

Paper Reference 8EC0/02
Pearson Edexcel
Level 3 GCE

Economics A
Advanced Subsidiary
Paper 2: The UK Economy – Performance
and Policies

Monday 22 May 2017 – 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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Question 1(a)

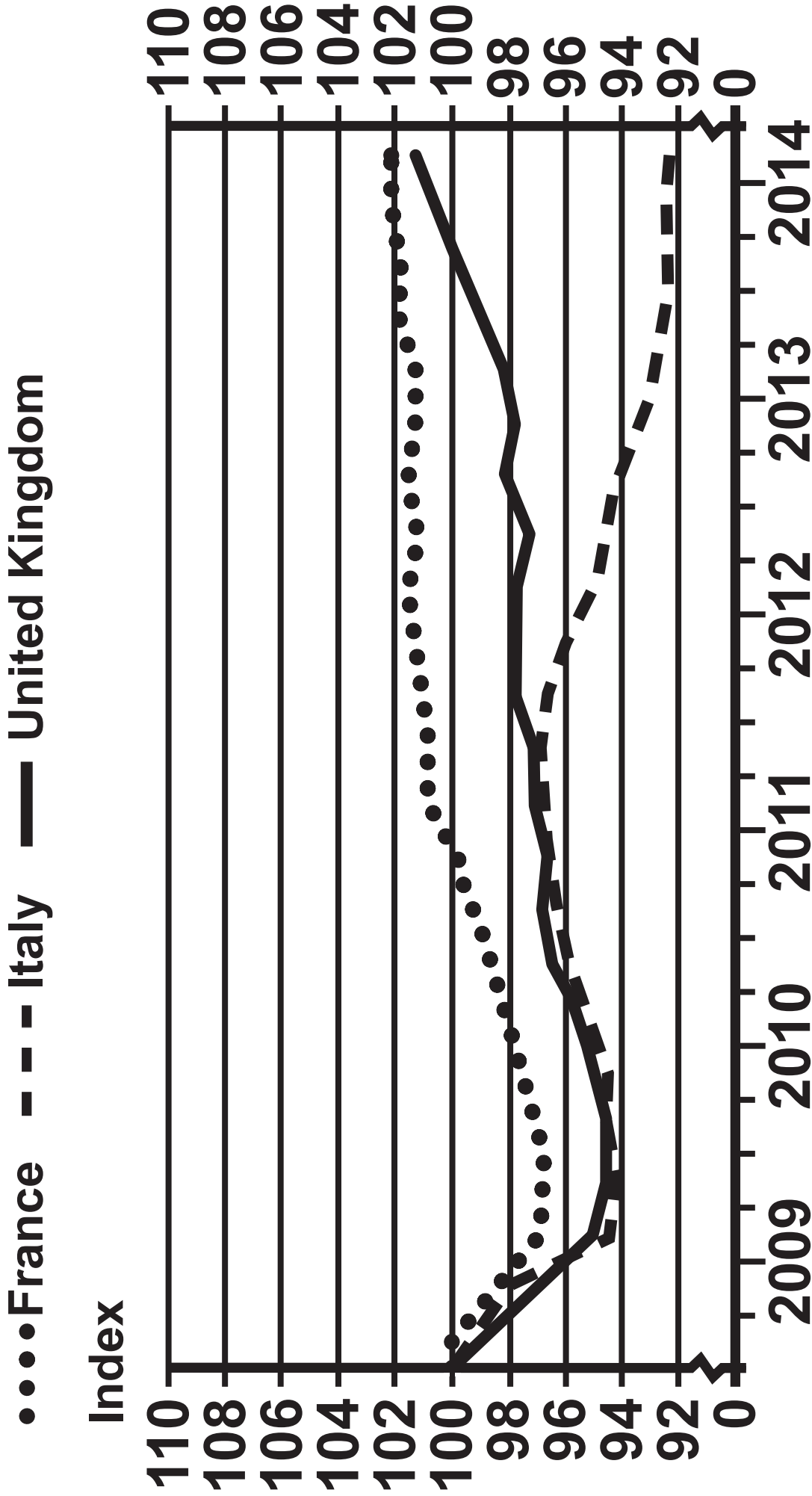
**UK Consumer Prices Index
(the base year 2005=100)**

September 2013	126·8
September 2014	128·4
September 2015	128·2

(Source: <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-323657>)

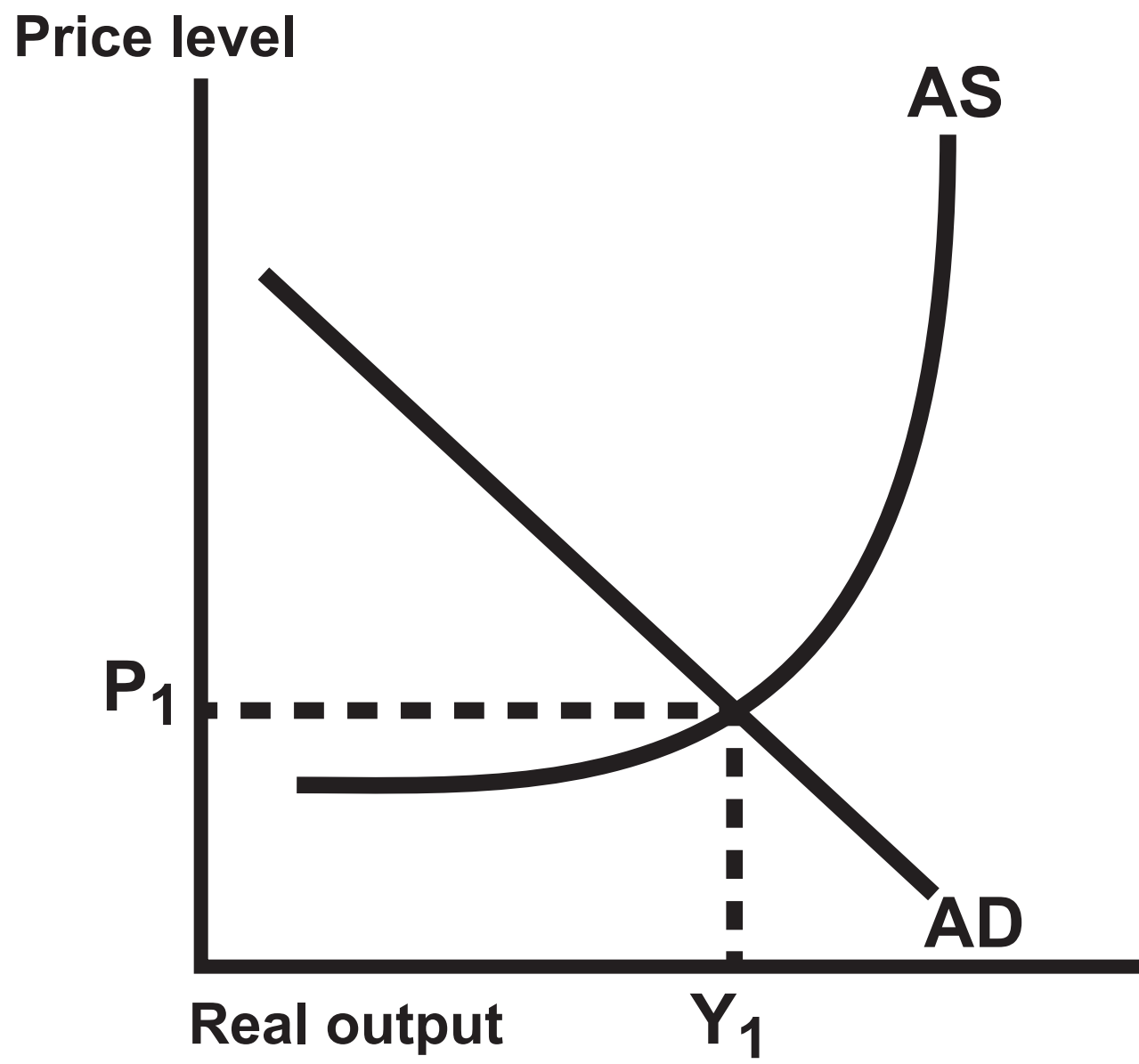
Question 3(a)

Real GDP in selected economies (the base year 2008 = 100)

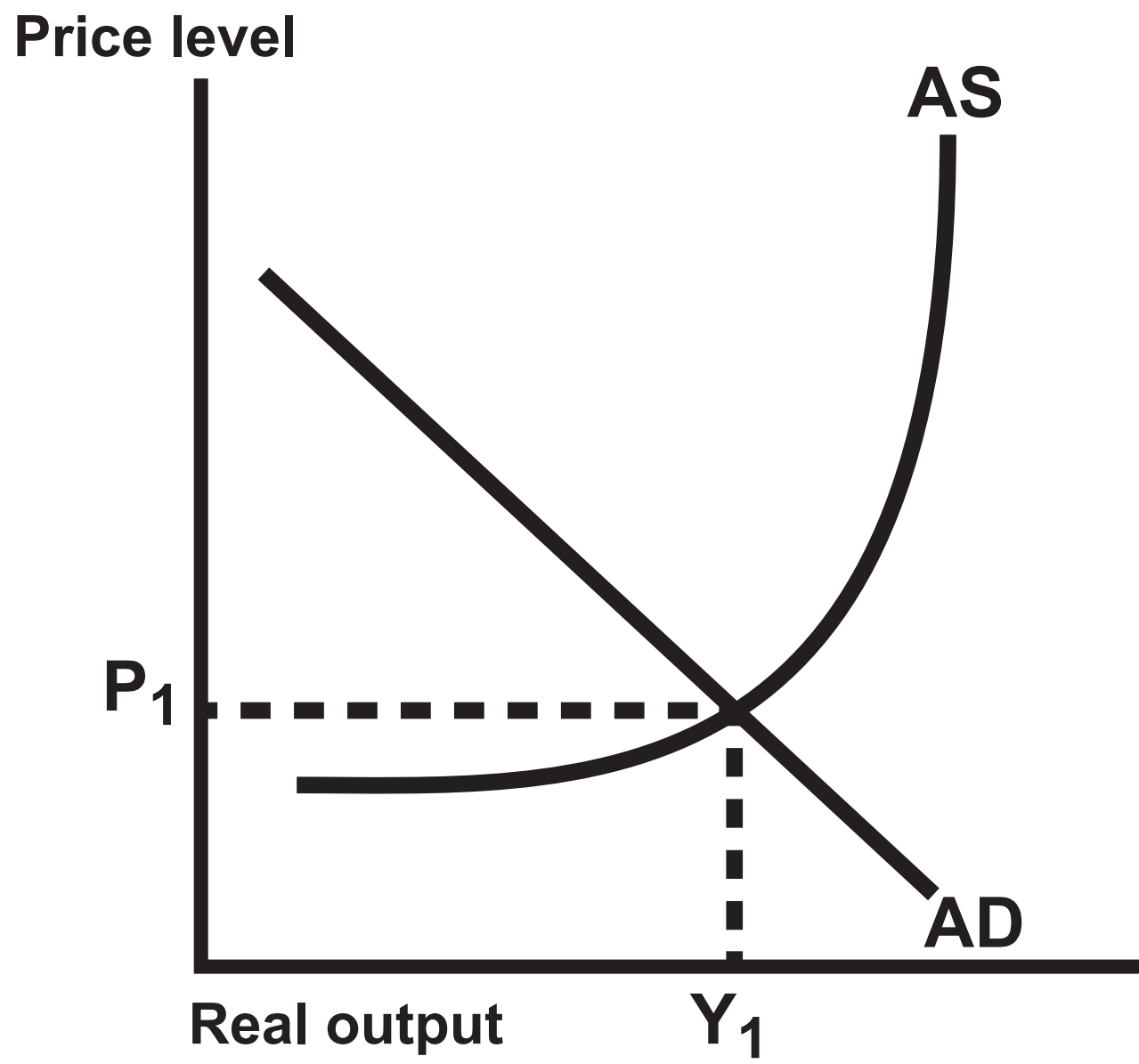


(Source: <http://www.ons.gov.uk/ons/rel/elmr/gdp-and-the-labour-market/q1-2014---may-gdp-update/sty-gdp-g7-economies.html?format=print>)

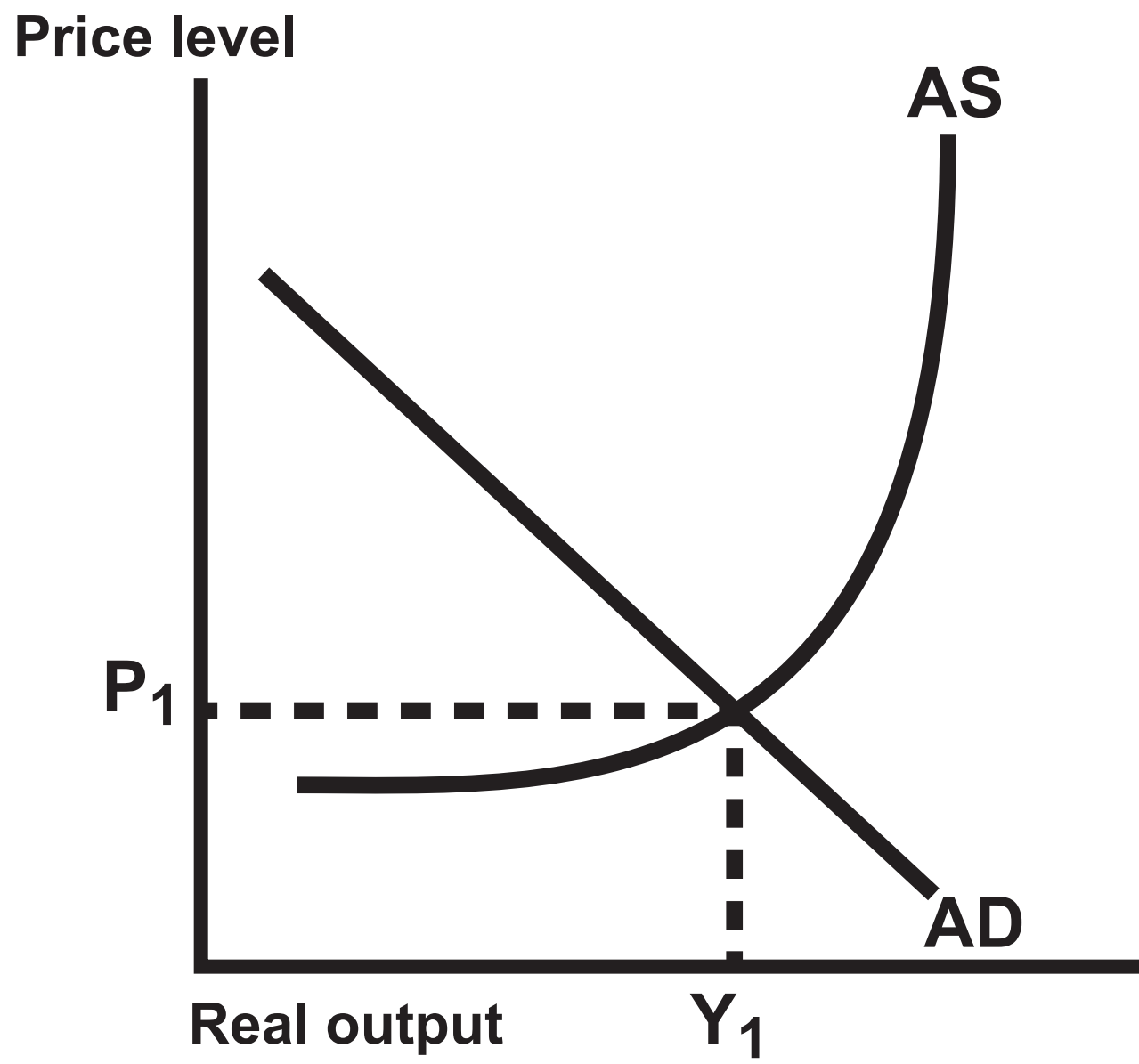
Question 3(c)



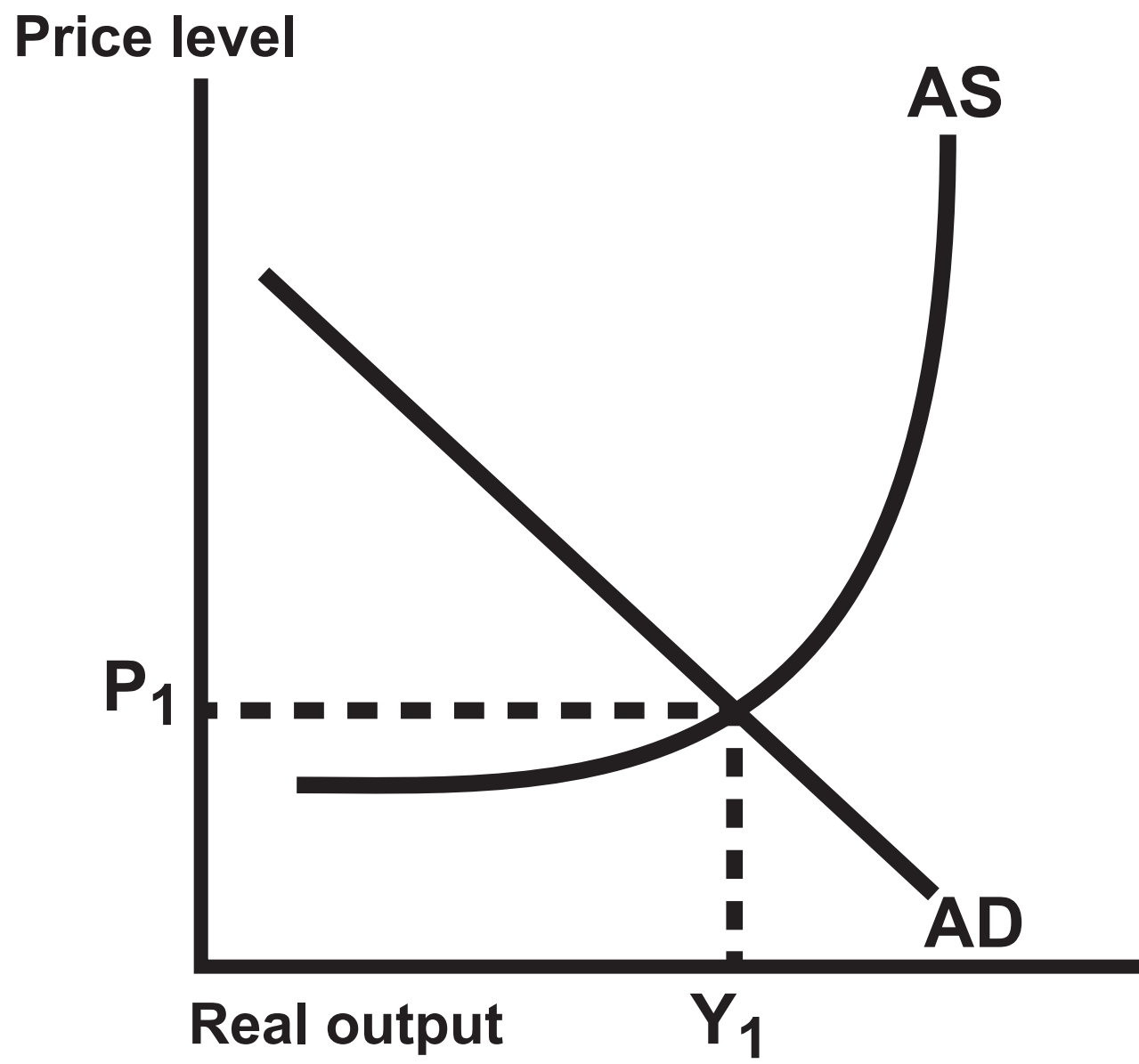
Question 3(c)



Question 4(a)

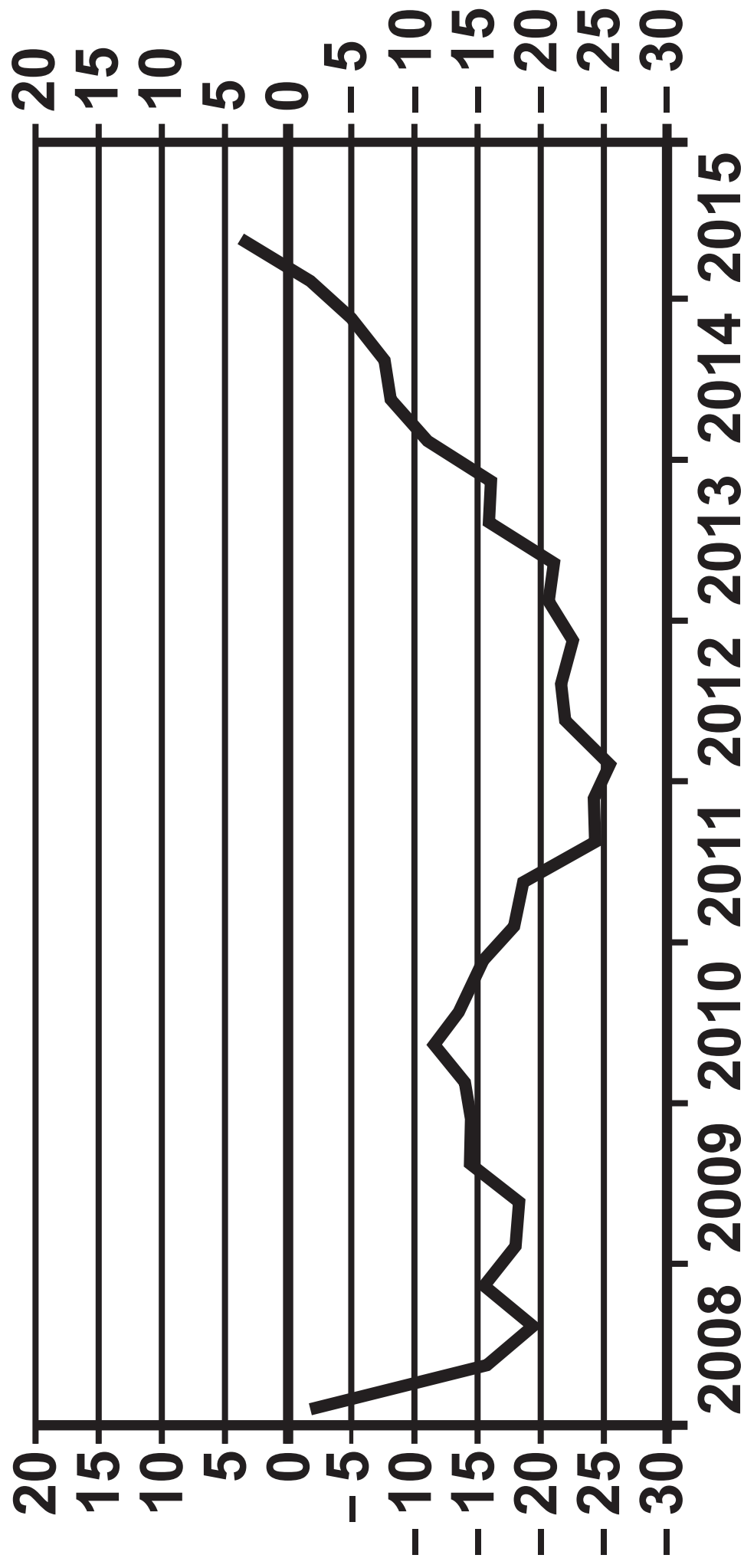


Question 4(a)



Question 5

UK consumer confidence



(Source: http://www.ons.gov.uk/ons/dcp171778_418064.pdf)

Question 6

UK economic recovery

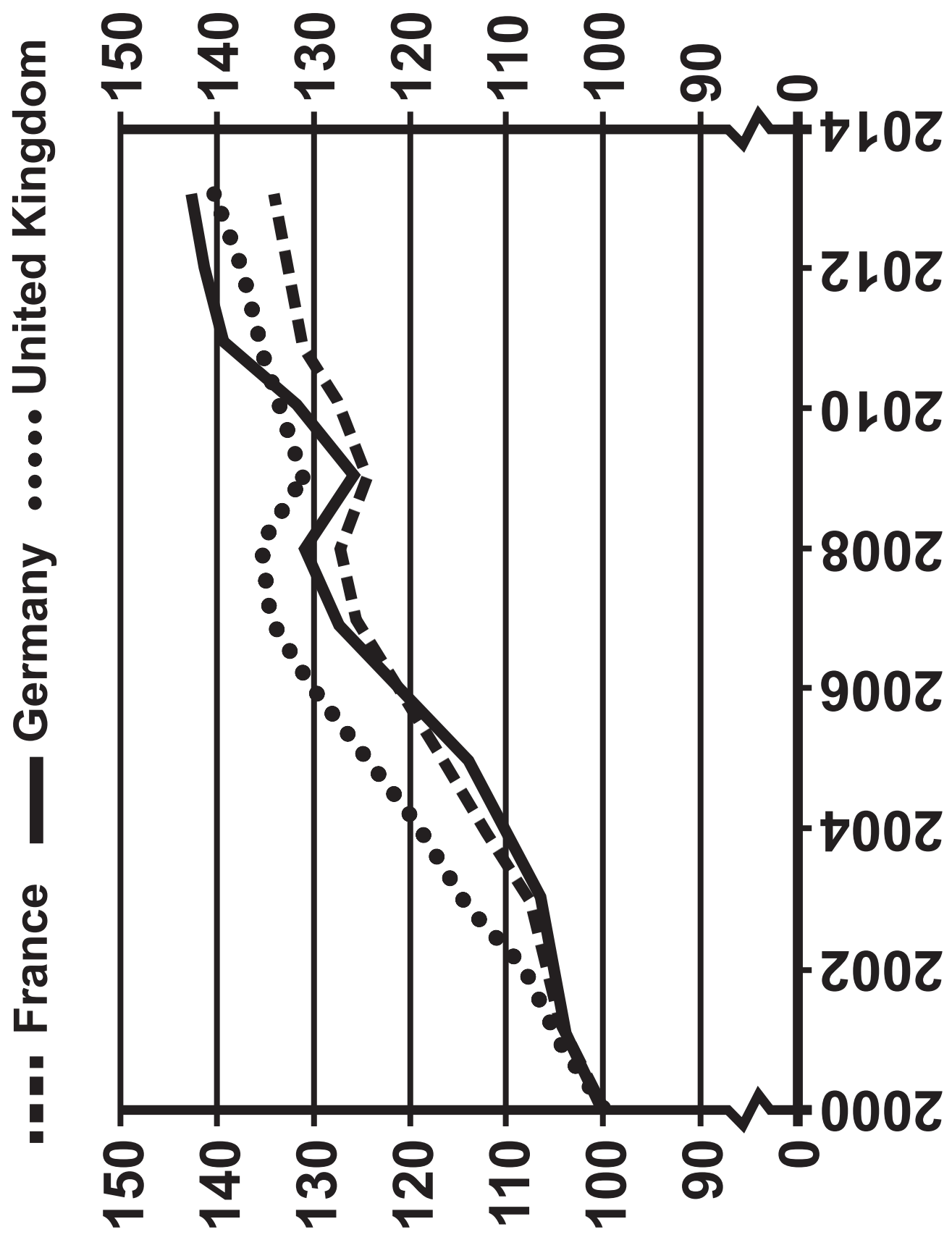
Figure 1: Components of aggregate demand in selected countries 2014

Country	Consumption	Investment	Government spending	Exports – Imports
UK	66%	14%	21%	–2%
Germany	57%	17%	19%	6%
France	57%	20%	25%	–2%
China	34%	49%	14%	3%

NB: Figures may not add up to 100% due to rounding calculations.

(Source: World Bank 2014)

Figure 2: Nominal GDP per capita at Purchasing Power Parities (PPPs)
(the base year 2000=100)



(Source: <https://www.imf.org>)

Extract A

The UK economy – a strange recovery

At the Autumn Statement in November 2015, the Chancellor of the Exchequer had good reason to cheer his economic record. The UK economy appeared to have returned towards its long-term trend in the rate of economic growth.

- 5 GDP growth has remained strong, with output rising at the highest rate in the G7 group of seven major industrialised countries. Unemployment continued to drop and business investment grew by 5%

- 10 However, a number of concerns remain, particularly in relation to the UK's current account deficit, which reached a record high of 6% of GDP in the third quarter of 2014. This was primarily a result of a sharp decline in the rate of return on UK investments overseas. Low export growth meant that the UK's trade deficit persisted.

- 15 In 2012, the Chancellor had announced a target for the UK to export £1 trillion of goods and services by 2020, which would require an annual growth rate of 8%. However, the annual growth in UK exports had reached just 2.7%. The Office for Budget Responsibility (OBR) forecast that UK
20 exports will only reach £630 billion by 2020 – a third lower than the government's target.

(continued on the next page)

Extract A continued.

Exports in services continued to grow in **2015**, but the UK's goods industries were struggling. It was particularly concerning that data showed output in the UK's construction and manufacturing industries falling. Indeed, the output of the manufacturing sector remained **6·3%** below its pre-recession peak.

Households, meanwhile, are set to become even more indebted over the coming years. It is projected that the household gross debt to income ratio will rise by **26** percentage points between **2015** to **2020**, returning to levels last seen before the Global Financial Crisis. The economy did not appear to be rebalancing away from consumer driven growth towards export-led growth, making another recession almost inevitable.

Fundamental to this problem is the UK's low productivity, which in **2015** remains around **20** percentage points below the average for the rest of the G7. It is vital that the government tackles this problem, particularly in the sectors that are currently facing difficulties. This will require relaxing the planning system to promote more house-building, the removal of burdens on UK manufacturers such as carbon taxes, finally getting shale

(continued on the next page)

Extract A continued.

**gas exploration going, and reforming apprenticeships to
45 rapidly improve skills in construction, manufacturing and
technology.**

**(Source: adapted from [http://www.cityam.com/229481/
chancellor-beware-uk-not-out-woods-yet](http://www.cityam.com/229481/chancellor-beware-uk-not-out-woods-yet),
25 November 2015 by Daniel Mahoney)**