Examiners' Report
Principal Examiner Feedback

January 2024

Pearson Edexcel International Advanced Level
In Economics (WEC12)

Unit 2: Macroeconomic performance and policy

Introduction and key points

This is the June series for assessment of WEC12: Macroeconomic performance and policy. The performance on individual questions is considered in the next section of the report.

Section A

Question 1

This question concerned identification of an injection from the circular flow of income. This was a well answered question of this section with many candidates obtaining the one mark. The correct answer is option A.

Question 2

Candidates tended to perform reasonably well on this question, which asked candidates to identify the most likely benefit of actual economic growth. The correct option is C.

Question 3

The correct answer is option B. Most candidates were able to calculate the percentage decrease in China's government expenditure. Knowing the correct equation is important to remember in answering the question.

Question 4

Not many candidates were able to deduce from the information that the correct option is D. Careful consideration needs to be given to the distinction between balance of trade in goods and services surplus and budget surplus.

Question 5

For this question candidates needed to identify a fiscal policy instrument. The correct answer is option B. The options link to monetary policy that refers to the central bank's use of different instruments to influence economic activity of the country.

Question 6

For this question, candidates had to identify whether there was inflation, disinflation or deflation from the given data. The correct answer is A. Some candidates chose the wrong pieces of data to work this out, 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 that the disadvantage was a higher rate of inflation. Some were unable to explain their disadvantage 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 an increase in consumer confidence 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 MPC. This is because they were not always informed of the 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 a possible effect of the decrease in the rate of unemployment on public finances. Most were able to identify the impact as their one knowledge mark. Many were then also able to explain the impact, especially on tax revenues. 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 term wealth effect. They had to use the data 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 various factors influencing consumption.

Section C

The source booklet focused on the economic outlook of UK. It comprised of two graphs showing real GDP per capita and index of business investment. There were two extracts that highlighted economic growth and supply-side policies.

Question 12a

Candidates needed to define the term GDP per capita. 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 effectively explain the likely impact of higher real incomes on subjective happiness. 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

The question required candidates to examine likely impact on the UK's real output of 'the rising cost of energy'. 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 12d

This question required the candidates to refer to Figure 2 and Extract A and analyse two factors that influence business investment. 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 12e

Candidates need to use the source to discuss supply-side policies that the UK Government has introduced to increase the country's productive capacity. It is highly important that candidates refer to policies given in the extracts 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.

Many candidates were able to successfully explain the given policies. 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

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 likely macroeconomic effects of an increase in interest rates. 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 effects, especially the impact on consumption and investment. 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 marks.

Evaluation included an attempt to discuss the short-run versus long-run impact and the magnitude of the change in interest rate. These were very under developed and did not contain many stages of arguments. Those who listed evaluation points achieved Level 1. That said, most candidates discussed negative effects as KAA and positive effects as EV.

Question 14

This question asked candidates to evaluate the likely causes of inflation. Moreover, to access 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 effects of inflation did not attain many marks.

Evaluative comments were not well written. Many offered solutions to solving inflation 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.