

National income

18 questions · 42 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. **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 is a withdrawal from the circular flow of income?

- ☐ A Investment
- ☐ B Consumption
- ☐ C Savings
- ☐ D Exports

Answer

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

2. The Government of India is spending \$19 billion on a high-speed rail link between Mumbai and Ahmedabad to be completed by 2028. 1 mark

The multiplier is estimated to be 2.45 in India.

Which **one** of the following shows the potential increase in real GDP caused by this government injection?

- A \$7.76 billion
- B \$21.45 billion
- C \$46.55 billion
- D \$65.55 billion

Answer

Pearson Edexcel Economics · January 2026 Unit 2 (paper A), Question 5

3. From Quarter 1 2020 to Quarter 2 2020, government expenditure in Russia increased by 25 billion roubles.

1 mark

Ceteris paribus, what was the most likely effect of this increase?

- ☐ A Aggregate demand decreased
- ☐ B Withdrawals from the circular flow increased
- ☐ C Aggregate supply decreased
- ☐ D Injections into the circular flow increased

Answer

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

4. An economy has the following injections into, and withdrawals from, its circular flow of income in one year.

1 mark

Injections (\$bn)		Withdrawals (\$bn)	
Government spending	500	Taxation	400
Investment	150	Saving	200
Exports	450	Imports	550

Which **one** of the following can be concluded from the data?

- ☐ A The economy has a government budget surplus
- ☐ B There is a net withdrawal out of the economy
- ☐ C The economy has a balance of trade surplus
- ☐ D There is a net injection into the economy

Answer

— Pearson Edexcel WEC12/01 Economics · January 2021 Unit 2, Question 6

5. 3 The UK Government is spending £56 billion on building HS2, a high-speed railway network.

1 mark

Which **one** of the following is also an injection into the circular flow of income?

- ☐ A Increased spending on imports
- ☐ B Increased spending on exports
- ☐ C Increased levels of saving
- ☐ D Increased income tax receipts

Answer

— Pearson Edexcel WEC12/01 Economics · October 2019 Unit 2, Question 3

6. In France the marginal propensity to consume was estimated to be 0.21 in January 2023. 1 mark

Based on this estimate, which **one** of the following was the value of the multiplier for France?

- ☐ A 0.04
- ☐ B 0.79
- ☐ C 1.27
- ☐ D 4.76

Answer

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

7. Between Q1 2020 and Q4 2020 the savings ratio in the Netherlands increased from 15.3% to 24.3%. 1 mark

Ceteris paribus, which **one** of the following is the most likely effect of this increase in the savings ratio?

- ☐ A A decrease in withdrawals from the circular flow of income
- ☐ B An increase in injections into the circular flow of income
- ☐ C A decrease in consumption
- ☐ D An increase in imports

Answer

— Pearson Edexcel WEC12/01 Economics · January 2022 Unit 2, Question 5

8. In Denmark the marginal propensity to consume is estimated to be 0.49. 1 mark

Based on this estimate, which **one** of the following is the value of the multiplier for Denmark?

- ☐ A 0.51
- ☐ B 1.96
- ☐ C 2.04
- ☐ D 4.90

Answer

— Pearson Edexcel WEC12/01 Economics · June 2021 Unit 2, Question 6

9. The Government of Saudi Arabia estimates that, in 2022, its spending will be \$255 billion and its tax revenue will be \$279 billion. 1 mark

Ceteris paribus, which **one** of the following can be deduced from this information?

- ☐ A There will be a net withdrawal from the circular flow of income
- ☐ B There will be a net injection into the circular flow of income
- ☐ C There will be a balance of trade deficit
- ☐ D There will be a balance of trade surplus

Answer

— Pearson Edexcel WEC12/01 Economics · October 2022 Unit 2, Question 3

10. The value of Burundi's multiplier is estimated to be approximately 0.1. 1 mark

Ceteris paribus, which **one** of the following would cause an increase in the value of a country's multiplier?

- ☐ A An increase in the marginal propensity to save
- ☐ B An increase in the marginal propensity to import
- ☐ C A decrease in the marginal propensity to tax
- ☐ D A decrease in the marginal propensity to consume

Answer

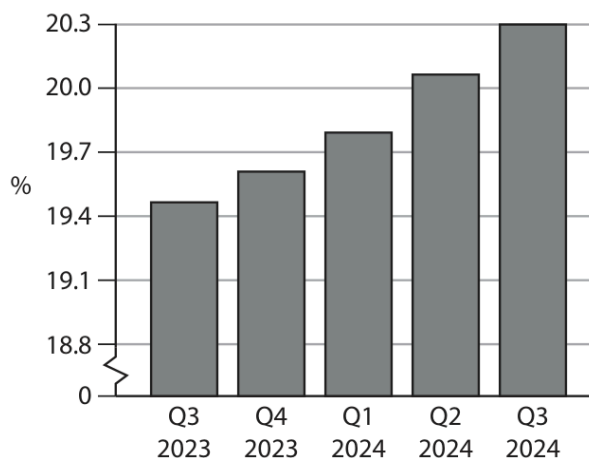
— Pearson Edexcel WEC12/01 Economics · January 2023 Unit 2, Question 3

Section B · Short answer

8 questions · 32 marks

11. The chart shows the savings ratio in Germany between quarter three 2023 and quarter three 2024.

4 marks



With reference to the chart, explain **one** likely effect of this trend in the savings ratio on the circular flow of income in Germany.

— Pearson Edexcel Economics · October 2025 Unit 2 (paper A), Question 8

12. The Central Bank of Egypt has estimated that the marginal propensity to consume for Egypt's economy is 0.6. In October 2017, the Egyptian Government announced a LE11.9 billion investment into renewable energy. (LE = Egyptian currency).

4 marks

Ceteris paribus, calculate the final increase in the national income resulting from the LE11.9 billion investment.

4 marks

	Exports (\$m)	Imports (\$m)
2021	7 475	8 463
2022	8 415	8 115

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14. In April 2020 it was estimated that an increase in government spending of RM30 billion in Malaysia would eventually result in an increase in the country's national income of RM150 billion. 4 marks

Based on this information, calculate the marginal propensity to consume (MPC) in Malaysia. Show your workings.

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

15. In 2022 it was estimated that an increase in government spending of \$25 billion in an economy would eventually result in an increase in the country's national income of \$100 billion. 4 marks

Based on this information, calculate the marginal propensity to consume (MPC) in this economy. Show your workings.

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

16. It is estimated that the marginal propensity to consume for Spain is 0.72. In January 2018 the Spanish Government announced an €18 billion investment on national defence. 4 marks

Calculate the final increase in GDP resulting from this €18 billion investment.
Show your workings.

— Pearson Edexcel WEC12/01 Economics · January 2020 Unit 2, Question 11

17. The table shows marginal propensities to withdraw for an economy. 4 marks

Marginal propensity to save (MPS)	0.4
Marginal propensity to tax (MPT)	0.3
Marginal propensity to import (MPM)	0.1

With reference to the table, calculate the value of the multiplier for this economy.
Show your workings.

— Pearson Edexcel WEC12/01 Economics · January 2025 Unit 2, Question 9

18. In January 2025 the Government of Canada announced a \$3.9 billion investment in a new high-speed rail network connecting Toronto to Quebec City.

4 marks

It is estimated that the marginal propensity to consume in Canada is 0.9.

Calculate the final increase in GDP resulting from this new \$3.9 billion investment.
Show your workings.

— Pearson Edexcel WEC12/01 Economics · January 2026 Unit 2, Question 9