Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International GCSE

Thursday 22 May 2025

Afternoon (Time: 1 hour 30 minutes)

Paper reference **4EC1/02**

Economics

Level 1/2

PAPER 2: Macroeconomics and the Global Economy

You do not need any other materials.

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.
- Answer the questions in the spaces provided – *there may be more space than you need.*
- Calculators may be used.
- You are advised to **show all your working out** with **your answer clearly identified** at the **end of your solution**.

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.*

Advice

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

Turn over

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P 7 2 1 3 4 A 0 1 2 8

Answer ALL questions. Write your answers in the spaces provided.

Some 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 (a) Which **one** of the following is the most likely reason for increased globalisation?

(1)

☒ **A** Higher number of tariffs and quotas

☒ **B** Lower transportation costs

☒ **C** Reduced significance of multinational corporations

☒ **D** Increased communication costs

(b) What is likely to happen if a government successfully reduces unemployment?

(1)

☒ **A** Inflation might rise as more people have money to spend

☒ **B** More people working leads to lower overall economic growth

☒ **C** Inflation decreases because people have less money to spend

☒ **D** Government spending on benefits would increase

(c) What is meant by the term trading bloc?

(2)

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(d) Describe **one** impact on consumers of an increase in interest rates.

(2)

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Figure 1 shows imports and exports for a country in €bn.

	€bn
Exports of goods	150
Exports of services	40
Imports of goods	120
Imports of services	30

Figure 1

(e) Calculate the **visible trade balance** in €bn for the country. You are advised to show your working.

(2)

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GradeMax

In 2024, France announced a €4bn subsidy package to support the production of hydrogen.

(f) Using the diagram below, draw the effects of the introduction of the subsidy on the equilibrium price and quantity of hydrogen in France. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

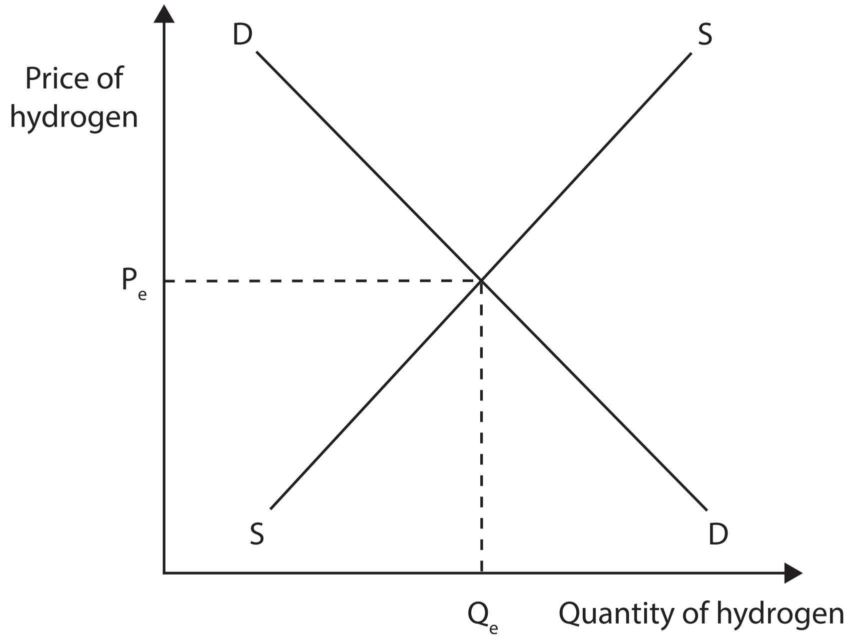

Figure 2

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In December 2023, Portugal reported a fiscal surplus of €6.2bn, which was €3.4bn higher than 12 months before.

(g) Explain **one** possible benefit of a fiscal surplus for a country such as Portugal.

(3)

GradeMax

In February 2024, the Greek Prime Minister Kyriakos Mitsotakis said that the Greek economy was entering the recovery phase of the economic cycle.

(h) With reference to the data above and your knowledge of economics, analyse the impact of a recovery on unemployment for a country such as Greece.

(6)

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(Total for Question 1 = 20 marks)

2 (a) Which **one** of the following is a government policy that changes the rate of interest?

(1)

- ☒ **A** Fiscal
- ☒ **B** Supply-side
- ☒ **C** Monetary
- ☒ **D** Exchange rate

(b) Which **one** of the following is an example of deregulation?

(1)

- ☒ **A** Introducing a limit on government salaries
- ☒ **B** Allowing more foreign firms into the domestic market
- ☒ **C** Introducing compulsory employee training requirements
- ☒ **D** Increasing consumer protection laws

(c) State **one** possible advantage of foreign direct investment (FDI) for an economy.

(1)

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(d) What is meant by the term indirect tax?

(2)

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The World Health Organization estimates that 4.5 billion people are classed as being in poverty because they do not have access to essential healthcare.

(e) Explain **one** way government provision of healthcare can help to reduce poverty.

(3)

Figure 3 shows the supply of and demand for UK pounds (£) against the US dollar ($). Currency speculators think the value of the UK pound (£) is going to rise in the future.

(f) Using the diagram below, draw the likely effect of currency speculators on the equilibrium exchange rate of the UK pound (£) against the US dollar ($). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

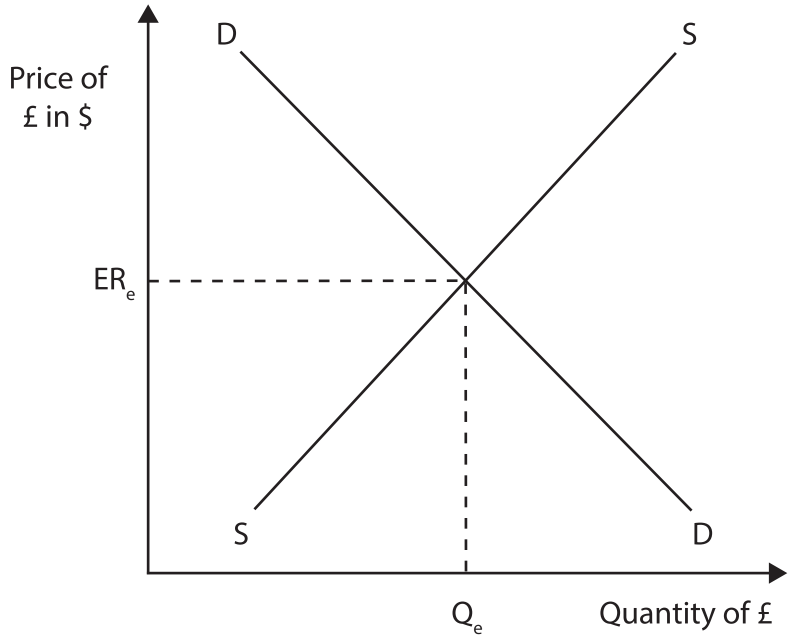

Figure 3

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In September 2023, South Korea signed a free trade agreement (FTA) with the Philippines. This removed a 5% import tariff on South Korean cars and a 30% import tariff on South Korean car parts.

The Philippines has the 12th largest population in the world and is one of the biggest car and car parts importers. In 2023, the total number of car sales in the Philippines was 366,000.

South Korean-made cars account for 2.5% of the Philippine car market. It is dominated by Japanese-made cars, which have an 82.5% market share.

(g) With reference to the data above and your knowledge of economics, assess the possible benefits for the South Korean car industry from the removal of tariffs by the Philippines.

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3 (a) Which **one** of the following is an advantage of pollution permits?

(1)

- ☒ **A** They encourage unlimited industrial emissions
- ☒ **B** They reduce overall pollution by setting emission limits
- ☒ **C** They allow firms to ignore environmental regulations
- ☒ **D** They discourage investment in green technologies

An economy has a national output of €300bn and its current account deficit is €15bn.

(b) What is the current account deficit as a percentage of national output?

(1)

- ☒ **A** 0.05%
- ☒ **B** 2.85%
- ☒ **C** 5%
- ☒ **D** 20%

GradeMax

Data from China revealed that the unemployment rate for young people aged 16 to 24 was 14.9% in December 2023. The number of new graduates significantly exceeded the available jobs, most of which were in lower-skilled sectors.

(c) Explain **one** reason why some people might suffer from structural unemployment in a country such as China.

(3)

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Owners of small firms in the UK are very unhappy with another rise in inflation. The consumer price index (CPI) increased from 3.9% in November to 4% in December 2023.

(d) With reference to the data above and your knowledge of economics, analyse the possible impact of rising inflation on menu costs for small firms in the UK.

(6)

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In 2025, the Government of Italy is to reduce income tax rates for some income tax payers. The higher rate of income tax is to remain the same. The Italian Treasury said that the scheme is 'aimed at simplifying and reducing the tax burden, encouraging investment and recruitment'.

	2024	**2025**
Up to €8 500	0%	0%
€8 501–€28 000	25%	23%
€28 001–€50 000	35%	33%
€50 001+	43%	43%

Figure 4

(e) With reference to the data above and your knowledge of economics, assess whether lower income tax rates will encourage more people to work in a country such as Italy.

(9)

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4 Figure 5 shows the number of single-use plastic bags sold by the main retailers in the UK in 2021 and 2023.

Year	Number sold
2021	197 million
2023	133 million

Figure 5

(a) Calculate, to two decimal places, the **percentage decrease** in the number of single-use plastic bags sold in the UK between 2021 and 2023. You are advised to show your working.

(2)

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From food to clothes, supply chains have harmful impacts on the environment. In 2023, the supply of consumer goods and services was the largest single contributor to UK emissions at 26% of the annual total; the UK energy sector was second highest at 17%.

(b) With reference to the data above and your knowledge of economics, analyse how business activity can damage the environment in a country such as the UK.

(6)

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In October 2023, the UK Government introduced more regulations to tackle the problem of litter and to protect the environment from a range of single-use plastic items.

No firm in the food industry will now be able to sell single-use plastic cutlery, polystyrene cups, plastic plates and food containers in England.

Research shows people across England use 2.7 billion items of mostly plastic single-use cutlery and 721 million single-use plates every year, but only 10% of these are recycled.

Plastic pollution takes hundreds of years to break down and causes serious damage to oceans, rivers and land. It is a source of greenhouse gas emissions, from its production and manufacture to the way it is disposed of.

(c) With reference to the data above and your knowledge of economics, evaluate the possible advantages of using regulation to protect the environment for a country such as the UK.

(12)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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Acknowledgements

Question 2(g) adapted from: https://www.kedglobal.com/economy/newsView/ked202309080007

Question 3(e) adapted from: https://www.reuters.com/world/europe/italy-present-bill-cutting-income-tax-easing-sanctions-evaders-2023-03-16/

Question 4(a) adapted from: https://www.gov.uk/government/news/plastic-bag-use-falls-by-more-than-98-after-charge-introduction

Question 4(c) adapted from: https://www.gov.uk/government/news/new-bans-and-restrictions-on-polluting-single-use-plastics-come-into-force