

X822/75/11 Economics

FRIDAY, 26 MAY 9:00 AM – 11:00 AM

Total marks — 90

SECTION 1 — 40 marks

Attempt BOTH questions.

SECTION 2 — 50 marks

Attempt ALL questions.

You may use a calculator.

Write your answers clearly in the answer booklet provided. In the answer booklet you must clearly identify the question number you are attempting.

Use **blue** or **black** ink.

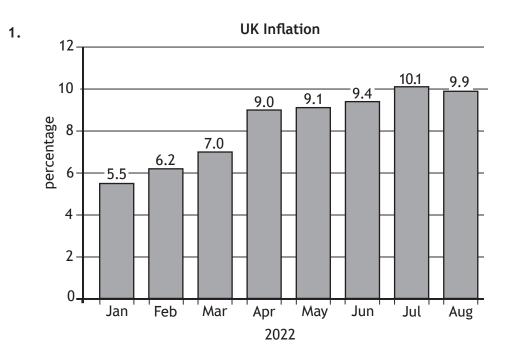
Before leaving the examination room you must give your answer booklet to the Invigilator; if you do not, you may lose all the marks for this paper.





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SECTION 1 — 40 marks Attempt BOTH questions



The Bank of England is predicting that the rate of inflation will rise to about 13% by the end of 2022. The main causes are the increasing cost of energy, food and fuel. The average yearly household energy bill rose by £700 in April, food prices rose by an average of 8.5% in May, and the cost of filling up an average family car reached £100 in June. Many families are cutting their spending on non-essential goods such as days out and home furnishings.

Supply chain issues caused by external influences, such as COVID, Brexit, and the war in Ukraine, continue to create problems for some industries. For example, construction firms are finding it difficult to source raw materials, such as wood. At the same time, there was a notable fall in value of the pound Sterling which compounded global inflationary pressures.

(a) Describe the trend in the rate of inflation shown in the graph. 2 (i) State whether prices have increased or decreased between July and August (b) 2022. 1 (ii) Justify your answer to (b) (i). 1 (c) Explain the likely effect of an increase in the UK rate of inflation on UK firms. 3 (d) Explain, using a market diagram, the effect of a lack of construction materials on the market for newbuild houses. 4 3 (e) Describe 3 determinants of demand for home furnishings, such as sofas. (f) The exchange rate of Sterling has fallen against many major currencies. (i) Define the term exchange rate. 1 (ii) Explain the effect on UK exports of Sterling being weak. 2

(g) Describe advantages of international trade for UK households.

MARKS 2. Scarcity is a universal problem as it applies to all economies: developing, emerging, and developed. Different types of aid are given to developing countries to try to improve their standard of living. The governments of developing countries need to make choices about how the aid is best used, to help them achieve their economic aims such as improving economic growth. However, in emerging economies, as economic growth and standard of living improve, aid from developed countries may no longer be needed. One reason for improved economic performance in emerging economies is that multinational companies have set up factories in these countries. (i) Define the term economic growth. (a) 1 (ii) Outline 2 economic aims of a government, other than improving economic 2 growth and having low and stable inflation. (b) Describe the reasons for scarcity applying to all economies. 4 (c) Describe 4 types of aid given to developing countries. 4 (d) Suggest one example of an opportunity cost for the government of a developing country, when deciding how to use their aid. 1 (e) Describe what is meant by a multinational company. 1 (f) Outline 3 advantages to a multinational of opening a factory in a country with an emerging economy. 3 (i) Identify 2 factors of production. 2 (g)

(ii) Name the return to the factors of production identified in (g) (i).

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(c) Describe, using examples, the following terms:

public goods merit goods.

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7.	(a)	(i)	Define the term level of unemployment.	1
		(ii)	Define the term rate of unemployment.	1
	(b)	Describe one effect of unemployment on:		
		(i)	individuals	1
		(ii)	the UK economy.	1
	(c)	(i)	Describe what is meant by a fall in the standard of living.	1
		(ii)	Suggest 2 ways in which an increase in the standard of living could be measured.	2
	(d)	Outli	ne 3 possible ways for any country to increase its rate of economic growth.	3

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