

Please write clearly in block capitals.

Centre number

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Candidate number

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Surname

Forename(s)

Candidate signature

I declare this is my own work.

INTERNATIONAL AS ECONOMICS

Unit 2 The National Economy in a Global Environment

Friday 16 May 2025

07:00 GMT

Time allowed: 1 hour 45 minutes

Materials

For this paper you must have:

- the Source Booklet, provided as an insert (enclosed)
- a calculator, which you are expected to use where appropriate.

Instructions

- Use black ink or black ball-point pen. Pencil should only be used for drawing.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do **not** write outside the box around each page or on blank pages.
- Do **not** write in the Source Booklet.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 80.
- You may use a bilingual dictionary for this exam.
- You may **not** use an English dictionary.

For Examiner's Use	
Question	Mark
1–15	
16	
17	
18	
19	
20	
21	
TOTAL	



Section A

Answer **all** questions in the spaces provided.

Only **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown.



If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.



0 1

A central bank using quantitative easing would be most likely to

[1 mark]

A buy more government and corporate bonds.

B increase the interest rate it charges banks.

C reduce the interest rate it charges banks.

D sell more government and corporate bonds.

0 2

Which one of the following means a country is experiencing deflation?

[1 mark]

A Average prices are rising more slowly.

B Interest rates are rising.

C The exchange rate is falling.

D The general price level is falling.



0 3

Table 1 shows a country's GDP and selected figures from its balance of payments on current account in millions of euros (€).

Table 1

GDP	€54 000m
Trade in goods	€4 200m
Trade in services	–€3 800m
Primary income	€1 100m

The country has a current account deficit equal to 2% of GDP. What is the value of secondary income?

[1 mark]

- A** –€420 million
- B** –€1080 million
- C** –€2580 million
- D** –€10 180 million

Turn over for the next question

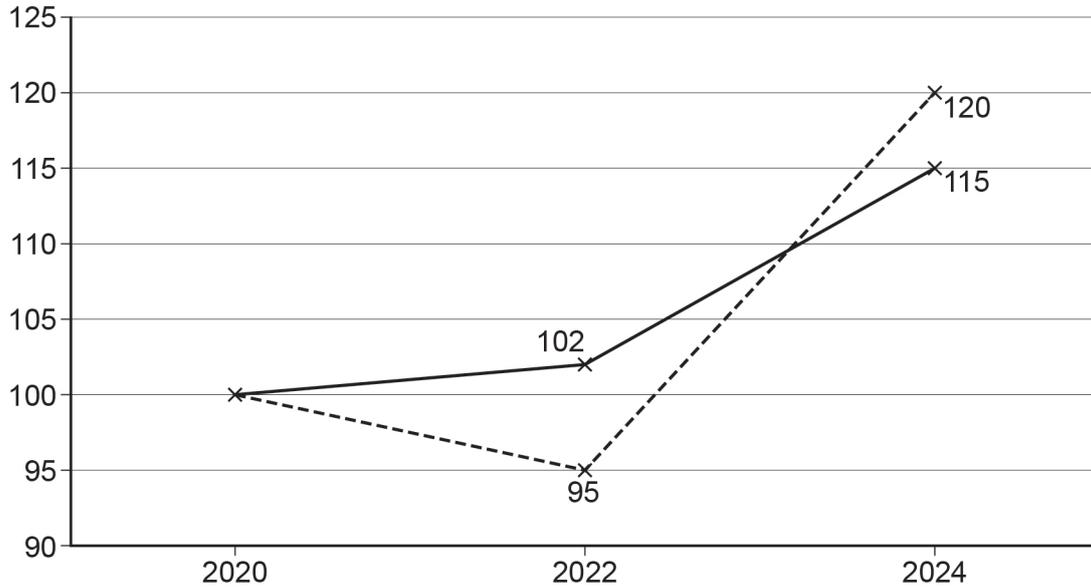
Turn over ►



0 4

Figure 1 shows an index of GDP per capita for two countries with a base year of 2020.

Figure 1



Key: — Country A - - - - - Country B

Which one of the following can be concluded from the data?

[1 mark]

- A** Country A's GDP grew more slowly than Country B's GDP between 2022 and 2024.
- B** Country A's GDP per capita was 15% higher in 2024 than in 2020.
- C** Country B's GDP fell between 2020 and 2022 and rose between 2022 and 2024.
- D** The two countries had the same GDP per capita in 2020.



0 5

All other things being equal, which one of the following would be most likely to increase a country's normal capacity level of output?

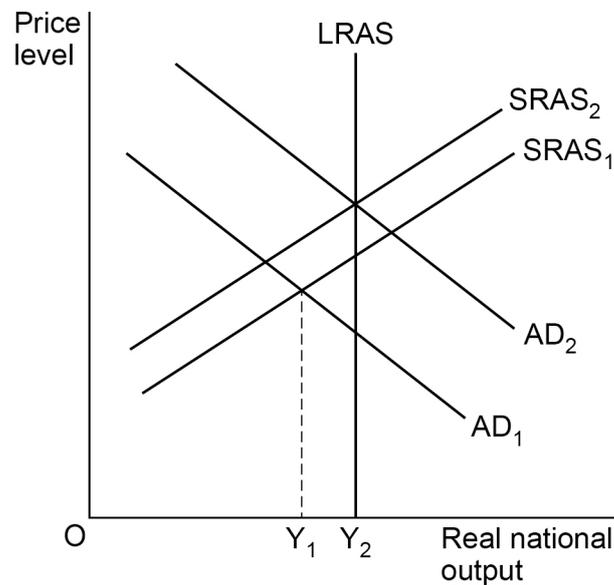
[1 mark]

- A** A fall in cyclical unemployment
- B** A fall in the marginal propensity to save
- C** An increase in consumer confidence
- D** An increase in the capital stock

0 6

Figure 2 shows the initial aggregate demand (AD_1), short-run aggregate supply ($SRAS_1$) and long-run aggregate supply (LRAS) curves for an economy.

Figure 2



All other things being equal, which one of the following could have caused the shift from Y_1 to Y_2 ?

[1 mark]

- A** A rise in consumer income and a rise in indirect taxes
- B** A rise in exports and a rise in business subsidies
- C** A rise in imports and a rise in interest rates
- D** A rise in investment and a rise in productivity

Turn over ►



0 7

A government provides more information about jobs to help reduce unemployment.

Which one of the following types of unemployment is this most likely to affect?

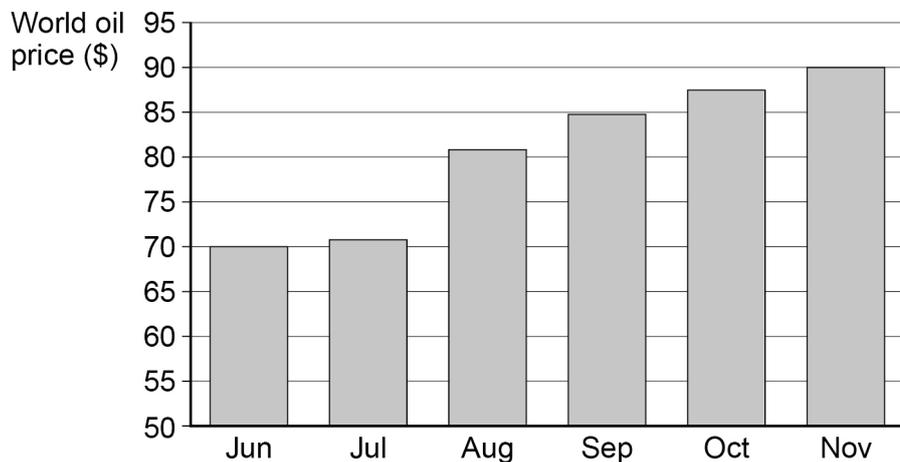
[1 mark]

- A Cyclical
- B Frictional
- C Seasonal
- D Structural

0 8

Figure 3 shows changes in the world oil price in US dollars (\$) over several months.

Figure 3



A country imports most of the oil used in its economy.

All other things being equal, which one of the following is most likely to increase as a result of the price changes?

[1 mark]

- A Cost-push inflation
- B Current account surplus
- C Demand-pull inflation
- D Economic growth



0 9

Each extra £1 of income in a country leads to £0.65 more consumption, £0.15 more savings, £0.18 more tax payments and £0.02 more spending on imports.

What is the value of the multiplier to two decimal places?

[1 mark]**A** 1.00**B** 1.54**C** 2.86**D** 3.03**1 0**

A government reduces the rate of tax on company profits as an incentive for firms to increase investment.

This is an example of

[1 mark]**A** contractionary fiscal policy.**B** deregulation policy.**C** expansionary monetary policy.**D** supply-side policy.

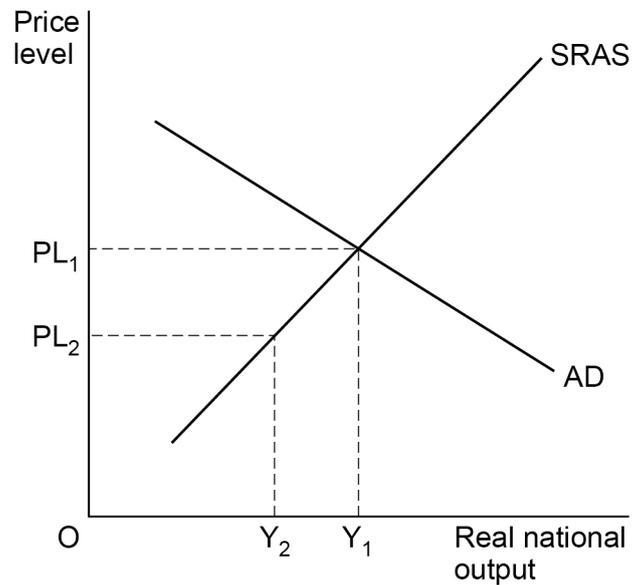
Turn over for the next question

Turn over ►

1 1

Figure 4 shows the aggregate demand (AD) and short-run aggregate supply (SRAS) curves for an economy.

Figure 4



The economy was originally in equilibrium at PL_1 Y_1 but has now moved to a new equilibrium at PL_2 Y_2 .

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

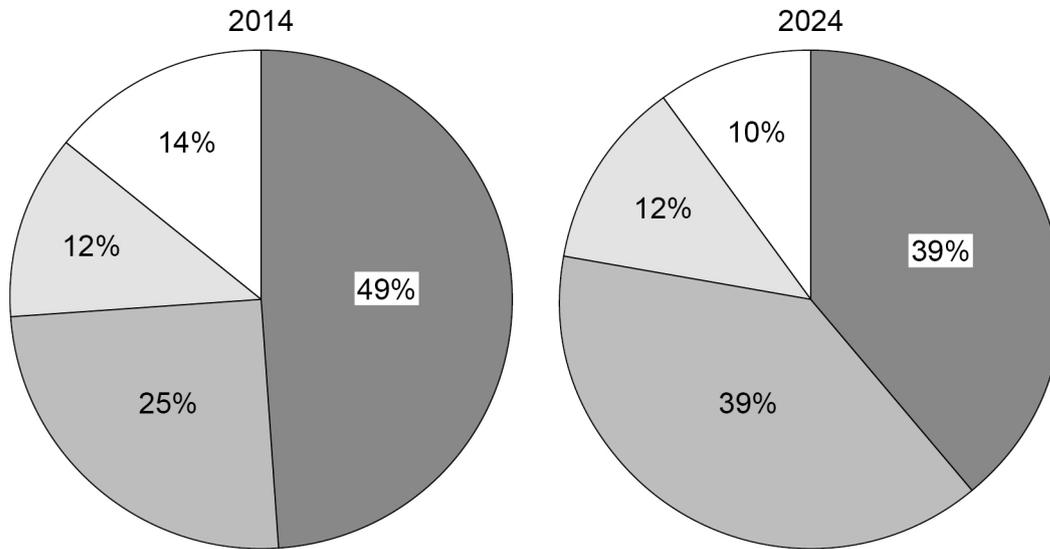
[1 mark]

- A** A reduction in the marginal propensity to pay tax in the economy
- B** A rise in energy and transport costs for the economy's firms
- C** Falling unemployment and a rise in average wages in the economy
- D** Negative economic growth in a country that buys the economy's exports



1 2

Figure 5 shows the percentage of government income from different sources in 2014 and 2024. Total government income has not changed in real terms.

Figure 5**Key**

Direct tax
 Indirect tax
 Other revenue
 Borrowing

Direct tax in the country is progressive.

All other things being equal, which one of the following is the most likely result of the change?

[1 mark]

- A** A fall in the rate of inflation
B A higher rate of interest
C A less equal distribution of income
D A rise in the budget deficit

Turn over for the next question

Turn over ►



1 3

Which one of the following is a main determinant of short-run aggregate supply?

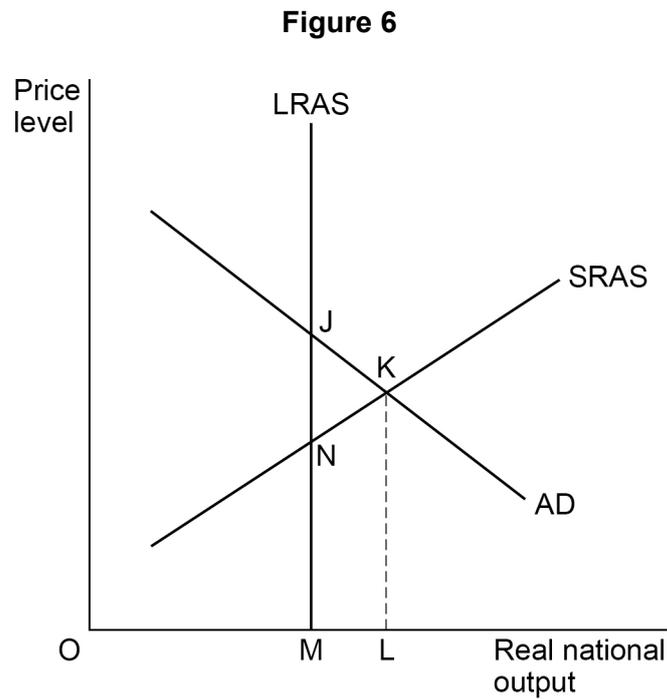
[1 mark]**A** Consumer income**B** Education and skills**C** Production costs**D** Quantity of factors of production**1 4**

All other things being equal, which one of the following is most likely to increase savings in an economy?

[1 mark]**A** A contractionary fiscal policy**B** A rise in disposable income**C** An expansionary monetary policy**D** An increase in consumer confidence

1 5

Figure 6 shows the aggregate demand (AD), short-run aggregate supply (SRAS) and long-run aggregate supply (LRAS) curves for an economy.



The economy has

[1 mark]

- A** a negative output gap from K to J.
- B** a negative output gap from L to M.
- C** a positive output gap from M to L.
- D** a positive output gap of JKN.

15

Turn over for the next section

Turn over ►



Section B

Look at the Source Booklet and answer **all** questions in the spaces provided.

Do **not** write in the Source Booklet.

1 6 . 1 Define 'national debt' (**Extract B**, line 16).

[3 marks]

1 6 . 2 Define 'national income' (**Extract C**, line 16).

[3 marks]

6



1 7

Extract A (i) shows investment as a percentage of nominal GDP for selected countries and the world as an average for 2019 to 2021. **Extract C** gives further information about population and economic growth in Ethiopia.

You are advised to show your working for the calculations below.

1 7 . 1

Ethiopia's nominal GDP was \$111.3bn in 2021.

Use **Extract A (i)** to calculate how much more investment would be needed to bring Ethiopia's investment as a percentage of nominal GDP up to the same percentage as China's.

Give your answer in \$bn to **two** decimal places.

[3 marks]

1 7 . 2

Use **Extract C** (lines 8–10) to calculate the percentage change in real GDP per capita in Ethiopia between 2021 and 2022.

Give your answer to **one** decimal place.

[3 marks]

6

Turn over ►



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9

2 0

Extract C (lines 16–17) states: ‘Ethiopia has had a current account deficit of around 4% of GDP.’

Analyse the factors that influence a country’s balance of payments on current account.

[12 marks]

Turn over ►



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2 8



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