

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Pearson Edexcel
International
Advanced Level

Centre Number

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Candidate Number

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Monday 13 January 2020

Afternoon (Time: 1 hour 45 minutes)

Paper Reference **WEC12/01**

Economics

International Advanced Subsidiary

Unit 2: Macroeconomic performance and policy

You must have:

Source Booklet (enclosed)

Total Marks

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Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **ALL** questions in Sections A, B and C.
- Answer **ONE** question in Section D.
- Answer the questions in the spaces provided – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.

Turn over ►

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SECTION A

Answer ALL questions in this section.

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

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

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

- A Seasonal unemployment
- B Real wage inflexibility
- C Structural unemployment
- D Demand deficiency

(Total for Question 1 = 1 mark)

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

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

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

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

- A -10%
- B -9%
- C 9%
- D 10%

(Total for Question 2 = 1 mark)

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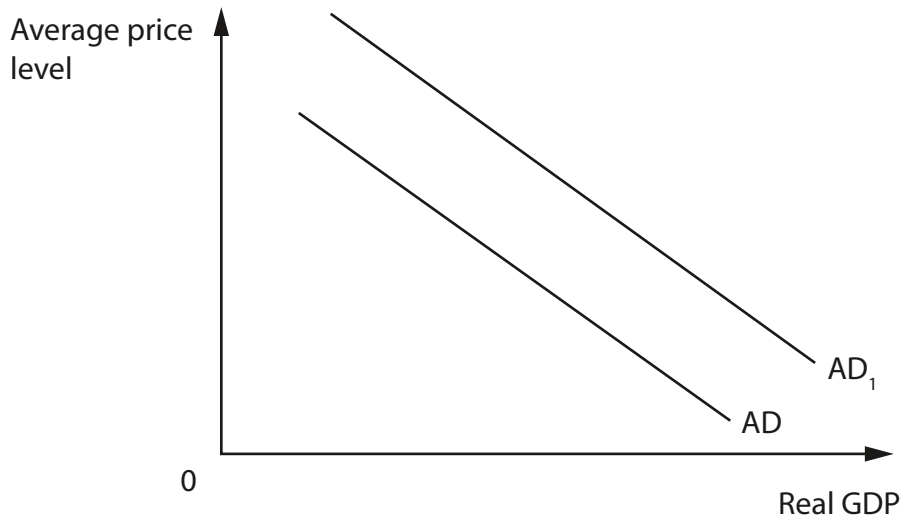
3 In 2017 Uzbekistan experienced an 8% increase in real GDP.

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

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

(Total for Question 3 = 1 mark)

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



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

	Interest rate	Exchange rate
<input type="checkbox"/> A	Rise	Fall
<input type="checkbox"/> B	Rise	Rise
<input type="checkbox"/> C	Fall	Fall
<input type="checkbox"/> D	Fall	Rise

(Total for Question 4 = 1 mark)

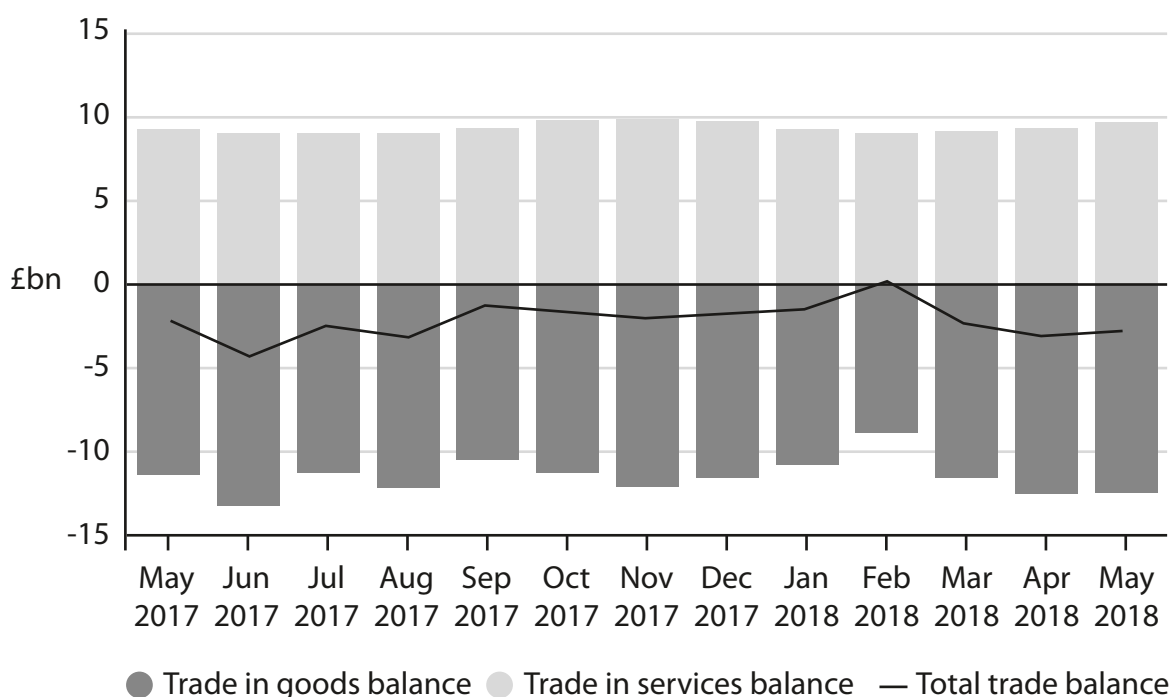


5 The Ethiopian Government has made significant investments in the agricultural sector and has plans to allocate a further US\$15 billion to irrigation development by 2020. The UK Government paid a subsidy for a windfarm. Which **one** of the following is also an interventionist supply-side policy?

- A Deregulation of the labour market
- B Privatisation
- C A reduction in interest rates
- D Regional policy

(Total for Question 5 = 1 mark)

6 The chart shows the UK balance of trade on current account, month on month, May 2017 to May 2018 (£ billion, seasonally adjusted).



(Source: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/uktrade/may2018>)

What can be deduced from this chart?

- A The trade in services balance was in deficit in May 2017
- B The trade in goods deficit was smallest in February 2018
- C The value of exports exceeded the value of imports in September 2017
- D The total UK trade deficit was the largest in November 2017

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



SECTION C

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

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

- 12** (a) Define the term 'Consumption' (Extract A, line 9). (2)
- (b) With reference to Figure 1, explain the term 'real GDP growth rate'. (4)
- (c) With reference to Extract A, analyse **one** possible macroeconomic impact of the increase in house prices on the Canadian economy. (6)
- (d) With reference to Extract B, examine the likely impact of government policies to increase wellbeing. (8)
- (e) Using the information in Figure 2 and Extract A, discuss the impact of low investment on Canada's economy. (14)

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

(6)

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

(8)

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

(14)

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TOTAL FOR SECTION C = 34 MARKS



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SECTION D BEGINS ON THE NEXT PAGE.



SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

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

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

(Total for Question 13 = 20 marks)

OR

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

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

(Total for Question 14 = 20 marks)

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TOTAL FOR SECTION D = 20 MARKS
TOTAL FOR PAPER = 80 MARKS



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Pearson Edexcel International Advanced Level

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Source Booklet

Do not return this Source Booklet with the question paper.

Turn over ►

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Sources for use with Section C.

The Canadian economy

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

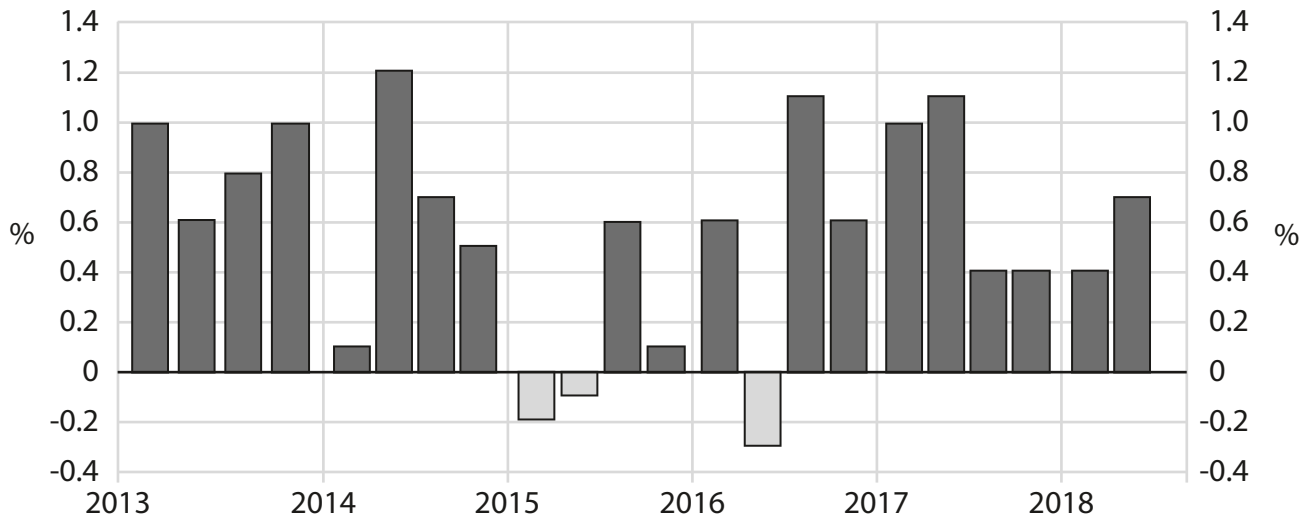
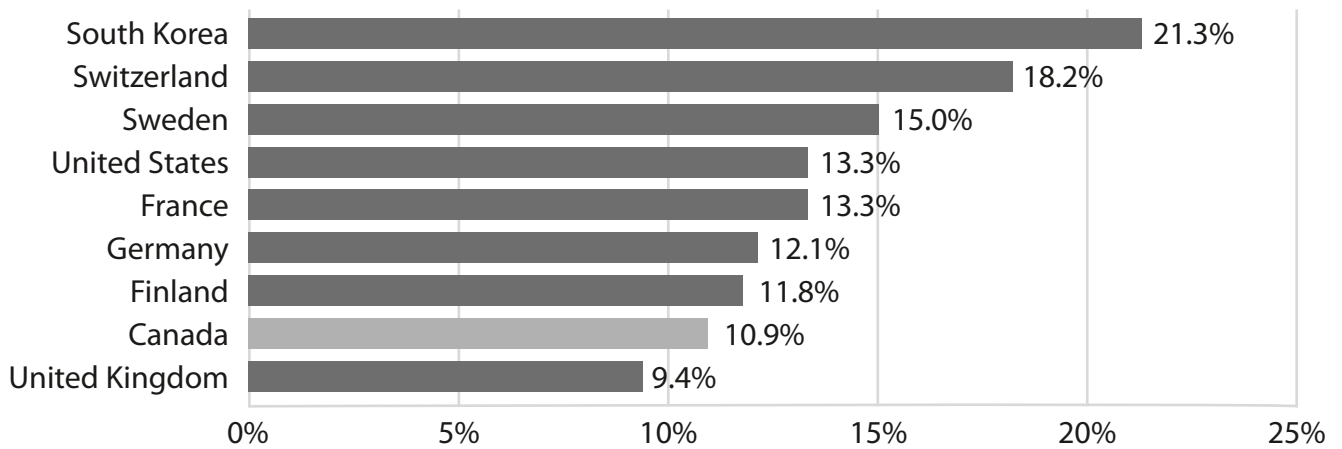


Figure 2 Business investment as a share of GDP in selected countries of the OECD (Organisation for Economic Co-operation and Development), 2015–2017



Extract A The economic climate

After a downturn in 2016, the Canadian economy experienced sustained economic growth. This was partly caused by a significant increase in the demand for exports. Canadian oil and petrol exports grew by 42% compared with 2016. Car exports increased by 3.8%. Most other exports grew by an average of 1%. Much of the increase in foreign demand came from the European Union as its economies started to strengthen. The increase in exports caused an improvement on the current account on the balance of payments. The exchange rate of the Canadian dollar also increased. 5

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

- the unemployment rate fell from 7% in 2016 to 5.8% in 2017 10
- average house prices increased by 5.7% in 2017.

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

Extract B Government policies to increase wellbeing

In 2018 the Canadian Government announced its continued commitment to improving the wellbeing of the population. The Government identified the need for increased government spending on wellbeing, particularly for those people who have a very low income. For low-income households the lack of access to basic necessities, such as food and housing, can lead to both mental and physical health problems. Around one in ten people live in low-income households. The 2.7 million people living on a low income do not have enough food, which causes health problems. This often prevents them from working or attending school. 5

The Government has increased the financial benefits to low-income households and to people who are unable to work. There has also been an increase in funding for low-cost housing, healthcare and better quality drinking water. 10

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Acknowledgements

Figure 1 based on data taken from <https://tradingeconomics.com/canada/gdp-growth>

Figure 2 based on data taken from <https://www.fraserinstitute.org/sites/default/files/business-investment-in-canada-falls-far-behind-other-industrialized-countries.pdf>

Extract A adapted from <https://www.cbc.ca/news/business/canadian-economy-grew-at-2-9-pace-in-second-quarter-lower-than-expected-1.4804512> and <http://www.cbj.ca/canadas-economy-is-booming-but-will-it-last/>

Extract B adapted from <https://www.budget.gc.ca/2018/docs/plan/chap-05-en.html>