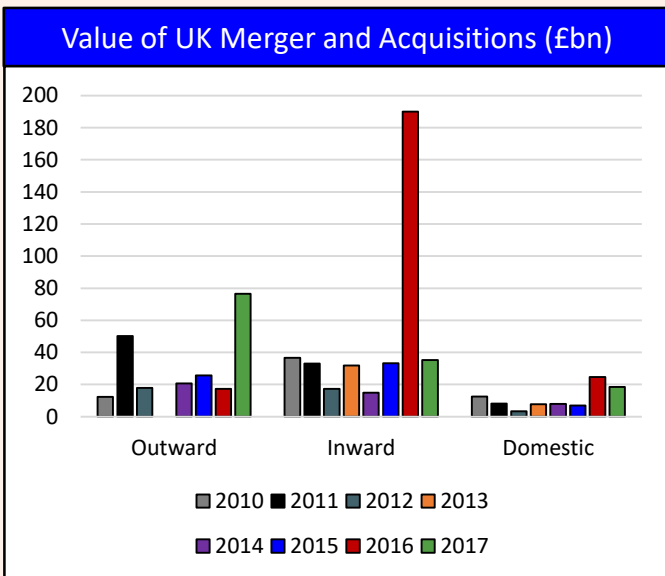


The Financial Stability Board (FSB) produced a report this week which assessed the size, scale and risks posed by the shadow banking sector in 2017. For the first time, the report was able to quantify the value of the shadow banking sector in countries such as Luxembourg and China.

Explain why financial institutions that operate in the shadow banking sector escape traditional regulatory requirements which are imposed on the banking sector.

Discuss the downsides of the shadow banking sector growing in size and scale.

**UK Mergers and Acquisitions:**



The ONS released data this week focusing on the value and volume of merger and acquisition activity involving UK companies in 2017. The value of deals involving a UK company acquiring a foreign company (outward merger) increased from £17bn in 2016 to £77bn. In contrast to this, the value of deals involving a foreign company acquiring a UK company (inward merger) fell sharply from £190bn to £35bn.

Assess the impact that strong growth in the US and the EU has had on UK merger and acquisition activity.

Assess the impact that sweeping US tax reforms – including the cut in corporation tax to 21% - has had on these figures.

With reference to the circular flow of income, discuss the implications of the recent trends in UK merger and acquisition activity on the UK economy.

**Economic Outlook of China:**



China's 2018 Development Goals	
2018 Economic Growth Rate	6.5%
2018 Inflation Rate Target	3%
Cut in Steel Overcapacity by 30 million tonnes	
Efforts to reduce pollution and eliminate poverty	

China set out its economic agenda for 2018 with a series of proposals and reforms to tackle economic, political, social and environmental problems. The country's reliance on borrowing has grown as the economy tries to diversify away from export-led growth to consumption fuelled growth. According to the IMF, the level of national debt in China stands at 235% of national output. Economists believe that the next growth phase of China will be one that is focused on sustainability and development ahead of rapid expansion.

Discuss and evaluate some of the policies that can be used by the Chinese government to help reduce extreme poverty in the country.

**The Economics of Snow Days:**



Last week the UK was battered by the Siberian snowstorm aptly nicknamed the "beast from the east". As well as bringing freezing temperatures, it brought the UK economy to a standstill for a few days. Economists are predicting this to be the most costly weather related event in the UK since 2010, with an estimated £1bn of lost economic output for each snow day. This is likely to be reflected in the UK's first quarter growth figures.

Explain which industries in the UK economy are at most risk from weather related events such as this.

Explain why the UK's growing reliance on the services sector has reduced the economic impact of snow days.