Pearson

Mark Scheme (Results)

October 2025

International Advanced Level in Economics
WEC12/01A
Unit 2: Macroeconomic performance and policy

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications are awarded by Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at www.edexcel.com or www.btec.co.uk. Alternatively, you can get in touch with us using the details on our contact us page at www.edexcel.com/contactus

Pearson: helping people progress, everywhere

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at:

www.pearson.com/uk

October 2025
Question Paper Log Number P87428A
Publication Code unit_paper_2510_MS
All the material in this publication is copyright
© Pearson Education Ltd 2025

General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Section A

Question	Quantitative skills assessed	Answer	Mark
1	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** **A** is not correct as aggregate demand is likely to be low with a negative output gap **B** is not correct as tax revenues are likely to fall with a negative output gap **D** is not correct as the level of investment is likely to be low with a negative output gap	**(1)**
2	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** **A** is not correct as export revenue is likely to have fallen **C** is not correct as a fall in the exchange rate is likely to have improved the current account balance **D** is not correct as a fall in consumer real incomes will decrease demand for imports	**(1)**
3	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** **A** is not correct as an increase in business confidence is most likely to increase AD **B** is not correct as an increase in house prices is most likely to increase AD **C** is not correct as an increase in net exports is most likely to increase AD	**(1)**
4	**QS1:** Calculate, use and understand ratios and fractions **QS9** Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** **A** is not correct as the incorrect formula has been used (0.4 x 2.5) **B** is not correct as the incorrect formula has been used (0.6 x 2.5) **C** is not correct as the incorrect formula has been used (2.5 / 0.6)	**(1)**

5	**QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** **B** is not correct as the incorrect formula has been used (4.3/3.9) **C** is not correct as the incorrect formula has been used (4.3-3.9/4.3) x 100 **D** is not correct as the incorrect formula has been used (4.3-3.9/3.9) x 100	**(1)**
6	**QS5**: Calculate and interpret index numbers **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** **A** is not correct as the incorrect formula has been used (226.3/267.5 x 100) **C** is not correct as the incorrect formula has been used (246.4/226.3 x 100) **D** is not correct as the incorrect formula has been used (267.5/226.3 x 100)	**(1)**

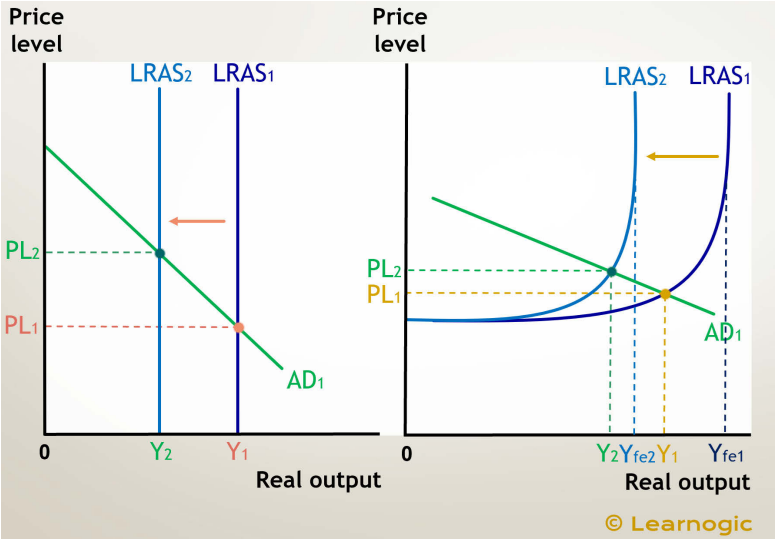
Section B

Question	With reference to the chart, explain one likely effect of inflation in Bulgaria.	Mark
7	**Knowledge 1, Analysis 2, Application 1** **Quantitative skills assessed:** **QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and Analysis** 1 knowledge mark for identifying one likely effect of rising inflation and up to two marks for linked analysis. E.g.: • Increased income inequality **(K)** for those who have fixed incomes **(AN)** reducing purchasing power, leading to reduced living standards **(AN)** • Fall in international competitiveness **(K)** as price of Bulgaria's exports may rise more than the price of other countries' goods **(AN)** leading to a worsening current account on the balance of payments **(AN)** • Fall in real incomes **(K)** leading to lower consumer confidence/decrease in purchasing power **(AN)** and therefore reducing living standards **(AN)** • Fall in economic growth **(K)** due to greater uncertainty **(AN)** which reduces business investment **(AN)** • Fall in the real value of savings **(K)** the purchasing power of savings falls **(AN)** which reduces how much savers can buy **(AN)** • Fall in unemployment **(K)**. Rising prices are often caused by higher aggregate demand **(AN)**. Firms may respond by hiring more workers, reducing unemployment **(AN)** **Application** One mark for appropriate use of chart e.g.: • For identifying an overall increase in the rate of inflation/ Between Sep 2024 and Mar 2025 the rate of inflation in Bulgaria increased from 1.2% to 4.0%/ The rate of inflation increased by 2.8 percentage points **(1)**	**(4)**

Question	With reference to the chart, explain one likely effect of this trend in the savings ratio on the circular flow of income in Germany.	Mark
8	**Knowledge 1 Analysis 2 Application 1** **Quantitative skills assessed:** **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge** 1 mark for defining circular flow of income, e.g., • A model showing how money flows between households and firms in an economy / Reference to leakages and injections/ A diagram showing the circular flow of income **(1)** *OR* 1 mark for defining savings ratio, e.g., • The proportion of disposable income that is saved / Savings/disposable income x 100 **(1)** **Analysis** Up to 2 marks for explaining the effect on the circular flow of income, e.g., • Savings are a withdrawal from the circular flow of income **(1)** • The flow of money in the circular flow of income would decrease **(1)** • An increase in the savings ratio results in a rise in withdrawals/fall in national income/GDP **(1)** • This may cause a fall in the value of multiplier **(1)** **Application** 1 mark for appropriate use of chart, e.g., • The savings ratio increased in Germany / In Q3 2023 the savings ratio was approximately 19.5% / In Q3 2024, the savings ratio was approximately 20.3%/ An increase of 0.8 percentage points **(1)**	**(4)**

Question	With reference to the table calculate the change in GDP per capita between 2021 and 2023. Show your workings.	Mark
9	**Knowledge 1, Application 3** **Quantitative skills assessed:** **QS1:** Calculate, use and understand ratios and fractions. **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** 1 mark for correct definition/formula/implicit understanding, e.g.: • GDP per capita is the value of a country's goods and services produced in a year divided by the size of the population/ GDP/population **(1)** **Application** Up to 3 marks for use of the data in calculation from the following, e.g.: • 2021 GDP per capita: $1609.6 bn / 0.2136 bn = $7 535.6 **(1)** • 2023 GDP per capita: $1 892.4 bn /0.2197 bn = $8 613.6 **(1)** • Change: $8 613.6 - $7 535.6 = $1 078 **(1)** **NB Award full marks for the correct answer ($1 078/14.3%)** **NB Units ($) not required for full marks** **NB Award full marks for range: $1 077 to $1 080**	**(4)**

Question	In September 2024, The Central Bank of China (The People's Bank of China) reduced the reserve asset (liquidity) requirement by 0.5 percentage points from 6.6%. With reference to the data, explain what is meant by the reserve asset (liquidity) requirement.	Mark
10	**Knowledge 2, Application 2** **Quantitative skills Assessed:** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms. **Knowledge** Up to 2 marks for defining the reserve asset (liquidity) requirement, e.g.: • The percentage of deposits that commercial banks must hold **(1)** rather than lending it out **(1)** • Helps to control the money supply/interest rate **(1)** **Application** Up to 2 marks applying this to data, e.g.: • The People's Bank of China reduced the reserve asset requirement **(1)** from 6.6% by 0.5 percentage points **(1)** / Reserve asset requirement was reduced **(1)** to 6.1% **(1)** • Banks have more liquidity **(1)**	**(4)**

Question	Between 2022 and 2023 Australia's productivity fell by 3.7%. Draw a LRAS and AD diagram to show the impact of this change in productivity on the average price level and real output.	**Mark**
11	**Knowledge 1, Application 3** **Quantitative skills assessed:** **QS4:** Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms.  **Knowledge** 1 mark for drawing original AD and LRAS curves with correctly labelled axes **Application** Up to 3 marks for the following information on the diagram: • Leftward shift of LRAS **(1)** • Lower real output; mark not awarded for 'quantity' **(1)** • Higher price level; mark not awarded for 'price' **(1)** **NB Accept either Keynesian or Classical LRAS curves** **NB Depending on the level of spare capacity shown on the diagram, using a Keynesian LRAS curve price level and real output may decrease or stay the same**	**(4)**

Section C

Question	Define the term 'underemployment' (Extract A, line 19).	Mark
12 (a)	**Knowledge 2** **Quantitative Skill Assessed** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms Up to 2 marks for any of the following: • Underemployment occurs when workers are employed **(1)** that do not fully utilise their skills/experience/availability/time **(1)**	**(2)**

Question	With reference to Figure 1, explain the difference between inflation and disinflation.	Mark
12 (b)	**Knowledge 2 Application 2** **Quantitative Skill Assessed** **QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes **QS4:** Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** 1 mark for defining inflation • An increase in the general price level/average price level **(1)** 1 mark for defining disinflation • The general price level increases but at a slower rate **(1)** **Application** 1 mark for identifying a month in which there is inflation e.g., • In June 2023, inflation was 8.8%/ in June 2024, inflation was 4.7%/ there was inflation over the whole time period **(1)** *AND* 1 mark for identifying a period when there is disinflation/a fall in the rate of inflation e.g., • in January 2024, inflation was 7.5% which fell to 7% to March 2024/ There was disinflation over the whole time period **(1)**	**(4)**

Question	With reference to Extract A, examine two likely effects of climate change to the economy of Kenya.	Mark
12 (c)	**Knowledge 2, Analysis 2, Application 2, Evaluation 2** **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and analysis** Up to 2 knowledge marks for identifying two effects and 1 mark for each linked explanation e.g.: • Lower exports of food **(1K)** will lead to a trade/current account deficit **(1AN)** • Harder to grow crops/reduced agricultural output **(1K)**, may lower incomes for farmers and workers in agriculture. This can decrease consumption **(1AN)** • Rising production costs (fall in SRAS) **(1K)** leading to a rise in inflation **(1AN)** • Rise in unemployment **(1K)** due to fall in output/exports **(1AN)** • Reduction in productive capacity **(1K).** Climate change can damage land, water resources and infrastructure/ reducing Kenya's long-term productive potential/reducing LRAS **(1AN)** • Adverse effects on health e.g., malnutrition **(1K)** may reduce the productivity of the workforce/shifting LRAS to the left **(1AN)** **Application** Up to 2 marks for reference to Extract A, e.g.: • Agriculture contributes 30% to the country's GDP **(1)** • Agriculture employs nearly 60% of the workforce **(1)** • Agriculture is very important for Kenya **(1)**	

	Evaluation Up to 2 marks for evaluative comments (**1**+**1** or **2**+**0**), e.g.: • If Kenya invests in drought-resistant crops/making progress in developing clean energy **(1)**, it could reduce the impact on real output/or even increase it in the long-run **(1)** • Investment by the Government in irrigation systems may protect agriculture from climate change **(1)**, resulting in increased real output **(1)** • Urbanisation/infrastructure development/training programmes **(1)** could offset some of the negative impacts on real output caused by climate change **(1)** • If global demand for Kenya's agricultural exports remains strong **(1)**, even lower production levels might generate enough revenue due to higher prices, increasing real output **(1)** • Real output may not fall in the long-run **(1)** if other components of AD/AS rise, e.g. government spending **(1)**	**(8)**

Question	With reference to Extract B and Figure 1, analyse two ways by which an increase in the base rate of interest could reduce the rate of inflation in Kenya.	Mark
12 (d)	**Knowledge 2, Analysis 2, Application 2** **Quantitative skills assessed** **QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and analysis** Up to 2 knowledge marks for identifying 2 ways how an increase in interest rates affect the rate of inflation and 1 analysis mark for linked development of each point, e.g.: • Decrease in consumption **(1K)** as the cost of borrowing increases **(1AN).** This may be exemplified with a correct AD/AS diagram • Increase in saving **(1K)** as the reward for saving increases **(1AN)** • Decrease in investment **(1K)** as the cost of borrowing for firms rises, resulting in higher cost of production/more expensive to borrow money from banks **(1AN)** • Increase in the value of the currency **(1K)** is likely to cause a decrease in the price of imports and a reduction in cost-push inflation **(1AN)** • Negative wealth effect **(1K)** as a rise in the cost of borrowing causes the demand for housing to fall **(1AN)** **Application** 1 mark for application to Figure 1, e.g.: • The inflation rate fell from approximately 8.8% in June 2023 to approximately 4.7% in June 2024/by 4.1 percentage points **(1)** *AND* 1 mark for application to Extract B, e.g.: • The Central Bank of Kenya (CBK) raised the base rate of interest from 9.5% to 10.5% in July 2023 **(1)** • The Shilling increased in value by approximately 11% from the end of 2023 to the beginning of 2024 **(1)**	**(6)**

Question	With reference to the information provided and your own knowledge, discuss supply-side policies that could be used to reduce structural unemployment in Kenya.
12(e)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge, Application and Analysis (8 marks) – indicative content** • Understanding of structural unemployment - long-term unemployment that occurs when there is a mismatch between the skills of the labour force and the jobs available in the economy • Understanding of supply-side policies - policies aimed at increasing the overall productive capacity of an economy • Shifting outwards of the LRAS curve should create both actual and potential growth in Kenya (this may be illustrated by a Keynesian or classical LRAS curve) Appropriate policies may include: Free market policies: • Deregulation of labour markets – Improving flexibility in Kenya enables workers to move jobs to reduce structural unemployment. Policies include removing minimum wage laws, reducing any trade union power, making it easier to hire and fire, flexible contracts • Increasing migration – policies aimed at increasing immigration or reducing barriers to immigration into Kenya can help fill any skills shortages • Tax incentives – reduce taxes for firms that hire workers who have been unemployed for an extended period

	Interventionist policies: • Investing in education and training – such as the Youth Development Fund • Providing incentives for workers to relocate from regions with high unemployment to areas with labour shortages. This could involve government support for housing, transport, or relocation allowances • Infrastructure/urbanisation investment – policies aimed at making it easier for people to move, reducing labour shortages • Subsidies for firms– to encourage firms to increase employment in areas with job shortages • Investment in innovation and technological advancements - Support for industries that are expected to drive future growth, such as technology and renewable energy **NB: Award a maximum of L2 if candidates only refer to one policy**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident, but they may not be developed fully, or some stages are omitted.
Level 3	7–8	Demonstrates an accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (6 marks) – indicative content • Deregulation of labour markets can lead to exploitation of workers, particularly those in low-skilled, low-wage sectors. This could increase income inequality in Kenya • Government spending on education/ infrastructure investment projects has an opportunity cost: it may lead to more growth if spent in another sector of the economy, e.g. healthcare etc. • Investment in innovation and technological advancements may lead to job losses in traditional sectors • Time lag: in particular, spending on education may take a considerable amount of time to have an effect on the economy • Supply-side policies are less effective when there are large amounts of spare capacity in an economy: in this case they create potential growth but no actual growth • The impact will depend on how much money is spent by the Government on interventionist measures

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section D

Question	In 2024 Vietnam, one of Southeast Asia's fastest-growing economies, achieved a real GDP growth rate of 7.1%. Evaluate whether the benefits of economic growth always outweigh the costs. Refer to a country of your choice in your answer.
13	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge, Application and Analysis (12 marks) – indicative content** Knowledge of economic growth: • Increase in real/potential GDP Benefits of economic growth include: • More employment opportunities/lower unemployment • Increased tax revenues for the government which may be used to improve public services or redistribute incomes/improvement in government finances • Higher profits for companies which may be used to improve the quality products or to produce new innovative products • Consumers experience increased disposable incomes so can afford to buy more goods and services and/or have more leisure time • National happiness may increase because people have higher real incomes and can afford more goods and services • Living standards and quality of life may increase e.g. because of improved housing conditions, better education and health • Increase in business confidence may lead to higher FDI **NB award a maximum of L3 if there is no reference to a country** **NB candidates may use costs of economic growth as KAA and benefits of economic growth as EV**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident, but they may not be developed fully, or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

Evaluation (8 marks) – indicative content

Costs of economic growth include:

- Environmental damage: Growth can cause pollution, harm natural resources, and destroy wildlife habitats
- Inequality: The benefits of growth often go to the rich, leaving others behind
- Inflation (demand-pull) - If caused by an increase in AD/deflation if caused by an increase in LRAS
- Structural unemployment - New technology and industries can make some jobs and skills outdated
- Conflicts between objectives
- Overuse of debt: Too much borrowing to fuel growth can become unsustainable

Other evaluative comments:

- Impact depends on the magnitude of the increase in the rate of economic growth
- Unemployment is a lagging indicator, so effects may not be immediately seen – SR vs LR arguments
- Depends on level of spare capacity; growth may be inflationary
- Depends on the sustainability of the growth

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	In 2023 the USA experienced a relatively low unemployment rate of 3.6%. However, its rate of inflation reached 5.5%, which was much higher than the target rate of 2% set by the Federal Reserve (Central Bank). Evaluate potential conflicts that may exist between achieving a low rate of inflation **and** a low rate of unemployment. Refer to a country of your choice in your answer.
14	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge, Application and Analysis (12 marks) – indicative content** Knowledge of inflation and unemployment: • Inflation: A rise in the general or average price level. Low and stable e.g., 2% target in many countries. • Unemployment: People willing and able to work but cannot find a job Possible Conflicts: • Demand-pull inflation from falling unemployment: - Lower unemployment often means increased consumer spending, which raises aggregate demand (AD). Higher AD can push up prices, creating demand-pull inflation • Short-run Phillips curve relationship: Suggests an inverse relationship between inflation and unemployment. As unemployment decreases, inflation tends to rise due to higher wages and production costs • Cost-push pressures: Reducing unemployment through interventionist policies (e.g., government job schemes) may increase government spending and debt, causing inflation • Trade-offs in monetary policy**:** Central banks may increase interest rates to reduce inflation resulting in falling AD and increasing unemployment • Risk of overheating: A reduction in the unemployment rate may cause the economy to exceed its productive capacity, resulting in inflation (positive output gap)

	NB award a maximum of L3 if there is no reference to a country	
Level	**Mark**	**Descriptor**
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content • Supply-side improvements: A reduction in unemployment resulting from higher productivity and skills development may avoid inflationary pressures (increase in LRAS may result in deflation) • Depends on level of spare capacity: In economies with spare capacity, unemployment can fall without a significant effect on the rate of inflation (e.g., during a recovery from recession) • In developing countries, informal employment may limit inflationary pressures from reduced unemployment • Cost-push inflation – e.g. caused by an increase in oil prices, can result in an increase in unemployment **and** an increase in inflation (SRAS shift left)

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.