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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 Which **one** of the following illustrates the conflict between the macroeconomic objectives of a low rate of inflation and a low rate of unemployment?

- ☒ **A** A long-run classical AS curve
- ☒ **B** An AD curve
- ☒ **C** A short-run Phillips curve
- ☒ **D** A SRAS curve

(Total for Question 1 = 1 mark)

2 In 2021 it was estimated that many workers in India left their jobs to search for new employment.

Which **one** of the following describes this cause of unemployment?

- ☒ **A** Demand deficient
- ☒ **B** Frictional
- ☒ **C** Seasonal
- ☒ **D** Structural

(Total for Question 2 = 1 mark)

3 The Government of Saudi Arabia estimates that, in 2022, its spending will be $255 billion and its tax revenue will be $279 billion.

Ceteris paribus, which **one** of the following can be deduced from this information?

- ☒ **A** There will be a net withdrawal from the circular flow of income
- ☒ **B** There will be a net injection into the circular flow of income
- ☒ **C** There will be a balance of trade deficit
- ☒ **D** There will be a balance of trade surplus

(Total for Question 3 = 1 mark)

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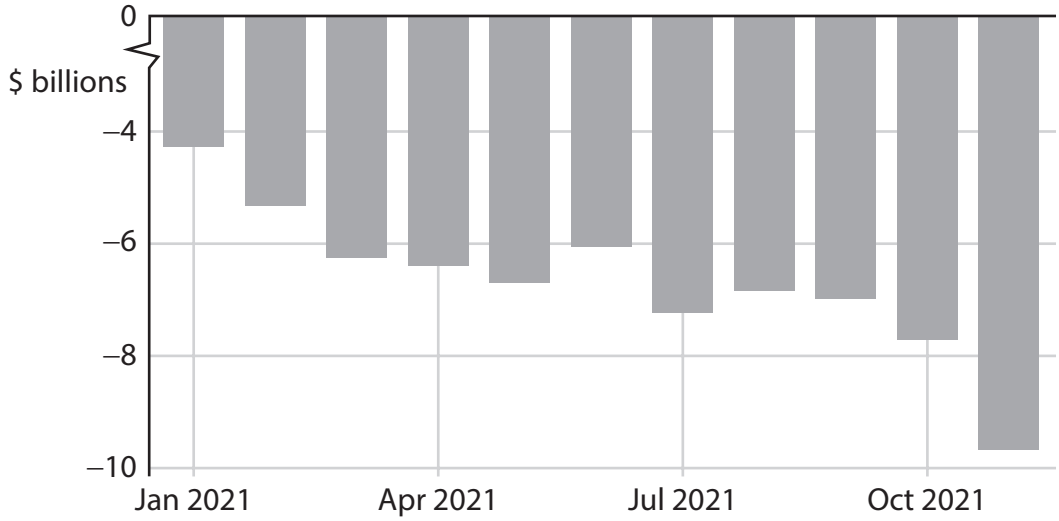
4 The chart shows France's monthly balance of trade in goods and services, January 2021 to November 2021.



(Source: adapted from https://tradingeconomics.com/france/balance-of-trade)

Which **one** of the following is the most likely reason for this trend in France's balance of trade in goods and services?

- ☒ **A** An increase in the savings ratio
- ☒ **B** An increase in relative productivity
- ☒ **C** An increase in the exchange rate
- ☒ **D** An increase in the quality of exports

(Total for Question 4 = 1 mark)

5 Between January 2021 and December 2021 the central bank of the USA increased its asset purchases (quantitative easing) from $7.3 trillion to $8.8 trillion.

Which **one** of the following is the most likely impact of an increase in asset purchases (quantitative easing)?

- ☒ **A** A decrease in the availability of credit
- ☒ **B** A decrease in the rate of inflation
- ☒ **C** An increase in the rate of unemployment
- ☒ **D** An increase in the money supply

(Total for Question 5 = 1 mark)

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6 The table shows Ireland's Gross Domestic Product (GDP) between 2018 and 2020.

Year	GDP ($ billion)
2018	384.9
2019	399.1
2020	425.9

(Source adapted from: https://data.worldbank.org/)

Which **one** of the following represents the index number for 2020, if 2018 is the base year?

☒ **A** 90.37

☒ **B** 93.71

☒ **C** 106.72

☒ **D** 110.65

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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SECTION B BEGINS ON THE NEXT PAGE.

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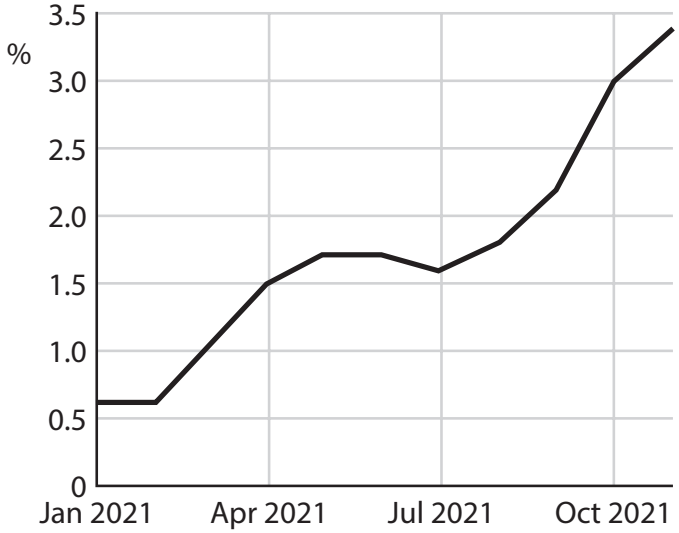
SECTION B

Answer ALL questions in this section in the space provided.

7 The chart shows the annual rate of inflation in Denmark as measured by the Consumer Price Index (CPI), January 2021 to November 2021.



(Source: adapted from https://tradingeconomics.com/denmark/inflation-cpi)

With reference to the chart, explain **one** likely effect of this trend in the rate of inflation.

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(Total for Question 7 = 4 marks)

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8 In 2021 average house prices in the Philippines fell by over 10%. This had a significant impact on existing homeowners.

Based on this information, draw an AD and LRAS diagram to show the likely impact of this fall in house prices on the price level **and** real output in the Philippines.

(Total for Question 8 = 4 marks)

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9 The table shows the value of Canada's exports and imports of goods and services, $ billion, 2019–2020.

	Exports ($ billion)	**Imports ($ billion)**
2019	555.8	583.6
2020	477.1	510.8

(Source adapted from: https://data.worldbank.org/country/canada)

Calculate the *change* in Canada's balance of trade between 2019 and 2020.
Show your workings.

(Total for Question 9 = 4 marks)

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10 Between January 2021 and December 2021, Brazil's central bank increased its base interest rate from 2% to 9.75%.

With reference to this information, explain **one** likely macroeconomic impact of an increase in the base interest rate.

(Total for Question 10 = 4 marks)

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11 The table shows the value of gross investment in Tanzania for 2015 and 2020.

	Gross investment ($ billions)
2015	15.5
2020	25.6

(Source: https://data.worldbank.org)

With reference to the table, explain what is meant by 'gross investment'.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

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SECTION C

Study Figure 1, Figure 2 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 'net migration' (Extract A, line 13).

(2)

(b) With reference to Figure 2 and Extract A, analyse **two** possible impacts of net migration on the UK economy.

(6)

(c) With reference to Figure 1, explain the term 'productivity'.

(4)

(d) Examine **two** likely macroeconomic effects of 'significant wage increases' (Extract A, line 21) on the UK economy.

(8)

(e) Discuss supply-side policies that the UK Government could use to increase productivity.

(14)

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12 (a) Define the term 'net migration' (Extract A, line 13).

(2)

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(b) With reference to Figure 2 and Extract A, analyse **two** possible impacts of net migration on the UK economy.

(6)

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(c) With reference to Figure 1, explain the term 'productivity'.

(4)

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(d) Examine **two** likely macroeconomic effects of 'significant wage increases' (Extract A, line 21) on the UK economy.

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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 2020 nominal GDP was $6 billion for Guyana, $270 billion for Finland and $14 723 billion for China.

Evaluate the limitations of using GDP data to compare living standards between countries.

(Total for Question 13 = 20 marks)

OR

14 In 2021 the rate of economic growth in the Maldives was 18.87% and in India it was 12.55%.

Evaluate the potential conflicts between the objective of economic growth and **two** other macroeconomic objectives.

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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Pearson Edexcel International Advanced Level

Time 1 hour 45 minutes

Paper reference **WEC12/01**

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Economics

International Advanced Subsidiary
UNIT 2: Macroeconomic performance and policy

Source Booklet

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Sources for use with Section C

The UK economy

Figure 1 Index of productivity for selected countries (2010=100), 2010 to 2020

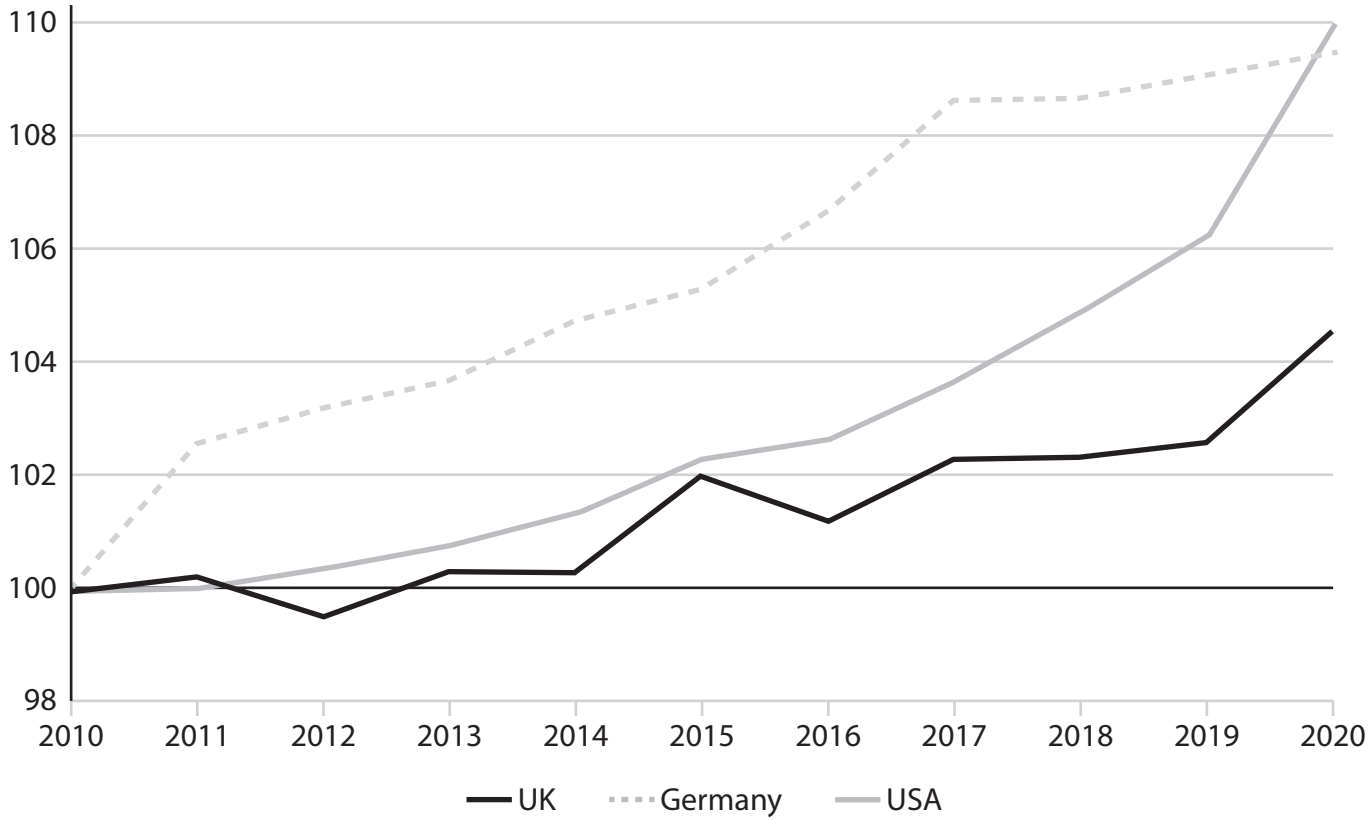

Figure 2 UK net migration, 2010 to 2019

Year	Net migration (thousands)
2010	256
2011	249
2012	161
2013	208
2014	309
2015	329
2016	248
2017	249
2018	232
2019	271

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Extract A Low productivity

In 2021 the UK Government argued that the disruption in UK supply chains was mainly as a result of low wages, inadequate skills, and low productivity. The Government stated that reductions in welfare benefits and in the number of low-skilled immigrants were needed to increase the country's productivity. The UK Government suggested that a decrease in low-skilled immigration would force businesses to invest in training and in capital equipment.

The goal of successive UK Governments has been to increase the UK's productivity to improve living standards. However, between 1997 and 2008, the average annual productivity growth was only 1.9%. Between 2009 and 2019 it fell to 0.7%. By 2021 productivity was nearly 20% below the level it would have reached if it had continued at 1.9%.

Some economists believe that high rates of net migration were not the only reason for the UK's poor productivity performance. They suggested that three other factors were also significant:

- the 2008 global financial crisis
- the UK's decision to leave the European Union
- the 2020–2022 global health crisis.

These factors made many UK businesses particularly cautious about investing in innovation and research and development.

In 2021 UK employers reported they were facing significant wage increases, especially in jobs where severe shortages exist. There was a concern that these wage increases would harm the UK economy unless there was a growth in productivity. However, some economists argue that rising wages could incentivise businesses to invest in labour-saving machinery and staff training.

The shock of the global health crisis may provide a much-needed boost to UK productivity for reasons not associated with labour shortages. Many businesses have an opportunity to innovate and improve their operations before restarting again.

The UK Government intends to solve the country's low productivity by increasing investment in skills and in infrastructure. It is essential that it works in partnership with businesses to achieve an increase in productivity and in the rate of economic growth.

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Acknowledgements

Figure 1 and Extract A adapted from FT, https://www.ft.com/content/e7a8cb3a-efcc-4d62-962b-d284545c14f6

Figure 2 adapted from https://www.migrationwatchuk.org/statistics-net-migration-statistics