

Please check the examination details below before entering your candidate information

Candidate surname					Other names				
Centre Number					Candidate Number				

Pearson Edexcel International GCSE

Friday 22 May 2026

Morning (Time: 1 hour 30 minutes)

Paper reference **4EC1/02**

Economics

Level 1/2

PAPER 2: Macroeconomics and the Global Economy

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*
- Calculators may be used.
- You are advised to **show all your working out** with **your answer clearly identified** at the **end of your solution**.

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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Answer ALL questions. Write your answers in the spaces provided.

Some 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** (a) Which supply-side policy involves the sale of government-owned businesses?

(1)

- ☐ **A** Deregulation
- ☐ **B** Education
- ☐ **C** Privatisation
- ☐ **D** Subsidies

- (b) Which **one** of the following is likely to be a disadvantage of being a member of a trading bloc?

(1)

- ☐ **A** Greater access to larger markets
- ☐ **B** Increased trade barriers with non-member countries
- ☐ **C** Reduced competition for domestic firms
- ☐ **D** Increased government revenue from tariffs

- (c) What is meant by the term unemployment?

(2)

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(d) Describe **one** impact of inflation on uncertainty.

(2)

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A luxury car is priced at £60 000 in the UK and priced at \$75 000 in the US.

(e) Calculate, to **two** decimal places, the **exchange rate**, showing how many US dollars (\$) are equal to £1. You are advised to show your working.

(2)

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Figure 1 shows the economic cycle for an economy.

- (f) Using the diagram below label the three stages of the economic cycle in the boxes on the diagram.

(3)

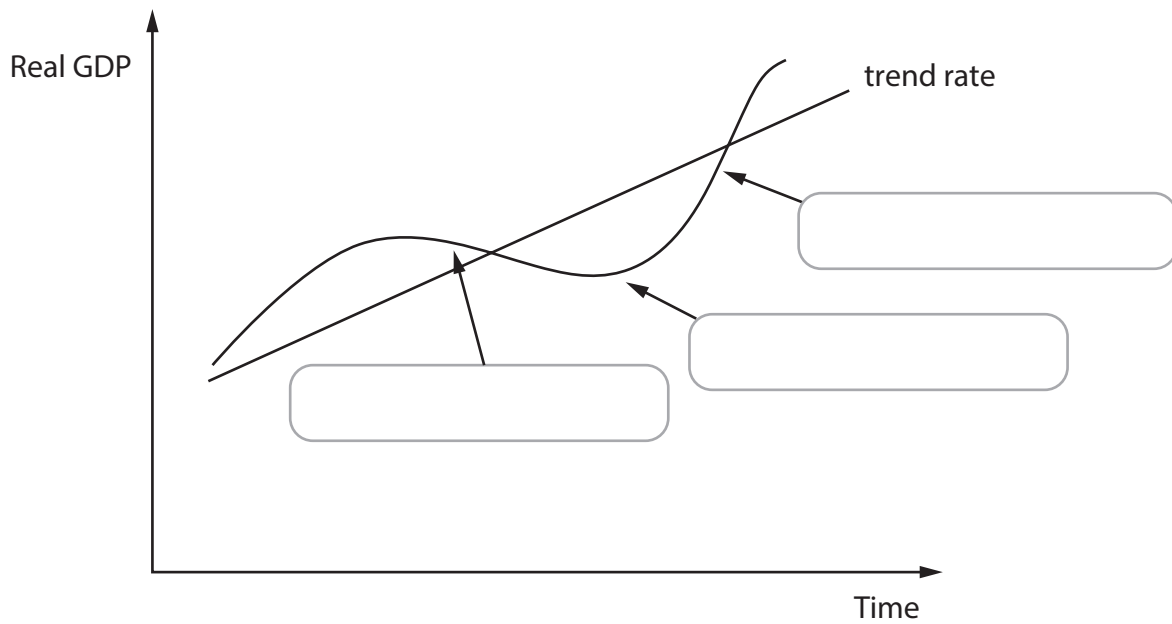


Figure 1

Annual inflation in Argentina was 118% in December 2024. It was predicted to remain at 120% in 2025.

- (g) Explain **one** reason how inflation may affect the current account on the balance of payments for a country such as Argentina.

(3)

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(h) 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.



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(Total for Question 1 = 20 marks)



2 (a) Which **one** of the following best describes trade patterns in developed countries?

(1)

- ☐ **A** They mostly export agricultural products
- ☐ **B** They mostly import high-tech goods
- ☐ **C** They mostly export more finished goods than raw materials
- ☐ **D** They mostly trade within their own region

(b) Which **one** of the following is a likely reason for the growth of multinational corporations (MNCs)?

(1)

- ☐ **A** To decrease economies of scale
- ☐ **B** To access natural resources in different regions
- ☐ **C** To focus only on local markets
- ☐ **D** To limit access to new customers and regions

(c) State **one** reason why a government may want to reduce poverty and inequality.

(1)

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(d) What is meant by the term appreciation of a currency?

(2)

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The number of unemployed people in Germany reached almost 3 million in January 2025. This was the highest it had been for 10 years.

(e) Explain **one** impact of rising unemployment on output for a country such as Germany.

(3)

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Figure 2 shows the market for electricity in Moldova.

In December 2024, Moldova increased its quota for electricity imports from the EU.

- (f) 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.

(3)

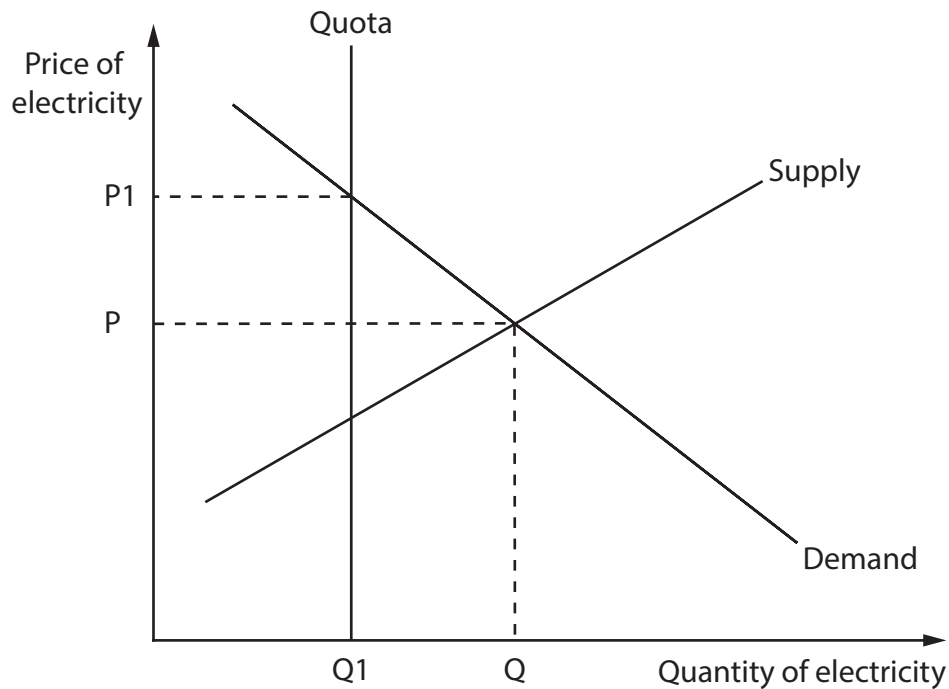


Figure 2



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Air pollution in India kills around 2 million people per year. In response to this, a regulator, the Gujarat Pollution Control Board (GPCB), introduced a pollution permit trading scheme in the city of Surat.

If a firm in Surat wants to exceed the agreed level of pollution it would need to purchase a permit from another firm that has not yet reached its limit. This trade is meant to cut overall pollution. The GPCB has found that firms in Surat have produced 20–30% less pollution than firms in other cities.

- (g) 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.

(9)

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(Total for Question 2 = 20 marks)



3 (a) Which **one** of the following is an example of an indirect tax?

(1)

- ☐ **A** A tax on business profit
- ☐ **B** A tax on the sale of goods
- ☐ **C** A tax on employee income
- ☐ **D** A tax on the sale of premises

(b) 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?

(1)

- ☐ **A** €240
- ☐ **B** €7 760
- ☐ **C** €8 240
- ☐ **D** €8 480

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Figure 3 shows the market for goods imported from China into Mexico.

In January 2025, Mexico introduced a new tariff of 19% on goods imported from China.

- (c) 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.

(3)

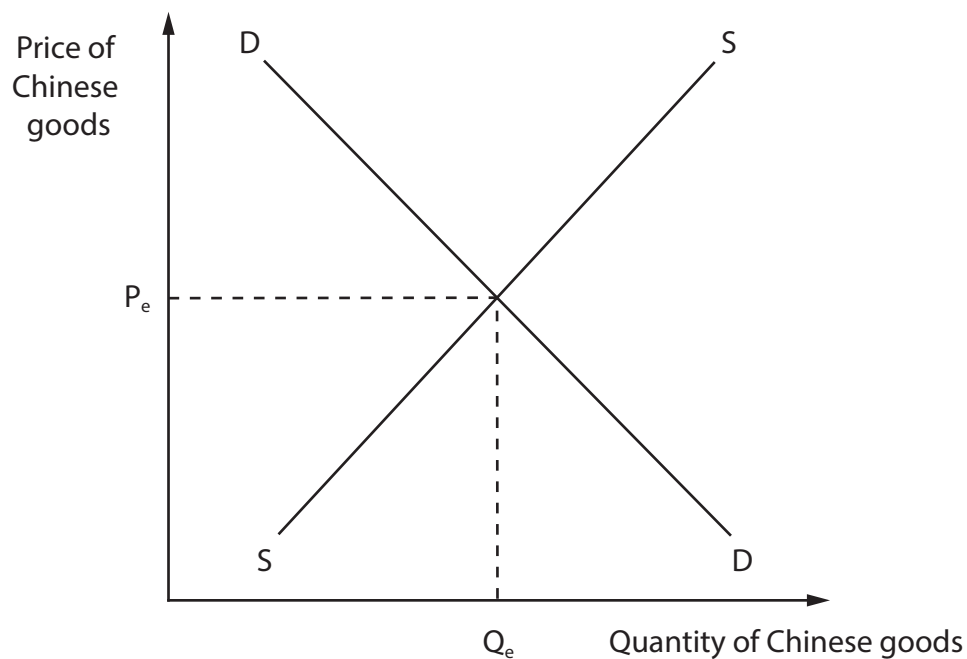


Figure 3



Many countries in Africa are dependent on the mining of natural resources, such as oil, gas, copper and cobalt. Many also face severe climate threats, including droughts, floods, heatwaves and crop failures. Some of these effects are said to be caused by global warming.

- (d) With reference to the data above and your knowledge of economics, analyse how economic growth can negatively affect the environment in African countries.

(6)



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In February 2025, India and the European Union (EU) agreed to complete a free trade deal by the end of the year. The announcement was made by European Commission President Ursula von der Leyen and Indian Prime Minister Narendra Modi at a joint press conference.

Prime Minister Modi said, "We have prepared a plan for collaboration in the areas of trade, technology, investment, innovation, green growth, skilling and mobility."

The EU is India's largest trading partner in goods and was worth \$137.5bn in 2024.

- (e) With reference to the data above and your knowledge of economics, assess the potential advantages for Indian firms of free trade with the EU.

(9)



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(Total for Question 3 = 20 marks)



4 Figure 4 shows the revenue generated by the tourist industry in Hungary between 2022 and 2025.

Year	Revenue (\$m)
2022	1 319.03
2023	1 574.10
2024	1 650.44
2025	1 751.47
Total	6 295.04

Figure 4

(a) Calculate, to **two** decimal places, the **average revenue in dollars (\$m)** generated from tourism in Hungary between 2022 and 2025. You are advised to show your working.

(2)



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Hungary’s tourism sector has grown significantly in recent years. The government has invested in tourism infrastructure and marketing campaigns to attract international visitors.

(b) 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.

(6)

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In Hungary, in November 2024, the number of employed people fell by 33,000 to 4.68 million. The unemployment rate rose to 4.5%, with 221,000 people classified as unemployed.

The National Bank of Hungary kept its base interest rate at 6.5% in December 2024. The central bank stated that the latest data showed that domestic economic activity had slowed, resulting in a fall in GDP for the third quarter of 2024.

Base interest rate for Hungary (%) January – December 2024

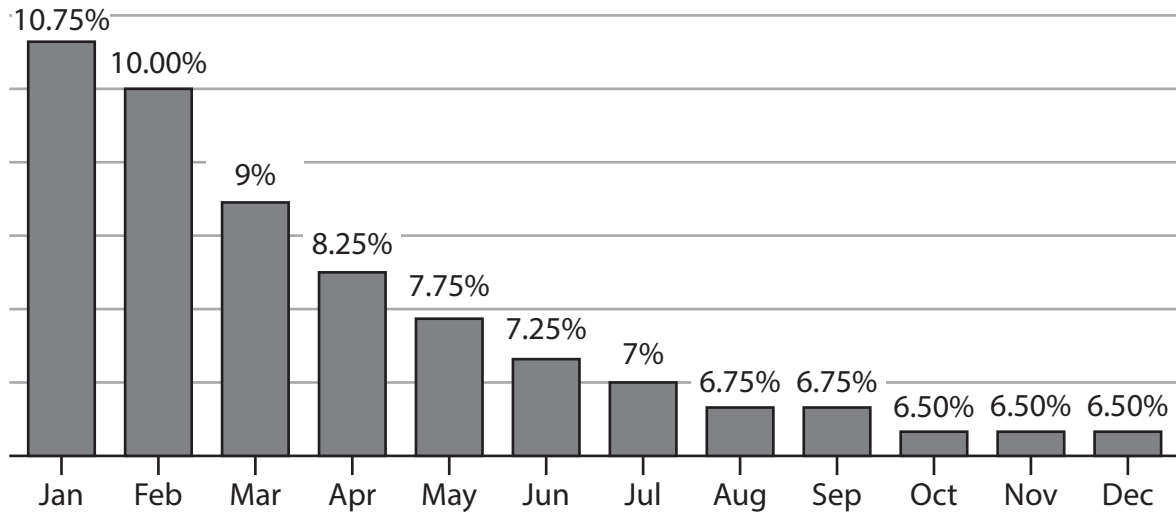


Figure 5

- (c) With reference to the data above and your knowledge of economics, evaluate the effectiveness of monetary policy to reduce unemployment in Hungary.

(12)



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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS



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BLANK PAGE**Acknowledgements**

Question 2(g) adapted from: <https://www.economist.com/finance-and-economics/2024/10/10/can-markets-reduce-pollution-in-india>

Question 3(e) adapted from: https://ec.europa.eu/commission/presscorner/detail/en/mex_25_646

Question 4(a) adapted from: <https://www.statista.com/outlook/mmo/travel-tourism/hungary#revenue>

Question 4(c) adapted from: <https://bbj.hu/business/people/hr/hungarys-unemployment-rises-to-4-5-in-november-2024/> and <https://tradingeconomics.com/hungary/interest-rate>

