

Paper Reference 9EB0/01
Pearson Edexcel
Level 3 GCE

Economics B
Advanced
Paper 1: Markets and how they work

Tuesday 6 June 2017 – Afternoon

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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SECTION A

Extract A

Bright future for coffee shops

In 2014 the branded coffee chain segment recorded £2·9 billion turnover from 5,781 outlets, with impressive sales growth of 11·9%. The number of branded coffee shops grew by 4·9%, with 271 stores added during the year.

5 Costa Coffee, Starbucks Coffee Company and Caffè Nero remain the UK's leading brands by outlet numbers. Market leader, Costa, added 151 UK outlets in 2014 and increased revenue from £807 million in 2013 to £951 million in 2014. Operating profits increased by 20% in 2014 from a figure of £110 million in 2013.

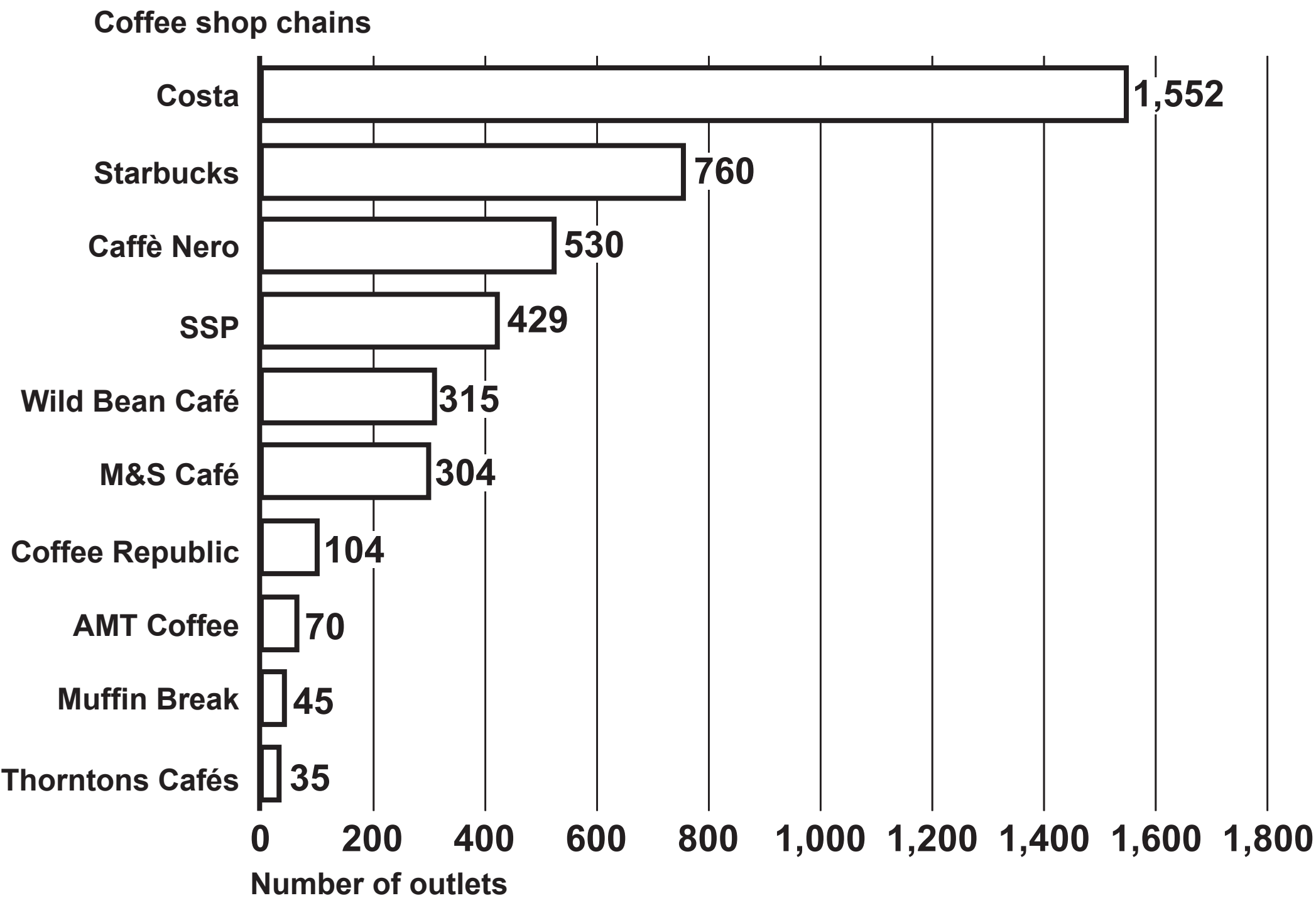
10 Increasing competition provides consumers with more choice of quality coffee at home, at work and a wider variety from the non-specialist sector, such as public houses, fast food operators, supermarkets, garden centres and bookshops. Consumer choice is driven by more criteria than ever before, including: habit, coffee shop brand, loyalty scheme and brand of coffee offered. Coffee shops increasingly play an important role, contributing to the social
15 vibrancy of a community as well as being a large contributor to UK employment and the economy.

Independent coffee shops are becoming far more wide spread and successful than ever before. Some of these independents are now expanding, following the success of leading small chains such as Taylor St Baristas and
20 Timberyard.

(Sources: adapted from Coffee shops key to growth in market spend, Kathy Bowry at Catering Insight © Promedia Publishing Ltd; Allegra announces 2014 European Coffee Award winners in Istanbul © lunchbusiness.co.uk; and whitbread.co.uk)

Extract B

Leading 10 coffee shop chains ranked by number of outlets in the UK in 2014



(Source: adapted from <http://www.statista.com/statistics/297863/leading-coffee-shop-chains-in-the-united-kingdom-uk-store-number/>)

Extract C

Tea, Coffee, Work and Play. Reimagined

Timberyard is a dynamic, independent creative workspace fused with speciality tea and coffee. A challenge to the traditional coffee shop, we are a new and exciting environment that aims to provide products and services that are conducive to the evolving needs of life in London.

- 5 We encourage creative people to come together for a variety of reasons and provide a place in which they are comfortable to stay as long as they like. With our range of food and drink from high quality local producers changing daily, it's easy to keep yourself fuelled all day long.

- 10 At the **2014** European Coffee Awards, **Timberyard** was announced as 'Best Independent Coffee Shop in Europe'.

Timberyard Soho

- 15 **Timberyard Soho** provides a new creative hub in the heart of London. In an area known for colourful ingenuity and innovation, this new space welcomes our familiar speciality tea and coffee coupled with vibrant workspace. The members' floor offers a beautiful central brew bar plus **104** seats in **2,000** square feet of open plan workspace.

(Source: adapted from <https://tyuk.com/>)

Extract D

**Wholesale Coffee prices,
US cents per pound of coffee,
October 2014 to September 2015**

Month	Price	Change
Oct 2014	109·39	—
Nov 2014	106·81	−2·36%
Dec 2014	103·51	−3·09%
Jan 2015	102·33	−1·14%
Feb 2015	103·74	1·38%
Mar 2015	98·07	−5·47%
Apr 2015	98·73	0·67%
May 2015	94·35	−4·44%
Jun 2015	96·89	2·69%
July 2015	92·71	−4·31%
Aug 2015	91·94	−0·83%
Sep 2015	87·98	−4·31%

(Source: adapted from <http://www.indexmundi.com/commodities>)

SECTION B

Extract E

Trends and Fluctuations in fuel prices

Fluctuations in fuel prices are a common occurrence. For the most part an upward change in the price of petrol, diesel and other fuels is caused by a variety of factors, such as market forces, global events and new technology.

5 Changes in the oil industry have significant effects all around the world. Crude oil, which is refined to form different fuels and many other products, including plastics, fertilisers and man-made fabrics, is the world's most actively traded commodity.

The UK Fuel Industry

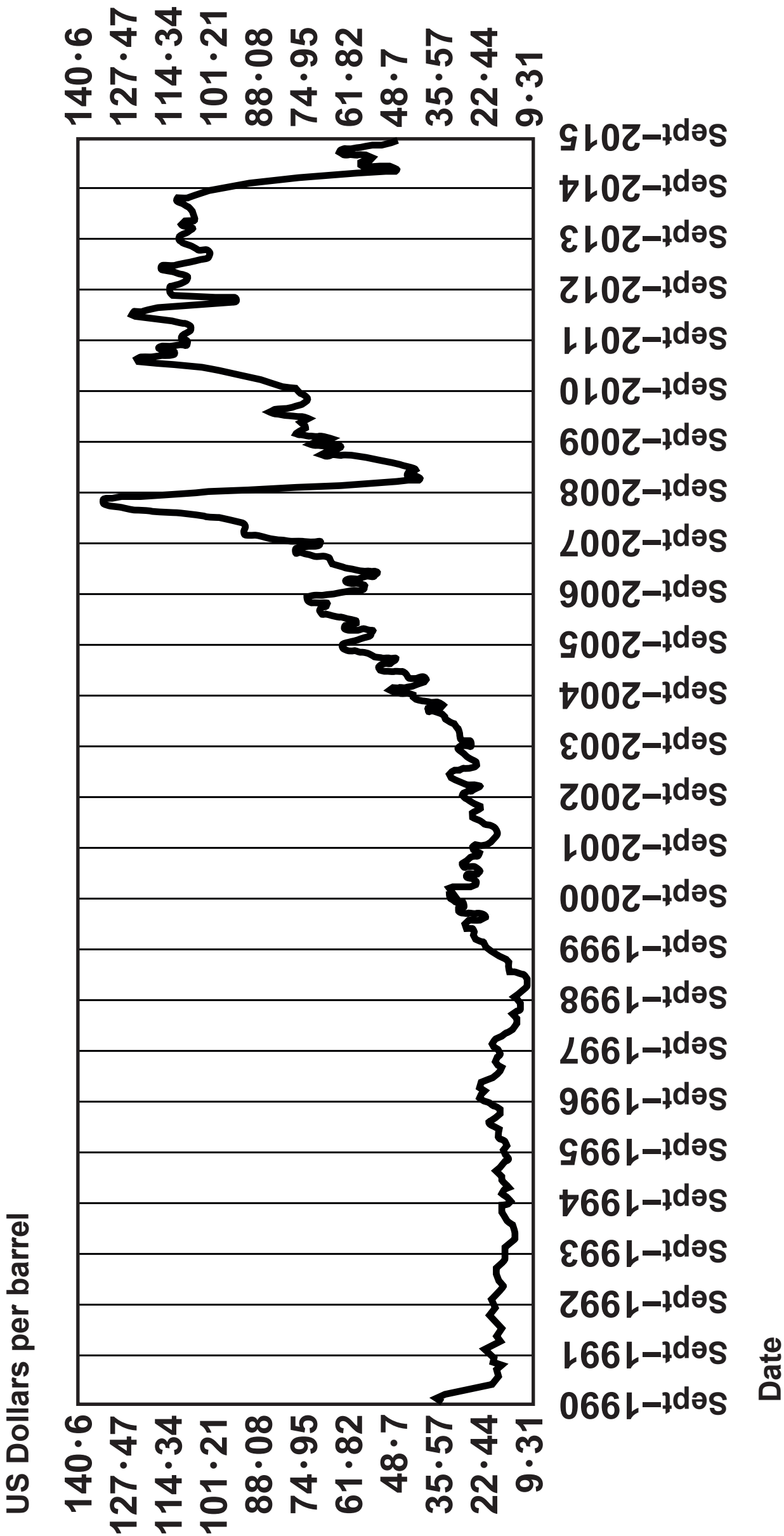
10 The UK's fuel industry is home to some of the world's biggest fuel companies such as **BP** and **Shell** whose products and services are used around the globe. As such the importation and refining of crude oil and its production into petroleum and other petrochemicals are a major part of the fuel industry in the UK.

15 Hydraulic fracturing or fracking has made America increasingly energy independent and has broken its reliance on the volatile Middle East. Experts have warned that a rush to start fracking for oil across Britain may already be over before it has even begun. The slump in global crude oil prices makes this controversial method look increasingly uneconomic.

(Source: adapted from UK fracking faces bust amid Opec oil price war, Andrew Critchlow © Telegraph Media Group Limited)

Figure 1

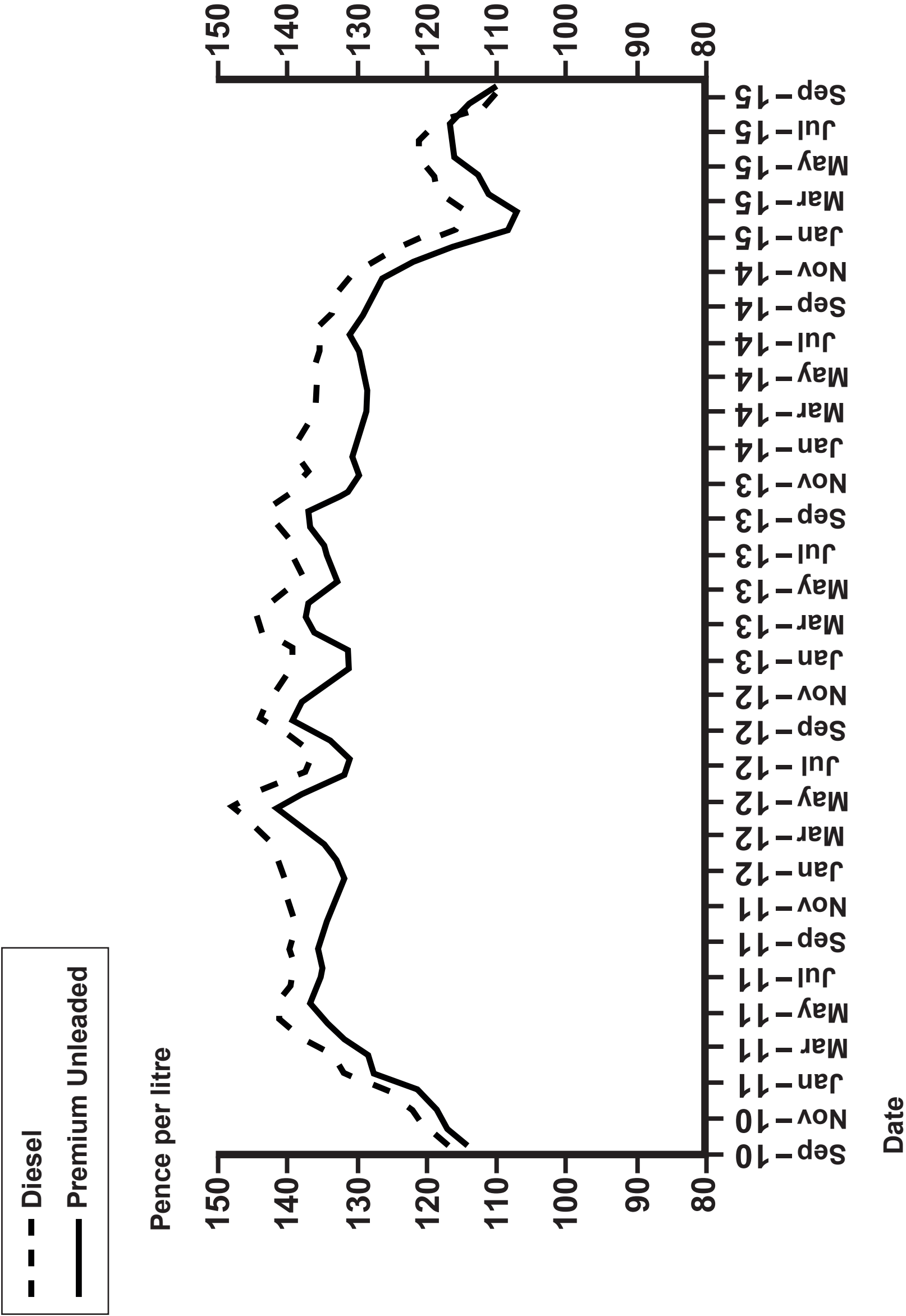
Crude oil prices – US Dollars per barrel (Sept 1990 to Sept 2015)



(Source: adapted from © Crown copyright)

Figure 2

UK Retail prices of Diesel and unleaded petrol (Sept 2010–Sept 2015)



(Source: adapted from © Crown copyright)

SECTION C

Extract F

Banking Regulations and fines

The Financial Conduct Authority (FCA) fined the **Royal Bank of Scotland plc, National Westminster Bank plc and Ulster Bank Ltd £42 million** for IT failures which meant that their customers could not access banking services.

- 5 The IT failure affected over **6·5 million** customers in the UK for several weeks. Over the course of that period customers could not use online banking facilities to access their accounts or obtain accurate account balances from ATMs; customers were unable to make mortgage payments; customers were left without cash in foreign countries. The three banks applied incorrect credit and
- 10 debit interest to customers' accounts and produced inaccurate bank statements. Some organisations were unable to meet their payroll commitments or finalise their audited accounts.

- The FCA has also published new remuneration rules aimed at further aligning risk and reward in the banking sector. The rules, on pay and bonus payments
- 15 for banking staff, are intended to discourage irresponsible risk-taking and short-termism, and to encourage more effective risk management.

(Sources: adapted from FCA fines RBS, NatWest and Ulster Bank Ltd £42 million for IT failures © FCA and FCA and PRA publish new remuneration rules © 2015 Compliancy Services Ltd)

Extract G

Too big to fail

If the financial crisis (2008) had a catchphrase, it was “too big to fail”.

- 5 September 2008 saw the collapse of **Lehman Brothers**, the original “too big to fail” event that highlighted to the world exactly what the failure of a major financial institution would entail. Since **Lehman’s** bankruptcy, reforms have been put in place aimed at making big banks safer.

The financial crisis had an unprecedented impact on the financial system. A number of firms that were considered “too big to fail” were bailed out by the state. This resulted in a perception that such firms in effect benefit from a state guarantee.

- 10 At EU level, new rules allow governments and regulators in Europe to intervene when financial institutions have not prepared appropriately for potential failure. The initiative aims to minimise the need for tax payer bailouts when financial institutions face difficulties.

(Sources: adapted from Banks will carry on being ‘too big to fail’ © The Telegraph 2014)