

Aggregate demand

21 questions · 102 marks

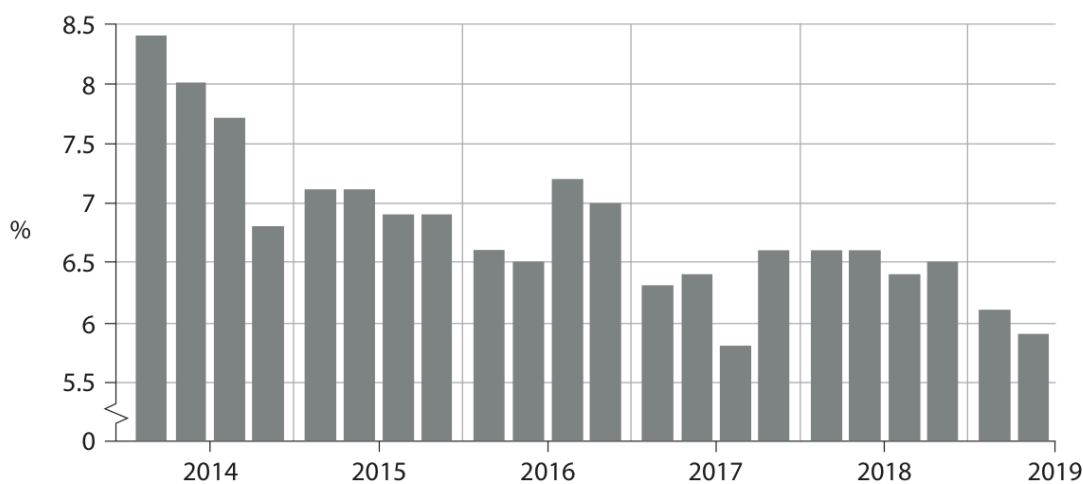
Answer all questions. The marks available are shown against each part. Every question is taken unaltered from a past paper; the source is noted beneath it. In Section A, choose the best answer and write its letter in the box.

Section A · Multiple choice

10 questions · 10 marks

1. The chart shows Portugal's household savings ratio by quarter, Q1 2014–Q2 2019.

1 mark



According to the long-term trend in the chart, *ceteris paribus*, which **one** of the following is most likely to have risen in Portugal?

- ☐ A Consumption
- ☐ B Exports
- ☐ C Unemployment
- ☐ D Withdrawals

Answer

Pearson Edexcel WEC12/01 Economics · January 2021 Unit 2, Question 4

2. In 2023 the value of Mexico's imports was \$678bn. This represented a 1.5% increase compared with 2022.

1 mark

Which **one** of the following is most likely to lead to an increase in spending on a country's imports?

- ☐ A A rise in the rate of unemployment
- ☐ B A fall in the value of the country's exchange rate against other currencies
- ☐ C A reduction in income tax rates
- ☐ D A rise in the reserve asset requirements that commercial banks need to hold

Answer

— Pearson Edexcel WEC12/01 Economics · October 2025 Unit 2, Question 3

3. South Africa's annual government expenditure as a proportion of GDP increased from 31.4% to 34.6% between 2012 and 2019.

1 mark

Which **one** of the following is most likely to have contributed to this increase in government expenditure as a proportion of GDP?

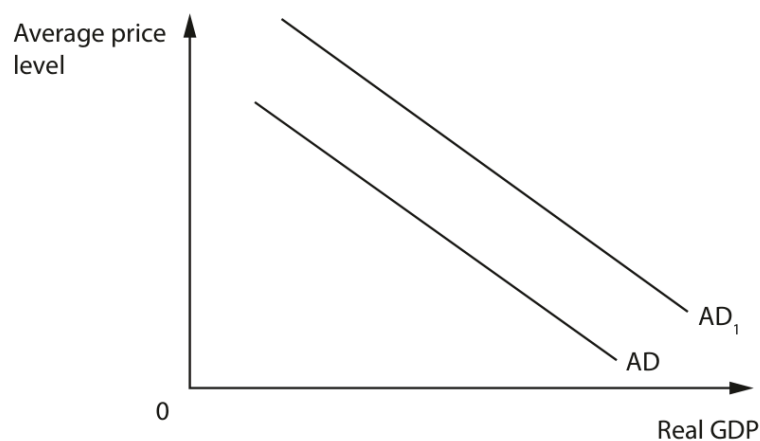
- ☐ A Lower welfare payments
- ☐ B A lower exchange rate
- ☐ C Less economic activity
- ☐ D Increased business confidence

Answer

— Pearson Edexcel WEC12/01 Economics · June 2021 Unit 2, Question 3

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

1 mark



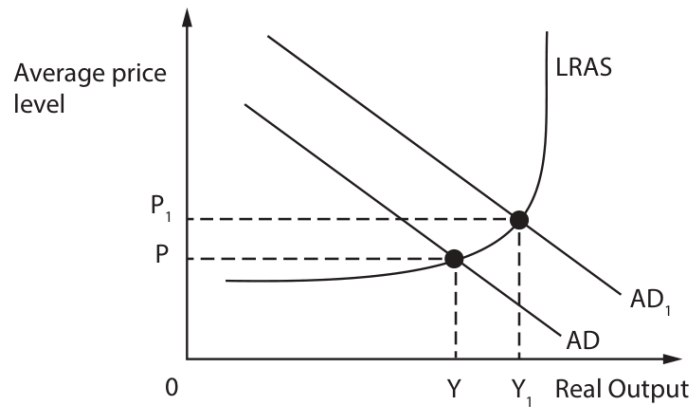
Which of the following combinations was the most likely cause of the change from AD to AD₁?

	Interest rate	Exchange rate
☐ A	Rise	Fall
☐ B	Rise	Rise
☐ C	Fall	Fall
☐ D	Fall	Rise

Answer

5. The diagram shows aggregate supply and aggregate demand for an economy.

1 mark



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

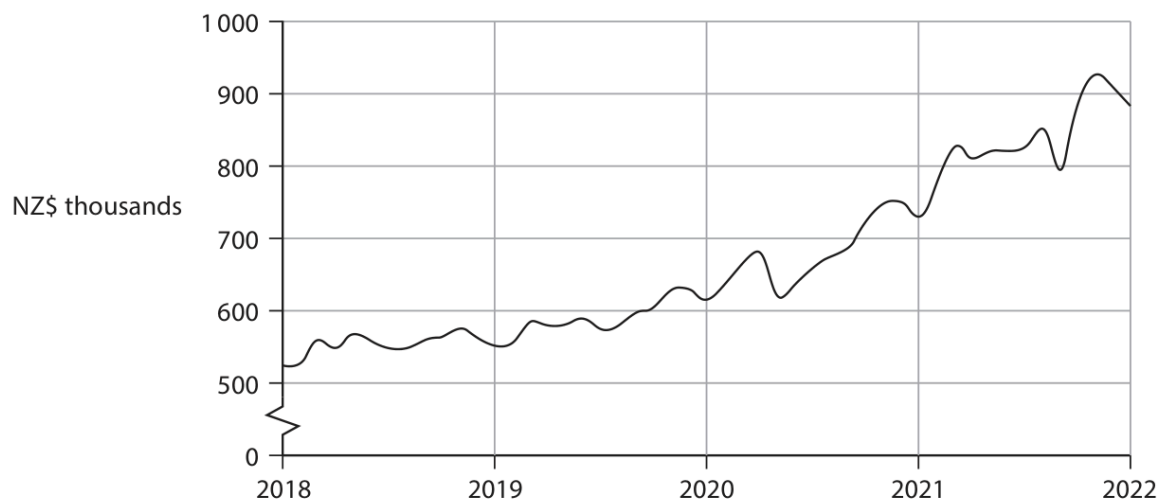
- ☐ A A decrease in government spending
- ☐ B An increase in interest rates
- ☐ C A decrease in net exports
- ☐ D An increase in consumption

Answer

Pearson Edexcel WEC12/01 Economics · October 2019 Unit 2, Question 5

6. The chart shows changes in average house prices in New Zealand between January 2018 and December 2021.

1 mark



Which **one** of the following is the most likely impact of the change in average house prices on existing homeowners between January 2018 and December 2021?

- ☐ A Higher consumer confidence
- ☐ B Negative wealth effects
- ☐ C An increase in net investment
- ☐ D Lower consumer expenditure

Answer

Pearson Edexcel WEC12/01 Economics · June 2023 Unit 2, Question 4

7. Between November 2023 and December 2023, Thailand's private sector investment decreased by 10.2% 1 mark

Which **one** of the following was the most likely cause of this decrease in investment?

- ☐ A An increase in the availability of credit
- ☐ B A decrease in the tax on company profits
- ☐ C A decrease in business confidence
- ☐ D An increase in the rate of economic growth

Answer

— Pearson Edexcel WEC12/01 Economics · June 2025 Unit 2, Question 2

8. Which **one** of the following is most likely to result in an increase in investment? 1 mark

- ☐ 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

Answer

— Pearson Edexcel WEC12/01 Economics · October 2021 Unit 2, Question 5

9. The table shows average UK house prices between November 2022 and January 2023. 1 mark

Month and year	Average house price (£)
November 2022	294 693
December 2022	293 162
January 2023	289 818

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

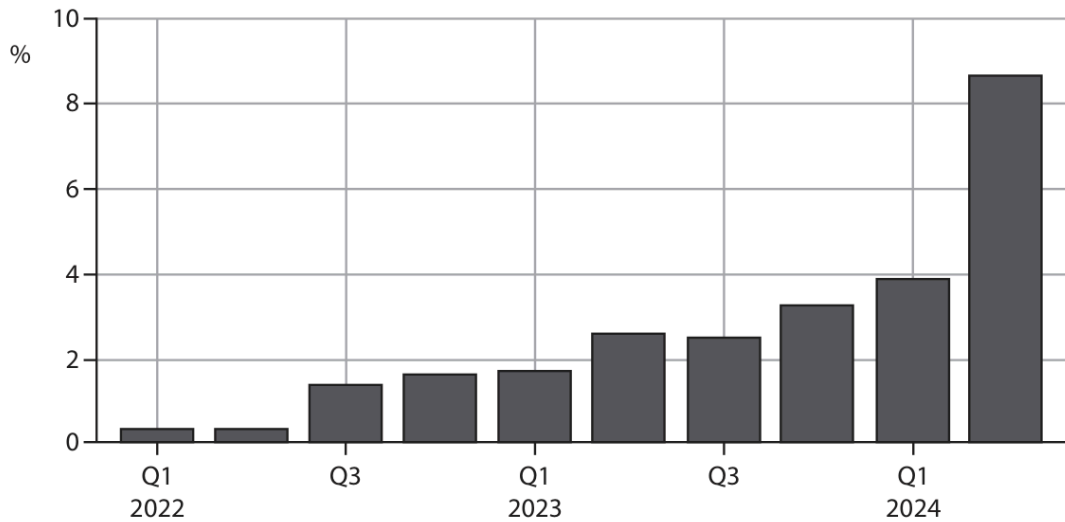
- ☐ A Existing homeowners experienced negative wealth effects
- ☐ B Existing homeowners experienced an increase in consumer confidence
- ☐ C Between November 2022 and January 2023 average house prices fell by 0.52%
- ☐ D There will be a greater incentive for construction companies to build new houses

Answer

— Pearson Edexcel WEC12/01 Economics · June 2024 Unit 2, Question 6

10. The chart shows Poland's savings ratio as a proportion of GNI between Q1, 2022 and Q2, 2024.

1 mark



Ceteris paribus, which **one** of the following would have been the most likely effect of this change on the economy of Poland?

- ☒ A There would have been a rise in aggregate demand as a proportion of GNI
- ☒ B There would have been a fall in consumption as a proportion of GNI
- ☒ C Net injections would have risen as a proportion of GNI
- ☒ D Cost-push inflation would have fallen

Answer

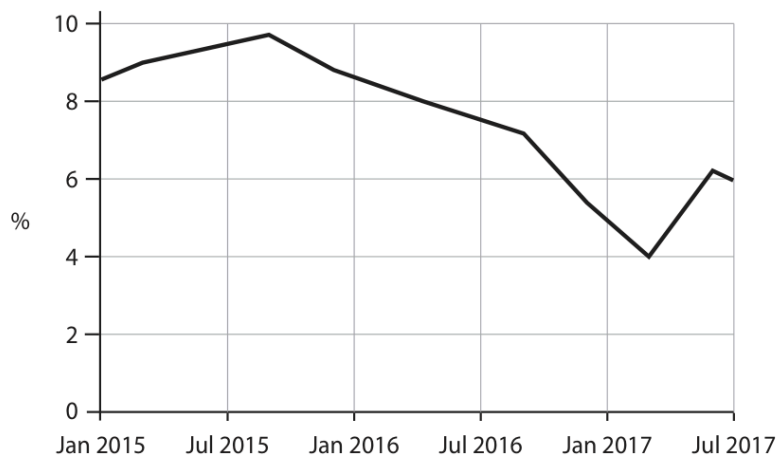
— Pearson Edexcel WEC12/01 Economics · January 2026 Unit 2, Question 3

Section B · Short answer

8 questions · 32 marks

11. This chart shows the savings ratio for the UK between January 2015 and July 2017.

4 marks



(Source: <https://tradingeconomics.com/united-kingdom/personal-savings>)

With reference to the overall trend of the data, explain what is meant by 'the savings ratio'.

[illegible]

— Pearson Edexcel WEC12/01 Economics · June 2019 Unit 2, Question 10

12. The table shows selected macroeconomic data for an economy in 2022.

4 marks

Component	\$ billion
Consumption	15.76
Savings by households	4.28
Investment	2.30
Government spending	6.14
Tax revenue	3.59
Imports	7.01
Exports	8.43

Ceteris paribus, calculate the value of aggregate demand for this economy in 2022. Show your workings.

— Pearson Edexcel WEC12/01 Economics · January 2023 Unit 2, Question 9

13. In January 2016 the world price of oil was \$29.78 per barrel. By May 2019 this had increased to \$66.83 per barrel. Saudi Arabia is a net exporter of oil. 4 marks

Draw a diagram showing the change in AD for Saudi Arabia's economy following the increase in the price of oil. Show the effect on the price level and real output.

— Pearson Edexcel WEC12/01 Economics · June 2021 Unit 2, Question 9

14. In November 2018 Serbia's money supply increased by 8.4% year-on-year. This was a result of an increase in the availability of credit. 4 marks

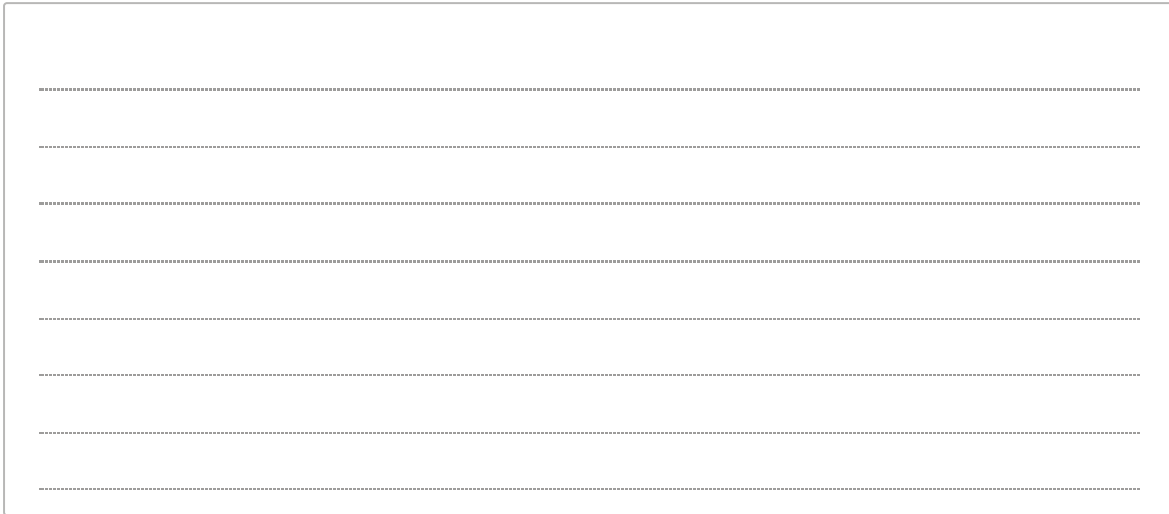
Explain **one** possible impact of this increase in the availability of credit on the level of investment on the economy of Serbia.

— Pearson Edexcel WEC12/01 Economics · June 2020 Unit 2, Question 9

15. In 2021 average house prices in the Philippines fell by over 10%. This had a significant impact on existing homeowners.

4 marks

Based on this information, draw an AD and LRAS diagram to show the likely impact of this fall in house prices on the price level **and** real output in the Philippines.



— Pearson Edexcel WEC12/01 Economics · October 2022 Unit 2, Question 8

16. In Japan there was an 8.4% increase in average house prices during 2024. This resulted in the wealth effect.

4 marks

Draw an SRAS and AD diagram to show the likely effect of this increase in house prices on the price level and real output in Japan.



— Pearson Edexcel WEC12/01 Economics · January 2026 Unit 2, Question 8

17. 10 In 2017 real wages rose by 19% in the Ukraine. This led to a 7.8% increase in consumption.

4 marks

Draw a SRAS and AD diagram to show the possible impact of this increase in consumption on the price level **and** real output.

— Pearson Edexcel WEC12/01 Economics · October 2019 Unit 2, Question 10

18. Between 2020 and 2022 Cambodia's savings ratio increased from 25.1% to 31.1%.

4 marks

With reference to the data, explain **one** likely cause of this change in the savings ratio.

— Pearson Edexcel WEC12/01 Economics · October 2025 Unit 2, Question 11

Section C · Essays

3 questions · 60 marks

Answer on lined paper. Draw every diagram asked for, fully labelled.

19. Increasing household consumption is a major factor contributing to India's high rate of economic growth.

20 marks

Evaluate the view that rising consumer expenditure will always benefit an economy.



— Pearson Edexcel WEC12/01 Economics · June 2019 Unit 2, Question 14

20. In 2022 the Government of China decided to invest 1.48 trillion yuan in many new transportation, energy and telecommunication infrastructure projects.

20 marks

Evaluate the likely benefits of an increase in government expenditure on infrastructure.

Refer to a country of your choice in your answer.

— Pearson Edexcel WEC12/01 Economics · January 2025 Unit 2, Question 13

21. In 2018 the Chinese Government increased the amount an individual could earn before paying tax in an attempt to raise aggregate demand.

20 marks

Evaluate the impact of reflationary demand-side policies on an economy of your choice.

— Pearson Edexcel WEC12/01 Economics · January 2020 Unit 2, Question 14