

Global Economic Shockwaves: How International Events Are Reshaping Local Economies

Global Finance · Answer Key · 10 Questions

1. The Red Sea crisis, triggered by geopolitical tensions in late 2023 and continuing into early 2024, significantly disrupted global trade. How did this primarily impact local economies?

- A) Increased efficiency in shipping routes due to fewer vessels.
- B) Diversion of trade to more expensive and longer alternative routes, raising costs for local businesses.**
- C) A decrease in global demand for goods.
- D) A significant drop in oil prices due to reduced shipping activity.

2. In 2024, escalating US-China trade tensions, characterized by tariffs and export controls, have had a notable effect on various industries. Which sectors have been most impacted by these disruptions?

- A) Agriculture and renewable energy.
- B) Electronics, semiconductors, and consumer goods.**
- C) Healthcare and pharmaceuticals.
- D) Tourism and hospitality.

3. The Russia-Ukraine War, ongoing since 2022 and continuing through 2024, has had far-reaching effects on global supply chains, particularly for commodities. Which of the following is a direct impact on local economies reliant on these commodities?

- A) Reduced global prices for grains and energy.
- B) Increased agricultural output in Ukraine, leading to lower food prices worldwide.
- C) Disruptions to agriculture, energy, and manufacturing sectors, leading to price volatility.**
- D) A shift of manufacturing power towards Russia.

4. Central banks globally have raised interest rates to combat inflation. How has this directly affected local housing markets in many advanced economies during 2024?

- A) Increased affordability for first-time homebuyers.
- B) A slowdown in home price growth or even price declines due to reduced buyer affordability.**
- C) A surge in new construction projects.
- D) Lower mortgage rates making homeownership more accessible.

5. Extreme weather events in 2024, such as Canada's wildfires, have disrupted critical operations. What was a notable economic consequence for local industries reliant on affected infrastructure?

- A) Increased demand for lumber and minerals.
- B) Temporary shutdowns of major railways and highways, delaying shipments of goods like lumber and minerals.**
- C) A boost in tourism in affected regions.
- D) A decrease in energy prices due to infrastructure damage.

6. The Panama Canal drought in 2024 significantly impacted global trade. What was a key local economic effect of the reduced water levels?

- A) Faster transit times for goods.
- B) Increased capacity for larger vessels, lowering shipping costs.
- C) Disruption to supply chains, affecting U.S. imports from Asia and increasing shipping costs.**
- D) A boom in tourism related to the drought.

7. Labor strikes, such as those by the International Longshoremen's Association (ILA) on the US East and Gulf Coasts in October 2024, caused significant disruptions. What was a direct impact on local economies?

- A) Faster delivery times for goods.
- B) Reduced costs for shipping and logistics.
- C) Delays at ports, rerouting of vessels, and disruption to industries like retail and energy.**
- D) Increased port efficiency and reduced congestion.

8. Geopolitical risks, including heightened US-China trade tensions and military conflicts, have driven up the global Trade Policy Uncertainty Index. How does this uncertainty affect emerging market currencies?

- A) It generally leads to increased investment and currency appreciation.
- B) It can lead to capital outflows, increased volatility, and currency depreciation.**
- C) It has no significant impact on currency markets.
- D) It strengthens emerging market currencies as they are seen as safe havens.

9. In 2024, the technology industry, particularly AI development, has seen a surge in venture capital funding. Where has this funding been most concentrated, and what is its local economic impact?

- A) Funding has been evenly distributed across all tech hubs, creating widespread job growth.
- B) The San Francisco Bay Area has captured a significant majority of AI VC funding, driving substantial local hiring.**
- C) Funding has primarily gone to legacy tech companies, with little impact on new job creation.
- D) Most funding has focused on hardware, with limited impact on software and AI roles.

10. Global inflation, projected to decline in 2024 but remaining elevated in many countries, has seen consumer prices in developing economies increase cumulatively. What has been a significant local economic consequence of this persistent inflation?

- A) A substantial increase in purchasing power for households.
- B) Erosion of economic gains made post-COVID-19 recovery and disproportionate impact on the poorest households.**
- C) A decrease in the cost of imported goods.
- D) Increased savings rates across developing economies.