

Please check the examination details below before entering your candidate information

Candidate surname		Other names	
Centre Number	Candidate Number		
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Pearson Edexcel Level 3 GCE

Friday 7 June 2024

Morning (Time: 2 hours)	Paper reference	9EB0/03
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Economics B

Advanced

PAPER 3: The economic environment and business

You must have: Insert (enclosed)	Total Marks
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Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

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Answer ALL questions.

SECTION A

Read the following extracts (A to D) before answering Question 1.

Write your answers in the spaces provided.

Extract A

Tesla

In early 2022, *Tesla* upgraded its Shanghai factory in China. This increased the factory's output capacity to 88,000 electric vehicles (EVs) per month.

In September 2022, *Tesla* produced 83,135 EVs, the highest monthly output for the factory since production began there in December 2019.

5

(Source: adapted from: <https://www.proactiveinvestors.co.uk/companies/news/996196/tesla-cuts-prices-for-its-vehicles-in-china-by-up-to-9-report-996196.html>)

Extract B

Risk of Global Recession in 2023

According to a study by the World Bank, the world may be moving toward a global recession in 2023. Central banks around the world have been simultaneously raising interest rates this year, a trend that is likely to continue into 2023, according to the report.

The global economy is now in its steepest slowdown since 1970. Global consumer confidence has already suffered a much quicker decline than in the run-up to previous global recessions. The world's three largest economies – the United States, China and the euro area – have all been slowing sharply.

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(Source: adapted from: <https://www.worldbank.org/en/news/press-release/2022/09/15/risk-of-global-recession-in-2023-rises-amid-simultaneous-rate-hikes>)

Extract C

Starbucks invests \$1bn in enhancing employee experience, training and pay

Starbucks is to spend \$1bn on improving conditions for its employees. This will include increased pay, benefits and training. From June 2022, there will be increased wages and further increases for long-service employees. All new baristas and new shift supervisors will have their training time doubled and training programmes will be enhanced. Other planned benefits include opportunities to increase sick leave and advice on student loans and finance.

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Starbucks' Chief Financial Officer, Rachel Ruggeri said: "We are confident the investments we are making in our employees, will deliver significant returns, resulting in accelerated long-term growth."

(Source: adapted from: <https://www.hcamag.com/nz/news/general/starbucks-invests-1-billion-in-enhancing-employee-experience-training-and-pay/404655>)

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Extract D**Super Mario and the return of supply-side economics**

When Mario Draghi, the previous Prime Minister of Italy, took office in 2021 he made clear that supply-side policies were his priority for Italy. Closing the growth gap between Italy and the euro area was to be achieved through a combination of structural reforms – taxation, public administration and justice – and a broad public investment plan focused on education, digitisation and infrastructure.

5

These supply-side policies were very different from the demand-side policies that had been launched in the previous year to keep economies afloat during the global health crisis.

(Source: adapted from <https://www.omfif.org/2021/03/super-mario-and-the-return-of-supply-side-economics/>)

- 1 (a) Using Extract A and an appropriate calculation, discuss the implications for *Tesla* of September's production figures.

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(b) Assess whether investment in the labour force is the best way for a firm to increase productivity.

(10)



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(c) Assess whether a firm should expand during a recession.

(12)



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(d) Using a suitable diagram, evaluate the importance of supply-side policies in promoting economic growth.

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(Total for Question 1 = 50 marks)

TOTAL FOR SECTION A = 50 MARKS



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SECTION B

Read the following extracts (E to H) before answering Question 2.

Write your answers in the spaces provided.

Extract E

Furniture firm *Moko* raises 786.6m Kenyan shillings (KES) to expand

Moko, a Kenyan furniture company, sells home furnishings, sofas, beds and mattresses. It has raised KES 786.6m (\$6.5m) in venture capital to expand.

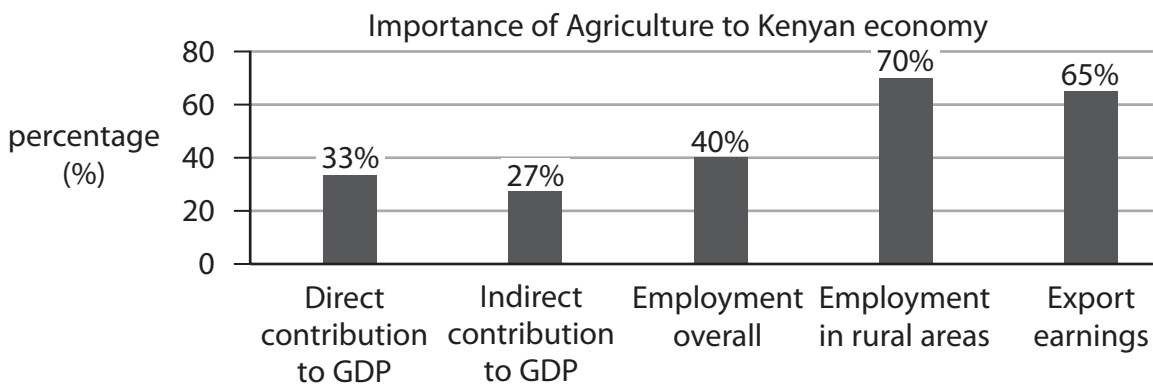
Moko will use the money raised to expand its business across Kenya through its digital platform and by forming partnerships with more retailers. Some of the venture capital will be invested in new machinery and in expanding its product range.

Moko plans to enter new markets in other African countries by 2025. The demand for furniture across the continent is expected to grow, driven by population growth, urbanisation and increasing purchasing power.

(Source : adapted from (<https://www.capitalfm.co.ke/business/2022/10/furniture-firm-moko-raises-sh786-6-million-to-expand-business-line/>)

Extract F

Contribution of agriculture to the Kenyan economy



In 2020, Kenya's total exports were \$6.52bn. Of these the largest were tea (\$1.2bn), cut flowers (\$596m), refined petroleum (\$308m), gold (\$262m), coffee (\$229m) and tropical fruits (\$191m).

(Source: adapted from: <https://www.fao.org/kenya/fao-in-kenya/kenya-at-a-glance/en/> and <https://oec.world/en/profile/country/ken>)

Extract G**Kenyan shilling (KES) drops to a new historic low of 120 against the US Dollar**

The Kenyan shilling dropped to a new low in August 2022, at 119.85 shillings to the dollar amid controversies surrounding President William Ruto's victory in the keenly contested Kenyan presidential elections.

This was the 16th month in a row that the shilling has depreciated against the dollar. As one financial analyst puts it, a depreciating shilling means imports, such as petrol, food and raw materials, will become more expensive. This will further push up the household cost of living as importers pass their increased costs onto consumers.

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(Source: adapted from: <https://africa.businessinsider.com/local/markets/kenyan-shilling-drops-to-a-new-historic-low-of-120-against-the-us-dollar/gt9zsy9>)

Extract H**Africa's Free Trade Area Has a Slow Take Off**

The African Continental Free Trade Area (AfCFTA) started in January 2021 but its impact has been slow due to the global health crisis and an economic downturn in Africa.

Out of the 55 African countries, 54 have signed the agreement, the exception being Eritrea. It is hoped that these 54 countries will grow together to form a single market.

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Over time, they have pledged to eliminate import tariffs on 97% of goods traded between African countries. Many hope this will increase trade between the 54 African countries, which will in turn boost economic growth and bring more prosperity and social equality to those on the continent.

African countries currently trade more internationally than with each other. Intra-African trade accounts for just 17% of African exports, which is low compared to 59% for Asia and 68% for Europe, according to the World Economic Forum.

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(Source: adapted from <https://allafrica.com/stories/202201030312.html>)

2 (a) Discuss the use of venture capital as a source of finance for a firm such as *Moko*.

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- (b) Assess the possible economic impact of specialisation in agriculture for a country such as Kenya.

(10)



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(c) Assess how the depreciation of the shilling may affect Kenyan firms such as *Moko*.

(12)



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(d) Evaluate how membership of the AfCFTA might benefit African countries such as Kenya.

(20)

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(Total for Question 2 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS
TOTAL FOR PAPER = 100 MARKS



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Investigating the Economic Environment and Business

Context

This year the context is **expansion** and the growth of firms and economies.

Research

To prepare for this year's context, you should research:

- how and why firms expand and grow
- how and why economies expand and grow
- the impact of expansion and growth on individuals, firms and economies
- the benefits of expansion and growth
- the problems of expansion and growth.

You **cannot** take any of your research or investigation data carried out as part of the pre-release into the examination.

