

Paper Reference 9EC0/02
Pearson Edexcel
Level 3 GCE

Economics A
Advanced
PAPER 2: The National and Global Economy

Monday 20 May 2024 – Afternoon

Data Booklet

THIS DATA BOOKLET MUST BE RETURNED WITH
THE QUESTION BOOKLET AT THE END OF THE
EXAMINATION.

In the boxes below, write your name, centre number and
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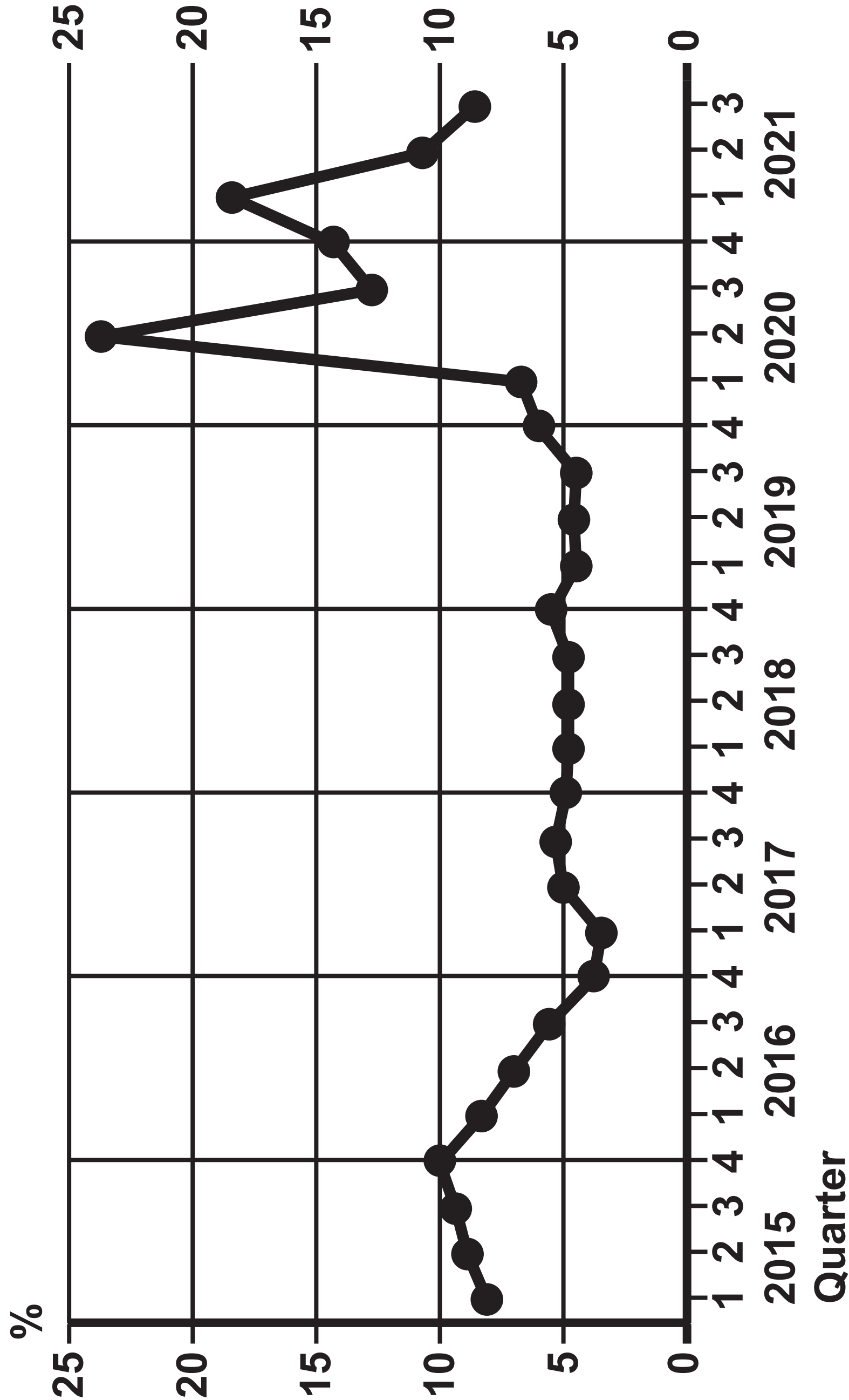
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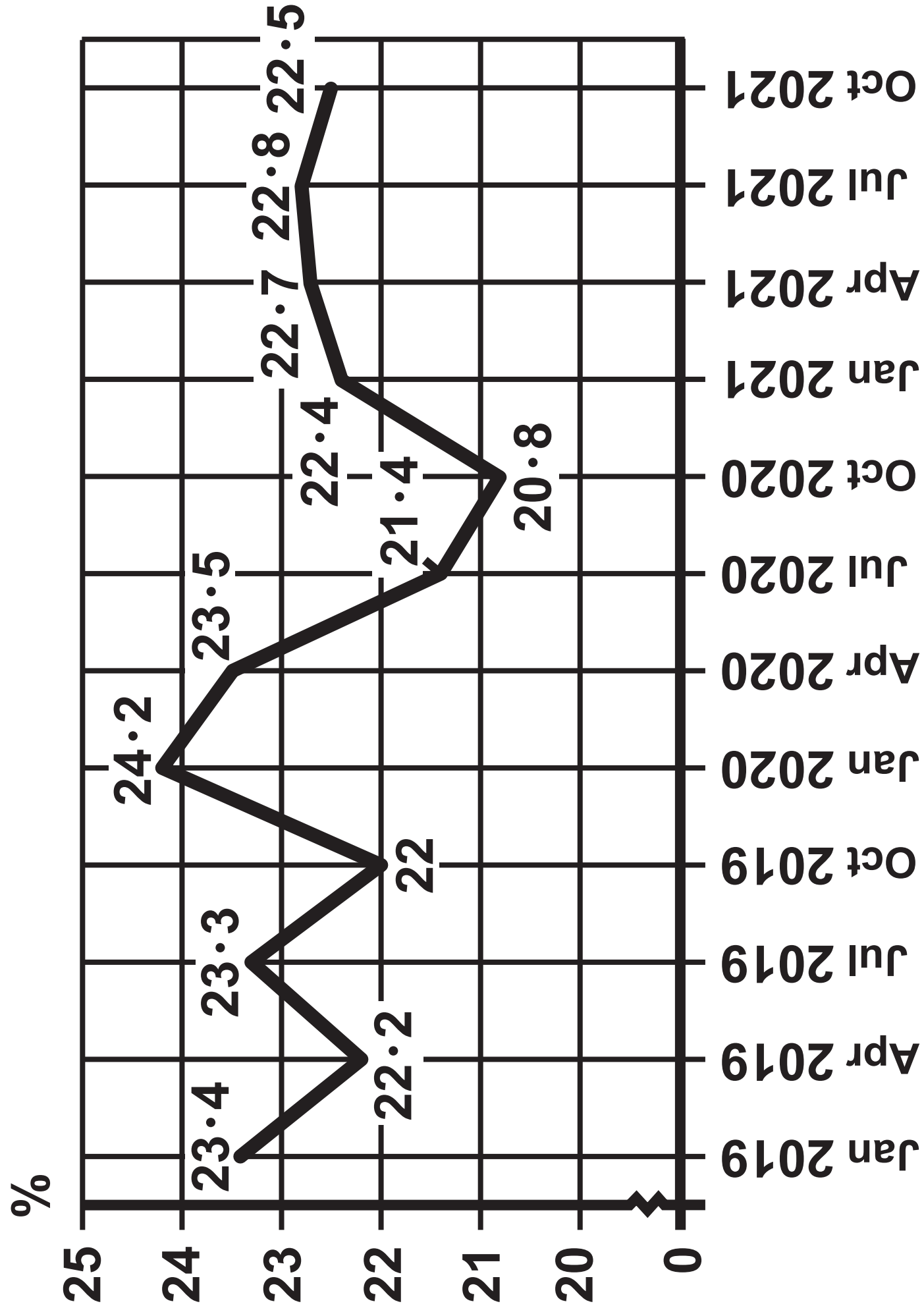
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UK household savings as a percentage of household disposable income, quarter 1 (Q1)
2015 to quarter 3 (Q3) 2021



Investment in the European Union, percentage of GDP, January 2019 to October 2021



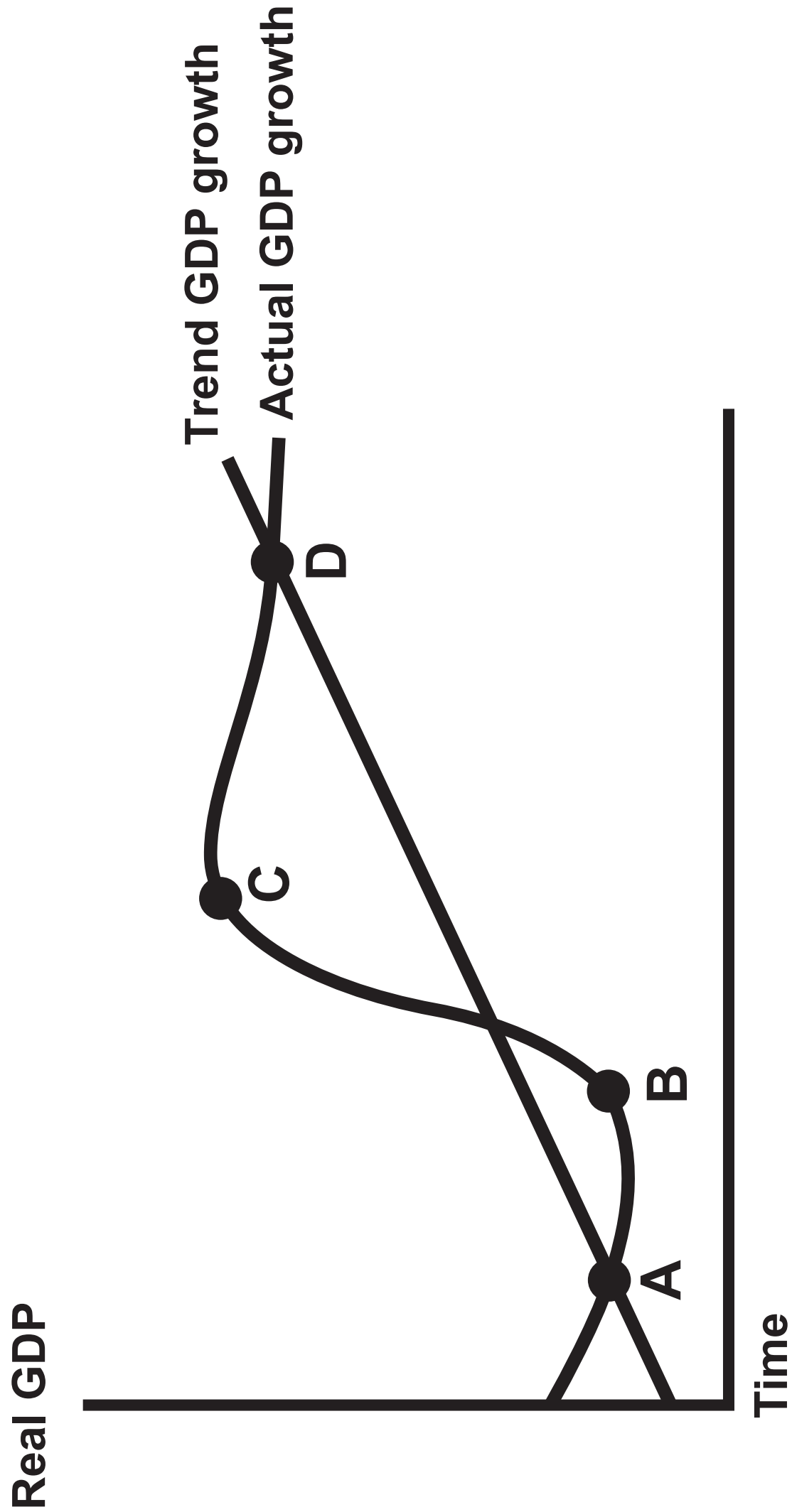


Figure 1: UK national debt, percentage of GDP, 2001–2021

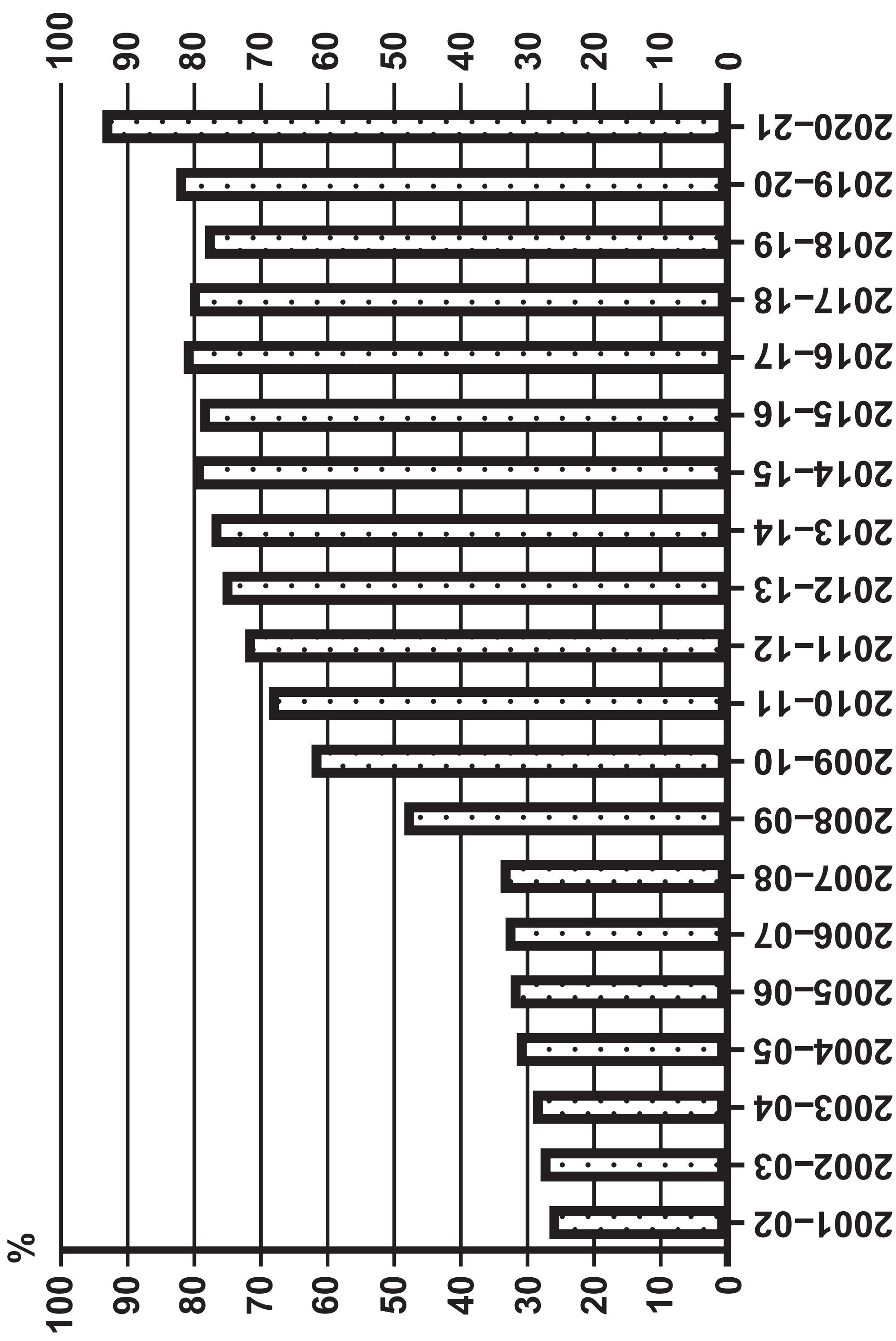


Figure 2: UK fiscal deficit, percentage of GDP, 2001–2021

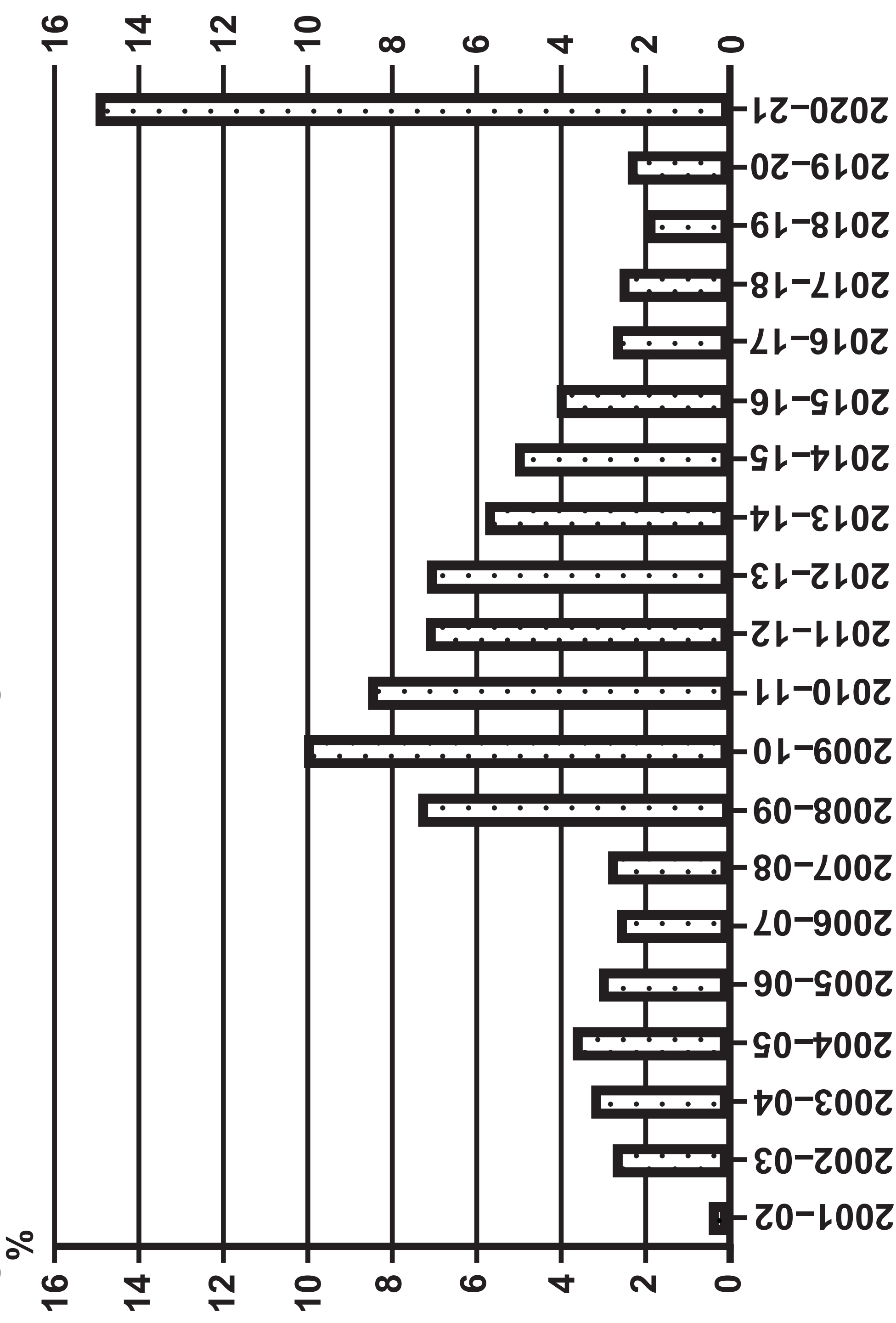


Figure 3: Interest rate on a 10–year UK government bond, July 2022 to March 2023

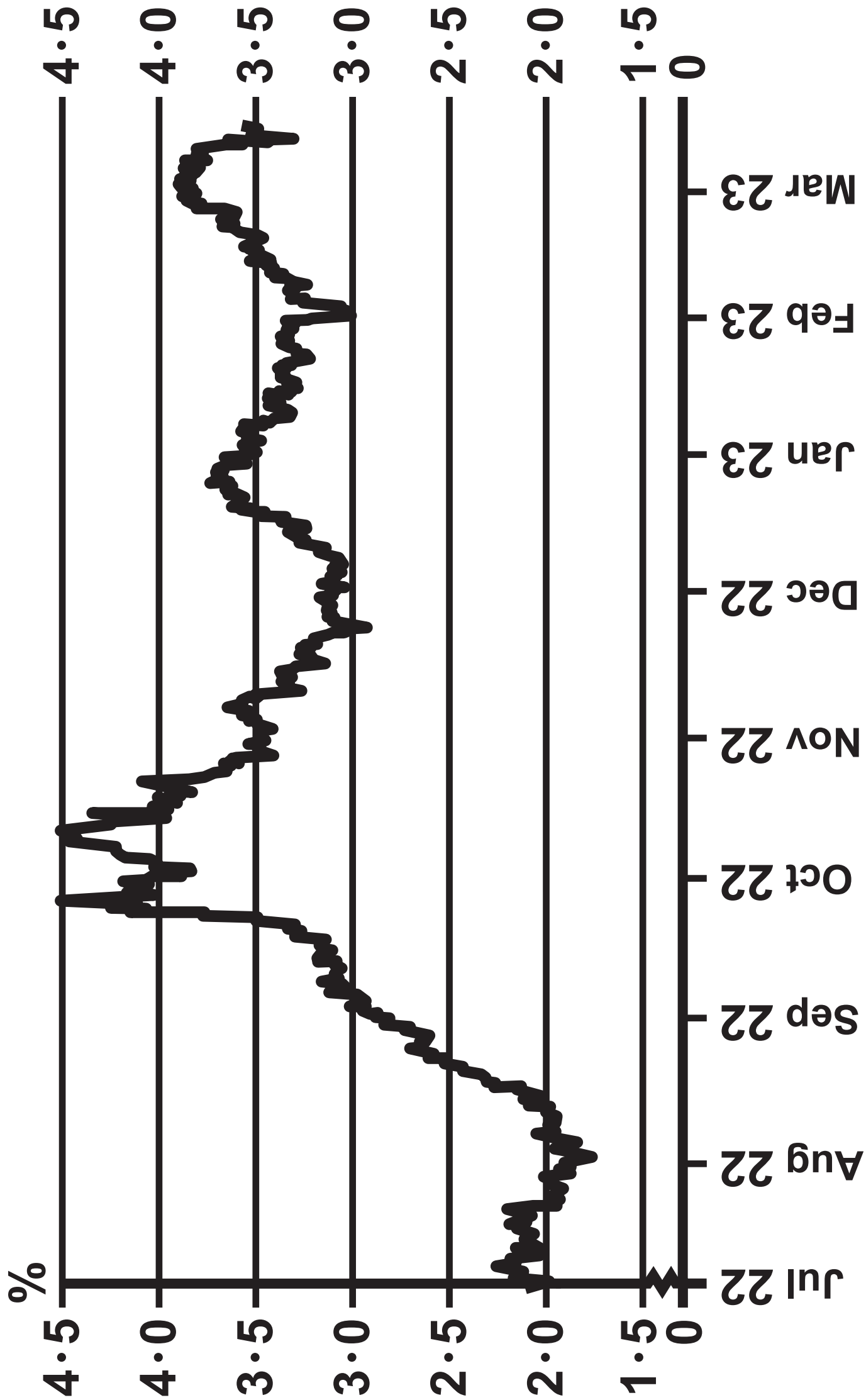


Figure 4: Income tax rates for 2023–24, compared to 2022–23

	2022–23		2023–24	
Tax band	Income threshold	Tax rate	Income threshold	Tax rate
Personal allowance	Up to £12 570	0%	Up to £12 570	0%
Basic rate	£12 571–£50 270	20%	£12 571–£50 270	20%
Higher rate	£50 271–£150 000	40%	£50 271–£125 140	40%
Additional rate	Over £150 000	45%	Over £125 140	45%

Extract A

Freeze in income tax thresholds from 2023 onwards

- The freeze on the personal allowance, and the basic and higher-rate income tax bands in England, Wales and Northern Ireland will be extended to April 2028. While this freeze may not look like a tax rise on the face of it, having thresholds that fail to rise in line with salaries, people will still end up paying more tax on their income – particularly if they end up in a higher tax band as a result.
- 10 The biggest change announced in the Autumn Statement 2022 was the reduction of the additional-rate income tax threshold, dropping from £150 000 to £125 140 from 6 April 2023. It is estimated around 250 000 taxpayers will be pushed into the additional rate tax band, paying
- 15 45% tax on any income above the new limit.

The Chancellor said lowering the additional rate threshold means that a person earning £150 000 will pay an extra £1 200 income tax per year.

Extract B

UK Monetary Policy Decisions

At a special meeting on **19th March 2020**, the monetary policy committee of the Bank of England announced further measures to help support the UK economy during the global health crisis. It voted to reduce the base rate of interest to **0·1%** and restart the quantitative easing programme by buying **£200** billion of UK government bonds and corporate bonds. This followed a number of announcements by the UK government to try and limit the damage of the deep recession the country was facing and reduce the chances of deflation occurring in the UK. Government borrowing grew massively during **2020** and **2021** to fund support for businesses and workers.

However, since then the monetary policy committee has rapidly increased the base rate of interest – which reached **4%** in February **2023**. The UK government's long-term borrowing costs are higher today than they were before former prime minister Liz Truss's **£45** billion proposed tax cuts caused the interest rate on **30-year** government bonds to briefly rise above **5%**, which almost caused a financial crisis.

(continued on the next page)

Extract B continued.

- 25** The Bank's use of quantitative easing (QE) has also come in for criticism, with former governor of the Bank of England Mervyn King saying that the decision to keep pumping money into the economy during the global health crisis was a mistake that fuelled inflation. He said: 'central banks decided it was a good time to print a lot of money. That was a mistake [as] we had too much money chasing too few goods'.
- 30** Experts have argued this pushed inflation higher in the UK by stimulating aggregate demand. However, critics say QE does not cause inflation as most of the extra money is contained in the financial system and does not affect consumption and investment.
- 35** Higher interest rates on the national debt may limit the ability of the UK government to increase spending on supply-side policies needed to boost economic growth, such as a **£20** billion plan to transform carbon capture in the UK, which would create jobs and support a move to
- 40** cleaner electricity generation and technology.

Sources

Question 1

(Source: <https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/dgd8/ukea>)

Question 2

(Source: adapted from <https://www.ceicdata.com/en/indicator/european-union/investment--nominal-gdp>)

Figure 1

(Source: <https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/bulletins/publicsectorfinances/december2021>)

Figure 2

(Source: <https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/bulletins/publicsectorfinances/december2021>)

Figure 3

(Source: <https://www.ft.com/content/ece962c3-b7e5-48c6-a0b1-06f9823a4853#post-ad2ac225-0543-49e7-9ed5-af9907e83697>)

Figure 4

(Source: Gov.uk)

(continued on the next page)

Sources continued.

Extract A

(Source adapted from: <https://www.which.co.uk/news/article/6-tax-changes-to-watch-out-for-in-2023>)

Extract B

(Source: adapted from: <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2020/monetary-policy-summary-for-the-special-monetary-policy-committee-meeting-on-19-march-2020> and <https://www.ft.com>)