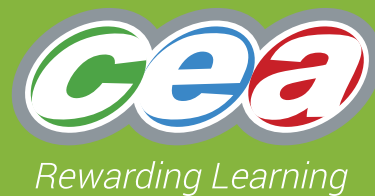


GCE



Chief Examiner's Report Economics

Summer Series 2024



Foreword

This booklet outlines the performance of candidates in all aspects of this specification for the Summer 2024 series.

CCEA hopes that the Chief Examiner's report will be viewed as a helpful and constructive medium to further support teachers and the learning process.

This booklet forms part of the suite of support materials for the specification. Further materials are available from the specification's microsite on our website at www.ccea.org.uk.

Contents

Assessment Unit AS 1	Markets and Market Failure	3
Assessment Unit AS 2	Managing the National Economy	5
Assessment Unit A2 1	Business Economics	7
Assessment Unit A2 2	Managing the Economy in a Global World	9
Contact details		12

GCE ECONOMICS

Chief Examiner's Report

Subject Overview

Summer 2024 finally saw a return to normality in terms of examinations with no unit omissions or additional support in place. This summer series also saw a change in format of the economics exam units from separate question and answer papers to a combined question and answer booklet with a separate case study/data response booklet.

Initially these changes caused a little concern around how students might perform in the new format. Overall, however the senior examining team were generally pleased with the quality of student responses. This change in the format of the question paper did not seem to have any adverse impact on candidates. Most candidates completed the booklets with only a minority needing additional sheets. One important point to note however is, when candidates use additional sheets, they should ensure that they clearly identify each question being answered on each separate page.

As in previous years huge credit must go to the team of economics teachers for preparing candidates so effectively for what are challenging terminal examinations.

Assessment Unit AS 1 Markets and Market Failure

Unit Overview

This paper seemed to work reasonably well and was successful in allowing candidates of differing abilities to respond positively to the questions posed. Top-performing students demonstrated a strong understanding of economic concepts and provided well-structured, insightful answers. However, many students struggled with basic concepts such as elasticity and there was a lack of understanding and coherence in some responses. Overall performance in this paper was slightly lower than in previous years.

Section A

- Q1** (a) This question was well answered by most candidates, although some candidates lost a mark by not expressing the opportunity cost in terms of the good given up.
- (b) This question was reasonably well answered. Most candidates were aware that the PPF would shift but fewer were aware that it would pivot.
- Q2** This question was well answered however a surprisingly large number did not indicate that sales would increase. Some candidates also just put the answer on the page without any attempt to show how they reached the answer. While this is OK if the answer is correct, it may cost a candidate all 3 marks if they make an error in calculation.
- Q3** (a) This was a very straightforward question which well answered by the vast majority. However, several candidates lost a mark by failing to express their answer in millions or in pounds sterling.
- (b) This question proved to be an excellent discriminator. While many candidates were able to accurately calculate the total cost of the subsidy as £22mn (£4,000 x 5,500), a significant number ignored the impact of the subsidy on the supply curve and simply multiplied the subsidy by the original equilibrium.

- Q4** This question was well answered by the vast majority of candidates.
- Q5** This question was also well answered by most candidates. It was pleasing to see the quality of diagrams used to support the analysis.

Section B

- Q6 (a)** While this question was generally well answered a surprising number of students failed to describe the trend across May 2021 to May 2022 correctly, preferring instead to spend an inordinate amount of time describing all the ups/downs in the oil price. Quite a few candidates failed to describe any percentage changes in the oil price and hence did not gain the marks available for appropriate manipulation of data.
- (b)** There was a wide divergence in standard of answers to this question, with marks being awarded across the full range. Too many candidates produced one-sided answers focusing on either demand or supply rather than both, or more worryingly still, ignored the information provided in the passage to guide their response. As a result, the mean score for this question was at the bottom of the Level 2 range.
- (c)** This question proved particularly challenging with a significant number of candidates failing to get out of Level 1. While most candidates understood the concepts of PED and PES, only a few were able to accurately analyse the influence of these concepts on price volatility.
- (d)** While this question provided a wide range of responses, serving as an effective discriminator it was generally well answered. Weaker answers often merely defined key economic concepts and lacked focus on the impact of falling oil prices despite the word being emboldened in the question. Surprisingly, several candidates failed to address the environmental impact of falling oil prices which was well flagged in the final paragraph of the passage. Candidates should be aware that examiners often provide information in the data to guide their response.

Section C

- Q7** This was the less popular of the two essay questions and was not particularly well answered. While there were a few very good answers, most candidates simply provided examples of government intervention to correct market failure and their possible drawbacks. Surprisingly few candidates discussed the possible causes of government failure and hence were unable to access marks in the Level 3 range.
- Q8** This question was significantly more popular than Question 7 and the quality of answers was generally higher. This may reflect the fact that gold production had been the focus of both data response and essay style questions in the past. A major flaw in many answers was that candidates failed to fully analyse and evaluate the policies, spending too much time listing numerous policies instead of focusing on three or four policies for in-depth analysis and evaluation.

Assessment Unit AS 2 Managing the National Economy

Unit Overview

Overall, the standard on this year's paper was good and appeared to have improved since last year. Section A achieved some good responses though candidates should be aware that a lot of questions in this section will test their numeracy skills and they should be competent in carrying out a range of basic economic calculations and ensuring they show their working out and use appropriate presentation for their answer. In Section B many candidates disadvantaged themselves by not using the data provided and grounding their answers within the context of cost push inflation. Indeed, both the data response and essay Question 7 showed many candidates had a limited grasp of cost push inflation. Given it has been the major economic news story of the last two years this was both surprising and disappointing. In Section C both essays were popular with only slightly more candidates choosing Question 8. The mean mark on both essays was similar.

Section A

- Q1** This was well done by most candidates. In a minority of cases, candidates used pre learned examples of structural or cyclical unemployment rather than the data provided and so were unable to achieve full marks.
- Q2** (a) This question had the highest mean mark on the paper with many candidates achieving full marks.
- (b) This was not done as well with many candidates losing marks by leaving out the £ sign or billions.
- Q3** (a) This also proved difficult with candidates unable to distinguish between a million and a billion.
- (b) This question had a wide range of responses. Those candidates who knew how to use a deflator had no difficulty in getting full marks. However, a large number of candidates simply left this question blank, and it has the lowest mean mark on the paper. As with last year's question on index numbers some candidates appear unaware of the basic numerical techniques required at AS Level.
- Q4** This question was very well done. Most candidates were aware of the Lorenz curve and correctly used data from it to support their answer.
- Q5** (a) Again, this posed few difficulties to most candidates.
- (b) There were many good answers utilising well drawn diagrams. Candidates lost marks either by not showing they understood the concept of a negative output gap or failing to explain how an expansionary fiscal policy would impact the economy. A small minority seemed unaware of how to draw a Keynesian LRAS curve despite this having been on the specification since 2016.

Section B

- Q6 (a)** There were some good answers, but many candidates failed to compare trends between the 2 measures of inflation. Many candidates fail to grasp the distinction between a percentage change and a percentage-points change. As always, a purely narrative description of the data will not allow the full range of marks to be accessed, some element of data manipulation is essential.
- (b)** Answers to this question were very disappointing. The question was testing the concept that inflation is measured using a basket of goods consumed by the average household, but the actual basket consumed by many households will be different. Candidates seemed unaware as to how the CPI was calculated. A lot of data was presented for candidates to use but most ignored it.
- (c)** There were some good answers to this question making use of well labelled diagrams. A weakness of some candidates was a failure to lay out a clear chain of analysis identifying how the changes in prices, employment and VAT identified in the data would increase business costs, causing SRAS to decrease and thus generating cost-push inflation.
- (d)** Most candidates were able to produce a clear analysis, supported by diagrams, showing how a rise in interest rates could impact the economy. However, few were able to use the context of cost push inflation to explain how, reducing AD might not be the most appropriate policy. In Section B, candidates should be mindful of the context set out in the Case Study booklet when answering the questions and make appropriate use of the data. There was also a failure to recognise that there is a time lag with interest rates. As always when questions mention policy a minority of candidates take this as a cue to write everything they know about fiscal, monetary and supply side policies rather than focusing on the question set.

Section C

- Q7** This was slightly less popular than 8 but there were many good responses which identified government objectives and clearly identified how a depreciating exchange rate would impact on them. One weakness was that whilst students explained how depreciation could lead to demand pull inflation many ignored cost push inflation.
- Q8** Again, there were some good answers to this question with the better ones clearly identifying both supply side and demand side impact of tax cuts and using AD/AS diagrams to illustrate. Some students failed to appreciate that tax cuts could be a supply side policy. There was also the minority who once more wrote a description of fiscal, monetary and supply side policies.

Assessment Unit A2 1 Business Economics

Unit Overview

This paper seemed to work reasonably well with a mix of questions that effectively differentiated between candidates of varying abilities. Candidates, in general, performed reasonably well on this paper however there were fewer excellent scripts than in previous years. This contributed to a mean score which was significantly lower than 2019. Candidates generally displayed a solid grasp of the core economic concepts and were able to demonstrate their knowledge effectively. Many candidates produced well-structured and coherent responses, showcasing their ability to organize their thoughts clearly and logically, though this was not universal.

Section A

- Q1** This question was well answered by most candidates. One common failing was a lack of reference to the actual timeframe of ten months.
- Q2** This question produced a wide range of responses. While most candidates seemed to understand that profits were maximised at a point where $MC=MR$ and that revenue was maximised where $MR=0$, fewer were able to accurately calculate the level of supernormal profit at each output level.
- Q3** (a) This question was generally well answered. However, a surprisingly large number of candidates calculated the total cost rather than the average total cost.
 (b) This was a relatively straight forward question which was well answered by most candidates.
- Q4** While some candidates scored full marks on this question, a significant number failed to accurately represent their analysis with an accurate diagram. It was quite disappointing to note how many candidates struggled to accurately draw diagrams to support their answer. As a result, the average mark in this question was in the Level 2 range.

Section B

- Q5** (a) This question was well answered with most candidates scoring full marks.
 (b) This was the first question on the paper that seemed to present significant challenges to candidates. While most candidates could explain what was meant by market share, fewer could adequately describe what was meant by market power. Indeed, it was disappointing to note how few candidates could provide an accurate definition of both concepts.
 (c) This question was not generally well answered with a mean score less than 40% of the available marks. While some candidates did reach the level three range, a significant number were hindered by a complete lack of engagement with the helpful starter points provided in the case study. The level of analysis in the average response was somewhat disappointing. While there was no stated requirement to draw diagrams, most candidates did attempt to. However, a significant number of candidates were unable to accurately draw even the most basic diagrams showing supernormal or normal profits. While most candidates could provide at least a vague definition of these concepts, too few were able to really apply this academic concept to the real world. There is a clear need for candidates to develop their application, and analytical skills further if they wish to excel in this section of future papers.

- (d)** This question worked well in that it elicited responses across the full range of marks. While there were some excellent answers, it should be noted that candidates need to focus more intently on the specific question being asked. Many responses deviated from the main query round windfall taxes, leading to answers that were not as concise or relevant as they could have been. A more targeted approach to addressing the question directly would significantly improve the quality of responses in this area.

Section C

There was an even split in the number of candidates attempting each question, and the mean mark in each question was very close. This is probably not that surprising considering that similar questions had been asked in previous papers.

- Q6** While this question was marginally more popular, it was not particularly well done. Indeed, very few candidates managed to get into the Level 4 range. A common failure was to ignore the foreign element in the question and instead answer a general question about the impact of mergers and takeovers generally. While there was enough common content in this approach to reach Level 2, it did limit responses to this range.
- Q7** This question was marginally less popular, but performance was broadly similar to Question 6. Many candidates were able to define, explain and analyse different types of diseconomies of scale along with their impact on the long run average cost curve. However, most were unable to approach the question from a more evaluative viewpoint of avoiding these diseconomies. Only a small number were able to properly analyse and evaluate the possible methods of avoiding the diseconomies mentioned in the stem. Some of the best answers came from students who were able to use their own experiences in the world of work to discuss issues such as human resource management, and advances in technology such as AI and video conferencing apps such as Teams and Zoom.

Assessment Unit A2 2 Managing the Economy in a Global World

Despite the absence of advance information this year the standard was broadly comparable with last year with the mean mark dropping by only 0.5%. Whilst there were some excellent answers showing a clear understanding of economic concepts and an ability to apply them to a wide range of questions, there were a small number of candidates who had clear misunderstandings and were confused about key concepts. There were also some candidates who were determined to use pre learned answers regardless of the question asked.

Section A

- Q1** This was an accessible introduction for most candidates who were able to clearly define both discretionary and automatic fiscal policy and use appropriate examples from the data.
- Q2** This was also well answered with most candidates obtaining full marks. A small number dropped a mark by failing to use the appropriate currency sign.
- Q3 (a)** Again, a very well answered question with almost 90% of candidates achieving full marks.
- (b)** This question caused problems for most candidates. A small number clearly laid out the post specialisation level of production, identified an appropriate exchange rate and then identified a mutually beneficial post trade distribution of goods. Often this was done by presentation in a table. However, many candidates failed to answer the question using the data and either rehashed their answer to Question 3 Part (a) or engaged in general discussion about the theory of comparative advantage. The ability to identify comparative advantage and clearly show a mutually beneficial post trade distribution of goods is a core concept of this unit, but one which candidates continue to have difficulties with.
- Q4** There were many reasonable responses to this question making good use of a diagram with a clear chain of analysis referencing interest rate changes or foreign currency reserves. There were three common errors. Some candidates were so keen to display their understanding of Quantitative Easing that they mistakenly argued it would lead to an appreciation. Other candidates used macro diagrams looking at the economy as a whole and not the foreign exchange market. By far the most common error was to confuse speculative flows of 'hot money' with inflows of FDI, a mistake repeated in parts of Q5.

Section B

Section B requires candidates to make use of the data provided in the Case Study Booklet. Unfortunately, some candidates continue to ignore the data or fail to set their answers in the context provided by the Case Study. Others copy out huge chunks of data without providing their own interpretation. Candidates need to critically engage with the data and use it to inform their own analysis and evaluation. Some candidates tend to uncritically agree with the views expressed by various ‘experts’ in the Case Study. A Level Economists should have developed the skills to use their economic knowledge to question and challenge assertions made by others, especially if it contradicts data provided or the candidates own understanding of real-world economic problems.

- Q5 (a)** This question required candidates to calculate the trade balance at various points and comment on how it had changed over the time period. Regrettably only a minority of candidates did this. Far too many spent a lot of time calculating the percentage change in both imports and exports over the period without calculating the difference between them.
- (b)** There were some good answers to this question making good use of AD/AS diagrams and displaying good analysis of a range of impacts a fall in exports would have. A small number of candidates seemed to believe that a fall in exports would automatically generate a rise in imports.
- (c)** Again, there were some very good answers to this question discussing, and evaluating, the impact of trade deals or supply side policies. Unfortunately, some candidates decided to use pre prepared answers on reducing a trade deficit and discussed reducing tariffs on imports as a means of boosting exports or using expenditure reducing policies. Some candidates correctly argued that increased FDI might help boost exports but weakened their case by proposing increased interest rates as a way to do this and showing confusion between FDI and speculative flows.
- (d)** Despite the UK's ongoing trade deficit being a long running topic of debate amongst economists, and the subject of previous questions, many answers were disappointing. Some candidates confused the trade and fiscal deficit. Others, whilst not making that error, argued as if all trade was carried out by the government. Some candidates believed that the Financial Account was where exports of financial services were recorded. The idea that the Balance of Payments must always balance was misunderstood by some students. They appeared to believe that a country could always run a Current Account Deficit as it would automatically be financed by a Financial Account surplus as opposed to the reality that a Current Account deficit can only occur if there is a Financial Account surplus (or less likely a Capital Account surplus) to finance it. Finally, candidates should be aware that Net Investment Income and Transfers are no longer the titles of component parts of the Current Account having been replaced by Primary and Secondary Income. Having said all this there were some very good answers with candidates clearly distinguishing between structural and cyclical causes of deficits, assessing the likelihood of an exchange rate depreciation curing the deficit, discussing the possible advantages of a current account deficit and assessing the short and long-term impact a deficit might have.

Section C

In this section Question 6 proved to be more popular than Question 7 with a roughly 66/33 split. Candidates would do well to remember that half of the marks in the essay questions are for evaluation and that should be the focus of the answers. A minority of candidates spend a lot of time defining terms which is gaining them very little marks. For example, in Question 7 some candidates defined in detail every type of trade restriction whilst ignoring the question by failing to discuss their impact on jobs and living standards in the United States.

- Q6** Given that this was the first time an essay looking at FDI V Aid as a development strategy had been set, it was very pleasing to see the high standard of many answers. Candidates were able to assess the advantages and disadvantages of each and their impact on development. There was some excellent application. Only a handful of candidates tried to use a rehearsed answer looking at trade versus aid. Weaker answers tended to look only at the advantages of FDI and the disadvantages of aid and lacked a balanced evaluation. It was also interesting to see some candidates argue that whilst aid could lead to corruption, FDI never would.
- Q7** This was the less popular essay and was also not as well answered as Question 6 with the mean raw mark being 1.5 marks lower. Good candidates were able to assess the advantages and disadvantages of protectionism and the impact withdrawal from the WTO would have. There was good application and use of diagrams. Weaker responses often produced a tariff diagram but failed to fully discuss it and use it as an evaluative tool. The possible advantages of protectionism were missed. Many of these answers failed to appreciate that it wasn't just consumers who purchased imports, firms often purchase imported components or raw materials. Others strayed into looking at how the imposition of trade restrictions would impact developing countries despite the focus of the question being on the impact in the United States. Many candidates had no understanding of the role of the WTO; indeed, a significant number thought it had jurisdiction over a countries immigration policy.

Contact details

The following information provides contact details for key staff members:

- **Specification Support Officer: Arlene Ashfield**
(telephone: 028 9590 6678, email: aashfield@ccea.org.uk)
- **Officer with Subject Responsibility: Jill Armer**
(telephone: 028 9590 6686, email: jarmer@ccea.org.uk)



INVESTORS
IN PEOPLE

