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EDEXCEL INTERNATIONAL A LEVEL ECONOMICS: QUESTIONS BY TOPIC

National income (2.3.4)

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

33 questions · 94 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.

QUESTION	SOURCE	MARKS	PAGE
2.3.4.1 NATIONAL INCOME			
No questions on this sub-topic in the available past papers.			
2.3.4.2 INJECTIONS AND WITHDRAWALS		15 Qs · 42 marks	3
1. Q3	IAL Unit 2 October 2019	1	4
2. Q3	IAL Unit 2 October 2020	1	5
3. Q6	IAL Unit 2 January 2021	1	6
4. Q3	IAL Unit 2 October 2021	1	7
5. Q4	IAL Unit 2 January 2022	1	8
6. Q4	IAL Unit 2 (unused) January 2022	1	9
7. Q3	IAL Unit 2 October 2022	1	10
8. Q1	IAL Unit 2 June 2023	1	11
9. Q1	IAL Unit 2 January 2024	1	12
10. Q1	IAL Unit 2 June 2025	1	13
11. Q12(d)	IAL Unit 2 October 2021	6	14
12. Q12(d)	IAL Unit 2 (unused) January 2022	6	20
13. Q12(d)	IAL Unit 2 October 2024	6	25
14. Q12(c)	IAL Unit 2 January 2025	6	31
15. Q12(d)	IAL Unit 2 October 2023	8	36
2.3.4.3 EQUILIBRIUM LEVEL OF REAL OUTPUT		4 Qs · 20 marks	41
16. Q10	IAL Unit 2 October 2019	4	42
17. Q10	IAL Unit 2 January 2020	4	43
18. Q8	IAL Unit 2 June 2024	4	44
19. Q12(d)	IAL Unit 2 January 2025	8	45
2.3.4.4 THE MULTIPLIER		14 Qs · 32 marks	50
20. Q1	IAL Unit 2 October 2020	1	51
21. Q6	IAL Unit 2 June 2021	1	52
22. Q3	IAL Unit 2 January 2022	1	53
23. Q6	IAL Unit 2 (unused) January 2022	1	54
24. Q1	IAL Unit 2 June 2022	1	55
25. Q1	IAL Unit 2 January 2023	1	56
26. Q3	IAL Unit 2 October 2023	1	57
27. Q3	IAL Unit 2 June 2025	1	58
28. Q11	IAL Unit 2 June 2019	4	59
29. Q11	IAL Unit 2 January 2020	4	60



QUESTION	SOURCE	MARKS	PAGE
30. Q9	IAL Unit 2 October 2021	4	61
31. Q9	IAL Unit 2 June 2023	4	62
32. Q9	IAL Unit 2 January 2024	4	63
33. Q9	IAL Unit 2 January 2025	4	64



QUESTIONS

33 questions · 94 marks · 3 sub-topics

SUB-TOPIC 2.3.4.2

INJECTIONS AND WITHDRAWALS

Sub-topic 2.3.4.2 · 15 questions · 42 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 The short-run Phillips curve illustrates a possible trade-off between

- ☐ **A** economic growth and income inequality
- ☐ **B** inflation and unemployment
- ☐ **C** economic growth and protection of the environment
- ☐ **D** inflation and income inequality

(Total for Question 1 = 1 mark)

2 Ghana's rate of economic growth increased from 3.6% in 2016 to 8.5% in 2017.

Which **one** of the following is a likely result of this increase in the rate of economic growth?

- ☐ **A** An increase in unemployment
- ☐ **B** A decrease in investment
- ☐ **C** An increase in living standards
- ☐ **D** A decrease in tax revenues

(Total for Question 2 = 1 mark)

3 The UK Government is spending £56 billion on building HS2, a high-speed railway network.

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

- ☐ **A** Increased spending on imports
- ☐ **B** Increased spending on exports
- ☐ **C** Increased levels of saving
- ☐ **D** Increased income tax receipts

(Total for Question 3 = 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)



- 6 An economy has the following injections into, and withdrawals from, its circular flow of income in one year.

Injections (\$bn)		Withdrawals (\$bn)	
Government spending	500	Taxation	400
Investment	150	Saving	200
Exports	450	Imports	550

Which **one** of the following can be concluded from the data?

- ☐ A The economy has a government budget surplus
- ☐ B There is a net withdrawal out of the economy
- ☐ C The economy has a balance of trade surplus
- ☐ D There is a net injection into the economy

(Total for Question 6= 1 mark)

TOTAL FOR SECTION A = 6 MARKS



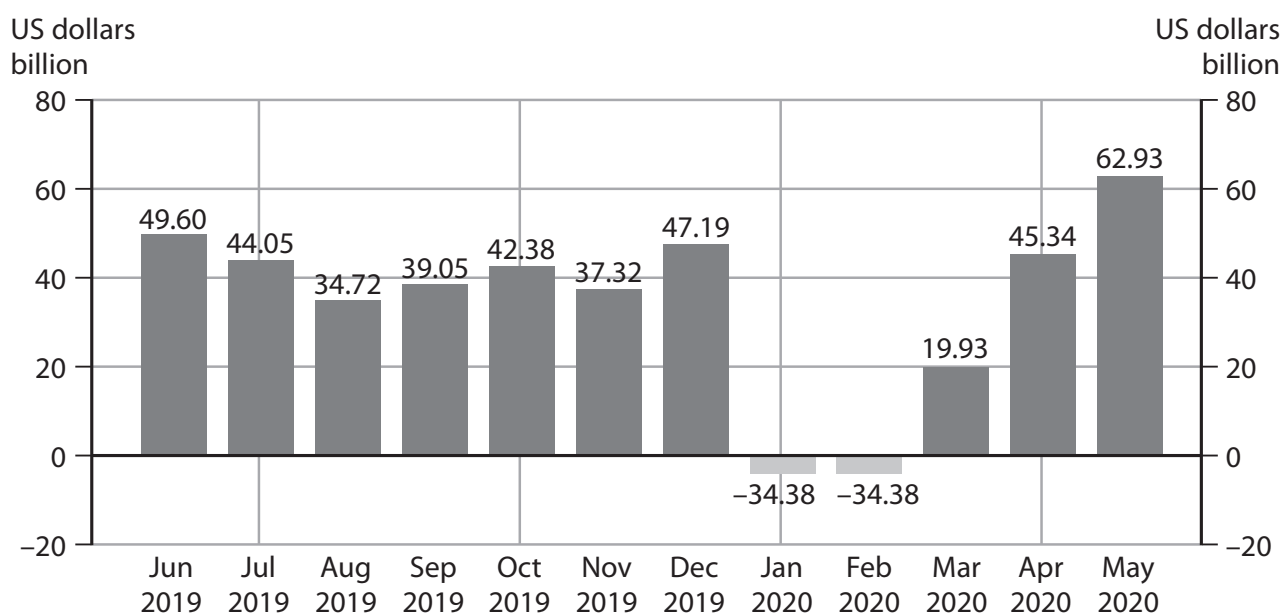
- 3 From Quarter 1 2020 to Quarter 2 2020, government expenditure in Russia increased by 25 billion roubles.

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

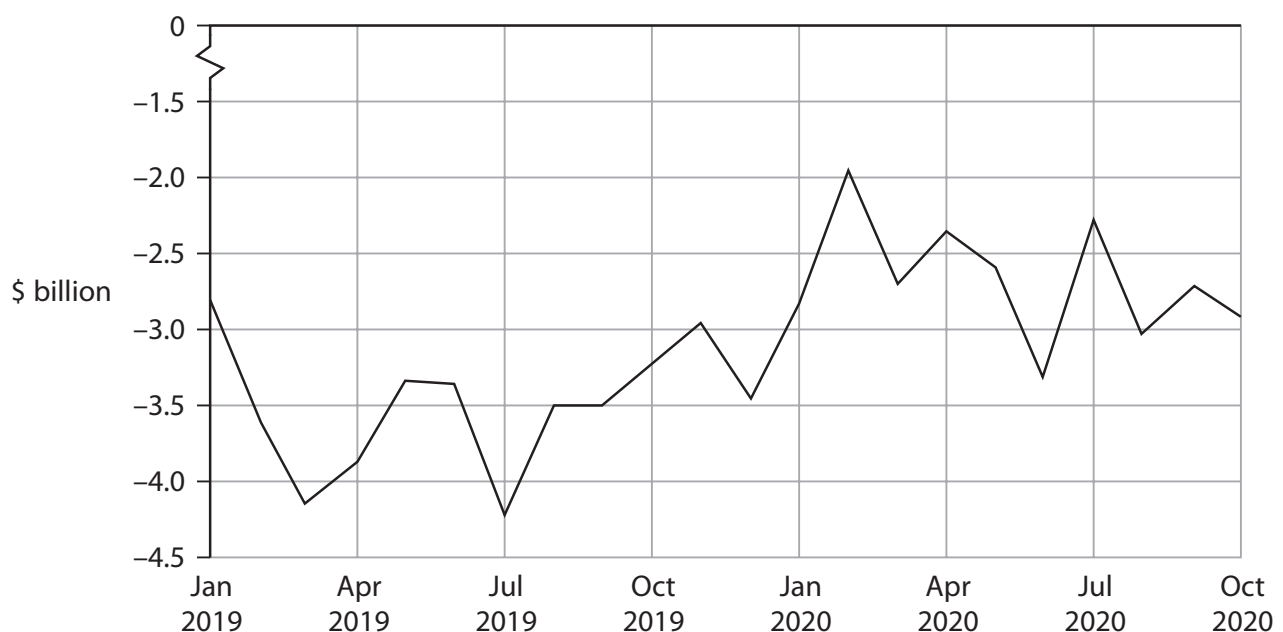
(Total for Question 4 = 1 mark)

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)

- 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 ☐. 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 Which **one** of the following is a withdrawal from the circular flow of income?

- ☐ **A** Investment
- ☐ **B** Consumption
- ☐ **C** Savings
- ☐ **D** Exports

(Total for Question 1 = 1 mark)

2 Spain's unemployment rate fell from 13.6% in quarter 1 2022 to 12.5% in quarter 2 2022.
Its annual rate of inflation increased from 6.1% in January 2022 to 10.2% in June 2022.

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

- ☐ **A** The short-run Phillips curve
- ☐ **B** The aggregate demand curve
- ☐ **C** The short-run AS curve
- ☐ **D** The Keynesian LRAS curve

(Total for Question 2 = 1 mark)

3 Which **one** of the following statements about the classical long-run aggregate supply (LRAS) curve is correct?

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

(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 is an injection into the circular flow of income?

- ☐ A Investment
- ☐ B Savings
- ☐ C Imports
- ☐ D Consumption

(Total for Question 1 = 1 mark)

2 In 2022 Kuwait experienced an increase in real GDP of 8.7%.

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

- ☐ A A decrease in profits for firms
- ☐ B A decrease in the rate of inflation
- ☐ C A decrease in the rate of unemployment
- ☐ D A decrease in government tax revenues

(Total for Question 2 = 1 mark)

3 In China, government expenditure was CN¥24.64 trillion in 2021 and CN¥20.37 trillion in 2022.

Which **one** of the following is the percentage decrease in China's government expenditure between 2021 and 2022?

- ☐ A 4.27
- ☐ B 17.33
- ☐ C 20.96
- ☐ D 82.67

(Total for Question 3 = 1 mark)



SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross ☐. 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 is a withdrawal from the circular flow of income?

- ☐ A Exports
- ☐ B Savings
- ☐ C Investment
- ☐ D Consumption

(Total for Question 1 = 1 mark)

2 Between November 2023 and December 2023, Thailand's private sector investment decreased by 10.2%.

Which **one** of the following was the most likely cause of this decrease in investment?

- ☐ A An increase in the availability of credit
- ☐ B A decrease in the tax on company profits
- ☐ C A decrease in business confidence
- ☐ D An increase in the rate of economic growth

(Total for Question 2 = 1 mark)

3 In France the marginal propensity to consume was estimated to be 0.21 in January 2023.

Based on this estimate, which **one** of the following was the value of the multiplier for France?

- ☐ A 0.04
- ☐ B 0.79
- ☐ C 1.27
- ☐ D 4.76

(Total for Question 3 = 1 mark)



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

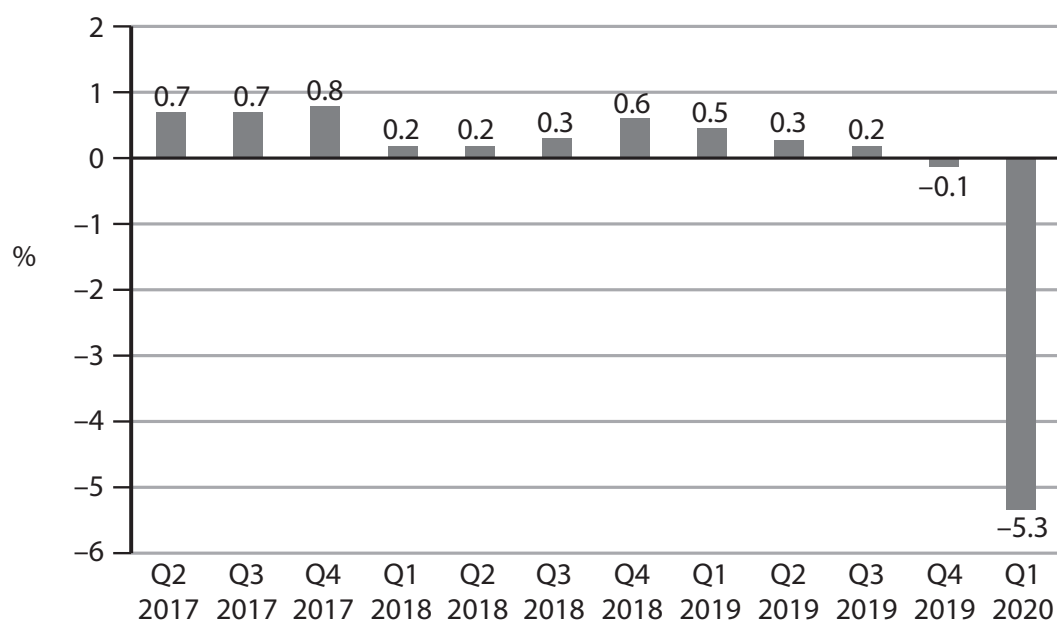
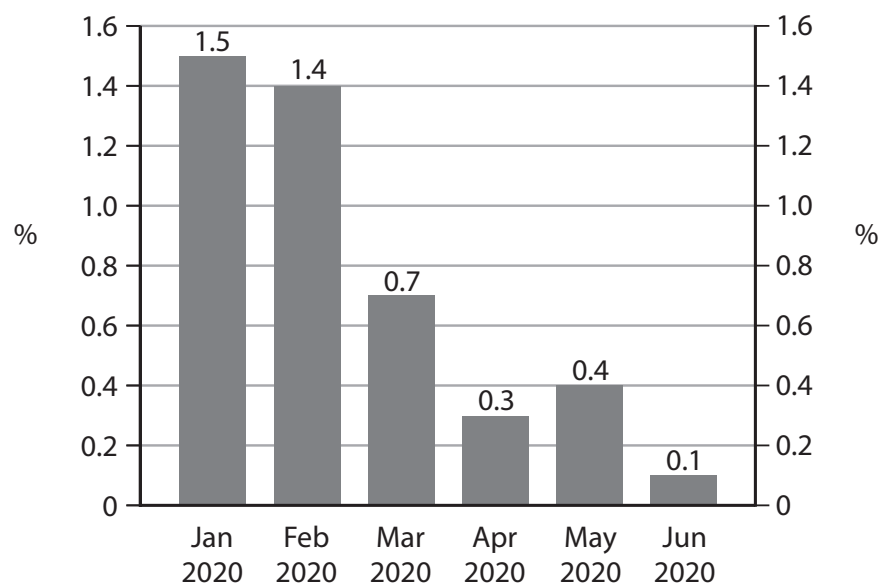


Figure 2 Consumer Price Index (CPI), weights and annual percentage price changes, June 2020

	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. 5

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. 10

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. 15

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. 20

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



(6)



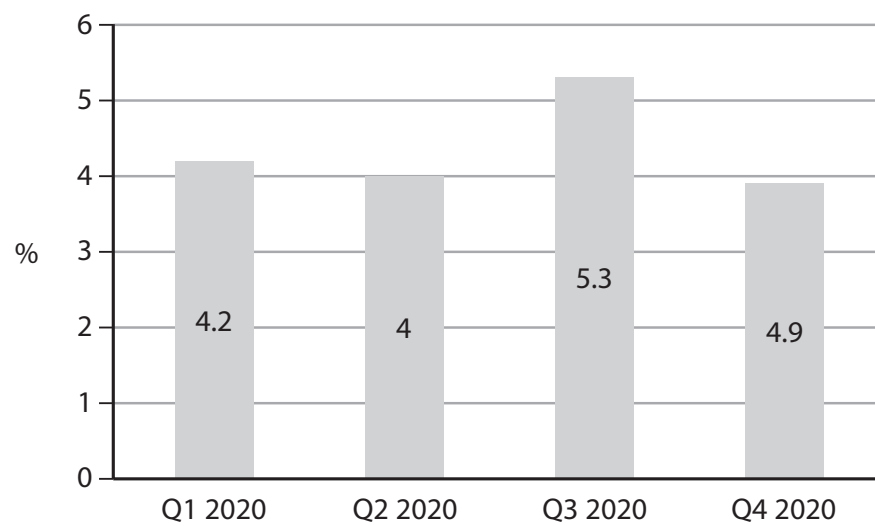
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SECTION C

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. (6)
- Illustrate your answer with a circular flow diagram.
- (e) With reference to Extract A and your own knowledge, discuss the likely effects of inflationary 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. 5

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. 10

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. 15

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. 20

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: 25

- 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. 30

(6)





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

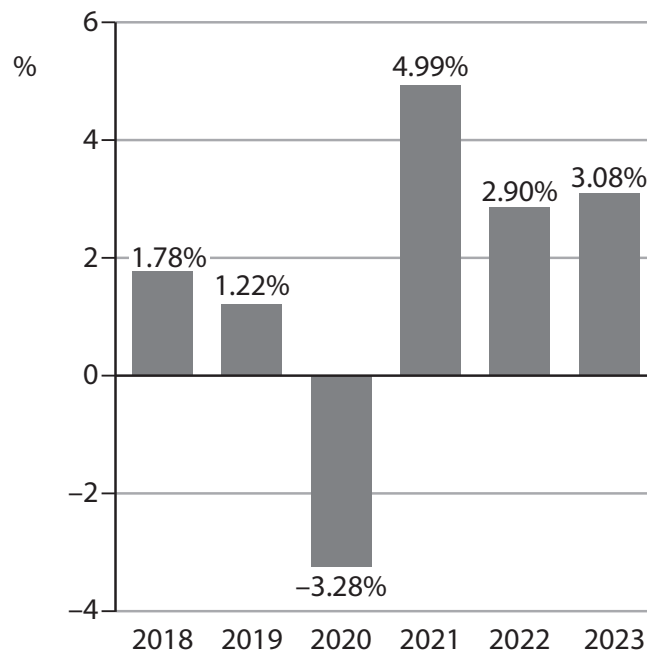
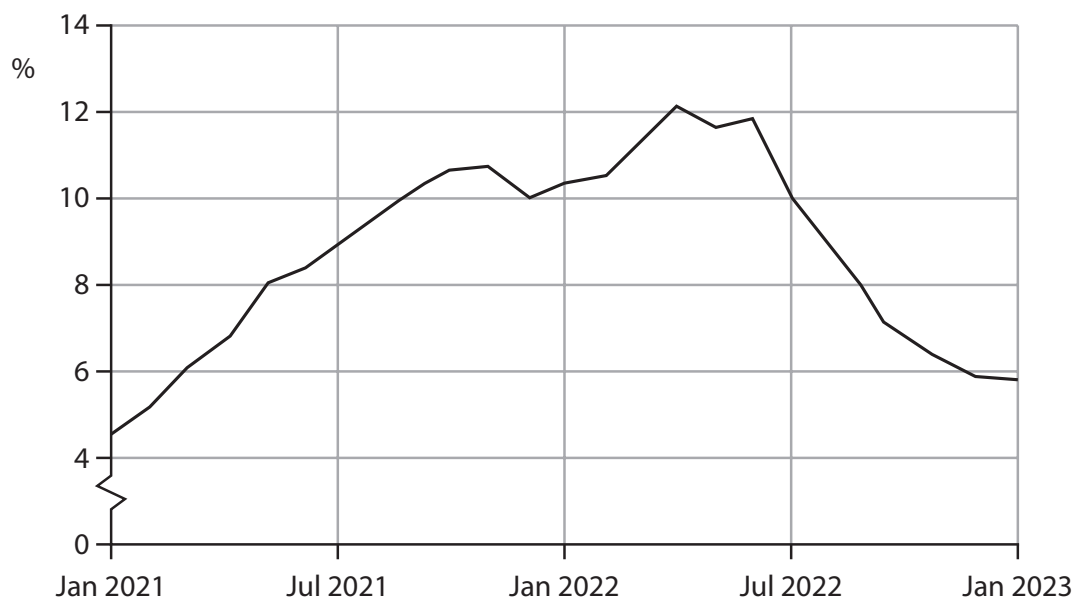
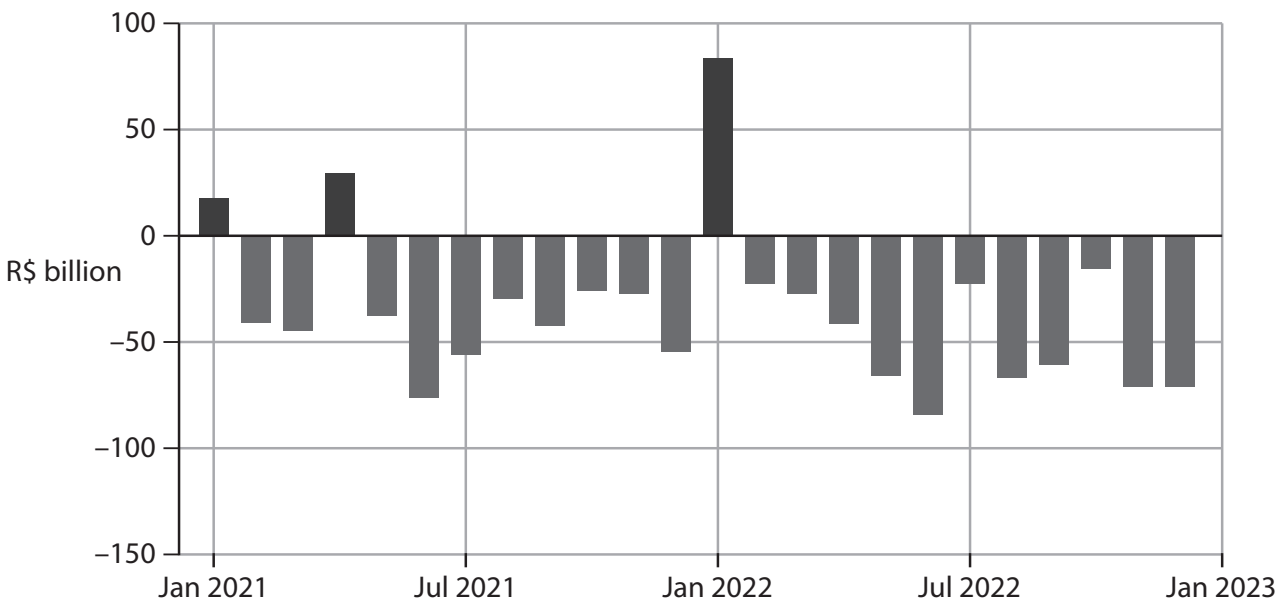


Figure 2 Annual rate of inflation*, as measured by the consumer price index (CPI), January 2021 to January 2023



*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>

(6)



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SECTION C

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

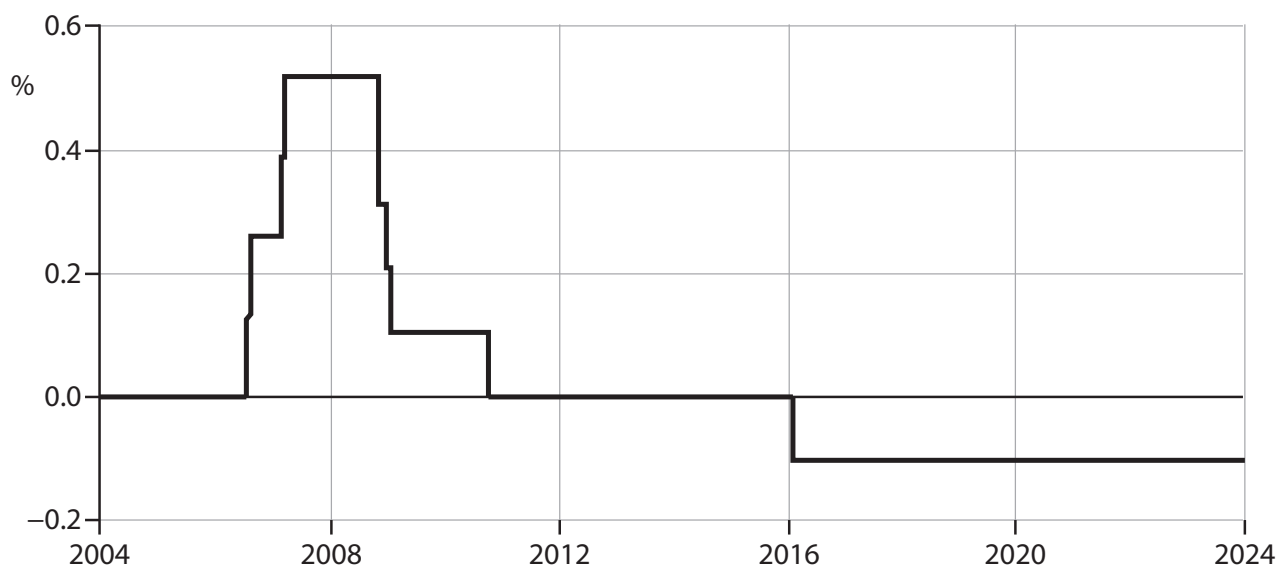
Write your answers in the space provided on the following pages.

- 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.

5

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.

10

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.

15

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.

20

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.

5

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.

10

(6)



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SECTION C

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

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

- 12** (a) Define the term 'real GDP' (Figure 1). (2)
- (b) With reference to Figure 2, explain how ILO unemployment is measured. (4)
- (c) With reference to Extract A, analyse **two** causes of China's high youth unemployment rate. (6)
- (d) With reference to Extract A, examine how a reflationary fiscal policy will impact China's circular flow of income. (8)
- (e) With reference to the information provided and your own knowledge, discuss the likely effects of a reflationary monetary policy on the economy of China. (14)



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

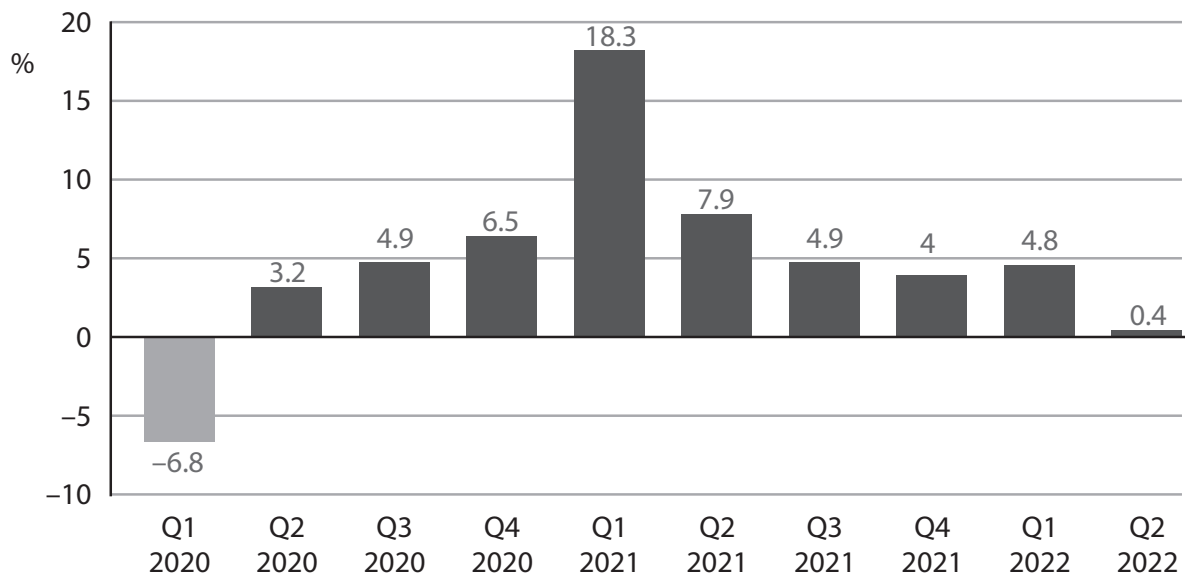


Figure 2 Youth unemployment rate (16 to 24 year olds), as measured by the International Labour Organization (ILO), January 2022 to June 2022

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%.

5

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.

10

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.

15

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.

20

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*.

25

(8)





SUB-TOPIC 2.3.4.3

EQUILIBRIUM LEVEL OF REAL OUTPUT

Sub-topic 2.3.4.3 · 4 questions · 20 marks · lowest tariff first



10 In 2017 real wages rose by 19% in the Ukraine. This led to a 7.8% increase in consumption.

Draw a SRAS and AD diagram to show the possible impact of this increase in consumption on the price level **and** real output.

(Total for Question 10 = 4 marks)



10 Turkey's central bank increased its base interest rate from 12.75% in April 2018 to 24% in September 2018.

Draw a LRAS and AD diagram to show the possible long-run impact of this significant increase in the base interest rate on AD, the price level **and** real output for Turkey.

(Total for Question 10 = 4 marks)



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

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

(4)

(Total for Question 8 = 4 marks)



SECTION C

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

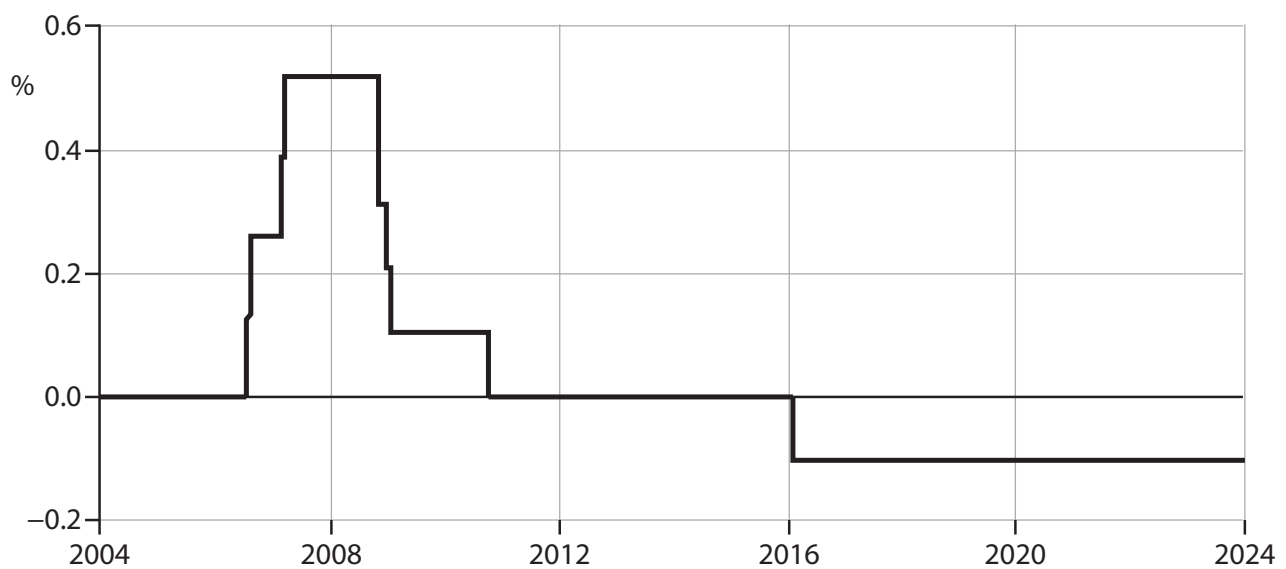
Write your answers in the space provided on the following pages.

- 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.

5

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.

10

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.

15

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.

20

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.

5

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.

10

(8)



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SUB-TOPIC 2.3.4.4

THE MULTIPLIER

Sub-topic 2.3.4.4 · 14 questions · 32 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 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)



5 In Japan, private sector investment increased by 1.9% in the second quarter of 2019.

Which **one** of the following was the most likely cause of this increase in investment?

- ☐ A A decrease in the rate of economic growth
- ☐ B An increase in indirect taxation
- ☐ C An increase in the tax on company profits
- ☐ D A decrease in interest rates

(Total for Question 5 = 1 mark)

6 In Denmark the marginal propensity to consume is estimated to be 0.49.

Based on this estimate, which **one** of the following is the value of the multiplier for Denmark?

- ☐ A 0.51
- ☐ B 1.96
- ☐ C 2.04
- ☐ D 4.90

(Total for Question 6 = 1 mark)

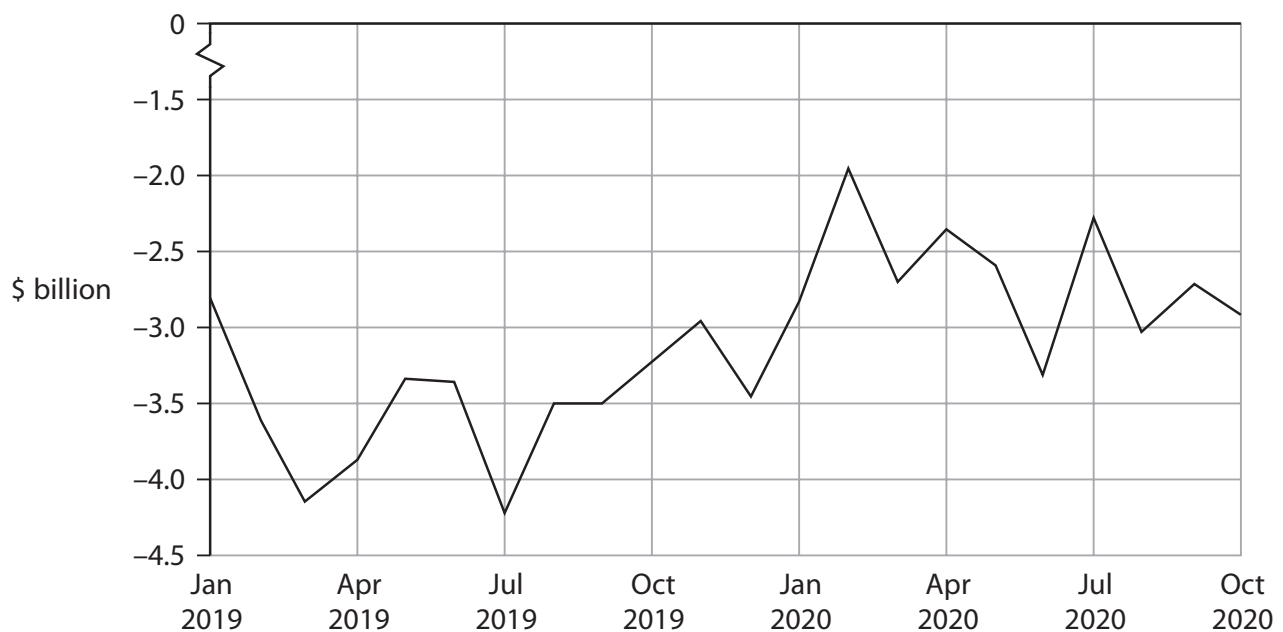
TOTAL FOR SECTION A = 6 MARKS

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)

5 The short-run Phillips curve shows the relationship between which of the following?

- ☐ A The rate of economic growth and protection of the environment
- ☐ B The rate of inflation and the unemployment rate
- ☐ C The rate of inflation and equilibrium on the current account of the balance of payments
- ☐ D The rate of economic growth and income inequality

(Total for Question 5 = 1 mark)

6 The Indian Government planned to spend \$19 billion on a high-speed rail link between Mumbai and Ahmedabad.
The multiplier is estimated to be 2.45 in India.

Which **one** of the following shows the potential increase in real GDP caused by this government injection?

- ☐ A \$7.76 billion
- ☐ B \$21.45 billion
- ☐ C \$46.55 billion
- ☐ D \$65.55 billion

(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 ☐. 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** 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)



SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross in a box ☐. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☐.

1 Which **one** of the following will result in a movement along the AS curve?

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

(Total for Question 1 = 1 mark)

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

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

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

(Total for Question 2 = 1 mark)

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

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

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

(Total for Question 3 = 1 mark)



SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross ☐. 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 is a withdrawal from the circular flow of income?

- ☐ A Exports
- ☐ B Savings
- ☐ C Investment
- ☐ D Consumption

(Total for Question 1 = 1 mark)

2 Between November 2023 and December 2023, Thailand's private sector investment decreased by 10.2%.

Which **one** of the following was the most likely cause of this decrease in investment?

- ☐ A An increase in the availability of credit
- ☐ B A decrease in the tax on company profits
- ☐ C A decrease in business confidence
- ☐ D An increase in the rate of economic growth

(Total for Question 2 = 1 mark)

3 In France the marginal propensity to consume was estimated to be 0.21 in January 2023.

Based on this estimate, which **one** of the following was the value of the multiplier for France?

- ☐ A 0.04
- ☐ B 0.79
- ☐ C 1.27
- ☐ D 4.76

(Total for Question 3 = 1 mark)



11 The Central Bank of Egypt has estimated that the marginal propensity to consume for Egypt's economy is 0.6. In October 2017, the Egyptian Government announced a LE11.9 billion investment into renewable energy. (LE = Egyptian currency).

Ceteris paribus, calculate the final increase in the national income resulting from the LE11.9 billion investment.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS



11 It is estimated that the marginal propensity to consume for Spain is 0.72. In January 2018 the Spanish Government announced an €18 billion investment on national defence.

Calculate the final increase in GDP resulting from this €18 billion investment. Show your workings.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS



- 9 In 2022 it was estimated that an increase in government spending of \$25 billion in an economy would eventually result in an increase in the country's national income of \$100 billion.

Based on this information, calculate the marginal propensity to consume (MPC) in this economy. Show your workings.

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(Total for Question 9 = 4 marks)



- Based on this information, calculate the marginal propensity to consume (MPC) in this economy. Show your workings.

[illegible]

(Total for Question 9 = 4 marks)



MARK SCHEMES

official mark schemes, in the same order as the questions



Question	Quantitative skills assessed	Answer	Mark
1		B	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	C	(1)
3		B	(1)
4		A	(1)
5	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	D	(1)
6	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	A	(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 <i>A is not correct because the value of the multiplier ratio is 2</i> <i>B is not correct because the value of the multiplier ratio is 2</i> <i>C is not correct because the value of the multiplier ratio is 2</i>	(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 <i>B is not correct because the rate of inflation was 3%</i> <i>C is not correct because additional factors affect the standard of living</i> <i>D is not correct because the CPI does not measure the price of exports alone</i>	(1)
3		The only correct answer is B <i>A is not correct because savings is a withdrawal</i> <i>C is not correct because imports is a withdrawal</i> <i>D is not correct because taxation is a withdrawal</i>	(1)
4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because the part-time workers are in employment</i> <i>B is not correct because protectionism aims to protect jobs</i> <i>D is not correct because labour is being under-utilised</i>	(1)

4	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	The only correct answer is A <i>B is not correct because Portugal's exports are dependent on consumption and the savings ratios of its trading partners</i> <i>C is not correct because the fall in the savings ratio is likely to cause higher consumption and more demand for goods and services leading to more demand for workers</i> <i>D is not correct because a lower savings ratio implies a reduction in withdrawals</i>	(1)
5	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 A <i>B is not correct because at the full employment level of real output, the LRAS would be perfectly inelastic</i> <i>C is not correct because the LRAS would be perfectly elastic at high levels of spare capacity</i> <i>D is not correct because the LRAS would be perfectly elastic at high levels of spare capacity</i>	(1)
6	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is B <i>A is not correct because there is a budget deficit of \$100bn</i> <i>C is not correct because the data relate to the budget and not to exports and imports</i> <i>D is not correct because there is a budget deficit which implies that there is a net withdrawal out of the economy</i>	(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 <i>A is not correct as there is no data on real wage rates</i> <i>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</i> <i>D is not correct because the increase is linked to the fall in real GDP</i>	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is A <i>B is not correct because this policy would cause an increase in AD</i> <i>C is not correct because the Bank of England is using monetary policy</i> <i>D is not correct because the Bank of England is using monetary policy</i>	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is D <i>A is not correct because AD would increase</i> <i>B is not correct because government spending is an injection into CFI</i> <i>C is not correct because AS is likely to increase</i>	(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 <i>A is not correct because we do not know about the primary and secondary income balances</i> <i>B is not correct as there is a balance of trade deficit not surplus</i> <i>D is not correct as the value of exports is likely to have risen</i>	(1)
5	-	The only correct answer is B <i>A is not correct as this would reduce investment</i> <i>C is not correct as this would reduce investment</i> <i>D is not correct as banks would have less money available for investment</i>	(1)

Section A

Question	Quantitative skills assessed	Answer	Mark
1	-	The only correct answer is A <i>B is not correct as this is not measured by PPP, but by the World Happiness Index</i> <i>C is not correct as this does not consider the price differences of goods in other countries</i> <i>D is not correct as PPP does not compare CPI or RPI in different countries as these are measures of inflation</i>	(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 <i>A is not correct as 100 is the base year</i> <i>B is not correct as this is the index number for 2019 using 2018 as the base year</i> <i>C is not correct as this is the index number for 2018 using 2017 as the base year</i>	(1)
3	QS1: Calculate, use and understand ratios and fractions	The only correct answer is C <i>A is not correct because this will increase the value of the multiplier</i> <i>B is not correct because this will increase the value of the multiplier</i> <i>D is not correct because this will increase the value of the multiplier</i>	(1)
4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is D <i>A is not correct because the value of exports is smaller than the value of imports</i> <i>B is not correct as this represents a budget deficit when government spending > taxation</i> <i>C is not correct as balance of trade is always in deficit as indicated by the negative values</i>	(1)
5	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is C <i>A is not correct as there are more withdrawals from the CFI</i> <i>B is not correct as savings are a withdrawal from the CFI</i> <i>D is not correct as imports are likely to fall as the savings ratio increases</i>	(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)

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 <i>A is not correct as this does not explain the conflict; shows full employment</i> <i>B is not correct as it shows the relationship between the price level and real output</i> <i>D is not correct as it shows the relationship between the price level and real output</i>	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is B <i>A is not correct as demand deficiency is associated with a recession</i> <i>C is not correct as seasonal unemployment is associated with jobs at different times of the year</i> <i>D is not correct as structural unemployment is associated with a change in the sectoral structure of the economy</i>	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is A <i>B is not correct because withdrawals will be greater than injections</i> <i>C is not correct because the data relates to the government's budget</i> <i>D is not correct because the data relates to the government's budget</i>	(1)
4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is C <i>A is not correct because this will improve France's trade balance</i> <i>B is not correct because this will improve France's trade balance</i> <i>D is not correct because this will improve France's trade balance</i>	(1)

Section A

Question	Quantitative skills assessed	Answer	Mark
1	QS4: Construct and interpret a range of standard graphical forms	The only correct answer is C <i>A is not correct because this is an injection into the circular flow of income</i> <i>B is not correct because this is not a withdrawal</i> <i>D is not correct because this is an injection into the circular flow of income</i>	(1)
2	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 <i>B is not correct because this conflict is best illustrated by the short-run Phillips curve</i> <i>C is not correct because this conflict is best illustrated by the short-run Phillips curve</i> <i>D is not correct because this conflict is best illustrated by the short-run Phillips curve</i>	(1)
3	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 B <i>A is not correct because the classical LRAS will be perfectly inelastic, and the economy will be operating at full capacity</i> <i>C is not correct because the economy will be operating at full capacity</i> <i>D is not correct because at full employment level of real output, the classical LRAS would be perfectly inelastic</i>	(1)
4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is A <i>B is not correct because an increase in house prices will lead to positive wealth effects</i> <i>C is not correct because this is an impact on firms and not on existing homeowners</i> <i>D is not correct because an increase in house prices would result in greater confidence and then to an increase in consumer expenditure</i>	(1)
5	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is D <i>A is not correct because fiscal policy involves the use of taxation and government spending as policy instruments</i> <i>B is not correct because fiscal policy involves the use of taxation and government spending as policy instruments</i> <i>C is not correct because this will involve the ECB increasing its asset purchases</i>	(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 <i>B is not correct as this is a withdrawal</i> <i>C is not correct as this is a withdrawal</i> <i>D is not correct as this is neither an injection nor a withdrawal</i>	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is C <i>A is not correct as it is most likely that there will be an increase in profits for firms</i> <i>B is not correct as it is most likely that there will be an increase in the rate of inflation</i> <i>D is not correct as it is most likely that there will be an increase in government tax revenues</i>	(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 <i>A is not correct as this is the difference in expenditure between 2021 and 2022</i> <i>C is not correct as this uses the incorrect formula $[(\text{new-old}/\text{new}) \times 100]$ to calculate the percentage change</i> <i>D is not correct as this uses the incorrect formula $[(\text{new/old}) \times 100]$ to calculate the percentage change</i>	(1)
4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is D <i>A is not correct because this is most likely to lead to a reduction in Brazil's balance of trade surplus</i> <i>B is not correct because this is most likely to lead to a reduction in Brazil's balance of trade surplus</i> <i>C is not correct because this is most likely to lead to a reduction in Brazil's balance of trade surplus</i>	(1)
5	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is B <i>A is not correct because this is a monetary policy instrument</i> <i>C is not correct because this is a monetary policy instrument</i> <i>D is not correct because this is a monetary policy instrument</i>	(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 <i>A is not correct because exports are an injection into the circular flow of income</i> <i>C is not correct because investment is an injection into the circular flow of income</i> <i>D is not correct because consumption is neither an injection nor a withdrawal from the circular flow of income</i>	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is C <i>A is not correct because this is likely to increase private sector investment</i> <i>B is not correct because this is likely to increase private sector investment</i> <i>D is not correct because this is likely to increase private sector investment</i>	(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 <i>A is not correct as this is the marginal propensity to consume multiplied by itself</i> <i>B is not correct as this is the value of the marginal propensity to withdraw</i> <i>D is not correct as this uses the incorrect formula of $1/MPC$</i>	(1)
4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is D <i>A is not correct because there is unlikely to be an impact on the rate of corporation tax</i> <i>B is not correct because this is likely to increase the rate of unemployment</i> <i>C is not correct because this is likely to reduce the rate of economic growth</i>	(1)
5	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is A <i>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</i> <i>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</i> <i>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</i>	(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)
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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 <i>Ceteris paribus</i>, the flow of money in the circular flow would have decreased (1) <i>Ceteris paribus</i>, 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	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.	Mark
12(d)	Knowledge 2, Application 2, Analysis 2 Quantitative Skill Assessed 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 knowledge mark and up to 2 marks for linked analysis of one likely effect, e.g.: - Exports decrease (1) which means the size of the injection falls (1) reducing the money flowing around the circular flow of income (1) 1 knowledge mark for accurate diagram Application Up to 2 marks for use of the data or reference to context, e.g., - In response to the global health crisis, the Government closed its borders to all foreigners in March 2020/closed border remained in place into 2021 (1) - Significantly affected the tourism industry (1) 33% temporarily closing/40% significantly reduced operations/21% may not survive (1) - Tourism accounted for 20% of exports (1)	(6)

Question	With reference to Extract A, examine the impact of a deflationary fiscal policy on Brazil's 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 and analysis 1 mark for understanding of circular flow of income, e.g. - Explanation of how money flows into and out of the economy (this may be shown diagrammatically) (1K) OR 1 knowledge mark for understanding of a policy and 1 analysis mark for linked development of each policy, e.g.: - Reduced government expenditure (1K) is likely to result in <i>lower</i> injections into Brazil's circular flow of income (1AN) - Increased taxes (1K) are likely to result in <i>greater</i> withdrawals from Brazil's circular flow of income (1AN) Application Up to 2 marks for reference to Extract A: - Increase in tax revenues by <i>R\$190 billion</i> (1) - Reduction in government expenditure by <i>R\$50 billion</i> (1)	(6)

Question	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.	Mark
12(c)	Knowledge 2, Application 2, Analysis 2 Quantitative Skill Assessed 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 knowledge mark and up to 2 marks for linked analysis of one likely effect, e.g.: - Exports increase (1K) which means the size of the injection rises (1AN) increasing the money flowing around the circular flow of income (1AN) 1 knowledge mark for diagram showing flows between households and firms OR identifying injections and withdrawals The diagram illustrates the circular flow of income and products between Households and Firms. - Flow of Money (Outer Loop): Households spend on goods and services from Firms (blue arrow). Firms provide factor incomes to Households (red arrow). Households provide factors of production to Firms (orange arrow). Firms provide goods and services to Households (green arrow). - External Flows: Savings (S), Taxes (T), and Imports (M) flow from Households to the rest of the economy. Investments (I), Government spending (G), and Exports (X) flow from the rest of the economy to Households. Application Up to 2 marks for reference to Extract A, e.g., - 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 (1) - 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 (1)	(6)

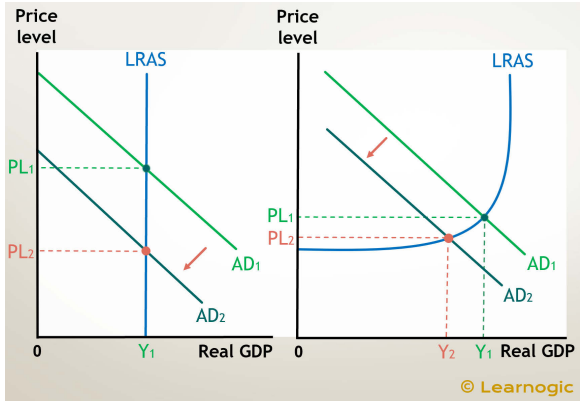
Question	With reference to Extract A, examine how a reflationary fiscal policy will impact China's circular flow of income.	Mark
12 (d)	Knowledge 2, Application 2, Analysis 2, Evaluation 2 Quantitative Skill Assessed QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms Knowledge and analysis 1 knowledge mark for understanding of a policy and 1 analysis mark for linked development of each policy, e.g.: - Increased government spending (1K) is likely to result in greater injections into China's circular flow of income (1AN) - Reduced taxes for businesses (1K) is likely to result in a decrease in withdrawals from China's circular flow of income (1AN) - Increased investment by businesses (1K) is likely to result in greater injections into China's circular flow of income (1AN) Application Up to 2 marks for reference to Extract A, e.g.: - Increased spending on infrastructure by \$75 billion (1) - Providing 100% tax breaks on research and development spending (1) Evaluation Up to 2 marks for evaluative comments (1+1 or 2+0), e.g.: - The magnitude of infrastructure spending/tax breaks is relatively large (1) so the impact on injections/withdrawals is likely to be very significant (1) - Impact on injections/withdrawals will also depend on the other injections/withdrawals (1) investment and exports/savings and imports (1) - Time lags associated with fiscal policy (1) indicate that the impact on net injections may only be felt in the long-run (18-24 months) (1)	(8)

Question	Draw a SRAS and AD diagram to show the possible impact of this increase in consumption on the price level and real output. Answer	Mark
10	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, tabular and numerical forms. Knowledge 1 mark for drawing original AD and SRAS curves showing the equilibrium price level and real output (1) Application 1 mark for correct shift in AD 1 mark for labelling new higher price level 1 mark for labelling new real GDP/output level	(4)

Question	Using the information above, calculate the change in GDP per capita between 2016 and 2017. Show your workings.	Mark
	Answer	
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	Draw a LRAS and AD diagram to show the possible long-run impact of this significant increase in the base interest rate on AD, the price level and real output for Turkey. Answer	Mark
10	Knowledge 1, Application 3 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge Correct labelling of the axes e.g. price level and real output/GDP (1) Application Up to 3 marks for the following information included on the diagram • Drawing the original AD/LRAS curve (1) • Drawing a new AD curve to the left/decreased (1) • For the correct final equilibrium price level and output (1)	(4)

Question	Calculate the final increase in GDP resulting from this €18 billion investment. Show your workings.	Mark
11	Answer Knowledge 1, Application 3 Quantitative skills assessed: QS1: Calculate, use and understand ratios and fractions Knowledge 1 mark for correct multiplier formula, e.g. Multiplier $= 1/(1-MPC)$ (1) Application Up to 3 marks for use of data in calculation, e.g.: Multiplier = $1/0.28 = 3.57$ (1) €18 billion $\times 3.57$ (1) = €64.286 billion (1) NB: If correct answer (€64.286 billion) is given, award full marks regardless of working. Also accept accurate answer to 0dp, 1dp, 2dp, 4dp If billion is missing, award 3 marks	(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 <i>consumption</i>, 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	With reference to Extract A, examine the likely impact on Japan's real output of the fall in domestic consumption.	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 1 knowledge mark for understanding of real output, e.g.: - Output adjusted for inflation (1) <i>AND</i> 1 knowledge mark for identifying the impact: - Fall in Japan's real output (1) Analysis Up to 2 marks for analysing the impact (1+1), e.g.: - Consumption is a component of AD ($C+I+G+(X-M)$) (1) so AD is likely to fall (this can also be shown on an accurately drawn AD/AS diagram) (1) - Higher savings (1) so increases withdrawals from Japan's circular flow of income (1) Application Up to 2 marks for reference to Extract A, e.g.: - Fall in domestic consumption ... remained a concern (1) - Makes up more than half of Japan's economy (1) - Fell by 0.5% (1) - Consumers in Japan experienced significant increases in the prices of goods and services (1) Evaluation Up to 2 marks for evaluative comments (1+1 or 2+0), e.g.: - The magnitude of the fall in domestic consumption is relatively small (1) so impact on real output is insignificant (1) - The impact on real output may be reversed in the long-run if the exchange rate gets stronger (1) and Japanese imports become relatively cheaper (1) - Real output may not fall in long-run (1) if other components of AD rise, e.g. government spending (1) - Impact on real output depends on elasticity of LRAS (1); real output will decrease if AD lies on elastic segment of LRAS (1)	(8)

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 D A is not correct because between U to V the economy is experiencing a downturn/ negative economic growth B is not correct because at point V there is a negative output gap C is not correct because between W and X the economy is growing and with more output unemployment is likely to be falling	(1)
5		The only correct answer is D A is not correct because decreased rate of economic growth will most likely result in reduced levels of investment B is not correct because an increase in indirect taxation adds to the costs of business and will result in reduced investment C is not correct because an increase in the tax on company profits means less profits can be used to fund investment reducing the investment in the economy	(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 B A is not correct because this is the value of the marginal propensity to withdraw C is not correct because this is $1/\text{MPC} = 1/0.49$ D is not correct because this is the MPC multiplied by 10	(1)

Section B

Question Number	The French Government is to offer €5 billion in tax relief for business investment. Explain one likely economic effect of this investment tax relief. Answer	Mark
7	Knowledge 1, Analysis 2, Application 1 Knowledge and Analysis 1 mark for knowledge of investment or tax relief - Defining investment: spending on capital goods/ OR - Defining tax relief on investment: where firms are charged a lower rate of taxation to encourage investment (1) OR Up to 3 marks for identifying one effect with linked expansion e.g. - It has the effect of lowering the costs for firms who are investing (1) which increases the profit that investment can generate (1) this will encourage increased levels of investment (1) - Tax relief will encourage higher levels of investment (1) this is a component of AD and causing AD to rise (1) this should lead to increased real output/increased price level (1) - Tax relief reduces the tax firms will pay (1) which increases the profits that can be generated from investment (1) so firms will increase investment levels (1) - Tax relief will encourage investment (1) which will help to improve employment (1) and thus lower unemployment (1) - Tax relief will encourage higher levels of investment (1) which will cause a rightward shift in LRAS in the long run (1) will should lead to an increase in real output/decrease in price level (1) Application 1 mark for applying to France e.g. - Tax relief will lower the cost of investment for businesses by €5bn (1)	(4)



	written, graphical, tabular and numerical forms	A is not correct as a Phillips curve considers the relationship between inflation and unemployment C is not correct, whilst the Phillips curve does consider inflation, this is related to unemployment and not the current account of the balance of payments D is not correct as a Phillips curve considers the relationship between inflation and unemployment	
6	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 divides the injection by the multiplier B is not correct as this is the addition of the multiplier and the injection D is not correct as this does not multiply the multiplier and the injection	(1)

Section B

Question	With reference to the table, explain one likely 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 mark for identification of one impact and up to 2 marks for linked analysis: • Economic growth means more output (1) and more environmental degradation (1) as there is higher demand for resources (1) • As there is more output (1) more electricity is generated (1) causing more air pollution (1) • As the economy grows the demand for imports rises (1) this leads to the value of imports rising (1) and the balance of trade deficit may worsen/emerge (1) • Increased inequality (1) as increasingly people benefit from growth with higher incomes (1) there are some people that get left behind and the gaps between rich and poor widens (1) • Inflationary pressure (1) if economic growth is caused by increases in AD (1) which may require contractionary monetary policy to reduce inflation (1) Application 1 mark for appropriate use of the table, e.g.: - Syria's economic growth was most rapid at 9.9% (1) - Bangladesh grew by 7.9%/Bhutan 7.4%/India 7.4%/Rwanda 7.3% (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 <i>A is not correct as this is not calculated using the correct formula</i> <i>B is not correct as this is calculated using the formula (1-0.4)</i> <i>D is not correct as this is calculated using the formula (1/0.4)</i>	(1)
2	-	The only correct answer is B <i>A is not correct as this is not the role of the central bank</i> <i>C is not correct as this is not the role of the central bank</i> <i>D is not correct as it is the role of the government to achieve greater income equality</i>	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is A <i>B is not correct as data does not refer to inactive people but to underemployment</i> <i>C is not correct as data does not refer to unemployment but to underemployment</i> <i>D is not correct as the data does not relate to the price level</i>	(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 <i>A is not correct because the price level was increasing at a faster rate between January 2016 to July 2016</i> <i>B is not correct as there was disinflation from January 2017 to July 2017</i> <i>C is not correct as the average price level was higher in July 2019 than in January 2019</i>	(1)
5	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is C <i>A is not correct as monetary policy is implemented by the central bank</i> <i>B is not correct as monetary policy is implemented by the central bank</i>	(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 <i>A is not correct as a decrease in the MPT will increase the value of the multiplier</i> <i>B is not correct as a decrease in the MPS will increase value of the multiplier</i> <i>C is not correct as an increase in the MPC will increase the value of the multiplier</i>	(1)
2	-	The only correct answer is B <i>A is not correct as profits for firms are likely to rise</i> <i>C is not correct as the government is likely to earn more tax revenue</i> <i>D is not correct as this is a benefit of growth</i>	(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 <i>A is not correct as unemployment did not rise due to changes in seasons</i> <i>B is not correct as unemployment did not rise due to changes in technology/sectors</i> <i>D is not correct as unemployment did not rise as a result of people changing jobs</i>	(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 <i>B is not correct because an increase in real GDP per capita is likely to cause a decrease in the rate of unemployment</i> <i>C is not correct because an increase in real GDP per capita is likely to cause an increase in consumer confidence</i> <i>D is not correct because an increase in real GDP per capita is likely to increase the purchasing power of consumers</i>	(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 <i>A is not correct as this will shift the AS curve</i> <i>B is not correct as this will shift the AS curve</i> <i>D is not correct as this will shift the AS curve</i>	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is B <i>A is not correct as this is an interventionist supply-side policy</i> <i>C is not correct as this is an interventionist supply-side policy</i> <i>D is not correct as this is an interventionist supply-side policy</i>	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is C <i>A is not correct because this will decrease the value of the multiplier</i> <i>B is not correct because this will decrease the value of the multiplier</i> <i>D is not correct because this will decrease the value of the multiplier</i>	(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 <i>A is not correct because between A to B the economy is experiencing a downturn/ negative economic growth</i> <i>C is not correct because at point C there is no output gap</i> <i>D is not correct because between C and D the economy is growing, and with greater output, unemployment is likely to be falling</i>	(1)
5		The only correct answer is A <i>B is not correct as this is the role of the government</i> <i>C is not correct as this is the role of the government</i> <i>D is not correct as this is the role of the government</i>	(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 <i>A is not correct as this is the base year</i> <i>B is not correct as this is the index number for 2020 using 2019 as the base year</i> <i>C is not correct as this is the index number for 2021 using 2020 as the base year</i>	(1)



Question	Ceteris paribus, calculate the final increase in the national income resulting from the LE11.9 billion investment.	Mark
11	Knowledge 1, Application 3 Quantitative Skill Assessed QS2: calculate, use and understand percentages, percentage changes and percentage point changes Knowledge 1 mark for correct formula of multiplier (1) $1/(1-MPC)$ OR $1/MPW$ Application up to 3 marks for correct application $MPW = 0.4$ (1- 0.6) $1/0.4 = 2.5$ (1) 2.5×11.9 (1) = LE29.75bn (1) NB: If correct answer (LE29.75bn) is given, award full marks regardless of working. Award 3 marks if candidate misses either LE or billion.	(4)

Question	Based on this information, calculate the marginal propensity to consume (MPC) in Malaysia. 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 knowledge of multiplier formula - Multiplier = $1/(1-MPC)$ or $1/MPW$ OR 1 mark for understanding of marginal propensity to consume (MPC) $MPC = \Delta C / \Delta Y$ - MPC is the proportion of one additional unit of income which is spent by households Application Calculation that the multiplier ratio = $RM150bn / RM30bn = 5$ (1) Calculation that $(1-MPC)$ or $MPW = 0.2$ (1) Calculation that the $MPC = 0.8$ (1) NB If the correct answer is given (0.8), award full marks regardless of working. NB If the answer is given as 0.8 billion/RM 0.8/RM 0.8 billion, award only 3 marks.	(4)

Question	In 2022 it was estimated that an increase in government spending of \$25 billion in an economy would eventually result in an increase in the country's national income of \$100 billion. Based on this information, calculate the marginal propensity to consume (MPC) in this economy. 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 knowledge of multiplier formula - Multiplier = $1/(1-MPC)$ or $1/MPW$ OR 1 mark for understanding of marginal propensity to consume (MPC) $MPC = \Delta C / \Delta Y$ - MPC is the proportion of one additional unit of income that is spent by households Application Calculate that the multiplier ratio = $\\$100bn / \\$25bn = 4$ (1) Calculate that $(1-MPC)$ or $MPW = 0.25$ (1) Calculate that the $MPC = 0.75$ (1) NB If the correct answer is given (0.75 OR $\frac{3}{4}$), award full marks regardless of working NB If the answer is given as 0.75 billion/\$0.75/\$0.75 billion, award only 3 marks	(4)

Question	It was estimated that an increase in investment of \$150 million in an economy would eventually result in an increase in the country's national income of \$1 500 million. Based on this information, calculate the marginal propensity to consume (MPC) in this economy. 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 knowledge of multiplier formula - Multiplier = $1/(1-MPC)$ or $1/MPW$ OR 1 mark for understanding of marginal propensity to consume (MPC) $MPC = \Delta C/\Delta Y$ - MPC is the proportion of one additional unit of income that is spent by households Application Calculate that the multiplier ratio = $\\$1\,500\text{mn}/\\$150\text{mn} = 10$ (1) Calculate that $(1-MPC)$ or MPW = 0.1 OR $1/10$ (1) Calculate that the MPC = 0.9 (1) NB If the correct answer is given (0.9), award full marks regardless of working NB If the answer is given as 0.9 million/\$0.9/\$0.9 million, award only 3 marks	(4)

Question	With reference to the table, calculate the value of the multiplier for this economy. 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 knowledge of multiplier formula Multiplier = $1/MPW$, where $MPW = MPS + MPT + MPM$ (1) or $1/(1-MPC)$ Application Calculate that $MPW = 0.4 + 0.3 + 0.1 = 0.8$ (1) Calculate that multiplier = $1/0.8$ (1) = 1.25 (1) NB If the correct answer is given (1.25), award full marks regardless of working NB If the answer is given as \$1.25/1.25%, award only 3 marks	(4)