	forms.	prices or index of import prices	(1)
6	**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.	**The only correct answer is C** ***A*** *is not correct because Uruguay's Lorenz curve shifted away from the line of perfect equality* ***B*** *is not correct because perfect income inequality in Uruguay would imply that the Gini coefficient will be 100%* ***D*** *is not correct because income inequality in Uruguay increased by 1.3 percentage points*	**(1)**

Question Number	Quantitative skills assessed	Answer	Mark
1	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** ***A*** *is not correct because there is no impact on comparative advantage* ***B*** *is not correct because there will be an increase in interest rates* ***D*** *is not correct because there is likely to be a decrease in the external value of the currency*	**(1)**

4	**QS1:** Calculate, use and understand ratios and fractions. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** ***B*** *is not correct because Country X has an absolute advantage over Country Y in the production of both goods* ***C*** *is not correct because Country X does not have a comparative advantage over Country Y in the production of both goods* ***D*** *is not correct because this will happen when the opportunity cost for producing both goods for both countries is the same*	**(1)**

4	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** ***A*** *is not correct because devaluation happens in a fixed exchange rate* ***B*** *is not correct because revaluation happens in a fixed exchange rate* ***D*** *is not correct because there is a decrease in the exchange rate*	**(1)**

3	**QS1:** Calculate, use and understand ratios and fractions. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is B** ***A*** *is not correct because export prices of Romania's goods and services would have fallen relative to the average export prices of its trading partners* ***C*** *is not correct because Romania's goods and services would have become more internationally competitive relative to its trading partners* ***D*** *is not correct because Romania would experience a worsening in its terms of trade*	**(1)**

6	**QS4** Construct and interpret a range of standard graphical forms. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is B** ***A*** *is incorrect as AD is likely to shift to the left as a result of falling net exports* ***C*** *is incorrect as SRAS is likely to shift to the right as a result of the falling costs of imports for firms* ***D*** *is incorrect as SRAS is likely to shift to the right as a result of the falling costs of imports for firms/AD likely to shift to the left as a result of falling net exports*	**(1)**

2	**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 would most likely lead to a decrease in debt servicing costs* ***B*** *is not correct because the rate of inflation is likely to decrease* ***D*** *is not correct because there is no link between a country's national debt and absolute advantage*	**(1)**

4	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is D** ***A*** *is not correct because this is a possible benefit of globalisation* ***B*** *is not correct because this is a possible benefit of globalisation* ***C*** *is not correct because globalisation may lead to an increase in economies of scale for TNCs*	**(1)**

5	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is B** ***A*** *is not correct because the central bank would sell US dollars* ***C*** *is not correct because this would further depreciate the yen against the US dollar* ***D*** *is not correct because the central bank would buy Japanese yen*	**(1)**
4	**QS4** Construct and interpret a range of standard graphical forms. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is D** ***A*** *is incorrect because SRAS is likely to shift to the left as a result of the rising costs of imports* ***B*** *is incorrect because SRAS is likely to shift to the left as a result of the rising costs of imports/AD is likely to shift to the right as a result of rising net exports* ***C*** *is incorrect because AD is likely to shift to the right as a result of rising net exports*	**(1)**
2	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is B** ***A*** *is not correct because this is associated with a floating exchange rate* ***C*** *is not correct because this is associated with a floating exchange rate* ***D*** *is not correct because this is when the value of the currency increases in a fixed exchange rate system*	**(1)**
3	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** ***A*** *is not correct because specialisation and trade will lead to an increase in the volume of exports and imports* ***B*** *is not correct because specialisation and trade will lead to an increase in living standards* ***D*** *is not correct because specialisation and trade will reduce absolute poverty*	**(1)**
3	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is D** ***A*** *is not correct because this is not a government policy to control TNCs* ***B*** *is not correct because this is not a government policy to control TNCs* ***C*** *is not correct because this is not a government policy to control TNCs*	**(1)**

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.	**The only correct answer is C** ***A*** *is not correct because Hungary has a proportional tax system* ***B*** *is not correct because Hungary has a proportional tax system* ***D*** *is not correct because Hungary has a proportional tax system*	**(1)**

6	**QS5:** Calculate and interpret index numbers **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is B** ***A*** *is not correct because this would have increased Pakistan's terms of trade* ***C*** *is not correct because this would have increased Pakistan's terms of trade* ***D*** *is not correct because this would have increased Pakistan's terms of trade*	**(1)**

4	**QS5:** Calculate and interpret index numbers. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** ***B*** *is not correct because this is the index number for 2012 using 2022 as base year* ***C*** *is not correct because this is the index number for 2022 using 2012 as base year* ***D*** *is not correct because this is the index number for 2022 using 2002 as base year*	**(1)**

6	**QS5**: Calculate and interpret index numbers. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is B** ***A*** *is not correct because between 2000 and 2018 Bosnia and Herzegovina's terms of trade improved by 73.3%* ***C*** *is not correct because Bosnia and Herzegovina had to export fewer goods and services to purchase a given quantity of imports* ***D*** *is not correct because the index of export prices exceeds the index of import prices throughout the given period*	**(1)**

4	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** ***B*** *is not correct because this is likely to decrease income inequality* ***C*** *is not correct because this will shift the Lorenz curve closer to the line of perfect equality* ***D*** *is not correct because this will shift the Lorenz curve closer to the line of perfect equality*	**(1)**

Question	With reference to Figure 1, calculate the change in India's real GDP growth rate between 2020 and 2021. You are advised to show your working. **Answer**	**Mark**
7(a)	**Application 2** Quantitative skills assessed: **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. Up to 2 marks for calculations: • 9.69% − (−5.78%) **(1)** • 15.47 percentage points **(1)** **NB** Award 2 marks for correct answer (15.47pp / 15.5pp) **NB** Award only 1 mark for 15.47 / 15.47%	**(2)**

Question	With reference to Figure 2, explain what is meant by 'rate of inflation'. **Answer**	**Mark**
7(b)	**Knowledge 2, Application 2** Quantitative skills assessed: **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. **QS10**: Distinguish between changes in the level of a variable, and the rate of change. **Knowledge** Up to 2 marks for understanding rate of inflation, e.g.: • Percentage **(1)** rise/change in the price level/*average* prices of goods and services the economy **(1)** **Application** Up to 2 marks for application to Figure 2, e.g.: • Between 2019 and 2022, the annual rate of inflation increased **(1)** by 1.88 percentage points **(1)** • Between 2024 and 2025, the forecast rate of inflation is expected to fall **(1)** by 0.27 percentage points **(1)** • India's inflation rate decreased from 6.65% in 2022 **(1)** to 4.37% in 2024 **(1)**	**(4)**

	• The highest rate of inflation was in 2022 / the lowest rate of inflation is expected to be in 2025 **(1)**	
Question	With reference to Extract A, examine **two** external shocks that could constrain India's rate of economic growth in 2025. **Answer**	**Mark**
7(c)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge and analysis** Up to 2 marks for identifying two constraints and 1 mark for each linked development, e.g.: • Threat of protectionism by the USA **(1K)** would reduce India's export-led growth / lower exports to the USA as they become more expensive if tariffs are introduced on India's goods and services **(1AN)** • Rising commodity prices **(1K)** will increase cost of production for businesses in India, increasing export prices / reducing the value of exports making goods less internationally competitive **(1AN)** • Supply chain shocks **(1K)** will result in a severe shortages of raw materials causing production delays / increases costs for transportation/businesses in India **(1AN)** **Application** Up 2 marks for application to Extract A, e.g.: • India is a net exporter of goods / it would negatively impact its export industries, especially IT and pharmaceuticals **(1)** • India is a net importer of commodities / increase the country's rate of inflation **(1)**	

	• Frequent natural disasters, such as cyclones and flooding / and transport disruptions arising from poor road and rail infrastructure **(1)** **Evaluation** Up to 2 marks for evaluative comments (2+0 or 1+1): • The USA may not implement protectionist policies, **(1)** hence this may not constrain India's economic growth **(1)** • Commodity prices are volatile **(1)** and may fall in the future **(1)** • Supply chain bottlenecks may incentivise businesses to source raw materials domestically/protect strategic industries **(1)** hence reducing dependence on other countries **(1)** • India is "well placed" to respond to external shocks in the global economy / India had $676 billion of foreign exchange reserves / fastest real GDP growth rate **(1)** therefore economic growth may not be affected by much **(1)** • It is difficult to identify one external shock that would have a big impact **(1)** it is likely to be a combination of external shocks that would significantly constrain India's economic growth **(1)**	**(8)**

Question	With reference to the last paragraph of Extract B, analyse **two** likely effects of a decrease in the base interest rate on the Indian economy. **Answer**	**Mark**
7(d)	**Knowledge 2, Application 2, Analysis 2** Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge and analysis** Up to 2 marks for identifying two likely effects and up to 2 marks for linked explanations showing the effects of a decrease in the base interest rate, e.g.: • Increase in consumption/reduction in savings **(1K)** may result in higher inflation **(1AN)** • Increase in investment **(1K)** may result in higher economic growth/employment **(1AN)** • Increase in net trade **(1K)** may result in an improvement in current account **(1AN)** **Application** Up to 2 marks for application to Extract B, e.g.: • In January 2025 the base rate of interest in India was 6.5% **(1)** • The central bank reduced the rate to 6.25% in February 2025 to 6% in April 2025 / by 0.25 percentage points **(1)**	

	• India's central bank has a target rate of inflation of between 4% to 6% **(1)** • Accurately drawn and labelled diagram showing an increase in Aggregate Demand **(1)**	**(6)**

Question	With reference to the information provided, discuss the supply-side policies that the Government of India plans to introduce to increase the country's rate of economic growth **and** economic development. **Indicative content**
7(e)	**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. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application and Analysis (8 marks) – indicative content** • Definition/understanding of supply-side policies • Accurately drawn and labelled diagram showing an increase in LRAS • "Improve the skills of its young workforce" – greater levels of, or more targeted, spending on education and training will increase skills/reduce skills gap and raise human capital, increasing productivity levels, which will increase India's economic growth. Makes workers more employable and increase their per capita incomes, hence economic development: may refer to Figure 1 • "Encourage greater innovation" – increases productivity, leading to lower cost per unit and export prices; new technologies, processes and business models can make industries more efficient and internationally competitive, attracting more FDI in India and resulting in greater potential output. As quality of goods/services increases, living standards will rise: 'economists forecast that per capita incomes will increase by $2 000' • "Investment in infrastructure" – developments to infrastructure through improved transport links and communications will encourage more trade and lead to increased efficiency; reduces transport costs and time hence increases productive capacity of the Indian economy. More jobs will be created increasing income per person, therefore economic development • "Cut the high costs of bureaucracy" – lowers the administrative costs for and greater profitability for businesses; greater investment in innovation leading to improvements in productivity and attracting more FDI. Will result in job creation, increasing living standards: 'Simplify the process of obtaining finance for domestic businesses and transnational companies'

	N.B. Award maximum of Level 2 if a candidate does not refer to both economic growth and economic development in their answer **N.B. Award maximum of Level 2 for supply-side policies not mentioned in the information provided**

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. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. 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 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples that 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 (6 marks) – indicative content

- Interventionist policies could increase public expenditure that may have an opportunity cost/have an adverse effect on India's public finances: "The Government set aside a capital expenditure budget of Rs15 trillion for 2025."
- Impact on India's economic growth will depend on the magnitude of the investment in skills and infrastructure
- Significant time lags/implementation lags are involved with these policies
- Government spending can also increase resource/financial crowding out
- Effectiveness of policies in achieving long-term economic growth
    - Improve the skills of its young workforce: it depends on the quality of the education and training programmes; workers may not take up jobs that they have been educated and trained in
    - Encourage greater innovation: success is often uncertain and may take time to materialise, making it risky; lack of skilled workforce
    - Investment in infrastructure: depends on the quality of infrastructure projects undertaken by the government
    - Cut the high costs of bureaucracy: less regulatory oversight may lead to inadequate monitoring and control over business practices

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	In Libya the HDI was 0.80 in 2010 and it was 0.72 in 2019. Evaluate interventionist strategies that a government in a developing country of your choice might use to increase *economic development*. **Indicative content**
10	**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. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application, Analysis (12 marks) – indicative content** • Understanding of economic development/HDI • Development of human capital – government investment in healthcare and education can increase human capital and productivity; increases HDI as it increasing life expectancy and mean years of schooling • Protectionism – by imposing restrictions on free trade, the government helps domestic (infant and geriatric) industries therefore maintaining employment; increases HDI as per capita incomes increase • Managed exchange rates – countries with an overvalued exchange rate can import raw materials and capital goods at a relatively lower price promoting advances in technology; e.g. increases proportion of people with access to mobile phones and the internet • Infrastructure development – investment in physical capital, e.g. power and water supplies, transport links and telecommunication networks will increase efficiency and reduce unit costs; e.g. increases the proportion of people with access to energy and clean water • Promoting joint ventures with TNCs – allows sharing of costs with the TNCs thereby gaining internal economies of scale that reduces export prices; local businesses could access resources including technology/human capital • Buffer stock schemes – by setting a floor and a ceiling price, governments reduce uncertainty caused by price volatility; this would therefore stabilise incomes and increase HDI

	Evaluation (8 marks) – indicative content • Increase in government spending could worsen fiscal position; if government spending is financed through borrowing it could increase external debt and subsequently lead to crowding out: resource and financial • Impact of the policies employed might depend on the state of the economy • A combination of policies may have to be implemented by the government to experience a large increase in economic development and HDI • Depends on the quality of education and healthcare programmes, e.g. if the government is investing in science/technology/maths based subjects, it may have a larger impact on economic development • Protectionism could lead to a distortion of comparative advantage and hence resources will be allocated inefficiently; the lack of competition for domestic industries could result in higher x-inefficiency • Overvalued exchange rate would make exports relatively more expensive therefore reducing demand for domestic goods and causing unemployment • Depends on the quality of the infrastructure developments • A joint venture is only a temporary arrangement with TNCs: once this ends, investment may fall and economic development may not be sustained; may not raise investment if firms have conflicting objectives and reaches a point of diseconomies of scale, causing export price to rise • Government failure: information gaps for the government, unintended consequences, moral hazard, excessive administrative costs e.g. due to high costs of storage and security associated with buffer stock schemes • Some of these policies will only have an impact after a significant time lag e.g. infrastructure developments

Question	In 2022 Pakistan's currency, the rupee, fell by 27% against the US dollar. Evaluate factors that might cause a depreciation of the exchange rate of one currency against another currency. Refer to a developing country of your choice in your answer. **Indicative content**
10	**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. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application, Analysis (12 marks) – indicative content** • Understanding of the depreciation of an exchange rate Factors include: • Relative inflation rates: reference to purchasing power parity theory – e.g. if inflation in Pakistan is relatively higher than elsewhere, then Pakistan's exports will become less competitive, and there will be a fall in demand for rupee. Hence, higher inflation rates will lead to a depreciation of the rupee • Relative interest rates – e.g. if Pakistan's interest rate falls relative to other countries, it will become less attractive to deposit money in Pakistan. There will be less hot money flows and the demand for the rupee will fall, and the currency would depreciate • Speculation – e.g. if speculators believe the rupee will fall in the future, they will demand less of the currency now. This fall in demand will cause its value to fall. Therefore, the currency would depreciate • Balance of payments: current account balance – e.g. if there is a persistent current account deficit, it would lead to a greater supply of currency relative to demand leading to a fall in exchange rate and the rupee will depreciate • Relative strength of the economy: debt crisis – e.g. if markets feared that Pakistan's Government may default on its debt, then investors would sell their bonds causing a fall in the value of the rupee exchange rate • Developing countries tend to rely on exports of primary products that are often volatile in price, and this can have an impact on the exchange rate – e.g. if prices of commodities fall, the exchange rate of exporting countries will depreciate (reference to "commodity currencies") • Macroeconomic management – e.g. quantitative easing/asset purchases has caused a depreciation in the value of some currencies such as Chile, Poland • Allow analysis based on government/central bank manipulation of exchange rate through the buying and selling of the currency • Political instability/capital flight/reduction in FDI might result in depreciation

	• The strength of the US economy has led to the appreciation of the US dollar against many other currencies **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country in their answer**

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 • Discussion of the most significant factor, e.g. speculation; confidence about the future state of the economy • Significance of factors in changes over time/short-run and long-run • Combination of factors will have a greater impact on exchange rate • Different factors will be important for different developing countries • Impact depends on the magnitude of the change in exchange rate/factors • Current account is relatively minor because other capital flows are much more significant – discussion of financial account position • Comparison with developed countries, e.g. in Japan's case, the national debt of over 230% has not prevented an appreciation of its currency

	• The underlying strength of the economy is more important than short-term macroeconomic management

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.