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Q21 — Define 'falling exchange rate' (Extract B, line 7) [3 marks]

A falling exchange rate refers to a depreciation of a country's currency, meaning its value declines relative to other currencies. This makes exports cheaper and imports more expensive.

Q22 — Ratio of internet sales to £1 of total retail sales in November 2013 (4 marks)

Internet sales = £827 million
Total retail sales = £6,806.7 million

Ratio = 827 ÷ 6806.7 = 0.1215

To two decimal places: **£0.12 per £1**

Q23 — Two significant points of comparison between internet sales and all retail sales (4 marks)

Internet sales show consistently higher growth rates than overall retail sales throughout the period. For example, internet sales peak at around 30% growth in 2016, while all retail sales remain below 10%, showing much faster expansion online.

In addition, internet sales are far more volatile than total retail sales. While all retail sales growth remains relatively stable between about 2% and 6%, internet sales fluctuate significantly, indicating higher responsiveness to economic conditions.

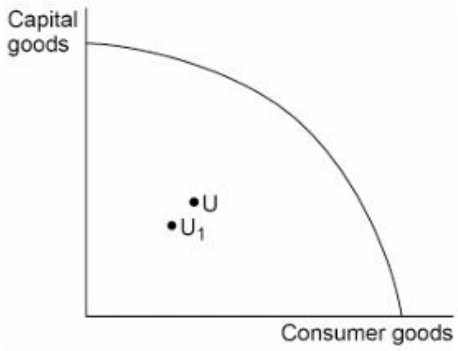
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2 4 ***Extract B*** *(lines 9–11) states: 'Taking into account pubs, restaurants and other shops, a further 4042 premises became empty, increasing spare capacity in the economy.'*

Draw a production possibility curve diagram for an economy producing capital goods and consumer goods to show an ***increase*** *in spare capacity in the economy.*

[4 marks]

The correct diagram involves a curve bowed out from the origin (or allow a straight line) between two appropriately-labelled axes, with an initial point on or within the curve, and a second point, further away from the curve, to show an increase in spare capacity. Both points should be appropriately labelled.



Q25 — Explain two factors that could cause a fall in consumption (10 marks, chain-of-analysis)

First factor:
Extract B states falling demand and rising costs affect retailers → higher prices of goods reduce real incomes → households' purchasing power falls → consumers cut back on spending → consumption decreases.

Second factor:
Extract C states business investment is falling → lower investment reduces job creation → unemployment may increase or wage growth slows → household incomes fall → consumer confidence declines → households reduce spending → consumption decreases.

Q26 — Assess whether changes in the retail industry are likely to cause lasting damage to UK macroeconomic performance (25 marks)

Introduction:
Extracts B and C show significant structural changes in the UK retail sector, including the decline of high street stores, growth of online shopping, and changing consumer behaviour. The issue is whether these changes will negatively affect long-term macroeconomic performance.

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Point 1:
Changes in retail may harm macroeconomic performance due to job losses → Extract B states there were 93,000 fewer retail jobs and further losses are expected → unemployment may rise → household incomes fall → consumption decreases → aggregate demand falls → this slows economic growth → regional economies dependent on retail may suffer decline.

Evaluation of point 1:
However, Extract C states new jobs are being created in areas such as technology, distribution and delivery → workers may transition into new sectors → unemployment effects may be temporary → structural change may not reduce overall employment in the long run.

Point 2:
The shift towards online retail may improve efficiency → firms reduce costs such as rent for physical stores → productivity increases → resources are reallocated to more efficient uses → exports of digital services may rise → long-run aggregate supply increases → supporting economic growth.

Evaluation of point 2:
However, the decline of the high street increases spare capacity (Extract B) → empty retail spaces represent unused resources → regional inequality may worsen → if new jobs require different skills, structural unemployment may persist → limiting positive effects on growth.

Conclusion:
Overall, the changes in the retail industry are unlikely to cause lasting damage to UK macroeconomic performance because they reflect structural change rather than economic decline. While short-term disruptions such as job losses and store closures may occur, long-term benefits from increased efficiency and new industries are likely to outweigh the costs, provided workers can adapt to changing labour market demands.

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