



National
Qualifications
2023

X822/76/11

Economics

FRIDAY, 26 MAY

9:00 AM – 11:30 AM

Total marks — 90

SECTION 1 — 30 marks

Attempt ALL questions.

SECTION 2 — 60 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.



* X 8 2 2 7 6 1 1 *

SECTION 1 — 30 marks

Read the following source and attempt ALL questions that follow.

UK INFLATION RISES AT FASTEST RATE FOR 40 YEARS

Fuel and energy prices have been the biggest drivers of inflation in 2022. According to the Office for National Statistics (ONS) food costs pushed it up further. By September 2022 UK inflation had risen to 10.1%.

Both the war in Ukraine and the unusually hot and dry summer across Europe have contributed to the rapidly increasing price of food. Ukraine is a major exporter of grains and sunflower oil, the export of which has been disrupted. This has had a knock-on effect on the markets for alternative products, such as olive oil. Also, the exceptional weather has adversely affected the olive crop in Spain, which has had an impact on the market for olive oil.

Unions are pushing for pay rises to cope with higher prices, as real incomes are falling for workers. There has also been much debate as to whether monetary policy will be effective against cost-push inflation. If UK inflation was mostly demand-pull, monetary policy would arguably be more effective.

MARKS

Questions

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|---|---|
| 1. (a) Describe the meaning of real income. | 1 |
| (b) Describe the way in which the rate of inflation is calculated in the UK. | 4 |
| (c) Describe demand-pull inflation. | 1 |
| (d) Draw a diagram to show the effect on the market for Spanish olive oil of the reduced availability of sunflower oil, along with the abnormally dry weather in Spain. | 4 |
| (e) Explain the way in which monetary policy could be used to reduce a high inflation rate. | 2 |
| (f) Explain the impacts on consumers of a fall in their real income. | 3 |

Read the following source and attempt ALL questions that follow.

CHINA SIGNALS IT COULD MISS ECONOMIC GROWTH TARGET

The world's biggest emerging economy, China, has signalled that it may not meet its annual economic growth target. It appears that its GDP target of 5.5% may be missed due to continued restrictions caused by China's zero-Covid policy. Abandoning the growth target is an acknowledgement of just how difficult the post-pandemic recovery will be.

The current economic environment is the most challenging that China has faced in recent years. During previous difficult economic periods the Chinese economy was far closer to being a planned economic system, which allowed the Chinese government to deal with any economic issues very differently in the past.

After leaving the EU, Britain is trying to rebuild its trade policy at a time when many governments are focussed on domestic economics rather than globalisation. The UK government has been actively seeking a free trade agreement with another emerging economy, India, however there is little hope for such talks with China. In the meantime, the weak Sterling exchange rate in the UK has been good news for UK exporters who are still awaiting potential free trade agreements.

MARKS

Questions

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|---|---|
| 2. (a) Describe what is meant by globalisation. | 2 |
| (b) Describe economic characteristics of an emerging economy. | 4 |
| (c) Explain, using a production possibility diagram, what is meant by economic growth. | 3 |
| (d) Describe what is meant by a free trade agreement. | 2 |
| (e) Explain the impact of the weak exchange rate of Sterling on the UK Balance of Payments. | 2 |
| (f) Describe the allocation of resources in a planned economy. | 2 |

[Turn over

SECTION 2 — 60 marks

Attempt ALL questions

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|----|-----|--|---|
| 3. | (a) | Compare scarcity with a shortage. | 2 |
| | (b) | Explain the shape of a normal demand curve. | 3 |
| | (c) | (i) Describe what is meant by price inelastic demand. | 2 |
| | | (ii) Explain factors which affect the price elasticity of demand for goods and services. | 3 |
| | (d) | Explain, using a diagram, how excess supply can be resolved by a change in price. | 4 |
| | (e) | Describe the factors which cause average costs to fall in the short run. | 3 |
| | (f) | Describe internal economies of scale. | 3 |
| 4. | (a) | Distinguish between progressive and regressive taxation. | 3 |
| | (b) | Describe 3 types of unemployment. | 3 |
| | (c) | Explain ways in which fiscal policy could be used to decrease unemployment. | 6 |
| | (d) | Explain, using a circular flow of income diagram, what is meant by a multiplier effect. | 8 |
| 5. | (a) | Describe the theories of absolute and comparative advantage. | 6 |
| | (b) | Describe reasons for a UK multinational choosing to locate abroad. | 4 |
| | (c) | Describe reasons for governments imposing trade barriers. | 4 |
| | (d) | Describe components of the UK Balance of Payments. | 2 |
| | (e) | Describe the role of the: | |
| | | (i) World Trade Organisation (WTO) | 2 |
| | | (ii) World Bank. | 2 |

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