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EDEXCEL INTERNATIONAL A LEVEL ECONOMICS: QUESTIONS BY TOPIC

Measures of economic performance (2.3.1)

International A Level Economics · Unit 2: Macroeconomic performance and policy

147 questions · 677 marks · Mark schemes included

Past papers June 2019 - June 2025 · 4 specification sub-topics

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HOW TO USE THIS BOOKLET

Questions are grouped by specification sub-topic and run from the lowest to the highest mark tariff, then oldest paper first.
Click any row below to jump straight to that sub-topic or question.
On every question page, click ANSWER in the top-right corner to jump to its mark scheme; < QUESTION brings you back.
Whenever a question refers to an extract, figure or table, those exact pages are printed immediately before it ("extracts & data").
A gold bar in the left margin marks exactly where the question sits on the original page.
Diagrams, graphs, tables and data are printed exactly as they appear in the original papers.

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QUESTIONS

147 questions · 677 marks · 4 sub-topics

SUB-TOPIC 2.3.1.1

ECONOMIC GROWTH

Sub-topic 2.3.1.1 · 53 questions · 243 marks · lowest tariff first

6 The table shows Sweden's GDP per capita between 2015 and 2017.

Year	GDP per capita
2015	$55 395
2016	$56 473
2017	$56 935

If 2016 is the base year, the index number for 2017 is:

- ☒ **A** 100.0
- ☒ **B** 100.8
- ☒ **C** 101.9
- ☒ **D** 102.8

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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

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 World Bank calculates a 'Purchasing Power Parity (PPP)-adjusted level of GDP' for different countries.

Which **one** of the following is compared when calculating PPP?

- ☒ **A** The price of a basket of comparable goods and services in different countries
- ☒ **B** Real incomes, national happiness and wellbeing in different countries
- ☒ **C** The external value of one currency in terms of the US dollar
- ☒ **D** Inflation rates in different countries over a given time period

(Total for Question 1 = 1 mark)

2 The table below shows Bahrain's Gross National Income (GNI) between 2017 and 2019.

Year	GNI ($ billion)
2017	33.5
2018	35.6
2019	36.3

(Source: https://data.worldbank.org/indicator/NY.GNP.MKTP.CD?locations=BH)

If 2017 is the base year, which **one** of the following represents the index number for 2019?

- ☒ **A** 100.0
- ☒ **B** 102.0
- ☒ **C** 106.3
- ☒ **D** 108.4

(Total for Question 2 = 1 mark)

SECTION A

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- ☒ **A** 100.0
- ☒ **B** 102.0
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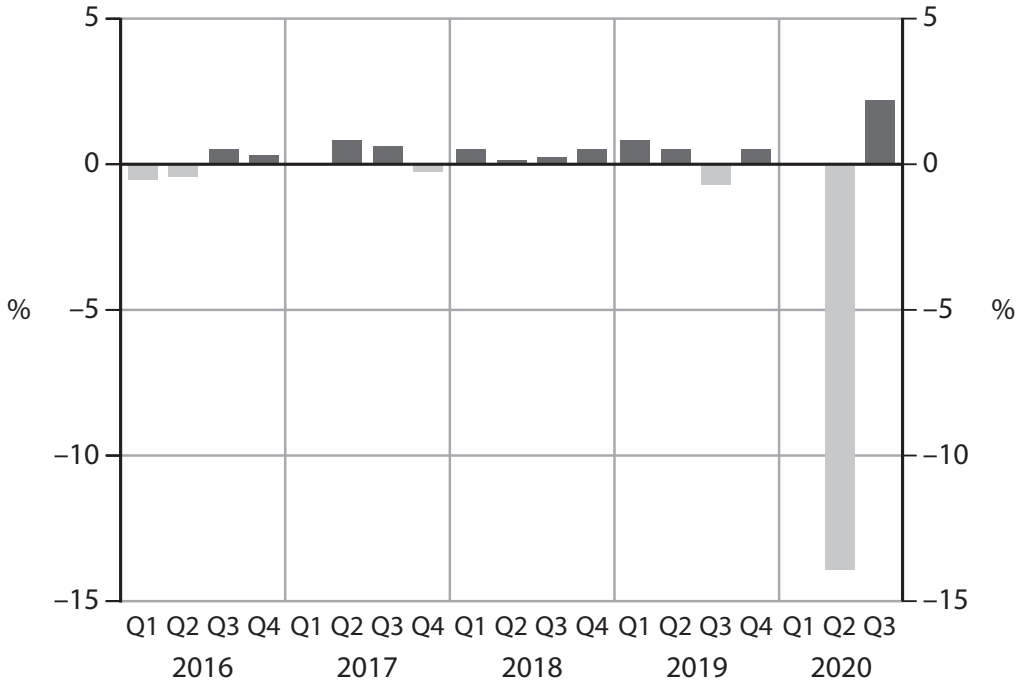
(Total for Question 2 = 1 mark)

SECTION A

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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 chart shows the quarterly real GDP growth rate for Greece from Quarter 1 2016 to Quarter 3 2020.



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

☒ **A** Greece experienced a recession in Quarters 1 and 2 of 2016

☒ **B** Greece experienced negative economic growth throughout 2017

☒ **C** Greece experienced positive economic growth in Quarter 3 of 2019

☒ **D** Greece experienced a recession in Quarter 2 of 2020

(Total for Question 1 = 1 mark)

5 The table shows the UK's Gross National Income (GNI) between 2018 and 2020.

Year	GNI (£ millions)
2018	2 113 914
2019	2 203 701
2020	2 073 880

(Source: https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/abmz/ukea)

If 2019 is the base year, what is the index number for 2020?

☒ **A** 94.1

☒ **B** 98.1

☒ **C** 104.2

☒ **D** 106.3

(Total for Question 5 = 1 mark)

6 Between 2000 and 2019 Afghanistan's terms of trade increased by 65%.

Ceteris paribus, which **one** of the following is most likely to have caused an increase in Afghanistan's terms of trade?

☒ **A** Lower relative inflation rates

☒ **B** A decrease in the price of exports

☒ **C** Depreciation of its exchange rate

☒ **D** A decrease in the price of imports

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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/)

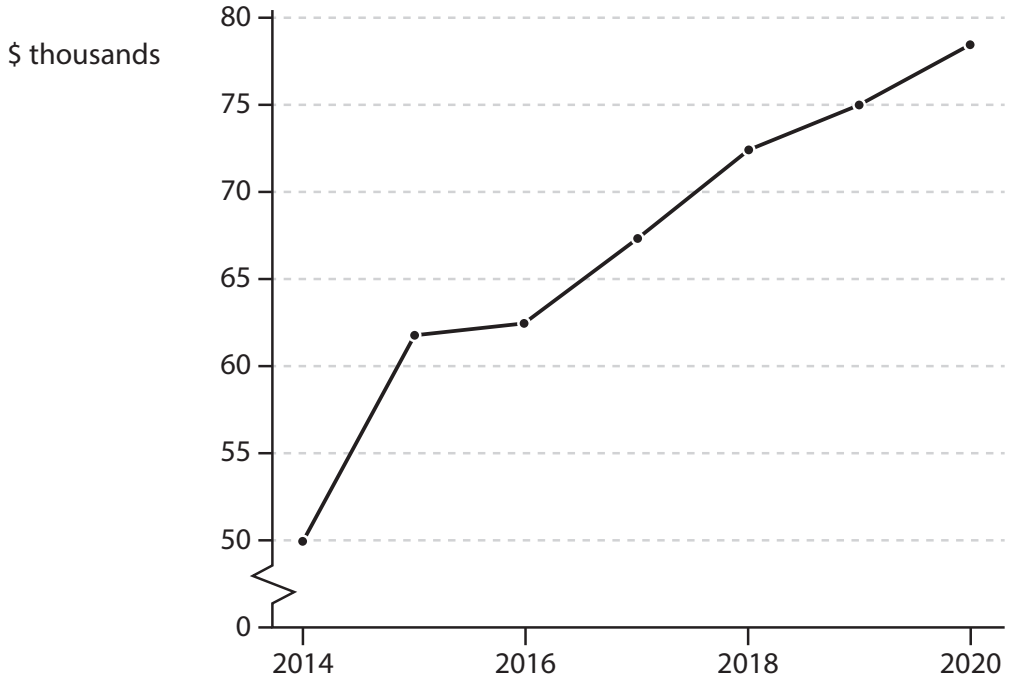
Which **one** of the following represents the index number for 2020, if 2018 is the base year?

- ☒ **A** 90.37
- ☒ **B** 93.71
- ☒ **C** 106.72
- ☒ **D** 110.65

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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)

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

6 The table shows China's nominal Gross Domestic Product (GDP) and population for 2011 and 2021.

Year	GDP ($ billion)	Population (billions)
2011	7 550	1.345
2021	17 730	1.412

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

☒ **A** Between 2011 and 2021 nominal GDP increased by 5%

☒ **B** Between 2011 and 2021 population increased by 134.8%

☒ **C** GDP per capita in 2011 was $10 155

☒ **D** GDP per capita in 2021 was $12 557

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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

SECTION A

Answer ALL questions in this section.

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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)

SECTION A

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- ☒ **A** $29.33
- ☒ **B** $66.00
- ☒ **C** $29 333.33
- ☒ **D** $66 000.00

(Total for Question 3 = 1 mark)

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 represents net investment?

- ☒ **A** Gross investment minus corporation tax
- ☒ **B** Gross investment minus capital depreciation
- ☒ **C** Gross investment minus the rate of inflation
- ☒ **D** Gross investment minus money supply

(Total for Question 1 = 1 mark)

2 In Chad unemployment is higher in the winter months than in the summer months. This is because the demand for agricultural labour is lower in the winter months.

Which **one** of the following best describes the cause of this unemployment in Chad?

- ☒ **A** Frictional unemployment
- ☒ **B** Real wage inflexibility
- ☒ **C** Seasonal unemployment
- ☒ **D** Structural unemployment

(Total for Question 2 = 1 mark)

3 Between 2020 and 2022 Qatar's GNI increased from $141.37 billion to $229.01 billion.

Which **one** of the following is the ratio of Qatar's GNI in 2022 to its GNI in 2020?

- ☒ **A** 1 : 0.62
- ☒ **B** 1 : 1.62
- ☒ **C** 1 : 61.99
- ☒ **D** 1 : 87.64

(Total for Question 3 = 1 mark)

3 Ireland specialises in services while Japan specialises in manufacturing.

Ceteris paribus, if each country specialises and trades in the sector in which it has a comparative advantage, which **one** of the following is likely to occur?

- ☒ **A** A fall in the volume of exports and imports
- ☒ **B** A fall in the standard of living
- ☒ **C** An increase in world output
- ☒ **D** An increase in absolute poverty

(Total for Question 3 = 1 mark)

4 The table shows global GDP per capita in 2002, 2012 and 2022.

Year	GDP per capita ($)
2002	5 537
2012	10 576
2022	12 647

If 2022 is the base year, what will be the index number for 2002?

- ☒ **A** 43.78
- ☒ **B** 83.62
- ☒ **C** 119.58
- ☒ **D** 228.41

(Total for Question 4 = 1 mark)

SECTION C

Study Figure 1 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 'Purchasing Power Parity (PPP)', (Figure 1).

(2)

(b) With reference to Figure 1, explain the difference between GDP per capita and GNI per capita.

(4)

(c) With reference to Figure 1, analyse **two** limitations of using GNI per capita PPP data to compare living standards in the Philippines between 2000 and 2018.

(6)

(d) With reference to Extract A, examine **two** reasons why the Philippine economy was forecast to grow from 2019 to 2021.

(8)

(e) Discuss how supply-side policies might 'help the Philippines to achieve economic growth' (Extract A, lines 12–13).

Illustrate your answer with an appropriate diagram(s).

(14)

Sources for use with Section C.

The economy of the Philippines

Figure 1 Standard of living indicators for the Philippine economy, selected years 2000–2018

Year	GDP per capita (current US$)	GNI per capita (current US$)	GDP per capita *PPP (current international $)	GNI per capita *PPP (current international $)
2000	1 039	1 220	3 361	3 940
2005	1 194	1 430	4 255	5 050
2010	2 124	2 460	5 468	6 590
2015	2 867	3 510	7 313	8 850
2018	3 103	3 830	8 935	10 720

*PPP Purchasing Power Parity

Extract A Supply-side reforms and economic growth

Despite global uncertainties, the Philippine economy remains strong. The World Bank has forecast that it will grow by 5.8% in 2019 and by 6.0% in both 2020 and 2021.

Economic growth may slow in the first half of 2019. This may be explained by the weakening global economy, rising protectionism and a slowdown in public sector investment in the Philippines. However, levels of consumption should stay high. This is because of lower inflation rates, higher employment rates and rising real wages. Also, more workers are finding jobs in industries other than agriculture. This has helped to increase average incomes in the country. The continuing expansion of financial services and tourism in the Philippines means that the services sector is also likely to grow.

At the same time, the Government is using a range of supply-side policies. These policies include both interventionist and free market measures. It hopes that these will help the Philippines to achieve economic growth that creates high-paying jobs and reduces poverty. One interventionist policy is to start some infrastructure investment projects earlier than planned. The free market policies being used include:

- introducing the 'Ease of Doing Business Law' to cut the costs of bureaucracy for firms
- deregulating the rice market to increase competition
- introducing a law to allow greater competition in the country's retail sector, which should boost local productivity
- making amendments to the country's laws to allow the foreign ownership of firms in key sectors. This includes the telecommunication and transportation industries. By encouraging foreign direct investment, the Government hopes to increase productivity in these areas.

A report by the World Bank finds that promoting competition in this way will be beneficial to the Philippine economy over the longer term. However, the report also notes that many industries within the country are still dominated by just a few firms. It therefore recommends additional reforms to increase competition, including:

- further reductions in bureaucracy to make it easier to start a business
- further reductions in restrictions on both foreign and domestic investors
- ensuring that state-owned firms compete on fair terms with private sector businesses. This should promote the more efficient use of public funds.

12 (a) Define the term 'Purchasing Power Parity (PPP)', (Figure 1).

(2)

(b) With reference to Figure 1, explain the difference between GDP per capita and GNI per capita.

(4)

SECTION B

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering Question 7.

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

7 In 2018, the EU's rate of inflation was 1.6%.

(a) With reference to Figure 1, calculate the nominal GDP growth rate of the EU in 2018. You are advised to show your workings.

(2)

(b) Explain what is meant by 'quantitative easing' (Extract A, lines 8–9).

(4)

(c) With reference to Figure 1, Figure 2 and Extract A, analyse **two** reasons why 'Many EU countries experienced strong economic growth after 2012' (Extract A, lines 2–3).

(6)

(d) With reference to Figure 1, Figure 2 and Extract A, examine **two** reasons why 'there is concern that the future rate of economic growth in the EU might be much lower' (Extract A, lines 12–13).

(8)

(e) With reference to Extract B, discuss the likely economic benefits to the EU of forming a trade agreement with Mercosur.

(14)

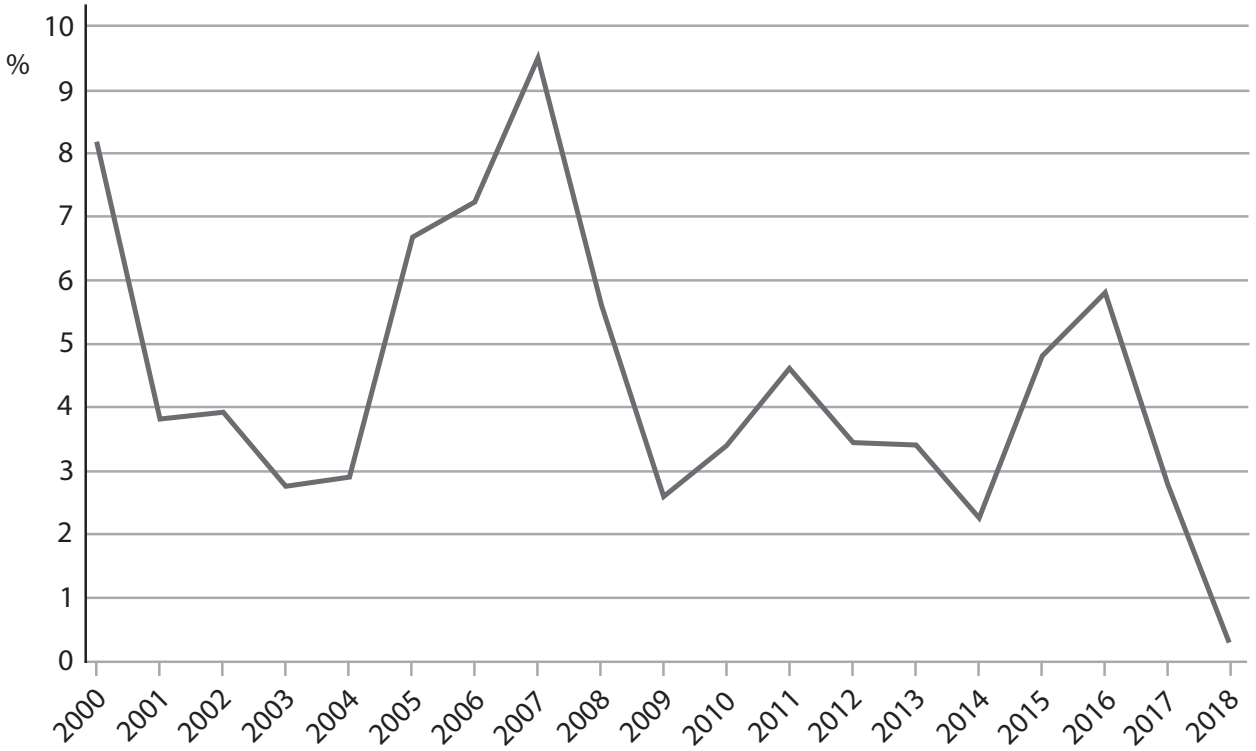
Sources for use with Section B.

The European Union (EU)

Figure 1 Annual real GDP growth rate (%), 2000–2018



Figure 2 Annual inward foreign direct investment to the EU (% of GDP), 2000-2018



Extract A Economic growth

The European Union (EU) is a customs union. Many EU countries experienced strong economic growth after 2012, four years after the global financial crisis of 2008. After some years of low domestic demand since the crisis, firms in the EU were able to take advantage of increasing consumer spending. In 2018 household expenditure rose by 2% and the EU benefited from an expansion in global trade.

The EU's economic recovery was also as a result of increased domestic investment. Between 2015 and 2018 the European Central Bank's (ECB) €2.5 trillion quantitative easing programme gave firms greater access to credit. The ECB has also indicated that it could extend this programme. This would reduce fears of economic uncertainty and the impact of a global economic slowdown.

Despite the evidence of economic recovery, there is concern that the future rate of economic growth in the EU might be much lower. Rising oil prices are expected to reduce foreign direct investment. Moreover, spending on research and development is significantly lower than in most Asian countries. There is also a shortage of skilled labour in the technology sector. Finally, there is a worry that the EU's rate of economic growth could also decline as a result of the slowdown in China, following its trade war with the USA.

Extract B Trade agreement

In July 2019 the South American customs union, Mercosur, and the EU announced they were close to agreeing a free trade deal. If concluded it would be the largest ever trade agreement negotiated by the EU in terms of tariff reductions.

The deal would provide a rare moment of agreement in global trade. It would come at a time when US President Donald Trump is threatening to increase trade barriers with China and the EU. A trade agreement with Mercosur has more significance as the EU seeks to position itself as a leading promoter of global free trade.

However, the EU remains concerned about the agreement. The negotiations have discussed sensitive economic matters for both trading blocs. These include the prospect of greater competition for Mercosur's car manufacturers and for the EU's beef farmers.

There has also been disappointment amongst EU countries about the lack of co-ordination between Mercosur's largest agricultural exporters. These countries include Argentina, Brazil, Paraguay and Uruguay. This problem was partly blamed for the failure to secure a trade agreement in 2018.

In 2018, the EU's rate of inflation was 1.6%.

(a) With reference to Figure 1, calculate the nominal GDP growth rate of the EU in 2018. You are advised to show your workings.

(2)

(b) Explain what is meant by 'quantitative easing' (Extract A, lines 8–9).

(4)

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)

Sources for use with Section C.

The French economy

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

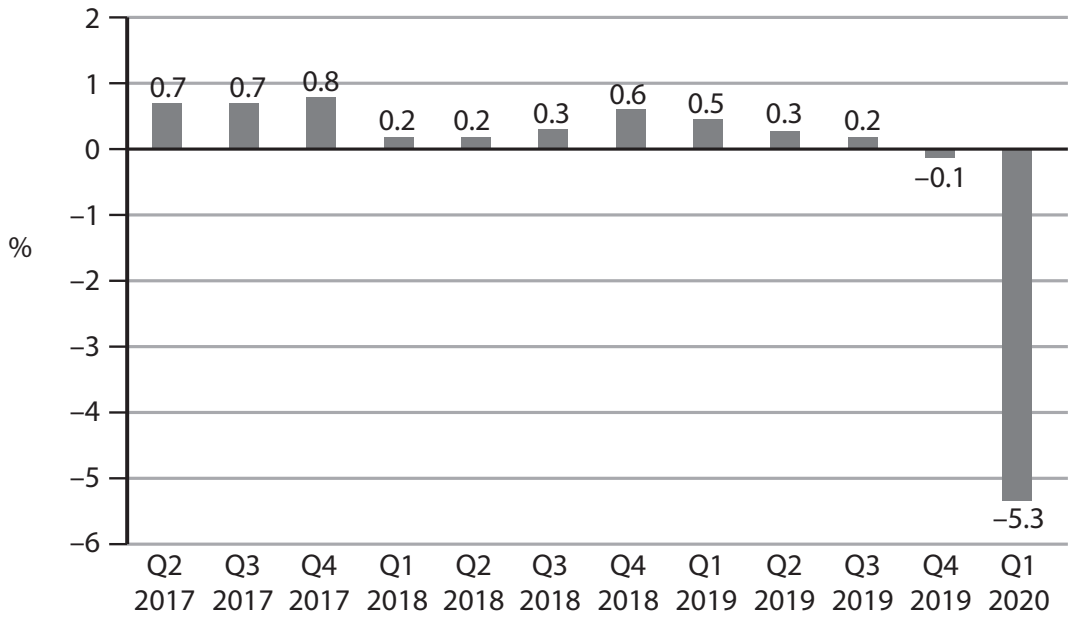
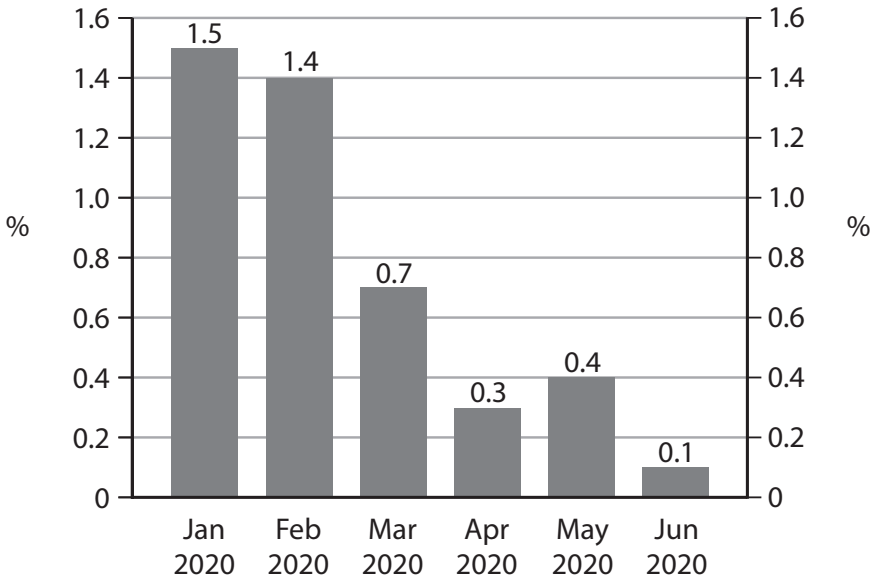


Figure 2 Consumer Price Index (CPI), weights and annual percentage price changes, June 2020

	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

Figure 3 CPI inflation rate, January to June 2020



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

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)

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 the difference between disinflation and deflation.

(4)

(c) With reference to Figure 1 and the first paragraph of Extract A, analyse **two** influences on the level of investment in the eurozone.

(6)

(d) Examine the likely effects of 'the increase in the exchange rate of the euro against the US dollar' (Extract A, lines 25–26) on the net trade balance of the eurozone.

(8)

(e) With reference to the information provided and your own knowledge, discuss the likely macroeconomic effects of the ECB's monetary policy on the eurozone economy.

(14)

Sources for use with Section C

The eurozone economy

Figure 1 Annual real GDP growth rate, Q1 2018 to Q3 2020

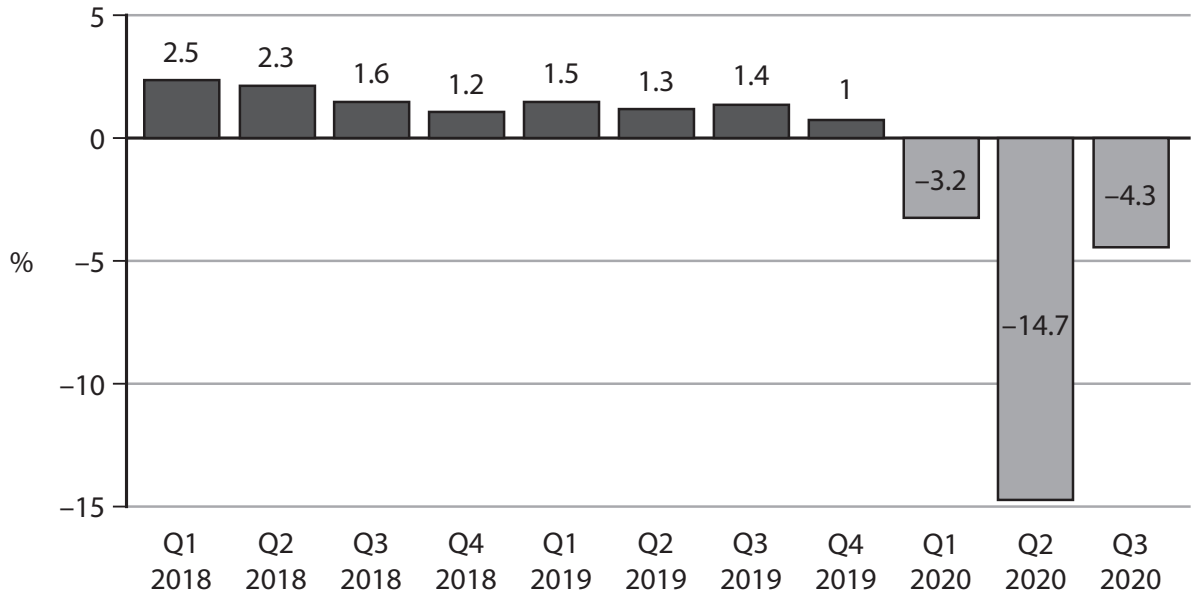
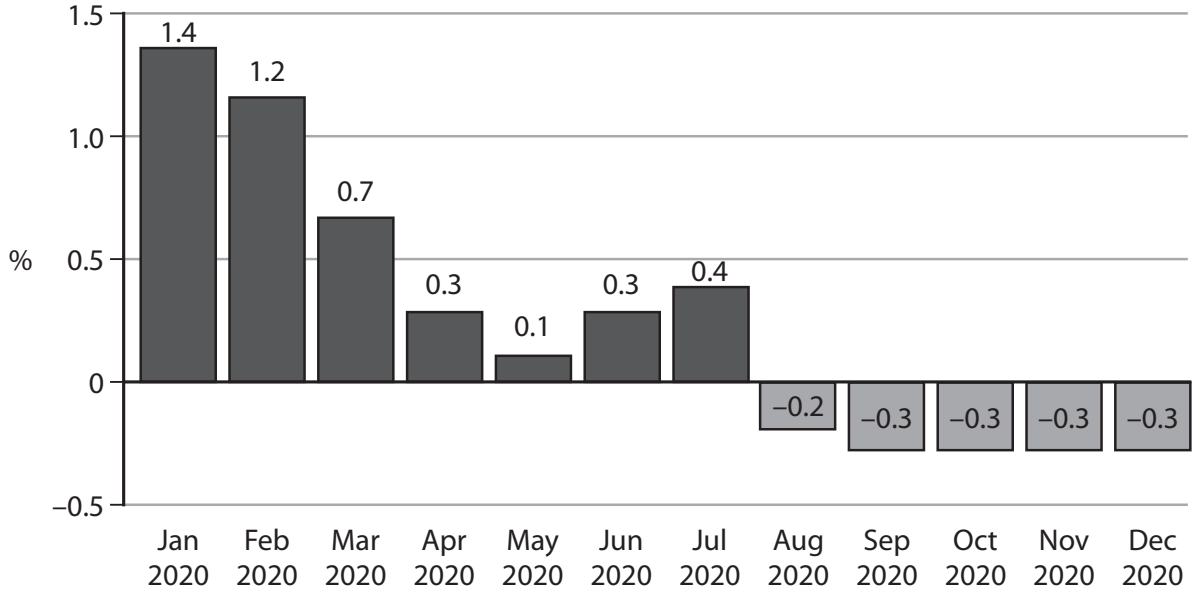


Figure 2 Inflation rate, as measured by the Consumer Price Index (CPI), January 2020 to December 2020



Extract A Monetary policy

In November 2020 the European Central Bank (ECB) highlighted that there were "worrying signals" about the future state of the eurozone economy. It indicated that low business confidence had caused a fall in the demand for bank loans. At the same time, there was a decrease in the availability of credit. These factors resulted in significantly lower levels of investment.

In response the ECB immediately launched an additional round of quantitative easing in December 2020. This programme was reintroduced to help the eurozone economy to recover from negative rates of economic growth, rising unemployment and to prevent another recession. It announced a €500 billion increase in the size of its quantitative easing programme for the period January 2021 to September 2021.

The ECB also announced the provision of extra low-cost funding for banks, aimed at encouraging an increase in bank lending. It agreed to finance the banks at negative interest rates of –1% until June 2022. This meant that the ECB would be paying banks to borrow more money, provided they continue to lend.

Economists have suggested that a reflationary policy could be needed for years, given the weak state of the eurozone economy. In 2020 economic growth in the eurozone was –6.7%. The ECB forecast an economic growth rate of only 3.9% in 2021, 4.2% in 2022 and 2.1% in 2023. The ECB also forecast that the rate of inflation in 2023 will increase but remain below its 2% target.

However, it is unlikely that the ECB can manage the entire burden of supporting the eurozone recovery. Market forces have already reduced the effectiveness of existing policies. For example, in 2020 the eurozone's currency, the euro, traded at its highest level against the US dollar for more than two years. The ECB said it was "very carefully" monitoring the impact of the increase in the exchange rate of the euro against the US dollar.

Economists are concerned that the ECB's asset purchases will have a limited impact because interest rates are already extremely low. They argue that reflationary fiscal policy will be necessary to stimulate economic recovery.

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

(2)

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

(4)

SECTION C

Study Figures 1 and 2 and Extracts A and B 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 2).

(2)

(b) With reference to Figure 1, explain what is meant by the savings ratio.

(4)

(c) With reference to the second paragraph of Extract A, analyse **two** factors that caused household consumption to increase in quarter 3, 2020.

(6)

(d) With reference to Figure 2 and Extract A, examine **two** likely effects of the substantial increase in the rate of unemployment on the Australian economy.

(8)

(e) With reference to Extract B, discuss interventionist supply-side policies that the Australian Government could implement to increase Australia's productivity.

(14)

Sources for use with Section C

The Australian economy

Figure 1 Savings ratio, Q3 2018 to Q3 2020

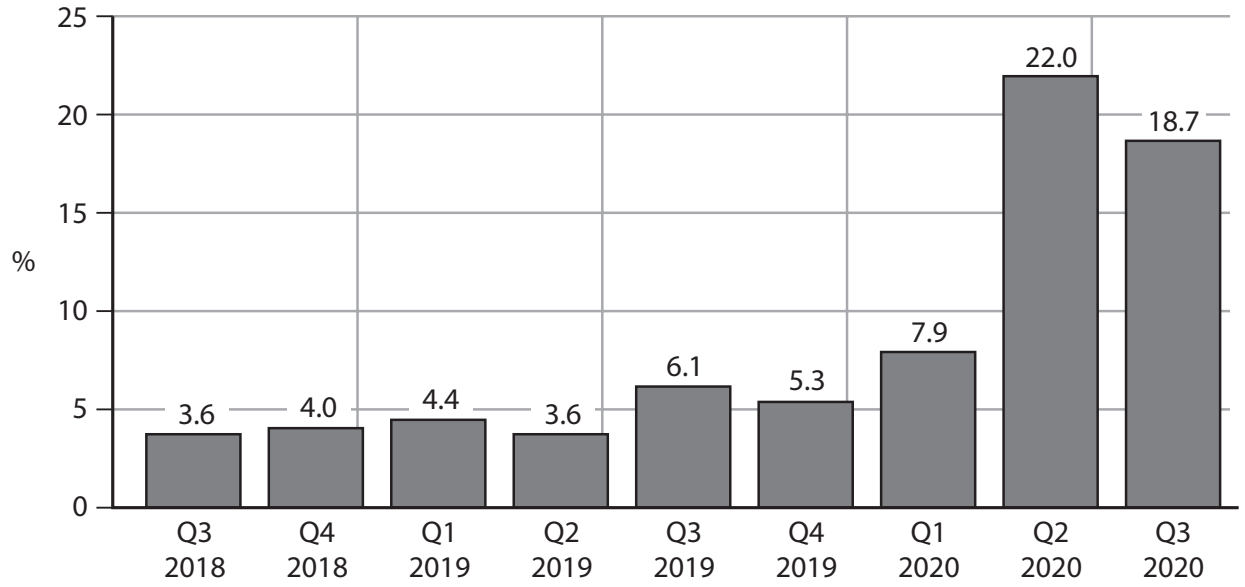
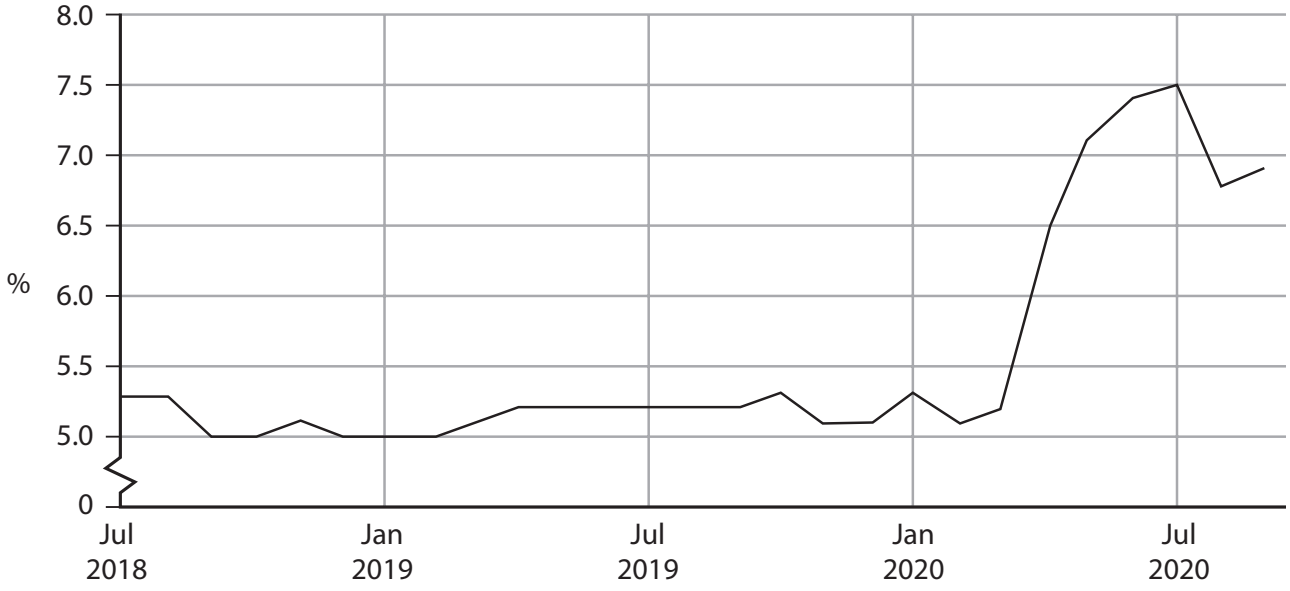


Figure 2 Unemployment rate, July 2018 to September 2020



Extract A Economic performance

In the first half of 2020 Australia's economy was in recession. In quarter 1 the economic growth rate was −0.3% and it declined further in quarter 2 to −6.8%. Consequently, between March and July 2020 there was a substantial increase in the rate of unemployment.

However, Australia's economy recovered quickly with an economic growth rate of 3.3% in quarter 3 of 2020. This was much higher than predictions of a growth rate of 2.5%. This increase in the growth rate was mainly as a result of a rise in household consumption. Although household consumption decreased by 12.5% in quarter 2 of 2020, it rose by 7.9% in quarter 3. The main reasons for this rise in consumption were:

- rising house prices
- reductions in the base interest rate by Australia's central bank
- higher welfare payments to households.

These factors resulted in an increase in consumer confidence.

While household consumption supported Australia's economic recovery, the rate of unemployment was still relatively high. In response, the Australian Government continued its JobKeeper Payment scheme to keep workers in employment. This scheme supported businesses negatively affected by the economic decline. Businesses were able to claim AU$1 200 (before tax) per employee every two weeks to help cover the cost of wages.

Extract B Supply-side policies

Between 2010 and 2020 Australia's average annual increase in productivity was 1.7%. The country's average annual growth in real GDP per capita was 0.6%. This was below the 1% growth in GDP per capita in the USA. To increase GDP per capita, Australia needs to raise its productivity growth. This applies particularly to the service sector, which accounts for nearly 70% of Australia's GDP.

According to some economists, the Australian Government should consider implementing a range of interventionist supply-side policies to increase the country's productivity. These include:

- providing finance for business start-ups
- investment in infrastructure improvements
- investment in high-quality education and training schemes
- offering tax incentives and subsidies to encourage investment.

Successful implementation of these policies will enable Australia to achieve long-run economic growth.

12 (a) Define the term 'recession' (Extract A, line 2).

(2)

(b) With reference to Figure 1, explain what is meant by the savings ratio.

(4)

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)

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

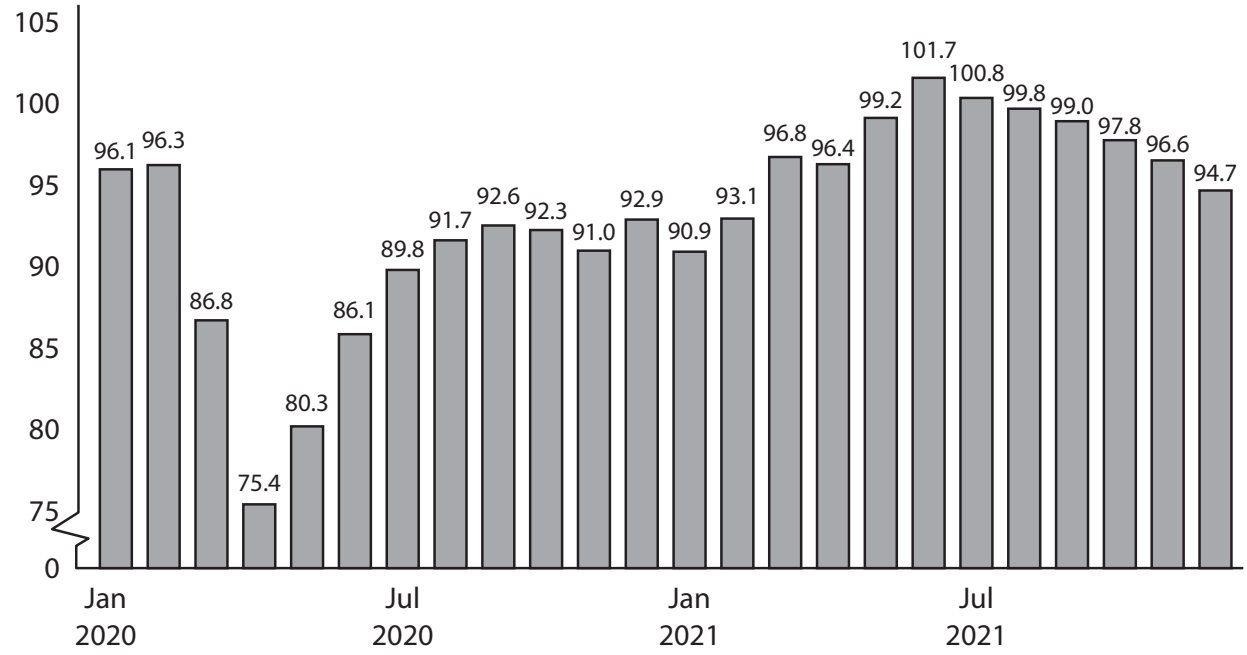
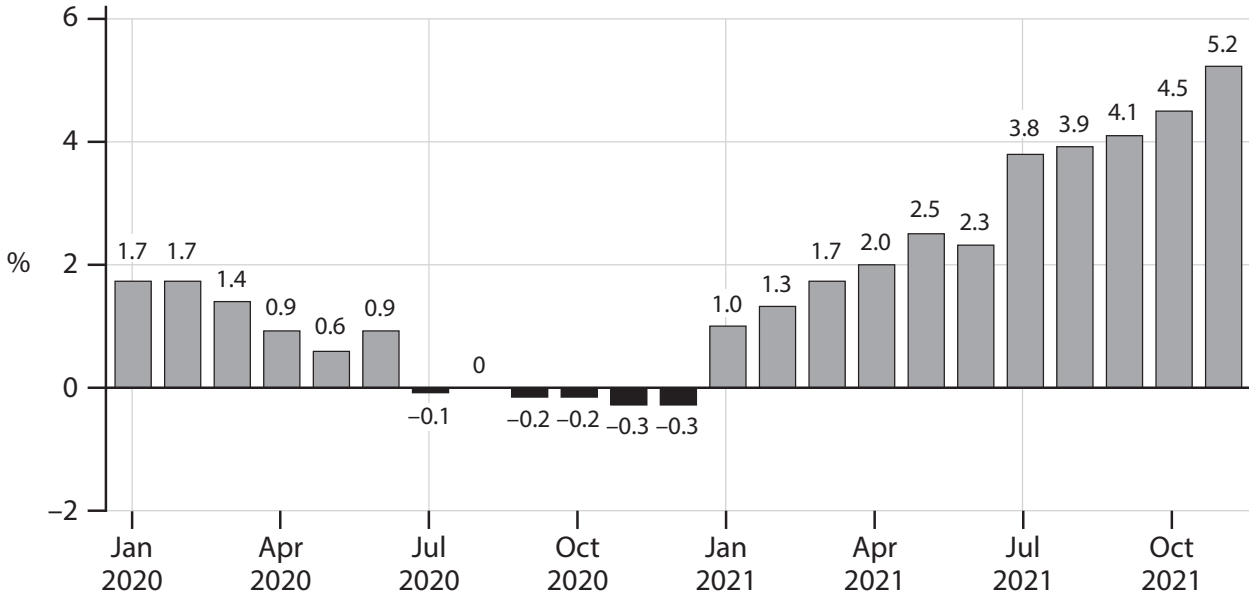


Figure 2 Inflation rate*, as measured by the consumer price index (CPI), January 2020 to November 2021



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

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.

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

(2)

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

(4)

SECTION C

Study Figure 1 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 'GDP growth rate' (Extract A, line 23).

(2)

(b) With reference to Figure 1, explain the difference between a balance of trade deficit and a balance of trade surplus.

(4)

(c) Analyse how an increase in the rate of inflation could have a 'negative impact on India's balance of trade' (Extract A, line 9).

(6)

(d) Examine the likely impact on India's real output of its 'increased expenditure on imported oil' (Extract A, line 7).

(8)

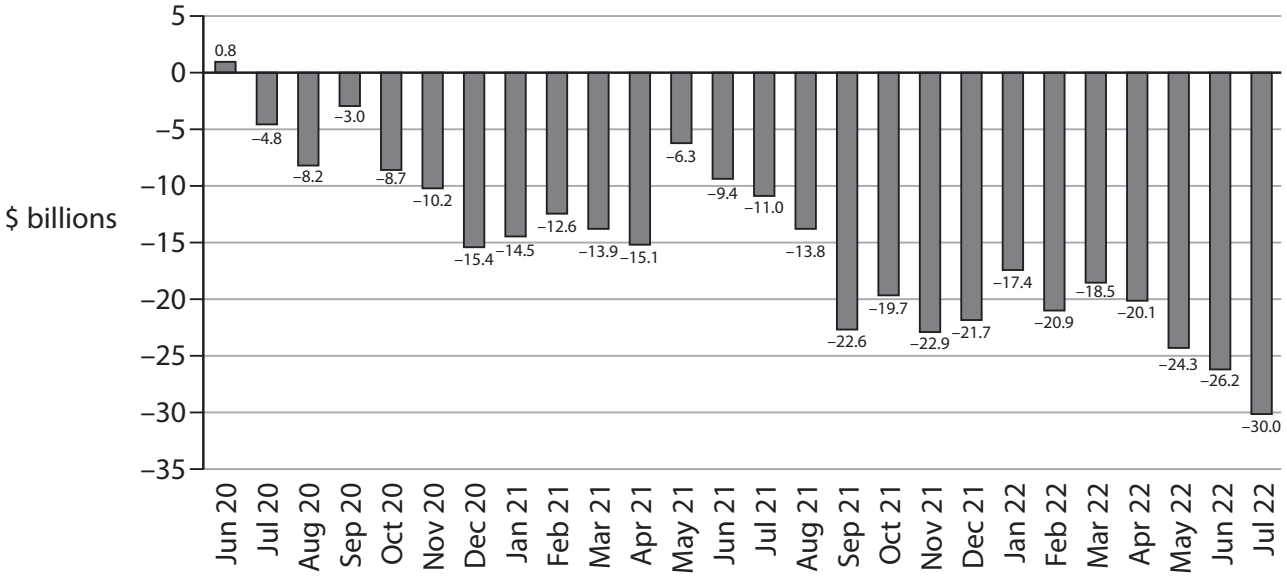
(e) With reference to the information provided and your own knowledge, discuss the likely effects of the increase in the base rate of interest on the Indian economy.

(14)

Sources for use with Section C

The Indian economy

Figure 1 Balance of trade, June 2020 to July 2022



Extract A Balance of trade, inflation and economic growth

In 2022 the Indian economy was experiencing several challenges following the global health crisis. In particular, there was a rising rate of inflation caused by its dependence on imported oil. Oil accounts for 30% of India's imports by value. This is more than double the average of 14.7% for other major Asian economies, such as China, Japan and South Korea. In July 2022 India reported a record balance of trade deficit of $30 billion, largely caused by the increased expenditure on imported oil. This deficit was one of the largest of all the Asian economies. Economists expect the rate of inflation to increase which will have a further negative impact on India's balance of trade.

The rate of inflation was 7.01% in June 2022 compared with June 2021. This was the second highest rate of inflation of the larger Asian economies. This higher rate of inflation reduced the purchasing power of consumers in India. As a result, many consumers were struggling to afford basic necessities. According to economists there were increasing signs that consumer expenditure would increase at a slower rate in the second half of 2022 than in the first half of 2022. This was likely to cause a fall in the rate of economic growth.

During 2022, India's currency, the rupee, fell in value against the US dollar. In order to prevent the rupee from falling further, and to control the rising rate of inflation, India's central bank raised the country's base rate of interest to 4.9% in June 2022. This represented an increase of 0.5 percentage points from the previous month.

Unlike several other Southeast Asian countries, exports of services contribute more to India's economic growth rate than exports of goods.

The Asian Development Bank (ADB) decreased its projected GDP growth rate for India to 6.7% for 2022. This was as a result of the high rate of inflation in India and the deflationary monetary policy adopted by India's central bank. The ADB predicted a small increase in consumer expenditure in the second half of 2022. However, it believed that this increase in consumption will not be sufficient to maintain India's rate of economic growth.

12 (a) Define the term 'GDP growth rate' (Extract A, line 23).

(2)

(b) With reference to Figure 1, explain the difference between a balance of trade deficit and a balance of trade surplus.

(4)

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)

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

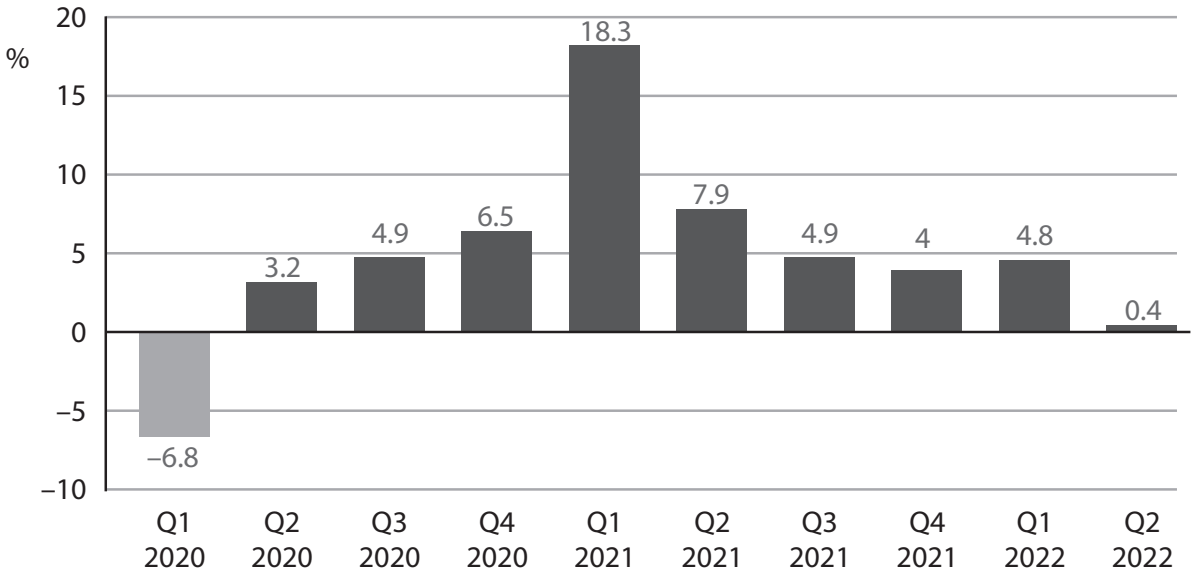


Figure 2 Youth unemployment rate (16 to 24 year olds), as measured by the International Labour Organization (ILO), January 2022 to June 2022

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

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*.

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

(2)

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

(4)

SECTION C

Study Figure 1, Figure 2, Extract A and Extract B in the Source Booklet before answering Question 12.

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

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

(2)

(b) With reference to Figure 1, explain the likely impact of higher real incomes on subjective happiness.

(4)

(c) Examine the likely impact on the UK's real output of 'the rising cost of energy' (Extract A, line 4).

(8)

(d) With reference to Figure 2 and Extract A, analyse **two** factors that influence business investment.

(6)

(e) With reference to the information provided, discuss supply-side policies that the UK Government has introduced to increase the country's productive potential.

(14)

Sources for use with Section C

The UK economy

Figure 1 Real GDP per capita, £ thousands, 2010-2022

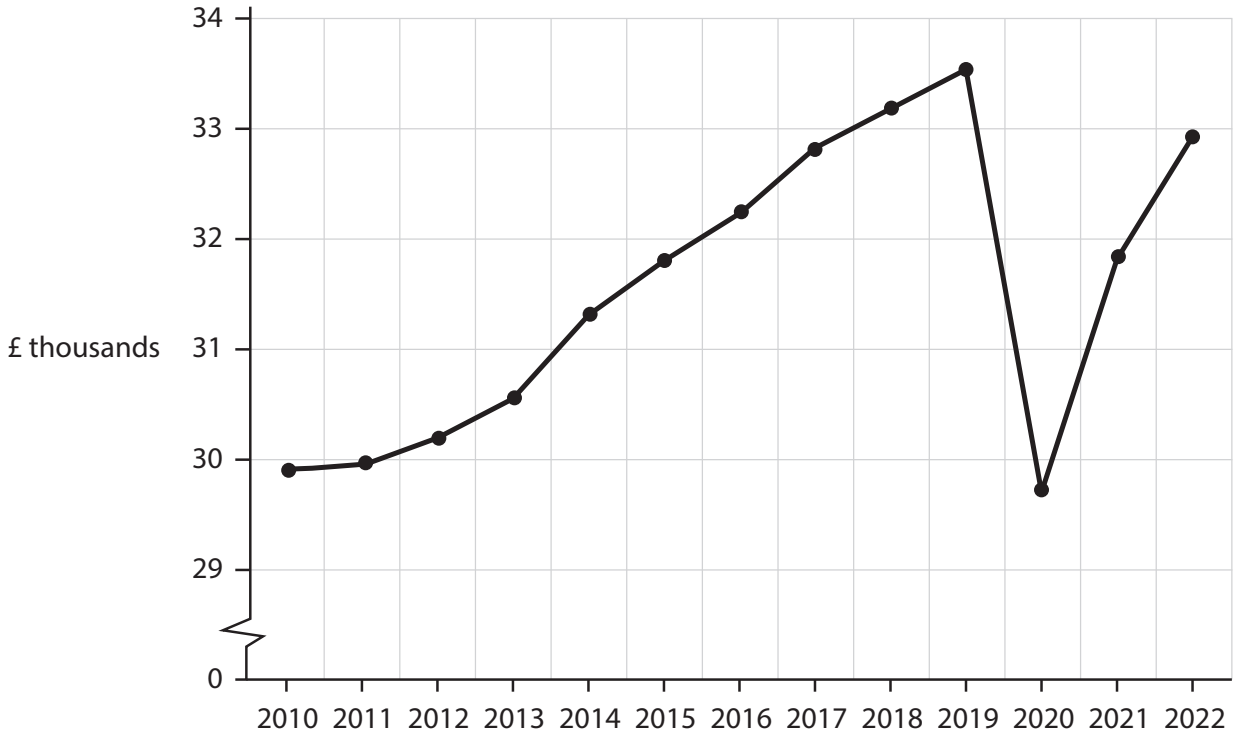
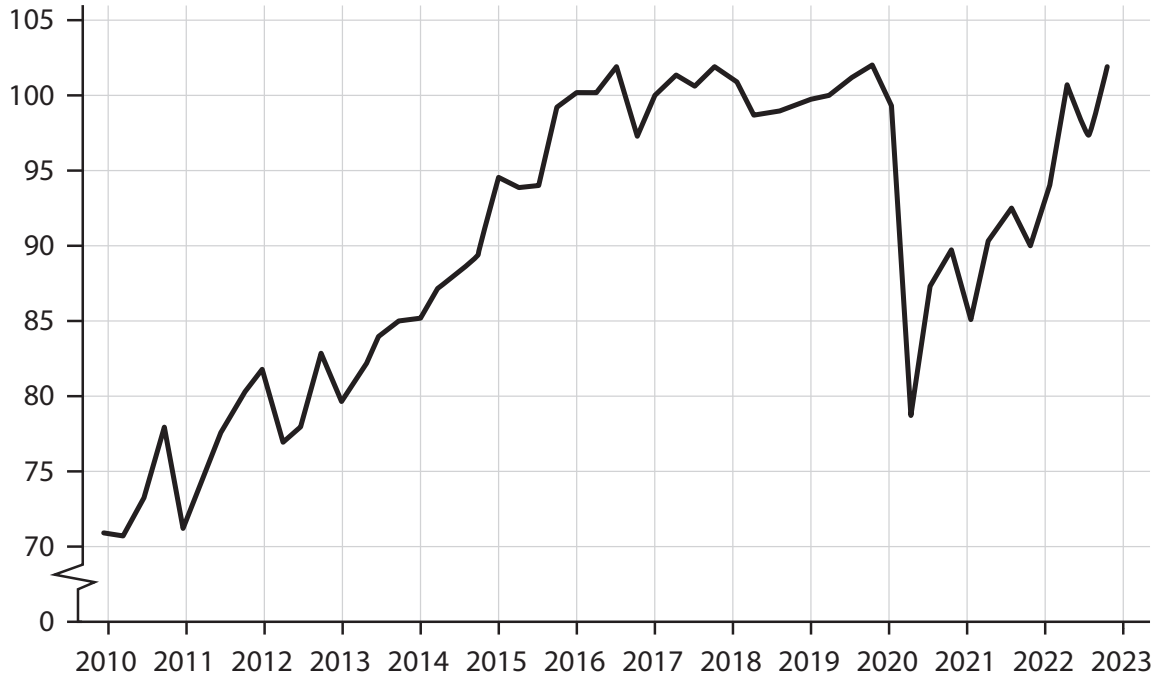


Figure 2 Index of business investment between 2010 and 2022, (Q1 2016=100)



Extract A Low rate of economic growth

The UK's real GDP at the end of 2022 was smaller than it was at the start of 2020. There are two main reasons why the UK's rate of economic growth has been low since the start of 2020. Firstly, the global health crisis of 2020 and secondly, the rising cost of energy in 2022. For example, the price of natural gas rose by more than 100%. The UK is a net importer of natural gas.

However, some economists believe these two reasons are insufficient to explain why the UK economy has been unable to increase its level of real GDP. They identified additional reasons:

- labour market participation has declined significantly since the start of the global health crisis of 2020. As a result, between 2020 and 2022, the UK labour force decreased by 520 000
- low levels of productivity in the UK labour market. Workers in the UK have lower skills than workers in other advanced economies. There was also a shortage of skilled and unskilled labour
- the UK's decision to leave the European Union in 2016 resulted in lower levels of business investment
- high costs of bureaucracy and strict planning regulations associated with the construction of infrastructure projects, such as building power plants and energy facilities.

In the last quarter of 2022 various international institutions forecast that the UK would continue to be one of the worst-performing advanced economies in 2023.

Extract B Supply-side policies

In March 2023 the UK Government introduced a range of supply-side policies to increase the productive potential of the UK economy. These included:

- increased financial support for childcare to reduce economic inactivity and increase the rate of employment
- 100% tax relief on business investment for three years
- subsidies to support the development of new technologies including artificial intelligence
- relaxing immigration rules to attract more workers in five sectors of the economy where severe labour shortages exist e.g. construction and healthcare.

These policies would cost the UK Government nearly £20 billion.

However, the Government did not announce any plans to tackle the UK's strict planning laws. In addition, there were no measures to improve the skills of the workforce. Increasing labour productivity is just as important as increasing the number of workers.

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

(2)

(b) With reference to Figure 1, explain the likely impact of higher real incomes on subjective happiness.

(4)

SECTION C

Study Figure 1, Figure 2, Figure 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 'living standards'.

(2)

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

(4)

(c) With reference to Figure 2 and Extract A, examine **two** ways by which the increase in the base interest rate could reduce the rate of inflation.

(8)

(d) With reference to Extract A, examine the impact of a deflationary fiscal policy on Brazil's circular flow of income.

(6)

(e) With reference to the information provided, discuss the likely effects on living standards of the supply-side policies proposed by President Lula.

(14)

Sources for use with Section C

The economy of Brazil

Figure 1 Real GDP growth rate, 2018 to 2023

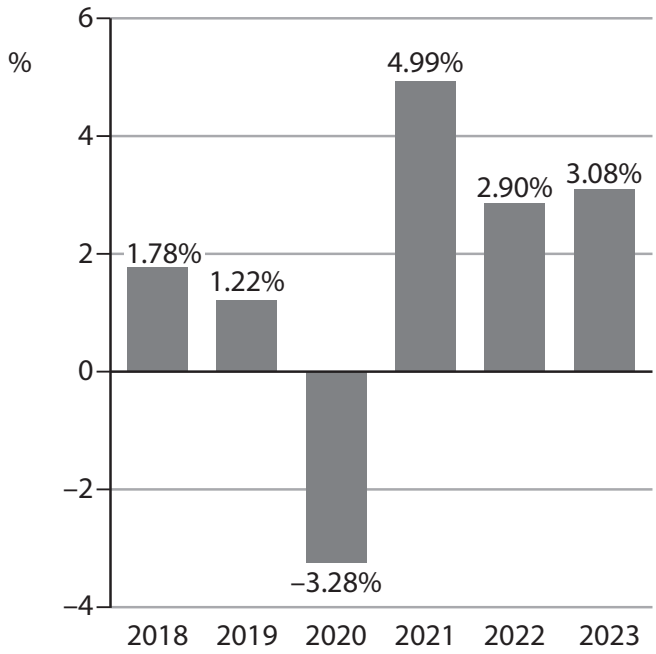
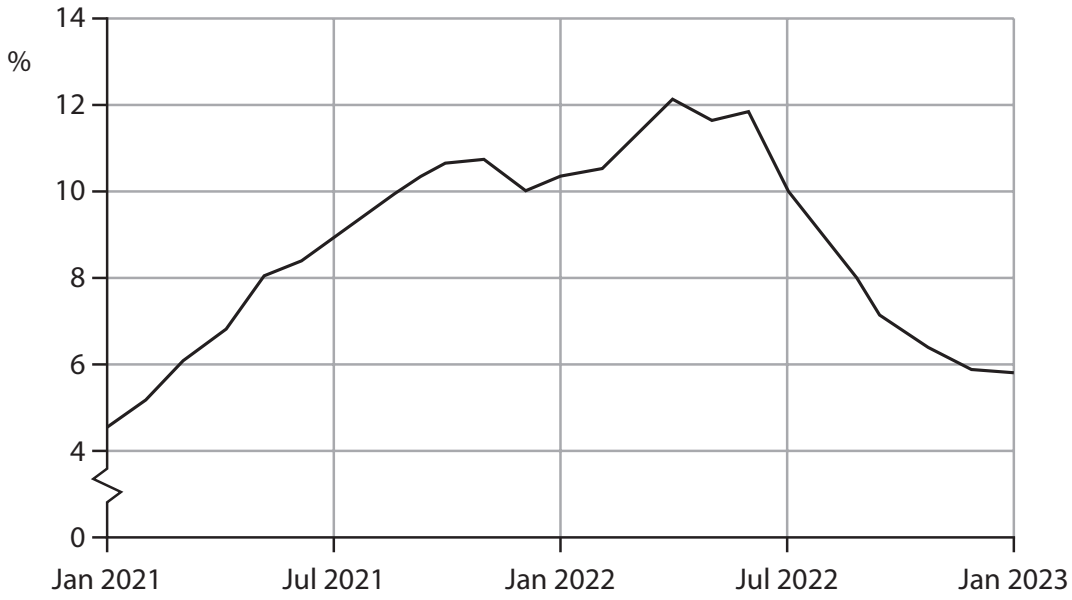
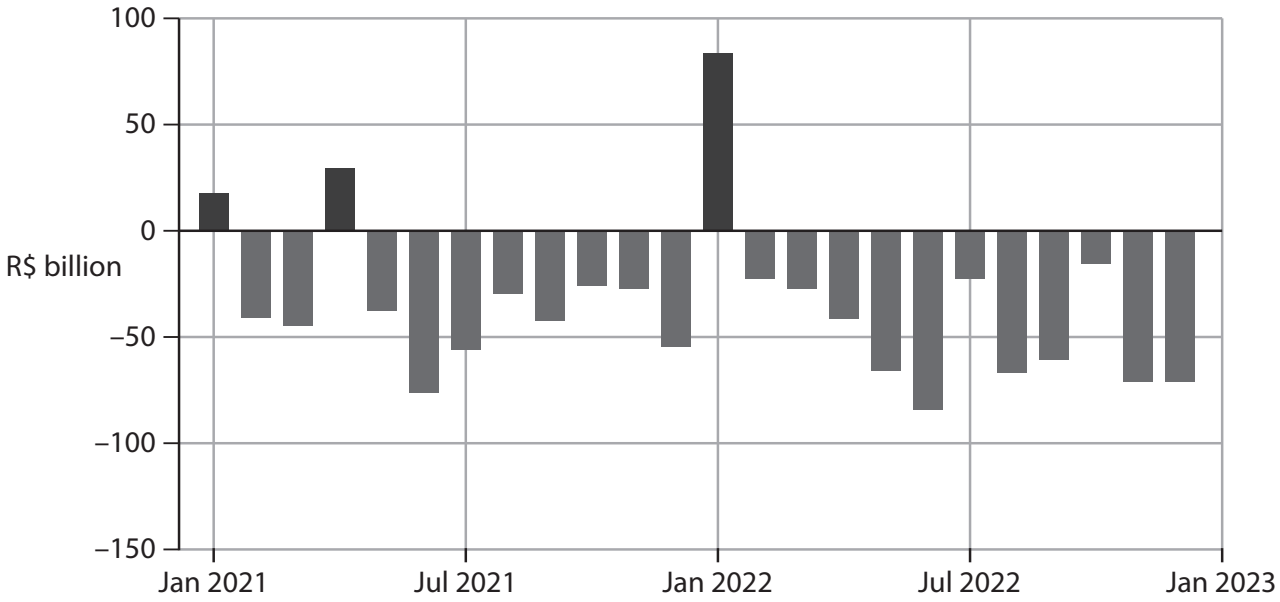


Figure 2 Annual rate of inflation*, as measured by the consumer price index (CPI), January 2021 to January 2023



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

Figure 3 Government monthly budget balance, *real billion, January 2021 to December 2022**



**real* is the currency of Brazil and is denoted as R$.

Extract A Economic growth

Brazil's rate of economic growth fell between 2021 and 2022. This weaker economic performance was as a direct result of a significant decrease in industrial output and a slowdown in the services sector in 2022.

Many economists indicated that this slower rate of economic growth resulted from the Central Bank of Brazil's deflationary monetary policy to control the rising rate of inflation. Between January 2021 and June 2022 the Central Bank raised the country's base interest rate from an all-time low of 2% to 13.25%. This significantly affected consumer spending and business investment, both of which are major contributors to economic growth. As a result, economists predicted that Brazil's annual increase in real GDP would be below 1% in 2023.

The slowdown in economic growth will limit the Government's ability to improve living standards. In mid-2022 President Lula had promised to raise the real incomes of the country's population and create new jobs. He suggested that he was going to achieve his objective by increasing:

- the level of welfare payments
- investment in healthcare provision
- investment in infrastructure development
- investment in education, training and skills.

President Lula aimed to introduce these supply-side policies in 2023. These policies would cost R$371 billion over four years. However, the Government has insufficient tax revenues to finance its spending and investment. Previously, many large-scale investments in similar projects were not successful and represented a waste of resources.

Consequently, the Government proposed tax increases and cuts in government expenditure to achieve a balanced budget. This deflationary fiscal policy aims to increase tax revenues by R$190 billion and reduce government expenditure by R$50 billion.

Acknowledgements

Figure 1 adapted from https://www.statista.com/statistics/263615/gross-domestic-product-gdp-growth-rate-in-brazil/

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

Figure 3 adapted from https://tradingeconomics.com/brazil/government-budget-value

Extract A adapted from FT, https://www.ft.com/content/2b1cbe31-a2da-4841-a418-8c10c8cc267d and https://www.ft.com/content/1b297b16-5b19-4cb5-b0fd-de77f6f1f1a5

12 (a) Define the term 'living standards'.

(2)

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

(4)

SECTION C

Study Figure 1, Extract A and Extract B 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'.

(2)

(b) With reference to the third paragraph of Extract A, explain the term 'exchange rate'.

(4)

(c) Analyse **one** likely effect of the 'increase in the number of overseas visitors' (Extract A, lines 8 and 9) on Japan's circular flow of income.

Illustrate your answer with a circular flow diagram.

(6)

(d) With reference to Extract A, examine the likely impact on Japan's real output of the fall in domestic consumption.

(8)

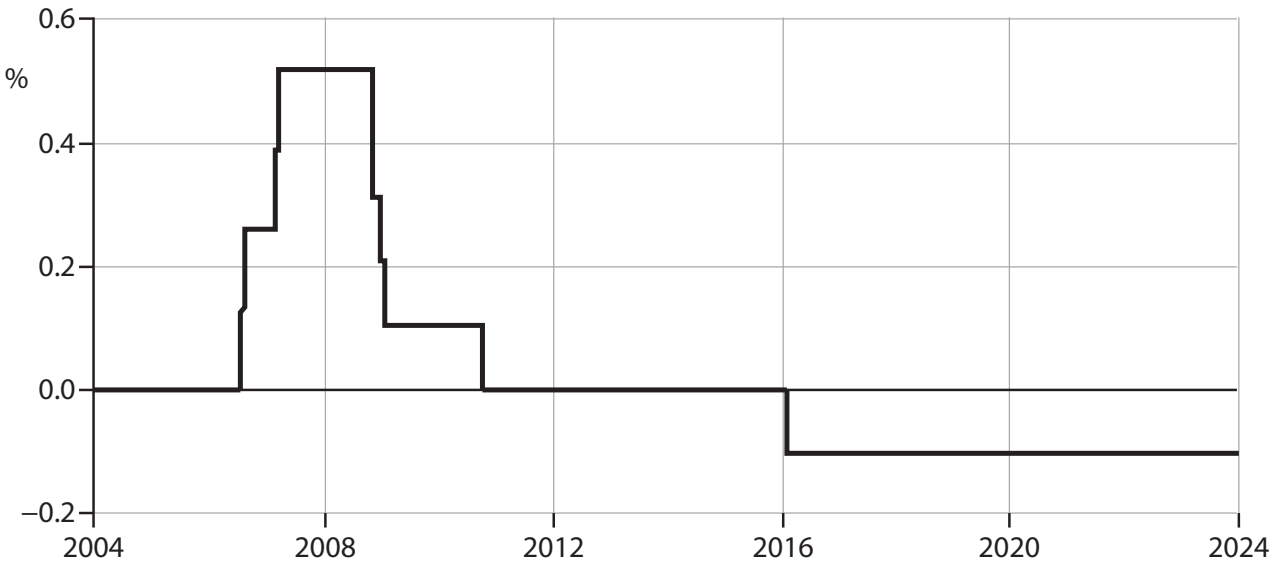
(e) With reference to the information provided and your own knowledge, discuss factors that the BoJ might consider when setting the base interest rate.

(14)

Sources for use with Section C

The Japanese economy

Figure 1 Base interest rate, January 2004 to December 2023



Extract A Economic growth

Between quarter 1 (Q1) 2023 and quarter 2 (Q2) 2023, the rate of economic growth in Japan increased from 0.9% to 1.5%. This increase in Japan's real Gross Domestic Product (GDP) was double the original forecast. Therefore, concerns that the country was exposed to a recession were eased.

The main reason for the increase in real GDP was an increase in exports that rose by 3.2% in Q2 2023. This was mainly as a result of higher exports of cars caused by an improvement in supply chains. There was also an increase in the number of overseas visitors to Japan. The contribution of tourism to GDP is included in net trade figures and returned to more than two-thirds of pre-global health crisis levels. The number of tourists was expected to grow in the second half of 2023 after China ended restrictions on group tours to a number of countries including Japan.

However, economists warned that the fall in domestic consumption, following the global health crisis, remained a concern. They suggested that this was mainly the result of Japan's weak exchange rate. Domestic consumption, which makes up more than half of Japan's economy, fell by 0.5% between Q1 2023 and Q2 2023. During the same period, Japan's imports decreased by 4.3%, which was one of the largest reductions ever recorded. This indicated that the rising rate of inflation was having a significant impact on consumer expenditure.

Until the end of 2022 Japan had faced several years of deflation and no wage growth. However, in 2023 consumers experienced significant increases in the prices of goods and services. Japan's weak exchange rate resulted in an increase in the price of raw materials and energy for businesses. It also created greater uncertainty that had an impact on business investment.

Extract B Monetary policy

The aim of Japan's central bank, the Bank of Japan (BoJ), is to achieve a 2% inflation target. In Q2 2023 the annual rate of inflation averaged 3.3%. Upward pressure on prices caused workers to demand higher wages, resulting in a rise in inflationary expectations.

The BoJ argued that this increase in the rate of inflation was temporary. Therefore, it continued to maintain the base interest rate at a low level.

Economists claimed that the BoJ's argument was weak. They stated that even the Government of Japan expected the annual rate of inflation to be 2.6% in 2023 against the BoJ's forecast of 1.8%. Therefore, there would no longer be a case for maintaining a low base interest rate, that was introduced at a time when the rate of inflation was below the inflation target. Moreover, the probability of a global recession, considered to be a significant risk to Japan's economy, had diminished. To achieve the inflation target of 2% an increase in the base interest rate would be necessary.

12 (a) Define the term 'recession'.

(2)

(b) With reference to the third paragraph of Extract A, explain the term 'exchange rate'.

(4)

SECTION C

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering Question 12.

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

12 (a) Define the term 'fiscal policy' (Extract A, line 6).

(2)

(b) With reference to Figure 1, explain the term 'real GDP growth'.

(4)

(c) With reference to Extract A, analyse **one** macroeconomic effect of the reduction in indirect tax.

(6)

(d) With reference to the information provided, examine the likely impact of increased investment on Romania's economy.

(8)

(e) Discuss the likely effects of the increase in the rate of inflation on Romania's economy.

(14)

Sources for use with Section C.

The Romanian economy

Figure 1 Year-on-year real GDP growth by quarter, 2016-2017

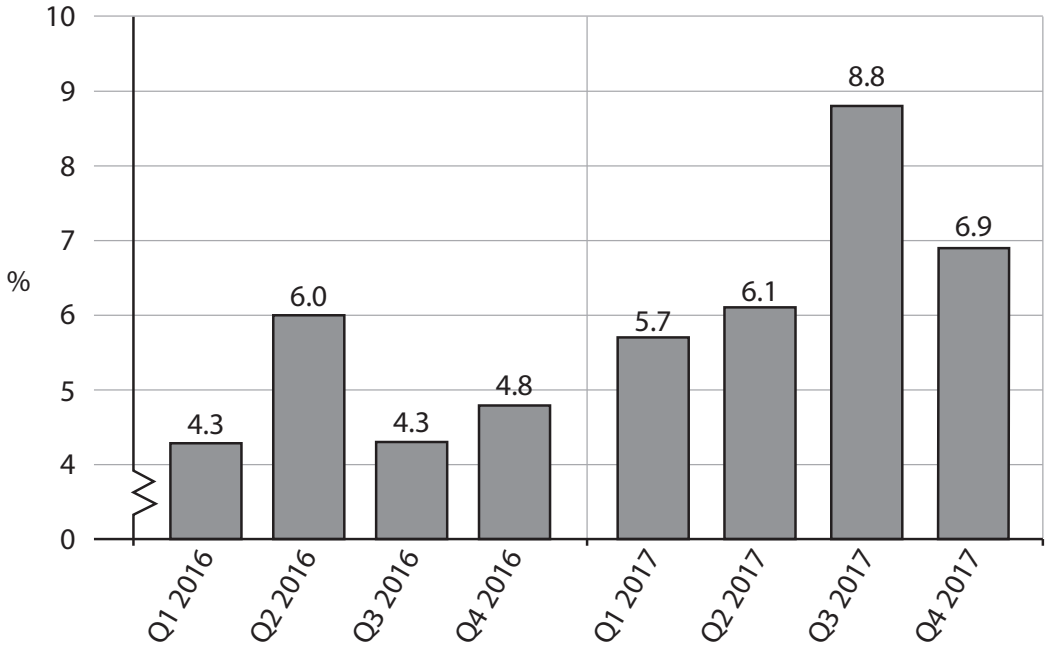
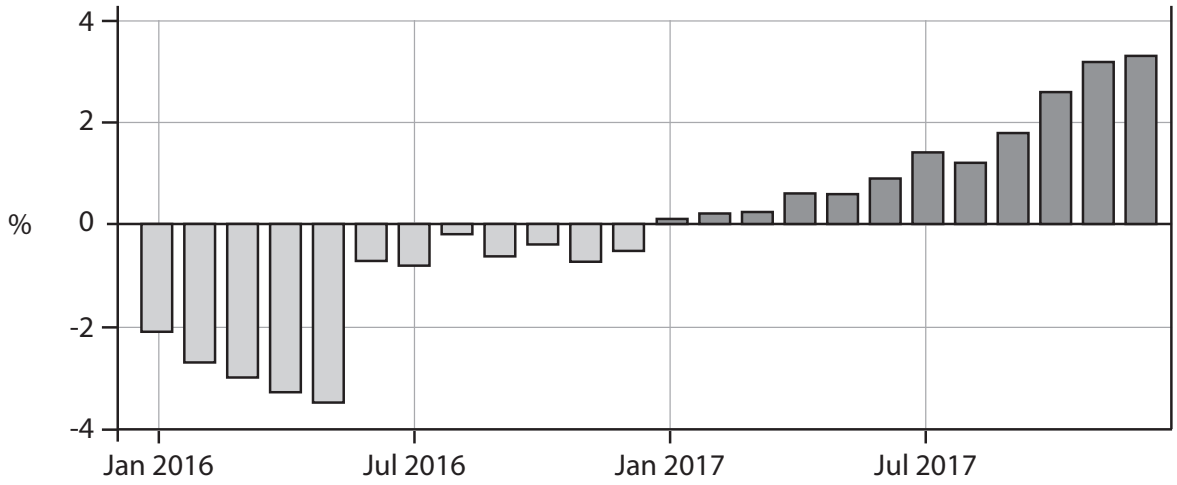


Figure 2 The rate of inflation, as measured by the consumer price index, 2016-2017



Extract A Romania's economic growth

For many years Romania had been viewed as a poor country by European standards, experiencing low wages and a slow rate of economic growth. However, since 2015, Romania's rate of economic growth outperformed other European countries. This growth was stimulated by a number of factors including the Government's expansionary fiscal policy, increased household consumption and high levels of investment in new technology for manufacturing industries.

In 2015 the Government cut VAT from 24% to 20%. It planned to double the minimum wage over a four-year period. It also increased the salaries of public sector employees. However, wage levels are still low compared to other European countries leading to high levels of migration out of the country. This resulted in labour shortages as businesses found it hard to fill vacancies. The unemployment rate fell to 4.6% in 2017.

Romania has one of the fastest broadband internet speeds in the world, behind Singapore, Hong Kong, South Korea and Iceland. It also has a very well-educated workforce, with excellent language, maths and science skills. The technology sector is expanding fast in the country, and many large foreign firms such as Siemens and Ford have set up factories in Bucharest, the Romanian capital. This has increased production in the country and generated strong growth in exports.

Extract B Inflationary pressures

As disposable incomes have risen, consumption has also increased significantly reaching a ten-year peak in 2017. The rate of inflation has risen throughout 2017. This was partly caused by a 3.8% increase in food prices and by a 4.1% price increase in non-food products.

The central bank responded to this inflationary pressure by increasing its base interest rate for the first time in 10 years from 1.75% to 2%. Mugur Isarescu, the Governor of the central bank, suggested that the Romanian Government's fiscal policies are to blame for the higher rate of inflation. The fiscal deficit rose to 3% of GDP in 2016. The Government defended its position, believing that reductions in tax rates and increased government spending on infrastructure will lead to long-term economic growth.

12 (a) Define the term 'fiscal policy' (Extract A, line 6).

(2)

(b) With reference to Figure 1, explain the term 'real GDP growth'.

(4)

11 The table shows the nominal GDP and the population for the USA in 2016 and 2017.

Year	GDP	Population	GDP per capita
2016	$18 624.5 billion	0.3234 billion	$57 589.70
2017	$19 390.6 billion	0.3257 billion	

Using the information above, calculate the change in GDP per capita between 2016 and 2017. Show your workings.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

SECTION C

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering Question 12.

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

12 (a) Define the term 'base rate of interest' (Figure 1).

(2)

(b) With reference to Figure 2, explain the term 'recession'.

(4)

(c) With reference to Extract B, analyse **one** possible impact of the fall in the value of the peso on Argentina's current account on the balance of payments.

(6)

(d) With reference to the information provided, examine the likely impact of inflation on the economy of Argentina.

(8)

(e) Using the information in Extracts A and B, discuss policies that the Argentinian Government could use to increase consumption.

(14)

Sources for use with Section C.

The economy of Argentina

Figure 1 The base rate of interest for Argentina, April 2013 – April 2018

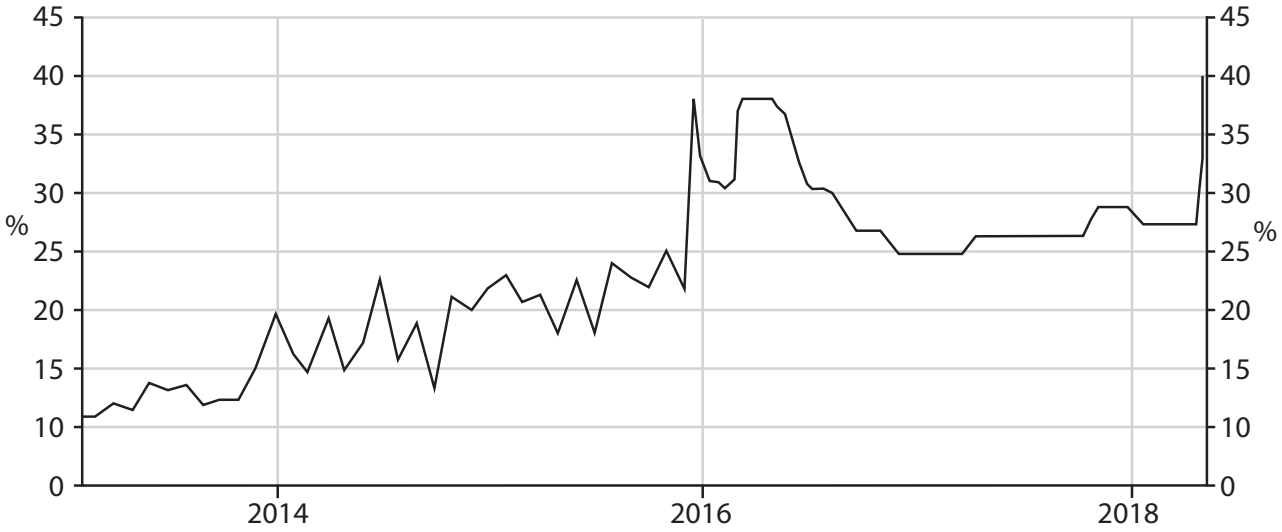
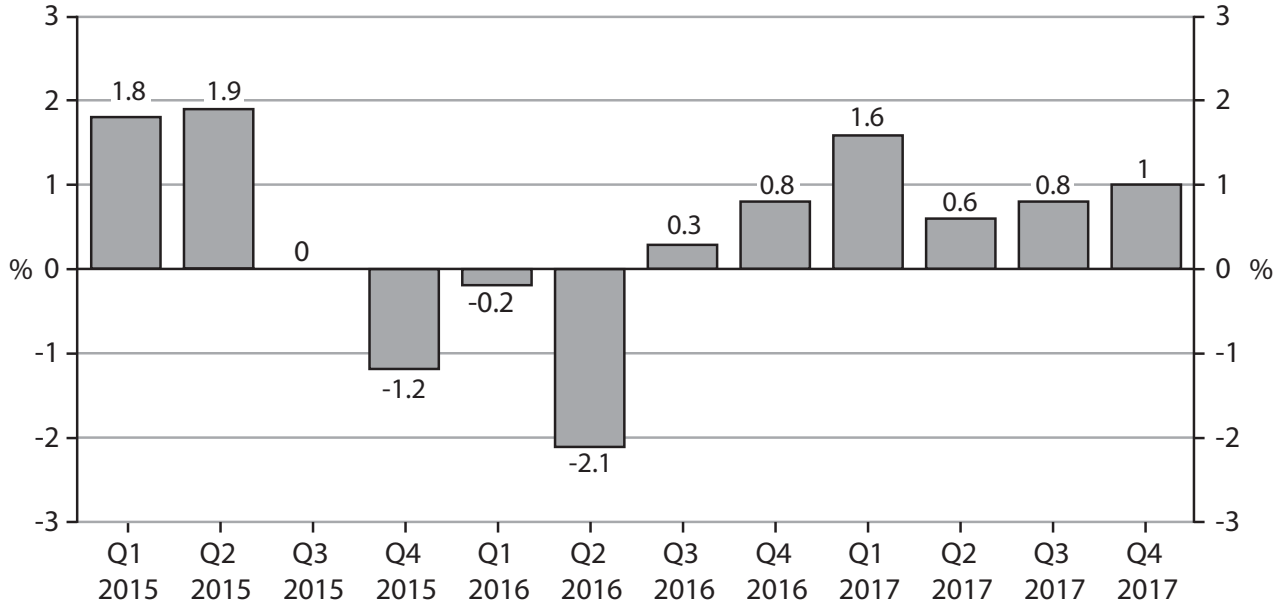


Figure 2 Quarterly GDP growth rate (%), 2015 – 2017



Extract A The problems facing the economy

Argentina is South America's second largest economy. Mauricio Marci was elected as its President in 2015. He faced the difficult task of controlling inflation which was between 30%–40% per year. He also needed to reduce the large budget deficit which was 7.1% of GDP. Between the end of 2015 and the beginning of 2016 the economy went into recession. This was caused by a significant reduction in government spending in an attempt to balance the budget. The purchasing power of consumers declined as wages fell and the rate of inflation rose to 40%. A fall in demand for Argentina's exports also contributed to the decrease in economic growth.

Extract B Improving economic outlook

Since coming out of recession in 2016, economic growth in Argentina has stabilised at an annual rate of around 3% per year. However, high inflation is still a major problem. Inflation was 25% in 2017. The effect of this inflation is damaging to both households and businesses. Rising prices have reduced domestic business investment as firms are unsure about future costs. One of the Argentinian Government's key economic policies is to stabilise prices to encourage consumption and investment.

A fall in the value of the Argentinian currency, the peso, against the dollar also caused inflationary pressure. In 2018 the peso lost around 12% of its value against the dollar. This makes importing goods from the USA very expensive. At the same time there was a decrease in the value of commodity exports, causing a current account deficit. In an attempt to reduce the rate of inflation and to stabilise the currency, the Central Bank of Argentina increased the base rate of interest to 40%.

However, the situation is not all bad. Real wages are rising in many sectors and consumer spending is increasing. Also, the Government plans to spend US$14 billion on infrastructure. These positive changes have helped Argentina to attract investment from Japanese transport companies such as Mitsubishi and Marubeni Corp, and the American technology company, Apple.

12 (a) Define the term 'base rate of interest' (Figure 1).

(2)

(b) With reference to Figure 2, explain the term 'recession'.

(4)

SECTION C

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering Question 12.

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

12 (a) Define the term 'Consumption' (Extract A, line 9).

(2)

(b) With reference to Figure 1, explain the term 'real GDP growth rate'.

(4)

(c) With reference to Extract A, analyse **one** possible macroeconomic impact of the increase in house prices on the Canadian economy.

(6)

(d) With reference to Extract B, examine the likely impact of government policies to increase wellbeing.

(8)

(e) Using the information in Figure 2 and Extract A, discuss the impact of low investment on Canada's economy.

(14)

Sources for use with Section C.

The Canadian economy

Figure 1 Quarterly real GDP growth rate, quarter 1 2013 – quarter 2 2018

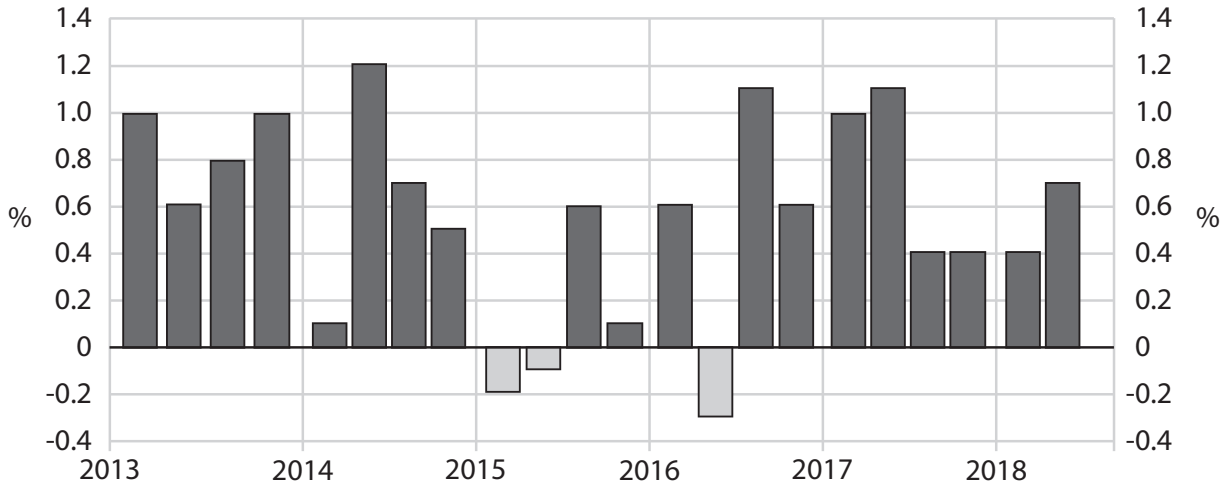
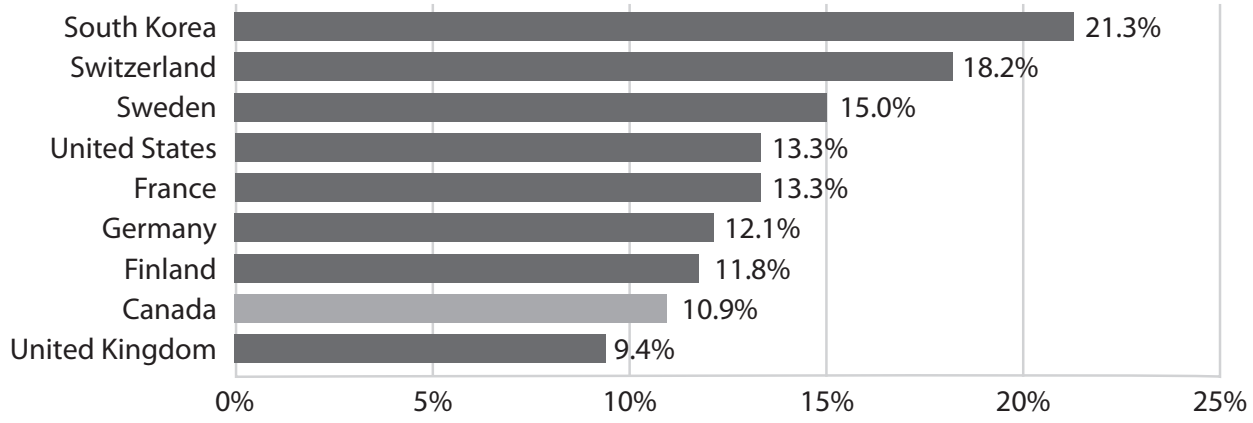


Figure 2 Business investment as a share of GDP in selected countries of the OECD (Organisation for Economic Co-operation and Development), 2015–2017



Extract A The economic climate

After a downturn in 2016, the Canadian economy experienced sustained economic growth. This was partly caused by a significant increase in the demand for exports. Canadian oil and petrol exports grew by 42% compared with 2016. Car exports increased by 3.8%. Most other exports grew by an average of 1%. Much of the increase in foreign demand came from the European Union as its economies started to strengthen. The increase in exports caused an improvement on the current account on the balance of payments. The exchange rate of the Canadian dollar also increased.

Consumption also rose during 2017. This was mainly the result of two factors:

- the unemployment rate fell from 7% in 2016 to 5.8% in 2017
- average house prices increased by 5.7% in 2017.

However, business investment remains relatively low. In particular, there has been little investment in new machinery and equipment. This has a negative impact on productivity because capital equipment per worker in Canada is very low by international standards.

Extract B Government policies to increase wellbeing

In 2018 the Canadian Government announced its continued commitment to improving the wellbeing of the population. The Government identified the need for increased government spending on wellbeing, particularly for those people who have a very low income. For low-income households the lack of access to basic necessities, such as food and housing, can lead to both mental and physical health problems. Around one in ten people live in low-income households. The 2.7 million people living on a low income do not have enough food, which causes health problems. This often prevents them from working or attending school.

The Government has increased the financial benefits to low-income households and to people who are unable to work. There has also been an increase in funding for low-cost housing, healthcare and better quality drinking water.

12 (a) Define the term 'Consumption' (Extract A, line 9).

(2)

(b) With reference to Figure 1, explain the term 'real GDP growth rate'.

(4)

SECTION B

Answer ALL questions in this section in the space provided.

7 In 2017 real GDP per capita rose by 5.3% in Laos.

Explain **one** possible effect of this increase in real incomes on subjective happiness.

(Total for Question 7 = 4 marks)

11 The table shows the nominal GDP and the population for India in 2012 and 2017.

Year	GDP (US$ billion)	Population (billion)	GDP per capita (US$)
2012	1827.6	1.2134	1506.2
2017	2597.5	1.2836	

Using the information above, calculate the change in GDP per capita between 2012 and 2017 in US$. Show your workings.

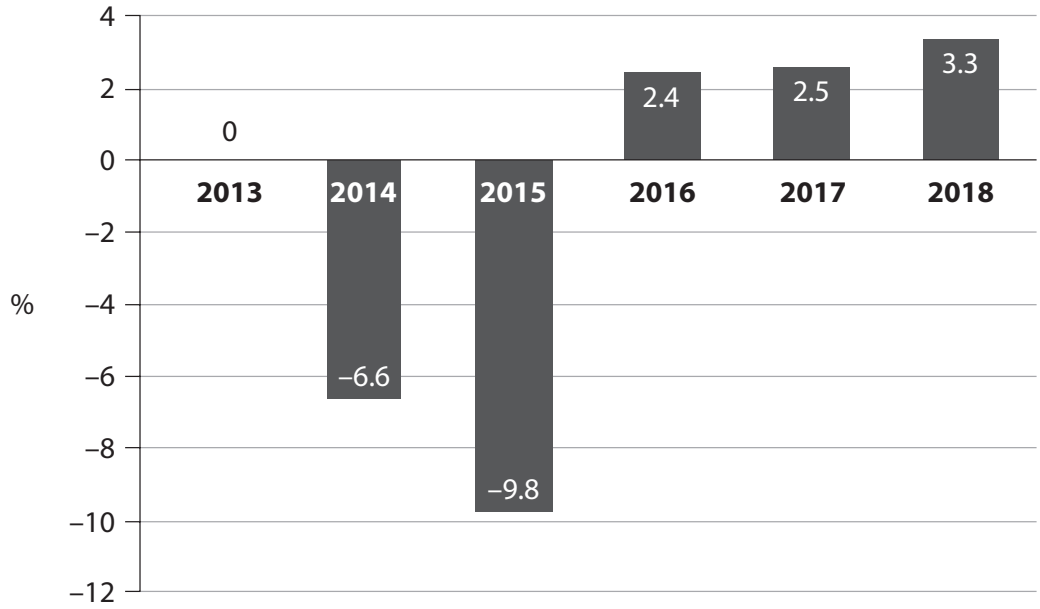
(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

SECTION B

Answer ALL questions in this section in the spaces provided.

7 The chart shows the real economic growth rate of the Ukrainian economy, 2013–2018.



With reference to the chart, explain the difference between positive economic growth rates and negative economic growth rates.

(Total for Question 7 = 4 marks)

SECTION C

Study Figure 1 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 'Purchasing Power Parity (PPP)', (Figure 1).

(2)

(b) With reference to Figure 1, explain the difference between GDP per capita and GNI per capita.

(4)

(c) With reference to Figure 1, analyse **two** limitations of using GNI per capita PPP data to compare living standards in the Philippines between 2000 and 2018.

(6)

(d) With reference to Extract A, examine **two** reasons why the Philippine economy was forecast to grow from 2019 to 2021.

(8)

(e) Discuss how supply-side policies might 'help the Philippines to achieve economic growth' (Extract A, lines 12–13).

Illustrate your answer with an appropriate diagram(s).

(14)

Sources for use with Section C.

The economy of the Philippines

Figure 1 Standard of living indicators for the Philippine economy, selected years 2000–2018

Year	GDP per capita (current US$)	GNI per capita (current US$)	GDP per capita *PPP (current international $)	GNI per capita *PPP (current international $)
2000	1 039	1 220	3 361	3 940
2005	1 194	1 430	4 255	5 050
2010	2 124	2 460	5 468	6 590
2015	2 867	3 510	7 313	8 850
2018	3 103	3 830	8 935	10 720

*PPP Purchasing Power Parity

Extract A Supply-side reforms and economic growth

Despite global uncertainties, the Philippine economy remains strong. The World Bank has forecast that it will grow by 5.8% in 2019 and by 6.0% in both 2020 and 2021.

Economic growth may slow in the first half of 2019. This may be explained by the weakening global economy, rising protectionism and a slowdown in public sector investment in the Philippines. However, levels of consumption should stay high. This is because of lower inflation rates, higher employment rates and rising real wages. Also, more workers are finding jobs in industries other than agriculture. This has helped to increase average incomes in the country. The continuing expansion of financial services and tourism in the Philippines means that the services sector is also likely to grow.

At the same time, the Government is using a range of supply-side policies. These policies include both interventionist and free market measures. It hopes that these will help the Philippines to achieve economic growth that creates high-paying jobs and reduces poverty. One interventionist policy is to start some infrastructure investment projects earlier than planned. The free market policies being used include:

- introducing the 'Ease of Doing Business Law' to cut the costs of bureaucracy for firms
- deregulating the rice market to increase competition
- introducing a law to allow greater competition in the country's retail sector, which should boost local productivity
- making amendments to the country's laws to allow the foreign ownership of firms in key sectors. This includes the telecommunication and transportation industries. By encouraging foreign direct investment, the Government hopes to increase productivity in these areas.

A report by the World Bank finds that promoting competition in this way will be beneficial to the Philippine economy over the longer term. However, the report also notes that many industries within the country are still dominated by just a few firms. It therefore recommends additional reforms to increase competition, including:

- further reductions in bureaucracy to make it easier to start a business
- further reductions in restrictions on both foreign and domestic investors
- ensuring that state-owned firms compete on fair terms with private sector businesses. This should promote the more efficient use of public funds.

12 (a) Define the term 'Purchasing Power Parity (PPP)', (Figure 1).

(2)

(b) With reference to Figure 1, explain the difference between GDP per capita and GNI per capita.

(4)

10 The data shows the quarterly percentage growth of real GDP for Belgium between Q1 2019 and Q4 2019.

Quarter	%
Q1	0.0
Q2	0.3
Q3	0.4
Q4	0.4

With reference to the overall trend of the data, explain what is meant by the term 'growth of real GDP'.

(Total for Question 10 = 4 marks)

9 The table shows the nominal GDP and population of Argentina in 2018 and 2019.

	GDP ($ millions)	Population (millions)
2018	517 627	44.5
2019	445 445	44.9

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

Based on this information, calculate the *change* in Argentina's GDP per capita between 2018 and 2019. Show your workings.

(Total for Question 9 = 4 marks)

11 The table shows income, measured by GDP per capita at PPP, and the World Happiness Score, in 2019 for selected countries. The World Happiness Score gives a value between 0 and 10, where 10 is the highest level of subjective happiness.

Country	GDP per capita at PPP ($)	World Happiness Score
Singapore	101 458	6.377
Malaysia	28 911	5.384
China	16 709	5.124
India	6 977	3.573

With reference to the data, explain the likely relationship between income and subjective happiness.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

9 The table shows the nominal GDP and GDP per capita of Angola in 2019 and 2020.

	GDP ($ billion)	GDP per capita ($)
2019	89.42	2 810
2020	62.31	1 896

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

Based on this information, calculate the *change* in Angola's population between 2019 and 2020. Show your workings.

(Total for Question 9 = 4 marks)

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)

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)

SECTION C

Study Figure 1, Figure 2, Extract A and Extract B in the Source Booklet before answering Question 12.

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

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

(2)

(b) With reference to Figure 1, explain the likely impact of higher real incomes on subjective happiness.

(4)

(c) Examine the likely impact on the UK's real output of 'the rising cost of energy' (Extract A, line 4).

(8)

(d) With reference to Figure 2 and Extract A, analyse **two** factors that influence business investment.

(6)

(e) With reference to the information provided, discuss supply-side policies that the UK Government has introduced to increase the country's productive potential.

(14)

Sources for use with Section C

The UK economy

Figure 1 Real GDP per capita, £ thousands, 2010-2022

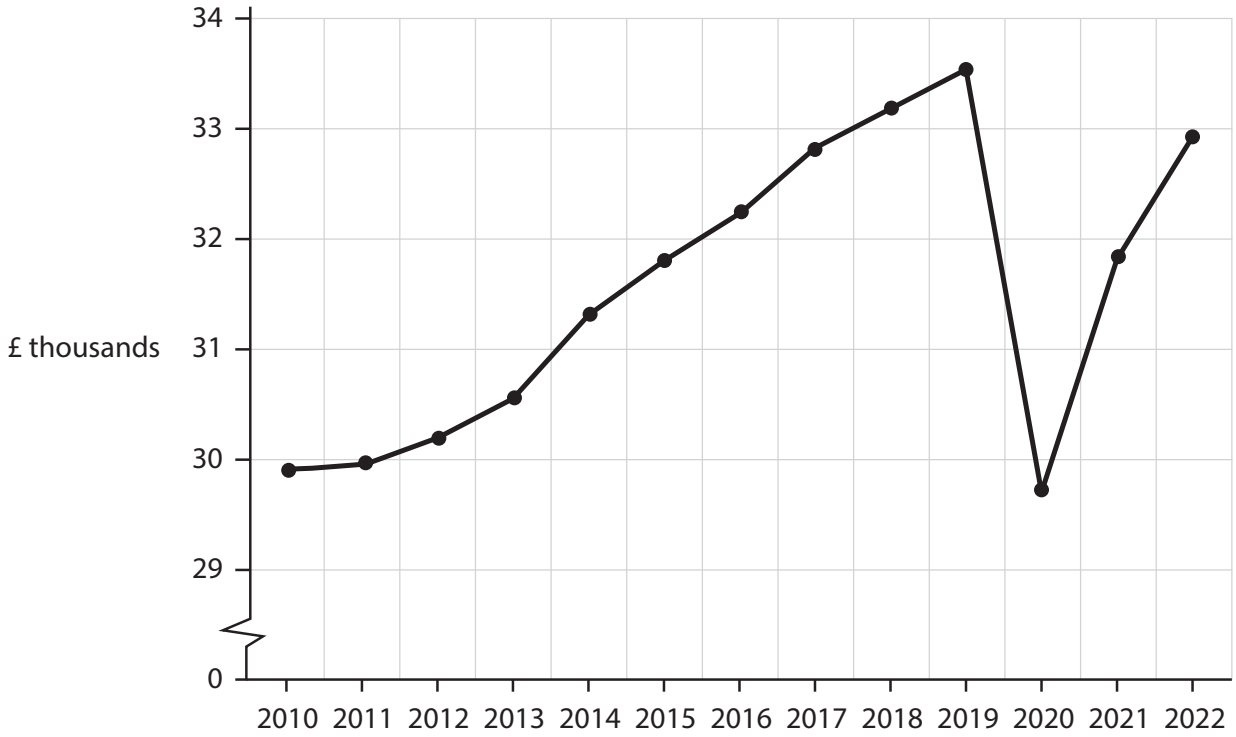
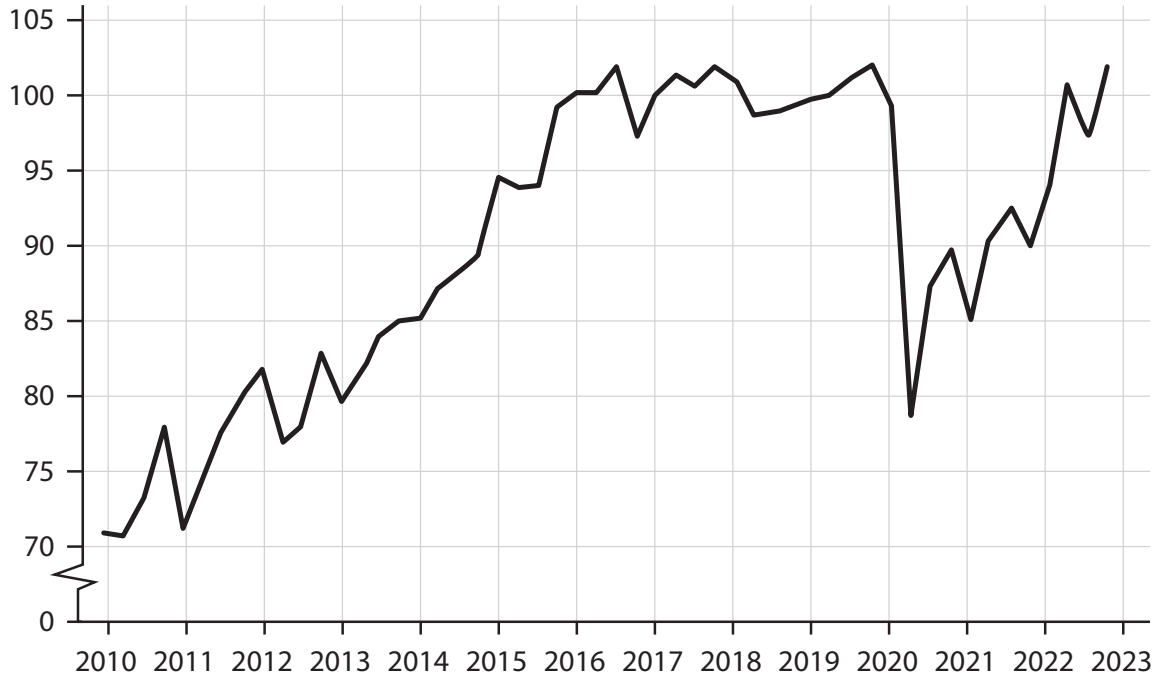


Figure 2 Index of business investment between 2010 and 2022, (Q1 2016=100)



Extract A Low rate of economic growth

The UK's real GDP at the end of 2022 was smaller than it was at the start of 2020. There are two main reasons why the UK's rate of economic growth has been low since the start of 2020. Firstly, the global health crisis of 2020 and secondly, the rising cost of energy in 2022. For example, the price of natural gas rose by more than 100%. The UK is a net importer of natural gas.

However, some economists believe these two reasons are insufficient to explain why the UK economy has been unable to increase its level of real GDP. They identified additional reasons:

- labour market participation has declined significantly since the start of the global health crisis of 2020. As a result, between 2020 and 2022, the UK labour force decreased by 520 000
- low levels of productivity in the UK labour market. Workers in the UK have lower skills than workers in other advanced economies. There was also a shortage of skilled and unskilled labour
- the UK's decision to leave the European Union in 2016 resulted in lower levels of business investment
- high costs of bureaucracy and strict planning regulations associated with the construction of infrastructure projects, such as building power plants and energy facilities.

In the last quarter of 2022 various international institutions forecast that the UK would continue to be one of the worst-performing advanced economies in 2023.

Extract B Supply-side policies

In March 2023 the UK Government introduced a range of supply-side policies to increase the productive potential of the UK economy. These included:

- increased financial support for childcare to reduce economic inactivity and increase the rate of employment
- 100% tax relief on business investment for three years
- subsidies to support the development of new technologies including artificial intelligence
- relaxing immigration rules to attract more workers in five sectors of the economy where severe labour shortages exist e.g. construction and healthcare.

These policies would cost the UK Government nearly £20 billion.

However, the Government did not announce any plans to tackle the UK's strict planning laws. In addition, there were no measures to improve the skills of the workforce. Increasing labour productivity is just as important as increasing the number of workers.

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

(2)

(b) With reference to Figure 1, explain the likely impact of higher real incomes on subjective happiness.

(4)

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)

Sources for use with Section C

The economy of Ireland

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

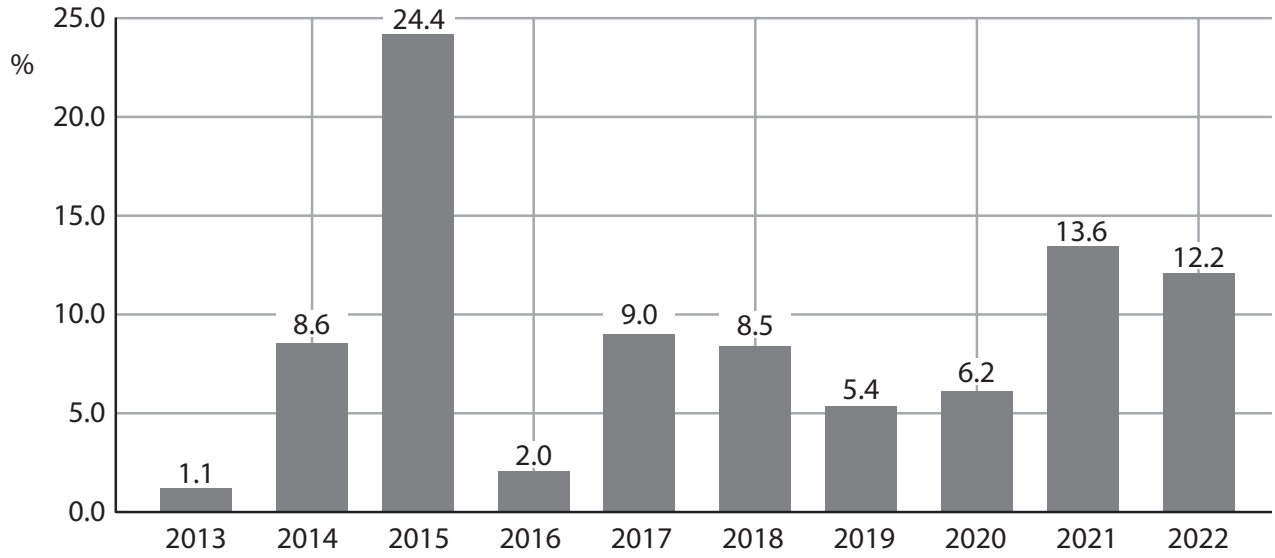
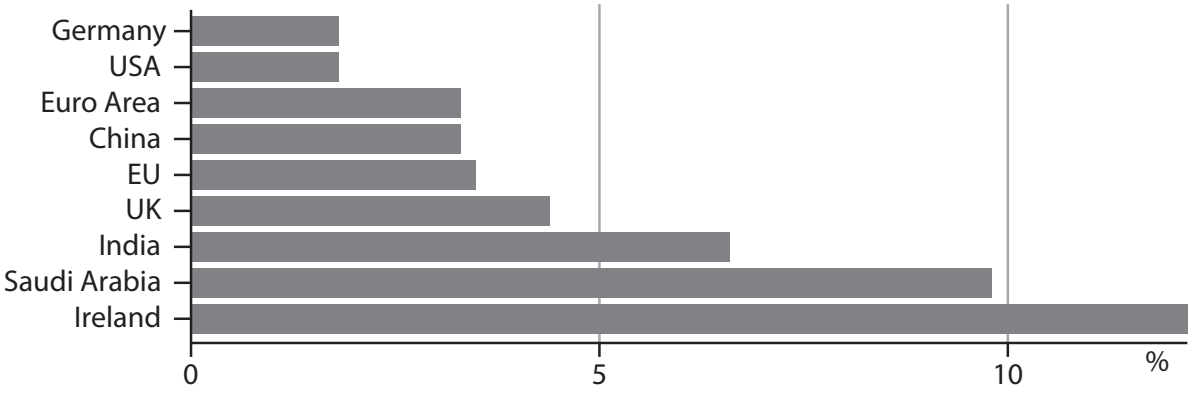


Figure 2 Annual real GDP growth rate (%) for selected countries, 2022



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.

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)

11 Kuwait's GDP per capita and average world happiness score for 2013 and 2022 are shown in the table. This score gives a value between 0 and 10, where 10 is the highest level of subjective happiness.

	GDP per capita ($)	World happiness score
2013	31 082	6.52
2022	26 788	6.11

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

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

9 The table shows the population and GDP per capita of Nepal in 2013 and 2023.

	Population (millions)	GDP per capita ($)
2013	27.4	809.4
2023	30.9	1 350.0

Based on this information, calculate the *change* in Nepal's GDP between 2013 and 2023. Show your workings.

(Total for Question 9 = 4 marks)

SECTION C

Study Figure 1 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 'Purchasing Power Parity (PPP)', (Figure 1).

(2)

(b) With reference to Figure 1, explain the difference between GDP per capita and GNI per capita.

(4)

(c) With reference to Figure 1, analyse **two** limitations of using GNI per capita PPP data to compare living standards in the Philippines between 2000 and 2018.

(6)

(d) With reference to Extract A, examine **two** reasons why the Philippine economy was forecast to grow from 2019 to 2021.

(8)

(e) Discuss how supply-side policies might 'help the Philippines to achieve economic growth' (Extract A, lines 12–13).

Illustrate your answer with an appropriate diagram(s).

(14)

Sources for use with Section C.

The economy of the Philippines

Figure 1 Standard of living indicators for the Philippine economy, selected years 2000–2018

Year	GDP per capita (current US$)	GNI per capita (current US$)	GDP per capita *PPP (current international $)	GNI per capita *PPP (current international $)
2000	1 039	1 220	3 361	3 940
2005	1 194	1 430	4 255	5 050
2010	2 124	2 460	5 468	6 590
2015	2 867	3 510	7 313	8 850
2018	3 103	3 830	8 935	10 720

*PPP Purchasing Power Parity

Extract A Supply-side reforms and economic growth

Despite global uncertainties, the Philippine economy remains strong. The World Bank has forecast that it will grow by 5.8% in 2019 and by 6.0% in both 2020 and 2021.

Economic growth may slow in the first half of 2019. This may be explained by the weakening global economy, rising protectionism and a slowdown in public sector investment in the Philippines. However, levels of consumption should stay high. This is because of lower inflation rates, higher employment rates and rising real wages. Also, more workers are finding jobs in industries other than agriculture. This has helped to increase average incomes in the country. The continuing expansion of financial services and tourism in the Philippines means that the services sector is also likely to grow.

At the same time, the Government is using a range of supply-side policies. These policies include both interventionist and free market measures. It hopes that these will help the Philippines to achieve economic growth that creates high-paying jobs and reduces poverty. One interventionist policy is to start some infrastructure investment projects earlier than planned. The free market policies being used include:

- introducing the 'Ease of Doing Business Law' to cut the costs of bureaucracy for firms
- deregulating the rice market to increase competition
- introducing a law to allow greater competition in the country's retail sector, which should boost local productivity
- making amendments to the country's laws to allow the foreign ownership of firms in key sectors. This includes the telecommunication and transportation industries. By encouraging foreign direct investment, the Government hopes to increase productivity in these areas.

A report by the World Bank finds that promoting competition in this way will be beneficial to the Philippine economy over the longer term. However, the report also notes that many industries within the country are still dominated by just a few firms. It therefore recommends additional reforms to increase competition, including:

- further reductions in bureaucracy to make it easier to start a business
- further reductions in restrictions on both foreign and domestic investors
- ensuring that state-owned firms compete on fair terms with private sector businesses. This should promote the more efficient use of public funds.

(c) With reference to Figure 1, analyse **two** limitations of using GNI per capita PPP data to compare living standards in the Philippines between 2000 and 2018.

(6)

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)

Sources for use with Section C

The economy of Ireland

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

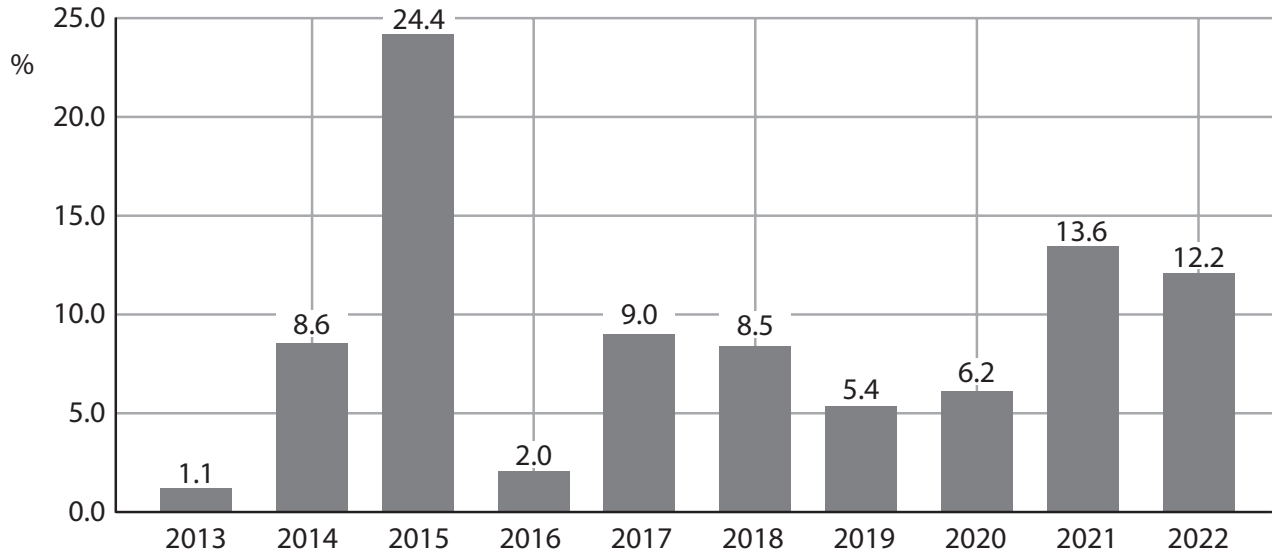
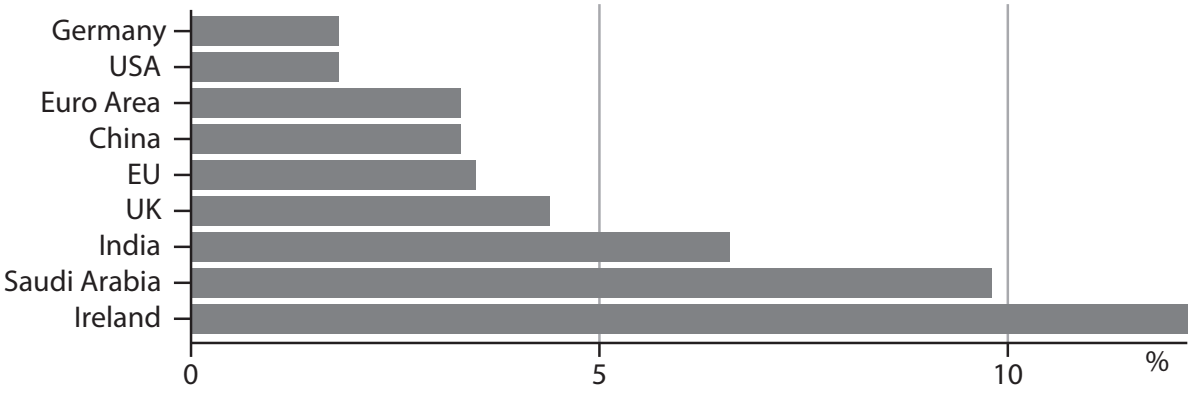


Figure 2 Annual real GDP growth rate (%) for selected countries, 2022



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.

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

(6)

SECTION C

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering Question 12.

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

12 (a) Define the term 'Consumption' (Extract A, line 9).

(2)

(b) With reference to Figure 1, explain the term 'real GDP growth rate'.

(4)

(c) With reference to Extract A, analyse **one** possible macroeconomic impact of the increase in house prices on the Canadian economy.

(6)

(d) With reference to Extract B, examine the likely impact of government policies to increase wellbeing.

(8)

(e) Using the information in Figure 2 and Extract A, discuss the impact of low investment on Canada's economy.

(14)

Sources for use with Section C.

The Canadian economy

Figure 1 Quarterly real GDP growth rate, quarter 1 2013 – quarter 2 2018

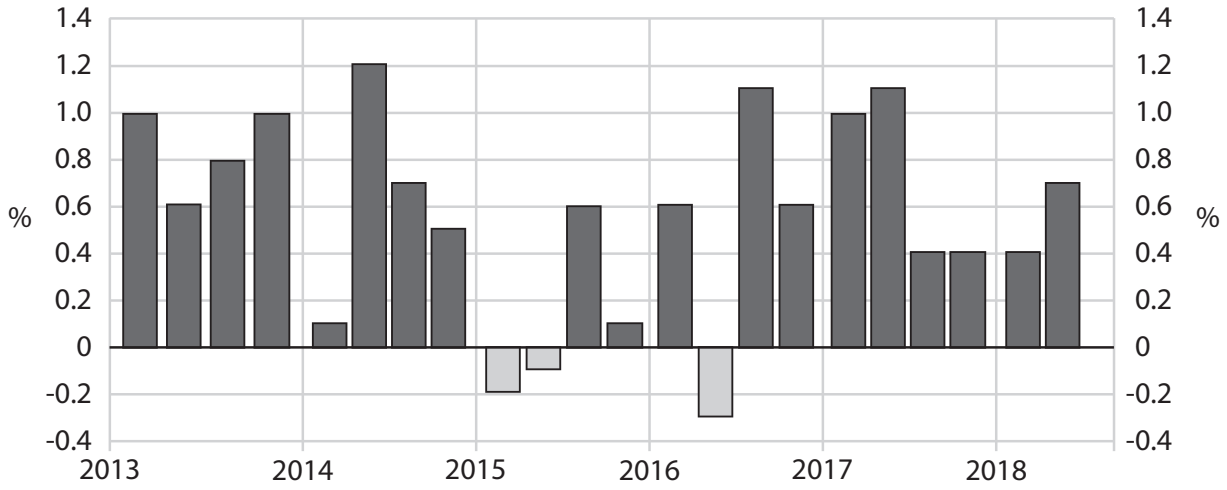
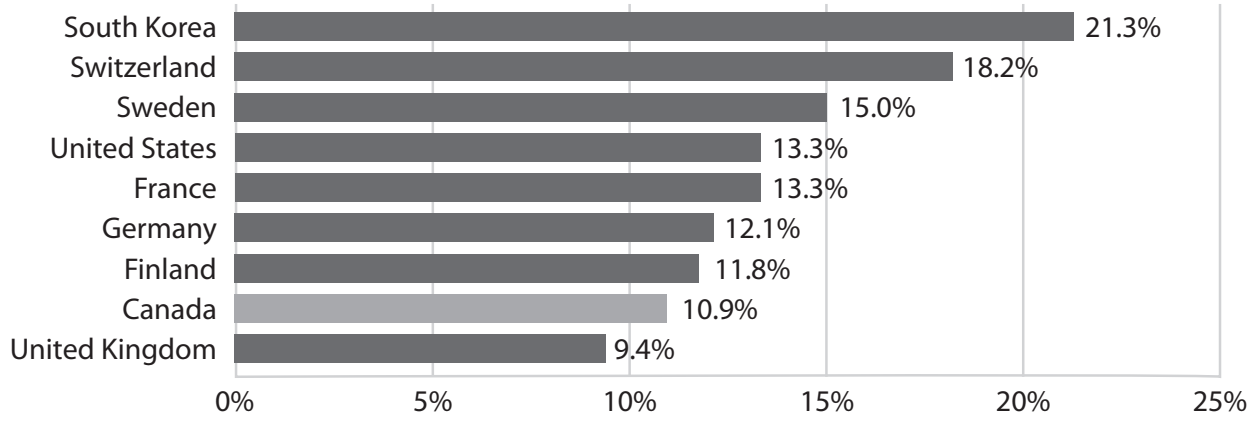


Figure 2 Business investment as a share of GDP in selected countries of the OECD (Organisation for Economic Co-operation and Development), 2015–2017



Extract A The economic climate

After a downturn in 2016, the Canadian economy experienced sustained economic growth. This was partly caused by a significant increase in the demand for exports. Canadian oil and petrol exports grew by 42% compared with 2016. Car exports increased by 3.8%. Most other exports grew by an average of 1%. Much of the increase in foreign demand came from the European Union as its economies started to strengthen. The increase in exports caused an improvement on the current account on the balance of payments. The exchange rate of the Canadian dollar also increased.

Consumption also rose during 2017. This was mainly the result of two factors:

- the unemployment rate fell from 7% in 2016 to 5.8% in 2017
- average house prices increased by 5.7% in 2017.

However, business investment remains relatively low. In particular, there has been little investment in new machinery and equipment. This has a negative impact on productivity because capital equipment per worker in Canada is very low by international standards.

Extract B Government policies to increase wellbeing

In 2018 the Canadian Government announced its continued commitment to improving the wellbeing of the population. The Government identified the need for increased government spending on wellbeing, particularly for those people who have a very low income. For low-income households the lack of access to basic necessities, such as food and housing, can lead to both mental and physical health problems. Around one in ten people live in low-income households. The 2.7 million people living on a low income do not have enough food, which causes health problems. This often prevents them from working or attending school.

The Government has increased the financial benefits to low-income households and to people who are unable to work. There has also been an increase in funding for low-cost housing, healthcare and better quality drinking water.

(d) With reference to Extract B, examine the likely impact of government policies to increase wellbeing.

(8)

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).

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(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)

Sources for use with Section C

The economy of Ireland

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

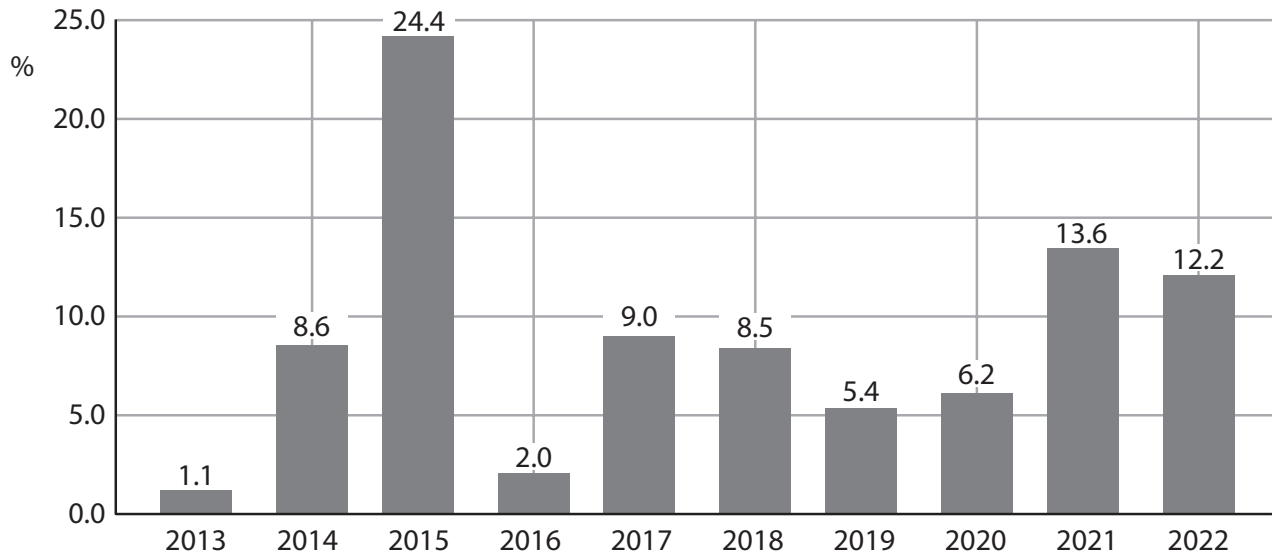
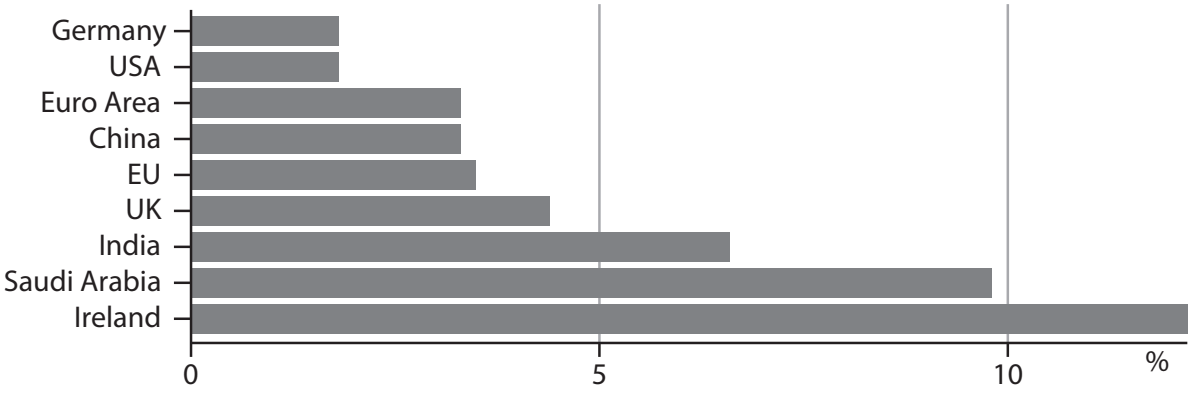


Figure 2 Annual real GDP growth rate (%) for selected countries, 2022



Extract A Limitations of using GDP

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(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)

(Total for Question 12 = 34 marks)

TOTAL FOR SECTION C = 34 MARKS

SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

13 From 2008 to 2018 Thailand's GDP per capita increased by 100%. Over the same period national happiness in Thailand also rose. However, from 2008 to 2018 India's GDP per capita increased by 80% but national happiness fell.

Evaluate the view that achieving a government's macroeconomic objectives is likely to result in an increase in national happiness.

(Total for Question 13 = 20 marks)

OR

14 Between January 2020 and May 2020 the global oil price decreased from $63 a barrel to $31 a barrel.

Evaluate the view that falling global oil prices will always benefit a country's macroeconomy.

(Total for Question 14 = 20 marks)

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)

SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

13 In 2022 Japan's productivity was approximately 30% lower than that of the USA.

Evaluate supply-side policies that a government could use to increase the country's productivity.

(Total for Question 13 = 20 marks)

OR

14 Many economists are expecting several of the world's leading economies to enter a recession in 2023.

Evaluate the likely costs of a recession on an economy of your choice.

(Total for Question 14 = 20 marks)

SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

13 India's unemployment rate increased from 7.1% in January 2023 to 8.5% in June 2023.

Evaluate the likely effects of an increase in the unemployment rate on workers **and** public finances. Refer to a country of your choice in your answer.

(Total for Question 13 = 20 marks)

OR

14 Germany experienced a recession in the first six months of 2023. The country's rate of economic growth was –0.4% in quarter 1 2023 and was –0.1% in quarter 2 2023.

Evaluate the likely effects of a recession. Refer to a country of your choice in your answer.

(Total for Question 14 = 20 marks)

SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

13 Between July 2023 and January 2024 the rate of employment in Colombia decreased from 58.6% to 55.3%.

Evaluate supply-side policies that could be used to increase the rate of employment. Refer to a country of your choice in your answer.

(Total for Question 13 = 20 marks)

OR

14 In 2022 nominal GDP was $5 billion for Fiji, $477 billion for Egypt and $3 385 billion for India.

Evaluate the limitations of using GDP data to compare living standards between countries. Refer to countries of your choice in your answer.

(Total for Question 14 = 20 marks)

SUB-TOPIC 2.3.1.2

INFLATION

Sub-topic 2.3.1.2 · 41 questions · 237 marks · lowest tariff first

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 In 2017 Turkey's deficit on the current account of the balance of payments increased to $4.2 billion.

This increase in the deficit on the current account is most likely to have resulted from

- ☒ **A** an increase in the value of imports
- ☒ **B** an increase in the value of exports
- ☒ **C** a decrease in government spending
- ☒ **D** a decrease in employment

(Total for Question 1 = 1 mark)

2 The table shows Malaysia's rate of inflation between February 2017 and July 2017.

Month	Rate of inflation (%)
February	4.5
March	5.1
April	4.4
May	3.9
June	3.6
July	3.2

From this table it can be deduced that

- ☒ **A** there was deflation between April and May
- ☒ **B** there was disinflation between May and June
- ☒ **C** the rate of inflation was at its highest in July
- ☒ **D** inflation increased at a constant rate between May and July

(Total for Question 2 = 1 mark)

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 It is estimated that the marginal propensity to consume in China is 0.5. Assume that the Chinese Government increased its spending on infrastructure by ¥1.5 billion.

Ceteris paribus, what would be the final increase in GDP following this injection?

☒ **A** ¥0.50 bn

☒ **B** ¥0.75 bn

☒ **C** ¥2 bn

☒ **D** ¥3 bn

(Total for Question 1 = 1 mark)

2 The table shows the consumer price index (CPI) for the UK in January 2015 and January 2016.

	Consumer price index
January 2015	200
January 2016	206

(Source: https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7g7/mm23)

What can be deduced from this data over this period?

☒ **A** The purchasing power of money fell by 3%

☒ **B** The rate of inflation was 6%

☒ **C** The standard of living must have fallen by 3%

☒ **D** The price of exports increased by 6%

(Total for Question 2 = 1 mark)

2 The table shows the annual percentage change in South Korea's producer (wholesale) price index.

Date	Annual percentage change in producer price index (%)
July 2019	–0.3
August 2019	–0.6
September 2019	–0.7

Which **one** of the following was the most likely effect of the changes shown in South Korea?

- ☒ **A** The real incomes of households were likely to fall
- ☒ **B** Cost-push inflation was likely to occur
- ☒ **C** Consumer prices were likely to fall
- ☒ **D** Its central bank was likely to raise the base rate of interest

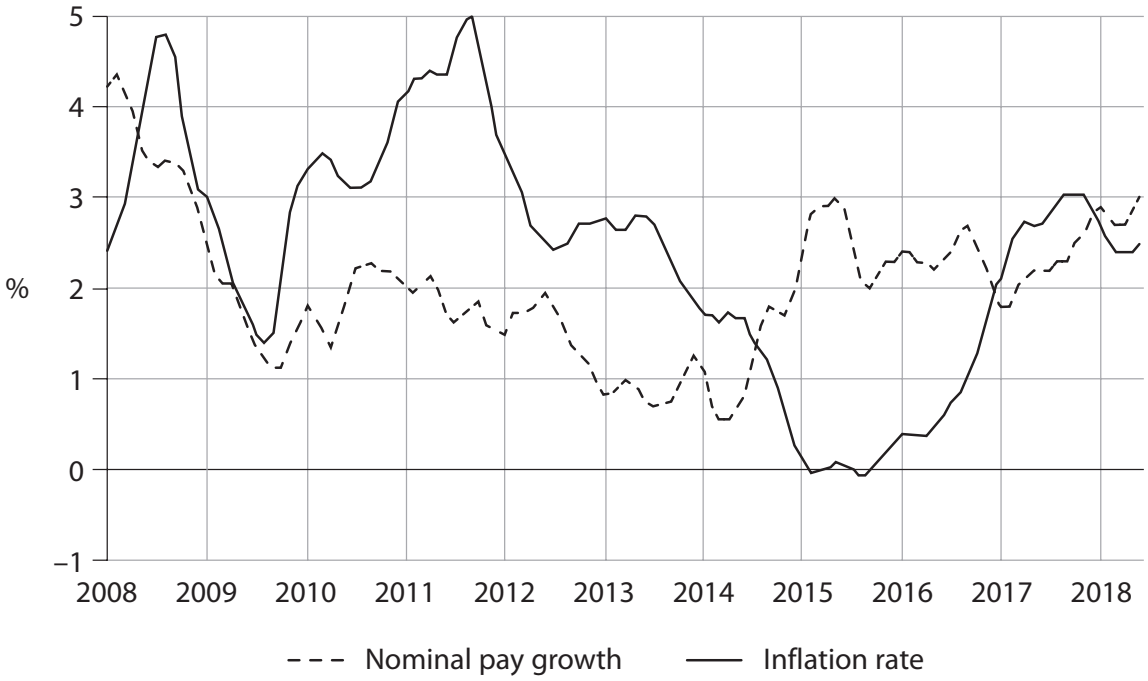
(Total for Question 2 = 1 mark)

3 Which **one** of the following is most likely to cause a deterioration in a developed country's trade balance?

- ☒ **A** An increase in the non-price competitiveness of the country's products
- ☒ **B** A fall in the real incomes of the country's citizens
- ☒ **C** A fall in the non-price competitiveness of a major trading partner's products
- ☒ **D** An increase in the country's exchange rate against other currencies

(Total for Question 3 = 1 mark)

4 The chart shows the UK inflation rate (as measured by the Consumer Price Index) and UK nominal pay growth, annual percentage change, 2008 to 2018.



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

- ☒ **A** Pay growth not adjusted for inflation was lowest in 2009
- ☒ **B** Pay growth adjusted for inflation was highest in 2015
- ☒ **C** Disinflation occurred between 2016 and 2017
- ☒ **D** Deflation occurred between 2012 and 2014

(Total for Question 4 = 1 mark)

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 ☒.

1 800 000 students graduated from universities in the UK in 2019. 380 000 of these started work in jobs that did not require a degree.

Which **one** of the following describes this situation?

- ☒ **A** Underemployment
- ☒ **B** Unemployment
- ☒ **C** Real wage inflexibility
- ☒ **D** Economic inactivity

(Total for Question 1 = 1 mark)

2 Brazil's annual rate of inflation between April 2019 and August 2019 is shown in the table.

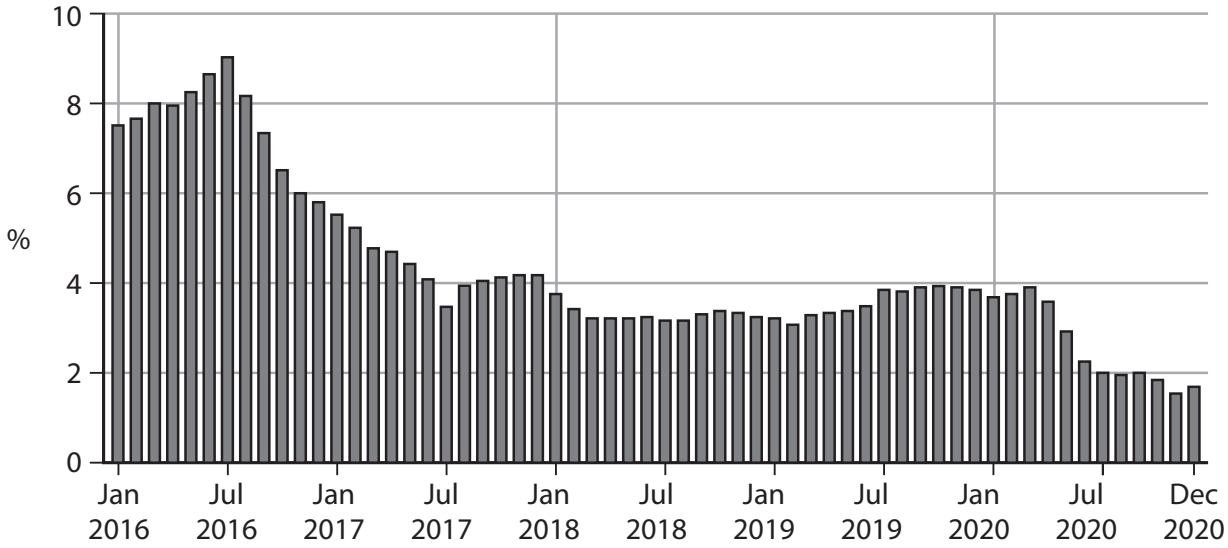
Month	Rate of inflation (%)
April	4.94
May	4.66
June	3.37
July	3.22
August	3.43

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

- ☒ **A** There was deflation between April and July
- ☒ **B** The average price level was highest in April
- ☒ **C** There was disinflation between April and July
- ☒ **D** The rate of inflation was lowest in August

(Total for Question 2 = 1 mark)

4 The chart shows the annual rate of inflation in Colombia, measured by the Consumer Price Index (CPI), January 2016 to December 2020.



(Source: https://tradingeconomics.com/colombia/inflation-cpi)

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

- ☒ **A** There was disinflation from January 2016 to July 2016
- ☒ **B** There was deflation from January 2017 to July 2017
- ☒ **C** The average price level was unchanged between January 2019 and July 2019
- ☒ **D** The average price level was lower in January 2020 than in July 2020

(Total for Question 4 = 1 mark)

5 In 2020 the Italian Government spent €945.6 billion and received €789.3 billion in tax revenue.

Which **one** of the following policies could the Italian Government implement to achieve a balanced budget over the following year?

- ☒ **A** Deflationary monetary policy
- ☒ **B** Reflationary monetary policy
- ☒ **C** Deflationary fiscal policy
- ☒ **D** Reflationary fiscal policy

(Total for Question 5 = 1 mark)

6 The table shows Vietnam's rate of inflation*, as measured by the consumer price index (CPI), between June 2022 and September 2022.

Month	Rate of inflation (%)
June	3.37
July	3.14
August	2.89
September	3.94

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

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

- ☒ **A** There was disinflation between June and July
- ☒ **B** There was deflation between July and August
- ☒ **C** The rate of inflation was at its lowest in September
- ☒ **D** The rate of inflation fell throughout the given period

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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)

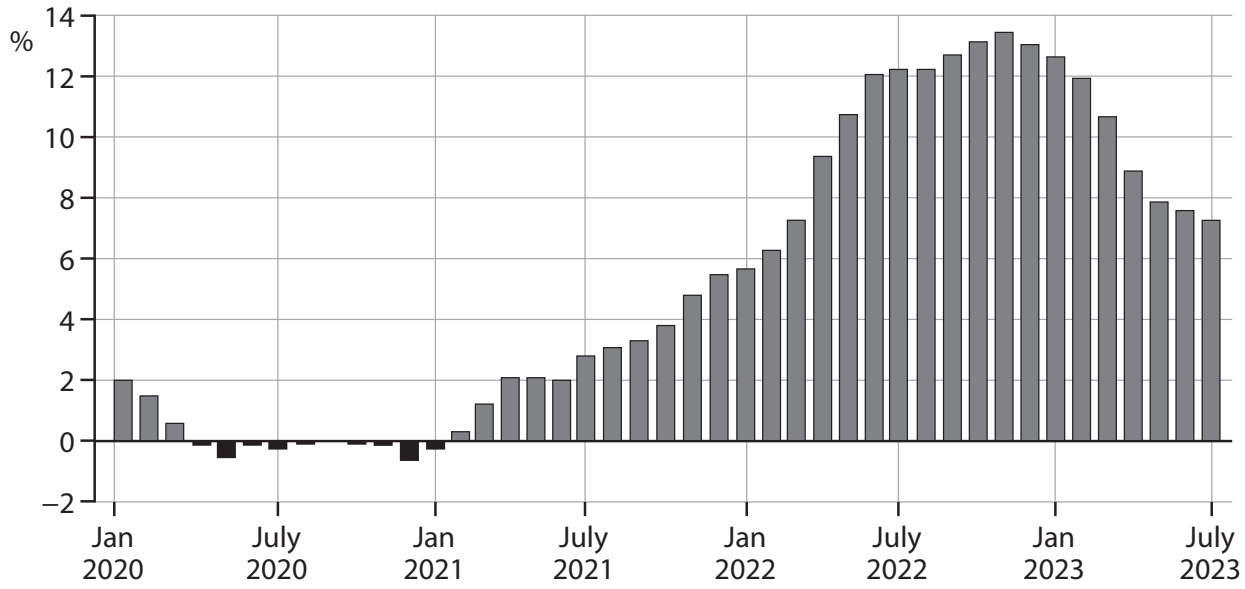
3 In 2022 Bahrain's GDP was $44 billion and its population was 1.5 million.

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)

6 The chart shows the annual rate of inflation* in Croatia, as measured by the consumer price index (CPI), January 2020 to July 2023.



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

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

- ☒ **A** The rate of inflation was highest in July 2023
- ☒ **B** The average price level was highest in November 2022
- ☒ **C** There was deflation between April 2020 and July 2020
- ☒ **D** There was disinflation between June 2021 and June 2022

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

SECTION C

Study Figures 1 and 2 and Extracts A and B 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 wage growth' (Extract B, line 8).

(2)

(b) With reference to Figure 2, explain what is meant by a surplus on the balance of trade in goods and services.

(4)

(c) With reference to Extract A, analyse the possible impact of net migration on employment **or** unemployment in Australia.

(6)

(d) With reference to Extract B, examine the case for a reduction in the base rate of interest by the Australian central bank.

(8)

(e) Using the information provided, discuss the factors, other than net migration, that have contributed to economic growth in Australia up to 2018.

(14)

Sources for use with Section C.

The Australian economy

Figure 1 Annual real GDP growth (%), 2012 to 2018

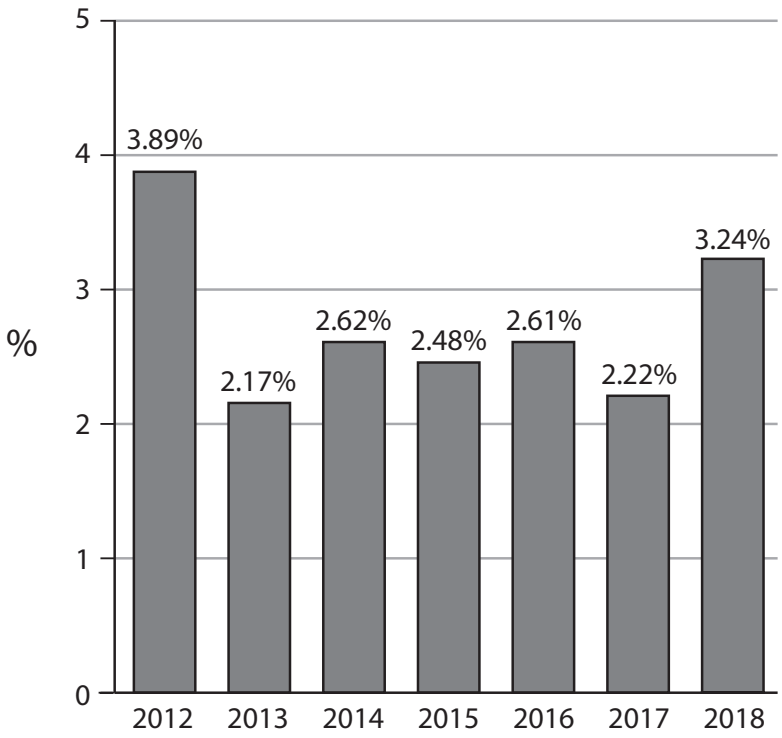
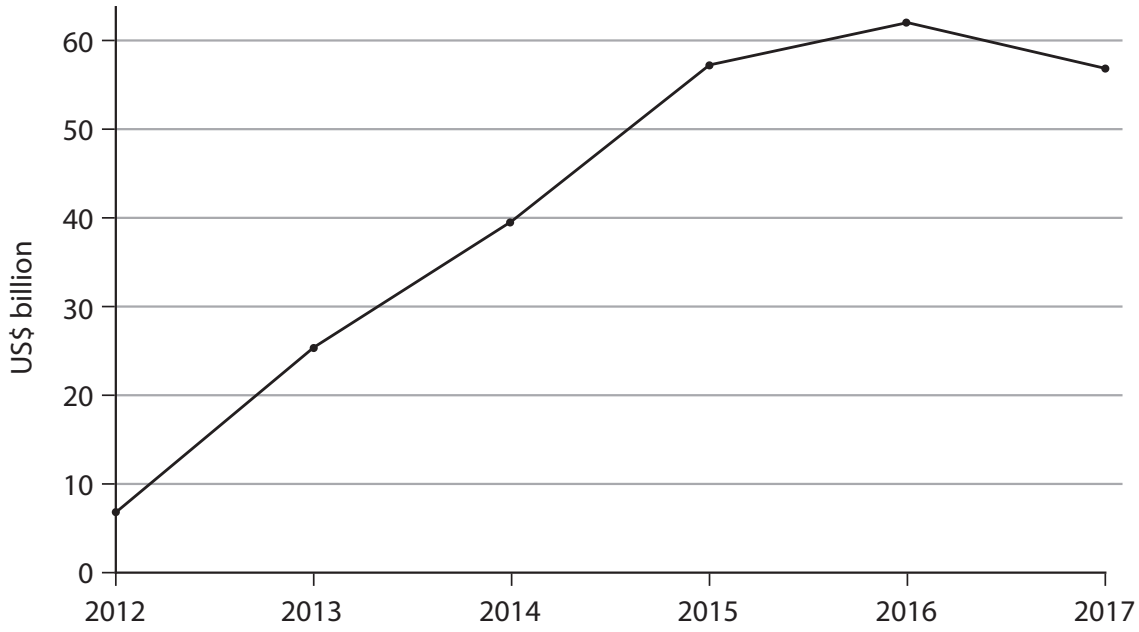


Figure 2 Balance of trade in goods and services, 2012 to 2017 (US$ billion)



Extract A State of the economy

Unlike most developed countries, Australia was not significantly affected by the global financial crisis and has continued to experience positive economic growth.

The Australian Government has encouraged migration into the country, although this is now limited to 190 000 permanent immigrants per year. Over 28% of the population are immigrants. Net migration has led to an increase in the Australian labour force. As many of the immigrants are highly skilled, this has had positive effects on the Australian economy. It has also resulted in an increase in consumption in the country.

Export growth has also been a significant reason for the increase in Australia's GDP. Australia's geography is very different to other developed countries. It is nearer to China than many other developed countries, which enables Australia to export its goods with relatively low shipping costs. There has been great demand from China for Australian exports, particularly sugar, copper, iron, coal, lead and zinc.

Australia is also a very popular tourist destination for Chinese citizens, as the flight is short. Tourism has increased by 50% since 2012 and now accounts for AU$29 billion and is Australia's fifth biggest export.

Australia has benefited from demand from foreign students wanting to study in the country. Over 540 000 international students enrolled in Australian schools and universities in 2018, an 80% increase in five years. Both tourists and students have a significant impact on the consumption of goods and services supporting further economic growth.

Government expenditure has increased on roads, bridges, ports, airports, schools and education. The Government aims to improve access for people and goods across Australia supporting both businesses and individuals.

Extract B Future prospects

The future for Australia does not look as promising as it once did. China demands around one-third of Australia's exported goods. China's economic growth has slowed as economies such as the USA, Japan and the Eurozone demand less Chinese goods. This has recently caused business confidence in China to fall, reducing the demand for Australia's commodity exports needed in manufacturing.

The Australian central bank is considering a reduction in the base rate of interest. Real wage growth fell between 2013 and 2018. However, private household consumption rose during that period. During 2018 house prices decreased and recorded a fall of 2.4% in the first quarter of 2019. However, some economists are forecasting an increase in Australia's inflation rate from 1.8% in 2018 to 2.3% in 2019. The central bank's target annual rate of inflation is between 2% and 3%.

12 (a) Define the term 'Real wage growth' (Extract B, line 8).

(2)

(b) With reference to Figure 2, explain what is meant by a surplus on the balance of trade in goods and services.

(4)

SECTION B

Study Figure 1 and Extracts A and B in the Source Booklet before answering Question 7.

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

7 (a) Between Q1 2020 and Q4 2021 the average annual rate of inflation in New Zealand increased from 2.5% to 5.4%.

Calculate the change in the rate of inflation between Q1 2020 and Q4 2021. You are advised to show your working.

(2)

(b) With reference to Figure 1 and the first paragraph of Extract A, analyse **two** causes of the increase in the rate of inflation.

(6)

(c) Explain what is meant by 'monetary policy instruments' (Extract A, line 9).

(4)

(d) Examine **two** 'problems facing central banks when applying monetary policies to reduce the rate of inflation' (Extract A, lines 11–12).

(8)

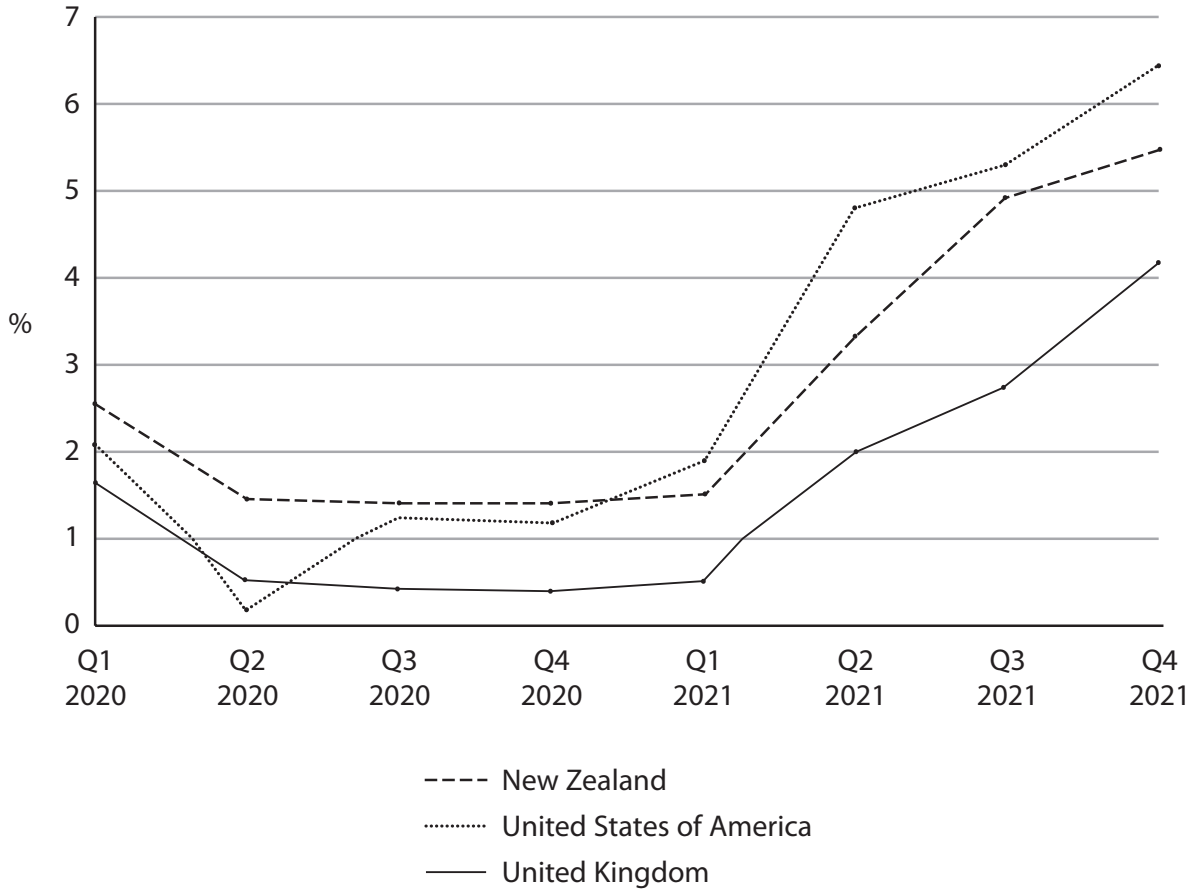
(e) With reference to Extract B, discuss how demographic factors may constrain economic growth of developed economies.

(14)

Sources for use with Section B

Inflation and labour markets in developed economies

Figure 1 Annual inflation rate for selected countries (%), as measured by the consumer price index (CPI), Q1 2020–Q4 2021



Extract A Rising rates of inflation

In 2021 many developed countries experienced an increase in the rate of inflation. Average price levels increased as a result of disruptions to global supply chains. These were caused by restrictions that had been in place during the global health crisis. As developed countries eased these restrictions, demand for goods, services and energy increased. There was also a significant rise in average house prices.

Rising rates of inflation are a challenge for central banks, especially for developed countries that have an inflation target of 2%. The central banks of these countries can adjust their monetary policy instruments to meet this target. Nevertheless, these instruments are less effective in tackling inflation created by a lack of supply.

There are problems facing central banks when applying monetary policies to reduce the rate of inflation. One problem is the inability of policymakers to control the rising rate of inflation caused by external factors. Another problem is estimating whether the increase in the rate of inflation is temporary or permanent.

Policymakers who believe that this is a temporary issue suggest that the rise in the rate of inflation is as a result of short-term external shocks. They attribute it to a one-off increase in supply chain disruptions and a one-off increase in consumer demand. By contrast, policymakers who believe that this is a permanent issue indicate that the increase in the average price level is a result of rising wages.

Extract B Labour markets

Many developed countries have ageing populations and a falling proportion of people of working age. Since the global health crisis there has been instability in global labour markets. Many workers have retired early whilst others have left the workforce to focus on other personal objectives. There has also been a decline in international migration. As a result of this fall in the labour supply, many companies have been forced to decrease production. This represents a considerable threat to global economic recovery.

The critical question is whether workers will rejoin the labour force or whether employers and policymakers will need to adapt to a world in which labour becomes an even scarcer resource. In the USA more than four million workers have left the labour force since the crisis. However, employment in the eurozone has almost returned to its pre-crisis level and the labour force participation rate has risen rapidly. For example, in France and Spain this rate is already higher than it was before the crisis.

Employers are preparing for a future in which they will need to offer greater incentives to attract more workers back into the labour market.

(a) Between Q1 2020 and Q4 2021 the average annual rate of inflation in New Zealand increased from 2.5% to 5.4%.

Calculate the change in the rate of inflation between Q1 2020 and Q4 2021. You are advised to show your working.

(2)

SECTION C

Study Figure 1, Extract A and Extract B in the Source Booklet before answering Question 12.

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

12 (a) Define the term 'inflation'.

(2)

(b) With reference to Figure 1 and the first paragraph of Extract A, examine **two** causes of the relatively high rate of inflation in the USA.

(8)

(c) With reference to the third paragraph of Extract A, explain the term 'rate of unemployment'.

(4)

(d) With reference to the first paragraph of Extract B, analyse **two** reasons why the USA's rate of economic growth increased in 2023.

(6)

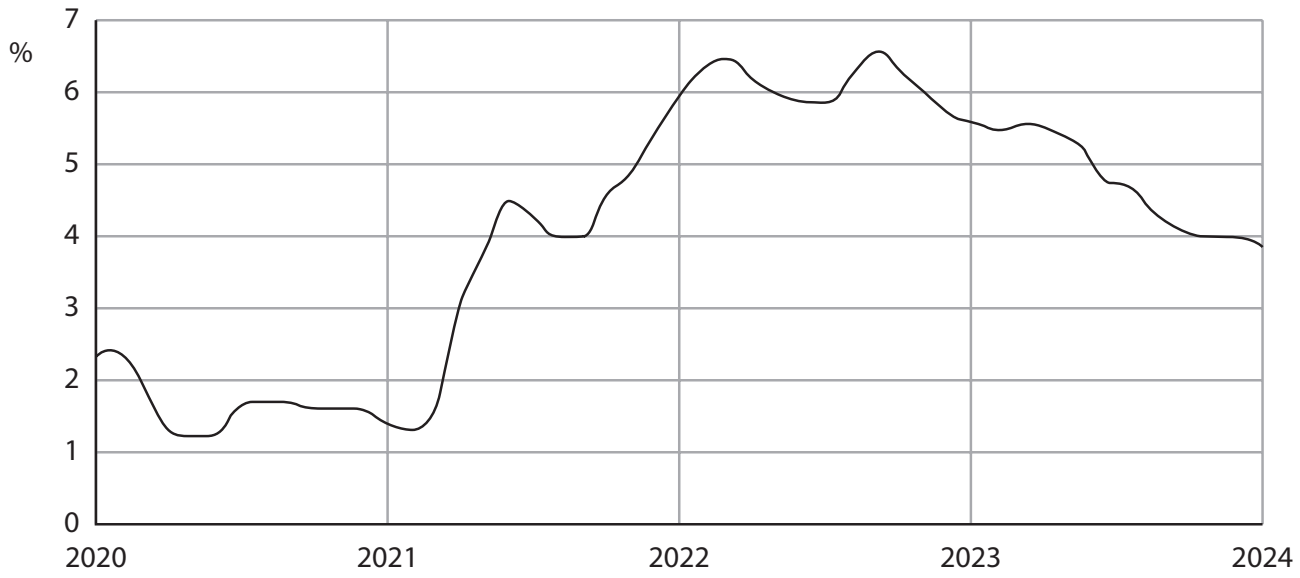
(e) With reference to the information provided and your own knowledge, discuss the likely macroeconomic effects of the increase in the base rate of interest on the US economy.

(14)

Sources for use with Section C

The US economy

Figure 1 Annual rate of inflation*, as measured by the consumer price index (CPI), January 2020 to December 2023



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

Extract A Rate of inflation

Between 2021 and 2023 the US economy experienced a relatively high rate of inflation. The main causes of this were:

- disruptions to the supply chain as a result of the global health crisis of 2020–2022
- rising global prices of energy and food in 2021–2022
- high wage growth in 2022–2023.

The country's central bank, the Federal Reserve (Fed), forecast that the rate of inflation would return to the inflation target of 2% in 2024. It indicated that energy prices and food prices had started to fall. It expected slower wage growth as the rate of inflation decreased.

The Fed believed that the rate of inflation would fall without causing a significant rise in the rate of unemployment. It forecast that the rate of unemployment would average 4% in 2024, a little higher than the 50-year low of 3.6% in 2023.

Extract B Economic growth

The USA's rate of economic growth increased from 1.9% in 2022 to 2.5% in 2023. High consumer spending on services, such as hotels and travel, was the major factor that contributed to economic growth. Government policy also played an important role in increasing the growth rate. The US Government spent $1 trillion on infrastructure projects including the building of roads, airports and bridges. These projects resulted in the creation of new jobs.

Economists forecast that the rate of increase in economic growth was likely to slow down in 2024. This is because there had been a series of interest rate increases by the Fed. This resulted in the country's base rate of interest increasing from 0.25% in March 2022 to a record high of 5.5% in July 2023. In addition, consumers in the USA were relying more on credit cards to finance their spending. It was predicted that more consumers would find it difficult to pay interest on their mortgages, car loans and credit cards. Consumers were also struggling to finance the rising costs of car insurance, medical care and childcare.

Although some economists expected a recession in 2024, many were optimistic that the US economy would stabilise without causing any major job losses.

12 (a) Define the term 'inflation'.

(2)

(b) With reference to Figure 1 and the first paragraph of Extract A, examine **two** causes of the relatively high rate of inflation in the USA.

(8)

SECTION B

Study Figures 1 and 2 and Extract A in the Source Booklet before answering Question 7.

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

7 (a) With reference to Figure 1, calculate the percentage change in the rate of inflation between December 2023 and September 2024. You are advised to show your working.

(2)

(b) With reference to Extract A, examine the likely effect of the depreciation of the Argentine peso against the US dollar on Argentina's current account **and** its capital and financial accounts.

(8)

(c) With reference to Figure 2, analyse **two** policies that the Central Bank of Argentina can use to limit any further depreciation of the Argentine peso against the US dollar.

(6)

(d) Explain what is meant by 'absolute poverty'. (Extract A, line 20)

(4)

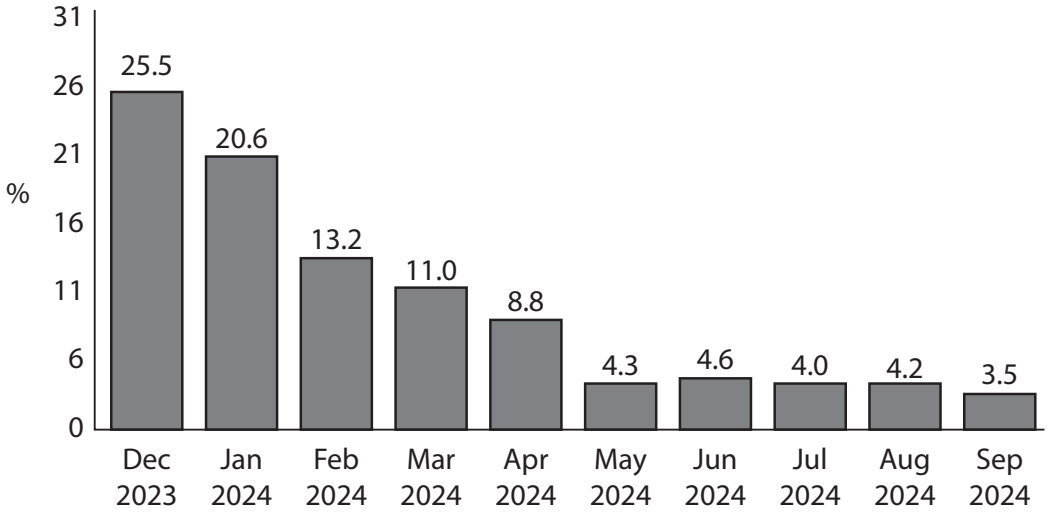
(e) With reference to the information provided and your own knowledge, discuss the likely economic effects of a reduction in public expenditure as a proportion of GDP on Argentina's economy.

(14)

Sources for use with Section B

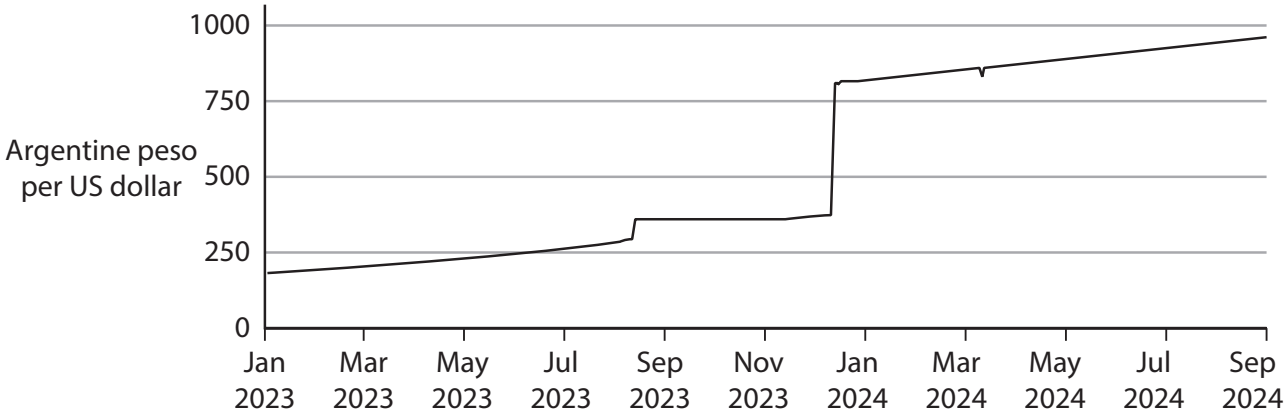
The economy of Argentina

Figure 1 Annual rate of inflation*, as measured by the consumer price index (CPI), December 2023 to September 2024



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

Figure 2 Argentine peso–US dollar exchange rate, January 2023 to September 2024



Extract A Economic outlook

When Javier Milei became the President of Argentina in December 2023, his first task was to reduce the country's very high rate of inflation. This was mainly caused by increased public expenditure and a depreciation of the country's currency, the Argentine peso, against the US dollar.

The Government of Argentina reduced public expenditure from 38% of GDP in 2023 to 32% of GDP in 2024. The largest reductions were made in state pensions, social welfare programmes, and energy and transportation subsidies. This resulted in a fiscal surplus every month in 2024 after more than 10 years of continuous fiscal deficits. By the end of September 2024, these policies had successfully reduced Argentina's high rate of inflation.

The Central Bank of Argentina stabilised the exchange rate to prevent any further falls in the external value of its currency against the US dollar. It believed that this would result in greater macroeconomic stability in the country's financial markets. Argentina's current account changed from a deficit in 2023 to a surplus in 2024.

However, Argentina still faces numerous economic challenges. GDP was expected to be 3% lower in 2024 than it was in 2023. The country's economic growth forecast is 5.2% in 2025. This would only return Argentina's real GDP per capita to where it was in 2021.

Living standards have been falling since 2004, partly as a result of falling real wages. The share of the population living in absolute poverty increased by 11 percentage points in the first half of 2024 to 53%.

Domestic industries that employ most Argentinian citizens — retail, manufacturing and construction — have recovered only slightly from large falls in production. Unemployment in the second quarter of 2024 was 7.6%. Business leaders in manufacturing industries warned that they may continue to make workers redundant as the Government reduces protectionism.

Although there are still concerns about salaries, jobs and poverty, economists claim that the Government has achieved macroeconomic stability. However, for this to result in a sustainable rate of economic growth, the Government should remove strict capital and currency controls. This is important in attracting foreign direct investment.

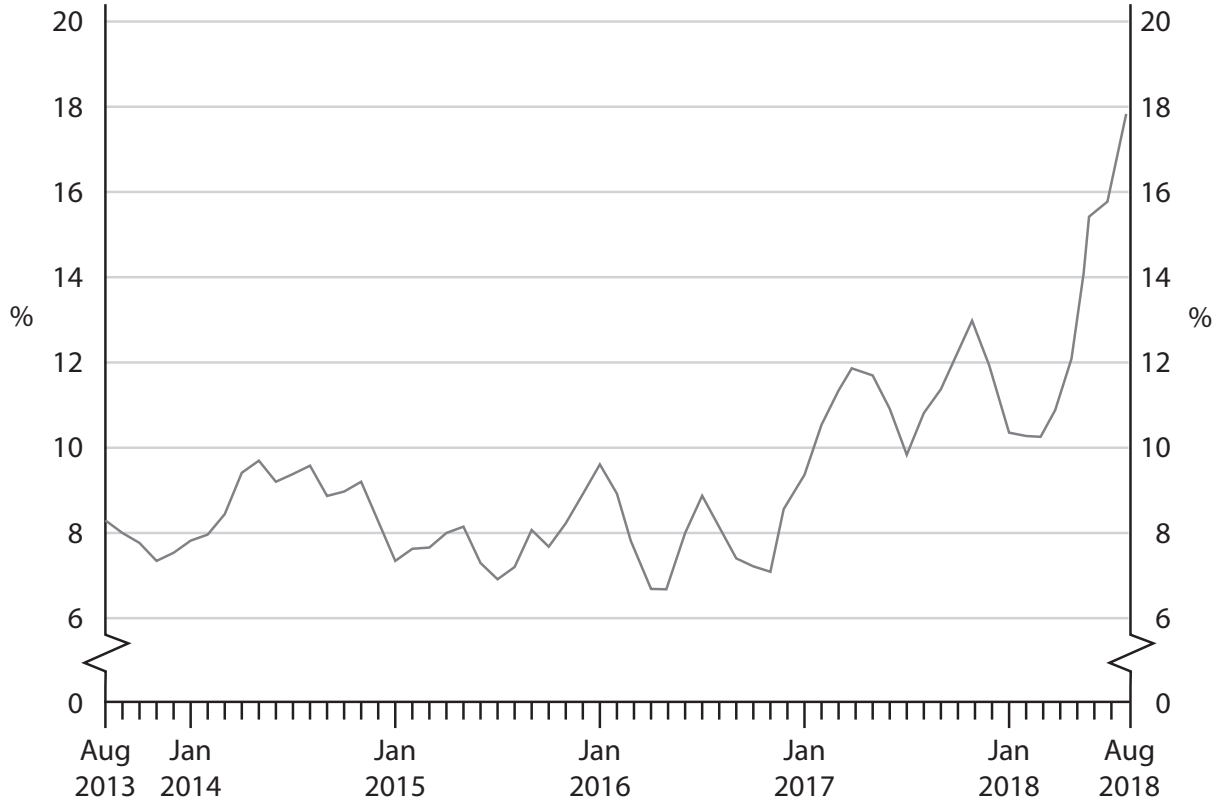
(a) With reference to Figure 1, calculate the percentage change in the rate of inflation between December 2023 and September 2024. You are advised to show your working.

(2)

(b) With reference to Extract A, examine the likely effect of the depreciation of the Argentine peso against the US dollar on Argentina's current account **and** its capital and financial accounts.

(8)

8 The chart shows the annual change in consumer prices in Turkey for the period August 2013 to August 2018.

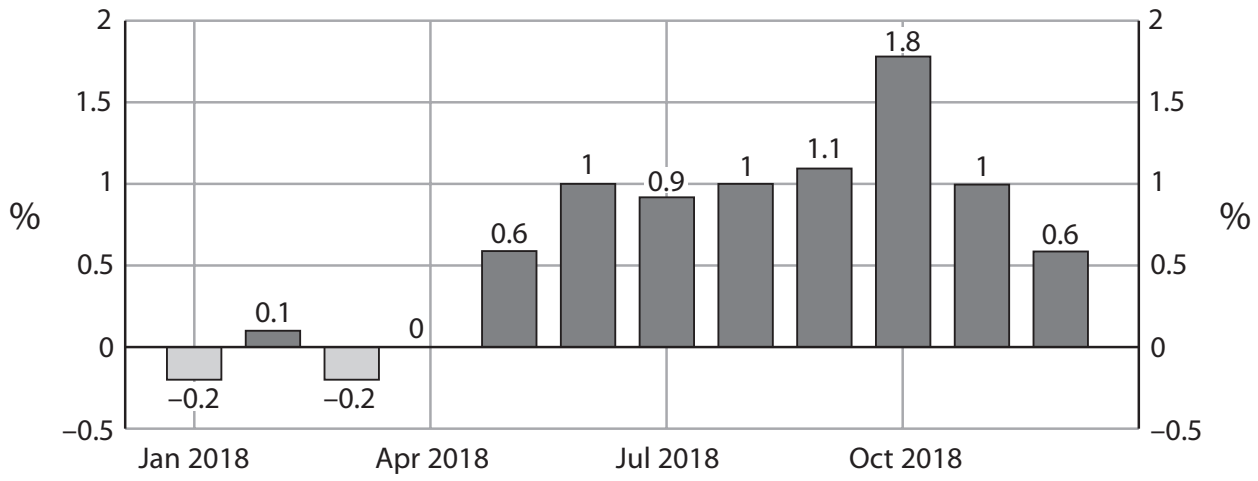


(Source: https://tradingeconomics.com/turkey/consumer-price-index-cpi)

With reference to the chart, explain the difference between inflation and disinflation.

(Total for Question 8 = 4 marks)

8 The chart shows the annual rate of inflation recorded month by month for Greece in 2018.



(Source: https://tradingeconomics.com/greece/inflation-cpi)

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

(Total for Question 8 = 4 marks)

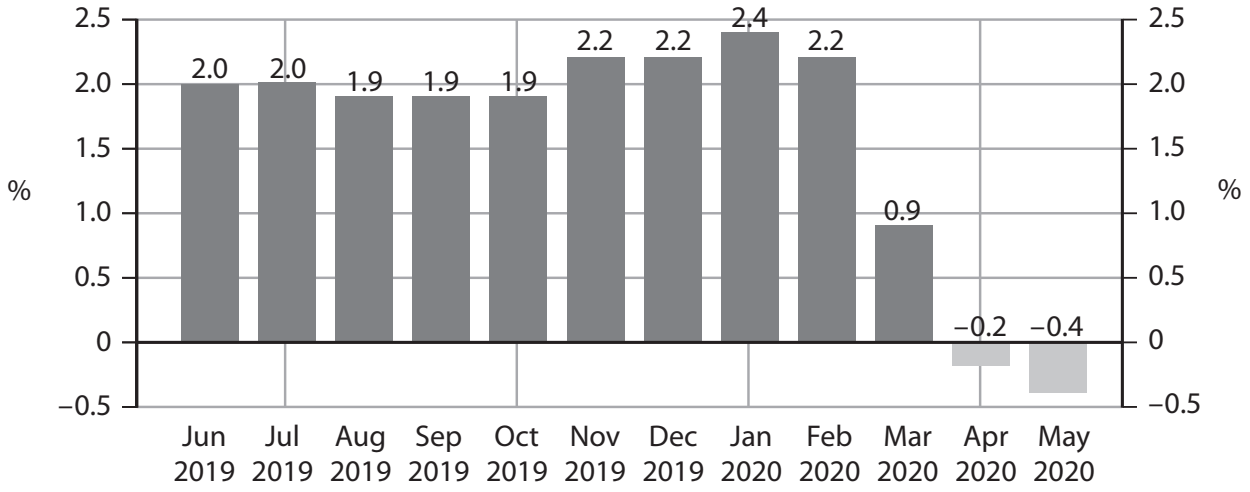
9 The table shows the average value of personal disposable income in China, in Chinese RMB, 2014–2018.

Year	Personal disposable income (Chinese RMB)
2014	29 381
2015	31 790
2016	33 616
2017	36 396
2018	39 251

Using 2018 as the base year, calculate an index number for personal disposable income in 2014. Show your workings.

(Total for Question 9 = 4 marks)

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

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)

Sources for use with Section C.

The French economy

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

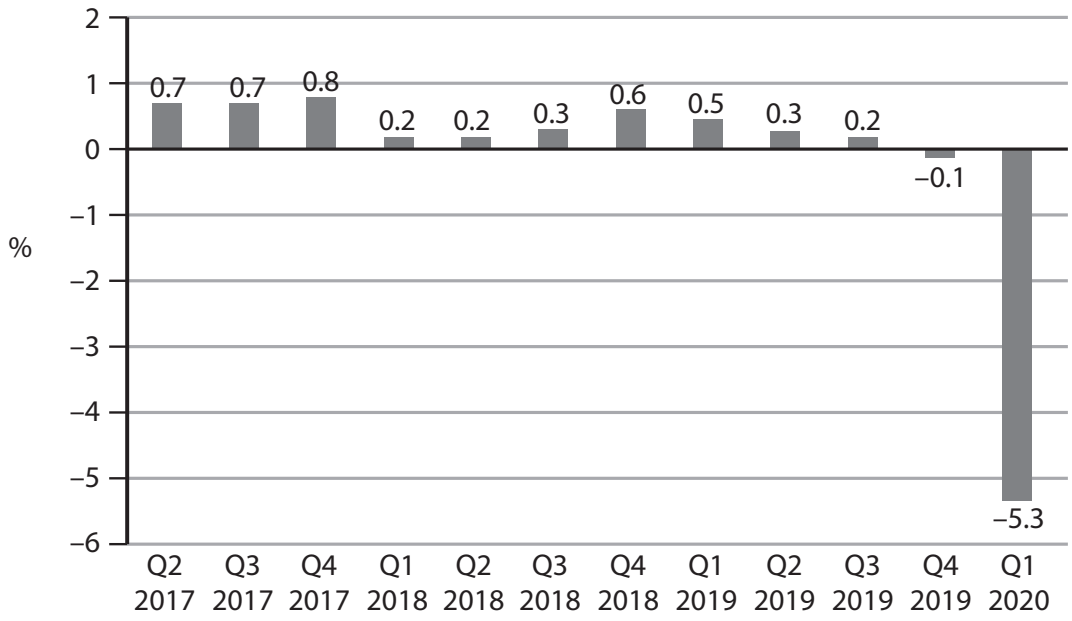
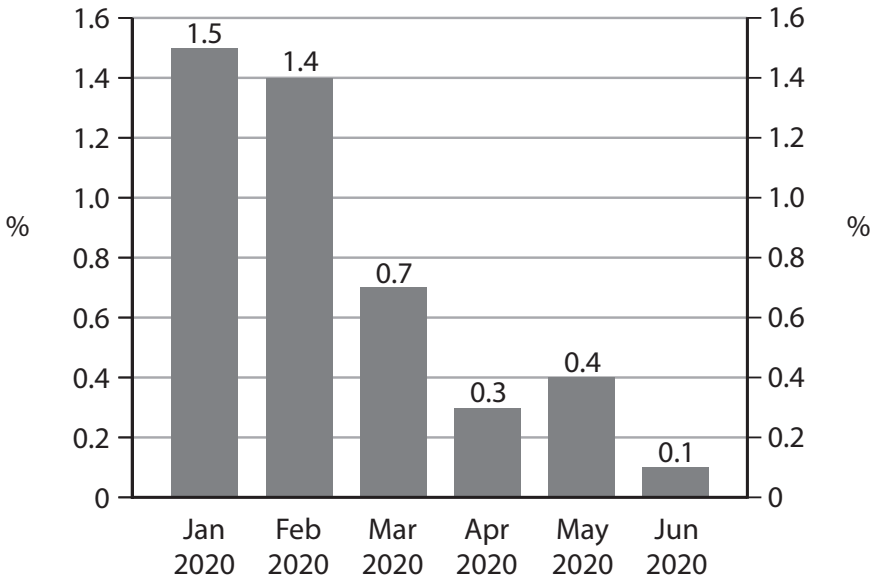


Figure 2 Consumer Price Index (CPI), weights and annual percentage price changes, June 2020

	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

Figure 3 CPI inflation rate, January to June 2020



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

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)

SECTION B

Answer ALL questions in this section in the space provided.

7 The table shows selected changes to the UK's Consumer Price Index (CPI) basket of goods and services in 2020.

Items now included in the basket	Items removed from the basket
Reusable bottles	Fruit pies
Vegetable crisps	Frozen chicken
Portable digital music player	MP4 music player

(Source: https://www.theguardian.com/business/2020/mar/16/reusable-bottles-and-mugs-added-to-ons-inflation-basket)

With reference to the table, explain **one** reason why it is necessary to regularly update the CPI basket of goods and services.

(Total for Question 7 = 4 marks)

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 the difference between disinflation and deflation.

(4)

(c) With reference to Figure 1 and the first paragraph of Extract A, analyse **two** influences on the level of investment in the eurozone.

(6)

(d) Examine the likely effects of 'the increase in the exchange rate of the euro against the US dollar' (Extract A, lines 25–26) on the net trade balance of the eurozone.

(8)

(e) With reference to the information provided and your own knowledge, discuss the likely macroeconomic effects of the ECB's monetary policy on the eurozone economy.

(14)

Sources for use with Section C

The eurozone economy

Figure 1 Annual real GDP growth rate, Q1 2018 to Q3 2020

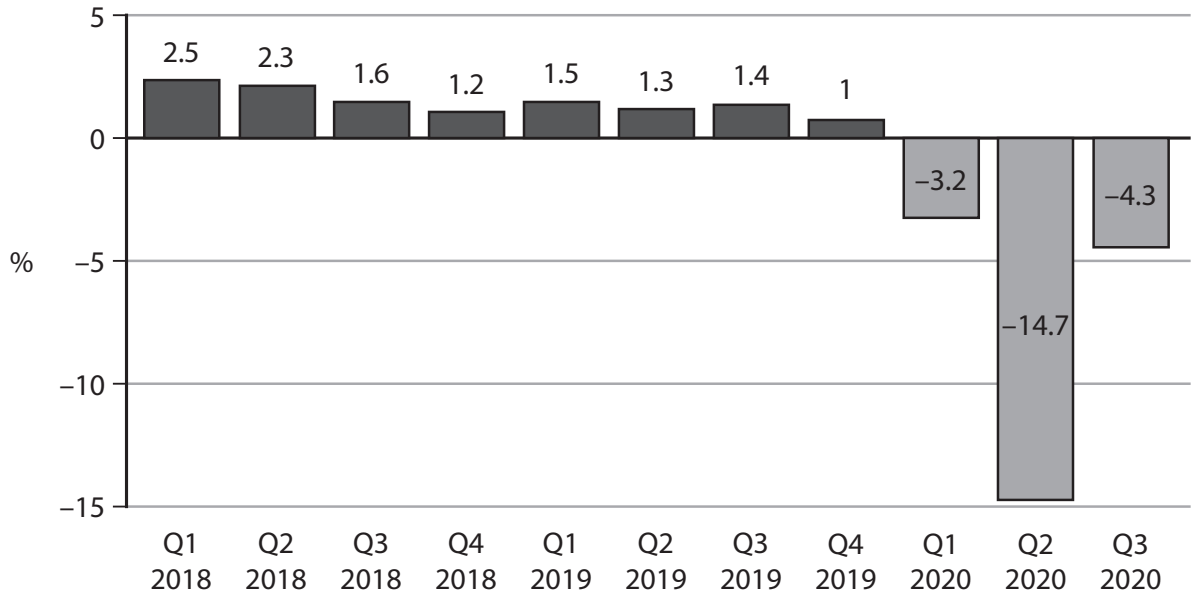
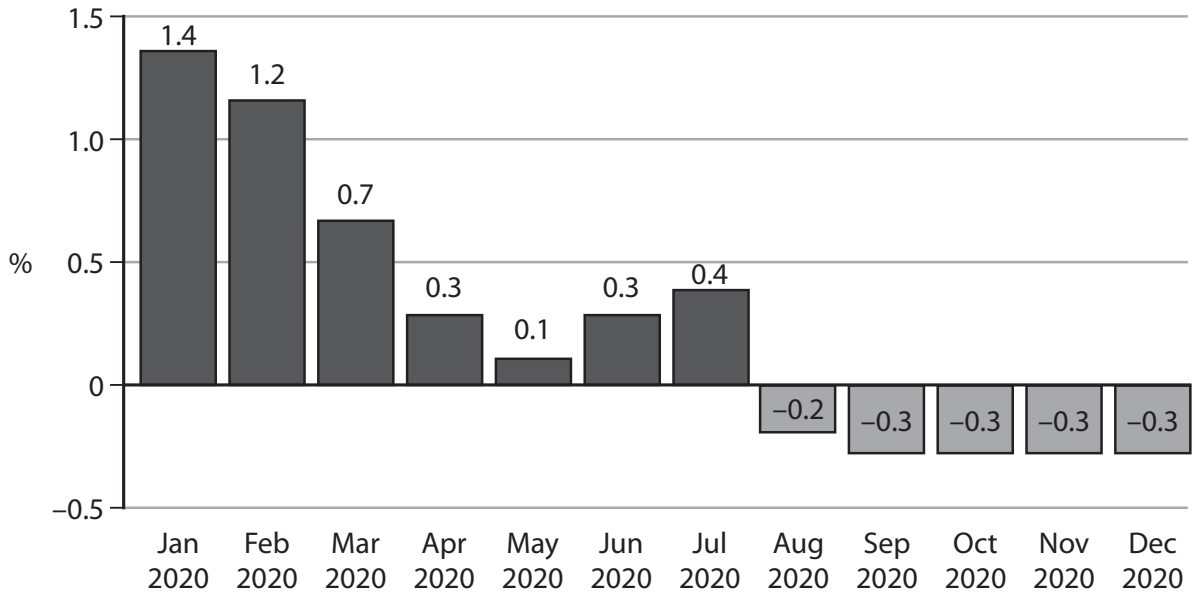


Figure 2 Inflation rate, as measured by the Consumer Price Index (CPI), January 2020 to December 2020



Extract A Monetary policy

In November 2020 the European Central Bank (ECB) highlighted that there were "worrying signals" about the future state of the eurozone economy. It indicated that low business confidence had caused a fall in the demand for bank loans. At the same time, there was a decrease in the availability of credit. These factors resulted in significantly lower levels of investment.

In response the ECB immediately launched an additional round of quantitative easing in December 2020. This programme was reintroduced to help the eurozone economy to recover from negative rates of economic growth, rising unemployment and to prevent another recession. It announced a €500 billion increase in the size of its quantitative easing programme for the period January 2021 to September 2021.

The ECB also announced the provision of extra low-cost funding for banks, aimed at encouraging an increase in bank lending. It agreed to finance the banks at negative interest rates of –1% until June 2022. This meant that the ECB would be paying banks to borrow more money, provided they continue to lend.

Economists have suggested that a reflationary policy could be needed for years, given the weak state of the eurozone economy. In 2020 economic growth in the eurozone was –6.7%. The ECB forecast an economic growth rate of only 3.9% in 2021, 4.2% in 2022 and 2.1% in 2023. The ECB also forecast that the rate of inflation in 2023 will increase but remain below its 2% target.

However, it is unlikely that the ECB can manage the entire burden of supporting the eurozone recovery. Market forces have already reduced the effectiveness of existing policies. For example, in 2020 the eurozone's currency, the euro, traded at its highest level against the US dollar for more than two years. The ECB said it was "very carefully" monitoring the impact of the increase in the exchange rate of the euro against the US dollar.

Economists are concerned that the ECB's asset purchases will have a limited impact because interest rates are already extremely low. They argue that reflationary fiscal policy will be necessary to stimulate economic recovery.

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

(2)

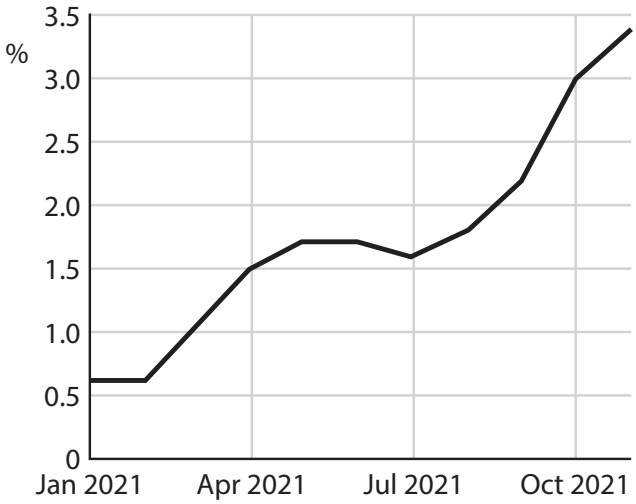
(b) With reference to Figure 2, explain the difference between disinflation and deflation.

(4)

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)

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)

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

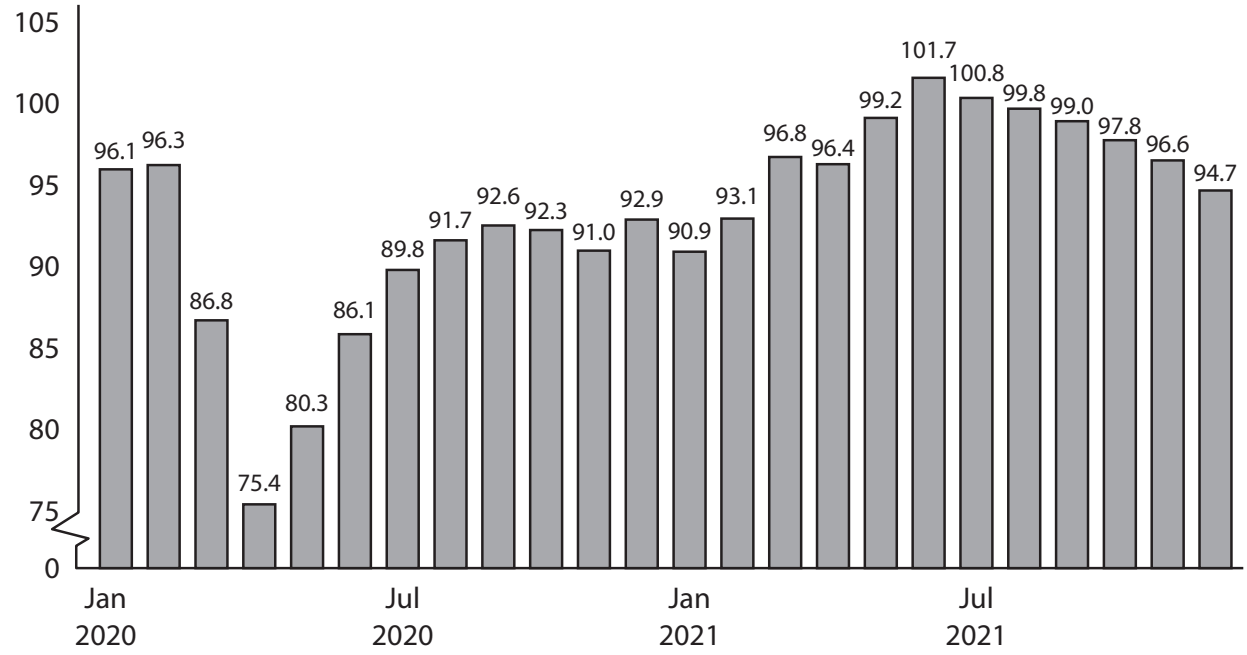
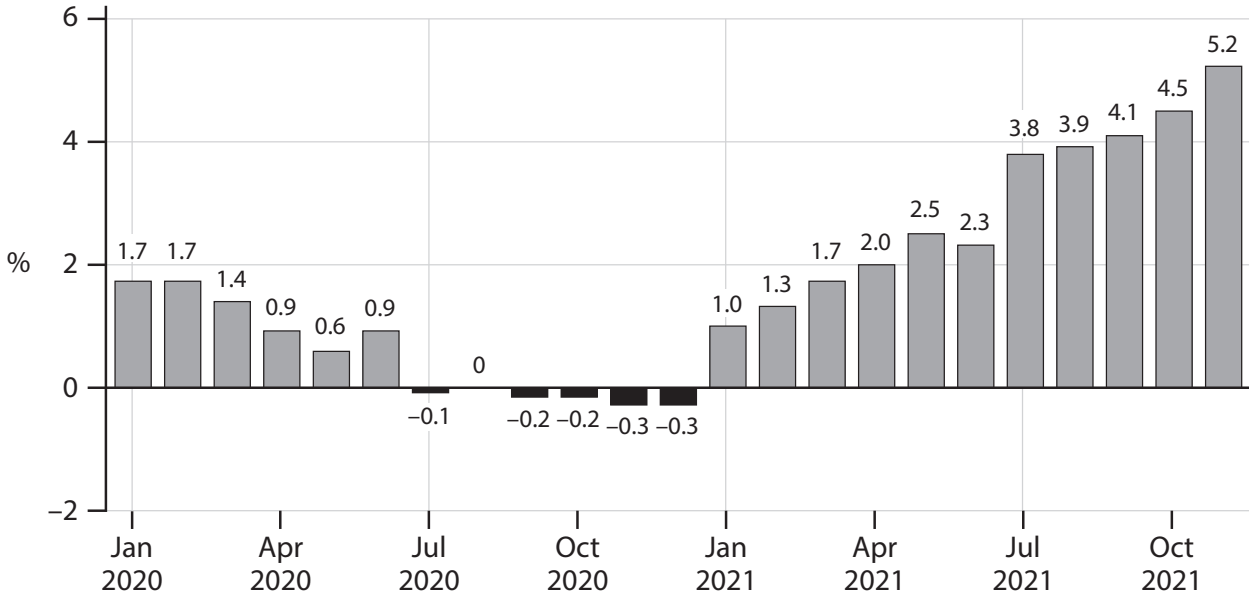


Figure 2 Inflation rate*, as measured by the consumer price index (CPI), January 2020 to November 2021



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

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.

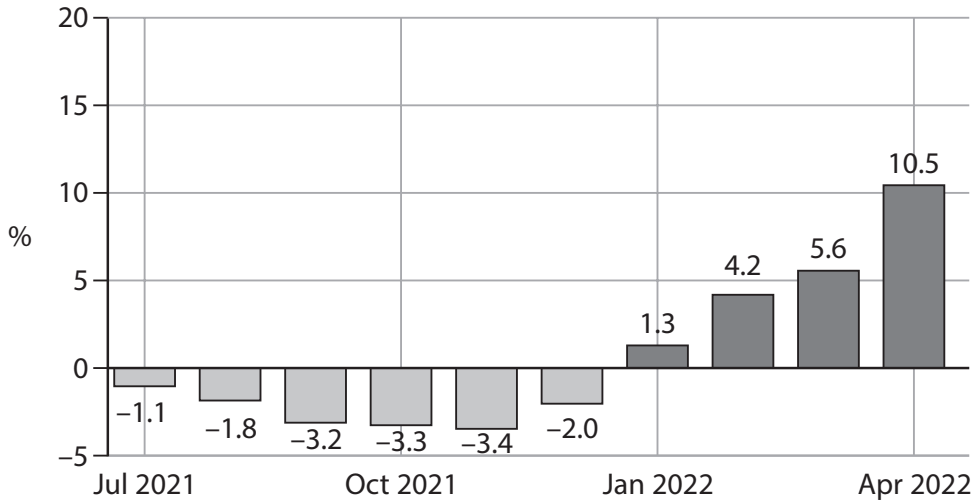
12 (a) Define the term 'seasonally adjusted' (Figure 1).

(2)

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

(4)

11 The chart shows the CPI inflation rate* in Rwanda between July 2021 and April 2022.



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

With reference to the chart, explain what is meant by deflation.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

SECTION B

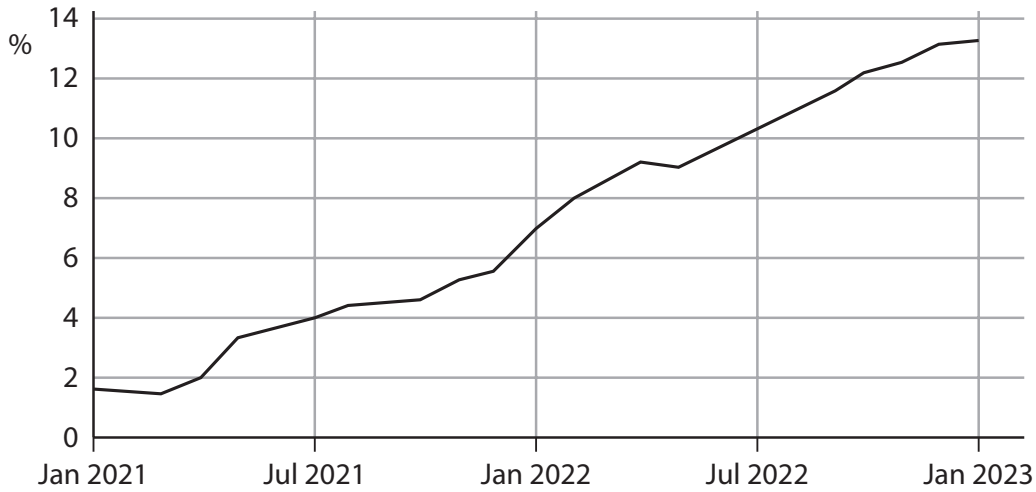
Answer ALL questions in this section in the space provided.

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)

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)

.....

.....

.....

(Total for Question 10 = 4 marks)

SECTION C

Study Figure 1, Figure 2, Figure 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 'living standards'.

(2)

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

(4)

(c) With reference to Figure 2 and Extract A, examine **two** ways by which the increase in the base interest rate could reduce the rate of inflation.

(8)

(d) With reference to Extract A, examine the impact of a deflationary fiscal policy on Brazil's circular flow of income.

(6)

(e) With reference to the information provided, discuss the likely effects on living standards of the supply-side policies proposed by President Lula.

(14)

Sources for use with Section C

The economy of Brazil

Figure 1 Real GDP growth rate, 2018 to 2023

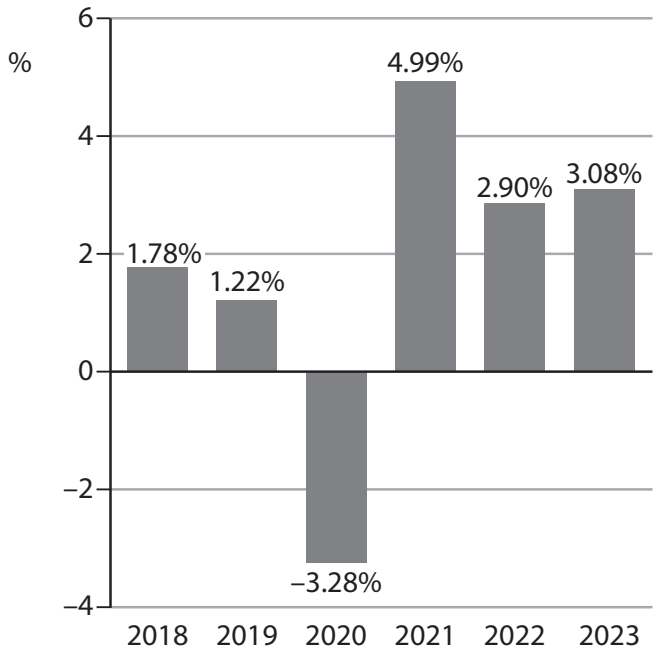
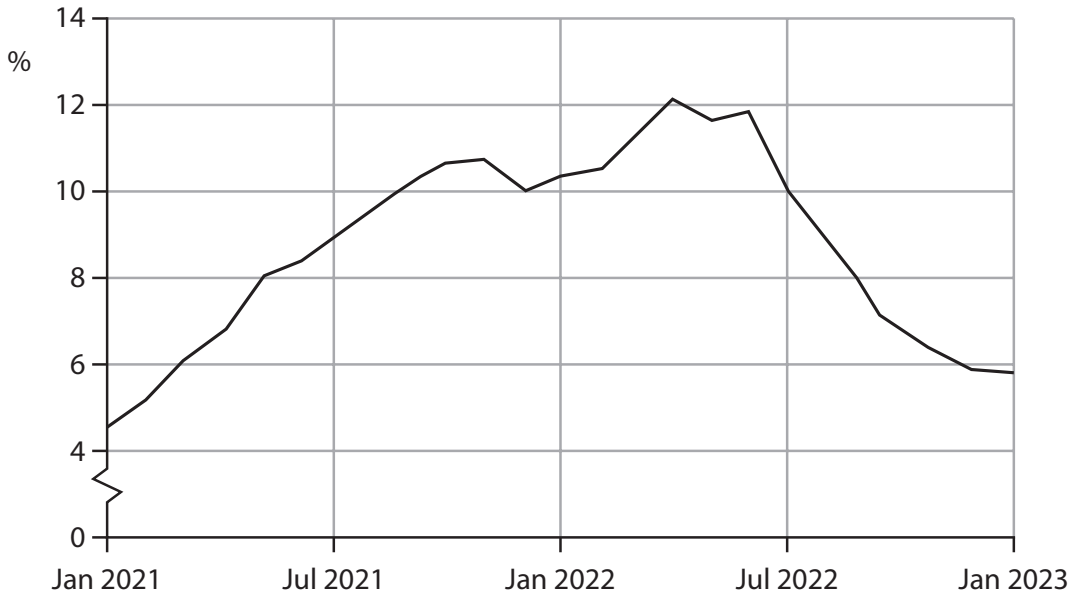
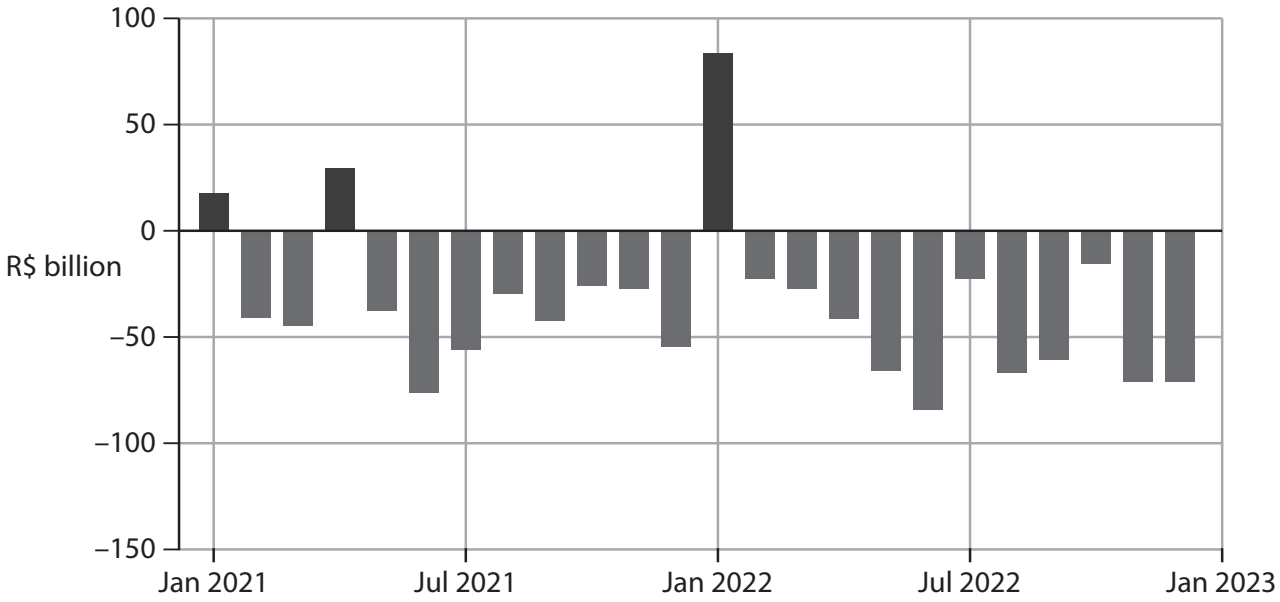


Figure 2 Annual rate of inflation*, as measured by the consumer price index (CPI), January 2021 to January 2023



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

Figure 3 Government monthly budget balance, *real billion, January 2021 to December 2022**



**real* is the currency of Brazil and is denoted as R$.

Extract A Economic growth

Brazil's rate of economic growth fell between 2021 and 2022. This weaker economic performance was as a direct result of a significant decrease in industrial output and a slowdown in the services sector in 2022.

Many economists indicated that this slower rate of economic growth resulted from the Central Bank of Brazil's deflationary monetary policy to control the rising rate of inflation. Between January 2021 and June 2022 the Central Bank raised the country's base interest rate from an all-time low of 2% to 13.25%. This significantly affected consumer spending and business investment, both of which are major contributors to economic growth. As a result, economists predicted that Brazil's annual increase in real GDP would be below 1% in 2023.

The slowdown in economic growth will limit the Government's ability to improve living standards. In mid-2022 President Lula had promised to raise the real incomes of the country's population and create new jobs. He suggested that he was going to achieve his objective by increasing:

- the level of welfare payments
- investment in healthcare provision
- investment in infrastructure development
- investment in education, training and skills.

President Lula aimed to introduce these supply-side policies in 2023. These policies would cost R$371 billion over four years. However, the Government has insufficient tax revenues to finance its spending and investment. Previously, many large-scale investments in similar projects were not successful and represented a waste of resources.

Consequently, the Government proposed tax increases and cuts in government expenditure to achieve a balanced budget. This deflationary fiscal policy aims to increase tax revenues by R$190 billion and reduce government expenditure by R$50 billion.

Acknowledgements

Figure 1 adapted from https://www.statista.com/statistics/263615/gross-domestic-product-gdp-growth-rate-in-brazil/

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

Figure 3 adapted from https://tradingeconomics.com/brazil/government-budget-value

Extract A adapted from FT, https://www.ft.com/content/2b1cbe31-a2da-4841-a418-8c10c8cc267d and https://www.ft.com/content/1b297b16-5b19-4cb5-b0fd-de77f6f1f1a5

12 (a) Define the term 'living standards'.

(2)

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

(4)

SECTION B

Study Figures 1 and 2 and Extract A in the Source Booklet before answering Question 7. Write your answers in the spaces provided on the following pages.

7 (a) In 2022, the Gross Domestic Product (GDP) of Ghana was $72.84 billion.

With reference to Figure 1, calculate the value of Ghana's national debt. You are advised to show your working.

(2)

(b) With reference to Figure 2 and the third paragraph of Extract A, explain what is meant by the 'rate of inflation'.

(4)

(c) With reference to the fourth paragraph of Extract A and your own knowledge, analyse **two** roles of the IMF.

(6)

(d) With reference to Figure 1 and Extract A, examine **two** disadvantages of an increase in Ghana's national debt.

(8)

(e) With reference to the information provided and your own knowledge, discuss the likely macroeconomic effects of the introduction of an additional marginal rate of income tax of 35% on the economy of Ghana.

(14)

Sources for use with Section B

The economy of Ghana

Figure 1 National debt, % of Gross Domestic Product (GDP), 2010–2022

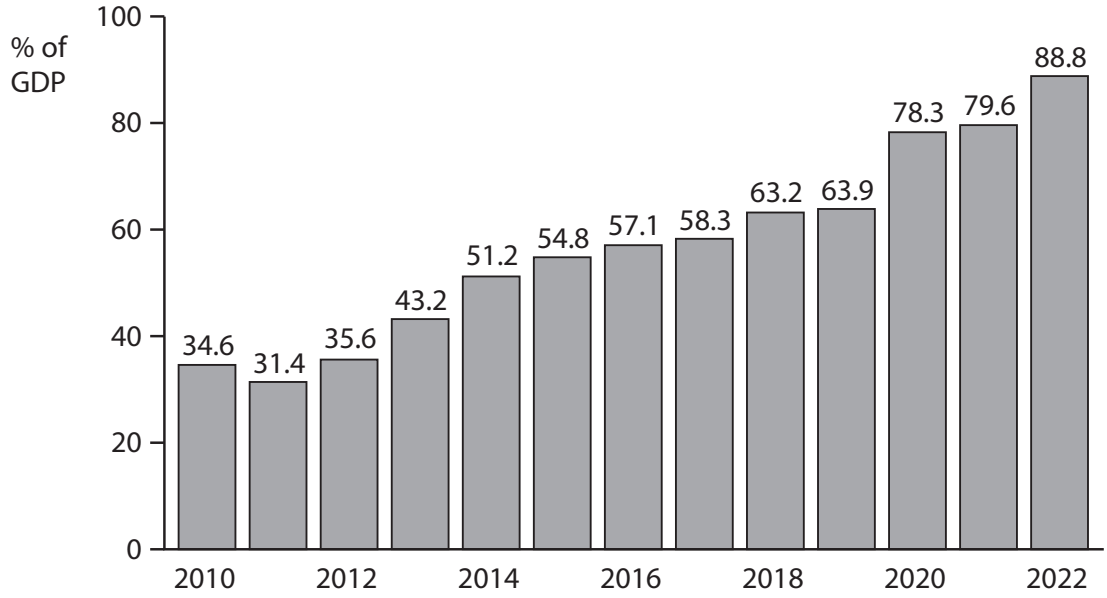
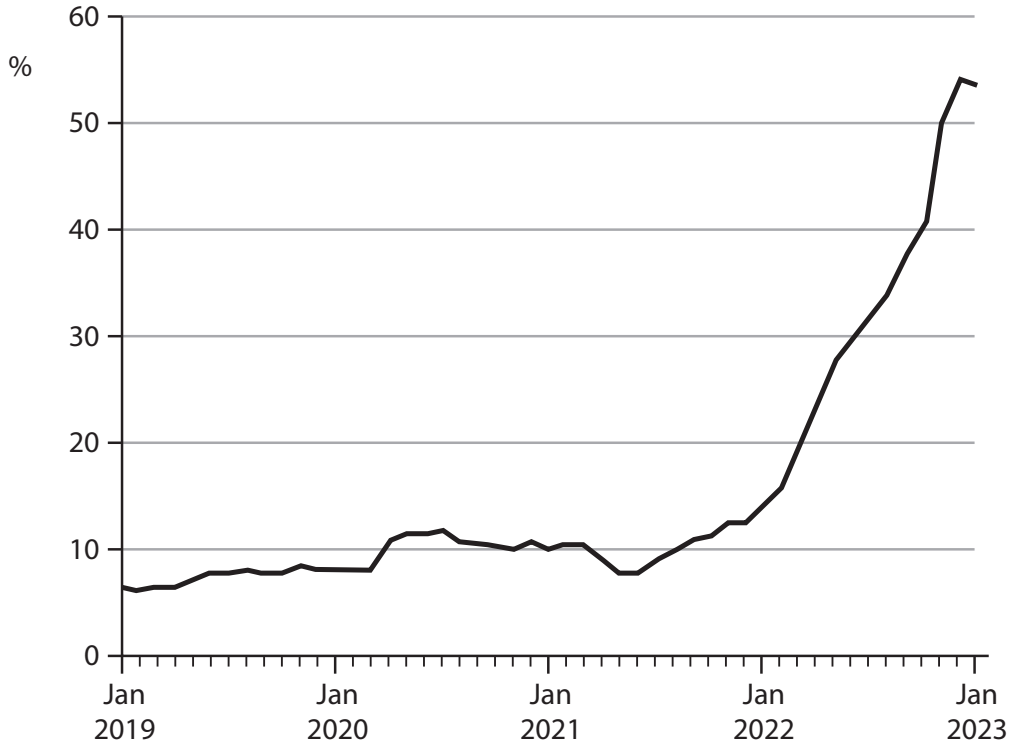


Figure 2 Annual rate of inflation*, as measured by the consumer price index (CPI), January 2019 to January 2023



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

Extract A Economic outlook

Ghana has long been considered a success story and a model for African development. It is a major producer of gold and cocoa and has one of the region's highest Gross Domestic Product (GDP) per capita. The Government provides public services, including free education for children up to 15 years of age.

Between 2010 and 2020, the Government borrowed significant sums of money to finance the country's transport infrastructure projects. These included spending on ports, roads, railways and airports. In 2020 the Government increased its borrowing to prevent the economy from going into a recession as a result of the global health crisis. Much of the Government's spending took place when interest rates were low.

In 2022 Ghana experienced a rapid increase in its rate of inflation. This was partly caused by rising global food and energy prices. Ghana is a net importer of both food and energy. The depreciation of Ghana's currency, the *cedi*, against the US dollar also contributed to this increase in the country's rate of inflation. During 2022 Ghana's central bank raised the country's base rate of interest to control the high and rising rate of inflation.

In December 2022 Ghana defaulted on its debts. The country had failed to generate enough income to pay back its debts. Therefore debt servicing costs increased to 70% of government revenue. In 2023 the Government agreed to a bailout of $3 billion from the International Monetary Fund (IMF). The bailout was provided on the condition that Ghana would take measures to reduce its debt. It was hoped that this IMF deal would help to restore business confidence in Ghana and to reduce exchange rate fluctuations.

However, there was little confidence amongst Ghana's population that the Government would spend the funds received from the IMF effectively. It was believed that there was significant corruption in the public sector.

The Government needed to increase revenue. Initially it introduced an additional marginal rate of income tax of 35% for the highest income earners. However, the IMF expressed concerns as to why this tax only applied to a very small proportion of the population. In addition, there was an IMF requirement to broaden the tax base to include more people in the informal sector. It is estimated that the informal sector makes up at least 80% of the economy. In 2023 Ghana's tax-to-GDP ratio was 13.4%. This was below the average in Africa of 16% and below the Government of Ghana's own target of 20%.

(a) In 2022, the Gross Domestic Product (GDP) of Ghana was $72.84 billion.

With reference to Figure 1, calculate the value of Ghana's national debt. You are advised to show your working.

(2)

(b) With reference to Figure 2 and the third paragraph of Extract A, explain what is meant by the 'rate of inflation'.

(4)

11 In 2024 air fryers and rice cakes were added to the UK's consumer price index (CPI) basket of goods and services. At the same time, hand hygiene gel and sofa beds 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 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

SECTION B

Study Figure 1 and Extracts A and B in the Source Booklet before answering Question 7.

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

7 (a) Between Q1 2020 and Q4 2021 the average annual rate of inflation in New Zealand increased from 2.5% to 5.4%.

Calculate the change in the rate of inflation between Q1 2020 and Q4 2021. You are advised to show your working.

(2)

(b) With reference to Figure 1 and the first paragraph of Extract A, analyse **two** causes of the increase in the rate of inflation.

(6)

(c) Explain what is meant by 'monetary policy instruments' (Extract A, line 9).

(4)

(d) Examine **two** 'problems facing central banks when applying monetary policies to reduce the rate of inflation' (Extract A, lines 11–12).

(8)

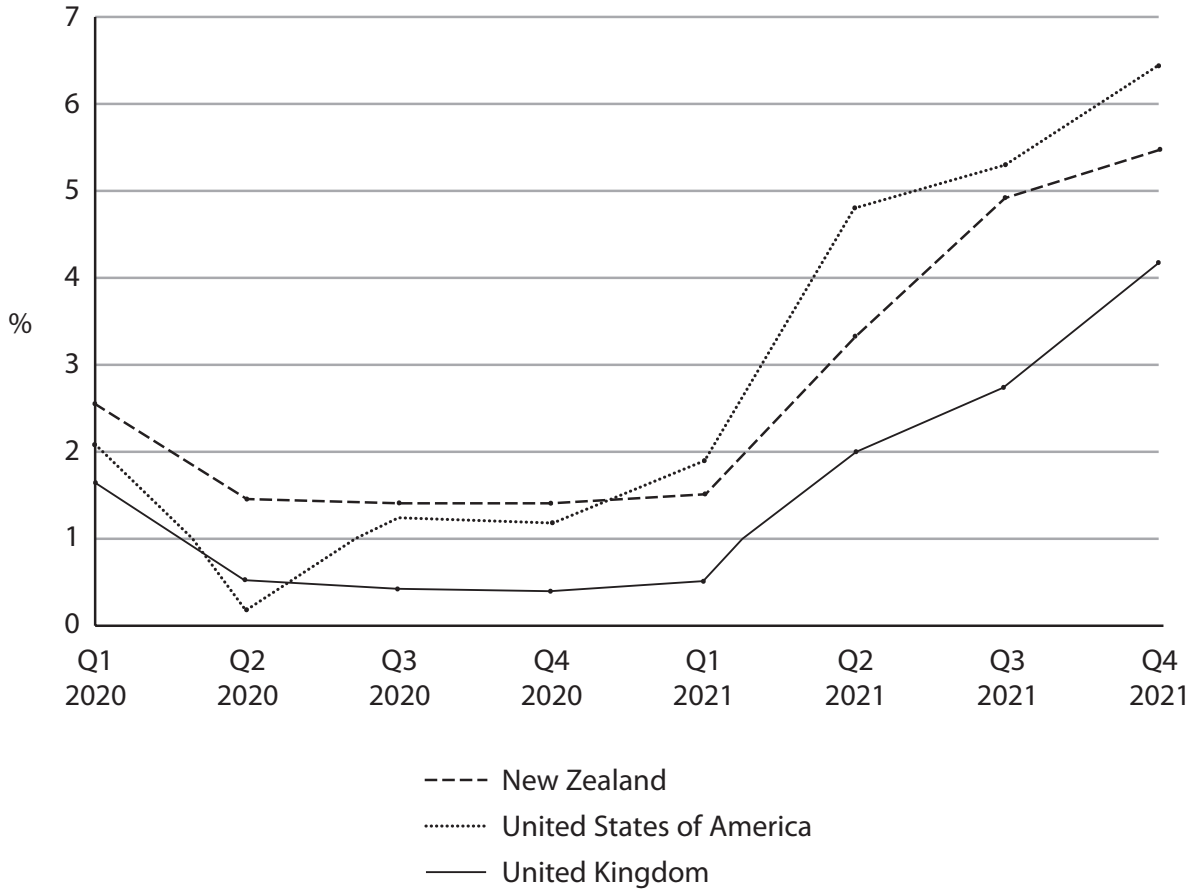
(e) With reference to Extract B, discuss how demographic factors may constrain economic growth of developed economies.

(14)

Sources for use with Section B

Inflation and labour markets in developed economies

Figure 1 Annual inflation rate for selected countries (%), as measured by the consumer price index (CPI), Q1 2020–Q4 2021



Extract A Rising rates of inflation

In 2021 many developed countries experienced an increase in the rate of inflation. Average price levels increased as a result of disruptions to global supply chains. These were caused by restrictions that had been in place during the global health crisis. As developed countries eased these restrictions, demand for goods, services and energy increased. There was also a significant rise in average house prices.

Rising rates of inflation are a challenge for central banks, especially for developed countries that have an inflation target of 2%. The central banks of these countries can adjust their monetary policy instruments to meet this target. Nevertheless, these instruments are less effective in tackling inflation created by a lack of supply.

There are problems facing central banks when applying monetary policies to reduce the rate of inflation. One problem is the inability of policymakers to control the rising rate of inflation caused by external factors. Another problem is estimating whether the increase in the rate of inflation is temporary or permanent.

Policymakers who believe that this is a temporary issue suggest that the rise in the rate of inflation is as a result of short-term external shocks. They attribute it to a one-off increase in supply chain disruptions and a one-off increase in consumer demand. By contrast, policymakers who believe that this is a permanent issue indicate that the increase in the average price level is a result of rising wages.

Extract B Labour markets

Many developed countries have ageing populations and a falling proportion of people of working age. Since the global health crisis there has been instability in global labour markets. Many workers have retired early whilst others have left the workforce to focus on other personal objectives. There has also been a decline in international migration. As a result of this fall in the labour supply, many companies have been forced to decrease production. This represents a considerable threat to global economic recovery.

The critical question is whether workers will rejoin the labour force or whether employers and policymakers will need to adapt to a world in which labour becomes an even scarcer resource. In the USA more than four million workers have left the labour force since the crisis. However, employment in the eurozone has almost returned to its pre-crisis level and the labour force participation rate has risen rapidly. For example, in France and Spain this rate is already higher than it was before the crisis.

Employers are preparing for a future in which they will need to offer greater incentives to attract more workers back into the labour market.

(b) With reference to Figure 1 and the first paragraph of Extract A, analyse **two** causes of the increase in the rate of inflation.

(6)

SECTION C

Study Figure 1 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 'GDP growth rate' (Extract A, line 23).

(2)

(b) With reference to Figure 1, explain the difference between a balance of trade deficit and a balance of trade surplus.

(4)

(c) Analyse how an increase in the rate of inflation could have a 'negative impact on India's balance of trade' (Extract A, line 9).

(6)

(d) Examine the likely impact on India's real output of its 'increased expenditure on imported oil' (Extract A, line 7).

(8)

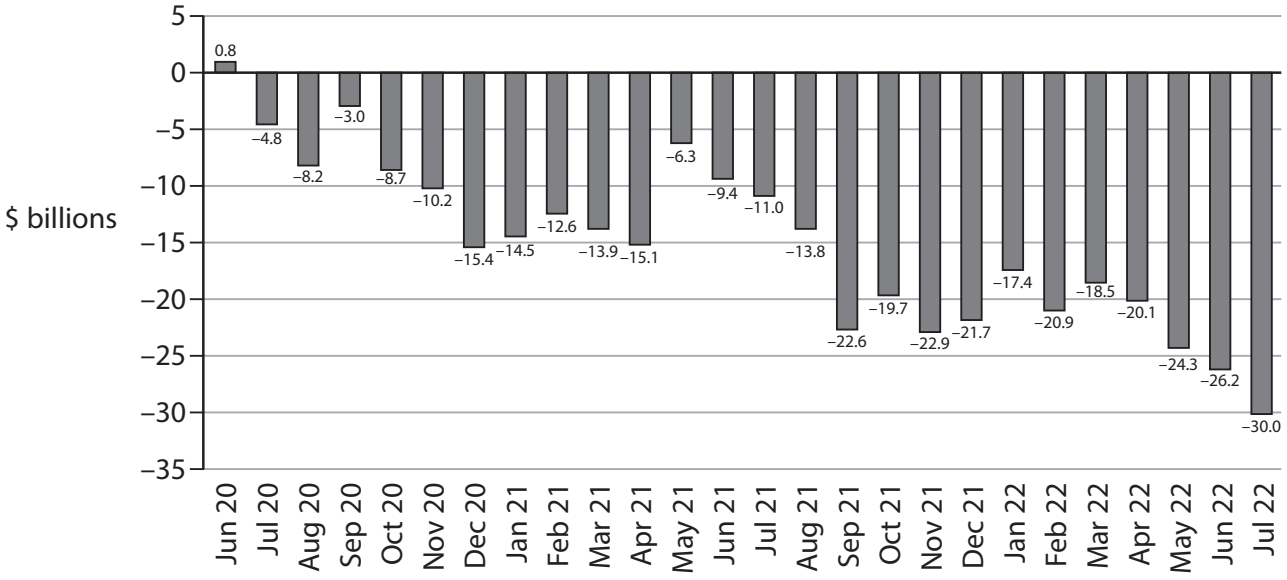
(e) With reference to the information provided and your own knowledge, discuss the likely effects of the increase in the base rate of interest on the Indian economy.

(14)

Sources for use with Section C

The Indian economy

Figure 1 Balance of trade, June 2020 to July 2022



Extract A Balance of trade, inflation and economic growth

In 2022 the Indian economy was experiencing several challenges following the global health crisis. In particular, there was a rising rate of inflation caused by its dependence on imported oil. Oil accounts for 30% of India's imports by value. This is more than double the average of 14.7% for other major Asian economies, such as China, Japan and South Korea. In July 2022 India reported a record balance of trade deficit of $30 billion, largely caused by the increased expenditure on imported oil. This deficit was one of the largest of all the Asian economies. Economists expect the rate of inflation to increase which will have a further negative impact on India's balance of trade.

The rate of inflation was 7.01% in June 2022 compared with June 2021. This was the second highest rate of inflation of the larger Asian economies. This higher rate of inflation reduced the purchasing power of consumers in India. As a result, many consumers were struggling to afford basic necessities. According to economists there were increasing signs that consumer expenditure would increase at a slower rate in the second half of 2022 than in the first half of 2022. This was likely to cause a fall in the rate of economic growth.

During 2022, India's currency, the rupee, fell in value against the US dollar. In order to prevent the rupee from falling further, and to control the rising rate of inflation, India's central bank raised the country's base rate of interest to 4.9% in June 2022. This represented an increase of 0.5 percentage points from the previous month.

Unlike several other Southeast Asian countries, exports of services contribute more to India's economic growth rate than exports of goods.

The Asian Development Bank (ADB) decreased its projected GDP growth rate for India to 6.7% for 2022. This was as a result of the high rate of inflation in India and the deflationary monetary policy adopted by India's central bank. The ADB predicted a small increase in consumer expenditure in the second half of 2022. However, it believed that this increase in consumption will not be sufficient to maintain India's rate of economic growth.

(c) Analyse how an increase in the rate of inflation could have a 'negative impact on India's balance of trade' (Extract A, line 9).

(6)

SECTION C

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering Question 12.

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

12 (a) Define the term 'base rate of interest' (Figure 1).

(2)

(b) With reference to Figure 2, explain the term 'recession'.

(4)

(c) With reference to Extract B, analyse **one** possible impact of the fall in the value of the peso on Argentina's current account on the balance of payments.

(6)

(d) With reference to the information provided, examine the likely impact of inflation on the economy of Argentina.

(8)

(e) Using the information in Extracts A and B, discuss policies that the Argentinian Government could use to increase consumption.

(14)

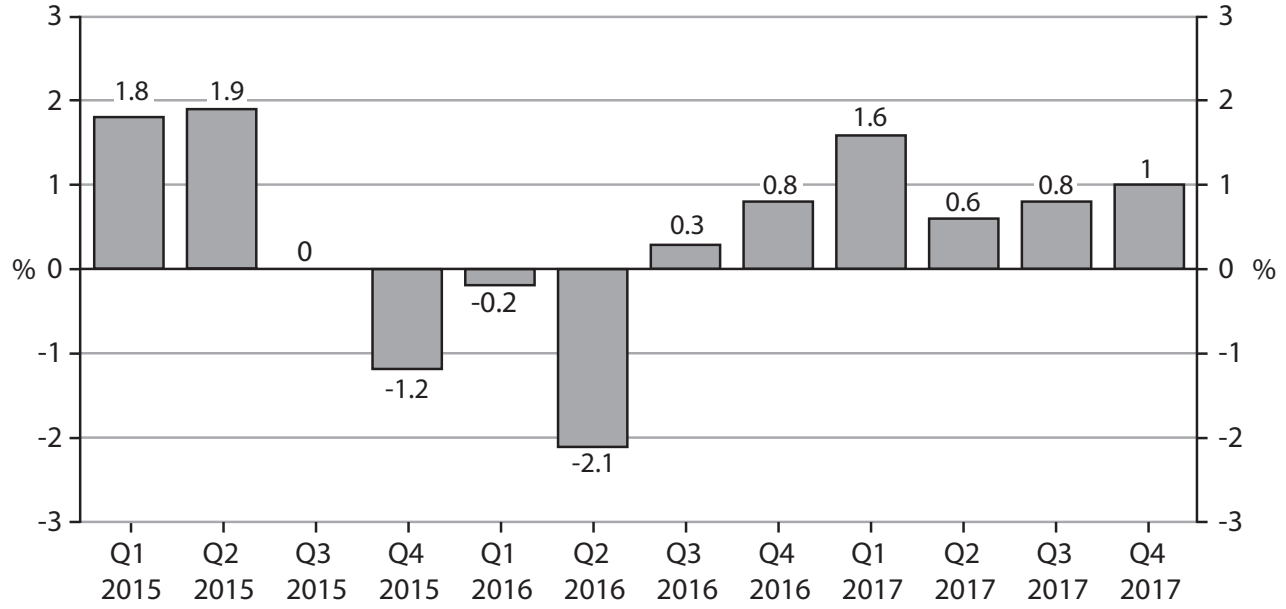
Sources for use with Section C.

The economy of Argentina

Figure 1 The base rate of interest for Argentina, April 2013 – April 2018



Figure 2 Quarterly GDP growth rate (%), 2015 – 2017



Extract A The problems facing the economy

Argentina is South America's second largest economy. Mauricio Marci was elected as its President in 2015. He faced the difficult task of controlling inflation which was between 30%–40% per year. He also needed to reduce the large budget deficit which was 7.1% of GDP. Between the end of 2015 and the beginning of 2016 the economy went into recession. This was caused by a significant reduction in government spending in an attempt to balance the budget. The purchasing power of consumers declined as wages fell and the rate of inflation rose to 40%. A fall in demand for Argentina's exports also contributed to the decrease in economic growth.

Extract B Improving economic outlook

Since coming out of recession in 2016, economic growth in Argentina has stabilised at an annual rate of around 3% per year. However, high inflation is still a major problem. Inflation was 25% in 2017. The effect of this inflation is damaging to both households and businesses. Rising prices have reduced domestic business investment as firms are unsure about future costs. One of the Argentinian Government's key economic policies is to stabilise prices to encourage consumption and investment.

A fall in the value of the Argentinian currency, the peso, against the dollar also caused inflationary pressure. In 2018 the peso lost around 12% of its value against the dollar. This makes importing goods from the USA very expensive. At the same time there was a decrease in the value of commodity exports, causing a current account deficit. In an attempt to reduce the rate of inflation and to stabilise the currency, the Central Bank of Argentina increased the base rate of interest to 40%.

However, the situation is not all bad. Real wages are rising in many sectors and consumer spending is increasing. Also, the Government plans to spend US$14 billion on infrastructure. These positive changes have helped Argentina to attract investment from Japanese transport companies such as Mitsubishi and Marubeni Corp, and the American technology company, Apple.

(d) With reference to the information provided, examine the likely impact of inflation on the economy of Argentina.

(8)

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)

Sources for use with Section C.

The French economy

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

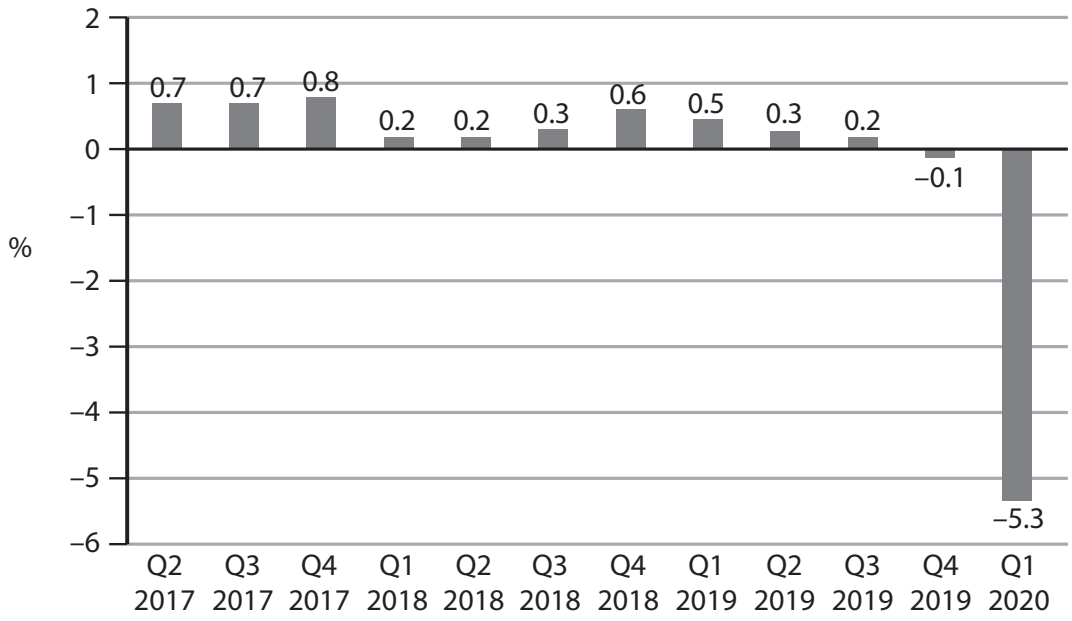
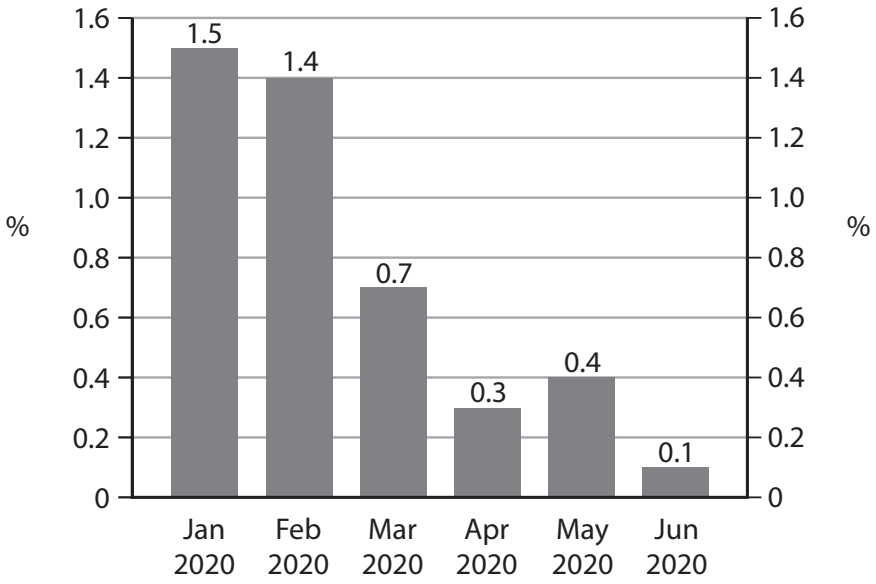


Figure 2 Consumer Price Index (CPI), weights and annual percentage price changes, June 2020

	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

Figure 3 CPI inflation rate, January to June 2020



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

(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)

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)

Sources for use with Section C

The UK economy

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

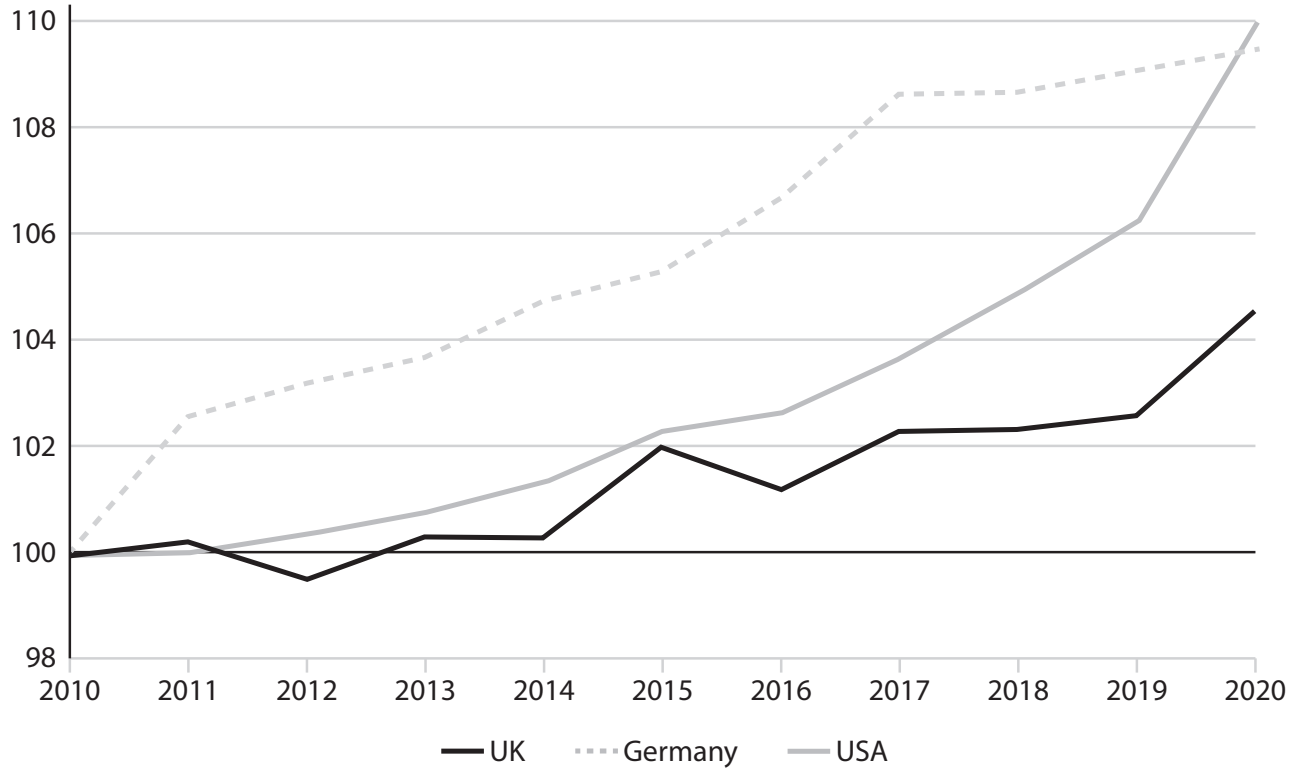


Figure 2 UK net migration, 2010 to 2019

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

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.

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

(8)

SECTION C

Study Figure 1, Figure 2, Figure 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 'living standards'.

(2)

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

(4)

(c) With reference to Figure 2 and Extract A, examine **two** ways by which the increase in the base interest rate could reduce the rate of inflation.

(8)

(d) With reference to Extract A, examine the impact of a deflationary fiscal policy on Brazil's circular flow of income.

(6)

(e) With reference to the information provided, discuss the likely effects on living standards of the supply-side policies proposed by President Lula.

(14)

Sources for use with Section C

The economy of Brazil

Figure 1 Real GDP growth rate, 2018 to 2023

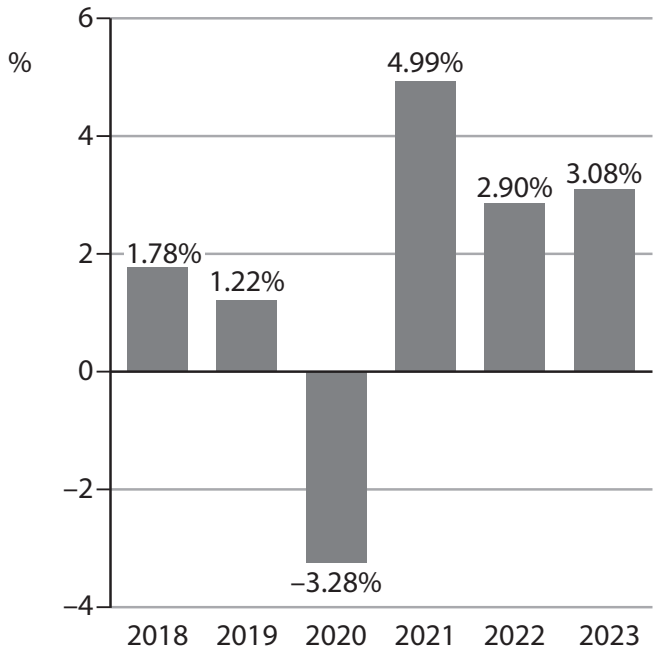
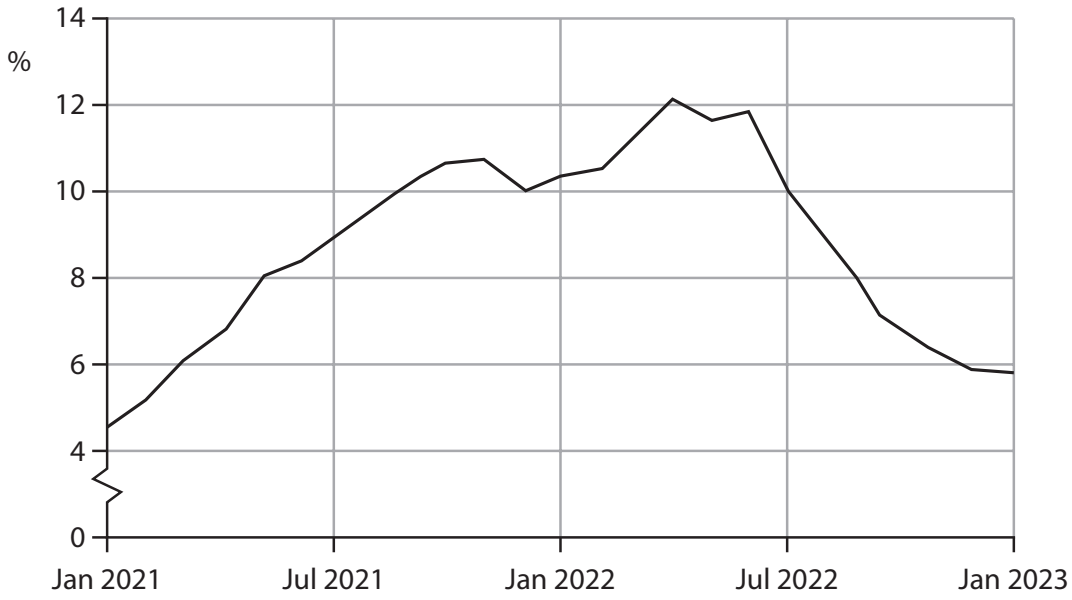
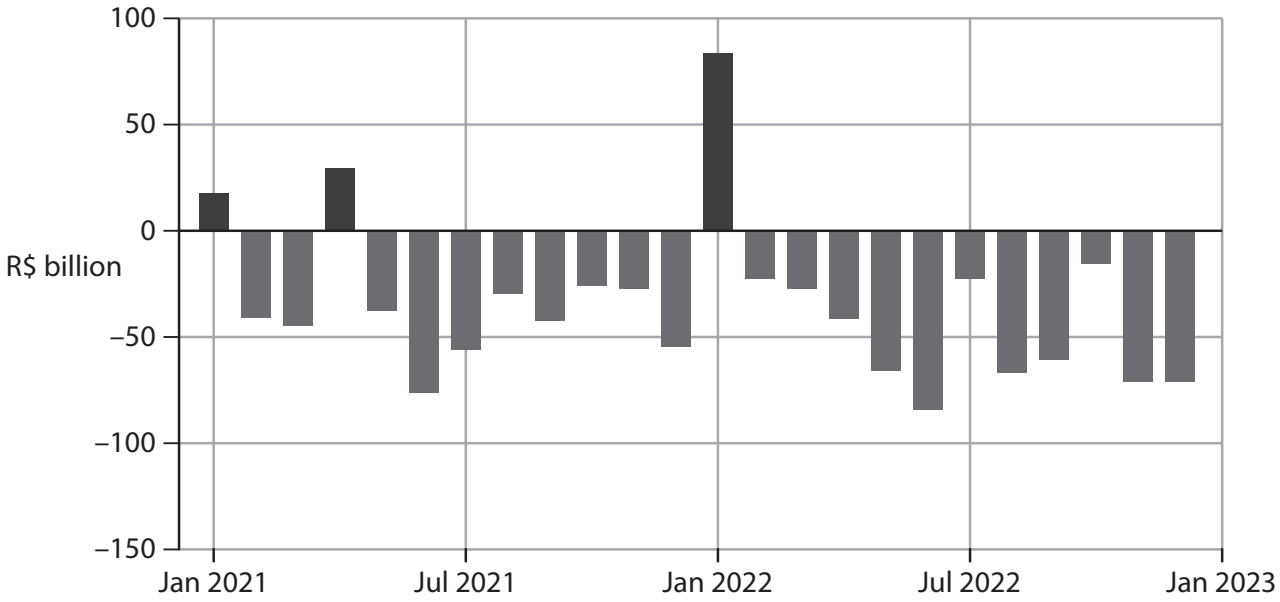


Figure 2 Annual rate of inflation*, as measured by the consumer price index (CPI), January 2021 to January 2023



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

Figure 3 Government monthly budget balance, *real billion, January 2021 to December 2022**



**real* is the currency of Brazil and is denoted as R$.

Extract A Economic growth

Brazil's rate of economic growth fell between 2021 and 2022. This weaker economic performance was as a direct result of a significant decrease in industrial output and a slowdown in the services sector in 2022.

Many economists indicated that this slower rate of economic growth resulted from the Central Bank of Brazil's deflationary monetary policy to control the rising rate of inflation. Between January 2021 and June 2022 the Central Bank raised the country's base interest rate from an all-time low of 2% to 13.25%. This significantly affected consumer spending and business investment, both of which are major contributors to economic growth. As a result, economists predicted that Brazil's annual increase in real GDP would be below 1% in 2023.

The slowdown in economic growth will limit the Government's ability to improve living standards. In mid-2022 President Lula had promised to raise the real incomes of the country's population and create new jobs. He suggested that he was going to achieve his objective by increasing:

- the level of welfare payments
- investment in healthcare provision
- investment in infrastructure development
- investment in education, training and skills.

President Lula aimed to introduce these supply-side policies in 2023. These policies would cost R$371 billion over four years. However, the Government has insufficient tax revenues to finance its spending and investment. Previously, many large-scale investments in similar projects were not successful and represented a waste of resources.

Consequently, the Government proposed tax increases and cuts in government expenditure to achieve a balanced budget. This deflationary fiscal policy aims to increase tax revenues by R$190 billion and reduce government expenditure by R$50 billion.

Acknowledgements

Figure 1 adapted from https://www.statista.com/statistics/263615/gross-domestic-product-gdp-growth-rate-in-brazil/

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

Figure 3 adapted from https://tradingeconomics.com/brazil/government-budget-value

Extract A adapted from FT, https://www.ft.com/content/2b1cbe31-a2da-4841-a418-8c10c8cc267d and https://www.ft.com/content/1b297b16-5b19-4cb5-b0fd-de77f6f1f1a5

(c) With reference to Figure 2 and Extract A, examine **two** ways by which the increase in the base interest rate could reduce the rate of inflation.

(8)

SECTION C

Study Figure 1, Extract A and Extract B in the Source Booklet before answering Question 12.

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

12 (a) Define the term 'inflation'.

(2)

(b) With reference to Figure 1 and the first paragraph of Extract A, examine **two** causes of the relatively high rate of inflation in the USA.

(8)

(c) With reference to the third paragraph of Extract A, explain the term 'rate of unemployment'.

(4)

(d) With reference to the first paragraph of Extract B, analyse **two** reasons why the USA's rate of economic growth increased in 2023.

(6)

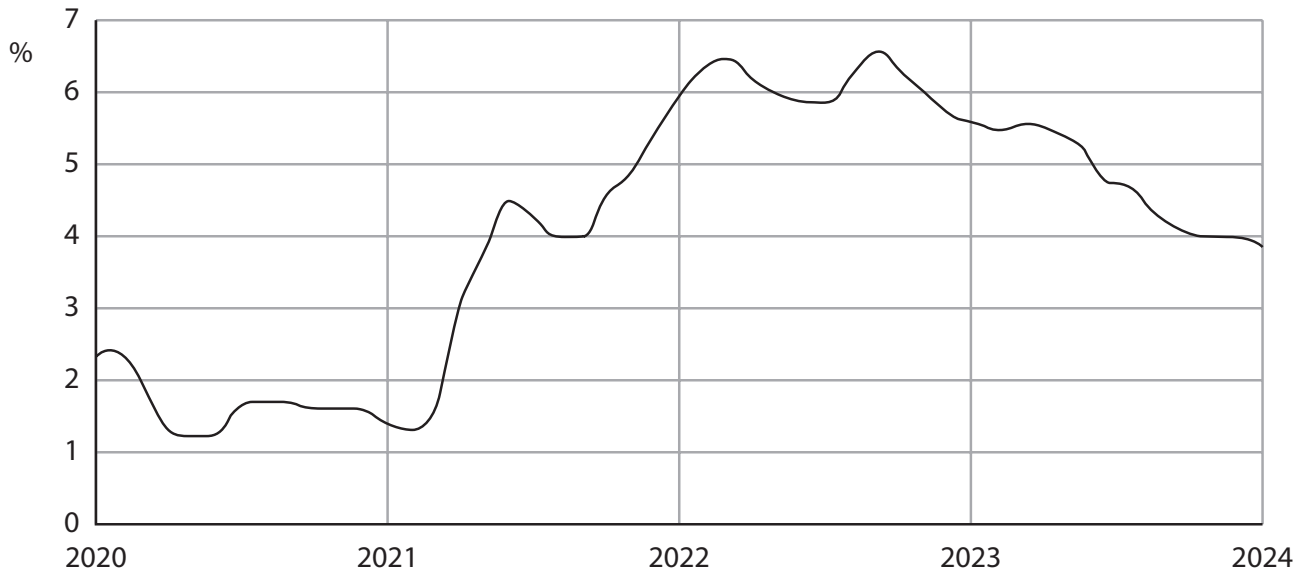
(e) With reference to the information provided and your own knowledge, discuss the likely macroeconomic effects of the increase in the base rate of interest on the US economy.

(14)

Sources for use with Section C

The US economy

Figure 1 Annual rate of inflation*, as measured by the consumer price index (CPI), January 2020 to December 2023



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

Extract A Rate of inflation

Between 2021 and 2023 the US economy experienced a relatively high rate of inflation. The main causes of this were:

- disruptions to the supply chain as a result of the global health crisis of 2020–2022
- rising global prices of energy and food in 2021–2022
- high wage growth in 2022–2023.

The country's central bank, the Federal Reserve (Fed), forecast that the rate of inflation would return to the inflation target of 2% in 2024. It indicated that energy prices and food prices had started to fall. It expected slower wage growth as the rate of inflation decreased.

The Fed believed that the rate of inflation would fall without causing a significant rise in the rate of unemployment. It forecast that the rate of unemployment would average 4% in 2024, a little higher than the 50-year low of 3.6% in 2023.

Extract B Economic growth

The USA's rate of economic growth increased from 1.9% in 2022 to 2.5% in 2023. High consumer spending on services, such as hotels and travel, was the major factor that contributed to economic growth. Government policy also played an important role in increasing the growth rate. The US Government spent $1 trillion on infrastructure projects including the building of roads, airports and bridges. These projects resulted in the creation of new jobs.

Economists forecast that the rate of increase in economic growth was likely to slow down in 2024. This is because there had been a series of interest rate increases by the Fed. This resulted in the country's base rate of interest increasing from 0.25% in March 2022 to a record high of 5.5% in July 2023. In addition, consumers in the USA were relying more on credit cards to finance their spending. It was predicted that more consumers would find it difficult to pay interest on their mortgages, car loans and credit cards. Consumers were also struggling to finance the rising costs of car insurance, medical care and childcare.

Although some economists expected a recession in 2024, many were optimistic that the US economy would stabilise without causing any major job losses.

12 (a) Define the term 'inflation'.

(2)

(b) With reference to Figure 1 and the first paragraph of Extract A, examine **two** causes of the relatively high rate of inflation in the USA.

(8)

SECTION C

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering Question 12.

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

12 (a) Define the term 'fiscal policy' (Extract A, line 6).

(2)

(b) With reference to Figure 1, explain the term 'real GDP growth'.

(4)

(c) With reference to Extract A, analyse **one** macroeconomic effect of the reduction in indirect tax.

(6)

(d) With reference to the information provided, examine the likely impact of increased investment on Romania's economy.

(8)

(e) Discuss the likely effects of the increase in the rate of inflation on Romania's economy.

(14)

Sources for use with Section C.

The Romanian economy

Figure 1 Year-on-year real GDP growth by quarter, 2016-2017

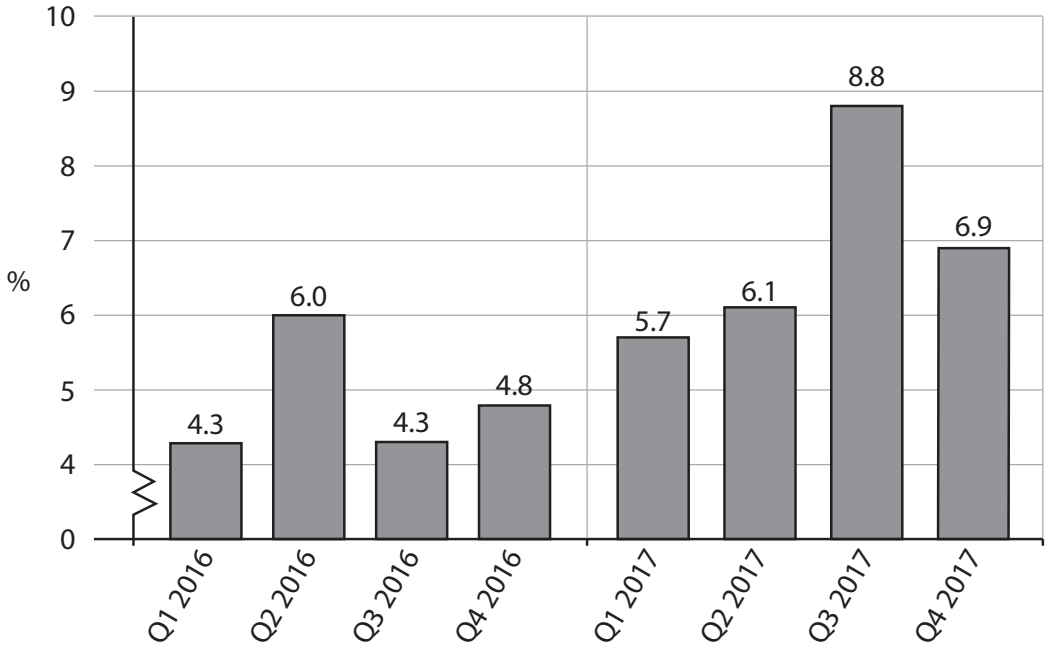
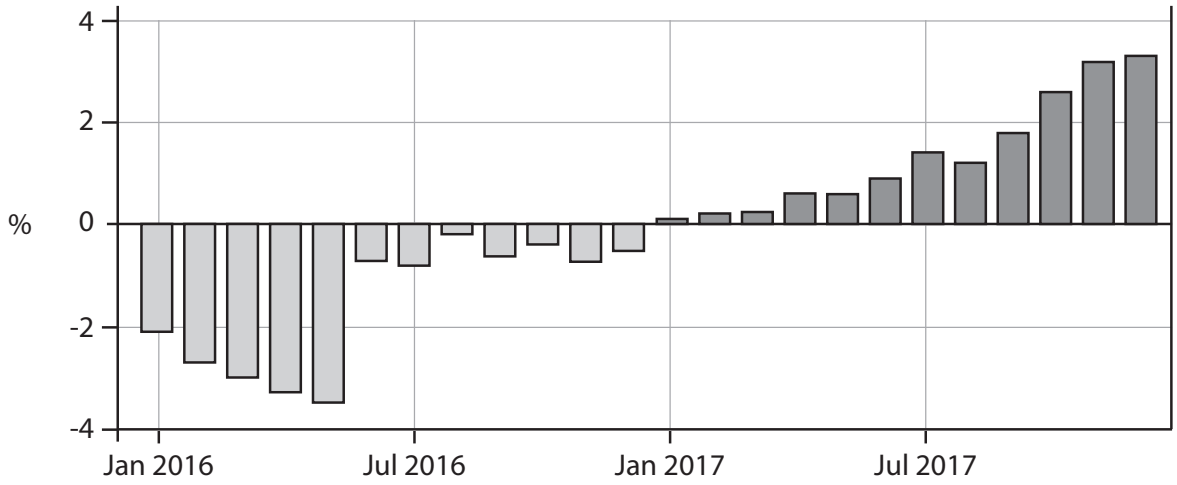


Figure 2 The rate of inflation, as measured by the consumer price index, 2016-2017



Extract A Romania's economic growth

For many years Romania had been viewed as a poor country by European standards, experiencing low wages and a slow rate of economic growth. However, since 2015, Romania's rate of economic growth outperformed other European countries. This growth was stimulated by a number of factors including the Government's expansionary fiscal policy, increased household consumption and high levels of investment in new technology for manufacturing industries.

In 2015 the Government cut VAT from 24% to 20%. It planned to double the minimum wage over a four-year period. It also increased the salaries of public sector employees. However, wage levels are still low compared to other European countries leading to high levels of migration out of the country. This resulted in labour shortages as businesses found it hard to fill vacancies. The unemployment rate fell to 4.6% in 2017.

Romania has one of the fastest broadband internet speeds in the world, behind Singapore, Hong Kong, South Korea and Iceland. It also has a very well-educated workforce, with excellent language, maths and science skills. The technology sector is expanding fast in the country, and many large foreign firms such as Siemens and Ford have set up factories in Bucharest, the Romanian capital. This has increased production in the country and generated strong growth in exports.

Extract B Inflationary pressures

As disposable incomes have risen, consumption has also increased significantly reaching a ten-year peak in 2017. The rate of inflation has risen throughout 2017. This was partly caused by a 3.8% increase in food prices and by a 4.1% price increase in non-food products.

The central bank responded to this inflationary pressure by increasing its base interest rate for the first time in 10 years from 1.75% to 2%. Mugur Isarescu, the Governor of the central bank, suggested that the Romanian Government's fiscal policies are to blame for the higher rate of inflation. The fiscal deficit rose to 3% of GDP in 2016. The Government defended its position, believing that reductions in tax rates and increased government spending on infrastructure will lead to long-term economic growth.

(e) Discuss the likely effects of the increase in the rate of inflation on Romania's economy.

(14)

(Total for Question 12 = 34 marks)

TOTAL FOR SECTION C = 34 MARKS

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)

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

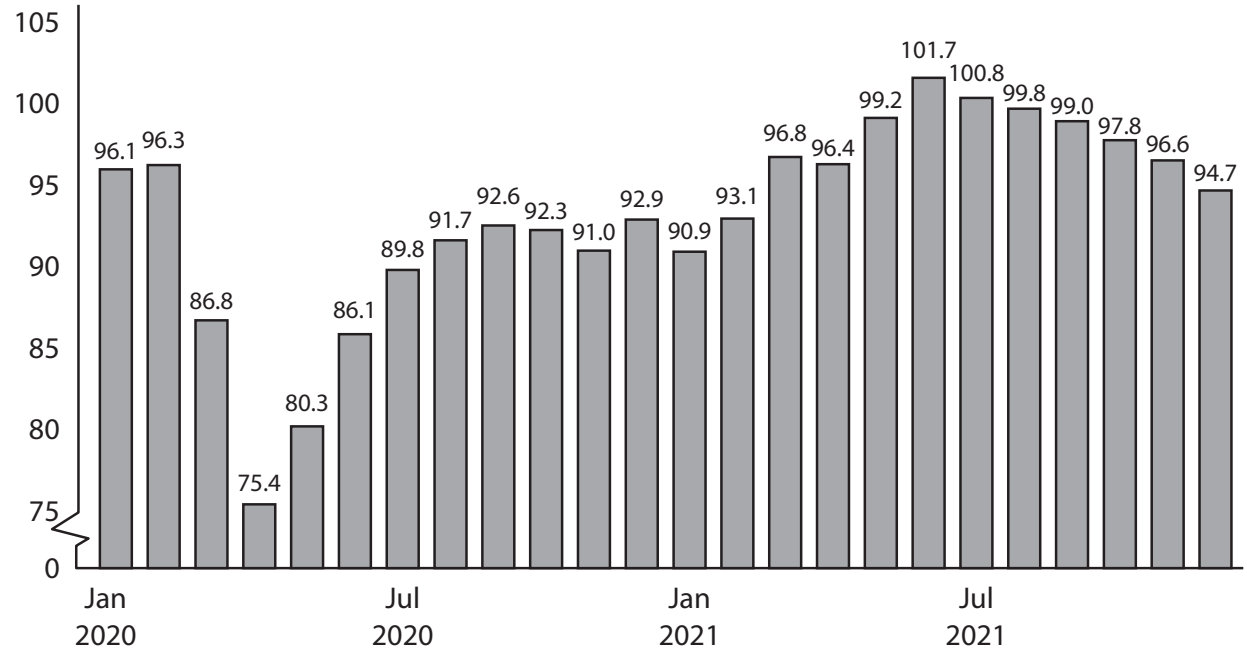
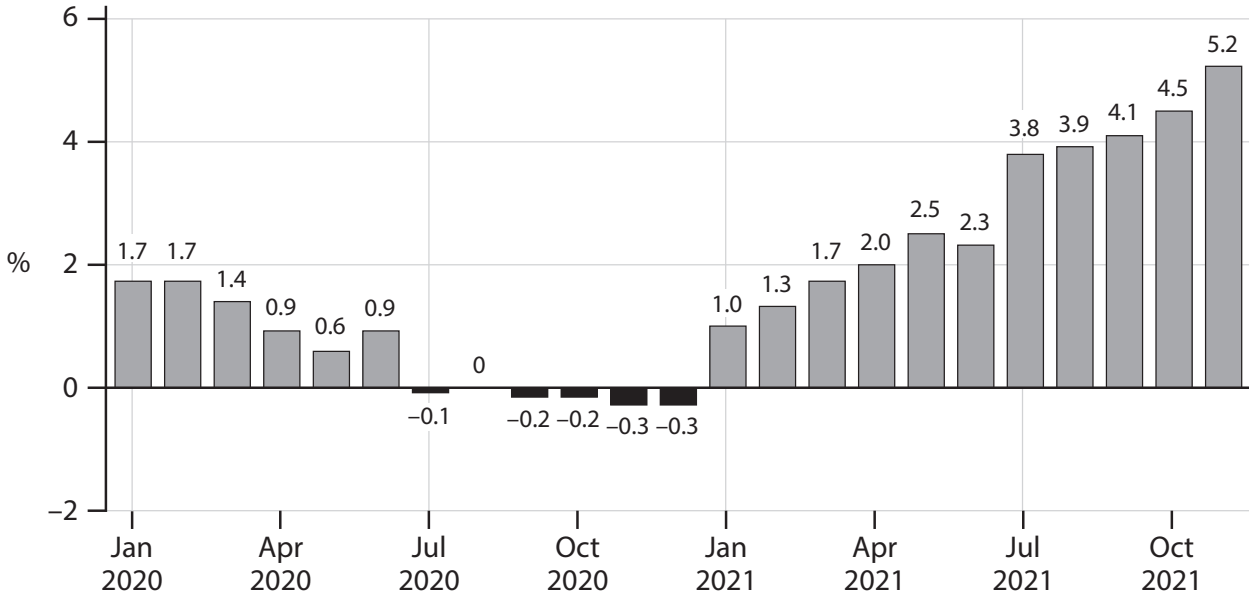


Figure 2 Inflation rate*, as measured by the consumer price index (CPI), January 2020 to November 2021



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

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.

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

(14)

(Total for Question 12 = 34 marks)

TOTAL FOR SECTION C = 34 MARKS

SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

13 In 2020 Japan's rate of inflation was –0.6% compared with 2019. Between 2019 and 2020 household consumption fell and the savings ratio increased from 33% to 44% of disposable income. Falling world oil prices also contributed to deflation.

Evaluate possible causes of deflation.

Illustrate your answer with an appropriate diagram.

(Total for Question 13 = 20 marks)

OR

14 The Government of the Philippines increased expenditure on infrastructure from ₱681 billion in 2020 to ₱1 200 billion in 2021.

Evaluate the possible effects of an increase in government expenditure on infrastructure on a country's economy.

Illustrate your answer with an appropriate diagram.

(Total for Question 14 = 20 marks)

SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

13 'Pursuing economic growth at the expense of the environment has resulted in pollution, climate change and the overconsumption of natural resources.'

Evaluate the costs of economic growth. Refer to a country of your choice in your answer.

(Total for Question 13 = 20 marks)

OR

14 Between June 2020 and June 2021 the rate of inflation in the USA increased from 0.6% to 5.4%.

Evaluate the costs of a high rate of inflation. Refer to a country of your choice in your answer.

(Total for Question 14 = 20 marks)

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)

SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

13 Between February 2022 and February 2023 the central bank of South Korea increased the base rate of interest from 1.25% to 3.5%.

Evaluate the likely macroeconomic effects of an increase in interest rates on a country of your choice.

(Total for Question 13 = 20 marks)

OR

14 Between January 2022 and January 2023 Turkey's annual rate of inflation increased by nine percentage points.

Evaluate possible causes of inflation. Refer to a country of your choice in your answer.

(Total for Question 14 = 20 marks)

SUB-TOPIC 2.3.1.3

EMPLOYMENT AND UNEMPLOYMENT

Sub-topic 2.3.1.3 · 36 questions · 140 marks · lowest tariff first

3 The Moroccan economy had a large negative output gap in 2017.

Which **one** of the following is usually associated with a negative output gap?

☒ **A** Demand-pull inflation and decreasing unemployment

☒ **B** Cost-push inflation and high employment rates

☒ **C** Real GDP growth less than the long-term productive potential

☒ **D** Real GDP growth more than the long-term productive potential

(Total for Question 3 = 1 mark)

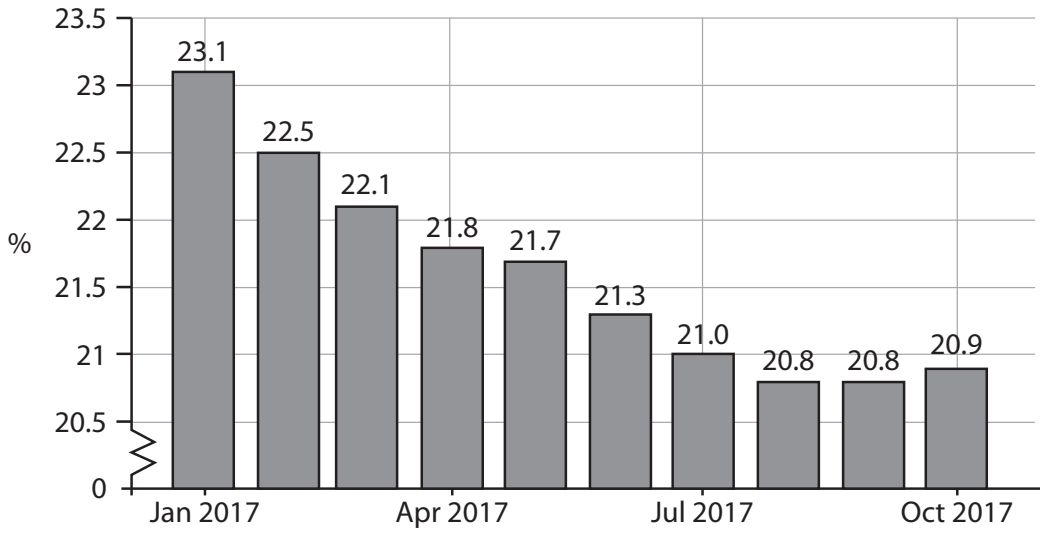
4 Between 2010 and 2016 Indonesia recorded a 44.4% fall in the value of its exports. This resulted from a decrease in the demand for Indonesian clothing.

Ceteris paribus, which **one** of the following is likely to result from this situation?

		Rate of unemployment	Rate of inflation
☒	**A**	Falling	Rising
☒	**B**	Falling	Falling
☒	**C**	Rising	Rising
☒	**D**	Rising	Falling

(Total for Question 4 = 1 mark)

6 The chart shows the ILO unemployment rate for Greece between January 2017 and October 2017.



(Source: https://tradingeconomics.com/greece/unemployment-rate)

Which **one** of the following is the percentage change in the unemployment rate for Greece between January 2017 and October 2017?

- ☒ **A** –2.2
- ☒ **B** –9.52
- ☒ **C** –10.53
- ☒ **D** –10.7

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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 Mongolia experiences higher unemployment in the winter when the demand for agricultural labour is lower than in the summer months.

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

☒ **A** Seasonal unemployment

☒ **B** Real wage inflexibility

☒ **C** Structural unemployment

☒ **D** Demand deficiency

(Total for Question 1 = 1 mark)

2 The table shows the number of people in employment in Jordan.

	Number of people in employment
January 2017	10 279 000
January 2018	9 353 000

(Source: https://tradingeconomics.com/jordan/employed-persons)

What is the percentage change in the number of people in employment between January 2017 and January 2018?

☒ **A** –10%

☒ **B** –9%

☒ **C** 9%

☒ **D** 10%

(Total for Question 2 = 1 mark)

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 Mongolia experiences higher unemployment in the winter when the demand for agricultural labour is lower than in the summer months.

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

☒ **A** Seasonal unemployment

☒ **B** Real wage inflexibility

☒ **C** Structural unemployment

☒ **D** Demand deficiency

(Total for Question 1 = 1 mark)

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	Number of people in employment
January 2017	10 279 000
January 2018	9 353 000

(Source: https://tradingeconomics.com/jordan/employed-persons)

What is the percentage change in the number of people in employment between January 2017 and January 2018?

☒ **A** –10%

☒ **B** –9%

☒ **C** 9%

☒ **D** 10%

(Total for Question 2 = 1 mark)

3 Which **one** of the following is an injection into the circular flow of income?

- ☒ **A** Savings
- ☒ **B** Exports
- ☒ **C** Imports
- ☒ **D** Taxation

(Total for Question 3 = 1 mark)

4 In the USA the number of part-time workers who would prefer full-time employment was 4.3 million in 2019.

This is an example of which **one** of the following?

- ☒ **A** Frictional unemployment
- ☒ **B** Protectionism
- ☒ **C** Underemployment
- ☒ **D** Resource utilisation

(Total for Question 4 = 1 mark)

5 The ILO unemployment rate in Spain fell from 21% in 2014 to less than 15% in 2018.

Which **one** of the following is most likely to be associated with this change in Spain's unemployment rate?

- ☒ **A** A fall in the negative output gap
- ☒ **B** A rise in the level of welfare payments
- ☒ **C** A fall in demand for exports
- ☒ **D** A rise in economic inactivity

(Total for Question 5 = 1 mark)

3 Which **one** of the following is an injection into the circular flow of income?

- ☒ **A** Savings
- ☒ **B** Exports
- ☒ **C** Imports
- ☒ **D** Taxation

(Total for Question 3 = 1 mark)

4 In the USA the number of part-time workers who would prefer full-time employment was 4.3 million in 2019.

This is an example of which **one** of the following?

- ☒ **A** Frictional unemployment
- ☒ **B** Protectionism
- ☒ **C** Underemployment
- ☒ **D** Resource utilisation

(Total for Question 4 = 1 mark)

5 The ILO unemployment rate in Spain fell from 21% in 2014 to less than 15% in 2018.

Which **one** of the following is most likely to be associated with this change in Spain's unemployment rate?

- ☒ **A** A fall in the negative output gap
- ☒ **B** A rise in the level of welfare payments
- ☒ **C** A fall in demand for exports
- ☒ **D** A rise in economic inactivity

(Total for Question 5 = 1 mark)

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 ☒.

1 800 000 students graduated from universities in the UK in 2019. 380 000 of these started work in jobs that did not require a degree.

Which **one** of the following describes this situation?

- ☒ **A** Underemployment
- ☒ **B** Unemployment
- ☒ **C** Real wage inflexibility
- ☒ **D** Economic inactivity

(Total for Question 1 = 1 mark)

2 Brazil's annual rate of inflation between April 2019 and August 2019 is shown in the table.

Month	Rate of inflation (%)
April	4.94
May	4.66
June	3.37
July	3.22
August	3.43

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

- ☒ **A** There was deflation between April and July
- ☒ **B** The average price level was highest in April
- ☒ **C** There was disinflation between April and July
- ☒ **D** The rate of inflation was lowest in August

(Total for Question 2 = 1 mark)

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)

2 In the USA, in 2020, research showed that 33.8% of university graduates were working in jobs that did not require a university degree.

Which **one** of the following best describes this situation?

- ☒ **A** Real wage inflexibility
- ☒ **B** Economic inactivity
- ☒ **C** Unemployment
- ☒ **D** Underemployment

(Total for Question 2 = 1 mark)

3 In Quarter 3 of 2020 labour productivity improved by 9.8% in Ireland compared to the same quarter in 2019.

Ceteris paribus, what was the most likely impact of this change in labour productivity?

- ☒ **A** The aggregate demand curve shifted to the left
- ☒ **B** The aggregate demand curve shifted to the right
- ☒ **C** The long-run aggregate supply curve shifted to the right
- ☒ **D** The short-run aggregate supply curve shifted to the left

(Total for Question 3 = 1 mark)

4 In 2019 the German Government's tax revenue exceeded its expenditure by €45.35 billion.

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

- ☒ **A** Germany had a net withdrawal from the circular flow of income
- ☒ **B** Germany had a net injection into the circular flow of income
- ☒ **C** Germany had a deficit on the current account of the balance of payments
- ☒ **D** Germany had a surplus on the current account of the balance of payments

(Total for Question 4 = 1 mark)

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 It is estimated that the marginal propensity to consume in Germany is 0.4.

Which **one** of the following represents the value of the multiplier in Germany?

- ☒ **A** 0.5
- ☒ **B** 0.6
- ☒ **C** 1.7
- ☒ **D** 2.5

(Total for Question 1 = 1 mark)

2 India's central bank, the Reserve Bank of India, has an inflation target and is banker to the Indian Government.

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

- ☒ **A** Increasing the trade deficit
- ☒ **B** Acting as the lender of last resort
- ☒ **C** Achieving national happiness
- ☒ **D** Reducing income equality

(Total for Question 2 = 1 mark)

3 In Indonesia it is estimated that approximately 27% of part-time workers are employed for fewer hours than they would be willing to work.

Which **one** of the following may be deduced from this information?

- ☒ **A** There is a high level of underemployment in Indonesia
- ☒ **B** There is a high level of economic inactivity in Indonesia
- ☒ **C** There is a high rate of unemployment in Indonesia
- ☒ **D** There is a high rate of inflation in Indonesia

(Total for Question 3 = 1 mark)

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)

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)

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)

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 represents net investment?

- ☒ **A** Gross investment minus corporation tax
- ☒ **B** Gross investment minus capital depreciation
- ☒ **C** Gross investment minus the rate of inflation
- ☒ **D** Gross investment minus money supply

(Total for Question 1 = 1 mark)

2 In Chad unemployment is higher in the winter months than in the summer months. This is because the demand for agricultural labour is lower in the winter months.

Which **one** of the following best describes the cause of this unemployment in Chad?

- ☒ **A** Frictional unemployment
- ☒ **B** Real wage inflexibility
- ☒ **C** Seasonal unemployment
- ☒ **D** Structural unemployment

(Total for Question 2 = 1 mark)

3 Between 2020 and 2022 Qatar's GNI increased from $141.37 billion to $229.01 billion.

Which **one** of the following is the ratio of Qatar's GNI in 2022 to its GNI in 2020?

- ☒ **A** 1 : 0.62
- ☒ **B** 1 : 1.62
- ☒ **C** 1 : 61.99
- ☒ **D** 1 : 87.64

(Total for Question 3 = 1 mark)

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 statements about the classical long-run aggregate supply (LRAS) curve is correct?

- ☒ **A** It is perfectly inelastic when there is a high level of spare capacity
- ☒ **B** It is relatively elastic at the full employment level of real output
- ☒ **C** It is relatively inelastic at high levels of spare capacity
- ☒ **D** It is perfectly inelastic at the full employment level of real output

(Total for Question 1 = 1 mark)

2 In 2022 the Government of Brazil announced that it was introducing measures to cut the costs of bureaucracy for firms.

This policy is an example of which **one** of the following?

- ☒ **A** Free market supply-side policy
- ☒ **B** Interventionist supply-side policy
- ☒ **C** Reflationary fiscal policy
- ☒ **D** Deflationary fiscal policy

(Total for Question 2 = 1 mark)

3 Between January 2022 and January 2023 Turkey's unemployment rate fell from 11.2% to 9.8%.

Which **one** of the following is the percentage change in the unemployment rate for Turkey between January 2022 and January 2023?

- ☒ **A** −1.4
- ☒ **B** −12.5
- ☒ **C** −14.3
- ☒ **D** −21.0

(Total for Question 3 = 1 mark)

4 In 2023 the European Central Bank decided to end its quantitative easing programme.

Ceteris paribus, which **one** of the following is the most likely effect of this decision?

- ☒ **A** An increase in the rate of corporation tax
- ☒ **B** A decrease in the rate of unemployment
- ☒ **C** An increase in the rate of economic growth
- ☒ **D** A decrease in the rate of inflation

(Total for Question 4 = 1 mark)

5 Which **one** of the following describes how unemployment is measured using the International Labour Organization (ILO) definition?

- ☒ **A** When a person has been actively seeking work in the past four weeks and is available to start work in the next two weeks
- ☒ **B** When a person has been actively seeking work in the past four months and is available to start work in the next two months
- ☒ **C** When a person has been actively seeking work in the past two months and is available to start work in the next four months
- ☒ **D** When a person has been actively seeking work in the past two weeks and is available to start work in the next four weeks

(Total for Question 5 = 1 mark)

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)

Sources for use with Section C

The UK economy

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

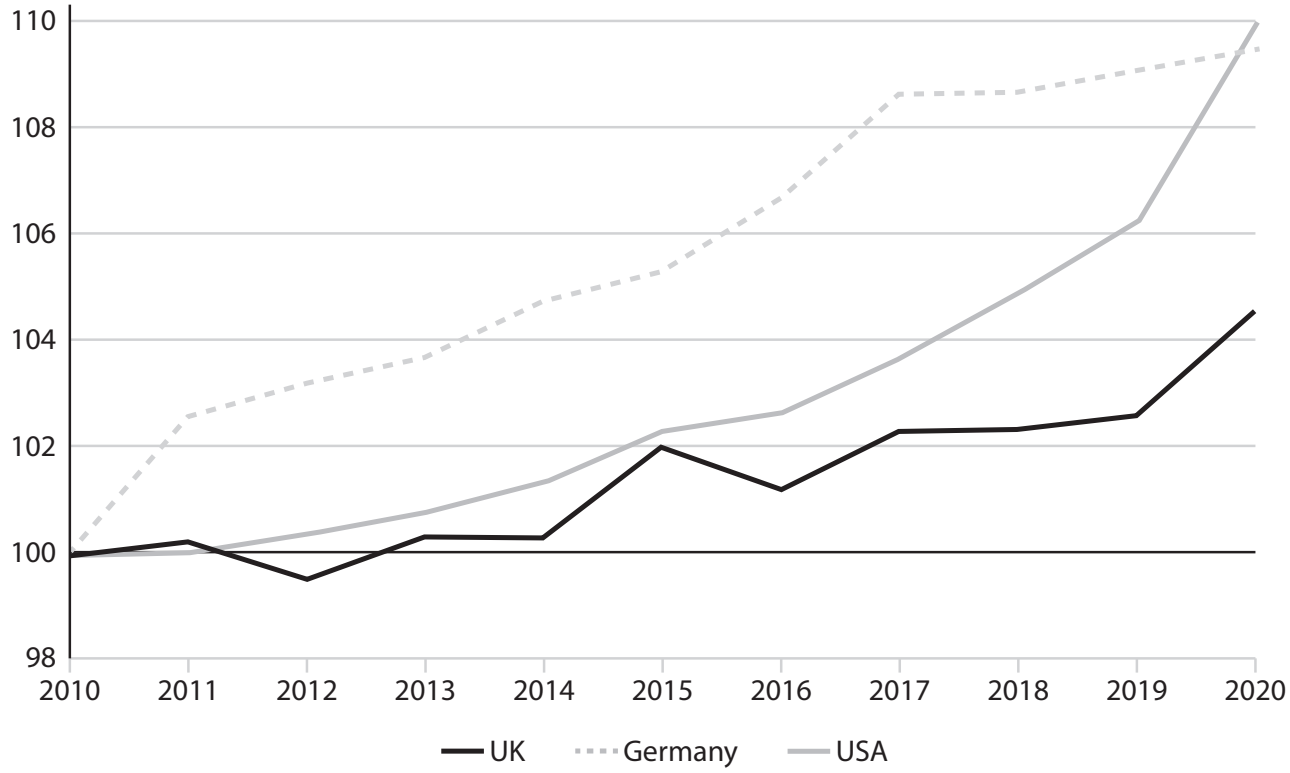


Figure 2 UK net migration, 2010 to 2019

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

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.

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

(2)

8 New Zealand has a population of 4.693 million people. In 2017 its net migration was 73 000, with more individuals arriving than leaving the country.

Explain **one** possible impact on the level of unemployment of this net migration.

(Total for Question 8 = 4 marks)

SECTION B

Answer ALL questions in this section in the space provided.

7 Bosnia and Herzegovina, a country in Europe, experienced high levels of unemployment. In 2013 the unemployment rate was 46% and in 2018 it was 37%.

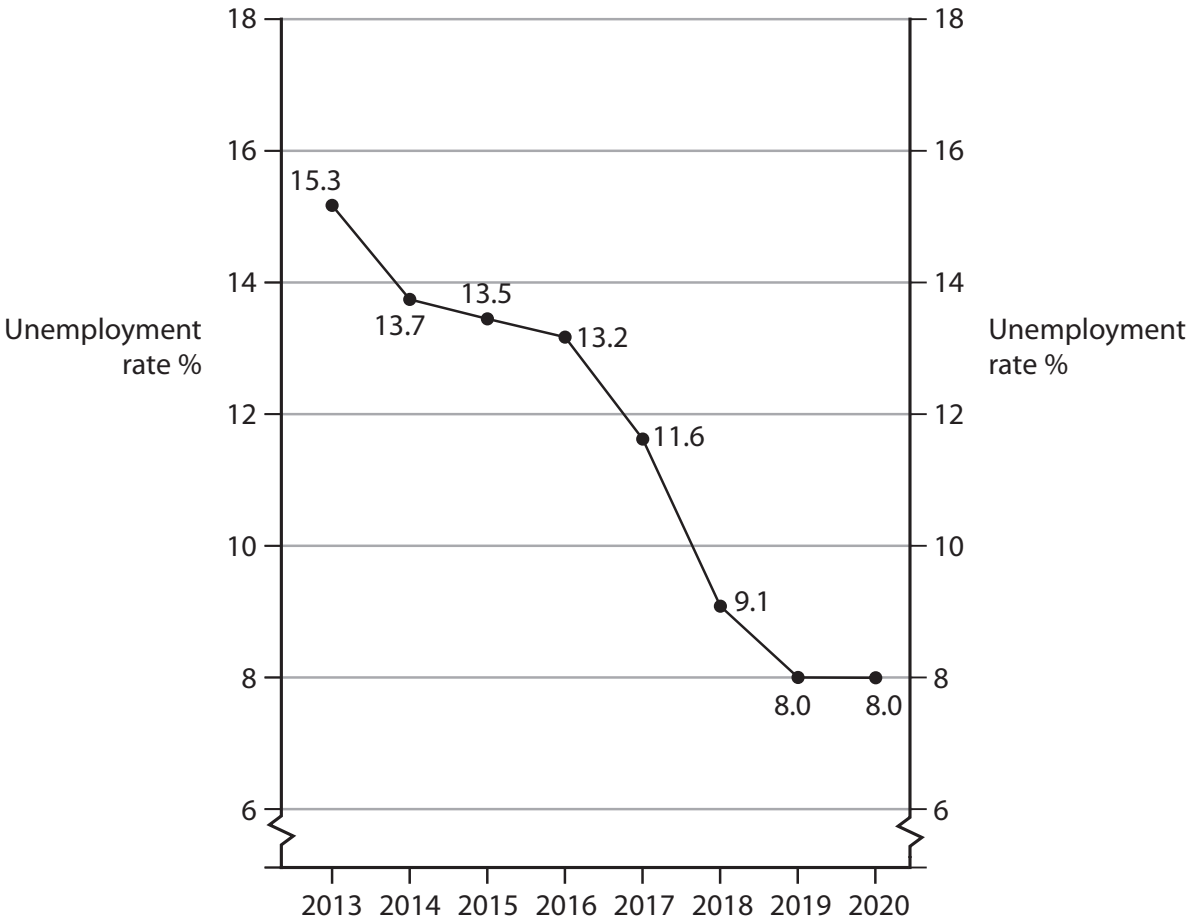
Explain **one** possible effect of high rates of unemployment on the public finances of Bosnia and Herzegovina.

(Total for Question 7 = 4 marks)

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.

(Total for Question 7 = 4 marks)

11 For the year ending June 2020, there were 509 600 immigrants arriving in Australia and 315 200 emigrants leaving Australia.

With reference to the information above, explain what is meant by net migration.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

10 In 2020 Turkey had 1.4 million more immigrants than emigrants.

Explain **one** way by which this net migration could increase employment.

(Total for Question 10 = 4 marks)

SECTION C

Study Figure 1 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 'fiscal policy' (Extract A, line 12).

(2)

(b) With reference to Figure 1, explain how the ILO unemployment rate is measured.

(4)

(c) With reference to Figure 1 and Extract A, examine **two** likely economic effects of the increase in unemployment experienced in New Zealand between Quarter 2 and Quarter 3 2020.

(8)

(d) With reference to Extract A, analyse **one** likely effect of the reduction in tourist visitors on the circular flow of income.

Illustrate your answer with a circular flow diagram.

(6)

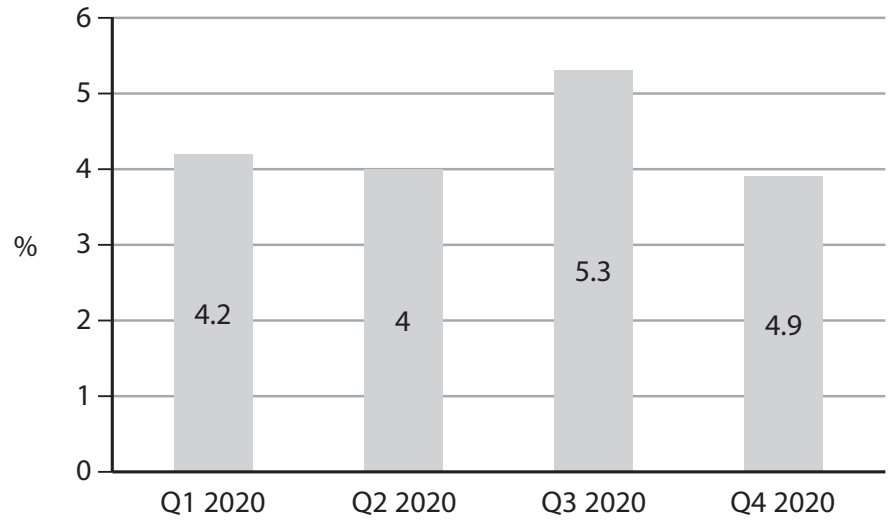
(e) With reference to Extract A and your own knowledge, discuss the likely effects of reflationary monetary policy on the New Zealand economy.

(14)

Sources for use with Section C

The New Zealand economy

Figure 1 ILO unemployment rate, Quarter 1 to Quarter 4 2020



Extract A The impact of the global health crisis

In Quarter 2 2020 a global health crisis resulted in a reduction in economic activity in many countries. Significant declines in manufacturing, construction and services contributed to an average decrease in economic growth of 9.8% in 36 developed countries.

In response to the global health crisis New Zealand's Government instructed most people to stay at home from March 25 to May 13. This led to a substantial reduction in the country's GDP and to an increase in unemployment. Its economic growth rate fell by 12.2% in Quarter 2 2020 compared with Quarter 1 2020. However, in Quarter 3 2020, when New Zealanders no longer had to stay at home, economic growth recovered strongly and increased by 14% compared with Quarter 2 2020.

The economic recovery was also helped by reflationary fiscal policy by the New Zealand Government and reflationary monetary policy by New Zealand's central bank. In 2020 the Government increased its spending by NZ$62 billion. In March 2020 New Zealand's central bank reduced the base interest rate from 1% to 0.25%. At the same time, it introduced NZ$60 billion of quantitative easing, which was increased to NZ$100 billion in August 2020. This helped to stimulate consumer spending that grew by 14.8% in Quarter 3 2020.

The reflationary policy helped to increase the demand for housing. Consequently, the average price of a house rose to NZ$788 967, the highest on record. This was an increase of 2.6% in 2020 compared with 2019.

One problem for New Zealand's economy was that, in response to the global health crisis, the Government closed its borders to all foreigners in March 2020. This policy continued well into 2021. This significantly affected the tourism industry and exports of services. The results of a survey of firms in the tourism industry indicated that:

- 33% of businesses were temporarily closing
- 40% of businesses were significantly reducing operations
- 21% of businesses might not survive.

In 2019 tourism accounted for 20% of exports, 10% of GDP and employed 400 000 people. By the end of 2020 a significant number of workers in the tourism industry were made redundant.

12 (a) Define the term 'fiscal policy' (Extract A, line 12).

(2)

(b) With reference to Figure 1, explain how the ILO unemployment rate is measured.

(4)

SECTION B

Answer ALL questions in this section in the space provided.

7 Between 2018 and 2021 the annual rate of unemployment in Pakistan increased from 4.1% to 6.5%.

Explain **one** possible effect of the increase in the rate of unemployment on the public finances of Pakistan.

(Total for Question 7 = 4 marks)

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)

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

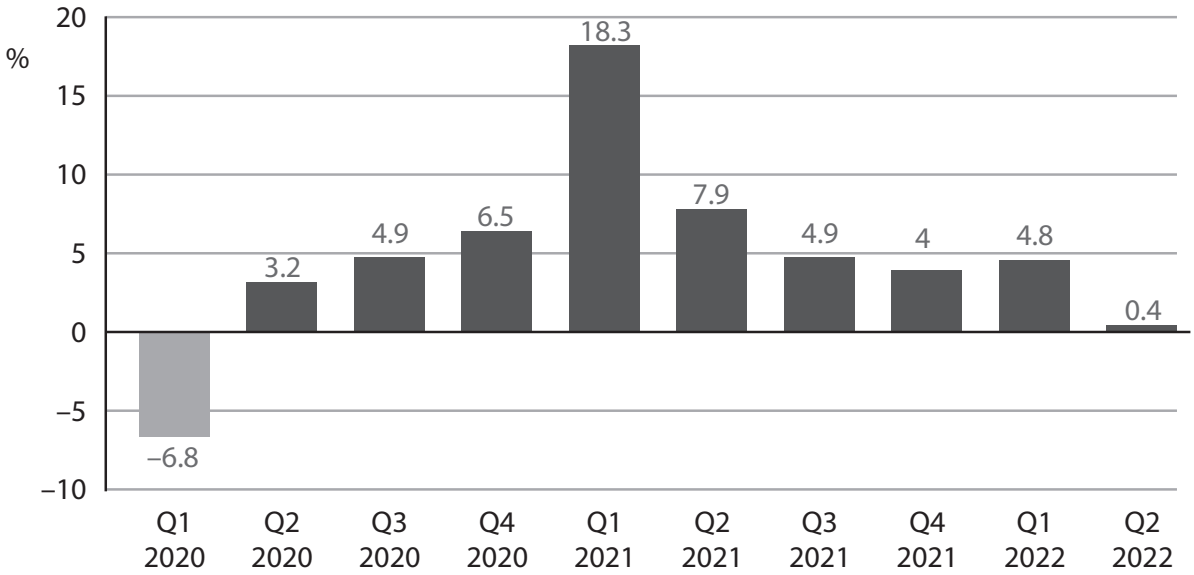


Figure 2 Youth unemployment rate (16 to 24 year olds), as measured by the International Labour Organization (ILO), January 2022 to June 2022

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

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*.

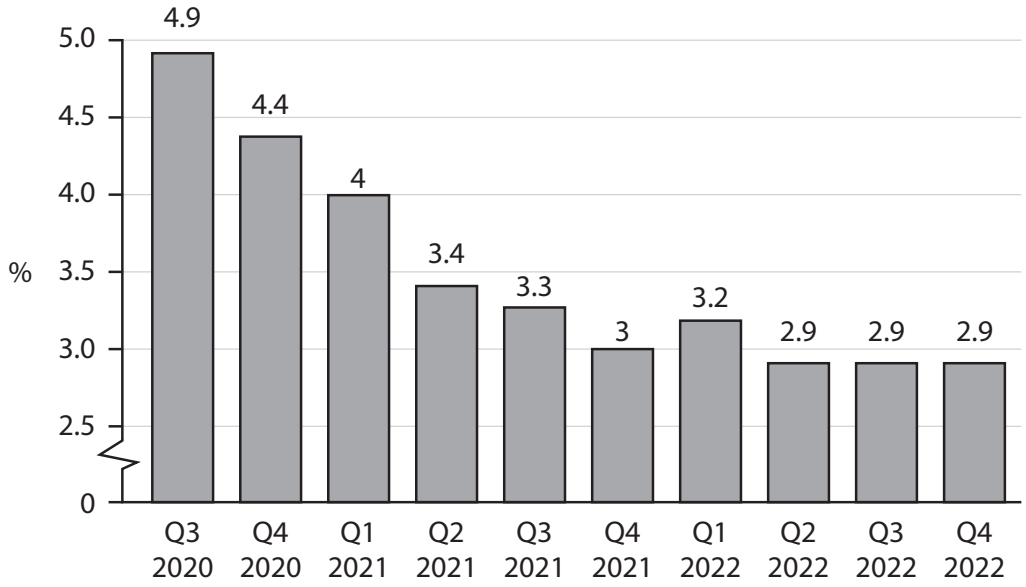
12 (a) Define the term 'real GDP' (Figure 1).

(2)

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

(4)

10 The chart shows the rate of unemployment in Malta between quarter 3 (Q3) 2020 and quarter 4 (Q4) 2022.



With reference to the chart, explain **one** possible effect of the change in the rate of unemployment between Q3 2020 and Q4 2022 on the public finances of Malta.

(Total for Question 10 = 4 marks)

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)

10 In the USA 11.2% of graduates were working in low-skilled jobs in June 2023. At the same time, 25.7 million people were working part-time. Many of these part-time employees wanted to work more hours.

With reference to the information above, explain the term 'underemployment'.

(Total for Question 10 = 4 marks)

SECTION C

Study Figure 1, Extract A and Extract B in the Source Booklet before answering Question 12.

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

12 (a) Define the term 'inflation'.

(2)

(b) With reference to Figure 1 and the first paragraph of Extract A, examine **two** causes of the relatively high rate of inflation in the USA.

(8)

(c) With reference to the third paragraph of Extract A, explain the term 'rate of unemployment'.

(4)

(d) With reference to the first paragraph of Extract B, analyse **two** reasons why the USA's rate of economic growth increased in 2023.

(6)

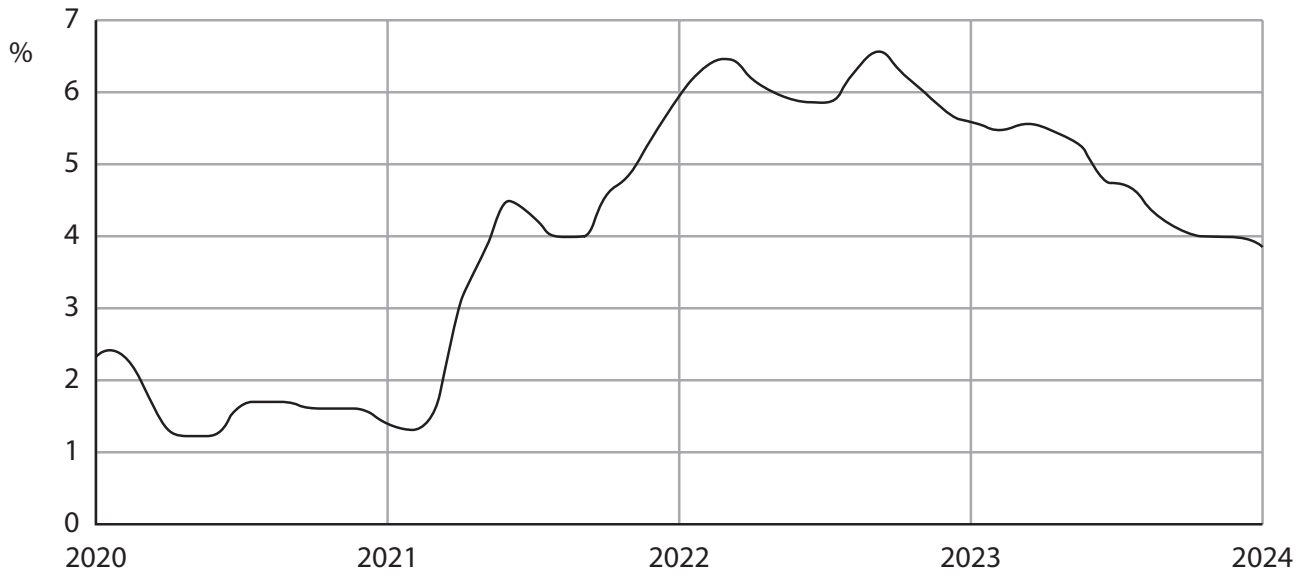
(e) With reference to the information provided and your own knowledge, discuss the likely macroeconomic effects of the increase in the base rate of interest on the US economy.

(14)

Sources for use with Section C

The US economy

Figure 1 Annual rate of inflation*, as measured by the consumer price index (CPI), January 2020 to December 2023



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

Extract A Rate of inflation

Between 2021 and 2023 the US economy experienced a relatively high rate of inflation. The main causes of this were:

- disruptions to the supply chain as a result of the global health crisis of 2020–2022
- rising global prices of energy and food in 2021–2022
- high wage growth in 2022–2023.

The country's central bank, the Federal Reserve (Fed), forecast that the rate of inflation would return to the inflation target of 2% in 2024. It indicated that energy prices and food prices had started to fall. It expected slower wage growth as the rate of inflation decreased.

The Fed believed that the rate of inflation would fall without causing a significant rise in the rate of unemployment. It forecast that the rate of unemployment would average 4% in 2024, a little higher than the 50-year low of 3.6% in 2023.

Extract B Economic growth

The USA's rate of economic growth increased from 1.9% in 2022 to 2.5% in 2023. High consumer spending on services, such as hotels and travel, was the major factor that contributed to economic growth. Government policy also played an important role in increasing the growth rate. The US Government spent $1 trillion on infrastructure projects including the building of roads, airports and bridges. These projects resulted in the creation of new jobs.

Economists forecast that the rate of increase in economic growth was likely to slow down in 2024. This is because there had been a series of interest rate increases by the Fed. This resulted in the country's base rate of interest increasing from 0.25% in March 2022 to a record high of 5.5% in July 2023. In addition, consumers in the USA were relying more on credit cards to finance their spending. It was predicted that more consumers would find it difficult to pay interest on their mortgages, car loans and credit cards. Consumers were also struggling to finance the rising costs of car insurance, medical care and childcare.

Although some economists expected a recession in 2024, many were optimistic that the US economy would stabilise without causing any major job losses.

(c) With reference to the third paragraph of Extract A, explain the term 'rate of unemployment'.

(4)

SECTION C

Study Figures 1 and 2 and Extracts A and B 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 wage growth' (Extract B, line 8).

(2)

(b) With reference to Figure 2, explain what is meant by a surplus on the balance of trade in goods and services.

(4)

(c) With reference to Extract A, analyse the possible impact of net migration on employment **or** unemployment in Australia.

(6)

(d) With reference to Extract B, examine the case for a reduction in the base rate of interest by the Australian central bank.

(8)

(e) Using the information provided, discuss the factors, other than net migration, that have contributed to economic growth in Australia up to 2018.

(14)

Sources for use with Section C.

The Australian economy

Figure 1 Annual real GDP growth (%), 2012 to 2018

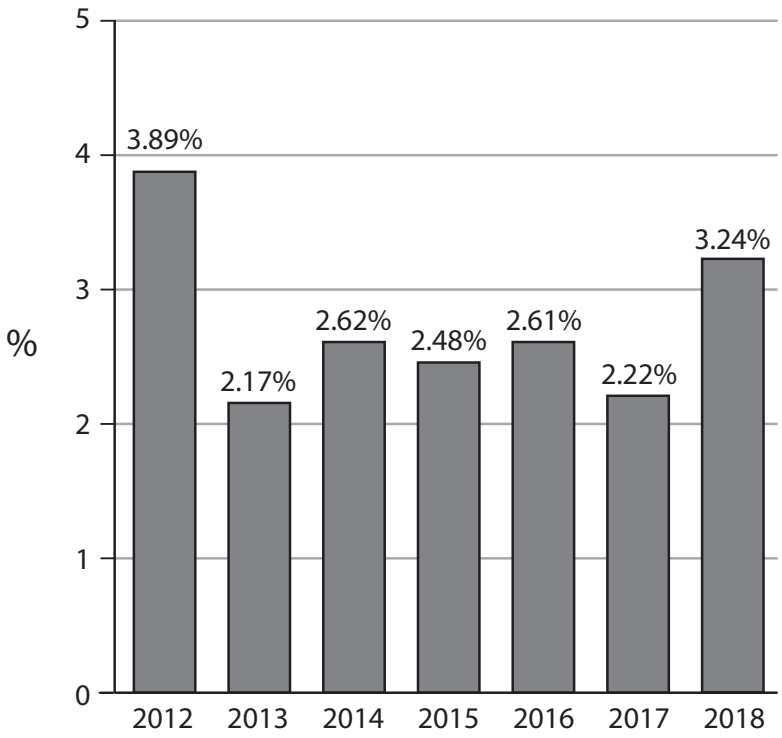
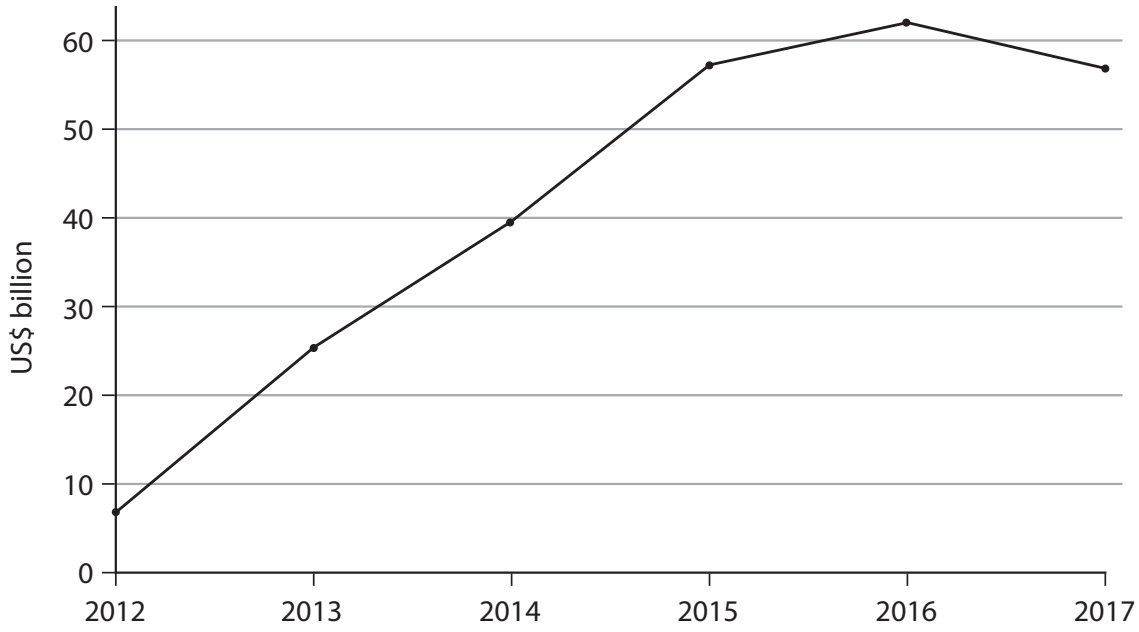


Figure 2 Balance of trade in goods and services, 2012 to 2017 (US$ billion)



Extract A State of the economy

Unlike most developed countries, Australia was not significantly affected by the global financial crisis and has continued to experience positive economic growth.

The Australian Government has encouraged migration into the country, although this is now limited to 190 000 permanent immigrants per year. Over 28% of the population are immigrants. Net migration has led to an increase in the Australian labour force. As many of the immigrants are highly skilled, this has had positive effects on the Australian economy. It has also resulted in an increase in consumption in the country.

Export growth has also been a significant reason for the increase in Australia's GDP. Australia's geography is very different to other developed countries. It is nearer to China than many other developed countries, which enables Australia to export its goods with relatively low shipping costs. There has been great demand from China for Australian exports, particularly sugar, copper, iron, coal, lead and zinc.

Australia is also a very popular tourist destination for Chinese citizens, as the flight is short. Tourism has increased by 50% since 2012 and now accounts for AU$29 billion and is Australia's fifth biggest export.

Australia has benefited from demand from foreign students wanting to study in the country. Over 540 000 international students enrolled in Australian schools and universities in 2018, an 80% increase in five years. Both tourists and students have a significant impact on the consumption of goods and services supporting further economic growth.

Government expenditure has increased on roads, bridges, ports, airports, schools and education. The Government aims to improve access for people and goods across Australia supporting both businesses and individuals.

Extract B Future prospects

The future for Australia does not look as promising as it once did. China demands around one-third of Australia's exported goods. China's economic growth has slowed as economies such as the USA, Japan and the Eurozone demand less Chinese goods. This has recently caused business confidence in China to fall, reducing the demand for Australia's commodity exports needed in manufacturing.

The Australian central bank is considering a reduction in the base rate of interest. Real wage growth fell between 2013 and 2018. However, private household consumption rose during that period. During 2018 house prices decreased and recorded a fall of 2.4% in the first quarter of 2019. However, some economists are forecasting an increase in Australia's inflation rate from 1.8% in 2018 to 2.3% in 2019. The central bank's target annual rate of inflation is between 2% and 3%.

(c) With reference to Extract A, analyse the possible impact of net migration on employment **or** unemployment in Australia.

(6)

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)

Sources for use with Section C

The UK economy

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

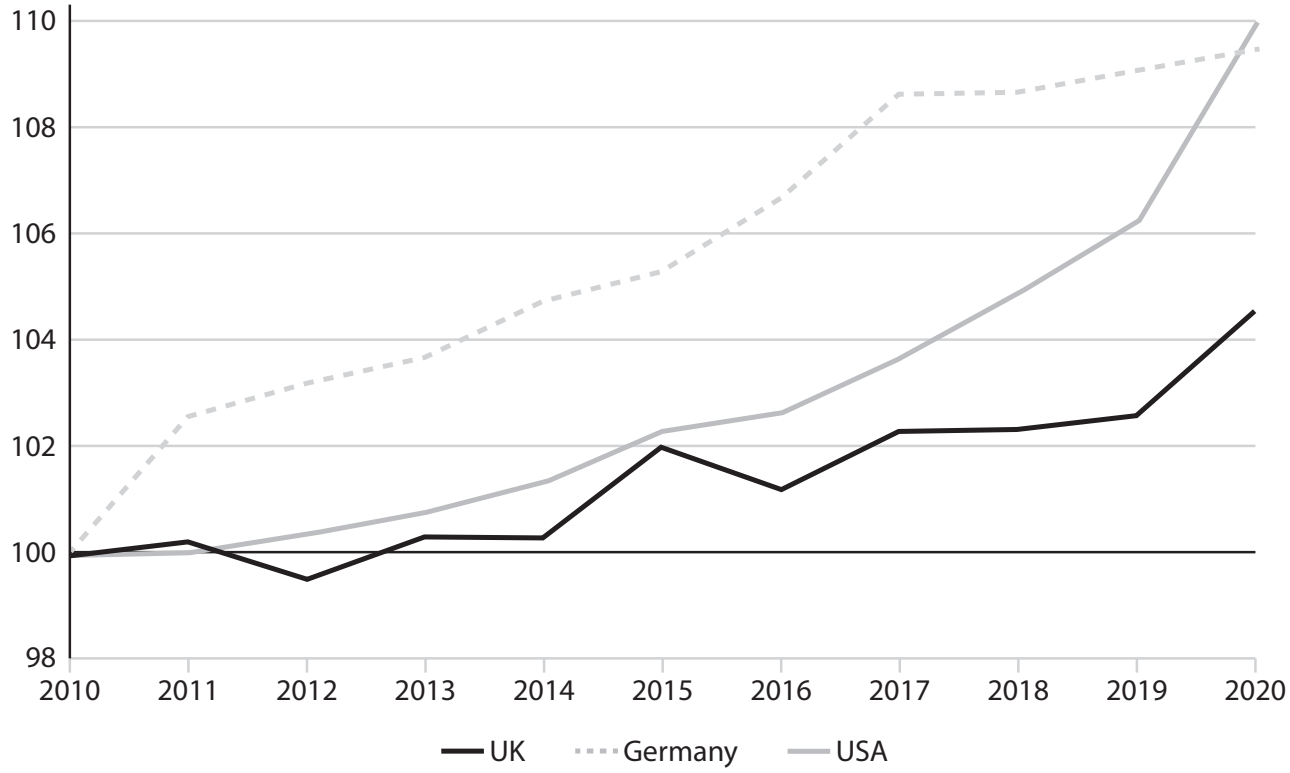


Figure 2 UK net migration, 2010 to 2019

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

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.

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

(6)

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)

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

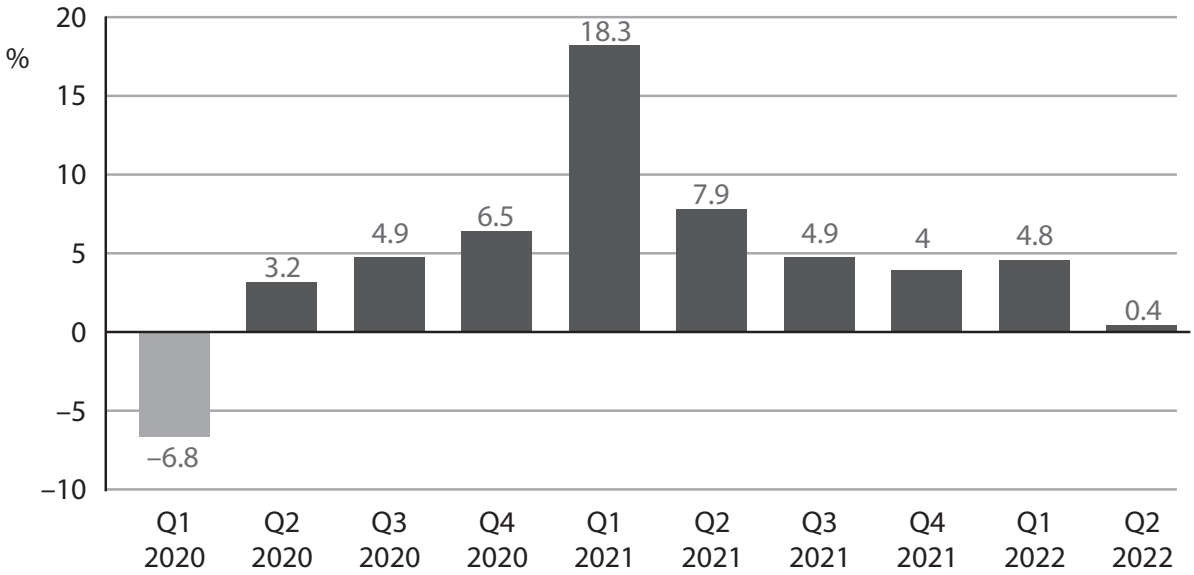


Figure 2 Youth unemployment rate (16 to 24 year olds), as measured by the International Labour Organization (ILO), January 2022 to June 2022

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

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*.

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

(6)

SECTION C

Study Figure 1 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 'fiscal policy' (Extract A, line 12).

(2)

(b) With reference to Figure 1, explain how the ILO unemployment rate is measured.

(4)

(c) With reference to Figure 1 and Extract A, examine **two** likely economic effects of the increase in unemployment experienced in New Zealand between Quarter 2 and Quarter 3 2020.

(8)

(d) With reference to Extract A, analyse **one** likely effect of the reduction in tourist visitors on the circular flow of income.

Illustrate your answer with a circular flow diagram.

(6)

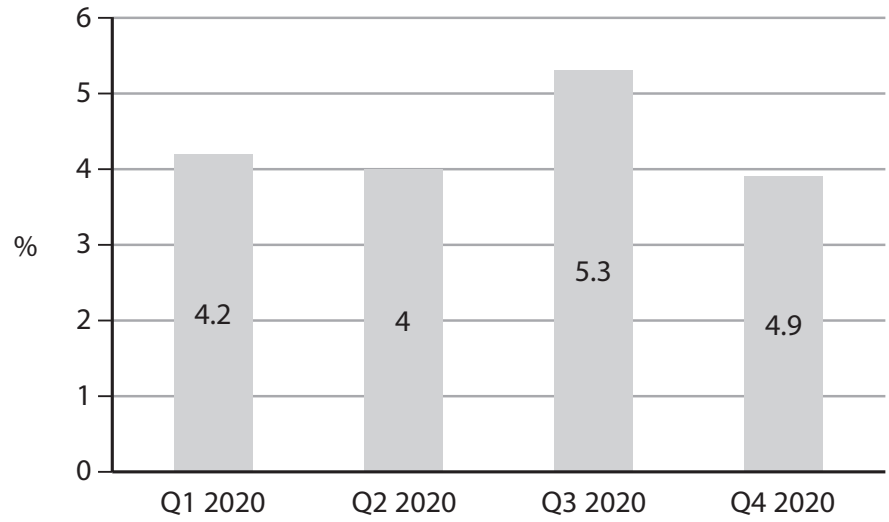
(e) With reference to Extract A and your own knowledge, discuss the likely effects of reflationary monetary policy on the New Zealand economy.

(14)

Sources for use with Section C

The New Zealand economy

Figure 1 ILO unemployment rate, Quarter 1 to Quarter 4 2020



Extract A The impact of the global health crisis

In Quarter 2 2020 a global health crisis resulted in a reduction in economic activity in many countries. Significant declines in manufacturing, construction and services contributed to an average decrease in economic growth of 9.8% in 36 developed countries.

In response to the global health crisis New Zealand's Government instructed most people to stay at home from March 25 to May 13. This led to a substantial reduction in the country's GDP and to an increase in unemployment. Its economic growth rate fell by 12.2% in Quarter 2 2020 compared with Quarter 1 2020. However, in Quarter 3 2020, when New Zealanders no longer had to stay at home, economic growth recovered strongly and increased by 14% compared with Quarter 2 2020.

The economic recovery was also helped by reflationary fiscal policy by the New Zealand Government and reflationary monetary policy by New Zealand's central bank. In 2020 the Government increased its spending by NZ$62 billion. In March 2020 New Zealand's central bank reduced the base interest rate from 1% to 0.25%. At the same time, it introduced NZ$60 billion of quantitative easing, which was increased to NZ$100 billion in August 2020. This helped to stimulate consumer spending that grew by 14.8% in Quarter 3 2020.

The reflationary policy helped to increase the demand for housing. Consequently, the average price of a house rose to NZ$788 967, the highest on record. This was an increase of 2.6% in 2020 compared with 2019.

One problem for New Zealand's economy was that, in response to the global health crisis, the Government closed its borders to all foreigners in March 2020. This policy continued well into 2021. This significantly affected the tourism industry and exports of services. The results of a survey of firms in the tourism industry indicated that:

- 33% of businesses were temporarily closing
- 40% of businesses were significantly reducing operations
- 21% of businesses might not survive.

In 2019 tourism accounted for 20% of exports, 10% of GDP and employed 400 000 people. By the end of 2020 a significant number of workers in the tourism industry were made redundant.

(c) With reference to Figure 1 and Extract A, examine **two** likely economic effects of the increase in unemployment experienced in New Zealand between Quarter 2 and Quarter 3 2020.

(8)

SECTION C

Study Figures 1 and 2 and Extracts A and B 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 2).

(2)

(b) With reference to Figure 1, explain what is meant by the savings ratio.

(4)

(c) With reference to the second paragraph of Extract A, analyse **two** factors that caused household consumption to increase in quarter 3, 2020.

(6)

(d) With reference to Figure 2 and Extract A, examine **two** likely effects of the substantial increase in the rate of unemployment on the Australian economy.

(8)

(e) With reference to Extract B, discuss interventionist supply-side policies that the Australian Government could implement to increase Australia's productivity.

(14)

Sources for use with Section C

The Australian economy

Figure 1 Savings ratio, Q3 2018 to Q3 2020

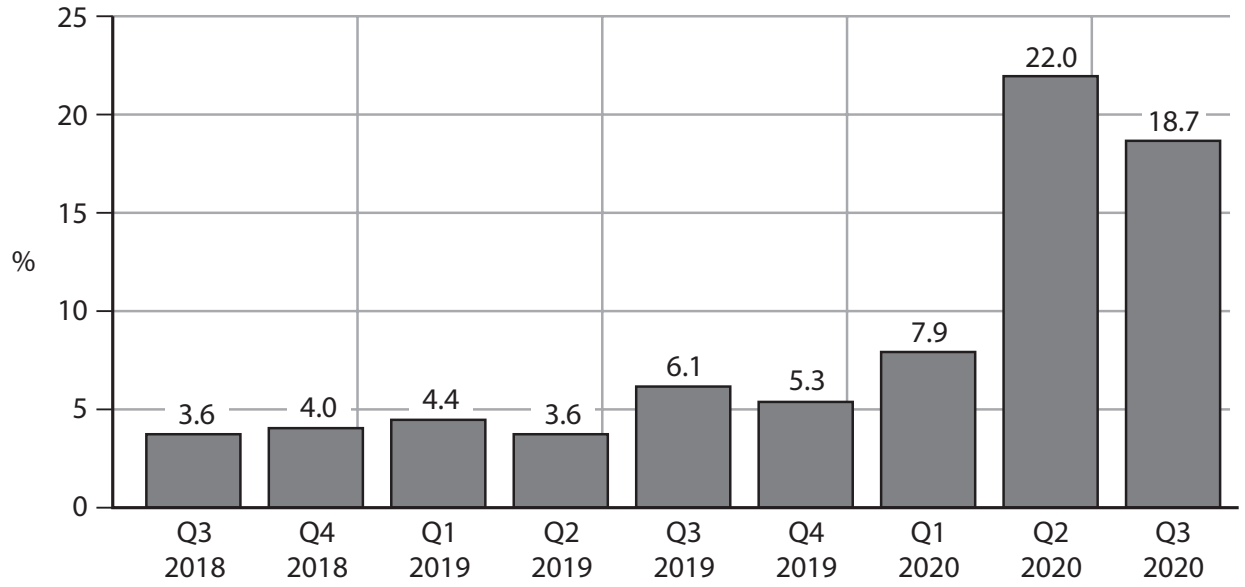
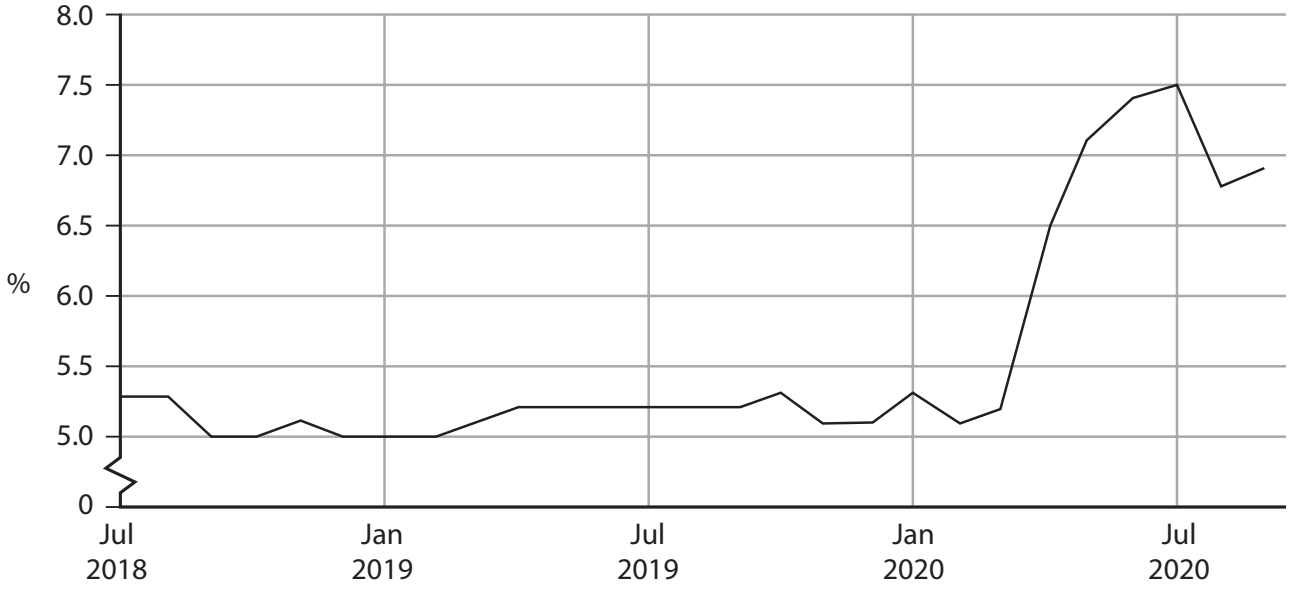


Figure 2 Unemployment rate, July 2018 to September 2020



Extract A Economic performance

In the first half of 2020 Australia's economy was in recession. In quarter 1 the economic growth rate was −0.3% and it declined further in quarter 2 to −6.8%. Consequently, between March and July 2020 there was a substantial increase in the rate of unemployment.

However, Australia's economy recovered quickly with an economic growth rate of 3.3% in quarter 3 of 2020. This was much higher than predictions of a growth rate of 2.5%. This increase in the growth rate was mainly as a result of a rise in household consumption. Although household consumption decreased by 12.5% in quarter 2 of 2020, it rose by 7.9% in quarter 3. The main reasons for this rise in consumption were:

- rising house prices
- reductions in the base interest rate by Australia's central bank
- higher welfare payments to households.

These factors resulted in an increase in consumer confidence.

While household consumption supported Australia's economic recovery, the rate of unemployment was still relatively high. In response, the Australian Government continued its JobKeeper Payment scheme to keep workers in employment. This scheme supported businesses negatively affected by the economic decline. Businesses were able to claim AU$1 200 (before tax) per employee every two weeks to help cover the cost of wages.

Extract B Supply-side policies

Between 2010 and 2020 Australia's average annual increase in productivity was 1.7%. The country's average annual growth in real GDP per capita was 0.6%. This was below the 1% growth in GDP per capita in the USA. To increase GDP per capita, Australia needs to raise its productivity growth. This applies particularly to the service sector, which accounts for nearly 70% of Australia's GDP.

According to some economists, the Australian Government should consider implementing a range of interventionist supply-side policies to increase the country's productivity. These include:

- providing finance for business start-ups
- investment in infrastructure improvements
- investment in high-quality education and training schemes
- offering tax incentives and subsidies to encourage investment.

Successful implementation of these policies will enable Australia to achieve long-run economic growth.

(d) With reference to Figure 2 and Extract A, examine **two** likely effects of the substantial increase in the rate of unemployment on the Australian economy.

(8)

SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

13 In 2019 the new President of the European Central Bank asked governments of eurozone countries to cut taxation and increase government expenditure to stimulate the rate of economic growth.

Evaluate fiscal policy instruments as a means of increasing the rate of economic growth.

(Total for Question 13 = 20 marks)

OR

14 In quarter 1 2019 the unemployment rate in South Africa was 27.6%. In quarter 2 it increased to 29%. An additional 455 000 workers became unemployed.

Evaluate the likely impact of an increase in the unemployment rate on workers, public finances and resource utilisation.

(Total for Question 14 = 20 marks)

SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

13 India's unemployment rate increased from 7.1% in January 2023 to 8.5% in June 2023.

Evaluate the likely effects of an increase in the unemployment rate on workers **and** public finances. Refer to a country of your choice in your answer.

(Total for Question 13 = 20 marks)

OR

14 Germany experienced a recession in the first six months of 2023. The country's rate of economic growth was –0.4% in quarter 1 2023 and was –0.1% in quarter 2 2023.

Evaluate the likely effects of a recession. Refer to a country of your choice in your answer.

(Total for Question 14 = 20 marks)

SUB-TOPIC 2.3.1.4

BALANCE OF PAYMENTS

Sub-topic 2.3.1.4 · 17 questions · 57 marks · lowest tariff first

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 In 2017 Turkey's deficit on the current account of the balance of payments increased to $4.2 billion.

This increase in the deficit on the current account is most likely to have resulted from

☒ **A** an increase in the value of imports

☒ **B** an increase in the value of exports

☒ **C** a decrease in government spending

☒ **D** a decrease in employment

(Total for Question 1 = 1 mark)

2 The table shows Malaysia's rate of inflation between February 2017 and July 2017.

Month	Rate of inflation (%)
February	4.5
March	5.1
April	4.4
May	3.9
June	3.6
July	3.2

From this table it can be deduced that

☒ **A** there was deflation between April and May

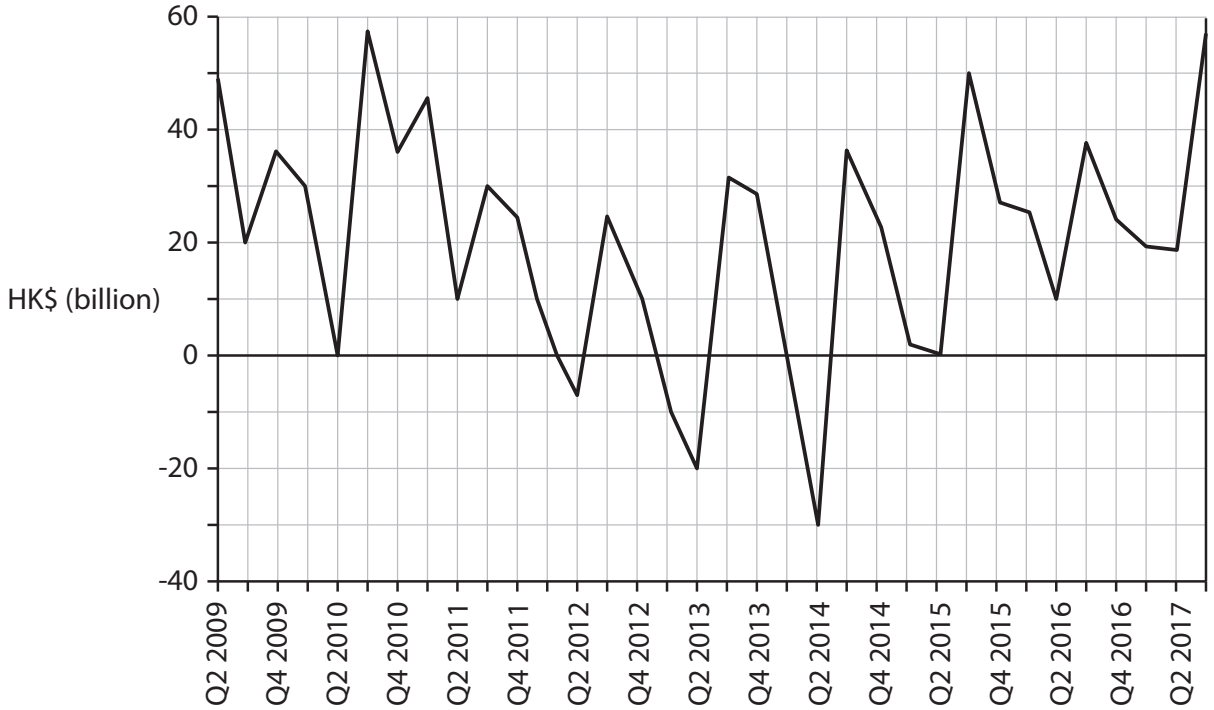
☒ **B** there was disinflation between May and June

☒ **C** the rate of inflation was at its highest in July

☒ **D** inflation increased at a constant rate between May and July

(Total for Question 2 = 1 mark)

5 The chart shows the current account of the balance of payments for Hong Kong, quarter 2 2009 to quarter 3 2017 HK$ (billion).



(Source: http://www.censtatd.gov.hk/FileManager/EN/UTIL_STAT_CHART/041chart01.gif)

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

- ☒ **A** There was a current account surplus in Q2 2013
- ☒ **B** The current account surplus fell by HK$20 billion between Q4 2009 and Q2 2010
- ☒ **C** The current account was in a deficit in Q2 2014
- ☒ **D** There was a balanced government budget in Q2 2015

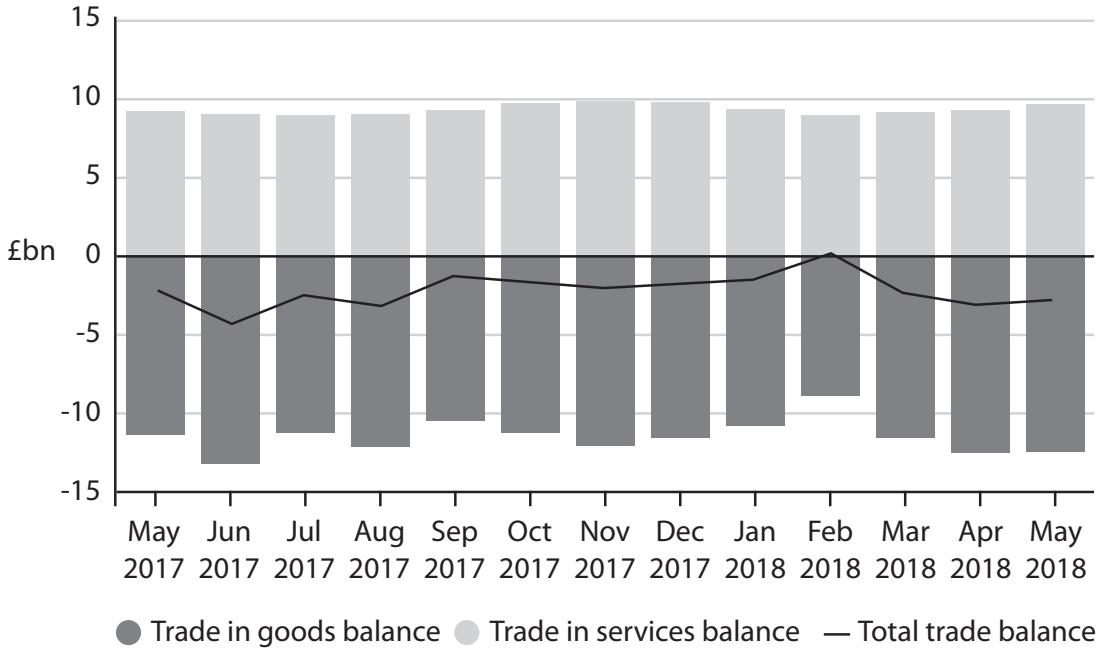
(Total for Question 5 = 1 mark)

5 The Ethiopian Government has made significant investments in the agricultural sector and has plans to allocate a further US$15 billion to irrigation development by 2020. The UK Government paid a subsidy for a windfarm. Which **one** of the following is also an interventionist supply-side policy?

- ☒ **A** Deregulation of the labour market
- ☒ **B** Privatisation
- ☒ **C** A reduction in interest rates
- ☒ **D** Regional policy

(Total for Question 5 = 1 mark)

6 The chart shows the UK balance of trade on current account, month on month, May 2017 to May 2018 (£ billion, seasonally adjusted).



(Source: https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/uktrade/may2018)

What can be deduced from this chart?

- ☒ **A** The trade in services balance was in deficit in May 2017
- ☒ **B** The trade in goods deficit was smallest in February 2018
- ☒ **C** The value of exports exceeded the value of imports in September 2017
- ☒ **D** The total UK trade deficit was the largest in November 2017

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

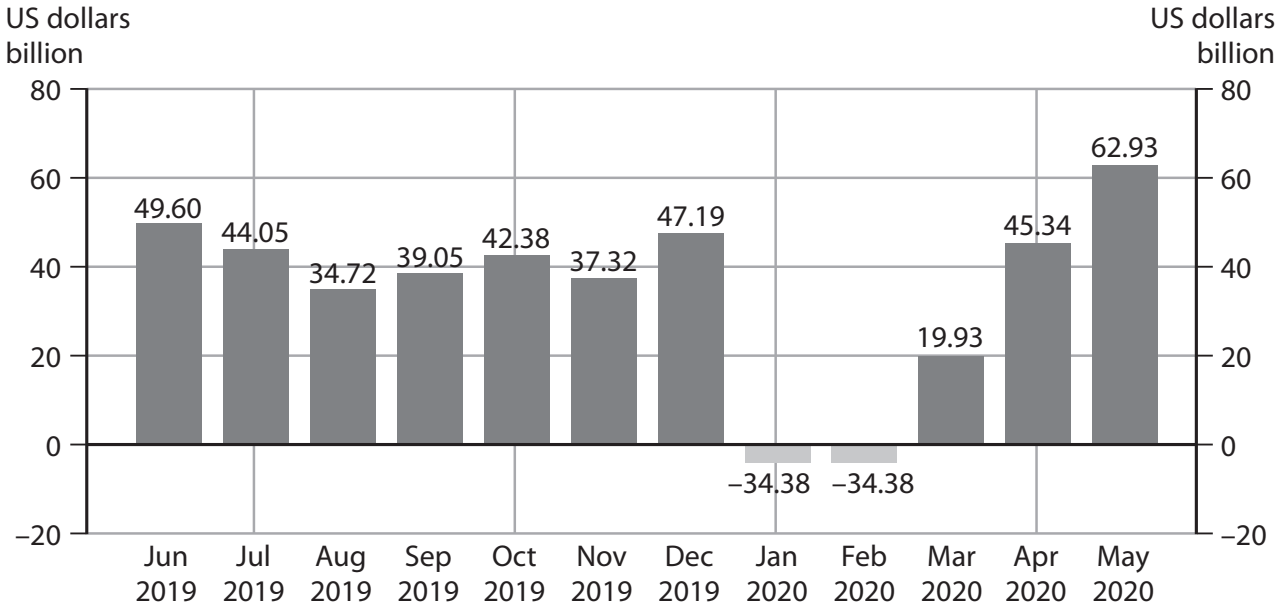
3 From Quarter 1 2020 to Quarter 2 2020, government expenditure in Russia increased by 25 billion roubles.

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

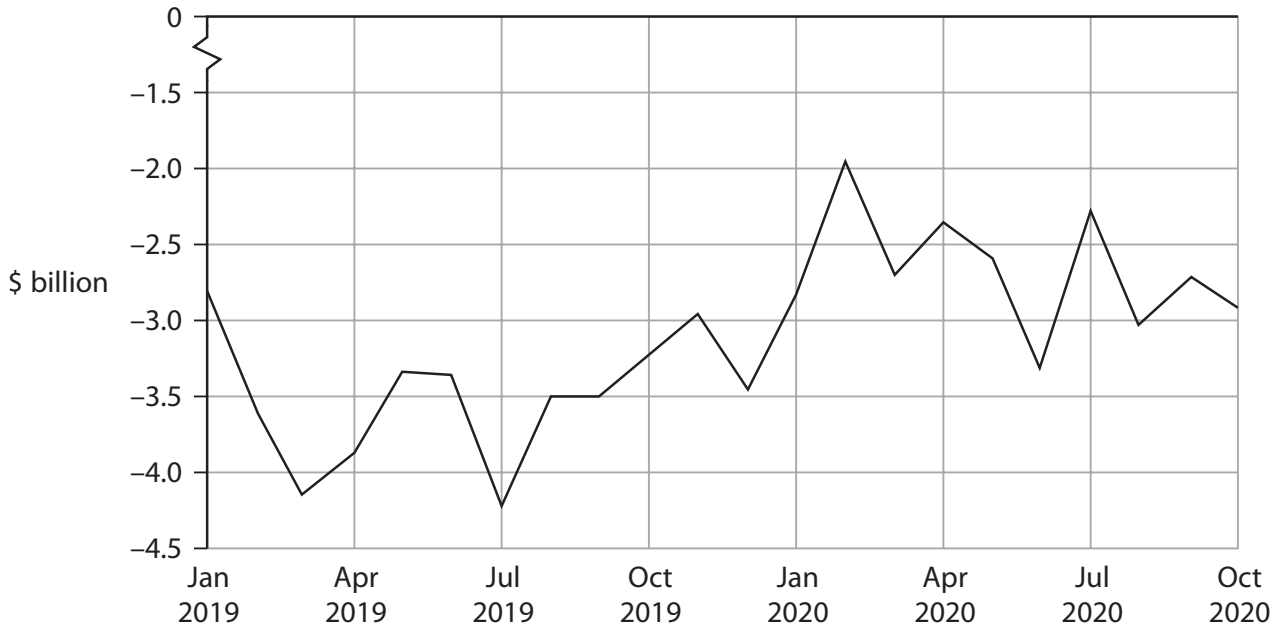
(Total for Question 4 = 1 mark)

3 Which **one** of the following is likely to cause 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 import
- ☒ **D** An increase in the marginal propensity to consume

(Total for Question 3 = 1 mark)

4 The chart shows Egypt's net monthly balance of trade in goods and services, January 2019 to October 2020.



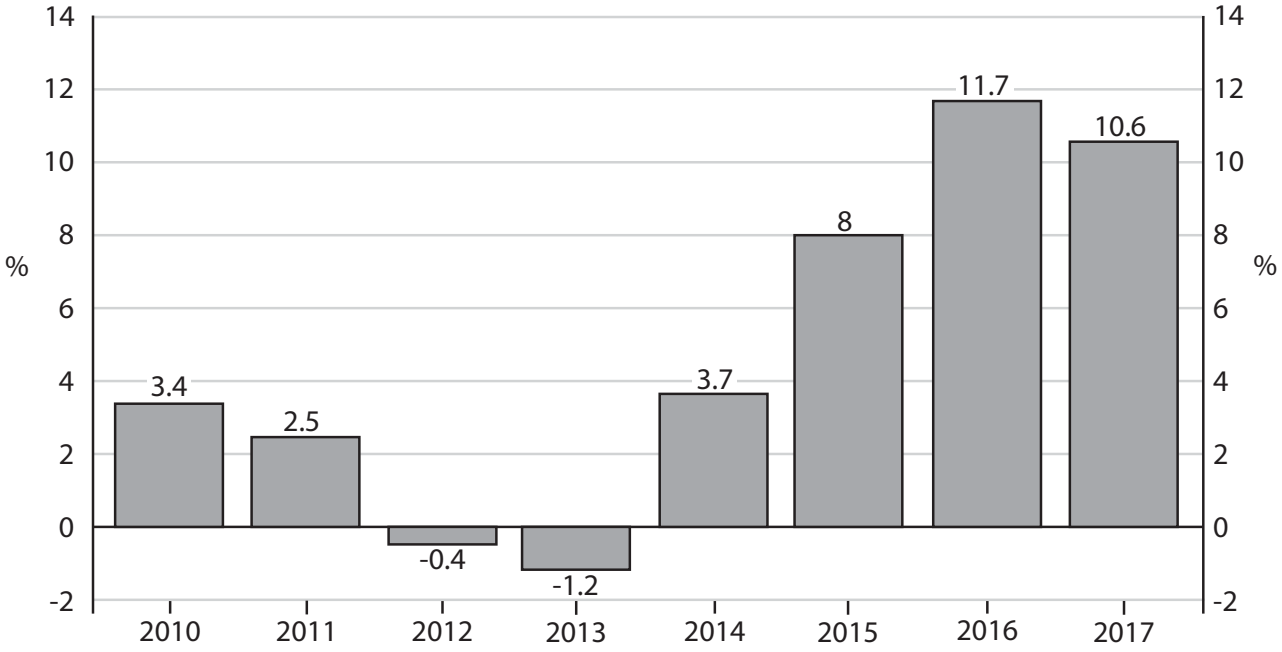
(Source: https://tradingeconomics.com/egypt/balance-of-trade)

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

- ☒ **A** The value of injections was always greater than the value of withdrawals
- ☒ **B** The Government was spending more than it received in taxation
- ☒ **C** Egypt's balance of trade was always in a surplus
- ☒ **D** The value of imports was always greater than the value of exports

(Total for Question 4 = 1 mark)

8 The chart shows the balance of payments on the current account for Thailand as a percentage of GDP for the period 2010-2017.



(Source: https://tradingeconomics.com/thailand/current-account-to-gdp)

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

(Total for Question 8 = 4 marks)

SECTION C

Study Figures 1 and 2 and Extracts A and B 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 wage growth' (Extract B, line 8).

(2)

(b) With reference to Figure 2, explain what is meant by a surplus on the balance of trade in goods and services.

(4)

(c) With reference to Extract A, analyse the possible impact of net migration on employment **or** unemployment in Australia.

(6)

(d) With reference to Extract B, examine the case for a reduction in the base rate of interest by the Australian central bank.

(8)

(e) Using the information provided, discuss the factors, other than net migration, that have contributed to economic growth in Australia up to 2018.

(14)

Sources for use with Section C.

The Australian economy

Figure 1 Annual real GDP growth (%), 2012 to 2018

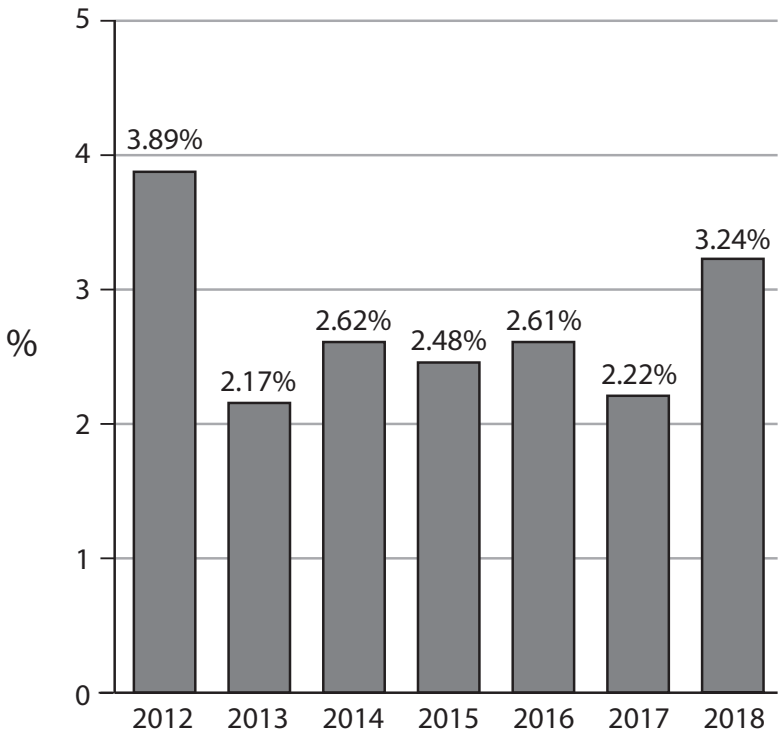
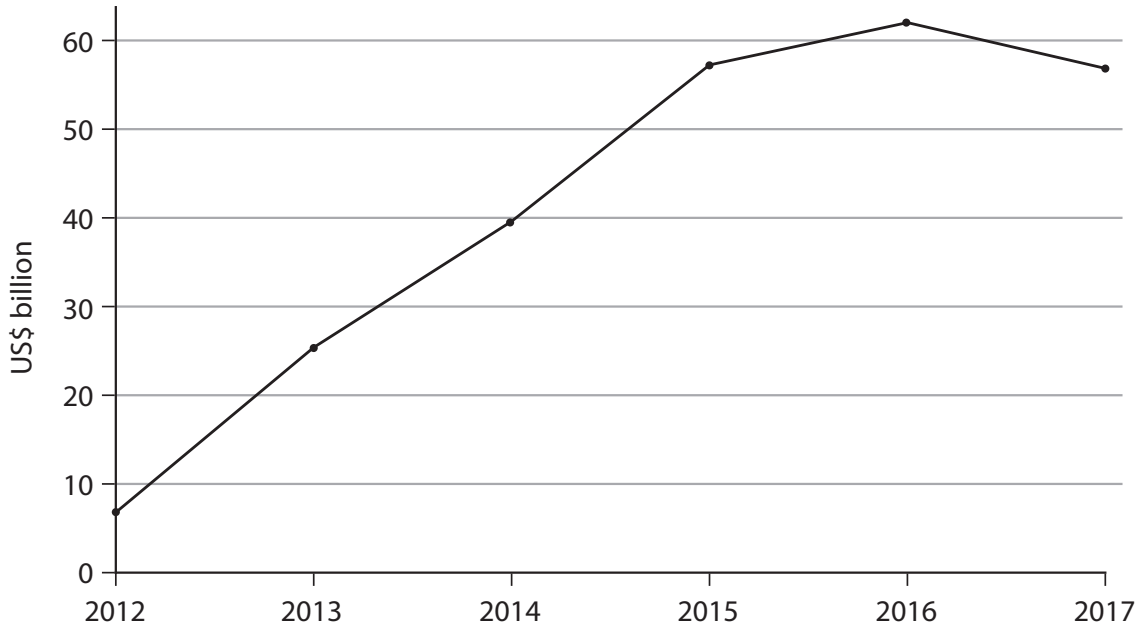


Figure 2 Balance of trade in goods and services, 2012 to 2017 (US$ billion)



Extract A State of the economy

Unlike most developed countries, Australia was not significantly affected by the global financial crisis and has continued to experience positive economic growth.

The Australian Government has encouraged migration into the country, although this is now limited to 190 000 permanent immigrants per year. Over 28% of the population are immigrants. Net migration has led to an increase in the Australian labour force. As many of the immigrants are highly skilled, this has had positive effects on the Australian economy. It has also resulted in an increase in consumption in the country.

Export growth has also been a significant reason for the increase in Australia's GDP. Australia's geography is very different to other developed countries. It is nearer to China than many other developed countries, which enables Australia to export its goods with relatively low shipping costs. There has been great demand from China for Australian exports, particularly sugar, copper, iron, coal, lead and zinc.

Australia is also a very popular tourist destination for Chinese citizens, as the flight is short. Tourism has increased by 50% since 2012 and now accounts for AU$29 billion and is Australia's fifth biggest export.

Australia has benefited from demand from foreign students wanting to study in the country. Over 540 000 international students enrolled in Australian schools and universities in 2018, an 80% increase in five years. Both tourists and students have a significant impact on the consumption of goods and services supporting further economic growth.

Government expenditure has increased on roads, bridges, ports, airports, schools and education. The Government aims to improve access for people and goods across Australia supporting both businesses and individuals.

Extract B Future prospects

The future for Australia does not look as promising as it once did. China demands around one-third of Australia's exported goods. China's economic growth has slowed as economies such as the USA, Japan and the Eurozone demand less Chinese goods. This has recently caused business confidence in China to fall, reducing the demand for Australia's commodity exports needed in manufacturing.

The Australian central bank is considering a reduction in the base rate of interest. Real wage growth fell between 2013 and 2018. However, private household consumption rose during that period. During 2018 house prices decreased and recorded a fall of 2.4% in the first quarter of 2019. However, some economists are forecasting an increase in Australia's inflation rate from 1.8% in 2018 to 2.3% in 2019. The central bank's target annual rate of inflation is between 2% and 3%.

12 (a) Define the term 'Real wage growth' (Extract B, line 8).

(2)

(b) With reference to Figure 2, explain what is meant by a surplus on the balance of trade in goods and services.

(4)

9 The table shows the value of exports and imports of goods and services, $ billion, for Saudi Arabia in 2018 and 2019.

	2018	2019
Exports of goods and services ($ billion)	294.5	251.8
Imports of goods and services ($ billion)	135.2	144.3

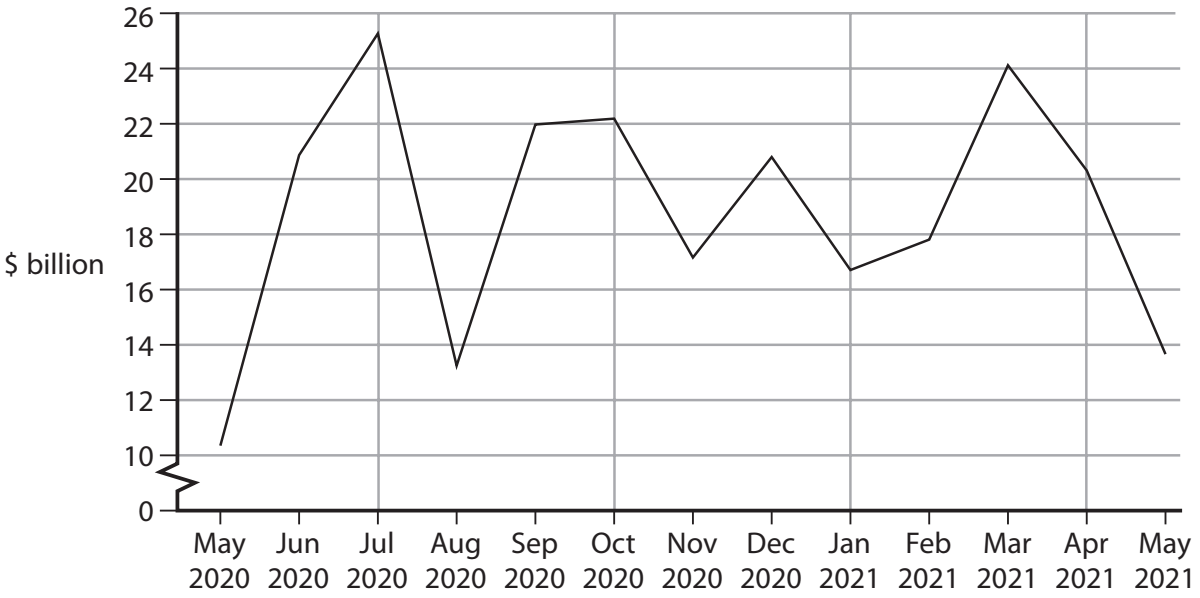
Based on this information, calculate the change in the balance of trade for Saudi Arabia between 2018 and 2019. Show your workings.

(Total for Question 9 = 4 marks)

SECTION B

Answer ALL questions in this section in the space provided.

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



(Source: https://tradingeconomics.com/malaysia/balance-of-trade)

With reference to the chart, explain **one** likely reason for the surplus in Malaysia's balance of trade in goods and services.

(Total for Question 7 = 4 marks)

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)

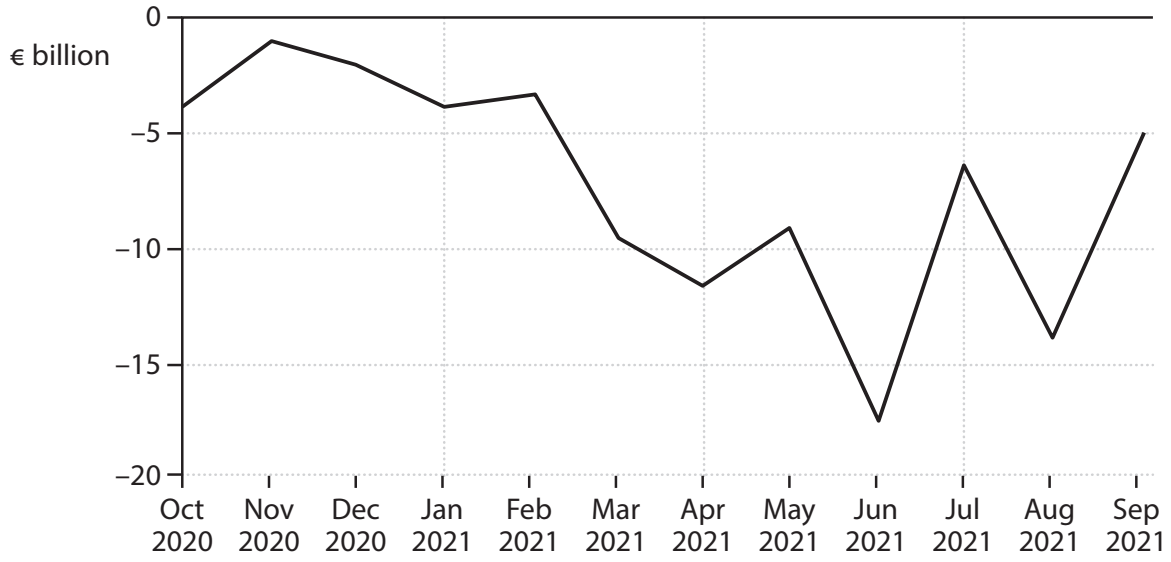
Calculate the *change* in Canada's balance of trade between 2019 and 2020.
Show your workings.

(Total for Question 9 = 4 marks)

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)

SECTION C

Study Figure 1 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 'GDP growth rate' (Extract A, line 23).

(2)

(b) With reference to Figure 1, explain the difference between a balance of trade deficit and a balance of trade surplus.

(4)

(c) Analyse how an increase in the rate of inflation could have a 'negative impact on India's balance of trade' (Extract A, line 9).

(6)

(d) Examine the likely impact on India's real output of its 'increased expenditure on imported oil' (Extract A, line 7).

(8)

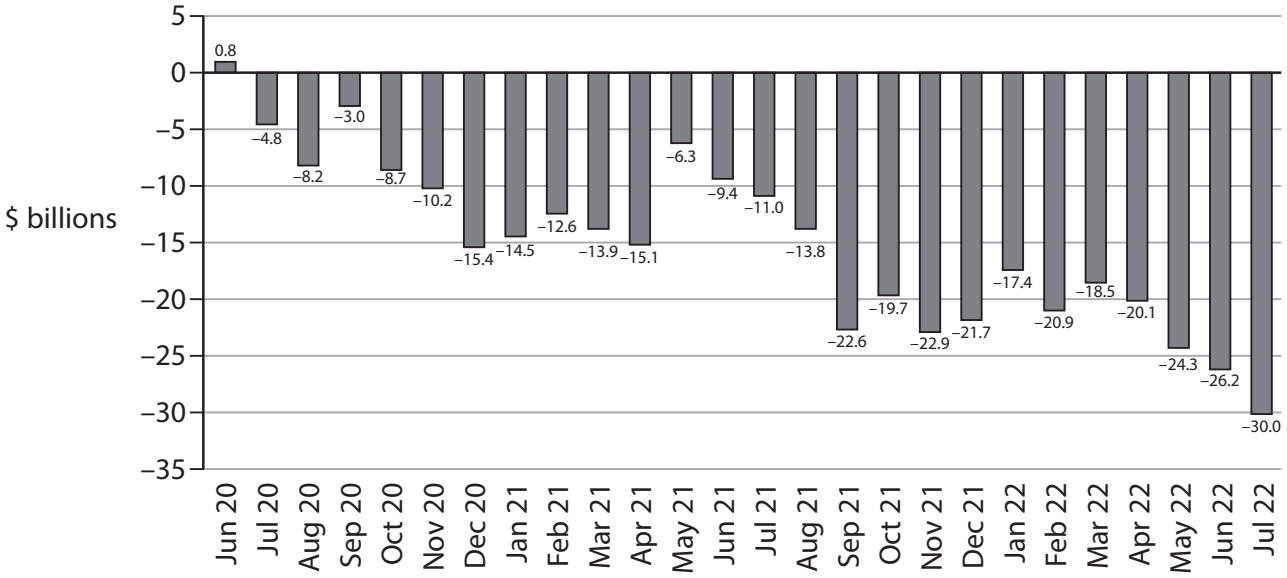
(e) With reference to the information provided and your own knowledge, discuss the likely effects of the increase in the base rate of interest on the Indian economy.

(14)

Sources for use with Section C

The Indian economy

Figure 1 Balance of trade, June 2020 to July 2022



Extract A Balance of trade, inflation and economic growth

In 2022 the Indian economy was experiencing several challenges following the global health crisis. In particular, there was a rising rate of inflation caused by its dependence on imported oil. Oil accounts for 30% of India's imports by value. This is more than double the average of 14.7% for other major Asian economies, such as China, Japan and South Korea. In July 2022 India reported a record balance of trade deficit of $30 billion, largely caused by the increased expenditure on imported oil. This deficit was one of the largest of all the Asian economies. Economists expect the rate of inflation to increase which will have a further negative impact on India's balance of trade.

The rate of inflation was 7.01% in June 2022 compared with June 2021. This was the second highest rate of inflation of the larger Asian economies. This higher rate of inflation reduced the purchasing power of consumers in India. As a result, many consumers were struggling to afford basic necessities. According to economists there were increasing signs that consumer expenditure would increase at a slower rate in the second half of 2022 than in the first half of 2022. This was likely to cause a fall in the rate of economic growth.

During 2022, India's currency, the rupee, fell in value against the US dollar. In order to prevent the rupee from falling further, and to control the rising rate of inflation, India's central bank raised the country's base rate of interest to 4.9% in June 2022. This represented an increase of 0.5 percentage points from the previous month.

Unlike several other Southeast Asian countries, exports of services contribute more to India's economic growth rate than exports of goods.

The Asian Development Bank (ADB) decreased its projected GDP growth rate for India to 6.7% for 2022. This was as a result of the high rate of inflation in India and the deflationary monetary policy adopted by India's central bank. The ADB predicted a small increase in consumer expenditure in the second half of 2022. However, it believed that this increase in consumption will not be sufficient to maintain India's rate of economic growth.

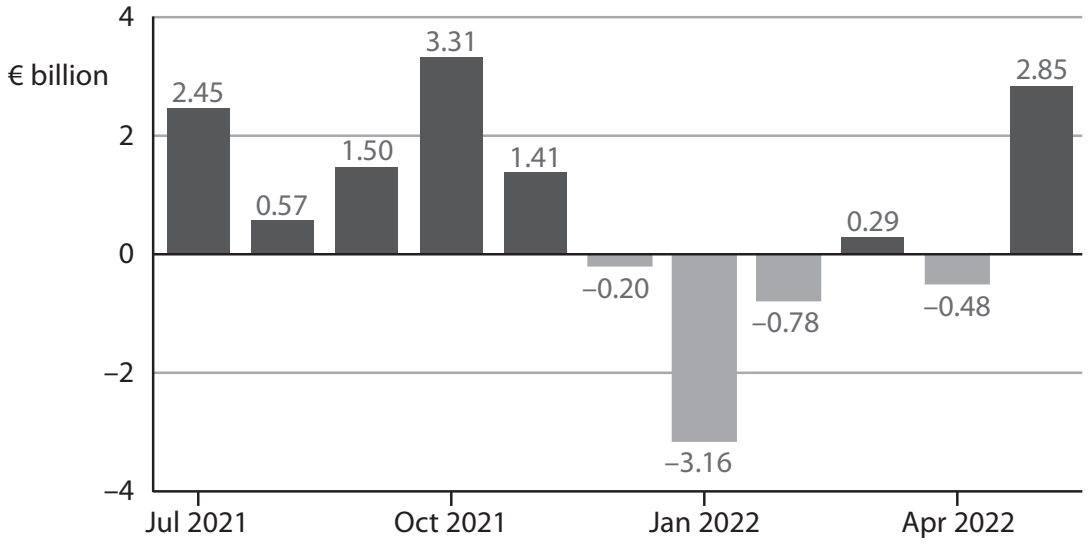
12 (a) Define the term 'GDP growth rate' (Extract A, line 23).

(2)

(b) With reference to Figure 1, explain the difference between a balance of trade deficit and a balance of trade surplus.

(4)

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

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

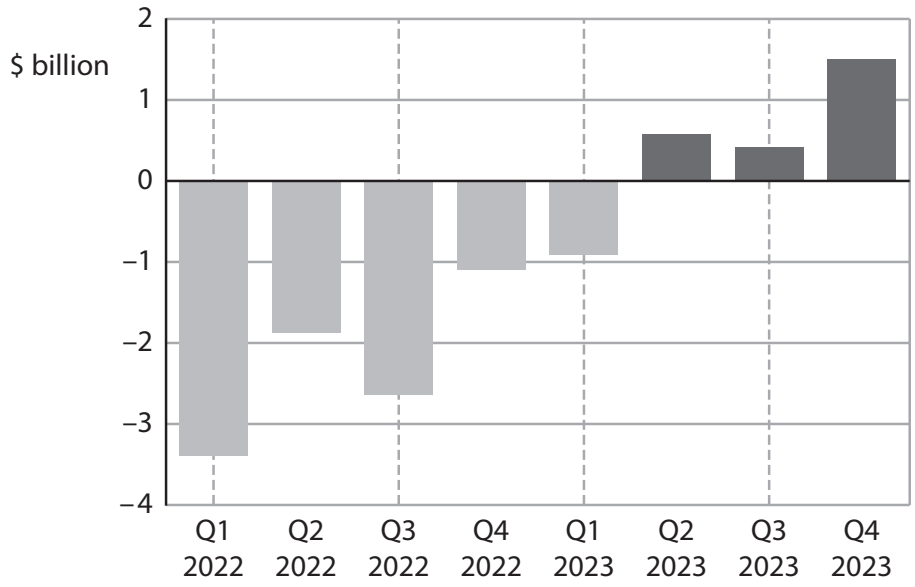
	Exports ($ billion)	Imports ($ billion)
2020	208	187
2021	257	230

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

(4)

(Total for Question 9 = 4 marks)

10 The chart shows Peru's current account of the balance of payments between quarter 1 (Q1) 2022 and quarter 4 (Q4) 2023.



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

(Total for Question 10 = 4 marks)

SECTION C

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering Question 12.

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

12 (a) Define the term 'base rate of interest' (Figure 1).

(2)

(b) With reference to Figure 2, explain the term 'recession'.

(4)

(c) With reference to Extract B, analyse **one** possible impact of the fall in the value of the peso on Argentina's current account on the balance of payments.

(6)

(d) With reference to the information provided, examine the likely impact of inflation on the economy of Argentina.

(8)

(e) Using the information in Extracts A and B, discuss policies that the Argentinian Government could use to increase consumption.

(14)

Sources for use with Section C.

The economy of Argentina

Figure 1 The base rate of interest for Argentina, April 2013 – April 2018

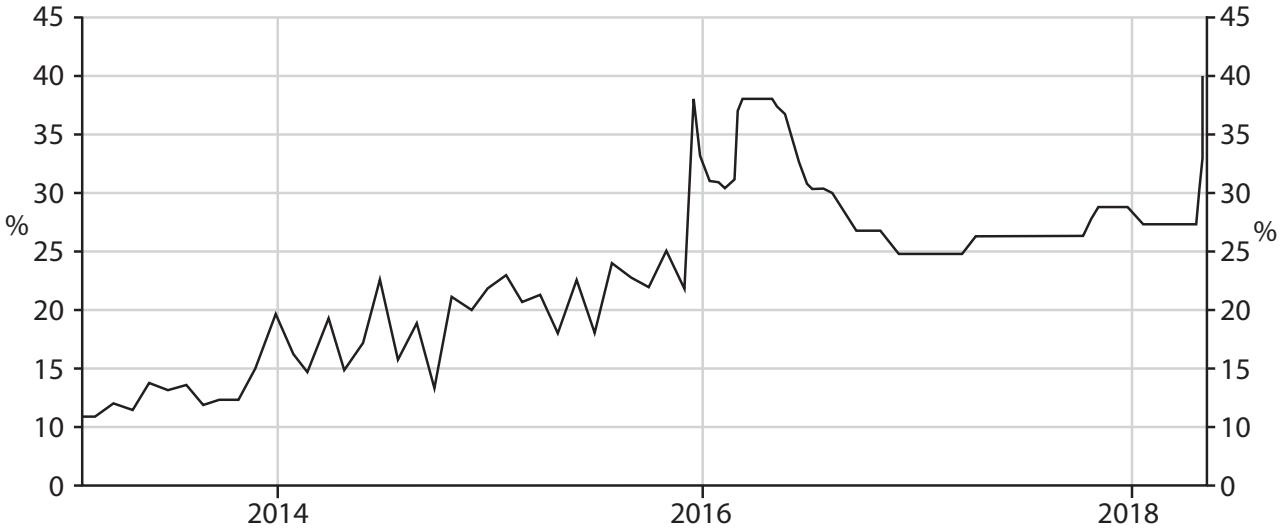
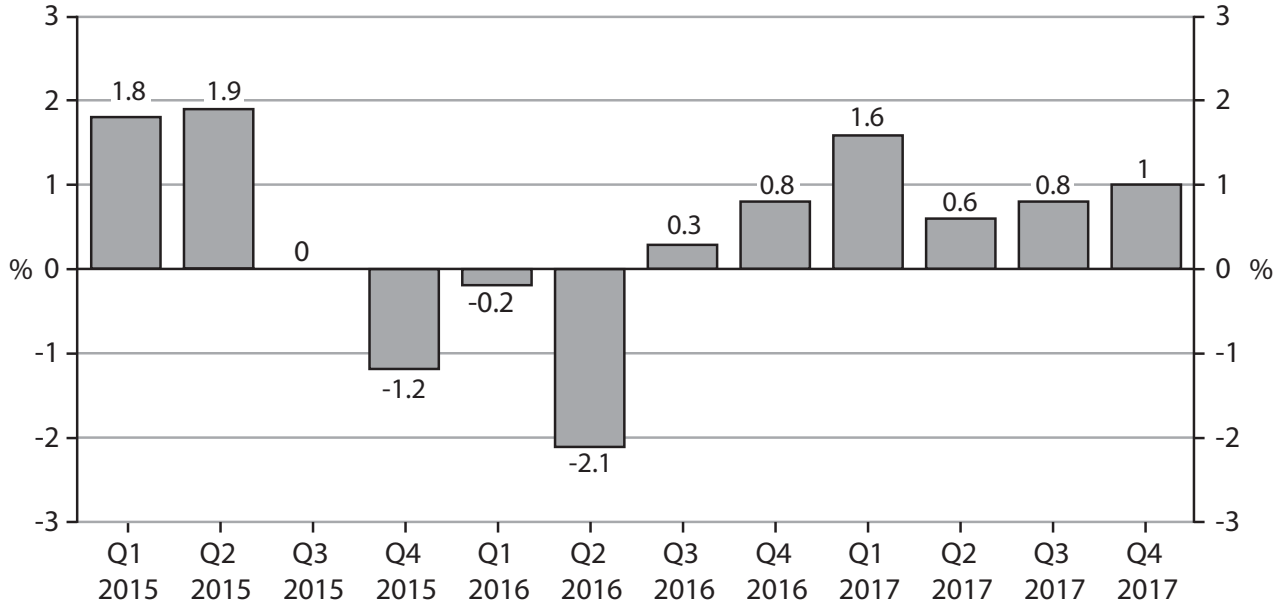


Figure 2 Quarterly GDP growth rate (%), 2015 – 2017



Extract A The problems facing the economy

Argentina is South America's second largest economy. Mauricio Marci was elected as its President in 2015. He faced the difficult task of controlling inflation which was between 30%–40% per year. He also needed to reduce the large budget deficit which was 7.1% of GDP. Between the end of 2015 and the beginning of 2016 the economy went into recession. This was caused by a significant reduction in government spending in an attempt to balance the budget. The purchasing power of consumers declined as wages fell and the rate of inflation rose to 40%. A fall in demand for Argentina's exports also contributed to the decrease in economic growth.

Extract B Improving economic outlook

Since coming out of recession in 2016, economic growth in Argentina has stabilised at an annual rate of around 3% per year. However, high inflation is still a major problem. Inflation was 25% in 2017. The effect of this inflation is damaging to both households and businesses. Rising prices have reduced domestic business investment as firms are unsure about future costs. One of the Argentinian Government's key economic policies is to stabilise prices to encourage consumption and investment.

A fall in the value of the Argentinian currency, the peso, against the dollar also caused inflationary pressure. In 2018 the peso lost around 12% of its value against the dollar. This makes importing goods from the USA very expensive. At the same time there was a decrease in the value of commodity exports, causing a current account deficit. In an attempt to reduce the rate of inflation and to stabilise the currency, the Central Bank of Argentina increased the base rate of interest to 40%.

However, the situation is not all bad. Real wages are rising in many sectors and consumer spending is increasing. Also, the Government plans to spend US$14 billion on infrastructure. These positive changes have helped Argentina to attract investment from Japanese transport companies such as Mitsubishi and Marubeni Corp, and the American technology company, Apple.

(c) With reference to Extract B, analyse **one** possible impact of the fall in the value of the peso on Argentina's current account on the balance of payments.

(6)

SECTION C

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering Question 12.

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

12 (a) Define the term 'monetary policy'. (Extract A, line 8)

(2)

(b) With reference to Extract A, explain the term 'foreign direct investment'.

(4)

(c) With reference to Figure 1 and Extract A, examine **two** likely impacts of the annual GDP growth rates on the people living in East African countries.

(8)

(d) With reference to Figure 2, analyse **one** macroeconomic effect of the change in the current account balance as a percentage of GDP on East African economies.

(6)

(e) With reference to Extract A and Extract B, discuss the likely effects of interventionist supply-side policies on East African economies.

(14)

Sources for use with Section C.

East African* economies

* Countries include Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Rwanda, Seychelles, Somalia, South Sudan, Tanzania and Uganda.

Figure 1 Annual real GDP growth, 2014–2018

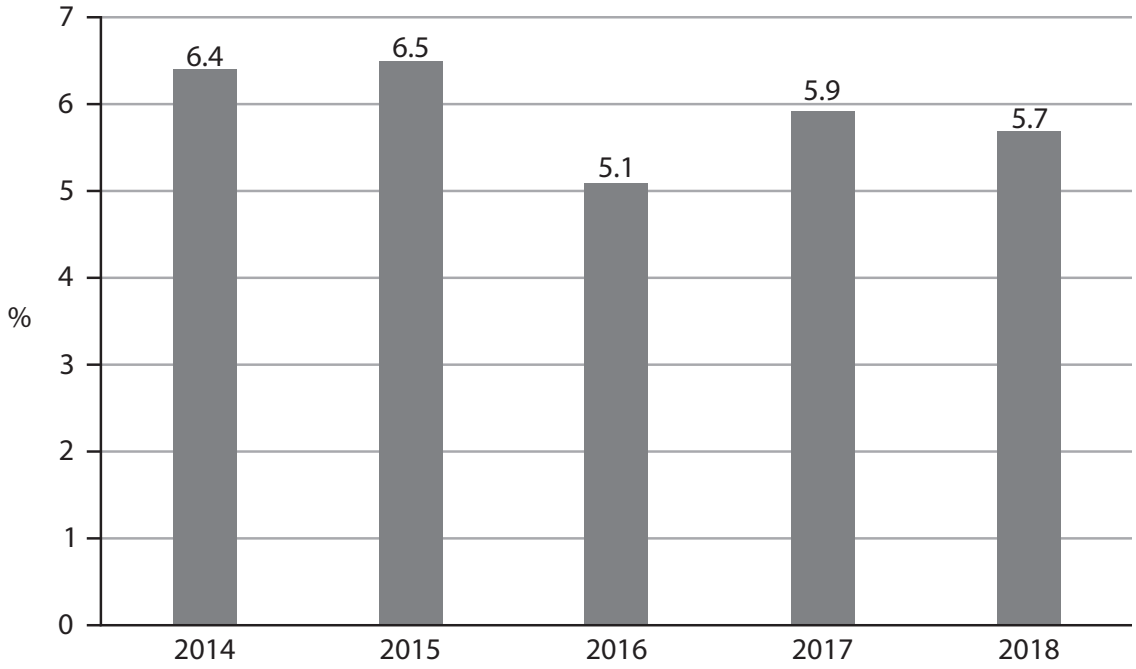


Figure 2 Current account on the balance of payments as a percentage of GDP, 2016–2018

	East African economies
2016	-6.7
2017	-5.4
2018	-5.3

Extract A Rapid growth in East Africa

East Africa was the fastest growing region of Africa in 2018. Increasing commodity prices helped the agricultural and mining sectors contribute most to this growth. Higher foreign direct investment (FDI) in the region also contributed to economic growth. Growth in FDI in 2018 was 67% in Uganda, 27% in Kenya and 18% in Tanzania. Governments in East Africa have been investing in infrastructure, such as roads, seaports and airports.

As a result of rapid economic growth, the rate of inflation increased to 13.1% in 2016 and 14.4% in 2017. Appropriate monetary policy in the region helped the rate of inflation to fall to 8.9% in 2019.

Despite rapid economic growth rates, unemployment remains high. Many consumers struggle to meet their basic needs. The governments of the region have been advised to focus on interventionist supply-side policies. These should include continued investment in infrastructure, improving the health and skills of the labour force and increasing the supply of housing.

Extract B East African infrastructure investment needed

East African economies have under-invested in infrastructure. The roads in East Africa are in a poor condition. The combination of low speeds and long distances causes high transport costs. Rail transport is poor, which means most goods have to be transported on a congested road system. Funds from China are being used to build two rail routes in the region.

Inadequate energy supply is the biggest infrastructure problem. East Africa has the lowest energy generating capacity per capita on the continent. Poor energy supply causes blackouts. However, the region has the potential to develop hydro, wind and fossil fuel resources that could increase energy supply.

The region has the smallest proportion of their population with telephone lines and access to mobile phone networks in Africa. However, recently there has been a high level of investment in telecommunications infrastructure. This will result in significant improvements in communications.

(d) With reference to Figure 2, analyse **one** macroeconomic effect of the change in the current account balance as a percentage of GDP on East African economies.

(6)

MARK SCHEMES

official mark schemes, in the same order as the questions

4	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** ***A*** *is not correct because devaluation happens in a fixed exchange rate* ***B*** *is not correct because revaluation happens in a fixed exchange rate* ***D*** *is not correct because there is a decrease in the exchange rate*	**(1)**
5	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** ***B*** *is not correct because net welfare loss areas are ABC and DEF* ***C*** *is not correct because producer surplus has increased by the area P_1 P_2 B A* ***D*** *is not correct because consumer surplus has decreased by the area P_1 P_2 E F*	**(1)**
6	**QS5**: Calculate and interpret index numbers.	**The only correct answer is B** ***A*** *is not correct because 100.0 represents the base year* ***C*** *is not correct because 101.9 is the index number for 2016 using 2015 as base year* ***D*** *is not correct because 102.8 is the index number for 2017 using 2015 as base year*	**(1)**

6	**QS1:** Calculate, use and understand ratios and fractions **QS3:** Understand and use the terms mean and median **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** **A** *is not correct as this takes the GDP in Pakistan and divides by the population in India* **B** *is not correct as this is the GDP per capita for Pakistan and not India* **D** *is not correct as this has taken the GDP in India and divided by the Pakistan population*	**(1)**

Section A

Question	Quantitative skills assessed	Answer	Mark
1	-	**The only correct answer is A** ***B*** *is not correct as this is not measured by PPP, but by the World Happiness Index* ***C*** *is not correct as this does not consider the price differences of goods in other countries* ***D*** *is not correct as PPP does not compare CPI or RPI in different countries as these are measures of inflation*	**(1)**
2	**QS5**: Calculate and interpret index numbers **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** ***A*** *is not correct as 100 is the base year* ***B*** *is not correct as this is the index number for 2019 using 2018 as the base year* ***C*** *is not correct as this is the index number for 2018 using 2017 as the base year*	**(1)**
3	**QS1:** Calculate, use and understand ratios and fractions	**The only correct answer is C** ***A*** *is not correct because this will increase the value of the multiplier* ***B*** *is not correct because this will increase the value of the multiplier* ***D*** *is not correct because this will increase the value of the multiplier*	**(1)**
4	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** ***A*** *is not correct because the value of exports is smaller than the value of imports* ***B*** *is not correct as this represents a budget deficit when government spending>taxation* ***C*** *is not correct as balance of trade is always in deficit as indicated by the negative values*	**(1)**
5	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** ***A*** *is not correct as there are more withdrawals from the CFI* ***B*** *is not correct as savings are a withdrawal from the CFI* ***D*** *is not correct as imports are likely to fall as the savings ratio increases*	**(1)**

Section A

Question	Quantitative skills assessed	Answer	Mark
1	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** ***B*** is not correct as there were two periods of positive growth and two periods of negative growth ***C*** *is not correct as Quarter 3 of 2019 saw negative economic growth* ***D*** *is not correct as there is only one quarter of negative growth*	**(1)**
2	-	**The only correct answer is D** ***A*** *is not correct as real wage inflexibility is where wages are unable to drop to equilibrium resulting in unemployment* ***B*** *is not correct as the graduates are economically active* ***C*** *is not correct as the graduates are employed*	**(1)**
3	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** ***A*** *is not correct because AD would be shifted by changes in consumption, investment, government spending or net exports* ***B*** *is not correct because AD would be shifted by changes in consumption, investment, government spending or net exports* ***D*** *is not correct because improved labour productivity shifts LRAS to the right*	**(1)**
4	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** ***B*** *is not correct as a net injection would occur when government spending exceeds tax revenue* ***C*** *is not correct as the current account of the balance of payments relates to exports and imports* ***D*** *is not correct as the current account of the balance of payments relates to exports and imports*	**(1)**
5	QS9: Interpret, apply and analyse information in	**The only correct answer is B**	**(1)**

5	**QS5:** Calculate and interpret index numbers **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** ***B*** *is not correct because this uses 2018 as the base year* ***C*** *is not correct because this calculates the index number for 2019, using 2018 as the base year* ***D*** *is not correct because this calculates the index number for 2019, using 2020 as the base year*	**(1)**
6	**QS5:** Calculate and interpret index numbers **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is D** ***A*** *is not correct because this will reduce Afghanistan's terms of trade* ***B*** *is not correct because this will reduce Afghanistan's terms of trade* ***C*** *is not correct because this will reduce Afghanistan's terms of trade*	**(1)**

5	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** ***A*** *is not correct as QE will increase the availability of credit* ***B*** *is not correct as QE will increase the rate of inflation* ***C*** *is not correct as QE will reduce the rate of unemployment*	**(1)**
6	**QS5:** Calculate and interpret index numbers **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** ***A*** *is not correct as this is the index number for 2018 using 2020 as the base year* ***B*** *is not correct as this is the index number for 2019 using 2020 as the base year* ***C*** *is not correct as this is the index number for 2020 using 2019 as the base year*	**(1)**

Section B

Question	With reference to the chart, explain **one** likely effect of this trend in the rate of inflation. **Answer**	Mark
7	**Knowledge 1, Analysis 2, Application 1** **Quantitative skills assessed:** **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and Analysis** 1 knowledge mark for defining inflation, e.g.: • Increase in the general price level of the economy / a rise in the average prices of goods and services in an economy **(1K)** *OR* 1 knowledge mark for identifying one likely effect of rising inflation and up to 2 marks for linked explanation of the effect identified, e.g.: • Increased inequality **(1K)** those who have fixed incomes **(1AN)** who are not protected by inflation – e.g. students, dependents, pensioners are often the poorest **(1AN)** • May worsen trade balance **(1K)** as price of Denmark's exports may rise more than the price of other countries' goods **(1AN)** making exports less internationally competitive **(1AN)** • Fall in real incomes **(1K)** leading to lower consumer confidence/ decrease in purchasing power **(1AN)** and hence, reducing living standards **(1AN)** • Greater uncertainty **(1K)** leading to loss of business confidence **(1AN)** which reduces or postpones investment/spending and hence may reduce economic growth **(1AN)** **Application** 1 mark for appropriate use of the chart, e.g.: • For identifying an increase in the rate of inflation **(1)** • Between Jan 2021 and Nov 2021, the rate of inflation increased from approximately 0.6% to 3.4% / by 2.8 *percentage points* **(1)**	**(4)**

Section A

Question	Quantitative skills assessed	Answer	Mark
1	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** ***A*** *is not correct as a decrease in the MPT will increase the value of the multiplier* ***B*** *is not correct as a decrease in the MPS will increase value of the multiplier* ***C*** *is not correct as an increase in the MPC will increase the value of the multiplier*	**(1)**
2	-	**The only correct answer is B** ***A*** *is not correct as profits for firms are likely to rise* ***C*** *is not correct as the government is likely to earn more tax revenue* ***D*** *is not correct as this is a benefit of growth*	**(1)**
3	**QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** ***A*** *is not correct as unemployment did not rise due to changes in seasons* ***B*** *is not correct as unemployment did not rise due to changes in technology/sectors* ***D*** *is not correct as unemployment did not rise as a result of people changing jobs*	**(1)**
4	**QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** ***B*** *is not correct because an increase in real GDP per capita is likely to cause a decrease in the rate of unemployment* ***C*** *is not correct because an increase in real GDP per capita is likely to cause an increase in consumer confidence* ***D*** *is not correct because an increase in real GDP per capita is likely to increase the purchasing power of consumers*	**(1)**

5	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** ***A*** *is not correct as the rate of economic growth is most likely to decrease as AD would fall* ***C*** *is not correct as the higher base rate of interest will increase the cost of borrowing* ***D*** *is not correct as the higher base rate of interest will increase the reward for saving*	**(1)**
6	**QS1:** Calculate, use and understand ratios and fractions **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** ***B*** *is not correct as this is the ratio for 2018:2019* ***C*** *is not correct as this is the ratio for 2019:2018* ***D*** *is not correct as this is the ratio for 2020:2018*	**(1)**

Section B

Question	With reference to the chart, explain **one** likely cause for the deficit in Austria's balance of trade in goods and services.	Mark
7	**Knowledge 1, Analysis 2, Application 1** **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge** 1 mark for identification of a reason, e.g. • Relatively low productivity/ • Relatively high rate of inflation/ • Appreciation of the exchange rate/ • Increasing real incomes/increase in economic growth/ • Deterioration in quality of Austrian goods/services **(1)** **Analysis** Up to 2 marks for linked expansion of one reason, e.g. • Low productivity increases cost per unit **(1)** makes exports relatively expensive/reducing the demand for Austrian goods and services **(1)** • High rate of inflation makes export prices relatively more expensive **(1)** and reduces the value of exports **(1)** • Increase in the external value of Austria's currency will make exports relatively more expensive **(1)** and its imports relatively cheaper **(1)** • Demand for imports increases **(1)** as the marginal propensity to import indicates that changes in imports are dependent on changes in income **(1)** • Lower quality of Austrian goods or services will reduce demand for its exports **(1)** and increase demand for imports **(1)** **Application** 1 mark for appropriate use of the chart, e.g.: • In Sep 2021, there is a trade deficit of around €5 billion **(1)** • Trade deficit in every month, from Oct 2020 - Sep 2021 **(1)** • Deficit was highest in June 2021/was lowest in Nov 2020 **(1)**	**(4)**

6	**QS1:** Calculate, use and understand ratios and fractions **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** ***A*** *is not correct because nominal GDP increased by 134.8%* ***B*** *is not correct because population increased by 5%* ***C*** *is not correct because this uses an incorrect formula for GDP per capita*	**(1)**

Section B

Question	Explain **one** possible effect of the increase in the rate of unemployment on the public finances of Pakistan.	**Mark**
7	**Knowledge 1, Analysis 2, Application 1** **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge** 1 mark for definition of rate of unemployment or public finances, e.g. • The rate of unemployment refers to the percentage of the total workforce that is unemployed but is actively seeking employment and willing to work *OR* • Public finances refer to tax revenues and public expenditure **(1)** **Analysis** Up to 2 marks for possible effect and linked expansion, e.g. • This increase in the rate of unemployment leads to an increase in the number claiming/receiving unemployment benefits **(1)** leading to increased government spending/to a deterioration in public finances **(1)** / This increase in the rate of unemployment leads to a reduction in the number of people paying income tax **(1)** leading to a fall in the government tax revenues/to a deterioration in the public finances **(1)** **Application** 1 mark for appropriate link to Pakistan, e.g.: • Unemployment rate increased by 2.4 percentage points / • Between 2018 and 2021 the annual rate of unemployment increased from 4.1% to 6.5% **(1)**	**(4)**

Section A

Question	Quantitative skills assessed	Answer	Mark
1	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** ***A*** *is not correct as this will shift the AS curve* ***B*** *is not correct as this will shift the AS curve* ***D*** *is not correct as this will shift the AS curve*	**(1)**
2	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** ***A*** *is not correct as this is an interventionist supply-side policy* ***C*** *is not correct as this is an interventionist supply-side policy* ***D*** *is not correct as this is an interventionist supply-side policy*	**(1)**
3	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** ***A*** *is not correct because this will decrease the value of the multiplier* ***B*** *is not correct because this will decrease the value of the multiplier* ***D*** *is not correct because this will decrease the value of the multiplier*	**(1)**
4	**QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** ***A*** *is not correct because between A to B the economy is experiencing a downturn/ negative economic growth* ***C*** *is not correct because at point C there is no output gap* ***D*** *is not correct because between C and D the economy is growing, and with greater output, unemployment is likely to be falling*	**(1)**
5		**The only correct answer is A** ***B*** *is not correct as this is the role of the government* ***C*** *is not correct as this is the role of the government* ***D*** *is not correct as this is the role of the government*	**(1)**
6	**QS5:** Calculate and interpret index numbers **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** ***A*** *is not correct as this is the base year* ***B*** *is not correct as this is the index number for 2020 using 2019 as the base year* ***C*** *is not correct as this is the index number for 2021 using 2020 as the base year*	**(1)**

Section A

Question	Quantitative skills assessed	Answer	Mark
1	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** ***A*** *is not correct as investment and the profits of firms are likely to fall* ***B*** *is not correct as real income is likely to fall and government expenditure is likely to rise* ***C*** *is not correct as unemployment is likely to rise and consumer confidence is likely to fall*	**(1)**
2	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** ***A*** *is not correct as this implies higher consumption and therefore leads to an increase in the average price level* ***C*** *is not correct as this would lead to higher consumption and therefore an increase in the average price level* ***D*** *is not correct as this would lead to higher consumption/investment and therefore an increase in the average price level*	**(1)**
3	**QS1:** Calculate, use and understand ratios and fractions **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** ***A*** *is not correct as this is calculated using an incorrect formula: 44 / 1.5* ***B*** *is not correct as this is calculated using an incorrect formula: 44 x 1.5* ***D*** *is not correct as this is calculated using an incorrect formula: (44 x 1.5 x 1000)*	**(1)**
4	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** ***A*** *is not correct because this will lead to a reduction in the deficit on the balance of trade for Honduras* ***C*** *is not correct because this will lead to a reduction in the deficit on the balance of trade for Honduras* ***D*** *is not correct because this will lead to a reduction in the deficit on the balance of trade for Honduras*	**(1)**
5	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** ***A*** *is not correct as incomes will fall and reduce national happiness* ***B*** *is not correct as profits for firms will fall as consumer spending decreases* ***D*** *is not correct as welfare payments will increase*	**(1)**

Section A

Question	Quantitative skills assessed	Answer	Mark
1	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** ***A*** *is not correct because net investment is gross investment minus capital depreciation* ***C*** *is not correct because net investment is gross investment minus capital depreciation* ***D*** *is not correct because net investment is gross investment minus capital depreciation*	**(1)**
2	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** ***A*** *is not correct as this occurs when people move between jobs* ***B*** *is not correct as this occurs when wages are set above the equilibrium wage rate* ***D*** *is not correct as this occurs when there is a mismatch between the skills that workers have and the skills demanded by employers*	**(1)**
3	**QS1**: Calculate, use and understand ratios and fractions **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** ***B*** *is not correct as this is the ratio of Qatar's GNI in 2020 to its GNI in 2022* ***C*** *is not correct as this is 1 : percentage change in GNI* ***D*** *is not correct as this is 1 : difference between the GNI values*	**(1)**
4	**QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** ***A*** *is not correct as this will increase aggregate demand* ***B*** *is not correct as this will cause a rightward shift in the SRAS curve* ***D*** *is not correct as this will increase aggregate demand /shift the LRAS curve to the right*	**(1)**
5	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** ***A*** *is not correct as house prices are likely to fall* ***B*** *is not correct as the rate of inflation is likely to fall* ***C*** *is not correct as business confidence is likely to fall*	**(1)**
6	**QS5:** Calculate and interpret index numbers **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** ***A*** *is not correct as this will be a result of a fall in consumer confidence* ***B*** *is not correct as the price level will rise* ***C*** *is not correct as real output will rise*	**(1)**

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** ***A*** *is not correct because this would reduce economic development* ***B*** *is not correct because this would reduce economic development* ***D*** *is not correct because this would reduce economic development*	**(1)**
2	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is B** ***A*** *is not correct because this is associated with a floating exchange rate* ***C*** *is not correct because this is associated with a floating exchange rate* ***D*** *is not correct because this is when the value of the currency increases in a fixed exchange rate system*	**(1)**
3	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** ***A*** *is not correct because specialisation and trade will lead to an increase in the volume of exports and imports* ***B*** *is not correct because specialisation and trade will lead to an increase in living standards* ***D*** *is not correct because specialisation and trade will reduce absolute poverty*	**(1)**
4	**QS5:** Calculate and interpret index numbers. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** ***B*** *is not correct because this is the index number for 2012 using 2022 as base year* ***C*** *is not correct because this is the index number for 2022 using 2012 as base year* ***D*** *is not correct because this is the index number for 2022 using 2002 as base year*	**(1)**

Section C

Question Number	Answer	Mark
12 (a)	**Knowledge 2** • PPP adjusts for the cost of living in a country **(1)** • Using the price of a given basket of goods and services **(1)** • PPPs measure the total amount of goods and services that a single unit of a country's currency can buy in another country **(2)** • PPPs convert the cost of a basket of goods and services into a common currency **(1)** • PPPs eliminate price level differences across countries **(1)** • PPPs equalise the purchasing power of currencies **(1)** • When PPP is high a country's currency can buy more, often indicating a higher standard of living **(1)** • Used to make a more accurate comparison of GDP/GNI between countries **(1)**	**(2)**

Section B

Question Number	In 2018, the EU's rate of inflation was 1.6%. With reference to Figure 1, calculate the nominal GDP growth rate of the EU in 2018. You are advised to show your workings. Answer	Mark
7(a)	**Application 2** Quantitative skills assessed: **QS7** Make calculations to convert from money to real terms. Up to 2 marks for calculations: • (2% + 1.6%) **(1)** • = 3.6% **(1)** NB If correct answer (3.6%) is given, award full marks regardless of working NB Award only 1 mark for 3.6 without the percentage sign	**(2)**

Question Number	Explain what is meant by 'quantitative easing' (Extract A, lines 8-9). Answer	Mark
7(b)	**Knowledge 2, Application 2** Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** Up to 2 marks for understanding of quantitative easing (1+1), e.g.: • Asset purchases by central bank **(1)** • Increases the money supply **(1)** • The central bank buys government bonds **(1)** **Application** Up to 2 marks for application to quantitative easing (1+1), e.g.: • €2.5 trillion quantitative easing programme **(1)** • Gave firms greater access to credit **(1)** • ECB has also indicated that it could extend this programme **(1)** • This would reduce fears of economic uncertainty **(1)**	**(4)**

Section C

Question	Define the term 'recession' (Extract A, line 7).	Mark
12 (a)	**Knowledge 2** A period of two or more consecutive quarters **(1)** of negative economic growth/falling real GDP **(1)**	**(2)**

Question	With reference to Figure 2, explain how the CPI inflation rate is calculated.	Mark
12 (b)	**Knowledge 2, Application 2** **Quantitative Skill Assessed** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms. **Knowledge** Up to 2 marks for explaining how the CPI inflation rate is calculated, e.g.: • It uses a weighted basket of goods and service **(1)** • The weights are in proportion to the amount of money spent on each item **(1)** • Monthly price surveys are undertaken **(1)** • An annual survey of household spending is used to set the weights/the contents of the basket **(1)** • In the base year the index number is set at 100 **(1)** **NB:** No marks for definition of inflation/inflation rate/inflation target **Application** Up to 2 marks for relevant references to Figure 2, e.g.: • Services have the highest weighting of the item groups shown at 48.9% **(1)** meaning they account for 48.9% of average household expenditure in France **(1)** • Tobacco has the lowest weighting of 2% **(1)** so the 13.9% increase in the price of tobacco will have a relatively small effect on the CPI **(1)** • Food has a weight of 16.1% / the percentage price change of food is 2.3% **(1)**	**(4)**

Section C

Question	Define the term 'real GDP' (Figure 1).	Mark
12 (a)	**Knowledge 2** The total value of goods and services produced in an economy/total output/total income **(1)** adjusted for inflation **(1)**	**(2)**

Question	With reference to Figure 2, explain the difference between disinflation and deflation.	Mark
12 (b)	**Knowledge 2, Application 2** **Quantitative Skill Assessed** **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **QS10** Distinguish between changes in the level of a variable, and the rate of change **Knowledge** 1 mark for definition of disinflation, e.g.: • Disinflation is a fall in the *rate* of inflation/the average price level is increasing at a slower *rate* **(1)** 1 mark for definition of deflation, e.g.: • Deflation is a sustained fall in the general price level/a negative rate of inflation **(1)** **Application** 1 mark for relevant application to disinflation from Figure 2, e.g.: • There was disinflation between January and May 2020 / • In March 2020 the inflation rate was 0.7% and in April 2020, the rate decreased to 0.3% **(1)** 1 mark for relevant application to deflation from Figure 2, e.g.: • There was deflation between August and December 2020 / • In November 2020, there was deflation of -0.3% **(1)**	**(4)**

Section C

Question	Define the term 'recession' (Extract A, line 2).	Mark
12 (a)	**Knowledge 2** Negative economic growth / fall in real GDP **(1)** for two *consecutive/successive* quarters / six months **(1)**	**(2)**

Question	With reference to Figure 1, explain what is meant by the savings ratio.	Mark
12 (b)	**Knowledge 2, Application 2** **Quantitative Skill Assessed** **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** Up to 2 marks for defining what is meant by the savings ratio: • total savings/total disposable income **(1)** x 100 **(1)** • proportion or percentage of total disposable income **(1)** that is saved/not spent **(1)** • savings represent that part of income which is not spent **(1)** **Application** Up to 2 marks for relevant application, e.g.: • Savings ratio has increased **(1)** from 3.6% in Q3 2018/to 22% Q2 2020 **(1)** • Between Q2 2020 and Q3 2020, savings ratio fell **(1)** from 22% in Q2 2020 to 18.7% in Q3 2020/by 3.3 percentage points **(1)**	**(4)**

Section C

Question	Define the term 'seasonally adjusted' (Figure 1).	Mark
12 (a)	**Knowledge 2** **QS12:** Understand the meaning of seasonally adjusted figures • Time series data **(1)** that has seasonal variations/changes removed **(1)** • Economic data **(1)** that has been adjusted to remove the effect of seasonality/seasonal factors **(1)** • Data/values/figures/statistics **(1)** that are updated by seasons/at different times of the year **(1)**	**(2)**

Section C

Question	Define the term 'GDP growth rate' (Extract A, line 23).	Mark
12 (a)	**Knowledge 2** • The annual percentage change/increase/decrease **(1)** in the total amount of/value of goods and services produced in an economy **(1)**	**(2)**

Question	With reference to Figure 1, explain the difference between a balance of trade deficit and a balance of trade surplus.	Mark
12 (b)	**Knowledge 2, Application 2** **Quantitative Skills Assessed** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms. **Knowledge** 1 mark for defining a balance of trade deficit: • Value of imports is greater than the value of exports / • Allow (M>X) / imports>exports **(1)** 1 mark for defining a balance of trade surplus: • Value of imports is less than the value of exports / • Allow (M<X) / imports<exports **(1)** **Application** 1 mark for correctly identifying a period when India was experiencing a balance of trade deficit, e.g.: • In December 2020 balance of trade deficit was $15.4 billion / • There was a balance of trade deficit between July 2020 and July 2022 **(1)** 1 mark for correctly identifying a period when India was experiencing a balance of trade surplus, e.g.: • Only one month where India had a balance of trade surplus / • Balance of trade surplus of $0.8 billion in June 2020 **(1)**	**(4)**

Section C

Question	Define the term 'real GDP' (Figure 1).	Mark
12 (a)	**Knowledge 2** • Total value/output of goods and services produced in an economy in a given year **(1)** adjusted for inflation **(1)**	**(2)**

Question	With reference to Figure 2, explain how ILO unemployment is measured.	Mark
12 (b)	**Knowledge 2, Application 2** **Quantitative Skill Assessed** **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms. **Knowledge** Up to 2 marks for explaining how ILO unemployment is measured, e.g. • Person is out of work for four weeks **(1)** • Willing to work in the next two weeks **(1)** • Uses the Labour Force Survey (LFS) / in form of (telephone) interviews/(online) surveys/ questionnaires **(1)** **Application** Up to 2 marks for application to Figure 2, e.g.: • Between January 2022 and June 2022 youth unemployment in China increased **(1)** from 15.3% to 19.3% **(1)** • Between January 2022 and June 2022 youth unemployment in China increased **(1)** by four percentage points **(1)** • For identifying youth unemployment rate in any one month **(1)**	**(4)**

Section C

Question	Define the term 'GDP per capita' (Figure 1).	Mark
12 (a)	**Knowledge 2** • Total income/output/expenditure **(1)** per head/per person **(1)** • GDP/ population **(1)**	**(2)**

Question	With reference to Figure 1, explain the likely impact of higher real incomes on subjective happiness.	Mark
12 (b)	**Knowledge 2, Application 2** **Quantitative Skill Assessed** **QS4:** Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms. **Knowledge** 1 mark for identifying the likely impact, e.g. • The greater the real income/GDP per capita, the higher the subjective happiness/living standards **(1)** 1 mark for linked expansion/development • People can afford to purchase more goods and services/have greater purchasing power **(1)** • People may be less anxious about their job prospects/have greater job security **(1)** • People are less worried about making payments **(1)** • There is no impact once a person has reached a certain level of income **(1)** **Application** Up to 2 marks for application to Figure 1, e.g.: • Between 2020 and 2022 real GDP per capita in the UK increased from around £29 500 **(1)** to £32 900 **(1)** • Between 2010 and 2019 real GDP per capita in the UK increased from around £29 900 **(1)** to £33 500 **(1)** • Between 2020 and 2022 real GDP per capita in the UK increased **(1)** by nearly £3 400 **(1)** • Real GDP per capita was highest in 2019 **(1)** at £33 500 **(1)** **NB Do not credit answers that consider a decrease in real GDP per capita and an associated decrease in subjective happiness**	**(4)**

Section C

Question	Define the term 'living standards'.	Mark
12 (a)	**Knowledge 2** • Subjective happiness / quality of life **(1)** which includes health, education, relationships, environment, comfort, wealth, etc **(1)** • The quantity and quality of material goods and services **(1)** available to a population of a country **(1)** • Physical/psychological **(1)** wellbeing/welfare of people **(1)**	**(2)**

Question	With reference to Figure 2, explain the difference between disinflation and inflation.	Mark
12 (b)	**Knowledge 2, Application 2** **Quantitative Skill Assessed** **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **QS10:** Distinguish between changes in the level of a variable, and the rate of change **Knowledge** 1 mark for defining disinflation: • Disinflation occurs when the average price level rises but at a decreasing rate/ The rate of inflation falls but is still positive **(1)** 1 mark for defining inflation: • Inflation occurs when the average price level increases **(1)** **Application** 1 mark for correctly identifying a period when Brazil was experiencing disinflation, e.g.: • There was disinflation between July 2022 and December 2022 **(1)** 1 mark for correctly identifying a period when Brazil was experiencing inflation, e.g.: • There was inflation over the whole period January 2021 to January 2023 / There was inflation between January 2021 and July 2021 **(1)**	**(4)**

Section C

Question	Define the term 'recession'.	Mark
12 (a)	**Knowledge 2** • Fall in real GDP/negative economic growth/negative output gap/period of decline in economic activity **(1)** • for two or more consecutive quarters/six months **(1)**	**(2)**

Question	With reference to the third paragraph of Extract A, explain the term 'exchange rate'.	Mark
12 (b)	**Knowledge 2, Application 2** **Quantitative Skill Assessed** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** Up to 2 marks for defining exchange rate: • The *value/price* of one country's currency **(1)** in terms of another currency **(1)** • The rate at which one currency will be exchanged **(1)** for another currency **(1)** **Application** Up to 2 marks for reference to Extract A, e.g.: • Fall in domestic consumption / was mainly the result of Japan's weak exchange rate **(1)** • Japan's imports decreased by 4.3% **(1)**	**(4)**

Section C

Question	Define the term 'fiscal policy' (Extract A, line 6)	Mark
12 (a)	**Knowledge 2** • 1 mark for reference to taxation and government spending. • 1 mark for stating that it is set by the government as a means of influencing aggregate demand/the level of economic activity.	**(2)**

Question	With reference to Figure 1, explain the term 'real GDP growth'.	Mark
12 (b)	**Knowledge 2, Application 2** **QS9**: Interpret, apply and analyse information in written, graphical and tabular forms. **Knowledge** Up to 2 marks for offering a definition of real GDP growth. The percentage annual increase **(1)** in the value of a country's output of goods and services over a period of time accounting for inflation **(1)**. **Application** Up to 2 marks for reference to Figure 1: • From Jan 2016-December 2017 Romania has seen economic growth **(1)** • The economic growth has been rapid from 4.3% in Jan 2016 **(1)** to 8.8% September 2017 **(1)**	**(4)**

Question	Using the information above, calculate the change in GDP per capita between 2016 and 2017. Show your workings. Answer	Mark
11	**Knowledge 1, Application 3** **QS1:** calculate, use and understand ratios and fractions. **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** **EITHER** 1 mark for GDP per capita formula GDP/population **(1)** **OR** GDP per capita is a measure of a country's economic output that accounts for its number of people **(1)** **Application** **Up to three marks from the following** 2017: $19390.6 billion /0.3257 billion **(1)** = $59 535.16 **(1)** $59 535.16 - $57 589.70 = $1 945.46 **(1)** **OR** ($59 535.16 - $57 589.70) / $57 589.70 = 3.38% **(1)** **NB: if correct answer ($1 945.46 / 3.38%) is given, award full marks regardless of working**	**(4)**

Question	Define the term 'base rate of interest' (Figure 1). Answer	Mark
12(a)	**Knowledge 2** Up to 2 marks for defining base rate of interest • Cost of borrowing / Return received for saving money **(1)** that the central bank charges / pays commercial banks **(1)** • Set by the central bank **(1)** to commercial banks **(1)**	**(2)**

Question	With reference to Figure 2, explain the term 'recession'. Answer	Mark
12(b)	**Knowledge 2, Application 2** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** Up to 2 marks for offering a definition of recession • Two consecutive quarters **(1)** of negative economic growth / negative real GDP growth **(1)** **Application** Up to 2 marks for reference to Figure 2 for example: • Recession starts Q4 2015 -1.2% to -0.2% Q1 2016 **(1)** • Growth fell from -0.2% Q1 2016 to -2.1% Q2 2016 **(1)** • Growth fell from -1.2% Q4 2015 to -2.1% Q2 2016 **(1)** • Argentina was in recession between Q4 2015 and Q2 2016/ Q4 2015 and Q1 2016/ Q1 2016 and Q2 2016 **(1+1)**	**(4)**

Section C

Question	Define the term 'Consumption' (Extract A, line 9). **Answer**	Mark
12 (a)	**Knowledge 2** Up to 2 marks for offering a definition of consumption e.g.: • Consumption is the total spending on goods and services **(1)** by households/at a given price level/in a given time period **(1)** • Consumption is a component of AD **(1)** • The part of income that is not saved **(1)** • Consumption rose in Canada during 2017 **(1)**	**(2)**

Question	With reference to Figure 1, explain the term 'real GDP growth rate'. **Answer**	Mark
12 (b)	**Knowledge 2, Application 2** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** Up to 2 marks for offering a definition of real GDP growth rate: Definition of GDP: value of goods and services produced by a country in a year **(1)** The growth rate measures the percentage change in GDP **(1)** accounting for inflation **(1)** **Application** Up to 2 marks for reference to Figure 1 e.g.: • GDP growth was at its highest in Q2 2014 at 1.2% **(1)** • GDP growth was negative in Q1 2015 **(1)** • GDP growth was positive between Q3 2016 and Q2 2018 **(1)**	**(4)**

5	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** ***B*** *is not correct because welfare payments would fall when unemployment decreases* ***C*** *is not correct because demand for exports is affected by unemployment rates overseas, not in Spain* ***D*** *is not correct because we cannot tell what happened to economic inactivity rates*	**(1)**
6	**QS4:** Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is D** ***A*** *is not correct because the Canadian dollar depreciated making exports more competitive in the USA* ***B*** *is not correct because the Canadian dollar depreciated making Canadian import from the USA less competitive* ***C*** *is not correct because the Canadian dollar depreciated*	**(1)**

Section B

Question Number	Answer	Mark
7	**Knowledge 1, Analysis 2, Application 1** **Knowledge** 1 mark for definition of subjective happiness **OR** real income, e.g.: • Value people place on wellbeing **(1) OR** Income adjusted for inflation **(1)** **Analysis** Up to 2 marks for effect of this increase in real incomes e.g.: • Higher incomes may lead to a greater ability to afford goods and services **(1)** improvement in their sense of wellbeing/ increasing happiness **(1)** **Application** 1 mark for applying to stem e.g.: • 5.3% increase in real GDP per capita **(1)**	**(4)**

Question Number	Answer	Mark
11	**Knowledge 1, Application 3** **Quantitative skills assessed:** **QS1:** Calculate, use and understand ratios and fractions. **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** 1 mark for correct definition/formula/implicit understanding, e.g.: • GDP per capita is a measure of a country's economic output that accounts for its number of people **(1)** • GDP ÷ population **(1)** **Application** Up to 3 marks for use of the data in calculation from the following, e.g.: $2597.5 billion /1.2836 billion = $2023.60 **(1)** $2023.61 - $1506.20 **(1)** = $517.41 **(1)** **NB: if correct answer ($517.41) is given, award full marks regardless of working** **NB: accept answers to any sensible number of decimal places, e.g.:** • **$517 (0 d.p.)** • **$517.4 (1 d.p.)** • **$517.41 OR $517.42 (2 d.p.)** **NB: if candidate calculates percentage change correctly (34.4%) but does not state the change in money terms, award a maximum of 3 marks.**	**(4)**

Section B

Question Number	Answer	Mark
7	**Knowledge 2, Application 2** Quantitative skills assessed: **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms. **QS10:** Distinguish between changes in the level of a variable, and the rate of change. **Knowledge** Up to 2 marks for explaining the difference between positive and negative economic growth rates, e.g.: • A positive economic growth rate shows the percentage increase in real GDP over a given period of time **(1)** • A negative economic growth rate shows the percentage decrease in real GDP over a given period of time **(1)** **Application** 1 mark for correctly identifying a period when Ukraine had a positive economic growth rate, e.g.: • In 2016, the Ukrainian economy grew by 2.4% **(1)** 1 mark for correctly identifying a period when Ukraine had a negative economic growth rate, e.g.: • In 2014, the Ukrainian economy contracted by 6.6% **(1)**	**(4)**

Question Number	Answer	Mark
12 (b)	**Knowledge 2 Application 2** Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical and tabular forms. **Knowledge** Up to 2 marks for explaining the difference between GDP and GNI per capita, e.g. • GDP per capita is the value of all goods and services produced within an economy in a period of time, divided by the economy's population **(1)** • GNI per capita is the total income generated by a country's citizens in a period of time, divided by the economy's population **(1)** • GNI = GDP + income earned from nationals living in foreign countries – income earned from foreign nationals living in the country/+ net receipts of primary income from abroad **(1)** **Application** Up to 2 marks for relevant references to Figure 1, e.g. • GNI per capita is greater than GDP per capita in each year shown **(1)**, indicating net inflows of primary income from outside the Philippines **(1)** • The difference between GNI per capita and GDP per capita has increased (in absolute terms) over the period shown **(1)**, GDP per capita has increased by $2064 between 2000 and 2018/GNI per capita has increased by $2610 between 2000 and 2018 **(1)**	**(4)**

Question Number	With reference to the overall trend of the data, explain what is meant by the term 'growth of real GDP'. Answer	Mark
10	**Knowledge 2, Application 2** **Quantitative skills assessed:** QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9 Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge** Up to 2 marks for defining what is meant by "growth of real GDP": • An increase in the total value of output/expenditure/ income **(1)** adjusted for inflation **(1)** **Application** 1 mark for the trend e.g. • Growth rate increases between Q1 and Q2/Q3/Q4/ between Q2 and Q3 **(1)** 1 mark for explcit use of data e.g. • In Q1 2019 real GDP did not grow **(1)** • Quoting one or more of the quarterly figures **(1)**	**(4)**

Question Number	*Ceteris paribus*, calculate the aggregate demand for the USA in 2018. Answer	Mark
11	**Knowledge 1, Application 3** **Quantitative skill assessed** QS9 Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge** 1 mark for correct definition or formula for AD: C+I+G+(X-M) **(1)** **Application** up to 3 marks for correct application $13.95tn + $3.65tn + $3.52tn **(1)** + ($2.50tn - $3.10tn) **(1)** =$20.52 trillion **(1)** **NB: If correct answer ($20.52 trillion) is given, award full marks regardless of working** **An answer of "$20.52" or "20.52trillion" or "20.52" will gain 3 marks.**	**(4)**

	• New equilibrium showing correct higher real output/ income/GDP **(1)** (not rewarded if 'quantity' is used on axis) **NB: if only AD curve is shifted then maximum of 2 marks**	

Question	Based on this information, calculate *the change* in Argentina's GDP per capita between 2018 and 2019. Show your workings.	Mark
9	**Knowledge 1, Application 3** **Quantitative Skill assessed** **QS1:** Calculate, use and understand ratios and fractions **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** 1 mark for correct definition/formula/implicit understanding, e.g.: • GDP divided by population / • GDP per capita is a measure of a country's economic output that accounts for its number of people **(1)** **Application** Up to 3 marks for use of data in calculation from the following, e.g.: • 2018 → $517 627 million / 44.5 million = $11 632.07 **(1)** • 2019 → $445 445 million / 44.9 million = $9 920.82 **(1)** • Change is → $9 920.82 - $11 632.07 = -$1 711.25 **(1)** **NB: if correct answer (between -$1 711 and -$1 712) is given, award full marks regardless of working** **NB: award up to 3 marks if minus sign not included in the final answer**	**(4)**

Question	With reference to the data, explain the relationship between income and subjective happiness.	Mark
11	**Knowledge 2, Application 2** **Quantitative Skills Assessed** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** Up to 2 marks for understanding the relationship, e.g.: • According to the data there is a positive relationship **(1)** as income rises world happiness score increases **(1)** • As people's income is higher they tend to have higher levels of subjective happiness **(1)** as they can afford more goods and services to improve their living standards **(1)** **Application** Up to 2 marks applying this to the table, e.g.: • Singapore has the highest income/GDP per capita at PPP $101 458 and the highest world happiness score at 6.377 **(1)** • India has the lowest income ($6 977) and lowest happiness score (3.573) **(1)**	**(4)**

Question	Based on this information, calculate the *change* in Angola's population between 2019 and 2020. Show your workings.	Mark
9	**Knowledge 1, Application 3** **Quantitative Skill assessed** **QS1:** Calculate, use and understand ratios and fractions **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** 1 mark for correct formula/implicit understanding, e.g.: • Population = GDP/GDP per capita **(1)** **NB:** Accept GDP per capita formula **(1)** **Application** Up to 3 marks for use of data in calculation from the following, e.g.: • 2019 → $89.42 billion / $2 810 = 31.82 million **(1)** • 2020 → $62.31 billion / $1 896 = 32.86 million **(1)** • Change → 32.86 million - 31.82 million = 1.04 million **(1)** **NB: if correct answer (1.04 million/1 million / 1 041 860) is given, award full marks regardless of working.** **NB: award 3 marks if minus sign is included in the final answer**	**(4)**

Question	Based on this information, calculate the *change* in Bulgaria's GDP between 2015 and 2020. Show your workings.	Mark
9	**Knowledge 1, Application 3** **Quantitative Skill assessed** **QS1:** Calculate, use and understand ratios and fractions **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** 1 mark for correct formula/implicit understanding, e.g.: • GDP = GDP per capita x population **(1)** **NB:** Accept GDP per capita formula **(1)** **Application** Up to 3 marks for use of data in calculation from the following, e.g.: • 2015 → $7075 x 7.18m = $50.80 billion **(1)** • 2020 → $10079 x 6.93m = $69.85 billion **(1)** • Change → $69.85 billion – $50.80 billion = $19.05 billion **(1)** **NB: if correct answer ($19.05 billion/$19 billion/$19 048.97 million / $19 948 970 000 / 37.5%) is given, award full marks regardless of working** **NB: only 3 marks if billion / million / % sign is not included in the final answer** **NB: only 3 marks if billion or million is used incorrectly**	**(4)**

Question	With reference to Guinea, explain **one** likely impact of higher real incomes on subjective happiness.	Mark
10	**Knowledge 1, Analysis 2, Application 1** **Quantitative skills assessed:** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge and Analysis** 1 knowledge mark for identification of the impact and up to 2 analysis marks for linked development, e.g.: - The greater the GDP per capita PPP, the higher the World Happiness Score **(1K)** as the purchasing power increases **(1AN)** and people can afford to purchase more goods and services/have income to satisfy their wants or needs **(1AN)** - The greater the real incomes, the higher the subjective happiness **(1K)** as people can now take out loans and mortgages **(1AN)** as they are less worried or anxious about making payments/have greater job security **(1AN)** **Application** 1 mark for appropriate reference to the data, e.g.: - World Happiness Score increased from 3.667 in 2012-14 to 5.072 in 2020-22 / - Guinea's real GDP per capita increased from $4 127 to $5 434 between 2013 and 2021 **(1)**	**(4)**

Section C

Question	Define the term 'corporation tax' (Extract A, lines 4 and 5).	Mark
12 (a)	**Knowledge 2** 1 mark for, e.g. • tax charged by the government / a direct tax / tax on a firm/business/company **(1)** 1 mark for, • profits **(1)**	**(2)**

Question	Explain what is meant by Gross National Income (Extract A, line 24).	Mark
12 (b)	**Knowledge 2, Application 2** **Quantitative Skill Assessed** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms. **Knowledge** Up to 2 marks for explaining Gross national income (GNI), e.g. • It is GDP **(1)** *plus* net income (positive or negative) from overseas/abroad **(1)** • It is GDP **(1)** *plus* net receipts from abroad from compensation of employees, property income and net taxes less subsidies on production **(1)** • It is GDP **(1)** *plus* money flowing from foreign countries *minus* money flowing to foreign countries **(1)** **Application** Up to 2 marks for application to Extract A, e.g.: • An alternative measure of economic growth **(1)** • This measure removes the impact of international companies / provides a better understanding of domestic demand **(1)** • According to the GNI estimate, Ireland's rate of economic growth was much lower / at 5.9% in 2022 **(1)**	**(4)**

Question	With reference to Kuwait, explain **one** likely impact of lower real incomes on subjective happiness.	Mark
11	**Knowledge 1, Analysis 2, Application 1** **Quantitative skills assessed:** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge and Analysis** 1 knowledge mark for identification of the impact and up to 2 analysis marks for linked development, e.g.: • Lower the real GDP per capita, lower the World Happiness Score **(1K)** as people can't afford to purchase goods and services **(1AN)** and therefore reduce consumption/increase savings **(1AN)** • Lower the real incomes, lower the subjective happiness/ living standards **(1K)** which may be due to a recession **(1AN)** and people may be more anxious about their job prospects or have lower job security **(1AN)** **Application** 1 mark for appropriate reference to the data, e.g.: • World Happiness Score decreased from 6.52 in 2013 to 6.11 in 2022 / decreased by 0.41 • Between 2013 and 2022 Kuwait's real GDP per capita decreased from $31 082 to $26 788 / by 13.8% **(1)**	**(4)**

Question	Based on this information, calculate the *change* in Nepal's GDP between 2013 and 2023. Show your workings.	Mark
9	**Knowledge 1, Application 3** **Quantitative Skills assessed** **QS1:** Calculate, use and understand ratios and fractions **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** 1 mark for correct formula/implicit understanding, e.g.: • GDP = GDP per capita x population **(1)** **NB:** Accept GDP per capita formula **(1)** **Application** Up to 3 marks for use of data in calculation from the following, e.g.: • 2013 → $809.4 x 27.4m = $22.18 billion **(1)** • 2023 → $1350 x 30.9m = $41.72 billion **(1)** • Change → $41.72 billion – $22.18 billion = $19.54 billion **(1)** **NB: if correct answer ($19 537.44 million/$19.5 billion/ $19 billion/88.1%) is given, award full marks regardless of working** **NB: award only 3 marks if billion is not included in the final answer**	**(4)**

Question Number	Answer	Mark
12 (c)	**Knowledge 2, Application 2, Analysis 2** Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical and tabular forms. **Knowledge and Analysis** 1 mark for an understanding of 'living standards', e.g. • An individual's quality of life **(1)** **Or** Up to 2 marks each for up to 2 limitations identified and analysed, **(1K + 1An)** e.g.: • It only shows an average for the whole country **(1)** so may mask increasing levels of income inequality/regional/gender /ethnic inequality within the Philippines/which would imply a falling or stagnant standard of living for some groups **(1)** • Income is a narrow measure of what it means to have a good standard of living **(1)** it does not include other crucial elements such as education, healthcare, relationships etc. **(1)** • It may underestimate people's true standard of living **(1)** as it does not include untraded goods and services/e.g. subsistence farming, domestic work etc. **(1)** • It may underestimate people's true standard of living **(1)** as it does not include the shadow economy/illegal activities or concealed legal activities **(1)** • An increase in GNI per capita PPP may actually indicate lower standards of living depending on how this has been achieved **(1)** or there are greater negative production externalities, e.g. pollution/global warming **(1)** • The data may be inaccurate **(1)** as the Philippines may not update their reporting often enough/so it may miss large and fast-growing sectors/it may be liable to political manipulation **(1)**	

	Application Up to 2 marks for reference to Figure 1, e.g.: • GNI per capita PPP in the Philippines rose from $3 940 in 2000 to $10 720 in 2018 (in current international $) **(1)**, a 172% increase **(1)** • GNI per capita PPP in the Philippines rose between each year shown **(1)**, but it rose more quickly in absolute terms towards the end of the period **(1)**	**(6)**

Question	With reference to Extract A, analyse **two** reasons for the improvement in living standards in Ireland between 2015 and 2022.	Mark
12(c)	**Knowledge 2, Application 2, Analysis 2** **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and analysis** Up to 1 knowledge for identifying a reason and 1 analysis mark for linked development of the reason, e.g.: • Increase in employment **(1K)** as there will be greater demand for domestic workers when international companies set up their operations in Ireland: higher incomes for workers **(1AN)** • Increased government tax revenues **(1K)** as workers will pay taxes on their earnings and firms will pay taxes on their profits: more spending on public goods and services **(1AN)** • Increase in real incomes **(1K)** since there is positive economic growth/an increase in real GDP **(1AN)** • Increase in FDI by TNCs **(1K)** resulting in an increase in the productive capacity of the economy **(1AN)** • Consumers may have access to high quality/innovative goods **(1K)** due to greater innovation by TNCs **(1AN)** **Application** Up to 2 marks for use of Extract A, e.g., • Employment: 2.06 million to 2.55 million **(1)** • Corporation tax receipts: €22.6 billion **(1)** • Attracted over 1500 international companies / Apple Inc., the world's largest technology company, moved its European base to Ireland in 2015 **(1)** • The activities of international companies had a positive impact on living standards in Ireland **(1)**	**(6)**

Question	With reference to Extract B, examine the likely impact of government policies to increase wellbeing. **Indicative content**	Mark
12(d)	**Knowledge 2, application 2, analysis 2, evaluation 2** **Knowledge and Analysis** 1 mark for knowledge of wellbeing e.g.: Measures factors such as happiness/health/quality of life **(1)** Up to 2 marks for identification of impacts of government policies to increase wellbeing and up to 2 marks for linked explanations showing the impact on wellbeing, e.g.: ● Better access to food **(1k)** making people healthier and able to attend school or work **(1an)** ● Better quality housing improves mental and physical health **(1k)** reducing long-term unemployment **(1an)** ● Higher levels of school attendance increase skills **(1k)** increasing the productive capacity of the economy in the long-run **(1an)** **Application** Up to 2 marks for reference to Extracts: • Canadian Government announced its continued commitment to improving the wellbeing of the country **(1)** • Increased government spending on wellbeing**(1)** • Low-income households lack access to basic necessities such as food and housing **(1)** • Lack of essential goods and services can lead to both mental and physical health problems **(1)** • Around one in ten people live in low-income households **(1)** • 2.7 million people living on a low income do not have enough food causing health problems **(1)** • Health problems can stop households working or children attending school **(1)** • The government has increased the financial benefits to low-income households and to people who are unable to work **(1)** • Increase in funding for low-cost housing, healthcare and better quality drinking water **(1)** **Evaluation** Up to 2 marks for evaluative comments, e.g.: • Wellbeing is a subjective concept **(1)** which is hard to quantify **(1)** • Increased benefits do not guarantee the money is spent on heathy food **(1)** which may not improve wellbeing **(1)** • Improved health may not improve employment levels **(1)** as individuals may not have the skills to find work **(1)** • There may not be demand for workers in the economy **(1)** as unemployment is still 5.8% **(1)**	**(8)**

	• Increased government spending may cause a budget deficit. **(1)** The government might reduce spending in other areas or increase tax rates **(1)** • Increase in income does not always improve wellbeing, **(1)** other factors such as safety or location of family may have a greater impact **(1)** • Magnitude of spending **(1)** may not be sufficient to increase standards of living or reduce health problems **(1)** • Higher benefits might act as a disincentive to work **(1)** reducing productive capacity **(1)** • Increases in leisure time might be more significant than increases in income in improving wellbeing **(1)**	

Question	With reference to Figure 2, Extract A and your own knowledge, discuss the limitations of using GDP to compare living standards between countries.
12(e)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative Skill Assessed** **QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge, Application and Analysis (8 marks) – indicative content** Reference to Figure 2: In 2022 Ireland's rate of economic growth was approximately 12.2% and approximately 2% for Germany and USA Limitations include: • Percentage changes are misleading without any reference to total GDP • Differences in the composition of GDP: most of Ireland's GDP is made up of investment by international companies, where their output produced can be volatile – "Some of these companies are so large that the country's GDP figures may be overstated" • Fails to indicate whether the nation's rate of growth is sustainable or not – "Apple Inc., the world's largest technology company, moved its European base to Ireland in 2015" • Differences in distribution of income as growth varies between countries – "mislead analysis of matters related to income inequality" • Quality of life issues, such as pollution from manufacturing: impact is hard to measure – "mislead analysis of matters related to the environment" • Methods of calculation and reliability of data may differ between countries – "large fluctuations in Ireland's industrial production data. It rose or fell by more than 10% from one month to the next" • Currency values do not effectively calculate accurate purchasing power parity/exchange rates might not accurately reflect these differences in purchasing power of currencies • Presence of an informal and unpaid economy will imply that some output is unrecorded as it is not bought or sold and there is no resulting income • Does not consider differences in the size of population/population growth • Subsistence, barter and the hidden economy will undervalue the real output and national income will not reflect true living standards between countries • Differences in quality of housing/education/healthcare between countries • The size of the public sector spending, especially in developed countries such as Ireland, which may or may not improve living standards • Standard of living is subjective and therefore cannot be measured accurately

Level	Mark	Descriptor
	0	No rewardable material.

Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident, but they may not be developed fully, or some stages are omitted.
Level 3	7–8	Demonstrates an accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

Evaluation (6 marks) – indicative content

- Benefits of using GDP for comparison – e.g., it is a standard measure used by all countries and is well understood by policymakers
- GDP is an accurate indicator of the size of an economy and the GDP growth rate is probably the best indicator of economic growth
- GDP is internationally recognised as it is the most reliable method of comparing living standards between countries
- Simpler to measure GDP than any other composite indicators
- Ease of using GDP data for comparison over time between countries
- Other measures may be better, e.g., GNI/GDP per capita gives an indication of average incomes, which is a key determinant of living standards
- GDP is dynamic and enables policymakers/central banks to determine whether their economy is contracting or expanding and promptly take necessary action to ensure living standards are maintained
- GDP allows policymakers, economists, and businesses to analyse the impact of changes in monetary and fiscal policy, economic shocks, etc.
- SR v LR considerations: The global health crisis of 2020 may have affected GDP of countries

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section D

Question	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.	
13	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application and Analysis (12 marks) – indicative content** • Supply-side policies are designed to increase productivity, competition, and incentives in an economy • It can be shown via a shift outward of the LRAS creating potential growth and lower inflation; credit use of relevant AD/AS diagrams Policies include: • Increased government spending on skills through investment in education and/or training – this would increase human capital and raise productivity • Increased government spending on infrastructure investment (e.g. roads or broadband) – this would reduce industry costs or improve access to markets • Reducing the level of welfare benefits – this will incentivise the unemployed to take jobs, work harder and increase output per worker of those in work • Privatisation – this may lead to increased competition, greater innovation resulting from higher R&D spending, and therefore higher productivity • Cutting cost of bureaucracy and/or deregulation of firms – this would raise efficiency and productivity by increasing competition between firms • Reducing regulation and/or increasing competition by reducing barriers to entry in product markets • Reducing corporation tax – this incentivises firms to innovate by investing in technological advancements and therefore increasing potential output • Reducing income tax – this may motivate employees to work harder/longer **NB Award a maximum of level 3 if no reference to a specific country**	
Level	**Mark**	**Descriptor**
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.

Section D

Question Number	Indicative content	
13	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative skills assessed** **QS9**: Interpret, apply and analyse information in written, graphical and tabular forms. **Knowledge, application and analysis (12 marks) – indicative content** • Definition of national happiness and identification of macroeconomic objectives • Economic growth is likely to lead to increased average incomes, which raises happiness for lower income earners in particular. • Growth may lead to higher government revenues and scope to spend on education, healthcare etc. which can increase national happiness. • Growth may allow countries to invest in green technology/reduce energy intensity, leading to lower levels of pollution, raising happiness. • Achieving stable inflation rates is likely to **be** increase happiness as high inflation rates cause uncertainty, shoe leather costs etc. • Low unemployment should mean that those who want to work are able to find jobs, boosting their incomes, skill levels, social integration, and health. It may also lead to lower crime rates. • Reducing imports or increasing exports is likely to create more employment in an economy, providing jobs and higher incomes, boosting happiness. • Reference to Thailand or another country, where achieving one or more macroeconomic objective has increased national happiness.	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models.

		Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context, using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content • Economic growth may require workers to work more hours, reducing their leisure time, putting strain on personal relationships and/or increasing stress, reducing happiness. • Economic growth may create negative production externalities, e.g. pollution, which reduce happiness. • Economic growth is likely to lead to increased average incomes, but after a certain point, increases in income do not lead to increases in subjective happiness. • Economic growth is usually accompanied by an increase in income inequality, which decreases the subjective happiness of lower income earners. • A very low unemployment rate may mean that workers are not moving between jobs (frictional unemployment) to find roles more suited to them, which may constrain their happiness. • A reduction in the value of imports may reduce consumer choice and access to low price/high quality imports, reducing happiness. • Reductions in government expenditure/increases in taxation in order to achieve a balanced government budget are likely to reduce disposable incomes and state provision of healthcare, education etc., reducing happiness. • Reference to India or another country, where achieving one or more macroeconomic objective has decreased national happiness.	

	NB This answer is reversible, i.e. candidates may argue either way for KAA and the reverse for evaluation.	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section D

Question	Evaluate the limitations of using GDP data to compare living standards between countries. **Indicative content**
13	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application and Analysis (12 marks) – indicative content** • Understanding of the term real GDP/living standards • Rate of economic growth is lower for developed countries than of the developing countries • Reference to differences in percentage change in real GDP from stem or more widely Limitations of comparison may include: • Percentage changes are misleading without any reference to total GDP • Presence of an informal and unpaid economy will imply that some output is unrecorded as it is not bought or sold and there is no resulting income – size of informal economy of developing countries is significantly larger than that of developed countries • Population growth in developing countries, such as Guyana, may account for most growth in GDP; need to consider GDP per capita • Differences in distribution of income as growth varies between countries • Quality of life issues, such as spending on health and education – impact is very difficult to measure, especially in developing countries • Differences in quality of housing and environment between countries • Subsistence, barter and the hidden economy will undervalue the real output and national income will not reflect true living standards • Currency values do not effectively calculate accurate purchasing power parity/exchange rates might not accurately reflect these differences in purchasing power of currencies • Spending on investment goods may raise future living standards at the expense of the current generation's quality of life • Methods of calculation and reliability of data may be questioned • The size of the public sector spending, especially in developed countries such as Norway/Finland, which may or may not improve living standards

	• Nominal GDP data ignores the impact of inflation which can significantly reduce the real GDP figure impacting living standards • Standard of living is subjective, and therefore it cannot be measured effectively and accurately • Differences in the composition of GDP **NB: Award a maximum of Level 3 for answers with no reference to countries in their answer**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content • Benefits of using GDP for comparison – e.g., it is a standard measure used by all countries and is well understood by policymakers • GDP is an accurate indicator of the size of an economy and the GDP growth rate is probably the best indicator of economic growth • GDP is internationally recognised as it is the most reliable method of comparing living standards between countries • Simpler to measure GDP than any other composite indicators • Ease of using GDP data for comparison over time between countries • Other measures might be better, e.g., GDP per capita gives an indication of average incomes, which is a key determinant of living standards • GDP is dynamic and enables policymakers/central banks to determine whether their economy is contracting or expanding and promptly take necessary action to ensure living standards are maintained • GDP allows policymakers, economists, and businesses to analyse the impact of changes in monetary and fiscal policy, economic shocks, etc. • SR v LR considerations: The global health crisis may have affected GDP of countries in 2021

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	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. **Indicative content**
14	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application and Analysis (12 marks) – indicative content** • Understanding of economic growth/macroeconomic objectives • Implicit or explicit identification of macroeconomic objectives • Relevant diagram, e.g., AD/AS diagram showing rightward shift in AD and/or AS curve Potential conflicts include: • Inflation rising as full capacity is approached – bottlenecks may arise where some restrictions in the supply chain can cause cost and wage pressures • Balance of payments position may deteriorate as incomes rise and more imports are demanded as a country might have a high marginal propensity to import • Growth should result in higher average living standards, but may not deliver a more fair or equitable distribution of income and wealth as rich tend to get rich faster than the poor do • Increased growth tends to lead to high external costs/deterioration of the environment from congestion and pollution **NB: Award a maximum of Level 3 for answers with no reference to an economy**

<table>
<tr><td>Question</td><td colspan="2">Evaluate the likely costs of a recession on an economy of your choice.</td></tr>
<tr><td>14</td><td colspan="2">Indicative content guidance
Answers must be credited by using the level descriptors (below) in line with the general marking guidance.
The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.

Knowledge, Application and Analysis (12 marks) – indicative content

• Understanding of recession: negative economic growth for two or more consecutive/successive quarters or six months

Costs include:
• Consumers will receive lower average incomes and they will not be able to afford more goods/services nor increase their standard of living; poverty rates could potentially rise
• With lower real GDP, firms employ fewer workers creating unemployment; wages fall and create greater inequality
• Firms are likely to make lower profits as consumer spending falls; less production implies lower future investment into R&D/innovation
• Reduction in government tax revenues and higher government spending on unemployment and welfare benefits; leading to a deterioration of public finances
• With lower GDP, fewer resources can be devoted to promoting the use of renewable resources
• High social dislocation/crime/civil unrest/stress issues/high divorce rates; worsens health; lower life expectancy
• Can result in depressed house prices leading to negative wealth effects

NB Award a maximum of Level 3 for answers with no reference to a country in their answer</td></tr>
<tr><td>Level</td><td>Mark</td><td>Descriptor</td></tr>
<tr><td></td><td>0</td><td>No rewardable material.</td></tr>
<tr><td>Level 1</td><td>1–3</td><td>Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models.
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Descriptive approach which has no chains of reasoning.</td></tr>
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Limited application of knowledge and understanding to economic problems in context.
A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.</td></tr>
<tr><td>Level 3</td><td>7–9</td><td>Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models.</td></tr>
</table>

		Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

Evaluation (8 marks) – indicative content

Benefits include:

- Lower demand may reduce both demand-pull and cost-push inflationary pressures; the central bank may decide to lower interest rates to control the rising rate of inflation
- Lower external costs of production due to less output produced by firms; less exploitation of finite resources and less depletion of non-renewable resources of energy
- Lower spending on imports would cause an improvement in the current account position of the BOP
- Lower inequality: those with assets may witness a proportionally smaller increase in the market value of their income on their wealth
- Depressed/lower house prices may make houses more affordable to non-homeowners

Other evaluative comments:

- The size and length of the recession is important in terms of the impact, e.g. a very small contraction may have limited impact on the economy
- Recession may not occur in 2023 as these are projections by economists

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

<table>
<tr><td>Question</td><td colspan="2">Evaluate the likely effects of a recession. Refer to a country of your choice in your answer.</td></tr>
<tr><td>14</td><td colspan="2">Indicative content guidance
Answers must be credited by using the level descriptors (below) in line with the general marking guidance.
The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.

Knowledge, Application and Analysis (12 marks) – indicative content

Understanding of recession: negative economic growth for two or more consecutive/successive quarters or six months

Negative effects include:
• Consumers will receive lower average incomes and they will not be able to afford more goods and services nor increase their standard of living; consumers may find it more difficult to meet basic needs; a decrease in subjective happiness
• With lower real GDP, firms employ significantly fewer workers creating unemployment; wages fall and create greater inequality
• Firms are likely to make lower profits as consumer spending falls; less profit implies lower future investment into R&D/innovation; firms delay spending on capital or technological advancements
• Reduction in government tax revenues and higher government spending on unemployment/welfare benefits; deterioration of public finances
• With lower GDP, fewer resources can be devoted to promoting the use of renewable resources
• High social dislocation/crime/civil unrest/stress issues/high divorce rates; worsens health; lower life expectancy
• May result in a fall in house prices leading to negative wealth effects

NB Candidates may use negative effects as KAA and positive effects as evaluation (or vice versa)

NB Award a maximum of Level 3 for answers with no reference to a country in their answer</td></tr>
<tr><td>Level</td><td>Mark</td><td>Descriptor</td></tr>
<tr><td></td><td>0</td><td>No rewardable material.</td></tr>
<tr><td>Level 1</td><td>1–3</td><td>Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models.
Use of generic material or irrelevant information or inappropriate examples.
Descriptive approach which has no chains of reasoning.</td></tr>
<tr><td>Level 2</td><td>4–6</td><td>Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models.
Limited application of knowledge and understanding to economic problems in context.</td></tr>
</table>

		A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

Evaluation (8 marks) – indicative content

Positive effects include:

- The lower aggregate demand may reduce both demand-pull and cost-push inflationary pressures
- Lower external costs of production due to less output produced by firms; less exploitation of finite resources and less depletion of non-renewable resources
- Lower spending on imports would cause an improvement in the current account position of the BOP
- Reduction in inequality: those with assets may have a proportionally smaller increase in the market value of their income on their wealth
- Lower house prices may make houses more affordable

Other evaluative comments:

- The size and length of the recession is important in terms of the effect, e.g. As Germany had a relatively small contraction, it may have limited impact on the economy

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
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<table>
<tr><td>Question</td><td colspan="2">In 2022 nominal GDP was $5 billion for Fiji, $477 billion for Egypt and $3 385 billion for India.
Evaluate the limitations of using GDP data to compare living standards between countries. Refer to countries of your choice in your answer.</td></tr>
<tr><td>14</td><td colspan="2">Indicative content guidance
Answers must be credited by using the level descriptors (below) in line with the general marking guidance.
The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.
Knowledge, Application and Analysis (12 marks) – indicative content
• Understanding of the term GDP/living standards
• Reference to differences in nominal GDP from stimulus or more widely
Limitations of comparison may include:
• Nominal GDP data ignores the impact of inflation that can significantly reduce the real GDP figure impacting living standards
• Size of population needs to be considered to determine living standards
• Presence of an informal and unpaid economy will imply that some output is unrecorded as it is not bought or sold and there is no resulting income – size of informal economy of developing countries is significantly large
• Subsistence, barter and the hidden economy will undervalue the real output and GDP may not reflect true living standards
• Differences in distribution of income as this varies between countries
• Quality of life issues, such as spending on health and education – impact is very difficult to measure, especially in developing countries
• Differences in the quality of housing and environment between countries
• Nominal GDP does not accurately reflect purchasing power within each country
• Spending on investment goods may raise future living standards at the expense of the current generation’s quality of life
• Methods of calculation and reliability of data may vary between countries
• Standard of living is subjective, and therefore it cannot be measured effectively and accurately
NB Award a maximum of Level 3 for answers with no reference to countries in their answer</td></tr>
<tr><td>Level</td><td>Mark</td><td>Descriptor</td></tr>
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Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content • Benefits of using GDP for comparison – e.g., it is a standard measure used by all countries and is well understood by policymakers • GDP is an accurate indicator of the size of an economy and the GDP growth rate is probably the best indicator of economic growth • Simpler to measure GDP than any other composite indicators • Ease of using GDP data for comparison over time between countries • Other measures might be better, e.g. GDP per capita gives an indication of average incomes, which is a key determinant of living standards • GDP is dynamic and enables policymakers/central banks to determine whether their economy is contracting or expanding and promptly take necessary action to ensure living standards are maintained • GDP allows policymakers, economists, and businesses to analyse the impact of changes in monetary and fiscal policy, economic shocks, etc	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section A

Question	Quantitative skills assessed	Answer	Mark
1	–	A	**(1)**
2	**QS9**: Interpret, apply and analyse information in written, graphical and tabular forms	B	**(1)**
3		C	**(1)**
4		D	**(1)**
5	**QS4**: Construct and interpret a range of standard graphical forms	C	**(1)**
6	**QS2**: calculate, use and understand percentages, percentage changes and percentage point changes	B	**(1)**

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	**QS1**: Calculate, use and understand ratios and fractions	**The only correct answer is D** ***A*** *is not correct because the value of the multiplier ratio is 2* ***B*** *is not correct because the value of the multiplier ratio is 2* ***C*** *is not correct because the value of the multiplier ratio is 2*	**(1)**
2	**QS5:** Calculate and interpret index numbers **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** ***B*** *is not correct because the rate of inflation was 3%* ***C*** *is not correct because additional factors affect the standard of living* ***D*** *is not correct because the CPI does not measure the price of exports alone*	**(1)**
3		**The only correct answer is B** ***A*** *is not correct because savings is a withdrawal* ***C*** *is not correct because imports is a withdrawal* ***D*** *is not correct because taxation is a withdrawal*	**(1)**
4	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** ***A*** *is not correct because the part-time workers are in employment* ***B*** *is not correct because protectionism aims to protect jobs* ***D*** *is not correct because labour is being under-utilised*	**(1)**

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** ***A*** *is not correct because potential growth is illustrated by a rightward shift in the LRAS* ***B*** *is not correct because potential growth is illustrated by a rightward shift in the LRAS* ***D*** *is not correct because potential growth is illustrated by a rightward shift in the LRAS*	**(1)**
2	**QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** ***A*** *is not correct because a fall in wholesale prices is likely to cause consumer prices to fall and real incomes to rise* ***B*** *is not correct because a fall in wholesale prices implies a fall in costs* ***D*** *is not correct because there are deflationary pressures which would make it more likely that the central bank would reduce interest rates*	**(1)**
3	–	**The only correct answer is D** ***A*** *is not correct because an increase in non-price competitiveness is likely to cause an increase in exports and a fall in imports* ***B*** *is not correct because a fall in real incomes is likely to reduce the demand for imports* ***C*** *is not correct because an decrease in the non-price competitiveness of a major trading partner's products is likely to cause the developed county's exports to increase its imports to fall*	**(1)**

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	–	**The only correct answer is D** ***A*** *is not correct because there will be an increase in money supply* ***B*** *is not correct because there will be an increase in economic growth* ***C*** *is not correct because there will be a decrease in unemployment*	**(1)**
2	–	**The only correct answer is A** ***B*** *is not correct because this is related to industrialisation* ***C*** *is not correct because this is related to the current account position of the BOP* ***D*** *is not correct because this is related to primary product dependency*	**(1)**
3	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** ***A*** *is not correct because import prices rise and export prices fall* ***B*** *is not correct because this relates to the fiscal position and not balance of payments* ***D*** *is not correct because this is due to a fall in interest rates*	**(1)**
4	**QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes. **QS7:** Make calculations to convert money to real terms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is B** ***A*** *is not correct because pay growth not adjusted for inflation was not the lowest in 2009* ***C*** *is not correct because there was an increasing rate of inflation between 2016 and 2017* ***D*** *is not correct because there was disinflation between 2012 and 2014*	**(1)**

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1		**The only correct answer is A** **B** is not correct because the students are employed **C** is not correct because real wage inflexibility relates to a cause of unemployment **D** is not correct because the students are economically active	**(1)**
2	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9 Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** **A** is not correct because the inflation rate is always positive throughout the period **B** is not correct because inflation was experience in May, June, July and August so average price levels would be higher in August **D** is not correct because the rate of inflation was lowest in July	**(1)**
3		**The only correct answer is C** **A** is not correct because lower welfare payments would reduce government expenditure **B** is not correct because a lower exchange rate is unlikely to have a direct influence on government expenditure **D** is not correct because increased business confidence will be likely to lead to higher rates of economic growth reducing the proportion of GDP made up by government expenditure	**(1)**

Section A

Question	Quantitative skills assessed	Answer	Mark
1	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** ***A*** *is not correct as this is not calculated using the correct formula* ***B*** *is not correct as this is calculated using the formula (1-0.4)* ***D*** *is not correct as this is calculated using the formula (1/0.4)*	**(1)**
2	-	**The only correct answer is B** ***A*** *is not correct as this is not the role of the central bank* ***C*** *is not correct as this is not the role of the central bank* ***D*** *is not correct as it is the role of the government to achieve greater income equality*	**(1)**
3	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** ***B*** *is not correct as data does not refer to inactive people but to underemployment* ***C*** *is not correct as data does not refer to unemployment but to underemployment* ***D*** *is not correct as the data does not relate to the price level*	**(1)**
4	**QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** ***A*** *is not correct because the price level was increasing at a faster rate between January 2016 to July 2016* ***B*** *is not correct as there was disinflation from January 2017 to July 2017* ***C*** *is not correct as the average price level was higher in July 2019 than in January 2019*	**(1)**
5	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** ***A*** *is not correct as monetary policy is implemented by the central bank* ***B*** *is not correct as monetary policy is implemented by the central bank*	**(1)**

6	**QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** ***B*** *is not correct as there was disinflation between July and August* ***C*** *is not correct as the rate of inflation was highest in September* ***D*** *is not correct as the rate of inflation increased in September*	**(1)**

Section B

Question	In 2022 Belize had a positive output gap of more than 7%. Explain **one** likely disadvantage of a positive output gap on the economy of Belize.	Mark
7	**Knowledge 1, Analysis 2, Application 1** **Quantitative skills assessed:** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge and Analysis** 1 knowledge mark for understanding of a positive output gap e.g.: • when actual GDP is more than potential GDP (this may be shown via an accurately drawn/labelled diagram) *OR* 1 knowledge mark for identification of one characteristic of a positive output gap and up to 2 analysis marks for development of the identified impact, e.g.: - A higher rate of inflation **(1K)** because there is high cost-push inflationary pressure **(1AN)** as lower levels of unemployment would put an upward pressure on wage rates **(1AN)** / - A higher rate of inflation **(1K)** because there is greater demand-pull inflationary pressure **(1AN)** as AD is relatively high **(1AN)** / - Deterioration of the environment **(1K)** because there will be greater demand for goods **(1AN)** and therefore greater production by firms to meet rising demand, hence pollution **(1AN)** **Application** 1 mark for appropriate application, e.g.: - In 2022 Belize had a positive output gap of more than 7% **(1)**	**(4)**

6	**QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **QS10**: Distinguish between changes in the level of a variable, and the rate of change	**The only correct answer is C** ***A*** *is not correct as the rate of inflation was highest in November 2022* ***B*** *is not correct as the average price level was highest in July 2023* ***D*** *is not correct as the rate of inflation increased each month between June 2021 and June 2022*	**(1)**

Section B

Question	With reference to this information, explain **one** cost of economic growth.	**Mark**
7	**Knowledge 1, Analysis 2, Application 1** **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and Analysis** 1 knowledge mark for identification of one cost and up to 2 marks for linked analysis: • Inflationary pressure **(1)** if economic growth is caused by increases in consumption/AD **(1)** as consumers may have higher incomes **(1)** • More air pollution **(1)** as factories will produce a higher level of emissions or toxic waste/use more non-renewable energy resources **(1)** reducing living standards **(1)** • More environmental degradation **(1)** as there is a greater demand for resources **(1)** and therefore more output being produced/greater total output **(1)** • The balance of trade may worsen **(1)** as the economy grows the demand for imports rises; **(1)** this leads to the value of imports rising **(1)** • Increased inequality **(1)** as those with higher incomes benefit more from economic growth as they own resources **(1)** and lower income households benefit less as they are on fixed contracts/incomes **(1)** **Application** 1 mark for appropriate use of the information, e.g.: • In 2022 Guyana's rate of economic growth was the highest in the world / Its annual percentage increase in real GDP was 62.3% **(1)**	**(4)**

Section C

Question Number	Answer	Mark
12 (a)	**Knowledge 2** Up to 2 marks for offering a definition of real wage growth e.g.: • The increase/change in wages **(1)** • Adjusted for inflation **(1)**	**(2)**

Question Number	Answer	Mark
12 (b)	**Knowledge 2, Application 2** **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** Up to 2 marks for definition of a trade surplus in goods and services, e.g.: • The value **(1)** of goods and services exported is greater than the value of goods and services imported **(1)** • X>M **(2)** • (X-M) is positive **(2)** • 'Exports more than imports' **(1)** • The value of goods exported is greater than the value of goods imported **(1) OR** the value of services exported is greater than the value of services imported **(1)** **OR** 1 mark for definition of trade balance, e.g.: • The value of exports minus the value of imports **(1)** • X-M **(1)** **Application** Up to 2 marks for reference to Figure 2 e.g.: • Trade balance was in a surplus for the entire time period **(1)** • Trade surplus was at its highest at the beginning of 2016 **(1)** • The trade surplus fell in 2016-2017 **(1)** • The trade surplus rose from US$25bn in 2013 **(1)** to approximately US$63bn in 2016 **(1)** • The value of the trade surplus increased by approximately 150% between 2013 and 2016 **(1+1)** **NB Reference must be to Figure 2 for Application marks**	**(4)**

Section B

Question	Between Q1 2020 and Q4 2021 the average annual rate of inflation in New Zealand increased from 2.5% to 5.4%. Calculate the change in the rate of inflation between Q1 2020 and Q4 2021. You are advised to show your working. **Answer**	Mark
7(a)	**Application 2** Quantitative skills assessed: **QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculations: • 5.4% - 2.5% **(1)** • 2.9 percentage points **(1)** *OR* • (5.4% - 2.5%)/2.5% x 100 **(1)** • 116% **(1)** **NB** Award 2 marks for correct answer (2.9 *percentage points* or 116%) **NB** Award only 1 mark for 2.9% or 116	**(2)**

Section C

Question	Define the term 'inflation'.	Mark
12 (a)	**Knowledge 2** • A rise **(1)** in the average prices of goods and services **(1)** • An increase **(1)** in the price level of an economy **(1)** NB: 1 mark for increase in price of goods and services	**(2)**

Question	With reference to Figure 1 and the first paragraph of Extract A, examine **two** causes of the relatively high rate of inflation in the USA.	Mark
12(b)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** Quantitative skills assessed: **QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **QS10**: Distinguish between changes in the level of a variable, and the rate of change. **Knowledge and analysis** Up to 2 marks for identifying two causes and one mark for each linked explanation, e.g.: • Disruptions to the supply chain **(1K)** creates shortages of goods and services, therefore causing cost-push inflation (this may be shown diagrammatically) **(1AN)** • Rising energy/food prices **(1K)** increases cost of imports, shifting SRAS to the left (this may be shown diagrammatically) **(1AN)** • High wage growth **(1K)** increases firms' production costs, who pass these on to the consumers in the form of higher prices / consumers spend more resulting in demand-pull inflation (this may be shown diagrammatically) **(1AN)** **Application** Up to 2 marks for application to Figure 1, e.g.: • The rate of inflation increased from 1.4% in January 2021 **(1)** to 6% in January 2022 **(1)** • Between January 2021 and January 2022 the rate of inflation increased by 4.6 **(1)** percentage points **(1)**	

Section B

Question	With reference to Figure 1, calculate the percentage change in the rate of inflation between December 2023 and September 2024. You are advised to show your working. **Answer**	Mark
7(a)	**Application 2** Quantitative skills assessed: **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculations: • (3.5 – 25.5 / 25.5) x 100 **(1)** • -86.27% **(1)** Award one mark for the calculation of the percentage point change as part of the process for calculating the correct answer • 3.5-25.5= -22 / -22 percentage-points/ 22 **(1)** **NB** Award 2 marks for correct answer (-86.27% / -86.3% / -86%) **NB** 2 marks may be awarded if percentage sign omitted e.g. 86.27 **NB** 2 marks may be awarded if the negative sign is omitted **NB** Do not award 22%	**(2)**

Question	With reference to the chart, explain the difference between inflation and disinflation. **Answer**	Mark
8	**Knowledge 2, Application 2** **QS2:** Calculate, use and understand, percentages, percentage changes and percentage point changes **QS4:** Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge** Up to 2 marks for definitions of inflation and disinflation e.g.: • Inflation is the sustained rise in the **average/general** price **level (1)** • Disinflation is fall in the rate of inflation/average price level increasing at a slower rate **(1)** **Application** 1 mark for example of inflation e.g.: • Average prices were increasing throughout the period **(1)** • There was inflation just over 10% in January 2018 **(1)** • Inflation peaked in August 2018 at nearly 18% **(1)** 1 mark for example of disinflation e.g.: • There was disinflation between Jan 2016 and May 2016 **(1)** • The inflation rate fell from 13% in November 2017 to 10.5% in February 2018 **(1)**	**(4)**

Question	Explain **one** possible impact of increased real incomes on the USA's net trade balance. **Answer**	Mark
9	**Knowledge 1, Application 1, Analysis 2,** **Knowledge** Up to 1 mark for knowledge e.g.: • Definition of real incomes e.g. income adjusted for inflation **(1)** • Definition of net trade balance e.g. total value of exported goods and services minus the total value of imported products. **(1)** **Application** Up to 1 mark for applying to the data: • Real incomes rose by 1.8% in the USA **(1)** • There was a small rise in real incomes **(1)** **Analysis** Up to 2 marks for explaining how increase real incomes impact net trade balance • If real incomes rise there will be an increase in the demand for imports **(1)** • Ceteris paribus, higher demand for imports causes a deterioration in the net trade balance **(1)**	**(4)**

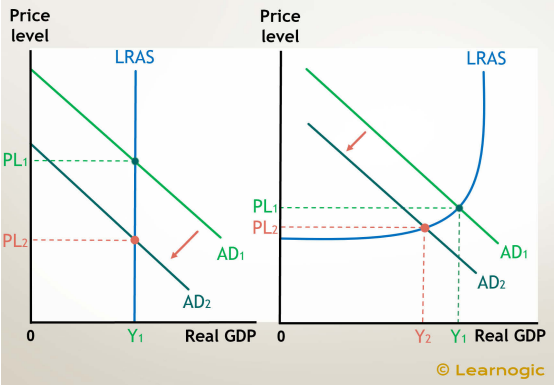
Question Number	Answer	Mark
8	**Knowledge 2, Application 2** **Quantitative skills assessed:** **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** 1 mark for definition of deflation, e.g.: • Deflation is the sustained fall in the general price level/a negative rate of inflation **(1)** 1 mark for definition of disinflation, e.g.: • Disinflation is fall in the rate of inflation/average price level increasing at a slower rate **(1)** **Application** 1 mark for relevant application to deflation, e.g.: • Deflation occurred in January and March 2018 **(1)** 1 mark for relevant application to disinflation e.g.: • There was disinflation between October and December 2018 **(1)**	**(4)**

Question Number	Answer	Mark
9	**Knowledge 1, Application 3** Quantitative skills assessed: **QS5:** calculate and interpret index numbers **Knowledge** An index is a statistical measure of change in a group of individual data points. Indices are calculated relative to a chosen fixed point which is normalised to a value of 100. (1) or 1 mark for understanding of 'base year, in this case 2018. **(1)** **Application** Up to 3 marks for calculations 29 381 **(2)** x 100 = 74.9 **(1)** 39 251 **NB If correct answer is given (74.854), award full marks regardless of working.** **NB 74.854 rounds to 74.85 (2dp), to 74.9 (1dp) and 75 (whole number). Accept answers from 74.85 to 75.**	**(4)**

Question	With reference to the data, explain the difference between disinflation and deflation.	Mark
11	**Knowledge 2, Application 2** **Quantitative Skills Assessed** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms. **QS10:** Distinguish between changes in the level of a variable, and the rate of change. **Knowledge** Up to 2 marks for defining disinflation and deflation, e.g.: - Disinflation occurs when the average price level rises more slowly than previously/the rate of inflation falls but is still positive **(1)** - Deflation occurs when the average price level falls/the rate of inflation is negative **(1)** **Application** 1 mark for correctly identifying a period when Canada was experiencing disinflation, e.g.: - In August 2019, the inflation rate fell from 2.0% to 1.9% **(1)** - In February 2020, the inflation rate fell from 2.4% to 2.2% **(1)** - In March 2020, the inflation rate fell from 2.2% to 0.9% **(1)** 1 mark for correctly identifying a period when Canada was experiencing deflation, e.g.: - In April 2020, the inflation rate was -0.2% **(1)** - In May 2020, the inflation rate was -0.4% **(1)**	**(4)**

Section B

Question	With reference to the table, explain **one** reason why it is necessary to regularly update the CPI basket of goods and services.	Mark
7	**Knowledge 1, Analysis 2, Application 1** **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge** 1 mark for identification of a reason, e.g. • To ensure that inflation/CPI basket is accurately measured / • To ensure that consumption trends/spending are reflected **(1)** **Analysis** Up to 2 marks for one analysis point, e.g. • Technological advancements **(1)** imply consumers switch to newly developed goods and services **(1)** • Consumer tastes/preferences/needs change frequently **(1)** but the CPI basket is updated annually **(1)** • Consumers could have switched away **(1)** from those goods and services that have increased in price **(1)** • To exclude goods and services that are out of fashion **(1)** and to take into account new goods and services introduced **(1)** **Application** 1 mark for appropriate use of the table, e.g.: • Inclusion of reusable bottles/vegetable crisps/portable digital music player / • Exclusion of fruit pies/frozen chicken/MP4 music player **(1)**	**(4)**

Question	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. **Answer**	**Mark**
8	**Knowledge 1, Application 3** **Quantitative skills assessed:** **QS4:** Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms  **Knowledge** Correctly drawn diagram with correctly labelled AD/LRAS curves showing the original equilibrium price level and real output **(1)** **Application** Up to 3 marks for the following information included on the diagram: • Drawing AD shifted to the left **(1)** • Showing correct lower price level **(1)** (not rewarded if 'price' is used on the axis) • Showing correct lower real GDP/income/output **(1)** (not rewarded if 'quantity' is used on the axis) **NB: Award a maximum of 2 marks if LRAS shifted along with AD**	**(4)**

Question	With reference to Figure 2, explain the difference between disinflation and deflation.	Mark
12 (b)	**Knowledge 2, Application 2** **Quantitative Skill Assessed** **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms. **QS10:** Distinguish between changes in the level of a variable, and the rate of change. **Knowledge** 1 mark for defining disinflation: • Disinflation occurs when the average price level rises more slowly than previously/ • The rate of inflation falls but is still positive **(1)** 1 mark for defining deflation: • Deflation occurs when the average price level falls/ • The rate of inflation is negative **(1)** **Application** 1 mark for correctly identifying a period when Germany was experiencing disinflation, e.g.: • The rate of inflation fell from 1.7% in Feb 2020 to 0.6% in May 2020/ • The rate of inflation fell from 2.5% in May 2021 to 2.3% in June 2021 **(1)** 1 mark for correctly identifying a period when Germany was experiencing deflation, e.g.: • In Sep 2020/Oct 2020, the inflation rate was -0.2%/ • In Nov 2020/Dec 2020, the inflation rate was -0.3% **(1)**	**(4)**

Question	With reference to the chart, explain what is meant by deflation.	Mark
11	**Knowledge 2, Application 2** **Quantitative skills Assessed:** **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms. **QS10:** Distinguish between changes in the level of a variable, and the rate of change. **Knowledge** Up to 2 marks for defining deflation, e.g.: - A decrease/fall **(1)** in the average/general price level in an economy **(1)** - The rate of inflation is negative/below zero **(1)** **Application** Up to 2 marks for correct use of the chart, e.g.: • Rwanda experienced deflation between July 2021 and December 2021/last six months of 2021 **(1)** • Rwanda had a negative inflation rate of 3.3% **(1)** in October 2021 **(1)** / Lowest rate of deflation was 1.1% **(1)** in July 2021 **(1)** / Highest rate of deflation was 3.4% **(1)** in November 2021 **(1)**	**(4)**

Section B

Question	Explain **one** reason why it is necessary to regularly update the CPI basket of goods and services.	Mark
7	**Knowledge 1, Analysis 2, Application 1** **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge** 1 mark for identification of a reason, e.g. • To ensure that inflation/CPI basket is accurately measured **(1)** **Analysis** Up to 2 marks for one linked expansion, e.g. • Consumer tastes/preferences/needs change frequently **(1)** therefore the CPI basket is updated annually **(1)** • To ensure that changes in consumption trends/spending are reflected **(1)** so that the weights are an accurate reflection of spending patterns **(1)** • To exclude goods and services that are out of fashion **(1)** and to take into account new goods and services introduced **(1)** • Technological advancements **(1)** imply consumers switch to newly developed/high quality goods and services **(1)** • Consumers could have switched away **(1)** from those goods and services that have increased in price **(1)** **Application** 1 mark for appropriate use of the stem, e.g.: • Addition of meat-free sausages/antibacterial surface wipes / • Removal of coal/men's suits **(1)**	**(4)**

Question	With reference to the chart, explain **one** likely effect of this trend in the rate of inflation.	Mark
10	**Knowledge 1, Analysis 2, Application 1** **Quantitative skills assessed:** **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and Analysis** 1 knowledge mark for defining inflation, e.g.: • Increase in the general price level of the economy/a rise in *average* prices of goods and services in an economy **(1K)** *OR* 1 knowledge mark for identifying one likely effect of rising inflation and up to 2 marks for linked explanation of the effect identified, e.g.: • Increased inequality **(1K)** those who have fixed incomes **(1AN)** who are not protected by inflation – e.g. students, dependents, pensioners are often the poorest **(1AN)** • May worsen trade balance **(1K)** as price of Colombia's exports may rise more than the price of other countries' goods **(1AN)** making their exports less internationally competitive **(1AN)** • Fall in real incomes **(1K)** resulting in lower consumer confidence/purchasing power/affordability **(1AN)** and hence reducing living standards/happiness **(1AN)** • Greater uncertainty **(1K)** would lead to a loss of business confidence **(1AN)** which reduces or postpones investment/ spending and hence may reduce economic growth **(1AN)** **Application** 1 mark for appropriate use of the chart, e.g.: • For identifying an increase in the rate of inflation / Between Jan 2021 and Jan 2023, the rate of inflation increased from approximately 1.8% to 13% / Between Jan 2021 and Jan 2023, the rate of inflation increased by 11.2 *percentage points* **(1)**	**(4)**

Question	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.	Mark
11	**Knowledge 2, Application 2** **Quantitative skills Assessed:** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms. **Knowledge** Up to 2 marks for defining quantitative easing, e.g.: • Central bank buys government bonds/gilts/securities/ corporate bonds **(1)** • Increases money supply / digital/virtual/electronic creation of money / increases cash deposits of commercial banks / injects more liquidity in financial markets **(1)** **Application** Up to 2 marks applying this to data, e.g.: • It is a reflationary/monetary policy instrument **(1)** • The European Central Bank increased its asset purchases (quantitative easing) programme by €3.5 trillion **(1)** • Reduces interest rate/borrowing costs/reward for saving **(1)** • This would result in greater consumption/investment/AD **(1)**	**(4)**

Question	With reference to Figure 2 and the third paragraph of Extract A, explain what is meant by the 'rate of inflation'. **Answer**	Mark
7(b)	**Knowledge 2, Application 2** Quantitative skills assessed: **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **QS10**: Distinguish between changes in the level of a variable, and the rate of change. **Knowledge** Up to 2 marks for understanding rate of inflation, e.g.: • Percentage **(1)** • increase/change in the *price level* of the economy / increase/change in the *average* prices of goods and services **(1)** **Application** 1 mark for application to Figure 2, e.g.: • Between Jan 2022 and Jan 2023, rate of inflation rose from around 14% to 54% / by around 40 percentage points **(1)** *AND* 1 mark for application to Extract A, e.g.: • increasing rates of inflation as a result of rising global food and energy prices (commodity prices) / depreciation of Ghana's currency, the cedi, against the US dollar **(1)**	**(4)**

Question	Explain **one** reason why it is necessary to regularly update the CPI basket of goods and services.	Mark
11	**Knowledge 1, Analysis 2, Application 1** **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge** 1 mark for identification of a reason, e.g. • To ensure that inflation/CPI basket is accurately measured **(1)** **Analysis** Up to 2 marks for one linked expansion, e.g. • Consumer tastes/preferences/needs change frequently **(1)** therefore the CPI basket is updated annually **(1)** • To ensure that changes in consumption trends/spending are reflected **(1)** so that the weights are an accurate reflection of spending patterns **(1)** • To exclude goods and services that are out of fashion **(1)** and to take into account new goods and services introduced **(1)** • Technological advances **(1)** imply consumers switch to newly developed/high quality goods and services **(1)** • Consumers could have switched away **(1)** from those goods and services that have increased in price **(1)** **Application** 1 mark for appropriate use of the stem, e.g.: • Addition of air fryers/rice cakes / Removal of hand hygiene gel/sofa beds **(1)**	**(4)**

Question	With reference to Figure 1 and the first paragraph of Extract A, analyse **two** causes of the increase in the rate of inflation. **Answer**	Mark
7(b)	**Knowledge 2, Application 2, Analysis 2** Quantitative skills assessed: **QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge and analysis** Up to 2 marks for identifying two causes and one mark for each linked explanation, e.g.: • Disruptions to the global supply chain/restrictions that had been in place during the global health crisis **(1K)** prevented firms from expanding capacity, creating shortages and causing cost-push inflation **(1AN)** • Global health crisis **(1K)** increased government spending which resulted in an increase AD causing demand-pull inflation **(1AN)** • High energy costs **(1K)** would increase firms cost of production, shifting SRAS left causing cost-push inflation **(1AN)** • Increase in consumer demand for goods and services **(1K)** would increase in consumption/AD causing demand-pull inflation **(1AN)** • Rising house prices **(1K)** would increase homeowners' confidence and increase consumption/AD causing demand-pull inflation **(1AN)** NB: Demand-pull inflation and cost-push inflation may be shown through an accurately drawn and labelled AD/SRAS diagram **Application** Up to 2 marks for application to Figure 1, e.g.: Between Q1 2021 and Q4 2021 e.g.: • USA rate of inflation increased from around 1.9% **(1)** to 6.4% **(1)** • UK rate of inflation increased by approximately 3.6 **(1)** percentage points **(1)**	**(6)**

Question	Analyse how an increase in the rate of inflation could have a 'negative impact on India's balance of trade' (Extract A, line 9).	Mark
12(c)	**Knowledge 2, Application 2, Analysis 2** **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge** 1 knowledge mark for understanding of an increase in the rate of inflation, e.g.: • The annual percentage increase in the general price level of/ average prices of goods and services in the economy **(1)** *AND* 1 knowledge mark for identifying the impact: • Could increase India's balance of trade deficit / worsen trade balance **(1)** **Analysis** Up to 2 analysis marks for linked development (1+1), e.g.: • An increase in the rate of inflation will increase the price of Indian exports **(1)** and this may reduce demand for/value of Indian exports **(1)** • If inflation rises faster than India's main trading partners, it will make Indian exports less price competitive **(1)** and this could reduce demand for/value of Indian exports **(1)** • An increase in the rate of inflation may make import prices relatively cheaper **(1)** and this may increase the demand for/value of Indian imports **(1)** **Application** Up to 2 marks for use of Extract A, e.g., • In July 2022 India reported a record balance of trade deficit of $30 billion **(1)** • This deficit was one of the largest of all the Asian economies **(1)** • The rate of inflation was 7.01% in June 2022 compared with June 2021 **(1)** • This was the second highest rate of inflation of the larger Asian economies **(1)**	**(6)**

Question	With reference to the information provided, examine the likely impact of inflation on the economy of Argentina. Indicative content	Mark
12(d)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Knowledge 2** Up to 2 marks for knowledge of inflation; • The rise **(1)** in the average price level **(1)** • Inflation increases firms' costs/ increases the prices for consumers **(1)** can be measured using the CPI **(1)** **Application 2** Up to 2 marks for reference to the given sources, e.g.: • Inflation remains a significant issue for Argentina **(1)** • Inflation was between 30%-40% per year **(1)** • In 2017 inflation was 25% **(1)** • Inflation is damaging to firms and reduces investment **(1)** **Analysis 2** Up to 2 marks for linked explanations • High inflation reduces investment **(1)** firms are unsure of future prices reducing the incentive to invest reducing AD **(1)** • Negatively impacts those on a fixed income as incomes don't rise with inflation **(1)** reducing standards of living **(1)** • Labour demands higher wages to maintain real incomes **(1);** increase cost-push inflation **(1)** • Fall in competitiveness of Argentinian goods **(1)** leading to a fall in exports and deterioration in the current account **(1)** • Increase in unemployment **(1)** due to the fall in competitiveness/ rising wage costs **(1)** • In an attempt to reduce the rate of inflation the base rate of interest was increased to 40% **(1)** likely to reduce borrowing and consumption **(1)** **Evaluation 2** Up to 2 marks for evaluative comments, e.g.: • It depends if incomes increase **(1)** if incomes increase at the same rate as inflation then standards of living will remain constant **(1)** • If business confidence is high firms will invest **(1**) increasing the level of AD in Argentina **(1)** • High levels of imported inflation may reduce the demand for foreign goods **(1)** improving the balance of payments on current account **(1)** • Demand-pull inflation may stimulate more aggregate supply **(1)** increasing economic growth **(1)** • The negative impact on the standards of living is likely to be significant **(1)** as real wages have decreased **(1)**	**(8)**

	• The central bank is raising the base rate of interest **(1)** which is likely to reduce the negative impact of inflation **(1)** • The government has cut spending reducing AD **(1)** which is likely to reduce the negative impact of inflation **(1)**	

Question	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.	Mark
12 (c)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Quantitative Skill Assessed** **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and Analysis** 1 mark for defining the inflation rate or inflation, e.g.: • The annual percentage change in the average price level OR • Sustained increase in the price level of an economy *AND/OR* Up to 2 marks for identifying two likely effects of disinflation and up to 2 analysis marks for developing the identified effect(s), e.g.: • May improve trade balance **(1)** as the price of French exports may rise more slowly than the price of other countries' goods / and the price of domestically produced goods and services may rise more slowly than the price of imports **(1)** • May improve standard of living for those on fixed incomes **(1)** such a welfare payments/minimum wage/as the real value of their incomes may rise **(1)** • The real value of debt may be eroded more slowly **(1)** so consumers and firms with outstanding loans may find these more difficult to repay **(1)** • May increase investment **(1)** as firms' confidence may rises/as they may be more able to plan/predict future costs and prices **(1)** • May reduce income inequality **(1)** as price of food and utilities may rise more slowly/so households may spend a lower proportion of their income on these essentials **(1)** **Application** Up to 2 marks for reference to the data, e.g.: • Between January 2020 and June 2020 there is disinflation **(1)** • In June 2020 the inflation rate 'was at its lowest level in over four years' **(1)** • The CPI inflation rate fell from 1.5% in January 2020 **(1)** to 0.1% in June 2020 **(1)** • France was running a trade deficit of €5 billion in April 2020 **(1)** **Evaluation** Up to 2 marks for evaluative comments (1+1 or 2+0), e.g.: • Effect on trade balance depends on other countries' inflation rates **(1)** • Effect on real incomes also depends on the change in nominal incomes **(1)**; given that France is in recession, these may have fallen **(1)**	

	• Business confidence is likely to be low given that the economy is in recession/inflation is very low and falling **(1)** so investment is likely to fall rather than rise in France **(1)** • ECB may be unlikely to lower the interest rate further **(1)** as it has been very low in 2020 **(1)** • Only a relatively short period of six months is shown in Figure 3 / there is no data provided for July to December 2020 **(1)** • Effects may be short-term **(1)** given, for example, the French Government's expansionary fiscal policy may be temporary as a result of the financial crises **(1)**	**(8)**

Question	With reference to Extract A, analyse the likely effect of France's trade balance in April 2020 on its circular flow of income.	**Mark**
12(d)	**Knowledge 2, Application 2, Analysis 2** **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge** 1 mark for understanding of 'circular flow of income', e.g., • a model showing how money flows between households and firms in an economy/ • diagrammatic representation of the circular flow of income **(1)** 1 mark for understanding of 'trade balance', e.g., • the value of a country's exports minus the value of its imports/ • (X-M) **(1)** **Analysis** Up to 2 marks for explaining the impact on the circular flow, e.g., • There will be a <u>net</u> withdrawal **(1)** from France's circular flow • *Ceteris paribus*, the flow of money in the circular flow would have decreased **(1)** • *Ceteris paribus*, there would have been a negative multiplier effect **(1)** • Less injections / less withdrawals from France's circular flow **(1)** **Application** Up to 2 marks for use of the data or reference to context, e.g., • France was running a negative trade balance/trade deficit **(1)** of €5 billion **(1)** in April 2020 • Exports fell at a quicker rate than imports **(1)** increasing the size of the trade deficit **(1)** • Value of exports from France fell by 32.4% / to €23.7 billion **(1)** • Value of imports into France fell by 25% / to €28.7 billion **(1)**	**(6)**

Question	Examine **two** likely macroeconomic effects of 'significant wage increases' (Extract A, line 21) on the UK economy. **Answer**	Mark
12(d)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and analysis** Up to 2 marks for identifying two likely effects of wage increases and 1 analysis mark for each linked development e.g.: • Decrease in real output **(1K)** as the SRAS is likely to shift to the left/inwards due to rising costs **(1AN)** • Increase in cost-push inflation **(1K)** as workers demand higher wages because their real income eroded by inflation/firms can pass higher costs to consumers in form of higher prices **(1AN)** • Increase in unemployment **(1K)** as there will be lower demand for labour/firms are likely to introduce more capital-intensive methods of production in their operations **(1AN)** • Deterioration in the balance of trade **(1K)** because the higher wages can cause firms costs to rise resulting in higher export prices/more imports due to greater marginal propensity to import **(1AN)** • Increase in living standards/national happiness **(1K)** as these increases in real wages would enable people to access more goods and services **(1AN)** • Greater consumption **(1K)** as higher wages will increase the workers affordability of goods and services/increase workers demand for goods and services/AD increases **(1AN)** • Higher productivity **(1K)** as workers become more motivated to work harder/if firms replace workers with capital **(1AN)** • Increased tax revenue for the government **(1K)** from greater income tax/indirect taxes **(1AN)** **NB Accept negative effects as KAA and positive effects as Evaluation (and vice versa)**	

	Application Up to 2 marks for use of the reference to context, e.g., • Have been experienced especially in the jobs where severe shortages exist **(1)** • Rising wages could incentivise businesses to invest in labour-saving machinery and staff training **(1)** • Concern that these wage increases will harm the UK economy unless it is supported by higher productivity **(1)** • An accurately drawn and labelled AD/SRAS diagram **(1)** **Evaluation** Up to 2 marks for evaluative comments (1+1 or 2+0), e.g.: • The magnitude of the wage increase is relatively large **(1)** as the wage increases have been 'significant', so impact is likely to be considerable **(1)** • In the short-run, wage increases will have a sizable impact on inflation/real output **(1)** as any positive impact on productivity will take time to come into effect **(1)** • Impact on inflation depends on whether there has been an increase in real wages or nominal wages **(1)** as an increase in real wages is likely to raise living standards **(1)** • The increase in living standards will only occur if the nominal wages increase faster **(1)** than the rate of inflation **(1)**	**(8)**

Question	Discuss supply-side policies that the UK Government could use to increase productivity. **Indicative content**
12(e)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge, Application and Analysis (8 marks) – indicative content** • Supply-side policies are designed to increase productivity, competition, and incentives in an economy – it can be shown via a shift outward of the LRAS creating both actual and potential growth • 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% • Increased government spending on skills through investment in education and/or training – this would increase human capital and raise productivity • Increased government spending on infrastructure investment (e.g., roads or broadband) – this would reduce industry costs or improve access to market • Reducing the level of welfare benefits – this would incentivise unemployed to take jobs, work harder and increase output per worker of those in work • Privatisation - this may lead to increased competition, greater innovation due to higher R&D spending, and therefore higher productivity in the UK • Cutting cost of bureaucracy and/or deregulation of firms – this would raise efficiency and productivity by increasing competition between firms • Reducing corporation tax/subsidies – this incentivises firms to innovate by investing in technological advancements; hence increasing potential output • Lowering regulation (deregulation of markets) and/or increasing competition • Increasing the country's national minimum wage

Question	With reference to Figure 2 and Extract A, examine **two** ways by which the increase in the base interest rate could reduce the rate of inflation.	Mark
12 (c)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** Quantitative skills assessed: **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **QS10:** Distinguish between changes in the level of a variable, and the rate of change **Knowledge and Analysis** Up to 2 marks for identifying two ways and up to 2 marks for linked explanations, e.g.: • Decrease in consumption/increase in saving **(1K)** as consumer confidence falls/the reward for saving increases **(1AN)** • Decrease in investment **(1K)** as the cost of borrowing for firms rises imply higher cost of production/more expensive to borrow money from banks **(1AN)** **Application** 1 mark for application to Extract A, e.g.: • Base interest rate increased from an all-time low of 2% in Jan 2021 to 13.25% in June 2022/significantly affected consumer spending and business investment, both of which are major contributors to economic growth **(1)** *AND* 1 mark for application to Figure 2, e.g.: • Between January 2021 and June 2022, Brazil's rate of inflation increased from 4.5% to 12% / by 7.5 percentage points / From June 2022 to January 2023 Brazil's rate of inflation fell from 12% to 5.9% / by 6.1 percentage points **(1)** **Evaluation** Up to 2 marks for evaluative comments (2+0 or 1+1), e.g.: • 11.25 percentage points increase in the base interest rate is very significant/magnitude is large **(1)** and thus will have a *significant impact on reducing the rate of inflation* **(1)** • Time lags: monetary policy does not have immediate effect on behaviour **(1)** for example, people with fixed mortgage rates or traders who have fixed contracts – small impact on inflation **(1)** • Commercial banks may not pass on the increase in interest rate to consumers/firms **(1)** so ineffective in reducing inflation **(1)** • Increase in interest rate is unlikely to have an impact if consumer and business confidence is high **(1)** and therefore any downward multiplier effects may be small **(1)**	**(8)**

	Evaluation Up to 2 marks for evaluative comments (1+1 or 2+0), e.g.: • The magnitude of the increase in the rate of inflation is high **(1)** so it is likely to be a combination of causes that have increased inflation **(1)** • Cost-push inflation is likely to be serious/significant **(1)** as the Fed will have limited tools to control it **(1)** • Energy and food prices have started to fall/their prices are highly volatile **(1)** so inflation may not remain high in the long-run **(1)** • Slower wage growth is likely to reduce the rate of inflation in the future **(1)** so inflation will only be high in the short-run **(1)** • Significance of factors change over time **(1)** global health crisis of 2020-2022 followed by rising energy and food prices in 2021-2022 and then by wage growth 2022-2023 **(1)**	**(8)**

Question	With reference to the third paragraph of Extract A, explain the term 'rate of unemployment'.	**Mark**
12 (c)	**Knowledge 2, Application 2** **Quantitative Skill Assessed** **QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes. **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms. **QS10**: Distinguish between changes in the level of a variable, and the rate of change. **Knowledge** Up to 2 marks for defining the rate of unemployment: • The percentage **(1)** of people in the labour force who are out of work/without a job **(1)** • (total unemployed/total labour force) **(1)** x 100 **(1)** Maximum of 1 mark where only unemployment is defined • People who are able to work/available to work/willing to work but cannot find work **(1)** **Application** Up to 2 marks for reference to Extract A, e.g.: • The Fed forecast that the rate of unemployment would average 4% in 2024 **(1)** • This would be a little higher than the 50-year low of 3.6% in 2023 **(1)** • Between 2023 and 2024, the rate of unemployment is expected to increase by 0.4 **(1)** percentage points **(1)**	**(4)**

Question	Discuss the likely effects of the increase in the rate of inflation on Romania's economy.	
12(e)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application and Analysis (8) – indicative content** • Understanding of rate of inflation- linked to CPI • An increase in inflation to 3.2% will mean higher prices for consumers and a fall in standards of living/ real income • Inflation has been caused by a 3.8% increase in food prices and a 4.1% increase in non-food items- may have effect on those on lower incomes significantly • Inflation may increase costs of production, which is cost-push inflation which may reduce investment • Inflation could reduce the real value of consumer debt/ government debt • It may encourage consumers to demand more imports as domestic firms increase their prices • It may cause a reduction in international competitiveness, exports may fall causing a current account deficit • Demand for workers may decrease if they are demanding higher wages; this may lead to an increase in unemployment • If consumption falls, tax revenue would fall which may lead to a reduction in the level of government spending	
Level	**Mark**	**Descriptor**
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (6 marks) – indicative content • The current rate of economic growth may be generating a positive output gap so fall in growth may be beneficial in the long run • Inflation is only just over 3% therefore not significantly high, limiting the negative impacts on the economy • Since labour availability is low firms would be willing to accept higher wage costs • Investment in Romania may still be high as wages are relatively low and skills are high. This may offset other cost increase • The Government may be willing to finance an increase in its expenditure through borrowing; therefore government spending may remain high • Inflation preferable to deflation – refer to Figure 2 • Interest rates are rising so rate of inflation may fall	
Level	**Mark**	**Descriptor**
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	With reference to the information provided, discuss the likely macroeconomic effects of a high rate of inflation on the German economy.
12(e)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge, Application and Analysis (8 marks) – indicative content** • Understanding of a high rate of inflation • "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" • Reduction in purchasing power and real incomes of German consumers; there will be a loss of consumer confidence • Equality, e.g., effect on those who have fixed incomes (are not protected by inflation) who are often the poorest • Reduction in competitiveness of German goods which worsens their current account position of the balance of payments and could reduce the country's international competitiveness • Unemployment in Germany may rise through increased levels of inefficiency and stagflation • May reduce Germany's economic growth owing to costs of high inflation • Higher inflation associated with an increase in AD could have detrimental impact on the environment • The self-reinforcing effect on inflation through expectations: higher inflation as consumers get used to higher levels of inflation, they demand high wages to protect purchasing power of incomes • High rates of inflation mean that consumers spend time searching for the best deal in the hope that some producers have not increased their prices

	• Firms face higher costs as inflation is high and may need to reprint menus and change prices frequently **NB: KAA can be awarded for negative impacts and evaluation as the positive impacts or vice versa**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

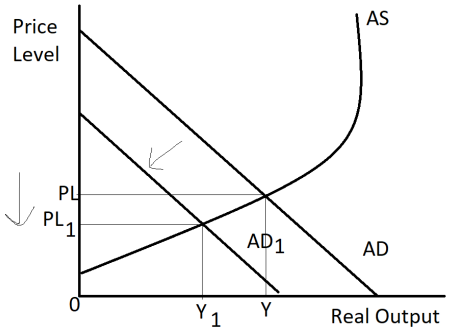
	Evaluation (6 marks) – indicative content • Depends on the cause of inflation – "supply chain constraints are increasing inflationary pressures" and/or "Germany's producer (wholesale) price index increased by 19.2% … as a result of rising prices for energy, metal and wood products" – indicating cost-push inflation that cannot be directly controlled (may be shown using an accurately drawn and labelled AD/SRAS diagram) • Depends on the magnitude of inflation – between January and November 2021, the inflation rate increased by 4.2 percentage points: therefore, the impact is going to be quite significant • Depends on the duration of inflation – inflation has been rising since January 2021 (Figure 2) and "Bundesbank predicted that the supply chain constraints would not be resolved until the end of 2022" • If economic growth is low, higher inflation is worth the risk to avoid periods of deflation (last six months of 2020) or economy going into a depression • Impact on Germany's competitiveness depends on relative inflation rates • Possible beneficial effect on the environment as economic growth slows • Inflation might not translate through to higher wages and unemployment if the German workforce has little power • May reduce the real value of consumer, business and government debts making it cheaper to pay back loans • A high rate of inflation may be associated with a low rate of unemployment/ reference to the Philips curve • Consumers search time for better prices may be reduced by online selling • Costs of changing prices may be largely reduced if physical menus are not reprinted and only published online

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

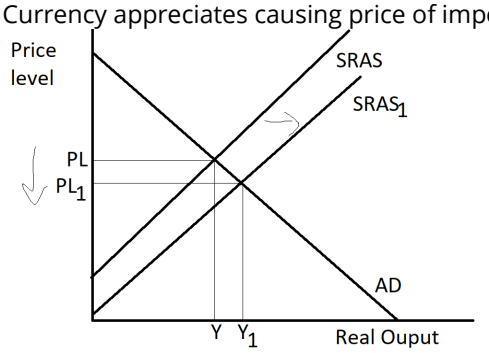
Section D

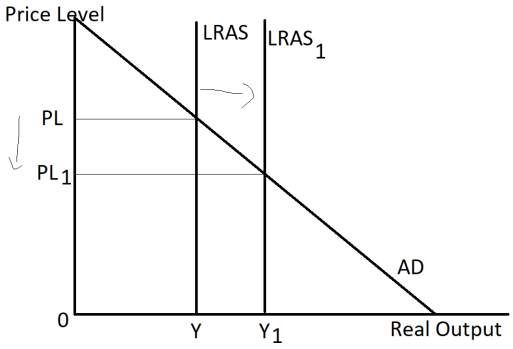
Question	Evaluate the view that very high global oil prices will always harm a country's macroeconomy.
13	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application and Analysis (12 marks) – indicative content** Rising oil prices are harmful to an economy because: • For economies that are net importers of oil, this will lead to an increase in the value of their imports, ceteris paribus. This will: o Increase a trade/current account deficit, not meeting one of the government's macroeconomic objectives o Increase downward pressure on/decrease AD in the economy (may be shown diagrammatically), thus leading to a decrease in real GDP and average incomes, and an increase in unemployment o Negative multiplier effects and further reduction in AD/real GDP o A decrease in average incomes and an increase in unemployment are likely to worsen the government's budget balance • Costs of production for firms will increase, leading to a fall/leftward shift in SRAS (may be shown diagrammatically). Ceteris paribus, this will: o Increase cost-push inflationary pressures in the economy, thus not achieving the macroeconomic objective of a low and stable rate of inflation o Decrease real GDP and average incomes in the economy o Decrease in average incomes and an increase in unemployment are likely to worsen the government's budget balance • For economies that are net exporters of oil, this may discourage them to diversify their economies and increase their reliance on oil – they have less incentive to create/adopt renewable energy to protect the environment **NB: Candidates may argue either way for KAA and the reverse for Evaluation** **NB: Award a maximum of level 3 if no reference to specific country(s)**

Section D

Question	Evaluate possible causes of deflation. Illustrate your answer with an appropriate diagram
13	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application and Analysis (12 marks) – indicative content** • Understanding of deflation- a decrease in the general/average price level • Deflation in Japan -0.6% in 2020 compared to 2019 Potential causes include: • Reduced household consumption, as savings ratio increased from 33% to 44% • With lower consumption, AD will decrease • With increased imports, AD will decrease • With lower investment, AD will decrease • Contractionary fiscal and monetary policy will reduce AD • Expectations of deflation mean customers may put off purchases to see of the price drops • Relevant diagram, e.g. AD/AS diagram showing leftward shift in AD • Contraction along AS and lead to price level falling  • Falling world price of oil contributed to deflation • As commodity prices fall SRAS shifts right as costs of production fall • Relevant diagram, e.g. AD/AS diagram showing rightward shift in SRAS • Extension along AD and leads to price level falling • Costs of other raw materials and energy falling

- LRAS shifting right- e.g. supply-side policies including improved state of technology, education and skills improve, competition policy
- Currency appreciates causing price of imports to decrease- deflationary





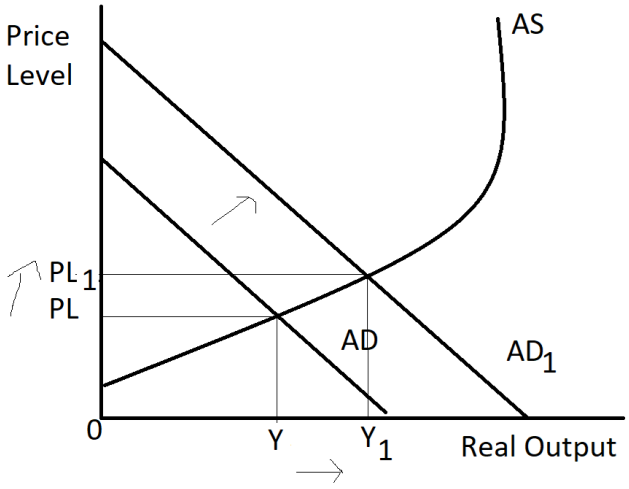
Diagrams should be rewarded that shift both AD left and AS right

NB Award a maximum of Level 3 for answers with no application
NB Award a maximum of Level 3 for answers with no relevant diagram

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.

Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content • In Japan a combination of both AD decreasing and reduced cost-push measures • With such a substantial increase in savings this is likely to have had a large effect on reducing consumption and AD. • Supply-side impacts are likely to have a very long-term effect only causing deflation after a long time lag • The magnitude of the deflation will be dependent on the size of any shifts in AD and AS • Cost-push deflation is often seen as a more positive cause as the supply side is improving • Demand-pull deflation is often seen as more negative as the lack of AD is what causes the deflationary pressure • Currencies are often floating so values may decrease meaning the relative price of imports start to increase again • Prices of raw materials and oil are likely to increase as AD increases as the world economy recovers • Monetary policy takes time to impact AD	
Level	**Mark**	**Descriptor**
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.

Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	Evaluate the possible effects of an increase in government expenditure on infrastructure on a country's economy. Illustrate your answer with an appropriate diagram
14	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application and Analysis (12 marks) – indicative content** • Infrastructure spending includes spending on transport, power supplies and broadband • Increased infrastructure spending from ₱681 billion in 2020 to ₱1 200 billion in 2022. • The initial infrastructure will see government spending/investment which will boost AD initially • The injection into the economy will result in further rounds of spending via the multiplier effect  • This may cause inflationary pressure and an increase in real output • This helps make doing business easier and cheaper • Reliable power supplies mean production can happen undisrupted • Better transport systems mean raw materials can be moved quicker wasting less time

<table>
<tr><td>Question</td><td colspan="2">Evaluate the costs of a high rate of inflation. Refer to a country of your choice in your answer.</td></tr>
<tr><td>14</td><td colspan="2">Indicative content guidance
Answers must be credited by using the level descriptors (below) in line with the general marking guidance.
The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.

Knowledge, Application and Analysis (12 marks) – indicative content

• Understanding of inflation/inflation rate

Costs include:
• Fall in purchasing power and real incomes, reducing living standards
• Loss of both business and consumer confidence as a result of greater uncertainty; this reduces/postpones investment/spending and hence may have implications for economic growth
• Increased inequality e.g. effect on those who have fixed incomes (are not protected by inflation like students, dependents, pensioners) who are often the poorest
• Reduction in price competitiveness of the country's which worsens the current account of the balance of payments deficit and reduces international competitiveness
• Unemployment may rise through increased levels of inefficiency and stagflation
• Higher inflation associated with increasing AD may have detrimental impact on environment
• The self-reinforcing effect on inflation through expectations: higher inflation - as consumers get used to higher levels of inflation, they demand high wages to protect buying power of incomes
• If the inflation rate is higher than interest rates on savings, then those individuals that depend on interest from their savings as their income will be poorer; this is as a result of a negative real interest rate

NB Award a maximum of Level 3 for answers with no reference to a country</td></tr>
<tr><td>Level</td><td>Mark</td><td>Descriptor</td></tr>
<tr><td></td><td>0</td><td>No rewardable material.</td></tr>
<tr><td>Level 1</td><td>1–3</td><td>Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models.
Use of generic material or irrelevant information or inappropriate examples.
Descriptive approach which has no chains of reasoning.</td></tr>
</table>

Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content • Benefits may include: ○ Fall in real value of debts for firms, households and governments reducing the burden of repayments ○ Firms are likely to benefit if prices of their goods and services rise faster than costs, thereby increasing their profit margins • Significance of the increase in inflation, e.g. USA has seen a sharp increase in inflation (by 4.8 percentage points) • Depends on duration of inflation, e.g. temporary or permanent; SR vs LR considerations – this may be discussed in recent context of a country using an AD/AS diagram • Depends on the cause of inflation, e.g. cost-push or demand-pull • Inflation might not translate through to higher wages and unemployment if the workforce has limited negotiating power • Inflation may be associated with a lower rate of unemployment – reference to Phillips curve • If economic growth is low, slightly higher inflation is worth the risk to avoid deflation or depression	

	• Impact depends on the relative inflation rates, especially of the USA's main trading partners such as UK • Other factors may have a larger effect: exchange rates or other macroeconomic objectives (ceteris paribus)

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

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<tr><td>Question</td><td colspan="2">Evaluate possible causes of deflation.</td></tr>
<tr><td>14</td><td colspan="2">Indicative content guidance
Answers must be credited by using the level descriptors (below) in line with the general marking guidance.
The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.

Knowledge, Application and Analysis (12 marks) – indicative content
• Understanding of deflation
• “In July 2021 Rwanda’s inflation rate was -1.1% and in November 2021 it was -3.4%”

Possible causes include:
• Decrease in AD as a result of -
○ lower consumption/higher savings
○ lower levels of gross/net investment
○ lower government spending/public expenditure
○ lower net trade/fall in exports/increase in imports
○ deflationary fiscal policy e.g. lower rates of direct taxes
○ deflationary monetary policy e.g. lower money supply/increase in the base rate of interest
○ expectations of deflation means that consumers may delay their purchases to see if the price decreases again
• Increase in SRAS as a result of -
○ decrease in indirect taxes
○ fall in costs of raw materials and energy
○ increase in the external value of the currency making imports relatively cheaper
• Increase in LRAS as a result of -
○ competition policy
○ increases in productivity
○ increase in net migration
○ technological advancements
○ improvements in education and skills

Credit use of relevant AD/AS diagrams

NB Award a maximum of Level 3 for answers with no reference to a country in their answer</td></tr>
<tr><td>Level</td><td>Mark</td><td>Descriptor</td></tr>
<tr><td></td><td>0</td><td>No rewardable material.</td></tr>
<tr><td>Level 1</td><td>1–3</td><td>Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models.
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		Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident, but they may not be developed fully, or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

Evaluation (8 marks) – indicative content

- Significance of the most important factor changes over time
- It is likely to be a combination of factors contributing to deflation
- Magnitude of the deflation will be dependent on the size of any shifts in AD and AS: it is likely to be relatively large for Rwanda
- Demand-pull deflation (decrease in AD) is often seen as more negative as the lack of AD is what causes the deflationary pressure
- Fiscal policy and/or monetary policy takes time to impact AD
- Cost-push deflation (increase in SRAS) is often seen as a more positive cause as the supply side is improving
- If the external value of the currency decreases then the relative price of imports will increase
- Prices of raw materials and oil are highly volatile and likely to increase as AD increases as the world economy recovers
- Supply-side impacts (increase in LRAS) are likely to have a long-term effect only causing deflation after a significant time lag

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	Evaluate possible causes of inflation. Refer to a country of your choice in your answer.	
14	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application and Analysis (12 marks) – indicative content** • Understanding of inflation • "Between January 2022 and January 2023 Turkey's inflation rate increased by nine percentage points" Possible causes include: • Increase in AD (Demand-pull) as a result of - o higher consumption/lower savings o higher levels of gross/net investment o higher government spending/public expenditure o higher net trade/increase in exports/fall in imports • Reflationary policies increasing AD as a result of o fiscal policy and/or monetary policy o excessive growth of money supply e.g. through QE • Decrease in SRAS (Cost-push) as a result of - o increase in indirect taxes o rise in costs of raw materials and energy o decrease in the external value of the currency making imports relatively more expensive • Decrease in LRAS as a result of - o weak competition policy o decrease in productivity o decrease in net migration o lack of technological advancements o no improvements in education and skills Credit use of relevant AD/AS diagrams **NB Award a maximum of Level 3 for answers with no reference to a country in their answer**	
Level	**Mark**	**Descriptor**
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context.

		A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident, but they may not be developed fully, or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content • Significance of the most important factor changes over time • It is likely to be a combination of factors contributing to inflation • Magnitude of the inflation will be dependent on the size of any shifts in AD and AS: it is likely to be relatively large for Turkey • Demand-pull inflation (increase in AD) is not often seen as negative as the increase in AD can be controlled by monetary policy • Fiscal policy and/or monetary policy takes time to impact AD • Cost-push inflation (decrease in SRAS) is often seen as more negative as central banks have very limited tools to control it • If the external value of the currency increases then the relative price of imports will decrease • Prices of raw materials and oil are highly volatile and likely to decrease as global supply increases • Supply-side impacts (decrease in LRAS) are likely to have a very long-term effect only causing inflation after a significant time lag	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section A

Question	Quantitative skills assessed	Answer	Mark
1	-	A	**(1)**
2	**QS2:** Calculate, use and understand, percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	B	**(1)**
3	-	B	**(1)**
4	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	C	**(1)**
5	-	D	**(1)**
6	**QS4:** Construct and interpret a range of standard graphical forms	B	**(1)**

Section A

Question	Quantitative skills assessed	Answer	Mark
1	**QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** ***A*** *is not correct as there is no data on real wage rates* ***C*** *is not correct because the changes in the table show a short-term increase in unemployment and structural unemployment is a long-term issue* ***D*** *is not correct because the increase is linked to the fall in real GDP*	**(1)**
2	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** ***B*** *is not correct because this policy would cause an increase in AD* ***C*** *is not correct because the Bank of England is using monetary policy* ***D*** *is not correct because the Bank of England is using monetary policy*	**(1)**
3	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** ***A*** *is not correct because AD would increase* ***B*** *is not correct because government spending is an injection into CFI* ***C*** *is not correct because AS is likely to increase*	**(1)**
4	**QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** ***A*** *is not correct because we do not know about the primary and secondary income balances* ***B*** *is not correct as there is a balance of trade deficit not surplus* ***D*** *is not correct as the value of exports is likely to have risen*	**(1)**
5	-	**The only correct answer is B** ***A*** *is not correct as this would reduce investment* ***C*** *is not correct as this would reduce investment* ***D*** *is not correct as banks would have less money available for investment*	**(1)**

Section A

Question	Quantitative skills assessed	Answer	Mark
1	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** ***A*** *is not correct as this does not explain the conflict; shows full employment* ***B*** *is not correct as it shows the relationship between the price level and real output* ***D*** *is not correct as it shows the relationship between the price level and real output*	**(1)**
2	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** ***A*** *is not correct as demand deficiency is associated with a recession* ***C*** *is not correct as seasonal unemployment is associated with jobs at different times of the year* ***D*** *is not correct as structural unemployment is associated with a change in the sectoral structure of the economy*	**(1)**
3	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** ***B*** *is not correct because withdrawals will be greater than injections* ***C*** *is not correct because the data relates to the government's budget* ***D*** *is not correct because the data relates to the government's budget*	**(1)**
4	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** ***A*** *is not correct because this will improve France's trade balance* ***B*** *is not correct because this will improve France's trade balance* ***D*** *is not correct because this will improve France's trade balance*	**(1)**

Section A

Question	Quantitative skills assessed	Answer	Mark
1	**QS4**: Construct and interpret a range of standard graphical forms **QS8**: Make calculations of elasticity and interpret the result **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** ***A*** *is not correct because the classical LRAS is perfectly elastic when there is a high level of spare capacity* ***B*** *is not correct because the classical LRAS is perfectly elastic when there is a high level of spare capacity* ***C*** *is not correct because the classical LRAS curve is perfectly inelastic at the full employment level of real output*	**(1)**
2	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** ***B*** *is not correct because cutting costs of bureaucracy is an example of a free market supply-side policy* ***C*** *is not correct because cutting costs of bureaucracy is an example of a free market supply-side policy* ***D*** *is not correct because cutting costs of bureaucracy is an example of a free market supply-side policy*	**(1)**
3	**QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** ***A*** *is not correct as this is the percentage-point change* ***C*** *is not correct as this uses the incorrect equation: change/new x 100* ***D*** *is not correct as this is the sum of the two percentages*	**(1)**
4	**QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** ***A*** *is not correct because between Y and Z, the government's tax revenue is likely to increase* ***C*** *is not correct because between Y and Z, the rate of unemployment is likely to decrease* ***D*** *is not correct because between Y and Z, business confidence is likely to increase*	**(1)**
5	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** ***B*** *is not correct because this is likely to have caused a decrease in investment* ***C*** *is not correct because this is likely to have caused a decrease in investment* ***D*** *is not correct because this is likely to have caused a decrease in investment*	**(1)**

Section A

Question	Quantitative skills assessed	Answer	Mark
1	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** ***A*** *is not correct because exports are an injection into the circular flow of income* ***C*** *is not correct because investment is an injection into the circular flow of income* ***D*** *is not correct because consumption is neither an injection nor a withdrawal from the circular flow of income*	**(1)**
2	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** ***A*** *is not correct because this is likely to increase private sector investment* ***B*** *is not correct because this is likely to increase private sector investment* ***D*** *is not correct because this is likely to increase private sector investment*	**(1)**
3	**QS1:** Calculate, use and understand ratios and fractions **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** ***A*** *is not correct as this is the marginal propensity to consume multiplied by itself* ***B*** *is not correct as this is the value of the marginal propensity to withdraw* ***D*** *is not correct as this uses the incorrect formula of 1/MPC*	**(1)**
4	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** ***A*** *is not correct because there is unlikely to be an impact on the rate of corporation tax* ***B*** *is not correct because this is likely to increase the rate of unemployment* ***C*** *is not correct because this is likely to reduce the rate of economic growth*	**(1)**
5	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** ***B*** *is not correct because a person has to actively seek work in the past four weeks and should be available to start work in the next two weeks to be considered as unemployed* ***C*** *is not correct because a person has to actively seek work in the past four weeks and should be available to start work in the next two weeks to be considered as unemployed* ***D*** *is not correct because a person has to actively seek work in the past four weeks and should be available to start work in the*	**(1)**

Question	With reference to the table, explain what is meant by 'gross investment'. **Answer**	Mark
11	**Knowledge 2, Application 2** **Quantitative Skills Assessed** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** Up to 2 marks for defining gross investment, e.g.: • Gross investment = net investment + depreciation **(2)** • Gross investment includes replacement of worn-out capital stock / Gross investment data includes an estimate for the value of capital depreciation **(1)** • Investment refers to the increase in the capital stock / Investment is an injection into the CFI **(1)** **Application** Up to 2 marks for explicit reference to the data, e.g.: • Gross investment in Tanzania increased **(1)** from $15.5bn in 2015 to $25.6bn in 2020 **(1)** • Gross investment in Tanzania increased **(1)** by 65.16% / 65.2% / $10.1 billion **(1)**	**(4)**

Section C

Question	Define the term 'net migration' (Extract A, line 13). **Answer**	Mark
12(a)	**Knowledge 2** • Immigration minus **(1)** emigration **(1)** • Difference between number of people entering the country and **(1)** the number of people leaving the country **(1)**	**(2)**

Question	With reference to Figure 2 and Extract A, analyse **two** possible impacts of net migration on the UK economy. **Answer**	Mark
12(b)	**Knowledge 2, Application 2, Analysis 2** **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and analysis** Up to 2 knowledge marks for identifying two possible impacts of net migration on the UK economy and 1 analysis mark for linked development of each impact e.g.: • Lower productivity **(1K)** if there are more low skilled workers immigrating as they have low levels of human capital **(1AN)** / Higher productivity **(1K)** if there are more high skilled workers immigrating as they have high levels of human capital **(1AN)** • Greater labour market flexibility/employment **(1K)** as workers will take jobs where shortages/unfilled vacancies exist **(1AN)** • Increase in frictional unemployment **(1K)** as net migration can result in displacement of existing labour force: lead to workers moving between jobs to search for new employment **(1AN)** • Could increase the rate of economic growth **(1K)** if AD increases due to higher consumer spending in the economy **(1AN)** • Increase in government expenditure **(1K)** as demand for public goods and services will increase, e.g. schools/hospitals **(1AN)** • Increase in tax revenue **(1K)** as more people will be part of the labour force/start businesses paying higher income tax, VAT and corporation tax **(1AN)** **Application** Up to 2 marks for use of Figure 2, e.g., • Between 2010 and 2019 net migration increased by 5.9% **(1+1)** • Net migration was 256 000 in 2010 **(1)** and 271 000 in 2019 **(1)** • Highest net migration in 2015/Lowest net migration in 2012 **(1)** • More people immigrated to UK than people who emigrated **(1)** • Net migration was positive in each year from 2010 to 2019 **(1)**	**(6)**

Question	Explain one possible impact on the level of unemployment of this net migration.	Mark
8	**Knowledge 1, Application 1, Analysis 2** **Knowledge** 1 mark for defining net migration or the level unemployment, e.g. • immigration minus emigration **(1)** • the number of people willing and able to work but unable to find suitable employment **(1)** **Analysis** Up to 2 marks for analysis points • Unemployment may rise **(1)** as the working population in the country is increasing **(1)** • If the higher population increases consumption **(1)** there may be a fall in unemployment **(1)** • Low skilled occupations may see a rise in competition for jobs **(1)** resulting in increased unemployment **(1)** **Application** 1 mark for applying this to the context of New Zealand, e.g.: • The population increase for New Zealand is significant **(1)** • Net migration accounts for 1.56% of the population **(1)** • 73 000 more people moved to New Zealand than left **(1)**	**(4)**

Question	Explain **one** possible effect of high rates of unemployment on the public finances of Bosnia and Herzegovina. Answer	Mark
7	**Knowledge 1, Application 1, Analysis 2** **Knowledge & Analysis** 1 mark for knowledge and a further 2 marks for linked analysis • Defining unemployment; the total number of individuals that are willing and able to work and actively seeking work **(1)** • Increase in unemployment leads to a higher demand for unemployment benefits **(1)** increasing government spending possibly leading to deterioration in public finance **(1)** • Increase in unemployment leads to a fall in tax revenues **(1)** and a deterioration in public finance **(1)** **Application** 1 mark for applying to Bosnia and Herzegovina, e.g.: • Bosnia and Herzegovina's unemployment level has decreased by 9 percentage points / decreased from 46% to 37% between 2013-2018 **(1)**	**(4)**

Section B

Question	With reference to the chart, explain **one** likely impact of trend in the unemployment rate on Jamaica's economy.	Mark
7	**Knowledge 1, Analysis 2, Application 1** **Quantitative skills assessed:** **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and Analysis** 1 mark for definition or formula of unemployment rate, e.g.: - The percentage of the workforce who are without work, willing and able to work but unable to find suitable employment - Number of unemployed people / Total number in the labour force x 100 - Award ILO definition of unemployment *OR* 1 mark for identification of one likely impact of a decrease in the unemployment rate **and** up to 2 marks for development of the identified impact, e.g.: - Living standards increase **(1)** as average incomes rise **(1)** and people can afford more goods and services/consumption rises **(1)** - The government budget balance is likely to improve **(1)** as government spending on means-tested/unemployment benefits falls **(1)** and tax revenue, e.g. income tax, rises **(1)** - Average wage rates rise **(1)** as there is a smaller pool of unemployed labour/more competition for unemployed workers **(1)** leading to cost-push inflationary pressures **(1)** - Firms' profits rise **(1)** as consumers are spending more money **(1)** because their incomes/confidence has increased **(1)** - Resource utilisation becomes more efficient **(1)** and hence the economy moves closer to the production possibility frontier **(1)** as less of the labour factor of production is unemployed **(1)** - The rate of inflation increases **(1)** as wage rates rise decreasing SRAS/consumption rises increasing AD **(1)** as shown by short-run Phillips curve (may be illustrated with a diagram) **(1)** - Less external costs/negative externalities **(1)** e.g. better health, lower crime rates **(1)** leading to less political instability **(1)** **Application** 1 mark for appropriate use of the Figure, e.g.: - Jamaica's unemployment rate fell over the period shown **(1)** - Jamaica's unemployment rate fell from 15.3% in 2013 to 8% in 2019/20 **(1)** - Jamaica's unemployment rate fell by 7.3 percentage points over the period shown **(1)**	**(4)**

Question	With reference to the information, explain what is meant by net migration.	Mark
11	**Knowledge 2, Application 2** **Quantitative Skills Assessed** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** Up to 2 marks for defining net migration, e.g.: • immigration *minus* emigration **(1+1)** • *difference* between number of people entering/arriving in the country **(1)** and the number of people leaving the country **(1)** • if the value of net migration is positive, implies more immigrants **(1)** than emigrants **(1)** **Application** Up to 2 marks applying this to the context of Australia, e.g.: • Net migration was 194 400 **(1+1)** • Immigration: 509 600/emigration: 315 200 **(1)**	**(4)**

Question	Explain **one** way by which this net migration could increase employment.	Mark
10	**Knowledge 1, Analysis 2, Application 1** **Quantitative Skill assessed** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge and analysis** 1 knowledge mark and up to 2 marks for linked analysis, e.g.: • If the immigrants come to Turkey to fill vacancies **(1)** that people in Turkey are unable to fill **(1)** then immigration will lead to an increase in employment **(1)** • The positive net migration leads to an increase in population **(1)** causes higher levels of household consumption **(1)** and firms will employ more to be able to increase output **(1)** • Increased immigration would increase the size of the working population **(1)** meaning more people are available for employment **(1)** **Application** 1 mark for appropriate reference to Turkey, e.g.: • 1.4 million more immigrants than emigrants **(1)** • More immigrants than emigrants **(1)** • Net migration is a positive figure suggesting more coming in than leaving **(1)**	**(4)**

Section C

Question	Define the term 'fiscal policy' (Extract A, line 12).	Mark
12 (a)	**Knowledge 2** Where the government changes government spending **(1)** and taxation **(1)** Demand side policy/aims to influence the position of AD **(1)** New Zealand's Government used reflationary fiscal policy **(1)**	**(2)**

Question	With reference to Figure 1, explain how the ILO unemployment rate is measured.	Mark
12 (b)	**Knowledge 2, Application 2** **Quantitative Skill Assessed** **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** Up to 2 marks for how ILO unemployment is measured: • Conducted by the Labour Force Survey/Questionnaire **(1)** • The survey asks whether an individual has been out of work over the last 4 weeks **(1)** and ready to work in the next 2 weeks **(1)** **Application** Up to 2 marks for relevant application to unemployment in New Zealand, e.g.: • Increased from 4.2% in Q1 **(1)** to 5.3% in Q3 2020 **(1)** • Decreased from 5.3% in Q3 2020 **(1)** to 4.9% in Q4 2020 **(1)**	**(4)**

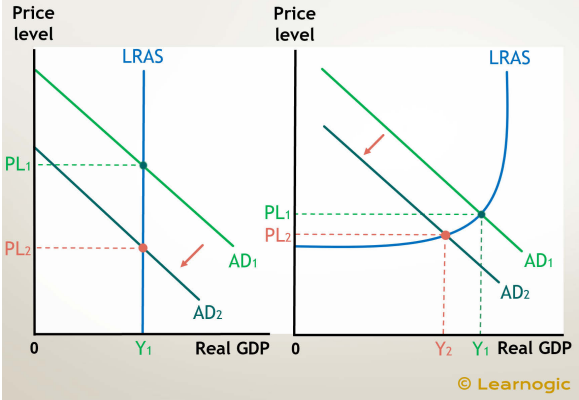
Question	With reference to the chart, explain **one** possible effect of the change in the rate of unemployment between Q3 2020 and Q4 2022 on the public finances of Malta.	Mark
10	**Knowledge 1, Analysis 2, Application 1** **Quantitative skills assessed:** **QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge** 1 mark for definition of rate of unemployment or public finances, e.g. • The rate of unemployment refers to the percentage of the total workforce that is unemployed but is actively seeking employment and willing to work *OR* • Improvement in public finances/government budget **(1)** **Analysis** Up to 2 marks for linked expansion, e.g. • This decrease in the rate of unemployment leads to a fall in the number claiming/receiving unemployment benefits **(1)** leading to reduced government spending **(1)** **Or** This decrease in the rate of unemployment leads to an increase in the number of people paying income tax **(1)** leading to an increase in government tax revenues **(1)** **Application** 1 mark for appropriate link to Q3 2020 and Q4 2022 in the chart: • Between Q3 2020 and Q4 2022 annual rate of unemployment decreased from 4.9% to 2.9% / Unemployment rate decreased by 2 percentage points during the period shown **(1)** The unemployment rate has fallen by 40.8% **(1)**	**(4)**

Question	In 2022 average house prices increased by 6% in India. For example: • in the city of Bengaluru, average house prices increased by 9% • in the city of Ahmedabad, average house prices increased by 3% With reference to the data, explain what is meant by the 'wealth effect'.	Mark
11	**Knowledge 2, Application 2** **Quantitative skills Assessed:** **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms. **Knowledge** Up to 2 marks for defining the wealth effect, e.g.: • When an increase in asset prices e.g. house prices **(1)** **results in** an increase in consumer confidence / an increase in consumption and/or AD **(1)** **Application** Up to 2 marks applying this to the context of India, e.g.: • Average house prices increased by 6% in India **(1)** • In Bengaluru average house prices increased by 9% **(1)** • In Ahmedabad average house prices increased by 3% **(1)**	**(4)**

6	**QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** ***B*** *is not correct as consumer confidence is likely to decrease* ***C*** *is not correct as average house prices fell by 1.65% between November 2022 and December 2022* ***D*** *is not correct as there will be less incentive for construction companies to build new houses*	**(1)**

Section B

Question	In 2021 net migration in Nepal was approximately 300 000. Explain **one** impact of this net migration on *employment* in Nepal.	**Mark**
7	**Knowledge 1, Analysis 2, Application 1** **Quantitative skills assessed:** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge and analysis** 1 knowledge mark for defining net migration, e.g.: • Immigration *minus* emigration **(1K)** *OR* 1 knowledge mark and up to 2 marks for linked analysis, e.g.: • It will result an increase in employment **(1K)** if immigrants come to Nepal to fill job vacancies **(1AN)** that people in Nepal are unable to fill **(1AN)** • Firms employ more people **(1K)** to increase output as positive net migration results in an increase in population/more people **(1AN)** causing higher levels of household consumption **(1AN)** • Higher employment **(1K)** as increased immigration could increase the size of the labour force/increase labour supply **(1AN)** meaning more people are available for work **(1AN)** **Application** 1 mark for appropriate reference to Nepal, e.g.: • In 2021 net migration in Nepal was approximately 300 000 **(1)**	**(4)**

Question	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.	Mark
8	**Knowledge 1, Application 3** **Quantitative skills assessed:** **QS4:** Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms  **Knowledge** Correctly drawn diagram with correctly labelled AD/LRAS curves showing the original equilibrium price level and real output **(1)** **Application** Up to 3 marks for the following information included on the diagram: • Drawing AD shifted to the left **(1)** • Showing correct lower price level **(1)** (not rewarded if 'price' is used on the axis) • Showing correct real output **(1)** (not rewarded if 'quantity' is used on the axis)	**(4)**

Question	In the USA 11.2% of graduates were working in low-skilled jobs in June 2023. At the same time, 25.7 million people were working part-time. Many of these part-time employees wanted to work more hours. With reference to the information above, explain the term 'underemployment'.	Mark
10	**Knowledge 2, Application 2** **Quantitative skills assessed:** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** Up to 2 marks for defining 'underemployment', e.g.: • Occurs when people are in work/employment/have a job **(1)** but want to work more hours/or in a more skilled job **(1)** **Application** Up to 2 marks for applying to the USA, e.g.: • 11.2% of graduates were working in low-skilled jobs **(1)** • 25.7 million people were working part-time **(1)**	**(4)**

Question Number	Answer	Mark
12 (c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** 1 mark for definition of net migration, employment **OR** unemployment e.g.: • Total immigration minus total emigration **(1)** • Total number of population employed **(1)** • Total number of population out of work and actively seeking employment **(1)** Up to 2 marks for identifying impacts on employment and/or unemployment, e.g.: • Increase in employment **(1)** • Existing labour force may struggle for work, increasing unemployment **(1)** • Mismatch of skills required creating structural unemployment **(1)** • Increase in frictional unemployment **(1)** **Application** 2 marks for reference to Extract A e.g.: • There is a significant level of net migration, up to 190 000 individuals per year **(1)**. • Over 28% of the population are immigrants **(1)** • Highly skilled migrants **(1)** **Analysis** Up to 2 marks for explaining the impact of net migration on employment **OR** unemployment in Australia e.g.: • Increased skilled labour force increases productivity **(1)** this increases the demand for labour increasing employment **(1)**. • The increase in the population increases consumption **(1)** increasing aggregate demand and further demand for labour increasing employment **(1)** • Higher migration has made it more difficult to find jobs as the supply of workers has increased **(1)** increasing the number of citizens who are unemployed **(1)**	**(6)**

Question	With reference to Extract A, analyse **two** causes of China's high youth unemployment rate.	Mark
12(c)	**Knowledge 2, Application 2, Analysis 2** **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and analysis** Up to 1 knowledge for identifying a cause and 1 analysis mark for linked development of each cause, e.g.: • Low economic growth rate of China **(1K)** resulting in demand-deficient unemployment/less demand for workers **(1AN)** • There was also a mismatch between the jobs that are available and students' qualifications **(1K)** so Chinese graduates lack the necessary skills to take up available jobs **(1AN)** • Surplus in the labour market for young people **(1K)** so Chinese economy lacks jobs for skilled graduates **(1AN)** **Application** Up to 2 marks for use of Extract A, e.g., • Domestic demand for goods and services and exports rising more slowly compared with the previous quarter / the country's economic growth forecast for 2022 was reduced from 5.5% to 4.3% **(1)** • China has too many college and university graduates for the economy to employ • At the start of the third quarter of 2022, only 0.70 jobs were available for each graduate **(1)**	**(6)**

Question	With reference to Figure 1 and Extract A, examine **two** likely economic effects of the increase in unemployment experienced in New Zealand between Quarter 2 and Quarter 3 2020.	Mark
12 (c)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and Analysis** Up to 2 knowledge marks for 2 effects and up to 2 marks for linked analysis of each effect e.g.: • Loss of earnings for those who become unemployed **(1)** means they are less able to buy goods and services **(1)** • Public finances will worsen **(1)** as people start to claim unemployment benefits/with less people earning money less tax revenue is earned **(1)** • Pressure on healthcare **(1)** as people lose their jobs and income and become depressed and access healthcare services **(1)** • Waste of scarce resources **(1)** as workers are not contributing to GDP when unemployed/the economy operates below its PPF/below full employment/operates with spare capacity **(1)** • Reduced inflationary pressure **(1)** as there is less demand-pull inflation **(1)** • Fall in AD **(1)** as consumption falls for those who are unemployed **(1)** **Application** Up to 2 marks for reference to the data, e.g.: • ILO unemployment increases from 4% to 5.3% **(1)** • ILO unemployment increased 1.3 percentage points between Q2 and Q3 **(1)** • Significant increase in redundancies in the tourism industry **(1)** **Evaluation** Up to 2 marks for evaluative comments (1+1 or 2+0), e.g.: • The size of the change in unemployment is significant in one quarter **(1)** so would have a big impact on increasing government spending on benefits **(1)** • The effect of unemployment becomes more significant if it is long term **(1)** as people lose skills required for work and find it difficult to find employment in the future **(1)**	

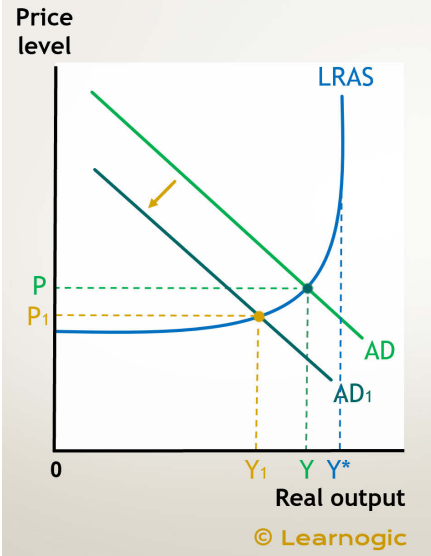
	• Unemployment in the tourism sector may be temporary **(1)** as when foreigners can return the demand for tourism should rise **(1)** • Automatic stabilisers will help **(1)** as government expenditure on welfare benefits will boost consumption and AD **(1)**	**(8)**

Question	With reference to Figure 2 and Extract A, examine **two** likely effects of the substantial increase in the rate of unemployment on the Australian economy.	Mark
12 (d)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Quantitative Skill Assessed** **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and analysis** 1 knowledge mark for understanding of unemployment, e.g.: • people of working age who are without work, but are able and available for work **(1K)** *AND/OR* Up to 2 knowledge marks for identifying effects of an increase in the rate of unemployment and up to 2 analysis marks for linked development of two effects identified: • Fall in disposable income **(1K)** leads to a fall in consumer confidence so less consumption/AD/living standards **(1AN)** • Worsening public finances **(1K)** leads to lower tax revenues from earnings/higher government spending on welfare payments **(1AN)** • Future job prospects affected **(1K)** workers lose their skills/ loss of human capital, so will find it difficult to get work in the future **(1AN)** • Loss of potential output/GDP **(1K)** leads to waste of scarce resources/an increase in spare capacity **(1AN)** **Application** Up to 2 marks for reference to Figure 2, e.g.: • Unemployment rate increased from around 5.3% in July 2018 **(1)** to around 7.5% in July 2020 **(1)** • Between Jan 2020 and July 2020, unemployment rate rose by around 2.3 **(1)** percentage points **(1)** **Evaluation** Up to 2 marks for evaluative comments (1+1 or 2+0), e.g.: • Fall in disposable income is likely to be short term **(1)** due to the continuation of the JobKeeper Payment scheme **(1)** • Public finances will be the more significantly affected **(1)** as a result of the schemes in place to protect jobs, in addition to the welfare payments being made **(1)** • With greater supply of workers, firms can employ more workers at lower wage rates in the future **(1)** due to the reduced wage bargaining power of the workers **(1)** • Unemployment is a lagging indicator **(1)** so even in economic recovery, it takes time to hire workers and the effects may be short lived as unemployment may not be as high **(1)** • Despite the rise in unemployment, household consumption increased by 7.9% in quarter 3 **(1)** • Could reduce inflationary pressures/protect environment **(1)**	**(8)**

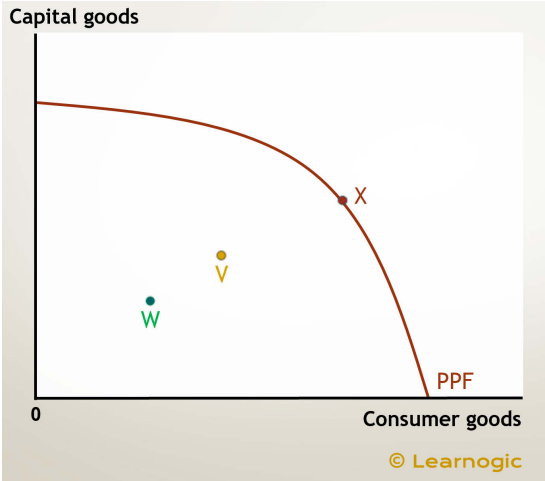
Question Number	In quarter 1 2019 the unemployment rate in South Africa was 27.6%. In quarter 2 it increased to 29%. An additional 455 000 workers became unemployed. Evaluate the likely impact of an increase in the unemployment rate on workers, public finances and resource utilisation. Indicative content
14	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application and Analysis (12 marks) – indicative content** • Unemployment- those willing and able to work but unable to find suitable employment • Unemployment has increased from 27.6% to 29%/increase of 1.4% Workers • Workers may fear losing their job and may increase savings, thus reducing consumption, aggregate demand and subsequently leading to a fall in real output and a fall in the price level • Workers may take jobs that are below their skill levels leading to underemployment • Workers who lose their jobs may spend a long time unemployed and become deskilled – they will be less employable and less attractive to employers • Workers who lose their job will see a reduction in earnings/living standards/ability to meet their basic needs • Social effects of unemployment – divorce, crime rate, health impacts • Long term effects of intergenerational unemployment Public finances • As more become unemployed they may qualify for unemployment benefits, this will cause an increase in government spending • As people move from employment to unemployment, they may move from being income taxpayers to non-income taxpayers reducing income tax revenue • Higher unemployment suggests lower output, thus lower profits for private firms and lower corporation tax revenue for government • With lower tax revenue and higher government expenditure the fiscal position will worsen. • Government may need to provide training to workers, or support to private firms - once again increasing spending and worsening fiscal position

Resource utilisation

- Resource utilisation is worse as scarce resources of labour are being wasted
- With higher unemployment the economy is going to be below full employment level of output



- The rise in unemployment will cause real output to move further away from the full employment level of real output, at Y*. Output moves from Y to Y1
- The output gap was Y*-Y and increases to Y*-Y_1
- The economy will operate further from the PPF- an original inefficient allocation of resources at point V on diagram below is exacerbated by rising unemployment and moves to point W



NB: Award a maximum of Level 3 (9 marks) if one of the three areas is not discussed – impact on workers, public finances and resource utilisation

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content • Unemployment may fall again in short/medium-term, reducing the effects on workers, finances and resource utilisation • Some of those unemployed may be employed in the informal sector meaning their incomes may not reduce, although impact on public finances may continue • A generous social welfare system may reduce the impact on standards of living, and may reduce other social costs • Some increase in unemployment may be due to more capital-intensive output replacing workers, so overall output may not fall, helping maintain level of AD • Government revenue from corporation tax may not fall as much as a result	

	• May be possible to postpone or delay some government expenditure, so that fiscal deficit may be lessened • This is an additional 455 000 workers now unemployed- showing a large increase in the waste of scarce resources • Utilisation of resources may improve over time through retraining or other employment initiatives

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

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Section D

Question	Evaluate the likely effects of an increase in the unemployment rate on workers **and** public finances. Refer to a country of your choice in your answer.
13	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application and Analysis (12 marks) – indicative content** • Understanding of unemployment/unemployment rate • Unemployment has increased from 7.1% to 8.5%/increase of 1.4 pp Workers: • Workers may fear losing their job and may increase savings, thus reducing consumption, aggregate demand and subsequently leading to a fall in real output and a fall in the price level • Workers may take jobs that are below their skill levels leading to underemployment • Workers who lose their jobs may spend a long time unemployed and become deskilled – they will be less employable and less attractive to employers • Workers who lose their job will see a reduction in earnings/living standards/ability to meet their basic needs • Social effects of unemployment – divorce, crime rate, health impacts • Long term effects of intergenerational unemployment Public finances: • As more become unemployed they may qualify for unemployment benefits. This will cause an increase in government spending • As people move from employment to unemployment, they may move from being income taxpayers to non-income taxpayers reducing income tax revenue • With higher unemployment consumer expenditure will fall resulting in a decrease in revenues from expenditure taxes • Higher unemployment suggests lower output, thus lower profits for private firms and lower corporation tax revenue for government • With lower tax revenue and higher government expenditure the fiscal position will worsen • Government may need to provide training to workers, or support to private firms – once again increasing spending and worsening fiscal position **NB Award a maximum of Level 3 for answers with no reference to a country in their answer** **NB Award a maximum of Level 3 for answers that consider only workers or public finances**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident, but they may not be developed fully, or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content Workers: • Unemployment may fall again in short/medium-term, reducing the effects on workers and public finances • Some of those unemployed may be employed in the informal sector meaning incomes may not reduce, although impact on public finances may continue • Workers may have savings that can help reduce the effects of being unemployed Public finances: • Some increase in unemployment may be due to more capital-intensive output replacing workers, so the overall output may not fall, helping to maintain level of AD • Government revenue from corporation tax may not fall if the level of AD is maintained • May be possible to postpone or delay some government expenditure, so there will be less immediate effect on the fiscal deficit	

	Other evaluative comments: • Impact depends on the magnitude of the increase: 1.4 percentage points • Unemployment is a lagging indicator, so effects may not be immediately seen – SR vs LR arguments	
Level	**Mark**	**Descriptor**
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	With reference to the chart, explain the difference between a current account deficit and a current account surplus. Answer	Mark
8	**Knowledge 2, Application 2** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge** Up to 2 marks for defining a current account surplus and current account deficit e.g. • Current account surplus is when the value of exports of goods services, transfers and investment income is greater than the value of imports of goods services, transfers and investment income **(1)** • Current account deficit is when the value of imports of goods services, transfers and investment income is greater than the value of exports of goods services, transfers and investment income **(1)** **Application** Up to 2 marks for use of the data, e.g.: • There was a current account surplus between 2010 and 2011/ 2014 to 2017 **(1)** • There was a current account deficit in 2012 and 2013 **(1)** • The current account surplus was at its highest at 11.7% of GDP in 2016 **(1)** • The current account surplus rose in value from 2014 to 2017 **(1)**	**(4)**

	Application Up to 3 marks for the following information included on the diagram: • Drawing the actual GDP growth rate on the diagram **(1)** • Drawing the trend GDP growth rate on the diagram **(1)** • Correct labelling of the positive output gap **(1)**	

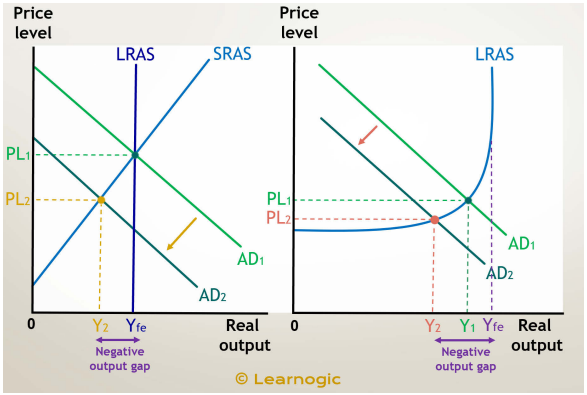
Question	Based on this information, calculate the change in the balance of trade for Saudi Arabia between 2018 and 2019. Show your workings.	Mark
9	**Knowledge 1, Application 3** **Quantitative Skill assessed** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** 1 mark for correct definition/formula/implicit understanding, e.g.: • Value of exports - value of imports • X-M **(1)** **Application** Up to 3 marks for use of data in calculation from the following, e.g.: • 2018: 294.5-135.2= $159.3 billion **(1)** • 2019: 251.8-144.3= $107.5 billion **(1)** • 107.5 – 159.3 = -$51.8 billion **(1)** **NB: if correct answer (-$51.8 billion) is given, award full marks regardless of working** **Award 3 marks if $51.8 is given.**	**(4)**

Section B

Question	With reference to the chart, explain **one** likely reason for the surplus in Malaysia's balance of trade in goods and services.	Mark
7	**Knowledge 1, Analysis 2, Application 1** **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and analysis** 1 mark for definition of balance of trade surplus, e.g.: - When the value of exports is greater than value of imports - Exports are greater than imports / (X>M) **NB Do not award marks for the definition of trade balance** *OR* 1 mark for identification of a reason and up to 2 marks for linked analysis, e.g. • Decreasing real incomes **(1K)** demand for imports decreases **(1AN)** as consumers will have a low marginal propensity to import **(1AN)** • Relatively high productivity **(1K)** reduces cost per unit **(1AN)** makes exports relatively cheap, increasing the demand for Malaysian goods and services **(1AN)** • Depreciation of the exchange rate **(1K)** makes exports relatively cheaper **(1AN)** and imports relatively expensive **(1AN)** • Improvement in the quality of exports **(1K)** makes Malaysian goods and services more competitive **(1AN)** increases the demand for exports **(1AN)** **Application** 1 mark for appropriate use of the chart, e.g.: • In May 2021 there is a trade surplus of $13.7 billion **(1)** • Trade surplus in every month, May 2020 - May 2021 **(1)** • Positive trade balance throughout the period shown **(1)** • The value of exports is greater than the value of imports by over $10 billion every month **(1)**	**(4)**

Question	Calculate the change in Canada's balance of trade between 2019 and 2020. Show your workings. **Answer**	Mark
9	**Knowledge 1, Application 3** **Quantitative Skill assessed** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** 1 mark for correct formula/implicit understanding, e.g.: • Net trade balance = (X-M) / • Value of exports – value of imports **(1)** **Application** Up to 3 marks for use of data in calculation from the following, e.g.: • 2019 → $555.8bn - $583.6bn = -$27.8bn **(1)** • 2020 → $477.1bn - $510.8bn = -$33.7bn **(1)** • Change → -$33.7bn – -$27.8bn = -$5.9bn **(1)** **NB: if correct answer (-$5.9 billion/$5.9 billion/21.2%) is given, award full marks regardless of working.** **NB: award 3 marks if billion is not included in the final answer**	**(4)**

Question	With reference to this information, explain **one** likely macroeconomic impact of an increase in the base interest rate. **Answer**	Mark
10	**Knowledge 1, Analysis 2, Application 1** **Quantitative Skill assessed** **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge and Analysis** 1 knowledge mark for identifying **one** impact and up to 2 marks for linked explanation of the impact identified: • Decrease in consumption (C) **(1K)** – disincentivises spending on credit as the cost of borrowing has increased **(1AN)** thus AD/consumer confidence/inflation is likely to decrease / and incentivises savings as return on saving has risen **(1AN)** • Increase in savings **(1K)** as the reward for saving has risen **(1AN)** and therefore real output/AD is likely to decrease / unemployment is likely to rise **(1AN)** • Decrease in investment (I) **(1K)** as the cost of borrowing to finance investment has risen **(1AN)** and therefore business confidence/injections are likely to fall **(1AN)** • Decrease in net trade (X-M) **(1K)** as a result of greater demand for the currency/upward pressure on the exchange rate **(1AN)** making exports relatively more expensive / making imports relatively cheaper **(1AN)** **Application** 1 mark for appropriate reference to context, e.g.: • Between January 2021 and December 2021, base interest rate increased from 2% to 9.75% / interest rate increased by 7.75 *percentage points* **(1)** • An accurately drawn and labelled AD/AS diagram showing an inward/leftward shift of AD **(1)**	**(4)**

Question	As a result of the significant decrease in consumer spending in France in 2020, the country's negative output gap was 5.64%. Draw an AD and AS diagram to show the negative output gap.	Mark
8	**Knowledge 1, Application 3** **Quantitative skills assessed:** **QS4:** Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms  **Knowledge** Correctly drawn diagram with correctly labelled AD/AS curves (the diagram must include the LRAS curve) **(1)** **Application** Up to 3 marks for the following information included on the diagram: • For showing equilibrium price level and real output at full employment level of real output (may include leftward shift in AD curve but this is not essential) **(1)** • Equilibrium at real output lower than full employment level / New equilibrium showing lower price level and real output **(1)** (not rewarded if 'price' and 'quantity' is used on the axis) • Correct annotation of negative output gap showing distance between equilibrium and full employment level of output **(1)** (not rewarded if 'quantity' is used on axis)	**(4)**

Question	With reference to the chart, explain the difference between a current account deficit and a current account surplus.	Mark
11	**Knowledge 2, Application 2** **Quantitative skills Assessed:** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms. **Knowledge** 1 mark for defining current account deficit: • Balance of the sum of trade in goods, trade in services, primary income and secondary income is negative **(1)** • Allow value of imports is greater than the value of exports / Allow (M>X) / imports>exports / net exports is negative **(1)** 1 mark for defining current account surplus: • Balance of the sum of trade in goods, trade in services, primary income and secondary income is positive **(1)** • Allow value of imports is less than the value of exports / Allow (M<X) / imports<exports / net exports is negative **(1)** **Application** 1 mark for correctly identifying a period when Spain was experiencing current account deficit, e.g.: • In April 2022, current account deficit was €0.48 billion/ There was a deficit between Dec 2021 and Feb 2022 **(1)** 1 mark for correctly identifying a period when Spain was experiencing current account surplus, e.g.: • In May 2022, current account surplus was €2.85 billion/ There was a surplus between July 2021 and Nov 2021 **(1)**	**(4)**

Question	Calculate the *change* in Thailand's balance of trade between 2020 and 2021. Show your workings.	Mark
9	**Knowledge 1, Application 3** **Quantitative Skill assessed** **QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** 1 mark for correct formula/implicit understanding, e.g.: • Net trade balance = (X-M) / • Value of exports – value of imports **(1)** **Application** Up to 3 marks for use of data in calculation from the following, e.g.: • 2020 → $208bn - $187bn = $21bn **(1)** • 2021 → $257bn - $230bn = $27bn **(1)** • Change → $27bn – $21bn = $6bn **(1)** **NB: if correct answer ($6 billion/percentage change of 28.6%) is given, award full marks regardless of working.** **NB: award only 3 marks if billion or % is not included in the final answer or if answer is written as - $6 billion**	**(4)**

Question	With reference to the chart, explain the difference between a current account deficit and a current account surplus.	Mark
10	**Knowledge 2, Application 2** **Quantitative skills Assessed:** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms. **Knowledge** 1 mark for defining current account deficit: • Balance of the sum of trade in goods, trade in services, primary income and secondary income is negative **(1)** Allow value of imports is greater than the value of exports / Allow (M>X) / imports>exports / net exports is negative 1 mark for defining current account surplus: • Balance of the sum of trade in goods, trade in services, primary income and secondary income is positive **(1)** Allow value of imports is less than the value of exports / Allow (M<X) / imports<exports / net exports is positive **Application** 1 mark for correctly identifying a quarter/period when Peru was experiencing a current account deficit, e.g.: • In Q1 2023, current account deficit was around $0.9 billion/ There was a deficit between Q1 2022 and Q1 2023 **(1)** 1 mark for correctly identifying a quarter/period when Peru was experiencing a current account surplus, e.g.: • In Q4 2023, current account surplus was around $1.6 billion/ There was a surplus between Q2 2023 and Q4 2023 **(1)**	**(4)**

Question	With reference to Extract B, analyse **one** possible impact of the fall in the value of the peso on Argentina's current account on the balance of payments. Answer	Mark
12(c)	**Knowledge 2, Application 2, Analysis 2** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge & Analysis** Up to 2 marks for knowledge and up to 2 marks for analysis • The exchange rate is the external value of a currency **(1K)** the current account measures the total value of exports minus the total value imports **(1K)** • The current account records the payments for goods and services, plus investment income and transfers, between an economy and the rest of the world **(1K)** • Reward identification/definition of depreciation: a fall in the value of one currency against another currency **(1K)** • The fall in the value of the peso make imports more expensive **(1K)** this may lead to fall in consumption of imports **(1An)** improving the current account balance **(1An)** • The fall in the value of the peso causes a decrease in the price of commodity exports **(1K)** this may lead to an increase in the consumption of exports **(1An)** improving the current account balance **(1An)** • Argentinian exports become more price competitive **(1K)** increasing demand for Argentinian exports **(1An)** leading to an improvement in the current account **(1An)** • Demand for certain exports is inelastic **(1An)** causing a decrease in the current account **(1An)** **Application** Up to 2 marks for reference to the data. • The current account balance has fallen into deficit **(1)** • Importing goods from America is very expensive **(1)** • The peso fell by 12 percentage (points) against the dollar **(1)** • Decrease in the value of commodity exports from Argentina **(1)** **Reward the use of relevant diagram**	**(6)**

Question Number	With reference to Figure 2, analyse **one** macroeconomic effect of the change in the current account balance as a percentage of GDP on East African economies. Answer	Mark
12(d)	**Knowledge 2, Application 2, Analysis 2** QS2 Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge and analysis** 1 mark for definition of current account deficit • Current account balance looks at the inflow and outflow of goods, services, investment incomes and transfer payments **(1)**/ the components of the current account are trade in goods, trade in services, investment income and net transfers **(1)** • A deficit on the current account usually implies that the value of imports is greater than the value of exports **(1)** Up to 3 marks for explaining one effect of the change in the current account balance e.g. Deficit reducing: • Deficit in the current account is decreasing, showing greater level of export/lower level of import in 2018 compared to recent years **(1)** so less leakage from the circular flow of income **(1)** • Improved current account balance likely to indicate greater international competitiveness **(1)** leading to continued improvement **(1)** Deficit remaining: • Net withdrawal from the circular flow **(1)** meaning more withdrawals than injections **(1)** will have a negative multiplier effect **(1)** • The deficit will tend to reduce net trade **(1)** and so reduce AD **(1)** leading to a fall in price level and real output (**1)** • Deficit may mean a loss of jobs **(1)** as exports are falling/imports are rising **(1)** increasing unemployment/creating a negative output gap **(1)**	**(6)**

	Application Up to 2 marks for reference to Figure 2 • The current account balance is a deficit **(1)** • The size of the deficit as a proportion of GDP has reduced **(1)** **OR** • The deficit was -6.7% of GDP in 2016 and -5.3 of GDP in 2018 **(1)**	