

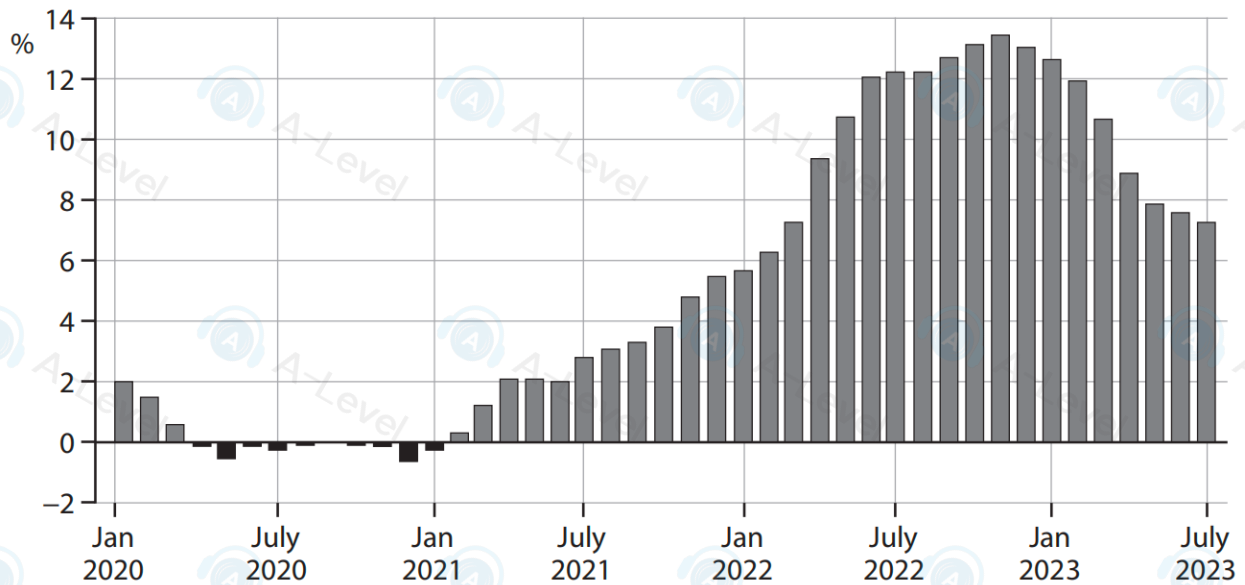
- 3 From Quarter 1 2020 to Quarter 2 2020, government expenditure in Russia increased by 25 billion roubles.

Ceteris paribus, what was the most likely effect of this increase?

- A Aggregate demand decreased
- B Withdrawals from the circular flow increased
- C Aggregate supply decreased
- D Injections into the circular flow increased

(Total for Question 3 = 1 mark)

- 6 The chart shows the annual rate of inflation* in Croatia, as measured by the consumer price index (CPI), January 2020 to July 2023.



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

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

- A The rate of inflation was highest in July 2023
- B The average price level was highest in November 2022
- C There was deflation between April 2020 and July 2020
- D There was disinflation between June 2021 and June 2022

(Total for Question 6 = 1 mark)

6 The table shows Qatar's Gross National Income (GNI) between 2018 and 2020.

Year	GNI (\$ billion)
2018	179.6
2019	172.0
2020	141.4

Which **one** of the following represents the ratio of GNI in 2018 to GNI in 2020?

- A 1 : 0.79
- B 1 : 0.96
- C 1 : 1.04
- D 1 : 1.27

(Total for Question 6 = 1 mark)

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5 In Austria investment was \$98 billion in 2012 and it increased to \$129 billion in 2022.

Which **one** of the following is most likely to have caused this increase in investment?

- A An increase in the availability of credit
- B An increase in the rate of tax on company profits
- C An increase in the base rate of interest
- D An increase in commodity prices

(Total for Question 5 = 1 mark)

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3 Between 2020 and 2022 Qatar's GNI increased from \$141.37 billion to \$229.01 billion.

Which **one** of the following is the ratio of Qatar's GNI in 2022 to its GNI in 2020?

- A 1 : 0.62
- B 1 : 1.62
- C 1 : 61.99
- D 1 : 87.64

(Total for Question 3 = 1 mark)

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2 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 2 = 1 mark)

5 The table shows the estimated price elasticity of supply for cotton in selected countries.

Australia	0.46
Egypt	0.16
India	0.31
Mexico	1.08

(Source: <http://www.fao.org/3/a-ah470e.pdf>)

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

- A Supply is price elastic in India
- B Supply is price inelastic in Mexico
- C Supply is least responsive to a change in price in Egypt
- D Supply is most responsive to a change in price in Australia

(Total for Question 5 = 1 mark)

3 In 2024, Germany experienced an economic downturn caused by a fall in aggregate demand (AD).

Which **one** of the following would have contributed to this fall in AD?

- A An increase in business confidence
- B An increase in house prices
- C An increase in net exports
- D An increase in interest rates

(Total for Question 3 = 1 mark)

1 It is estimated that the marginal propensity to consume in China is 0.5. Assume that the Chinese Government increased its spending on infrastructure by ¥1.5 billion.

Ceteris paribus, what would be the final increase in GDP following this injection?

- A ¥0.50 bn
- B ¥0.75 bn
- C ¥2 bn
- D ¥3 bn

(Total for Question 1 = 1 mark)

1 The value of a country's multiplier decreases from 1.7 to 0.9.

Which **one** of the following is a likely cause of a decrease in the value of a country's multiplier?

- A A decrease in the marginal propensity to tax
- B A decrease in the marginal propensity to save
- C An increase in the marginal propensity to consume
- D An increase in the marginal propensity to import

(Total for Question 1 = 1 mark)

2 The table shows Malaysia's rate of inflation between February 2017 and July 2017.

Month	Rate of inflation (%)
February	4.5
March	5.1
April	4.4
May	3.9
June	3.6
July	3.2

From this table it can be deduced that

- 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 inflation increased at a constant rate between May and July

(Total for Question 2 = 1 mark)

- 2 In Chad unemployment is higher in the winter months than in the summer months. This is because the demand for agricultural labour is lower in the winter months.

Which **one** of the following best describes the cause of this unemployment in Chad?

- A Frictional unemployment
- B Real wage inflexibility
- C Seasonal unemployment
- D Structural unemployment

(Total for Question 2 = 1 mark)

- 6 The table shows Peru's GDP between 2021 and 2023.

Year	GDP (\$ billion)
2021	226.3
2022	246.4
2023	267.5

Which **one** of the following represents the index number for 2021 if 2022 is the base year?

- A 84.6
- B 91.8
- C 108.9
- D 118.2

(Total for Question 6 = 1 mark)

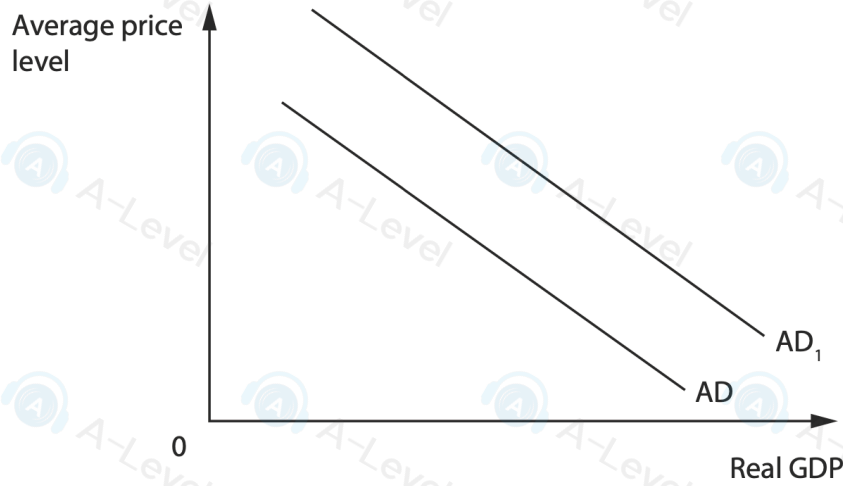
- 2 Which **one** of the following roles is the state most likely to undertake in a mixed economy?

- A Providing subsidies to encourage the production of goods with external benefits
- B Providing subsidies to encourage the production of goods with external costs
- C Imposing a specific tax on the production of public goods
- D Imposing an ad valorem tax on the production of public goods

(Total for Question 2 = 1 mark)

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4 The diagram shows a shift in the aggregate demand curve for an economy.



Which of the following combinations was the most likely cause of the change from AD to AD₁?

	Interest rate	Exchange rate
<input type="checkbox"/> A	Rise	Fall
<input type="checkbox"/> B	Rise	Rise
<input type="checkbox"/> C	Fall	Fall
<input type="checkbox"/> D	Fall	Rise

(Total for Question 4 = 1 mark)

4 It is estimated that the marginal propensity to consume in Greece is 0.6. Assume that the Government of Greece increased its spending on education by €2.5 billion.

Ceteris paribus, what would be the final increase in GDP following this injection?

- A €1.00 billion
- B €1.50 billion
- C €4.20 billion
- D €6.25 billion

(Total for Question 4 = 1 mark)

5 Which **one** of the following is most likely to result in an increase in investment?

- A An increase in the rate of corporation tax
- B An increase in the rate of tax relief for investment
- C An increase in the central bank's interest rate
- D An increase in commercial banks' reserve asset (liquidity) requirements

(Total for Question 5 = 1 mark)

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3 In China, government expenditure was CN¥24.64 trillion in 2021 and CN¥20.37 trillion in 2022.

Which **one** of the following is the percentage decrease in China's government expenditure between 2021 and 2022?

- A 4.27
- B 17.33
- C 20.96
- D 82.67

(Total for Question 3 = 1 mark)

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

(2)

(b) With reference to Figure 1, explain what is meant by the savings ratio.

(4)

(c) With reference to the second paragraph of Extract A, analyse **two** factors that caused household consumption to increase in quarter 3, 2020.

(6)

(d) With reference to Figure 2 and Extract A, examine **two** likely effects of the substantial increase in the rate of unemployment on the Australian economy.

(8)

(e) With reference to Extract B, discuss interventionist supply-side policies that the Australian Government could implement to increase Australia's productivity.

(14)

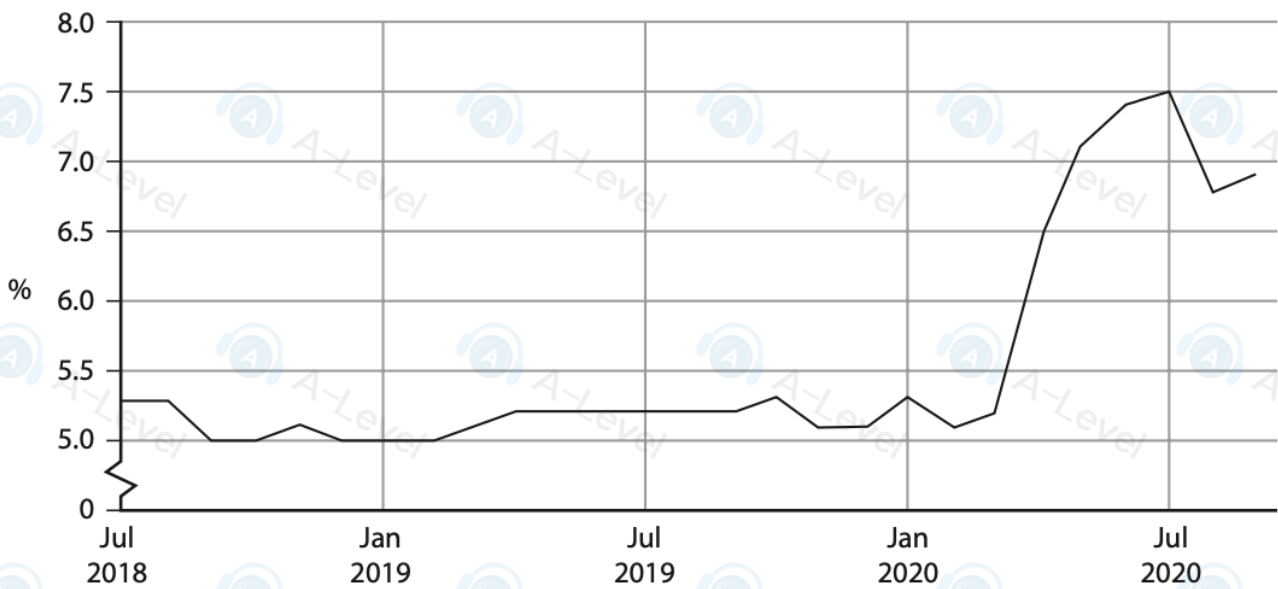
Sources for use with Section C

The Australian economy

Figure 1 Savings ratio, Q3 2018 to Q3 2020



Figure 2 Unemployment rate, July 2018 to September 2020



Extract A Economic performance

In the first half of 2020 Australia's economy was in recession. In quarter 1 the economic growth rate was -0.3% and it declined further in quarter 2 to -6.8% . Consequently, between March and July 2020 there was a substantial increase in the rate of unemployment.

5

However, Australia's economy recovered quickly with an economic growth rate of 3.3% in quarter 3 of 2020. This was much higher than predictions of a growth rate of 2.5% . This increase in the growth rate was mainly as a result of a rise in household consumption. Although household consumption decreased by 12.5% in quarter 2 of 2020, it rose by 7.9% in quarter 3. The main reasons for this rise in consumption were:

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- rising house prices
- reductions in the base interest rate by Australia's central bank
- higher welfare payments to households.

These factors resulted in an increase in consumer confidence.

While household consumption supported Australia's economic recovery, the rate of unemployment was still relatively high. In response, the Australian Government continued its JobKeeper Payment scheme to keep workers in employment. This scheme supported businesses negatively affected by the economic decline. Businesses were able to claim AU\$1 200 (before tax) per employee every two weeks to help cover the cost of wages.

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Extract B Supply-side policies

Between 2010 and 2020 Australia's average annual increase in productivity was 1.7% . The country's average annual growth in real GDP per capita was 0.6% . This was below the 1% growth in GDP per capita in the USA. To increase GDP per capita, Australia needs to raise its productivity growth. This applies particularly to the service sector, which accounts for nearly 70% of Australia's GDP.

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According to some economists, the Australian Government should consider implementing a range of interventionist supply-side policies to increase the country's productivity. These include:

- providing finance for business start-ups
- investment in infrastructure improvements
- investment in high-quality education and training schemes
- offering tax incentives and subsidies to encourage investment.

10

Successful implementation of these policies will enable Australia to achieve long-run economic growth.

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13 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 13 = 20 marks)

13 '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 13 = 20 marks)