



# Mark Scheme (Results)

## Summer 2026

Pearson Edexcel International GCSE In Economics  
4EC102

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Summer 2026

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## General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

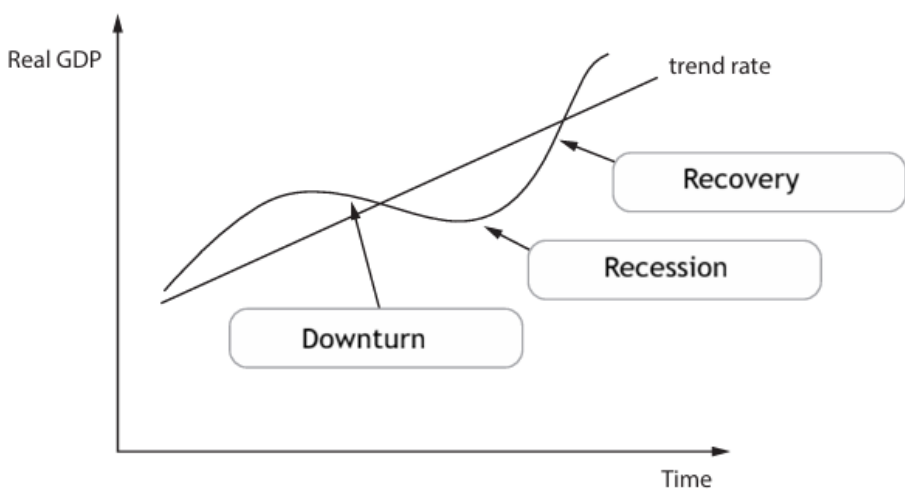
| Question Number | Which supply-side policy involves the sale of government-owned businesses?                                                                                                                                                                                                                                                                             | Mark |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 1(a)            | <p style="text-align: center;"><b>AO11 mark</b></p> <p>The only correct answer is:<br/> <b>C</b> Privatisation</p> <p>A is not correct because this is when regulation is removed<br/> B is not correct because this is when skills are given to people<br/> D is not correct because this involves financial support from the government to firms</p> | (1)  |

| Question Number | Which <b>one</b> of the following is likely to be a disadvantage of being a member of a trading bloc?                                                                                                                                                                                                                                                                                                                                                           | Mark |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 1(b)            | <p style="text-align: center;"><b>AO11 mark</b></p> <p>The only correct answer is:<br/> <b>B</b> Increased trade barriers with non-member countries</p> <p>A is not correct because this is an advantage rather than a disadvantage<br/> C is not correct because there would be increased competition for domestic markets rather than reduced competition<br/> D is not correct because there would be reduced government revenue due to fewer/no tariffs</p> | (1)  |

| Question Number | What is meant by the term unemployment?<br><b>Answer</b>                                                                                                                                                                                                   | Mark       |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 1(c)            | <p style="text-align: center;"><b>AO1 2 marks</b></p> <p>Award 2 marks for a correct definition</p> <p>People who are actively seeking a job/work <b>(1)</b> but are unable to find a job/work <b>(1)</b></p> <p>Accept any other appropriate response</p> | <b>(2)</b> |

| Question Number | Describe <b>one</b> impact of inflation on uncertainty.<br><b>Answer</b>                                                                                                                                                                                                                                                                                 | Mark       |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 1(d)            | <p style="text-align: center;"><b>AO1 2 marks</b></p> <p>Award 1 mark for reference to an impact and 1 mark for development of the impact</p> <p>One impact is an increase in uncertainty <b>(1)</b>. This is because businesses/consumers find it harder to predict future costs and prices <b>(1)</b></p> <p>Accept any other appropriate response</p> | <b>(2)</b> |

| Question Number | Calculate, to <b>two</b> decimal places, the <b>exchange rate</b> , showing how many US dollars (\$) are equal to £1. You are advised to show your working.                                                                                                                                                                                                                                                                                                                                                                                          | Mark       |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 1(e)            | <p><b>Answer</b></p> <p style="text-align: center;"><b>AO2 2 marks</b></p> <p>Award 1 mark for showing the calculation</p> <p><math>\\$75\,000 \div \pounds 60\,000</math> <b>(1)</b></p> <p>Award 1 mark for the correct answer</p> <p><math>= \\$1.25</math> <b>(1)</b></p> <p>Award 2 marks if the correct answer \$1.25 is shown, with dollar sign, even if no calculations are shown</p> <p>Award 1 mark if the answer given is 1.25, but with no dollar sign, with or without calculations shown</p> <p>Do not award marks for the formula</p> | <b>(2)</b> |

| Question Number | Using the diagram below label the three stages of the economic cycle in the boxes on the diagram.<br><br>Answer                                                                                                                                                                                                                           | Mark |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 1(f)            | <p style="text-align: center;"><b>AO2 3 marks</b></p> <p>Award 1 mark for Downturn, labelled<br/>Award 1 mark for Recession/Slump/Depression, labelled<br/>Award 1 mark for Recovery, labelled</p>  <p style="text-align: center;"><b>Figure 1</b></p> | (3)  |

| Question Number | <p>Explain <b>one</b> reason how inflation may affect the current account on the balance of payments for a country such as Argentina.</p> <p><b>Answer</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Mark       |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 1(g)            | <p style="text-align: center;"><b>AO2 3 marks</b></p> <p>Award 1 mark for identifying a relevant reason<br/> Award 1 mark for developing the reason<br/> Award 1 mark for the response being in context</p> <ul style="list-style-type: none"> <li>• One reason is inflation may reduce demand for exports <b>(1)</b> because exports are now less price competitive than foreign goods <b>(1)</b>. A decline in exports may cause/worsen a current account deficit on the balance of payments <b>(1)</b></li> <li>• One reason is inflation may lead to an increase in imports <b>(1)</b>. As domestic prices rise, consumers and firms may switch to cheaper imported goods <b>(1)</b> this may cause/worsen a current account deficit on the balance of payments <b>(1)</b></li> </ul> <p>Accept any other appropriate response</p> | <b>(3)</b> |

|                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Question Number</b> | <p>With reference to the data above and your knowledge of economics, analyse how investment in education and training could help to reduce poverty in England.</p> <p><b>Indicative content</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>1(h)</b>            | <p style="text-align: center;"><b>AO2 (3 marks)/AO3 (3 marks)</b></p> <p><b>AO2 and AO3</b></p> <ul style="list-style-type: none"> <li>• Education and training provide young people with skills needed for the job market, increasing their chances of securing well-paid employment</li> <li>• Higher qualifications often lead to better-paying jobs, reducing the likelihood of individuals falling into poverty</li> <li>• A more skilled workforce increases overall productivity in the economy, leading to economic growth and higher wages</li> <li>• By offering apprenticeships and training, the Youth Guarantee project helps prevent long-term unemployment among young people</li> <li>• Education allows individuals from low-income backgrounds to access better job opportunities, helping to break the cycle of poverty</li> <li>• Higher employment levels mean fewer people depend on benefits, therefore reducing the likelihood of poverty</li> </ul> |

| Level          | Mark | Descriptor                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                | 0    | No rewardable material.                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Level 1</b> | 1–2  | <ul style="list-style-type: none"> <li>• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).</li> </ul>                         |
| <b>Level 2</b> | 3–4  | <ul style="list-style-type: none"> <li>• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).</li> </ul>                   |
| <b>Level 3</b> | 5–6  | <ul style="list-style-type: none"> <li>• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).</li> </ul> |

| Question Number | Which <b>one</b> of the following best describes trade patterns in developed countries?                                                                                                                                                                                                                                                                                                                                                                                                                | Mark       |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 2(a)            | <p style="text-align: center;"><b>AO11 mark</b></p> <p>The only correct answer is:<br/> <b>C</b> They mostly export more finished goods than raw materials</p> <p>A is not correct because agricultural exports are more common in developing countries<br/> B is not correct because developed countries are generally exporters of high-tech goods, not importers<br/> D is not correct because developed countries tend to have global trade networks and trade with countries across the world</p> | <b>(1)</b> |

| Question Number | Which <b>one</b> of the following is a likely reason for the growth of multinational corporations (MNCs)?                                                                                                                                                                                                                                                                                                         | Mark       |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 2(b)            | <p style="text-align: center;"><b>AO11 mark</b></p> <p>The only correct answer is:<br/> <b>B</b> To access natural resources in different regions</p> <p>A is not correct because MNC's aim to increase economies of scale<br/> C is not correct because MNCs primarily want to expand into international markets<br/> D is not correct because MNCs want to expand into new regions to access more customers</p> | <b>(1)</b> |

| Question Number | State <b>one</b> reason why a government may want to reduce poverty and inequality.                                                                                                                                                                                                                              | Mark |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 2(c)            | <p><b>Answer</b></p> <p style="text-align: center;"><b>AO1 1 mark</b></p> <p>Award 1 mark for <b>one</b> reason</p> <ul style="list-style-type: none"> <li>• To meet basic needs</li> <li>• To raise standards of living</li> <li>• For ethical reasons</li> </ul> <p>Accept any other appropriate responses</p> | (1)  |

| Question Number | What is meant by the term appreciation of a currency?                                                                                                                                                                                                                                                | Mark |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 2(d)            | <p><b>Answer</b></p> <p style="text-align: center;"><b>AO1 2 marks</b></p> <p>Award up to 2 marks for a correct definition</p> <p>A rise in the price of one currency <b>(1)</b> in terms of another/ in a floating exchange rate system <b>(1)</b></p> <p>Accept any other appropriate response</p> | (2)  |

| Question Number | Explain <b>one</b> impact of rising unemployment on output for a country such as Germany.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Mark       |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>2(e)</b>     | <p><b>Answer</b></p> <p><b>AO2 3 marks</b></p> <p>Award 1 mark for identifying a relevant impact<br/> Award 1 mark for developing the impact<br/> Award 1 mark for the response being in context</p> <ul style="list-style-type: none"> <li>• One impact of rising unemployment is reduced output. <b>(1)</b> Fewer workers in employment mean falling incomes/demand <b>(1)</b> therefore, factories and firms produce fewer goods/services <b>(1)</b></li> <li>• One impact of rising unemployment is lower output. <b>(1)</b> As more workers are unemployed, fewer people are contributing to production in firms. <b>(1)</b> This means fewer goods/services are produced, reducing Germany's real GDP <b>(1)</b></li> </ul> <p>Accept any other appropriate response</p> | <b>(3)</b> |

| Question Number | <p>Using the diagram below, draw the effects of the new import quota on the equilibrium price and quantity of electricity in Moldova. Label the new curve, the new equilibrium price and the new equilibrium quantity.</p> <p><b>Answer</b></p>                                                                                                  | Mark |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 2(f)            | <p align="center"><b>AO2 3 marks</b></p> <p>Award 1 mark for a right shift of a vertical supply curve, labelled<br/>           Award 1 mark for a lower equilibrium price, labelled<br/>           Award 1 mark for a higher equilibrium quantity, labelled</p> <div data-bbox="389 707 1181 1285"> </div> <p align="center"><b>Figure 2</b></p> | (3)  |

|                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Question Number</b> | <p>With reference to the data above and your knowledge of economics, assess the advantages of using pollution permits to decrease the amount of pollution in India.</p> <p><b>Indicative content</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>2(g)</b>            | <p align="center"><b>AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)</b></p> <p><b>AO2 and AO3</b></p> <ul style="list-style-type: none"> <li>• Pollution permits are a market-based scheme aimed at reducing pollution</li> <li>• This is because firms have a financial incentive to cut emissions as they can sell excess permits if they pollute less</li> <li>• The GPCB found that firms in the scheme emitted 20–30% less than those that did not partake in the scheme</li> <li>• The trading system allows firms to choose between reducing pollution or purchasing permits, leading to cost-effective reductions in emissions</li> <li>• Firms aiming to cut costs may invest in greener production methods to reduce the need to buy permits</li> <li>• The initial allocation of permits can provide government funds for environmental projects</li> <li>• Firms that find it costly to reduce pollution can purchase permits instead, allowing them to operate while maintaining economic efficiency</li> <li>• Since the total number of permits is limited, the government can ensure emissions do not exceed a certain level</li> </ul> <p><b>AO4</b></p> <ul style="list-style-type: none"> <li>• The system relies on accurate emissions reporting and firms may attempt to under-report or evade regulations, especially in a large country like India</li> <li>• Running and regulating the permit system requires resources which may be costly for India</li> <li>• If too many permits are issued, pollution reduction may be ineffective, as firms can continue polluting</li> <li>• Large firms with more financial resources can afford to buy permits, while smaller businesses may struggle to compete</li> <li>• If permits are purchased mainly by firms in one area, local pollution levels may remain high, leading to environmental and health issues</li> <li>• Deciding how to distribute permits fairly can be challenging and firms may lobby for favourable treatment, leading to inefficiencies</li> <li>• The effectiveness of pollution permits depends on how well the system is implemented and enforced</li> </ul> |

| Level          | Mark | Descriptor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                | 0    | No rewardable material.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Level 1</b> | 1–3  | <ul style="list-style-type: none"> <li>• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).</li> <li>• Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).</li> </ul>                                                |
| <b>Level 2</b> | 4–6  | <ul style="list-style-type: none"> <li>• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).</li> <li>• Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).</li> </ul>                      |
| <b>Level 3</b> | 7–9  | <ul style="list-style-type: none"> <li>• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).</li> <li>• Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).</li> </ul> |

| Question Number | Which <b>one</b> of the following is an example of an indirect tax?                                                                                                                                                                                                                        | Mark       |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>3(a)</b>     | <b>Answer</b>                                                                                                                                                                                                                                                                              |            |
|                 | <p style="text-align: center;"><b>AO11 mark</b></p> <p>The only correct answer is:<br/> <b>B</b> A tax on the sale of goods</p> <p>A is not correct because this is a direct tax<br/> C is not correct because this is a direct tax<br/> D is not correct because this is a direct tax</p> | <b>(1)</b> |

| Question Number | A savings account has €8 000 in it at the start of the year. If the interest rate is 3%, what is the total amount in the account at the end of the year?                                                                                                                                                                                                                            | Mark       |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>3(b)</b>     | <b>Answer</b>                                                                                                                                                                                                                                                                                                                                                                       |            |
|                 | <p style="text-align: center;"><b>AO21 mark</b></p> <p>The only correct answer is:<br/> <b>C</b> €8 240</p> <p>A is not correct because this is the amount of interest earned not the total balance at the end of the year<br/> B is not correct because this is the initial balance of €8 000 minus the interest earned €240<br/> D is not correct because this is 6% interest</p> | <b>(1)</b> |

| Question Number | Using the diagram below, draw the effects of the new tariff on the equilibrium price and quantity of goods imported from China into Mexico. Label the new curve, the new equilibrium price and new equilibrium quantity.<br><br>Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Mark                                          |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| 3(c)            | <p style="text-align: center;"><b>AO2 3 marks</b></p> <p>Award 1 mark for a leftward shift of supply, labelled<br/>Award 1 mark for a higher equilibrium price, labelled<br/>Award 1 mark for a lower equilibrium quantity, labelled</p> <div data-bbox="422 694 1139 1187"><p>The diagram is a supply and demand graph. The vertical axis is labeled 'Price of Chinese goods' and the horizontal axis is labeled 'Quantity of Chinese goods'. A downward-sloping demand curve is labeled 'D' at both ends. Two upward-sloping supply curves are shown: the original supply curve 'S' and a new supply curve 'S1 (tariff)' shifted to the left. The intersection of 'D' and 'S' is at equilibrium price <math>P_e</math> and quantity <math>Q_e</math>, indicated by dashed lines. The intersection of 'D' and 'S1 (tariff)' is at a higher equilibrium price <math>P_1</math> and a lower equilibrium quantity <math>Q_1</math>, indicated by solid lines.</p></div> <p style="text-align: center;"><b>Figure 3</b></p> | <p style="text-align: center;"><b>(3)</b></p> |

| Question Number | <p>With reference to the data above and your knowledge of economics, analyse how economic growth can negatively affect the environment in African countries.</p> <p><b>Indicative content</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3(d)            | <p><b>AO2 (3 marks)/AO3 (3 marks)</b></p> <p><b>AO2 and AO3</b></p> <ul style="list-style-type: none"> <li>• Mining and drilling activities can cause land degradation and soil erosion making it harder to grow crops and damaging the environment in many African countries</li> <li>• Increased industrial activity leads to higher air pollution from factories, transport and energy use, contributing to climate change</li> <li>• Waste from mining and oil extraction can pollute rivers and lakes, reducing access to clean water and harming both people and wildlife</li> <li>• Extraction of non-renewable resources such as oil and gas can lead to resource depletion, making it harder for African countries to sustain long-term growth</li> <li>• Economic growth may contribute to climate change through increased carbon emissions leading to more droughts, floods, heat waves and crop failures, threatening food security and livelihoods</li> </ul> |

| Level          | Mark | Descriptor                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                | 0    | No rewardable material.                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Level 1</b> | 1–2  | <ul style="list-style-type: none"> <li>• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).</li> </ul>                         |
| <b>Level 2</b> | 3–4  | <ul style="list-style-type: none"> <li>• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).</li> </ul>                   |
| <b>Level 3</b> | 5–6  | <ul style="list-style-type: none"> <li>• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).</li> </ul> |

| Question Number | <p>With reference to the data above and your knowledge of economics, assess the potential advantages for Indian firms of free trade with the EU.</p> <p><b>Indicative content</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3(e)            | <p><b>AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)</b></p> <p><b>AO2 and AO3</b></p> <ul style="list-style-type: none"> <li>• The EU is India's largest trading partner with trade reaching \$137.5bn in 2024 providing Indian firms with greater opportunities to expand sales to the EU</li> <li>• Indian firms can import raw materials and capital goods from the EU without tariffs, reducing costs and improving competitiveness</li> <li>• By focusing on industries where they have an advantage, Indian firms can increase investment, productivity and profitability</li> <li>• A free trade agreement may encourage EU businesses to invest in India, leading to technology transfer, innovation and job creation</li> <li>• Increased competition from EU firms may push Indian firms to improve product quality and efficiency, benefiting consumers</li> <li>• More exports to the EU can lead to higher output and employment in India, supporting overall economic expansion</li> </ul> <p><b>AO4</b></p> <ul style="list-style-type: none"> <li>• However, Indian businesses, particularly small and medium-sized enterprises may struggle to compete with large, well-established European firms</li> <li>• Some Indian firms may not be able to compete and could shut down, leading to unemployment in certain industries</li> <li>• Relying heavily on trade with the EU makes Indian firms vulnerable to changes in European demand or trade policies</li> <li>• If imports from the EU increase faster than exports, India may experience a trade deficit, affecting domestic industries</li> <li>• Indian firms may struggle to meet strict EU regulations and product standards, limiting their ability to benefit fully from the agreement</li> <li>• Firms may need time and investment to adapt to increased competition which could be costly in the short run</li> <li>• The success of a free trade agreement depends on how well Indian firms adapt to increased competition and take advantage of new opportunities in the EU</li> </ul> |

| Level          | Mark | Descriptor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                | 0    | No rewardable material.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Level 1</b> | 1–3  | <ul style="list-style-type: none"> <li>• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).</li> <li>• Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).</li> </ul>                                                |
| <b>Level 2</b> | 4–6  | <ul style="list-style-type: none"> <li>• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).</li> <li>• Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).</li> </ul>                      |
| <b>Level 3</b> | 7–9  | <ul style="list-style-type: none"> <li>• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).</li> <li>• Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).</li> </ul> |

| Question Number | Calculate, to <b>two</b> decimal places, the <b>average revenue</b> in dollars (\$m) generated from tourism in Hungary between 2022 and 2025. You are advised to show your working.<br><br><b>Answer</b>                                                                                                                                                                                                                    | Mark       |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 4(a)            | <p style="text-align: center;"><b>AO2 2 marks</b></p> <p>Award 2 marks for calculating the average revenue</p> $\frac{\$6\,295.04\text{m (1)}}{4}$ <p>= \$1 573.76m <b>(1)</b></p> <p>Award 2 marks if the average revenue is accurately calculated as \$1 573.76m even if no calculations are shown</p> <p>Award 1 mark if \$m is missing i.e. 1 573.76 with or without calculations shown</p> <p>No marks for formula</p> | <b>(2)</b> |

| Question Number | <p>With reference to the data above and your knowledge of economics, analyse the potential effects of increased tourism revenue on Hungary's current account balance.</p> <p><b>Indicative content</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4(b)            | <p><b>AO2 (3 marks)/AO3 (3 marks)</b></p> <p><b>AO2 and AO3</b></p> <ul style="list-style-type: none"> <li>• Tourism is classified as an export of services (invisibles)</li> <li>• As more international visitors come to Hungary, they spend money on accommodation, transport and other services, increasing export earnings</li> <li>• Higher tourism revenue can improve Hungary's balance of payments by increasing inflows of foreign currency</li> <li>• If Hungary has a current account deficit, an increase in tourism revenue can help reduce it by improving the balance of services and income</li> <li>• The inflow of foreign currency from tourism may offset other payments, such as imports of goods, thus reducing the overall deficit</li> <li>• This helps improve the country's financial position in the international markets, reducing reliance on external debt</li> </ul> |

| Level          | Mark | Descriptor                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                | 0    | No rewardable material.                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Level 1</b> | 1–2  | <ul style="list-style-type: none"> <li>• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).</li> </ul>                         |
| <b>Level 2</b> | 3–4  | <ul style="list-style-type: none"> <li>• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).</li> </ul>                   |
| <b>Level 3</b> | 5–6  | <ul style="list-style-type: none"> <li>• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).</li> </ul> |

| Question Number | <p>With reference to the data above and your knowledge of economics, evaluate the effectiveness of monetary policy to reduce unemployment in Hungary.</p> <p><b>Indicative content</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4(c)            | <p style="text-align: center;"><b>AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)</b></p> <p><b>AO2 and AO3</b></p> <ul style="list-style-type: none"> <li>• The National Bank of Hungary's decision to hold interest rates at 6.5% provides stability which can boost business confidence, encouraging hiring and investment</li> <li>• When interest rates go down from a high of 10.75% to 6.5%, it becomes cheaper to borrow, so households are more willing to buy more goods and services</li> <li>• Firms are also in a better position to invest by borrowing money to purchase items for expansion such as property and equipment</li> <li>• This increased spending by households and firms creates greater demand for the goods and services that firms produce, which spurs them to hire more workers, potentially reducing demand-deficient unemployment</li> <li>• The data shows a decline of 33,000 employed people. Monetary policy could help stabilise employment by stimulating sectors reliant on domestic demand</li> <li>• Lowering rates could weaken the currency making Hungarian exports more competitive internationally, which may create jobs in export-oriented industries</li> </ul> <p><b>AO4</b></p> <ul style="list-style-type: none"> <li>• With unemployment already rising and the economy contracting, the time delay for monetary policy to impact the labour market may mean its benefits are not immediate</li> <li>• The 33,000-employment decline may reflect structural issues, such as skills mismatches or declining demand in specific industries, which monetary policy cannot resolve</li> <li>• As the data highlights slowing domestic activity, firms and consumers may remain cautious, limiting the effectiveness of interest rate cuts in stimulating employment</li> <li>• It could lead to inflationary pressures, particularly if the economy recovers too quickly or supply remains constrained</li> <li>• Hungary's economic challenges may be influenced by external factors such as European market conditions or trade disruptions, which monetary policy alone cannot counteract</li> </ul> |

| Level          | Mark | Descriptor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                | 0    | No rewardable material.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Level 1</b> | 1–4  | <ul style="list-style-type: none"> <li>• Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will lack selectivity and organisation. Chain of reasoning may be attempted. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).</li> <li>• Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness. A judgement or conclusion is unlikely to be attempted (AO4).</li> </ul>                                                              |
| <b>Level 2</b> | 5–8  | <ul style="list-style-type: none"> <li>• Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate some selectivity and organisation. Chain of reasoning will be present but may be limited. Interpretation of economic information will be good, with some analysis of issues (AO3).</li> <li>• Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness. A judgement or conclusion is attempted, but may not be fully supported (AO4).</li> </ul> |
| <b>Level 3</b> | 9–12 | <ul style="list-style-type: none"> <li>• Demonstrates specific and accurate knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate excellent selectivity and organisation. Chain of reasoning will be coherent and logical. Interpretation of economic information will be excellent with a thorough analysis of issues (AO3).</li> <li>• Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness. A supported judgement or conclusion is present (AO4).</li> </ul>                              |