GradeMax

Pearson

Mark Scheme (Results)

January 2026

Pearson Edexcel in International A Level in Economics
WEC12/01

GradeMax

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January 2026
Question Paper Log Number P79139A
Publication Code WEC12_01_2601_MS
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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

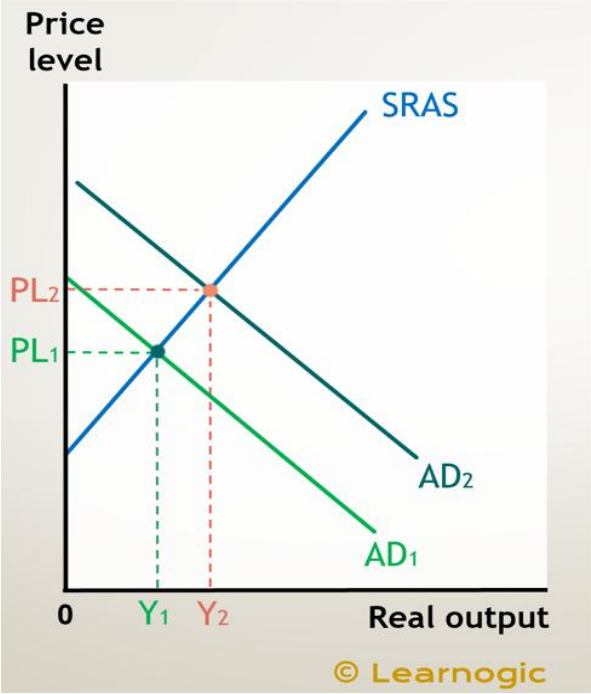
Section A

Question	Quantitative skills assessed	Answer	Mark
1	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** **A** is not correct because this occurs when people are between jobs **C** is not correct because this is where people leave the country **D** is not correct because these people are not working	**(1)**
2	**QS1:** Calculate, use and understand ratios and fractions **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** **B** is not correct because this would increase the value of the multiplier **C** is not correct because this would increase the value of the multiplier **D** is not correct because this would increase the value of the multiplier	**(1)**
3	**QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** **A** is not correct because there would have been a fall in AD as consumption falls as a proportion of GNI **C** is not correct because net injections would have fallen as a proportion of GNI because savings are a withdrawal **D** is not correct because this would not have affected cost-push inflation	**(1)**
4	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** **A** is not correct as the government is unlikely to stimulate AD if exports increase **B** is not correct because this is unlikely to affect productivity **D** is not correct because employment is likely to rise	**(1)**
5	**QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** **A** is not correct because an increase in income tax rates is likely to reduce C, reducing AD **B** is not correct because a rise in imports reduces x-m, reducing AD **C** is not correct because an increase in interest rates is likely to increase savings, reducing AD	**(1)**

6	**QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **QS10**: Distinguish between changes in the level of a variable, and the rate of change	**The only correct answer is D** **A** is not correct as this is likely to reduce the standard of living **B** is not correct as the central bank is unlikely to decrease the base rate of interest **C** is not correct because the level of frictional unemployment is unlikely to be affected	**(1)**

Section B

Question	With reference to the information above, explain **one** disadvantage of a negative output gap.	Mark
7	**Knowledge 1, Analysis 2, Application 1** **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and Analysis** 1 mark for identification of one disadvantage and up to 2 marks for linked analysis: • Increase in unemployment/lower employment **(K)** leads to lower incomes **(AN)** and therefore lower demand for goods and services **(AN)** • Lower real incomes **(K)** leads to lower consumer spending **(AN)** and fall in rate of economic growth/fall in real GDP **(AN)** • Fall in investment **(K)** as businesses delay or reduce investment due to weak demand **(AN**) causing a fall in productive potential **(AN)** • Fall in tax revenue **(K)** as there are lower incomes and spending **(AN)** therefore reducing the level of government spending **(AN)** • Deflationary pressures. **(K)** Weak consumption can cause AD to shift inwards **(AN)** leading to a fall in the price level **(AN)** • Lower consumer/business confidence **(K)** leads to economic uncertainty discouraging spending and investment **(AN)** causing a downturn in the economy **(AN)** **Application** 1 mark for appropriate use of the data • In January 2025 manufacturing output fell for the seventh consecutive month in Mexico **(AP)**	**(4)**

Question	Draw an SRAS and AD diagram to show the likely effect of this increase in house prices on the price level and real output in Japan.	Mark
8	**Knowledge 1, Application 3** **Quantitative skills assessed:** **QS4:** Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms  **Knowledge** Correctly drawn AD and SRAS curves with correctly labelled axes **(1)** **Application** Up to 3 marks for the following information included on the diagram: • Drawing AD shifted to the right **(1)** • New equilibrium showing correct higher price level (not rewarded if 'price' is used on y-axis) **(1)** • New equilibrium showing correct higher real output/ income/GDP (not to be rewarded if 'quantity' is used on x-axis) **(1)**	**(4)**

Question	Calculate the final increase in GDP resulting from this new $3.9 billion investment. Show your workings.	Mark
9	**Knowledge 1, Application 3** **Quantitative skills assessed:** **QS1:** Calculate, use and understand ratios and fractions **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** 1 mark for knowledge of multiplier formula • 1/1-MPC or 1/MPW, where MPW = MPS + MPT + MPM **Application** • Calculation of the multiplier = 1/1-MPC = 1/0.1 **(1)** = 10 **(1)** • Calculation of final increase in GDP = $3.9 billion x 10 = $39 billion **(1)** **NB If the correct answer is given ($39 000 000 000 or $39bn), award full marks regardless of working** **NB If billion is omitted, then award a maximum of 3 marks**	**(4)**

Question	With reference to the chart, explain the difference between a balance of trade deficit and a balance of trade surplus.	Mark
10	**Knowledge 2, Application 2** **Quantitative skills assessed:** **QS4:** Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** 1 mark for defining a balance of trade deficit e.g.: • When the value of a country's imports exceeds the value of its exports/(M>X)/imports>exports/net exports are negative **(1)** 1 mark for defining balance of trade surplus, e.g.: • When the value of a country's exports exceeds the value of its imports/(X>M)/exports>imports/net exports are positive **(1)** **Application** 1 mark for applying to a balance of trade surplus and 1 mark for applying to a balance of trade deficit, e.g.: • Between 2013 and 2020 Hungary had a balance of a trade surplus/Hungary had a balance of trade surplus in 2023 **(1)** • Between 2021 and 2022 Hungary had a balance of trade deficit/Hungary had a balance of a trade deficit in 2022 **(1)**	**(4)**

Question	With reference to the table, explain **one** limitation of using real GNI per capita to compare living standards between countries.	Mark
11	**Knowledge 1, Analysis 2, Application 1** **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and Analysis** 1 mark for identification of one limitation and up to 2 marks for linked analysis: • Income distribution is ignored **(K)** as real GNI does not reflect income inequality within a country **(AN)** therefore it may not be useful when measuring the extent of inequality in a country **(AN)** • Non-market activities excluded. **(K)** Unpaid work and the informal sector are not captured in real GNI **(AN)** therefore it may understate the level of economic growth **(AN)** • Real GNI does not measure access to healthcare, education or infrastructure **(K)** so it does not measure the quality of public services **(AN)** and therefore is not a good indicator of a country's level of development **(AN)** • Composition of real GNI will differ between countries. **(K)** Some may spend a higher proportion on defence than others **(AN)** and this may not materially benefit the population **(AN)** • Environmental costs are ignored **(K)** as real GNI does not account for e.g. pollution **(AN)** which has a negative impact on the health of citizens **(AN)** • Subject to data inaccuracies. **(K)** Real GNI figures can be misreported or estimated inaccurately **(AN)** affecting reliability **(AN)** **Application** 1 mark for appropriate use of the table, e.g.: • Norway has the highest real GNI/its real GNI was $118 640 per capita **(1)** • Ethiopia had the lowest real GNI/its real GNI was $2 870 per capita **(1)**	**(4)**

Section C

Question	Define the term 'fiscal policy'.	Mark
12 (a)	**Knowledge 2** • Reference to taxation **and** government spending **(1)** • Set by the government as a means of influencing AD/the level of economic activity/macroeconomic objectives/it is a demand-side policy **(1)**	**(2)**

Question	With reference to Extract A, explain the term 'net investment'.	Mark
12 (b)	**Knowledge 2, Application 2** **Quantitative Skill Assessed** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** Up to 2 marks for defining net investment: • The amount spent on capital goods **(1)** minus the cost of replacing depreciated capital/depreciation **(1)**/ Net investment = gross investment **(1)** – depreciation **(1)**/ Additions to the capital stock **(2)** **Application** Up to 2 marks for reference to Extract A: • Net investment in the oil industry has increased **(1)** by $3 billion **(1)**	**(4)**

Question	With reference to Extract A, analyse the likely impact of the increase in oil production on Guyana's balance of trade.	Mark
12(c)	**Knowledge 2, Application 2, Analysis 2** **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge** 1 mark for definition of balance of trade • Value of exports – value of imports/(X-M)/exports-imports **(1)** 1 mark for the impact on the balance of trade • Balance of trade will improve/deficit will decrease/surplus will increase **(1)** **Analysis** Up to 2 analysis marks for linked development: • Exports of oil have increased **(1)** which means that the value of X has increased in (X-M) **(1)** **Application** Up to 2 marks for reference to Extract A, (1+1) e.g.: • Real GDP grew by 43.6% **(1)** • The economic growth was mainly driven by a 57.7% increase in the oil and gas sector **(1)** • Oil production increased to an average of 616 000 barrels per day **(1)** • In 2024 Guyana became Latin America's fifth-largest crude oil exporter **(1)**	**(6)**

Question	With reference to Figure 1 and Extract B, examine **two** effects of the rise in real GDP per capita on the economy of Guyana.	Mark
12 (d)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Quantitative Skill Assessed** **QS4:** Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and Analysis** Up to 1 knowledge mark for identifying an effect and 1 analysis mark for linked development of each effect, e.g.: • Falling unemployment/rising employment **(K)** leading to an increase in incomes **(AN)** • Rising wages **(K)** lead to an increase in consumption (AN) • Higher tax revenue **(K**) which means that there is more money available for government spending **(AN)** **Application** 1 mark for reference to Figure 1, e.g.: • Real GDP per capita rose in 2023 to $20 360/real GDP per capita rose by approximately $18 000 **(1)** **and** 1 mark for reference to Extract B, e.g.: • Rate of unemployment from 15.6% in 2021 to 13.5% in 2024/2.1 percentage points **(1)** • Construction grew by 30.8%/services grew by 7.4% **(1)** • Many jobs were created across various sectors **(1)** **Evaluation** Up to 2 marks for evaluative comments (1+1 or 2+0), e.g.: • Inflation pressures **(1)** because higher incomes lead to an increase in consumption/AD **(1)** **NB This could be a K/AN point** • Food prices increased by 5.6% in 2024. **(1)** This offsets the higher wages/this is higher than the rate of inflation of 2.9% /causes a decrease in standards of living **(1)** • The average standard of living is relatively low **(1)** and there is a high level of income inequality **(1)** • The rate of unemployment is still relatively high **(1)** • An increase in imports **(1)** leading to a deterioration in the balance of trade/current account **(1)** **NB Candidates may use positive effects of a rise in real GDP per capita as KAA and negative effects as EV (and vice-versa)**	**(8)**

Question	With reference to Extract C and your own knowledge, discuss the likely effects of the increased spending on infrastructure on the economy of Guyana.
12(e)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge, Application and Analysis (8 marks) – indicative content** Use of Extract C • Identification that the Government of Guyana is undertaking supply-side policies • It has significantly increased its infrastructure spending, allocating $245 billion to 4 500 projects • $204 billion was allocated for roads and bridges • $204 billion was allocated for roads and bridges across Guyana. This enables goods to be produced more efficiently • 'Encouragement of further investment by the private sector' increases investment, causing an outward shift in LRAS and AD and increases the rate of economic growth. Reward correctly labelled diagram showing rightward shifts of AD and/or LRAS curves • Job creation reduces unemployment, increasing standards of living/reducing high poverty levels • Goods can be distributed more efficiently so there is an 'increase capacity to meet future demand'. This increases the productive potential of the economy, shifting LRAS to the right • Multiplier effects may lead to further rounds of consumption/investment, boosting the economy further • Increased production would increase real GDP per capita • Increase in geographical mobility **NB Candidates may use positive effects as KAA and negative effects as EV (and vice-versa)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident, but they may not be developed fully, or some stages are omitted.
Level 3	7–8	Demonstrates an accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (6 marks) – indicative content • Low wages may prevent consumption from rising, limiting the increase in real GDP • Income inequality may rise if the incomes of the highest earners rise faster than the incomes of low wage earners • A time lag may limit the benefits from arising in the short-run • Infrastructure spending may cause an opportunity cost for other sectors of the economy e.g. health and education • If confidence is low in the economy, multiplier effects may be limited so economic growth may be slow • The benefits of this government expenditure would only increase the profits of a few businesses • Government spending may increase relative to tax revenues • There may be a negative impact on the environment such as increased air and noise pollution and congestion • Increased immigration which may put increased pressure on social infrastructure such as housing, schools and healthcare

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section D

Question	In Ireland real GDP decreased by 1.9% in the second quarter and decreased by 0.7% in the third quarter of 2023. Evaluate the disadvantages of a recession on the macroeconomy of a country.
13	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge, Application and Analysis (12 marks) – indicative content** • Lower living standards. Consumers face reduced disposable income, limiting their ability to purchase goods and services, leading to a decline in overall well-being • A higher rate of unemployment. Businesses reduce their workforce due to lower demand, leading to job losses and increased reliance on social welfare • Decreased profits of businesses. Businesses suffer from lower consumer spending and reduced revenues, forcing some to close or downsize • Lower levels of investment. Economic uncertainty discourages both domestic and foreign investment, reducing long-term economic growth potential • Falling tax revenues. With lower employment and profits, a government collects less tax, leading to budget deficits and potential spending cuts • Deterioration of public services. Reduced tax revenues force a government to cut its spending on healthcare, education, and infrastructure, impacting social welfare • Increased income inequality resulting from a higher rate of unemployment which may cause social unrest • Negative multiplier effect. Reduced investment may lead to further declines in aggregate demand, reinforcing the recession and delaying recovery **NB Award a maximum of Level 3 for answers with no reference to a country in their answer**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident, but they may not be developed fully, or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content • Falling AD may reduce the rate of inflation. This may improve affordability, especially for those on a fixed income • A lower rate of inflation might increase demand for the country's exports leading to an improvement in the balance of trade/current account • A fall in output may benefit the environment as less pollution is created • The level of inequality may reduce as business profits fall and the incomes of the highest earners decrease • If demand for imports falls, the trade balance may also improve • The size of the recession will impact the significance of the effect • The length of recession: if it is short the impact may not be as significant

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	In March 2024 the Central Bank of Egypt increased its base rate of interest from 21.25% to 27.25%. Evaluate the use of monetary policy as a means of controlling inflation. Refer to a country of your choice in your answer.
14	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge, Application and Analysis (12 marks) – indicative content** • Interest rates: a central bank can raise interest rates to make borrowing more expensive and saving more attractive, reducing consumer spending and investment, thereby lowering inflationary pressures • Higher interest rates are likely to cause an increase in the value of the currency so reducing the price of imports and therefore lowering inflationary pressures • Changes in lending criteria: stricter lending requirements (e.g. higher credit standards) can limit excessive borrowing, reducing demand pull inflation • Reserve asset (liquidity) requirements: raising the reserve requirement forces banks to hold more cash rather than lending it out, reducing money supply and the rate of inflation **NB Award a maximum of Level 3 for answers with no reference to a country in their answer**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
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Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content • Time lags: changes in interest rates and other monetary tools take time to affect the economy, meaning inflation may persist before the full impact of monetary policy is felt • Size of the change in interest rates e.g. in Egypt a 6 percentage point rise is likely to be quite significant • Demand-side focus: monetary policy primarily targets demand-pull inflation (excess demand), but it is less effective against cost-push inflation • Other influences: external factors such as supply chain disruptions, commodity price surges or geopolitical events can drive inflation beyond the control of domestic monetary policy • Consumer and business confidence: if confidence is low, households and businesses may not respond to changes in monetary policy, reducing its impact on inflation • Fiscal policy, in combination with monetary policy, may be more effective in reducing the rate of inflation • Unintended consequences in the use of monetary policy e.g. on other macroeconomic objectives: rising unemployment, slower economic growth/on the financial system

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.