PEARSON EDEXCEL IAL ECONOMICS · YEC11

ECONOMICS



EXAM QUESTION PACK

UNIT 2: MEASURES OF ECONOMIC PERFORMANCE

SCORE	PERCENTAGE
/175	%

STEMUP

These questions belong to Pearson Edexcel, not to us.

The examination questions, mark schemes and examiner comments in this pack were written and published by Pearson Edexcel. They are past assessment materials, reproduced here so that students can revise from them.

What we do not own

STEMUP is not affiliated with Pearson Edexcel and does not own, and makes no claim to own, any of the question, mark scheme or examiner report material in this pack. Pearson Edexcel has not endorsed, approved or been involved in the production of it. Pearson Edexcel and the qualification titles used here belong to their respective owners and appear for identification only.

Where to find the originals

Pearson Edexcel publishes its past papers, mark schemes and examiner reports free of charge. Always check the current specification at qualifications.pearson.com before you revise, because content and wording can change between series.

If you hold the rights to any material in this pack and would like it amended or removed, contact admin@stemup.co.uk and we will act on it.

Q1.

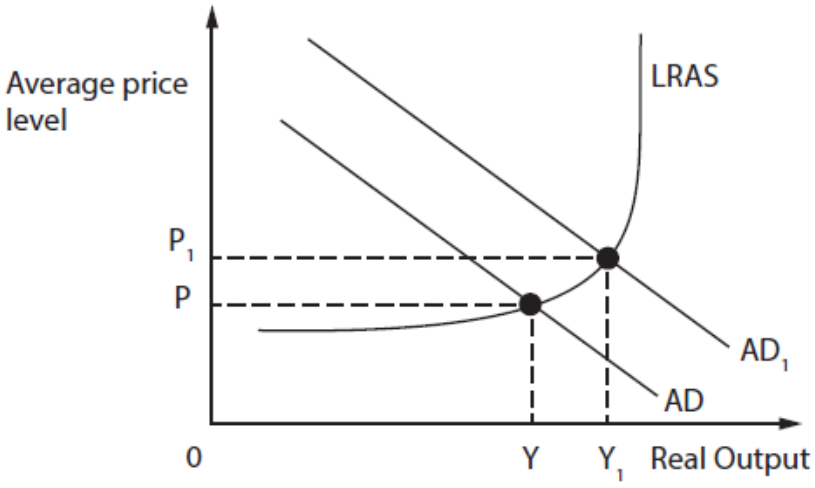
From 2008 to 2018 Thailand's GDP per capita increased by 100%. Over the same period national happiness in Thailand also rose. However, from 2008 to 2018 India's GDP per capita increased by 80% but national happiness fell.

Evaluate the view that achieving a government's macroeconomic objectives is likely to result in an increase in national happiness.

(Total for question = 20 marks)

Q2.

The diagram shows aggregate supply and aggregate demand for an economy.



Which **one** of the following was the most likely cause of the change from AD to AD_1?

☒ **A** A decrease in government spending

☒ **B** An increase in interest rates

☒ **C** A decrease in net exports

☒ **D** An increase in consumption

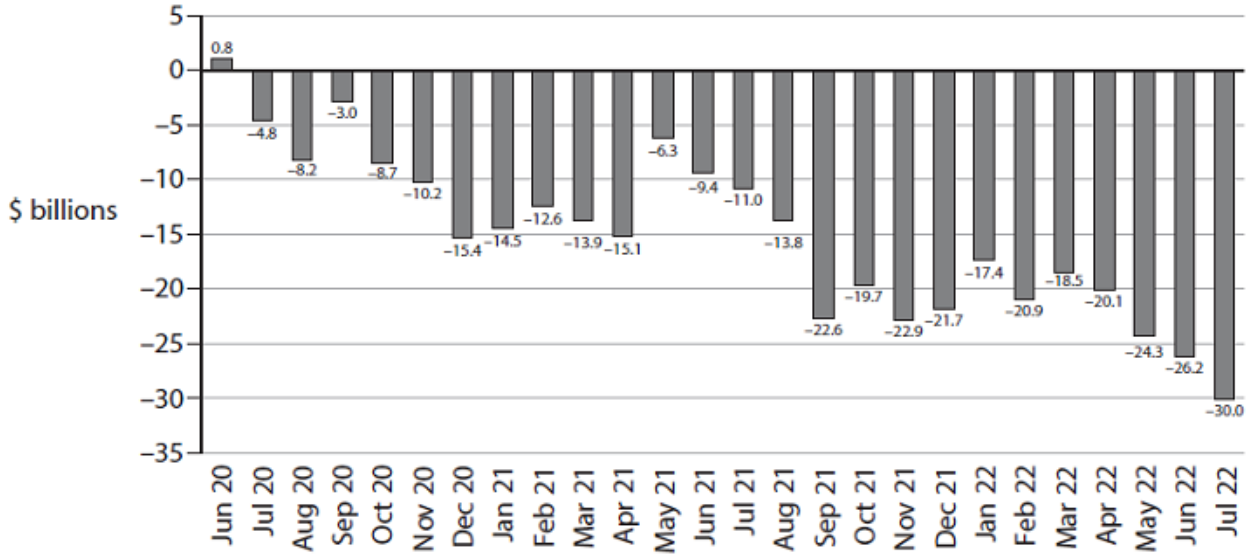
(Total for question = 1 mark)

Q3.

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

The Indian economy

Figure 1 Balance of trade, June 2020 to July 2022



Extract A Balance of trade, inflation and economic growth

In 2022 the Indian economy was experiencing several challenges following the global health crisis. In particular, there was a rising rate of inflation caused by its dependence on imported oil. Oil accounts for 30% of India's imports by value. This is more than double the average of 14.7% for other major Asian economies, such as China, Japan and South Korea. In July 2022 India reported a record balance of trade deficit of $30 billion, largely caused by the increased expenditure on imported oil. This deficit was one of the largest of all the Asian economies. Economists expect the rate of inflation to increase which will have a further negative impact on India's balance of trade.

The rate of inflation was 7.01% in June 2022 compared with June 2021. This was the second highest rate of inflation of the larger Asian economies. This higher rate of inflation reduced the purchasing power of consumers in India. As a result, many consumers were struggling to afford basic necessities. According to economists there were increasing signs that consumer expenditure would increase at a slower rate in the second half of 2022 than in the first half of 2022. This was likely to cause a fall in the rate of economic growth.

During 2022, India's currency, the rupee, fell in value against the US dollar. In order to prevent the rupee from falling further, and to control the rising rate of inflation, India's central bank raised the country's base rate of interest to 4.9% in June 2022. This represented an increase of 0.5 percentage points from the previous month.

Unlike several other Southeast Asian countries, exports of services contribute more to India's economic growth rate than exports of goods.

The Asian Development Bank (ADB) decreased its projected GDP growth rate for India to 6.7% for 2022. This was as a result of the high rate of inflation in India and the deflationary monetary policy adopted by India's central bank. The ADB predicted a small increase in consumer expenditure in the second half of 2022. However, it believed that this increase in consumption will not be sufficient to maintain India's rate of economic growth.

Analyse how an increase in the rate of inflation could have a 'negative impact on India's balance of trade'
(Extract A, line 9).

(Total for question = 6 marks)

Q4.

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

With reference to Extract A, analyse **two** reasons for the improvement in living standards in Ireland between
2015 and 2022.

(Total for question = 6 marks)

Q5.

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 table shows the annual percentage change in South Korea's producer (wholesale) price index.

Date	Annual percentage change in producer price index (%)
July 2019	–0.3
August 2019	–0.6
September 2019	–0.7

Which **one** of the following was the most likely effect of the changes shown in South Korea?

☒ **A** The real incomes of households were likely to fall

☒ **B** Cost-push inflation was likely to occur

☒ **C** Consumer prices were likely to fall

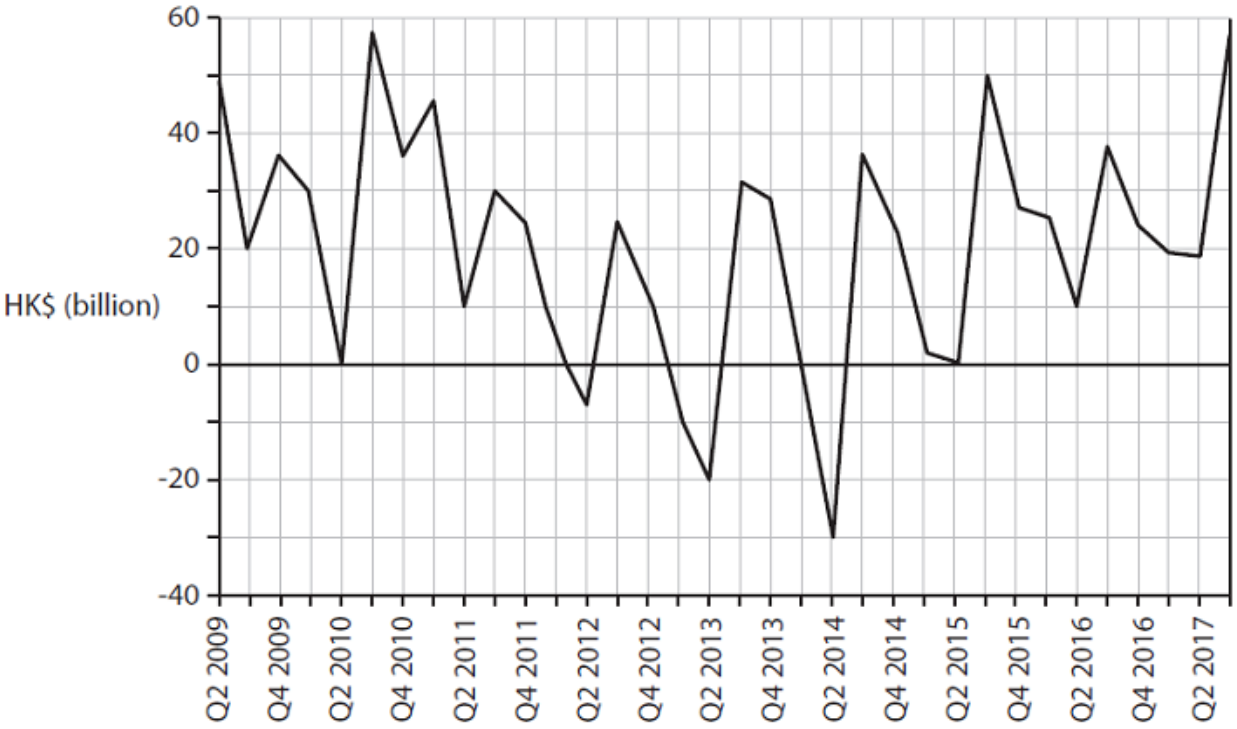
☒ **D** Its central bank was likely to raise the base rate of interest

(Total for question = 1 mark)

Q6.

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 chart shows the current account of the balance of payments for Hong Kong, quarter 2 2009 to quarter 3 2017 HK$ (billion).



(Source: http://www.censtatd.gov.hk/FileManager/EN/UTIL_STAT_CHART/041chart01.gif)

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

☒ **A** There was a current account surplus in Q2 2013

☒ **B** The current account surplus fell by HK$20 billion between Q4 2009 and Q2 2010

☒ **C** The current account was in a deficit in Q2 2014

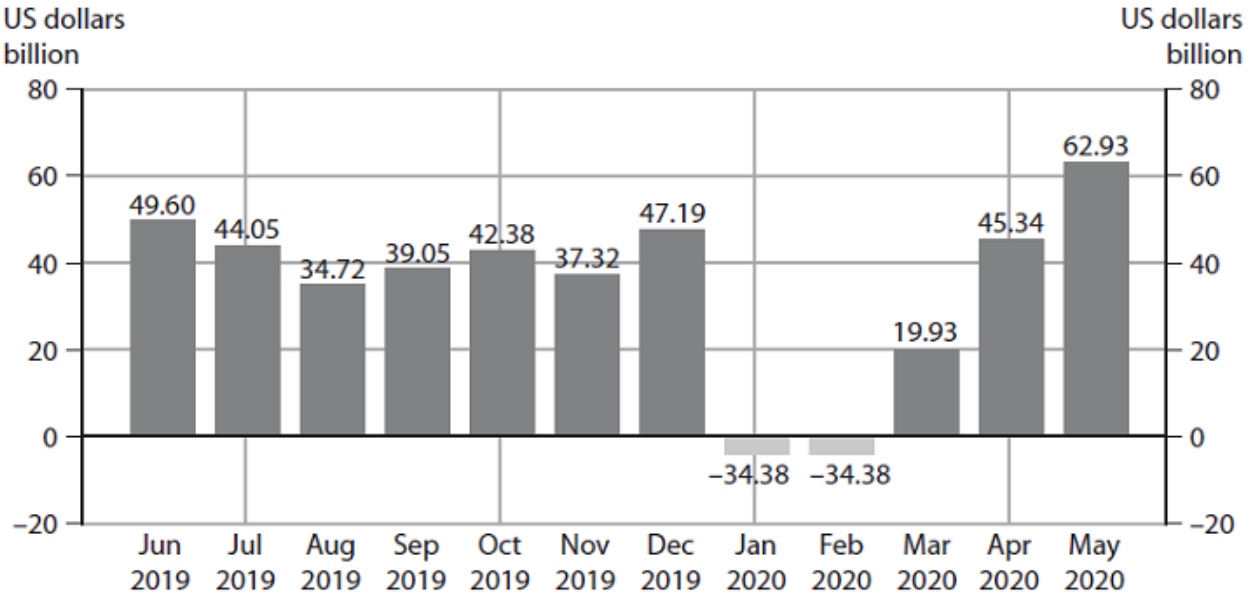
☒ **D** There was a balanced government budget in Q2 2015

(Total for question = 1 mark)

Q7.

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 chart shows China's monthly balance of trade in US dollars from June 2019 to May 2020.



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

☒ **A** China had a current account deficit in August 2019

☒ **B** China's balance of trade surplus remained the same from January to February 2020

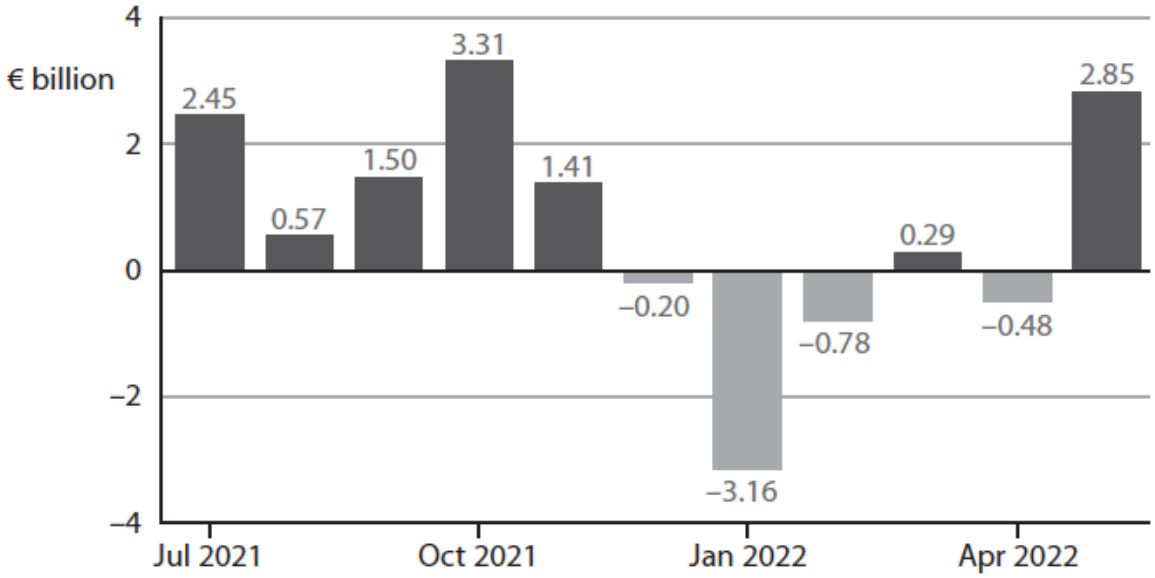
☒ **C** China's balance of trade surplus increased from April to May 2020

☒ **D** The value of China's exports decreased from February to March 2020

(Total for question = 1 mark)

Q8.

The chart shows Spain's current account of the balance of payments between July 2021 and May 2022.



With reference to the chart, explain the difference between a current account deficit and a current account surplus.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

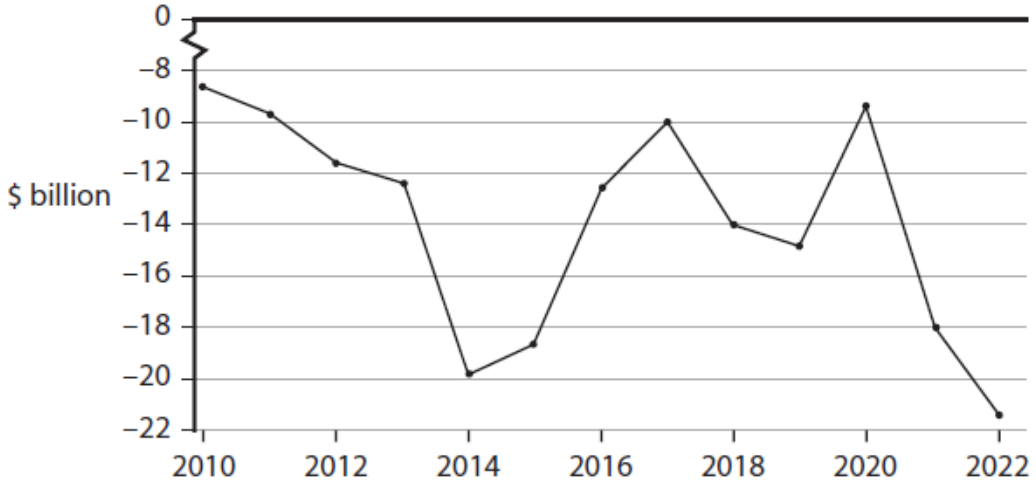
.....

.....

(Total for question = 4 marks)

Q9.

The chart shows Colombia's net balance of trade in goods and services, 2010–2022.



With reference to the chart, explain **one** likely cause of the deficit in Colombia's balance of trade in goods and services.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(Total for question = 4 marks)

Q10.

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)

Q11.

The table shows values for components of the US economy in 2018.

Component	$ trillion
Consumption	13.95
Investment	3.65
Savings by households	1.25
Government expenditure	3.52
Tax revenue	3.64
Exports	2.50
Imports	3.10

Ceteris paribus, calculate the aggregate demand for the USA in 2018.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(Total for question = 4 marks)

Q12.

The table shows the nominal GDP and population of Argentina in 2018 and 2019.

	GDP ($ millions)	Population (millions)
2018	517 627	44.5
2019	445 445	44.9

(Source: https://data.worldbank.org/country/argentina)

Based on this information, calculate the *change* in Argentina's GDP per capita between 2018 and 2019. Show your workings.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(Total for question = 4 marks)

Q13.

The table shows the population and GDP per capita of Bulgaria in 2015 and 2020.

	Population (millions)	GDP per capita ($ thousand)
2015	7.18	7 075
2020	6.93	10 079

Based on this information, calculate *the change* in Bulgaria's GDP between 2015 and 2020. Show your workings.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(Total for question = 4 marks)

Q14.

The table shows the nominal GDP and GDP per capita of Angola in 2019 and 2020.

	GDP ($ billion)	GDP per capita ($)
2019	89.42	2810
2020	62.31	1896

(Source: https://data.worldbank.org/country/angola)

Based on this information, calculate the *change* in Angola's population between 2019 and 2020. Show your workings.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(Total for question = 4 marks)

Q15.

Study Figures 1–3 and Extract A in the Source Booklet before answering this question.

With reference to Figure 2, explain how the CPI inflation rate is calculated.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(Total for question = 4 marks)

Q16.

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 World Bank calculates a 'Purchasing Power Parity (PPP)-adjusted level of GDP' for different countries.

Which **one** of the following is compared when calculating PPP?

☐ **A** The price of a basket of comparable goods and services in different countries

☐ **B** Real incomes, national happiness and wellbeing in different countries

☐ **C** The external value of one currency in terms of the US dollar

☐ **D** Inflation rates in different countries over a given time period

(Total for question = 1 mark)

Q17.

Mongolia experiences higher unemployment in the winter when the demand for agricultural labour is lower than in the summer months.

Which **one** of the following best describes the cause of unemployment experienced in Mongolia?

☒ **A** Seasonal unemployment

☒ **B** Real wage inflexibility

☒ **C** Structural unemployment

☒ **D** Demand deficiency

(Total for question = 1 mark)

Q18.

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 table shows the real GDP growth rate and the unemployment rate for the USA for Quarter 1 and Quarter 2 in 2020.

	Real GDP growth rate (%)	Unemployment rate (%)
Q1 2020	–5.0	3.9
Q2 2020	–31.4	13.1

Which **one** of the following is most likely to have caused the **increase** in the unemployment rate between Q1 2020 and Q2 2020?

☒ **A** Real wage unemployment

☒ **B** Demand deficient unemployment

☒ **C** Structural unemployment

☒ **D** Seasonal unemployment

(Total for question = 1 mark)

Q19.

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 it was estimated that many workers in India left their jobs to search for new employment.

Which **one** of the following describes this cause of unemployment?

☒ **A** Demand deficient

☒ **B** Frictional

☒ **C** Seasonal

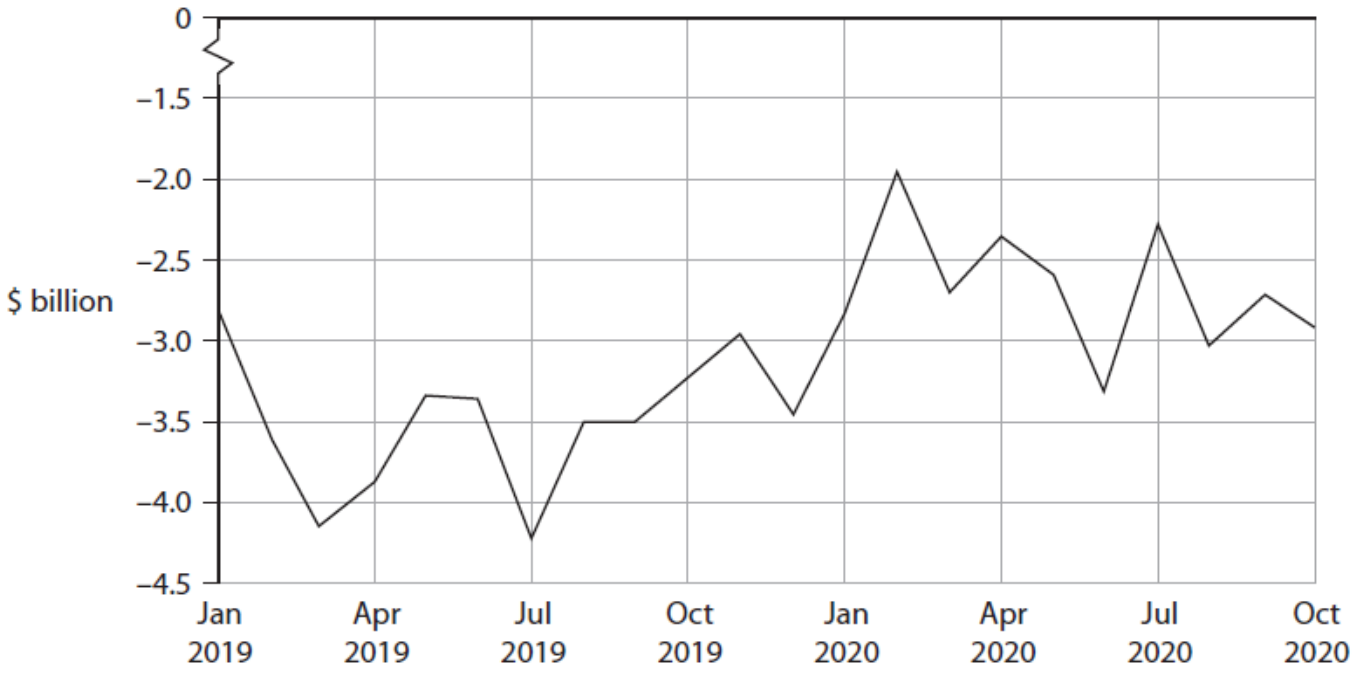
☒ **D** Structural

(Total for question = 1 mark)

Q20.

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 chart shows Egypt's net monthly balance of trade in goods and services, January 2019 to October 2020.



(Source: https://tradingeconomics.com/egypt/balance-of-trade)

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

☒ **A** The value of injections was always greater than the value of withdrawals

☒ **B** The Government was spending more than it received in taxation

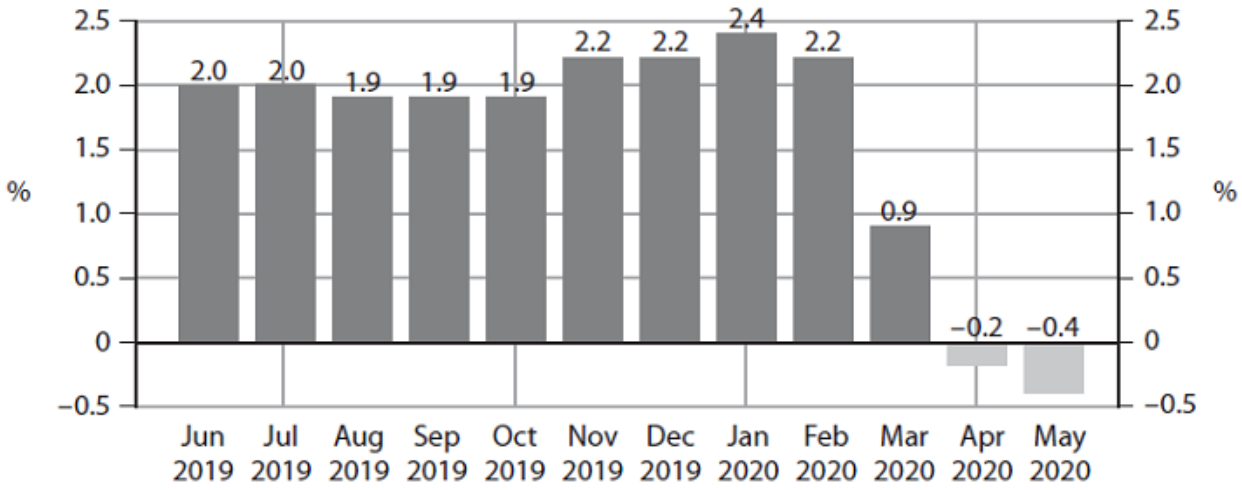
☒ **C** Egypt's balance of trade was always in a surplus

☒ **D** The value of imports was always greater than the value of exports

(Total for question = 1 mark)

Q21.

The chart shows the CPI inflation rate in Canada between June 2019 and May 2020.



With reference to the data, explain the difference between disinflation and deflation.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

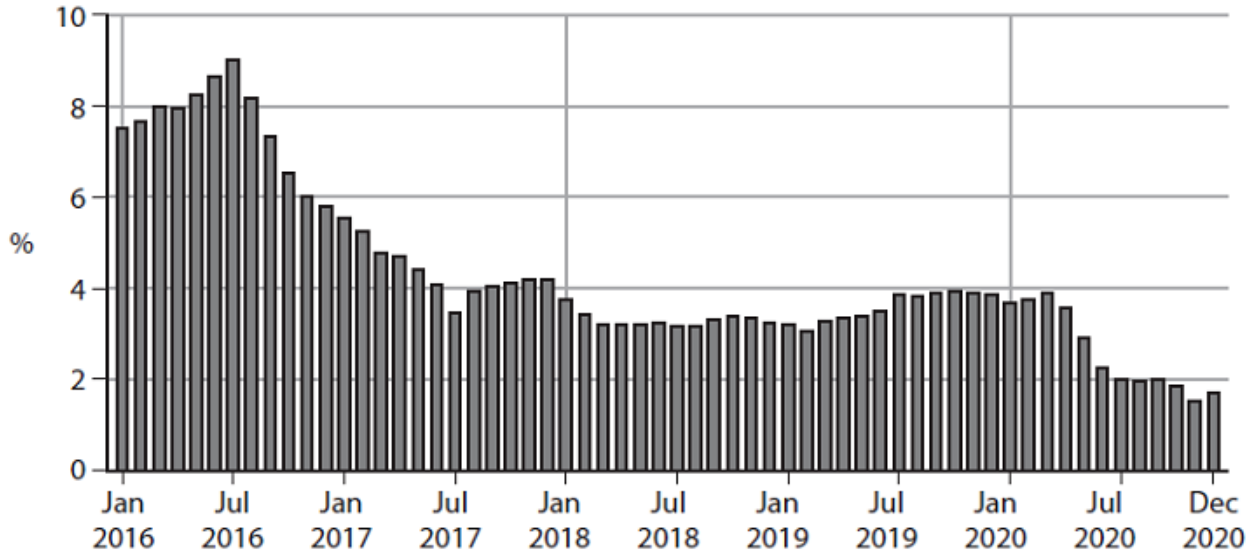
.....

(Total for question = 4 marks)

Q22.

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 chart shows the annual rate of inflation in Colombia, measured by the Consumer Price Index (CPI), January 2016 to December 2020.



(Source: https://tradingeconomics.com/colombia/inflation-cpi)

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

☒ **A** There was disinflation from January 2016 to July 2016

☒ **B** There was deflation from January 2017 to July 2017

☒ **C** The average price level was unchanged between January 2019 and July 2019

☒ **D** The average price level was lower in January 2020 than in July 2020

(Total for question = 1 mark)

Q23.

Study Figures 1–3 and Extract A in the Source Booklet before answering this question.

Define the term 'recession' (Extract A, line 7).

.....

.....

.....

.....

.....

.....

(Total for question = 2 marks)

Q24.

Between June 2020 and June 2021 the rate of inflation in the USA increased from 0.6% to 5.4%.

Evaluate the costs of a high rate of inflation. Refer to a country of your choice in your answer.

(Total for question = 20 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 ☒.

The table shows the consumer price index (CPI) for the UK in January 2015 and January 2016.

	Consumer price index
January 2015	200
January 2016	206

(Source: https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7g7/mm23)

What can be deduced from this data over this period?

☒ **A** The purchasing power of money fell by 3%

☒ **B** The rate of inflation was 6%

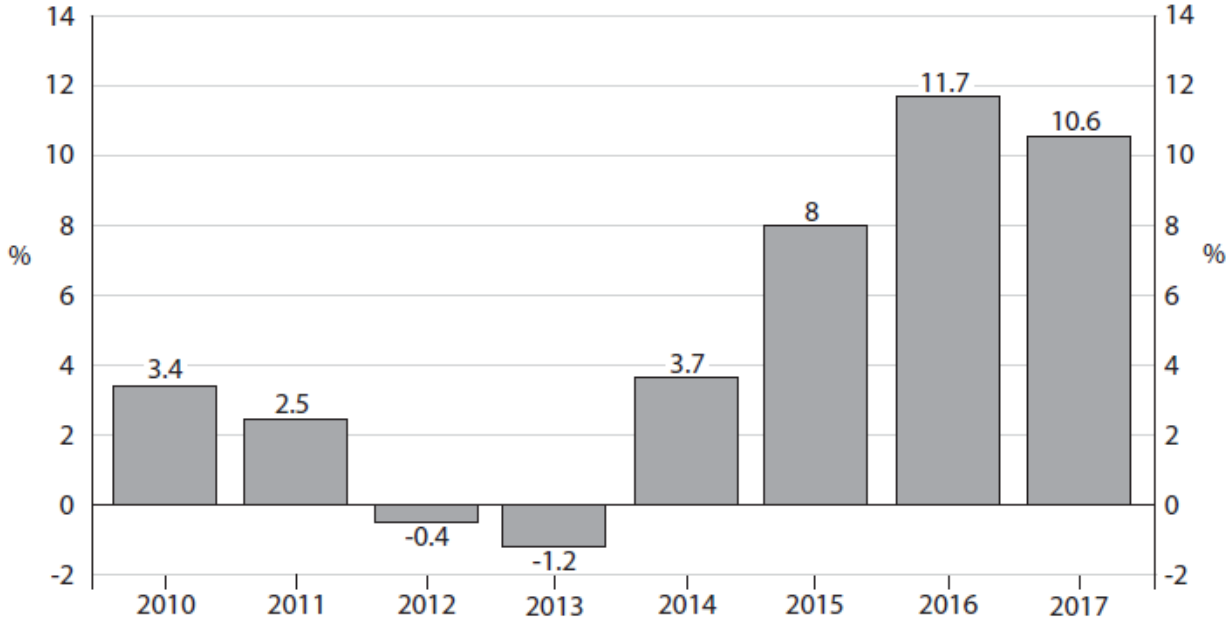
☒ **C** The standard of living must have fallen by 3%

☒ **D** The price of exports increased by 6%

(Total for question = 1 mark)

Q26.

The chart shows the balance of payments on the current account for Thailand as a percentage of GDP for the period 2010-2017.



(Source: https://tradingeconomics.com/thailand/current-account-to-gdp)

With reference to the chart, explain the difference between a current account deficit and a current account surplus.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

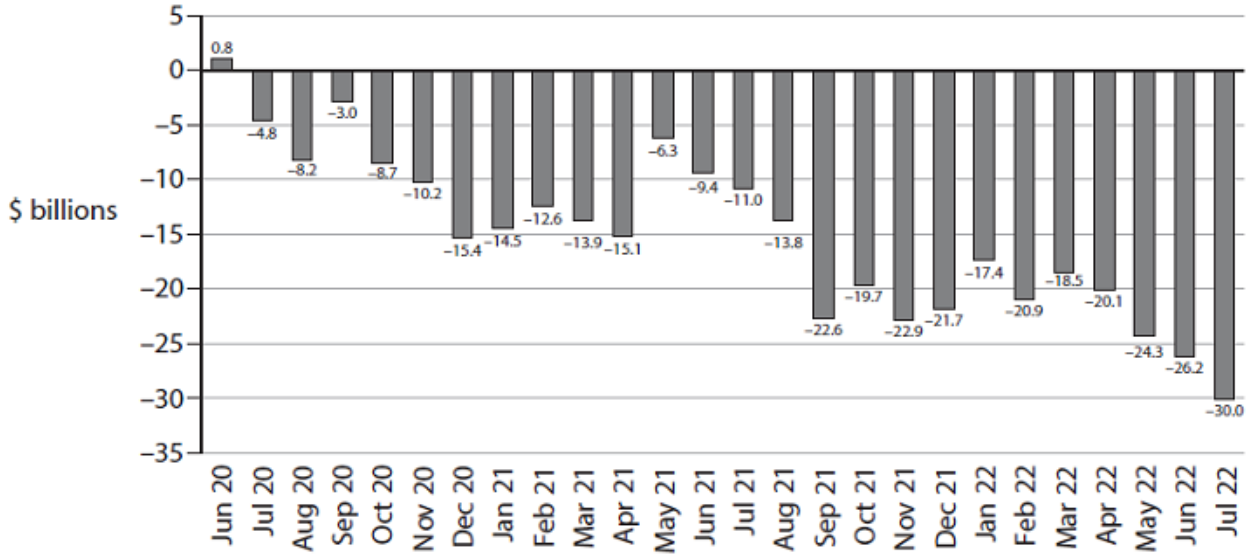
(Total for question = 4 marks)

Q27.

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

The Indian economy

Figure 1 Balance of trade, June 2020 to July 2022



Extract A Balance of trade, inflation and economic growth

In 2022 the Indian economy was experiencing several challenges following the global health crisis. In particular, there was a rising rate of inflation caused by its dependence on imported oil. Oil accounts for 30% of India's imports by value. This is more than double the average of 14.7% for other major Asian economies, such as China, Japan and South Korea. In July 2022 India reported a record balance of trade deficit of $30 billion, largely caused by the increased expenditure on imported oil. This deficit was one of the largest of all the Asian economies. Economists expect the rate of inflation to increase which will have a further negative impact on India's balance of trade.

The rate of inflation was 7.01% in June 2022 compared with June 2021. This was the second highest rate of inflation of the larger Asian economies. This higher rate of inflation reduced the purchasing power of consumers in India. As a result, many consumers were struggling to afford basic necessities. According to economists there were increasing signs that consumer expenditure would increase at a slower rate in the second half of 2022 than in the first half of 2022. This was likely to cause a fall in the rate of economic growth.

During 2022, India's currency, the rupee, fell in value against the US dollar. In order to prevent the rupee from falling further, and to control the rising rate of inflation, India's central bank raised the country's base rate of interest to 4.9% in June 2022. This represented an increase of 0.5 percentage points from the previous month.

Unlike several other Southeast Asian countries, exports of services contribute more to India's economic growth rate than exports of goods.

The Asian Development Bank (ADB) decreased its projected GDP growth rate for India to 6.7% for 2022. This was as a result of the high rate of inflation in India and the deflationary monetary policy adopted by India's central bank. The ADB predicted a small increase in consumer expenditure in the second half of 2022. However, it believed that this increase in consumption will not be sufficient to maintain India's rate of economic growth.

Define the term 'GDP growth rate' (Extract A, line 23).

.....

.....

.....

.....

.....

.....

(Total for question = 2 marks)

Q28.

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

Define the term 'GDP per capita' (Figure 1).

.....

.....

.....

.....

.....

.....

(Total for question = 2 marks)

Q29.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

Define the term 'monetary policy'. (Extract A, line 8)

.....

.....

.....

.....

.....

.....

(Total for question = 2 marks)

Q30.

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

Define the term 'Purchasing Power Parity (PPP)', (Figure 1).

.....

.....

.....

.....

.....

.....

(Total for question = 2 marks)

Q31.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

Define the term 'recession' (Extract A, line 2).

.....

.....

.....

.....

.....

.....

(Total for question = 2 marks)

Q32.

Define the term 'seasonally adjusted' (Figure 1).

.....

.....

.....

.....

.....

.....

(Total for question = 2 marks)

Q33.

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

Define the term 'real GDP' (Figure 1).

.....

.....

.....

.....

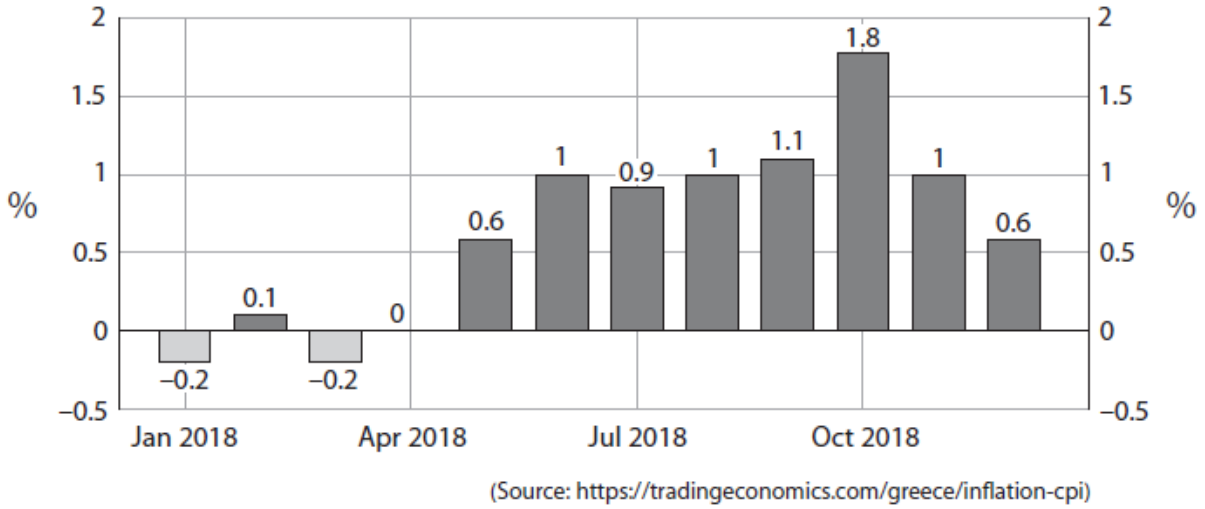
.....

.....

(Total for question = 2 marks)

Q34.

The chart shows the annual rate of inflation recorded month by month for Greece in 2018.



(Source: https://tradingeconomics.com/greece/inflation-cpi)

With reference to the chart, explain the difference between deflation and disinflation.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(Total for question = 4 marks)

Q35.

With reference to the information provided, discuss the likely macroeconomic effects of a high rate of inflation on the German economy.

(Total for question = 14 marks)

Q36.

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

With reference to Figure 2, Extract A and your own knowledge, discuss the limitations of using GDP to compare living standards between countries.

(Total for question = 14 marks)

Q37.

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 Indonesia it is estimated that approximately 27% of part-time workers are employed for fewer hours than they would be willing to work.

Which **one** of the following may be deduced from this information?

☒ **A** There is a high level of underemployment in Indonesia

☒ **B** There is a high level of economic inactivity in Indonesia

☒ **C** There is a high rate of unemployment in Indonesia

☒

D There is a high rate of inflation in Indonesia

(Total for question = 1 mark)

Q38.

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 table shows Ireland's Gross National Income (GNI) between 2019 and 2021.

Year	GNI ($ billion)
2019	309.77
2020	324.08
2021	372.09

If 2019 is the base year, which **one** of the following represents the index number for 2021?

☒ **A** 100.0

☒ **B** 104.6

☒ **C** 114.8

☒ **D** 120.1

(Total for question = 1 mark)

Q39.

Guinea's real GDP per capita increased from $4 127 to $5 434 between 2013 and 2021. Guinea's average world happiness score for 2012-2014 and 2020-2022 is shown in the table. This score gives a value between 0 and 10, where 10 is the highest level of subjective happiness.

	World Happiness Score
2012-14	3.667
2020-22	5.072

With reference to Guinea, explain **one** likely impact of higher real incomes on subjective happiness.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(Total for question = 4 marks)

Q40.

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

question.

Define the term 'real GDP' (Figure 1).

.....

.....

.....

.....

.....

.....

(Total for question = 2 marks)