Pearson Edexcel International Advanced Level

Thursday 16 October 2025

Morning (Time: 1 hour 45 minutes)

Paper reference **WEC12/01A**

Economics

International Advanced Subsidiary

UNIT 2: Macroeconomic performance and policy

Question Paper

You must have:
Source Booklet and Answer Booklet

Turn over

P87428A

P 8 7 4 2 8 A

Pearson

SECTION A

Answer ALL questions in this section in the Answer Booklet.

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

A Demand-pull inflation

B An increase in tax revenue

C A high rate of unemployment

D A high level of investment

(Total for Question 1 = 1 mark)

---

2 Indonesia's current account on the balance of payments changed from a surplus of \$4.8 billion in 2022 to a deficit of \$2.51 billion in 2023.

Which **one** of the following is most likely to have caused this change?

A An increase in export revenue

B An increase in expenditure on imports

C A fall in Indonesia's exchange rate

D A fall in consumer real incomes in Indonesia

(Total for Question 2 = 1 mark)

---

3 In 2024, Germany experienced an economic downturn caused by a fall in aggregate demand (AD).

Which **one** of the following would have contributed to this fall in AD?

A An increase in business confidence

B An increase in house prices

C An increase in net exports

D An increase in interest rates

(Total for Question 3 = 1 mark)

---

4 It is estimated that the marginal propensity to consume in Greece is 0.6. Assume that the Government of Greece increased its spending on education by €2.5 billion.

Ceteris paribus, what would be the final increase in GDP following this injection?

A €1.00 billion

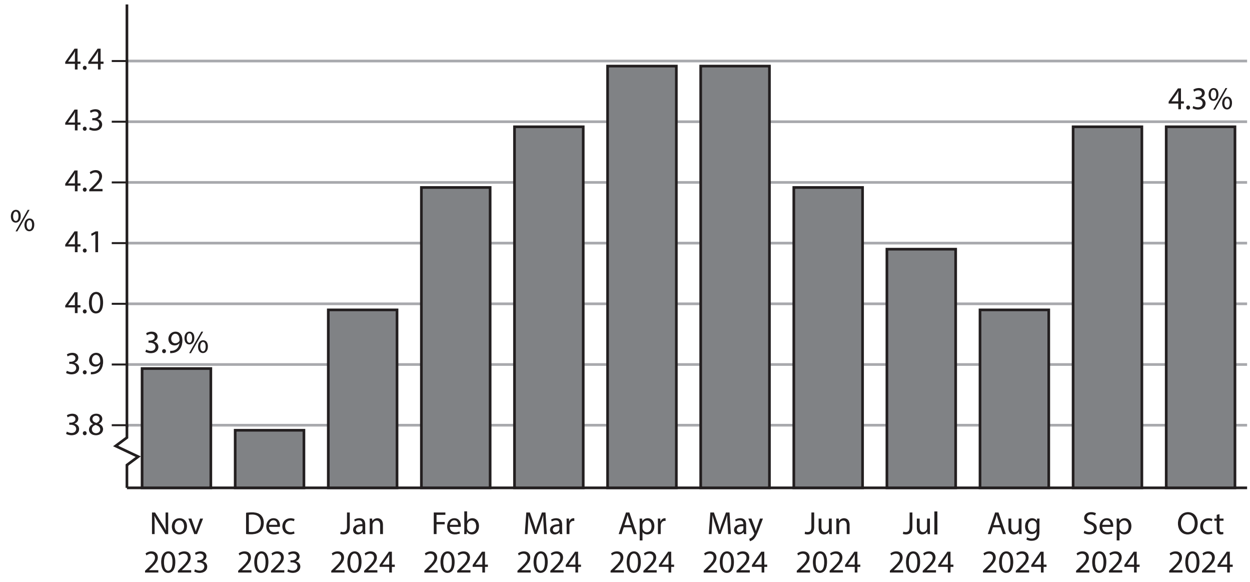
B €1.50 billion

C €4.20 billion

D €6.25 billion

(Total for Question 4 = 1 mark)

5 The chart shows the ILO unemployment rate for the UK between November 2023 and October 2024.



Which **one** of the following is the percentage point change in the UK unemployment rate between November 2023 and October 2024?

A 0.4

B 1.1

C 9.3

D 10.3

(Total for Question 5 = 1 mark)

6 The table shows Peru's GDP between 2021 and 2023.

Year	GDP ($ billion)
2021	226.3
2022	246.4
2023	267.5

Which **one** of the following represents the index number for 2021 if 2022 is the base year?

A 84.6

B 91.8

C 108.9

D 118.2

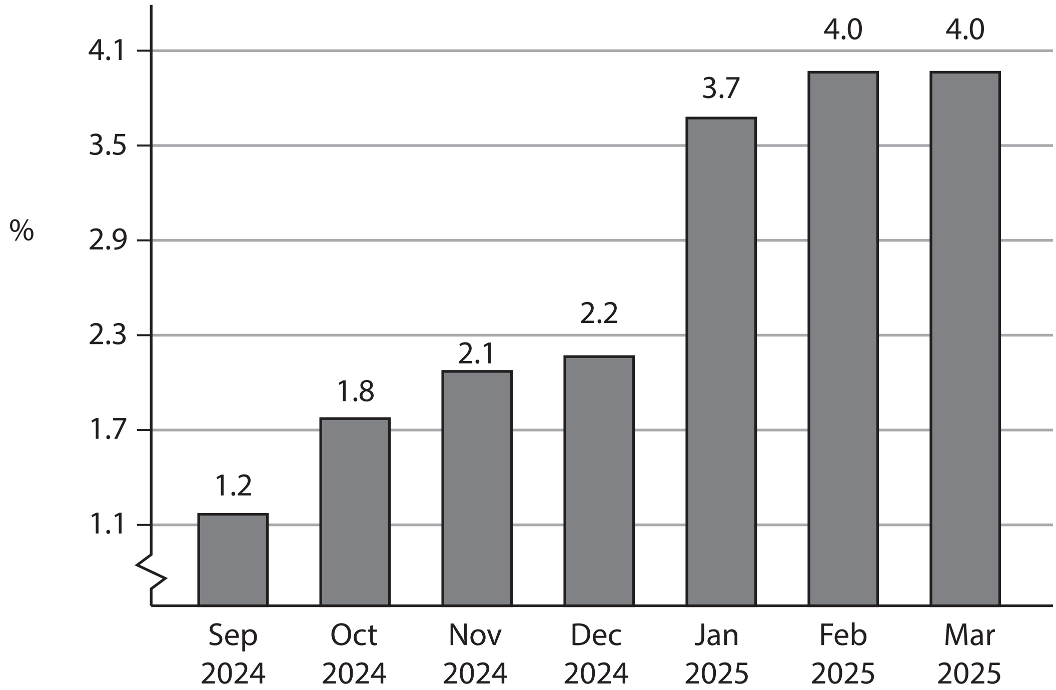
(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

SECTION B

Answer ALL questions in this section in the Answer Booklet.

7 The chart shows the annual rate of inflation in Bulgaria as measured by the consumer price index (CPI)*, September 2024 to March 2025.

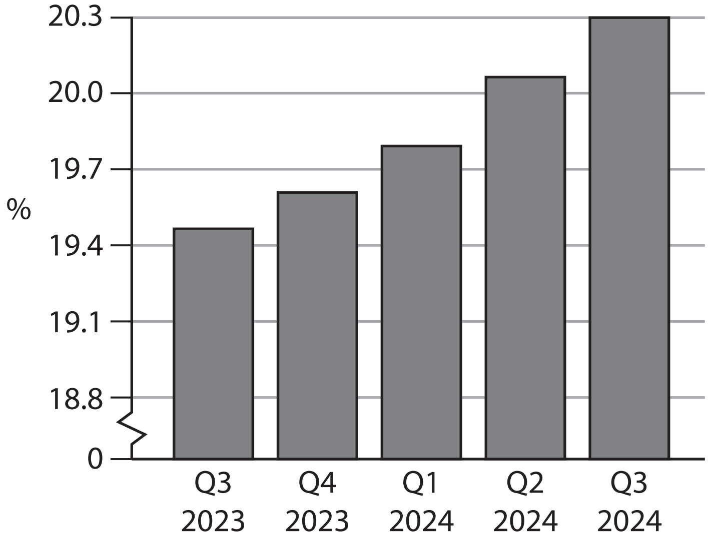


*This is the year-on-year inflation rate calculated monthly.

With reference to the chart, explain **one** likely effect of inflation in Bulgaria.

(Total for Question 7 = 4 marks)

8 The chart shows the savings ratio in Germany between quarter three 2023 and quarter three 2024.



With reference to the chart, explain **one** likely effect of this trend in the savings ratio on the circular flow of income in Germany.

(Total for Question 8 = 4 marks)

9 The table below shows the nominal GDP and population for Brazil in 2021 and 2023.

Year	**GDP (US$ billion)**	**Population (billion)**	**GDP per capita (US$)**
2021	1 609.6	0.2136	
2023	1 892.4	0.2197	

With reference to the table, calculate the change in GDP per capita between 2021 and 2023. Show your workings in the Answer Booklet.

(Total for Question 9 = 4 marks)

10 In September 2024, The Central Bank of China (The People's Bank of China) reduced the reserve asset (liquidity) requirement by 0.5 percentage points from 6.6%.

With reference to the data, explain what is meant by the reserve asset (liquidity) requirement.

(Total for Question 10 = 4 marks)

11 Between 2022 and 2023, Australia's productivity fell by 3.7%.

Draw an LRAS and AD diagram to show the impact of this change in productivity on the average price level and real output.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

SECTION C

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

Write your answers in the spaces provided in the Answer Booklet.

12 (a) Define the term 'underemployment'. (Extract A, line 19).

(2)

(b) With reference to Figure 1, explain the difference between inflation and disinflation.

(4)

(c) With reference to Extract A, examine **two** effects of climate change on the economy of Kenya.

(8)

(d) With reference to Extract B and Figure 1, analyse **two** ways by which an increase in the base rate of interest could reduce the rate of inflation in Kenya.

(6)

(e) With reference to the information provided and your own knowledge, discuss supply-side policies that could be used to reduce structural unemployment in Kenya.

(14)

(Total for Question 12 = 34 marks)

TOTAL FOR SECTION C = 34 MARKS

SECTION D

Answer ONE question from this section.

Write your answer in the space provided in the Answer Booklet.

EITHER

13 In 2024 Vietnam, one of Southeast Asia's fastest-growing economies, achieved a real GDP growth rate of 7.1%.

Evaluate whether the benefits of economic growth always outweigh the costs. Refer to a country of your choice in your answer.

(Total for Question 13 = 20 marks)

OR

14 In 2023, the USA experienced a relatively low unemployment rate of 3.6%. However, its rate of inflation reached 5.5% which was much higher than the target rate of 2% set by the Federal Reserve (Central Bank).

Evaluate potential conflicts that may exist between achieving a low rate of inflation and a low rate of unemployment.
Refer to a country of your choice in your answer.

(Total for Question 14 = 20 marks)

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

BLANK PAGE

BLANK PAGE

Pearson Edexcel International Advanced Level

Thursday 16 October 2025

Morning (Time: 1 hour 45 minutes)

Paper reference **WEC12/01A**

Economics

International Advanced Subsidiary

UNIT 2: Macroeconomic performance and policy

Source Booklet

Do not return this Booklet with the question paper.

Turn over ▶

P87428A

M:1/1/1/1/1/1/

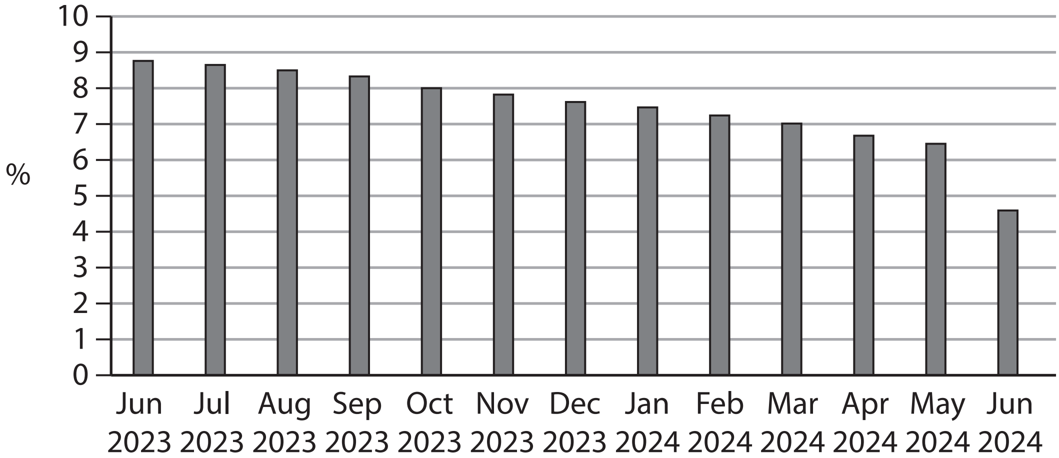
P 8 7 4 2 8 A

Pearson

Sources for use with Section C

The economy of Kenya

Figure 1: Annual rate of inflation as measured by CPI*, June 2023 to June 2024



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

Extract A

Economic challenges

Kenya is one of the strongest economies in East Africa. In 2023, the rate of economic growth was 5.3%. This was mainly caused by increased output in agriculture, services and construction. Nevertheless, the economy still faces challenges.

Agriculture is very important to Kenya. It contributes 30% to the country's GDP and employs nearly 60% of Kenya's workforce. Climate change is a big problem. Droughts, floods, landslides and locust infestations have made it harder to grow crops such as tea and coffee that are important exports for the country. However, Kenya is making progress in developing clean energy. Over 75% of its electricity is generated from geothermal, wind and solar power. This makes Kenya one of Africa's leaders in renewable energy and supports its goal of a green economy by 2030.

The Government is investing in irrigation and drought-resistant crops to help farmers. The Government is also investing in infrastructure to promote the development of manufacturing industries and to encourage urbanisation. However, many workers lack the skills needed for factory or technology jobs, which makes it more difficult for farmers to switch careers.

In 2023, the unemployment rate in Kenya was 5.6%. The World Bank has predicted that this rate will increase to 7.2% in 2025. Many people, especially in rural areas are either unemployed or experience underemployment. Some jobs are disappearing because of structural unemployment. The Government is trying to help young people by investing in training programmes such as the Youth Development Fund. This fund aims to create job opportunities in areas such as technology and renewable energy.

Extract B

Inflation

Another major issue for Kenya has been a relatively high rate of inflation. To control this, the Central Bank of Kenya (CBK) raised the base rate of interest from 9.5% to 10.5% in July 2023. As a result, the rate of inflation fell in 2024. This higher interest rate also contributed to an increase in the value of the Kenyan currency, the Shilling, which rose by approximately 11% from the end of June 2023 to the beginning of June 2024.

BLANK PAGE

Acknowledgements

Figure 1 adapted from: https://www.centralbank.go.ke/inflation-rates/

Extract A adapted from:
Kenya National Bureau of Statistics, "Economic Survey 2023," knbs.or.ke
Bloomberg, "Kenya's Renewable Energy Progress," bloomberg.com
World Bank, "Kenya Country Overview," worldbank.org

Extract B adapted from:
Central Bank of Kenya (CBK), "Monetary Policy Reports," centralbank.go.ke
International Monetary Fund (IMF), "Kenya Economic Outlook," imf.org
Financial Times, "Kenya's Inflation and Monetary Policy," ft.com

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | | | | | | Candidate Number | | | | |

Pearson Edexcel International Advanced Level

Thursday 16 October 2025

Morning (Time: 1 hour 45 minutes) | **Paper reference** | **WEC12/01A**

Economics

International Advanced Subsidiary
UNIT 2: Macroeconomic performance and policy
Answer Booklet

You must have:
Question Paper and Source Booklet

Total Marks

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 ▶

P87492RA

M:1/1/1/

P 8 7 4 9 2 R A 0 1 2 4

Pearson

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 ☒.

Question 1

☒ **A**

☒ **B**

☒ **C**

☒ **D**

(Total for Question 1 = 1 mark)

Question 2

☒ **A**

☒ **B**

☒ **C**

☒ **D**

(Total for Question 2 = 1 mark)

Question 3

☒ **A**

☒ **B**

☒ **C**

☒ **D**

(Total for Question 3 = 1 mark)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

Question 4

☒ **A**

☒ **B**

☒ **C**

☒ **D**

(Total for Question 4 = 1 mark)

Question 5

☒ **A**

☒ **B**

☒ **C**

☒ **D**

(Total for Question 5 = 1 mark)

Question 6

☒ **A**

☒ **B**

☒ **C**

☒ **D**

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

SECTION B

Answer ALL questions in this section in the spaces provided.

Question 7

Write the answer to Question 7 in the space provided.

(Total for Question 7 = 4 marks)

Question 8

Write the answer to Question 8 in the space provided.

(Total for Question 8 = 4 marks)

Question 9

Write the answer to Question 9 in the space provided.

(Total for Question 9 = 4 marks)

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

Question 10

Write the answer to Question 10 in the space provided.

(Total for Question 10 = 4 marks)

Question 11

Write the answer to Question 11 in the space provided.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

SECTION C

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

Write your answers in the spaces provided.

Question 12

Write the answer to Question 12(a) in the space provided.

(2)

....

....

....

....

....

....

Write the answer to Question 12(b) in the space provided.

(4)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

Write the answer to Question 12(c) on the two pages provided.

(8)

Question 12(c) continued

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

Write the answer to Question 12(d) on the two pages provided.

(6)

Question 12(d) continued

Write the answer to Question 12(e) on the three pages provided.

(14)

Question 12(e) continued

Question 12(e) continued

(Total for Question 12 = 34 marks)

TOTAL FOR SECTION C = 34 MARKS

SECTION D

Answer ONE question from this section.

Write your answer on the five pages provided.

Indicate which question you are answering by marking a cross in the box ☒. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

Chosen question number: **Question 13** ☒ **Question 14** ☒

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

P 8 7 4 9 2 R A 0 1 8 2 4

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

Section D continued

Section D continued

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

Section D continued

Section D continued

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

P 8 7 4 9 2 R A 0 2 2 2 4

BLANK PAGE

BLANK PAGE

P 8 7 4 9 2 R A 0 2 4 2 4