Examiners' Report
Principal Examiner Feedback

January 2023

Pearson Edexcel International Advanced Level
In Economics (WEC12)

Unit 2: Macroeconomic performance and policy

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications are awarded by Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at www.edexcel.com or www.btec.co.uk. Alternatively, you can get in touch with us using the details on our contact us page at www.edexcel.com/contactus.

Pearson: helping people progress, everywhere

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your Candidates at: www.pearson.com/uk

Introduction

This is the January 2023 series for assessment of WEC12: Macroeconomic performance and policy.

In **Section A**, multiple-choice section, candidates performed best on conflicts between objectives and unemployment (1 and 2 respectively). The two questions with the focus on circular flow of income and balance of trade were the least well answered questions in this section (3 and 4 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 likely reason of this cause was more challenging, with many candidates explaining, with various degrees of accuracy, the concept of surplus.

8: Candidates had to draw an AD/AS diagram and to show negative output gap. In this case we asked for an AD/AS diagram, which almost all candidates did correctly, accessing the first mark for the initial equilibrium. The majority also indicated the correct SRAS. 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 change in Bulgaria's GDP from a given set of figures on GDP per capita and population. 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 macroeconomic impact of an increase in house prices on existing homeowners. In general, they were able to explain an impact on AD. The last application mark 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 table and explain the term savings ratio. Most did not attain all marks for knowledge but often found it easy to gain both the two application marks.

In **Section C**, the data response section, questions are based on information provided in the source booklet.

12a: Candidates can only access two marks by correctly defining seasonally adjusted. Most candidates did not score two marks for the correct definition, but some explained it in context of business confidence.

12b: This question required an explanation the difference between disinflation and deflation. Two relevant pieces of data were required to attain the two application marks. Many candidates just mentioned one accurate definition in the definition, and they were only able to access 1 mark.

12c: A vast majority of candidates were unable to analyse two roles of the central bank. 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. Some candidates evaluated their points, but this was not credited as it is not a requirement of the question.

12d: Most candidates were able to examine likely impact of fall in business confidence on Germany's real output. However only a small percentage of candidates could fully explain the impact to access both analysis marks. Application marks were awarded for appropriate references to Figure 1 and Extract A. Many responses were also not able to access evaluation marks as they gave solutions to these effects rather than answering the question directly.

12e: Most candidates did not make effective use of the information provided and were not able to discuss the likely macroeconomic effects of a high rate of inflation on the German 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 14 was more popular 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 identifying likely cause of a decrease in the value of a country's multiplier. This was a well answered question of this section with many candidates obtaining the one mark. The correct answer is option D.

Question 2

For this question candidates needed to identify the most likely to be a cost of economic growth. The correct answer is option B.

Question 3

The correct answer is option C. Candidates were not always able to correctly identify best describes the cause of unemployment experienced in the USA due to a recession.

Question 4

Not many candidates were able to deduce from the chart that the correct option is A. Careful consideration must be given to the impact of an increase in real GDP per capita.

Question 5

Candidates tended to perform reasonably well on this question, which asked candidates to identify the most likely impact of this increase in the base rate of interest. The correct option is B.

Question 6

For this question, candidates needed to calculate the ratio of GNI in 2018 to GNI in 2020. The correct answer is A. Some candidates inversed the ratio and therefore did not attain the mark for this question.

Section B

Question 7

Many candidates were able to access the knowledge mark and one analysis marks. The most common answers included increase in real income and appreciation of exchange rate. Some were unable to explain the cause further and therefore were limited to one analysis mark. Majority of the candidates attained the application mark where they were able to indicate that there was an increase in deficit at two different points of time.

Question 8

There was an understanding that a fall in consumption would result in a decrease in AD and showed the resultant negative output gap. A few drew the positive output gap, 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 further marks for additional text, which some candidates have included to support their diagram.

Question 9

Many candidates were able to correctly calculate the change in Bulgaria's GDP between 2015 and 2020. Some did not as they inversed the equation and therefore 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 calculations are correct, but not the final answer.

Question 10

Candidates were asked for the macroeconomic impact of an increase in house prices on existing homeowners. Most were able to identify an increase in consumption as their one knowledge mark. Many were also able to explain the impact, especially on wealth effects. However, candidates often struggled in developing their knowledge and thus were not able to access both the analysis marks. They attained the application mark for using the stem correctly.

Question 11

Candidates performed reasonably less well on this question, which asked them to explain the term saving ratio. They had to use the chart to gain the application marks, which many did and hence were able to access any application marks for this question. It is important to remember the distinction between savings and savings ratio.

Section C

The source booklet focused on the economic outlook of Germany. It comprised of two graphs showing business confidence and inflation rate. There was only one extract that highlighted about inflation and economic growth.

Question 12a

Candidates needed to define the term seasonally adjusted. Although most candidates scored the maximum of 2 marks this still indicates that some 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 the difference between disinflation and deflation. Most mentioned this clearly and were able to get their 2 knowledge marks. Some mentioned that this the other way round. 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

This question required candidates to analyse two roles of the central bank. Most responses achieved both knowledge and analysis marks. Some were only able to identify their roles 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

This question required the candidates to examine the likely impact of a fall in business confidence on Germany's real output. Most were able to identify the impact effectively. They could gain two application marks required by effectively using Figure 1 and Extract A. However, many found it difficult to analyse the identified impact and were unable to understand that question related to the role of the central bank and not government.

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 write 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 macroeconomic effects of a high rate of inflation on the German 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.

A handful of candidates were able to successfully explain the effects on real income and trade balance. They were able to integrate this with the application given in the source from the information provided and some supported their analysis points with accurately drawn/labelled diagrams. 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

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 very high global oil prices will always harm a country's macroeconomy. Besides, to access Level 4 for KAA, candidates are required to include application by referring to countries in the answer.

Most candidates were able to analyse why it is harmful, especially impact on net importers/trade deficit and on firms cost of production/SRAS. There were many 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 costs without any linked development were only able to access Level 1 KAA. Candidates who mentioned causes of economic growth did not attain many marks.

Evaluation included an attempt to discuss why it is not harmful, and some SR versus LR considerations were made. These were under developed and did not contain any stages of arguments. Those who listed all their evaluation points achieved Level 1.

Question 14

This question asked candidates to evaluate the government policies that could be used to increase the rate of employment. 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.

The most common policies considered were investment in education and infrastructure. 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.

Evaluative comments were well written, where they examined the effectiveness of the policies written. There were some, however, who were unable to explain these in 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.