

Aggregate supply

16 questions · 78 marks

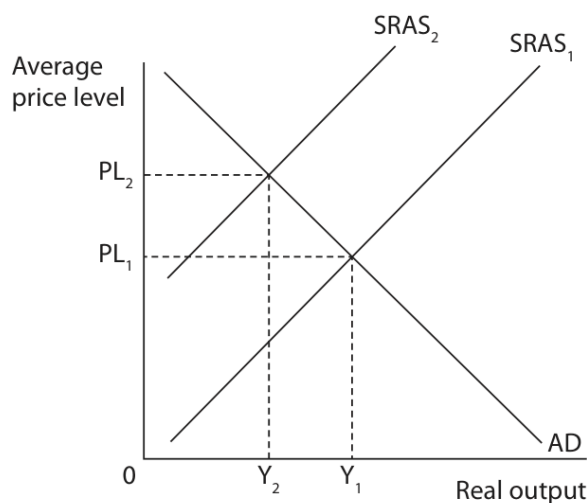
Answer all questions. The marks available are shown against each part. Every question is taken unaltered from a past paper; the source is noted beneath it. In Section A, choose the best answer and write its letter in the box.

Section A · Multiple choice

6 questions · 6 marks

1. The diagram shows the short-run aggregate supply curve and the aggregate demand curve for China's economy.

1 mark



Which **one** of the following was the most likely cause of the change from $SRAS_1$ to $SRAS_2$?

- ☐ A An increase in energy prices
- ☐ B A decrease in indirect tax rates
- ☐ C An increase in investment in education
- ☐ D A decrease in bank lending to consumers

Answer

2. Which **one** of the following statements about the classical long-run aggregate supply (LRAS) curve is correct? 1 mark

- ☐ A It is relatively elastic at high levels of spare capacity
- ☐ B It is perfectly inelastic at the full employment level of real output
- ☐ C It is perfectly inelastic at high levels of spare capacity
- ☐ D It is relatively elastic at the full employment level of real output

Answer

— Pearson Edexcel WEC12/01 Economics · June 2023 Unit 2, Question 3

3. **Questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.** 1 mark

Which **one** of the following statements about the classical long-run aggregate supply (LRAS) curve is correct?

- ☐ A It is perfectly inelastic when there is a high level of spare capacity
- ☐ B It is relatively elastic at the full employment level of real output
- ☐ C It is relatively inelastic at high levels of spare capacity
- ☐ D It is perfectly inelastic at the full employment level of real output

Answer

— Pearson Edexcel WEC12/01 Economics · January 2025 Unit 2, Question 1

4. Which **one** of the following statements about the Keynesian long-run aggregate supply (LRAS) curve is correct? 1 mark

- ☐ A The curve is perfectly inelastic at the full employment level of real output
- ☐ B The curve is relatively elastic at the full employment level of real output
- ☐ C The curve is relatively inelastic at high levels of spare capacity
- ☐ D The curve is perfectly inelastic at high levels of spare capacity

Answer

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

5. Which **one** of the following will result in a movement along the AS curve? 1 mark

- ☐ A An increase in the cost of raw materials
- ☐ B A decrease in the cost of energy
- ☐ C An increase in the price level
- ☐ D A decrease in the rate of indirect tax

Answer

— Pearson Edexcel WEC12/01 Economics · January 2023 Unit 2, Question 1

6. Which **one** of the following is a supply-side policy that is most likely to shift the LRAS curve to the right?
- 1 mark
- ☐ **A** An increase in the level of government regulation applied to firms
 - ☐ **B** An increase in the rate of tax on profits made by firms
 - ☐ **C** A reduction in government spending on benefit payments
 - ☐ **D** A reduction in government spending on health care

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

Section B · Short answer

8 questions · 32 marks

7. Net migration in Lithuania fell from 1.4% of the population in 2003 to -6.1% in 2017. 4 marks
- Explain **one** possible effect of this change in net migration on Lithuania's long-run aggregate supply.

[illegible]

— Pearson Edexcel WEC12/01 Economics · January 2020 Unit 2, Question 7

8. Between 2022 and 2023, Australia's productivity fell by 3.7%.

4 marks

Draw an LRAS and AD diagram to show the impact of this change in productivity on the average price level and real output.



— Pearson Edexcel Economics · October 2025 Unit 2 (paper A), Question 11

9. Between January 2021 and January 2025 the price of oil rose from \$50 per barrel to \$75 per barrel. France is a net importer of oil.

4 marks

Draw a short-run AS and AD diagram to show the effect of the increase in the price of oil on the price level and real output for France.

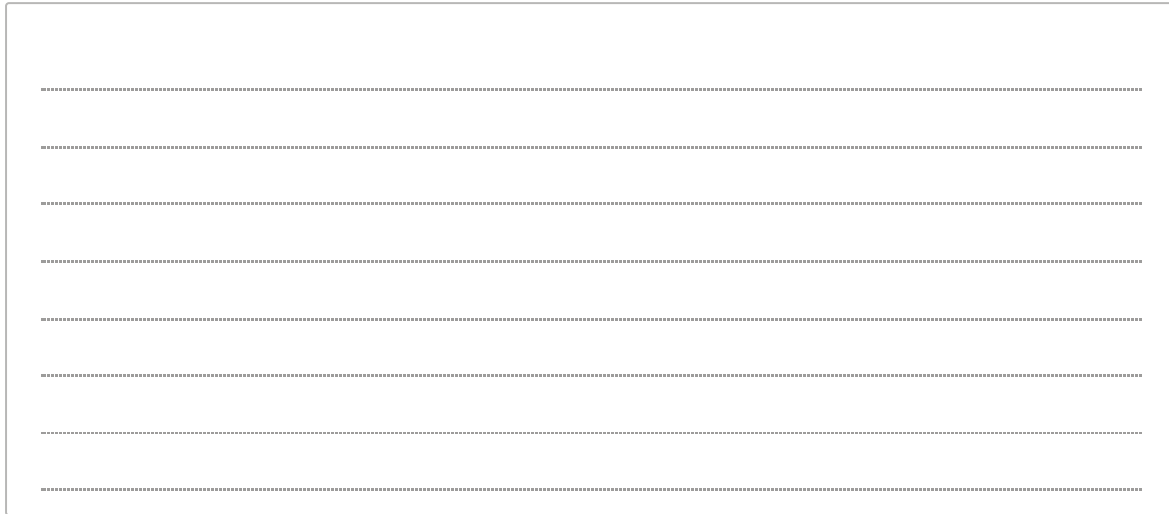


— Pearson Edexcel Economics · January 2026 Unit 2 (paper A), Question 11

10. In 2018 oil prices fell by 4.8% because of excess supply in the global market. Germany is a net importer of oil.

4 marks

Draw an AD and SRAS diagram to show the possible impact of the fall in oil prices on the price level **and** real output on the German economy.



— Pearson Edexcel WEC12/01 Economics · June 2020 Unit 2, Question 10

11. For the year ending June 2020, there were 153 900 immigrants arriving in New Zealand and 74 200 emigrants leaving New Zealand.

4 marks

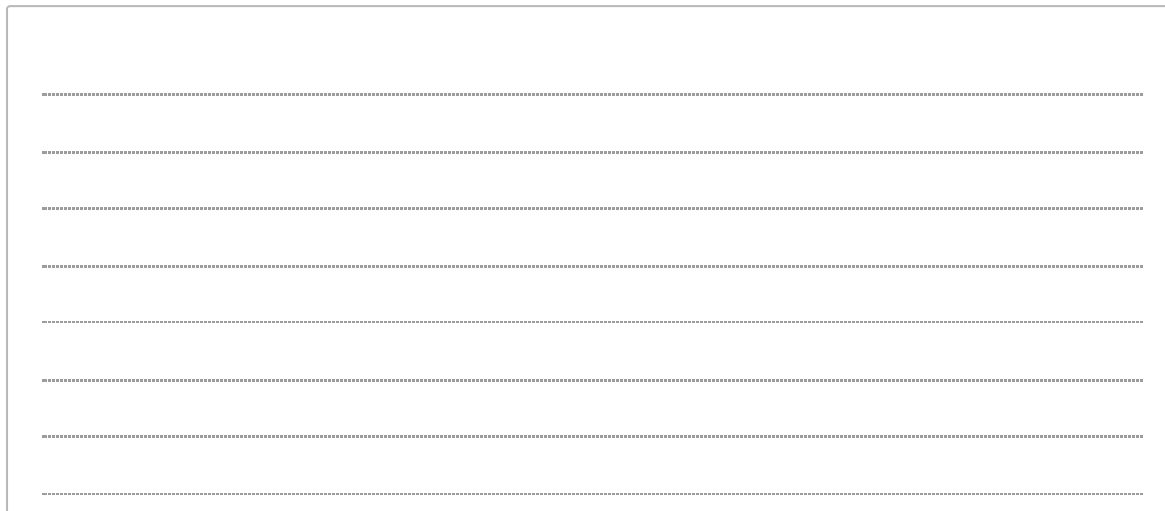
Draw a LRAS and AD diagram to show the effect of this net migration on the price level **and** real output for New Zealand.



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

12. Between January 2014 and September 2020 the price of natural gas fell from \$5.60 per cubic foot to \$1.66 per cubic foot. Natural gas is an important source of energy for Japanese producers. 4 marks

Draw a SRAS and AD diagram to show the effect of the decrease in the price of natural gas on the price level and real output for Japan.



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

13. Between January 2020 and December 2022 the global price of coal per tonne increased from \$64.25 to \$172.30. Japan is a net importer of coal. 4 marks

Draw a SRAS and AD diagram to show the effect of this increase in the price of coal on the price level **and** real output for Japan.



— Pearson Edexcel WEC12/01 Economics · January 2025 Unit 2, Question 8

14. Between early 2012 and mid-2019 Brazil's productivity fell by over 40%.

4 marks

Draw a LRAS and AD diagram to show the possible impact of this change in productivity on the average price level and real output level in Brazil.

— Pearson Edexcel WEC12/01 Economics · January 2021 Unit 2, Question 8

Section C · Essays

2 questions · 40 marks

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

15. Between 2012 and 2022 the productivity rate in Turkey increased by 39.2%.

20 marks

Evaluate the likely benefits of an increase in the productivity rate.

Refer to a country of your choice in your answer.

— Pearson Edexcel WEC12/01 Economics · January 2025 Unit 2, Question 14

16. Between January 2020 and May 2020 the global oil price decreased from \$63 a barrel to \$31 a barrel.

20 marks

Evaluate the view that falling global oil prices will always benefit a country's macroeconomy.

— Pearson Edexcel WEC12/01 Economics · January 2021 Unit 2, Question 14