www.dynamicpapers.com

Please check the examination details below before entering your c da formation

Candidate surname | Other name

Pearson Edexcel
International Advanced Level

Centre Number | Candi N er

Time 1 hour 45 minutes

Paper reference **WEC12/0**

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.
- Good luck with your examination.

Turn over ▶

P65833A

©2021 Pearson Education Ltd.

1/1/1/1/1/1

P 6 5 8 3 3 A 0 1 2 8

Pearson

www.dynamicpapers.com

SECTION A

Answer ALL questions in this section.

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

1 800 000 students graduated from universities in the UK in 2019. 380 000 of these started work in jobs that did not require a degree.

Which **one** of the following describes this situation?

☒ **A** Underemployment

☒ **B** Unemployment

☒ **C** Real wage inflexibility

☒ **D** Economic inactivity

(Total for Question 1 = 1 mark)

2 Brazil's annual rate of inflation between April 2019 and August 2019 is shown in the table.

Month	Rate of inflation (%)
April	4.94
May	4.66
June	3.37
July	3.22
August	3.43

Which **one** of the following can be deduced from the table?

☒ **A** There was deflation between April and July

☒ **B** The average price level was highest in April

☒ **C** There was disinflation between April and July

☒ **D** The rate of inflation was lowest in August

(Total for Question 2 = 1 mark)

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

https://britishstudentroom.wordpress.com/
http://britishstudentroom.wordpress.com/

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

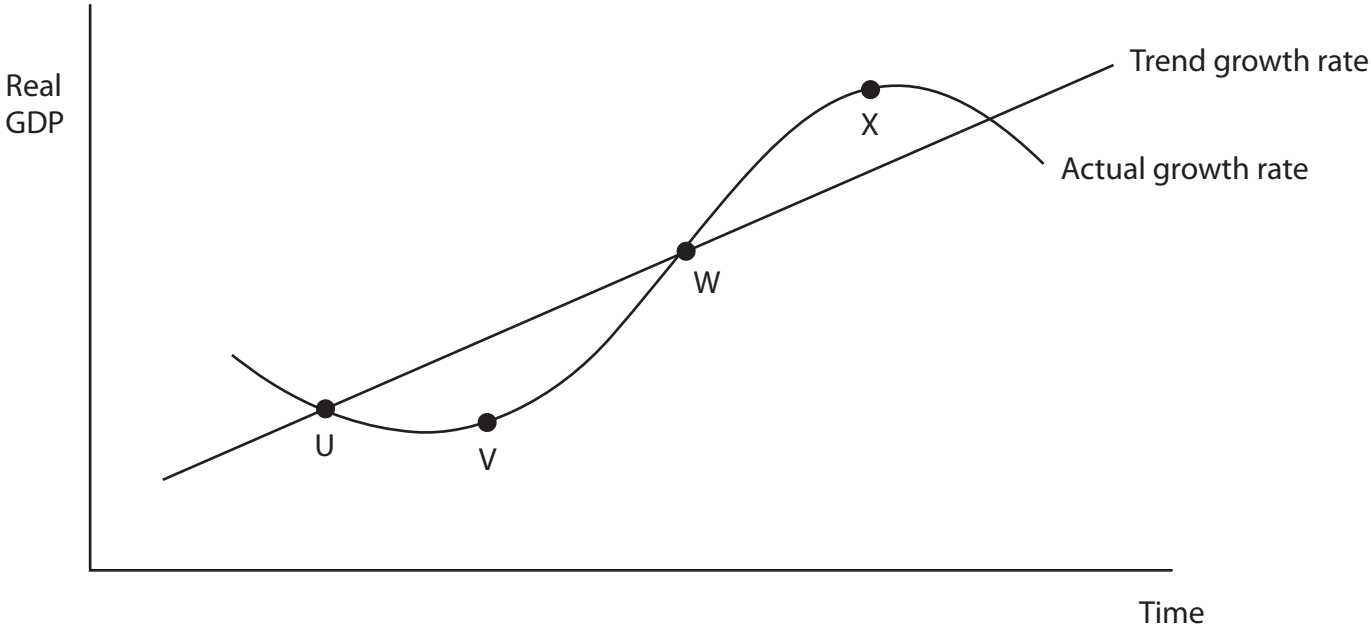
3 South Africa's annual government expenditure as a proportion of GDP increased from 31.4% to 34.6% between 2012 and 2019.

Which **one** of the following is most likely to have contributed to this increase in government expenditure as a proportion of GDP?

- ☒ **A** Lower welfare payments
- ☒ **B** A lower exchange rate
- ☒ **C** Less economic activity
- ☒ **D** Increased business confidence

(Total for Question 3 = 1 mark)

4 The diagram shows an economy's actual growth rate and trend growth rate.



Which **one** of the following can be deduced from the diagram?

- ☒ **A** The economy is in recovery between points U and V
- ☒ **B** A positive output gap exists at point V
- ☒ **C** Unemployment is rising between points W and X
- ☒ **D** A positive output gap exists at point X

(Total for Question 4 = 1 mark)

www.dynamicpapers.com

5 In Japan, private sector investment increased by 1.9% in the second qu 19.

Which **one** of the following was the most likely cause of this increase in inve

☒ **A** A decrease in the rate of economic growth

☒ **B** An increase in indirect taxation

☒ **C** An increase in the tax on company profits

☒ **D** A decrease in interest rates

(Total for Question 5 = 1 mark)

6 In Denmark the marginal propensity to consume is estimated to be 0.49.

Based on this estimate, which **one** of the following is the value of the multiplier for Denmark?

☒ **A** 0.51

☒ **B** 1.96

☒ **C** 2.04

☒ **D** 4.90

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

http://britishstudentroom.wordpress.com/
https://britishstudentroom.wordpress.com/

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

SECTION B

Answer ALL questions in this section in the space provided.

7 The French Government is to offer €5 billion in tax relief for business investment.

Explain **one** likely economic effect of this investment tax relief.

(Total for Question 7 = 4 marks)

www.dynamicpapers.com

8 In the first quarter of 2019 average house prices decreased by 15% in r r in Sydney, Australia.

Explain **one** possible impact of this change in house prices on the level of consumption.

(Total for Question 8 = 4 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

http://britishstudentroom.wordpress.com/
https://britishstudentroom.wordpress.com/

9 In January 2016 the world price of oil was $29.78 per barrel. By May 2019 this had increased to $66.83 per barrel. Saudi Arabia is a net exporter of oil.

Draw a diagram showing the change in AD for Saudi Arabia's economy following the increase in the price of oil. Show the effect on the price level and real output.

(Total for Question 9 = 4 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

10 The data shows the quarterly percentage growth of real GDP for Belgiu t n Q1 2019 and Q4 2019.

Quarter	%
Q1	0.0
Q2	0.3
Q3	0.4
Q4	0.4

With reference to the overall trend of the data, explain what is meant by the term 'growth of real GDP'.

(Total for Question 10 = 4 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

http://britishstudentroom.wordpress.com/
https://britishstudentroom.wordpress.com/

11 The table shows values for components of the US economy in 2018.

Component	$ trillion
Consumption	13.95
Investment	3.65
Savings by households	1.25
Government expenditure	3.52
Tax revenue	3.64
Exports	2.50
Imports	3.10

Ceteris paribus, calculate the aggregate demand for the USA in 2018.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

http://britishstudentroom.wordpress.com/
https://britishstudentroom.wordpress.com/

SECTION C

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering Question 12.

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

12 (a) Define the term 'monetary policy'. (Extract A, line 8)

(2)

(b) With reference to Extract A, explain the term 'foreign direct investment'.

(4)

(c) With reference to Figure 1 and Extract A, examine **two** likely impacts of the annual GDP growth rates on the people living in East African countries.

(8)

(d) With reference to Figure 2, analyse **one** macroeconomic effect of the change in the current account balance as a percentage of GDP on East African economies.

(6)

(e) With reference to Extract A and Extract B, discuss the likely effects of interventionist supply-side policies on East African economies.

(14)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

http://britishstudentroom.wordpress.com/
https://britishstudentroom.wordpress.com/

12 (a) Define the term 'monetary policy'. (Extract A, line 8)

(2)

(b) With reference to Extract A, explain the term 'foreign direct investment'.

(4)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

https://britishstudentroom.wordpress.com/ http://britishstudentroom.wordpress.com/

(c) With reference to Figure 1 and Extract A, examine **two** likely impacts of the annual GDP growth rates on the people living in East African countries.

(8)

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

http://britishstudentroom.wordpress.com/
https://britishstudentroom.wordpress.com/

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

(d) With reference to Figure 2, analyse **one** macroeconomic effect of the change in the current account balance as a percentage of GDP on East African economies.

(6)

https://britishstudentroom.wordpress.com/
http://britishstudentroom.wordpress.com/

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

http://britishstudentroom.wordpress.com/
https://britishstudentroom.wordpress.com/

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

http://britishstudentroom.wordpress.com/

(e) With reference to Extract A and Extract B, discuss the likely effects o interventionist supply-side policies on East African economies.

(14)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

http://britishstudentroom.wordpress.com/
https://britishstudentroom.wordpress.com/

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

(Total for Question 12 = 34 marks)

TOTAL FOR SECTION C = 34 MARKS

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

BLANK PAGE

SECTION D BEGINS ON THE NEXT PAGE.

www.dynamicpapers.com

SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

13 In 2019 the new President of the European Central Bank asked governments of eurozone countries to cut taxation and increase government expenditure to stimulate the rate of economic growth.

Evaluate fiscal policy instruments as a means of increasing the rate of economic growth.

(Total for Question 13 = 20 marks)

OR

14 In quarter 1 2019 the unemployment rate in South Africa was 27.6%. In quarter 2 it increased to 29%. An additional 455 000 workers became unemployed.

Evaluate the likely impact of an increase in the unemployment rate on workers, public finances and resource utilisation.

(Total for Question 14 = 20 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

https://britishstudentroom.wordpress.com/ http://britishstudentroom.wordpress.com/

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:

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

http://britishstudentroom.wordpress.com/
https://britishstudentroom.wordpress.com/

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

http://britishstudentroom.wordpress.com/
https://britishstudentroom.wordpress.com/

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

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

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

BLANK PAGE

www.dynamicpapers.com

http://britishstudentroom.wordpress.com/
https://britishstudentroom.wordpress.com/

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

BLANK PAGE

www.dynamicpapers.com

BLANK PAGE

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA