

Paper Reference 9EB0/03  
Pearson Edexcel  
Level 3 GCE

Economics B  
Advanced  
Paper 3: The economic environment and business

Friday 15 June 2018 – Morning

Data Book

In the boxes below, write your name, centre number and candidate number.

Surname					
Other names					
Centre Number					
Candidate Number					

**INSTRUCTIONS**

There may be spare copies of some data sheets in case you need them.

**THIS DATA BOOK *MUST* BE RETURNED WITH THE  
QUESTION PAPER AT THE END OF THE EXAMINATION.**

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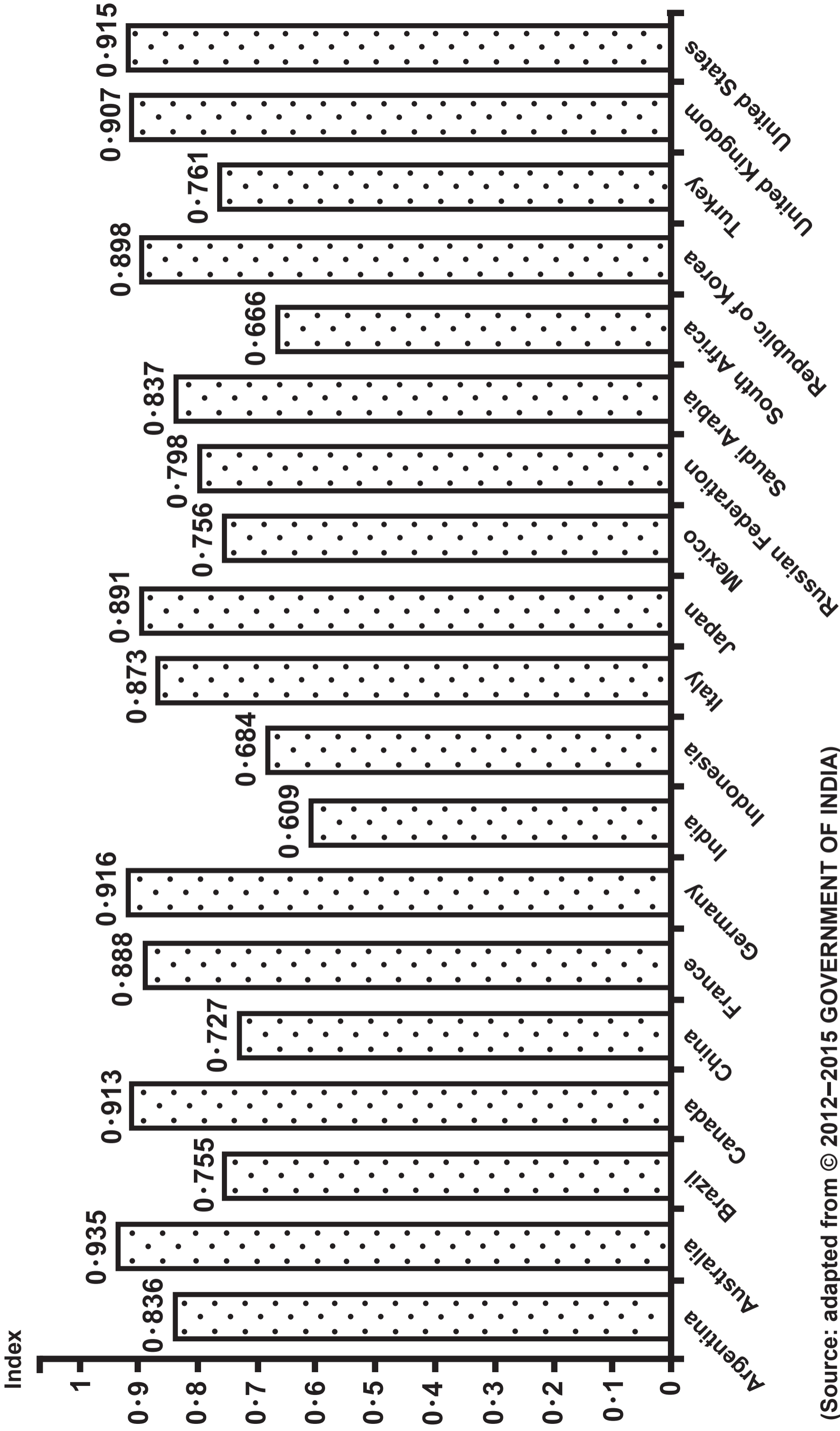
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Question 1

Extract A  
Human Development Index (HDI) of G20 countries



(Source: adapted from © 2012–2015 GOVERNMENT OF INDIA)

## Question 1

## Extract B

## History of containers

In 1955, Malcom P. McLean, a transport entrepreneur from the USA, bought a steamship company with the idea of transporting entire truck trailers with their cargo still inside. He realised it would be much simpler and quicker to have one  
5 container that could be lifted from a vehicle directly on to a ship without first having to unload its contents.

His idea was that efficiency could be vastly improved by using the same container, with different forms of transport during its journey. Containers could be moved easily between ships, trucks and trains. This would simplify the  
10 whole logistical process. Eventually, this idea led to a revolution in cargo transportation and international trade over the next 50 years.

(Source: adapted from © 2017 World Shipping Council)

## Question 1

## Extract C

## Responding to the challenges of an ageing population

For the first time in human history, an ageing population could mean that the population will stop growing in most of the world. The European Commission expects that by **2060** Germany's population will shrink by one-fifth, and the  
5 number of people of working age will fall from **54** million in **2010** to **36** million in **2060**. China's labour force peaked in **2012**, due to income-driven demographic trends. A smaller workforce will place a greater emphasis on productivity for driving growth and may cause us to rethink the economy's potential.

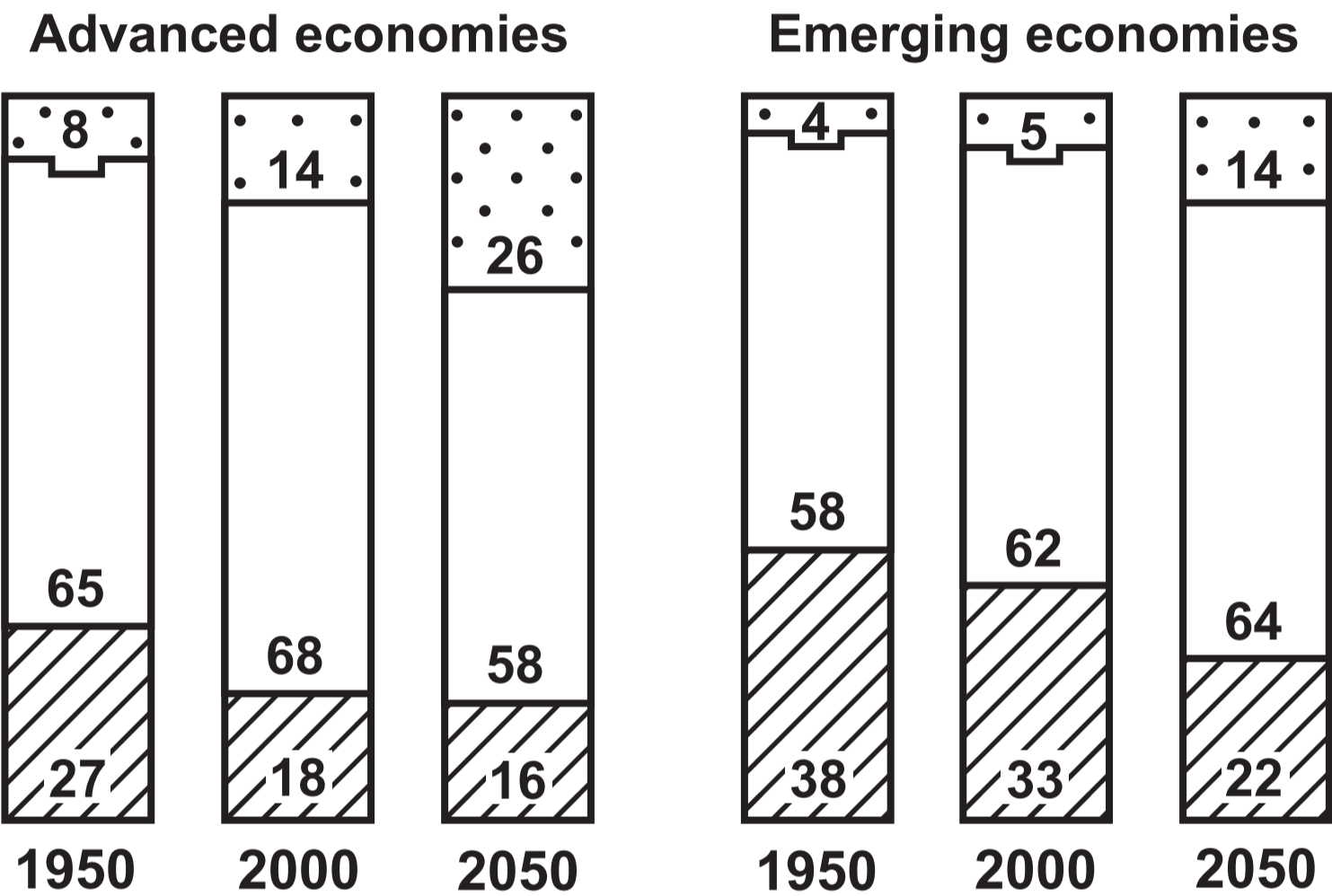
(Source: adapted from © 1996–2017 McKinsey & Company)

Question 1

Figure 1

Proportion of elderly is increasing

Global population by age group, %    0–14    15–64    65+

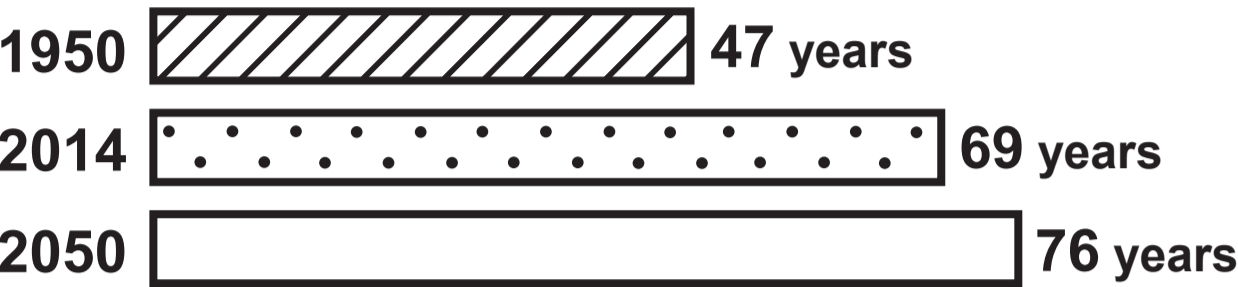


(Source: adapted from © 1996–2017 McKinsey & Company)

Question 1

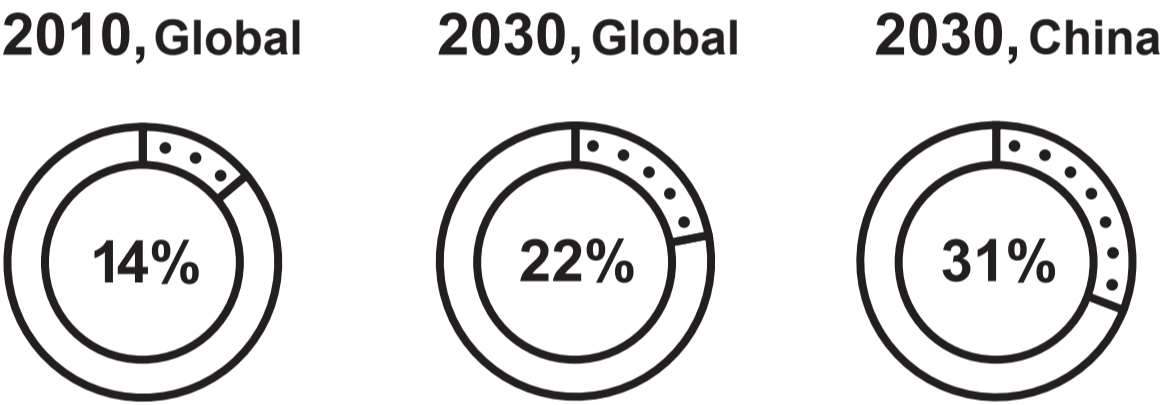
Figure 2

Global life expectancy is increasing



AN AGEING WORKFORCE

The share of older workers (age 55+) will increase dramatically



(Source: adapted from © 1996–2017 McKinsey & Company)

## Question 1

## Extract D

## The age of urbanisation

There has been a shift of economic activity to emerging markets such as China and to cities within those markets. These emerging markets are going through industrial and urban revolutions at the same time, shifting the centre of the world economy east and south at a speed never before witnessed.

As recently as the year 2000, 95% of the Fortune Global 500 – the world's largest international companies including Airbus, IBM, Nestlé, Shell and The Coca-Cola Company to name but a few – had headquarters in developed economies. By 2025, China will be home to more large companies than either the United States or Europe. We expect nearly half of the world's largest companies – defined as those with revenue of \$1 billion or more – to have their headquarters in emerging markets.

Perhaps equally important, the focus of economic activity is shifting within these markets. The global urban population has been rising by an average of 65 million people annually during the past three decades, the equivalent of adding seven Chicagos a year, every year. Nearly half of global GDP growth between 2010 and 2025 will come from 440 cities in emerging economies – 95% of them small- and medium-size cities that many Western executives may not even have heard of and could not point to on a map. For example, in 2010, we estimated that the GDP of Tianjin in China was around \$130 billion, making it equal to Stockholm, the capital of Sweden. By 2025, we estimate that the GDP of Tianjin will be around \$625 billion – equal to the GDP of Sweden.

## Question 1

Figure 3

**Emerging economies are becoming major forces**

**By 2025, emerging economies will grow 75%  
faster than developed nations**

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**Emerging economies are taking a larger share  
of the world economy**

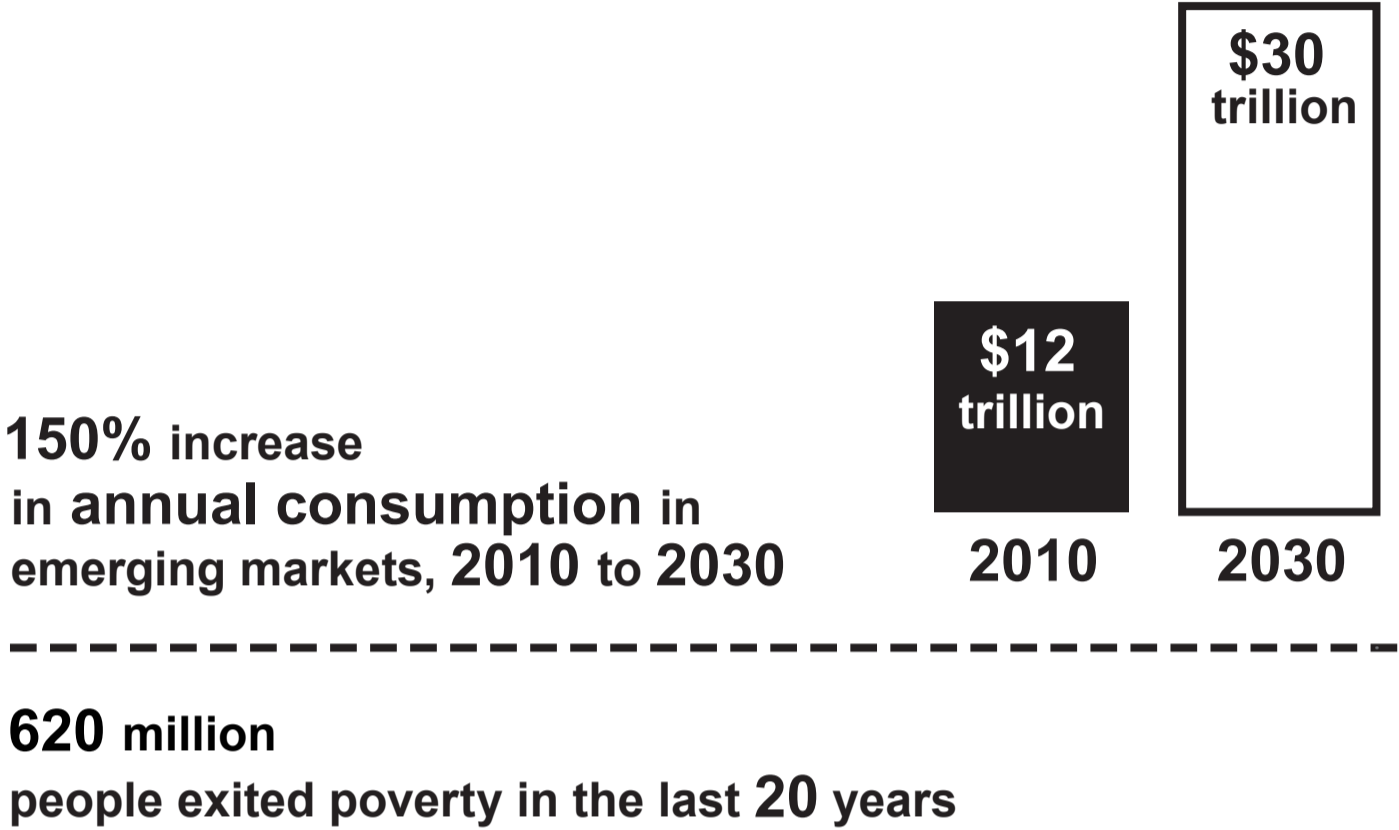


(Source: adapted from © 1996–2017 McKinsey & Company)

Question 1

Figure 4

Growth of the urban consumer class



(Source: adapted from © 1996–2017 McKinsey & Company)

## Question 2

## Extract E

## Indian cycle brand Hero opens Global Design Centre in Manchester

**Hero Cycles** is an Indian multinational company and one of the world's biggest manufacturers of bicycles, producing over 5.5 million bicycles a year. In the UK, it supplies major retailers such as **Halfords**, **Argos** and **Tesco**.

- 5 Despite Brexit, **Hero Cycles** has opened a £2 million Global Design Centre in Manchester, near the National Velodrome, the home of British cycling. The decision to choose Manchester, which has the biggest student population of any city in Europe, was taken in 2016. A number of other cities across Europe were considered for the design centre, including London, Amsterdam, Copenhagen  
10 and Berlin.

- Mr Pankaj Munjal, Chairman and Managing Director of **Hero Cycles**, said “with major expansion plans in Europe, this design centre will help us produce technology and design to cater to differentiated products to suit the needs of different European markets. Our strategy is to develop British brands here in  
15 the UK, build them and export them across Europe, Africa and India and to increase the value of our Indian-based bicycle brands.”

**Hero Cycles** was founded in 1956 and is privately owned by the Munjal family. In 2016 the company launched three successful takeover bids.

- The first was for UK bicycle manufacturer **Avocet**. **Avocet** aims to become  
20 the market leader in European bicycle distribution. It supplies Viking and Coyote bicycles to the mass-market, and in early 2017, along with **Hero**, released five new bike brands: De-Novo is a children's brand; Riddick is a mountain bike brand; Ryedale produces women's Dutch-style roadsters; Simmonsohn produces tandems and, as the name suggests, Lectro is an  
25 e-bike (electric bike) brand.
- Next came **Firefox Cycles**, an Indian manufacturer. With **Firefox's** acquisition, **Hero Cycles** now holds the dominant position in the rapidly

(continued on the next page)

Extract E continued.

growing premium segment, while also leading the mass market segment with over **45%** market share.

- 30 • Finally, it acquired a majority stake in Sri Lanka's leading bicycle manufacturer, **BSH Ventures**. The move will strengthen the company's manufacturing presence in the subcontinent and help **Hero Cycles** raise its share in the international sales of Indian bicycle companies to close to **30%**

(Sources: adapted from © 2017 IndiaGB News and © 2017 The Hindu Business Line)

## Question 2

## Extract F

**Boris Johnson promises tariff-free import of Indian bikes after Brexit**

Foreign secretary Boris Johnson has suggested that Indian bicycle manufacturers will be able to export to the UK tariff-free after Brexit. Since June 2006, the regular import duty rate on bicycles entering the European Union (EU) from outside Europe has been 14%

5

Speaking to Indian business leaders, Johnson said it is “time to stick up for free trade”. The Guardian reports that Johnson believes that Britain and India could do a lot more trade together. He suggested that India starts by relaxing its 150% tariff on imported whisky.

(Source: adapted from © NewBay Media 2017)

## Question 2

## Extract G

European Union (EU) bicycle sales – percentage share by country  
2015

- 20,751,000 bicycles and e-bikes are now sold annually across Europe, with 13,000,000 of these produced from outside EU member states.
- 5
- The majority of bicycle and e-bike production comes from Italy (2,344,000 or 18%), Germany (2,186,000 or 17%) and Portugal (1,904,000 or 14%).
  - Bicycle and e-bike sales figures for 2015 are as follows; Germany – 4,350,000, GB – 3,514,000, France – 2,996,000, Italy – 1,654,000, Poland – 1,190,000
- 10
- GB's parts and accessories production is worth €35 million. By comparison, market leader Italy's is worth €474 million.
  - The Netherlands has the highest average bicycle sale price in Europe at €914, followed by Denmark at €650, Spain at €481, Austria at €450 and Luxembourg at €450. Slovenia, Malta, Latvia and Croatia have the lowest at
- 15
- €110. In the UK it is €300
  - European sales of electric bikes reached 1,357,000, up 19·13% on 2014. Germany remains the largest market by unit sales at 40% of the volume sold, or 535,000 units in 2015

(Source: adapted from © 2017 Cycling Industry News)

## Question 2

Figure 5

**European Union (EU) bicycle sales – percentage share by country 2015**

<b>Germany</b>	<b>21%</b>
<b>Great Britain (GB)</b>	<b>17%</b>
<b>France</b>	<b>14%</b>
<b>Italy</b>	<b>8%</b>
<b>Poland</b>	<b>6%</b>
<b>Spain</b>	<b>5%</b>
<b>The Netherlands</b>	<b>5%</b>
<b>Sweden</b>	<b>3%</b>
<b>Denmark</b>	<b>2%</b>
<b>Belgium</b>	<b>2%</b>
<b>Romania</b>	<b>2%</b>
<b>Austria</b>	<b>2%</b>
<b>Czech Republic</b>	<b>2%</b>
<b>Portugal</b>	<b>2%</b>
<b>Croatia</b>	<b>2%</b>
<b>Finland</b>	<b>1%</b>
<b>Lithuania</b>	<b>1%</b>
<b>Slovenia</b>	<b>1%</b>
<b>Hungary</b>	<b>1%</b>
<b>Others</b>	<b>3%</b>

(Source: adapted from © 2017 Cycling Industry News)