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June 2025

Int Advanced Level Economics WEC12 01

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June 2025

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Introduction

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

In **Section A**, the multiple-choice section, candidates performed the best on withdrawals and International Labour Organisation (ILO) (1 and 5 respectively). The two questions with the focus on trade balance and Quantative Easing (QE) were the least well answered questions in this section (6 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. Many candidates were able to easily identify a benefit of economic growth and could analyse their point effectively.

8: Candidates had to draw a Keynesian AS/AD diagram to illustrate a negative output gap. Almost all candidates did this correctly. The most common cause for dropped marks was in the labelling of the axes or the labelling of the equilibria before and after the change.

9: For this calculation-based question, candidates had to work out the change in Gross Domestic Product (GDP) from a given set of figures on GDP per capita and population. Many did not use the correct equation and found it challenging to access all marks.

10: Candidates were required to study the chart and explain the difference between a current account deficit and a current account surplus. Most candidates attained all marks for knowledge and found it easy to gain application marks. The attained one mark each for using the data.

11: The question asked the candidates to explain **one** reason why it is necessary to regularly update the Consumer Price Index (CPI) basket of goods and services. In general, they were able to explain a reason 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 inflation. Most candidates scored two marks for the correct definition, but some explained it in the context of deflation.

12b: Most candidates were able to examine two causes of the relatively high rate of inflation in the USA. However, only a small percentage of candidates could fully explain the causes to access analysis marks. Application marks were awarded for appropriate references to Figure 1. Many responses were also not able to access any evaluation marks as they gave solutions to reducing inflation rather than answering the question directly.

12c: This question required an explanation of the term rate of unemployment. Two relevant pieces of data were required to attain the two application marks. Some candidates only defined unemployment and they were only able to access one mark.

12d: A vast majority of candidates were unable to analyse **two** reasons why the USA's rate of economic growth increased in 2023. 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. Some candidates evaluated their analysis points, but this was not credited as it is not a requirement of the question.

12e: Most candidates made effective use of the information provided and discussed the macroeconomic effects of the increase in the base rate of interest on the US economy. 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 effects as possible but without any development in their analysis or evaluation.

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 a 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.

Question 7

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

7 In 2023 Macau's rate of economic growth was the highest in the world. Its annual percentage increase in real GDP was 80.5%.

With reference to this information, explain **one** benefit of economic growth.

- Economic growth means the increase of real output over a period of time.
- In this case, the Macau's rate of ~~infla~~ real GDP increase 80.5% annually.
- One benefit is the decrease in unemployment rate
- When the value of goods and services produced by firms increase, this will lead to a greater ~~sup~~ demand of labour, firms will expand their scale, thus provide more job opportunities, decrease the unemployment rate.

ResultsPlus
Examiner Comments

1 AP = data use 1 KN = decrease in unemployment rate 1 AN = greater demand for labour 1 AN = firms will expand their scale

ResultsPlus
Examiner Tip

This response gets 1K, 2AN and 1AP. Therefore, this answer attains an overall score of 4/4 marks.

7 In 2023 Macau's rate of economic growth was the highest in the world. Its annual percentage increase in real GDP was 80.5%.

With reference to this information, explain **one** benefit of economic growth.

Economic growth means real output increase in a country. Real GDP means ~~when~~ measure GDP without influence by inflation.

Macau's ~~real G~~ increase in real GDP was 80.5%.

Economic growth bring higher living standard to citizens, because they are able to get more income, therefore people's wealth will rise

ResultsPlus
Examiner Comments

1 AP = data use 1 AN = higher living standard 1 KN = more income

ResultsPlus
Examiner Tip

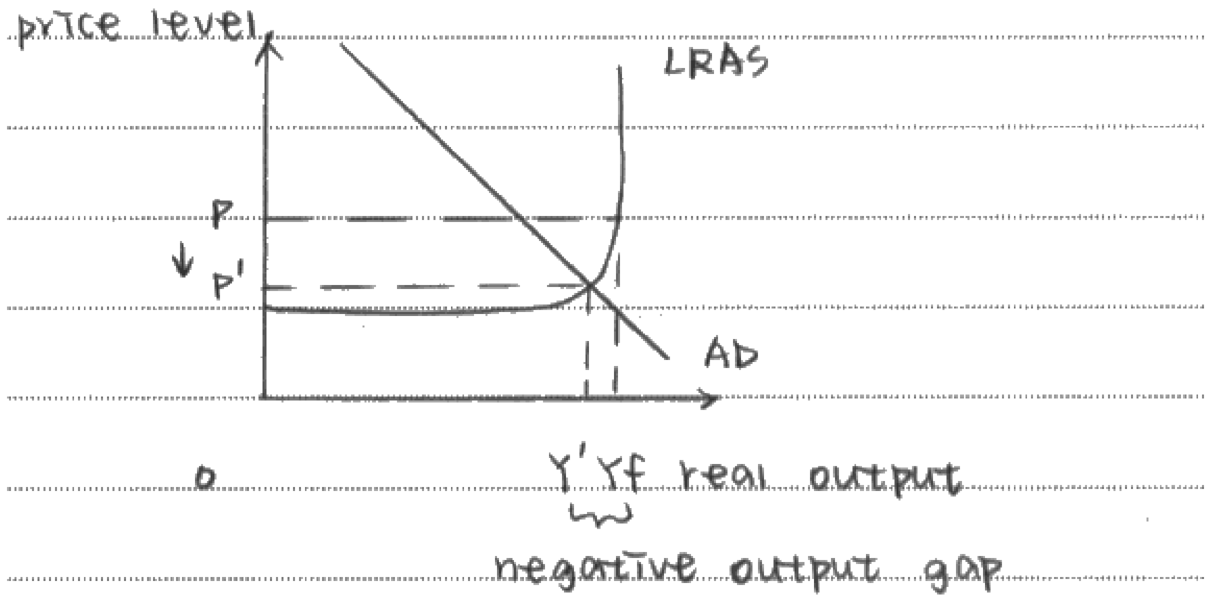
There are two marks available for analysis. Ensure that the point made is explained with a two-stage chain of reasoning.

Question 8

Almost all candidates managed to draw the initial equilibrium position for AD and Keynesian LRAS. A few drew the SRAS and labelled it LRAS, and others mentioned price and output on the axes; this got no credit for the knowledge mark. Some drew the classical LRAS and this was not awarded. There are no marks for additional text, which some candidates have included to support their diagram.

8 In 2023 Ghana experienced a negative output gap.

Draw a Keynesian AS/AD diagram to illustrate a negative output gap.



ResultsPlus
Examiner Comments

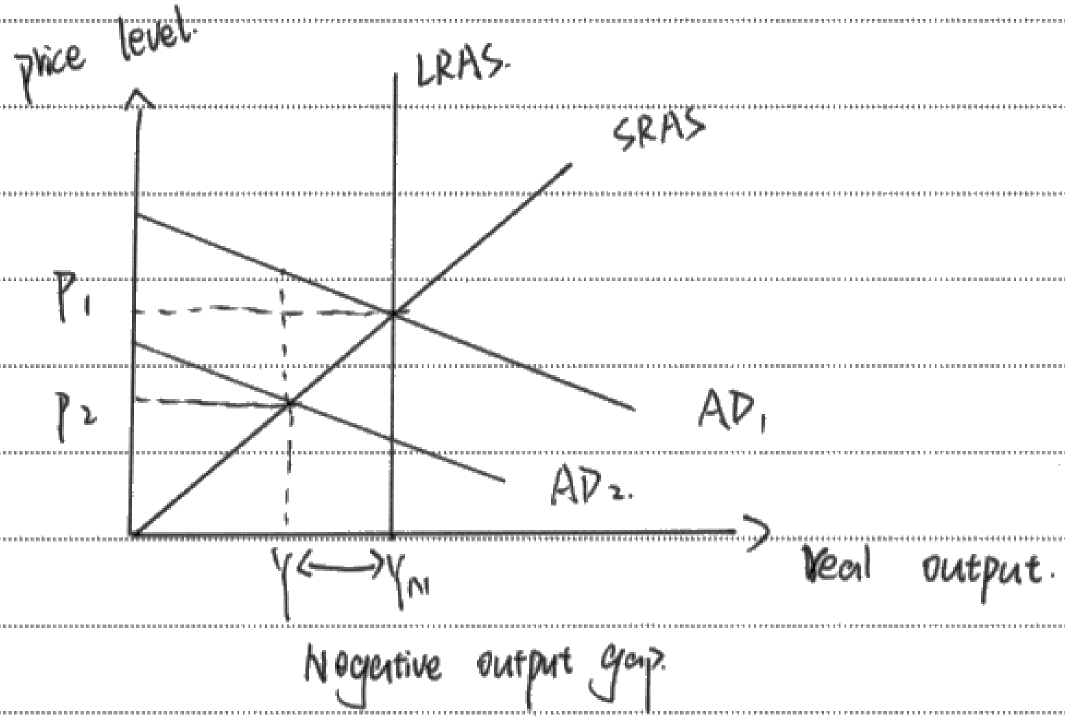
This answer gets 1K and 3AP, so 4/4 marks for the correct diagram. It is important to know how to draw fully labelled and accurate diagrams to ensure the demands of the question are met, like this candidate has demonstrated.

ResultsPlus
Examiner Tip

Emphasis needs to be given to the difference between Keynesian and Classical AS.

8 In 2023 Ghana experienced a negative output gap.

Draw a Keynesian AS/AD diagram to illustrate a negative output gap.



ResultsPlus Examiner Comments

This candidate gets 0/4 marks as they have drawn the incorrect AS.

ResultsPlus Examiner Tip

It is important to ensure that all curves are drawn in accordance with the question. More emphasis needs to be given to this in order to avoid losing all the knowledge and application marks.

Question 9

Many candidates were able to correctly calculate the "calculate the _change"_in Nepal's GDP between 2013 and 2023. This is because they were informed of the GDP per capita equation and hence arrived at the correct workings. It is advisable that candidates show all their workings so that they could attain either knowledge or application marks if some stages of their calculations are correct, but not the final answer.

9 The table shows the population and GDP per capita of Nepal in 2013 and 2023.

	Population (millions)	GDP per capita ($)
2013	27.4	809.4
2023	30.9	1 350.0

Based on this information, calculate the *change* in Nepal's GDP between 2013 and 2023. Show your workings.

GDP per capita = $\dfrac{\text{GDP}}{\cancel{\text{Population}}\ \cancel{\text{labour force}}\ \text{Population}}$.

2013 GDP = 27.4 millions × $809.4 = $22177.56 millions.

~~2023 GDP =~~ 2023 GDP = 30.9 millions × $1350.0 = $41715 millions.

2023 GDP − 2013 GDP = $41715 millions − $22177.56 millions

= $19537.44 millions.

ResultsPlus
Examiner Comments

This answer gets 1K and 3AP, so 4/4 marks for the correct answer. It is important to know the equations for calculation-based questions, like this candidate has demonstrated.

9 The table shows the population and GDP per capita of Nepal in 2013 and 2023.

	Population (millions)	GDP per capita ($)
2013	27.4	809.4
2023	30.9	1 350.0

Based on this information, calculate the *change* in Nepal's GDP between 2013 and 2023. Show your workings.

30.9 X 1350 = 41715

27.4 x 809.4 = 22177.56

41715 − 22177.56 = 19537.44

ResultsPlus
Examiner Comments

This answer gets 1K and 2AP, so 3/4 marks as they have the millions missing from their answer.

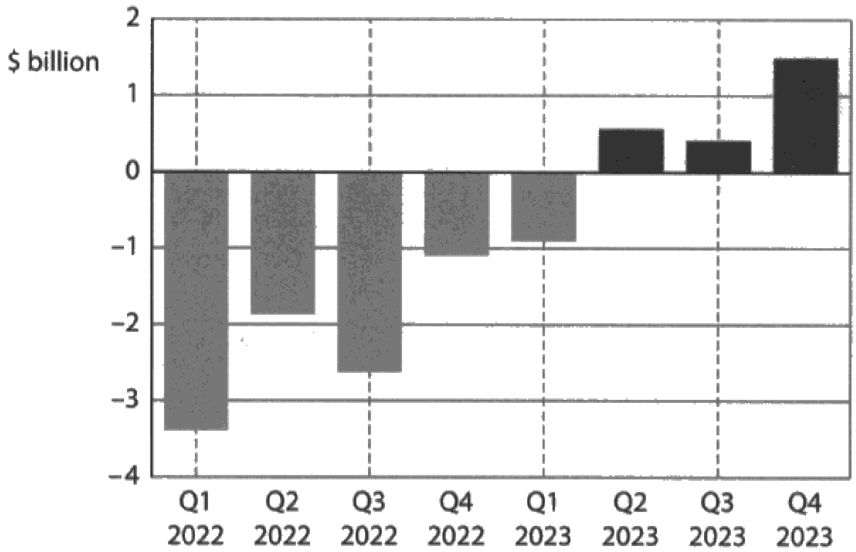
ResultsPlus
Examiner Tip

Reading the table carefully is important in answering calculation-based questions. Missing key elements can result in AP marks being lost.

Question 10

Candidates performed reasonably well on this question, which asked them to explain the difference between a current account deficit and a current account surplus. They had to use the chart to gain the application marks, which many did and hence were able to access application marks for this question.

10 The chart shows Peru's current account of the balance of payments between quarter 1 (Q1) 2022 and quarter 4 (Q4) 2023.



With reference to the chart, explain the difference between a current account deficit and a current account surplus.

current account deficit means the value of export < the value of import.

current account surplus means the value of export > the value of import.

~~It is~~ Between Q1 2022 and Q1 2023, There are Current account deficit, It's −3.4 $ billion in Q1 2023 and −0.9 $ billion in Q1 2023.

Between Q2 2023 and Q4 2023, there are current account surplus, It's 0.5 $ billion in Q2 2023 increase to 1.5 $ billion in Q4 2023.

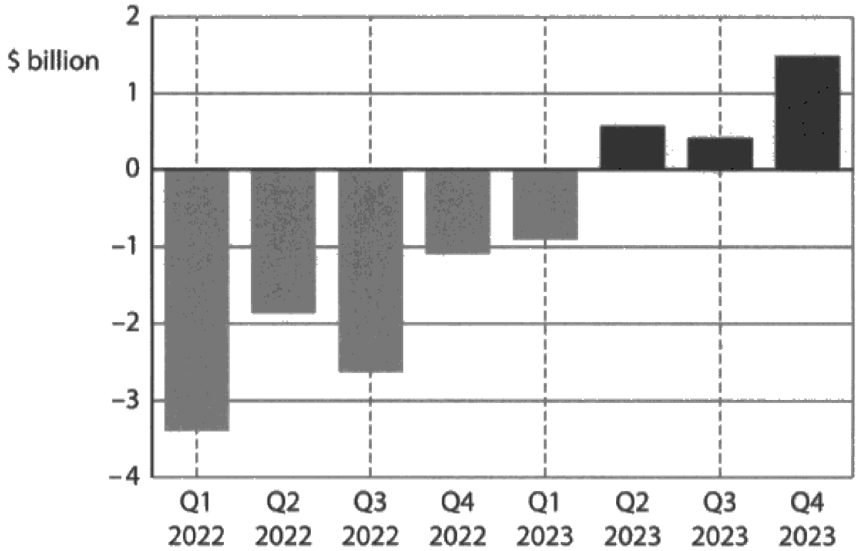
ResultsPlus
Examiner Comments

2 KN = correct definitions of deficit and surplus 2 AP = correct data for deficit and surplus

ResultsPlus
Examiner Tip

It is important to select two relevant pieces of data from the chart to gain application marks.

10 The chart shows Peru's current account of the balance of payments between quarter 1 (Q1) 2022 and quarter 4 (Q4) 2023.



With reference to the chart, explain the difference between a current account deficit and a current account surplus.

On the chart, the Q1, 2022 to Q1 2023 is a current account deficit. The Q2, 2023 to Q4, 2023 is a current accaunt surplus.

~~The current account deficit~~

The balance of payments of the current account deficit is negative. The balance of payments of the current account surplus is positive.

ResultsPlus
Examiner Comments

2 AP = correct data for deficit and surplus Incorrect definition for deficit and surplus (no mention of balance of trade or net exports)

ResultsPlus
Examiner Tip

Candidates need to be clear and accurate in their definitions. Vague statements do not get credited, so you need to use technical vocabulary/terminology to access the full marks available.

Question 11

Candidates were asked for one impact of an increase in the rate of inflation. Most were able to explain the effect as their one knowledge mark. Many were also able to explain the effect. 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.

11 In 2024 air fryers and rice cakes were added to the UK's consumer price index (CPI) basket of goods and services. At the same time, hand hygiene gel and sofa beds were removed from this basket.

Explain **one** reason why it is necessary to regularly update the CPI basket of goods and services.

CPI is a measure of cost of basket of goods and services from base year and current year.
In 2024 air fryers and rice cakes were added to the UK's CPI. Hand hygiene gel and sofa beds were removed from this basket
The reason is consumers prefer to purchase different goods in the different period. So CPI basket of goods and services need to update annually to ensure it is ~~accurate~~ ~~accurat~~ accuracy.

ResultsPlus
Examiner Comments

1 AP = reference to air fryers 1 AN = consumers prefer to purchase different goods in the different period 1 AN = update annually 1 KN = CPI accurately measured This response gets 1K, 2AN and 1AP. Therefore, this answer attains an overall score of 4/4 marks.

ResultsPlus
Examiner Tip

Application can be found in the information provided. This allows candidates to access the mark.

11 In 2024 air fryers and rice cakes were added to the UK's consumer price index (CPI) basket of goods and services. At the same time, hand hygiene gel and sofa beds were removed from this basket.

Explain **one** reason why it is necessary to regularly update the CPI basket of goods and services.

~~CPI~~ It is necessary to regularly update the CPI basket of goods and services to ensure inflation is accurately measured 'Air fryers and rice cakes were added to the UK's CPI'

ResultsPlus
Examiner Comments

1 KN = inflation is accurately measured 1 AP = reference to air fryers

ResultsPlus
Examiner Tip

There are two marks available for analysis. Ensure that the point made is explained with a two-stage chain of reasoning.

Question 12(a)

Candidates needed to define the term inflation. Although the majority of candidates scored the maximum of 2 marks, this still indicates that a reasonable number were not able to define the term correctly. It is important to explain the key definitions clearly and accurately.

12 (a) Define the term 'inflation'.

(2)

Inflation means the price level increase over a period of a time.

ResultsPlus
Examiner Comments

This answer gets 2/2 marks. 1 KN = price level and 1 KN = increase

ResultsPlus
Examiner Tip

There are no application marks, so will not be rewarded for making any reference to the extract.

12 (a) Define the term 'inflation'.

(2)

Inflation refers the price of goods or services both increase at the period of time.

ResultsPlus
Examiner Comments

This answer gets 1/2 marks. It needs to mention price level or average prices for the second KN mark.

ResultsPlus
Examiner Tip

Candidates need to be clear in their definitions. Incomplete and inaccurate statements do not get credited.

Question 12(b)

The question required candidates to examine two

causes of the relatively high rate of inflation in the USA. Most candidates were able to identify the reasons effectively. They could gain two application marks required by effectively using Figure 1. However, many found it difficult to analyse the identified reason and were unable to get analysis marks.

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.

(b) With reference to Figure 1 and the first paragraph of Extract A, examine **two** causes of the relatively high rate of inflation in the USA.

(8)

First, high wage growth might causes the relatively high rate of inflation. When the income of people increase, the consumption of people increase and aggregate demand increase. It causes the higher inflation rate.

Second, the global price of energy may influence the higher inflation rate. When the global price of raw material rise, producers are not willing to produce and aggregate supply decrease. It causes the higher inflation rate.

Rising global prices of energy and food in 2021 - 2022.

High wage growth in 2022 - 2023.

From 2020 to 2024, the US economy annual rate of inflation rise from 2.4% to 3.9%

However, it depends on magnitude of change in global price of raw material. If change in small amount of ~~g~~ price, the inflation rate have not big change.

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Examiner Comments

1 KN = High wage growth 1 AN = Income increases, consumption increase, aggregate demand increase 1 KN = Rise in global price of energy 1 AN = Higher raw material prices, less production and decrease in AS 2 AP = From 2020-2024, US annual rate of inflation rise from 2.4% to 3.9% 2 EV = Depends on magnitude change in prices with explanation KN = 2/2; AP = 2/2; AN = 2/2; EV = 2/2

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Examiner Tip

This response gets 2K+2AN+2AP+2EV, attaining an overall score of 8/8. It covers all the knowledge, application, analysis and evaluation required for the question.

(b) With reference to Figure 1 and the first paragraph of Extract A, examine **two** causes of the relatively high rate of inflation in the USA.

(8)

high rate of inflation means a period ~~wt~~ which price level in goods and services continues high increase.

In the Figure 1, ~~there~~ the rate of inflation in 2022 is 6% in 2023 is 5.5%, it become low between 2023 and 2024 from 5.5% to 3.9%. ~~it's in~~ the rate is increase from 2021 1.5%.

In Extract A we can know US rising global prices of energy and food in 2021-2023, The country's central bank, forecast that the rate of inflation would return to the inflation target of 2% in 2024.

The price of basic source like energy and food increase ~~we~~ will lead to the produce cost increase, ~~SRAS shift~~ the producer ~~bift~~ benefit decrease, so they will decrease the produce, SRAS shift-left. At this time, the ~~Producti~~ produce decrease, the quantity of goods reduce, the price of those good and ~~servit~~ services ~~wt~~ which depend on that resource will increase. so in this period, price level increase, inflation occurs.

The central bank ~~increase~~ decrease the base rate will also cause inflation. base rate decrease, The consumer will use money to consuption, AD curve shift-right. ~~In terms of company, they will borrow money to investment, the~~ the unployment rate reduce, income increase, comsuption increase, so the inflation will occurs.

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Examiner Comments

No mark for definition of inflation 1 AP = rate of inflation in 2022 is 6% 1 AP = in 2023 it is 5.5% 1 KN = Rising global prices of energy and food 1 AN = Produce(r) cost increase, SRAS shift left No credit for reduction in base rate as it does not refer to first paragraph of Extract A. There are no evaluation points in this response. KN = 1/2; AP = 2/2; AN = 1/2; EV = 0/2

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Examiner Tip

Two marks are also reserved for evaluation in every 8-mark question, so ensure you evaluate the points you have made.

Question 12(c)

Many candidates were not able to successfully explain the term "rate of unemployment". Most were not able to define rate correctly and hence unable 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.

(c) With reference to the third paragraph of Extract A, explain the term 'rate of unemployment'.

(4)

• unemployment rate is the number of people who is not in work but activity seeking works divided by the labour force and expressed as percentage.

• "the rate of unemployment would average 4% in 2024, a little higher than the 50-year low of 3.6% in 2023"

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1 KN = formula (number unemployed / labour force) written as a sentence 1 KN = expressed as a percentage (x100) 1 AP = rate of unemployment would average 4% in 2024 1 AP = little higher than the 50-year low of 3.6% in 2023

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Examiner Tip

Four-mark questions carry two marks for knowledge and two marks for application. The application to the answer can be found from the sources provided. These need to be included to get both the application marks.

(c) With reference to the third paragraph of Extract A, explain the term 'rate of unemployment'.

(4)

The Fed believed that the rate of inflation would fall without causing a significant rise in the rate of unemployment, It forecast that the rate of unemployment ~~would~~ would ~~aver~~ average 4% in 2024, a little higher from the 50-year low of 3.6% in 2023.
So the rate of unemployment will fall.

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Examiner Comments

No credit for rate of inflation would fall without causing a significant rise in the rate of unemployment. 1 AP = rate of unemployment would average 4% in 2024 1 AP = little higher than the 50-year low of 3.6% in 2023

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Examiner Tip

It is important to know the definitions as in these 4-mark questions, there are 2 marks available for KN and two marks for AP.

Question 12(d)

This question required candidates to analyse **two** reasons why the USA's rate of economic growth increased in 2023. 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 B. It is important to recall that there are two marks for knowledge, application and analysis for a six-mark question.

(d) With reference to the first paragraph of Extract B, analyse **two** reasons why the USA's rate of economic growth increased in 2023.

(6)

Economic growth means the increase in real outputs of goods and services. With ~~extract~~ ~~to~~ reference to extract B, the USA's rate of economic growth increased from 1.9% in 2022 to 2.5% in 2023. The first ~~main~~ reason for this increase in ~~ecomic~~ economic growth is the high consumer spending on services. The second reason is ~~a~~ with the US government spending 1 trillion on infrastuture projects, more jobs were available, therefore unemployment rate decreases. and economic growth increases.

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Examiner Comments

No mark for definition of economic growth 1 AP = rate of economic growth increased from 1.9% in 2022 to 2.5% in 2023 1 KN = high consumer spending 1 KN = US government spending 1 AP = 1 trillion on infrastructure projects No linked development hence no analysis marks KN = 2/2; AP = 2/2; AN = 0/2

(d) With reference to the first paragraph of Extract B, analyse two reasons why the USA's rate of economic growth increased in 2023.

(6)

• The rate of economic growth is the rate of h~~ow much output~~ increase in the value of goods and services produced over a period of time.

• In this case, the rate of economic growth in the USA increased from 1.9% in 2022 to 2.5% in 2023, which increase by 0.6%

• The first reason is high consumer spending on services, such as hotels and travel.

• The consumer spending on services is consumption, the rise in consumption will lead to a rise in AD. Thus there will be an economic growth.

• The second reason is huge government spending on infrastracture.

• The US Government spent $1 trillion on infrastracture projects, such as roads and airports. Therefore, the costs and time of moving goods will decrease, leading to a higher productivity. This will result in a rise in LRAS, cause an economic growth.

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Examiner Comments

No mark for definition of economic growth 1 AP = economic growth increased from 1.9% in 2022 to 2.5% in 2023 0.6% not awarded as it is 0.6 percentage points 1 KN = high consumer spending 1 AP = hotels and travel 1 AN = rise in consumption will lead to a rise in AD and economic growth 1 KN = huge government spending US government spent (already awarded) 1 AP = $1 trillion on infrastructure projects Note: we have awarded 2 AP marks above; therefore, this is an additional point. 1 AN = higher productivity resulting in a rise in LRAS KN = 2/2; AP = 2/2; AN = 2/2

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Examiner Tip

This response gets 2K+2AN+2AP, attaining an overall score of 6/6. It covers all the knowledge, application and analysis required for the question. No marks are awarded for evaluation as it is not a requirement of the question, so centres should inform their students not to evaluate the 6-mark question.

Question 12(e)

Candidates needed to use the source to discuss the likely macroeconomic effects of the increase in the base rate of interest on the US economy. It is important that candidates refer to the effects and develop their analysis by focusing on those points rather than trying to cover as many effects as possible. This will allow the candidates to access the higher levels of response.

Many candidates could successfully explain impact on consumption and investment. 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, some 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. Candidates included references to magnitude of the increase. Many included time lags as an evaluative comment but were not able to successfully support this point using logical chain of reasoning. Candidates should ensure that they do this as opposed to listing a number of separate undeveloped points.

(e) With reference to the information provided and your own knowledge, discuss the likely macroeconomic effects of the increase in the base rate of interest on the US economy.

(14)

Base rate of interest means the ~~p~~ costs of borrowing and rewards for savings charged by the Central Bank.

The first likely effect is the fall in economic growth. From the case, economists forecast the rise in base interest rate from 0.25% in March 2022 to 5.5% in July 2023 will lead to a slow down in economic growth in 2024. If the base interest rate rises, the cost of borrowing and rewards for savings will be higher, so consumers tend to saving money and decrease consumption. Hence the saving increases and consumption falls. It will lead to the fall in aggregate demand. Therefore, the economic growth will slow down.

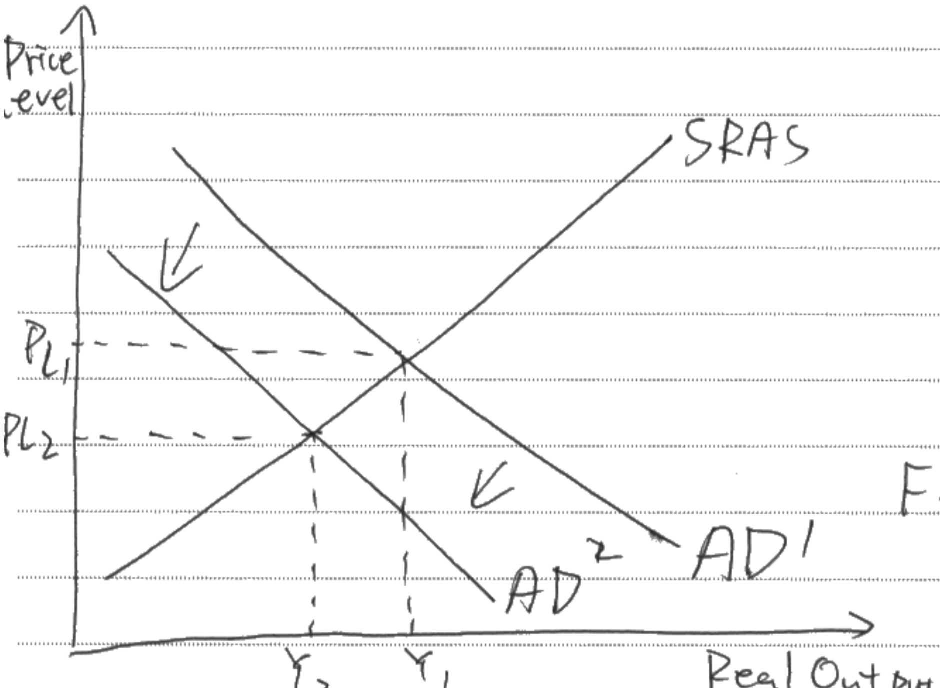

Figure 1.

In the Figure 1, if the consumption falls, then AD will Shifts to the left from AD1 to AD2. Then the real Output will fall from Y1 to Y2, so it leads to the fall in economic growth.

However, the wage ~~grows in~~ growth from 2022 to 2023 is high, so the consumption and investment may not decrease. From Extract A, there's a high wage growth in 2022 to 2023 in the USA economy. High wages may lead to the high disposable income, so their consumer confidence may increase, which will lead to the rise in consumption. Therefore economic growth may not fall or may increase due to the rise in consumption.

The second likely effect is unemployment rate may increase. From the case, it is forecasted that unemployment rate woulde be a little higher in 2024 than its 50-year low of 3.6% in 2022, and it ~~migt~~ might average 4%. If interest rate rises, then the costs of borrowing and reward for saving increase. Then the cost of investment might increase. As a result, the ~~inet~~ investment for the capital in the firms, like machinery and facility will fall. Then the firms may not produce enough output and sales volume may fall. Hence the firms do not need so many employeees, so the firms decrease the number of workers. Therefore unemployment rate rise.

However, the unemployment rate may not rise since The US Government spent money on infrastructure. From the case, ~~Govern~~ US Government spent $ 1 trillion on infrastructure which creates new jobs. And many economists were optimistic that the US economy would stabilise without causing any major job losses. If the infrastructure need many workers to develop, then the unemployment rate would fall since they can get a job.

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Examiner Comments

P1: KAA Definition L1 P2: KAA Chains of reasoning explaining how change in interest rate impacts economics growth with data and integrated diagram L3 Diagram: Fully correct L2+ P3: Eval – Impact of high wages on consumer confidence and consumption with clear application to extract E3 P4: KAA Development of impact of interest rate increase on investment and employment with context L3 P5: Eval – government action may create jobs with integrated context from the extract E3 KAA: L3 L2+ L3 EV: E3 E3 8+6=14 NB: take best two points

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Examiner Tip

This is a strong answer which attains the highest level for both KAA and EV. It meets all the assessment objectives and integrates application well. Consistent contextualisation of arguments has given this response the highest marks.

(e) With reference to the information provided and your own knowledge, discuss the likely macroeconomic effects of the increase in the base rate of interest on the US economy.

(14)

~~Base interest rate is the rate changed central banks~~

Base interest rate is the rate that commertial banks borrow money from central banks over night. USA ~~g~~ central bank increased base interest rate from 0.25% to 5.5% between March 2022 and July 2023. This essay will explain the macroeconomic effects.

First, ~~redu~~ increasing base interest rate can reduce the rate of inflation. When central bank increased the base interest rate, ~~a~~ American citizens can get more profit per year if they save the money in commertial banks. They ~~ar~~ were willing to increase savings not to ~~co~~ increases consumption. ~~The aggregate demand~~ Also, firms needs to pay more money to borrow money from banks. A lot of firms will stop to borrow money or reduce the investment. The aggregate demand decreases. The price level decreases. Reduce the rate of inflation.

Second, increasing base interest rate can increase the import. When USA' central bank increased its base interest rate, foreigners want to save money in American banks. They will exchenge their money to ~~its~~ US dollar. The exchange rate increases. The products from other countries became cheaper for people in USA. It may ~~propum~~ promote the value of import. ~~Factory~~ Factories can purchase raw ~~ma~~ materials at a low price.

However, magnitude is important. If magnitude is small, it will not affect economy obviously. ~~It magnit~~ ~~Increasing~~ American central bank increased the base interest rate from 0.25% to 5.5%, which has a large magnitude. It can positively affect the high rate of inflation. Also, increasing exchange rate will reduce the value of exports, which will cause current account deficit.

ResultsPlus
Examiner Comments

KAA: P1: KAA Definition L1; Data L1- P2: KAA some chains of reasoning explaining how change in interest rate impacts C and inflation. No context. L2 End of P2: KAA some chains of reasoning explaining how change in interest rate impacts I and inflation. No context. L2 P3: KAA Chains of reasoning explaining how change in interest rate impacts the exchange rate and imports. No context. L2+ EVAL: P4: Eval - Significance of magnitude with data and impact on inflation E2 P4: KAA - Impact on export value and current account deficit L1 KAA: L2 L2 L2+ EV: E2 6+3=9

Question 13

This question asked candidates to evaluate supply-side policies that could be used to increase the rate of employment. 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 policies, especially government spending on education and infrastructure. 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.

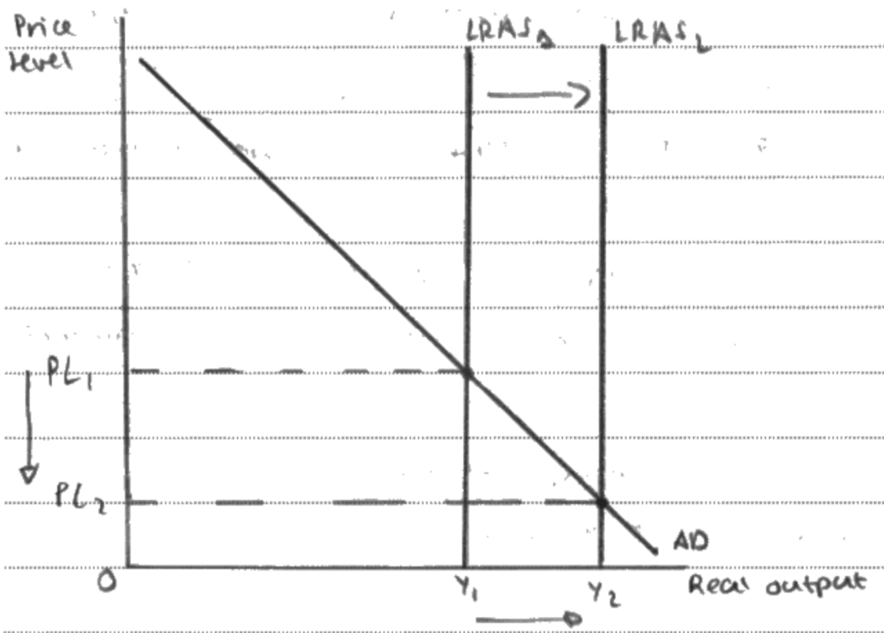
Evaluation included an attempt to discuss the short run versus long run impact and the magnitude of the change in economic growth. These were underdeveloped and did not contain many stages of arguments. Those who listed evaluation points achieved Level 1.

Chosen question number: **Question 13** ☒ **Question 14** ☐

Write your answer here:

Supply-side policies aim to maximise productivity and efficiency in an economy, the correct market failures. In this case, ~~[illegible]~~ Colombia had a decrease from 58.6% to 55.3% on the rate of employment between July 2023 and January 2024. The rate of employment is the proportion of people that are able to work, that are actually working. India is going to be my referred country.

FIG. 1



An interventionist supply-side policy that the Indian government could implement is investment in infrastructure improvements. By improving infrastructure, roads and buildings are going to be better, therefore transportation is going to be easier for businesses. There will also have easier access to suppliers, which could attract FDI and set up new training programmes, improving ~~and~~ the labour workforce skills, making the workforce prepared for jobs. Moreover, the jobs opportunities will increase as ~~people is needed for construction~~ Indian citizens are going to be needed to work in construction sites and industries related to it. Increasing the rate of employment and productivity. This will shift the LRAS to the right as shown in FIG. 1.

However,

Another interventionist supply-side policy that could be implemented is finance for start-ups. Start-ups are the big companies of the future, so if the Indian government is investing in making them grow, the process would be accelerated and job opportunities would be created rapidly.

Another interventionist supply-side policy that could be implemented is investment on education programmes. By making Indian citizens have ~~an education~~ access to a better education will make them better prepared and skilled ~~to~~ for the future job they will have. This increases the size of well-prepared Indian labour workforce.

However, for the investments listed above to have an effect, lots of money has to be invested on them. Therefore an opportunity cost will happen. Here the Indian government has to make a decision on where to invest its money. Maybe ~~the~~ India is suffering from a health crisis and investment on healthcare is a more rational choice as it can prevent sick leaves payments if any illnesses develop.

Another problem with these investments is the time-lag between the investment and when the full effect happens. As these are interventionist policies, if a more right-wing political party gets elected its ideals will change, leading to the stop of the ~~project~~ planned projects. If this happens, there will just have been a waste of resources. ~~Adding on~~

Adding on, spending huge amounts of money investing in country ~~&~~ and the long time taken for the full effect to kick in, does not guarantee that the project will be ~~[illegible]~~ ~~[illegible]~~ efficient.

ResultsPlus
Examiner Comments

KAA: P1: Definition (definition of SSP and rate of employment) L1; Data L1- Diagram: Fully correct L2+ P2: Infrastructure improvements – developed chains of reasoning, linking better roads to impact on businesses and FDI and how it will increase employment with integration of diagram. Impact of construction on employment: implicit application L4- P3: Finance for startups - limited development linking to job opportunities L2 P4: Education – some developed chains of reasoning linking improvements in education to better skilled for future jobs increasing employment L2+ EVAL: P5: Impact on government budget and opportunity cost, other objectives may be prioritised over increasing employment, lacking application E2+ P5: Time lags – development that other political parties may reverse the decision to increase spending on SSP E2+ P6: Policy may not be effective despite expenditure – identification of point E1 KAA: L4- L2 L2+ EV: L2+ L2+ 8+6=14 NB: take best two points

ResultsPlus
Examiner Tip

Focus on fully developing only two KAA and two EV points to maximise chances of attaining the top end of higher levels. The depth of arguments is equally important as having breadth to answers.

Chosen question number: **Question 13** ☒ **Question 14** ☒

Write your answer here:

Between July 2023 and January 2024, the rate of government in Colombia decreased from 58.6% to 53.3%. The supply-side policies is the ~~policy~~ policies can increase the potential ~~s~~ productivity and incentive to the market.

~~The~~ One of the supply-side policies is investment in infrastrue products like ~~good~~ transportations. Investment in the ~~infrastu~~ infrastrue will provide lots of new jobs to construct roads ~~s~~, bridges and so on. For example, ~~At In~~ During 2005~2020, ~~Chinese~~ government of China invest lots of money in the infrastrue like high-rail ~~r~~ way, subway, ~~brig~~ bridges. ~~It leads~~ ~~It~~ Lots of workers which have low education ~~back grow~~ background ~~will~~ may have jobs. ~~Also, it leads ** the productivity cost of production decrease, the efficiency of work increased~~

The finance ~~sur~~ support to star-up firms is also the supply-side ~~polic policys pl~~ policy. Finance support on star-up ~~ea~~ firms may help them remain in the market. When the firms get profit ~~and open operee opren~~ and the scale become larger. They employed more and more people for work. It creates the work jobs.

Privatation is also a good choice. Privatation means government sell company to private sector. Privatation ~~will~~ lead the ~~company~~ company more competitive and can get more profit. So it will create the jobs and increase the rate of employment.

Decreasing welfare payments is a supply-side policy. Decreasing the welfare ~~paymen~~ payment to unemployed lead them ~~more~~ to find job actively. Because the welfare they gained decreased it cannot satisfy their wants. So the unemployment rate decreased the rate of employement increased.

~~Redu~~ However, the ~~finan~~ finanical support to star-up company ~~may spend lots of mo~~ cost and investment on infrastructure may cost lots of money. And the government budget may ~~defi~~ deficits. It had opportunity cost on other industry.

And lots of payment on infrastructure may not have effects immediately. So it cannot increase the rate rate of employment immediately.

~~This ca~~ It may lead ~~the environment~~ the detoriation of environment.

The policies may not have impact on the rate of employment

KAA: P1: Data L1-; Definition of SSP L1 P2: Infrastructure – some developed chains of reasoning, linking construction to higher employment with application to China L3- P3: Finance for startups - some development linking increasing size to job opportunities L2- P4: Privatisation - limited development linking to jobs L2- P7: Reduced welfare payments L2- EVAL: P8: Government budget E2- and Opportunity cost E1 P9: Time lag E1 P10: Impact on other objectives – identification of environment E1- KAA: L3- (L2- x 3) EV: E1+ (E1 x 2) E1- 6+3=9 NB: take best two points

Question 14

This question asked candidates to evaluate the limitations of using GDP data to compare living standards between countries. 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 limitations on income inequality and informal economy. 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.

Evaluative comments were not very well written. Some offered benefits of using GDP. For points that were quite generic and did not have any chains of reasoning, these did not achieve more than Level 1.

Chosen question number: **Question 13** ☒ **Question 14** ☒

Write your answer here:

Many countries around the world use GDP data to compare living standards. However, there are several limitations of using GDP data to compare.

The first limitation is income distribution is ignored. According to case, the nominal GDP of Egypt is much higher than the nominal GDP of Fiji, and the number of people in Fiji is 924 thousand, and the number of people in Eygpt is 116 million. It means that the people in Eygpt is much higher than people in Fiji. Then, there was more value of wealth in smaller number of people in ~~Egypt~~. Eygpt. This result in an income inequality issue in Eygpt. This means that some people's income may not as high as shown in GDP data. So using GDP data to compare living standards between countries may not be accurate.

However, use GDP data to compare living standards ~~wou~~ have benefits. Since GDP data is a standard data around the world, and GDP analysis is fundamental macroeconomic data for policymakers to make new policies in Eygpt or Fiji. Thus, every country use GDP data to measure the living standard and compare with other countries that can eliminate various differences between different measure methods using. Then, it can improve equality of comparing living standards between countries.

The second limitation is different countries' GDP have ~~differences~~ different composition. The biggest component of Fiji's GDP is tourism. For example, Hilton Hotel business invest much money on Fiji's hotels. In 2022, there was a global health crisis — COVID-19 around the world, the demand for ~~Fe~~ Fiji's tourism fell significantly, this result in a rapid fell in Fiji's GDP. But this isnot means that the living standard of Fiji's resisdents had a huge impact. In contrast, the component of Eygpt's GDP is more diversified such as tourism, infrastructure, exports, etc. ~~Althout~~ It means that although the GDP of Eygpt increase, it may not all industries had growth. Thus, Eygptian people's living standard fell. So the change in GDP cannot show the change in living standard directly.

However, the GDP data is internationally recognised. It ~~had~~ is high reliable method for countries. It means that every country use

GDP to measure the living standard. Countries may add some other data or ways to improve the accuracy of measuring living standards. Then, policymakers using these combination data to do comparison, Thus, GDP data would be the main indicator ~~is~~ in comparing living standards ~~is~~ between countries.

In conclusion, using GDP data to compare living standard between ~~&~~ Countries had several limitations such as ignored income distribution, size of population and differences in composition of GDP. Nevertheless, countries can add other income data or surveys to improve the accuracy of comparing living standards between countries. But GDP data would be the fundamental analysis and main indicator.

ResultsPlus
Examiner Comments

KAA: P1: Income distribution, some context with Egypt. Compares this to Fiji and then develops L3- P3: Difference between economies. Fiji is mainly tourism based, lost due to COVID 19, Egypt more diverse including exports and infrastructure. Even if one industry increased living standards L3- P3: Inequality discussed with data. This develops a little into discussion around geographical inequality. L2+ EVAL: P2: GDP is universal, allows policies to be created, differences can be removed to make a better tool. E2+ P4: As GDP is universal they could combine this with other data to create policies. Hence GDP is the main tool E2+ KAA: L3- L3- = 7 EV: E2+ E2+ = 6 7 + 6 = 13 NB: take best two points

ResultsPlus
Examiner Tip

Centres should ensure candidates focus on developing only two points by adding multi-stage chains of reasoning and in context. Evaluation of these two analysis points should also carry depth to access the higher levels. There is a lot of breadth to answers and this limits the ability of candidates to develop their arguments.

Chosen question number: **Question 13** ☐ **Question 14** ☒

Write your answer here:

GDP is the total market ~~value~~ value of good and services produced within a country over a period of time. For example, in 2022 norminal GDP was $5 billion for Fiji. Although GDP is ~~a~~ the global standard to measure the living standards, it ~~a~~ also have some limition like the uncorrect data. The eassay evaluate the ~~limition~~ limitations of using ~~GR~~ GDP data to compare living standards from different factors.

Firstly, the government may not update the GDP ~~date tin for~~ data timely. For example, there are ~~$3385 in~~ $477 billion GDP for Egypt. This GDP may ~~a~~ not include the rapaidly developed firms or factors. And in developing countries, the high GDP in there ~~because of the~~ may because of the population increased, not the real GDP. Even some government will give the ~~fat false~~ false data of GDP.

Secondly, the GDP will cover the inequally in income of different place in country. For example, there are $3385 billion for india, but it may not the actual data for all the country. There are high GDP in the capital city because of its advance technology. But in some far and ~~por~~ poor village, the income are ~~to~~ very low. But the total GDP also high in India. So it will cover the inequally in income of different places.

However, GDP is also the ~~standard to~~ global standard to measure the living standard. For example, all of the country use GDP in the earth. It is the useful, scientifical and necessary tool for government in ~~our~~ country to make some policy ~~to~~ based on GDP. So GDP

~~It~~ is a great tool that the country cannot lack of.

What's more, ~~I~~ GDP can also promote the ~~compared the co competitive~~ compatitive between ~~st~~ countries. ~~Contro Con~~ Countries can compared with ~~a~~ other countries. and they may have some ~~informote~~ information like innovation. That lead to the development of society and ~~techo~~ technology, ~~that to~~ people's livingstandard will increase and promote the economic growth.

In summary, although GDP has some limitation like covered the inequally in income. it also the global standard to measure the people's living standard in different countries

ResultsPlus
Examiner Comments

KAA: P1: Definition (definition of SSP and rate of employment) L1; Data L1- P2: Links to inaccurate data due to government not updating. Some data use but not particularly developed. L1 for identification P3: Inequality discussed with data. This develops a little into discussion around geographical inequality. L3- EVAL: P4: GDP is useful as all countries have this as a measure. Allows for policy decisions. E2- P5: Idea of links between countries but not developed. E1 KAA: L3- L1 EV: E2- 5+4 = 9 NB: take best two points

Paper Summary

Based on their performance on this paper, candidates and centres are offered the following advice:

- 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.

Grade boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link: https://qualifications.pearson.com/en/support/support-topics/results-certification/grade-boundaries.html

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