

## SECTION A

Write your answers in the spaces provided.

- 1 British pound to US dollar exchange rate (value of one pound in dollars), June 2017 to June 2019.



(Source adapted from: <https://www.xe.com/currencycharts/?from=GBP&to=USD&view=2Y>)

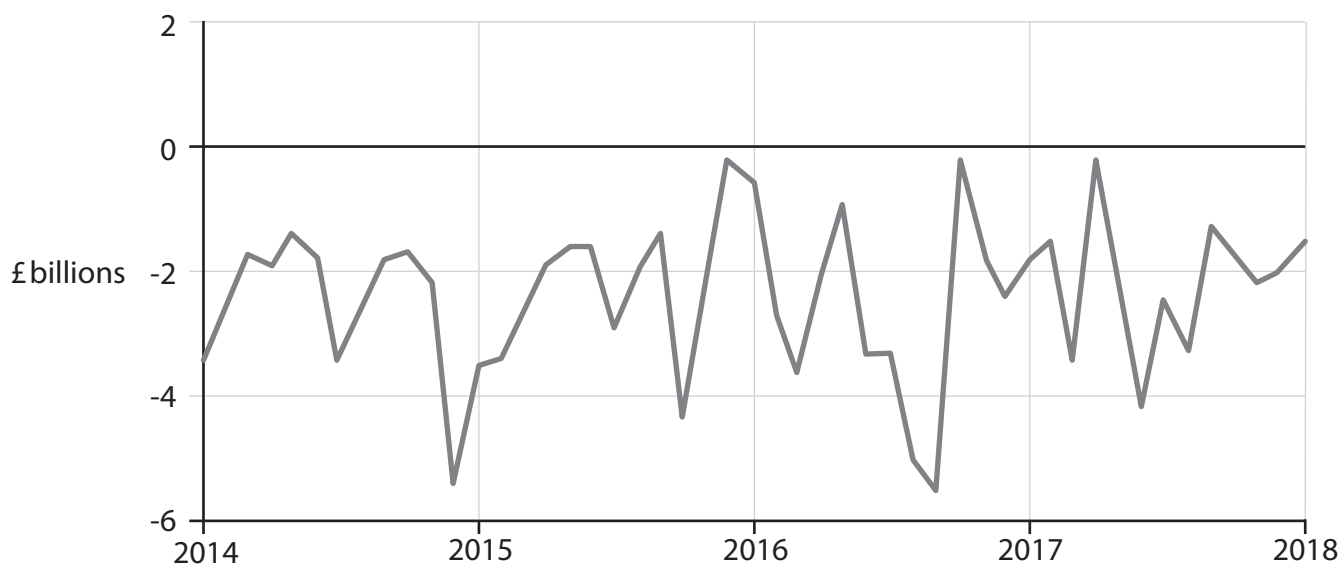
- (a) Which **one** of the following has been the overall change in the British pound to US dollar exchange rate from 1st January 2018 to 1st January 2019?

(1)

- A Appreciation
- B Depreciation
- C Devaluation
- D Revaluation



2 The UK's net monthly balance of trade in goods and services, by value, January 2014 to January 2018, is shown in the chart below.



(Source: adapted from <https://tradingeconomics.com/united-kingdom/balance-of-trade>)

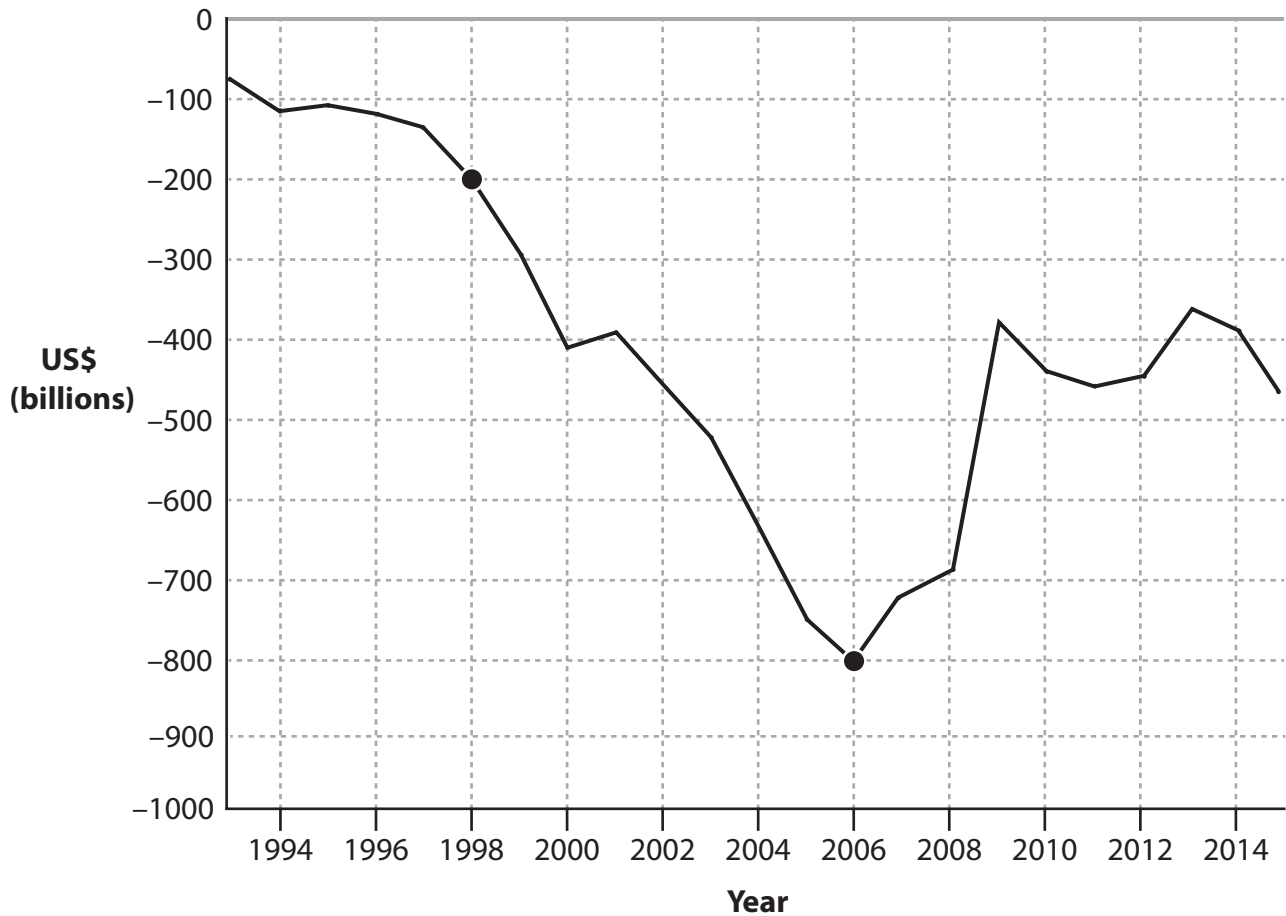
(a) Which **one** of the following can be inferred from the above chart over the period shown?

(1)

- A The government was spending more than it received in taxation
- B The UK's balance of trade, by value, was always in equilibrium
- C The value of imports was greater than the value of exports
- D The value of inflows was greater than the value of outflows



### 3 United States current account of the balance of payments, 1993–2015



(Source: <http://data.worldbank.org/indicator/BN.CAB.XOKA.CD?end=2015&locations=US&start=1993>)

(a) Calculate the percentage change in the United States current account deficit on the balance of payments between 1998 and 2006.

(2)

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(b) Explain the term 'current account of the balance of payments'.

(2)

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(c) Using the chart on page 6, which **one** of the following may be inferred about the United States balance of payments?

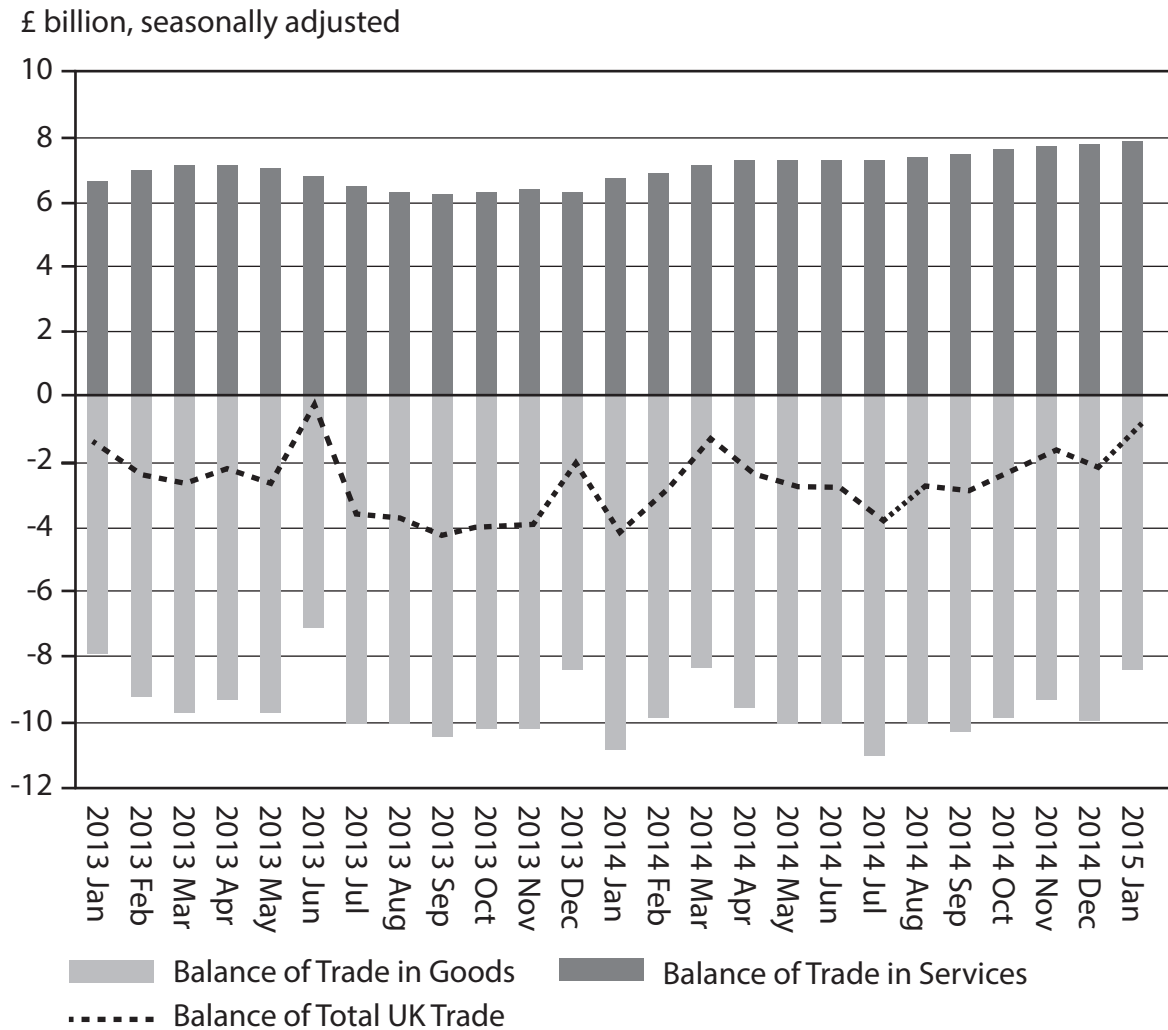
(1)

- A** The current account deficit decreased between 2001 and 2006
- B** The current account surplus increased between 2001 and 2006
- C** There was a current account deficit for the entire period shown
- D** There was a current account surplus for the entire period shown

**(Total for Question 3 = 5 marks)**

4 Figure 1 shows data on the UK's balance of trade.

**Figure 1 – UK's balance of trade January 2013 to January 2015**



(Source: <http://www.ons.gov.uk/ons/rel/uktrade/uk-trade/january-2015/summ-uk-trade--january-2015.html>)

(a) Which **one** of the following can be inferred from Figure 1 in the period shown?

(1)

- A** The total UK trade deficit was the largest in June 2013
- B** The trade in goods was always in surplus between January 2013 and January 2015
- C** The total UK trade deficit was the smallest in January 2014
- D** The trade in goods deficit was the smallest in June 2013

(b) Explain **one** likely reason for the reduction in the total UK trade deficit in January 2015.

(3)

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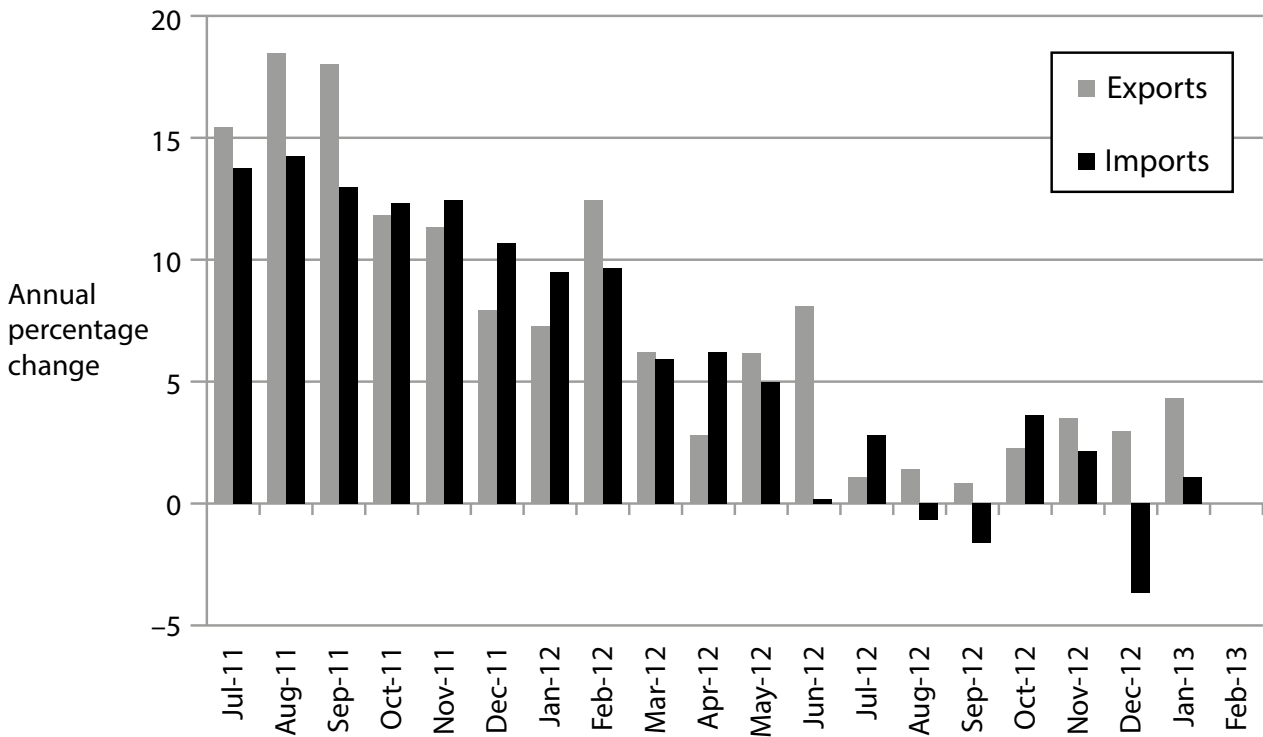
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**(Total for Question 4 = 4 marks)**

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- 5 The chart below shows the annual percentage change in the value of US exports and imports. Throughout this period, the USA has run a trade deficit.

**Annual percentage change in the value of US exports and imports  
(nominal values), July 2011–January 2013**



(Source: WTO Press Release, 10 April 2013, Press/688, [http://www.wto.org/english/news\\_e/pres13\\_e/pr688\\_e.htm](http://www.wto.org/english/news_e/pres13_e/pr688_e.htm))

- (a) With reference to the chart above, which **one** of the following statements is correct?

(1)

- A In the year to December 2012, the US trade balance improved
- B In the year to September 2012, the US trade balance worsened
- C In the year to November 2011, the US trade balance improved
- D In the year to August 2012, the US trade balance worsened

Answer

(b) Explain the likely effect of an increase in US income tax rates on the US trade balance.

(4)

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**(Total for Question 5 = 5 marks)**

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**END OF SECTION A**