

A Level Economics summer task 2022

Section A: General Economic Knowledge answer all questions:

1. What is a commodity? (2 marks)
2. What is the current price of oil? (2 marks)
3. Explain why the price of oil is increasing. (6 marks)
4. Outline the impact of the impact of the rise in oil prices on an economy like the UK. (12 marks)
5. Who is the Governor of the Bank of England? (2 marks)
6. What is the current rate of interest? (2 marks)
7. Explain what you think will happen to UK interest rates in the next year? (2 marks)
8. What impact Brexit have on the UK economy? (12 marks)

Section B Either Context 1 or Context 2

Context 1 Plastic



The amount of plastic in the ocean is set to triple in a decade unless litter is curbed, a major report has warned. Plastics is just one issue facing the world's seas, along with rising sea levels, warming oceans, and pollution, it says. But the Foresight Future of the Sea Report for the UK government said there are also opportunities to cash in on the "ocean economy".

They say this is predicted to double to \$3 trillion (£2 trillion) by 2030. The report says much more knowledge is needed about the ocean. The authors say the world needs a Mission to "Planet Ocean" to mirror the excitement of voyaging to the moon and Mars.

1. Outline the problems caused by the use of plastic in an economy (16 marks)
2. Discuss the various economic policies that could be used to reduce the amount of plastic in the oceans (25 marks)

<https://www.nationalgeographic.com/environment/article/plastic-pollution>

Context 2 The Impact of Inflation

What is the UK's inflation rate and why is the cost of living going up?



Prices are rising by 9% a year in the UK - the highest rate for 40 years.

The Bank of England has warned inflation might reach 10% within months, as the prices of fuel and food put pressure on household budgets.

Why has inflation risen so much?

Inflation is the increase in the price of something over time. For example, if a loaf of bread costs £1 one year and £1.09 the next year, then that's an annual inflation rate of 9%.

- Energy bills are the biggest contributor to inflation at present, as oil and gas prices remain at elevated levels in part due to the Ukraine war. After a rise in the UK's energy price cap last month, average gas and electricity prices jumped by 53.5% and 95.5% respectively compared with a year ago
- Fuel prices are also surging, with average petrol prices hitting 161.8p per litre in April 2022 versus 125.5p a year earlier. The April price is the highest on record.
- The governor of the Bank of England says rising global food prices **are a "major worry"** and shopping bills are increasing. Prices were up 6.7% last month
- The costs of raw materials, household goods, furniture and restaurants and hotels are also going up
- The rate of VAT - the tax paid when buying goods and services - has gone up for some businesses. The government reduced VAT for hospitality and tourism firms during the pandemic, but on 1 April it returned to the standard 20% rate
- Air passenger duty and vehicle excise duty rates have also increased, as have **the cost of postage**, and **water bills in England and Wales**
- Higher **interest rates** also make mortgage payments more expensive for some homeowners.

The headline inflation rate is an average, and priced rise in different areas rise at different rates. One food industry boss has warned that **food prices could rise by up to 15% this year.**

Average pay increases **aren't keeping pace with inflation.**

Figures **from the ONS** show that wages, excluding bonuses, rose by 4.2% between January and March. But when you take inflation into account, regular pay actually fell by 1.2% compared to 12 months ago.

About two million workers will benefit from increases in the minimum wage

Some parts of the economy facing staff shortages as a result of Brexit and the pandemic have **increased staff pay**. On 1 April, the lowest-paid saw **the National Living Wage rise by 6.6% to £9.50 an hour**.

However, since that date, anyone earning more than £9,880 per year (£12,570 from July) **has had to pay 1.25p more in the pound in National Insurance contributions** as a result of **the new Health and Social Care Levy**.

Who measures the UK's inflation rate?

Inflation is a measure of the rate at which a range of prices are rising over a given period of time.

In the UK, this is worked out by the Office for National Statistics (ONS), which notes the prices of hundreds of everyday items, known as the **"basket of goods"**.

This is constantly updated. In 2022, items such as tinned beans and sports bras were added, reflecting a rising interest in plant-based diets and exercise.

The ONS releases its inflation figures each month, showing how much these prices have risen since the same date last year. This is known as the Consumer Prices Index (CPI).

Inflation rose by 9% in the 12 months to April, up from 7% in March.

The Bank of England has warned that **UK inflation could reach 10% in the last three months of 2022**, largely as a result of rising global energy prices.

The Bank of England's traditional response to rising inflation is to raise interest rates. This can benefit savers, but means some people with mortgages see their monthly payments go up.

The idea is that when borrowing is more expensive, people will have less money to spend. As a result, they will buy fewer things and prices will stop rising as fast. But when inflation is caused by external forces, such as rising global energy prices, then there is a limit as to how effective UK interest rate rises can be in curbing inflation.

- 3. Explain the reasons for the recent increase in UK inflation. (16 marks)**
- 4. Outline the measures that can be used to deal with the**

<https://www.bbc.co.uk/news/business-61780450>

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