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Exam Questions

9. Measuring Macroeconomic Performance

Government Macroeconomic Objectives / Macroeconomic Objectives: Conflicts & Changes / Macroeconomic Indicators / Using Index Numbers / Using National Income Data

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Total Marks 　　　　　　 **/48**

1 Extract A

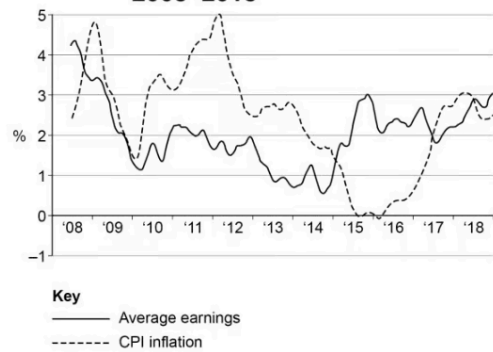### Figure 1: Unemployment and underemployment rates in the UK, 2007–2018

Years	Unemployment rate (%)	Underemployment rate (%)
2007–08	5.5	7.3
2009–10	7.8	9.6
2011–12	8.0	10.2
2013–14	6.9	10.1
2015–16	5.1	8.8
2017–18	4.2	7.8

Note: Underemployment is where people are working fewer hours than they wish, or in jobs that do not reflect their skills or training

Source: ONS, 2018

Figure 2: Growth in average earnings and CPI inflation rate in the UK, 2008–2018

Key
—— Average earnings
----- CPI inflation

Source: ONS, 2018

Using the data in **Extract A** (Figure 1), calculate the mean unemployment rate for the UK from 2007–08 to 2017–18. Give your answer to **one** decimal place.

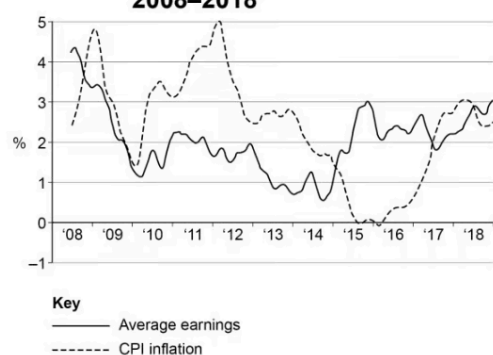..

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(2 marks)

2 Extract A

Figure 1: Unemployment and underemployment rates in the UK, 2007–2018

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2007–08	5.5	7.3
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Note: Underemployment is where people are working fewer hours than they wish, or in jobs that do not reflect their skills or training

Source: ONS, 2018

Figure 2: Growth in average earnings and CPI inflation rate in the UK, 2008–2018

Key
—— Average earnings
----- CPI inflation

Source: ONS, 2018

Explain how the data in **Extract A** (Figure 2) show that the UK has had poor real wage growth since 2008.

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(4 marks)

3 Table 4 shows the weights used in the Consumer Prices Index (CPI) for a selection of items in 2008 and 2018.

Category	2008 weight	2018 weight
Food and non-alcoholic beverages	109	101
Alcoholic beverages and tobacco	42	42
Clothing and footwear	63	70
Transport	152	156
All goods	547	519
All services	453	481

The data in Table 4 indicate that between 2008 and 2018 the

A. average price of goods fell, whereas the average price of services increased.

B. percentage increase in the price of 'Clothing and footwear' was greater than the percentage increase in the price of 'Transport'.

C. proportion of total expenditure, by a typical household, on 'Alcoholic beverages and tobacco' did not change.

D. total expenditure of a typical household on 'Food and non-alcoholic beverages' fell.

(1 mark)

| **4**

4 Extract B

Figure 1: National income and employment

	2007	**2009**	**2011**	**2013**	**2015**	**2017**
Index of real GDP (2016 = 100)	91.3	87.1	90.1	93.2	98.2	101.8
Real GDP per capita (£)	29 324	27 558	28 030	28 646	29 717	30 367
Real household disposable income per capita	19 685	20 164	19 143	19 544	20 450	20 138
Unemployment rate (%)	5.3	7.6	8.1	7.6	5.4	4.4
Average hours worked per week (full-time workers)	37.2	36.8	37.0	37.5	37.4	37.4

Source: ONS, 2019

Figure 2: Income inequality

	2006–07	**2008–09**	**2010–11**	**2012–13**	**2014–15**	**2016–17**
Gini coefficient	0.347	0.342	0.337	0.333	0.326	0.322
Percentage of households in poverty *	22.85	23.54	22.18	23.72	23.18	22.75

* Poverty = households with an income below 60% of the national median income.

Source: ONS, 2019

Figure 3: Homelessness

	2007	**2009**	**2011**	**2013**	**2015**	**2017**
Homeless households **	99 510	64 890	76 270	82 640	85 450	86 050
Number of people sleeping on the street in England	N/A	N/A	2181	2414	3569	4751

N/A = data not available

** Homeless households are those who are sleeping on the street, do not have rights to stay where they are, or who are living in unsuitable accommodation.

Source: ONS, 2019

To what extent, if at all, do the data suggest that living standards in the UK improved

between 2007 and 2017? You must use the data in Extract B to support your assessment.

(10 marks)

5 **Extract C: Growth of the world economy is set to slow in 2019**

The International Monetary Fund has forecast that world growth will fall from 3.7% in 2018 to 3.5% in 2019, affecting the markets for UK exports. Increasing protectionism risks reducing investment and global trade flows. If all tariffs currently under consideration were implemented by all countries, they would affect about 5% of global trade. Growth in the US has remained strong but economic activity in the eurozone and China has been weaker than expected. With continuing uncertainty regarding the UK's future relationship with the EU, a slowdown in the world economy is not good news for living standards in the UK. Exports are important for UK firms, for employment and people's incomes. However, since 2015, the pound has depreciated against most major currencies and this is expected to boost net trade and make a positive contribution to UK economic growth.

Explain how a sustained slowdown in the world economy is likely to affect living standards in the UK.

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(15 marks)

6 Extract A

Figure 1: Selected data for Costa Rica, UK and USA, 2015/2016 unless stated

	Costa Rica	UK	USA
GDP (PPP $bn)	69.6	2 518.1	16 890.2
Population (millions)	4.9	64.7	321.8
Mean years of schooling	8.7	13.3	13.2
Infant mortality rate (under 5s per 1000 births)	9.7	4.2	6.5
Average annual increase (%) of the HDI (1990–2015)	0.7	0.6	0.3
Gini coefficient (average 2010–2015)	0.49	0.33	0.41
CO_2 emissions (tonnes per capita)	1.6	6.2	16.1

Footnote: PPP = Purchasing Power Parity
HDI = Human Development Index

Source: United Nations and World Bank

Using the data in Extract A, calculate the GDP per capita for Costa Rica in 2015/2016 to the nearest dollar.

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(2 marks)

7 Extract A

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Source: United Nations and World Bank

Explain how the data in **Extract A** indicate living standards may be higher in the UK than in the USA.

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(4 marks)

8 An economy had a 3% increase in its real GDP over a one year period. In the same period its population grew by 5% and its rate of inflation was 2.5%. From these data it can be inferred that

   A. its Human Development Index decreased by 2%.

   B. nominal GDP per capita increased.

   C. real wages fell due to inflation.

   D. the number of unemployed people increased.

(1 mark)

9 An economy's GDP increased from £400 billion in 2016 to £428 billion in 2018. Using 2016 as the base year, what is the value of the index for GDP in 2018?

   A. 103.5

   B. 106.5

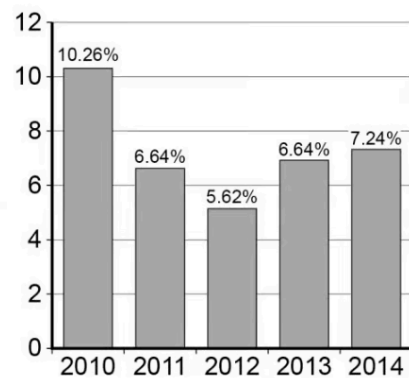   **C.** 107.0

   D. 128.0

(1 mark)

10 Extract A

Figure 1: India's Human Development Index (HDI) trends, 1980 to 2014

Year	Life expectancy at birth	Expected years of schooling	GNI per capita (2011 PPP $)	HDI value
1980	53.9	6.4	1 255	0.362
1990	57.9	7.7	1 754	0.428
2000	62.6	8.5	2 522	0.496
2010	66.5	11.1	4 499	0.586
2014	68.0	11.7	5 497	0.609

GNI = gross national income
PPP = purchasing power parity

Figure 2: India's real GDP growth rate, 2010 to 2014

Source: Official statistics, 2015

Using the data in **Extract A (Figure 2)**, calculate, to two decimal places, the mean growth rate for India from 2010 to 2014.
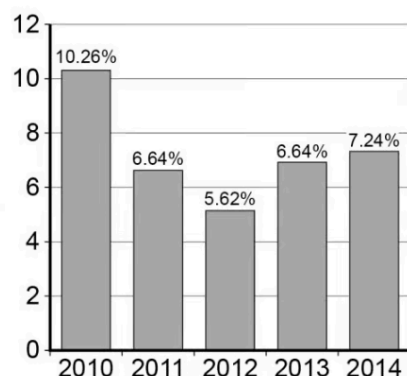
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(2 marks)

11 Extract A

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GNI = gross national income
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Figure 2: India's real GDP growth rate, 2010 to 2014

Source: Official statistics, 2015

Explain why the data in **Extract A (Figure 1)** show that living standards in India have improved.

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(4 marks)

12 The following table shows the real GDP of an economy from 2012 to 2016.

Year	2012	2013	2014	2015	2016
Real GDP (£bn)	213	215	245	256	271

If the figures were converted to index form with 2013 as the base year, what would be the value of the index (to the nearest whole number) in 2016?

A. 124

B. 125

C. 126

D. 127

(1 mark)

13 The information below shows the changes in key economic indicators for a country over a period of one year.

Money GDP	Rate of inflation	Population increase	Gini coefficient
+6%	+4%	+1%	−8%

Which one of the following can be concluded from the data?

A. External costs generated from economic activity have reduced the quality of life

B. Real GDP per capita has fallen

C. The distribution of income has become more unequal

D. The standard of living of typical residents in the country has probably improved

(1 mark)