Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

ECONOMICS **9708/22**

Paper 2 Data Response and Essay **May/June 2018**

1 hour 30 minutes

No Additional Materials are required.

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READ THESE INSTRUCTIONS FIRST

An answer booklet is provided inside this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper ask the invigilator for a continuation booklet.

Section A
Answer **Question 1**.
Brief answers only are required.

Section B
Answer **one** question.

You may answer with reference to your own economy or other economies that you have studied where relevant to the question.

The number of marks is given in brackets [ ] at the end of each question or part question.

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Section A

Answer this question.

1 **Thai Economy's Prospects Improve**

Table 1.1: Total expenditure in Thailand, by category, 2014

Category of Spending	US dollars (billions)	% National Expenditure
Household consumption	243	55.6
Capital goods	98	22.4
Government consumption	69	15.8
Exports	280	64.1
Imports	253	57.9

Source: United Nations data

Extract 1: Thailand's economy shows improved health

The latest figures show that Thailand's economy grew by 3.5% in the second quarter, putting it on track for 3–3.5% growth for the whole of 2016. Thailand has managed to boost its growth after several quarters of disappointing performance by increasing public sector investment in several large infrastructure projects, including roads, railways and airports. These projects will run over the next 3 to 5 years and are worth several hundred billion baht, Thailand's currency. It is hoped that this public sector investment will encourage the private sector to increase their investment spending.

In addition to increased investment, the Thai economy's growth is being boosted by recovering private consumption due to increases in farm prices, which are crucial to household purchasing power, as well as a strong tourism sector.

Regarding the export sector, which remains the biggest engine of growth, the outlook is still uncertain but the negative impact from China's economic slowdown appears to have stabilised with a Chinese growth rate of around 6.6% per annum.

Source: The Nation, 18 August 2016

Extract 2: Thailand's tourism industry continues to grow

The Thai tourism industry is projected to record international visitor arrivals of 16.67 million between January and June 2016, which will be up by 13% over the same period of 2015. Projected earnings are estimated at 824 billion baht, up 17%. The top three markets in terms of tourism receipts are projected to be China (146 billion baht, +32%), Malaysia (22.5 billion baht, +15%) and Australia (17.8 billion baht, +4%). China is now by far the largest source of visitors, but there has been a resumption of growth from Russia and Thailand's neighbouring countries of Cambodia, Laos and Myanmar.

Source: Thailand Business News, June 2016

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(a) **(i)** Calculate the level of aggregate demand in Thailand in 2014. [1]

(ii) In which category of expenditure would the various infrastructure projects be placed? [1]

(b) Explain how a fall in the rate of interest would be likely to affect expenditure on

(i) consumption, [3]

(ii) exports. [3]

(c) Explain how changes in any **three** demand factors might account for the greater rate of growth in numbers of visitors into Thailand from China than from other countries. [6]

(d) Discuss whether Thailand's government should be concerned that export and import spending represents the highest proportion of total spending in Thailand. [6]

Section B

Answer **one** question.

2 **(a)** Explain the different ways in which resources are allocated in a market economy and in a mixed economy. [8]

(b) Discuss the effectiveness of supply-side policies in increasing the supply of enterprise to the economy. [12]

3 **(a)** With the use of diagrams, explain how the price elasticity of demand for a product influences the incidence of an indirect tax on that product. [8]

(b) 'Indirect taxes reduce consumer surplus and should therefore never be imposed in a mixed economy.' Discuss this view. [12]

4 **(a)** Explain how a high rate of inflation and a rise in an economy's exchange rate can each cause a deficit in an economy's current account of the balance of payments. [8]

(b) Discuss whether a high rate of inflation or a deficit on the current account of the balance of payments is the more serious problem for an economy. [12]

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