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OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Monday 22 May 2023 – Afternoon

A Level Economics

H460/02 Macroeconomics

Resource Book

**Time allowed: 2 hours
plus your additional time allowance**



SECTION A

Read the stimulus material and answer ALL parts of Question 1.

International competitiveness

In 2019, the UK had a trade in goods and services deficit of £30.5bn and a current account deficit of £95.3bn. A country's international competitiveness is influenced primarily by the relative price and quality of its products.

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In the 2019 global competitiveness index, published by the World Economic Forum, the UK was ranked 9th out of 141 countries. This position was down one on 2018. Singapore was placed 1st in 2019 and 2nd in 2018.

The World Economic Forum considers 12 categories of influences on a country's international competitiveness. These include the country's financial system, the skills of its workers and its macroeconomic stability. The UK has a strong financial system and was placed 7th in this category. Its central bank has experience in, for instance, maintaining price stability and engaging in quantitative easing. The country's commercial banks provide savings facilities, loans and other services for their customers.

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The UK was placed 11th in the skills category. A more skilled labour force is likely to have higher productivity. In turn, productivity can also be affected by working hours. Between 2018 and 2019, average working hours fell in Germany, the UK and the USA and labour productivity rose. In contrast, both average working hours and labour productivity rose in Poland and both fell in Mexico over this period.

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<p>The category in the global competitiveness index which the UK performed best in was macroeconomic stability. It came 1st achieving a maximum score of 100. Macroeconomic stability can increase business confidence. This can increase investment, international competitiveness and GDP per capita. Fig. 1 shows the international competitiveness ranking of eight countries and their GDP per capita.</p>	30
<p>The country which experienced the largest increase in international competitiveness ranking between 2018 and 2019 was Rwanda. The main destination of Rwanda's exports is the UAE and its main source of imports is China. Rwanda's imports to GDP rose from 28% in 2010 to 35% in 2019 and GDP per capita increased from \$610 to \$802. Fig. 2 shows the savings ratio (average propensity to save) and the changes in GDP per capita in Rwanda over the period.</p>	40
<p>The Rwandan government tried to increase the savings ratio over the period. The government wanted to increase the domestic supply of finance for investment. It encouraged adults to open savings accounts at banks and students to join savings clubs. It did not, however, change tax rates over this period.</p>	45
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FIG. 1
International competitiveness ranking and GDP per capita of selected countries

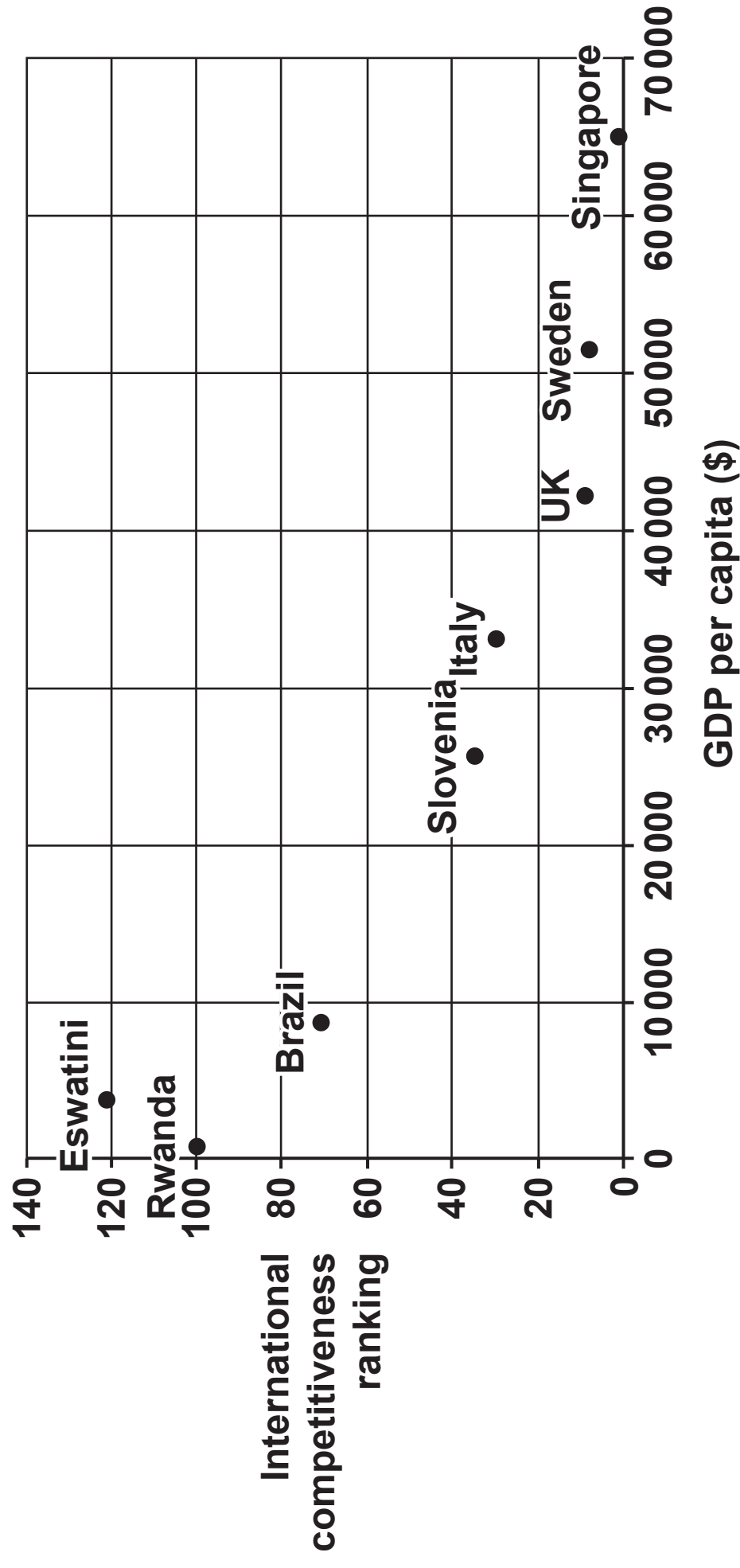
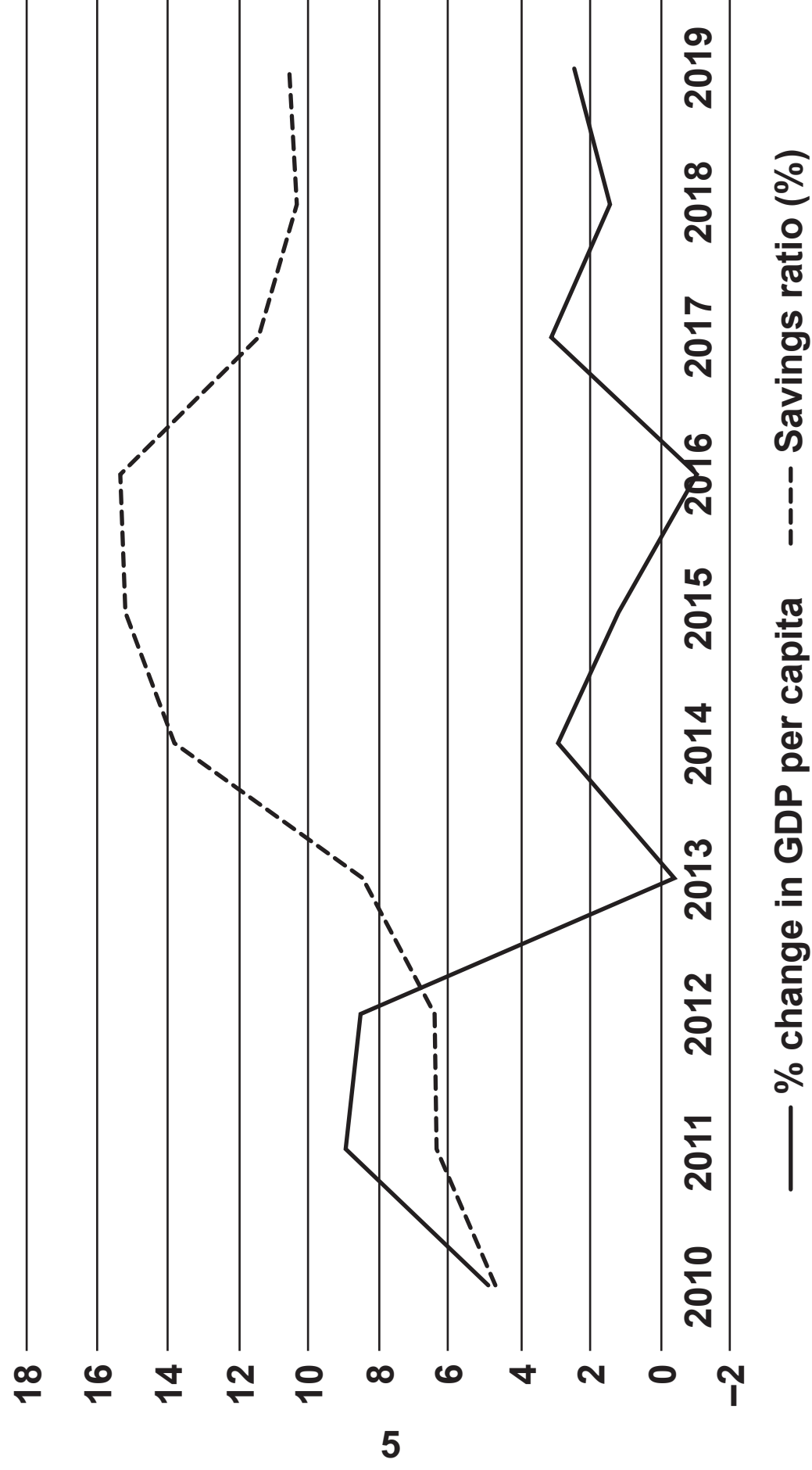


FIG. 2
Rwanda's savings ratio and change in GDP per capita 2010–2019



Higher investment would be likely to increase Rwanda's international competitiveness. The country's inflation rate also affects international competitiveness. Table 1 shows Rwanda's, China's and the UAE's inflation rates and the global average inflation rate over the period 2010 and 2019. 55

Wages rose in Rwanda between 2010 and 2019 at a higher rate for skilled than unskilled workers. Unemployment fell and foreign direct investment increased slightly, although it was still low. 60

TABLE 1

Inflation rates for Rwanda, China and the UAE and the global average inflation rate 2010 to 2019

Year	Rwanda's inflation rate (%)	China's inflation rate (%)	UAE's inflation rate (%)	Global average inflation rate (%)
2010	-0.3	3.2	0.9	3.3
2011	3.1	5.5	0.9	4.8
2012	10.3	2.6	0.7	3.7
2013	5.9	2.6	1.1	2.6
2014	2.3	1.9	2.3	2.3
2015	2.5	1.4	4.1	1.4
2016	7.2	2.0	1.6	1.5
2017	8.3	1.6	2.0	2.2
2018	-0.3	2.1	3.1	2.5
2019	3.4	2.9	-1.9	2.3



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