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

Tuesday 13 January 2026

Morning (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 In December 2024 the total number of workers in Germany who would like to work more hours reached 3 581 000.

This is an example of which **one** of the following?

☒ **A** Frictional unemployment

☒ **B** Underemployment

☒ **C** Emigration

☒ **D** Economic inactivity

(Total for Question 1 = 1 mark)

2 In 2024 Japan experienced a fall in the value of its multiplier.

Which **one** of the following is most likely to have caused this fall?

☒ **A** An increase in the marginal propensity to import

☒ **B** An increase in the marginal propensity to export

☒ **C** A decrease in the marginal propensity to save

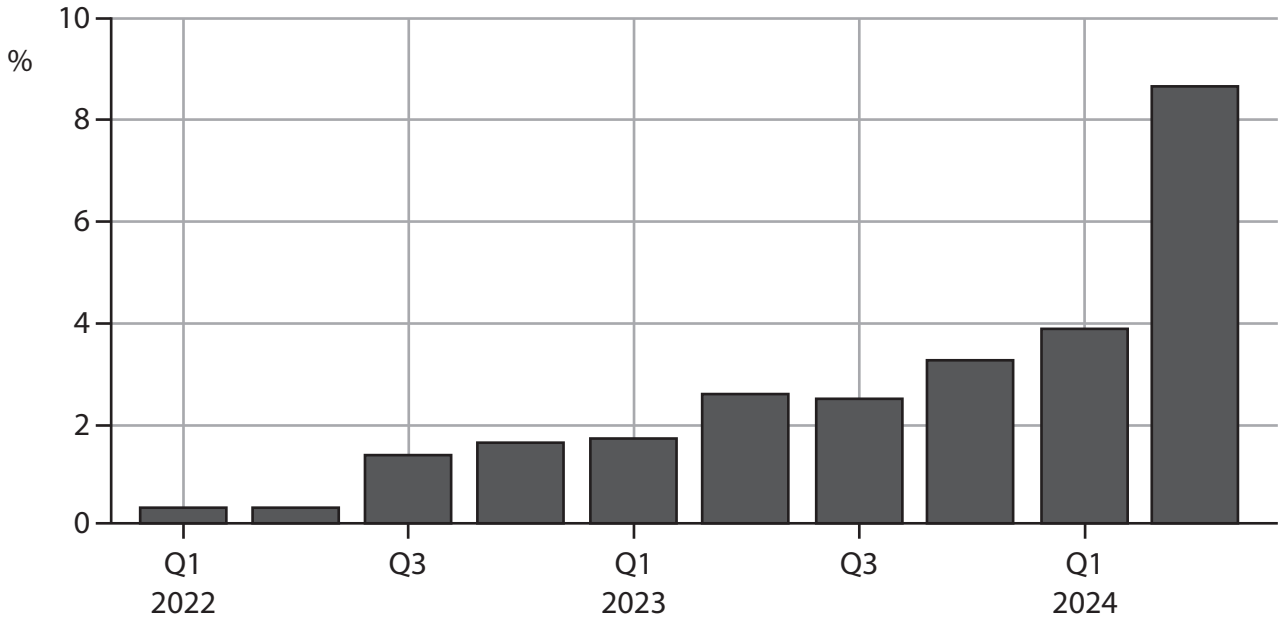
☒ **D** A decrease in the marginal propensity to tax

(Total for Question 2 = 1 mark)

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3 The chart shows Poland's savings ratio as a proportion of GNI between Q1, 2022 and Q2, 2024.



Ceteris paribus, which **one** of the following would have been the most likely effect of this change on the economy of Poland?

- ☒ **A** There would have been a rise in aggregate demand as a proportion of GNI
- ☒ **B** There would have been a fall in consumption as a proportion of GNI
- ☒ **C** Net injections would have risen as a proportion of GNI
- ☒ **D** Cost-push inflation would have fallen

(Total for Question 3 = 1 mark)

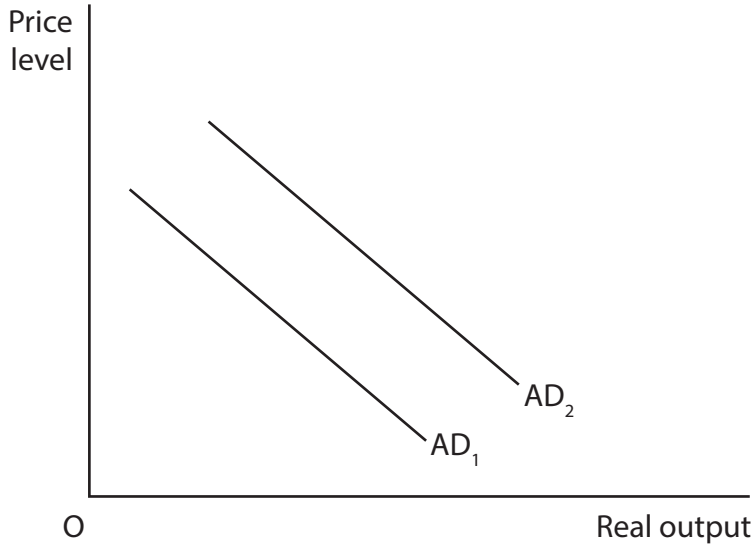
4 In December 2020 the euro to US dollar foreign exchange rate was €1 = $1.20. In February 2024 this rate changed to €1 = $1.05.

Ceteris paribus, which **one** of the following is the most likely effect of this change on the eurozone countries?

- ☒ **A** An increase in government spending
- ☒ **B** An increase in productivity
- ☒ **C** An increase in exports
- ☒ **D** An increase in the unemployment rate

(Total for Question 4 = 1 mark)

5 The diagram shows a country's aggregate demand curves.



With reference to the diagram, which **one** of the following is most likely to cause AD_1 to shift to AD_2?

☒ **A** An increase in income tax rates

☒ **B** An increase in imports

☒ **C** An increase in interest rates

☒ **D** An increase in business confidence

(Total for Question 5 = 1 mark)

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6 The table shows the annual percentage change in India's producer (wholesale) price index.

Date	Annual percentage change in the producer price index (%)
June 2023	–4.18
June 2024	3.43

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

☒ **A** The standard of living will increase

☒ **B** The central bank will decrease the base rate of interest

☒ **C** Frictional unemployment will decrease

☒ **D** The consumer price index will increase

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

SECTION B

Answer ALL questions in this section in the spaces provided.

7 In January 2025 manufacturing output fell for the seventh consecutive month in Mexico. This caused an increase in the negative output gap of Mexico.

With reference to the information above, explain **one** disadvantage of a negative output gap.

(Total for Question 7 = 4 marks)

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8 In Japan there was an 8.4% increase in average house prices during 2024. This resulted in the wealth effect.

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.

(Total for Question 8 = 4 marks)

9 In January 2025 the Government of Canada announced a $3.9 billion investment in a new high-speed rail network connecting Toronto to Quebec City.

It is estimated that the marginal propensity to consume in Canada is 0.9.

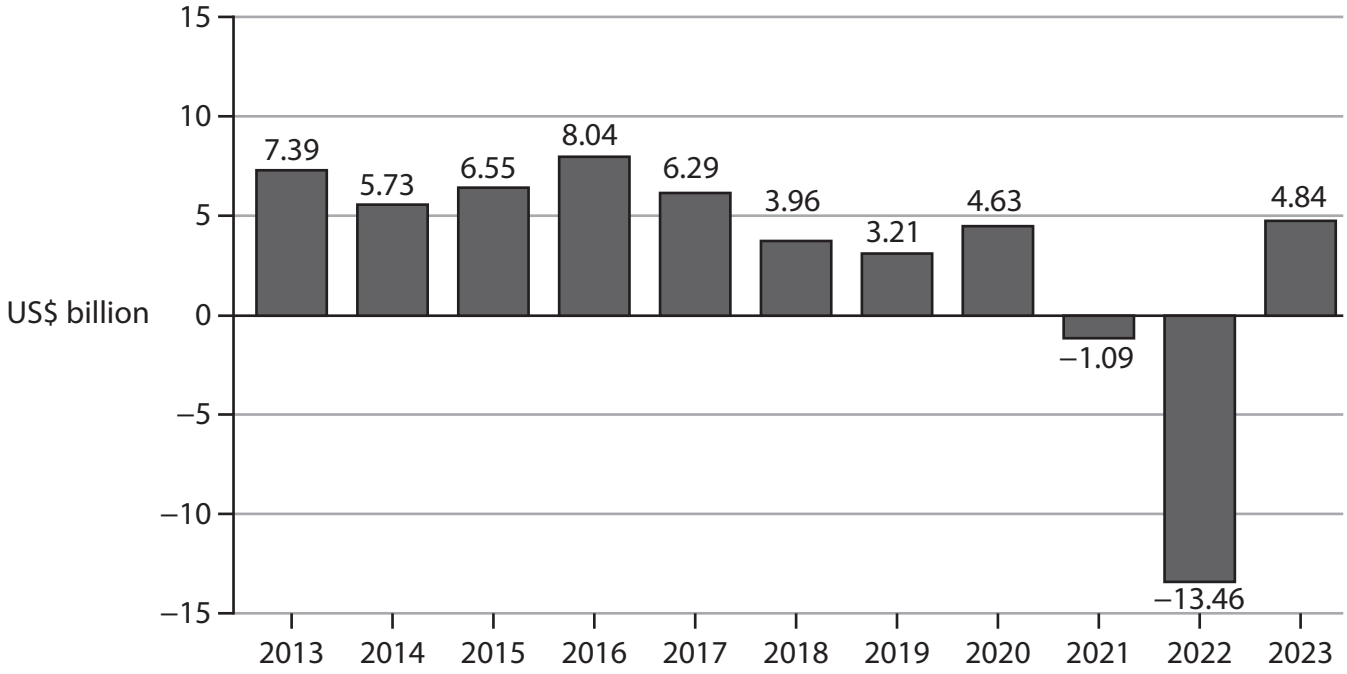
Calculate the final increase in GDP resulting from this new $3.9 billion investment. Show your workings.

(Total for Question 9 = 4 marks)

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10 The chart shows the balance of trade for Hungary in US$ billion from 2013 to 2023.



(Source: adapted from https://www.statista.com/statistics/339849/trade-balance-of-hungary/)

With reference to the chart, explain the difference between a balance of trade deficit and a balance of trade surplus.

(Total for Question 10 = 4 marks)

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11 The table shows the real GNI per capita **($)** for selected countries in 2022.

Country	**Real GNI per capita** ($)
Norway	118 640
India	8 230
Ethiopia	2 870

With reference to the table, explain **one** limitation of using real GNI per capita to compare living standards between countries.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

SECTION C

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

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

12 (a) Define the term 'fiscal policy' (Extract C).

(2)

(b) With reference to Extract A, line 7, explain the term 'net investment'.

(4)

(c) With reference to Extract A, analyse the likely impact of the increase in oil production on Guyana's balance of trade.

(6)

(d) With reference to Figure 1 and Extract B, examine **two** effects of the rise in real GDP per capita on the economy of Guyana.

(8)

(e) With reference to Extract C and your own knowledge, discuss the likely effects of the increased spending on infrastructure on the economy of Guyana.

(14)

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12 (a) Define the term 'fiscal policy' (Extract C).

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(c) With reference to Extract A, analyse the likely impact of the increase in oil production on Guyana's balance of trade.

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(d) With reference to Figure 1 and Extract B, examine **two** effects of the rise in real GDP per capita on the economy of Guyana.

(8)

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(e) With reference to Extract C and your own knowledge, discuss the likely effects of the increased spending on infrastructure on the economy of Guyana.

(14)

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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 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.

(Total for Question 13 = 20 marks)

OR

14 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.

(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

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UNIT 2: Macroeconomic performance and policy

Source Booklet

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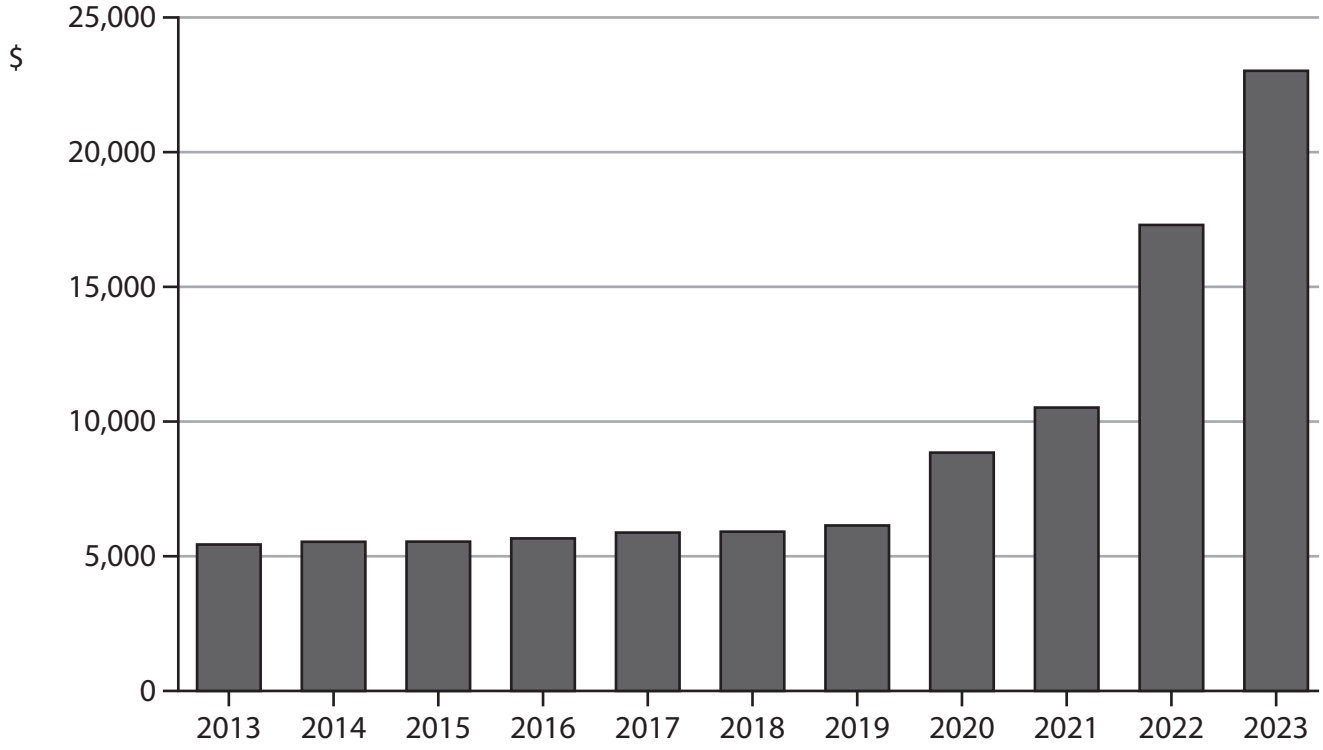
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Sources for use with Section C

The economy of Guyana

Figure 1 Gross Domestic Product per capita ($), 2013 to 2023



Extract A The macroeconomy

In 2024 Guyana's real Gross Domestic Product (GDP) grew by 43.6%. This growth was mainly caused by a 57.7% increase in the oil and gas sector and by a 13.1% increase in the non-oil sectors, including agriculture, mining and construction.

The discovery of significant offshore oil reserves has enabled oil production to increase to an average of 616 000 barrels per day. In 2024 Guyana became Latin America's fifth-largest crude oil exporter mainly as a result of a $3 billion increase in net investment for the industry.

Guyana's non-oil economy has also grown. The agriculture sector expanded by 11%, with rice production reaching a record 725 282 tonnes. This represented a 9.3% increase from the previous year.

Extract B Employment and inflation

A high rate of economic growth has had a positive effect on the level of employment in Guyana. The rate of unemployment was 15.6% in 2021 and fell to 13.5% in 2024. Many jobs were created across various sectors, including construction, which grew by 30.8% and services which grew by 7.4%. This caused average wages to rise, enabling more citizens to purchase high-priced items such as cars and healthcare.

However, in 2024 food prices increased by 5.6% and the rate of inflation was 2.9%. This may have caused a problem because the average standard of living is relatively low and there is a high level of income inequality in Guyana.

Extract C Fiscal policy

In 2024 the Government of Guyana significantly increased its infrastructure spending, allocating $245 billion to the completion of 4 500 projects. Out of this government expenditure, $204 billion was allocated for roads and bridges across Guyana. This large investment was necessary to improve transport links. It is expected that this investment will encourage further investment by the private sector, create jobs and increase capacity to meet future demand.

According to some economists, the benefits of this government expenditure would only increase the profits of a few businesses. In addition, it would not help to reduce high poverty levels, low wages and income inequality in the country.

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Acknowledgements

Figure 1 adapted from: https://data.worldbank.org/indicator/NY.GDP.PCAP.KD

Extract A adapted from: https://dpi.gov.gy/guyanas-gdp-grew-by-49-7-per-cent-in-first-half-of-2024/
https://ncnguyana.com/2023/guyana-allocates-80-billion-for-wales-gas-to-energy-project-in-budget-2024/
https://www.guyanastandard.com/2024/09/30/govt-invests-47-8b-in-six-months-to-streamline-energy-security-in-guyana/
https://tradingeconomics.com/guyana/gdp-growth-annual
Extract B adapted from: https://tradingeconomics.com/guyana/unemployment-rate#:~:text=Unemployment%20Rate%20in%20Guyana%20decreased,of%2010.70%20percent%20in%202006
https://www.sciencedirect.com/science/article/abs/pii/S0305750X23002474#:~:text=For%20example%2C%20the%20poorest%2050,Indigenous%2DGuyanese%20(1.3)
https://newsroom.gy/2025/01/17/budget-2025-guyanas-economy-grew-by-43-6-in-2024-inflation-subdued/?utm_source=chatgpt.com
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https://statisticsguyana.gov.gy/subjects/labour-social-security-and-transport/annual-registration-motor-vehicles-guyana-2000-to-2023/

Extract C adapted from: https://newsroom.gy/2024/01/22/204b-spending-on-roads-bridges-necessary-in-oil-economy-indar/?utm_source=chatgpt.com
https://www.stabroeknews.com/2024/01/25/news/guyana/ramjattan-slams-high-infrastructure-allocation-in-budget/?utm_source=chatgpt.com