# 2.27 International Competitiveness: Measures and Determinants: Test Pack

Total Marks

AQA 7136 · Calculators not allowed · about 25 minutes

Name: _____ Date: ____ / ____ / _____

**Answer all questions. Full sentences are required for extended answers (questions worth 4 marks and above). No calculator is allowed. Allow approximately 25 minutes for the whole pack.**

**1** Define international competitiveness for a national economy such as the UK.

**(Total for Question 1 is 1 mark)**

**2** State one non-price determinant of competitiveness for UK exporters.

**(Total for Question 2 is 1 mark)**

**3** Analyse the effects of vocational training investment on UK competitiveness.

**(Total for Question 3 is 4 marks)**

**4** Explain why UK productivity growth affects competitiveness.

**(Total for Question 4 is 2 marks)**


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**5** Explain the link between the real exchange rate and international competitiveness for the UK.

**(Total for Question 5 is 4 marks)**

**6** Calculate and interpret a relative export price index for the UK versus a competitor.

**(Total for Question 6 is 4 marks)**


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# Mark scheme · 2.27 International Competitiveness: Measures and Determinants: Test Pack

## Question 1

a concise definition that the ability of a country to sell goods and services successfully in world markets, judged by relative price and non-price factors compared to other countries **B1**

**Answer: The ability of a country such as the UK to sell goods and services successfully in international markets, judged by relative price and non-price strengths compared with other countries.**

## Question 2

one valid non-price factor named, e.g. product quality, design, branding, after-sales service, reliability, or skilled labour **B1**

**Answer: E.g. high product quality for UK exporters.**

## Question 3

identifies that vocational training raises workers skills and productivity, lowering unit labour costs and improving price competitiveness **M1**

explains that higher skills can also improve product quality, reliability and innovation, strengthening non-price competitiveness **A1**

identifies a limitation, e.g. time lags, cost of training, possible mismatch between training and employer needs **M1**

evaluates by noting that benefits may take years to materialise and require complementary measures such as employer engagement to be effective **A1**

**Answer: Vocational training can lower unit labour costs and improve quality, helping both price and non-price competitiveness, but effects take time, require adequate funding and alignment with employer needs, and may be limited if other constraints such as poor infrastructure remain.**

## Question 4

identifies that higher productivity lowers unit labour costs per unit of output **M1**

explains that lower unit labour costs allow firms to reduce prices or increase profit margins and reinvest in quality or branding, improving competitiveness **A1**

**Answer: Higher productivity reduces unit labour costs per unit of output, enabling UK firms to lower export prices or increase margins to invest in non-price strengths like quality and design, improving competitiveness.**

## Question 5

defines the real exchange rate as the nominal exchange rate adjusted for relative price levels between countries **M1**

explains that a real depreciation makes UK goods cheaper for foreign buyers and imports more expensive for UK buyers, improving price competitiveness and encouraging substitution towards domestically produced goods **A1**

explains that a real appreciation has the opposite effect, making exports relatively more expensive and reducing price competitiveness **M1**

notes that the impact depends on price elasticities and non-price factors, so the real exchange rate is one important determinant but not the sole factor **A1**

**Answer: The real exchange rate, the nominal rate adjusted for relative prices, affects competitiveness because a real depreciation makes UK exports cheaper and imports more expensive, improving price competitiveness; a real appreciation makes the opposite change, but the overall effect depends on elasticities and non-price factors.**

## Question 6

method: relative index = (UK export price index / competitor index) x 100 **M1**

calculation: (105 / 98) x 100 = 107.142857..., awrt 107.1 **A1**

interpretation: value above 100 means UK export prices are higher than the competitor's, reducing UK price competitiveness other things equal **M1**

clear statement of magnitude: UK export prices are about 7.1% higher than Country A's **A1**

**Answer: Relative export price index = (105/98)*100 = awrt 107.1, implying UK export prices are about 7.1% higher than Country A's and so UK price competitiveness is weaker other things equal.**


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