PEARSON EDEXCEL IAL ECONOMICS · YEC11

ECONOMICS



EXAM QUESTION PACK

UNIT 4: BALANCE OF PAYMENTS, EXCHANGE RATES AND INTERNATIONAL COMPETITIVENESS

SCORE	PERCENTAGE
/256	%

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Q1.

Study Figures 1, 2 and 3 and Extract A in the Source Booklet before answering this question.

With reference to Figure 3 and Extract A, analyse **two** factors, other than changes in interest rates, that may have led to a depreciation of the Turkish lira.

(Total for question = 6 marks)

Q2.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

In 2018, the EU's rate of inflation was 1.6%.

With reference to Figure 1, Figure 2 and Extract A, analyse **two** reasons why 'Many EU countries experienced strong economic growth after 2012' (Extract A, lines 2–3).

(Total for question = 6 marks)

Q3.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Between 2021 and 2022 the European Union (EU) recorded an increase in the capital and financial account surplus of the balance of payments.

Ceteris paribus, which **one** of the following is the most likely reason for this increase in the EU's capital and financial account surplus?

☒ **A** An increase in inward foreign direct investment (FDI) and portfolio investment

☒ **B** An increase in the value of EU exports and a decrease in the value of EU imports

☒ **C** An increase in public sector borrowing and an increase in public sector debt

☒

D An increase in inflows into the primary income component of the EU's balance of payments

(Total for question = 1 mark)

Q4.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In 2022 there was an overall deficit of $943.8 billion on the USA's balance of trade.

Which **one** of the following can be deduced from this information?

☒ **A** The value of consumption was lower than the value of saving

☒ **B** Government spending was greater than tax revenue

☒ **C** The value of imports was greater than the value of exports

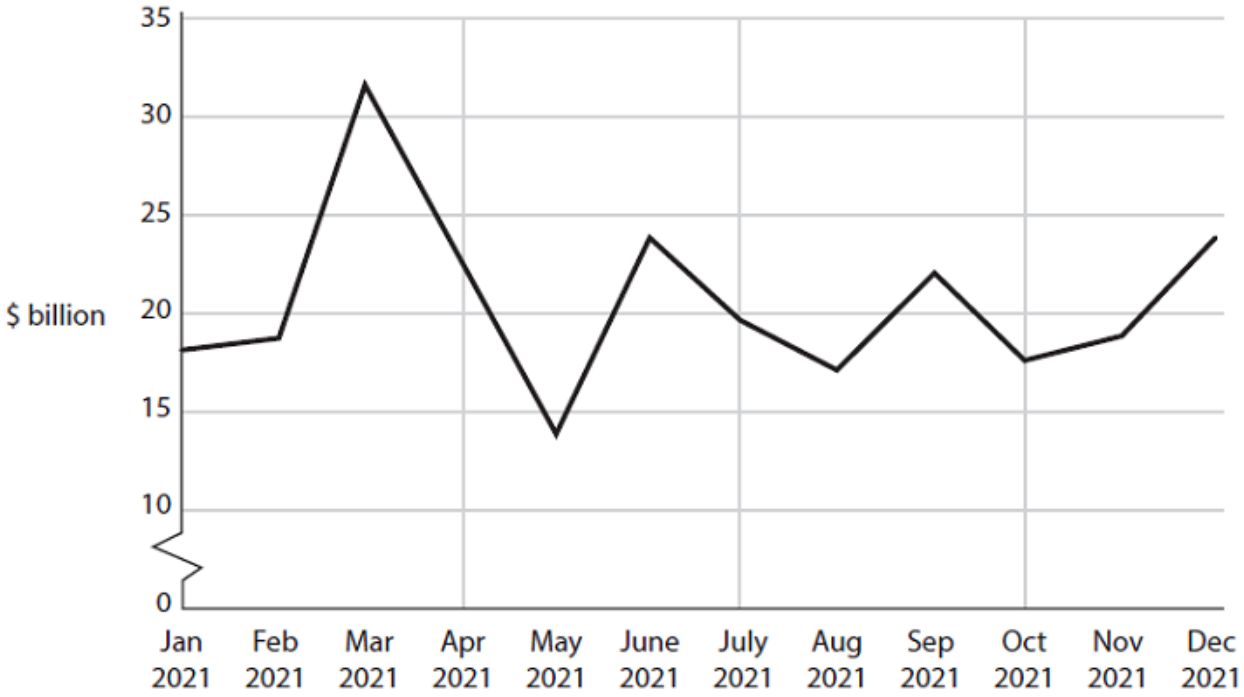
☒ **D** Gross domestic investment was lower than capital flight

(Total for question = 1 mark)

Q5.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The chart shows Germany's net monthly balance of trade in goods and services, $ billion, January 2021 to December 2021.



(Source: adapted from https://tradingeconomics.com/germany/current-account)

Which **one** of the following can be deduced from this chart?

☒ **A** There was a surplus in the capital and financial accounts

☒ **B** There was a fiscal surplus and an increase in the national debt

☒ **C** The value of imports was greater than the value of exports

☒ **D** The value of exports was greater than the value of imports

(Total for question = 1 mark)

Q6.

Study Figure 1 and Extract A in the Source Booklet before answering this question.

In 2022 Indonesia's current account surplus was 1% of its GDP.

With reference to line 26 of Extract A, calculate Indonesia's GDP in 2022. You are advised to show your working.

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(Total for question = 2 marks)

Q7.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Between January 2021 and November 2021 the eurozone currency, the euro, depreciated against the US dollar from €1 = $1.23 to €1 = $1.13.

Which **one** of the following could have caused the depreciation in the exchange rate of the euro against the US dollar?

☐ **A** There was greater economic stability in the eurozone than in the USA

☐ **B** The eurozone inflation rate decreased relative to that in the USA

☐ **C** There was more capital flight from the eurozone than from the USA

☐ **D** The eurozone interest rate increased relative to that in the USA

(Total for question = 1 mark)

Q8.

In 2019 the current account deficit on the balance of payments in Turkey was US$47.4 billion and in Argentina it was US$31.3 billion.

Evaluate the disadvantages of a current account deficit to a developing country of your choice.

(Total for question = 20 marks)

Q9.

In 2022 the value of Japan's currency, the yen, fell by 35% against the US dollar.

Japan's central bank intervened in the currency markets to increase the external value of the yen. This intervention cost the central bank $20.8 billion.

Evaluate policies that can be used to prevent a country's exchange rate from depreciating. Refer to a developed country of your choice in your answer.

(Total for question = 20 marks)

Q10.

In 2021 Singapore's surplus on its current account of the balance of payments was over $60 billion.

Evaluate possible causes of a current account surplus. Refer to a developed country of your choice in your answer.

(Total for question = 20 marks)

Q11.

Between January and August 2018, Turkey's currency, the lira, depreciated by nearly 40% against the US dollar.

Evaluate the economic effects of a depreciation of a country's currency. Refer to a country of your choice in your answer.

(Total for question = 20 marks)

Q12.

Between September 2021 and September 2022 the US dollar appreciated by nearly 18% against the euro.

Evaluate the likely economic effects of an appreciation of a country's currency on its economy. Refer to a developed country of your choice in your answer.

(Total for question = 20 marks)

Q13.

In 2017 Turkey's deficit on the current account of the balance of payments was $47.1 billion. In the same year, France's deficit on the current account of the balance of payments was $36.8 billion.

Evaluate the possible causes of a current account deficit. Refer to a country of your choice in your answer.

(Total for question = 20 marks)

Q14.

Study Figures 1 and 2 and Extract A in the Source Booklet before answering this question.

With reference to the third paragraph of Extract A, examine **two** measures that the Government of Greece could take to increase the country's international competitiveness.

(Total for question = 8 marks)

Q15.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The UK pound sterling exchange rate is allowed to float freely. The value of the pound sterling changed from £1 = $1.53 in January 2015 to £1 = $1.26 in January 2019.

This means that the value of pound sterling against the dollar has

☒ **A** devalued

☒ **B** revalued

☒ **C** depreciated

☒ **D** appreciated

(Total for question = 1 mark)

Q16.

Study Figures 1 and 2 and Extract A in the Source Booklet before answering this question.

With reference to Figure 2 and the first paragraph of Extract A, examine **two** likely effects of the depreciation of the rupee against the US dollar.

(Total for question = 8 marks)

Q17.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In 2022 the value of Japan's currency, the yen, depreciated significantly against the US dollar.

Japan's central bank intervened in the currency markets to increase the external value of its currency.

Which **one** of the following combinations of foreign currency transactions would Japan's central bank be most likely to use if it wanted to raise the value of the yen against the US dollar?

	Japanese yen	US dollar
☒ **A**	Buy	Buy
☒ **B**	Buy	Sell
☒ **C**	Sell	Buy
☒ **D**	Sell	Sell

(Total for question = 1 mark)

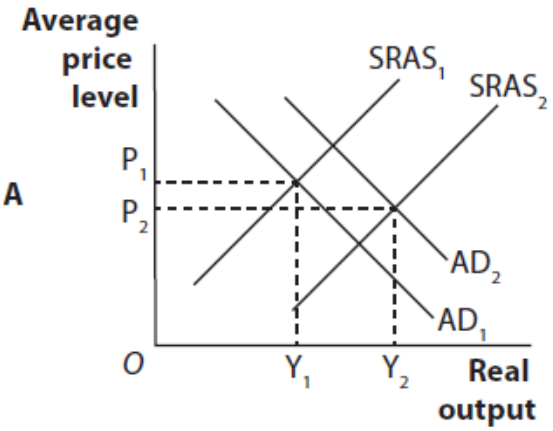
Q18.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

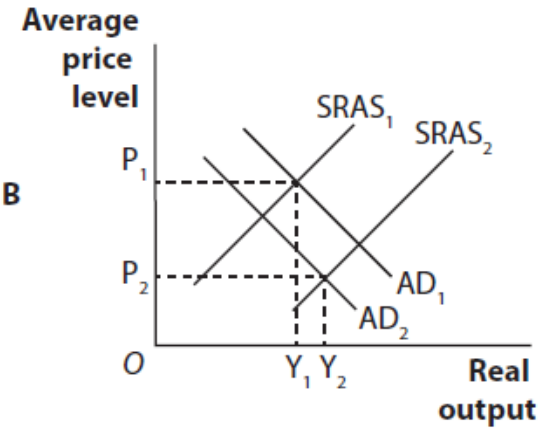
Which **one** of the following aggregate demand (AD) and short-run aggregate supply (SRAS) diagrams represents the likely effect of a substantial currency appreciation?

In each diagram the original equilibrium is represented by P_1 and Y_1.

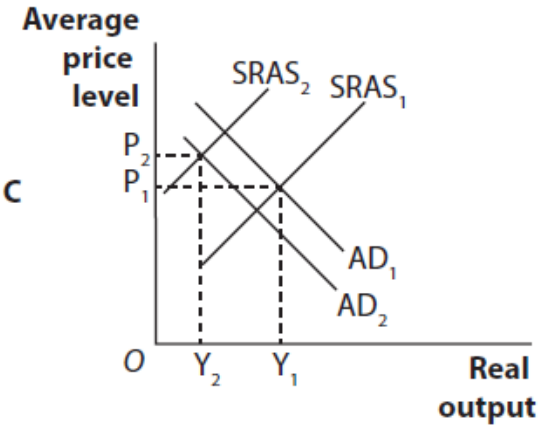
A



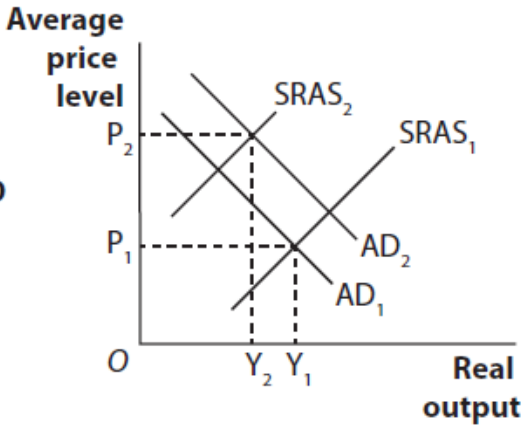
B



C



D



☒ **A**

☒ **B**

☒ **C**

☒ **D**

(Total for question = 1 mark)

Q19.

In 2022 Pakistan's currency, the rupee, fell by 27% against the US dollar.

Evaluate factors that might cause a depreciation of the exchange rate of one currency against another currency. Refer to a developing country of your choice in your answer.

(Total for question = 20 marks)

Q20.

Answer the question 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 ☒.

The exchange rate of the United Arab Emirates (UAE) currency, the dirham, is fixed against the US dollar. Assume that the UAE Government instructed the country's central bank to reduce the exchange rate of the dirham against the dollar.

Which **one** of the following would best describe the impact of this policy?

☒ **A** The exchange rate would appreciate

☒ **B** The exchange rate would be devalued

☒ **C** The exchange rate would depreciate

☒ **D** The exchange rate would be revalued

(Total for question = 1 mark)

Q21.

In 2020 New Zealand's productivity rate was 40% lower than the average productivity of many other advanced economies.

Evaluate factors that influence a country's international competitiveness. Refer to a developed country of your choice in your answer.

(Total for question = 20 marks)

Q22.

Answer the question with a cross in the box you think is correct ☒ . If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒ .

In 2019 India's international competitiveness rank was 10 places lower than it was in 2018.

Which **one** of the following is the most likely reason for this fall in India's international competitiveness?

☒ **A** A decrease in its inflation rate relative to other countries

☒ **B** A decrease in its unit labour costs relative to other countries

☒ **C** A decrease in its labour productivity relative to other countries

☒ **D** A decrease in its transportation costs relative to other countries

(Total for question = 1 mark)

Q23.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Between 2018 and 2019 the Netherlands' rank on the Global Competitiveness Index increased from sixth to fourth. This was as a result of an increase in its labour productivity.

Which **one** of the following combinations is the most likely impact of an increase in labour productivity?

	Unit labour costs	Export prices
☒ **A**	Fall	Fall
☒ **B**	Fall	Rise
☒ **C**	Rise	Fall
☒ **D**	Rise	Rise

(Total for question = 1 mark)

Q24.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer

with a cross ☒.

In 2021 the US dollar appreciated by around 10% against the euro.

Which **one** of the following factors is likely to have caused this appreciation of the US dollar?

☒ **A** A decrease in confidence in the USA's economy by currency speculators

☒ **B** A decrease in the USA's rate of economic growth

☒ **C** An increase in capital flight out of the USA into the eurozone

☒ **D** An increase in the USA's base interest rate relative to the eurozone

(Total for question = 1 mark)

Q25.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Between 2019 and 2020 France's rank on the Global Competitiveness Index decreased from 31st to 32nd. This was as a result of a significant decrease in its labour productivity.

Which **one** of the following combinations is the most likely effect of a decrease in labour productivity?

		Unit labour costs	Export prices
☒	**A**	Fall	Fall
☒	**B**	Fall	Rise
☒	**C**	Rise	Fall
☒	**D**	Rise	Rise

(Total for question = 1 mark)

Q26.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The table shows Afghanistan's terms of trade between 2015 and 2017 (2000=100).

Year	Terms of trade
2015	154.4
2016	163.8
2017	169.0

Ceteris paribus, which one of the following can be deduced from the data?

☒ **A** The value of Afghanistan's imports have risen relative to the value of its exports

☒ **B** The average price of Afghanistan's exports have fallen relative to the average price of its imports

☒ **C** Afghanistan is likely to experience an improvement in its living standards

☒ **D** Afghanistan is likely to experience a deterioration in the financial account of the balance of payments

(Total for question = 1 mark)

Q27.

Answer the question with a cross in the box you think is correct ☒ . If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒ .

Between June 2018 and October 2019 the Australian dollar fell by 7.4% against the US dollar.

Ceteris paribus, which **one** of the following is the most likely impact of this depreciation on Australia's economy?

☒ **A** A fall in the price of imports and a rise in the price of exports

☒ **B** An increase in public sector borrowing and an increase in national debt

☒ **C** An improvement in the capital and financial account of the balance of payments

☒ **D** A decrease in the cost of borrowing and a decrease in the reward for saving

(Total for question = 1 mark)

Q28.

Study Figure 1 and Extract A in the Source Booklet before answering this question.

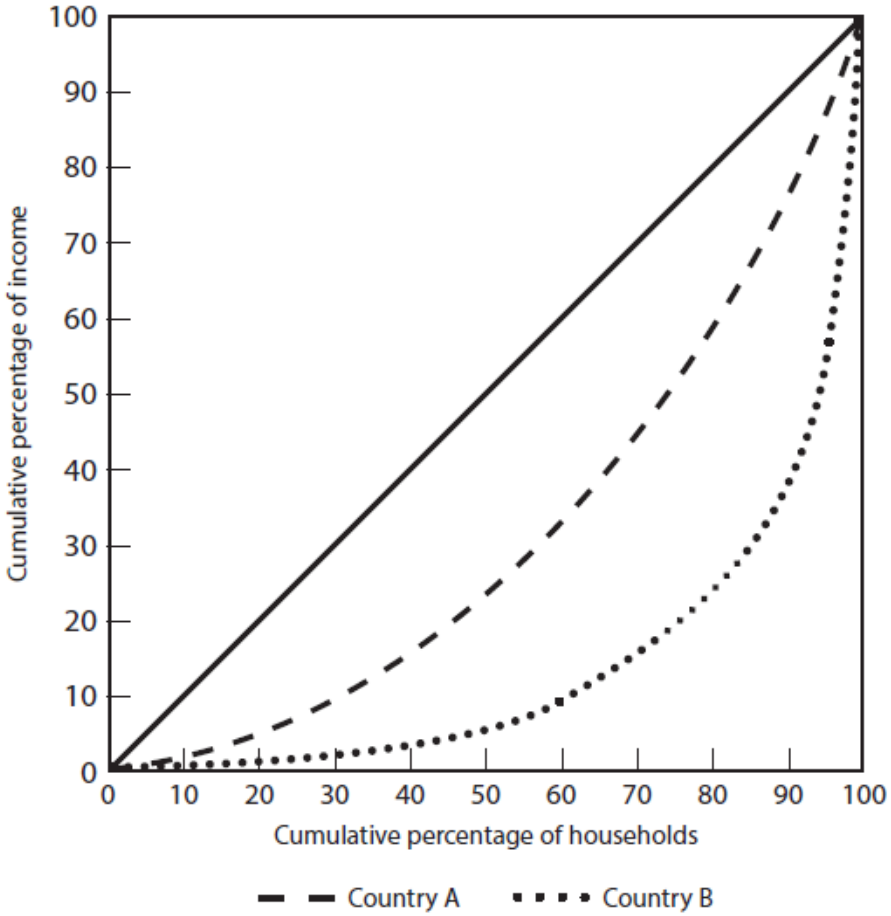
Analyse the likely impact of an increase in the base interest rate on 'Zambia's balance of trade with South Africa' (Extract A, line 15).

(Total for question = 6 marks)

Q29.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The diagram illustrates the Lorenz curves of Country A and Country B.



Which **one** of the following can be deduced from this chart?

☒ **A** GDP per capita in Country B is higher than in Country A

☒ **B** Income tax rates in Country B are higher than in Country A

☒ **C** The Gini coefficient of Country A is larger than it is for Country B

☒ **D** Income is more evenly distributed in Country A than in Country B

(Total for question = 1 mark)

Q30.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In 2022 South Korea's international competitiveness ranking was four places lower than it was in 2021.

Which **one** of the following measures is most likely to increase South Korea's international

competitiveness?

☒ **A** Stricter regulation of product markets

☒ **B** Privatisation of state-owned enterprises

☒ **C** Greater restrictions on free trade

☒ **D** Less spending on education and training

(Total for question = 1 mark)

Q31.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In 2021 the UK experienced a fall in labour productivity. It remained below the average labour productivity of its main trading partners.

Ceteris paribus, which **one** of the following can be deduced from this statement?

☐ **A** UK goods and services were less internationally competitive than those of its trading partners

☐ **B** Average export prices of UK goods and services were lower than the average export prices of its trading partners

☐ **C** Unit labour costs in the UK were the same as the average unit labour costs of its trading partners

☐ **D** The UK experienced a significant deterioration in its terms of trade

(Total for question = 1 mark)

Q32.

Study Figures 1, 2 and 3 and Extract A in the Source Booklet before answering this question.

With reference to Figure 3, analyse the likely impact of the change in the average monthly earnings of manufacturing employees on Vietnam's international competitiveness.

(Total for question = 6 marks)

Q33.

Study Figures 1, 2 and 3 and Extract A in the Source Booklet before answering this question.

With reference to the information provided and your own knowledge, discuss measures, **apart from** promoting FDI, that the Government of Vietnam might take to increase the country's international competitiveness.

(Total for question = 14 marks)

Q34.

Between 2000 and 2022, Canada's productivity decreased by 9%.

Evaluate the likely effects of a decrease in productivity on a country of your choice.

(Total for question = 20 marks)

Q35.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In July 2022 the Central Bank of India aimed to increase the value of the Indian rupee against the US dollar.

Which **one** of the following combinations of foreign currency transactions would the Central Bank of India use to increase the value of the rupee against the US dollar?

	Rupee	Dollar
☒ **A**	Buy	Buy
☒ **B**	Sell	Buy
☒ **C**	Buy	Sell
☒ **D**	Sell	Sell

(Total for question = 1 mark)

Q36.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In May 2021 Canada's central bank aimed to reduce the value of the Canadian dollar against the UK pound sterling.

Which **one** of the following combinations of foreign currency transactions would Canada's central bank use to reduce the value of the Canadian dollar against the UK pound sterling?

	Canadian dollar	UK pound sterling
☒ **A**	Buy	Buy
☒ **B**	Buy	Sell
☒ **C**	Sell	Buy
☒ **D**	Sell	Sell

(Total for question = 1 mark)

Q37.

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 ☒.

In 2020 Denmark's international competitiveness rank was six places higher than in 2019.

Which **one** of the following is the most likely reason for this increase in Denmark's international competitiveness?

☒ **A** An increase in its unit labour costs relative to other countries

☒ **B** An increase in its transportation costs relative to other countries

☒ **C** An increase in its labour productivity relative to other countries

☒ **D** An increase in its rate of inflation relative to other countries

(Total for question = 1 mark)