

Kestria under pressure

Student workbook | Pearson Edexcel A level Economics A (9EC0), Theme 2 | Year 12 or 13 (A level exams in 2027 for the current Year 13) | Original TBS four-lesson data-response series

Kestria is a small, open economy of about 30 million people. For four years it grew steadily with inflation close to its 2% target. Then the world price of gas, most of which Kestria imports, more than doubled. Over four lessons you will work as an economist: read the data, explain what happened and advise on what to do next.

Lesson	Question	You will
1	How is Kestria's economy performing?	hunt through the data pack, calculate growth, price and unemployment changes, and judge which problem is most serious
2	What happened, and why?	use AD/AS diagrams and the multiplier to explain the shock, using the data as evidence
3	What are the options?	compare a monetary and a fiscal option: sort their effects, use forecasts and plot the short-run trade-off between inflation and unemployment
4	What should Kestria do?	show both options on AD/AS diagrams, plan and write an extended evaluation and check it against a success checklist

Kestria at a glance

Feature	Details
Currency	The kestar (K). "K515.4 billion" means 515.4 billion kestars.
Central bank	The Bank of Kestria. Its Monetary Policy Committee sets base rate and aims for CPI inflation of 2%.
Government	Sets taxes and government spending (fiscal policy).
Energy	Imports about 70% of the gas it uses for heating, electricity and industry.
Measures	Like the UK, Kestria measures inflation with a Consumer Prices Index (CPI) and unemployment both with a household survey (ILO definition) and with a claimant count.

Kestria, its currency, institutions, extracts and every figure are fictional and invented for teaching. They are not real statistics and do not describe any real country. You need a calculator, a pencil and a ruler. The data pack is on pages 2 to 4; each task repeats the figures it needs. This is original classroom practice, not an exam paper.

Free sample

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Contents of the full pack

Lesson 1: How is Kestria performing?

Lesson 2: What happened, and why?

Lesson 3: What are the options?

Lesson 4: What should Kestria do?

Student workbook and teacher guide, as PDF and as editable Word files.

The teacher guide has lesson plans, full worked answers and indicative guidance.

This sample is the cover and the first two pages of Lesson 1 of the student workbook. It contains no answers. The pages that follow are exactly as in the full pack.

Lesson 1: How is Kestria performing?

By the end of this lesson you can calculate and interpret growth, inflation and unemployment figures, tell a percentage change from a percentage point change, and judge which problem is most serious.

Starter: which word or measure?

Write the economic term for each description.

Description	Term
1. A sustained rise in the general price level	
2. A fall in the general price level	
3. Prices are still rising, but more slowly than before	
4. People claiming unemployment-related benefit	
5. Unemployment measured by a household survey, using the ILO definition	
6. People in part-time work who want full-time work	
7. Trade in goods and services plus income flows with other countries	

Task 1: data hunt (pairs)

Partner A answers questions 1 to 4 and Partner B answers 5 to 8, using the data pack (pages 2 to 4) only. Then swap and check. Write the answer and where you found it (Table 1 or 2, a Figure or an Extract).

Question	Answer	Where?
1. In which year was CPI inflation highest, and what was it?		
2. In how many years was CPI inflation more than 1 percentage point away from the 2% target?		
3. In which year did the level of real GDP fall?		
4. What happened to the world gas price index between Year 4 and Year 6?		
5. By how much did base rate rise between Year 4 and Year 6?		
6. What was the current account balance in Year 6? Was it a deficit or a surplus?		
7. Did the kestar appreciate or depreciate between Year 4 and Year 6? By how much?		
8. Which extract explains why firms delayed investment, and what reasons does it give?		

Task 2: calculate

Figures from Tables 1 and 2. Percentage change = (new - old) / old x 100. Give percentages to one decimal place and show your working.

Kestria	Year 4	Year 5	Year 6
Real GDP (K billion, Year 1 prices)	515.4	518.5	514.4
CPI (Year 1 = 100)	106.2	112.0	120.4
CPI inflation (% a year)	2.0	5.5	7.5
Unemployment rate, survey measure (%)	4.1	4.4	5.3
Labour force (millions)	15.9	16.0	16.0
Claimant count (thousands)	570	600	715
Part-time workers who want full-time work (thousands)	410	455	520
World gas price index (Year 4 = 100)	100	185	240

a. Calculate real GDP growth in Year 5 and in Year 6.

b. Growth in Year 5 was positive but lower than in Year 4. Did the level of real GDP fall in Year 5? Explain the difference between a fall in the level and a fall in the rate of growth.

c. Use the CPI to calculate how much the price level rose in total between Year 4 and Year 6.
