PEARSON EDEXCEL IAL ECONOMICS · YEC11

ECONOMICS



EXAM QUESTION PACK

UNIT 2: ECONOMIC GROWTH

SCORE	PERCENTAGE
/287	%

STEMUP

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Q1.

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 ☒.

The table shows the annual percentage change in the real GDP of Canada between 2017 and 2019. The long-term trend rate of economic growth for the economy is estimated to be 2.7%.

Year	Change in real GDP (annual %)
2017	3.2
2018	2.0
2019	1.7

(Source: https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2019&locations=CA&start=2017)

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

☒ **A** The positive output gap increased between 2017 and 2018

☒ **B** There was a negative output gap in 2018 and 2019

☒ **C** There was a positive output gap in 2018 and 2019

☒ **D** The negative output gap decreased between 2018 and 2019

(Total for question = 1 mark)

Q2.

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 = 1 mark)

Q3.

From 2004 to 2018 the Ethiopian economy grew at an average rate of over 10% per year. Over this period there has been significant deforestation in the country. Forests have been cleared to make space for farming and the wood has been used for fuel and construction.

Evaluate whether the costs of economic growth outweigh the benefits.

(Total for question = 20 marks)

Q4.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In 2022 Kuwait experienced an increase in real GDP of 8.7%.

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

☒ **A** A decrease in profits for firms

☒ **B** A decrease in the rate of inflation

☒ **C** A decrease in the rate of unemployment

☒ **D** A decrease in government tax revenues

(Total for question = 1 mark)

Q5.

Germany experienced a recession in the first six months of 2023. The country's rate of economic growth was –0.4% in quarter 1 2023 and was –0.1% in quarter 2 2023.

Evaluate the likely effects of a recession. Refer to a country of your choice in your answer.

(Total for question = 20 marks)

Q6.

The table shows the nominal GDP and the population for India in 2012 and 2017.

Year	GDP (US$ billion)	Population (billion)	GDP per capita (US$)
2012	1827.6	1.2134	1506.2
2017	2597.5	1.2836	

Using the information above, calculate the change in GDP per capita between 2012 and 2017 in US$. Show your workings.

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(Total for question = 4 marks)

Q7.

Between 2012 and 2022 the productivity rate in Turkey increased by 39.2%.

Evaluate the likely benefits of an increase in the productivity rate.

Refer to a country of your choice in your answer.

(Total for question = 20 marks)

Q8.

In Q1 2019 Brazil's output gap was estimated to be equal to –5.6% of GDP.

Explain **one** likely impact of a negative output gap on Brazil's economy.

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(Total for question = 4 marks)

Q9.

'Pursuing economic growth at the expense of the environment has resulted in pollution, climate change and the overconsumption of natural resources.'

Evaluate the costs of economic growth. Refer to a country of your choice in your answer.

(Total for question = 20 marks)

Q10.

In 2022 Guyana's rate of economic growth was the highest in the world. Its annual percentage increase in real GDP was 62.3%.

With reference to this information, explain **one** cost of economic growth.

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(Total for question = 4 marks)

Q11.

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 = 20 marks)

Q12.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet.

Define the term 'Real wage growth' (Extract B, line 8).

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(Total for question = 2 marks)

Q13.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet.

Using the information provided, discuss the factors, other than net migration, that have contributed to economic growth in Australia up to 2018.

(Total for question = 14 marks)

Q14.

As a result of a significant decrease in consumer spending in France in 2020, the country's negative output gap was 5.64%.

Draw an AS and AD diagram to show the negative output gap.

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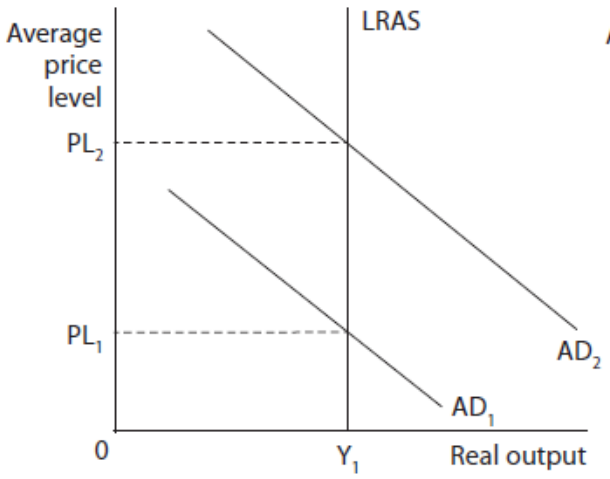
(Total for question = 4 marks)

Q15.

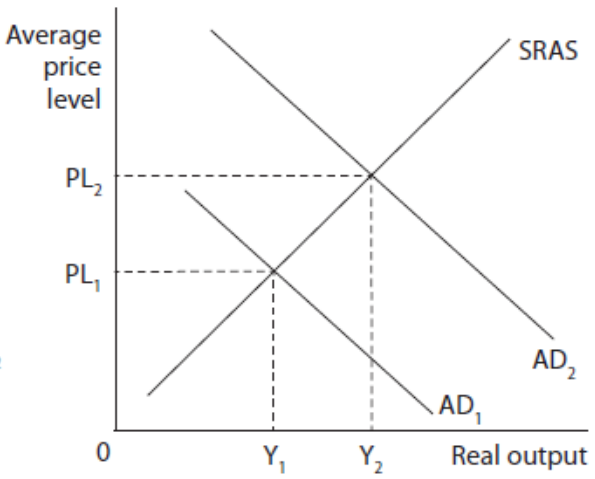
Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Which **one** of the following aggregate demand and aggregate supply diagrams below illustrates an economy experiencing potential economic growth?

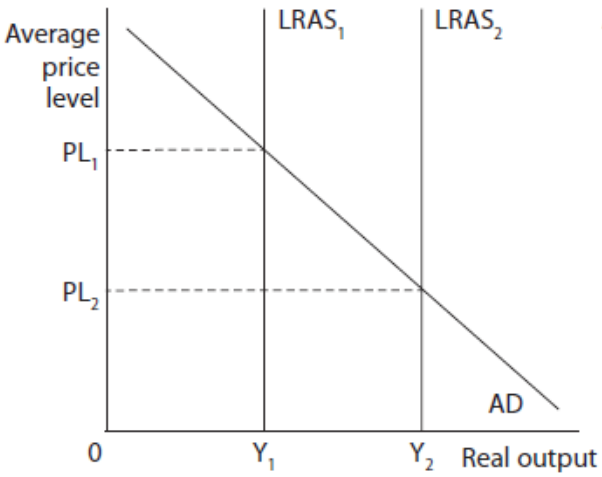
☐ **A**



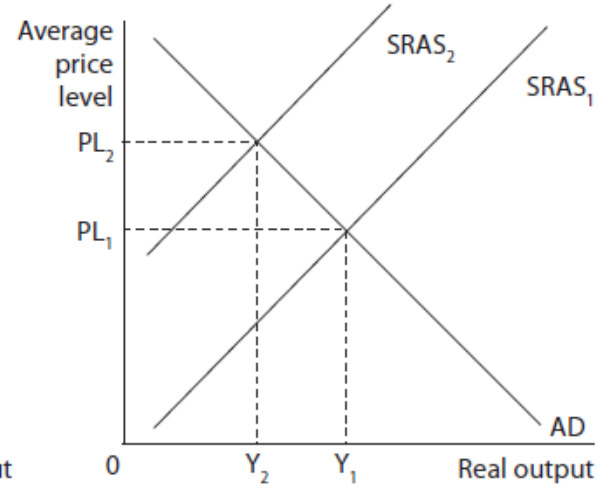
☐ **B**



☐ **C**



☐ **D**



(Total for question = 1 mark)

Q16.

In 2019 the new President of the European Central Bank asked governments of eurozone countries to cut taxation and increase government expenditure to stimulate the rate of economic

growth.

Evaluate fiscal policy instruments as a means of increasing the rate of economic growth.

(Total for question = 20 marks)

Q17.

In January 2019 the Portuguese Government announced an increase of €20 billion of government spending on transport, energy and environmental projects. It aims to improve the productive potential of the economy.

Evaluate interventionist supply-side policies as a means of achieving economic growth.

(Total for question = 20 marks)

Q18.

Many economists are expecting several of the world's leading economies to enter a recession in 2023.

Evaluate the likely costs of a recession on an economy of your choice.

(Total for question = 20 marks)

Q19.

In quarter 1 2019 the unemployment rate in South Africa was 27.6%. In quarter 2 it increased to 29%. An additional 455 000 workers became unemployed.

Evaluate the likely impact of an increase in the unemployment rate on workers, public finances and resource utilisation.

(Total for question = 20 marks)

Q20.

In 2022 Japan's productivity was approximately 30% lower than that of the USA.

Evaluate supply-side policies that a government could use to increase the country's productivity.

(Total for question = 20 marks)

Q21.

Study Figure 1, Figure 2 and Extract A in the Source Booklet before answering this question.

With reference to Figure 1 and Extract A, examine **two** reasons why Ireland's rate of economic growth was expected to decrease in 2023.

(Total for question = 8 marks)

Q22.

In 2022 Belize had a positive output gap of more than 7%.

Explain **one** likely disadvantage of a positive output gap for the economy of Belize.

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(Total for question = 4 marks)

Q23.

In 2022 Vietnam's output gap was forecast to be between −5% and −10%.

Explain **one** likely impact of a negative output gap on Vietnam's economy.

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(Total for question = 4 marks)

Q24.

The data shows the quarterly percentage growth of real GDP for Belgium between Q1 2019 and Q4 2019.

Quarter	%
Q1	0.0
Q2	0.3
Q3	0.4
Q4	0.4

With reference to the overall trend of the data, explain what is meant by the term 'growth of real GDP'.

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(Total for question = 4 marks)

Q25.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In 2021 India experienced an 8% increase in real GDP.

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

☒ **A** A decrease in profits for firms

☒ **B** An increase in damage to the environment

☒ **C** A decrease in government tax revenues

☒ **D** An increase in the level of investment

(Total for question = 1 mark)

Q26.

Between early 2012 and mid-2019 Brazil's productivity fell by over 40%.

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

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(Total for question = 4 marks)

Q27.

The Central Bank of Egypt has estimated that the marginal propensity to consume for Egypt's economy is 0.6. In October 2017, the Egyptian Government announced a LE11.9 billion investment into renewable energy. (LE = Egyptian currency).

Ceteris paribus, calculate the final increase in the national income resulting from the LE11.9 billion investment.

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(Total for question = 4 marks)

Q28.

In 2017 a fall in mining and manufacturing production led to the Brazilian economy operating below its productive potential.

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

☒ **A** High unemployment

☒ **B** High business confidence

☒ **C** An increase in house prices

☒ **D** An increase in wellbeing

(Total for question = 1 mark)

Q29.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The ILO unemployment rate in Spain fell from 21% in 2014 to less than 15% in 2018.

Which **one** of the following is most likely to be associated with this change in Spain's unemployment rate?

☒ **A** A fall in the negative output gap

☒ **B** A rise in the level of welfare payments

☒

C A fall in demand for exports

☒ **D** A rise in economic inactivity

(Total for question = 1 mark)

Q30.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The Moroccan economy had a large negative output gap in 2017.

Which **one** of the following is usually associated with a negative output gap?

☒ **A** Demand-pull inflation and decreasing unemployment

☒ **B** Cost-push inflation and high employment rates

☒ **C** Real GDP growth less than the long-term productive potential

☒ **D** Real GDP growth more than the long-term productive potential

(Total for question = 1 mark)

Q31.

The table shows the annual percentage change in the real GDP of Japan in 2019 and 2020. The long-term trend rate of growth for the economy is estimated to be 0.5%.

Year	Change in real GDP (annual %)
2019	0.27
2020	–4.83

(Source: https://www.statista.com/statistics/263607/gross-domestic-product-gdp-growth-rate-in-japan/)

With reference to the table, explain what is meant by an output gap.

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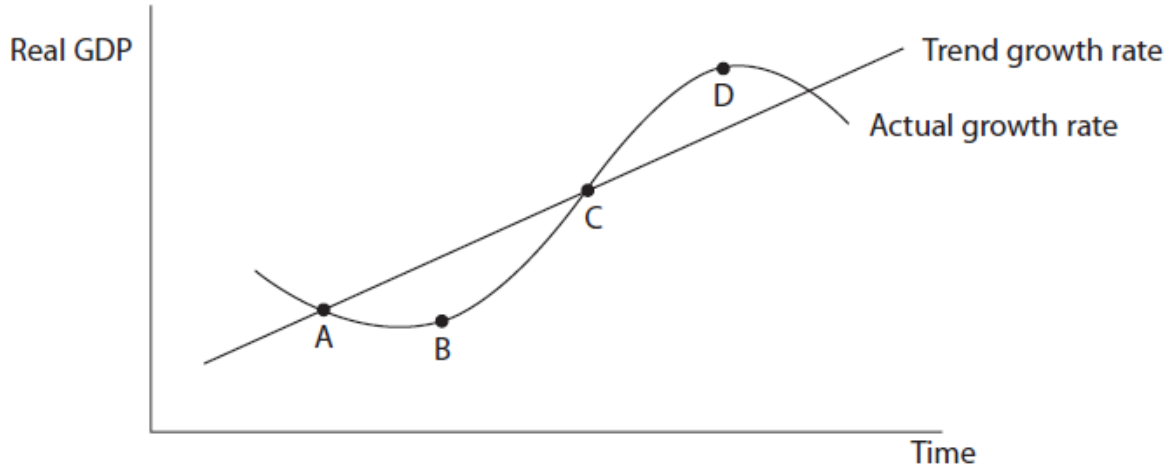
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(Total for question = 4 marks)

Q32.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The diagram shows a country's trend growth rate and its actual growth rate.



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

☒ **A** The rate of economic growth is increasing between points A and B

☒ **B** There is a negative output gap at point B

☒ **C** There is a positive output gap at point C

☒ **D** The level of unemployment is increasing between points C and D

(Total for question = 1 mark)

Q33.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In 2022 the Czech Republic's economy was operating below its productive potential as a result of a fall in its manufacturing production.

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

☒ **A** An increase in house prices

☒ **B** An increase in the rate of inflation

☒ **C** An increase in business confidence

☒ **D** An increase in unemployment

(Total for question = 1 mark)

Q34.

Croatia experienced a positive output gap in 2022.

Draw an AD/AS diagram to illustrate a positive output gap.

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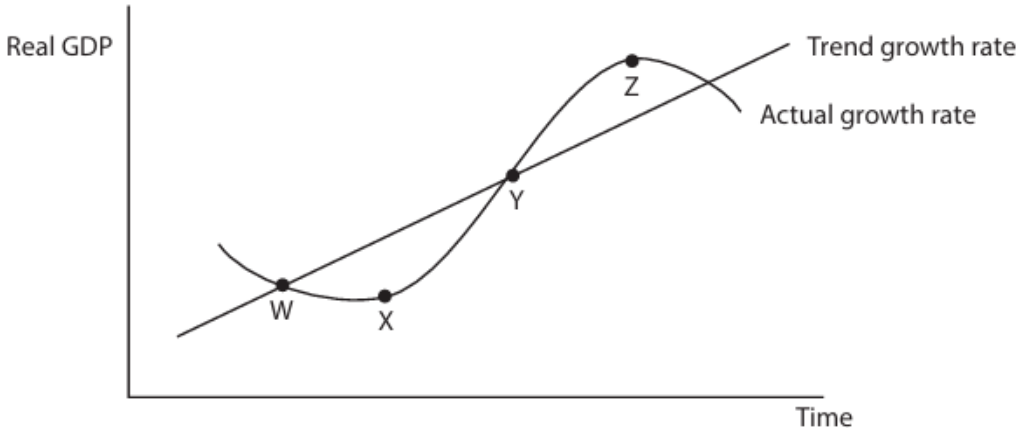
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(Total for question = 4 marks)

Q35.

Answer the question 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 ☒.

The diagram shows a country's trend growth rate and its actual growth rate.



With reference to the diagram, which **one** of the following is most likely to be associated with a movement from point Y to point Z?

☒ **A** A decrease in government tax revenue

☒ **B** An increase in profits for firms

☒ **C** An increase in the rate of unemployment

☒ **D** A decrease in business confidence

(Total for question = 1 mark)

Q36.

Study Figure 1, Figure 2 and Extract A in the Source Booklet before answering this question.

With reference to Figure 1, explain the term 'productivity'.

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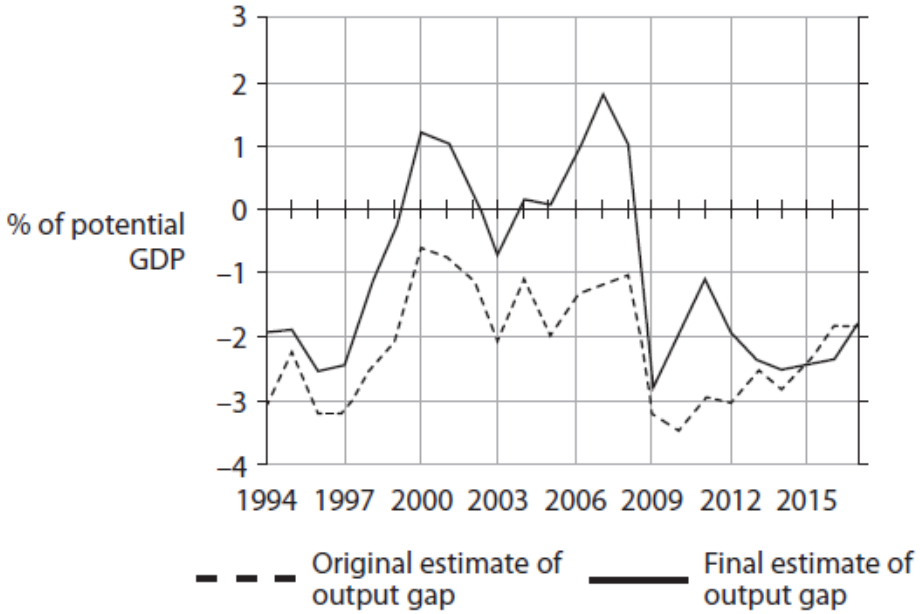
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(Total for question = 4 marks)

Q37.

The chart shows two estimates made by the International Monetary Fund of the size of the French economy's output gap for the years 1994 to 2017.



(Source: https://www.imf.org/en/Publications/WP/Issues/2019/09/20/How-Informative-Are-Real-Time-Output-Gap-Estimates-in-Europe-48645)

With reference to the chart, explain **one** reason why it might be difficult to measure the size of an economy's output gap.

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(Total for question = 4 marks)