

Monday 28 January 2013 – Afternoon

AS GCE ECONOMICS

F582/01 The National and International Economy

Candidates answer on the Question Paper.

OCR supplied materials:

None

Other materials required:

- Calculators may be used

Duration: 1 hour 30 minutes



Candidate forename		Candidate surname	
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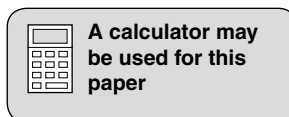
Centre number						Candidate number				
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INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the boxes above. Please write clearly and in capital letters.
- Use black ink. HB pencil may be used for graphs and diagrams only.
- Answer **all** the questions.
- Read each question carefully. Make sure you know what you have to do before starting your answer.
- Write your answer to each question in the space provided. If additional space is required, you should use the lined pages at the end of this booklet. The question number(s) must be clearly shown.
- Do **not** write in the bar codes.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **60**.
- The quality of your written communication will be taken into account in the marking of your answer to the question labelled with an asterisk (*).
- This document consists of **16** pages. Any blank pages are indicated.



The birth of a nation

Sudan was a very large country in north east Africa. The country was heavily dependent on agriculture and had a relatively low real Gross Domestic Product (GDP) per head. Its aggregate demand was low and its aggregate supply had been increasing relatively slowly. The country was seeking to increase its net exports. The country's pattern of trade in 2010 is illustrated in Fig. 1.

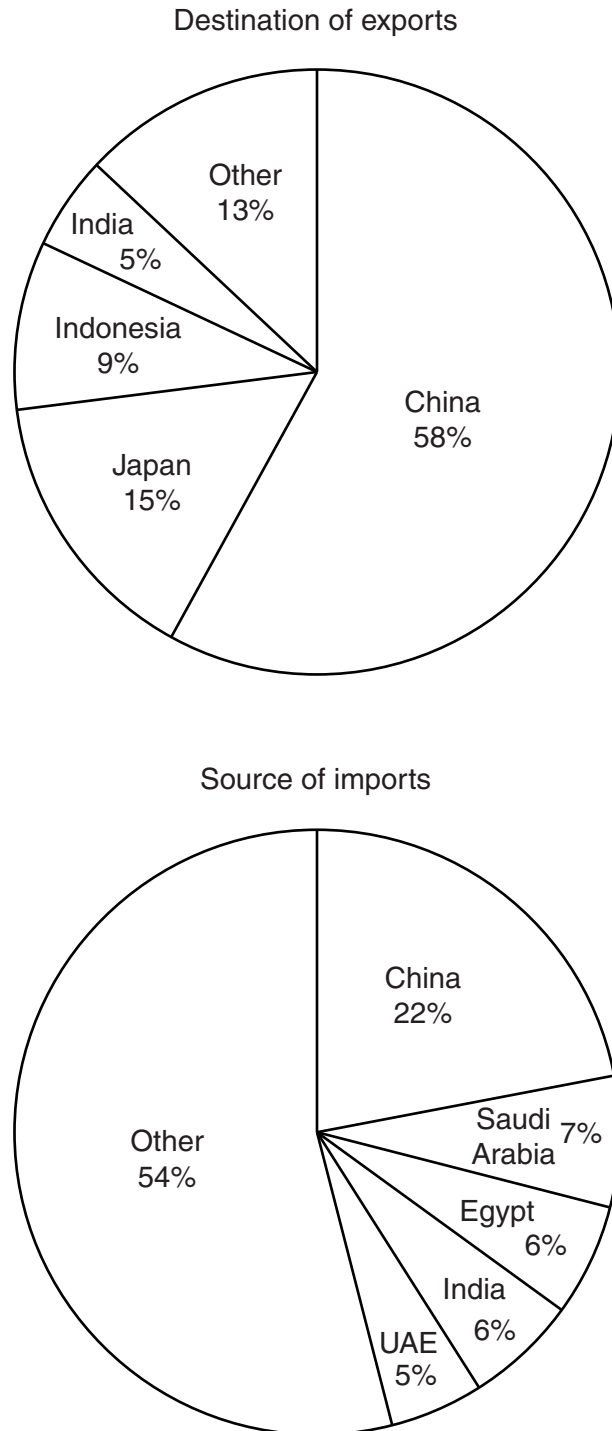


Fig. 1 – The pattern of Sudan's trade, 2010

In the same year the country's exports totalled US\$9800m, whilst its imports were US\$8000m. The country's exchange rate was somewhat changeable. For instance, in November 2010 it was US\$1 = 2.36 Sudanese pounds, but in December 2010 it had moved to US\$1 = 2.42 Sudanese pounds. 5

After a long civil war, the people of the southern part of the country voted in January 2011 to break away from the north. On 9 July 2011, the Republic of South Sudan gained independence. North Sudan has kept the name of the Republic of the Sudan. 10

The new country of South Sudan faces a range of economic challenges. Although it is relatively rich in a number of resources, including oil, iron ore and fertile land, most of its nine million people are illiterate. The country lacks infrastructure with an undeveloped road network, no national electricity grid and a shortage of running water in many areas. Unemployment is high and the country's price level index was forecast to increase from 120 in December 2011 to 134.4 in December 2012. 15

The South Sudan government had set a target for economic growth of 7.2% for 2012. This was despite a recent fall in aggregate demand. The government was considering implementing a range of policy measures to improve the country's economic performance. These included increasing income tax, reducing the growth of the money supply and deregulating some industries. Some economists have expressed concerns that these measures may not be sufficient to stop the economy's aggregate supply decreasing. A decline in aggregate supply may have a harmful effect on a country's economic performance. 20

Answer **all** questions.

- 1 (a) Give the reason why there may be a movement along an aggregate demand curve.

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- (b) Explain the likely effect of an increase in net exports on the position of the aggregate demand curve.

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2 (a) Using information in the case study, calculate Sudan's trade balance with India in 2010.

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(b) Explain why an increase in Sudan's imports from China:

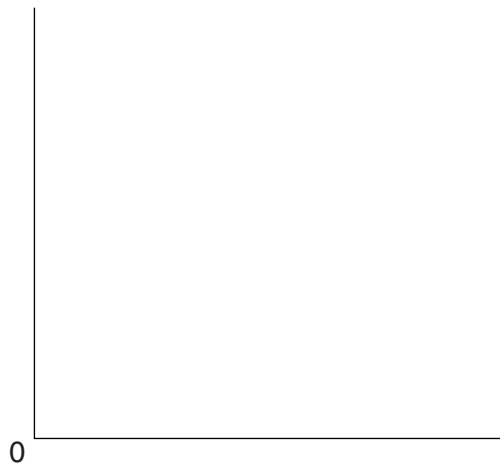
(i) may increase the country's current account deficit

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(ii) may **not** increase the country's current account deficit.

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3 (a) Using a diagram, explain how an economy's exchange rate is determined.



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(b) Using information in the case study, explain whether the value of the Sudanese pound rose or fell in December 2010.

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4 (a) Using information in the case study, identify and explain **two** causes of unemployment in South Sudan.

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5 (a) Describe how inflation is measured in the United Kingdom.

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(b) Using information in the case study, calculate South Sudan's forecast annual inflation rate for December 2012.

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(c) Comment on whether an increase in income tax would reduce a country's inflation rate.

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A series of horizontal dotted lines for writing.

END OF QUESTION PAPER

ADDITIONAL ANSWER SPACE

If additional answer space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margins.

This section of the page is a large, empty area of lined paper. It consists of a vertical solid line on the left side, which serves as a margin. To the right of this line, there are 25 horizontal dotted lines spaced evenly down the page, providing a guide for writing. The entire area is intended for students to write their answers to questions that require more space than the previous page.

A large rectangular area with a solid vertical line on the left and horizontal dotted lines across the rest of the page, intended for writing answers.



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