

AS LEVEL

Examiners' report

ECONOMICS

H060

For first teaching in 2019

H060/02 Summer 2024 series

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Introduction

Our examiners' reports are produced to offer constructive feedback on candidates' performance in the examinations. They provide useful guidance for future candidates.

The reports will include a general commentary on candidates' performance, identify technical aspects examined in the questions and highlight good performance and where performance could be improved. A selection of candidate answers is also provided. The reports will also explain aspects which caused difficulty and why the difficulties arose, whether through a lack of knowledge, poor examination technique, or any other identifiable and explainable reason.

Where overall performance on a question/question part was considered good, with no particular areas to highlight, these questions have not been included in the report.

A full copy of the question paper and the mark scheme can be downloaded from OCR.

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Paper 2 series overview

To do well in this component candidates are required to apply their knowledge of macroeconomic concepts to the situations presented in the question paper. This involved using well labelled diagrams and calculations when appropriate.

Candidates who did well in this session had a strong understanding of government economic objectives especially the topics of international trade, unemployment and inflation. Evidence from the data provided, and question stems, was selected carefully and effectively integrated into answers illustrating understanding of the concepts being applied. Diagrams were clearly labelled and dynamic. The strongest candidates were able to integrate examples of current economics events to show an ability to effectively apply the concepts covered.

Candidates who did well on this paper generally:	Candidates who did less well on this paper generally:
<ul style="list-style-type: none"> • used terminology with precision • included information from the data provided for Questions 16 (a), 16 (b) (i) and 16 (d) • were able to use an exchange rate diagram in 16 (c) • clearly labelled all diagrams which were then referred to in the written analysis • provided clear and logical chains of reasoning • structured answers to Question 16 (e) and Section C questions to show analysis, evaluation and a justified decision • focused answers on the question set. 	<ul style="list-style-type: none"> • confused economic terms notably interest rates and exchange rates • provided statements which were unsupported by evidence • confused currencies within Question 16 (c) • presented diagrams with microeconomic rather than macroeconomic labels • did not refer to, often correctly drawn, diagrams in their written analysis • produced answers to Question 16 (e) and Section C questions which contained lists of undeveloped points • produced prepared answers for Question 17 and Question 18 related to money supply and interest rates.

Section A overview

Section A consists of fifteen multiple choice questions, four of which tested quantitative skills. The mark scheme provides explanations for each question to illustrate the correct answers and justifications for incorrect or distractor answers.

Many candidates scored highly in this section of the examination showing strong knowledge of the concepts. Questions 6, 9, 13 and 15 assessed quantitative skills. Several candidates found Questions 8, 12, 14 and 15 challenging showing less of an understanding of the causes of inflation, labour markets, SRAS and calculations of nominal values.

Misconception



Candidates occasionally lost marks by not writing their answers to the questions clearly. Incorrect answers must be crossed out and the replacement answer clearly written outside of the answer box.

Section B overview

The strongest answers in this section were characterised by precise use of correct economic terminology and models supported by evidence selected from the extract. Several candidates were unable to effectively use precise economic terminology to describe the situations in each question. International trade and the HDI were not well understood by candidates.

Fig. 1

UK trade in goods with the EU 2019–2021 (seasonally adjusted)

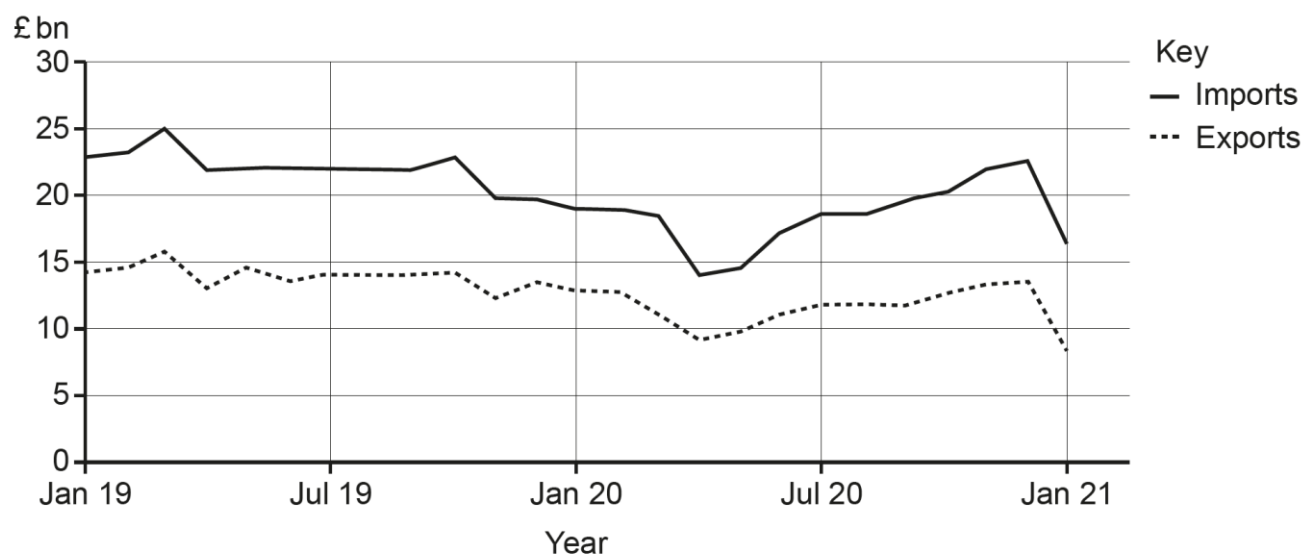
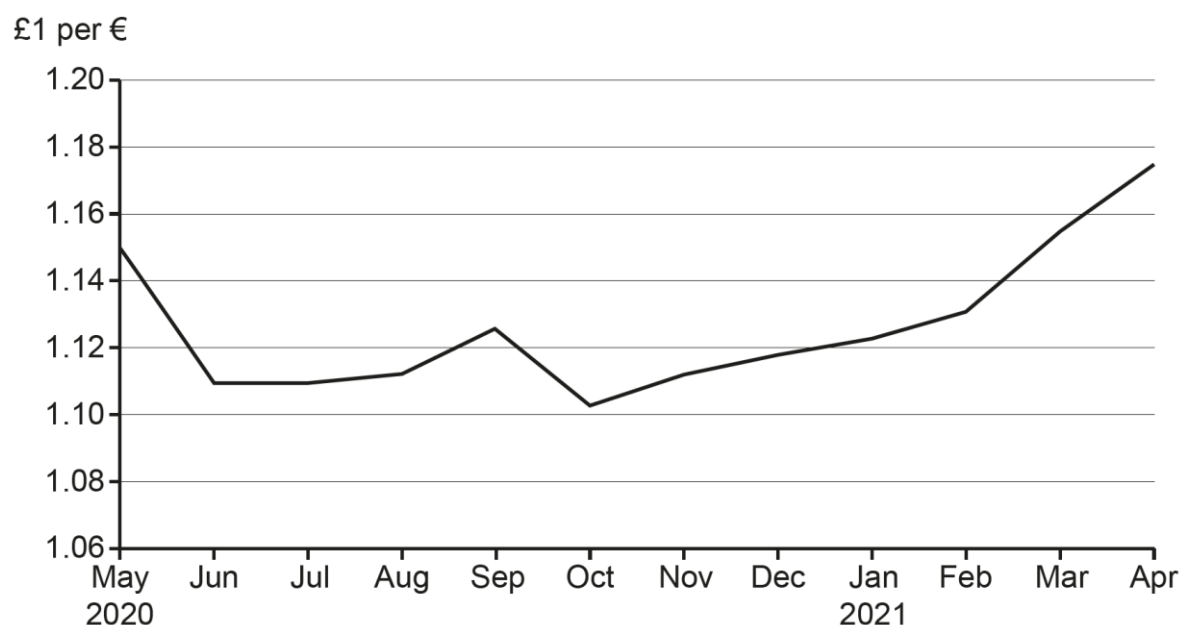


Fig. 2

Sterling to euro exchange rate 2020–2021



Question 16 (a)

16

(a) Using **Fig. 1**, describe the UK's balance of trade in goods in January 2021.

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.....

.....

..... **[2]**

Most candidates were able to correctly select the information from Fig.1 to show the balance. Candidates who recognised this represented a balance of trade deficit and gained full marks. A small but noticeable number of candidates confused trade with budget deficit.

Question 16 (b) (i)

(b)

(i) Using **Fig. 2**, explain what happened to the Sterling to euro exchange rate from May 2020 to October 2020.

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..... **[3]**

As with Question 16 (a), candidates were required to select the correct data from Fig.2 and use their calculation to describe the impact on the exchange rate using the correct economic term. Several candidates stated the 'pound fell'. The strongest candidates took the opportunity to display their quantitative skills and correctly calculated the size of the depreciation rather than simply copying the figures from Fig 2.

Question 16 (b) (ii)

(ii) **Lines 28–29** refer to an expected increase in international trade with Japan.

Explain **one** advantage of international trade for developed countries.

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..... **[2]**

Several candidates misunderstood this question. Such candidates presented answers related to the benefits of trade to developing countries. Frequently such answers were able to gain one of the two marks available as they related to improvements in consumer choice. The most common correct answers related to access to raw materials or the lowering of prices to consumers.

Question 16 (c)

- (c) The trade deal with Japan (**lines 26–30**) may have an impact on the exchange rate between Sterling and the Japanese Yen.

Using a diagram, explain the possible impact on the Sterling to Yen exchange rate of an increase in demand from Japan for UK goods.

.....

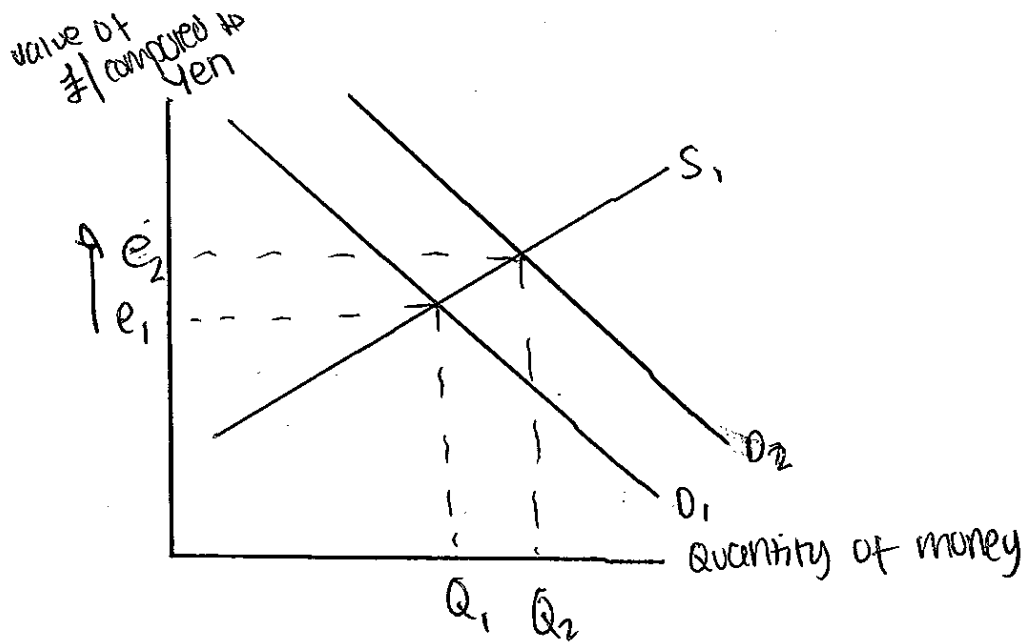
.....

.....

..... [4]

The strongest candidates were able to gain three of the four marks available through a correctly drawn and well labelled diagram. The supporting analysis provided by such candidates made clear reference to points within the diagram. Some candidates lost marks by illustrating how an increase in demand for UK goods by Japan would lead to an appreciation of the Yen. A noticeable number of candidates were unable to draw an exchange rate diagram. Such candidates often attempted to analyse an AD/AS diagram with little success.

Exemplar 1



The exchange rate for the £ compared to Yen will increase because the demand for UK exports increases so more Japanese people will supply their currency in exchange for the pound so demand increase for pound from D_1 to D_2 increasing the exchange rate [4]
(Appreciation)

In Exemplar 1, the candidate has drawn a clear diagram with acceptable, if not perfect, labelling. The supporting commentary explains why the exchange rate will change and uses the correct economic term, appreciation.

Assessment for learning



Candidates should be encouraged to draw exchange rate diagrams to illustrate the impact of changing currency demand and supply in a floating exchange rate system.

Question 16 (d)

- (d) Using information from the **Extract**, explain how the UK's circular flow of income would have been affected during 2020 and 2021.

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..... [4]

Candidates were able to select a variety of pieces of data from the extract to illustrate impacts on the circular flow. A mark of three was common as frequently candidates did not state that the overall effect would be a decrease in the circular flow of income.

Question 16 (e)*

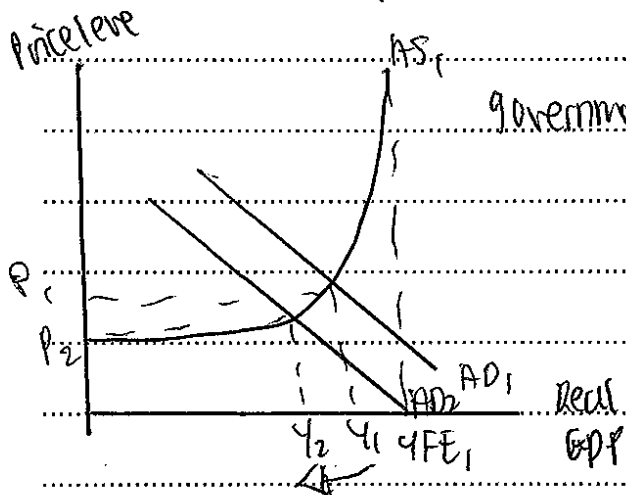
- (e)* Evaluate the effect the increase in unemployment in November 2020 to January 2021 from the same period the year before, is likely to have had on the UK economy. [10]

Several candidates were confused by the inclusion of the phrase, 'from the same period the year before'. Such candidates frequently attempted to discuss the impact of covid on unemployment and focused on the cause of the increase in unemployment rather than its effect.

More successful responses recognised that increasing unemployment would have potentially negative impacts on growth and the budget position but positive impacts on inflationary pressures. Candidates who supported their discussions with clear diagrams were often very successful.

Exemplar 2

If unemployment increases then tax revenue for the government decreases. When people who are willing and able to work can't find a job then they are not earning any wages so the government cannot tax their income because they don't have any. This reduces income tax collected by the government. Also, when people don't earn any wages they cannot consume that much as they don't have enough or any income to spend meaning ~~that~~ consumption also falls ~~and~~ shifting AD_1 to AD_2 .



This means indirect taxes collected by government like VAT which are levied on goods and services also falls ~~few~~ leading to further decreased tax revenue. This decrease in consumption means that firms aren't

getting enough profit as revenue has decreased and as $\text{Total profit} = \text{total revenue} - \text{total cost}$, profits decrease and ~~corpr~~ corporation tax collected by the government decreases which means that the government has collected less tax revenue overall. ~~this means~~ Since the

In Exemplar 2, the candidate has provided a clear explanation of how rising unemployment will negatively affect the budget position through falling tax revenue from several sources. The diagram is integrated briefly into the analysis. This was able to show good analysis.

Section C overview

There was some evidence in this section that candidates were attempting to alter answers which they had prepared in advance to fit the questions set. Several candidates presented lengthy discussions of the impact of government borrowing on interest rates supported by detailed appropriate diagrams. Some candidates were less able to correctly relate this discussion to the topic. Other candidates who were able to focus their answers precisely on the question scored highly.

Each essay in this section requires the use of appropriate diagram(s). To achieve marks in Level 3 candidates must make sure that relevant diagrams are presented and integrated into the written analysis. Candidates should be encouraged to read the grade descriptors for each Level as presented in the mark scheme to assist with planning their essays.

Assessment for learning



Candidates should be reminded to focus their answers on the question asked. Candidates with strong knowledge often lost marks by writing long answers which did not focus on the question.

Option overview

Candidates found Question 17 to be a more approachable question, and this was reflected in the marks given. Although there were some very good answers to Question 18. Frequently candidates felt challenged to identify an appropriate diagram to use in Question 18 which limited their analysis and evaluation.

Question 17*

17* Germany's public sector spending increased annually by 12.1% in 2020, to €1700 billion. Some of this extra spending was used to offer subsidies to firms to help them keep workers employed.

Evaluate, using an appropriate diagram(s), whether government spending to keep unemployment low will conflict with objectives a government may have for inflation. **[20]**

Candidates appeared to be expecting a question related to government debt and the covid crisis. Many candidates made valiant efforts to integrate a discussion of the pros and cons of government borrowing into their answers. Although there was some relevance in this discussion, frequently candidates focused on this element rather than the impact on inflation which was required.

Candidates were able to make effective use of a number of diagrams, however those that chose to use a PPF diagram often struggled to develop their answers to show a two-sided argument. The most successful answers clearly showed how government spending could lead to demand pull inflation supported by Keynesian AS diagrams. Candidates were then able to illustrate how the eventual impact would depend on the degree of spare capacity within the economy. Often answers which showed effective evaluation focused on the potential long run expansionary impact of increased government spending on supply side policies. A small number of candidates attempted to use the Phillips curve to explain the potential trade-off between inflation and unemployment. Very few of these answers developed beyond a statement that such a trade-off occurred. Strong answers attempted to explain why a fall in unemployment would lead to higher inflation.

Question 18*

18* Qatar's GDP in 2020 was \$146.4 billion and its Human Development Index (HDI) was 0.86. Over the same period, Slovenia's GDP was \$52.9 billion and its HDI was 0.90. Both countries had similar populations of approximately two million people.

Evaluate, using an appropriate diagram(s), the usefulness of GDP as an indicator of development.

[20]

This was the least popular of the two essay questions and one where candidates struggled to gain marks in the highest mark band.

Stronger answers showed understanding that GDP as a measure of growth is one element considered in the HDI and therefore can be considered as a useful indicator. Such answers often started with an explanation of the two concepts. The information in the stem of the question was then used to show effective application and evaluation by focussing on why countries with similar GDP figures have a different HDI index. A Keynesian AS diagram was frequently used to show how increased GDP would reduce unemployment and generate higher incomes for the population. The strongest answers related this change to both a rise in consumer's ability to purchase education and health care and a rise in tax revenue enabling government spending on development projects. The weaknesses of GDP were less well understood. Strong answers recognised that development would depend on how the GDP was distributed and how it would be spent.

Less successful answers focused on the nature of the two economies identified in the question stem particularly differences in population and social attitudes. Such candidates were aware of issues surrounding income inequality in Qatar but frequently struggled to present developed chains of analysis linking this to development.

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