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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 value of a country's multiplier decreases from 1.7 to 0.9.

Which **one** of the following is a likely cause of a decrease in the value of a country's multiplier?

☒ **A** A decrease in the marginal propensity to tax

☒ **B** A decrease in the marginal propensity to save

☒ **C** An increase in the marginal propensity to consume

☒ **D** An increase in the marginal propensity to import

(Total for Question 1 = 1 mark)

2 In 2021 India experienced an 8% increase in real GDP.

Which **one** of the following is most likely to be a cost of economic growth?

☒ **A** A decrease in profits for firms

☒ **B** An increase in damage to the environment

☒ **C** A decrease in government tax revenues

☒ **D** An increase in the level of investment

(Total for Question 2 = 1 mark)

3 Between January 2020 and April 2020 the rate of unemployment in the USA increased from 3.5% to 14.8%. This was as a result of the recession caused by the global health crisis.

Which **one** of the following best describes the cause of unemployment experienced in the USA?

☒ **A** Seasonal

☒ **B** Structural

☒ **C** Demand deficient

☒ **D** Frictional

(Total for Question 3 = 1 mark)

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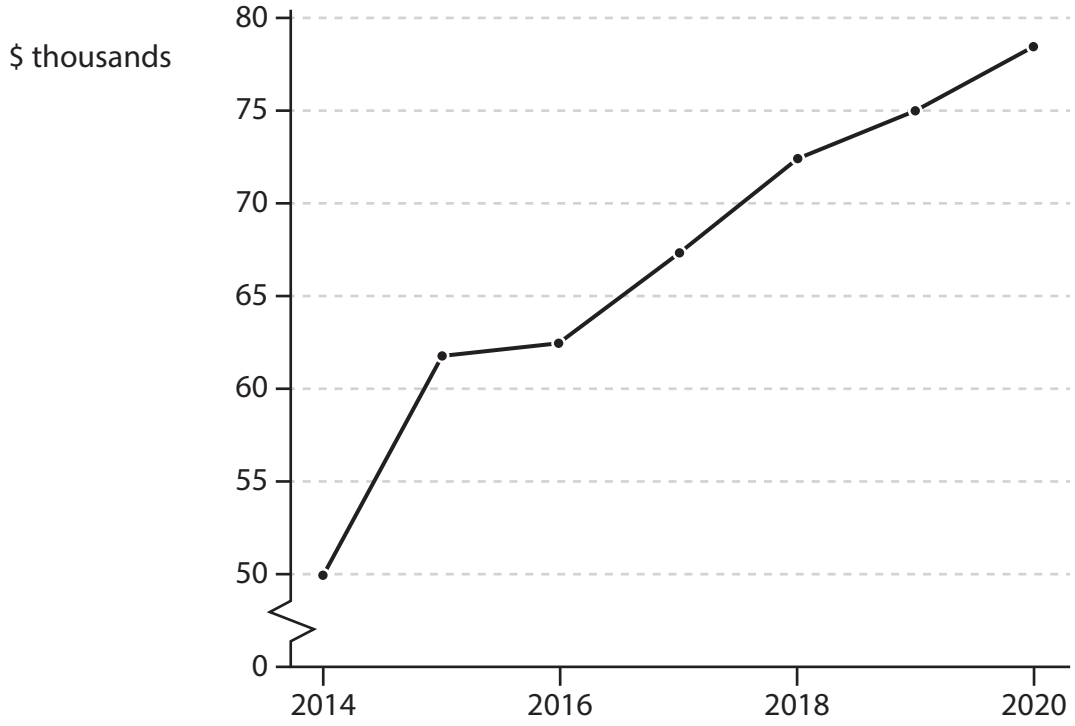
4 The chart shows Ireland's real GDP per capita, 2014–2020.



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

Which **one** of the following is the most likely effect of this change in real GDP per capita?

- ☒ **A** An increase in the standard of living
- ☒ **B** An increase in the rate of unemployment
- ☒ **C** A decrease in consumer confidence
- ☒ **D** A decrease in the purchasing power of consumers

(Total for Question 4 = 1 mark)

5 In April 2022 the central bank of Sri Lanka increased the country's base rate of interest from 7.5% to 14.5%.

Ceteris paribus, which **one** of the following is the most likely impact of this increase in the base rate of interest?

- ☒ **A** An increase in the rate of economic growth
- ☒ **B** An increase in the rate of unemployment
- ☒ **C** A decrease in the cost of borrowing
- ☒ **D** A decrease in the reward for saving

(Total for Question 5 = 1 mark)

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6 The table shows Qatar's Gross National Income (GNI) between 2018 and 2020.

Year	GNI ($ billion)
2018	179.6
2019	172.0
2020	141.4

Which **one** of the following represents the ratio of GNI in 2018 to GNI in 2020?

☒ **A** 1 : 0.79

☒ **B** 1 : 0.96

☒ **C** 1 : 1.04

☒ **D** 1 : 1.27

(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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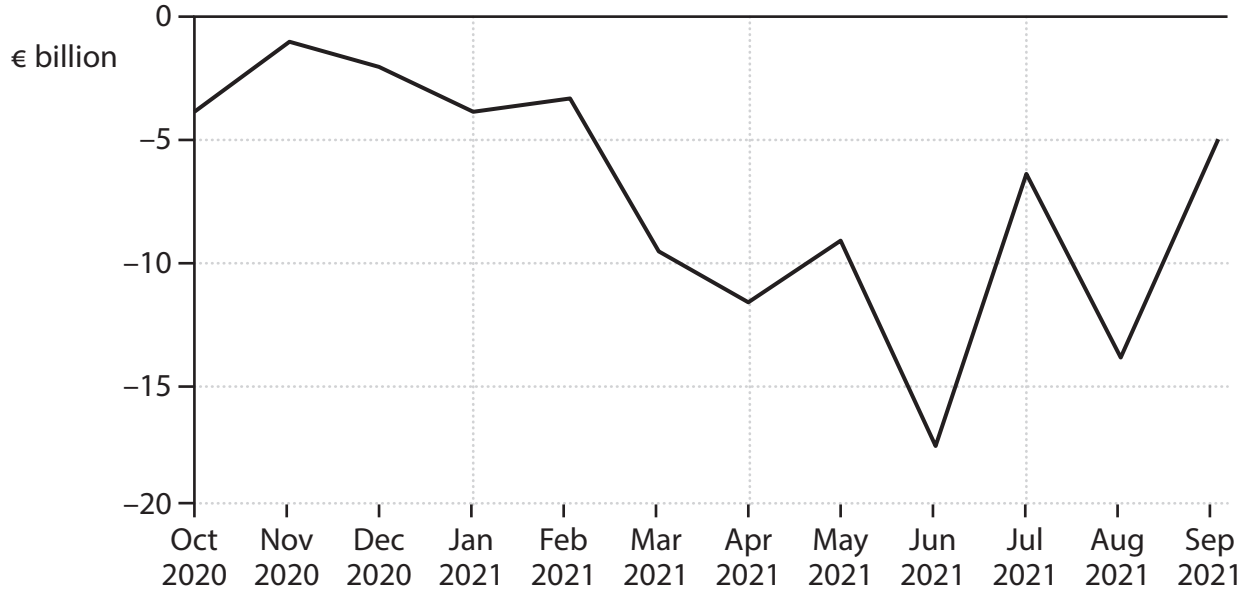
SECTION B

Answer ALL questions in this section in the space provided.

7 The chart shows Austria's net monthly balance of trade in goods and services, October 2020 to September 2021.



With reference to the chart, explain **one** likely cause of the deficit in Austria's balance of trade in goods and services.

(Total for Question 7 = 4 marks)

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8 As a result of a significant decrease in consumer spending in France in 2020, the country's negative output gap was 5.64%.

Draw an AS and AD diagram to show the negative output gap.

(Total for Question 8 = 4 marks)

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9 The table shows the population and GDP per capita of Bulgaria in 2015 and 2020.

	Population (millions)	**GDP per capita ($ thousand)**
2015	7.18	7 075
2020	6.93	10 079

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

Based on this information, calculate *the change* in Bulgaria's GDP between 2015 and 2020. Show your workings.

(Total for Question 9 = 4 marks)

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10 In September 2020 the average house price in the UK was £258 155. By September 2021 the average house price had risen by 11.5%.

With reference to this information, explain **one** likely macroeconomic impact of an increase in house prices on existing homeowners.

(Total for Question 10 = 4 marks)

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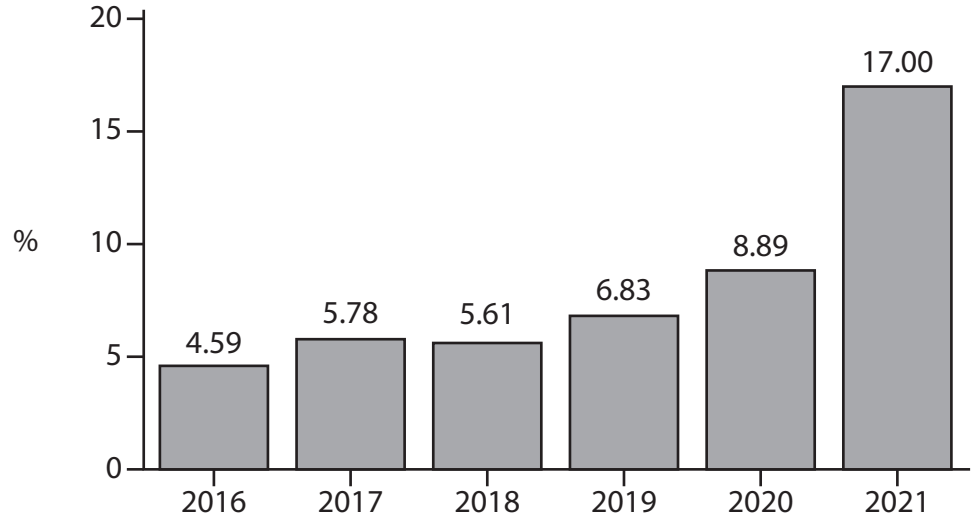
11 The chart shows the savings ratio for Latvia between 2016 and 2021.



(Source adapted from: https://tradingeconomics.com/latvia/gross-household-saving-rate-b8g-b6gd8net100-eurostat-data.html)

With reference to the trend shown in the chart, explain what is meant by the 'savings ratio'.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

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SECTION C BEGINS ON THE NEXT PAGE.

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SECTION C

Study Figures 1 and 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 'seasonally adjusted' (Figure 1).

(2)

(b) With reference to Figure 2, explain the difference between disinflation and deflation.

(4)

(c) With reference to Extract A, analyse **two** roles of a central bank.

(6)

(d) With reference to Figure 1 and Extract A, examine the likely impact of a fall in business confidence on Germany's real output.

(8)

(e) With reference to the information provided, discuss the likely macroeconomic effects of a high rate of inflation on the German economy.

(14)

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12 (a) Define the term 'seasonally adjusted' (Figure 1).

(2)

(b) With reference to Figure 2, explain the difference between disinflation and deflation.

(4)

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(c) With reference to Extract A, analyse **two** roles of a central bank.

(6)

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(d) With reference to Figure 1 and Extract A, examine the likely impact of a fall in business confidence on Germany's real output.

(8)

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(e) With reference to the information provided, discuss the likely macroeconomic effects of a high rate of inflation on the German 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 Between May 2020 and March 2022 the global oil price increased from $39 a barrel to $106 a barrel.

Evaluate the view that very high global oil prices will always harm a country's macroeconomy.

(Total for Question 13 = 20 marks)

OR

14 Between June 2021 and November 2021 the rate of employment in Australia decreased from 63% to 61.5%.

Evaluate government policies that could be used to increase the rate of employment. 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**

Economics

International Advanced Subsidiary
UNIT 2: Macroeconomic performance and policy

Source Booklet

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Sources for use with Section C

The German economy

Figure 1 Index of business confidence (January 2015=100), seasonally adjusted, January 2020 to December 2021

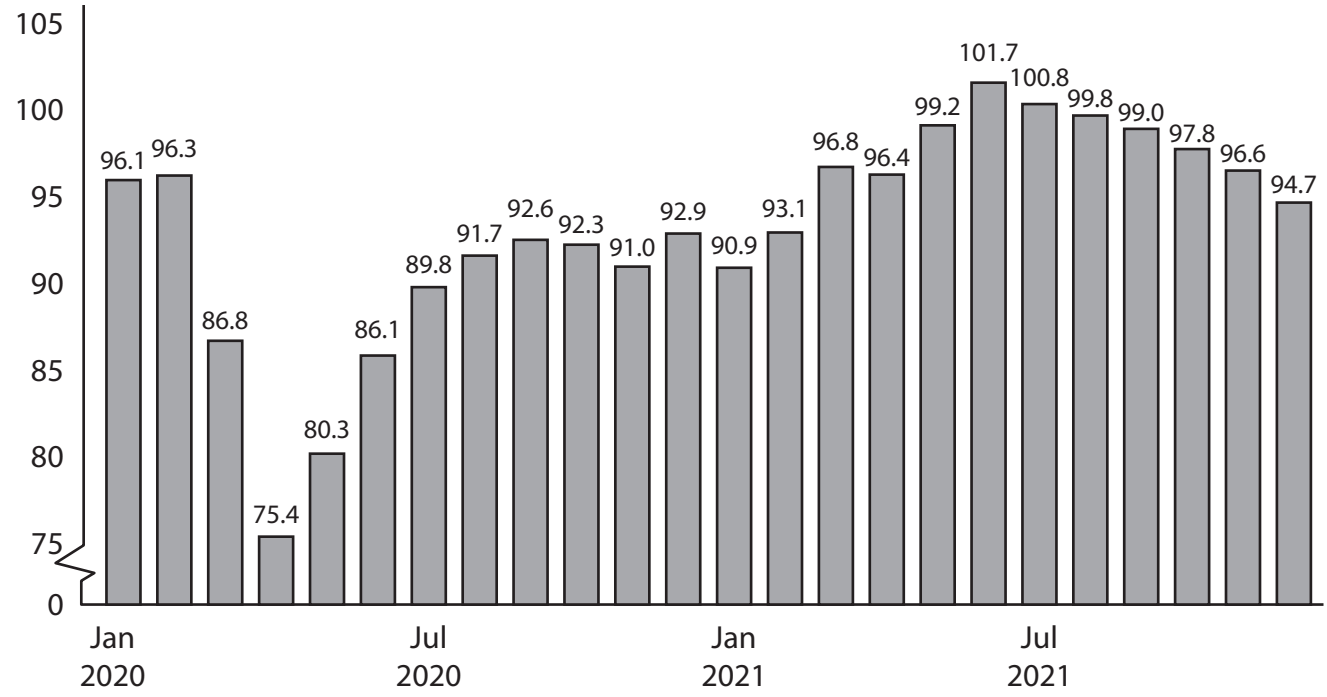
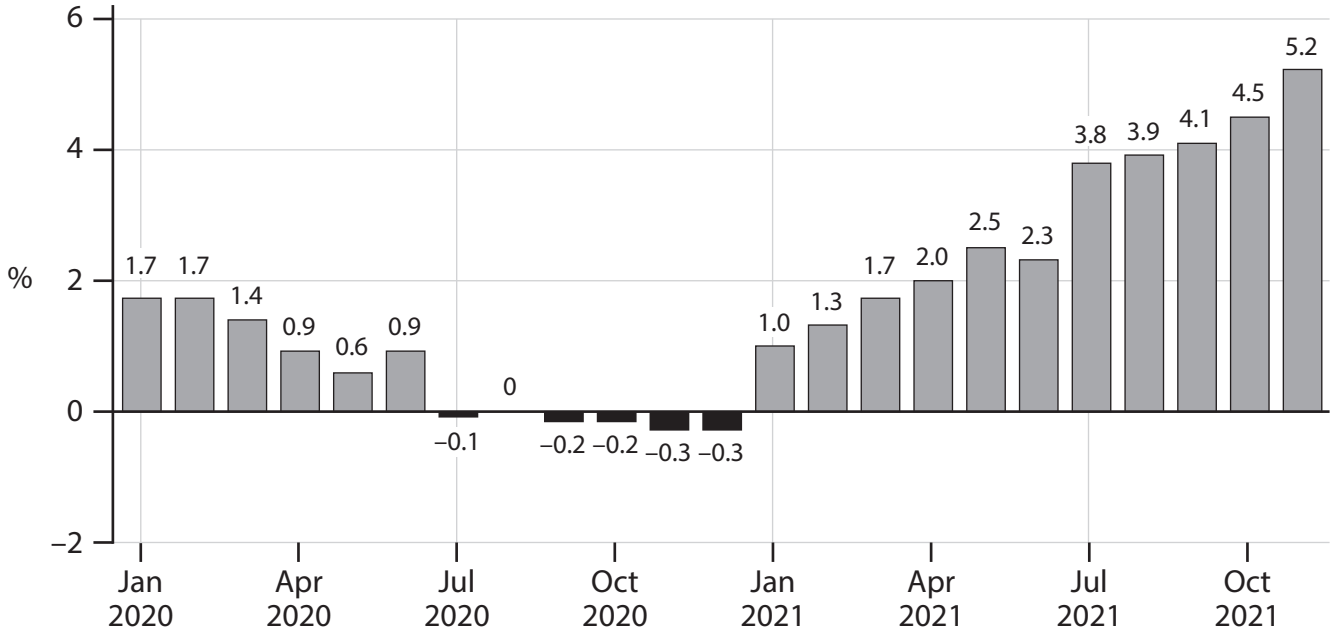


Figure 2 Inflation rate*, as measured by the consumer price index (CPI), January 2020 to November 2021



***This is the year-on-year inflation rate calculated monthly**

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Extract A Economic outlook

In 2021 production in Germany's large manufacturing sector suffered from delays and shortages of materials caused by supply chain constraints. Its larger services sector, including retail, tourism and hospitality, was also negatively affected by the global health crisis. These factors led to a decline in business confidence in both the manufacturing and services sectors from June 2021 onwards.

Consequently, the country's central bank, the Bundesbank, estimated that Germany's real output was likely to fall in the last quarter of 2021. Many economists predicted that the German economy could enter a recession in 2022. However, industrial production, especially vehicle manufacturing, had started to increase in the third quarter of 2021. Therefore, it was likely that net exports would increase in the first six months of 2022.

According to the Bundesbank, households had built up extra savings worth 10% of their disposable income during the global health crisis. The Bundesbank predicted that "this will strongly boost consumption" once consumer confidence increased.

The Bundesbank also warned of inflation risks. It raised its forecast for Germany's annual rate of inflation to 3.6% for 2022. This is above the European Central Bank's (ECB) inflation target rate of 2% for the eurozone area. The Bundesbank has therefore indicated that the ECB will need to increase the base rate of interest to control the rising rate of inflation in the eurozone.

There was evidence that the supply chain constraints caused an increase in inflationary pressures. In November 2021, Germany's producer (wholesale) price index increased by 19.2% from the previous year. This was primarily as a result of rising prices for energy, metal and wood. The Bundesbank predicted that the supply chain constraints would not be resolved until the end of 2022.

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Acknowledgements

Figure 1 adapted from https://tradingeconomics.com/germany/business-confidence

Figure 2 adapted from https://tradingeconomics.com/germany/inflation-cpi

Extract A adapted from https://www.ft.com/content/fe2e23ed-95b4-4031-a1c5-0d3a3ae72d6e