Economics Questions By Topic:

Balance of Payments (2.1.4)
Mark Scheme

A-Level Edexcel Theme 2

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Question Number	Answer	Mark
1(a)	**The only correct answer is B** *A is not correct because the pound has fallen in value* *C is not correct because the pound-dollar is a floating exchange rate system* *D is not correct because the pound-dollar is a floating exchange rate system*	**(1)**

Question Number	Answer	Mark
1(b)	**Knowledge 2, Application 1, Analysis 1** Knowledge 2 marks e.g. • UK current account would improve/reduction in deficit (1) • Increase in exports (1) • Decrease in imports (1) Application 1 mark e.g. • Accurate reference to data between 1st January 2018 to 1st January 2019 Analysis 1 mark for linked development e.g. • UK exports become more competitive • UK exports appear cheaper to US consumers Own answer rule Allow alternative responses referring to Marshall-Lerner Condition and/or J-Curve	**(4)**

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Question Number	Answer	Mark
2(a)	**The only correct answer is C** **A** is not correct because when government spending is greater than taxation, it represents a budget deficit **B** is not correct because the balance of trade is always in deficit as indicted by negative values **D** is not correct because the value of exports is smaller than the value of imports	**(1)**

Question Number	Answer	Mark
2(b)	**Knowledge 1, Application 1, Analysis 1** **Knowledge/understanding:** 1 mark for identifying one likely reason, e.g. • Increasing real incomes (1) • Relatively low productivity (1) • Rising oil/commodity prices (1) • Appreciation of exchange rate (1) • Worsening of quality of UK exports (1) **Application:** 1 mark for reference to the chart, for e.g. • The UKs monthly trade balance was in a deficit of just under £2 billion at the end of 2017 (1) • Value of outflows is greater than value of inflows for the UK (1) **Analysis:** 1 mark for linked development, e.g. • Imports increase as UK consumers have a high marginal propensity to import (1) • Low productivity increases cost per unit: makes exports relatively more expensive, reducing the demand for domestic goods (1) • Higher oil / commodity prices increase the cost of imports as the UK is a net importer of oil and commodities (1) • Rise in the value of the pound makes exports relatively expensive and its imports relatively cheaper (1)	**(3)**

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Question Number	Answer	Mark
3(a)	**Application 2** **Application:** 1 mark for correct appropriate calculation e.g. % change = change/original X 100 = 600/200 X 100 (1) Answer = **300%** or **300** Award 2 marks for correct answer	**(2)**

Question Number	Answer	Mark

3(b)	**Knowledge 2**
	
	Knowledge/understanding:
	
	1 mark for partially correct explanation e.g.
	• Referring to exports – imports
	• Exports of goods and services minus imports of goods and services
	
	2 marks for correct explanation e.g.
	• Measures total value of exports – total value of imports
	• Inflows minus outflows in money terms
	• Reference to four parts of the current account
	    o Trade in goods
	    o Trade in services
	    o Primary income
	    o Secondary income
		(2)

Question Number	Answer	Mark
3(c)	**The only correct answer is C** *A is not correct because the deficit increased* *B is not correct because there hasn't been a surplus* *D is not correct because there hasn't been a surplus*	**(1)**

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Question Number	Answer	Mark
4 (a)	D	**(1)**

Question Number	Answer	Mark

4 (b)	**Knowledge 1 Application 1 Analysis 1**
	
	Knowledge
	1 mark for identification of one likely reason, e.g.
	    • Falling oil price reducing cost of imports (1)
	    • Relatively lower inflation in UK makes exports more competitive (1)
	    • Improvement in quality of UK exports increases demand for them (1)
	    • Depreciation of the exchange rate. (1)
	
	Application
	1 mark for use of data from Figure 1, e.g.
	    • trade deficit was approx. £1 billion in January 2015 (1)
	
	Analysis
	1 mark for linked development of reason, e.g.
	    • Fall in the value of the pound makes exports cheaper and imports more expensive. (1)
		(3)

Question Number	Answer	Mark
5(a)	A	**(1)**

Question Number	Answer	Mark
5(b)	**Knowledge 1, Application 3** **Knowledge/understanding:** 1 mark for identifying: • trade balance is the value of exports minus the value of imports (1). **Application:** 3 marks for a linked explanation: • with a rise in income tax, disposable incomes in the US would fall (1) • demand for imports is income elastic/imports are normal goods/demand for imports would fall (1) • the trade balance would improve/trade deficit would decrease (1).	**(4)**

END OF SECTION A

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SECTION B

Question Number	Answer	Mark
6	**Knowledge 1, Application 2, Analysis 2** **Knowledge/understanding** 1 mark, for e.g. • Explanation/formula of aggregate demand (1) • Understanding of a depreciation of the exchange rate (1) • Simple explanation of what a weaker currency means (1) **Application** 2 marks (1+1), for e.g. • Aggregate demand will increase (1) shown on a diagram (1) • Weaker pound due to a lack of confidence as a result of the UK's decision to leave the EU (1) • Low interest rate and less hot money flows (1) **Analysis** 2 marks for linked development (1+1), e.g. • Imports become relatively more expensive, so aggregate demand rises (1) • Exports become relatively cheaper, so aggregate demand rises (1)	**(5)**

Question Number	Answer	Mark
7	**Knowledge 2, Application 2** **Knowledge/understanding** Identification of impact (1) with development (1), e.g. • Imports relatively more expensive (1) • Leading to (cost push) inflation (1) • Exports are relatively cheaper (1) • Leading to (demand pull) inflation (1) **Application** 2 marks for two data references (1+1), e.g. • There has been fall in the exchange rate/value of the pound/weaker pound (1) • UK is a net importer of food that has a relatively inelastic demand (1) • Food prices have increased by 3.5 percentage points (1) • Inflation has increased by 1 percentage point since the start of 2017 (1) • CPI has exceeded the 2% target (1)	**(4)**

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Question Number	Indicative content	Mark
8	**Knowledge 2, Application 2, Analysis 2,** Likely impacts on the current accounts include: • Reduced demand for Eurozone exports as they appear more expensive when converted into other currencies. • Increased demand for Eurozone imports as they appear cheaper when converted into other currencies.	**(6)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no link between causes and consequences.
Level 2	3–4	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or the answer may lack balance.
Level 3	5–6	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are applied appropriately to the broad elements of the question.

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Question Number	Indicative content	Mark
8 continued	**Evaluation 4** • Euro may not have appreciated against all currencies. • Euro may have appreciated against currencies of countries who do not receive many Eurozone exports. • Magnitude discussion • May change in the long term • Marshall-Lerner condition • J-curve effects • Non-price factors may be more important	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/ reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

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Question Number	Answer	Mark
9(a)	**Knowledge 2, Application 2** **Knowledge/understanding** 1 mark for e.g. • Exports – imports / X – M (1) 2 marks for e.g. • Difference between total **value** of a country's exports and imports (2) **Application** 2 marks for e.g. • The UK net trade was -2% (1) • The UK has a trade **deficit** (1) • China has a trade **surplus** (1) • China's net trade was 3% (1) **e.g.** Germany had a trade surplus of 6% = 2 marks	**(4)**

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Question Number	Indicative content	Mark
9(b)	**Knowledge 2, Application 2, Analysis 2** • Data reference to figure 1 of -2% for net trade • Strong value of the pound • Rising real income • Slow growth in the world economy • Low productivity in the UK e.g. around 20 percentage points below the G7 average	**(6)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no link between causes and consequences.
Level 2	3–4	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or the answer may lack balance.
Level 3	5–6	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are applied appropriately to the broad elements of the question.

Question Number	Indicative content	Mark
9(b) continued	**Evaluation 4** • Export of services has grown • Productivity difficult to measure e.g. especially large service sector • Investment is increasing so productivity may rise in the future • Time period under consideration e.g. the pound is weakening against various currencies	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/ reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by chains of reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question.

Question Number	Answer	Mark
10	**Knowledge 1, Application 2, Analysis 2** **Knowledge/understanding** 1 marks, e.g. • Definition of aggregate demand • Understanding of a rise in value of the pound **Application** 2 marks (1+1), e.g. • Aggregate demand will fall (1) • Lagged effect (1) • Declining imported food and commodity prices (1) **Analysis** Linked development (1+1), e.g. • Imports become cheaper so aggregate demand falls (1) • Exports become expensive so aggregate demand falls (1)	**(5)**

Question Number	Indicative Content	Mark
11	KAA 8 Up to 4 marks for identification and explanation of each point. Award 2 points only. 1 mark for only an identification of a point, 2 marks for identification and very brief explanation, further 2 marks for analysis/development of the point. For example: - worsening current account deficit - fall in aggregate demand - rising unemployment Evaluation 4 marks (2+2 or 4): - current account may not worsen if imports also fall - relatively small fall in exports - other factors also affect aggregate demand **Quality of written communications will be assessed in this question based on the candidate's ability:** • To present an argument and conclude on the basis of that argument • To organise information clearly and coherently • To use economic vocabulary appropriately • To use grammar, spelling and punctuation appropriately	**(12)**

Level	Mark	Descriptor
Level 3	9-12	2 convincing reasons with at least one evaluative point
Level 2	5-8	2 convincing reasons with no connections, or 1 convincing impact with some good analysis but no evaluative point; 1 or 2 less-convincing impacts with some evaluation
Level 1	1-4	Identification of relevant reasons with or without brief evaluative keywords

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Question Number	Indicative Content	Mark
12(a)	KAA 8	
	Up to 4 marks for the diagram: Diagram demonstrating a leftward shift of AD:	
	correct shift of AD **(1)**, lines labelled **(1)**, axes labelled **(1)**, equilibria labelled **(1)**	
	Up to 2 marks for the analysis: • AD=C + I + G + (X-M); widening deficit means (X-M) is a negative value and so AD will fall (1) • Impact on price level and real output (1) • Reference to the circular flow of income: leakages are greater than injections (1) • Reference to the multiplier effect causing impact across economy (1)	
	2 marks for reference to data - Only 1 mark if no/inaccurate figures used. Maximum 6/8 if no data reference present	
	Evaluation 4 marks (2+2 or 4): • depends on other factors (e.g. could be offset by a change in consumption) • other factors may be more significant parts of aggregate demand • exports have increased • may be due to short-term shifts in exchange rates • consideration of magnitude • consideration of time lags • elasticity of the AS curve • depends on the size of the multiplier	
	Quality of written communications will be assessed in this question based on the candidate's ability: • To present an argument and conclude on the basis of that argument • To organise information clearly and coherently • To use economic vocabulary appropriately • To use grammar, spelling and punctuation appropriately	**(12)**

Level	Mark	Descriptor
Level 3	9-12	1 convincing impact with AD/AS diagram, with at least one evaluative point
Level 2	5-8	1 convincing effect with evaluation but no/incorrect diagram, or 1 convincing impact with diagram but no evaluative point; less-convincing impact or diagram with some evaluation
Level 1	1-4	Identification of relevant impacts with or without brief evaluative keywords

Question Number	Answer	Mark
12(b)	Definition / explanation of balance of trade: e.g. difference between value (1) of country's imports and exports (1) OR value of exports minus value of imports of a country (2) OR imports – exports (1) Lack of demand in the Eurozone economy leads onto lack of demand for UK exports (2) as large percentage - 50% - of UK exports go to these countries (2) so negative impact on UK balance of trade/deficit increases (2)	**(6)**

Question Number	Indicative Content	Mark
12(c)	KAA 8 marks: 1 mark for solely identifying a relevant point 1 mark for limited development of this up to 2 further marks for clear analysis of this point Award 2 reasons only. Do not double award. For example: • Increased demand for UK exports as they are now relatively less expensive for foreigners / exports become more competitive • Reduced demand for UK imports as they are now relatively more expensive for UK citizens / imports less competitive • Increase in UK aggregate demand due to increase in net exports • Increase in imported / cost push inflation pushing up UK inflation rate • Increased employment in the UK due to an increased demand for domestic production and exports	**(8)**

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Question Number	Indicative content	Mark
13(a)	KAA 4 4 marks for identification of components (1+1+1+1) • Trade in goods • Trade in services • Investment income • Transfers Also award 2 marks for reference to imports and exports/inflows and outflows	(4)

Question Number	Indicative content	Mark
13(b)	KAA 8 Award two factors only 1 mark for only an identification of a point, 2 marks for identification and very brief explanation, further 2 marks for analysis/development of the point Factors may include: • Relatively high value of pound/low value of dollar/other relative currencies. Within the point accept relatively high interest rates • Relatively low interest rates affecting AD (eg sucking in more imports) • Low quality of domestically produced goods or services • Relative inflation rates • Confidence shown in consumer spending and/or business investment • Price of oil/gas (UK net oil/gas importer) • Price of imports • Real wage costs rising, government tax policy, other changes to regulations makes X more expensive and M relatively cheap • Slowdown in other countries • Growth in UK increasing demand for imports Do not allow productivity changes per se	(8)

Question Number	Indicative content	Mark
14(a)	KAA4 Data reference **(2)** for example: • 21% increase in export volumes **(1)** and 16% increase in import volumes **(1)** since 2009. • The fall in the exchange rate **(1)** by 25% between 2007 and 2009 **(1)** would make imports more expensive, supposedly reducing the total value we import, and exports cheaper, supposedly increasing the total value sold, reducing the deficit. The **value** of the country's imports of goods and services is greater than the **value** of the country's exports of goods and services **(2)** Amount/volume of exports or 'exports' less than amount/volume of imports or 'imports' **(1)**	(4)

Question Number	Indicative content	Mark
14(b)	KAA 8 **Up to 4 marks for each consequence (2 x 4 marks)** - 2 marks for identification and 2 marks for explaining why it is a cost to UK economy • Low/constrained aggregate demand **(2)** leading to suppressed economic growth **(2)** • Net withdrawal from the circular flow of income **(2)** leading to falling output **(2)** • As labour is a derived demand **(2)** creation of unemployment in export and/or import substitute industries **(2)** • Rising unemployment means lower average incomes **(2)** and a consequence of that such as lower domestic consumption or higher total paid by government in unemployment benefits/lower tax revenue **(2)** • Weakening pound **(2)** which would lead to imported cost push inflation from products with price inelastic demand such as oil **(2)** • Loss of manufacturing skills **(2)** meaning no choice but to continue importing goods in the future / deficit will persist **(2)**	(8)

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Question Number	Indicative content	Mark
14(c)	**KAA 8** **Up to 8 marks** • Reference to data **(2)** • Definition of a fall in the exchange rate **OR** the exchange rate **(2)** • Fall in the price of exports **(1)** leading to a rise in exports **(1)** • Rise in price of imports **(1)** leading to a reduction in imports **(1)** • Leading to a reduction in the trade deficit **(2)** Evaluation **(1 x 4 marks or 2 x 2 marks)** Factors might include: • 25% depreciation in exchange rate, so effects likely to be significant • Extract states that import volumes rose, rather than fell as would be expected • Large price differential persists even after depreciation • Imports and exports may not be that price sensitive (focus on quality) and so the deficit may not reduce so quickly • Depreciation may lead to inflation which may in the long run eliminate the trade benefits of a fall in the sterling exchange rate • Extent of industrial production reduction • Producers may not pass on depreciation in their final prices • Extent of dependency on overseas countries • Depends on economic conditions in UK's main export markets (questioning ceteris paribus) **Quality of written communications will be assessed in this question based on the candidate's ability:** • To present an argument and conclude on the basis of that argument • To organise information clearly and coherently • To use economic vocabulary appropriately • To use grammar, spelling and punctuation appropriately	(12)

Level	Mark	Descriptor
Level 3	9-12	Effect on trade deficit explained convincingly with at least one evaluative point
Level 2	5-8	Effect on trade deficit explained convincingly with no evaluation, or effect on trade deficit explained less convincingly with some evaluation
Level 1	1-4	Identification of effect on trade deficit with or without brief evaluative keywords

Question Number	Indicative Content	Mark
15(a)	KAA 8 marks 2 problems up to 4 marks each (2 x 2 marks) 2 marks for the identification and 2 marks for the explanation of each problem. A persistent and increasing net leakage result in • Loss of output (growth) • Loss of jobs (unemployment) • Possibly rising household debt to fund purchases • Possibly a lack of investment as firms are concerned about the lack of UK non price competitiveness • Threat of cost push inflation from the increased price of imports (price of imports generated by a weakening currency).	**(8)**

Question Number	Indicative Content	Mark
15(b)	KAA 8 marks 2 causes up to 4 marks each (2 x 2 marks) 2 marks for the identification and 2 marks for the explanation of each cause. • Rises in oil prices and relatively inelastic demand and we are a net importer • World food prices and relatively inelastic demand and we are a net importer • Inflation relatively high reducing international competitiveness • UK manufacturers' non price competitiveness is too low (e.g. quality of UK goods) • Lack of domestic substitutes for some imported goods (line 14) e.g. we don't produce some of the goods we import. • 'Manufacturing base is so depleted' line 15 • Lack of confidence to invest because of the global financial situation • Lack of confidence to invest because of the belief that the exchange rate is temporary. Evaluation (1 x 4 or 2 x 2) • Relative contribution of each cause • Timing of each cause (SR/LR impact) • Government policies to remedy the cause over time • Comparison to other countries with stronger manufacturing base • Relative size of the deficit in comparison to GDP may not be the largest but in absolute terms it is the largest deficit **Quality of written communications will be assessed in this question based on the candidate's ability:** • To present an argument and conclude on the basis of that argument • To organise information clearly and coherently • To use economic vocabulary appropriately • To use grammar, spelling and punctuation appropriately	**(12)**

Level	Mark	Descriptor
Level 3	9-12	Convincing explanation of two causes with at least one evaluative point
Level 2	5-8	Convincing explanation of two causes with no evaluation, or 1 convincing explanation of a cause or either with some good analysis and 1 evaluative point. Less-convincing explanation of a cause with some evaluation
Level 1	1-4	Identification of relevant explanation with or without brief evaluative keywords

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Question Number	Answer	Mark

16	KAA 8 marks
	
	Either meaning of a sharp depreciation of the pound or definition of current account (max of 2 marks)
	Possible definitions include:
	
	   • a pound that is falling or has fallen in value against another major currency
	   • a pound that buys less foreign currency than it used to
	   • accept current account as imports & exports
	
	Explanation (2 x 4 marks). These might include:
	
	   • Exporters will be able to sell their goods more cheaply (2) and so increase their total revenue or total exports rise (2)
	   • Imports into the UK become more expensive (2) so less are demanded at the higher price and there is a fall in expenditure on imports (2)
	
	Evaluation 4 marks (1 x 4 marks or 2 x 2 marks). Comments might include reference to
	   • In the short run manufacturing orders will not change as they are struck at a fixed price for a number of months, but in the long run change should take effect
	   • Recognition that manufacturing exports account for a sizeable amount (approximately half) of UK's exports
	   • Supply of UK exports may be inelastic
	   • Price elasticities of demand for imports/exports
	   • Industries have different elasticities of demand and supply
	   • Fluctuations in the value of the pound may undermine long term customer and supplier relationships
	   • Extent of the depreciation
	   • Increase of cost from rising import costs (such as oil) and the detrimental effect on domestic demand for manufacturers' products
	   • Manufacturing skills have been lost and therefore it will not be easy for the sector to grow quickly
	   • In some industries (where low cost is important) British manufacturers are unable to compete unless the pound falls dramatically
	   • Some industries will be unaffected because they have relatively few substitutes
	   • investment decisions and flows
	   • relative importance of trade to manufacturing sector
	
	Quality of written communications will be assessed in this question based on the candidate's ability:
	   • To present an argument and conclude on the basis of that argument
	   • To organise information clearly and coherently
	   • To use economic vocabulary appropriately
	   • To use grammar, spelling and punctuation appropriately
		(12)

Level	Mark	Descriptor
Level 3	9-12	2 convincing points with at least one evaluative point
Level 2	5-8	2 convincing points with no further analysis or explanation, or 1 convincing point with some good analysis but no evaluative point; 1 or 2 less-convincing point with some evaluation
Level 1	1-4	Identification of relevant points with or without brief evaluative keywords

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Question Number	Answer	Mark
17(a)	The price of one currency expressed in terms of another **(2 marks)** or the amount of one currency that can be bought with a unit of another currency **(2 marks)** Use of data **(2 marks)** eg £1 would have bought 1.41 euros in 2007	(4)

Question Number	Answer	Mark
17(b)	Award 4 marks for the correct answer regardless of whether working shown. ((1.10-1.43)/1.43)x 100 = -23.1% **(4 marks)** Accept figures between -23% and -23.1% For incorrect answers marks can be awarded for the following ((New Year – Old Year)/ Old Year) x 100 **(1 mark)** ((1.10-1.43)/1.43) x 100 = wrong answer **(2 marks)** (1.10-1.43) = -0.33 **(1 mark)** (1.10/1.43) x 100 **(1 mark)** 0.33/1.43 = -0.23077 **(1 mark)** -0.23077 x 100 = - 23.1% **(1 mark)** Both minus sign (or statement that 'the exchange rate fell by…') and percentage are required for this mark	(4)

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Question Number	Answer	Mark

17(c)	KAA 18 marks
	6 marks for definition and 12 marks for explanation – allow up to 14 for explanation if definition earns only 4.
	
	Definition of current account of the balance of payments in simple terms of imports and exports **(2 marks)** and then some explanation of components of the balance of payments, such as trade in goods **(2 marks)**, trade in services **(2 marks)** etc.
	
	Explanation of at least two consequences **(12 marks or 14marks if definition only 4 marks or less)**;
	
	of which, up to 6 marks each for two consequences explained in depth with examples, or up to 4 marks for three consequences explained clearly.
	
	Consequences might be the effect on:
	
	• Effects of falling consumption
	    - on imports
	    - Possible effects on exports
	• Fall in investment
	    - Fall in productivity and resultant loss of competitiveness
	• Fall in value of £
	    - improved competitiveness
	    - accept an increase in the value of £ if reference is made to \$ exchange rate 2008-9 and reduced competitiveness
	
	Evaluation **(12 marks)**;
	
	of which award two very well developed points (6 marks each) or three consequences clearly given (up to 4 marks each). Evaluative comments might include reference to
	
	• Relative size of each effect.
	• Different effects on imports of different goods (e.g. elasticity)
	• Short run effects on investments might be lower than long run
	• Significance of elasticities (short run/long run)
	• Relative importance of EU and US.
	
	Quality of written communications will be assessed in this question based on the candidate's ability:
	• To present an argument and conclude on the basis of that argument
	• To organise information clearly and coherently
	• To use economic vocabulary appropriately
	To use grammar, spelling and punctuation appropriately
		(30)

Level	Mark	Descriptor
Level 4	25-30	2 or 3 convincing effects with at least two evaluative points (an evaluation point is worth up to a maximum of 6 marks
Level 3	19-24	2 or 3 convincing effects with at least one evaluative point (mark cap to 18 if no evaluation)
Level 2	7-18	2 or 3 convincing effects with no evaluative point; 1 or 2 less-convincing effects with some evaluation
Level 1	1-6	Identification of relevant effects with or without brief evaluative keywords

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Question Number	Answer	Mark
18	Accept two plausible reasons. **(2 x 3 marks)** Identification **(1 mark)** and explanation. **(2 marks)** Factors might include: • high level of growth, sucking in imports **(3 marks)** • high level of inflation, reducing competitiveness **(3 marks)** • high level of exports from Germany, which has higher relative competitiveness. **(3 marks)** Accept answers **not** related to data, for example level of confidence, low level of unemployment.	**(6)**

END OF SECTION B

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