30 What is a likely government policy to reduce a deficit on the current account of the balance of payments?

A increasing the value of the foreign exchange rate

B increasing training for workers in export industries

C reducing subsidies to domestic export industries

D reducing tariffs on imported goods and services

Section A

Read the source material carefully before answering Question 1.

Source material: The Egyptian economy

Egypt fact file	**2022**
GDP	$469.1bn
Population	110.0m
Poverty rate	27.9%
Unemployment rate	7.2%

Egypt has always attracted tourists due to the pyramids and other ancient wonders. However, the tertiary sector is not the only source of economic growth; the primary and secondary sectors also contribute to economic growth. Egypt's exports include personal travel, oil, citrus fruits, gold and textiles.

There has been a building boom recently in Egypt. A new city is being built which requires finance, raw materials and labour. Firms are taking a big risk with this project as they are building houses before demand for them has been confirmed. If incomes fall, for example, the market for housing might be unprofitable.

Tourism is a good source of economic growth for Egypt. The country has attractions that were built thousands of years ago and natural attractions such as beautiful beaches and a warm climate. It has good infrastructure and is considered a safe and secure country which also attract tourists.

Free market reforms have encouraged more investment in Egypt. Fig. 1.1 shows investment (as a percentage of GDP) and economic growth rates in Egypt, 2015–2021.

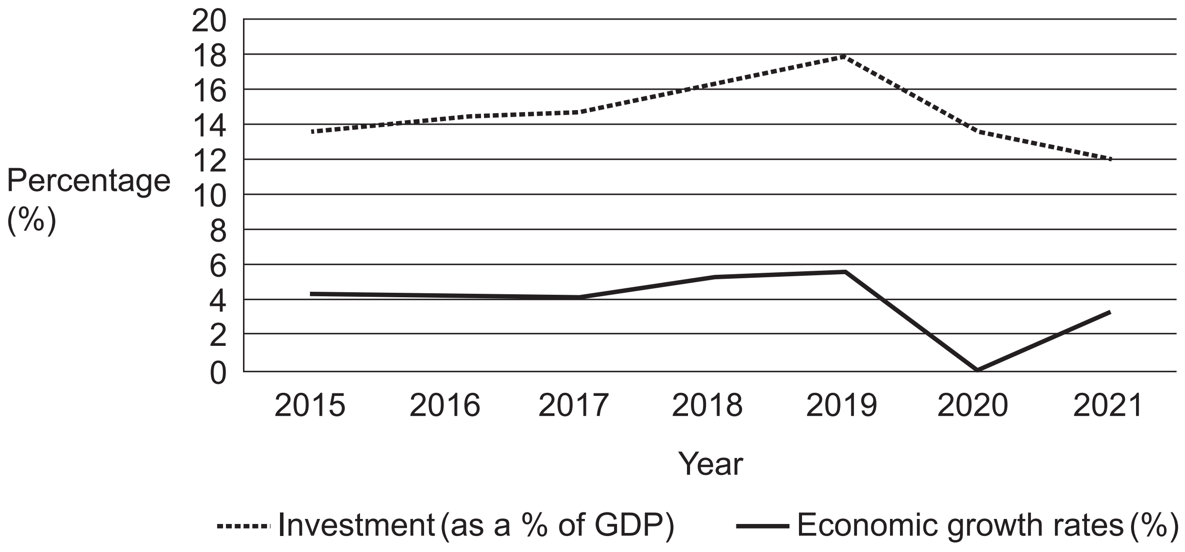

Fig. 1.1 Investment (as a % of GDP) and economic growth rates (%) in Egypt in 2015–2021

Deregulation in education has led to an increase in the number of schools and universities in Egypt. Increased opportunities for education and training will ensure future improvements in living standards. However, the opening of more private schools and universities might increase inequality as private education may remain unaffordable for some income groups.

In 2022, the Egyptian currency halved in value against the US dollar. The fall in the value of the currency affected inflation and the purchasing power of Egyptians. However, certain industries such as tourism have benefited from this as holidays in Egypt have become more affordable for non-Egyptians.

Answer all parts of Question 1. Refer to the source material in your answers.

1 **(a)** Calculate the number of people who are in poverty in Egypt. [1]

(b) Identify **two** of Egypt's primary sector exports. [2]

(c) Explain how building a new city can reduce unemployment. [2]

(d) Explain why tourism is a good source of economic growth for Egypt. [4]

(e) Draw a demand and supply diagram to show the likely effect of falling incomes on the market for housing in the new city. [4]

(f) Analyse the relationship between investment (as a % of GDP) and economic growth rates for Egypt. [5]

(g) Discuss whether or not deregulation in education in Egypt will increase living standards. [6]

(h) Discuss whether or not a fall in the value of the Egyptian currency would harm the Egyptian economy. [6]

Section B

Answer any **three** questions.

Each question is introduced by stimulus material. In your answers you may refer to the material and/or other examples you have studied.

IGCSE Economics: **w24 12**

29 The price of the US dollar in terms of other currencies is set by the forces of demand and supply.

To what does this statement refer?

A an alternative method of trade protection

B the determination of the exchange rate in a fixed exchange rate system

C the determination of the exchange rate in a floating exchange rate system

D the increasing globalisation of international trade