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Examiners' Report
Principal Examiner Feedback

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Pearson Edexcel International Advanced Level
In Economics (WEC12)

Unit 2: Macroeconomic performance and policy

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Introduction

This is January series for assessment of WEC12: Macroeconomic performance and policy.

In **Section A**, the multiple-choice section, candidates performed best on classical long-run aggregate supply and percentage change (1 and 3 respectively). The two questions with the focus on supply-side policy and inflation were not well answered questions in this section (2 and 6 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 cost was not challenging, with candidates accurately explaining the cost once they identified their point.

8: Candidates had to draw SRAS and AD diagram to show the effect of this increase in the price of coal on price level and real output. Many candidates did this correctly. Most accessed the first mark for drawing the SRAS and AD curves with correctly labelled axes. Many drew the correct shift and identified the new price level and real output.

9: For this calculation-based question, candidates needed to calculate the value of the multiplier. Many used the correct equation and did not find it challenging to access all marks.

10: Candidates were required to use the data given and explain quantitative easing. Most candidates attained both marks for knowledge and found it easy to gain both application marks by using the chart given.

11: The question asked the candidates to explain one likely impact of lower real incomes on subjective happiness. In general, they were able to explain the likely impact 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 recession. 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 term exchange rate. Two

relevant pieces of data were required to attain the two application marks. Some candidates defined inflation rate and they were not able to access any marks.

12c: A vast majority of candidates were unable to one likely effect of the 'increase in the number of overseas visitors' on Japan's circular flow of income using a circular flow diagram. 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.

12d: Most candidates were able to examine the likely impact on Japan's real output of the fall in domestic consumption. However only a small percentage of candidates could fully explain the ways to access analysis marks. Application marks were awarded for appropriate references to Extract A. Many responses were also able to access evaluation marks as they referred back to the magnitude of the fall.

12e: Most candidates did not make effective use of the information provided and were not able to discuss factors that the BoJ might consider when setting the base interest rate. A small 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 factors 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 feature of the classical long-run aggregate supply curve. This was a well answered question of this section with many candidates obtaining the one mark. The correct answer is option D - It is perfectly inelastic at the full employment level of real output.

Question 2

Candidates tended not to perform well on this question, which asked the candidates to identify the type of measures is cutting the costs of bureaucracy for firms. The correct option is A – Free market supply-side policy.

Question 3

For this question, candidates needed to calculate percentage change in unemployment rate from a given set of figures. The correct answer is B: -12.5. Some candidates were not able to accurately use the formula, and did not attain the mark for this question.

Question 4

Not many candidates were able to deduce from the chart that the correct option is B – An increase in profits for firms. Careful consideration needs to be given to the distinction between factors influencing boom and recession.

Question 5

For this question candidates needed to identify the most likely option associated with an increase in investment. The correct answer is option A – An increase in the availability of credit. Other options cause a decrease in investment.

Question 6

Many candidates were able to deduce from the chart that there was deflation between April 2020 and July 2020. The correct answer is option C. Candidates were not always able to correctly deduce this from the chart.

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 environment and inflation. 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 a clear understanding of the effect of this increase in the price of coal on the price level and real output for Japan. Almost all the candidates managed to draw the initial equilibrium position for AD and SRAS and showed the correct shift/new equilibria. A few drew the LRAS, and others just mentioned price and output on the axes; this got no credit for the knowledge mark. There are no marks for additional text, which a few candidates included to support their diagram.

Question 9

Many candidates were able to correctly calculate the value of the multiplier from a given set of figures. This is because they were informed of the 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 quantitative easing. Most were able to gain both knowledge marks with reference to money supply and asset purchases by central banks. They had to use the chart to gain the application marks, which many did and hence able to access application marks for this question.

Question 11

Candidates were asked to explain one likely impact of lower real incomes on subjective happiness. Most were able to explain gain the one knowledge mark. Many were also able to explain the impact. However, some candidates often struggled in further developing their knowledge and thus were not able to access both the analysis marks. They attained the application mark for using the table 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 recession. Although 70% 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 term exchange rate. Most were able to explain it correctly and therefore were able to get their 2 knowledge marks. To access application marks, candidates had to include two separate pieces of data from Extract A. Given the nature of the question, it is important to cover all aspects of the answer in knowledge and application.

Question 12c

This question required candidates to analyse one likely effect of the 'increase in the number of overseas visitors' on Japan's circular flow of income, using a circular flow diagram. Most responses were not able to achieve both knowledge and analysis marks. Some were only able to identify the effect but were not able to develop this further. They accessed 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 12d

The question required candidates to examine the likely impact on Japan's real output of the fall in domestic consumption. Most candidates were able to identify the impact effectively. They could gain two application marks required by effectively using Extract A. However, some found it difficult to analyse each point effectively and were unable to understand that question.

Evaluation was well written with many identifying a point and 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 12e

Candidates needed to use the source to factors that the BoJ might consider when setting the base interest rate. It is important that candidates refer to two factors 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 inflation rate and economic growth as their two main factors. They were able to integrate this with some 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 limited. Many were unable to identify any evaluative points and if they did, they 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 evaluate likely benefits of an increase in government expenditure on infrastructure. In addition, to access high Level 4 for KAA, candidates are required to include application in the answer by referring to a country of choice.

Most candidates were able to analyse two benefits, especially on economic growth and unemployment. Many who had explained their points identified in depth by adding multi-stage chains of reasoning. Most 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 benefits without any linked development were only able to access Level 1 KAA. Candidates who mentioned causes did not attain many marks.

Evaluation included an attempt to discuss the short-run versus long-run effects and the magnitude of the change in spending. These were often well developed and contained 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 benefits of an increase in the productivity rate. 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.

Many included points on potential economic growth and trade balance. 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 increase in productivity rate did not attain marks.

Evaluative comments were not very well written. Many candidates offered solutions to how to further increase productivity. 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.

