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In Economics (WEC12) Paper 01  
Unit 2: Macroeconomic performance and policy

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## **Introduction**

This is the October series for assessment of WEC12: Macroeconomic performance and policy. There were over 1200 entries for this unit.

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 trend was more challenging, with many candidates explaining, with various degrees of accuracy, the concept of inflation.

8: Candidates had to draw an AD/LRAS diagram and to show the fall in house prices on price level and real output. In this case we asked for an AD/LRAS diagram, which almost all candidates did correctly, accessing the first mark for the initial equilibrium. The 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 change in Canada's balance of trade from a given set of figures on exports and imports. 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 the base interest rate. 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 gross investment. 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 net migration. Most candidates scored two marks for the correct definition, but some explain in context of inflation.

12c: This question required an explanation of productivity. Two relevant pieces of data were required to attain the two application marks. Many candidates just mentioned the increase in output in the definition and they were only able to access 1 mark.

12b: A vast majority of candidates were unable to analyse impacts of net migration on the UK economy. 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 points, but this was not credited as it is not a requirement of the question.

12d: Most candidates were able to examine two macroeconomic effects of 'significant wage increases' on the UK economy. However only a small percentage of candidates could fully explain the effects to access both analysis marks. Application marks were awarded for appropriate references to 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 made effective use of the Extract and discussed two supply-side policies that could be implemented to increase UK's productivity. 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 the curve that illustrates the conflict between the macroeconomic objectives of a low rate of inflation and a low rate of unemployment. This was a well answered question of this section with many candidates obtaining the one mark. The correct answer is option C: A short-run Phillips curve.

### **Question 2**

For this question candidates needed to identify the cause of unemployment where it was estimated that many workers in India left their jobs to search for new employment. The correct answer is option B – Frictional unemployment.

### **Question 3**

The correct answer is option A – There will be a net withdrawal from the circular flow of income. Candidates were not always able to correctly identify that tax revenue being higher than government spending will indicate more withdrawals than injections.

### **Question 4**

Not many candidates were able to deduce from the chart that the correct option is C – An increase in the exchange rate. Careful consideration must be given to the distinction between a trade deficit and a trade surplus.

### **Question 5**

Candidates tended to perform reasonably well on this question, which asked candidates to identify the likely impact of an increase in asset purchases (quantitative easing)? The correct option is B - An increase in the money supply.

### **Question 6**

For this question, candidates needed to calculate the index number for 2020, if 2018 is the base year using Ireland's GDP (\$ billion) data. The correct answer is D - 110.65. Some candidates inversed the equation and hence 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 fall in real income and worsening of the trade balance. Some were unable to explain the impact 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 the rate of inflation.

### **Question 8**

There was some understanding that a fall in house prices would result in a fall in AD, as the question relates to the existing homeowners. Many candidates managed to draw the initial equilibrium position for AD and LRAS. A few drew the SRAS and labelled it LRAS, 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 Canada's trade balance. 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 their calculations are correct, but not the final answer.

### **Question 10**

Candidates were asked for an impact of an increase in the base interest rate. Most were able to identify fall in C/I as their one knowledge mark. Many were also able to explain the impact, especially on cost of borrowing. However, 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 less well on this question, which asked them to explain the term gross investment. They had to use the table 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 gross and net investment.

## **Section C**

The source booklet focused on the economic outlook of Zambia. It comprised of one graph showing world copper prices between 2016 and 2020. There was one extract that highlighted the constraints to economic growth and development of Zambia, and the key policies the Government could implement to reduce its dependence on copper.

### **Question 12a**

Candidates needed to define the term net migration. 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**

This question required candidates to analyse two possible impacts of net migration on the UK economy. 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 Figure 2. It is important to recall that there are two marks for knowledge, application and analysis for a six-mark question.

### **Question 12c**

Many candidates were able to successfully explain productivity. Most mentioned that it was the output per unit of input to get their 2 knowledge marks. Some mentioned that this was an increase in output. 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 12d**

The question required candidates to examine two macroeconomic effects of 'significant wage increases' on the UK economy. Most were able to identify both effects 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 related to the rate of unemployment.

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 supply-side policies that UK Government could implement to increase its productivity. It is important that candidates select any two policies 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 likely effects of investment in infrastructure and human capital on productivity. They were able to integrate this with the application given in the source from Extract 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**

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.

#### **Question 13**

This question asked candidates to evaluate the limitations of using GDP data to compare living standards between countries. Besides, to access high Level 4 for KAA, candidates are required to include application by referring to countries in the answer.

Most candidates were able to analyse the limitations, especially lack of consideration of the informal economy and environment. 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 GDP is a good measure and some SR v LR considerations. These were underdeveloped and did not contain stages of arguments. Those who listed all their evaluation points achieved Level 1.

### **Question 14**

This question asked candidates to evaluate the potential conflicts between the objective of economic growth and two other macroeconomic objectives. 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 conflicts considered were inflation and environment. 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 inflation did not attain many marks.

Evaluative comments were not well written. Many offered solutions to these conflicts in terms of using macroeconomic policies. These were some, however, who were able to explain the benefits of higher inflation, and this was credited. 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.

