GradeMax

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International Advanced Level

Wednesday 14 May 2025

Afternoon (Time: 1 hour 45 minutes)

Paper reference **WEC12/01**

Economics

International Advanced Subsidiary
UNIT 2: Macroeconomic performance and policy

You must have:
Source Booklet (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **ALL** questions in Sections A, B and C.
- Answer **ONE** question in Section D.
- Answer the questions in the spaces provided – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.

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SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 Which **one** of the following is a withdrawal from the circular flow of income?

☒ **A** Exports

☒ **B** Savings

☒ **C** Investment

☒ **D** Consumption

(Total for Question 1 = 1 mark)

2 Between November 2023 and December 2023, Thailand's private sector investment decreased by 10.2%.

Which **one** of the following was the most likely cause of this decrease in investment?

☒ **A** An increase in the availability of credit

☒ **B** A decrease in the tax on company profits

☒ **C** A decrease in business confidence

☒ **D** An increase in the rate of economic growth

(Total for Question 2 = 1 mark)

3 In France the marginal propensity to consume was estimated to be 0.21 in January 2023.

Based on this estimate, which **one** of the following was the value of the multiplier for France?

☒ **A** 0.04

☒ **B** 0.79

☒ **C** 1.27

☒ **D** 4.76

(Total for Question 3 = 1 mark)

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4 In 2023 the European Central Bank decided to end its quantitative easing programme.

Ceteris paribus, which **one** of the following is the most likely effect of this decision?

- ☒ **A** An increase in the rate of corporation tax
- ☒ **B** A decrease in the rate of unemployment
- ☒ **C** An increase in the rate of economic growth
- ☒ **D** A decrease in the rate of inflation

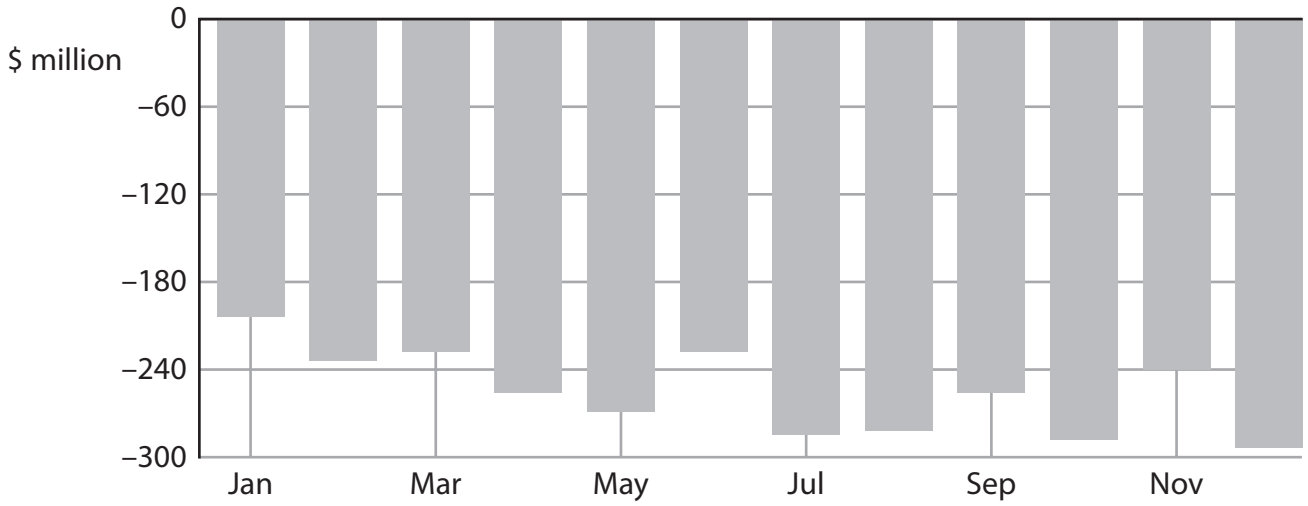
(Total for Question 4 = 1 mark)

5 Which **one** of the following describes how unemployment is measured using the International Labour Organization (ILO) definition?

- ☒ **A** When a person has been actively seeking work in the past four weeks and is available to start work in the next two weeks
- ☒ **B** When a person has been actively seeking work in the past four months and is available to start work in the next two months
- ☒ **C** When a person has been actively seeking work in the past two months and is available to start work in the next four months
- ☒ **D** When a person has been actively seeking work in the past two weeks and is available to start work in the next four weeks

(Total for Question 5 = 1 mark)

6 The chart shows Maldives' net monthly balance of trade in goods and services, January 2023 to December 2023.



Which **one** of the following is the most likely cause of the worsening in Maldives' balance of trade in goods and services?

☒ **A** A low rate of inflation relative to its trading partners

☒ **B** A fall in the real incomes of the citizens of Maldives

☒ **C** A decrease in the external value of Maldives' currency

☒ **D** A deterioration in the quality of Maldives' goods and services

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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SECTION B

Answer ALL questions in this section in the spaces provided.

7 In 2023 Macau's rate of economic growth was the highest in the world. Its annual percentage increase in real GDP was 80.5%.

With reference to this information, explain **one** benefit of economic growth.

(Total for Question 7 = 4 marks)

8 In 2023 Ghana experienced a negative output gap.

Draw a Keynesian AS/AD diagram to illustrate a negative output gap.

(Total for Question 8 = 4 marks)

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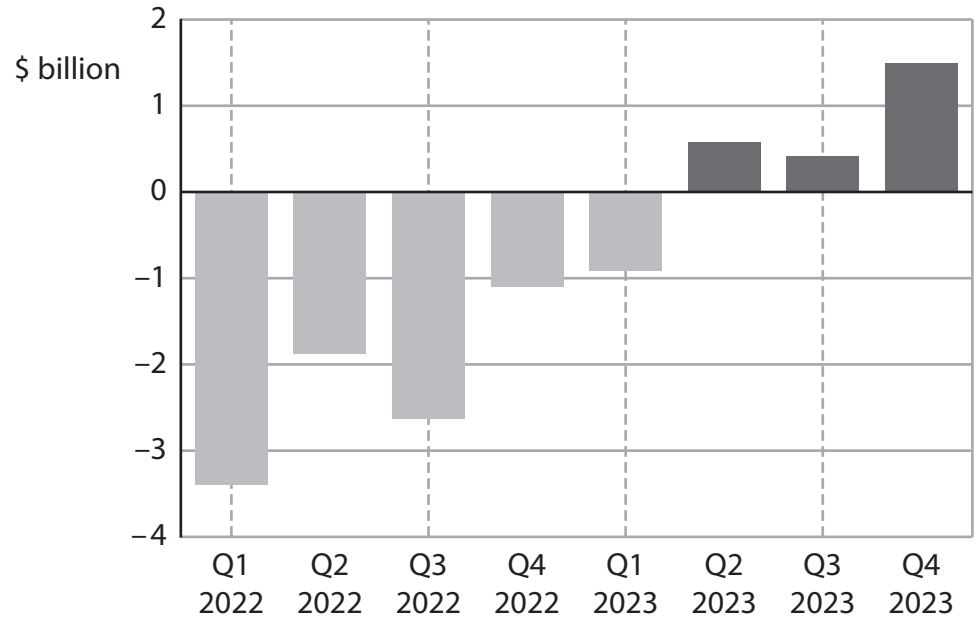
9 The table shows the population and GDP per capita of Nepal in 2013 and 2023.

	Population (millions)	GDP per capita ($)
2013	27.4	809.4
2023	30.9	1 350.0

Based on this information, calculate the *change* in Nepal's GDP between 2013 and 2023. Show your workings.

(Total for Question 9 = 4 marks)

10 The chart shows Peru's current account of the balance of payments between quarter 1 (Q1) 2022 and quarter 4 (Q4) 2023.



With reference to the chart, explain the difference between a current account deficit and a current account surplus.

(Total for Question 10 = 4 marks)

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11 In 2024 air fryers and rice cakes were added to the UK's consumer price index (CPI) basket of goods and services. At the same time, hand hygiene gel and sofa beds were removed from this basket.

Explain **one** reason why it is necessary to regularly update the CPI basket of goods and services.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

SECTION C

Study Figure 1, Extract A and Extract B in the Source Booklet before answering Question 12.

Write your answers in the spaces provided on the following pages.

12 (a) Define the term 'inflation'.

(2)

(b) With reference to Figure 1 and the first paragraph of Extract A, examine **two** causes of the relatively high rate of inflation in the USA.

(8)

(c) With reference to the third paragraph of Extract A, explain the term 'rate of unemployment'.

(4)

(d) With reference to the first paragraph of Extract B, analyse **two** reasons why the USA's rate of economic growth increased in 2023.

(6)

(e) With reference to the information provided and your own knowledge, discuss the likely macroeconomic effects of the increase in the base rate of interest on the US economy.

(14)

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12 (a) Define the term 'inflation'.

(2)

(b) With reference to Figure 1 and the first paragraph of Extract A, examine **two** causes of the relatively high rate of inflation in the USA.

(8)

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(c) With reference to the third paragraph of Extract A, explain the term 'rate of unemployment'.

(4)

(d) With reference to the first paragraph of Extract B, analyse **two** reasons why the USA's rate of economic growth increased in 2023.

(6)

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(e) With reference to the information provided and your own knowledge, discuss the likely macroeconomic effects of the increase in the base rate of interest on the US economy.

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(Total for Question 12 = 34 marks)

TOTAL FOR SECTION C = 34 MARKS

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SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

13 Between July 2023 and January 2024 the rate of employment in Colombia decreased from 58.6% to 55.3%.

Evaluate supply-side policies that could be used to increase the rate of employment. Refer to a country of your choice in your answer.

(Total for Question 13 = 20 marks)

OR

14 In 2022 nominal GDP was $5 billion for Fiji, $477 billion for Egypt and $3 385 billion for India.

Evaluate the limitations of using GDP data to compare living standards between countries. Refer to countries of your choice in your answer.

(Total for Question 14 = 20 marks)

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Indicate which question you are answering by marking a cross in the box ☒. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

Chosen question number: **Question 13** ☒ **Question 14** ☒

Write your answer here:

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TOTAL FOR SECTION D = 20 MARKS
TOTAL FOR PAPER = 80 MARKS

GradeMax

Pearson Edexcel International Advanced Level

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Economics

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Source Booklet

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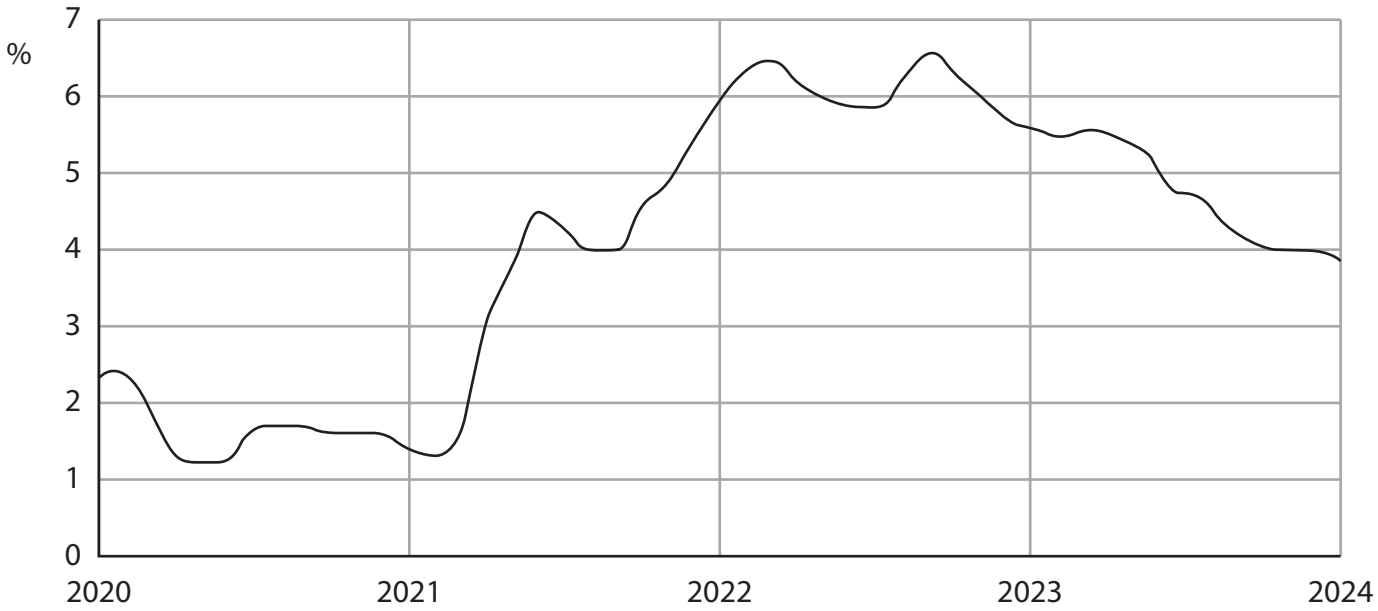
Sources for use with Section C

The US economy

Figure 1 Annual rate of inflation*, as measured by the consumer price index (CPI), January 2020 to December 2023



*This is the year-on-year inflation rate calculated monthly.

Extract A Rate of inflation

Between 2021 and 2023 the US economy experienced a relatively high rate of inflation. The main causes of this were:

- disruptions to the supply chain as a result of the global health crisis of 2020–2022
- rising global prices of energy and food in 2021–2022
- high wage growth in 2022–2023.

The country's central bank, the Federal Reserve (Fed), forecast that the rate of inflation would return to the inflation target of 2% in 2024. It indicated that energy prices and food prices had started to fall. It expected slower wage growth as the rate of inflation decreased.

The Fed believed that the rate of inflation would fall without causing a significant rise in the rate of unemployment. It forecast that the rate of unemployment would average 4% in 2024, a little higher than the 50-year low of 3.6% in 2023.

Extract B Economic growth

The USA's rate of economic growth increased from 1.9% in 2022 to 2.5% in 2023. High consumer spending on services, such as hotels and travel, was the major factor that contributed to economic growth. Government policy also played an important role in increasing the growth rate. The US Government spent $1 trillion on infrastructure projects including the building of roads, airports and bridges. These projects resulted in the creation of new jobs.

Economists forecast that the rate of increase in economic growth was likely to slow down in 2024. This is because there had been a series of interest rate increases by the Fed. This resulted in the country's base rate of interest increasing from 0.25% in March 2022 to a record high of 5.5% in July 2023. In addition, consumers in the USA were relying more on credit cards to finance their spending. It was predicted that more consumers would find it difficult to pay interest on their mortgages, car loans and credit cards. Consumers were also struggling to finance the rising costs of car insurance, medical care and childcare.

Although some economists expected a recession in 2024, many were optimistic that the US economy would stabilise without causing any major job losses.

Acknowledgements

Figure 1 adapted from: https://tradingeconomics.com/united-states/core-inflation-rate

Extract A adapted from: FT, https://www.ft.com/content/d413fffb-77bd-4aa1-a02c-c07c7860fbc7

Extract B adapted from: WP, https://www.washingtonpost.com/business/2024/01/25/gdp-2023-economy-boom/