Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number

Candidate Number

Pearson Edexcel International Advanced Level

Wednesday 13 May 2026

Morning (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

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

P:1/1/1/1

P 7 9 7 1 3 A 0 1 2 8

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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 In 2024 total government expenditure in Germany increased by €118 billion and the marginal propensity to consume was 0.7.

Which **one** of the following would be the final increase in GDP as a result of this increase in government expenditure?

☐ **A** €35.40 billion

☐ **B** €82.60 billion

☐ **C** €168.57 billion

☐ **D** €393.33 billion

(Total for Question 1 = 1 mark)

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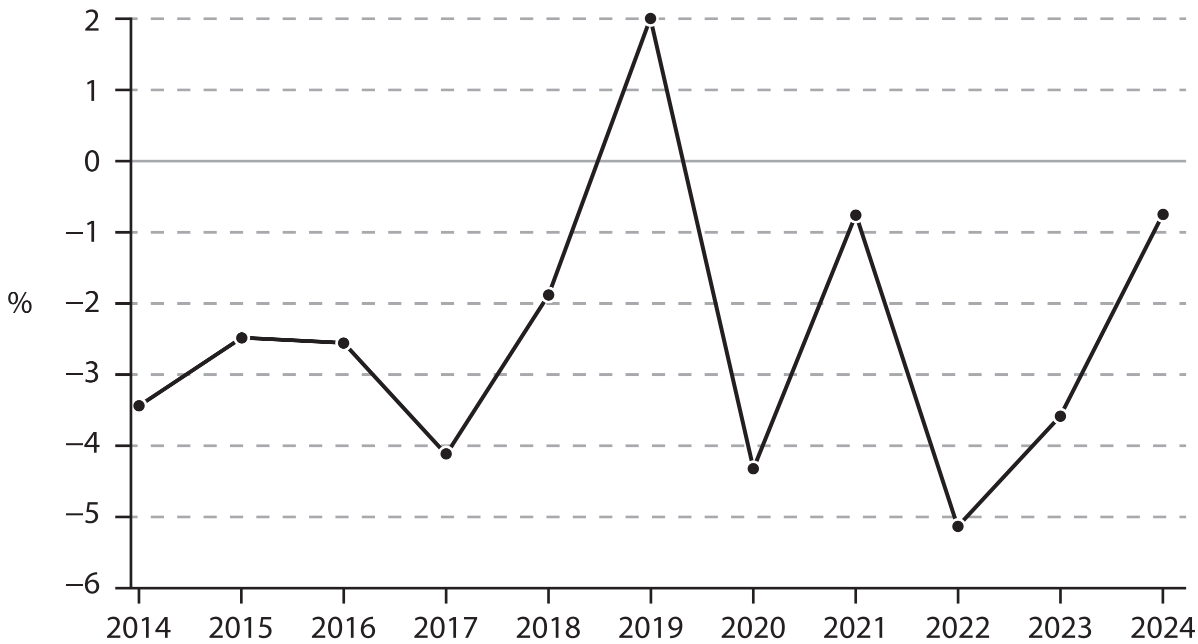
2 The chart shows Türkiye's current account balance as a % of GDP, 2014 to 2024.



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

- ☒ **A** The current account was in deficit in 2019
- ☒ **B** The current account deficit was at its lowest in 2020
- ☒ **C** Money outflows exceeded money inflows in 2017
- ☒ **D** Money inflows exceeded money outflows in 2023

(Total for Question 2 = 1 mark)

3 Between June and July 2025 Costa Rica's annual rate of inflation decreased from –0.2% to –0.6%.

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

- ☒ **A** A decrease in oil prices
- ☒ **B** A decrease in the level of unemployment
- ☒ **C** A decrease in imports
- ☒ **D** A decrease in income tax rates

(Total for Question 3 = 1 mark)

4 Which **one** of the following combinations is most likely to cause a rightward shift in a short-run aggregate supply curve?

		Exchange rate	Wage rates
☒	**A**	Increase	Decrease
☒	**B**	Increase	Increase
☒	**C**	Decrease	Increase
☒	**D**	Decrease	Decrease

(Total for Question 4 = 1 mark)

5 In July 2025 the number of part-time workers in the USA who would prefer full-time employment was estimated to be 4.7 million.

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

☒ **A** Seasonal unemployment

☒ **B** Underemployment

☒ **C** Structural unemployment

☒ **D** Frictional unemployment

(Total for Question 5 = 1 mark)

6 In 2024 the real GDP of the Seychelles was estimated to be $2.0 billion and its population was 122 000.

Which **one** of the following was its real GDP per capita?

☒ **A** $1 639

☒ **B** $1 667

☒ **C** $16 393

☒ **D** $16 667

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

SECTION B

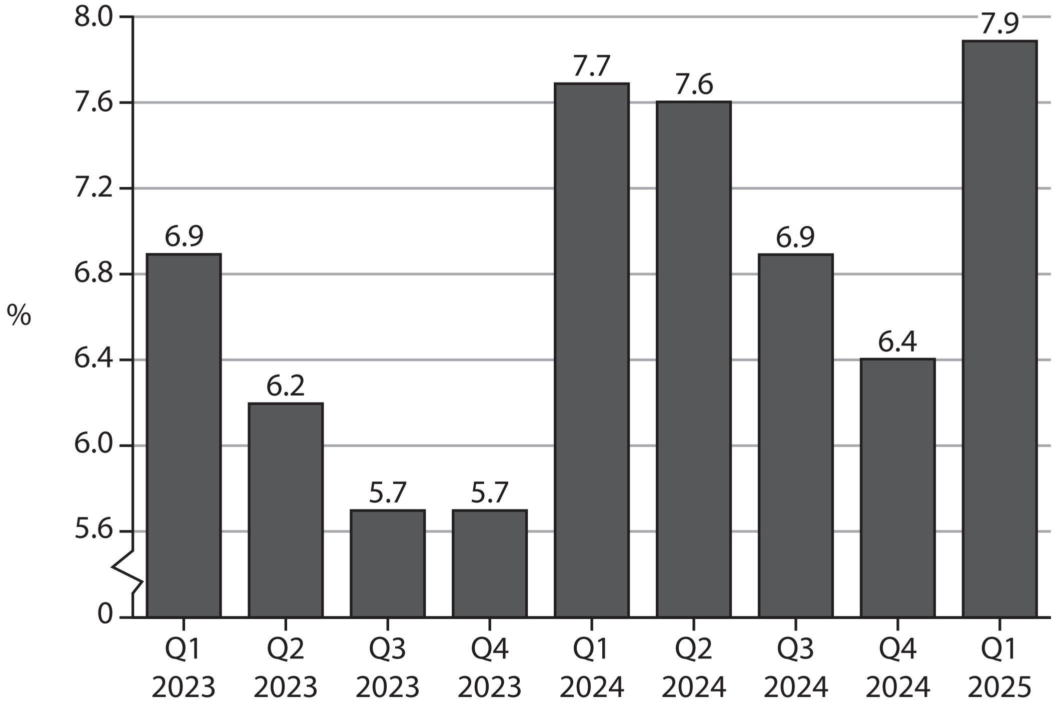
Answer ALL questions in this section in the spaces provided.

7 Between 2022 and 2024 the Government of Sri Lanka increased its highest rate of income tax from 22% to 36%.

Explain **one** likely effect of this increase in the rate of income tax on the circular flow of income in Sri Lanka.

(Total for Question 7 = 4 marks)

8 The chart shows the rate of unemployment in Argentina as measured by the International Labour Organization (ILO), quarter 1 2023 to quarter 1 2025.



With reference to the chart, explain how unemployment is measured using the International Labour Organization (ILO) definition.

(4)

(Total for Question 8 = 4 marks)

9 The table shows the annual real GDP growth rate (%) in India between 2022 and 2024.

Year	Real GDP growth rate (%)
2022	6.1%
2023	6.5%
2024	6.8%

With reference to the table, explain **one** likely cost of economic growth.

(Total for Question 9 = 4 marks)

10 The table shows the components of GDP for the USA in 2024.

Component	$ trillion
Consumption	21.90
Investment	4.08
Savings	1.85
Government expenditure	4.80
Tax revenue	4.92
Exports	3.19
Imports	4.11

Calculate the aggregate demand (AD) for the USA in 2024. You are advised to show your working.

(Total for Question 10 = 4 marks)

11 Between 2022 and 2025 the Government of Ethiopia implemented free market supply-side policies including the privatisation of the telecom, banking, energy and transport sectors.

Draw an AD and LRAS diagram to show the likely effect of free market supply-side policies.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

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SECTION C

Study Figures 1 and 2 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 'consumption'. (Extract A, line 2)

(2)

(b) With reference to Figure 1, explain the difference between gross investment and net investment.

(4)

(c) With reference to Extract A, analyse **two** causes of economic growth in Brazil.

(6)

(d) With reference to Figure 2, Extract B and your own knowledge, examine **two** likely economic effects of a high annual rate of inflation in Brazil.

(8)

(e) With reference to the information provided, discuss deflationary demand-side policies that have been implemented to achieve the Government's macroeconomic objectives.

(14)

12 (a) Define the term 'consumption'. (Extract A, line 2)

(2)

(b) With reference to Figure 1, explain the difference between gross investment and net investment.

(4)

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(c) With reference to Extract A, analyse **two** causes of economic growth in Brazil.

(6)

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(d) With reference to Figure 2, Extract B and your own knowledge, examine **two** likely economic effects of a high annual rate of inflation in Brazil.

(8)

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(e) With reference to the information provided, discuss deflationary demand-side policies that have been implemented to achieve the Government's macroeconomic objectives.

(14)

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(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 The global economic growth rate decreased from 6.3% in 2021 to 2.9% in 2024. A high rate of inflation, rising interest rates and delays in the movement of goods across international borders decreased business and consumer confidence.

Evaluate whether the state of the global economy is the main factor influencing a country's balance of trade.

(Total for Question 13 = 20 marks)

OR

14 The table shows the nominal GDP and the rate of economic growth for selected countries in 2024.

Country	Nominal GDP	Rate of economic growth
Senegal	$19 billion	5.3%
Poland	$600 billion	2.5%
Japan	$18 trillion	0.9%

Evaluate the limitations of using nominal GDP to compare living standards between countries.

(Total for Question 14 = 20 marks)

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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:

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

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UNIT 2: Macroeconomic performance and policy

Source Booklet

Do not return this Booklet with the question paper.

Turn over

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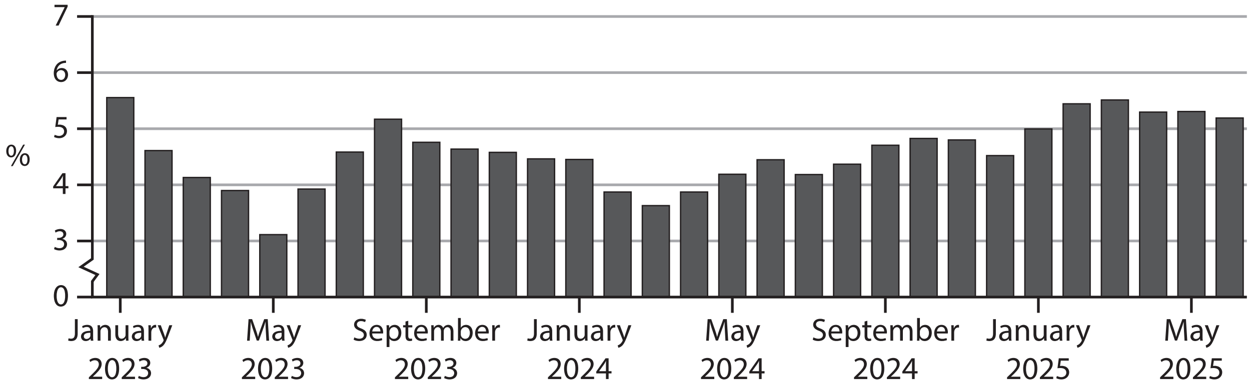
Sources for use with Section C

The economy of Brazil

Figure 1 Investment

Year	Gross investment ($ billion)	Net investment ($ billion)
2022	347.45	331.81
2024	371.22	356.74

Figure 2 Annual rate of inflation*, January 2023 – June 2025



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

Extract A Economic growth

Brazil's economy relies heavily on consumption, which accounts for over 60% of aggregate demand. The real GDP growth rate increased from 3.2% in 2023 to 3.4% in 2024.

One reason for this increase in the economic growth rate was stronger domestic demand. This was influenced by increases in the minimum wage rate and by an increase in government spending on unemployment benefits. These policies helped to support lower-income groups. Another reason for this increase was higher investment, particularly in infrastructure, agriculture and energy. This was encouraged by improved access to credit. In addition, exports of agricultural products such as soybeans and beef increased. This was despite the economic uncertainty caused by slower growth in major economies, higher global interest rates and continued supply chain disruptions.

Extract B Monetary policy

In January 2023 the annual rate of inflation in Brazil was 5.8%. This was above the central bank's target rate of 3.5%. Consequently, the central bank maintained the base rate of interest at a relatively high level of 13.75%. However, the annual rate of inflation fell in 2023. As a result, the central bank decreased the base rate of interest seven times between August 2023 and May 2024 to 10.5%.

In the final quarter of 2024 the rate of inflation started to increase again, mainly caused by factors such as higher energy prices and wage growth. The rate of inflation was expected to remain high. To reduce the rate of inflation to the target rate, the central bank increased the base rate of interest seven times between September 2024 and June 2025 to 15%.

Extract C Fiscal policy

In 2023 the Government of Brazil changed its rules regarding how much it could spend. Government expenditure is now allowed to grow, but only if the government raises more tax revenue. To help meet this rule, the Government has made changes to fiscal policy. For example, it has limited some types of expenditure, such as administration spending. However, spending on programmes such as Bolsa Família, that provides monthly payments to low-income households, remains high.

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Acknowledgements

Figure 1 adapted from:
https://www.ceicdata.com/en/brazil/gross-domestic-product-nominal/br-gdp-usd-gross-fixed-capital-formation
https://tradingeconomics.com/brazil/gross-fixed-capital-formation-us-dollar-wb-data.html

Figure 2 adapted from:
https://tradingeconomics.com/brazil/inflation-cpi
https://tradingeconomics.com/brazil/interest-rate

Extract A adapted from:
https://www.reuters.com/world/americas/brazils-inflation-slows-january-tightening-cycle-continue-2025-02-11/
https://en.mercopress.com/2024/05/13/brazil-s-central-bank-ups-expansion-forecast-for-2024-to-2.09

Extract B adapted from:
https://www.deloitte.com/us/en/insights/topics/economy/americas/brazil-economic-outlook-11-2024.html
https://www.capitaleconomics.com/publications/latin-america-rapid-response/brazil-interest-rate-announcement-may-2024

Extract C adapted from:
https://www.oecd.org/en/publications/oecd-economic-surveys-brazil-2023_a2d6acac-en.html