

## Monday 22 May 2017 – Morning

### 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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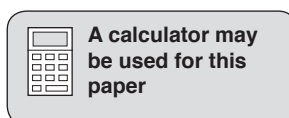
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#### INSTRUCTIONS TO CANDIDATES

- 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 barcodes.

#### 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 challenges facing the Russian economy

The Russian economy experienced an impressive annual growth rate of 7% between 1998 and 2008. In 2015, however, it experienced negative economic growth. This was the result of low oil prices, depreciation in the country's currency (the rouble) and trade sanctions imposed on the country.

Russia relies heavily on commodity exports. The decline in oil prices in 2015 not only affected the country's economic growth rate, it also reduced the trade in goods balance on the country's balance of payments. Fig. 1 shows the country's trade in goods balance in 2015 and other details of the current account balance, with the absence of imports of services and the trade in services balance.

Exports of goods	340
Imports of goods	-194
Trade in goods balance	146
Exports of services	50
Other (primary income and secondary income balances)	-43
Current account balance	66

**Fig. 1 The current account of Russia's balance of payments 2015 in US\$ billions**

The fall in the value of the Russian rouble by more than 40% against the US dollar in 2015 contributed to the country's high inflation rate of 15%. The inflation rate is measured by Russia's Consumer Prices Index (CPI). As is the case with the UK CPI, Russia's CPI attaches weights to different products in a basket of goods and services. Governments seek to make the basket as representative of the expenditure of the population as possible but this is not always easy.

Despite the high inflation rate and negative economic growth, Russia did experience a low unemployment rate of 5.8% in 2015 which came close to full employment. Experiencing an unemployment rate close to full employment can reduce the amount a government has to spend on unemployment benefit and can generate high tax revenue. It would be expected that low unemployment would also be associated with high wage rates. In Russia in 2015, however, a relatively high number of firms were not paying their workers on time and some were cutting wages, particularly to low skilled workers. Lower wages can reduce consumer expenditure. They can also influence the pattern of expenditure. Russia experienced a change in the products purchased in 2015, partly because of the delay in paying wages but also because of inflation.

The Russian Government promised to tackle the problem of unpaid wages and was considering increasing its spending on training workers. It was employing fiscal, supply-side and monetary policy measures in a bid to improve the country's economic performance. It was recognised that seeking to achieve full employment might move the current account of the balance of payments from a surplus into a deficit. The Russian central bank also recognised possible policy conflicts in its interest rate changes. In 2015 it cut the rate of interest five times in an attempt to promote economic growth.

Answer **all** questions

1 (a) What is meant by 'negative economic growth'? (line 2)

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[2]

(b) Explain how fiscal policy differs from supply-side policy.

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[4]

2 Using information in Fig. 1, calculate Russia’s trade in services balance in 2015.

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3 (a) Using information from the case study, explain **two** benefits of low unemployment for a government.

Benefit 1 .....

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Benefit 2 .....

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5 (a) Using information from the case study, explain **two** difficulties of measuring inflation.

Difficulty 1 .....

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Difficulty 2 .....

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[4]











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A series of 25 horizontal dotted lines for writing.

**END OF QUESTION PAPER**

**ADDITIONAL ANSWER SPACE**

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

A large area of lined paper for writing. It consists of a vertical solid line on the left side, creating a margin. To the right of this line, there are numerous horizontal dotted lines extending across the width of the page, providing space for writing answers.



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