



Please write clearly in block capitals.

Centre number

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Candidate number

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Surname

Forename(s)

Candidate signature

I declare this is my own work.

AS ECONOMICS

Paper 2 The National Economy in a Global Context

Monday 19 May 2025

Morning

Time allowed: 1 hour 30 minutes

Materials

For this paper you must have:

- the Insert
- a calculator.

Instructions

- Use black ink or black ball-point pen. Pencil should only be used for drawing.
- Fill in the boxes at the top of this page.
- Answer **all** questions in **Section A**.
- Answer **either** Context 1 **or** Context 2 in **Section B**.
- You will need to refer to the Insert provided to answer **Section B**.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The maximum mark for this paper is 70.
- The marks for questions are shown in brackets.
- No deductions will be made for wrong answers.

For Examiner's Use	
Section	Mark
A	
B	
TOTAL	



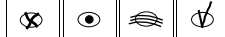
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7135/2

Section AAnswer **all** questions in this section.Only **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD WRONG METHODS If you want to change your answer you must cross out your original answer as shown. If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. **0 1**

Which one of the following is most likely to be an objective of government macroeconomic policy?

[1 mark]**A** Achieving deflation in the average price level☐**B** Creating a budget surplus during a recession☐**C** Generating stable and sustained economic growth☐**D** Improving productivity in an electronics firm☐**0 2**

In an economy, the number of people in work is unchanged but the rate of growth of labour productivity slows from 2.3% to 0.4%.

It can be concluded that there will be an increase in

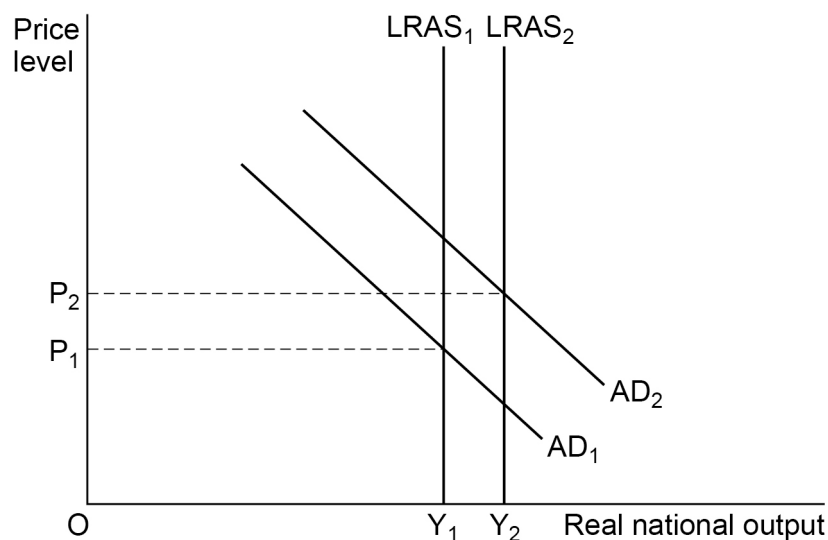
[1 mark]**A** cyclical unemployment.☐**B** national income.☐**C** raw material prices.☐**D** the negative output gap.☐

0 3

In a particular year, the rate of inflation in an economy was 2% and real national income rose by 6%. What was the approximate increase in the economy's nominal national income in that year?

[1 mark]**A** 2%☐**B** 4%☐**C** 6%☐**D** 8%☐**0 4**

Figure 1 shows the aggregate demand (AD) and long-run aggregate supply (LRAS) curves for an economy.

Figure 1

All other things being equal, which one of the following is most likely to cause aggregate demand to shift from AD_1 to AD_2 and long-run aggregate supply to shift from $LRAS_1$ to $LRAS_2$?

[1 mark]**A** A fall in spending on imports and a rise in productivity☐**B** A reduction in exports and an increase in imports of capital goods☐**C** An increase in Bank Rate and a reduction in firms' costs of production☐**D** An increase in saving and a rise in government spending on infrastructure☐**Turn over ►**

0 5

Which one of the following statements concerning short-run economic growth and long-run economic growth is correct?

[1 mark]

- A** Short-run growth is inflationary whereas long-run growth will cause a fall in the average price level ☐
- B** Short-run growth may occur independently of the government whereas long-run growth is only achieved as a result of government policy ☐
- C** Short-run growth may occur when governments use demand-side policies but these do not affect long-run growth ☐
- D** Short-run growth may reduce spare capacity whereas long-run growth increases productive capacity ☐

0 6

When an economy goes into a recession, there is most likely to be an increase in

[1 mark]

- A** business uncertainty. ☐
- B** imports. ☐
- C** inflation. ☐
- D** tax revenue. ☐



0 7

Table 1 shows the levels of government spending and national income in a country in Year 1 and Year 2.

Table 1

Year	Government spending (£bn)	National income (£bn)
1	1120	2200
2	1250	2500

All other things being equal, what is the value of the multiplier to two decimal places?

[1 mark]**A** 0.43☐**B** 1.14☐**C** 2.00☐**D** 2.31☐**0 8**

Which one of the following is most likely to cause a leftward shift in the short-run aggregate supply curve?

[1 mark]**A** A reduction in the national minimum wage☐**B** A rise in the general price level☐**C** A rise in the price of imported raw materials☐**D** An increase in government subsidies to firms☐**Turn over for the next question****Turn over ►**

0 9**Table 2** shows various macroeconomic indicators for an economy from 2021 to 2023.**Table 2**

Year	Real GDP growth (%)	Unemployment rate (%)	Inflation (%)	Balance of payments on current account (£bn)
2021	2.5	4.7	2.5	–12.7
2022	2.8	4.2	2.9	–13.4
2023	2.9	3.9	3.1	–15.1

Which one of the following can be concluded from the data in **Table 2**?**[1 mark]**

- A** Incomes are more equitably distributed due to lower unemployment
- B** The central bank should reduce interest rates
- C** The government's budget deficit has increased
- D** There is evidence of a conflict between macroeconomic policy objectives

☐☐☐☐**1 0**

Which one of the following combinations consists only of injections into the circular flow of income?

[1 mark]

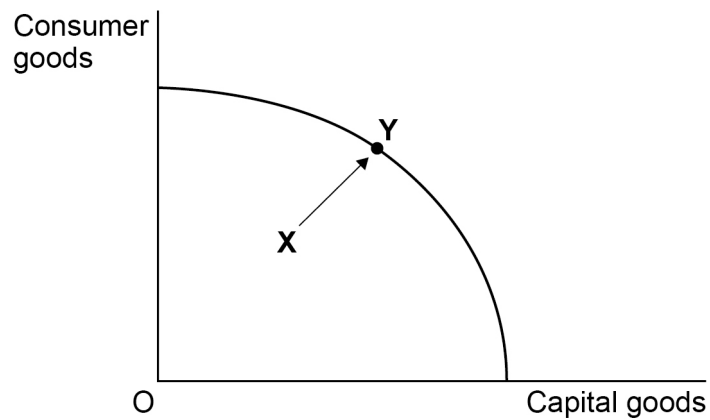
- A** Consumption, bank loans, investment
- B** Exports, government spending, investment
- C** Government spending, consumption, exports
- D** Investment, bank loans, exports

☐☐☐☐

1 1

Figure 2 shows a production possibility curve for an economy producing consumer and capital goods.

Figure 2



The movement from point **X** to point **Y** is most likely to have been caused by

[1 mark]

- A** a fall in the exchange rate.
- B** a fall in the trade surplus.
- C** a rise in the foreign currency price of exports.
- D** a rise in the volume of imports.

☐
☐
☐
☐

Turn over for the next question

Turn over ►



1 2

Which one of the following statements about supply-side policies is correct?

Supply-side policies

[1 mark]**A** have no effect on aggregate demand.☐**B** often rely on creating economic incentives.☐**C** only affect long-run aggregate supply.☐**D** usually lead to an increase in inflation.☐**1 3**

Which one of the following is the most likely reason for a fall in saving by households?

[1 mark]**A** A reduction in consumer confidence☐**B** A reduction in income tax rates☐**C** An increase in household energy bills☐**D** An increase in interest rates☐**1 4**

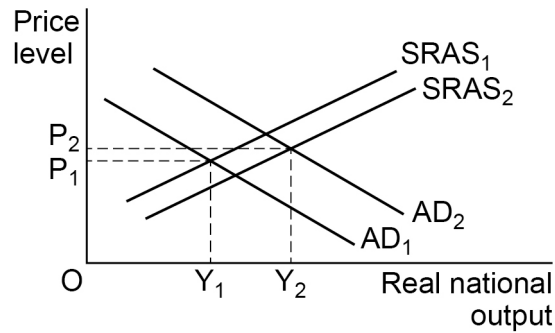
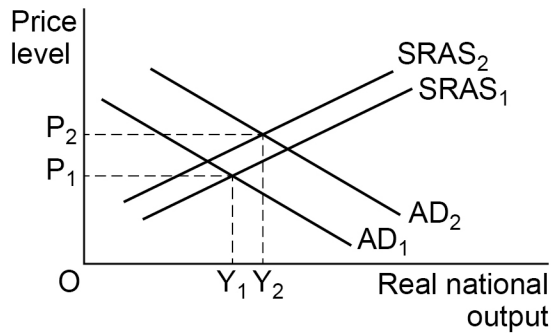
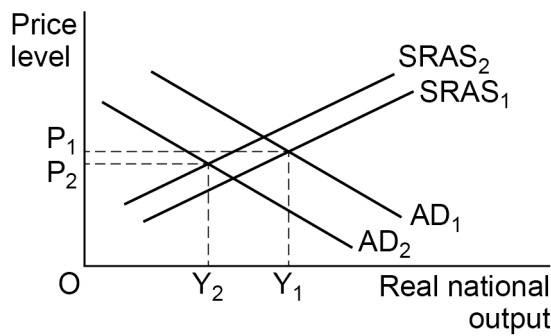
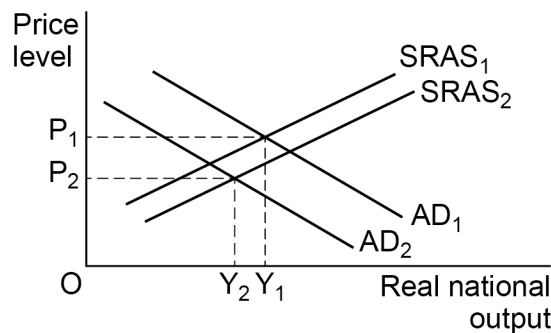
The textile industry is a major employer of unskilled labour in an economy. The introduction of labour-saving technology in this industry is most likely to lead to an increase in

[1 mark]**A** cyclical unemployment.☐**B** frictional unemployment.☐**C** seasonal unemployment.☐**D** structural unemployment.☐

1 5

To reduce the impact of rising inflation, the government cut indirect taxes on several key goods and services and made a one-off payment to all low-income households.

Which one of the following diagrams illustrates the most likely impact on the macroeconomy?

[1 mark]**A**
☐
B
☐
C
☐
D
☐
Turn over ►

1 6

All other things being equal, which one of the following is most likely to reduce the deficit on the UK's balance of payments on current account?

[1 mark]

A A recovery in the world economy

☐

B A rise in the value of the pound

☐

C An increase in the price level in the UK

☐

D Rising real income levels for UK households

☐**1 7**

Which one of the following is most likely to contribute to a decision by the Bank of England's Monetary Policy Committee to increase Bank Rate?

[1 mark]

A A decrease in the Consumer Price Index

☐

B A fall in the number of people applying for mortgages

☐

C An increase in the number of job vacancies

☐

D Deflation in countries supplying imports to the UK

☐

1 8

Table 3 shows the tax-free allowance and income tax rates in four countries, **A, B, C** and **D**. The tax-free allowance is the amount of income on which a person does not pay any income tax.

Table 3

Country	Tax-free allowance (\$)	Income tax rate
Country A	0	20%
Country B	10 000	30%
Country C	8 000	35%
Country D	15 000	40%

In which country would a person earning \$40 000 pay the most income tax?

[1 mark]**A** Country **A**☐**B** Country **B**☐**C** Country **C**☐**D** Country **D**☐**Turn over for the next question****Turn over ►**

1 9

According to the accelerator process

[1 mark]

- A** a fall in the price of capital goods encourages more investment.
- B** an increase in investment leads to a greater increase in national income.
- C** firms invest to increase spare capacity.
- D** investment is determined by past changes in national income.

☐☐☐☐**2 0**

Which one of the following is most likely to cause a rightward shift in an aggregate demand curve?

An increase in

[1 mark]

- A** indirect taxation.
- B** interest rates.
- C** international competitiveness.
- D** the budget surplus.

☐☐☐☐**20****END OF SECTION A**

Section B

Look at the Insert and choose to answer **EITHER** Context 1 **OR** Context 2.

Answer **EITHER** Questions 21 to 26 in the spaces below

OR

Questions 27 to 32 on pages 24 to 33 of this answer booklet.

There is a total of 50 marks for either context.

Shade the circle below to indicate which context you have answered.

Context **0** **1** ☐

Context **0** **2** ☐

CORRECT METHOD



WRONG METHODS



EITHER

Context 1

Total for this context: 50 marks

POPULATION CHANGES AND THE UK ECONOMY

Use the Insert provided to study **Questions 21 to 26** and **Extracts A, B and C**, and then answer the questions in the spaces which follow.

2 **1** Define 'national debt' **Extract B** (line 16).

[3 marks]

Turn over ►



2 2

Assume that the UK population was 1.5% higher in September 2023 than in 2020.

Use **Extract A** and the information in **Extract B** (line 17) to calculate UK national debt per head in September 2023.

Give your answer to the **nearest thousand**.

[4 marks]



2 3

Use **Extract A** to identify **two** significant points of comparison between the natural change in the population and net migration into the UK over the period shown.

[4 marks]

Comparison 1 _____

Extra space _____

Comparison 2 _____

Extra space _____

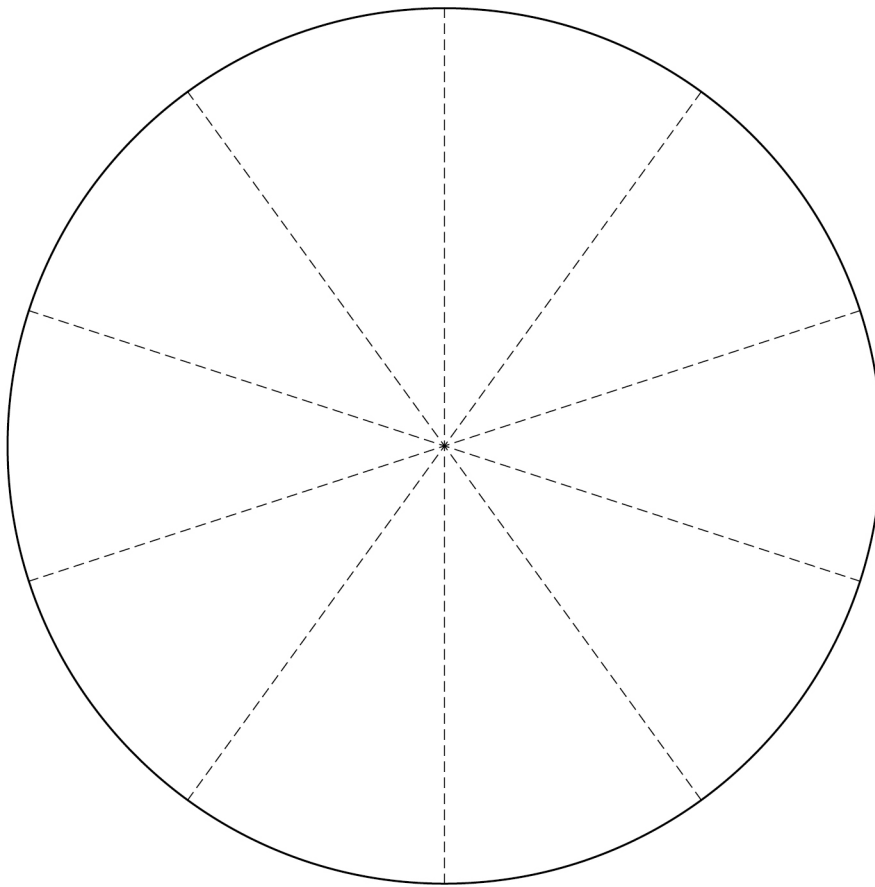
Turn over for the next question

Turn over ►



2 4

Use the information in **Extract B** (lines 8–12) to complete the pie chart to show the forecast age structure of the UK population in 2039.

[4 marks]

As a guide, each sector of the pie chart represents 10% of the total. The use of a protractor is not required.



[10 marks]

[illegible]

[illegible]

Extract C (lines 8–9) states: ‘Increased spending on education and training is likely to be essential to achieve a long-term improvement in macroeconomic performance.’

Use the extracts and your knowledge of economics to evaluate the view that increased government spending on education and training is essential to achieve a long-term improvement in UK macroeconomic performance.

[illegible]

[illegible]

[illegible]

[illegible]

Do not write
outside the
box

Handwriting practice lines consisting of 20 horizontal lines within a large rectangular box.

Turn over ►



Do **not** answer Context 2 if you have answered Context 1.

OR

Context 2

Total for this context: 50 marks

BUSINESS INVESTMENT IN THE UK ECONOMY

Use the Insert provided to study **Questions 27 to 32** and **Extracts D, E and F**, and then answer the questions in the spaces which follow.

2 7 Define 'supply-side shock' **Extract E** (line 4).

[3 marks]

2 8 Use **Extract D** to calculate the index of business investment (at 2019 prices) in 2022, when 2017 is the base year.

Give your answer to **one** decimal place.

[4 marks]



2 9

Use **Extract D** to identify **two** significant points of comparison between the percentage change in business investment and the growth of real GDP over the period shown.

[4 marks]

Comparison 1 _____

Extra space _____

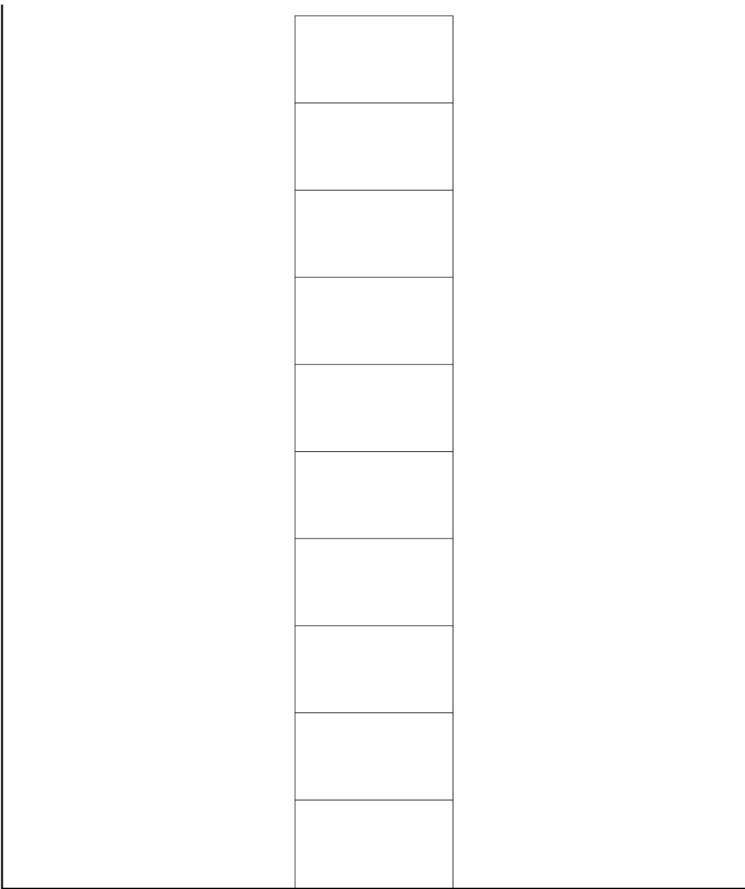
Extra space _____

Turn over for the next question**Turn over ►**

3 0

Use the information in **Extract F** (lines 1 to 3) to complete the single, composite bar chart to show the shares of the components of aggregate demand in the UK in a typical year.

[4 marks]



As a guide, each sector of the bar represents 10% of the whole.



[10 marks]

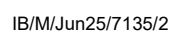
[illegible]

[illegible]

Extract F (lines 11–13) states: ‘There are signs that business investment is starting to increase again, but government intervention may be needed to encourage firms to continue investing, to try to ensure the increase in investment is sustained.’

[25 marks]

[illegible]

[illegible]

[illegible]

[illegible]

50

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ANSWER IN THE SPACES PROVIDED**



[illegible]

