6 In 2022 average house prices in China decreased by 2.1%. Research into the housing market in China estimated that the price elasticity of supply for new houses was 2.8.

Ceteris paribus, which **one** of the following can be deduced from this information?

☒ **A** The supply of new houses would decrease by 5.88%

☒ **B** The supply of new houses would increase by 5.88%

☒ **C** The supply of new houses would increase by 1.33%

☒ **D** The supply of new houses would decrease by 1.33%

(Total for Question 6 = 1 mark)

5 In April 2020 electricity prices increased on average by 10% in the UK. In the same month, a record number of 668 371 consumers switched to cheaper electricity suppliers.

Which **one** of the following can explain the behaviour of those consumers who switched to cheaper electricity suppliers?

☒ **A** Consumers experienced habitual behaviour

☒ **B** Consumers aimed to maximise their utility

☒ **C** Consumers had poor computational skills

☒ **D** Consumers aimed to minimise their utility

(Total for Question 5 = 1 mark)

DO NOT WRITE IN THIS AREA

6 The table shows the estimated income elasticity of demand for various goods and services in the USA.

Item	Estimates of income elasticity of demand
Cheese	-0.51
Public transport	-0.36
Ice cream	+0.83
Motor cars	+2.56

(Source: http://digitalcommons.unl.edu/cgi/viewcontent.cgi?article=1102&context=agecon_cornhusker)

Which **one** of the following can be deduced from the table?

☒ **A** Cheese has relatively price inelastic demand.

☒ **B** Public transport is a normal good.

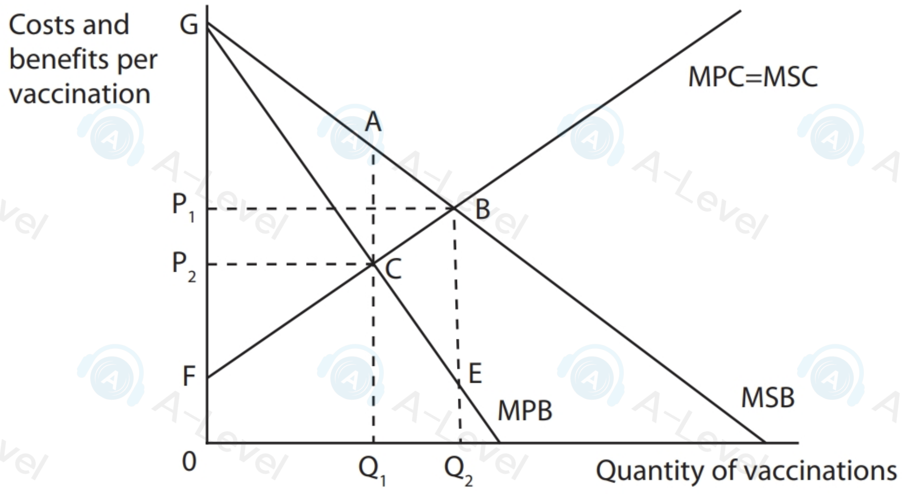
☒ **C** An increase in real income will result in a less than proportionate decrease in demand for ice cream.

☒ **D** A decrease in real income will result in a more than proportionate decrease in the demand for motor cars.

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

4 The diagram shows the market for vaccinations against measles.



Which **one** of the following can be deduced from the diagram?

☒ **A** The social optimum output is Q_1

☒ **B** The market equilibrium output is Q_2

☒ **C** Welfare gain is shown by the area BCE

☒ **D** Welfare gain is shown by the area ABC

(Total for Question 4 = 1 mark)

1 Singapore is considered to be close to being a free market economy, with low tax rates, minimal regulations on businesses and a reliance on the price mechanism.

Which **one** of the following is a disadvantage of a free market economy?

☒ **A** The profit incentive encourages investment

☒ **B** The non-provision of public goods

☒ **C** The possibility of government failure

☒ **D** An equal distribution of income

(Total for Question 1 = 1 mark)

3 Procter & Gamble, a US-based international business, sells beauty, grooming, personal healthcare and fabric care goods. In 2022 it increased its prices, on average, by 10%. The quantity of items sold decreased by 6%.

Which **one** of the following explains why consumers bought fewer Procter & Gamble products?

☒ **A** Consumers aimed to maximise utility

☒ **B** Consumers aimed to minimise utility

☒ **C** Consumers suffered from habitual behaviour

☒ **D** Consumers had poor computational skills

(Total for Question 3 = 1 mark)

7 Saudi Arabia introduced its first indirect tax on the sale of goods and services in 2018. The tax is charged at 5% of the price of goods and services.

Draw a diagram to illustrate the impact of the introduction of the indirect tax on the equilibrium price and quantity of petrol in Saudi Arabia.

9 **Statement 1**: "Between 2009 and 2019 extreme weather events and climate-related disasters cost the world economy $1.5 trillion." World Meteorological Organization.

Statement 2: "80% of those surveyed think polluters should pay for their pollution through additional taxes." Survey for the World Economic Forum.

With reference to both statements, explain the difference between normative statements and positive statements.

8 Between 2018 and 2019 investment expenditure on capital goods in China fell from 47% of GDP to 43% of GDP. Over the same period, consumer expenditure increased from 38.7% of GDP to 38.8% of GDP.

With reference to China, explain the difference between 'capital goods' and 'consumer goods'.

7 In 2021 the number of citizens taking online education courses in the Philippines was 1 300 000.

Draw a diagram to illustrate the likely external benefits resulting from online education in the Philippines.

11 In 2023 there were 999 700 more immigrants who entered the USA than emigrants who left the country.

Explain the likely impact on the USA's production possibility frontier (PPF) of this change in migration.

Illustrate your answer with a fully labelled PPF diagram.