

Write your name here	
Surname	Other names
Pearson Edexcel	Centre Number
Level 3 GCE	Candidate Number
<h1>Economics B</h1> <h2>Advanced</h2> <h3>Paper 2: Competing in the global economy</h3>	
Sample assessment materials for first teaching September 2015 Time: 2 hours	Paper Reference 9EB0/02
You do not need any other materials.	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.*

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

Write your answers in the spaces provided.

Extract A

The UK Motorcycle Industry

Overall industry profitability has fallen since 2008, due to the global financial crisis, which led to a drop in demand. High purchase costs owing to record-high commodity prices also reduced profitability.

In 2012, UK output was only 69 300 motorcycles despite a maximum possible output of 82 500. Industry operating profit margins fell from an estimated 12.5% in 2007–2008, to approximately 6.0% in 2012–2013. 5

(Source: <http://www.themanufacturer.com/articles/triumph-motorcycles-stalls-ahead-of-south-american-adventure/>)

Extract B

***Triumph Motorcycles* expands in South America despite profit fall**

Triumph Motorcycles, the UK's leading motorcycle manufacturer, has invested heavily in research and design and overseas expansion in 2012 but, as a result, operating profit before interest and tax fell to £15.7m in 2012 from £22.3m in 2011. Group turnover for the year remains stable at £342.3m.

The company attributed the profit decrease to its increased level of investment on research and design operations, and product development which rose from £24m in 2011 to £26m in 2012. 5

The company also made a further investment in its growing South American operation. Costs associated with setting up manufacturing and sales operations in Brazil made up much of the remaining £7m drop in profits. *Triumph Motorcycles* says that so far South America has been an untapped market for the company and it is expecting strong performance in the region over the coming years. 10

The company released a statement saying that "The recent recession has caused many problems and Europe continues to be an area of concern," as it looks to move into different markets. The company has expressed delight in the positive steps it has made into the US market where it saw sales increase by 23% from 2011. 15

Despite the spokesperson's assertion that sales will be a "slow build up", its first dealership in South America opened in Sao Paulo last week, selling 75 motorcycles in its first two days. The company has launched into 13 new geographical markets including Argentina, Brazil, Columbia, the Czech Republic, Hungary, Russia and Slovakia. 20

(Source: <http://www.themanufacturer.com/articles/triumph-motorcycles-stalls-ahead-of-south-american-adventure/>)

Extract C**Selected economic indicators – Brazil**

GINI co-efficient = .55

Income share held by the top quintile = 58.6%

Income share held by the bottom quintile = 2.9%

Indicator	2012	2013	2015 (forecast)
Unemployment %	4.8	4.6	4.1
Index of unit labour costs	138	159	130
GDP in billions of Reals* (at constant prices)	129	126	155
GDP per capita in Reals* (at constant prices)	13 438	13 563	14 126
Interest rates %	10.75	11.00	16.75

*Real is the Brazilian unit of currency

(Source: adapted from <http://www.tradingeconomics.com/forecasts>)

Extract D***Triumph Motorcycles plans world domination with new engine***

While *Triumph Motorcycles* is making big efforts in several new markets, including the very promising Brazilian one, the company's future is in India, where it's aiming for a slice of the massive new motorcycle market, where 13 million motorcycles are bought each year.

To do this, it's working on a new range of motorcycles with smaller, less-powerful engines. While many manufacturers, including *Ducati*, *BMW* and *Harley-Davidson*, have begun selling their motorcycles with bigger, more-powerful engines in India, *Triumph* is the first manufacturer to create new, lower cost models for this market. 5

The numbers are on a whole different scale to what we're used to. *Triumph* is building two factories in India, initially to put together motorcycles from kits made in *Triumph's* Thai factories, but with full manufacture in mind at a later stage. And *Triumph* is looking at selling 250 000 machines annually in three years' time, increasing to 500 000 soon after! 10

Triumph has two particular advantages in India. One is its big Thai manufacturing facility: Thailand has a trading agreement with India which means *Triumphs* made there avoid higher import tariffs. The second is the name: *Triumph* is still a well-known and respected brand in India, so the marketing is made far easier and more effective because of it. 15

(Source: adapted from <http://www.bennetts.co.uk/bikesocial/news-and-views/news/2012/2013/january/triumph-plans-world-domination-with-new-250cc-range/#.UshJHbQ3CUU>)

- 1 (a) Using the information given in Extract A, calculate the capacity utilisation of the UK motorcycle industry in 2012–2013. You are advised to show your working.

(4)

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- (b) Using Extract A, explain **one** impact capacity utilisation has had on profitability in the UK motorcycle industry in 2012–2013.

(4)

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(g) Using Extracts B and C, assess *Triumph's* decision to set up manufacturing and sales operations in Brazil.

(12)

A series of horizontal dotted lines for writing the answer.

(h) Assess the impact of the global recession on *Triumph*.

(12)

(Total for Question 1 = 60 marks)

TOTAL FOR SECTION A = 60 MARKS

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QUESTION 2 BEGINS ON THE NEXT PAGE.

SECTION B

Read the following extract (E) before answering Question 2.

Write your answer in the spaces provided.

Extract E

China's loss is Mexico's gain

Business managers look at all of the factors that go into the cost of production – wages, transportation, currency values, transit time – then decide on a location. After China joined the World Trade Organization (WTO) in 2001, hundreds of North American businesses relocated their factories there. The attractions of China were many: factory buildings, roads, internet connections, police protection and, above all, cheap labour. 5

In the next decade, US investment in China more than quadrupled to almost \$30bn; an estimated 30 000 US companies now either operate factories in China or set up contracts with others to produce parts.

More recently, problems have begun to appear. The long supply line between North America and the Far East involved rapidly increasing shipping costs as the price of fossil fuels rose. Production problems had to be handled long-distance and wages in China have crept relentlessly upward. Wages are now five times higher than a decade ago. 10

As a result North American firms that once operated in China are looking for production possibilities closer to home. Tennessee-based *Meco Corp.* which manufactures outdoor furniture and barbecues, operated in China for more than 10 years. It has recently 15

invested \$10m in factories in northern Mexico. Florida's *Jabil Circuit* also recently moved operations from China to Guadalajara, Mexico, where it is manufacturing BlackBerrys and other electronics. Canadian companies have taken full advantage of North American Free Trade Agreement (NAFTA) benefits, with some 2 500 Canadian businesses investing more than \$11bn in Mexico since 2000. 20

(Source: adapted from <https://globalconnections.hsbc.com/canada/en/articles/chinas-loss-mexicos-gain>)

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QUESTION 3 BEGINS ON THE NEXT PAGE.

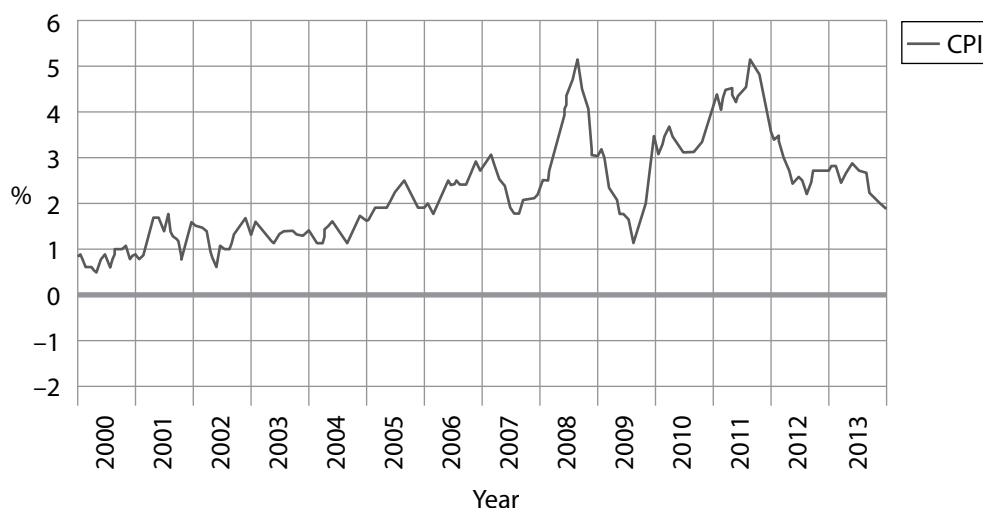
SECTION C

Read the following extracts (F and G) before answering Question 3.

Write your answer in the spaces provided.

Extract F

Inflation 2000–2013
Percentage change over 12 months



Extract G

Inflation falls below bank's target

The Consumer Prices Index (CPI) fell for the seventh month in a row in January 2014, to 1.9% according to the Office for National Statistics (ONS). Inflation has now fallen below the Bank of England's 2% target for the first time in more than four years.

Experts believe the decline signals the start of a run of below-target inflation in what will come as welcome respite for households struggling with their finances. 5

It is hoped that inflation will continue to fall during 2014, leaving it on course to be overtaken by wage growth, which has been lagging behind rises in the cost of living.

Christian Spence, Head of Business Intelligence at Greater Manchester Chamber of Commerce, said: "Both businesses and consumers will be pleased to see inflation continuing to ease. The low level of inflation will also give confidence that the Bank of England's position on keeping the Bank Rate at 0.5% for some time is achievable, maintaining stimulus until the economic recovery is firmly embedded." 10

(Source: <http://www.manchestereveningnews.co.uk/business/business-news/inflation-falls-below-banks-target-6721102>)

(Total for Question 3 = 20 marks)

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

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