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International General Certificate of Secondary Education

ECONOMICS

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INSERT

1 hour 30 minutes

READ THESE INSTRUCTIONS FIRST

This Insert contains extracts for Questions 1 and 2.

Anything written on this Insert will not be marked.

This document consists of **3** printed pages and **1** blank page.



Extract for Question 1**The car market in China and the United States of America (USA)**

In 2009, China became the world's largest car market, overtaking the USA. Table 1 shows the number of cars sold in the two countries in 2008 and 2009.

Table 1: Car sales, in millions, in China and the USA in 2008 and 2009

Year	China	USA
2008	9.2	12.1
2009	13.6	10.0

The USA has three large producers, General Motors, Ford and Chrysler, and a number of smaller car firms. The industry employed approximately 3 million workers directly in 2009. A further 7 million were employed producing the components and services used by the industry. This was out of a total labour force of 154 million.

The slowdown in the USA economy in 2009 resulted in USA consumers reducing their spending on a number of items including cars. It was expected that sales in the USA would increase in the future. However, China would be likely to remain the top producer for many years to come.

The car market in China is currently a relatively competitive one with a large number of producers. Encouraged by government support and the expectation of profit, a number of Chinese firms are developing electronic cars. With rising petrol prices and advances in the technology of producing electronic cars, the reward from making electronic cars is likely to increase in the future.

Mergers between Chinese car companies are also likely to increase in the future. The Chinese Government is keen for there to be fewer, but larger, car producers in the country.

Extract for Question 2**A brighter future for Nigeria?**

Nigeria's population is the largest in Africa and, with a relatively high birth rate, is likely to remain so. In 2010, Nigeria's Gross Domestic Product (GDP) was US\$380 billion, the second highest in Africa, and in that year a number of changes were occurring which would impact on Nigeria's future economic growth. There were a number of major projects being undertaken. One of these was Eko Atlantic, a new suburb being built in Lagos with new transport links, offices and housing. The government was implementing a privatisation programme, in part, to attract multinational companies to the country. It thought that attracting more multinational companies might help to reduce the country's unemployment rate.

Nigeria has a number of economic strengths. It is the leader of the regional Economic Community of West African States (ECOWAS) and accounts for half of its output. It is also the eighth largest oil exporter in the world. The oil industry also provides a relatively high number of jobs.

The government depends on oil for 80% of its tax revenue and 60% of its export revenue. Nigeria's oil refineries are, however, rather old and inefficient. There is a need for more investment not only in the oil industry but also in a number of other Nigerian industries.

Nigeria faces a number of other challenges. The government raised its spending on education in 2010 but, with a low life expectancy, there is also pressure on the government to raise its spending on health care. There is a range of policies the Nigerian Government could implement, including not only supply-side policy but also monetary and fiscal policies.

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