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 the central bank would buy the Nigerian naira* ***B*** *is not correct because this would further depreciate the naira against the US dollar* ***D*** *is not correct because the central bank would sell US dollars*	**(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)**

Section C

Question	Evaluate policies that can be used to prevent a country's exchange rate from depreciating. Refer to a developed country of your choice in your answer. **Indicative content**
8	**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 (12 marks) – indicative content** • Understanding of government intervention in the currency markets Possible policies might include: • Sale of foreign currency/dollar (or gold) reserves on the foreign exchange market in order to decrease the supply of the yen • Purchase of domestic currency/yen in order to decrease the supply of the yen and increase the external value of the currency • Reduction in the money supply in the Japanese economy through reduced asset purchases (ending quantitative easing) • Increase in the (relative) interest rates in Japan: this will result in greater hot money flows and increase the demand for the yen • Pegging currency against a more stable currency, e.g. dollar, will fix the exchange rate and prevent further depreciations • Other policies to encourage inflow of FDI and/or portfolio investment into Japan; will increase demand for the yen • Other policies to restrict outflow of funds from Japan (e.g. through remittances, repatriation of profits, capital flight etc.); will reduce the supply of yen • Policies to reduce demand for foreign currencies e.g. protectionism **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed 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

- Prioritisation/comparison of the effectiveness of different policies
- Significance of the causes discussed: a combination of factors is likely to have a larger impact on the exchange rate – "fell by 35%"
- Use of monetary policies may cause conflicts with other macroeconomic objectives/policies
- Ability of the government to sell its reserves/dollar depends on the value of reserves/dollar held, and its international value
- Problems of currency stabilisation: depletion of foreign exchange reserves/ foreign currency gap – "cost the Japanese Government $20.8 billion"
- Possible political/ethical issues surrounding the selling of reserves
- Relative interest rate is more important than interest rate in determining hot money flows

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.

Section C

Question	Between September 2021 and September 2022 the US dollar appreciated by nearly 18% against the euro. Evaluate the likely economic effects of an appreciation of a country's currency on its economy. Refer to a developed country of your choice in your answer. **Indicative content**
8	**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 currency appreciation Economic effects include: • Less inward FDI flows into the USA and more outward FDI flows from the USA, thereby worsening the financial account position of the balance of payments • A worsening in the current account position of the balance of payments as exports would become relatively expensive and imports become relatively cheap, worsening USA's international price competitiveness • Decrease in net exports due to lower injections and higher leakages, thereby decreasing aggregate demand: leading to lower economic growth and living standards in the USA • Increase in unemployment/decrease in employment as there will be lower demand for labour (derived demand) due to less economic growth and less tourism in the USA • Inflationary pressures are likely to decrease as aggregate demand decreases. The appreciation may cause a decrease in the cost of imported raw materials and finished goods, leading to less cost-push inflation • Improvement in the USA's terms of trade • Fall in debt burden for the US Government and for USA-based banks with external debts **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed country in their answer** **N.B. Award positive effects as KAA and negative effects as evaluation (or vice versa)**

		cause and/or consequence.	
		Evaluation (8 marks) – indicative content • Impact on the current account depends on PED for imports and exports and if the Marshall-Lerner condition is met (reference to J-curve effect); the rise in external value of the currency will not improve non-price competitiveness • Aggregate demand may not decrease as the effect of the decrease in net trade can be offset by other components, e.g. consumption or investment; the impact on economic growth depends on the size of the multiplier • Inflationary pressures may not decrease if firms in the USA increase profit margins or if productivity falls; falling inflation also depends on the extent to which the lower costs are passed on to consumers • Other factors affect FDI decisions, e.g. tax, confidence, interest rates, etc • Lower inflationary pressures would increase the real value of debt • Economic impact will largely depend on extent of the appreciation of the US dollar and whether it is short-term or long-term appreciation • The US dollar appreciated 18% over a year which is a large appreciation and may have a considerable impact on the US economy	

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 could have caused an appreciation in the exchange rate of the euro against the US dollar* ***B*** *is not correct because this could have caused an appreciation in the exchange rate of the euro against the US dollar* ***D*** *is not correct because this could have caused an appreciation in the exchange rate of the euro against the US dollar*	**(1)**

6	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** ***A*** *is not correct because the Central Bank of India would sell the US dollar* ***B*** *is not correct because this would cause a depreciation in the Indian rupee against the US dollar* ***D*** *is not correct because the Central Bank of India would buy the Indian rupee*	**(1)**

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.

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)**

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)**

5	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** ***A*** *is not correct because the central bank would sell the Canadian dollar and buy the UK pound sterling* ***B*** *is not correct because the central bank would sell the Canadian dollar and buy the UK pound sterling* ***D*** *is not correct because the central bank would sell the Canadian dollar and buy the UK pound sterling*	**(1)**

Question Number	Between January and August 2018, Turkey's currency, the lira, depreciated by nearly 40% against the US dollar. Evaluate the economic effects of a depreciation of a country's currency. Refer to a 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. **Knowledge, Application, Analysis (12 marks) – indicative content** Understanding of currency depreciation • An improvement in the current account position of the balance of payments as exports would become relatively cheaper and imports become relatively more expensive, improving Turkey's international price competitiveness • Increase in net exports due to greater injections and lower leakages, thereby increasing aggregate demand: leading to economic growth and higher living standards in Turkey • Reduction in unemployment/increase in employment as there will be greater demand for labour (derived demand) due to economic growth and increased tourism in Turkey • Inflationary pressures are likely to increase as aggregate demand increases. The depreciation may cause an increase in the cost of imported raw materials and finished goods leading to cost-push inflation. • More inward FDI flows into Turkey and less outward FDI flows from Turkey, thereby improving the financial account position of the balance of payments **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a country in their answer** **N.B. Award positive effects as KAA and negative as evaluation (or vice versa)**

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 • Impact on the current account depends on PED for imports and exports and if the Marshall-Lerner condition is met (reference to J-curve effect). The fall in external value of the currency will not improve non-price competitiveness • Aggregate demand may not increase as the effect of increase in net exports can be offset by other components, such as consumption or investment. The impact on economic growth depends on the size of the multiplier • Impact on the reduction in unemployment is likely to be limited if there is underemployment in Turkey • Inflationary pressures may not increase if firms in Turkey cut profit margins or if productivity rises. Rising inflation also depends on the extent to which the higher costs are passed on to consumers • Other factors affect FDI decisions, e.g. tax, confidence. Firms can repatriate profits, interest and dividends – this represents an outflow from the primary income component of the current account	

	• Economic impact will largely depend on extent of the depreciation of the currency and whether it is short or long term depreciation • Turkish Lira depreciated 40% which is a large depreciation which will have a large impact on the Turkish economy

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.

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)**

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 import prices rise and export prices fall* ***B*** *is not correct because this relates to the fiscal position and not balance of payments* ***D*** *is not correct because this is due to a fall in interest rates*	**(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 D** ***A*** *is not correct because this is likely to decrease a country's exchange rate* ***B*** *is not correct because this is likely to decrease a country's exchange rate* ***C*** *is not correct because this is likely to decrease a country's exchange rate*	**(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)**