OXFORD CAMBRIDGE AND RSA EXAMINATIONS
AS GCE
F582/01
ECONOMICS
The National and International Economy

MONDAY 28 JANUARY 2013: Afternoon
DURATION: 1 hour 30 minutes
plus your additional time allowance

MODIFIED ENLARGED 18pt

Candidate forename		Candidate surname	
Centre number		**Candidate number**	

Candidates answer on the Question Paper.

OCR SUPPLIED MATERIALS:

None

OTHER MATERIALS REQUIRED:

Calculators may be used

READ INSTRUCTIONS OVERLEAF

INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the boxes on the first page. Please write clearly and in capital letters.

- Use black ink. HB pencil may be used for graphs and diagrams only.

- Answer <u>ALL</u> 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.

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 <u>60</u>.

- The quality of your written communication will be taken into account in the marking of your answer to the question labelled with an asterisk (*).

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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 (opposite). *5*

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. *10*

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. *15*
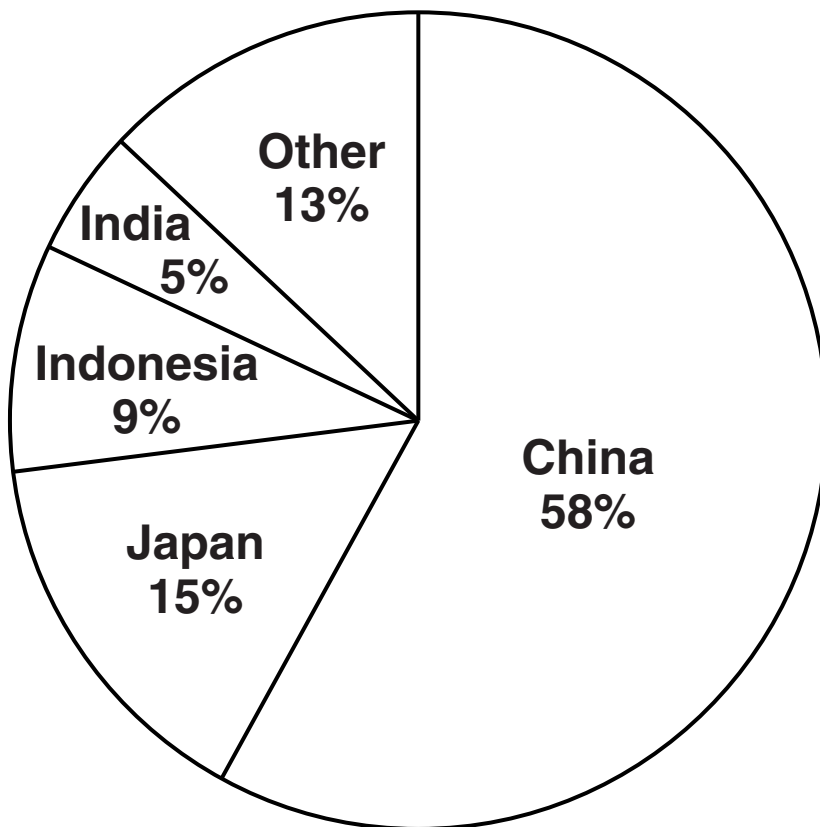
The new country of South Sudan faces a range of economic challenges. Although it is relatively rich in a number of resources, including oil, iron ore and fertile land, most of its nine million people are illiterate. The country lacks infrastructure with an undeveloped road network, no national electricity 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. *20* *25*

Destination of exports

Other 13%
India 5%
Indonesia 9%
Japan 15%
China 58%

Source of imports

China 22%
Saudi Arabia 7%
Egypt 6%
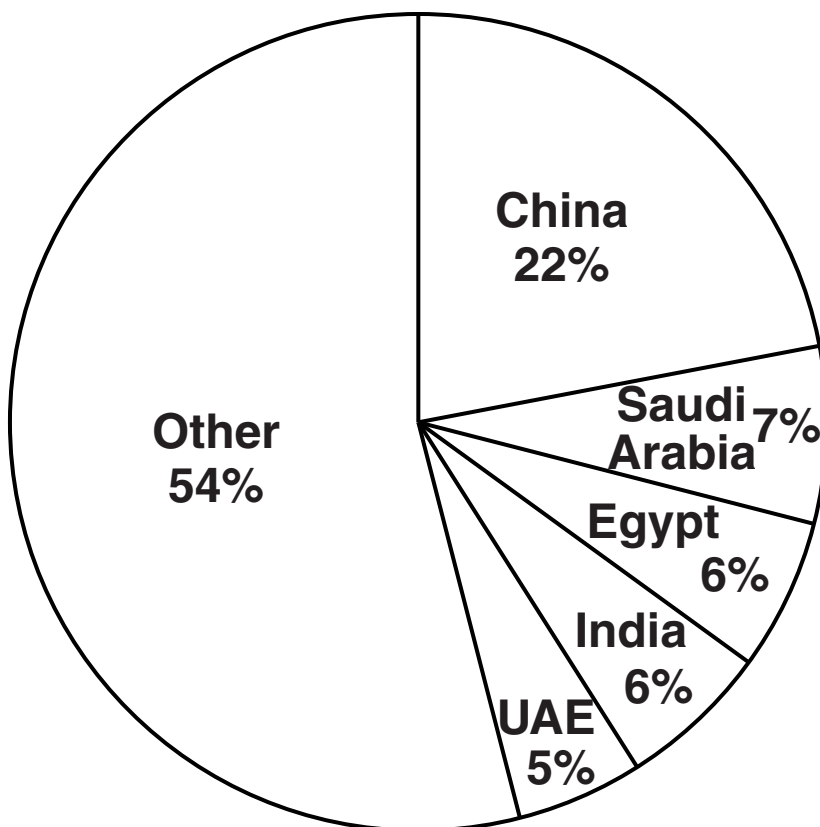India 6%
UAE 5%
Other 54%

FIG. 1 – THE PATTERN OF SUDAN'S TRADE, 2010

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. *30*

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. *35*

A decline in aggregate supply may have a harmful effect on a country's economic performance. *40*

Answer ALL questions.

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

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_____ **[1]**

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

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_____ **[2]**

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

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_____ [2]

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

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

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_____

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_____ [2]

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

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_____ **[4]**

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

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_____ **[4]**

(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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_____ **[2]**

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

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2 _____

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[6]

(b) Comment on whether a fall in an economy's unemployment rate will increase economic growth.

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_____ **[6]**

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

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_____ **[5]**

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

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_____ **[2]**

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

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_____ **[6]**

6* **Discuss whether a decrease in aggregate supply is always harmful to national economic performance.**

[18]

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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.

OCR

RECOGNISING ACHIEVEMENT