Examiners' Report
Principal Examiner Feedback

October 2024

Pearson Edexcel International Advanced Level In Economics (WEC12)

Unit 2: Macroeconomic performance and policy

Introduction

This is the October series for assessment of WEC12: Macroeconomic performance and policy. There were over 2000 entries for this unit.

In **Section A**, the multiple-choice section, candidates performed best on unemployment and negative output gap (2 and 5 respectively). The two questions with the focus on net investment and factors influencing SRAS were not well answered questions in this section (1 and 4 respectively) and this part of the specification may need attention by centres. On the remaining two questions, candidates performed marginally better.

In **Section B**, the short answer section, candidates were able to access application marks on most questions but found the knowledge and analysis marks more difficult to obtain.

7: Most candidates were able to attain the one application mark for correctly identifying the data. Explaining the impact was challenging, with many candidates not considering existing homeowners. No reference to negative wealth effect or C was made.

8: Candidates had to draw an AD/AS diagram to illustrate a positive output gap. Only a few candidates did this correctly. Mot accessed the first mark for drawing the SRAS and AD curves with correctly labelled axes. Many were not able to draw LRAS to left of short-run equilibrium or show correct labelling the short-run equilibrium and full employment level of output. Some candidates correctly labelled positive output gap on the graph.

9: For this calculation-based question, candidates had to calculate value of consumption from a given set of figures. Many used the correct equation and did not find it challenging to access all marks.

10: Candidates were required to study the stem and explain underemployment. Most candidates attained all marks for knowledge and found it easy to gain both application marks by using the data given in the stem.

11: The question asked the candidates to explain one likely cause of the deficit in Colombia's balance of trade in goods and services. In general, they were able to explain the likely cause and get the application mark. The last mark on analysis should have

required a development of the point identified; but this was the least likely mark to be recorded by candidates.

In **Section C**, the data response section, questions are based on information provided in the source booklet.

12a: Candidates only access two marks by correctly defining the term living standards. Most candidates scored two marks for the correct definition but some were not able to explain it accurately.

12b: This question required an explanation of the difference between disinflation and inflation. Two relevant pieces of data were required to attain the two application marks. Some candidates only defined inflation and they were only able to access one mark.

12c: Most candidates were able to examine two ways by which the increase in the base interest rate could reduce the rate of inflation. However only a small percentage of candidates could fully explain the ways to access analysis marks. Application marks were awarded for appropriate references to Figure 2 and Extract A. Many responses were also not able to access any evaluation marks as they gave effects of high inflation rather than answering the question directly.

12d: A vast majority of candidates were unable to analyse the impact of a deflationary fiscal policy on Brazil's circular flow of income. Two application marks were awarded for relevant use of the source. However, several candidates copied paragraphs from the extract and were not able obtain analysis marks. This is an area which all the centres are advised to address.

12e: Most candidates made effective use of the information provided and discussed the likely effects on living standards of the supply-side policies proposed by President Lula. A low proportion of candidates developed their analysis with clear chains of reasoning to achieve at least Level 3 KAA marks. A common feature in this response was to cover as many limitations as possible but without any development in the analysis or evaluation comments.

In **Section D,** candidates have the opportunity to choose one out of two questions. The section was less demanding than previously, and this is reflected in the mean scores on both questions. Question 13 was more popular than question 14.

In both questions candidates' knowledge of relevant economic concepts was sound but they often struggled to apply it to the context of the question. Another challenge was the level of analysis. As in question 7e, answers often lacked a fully developed chain of reasoning. This is because they focussed their explanations on several points, and this meant they did not have time to develop them. Some candidates drew appropriate and accurate diagram(s) and incorporated it with sound analysis. This facilitated them in consistently achieving within the top levels.

Evaluative comments were often made and, whilst some offered supporting evidence and were linked to the context, many were unable to offer logical chain of reasoning. It should be stated that 8 marks are now awarded for evaluation in the essay section. Application will always form part of the questions in Section D. Candidates are expected to include this in their arguments to achieve the highest levels.

The questions were accessible at all levels and offered good opportunities for candidates to differentiate by ability. Answering the exact question asked, integrating the data with analysis and strong evaluation continue to remain the essential ways that the A-grade candidates achieve higher marks. It appears that most candidates were not actually able to complete the paper in the time available.

Moreover, candidates are highly encouraged to have better structure to their answers. Many have written essay questions in bullet points, and some have written in long blocks/ paragraphs without making a clear distinction between analysis and evaluation. This was also seen in the higher mark question in Section C.

The performance on individual questions is considered in the next section of the report.

Section A

Question 1

This question concerned identification of the definition of net investment. This was not a well answered question of this section with many candidates not obtaining the one mark. The correct answer is option B - Gross investment minus capital depreciation.

Question 2

Candidates tended to perform reasonably well on this question, which asked candidates to identify the cause of unemployment in Chad from the given stem. The correct option is C – Seasonal unemployment.

Question 3

For this question, candidates needed to calculate the ratio of Qatar's GNI in 2022 to its GNI in 2020 from a given set of figures. The correct answer is A, 1 : 0.62. Some candidates were not able to accurately use the formula, and hence did not attain the mark for this question.

Question 4

Not many candidates were able to deduce from the stem that the correct option is C – An increase in the price of natural gas. Careful consideration needs to be given to the distinction between factors influencing SRAS, LRAS and AD.

Question 5

For this question candidates needed to identify the most likely option associated with a negative output gap. The correct answer is option D – An increase in unemployment. This was a well answered question.

Question 6

Many candidates were able to deduce from the table that consumer confidence was increasing. The only correct answer is option D – both price level and real output rise. Candidates were not always able to correctly deduce this from the table.

Section B

Question 7

Many candidates were able to access the knowledge mark and the application mark. The most common answers included the impact on consumer confidence. Some were unable to explain the impact further and therefore were limited to one analysis mark. Majority of the candidates attained the application mark using the stem.

Question 8

There was not always a clear understanding of positive output gap. All the candidates managed to draw the initial equilibrium position for AD and AS. A few drew the LRAS to the right of SRAS, and others mentioned price and output on the axes; this got no credit for the knowledge mark. There are no marks for additional text, which some candidates included to support their diagram.

Question 9

Many candidates were able to correctly calculate the value of consumption from a given set of figures. This is because they were informed of the AD equation and hence arrived at the correct workings. It is advisable that candidates show all their workings so that they can attain either knowledge or application marks if some stages of their calculations are correct, but not the final answer.

Question 10

Candidates performed reasonably well on this question, which asked them to explain the term underemployment. They had to use the stem to gain the application marks, which many did and hence able to access application marks for this question. It is important to remember the distinction between unemployment and underemployment.

Question 11

Candidates were asked for one likely cause of the deficit in Colombia's balance of trade in goods and services. Most were able to explain the cause as their one knowledge mark. Many were also able to explain the cause. However, some candidates often struggled in developing their knowledge and therefore were not able to access both the analysis marks. They attained the application mark for using the chart correctly.

Section C

The source booklet/data response questions focused on the economic outlook of Brazil. It comprised of three figures and one extract.

Question 12a

Candidates needed to define the term living standards. Although 60% of total candidates scored the maximum of 2 marks this still indicates that 30% were not able to define the term correctly. It is important to explain the key definitions clearly and accurately.

Question 12b

Many candidates were able to successfully explain the difference between disinflation and inflation. Most were able to explain them correctly and hence were able to get their 2 knowledge marks. To access application marks, candidates had to include two separate pieces of data from Figure 2. Given the nature of the question, it is important to cover all aspects of the answer in knowledge and application.

Question 12c

The question required candidates to examine two ways by which the increase in the base interest rate could reduce the rate of inflation. Most candidates were able to identify the ways effectively. They could gain two application marks required by effectively using Extract A and Figure 2. However, many found it difficult to analyse each point effectively and were unable to understand that question.

Evaluation was lacking and not very well written with some only identifying a point and not explaining it well. There were some candidates who did not try writing any points. For eight-mark questions and above, evaluation is an essential requirement and should be included. It is also important to remember that there are two marks for knowledge, application, analysis and evaluation for an eight-mark question.

Question 12d

This question required candidates to analyse the impact of a deflationary fiscal policy on Brazil's circular flow of income. Most responses achieved both knowledge and analysis marks. Some were only able to identify their reasons but were not able to develop this further. They were able to access the two application marks by using the relevant data from Extract A. It is important to recall that there are only two marks for knowledge, application and analysis for a six-mark question.

Question 12e

Candidates needed to use the source to discuss the likely effects on living standards of the supply-side policies proposed by President Lula. It is important that candidates refer to two policies and develop the analysis by focusing on those points rather than trying to cover as many policies as possible. This will allow the candidates to access the higher levels of response.

Candidates were able to successfully explain government spending on infrastructure and education as their two main policies. They were able to integrate this with application. Although not required, they supported their analysis with accurately drawn and labelled diagram. This gave them access to Level 3. However, several candidates copied text from the source and did not explain their points. This gave them access to Level 1 only.

Evaluation points made were fairly sound. They included key references to budget deficit and opportunity cost. Many included time lags as an evaluative comment but were not able to successfully support this point using a logical chain of reasoning. Candidates should ensure that they do this as opposed to listing a number of separate undeveloped points.

Section D

General points:

Candidates often make a number of valid separate points but do not develop a coherent chain of reasoning. In addition, a large number of candidates do not include any form of contextual reference and consequently will not achieve the higher level marks. Context can be from the stem provided in the question and/or from other examples effectively used by the candidate. A reminder that just writing a country name in the answer does not merit as application.

For evaluation, candidates should provide a partially developed chain of reasoning to attain at least Level 2. Writing a list of points will only give candidates access to Level 1. An informed judgement is needed in order to gain a Level 3 evaluation mark.

Candidates are not expected to write up to four analysis and three evaluation points. They can select two analysis points and develop them by focusing on those points rather than trying to cover as many points as possible.

Question 13

This question asked candidates to effects of an increase in the unemployment rate on workers and public finances. In addition, to access high Level 4 for KAA, candidates are required to include application in the answer by referring to a country of their choice.

Most candidates were able to analyse the two effects, especially on incomes and budget deficit. There were many who were unable to explain their points identified in depth by adding multi-stage chains of reasoning. Most of the answers only carried a two-stage chain of reasoning, and hence, they were not able to access Level 3 KAA. Those who identified range of policies without any linked development were only able to access Level 1 KAA. Candidates who mentioned causes of low economic growth did not attain many marks.

Evaluation included an attempt to discuss the short-run versus long-run impact and the magnitude of the change in unemployment. These were under developed and did not

contain many stages of arguments. Those who listed evaluation points achieved Level 1. That said, most candidates evaluated using benefits of economic growth and were able to attain higher levels.

Question 14

This question asked candidates to evaluate the likely effects of a recession. Moreover, to access high Level 4 for KAA, candidates are required to include application in their answer by referring to a country of their choice.

Points included negative effects on the government, workers or society. Most answers demonstrated some chains of reasoning, but they were not always fully developed or had some key stages omitted. These candidates were not able to access more than Level 3 KAA. Those who mentioned causes of recession did not attain many marks. Candidates may use negative effects as KAA and positive effects as evaluation (or vice versa).

Evaluative comments were not very well written. Many candidates offered solutions to how an economy can come out of a recession. Candidates offered negative effects for KAA and the positive effects for evaluation (or vice versa), and this was credited. For points that were quite generic and did not have any chains of reasoning, did not achieve more than Level 1.

Paper Summary

The main implications for centres regarding future teaching, learning and examination preparation are:

• Ensure that all parts of the specification are taught and internally assessed. This needs to include addressing all the quantitative skills (as found on page 69 of the specification).

• Candidates must read all questions carefully, and make sure that they have addressed all parts of a question in their response. In a few different questions on this paper, not understanding requirements of the questions, in terms of its depth and breadth, was the main reason for low scores.

• Encourage candidates to draw accurate, appropriate, legible and labelled diagrams to support their arguments, even if not required. This would help add depth to arguments.

• Section B: for diagram-based questions, all marks can be achieved through a diagram and no written explanation is required. This is an inefficient use of time. For calculation-based questions, all marks can be achieved through working out the right answer. Four questions where a text response is required, candidates should focus on identifying one point and developing it. Giving a list of points will only give knowledge marks.

• Section C: Ensure that candidates refer to the relevant extracts but do not copy from them. Brief quotations are acceptable but, in themselves, will not achieve higher level marks. Remember that the 4- and 6-mark questions do not require evaluation, so please use the time given effectively and avoid assessing the analysis points made.

• Section C 14-mark question and Section D essays: Encourage candidates to develop a chain of reasoning by analysing two salient points in depth. By contrast, covering a lot of points in a superficial way will limit the mark to a low Level 2 at best. In addition, analysis needs to be contextualised by using relevant source information (Section C), appropriate examples (Sections C and D) or context at the start of Section D questions.

In addition, ensure that candidates are aware that evaluative comments should be linked to the context of the question being asked. These should have a chain of reasoning or

sufficient development to be able to achieve at least Level 2. To achieve Level 3 for evaluation in Section D it is necessary to include an informed judgement.

• Candidates are encouraged to have a clear structure to their answers. They must avoid writing essays in bullet points or in long blocks/paragraphs without making a distinction between their analysis and evaluation points. The nature of essay questions means that they draw on a student's knowledge accumulated throughout their course, and on their ability to apply that knowledge directly to the question.

• Encourage candidates to make full use of the specimen papers, previous examination papers, mark schemes and principal examiner reports. Paying greater emphasis on time management is also vital for the completion of the paper.