

3.2 Households

Question Paper

Course	CIE IGCSE Economics
Section	3. Microeconomic Decision Makers
Topic	3.2 Households
Difficulty	Medium

Time allowed: 60
Score: /43
Percentage: /100

Question 1

Identify two reasons why the total amount saved in Kenya is likely to have increased in 2015.

Refer to the [source material](#) in your answers

[2 marks]

Question 2

In 2015, the Malaysian government set out its objectives to increase productivity and savings. There has been higher consumer expenditure, driven in part by higher wages received mainly by older workers. However, low levels of savings remain a concern. Savings provide funds for investment (spending on capital goods) which contributes to economic growth and can influence inflation.

Identify two ways a government could encourage saving.

[2 marks]

Question 3

Identify two factors that affect borrowing in an economy.

Refer to the [source material](#) in your answers.

[2 marks]

Question 4

Analyse the relationship between the countries' consumer expenditure and imports.

Refer to the [source material](#) in your answers.

[5 marks]

Question 5

Angola is an African country without a stock exchange. In contrast, South Africa has the most active stock exchange in Africa. Firms in South Africa are also much larger than firms in Angola and South African firms undertake more borrowing from commercial banks. Both countries do, however, have a low saving rate which could be increased if the rate of interest was raised.

Define *saving*.

[2 marks]

Question 6

After the UK's decision to leave the European Union (EU) in June 2016, the value of the British currency, the pound (£), depreciated. However, in August 2016, despite the fall in the value of the £, the Bank of England reduced interest rates from 0.5% to 0.25%. This was to encourage further spending and borrowing to avoid a lower economic growth rate.

Identify **two** motives for consumer spending.

[2 marks]

Question 7

Some economists have claimed that the 21st century will be the 'African century' because of the growth in their working-age population. Forecasts show that by 2030, Africa's contribution to the increase in the global labour force will exceed that from the rest of the world. This will affect incomes, saving, and economic policies in African countries.

Explain two motives for saving.

[4 marks]

Question 8

Explain, using information from the extract, two reasons why consumer expenditure may increase in India in the future.

Refer to the [source material](#) in your answers.

[4 marks]

Question 9

The economic problem results in people having to make choices. In Bulgaria, in recent years, people have changed how much they spend. The Bulgarian government is encouraging people to spend more. It is trying to ensure that deflation does not return and that the country will continue to experience an increase in output.

Identify two ways a government could encourage people to spend more.

[2 marks]

Question 10

UK students often take jobs during their holidays and some save part of their income to pay their tuition fees. UK graduates earn, on average, £8500 a year more than non-graduates. Economics graduates had the second highest average earnings of all UK graduates in 2016. The top 10% of economics graduates earned £115000 a year.

Discuss whether or not people in developed countries are likely to save more than people in developing countries.

[8 marks]

Question 11

In early 2016, the central bank of the Republic of Turkey cut interest rates five times. This was despite an inflation rate of 7.6%. The economy had a combination of a low saving rate and weak investment. To stimulate economic growth the Turkish government announced a package of reforms including subsidies for research and investment.

Analyse the impact of a cut in interest rates on saving and investment.

[6 marks]

Question 12

In 2016, there were fears that the Singaporean economy could enter a recession because of falling demand from China, its biggest export market. One of the results of a recession is likely to be a fall in consumer spending. A previous recession in 2008 had led to unemployment increasing from 1.6% to 3.4%. Singapore's central bank therefore decided to intervene in the foreign exchange market to influence the value of the currency.

Explain why a recession is likely to reduce consumer spending.

[4 marks]

