



# Examiners' Report Principal Examiner Feedback

October 2023

Pearson Edexcel International Advanced Level  
In Economics (WEC12)

Unit 2: Macroeconomic performance and policy

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## Introduction

This is the June series for assessment of WEC12: Macroeconomic performance and policy.

In **Section A**, the multiple-choice section, candidates performed best on characteristics of AS and the role of the central bank (1 and 5 respectively). The two questions with the focus on multiplier and GNI 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 candidates were able to attain the one application mark for correctly identifying the data. Explaining the reason was challenging, with several candidates explaining the definition and not being able to fully develop a reason.

8: Candidates had to draw an AD/SRAS diagram to show the likely impact of a change in the savings ratio on the economy of the USA. Almost all candidates did this correctly, accessing the first mark for the initial equilibrium. The vast majority also indicated the correct shift. 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 the value of aggregate demand for an economy in 2022 from a given set of data. Many did not use the correct equation and found it challenging to access all marks.

10: The question asked the candidates to explain one likely impact of higher real incomes on subjective happiness. In general, they were able to explain the impact. 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 candidates.

11: Candidates were required to study the chart and explain the difference between a current account deficit and a current account surplus. Most candidates attained all marks for knowledge but often found it challenging to gain both application marks for the correct use of data.

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 the term real GDP. Most candidates scored two marks for the correct definition, but some explain in context of interest rates.

12b: This question required an explanation of how ILO unemployment is measured. Two relevant pieces of data were required to attain both the two application marks. Some candidates got confused with claimant count and were not able to access any marks.

12c: A vast majority of candidates were unable to analyse two causes of China's high youth unemployment rate. 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. Some candidates evaluated their analysis points, but this was not credited as it is not a requirement of the question.

12d: Most candidates were able to examine how a reflationary fiscal policy will impact China's circular flow of income. However only a small percentage of candidates could fully explain the effect to access analysis marks. Application marks were awarded for appropriate references to Extract A. Many responses were also not able to access any evaluation marks as they gave solutions to increasing real output rather than answering the question directly.

12e: Most candidates made effective use of the information provided and discussed the likely effects of a reflationary monetary policy on the economy of China. A very small proportion of candidates developed their analysis with clear chains of reasoning to achieve at least the Level 3 KAA marks. A common feature in responses was to cover as many effects as possible, but without any further development in 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 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.

## **Section A**

### **Question 1**

This question concerned identification of a reason that will result in a movement along the AS curve. This was a well answered question of this section with many candidates obtaining the one mark. The correct answer is option C.

### **Question 2**

Candidates tended to perform reasonably well on this question, which asked candidates to identify a free market supply-side policy to increase productivity. The correct option is B.

### **Question 3**

The correct answer is option C. Candidates were not always able to correctly identify the reason that would cause an increase in the value of a country's multiplier. Knowing the equation is important to remember in answering the question.

### **Question 4**

Not many candidates were able to deduce from the chart that the correct option is B. Careful consideration needs to be given to the distinction between a positive output gap and negative output gap.

### **Question 5**

For this question candidates needed to identify the role of the central bank. The correct answer is option A. Monetary policy refers to the central bank's use of interest rates and QE to influence economic activity of the country.

### **Question 6**

For this question, candidates needed to calculate the index number from the given data. The correct answer is D. Some candidates had inversed the equation or chose the wrong pieces of data, and hence did not attain the mark for this question.

## **Section B**

### **Question 7**

Many candidates were able to access the knowledge mark and the two analysis marks. The most common answers included the reason that tastes and preferences change frequently. Some were unable to explain the reason further and therefore were limited to one analysis mark. Majority of the candidates attained the application mark using the stem.

### **Question 8**

There was clear understanding that a fall in savings ratio will result in an increase in AD. Almost all candidates managed to draw the initial equilibrium position for AD and SRAS. A few drew the LRAS and labelled it SRAS, and others mentioned price and output on the axes; this got no credit for the knowledge mark. 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 value of AD. This is because they were not always informed of the AD equation and hence did not arrive at the correct workings. 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**

Candidates were asked for likely impact of higher real incomes on subjective happiness. Most were able to identify the impact as their one knowledge mark. Many were then also able to explain the impact, especially purchasing power. However, the candidates often struggled in developing their knowledge and therefore were not able to access both the analysis marks. They attained the application mark for using the stem correctly.

### **Question 11**

Candidates performed reasonably well on this question, which asked them to explain the difference between a current account deficit and a current account surplus. They had to use the chart to gain the application marks, which many did and hence were able to access application marks for this question. It is important to remember the distinction between deflation and disinflation.

## **Section C**

The source booklet focused on the economic outlook of China. It comprised of two graphs showing GDP growth rate and youth unemployment rate. There was just one extract that highlighted economic growth.

### **Question 12a**

Candidates needed to define the term real GDP. Although 65% of total candidates scored the maximum of 2 marks this still indicates that 35% 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 ILO unemployment is measured. Most mentioned this correctly to get their 2 knowledge marks. To access application marks, candidates had to include two separate pieces of data from Figure 1. 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 the candidates to analyse two causes of China's high youth unemployment rate. Most responses achieved both knowledge and analysis marks. Some were only able to identify their factors but were not able to develop this further. 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 12d**

The question required candidates to examine how a reflationary fiscal policy will impact China's circular flow of income. Most candidates were able to identify the impact effectively. They could gain 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.

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 try writing any points. For eight-mark questions and above, evaluation is an essential requirement and should be included. It is also important to remember that there are two marks for knowledge, application, analysis and evaluation for an eight-mark question.

### Question 12e

Candidates need to use the source to discuss the likely effects of a reflationary monetary policy on the economy of China. It is important that candidates refer to base rate of interest and develop their analysis by focusing on those points rather than trying to cover as many effects as possible. This will allow the candidates to access the higher levels of response.

A handful of candidates were able to successfully explain the likely effects on investment and consumption. They were able to integrate this with the application given in the source from the extract and supported their analysis points with accurately drawn and labelled diagram. This gave them access to Level 3. However, several candidates 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 the view that there will always be conflicts between macroeconomic objectives. Also, to access high Level 4 for KAA, candidates are required to include application in the answer by referring to a country of their choice.

Most candidates were able to analyse the conflicts, especially between economic growth and environment, and inflation. There were few who were unable to explain their points identified in depth by adding multi-stage chains of reasoning. Most of the answers only carried a two-stage chain of reasoning, and hence, they were not able to access Level 3 KAA. Those who identified range of policies without any linked development were only able to access Level 1 KAA. Candidates who mentioned causes of low productivity did not attain many marks.

Evaluation included an attempt to discuss the short-run versus long-run impact and the magnitude of the change in economic growth. These were under developed and did not contain many stages of arguments. Those who listed evaluation points achieved Level 1. That said, most candidates evaluated why objectives may not conflict and were able to attain higher levels.

### Question 14

This question asked candidates to evaluate the likely causes of deflation. Moreover, to access high Level 4 for KAA, candidates are required to include application in their answer by referring to a country of their choice.

Causes generally included changes in factors influencing AD, SRAS or LRAS. Most answers demonstrated some 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 recession did not attain many marks.

Evaluative comments were not well written. Many offered solutions to solving deflation and this was not credited. These were some, however, who could evaluate effectively using magnitude and combination of factors, and this was credited. For points that were quite generic and did not have 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.

