



Examiners' Report Principal Examiner Feedback

January 2022

Pearson Edexcel International Advanced Level
In Economics (WEC12)
Unit 2: Macroeconomic performance and policy

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General

This is the January 2022 series for assessment of WEC12: Macroeconomic performance and policy. There were nearly 700 entries for this unit.

In **Section A**, the multiple-choice section, candidates performed the best on Q5 savings ratio. The two questions with the focus on multiplier and output gap were the least well answered questions in this section (3 and 6 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 students were able to attain the one application mark for correctly stating items now included and excluded from the basket. Explaining the reason was more challenging, with many students analysing, with various degrees of accuracy, the concept of inflation, but not why it is necessary to update the basket.

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/SRAS diagram, which almost all students did correctly, accessing the first mark for initial equilibrium. The majority also indicated the correct shift caused by a fall in the price of natural gas. The most common cause for dropped marks was in the labelling of the axes.

9: For this calculation-based question, candidates had to work out the change in GDP per capita from a given set of figures on GDP and population. Many did not accurately read the question and worked out the percentage change, and therefore did not access all marks.

10: The question asked candidates to explain one likely impact of an increase in house prices on existing homeowners. In general, they were able to explain an impact on wealth effects, confidence and consumption. The last mark on application should have required a simple reference to the information in the data; but this was the least likely mark to be recorded by students.

11: Candidates were required to study the information in the stem and explain the term net migration. 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 real GDP. Most candidates scored two marks for the correct definition.

12b: This question required an explanation of the difference between disinflation and deflation. Two relevant pieces of data were required to achieve the two application marks. Many just mentioned the definitions and they were only able to access 2 marks.

12c: Most candidates were able to analyse influences on the level of investment in the eurozone. However, only a small percentage of candidates could fully explain the factors to access both analysis marks. Application marks were often awarded for appropriate references to Extract A and Figure 1. Some candidates evaluated their analysis points, but this was not credited as it is not a requirement of the question.

12d: A vast majority of candidates were unable to examine the likely effects of 'the increase in the exchange rate of the euro against the US dollar' on the net trade balance of the eurozone. Many confused this with fiscal balance. Two application marks were awarded for relevant use of the source. However, several candidates copied paragraphs from the extract and were not able to 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.

12e: Most candidates made effective use of the source and were able to discuss the likely effects of ECB's monetary policy on eurozone 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 the mean scores on both questions. Question 13 was a little 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 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.

Reports on Individual Questions

Section A

Question 1

This question concerned what comparison is made when calculating PPP. This was a reasonably well answered question of this section with many candidates obtaining the one mark. The correct answer is option A - The price of a basket of comparable goods and services in different countries.

Question 2

For this question candidates needed to calculate the index number of 209 using 2017 as the base year. The correct answer is option D – 108.4. Many candidates often struggled to understand how index numbers are calculated.

Question 3

The correct answer is option C – an increase in the marginal propensity to import. A few candidates were able to correctly identify that this increase will cause a decrease in the value of the country's multiplier.

Question 4

Many candidates were able to deduce from the chart that the correct option is D – the value of imports was always greater than the value of exports. Nevertheless, careful consideration needs to be given to the distinction between trade deficit and fiscal deficit

Question 5

Candidates tended to perform reasonably well on this question, which asked candidates to identify the most likely effect of this increase in the savings ratio. The correct option is C – a decrease in consumption.

Question 6

For this question, candidates needed to use the given data on changes in real GDP and the long-term trend rate of growth to understand the output gap. The correct

answer is B - there was a negative output gap in 2018 and 2019. Candidates are advised to learn the difference between positive and negative output gaps.

Section B

Question 7

Many students were able to access the knowledge mark and the application mark. The most common answer was to accurately measure inflation. Some were unable to explain their reasons in detail and therefore did not gain any analysis marks. Majority of the candidates attained the application mark where they were able to indicate that reusable bottled are now included in the basket and fruit pies have been removed.

Question 8

There was a clear understanding that a fall in the price of natural gas would result in a fall in SRAS. Almost all students managed to draw the initial equilibrium position for AD and SRAS. A few drew the LRAS and labelled it as SRAS, and others mentioned price and quantity on the axes; this got no credit. There are no further marks for additional text, which some candidates have included to support their diagram.

Question 9

Many candidates were unable to correctly calculate the change in Argentina's GDP. Some calculated the percentage change and did not show their workings. It is advisable that candidates show 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 a likely macroeconomic impact of an increase in house prices on existing homeowners. Most were able to identify wealth effects for one analysis mark. Many were also able to explain the impact on consumption and AD. However, there were some candidates who referred to first-time buyers and therefore were not able to access any 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 term net migration. Whilst majority were able to correctly define in their knowledge and application, there were a few candidates who got the definition the other way round and were unable to access any marks for this question. It is also important to know the difference between the term emigration and the term immigration.

Section C

The source booklet focused on the eurozone economy. It contained two graphs showing annual real GDP growth rate and inflation rate. There was only one extract on monetary policy, which indicated the use of interest rate and quantitative easing.

Question 12a

Candidates needed to define the term real GDP. Although many candidates scored the maximum of 2 marks, there were a few who were not able to define the term correctly. It is important to explain definitions clearly.

Question 12b

Many candidates were able to successfully explain the difference between disinflation and deflation to get their knowledge marks. To access application marks, candidates had to include two separate pieces of data from Figure 2 on both disinflation and deflation. Given the nature of the question, it is important to cover all aspects of the answer in knowledge and application.

Question 12c

This question required candidates to analyse two influences on the level of investment in the eurozone. Most responses achieved both knowledge marks. Although they could identify each influence, they were not able to develop this further in context of the data provided. They could access the two application marks by using two pieces of relevant data from Figure 1. It is important to recall that there are only two marks for knowledge, application and analysis for a six mark question.

Question 12d

The question required candidates to examine the likely effects of 'the increase in the exchange rate of the euro against the US dollar' on net trade balance of the eurozone. Most struggled to define net trade balance. They gained two application marks required by effectively using 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 12e

Candidates needed to use the source to discuss the likely effects of the ECB's monetary policy on the eurozone 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 at -1% and expanded the 'size of its quantitative easing programme' by '€500 billion'.

A handful of candidates could 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 who provide a partially developed chain of reasoning will only attain Level 2. Writing a list of points will 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 potential conflicts between the objective of economic growth and two other macroeconomic objectives. In addition, to access high Level 4 for KAA, candidates are required to discuss two conflicts in the answer.

Most candidates were able to analyse how economic growth conflicts with the objective of protection of the environment. They were able to integrate the information provided and the stimulus and analyse their argument. The second

conflict identified was usually not explained well, where they identified it but were not able to accurately write why this conflict exists. Most of the answers only carried a two-stage chain of reasoning, and therefore, were not able to access Level 3 KAA. Those who identified range of conflicts 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 economic growth. These were underdeveloped and did not contain many stages of arguments. Those who listed evaluation points achieved Level 1.

Question 14

This question asked candidates to evaluate supply-side policies that Indian Government could use to increase the country's productivity. Moreover, to access high Level 4 for KAA, candidates are required to refer to include application to India in their answer.

The most common answers mentioned interventionist supply side policies. They included increase in government spending on education and infrastructure as their two key points. Most answers demonstrated sound chains of reasoning, but they were not always entirely developed or had some key stages omitted. These candidates were not able to access more than Level 3 KAA. Those who mentioned reasons for low productivity did not attain any marks.

Evaluative comments were reasonably well written. Many offered their points on time lags and considered the effectiveness of the policy that they had identified. 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 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.