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EDEXCEL INTERNATIONAL A LEVEL ECONOMICS: QUESTIONS BY TOPIC

Balance of payments, exchange rates and international competitiveness (4.3.3)

International A Level Economics · Unit 4: Developments in the global economy

45 questions · 338 marks · Mark schemes included
Past papers October 2020 - June 2025 · 3 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
4.3.3.1 BALANCE OF PAYMENTS		10 Qs · 97 marks	3
1. Q4	IAL Unit 4 October 2022	1	4
2. Q3	IAL Unit 4 January 2024	1	5
3. Q3	IAL Unit 4 October 2024	1	6
4. Q7(a)	IAL Unit 4 June 2024	2	7
5. Q7(b)	IAL Unit 4 June 2024	4	11
6. Q7(d)	IAL Unit 4 (unused) January 2022	8	15
7. Q10	IAL Unit 4 October 2020	20	20
8. Q10	IAL Unit 4 October 2021	20	21
9. Q9	IAL Unit 4 January 2023	20	22
10. Q8	IAL Unit 4 June 2025	20	23
4.3.3.2 EXCHANGE RATES		21 Qs · 145 marks	24
11. Q4	IAL Unit 4 October 2020	1	25
12. Q3	IAL Unit 4 January 2021	1	26
13. Q2	IAL Unit 4 (unused) January 2022	1	27
14. Q2	IAL Unit 4 October 2022	1	28
15. Q5	IAL Unit 4 October 2022	1	29
16. Q1	IAL Unit 4 January 2023	1	30
17. Q6	IAL Unit 4 June 2023	1	31
18. Q5	IAL Unit 4 January 2024	1	32
19. Q6	IAL Unit 4 October 2024	1	33
20. Q2	IAL Unit 4 January 2025	1	34
21. Q4	IAL Unit 4 June 2025	1	35
22. Q7(b)	IAL Unit 4 October 2021	6	36
23. Q7(b)	IAL Unit 4 January 2022	6	41
24. Q7(c)	IAL Unit 4A June 2025	6	47
25. Q7(c)	IAL Unit 4 October 2023	8	52
26. Q7(b)	IAL Unit 4A June 2025	8	57
27. Q10	IAL Unit 4 June 2021	20	62
28. Q10	IAL Unit 4 (unused) January 2022	20	63
29. Q8	IAL Unit 4 June 2023	20	64
30. Q8	IAL Unit 4 June 2024	20	65
31. Q10	IAL Unit 4 October 2024	20	66
4.3.3.3 INTERNATIONAL COMPETITIVENESS		14 Qs · 96 marks	67
32. Q3	IAL Unit 4 October 2020	1	68



QUESTION	SOURCE	MARKS	PAGE
33. Q5	IAL Unit 4 January 2021	1	69
34. Q6	IAL Unit 4 October 2021	1	70
35. Q3	IAL Unit 4 January 2022	1	71
36. Q6	IAL Unit 4 January 2023	1	72
37. Q3	IAL Unit 4 June 2023	1	73
38. Q2	IAL Unit 4 October 2023	1	74
39. Q3	IAL Unit 4 June 2025	1	75
40. Q7(d)	IAL Unit 4 October 2024	6	76
41. Q7(c)	IAL Unit 4 January 2024	8	82
42. Q7(e)	IAL Unit 4 October 2024	14	87
43. Q8	IAL Unit 4 June 2021	20	94
44. Q9	IAL Unit 4 June 2022	20	95
45. Q9	IAL Unit 4 January 2025	20	96



QUESTIONS

45 questions · 338 marks · 3 sub-topics

SUB-TOPIC 4.3.3.1

BALANCE OF PAYMENTS

Sub-topic 4.3.3.1 · 10 questions · 97 marks · lowest tariff first



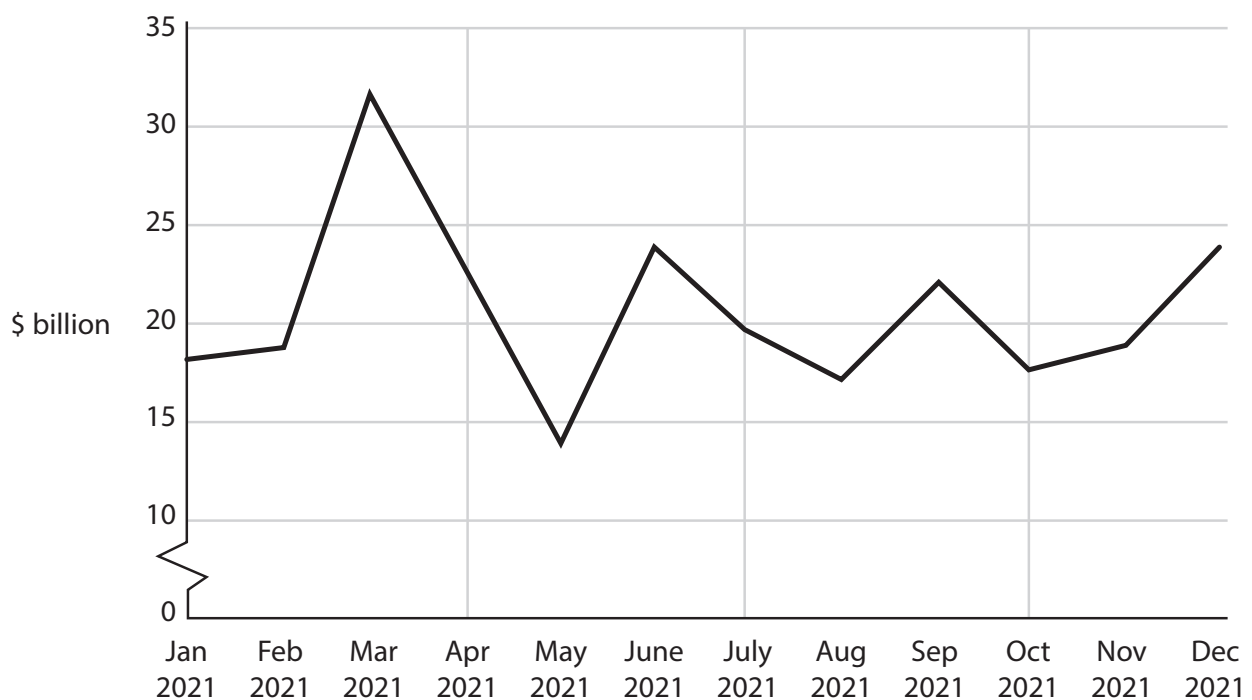
- 3 Between 2018 and 2019 the Lorenz curve of Peru shifted closer to the line of perfect equality.

Which **one** of the following can be inferred from this information?

- ☐ A The Gini coefficient for Peru had decreased
- ☐ B The Marshall-Lerner condition was not met
- ☐ C The rate of unemployment in Peru had increased
- ☐ D The Government of Peru had decreased progressive tax rates

(Total for Question 3 = 1 mark)

- 4 The chart shows Germany's net monthly balance of trade in goods and services, \$ billion, January 2021 to December 2021.



(Source: adapted from <https://tradingeconomics.com/germany/current-account>)

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

- ☐ A There was a surplus in the capital and financial accounts
- ☐ B There was a fiscal surplus and an increase in the national debt
- ☐ C The value of imports was greater than the value of exports
- ☐ D The value of exports was greater than the value of imports

(Total for Question 4 = 1 mark)

SECTION A

Answer ALL questions in this section.

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

- 1 Which **one** of the following is an economic factor that might constrain the rate of economic growth of a country?

- ☐ A A high level of corruption
- ☐ B A reduced threat of terrorism
- ☐ C An increased access to credit
- ☐ D A lack of foreign currency

(Total for Question 1 = 1 mark)

- 2 In 2022 the Government of Brazil spent \$160 million on 762 infrastructure projects.

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

- ☐ A Expenditure on transfer payments
- ☐ B Current expenditure
- ☐ C Capital expenditure
- ☐ D Consumer expenditure

(Total for Question 2 = 1 mark)

- 3 Between 2021 and 2022 the European Union (EU) recorded an increase in the capital and financial account surplus of the balance of payments.

Ceteris paribus, which **one** of the following is the most likely reason for this increase in the EU's capital and financial account surplus?

- ☐ A An increase in inward foreign direct investment (FDI) and portfolio investment
- ☐ B An increase in the value of EU exports and a decrease in the value of EU imports
- ☐ C An increase in public sector borrowing and an increase in public sector debt
- ☐ D An increase in inflows into the primary income component of the EU's balance of payments

(Total for Question 3 = 1 mark)



SECTION A

Answer ALL questions in this section.

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

- 1** Between 2018 and 2022 New Zealand's national debt increased from \$53.6 billion to \$126.7 billion.

Which **one** of the following is the most likely effect of an increase in the national debt of a country?

- ☐ **A** An increase in crowding out
- ☐ **B** An increase in absolute advantage
- ☐ **C** A decrease in debt servicing costs
- ☐ **D** A decrease in the rate of inflation

(Total for Question 1 = 1 mark)

- 2** In 2023 the Government of Ghana removed fuel subsidies paid to fuel producers.

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

- ☐ **A** An interventionist strategy to promote economic growth and development
- ☐ **B** A reflationary fiscal policy to reduce inflationary pressures
- ☐ **C** A deflationary monetary policy to reduce inflationary pressures
- ☐ **D** A market-orientated strategy to promote economic growth and development

(Total for Question 2 = 1 mark)

- 3** In 2022 there was an overall deficit of \$943.8 billion on the USA's balance of trade.

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

- ☐ **A** The value of consumption was lower than the value of saving
- ☐ **B** Government spending was greater than tax revenue
- ☐ **C** The value of imports was greater than the value of exports
- ☐ **D** Gross domestic investment was lower than capital flight

(Total for Question 3 = 1 mark)



SECTION B

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

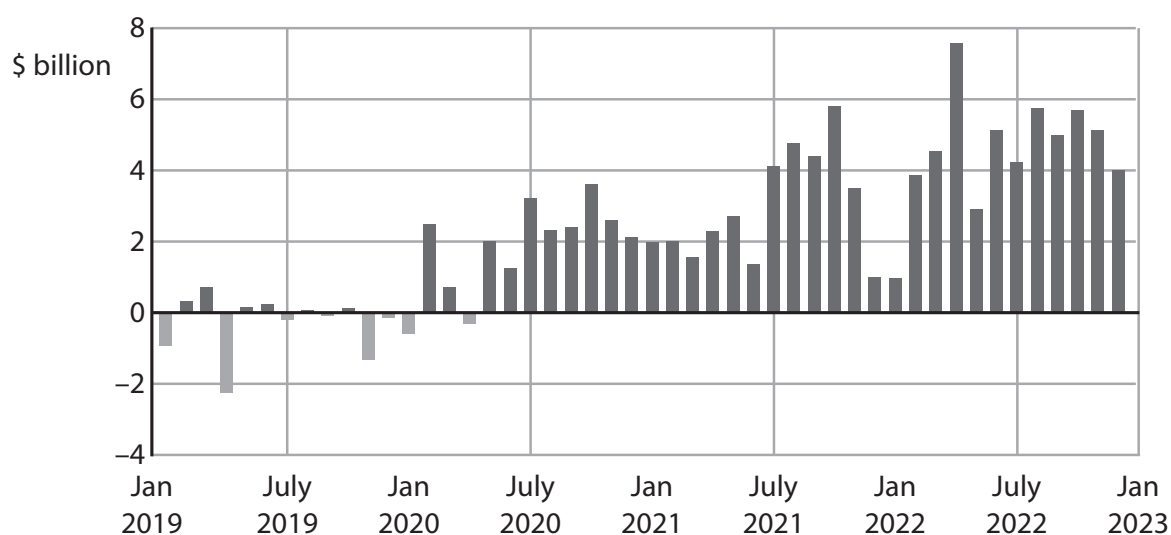
Write your answers in the spaces provided on the following pages.

- 7** (a) In 2022 Indonesia's current account surplus was 1% of its GDP.
With reference to line 26 of Extract A, calculate Indonesia's GDP in 2022.
You are advised to show your working. (2)
- (b) With reference to Figure 1, explain the difference between a balance of trade deficit and a balance of trade surplus. (4)
- (c) With reference to Extract A, analyse **two** benefits of Indonesia's increasing population to its economy. (6)
- (d) With reference to Extract A, examine **two** likely problems for the Indonesian economy of its dependence on commodities. (8)
- (e) With reference to Extract A and your own knowledge, discuss market-orientated strategies that the Indonesian Government might use to increase its rate of economic growth. (14)



Sources for use with Section B

The Indonesian economy

Figure 1 Monthly balance of trade in goods and services, \$ billion, January 2019 to December 2022

Extract A Economic outlook

In 2022 Indonesia had a population of 276 million people. This was the largest in Southeast Asia and had increased by 26 million since 2012. In 2022 the global economy was weak and many countries experienced high rates of inflation. By contrast, Indonesia's economy performed better than several advanced economies. The country's real GDP increased by 5.3%. This was above the forecast rate of economic growth. Its annual rate of inflation of 4.6% was one of the lowest globally. However, this was before the Government removed subsidies on oil and fuel. Indonesia is a net importer of oil.	5
During 2022 Indonesia's currency, the <i>rupiah</i> , had the best-performing floating exchange rate to the US dollar in Asia. The <i>rupiah</i> depreciated less than the currencies of Vietnam and China, its main trading partners.	10
Indonesia is a resource-rich country and it is a net exporter of commodities such as nickel, coal, rubber and palm oil. In 2022 the country benefited from rising global commodity prices. It is the world's largest producer of nickel, an important component in electric vehicle batteries.	15
To take advantage of the rising global demand for electric vehicles, the Government announced plans to increase privatisation and promote foreign direct investment (FDI).	
Exports from the manufacturing sector increased during 2022. These included electronics, machinery, textiles and garments. The Government relaxed its previously strict employment regulations to create more jobs, fill vacancies and promote innovation. This encouraged more FDI, as many foreign producers shifted manufacturing away from China.	20
In 2022 Indonesia's exports of commodities made a more significant contribution to the country's current account surplus and to its economic growth rate than its exports of manufactured goods. The country's current account surplus increased from \$3.5 billion in 2021 to \$13.2 billion in 2022. It was forecast that advanced economies would experience lower rates of economic growth in 2023. This would result in a fall in demand for Indonesia's commodities.	25
In 2023 it was forecast that Indonesia's rate of inflation would increase to 5.5% partly as a result of the removal of fuel subsidies. The country's central bank could respond to the rising rate of inflation by increasing its base rate of interest.	30
There are concerns about the level of corruption in the country. Indonesia scored 38 out of 100 on the corruption index – the lower the score, the greater the level of corruption. This is the same score as Brazil but lower than that of Vietnam and China. This indicates that Indonesia has relatively more corruption than Vietnam and China.	35
To remain internationally competitive, many economists have recommended that Indonesia should diversify away from its dependence on commodities. They have suggested that the Government must aim to develop the country's human capital and infrastructure, in order to improve the labour mobility of its relatively young population.	

- 7 (a) In 2022 Indonesia's current account surplus was 1% of its GDP.

With reference to line 26 of Extract A, calculate Indonesia's GDP in 2022.
You are advised to show your working.

(2)

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

(4)



SECTION B

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

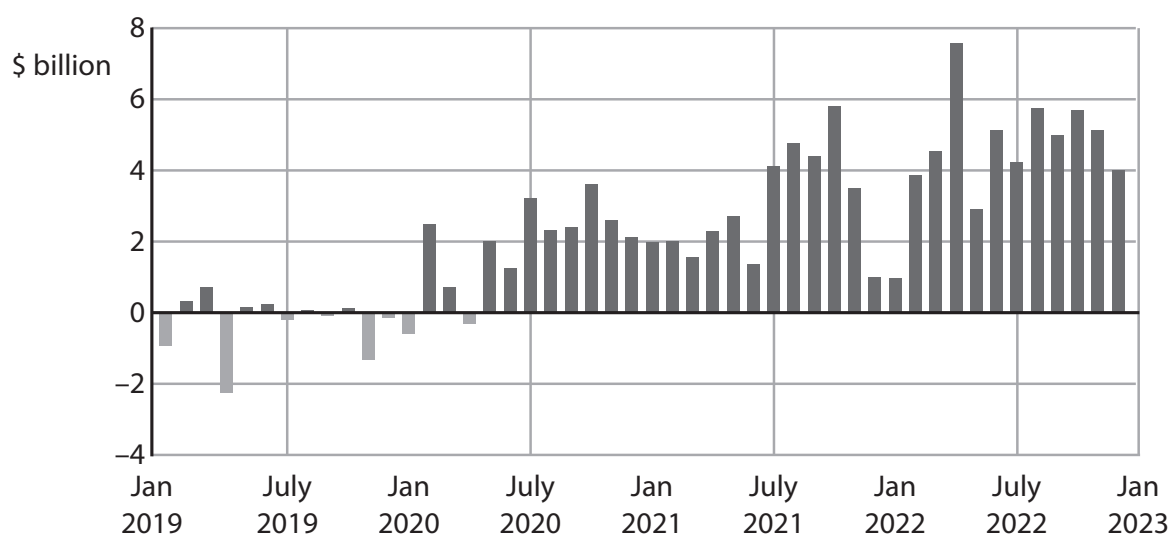
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- 7 (a) In 2022 Indonesia's current account surplus was 1% of its GDP.

With reference to line 26 of Extract A, calculate Indonesia's GDP in 2022.
You are advised to show your working.

(2)

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

(4)



SECTION B

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

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

- 7** (a) With reference to Figure 1, calculate the index number for international visitors to Taiwan from China in 2019, using 2015 as the base year. You are advised to show your working. (2)
- (b) Analyse **two** reasons why 'Taiwanese firms moved to China to set up their manufacturing facilities' (Extract A, lines 4–5). (6)
- (c) Explain what is meant by a 'tariff' (Extract A, line 7). (4)
- (d) With reference to the information provided and your own knowledge, examine **two** likely problems arising from the fall in the number of Chinese tourists to Taiwan. (8)
- (e) Discuss policies, apart from tourism, being implemented by the Taiwanese Government to reduce its dependence on China. (14)

Sources for use with Section B

The economy of Taiwan

Figure 1 International visitors to Taiwan from selected countries, millions, 2015–2019

Country	2015	2016	2017	2018	2019
China	4.18	3.51	2.73	2.70	2.71
Japan	1.63	1.90	1.90	1.97	2.17
The Philippines*	0.14	0.17	0.29	0.42	0.51
Thailand*	0.12	0.20	0.23	0.32	0.41
Vietnam*	0.15	0.20	0.38	0.49	0.41

* represents Southeast Asian countries



Extract A Economic independence

China is Taiwan's most important trading partner and it is the main destination for Taiwan's exports. Much of Taiwan's foreign direct investment also goes to China. Since the 1980s over 100 000 Taiwanese firms moved to China to set up their manufacturing facilities. They were attracted by cheap labour and a large Chinese market. 5

After the USA imposed tariffs on several Chinese-made goods in 2018, Taiwanese firms started moving production from China to other countries. The average tariff is 19.3% on US imports from China.

The Taiwanese Government believed that it was essential for Taiwan to become less dependent on China. This was supported by a three-year reshoring plan, starting in 2019, that involved encouraging domestic firms to move back to Taiwan. This plan included: 10

- incentives that made it easier to buy land and register property
- investment in infrastructure to ensure the continuous provision of gas, electricity and water supply
- subsidies and tax incentives for the technology sector. 15

Taiwanese firms agreed to invest \$33 billion in Taiwan between 2019 and 2021. However, of that amount, only \$6.8 billion was invested in 2019 and only \$1.1 billion in 2020. This reluctance to invest was mainly because several large Taiwanese firms were discouraged from relocating back to Taiwan. Bureaucracy and severe shortages of highly skilled labour were the two most significant reasons given by these firms. 20

Even before the reshoring plan, the Taiwanese Government had initiated the New Southbound Policy (NSP) in 2016 to reduce its economic dependence on China. This policy was designed to increase trade between Taiwan and countries in South Asia and Southeast Asia. However, China accounted for nearly 40% of Taiwan's exports in 2019, twice that of the countries covered by the NSP. China also has strong trade links with Southeast Asian countries. This has limited the extent to which Taiwan can promote its own trade relationships and cooperation with these countries. 25

Tourism is another sector where Taiwan has reduced its reliance on China. However, Taiwan has made up for the fall in Chinese tourists by attracting more visitors from Japan and countries in Southeast Asia. 30

Reducing dependency on China for tourism and trade will not be easy and it is becoming an important issue for a number of countries.

(d) With reference to the information provided and your own knowledge, examine **two** likely problems arising from the fall in the number of Chinese tourists to Taiwan.

(8)





SECTION C

Answer TWO questions from this section.

- 8** Between 2008 and 2017, Portugal's national debt increased from 71% of Gross Domestic Product (GDP) to 126% of GDP. Italy's national debt increased from 102% of GDP to 132% of GDP over the same period.

Evaluate the extent to which an increase in the national debt is a cause for concern. Refer to a developed country of your choice in your answer.

(Total for Question 8 = 20 marks)

- 9** In January 2018 Saudi Arabia and five neighbouring countries introduced a value added tax (an indirect tax) at a rate of 5%.

Evaluate the likely macroeconomic effects of the introduction of an indirect tax on a developing country of your choice.

(Total for Question 9 = 20 marks)

- 10** In 2017 Turkey's deficit on the current account of the balance of payments was \$47.1 billion. In the same year, France's deficit on the current account of the balance of payments was \$36.8 billion.

Evaluate the possible causes of a current account deficit. Refer to a country of your choice in your answer.

(Total for Question 10 = 20 marks)



SECTION C

Answer TWO questions from this section.

- 8** In 2019 the rate of economic growth was over 6% in both India and China.

Evaluate the likely impact of rapid economic growth in emerging economies on world trade patterns. Refer to countries of your choice in your answer.

(Total for Question 8 = 20 marks)

- 9** The share of GDP accounted for by the service sector is much higher in the UK and the USA than in Italy and Canada.

Evaluate the possible benefits of specialisation and trade to a developed country of your choice.

(Total for Question 9 = 20 marks)

- 10** In 2019 the current account deficit on the balance of payments in Turkey was US\$47.4 billion and in Argentina it was US\$31.3 billion.

Evaluate the disadvantages of a current account deficit to a developing country of your choice.

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In February 2021 the UK Government applied to join one of the world's largest free-trade areas, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Evaluate the likely economic benefits to a country of joining a trading bloc.

(Total for Question 8 = 20 marks)

- 9** In 2021 Singapore's surplus on its current account of the balance of payments was over \$60 billion.

Evaluate possible causes of a current account surplus. Refer to a developed country of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** In Libya the HDI was 0.80 in 2010 and it was 0.72 in 2019.

Evaluate interventionist strategies that a government in a developing country of your choice might use to increase *economic development*.

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In 2022 Türkiye's deficit on the current account of the balance of payments was \$48.75 billion. In the same year, Canada's deficit on the current account of the balance of payments was \$6.65 billion.

Evaluate measures that could be taken to reduce a current account deficit on the balance of payments. Refer to a country of your choice in your answer.

(Total for Question 8 = 20 marks)

- 9** In 2022 Mozambique had a Human Development Index (HDI) score of 0.46 whereas Guatemala had a HDI score of 0.63.

Evaluate economic factors that constrain the growth **and** development of a developing country. Refer to a developing country of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** Between 2002 and 2022 Italy's public expenditure as a proportion of GDP increased from 47.1% to 56.7%.

Evaluate the likely economic effects of an increase in public expenditure as a proportion of GDP. Refer to a developed country of your choice in your answer.

(Total for Question 10 = 20 marks)



SUB-TOPIC 4.3.3.2

EXCHANGE RATES

Sub-topic 4.3.3.2 · 21 questions · 145 marks · lowest tariff first



- 3** According to the Global Competitiveness Index, Finland's international competitiveness rank fell six places between 2015 and 2018.

Which **one** of the following measures is most likely to increase Finland's international competitiveness?

- ☐ **A** A reduction in spending on infrastructure
- ☐ **B** Stricter regulation of labour markets
- ☐ **C** Improvements in education and training
- ☐ **D** More restrictions on free trade

(Total for Question 3 = 1 mark)

- 4** The UK pound sterling exchange rate is allowed to float freely. The value of the pound sterling changed from £1 = \$1.53 in January 2015 to £1 = \$1.26 in January 2019.

This means that the value of pound sterling against the dollar has

- ☐ **A** devalued
- ☐ **B** revalued
- ☐ **C** depreciated
- ☐ **D** appreciated

(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 In September 2019 the European Central Bank (ECB) decided to restart its quantitative easing programme in the eurozone area.

Ceteris paribus, which **one** of the following is the most likely effect of this decision by the ECB for an economy in the eurozone?

- ☐ A A decrease in the money supply
- ☐ B A decrease in economic growth
- ☐ C An increase in unemployment
- ☐ D An increase in the rate of inflation

(Total for Question 1 = 1 mark)

- 2 Which **one** of the following theories suggests that a *savings gap* is a constraint on growth and development?

- ☐ A The Harrod–Domar model
- ☐ B The Lewis structural dual-sector model
- ☐ C The Marshall–Lerner condition
- ☐ D The Prebisch–Singer hypothesis

(Total for Question 2 = 1 mark)

- 3 Between June 2018 and October 2019 the Australian dollar fell by 7.4% against the US dollar.

Ceteris paribus, which **one** of the following is the most likely impact of this depreciation on Australia's economy?

- ☐ A A fall in the price of imports and a rise in the price of exports
- ☐ B An increase in public sector borrowing and an increase in national debt
- ☐ C An improvement in the capital and financial account of the balance of payments
- ☐ D A decrease in the cost of borrowing and a decrease in the reward for saving

(Total for Question 3 = 1 mark)



SECTION A

Answer ALL questions in this section.

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

- 1 The Government of Qatar announced that it would spend \$200 billion to build an airport, new roads, railways and stadiums needed for the 2022 football World Cup.

This change in public expenditure is an example of an increase in which **one** of the following?

- ☐ **A** Capital expenditure
- ☐ **B** Current expenditure
- ☐ **C** Progressive taxation
- ☐ **D** Transfer payments

(Total for Question 1 = 1 mark)

- 2 In 2020 the value of Norway's currency, the krone, fell significantly against the US dollar. Norway's central bank intervened in the currency markets to increase the external value of its currency.

Which **one** of the following combinations of foreign currency transactions would Norway's central bank be most likely to use if it wanted to raise the value of the krone against the US dollar?

	Krone	US dollar
☐ A	Buy	Buy
☐ B	Buy	Sell
☐ C	Sell	Buy
☐ D	Sell	Sell

(Total for Question 2 = 1 mark)

SECTION A

Answer ALL questions in this section.

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

- 1** In 2022 Mali was one of the least developed countries in the world with an HDI score of 0.43.

Which **one** of the following interventionist strategies could stimulate economic development in Mali?

- ☐ **A** Promotion of foreign direct investment
- ☐ **B** Development of human capital
- ☐ **C** Removal of government subsidies
- ☐ **D** Privatisation of nationalised industries

(Total for Question 1 = 1 mark)

- 2** Between January 2021 and November 2021 the eurozone currency, the euro, depreciated against the US dollar from €1 = \$1.23 to €1 = \$1.13.

Which **one** of the following could have caused the depreciation in the exchange rate of the euro against the US dollar?

- ☐ **A** There was greater economic stability in the eurozone than in the USA
- ☐ **B** The eurozone inflation rate decreased relative to that in the USA
- ☐ **C** There was more capital flight from the eurozone than from the USA
- ☐ **D** The eurozone interest rate increased relative to that in the USA

(Total for Question 2 = 1 mark)



- 5 In May 2021 Canada's central bank aimed to reduce the value of the Canadian dollar against the UK pound sterling.

Which **one** of the following combinations of foreign currency transactions would Canada's central bank use to reduce the value of the Canadian dollar against the UK pound sterling?

	Canadian dollar	UK pound sterling
☐ A	Buy	Buy
☐ B	Buy	Sell
☐ C	Sell	Buy
☐ D	Sell	Sell

(Total for Question 5 = 1 mark)

- 6 Between 2000 and 2020 Pakistan's terms of trade decreased by 43.4%.

Ceteris paribus, which **one** of the following factors is most likely to have caused this decrease in Pakistan's terms of trade?

- ☐ A A higher rate of inflation in Pakistan relative to other countries
- ☐ B The prices of imports into Pakistan increased at a faster rate than the prices of its exports
- ☐ C An appreciation of Pakistan's exchange rate
- ☐ D The prices of Pakistan's exports increased at a faster rate than the prices of its imports

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



SECTION A

Answer ALL questions in this section.

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

- 1 In 2021 the US dollar appreciated by around 10% against the euro.

Which **one** of the following factors is likely to have caused this appreciation of the US dollar?

- ☐ A A decrease in confidence in the USA's economy by currency speculators
- ☐ B A decrease in the USA's rate of economic growth
- ☐ C An increase in capital flight out of the USA into the eurozone
- ☐ D An increase in the USA's base interest rate relative to the eurozone

(Total for Question 1 = 1 mark)

- 2 Between 2012 and 2021 Paraguay's national debt increased from \$3.6 billion to \$13.3 billion.

Which **one** of the following is the most likely effect of an increase in the national debt of a country?

- ☐ A A decrease in the rate of inflation
- ☐ B A decrease in debt servicing costs
- ☐ C An increase in crowding out
- ☐ D An increase in tax revenues

(Total for Question 2 = 1 mark)

- 3 In 2021 the Nigerian Government introduced a tax of N10 per litre on sugary drinks.

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

- ☐ A It is an ad valorem tax
- ☐ B It is a specific tax
- ☐ C It is a tax on income
- ☐ D It is a tax on company profits

(Total for Question 3 = 1 mark)



6 In July 2022 the Central Bank of India aimed to increase the value of the Indian rupee against the US dollar.

Which **one** of the following combinations of foreign currency transactions would the Central Bank of India use to increase the value of the rupee against the US dollar?

	Rupee	Dollar
☒ A	Buy	Buy
☒ B	Sell	Buy
☒ C	Buy	Sell
☒ D	Sell	Sell

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



- 4 Globalisation has been associated with an increase in real GDP per capita in many countries. However, some economists consider that there are costs associated with globalisation.

Ceteris paribus, which **one** of the following is a possible cost of globalisation on the global economy?

- ☐ A Lower prices and higher consumer surplus
- ☐ B Lower rates of unemployment
- ☐ C Higher long-run average costs for transnational companies
- ☐ D Higher external costs arising from increased trade

(Total for Question 4 = 1 mark)

- 5 In 2022 the value of Japan's currency, the yen, depreciated significantly against the US dollar. Japan's central bank intervened in the currency markets to increase the external value of its currency.

Which **one** of the following combinations of foreign currency transactions would Japan's central bank be most likely to use if it wanted to raise the value of the yen against the US dollar?

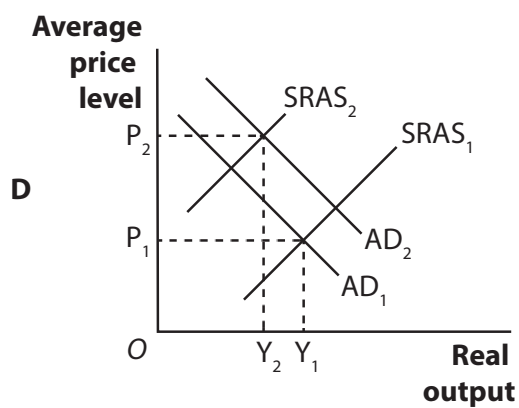
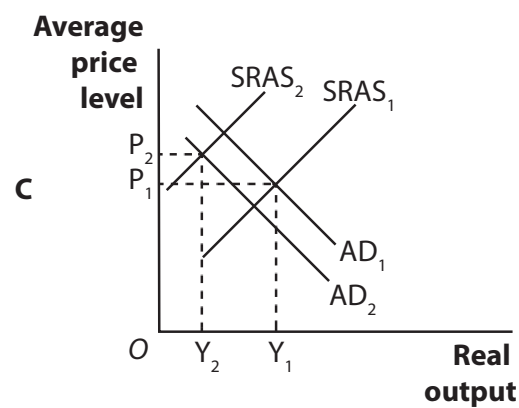
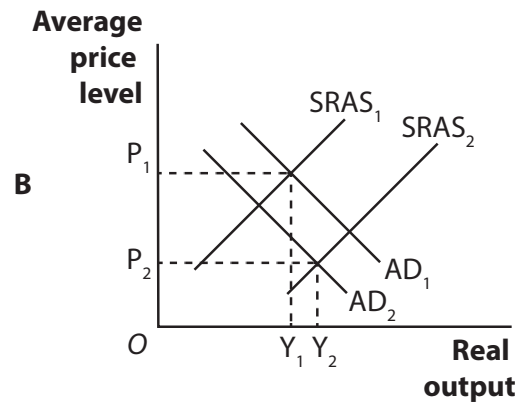
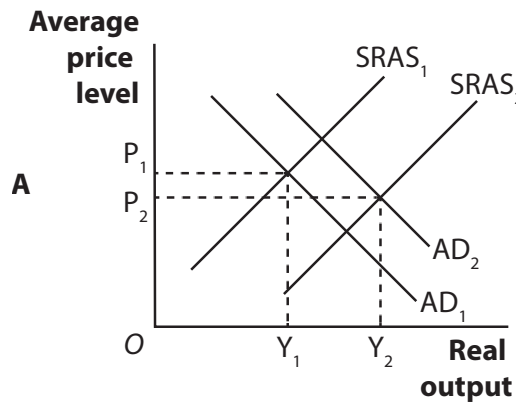
	Japanese yen	US dollar
☐ A	Buy	Buy
☐ B	Buy	Sell
☐ C	Sell	Buy
☐ D	Sell	Sell

(Total for Question 5 = 1 mark)



- 6 Which **one** of the following aggregate demand (AD) and short-run aggregate supply (SRAS) diagrams represents the likely effect of a substantial currency appreciation?

In each diagram the original equilibrium is represented by P_1 and Y_1 .



- ☐ A
- ☐ B
- ☐ C
- ☐ D

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



SECTION A

Answer ALL questions in this section.

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

- 1** According to its HDI score of 0.39, Chad is one of the least developed countries in the world.

Which **one** of the following strategies could promote economic development in Chad?

- ☐ **A** Reducing investment in infrastructure
- ☐ **B** Restricting foreign direct investment inflows
- ☐ **C** Removing restrictions on free trade
- ☐ **D** Limiting joint ventures between domestic firms and TNCs

(Total for Question 1 = 1 mark)

- 2** The exchange rate of the United Arab Emirates (UAE) currency, the dirham, is fixed against the US dollar. Assume that the UAE Government instructed the country's central bank to reduce the exchange rate of the dirham against the dollar.

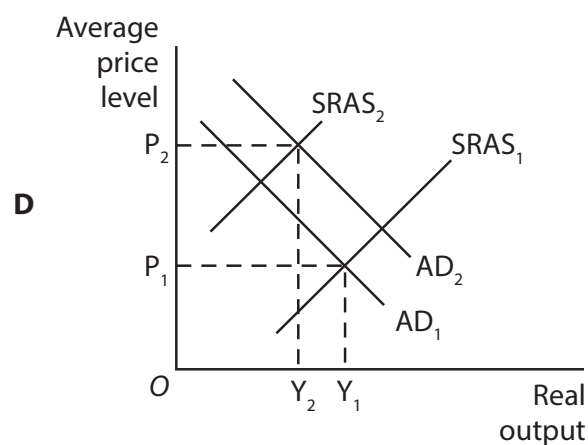
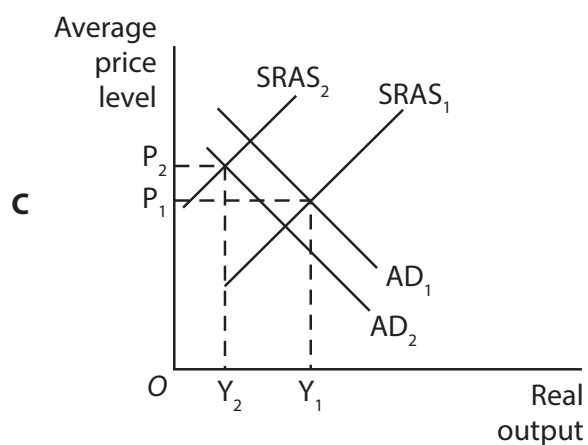
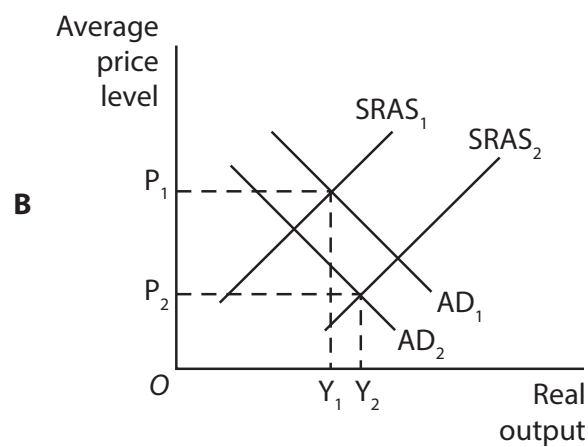
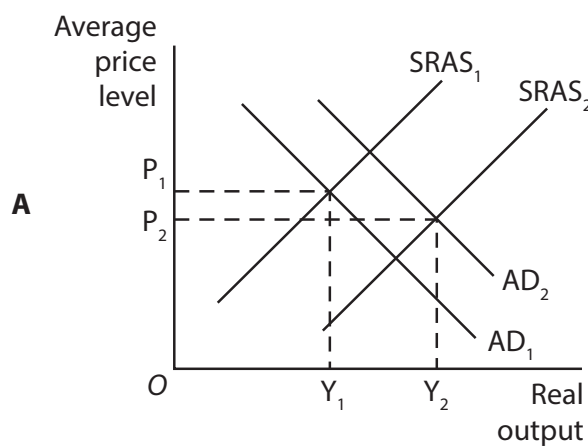
Which **one** of the following would best describe the impact of this policy?

- ☐ **A** The exchange rate would appreciate
- ☐ **B** The exchange rate would be devalued
- ☐ **C** The exchange rate would depreciate
- ☐ **D** The exchange rate would be revalued

(Total for Question 2 = 1 mark)



4 In each of the diagrams the original equilibrium is represented by P_1 and Y_1 .



Which **one** of these aggregate demand (AD) and short-run aggregate supply (SRAS) diagrams represents the most likely effect of a substantial currency depreciation?

- ☐ **A**
- ☐ **B**
- ☐ **C**
- ☐ **D**

(Total for Question 4 = 1 mark)

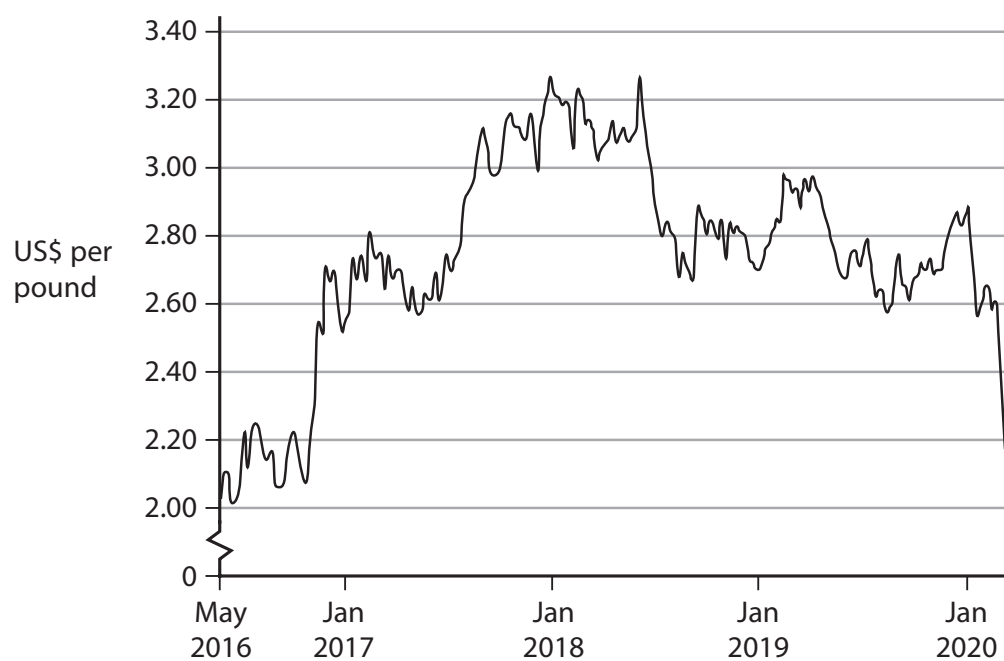
SECTION B

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

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

- 7** (a) The Bank of Zambia raised 'the base interest rate by 1.75 percentage points to 11.5% between April and November 2019' (Extract A, lines 12–13).
Calculate Zambia's base interest rate in April 2019. You are advised to show your working. (2)
- (b) Analyse the likely impact of an increase in the base interest rate on 'Zambia's balance of trade with South Africa' (Extract A, line 15). (6)
- (c) With reference to the fourth paragraph of Extract A, explain what is meant by 'The Gini coefficient'. (4)
- (d) With reference to the information provided, examine **two** problems arising from the dependence on copper for the Zambian economy. (8)
- (e) Discuss economic factors, apart from primary product dependency, that may constrain Zambia's economic growth. (14)



Sources for use with Section B.**Zambia's economy****Figure 1 World copper prices, US\$ per pound, 2016–2020**

Extract A Economic outlook

Zambia is a landlocked country of 17 million people. It achieved middle-income country status in 2011. Zambia had been one of the fastest growing economies in Africa. Between 2004 and 2014, real GDP grew by an average of 7.5% per year. Between 2014 and 2018, Zambia's economy continued to grow but at a slower rate. 5

In 2019 uncertainty in global markets, and a slower pace of economic recovery in many advanced countries, were major constraints on Zambia's economic growth prospects. This was mainly because of the country's heavy reliance on copper exports. Zambia is the world's seventh-largest copper producer. Copper contributes to 30% of Zambia's GDP, 70% of its export earnings and more than 25% of its tax revenues. 10

Zambia's rate of inflation rose from 7.5% in 2018 to 9.2% in 2019. The inflation rate was forecast to remain high. This prompted the Bank of Zambia to raise the base interest rate by 1.75 percentage points to 11.5% between April and November 2019. This change in the interest rate affected Zambia's exchange rate. Consequently, this had a considerable impact on Zambia's balance of trade with South Africa, a major trading partner of Zambia. Over 55% of Zambia's imports are from South Africa. 15

Zambia has low human development indicators. Poverty and income inequality are very high by international standards. The Gini coefficient in 2018 was 0.50. The quality of education, healthcare and infrastructure was also weak. Wages in Zambia were lower than in most middle-income countries. 20

Increased trade tensions between the USA and China led to a decline in the global demand for copper. The subsequent fall in the price of copper decreased Zambia's real GDP growth rate from 4% in 2018 to 2% in 2019.

Between January and May 2020 Zambia's currency, the *kwacha*, depreciated by 30% against the US dollar. This was as a result of falling foreign currency reserves caused by debt servicing and low production in the copper mining sector. 25

To reduce the impact of such external shocks it would be beneficial for Zambia to move away from its dependence on copper mining. The Government identified developments in tourism, infrastructure, and information and communication technology as the areas for economic diversification. These developments would help to increase Zambia's real GDP in the long-term. 30

(6)



[illegible]

SECTION B

Study Figures 1, 2 and 3 and Extract A in the Source Booklet before answering Question 7.

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

- 7** (a) With reference to Figure 1 and Figure 2, calculate Turkey's real interest rate in July 2020. You are advised to show your working. (2)
- (b) With reference to Figure 3 and Extract A, analyse **two** factors, other than changes in interest rates, that may have led to a depreciation of the Turkish lira. (6)
- (c) Explain what is meant by a 'customs union' (Extract A, lines 22–23). (4)
- (d) With reference to the last paragraph of Extract A, examine **two** likely economic benefits to Turkey of joining the European Union. (8)
- (e) With reference to the information provided, discuss the likely economic effects of a further increase in the base interest rate. (14)



Sources for use with Section B

The economy of Turkey

Figure 1 Central bank base interest rate, January 2018 to December 2020

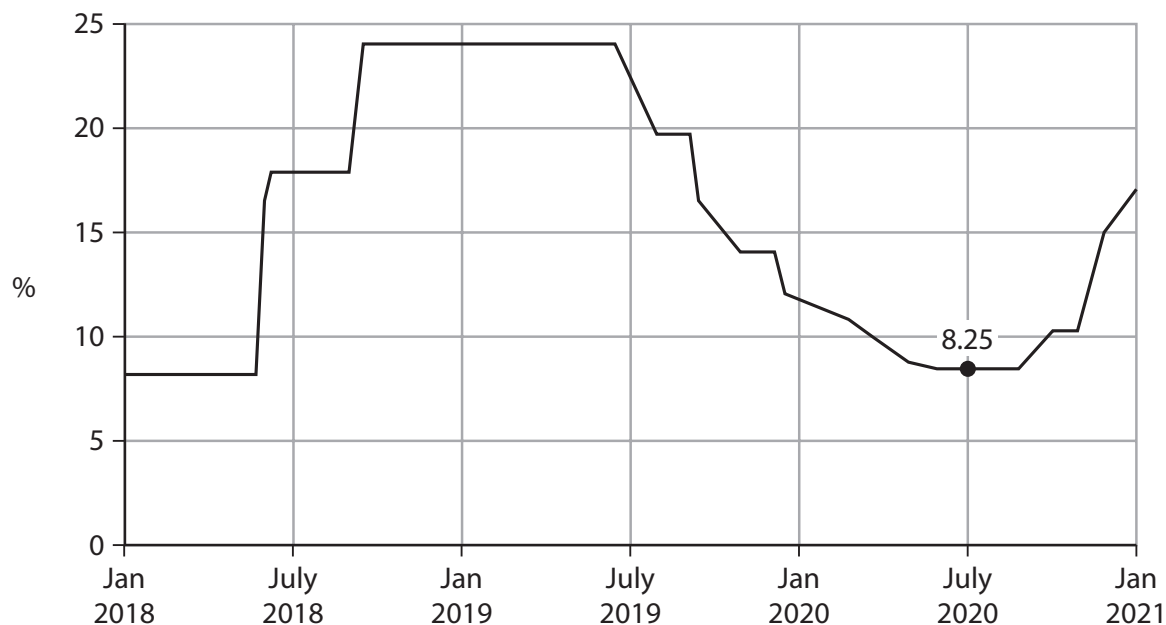


Figure 2 Rate of inflation, as measured by the Consumer Price Index (CPI), January 2018 to December 2020

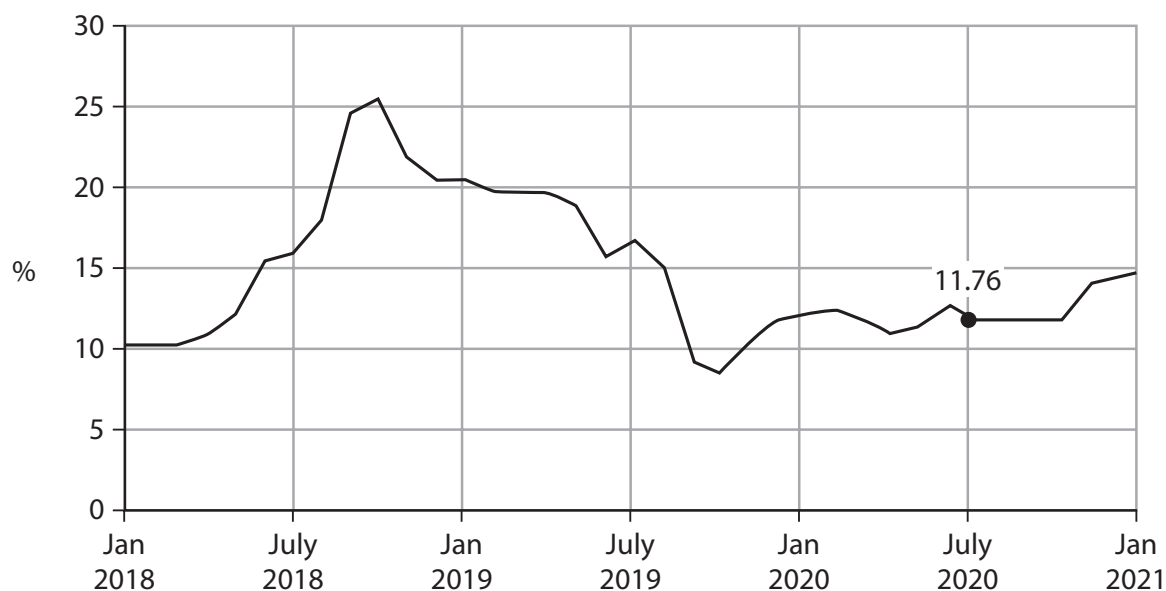
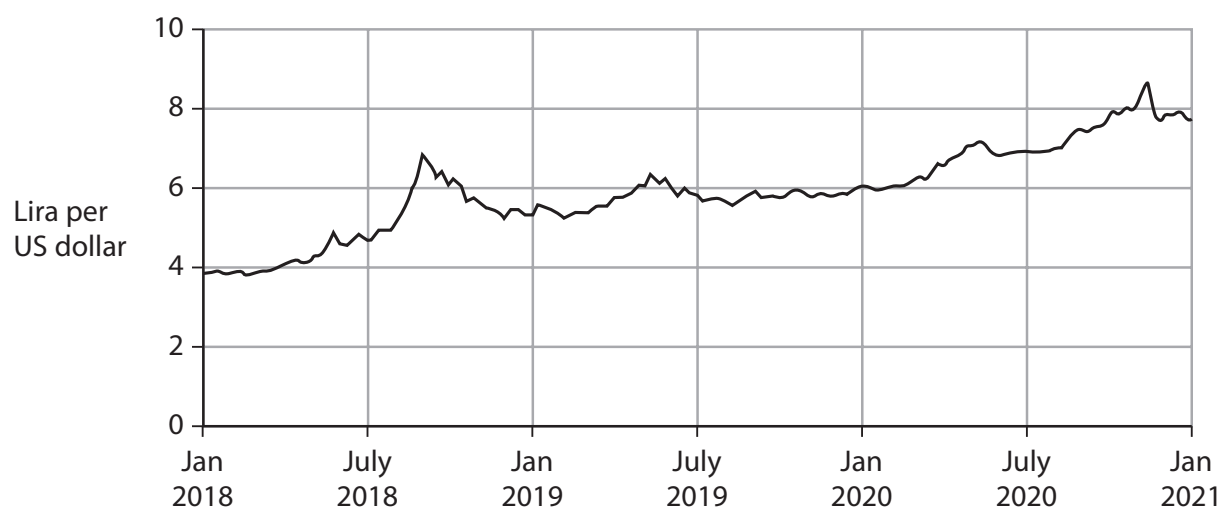


Figure 3 Turkish lira–US dollar exchange rate*, January 2018 to December 2020

* Turkey's currency is known as the Turkish lira

Extract A Currency depreciation

Turkey's President, who controls the Central Bank of Turkey, is an opponent of high interest rates. He dismissed the Central Bank's previous Governor in 2019, complaining that "he would not follow instructions on interest rates". The Central Bank made a series of interest rate cuts after a new Governor was appointed. The President wanted a reduction in interest rates to encourage borrowing by businesses and consumers in order to stimulate Turkey's rate of economic growth. 5

By contrast, some economists urged the Central Bank to raise interest rates to slow the pace of credit growth and to avoid a currency crisis. They argued that following the reduction in base interest rates, there was a further fall in the exchange rate of the Turkish lira against the US dollar. Turkey's large current account deficit and capital flight have also contributed to the depreciation of the Turkish lira. Attempts to increase the external value of the lira while keeping interest rates low have reduced most of the Central Bank's foreign currency reserves. Economists warned that the risk of a financial crisis in Turkey was growing. 10 15

In response, the new Governor of the Central Bank of Turkey raised the base interest rate. This increase indicated that the Central Bank was concerned about the weakness of the lira and a high rate of inflation. By December 2020 the base interest rate had increased to 17%. However, some economists argued that the Central Bank would need to raise the base interest rate further to support the weak currency. 20

Turkey's long-term economic growth will depend on attracting foreign direct investment and establishing a stronger partnership with the European Union (EU) which is a customs union and common market. Turkey is an important partner for the EU on matters related to trade, investment and migration. Governments of many EU countries believe that they have an economic interest in developing a mutually beneficial relationship with Turkey. 25

(6)



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SECTION B

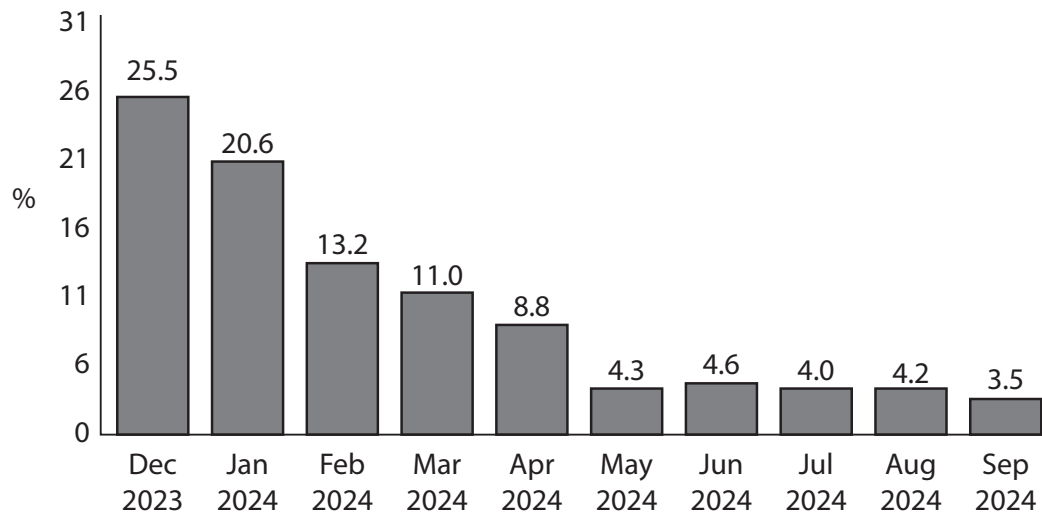
Study Figures 1 and 2 and Extract A in the Source Booklet before answering Question 7.

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

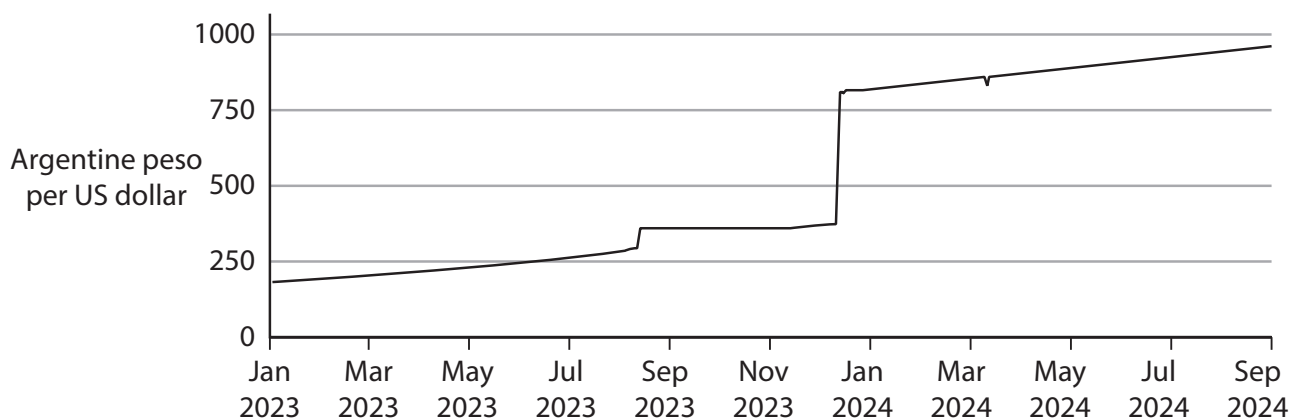
- 7** (a) With reference to Figure 1, calculate the percentage change in the rate of inflation between December 2023 and September 2024. You are advised to show your working. (2)
- (b) With reference to Extract A, examine the likely effect of the depreciation of the Argentine peso against the US dollar on Argentina's current account **and** its capital and financial accounts. (8)
- (c) With reference to Figure 2, analyse **two** policies that the Central Bank of Argentina can use to limit any further depreciation of the Argentine peso against the US dollar. (6)
- (d) Explain what is meant by 'absolute poverty'. (Extract A, line 20) (4)
- (e) With reference to the information provided and your own knowledge, discuss the likely economic effects of a reduction in public expenditure as a proportion of GDP on Argentina's economy. (14)

Sources for use with Section B

The economy of Argentina

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

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

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

Extract A Economic outlook

When Javier Milei became the President of Argentina in December 2023, his first task was to reduce the country's very high rate of inflation. This was mainly caused by increased public expenditure and a depreciation of the country's currency, the Argentine peso, against the US dollar. 5

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

The Central Bank of Argentina stabilised the exchange rate to prevent any further falls in the external value of its currency against the US dollar. It believed that this would result in greater macroeconomic stability in the country's financial markets. Argentina's current account changed from a deficit in 2023 to a surplus in 2024. 15

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

Living standards have been falling since 2004, partly as a result of falling real wages. The share of the population living in absolute poverty increased by 11 percentage points in the first half of 2024 to 53%. 20

Domestic industries that employ most Argentinian citizens — retail, manufacturing and construction — have recovered only slightly from large falls in production. Unemployment in the second quarter of 2024 was 7.6%. Business leaders in manufacturing industries warned that they may continue to make workers redundant as the Government reduces protectionism. 25

Although there are still concerns about salaries, jobs and poverty, economists claim that the Government has achieved macroeconomic stability. However, for this to result in a sustainable rate of economic growth, the Government should remove strict capital and currency controls. This is important in attracting foreign direct investment. 30



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

(4)

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SECTION B

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

- 7** (a) In 2021, the Government of Pakistan made a debt servicing payment of \$32.27 billion.

With reference to Figure 1, calculate debt servicing payments as a proportion of national debt in 2021. You are advised to show your working.

(2)

- (b) Explain what is meant by a 'foreign currency gap' (Extract A, line 13).

(4)

- (c) With reference to Figure 2 and the first paragraph of Extract A, examine **two** likely effects of the depreciation of the rupee against the US dollar.

(8)

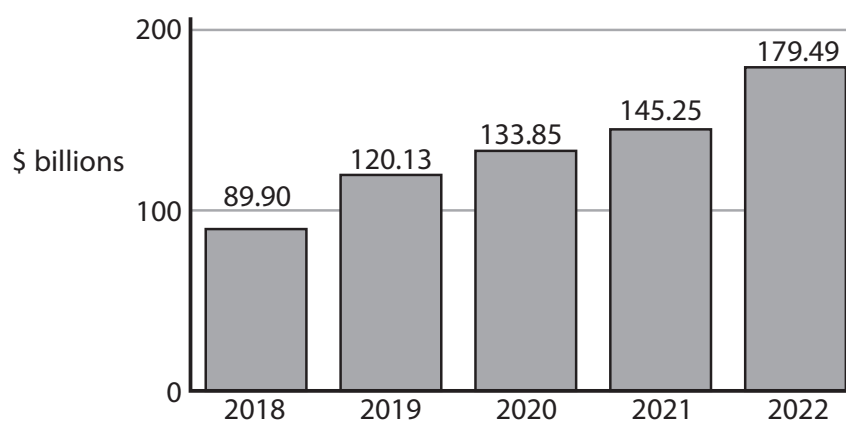
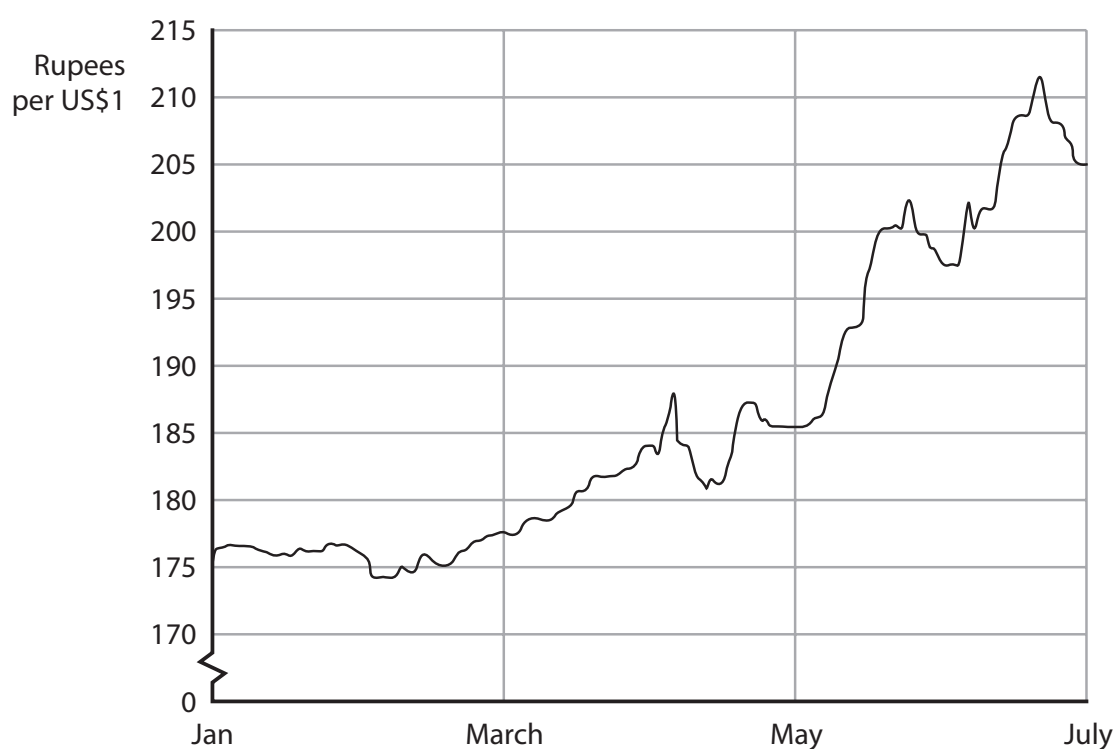
- (d) With reference to Extract A, analyse **two** roles of the IMF.

(6)

- (e) With reference to the information provided and your own knowledge, discuss the likely macroeconomic effects of an increase in income tax rates, aimed at high-income households, on the economy of Pakistan.

(14)



Sources for use with Section B**The economy of Pakistan****Figure 1 National debt, \$ billions, 2018-2022****Figure 2 Rupee-US dollar exchange rate, January 2022 to June 2022**

Extract A Economic outlook

Between January and June 2022 Pakistan's currency, the rupee, depreciated against the US dollar. This was mainly as a result of rising global inflation rates and the strong appreciation of the US dollar. However, economists expected the external value of the rupee to increase against the US dollar in the third quarter of 2022. They anticipated that the dollars earned by Pakistan from its exports would be greater than the dollars paid for its imports and debt servicing. 5

Pakistan experienced a significant decline in foreign currency reserves from \$16 billion in June 2021 to \$10 billion in June 2022. Many economists believed that the economy could be on the verge of an economic collapse in the third quarter of 2022. 10

In June 2022, Pakistan's central bank, the State Bank of Pakistan (SBP), informed Pakistan's Government that the country's rising foreign currency gap would have a negative impact on its ability to import. The SBP claimed that the rising foreign currency gap was likely to increase further because of higher debt servicing payments. To prevent these reserves from running out, the SBP suggested a temporary ban on the import of non-essential goods. 15

Pakistan's Government borrowed \$1.2 billion from the IMF to prevent a further fall in foreign currency reserves. This financial support enabled the Government to reduce its current account deficit of the balance of payments and to help finance the country's national debt. 20

The loan from the IMF required the Government of Pakistan to meet certain conditions. These included a reduction in the fiscal deficit, partly by the removal of fuel and energy subsidies. The IMF also required Pakistan's central bank to raise its base rate of interest to stabilise the rupee. 25

Previous governments of Pakistan have not always met the terms of their loan agreements with the IMF. For example, the fiscal deficit has not been reduced significantly because the government collects very little revenue from direct taxes, especially from the booming property market. Large houses cost anywhere between \$500 000 and \$2 million to purchase but the owners only pay a small proportion as tax. The IMF proposed that high-income households should pay significantly more income tax than low-income and middle-income households. 30

(8)



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SECTION B

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

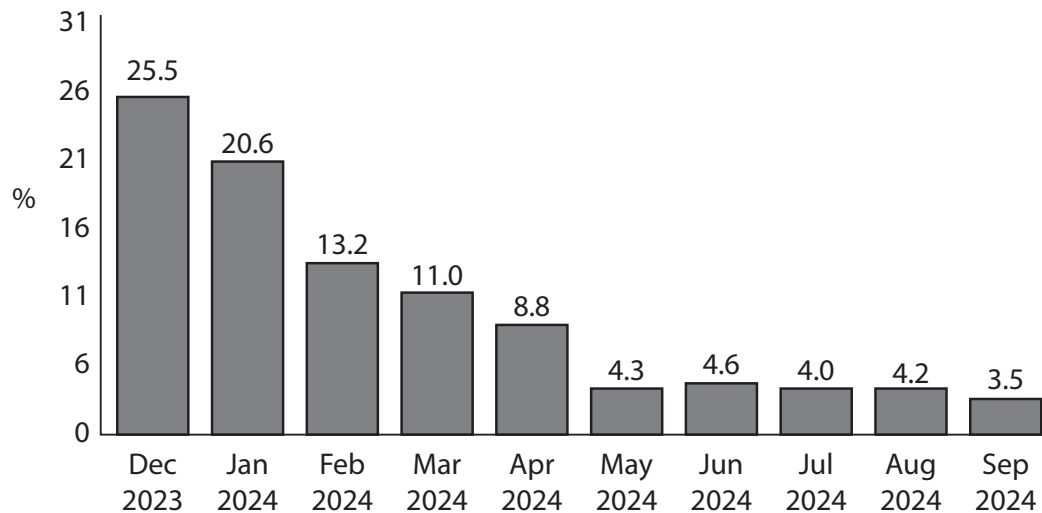
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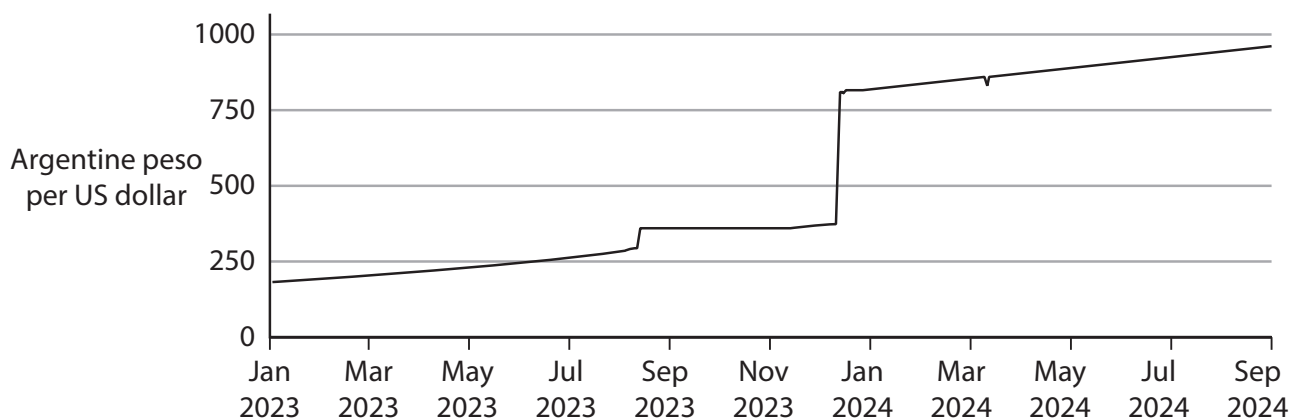


Sources for use with Section B

The economy of Argentina

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

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

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The Central Bank of Argentina stabilised the exchange rate to prevent any further falls in the external value of its currency against the US dollar. It believed that this would result in greater macroeconomic stability in the country's financial markets. Argentina's current account changed from a deficit in 2023 to a surplus in 2024. 15

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

Living standards have been falling since 2004, partly as a result of falling real wages. The share of the population living in absolute poverty increased by 11 percentage points in the first half of 2024 to 53%. 20

Domestic industries that employ most Argentinian citizens — retail, manufacturing and construction — have recovered only slightly from large falls in production. Unemployment in the second quarter of 2024 was 7.6%. Business leaders in manufacturing industries warned that they may continue to make workers redundant as the Government reduces protectionism. 25

Although there are still concerns about salaries, jobs and poverty, economists claim that the Government has achieved macroeconomic stability. However, for this to result in a sustainable rate of economic growth, the Government should remove strict capital and currency controls. This is important in attracting foreign direct investment. 30

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

(2)

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

(8)

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Handwriting practice area with 25 horizontal dotted lines.



SECTION C

Answer TWO questions from this section.

- 8** According to the Global Competitiveness Index, Belgium's international competitiveness rank fell four places between 2015 and 2019.

Evaluate measures that a developed country might take to increase its international competitiveness. Refer to a developed country of your choice in your answer.

(Total for Question 8 = 20 marks)

- 9** Between 2014 and 2018 the average cost to developing countries of servicing and repaying their external debts increased by over 60%.

Evaluate the case for promoting *economic development* through debt relief. Refer to a developing country of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** Between January and August 2018, Turkey's currency, the lira, depreciated by nearly 40% against the US dollar.

Evaluate the economic effects of a depreciation of a country's currency. Refer to a country of your choice in your answer.

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In 2019 it was estimated that a large proportion of the fiscal deficit in Japan and the UK was structural.

Evaluate whether a structural fiscal deficit is a more serious issue than a cyclical fiscal deficit. Refer to a country of your choice in your answer.

(Total for Question 8 = 20 marks)

- 9** Between 2007 and 2017 income inequality increased in Denmark and in Italy.

Evaluate possible causes of an increase in income inequality within a developed country of your choice.

(Total for Question 9 = 20 marks)

- 10** In 2020 Argentina's currency, the peso, fell by 75% against the US dollar.

Evaluate factors that influence the exchange rate of a currency. Refer to a developing country of your choice in your answer.

(Total for Question 10 = 20 marks)



SECTION C

Answer TWO questions from this section.

- 8 Between September 2021 and September 2022 the US dollar appreciated by nearly 18% against the euro.

Evaluate the likely economic effects of an appreciation of a country's currency on its economy. Refer to a developed country of your choice in your answer.

(Total for Question 8 = 20 marks)

- 9 In 2020 the International Monetary Fund (IMF) provided financial assistance of \$13 billion to low-income developing countries. In addition, the World Bank provided financial assistance of \$43 billion to low-income developing countries.

Evaluate the role of international institutions in promoting *economic development*. Refer to examples of developing countries in your answer.

(Total for Question 9 = 20 marks)

- 10 Between 2003 and 2019, income inequality, as measured by the Gini coefficient, increased from 0.25 to 0.29 in Sweden and from 0.32 to 0.37 in Indonesia.

Evaluate possible causes of an increase in income inequality within a country of your choice.

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In 2022 the value of Japan's currency, the yen, fell by 35% against the US dollar.

Japan's central bank intervened in the currency markets to increase the external value of the yen. This intervention cost the central bank \$20.8 billion.

Evaluate policies that can be used to prevent a country's exchange rate from depreciating. Refer to a developed country of your choice in your answer.

(Total for Question 8 = 20 marks)

- 9** The eurozone is an economic and monetary union. Member countries of this union share a single currency, the euro. Romania is hoping to become a member of the eurozone by 2026.

Evaluate the costs to a country of becoming a member of an economic and monetary union. Refer to a country of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** From 2017 to 2021 public expenditure as a proportion of GDP rose from 25.1% to 29.5% in Azerbaijan and from 12.5% to 15.9% in India.

Evaluate possible causes of an increase in public expenditure as a proportion of GDP in a developing economy of your choice.

(Total for Question 10 = 20 marks)



SECTION C

Answer TWO questions from this section.

- 8** In 2022 an additional 2 500 trade restrictions were introduced globally.

Evaluate the likely effects of an increase in protectionist policies on the global economy.

(Total for Question 8 = 20 marks)

- 9** Between 2000 and 2022 globalisation was a significant factor that led to an increase in average incomes in Indonesia. However, income inequality within the country also increased during the same period.

Evaluate reasons why globalisation may lead to an increase in income inequality within a country. Refer to a country of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** In 2022 Pakistan's currency, the rupee, fell by 27% against the US dollar.

Evaluate factors that might cause a depreciation of the exchange rate of one currency against another currency. Refer to a developing country of your choice in your answer.

(Total for Question 10 = 20 marks)



SUB-TOPIC 4.3.3.3

INTERNATIONAL COMPETITIVENESS

Sub-topic 4.3.3.3 · 14 questions · 96 marks · lowest tariff first



- 3 According to the Global Competitiveness Index, Finland's international competitiveness rank fell six places between 2015 and 2018.

Which **one** of the following measures is most likely to increase Finland's international competitiveness?

- ☐ A A reduction in spending on infrastructure
- ☐ B Stricter regulation of labour markets
- ☐ C Improvements in education and training
- ☐ D More restrictions on free trade

(Total for Question 3 = 1 mark)

- 4 The UK pound sterling exchange rate is allowed to float freely. The value of the pound sterling changed from £1 = \$1.53 in January 2015 to £1 = \$1.26 in January 2019.

This means that the value of pound sterling against the dollar has

- ☐ A devalued
- ☐ B revalued
- ☐ C depreciated
- ☐ D appreciated

(Total for Question 4 = 1 mark)

- 5 In 2019 India's international competitiveness rank was 10 places lower than it was in 2018.

Which **one** of the following is the most likely reason for this fall in India's international competitiveness?

- ☐ A A decrease in its inflation rate relative to other countries
- ☐ B A decrease in its unit labour costs relative to other countries
- ☐ C A decrease in its labour productivity relative to other countries
- ☐ D A decrease in its transportation costs relative to other countries

(Total for Question 5 = 1 mark)

- 6 The table shows the maximum possible production of cars and lorries by Country A and Country B in a given year.

Country	Cars		Lorries
A	40 000	OR	20 000
B	16 000	OR	16 000

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

- ☐ A Both countries will not benefit from specialisation and trade
- ☐ B Country A has a comparative advantage over Country B in the production of cars and lorries
- ☐ C Country B has an absolute advantage over Country A in the production of cars and lorries
- ☐ D Country B has a lower opportunity cost of producing lorries whereas Country A has a lower opportunity cost of producing cars

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

- 6 Between 2018 and 2019 the Netherlands' rank on the Global Competitiveness Index increased from sixth to fourth. This was as a result of an increase in its labour productivity.

Which **one** of the following combinations is the most likely impact of an increase in labour productivity?

	Unit labour costs	Export prices
☐ A	Fall	Fall
☐ B	Fall	Rise
☐ C	Rise	Fall
☐ D	Rise	Rise

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

- 3 In 2020 Denmark's international competitiveness rank was six places higher than in 2019.

Which **one** of the following is the most likely reason for this increase in Denmark's international competitiveness?

- ☐ A An increase in its unit labour costs relative to other countries
- ☐ B An increase in its transportation costs relative to other countries
- ☐ C An increase in its labour productivity relative to other countries
- ☐ D An increase in its rate of inflation relative to other countries

(Total for Question 3 = 1 mark)

- 4 In December 2020 the Spanish Government announced that it was increasing the highest rate of income tax from 45% to 47%.

Which **one** of the following is the most likely impact of this change?

- ☐ A The Government will receive an additional 2% tax from all workers in Spain
- ☐ B The value of Spain's Gini coefficient will fall and the country's Lorenz curve will shift inwards
- ☐ C The burden of tax will fall mostly on low income households, as the tax change is regressive
- ☐ D There will be an increased incentive for people to set up businesses in Spain

(Total for Question 4 = 1 mark)

- 6 Between 2019 and 2020 France's rank on the Global Competitiveness Index decreased from 31st to 32nd. This was as a result of a significant decrease in its labour productivity.

Which **one** of the following combinations is the most likely effect of a decrease in labour productivity?

	Unit labour costs	Export prices
☐ A	Fall	Fall
☐ B	Fall	Rise
☐ C	Rise	Fall
☐ D	Rise	Rise

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



SECTION A

Answer ALL questions in this section.

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

1 Which **one** of the following suggests that *primary product dependency* is a constraint on growth and development?

- ☐ A The Prebisch–Singer hypothesis
- ☐ B The Marshall–Lerner condition
- ☐ C The Lewis structural dual-sector model
- ☐ D The Harrod–Domar model

(Total for Question 1 = 1 mark)

2 In 2022 the Australian Government announced that it would invest nearly \$13.6 billion in major infrastructure projects.

This change in public expenditure is an example of an increase in which **one** of the following?

- ☐ A Transfer payments
- ☐ B Automatic stabilisers
- ☐ C Current expenditure
- ☐ D Capital expenditure

(Total for Question 2 = 1 mark)

3 In 2022 South Korea's international competitiveness ranking was four places lower than it was in 2021.

Which **one** of the following measures is most likely to increase South Korea's international competitiveness?

- ☐ A Stricter regulation of product markets
- ☐ B Privatisation of state-owned enterprises
- ☐ C Greater restrictions on free trade
- ☐ D Less spending on education and training

(Total for Question 3 = 1 mark)



SECTION A

Answer ALL questions in this section.

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

- 1 Which **one** of the following is a *non-economic* factor that might constrain the rate of economic growth and economic development of a country?

- ☐ A A poorly educated workforce
- ☐ B Volatile commodity prices
- ☐ C Capital flight
- ☐ D High levels of corruption

(Total for Question 1 = 1 mark)

- 2 In 2021 the UK experienced a fall in labour productivity. It remained below the average labour productivity of its main trading partners.

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

- ☐ A UK goods and services were less internationally competitive than those of its trading partners
- ☐ B Average export prices of UK goods and services were lower than the average export prices of its trading partners
- ☐ C Unit labour costs in the UK were the same as the average unit labour costs of its trading partners
- ☐ D The UK experienced a significant deterioration in its terms of trade

(Total for Question 2 = 1 mark)

- 3 In 2020 Japan's central bank, the Bank of Japan, increased its reserve asset (liquidity) requirements for commercial banks.

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

- ☐ A An increase in the money supply
- ☐ B An increase in the level of real output
- ☐ C A decrease in the rate of inflation
- ☐ D A decrease in the rate of unemployment

(Total for Question 3 = 1 mark)

3 In 2022 Romania's labour productivity increased at a faster rate than that of its main trading partners.

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

- ☐ A Average export prices of Romanian goods and services increased relative to the average export prices of its trading partners
- ☐ B Unit labour costs in Romania decreased relative to the average unit labour costs of its trading partners
- ☐ C Romania's goods and services became less internationally competitive relative to its trading partners
- ☐ D Romania experienced an improvement in its terms of trade

(Total for Question 3 = 1 mark)



SECTION B

Study Figures 1, 2 and 3 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 and the second paragraph of Extract A, calculate the value of FDI in Vietnam in 2023. You are advised to show your working. (2)
- (b) Explain what is meant by 'absolute poverty' (Extract A, lines 10 and 11). (4)
- (c) With reference to Figure 2 and Extract A, examine **two** likely economic benefits to Vietnam of FDI inflows. (8)
- (d) With reference to Figure 3, analyse the likely impact of the change in the average monthly earnings of manufacturing employees on Vietnam's international competitiveness. (6)
- (e) With reference to the information provided and your own knowledge, discuss measures, **apart from** promoting FDI, that the Government of Vietnam might take to increase the country's international competitiveness. (14)

Sources for use with Section B

The economy of Vietnam

Figure 1 Foreign direct investment (FDI) in Vietnam, \$ billions, 2014–2022

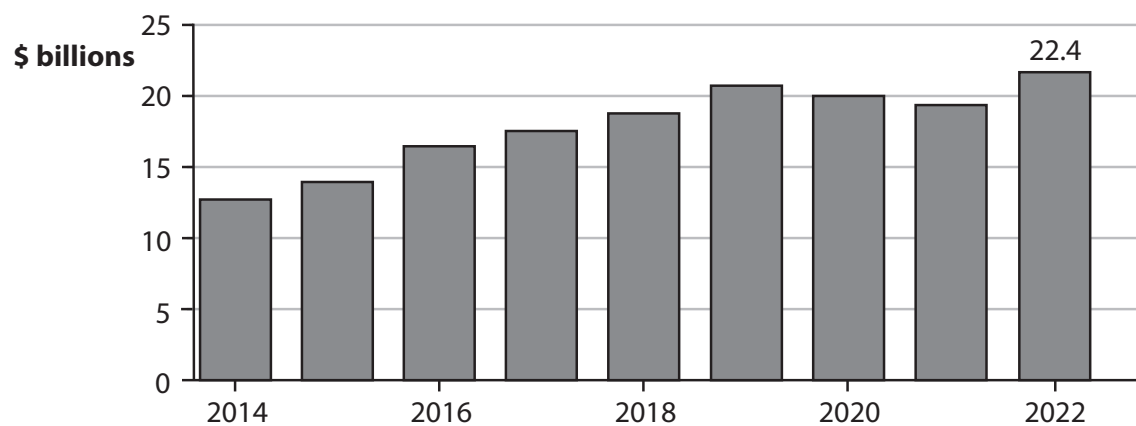


Figure 2 Largest sources of FDI inflows to Vietnam, \$ billions, 2022

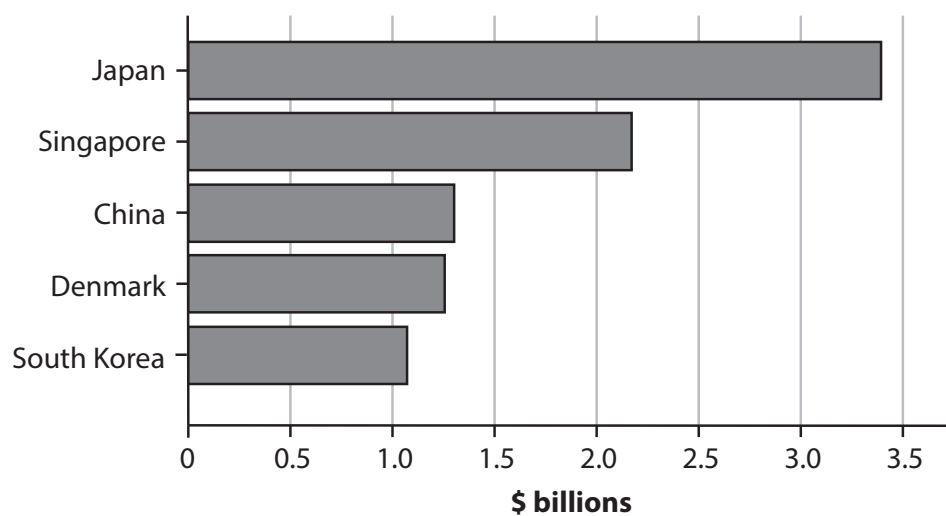
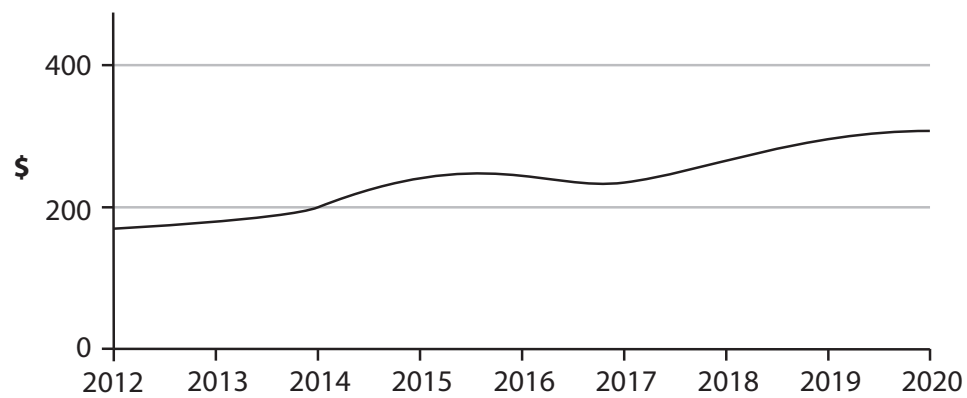


Figure 3 Average monthly earnings of manufacturing employees in Vietnam, \$, 2012–2020



Extract A Economic challenges

Some of the major suppliers to global technology companies are based in Vietnam. Trade wars between the USA and China and the risks to businesses exposed by the global health crisis of 2020-22 are forcing manufacturing businesses to move out of China and to invest in Vietnam. The relocation of businesses to Vietnam is part of a growing 'China plus one' strategy aimed at expanding global supply chains. 5

Vietnam attracted 962 new FDI projects in the first five months of 2022. This compared with 578 projects in the same period in 2021. In 2023, FDI inflows into Vietnam increased by 32.1% compared with 2022. FDI inflows are an important source of national income for Vietnam. Between 2016 and 2022 the proportion of the population living in absolute poverty decreased from 9.2% to 4.2%. 10

However, there are risks and uncertainties for foreign manufacturing businesses investing in Vietnam. The country suffers from weak physical infrastructure, especially its electricity network. In addition, the costs of bureaucracy for businesses are high. This is likely to have an impact on Vietnam's international competitiveness in the long-run. 15

Vietnam's Finance Minister said that the country's infrastructure was improving and becoming more modern. The country has an abundant supply of labour that will be cheap for a long time. In 2020 unit labour costs in Vietnam, although higher than in 2012, were still significantly lower than in China and Malaysia.

Nevertheless, the labour market in Vietnam is becoming inflexible. If manufacturing firms continue to shift operations to Vietnam there will be a shortage of skilled labour. One economist stated, "The challenge is the human capital. If you have to build a huge factory that needs 10 000 skilled workers, they need to come from somewhere." 20

Vietnam remains highly dependent on imports of raw materials from China. This means that Vietnam's supply chain is at risk if there are any disruptions to the flow of imports from China. 25

Whatever the doubts about infrastructure, bureaucracy, labour or other issues, few economists expect 'China plus one' growth to end soon. "The gates open, FDI comes in," said one existing entrepreneur, who is planning to make further investment in Vietnam.

Acknowledgements

Figures 1, 2, 3 and Extract A adapted from: FT, <https://www.ft.com/content/29070eda-3a0c-4034-827e-0b31a0f3ef11>

(d) With reference to Figure 3, analyse the likely impact of the change in the average monthly earnings of manufacturing employees on Vietnam's international competitiveness.

(6)



[illegible]

SECTION B

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

- 7** (a) With reference to Figure 1 and Figure 2, calculate the value of Greece's national debt in 2022. You are advised to show your workings. (2)
- (b) Explain what is meant by 'deflationary fiscal policies' (Extract A, line 10). (4)
- (c) With reference to the third paragraph of Extract A, examine **two** measures that the Government of Greece could take to increase the country's international competitiveness. (8)
- (d) With reference to Extract A, analyse **two** roles of the European Central Bank (ECB). (6)
- (e) With reference to the information provided and your own knowledge, discuss the likely economic benefits of a decrease in national debt, as a proportion of GDP, on the economy of Greece. (14)



Sources for use with Section B

The economy of Greece

Figure 1 Real GDP, \$ billion, 2008–2022

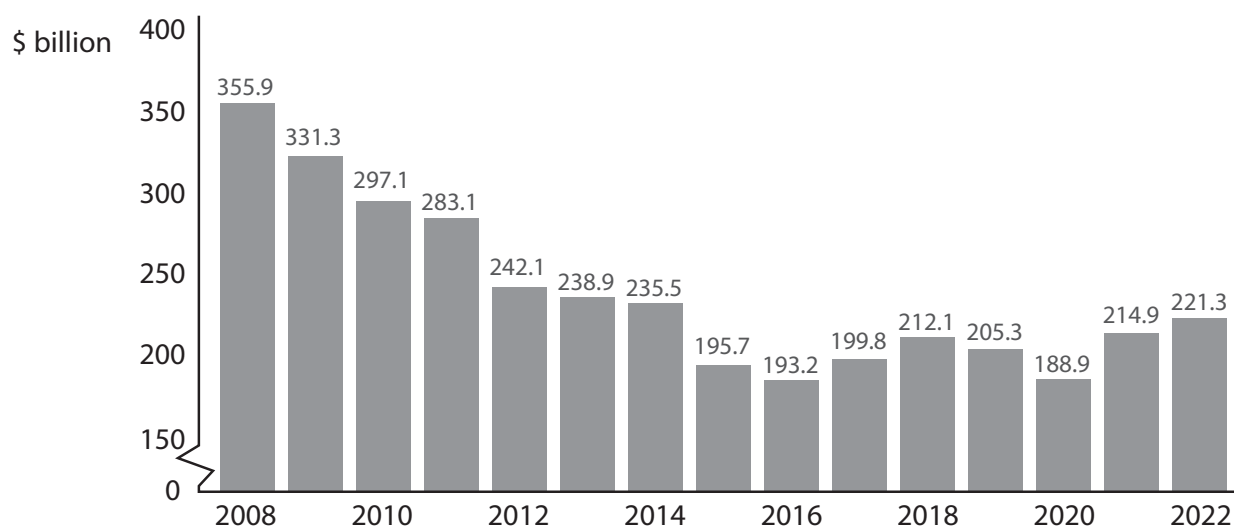
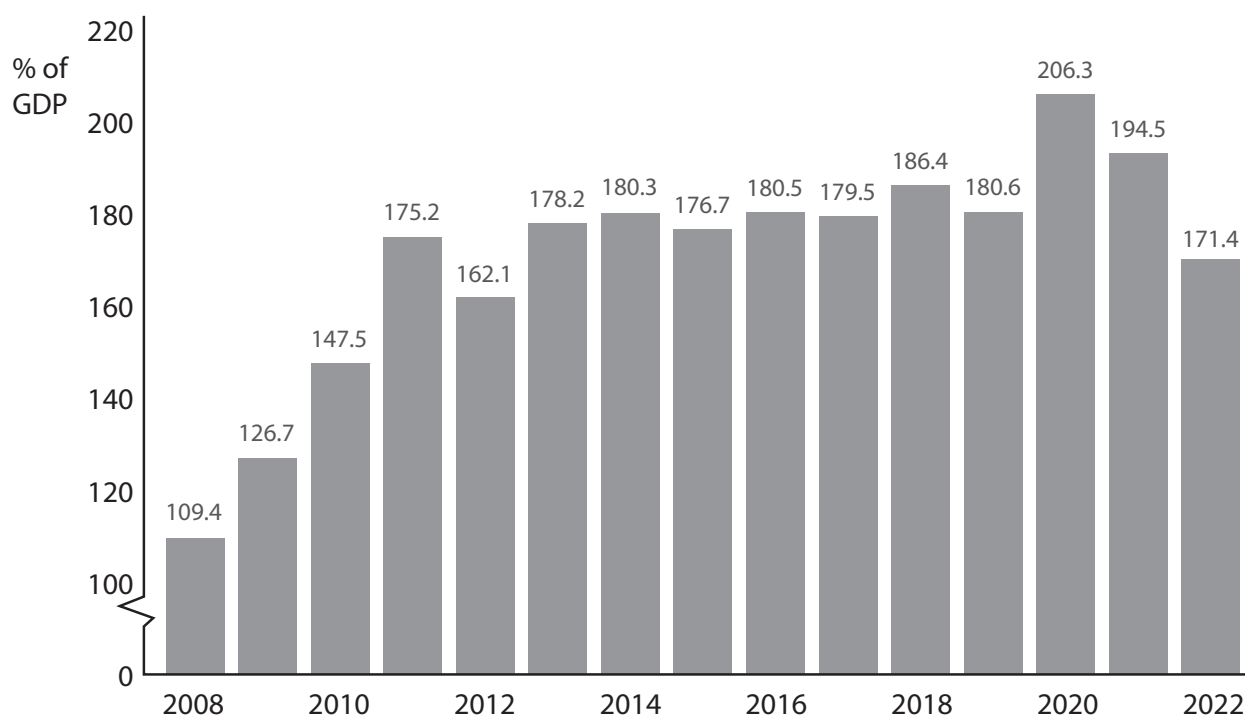


Figure 2 National debt, % of GDP, 2008–2022



Extract A Economic outlook

Following the global financial crisis of 2008, Greece experienced a debt crisis. In 2010 the country's credit rating (an estimate of the ability of a country to repay its debts) was reduced. Greece's credit rating fell from 'A' to 'CCC'. This indicated that Greece went from having a strong ability to make repayments of its national debt to a situation in which it was unable to service its debt. 5

Between 2008 and 2010 Greece's national debt increased from 109.4% of GDP to 147.5% of GDP. Consequently, the Government had to borrow \$146 billion from the International Monetary Fund (IMF) and the European Union. As a condition of these loans, the Government of Greece was required to implement deflationary fiscal policies to reduce its national debt. It was also forced by the IMF to reduce pensions to the elderly in return for financial support. As a result of these measures, between 2010 and 2020, the country's rate of economic growth fell by 25% and the disposable incomes of Greek citizens decreased by almost 30%. The resulting increase in unemployment led to many young citizens leaving the country in search of work. 10 15

After the global health crisis of 2020 Greece was able to reduce its national debt as a proportion of GDP. In 2022 real GDP increased by nearly 3% and its debt-to-GDP ratio fell. This helped to improve the country's credit rating to 'B+'. This improvement in the economy led the European Central Bank (ECB) to advise the Government of Greece to make capital investments in infrastructure, human capital and healthcare. This was because Greece's international competitiveness was significantly lower compared to the other members of the eurozone. Its competitiveness rank was 47th when compared with 63 other countries with similar economic prospects. 20

Greece continues to face significant challenges. These include:

- its debt-to-GDP ratio is falling but it still remains the highest in the eurozone area 25
- its forecast rate of economic growth for 2023 was reduced
- its rate of inflation, excluding changes in food and energy costs, was 5.6%. This was the highest rate of inflation in the eurozone
- the ECB raised the base rate of interest from 2.5% to 3% in March 2023 because of the high rate of inflation in the eurozone area. 30

(c) With reference to the third paragraph of Extract A, examine **two** measures that the Government of Greece could take to increase the country's international competitiveness.

(8)





SECTION B

Study Figures 1, 2 and 3 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 and the second paragraph of Extract A, calculate the value of FDI in Vietnam in 2023. You are advised to show your working. (2)
- (b) Explain what is meant by 'absolute poverty' (Extract A, lines 10 and 11). (4)
- (c) With reference to Figure 2 and Extract A, examine **two** likely economic benefits to Vietnam of FDI inflows. (8)
- (d) With reference to Figure 3, analyse the likely impact of the change in the average monthly earnings of manufacturing employees on Vietnam's international competitiveness. (6)
- (e) With reference to the information provided and your own knowledge, discuss measures, **apart from** promoting FDI, that the Government of Vietnam might take to increase the country's international competitiveness. (14)



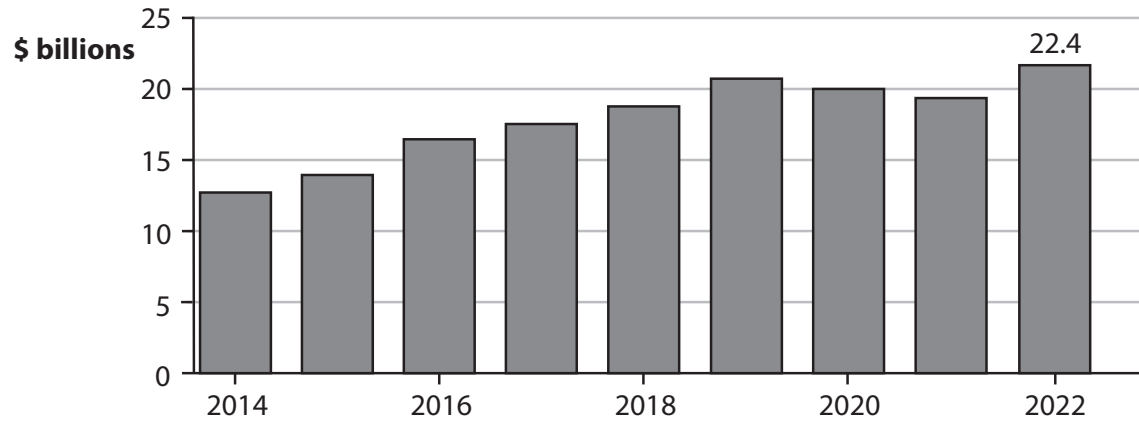
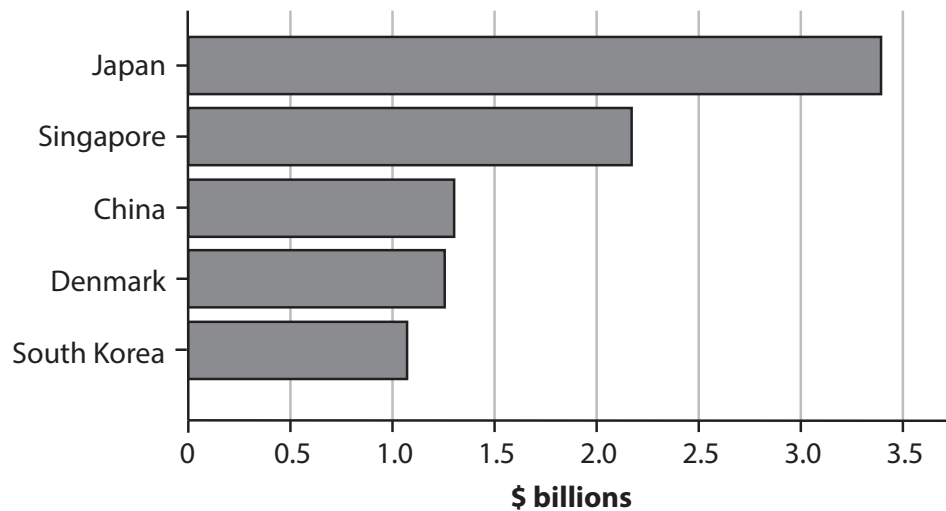
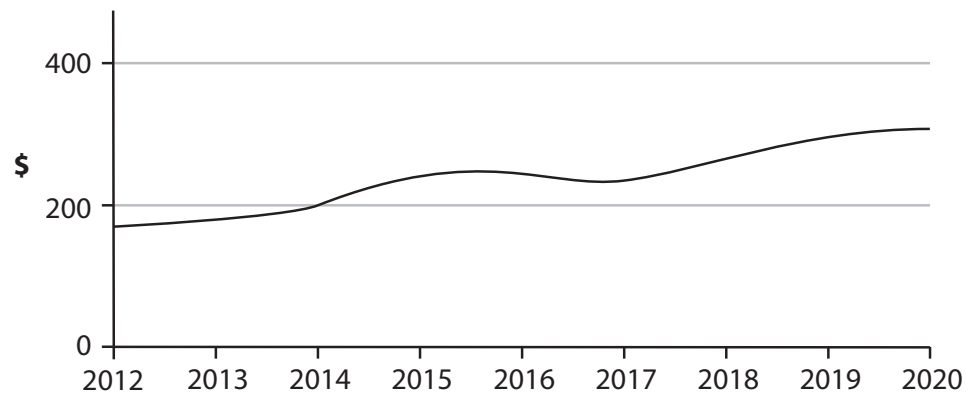
Sources for use with Section B**The economy of Vietnam****Figure 1 Foreign direct investment (FDI) in Vietnam, \$ billions, 2014–2022****Figure 2 Largest sources of FDI inflows to Vietnam, \$ billions, 2022**

Figure 3 Average monthly earnings of manufacturing employees in Vietnam, \$, 2012–2020



Extract A Economic challenges

Some of the major suppliers to global technology companies are based in Vietnam. Trade wars between the USA and China and the risks to businesses exposed by the global health crisis of 2020-22 are forcing manufacturing businesses to move out of China and to invest in Vietnam. The relocation of businesses to Vietnam is part of a growing 'China plus one' strategy aimed at expanding global supply chains. 5

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However, there are risks and uncertainties for foreign manufacturing businesses investing in Vietnam. The country suffers from weak physical infrastructure, especially its electricity network. In addition, the costs of bureaucracy for businesses are high. This is likely to have an impact on Vietnam's international competitiveness in the long-run. 15

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Nevertheless, the labour market in Vietnam is becoming inflexible. If manufacturing firms continue to shift operations to Vietnam there will be a shortage of skilled labour. One economist stated, "The challenge is the human capital. If you have to build a huge factory that needs 10 000 skilled workers, they need to come from somewhere." 20

Vietnam remains highly dependent on imports of raw materials from China. This means that Vietnam's supply chain is at risk if there are any disruptions to the flow of imports from China. 25

Whatever the doubts about infrastructure, bureaucracy, labour or other issues, few economists expect 'China plus one' growth to end soon. "The gates open, FDI comes in," said one existing entrepreneur, who is planning to make further investment in Vietnam.

Acknowledgements

Figures 1, 2, 3 and Extract A adapted from: FT, <https://www.ft.com/content/29070eda-3a0c-4034-827e-0b31a0f3ef11>



(e) With reference to the information provided and your own knowledge, discuss measures, **apart from** promoting FDI, that the Government of Vietnam might take to increase the country's international competitiveness.

(14)





(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS



SECTION C

Answer TWO questions from this section.

- 8** According to the Global Competitiveness Index, Belgium's international competitiveness rank fell four places between 2015 and 2019.

Evaluate measures that a developed country might take to increase its international competitiveness. Refer to a developed country of your choice in your answer.

(Total for Question 8 = 20 marks)

- 9** Between 2014 and 2018 the average cost to developing countries of servicing and repaying their external debts increased by over 60%.

Evaluate the case for promoting *economic development* through debt relief. Refer to a developing country of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** Between January and August 2018, Turkey's currency, the lira, depreciated by nearly 40% against the US dollar.

Evaluate the economic effects of a depreciation of a country's currency. Refer to a country of your choice in your answer.

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In 2020 the Government of Chile increased the top rate of income tax from 35% to 40%.

Evaluate the likely macroeconomic effects of an increase in the top rate of income tax on a country of your choice.

(Total for Question 8 = 20 marks)

- 9** In 2020 New Zealand's productivity rate was 40% lower than the average productivity of many other advanced economies.

Evaluate factors that influence a country's international competitiveness. Refer to a developed country of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** Between 2008 and 2018, income inequality, as measured by the Gini coefficient, increased from 0.43 to 0.51 in Angola and from 0.34 to 0.41 in Bulgaria.

Evaluate government policies that could be used to reduce income inequality in a developing country of your choice.

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** Between 2004 and 2020, income inequality, as measured by the Gini coefficient, increased from 0.25 to 0.28 in Denmark and from 0.26 to 0.29 in Sweden.

Evaluate government policies, **apart from** changes in income tax rates, that could be used to reduce income inequality in a developed country of your choice.

(Total for Question 8 = 20 marks)

- 9** Between 2000 and 2022, Canada's productivity decreased by 9%.

Evaluate the likely effects of a decrease in productivity on a country of your choice.

(Total for Question 9 = 20 marks)

- 10** Between quarter 2 (Q2) 2020 and quarter 2 (Q2) 2022, global commodity prices increased by an average of 150%, with oil prices increasing by 239%.

Evaluate the possible causes of the increase in global commodity prices. Refer to examples of commodities in your answer.

(Total for Question 10 = 20 marks)



MARK SCHEMES

official mark schemes, in the same order as the questions



Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	-	The only correct answer is B <i>A is not correct because this is a market-orientated strategy</i> <i>C is not correct because this is a market-orientated strategy</i> <i>D is not correct because this is a market-orientated strategy</i>	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because this could have caused an appreciation in the exchange rate of the euro against the US dollar</i> <i>B is not correct because this could have caused an appreciation in the exchange rate of the euro against the US dollar</i> <i>D is not correct because this could have caused an appreciation in the exchange rate of the euro against the US dollar</i>	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A <i>B is not correct because the Marshall-Lerner condition is associated with changes in the exchange rate</i> <i>C is not correct because this would cause the Lorenz curve to shift away from the line of perfect equality</i> <i>D is not correct because this would cause the Lorenz curve to shift away from the line of perfect equality</i>	(1)
4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D <i>A is not correct because the trade balance relates to the current account</i> <i>B is not correct because the trade balance relates to the current account</i> <i>C is not correct because the value of imports is less than the value of exports</i>	(1)

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D A is not correct because this is a non-economic factor B is not correct because this is a non-economic factor C is not correct because this would promote economic growth	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is not correct because transfer payments relate to payments made by a government to individuals in the form of benefits B is not correct because this is not an example of day-to-day expenditure D is not correct because this relates to expenditure by individuals in the private sector	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is not correct because this relates to a current account surplus C is not correct because this relates to the public finances D is not correct because primary income is a component of the current account	(1)
4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D A is not correct because this is a possible benefit of globalisation B is not correct because this is a possible benefit of globalisation C is not correct because globalisation may lead to an increase in economies of scale for TNCs	(1)

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A <i>B is not correct because there is no link between a country's national debt and absolute advantage</i> <i>C is not correct because this would lead to an increase in debt servicing costs</i> <i>D is not correct because the rate of inflation is likely to increase</i>	(1)
2	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 a market-orientated strategy to promote economic growth and development</i> <i>B is not correct because this is a market-orientated strategy to promote economic growth and development</i> <i>C is not correct because this is a market-orientated strategy to promote economic growth and development</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 does not relate to the current account of the balance of the payments</i> <i>B is not correct because this relates to a fiscal/budget deficit</i> <i>D is not correct because this does not relate to the current account of the balance of the payments</i>	(1)
4	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 because Country X has an absolute advantage over Country Y in the production of both goods</i> <i>C is not correct because Country X does not have a comparative advantage over Country Y in the production of both goods</i> <i>D is not correct because this will happen when the opportunity cost for producing both goods for both countries is the same</i>	(1)

Section B

Question	In 2022 Indonesia's current account surplus was 1% of its GDP. With reference to line 26 of Extract A, calculate Indonesia's GDP in 2022. You are advised to show your working. Answer	Mark
7(a)	Application 2 Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculations: • \$13.2 billion x 100 (1) • \$1 320 billion / \$1,320,000,000,000 (1) NB Award 2 marks for correct answer (1 320 billion / 1.32 trillion) NB Award only 1 mark for \$1 320 / 1 320% / 1.32 billion	(2)
Question	With reference to Figure 1, explain the difference between a balance of trade deficit and a balance of trade surplus. Answer	Mark
7(b)	Knowledge 2, Application 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge 1 mark for defining balance of trade deficit: • Value of imports is greater than the value of exports / (X-M) is negative (1) 1 mark for defining balance of trade surplus: • Value of exports is greater than the value of imports / (X-M) is positive (1) Application 1 mark for correctly identifying a period when Indonesia was experiencing a balance of trade deficit, e.g.: • In Jan 2019 there was a balance of trade deficit / There was a deficit between Nov 2019 and Jan 2020 (1) 1 mark for correctly identifying a period when Indonesia was experiencing a balance of trade surplus, e.g.: • In May 2020 there was a balance of trade surplus / There was a surplus between May 2020 and Dec 2022 (1)	(4)

Question	With reference to the information provided and your own knowledge, examine two likely problems arising from the fall in the number of Chinese tourists to Taiwan. 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 1 mark for knowledge of each problem (1+1) and 1 mark for linked analysis (1+1), e.g.: • Less tourists spending on goods/services provided in the local economy (1) will not help fill the foreign exchange gap/lower foreign exchange (1) • Less FDI by TNCs in Taiwan (1) less investment in infrastructure, hotels, associated services (1) • Lower injections could lead to slower economic growth (1) not creating enough employment: tourism is a labour-intensive industry (1) • Less tax revenue for the government from lower expenditure by the tourists (1) available to reduce inequality through income redistribution/preserve national heritage (1) Application Up to 2 marks for application to sources, e.g.: • Figure 1: Taiwan had only 2.71 million Chinese tourists in 2019 (1) down from 4.18 million in 2015 (1) Evaluation Up to 2 marks for evaluative comments (1+1 or 2+0): • Problems are likely to be significant (1) as there has been a 35% fall in tourist numbers (1) • There might not be a fall in FDI or economic growth as number of visitors from Japan and countries in Southeast Asia increased (1), Japan 33%/The Philippines 264%/Thailand 242%/Vietnam 173% (1) • Less tourists will reduce external costs (1) as there will be less pollution/waste/environmental damage (1)	(8)

Question	Discuss policies, apart from tourism, being implemented by the Taiwanese Government to reduce its dependence on China. Indicative content
7(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. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (8 marks) – indicative content • “incentives that made it easier to buy land and register property” – reducing bureaucracy/regulatory burden on firms simplifies the process of buying land and gaining environmental clearances. It otherwise hinders entrepreneurship in the private sector by adding to a firm’s cost of production • “investment in infrastructure to ensure the continuous provision of gas, electricity and water supply” – improvements in infrastructure will help to address the bottlenecks in power sources and water supply. It ensures the stability of electricity (no power outages) and no water shortages. This will help raise total factor productivity through fall in costs for the private sector, thereby allowing more efficient use of productive inputs • “subsidies and tax incentives for the technology sector” – will reduce cost of production for firms and may encourage firms to invest in innovation which would not otherwise be started due to the high risk and cost involved. This allows the firms to gain technical economies of scale and dynamic efficiency. It helps reduce problem of lack of finance to fund research and development • Improved trade links with countries in both South Asia and Southeast Asia – allows for trade creation with countries in the NSP leading to increased specialisation and trade through comparative advantage. Countries in the NSP accounted for around 20% of Taiwan’s exports in 2019

Question Number	Indicative content
10	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. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content • Understanding/explanation of current account deficit • Identification of the components of the current account Causes of a current account deficit may include: • Overvalued currency that may have contributed to the loss of international competitiveness as exports become relatively more expensive and imports becomes relatively cheaper • Relatively low productivity has meant that goods and services are not competitive as export prices would be high due to higher cost per unit of producing goods and services • Low levels of investment in human capital (lack of investment in education and training), which reduces skill levels relative to trading partners and restricts countries from selling high value exports • Relocation/offshoring of manufacturing industries to countries with low relative unit labour costs and weak regulations as countries are unable to compete with goods produced by relatively low wage far-east countries • Economic growth leads to high marginal propensity to import as people have more disposable income to consume. This increases imports of goods • Economies may have experienced a relatively high inflation rate, which makes exports less competitive and imports more competitive • Slowdown in other countries/trading partners will reduce their demand for imports and therefore they will buy less of a country's exports • Deterioration in other elements of the current account (current transfers and investment income) • An increase in protectionism/trade barriers by trading partners N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer 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 • Different factors are important for different countries: for example, UK has a negative current account balance due to its low productivity whereas India is one of the fastest growing nations in the world • Significance of factors in short run and long run: may be short-term only as when economic growth falls, current account deficits could decrease again • Some companies are returning back/reshoring as labour and transportation costs have been increasing in far-east countries. Likely to improve current account performance in the future • If inflation is similarly high or higher in countries where the imported goods originate from, there is no significant change in price competitiveness • Depends on the marginal propensity to import of a country. If the marginal propensity to import is high, then the rise in income due to economic growth will have a larger effect on the current account deficit, since it indicates that imports will vary closely with changes in income • The data provided is for one year only – may not be significant compared to previous years. There is inadequate data to draw conclusions
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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.



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	In 2019 the current account deficit on the balance of payments in Turkey was US\$47.4 billion and in Argentina it was US\$31.3 billion. Evaluate the disadvantages of a current account deficit to a developing country of your choice. Indicative content	
10	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. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content • Understanding of current account deficit • All current account deficits need to be financed and if they are substantial this can become a significant problem; it may cause reduction in reserves and need to borrow from IMF • The lack of international competitiveness may indicate lower economic growth and increasing unemployment • Trade in goods deficit might be quite difficult to finance; it may require higher interest rates or sale of assets • Might cause a depreciation in the country's exchange rate, with possible inflationary pressures and increased debt burden if held in foreign currency • Net leakage from circular flow of income could cause a fall in AD, leading to fall in output, employment and income via the multiplier effect • Deficit may imply more reliance on consumer spending and becoming highly uncompetitive: structural weakness and uncompetitive manufacturing sector • Danger of increased use of protectionist policies by countries with trade deficits, which could distort comparative advantage • The financial crisis led to a downturn in economies of deficit countries - foreign financing used to pay for deficits fell due to lack of confidence N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing 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 • Current account deficit may be financed by the inflows in the capital and financial account of the balance of payments • The deficit may be a relatively small percentage of GDP and therefore is likely to be manageable • May be desirable if trade imbalances are caused by the imports of capital goods which would increase the country's productive capacity/potential output in the long run • Exchange rate might change to bring about a correction of the balance of payment deficit on the current account • Might only be a short-term problem; SR vs LR considerations • May not be a problem if the country holds large reserves of foreign currency		
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	In 2021 Singapore's surplus on its current account of the balance of payments was over \$60 billion. Evaluate possible causes of a current account surplus. Refer to a developed country of your choice in your answer. Indicative content
9	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. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (12 marks) – indicative content • Understanding of current account surplus • Higher productivity – more educated/skilled workforce, reducing unit costs and therefore more competitive in terms of labour costs • Fall in the external value/depreciation of a country's currency – makes exports relatively cheap and imports relatively more expensive • Relatively low inflation rates – Singapore's rate of inflation is relatively lower than most developed countries • Increase in demand for goods and services from the rest of the world • Falling real wages/incomes in Singapore, reducing demand for imports • Lower regulation/bureaucracy in Singapore, reducing costs of production • Protectionist policies designed to reduce country's dependence on imports • Reputation for producing high quality and highly reliable goods/services • Previous investment in modern technology, e.g. on machinery/equipment • Rise in price of key commodity exported, e.g. Singapore and petroleum • Firms in Singapore benefiting from external economies of scale • Abundance of raw materials – highly demanded by other countries, e.g. Saudi Arabia and oil • Increase in the world price of commodities; more relevant to countries in which commodities are a high proportion of exports N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed 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 • Short-run versus long-run considerations: reasons why surplus may not be maintained over the longer term • Significance of causes of current account surplus change over time • Prioritisation of causes: e.g. rising petroleum prices may be the most important • Inadequacies of data: the data provided is only for one year; it is likely that the surplus may not be maintained over a longer time period • Hard to identify if Singapore's surplus is relatively small or large: perhaps surplus as a percentage of GDP would be more significant • Different combinations of causes affect different countries • Depends on which component of current account is causing the surplus
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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	In Libya the HDI was 0.80 in 2010 and it was 0.72 in 2019. Evaluate interventionist strategies that a government in a developing country of your choice might use to increase <i>economic development</i>. Indicative content
10	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. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content • Understanding of economic development/HDI • Development of human capital – government investment in healthcare and education can increase human capital and productivity; increases HDI as it increases life expectancy and mean years of schooling • Protectionism – by imposing restrictions on free trade, the government helps domestic (infant and geriatric) industries therefore maintaining employment; increases HDI as per capita incomes increase • Managed exchange rates – countries with an overvalued exchange rate can import raw materials and capital goods at a relatively lower price promoting advances in technology; e.g. increases proportion of people with access to mobile phones and the internet • Infrastructure development – investment in physical capital, e.g. power and water supplies, transport links and telecommunication networks will increase efficiency and reduce unit costs; e.g. increases the proportion of people with access to energy and clean water • Promoting joint ventures with TNCs – allows sharing of costs with the TNCs thereby gaining internal economies of scale that reduces export prices; local businesses could access resources including technology/human capital • Buffer stock schemes – by setting a floor and a ceiling price, governments reduce uncertainty caused by price volatility; this would therefore stabilise incomes and increase HDI

Section C

Question	In 2022 Türkiye's deficit on the current account of the balance of payments was \$48.75 billion. In the same year, Canada's deficit on the current account of the balance of payments was \$6.65 billion. Evaluate measures that could be taken to reduce a current account deficit on the balance of payments. Refer to a country of your choice in your answer. Indicative content
8	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. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content • Understanding of current account deficit Measures to reduce a current account deficit include: • Increase income tax rates/decrease government spending (deflationary fiscal policy) to reduce disposable incomes: lowers marginal propensity to import, reducing the value of imports • Increase in interest rates (deflationary monetary policy) to reduce the average price level/consumer spending: increases cost of borrowing and reward for saving, thus reducing marginal propensity to import • Improvements in education and training (supply-side policy): increases human capital and productivity, increasing competitiveness, thereby reducing the cost per unit and increasing the value of exports • Improvements in infrastructure (supply-side policy): increases efficiency and productivity, increasing competitiveness, hence increasing the value of exports • Reduce the rate of corporation tax/offer tax relief to businesses who make investments into technological advancements/R&D (supply-side policy): increases dynamic efficiency, increasing competitiveness, thereby reducing the cost per unit and increasing the value of exports • Policies to reduce the external value of the currency: exports become more price competitive thus increasing in value/imports become less price competitive thus decreasing in value • Protectionist policies: e.g. tariffs increase the price of imports/quotas restrict the number of imports into the country • Diversification/industrialisation to produce exports with more value-added N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a country of their choice in their answer

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident, but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
Evaluation (8 marks) – indicative content • Significance of measures change over time: SR v LR considerations • Combination of measures is likely to have a more significant impact • Discussion of the effectiveness of the measures, e.g. ◦ Effectiveness depends on the PES/YED/PED of imports and exports ◦ Depends if the Marshall-Lerner condition is met (may refer to J-curve) ◦ Increase in income tax/interest rates may result in a reduction in real output and increased unemployment, may inhibit long-term growth ◦ Effect on the price level depends on the level of spare capacity in the economy/depends on the elasticity of the LRAS ◦ Increase in interest rates may also cause the exchange rate to appreciate, thereby reducing price competitiveness of exports ◦ Time lags and implementation lags associated with the measures ◦ Supply-side measures may increase budget deficit and national debt ◦ Protectionism may result in retaliation; distortion of comparative advantage; not possible given membership of the WTO/trade blocs ◦ Issues with how time, cost, skill levels etc. relate to diversification/industrialisation/deindustrialisation		

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	In 2022 Mozambique had a Human Development Index (HDI) score of 0.46 whereas Guatemala had a HDI score of 0.63. Evaluate economic factors that constrain the growth and development of a developing country. Refer to a developing country of your choice in your answer. Indicative content
9	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. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (12 marks) – indicative content • Understanding/definition of economic growth • Understanding/definition of economic development Economic factors include: • Volatility of commodity prices: due to price fluctuations, the producers do not have stable incomes and hence cannot plan future output and investment • Primary product dependency (the Prebisch-Singer hypothesis): a country that exports commodities would be able to import less for a given volume of exports. Terms of trade between primary products and manufactured products worsen over time due to the relatively low-income elasticity of demand for primary products • Savings gap (the Harrod-Domar model): low savings, low investment, low capital accumulation, low growth/income; can be caused by factors such as lower GDP per capita, debt repayments, capital flight, absence of FDI • Foreign currency gap: a developing country may face a shortage of foreign exchange because of its dependence on export earnings from primary products. This is lower than its expenditure on imports of manufactured goods/capital • Capital flight: individuals/businesses in a developing country decide to remove their deposits in domestic banks and place them in foreign banks, or buy shares or assets in foreign countries – contributes to the savings gap and the foreign currency gap, restricting growth and development • Demographic factors (size and age distribution of population; migration): e.g. population growth leads to a greater supply of labour and hence lower wages. GDP per capita will fall if GDP does not rise as fast as the population. Ageing population will raise the dependency ratio, puts an upward pressure on public goods/services. Emigration of skilled labour will lead to a less productive workforce available

4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because devaluation happens in a fixed exchange rate</i> <i>B is not correct because revaluation happens in a fixed exchange rate</i> <i>D is not correct because there is a decrease in the exchange rate</i>	(1)
5	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A <i>B is not correct because net welfare loss areas are ABC and DEF</i> <i>C is not correct because producer surplus has increased by the area $P_1 P_2 B A$</i> <i>D is not correct because consumer surplus has decreased by the area $P_1 P_2 E F$</i>	(1)
6	QS5: Calculate and interpret index numbers.	The only correct answer is B <i>A is not correct because 100.0 represents the base year</i> <i>C is not correct because 101.9 is the index number for 2016 using 2015 as base year</i> <i>D is not correct because 102.8 is the index number for 2017 using 2015 as base year</i>	(1)

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	-	The only correct answer is D <i>A is not correct because there will be an increase in money supply</i> <i>B is not correct because there will be an increase in economic growth</i> <i>C is not correct because there will be a decrease in unemployment</i>	(1)
2	-	The only correct answer is A <i>B is not correct because this is related to industrialisation</i> <i>C is not correct because this is related to the current account position of the BOP</i> <i>D is not correct because this is related to primary product dependency</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 import prices rise and export prices fall</i> <i>B is not correct because this relates to the fiscal position and not balance of payments</i> <i>D is not correct because this is due to a fall in interest rates</i>	(1)
4	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS7: Make calculations to convert money to real terms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B <i>A is not correct because pay growth not adjusted for inflation was not the lowest in 2009</i> <i>C is not correct because there was an increasing rate of inflation between 2016 and 2017</i> <i>D is not correct because there was disinflation between 2012 and 2014</i>	(1)

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A <i>B is not correct because this is not an example of day-to-day expenditure</i> <i>C is not correct because this example relates to government revenues rather than expenditure</i> <i>D is not correct because transfer payments relate to payments made by a government to individuals in the form of benefits</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 because the central bank would sell the US dollar</i> <i>C is not correct because this would further depreciate the krone against the US dollar</i> <i>D is not correct because the central bank would buy the krone</i>	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. QS11: - Understand composite indicators	The only correct answer is C <i>A is not correct because this is an example of a market-orientated strategy</i> <i>B is not correct because this is an example of a market-orientated strategy</i> <i>D is not correct because this is an example of a market-orientated strategy</i>	(1)
4	QS9: Interpret, apply and analyse information in written,	The only correct answer is B	

5	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because the central bank would sell the Canadian dollar and buy the UK pound sterling</i> <i>B is not correct because the central bank would sell the Canadian dollar and buy the UK pound sterling</i> <i>D is not correct because the central bank would sell the Canadian dollar and buy the UK pound sterling</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 B <i>A is not correct because this would have increased Pakistan's terms of trade</i> <i>C is not correct because this would have increased Pakistan's terms of trade</i> <i>D is not correct because this would have increased Pakistan's terms of trade</i>	(1)

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D <i>A is not correct because this is likely to decrease a country's exchange rate</i> <i>B is not correct because this is likely to decrease a country's exchange rate</i> <i>C is not correct because this is likely to decrease a country's exchange rate</i>	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because this would lead to an increase in the rate of inflation</i> <i>B is not correct because this would lead to an increase in debt servicing costs</i> <i>D is not correct because tax revenues are likely to be decreasing</i>	(1)
3	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 tax on sugary drinks is a specific tax</i> <i>C is not correct because tax on income is a direct tax, whereas this tax on sugary drinks is a specific (indirect) tax</i> <i>D is not correct because tax on company profits is a direct tax, this tax on sugary drinks is a specific (indirect) tax</i>	(1)
4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A <i>B is not correct because this is likely to decrease income inequality</i> <i>C is not correct because this will shift the Lorenz curve closer to the line of perfect equality</i> <i>D is not correct because this will shift the Lorenz curve closer to the line of perfect equality</i>	(1)

5	QS1: Calculate, use and understand ratios and fractions. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because both countries will not benefit from specialisation and trade</i> <i>B is not correct because there will be an opportunity cost for producing televisions or computers for both countries</i> <i>D is not correct because the opportunity cost for producing televisions or computers for both countries is the same</i>	(1)
6	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because the Central Bank of India would sell the US dollar</i> <i>B is not correct because this would cause a depreciation in the Indian rupee against the US dollar</i> <i>D is not correct because the Central Bank of India would buy the Indian rupee</i>	(1)

Section B

Question	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.	Mark
	Answer	
7(a)	Application 2 Quantitative skills assessed: QS5: Calculate and interpret index numbers. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculations: • 500 - 100 (1) • 400% (1) NB Award 2 marks for correct answer (400%) NB Award only 1 mark for 400 without % sign	(2)

Question	Explain what is meant by 'interest rates' (Extract A, line 4).	Mark
	Answer	
7(b)	Knowledge 2, Application 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge Up to 2 marks for understanding interest rates, e.g.: • Cost of borrowing (1) • Reward for saving (1) • Monetary policy instrument (1) • Used to control inflation/AD (1) Application Up to 2 marks for application to interest rates, e.g.: • Rising base interest rates could lead to stagflation (1) • Many central banks have raised base interest rates in response to this inflationary pressure (1) • ECB increased its base interest rate from 0% to 1.25% (1) • This is an example of deflationary monetary policy (1)	(4)

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 the central bank would sell US dollars</i> <i>C is not correct because this would further depreciate the yen against the US dollar</i> <i>D is not correct because the central bank would buy Japanese yen</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 B <i>A is not correct because between 2000 and 2018 Bosnia and Herzegovina's terms of trade improved by 73.3%</i> <i>C is not correct because Bosnia and Herzegovina had to export fewer goods and services to purchase a given quantity of imports</i> <i>D is not correct because the index of export prices exceeds the index of import prices throughout the given period</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 the role of the IMF</i> <i>C is not correct because this is the role of the IMF</i> <i>D is not correct because this is the role of the WTO</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 B <i>A is incorrect as AD is likely to shift to the left as a result of falling net exports</i> <i>C is incorrect as SRAS is likely to shift to the right as a result of the falling costs of imports for firms</i> <i>D is incorrect as SRAS is likely to shift to the right as a result of the falling costs of imports for firms/AD likely to shift to the left as a result of falling net exports</i>	(1)

Section B

Question	With reference to Figure 1 and the second paragraph of Extract A, calculate the value of FDI in Vietnam in 2023. You are advised to show your working.	Mark
	Answer	
7(a)	Application 2 Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculations: • \$22.4 billion x 1.321 (1) • \$29.59 billion (1) NB Award 2 marks for correct answer (\$29.59 billion / \$29.6 billion / \$30 billion) NB Award only 1 mark for \$29.59 / \$29.6 / \$30	(2)

Question	Explain what is meant by 'absolute poverty' (Extract A, line xx).	Mark
	Answer	
7(b)	Knowledge 2, Application 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge Up to 2 marks for understanding absolute poverty, e.g.: • When a person earns less than \$2.15 per day (accept \$1.90) (1) based on 2017 PPPs (1) • When a person is unable to meet the basic necessities (1) for e.g. food, shelter, clothing, sanitation, etc. (1) Application Up to 2 marks for application to absolute poverty, e.g.: • Between 2016 and 2022, the number of people living in absolute poverty decreased from 9.2% (1) of the country's population to 4.2% (1) / Between 2016 and 2022, the number of people living in absolute poverty decreased by 5.0 percentage points (1+1)	(4)

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is not correct because this would reduce economic development B is not correct because this would reduce economic development D is not correct because this would reduce economic development	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B A is not correct because this is associated with a floating exchange rate C is not correct because this is associated with a floating exchange rate D is not correct because this is when the value of the currency increases in a fixed exchange rate system	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is not correct because specialisation and trade will lead to an increase in the volume of exports and imports B is not correct because specialisation and trade will lead to an increase in living standards D is not correct because specialisation and trade will reduce absolute poverty	(1)
4	QS5: Calculate and interpret index numbers. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is not correct because this is the index number for 2012 using 2022 as base year C is not correct because this is the index number for 2022 using 2012 as base year D is not correct because this is the index number for 2022 using 2002 as base year	(1)

Section 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 A <i>B is not correct because this would reduce economic development in India</i> <i>C is not correct because this would reduce economic development in India</i> <i>D is not correct because this would reduce economic development in India</i>	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because this would most likely lead to a decrease in debt servicing costs</i> <i>B is not correct because the rate of inflation is likely to decrease</i> <i>D is not correct because there is no link between a country's national debt and absolute advantage</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 B <i>A is not correct because export prices of Romania's goods and services would have fallen relative to the average export prices of its trading partners</i> <i>C is not correct because Romania's goods and services would have become more internationally competitive relative to its trading partners</i> <i>D is not correct because Romania would experience a worsening in its terms of trade</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 D <i>A is incorrect because SRAS is likely to shift to the left as a result of the rising costs of imports</i> <i>B is incorrect because SRAS is likely to shift to the left as a result of the rising costs of imports/AD is likely to shift to the right as a result of rising net exports</i> <i>C is incorrect because AD is likely to shift to the right as a result of rising net exports</i>	(1)



Question	Analyse the likely impact of an increase in the base interest rate on 'Zambia's balance of trade with South Africa' (Extract A, line 15).	Mark
	Answer	
7(b)	Knowledge 2, Application 2, Analysis 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Application Up to 2 marks for application: • Bank of Zambia raised the base interest rate by 1.75 percentage points / to 11.5% (1) • Change in the interest rate affected Zambia's exchange rate (1) • Over 55% of Zambia's imports are from South Africa (1) First Approach Knowledge and analysis Up to 2 marks for knowledge and up to 2 marks for analysis: • Appreciation of the kwacha/ increase in the exchange rate (1K) • due to an increase in the demand for kwacha (1AN) • leading to exports becoming relatively more expensive/ value of exports will decrease (1AN) • and thus decrease in demand for exports (1AN) OR • Appreciation of the kwacha/ increase in the exchange rate (1K) • due to an increase in the demand for kwacha (1AN) • leading to imports becoming relatively less expensive/ value of imports will increase (1AN) • and thus increase in demand for imports (1AN) • Balance of trade with South Africa is likely to worsen (1K) <u>Alternative approach</u> Knowledge and analysis Up to 2 marks for knowledge and up to 2 marks for linked analysis: • Increase in interest rate will increase the cost of borrowing/ reward for saving (1K) • which is likely to reduce consumption on imports (1AN) • due to lower marginal propensity to import (1AN) • and thus decrease in demand for imports (1AN) • Balance of trade with South Africa is likely to improve (1K)	(6)

Section B

Question	With reference to Figure 1 and Figure 2, calculate Turkey's real interest rate in July 2020. You are advised to show your working. Answer	Mark
7(a)	Application 2 Quantitative skills assessed: QS7: Make calculations to convert from money to real terms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculations: • 8.25 – 11.76 (1) • -3.51 (1) Award full marks for the correct answer (-3.51) Award one mark for 3.51 without the minus sign	(2)

Question	With reference to Figure 3 and Extract A, analyse two factors, other than changes in interest rates, that may have led to a depreciation of the Turkish lira. Answer	Mark
7(b)	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 identifying two factors and up to two marks for linked explanations showing the factors that may have led to a depreciation of the Turkish lira, e.g.: • If Turkey's inflation rate is higher (1K) than its trading partners, the demand for the lira will decrease, hence reducing the value of the lira (1AN) • Large current account deficit (1K) implies that the supply of the lira will be high relative to the demand/less demand for lira due to lower value of exports, hence value of lira would fall (1AN) • Increase in capital flight (1K) may result in the lira being sold to buy dollar assets; increasing the supply of the lira in the foreign exchange markets, causing value of the lira to fall (1AN)	

	- Weak state of the economy (1K) would lower the confidence of speculators and foreign investors thereby reducing the demand for the lira, causing its value to fall (1AN) Application Up to 2 marks for application to the factors: - Figure 3 shows that between 2018 and 2020, the exchange rate depreciated by nearly 100% (1+1) - The Turkish currency depreciated from around \$1 = 4 lira (1) to \$1 = 8 lira (1) - Central Bank was concerned about the weakness of the lira and a high rate of inflation (1) - Economists warned that the risk of a financial crisis in Turkey was growing (1) - Demand and supply diagram showing a fall in exchange rate (1)	(6)
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Question	Explain what is meant by a 'customs union' (Extract A, lines 22-23).	Mark
	Answer	
7(c)	Knowledge 2, Application 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge Up to 2 marks for understanding of customs union, e.g.: - Free trade between member countries (1) with a common external tariff on imported goods outside the region/bloc (1) Application Up to 2 marks for application to customs union, e.g.: - The European Union is a customs union (1) - Turkey is an important partner for the EU (1)	(4)

Question	With reference to Figure 2, analyse two policies that the Central Bank of Argentina can use to limit any further depreciation of the peso against the US dollar. Answer	Mark
7(c)	Knowledge 2, Application 2, Analysis 2 Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge and analysis Up to 2K marks for identification of two policies and up to 2AN marks for linked explanation, e.g.: • Sale of US dollars on the foreign exchange market (1K) to decrease supply of the peso (1AN) OR • Purchase pesos on the foreign exchange market (1K) to increase demand for the peso (1AN) • Raise interest rates (1K) will result in greater returns, hence increasing the demand for the peso (1AN) • Ending quantitative easing (asset purchases) (1K) will reduce money supply in the Argentinian economy (1AN) Application Up to 2 marks for any explicit reference to Figure 2, e.g., • Between November 2023 and December 2023, the Argentine peso-US dollar exchange rate depreciated from around 360 pesos to 800 pesos / by around 440 pesos / by around 122.22% / Between January 2023 and September 2024, the Argentine peso US dollar exchange rate went from approximately 200 pesos to 900 pesos / by around 700 pesos / by around 350% (1 + 1)	(6)

Question	With reference to Figure 2 and first paragraph of Extract A, examine two likely effects of the depreciation of the rupee against the US dollar	Mark
Answer		
7(c)	Knowledge 2, Application 2, Analysis 2, Evaluation 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 identifying two effects and up to 2 marks for linked explanations, e.g.: • Improvement in Pakistan's current account position of the balance of payments / worsening of Pakistan's terms of trade (1K) as its exports become relatively cheaper/its imports become relatively more expensive (1AN) • Higher economic growth/lower unemployment in Pakistan (1K) due to rise in net exports and AD (can show diagrammatically) (1AN) • Inflationary pressures are likely to increase (1K) as a result of an increase in aggregate demand/increase in cost of imports leading to a decrease in SRAS (can be shown diagrammatically) (1AN) • More inward FDI flows into Pakistan and less outward FDI flows from Pakistan (1K) hence improving its financial account (1AN) Application Up to 2 marks for application to Figure 2 or Extract A, e.g.: • The value of rupee against the dollar depreciated from Rs 175 per dollar to Rs 205 per dollar (1) • Between January and June 2022 the rupee depreciated by around 17%/Rs 30 against the US dollar (1+1) • This was mainly as a result of rising global inflation rates / the strong appreciation of the dollar (1) Evaluation Up to 2 marks for evaluative comments: • Impact on current account depends on PED for imports and exports (1) and if Marshall-Lerner condition is met (J-curve reference) (1) • Aggregate demand may not increase as the effect of increase in net exports can be offset by a decrease in other components (1+1) • Firms can repatriate profits, interest and dividends (1): this is an outflow from the primary income component of current account (1) • Time period/SR vs LR considerations (1): exchange rate is volatile and is expected to "increase in the third quarter of 2022" (1) • Magnitude of depreciation is relatively large (17%) (1) hence the impact on Pakistan's economy is likely to be very significant (1)	(8)

Question	With reference to Extract A, examine the likely effect of the depreciation of the Argentine peso against the US dollar on Argentina's current account and its capital and financial accounts. Answer	Mark
7(b)	Knowledge 2, Application 2, Analysis 2, Evaluation 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 identifying two effects and up to 2 marks for linked explanations, e.g.: - Improvement in Argentina's current account position of the balance of payments (1K) as its exports become relatively cheaper / more price competitive OR its imports become relatively more expensive / less price competitive (1AN) - Improvement in Argentina's capital and financial account (1K) as there will be more inward FDI flows into Argentina Or less outward FDI flows from Argentina (1AN) Application Up to 2 marks for application to Extract A, e.g.: - Argentina's current account changed from a deficit in 2023 (1) to a surplus in 2024 (1) Evaluation Up to 2 marks for evaluative comments (2 + 0 or 1 + 1): - Impact on current account depends on PED for imports and exports (1) and if Marshall-Lerner condition is met (1) - Initially the current account may worsen (1) before it later improves (J-curve effect) (1) - Firms can repatriate profits, interest and dividends (1) this is an outflow from the primary income component of the current account (1) - As there are strict capital and currency controls, the effects may not be felt until after these restrictions have been removed (1) hence the financial account may not improve in the short-term (1) - Depends on the size of the depreciation (1) a large depreciation will have a substantial impact on Argentina's balance of payments (1) - Time period/SR vs LR considerations (1) exchange rate is volatile and could appreciate due to greater macroeconomic stability (1)	

Question Number	Between January and August 2018, Turkey's currency, the lira, depreciated by nearly 40% against the US dollar. Evaluate the economic effects of a depreciation of a country's currency. Refer to a country of your choice in your answer. Indicative content	
10	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, Analysis (12 marks) – indicative content Understanding of currency depreciation • An improvement in the current account position of the balance of payments as exports would become relatively cheaper and imports become relatively more expensive, improving Turkey's international price competitiveness • Increase in net exports due to greater injections and lower leakages, thereby increasing aggregate demand: leading to economic growth and higher living standards in Turkey • Reduction in unemployment/increase in employment as there will be greater demand for labour (derived demand) due to economic growth and increased tourism in Turkey • Inflationary pressures are likely to increase as aggregate demand increases. The depreciation may cause an increase in the cost of imported raw materials and finished goods leading to cost-push inflation. • More inward FDI flows into Turkey and less outward FDI flows from Turkey, thereby improving the financial account position of the balance of payments N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a country in their answer N.B. Award positive effects as KAA and negative as evaluation (or vice versa)	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models.

		Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. 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 • Impact on the current account depends on PED for imports and exports and if the Marshall-Lerner condition is met (reference to J-curve effect). The fall in external value of the currency will not improve non-price competitiveness • Aggregate demand may not increase as the effect of increase in net exports can be offset by other components, such as consumption or investment. The impact on economic growth depends on the size of the multiplier • Impact on the reduction in unemployment is likely to be limited if there is underemployment in Turkey • Inflationary pressures may not increase if firms in Turkey cut profit margins or if productivity rises. Rising inflation also depends on the extent to which the higher costs are passed on to consumers • Other factors affect FDI decisions, e.g. tax, confidence. Firms can repatriate profits, interest and dividends – this represents an outflow from the primary income component of the current account		

		- Economic impact will largely depend on extent of the depreciation of the currency and whether it is short or long term depreciation - Turkish Lira depreciated 40% which is a large depreciation which will have a large impact on the Turkish economy
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
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	In 2020 Argentina's currency, the peso, fell by 75% against the US dollar. Evaluate factors that influence the exchange rate of a currency. Refer to a developing country of your choice in your answer. Indicative content
10	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. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content • Understanding of exchange rate Factors include: • Relative inflation rates: reference to purchasing power parity theory – e.g. if inflation in Argentina is relatively higher than elsewhere, then Argentina's exports will become less competitive, and there will be a fall in demand for peso. Therefore, higher inflation rates will lead to a depreciation of the peso • Relative interest rates – e.g. if Argentina's interest rate falls relative to other countries, it will become less attractive to deposit money in Argentina. There will be less hot money flows and the demand for peso will fall. The currency would depreciate • Speculation – e.g. if speculators believe the peso will fall in the future, they will demand less of the currency now. This fall in demand will cause its value to fall. Therefore, the currency would depreciate • Balance of payments: current account balance – e.g. if there is a persistent current account deficit, it would lead to a greater supply of currency relative to demand leading to fall in exchange rate and the peso will depreciate • Relative strength of the economy: debt crisis – e.g. if markets feared that Argentina's Government may default on its debt, then investors would sell their bonds causing a fall in value of the peso exchange rate • Developing countries tend to rely on exports of primary products that are often volatile in price, and this can have an impact on the exchange rate –

		e.g. if prices of commodities fall, exchange rate of exporting countries will depreciate (reference to “commodity currencies”) • Macroeconomic management – e.g. quantitative easing/asset purchases has caused a depreciation in the value of some currencies such as Chile, Poland, and Colombia • Allow analysis based on government/central bank manipulation of exchange rate through the buying and selling of the currency N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing 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

- Small inflation rate differences might be offset by other factors, for e.g. stability of the economy
- Interest rate is now exhausted as a tool and quantitative easing may play more significant role in influencing exchange rate
- Discussion of the most significant factor, e.g. speculation; confidence about future state of economy
- Current account is relatively minor because other capital flows are much more significant – discussion of financial account position
- Comparison with developed countries, e.g. in Japan's case, the national debt of over 230% has not prevented an appreciation of its currency
- The underlying strength of the economy is more important than short term macroeconomic management
- Significance of factors in short run and long run / changes over time
- Different factors will be important for different developing countries



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 C

Question	Between September 2021 and September 2022 the US dollar appreciated by nearly 18% against the euro. Evaluate the likely economic effects of an appreciation of a country's currency on its economy. Refer to a developed country of your choice in your answer. Indicative content
8	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. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content Understanding of currency appreciation Economic effects include: • Less inward FDI flows into the USA and more outward FDI flows from the USA, thereby worsening the financial account position of the balance of payments • A worsening in the current account position of the balance of payments as exports would become relatively expensive and imports become relatively cheap, worsening USA's international price competitiveness • Decrease in net exports due to lower injections and higher leakages, thereby decreasing aggregate demand: leading to lower economic growth and living standards in the USA • Increase in unemployment/decrease in employment as there will be lower demand for labour (derived demand) due to less economic growth and less tourism in the USA • Inflationary pressures are likely to decrease as aggregate demand decreases. The appreciation may cause a decrease in the cost of imported raw materials and finished goods, leading to less cost-push inflation • Improvement in the USA's terms of trade • Fall in debt burden for the US Government and for USA-based banks with external debts N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed country in their answer N.B. Award positive effects as KAA and negative effects as evaluation (or vice versa)

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. 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 • Impact on the current account depends on PED for imports and exports and if the Marshall-Lerner condition is met (reference to J-curve effect); the rise in external value of the currency will not improve non-price competitiveness • Aggregate demand may not decrease as the effect of the decrease in net trade can be offset by other components, e.g. consumption or investment; the impact on economic growth depends on the size of the multiplier • Inflationary pressures may not decrease if firms in the USA increase profit margins or if productivity falls; falling inflation also depends on the extent to which the lower costs are passed on to consumers • Other factors affect FDI decisions, e.g. tax, confidence, interest rates, etc • Lower inflationary pressures would increase the real value of debt • Economic impact will largely depend on extent of the appreciation of the US dollar and whether it is short-term or long-term appreciation • The US dollar appreciated 18% over a year which is a large appreciation and may have a considerable impact on the US economy

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
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	In 2020 the International Monetary Fund (IMF) provided financial assistance of \$13 billion to low-income developing countries. In addition, the World Bank provided financial assistance of \$43 billion to low-income developing countries. Evaluate the role of international institutions in promoting <i>economic development</i>. Refer to examples of developing countries in your answer. Indicative content
9	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. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (12 marks) – indicative content • Understanding of economic development • Understanding of international institutions • The IMF – ○ fosters international monetary co-operation and provides temporary financial assistance to countries to help ease the balance of payments adjustment ○ promotes trade, economic growth and high levels of employment ○ promotes exchange rate stability, and ensures orderly exchange rate arrangements to secure financial stability ○ provides capacity development: technical assistance, policy advice and training of government officials to support developing countries strengthen economic institutions ○ offers debt relief/cancellation to help reduce absolute poverty • The World Bank – ○ gives grants, interest-free credit and provides low-interest loans ○ focuses on strengthening the private sector in developing countries ○ offers debt relief/cancellation to help reduce absolute poverty ▪ These can be used by developing countries for education, infrastructure, healthcare, housing projects; link to HDI ▪ Candidates may refer to other relevant institutions e.g. WTO, NGOs N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to economic development in their answer N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country/developing countries in their answer N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to more than one international institution in their answer

Section C

Question	Evaluate policies that can be used to prevent a country's exchange rate from depreciating. Refer to a developed country of your choice in your answer. Indicative content	
8	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. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (12 marks) – indicative content - Understanding of government intervention in the currency markets Possible policies might include: - Sale of foreign currency/dollar (or gold) reserves on the foreign exchange market in order to decrease the supply of the yen - Purchase of domestic currency/yen in order to decrease the supply of the yen and increase the external value of the currency - Reduction in the money supply in the Japanese economy through reduced asset purchases (ending quantitative easing) - Increase in the (relative) interest rates in Japan: this will result in greater hot money flows and increase the demand for the yen - Pegging currency against a more stable currency, e.g. dollar, will fix the exchange rate and prevent further depreciations - Other policies to encourage inflow of FDI and/or portfolio investment into Japan; will increase demand for the yen - Other policies to restrict outflow of funds from Japan (e.g. through remittances, repatriation of profits, capital flight etc.); will reduce the supply of yen - Policies to reduce demand for foreign currencies e.g. protectionism N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed 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 • Prioritisation/comparison of the effectiveness of different policies • Significance of the causes discussed: a combination of factors is likely to have a larger impact on the exchange rate – “fell by 35%” • Use of monetary policies may cause conflicts with other macroeconomic objectives/policies • Ability of the government to sell its reserves/dollar depends on the value of reserves/dollar held, and its international value • Problems of currency stabilisation: depletion of foreign exchange reserves/ foreign currency gap – “cost the Japanese Government \$20.8 billion” • Possible political/ethical issues surrounding the selling of reserves • Relative interest rate is more important than interest rate in determining hot money flows		
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	In 2022 Pakistan's currency, the rupee, fell by 27% against the US dollar. Evaluate factors that might cause a depreciation of the exchange rate of one currency against another currency. Refer to a developing country of your choice in your answer. Indicative content
10	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. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content • Understanding of the depreciation of an exchange rate Factors include: • Relative inflation rates: reference to purchasing power parity theory – e.g. if inflation in Pakistan is relatively higher than elsewhere, then Pakistan's exports will become less competitive, and there will be a fall in demand for rupee. Hence, higher inflation rates will lead to a depreciation of the rupee • Relative interest rates – e.g. if Pakistan's interest rate falls relative to other countries, it will become less attractive to deposit money in Pakistan. There will be less hot money flows and the demand for the rupee will fall, and the currency would depreciate • Speculation – e.g. if speculators believe the rupee will fall in the future, they will demand less of the currency now. This fall in demand will cause its value to fall. Therefore, the currency would depreciate • Balance of payments: current account balance – e.g. if there is a persistent current account deficit, it would lead to a greater supply of currency relative to demand leading to a fall in exchange rate and the rupee will depreciate • Relative strength of the economy: debt crisis – e.g. if markets feared that Pakistan's Government may default on its debt, then investors would sell their bonds causing a fall in the value of the rupee exchange rate • Developing countries tend to rely on exports of primary products that are often volatile in price, and this can have an impact on the exchange rate – e.g. if prices of commodities fall, the exchange rate of exporting countries will depreciate (reference to "commodity currencies") • Macroeconomic management – e.g. quantitative easing/asset purchases has caused a depreciation in the value of some currencies such as Chile, Poland • Allow analysis based on government/central bank manipulation of exchange rate through the buying and selling of the currency • Political instability/capital flight/reduction in FDI might result in depreciation

	The strength of the US economy has led to the appreciation of the US dollar against many other currencies N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing 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 - Discussion of the most significant factor, e.g. speculation; confidence about the future state of the economy - Significance of factors in changes over time/short-run and long-run - Combination of factors will have a greater impact on exchange rate - Different factors will be important for different developing countries - Impact depends on the magnitude of the change in exchange rate/factors - Current account is relatively minor because other capital flows are much more significant – discussion of financial account position - Comparison with developed countries, e.g. in Japan's case, the national debt of over 230% has not prevented an appreciation of its currency	

	The underlying strength of the economy is more important than short-term macroeconomic management
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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 Number	Quantitative skills assessed	Answer	Mark
1	-	The only correct answer is A <i>B is not correct because there will be an increase in trade</i> <i>C is not correct because there will be an increase in living standards</i> <i>D is not correct because there will be a decrease in absolute poverty</i>	(1)
2	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 Lorenz curve relates to inequality not to GDP per capita</i> <i>B is not correct because the Lorenz curve does not illustrate changes in income tax</i> <i>C is not correct because the Gini coefficient of Country A is smaller than it is for Country B</i>	(1)
3	-	The only correct answer is C <i>A is not correct because a reduction in spending on infrastructure will increase transport costs and therefore, reduce international competitiveness</i> <i>B is not correct because stricter regulation of labour markets will increase costs of employing labour and therefore, reduce international competitiveness</i> <i>D is not correct because more restrictions on free trade will add to costs of importing and exporting and therefore, reducing international competitiveness</i>	(1)



5	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because this will increase India's international competitiveness</i> <i>B is not correct because this will increase India's international competitiveness</i> <i>D is not correct because this will increase India's international competitiveness</i>	(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 D <i>A is not correct because this will happen when the opportunity cost for producing both goods for both the countries are the same/have identical PPFs</i> <i>B is not correct because Country A does not have a comparative advantage over Country B in the production of both the goods</i> <i>C is not correct because Country A has an absolute advantage over Country B in the production of both goods</i>	(1)

5	QS5: Calculate and interpret index numbers. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B <i>A is not correct because export prices have fallen at a faster rate than import prices</i> <i>C is not correct because export prices have fallen at a faster rate than import prices</i> <i>D is not correct because export prices have fallen at a faster rate than import prices</i>	(1)
6	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 there will be a fall in both unit labour costs and export prices</i> <i>C is not correct because there will be a fall in both unit labour costs and export prices</i> <i>D is not correct because there will be a fall in both unit labour costs and export prices</i>	(1)

Section B

Question	The Bank of Zambia raised 'the base interest rate by 1.75 percentage points to 11.5% between April and November 2019' (Extract A, lines 12-13). Calculate Zambia's base interest rate in April 2019. You are advised to show your working. Answer	Mark
7(a)	Application 2 Quantitative skills assessed: QS2 Calculate, use and understand percentages, percentage changes and percentage point changes. Up to 2 marks for calculations: • (11.5% - 1.75%) (1) • 9.75% (1) Award full marks for the correct answer (9.75%).	(2)

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 A <i>B is not correct because in Spain public expenditure as a percentage of GDP must have been lower than in France</i> <i>C is not correct because this relates to the trade deficit of France</i> <i>D is not correct because there is likely to be greater crowding out in Spain than in the UK</i>	(1)
2	-	The only correct answer is D <i>A is not correct because this links to primary product dependency</i> <i>B is not correct because this links to the current account position of the balance of payments</i> <i>C is not correct because this links to the savings gap</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 reduce Denmark's international competitiveness</i> <i>B is not correct because this will reduce Denmark's international competitiveness</i> <i>D is not correct because this will reduce Denmark's international competitiveness</i>	(1)
4	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B <i>A is not correct because there has been a two percentage point increase in taxes for the highest income earners</i> <i>C is not correct because this type of tax is progressive and burden falls on the highest income earners</i> <i>D is not correct because this would deter people from setting up their business in Spain</i>	(1)



5	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because consumer surplus has decreased by the area P_1P_2EF</i> <i>B is not correct because government tax revenue is the area BCDE</i> <i>D is not correct because producer surplus has increased by the area P_1P_2BA</i>	(1)
6	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D <i>A is not correct because there will be a rise in both unit labour costs and export prices</i> <i>B is not correct because there will be a rise in both unit labour costs and export prices</i> <i>C is not correct because there will be a rise in both unit labour costs and export prices</i>	(1)

Section B

Question	Between Q1 2020 and Q4 2021 the average annual rate of inflation in New Zealand increased from 2.5% to 5.4%. Calculate the change in the rate of inflation between Q1 2020 and Q4 2021. You are advised to show your working. Answer	Mark
7(a)	Application 2 Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculations: • 5.4% - 2.5% (1) • 2.9 percentage points (1) OR • $(5.4\% - 2.5\%) / 2.5\% \times 100$ (1) • 116% (1) NB Award 2 marks for correct answer (2.9 <i>percentage points</i> or 116%) NB Award only 1 mark for 2.9% or 116	(2)

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	-	The only correct answer is A <i>B is not correct because this condition is related to the current account position of the BOP</i> <i>C is not correct because this model is related to industrialisation</i> <i>D is not correct because this model is related to the savings gap</i>	(1)
2	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 transfer payments relate to payments made by government to individuals in the form of benefits</i> <i>B is not correct because automatic stabilisers are not a discretionary fiscal policy</i> <i>C is not correct because the government's current expenditure is an example of its day-to-day spending</i>	(1)
3	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 stricter regulation of the product markets will reduce South Korea's international competitiveness</i> <i>C is not correct because more restrictions on free trade will reduce South Korea's international competitiveness</i> <i>D is not correct because a reduction in spending on education and training will reduce South Korea's international competitiveness</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 higher shipping costs are likely to increase production costs</i> <i>B is not correct because global inflationary pressures will increase due to higher costs of production for businesses</i> <i>C is not correct because there are likely to be changes in the patterns of world trade</i>	(1)

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	-	The only correct answer is D <i>A is not correct because this is an economic factor</i> <i>B is not correct because this is an economic factor</i> <i>C is not correct because this is an economic factor</i>	(1)
2	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 because export prices of UK goods and services would be higher than the average export prices of its trading partners</i> <i>C is not correct because unit labour costs in the UK would be higher than the average of its trading partners</i> <i>D is not correct because the UK would experience an improvement in its terms of trade</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 it is likely to decrease money supply</i> <i>B is not correct because it is likely to decrease real output</i> <i>D is not correct because it is likely to increase the rate of unemployment</i>	(1)
4	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D <i>A is not correct because the distribution of income became more equal</i> <i>B is not correct because there was a fall in income inequality</i> <i>C is not correct because income inequality fell by 3.4 percentage points</i>	(1)

Question	With reference to Figure 3, analyse the likely impact of the change in the average monthly earnings of manufacturing employees on Vietnam's international competitiveness. 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 1 knowledge mark for understanding the term 'international competitiveness', e.g.: - Ability of a country to produce and sell its goods/services at a price/quality that is attractive in international markets / Ability of a country to compete in international markets / Attractiveness of goods/services in the global markets (1) <i>AND</i> 1 knowledge mark for identifying the impact: - Could reduce Vietnam's international competitiveness (1) Analysis Up to 2 analysis marks for linked development (1+1), e.g.: - Increase in average monthly earnings is likely to increase unit labour costs/cost of production (1) causing an increase in the price of Vietnam's exports (1) - Increase in average monthly earnings is likely to increase export prices (1) and this may reduce demand for Vietnam's exports (1) - Increase in average monthly earnings is likely to cause a rise in domestic prices (1) resulting in an increase in imports (1) - Firm's supernormal profits fall (1) resulting in less funds for investment in innovation/improving quality (1) Application Up to 2 marks for use of Figure 3, e.g., - Vietnam's average monthly earnings increased (1) from around \$180 in 2012 to around \$300 in 2020 (1) - Between 2012 and 2020 Vietnam's average monthly earnings increased (1) by around \$120 (1)	(6)

Question	With reference to the third paragraph of Extract A, examine two measures that the Government of Greece could take to increase the country's international competitiveness. Answer	Mark
7(c)	Knowledge 2, Application 2, Analysis 2, Evaluation 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 identifying two measures and up to 2 marks for linked explanations, e.g.: • Greater investment in infrastructure (1K) e.g. through improved transport links and communications will encourage more trade and lead to increase efficiency (1AN) • Greater investment in human capital (1K) e.g. education and training will improve skills (reduce skills gap) and productivity, which will lower cost per unit (1AN) • Greater investment in healthcare (1K) would create a more productive workforce. This would increase GDP and allow for improvements in the quality of output (1AN) Application Up to 2 marks for application to Extract A, e.g.: • The European Central Bank (ECB) advised the Greek Government to make <i>capital</i> investments (1) • Greece's international competitiveness was significantly lower compared to the other members of the eurozone (1) • Its competitiveness rank was 47 out of 63 countries with similar economic prospects (1) Evaluation Up to 2 marks for evaluative comments: • Increase in budget deficit/national debt (1) and hence resulting in crowding out (resource or financial)/use of data (1) • Opportunity costs of government spending e.g. more expenditure on infrastructure/human capital/healthcare may mean less for the business sector, especially in the short-run (1+1) • Time lags/implementation lags may mean measures take a long time to come into effect (1) but these might not be financially sustainable for Greece in the long-run (1) • If government investments lead to demand-pull inflation due to greater injections (1) it could reduce price competitiveness (1) • Magnitude of these investments must be significant (1) to have a considerable impact on Greece's economy (1)	(8)



	- Spending likely to increase the possibilities of government failure (1) as the costs of these measures may outweigh the benefits (1) - The Government of Greece may have limited scope in introducing some of these measures (1) as the IMF sets conditions for its loans in relation to government spending (1)	
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Question	With reference to Extract A, analyse two roles of the European Central Bank (ECB).	Mark
	Answer	
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 Up to 2 knowledge marks for identifying two roles of a central bank: - Implementation of monetary policy/central bank sets base interest rates/makes asset purchases/sets lending criteria/sets reserve asset requirements (1) - Achieving an inflation target (1) - Make forecasts about the future state of the economy (1) - Give advice/make policy recommendations to national central banks/governments (1) Analysis Up to 2 analysis marks for linked development of the two roles identified (1+1), e.g.: - To influence the level of AD/control inflation (1) - Explanation of the transmission mechanism (1) - To influence economic growth/development/employment (1) Application Up to 2 marks for application (1+1): - ECB raising the base rate of interest from 2.5% (1) to 3% (1) / 0.5 percentage points in March 2023 (1+1)	(6)

Question	With reference to the information provided and your own knowledge, discuss measures, apart from promoting FDI, that the Government of Vietnam could use to increase the country's international competitiveness.	
	Indicative content	
7(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. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (8 marks) – indicative content Measures include: • Developments to the infrastructure through improved access to energy, transport links and communications will lead to increased efficiency and reduce firms' cost per unit. This policy will address the "weak physical infrastructure, especially electricity network" • Privatisation/deregulation/trade liberalisation will increase competition in domestic markets making firms more efficient as the barriers to entry to markets will be lower. This would reduce cost per unit, and consequently, the market price. This policy will address "the costs of bureaucracy for firms are high" • Greater levels of / more targeted spending on education and training. This investment in human capital will improve skills (or reduce skills gap) and hence productivity levels, that will lower cost per unit. This policy will address "a shortage of skilled labour" • Incentives for exporters through tax breaks, reduction in corporation tax, subsidies, etc. This would allow them to undertake more investment as a result of lower costs and reduce export prices • Supporting entrepreneurship through greater access to business finance, e.g. incentives for business innovation, reduction in levels of bureaucracy • Credit any other measures that may be used to increase the country's international competitiveness	
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 that are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
Evaluation (6 marks) – indicative content • Opportunity cost of government spending – e.g. more expenditure on subsidies/education/infrastructure may mean less for the business sector, especially in the short-run • If government investment/spending leads to demand-pull inflation due to greater injections, it could reduce Vietnam's price competitiveness • Unit labour costs are already relatively low, hence Vietnam may not lose its international competitiveness – "The country has an abundant supply of labour that will be cheap for a long time" • "The country's infrastructure was improving and becoming more modern" resulting in less need for infrastructure spending • Monopoly power (less competition) helps generate dynamic efficiency and benefits of economies of scale may be lost if monopolies are broken up • Levels of investment would depend on confidence in the future state of the economy; incentives may be insufficient/ineffective where confidence is low • Distinction between SR and LR; are these measures financially sustainable in the long-run? Time lags and implementation lags may mean measures take a long time to come into effect • Spending likely to increase the possibilities of government failure as the costs of these measures may outweigh the benefits that could be gained • Measures taken have to be considered in the context of a dynamic global economy where other countries are also increasing their international competitiveness • Government of Vietnam should take out a combination of measures to achieve an increase in the country's international competitiveness		
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section C

Question	In 2022 an additional 2 500 trade restrictions were introduced globally. Evaluate the likely effects of an increase in protectionist policies on the global economy. Indicative content	
8	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. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content - Understanding of protectionist policies Possible effects could include: - Distortion of comparative advantage leading to less specialisation and reduced trade as a proportion of world GDP. This reduces world output - Higher prices for consumers as domestic firms face less competition from abroad, leading to greater global inflationary pressures - Higher prices for consumers, especially on goods and services that cannot be produced domestically, reducing consumer surplus - Diagrammatic analysis e.g. of the effects of tariffs/domestic subsidies on a particular country - Less choice for consumers as imports become more expensive; it will reduce global living standards - Greater chance of retaliation by countries using protectionist policies - Fewer firms may decide to export due to higher costs of bureaucracy, reducing global competition and therefore lower global GDP N.B. Candidates may explain negative effects as KAA and positive effects as evaluation (and vice versa) N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to the global 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.

Section C

Question Number	According to the Global Competitiveness Index, Belgium's international competitiveness rank fell four places between 2015 and 2019. Evaluate measures that a developed country might take to increase its international competitiveness. Refer to a developed country of your choice in your answer. Indicative content
8	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, Analysis (12 marks) – indicative content Understanding of international competitiveness • Greater levels of, or more targeted, spending on education and training. This investment in human capital will improve skills (reduce skills gap) and hence productivity levels, which will lower cost per unit • Incentives for exporters through tax breaks, reduction in corporation tax, subsidies, lower interest rates, etc. This will allow them to undertake more investment as a result of lower costs and reduce export prices • Measures to reduce the external value of the domestic currency to make exports more price competitive e.g. reduction in interest rates; quantitative easing • Privatisation, deregulation and trade liberalisation will increase competition in domestic markets making firms more efficient as the barriers to entry to markets will be low. This would reduce cost per unit, and consequently, the market prices • More spending on healthcare will create a healthier and more productive workforce. This will lead to an increase in GDP and allow for significant improvements in the quality of output • Developments to the infrastructure through improved transport links and communications will encourage more trade and lead to increase efficiency

	- Implementing policies to attract more FDI flows into the economy; this would encourage technological improvements and increase dynamic efficiency, hence reducing cost per unit - Supporting entrepreneurship through greater access to business finance; e.g. for start-ups, incentives for business innovation, reduction in levels of bureaucracy etc. N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed 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 • Opportunity cost of government spending – e.g. more expenditure on subsidies/education/healthcare may mean less for the business sector, especially in the short run • Lower interest rates and tax breaks could lead to demand-pull inflation via consumption and investment, and reduce price competitiveness • There are limits to how effective and influential intervention can be, e.g. ability to manipulate exchange rates may be highly constrained and could lead to increase cost of imports, hence cost-push inflation • Monopoly power (less competition) helps generate some dynamic efficiency, and benefits of economies of scale may be lost if monopolies are broken up • Levels of investment (both internal and FDI) will depend on confidence in the future state of the economy; incentives may be insufficient/ineffective where confidence is low • Distinction between SR and LR; are these measures financially sustainable in the long run? Time lags and implementation lags may mean measures take a long time to come into effect • Spending likely to increase the possibilities of government failure as the costs of these measures may outweigh the benefits that could be gained • Any measures taken have to be considered in the context of a dynamic global economy where other countries are also trying to increase their competitiveness • Member countries of the EU may have limited scope for action in introducing some of these measures	
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	Between 2014 and 2018 the average cost to developing countries of servicing and repaying their external debts increased by over 60%. Evaluate the case for promoting <i>economic development</i> through debt relief. Refer to a developing country of your choice in your answer. Indicative content
9	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 development Understanding of debt relief • Countries could use saved interest repayments to reduce absolute poverty – this will help reduce child and maternal mortality • Can fill in the savings gap that can be used to invest in capital, which would not be possible due to the low levels of savings to finance investment, e.g. investment in hospitals will help the improve life expectancy/ investment in schools would help improve the means years of schooling and literacy rates • Can fill in the foreign currency gap which may be used to import necessary capital equipment. This will increase prospects for higher economic growth and employment in the future. Higher GDP will result in higher tax revenues and could be spent on e.g. housing, healthcare • Can use funds for investment in infrastructure; essential for industrialisation as investment is as an injection into the circular flow of income. Would also increase the mobility of labour – allowing access to employment, education and healthcare • Promote entrepreneurship which will help establish new businesses and lead to higher development through higher per capita incomes • Helps increase the level of human capital through resources provided for education, healthcare that would increase productivity and FDI inflows • Could help conserve the environment/promote environmental sustainability, e.g. debt for nature swaps

Question	In 2020 New Zealand's productivity rate was 40% lower than the average productivity of many other advanced economies. Evaluate factors that influence a country's international competitiveness. Refer to a developed country of your choice in your answer. Indicative content
9	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. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (12 marks) – indicative content • Understanding of international competitiveness • The significance of productivity: ◦ Productivity is the output per worker per hour worked; link may be made to the quality of human capital ◦ Relatively low productivity increases cost per unit and raises export prices ◦ Relatively low productivity reduces exports and hence makes them less internationally competitive • Exchange rate – affects both import and export prices; e.g. an appreciation/ revaluation of the currency will make imports relatively cheaper and exports relatively more expensive; hence imports will become more internationally competitive and exports will become less internationally competitive • Relative wage and non-wage costs – higher the unit labour costs, greater will be the cost per unit and this would reduce the international competitiveness: high in advanced economies • Regulations – e.g. environmental; health and safety increase the cost of doing business hence raising prices of exports and reducing the country's international competitiveness: high in advanced economies

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| | <ul style="list-style-type: none">• The quality of infrastructure – poor infrastructure reduces efficiency and adds to cost per unit; this increases the export prices making domestic goods/services less internationally competitive• Non-price factors: better quality, design, reliability, and after-sales service will increase international competitiveness• Relative inflation rates – affect relative price of exports; if inflation rates are high, export prices rise, and they become less internationally competitive• Relative tax rates, e.g. corporation tax rate, employers' national insurance tax rates – if high, it would increase average costs, reduce incentives and competitiveness of exports |
|--|---|

N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed country in their answer

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

Evaluation (8 marks) – indicative content

- Significance of the most important factor, e.g. productivity is likely to be very important for New Zealand as its productivity is 40% lower than many other advanced economies
- Productivity may not be significant if wage costs are low; it is also difficult to measure productivity, especially for the service sector which contributes the most to advanced economies
- The exchange rate is particularly important for goods and services which are homogeneous and/or price elastic; forward contracts may limit significance of short-term changes in the exchange rate
- The competitiveness of a country's goods is unlikely to be the same as the competitiveness of its services
- High wage and non-wage costs might be offset by very high productivity in some countries, e.g. Norway, Denmark
- Regulations may not be a significant factor as most advanced economies have nearly the same level/standard of regulations in place
- Poor quality of infrastructure may be addressed by a TNC which, for e.g., builds roads to improve transport links
- A high rate of inflation may be offset by exchange rate depreciation
- Corporation tax may have more significant implications for foreign FDI

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	Between 2008 and 2018, income inequality, as measured by the Gini coefficient, increased from 0.43 to 0.51 in Angola and from 0.34 to 0.41 in Bulgaria. Evaluate government policies that could be used to reduce income inequality in a developing country of your choice. Indicative content
10	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. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content • Understanding of income inequality • May be shown by a Lorenz curve diagram • Increase in progressiveness of tax system, for e.g. by introducing more tax bands/increasing tax free allowance; increase in taxes on unearned incomes e.g. rental and dividend income – increases government revenues that can be used as welfare payments to support the low-income households • Increasing means-tested benefits (not universal benefits), e.g. food stamps, unemployment benefit and housing benefit – provides income support to only those households that need it the most • Introduction of/increasing the National Minimum Wage: higher incomes; wage differentials between the unskilled and skilled workers will decrease • Improvements in education and training for those without qualifications: increases human capital, productivity and therefore incomes • Measures to reduce unemployment - for e.g., governments could implement reflationary fiscal policy or supply side policies to create jobs • Place restrictions on immigration of unskilled workers as this will reduce downward pressure on wages of those on low incomes • Reduction in taxes on expenditure and/or other regressive taxes: will take lower percentage of disposable income of the low-income households

Question	Evaluate the likely effects of a decrease in productivity on a country of your choice.	
	Indicative content	
9	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. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (12 marks) – indicative content Understanding of productivity • The trade in goods and services balance: a fall in productivity might result in loss in competitiveness of the country's goods and services due to higher cost per unit and export prices; leading to a deterioration in trade balance • Economic growth: if net exports fall, AD may fall leading to a decrease in real output/increase in unemployment • Rate of inflation: a fall in productivity could cause a leftward shift in LRAS resulting in an increase in the average price level • Real wages: falling profits for firms and falling real wages for workers • FDI flows: may deter inward FDI which, in turn, can have adverse effects on growth and employment • Income distribution: it could become more unequal if workers' wages are related to productivity while those of managers are not • Tax revenues: may increase too slowly to maintain the current level of public services • Tax burden: may have to be increased to finance/maintain government spending N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a country(s) 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 • Deterioration in the trade balances may be offset by an improvement in the other components of the balance of payments • Fall in economic growth may be offset by an increase in other components of AD / much will depend on changes in productivity in other countries • A decrease in AD could offset any inflationary pressures • Effects on real wages depends on the magnitude of the fall in productivity, e.g. 9% fall over 12 years is relatively small • Effects on FDI flows may vary because of the differences in the fall in productivity in different sectors • Effect on income distribution could be offset by other factors, for e.g. increases in means-tested benefits • Difficulty in measuring productivity e.g. especially for the service sector • Time period: the fall in productivity may only be in the short-run • Effect depends on the main cause of/reason for the fall in productivity • Effect depends on whether there has been a fall in absolute productivity or relative 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.