

Paper Reference 9EC0/03
Pearson Edexcel
Level 3 GCE

Economics A

Advanced

Paper 3: Microeconomics and Macroeconomics

Monday 8 June 2020 – Morning

Data Book

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

Surname					
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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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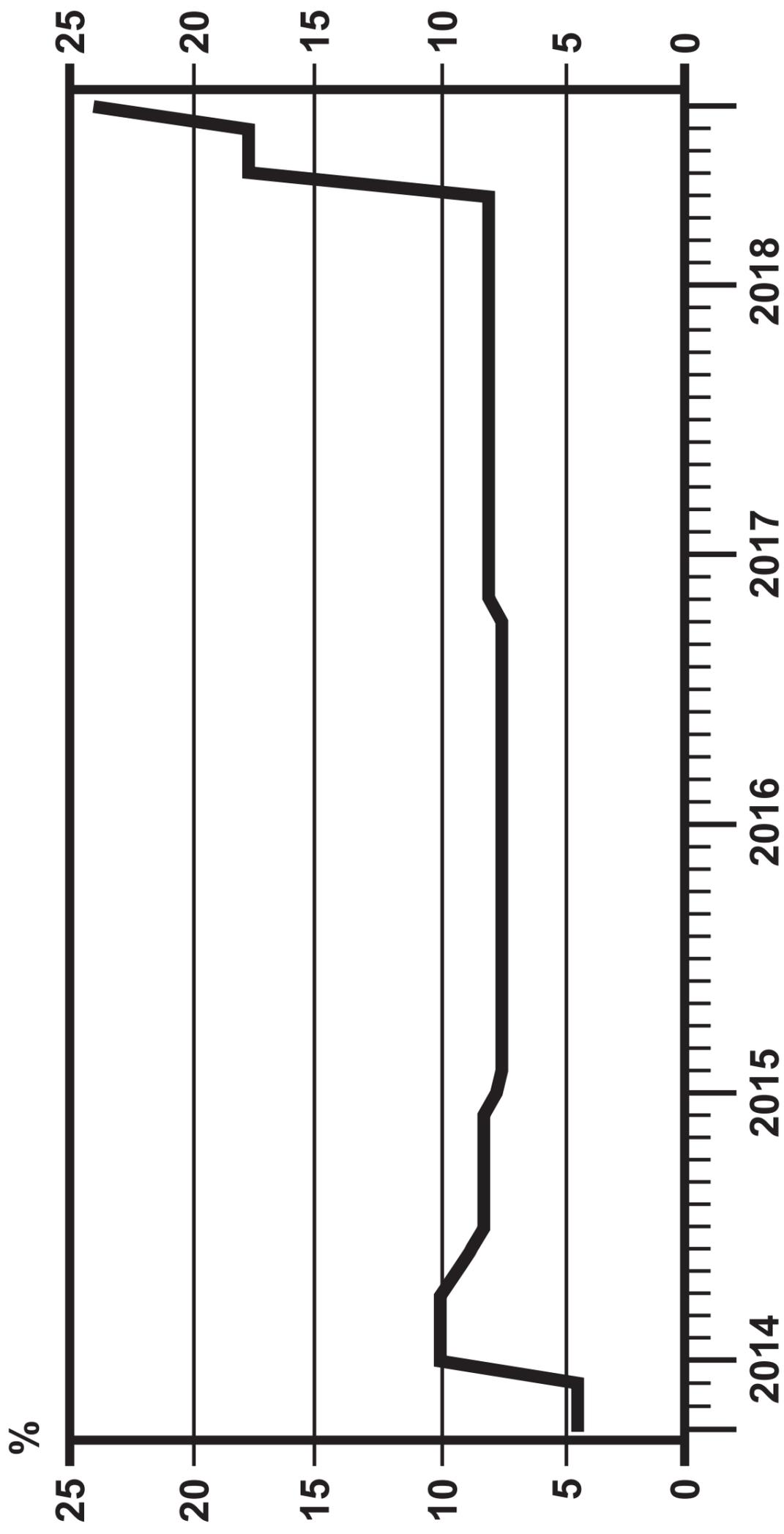
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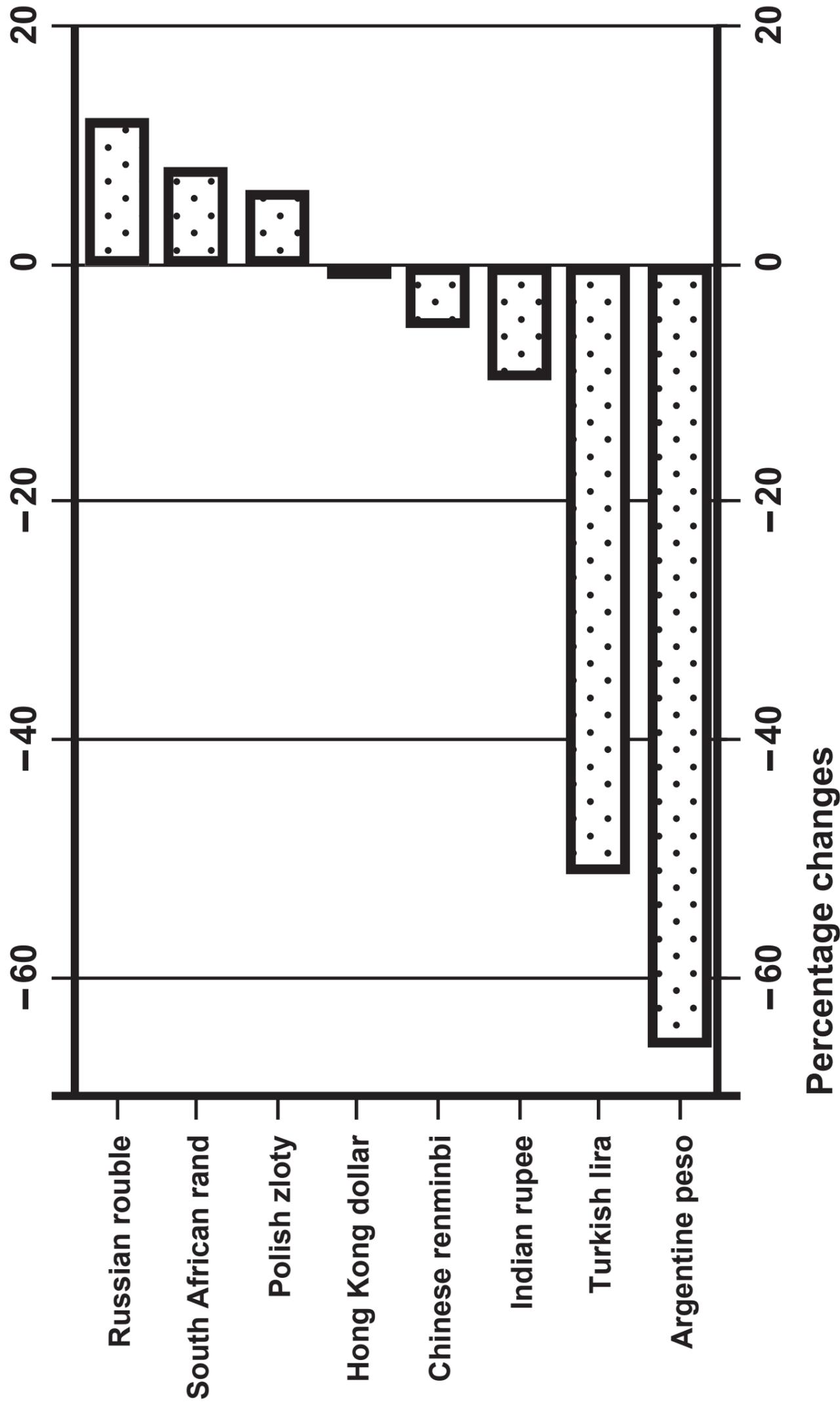
Question 1

Figure 1: Turkey's central bank lending rate, percent, 2013–2018



Question 1

Figure 2: Selected emerging economy exchange rates, percentage change against the US dollar: January 2018 compared to January 2016.



(Source adapted from: FT.com)

Question 1

Extract A

Can Turkey's central bank avoid another rate rise?

At an annual rate of **25%**, Turkey's inflation is alarming. However, it may have peaked. This may be a turning point for the economically struggling country, whose currency (the Turkish lira) has lost nearly a third of its value against the US dollar in **2018**. The central bank may be able to avoid tightening monetary policy further, as a severe economic adjustment is already well under way. Turkey is highly indebted in foreign currency. The Turkish government takes measures against excessive appreciation or depreciation of the Turkish lira to reduce financial stability risks. The financial market faces difficulties in trying to restore foreign investors' confidence.

Consumer prices increased by **2.7%** in October **2018**, a much lower rate than the **6.3%** recorded in September **2018**. The lira has stabilised, having risen **16%** since the central bank raised interest rates by **6.25** percentage points. However, the government wants lower borrowing costs to fuel credit growth and economic expansion. Timothy Ash at a London investment bank says at this point it's "illogical" to raise interest rates again in Turkey. That's because Turkey's economy is already experiencing a severe slowdown.

In the long term Turkey's economic growth is expected to be above that of other emerging markets such as Brazil, Russia and China. Turkey's private sector is resilient. Between **2018–50** we expect Turkey to grow by an annual average of **3.1%**. Brazil is expected to grow by an annual average of **2.1%**, Russia by **1.6%** and China by **2.8%**. GDP growth will nevertheless be well below that recorded in **2004–07** and **2010–15**. Average growth in GDP per head will be substantially lower, mainly reflecting the expected rise in the total population.

(continued on the next page)

Extract A continued.

(Source adapted from: <https://ftalphaville.ft.com/2018/11/06/1541508141000/Can-Turkey-s-central-bank-avoid-another-rate-hike-/>. 6 Nov 2018 Colby Smith and one sentence The president wants lower borrowing costs to fuel credit growth and economic expansion from <https://www.theguardian.com/world/2018/aug/07/turkey-urged-to-announce-emergency-interest-rate-hike> Larry Elliott 7/8/18 and <http://country.eiu.com/article.aspx?articleid=157174199&Country=Turkey&topic=Economy&subtopic=Long-term+outlook&subsubtopic=Summary>)

Question 1

Extract B

Turkey aims to bin the plastic bag

5 You get a free plastic bag whenever you go to a shop, even if it is just to buy a loaf of bread or a chocolate bar. In Turkey, plastic bags are everywhere, with millions being thrown away, and their use is causing a growing environmental problem.

In Istanbul, the country's biggest city with about **12** million people, around **10 000** tonnes of waste are being collected every day. Plastic bags and other plastic waste make up **950** tonnes, or almost **10%**, of the total waste.

10 The Turkish government said it was looking at ways to discourage the consumption of single-use plastic bags. One possible step currently under review is a ban of the black bags that are said to contain carcinogens. Another is that the state may raise taxes on plastic products, which could lead to supermarkets charging consumers for the bags. In Corlu, a town north-west of Istanbul, a local environmental group distributed **20 000** canvas bags to **15** shoppers in one month. In some parts of Turkey, plastic bags are completely banned, with heavy fines for both firms and consumers who use them.

(Source adapted from: tseibert@thenational.ae <https://www.thenational.ae/world/europe/turkey-aims-to-bin-the-plastic-bag-1.530059> accessed 11/11/18)

Question 1

Extract C

Istanbul's third airport set to be the busiest in the world

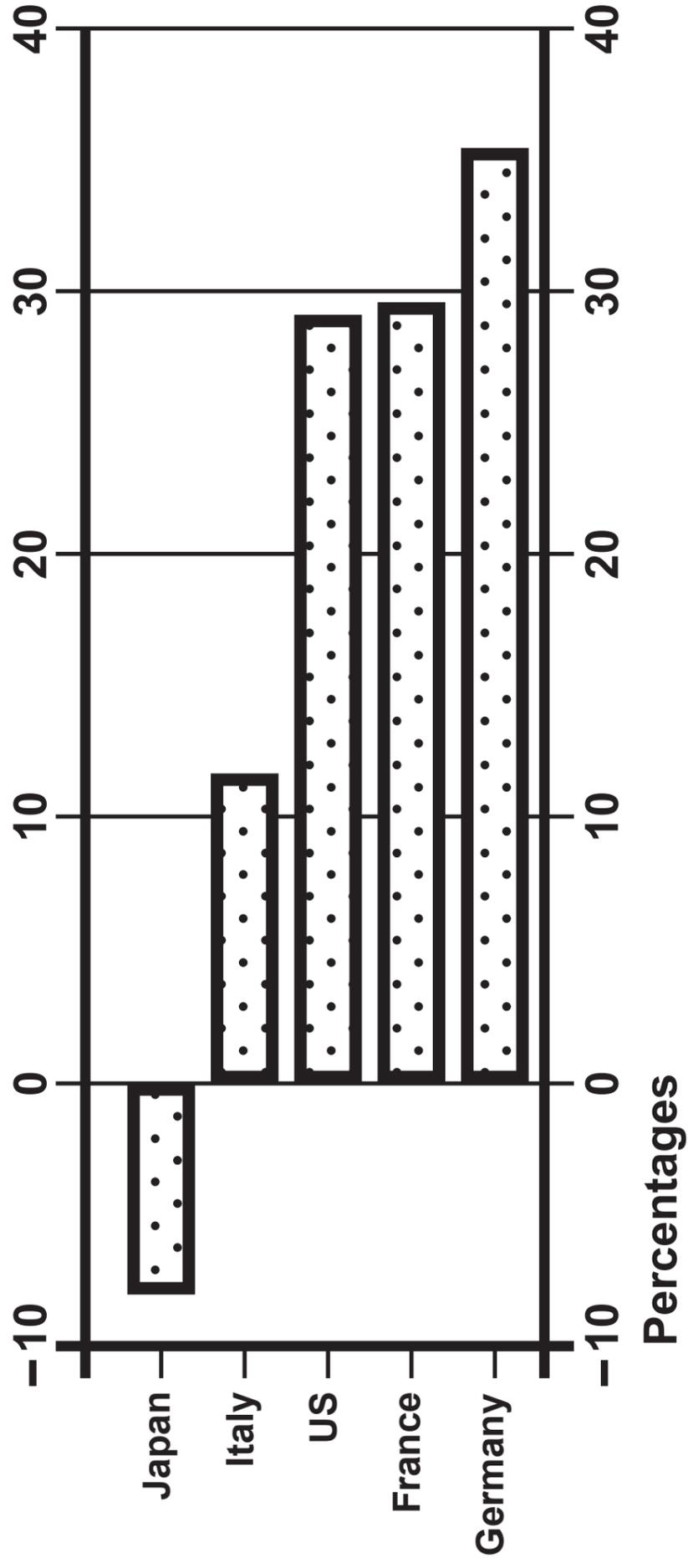
Istanbul's third airport is being constructed over an area of 76.5 million square metres, to the north of Istanbul. When complete, the new airport will have six runways and have an annual passenger capacity of up to 200 million people, making it potentially the world's busiest airport. "This airport is going to be the most important hub between Asia and Europe," said one business leader.

The airport design includes high vaulted ceilings and spacious, modern and efficient design – and its tulip-shaped air traffic control tower won the 2016 International Architecture Award. It uses mobile applications and artificial intelligence for customers, is energy efficient and has a high-tech security system. The site employs 36 000 people and is estimated to cost the equivalent of £10 billion. However, the rush to meet the deadline set by the Turkish government is a major cause of accidents on the construction site, according to the construction workers' union.

(Source adapted from: <https://www.lonelyplanet.com/news/2018/08/08/istanbuls-huge-new-airport/> and <https://www.voanews.com/a/istanbul-to-unveil-new-airport-seeks-to-be-world-s-biggest/4632308.html>)

Question 2

Figure 3: GDP per hour worked, nominal values at PPPs, percentage above or below UK level, 2018



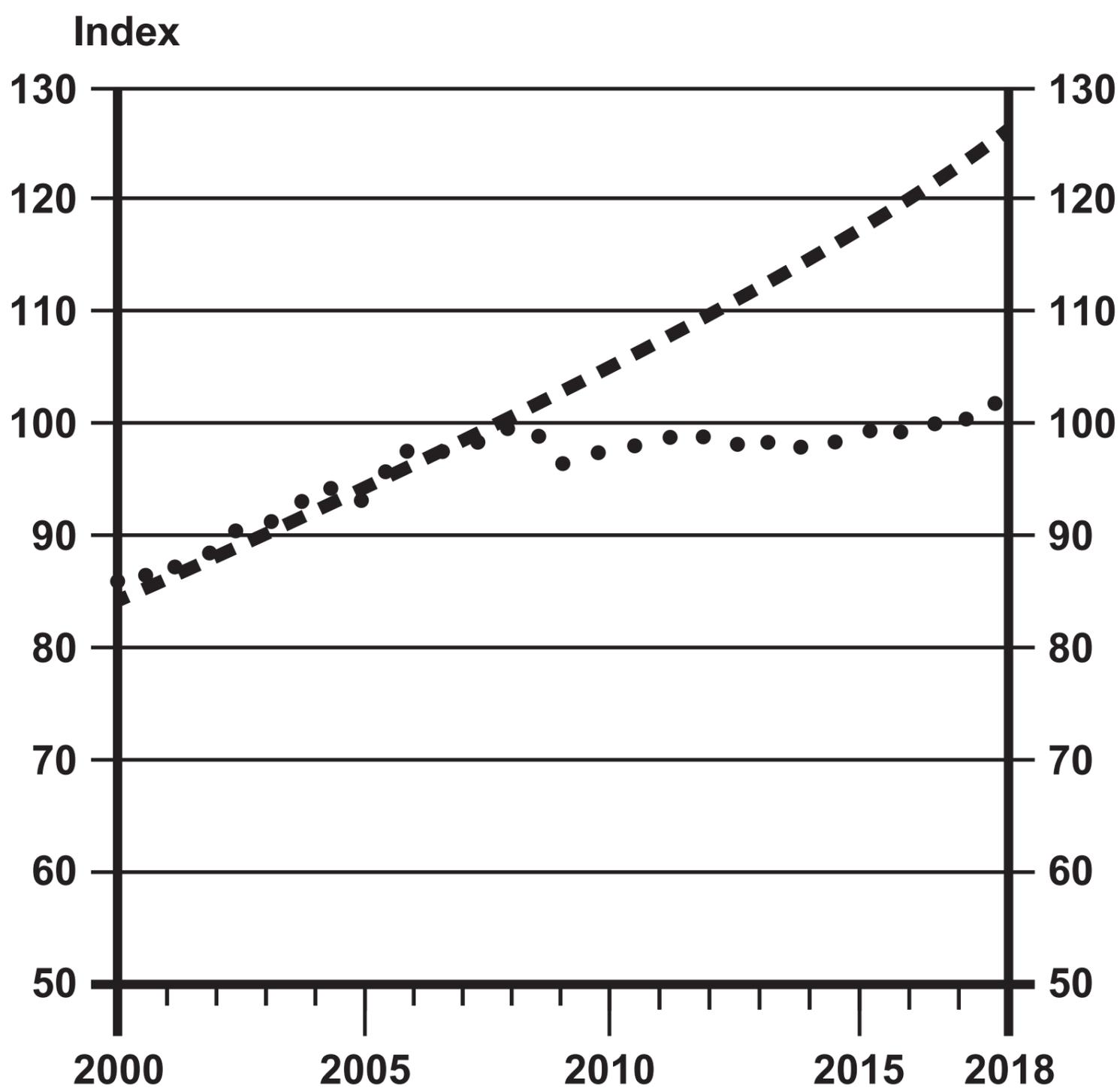
(Source adapted from: ONS.gov.uk)

Question 2

Figure 4: UK index of output per hour worked, base year 2016 = 100

Key

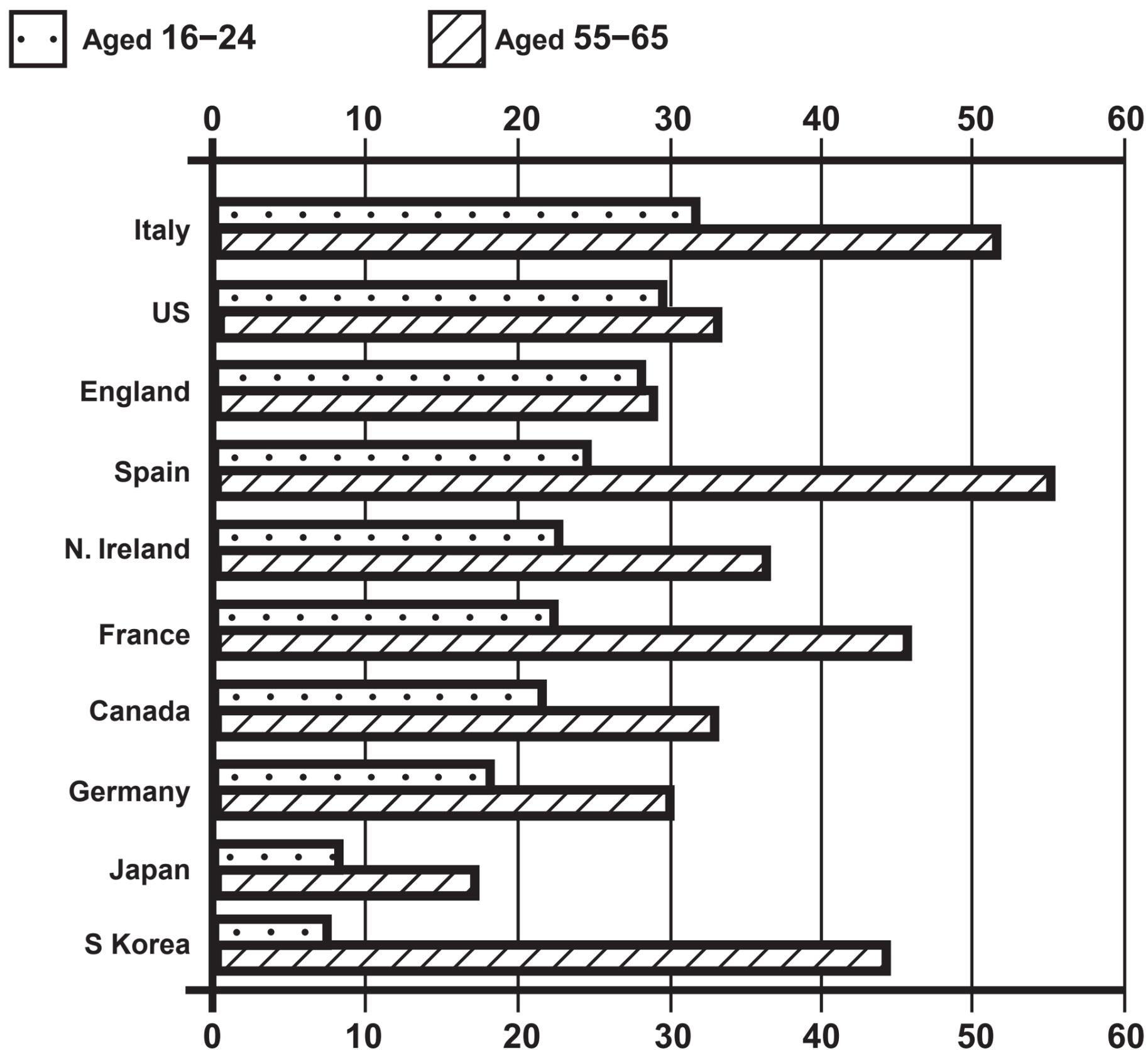
- ■ ■ Productivity if pre-crisis trend had continued
- ● ● Actual UK productivity



(Source adapted from: ONS.gov.uk)

Question 2

Figure 5: Proportion of adults with low literacy and/or numeracy skills, by age, selected countries



(Source adapted from: OECD.org)

(Figures 3, 4 and 5 Source: FT.com 2016 data published <https://www.ft.com/content/6ada0002-9a57-11e8-9702-5946bae86e6d> 2018)

Question 2

Extract D

The end of the High Street?

Homebase, the UK's second-largest do-it-yourself (DIY) retailer, made £20–40 million a year profit up to 2016. The Australian conglomerate Wesfarmers bought Homebase for £340 million in 2016, and began to rebrand 24 stores under its own name. It scaled back on curtain, cushion and other homeware sales in favour of power tools and building materials. In 2018 Wesfarmers sold the DIY chain for £1, in the face of “extremely challenging” market conditions and excess store space. The chain was bought by restructuring specialist Hilco, which had also rescued the music chain HMV in 2013, and the stores have gone back to using the Homebase name. Over 70% of Homebase stores are currently losing money and the new owner wants to exit loss-making stores and agree to rent reductions, as sales fell 10% in 2018. Homebase has gone back to popular products and brands dropped by its previous owner Wesfarmers.

The closures will add to the mounting job losses on Britain's high streets. About 25 000 jobs have gone in the first seven months of 2018, according to analysis by an economics thinktank. A further 8 300 jobs are under threat at suppliers, with the multiplier effect meaning that GDP is £1.5 billion less than projected.

Several Marks & Spencer clothing stores closed their doors for the last time as the high-street chain pushes ahead with a transformation plan. It plans to close 100 stores by 2022. Toys R Us, Poundworld and Maplin have shut down completely, while New Look, Mothercare and Carpetright have plans to close hundreds of stores as losses rise sharply. Increasing rents and higher business rates have occurred at the same time as falling consumer confidence.

(continued on the next page)

Extract D continued.

Meanwhile, House of Fraser employees and pensioners are nervously awaiting more details about their future. The **£90 million** rescue deal by Sports Direct, the sportswear chain controlled by Mike Ashley, will protect **16 000** jobs for the time being.

(Source adapted from: <https://www.ft.com/content/00d0bb9e-a6ee-11e8-8ecf-a7ae1beff35b> 24 August 2018 and <https://www.theguardian.com/business/2018/aug/13/homebase-close-80-stores-high-street-job-losses-mount> Patrick Collinson 13 Aug 2018)

Question 2(c)



Question 2(c)

