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Pearson Edexcel International GCSE

Tuesday 18 November 2025

Morning (Time: 1 hour 30 minutes)	Paper reference	4EC1/02
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Economics

Level 1/2

PAPER 2: Macroeconomics and the Global Economy

You do not need any other materials.	Total Marks
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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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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 best defines deflation? (1)

- A** A continuous rise in the general price level of goods and services
- B** A situation where the economy grows rapidly
- C** A decrease in the general price level of goods and services over time
- D** A period of very low economic activity and high unemployment

(b) Which **one** of the following is an example of a supply-side policy? (1)

- A** Investing in education and training
- B** Asset purchasing by a central bank
- C** Increasing taxes on high-income earners
- D** Increasing the interest rate

(c) What is meant by the term demand-pull inflation? (2)

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(d) Describe **one** advantage of privatisation for a consumer.

(2)

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A country has a labour force of 4.3 million with 550,000 people unemployed.

(e) Calculate, to **two** decimal places, the country's **percentage rate of unemployment**. You are advised to show your working.

(2)

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Figure 1 shows the supply of and demand for UK pounds (£) and the equilibrium exchange rate against the euro (€).

- (f) Using the diagram below, draw the likely effect of an increase in imports from Europe on the equilibrium exchange rate of the UK pound (£) against the euro (€). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

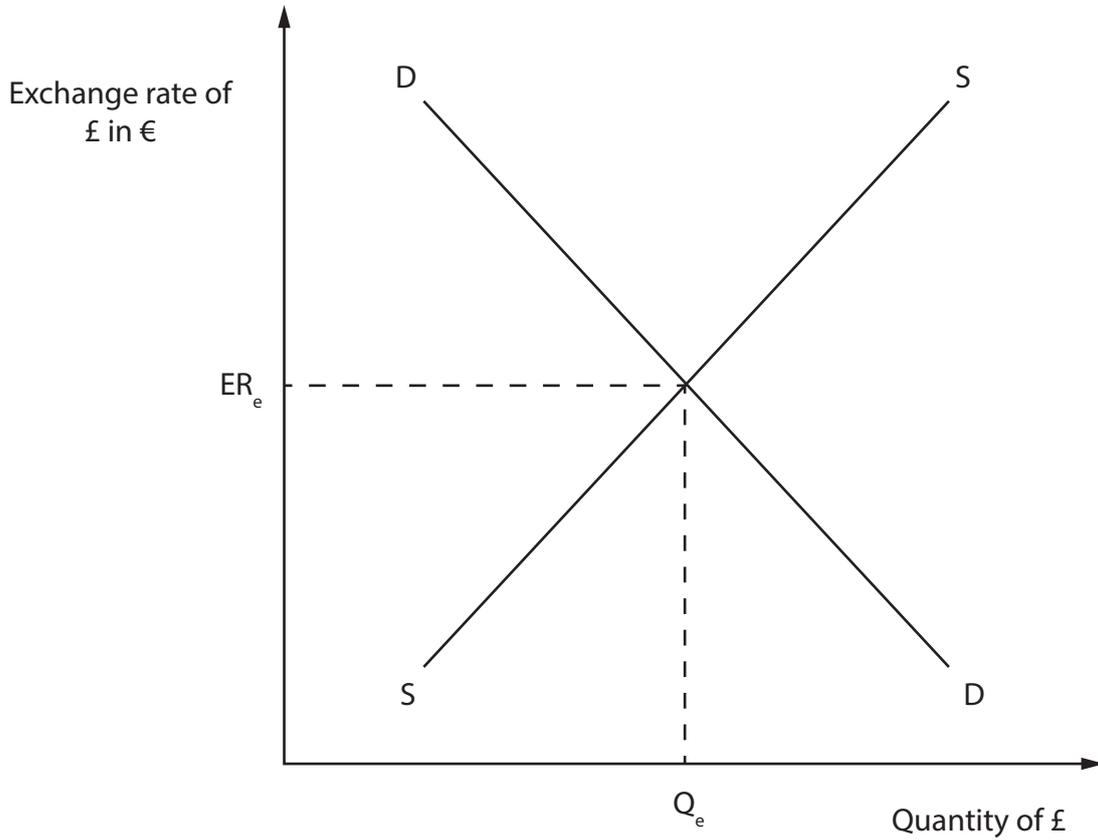


Figure 1



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In March 2024, after 15 years of negotiations, India announced a free trade agreement with four European countries: Switzerland, Iceland, Norway and Liechtenstein. The free trade agreement is expected to create one million jobs over the coming years.

(g) Explain **one** advantage of free trade for a business in a country such as Iceland. (3)

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- 2 (a) Which **one** of the following describes a trade bloc? (1)
- A A group of countries that use the same currency
 - B A group of countries that have the same tax rates
 - C A group of countries that have the same language
 - D A group of countries that reduce trade barriers between themselves

- (b) Which **one** of the following best describes the role of currency speculators? (1)
- A They invest in government bonds
 - B They trade currencies to profit from changes in exchange rates
 - C They lend money to countries at low interest rates
 - D They keep exchange rates stable by fixing the currency

(c) State **one** possible role of the World Trade Organization (WTO). (1)

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(d) What is meant by the term economic growth? (2)

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The Swedish economy has been in recession since 2023 and is expected to remain in recession until 2025. As a result, the demand for labour has fallen which has caused unemployment to increase.

(e) Explain **one** impact of rising unemployment on government spending on benefits in a country such as Sweden.

(3)

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In 2024, the European Union (EU) increased the tariff on all electric vehicles imported from China from 10% to 37.6%.

- (f) Using the diagram below, draw the effects of the new tariff on the equilibrium price and quantity of electric vehicles imported into the EU from China. Label the new curve, the new equilibrium price and new equilibrium quantity.

(3)

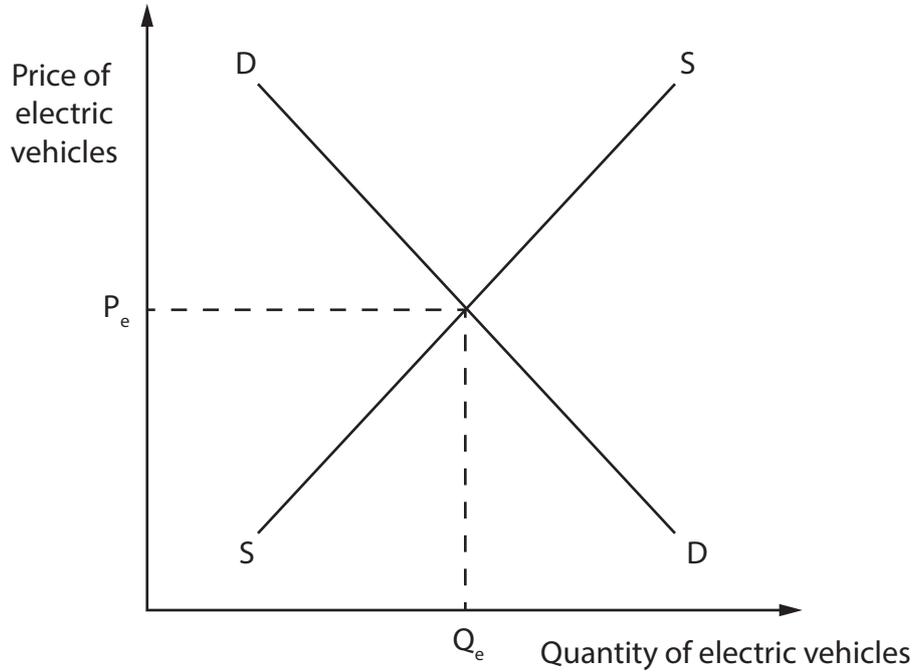


Figure 2

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In August 2024, the central bank in New Zealand reduced the official base rate from 5.5% to 5.25%. It was the first cut since March 2020. New Zealand was no longer in recession but economic conditions were still difficult.

An economist from the Bank of New Zealand (BNZ) said a reduction was already overdue. "The New Zealand economy is struggling under the pressure of extremely tight monetary conditions, rising unemployment, reduced investment activity and weak consumer confidence."

(g) With reference to the data above and your knowledge of economics, assess how effective monetary policy is likely to be in increasing output for a country such as New Zealand.

(9)

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3 (a) In times of inflation, which **one** of the following is a shoe leather cost when purchasing a mobile phone online? (1)

- A** The cost of updates to the website due to higher prices for mobile phones
- B** The cost of raw materials for producing a mobile phone
- C** The cost of shipping and handling fees for online orders
- D** The cost to consumers of looking for the lowest price of mobile phones

In 2023, the total value of UK exports to Spain was £19.9bn and the total value of imports from Spain into the UK was £44.2bn.

(b) Calculate the trade balance between the UK and Spain in 2023. (1)

- A** A trade surplus of £24.3bn
- B** A trade surplus of £64.1bn
- C** A trade deficit of £24.3bn
- D** A trade deficit of £64.1bn



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In 2024, a new childcare subsidy was offered to working parents in Northern Ireland.

- (c) Using the diagram below, draw the effects of the introduction of a subsidy on the equilibrium price and quantity of childcare in Northern Ireland. Label the new curve, the new equilibrium price and new equilibrium quantity.

(3)

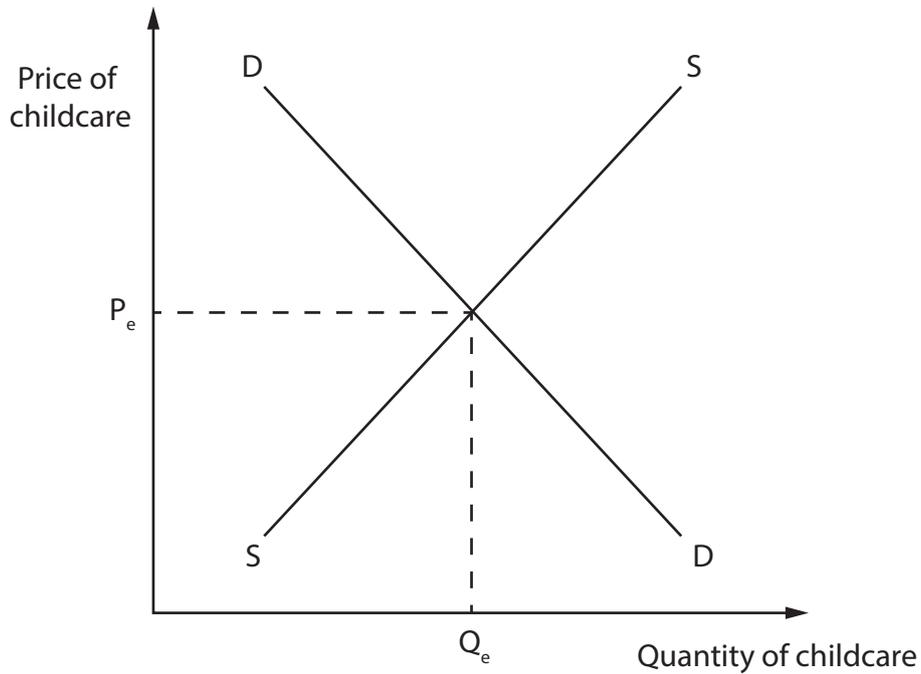


Figure 3



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Globalisation has transformed the world. Centuries ago, it brought exotic spices and goods from distant parts of the globe. More recently, it has allowed people to work, communicate and travel more easily. Fewer tariffs and quotas are one of the reasons for an increase in globalisation.

(d) With reference to the data above and your knowledge of economics, analyse why fewer tariffs and quotas have resulted in an increase in globalisation.

(6)

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4 France is one of the UK's largest export markets. In 2023, the total of UK exports to France was valued at £45bn.

The average exchange rate of £ to € was £1 = €1.15 in 2023.

(a) Calculate, to **two** decimal places, the **total value of UK exports** to France in euros (€bn) in 2023. You are advised to show your working.

(2)

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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.nzherald.co.nz/business/ocr-decision-will-the-reserve-bank-cut-the-interest-rate/5WJ5O4MD45HF3AJW2KTLZTZORM/>

Question 3(b) adapted from: <https://assets.publishing.service.gov.uk/media/66aa0228a3c2a28abb50da5d/spain-trade-and-investment-factsheet-2024-08-02.pdf>

Question 3(e) adapted from: <https://builtin.com/company-culture/socially-responsible-companies>

Question 4(a) and 4(b) adapted from:
<https://www.great.gov.uk/markets/france/>
<https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/timeseries/thap/mret>

Question 4(c) adapted from: <https://www.ft.com/content/3ff8eac4-2144-489b-9a79-f2605bbe175f>

