

Pearson Edexcel International Advanced Level

Tuesday 13 January 2026

Morning (Time: 1 hour 45 minutes)

Paper
reference

WEC12/01A

Economics

International Advanced Subsidiary

UNIT 2: Macroeconomic performance and policy

Question Paper

You must have: Source Booklet and Answer book (sent separately)

Do not return this Question Paper with the Answer Book.

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SECTION A

Answer ALL questions in this section in the Answer Book.

- 1 Which **one** of the following statements about the Keynesian long-run aggregate supply (LRAS) curve is correct?
- A The curve is perfectly inelastic at the full employment level of real output
 - B The curve is relatively elastic at the full employment level of real output
 - C The curve is relatively inelastic at high levels of spare capacity
 - D The curve is perfectly inelastic at high levels of spare capacity

(Total for Question 1 = 1 mark)

- 2 The table shows South Africa's rate of inflation* between February 2024 and July 2024.

Month	Rate of inflation (%)
February	5.0
March	5.3
April	5.2
May	5.2
June	5.1
July	4.9

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

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

- A There was deflation between April and May
- B There was disinflation between May and June
- C The rate of inflation was at its highest in July
- D The average price level increased at a constant rate between May and July

(Total for Question 2 = 1 mark)



3 The World Bank calculates a 'PPP-adjusted level of GDP' for different countries.

What is compared to calculate Purchasing Power Parity (PPP)?

- A** The price of a basket of comparable goods and services in different countries
- B** The value of the currency of one country in relation to the US dollar
- C** Life expectancy and educational attainment in different countries
- D** Inflation rates in different countries over a given time period

(Total for Question 3 = 1 mark)

4 Japan's central bank, the Bank of Japan, has an inflation target and is banker to the Japanese Government.

Which **one** of the following is also a role of the central bank?

- A** Increasing the trade deficit
- B** Reducing income equality
- C** Achieving national happiness
- D** Acting as the lender of last resort

(Total for Question 4 = 1 mark)

5 The Government of India is spending \$19 billion on a high-speed rail link between Mumbai and Ahmedabad to be completed by 2028.

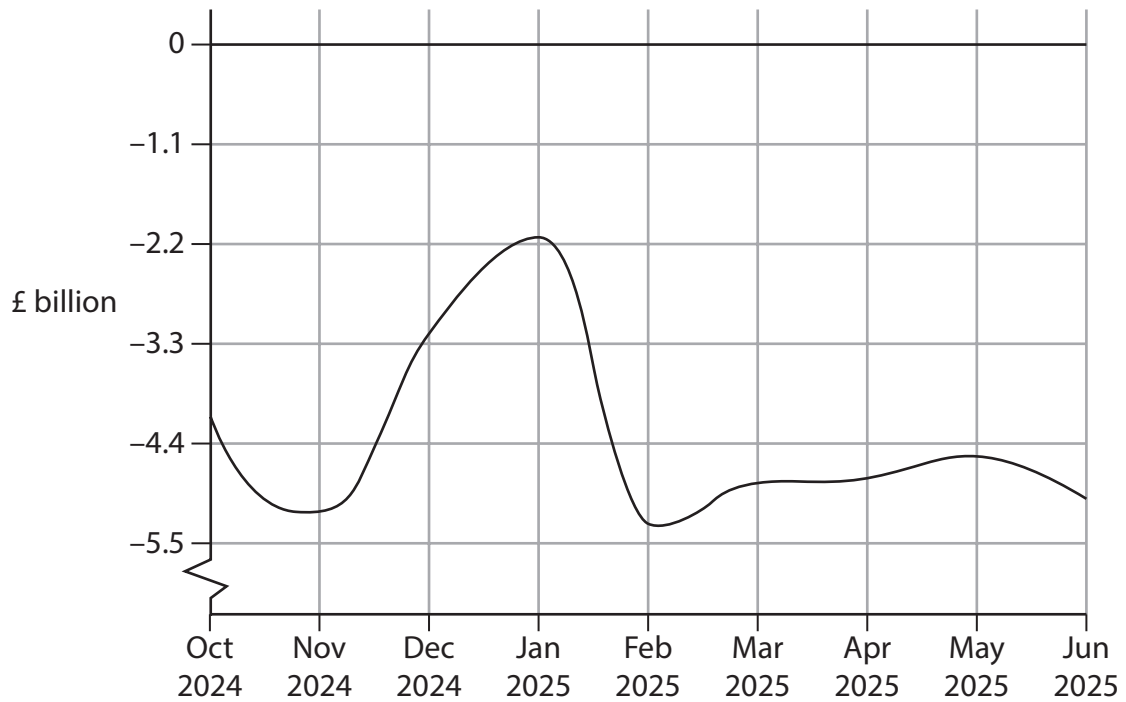
The multiplier is estimated to be 2.45 in India.

Which **one** of the following shows the potential increase in real GDP caused by this government injection?

- A** \$7.76 billion
- B** \$21.45 billion
- C** \$46.55 billion
- D** \$65.55 billion

(Total for Question 5 = 1 mark)

6 The chart shows the United Kingdom's net monthly balance of trade in goods and services, October 2024 to June 2025.



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 The United Kingdom's balance of trade was always in surplus
- D The value of imports was always greater than the value of exports

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



SECTION B

Answer **ALL** questions in this section in the spaces provided in the Answer Book.

- 7 The data shows the quarterly percentage growth of real GDP for Spain between quarter 1 2024 and quarter 4 2024.

Quarter	%
Q1	1.1
Q2	0.8
Q3	0.7
Q4	0.7

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

(Total for Question 7 = 4 marks)

- 8 In quarter 1 2024 the United States' output gap was estimated to be equal to -12.86% of GDP.

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

(Total for Question 8 = 4 marks)

- 9 The table shows the average value of personal disposable income in China, in Chinese RMB, 2021–2024.

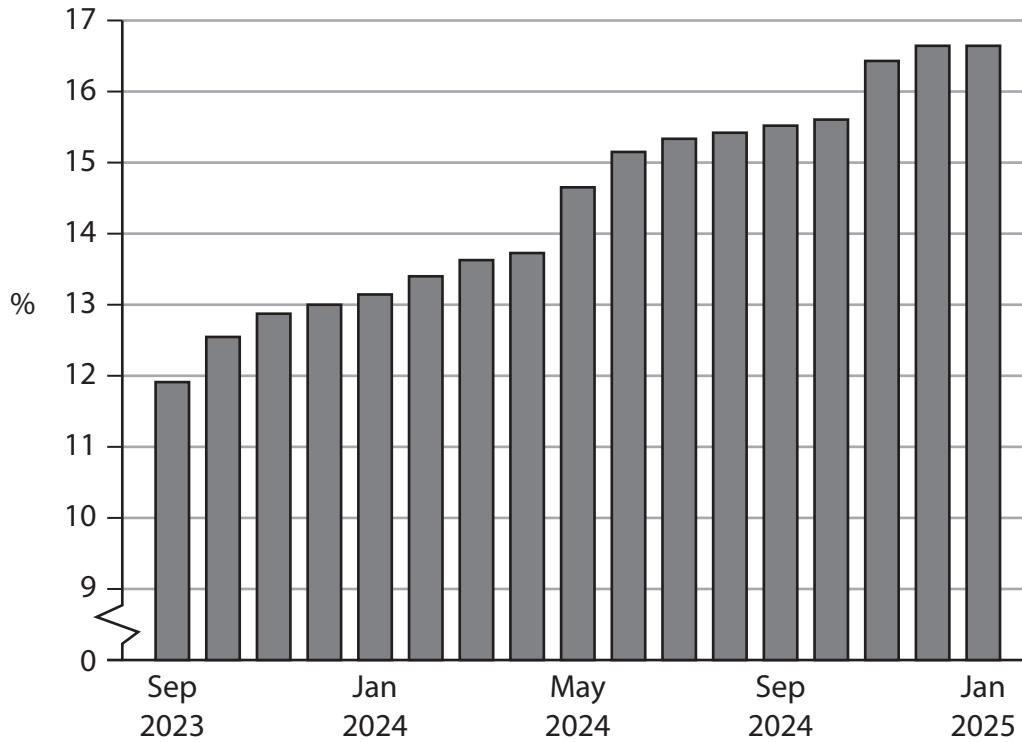
Year	Personal disposable income (Chinese RMB)
2021	35 128
2022	36 883
2023	39 218
2024	41 314

Using 2024 as the base year, calculate an index number for personal disposable income in 2021. Show your workings.

(Total for Question 9 = 4 marks)



10 The chart shows the annual rate of inflation* in Zambia as measured by the consumer price index (CPI), September 2023 to January 2025.



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

With reference to the chart, explain **one** likely effect of this trend in the rate of inflation.

(Total for Question 10 = 4 marks)

11 Between January 2021 and January 2025 the price of oil rose from \$50 per barrel to \$75 per barrel. France is a net importer of oil.

Draw a short-run AS and AD diagram to show the effect of the increase in the price of oil on the price level and real output for France.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS



SECTION C

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering Question 12.

Write your answers in the spaces provided in the Answer Book.

- 12** (a) Define the term 'base rate of interest' (Extract A, line 13). (2)
- (b) With reference to Figure 1, explain what is meant by the savings ratio. (4)
- (c) With reference to Extract A, analyse **one** possible macroeconomic impact of the increase in house prices on the South Korean economy. (6)
- (d) With reference to Extract B, examine **two** likely effects of government policies to increase wellbeing. (8)
- (e) Using the information in Figure 2 and Extract A, discuss the impact of a decrease in investment on South Korea's economy. (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 in the Answer Book.

EITHER

13 In January 2025 the unemployment rate in Canada was 4.1%. In July 2025 it increased to 4.3% when an additional 33 600 workers became unemployed.

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

(Total for Question 13 = 20 marks)

OR

14 In 2023 pollution in Italy decreased by 6% as a result of the slowdown in the country's rate of economic growth.

Evaluate the potential conflicts between the objectives of economic growth and **two** other macroeconomic objectives.

(Total for Question 14 = 20 marks)

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

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Sources for use with Section C

The South Korean economy

Figure 1 Savings ratio, quarter 1 2023 to quarter 4 2024

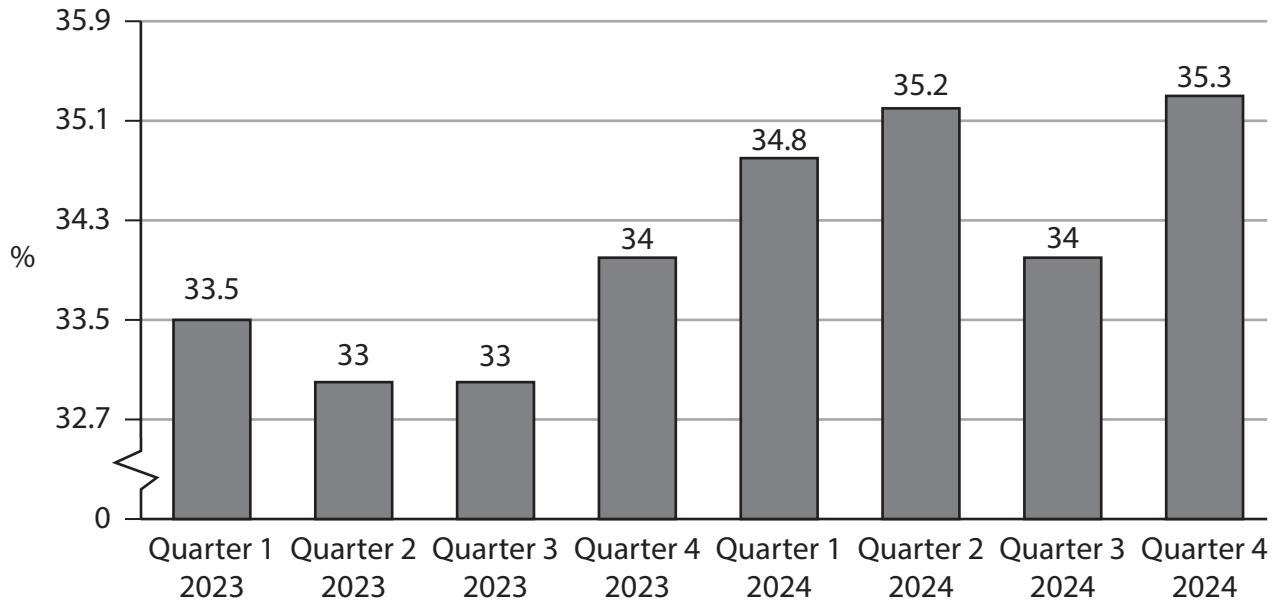
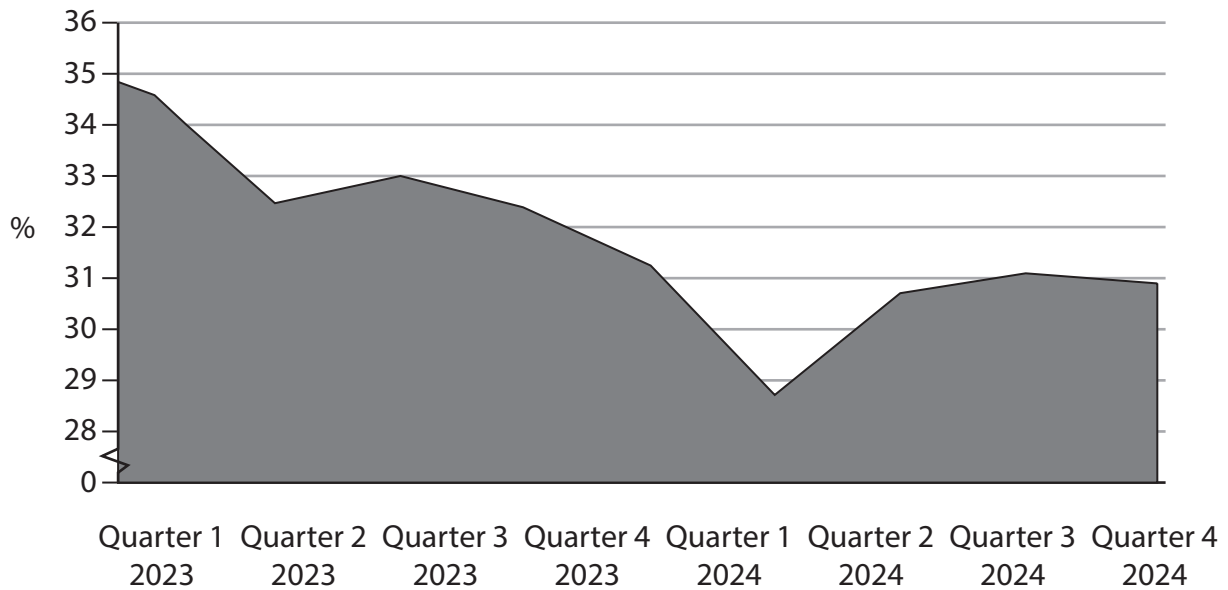


Figure 2 Investment as a proportion of GDP, quarter 1 2023 to quarter 4 2024



Extract A Exports, consumption and investment

After a period of low export sales during 2024, South Korea is now selling more goods overseas. Between July 2024 and July 2025 the value of exports increased by 5.9%. Sales of computer chips (used in phones and computers) grew by 31.6% and car exports increased by 8.8%. Much of the rise in foreign demand came from India's growing demand for technology products. The increase in exports caused an improvement in the current account on the balance of payments. The exchange rate of the country's currency (the Korean won) also increased.

5

Consumer confidence and consumption increased at the start of 2025. This was mainly the result of two factors:

10

- Average house prices in the capital city (Seoul) increased by 3.6% between February 2024 and February 2025.
- The Bank of Korea decreased the base rate of interest from 3.25% to 2.5% between October 2023 and May 2025.

However, business investment in machinery and equipment has slowed. This has raised concerns about productivity growth as the country's capital stock per worker is now growing at a slower pace than in other advanced economies. Although investment in technology and artificial intelligence (AI) has increased, overall levels remain lower than in other advanced economies.

15

Extract B Economic wellbeing

In 2024, the Government of South Korea announced several policies aimed at improving the wellbeing of the population. The Government identified the need for increased government expenditure on wellbeing for those people who have a very low income. For low-income households, the lack of access to basic necessities such as food and healthcare can lead to both mental and physical health problems. In addition, these factors can prevent households from working or children from attending school. Approximately 16% of South Korea's population live on a low income with a significantly higher rate of 40% among those aged 66 and above.

5

Government policies to improve wellbeing include free school meals and food vouchers for those on low incomes. Also, the Government increased spending on healthcare to improve access to care and the quality of care.

10



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Acknowledgements

Figure 1 adapted from: <https://tradingeconomics.com/south-korea/gross-savings-percent-of-gdp-wb-data.html>

Figure 2 adapted from: <https://www.ceicdata.com/en/indicator/korea/investment--nominal-gdp>

Extract A adapted from:

<https://www.globalpropertyguide.com/asia/south-korea/price-history>

<https://www.reuters.com/world/asia-pacific/south-korea-exports-rise-fastest-7-months-before-higher-us-tariffs-kick-2025-08-01/>

<https://koreajoongangdaily.joins.com/news/2025-08-01/business/economy/Koreas-exports-grow-59-percent-on-year-in-July-on-strong-chip-demand-Data/2366843>

<https://www.trendforce.com/news/2025/08/04/news-south-korea-posts-record-july-chip-exports-up-31-6-yoy-on-hbm-and-ddr5-demand>

Extract B adapted from:

https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/07/oecd-economic-surveys-korea-2024_9343c046/c243e16a-en.pdf



Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

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You must have:

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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.

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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 .

Question 1

- A
- B
- C
- D

(Total for Question 1 = 1 mark)

Question 2

- A
- B
- C
- D

(Total for Question 2 = 1 mark)

Question 3

- A
- B
- C
- D

(Total for Question 3 = 1 mark)

Question 4

- A
- B
- C
- D

(Total for Question 4 = 1 mark)

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DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

Question 5

- A
- B
- C
- D

(Total for Question 5 = 1 mark)

Question 6

- A
- B
- C
- D

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



P 8 7 6 0 6 A 0 3 2 4

SECTION C

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering Question 12.

Write your answers in the spaces provided.

Question 12

Write the answer to Question 12(a) in the space provided.

(2)

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Write the answer to Question 12(b) in the space provided.

(4)

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Write the answer to Question 12(c) on the two pages provided.

(6)

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Write the answer to Question 12(d) on the two pages provided.

(8)

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Question 12(d) continued

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Write the answer to Question 12(e) on the three pages provided.

(14)

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Question 12(e) continued

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Question 12(e) continued

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DO NOT WRITE IN THIS AREA

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(Total for Question 12 = 34 marks)

TOTAL FOR SECTION C = 34 MARKS



Section D continued

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Handwriting practice area with 25 horizontal dotted lines.



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Section D continued

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Section D continued

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Area with horizontal dotted lines for writing.



P 8 7 6 0 6 A 0 2 1 2 4

Section D continued

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

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