H

National
Qualifications
2026

X822/76/11 Economics

WEDNESDAY, 29 APRIL

12:30 PM – 3:00 PM

Total marks — 90

SECTION 1 — 30 marks

Attempt ALL questions.

SECTION 2 — 60 marks

Attempt ALL questions.

You may use a calculator.

Write your answers clearly in the answer booklet provided. In the answer booklet you must clearly identify the question number you are attempting.

Use **blue** or **black** ink.

You must leave your answer booklet on your desk; if you do not, you could lose all the marks for this paper.

Qualifications Scotland
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SECTION 1 — 30 marks

Read the following source and attempt ALL questions that follow.

REEVES REFUSES TO RULE OUT TAX RISES AFTER ECONOMY SHRINKS

Chancellor Rachel Reeves has refused to rule out future tax rises after the UK economy suffered its worst contraction for a year and a half in April 2025. The economy unexpectedly shrank by 0.3% after costs increased for businesses, household energy bills jumped, and the impact of US tariffs took hold. Economists fear that the UK economy is now at risk of recession.

Economists also warned that a failure to increase UK economic growth would 'almost certainly' lead to increases in progressive and regressive taxes, unless the government can find a way to improve the UK's long-running poor productivity performance. Rachel Reeves said that prioritising government spending on long-term projects, to improve geographical and occupational mobility of resources, would increase growth and improve living standards.

The Chancellor also said that the government was undertaking trade negotiations with the US in an attempt to reduce tariffs on some British goods entering the US. At the same time, President Trump has threatened to impose a 30% tariff on imports from the EU trading bloc.

MARKS

Questions

1. (a) Define the term productivity. **1**

(b) Explain, using a Production Possibility Curve (PPC) diagram, what is meant by economic growth. **3**

(c) Explain why improving economic growth would improve living standards. **2**

(d) Distinguish, using examples, between progressive and regressive taxation. **2**

(e) Describe **2** methods a government could use to improve the occupational mobility of resources. **2**

(f) Describe the possible impact of US tariffs on the current account of the UK Balance of Payments. **2**

(g) Describe **3** disadvantages to an economy of being a member of a trading bloc. **3**

Read the following source and attempt ALL questions that follow.

CHOCOLATE PRICES SOAR AS UK INFLATION STAYS AT ITS HIGHEST IN OVER A YEAR

Chocolate prices in the UK rose at the fastest pace on record in May 2025 as the overall cost of food continued to climb. The Office for National Statistics (ONS) revealed that chocolate prices rose by 17.7% in the year to May — the sharpest increase since records began.

Bad weather in cocoa-producing developing countries such as Ghana and the Ivory Coast has hit harvests. These two countries produce well over half of all the cocoa in the world due to their absolute advantage in cocoa production. Retailers commented that demand had remained strong for chocolate over the Easter festive period.

In June 2025 with inflation remaining at its highest level for more than a year, and above the Bank of England's target rate, the Bank's Monetary Policy Committee (MPC) decided to keep the interest rate at 4.25%. Governor Andrew Bailey said interest rates 'remain on a gradual downward path', but warned that 'the world is highly unpredictable'.

MARKS

Questions

2.	(a)	Define the theory of absolute advantage.	**1**
	(b)	Describe the effects of inflation on firms.	**3**
	(c)	Describe the economic characteristics of a developing economy.	**3**
	(d)	Draw a diagram to show how an increase in the price of chocolate would affect total revenue of chocolate producers if demand is price inelastic.	**3**
	(e)	Explain the factors which affect the price elasticity of demand of a good or a service.	**3**
	(f)	Explain a way in which monetary policy could be used to reduce the level of inflation.	**2**

[Turn over

MARKS

SECTION 2 — 60 marks

Attempt ALL questions

3. (a) Distinguish, using examples, between economic goods and free goods. **3**

(b) Draw a diagram to show the effect on the property market of a reduction in the number of homes for sale combined with an increase in the interest rates charged on loans for buying a property. **4**

(c) Describe the way in which the price mechanism allocates scarce resources. **3**

(d) Explain, using a diagram, the shape of a long run average cost curve. **6**

(e) Describe the characteristics of a monopoly. **4**

4. (a) Explain ways in which fiscal policy measures can be used to reduce the level of income inequality in the UK. **4**

(b) (i) Describe the features of the Claimant Count method of measuring unemployment. **2**

(ii) Explain disadvantages of an increase in unemployment for the UK government. **3**

(c) Explain, using a circular flow diagram, the effect of an increase in exports on the level of national income in an economy. **5**

(d) Describe what is meant by a negative multiplier effect. **2**

(e) Describe the economic powers devolved to the Scottish Parliament. **4**

5. (a) Describe how global trade benefits:

(i) consumers **2**

(ii) firms. **2**

(b) (i) Describe factors which increase the exchange rate for the pound sterling. **4**

(ii) Explain the impacts of a strong exchange rate for sterling on UK individuals and firms. **4**

(c) Describe **2** components of the current account of the UK Balance of Payments. **2**

(d) Explain the ways in which developed economies can assist a developing economy to achieve economic growth. **4**

(e) Describe the role of the World Bank. **2**

[END OF QUESTION PAPER]