



Rewarding Learning

General Certificate of Secondary Education
2022

Centre Number

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Candidate Number

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Economics

Paper 2



G9282

[G9282]

FRIDAY 10 JUNE, AFTERNOON

TIME

1 hour 15 minutes.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number in the spaces provided at the top of this page.

You should answer **both** questions in the spaces provided. **If you do not have enough space to complete your answer, extra lined pages are provided at the back of the booklet.**

INFORMATION FOR CANDIDATES

The total mark for this paper is 60.

Any working should be clearly shown since marks may be awarded for partially correct solutions.

Your quality of written communication will be taken into account in assessing your answers to **1(c), 1(d)(ii), 1(e), 2(d) and 2(f).**

ADVICE FOR CANDIDATES

You should take into account the maximum marks available when deciding how much time to spend on each question or part question.

| For Examiner's use only | |
|-------------------------|-------|
| Question Number | Marks |
| 1 | |
| 2 | |
| Total Marks | |

Answer **both** questions

1 Study the information below and answer the questions that follow.

The contribution of the financial services industry to the UK economy

The UK has a large financial services industry that makes an important contribution to the UK's economy. The industry is made up of financial institutions such as banks, building societies and insurance companies that sell financial services to customers. Demand for these services comes from businesses and individuals, both within the UK and from other countries. Hence, the financial services industry also contributes to the UK's international trade.

In 2018, the UK's financial services industry was responsible for:

- Creating over 1 million jobs, 3% of the UK's total employment
- Contributing £129 billion in output to the economy, approximately 10% of the total output
- Earning more from exporting financial services to the European Union (EU) than was paid for importing financial services – the trade surplus was £16 billion
- Paying £29 billion in taxation to the UK government.

Table 1 below shows how the financial services industry contributes to the local economies in selected regions of the UK, including Northern Ireland.

Table 1: The contribution of the financial services industry to selected regions in the UK

| | Total value to the region's economy (£ billions) | Share of the region's total output (%) | Region's share of the UK's industry (%) |
|------------------|---|---|--|
| London | 63.8 | 15% | 49% |
| Scotland | 9.2 | 7% | 7% |
| Wales | 2.8 | 5% | 2% |
| Northern Ireland | 1.7 | 4% | 1% |

In 2018, the UK's "Big Four" banks, Lloyds, Barclays, HSBC and RBS, announced record profits of £24 billion, the highest in the ten years since the financial crisis of 2008. This was a £12 billion increase on the previous year.

The Financial Conduct Authority (FCA), the industry's regulator, has investigated the way banks have sold some financial products and ruled that they should compensate consumers who were disadvantaged. Lloyds alone has set aside £750 million for such payments.

In spite of the added cost of paying compensation to many consumers, in recent years banks have still made large profits. Their situation has been helped by better economic conditions – high levels of employment, low inflation and increased average wages. Family finances have generally been healthy with people more confident about borrowing money and fewer defaulting on loans.

(a) Identify **two** ways in which the financial services industry contributes to the UK economy.

1. _____

 2. _____

- [2]

(b) (i) Using **Table 1**, identify the region where the financial services industry makes the largest contribution to the local economy. Explain your answer.

- _____
- _____
- _____
- _____
- _____
- _____
- [3]

(ii) Is the financial services industry important to the Northern Ireland economy? Explain your answer by comparing Northern Ireland with Scotland and Wales.

- _____
- _____
- _____
- _____
- _____
- _____
- [3]

| Examiner Only | |
|---------------|--------|
| Marks | Remark |
| | |

(c) Using examples, explain **two** reasons why the financial services industry is regulated.

[6]

| Examiner Only | |
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| Marks | Remark |
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(Questions continue overleaf)

(d) Read the information in **Table 2** below and answer the questions that follow.

Table 2: Examples of interest rates for a range of financial products (2019)

| Financial product/service (examples) | Rate of interest (examples) | Notes |
|---------------------------------------|-----------------------------|--|
| For borrowing money | | |
| Current account: authorised overdraft | 19% | Many banks charge a monthly administration fee for current accounts |
| Personal loan | 5% | Based on £10,000 for 5 years, unsecured |
| Mortgage | 3% | Fixed for 2 years; secured |
| Payday loan | 1000% | Short-term loans of up to £1,000 now regulated by the FCA; unsecured |
| Business loan | 10% | £10,000 borrowed; unsecured |
| For saving money | | |
| Cash ISA | 1.15% | Two-year fixed rate; tax free |
| Savings account online | 1.15% | After first 12 months reverts to 0.25% |

(i) What is the role of interest rates?

[2]

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|---------------|--------|
| Marks | Remark |
| | |

- (ii) Using the concept of risk and return, explain why there are different rates of interest for financial products. You should illustrate your points with examples from **Table 2** opposite.

[6]

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|---------------|--------|
| Marks | Remark |
| | |

In January 2020 the Bank of England's base rate of interest was 0.75%, but it was expected that the rate could be lowered. If this rate changes, "high street" banks normally change their interest rates on borrowing and savings products.

(e) Discuss the possible impact of a **fall** in the Bank of England's base rate of interest on the UK economy.

[8]

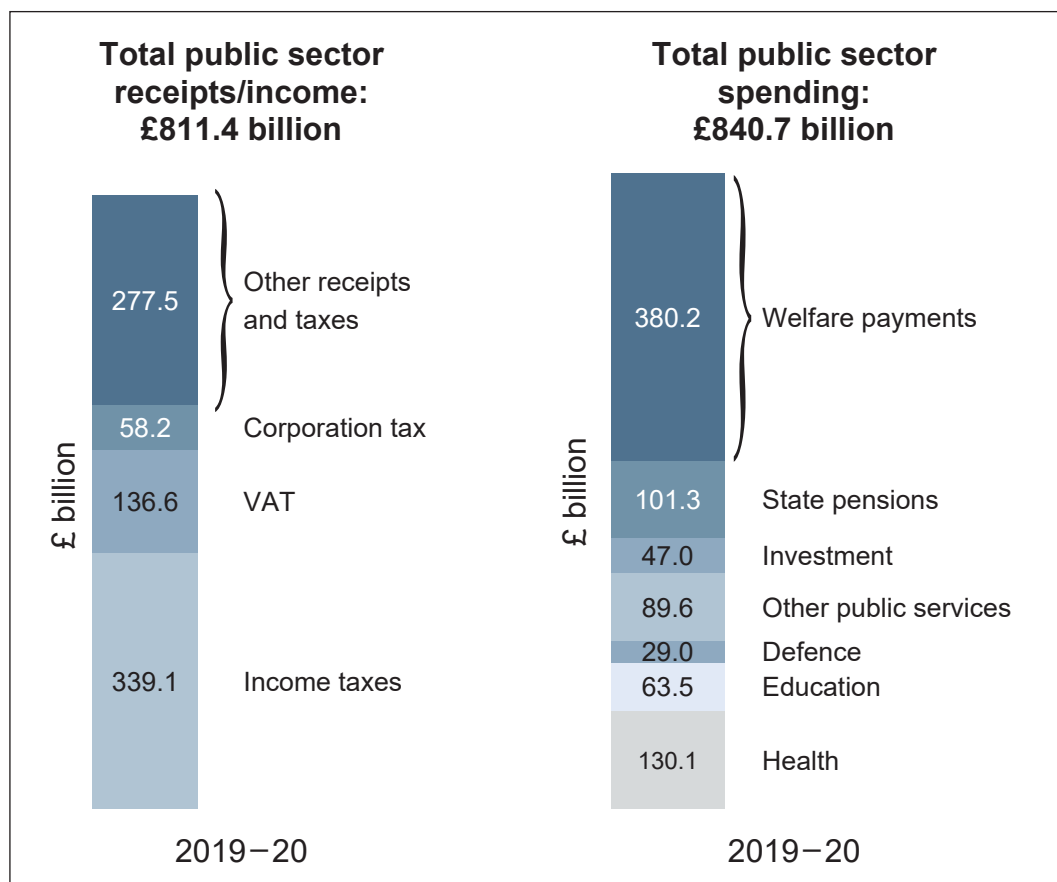
| Examiner Only | |
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2 Study the information in **Table 3** below and answer the questions that follow.

| Examiner Only | |
|---------------|--------|
| Marks | Remark |
| | |

Table 3: Government income and spending 2019–20



(a) (i) Using **Table 3**, calculate the difference between the government's total income and spending for 2019–20. Show your calculations.

_____ [1]

(ii) What economic term describes this situation?

_____ [1]

(b) Using examples from **Table 3**, identify a tax that each of the following is likely to pay. You should give a different tax for each answer.

(i) Consumers _____

(ii) Workers _____

(iii) Companies _____ [3]

(c) Using **Table 3**, explain **two** reasons why the government collects taxes.

1. _____

2. _____

_____ [4]

(d) Using **Table 3**, explain the possible impact on government income and spending of an increase in average life expectancy.

_____ [6]

Examiner Only

Marks Remark

(e) In 2019–20, government spending generated approximately 37% of the UK's national income.

Explain the likely effect of each of the following events on the UK's national income.

(i) Consumer spending increases due to higher wages.

Answer lines for (i) ending with [3]

(ii) The government receives less income from tax receipts.

Answer lines for (ii) ending with [3]

Table with columns: Marks, Remark

(f)

In 2020, the Chancellor of the Exchequer announced large increases in public spending for areas such as schools, the police and the health service. However, increased government spending will need to be funded through increased taxation or borrowing.

Critics point to the slowdown of major economies throughout the world, such as China, and the economic uncertainty surrounding the UK's departure from the European Union, that will make future government financial planning very difficult.

Discuss the effectiveness of **two** fiscal policy measures that the government could use to promote economic growth.

[9]

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|---------------|--------|
| Marks | Remark |
| | |

Continuation page (Use this page if you need extra space to complete your answers.)

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| Marks | Remark |
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Sources

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