Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel Level 3 GCE

Monday 22 May 2023

Afternoon (Time: 2 hours)

Paper reference **9EC0/02**

Economics A

Advanced

PAPER 2: The National and Global Economy

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- There are three sections in this question paper. Answer **all** questions from Section A and Section B. Answer **one** question from Section C.
- Answer the questions in the spaces provided
  – *there may be more space than you need.*

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
  – *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.

Turn over ▶

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SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

You are advised to spend 30 minutes on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

1 In September 2022 the Bank of England increased the base interest rate from 1.75% to 2.25%.

(Source: adapted from https://www.bankofengland.co.uk/boeapps/database/Bank-Rate.asp)

(a) Draw an aggregate demand and aggregate supply diagram to illustrate the likely impact of an increase in the UK base interest rate on the average price level and real output.

(4)

(b) Which **one** of the following is the most likely impact of an increase in the base interest rate?

(1)

A decrease in the:

☒ **A** level of demand pull inflation

☒ **B** marginal propensity to save

☒ **C** rate of cyclical unemployment

☒ **D** value of the pound against the dollar

(Total for Question 1 = 5 marks)

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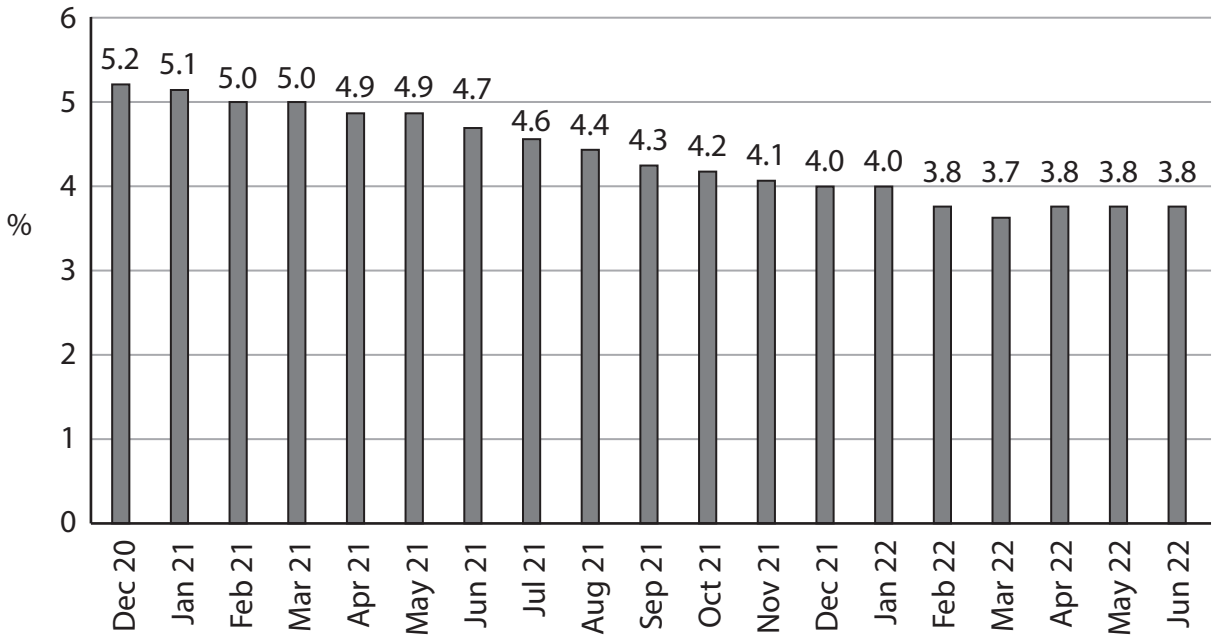
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QUESTION 2 BEGINS ON THE NEXT PAGE.

2 UK unemployment rate (%), December 2020 – June 2022



(Source: adapted from https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/employmentintheuk/august2022)

(a) With reference to the chart, which **one** of the following is true?

(1)

The unemployment rate:

- ☒ **A** fell by 1.4% between December 2020 and April 2022
- ☒ **B** fell by one percentage point between February 2021 and December 2021
- ☒ **C** was highest in March 2022 and lowest in December 2020
- ☒ **D** will continue to rise but at a slower rate

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(b) With reference to the chart on the previous page, explain **one** likely reason for the change in the UK's rate of unemployment.

(4)

(Total for Question 2 = 5 marks)

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3 UK real GDP, 2020–2022

	Annual percentage change on previous year	Total (£ millions)
2020	–9.9%	2 045 091
2021	7.5%	2 198 473
2022*	3.5%	

*2022 figures are forecast

(Source: adapted from https://www.ons.gov.uk/economy/grossdomesticproductgdp)

(a) Calculate the value of the total forecast GDP in 2022.

(2)

(b) Explain **one** likely cost of UK real GDP falling by 9.9% in 2020.

(2)

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(c) Which **one** of the following is most likely to lead to an increase in potential economic growth?

(1)

An increase in:

- ☒ **A** consumption
- ☒ **B** costs of raw materials and energy
- ☒ **C** income tax
- ☒ **D** technological advances

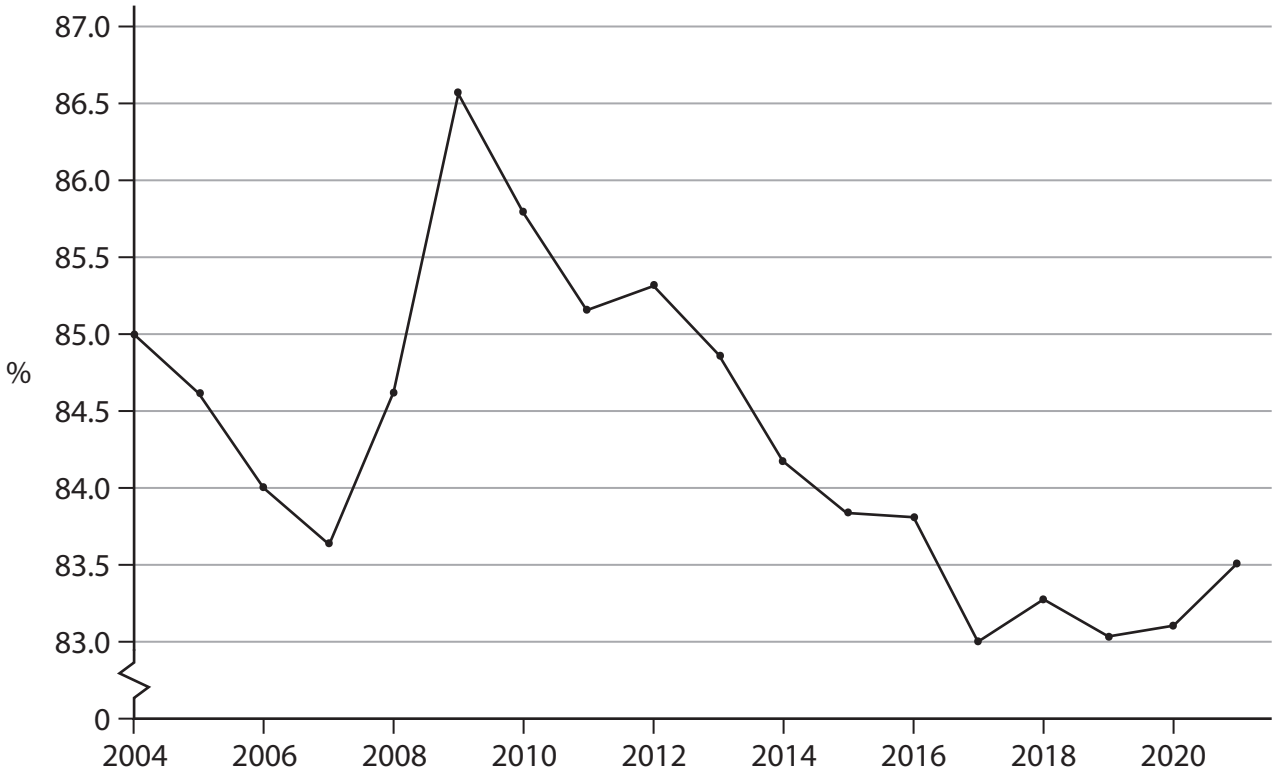
(Total for Question 3 = 5 marks)

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4 UK consumption, % of GDP, 2004–2021



(Source: adapted from https://data.worldbank.org/indicator/NE.CON.TOTL.ZS?end=2021&locations=GB&start=2002)

(a) Which **one** of the following is an example of consumption?

(1)

- ☒ **A** Construction of a new cycle lane
- ☒ **B** Expansion of Heathrow Airport
- ☒ **C** New school buildings
- ☒ **D** Purchase of new clothes

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(b) With reference to the chart on the previous page, explain the likely effect of a fall in the marginal propensity to consume on the level of real GDP. Refer to the multiplier in your answer.

(4)

(Total for Question 4 = 5 marks)

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5 In 2021, the US total GDP was $23 trillion and national debt was $28.4 trillion.

(Source: adapted from https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=US and https://fiscaldata.treasury.gov/national-debt/)

(a) Calculate the US national debt in 2021 as a percentage of GDP.

(2)

(b) Explain the relationship between a fiscal deficit and the national debt.

(2)

(c) Which **one** of the following is the most likely consequence of an increase in the US national debt?

(1)

An increase in:

- ☒ **A** crowding out
- ☒ **B** inequality
- ☒ **C** poverty
- ☒ **D** unemployment

(Total for Question 5 = 5 marks)

TOTAL FOR SECTION A = 25 MARKS

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QUESTION 6 BEGINS ON THE NEXT PAGE.

SECTION B

Read Figure 1 and the following extracts (A and B) before answering Question 6.

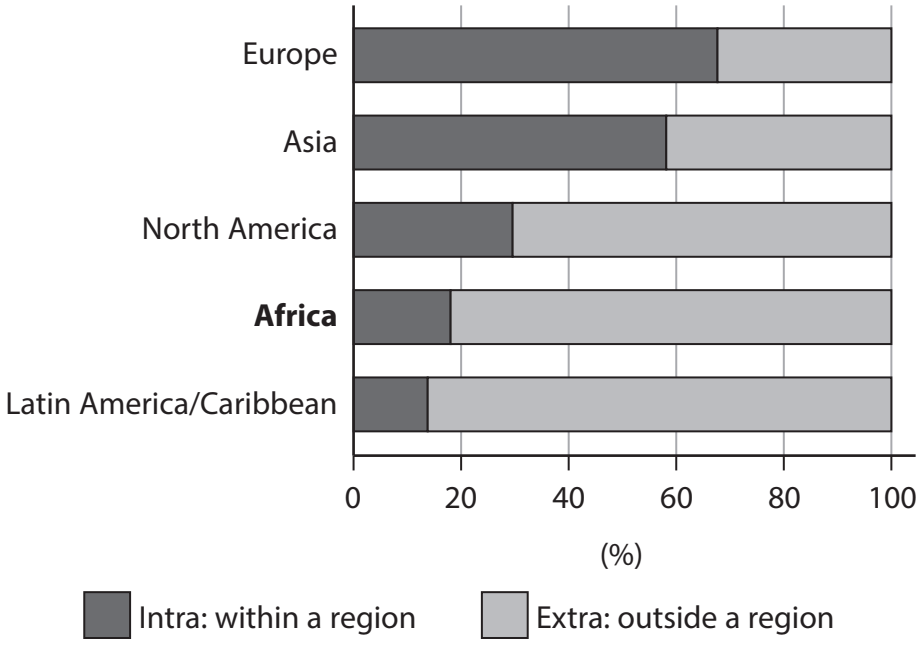
Write your answers in the spaces provided.

You are advised to spend 1 hour on this section.

Question 6

Trade and development in Africa

Figure 1: Intra- and extra-regional exports as a percentage of total exports, 2020



(Source: adapted from https://www.economist.com/middle-east-and-africa/2022/03/26/why-it-costs-so-much-to-move-goods-around-africa)

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Extract A: Why it costs so much to move goods around Africa

Lorries carrying, among other things, cobalt from Congo, copper from Zambia and tea from Malawi queued for miles as they waited to cross the Limpopo river into South Africa. Many were there for days. Some drivers bribe their way to the front; 1 000 rand (£49) is the going rate. Others cannot afford to.

African politicians say they want to end such delays. The African Continental Free Trade Area (AfCFTA) regional trade agreement, so far agreed by 41 of Africa's 55 countries, could boost the region's economies by making it easier to trade between themselves. In 2020 just 18% of exports were to other African countries (see Figure 1), lower than the equivalent in North America (30%), Asia (58%) or Europe (68%). More trade within the region could lead to more jobs, higher wages and less poverty.

The AfCFTA pledges to improve trade in two ways. The first is by reducing tariffs. This could boost intra-African trade by 15% to 25%, says the IMF. The second is to reduce non-tariff barriers which could cause a 50% rise in intra-African trade.

Poor infrastructure is a major barrier to trade. Africa's land area is bigger than China, India, the United States and much of Europe combined. Yet its railway network is not very much bigger than France's and Germany's put together. Many lines were built by colonial companies to link mines to ports, rather than countries to one another. Newer Chinese-built railways across African borders are under-used, either because they struggle to compete on price with road transport or because they lack additional services such as storage yards.

Ports are small and slow. Cargo waits for more than two weeks on average, compared to less than a week in Asia, Europe and Latin America. Handling costs are around 50% higher than in other parts of the world.

Nearly 90% of transport of goods goes by road, of which there are not enough. Road quality is poor. Just 800 000 km of the total of 2.8 million km in sub-Saharan Africa are paved.

The IMF estimates that if the quality of Africa's infrastructure were brought up to the global average this would increase intra-African trade by 7%. However, even bigger gains could be made by improving how trade flows. The key problem is a lack of information. In much of the world large firms can buy space on trains or lorries as they need it. But in Africa, where markets for this do not exist, firms such as miners have to sign long-term contracts with larger transport firms in which they agree to pay for capacity, whether they use it all or not.

(Source: adapted from https://www.economist.com/middle-east-and-africa/2022/03/26/why-it-costs-so-much-to-move-goods-around-africa)

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Extract B: Economic reform in Angola

When the new president, João Lourenço, took power in the southern African country of Angola in 2017, he pledged to reform the economy. This is a challenging task. The oil industry accounts for nearly all of Angola's exports and two-thirds of government revenues. The government is heavily involved in oil production along with significant foreign direct investment from international firms such as Chevron and Total. Declining production and falling oil prices brought about a collapse in GDP and rapidly rising debts to China and the IMF.

To reduce the cost of debt repayments, improve the country's fiscal position, and support a steadily declining debt-to-GDP ratio, the government of Angola has opted for debt relief. Together with a complete stop on debt repayments for the next three years, Angola will gain additional cash flow of $6.9 billion in 2020–22. This will help bring Angola's total annual borrowing to a much more manageable level of around 8.7% of GDP. With improved finances the government will have more money to spend supporting the economy and providing vital public services to its citizens, over 17 million of whom still live in absolute poverty.

The IMF, which has since 2018 agreed to lend $4.5 billion to Angola, is also encouraged by the country's fiscal policies. The finance minister, Vera Daves de Sousa, wants the state oil firm to sell shares to the public and for over one hundred state firms to be privatised. There have been delays – just 34 sales have taken place so far. But, she says, private firms must be the 'main driver' of growth and the economy must diversify away from oil.

Since 2019 Angola has ended government intervention in the foreign exchange market and moved towards a floating exchange rate. This led to a rapid depreciation in the kwanza (the Angolan currency) before stabilising after a few months.

(Sources: adapted from https://www.economist.com/middle-east-and-africa/2021/02/20/joao-lourencos-reforms-in-angola-are-pleasing-the-imf, https://www.cabri-sbo.org/en/blog/2021/country-spotlight-angolas-commitment-to-prudent-and-proactive-public-debt-management, and https://www.focus-economics.com/countries/angola/news/special/kwanza-dives-to-all-time-low-as-central-bank-floats-the-currency)

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6 (a) With reference to Extract A, explain what is meant by a 'regional trade agreement' (Extract A, line 7).

(5)

(b) With reference to Extract A, examine **two** causes of the high cost of transporting goods between African countries.

(8)

(c) Discuss the impact of improved transport links between African countries on economic growth rates.

(12)

(d) Assess **two** likely benefits of debt relief to Angola. Refer to Extract B in your answer.

(10)

(e) Discuss market-orientated strategies the Angolan government could use to improve development.

(15)

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6 (a) With reference to Extract A, explain what is meant by a 'regional trade agreement' (Extract A, line 7).

(5)

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(b) With reference to Extract A, examine **two** causes of the high cost of transporting goods between African countries.

(8)

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(d) Assess **two** likely benefits of debt relief to Angola. Refer to Extract B in your answer.

(10)

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(e) Discuss market-orientated strategies the Angolan government could use to improve development.

(15)

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(Total for Question 6 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS

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SECTION C

Answer ONE question from this section.

Write your answer in the space provided.

You are advised to spend 30 minutes on this section.

EITHER

7 In 2022 the value of UK exports fell by 14% compared with 2020. In contrast, the global average increase in exports was 8.2% over the same time period. The UK's competitiveness also fell, dropping five places from 18th in 2021 to 23rd in 2022 in the world competitiveness rankings.

(Sources: adapted from https://www.ft.com/content/021c629d-5853-4111-9600-ab5f0eb65a35 and https://www.imd.org/centers/world-competitiveness-center/rankings/world-competitiveness)

Evaluate macroeconomic policies that could be used to increase international competitiveness in the UK's export markets.

(Total for Question 7 = 25 marks)

OR

8 UK inflation, as measured by the CPI, rose to 10.1% in the 12 months to July 2022, compared to 2.0% in the 12 months to July 2021.

(Source: adapted from https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/july2022)

Evaluate macroeconomic policies, **apart from** monetary policy, the UK government could use to reduce inflation.

(Total for Question 8 = 25 marks)

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Indicate which question you are answering by marking a cross in the box ☒. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

Chosen question number: **Question 7** ☒ **Question 8** ☒

Write your answer here:

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TOTAL FOR SECTION C = 25 MARKS
TOTAL FOR PAPER = 100 MARKS

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