

THE LATYMER ECONOMICS BULLETIN

Week Beginning 26/2/18



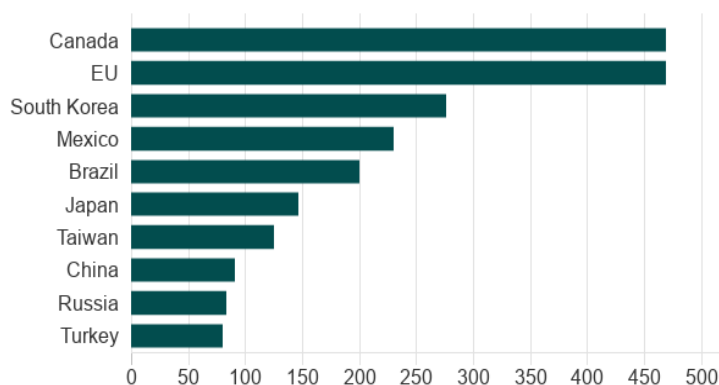
More climbers on the property ladder



Not all heroes wear capes

Where the US imports its steel from

Top countries/areas Jan 2018, value in \$ millions



Trade wars: Trump vs Everyone

More climbers on the property ladder

What's going on here?

The Bank of England has reported the sharpest increase in mortgage approvals in over three years. 67,478 mortgages were approved in January from a one-year low of 61,692 in December. UK finance, an industry group, has reported that this increase in mortgage approvals was widespread amongst UK banks.

Why is this important?

The recent budget included a policy whereby a property tax for first time buyers would be cut in order to encourage younger people to get on the property ladder. This may be one of the first signs of a positive reaction to this policy. This increase in mortgage approvals was largely unexpected, with the forecast for approvals in January expected to be much lower at 62,000. This is a good sign for the Bank of England, as it suggests that consumers are becoming more confident and were not necessarily fazed by the recent increase in the base rate. This could allow for another increase in interest rates to 0.75% by May or even 1% by the end of this year.



Not all heroes wear capes

What's going on here?

Theresa May has announced that under a new law introduced last week, the energy bills of 11 million British households will be capped for as long as five years, to cap what she describes as “rip off” energy prices. The new legislation will force the energy regulator Ofgem to cap electricity and gas prices until 2020, when the Ofgem will recommend whether the cap should be extended on an annual basis. The cap will apply to expensive plans that customers are moved to when their cheaper fixed deals end.



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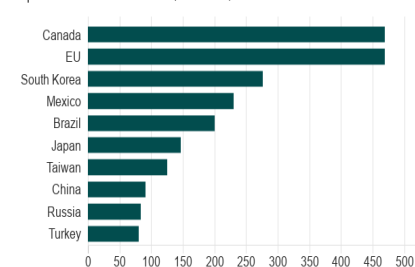
Data from the government suggests that some customers are being charged £300 more than they should be. This means that energy companies are exploiting consumers; something that is possible considering that energy is considered a necessity for most. The issue of rising energy prices has proved somewhat controversial over recent times, as statistics show that on average home power bills in Britain have doubled over the past decade. Energy companies have already voiced their disapproval for this, with Centrica claiming that such price controls would reduce choice for consumers.

Trade wars: Trump vs Everyone

What's going on here?

European Union officials have said that they will respond firmly if US President Donald Trump presses ahead with his plan for steep global duties on metals. The US president has so far announced that he plans to impose a 25% tariff on steel imports and 10% on aluminium. The European Union is reported to be considering retaliatory tariffs, targeting US steel, agriculture and other products.

Where the US imports its steel from
Top countries/areas Jan 2018, value in \$ millions



Source: US Department of Commerce

BBC

Why is this important?

This protectionist measure could result in a trade war for the US with not only the EU, but also and other countries such as Canada, Mexico, China, Japan, and Brazil. Although a trade war may sound exciting and Mr Trump is confident that they are 'easy to win', it could lead to a rise in costs for US companies, especially those that import aluminium and steel. A trade war could also damage relations between for example the US and China, which could see to barriers to investment in China for US companies, many of which are eager to enter this growing market.