

Economic growth

21 questions · 121 marks

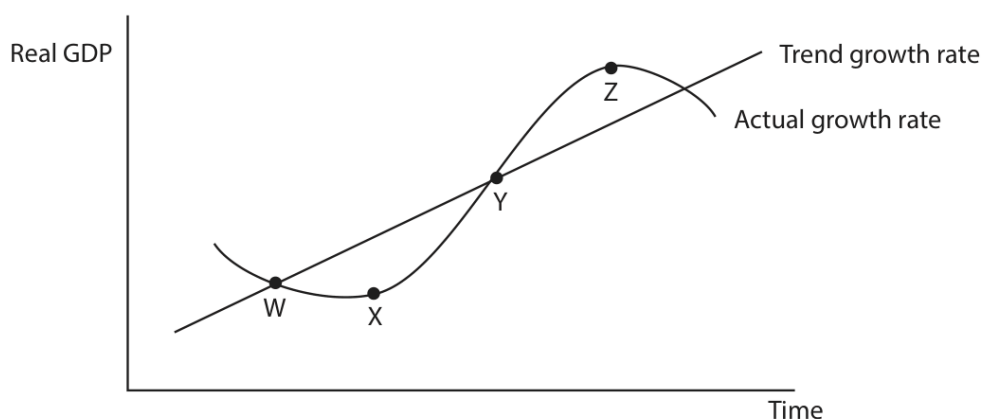
Answer all questions. The marks available are shown against each part. Every question is taken unaltered from a past paper; the source is noted beneath it. In Section A, choose the best answer and write its letter in the box.

Section A · Multiple choice

9 questions · 9 marks

1. The diagram shows a country's trend growth rate and its actual growth rate.

1 mark



With reference to the diagram, which **one** of the following is most likely to be associated with a movement from point Y to point Z?

- ☐ A A decrease in government tax revenue
- ☐ B An increase in profits for firms
- ☐ C An increase in the rate of unemployment
- ☐ D A decrease in business confidence

Answer

Pearson Edexcel WEC12/01 Economics · January 2025 Unit 2, Question 4

2. Which **one** of the following is most likely to be associated with a negative output gap?

1 mark

- A Demand-pull inflation
- B An increase in tax revenue
- C A high rate of unemployment
- D A high level of investment

Answer

Pearson Edexcel Economics · October 2025 Unit 2 (paper A), Question 1

3. 2 Ghana's rate of economic growth increased from 3.6% in 2016 to 8.5% in 2017.

1 mark

Which **one** of the following is a likely result of this increase in the rate of economic growth?

- ☐ A An increase in unemployment
- ☐ B A decrease in investment
- ☐ C An increase in living standards
- ☐ D A decrease in tax revenues

Answer

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

4. Economists predicted that Canada was likely to experience a recession in 2023.

1 mark

Which **one** of the following is most likely to occur when an economy is in a recession?

- ☐ A A rise in investment and a rise in the profits of firms
- ☐ B A fall in government expenditure and a rise in real income
- ☐ C A rise in consumer confidence and a fall in the unemployment rate
- ☐ D A fall in government tax revenues and a fall in real output

Answer

— Pearson Edexcel WEC12/01 Economics · June 2024 Unit 2, Question 1

5. In 2021 the value of foreign direct investment (FDI) to Singapore was \$176 bn. In 2022 this value of FDI increased to \$195 bn.

1 mark

Which **one** of the following is the most likely impact of an increase in investment in an economy?

- ☐ A An increase in the rate of economic growth
- ☐ B An increase in the rate of unemployment
- ☐ C A decrease in the rate of employment
- ☐ D A decrease in aggregate demand

Answer

— Pearson Edexcel WEC12/01 Economics · October 2025 Unit 2, Question 4

6. The table shows the annual percentage change in the real GDP of Canada between 2017 and 2019. The long-term trend rate of economic growth for the economy is estimated to be 2.7%.

1 mark

Year	Change in real GDP (annual %)
2017	3.2
2018	2.0
2019	1.7

(Source: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2019&locations=CA&start=2017>)

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

- ☐ **A** The positive output gap increased between 2017 and 2018
- ☐ **B** There was a negative output gap in 2018 and 2019
- ☐ **C** There was a positive output gap in 2018 and 2019
- ☐ **D** The negative output gap decreased between 2018 and 2019

Answer

— Pearson Edexcel WEC12/01 Economics · January 2022 Unit 2, Question 6

7. In 2017 Uzbekistan experienced an 8% increase in real GDP.

1 mark

Which **one** of the following is most likely to be a benefit of economic growth?

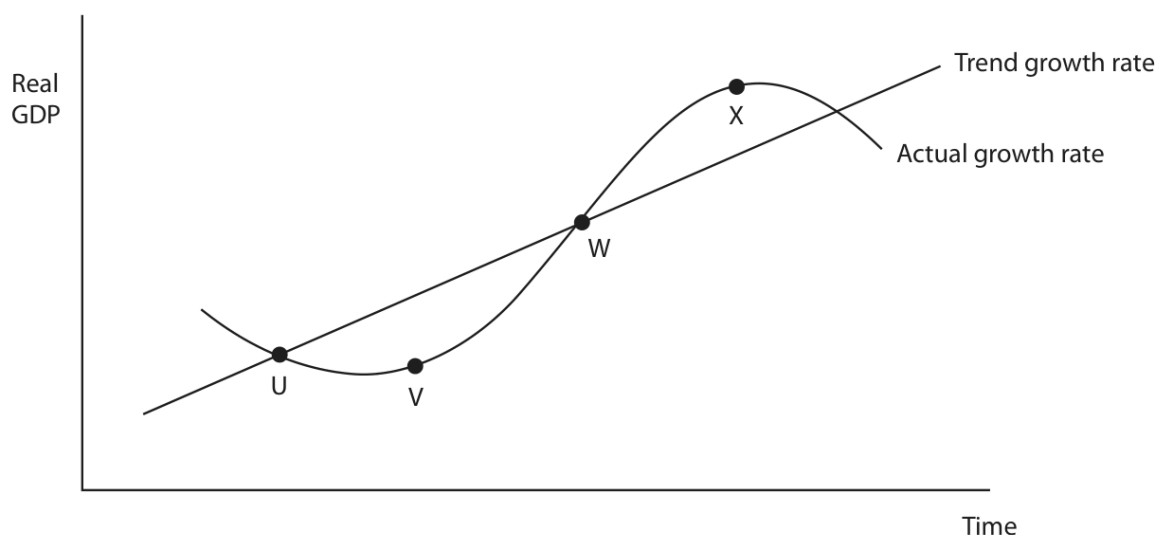
- ☐ **A** Environmental damage
- ☐ **B** Improved public services
- ☐ **C** A negative output gap
- ☐ **D** A decrease in tax revenues

Answer

— Pearson Edexcel WEC12/01 Economics · January 2020 Unit 2, Question 3

8. The diagram shows an economy's actual growth rate and trend growth rate.

1 mark



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

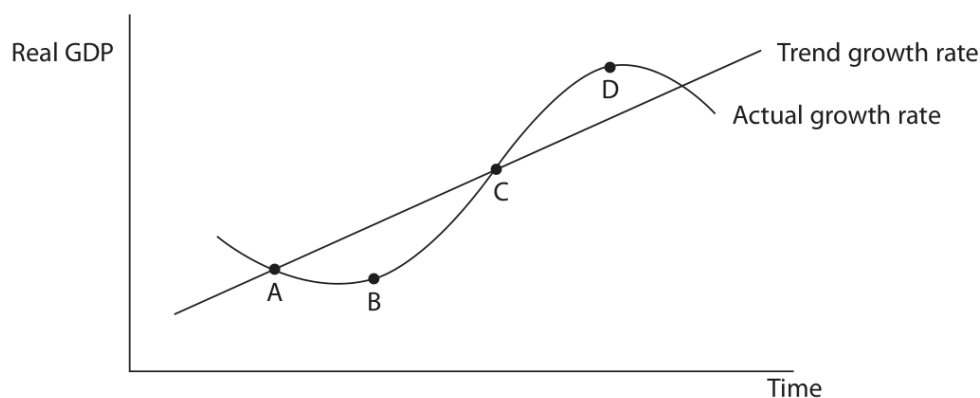
- ☒ **A** The economy is in recovery between points U and V
- ☒ **B** A positive output gap exists at point V
- ☒ **C** Unemployment is rising between points W and X
- ☒ **D** A positive output gap exists at point X

Answer

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

9. The diagram shows a country's trend growth rate and its actual growth rate.

1 mark



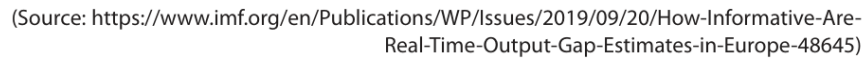
Which **one** of the following can be deduced from the diagram?

- ☒ **A** The rate of economic growth is increasing between points A and B
- ☒ **B** There is a negative output gap at point B
- ☒ **C** There is a positive output gap at point C
- ☒ **D** The level of unemployment is increasing between points C and D

Answer

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

The chart shows two estimates made by the International Monetary Fund of the size of the French economy's output gap for the years 1994 to 2017.

[illegible]

13. In 2022 Vietnam's output gap was forecast to be between -5% and -10% .

4 marks

Explain **one** likely impact of a negative output gap on Vietnam's economy.

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— Pearson Edexcel WEC12/01 Economics · June 2023 Unit 2, Question 10

14. In Q1 2019 Brazil's output gap was estimated to be equal to -5.6% of GDP.

4 marks

Explain **one** likely impact of a negative output gap on Brazil's economy.

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— Pearson Edexcel WEC12/01 Economics · October 2021 Unit 2, Question 10

15. In 2023 Ghana experienced a negative output gap. 4 marks

Draw a Keynesian AS/AD diagram to illustrate a negative output gap.



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

16. In January 2025 manufacturing output fell for the seventh consecutive month in Mexico. This caused an increase in the negative output gap of Mexico. 4 marks

With reference to the information above, explain **one** disadvantage of a negative output gap.



— Pearson Edexcel WEC12/01 Economics · January 2026 Unit 2, Question 7

17. In 2022 Guyana's rate of economic growth was the highest in the world. Its annual percentage increase in real GDP was 62.3%. 4 marks

With reference to this information, explain **one** cost of economic growth.

— Pearson Edexcel WEC12/01 Economics · January 2025 Unit 2, Question 7

Section C · Essays

4 questions · 80 marks

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

18. Many economists are expecting several of the world's leading economies to enter a recession in 2023. 20 marks

Evaluate the likely costs of a recession on an economy of your choice.

— Pearson Edexcel WEC12/01 Economics · June 2023 Unit 2, Question 14

19. From 2004 to 2018 the Ethiopian economy grew at an average rate of over 10% per year. Over this period there has been significant deforestation in the country. Forests have been cleared to make space for farming and the wood has been used for fuel and construction. 20 marks

Evaluate whether the costs of economic growth outweigh the benefits.

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

20. In the first two quarters of 2020, pollution in China decreased by 10.8% as a result of the slowdown in the country's rate of economic growth. 20 marks

Evaluate the potential conflicts between the objective of economic growth and **two** other macroeconomic objectives.

— Pearson Edexcel WEC12/01 Economics · January 2022 Unit 2, Question 13

21. 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