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Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International Advanced Level

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.

Turn over ▶

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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 The table shows the real GDP growth rate and the unemployment rate for the USA for Quarter 1 and Quarter 2 in 2020.

	Real GDP growth rate (%)	Unemployment rate (%)
Q1 2020	–5.0	3.9
Q2 2020	–31.4	13.1

Which **one** of the following is most likely to have caused the **increase** in the unemployment rate between Q1 2020 and Q2 2020?

☒ **A** Real wage unemployment

☒ **B** Demand deficient unemployment

☒ **C** Structural unemployment

☒ **D** Seasonal unemployment

(Total for Question 1 = 1 mark)

2 In June 2020 the Bank of England increased the value of its asset purchases scheme (quantitative easing) by £100 billion.

Which **one** of the following correctly describes this economic policy?

☒ **A** Reflationary monetary policy

☒ **B** Deflationary monetary policy

☒ **C** Reflationary fiscal policy

☒ **D** Deflationary fiscal policy

(Total for Question 2 = 1 mark)

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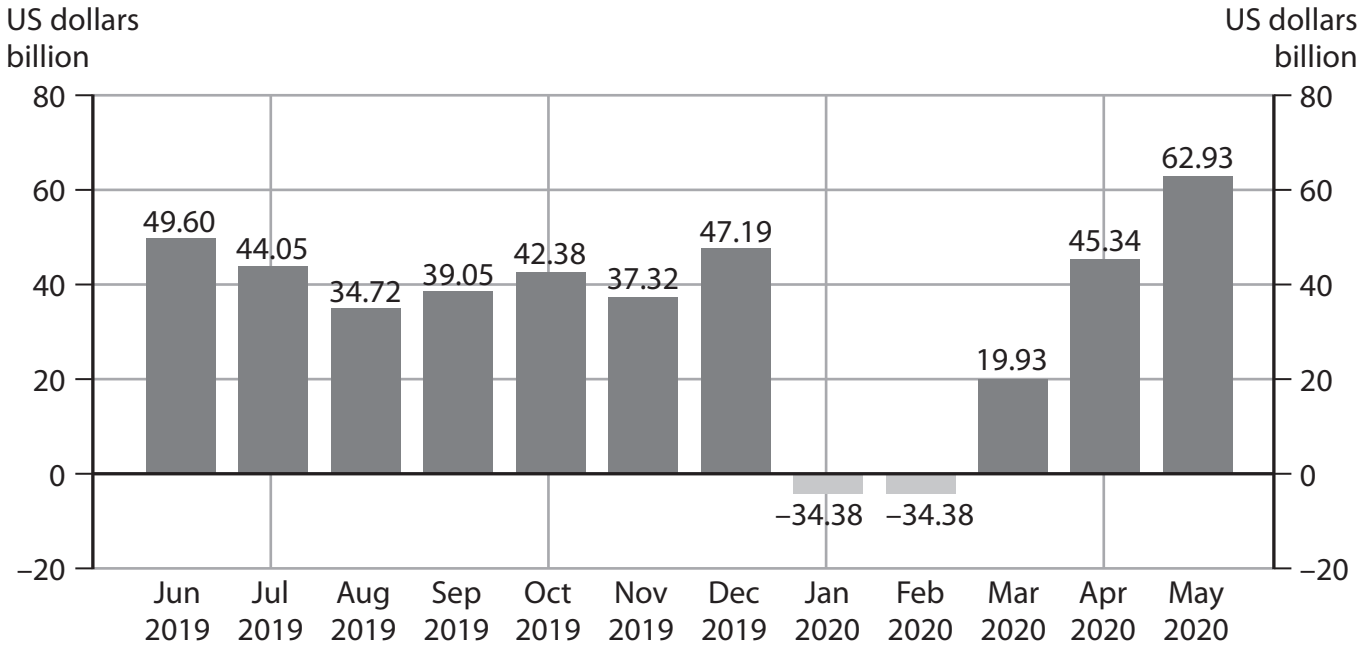
3 From Quarter 1 2020 to Quarter 2 2020, government expenditure in Russia increased by 25 billion roubles.

Ceteris paribus, what was the most likely effect of this increase?

- ☒ **A** Aggregate demand decreased
- ☒ **B** Withdrawals from the circular flow increased
- ☒ **C** Aggregate supply decreased
- ☒ **D** Injections into the circular flow increased

(Total for Question 3 = 1 mark)

4 The chart shows China's monthly balance of trade in US dollars from June 2019 to May 2020.



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

- ☒ **A** China had a current account deficit in August 2019
- ☒ **B** China's balance of trade surplus remained the same from January to February 2020
- ☒ **C** China's balance of trade surplus increased from April to May 2020
- ☒ **D** The value of China's exports decreased from February to March 2020

(Total for Question 4 = 1 mark)

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5 Which **one** of the following is most likely to result in an increase in investment?

- ☒ **A** An increase in the rate of corporation tax
- ☒ **B** An increase in the rate of tax relief for investment
- ☒ **C** An increase in the central bank's interest rate
- ☒ **D** An increase in commercial banks' reserve asset (liquidity) requirements

(Total for Question 5 = 1 mark)

6 The table shows the GDP and the population for India and Pakistan in 2019.

	GDP $ billion	**Population (billions)**
India	2 590.0	1.372
Pakistan	278.2	0.205

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

GDP per capita was

- ☒ **A** $202.77 in Pakistan
- ☒ **B** $1 357.07 in India
- ☒ **C** $1 887.76 in India
- ☒ **D** $12 634.15 in Pakistan

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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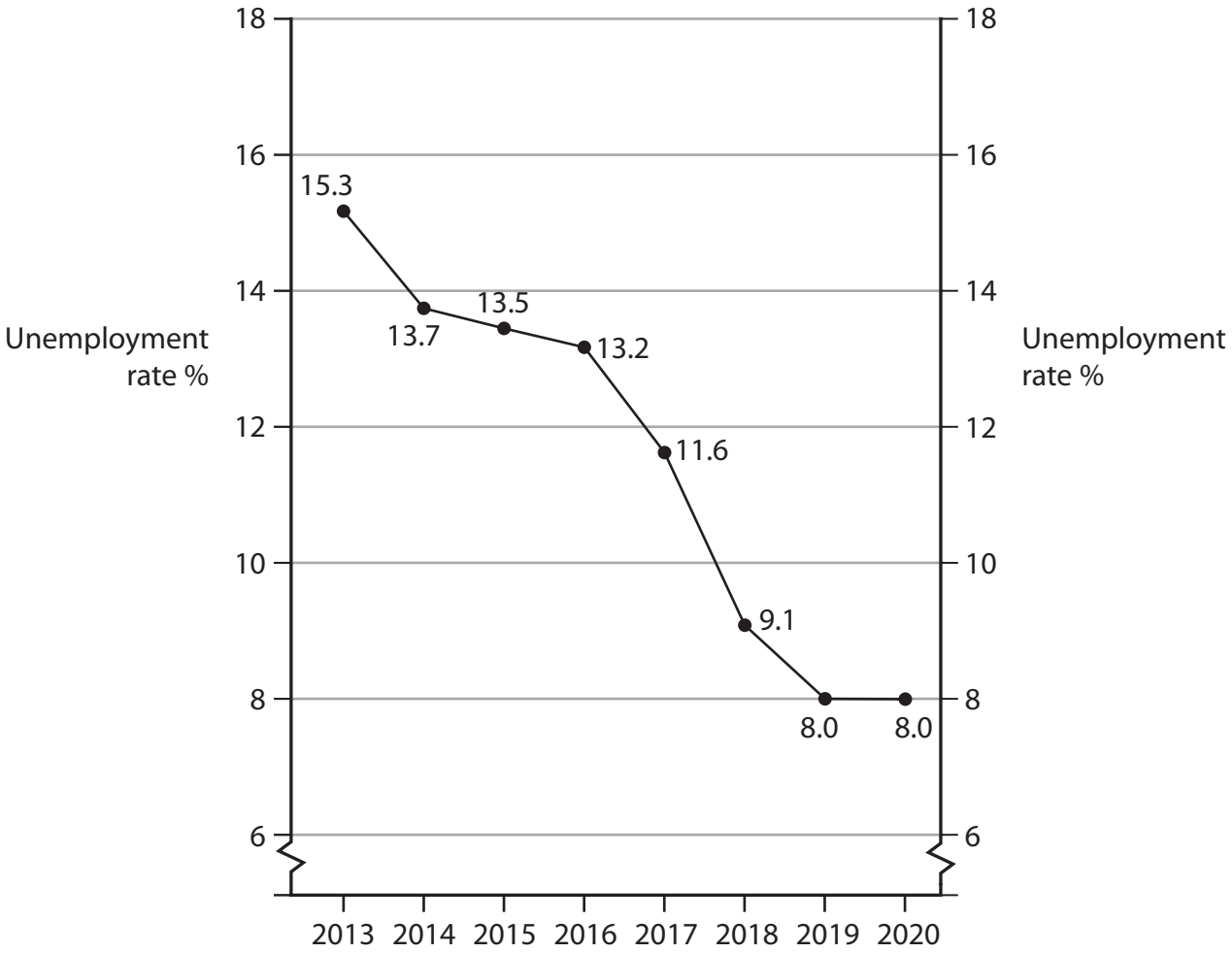
SECTION B

Answer ALL questions in this section in the spaces provided.

7 The chart shows the unemployment rate in Jamaica between 2013 and 2020.



With reference to the chart, explain **one** likely impact of the trend in the unemployment rate on Jamaica's economy.

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(Total for Question 7 = 4 marks)

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8 In Australia the consumer confidence index fell from 91.9 in March 2020 to 75.6 in April 2020. A consumer confidence index score below 100 indicates that, on average, households think that economic conditions will worsen.

Draw a LRAS and AD diagram to show the possible impact of this change in consumer confidence on the average price level and real output level in Australia.

(Total for Question 8 = 4 marks)

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9 In April 2020 it was estimated that an increase in government spending of RM30 billion in Malaysia would eventually result in an increase in the country's national income of RM150 billion.

Based on this information, calculate the marginal propensity to consume (MPC) in Malaysia. Show your workings.

(Total for Question 9 = 4 marks)

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10 In Q1 2019 Brazil's output gap was estimated to be equal to –5.6% of GDP.

Explain **one** likely impact of a negative output gap on Brazil's economy.

(Total for Question 10 = 4 marks)

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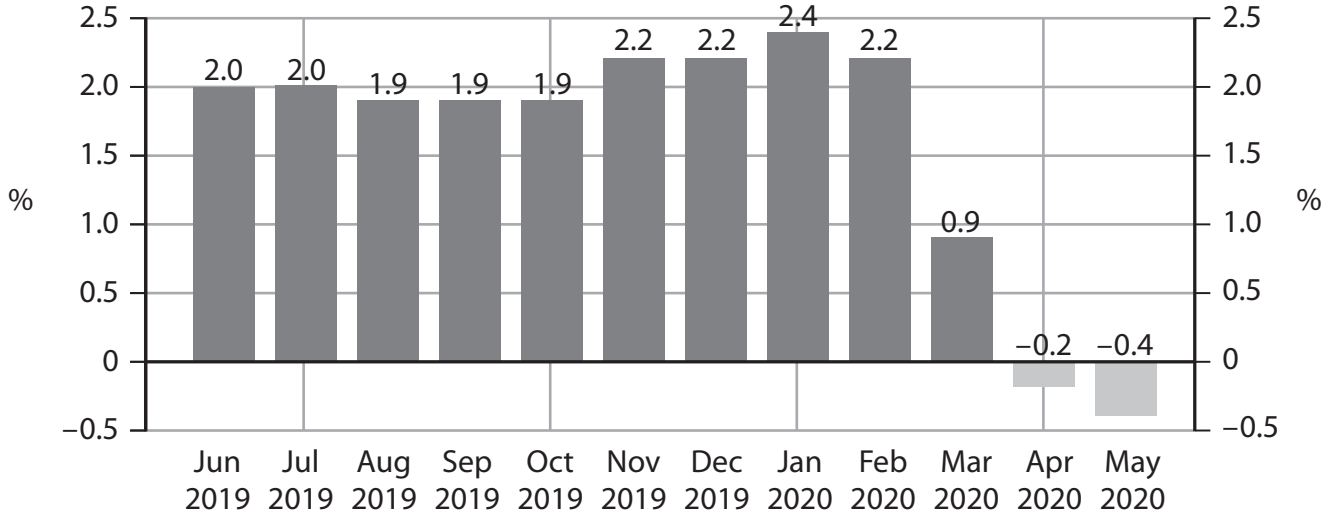
11 The chart shows the CPI inflation rate in Canada between June 2019 and May 2020.



With reference to the data, explain the difference between disinflation and deflation.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

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SECTION C

Study Figures 1–3 and Extract A in the Source Booklet before answering Question 12.

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

12 (a) Define the term 'recession' (Extract A, line 7).

(2)

(b) With reference to Figure 2, explain how the CPI inflation rate is calculated.

(4)

(c) With reference to Figure 3 and Extract A, examine **two** likely effects on the French economy of the trend in the inflation rate in 2020.

(8)

(d) With reference to Extract A, analyse the likely effect of France's trade balance in April 2020 on its circular flow of income.

(6)

(e) With reference to Extract A and your own knowledge, discuss the likely effects of the ECB's monetary policy on the French economy.

(14)

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12 (a) Define the term 'recession' (Extract A, line 7).

(2)

(b) With reference to Figure 2, explain how the CPI inflation rate is calculated.

(4)

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(c) With reference to Figure 3 and Extract A, examine **two** likely effects on the French economy of the trend in the inflation rate in 2020.

(8)

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(d) With reference to Extract A, analyse the likely effect of France's trade balance in April 2020 on its circular flow of income.

(6)

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(e) With reference to Extract A and your own knowledge, discuss the likely effects of the ECB's monetary policy on the French economy.

(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 From 2009 to 2019 the value of Cambodia's currency significantly increased. Over the same period its balance of trade deficit increased from 1.6% of GDP to 8% of GDP.

Evaluate whether the exchange rate of a country's currency is the main factor influencing the country's balance of trade.

(Total for Question 13 = 20 marks)

OR

14 From 2004 to 2018 the Ethiopian economy grew at an average rate of over 10% per year. Over this period there has been significant deforestation in the country. Forests have been cleared to make space for farming and the wood has been used for fuel and construction.

Evaluate whether the costs of economic growth outweigh the benefits.

(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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Pearson Edexcel International Advanced Level

Time 1 hour 45 minutes

Paper reference **WEC12/01**

Economics

International Advanced Subsidiary
UNIT 2: Macroeconomic performance and policy

Source Booklet
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Total Marks

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Sources for use with Section C.

The French economy

Figure 1 Quarterly real GDP growth rate, Q2 2017 to Q1 2020

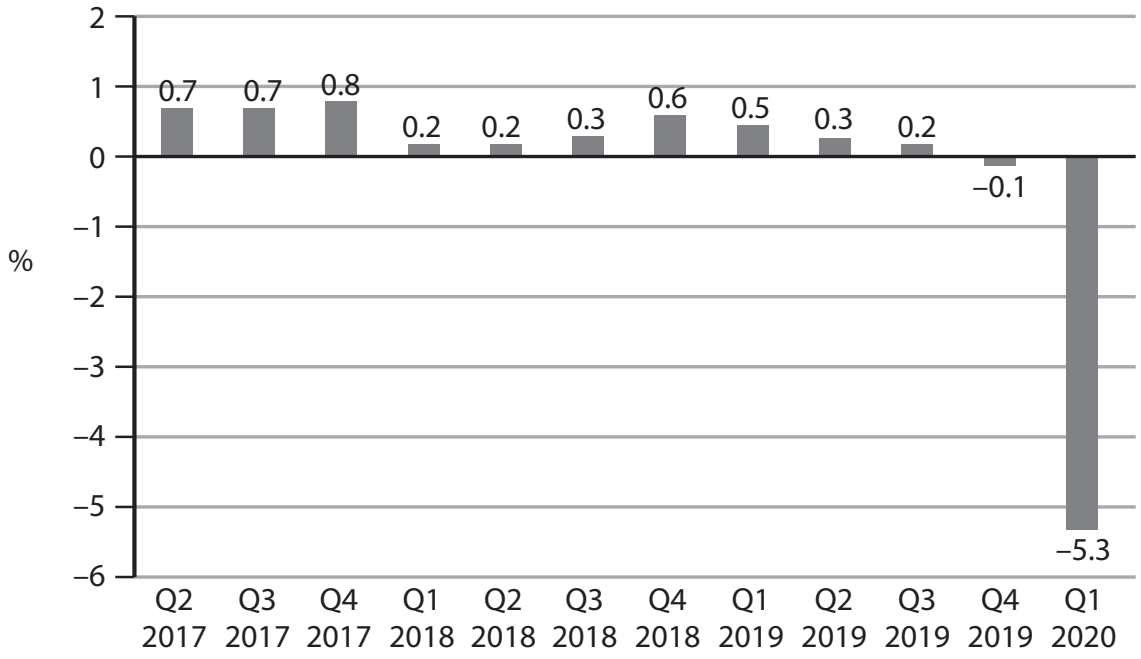

Figure 2 Consumer Price Index (CPI), weights and annual percentage price changes, June 2020

	Weight (%)	Price change (%)
Food	16.1	2.3
Tobacco	2.0	13.9
Energy	8.1	–9.3
Manufactured products	24.9	–1.1
Services	48.9	0.9
All items	100.0	0.1

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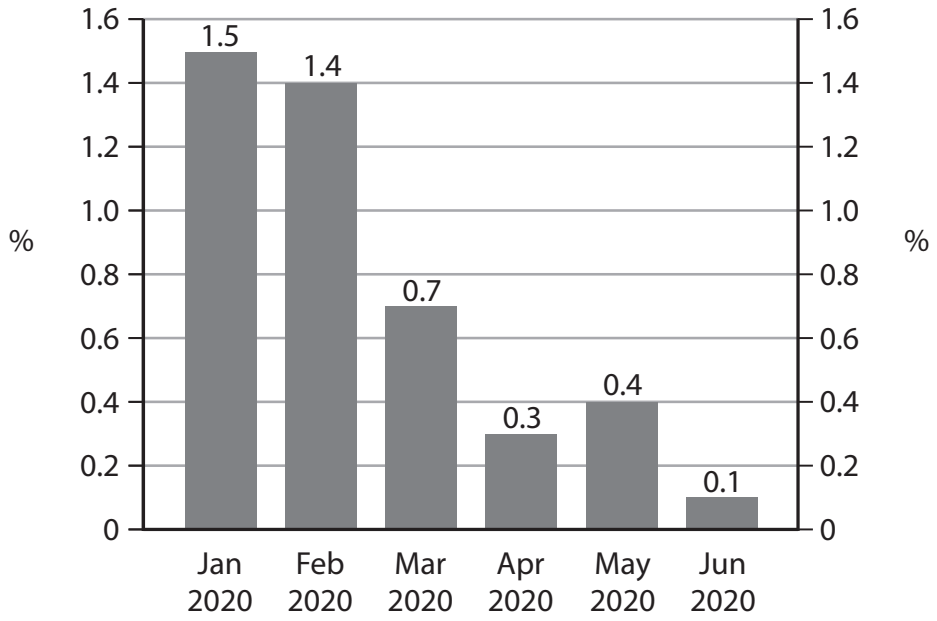
Figure 3 CPI inflation rate, January to June 2020



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Extract A Inflation, trade and demand-side policy

Throughout 2019 the average price level was rising at a faster rate than nominal wages in France. For example, in Q4 2019 nominal wages rose by 0.2% while the inflation rate was 1.5%. This caused a decrease in living standards for many people.

The inflation rate in France fell in the first six months of 2020. In June it was 0.1%, its lowest level in over four years. This was partly caused by the fall in global energy prices.

France was the first major global economy to announce that it was in recession in 2020. France's real GDP fell by 5.3% in Q1 of 2020.

In April 2020, the value of exports from France fell by 32.4% to €23.7 billion. In particular, France exported fewer cars and pharmaceutical products. In the same month, imports into France fell 25% to €28.7 billion.

In response to the fall in its real GDP, the French Government introduced a range of demand-side policies. It spent €135 billion (over 5% of French GDP) to help the economy to recover. The Government also delayed or cancelled many firms' tax payments and it guaranteed loans worth €342 billion to businesses.

As France is part of the euro area, monetary policy is conducted by the European Central Bank (ECB). The ECB kept its base interest rate very low throughout 2020. In June 2020 the weaker inflation outlook for the euro area caused the ECB to also expand the size of its asset purchase scheme (quantitative easing) by €600 billion to €1.35 trillion. In December 2020 a further increase in quantitative easing of €500 billion was announced by the ECB. The duration of the scheme was also extended to at least March 2022.

Acknowledgements

Figures 1–3 data from INSEE, France

Extract A adapted from: 'European Central Bank takes its pandemic bond buying to 1.35 trillion euros to try to prop up economy', CNBC, 4 June 2020, https://www.cnbc.com/2020/06/04/european-central-bank-ramps-up-its-pandemic-bond-buying-to-1point35-trillion-euros.html with additional data from tradingeconomics.com and INSEE, France