

Question 17 (Answer: C)

- Nominal GDP rose from 1000 to 1100, which is 10%.
- Prices rose 5% over the same period.
- So real growth is approximately $10 - 5 = 5\%$.

Question 22 (Answer: B)

- The standard macroeconomic objectives are economic growth, low unemployment, price stability and a sustainable balance of payments.
- Income *equality* is a desirable outcome but not one of the four standard objectives.
- So it is the one that does not belong on the list.

Question 25 (Answer: C)

- Rapid growth typically brings pollution, resource depletion and a widening current account deficit as imports rise.
- It also tends to raise inflation if capacity cannot keep up.
- What it does *not* usually bring is falling employment – growth normally reduces unemployment.

Question 3 (Answer: D)

- Opportunity cost is what has to be given up to get something.
- To grow faster an economy must devote resources to capital goods now.
- So the cost of growth is the consumer goods forgone in the present.

Question 17 (Answer: A)

- If aggregate demand rises and capacity does not, prices are bid up.
- So preventing inflation requires the supply side to expand at the same time.
- Additional productive capacity is what allows output to rise without the price level rising.

1	• A small number of relevant knowledge points are included and the response is limited by significant errors or omissions. • The response has little relevance to the question. • Analysis where provided is largely descriptive. Use of analytical tools such as diagrams and formulae, where necessary, may contain significant errors or be omitted completely. • Responses show limited organisation of economic ideas.
0	No creditable response.

1	• Provides a vague or general conclusion or judgement in relation to the question. • Makes simple evaluative comment(s) with no development and little supporting evidence.
0	No creditable response.

1(a)	Using the data in Table 1.1, compare Vietnam's balance of trade in goods and services between 2009 and 2011 with that from 2015 to 2017. - Between 2009 and 2011, the balance of trade was in deficit; from 2015 to 2017, there was an increasing surplus. (1) - The deficits decreased over time to 2011; the surpluses were less stable. (1) Guidance: Correct terminology and clear comparisons must be made for (2)
1(b)(i)	Explain the relationship you would expect between the annual change in the balance of trade in goods and services and the annual change in real GDP growth. - A positive relationship might be expected. (1) - Exports are a component of AD so rising exports lead to faster economic growth. (1)
1(b)(ii)	Consider the extent to which this relationship is evident in the data in Table 1.1. - The relationship is not very obvious in the data in Table 1.1. (1) - There is some evidence that the highest growth rates produce the largest surpluses. (1) - A time lag in the data seems to be a reasonable consideration. (1) (max 2)
1(c)	Using the information provided, explain <u>one</u> supply-side reason why Vietnam has experienced 'spectacular economic growth'. - Reason (supply side). (1) - Explanation linking the reason to comparative increases in output. (1) Guidance: Various possibilities in the data such as use of supply-side policies (education, infrastructure) and access to export markets through free trade agreements.

1(d)	Assess the likely macroeconomic effects of pressure on the exchange rate of the Vietnamese dong arising from Vietnam's increased exports. Up to 4 marks for explanation/analysis: • Explanation that an increase in Vietnam's exports will lead to a rise in the value of the dong. (1) The price of exports will rise and import prices will fall. (1) (max 2) • Analysis of the likely impact of the rise in the dong on macroeconomic indicators such as employment, national output, inflation and the trade balance. (max 2) Guidance: Award 2 marks if detailed analysis with reference to just 1 indicator or less detailed analysis of 2 indicators. Award 1 mark for less detailed analysis of 1 indicator. Up to 2 marks for evaluation: • Relevant evaluation which weighs up the factors on both sides. (1) • A conclusion on the likely overall effect. (1)
1(e)	Assess whether Vietnam's 'economic miracle' is likely to persist over the next few years. Up to 4 marks for explanation/analysis: • Reason why the miracle is likely to persist, e.g. ongoing dispute between US and China, rising GDP per head in Vietnam. (1) Explanation of how this reason leads to further economic growth such as boost to AD due to increased exports, increased consumption. (1) • Reason why the miracle may not persist such as US imposing additional tariffs on Vietnam's exports, downturn in global economy. (1) Explanation of how the reason could reduce economic growth such as lower exports reduce growth. (1) Up to 2 marks for evaluation: • Relevant evaluation such as Vietnam's heavy dependence on exports is a risk: if there is a world recession Vietnam's economic miracle is likely to end; (1) multinational companies (MNCs) could easily move elsewhere; (1) or any other relevant reason.