



Cambridge Pre-U

ECONOMICS

9772/01

Paper 1 Multiple Choice, Short Answers and Data Response

May/June 2023

INSERT

2 hours 30 minutes

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.



This syllabus is regulated for use in England, Wales and Northern Ireland as a Cambridge International Level 3 Pre-U Certificate.

This document has **4** pages. Any blank pages are indicated.

Case study: Counting the calories and resilience in UK hospitality

Extract 35.1: Calories on menus ‘will cost thousands of pounds’

The UK government estimates that obesity-related conditions cost the NHS £6.1 bn each year, and data shows that almost two-thirds of adults in England are overweight or obese.

One policy plan to tackle the obesity problem in England is to require restaurant, cafe and takeaway chains employing more than 250 people to provide detailed information about the calorie content of their menus. Announcing the plan, the UK Public Health Minister said the measure was intended ‘to make it as easy as possible for consumers to make healthier, informed food choices’.

There are real fears that the move will add significant extra costs to businesses. One restaurant owner with 11 outlets said, ‘making the changes will mean a significant investment, it’s thousands of pounds and weeks of work’. However, she supports the idea that people should take a greater interest in how many calories they consume when they eat out. ‘Personally, I can see the value in it, but it’ll see the end of small restaurants if they’re ever compelled to do it,’ she said.

Others argue that the nature of their restaurants will make a change like this even more costly. The Chief Executive Officer of one restaurant chain says his business only cooks with fresh produce such as those food items in the table below. ‘High Street chains may never change their menus – but ours can change between lunch and dinner,’ he explains. ‘Are we supposed to employ someone to constantly update our menus?’ Furthermore, he doesn’t believe it’s fundamentally a role restaurants should be taking on. ‘What people eat and drink is down to them,’ he says. Table 35.1 gives estimates of UK price elasticity of demand of selected food items.

Table 35.1: Estimate of UK price elasticity of demand of selected food items

Food	Price elasticity of demand
Fish	(–) 0.412
Fruit and nuts	(–) 0.632
Meat	(–) 0.568
Vegetables	(–) 0.557

Source: <https://www.ukdataservice.ac.uk> (accessed August 2021)

And: <https://www.bbc.co.uk/news> (accessed August 2021)

Extract 35.2 Hospitality Strategy: Reopening, Recovery, Resilience

In early 2020, prior to the recent pandemic, the hospitality sector faced some underlying challenges including a general decline in high street footfall. Businesses in this sector have tended to operate on very small profit margins and with low cash holdings, partly due to a high level of fixed costs. As a result, hospitality businesses are more vulnerable to income disruption than other parts of the UK economy.

Following the 2007–2008 global financial crisis, the hospitality sector was resilient and recovered relatively quickly. However, the nature of the pandemic and the measures needed to contain it had an even greater impact on profits in the hospitality sector. This trend is reflected in Fig. 35.1.

While the unprecedented circumstances posed by the pandemic have presented the sector with

many challenges, they have also highlighted its adaptability and capacity for innovation. Hospitality businesses have been incredibly resilient, adjusting their operations in numerous ways. This includes varied pricing policies, providing takeaway meals and embracing new technology and marketing strategies. Cutting costs has also been key, with many outlets reducing their range of meals offered as well as their staffing levels, as reflected in Fig. 35.1. This adaptability offers a blueprint for the future and gives hope that the businesses that have survived the pandemic will emerge stronger than before. 40

The graph below shows job vacancies in accommodation and food service activities (AFSA), and all vacancies, between Q1 2020 and Q1 2021. 45

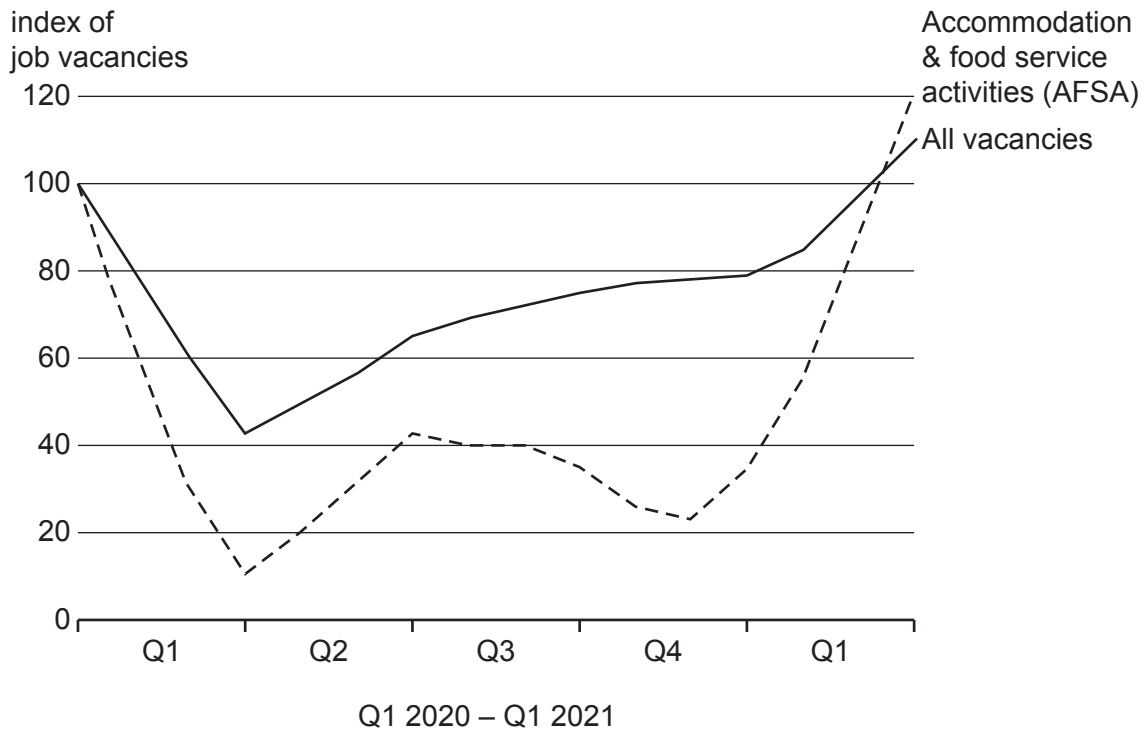


Fig. 35.1: Job vacancies in accommodation and food service activities, and all vacancies, between Q1 2020 and Q1 2021
Q1 2020: index value = 100

*Source: Office for National Statistics 2021
 And: Hospitality Strategy: Reopening, Recovery, Resilience. DBEIS 2021*

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