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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

Tuesday 17 October 2023

Morning (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 will result in a movement along the AS curve?

- ☒ **A** An increase in the cost of raw materials
- ☒ **B** A decrease in the cost of energy
- ☒ **C** An increase in the price level
- ☒ **D** A decrease in the rate of indirect tax

(Total for Question 1 = 1 mark)

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2 Japan's productivity is significantly lower than the productivity of France and Italy. The Government of Japan aims to increase the country's productivity.

Which **one** of the following is a free market supply-side policy?

- ☒ **A** Investment in education and training
- ☒ **B** Privatisation of state-owned industries
- ☒ **C** Investment in infrastructure projects
- ☒ **D** Providing finance for business start-ups

(Total for Question 2 = 1 mark)

---

3 The value of Burundi's multiplier is estimated to be approximately 0.1.

Ceteris paribus, which **one** of the following would cause an increase in the value of a country's multiplier?

- ☒ **A** An increase in the marginal propensity to save
- ☒ **B** An increase in the marginal propensity to import
- ☒ **C** A decrease in the marginal propensity to tax
- ☒ **D** A decrease in the marginal propensity to consume

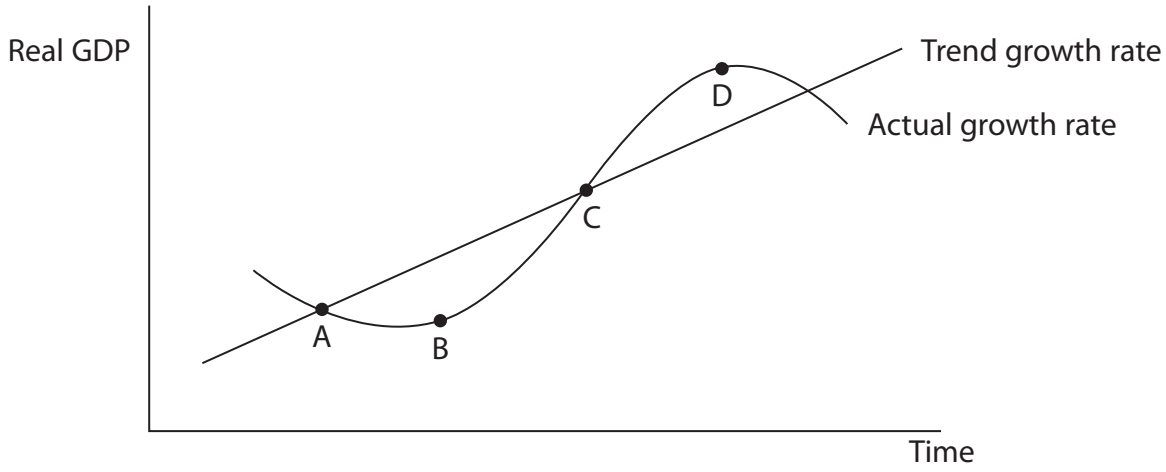
(Total for Question 3 = 1 mark)

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4 The diagram shows a country's trend growth rate and its actual growth rate.



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

- ☒ **A** The rate of economic growth is increasing between points A and B
- ☒ **B** There is a negative output gap at point B
- ☒ **C** There is a positive output gap at point C
- ☒ **D** The level of unemployment is increasing between points C and D

(Total for Question 4 = 1 mark)

5 The Bank of Israel is the country's central bank and it is the sole banker to Israel's Government.

Which **one** of the following is also a role of a central bank?

- ☒ **A** To act as a lender of last resort
- ☒ **B** To achieve a balanced government budget
- ☒ **C** To change the level of welfare payments
- ☒ **D** To deregulate product and labour markets

(Total for Question 5 = 1 mark)

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6 The table shows Ireland's Gross National Income (GNI) between 2019 and 2021.

Year	GNI ($ billion)
2019	309.77
2020	324.08
2021	372.09

If 2019 is the base year, which **one** of the following represents the index number for 2021?

☒ **A** 100.0

☒ **B** 104.6

☒ **C** 114.8

☒ **D** 120.1

(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 space provided.

7 In 2022 meat-free sausages and antibacterial surface wipes were added to the UK's consumer price index (CPI) basket of goods and services. At the same time, coal and men's suits were removed from this basket.

Explain **one** reason why it is necessary to regularly update the CPI basket of goods and services.

(Total for Question 7 = 4 marks)

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8 Between June 2021 and June 2022 the savings ratio in the USA fell from 9.5% to 5.1%.

Draw an AD and SRAS diagram to show the likely impact of this change in the savings ratio on the economy of the USA.

(Total for Question 8 = 4 marks)

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9 The table shows selected macroeconomic data for an economy in 2022.

Component	**$ billion**
Consumption	15.76
Savings by households	4.28
Investment	2.30
Government spending	6.14
Tax revenue	3.59
Imports	7.01
Exports	8.43

Ceteris paribus, calculate the value of aggregate demand for this economy in 2022.
Show your workings.

(Total for Question 9 = 4 marks)

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10 Guinea's real GDP per capita increased from $4 127 to $5 434 between 2013 and 2021. Guinea's average world happiness score for 2012-2014 and 2020-2022 is shown in the table. This score gives a value between 0 and 10, where 10 is the highest level of subjective happiness.

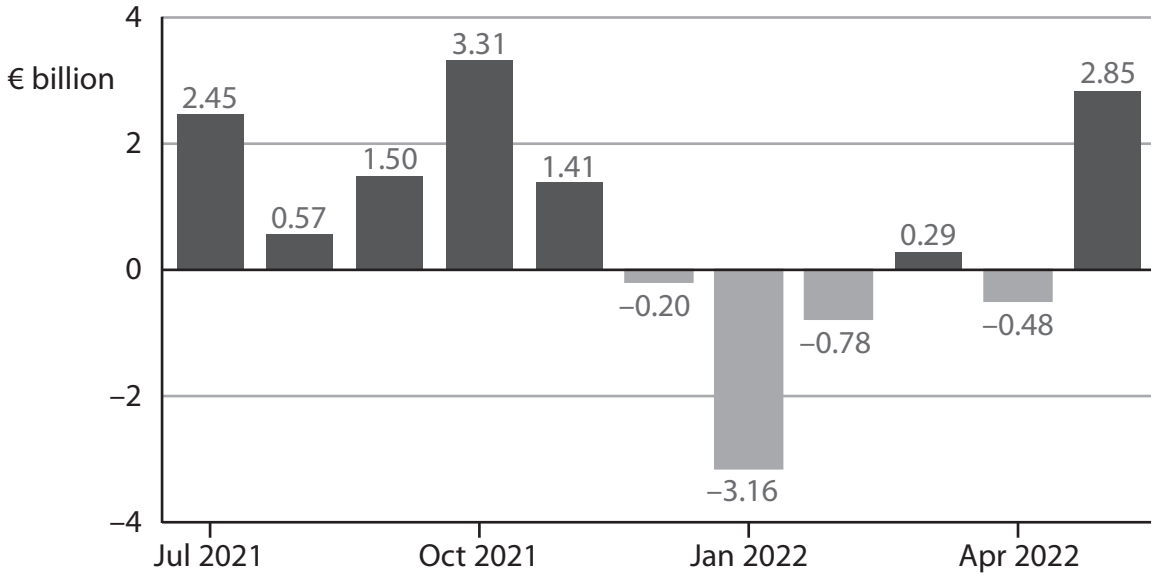
	World Happiness Score
2012-14	3.667
2020-22	5.072

With reference to Guinea, explain **one** likely impact of higher real incomes on subjective happiness.

(Total for Question 10 = 4 marks)

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11 The chart shows Spain's current account of the balance of payments between July 2021 and May 2022.



With reference to the chart, explain the difference between a current account deficit and a current account surplus.

(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 'real GDP' (Figure 1).

(2)

(b) With reference to Figure 2, explain how ILO unemployment is measured.

(4)

(c) With reference to Extract A, analyse **two** causes of China's high youth unemployment rate.

(6)

(d) With reference to Extract A, examine how a reflationary fiscal policy will impact China's circular flow of income.

(8)

(e) With reference to the information provided and your own knowledge, discuss the likely effects of a reflationary monetary policy on the economy of China.

(14)

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12 (a) Define the term 'real GDP' (Figure 1).

(2)

(b) With reference to Figure 2, explain how ILO unemployment is measured.

(4)

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(c) With reference to Extract A, analyse **two** causes of China's high youth unemployment rate.

(6)

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(d) With reference to Extract A, examine how a reflationary fiscal policy will impact China's circular flow of income.

(8)

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(e) With reference to the information provided and your own knowledge, discuss the likely effects of a reflationary monetary policy on the economy of China.

(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 In 2022 the Government of India introduced new legislation with the aim of reducing pollution. It is predicted that this will cause India's real GDP to increase at a slower rate.

Evaluate the view that there will always be conflicts between macroeconomic objectives. Refer to a country of your choice in your answer.

(Total for Question 13 = 20 marks)

OR

14 In July 2021 Rwanda's inflation rate was –1.1% and in November 2021 it was –3.4%.

Evaluate possible causes of deflation. 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

Tuesday 17 October 2023

Morning (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 economy of China

Figure 1 Year on year real GDP growth rate by quarter, Q1 2020 to Q2 2022

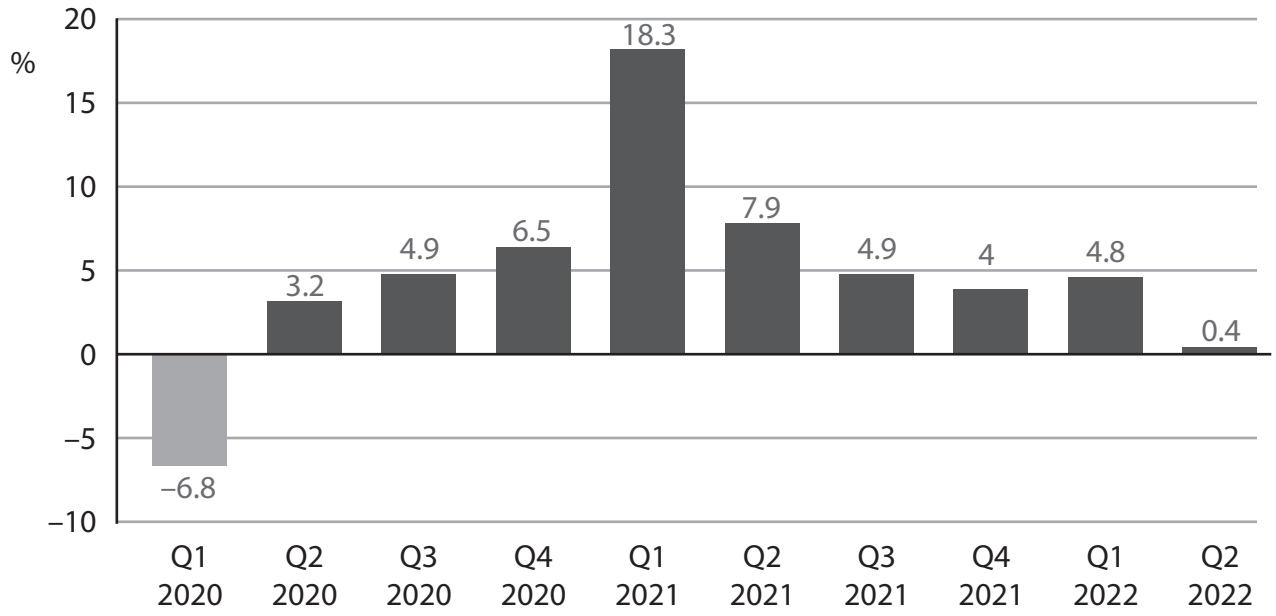


Figure 2 Youth unemployment rate (16 to 24 year olds), as measured by the International Labour Organization (ILO), January 2022 to June 2022

Date	Youth unemployment %
Jan 2022	15.3
Feb 2022	15.3
Mar 2022	16.0
Apr 2022	18.2
May 2022	18.4
June 2022	19.3

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Extract A Economic growth

In the second quarter of 2022 China experienced a low rate of economic growth. This was as a result of domestic demand for goods and services, and exports rising more slowly compared with the previous quarter. Economists estimated that China's economy would continue to experience a low rate of economic growth until the end of the year. Therefore, the country's economic growth forecast for 2022 was reduced from 5.5% to 4.3%.

This low economic growth rate resulted in a further increase in the already high rate of youth unemployment. China has too many college and university graduates for the economy to employ. In 2022 there was also a mismatch between the jobs that are available and students' qualifications. For example, at the start of the third quarter of 2022, only 0.70 jobs were available for each graduate.

To increase the rate of economic growth the Government implemented a reflationary fiscal policy. It increased spending on infrastructure by over $75 billion and reduced taxes for businesses. It planned to increase science and technology-related investments by providing 100% tax breaks on research and development spending.

The country's central bank, the People's Bank of China (PBoC), implemented a reflationary monetary policy to increase the country's economic growth rate. For example, the PBoC decreased the base rate of interest from 3.7% to 3.65% in August 2022. There was also a reduction in the reserve asset (liquidity) requirements in November 2022. This was in contrast to the policy of central banks in several advanced economies which implemented deflationary monetary policy.

One economist stated that "the room for manoeuvre" for a reflationary monetary policy by the PBoC was limited because of rising US interest rates. He also emphasised the risks associated with a fall in the external value of the Chinese currency, the *Renminbi*.

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Acknowledgements

Figure 1 adapted from https://tradingeconomics.com/china/gdp-growth-annual

Figure 2 adapted from
https://www.statista.com/statistics/1244339/surveyed-monthly-youth-unemployment-rate-in-china/

Extract A adapted from FT,
https://www.ft.com/content/bb302ef4-001a-478f-ac61-31cdc972cc8e;
https://www.fitchratings.com/research/sovereigns/china-loosens-fiscal-policy-to-support-slowing-economy-09-03-2022