PEARSON EDEXCEL IAL ECONOMICS · YEC11

ECONOMICS



MARK SCHEME

UNIT 2: NATIONAL INCOME

SCORE	PERCENTAGE
/107	%

STEMUP

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Mark Scheme

Q1.

Question	Quantitative skills assessed	Answer	Mark
	QS1: Calculate, use and understand ratios and fractions	**The only correct answer is C** ***A*** *is not correct because this will increase the value of the multiplier* ***B*** *is not correct because this will increase the value of the multiplier* ***D*** *is not correct because this will increase the value of the multiplier*	**(1)**

Q2.

Question Number	With reference to Figure 2, analyse **one** macroeconomic effect of the change in the current account balance as a percentage of GDP on East African economies. Answer	Mark
	Knowledge 2, Application 2, Analysis 2 QS2 Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge and analysis** 1 mark for definition of current account deficit • Current account balance looks at the inflow and outflow of goods, services, investment incomes and transfer payments **(1)**/ the components of the current account are trade in goods, trade in services, investment income and net transfers **(1)** • A deficit on the current account usually implies that the value of imports is greater than the value of exports **(1)** Up to 3 marks for explaining one effect of the change in the current account balance e.g.	

	Deficit reducing: • Deficit in the current account is decreasing, showing greater level of export/lower level of import in 2018 compared to recent years **(1)** so less leakage from the circular flow of income **(1)** • Improved current account balance likely to indicate greater international competitiveness **(1)** leading to continued improvement **(1)** Deficit remaining: • Net withdrawal from the circular flow **(1)** meaning more withdrawals than injections **(1)** will have a negative multiplier effect **(1)** • The deficit will tend to reduce net trade **(1)** and so reduce AD **(1)** leading to a fall in price level and real output **(1)** • Deficit may mean a loss of jobs **(1)** as exports are falling/imports are rising **(1)** increasing unemployment/creating a negative output gap **(1)** **Application** Up to 2 marks for reference to Figure 2 • The current account balance is a deficit **(1)** • The size of the deficit as a proportion of GDP has reduced **(1)** **OR** • The deficit was -6.7% of GDP in 2016 and -5.3 of GDP in 2018 **(1)**	**(6)**

Q3.

Question	Based on this information, calculate the marginal propensity to consume (MPC) in Malaysia. Show your workings.	Mark
	Knowledge 1, Application 3 **Quantitative Skill assessed** **QS1:** Calculate, use and understand ratios and fractions **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** 1 mark for knowledge of multiplier formula • Multiplier = 1/(1-MPC) or 1/MPW *OR* 1 mark for understanding of marginal propensity to consume (MPC) • MPC = ΔC/ΔY • MPC is the proportion of one additional unit of income which is spent by households **Application** Calculation that the multiplier ratio = RM150bn / RM30bn = 5 **(1)** Calculation that (1-MPC) or MPW = 0.2 **(1)** Calculation that the MPC = 0.8 **(1)** **NB If the correct answer is given (0.8), award full marks regardless of working.** **NB If the answer is given as 0.8 billion/RM 0.8/RM 0.8 billion, award only 3 marks.**	**(4)**

Q4.

Question	In 2022 it was estimated that an increase in government spending of $25 billion in an economy would eventually result in an increase in the country's national income of $100 billion. Based on this information, calculate the marginal propensity to consume (MPC) in this economy. Show your workings.	Mark
	Knowledge 1, Application 3 **Quantitative skills assessed:** **QS1:** Calculate, use and understand ratios and fractions **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** 1 mark for knowledge of multiplier formula • Multiplier = 1/(1-MPC) or 1/MPW *OR* 1 mark for understanding of marginal propensity to consume (MPC) • MPC = ΔC/ΔY • MPC is the proportion of one additional unit of income that is spent by households **Application** Calculate that the multiplier ratio = $100bn/$25bn = 4 **(1)** Calculate that (1-MPC) or MPW = 0.25 **(1)** Calculate that the MPC = 0.75 **(1)** **NB If the correct answer is given (0.75 OR ¾), award full marks regardless of working** **NB If the answer is given as 0.75 billion/$0.75/$0.75 billion, award only 3 marks**	**(4)**

Q5.

Question	It was estimated that an increase in investment of $150 million in an economy would eventually result in an increase in the country's national income of $1 500 million. Based on this information, calculate the marginal propensity to consume (MPC) in this economy. Show your workings.	Mark
	Knowledge 1, Application 3 **Quantitative skills assessed:** **QS1:** Calculate, use and understand ratios and fractions **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** 1 mark for knowledge of multiplier formula • Multiplier = 1/(1-MPC) or 1/MPW *OR* 1 mark for understanding of marginal propensity to consume (MPC) • MPC = ΔC/ΔY • MPC is the proportion of one additional unit of income that is spent by households **Application** Calculate that the multiplier ratio = $1 500mn/$150mn = 10 **(1)** Calculate that (1-MPC) or **MPW** = 0.1 **OR** 1/10**(1)** Calculate that the MPC = 0.9 **(1)** **NB If the correct answer is given (0.9), award full marks regardless of working** **NB If the answer is given as 0.9 million/$0.9/$0.9 million, award only 3 marks**	**(4)**

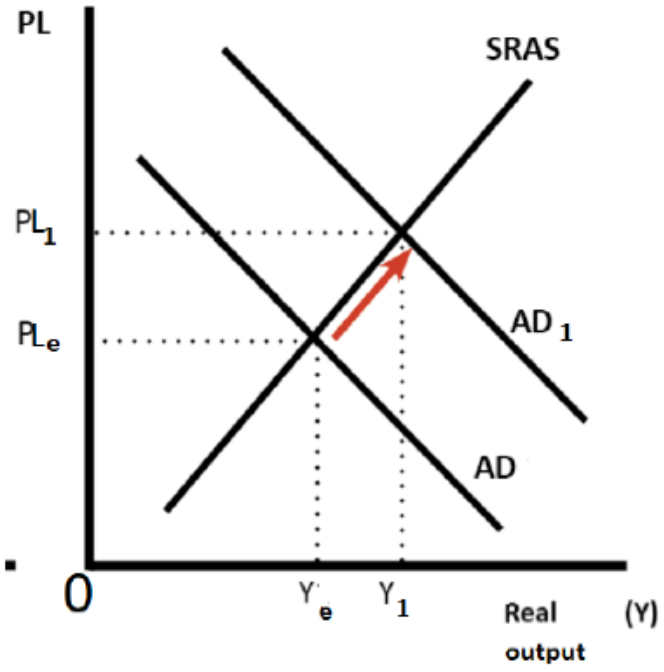
Q6.

Question	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** ***A*** *is not correct as this is not calculated using the correct formula* ***B*** *is not correct as this is calculated using the formula (1-0.4)* ***D*** *is not correct as this is calculated using the formula (1/0.4)*	**(1)**

Q7.

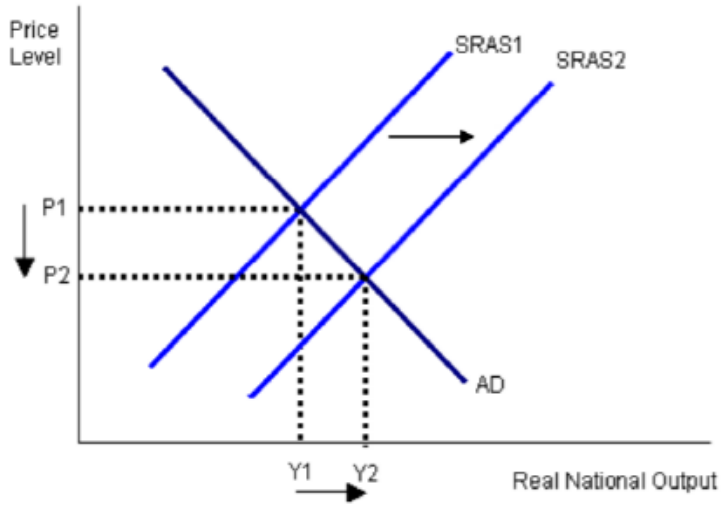
Question	Quantitative skills assessed	Answer	Mark
	QS4: Construct and interpret a range of standard graphical forms	**The only correct answer is C** ***A*** *is not correct because this is an injection into the circular flow of income* ***B*** *is not correct because this is not a withdrawal* ***D*** *is not correct because this is an injection into the circular flow of income*	**(1)**

Q8.

Question Number	In January 2016 the world price of oil was $29.78 per barrel. By May 2019 this had increased to $66.83 per barrel. Saudi Arabia is a net exporter of oil. Draw a diagram showing the change in AD for Saudi Arabia's economy following the increase in the price of oil. Show the effect on the price level and real output. Answer	Mark
	Knowledge 1, Application 3 **Quantitative skills assessed:** QS4 Construct and interpret a range of standard graphical forms  	

	Knowledge • 1 mark for drawing original SRAS and AD curves with correctly labelled axis and initial equilibrium **Application** • 1 mark for rightward shift in AD • 1 mark for new equilibrium with increased price level, • 1 mark for new equilibrium with increased real output	**(4)**

Q9.

Question	Draw a SRAS and AD diagram to show the effect of the decrease in the price of natural gas on the price level and real output for Japan.	**Mark**
	Knowledge 1, Application 3 **Quantitative skills assessed:** **QS4:** Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms  	

	Knowledge Correctly labelled original SRAS/AD curves **(1)** **Application** Up to 3 marks for the following information included on the diagram: • Drawing SRAS shifted to the right **(1)** • New equilibrium showing correct lower price level **(1)** (not rewarded if 'price' is used on axis) • New equilibrium showing correct higher real output/ income/GDP **(1)** (not rewarded if 'quantity' is used on axis) **NB: also allow a SRAS/AD diagram showing both an increase in SRAS and an increase in AD** as follows: • Drawing SRAS and AD shifted to the right **(1)** • New equilibrium showing correct price level **(1)** (not rewarded if 'price' is used on axis)	**(4)**

	• New equilibrium showing correct higher real output/ income/GDP **(1)** (not rewarded if 'quantity' is used on axis) **NB: if only AD curve is shifted then maximum of 2 marks**	

Q10.

Question	Evaluate the view that very high global oil prices will always harm a country's macroeconomy.
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.

	Knowledge, Application and Analysis (12 marks) – indicative content Rising oil prices are harmful to an economy because: • For economies that are net importers of oil, this will lead to an increase in the value of their imports, ceteris paribus. This will: ○ Increase a trade/current account deficit, not meeting one of the government's macroeconomic objectives ○ Increase downward pressure on/decrease AD in the economy (may be shown diagrammatically), thus leading to a decrease in real GDP and average incomes, and an increase in unemployment ○ Negative multiplier effects and further reduction in AD/real GDP ○ A decrease in average incomes and an increase in unemployment are likely to worsen the government's budget balance • Costs of production for firms will increase, leading to a fall/leftward shift in SRAS (may be shown diagrammatically). Ceteris paribus, this will: ○ Increase cost-push inflationary pressures in the economy, thus not achieving the macroeconomic objective of a low and stable rate of inflation ○ Decrease real GDP and average incomes in the economy ○ Decrease in average incomes and an increase in unemployment are likely to worsen the government's budget balance • For economies that are net exporters of oil, this may discourage them to diversify their economies and increase their reliance on oil – they have less incentive to create/adopt renewable energy to protect the environment **NB: Candidates may argue either way for KAA and the reverse for Evaluation** **NB: Award a maximum of level 3 if no reference to specific country(s)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content Rising oil prices may not be harmful to an economy because: • For economies that are net exporters of oil, this will lead to an increase in the value of their exports, ceteris paribus. This will: ○ Decrease a trade/current account deficit, meeting one of the government's macroeconomic objectives ○ Put an upward pressure on AD in the economy (may be shown diagrammatically), leading to more economic growth, upward pressure on average incomes, and a reduction in unemployment ○ Positive multiplier effects ○ An increase in average incomes and a decrease in unemployment are likely to improve the government's budget balance General evaluation points: • Effects depend on how much oil prices rise by and how long they stay high • Effects of a change in AD on real GDP depend on the level of spare capacity in the economy; the size of the multiplier ratio; and whether a Classical or Keynesian LRAS curve is used • There is likely to be a time lag before effects are felt • An increase in inflation may not be beneficial if an economy's inflation rate is above its target rate of inflation • Effects on costs of production/SRAS depend on the structure of the economy /adoption of green production methods etc. • Different effects on different economies, e.g., economies that are more specialised in oil production will be affected more significantly/economies that are more dependent on oil will be affected more significantly • Countries that are heavily dependent on oil imports will have an incentive to invest in renewable energy so benefitting the environment

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

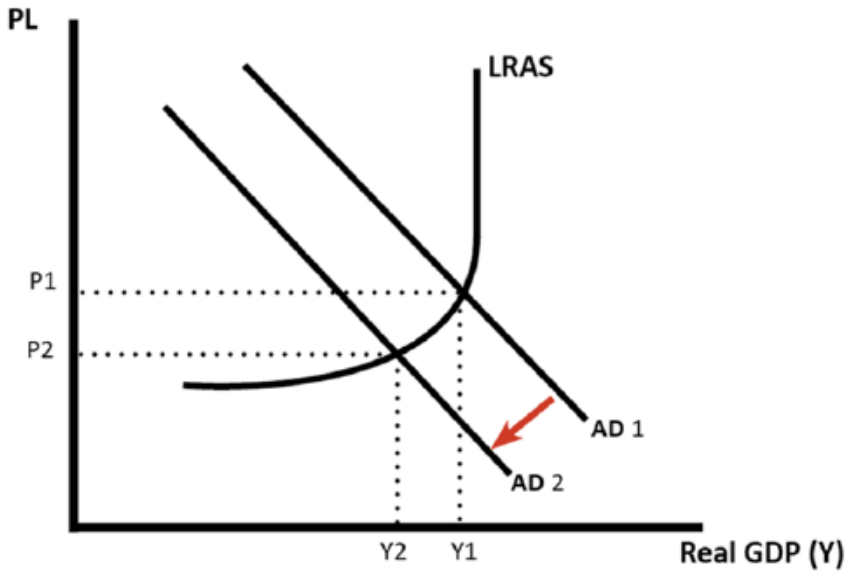
Q11.

Question	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** ***A*** *is not correct as a decrease in the MPT will increase the value of the multiplier* ***B*** *is not correct as a decrease in the MPS will increase value of the multiplier* ***C*** *is not correct as an increase in the MPC will increase the value of the multiplier*	**(1)**

Q12.

Question Number	Quantitative skills assessed	Answer	Mark
		The only correct answer is C **A** is not correct because lower welfare payments would reduce government expenditure **B** is not correct because a lower exchange rate is unlikely to have a direct influence on government expenditure **D** is not correct because increased business confidence will be likely to lead to higher rates of economic growth reducing the proportion of GDP made up by government expenditure	**(1)**

Q13.

Question	Draw a LRAS and AD diagram to show the possible long-run impact of this significant increase in the base interest rate on AD, the price level **and** real output for Turkey. **Answer**	**Mark**
	Knowledge 1, Application 3 **Quantitative skills assessed:** QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** Correct labelling of the axes e.g. price level and real output/GDP **(1)** **Application** Up to 3 marks for the following information included on the diagram • Drawing the original AD/LRAS curve **(1)** • Drawing a new AD curve to the left/decreased **(1)** • For the correct final equilibrium price level and output **(1)**  	**(4)**

Q14.

Question	With reference to Extract A, analyse one macroeconomic effect of the reduction in indirect tax.	Mark
	Knowledge 2, Application 2, Analysis 2 **QS9**: Interpret, apply and analyse information in written, graphical and tabular forms. **Knowledge** **Award 1 for understanding of indirect tax, e.g:** • A tax levied by the government on goods and services that can be passed onto the consumer OR • An expenditure tax OR • Examples VAT, excise duty or another relevant example **(1)** **Award 1 for one relevant macroeconomic effect identified, e.g:** • Reducing tax leads to a fall in prices **(1)** • Falling prices increases demand for domestic goods **(1)** • SRAS shifts to the right due to reduced cost of production **(1)** • Correct shift of SRAS on diagram **(1)** **Analysis** Up to 2 marks for explaining the macroeconomic effect of lower VAT, e.g.: • Reducing tax leads to a fall in prices- incomes have a greater purchasing power **(1)** increased consumption **(1)** • Falling prices increases demand for domestic goods- so output of firms increases **(1)** resulting in a reduction in unemployment **(1)** • Higher consumption due to lower prices **(1)** shift along the AD **(1)** • Use of a diagram to analyse the impact on real output and price level (1) **Application** Up to 2 marks for reference to the data. • VAT has fallen **(1)** from 24% to 20% **(1)**	**(6)**

Q15.

Question	Calculate the final increase in GDP resulting from this €18 billion investment. Show your workings. **Answer**	Mark
	Knowledge 1, Application 3 Quantitative skills assessed: QS1: Calculate, use and understand ratios and fractions **Knowledge** 1 mark for correct multiplier formula, e.g. Multiplier = 1/(1–MPC) **(1)** **Application** Up to 3 marks for use of data in calculation, e.g.: Multiplier = 1/0.28 = 3.57 **(1)** €18 billion × 3.57 **(1)** = €64.286 billion **(1)** **NB: If correct answer (€64.286 billion) is given, award full marks regardless of working. Also accept accurate answer to 0dp, 1dp, 2dp, 4dp** **If billion is missing, award 3 marks**	**(4)**

Q16.

Question Number	Quantitative skills assessed	Answer	Mark
		The only correct answer is B ***A*** *is not correct because savings is a withdrawal* ***C*** *is not correct because imports is a withdrawal* ***D*** *is not correct because taxation is a withdrawal*	**(1)**

Q17.

Question	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** ***A*** *is not correct because AD would increase* ***B*** *is not correct because government spending is an injection into CFI* ***C*** *is not correct because AS is likely to increase*	**(1)**

Q18.

Question	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** ***B*** *is not correct as this is a withdrawal* ***C*** *is not correct as this is a withdrawal* ***D*** *is not correct as this is neither an injection nor a withdrawal*	**(1)**

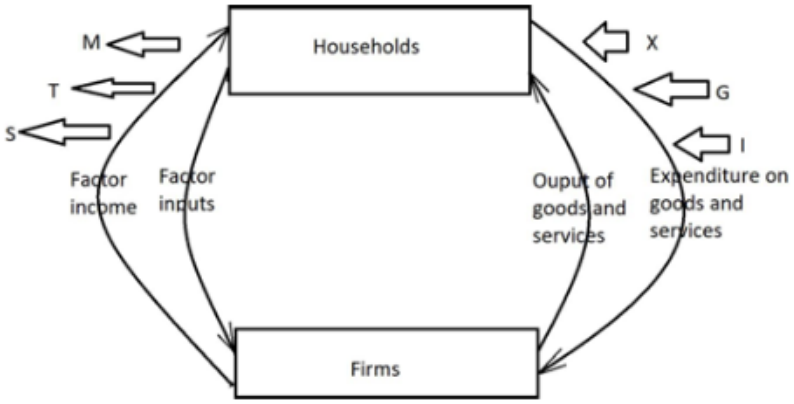
Q19.

Question Number	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** ***A*** *is not correct because there is a budget deficit of $100bn* ***C*** *is not correct because the data relate to the budget and not to exports and imports* ***D*** *is not correct because there is a budget deficit which implies that there is a net withdrawal out of the economy*	**(1)**

Q20.

Question	With reference to Extract A, examine how a reflationary fiscal policy will impact China's circular flow of income.	Mark
	Knowledge 2, Application 2, Analysis 2, Evaluation 2 **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and analysis** 1 knowledge mark for understanding of a policy and 1 analysis mark for linked development of each policy, e.g.: • Increased government spending **(1K)** is likely to result in greater injections into China's circular flow of income **(1AN)** • Reduced taxes for businesses **(1K)** is likely to result in a decrease in withdrawals from China's circular flow of income **(1AN)** • Increased investment by businesses **(1K)** is likely to result in greater injections into China's circular flow of income **(1AN)** **Application** Up to 2 marks for reference to Extract A, e.g.: • Increased spending on infrastructure by $75 billion **(1)** • Providing 100% tax breaks on research and development spending **(1)** **Evaluation** Up to 2 marks for evaluative comments (1+1 or 2+0), e.g.: • The magnitude of infrastructure spending/tax breaks is relatively large **(1)** so the impact on injections/withdrawals is likely to be very significant **(1)** • Impact on injections/withdrawals will also depend on the other injections/withdrawals **(1)** investment and exports/savings and imports **(1)** • Time lags associated with fiscal policy **(1)** indicate that the impact on net injections may only be felt in the long-run (18-24 months) **(1)**	**(8)**

Q21.

Question	Analyse **one** likely effect of the 'increase in the number of overseas visitors' (Extract A, lines 8 and 9) on Japan's circular flow of income. Illustrate your answer with a circular flow diagram.	Mark
	Knowledge 2, Application 2, Analysis 2 **Quantitative Skill Assessed** **QS4:** Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and Analysis** 1 knowledge mark and up to 2 marks for linked analysis of one likely effect, e.g.: • Exports increase **(1K)** which means the size of the injection rises **(1AN)** increasing the money flowing around the circular flow of income **(1AN)** 1 knowledge mark for diagram showing flows between households and firms OR identifying injections and withdrawals  **Application** Up to 2 marks for reference to Extract A, e.g., • The contribution of tourism to GDP is included in net trade figures / and returned to more than two-thirds of pre-global health crisis levels **(1)** • The number of tourists was expected to grow in the second half of 2023 / after China ended restrictions on group tours to a number of countries including Japan **(1)**	**(6)**

Q22.

Question	With reference to Extract A, examine the impact of a deflationary fiscal policy on Brazil's circular flow of income.	Mark
	Knowledge 2, Application 2, Analysis 2 **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and analysis** 1 mark for understanding of circular flow of income, e.g. • Explanation of how money flows into and out of the economy (this may be shown diagrammatically) **(1K)** *OR* 1 knowledge mark for understanding of a policy and 1 analysis mark for linked development of each policy, e.g.: • Reduced government expenditure **(1K)** is likely to result in *lower* injections into Brazil's circular flow of income **(1AN)** • Increased taxes **(1K)** are likely to result in *greater* withdrawals from Brazil's circular flow of income **(1AN)** **Application** Up to 2 marks for reference to Extract A: • Increase in tax revenues by *R$190 billion* **(1)** • Reduction in government expenditure by *R$50 billion* **(1)**	**(6)**

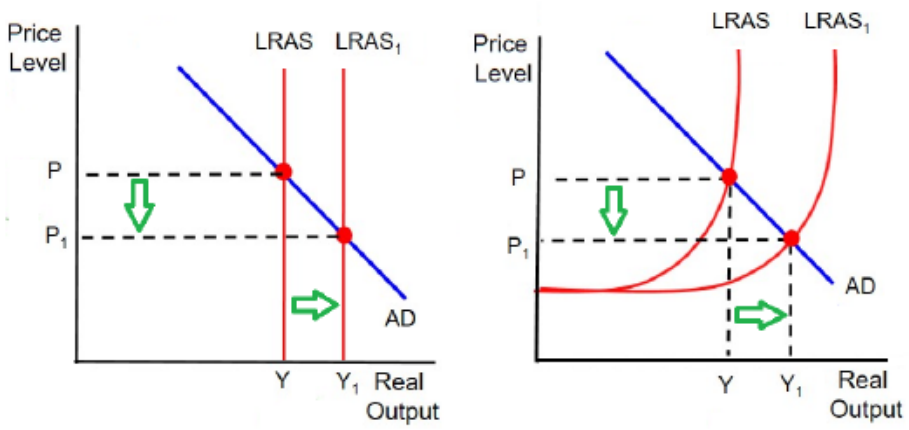
Q23.

Question	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** ***B*** *is not correct because withdrawals will be greater than injections* ***C*** *is not correct because the data relates to the government's budget* ***D*** *is not correct because the data relates to the government's budget*	**(1)**

Q24.

Question	Quantitative skills assessed	Answer	Mark
		B **(1)**	

Q25.

Question	Draw a LRAS and AD diagram to show the effect of this net migration on the price level and real output for New Zealand.	Mark
	Knowledge 1, Application 3 **Quantitative skills assessed:** **QS4:** Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms 	

	Knowledge Correctly drawn original LRAS/AD diagram with correctly labelled LRAS/AD curves and axes **(1)** **Application** Up to 3 marks for the following information included on the diagram: • Drawing LRAS shifted to the right **(1)** • New equilibrium showing correct lower price level **(1)** (not rewarded if 'price' is used on axis) • New equilibrium showing correct higher real output/ income/GDP/Y **(1)** (not rewarded if 'quantity' is used on axis) **NB also allow LRAS/AD diagram showing both an increase in LRAS and an increase in AD as follows** • Drawing LRAS and AD shifting to the right **(1)** • New equilibrium showing correct price level **(1)** (not rewarded if 'price' is used on axis) • New equilibrium showing correct higher real output/ income/GDP/Y **(1)** (not rewarded if 'quantity' is used on axis) **NB if only AD curve is shifted then maximum of 2 marks**	**(4)**

Q26.

Question Number	Quantitative skills assessed	Answer	Mark
	QS1: Calculate, use and understand ratios and fractions	**The only correct answer is D** ***A*** *is not correct because the value of the multiplier ratio is 2* ***B*** *is not correct because the value of the multiplier ratio is 2* ***C*** *is not correct because the value of the multiplier ratio is 2*	**(1)**

Q27.

Question	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** ***A*** *is not correct because this will decrease the value of the multiplier* ***B*** *is not correct because this will decrease the value of the multiplier* ***D*** *is not correct because this will decrease the value of the multiplier*	**(1)**

Q28.

Question	With reference to the table, calculate the value of the multiplier for this economy. Show your workings.	Mark
	Knowledge 1, Application 3 **Quantitative skills assessed:** **QS1:** Calculate, use and understand ratios and fractions **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** 1 mark for knowledge of multiplier formula • Multiplier = 1/MPW, where MPW = MPS + MPT + MPM **(1)** or 1/(1-MPC) **Application** Calculate that MPW = 0.4 + 0.3 + 0.1 = 0.8 **(1)** Calculate that multiplier = 1/0.8 **(1)** = 1.25 **(1)** **NB If the correct answer is given (1.25), award full marks regardless of working** **NB If the answer is given as $1.25/1.25%, award only 3 marks**	**(4)**

Q29.

Question	With reference to Extract A, analyse the likely effect of France's trade balance in April 2020 on its circular flow of income.	Mark
	Knowledge 2, Application 2, Analysis 2 **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge** 1 mark for understanding of 'circular flow of income', e.g., • a model showing how money flows between households and firms in an economy/ • diagrammatic representation of the circular flow of income **(1)** 1 mark for understanding of 'trade balance', e.g., • the value of a country's exports minus the value of its imports/ • (X-M) **(1)** **Analysis** Up to 2 marks for explaining the impact on the circular flow, e.g., • There will be a <u>net</u> withdrawal **(1)** from France's circular flow • *Ceteris paribus*, the flow of money in the circular flow would have decreased **(1)** • *Ceteris paribus*, there would have been a negative multiplier effect **(1)** • Less injections / less withdrawals from France's circular flow **(1)** **Application** Up to 2 marks for use of the data or reference to context, e.g., • France was running a negative trade balance/trade deficit **(1)** of €5 billion **(1)** in April 2020 • Exports fell at a quicker rate than imports **(1)** increasing the size of the trade deficit **(1)** • Value of exports from France fell by 32.4% / to €23.7 billion **(1)** • Value of imports into France fell by 25% / to €28.7 billion **(1)**	**(6)**