Oxford Cambridge and RSA

Monday 19 May 2025 – Morning

AS Level Economics

H060/02 Macroeconomics

Time allowed: 1 hour 30 minutes

You can use:
- a scientific or graphical calculator

Please write clearly in black ink. **Do not write in the barcodes.**

Centre number | | | | | | Candidate number | | | | |

First name(s) ______________________________

Last name ______________________________

INSTRUCTIONS
- Use black ink. You can use an HB pencil, but only for graphs and diagrams.
- Write your answer to each question in the space provided. You can use extra paper if you need to, but you must clearly show your candidate number, the centre number and the question numbers.
- Answer **all** the questions in Sections A and B and **one** question in Section C.

INFORMATION
- The total mark for this paper is **60**.
- The marks for each question are shown in brackets **[ ]**.
- Quality of extended response will be assessed in questions marked with an asterisk (*).
- This document has **16** pages.

ADVICE
- Read each question carefully before you start your answer.

Section A

Write your answer to each question in the box provided.

1 What might cause a fall in unemployment?

A An increase in the minimum wage
B An increase in the rate of income tax
C An increase in the working population
D An increase in unemployment benefits

Your answer ☐ **[1]**

2 Which target is set for the Bank of England?

A Exchange rate
B Inflation
C Interest rate
D National debt

Your answer ☐ **[1]**

3 In which sector does an insurance company operate?

A Primary
B Quaternary
C Secondary
D Tertiary

Your answer ☐ **[1]**

4 What is meant by the government budget?

A Balance between government receipts and expenditure
B Decisions made by the government about expenditure and receipts
C Government expenditure is greater than government receipts
D Government receipts are greater than government expenditure

Your answer ☐ **[1]**

5 The table shows the balance of payments position for four countries.

	Current account (£bn)	**Financial and capital accounts (£bn)**
Country A	–4587	–4587
Country B	–1548	+1548
Country C	–2497	+1267
Country D	–6472	–7163

Which country has a sustainable balance of payments position?

A Country A
B Country B
C Country C
D Country D

Your answer [ ] **[1]**

6 The table shows the percentage change in real GDP during the year ending Quarter 1 2022.

	Change in real GDP (%)
UK	10.6
USA	3.7
Japan	0.6
Germany	3.5
France	4.8
Eurozone	5.5
G7	4.0
OECD	4.6

Which statement is true?

A Eurozone GDP growth was 4.9% percentage points lower than Japan
B France was the fastest growing economy
C The UK's GDP growth was 5.8 percentage points higher than France
D The USA had the lowest GDP growth

Your answer [ ] **[1]**

7 What would cause the long run aggregate supply curve to shift to the right?

A Decrease in employment levels
B Decrease in productivity
C Increase in investment
D Increase in wages

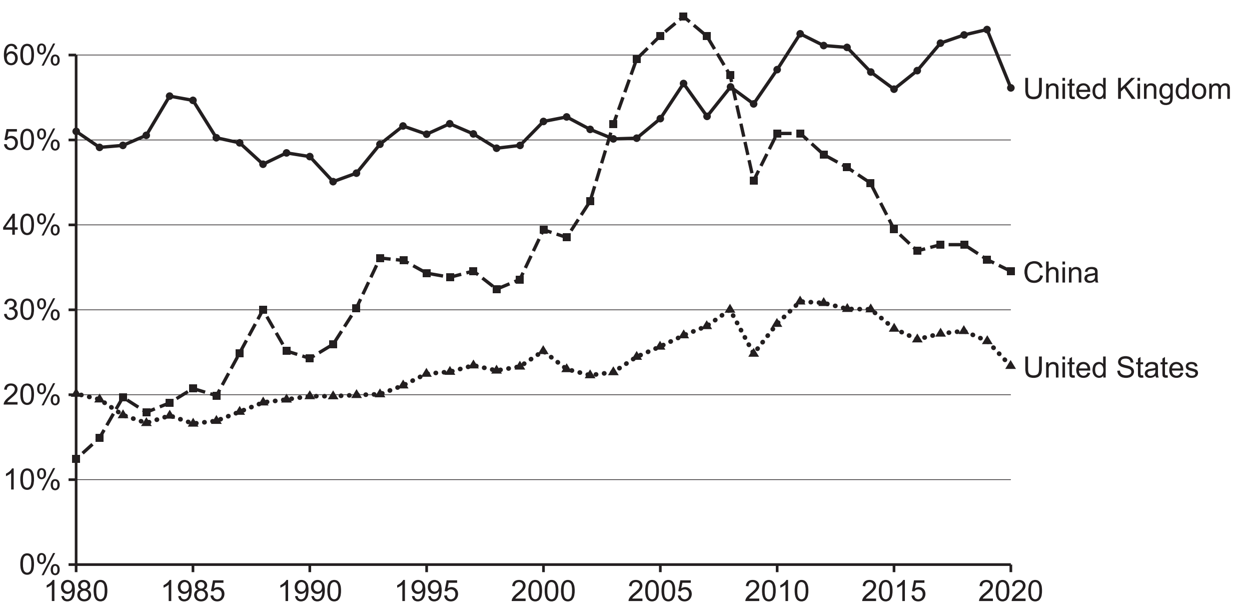
Your answer [ ] **[1]**

8 What is the definition of full employment?

A All those of working age are working at the going wage rate
B All those willing and able to work can find a job at the going wage rate
C Some of those able to work are not accepting a job at the going wage rate
D Some of those willing to work are not able to find a job at the going wage rate

Your answer [ ] **[1]**

9 The diagram shows trade as a percentage of GDP for selected countries.



What is the change in trade as a percentage of GDP for China from 1980 to 2020?

A Approximately a five times increase
B Approximately a four times increase
C Approximately a three times increase
D Approximately a two times increase

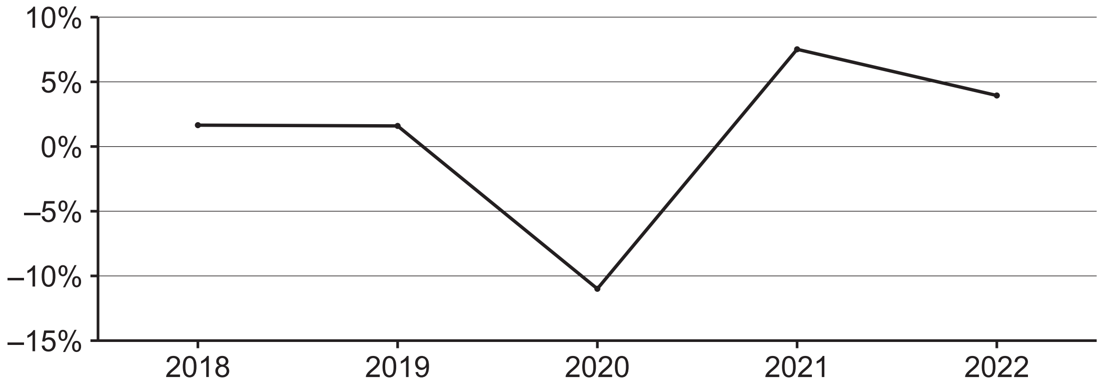
Your answer [ ] **[1]**

10 Crowding out occurs when:

A increased government spending leads to less private sector activity
B increased imports lead to an increase in the exchange rate
C increased income tax rates lead to less government tax revenue
D increased interest rates causes household borrowing to fall

Your answer ☐ **[1]**

11 The diagram shows the annual change in GDP in the UK.



Which statement about the diagram is correct?

A Annual economic growth was highest in 2020
B Annual economic growth was lowest in 2018
C Annual economic growth was negative between 2018 and 2019
D Annual economic growth was positive between 2021 and 2022

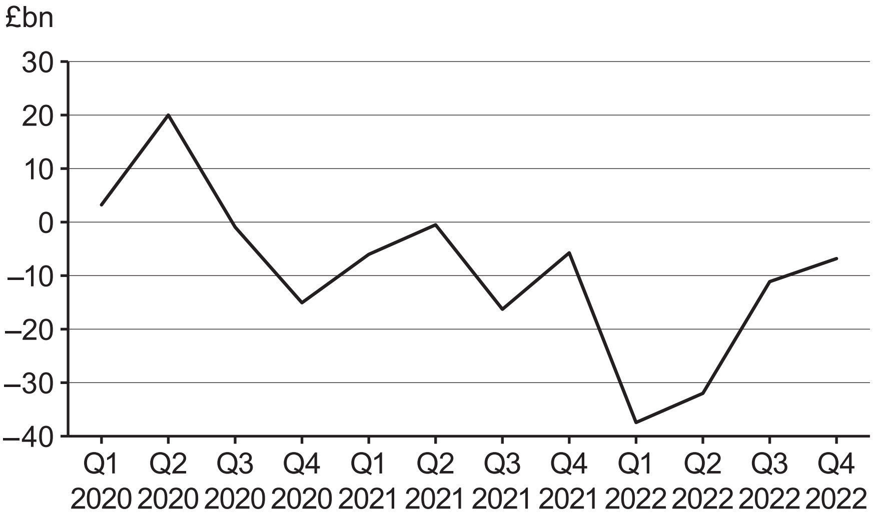
Your answer ☐ **[1]**

12 Which policy is likely to include an increase in the money supply?

A Contractionary fiscal policy
B Contractionary monetary policy
C Expansionary fiscal policy
D Expansionary monetary policy

Your answer ☐ **[1]**

13 The diagram shows the trade balance in goods and services for the UK.



What can be concluded about the trade balance?

A There was a trade deficit for the entire period
B There was a trade surplus for the entire period
C There was a trade surplus for 2020
D There was a trade surplus for 2021

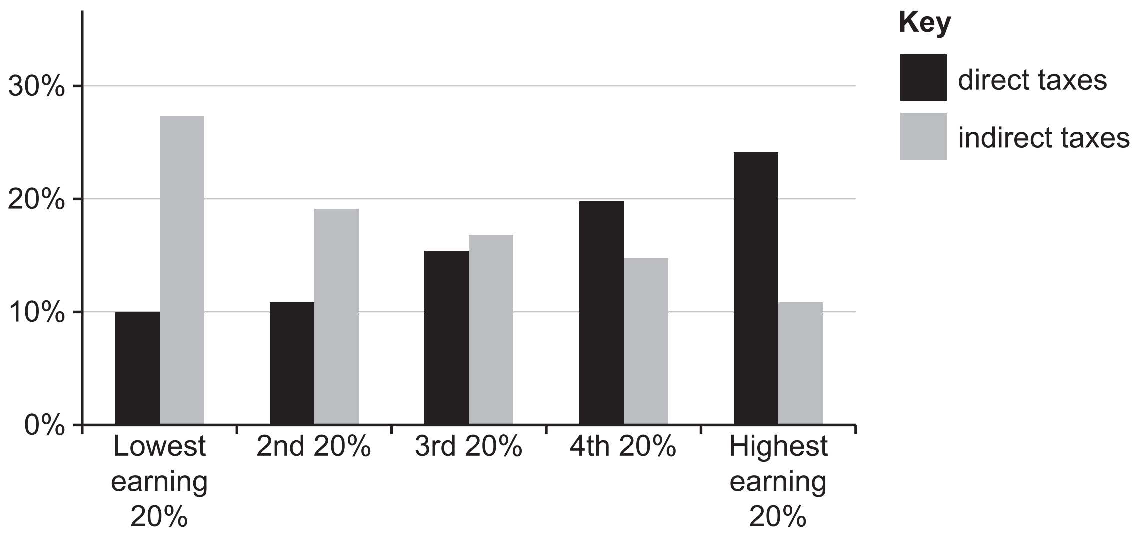
Your answer ☐ **[1]**

14 The Sterling exchange rate does **not** have an influence on:

A exports from the UK
B imports into the UK
C income of consumers overseas
D purchasing power of consumers overseas

Your answer ☐ **[1]**

15 The diagram shows the proportion of household income paid in taxes.



What can be concluded from the diagram about the impact of taxes on households?

A Households experience a progressive effect from indirect taxes
B The lowest earning 20% of households pay the highest proportion of their income in taxes
C The lowest earning 20% of households pay the most indirect taxes
D The total tax paid by a household is proportional to its income

Your answer ☐ **[1]**

Turn over for Section B

Section B

UK inflation rate increases further as salad and vegetables push up prices

UK inflation rose in February 2023 due to food prices increasing at their highest rate for 45 years. CPI inflation has increased significantly since February 2021, when the rate of inflation was close to zero.

Food inflation was up 18.2% in February 2023, compared to February 2022, with salad and vegetable shortages driving the latest rises in prices for customers. Tomatoes, peppers, and cucumbers have been some of the goods in short supply, largely due to extreme weather in Spain and North Africa affecting harvests. In the winter, UK supermarkets import a lot of produce from abroad as it is cheaper than buying from UK farmers.

The UK and other northern European countries – particularly the Netherlands which is a big vegetable producer – have reduced how many crops they have planted over the winter or have avoided producing certain foods, due to rising production costs. This was partly due to large increases in the cost of energy required to light and heat greenhouses, as well as higher costs for the fertiliser used on plants.

Most farmers and suppliers have said the UK's exit from the EU is not the reason for the UK's empty supermarket shelves. However, many acknowledge that Brexit and the COVID pandemic have increased costs for growers, mostly as a result of having to pay higher wages to workers due to labour shortages. During the pandemic, all major economies saw their workforce decline. But while most developed economies have since recovered, the UK still has about 400 000 more people not working than in December 2019. Reasons include young people opting to study rather than work, older people retiring early, and more people being off work due to long-term sickness. The shortage of workers in the UK has also led to employers having to pay more to retain staff. Many supermarkets have given staff several pay rises as they struggle to find workers.

Unions say wages should reflect the cost of living and many workers, mainly in the public sector, have been striking over pay. However, the government argues large pay rises could push inflation higher because companies will have to increase prices as a result.

Some importers argue the additional costs and bureaucracy created by Brexit have put the UK at the back of the queue for supplies from European producers when crops are in short supply. It has also led to some delays at the UK border – a particular issue with imports of perishable produce.

Some organisations have suggested people should stop eating as much imported food and should be eating more seasonal produce while supporting UK farmers. A lot of people could be eating turnips in the winter months rather than eating lettuce and tomatoes. However, farmers argue they have had no support from the Government to help with rising costs.

Rising food prices have also pushed up inflation in other countries.

Adapted from: The Guardian and BBC News March 2023.

Fig. 1
Inflation in selected countries Jan 2022–Jan 2023

Fig. 2
Wage increases and CPI in the UK Jan 2020–Jan 2023

16

(a) Using **Fig. 1**, describe the difference in the inflation rate between the UK and USA in January 2023.

....

....

....

.... **[2]**

(b)

(i) Using **Fig. 2**, explain how real wages changed for workers in the private sector in January 2023.

....

....

....

....

....

.... **[3]**

(ii) Using the case study, explain **one** disadvantage for the UK of relying on importing salad and vegetable crops.

....

....

....

.... **[2]**

(c) The UK government is concerned that "…large pay rises could push inflation higher". **Lines 25–26**.

Using a diagram, explain how pay rises could push inflation higher.

....

....

....

.... **[4]**

(d) Using the case study, explain **two** supply side policies the UK government could use to help farmers with rising costs.

1 ....

....

....

....

2 ....

....

....

.... **[4]**

(e)* Evaluate whether increases in UK inflation harm UK farmers. **[10]**

Section C

Answer Question 17 **or** Question 18.

17* In December 2022, the UK government approved the opening of the country's first new deep coal mine for 30 years in Cumbria.

Evaluate, using an appropriate diagram(s), whether the opening of new coal mines will affect a policy of sustainable development. **[20]**

OR

18* In September 2022, measures introduced in the UK's mini-budget threatened to affect confidence in the UK.

Evaluate, using an appropriate diagram(s), whether a loss of confidence in an economy will affect the exchange rate. **[20]**

Question No. ....

END OF QUESTION PAPER