Examiners' Report
Principal Examiner Feedback

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Pearson Edexcel International Advanced Level In Economics (WEC12/01)

Unit 2: Macroeconomic performance and policy

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Introduction

This is the October series for assessment of WEC12: Macroeconomic performance and policy. There were nearly 1300 entries for this unit.

In **Section A**, the multiple-choice section, candidates performed best on balance of trade and GDP per capita (Q4 and Q6 respectively). Q1 with focus on the type of unemployment was the least well answered question in this section, and this part of the specification may need attention by centres. On the remaining three 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 students were able to attain the one application mark for correctly stating the fall in unemployment. Explaining the likely impact of this trend was more challenging, with many students explaining, with various degrees of accuracy, the concept of lower unemployment, but not the fall in the rate.

8: Candidates had to draw an AD/AS diagram and to show the impact of a change on price level and real output. In this case we asked for an AD/LRAS diagram, which almost all students did correctly, accessing the first mark for the initial equilibrium. The majority also indicated the correct shift caused by reduced confidence. 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 MPC from a given set of figures on national income and government spending. Many did not use the multiplier and found it challenging to access all marks. This was the least well answered question in this section, so centres should focus on calculation based questions.

10: The question asked candidates to explain one likely impact of a negative output gap on Brazil's economy. In general, they were able to explain an impact on unemployment. The last mark on application should have required a simple reference to the information in the stem; but this was the least likely mark to be recorded by students.

11: Candidates were required to study the graph and explain the difference between disinflation and deflation. Most attained all four marks with good use of data but some candidates got their definitions the other way round and did not gain any marks.

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 recession. Most candidates scored two marks for the correct definition, but some explain in context of inflation.

12b: This question required an explanation of how CPI is calculated. Two relevant pieces of data were required to attain the two application marks. Many just mentioned basket of goods in the definition and they were only able to access 1 mark.

12c: A vast majority of candidates were unable to examine the two likely effects on the French economy of disinflation. Many confused this with falling price level / deflation. 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. Many responses were also not able to access evaluation marks as they gave solutions to these effects rather than directly answering the question.

12d: Most candidates were able to analyse the likely effect of France's trade balance in April 2020 on its circular flow of income. However, only a small percentage of candidates could fully explain the effect to access both analysis marks. Application marks were frequently awarded for appropriate references to Extract A. 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 source and were able to discuss the likely effects of ECB's monetary policy on the French 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 responses was to try to cover as many effects as possible but without any development in the analysis or evaluation comments.

In **Section D,** candidates have the opportunity to choose one out of two questions. The section was less demanding than previously, and this is reflected in their mean scores. Question 14 was more popular and better answered than question 13.

In both questions candidates' knowledge of relevant economic concepts was sound but they often struggled to apply it to the context of the question. Another challenge was the level of analysis. As in question 7e, answers often lacked a fully developed chain of reasoning. This is because they focussed their explanations on several points, and this meant they did not have time to develop them. Some candidates drew appropriate and accurate diagram(s) and incorporated it with sound analysis. This facilitated them in consistently achieving within the top levels.

Evaluative comments were often made and, whilst some offered supporting evidence and were linked to the context, many were unable to offer logical chain of reasoning. It should be stated that 8 marks are now awarded for evaluation in the essay section. Application will always form part of the questions in Section D. Candidates are expected to include this in their arguments to achieve the highest levels.

The questions were accessible at all levels and offered good opportunities for candidates to differentiate by ability. Answering the exact question asked, integrating the data with analysis and strong evaluation continue to remain the essential ways that the A-grade candidates achieve higher marks. It appears that most candidates were not actually able to complete the paper in the time available.

Moreover, candidates are highly encouraged to have better structure to their answers. Many have written essay questions in bullet points and some have written in long blocks/ paragraphs without making a clear distinction between analysis and evaluation. This was also seen in the higher mark question in Section C.

The performance on individual questions is considered in the next section of the report.

Section A

Question 1

This question concerned the type of unemployment as a result of the decrease in real GDP growth rate (%). This was a reasonably well answered question of this section with many candidates obtaining the one mark. The only correct answer is option B - demand deficient unemployment.

Question 2

For this question candidates needed to identify the economic policy which best explains the increase in asset purchases by the Bank of England. The correct answer is option A – a reflationary monetary policy. Fiscal policy refers to the use of government spending and taxation to influence economic activity of the country.

Question 3

The correct answer is option D - injections into the circular flow increased. Candidates were able to correctly identify that an increase in government expenditure in Russia will increase aggregate demand and/or aggregate supply.

Question 4

Not many candidates were able to deduce from the chart that the correct option is C – China's balance of trade surplus increased from April to May 2020. Careful consideration needs to be given to the distinction between trade deficit and trade surplus.

Question 5

Candidates tended to perform reasonably well on this question, which asked candidates to identify the most likely effect of an increase in investment. The correct option is B - an increase in the rate of tax relief for investment. The other given options show that investment would decrease as a result.

Question 6

For this question, candidates needed to calculate the GDP per capita from given data on GDP and population for two countries. The correct answer is C - $1887.76 in India. Some candidates inversed the equation and hence did not attain the mark for this question.

Section B

Question 7

Many students were able to access the knowledge mark and the two analysis marks. The most common answers were the impact on budget balance and on living standards. Some were unable to explain the impact further and therefore were limited to one analysis mark. Majority of the candidates attained the application mark where they were able to indicate that unemployment rate had fallen to 8%.

Question 8

There was clear understanding that a fall in consumer confidence would result in a fall in AD. Almost all students managed to draw the initial equilibrium position for AD and 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. Both classical and Keynesian LRAS were awarded. There are no marks for additional text, which some candidates have included to support their diagram.

Question 9

Many candidates were unable to correctly calculate the marginal propensity to consume as they were unaware of the method to calculate it using the multiplier equation. Some inversed the multiplier ratio equation and hence were not able to accurately calculate. 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.

Question 10

Students were asked for an impact of a negative output gap on Brazil's economy. Most were able to define a negative output gap for one knowledge mark. Many were also able to identify an impact, especially unemployment. However, candidates often struggled in developing their knowledge and therefore were not able to access both analysis marks. They attained the application mark for using the stem correctly.

Question 11

Candidates tended to perform reasonably well on this question, which asked candidates to explain the difference between disinflation and deflation. Whilst majority were able to correctly differentiate between the two in their knowledge and application, there were a few candidates who got the two definitions mixed and were unable to access any marks for this question. It is important to know the definitions of inflation, disinflation and deflation accurately.

Section C

The source booklet focused on the economic outlook of Zambia. It comprised of one graph showing world copper prices between 2016 and 2020. There was one extract that highlighted the constraints to economic growth and development of Zambia, and the key policies the Government could implement to reduce its dependence on copper.

Question 12a

Candidates needed to define the term recession. Although several candidates scored the maximum of 2 marks, there were many who were not able to define the term correctly. It is important to explain the key definitions clearly and accurately.

Question 12b

Many candidates were able to successfully explain how CPI inflation rate is calculated. Most mentioned that it is a weighted basket and that weights are assigned in proportion to the income spent on each item to get their knowledge marks. To access application marks, candidates had to include two separate pieces of data from Figure 2. Given the nature of the question, it is important to cover all aspects of the answer in knowledge and application.

Question 12c

The question required candidates to examine two likely effects on the French economy of the trend in the inflation rate. Most struggled to identify the effects of disinflation, often getting it confused with deflation. They could gain two application marks required by effectively using Figure 3 and Extract A. However, many found it difficult to analyse the identified effect and were unable to understand that question related to disinflation. Many just copied paragraphs from the extract and did not explain it.

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 make an attempt of writing any points. For eight mark questions and above, evaluation is a key requirement and should be included. It is important to recall that there are two marks for knowledge, application, analysis and evaluation for an eight mark question.

Question 12d

This question required candidates to analyse the likely effect of France's trade balance in April 2020 on its circular flow of income. Most responses did not achieve the second knowledge and analysis mark. Although they could define trade balance and identify that there would be less injections, they were not able to develop this further in context of net leakage from France's circular flow. They were able to access the two application marks by using relevant data from Extract A. It is important to recall that there are two marks for knowledge, application and analysis for a six mark question.

Question 12e

Candidates needed to use the source to discuss the likely effects of the ECB's monetary policy on the French economy. It is important that candidates select any two effects and develop their analysis by focusing on those points rather than trying to cover as many effects as possible. This will allow candidates to access the higher levels of response. It was important that the candidates applied their arguments to the source where the ECB kept interest rates 'very low' rather than explaining the effect of a reduction in the base rate of interest to gain the higher levels.

A handful of candidates were able to successfully explain the likely effects on consumption and investment. They were able to integrate this with the application given in the source from Extract A and supported their analysis points with accurately drawn and labelled diagram. This gave them access to Level 3. However, many candidates just 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. They included references to short run vs long run considerations. Many included time lags as an evaluative comment but were not able to successfully support this point using a logical chain of reasoning. Candidates should ensure that they do this as opposed to listing a number of separate undeveloped points.

Section D

General points:

Candidates often make a number of valid separate points but do not develop a coherent chain of reasoning. In addition, a large number of candidates do not include any form of contextual reference and consequently will not achieve the higher level marks. Context can be from the stem provided in the question and/or from other examples effectively used by the candidate. A reminder that just writing a country name in the answer does not merit as application.

For evaluation, candidates should provide a partially developed chain of reasoning to attain at least Level 2. Writing a list of points will only give candidates access to Level 1. An informed judgement is needed in order to gain a Level 3 evaluation mark.

Candidates are not expected to write up to four analysis and three evaluation points. They can select two analysis points and develop them by focusing on those points rather than trying to cover as many points as possible.

Question 13

This question asked candidates to evaluate whether the exchange rate of a country's currency is the main factor influencing the country's balance of trade. In addition, to access high Level 4 for KAA, candidates are required to include application in the answer.

Most candidates were able to analyse how changes in exchange rate effects a country's trade balance in relation to relative export prices and relative import prices. However, many were unable to explain other factors that also influence the trade balance for their analysis. They discussed these factors as evaluation but were credited as KAA - this meant that they were not able to access may marks for their evaluation. Most of the answers only carried a two-stage chain of reasoning, and therefore, they were not able to access Level 3 KAA. Those who identified range of factors without 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 exchange rate. These were under developed and did not contain many stages of arguments. Those who listed evaluation points achieved Level 1.

Question 14

This question asked the candidates to evaluate whether the costs of economic growth outweigh the benefits. Moreover, to access high Level 4 for KAA, candidates are required to refer to include application in their answer.

The most common answers used costs as their analysis and benefits as their evaluation. Some candidates did the opposite, and this was credited as well. Costs included impact on the environment and inflation. Most answers demonstrated 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 growth did not attain many marks.

Evaluative comments were quite well written. Many offered points benefits of economic growth which included impact on consumers living standards, falling unemployment and improved the government's budget through higher tax revenues. These were, however, not always explained in good depth. For points that were quite generic and did not have any chains of reasoning, did not achieve more than Level 1.

Paper Summary

The main implications for centres regarding future teaching, learning and examination preparation are:

• Ensure that all parts of the specification are taught and internally assessed. This needs to include addressing all the quantitative skills (as found on page 69 of the specification).

• Candidates must read all questions carefully, and make sure that they have addressed all parts of a question in their response. In a few different questions on this paper, not understanding requirements of the questions, in terms of its depth and breadth, was the main reason for low scores.

• Encourage candidates to draw accurate, appropriate, legible and labelled diagrams to support their arguments, even if not required. This would help add depth to arguments.

• Section B: for diagram based questions, all marks can be achieved through a diagram and no written explanation is required. This is an inefficient use of time. For calculation based questions, all marks can be achieved through working out the right answer. Four questions where a text response is required, candidates should focus on identifying one point and developing it. Giving a list of points will only give knowledge marks.

• Section C: Ensure that candidates refer to the relevant extracts but do not copy from them. Brief quotations are acceptable but, in themselves, will not achieve higher level marks. Remember that the 4 and 6 mark questions do not require evaluation, so please use the time given effectively and avoid assessing the analysis points made.

• Section C 14 mark question and Section D essays: Encourage candidates to develop a chain of reasoning by analysing two salient points in depth. By contrast, covering a lot of points in a superficial way will limit the mark to a low Level 2 at best. In addition, analysis needs to be contextualised by using relevant source information (Section C), appropriate examples (Sections C and D) or context at the start of Section D questions.

In addition, ensure that candidates are aware that evaluative comments should be linked to the context of the question being asked. These should have a chain of reasoning or sufficient development to be able to achieve at least Level 2. To achieve Level 3 for evaluation in Section D it is necessary to include an informed judgement.

• Candidates are encouraged to have a clear structure to their answers. They must avoid writing essays in bullet points or in long blocks/paragraphs without making a distinction between their analysis and evaluation points. The nature of essay questions means that they draw on a student's knowledge accumulated throughout their course, and on their ability to apply that knowledge directly to the question.

• Encourage candidates to make full use of the specimen papers, previous examination papers, mark schemes and principal examiner reports. Paying greater emphasis on time management is also vital for the completion of the paper.