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 7 May 2026

Afternoon (Time: 1 hour 45 minutes) | **Paper reference** | **WEC11/01**

Economics

International Advanced Subsidiary
UNIT 1: Markets in action

You must have:
Source Booklet (enclosed)

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

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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 A money expert calculated that a consumer who remained loyal to the same bank for 15 years could have gained an extra $7 000 of interest by switching from one bank to another.

Which **one** of the following best explains why a consumer may remain loyal to a particular bank?

☒ **A** The consumer is maximising utility

☒ **B** The consumer is not feeling valued by their current bank

☒ **C** The consumer exhibits habitual behaviour

☒ **D** The consumer has expert computational skills

(Total for Question 1 = 1 mark)

2 Rice and chicken are complements.

Which **one** of the following shows a value of cross elasticity of demand for complements?

☒ **A** –0.5

☒ **B** 0.0

☒ **C** 0.8

☒ **D** 3.0

(Total for Question 2 = 1 mark)

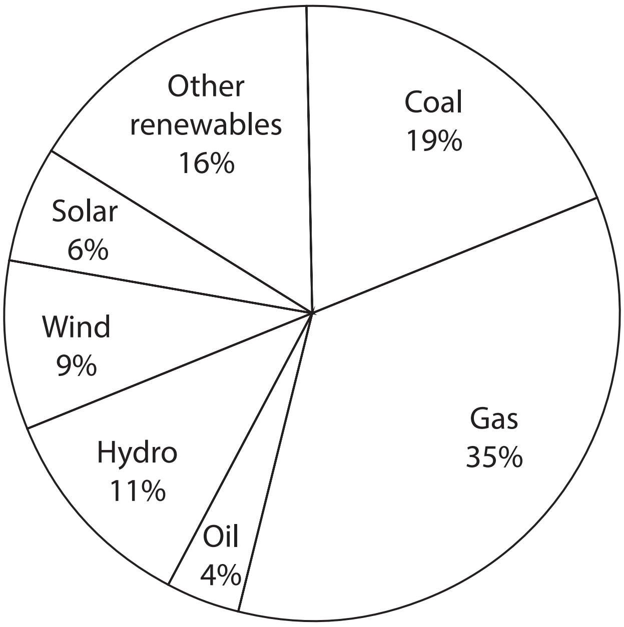
P 7 9 7 1 2 A 0 2 2 8

3 Which **one** of the following best describes diminishing marginal utility?

- ☐ **A** Total utility falls at an increasing rate as the quantity consumed increases
- ☐ **B** Total utility rises at a decreasing rate as the quantity consumed increases
- ☐ **C** Total utility rises at an increasing rate as the quantity consumed increases
- ☐ **D** Total utility falls at a decreasing rate as the quantity consumed increases

(Total for Question 3 = 1 mark)

4 The chart shows how electricity was generated by high-income countries in 2023.



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

☒ **A** High-income countries generated 58% of electricity using renewable energy resources

☒ **B** High-income countries generated 42% of electricity using non-renewable energy resources

☒ **C** High-income countries generated more electricity using renewable energy resources than non-renewable energy resources

☒ **D** High-income countries generated more electricity using non-renewable energy resources than renewable energy resources

(Total for Question 4 = 1 mark)

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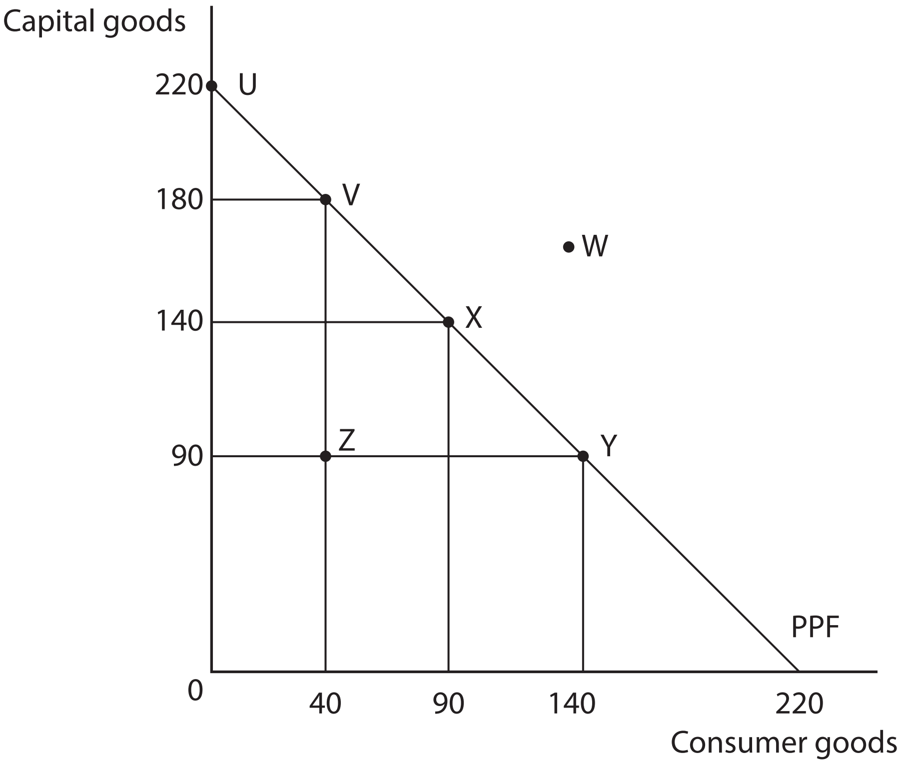
5 The diagram shows the production possibility frontier for an economy.



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

☒ **A** The movement from U to V results in an opportunity cost of 40 consumer goods

☒ **B** The movement from V to X results in an opportunity cost of 40 capital goods

☒ **C** Point W is obtainable using all available resources

☒ **D** Point Z is unobtainable using all available resources

(Total for Question 5 = 1 mark)

6 The table shows the estimated price elasticity of supply for housing in selected countries.

Country	**Price elasticity of supply**
Italy	0.26
Australia	0.53
Japan	0.99
USA	2.01

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

☒ **A** In Italy a 10% increase in average house prices would result in a 26% increase in quantity supplied

☒ **B** In Australia a 10% increase in average house prices would result in a 5.3% decrease in quantity supplied

☒ **C** In Japan a 10% increase in average house prices would result in a 99% decrease in quantity supplied

☒ **D** In the USA a 10% increase in average house prices would result in a 20.1% increase in quantity supplied

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

SECTION B

Answer ALL questions in this section in the spaces provided.

7 20% of global water pollution is caused by the global production of textiles.

Draw a diagram to illustrate the external costs of textile production.

(Total for Question 7 = 4 marks)

8 In Dubai, United Arab Emirates (UAE), an entire year's worth of rain fell in a single day in April 2024. This resulted in its airport and subways being flooded. In response, the Government of the UAE spent AED80 billion on sea defences.

With reference to the UAE, explain **one** reason why a government provides public goods.

(Total for Question 8 = 4 marks)

9 In the 1960s the Aral Sea, which lies between Kazakhstan and Uzbekistan, was used by farmers to water their crops without having to make a payment. However, by 2025 the Aral Sea had decreased in size by 90% following overuse by farmers. As a result, farmers now have to pay to use water from the Aral Sea.

Explain the difference between a free good and an economic good.

(Total for Question 9 = 4 marks)

10 The table shows the average monthly real income and the number of cinema tickets purchased in Australia for 2023 and 2024.

	Average monthly real income, $	**Number of cinema tickets purchased, millions**
2023	1 934.80	58.1
2024	2 025.90	49.6

Ceteris paribus, calculate the income elasticity of demand for cinema tickets in Australia.

Show your workings.

(Total for Question 10 = 4 marks)

11 In 2024 Brazil, the world's largest coffee grower, suffered drought and severe frost that destroyed 20% of its harvest. Between April 2024 and April 2025 the global price of coffee beans increased by 57%.

Ceteris paribus, explain the impact on consumer surplus of this price change in the global coffee market.

Illustrate your answer with a diagram.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

SECTION C

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

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

12 (a) Define the term 'capital goods'. (Extract B, Line 12)

(2)

(b) With reference to Figure 1 and Extract A, analyse **one** supply factor and **one** demand factor that caused the global price of crude oil to decrease significantly between July 2024 and April 2025.

Illustrate your answer with a supply and demand diagram.

(6)

(c) With reference to the final paragraph of Extract B, explain **two** roles of financial markets.

(4)

(d) With reference to Extract B, examine **two** likely benefits of the division of labour being applied by Hyundai.

(8)

(e) With reference to Extract C, discuss the likely effects of the Government of South Korea's decision to reduce the subsidy paid to the manufacturers of electric cars in January 2025.

Illustrate your answer with an appropriate diagram.

(14)

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12 (a) Define the term 'capital goods'. (Extract B, Line 12)

(2)

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(b) With reference to Figure 1 and Extract A, analyse **one** supply factor and **one** demand factor that caused the global price of crude oil to decrease significantly between July 2024 and April 2025.

Illustrate your answer with a supply and demand diagram.

(6)

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(c) With reference to the final paragraph of Extract B, explain **two** roles of financial markets.

(4)

(d) With reference to Extract B, examine **two** likely benefits of the division of labour being applied by Hyundai.

(8)

(e) With reference to Extract C, discuss the likely effects of the Government of South Korea's decision to reduce the subsidy paid to the manufacturers of electric cars in January 2025.

Illustrate your answer with an appropriate diagram.

(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.

EITHER

13 In 2024 dairy farmers in Kenya experienced significant losses because the businesses that process milk paid much lower prices to farmers.

In 2025 the Government of Kenya introduced a guaranteed minimum price for milk above the equilibrium price.

Evaluate the possible microeconomic effects of this introduction of a guaranteed minimum price for milk.

Illustrate your answer with an appropriate diagram.

(Total for Question 13 = 20 marks)

OR

14 Between 2000 and 2024 obesity increased in Romania from 7.7% to 10.9% of the population.

In 2024 the Government of Romania increased the indirect tax on sugary foods from 9% to 19%.

Evaluate the likely microeconomic effects of an increase in indirect tax on sugary foods.

Illustrate your answer with a supply and demand diagram.

(Total for Question 14 = 20 marks)

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** ☒

Write your answer here:

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

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Pearson Edexcel International Advanced Level

Thursday 7 May 2026

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Paper reference **WEC11/01**

Economics

International Advanced Subsidiary

UNIT 1: Markets in action

Source Booklet

Do not return this Booklet with the question paper.

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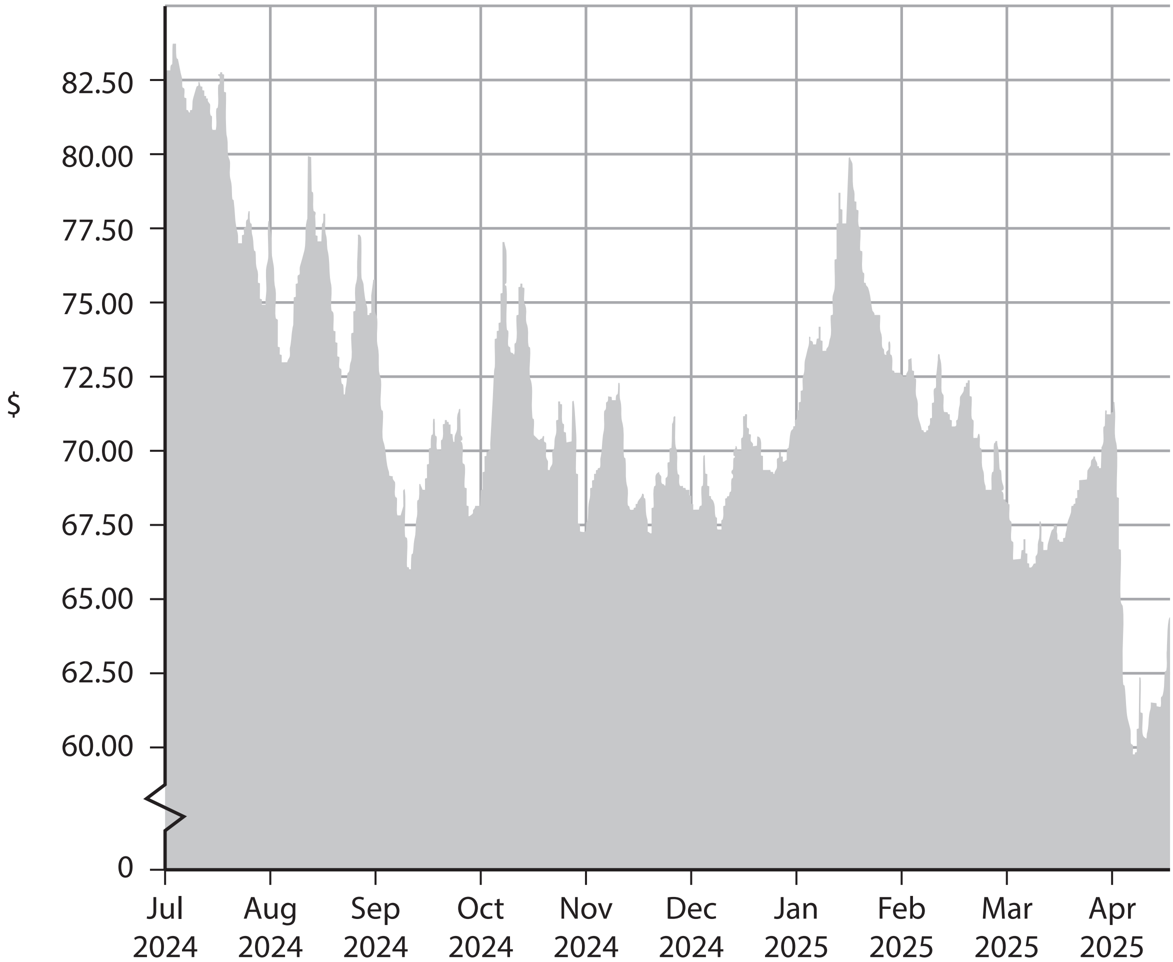
Sources for use with Section C

Price of oil, car production, finance and subsidies

Figure 1 Global price of crude oil, dollars per barrel, July 2024 to April 2025



Extract A Oil prices falling

In April 2025 the global price of oil fell to its lowest level since the global health crisis. The decision by the Government of the USA to restrict imports, and the response of other governments to limit imports from the USA, resulted in greater uncertainty. Speculators assumed that the global rate of economic growth would slow down. Consequently, speculators stopped buying oil as they did not expect to be able to profit from higher prices in the future.

In April 2025 oil-producing countries agreed to increase output. Eight of the largest oil producers jointly increased production by 135 000 barrels per day. These oil-producing countries included Saudi Arabia, Iraq and the United Arab Emirates.

Extract B Car production and car finance

In the early 1900s typically two or three workers produced a single car from start to finish. However, most car manufacturers subsequently adopted the division of labour in car production.

For example, in 2025, the production of Hyundai's Ioniq electric car involved six stages:

- steelmaking – manufacturing strong iron plates
- stamping – creating 450 panels that are used to produce one car
- welding – welding panels together to construct the car
- painting – to protect the vehicle and add colour
- assembly – assembling all internal and external parts
- inspection – 2 206 inspections take place per car to check quality.

Each of these stages uses significant quantities of capital goods. For example, it takes 232 robots to build one car.

Hyundai has experienced an increase in the percentage of its workforce leaving their jobs. In 2018 only 3.6% left the workforce but by 2021 this had increased to 4.4%. In particular, younger staff were more likely to leave. 5.7% of workers aged 30 and under left the business.

In 2024 the global size of the market for consumers borrowing money to finance the purchase of new cars was $295.1 billion. The size of the market for car finance is expected to grow by 7.4% per year between 2025 and 2030. Research shows that, in China, 20% of new cars are purchased using finance, whereas in the USA 85% of new cars are purchased using finance.

Extract C Subsidies for electric cars in South Korea

The Government of South Korea first introduced a subsidy to the manufacturers of electric cars in 2021. This helped to increase sales of electric vehicles tenfold compared to 2019. Between 2021 and 2022 electric car sales doubled to 108 758.

However, in 2024 the maximum subsidy for electric cars was reduced by 4.4%. This resulted in a 3.4% decrease in electric car sales. In January 2025 the Government of South Korea once again reduced the subsidy paid to the manufacturers of electric cars. The maximum subsidy available decreased by 10% to 5.8 million South Korean Won ($3 950).

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Acknowledgements

Figure 1 adapted from:

https://markets.businessinsider.com/commodities/oil-price?type=wti%29

Extract A adapted from:

https://invezz.com/news/2025/04/03/oil-prices-plunge-over-6-as-opec-surprises-markets-with-may-production-hike/

https://apnews.com/article/oil-prices-trade-trump-tariffs-energy-c76592517a1cfbd73e469aa791dcf80e

Extract B adapted from:

https://www.hyundai.news/eu/articles/stories/man-and-machine-how-to-build-a-car.html

https://www.koreatimes.co.kr/business/companies/20210707/hyundai-motor-seeing-higher-workforce-turnover-than-samsung

https://www.grandviewresearch.com/industry-analysis/automotive-finance-market

https://www.forbes.com/sites/jimhenry/2014/09/30/in-china-most-car-buyers-still-pay-cash-but-financing-is-slowly-catching-on/

Extract C adapted from:

https://www.koreaherald.com/article/10382439

https://www.focus2move.com/korean-vehicles-market/