Please check the examination details below before entering your candidate information

Candidate surname   Other names

**Pearson Edexcel
Level 3 GCE**

Centre Number   Candidate Number

Time 2 hours

| Paper reference | **9EB0/03** |

Economics B

**Advanced
PAPER 3: The economic environment and business**

You must have:
Insert (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.
- Good luck with your examination.

Turn over ▶

Pearson

Answer ALL questions.

SECTION A

Read the following extracts (A and B) before answering Question 1.

Write your answers in the spaces provided.

Extract A

UK's productivity crisis

The UK has experienced a decline in productivity growth since the financial crisis of 2008. The slowdown has been more acute than in any other western country.

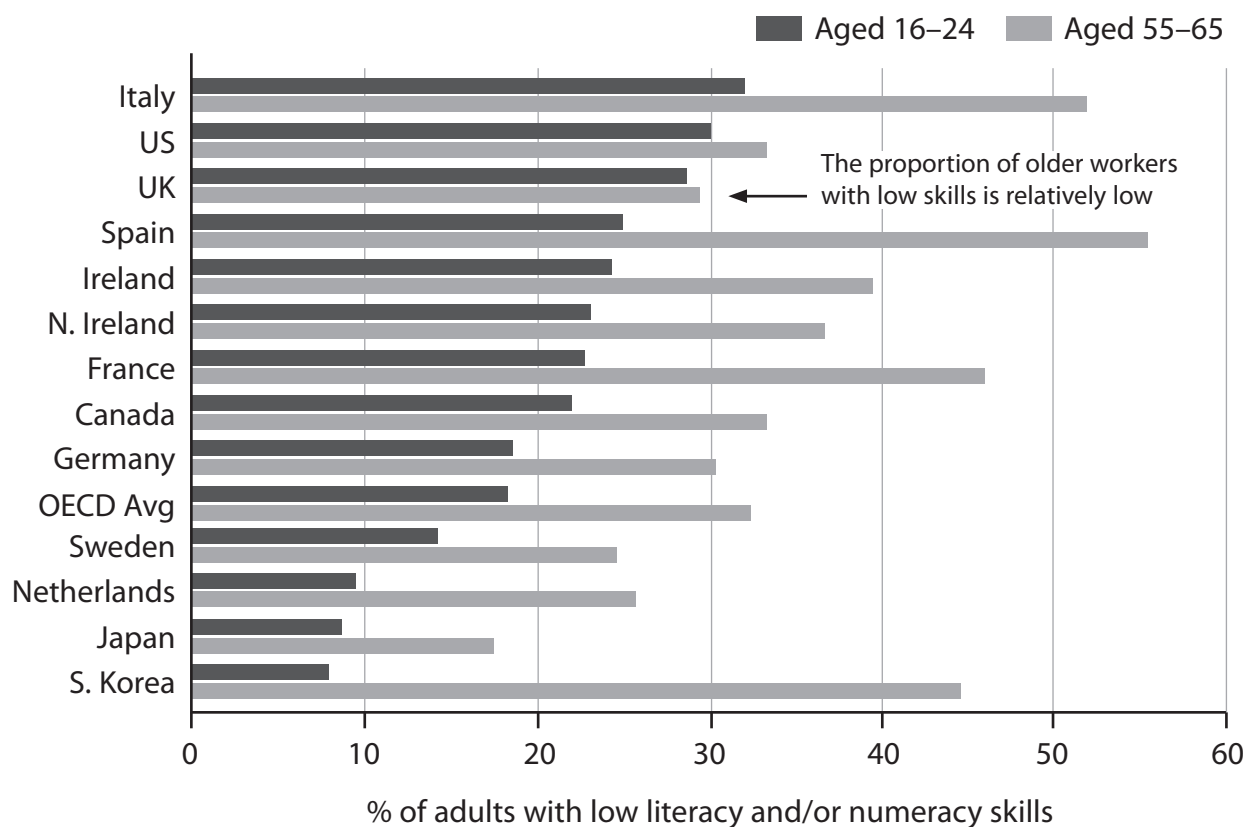GDP per hour worked, 2016 (% above/below UK level)
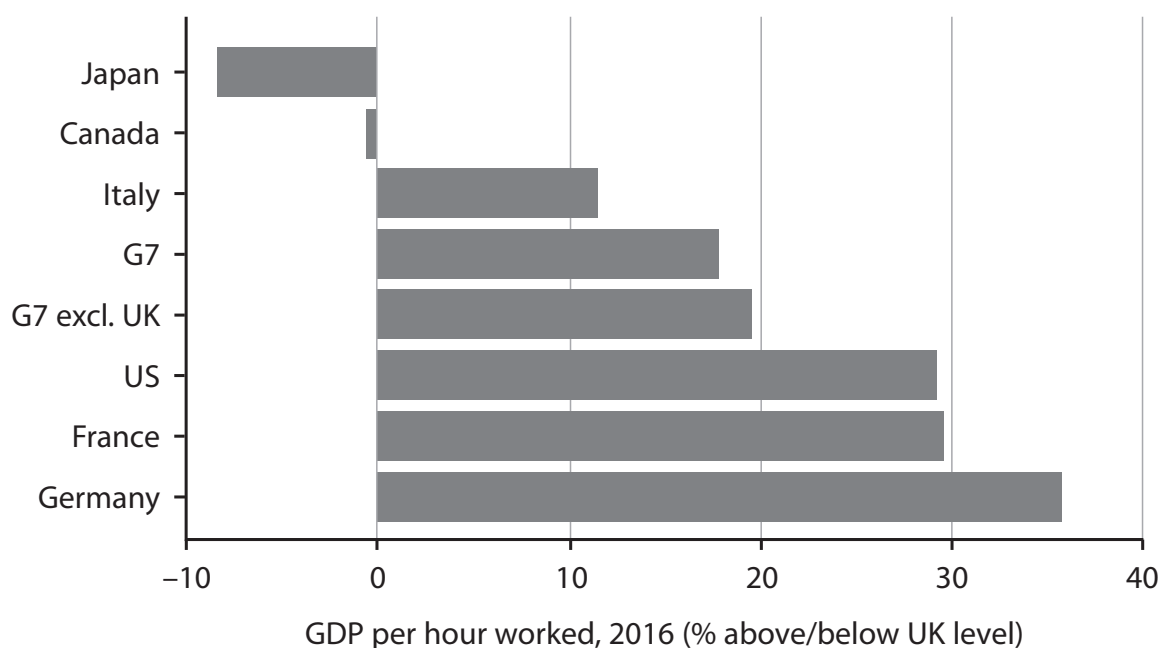
Labour productivity is normally measured as the value of goods and services produced for each hour worked. The average UK worker produced 16% less on average than counterparts in other members of the Group of Seven (G7) leading economies in 2016, according to data from the Office for National Statistics. The average French worker produces more by the end of Thursday than their UK counterpart can in a full week.

In 1960 the UK had the best productivity in Europe, better than France, West Germany and Italy. UK productivity grew continuously during the next 50 years, but often at a slower pace than comparable countries. Between 1980 and 2008, the UK did become a more efficient economy, notably after reforms introduced by Prime Minister Margaret Thatcher and other changes resulting from UK membership of the EU.

In 2016 the Organisation for Economic Co-operation and Development (OECD) found that UK had one of the largest proportions of low-skilled young workers among advanced economies. It also found that young UK workers were no more skilled than older employees, suggesting a high likelihood that weak productivity will be difficult to remedy in the coming years.

5

10

15

UK has a high proportion of low-skilled young workers

The proportion of older workers with low skills is relatively low

% of adults with low literacy and/or numeracy skills

source adapted from: https://www.ft.com/content/6ada0002-9a57-11e8-9702-5946bae86e6d

Extract B

UK economic forecast 2019

- Economic growth to remain weak and is expected to grow by just 1% in both 2019 and 2020

- Growth in consumption is expected to slow in line with slower growth in employment

- The economy should benefit from a modest recovery in global growth in 2020

- The 2% target for inflation is expected to be achieved by the end of 2020

- The current account deficit has been worsening, nearing 4½% of GDP, reflecting worsening trade, particularly in the car sector

- The current account deficit should improve but remain large

- With high economic uncertainty and fragile consumer confidence, housing activity and prices are likely to remain subdued in the short term

- The unemployment rate is anticipated to remain broadly stable

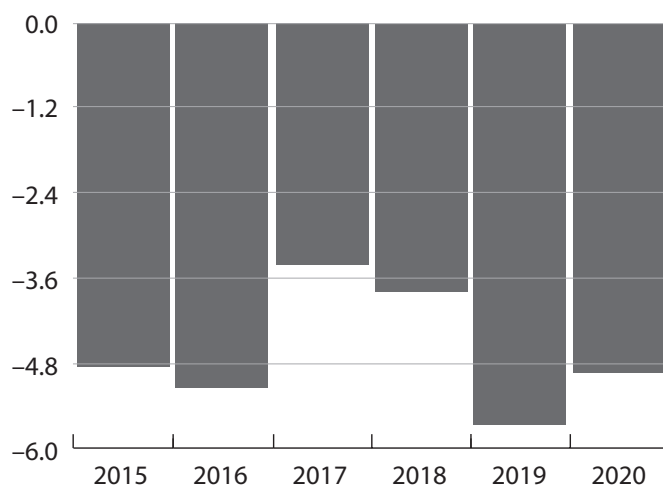- The public debt-to-GDP ratio is projected to decline marginally from its peak

P66201A0324

United Kingdom 1

Economic growth will remain weak

annual % change
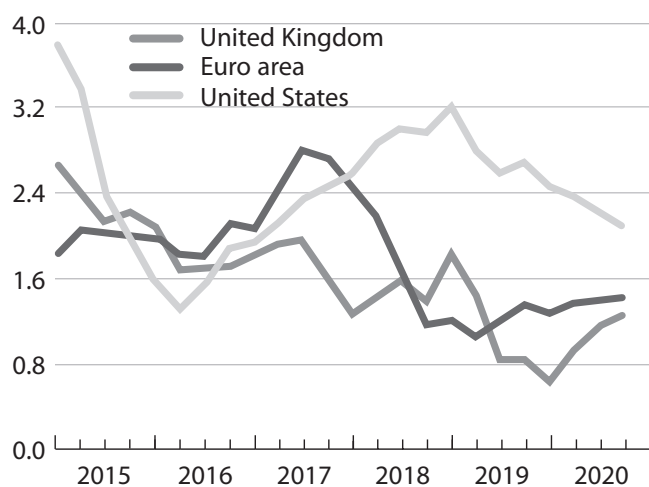
The current account deficit is large

% of GDP

United Kingdom 2

Inflation is set to converge to the target

% inflation rate

The labour market is tight

% of labour force / % of population

source adapted from: http://www.oecd.org/economy/united-kingdom-economic-snapshot/
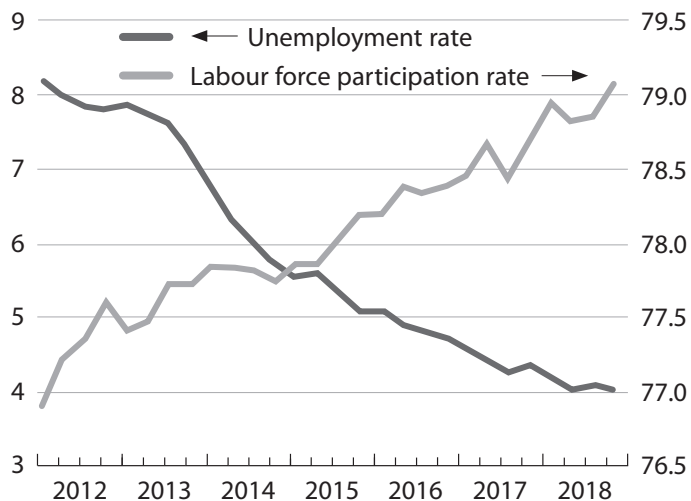
1 (a) Discuss the link between productivity and competitiveness in the UK economy.

(8)

(b) Using a suitable diagram, assess the importance of an increase in productivity to UK economic growth.

(10)

P 6 6 2 0 1 A 0 7 2 4

(c) Assess the importance of technology in increasing the productivity of the UK economy.

(12)

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(d) Evaluate the use of demand-side policies to increase growth in the UK economy.

(20)

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(Total for Question 1 = 50 marks)

TOTAL FOR SECTION A = 50 MARKS

SECTION B

Read the following extracts (C – G) before answering Question 2.

Write your answers in the spaces provided.

Extract C

UK fuel market by brand 2019

Brand	% Market share	Number of fuel outlets	Average petrol price pence/litre Sept 19
Tesco	16.0	510	124.2
BP	14.5	1,211	130.1
Shell	13.7	1,053	130.7
Esso	12.3	1,197	128.8
Sainsbury's	10.2	314	124.4
Morrisons	9.7	335	124.2
Asda	7.7	323	122.9
Texaco	5.1	727	128.3
Certas Energy	2.5	733	129.2
Jet	2.1	321	126.8
Applegreen	1.0	105	130.8
Co-op	1.0	93	129.2
Others	4.2	1,478	n/a
Total	**100**	**8,400**	

source adapted from: https://forecourttrader.co.uk/files/Fuel_Market_Review/Fuel_Market_Review_2019.pdf

Extract D

The Competition and Markets Authority (CMA) blocks *Sabre*'s proposed takeover of *Farelogix*

Sabre and *Farelogix* compete to supply software solutions that help airlines to sell flights via travel agents including those that operate online. This enables airlines to create add-ons to tickets sold through travel agents such as seats with extra leg room, WiFi and meals. Additionally, the two companies offer services to help airlines connect with passengers via travel agents.

5

The CMA found that *Sabre*'s purchase of *Farelogix* could result in less competition and innovation in both their services, leading to fewer new features that may be released more slowly. Fees for certain products might also increase. As a result, airlines, travel agents and UK passengers would be worse off.

10

source adapted from: https://www.businessleader.co.uk/cma-blocks-sabres-proposed-takeover-of-farelogix/83122/

Extract E

Thousands of UK shops left empty as high street crisis deepens
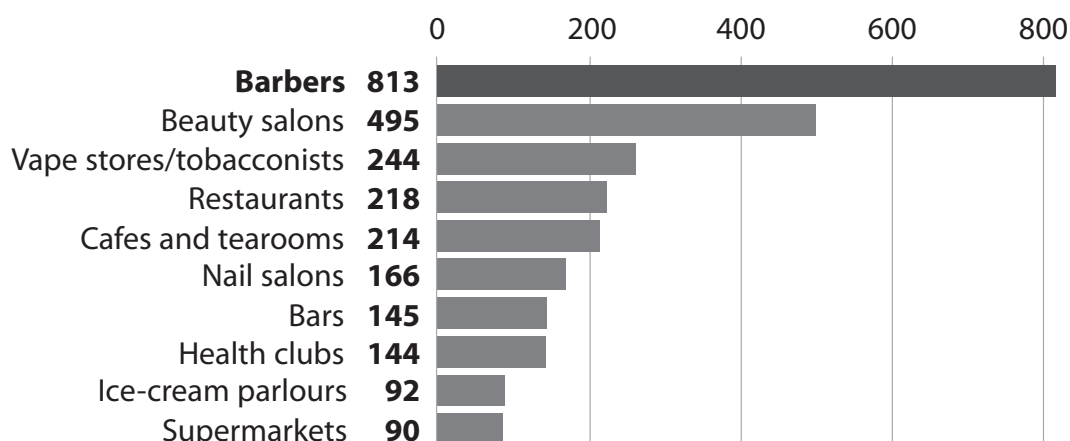
The number of shops lying empty in UK high streets increased by more than 7,500 in 2018. A rapid rise in the number of barbers, beauty salons, vaping stores, cafes and restaurants or bars was more than offset by the closure of hundreds of banks, pubs, estate agents and fashion shops. 5

Multiple chains were hardest hit, as *Poundworld*, *Maplin*, *Toys R Us* and *Multiyork* went into administration. *New Look*, *Carpetright* and *Mothercare*, meanwhile, were forced to seek legal agreements with their landlords to shut stores and slash their rent bills.
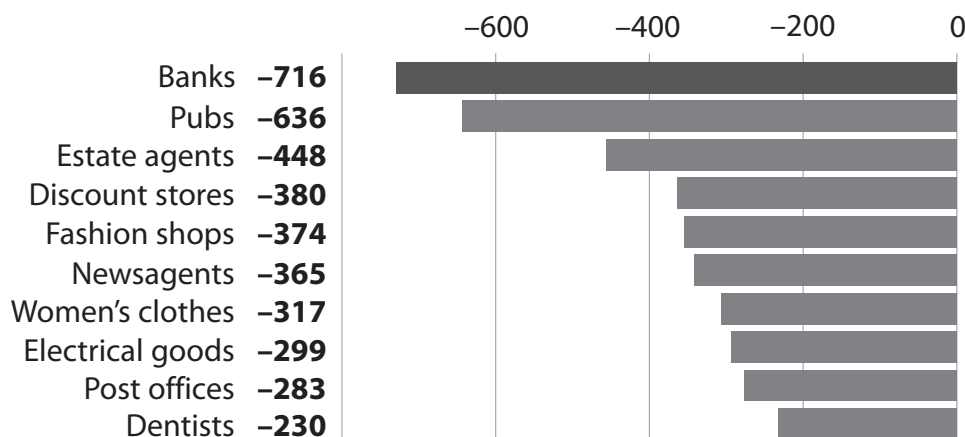
High-profile restaurant groups including *Gourmet Burger Kitchen* and rival burger chain *Byron* as well as *Jamie's Italian*, *Carluccio's* and the *Prezzo Group* have also been forced 10 to close large numbers of restaurants as a result of rising costs, slowing spending and a rapid change in consumer habits.

The retail market has been hit by a combination of rising costs, Brexit uncertainty and increased rents and business rates. It has also been hit by the continued increase in online shopping, which now accounts for 20% of all retail sales. 15

Barber shops were the fastest growing retail category in 2018, with 813 units opening

		0	200	400	600	800
Barbers	**813**					
Beauty salons	**495**					
Vape stores/tobacconists	**244**					
Restaurants	**218**					
Cafes and tearooms	**214**					
Nail salons	**166**					
Bars	**145**					
Health clubs	**144**					
Ice-cream parlours	**92**					
Supermarkets	**90**					

High street banks became the fastest declining type of retail outlet in 2019, with 716 closing

		−600	−400	−200	0
Banks	**−716**				
Pubs	**−636**				
Estate agents	**−448**				
Discount stores	**−380**				
Fashion shops	**−374**				
Newsagents	**−365**				
Women's clothes	**−317**				
Electrical goods	**−299**				
Post offices	**−283**				
Dentists	**−230**				

source adapted from: https://www.theguardian.com/business/2019/may/02/thousands-of-uk-shops-left-empty-as-high-street-crisis-deepens

Extract F

UK to introduce world first online safety laws

The Government today unveiled tough new measures to ensure the UK is the safest place in the world to be online.

- An independent regulator will be appointed to enforce stringent new standards

- Social media firms must abide by mandatory "duty of care" to protect users and could face heavy fines if they fail to deliver

- These measures are the first of their kind in the world in the fight to make the internet a safer place

In the first online safety laws of their kind, social media companies and tech firms will be legally required to protect their users or face tough penalties if they do not comply.

source adapted from: https://www.gov.uk/government/news/uk-to-introduce-world-first-online-safety-laws

Extract G

Selected figures from a 'Short Guide to Regulation' by the National Audit Office (NAO)

- **90** – the number of regulators operating in the UK

- **49%** – the percentage of businesses claiming that the level of regulation in the UK is an obstacle to business success

- **£4bn** – annual expenditure of regulators operating in the UK

- **£100bn** – estimated annual cost to business each year of complying with regulation

- **£154bn** – annual household expenditure on the regulated water, energy, telecoms, television and financial services sector

- **10:1** – £10 is the estimated direct financial benefit to consumers for every £1 spent on the work of the Competition and Markets Authority (CMA)

source adapted from: https://www.nao.org.uk/wp-content/uploads/2017/09/A-Short-Guide-to-Regulation.pdf

2 (a) Using a suitable calculation, discuss the extent to which the UK fuel market can be described as an oligopoly.

(8)

P 6 6 2 0 1 A 0 1 6 2 4

(b) Assess the role of the Competition and Markets Authority (CMA) in promoting competition in the UK economy.

(10)

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(c) Assess the extent to which the model of perfect competition helps to explain how the UK fuel and retail markets work.

(12)

P 6 6 2 0 1 A 0 1 9 2 4

(d) Evaluate arguments for the greater regulation of markets in the UK economy.

(20)

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(Total for Question 2 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS
TOTAL FOR PAPER = 100 MARKS

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P 6 6 2 0 1 A 0 2 4 2 4

Pearson Edexcel Level 3 GCE

Time 2 hours

Paper reference **9EB0/03**

Economics B

Advanced
PAPER 3: The economic environment and business

Insert
Do not return this insert with your question paper.

Turn over ▶

P66201A

Investigating the Economic Environment and Business

Context

This year the context is the **UK economy**.

Research

To prepare for this year's context, you should research:

- the use of indicators to measure the performance of the UK economy

- the past, present and predicted performance of the UK economy

- the use of legislation, regulation and economic policy to affect the UK economy

- the impact of the UK economy on firms, individuals and other economic agents

- changing patterns and trends within the UK economy on both a macro and micro level

You **cannot** take any of your research or investigation data carried out as part of pre-release into the examination.