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Pearson Edexcel
Level 3 GCE

Economics B
Advanced Subsidiary
Paper 2: The wider economic environment

Thursday 17 May 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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Extract A

Crisp maker hit by price rises

Manufacturer Nimisha Raja has been following the foreign exchange markets more closely than usual since the Brexit referendum. She makes dried fruit and vegetable crisps called **Nim's Fruit Crisps** at a factory in Kent. Buying
5 ingredients from abroad has become a lot more expensive since the Brexit vote sent the pound sterling falling against the euro, the dollar and other currencies.

Like other manufacturers who buy materials from abroad, Nimisha has had to decide whether to lower profit margins, charge more to retailers or change her products. "On the whole, because we have lean production we can change
10 things as and when we need to," says Nimisha. "We have had to be pragmatic and flexible."

Nimisha opened her factory a year ago and has been in talks with high street retailers and supermarkets about selling her crisps. She has had to deal with changes in the price she pays for pineapples (from **55** pence per kilo to
15 **70** pence per kilo) while watermelons went from **60** pence to **90** pence.

Nimisha has just signed a deal with one retailer. Instead of passing on the increased cost of production of pineapple products, she will accept a lower profit margin. The higher costs of imported fruit has made Nimisha look at using more UK-grown local fruit than before. The company has also invested
20 in a new pineapple peeling machine to cut its production costs and help offset higher import prices.

As for many other manufacturers, the pound's weakness has a silver lining. Export demand has gone up. "It's been quite amazing," she says. "We have had emails in the last couple of weeks from Lithuania, Italy, France, Belgium and
25 Hong Kong. I also intend to introduce and export new products, but I just have to make sure it's not from imports but from local produce."

(Source: adapted from <https://www.theguardian.com/business/2016/dec/13/we-have-to-be-nimble-and-pragmatic-crisp-maker-hit-by-price-rises>)

Extract B

Value of £1 sterling, expressed in Dollars and Euros, monthly averages for 2016

	US \$	Euro €
Jan	1.44	1.33
Feb	1.43	1.29
Mar	1.42	1.28
Apr	1.43	1.26
May	1.45	1.28
Jun	1.42	1.27
Jul	1.31	1.19
Aug	1.31	1.17
Sep	1.31	1.17
Oct	1.24	1.12
Nov	1.25	1.15
Dec	1.25	1.19

(Source: adapted from <http://www.ukforex.co.uk/forex-tools/historical-rate-tools/monthly-average-rates>)

Extract C

Selected UK data for May–Nov 2016

	Annual % change in average nominal earnings	Consumer Price Index (% change)	Interest (base) rate (%)
May	2·3	0·3	0·5
Jun	2·5	0·5	0·5
Jul	2·4	0·6	0·5
Aug	2·4	0·6	0·25
Sept	2·4	1·0	0·25
Oct	2·6	0·9	0·25
Nov	2·8	1·2	0·25

(Source: adapted from <https://www.ons.gov.uk>)

Extract D

Train fares to increase by 2·3% in 2017

From January 2017, train fares across the UK are set to increase by an average of 2·3%. The increase covers both regulated fares, such as peak-rate season tickets which account for 40% of all train journeys, and unregulated fares, such as off-peak leisure tickets which account for 60%. While the rise in regulated fares has been capped at 1·9%, other unregulated fares have no cap and will rise by considerably more than 2·3%.

Lianna Etkind, from the Campaign for Better Transport, condemned the increase, warning that some passengers are “finding themselves priced off the railways. Between 1995 and 2016, passengers have seen average fares increase by 23·5% and much more needs to be done by train operators and the government to give them a truly affordable railway.”

Paul Plummer, from the Rail Delivery Group, the industry body responsible for the increase, acknowledged that passengers were likely to be disappointed with the decision. He said: “We understand how passengers feel when fares go up, and we know that in some places they haven’t always got the service they pay for. Rail companies are working together to deliver more than £50 billion of improvements, including £11·6 billion being spent on more than 5,500 new train carriages by the end of 2020.”

Transport Secretary Chris Grayling added: “We are delivering the biggest rail modernisation programme for more than a century, providing more seats and services. We have always fairly balanced the cost of this investment between the taxpayer and the rail passenger.”

Mick Cash, from the RMT union, called the announcement, “another kick in the teeth for British passengers. Travellers in the UK pay some of the highest fares in Europe to travel on packed out and unreliable trains with rip-off private train companies laughing all the way to the bank.”

(Source: adapted from <https://www.moneyexpert.com/transport/train-fares-increase-2-3-next-year/>)

Extract E

Spain wakes up to risk posed by long-term joblessness

Spain's economic recovery remains on track and the unemployment rate continues its long retreat from a peak of 27% in 2013 and decreased to 18·9% in October 2016. However, the long-term unemployed, the category
5 which includes all job seekers who have been out of work for more than a year, has struggled to benefit from the recovery. In Spain, one in four unemployed people have been jobless for more than four years.

“Long-term unemployment is starting to emerge as a policy priority in Europe. It imposes not just huge economic and emotional stress on those affected
10 but is also likely to have a big impact on the recovery,” said Marcel Jansen, an economics professor at Madrid's Autónoma University. The problem, he adds, is that “high long-term unemployment will transform into high structural unemployment.”

In other words, even if the Spanish economy continues to improve in the years
15 ahead, Spain will struggle to reduce jobless numbers beyond a certain point, unless it finds ways to make the long-term unemployed employable again.

Official data shows Spanish workers who have been out of a job for more than two years are much less likely to find new employment than others. Over the past three years their number has declined just 16% while the overall number
20 of jobless people fell 27% over the same period. After years of neglect, the government is finally paying attention. Last week, it announced a €515 million action plan that aims to provide individualised support for the long-term unemployed aged 30–54

“There are people who are long-term unemployed and they are only in their 20s.
25 They will be around, looking for work for another 40 years, so it would pay hugely if we managed to reconnect them with the labour market,” said Mr Jansen. “Spain cannot afford to turn its back on them.”

(Source: adapted from <https://www.ft.com/content/e582f902-bbac-11e6-8b45-b8b81dd5d080>)