



SUBJECT:	Economics
PAPER NUMBER:	I
DATE:	16 th May 2022
TIME:	9:00 a.m. to 11:05 a.m.

This paper has two Sections. Answer **ANY FOUR** questions. Questions carry 25 marks each.

SECTION A - MICRO ECONOMICS

1. After seeing a ban on the import and production of single-use plastic, such as plastic cups, cutlery and straws, Maltese firms are, as of January 2022, prohibited from selling and distributing such products. Bottle manufacturers in Malta now might soon have to find alternatives to plastic bottles in an effort to safeguard the environment. To help manufacturers answer the economic question what to produce, they are given the following production possibilities:

Table 1

Glass bottles	Stainless-steel bottles
0	800
250	700
460	530
590	280
670	0

- a) Mention the other **TWO** economic questions that were not identified in the above text. (2)
- b) Production requires firms to use the four factors of production.
- List **FOUR** examples of the four factors of production (**ONE** for **each** factor), related to the production of stainless-steel bottles. (2)
 - List the payment received by **each** of the **FOUR** factors of production. (2)
- c) Using the data in Table 1 above, plot a production possibility curve (PPC) on the graph paper provided. (4)
- d) The production possibility curve (PPC) demonstrates the concept of opportunity cost.
- Define opportunity cost. (3)
 - Assuming that all resources are being employed, what would be the opportunity cost of producing the first 250 glass bottles? Show your working. (3)
- e) Observe the following production combinations and briefly describe what **each** represents. Indicate clearly **each** point on the same graph used in question (c):
- 400 stainless-steel bottles and 300 glass bottles (mark as point A on graph); (2)
 - 700 stainless-steel bottles and 250 glass bottles (mark as point B on graph); (2)
 - 700 glass bottles and 250 stainless steel bottles (mark as point C on graph). (2)
- f) How can knowledge of the basic economic problem help bring about a more sustainable environment? (3)

(Total: 25 marks)

2. Below is the demand and supply schedule for surgical face masks.

Table 2

Price (€)	Quantity demanded (number of face masks per week)	Quantity supplied (number of face masks per week)
0.50	800	50
0.95	700	200
1.40	600	350
1.85	500	500
2.30	400	650
2.75	300	800

- a) Define effective demand. (2)
- b) Using the information provided in Table 2 above plot the demand and supply curves (on the same axes) on the graph paper provided. Mark clearly the equilibrium price and the equilibrium quantity. (7)
- c) The law of demand ends with the Latin phrase '*ceteris paribus*'.
 - (i) What does it mean?; and (1)
 - (ii) Why is it important? (1)
- d) Over the past two years, demand for surgical face masks has increased drastically.
 - (i) What led to this increase in the demand for face masks? (1)
 - (ii) This increase in demand affected the equilibrium price and quantity of face masks. Illustrate this by sketching a separate diagram and indicate the new equilibrium price and quantity. (4)
- e) In May 2020, the government imposed a price-ceiling of 95c on surgical face masks.
 - (i) Clearly indicate and label the price-ceiling on the same diagram you plotted in question (b). (1)
 - (ii) Will this lead to a shortage or a surplus? Show your workings. (2)
 - (iii) How will consumers and producers react to this situation? (2)
- f) Why would the government impose such a price-ceiling? Give **TWO** reasons. (4)

(Total: 25 marks)

3. Molt is a new food delivery service provider. Table 3 below shows their output and total cost at different input levels.

Table 3

Output (Number of deliveries)	Total Cost (€)	Fixed Cost (€)	Variable Cost (€)	Marginal Cost (€)	Average Cost (€)
0	50				
10	120				
20	150				
30	175				
40	230				
50	350				
60	550				

- a) Copy and complete Table 3 on the script provided. (7)
- b) Use the calculations from question (a) and answer the following on the graph paper provided:
 - (i) Plot the average cost curve; (2)
 - (ii) Plot the marginal cost curve on the same diagram; and (2)
 - (iii) Indicate clearly on the diagram where diminishing marginal returns kick in. (1)
- c) Traditionally, the production process can be split into three different stages. Briefly describe the **THREE** stages of production and give an example of **each**. (3)
- d) How would you describe the production carried out by Molt? Refer to your answer in part (c), and give a reason for your answer. (2)
- e) Is Molt operating in the long run or in the short run? Give **ONE** reason for your answer. (4)
- f) Discuss **TWO** reasons why a firm like Molt would be interested in knowing the average cost of its product. (4)

(Total: 25 marks)

Please turn the page.

SECTION B – MACRO ECONOMICS

4. In 2020, Malta's Finance Minister implemented several budget measures to outweigh the negative impact of the health pandemic on the economy. Table 4 below provides information on the Maltese Government's financial position from 2018 to 2021.

Table 4

Government Finance Data	2017	2018	2019	2020
	EUR 000s			
Recurrent Revenue	4,291,165	4,559,775	4,972,883	4,389,297
Total Expenditure, of which:	4,108,493	4,629,992	4,963,528	5,857,203
Recurrent Expenditure	3,543,266	3,821,447	4,216,202	4,638,869
Interest	215,051	203,555	192,283	181,205
Capital Expenditure	350,175	604,990	555,043	1,037,130
National debt	5,371,757	5,318,985	5,328,195	6,765,235

(Source: National Statistics Office, 2022)

- a) Define: (2)
- (i) Recurrent Expenditure; and (2)
 - (ii) Capital Expenditure. (2)
- b) List **FOUR** different sources of revenue for the government. (4)
- c) Was the Maltese Government running a surplus or a deficit for **each** of the **FOUR** recorded years? Show your workings. (4)
- d) Describe **TWO** ways how a government may reduce its budget deficit. (4)
- e) The national debt is often viewed as a burden on the community. Give **TWO** instances when this is true and give **ONE** reason why the national debt has increased in recent years. (5)
- f) Imagine you are a policymaker tasked to argue in favour of either increasing the Value Added tax (VAT) or increasing the income tax. Provide your recommendation by describing **ONE** advantage of the form of taxation you would recommend and **ONE** disadvantage of the other form of taxation. (4)

(Total: 25 marks)

5. The total population of Malta at the end of 2020 stood at 516,100. The increase in the total resident population in 2020 was the lowest since 2010 as the population only grew by 1,536 persons, when compared to an increase of 21,005 in 2019. The population increase in 2020 was mainly due to net migration. Persons under the age of 18 made up 15.9% of the total population, while a further 18.9% were aged 65 years and over. Of these, 3,207 persons (2,223 females and 984 males) were aged 90 years and over.

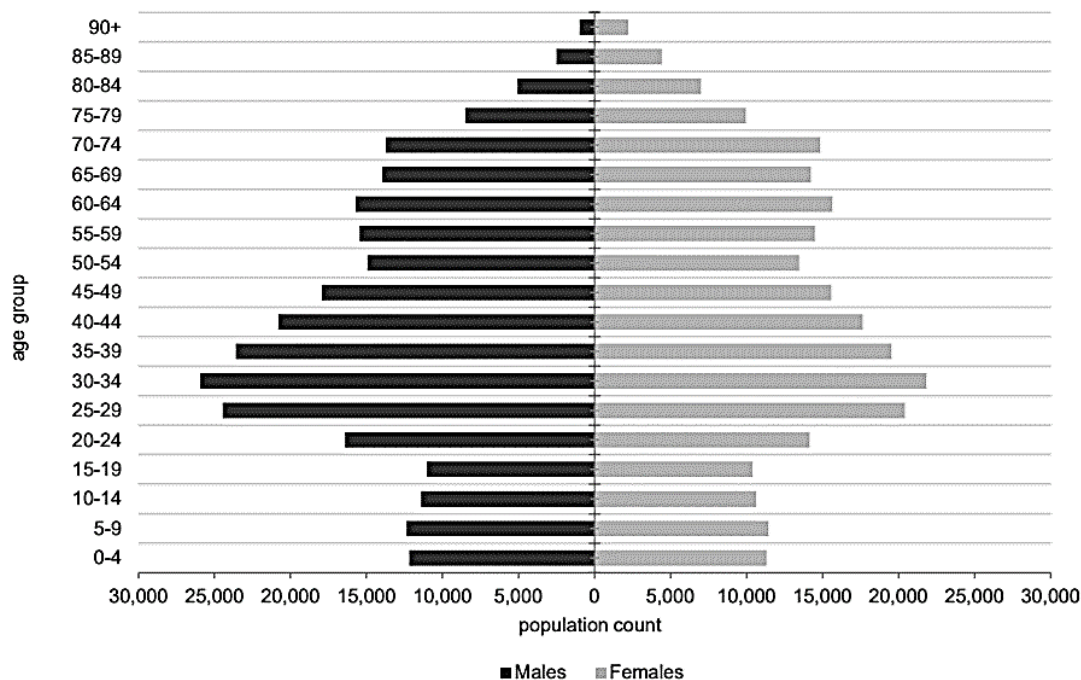


Figure 1

(Source: National Statistics Office (NSO 2022))

- a) (i) Define net migration. (2)
- (ii) Name **TWO** other demographic statistics, besides net migration, that can influence the size of a country’s population. (2)
- (iii) Which rate is being calculated when subtracting **ONE** of the statistics you mentioned in (ii) above from the other? (1)

- b) Describe how an increase in the **THREE** demographic statistics listed in (a(i)) and (a(ii)) may affect the size of the population. (3)

- c) The bar graph in Figure 1 above is known as a population pyramid and it represents the age-gender distribution of the total population of the Maltese islands at the end of 2020. By looking at the data from the bar graph, mention **THREE** distinguishing features about the Maltese population. (6)

- d) Which other **THREE** variables can be used to present population data other than age and gender? (3)

- e) Describe **TWO** effects that the age structure of the Maltese population may have on the economy. (4)

- f) Evaluate the impact of an increasing population on the economy by mentioning **ONE** positive and **ONE** negative impact. (4)

(Total: 25 marks)

Please turn the page.

6. To decrease the money supply, the Federal Reserve (FED), the Bank of England, and several other central banks around the world have recently started to increase their base rate of interest within their respective economies in view of the worldwide increases in prices. The European Central Bank (ECB) has until now held off increasing its interest rates.

a) Discuss **TWO** characteristics of money. (4)

b) What are interest rates? (2)

c) How would an increase in the rate of interest affect consumer spending? (4)

d) Mention **TWO** other tools available to the ECB, apart from increasing the interest rate, that can decrease the money supply. Provide a brief explanation for **each** tool. (6)

e) By referring to their functions, explain **TWO** ways in which a central bank differs from a commercial bank. (4)

f) Explain why commercial banks lend money and briefly explain how this increases the money supply. (5)

(Total: 25 marks)



SUBJECT:	Economics
PAPER NUMBER:	IIA
DATE:	17 th May 2022
TIME:	9:00 a.m. to 11:05 a.m.

This paper has two Sections.

Answer **FOUR** questions, at least **ONE** from **each** Section.

Questions carry 25 marks each.

SECTION A: MICRO ECONOMICS

1. Last year Lidl supermarkets made an acquisition of other supermarkets, including Scotts supermarkets, to operate Lidl supermarkets from them.

(Malta Competition and Consumer Affairs Authority, June 2021)

- a) Describe **TWO** external sources of finance available to firms who pursue growth. (6)
- b) Explain the meaning of horizontal and vertical integration. Give **ONE** example for **each** integration to support your answer. (6)
- c) Identify the type of integration taking place by Lidl supermarkets and discuss **TWO** reasons why this firm would want to pursue this kind of integration. (7)
- d) Discuss **THREE** possible disadvantages that may arise from the integration mentioned in (c) above. (6)

(Total: 25 marks)

2. Due to a shortage in microchips, the average price of cars in Malta increased by 30% last year.

- a) What is price-elasticity of demand (PED), and how is it measured? (4)
- b) Assume that demand for cars in Malta is price-inelastic.
 - (i) What does this mean? (3)
 - (ii) How do you think that this 30% increase in the price of cars will affect the quantity demanded of cars? (3)
- c) Why is knowledge of PED of cars important for Maltese auto dealers? Make use of diagrams or numerical examples to support your answer. (8)
- d) From October 2022 public transport in Malta will be provided free of charge.
 - (i) Explain the meaning of cross-elasticity of demand (CED). (2)
 - (ii) Explain how knowledge of CED would help us understand the effect of free public transport on the demand for cars in Malta. (5)

(Total: 25 marks)

3. Since the beginning of the Covid-19 pandemic, the Malta Enterprise created initiatives to support firms and facilitate teleworking.

- a) What is the Malta Enterprise? Use **TWO** examples to describe its main roles. (5)
- b) With the use of **THREE** examples, explain the term labour mobility. (6)
- c) Discuss **FOUR** factors that cause labour immobility. (8)
- d) Discuss **THREE** ways of how teleworking can address the problem of labour immobility caused by the pandemic. (6)

(Total: 25 marks)

4. Up until June 2021 anyone who wanted to cross the channel had to use Gozo Channel services. Now, two competitors have joined the market, namely, Virtu Ferries and Gozo Fast Ferry.

- a) Which type of market structure did Gozo Channel operate in before June last year? Describe **THREE** characteristics of this market structure. (7)
- b) Mention the extreme opposite of the market structure referred to in (a) and describe **THREE** characteristics of this market structure. (7)
- c) What obstacles or barriers to enter this industry may have been faced by Virtu Ferries and Gozo Fast Ferry? Explain **THREE** obstacles or barriers. (6)
- d) Discuss the benefits that competitive markets might bring to consumers. (5)

(Total: 25 marks)

SECTION B: MACRO ECONOMICS

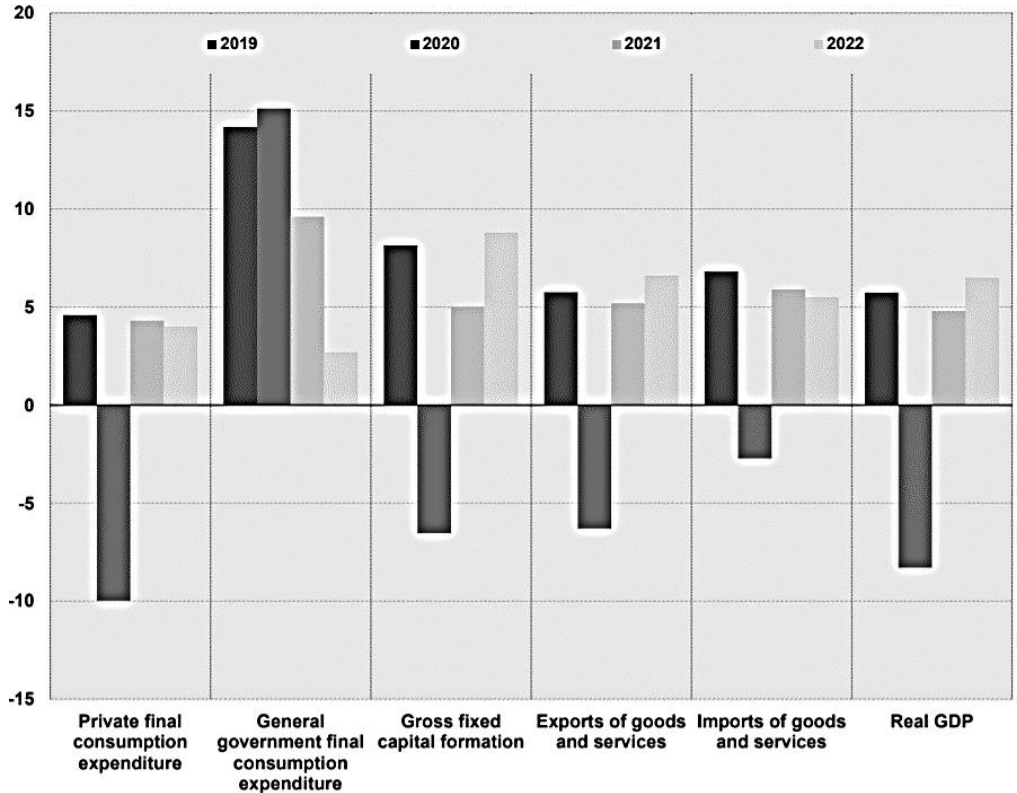
5. The global inflation shock has intensified in recent months as annual inflation rates for many of the largest economies climbed to their highest levels for years or even decades. Rapid growth in durable goods consumption has contributed to global goods shortages and supply-chain bottlenecks, recently compounded by higher energy prices.

(Source: Fitch Ratings)

- a) Define inflation, and discuss **TWO** types of inflation. (6)
- b) Discuss **TWO** gainers and **ONE** loser of inflation. (6)
- c) (i) Provide **ONE** explanation why the current rise in inflation can be attributed to demand-pull inflation. (2)
- (ii) Evaluate **TWO** measures that can be taken to control demand-pull inflation. (4)
- d) (i) Why are wage pressures present at times of inflation? (1)
- (ii) Explain **THREE** disadvantages of this occurrence. (6)

(Total: 25 marks)

6. The graph below, published by the Ministry for Finance in 2021, shows the different components which calculate real GDP. Data for each component for each year is given, with the first bar showing actual figures for 2019, second bar showing actual figures for 2020, third bar showing forecasts for 2021 and the last bar showing forecasts for 2022. Adding these different expenditure components constitutes the expenditure approach of measuring GDP. All figures are shown in terms of year-on-year percentage growth rates.



(Source: Ministry for Finance, 2021)

- a) (i) Distinguish between nominal GDP and real GDP. (2)
- (ii) List **TWO** methods used to measure GDP. (4)
- b) Explain what **each** component of GDP represents. From the graph comment on the trend of General government consumption expenditure and provide **ONE** possible reason for your answer. (7)
- c) Mention **THREE** problems that are encountered when measuring GDP and provide **ONE** solution for each. (6)
- d) Discuss **TWO** possible ways the government can help to improve the standard of living in Malta. (6)

(Total: 25 marks)

Please turn the page.

7. According to a news release by the National Statistics Office (NSO), by the end of 2020 unemployed persons stood at 11,886 (2.7 per cent) while inactive persons totalled 165,008 (37.8 per cent). The activity rate was estimated at 77.3 per cent.

(Source: National Statistics Office, 2020)

- a) Define the unemployment rate and provide **TWO** data statistics that would be needed to measure the unemployment rate. Provide a numerical example in your answer. (5)
- b) (i) State **TWO** ways how governments can know how many persons are unemployed. (2)
 (ii) Show how the ways mentioned in (b)(i) may lead to inaccurate information about the number of persons unemployed. (4)
- c) Explain, with examples, **FOUR** different types of unemployment. (8)
- d) Discuss **TWO** measures used to reduce unemployment. (6)

(Total: 25 marks)

8. Table 1 below shows the most recent statistics from the National Statistics Office (NSO) on the Gross domestic product (GDP), Price developments, and Population.

Table 1

Year	Real GDP (EUR 000s)	Population (000s)
2015	9,996,700	450.4
2016	10,310,998	460.3
2017	11,500,668	475.7
2018	12,206,623	493.6
2019	12,925,893	514.6
2020	11,862,303	516.1

(Source: National Statistics Office (NSO 2020))

- a) (i) Define economic growth, and explain how it is measured. (4)
 (ii) Which diagram can be used to illustrate the economic growth of a country. (1)
- b) (i) From Table 1 above calculate economic growth for the years 2016 to 2020. (5)
 (ii) What conclusions can you draw from the growth trend over these five years? (3)
- c) Discuss **TWO** advantages and **ONE** disadvantage of economic growth. (6)
- d) Discuss **THREE** factors that contribute to economic growth. (6)

(Total: 25 marks)



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PAPER NUMBER:	IIB
DATE:	17 th May 2022
TIME:	9:00 a.m. to 11:05 a.m.

This paper has two Sections.

Answer **FOUR** questions, at least **ONE** from **each** Section.

Questions carry 25 marks each.

SECTION A: MICRO ECONOMICS

- Last year Lidl supermarkets made an acquisition of other supermarkets, including Scotts, to operate Lidl supermarkets from them.
 - Lidl is a Multinational Enterprise. What does this mean? (3)
 - Briefly describe **TWO** sources of finance available to firms that want to grow. (4)
 - Explain the meaning of horizontal integration. (3)
 - Explain the meaning of vertical integration. (3)
 - Discuss **TWO** reasons why Lidl supermarkets would want to merge horizontally. (6)
 - Discuss **TWO** possible disadvantages that may arise from horizontal integration. (6)

(Total: 25 marks)
- Due to a shortage in microchips, the average price of cars in Malta has, last year, increased by 30%.
 - What is price-elasticity of demand (PED)? (3)
 - What is the formula used to calculate PED? (2)
 - Explain the meaning of price-inelastic demand. (3)
 - Assume that the demand for cars in Malta is price-inelastic. If the price of cars increased by 30%, would you expect the quantity demanded of cars to decrease by more or less than 30%? Explain the reason for your answer. (5)
 - If demand for cars is price-inelastic, should car sellers increase or decrease the price? Explain your answer with reference to total revenue. (6)
 - From October 2022 public transport in Malta will be provided free of charge.
 - What is the meaning of substitutes? (2)
 - If cars and public transport are substitutes, explain how demand for cars will change after October 2022. (4)

(Total: 25 marks)
- Since the beginning of the Covid-19 pandemic, the Malta Enterprise created initiatives to support firms and facilitate teleworking.
 - Mention **TWO** roles of the Malta Enterprise. (4)
 - With the use of an example, explain the meaning of occupational mobility of labour. (3)
 - With the use of an example, explain the meaning of geographical mobility of labour. (3)
 - Which type of labour mobility mentioned in (b) and (c) is addressed by teleworking? Explain why. (4)

This question continues on next page.

- e) Discuss **THREE** factors that cause labour immobility. (6)
- f) List **ONE** factor that would influence the industrial location for **each** of the following firms:
 - (i) Fisherman; (1)
 - (ii) Ice cream vendor; (1)
 - (iii) Software support; (1)
 - (iv) Furniture maker; and (1)
 - (v) Shipping services. (1)

(Total: 25 marks)

4. Up until June 2021 Gozo Channel operated as a monopoly. Now, two competitors have joined the market, namely, Virtu Ferries and Gozo Fast Ferry.
- a) Define the terms monopoly and perfect competition. (4)
 - b) Describe **TWO** characteristics of a monopoly. (4)
 - c) Describe **THREE** characteristics of perfect competition. (6)
 - d) Mention **ONE** advantage and **ONE** disadvantage of a monopoly. (4)
 - e) Describe **TWO** ways how monopolies can stop other firms from entering the market to compete with them. (4)
 - f) Why might consumers prefer perfect competition to a monopoly? (3)

(Total: 25 marks)

SECTION B: MACRO ECONOMICS

5. The global inflation shock has intensified in recent months as annual inflation rates for many of the largest economies climbed to their highest levels for years or even decades. Rapid growth in durable goods consumption has contributed to global goods shortages and supply-chain bottlenecks, recently compounded by higher energy prices.

(Source: Fitch Ratings)

- a) Define inflation. (3)
- b) What is the difference between creeping inflation and suppressed inflation? (3)
- c) In times of inflation, there are those who gain and those who lose. Classify the following into gainers **or** losers of inflation:
 - (i) Property owners who offer their houses for rent. (1)
 - (ii) Commercial banks that give out loans to the general public. (1)
 - (iii) The owner of a car rental company leasing out cars to the public. (1)
 - (iv) Parents who deposit their children’s allowance into savings accounts. (1)
 - (v) A university student who takes out a student loan to buy a laptop. (1)
 - (vi) Governments with high national debt. (1)
- d) (i) Define demand-pull inflation. (2)
- (ii) Provide **ONE** explanation why the current rise in inflation can be attributed to demand-pull inflation. (3)
- e) Evaluate **TWO** measures that can be taken to control demand-pull inflation. (4)
- f) At times of inflation wage pressures tend to rise, list **TWO** disadvantages of this occurrence. (4)

(Total: 25 marks)

6. Table 1 below shows the most recent statistics from the National Statistics Office (NSO) on the Gross domestic product and population.

Table 1

Year	Real GDP (EUR 000s)	Population (000s)
2015	9,996,700	450.4
2016	10,310,998	460.3
2017	11,500,668	475.7
2018	12,206,623	493.6
2019	12,925,893	514.6
2020	11,862,303	516.1

(Source: National Statistics Office (NSO 2020))

- a) (i) Define economic growth. (2)
- (ii) How is economic growth measured? (2)
- b) Draw a Production Possibility Curve (PPC) and show what happens when economic growth occurs. (4)
- c) From Table 1 above calculate economic growth for 2019 and 2020. (4)
- d) What do you think contributed to your result in question (c)? (3)
- e) Give **ONE** advantage and **ONE** disadvantage of economic growth. (4)
- f) The quantity and quality of labour and land are two factors that cause economic growth. Discuss **TWO** other causes of economic growth. (6)

(Total: 25 marks)

7. According to a news release by the National Statistics Office (NSO), by the end of 2020 unemployed persons stood at 11,886 (2.7 per cent) while inactive persons totalled 165,008 (37.8 per cent). The activity rate was estimated at 77.3 per cent.

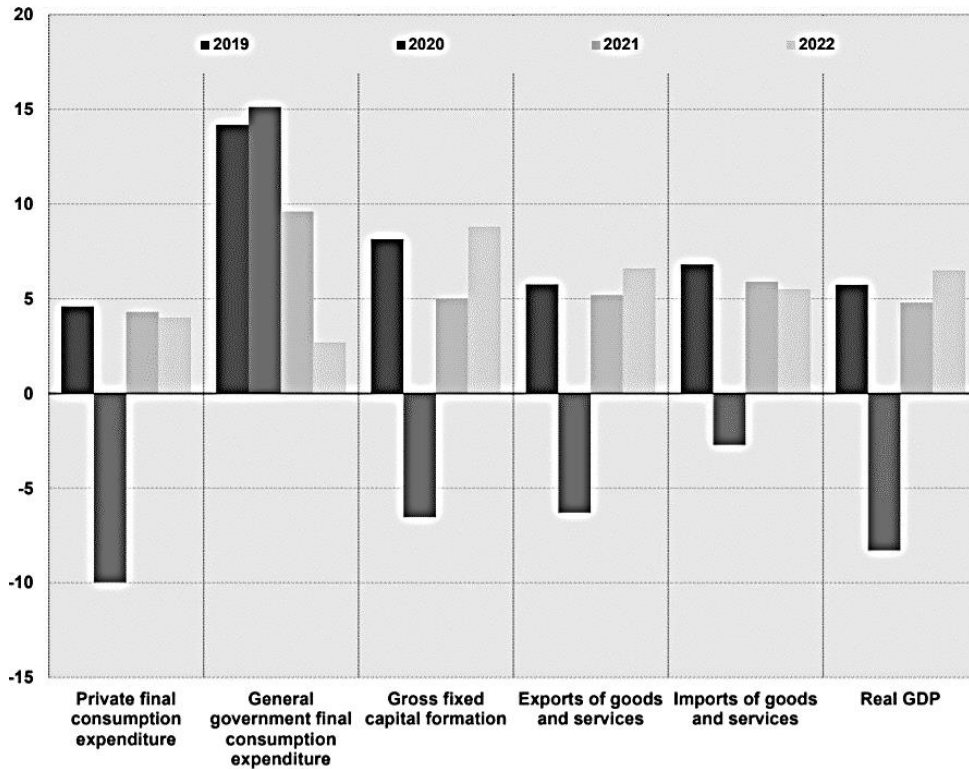
(Source: National Statistics Office, 2020)

- a) Define:
 - (i) Unemployment rate; and (2)
 - (ii) Activity rate. (2)
- b) (i) List the **TWO** data statistics that would be needed to measure the unemployment rate. (2)
- (ii) Briefly discuss **TWO** ways how government can know how many persons are unemployed. (4)
- c) Do you think the information provided to calculate the unemployment rate in (b)(i) is accurate? Give reasons for your answer. (4)
- d) Explain the differences between cyclical unemployment and structural unemployment. (4)
- e) Briefly discuss **ONE** measure to reduce cyclical unemployment. (3)
- f) Explain **ONE** disadvantage and **ONE** advantage of unemployment. (4)

(Total: 25 marks)

Please turn the page.

8. The graph below, published by the Ministry for Finance in 2021, shows the different components which calculate real GDP. Data for each component for each year is given, with the first bar showing actual figures for 2019, second bar showing actual figures for 2020, third bar showing forecasts for 2021 and the last bar showing forecasts for 2022. Adding these different expenditure components constitutes the expenditure approach of measuring GDP. All figures are shown in terms of year-on-year percentage growth rates.



(Source: Ministry for Finance, 2021)

- a) (i) Define national income. (2)
- (ii) What is national income a good indicator of? (2)
- b) Distinguish between nominal GDP and real GDP. State which of these measures should be used to compare national income over time. (3)
- c) From the graph explain what **each** component of GDP represents. (5)
- d) List and explain **TWO** other methods, apart from the expenditure approach, that are used to measure GDP. Briefly explain how these are calculated. (6)
- e) Mention **TWO** problems that are encountered when measuring GDP. (4)
- f) Discuss **ONE** possible way the government can help to improve the standard of living in Malta. (3)

(Total: 25 marks)