

Please check the examination details below before entering your candidate information

Candidate surname					Other names				
Centre Number					Candidate Number				

Pearson Edexcel Level 3 GCE

Monday 19 May 2025

Afternoon (Time: 2 hours)

Paper reference **9EB0/02**

Economics B

Advanced

PAPER 2: Competing in the global economy

You must have:
Source Booklet (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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Answer ALL questions.

SECTION A

Read Extracts A–D in the Source Booklet before answering Question 1.

Write your answers in the spaces provided.

- 1** It is estimated that the income elasticity of demand (YED) for frozen food is -2.37.
- (a) Using this data and data in Extract D, calculate to 2 decimal places, the likely change in demand for frozen food in December 2022. You are advised to show your working.

(4)

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(b) With reference to Extract B, explain the impact of labour shortages on aggregate supply.

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(c) With reference to Extract C, explain **one** reason why high food price inflation might affect the living standards of low or fixed-income groups.

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(6)

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(e) With reference to Extract B, discuss the impact of skill shortages on international competitiveness.

(8)

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(f) With reference to Extract A, assess the economic impact of the increasing number of strikes on the UK economy.

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(Total for Question 1 = 60 marks)

TOTAL FOR SECTION A = 60 MARKS



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BLANK PAGE**QUESTION 2 BEGINS ON THE NEXT PAGE**

SECTION B

Read Extracts E–H in the Source Booklet before answering Question 2.

Write your answer in the space provided.

- 2** The water industry in England and Wales has been transferred into the private sector.
Evaluate the extent to which this has resulted in unintended consequences.

(20)

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TOTAL FOR SECTION B = 20 MARKS



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BLANK PAGE**QUESTION 3 BEGINS ON THE NEXT PAGE**

SECTION C

Read Extracts I–L in the Source Booklet before answering Question 3.

Write your answer in the space provided.

- 3** Evaluate the impact on the UK economy of the decision to leave the EU.

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(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 100 MARKS



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Do not return this Booklet with the question paper.

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Sources for use with SECTION A

Read the following extracts (A–D) before answering Question 1.

Extract A**UK strikes in 2022–2023**

The National Health Service (NHS) suffered a junior doctor strike that was described as, “The most disruptive industrial action in NHS history,” by NHS England’s national medical director. Junior doctors demanded a 35% pay increase to make up for what they argued were 15 years of below-inflation pay rises.

5

The Health Secretary accused the British Medical Association, the doctor’s trade union and professional body, of taking a “militant stance” in negotiations. His comments increased tensions between employers and trade unions.

Hundreds of thousands of UK workers took strike action about pay over the winter of 2022–2023. The disputes were also over working conditions, including working hours, pensions and holiday entitlement. This involved train drivers, NHS nurses, civil servants and postal workers. In addition, the National Education Union (NEU) rejected a pay offer leading to school strikes in England in 2023.

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Striking workers do not get paid for the days when they strike. This not only reduces employee motivation and productivity but can significantly reduce consumer spending in the economy.

15

(Source: adapted from <https://www.independent.co.uk/news/uk/home-news/strike-dates-2023-april-tfl-neu-b2317675.html>)

Extract B**Labour shortages are slowing economic growth**

In February 2023, the Head of People Policy at the British Chambers of Commerce (BCC), an organisation representing UK business, said that, "Firms cannot fill job vacancies at all skill levels. This must be the number one focus for government if it is serious about economic growth. There are still a huge number of vacancies, currently 1.13 million. It means firms are struggling to meet both domestic and export orders, putting firms' plans for growth far out of reach. It is also increasing pressure on wages. This has been identified by the Bank of England as a factor in its decisions to raise interest rates in order to reduce inflation.

5

The government plans to get the UK's economically inactive into employment but we need to see more action to address the barriers to employment. The Spring Budget of 2023 represented an opportunity for the use of fiscal policies to ease the pressure on family members who have been forced out of the labour market by high childcare costs.

10

Firms should be adopting flexible working policies and supporting staff training needs to reduce skills shortages and increase productivity. Government should reform the Shortage Occupation List to help firms fill urgent job vacancies from outside the UK when they cannot recruit locally."

15

(Source: adapted from <https://www.britishchambers.org.uk/news/2023/02/labour-shortage-a-huge-dragon-economic-growth>)

Extract C**Changing food expenditure in January to March, 2023**

25% of UK shoppers say they are buying more frozen food, according to a survey of 2,000 British adults by the pollster *Opinium* on behalf of *Zipzero*, an app that purchases shoppers' receipt data. The poll found that 30% of people are buying more food from the discount section of supermarkets to try to save money and 21% are buying less meat and fish.

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Zipzero's Chief Executive said that, "Very high food inflation has shifted consumer habits. Britons have been forced to drastically change where they shop. What they are buying is changing too. Whether it be trying cheaper brands, turning to a more vegetarian diet or stocking up on frozen goods, British consumers are finding solutions to reduce their spending on food. However, there are only so many cost-cutting measures that Britons can take."

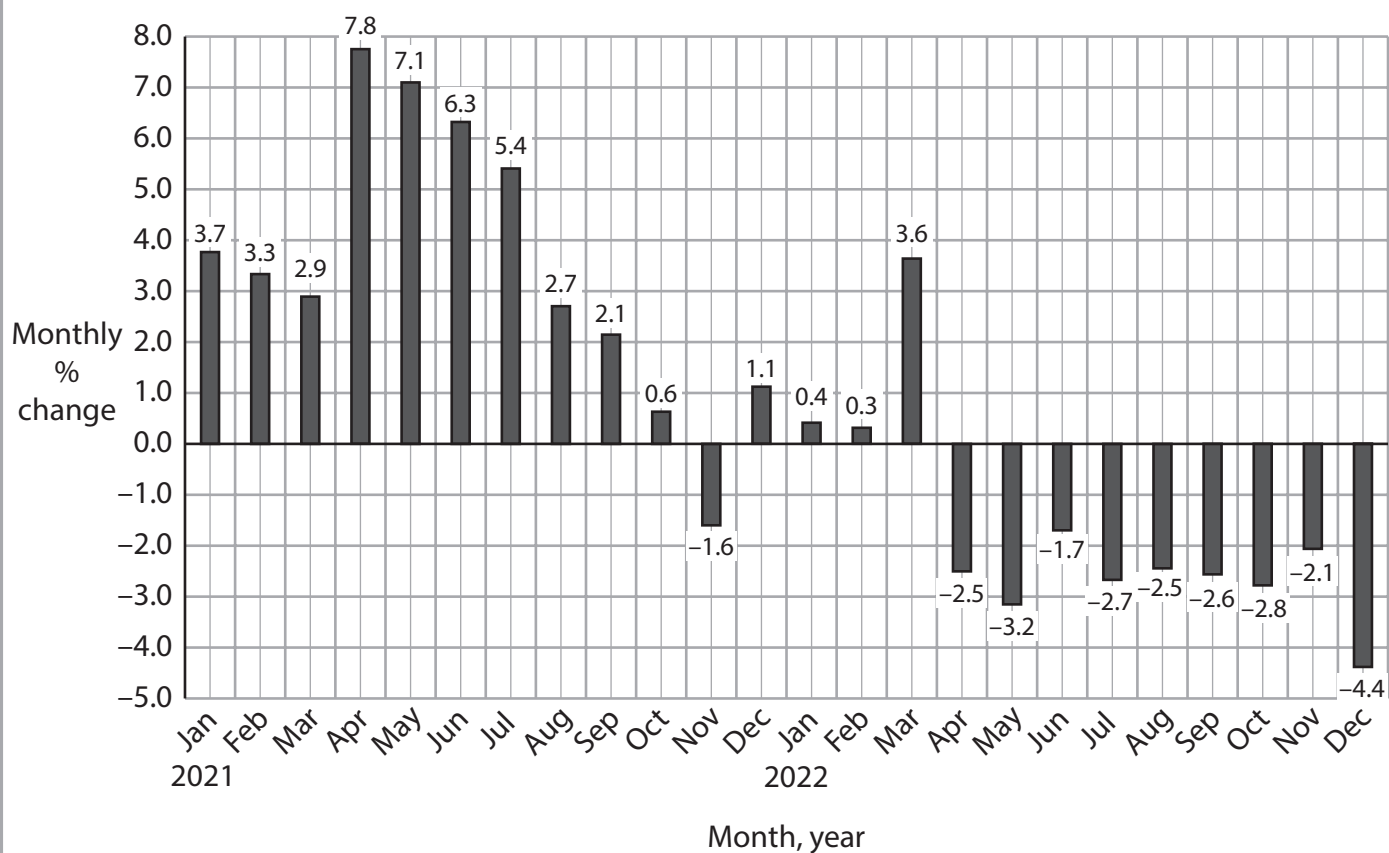
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The frozen food specialist, *Iceland*, performed strongly in the battle for market share, increasing it to 2.3% of UK grocery spending in the first quarter of 2023.

(Source: adapted from <https://www.theguardian.com/business/2023/apr/14/shoppers-in-great-britain-switch-to-frozen-food-amid-cost-of-living-crisis>)

Extract D

**Real average monthly pay growth in Great Britain, seasonally adjusted,
January 2021 to December 2022**



(Source: adapted from <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/averageweeklyearningsingreatbritain/february2023>)

Sources for use with SECTION B

Read the following extracts (E–H) before answering Question 2.

Extract E

Water privatisation

Since the transfer of the provision of water and wastewater services in England and Wales from the state to the private sector in 1989, the industry has been dominated by a number of large water companies. As a supply-side policy, the stated aim of the policy of privatisation was to increase efficiency and investment. The industry would then be driven by the profit motive once out of state ownership.

5

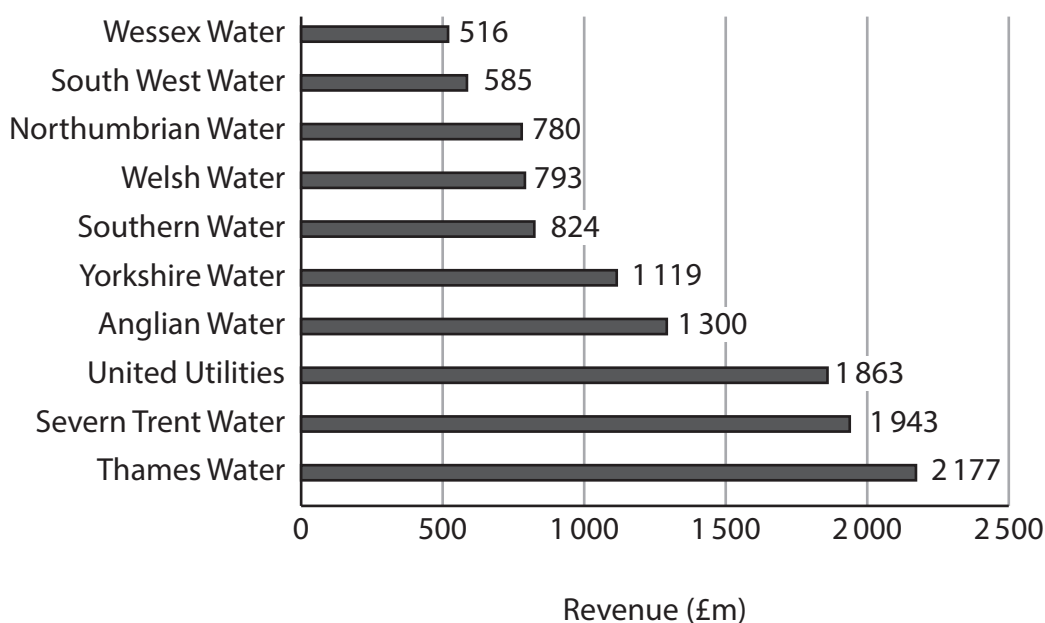
However, while many of these highly profitable water companies have paid record dividends to shareholders, they have failed to meet targets agreed with the industry regulator, Ofwat. For example, they have failed to meet targets to reduce water pipe leakage and storm sewage emissions into rivers and coastal waters. This is despite public outrage at levels of pollution.

10

(Source: adapted from <https://www.birmingham.ac.uk/news/2023/drowning-in-debt-the-over-privatisation-of-englands-water>)

Extract F

Revenue of selected water and wastewater companies in England and Wales, in the financial year 2022–2023 (£m)



(Source: adapted from <https://www.statista.com/statistics/1179995/leading-water-and-sewer-utilities-companies-in-the-united-kingdom/>)

Extract G**Regulation of the water industry in England and Wales**

Ofwat is the independent economic regulator of water companies in England and Wales. It is responsible for setting the price and the service package that customers receive, as well as the level of investment made by the companies. It grants licences to water and wastewater companies to allow them to operate and can issue penalties, such as fines, to companies that do not meet the conditions of their licences.

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The Environment Agency is responsible for regulating water quality and resources, as well as overseeing the environmental performance of water companies. It monitors storm overflow use and tests water quality.

The Drinking Water Inspectorate regulates the quality of drinking water in England and Wales. It checks that water companies in England and Wales supply water that is safe to drink and meets the standards set out in regulations.

10

(Source: adapted from <https://lordslibrary.parliament.uk/river-pollution-and-the-regulation-of-private-water-companies/>)

Extract H**Profit and pollution**

The regional, privatised monopolies which make up the water industry have been allowed by the regulator, Ofwat, to charge inflated prices. This has, at times, resulted in returns on investment twice the appropriate rate expected for a utility firm.

Externalities are notorious, notably the widespread release of raw sewage into rivers and onto beaches. Corrective action by regulators over these externalities has been hindered by asymmetric information. Polluters have been left to self-report pollution events but have widely under-reported them.

5

(Source: adapted from <https://blogs.lse.ac.uk/politicsandpolicy/regulating-the-failing-water-and-sewage-industry-lessons-from-the-accounting-profession/>)

Sources for use with SECTION C

Read the following extracts (I-L) before answering Question 3.

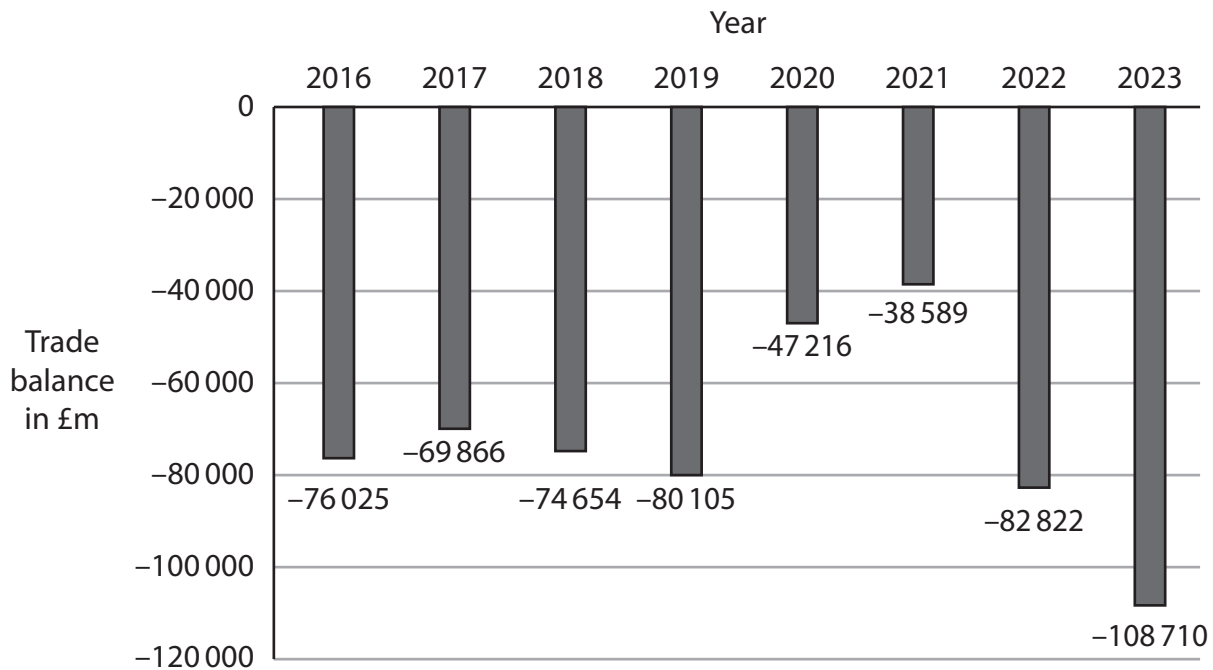
Extract I**The Trade and Co-operation Agreement (TCA)**

The UK signed a trade agreement with the EU on 30th December 2020. The TCA is a comprehensive free trade agreement that covers goods and a strictly limited number of services.

Although it is a 'zero-tariff, zero-quota' agreement, this does not mean that all UK goods automatically enter the EU tariff-free. To avoid paying tariffs, UK exporters must prove their goods are sufficiently 'locally made' to qualify for tariff-free access. The trade deal lays down complex rules that firms must follow - 'rules of origin' - specifying exactly how to calculate whether a good is sufficiently 'local' to enter tariff-free. This takes time and generates paperwork. Goods without sufficient 'local content' pay tariffs when they enter the EU. 5 10

Tariffs are only one small element of what restricts trade across borders. Different regulations, restrictions on travel and recognising professional qualifications ('non-tariff barriers' or NTBs to trade) can be a much greater barrier to cross-border exchange.

(Source: adapted from What Went Wrong with Brexit by Peter Foster, 2023)

Extract J**UK balance of trade with the European Union in goods and services from 2016 to 2023**

(Source: adapted from <https://www.statista.com/statistics/551585/united-kingdom-uk-trade-balance-with-eu/>)

Extract K**UK and EU trade**

When the UK officially left the single market on 1st January 2021, veterinary and sanitary certificates for meat, dairy and plant products were required for all UK exports crossing the Channel to mainland Europe. Physical inspections were also introduced at EU borders.

5

World Trade Organisation (WTO) rules state that UK trade borders with the EU need to match those of the rest of the world, so as not to give the bloc a trading advantage. Therefore, from April 2024 after many delays, animal and plant products coming from mainland Europe have to undergo physical checks at newly installed UK border posts.

The biggest unknowns are the cost of delays at the border and the cost of damage to delayed, perishable goods. Importers of meat, dairy and plant products from mainland Europe are finally having to manage the most significant change in how goods arrive in the UK since it left the single market three years ago.

10

(Source: adapted from <https://www.theguardian.com/business/2024/jan/27/its-impossible-to-plan-uk-importers-braced-for-storm-at-ports-amid-new-brexite-checks#>)

Extract L**Farmers ask for a guaranteed minimum income**

English farmers are calling for the government to guarantee them a minimum income, saying post-Brexit agriculture subsidy schemes have left many farmers much poorer.

The sustainable farming subsidy schemes, which were intended to replace the EU common agricultural policy (CAP), have been delayed. This means that many farmers in England have seen their incomes fall. The annual farming budget is £2.4bn. However, the delays have led the UK Government to under-spend by hundreds of millions of pounds.

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(Source: adapted from <https://www.theguardian.com/environment/2024/apr/04/british-farmers-want-basic-income-to-cope-with-post-brexit-struggles>)

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