



Examiners' Report Principal Examiner Feedback

January 2019

Pearson Edexcel IAS in Economics (WEC02)
Unit 2: Macroeconomic Performance and
Policy

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General comments

Broadly the same number of candidates chose Q9 as chose Q10 overall, but

performance on Q10 was on average around two marks higher than Q9. This difference could be explained by the fact that more A grade candidates chose Q10 (about two thirds) thus increasing the mean score on that question. The proportions choosing Q9 and Q10 were much more level within pass grade candidates.

In general, candidates manage to describe economic concepts well, but perform less well when it comes to analysing data presented to them, particularly where the presentation is in the form of a chart or graph. Question 3, for example, discriminated between students who were able to interpret graphical data and those who were not.

Candidates need to understand that economic indicators necessarily involve a period of time, eg. growth from one year to another. Therefore, we are interested in whether indicators have increased or decreased, and by how much. Simply expressing a situation at a particular point in time cannot give the full flavour of what is happening, and therefore is unlikely to score full marks in any question.

For supported multiple choice questions, in common with previous series, a rejection point had to be explained to be awarded a mark. A simple expression that "A is correct, therefore B is not" will not be rewarded. Also, a rejection point must be explicitly referred to in order to be awarded a mark. So "Inflation has reduced" will not get a mark, where "Inflation has reduced, meaning that option C cannot be correct" may well get the mark.

Where candidates are asked to provide diagrams, these must be drawn and labelled correctly for full credit. There were two questions where we expressly asked for AD/AS diagrams. Candidates who provided these accurately tended to score more marks than those who omitted them. We also considered that the act of drawing the diagrams often helped candidates focus their work, so that the supporting text in those questions improved as a result.

Specific comments

Section A

Question 1

This question was the most accessible of the supported multiple choice questions, and over half of all candidates scored full marks, having accurately distinguished between monetary and fiscal policies.

Question 2

This question was less well answered, and a surprising number of candidates confused the current account on BOP with government expenditure and revenues. Over 17% failed to provide the correct key. This confusion appears on several papers, and centres should be aware of the marks lost through candidates not being able to distinguish budget balance from trade balance.

Question 3

This question had the lowest mean score of any of the Section A questions. Candidates appeared not to interpret the graph at all well, and struggled with the concept of real GDP growth. Many attempted definitions of "real GDP" without growth, but either read too much into the information displayed graphically or failed to spot what was revealed.

Question 4

This question was generally well-answered, with more than half of candidates scoring full marks. The more familiar AD/AS diagram was easier for most to explain in terms of its likely movement in the face of a fall in net exports.

Question 5

This question resulted in an almost flat profile of answers, with every score from 0 to 4 being recorded by approximately 20% of candidates. Too many students either do not understand the difference between deflation and disinflation or are unable to apply their understanding. It is also important that students understand what is indicated by a rise in CPI from one year to the next.

Question 6

This was another quantitative question, although candidates fared fairly well on this one, with over 60% getting 3 or 4 marks. Rejection marks were difficult to score here as showing how a sum doesn't work is a more advanced mathematical technique than showing how a different sum does work.

Question 7

This question was quite well answered, with the best responses making reference to the impact of reduced government expenditure on both AD and LRAS. There were a number of rather peculiar diagrams in which the new equilibrium appeared at a higher price level than previously.

Question 8

The biggest constraint on candidates' scores in this question was the fact that many of them did not understand the word "constrain" and instead chose answers which would boost economic growth and followed them with explanations of how that growth would be boosted. Since the question asked for the option likely to constrain growth, such answers gained no marks.

Section B

Section B

The split between Question 9 and Question 10 was approximately 46% to 54%, which is something of a deviation from previous patterns where candidates have tended to favour questions on developed economies to those on developing economies. The mean score for Q9 was 21.15 and Q10 recorded 23.24, so there was around two marks difference. Among those around the A grade boundary, the proportions were different, with around two thirds of candidates choosing Q10.

As in previous series there were many generic answers which failed to apply economic learning to the contexts provided or to extract useful data in support of analysis or evaluation. This revealed a weakness in the understanding of the theories as candidates were unable to adjust to the particular circumstances presented. In

Angola, for example, where apparently consistent economic data over years was replaced with a sudden and apparently enormous change in inflation, few candidates expressed any surprise, or even commented on the suddenness or extent of the change. An occasional "WTF?" in responses would have been reassuring in terms of their understanding.

Question 9(a)

This was reasonably well-answered with most students able to explain the components of the current account of the balance of payments. Not very many scored all four marks available, though, as they struggled to translate the information in the graph in Figure 1 into words related to the current account. Students should be given more practice in extracting information from graphs.

Question 9(b)

The responses to this 14-mark question were mixed, although all but about 15% managed at least five marks, indicating a level two response in either knowledge, analysis and application or in evaluation, or possibly in both.

Students who provided an accurate AD/AS diagram showing an outward shift in AD tended to fare better, and those who also referred to an outward shift in AS or LRAS, either in the same diagram or a separate one, fared better again. Asking specifically for the diagram in our question helped focus candidates, and many explanations of the effects of investment in tourism led directly from their diagrams.

Question 9(c)

This question required an appreciation that rising youth unemployment was an indicator moving in the opposite direction to other indicators, where for example overall unemployment was falling. Many candidates pointed to the need to train young people in work, and the costs of that for employers acting as a disincentive to employ them ahead of older workers. We smiled at one response which held that "young people nowadays are more lazy and irresponsible", and reminisced that perhaps we were just as lazy and irresponsible at their age!

Question 9(d)

This was generally quite well-answered, with many good descriptions of the economic effects of falling unemployment. However, candidates struggled to make evaluative points, with most only being able to point towards potential inflationary effects. Some students did not read the question properly and spent time discussing the changes in unemployment prior to 2013, rather than since 2013 as had been requested. Since in general the previous trend had been upward, the explanations in this work did not support the economic effects of falling unemployment either, and so were not transferable.

Question 9(e)

This was the 14-mark question with the lowest mean score on the paper, at just 5.26. The rather generic nature of asking candidates about conflicts between objectives with little further guidance left many unable to formulate a proper answer. The most frequently cited conflict was that between unemployment and inflation, although not many candidates were able to support this with information from the supplied material. There is a definite need for training in the extraction of data from stimulus material in a way to support an answer, whatever it may be about.

Question 10(a)

Defining monetary policy clearly proved more straight-forward than the current

account in Q9(a) as the mean score in this question was higher, with two-thirds of candidates gaining either two or three marks. Most also managed a reference to Extract 2 and the monetary instrument of increasing interest rates.

Question 10(b)

This was the best answered of the 14-mark questions, with a mean of 7.82 and 20% of candidates scoring 10 marks or more. Increased investment in the economy was understood by most, and good AD/AS diagrams were supported by well reasoned analysis. The best candidates also evaluated, referring to inflation and impact on the environment.

Question 10(c)

Again, this question was generally well answered with a healthy 13.8% scoring either five or six marks. There was good, generic understanding of the current account of Angola along with appropriate references to the stimulus material.

Question 10(d)

It was clear that most candidates understood the impacts of high inflation, although fewer of them managed to link directly to the case in Angola. The question was generally well answered, but once again using selected information from the stimulus to buttress an argument proved difficult. More able candidates gave good evaluation, pointing to overall economic development and movement into secondary and tertiary sectors.

Question 10(e)

Candidates understood in a generic way that increasing interest rates tend to have the impact of dampening inflation. However, most candidates appear to understand interest rate mechanisms better in reverse, that is they can describe the effects of reducing interest rates in terms of economic growth, shift in AD etc. While this may be more intuitive, students should be encouraged to consider both aspects in future.

Most candidates could draw the connection between the figures presented on interest rates and the level of inflation through 2015 to 2017, and there were some particularly good examples where candidates questioned the cause of the inflation and the overall stability of the Angolan economy. Having said that, most candidates struggled to evaluate the MPC's actions other than by pointing to short run and long run differences.

Paper summary

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

- When answering supported multiple-choice questions, identify the key terms in the stem to the question and in the correct key, and define these terms in your answer.
- Remember to look out for questions that ask you to evaluate or assess your answer. There will be marks available for this, and you should make sure your answer includes appropriate evaluative comments. Know the command words so that the written response matches the assessment objectives for the question.
- Plan both the analysis and the evaluation before starting to write the response. Try to make reference to the context in both analysis and evaluation.

- Statements intended as evaluation that simply state that impacts "depend on other factors" without identifying or explaining those factors will not score well. Similarly, brief reference to the multiplier or to "time lag" without supporting explanation will not score as well as a reasoned argument as to how the multiplier will have an effect or how effects will change over time.
- Use accurate diagrams and refer to them in explanations for KAA and evaluation marks. An accurate diagram, with explanation in context, can shift a response from Level 2 to Level 3.
- Learn how to interpret information provided in graphs. The graphs and figures are provided to enable you to extract important information to help you answer the questions, so make sure you can understand bar charts and line graphs and what changes in their shapes indicate.

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