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 **4EC1/02R**

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 **one** of the following is likely to result from a decrease in free trade?

(1)

- ☒ **A** Lower prices
- ☒ **B** Increased choice for consumers
- ☒ **C** Wider markets for businesses
- ☒ **D** Higher input costs

(b) What does CPI stand for?

(1)

- ☒ **A** Consumer price indicator
- ☒ **B** Changing prices indicator
- ☒ **C** Changing prices index
- ☒ **D** Consumer price index

(c) What is meant by the term progressive taxation?

(2)

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(d) Describe **one** reason why a central bank might increase interest rates.

(2)

Amara has $15 000 in a savings account that pays an annual interest rate of 3%.

(e) Calculate how much **interest** in US dollars ($), Amara received in one year. You are advised to show your working.

(2)

Figure 1 shows the supply and demand for UK pounds (£) and the equilibrium exchange rate against the euro (€).

UK interest rates decreased from 5.25% in August 2024 to 4.5% in March 2025.

(f) Using the diagram below, draw the likely effect of this decrease in UK interest rates on the equilibrium exchange rate of the UK pound (£) against the euro (€). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

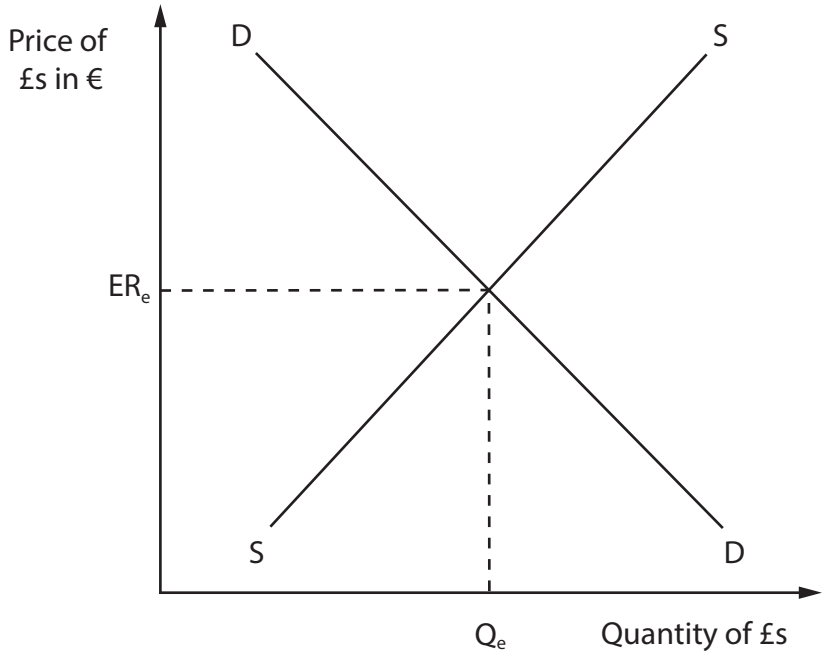

Figure 1

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In December 2024, Suffolk Trading Standards stopped more than 349,000 products from entering the UK. These included toys, cosmetics and electrical goods.
The products contained toxic ingredients and caused other significant safety risks.

(g) Explain **one** reason why UK consumers may need protection from some imported goods.

(3)

Bangladesh is a developing country in South Asia with a population of over 170 million. In 2025, its economic growth is expected to reach 4.1%, with the textiles and garments sector continuing to be important.

(h) With reference to the data above and your knowledge of economics, analyse how economic growth can impact the standard of living of people in a developing country such as Bangladesh.

(6)

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(Total for Question 1 = 20 marks)

2 (a) What type of unemployment is caused by the decline of an industry?

(1)

- ☒ **A** Structural
- ☒ **B** Cyclical
- ☒ **C** Frictional
- ☒ **D** Seasonal

(b) Which **one** of the following is an impact of a current account deficit?

(1)

- ☒ **A** High demand for exports
- ☒ **B** Easy access to foreign reserves
- ☒ **C** A leakage from the economy
- ☒ **D** More money coming into the country

(c) State **one** possible reason for globalisation.

(1)

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(d) What is meant by the term trade-off?

(2)

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In 2025, the annual inflation rate in Argentina was 62.7% and the unemployment rate was 7.6%.

(e) Explain **one** impact of high rates of inflation on unemployment in Argentina.

(3)

Figure 2 shows the market for bus journeys to Southampton General Hospital.

In April 2025, Southampton General Hospital stopped paying a subsidy to the bus company that transported workers to the hospital.

(f) Using the diagram below, draw the effects of the removal of the subsidy on the equilibrium price and quantity of bus journeys to the hospital. Label the new curve, the new equilibrium price and new equilibrium quantity.

(3)

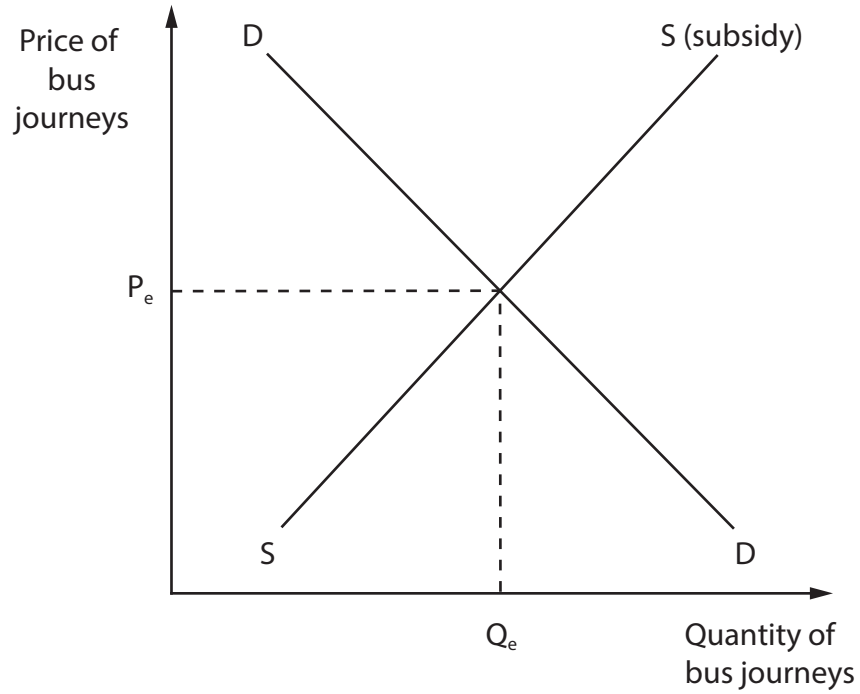

Figure 2

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The 'Silicon Six' – Amazon, Meta, Alphabet, Netflix, Apple and Microsoft have been accused of avoiding paying large amounts of tax in the US, the UK and the European Union (EU).

Over the past 10 years, these firms earned around $11 trillion in revenue and $2.5 trillion in profits. On average, these firms paid just 18.8% in corporation tax, while the standard rate in the US is 29.7%.

(g) With reference to the data above and your knowledge of economics, assess the possible disadvantages of having MNCs located within a country such as the US.

(9)

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3 (a) Which **one** of the following is a way that a business might cause noise pollution?

(1)

- ☒ **A** Releasing harmful smoke into the air during production
- ☒ **B** Leaving waste materials and packaging in public areas
- ☒ **C** Using machinery that disturbs nearby residents
- ☒ **D** Dumping chemicals into rivers near a factory

A racing bicycle has a price of £3 000 in the UK and €3 600 in France.

(b) What is the exchange rate of £1 in euros (€)?

(1)

- ☒ **A** €0.17
- ☒ **B** €0.83
- ☒ **C** €1.00
- ☒ **D** €1.20

Figure 3 shows the market for rice in Indonesia.

In 2024, the Indonesian Government increased the import quota for rice by 1.6 million tonnes.

(c) Using the diagram below, draw the effects of the new import quota on the equilibrium price and quantity of rice in Indonesia. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

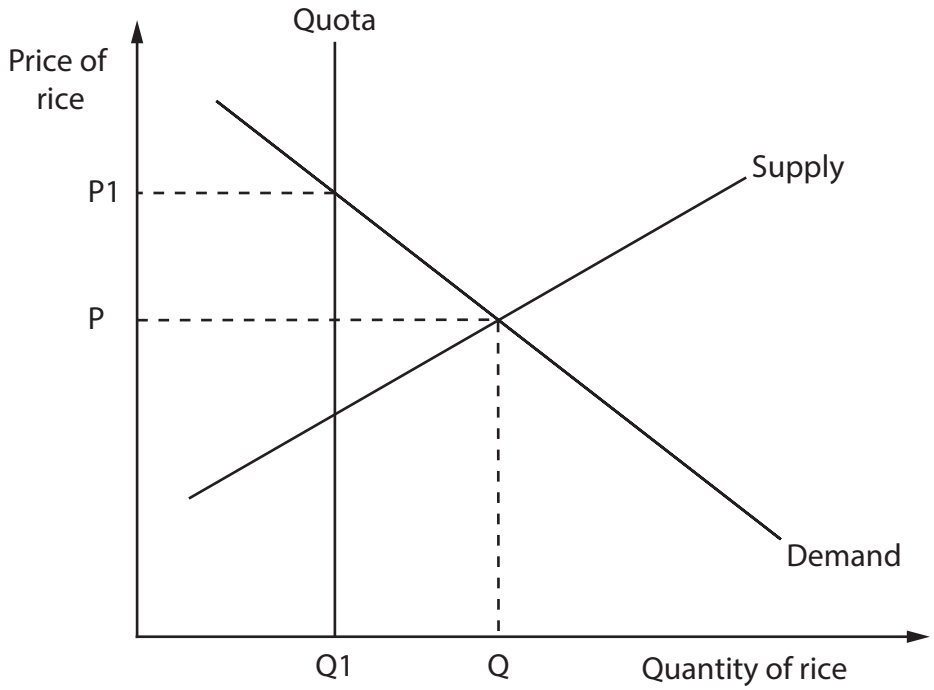

Figure 3

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In 2025, the Indian Government lowered income tax rates. The economy was experiencing its slowest growth in four years and the unemployment rate had increased to 8.1%.

(d) With reference to the data above and your knowledge of economics, analyse how lowering income tax rates can encourage people in India to work.

(6)

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In 2024, Japan had a fiscal deficit of 3.6% of its GDP, an increase from 2.9% in 2023. This increasing deficit was due to factors such as a reduction in income tax and increased public spending.

In response, the Japanese Government proposed measures aimed at stimulating growth and reducing government debt.

(e) With reference to the data above and your knowledge of economics, assess the disadvantages for Japan of having a fiscal deficit.

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4 Figure 4 shows how much each sector contributed to the GDP of the UK economy in the years 1800 and 2024.

Sector	Percentage of GDP in 1800	Percentage of GDP in 2024
Primary	32%	0.6%
Secondary	40%	17.6%
Tertiary	28%	81.8%

Figure 4

(a) Calculate, to **two** decimal places, the **percentage change** in the contribution of the tertiary sector to the UK's GDP between 1800 and 2024. You are advised to show your working.

(2)

The UK is a developed country that imports a wide range of manufactured goods such as electronics, clothing and machinery. These goods often come from developing countries.

(b) With reference to the data above and your knowledge of economics, analyse why the UK imports manufactured goods from developing countries.

(6)

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In April 2025, the UK Government suspended import tariffs on 89 products. This was to ease the pressure on British firms following the imposition of US tariffs.

Tariffs on goods including pasta, juices, plastics, plywood and gardening supplies will be reduced to zero for two years. The UK Government estimates this will save British firms at least £17 m per year in total.

"From food to furniture, this will reduce the cost of everyday items for businesses, with savings hopefully being passed on to consumers," said Business Secretary, Jonathan Reynolds.

This was after the US President, Donald Trump, imposed 10% tariffs on all goods imported into the US.

(c) With reference to the data above and your knowledge of economics, evaluate the possible benefits of reducing tariffs on goods and services imported into the UK.

(12)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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Acknowledgements

Question 1(g) adapted from: https://www.suffolk.gov.uk/council-and-democracy/council-news/consumers-warned-by-trading-standards-to-look-out-for-dangerous-faulty-goods?utm

Question 2(g) adapted from: https://www.theguardian.com/us-news/2025/apr/15/silicon-six-accused-of-avoiding-almost-278bn-in-us-corporation-taxes-over-10-years?utm

Question 3(e) adapted from: https://amro-asia.org/japan-fiscal-consolidation-and-gradual-monetary-policy-normalization-key-to-sustaining-economic-resilience

Question 4(a) and 4(b) adapted from: https://www.measuringworth.com/datasets/ukgdp/

Question 4(c) adapted from: https://www.ft.com/content/acca3951-690f-45d2-a368-ac77b8ee68be