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Examiners' Report October 2025

Pearson Edexcel International Advanced Level in Economics (WEC12/01A)

Unit 2: Macroeconomic performance and policy

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General comments

This is the October series for assessment of WEC12/01A: Macroeconomic performance and policy. There were over 1400 entries for this unit.

Section A

In this multiple-choice section, learners performed best on question 1 (consequences of an output gap) and least well on the calculation questions (question 4: calculation of the rise in GDP given an increase in spending on education, question 5: calculation of a percentage point change, and question 6: calculation of an index number). The use and manipulation of numerical data is an integral part of this specification and centres are advised to apply quantitative skills at regular intervals throughout the taught course.

Section B

In this short-answer section, learners were able to access application marks on most questions but found the knowledge and analysis marks more difficult to obtain. This was most notable in question 7 (the effects of inflation), question 8 (the effects of an increase in the savings ratio) and question 10 (explaining the reserve asset requirement).

7: Most learners were able to score the one application mark for stating the trend in the inflation data of Bulgaria. Many learners were able to identify an effect of rising inflation but some did not fully explain how the identified effect arose through detailed analysis.

8: Most learners were able to score the one application mark for identifying the trend in the savings ratio in Germany and the knowledge mark for defining the savings ratio. However, a many learners failed to link the rise in the savings ratio to the circular flow of income. This meant that they were restricted in their ability to score the two marks that were available for analysis. This is an area which needs further attention from centres.

9: Most learners understood how to calculate GDP per capita and correctly did the calculations for the two years identified in the question. However, a some did not work out the change between the two years as required by the question. Several learners also stated the wrong units on their workings.

10: Many learners were uncertain about how to approach this question despite scoring the two available application marks. There was certainly a significant misunderstanding of the definition of the term 'reserve asset requirement'; this therefore needs further attention from centres.

11: Most learners answered this question well, showing a large, well-labelled AD/LRAS diagram with the correct shift of the LRAS curve to the left associated with a fall in productivity.

Section C

The data response section was based around the economic challenges facing Kenya, focusing on the macroeconomic effects of climate change, inflation and unemployment. The questions were based on information provided in the source booklet.

12a: Most learners were able to identify the term 'underemployment' and were able to give an example of when it might occur to gain the two knowledge marks on offer.

12b: This question required an explanation of the difference between inflation and disinflation. Two relevant pieces of data were required to attain the two application marks. The most learners correctly defined both terms and were able to use the data correctly to score full marks.

12c: Most learners were able to correctly identify two effects of climate change on the economy of Kenya with good use of the extract provided. Additionally they were able to refer to the data to exemplify their answer. However, a sinificant number of learners were unable to develop their points fully to score the available analysis marks. A common error was to link a fall in exports to a balance of payments deficit. The correct analysis should link the fall in exports to a balance of trade deficit or a current account deficit. Many learners scored one evaluation mark for using the data to identify that the Kenyan government was investing in irrigation systems, clean energy and drought resistant crops; however, this was rarely developed to gain the second evaluation mark.

12d: This question tested learners' knowledge and understanding of the transmission mechanism of deflationary monetary policy. It also required reference to both Figure 1 and Extract B to score both application marks. Many learners scored full marks providing clear answers with good use of economic terminology. Even though it was not an explicit requirement of the question, learners used an AD/AS diagram to assist in their analysis; these were appropriately rewarded. Marks were often lost by not referring to both Figure 1 and Extract B, which was a requirement of the question.

12e: Many learners made effective use of the information provided and discussed relevant supply-side policies to reduce the level of unemployment. However, a majority of learners did not fully develop their answers to discuss how their chosen policies would reduce the level of structural unemployment as this was the focus of the question. The very best responses integrated AD/AS analysis into their answers and evaluated the policies that they had outlined in their analysis. Weaker responses gave generic evaluation points which were not focused on the policies that they had identified.

Section D

Learners had the opportunity to choose one out of two essay questions. Question 13 (the benefits of economic growth) was significantly more popular than question 14 (conflicts between inflation and unemployment). Both questions offered good opportunities for learners to differentiate themselves and showcase their skills of analysis and evaluation.

Learners' knowledge of relevant economic concepts was generally sound in both questions, but they often struggled to apply them by referring to a named country, as requested in the question. This meant that most learners failed to access the highest mark level. As in question 7e, answers often lacked a fully developed chain of reasoning. Too many learners focused their explanations on several points which meant that they did not have time to develop them. Some learners drew appropriate and accurate diagram(s) and incorporated them into their answer with sound analysis.

Evaluative comments were often made and, whilst some offered supporting evidence and were linked to the context, many learners were unable to offer developed chains of reasoning. Often evaluation was limited to one or two generic sentences.

Answering the exact question asked, integrating their own knowledge of named countries, with analysis and strong evaluation, continue to remain the key ways to score the highest marks.

Comments on individual questions

Section A

Question 1

This question concerned the identification of a factor associated with a negative output gap. The correct answer was option C: a high rate of unemployment. A negative output gap is associated with actual real GDP being less than potential real GDP. All the other options were associated with an economy where the economy is growing at its trend rate or higher.

Question 2

This question tested learners' understanding of possible causes of a rising current account deficit. The correct answer was option B: an increase in expenditure on imports. All the other options would cause a rise in export revenue or a fall in import revenue.

Question 3

This question tested learners' understanding of possible causes of a fall in aggregate demand. The correct answer was option D: an increase in interest rates. All other options would lead to a rise in the level of aggregate demand.

Question 4

This was the first of three questions that tested learners' quantitative skills. Learners were given the marginal propensity to consume and asked to calculate the final increase in GDP given a rise in government spending. The correct answer was option D. This could be worked out by finding the multiplier (1/(1-mpc)) and then multiplying that by the increase in government spending.

Question 5

There seems to be some confusion amongst learners about the difference between percentage changes and percentage point changes. This is something centres need to spend time on in their future teaching. The data showed that unemployment increased from 3.9% to 4.3% - an increase of 0.4 percentage points, so the correct answer was option A.

Question 6

The final question in this section tested learners' ability to calculate an index number with the base year of 2022. Learners need to work out the percentage change in the GDP of Peru in 2021, starting from 2022. GDP was 8.2% lower in 2021 than in 2022. Therefore 8.2% needs to be subtracted from the base of 100. This gives the correct answer of option B: 91.8. Learners need to remember that index numbers do not have any units.

Section B

Question 7

Most learners were able to access the knowledge mark and the application mark. The most common answers identified a fall in real incomes and a fall in economic growth as a consequence of rising inflation. A minority of learners omitted the percentage sign from their identification of the change in the level of inflation so did not score the application mark. Many were unable to explain their identified impact further and therefore were limited to a maximum of one analysis mark.

Question 8

In a question that asks for reference to the circular flow of income, it is vital that learners refer to leakages/withdrawals and injections into an economy. Many learners failed to do this. A rise in the savings ratio will increase the withdrawals from an economy so the amount of money in the circular flow would decrease. This will lead, ceteris paribus, to a fall in GDP. As in question 7, some learners stated that the savings ratio increased by 0.8% when it actually increased by 0.8 percentage points.

Question 9

Many learners were able to correctly calculate GDP per capita in 2021 and 2023 and then went on to calculate the change in the two values (as required by the question). However, a minority missed out this last calculation so it is vital that learners read the question fully. Some learners incorrectly added 'billion' to their final answer so could not achieve the final application mark.

Question 10

This was a new topic of assessment in this session and many learners did not fully understand the term 'reserve asset requirement'. Although most picked up the application marks by using the data appropriately, centres do need to spend time on ensuring that all aspects of the specification are covered in their teaching.

Question 11

This question was, on the whole, well answered. Learners used the data in the question to draw an AD/LRAS diagram showing the LRAS curve shifting to the left. They then marked on a higher average price level and a lower level of real GDP. The majority of diagrams were large and had appropriate labelling of both axes and the curves. However, a few learners are still unsure about the difference between the SRAS and the LRAS curve.

Section C

Question 12a

Learners needed to define the term 'underemployment'. Most learners could do this. They correctly referred to those workers who are currently in employment but who are either not using their human capital/skills/experience to their fullest or who are working less hours than they wish to. It is important to explain all definitions clearly and accurately throughout the whole examination paper.

Question 12b

Many learners were able to successfully explain the difference between inflation and disinflation. The data showed that there was inflation throughout the period show in the data, but that the rate of inflation was declining throughout the period. Most learners were able to accurately use the data to apply the two terms.

Question 12c

The question required learners to examine two likely effects of climate change on the economy of Kenya. For eight-mark questions, it is important to remember that there are two marks available for each of knowledge, application, analysis and evaluation.

Most learners were able to effectively able to identify the effects, making appropriate data references using the source material. Learners tended to focus on the fact that climate change would make it harder to grow crops, reducing agricultural output. However, many found it difficult to analyse each point effectively so limited their score for analysis. Many learners failed to provide any evaluative comments to this question; those that did tended to rewrite content from the extract and not provide any further chains of reasoning.

Question 12d

This question required learners to analyse the impact of an increase in the base rate of interest on the rate of inflation in Kenya. Many learners were well-versed in the transmission mechanism of monetary policy. They identified that consumption would fall, savings would rise, investment would fall, the exchange rate would rise and the price of assets, such as housing, would fall. The very best answers then went onto explain how their identified changed would impact on inflation. Many used AD/AS analysis to help their arguments. However, the question did require a data reference to both Extract B and Figure 1. Despite their excellent analysis, a significant number of learners did not refer to Extract 1 so could not score full marks. It is vital that learners read the question fully to understand its specific requirements.

Question 12e

Learners needed to use the source to discuss supply-side policies that could be used to reduce structural unemployment in Kenya. It is important that learners refer to just two policies and develop their analysis by focusing on those points rather than trying to cover as many policies as possible. This will allow learners to access the higher levels of KAA.

The most commonly identified policies were interventionist policies: higher government spending on education and/or training such as the Youth Development Fund, infrastructure enhancements to make it easier for Kenyans to move around and subsidies for businesses to increase employment in areas with job shortages. However, a significant number of learners discussed how these policies would reduce unemployment, rather than structural unemployment which was the focus of the question. This meant that they could not access the highest mark band.

Evaluation points needed to be focused on the policies that were identified. In a question such as this, it is good practice to evaluate each policy after analysing it, rather than leaving all the evaluation till the end of the answer. As with the analysis, learners should ensure that they only make two developed evaluative paragraphs, rather than a number of separate undeveloped points.

Section D

Learners often make a number of valid separate points but do not develop a coherent chain of reasoning. The best answers will have two analysis points which are fully developed, rather than covering as many points in less detail. Many responses did not include any form of contextual reference and therefore could not achieve the highest mark band. Context can be from the stem provided in the question and/or from other examples that have been studied. Simply writing a country name in the answer does not merit as context.

Where a diagram is used, learners need to ensure that it is large and has all the appropriate labels on the axes and curves.

For evaluation, learners should provide a partially developed chain of reasoning to attain at least Level 2. Writing a list of points will only give learners access to Level 1.

Question 13

This question asked learners to evaluate whether the benefits of economic growth always outweigh the costs. To access Level 4 for KAA, learners needed to refer to a country of their choice in their answer to provide context for their analysis.

Most learners were able to analyse at least two benefits of economic growth. The most common points mentioned were lower unemployment, increased tax revenue for the government and increased incomes for consumers leading to rising living standards. Many learners only provided a very simple two-stage analysis and were therefore unable to explain their points fully. This meant that they were unable to access Level 3 for KAA. Those who identified a range of benefits, without any linked development, were only able to access Level 1 for KAA. As always, appropriate macroeconomic diagrammatic analysis is encouraged.

Evaluation was reasonably well done focusing on possible environmental costs and inflation. Some learners also discussed possible time lags associated with growth and whether the size of the growth would actually have any negative impacts. As with the analysis, those who listed costs achieved only Level 1. To score highly, learners need to develop their arguments using several chains of reasoning.

Question 14

This question asked learners to evaluate the possible conflict that may exist between achieving a low rate of inflation and a low rate of unemployment. To access Level 4 for KAA, learners were required to include application in their answer by referring to a country of their choice.

Many learners successfully provided a Phillips Curve and/or an AD/AS diagram to enhance their analysis. They identified that falling unemployment would lead to demand-pull inflation through rising consumer spending. They continued to say that inflation would lead to higher production costs for businesses which would also get passed onto consumers in the form of higher prices. Some learners correctly suggested that Central Banks may increase interest rates in response to rising inflation; this would have the effect of slowing down the level of aggregate demand and causing a fall in employment/rise in unemployment. Many answers demonstrated some chains of reasoning, but they were not always fully developed or had some key stages omitted.

However, a significant number of learners misread the question and analysed all the policy conflicts that they could think of. These received no credit at all as they were not answering the question.

Evaluative comments tended to be not well written. The best responses suggested that low unemployment and low inflation could exist at the same time if the government focused on supply-side policies. These learners often drew an appropriate AD/LRAS diagram showing the LRAS curve shifting to the right. Others suggested that the impact on inflation and unemployment of Central Bank or government policy depended on the size of the output gap. As with question 13, there were many generic points made with no chains of reasoning; these 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).
- Learners must read all questions carefully, and make sure that they have addressed all parts of a question in their response. This is of vital importance when referring to appropriate data to score all the application marks available.
- Learners must draw accurate, appropriate, legible and labelled diagrams to support their arguments, even if not specifically asked for in the question. This always helps add depth to arguments.
- Learners should make full use of previous examination papers, mark schemes and especially Principal Examiner reports.
- Learners need to ensure that they have a plan of how they are going to allocate their time before starting the examination. This will ensure that all parts of the question paper are given due consideration.

Section B

- For diagram-based questions, all marks can be achieved through a diagram - no written explanation is required. For calculation-based questions, all marks can be achieved through working out the right answer; however, all working should always be shown. For questions where a text response is required, learners should focus on identifying one point and developing it. Giving a list of points will only give one knowledge mark and no analysis marks.

Section C

- Learners should refer to the relevant extracts but should not copy them word-for-word into their answers. Brief quotations are acceptable but, in themselves, will not achieve higher level marks.
- The 4- and 6-mark questions do not require evaluation, so learners should ensure that they do not do this and use the time given to them effectively to answer the rest of the questions as fully as possible.
- The 14-mark question requires learners to develop a chain of reasoning by analysing two points in depth. Covering a lot of points in a superficial way will limit the mark to a low Level 2, at best. Analysis needs to be contextualised by using relevant source information and appropriate examples, where possible.

Section D

- Learners are encouraged to have a clear structure to their answers, analysing two points in detail. They must avoid writing essays in bullet points or in prose without any paragraphs. There should be a clear distinction between their analysis and evaluation points. It is recommended that the evaluation of a point follows the analysis point.
- The nature of essay questions means that learners should draw on their knowledge that they have accumulated throughout their course, and on their ability to apply that knowledge directly to the question.