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Examiners' Report
Principal Examiner Feedback

Summer 2025

Pearson Edexcel International Advanced Level
In Economics (WEC14) Paper 01A

Unit 4: Developments in the Global Economy

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Introduction

This paper was one of two papers sat for this unit during the June 2025 series. Across the two papers the unit continues to see a growth in numbers of entries. Most were able to complete the paper in full with fewer examples of learners missing or rushing questions.

In Section A, the multiple-choice section, Q1 asked learners to identify what was explained by the Lewis Structural dual-sector model. Most could identify that the answer was industrialisation. However this was the worst performing multiple choice question. Those getting the answer incorrect tended to opt for privatisation and microfinance schemes.

Q2 required the identification of the most likely result a fall in world oil and gas prices for Saudi Arabia. The correct answer was the deterioration in Saudi Arabia's current account as the value of its imports would decrease. Thise getting this wrong tended to opt for A and improvement in the terms of trade, which is the opposite of what would be likely.

Q3 saw the second best performance on the paper with most able to identify that the Lorenz curve shifting inwards would result in a decrease in the Gini-coefficient for Zambi. Many went for B, which was incorrect because reducing the highest rate of income tax would likely move the Lorenz curve further from the line of prefect equality.

Q4, students found this question moderately difficult. They needed to use data on average exports prices ad imports prices to calculate the terms of trade. Given the base years of 2023 the calculation was 93.2/98.9 giving the correct value of 94.24.

Students performed well on Q5. Students were given a diagram without any labels. Most could identify that the Laffer curve showed the relationship between tax rates and government tax revenues.

Q6 saw the best performance by learners. Most were able to use the data to identify that healthcare provision was better in Thailand than in Malaysia. Very few got this wrong, for those selecting A, a higher HDI value shows a country is more developed.

In Section B, the Data Response section. This focused on the materials in the source booklet that related to Argentina.

Q7a, learners needed to calculate the percentage change in the rate of inflation between December 2023 and September 2024. Where students got this wrong they tended to just show the difference in the percentage, that is -22.5. They were credited if they identified this as the percentage point change. To gain full marks learner needed to take the -22.5 and divide by 25.5 to get the correct answer, 86.27% reduction.

Q7b, learners needed to examine two likely effects of the depreciation of the Argentine peso against the dollar. The application marks were often missed and needed to make reference to the current account of the balance of payments moving from deficit to surplus. Most picked up that the depreciation would cause the price competitiveness of Argentine goods to increase or price competitiveness of imports to decrease. The result of this is that value of exports will rise and imports fall resulting in the deterioration. Where learners struggled more was in considering the impact on the capital and financial account with few picking up the likely improvements following higher FDI. There were also 2 evaluation marks. Many picked this up by making reference to the size of the change in the exchange rate or the importance f the Marshall Lerner condition holding.

Q7c, required learners to explain two policies that the ECB could use to limit any further depreciation of the Argentine peso. Most commonly learners identified the increasing of interest rates, how that would cause flows of money into Argentina. Others tended to focus on ending Quantitative Easing. The application marks were typically achieved as learners tended to explicitly give two pieces of data from Figure 2.

Q7d, required learners to explain what is meant by absolute poverty. The vast majority made reference to not being able to meet basic needs for the first mark. Fewer made the link to what this means in terms of an inability to access enough food, clear water, clothing and shelter. The majority used the data explicitly making reference to the 11% change in absolute poverty. To gain the additional application mark students often calculated the original and new absolute poverty rates.

The final question in Section B, Q7e, required a discussion of the likely economic effects of a reduction on public expenditure as a proportion of GDP. Many looked at how a reduction in government spending would reduce AD and how this would affect the price level and real output and went on to link to the impact on a range of economic variables. Others focused on the impact on poverty linked to reduction in benefit payments. Others focused on the reduction in infrastructure spending and how this might impact LRAS. Evaluation tended to focus on the size of the change and likely benefits of a budget surplus, reducing crowding out and the impact on the incentive to work.

Section D had a choice of three essays, where the learners had to complete two. Q8 was the least popular question and had the lowest mean score of the three essays. This required an evaluation of the effects of a reduction in Chin'as rate of economic growth on the global economy. Many misread the question and discussed the impact of a recession on the China economy. Better responses linked the recession to lower demand for imports and how this would effect other economies within the global economy. Some looked at how less output from China may enable other countries to step into fill the gap. The evaluation offered picked up the data to show how important China is to the world economy, in terms of having a large impact.

Q9 required an evaluation of a significant increase in migration into the EU. This was the most popular question. The majority looked at the impact on LRAS as the supply of labour increased, some related this to higher productivity linked to higher skilled labour. There were also arguments about increased AD as consumption would rise with a higher population. They also looked at the positive impact on the budget as more paid income and consumption taxes. In evaluation many considered the impact on public services and how it might result in EU citizens losing out if they compete with these workers.

Q10 required an evaluation of the disadvantages of an increase in a country’s national debt. This question was the one of the highest mean scores of the three essays. Many spoke about increasing government spending on interest repayments and the resulting opportunity costs, issues of crowing out and intergeneration inequality and future generation face higher costs. In evaluation many focused on directed spending on education and healthcare could support development and economic growth.

Most learners were able to complete the paper in the time available. We did however see several unfinished or very brief essays suggesting that some students had not planned their time well.

The performance on individual questions is considered in the next section of the report. the feedback on each question shows how they were well answered and also how to improve further.

Section C, the short answer section, saw most students able to access marks on most questions.

Q7a. Having been asked to calculate the percentage change many just calculated the difference between the two values which gives the percentage point difference. They could only gain the mark if they wrote 22 percentage -point. To gain full marks this would need dividing by the original value the get the correct percentage change.

Q7b. A lot of time was wasted regurgitating information from the sources. The only explicit reference to the data rewarded was that the current account went from deficit to surplus. The impact on the current account was much better explained. Most could explain that the depreciation makes Argentina's goods price competitive in and increasing the value of exports. Fewer linked to imports becoming less price competitive, reducing the value of imports. Many effectively used the Marshall-Lerner condition to say that this only works when this applies. The financial and capital accountant was less likely to be explained. Many linked the impact on FDI to improving this account. Evaluation also often referred to the size of the change in the currency or on the J-curve effect that may see things worsen before they improve.

Q7c. It was rare for a student to miss out on the two application marks. Most wrote at least one value of the exchange rate to gain a minimum of one mark. When two were given to show it increasing, the learner could gain both. Most identified ways to stop the depreciation. Most common was increasing interest rates and most could talk about how this generates hot money flows and incentivising saving in India causing more demand for the peso. Fewer spoke about stopping Quantitative easing. It was often less well understood as to how this resulted in appreciating the currency. Selling foreign currency and buying pesos were also recommended and most could explain how these help to stop the currency depreciation. Many drew a diagram to support their explanation and this often helped them score better.

Q7d. Absolute poverty was well understood with most making reference to being unable to meet basic needs. To gain the second mark this needed linking to an inability to access food, clean water, food and shelter. Alternative learners made reference to the poverty line. At the point of sitting the exam this poverty line was $2.15 per person per day based on 2017 prices. Note that in June this year this has been changed by the World Bank to $3 per person per day. There ere two application marks. Most referred to the change in the poverty rate and some gained the second mark for reference to lower real wages. Calculating the original and new level of absolute poverty also gained a mark.

Q7e. Most could accurately define public expenditure with many able to give examples of possible public expenditures. The data was used in responses picking out the percentage changes as well as areas losing funds. Many responses considered how AD would be impacted as G decreases. Many also shifted LRAS to the left to reflect lower expenditure on infrastructure. Better Reponses then used the changes in price level and real output to link to the impact on economic variables. Evaluation was relatively strong with many offering positive impacts. Such as reducing the budget deficit and reducing the crowding out effects. Many spoke about size of the change in expenditure as to the size of the likely impact.

Q8. Most could define economic growth and used the data in the stem in terms of the level of growth and the size of China's trade- both exports and imports with the rest of the world. Unfortunately, many misinterpreted this question and look at the impact of this lower growth on China's economy rather than the world economy. Where learners did answer the question, they often focused on how China's demand for imports would fall and how this could lower demand for other exports from other nations, impacting their AD and economic growth. Evaluation often focused on the importance of China as an exporter and importer. Others focused on how other countries may step in to fill the gap.

Q9 Most could offer benefits of migration to Europe. Most used the data explicitly in the response. It was common to consider how it impacted LRAS in terms of increased labour supply. It was also common to look at how consumption would rise, resulting in increased AD. Many looked at the impact on different groups such as unskilled or skilled workers. When talking about productivity it is important to explain how the migration might increase the productivity. Evaluation often focused on problems from migration, increased pressure on public services, lowering wages of unskilled workers and increasing imports as they purchase imports from home.

Q10 Disadvantages of increased national debt tended to focus on how this would lead to higher debt interest repayments, this was linked to crowding out. Many considered the intergenerational equity where future generations end up having to pay higher taxes to cover previous generations borrowing. Many considered how the countries credit rating could be impacted. Many contrasted this with possible benefits. For example if the debt is acquired to fund infrastructure projects it may enhance LRAS in the long-run. Others focused on the magnitude, some contrasting it to other countries such as Japan whose national debt is a much higher proportion of GDP.

Paper Summary

Based on their performance on this paper, students are offered the following advice:

Section A: Multiple Choice Questions

- When considering the impact of gas and oil price changes learners must be able to consider how it affects net exports and importers of each.
- It is important that learners know the link between the Lorenz curve and the Gini coefficient.

Section B: Data Response

- On Q7(a) when calculating the percentage change the calculation is to first find the difference between the new and old value then divide by the new value. Too many just showed the difference without making it excite this is a precentage point difference.
- On Q12(d) remember that 2 marks are allocated to application on the 4 mark question. Just copying out one piece of data from the Extract will be insufficient to access both these marks. Either use the data to calculate something or pick out two relevant pieces of information.

Section D: Essay

- When asked for benefits these will only be marked as knowledge, application and analysis and evaluation would be a different viewpoint, which could be disadvantages.

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