

Paper Reference 8EC0/02
Pearson Edexcel
Level 3 GCE

Economics A

Advanced Subsidiary

**Paper 2: The UK Economy – Performance
and Policies**

Thursday 16 May 2019 – Morning

Data Book

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

Surname					
Other names					
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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

It is estimated that building a second runway at Gatwick airport will require an investment of £9.3 billion.

The total increase in UK GDP as a result of this injection is expected to be around £44.1 billion.

(Source: adapted from www.gov.uk/government/uploads/system/uploads/attachment_data/file/452267/AC01_tagged_amend_25_11.pdf © Crown Copyright)

Question 2(a)

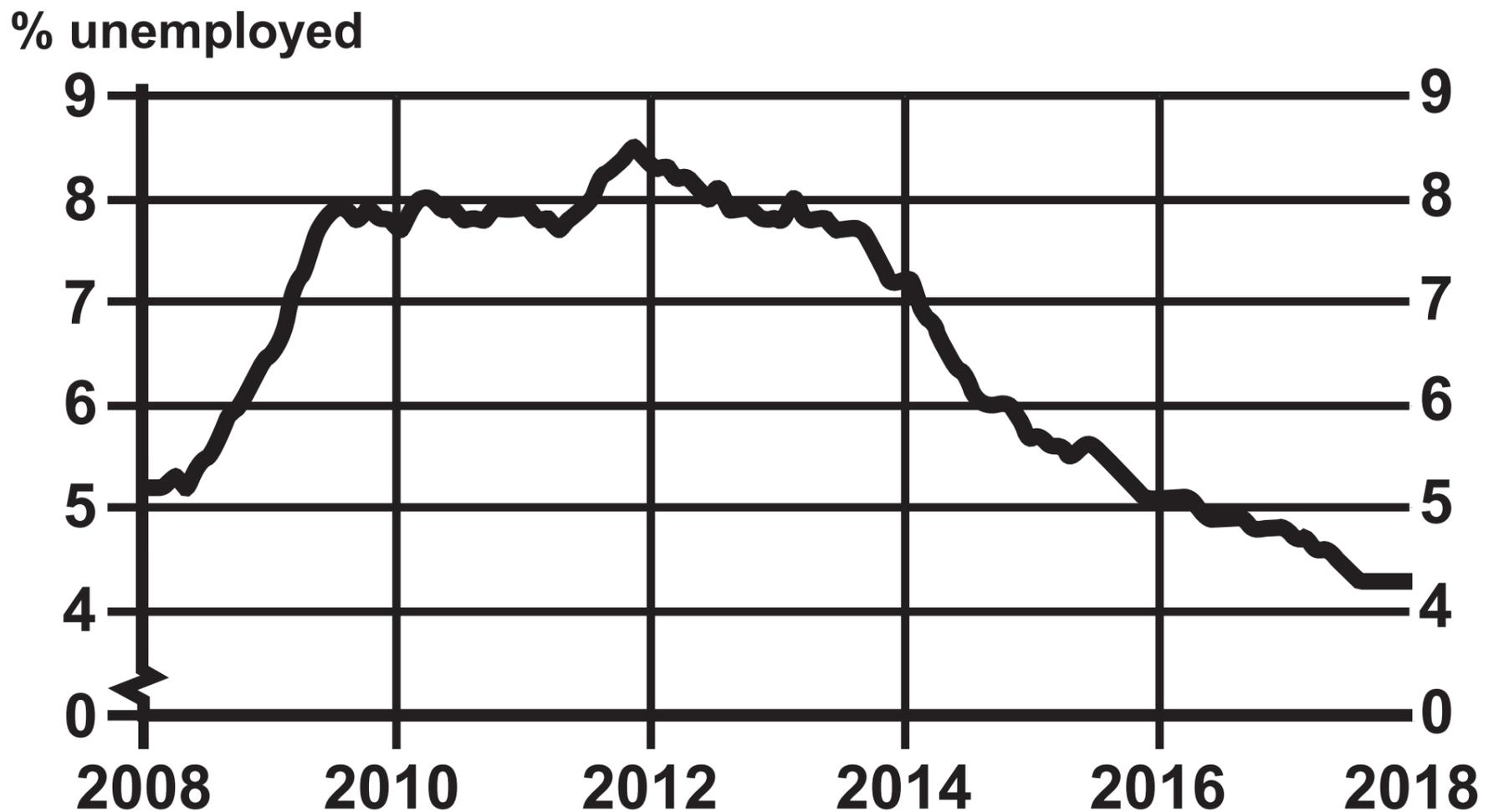


Question 2(a)



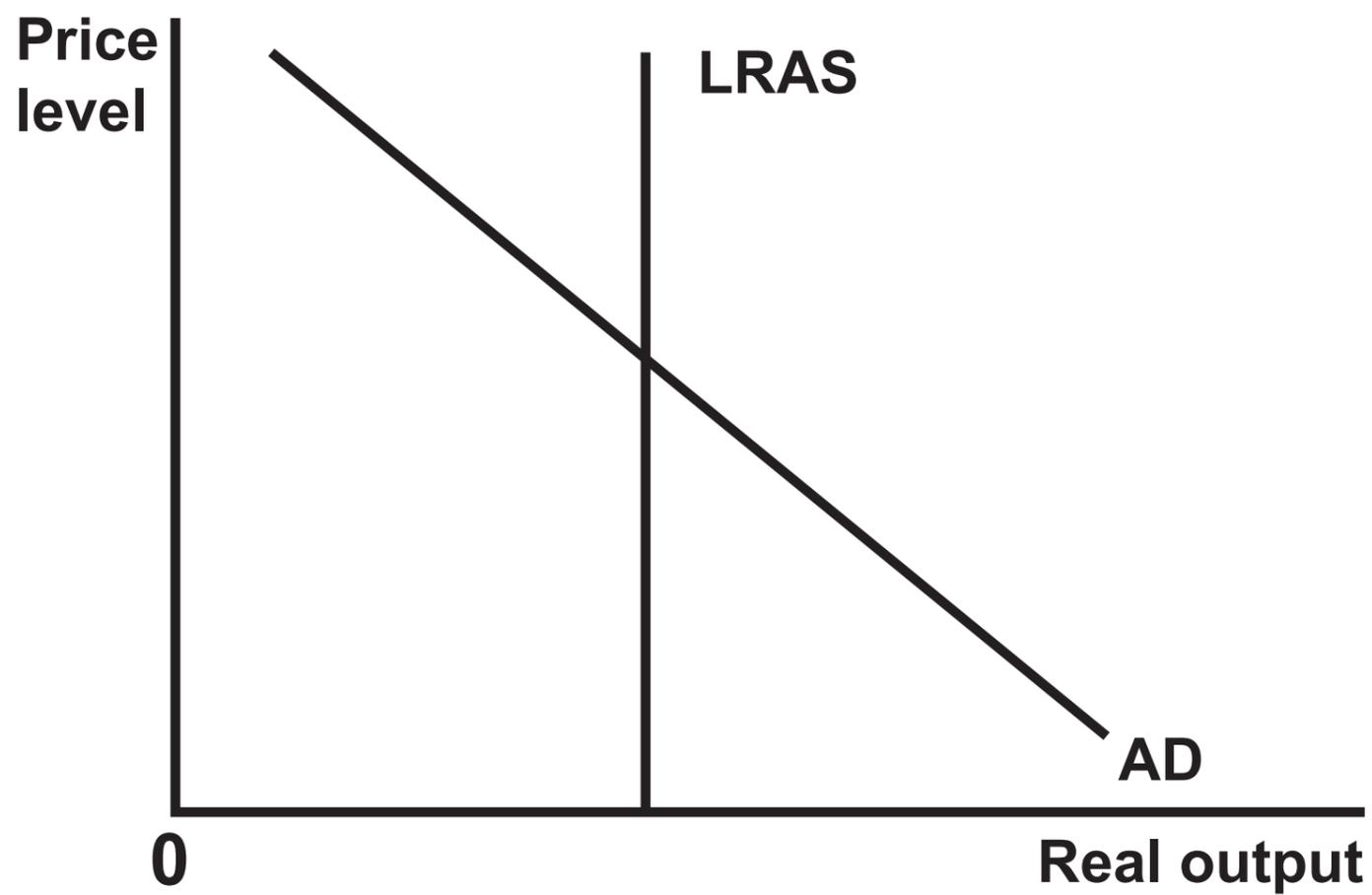
Question 3

UK unemployment rate as a % of all those economically active, seasonally adjusted, from 2008 to 2018



(Source: adapted from <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/unemployment/timeseries/mgsx> Crown Copyright)

Question 4



Question 4

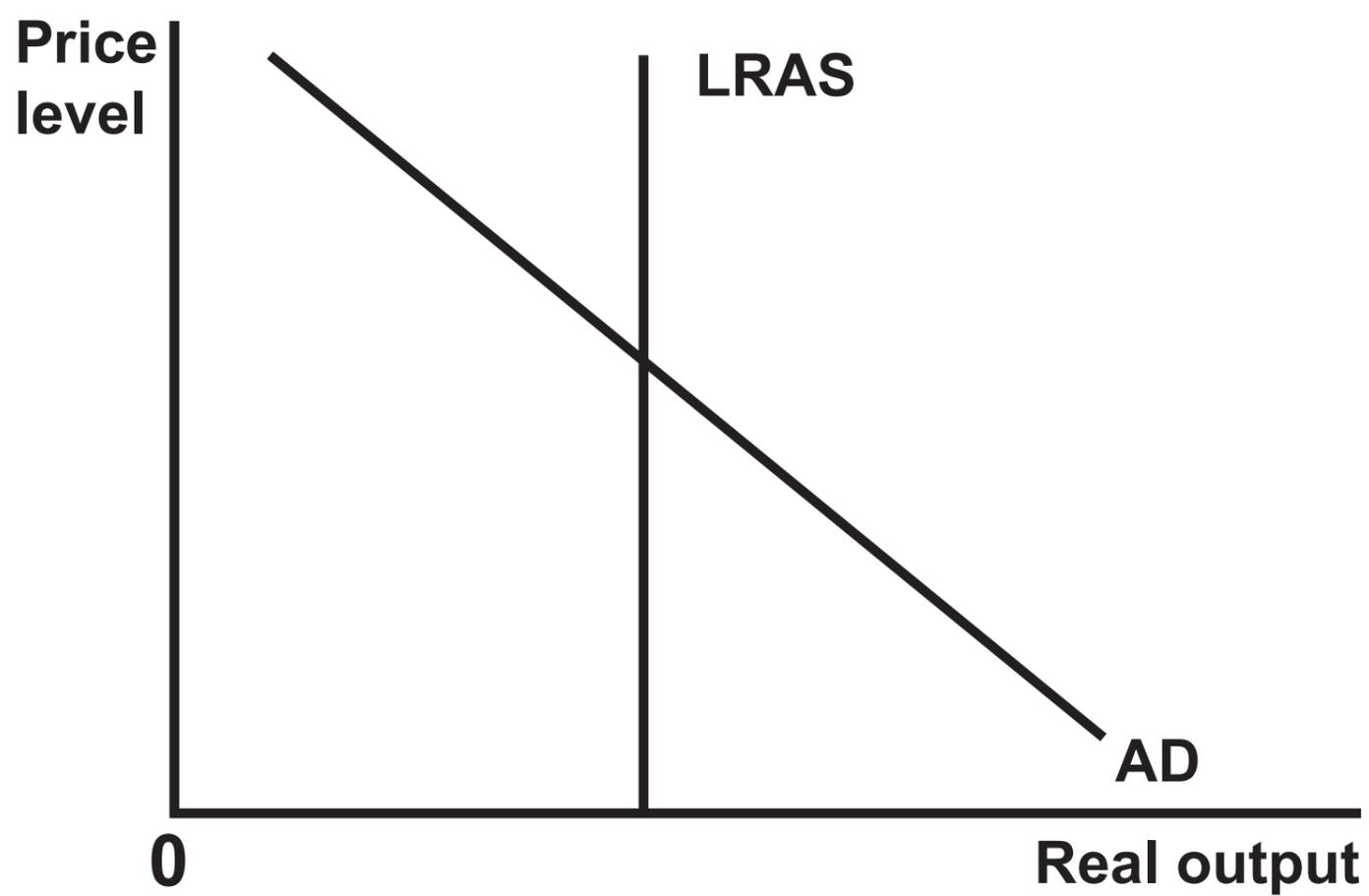


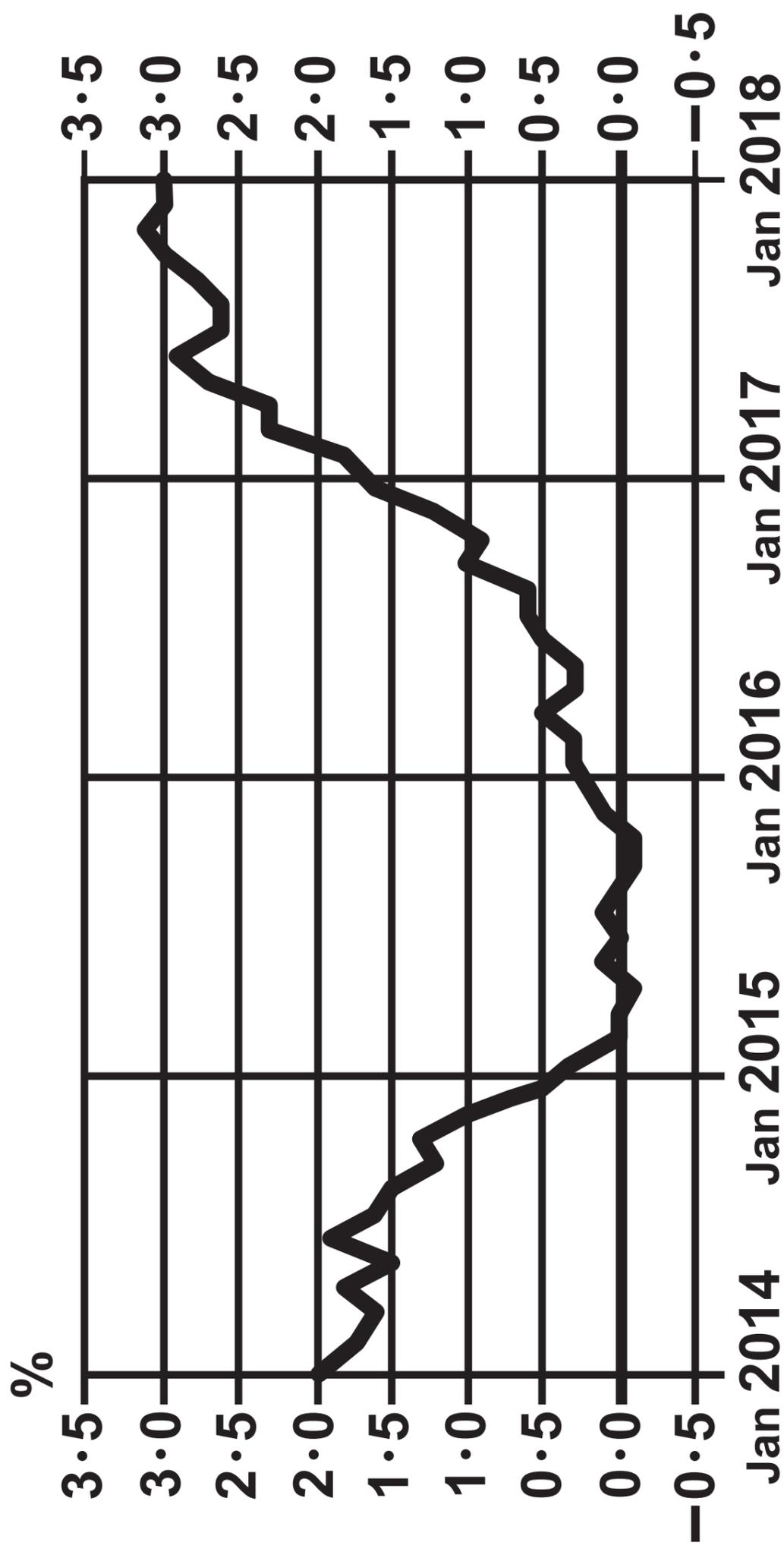
Table for Question 5

Year	Average house prices (£)	Index numbers of average UK house prices (2014 is the base year)
2014	189 709	100
2015	200 141	
2016	215 127	
2017	226 185	119.2

(Source: adapted from <http://landregistry.data.gov.uk/app/ukhpi/explore> – Crown Copyright)

Question 6

Figure 1: UK inflation rate as measured by annual percentage changes in the Consumer Price Index (CPI), January 2014 to January 2018



(Source: www.bankofengland.co.uk/publications/Pages/inflationreport/2017/aug.aspx)

Question 6

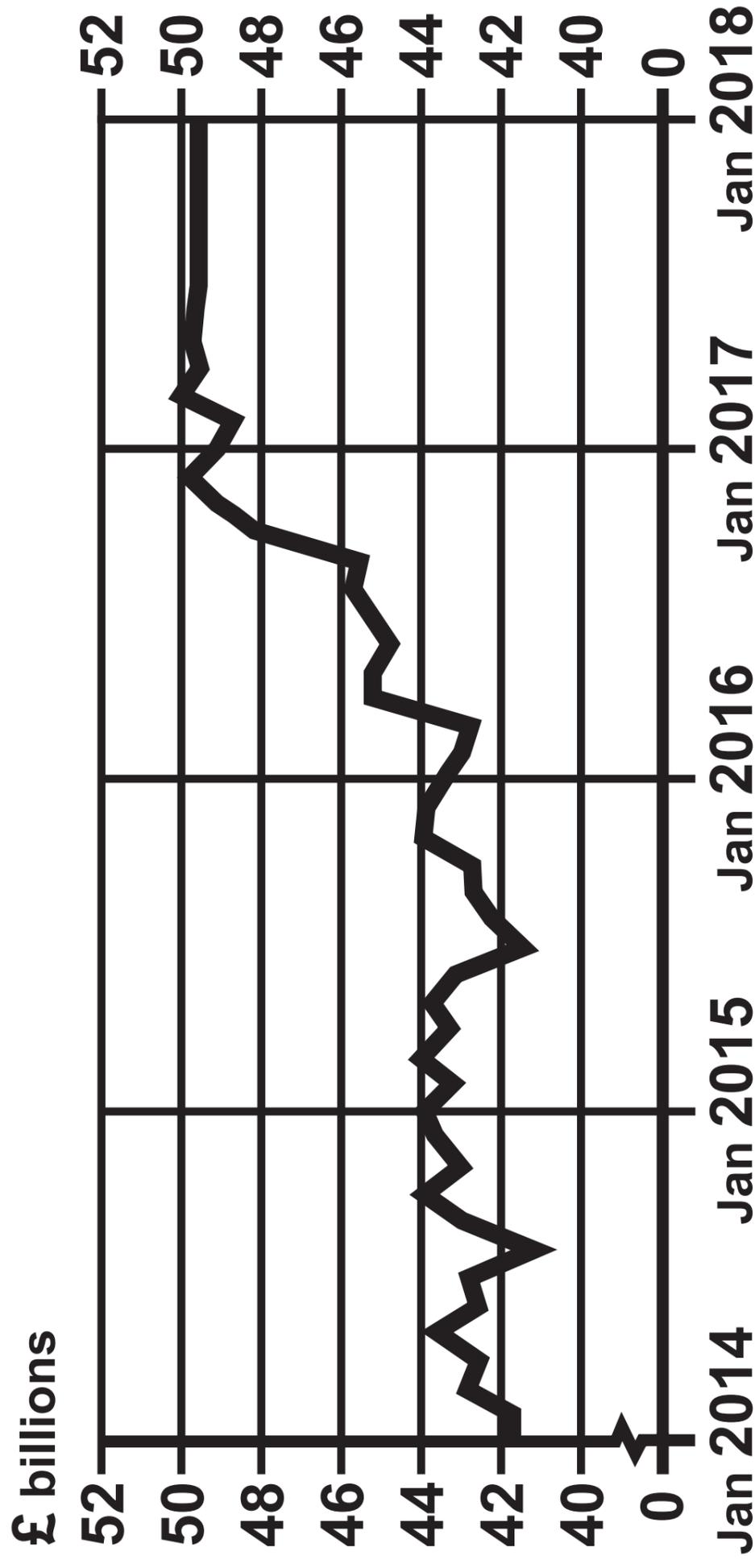
Figure 2: Selected changes to the CPI basket of goods and services, 2017

IN	OUT
Non-dairy milk	Apple cider
Jigsaw puzzles	Menthol cigarettes
Child scooters	Child swings
Cycling helmet	Basic mobile phones

(Source: www.theguardian.com/business/2017/mar/14/uk-inflation-ons-basket-goods-gin-cycling-helmets)

Question 6

Figure 3: UK exports, £ billions per month, January 2014 to January 2018



(Source: Trading Economics, ONS – <https://tradingeconomics.com/united-kingdom/exports>)

Question 6

Figure 4: Annual percentage change in real Gross Domestic Product (GDP), 2014–2017

	2014	2015	2016	2017
United Kingdom	3·1	2·2	1·8	2·0
Developing countries (average)	4·7	4·2	4·1	4·5

(Source: IMF, World Economic Outlook 2017)

Question 6

Extract A

Rising inflation

After January 2017, the inflation rate, as measured by the Consumer Price Index (CPI), in the UK has exceeded the Bank of England's 2% target. Sharp increases in food prices as a result of the fall in the exchange rate of the pound have contributed to rising inflation. Between January and September 2017, food prices have increased by 3.5 percentage points.

The Office for National Statistics (ONS) has identified that the rapid increase in food prices affected people on low fixed incomes the most. It leaves them with very little money to spend on relatively more expensive items. Moreover, the Bank of England has observed a rise in the size of personal debt relative to income. In order to maintain their standard of living, many consumers on low fixed incomes are using their credit cards and taking out short-term loans to fund their spending.

(continued on the next page)

Extract A continued.

Inflation rose to over 3% at the end of 2017 leading to the Monetary Policy Committee increasing the base rate of interest by 0.25 percentage points to 0.5% in November 2017. Wage growth has been lagging behind price rises and this is expected to continue. Basic wage increases are expected to be only around 1%. This has heaped considerable pressure on households.

25 The ONS has updated the shopping basket that is used in the measurement of UK inflation, to reflect the lifestyle of households in the country. Technological advancements, changes in consumer tastes and a move towards health, fitness and gluten-free products have made it essential to

30 revise the 2017 basket.

(Source: adapted from 'UK inflation tipped to rise again with wages forecast to stagnate', The Guardian, <https://www.theguardian.com/business/2017/aug/13/uk-inflation-tipped-to-rise-again-with-wages-forecast-to-stagnate#img-1>)

Question 6

Extract B

Economic growth and living standards

Economic growth is expected to accelerate again as foreign demand for UK exports increases due to the global economic recovery. According to some economists, consumer spending is no longer the engine of growth for the UK. The increase in exports, which is largely due to the fall in the exchange rate of the pound, is expected to be the most significant driver of the UK's economic growth.

Some economists have proposed that the quality of economic growth needs to be measured and not just the quantity. This will allow governments to understand how GDP growth affects the living standards of its citizens. They want governments to publish data on the quality of life alongside GDP data as economic growth varies across the country with jobs and wages distributed unevenly.

Economic growth figures also hide differences that are not considered in GDP calculations. In 2017, it was estimated that the relative size of the informal economy of developing countries was nearly five times greater than that of the UK.

(continued on the next page)

Extract B continued.

(Source: adapted from ‘Growth to accelerate as UK economy bounces back’, The Telegraph, <http://www.telegraph.co.uk/business/2017/08/01/growth-accelerate-uk-economy-bounces-back/>; ‘GDP is not enough: economists and businesses demand new measure of inclusive growth’, The Telegraph, <http://www.telegraph.co.uk/business/2017/03/07/gdp-not-enough-economists-businesses-demand-new-measure-inclusive/>)