

Pearson Edexcel Level 3 GCE

Monday 19 May 2025

Afternoon (Time: 2 hours)

Paper
reference

9EC0/02

Economics A

Advanced

PAPER 2: The National and Global Economy

Source Booklet

Do not return this Booklet with the question paper.

Turn over ►

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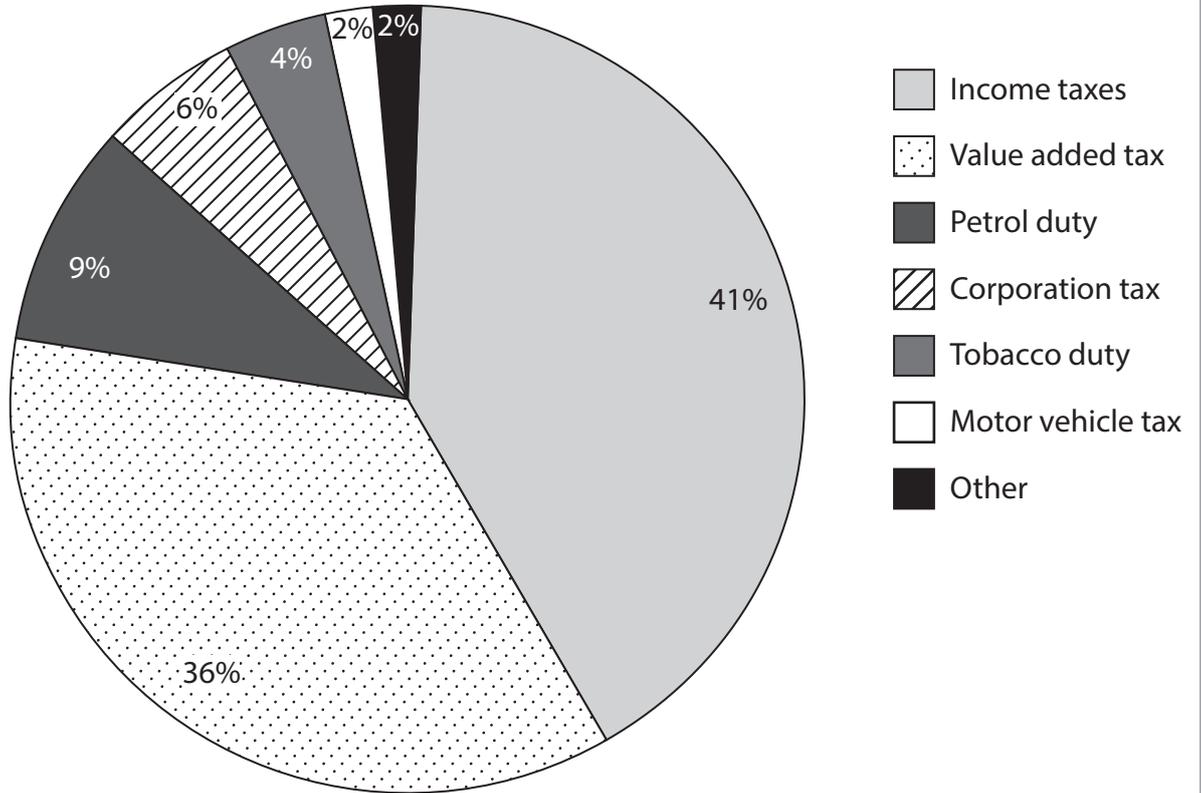
Sources for use with SECTION B

Read the following figures (1–2) and extracts (A and B) before answering Question 6.

Question 6

The German economy

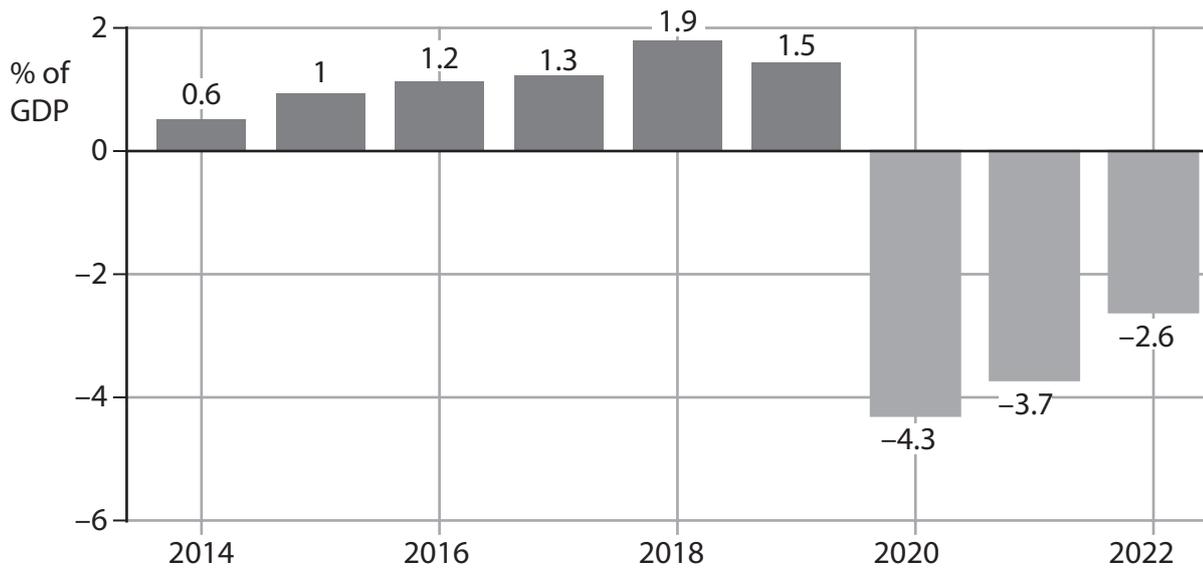
Figure 1: German government tax revenue, % of total revenue, 2022



(Source adapted from: <https://www.bundesfinanzministerium.de>)



Figure 2: German government budget, % of GDP, 2014–2022



(Source adapted from: <https://tradingeconomics.com/germany/government-budget>)

Extract A

The opportunities and challenges facing the German economy

The German economy entered a recession in 2023, and business confidence in the country fell at the fastest pace since 2021. German growth was the lowest among major economies in 2023. The future, however, is a greater concern owing to external factors such as global conflicts and restrictions on free trade. 5

The German government has been trying to improve its economic performance, with an aim to have renewables account for 80% of its energy supply. However, this would be a major shift for Germany where fossil fuels such as coal and gas still provide 75% of the energy needs and exposes it to volatile global energy prices. The rapid building of liquid natural gas terminals has helped to secure energy supplies in the short term. 10

The German government needs to remove a number of problems that have long held back its economy. Infrastructure projects in renewable energy production, such as wind farms, have been delayed by lengthy planning procedures. Business leaders complain of excessive bureaucracy and lack of technological advances. Labour shortages are another issue. Germany is expected to be short of up to 7 million workers by 2035, partly due to an ageing population. There is a lack of skilled workers in the building trade, electrical engineering and professional services, which are important for the country's economic ambitions. The German government needs to introduce effective policies such as planning reforms to speed up construction projects or reforms to increase the flexibility of the labour market. 15 20

The German economy has long been one of the biggest exporters in the world. It has trade surpluses with all its major trading partners except China and in 2021 its current account surplus was 7.7% of GDP. However, this has caused tensions with the governments of other countries, in particular the USA, which sees Germany's surplus as partly a cause of the USA's huge current account deficit. Having said that, a weakening euro caused by higher interest rates in the USA compared to the Eurozone is beginning to have an effect in reducing Germany's current account surplus – which dropped to 4.2% in 2022. 25

(Source adapted from: <https://www.ft.com/>,
<https://www.cnb.cz/en/monetary-policy/inflation-reports/boxes-and-annexes-contained-in-inflation-reports/The-German-economy-and-the-dollar-euro-exchange-rate>, and
<https://tradingeconomics.com/germany/current-account-to-gdp>)

Extract B

US technology firm Intel invests in German semiconductor factories

Intel is to double its investment in semiconductor factories in eastern Germany to €30 billion. This is the largest foreign direct investment in Germany's history. Intel acquired the land for the factories in November 2022 and the first factory is expected to start production within four to five years. The site is expected to create 7 000 construction jobs during the building phase, about 3 000 permanent high-tech jobs and tens of thousands of additional jobs across the semiconductor industry. 5

(Source adapted from: <https://www.ft.com/>)

