2226 – 3223M

Diploma Programme
Programme du diplôme
Programa del Diploma

Markscheme

May 2026

Economics

Higher level and standard level

Paper 2

25 pages

Notes for examiners:

1. Use the question-specific markscheme together with the markbands. Award up to the maximum marks as indicated.

2. Whenever relevant, carry over marks must be awarded. If a candidate makes an error in calculation, but then uses the incorrect figure appropriately and accurately in later question parts, then the candidate may be fully rewarded. This is the "own-figure rule", and you should put OFR on the script where you are rewarding this.

3. A candidate may be penalized for not rounding correctly, failing to give answers correct to 2 dp or, in some cases, for not including the appropriate units. However, a candidate may only be penalized ONCE per script for each type of error.

1. (a) (i) Define the term *human capital* indicated in bold in the text (**Text A**, paragraph 4). **[2]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*Vague definition*	1
	The idea that it is (any **one** of the following) ● the quality/efficiency/productivity of labour/workers/people ● the education/health/skills/experience/knowledge that adds to a person's value ● a factor of production	
2	*Accurate definition*	2
	An understanding that it is the quality/efficiency/productivity of labour/workers/people **and** is due to (any **one** of the following) ● education/training ● skills/knowledge ● abilities/experience ● good health/nutrition	

(ii) Define the term *Gini coefficient* indicated in bold in **Table 2**. **[2]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*Vague definition*	1
	The idea that it is (any **one** of the following) ● measures the equality/inequality of income/wealth ● ranges from zero (perfect income equality) to one (perfect inequality) ● the higher the number, the more unequal the distribution of income (OR vice-versa) ● is the ratio of the area between the Lorenz curve and the equality/diagonal line over the total area below the equality/diagonal line	
2	*Accurate definition*	2
	An understanding that it measures equality/inequality of income/wealth **and** (any **one** of the following) ● ranges from zero (perfect income equality) to one (perfect inequality) ● the higher the number, the more unequal the distribution of income (OR vice-versa) ● is the ratio of the area between the Lorenz curve and the equality/diagonal line over the total area below the equality/diagonal line.	

(b) (i) Using information from **Table 1**, calculate Pakistan's real interest rate in 2022. **[2]**

15.4 – 19.9

*Any valid working should be rewarded with **[1]**.*

= – 4.5 (%) **[1]**

An answer of 4.5 or an answer of –4.5 *without working is sufficient for **[1]**.*

The % symbol is not necessary for full marks, but the minus sign is necessary.

(ii) Average real incomes (GDP per capita) in Pakistan increased by 29.54 % between 2012 and 2022. Using information from **Table 2**, calculate the income elasticity of demand (YED) for vaccinations for one-year old children between 2012 and 2022. **[2]**

$$= \frac{5.42 - 3.92}{3.92} \times 100 = 38.265306.......$$ **[1]**

$$\text{YED} = \frac{38.265}{29.54}$$

= 1.30 **OR** 1.29....... [1]

An answer of 1.3 without working is sufficient for ***[1]***.
For full marks to be awarded, the response must provide valid working.

OFR can be applied if the percentage change in quantity is incorrectly calculated but correctly substituted into the elasticity formula. In this case, award only ***[1]*** *for valid use of the formula.*

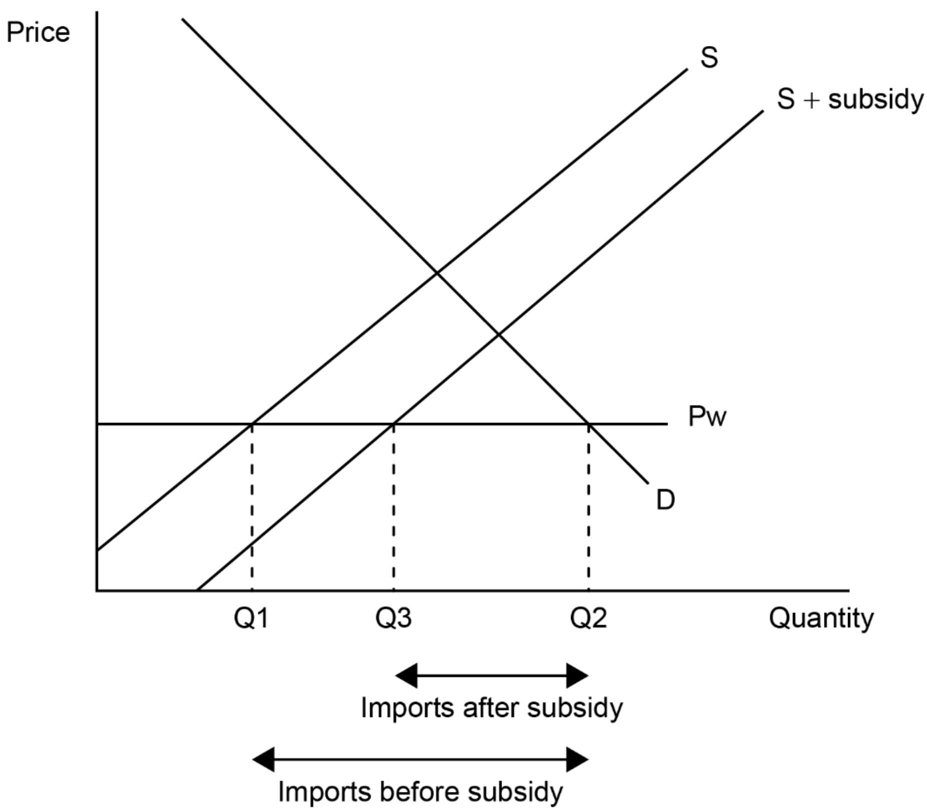
N.B. *No mark should be awarded for a response which only states the formula or in which the formula is inverted, even when there is working.*

(iii) Using **Figure 1**, identify whether real GDP increased **OR** decreased **OR** stayed constant in Pakistan between 2004 and 2006. **[1]**

increased **[1]**

(c) Using an international trade diagram, explain how a subsidy for Pakistani producers is likely to affect sugar imports into Pakistan (**Text A,** paragraph 2). **[4]**

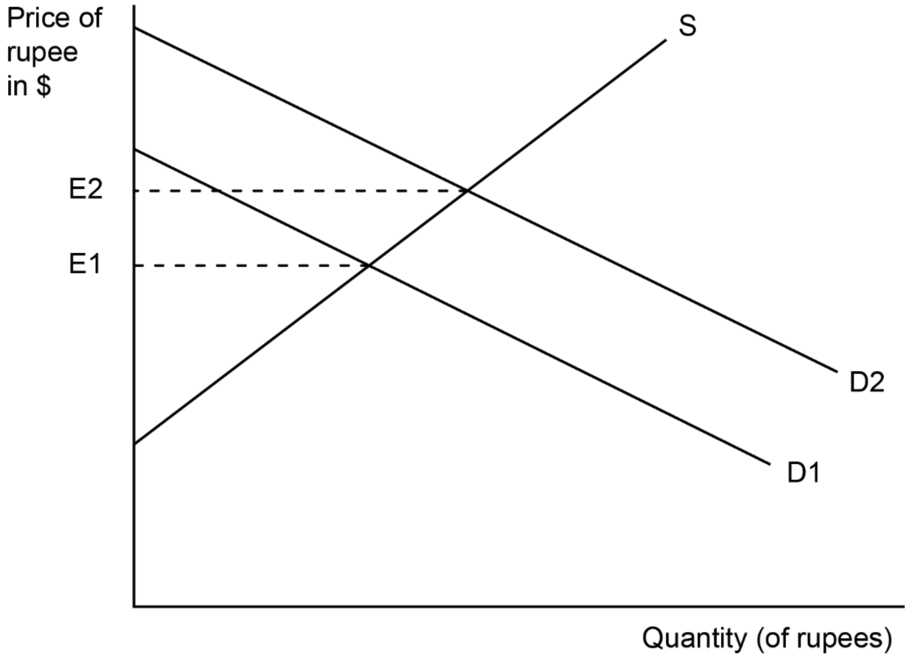
Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	
1	*There is a correct diagram* ***OR*** *an accurate written response.*	1–2
	For a correctly labelled international trade diagram, showing the domestic supply line shifting right and a decrease in imports (which may be annotated on the diagram or referenced in the explanation) ***OR*** for an explanation that subsidies lead to ● lower costs / increased (domestic) supply / supply shifts outwards, ● which reduces imports.	
2	*There is a correct diagram* ***AND*** *an accurate written response.*	3–4
	For a correctly labelled international trade diagram, showing the domestic supply line shifting right and a decrease in imports (which may be annotated on the diagram or referenced in the explanation) ***AND*** for an explanation that subsidies lead to ● lower costs / increased (domestic) supply / supply shifts outwards, ● which reduces imports.	



The use of P and Q on the axes is sufficient for an international trade diagram. The world price line may be labelled as S(World), Sw, Pworld, or any similar label (on either end of the line) indicating the horizontal line is the world price/supply. Domestic can be omitted on the other curves. The decrease in imports should be indicated in the diagram or detailed in the explanation. A title is not necessary.

(d) Using an exchange rate diagram, explain why the value of the PKR (Pakistan's currency) might increase as a result of the World Bank financing the hydropower project (**Text A,** paragraph 3). **[4]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram **OR** an accurate written response.*	1–2
	For a correctly labelled exchange rate diagram, showing the demand curve shifting right and the exchange rate increasing ***OR*** for an explanation that the financing ● requires that funds have to be exchanged for rupees ● which causes the demand for rupees to increase (which will appreciate/raise the exchange rate).	
2	*There is a correct diagram **AND** an accurate written response.*	3–4
	For a correctly labelled exchange rate diagram, showing the demand curve shifting right and the exchange rate increasing ***AND*** for an explanation that the financing ● requires that funds have to be exchanged for rupees ● which causes the demand for rupees to increase (which will appreciate/raise the exchange rate).	



The vertical axis may be

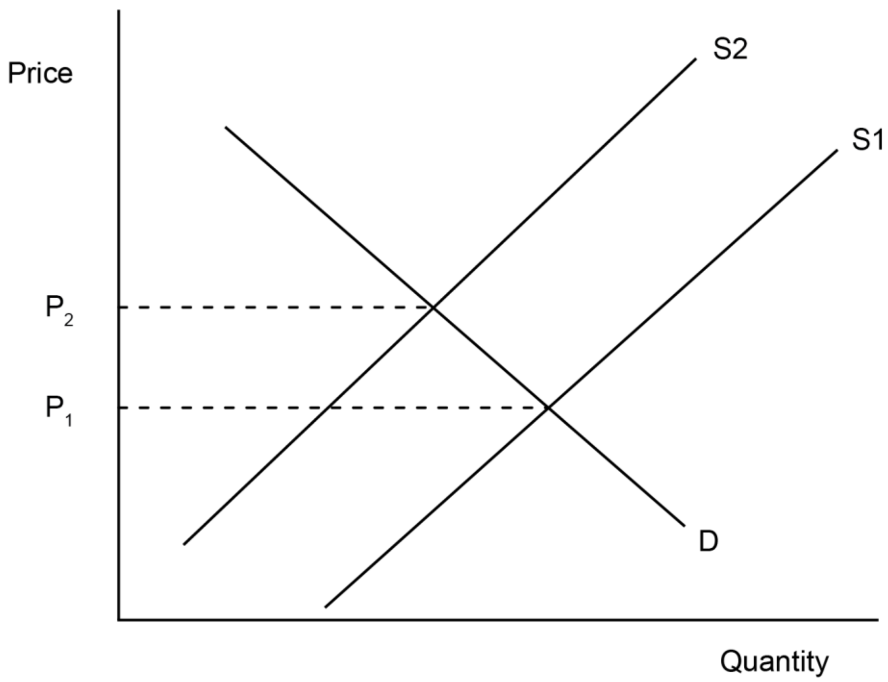
- *exchange rate*
- *price/value of rupee in another currency*
- *other currency/ rupee, or other currency per rupee.*

The horizontal axis may be quantity or quantity of rupees. All abbreviations are acceptable. A title is not necessary.

Alternatively, the possible appreciation may be explained by increased exports of electricity (from the dam) or by increased inward foreign direct investment (as foreigners perceive more investment opportunities), and therefore it is necessary to exchange other currencies for rupees, which causes the demand for the rupee to increase. If explained correctly this can be fully rewarded. (VAM)

(e) Using a demand and supply diagram, explain the likely effect of floods on the price of rice in Pakistan (**Text A**, paragraph 5). **[4]**

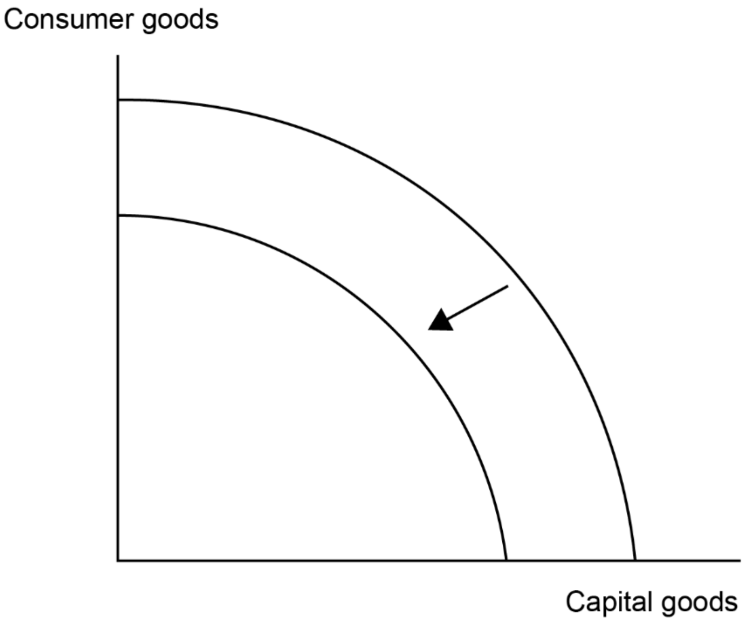
Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram* ***OR*** *an accurate written response.*	1–2
	For a correctly labelled demand and supply diagram, showing the supply curve shifting left and the price increasing ***OR*** for an explanation that ● the floods reduced the supply of rice ● which raised the price	
2	*There is a correct diagram* ***AND*** *an accurate written response.*	3–4
	For a correctly labelled demand and supply diagram, showing the supply curve shifting left and the price increasing ***AND*** for an explanation that ● the floods reduced the supply of rice ● which raised the price	



For a demand and supply diagram, the vertical axis should be price or p. The horizontal axis should be quantity or q. A title is not necessary.

(f) Using a production possibilities curve (PPC) diagram, explain the likely effect of environmental changes on Pakistan's production possibilities (**Text B**, paragraph 1). **[4]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram* ***OR*** *an accurate written response.*	1–2
	For a correctly labelled PPC diagram, showing the PPC curve shifting inwards ***OR*** for an explanation that the environmental changes will ● reduce efficiency/productivity/quality/quantity of factors of production/ resources/labour/land ● which reduces production possibilities/potential output/productive capacity	
2	*There is a correct diagram* ***AND*** *an accurate written response.*	3–4
	For a correctly labelled PPC diagram, showing the PPC curve shifting inwards ***AND*** for an explanation that the environmental changes will ● reduce efficiency/productivity/quality/quantity of factors of production/ resources/labour/land ● which reduces production possibilities/potential output/productive capacity	



For a PPC diagram, there must be two goods or groups of goods competing for the same resources on the axes. Good X and Good Y are appropriate, but simply X and Y are not sufficient. A title is not necessary.

(g) Using information from the text/data and your knowledge of economics, discuss whether Pakistan is making effective progress towards achieving good health and well-being for all (Sustainable Development Goal #3). **[15]**

Command term
"Discuss" requires candidates to offer a considered and balanced review that includes a range of arguments, factors or hypotheses. Opinions or conclusions should be presented clearly and supported by appropriate evidence.

*Terminology/definitions **may** include:*
- economic well-being
- sustainable development
- external costs/external benefits
- Human Development Index (HDI)

*Economic models to support analysis **may** include:*
- an externalities diagram (positive and/or negative, production and/or consumption)
- a tariff diagram (to show effect on farmers and/or consumers)
- a poverty cycle diagram (to show effect of improved education or health)
- an AD/AS diagram (to show effect of improved education or health)
- a Lorenz curve diagram

N.B. *It should be noted that diagrams that have already been given in answers to parts (c), (d), (e) or (f), and then referred to in part (g), should be rewarded.*

*Answers **may** include:*

Reasons why progress towards good health and well-being is being achieved	***Reasons why progress towards good health and well-being is not being achieved***
More jobs (probably formal sector) available in manufacturing, which usually pay more than jobs in the primary sector. Many find work overseas, which could increase inward remittances to their families (**Text A**, paragraph 1)	Jobs are insecure and many workers may have to work overseas in difficult conditions and separated from families (**Text A**, paragraph 1; **Text B**, paragraph 1)
Absolute poverty has fallen (**Text A**, paragraph 1; **Table 2**)	20% of population is undernourished (**Text A**, paragraph 1); High inflation and higher import prices (raised even further by tariffs) reduce real incomes further, particularly for low-income households (**Text A**, paragraph 2; **Table 1**)
Taxes are relatively low (**Text A**, paragraph 3; **Table 1**)	The government has a budget deficit and does not spend enough on investment in human capital and infrastructure. There may be excessive (unsustainable) spending on health care (**Text A**, paragraph 3 and paragraph 4; **Text C**, paragraph 1; **Table 1**)

Government subsidizes agriculture increasing farmers' incomes (**Text A**, paragraph 4)	Small-scale farmers get little help from government and some subsidies therefore have a regressive impact (**Text A**, paragraph 4)
Subsidies given for use of fertilisers, which will improve food supply (**Text A**, paragraph 4)	More subsidies given for chemical fertilisers, which may have negative externalities (T**ext A**, paragraph 4) Intensive farming may be causing environmental degradation (negative externalities of production) (**Text B**, paragraph 1)
Measures are being taken to use more renewables and hydropower to generate electricity and to reduce emissions (**Text A**, paragraph 3 and paragraph 5)	Impact of climate change adds to prices and food shortages (crops and livestock destroyed by extreme weather events). Implication that Pakistan is overdependent on primary production (**Text A**, paragraph 5)
HDI has improved indicating better health and/or education and/or higher per capita incomes (**Table 2**)	HDI ranking has fallen (indicating slower progress than other countries). Gini coefficient has risen (indicating more inequality) (**Text C** and **Table 2**)
Vaccinations are increasing faster than GDP/head (YED>1) and lead to positive externalities of consumption (**Tables 1** and **2**)	Air pollution (negative externalities of production/consumption) leads to reduced efficiency and low life expectancy (**Text B**, paragraph 2, **Table 2**)
School completion rate has risen, which leads to increased efficiency and potential output (**Text C**, paragraph 3; **Table 2**)	School completion rate and literacy rate are still low (**Table 2**)
Labour force participation rate for males is high (**Table 2**)	Gender inequality indicated by lack of education for girls in rural areas and low female labour force participation rate (**Text C**, paragraph 2; **Table 2**)
More government spending on human capital will lead to higher productivity and therefore incomes (**Text C**, paragraph 3)	As incomes rise, there will be more emissions (externalities) adding to climate change (**Text C**, paragraph 3)
Real GDP/capita is growing (**Table 1**)	Volatility of growth rates leads to uncertainty (**Figure 1**)
Real interest rates have become negative which makes borrowing (maybe for housing or education cheaper) (**Table 1**)	The depreciation of the exchange rate makes the cost of essential imports higher and increases inflation. This impacts low-income households more (**Table 1**)

Examiners should be aware that candidates may take a different approach which, if appropriate, should be rewarded.

Marks	Level descriptor
0	• The work does not meet a standard described by the descriptors below.
1–3	• The response indicates little understanding of the specific demands of the question. • Economic theory is stated but it is not relevant. • Economic terms are stated but they are not relevant or are used incorrectly. • The response contains no evidence of synthesis or evaluation. • The response contains no use of text/data or it is merely copied.
4–6	• The response indicates some understanding of the specific demands of the question. • Relevant economic theory is described. • Some relevant economic terms are included. • The response contains evidence of relevant but superficial synthesis or evaluation. • The response contains limited use of text/data.
7–9	• The response indicates understanding of the specific demands of the question, but these demands are only partially addressed. • Relevant economic theory is partly explained. • Some relevant economic terms are used appropriately. • Where appropriate, relevant diagram(s) are included. • The response contains evidence of appropriate synthesis or evaluation but lacks balance. • The response includes some relevant information from the text/data.
10–12	• The specific demands of the question are understood and addressed. • Relevant economic theory is explained. • Relevant economic terms are used appropriately. • Where appropriate, relevant diagram(s) are included and explained. • The response contains evidence of appropriate synthesis or evaluation that is mostly balanced. • The use of information from the text/data is generally appropriate, relevant, and applied correctly.
13–15	• The specific demands of the question are thoroughly understood and addressed. • Relevant economic theory is fully explained. • Relevant economic terms are used appropriately throughout the response. • Where appropriate, relevant diagram(s) are included and fully explained. • The response contains evidence of effective and balanced synthesis or evaluation. • The use of information from the text/data is appropriate, relevant, and is used to formulate a reasoned argument supported by analysis/evaluation.

2. (a) (i) Define the term *real GDP* (gross domestic product) indicated in bold in **Table 3**. **[2]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*Vague definition*	1
	The idea that it is (any **one** of the following) ● the value of output / goods (and services) produced ● C+I+G+NX ● the GDP adjusted for inflation	
2	*Accurate definition*	2
	An understanding that it is (**both** of the following) ● the value of output / goods (and services) produced (within a country in a given time period) ● adjusted to constant/base year prices or for price changes/inflation	

(ii) Define the term *Human Development Index (HDI)* indicated in bold in **Table 4**. **[2]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*Vague definition*	1
	The idea that it measures (any **two** of the following) ● development / quality of life ● income (per capita) / standard of living ● health (care) / life expectancy ● education/ years of schooling/knowledge.	
2	*Accurate definition*	2
	An understanding that it is a (composite) indicator of development / quality of life, which measures (**all** of the following) ● income (per capita) / standard of living ● health (care) / life expectancy ● education/ years of schooling/knowledge.	

(b) (i) Using information from **Table 5**, calculate the change in Brazil's real GDP per capita in USD between 2015 and 2021. **[2]**

20 039 / 3.33 = 6 017.7177…….

19 629 / 5.39 = 3 641.7439……. **[1]**

3 641.744 – 6 017.718 = (–)2 375.97 or (–)2375.98 **[1]**

*Any valid working should be awarded. A correct final answer without working is sufficient for **[1]**.*

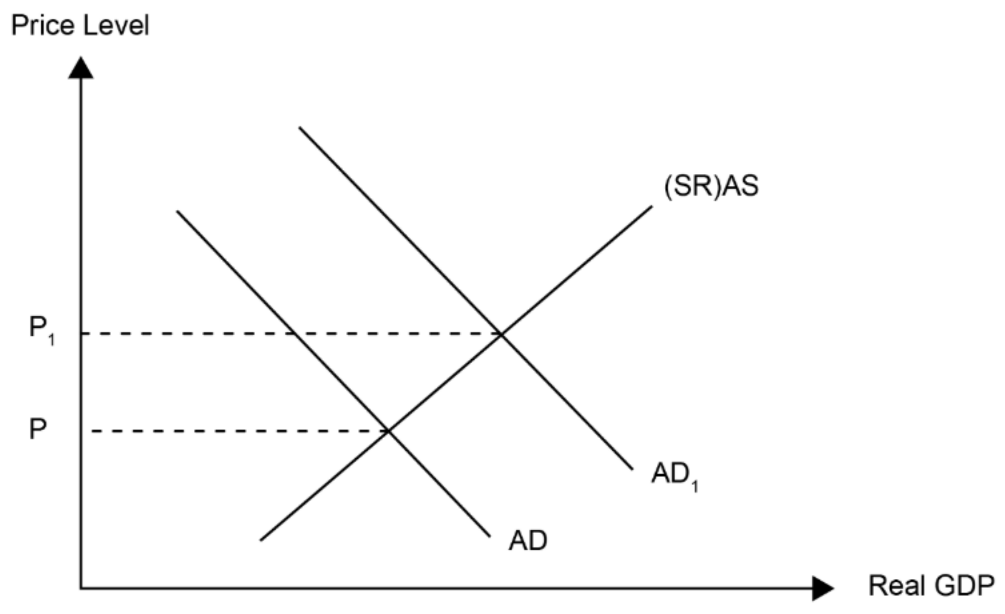
*OFR can be applied if **one** of the first calculations (converting the data into USD) is incorrect. In this case, award only **[1]** for the final answer.*

Alternatively, the percentage change may additionally be calculated. In this case, give full marks once the answer reaches (–)2 375.97 . If that stage of working is not shown, the correct percentage change answer is (–) 39.48% (VAM).

(ii) Using information from **Table 4**, identify whether income inequality in Brazil has increased **OR** decreased **OR** was constant between 2012 and 2022. **[1]**

decreased **[1]**

(iii) Using information from **Table 3**, sketch an AD/AS diagram to show how the price level changed in Brazil in 2022. **[2]**



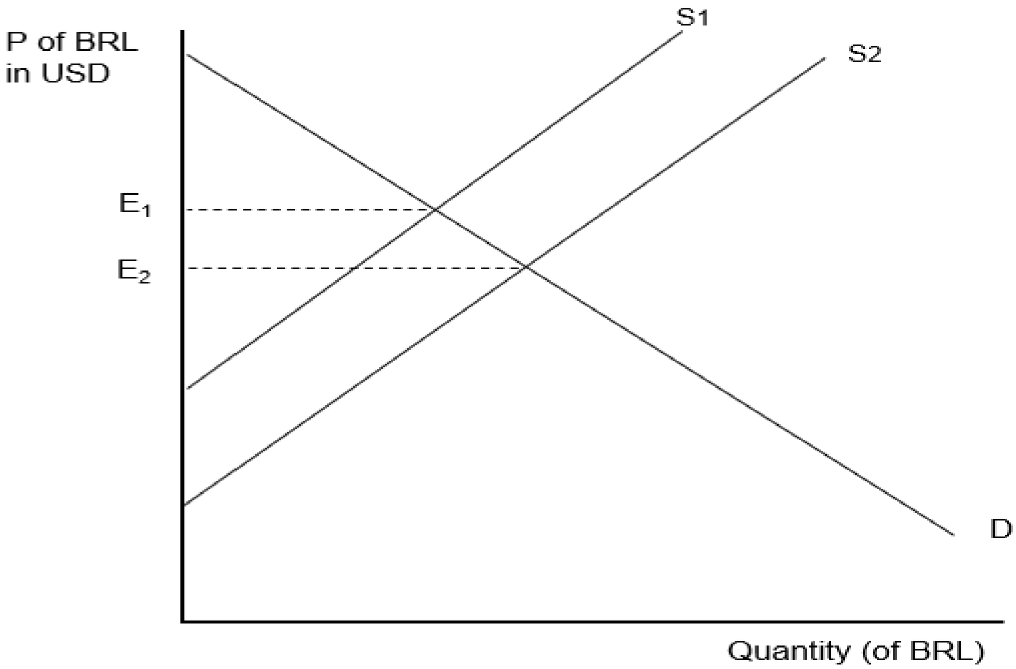
Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	For sketching an AD/AS diagram that shows the AD increasing/AS decreasing, but there are some incorrect/missing labels or projections	1
2	For sketching a correctly labelled AD/AS diagram that shows the AD increasing/AS decreasing and the PL increasing	2

For an AD/AS diagram, the vertical axis may be Average (General) Price Level or Price Level or CPI. The horizontal axis may be real output, real national output, real income, real national income, real GDP or real Y. All abbreviations are acceptable. A Keynesian AS is acceptable. A title is not necessary.

A valid alternative response is a decrease in AS (due to a lower exchange rate increasing the cost of inputs) (VAM).

(c) Using an exchange rate diagram, explain why the Central Bank's intervention in the foreign exchange market was beneficial to Brazil's export sector (**Text D**, paragraph 2). **[4]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram* ***OR*** *an accurate written response.*	1–2
	For a correctly labelled exchange rate diagram, showing supply shifting right and the exchange rate falling ***OR*** for an explanation that the Central Bank ● sold BRL / increased its supply, which lowered the exchange rate ● reducing export prices.	
2	*There is a correct diagram* ***AND*** *an accurate written response.*	3–4
	For a correctly labelled exchange rate diagram, showing supply shifting right and the exchange rate falling ***AND*** for an explanation that the Central Bank ● sold BRL / increased its supply, which lowered the exchange rate ● reducing export prices.	



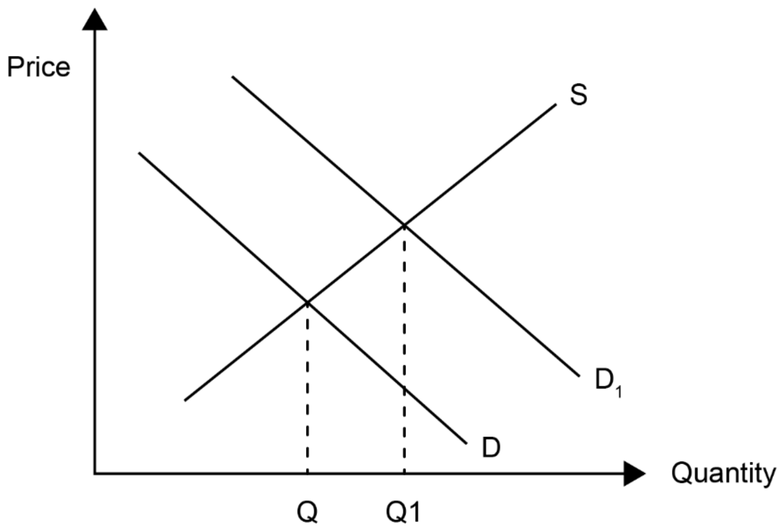
The vertical axis may be

- *exchange rate*
- *price/value of BRL in another currency*
- *other currency / BRL or other currency per BRL*

The horizontal axis may be quantity or quantity of BRL.
All abbreviations are acceptable. A title is not necessary.

(d) Using a demand and supply diagram, explain how higher tariffs on US soybean exports to China have increased soybean production in Brazil (**Text E,** paragraph 3). [4]

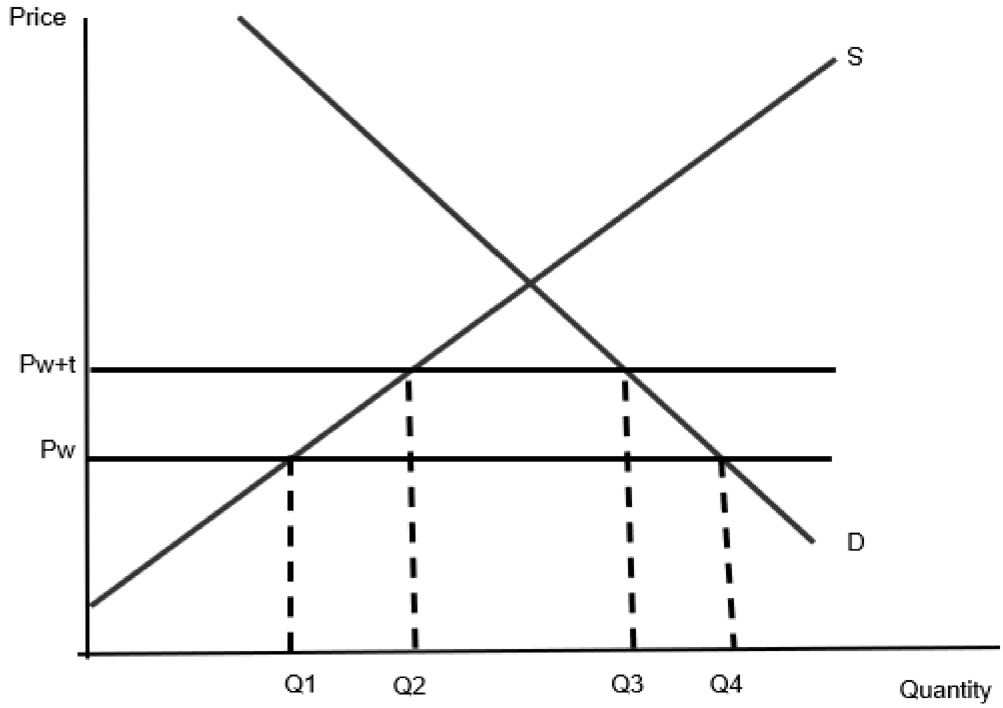
Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram **OR** an accurate written response.*	1–2
	For a correctly labelled demand and supply diagram, showing an increase in the demand for (Brazilian) soybeans, and an increase in quantity of soybeans **OR** for an explanation that higher tariffs on US soybean exports to China ● raised the price of US soybeans (in China)/ decreased imports of US soybeans (to China) ● causing China to import more/increase demand for soybeans from Brazil (and therefore increased production of Brazilian soybeans).	
2	*There is a correct diagram **AND** an accurate written response.*	3–4
	For a correctly labelled demand and supply diagram, showing an increase in the demand for (Brazilian) soybeans, and an increase in quantity of soybeans ***AND*** for an explanation that higher tariffs on US soybean exports to China ● raised the price of US soybeans (in China)/ decreased imports of US soybeans (to China) ● causing China to import more/increase demand for soybeans from Brazil (and therefore increased production of Brazilian soybeans).	



For a demand and supply diagram, the vertical axis should be price or p. The horizontal axis should be quantity or q. A title is not necessary.

Alternatively, an accurate international trade diagram for the soybean market in China with a tariff on US imports should be fully rewarded, so long as it correctly shows and explains that due to the higher tariffs on US soybeans, their price rises ***or*** *imports fall. Therefore, more will be imported/demanded from Brazil. (VAM)*

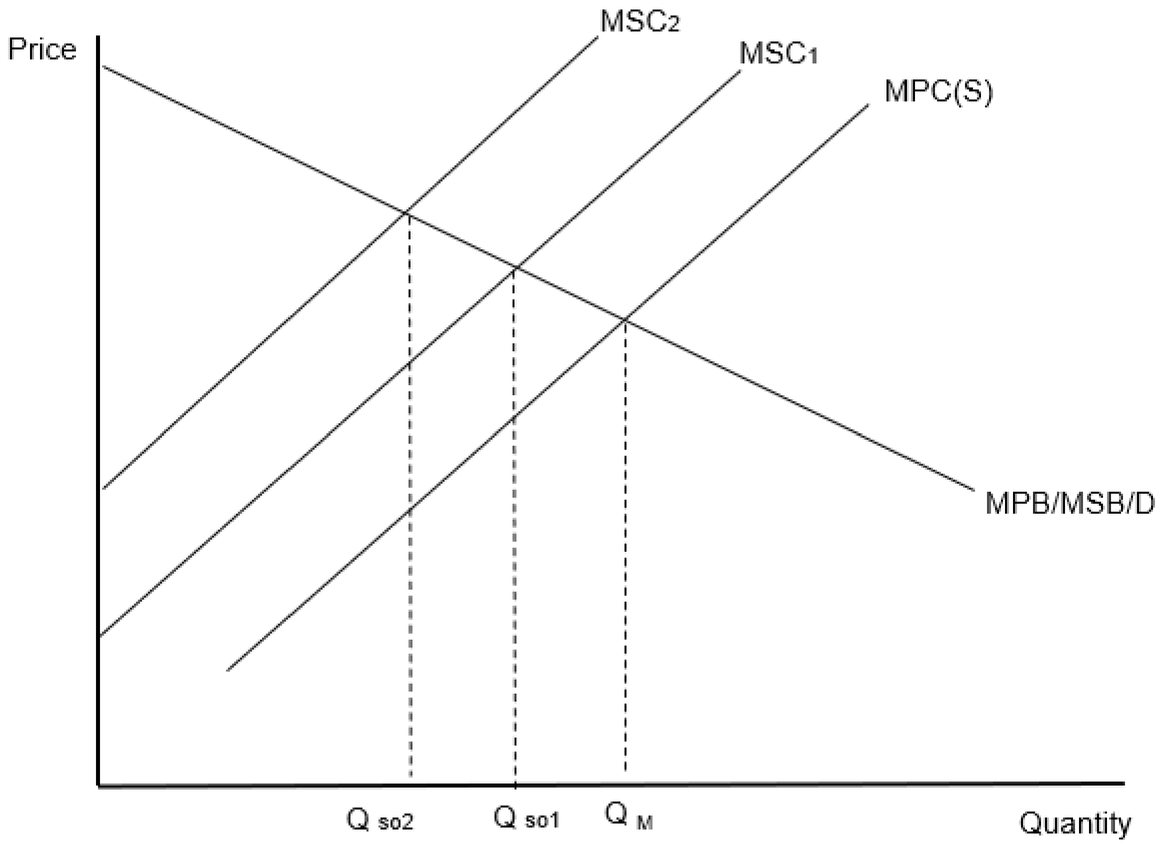
Alternative VAM diagram:



The use of P and Q on the axes is sufficient for an international trade diagram. The world price line may be labelled as S(World), Sw, Pworld, Pusa or any similar label (on either end of the line) indicating the horizontal line is the world or USA price/supply. Domestic can be omitted on the other curves. A title is not necessary.

(e) Using an externalities diagram, explain how continued deforestation of the Amazon rainforest could lead to greater market failure in Brazil (**Text E**, paragraph 4). **[4]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram* ***OR*** *an accurate written response.*	1–2
	For a correctly labelled negative externalities of production diagram showing a (new) MSC curve (above the original MSC curve) and (greater) market failure (which may be delineated in the explanation instead of being shaded/indicated on the diagram) ***OR*** for an explanation that continued deforestation will lead to (greater) negative externalities/MSC>MPC and therefore lead to (any **one** of the following) ● a (greater) divergence between MSC and MSB ● a lower socially optimum output than market output ● a (greater) welfare loss (leading to increased market failure).	
2	*There is a correct diagram* ***AND*** *an accurate written response.*	3–4
	For a correctly labelled negative externalities of production diagram showing a (new) MSC curve (above the original MSC curve), and (greater) market failure (which may be delineated in the explanation instead of being shaded/ indicated on the diagram) ***AND*** for an explanation that continued deforestation will lead to (greater) negative externalities/MSC>MPC and therefore lead to (any **one** of the following) ● a (greater) divergence between MSC and MSB ● a lower socially optimum output than market output ● (greater) welfare loss, (leading to increased market failure).	



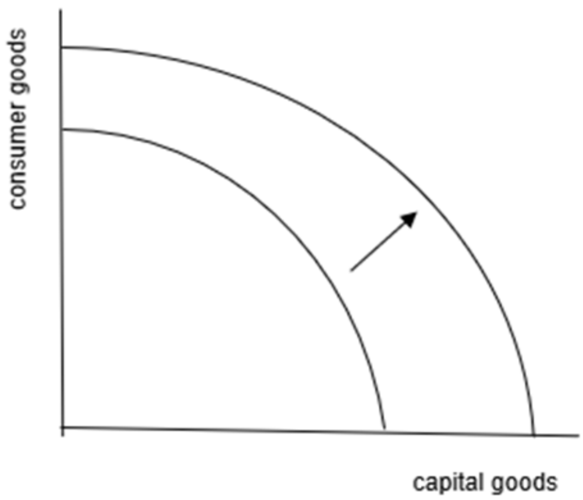
The vertical axis may also be labelled P, costs, or benefits. The horizontal axis may also be Q. The demand curve can be labelled D and/or MPB and/or MSB.
A title is not necessary.

Alternatively, the diagram may show the MPC/S curve shifting right due to increased agricultural output in the Amazon, which widens the gap between MSC and MPC leading to greater market failure. If explained correctly, it can be fully rewarded (VAM).

N.B. *If the answer only explains and shows a situation of market failure with* ***one*** *MSC line and* ***one*** *MPC/S line, it can be fully rewarded (VAM).*

(f) Using a production possibilities curve (PPC) diagram, explain the likely effect of new road infrastructure in the Amazon on production possibilities in Brazil (**Text E**, paragraph 3). **[4]**

Level		Marks
0	*The work does not meet a standard described by the descriptors below.*	0
1	*There is a correct diagram* ***OR*** *an accurate written response.*	1–2
	For a correctly labelled PPC diagram showing an outward shift of the PPC ***OR*** for an explanation that new road infrastructure will increase the ● (accessibility of the) quantity/quality/efficiency/productivity of resources/factors of production ● thereby increasing production possibilities/potential output/productive capacity.	
2	*There is a correct diagram* ***AND*** *an accurate written response.*	3–4
	For a correctly labelled PPC diagram showing an outward shift of the PPC ***AND*** for an explanation that new road infrastructure will increase the ● (accessibility of the) quantity/quality/efficiency/productivity of resources/factors of production ● thereby increasing production possibilities/potential output/productive capacity.	



For a PPC diagram, there must be two goods or groups of goods competing for the same resources on the axes. Good X and Good Y are appropriate, but simply X and Y are not sufficient. A title is not necessary.

(g) Using information from the text/data and your knowledge of economics, discuss the likely consequences of the depreciation of the BRL (Brazil's currency) on Brazil's economic growth and inflation rate. **[15]**

Command term
'Discuss" requires candidates to offer a considered and balanced review that includes a range of arguments, factors or hypotheses. Opinions or conclusions should be presented clearly and supported by appropriate evidence.

*Terminology/definitions **may i**nclude:*
- depreciation
- economic growth
- inflation rate

*Economic models to support analysis **may** include:*
- an AD/AS diagram
- a demand and supply diagram (to show effect of higher input costs)
- a PPC diagram
- a Lorenz curve diagram (to illustrate rising income inequality due to rising inflation, which may impact growth)
- an externalities diagram (to show unsustainable growth)

***N.B.** It should be noted that diagrams that have already been given in answers to parts (c), (d), (e) or (f), and then referred to in part (g), should be rewarded.*

*Answers **may i**nclude:*

Consequences of depreciation for economic growth:

Positive consequences	***Negative consequences***
Increases the price of imports (in terms of BRL) and decreases the price of exports (in terms of foreign currencies) which will probably increase net exports, causing AD to increase and promoting growth of real GDP (**Table 3)**	About 90% of Brazil's imports are manufactured goods, for example, machinery and tractors (**Text D**, paragraph 1). These are inputs for production and so higher prices could restrict economic growth
Brazil is a major exporter of products such as soybeans and automobiles (**Text D**, paragraph 1). Lower export prices could raise economic growth	Brazilian sugar cane farmers have been negatively affected by depreciation due to higher input costs (**Text D**, paragraph 5)
Expansion of soybean plantations and other increases in agricultural output will increase economic growth (**Text D**, paragraphs 3 and 4)	Deforestation for cattle farming and soybean plantations imply that the growth might not be sustainable (**Text E**,paragraph 2) May become overdependent on exports of primary products which are more subject to supply-side shocks than manufacturers (**Text D**, paragraph 4)
Road infrastructure has expanded in the Amazon (**Text E**, paragraph 3) due to exports of soybeans, which will also increase potential growth	The government is committed to ending deforestation by 2030 (**Text E,** paragraph 4). The benefits of depreciation for primary sector expansion of output might therefore be limited
The development of the automobile parts sector	The large current account deficit in 2022 (**Text D**,

and encouragement of FDI have meant less reliance on imported components (**Text D**, paragraph 6)	paragraph 2) indicates that net exports might not have risen, but actually fallen, due possibly to the depreciation
The improvement in development indicators (absolute poverty has fallen and HDI has risen) imply that there has been growth (**Table 4)**	Real GDP per capita has fallen possibly indicating weak growth(**Table 3** or **Table 5**)

Consequences of depreciation for the inflation rate:

Positive consequences	***Negative consequences***
Inflation has increased though not (yet) hyperinflation (**Table 3)**	Increase in exports is an increase in AD leading to demand-pull inflation (**Table 3)**
Depreciation has possibly encouraged FDI (**Text D**, paragraph 6) due to the incentive of more competitive exports. If FDI increases productivity, this may eventually lower inflation	Rise in import prices increases the price of inputs/products for domestic producers leading to cost-push inflation (**Text D**, paragraph 1).
Increases in AS due to deforestation and increased agricultural output may put downward pressure on prices (**Text E**, paragraph 1)	Higher rate of unemployment in 2022 (**Table 3**) indicates that cost-push factors are more important than demand-pull factors in explaining the effects of depreciation on rate of inflation.
Expansion of road infrastructure (**Text E**, paragraph 3) will increase LRAS and further dampen inflation.	The overall effect has been to increase inflation (**Table 3**).

Examiners should be aware that candidates may take a different approach which, if appropriate, should be awarded.

Marks	Level descriptor
0	• The work does not meet a standard described by the descriptors below.
1–3	• The response indicates little understanding of the specific demands of the question. • Economic theory is stated but it is not relevant. • Economic terms are stated but they are not relevant or are used incorrectly. • The response contains no evidence of synthesis or evaluation. • The response contains no use of text/data or it is merely copied.
4–6	• The response indicates some understanding of the specific demands of the question. • Relevant economic theory is described. • Some relevant economic terms are included. • The response contains evidence of relevant but superficial synthesis or evaluation. • The response contains limited use of text/data.
7–9	• The response indicates understanding of the specific demands of the question, but these demands are only partially addressed. • Relevant economic theory is partly explained. • Some relevant economic terms are used appropriately. • Where appropriate, relevant diagram(s) are included. • The response contains evidence of appropriate synthesis or evaluation but lacks balance. • The response includes some relevant information from the text/data.
10–12	• The specific demands of the question are understood and addressed. • Relevant economic theory is explained. • Relevant economic terms are used appropriately. • Where appropriate, relevant diagram(s) are included and explained. • The response contains evidence of appropriate synthesis or evaluation that is mostly balanced. • The use of information from the text/data is generally appropriate, relevant, and applied correctly.
13–15	• The specific demands of the question are thoroughly understood and addressed. • Relevant economic theory is fully explained. • Relevant economic terms are used appropriately throughout the response. • Where appropriate, relevant diagram(s) are included and fully explained. • The response contains evidence of effective and balanced synthesis or evaluation. • The use of information from the text/data is appropriate, relevant, and is used to formulate a reasoned argument supported by analysis/evaluation.