www.dynamicpapers.com

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International Advanced Level

Wednesday 15 May 2024

Afternoon (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 ▶

P75889A

©2024 Pearson Education Ltd.
F:1/1/1/

P 7 5 8 8 9 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 about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 Economists predicted that Canada was likely to experience a recession in 2023.

Which **one** of the following is most likely to occur when an economy is in a recession?

☒ **A** A rise in investment and a rise in the profits of firms

☒ **B** A fall in government expenditure and a rise in real income

☒ **C** A rise in consumer confidence and a fall in the unemployment rate

☒ **D** A fall in government tax revenues and a fall in real output

(Total for Question 1 = 1 mark)

2 Between July 2021 and December 2021, the rate of inflation in Rwanda was negative.

Which **one** of the following is most likely to account for this decrease in the average price level in Rwanda?

☒ **A** A decrease in the savings ratio

☒ **B** A decrease in the costs of raw materials

☒ **C** An increase in the level of welfare payments

☒ **D** An increase in the availability of credit

(Total for Question 2 = 1 mark)

3 In 2022 Bahrain's GDP was $44 billion and its population was 1.5 million.

Which **one** of the following is the GDP per capita for Bahrain in 2022?

☒ **A** $29.33

☒ **B** $66.00

☒ **C** $29 333.33

☒ **D** $66 000.00

(Total for Question 3 = 1 mark)

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

4 The net monthly balance of trade deficit in goods and services for Honduras increased from $475.8 million in April 2022 to $647.9 million in April 2023.

Which **one** of the following is the most likely reason for this increase in the balance of trade deficit for Honduras?

- ☒ **A** A decrease in its rate of inflation relative to its trading partners
- ☒ **B** An increase in the external value of its currency
- ☒ **C** A decrease in the real incomes of its citizens
- ☒ **D** An increase in the quality of its goods and services

(Total for Question 4 = 1 mark)

5 The unemployment rate in Sri Lanka increased from 5.2% in 2021 to 6.7% in 2022.

Which **one** of the following is the most likely effect of this increase in the unemployment rate?

- ☒ **A** An increase in national happiness in Sri Lanka
- ☒ **B** An increase in the level of profits for firms in Sri Lanka
- ☒ **C** A decrease in tax revenues for Sri Lanka's Government
- ☒ **D** A decrease in welfare payments by Sri Lanka's Government

(Total for Question 5 = 1 mark)

www.dynamicpapers.com

6 The table shows average UK house prices between November 2022 and January 2023.

Month and year	Average house price (£)
November 2022	294 693
December 2022	293 162
January 2023	289 818

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

- ☒ **A** Existing homeowners experienced negative wealth effects
- ☒ **B** Existing homeowners experienced an increase in consumer confidence
- ☒ **C** Between November 2022 and January 2023 average house prices fell by 0.52%
- ☒ **D** There will be a greater incentive for construction companies to build new houses

(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

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

BLANK PAGE

www.dynamicpapers.com

SECTION B

Answer ALL questions in this section in the space provided.

7 In 2021 net migration in Nepal was approximately 300 000.

Explain **one** impact of this net migration on *employment* in Nepal.

(4)

(Total for Question 7 = 4 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

8 Between May 2022 and April 2023 the central bank of Nigeria increased the country's base rate of interest by six percentage points.

Draw an AD and LRAS diagram to show the effect of this increase in the base rate of interest on *consumption*, the price level and real output.

(4)

(Total for Question 8 = 4 marks)

www.dynamicpapers.com

9 The table shows the value of exports and imports of goods and services, $ billion, for Thailand in 2020 and 2021.

	Exports ($ billion)	**Imports ($ billion)**
2020	208	187
2021	257	230

Calculate the *change* in Thailand's balance of trade between 2020 and 2021.
Show your workings.

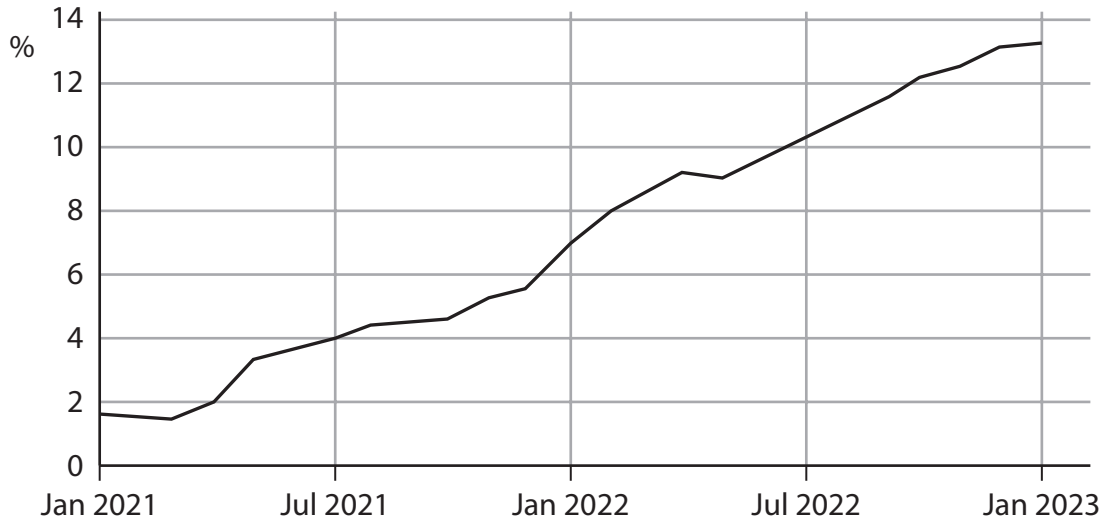
(4)

(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 chart shows the annual rate of inflation* in Colombia, as measured by the consumer price index (CPI), January 2021 to January 2023.



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

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

(4)

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

www.dynamicpapers.com

.....

.....

.....

(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

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

11 Between 2015 and 2023 the European Central Bank increased its asset purchases (quantitative easing) programme by approximately €3.5 trillion.

With reference to the data, explain what is meant by quantitative easing.

(4)

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

www.dynamicpapers.com

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 'corporation tax' (Extract A, lines 4 and 5).

(2)

(b) Explain what is meant by Gross National Income (Extract A, line 24).

(4)

(c) With reference to Extract A, analyse **two** reasons for the improvement in living standards in Ireland between 2015 and 2022.

(6)

(d) With reference to Figure 1 and Extract A, examine **two** reasons why Ireland's rate of economic growth was expected to decrease in 2023.

(8)

(e) With reference to Figure 2, Extract A and your own knowledge, discuss the limitations of using GDP to compare living standards between countries.

(14)

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

12 (a) Define the term 'corporation tax' (Extract A, lines 4 and 5).

(2)

(b) Explain what is meant by Gross National Income (Extract A, line 24).

(4)

www.dynamicpapers.com

(c) With reference to Extract A, analyse **two** reasons for the improvement in living standards in Ireland between 2015 and 2022.

(6)

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

(d) With reference to Figure 1 and Extract A, examine **two** reasons why Ireland's rate of economic growth was expected to decrease in 2023.

(8)

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

(e) With reference to Figure 2, Extract A and your own knowledge, discuss the limitations of using GDP to compare living standards between countries.

(14)

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

(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

www.dynamicpapers.com

SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

13 In 2022 many countries experienced low rates of economic growth and high rates of inflation.

Evaluate supply-side policies that a government could use to increase the rate of economic growth and to decrease the rate of inflation. Refer to a country of your choice in your answer.

(Total for Question 13 = 20 marks)

OR

14 In February 2023 government expenditure exceeded tax revenue by approximately $1 billion in Argentina.

Evaluate the likely macroeconomic effects of a government using deflationary policies to achieve a balanced budget. Refer to a country of your choice in your answer.

(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

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

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

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

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

BLANK PAGE

www.dynamicpapers.com

Pearson Edexcel International Advanced Level

Wednesday 15 May 2024

Afternoon (Time: 1 hour 45 minutes)

Paper reference **WEC12/01**

Economics

International Advanced Subsidiary

UNIT 2: Macroeconomic performance and policy

Source Booklet

Do not return this Booklet with the question paper.

Turn over ▶

P75889A

©2024 Pearson Education Ltd.

F:1/1/1/

P 7 5 8 8 9 A

Pearson

www.dynamicpapers.com

Sources for use with Section C

The economy of Ireland

Figure 1 Annual real GDP growth rate (%), 2013 to 2022

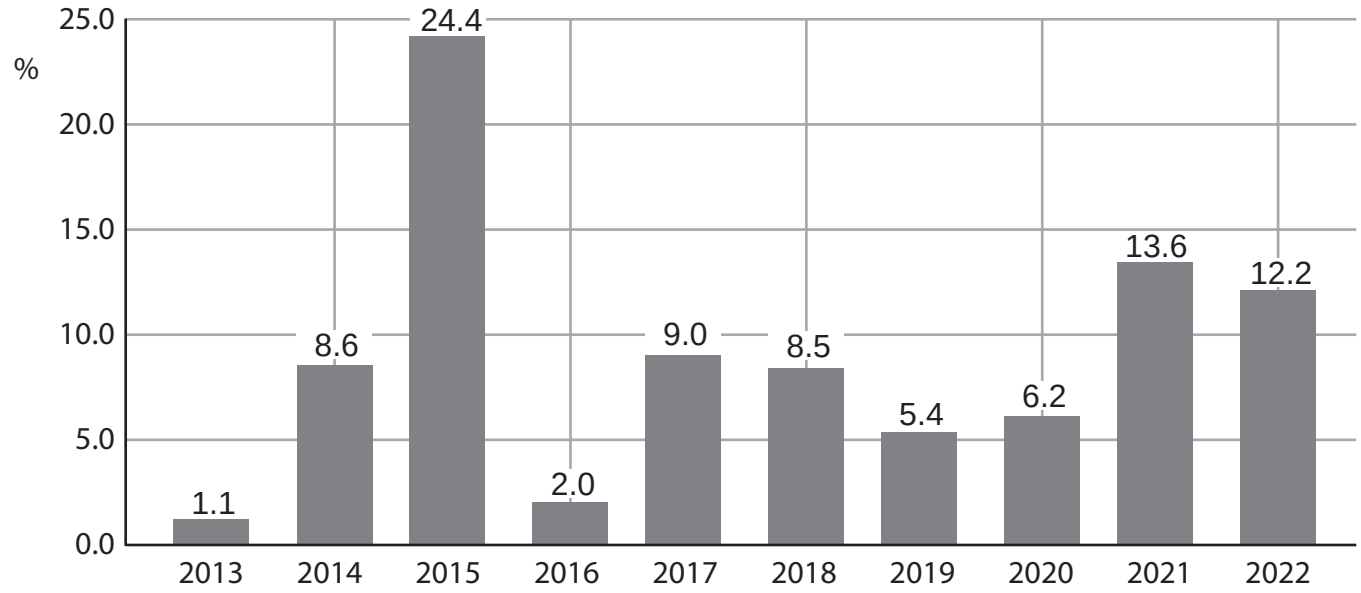
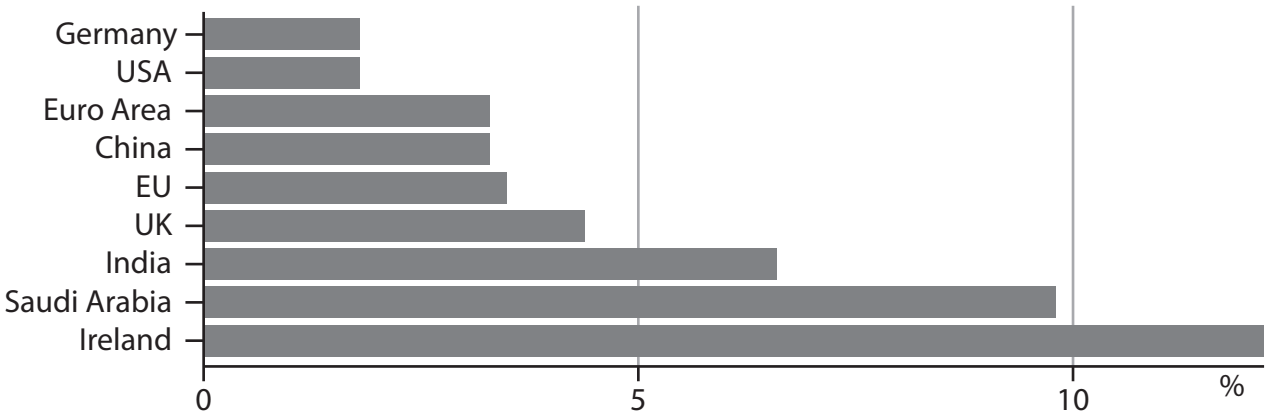


Figure 2 Annual real GDP growth rate (%) for selected countries, 2022



www.dynamicpapers.com

Extract A Limitations of using GDP

Many economists argue that Ireland's high rate of economic growth for 2022 is not accurate. They claim that Ireland only experiences high rates of economic growth because international companies take advantage of the country's low corporation tax rate of 12.5%. This tax rate is lower than the corporation tax rates of many other European countries and has attracted over 1 500 international companies.

Some of these companies are so large that the country's GDP figures may be overstated. For example, Apple Inc., the world's largest technology company, moved its European base to Ireland in 2015. This resulted in a significant increase in the country's rate of economic growth. In 2018 the global sales of Apple iPhones accounted for 25% of the GDP growth rate in Ireland.

In 2022 there were large fluctuations in Ireland's industrial production data. It rose or fell by more than 10% from one month to the next. This led to Ireland's central bank reviewing how it calculated seasonal adjustments when measuring the country's GDP.

Economists suggested that Ireland's GDP data was meaningless as a guide to how the economy is performing. For example, they argued that using GDP can mislead analysis of matters related to income inequality and the environment.

However, Ireland's central bank defended this measurement of the country's rate of economic growth for 2022. It indicated that the activities of international companies had a positive impact on living standards in Ireland. Between 2015 and 2022 employment increased from 2.06 million to 2.55 million. This contributed to a significant increase in government revenues from income tax and corporation tax. In 2022 the country's corporation tax receipts rose to an all-time high of €22.6 billion.

Ireland's central bank also uses Gross National Income (GNI) as an alternative measure of economic growth. This measure removes the impact of international companies and provides a better understanding of domestic demand. According to the GNI measure, Ireland's rate of economic growth was much lower at 5.9% in 2022.

In 2023 Ireland's rate of economic growth was expected to decrease to just 4%, as measured by GDP. This is as a result of a high rate of inflation, rising interest rates and the weakening state of the global economy. Forecasts also suggest that between 2024 and 2027, GDP is likely to grow by an average of 3.5% per year.

www.dynamicpapers.com

BLANK PAGE

Acknowledgements

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

Figure 2 adapted from FT,
https://www.ft.com/content/e1cfecd4-e429-4151-963e-0d172ed0e028

Extract A adapted from FT,
https://www.ft.com/content/e1cfecd4-e429-4151-963e-0d172ed0e028
https://www.politico.eu/article/ireland-gdp-growth-multinationals-misleading/