Death or revival for retail?

The rise of online shopping has not been bad news for all Britain’s high streets. Some retail centres can fight back e-commerce more effectively than others. Britain’s retail sector has going through a significant transformation as it adapts to the rapid growth of online shopping and the slow recovery of the financial crisis and the recession. Detailed research of consumer habits suggests that biggest losers may not be those centres that dominated by big chains or with a lot of independent retailers – but rather those are somewhere between them. In the past few years the internet dramatically changed the life of the consumers: at the click of the mouse you get access to 24/7 browsing, price comparisons and shopping across continents. a result of the consumer research findings, online shopping made to blame for the unfavourable changes in high street retail. How about the future?

What will happening five years down the line? A leading consultancy predicted that e-commerce capture 34% of the sales, up from 14% today. Sales through stores decline to 66%, down from 86% today. E-commerce will grow at the expense of shopping centre store sales, will shrink by 27 %. This will result in 31% fewer stores in town centre venues.
Banks and Brexit

A British departure from the European Union would be costly for the world’s banks. Best not to worry until they have to.

OPINION polls suggest that Brexit won’t happen. … (1) … But pollsters and bookies have been wrong before: what if on June 23rd Britain chooses to quit the European Union? The world's biggest banks, for which London is a second home if not their first, have plenty of other worries: profits are thin, regulators nagging, investors impatient. … (2) … Banks must nevertheless be braced for turmoil should the odds be upset. And if Britain votes to leave, they will face an awkward decision: should they shift business away from Europe’s financial capital?

… (3) … They hope they never will. Already under pressure to cut costs, they are not spending oodles on contingency plans and won’t until they have to. For now, they regard the referendum chiefly as a market event, with a known date, which could cause volatility and strain liquidity. The most obvious place to look for trouble is in the exchange rate, where there has been some pre-poll turbulence. … (4) … Now it is only 3% down—and in fact a mite stronger against both the euro and the dollar than when the referendum was called in February.

After a vote to leave, such moves would look like gentle undulations. Options markets have been pricing in an immediate drop of 4% in the pound. The OECD, the IMF, the Treasury and others predict severe damage to Britain’s economy. … (5) … None of this is good for London-based banks or for their corporate customers.

In readying themselves, banks have been helped by the strengthening of supervision since the financial crisis. … (6) … Supervisors are promising ample liquidity. The Bank of England will hold three extra “repo” auctions around the referendum, in effect an offer to lend money to any banks that can provide common securities as collateral. … (7) … The Bank of England has swap lines with its peers in the G7 and Switzerland.

Volatility, in short, can be managed. The EU’s “passport” rules, under which a financial firm in one member may serve customers in the other 27 without setting up local operations, are another matter. … (8) … It allows American, Swiss and Japanese firms to cater to the whole of Europe from their bases in London. Goldman Sachs is probably the most extreme example, with 6,000 of its 6,500 European staff in the British capital. … (1) … Partly thanks to the passport, notes TheCityUK, a
trade body that opposes Brexit, London boasts around 70% of the market for euro-denominated interest-rate derivatives, 90% of European prime brokerage and more besides.

Banks are loth to talk about what they might do, and no one will make firm plans before they have to. But HSBC said in February that it might shift 1,000 people, around one-fifth of its staff in London, to Paris, where it has a subsidiary. Deutsche Bank’s co-chief executive, John Cryan, told the Financial Times last month that it “would be odd” to trade European government bonds and currency in a non-EU branch of a German bank. … (10) …

But at the very least, there is likely to be a fragmentation of Europe’s financial industry if Britain quits: more business in other centres, less in London, and probably less overall.

A. Regular inspection of their defences has become routine.
B. The euro zone could suffer too.
C. Ladbrokes, a bookmaker, is offering 4-1 against.
D. Between the turn of the year and early April sterling slid by 9% against the euro.
E. Big British banks have access to foreign currency through other central banks.
F. The referendum is an extra headache they could do without.
G. Banks do not have to answer that question yet.
H. Others suggest that operations will be built up in Dublin and Luxembourg.
I. European subsidiaries of non-EU banks receive the same treatment.
J. Britain would remain a member for two years after starting the exit procedure.
K. It is building a new London office, due to open in 2019.

Max.: 20
Automakers Expanding in China May Soon Face Weakening Demand

The new $1.3 billion Cadillac factory on the outskirts of Shanghai is a shrine to modern manufacturing. Hundreds of robots bend, arch and twist to assemble the body of Cadillac's new flagship CT6. Lasers seal the car's lightweight aluminum exterior using techniques that the carmaker, General Motors, has only just introduced in the United States. It's more along the lines of aircraft technology than traditional, spot-welded steel bodies.

The factory is part of an aggressive expansion by automakers in China, the world's largest market for new cars and the industry's brightest hope for the last 15 years. G.M. will open a second, $1 billion factory in Wuhan next year. G.M.'s main rival in the Chinese market, Volkswagen, plans to open large assembly plants next year alongside its existing factories. Hyundai plans to complete a factory south of Beijing by October.

The research firm Sanford Bernstein estimates that auto manufacturing capacity in China will rise 22 percent over the next two years, bringing it to 28.8 million cars, minivans and sport utility vehicles annually. Automakers are expanding at a time when China's economic growth has slowed to its lowest level in more than a quarter-century.

On the surface at the same time auto sales in China seem strong. Sales of cars, minivans and sport utility vehicles jumped 8 percent last year from 2014. The buyers are not just China's college-educated, white-collar elite, but also the beneficiaries of the country's roughly eightfold growth in blue-collar wages in the last dozen years.

But there are signs that China's yearslong auto boom is easing. After car sales fell three months in a row, the Chinese government decided last September to halve the sales tax on cars with engines of 1.6 liters or less.

A similar tax reduction produced strong sales in 2009 and 2010. However, when the tax cut expired, sales essentially leveled off for the next two years. With the current tax reduction scheduled to end, 2017 will be a very difficult year for the auto industry, with probably no growth.

Are manufacturers going to keep the rose-colored glasses or get real? Most of the multinationals are going to get real and slow down the new capacity. It's not so obvious about the local manufacturers. They have a 'Field of Dreams' and 'build it and they will come' mentality.

The Chinese economy needs continued strength in the auto market. The government wants to shift to a new, more sustainable model for growth based on
consumer spending. Since 2009, China has depended heavily on a loan-fed surge in construction of ever more highways, rail lines, factories and other investments. But that has produced a mountain of debt, particularly at state-owned enterprises.

Strong auto sales helped China attain a little-noticed milestone in recent months. If sales do slow sharply, the question is whether multinationals and domestic automakers will try to start exporting more from their Chinese factories. The facilities are among the most advanced in the world, not least because they are also the newest.

G.M. and other automakers could in theory try to export more cars to the United States, which is also a relatively healthy market. One potential obstacle, however, is that China’s surplus capacity is mainly in subcompact cars, for which Americans have little appetite.

1. What do the techniques used by GM in car production resemble?

2. How many main rivals does GM have in the Chinese market?

3. Why can it be surprising that car production is growing in China?

4. Who are the potential customers of cars? (a., b.)

5. How are the authorities trying to fight the downward trend?

6. Why are the prospects gloomy for after 2016?

7. How do Chinese car producers differ from multinationals?

8. How has the focus of the economic growth in China changed in recent years?

9. What can be a way out for car producers in case the Chinese market changes?

10. What cars do American people dislike?
As part of a short report you are writing to your boss *describe* and *analyze* the chart below focusing on the tendencies in the two countries. *Give reasons* to explain the changes and the differences. Write 150-200 words.

**Rate of unemployment in Hungary and Great Britain**

Max.: 25
Suntan Sunglasses Ltd
7 Lower Road
Crawley
West Sussex
RH11 7SX

Dear Sirs,

We have still not received six boxes of the sunglasses we ordered from you two months ago. I am sure your firm is as keen as we are to ensure that these sunglasses are in the shops by the beginning of the holiday period, the peak time for sales.

Can you therefore please let us know when we may expect delivery of the sunglasses.

Yours faithfully,

P. Saville
Chemist

Max.: 15