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EDEXCEL INTERNATIONAL A LEVEL ECONOMICS: QUESTIONS BY TOPIC

Economic growth (2.3.5)

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

44 questions · 299 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
2.3.5.1 CAUSES OF GROWTH		15 Qs · 165 marks	3
1. Q1	IAL Unit 2 January 2021	1	4
2. Q12(b)	IAL Unit 2 June 2021	4	5
3. Q12(c)	IAL Unit 2 October 2022	4	9
4. Q7(c)	IAL Unit 4 June 2021	6	13
5. Q7(d)	IAL Unit 4 June 2023	6	18
6. Q12(d)	IAL Unit 2 June 2025	6	23
7. Q12(d)	IAL Unit 2 January 2021	8	28
8. Q7(d)	IAL Unit 4 June 2021	8	33
9. Q12(d)	IAL Unit 2 June 2024	8	38
10. Q12(e)	IAL Unit 2 October 2020	14	43
11. Q14	IAL Unit 2 June 2019	20	49
12. Q13	IAL Unit 2 October 2019	20	50
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14. Q13	IAL Unit 2 June 2021	20	52
15. Q14	IAL Unit 2 January 2025	20	53
2.3.5.2 BENEFITS OF GROWTH		6 Qs · 21 marks	54
16. Q2	IAL Unit 2 October 2019	1	55
17. Q3	IAL Unit 2 January 2020	1	56
18. Q2	IAL Unit 2 January 2024	1	57
19. Q7	IAL Unit 2 June 2025	4	58
20. Q12(c)	IAL Unit 2 June 2024	6	59
21. Q12(c)	IAL Unit 2 June 2021	8	64
2.3.5.3 COSTS OF GROWTH		6 Qs · 69 marks	69
22. Q2	IAL Unit 2 January 2023	1	70
23. Q7	IAL Unit 2 (unused) January 2022	4	71
24. Q7	IAL Unit 2 January 2025	4	72
25. Q13	IAL Unit 2 January 2020	20	73
26. Q14	IAL Unit 2 October 2021	20	74
27. Q13	IAL Unit 2 June 2022	20	75
2.3.5.4 OUTPUT GAPS		17 Qs · 44 marks	76
28. Q3	IAL Unit 2 June 2019	1	77
29. Q4	IAL Unit 2 October 2019	1	78
30. Q5	IAL Unit 2 October 2020	1	79



QUESTION	SOURCE	MARKS	PAGE
31. Q4	IAL Unit 2 June 2021	1	80
32. Q6	IAL Unit 2 January 2022	1	81
33. Q4	IAL Unit 2 October 2023	1	82
34. Q5	IAL Unit 2 October 2024	1	83
35. Q4	IAL Unit 2 January 2025	1	84
36. Q11	IAL Unit 2 January 2021	4	85
37. Q10	IAL Unit 2 October 2021	4	86
38. Q8	IAL Unit 2 (unused) January 2022	4	87
39. Q11	IAL Unit 2 June 2022	4	88
40. Q8	IAL Unit 2 January 2023	4	89
41. Q10	IAL Unit 2 June 2023	4	90
42. Q7	IAL Unit 2 January 2024	4	91
43. Q8	IAL Unit 2 October 2024	4	92
44. Q8	IAL Unit 2 June 2025	4	93



QUESTIONS

44 questions · 299 marks · 4 sub-topics

SUB-TOPIC 2.3.5.1

CAUSES OF GROWTH

Sub-topic 2.3.5.1 · 15 questions · 165 marks · lowest tariff first

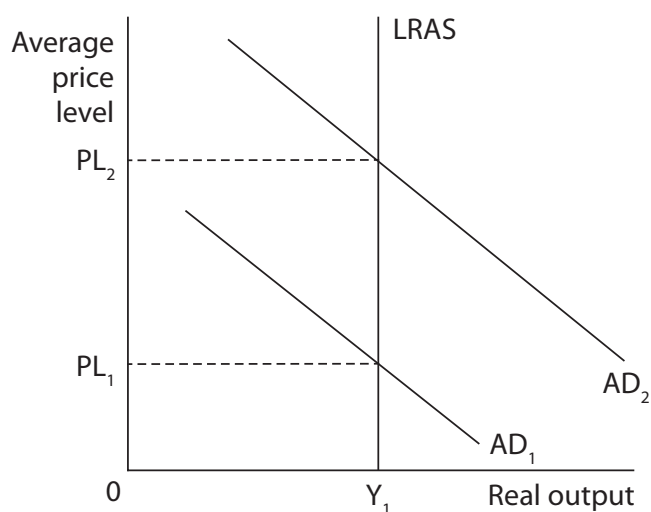
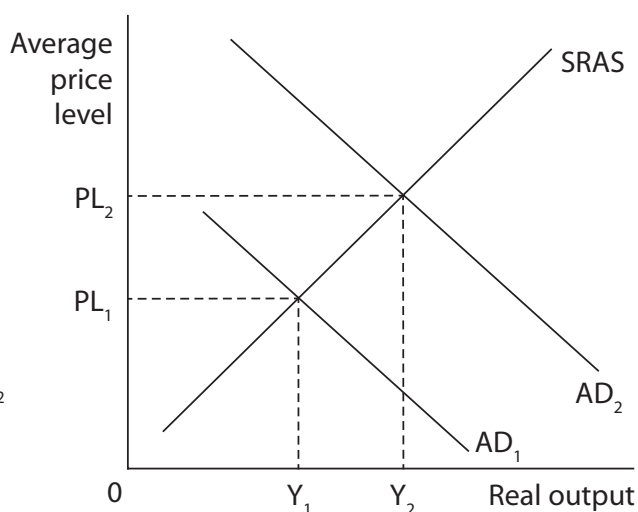
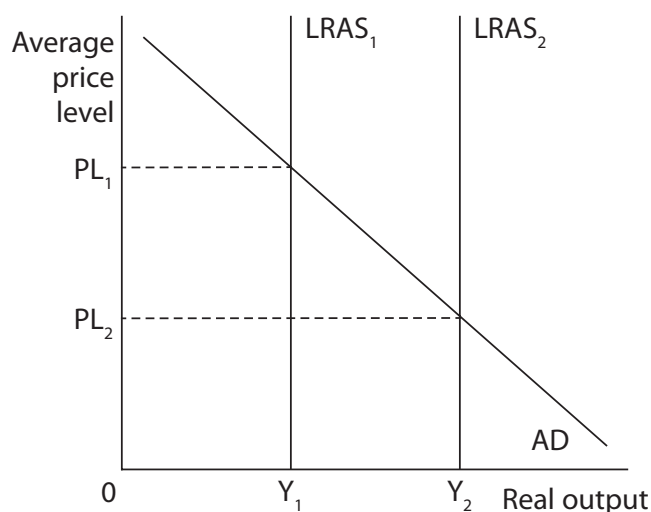
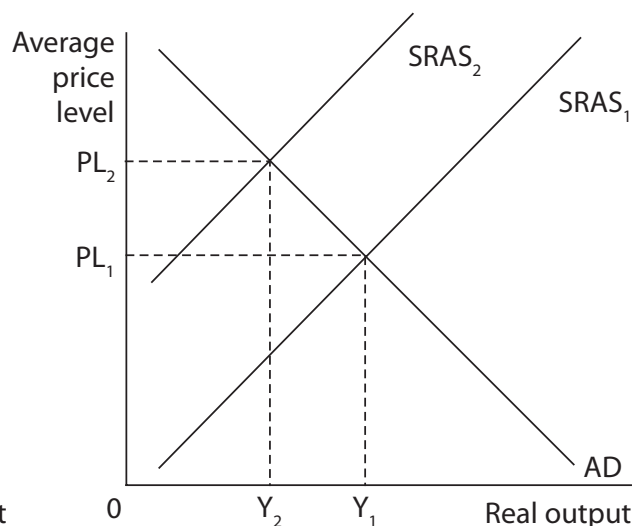


SECTION A

Answer ALL questions in this section.

Some 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 aggregate demand and aggregate supply diagrams below illustrates an economy experiencing **potential** economic growth?

☒ A☒ B☒ C☒ D

(Total for Question 1 = 1 mark)



SECTION C

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

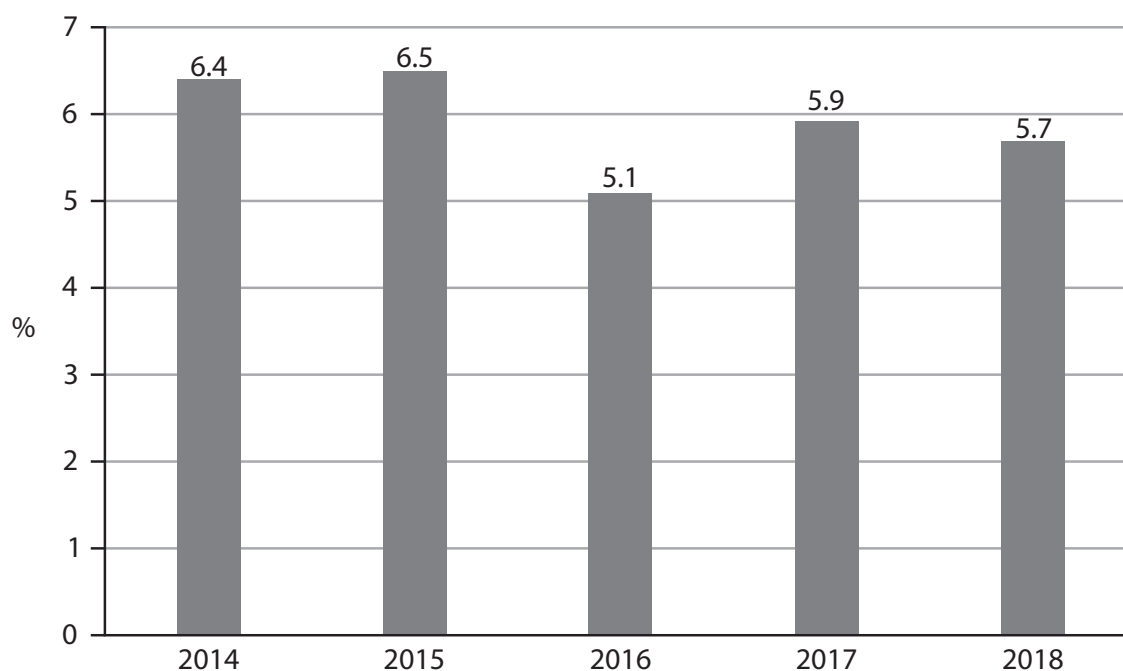
Write your answers in the space provided on the following pages.

- 12** (a) Define the term 'monetary policy'. (Extract A, line 8) (2)
- (b) With reference to Extract A, explain the term 'foreign direct investment'. (4)
- (c) With reference to Figure 1 and Extract A, examine **two** likely impacts of the annual GDP growth rates on the people living in East African countries. (8)
- (d) With reference to Figure 2, analyse **one** macroeconomic effect of the change in the current account balance as a percentage of GDP on East African economies. (6)
- (e) With reference to Extract A and Extract B, discuss the likely effects of interventionist supply-side policies on East African economies. (14)



Sources for use with Section C.**East African* economies**

* Countries include Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Rwanda, Seychelles, Somalia, South Sudan, Tanzania and Uganda.

Figure 1 Annual real GDP growth, 2014–2018**Figure 2 Current account on the balance of payments as a percentage of GDP, 2016–2018**

	East African economies
2016	-6.7
2017	-5.4
2018	-5.3

Extract A Rapid growth in East Africa

East Africa was the fastest growing region of Africa in 2018. Increasing commodity prices helped the agricultural and mining sectors contribute most to this growth. Higher foreign direct investment (FDI) in the region also contributed to economic growth. Growth in FDI in 2018 was 67% in Uganda, 27% in Kenya and 18% in Tanzania. Governments in East Africa have been investing in infrastructure, such as roads, seaports and airports. 5

As a result of rapid economic growth, the rate of inflation increased to 13.1% in 2016 and 14.4% in 2017. Appropriate monetary policy in the region helped the rate of inflation to fall to 8.9% in 2019.

Despite rapid economic growth rates, unemployment remains high. Many consumers struggle to meet their basic needs. The governments of the region have been advised to focus on interventionist supply-side policies. These should include continued investment in infrastructure, improving the health and skills of the labour force and increasing the supply of housing. 10

Extract B East African infrastructure investment needed

East African economies have under-invested in infrastructure. The roads in East Africa are in a poor condition. The combination of low speeds and long distances causes high transport costs. Rail transport is poor, which means most goods have to be transported on a congested road system. Funds from China are being used to build two rail routes in the region. 5

Inadequate energy supply is the biggest infrastructure problem. East Africa has the lowest energy generating capacity per capita on the continent. Poor energy supply causes blackouts. However, the region has the potential to develop hydro, wind and fossil fuel resources that could increase energy supply. 10

The region has the smallest proportion of their population with telephone lines and access to mobile phone networks in Africa. However, recently there has been a high level of investment in telecommunications infrastructure. This will result in significant improvements in communications.

(2)

(4)

[illegible]

SECTION C

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

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

- 12** (a) Define the term 'net migration' (Extract A, line 13). (2)
- (b) With reference to Figure 2 and Extract A, analyse **two** possible impacts of net migration on the UK economy. (6)
- (c) With reference to Figure 1, explain the term 'productivity'. (4)
- (d) Examine **two** likely macroeconomic effects of 'significant wage increases' (Extract A, line 21) on the UK economy. (8)
- (e) Discuss supply-side policies that the UK Government could use to increase productivity. (14)



Sources for use with Section C

The UK economy

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

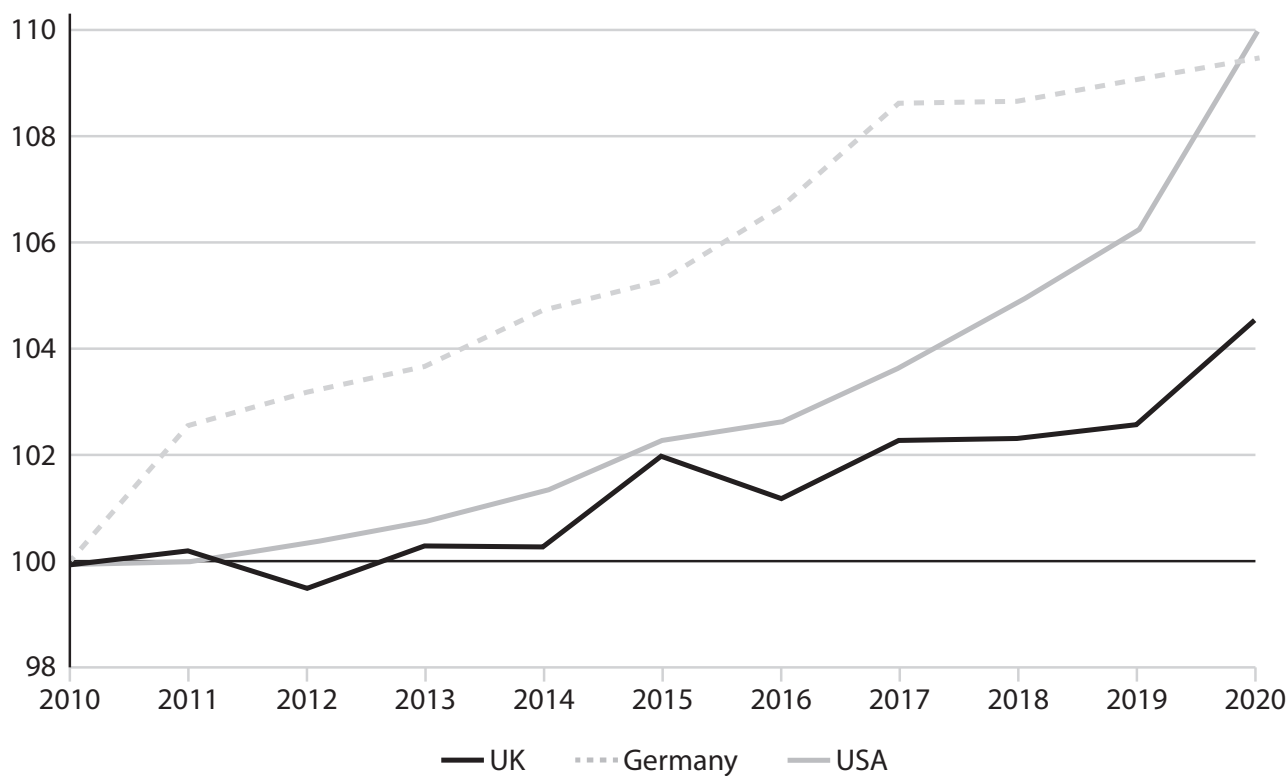


Figure 2 UK net migration, 2010 to 2019

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



Extract A Low productivity

In 2021 the UK Government argued that the disruption in UK supply chains was mainly as a result of low wages, inadequate skills, and low productivity. The Government stated that reductions in welfare benefits and in the number of low-skilled immigrants were needed to increase the country's productivity. The UK Government suggested that a decrease in low-skilled immigration would force businesses to invest in training and in capital equipment. 5

The goal of successive UK Governments has been to increase the UK's productivity to improve living standards. However, between 1997 and 2008, the average annual productivity growth was only 1.9%. Between 2009 and 2019 it fell to 0.7%. By 2021 productivity was nearly 20% below the level it would have reached if it had continued at 1.9%. 10

Some economists believe that high rates of net migration were not the only reason for the UK's poor productivity performance. They suggested that three other factors were also significant: 15

- the 2008 global financial crisis
- the UK's decision to leave the European Union
- the 2020–2022 global health crisis.

These factors made many UK businesses particularly cautious about investing in innovation and research and development. 20

In 2021 UK employers reported they were facing significant wage increases, especially in jobs where severe shortages exist. There was a concern that these wage increases would harm the UK economy unless there was a growth in productivity. However, some economists argue that rising wages could incentivise businesses to invest in labour-saving machinery and staff training. 25

The shock of the global health crisis may provide a much-needed boost to UK productivity for reasons not associated with labour shortages. Many businesses have an opportunity to innovate and improve their operations before restarting again.

The UK Government intends to solve the country's low productivity by increasing investment in skills and in infrastructure. It is essential that it works in partnership with businesses to achieve an increase in productivity and in the rate of economic growth. 30

(4)



SECTION B

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

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

- 7** In 2018, the EU's rate of inflation was 1.6%.
- (a) With reference to Figure 1, calculate the nominal GDP growth rate of the EU in 2018. You are advised to show your workings. (2)
- (b) Explain what is meant by 'quantitative easing' (Extract A, lines 8–9). (4)
- (c) With reference to Figure 1, Figure 2 and Extract A, analyse **two** reasons why 'Many EU countries experienced strong economic growth after 2012' (Extract A, lines 2–3). (6)
- (d) With reference to Figure 1, Figure 2 and Extract A, examine **two** reasons why 'there is concern that the future rate of economic growth in the EU might be much lower' (Extract A, lines 12–13). (8)
- (e) With reference to Extract B, discuss the likely economic benefits to the EU of forming a trade agreement with Mercosur. (14)



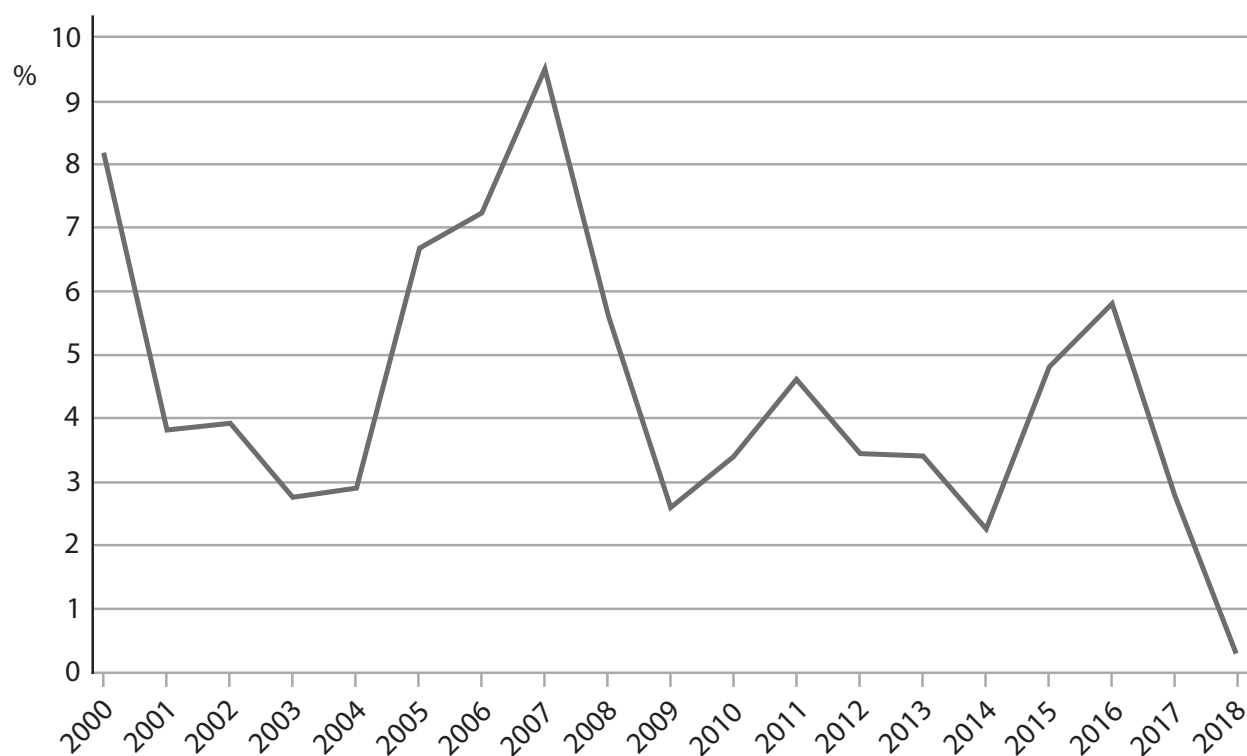
Sources for use with Section B.

The European Union (EU)

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



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



Extract A Economic growth

The European Union (EU) is a customs union. Many EU countries experienced strong economic growth after 2012, four years after the global financial crisis of 2008. After some years of low domestic demand since the crisis, firms in the EU were able to take advantage of increasing consumer spending. In 2018 household expenditure rose by 2% and the EU benefited from an expansion in global trade. 5

The EU's economic recovery was also as a result of increased domestic investment. Between 2015 and 2018 the European Central Bank's (ECB) €2.5 trillion quantitative easing programme gave firms greater access to credit. The ECB has also indicated that it could extend this programme. This would reduce fears of economic uncertainty and the impact of a global economic slowdown. 10

Despite the evidence of economic recovery, there is concern that the future rate of economic growth in the EU might be much lower. Rising oil prices are expected to reduce foreign direct investment. Moreover, spending on research and development is significantly lower than in most Asian countries. There is also a shortage of skilled labour in the technology sector. Finally, there is a worry that the EU's rate of economic growth could also decline as a result of the slowdown in China, following its trade war with the USA. 15

Extract B Trade agreement

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

The deal would provide a rare moment of agreement in global trade. It would come at a time when US President Donald Trump is threatening to increase trade barriers with China and the EU. A trade agreement with Mercosur has more significance as the EU seeks to position itself as a leading promoter of global free trade. 5

However, the EU remains concerned about the agreement. The negotiations have discussed sensitive economic matters for both trading blocs. These include the prospect of greater competition for Mercosur's car manufacturers and for the EU's beef farmers. 10

There has also been disappointment amongst EU countries about the lack of co-ordination between Mercosur's largest agricultural exporters. These countries include Argentina, Brazil, Paraguay and Uruguay. This problem was partly blamed for the failure to secure a trade agreement in 2018. 15

(6)





SECTION B

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

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

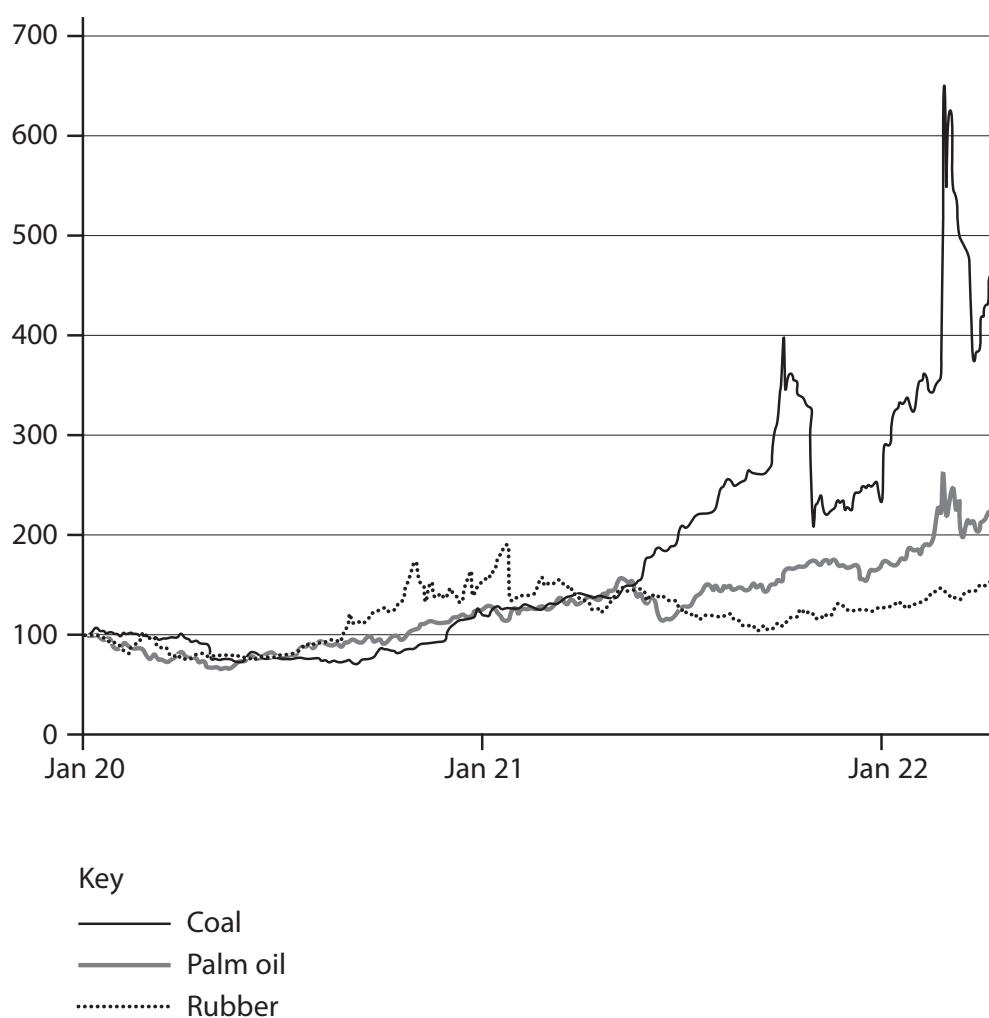
- 7 (a) With reference to Figure 1, calculate the increase in the price of coal between January 2020 and April 2022. You are advised to show your working. (2)
- (b) Explain what is meant by 'interest rates' (Extract A, line 4). (4)
- (c) With reference to the third paragraph of Extract A, examine **two** economic benefits of the increase in the number of tourists visiting Southeast Asian countries. (8)
- (d) Analyse why Thailand **and** Singapore 'are experiencing low rates of economic growth' (Extract A, line 22). (6)
- (e) With reference to the information provided and your own knowledge, discuss factors that might cause an improvement in the *terms of trade* of Southeast Asian countries. (14)



Sources for use with Section B

Southeast Asian economies

Figure 1 Index of global prices for selected commodities, January 2020 to April 2022 (January 2020=100)



Extract A Economic outlook 2022

Economies around the world are facing the threat of stagflation: a period of high inflation and low economic growth. This is a result of increasing global prices for fuel, food and other commodities. Many central banks have raised base interest rates in response to this inflationary pressure. For example, the European Central Bank increased its base interest rate from 0% to 1.25% between January and September 2022. 5

However, Southeast Asia is one region that is likely to avoid stagflation. Southeast Asia is a region situated south of mainland China. It comprises 11 countries that include Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

In countries such as Indonesia, Vietnam and Malaysia, the rate of increase in Gross Domestic Product (GDP) is higher than the rate of inflation. This increase in economic growth rates is partly as a result of an increase in the number of tourists visiting these countries. Each of these Governments have relaxed border controls that were introduced during the global health crisis. For example, between February 2022 and May 2022 the number of tourists increased by 1 050% in Indonesia and by 8 629% in Vietnam. 10 15

The majority of Southeast Asian countries are experiencing a steady growth in their exports. The rising prices of fuel, food and other commodities have benefited countries that export them in large quantities, for example, coal (Indonesia), rubber (Malaysia), and palm oil (Indonesia and Malaysia). These countries have experienced an improvement in their terms of trade. 20

By contrast, in Thailand and Singapore, the rate of inflation is rising faster than the GDP growth rate. Both countries are experiencing low rates of economic growth. In Thailand, inflation is reducing real incomes. In Singapore, the economic growth rate is low because of the slowdown in China's economy. China is Singapore's main trading partner.

Some countries in the region are highly exposed to external shocks in the global economy. For example, the Philippines relies on imports of rice and overall it is a net importer of food and fuel. 25

In Malaysia and Indonesia maximum prices have been imposed on certain commodities. This has helped to control the rising rate of inflation. Governments in other parts of the region are also considering the implementation of price controls. The President of the Philippines promised to decrease the price of rice by imposing a maximum price. 30



(d) Analyse why Thailand **and** Singapore 'are experiencing low rates of economic growth' (Extract A, line 22).

(6)



Handwriting practice grid with red lines and dotted lines for tracing.



SECTION C

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

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

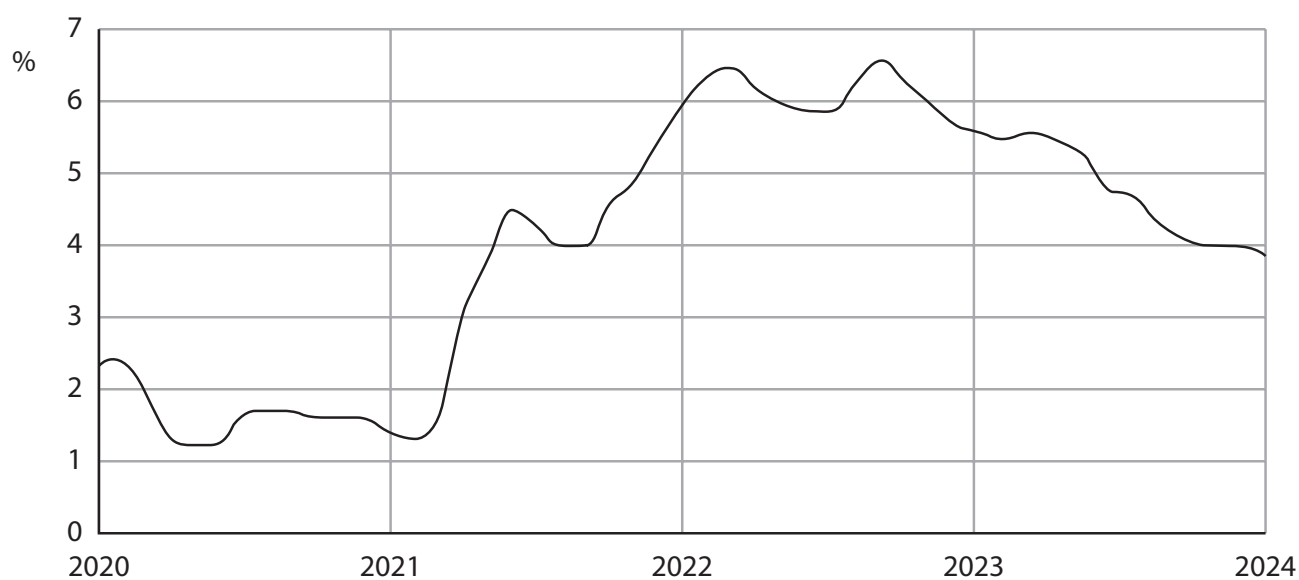
- 12** (a) Define the term 'inflation'. (2)
- (b) With reference to Figure 1 and the first paragraph of Extract A, examine **two** causes of the relatively high rate of inflation in the USA. (8)
- (c) With reference to the third paragraph of Extract A, explain the term 'rate of unemployment'. (4)
- (d) With reference to the first paragraph of Extract B, analyse **two** reasons why the USA's rate of economic growth increased in 2023. (6)
- (e) With reference to the information provided and your own knowledge, discuss the likely macroeconomic effects of the increase in the base rate of interest on the US economy. (14)



Sources for use with Section C

The US economy

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



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

Extract A Rate of inflation

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

- disruptions to the supply chain as a result of the global health crisis of 2020–2022
- rising global prices of energy and food in 2021–2022 5
- high wage growth in 2022–2023.

The country's central bank, the Federal Reserve (Fed), forecast that the rate of inflation would return to the inflation target of 2% in 2024. It indicated that energy prices and food prices had started to fall. It expected slower wage growth as the rate of inflation decreased. 10

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

Extract B Economic growth

The USA's rate of economic growth increased from 1.9% in 2022 to 2.5% in 2023. High consumer spending on services, such as hotels and travel, was the major factor that contributed to economic growth. Government policy also played an important role in increasing the growth rate. The US Government spent \$1 trillion on infrastructure projects including the building of roads, airports and bridges. These projects resulted in the creation of new jobs. 5

Economists forecast that the rate of increase in economic growth was likely to slow down in 2024. This is because there had been a series of interest rate increases by the Fed. This resulted in the country's base rate of interest increasing from 0.25% in March 2022 to a record high of 5.5% in July 2023. In addition, consumers in the USA were relying more on credit cards to finance their spending. It was predicted that more consumers would find it difficult to pay interest on their mortgages, car loans and credit cards. Consumers were also struggling to finance the rising costs of car insurance, medical care and childcare. 10

Although some economists expected a recession in 2024, many were optimistic that the US economy would stabilise without causing any major job losses. 15



(6)



This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper has rounded corners and a thin black border around the edges.

SECTION C

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

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

- 12** (a) Define the term 'Purchasing Power Parity (PPP)', (Figure 1). (2)
- (b) With reference to Figure 1, explain the difference between GDP per capita and GNI per capita. (4)
- (c) With reference to Figure 1, analyse **two** limitations of using GNI per capita PPP data to compare living standards in the Philippines between 2000 and 2018. (6)
- (d) With reference to Extract A, examine **two** reasons why the Philippine economy was forecast to grow from 2019 to 2021. (8)
- (e) Discuss how supply-side policies might 'help the Philippines to achieve economic growth' (Extract A, lines 12–13). (14)
- Illustrate your answer with an appropriate diagram(s).

Sources for use with Section C.

The economy of the Philippines

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

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

*PPP Purchasing Power Parity

Extract A Supply-side reforms and economic growth

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

Economic growth may slow in the first half of 2019. This may be explained by the weakening global economy, rising protectionism and a slowdown in public sector investment in the Philippines. However, levels of consumption should stay high. This is because of lower inflation rates, higher employment rates and rising real wages. Also, more workers are finding jobs in industries other than agriculture. This has helped to increase average incomes in the country. The continuing expansion of financial services and tourism in the Philippines means that the services sector is also likely to grow. 5

At the same time, the Government is using a range of supply-side policies. These policies include both interventionist and free market measures. It hopes that these will help the Philippines to achieve economic growth that creates high-paying jobs and reduces poverty. One interventionist policy is to start some infrastructure investment projects earlier than planned. The free market policies being used include: 10

- introducing the 'Ease of Doing Business Law' to cut the costs of bureaucracy for firms
- deregulating the rice market to increase competition
- introducing a law to allow greater competition in the country's retail sector, which should boost local productivity 20
- making amendments to the country's laws to allow the foreign ownership of firms in key sectors. This includes the telecommunication and transportation industries. By encouraging foreign direct investment, the Government hopes to increase productivity in these areas.

A report by the World Bank finds that promoting competition in this way will be beneficial to the Philippine economy over the longer term. However, the report also notes that many industries within the country are still dominated by just a few firms. It therefore recommends additional reforms to increase competition, including: 25

- further reductions in bureaucracy to make it easier to start a business
- further reductions in restrictions on both foreign and domestic investors 30
- ensuring that state-owned firms compete on fair terms with private sector businesses. This should promote the more efficient use of public funds.



(8)





SECTION B

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

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

- 7** In 2018, the EU's rate of inflation was 1.6%.
- (a) With reference to Figure 1, calculate the nominal GDP growth rate of the EU in 2018. You are advised to show your workings. (2)
- (b) Explain what is meant by 'quantitative easing' (Extract A, lines 8–9). (4)
- (c) With reference to Figure 1, Figure 2 and Extract A, analyse **two** reasons why 'Many EU countries experienced strong economic growth after 2012' (Extract A, lines 2–3). (6)
- (d) With reference to Figure 1, Figure 2 and Extract A, examine **two** reasons why 'there is concern that the future rate of economic growth in the EU might be much lower' (Extract A, lines 12–13). (8)
- (e) With reference to Extract B, discuss the likely economic benefits to the EU of forming a trade agreement with Mercosur. (14)

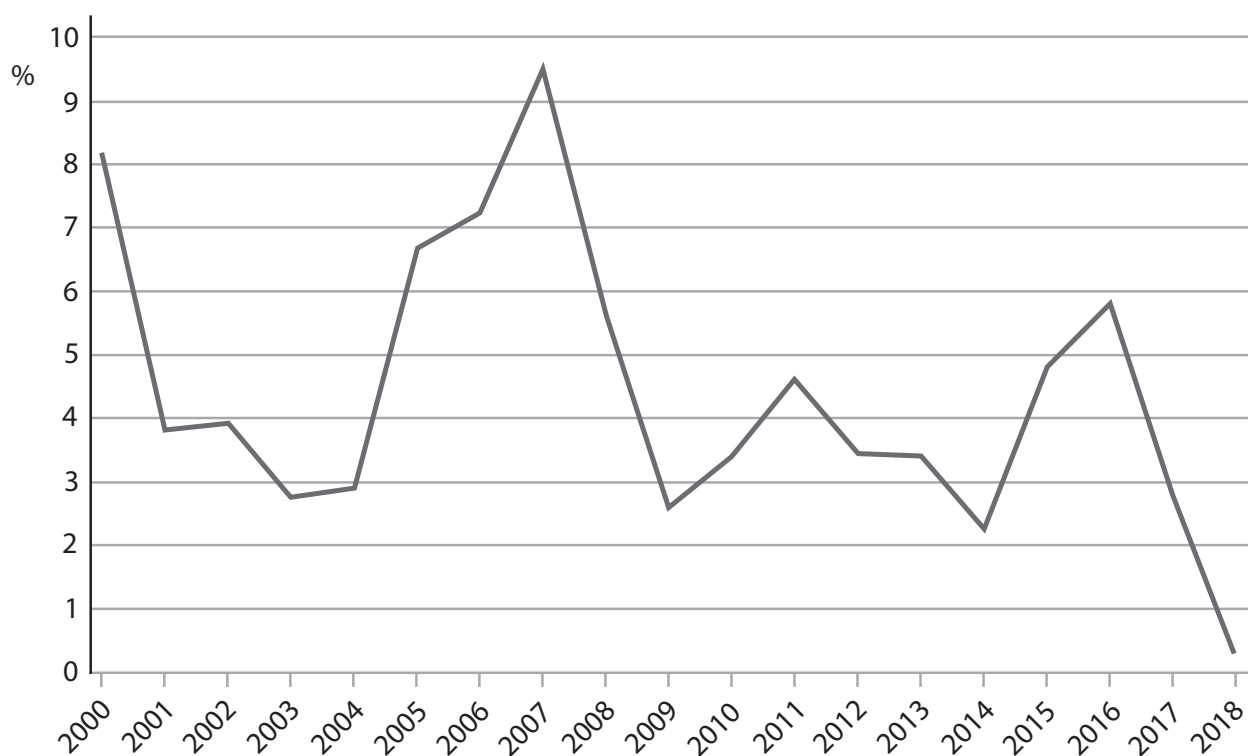
Sources for use with Section B.

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Extract A Economic growth

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The EU's economic recovery was also as a result of increased domestic investment. Between 2015 and 2018 the European Central Bank's (ECB) €2.5 trillion quantitative easing programme gave firms greater access to credit. The ECB has also indicated that it could extend this programme. This would reduce fears of economic uncertainty and the impact of a global economic slowdown. 10

Despite the evidence of economic recovery, there is concern that the future rate of economic growth in the EU might be much lower. Rising oil prices are expected to reduce foreign direct investment. Moreover, spending on research and development is significantly lower than in most Asian countries. There is also a shortage of skilled labour in the technology sector. Finally, there is a worry that the EU's rate of economic growth could also decline as a result of the slowdown in China, following its trade war with the USA. 15

Extract B Trade agreement

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

The deal would provide a rare moment of agreement in global trade. It would come at a time when US President Donald Trump is threatening to increase trade barriers with China and the EU. A trade agreement with Mercosur has more significance as the EU seeks to position itself as a leading promoter of global free trade. 5

However, the EU remains concerned about the agreement. The negotiations have discussed sensitive economic matters for both trading blocs. These include the prospect of greater competition for Mercosur's car manufacturers and for the EU's beef farmers. 10

There has also been disappointment amongst EU countries about the lack of co-ordination between Mercosur's largest agricultural exporters. These countries include Argentina, Brazil, Paraguay and Uruguay. This problem was partly blamed for the failure to secure a trade agreement in 2018. 15

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

(8)



[illegible]

SECTION C

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

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

- 12** (a) Define the term 'corporation tax' (Extract A, lines 4 and 5). (2)
- (b) Explain what is meant by Gross National Income (Extract A, line 24). (4)
- (c) With reference to Extract A, analyse **two** reasons for the improvement in living standards in Ireland between 2015 and 2022. (6)
- (d) With reference to Figure 1 and Extract A, examine **two** reasons why Ireland's rate of economic growth was expected to decrease in 2023. (8)
- (e) With reference to Figure 2, Extract A and your own knowledge, discuss the limitations of using GDP to compare living standards between countries. (14)



Sources for use with Section C

The economy of Ireland

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

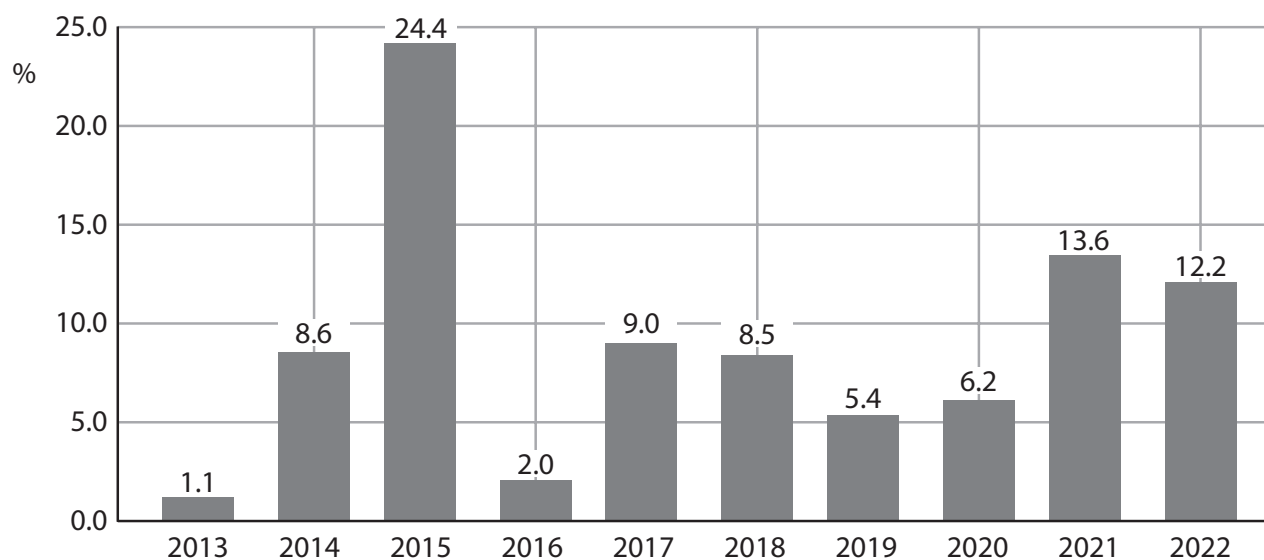
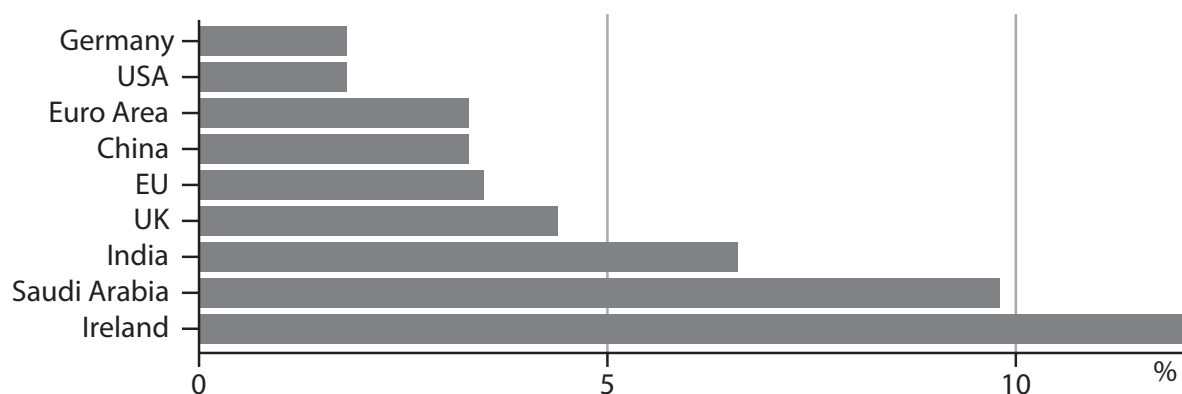


Figure 2 Annual real GDP growth rate (%) for selected countries, 2022



Extract A Limitations of using GDP

Many economists argue that Ireland's high rate of economic growth for 2022 is not accurate. They claim that Ireland only experiences high rates of economic growth because international companies take advantage of the country's low corporation tax rate of 12.5%. This tax rate is lower than the corporation tax rates of many other European countries and has attracted over 1 500 international companies. 5

Some of these companies are so large that the country's GDP figures may be overstated. For example, Apple Inc., the world's largest technology company, moved its European base to Ireland in 2015. This resulted in a significant increase in the country's rate of economic growth. In 2018 the global sales of Apple iPhones accounted for 25% of the GDP growth rate in Ireland. 10

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

Economists suggested that Ireland's GDP data was meaningless as a guide to how the economy is performing. For example, they argued that using GDP can mislead analysis of matters related to income inequality and the environment. 15

However, Ireland's central bank defended this measurement of the country's rate of economic growth for 2022. It indicated that the activities of international companies had a positive impact on living standards in Ireland. Between 2015 and 2022 employment increased from 2.06 million to 2.55 million. This contributed to a significant increase in government revenues from income tax and corporation tax. In 2022 the country's corporation tax receipts rose to an all-time high of €22.6 billion. 20

Ireland's central bank also uses Gross National Income (GNI) as an alternative measure of economic growth. This measure removes the impact of international companies and provides a better understanding of domestic demand. According to the GNI measure, Ireland's rate of economic growth was much lower at 5.9% in 2022. 25

In 2023 Ireland's rate of economic growth was expected to decrease to just 4%, as measured by GDP. This is as a result of a high rate of inflation, rising interest rates and the weakening state of the global economy. Forecasts also suggest that between 2024 and 2027, GDP is likely to grow by an average of 3.5% per year. 30



(8)



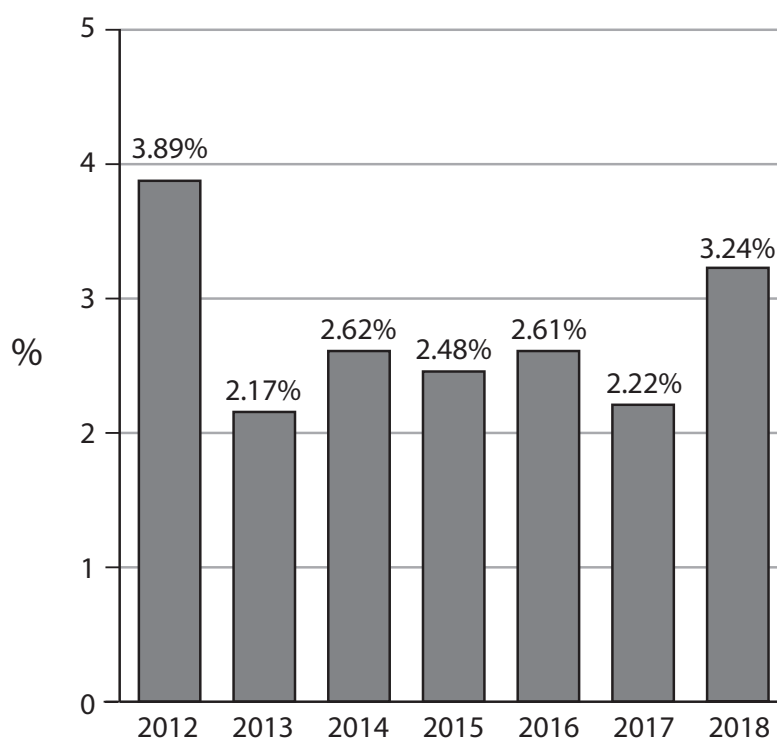
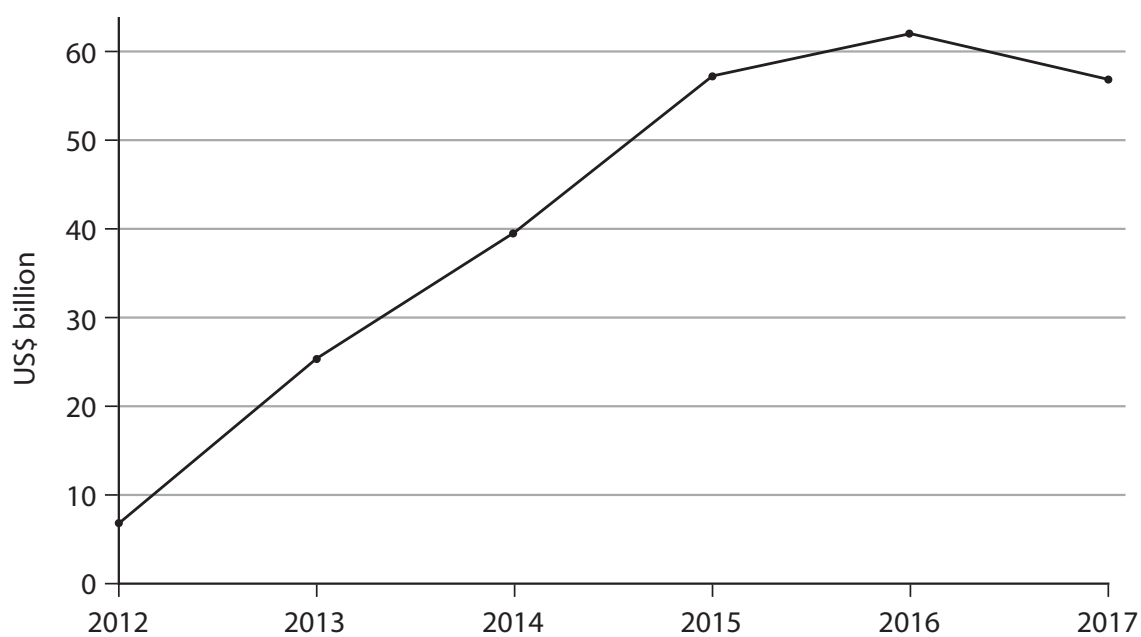


SECTION C

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

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

- 12** (a) Define the term 'Real wage growth' (Extract B, line 8). (2)
- (b) With reference to Figure 2, explain what is meant by a surplus on the balance of trade in goods and services. (4)
- (c) With reference to Extract A, analyse the possible impact of net migration on employment **or** unemployment in Australia. (6)
- (d) With reference to Extract B, examine the case for a reduction in the base rate of interest by the Australian central bank. (8)
- (e) Using the information provided, discuss the factors, other than net migration, that have contributed to economic growth in Australia up to 2018. (14)

Sources for use with Section C.**The Australian economy****Figure 1 Annual real GDP growth (%), 2012 to 2018****Figure 2 Balance of trade in goods and services, 2012 to 2017 (US\$ billion)**

Extract A State of the economy

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

The Australian Government has encouraged migration into the country, although this is now limited to 190 000 permanent immigrants per year. Over 28% of the population are immigrants. Net migration has led to an increase in the Australian labour force. As many of the immigrants are highly skilled, this has had positive effects on the Australian economy. It has also resulted in an increase in consumption in the country. 5

Export growth has also been a significant reason for the increase in Australia's GDP. Australia's geography is very different to other developed countries. It is nearer to China than many other developed countries, which enables Australia to export its goods with relatively low shipping costs. There has been great demand from China for Australian exports, particularly sugar, copper, iron, coal, lead and zinc. 10

Australia is also a very popular tourist destination for Chinese citizens, as the flight is short. Tourism has increased by 50% since 2012 and now accounts for AU\$29 billion and is Australia's fifth biggest export. 15

Australia has benefited from demand from foreign students wanting to study in the country. Over 540 000 international students enrolled in Australian schools and universities in 2018, an 80% increase in five years. Both tourists and students have a significant impact on the consumption of goods and services supporting further economic growth. 20

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

Extract B Future prospects

The future for Australia does not look as promising as it once did. China demands around one-third of Australia's exported goods. China's economic growth has slowed as economies such as the USA, Japan and the Eurozone demand less Chinese goods. This has recently caused business confidence in China to fall, reducing the demand for Australia's commodity exports needed in manufacturing. 5

The Australian central bank is considering a reduction in the base rate of interest. Real wage growth fell between 2013 and 2018. However, private household consumption rose during that period. During 2018 house prices decreased and recorded a fall of 2.4% in the first quarter of 2019. However, some economists are forecasting an increase in Australia's inflation rate from 1.8% in 2018 to 2.3% in 2019. The central bank's target annual rate of inflation is between 2% and 3%. 10

(14)





[illegible]

SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

- 13** China's economic growth has resulted in a significant increase in pollution within the country. It is believed that recent government legislation to lower pollution will cause China's real GDP to increase at a slower rate.

Evaluate the view that conflicts between macroeconomic objectives are inevitable.

(Total for Question 13 = 20 marks)

OR

- 14** Increasing household consumption is a major factor contributing to India's high rate of economic growth.

Evaluate the view that rising consumer expenditure will always benefit an economy.

(Total for Question 14 = 20 marks)



SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

- 13** Productivity in France and Germany was significantly higher than in the UK between 2007 and 2016.

Evaluate the importance of productivity for the rate of economic growth in a country.

(Total for Question 13 = 20 marks)

OR

- 14** In 2017 the rate of unemployment in South Africa was 27.7%. The Government is committed to reducing the unemployment rate by increasing spending on education and training.

Evaluate the use of supply-side policies as a means of reducing unemployment.

(Total for Question 14 = 20 marks)



SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

- 13** In 2018 the US Government increased government spending and reduced taxation on high incomes. These policies contributed to an increase in the rate of economic growth and to an increase in income inequality.

Evaluate the view that fiscal policies always result in conflicts between macroeconomic objectives.

(Total for Question 13 = 20 marks)

OR

- 14** In January 2019 the Portuguese Government announced an increase of €20 billion of government spending on transport, energy and environmental projects. It aims to improve the productive potential of the economy.

Evaluate interventionist supply-side policies as a means of achieving economic growth.

(Total for Question 14 = 20 marks)



SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

- 13** In 2019 the new President of the European Central Bank asked governments of eurozone countries to cut taxation and increase government expenditure to stimulate the rate of economic growth.

Evaluate fiscal policy instruments as a means of increasing the rate of economic growth.

(Total for Question 13 = 20 marks)

OR

- 14** In quarter 1 2019 the unemployment rate in South Africa was 27.6%. In quarter 2 it increased to 29%. An additional 455 000 workers became unemployed.

Evaluate the likely impact of an increase in the unemployment rate on workers, public finances and resource utilisation.

(Total for Question 14 = 20 marks)



SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

- 13** In 2022 the Government of China decided to invest 1.48 trillion yuan in many new transportation, energy and telecommunication infrastructure projects.

Evaluate the likely benefits of an increase in government expenditure on infrastructure.

Refer to a country of your choice in your answer.

(Total for Question 13 = 20 marks)

OR

- 14** Between 2012 and 2022 the productivity rate in Turkey increased by 39.2%.

Evaluate the likely benefits of an increase in the productivity rate.

Refer to a country of your choice in your answer.

(Total for Question 14 = 20 marks)



SUB-TOPIC 2.3.5.2

BENEFITS OF GROWTH

Sub-topic 2.3.5.2 · 6 questions · 21 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)

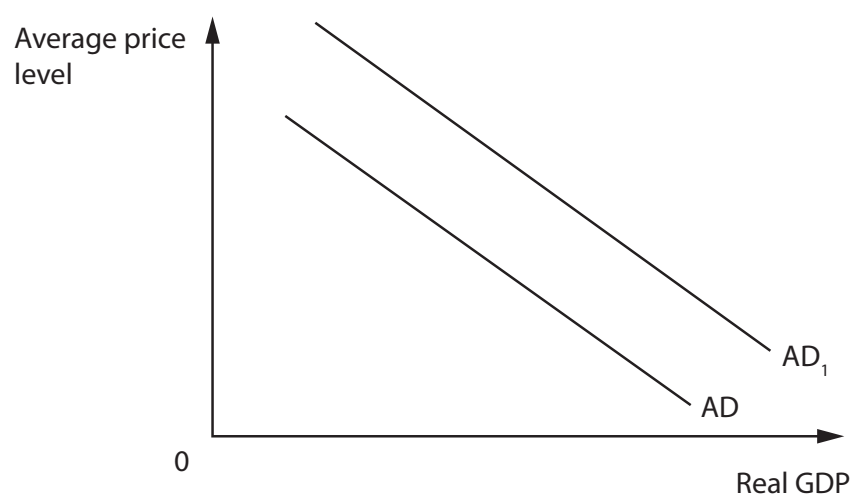
3 In 2017 Uzbekistan experienced an 8% increase in real GDP.

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

- ☐ A Environmental damage
- ☐ B Improved public services
- ☐ C A negative output gap
- ☐ D A decrease in tax revenues

(Total for Question 3 = 1 mark)

4 The diagram shows a shift in the aggregate demand curve for an economy.



Which of the following combinations was the most likely cause of the change from AD to AD₁?

	Interest rate	Exchange rate
☐ A	Rise	Fall
☐ B	Rise	Rise
☐ C	Fall	Fall
☐ D	Fall	Rise

(Total for Question 4 = 1 mark)

SECTION A

Answer ALL questions in this section.

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

1 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 B

Answer ALL questions in this section in the spaces provided.

- 7** In 2023 Macau's rate of economic growth was the highest in the world. Its annual percentage increase in real GDP was 80.5%.

With reference to this information, explain **one** benefit of economic growth.

(Total for Question 7 = 4 marks)



SECTION C

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

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

- 12** (a) Define the term 'corporation tax' (Extract A, lines 4 and 5). (2)
- (b) Explain what is meant by Gross National Income (Extract A, line 24). (4)
- (c) With reference to Extract A, analyse **two** reasons for the improvement in living standards in Ireland between 2015 and 2022. (6)
- (d) With reference to Figure 1 and Extract A, examine **two** reasons why Ireland's rate of economic growth was expected to decrease in 2023. (8)
- (e) With reference to Figure 2, Extract A and your own knowledge, discuss the limitations of using GDP to compare living standards between countries. (14)



Sources for use with Section C

The economy of Ireland

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

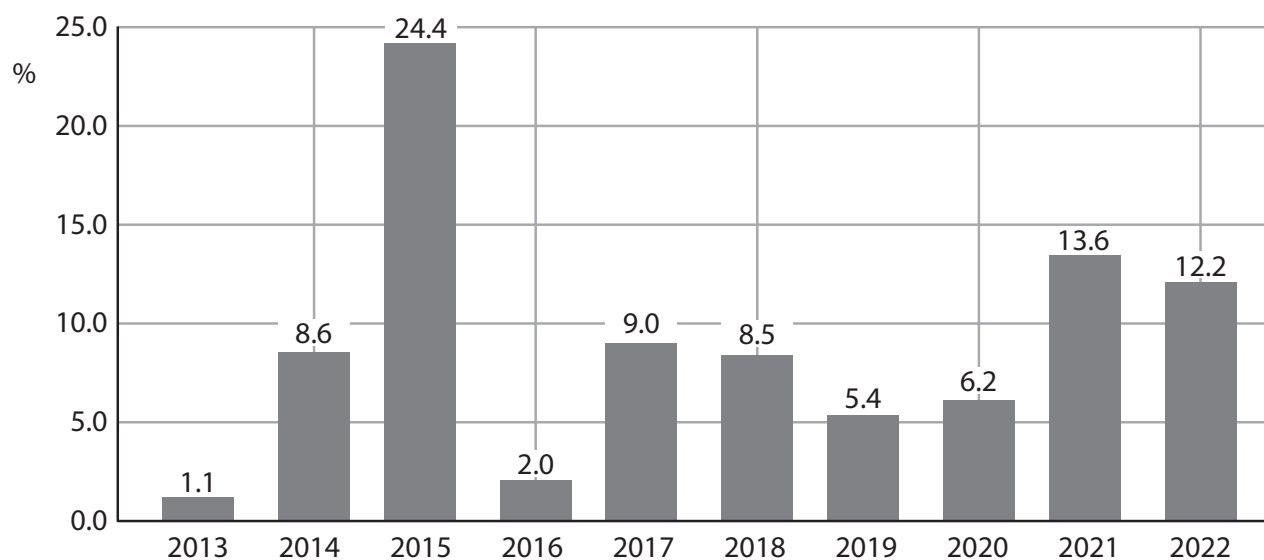
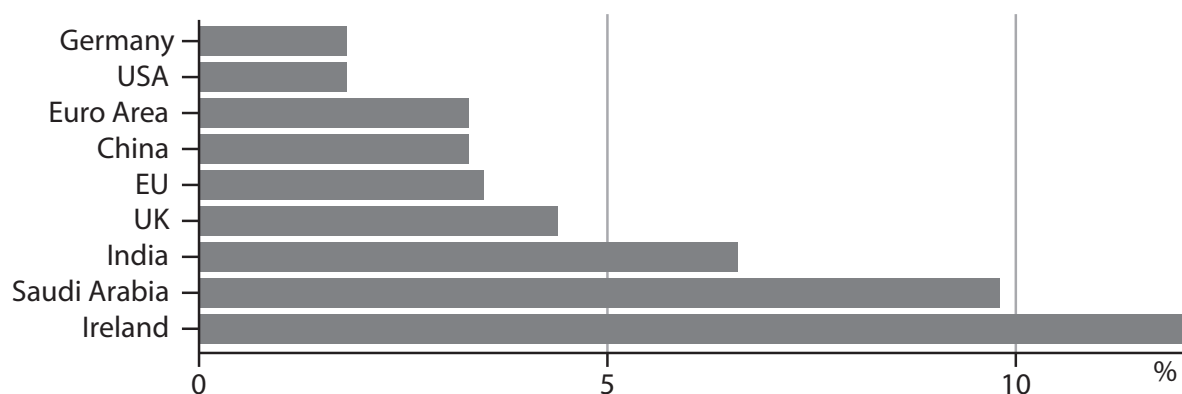


Figure 2 Annual real GDP growth rate (%) for selected countries, 2022



Extract A Limitations of using GDP

Many economists argue that Ireland's high rate of economic growth for 2022 is not accurate. They claim that Ireland only experiences high rates of economic growth because international companies take advantage of the country's low corporation tax rate of 12.5%. This tax rate is lower than the corporation tax rates of many other European countries and has attracted over 1 500 international companies. 5

Some of these companies are so large that the country's GDP figures may be overstated. For example, Apple Inc., the world's largest technology company, moved its European base to Ireland in 2015. This resulted in a significant increase in the country's rate of economic growth. In 2018 the global sales of Apple iPhones accounted for 25% of the GDP growth rate in Ireland. 10

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

Economists suggested that Ireland's GDP data was meaningless as a guide to how the economy is performing. For example, they argued that using GDP can mislead analysis of matters related to income inequality and the environment. 15

However, Ireland's central bank defended this measurement of the country's rate of economic growth for 2022. It indicated that the activities of international companies had a positive impact on living standards in Ireland. Between 2015 and 2022 employment increased from 2.06 million to 2.55 million. This contributed to a significant increase in government revenues from income tax and corporation tax. In 2022 the country's corporation tax receipts rose to an all-time high of €22.6 billion. 20

Ireland's central bank also uses Gross National Income (GNI) as an alternative measure of economic growth. This measure removes the impact of international companies and provides a better understanding of domestic demand. According to the GNI measure, Ireland's rate of economic growth was much lower at 5.9% in 2022. 25

In 2023 Ireland's rate of economic growth was expected to decrease to just 4%, as measured by GDP. This is as a result of a high rate of inflation, rising interest rates and the weakening state of the global economy. Forecasts also suggest that between 2024 and 2027, GDP is likely to grow by an average of 3.5% per year. 30



(6)





SECTION C

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

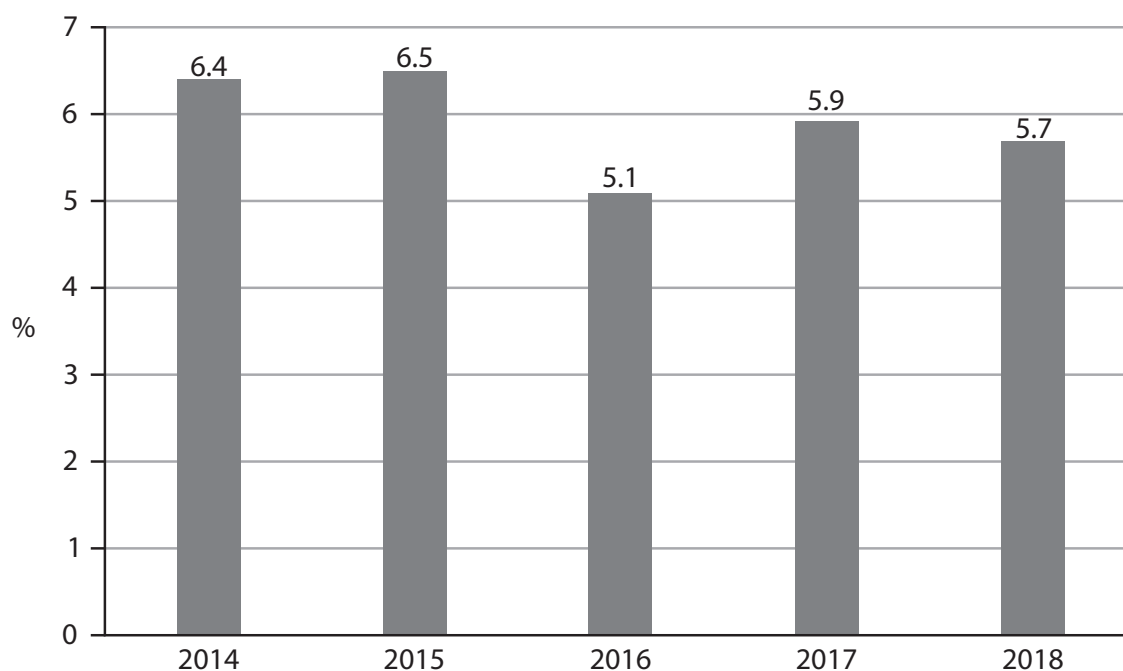
Write your answers in the space provided on the following pages.

- 12** (a) Define the term 'monetary policy'. (Extract A, line 8) (2)
- (b) With reference to Extract A, explain the term 'foreign direct investment'. (4)
- (c) With reference to Figure 1 and Extract A, examine **two** likely impacts of the annual GDP growth rates on the people living in East African countries. (8)
- (d) With reference to Figure 2, analyse **one** macroeconomic effect of the change in the current account balance as a percentage of GDP on East African economies. (6)
- (e) With reference to Extract A and Extract B, discuss the likely effects of interventionist supply-side policies on East African economies. (14)



Sources for use with Section C.**East African* economies**

* Countries include Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Rwanda, Seychelles, Somalia, South Sudan, Tanzania and Uganda.

Figure 1 Annual real GDP growth, 2014–2018**Figure 2 Current account on the balance of payments as a percentage of GDP, 2016–2018**

	East African economies
2016	-6.7
2017	-5.4
2018	-5.3

Extract A Rapid growth in East Africa

East Africa was the fastest growing region of Africa in 2018. Increasing commodity prices helped the agricultural and mining sectors contribute most to this growth. Higher foreign direct investment (FDI) in the region also contributed to economic growth. Growth in FDI in 2018 was 67% in Uganda, 27% in Kenya and 18% in Tanzania. Governments in East Africa have been investing in infrastructure, such as roads, seaports and airports. 5

As a result of rapid economic growth, the rate of inflation increased to 13.1% in 2016 and 14.4% in 2017. Appropriate monetary policy in the region helped the rate of inflation to fall to 8.9% in 2019.

Despite rapid economic growth rates, unemployment remains high. Many consumers struggle to meet their basic needs. The governments of the region have been advised to focus on interventionist supply-side policies. These should include continued investment in infrastructure, improving the health and skills of the labour force and increasing the supply of housing. 10

Extract B East African infrastructure investment needed

East African economies have under-invested in infrastructure. The roads in East Africa are in a poor condition. The combination of low speeds and long distances causes high transport costs. Rail transport is poor, which means most goods have to be transported on a congested road system. Funds from China are being used to build two rail routes in the region. 5

Inadequate energy supply is the biggest infrastructure problem. East Africa has the lowest energy generating capacity per capita on the continent. Poor energy supply causes blackouts. However, the region has the potential to develop hydro, wind and fossil fuel resources that could increase energy supply. 10

The region has the smallest proportion of their population with telephone lines and access to mobile phone networks in Africa. However, recently there has been a high level of investment in telecommunications infrastructure. This will result in significant improvements in communications.

(8)





SUB-TOPIC 2.3.5.3

COSTS OF GROWTH

Sub-topic 2.3.5.3 · 6 questions · 69 marks · lowest tariff first



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 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)



Answer ALL questions in this section in the space provided.

- | Country | Percentage growth in GDP |
|------------|--------------------------|
| Syria | 9.9% |
| Bangladesh | 7.9% |
| Bhutan | 7.4% |
| India | 7.4% |
| Rwanda | 7.3% |

With reference to the table, explain **one** likely cost of economic growth.

[illegible]

(Total for Question 7 = 4 marks)



SECTION B

Answer ALL questions in this section in the space provided.

- 7** In 2022 Guyana's rate of economic growth was the highest in the world. Its annual percentage increase in real GDP was 62.3%.

With reference to this information, explain **one** cost of economic growth.

(Total for Question 7 = 4 marks)



SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

- 13** India's GNI per capita was Rs 45 326 in 2010 and grew rapidly to Rs 125 089 by 2017. A study conducted by the World Health Organisation identified that nine out of the ten most polluted cities in the world are located in India.

Evaluate the costs of rapid economic growth on an economy of your choice.

(Total for Question 13 = 20 marks)

OR

- 14** In 2018 the Chinese Government increased the amount an individual could earn before paying tax in an attempt to raise aggregate demand.

Evaluate the impact of reflationary demand-side policies on an economy of your choice.

(Total for Question 14 = 20 marks)



SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

- 13** From 2009 to 2019 the value of Cambodia's currency significantly increased. Over the same period its balance of trade deficit increased from 1.6% of GDP to 8% of GDP.

Evaluate whether the exchange rate of a country's currency is the main factor influencing the country's balance of trade.

(Total for Question 13 = 20 marks)

OR

- 14** From 2004 to 2018 the Ethiopian economy grew at an average rate of over 10% per year. Over this period there has been significant deforestation in the country. Forests have been cleared to make space for farming and the wood has been used for fuel and construction.

Evaluate whether the costs of economic growth outweigh the benefits.

(Total for Question 14 = 20 marks)

SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

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

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

(Total for Question 13 = 20 marks)

OR

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

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

(Total for Question 14 = 20 marks)



SUB-TOPIC 2.3.5.4

OUTPUT GAPS

Sub-topic 2.3.5.4 · 17 questions · 44 marks · lowest tariff first



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

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

- ☐ A Demand-pull inflation and decreasing unemployment
- ☐ B Cost-push inflation and high employment rates
- ☐ C Real GDP growth less than the long-term productive potential
- ☐ D Real GDP growth more than the long-term productive potential

(Total for Question 3 = 1 mark)

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

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

	Rate of unemployment	Rate of inflation
☐ A	Falling	Rising
☐ B	Falling	Falling
☐ C	Rising	Rising
☐ D	Rising	Falling

(Total for Question 4 = 1 mark)

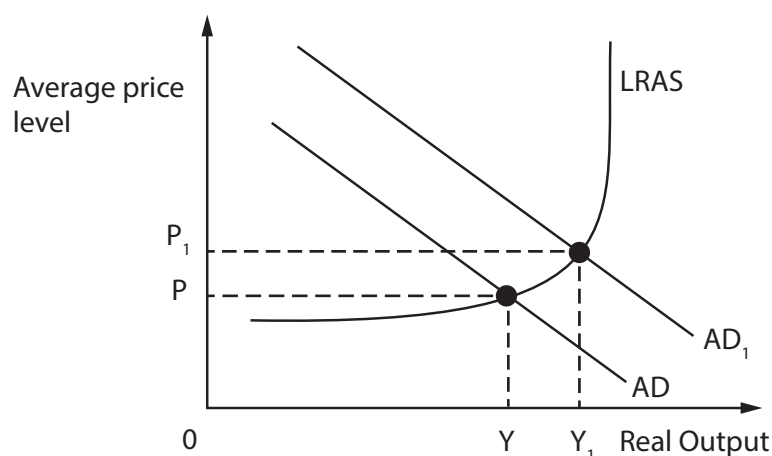
- 4 In 2017 a fall in mining and manufacturing production led to the Brazilian economy operating below its productive potential.

Which **one** of the following is most likely to be associated with a negative output gap?

- ☐ A High unemployment
- ☐ B High business confidence
- ☐ C An increase in house prices
- ☐ D An increase in wellbeing

(Total for Question 4 = 1 mark)

- 5 The diagram shows aggregate supply and aggregate demand for an economy.



Which **one** of the following was the most likely cause of the change from AD to AD₁?

- ☐ A A decrease in government spending
- ☐ B An increase in interest rates
- ☐ C A decrease in net exports
- ☐ D An increase in consumption

(Total for Question 5 = 1 mark)

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

- ☐ A Savings
- ☐ B Exports
- ☐ C Imports
- ☐ D Taxation

(Total for Question 3 = 1 mark)

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

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

- ☐ A Frictional unemployment
- ☐ B Protectionism
- ☐ C Underemployment
- ☐ D Resource utilisation

(Total for Question 4 = 1 mark)

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

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

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

(Total for Question 5 = 1 mark)

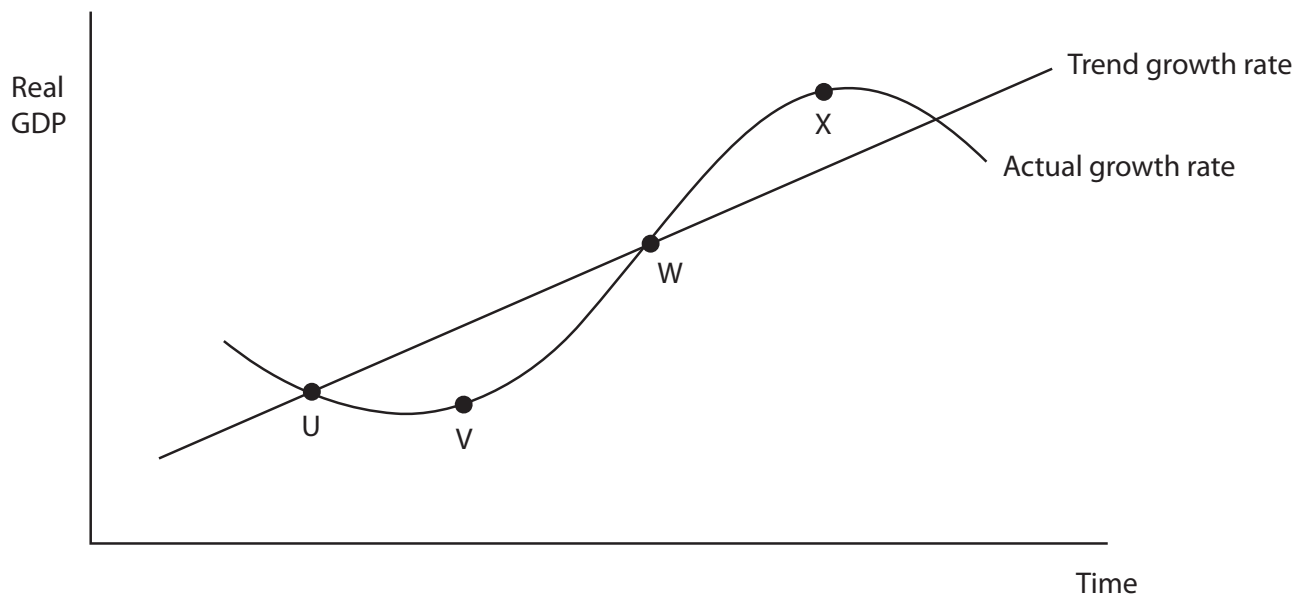
- 3 South Africa's annual government expenditure as a proportion of GDP increased from 31.4% to 34.6% between 2012 and 2019.

Which **one** of the following is most likely to have contributed to this increase in government expenditure as a proportion of GDP?

- ☐ A Lower welfare payments
- ☐ B A lower exchange rate
- ☐ C Less economic activity
- ☐ D Increased business confidence

(Total for Question 3 = 1 mark)

- 4 The diagram shows an economy's actual growth rate and trend growth rate.



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

- ☐ A The economy is in recovery between points U and V
- ☐ B A positive output gap exists at point V
- ☐ C Unemployment is rising between points W and X
- ☐ D A positive output gap exists at point X

(Total for Question 4 = 1 mark)

- 5 Between Q1 2020 and Q4 2020 the savings ratio in the Netherlands increased from 15.3% to 24.3%.

Ceteris paribus, which **one** of the following is the most likely effect of this increase in the savings ratio?

- ☐ A A decrease in withdrawals from the circular flow of income
- ☐ B An increase in injections into the circular flow of income
- ☐ C A decrease in consumption
- ☐ D An increase in imports

(Total for Question 5 = 1 mark)

- 6 The table shows the annual percentage change in the real GDP of Canada between 2017 and 2019. The long-term trend rate of economic growth for the economy is estimated to be 2.7%.

Year	Change in real GDP (annual %)
2017	3.2
2018	2.0
2019	1.7

(Source: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2019&locations=CA&start=2017>)

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

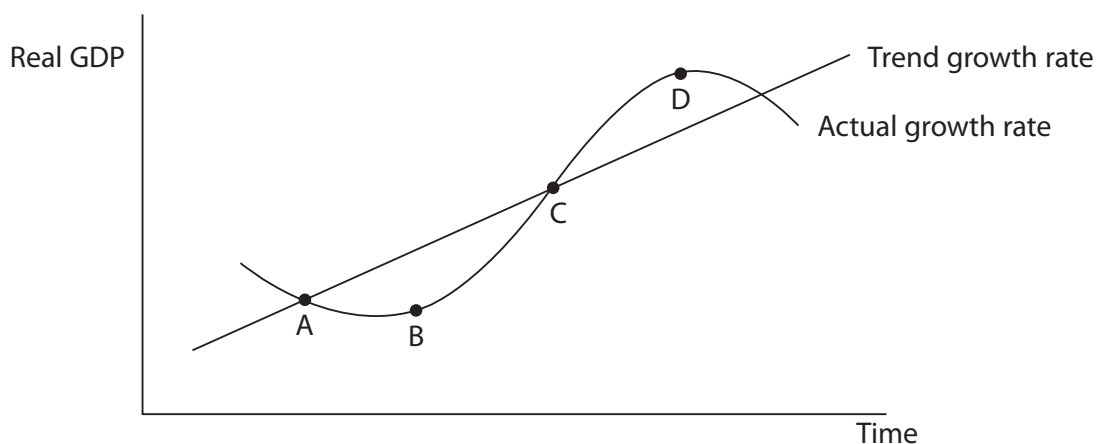
- ☐ A The positive output gap increased between 2017 and 2018
- ☐ B There was a negative output gap in 2018 and 2019
- ☐ C There was a positive output gap in 2018 and 2019
- ☐ D The negative output gap decreased between 2018 and 2019

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



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



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

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

(Total for Question 4 = 1 mark)

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

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

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

(Total for Question 5 = 1 mark)

4 Which **one** of the following would cause a leftward shift in a country's short-run aggregate supply (SRAS) curve?

- ☐ A A decrease in bank lending to consumers
- ☐ B A decrease in the rate of indirect tax
- ☐ C An increase in the price of natural gas
- ☐ D An increase in investment in healthcare

(Total for Question 4 = 1 mark)

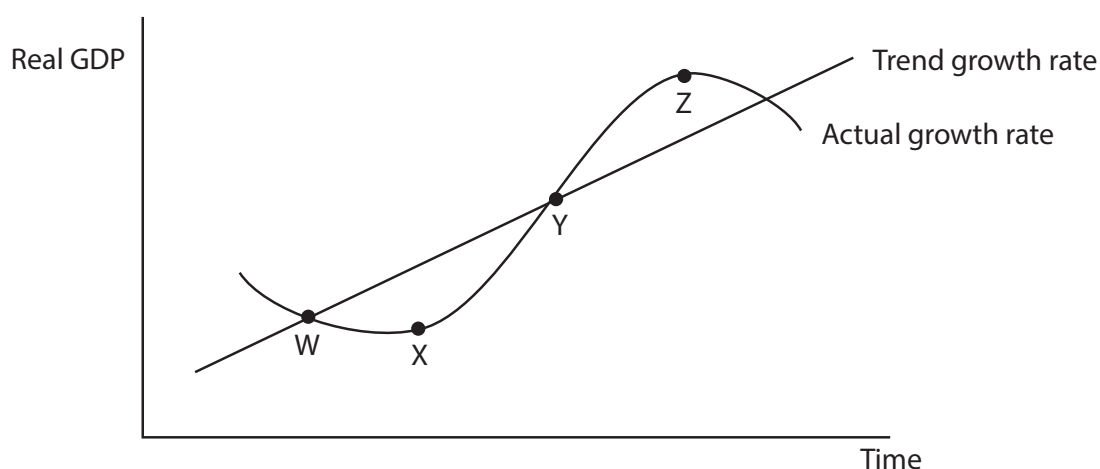
5 In 2022 the Czech Republic's economy was operating below its productive potential as a result of a fall in its manufacturing production.

Which **one** of the following is most likely to be associated with a negative output gap?

- ☐ A An increase in house prices
- ☐ B An increase in the rate of inflation
- ☐ C An increase in business confidence
- ☐ D An increase in unemployment

(Total for Question 5 = 1 mark)

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



With reference to the diagram, which **one** of the following is most likely to be associated with a movement from point Y to point Z?

- ☐ A A decrease in government tax revenue
- ☐ B An increase in profits for firms
- ☐ C An increase in the rate of unemployment
- ☐ D A decrease in business confidence

(Total for Question 4 = 1 mark)

5 In Austria investment was \$98 billion in 2012 and it increased to \$129 billion in 2022.

Which **one** of the following is most likely to have caused this increase in investment?

- ☐ A An increase in the availability of credit
- ☐ B An increase in the rate of tax on company profits
- ☐ C An increase in the base rate of interest
- ☐ D An increase in commodity prices

(Total for Question 5 = 1 mark)

10 In Q1 2019 Brazil's output gap was estimated to be equal to -5.6% of GDP.

Explain **one** likely impact of a negative output gap on Brazil's economy.

(Total for Question 10 = 4 marks)



Draw a diagram to show a positive output gap.

[illegible]

(Total for Question 8 = 4 marks)



Year	Change in real GDP (annual %)
2019	0.27
2020	−4.83

TOTAL FOR SECTION B = 20 MARKS

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

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

(Total for Question 8 = 4 marks)



10 In 2022 Vietnam's output gap was forecast to be between -5% and -10%.

Explain **one** likely impact of a negative output gap on Vietnam's economy.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

(Total for Question 10 = 4 marks)



8 Croatia experienced a positive output gap in 2022.

Draw an AD/AS diagram to illustrate a positive output gap.

(Total for Question 8 = 4 marks)



8 In 2023 Ghana experienced a negative output gap.

Draw a Keynesian AS/AD diagram to illustrate a negative output gap.

(Total for Question 8 = 4 marks)



MARK SCHEMES

official mark schemes, in the same order as the questions



Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is C A is not correct because potential growth is illustrated by a rightward shift in the LRAS B is not correct because potential growth is illustrated by a rightward shift in the LRAS D is not correct because potential growth is illustrated by a rightward shift in the LRAS	(1)
2	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is C A is not correct because a fall in wholesale prices is likely to cause consumer prices to fall and real incomes to rise B is not correct because a fall in wholesale prices implies a fall in costs D is not correct because there are deflationary pressures which would make it more likely that the central bank would reduce interest rates	(1)
3	–	The only correct answer is D A is not correct because an increase in non-price competitiveness is likely to cause an increase in exports and a fall in imports B is not correct because a fall in real incomes is likely to reduce the demand for imports C is not correct because an decrease in the non-price competitiveness of a major trading partner's products is likely to cause the developed county's exports to increase its imports to fall	(1)

Section C

Question Number	Define the term 'monetary policy'. (Extract A, line 8)	Mark
	Answer	
12(a)	Knowledge 2 1 mark for the definition of monetary policy: - The use of interest rates/the base rate/quantitative easing to control the money supply (1) 1 mark for further development e.g. - A demand-side policy/targeted to shift AD (1) - Conducted by monetary authority/central bank (1) - Often used to help achieve an inflation target (1) - Deflationary monetary policy helped reduce inflation in East Africa (1)	(2)

Question Number	With reference to Extract A, explain the term 'foreign direct investment'.	Mark
	Answer	
12(b)	Knowledge 2, Application 2 Knowledge Up to 2 marks for offering a definition of FDI: - The transfer of funds from one country to another (1) to purchase physical capital (1) - Where TNCs invest funds (1) to establish a new business/purchase an existing business in another country (1) - An injection into an economy coming from abroad (1) Application Up to 2 marks for reference to Extract A e.g. "FDI in the region also contributed to economic growth" (1) - Growth in FDI in 2018 was 67% in Uganda/27% in Kenya/18% in Tanzania (1)	(4)



Question Number	With reference to Figure 1 and Extract A, examine two likely impacts of the annual GDP growth rates on the people living in East African countries. Answer	Mark
12(c)	Knowledge 2, Application 2, Analysis 2, Evaluation 2 QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms Knowledge and Analysis Up to 2 marks for identification of 2 impacts and 1 mark for each expansion point, up to maximum of 4 marks (2+2): • Rapid growth means that living standards likely to rise faster than other areas of Africa (1) improving relative incomes/standards of living (1) • Rapid growth means that unemployment is likely to fall/employment is likely to rise (1) leading to higher real incomes/helping to improve living standards (1) • Growth in agriculture and mining may lead to more environmental damage (1) reducing the quality of life due to health problems (1) • Improving relative incomes may enable consumers to import better quality goods (1) improving their quality of life (1) • High levels of AD may generate inflation (1) which will lead to higher costs of living/have negative impact on those on fixed incomes/generate shoe leather and menu costs (1) • Rapid growth may mean that some economic agents e.g. business owners may benefit more than others e.g. workers (1) resulting in an increase in inequality (1) Application 1 mark for reference to Extract A: • Fastest growing region of Africa in 2018/ • Most of the growth contributed by agriculture and mining/ • FDI contributed to growth/ • Inflation rate was 13.1% in 2016/14.4% in 2017 • Better roads and airports • "Despite rapid economic growth rates, unemployment remains high" • "Many consumers struggle to meet their basic needs." (1)	(8)

	1 mark for reference to Figure 1 • Real GDP grew at least 5% each year/ • Highest growth 6.5% in 2015 (1) Evaluation Up to 2 marks for evaluative comments, (1+1, 2+0) e.g.: - o Rapid economic growth has not so far reduced high levels of unemployment in the region (1) so many consumers continue to have very low standards of living (1) - o Impact on un/employment will depend on whether growth is on labour intensive or capital-intensive industries (1) - o Whilst there are high rates of inflation these are real growth figures (1) showing people's average incomes should be growing more rapidly (1) - o Impact on inequality depends on government policy with regard to taxation and welfare benefits (1) - o Growth is based on increasing commodity prices (1) which are volatile/fluctuate/may reduce in the future (1) - o The growth rate has slowed from 6.5% in 2015 to 5.7% in 2018 - o suggesting the impacts will be reducing in significance (1) - o Population might be growing at a faster rate than GDP (1) so GDP per capita is falling and people are worse off (1) - o Consumers importing more may create a trade deficit (1) reducing the level of AD/creating a withdrawal from the economy (1)	
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Question Number	With reference to Figure 2, analyse one macroeconomic effect of the change in the current account balance as a percentage of GDP on East African economies.	
	Answer	Mark
12(d)	Knowledge 2, Application 2, Analysis 2 QS2 Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge and analysis 1 mark for definition of current account deficit - Current account balance looks at the inflow and outflow of goods, services, investment incomes and transfer payments (1)/ the components of the current account are trade in goods, trade in services, investment income and net transfers (1) - A deficit on the current account usually implies that the value of imports is greater than the value of exports (1) Up to 3 marks for explaining one effect of the change in the current account balance e.g. Deficit reducing: - Deficit in the current account is decreasing, showing greater level of export/lower level of import in 2018 compared to recent years (1) so less leakage from the circular flow of income (1) - Improved current account balance likely to indicate greater international competitiveness (1) leading to continued improvement (1) Deficit remaining: - Net withdrawal from the circular flow (1) meaning more withdrawals than injections (1) will have a negative multiplier effect (1) - The deficit will tend to reduce net trade (1) and so reduce AD (1) leading to a fall in price level and real output (1) - Deficit may mean a loss of jobs (1) as exports are falling/imports are rising (1) increasing unemployment/creating a negative output gap (1)	(6)

Question	With reference to Figure 1, explain the term 'productivity'.	Mark
	Answer	
12(c)	Knowledge 2, Application 2 Quantitative Skill Assessed QS5: Calculate and interpret index numbers QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms Knowledge Up to 2 marks for defining productivity, e.g.: • Output per (1) unit of input/worker/hour worked (1) • Amount of output produced (1) in a given period of time (1) • Ratio of output volume (1) to input volume (1) • How efficiently production inputs are being used (1) to produce a given level of output (1) • How much output can be produced (1) from a given set of inputs/resources (1) Application Up to 2 marks for correctly identifying trends in productivity from Figure 1, e.g.: • Between 2010 and 2020 productivity in the USA increased by around 10% (1+1) • Between 2010 and 2020 productivity in the UK increased from 100 to 104.5 (1) • In 2019/2020 the USA overtakes Germany as having the highest productivity (1) • Productivity improved in all the given countries (1) • UK productivity was the lowest amongst all countries (1) • Productivity rose at a faster rate in Germany than in the UK (1)	(4)

Question	Examine two likely macroeconomic effects of 'significant wage increases' (Extract A, line 21) on the UK economy. Answer	Mark
12(d)	Knowledge 2, Application 2, Analysis 2, Evaluation 2 Quantitative Skill Assessed QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms Knowledge and analysis Up to 2 marks for identifying two likely effects of wage increases and 1 analysis mark for each linked development e.g.: • Decrease in real output (1K) as the SRAS is likely to shift to the left/inwards due to rising costs (1AN) • Increase in cost-push inflation (1K) as workers demand higher wages because their real income eroded by inflation/firms can pass higher costs to consumers in form of higher prices (1AN) • Increase in unemployment (1K) as there will be lower demand for labour/firms are likely to introduce more capital-intensive methods of production in their operations (1AN) • Deterioration in the balance of trade (1K) because the higher wages can cause firms costs to rise resulting in higher export prices/more imports due to greater marginal propensity to import (1AN) • Increase in living standards/national happiness (1K) as these increases in real wages would enable people to access more goods and services (1AN) • Greater consumption (1K) as higher wages will increase the workers affordability of goods and services/increase workers demand for goods and services/AD increases (1AN) • Higher productivity (1K) as workers become more motivated to work harder/if firms replace workers with capital (1AN) • Increased tax revenue for the government (1K) from greater income tax/indirect taxes (1AN) NB Accept negative effects as KAA and positive effects as Evaluation (and vice versa)	

Question Number	With reference to Figure 1, Figure 2 and Extract A, analyse two reasons why 'Many EU countries experienced strong economic growth after 2012' (Extract A, lines 2-3). Answer	Mark
7(c)	Knowledge 2, Application 2, Analysis 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge and Analysis Up to 2 marks for knowledge of two reasons for economic recovery and one mark for linked expansion of each reason (2+2), e.g.: • Increase in investment (1) will increase the capital stock of the economy and increase the potential output shifting LRAS to the right (1) • Increase in consumption/consumer spending (1), which is a large component of AD, will cause AD to rise (1) • Increase in net exports (1), an injection into the circular flow, will increase (X-M) as a component of AD, will cause AD to rise (1) Application Up to 2 marks for application to the reasons for economic recovery (1+1): • Figure 1: Economic growth increasing since 2012 (1) • Figure 2: data showing an increase in FDI (% of GDP) between 2014 and 2016 (1) • Extract A: In 2018, household expenditure rose by 2% / the EU benefited from expansion in global trade / quantitative easing programme (1)	(6)

	• Tourism is a labour-intensive industry (1) so will have a significant impact on employment (1) • Demand for tourism changes at different times of the year (1) therefore employment may not be permanent/may be seasonal unemployment (1) • Benefits of tourism may be reduced if TNCs use transfer pricing (1) to move profits out of the country (1) • Could lead to inflationary pressures as a result of an increase in AD (1) hence reducing purchasing power/living standards (1)	
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Question	Analyse why Thailand and Singapore 'are experiencing low rates of economic growth' (Extract A, line 22). Answer	Mark
7(d)	Knowledge 2, Application 2, Analysis 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, application and analysis 1 mark for identifying one reason for each country and one mark for each linked explanation and application, e.g.: • Thailand: ◦ the rate of inflation is rising faster than the GDP growth rate / fall in real income (1AP) results in a ◦ fall in consumption/consumer demand/consumer spending (1K) causing ◦ AD/real output to decrease (1AN) • Singapore: ◦ slowdown in China's economy (1AP) leads to a ◦ fall in exports to China/less imports from China/fall in net exports (1K) ◦ resulting in a decrease in AD/real output/injections into the circular flow of income (1AN) NB Decrease in AD/real output can be shown on an accurately drawn and labelled diagram	(6)

Question	With reference to the first paragraph of Extract B, analyse two reasons why the USA's rate of economic growth increased in 2023.	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 knowledge mark for identifying each factor and 1 analysis mark for linked development of each reason (2+2) e.g.: • Increase in consumer spending/consumption (1K) will result in an increase in AD and thus real output (1AN) • Increase in government expenditure (1K) will result in an increase in efficiency/productivity/LRAS and thus potential output / greater injections into the circular flow of income / increase in AD and thus real output (1AN) NB: Increase in real GDP and/or potential GDP may be shown through an accurately drawn and labelled AD/AS diagram (analysis marks) Application Up to 2 marks for use of Extract B, e.g., • Spending on services such as hotels and travel (1) • \$1 trillion on infrastructure projects / the building of roads, airports and bridges (1) • The USA's rate of economic growth increased from 1.9% in 2022 to 2.5% in 2023 / increased by 0.6 percentage points (1)	(6)

Question Number	Answer	Mark
12 (d)	Knowledge 2, Application 2, Analysis 2, Evaluation 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical and tabular forms. Knowledge and Analysis Up to 2 marks each for up to 2 relevant factors identified and analysed, (1K + 1An) e.g.: • 'Levels of consumption should stay high' (1) boosting aggregate demand in the Philippine economy (1) • 'lower inflation' (1) will contribute towards rising real incomes, rising consumption and generating growth (1) • 'higher employment rates'/'rising real wages' (1) will increase average incomes in the Philippines, leading to increases in consumer confidence (1) • 'Government using a range of supply-side policies' (1) will increase the economy's productive potential, thereby shifting out the LRAS curve (1) • 'the services sector is also likely to grow' (1) boosting aggregate demand (1) • 'the continuing expansion of financial services and tourism' (1) will increase the value of the Philippines' exports, also boosting AD (1) Application Up to 2 marks for use of the data or reference to context, e.g.: • The Philippine economy was predicted 'to grow by 5.8% in 2019 and by 6.0% in 2020 and 2021' (1) • 'infrastructure investment projects' (1) • 'More workers are finding jobs in industries other than agriculture' (1) Evaluation Up to 2 marks for evaluative comments (1+1 or 2+0), e.g.: • Growth is likely to be limited in the first half of 2019 due to the 'weakening global economy, rising protectionism, and the slowdown in public sector investment' (1) • Public sector investment spending may not occur (1) • If the global economy continues to weaken, this will threaten the growth of the Philippines' financial services and tourism sectors (1) • Supply-side policies are needed to ensure economic growth in the medium term (1)	(8)

	• Supply-side shocks may limit growth (1) • The expected productivity gains from investment may not occur (1)	
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Question Number	With reference to Figure 1, Figure 2 and Extract A, examine two reasons why 'there is concern that the future rate of economic growth in the EU might be much lower' (Extract A, lines 12-13). Answer	Mark
7(d)	Knowledge 2, Application 2, Analysis 2, Evaluation 2 Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge and Analysis Up to 2 marks for identifying two reasons and 1 mark for linked expansion of each reason (2+2), e.g.: • Rising oil prices (1) increases the cost of imports for many firms in the EU as oil is an essential raw material used in the production process/EU countries are net importers of oil (1) • Low R&D spending (1) reduces innovation, decreases dynamic efficiency and firms in the EU become less non-price competitive in domestic/foreign markets, hence reducing demand due to lack of competitive advantage (1) • Shortage of skilled labour (1); productivity falls increasing cost per unit and raising export prices; therefore becoming less price competitive, thereby reducing aggregate demand (1) • Slowdown in China (1) Less export-led growth as China imports from the EU, leading to lower injections into the circular flow (1) Application Up to 2 marks for application to sources (1+1), e.g.: • Figure 1: Real GDP is increasing at a slower rate in 2018 compared to 2017 (1) • Figure 2: Rising oil prices are expected to reduce foreign direct investment (1) • Extract A: Spending on research and development is significantly lower than in most Asian countries / Shortage of skilled labour in the technology sector / Slowdown in China, following its trade war with the USA (1)	

	Evaluation Up to 2 marks for evaluative comments (2+0, 1+1): - Oil prices are volatile (1) and could fall in the future due to an increase in global supply, this would reduce costs for firms (1) - R&D spending appears to be a significant factor as it is lower than its trading partners (1) and would require considerable investment to reduce the innovation gap (1) - Shortage of skilled labour in the technology sector is likely to be on a global scale (1) and wages and salaries in the EU are likely to rise which may correct this problem (1) - Economic growth in China could rise in the long term (1) when confidence grows, and there is less economic uncertainty in the region (1) - The ECB has indicated that it is very likely that they could extend the quantitative easing programme (1) implying that the firms will have more access to finance and investment/FDI would remain high (1)	(8)
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Question	With reference to Figure 1 and Extract A, examine two reasons why Ireland's rate of economic growth was expected to decrease in 2023.	Mark
12 (d)	Knowledge 2, Application 2, Analysis 2, Evaluation 2 Quantitative Skill Assessed QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms Knowledge and analysis Up to 1 knowledge for identifying a reason and 1 analysis mark for linked development of the reason, e.g.: - A high rate of inflation (1K) could create greater uncertainty in Ireland, hence reducing investment/AD (1AN) / A high rate of inflation (1K) could reduce real incomes and hence consumption/AD (1AN) / A high rate of inflation (1K) could increase export prices and hence reducing net trade/AD (1AN) - Rising interest rates (1K) increases reward for savings/cost of borrowing, hence decreases C/I/AD (1AN) - Weakening state of the global economy (1K) may reduce the demand for Ireland's exports, hence net trade/AD (1AN) Application 1 mark for reference to Figure 1, e.g.: - In 2022 Ireland's annual real GDP growth rate was 12.2% (1) AND 1 mark for reference to Extract A, e.g.: - rate of economic growth is expected to decrease to just 4% / Forecasts also suggest that between 2024 and 2027, the economy is likely to grow by an average of 3.5% per year (1) Evaluation Up to 2 marks for evaluative comments (1+1 or 2+0), e.g.: - The size of the decrease in the rate of economic growth is large (1) as between 2022 and 2023, it has fallen by 8.2 percentage points / from 12.2% in 2022 to 4% in 2023 (1) - These are forecasts and may not happen (1) as inflation falls/ state of the global economy improves (1) - Ireland's rate of economic growth may not be low if Ireland's Government increases its spending e.g. fiscal policy (1) at a faster rate than other components of AD (1) - Economic growth may not be low in the long-run (1) given forecasts also suggest that between 2024 and 2027, GDP is likely to grow by an average of 3.5% per year (1) - It is likely to be a combination of reasons that would lead to a lower rate of economic growth for Ireland (1)	(8)

Question Number	Indicative content	
12 (e)	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. Knowledge, Application and Analysis (8 marks) – indicative content • Economic growth is an increase in real GDP / the productive capacity of an economy • The Australian economy grew by 3.24% in 2018 • The Australian economy recorded annual economic growth rates in excess of 2% in each year from 2012 to 2018 Factors include: • Export-led growth has been significant, especially Australia's exports to China • Tourism has been strong, increasing invisible exports • Australia was not significantly impacted by the global financial crisis • The Government has increased spending on infrastructure and small business investment boosting AD and AS • The high levels of foreign students increase consumption in Australia • Private household consumption has been rising	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.

Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
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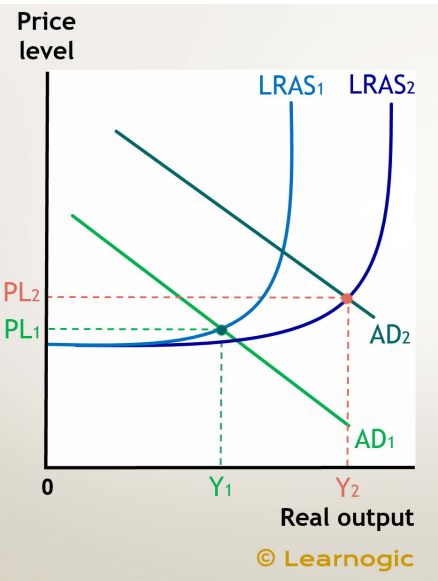


	Evaluation (6 marks) – indicative content • The Chinese economy has been slowing down, reducing demand for exports and tourism • In turn, this caused a fall in business confidence which could result in a fall in investment • The fall in house prices causes a negative wealth effect, reducing consumption • Real wages didn't grow until 2018, reducing the level of potential consumption • Government expenditure on infrastructure will have a positive effect in the long run, but may cause disruption in the short run • Consumption is likely to have the biggest effect on economic growth because it is the largest component of GDP • Central Bank prediction that the rate of inflation would increase in 2019 might cause a fall in real wages and in consumption	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	Evaluate the view that rising consumer expenditure will always benefit an economy.	
14	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Knowledge, Application and Analysis (12 marks) – indicative content • An explanation of what is meant by consumer expenditure • Consumer expenditure a component of aggregate demand • Impact of rising consumption on AD (diagrammatic analysis) • Rising consumer expenditure may increase employment, reduce unemployment and reduce underemployment • Rising consumer expenditure may increase economic growth • Increased profits for firms • Incentive for increased investment • Increased tax revenues/ which may lead to increased public services • Improvements in standards of living • An increase in the MPC would lead to an increase in the value of the multiplier Students may take the alternative view and evaluation becomes KAA	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

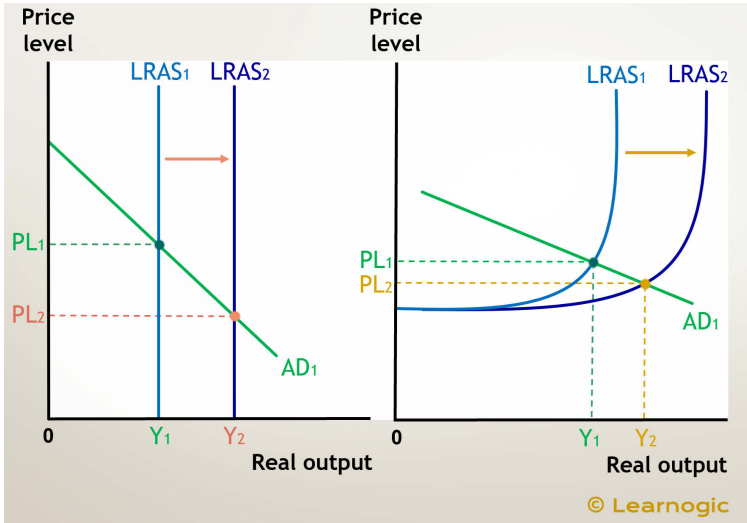


	Evaluation (8 marks) – indicative content • Other components of aggregate demand may be falling • The significance of consumption as a component of AD- some countries may rely on exports • Negative impacts of fall in savings ratio e.g. increase in personal debt may cause demand-pull inflation • It depends on the level of household incomes • Magnitude – it depends on how significant the level of consumption is • Negative impacts of growth on the environment e.g. negative externalities, resource depletion • Negative impact on current account of balance of payments • My cause demand-pull inflation	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	Evaluate the importance of productivity for the rate of economic growth in a country. Indicative content
13	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Knowledge, Application and Analysis (12 marks) – indicative content • Productivity measures the efficiency of production. Usually measured as output per worker/output per hour worked • Economic growth is the increase in GDP of the economy • High productivity increases the productive potential of the economy, causing economic growth • High levels of productivity cause increased incentives for businesses to invest • An increase in productivity could lead to an increase in LRAS and to a rise in real output and to a fall in the price level A highly productive workforce may increase the demand for labour and real wages, increasing consumption and AD • Higher productivity is likely to increase company profits and increase tax revenue leading to more government spending and potential multiplier effect on GDP • High productivity may increase demand for exports improving the current account of the balance of payments Students may take alternative perspective Diagrammatic analysis may be rewarded.  © Learnogic

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content - Investment by businesses is based upon confidence not productivity - Potential growth is influenced by productivity whereas actual growth occurs as a result of an increase in AD - Increased productivity may only occur in the long run - Magnitude of productivity/ depends on relative productivity - Other methods may be better in achieving economic growth - High consumption through demand-side policies - May conflict with sustainability objectives	
Level	Mark	Descriptor
	0	No rewardable material.

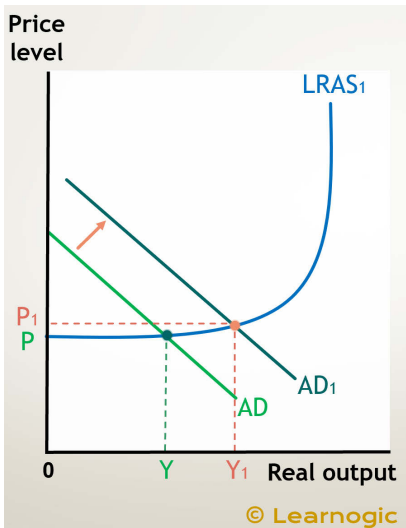
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question Number	Indicative content
14	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Knowledge, Application and Analysis (12 marks) – indicative content Award maximum of Level 3 (9 marks) if candidate does include application in their answer • Interventionist supply-side policies are policies which involve increased government intervention in the economy, in order to increase LRAS/the productive potential of the economy • Increasing government spending on infrastructure may increase the productive potential of the economy • Increasing government spending on education/training/skills increases the skill level of the labour force, increasing productivity • Offering finance for business start-ups encourages more firms to enter the market, increasing competition and LRAS • Lowering corporation tax/offering subsidies increases the incentive for businesses to invest, improving productivity, and increasing LRAS • Regional policy encourages investment into all areas of the economy, encouraging more productivity and growth Reward diagrams showing an outward shift in LRAS and increase in real GDP:  © Learnogic

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content • Businesses may only respond to changes if confidence is high, in times of recession this may be ineffective • It takes time for the economy to benefit from increased spending on education/training/infrastructure • Difference policies may be more or less effective in different countries and at different times • Growth may be harmed in the longer term if governments have to borrow to finance interventionist policies • Free market supply-side policies/demand-side policies may be more effective means of achieving economic growth	

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section D

Question Number	In 2019 the new President of the European Central Bank asked governments of eurozone countries to cut taxation and increase government expenditure to stimulate the rate of economic growth. Evaluate fiscal policy instruments as a means of increasing the rate of economic growth. Indicative content
13	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. • Economic growth- increase in real GDP • Fiscal policy- use of taxation and government expenditure • Demand side policy- aimed at influencing AD • Expansionary policy- aims to increase AD • Would involve increase in government expenditure and/or decrease taxation • Increased government expenditure would lead to increased AD – as G is a component of AD • Decreased income tax would lead to more disposable income and increased consumption and increased AD • Decreased corporation tax would see firms keep more profit and encourage investment and increased AD Diagram  © Learnogic

	- As can be seen the increase in AD leads to an increase in real output from Y to Y_1 - With higher real output employment would increase/unemployment decrease - If private sector investment is encouraged then further increases in economic growth could occur due to the multiplier effect (may be shown diagrammatically with further rightwards shift of AD and a shift in LRAS) NB: Award a maximum of Level 3 (9 marks) if only one fiscal policy instrument is considered
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Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content - Fiscal policy may lead to an increase in average price level increasing from P to P₁-inflationary pressure - May create a fiscal deficit- adding to repayments in future - Many adjustments to tax and government expenditure may have effects on the supply-side - Supply-side policy may be more effective as does not come with the trade-off with inflationary pressure - Monetary policy may be more effective – and is the primary responsibility of ECB, rather than advising national governments in areas which are not its responsibility - The shape of the LRAS curve is important- if it is classical in shape the increase in AD will just cause inflationary pressure with no economic growth in the long run - Depends on the position of AD on a Keynesian AS curve- on the horizontal section economic growth will be higher and on the vertical section will cause more inflationary pressure - People may substitute from work to leisure as their disposable income increases - Government spending generates an opportunity cost- money might be better spent elsewhere - Coordination issues across the member states - Magnitude- depends on the size of reduction in taxation/ increase in government spending - Time lag- may take time for tax cuts to take effect and for consumers to realise their disposable income is now higher - Time lag – government expenditure can be slow due to delays in setting contracts etc - If there is an increase in government expenditure on investment then there will be an increase in LRAS as well as in AD - Impacts on potential growth as fiscal policy may boost LRAS dependent on what government spends money on or where they reduce taxation	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question Number	In quarter 1 2019 the unemployment rate in South Africa was 27.6%. In quarter 2 it increased to 29%. An additional 455 000 workers became unemployed. Evaluate the likely impact of an increase in the unemployment rate on workers, public finances and resource utilisation. Indicative content
14	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Knowledge, Application and Analysis (12 marks) – indicative content • Unemployment- those willing and able to work but unable to find suitable employment • Unemployment has increased from 27.6% to 29%/increase of 1.4% Workers • Workers may fear losing their job and may increase savings, thus reducing consumption, aggregate demand and subsequently leading to a fall in real output and a fall in the price level • Workers may take jobs that are below their skill levels leading to underemployment • Workers who lose their jobs may spend a long time unemployed and become deskilled – they will be less employable and less attractive to employers • Workers who lose their job will see a reduction in earnings/living standards/ability to meet their basic needs • Social effects of unemployment – divorce, crime rate, health impacts • Long term effects of intergenerational unemployment Public finances • As more become unemployed they may qualify for unemployment benefits, this will cause an increase in government spending • As people move from employment to unemployment, they may move from being income taxpayers to non-income taxpayers reducing income tax revenue • Higher unemployment suggests lower output, thus lower profits for private firms and lower corporation tax revenue for government • With lower tax revenue and higher government expenditure the fiscal position will worsen. • Government may need to provide training to workers, or support to private firms - once again increasing spending and worsening fiscal position

Question	Between 2012 and 2022 the productivity rate in Turkey increased by 39.2%. Evaluate the likely benefits of an increase in the productivity rate. Refer to an economy of your choice in your answer.	
14	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Knowledge, Application and Analysis (12 marks) – indicative content • Understanding of productivity: measures the efficiency of production. • It is usually measured as output per worker/output per hour worked • Increased productivity rate increases the productive potential of the economy, increasing LRAS and resulting in a rise in real output causing economic growth and a reduction in unemployment (may be shown diagrammatically) • An increase in LRAS could result in a decrease in the price level/lower inflationary pressures (may be shown diagrammatically) • Higher productivity rates may increase demand for exports. As export prices fall/the value of exports increases: improves the current account of the balance of payments/ balance of trade • Increased productivity rate can result in a greater incentive for businesses to invest: this leads to greater injections into the circular flow of income • A highly productive workforce may increase the demand for labour and real wages, increasing consumption and AD: hence real output (may be shown diagrammatically) • Higher productivity rate is likely to reduce unit costs and therefore increase company profits: this could result in an increase in investment and/or increase in wages of the workforce • Higher productivity rate is likely to increase tax revenue: this can lead to more government spending and potential multiplier effects on GDP NB Award a maximum of Level 3 for answers with no reference to an economy in their answer	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context.

		A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
Evaluation (8 marks) – indicative content • May conflict with government's environment objectives • Higher productivity may be the result of capital investment that may reduce employment of labour / structural unemployment • Workers may need to be retrained to move to a different sector • Magnitude of productivity rate improvement • Depends on relative productivity rates • Difficulty in measuring productivity rates e.g. especially service sector • Increased productivity may only occur in the long-run, so unlikely to have an immediate impact on real output • Other factors might be more significant for economic growth e.g. high consumption through demand-side policies • Impact on inflation on the shape of/elasticity of LRAS and position of AD • Current account of the balance of payments is also influenced by other factors e.g. exchange rate • Investment by businesses may be based more on confidence than productivity		
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.



Question	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	Quantitative skills assessed	Answer	Mark
1	-	A	(1)
2	QS2: Calculate, use and understand, percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	B	(1)
3	-	B	(1)
4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	C	(1)
5	-	D	(1)
6	QS4: Construct and interpret a range of standard graphical forms	B	(1)

Section A

Question	Quantitative skills assessed	Answer	Mark
1	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)

		next two weeks to be considered as unemployed	
6	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is D A is not correct because this will most likely result in an improvement in Maldives' trade balance B is not correct because this will result in an improvement in Maldives' trade balance C is not correct because this will most likely result in an improvement in Maldives' trade balance	(1)

Section B

Question	With reference to this information, explain one benefit of economic growth.	Mark
7	Knowledge 1, Analysis 2, Application 1 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms Knowledge and Analysis 1 knowledge mark for identification of one benefit and up to 2 marks for linked analysis, e.g.: • More employment opportunities/lower unemployment (1) as demand for labour increases (1) as firms increase production /greater consumer demand for goods and services (1) • Increased tax revenues for the government (1) from income tax/corporation tax/indirect taxes (1) that may be used to improve public services or redistribute incomes (1) • Lower inflationary pressures (1) if economic growth is caused by increases in LRAS (1) will make Macau's exports more price competitive (1) • Higher profits for firms (1) which may be used to improve the quality of products/to produce new innovative products (1) thus giving them a competitive advantage (1) • Higher incomes for consumers (1) who can afford to buy more goods and services/more consumption (1) improving standard of living/increasing national happiness (1) Application 1 mark for appropriate use of the information, e.g.: • Macau's rate of economic growth was the highest in the world / Its annual percentage increase in real GDP was 80.5% (1)	(4)

Question	With reference to Extract A, analyse two reasons for the improvement in living standards in Ireland between 2015 and 2022.	Mark
12(c)	Knowledge 2, Application 2, Analysis 2 Quantitative Skill Assessed QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms Knowledge and analysis Up to 1 knowledge for identifying a reason and 1 analysis mark for linked development of the reason, e.g.: • Increase in employment (1K) as there will be greater demand for domestic workers when international companies set up their operations in Ireland: higher incomes for workers (1AN) • Increased government tax revenues (1K) as workers will pay taxes on their earnings and firms will pay taxes on their profits: more spending on public goods and services (1AN) • Increase in real incomes (1K) since there is positive economic growth/an increase in real GDP (1AN) • Increase in FDI by TNCs (1K) resulting in an increase in the productive capacity of the economy (1AN) • Consumers may have access to high quality/innovative goods (1K) due to greater innovation by TNCs (1AN) Application Up to 2 marks for use of Extract A, e.g., • Employment: 2.06 million to 2.55 million (1) • Corporation tax receipts: €22.6 billion (1) • Attracted over 1500 international companies / Apple Inc., the world's largest technology company, moved its European base to Ireland in 2015 (1) • The activities of international companies had a positive impact on living standards in Ireland (1)	(6)



Summary of changes from Provisional Mark Scheme

A few minor changes were made to the Mark Scheme before marking on the marking service began. These have been highlighted in red in the Mark Scheme. The changes have been highlighted in the table:

Question Number	Summary of change
12(c)	• “Despite rapid economic growth rates, unemployment remains high” • “Many consumers struggle to meet their basic needs.” Added as additional rewardable application marks
12(c)	• Rapid economic growth has not so far reduced high levels of unemployment in the region (1) so many consumers continue to have very low standards of living (1) Added to possible evaluation points



Section A

Question Number	Quantitative skills assessed	Answer	Mark
1		The only correct answer is A B is not correct because the students are employed C is not correct because real wage inflexibility relates to a cause of unemployment D is not correct because the students are economically active	(1)
2	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9 Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is C A is not correct because the inflation rate is always positive throughout the period B is not correct because inflation was experience in May, June, July and August so average price levels would be higher in August D is not correct because the rate of inflation was lowest in July	(1)
3		The only correct answer is C A is not correct because lower welfare payments would reduce government expenditure B is not correct because a lower exchange rate is unlikely to have a direct influence on government expenditure D is not correct because increased business confidence will be likely to lead to higher rates of economic growth reducing the proportion of GDP made up by government expenditure	(1)

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)

Question Number	In the first quarter of 2019 average house prices decreased by 15% in real terms in Sydney, Australia. Explain one possible impact of this change in house prices on the level of consumption. Answer	Mark
8	Knowledge 1, Analysis 2, Application 1 Knowledge and Analysis 1 mark for one impact of the link between house prices and consumption and up to 2 marks for linked expansion: - As the value of a consumers assets fall (1AN) they feel less wealthy and start to become less confident (1AN) so they start to reduce their consumption of goods and services (1K) - As the value of a consumer's assets fall they feel less wealthy (1AN) and reduce their consumption of goods and services (1AN) leading to a fall in AD/fall in real output and price level (1K) Application One mark for applying to Sydney, Australia - House prices have decreased 15% (1)	(4)

Question Number	In January 2016 the world price of oil was \$29.78 per barrel. By May 2019 this had increased to \$66.83 per barrel. Saudi Arabia is a net exporter of oil. Draw a diagram showing the change in AD for Saudi Arabia's economy following the increase in the price of oil. Show the effect on the price level and real output. Answer	Mark
9	Knowledge 1, Application 3 Quantitative skills assessed: QS4 Construct and interpret a range of standard graphical forms Knowledge 1 mark for drawing original SRAS and AD curves with correctly labelled axis and initial equilibrium Application 1 mark for rightward shift in AD 1 mark for new equilibrium with increased price level, 1 mark for new equilibrium with increased real output	(4)

Question Number	With reference to the overall trend of the data, explain what is meant by the term 'growth of real GDP'.	Mark
	Answer	
10	Knowledge 2, Application 2 Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9 Interpret, apply and analyse information in written, graphical, tabular and numerical forms Knowledge Up to 2 marks for defining what is meant by "growth of real GDP": • An increase in the total value of output/expenditure/ income (1) adjusted for inflation (1) Application 1 mark for the trend e.g. • Growth rate increases between Q1 and Q2/Q3/Q4/ between Q2 and Q3 (1) 1 mark for explicit use of data e.g. • In Q1 2019 real GDP did not grow (1) • Quoting one or more of the quarterly figures (1)	(4)

Question Number	<i>Ceteris paribus</i> , calculate the aggregate demand for the USA in 2018.	Mark
	Answer	
11	Knowledge 1, Application 3 Quantitative skill assessed QS9 Interpret, apply and analyse information in written, graphical, tabular and numerical forms Knowledge 1 mark for correct definition or formula for AD: $C+I+G+(X-M)$ (1) Application up to 3 marks for correct application $\\$13.95\text{tn} + \\$3.65\text{tn} + \\$3.52\text{tn}$ (1) + $(\\$2.50\text{tn} - \\$3.10\text{tn})$ (1) $=\\$20.52$ trillion (1) NB: If correct answer (\$20.52 trillion) is given, award full marks regardless of working An answer of “\$20.52” or “20.52trillion” or “20.52” will gain 3 marks.	(4)

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 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)

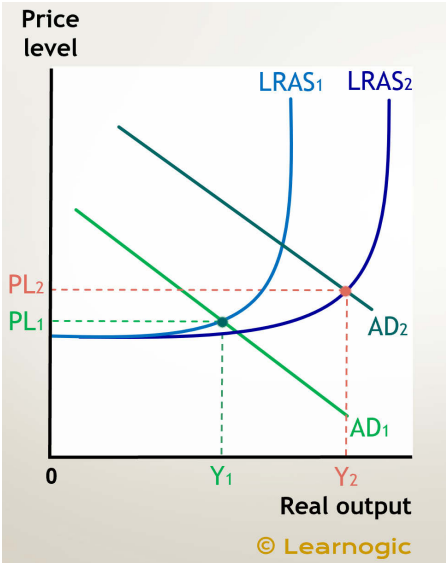
6	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms QS10: Distinguish between changes in the level of a variable, and the rate of change	The only correct answer is C A is not correct as the rate of inflation was highest in November 2022 B is not correct as the average price level was highest in July 2023 D is not correct as the rate of inflation increased each month between June 2021 and June 2022	(1)
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Section B

Question	With reference to this information, explain one cost of economic growth.	Mark
7	Knowledge 1, Analysis 2, Application 1 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms Knowledge and Analysis 1 knowledge mark for identification of one cost and up to 2 marks for linked analysis: • Inflationary pressure (1) if economic growth is caused by increases in consumption/AD (1) as consumers may have higher incomes (1) • More air pollution (1) as factories will produce a higher level of emissions or toxic waste/use more non-renewable energy resources (1) reducing living standards (1) • More environmental degradation (1) as there is a greater demand for resources (1) and therefore more output being produced/greater total output (1) • The balance of trade may worsen (1) as the economy grows the demand for imports rises; (1) this leads to the value of imports rising (1) • Increased inequality (1) as those with higher incomes benefit more from economic growth as they own resources (1) and lower income households benefit less as they are on fixed contracts/incomes (1) Application 1 mark for appropriate use of the information, e.g.: • In 2022 Guyana's rate of economic growth was the highest in the world / Its annual percentage increase in real GDP was 62.3% (1)	(4)



Section D

Question	Evaluate the costs of rapid economic growth on an economy of your choice.
	Indicative content
13	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Knowledge, Application and Analysis (12 marks) – indicative content Award maximum of Level 3 (9 marks) if candidate does not refer to a country/context in their answer • Understanding of rapid economic growth • Economic growth is an increase in the productive capacity of the economy • The growth today could deplete natural resources reducing possible production in future • Pollution may affect health/living standards/wellbeing/productivity • Rapid actual economic growth may cause high inflationary pressure, which is detrimental to those on a fixed income/reduces the value of savings/stop future investment/menu costs • Real incomes may not rise if inflation is high • If demand for imports increases, growth might cause a balance of trade deficit • Inequality may increase if the gains from economic growth mainly benefit the owners of resources • Rapid economic growth may negative impact the current account on the balance of payments as import rise and exports fall Reward diagrams showing change in AD and LRAS  © Learnogic

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content • Rapid economic growth leads to higher employment reducing the level of cyclical unemployment • As wages rise standards of living also increase • As incomes rise, the government receives more tax revenue reducing the fiscal deficit • Reduced need for benefit payments • Firms profits will increase leading to further investment and an increase in the LRAS • Government may use higher tax receipts to increase public spending, reducing inequality and improving standards of living • Inflationary pressure may reduce following improvements in LRAS • Difficulty in defining 'rapid' • Economic growth can lead to an increase in resources available to deal with pollution • Difficulty in measuring pollution and how much of it is contributed by growth • Difficulty in quantifying the economic impacts of pollution linked to rapid growth • Impact of rapid growth may only be experienced in the long-term	

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	Evaluate whether the costs of economic growth outweigh the benefits.
14	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Knowledge, Application and Analysis (12 marks) – indicative content • Understanding of economic growth • High rate of economic growth in Ethiopia has been accompanied by a high rate of deforestation The costs of economic growth include: • Environmental costs: ◦ deforestation has made climate change worse and caused soil erosion ◦ increased use of non-renewable resources, including fossil fuels ◦ climate impacts from the burning of fossil fuels • Inflation – increases in AD as consumption, investment, government spending and possibly exports increase, will increase demand-pull inflationary pressures in the economy, leading to a range of possible issues. • Opportunity costs – production of consumer goods may need to be sacrificed in the short term so that capital goods can be produced. This may lead to lower living standards in the short term. • Balance of trade deficits: ◦ as average incomes rise, consumers are likely to respond by buying more imported goods, worsening the country's trade balance ◦ increased production of goods and services may require more raw materials and components to be imported, worsening the country's trade balance • Increased inequality as the returns to economic growth are unequally distributed, with those who already own more factors of production receiving a greater increase in income • Lower living standards, for e.g. related to environmental costs such as pollution, congestion, over-development NB Candidates may use costs of growth as analysis and the benefits of growth as evaluation, or they may analyse both costs and benefits, and then evaluate the significance of the points made. NB Award a maximum of Level 3 for answers with no application.



Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
Evaluation (8 marks) – indicative content Significance of costs of growth: • It depends if it is actual or potential economic growth • Increased government tax revenues may not translate to improved public services: the government may have to pay off debt, have other priorities, or suffer from corruption • Discussion of how sustainable the economic growth is, e.g. to what extent are non-renewable resources being used; or is it the manufacturing or services sector of the economy which are growing most • Trade balance may not worsen if it is export-led growth • Effects on income inequality depend on government fiscal policy responses also • Effects on inflation depend on: ◦ the original level of spare capacity in the economy (possible discussion of Keynesian vs. classical LRAS curves) ◦ the extent to which the growth leads to higher levels of investment ◦ the government/central bank's monetary policy response • Short-run vs. long-run effects, e.g. changes in Ethiopia were over a 14-year period • The answer may be different for different countries and at different times • It depends on the level/speed of economic growth, e.g. economic growths of over 10% for 14-year period are relatively extreme		



The benefits of economic growth: - Higher average incomes leading to higher living standards as consumers can buy goods and services, or afford to send their children to school, as in Ethiopia - A higher value of goods and services being produced, which are available for consumption - Lower unemployment rates meaning that: - the country is utilising its resources more efficiently, moving closer to its PPF and closing the negative output gap - higher average incomes leading to higher living standards, as in Ethiopia - social benefits such as lower crime rates and better health - lower levels of government spending are required on means-tested/unemployment benefits, improving the government's budget balance or allowing this money to be allocated elsewhere, e.g. improving access to clean water, as in Ethiopia - less loss of skills/workers becoming inactive due to long term unemployment - Increased sales/revenues/profits for firms meaning that they may: - expand and take on more workers, further reducing the rate of unemployment - undertake more investment, boosting AD and LRAS, leading to non-inflationary economic growth in the future - pay more tax on profits to the government - Higher levels of investment, leading to: - more jobs being created - better quality products being produced - increased AD and LRAS, meaning non-inflationary economic growth in the future - Increased tax revenues from a wide range of taxes, leading to an improved government budget position, or increased government spending, e.g. improved access to clean water in Ethiopia - Improved public services financed by the increased tax revenue, for example education or healthcare		
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section D

Question	Evaluate the costs of economic growth. Refer to a country of your choice in your answer.
13	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Knowledge, Application and Analysis (12 marks) – indicative content • Understanding of economic growth Costs include: • Environmental costs: ◦ increased use of non-renewable resources/the overconsumption of natural resources, has led to an increase in pollution from the burning of fossil fuels ◦ deforestation has made climate change worse and has caused soil erosion/biodiversity loss, thereby creating greater external costs • Inflation rising as full capacity is approached – bottlenecks may arise where some restrictions in the supply chain cause an increase in cost and wage pressures • More unequal distribution of income and wealth as the rich tend to get richer relative to the poor/increased inequality as returns to economic growth are unequally distributed, with those who already own more factors of production receiving a greater increase in income • Balance of trade deficits: ◦ as average incomes rise, consumers are likely to respond by buying more imported goods, worsening the country's trade balance ◦ increased production of goods and services may require more raw materials and components to be imported, worsening the country's trade balance • Decrease in national happiness and wellbeing if economic growth results in longer working hours and increased stress • Decrease in living standards and quality of life if economic growth is associated with increased congestion, loss of countryside etc.

	NB Award a maximum of Level 3 for answers with no reference to a country in their answer	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content Benefits of economic growth include: ○ more employment opportunities/lower unemployment ○ increased tax revenues for the government which may be used to improve public services or redistribute incomes ○ higher profits for companies which may be used to improve the quality products or to produce new innovative products	



		○ consumers can afford to buy more goods and services and/or have more leisure time ○ National happiness may increase because people have higher real incomes and can afford more goods and services ○ Living standards and quality of life may increase e.g. because of improved housing conditions, better education and health • Environment costs may not arise: ○ if the country already uses renewable resources in some industries ○ if firms invest their profits in clean and green technology leading to more sustainable growth ○ depends on the extent of the effectiveness of the governments' environmental policies • Inflation may not arise: ○ if economic growth is due to increase in the productive potential of the economy/rightward shift of the LRAS ○ proximity to full employment level of output; if spare capacity exists and AD shift continues to be on elastic segment of LRAS ○ depends on extent to which the domestic economy's capacity/supply can meet the rising demand • Trade deficit may not worsen if economic growth is: ○ as a result of increase in exports (export-led) ○ generated through an increase in productivity (for e.g., through investment in capital/technology), which would increase exports
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section A

Question	Quantitative skills assessed	Answer	Mark
1	–	A	(1)
2	QS9: Interpret, apply and analyse information in written, graphical and tabular forms	B	(1)
3		C	(1)
4		D	(1)
5	QS4: Construct and interpret a range of standard graphical forms	C	(1)
6	QS2: calculate, use and understand percentages, percentage changes and percentage point changes	B	(1)

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 welfare payments would fall when unemployment decreases</i> <i>C is not correct because demand for exports is affected by unemployment rates overseas, not in Spain</i> <i>D is not correct because we cannot tell what happened to economic inactivity rates</i>	(1)
6	QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D <i>A is not correct because the Canadian dollar depreciated making exports more competitive in the USA</i> <i>B is not correct because the Canadian dollar depreciated making Canadian import from the USA less competitive</i> <i>C is not correct because the Canadian dollar depreciated</i>	(1)

Section B

Question Number	Answer	Mark
7	Knowledge 1, Analysis 2, Application 1 Knowledge 1 mark for definition of subjective happiness OR real income, e.g.: - Value people place on wellbeing (1) OR Income adjusted for inflation (1) Analysis Up to 2 marks for effect of this increase in real incomes e.g.: - Higher incomes may lead to a greater ability to afford goods and services (1) improvement in their sense of wellbeing/ increasing happiness (1) Application 1 mark for applying to stem e.g.: 5.3% increase in real GDP per capita (1)	(4)

6	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is B <i>A is not correct as the positive output gap decreased between 2017 and 2018</i> <i>C is not correct as there is a negative output gap in 2019 and positive output gap in 2017</i> <i>D is not correct as the negative output gap increased between 2018 and 2019</i>	(1)
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Section B

Question	With reference to the table, explain one reason why it is necessary to regularly update the CPI basket of goods and services.	Mark
7	Knowledge 1, Analysis 2, Application 1 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms Knowledge 1 mark for identification of a reason, e.g. • To ensure that inflation/CPI basket is accurately measured / • To ensure that consumption trends/spending are reflected (1) Analysis Up to 2 marks for one analysis point, e.g. • Technological advancements (1) imply consumers switch to newly developed goods and services (1) • Consumer tastes/preferences/needs change frequently (1) but the CPI basket is updated annually (1) • Consumers could have switched away (1) from those goods and services that have increased in price (1) • To exclude goods and services that are out of fashion (1) and to take into account new goods and services introduced (1) Application 1 mark for appropriate use of the table, e.g.: • Inclusion of reusable bottles/vegetable crisps/portable digital music player / • Exclusion of fruit pies/frozen chicken/MP4 music player (1)	(4)

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)



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 net investment is gross investment minus capital depreciation</i> <i>C is not correct because net investment is gross investment minus capital depreciation</i> <i>D is not correct because net investment is gross investment minus capital depreciation</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 this occurs when people move between jobs</i> <i>B is not correct as this occurs when wages are set above the equilibrium wage rate</i> <i>D is not correct as this occurs when there is a mismatch between the skills that workers have and the skills demanded by employers</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 A <i>B is not correct as this is the ratio of Qatar's GNI in 2020 to its GNI in 2022</i> <i>C is not correct as this is 1 : percentage change in GNI</i> <i>D is not correct as this is 1 : difference between the GNI values</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 C <i>A is not correct as this will increase aggregate demand</i> <i>B is not correct as this will cause a rightward shift in the SRAS curve</i> <i>D is not correct as this will increase aggregate demand /shift the LRAS curve to the right</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 as house prices are likely to fall</i> <i>B is not correct as the rate of inflation is likely to fall</i> <i>C is not correct as business confidence is likely to fall</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 will be a result of a fall in consumer confidence</i> <i>B is not correct as the price level will rise</i> <i>C is not correct as real output will rise</i>	(1)

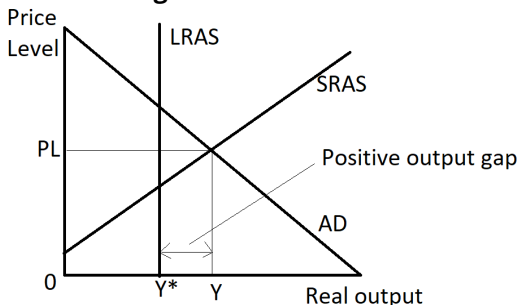
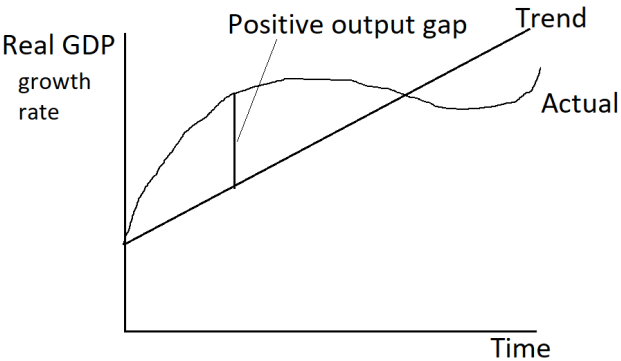
Section A

Question	Quantitative skills assessed	Answer	Mark
1	QS4: Construct and interpret a range of standard graphical forms QS8: Make calculations of elasticity and interpret the result QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is D A is not correct because the classical LRAS is perfectly elastic when there is a high level of spare capacity B is not correct because the classical LRAS is perfectly elastic when there is a high level of spare capacity C is not correct because the classical LRAS curve is perfectly inelastic at the full employment level of real output	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is A B is not correct because cutting costs of bureaucracy is an example of a free market supply-side policy C is not correct because cutting costs of bureaucracy is an example of a free market supply-side policy D is not correct because cutting costs of bureaucracy is an example of a free market supply-side policy	(1)
3	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is B A is not correct as this is the percentage-point change C is not correct as this uses the incorrect equation: $\text{change/new} \times 100$ D is not correct as this is the sum of the two percentages	(1)
4	QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is B A is not correct because between Y and Z, the government's tax revenue is likely to increase C is not correct because between Y and Z, the rate of unemployment is likely to decrease D is not correct because between Y and Z, business confidence is likely to increase	(1)
5	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is A B is not correct because this is likely to have caused a decrease in investment C is not correct because this is likely to have caused a decrease in investment D is not correct because this is likely to have caused a decrease in investment	(1)

Question Number	Answer	Mark
11	Knowledge 1, Analysis 2, Application 1 Quantitative Skill assessed: QS9: Interpret, apply and analyse information in written, graphical and tabular forms. Knowledge 1 mark for understanding/definition of 'output gap', e.g. - The difference between actual output and the maximum potential output of an economy (1) Or 1 mark for identification of one possible difficulty in measuring the output gap, e.g. - It is difficult to estimate an economy's maximum potential output level as we cannot directly observe this (1) Analysis Up to 2 marks for development of the identified difficulty, e.g.: - There may be inaccurate data on the labour force (1) for example difficulties in measuring the scale of labour migration /the number of people who may have left the labour market as 'discouraged workers'/the amount of under-employment in the labour market (1) - There may be problems in accurately measuring productivity in the economy (1) particularly in the service/technology sector (1) - Surveys of producers about the level of spare capacity may be inaccurate (1) for example due to misreporting, human error, time lags or survey bias (1) - There may be gaps in our knowledge about how much businesses are investing and the potential output from new capital (1) particularly in the new knowledge economy where much investment is in intangibles (1) - There may be difficulties in measuring real GDP (1) eg. due to "grey" economy, difficulties in enumerating small firms, etc (1)	

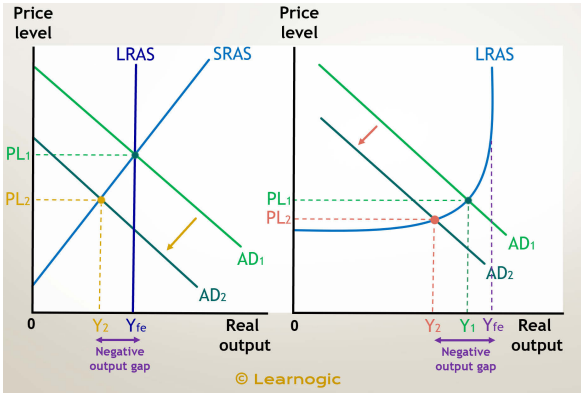
	Application 1 mark for appropriate use of the Figure, e.g. • The IMF consistently over-estimated the size of France's negative output gap/under-estimated the size of France's positive output gap during the period shown (1) • In 2007, the original estimate was a negative output gap of approximately 1.2% of potential GDP, while the final estimate was a positive output gap equal to 1.8% of potential GDP (1) • In 2000, the final estimate of the output gap was 2% of potential GDP higher than the original estimate (1)	(4)
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Question	Explain one likely impact of a negative output gap on Brazil's economy.	Mark
10	Knowledge 1, Analysis 2, Application 1 Quantitative Skill assessed QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical and tabular forms Knowledge and Analysis 1 knowledge mark for understanding of a negative output gap, e.g.: when actual GDP is less than potential GDP (this may be shown via an accurately drawn/labelled diagram) OR 1 knowledge mark for identification of one characteristic of a negative output gap (1) Up to 2 analysis marks for development of the identified impact, e.g.: - The government is likely to have a budget deficit (1) as government spending on means-tested/unemployment benefits is high (1) and tax revenue, e.g. income tax, is relatively low (1) - There is likely to be unemployment (1) as some of the labour factor of production is unemployed (1) leading to spare capacity (1) - Low inflation/disinflation/deflation (1) as there is low cost-push inflationary pressure (1) because high levels of spare labour reduce wage rates (1) - Low inflation/disinflation/deflation (1) as there is less demand-pull inflationary pressure (1) because AD is relatively low (1) Application 1 mark for appropriate reference to Brazil or another economy, e.g.: - The size of Brazil's negative output gap was 5.6% of its GDP in Q1 2019 (1)	(4)

Question	In Scotland there was a positive output gap in 2018. The economy was growing at 1% faster than the trend rate of economic growth. Draw a diagram to show a positive output gap.	Mark
8	Knowledge 1, Application 3 Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical and tabular forms Either LRAS/SRAS AD diagram  Knowledge Correctly drawn LRAS and AD curves with correctly labelled axes (1) Application Up to 3 marks for the following information included on the diagram: • Drawing LRAS to left of short run equilibrium (1) • Labelling the short run equilibrium and full employment level of output at LRAS (1) • Correct labelling of the positive output gap (1) Or Economic/ Business cycle diagram  Knowledge Correctly labelled axes (1)	(4)

	Application Up to 3 marks for the following information included on the diagram: • Drawing the actual GDP growth rate on the diagram (1) • Drawing the trend GDP growth rate on the diagram (1) • Correct labelling of the positive output gap (1)	
Question	Based on this information, calculate the change in the balance of trade for Saudi Arabia between 2018 and 2019. Show your workings.	Mark
9	Knowledge 1, Application 3 Quantitative Skill assessed QS9: Interpret, apply and analyse information in written, graphical and tabular forms Knowledge 1 mark for correct definition/formula/implicit understanding, e.g.: • Value of exports - value of imports • $X - M$ (1) Application Up to 3 marks for use of data in calculation from the following, e.g.: • 2018: $294.5 - 135.2 = \\$159.3$ billion (1) • 2019: $251.8 - 144.3 = \\$107.5$ billion (1) • $107.5 - 159.3 = -\\$51.8$ billion (1) NB: if correct answer (-\$51.8 billion) is given, award full marks regardless of working Award 3 marks if \$51.8 is given.	(4)

Question	With reference to the table, explain what is meant by an output gap.	Mark
11	Knowledge 2, Application 2 Quantitative Skills Assessed QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical and tabular forms Knowledge Up to 2 marks for defining output gap, e.g.: - Actual output <i>minus</i> (1) potential output (1) <i>difference</i> between actual GDP/growth (1) and potential GDP/growth (1) NB An output gap is clearly shown (1) by an accurately drawn and labelled diagram (1) Application Up to 2 marks applying this to the context of Japan, e.g.: - In 2019 potential output is 0.5% and actual output is 0.27% (1) hence there is a negative output gap (1) - In 2020 potential output is 0.5% and actual output is -4.83% (1) hence there is a negative output gap (1) - Output gap of 0.23 percentage points in 2019 (1) and an output gap of 5.33 percentage points in 2020 (1)	(4)

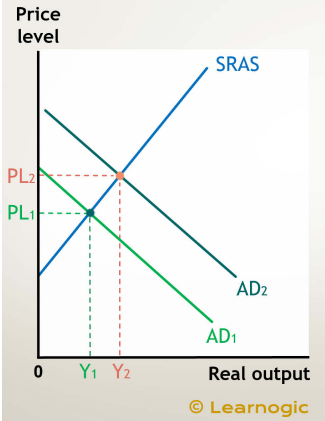
Question	As a result of the significant decrease in consumer spending in France in 2020, the country's negative output gap was 5.64%. Draw an AD and AS diagram to show the negative output gap.	Mark
8	Knowledge 1, Application 3 Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical and tabular forms  Knowledge Correctly drawn diagram with correctly labelled AD/AS curves (the diagram must include the LRAS curve) (1) Application Up to 3 marks for the following information included on the diagram: • For showing equilibrium price level and real output at full employment level of real output (may include leftward shift in AD curve but this is not essential) (1) • Equilibrium at real output lower than full employment level / New equilibrium showing lower price level and real output (1) (not rewarded if 'price' and 'quantity' is used on the axis) • Correct annotation of negative output gap showing distance between equilibrium and full employment level of output (1) (not rewarded if 'quantity' is used on axis)	(4)

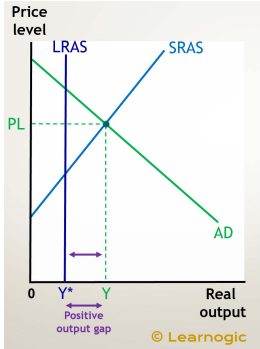
Question	Explain one likely impact of a negative output gap on Vietnam's economy.	Mark
10	Knowledge 1, Analysis 2, Application 1 Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical and tabular forms Knowledge 1 mark for understanding of negative output gap, e.g.: when actual GDP is less than potential GDP (this may be shown via an accurately drawn/labelled diagram) Analysis Up to 2 marks for identification and development of the impact, e.g.: - The Government is likely to have a budget deficit (1) as government expenditure on means-tested/unemployment benefits is high (1) / tax revenue, e.g. income tax, is relatively low (1) - There is likely to be high unemployment (1) because a slowdown in the economy would lead to firms making the workers redundant (1) / resulting in spare capacity/an inefficient allocation of resources/lower living standards (1) - Low inflation/disinflation/deflation (1) because there is low cost-push inflationary pressure (1) / because high levels of unemployment will put downward pressure on wage rates (1) / Low inflation/disinflation/deflation (1) because there is less demand-pull inflationary pressure (1) / because AD or real output/GDP is relatively low (1) Application 1 mark for appropriate application, e.g.: - The size of Vietnam's negative output gap was forecast to be between -5% and -10% in 2022 / - Award for accurately showing the figure on the negative output gap diagram (1)	(4)

Section B

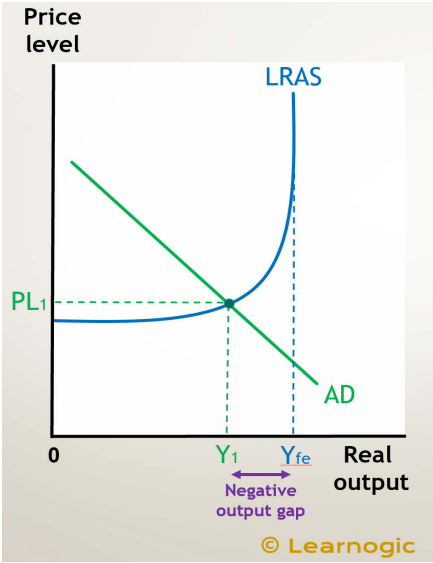
Question	In 2022 Belize had a positive output gap of more than 7%. Explain one likely disadvantage of a positive output gap on the economy of Belize.	Mark
7	Knowledge 1, Analysis 2, Application 1 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical and tabular forms Knowledge and Analysis 1 knowledge mark for understanding of a positive output gap e.g.: - when actual GDP is more than potential GDP (this may be shown via an accurately drawn/labelled diagram) OR 1 knowledge mark for identification of one characteristic of a positive output gap and up to 2 analysis marks for development of the identified impact, e.g.: - A higher rate of inflation (1K) because there is high cost-push inflationary pressure (1AN) as lower levels of unemployment would put an upward pressure on wage rates (1AN) / - A higher rate of inflation (1K) because there is greater demand-pull inflationary pressure (1AN) as AD is relatively high (1AN) / - Deterioration of the environment (1K) because there will be greater demand for goods (1AN) and therefore greater production by firms to meet rising demand, hence pollution (1AN) Application 1 mark for appropriate application, e.g.: - In 2022 Belize had a positive output gap of more than 7% (1)	(4)



Question	Between October 2022 and February 2023 consumer confidence increased in the eurozone. Draw an AD and SRAS diagram to show the likely impact of this increase in consumer confidence in the eurozone.	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/SRAS 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 right (1) • Showing correct higher price level (1) (not rewarded if 'price' is used on the axis) • Showing correct higher real output (1) (not rewarded if 'quantity' is used on the axis) Award maximum of 1 mark where an LRAS curve is drawn.	(4)

Question	Draw an AD/AS diagram to show a positive output gap.	Mark
8	Knowledge 1, Application 3 Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical and tabular forms  Knowledge Correctly drawn SRAS and AD curves with correctly labelled axes (1) Application Up to 3 marks for the following information included on the diagram: • Drawing LRAS to the left of short-run equilibrium (1) • Labelling the short-run equilibrium (Y) and full employment level of output (Y*) (1) • Correct labelling of the positive output gap (1)	(4)

Question	Calculate the value of consumption for this economy in 2023. Show your workings.	Mark
9	Knowledge 1, Application 3 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical and tabular forms Knowledge 1 mark for correct definition or formula for AD / consumption: • $AD = C + I + G + (X - M)$ / $C = AD - (I + G + (X - M))$ (1) Application Up to 3 marks for correct application: • $\\$32.91\text{bn} - (\\$4.57\text{bn} + \\$9.22\text{bn} + (\\$7.64\text{bn} - \\$5.89\text{bn}))$ (1) • $\\$32.91\text{bn} - (\\$13.79\text{bn} + (\\$1.75\text{bn}))$ (1) • $= \\$17.37 \text{ billion}$ (1) NB If the correct answer is given (\$17.37 billion/\$17.4 billion /\$17 billion), award full marks regardless of working NB If the answer is given as \$17.37/\$17.4/\$17 without the billion sign, award only 3 marks	(4)

Question	Draw a Keynesian AS/AD diagram to illustrate a negative output gap.	Mark
8	Knowledge 1, Application 3 Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical and tabular forms  Knowledge Correctly drawn Keynesian AS and AD curves with correctly labelled axes (1) Application Up to 3 marks for the following information included on the diagram: • Labelling the AD/Keynesian AS equilibrium (Y_1) (1) • Labelling the full employment level of output (Y_{fe}) (1) • Correct labelling of the negative output gap (1)	(4)