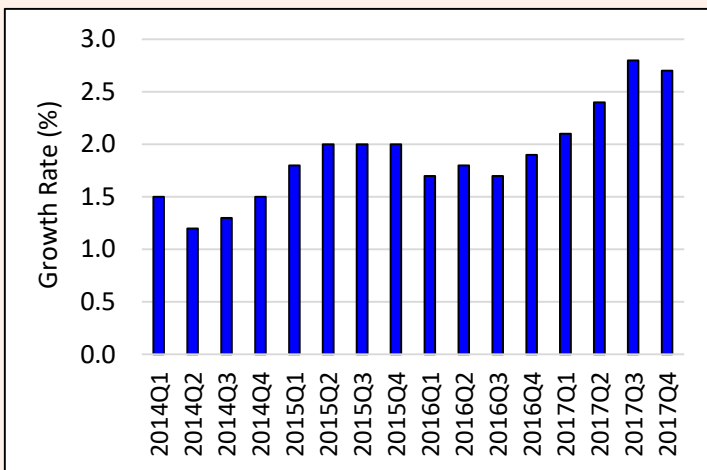


Here are the five economic stories which have caught our eye this week:



The Continued Recovery of the Eurozone:

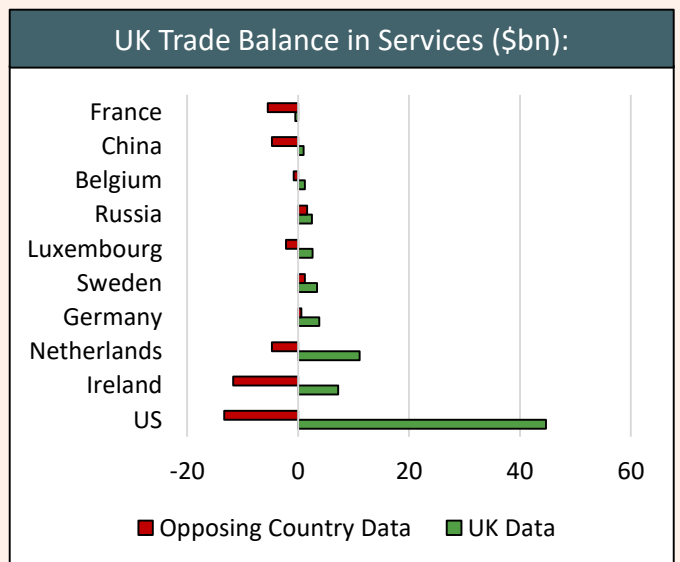


The pace of the Eurozone's economic revival continued to improve throughout the course of 2017. The 19-nation block grew at an annualised rate of 2.5% - the highest growth rate recorded since 2007. The catalyst of this economic revival is the loose monetary policy framework implemented by the ECB. Over the last 5 years, it has reduced interest rates to 0%, bank deposit rates to below zero at -0.4% and completed asset purchases of €60bn a month.

Using an AD/AS diagram, assess the impact that a negative deposit rate has had on the economy of the Eurozone.

To what extent do you agree with the view that the economic recovery in the Eurozone is positive news for the UK economy?

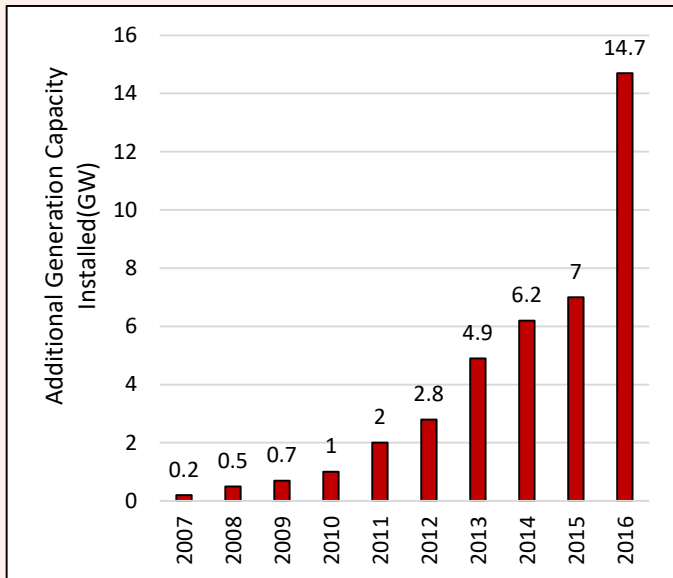
Statistical Errors in Services Data:



The ONS released a report this week to highlight some of the data asymmetries that exist when official trade figures are collected and recorded in different countries. The ONS estimated that in 2014, the UK runs a combined \$77bn surplus in the trade for services with the ten countries shown in the chart. However, taking individual trade figures from those other countries, the UK ran a trade deficit in services of \$39bn!

Discuss some of the factors which may have caused these statistical asymmetries.

US Solar Market – Extra Capacity

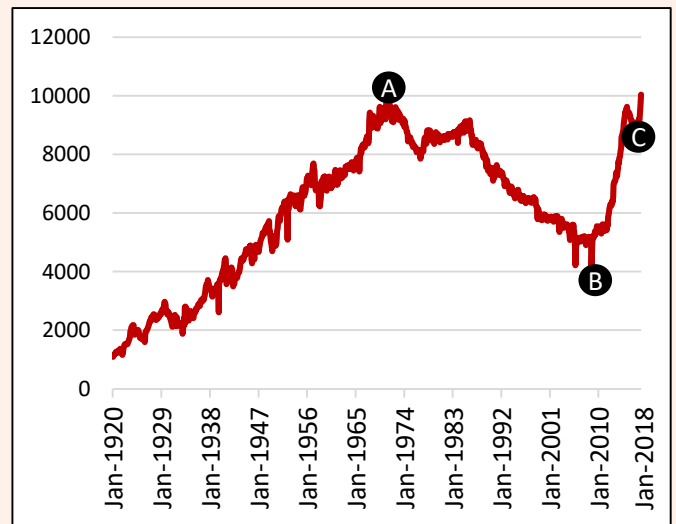


The simmering trade tensions between China and the US has escalated in the last week as a result of the US imposing 30% import tariffs on imported Chinese solar panels for the next four years. The tariffs are designed to provide further support to an emerging industry in the US and reassure the rust-belt voters that Donald Trump is prioritising the health of domestic businesses and workers ahead of increased trade with the rest of the world.

Using a diagram, show the impact of the recently imposed import tariffs on the US market for solar panels.

Explain why the imposition of an import tariff creates a deadweight loss triangle within the US economy.

US Crude Oil Production (thousands bpd):



A US crude oil peaks at 10m barrels per day, but new oil pipelines in the arctic threaten the Texas oil boom.

B Early experiments in fracking for US shale gas and oil results in a surge in US crude oil production.

C Recovery in global crude oil prices results in US shale producers stepping up production back to 10m bpd.

Using an appropriate diagram, explain why commodity prices are so vulnerable to price fluctuations.

The Sweet Taste of Success:



This week the US soft drinks manufacturer Dr Pepper Snapple announced that it would merge with Keurig Green Mountain – a US coffee company. This will form a new beverage firm with a market value of £8bn. The deal was made on the basis of improving the company’s distribution network across mainland America.

What form of business integration does this merger provide an applied example of?

Discuss the type of economies of scale that this merger is likely to produce.