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OCR
Oxford Cambridge and RSA

Examiners' report

AS LEVEL

ECONOMICS

OCR Level 3 Advanced Subsidiary GCE in Economics

H060

For first teaching in 2019

H060/02 Summer 2025 series

Version 1

Contents

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 responses 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 Teach Cambridge.

Paper 2 series overview

Candidates who did well in this session had a strong understanding of government economic objectives especially the topics of international inflation, sustainability and the factors affecting international trade. Evidence from the data provided, and question stems, was selected carefully and effectively integrated into answers illustrating understanding of the concepts being applied.

Candidates had clearly expected particular topics to be part of the paper and presented prepared answers which some struggled to relate to the question set. The strongest candidates were able to integrate current real world examples into essays showing a strong understanding of the economic concepts.

Candidates who did well on this paper generally:	Candidates who did less well on this paper generally:
• used terminology with precision • selected information from the data given to support answers throughout • labelled diagrams clearly and dynamically • referred to diagrams in the written analysis • provided clear, logical and complete 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 by using relevant real world examples.	• confused economic terms notably interest rates and exchange rates • presented diagrams with microeconomic rather than macroeconomic labels • presented many diagrams, often unrelated to the question in Section C questions • produced very long prepared answers for Q17 and Q18 related to unemployment, money supply and interest rates which only occasionally focused on the question set.

Section A overview

Many candidates scored highly on this section of the examination paper, showing strong knowledge of economic concepts and quantitative skills. Quantitative skills were tested on Questions 2, 9, 13 and 15. Questions 1, 4, 13 and 15 proved challenging to candidates. Errors in Question 1 perhaps illustrate that candidates misread the question which focused on a fall in unemployment. Questions 13 and 15 were quantitative questions testing the candidates ability to understand information presented in a graph.

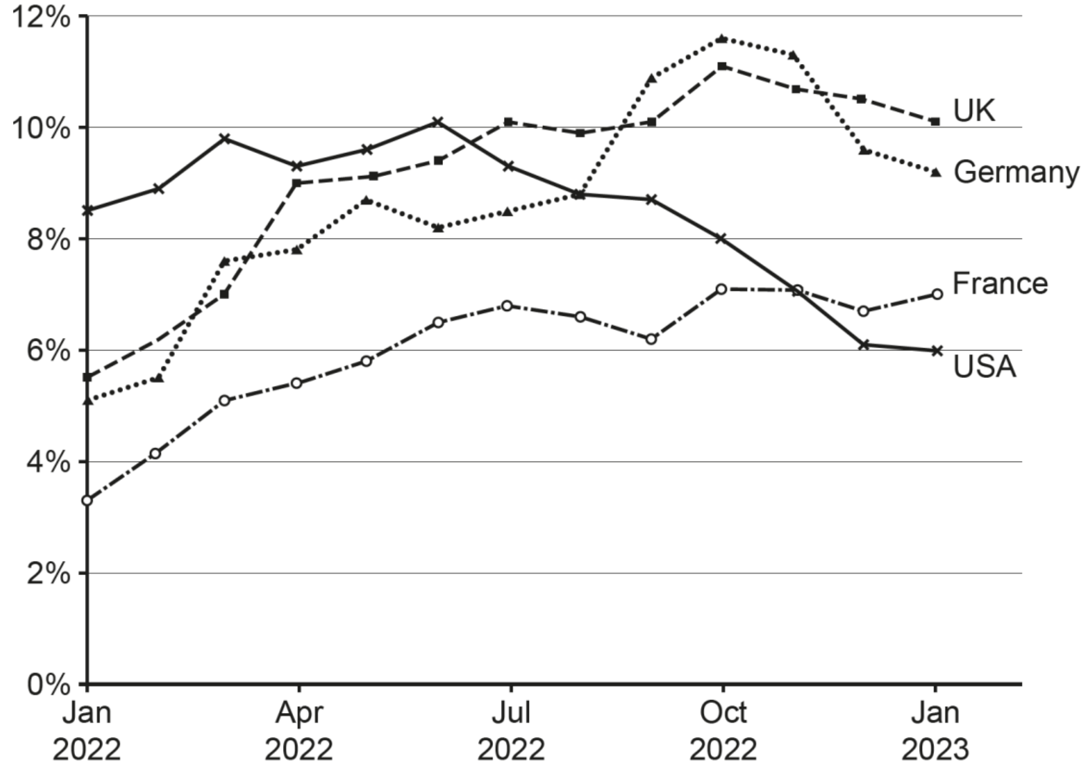
Section B overview

The more successful answers in this section were characterised by good use of data skills and careful selection of information from the case material to support the points being made. Many candidates had clearly expected a longer question on unemployment, and they attempted to refocus the question in Question 16 (e) to one they wished to answer rather than the one presented.

Assessment for learning

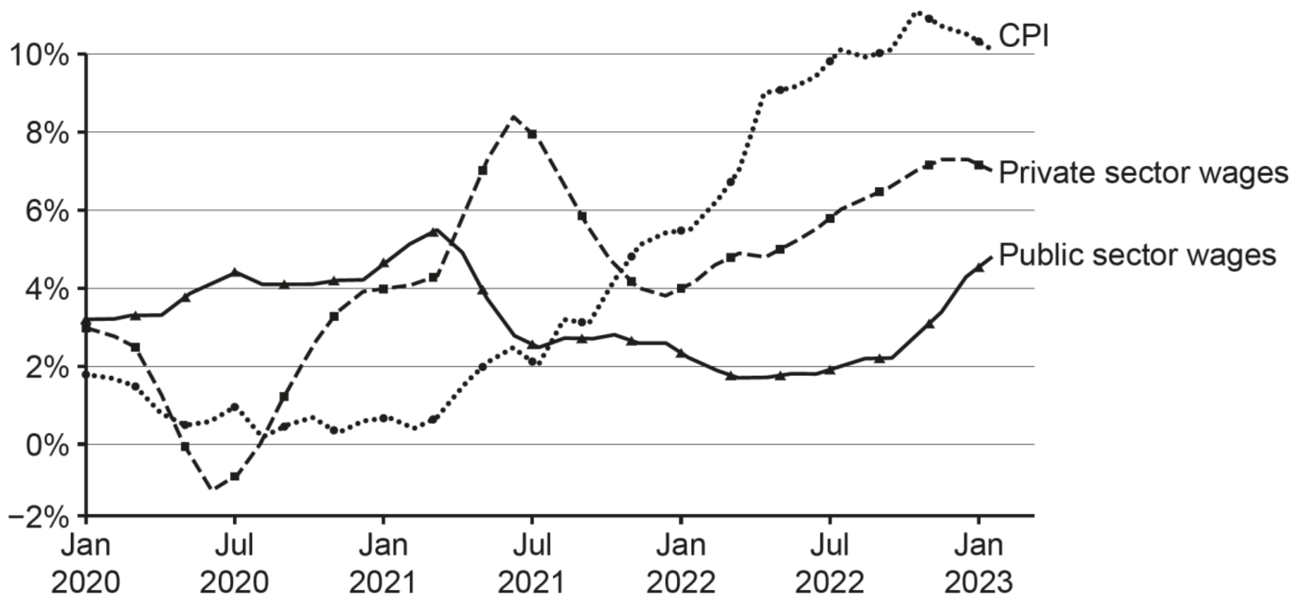
Candidates should be encouraged to carefully check their diagrams to make sure axis, curve and equilibrium labels are correct.

Fig. 1
Inflation in selected countries Jan 2022–Jan 2023



Source: Eurostat, ONS

Fig. 2
Wage increases and CPI in the UK Jan 2020–Jan 2023



Source: ONS

Question 16 (a)

16

(a) Using **Fig. 1**, describe the difference in the inflation rate between the UK and USA in January 2023.

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....

.... **[2]**

Most candidates were able to correctly calculate the difference and state that UK inflation rate was higher. Less successful candidates simply copied the information from figure 1 with no commentary.

Question 16 (b) (i)

(b)
(i) Using **Fig. 2**, explain how real wages changed for workers in the private sector in January 2023.

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.... **[3]**

Candidates were required to use their understanding of the difference between real and nominal wages to calculate the real wage change. A noticeable number of candidates were unaware that real wage is equal to nominal wage minus the inflation rate. Such candidates often gained a mark for identifying the correct amounts from Fig. 2.

Question 16 (b) (ii)

(ii) Using the case study, explain **one** disadvantage for the UK of relying on importing salad and vegetable crops.

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.... **[2]**

Candidates who recognised the supply issues as outlined in the case study material scored well. Several candidates incorrectly focused on the impact on UK farmers rather than the UK as a whole.

Question 16 (c)

(c) The UK government is concerned that "…large pay rises could push inflation higher". **Lines 25–26**.

Using a diagram, explain how pay rises could push inflation higher.

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.... **[4]**

Most candidates were able to correctly draw, label and explain a cost push inflation diagram. A demand pull diagram was also acceptable given rising wages may lead to increased consumption. A small number of candidates used microeconomic rather than macroeconomic labels.

Question 16 (d)

(d) Using the case study, explain **two** supply side policies the UK government could use to help farmers with rising costs.

1 ....

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2 ....

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.... **[4]**

Candidates were able to explain a variety of different supply-side polices. The most common correct answers being subsidies and deregulation. Some candidates struggled to explain how the identified policy would assist farmers with costs and simply stated that they would do so. Candidates who focused on reduced barriers to entry for imports or reduced taxation particularly struggled to explain how this would help the farmers with rising costs.

Question 16 (e)*

(e)* Evaluate whether increases in UK inflation harm UK farmers. **[10]**

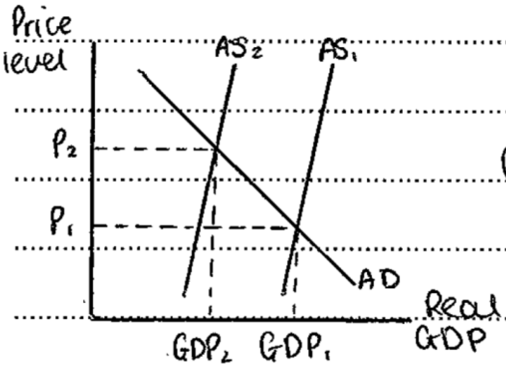
Some candidates were confused by this question's focus on the impact of a macroeconomic issue on one economic agent, suppliers. A number discussed the solutions to inflation problems rather than explaining the harm that this may cause.

Other candidates were clearly anticipating a question related to unemployment. These candidates had prepared very detailed answers which they attempted to relate to the question set, with varying degrees of success. Most frequently these answers attempted to explain the likely hysteresis suffered by farmers forced to abandon farming. Although this argument had some merit, such answers often did not provide sufficient explanation of the causal link between inflation and unemployment to gain the higher marks. Frequently such candidates made only passing reference to inflation before discussing the long term consequences of unemployment.

More successful candidates focused their answers on the question set, using evidence from the material provided to support their points. The most successful candidates usually explained how cost push inflation would reduce the competitiveness of UK farmers or force them into reducing supply. Good evaluation often related to the inelastic demand for food as a necessity, the potential benefits of demand pull inflation or the impacts of inflation on debtors.

Exemplar 1

inflation is the rate of change in prices over~~x~~ time.



As the costs of production increase from inflation increasing production costs this will reduce the profit potential of farmers, this will disincentivise production for the farmers causing a leftwards shift of supply ($AS_1 \rightarrow AS_2$), overall equilibrium price level will increase ($P_1 \rightarrow P_2$) this is cost-push inflation as the increased costs are passed on to the consumer. This will therefore disincentives consumers to buy the food causing demand to contract ($GDP_1 \rightarrow GDP_2$).

These lower profits, disincentives the UK farmers to produce the food, causing more cost push inflation. High levels of inflation cause volatility in prices and overall uncertainty, this will reduce investment into farming on the overall economy. Inflation as a whole will ~~reduce~~ increase unemployment from farmers trying to decrease production costs to increase revenue. Overall increases in UK inflation will cause more overseas foods to be bought as they are more price competitive. Causing amount of UK farmers producing to shrink. However it depends on what type of inflation (demand-pull?), the levels of inflation in trading countries, and the level of inflation in the UK, and how long it will last for, short term inflation will reduce impact

The candidate has written an analytical response focused clearly on the question set. The analysis starts with a clear diagram which is referenced throughout the answer. The chain of analysis is complete showing how and why rising costs will impact upon farmers in both the short term, through reduced supply and in the longer term through reduced investment impacting competitiveness. The candidate however was unable to replicate this level of depth in their evaluation. The potential positive impact of demand pull inflation is identified but the candidate is unable to explain why this may be beneficial to UK farmers.

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. A number of candidates presented lengthy discussions which they struggled to correctly relate to the topic in the question. This was a particular issue in Question 18. Candidates who were able to focus their answers precisely on the questions set 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 upon the question asked. Candidates with strong knowledge often did not achieve high marks due to not including appropriate diagrams or writing long answers which did not focus on the question.

Option overview

Candidates found Question 17 to be a more approachable question, although less successful candidates often struggled to include an appropriate diagram for this question which limited their analysis.

Question 17*

17* In December 2022, the UK government approved the opening of the country's first new deep coal mine for 30 years in Cumbria.

Evaluate, using an appropriate diagram(s), whether the opening of new coal mines will affect a policy of sustainable development. **[20]**

The more successful candidates recognised the importance of the word sustainable within the question. Such candidates balanced their answers by considering the short term positive impacts within the local economy and national economy versus the longer term impacts of resource depletion and pollution. Very few candidates were able to fully develop their analysis to explain the positive local multiplier impact of rising employment and the national impact of rising tax revenue and possible government spending.

More successful candidates provided some evaluation by focussing on the finite nature of this resource and linking this to the sustainability of jobs and income levels. Evaluation was however the less successful part of most essays. A small number of candidates attempted to use the environmental Kuznets curve to show how rising incomes could improve pollution levels. Such attempts were generally not successful as candidates simply stated that this would occur rather than explain why it would.

The less successful candidates were confused by the concept of sustainable development. Such candidates often attempted to link their answers to HDI indicators with limited success.

Exemplar 2

On one hand it won't affect sustainable development because as the coal mines open and more coal is being exported this increas AD from AD_1 to AD_2. GDP is now producing at full employment level of output which increases employment from E_1 to E_2. As employment has increased ~~P~~ more people will now have higher incomes. They can now have a better material standard of living and increased healthcare which would improve life expectancy. This is one one of the measurements of HDI so by increasing this development should increase and will keep increasing into the future so it will be sustainable.

Also, with increasing economic growth due to the shift of AD_1 to AD_2 the government will recieve higher tax revenues and less spending on benefits as employment increases. This means they can spend more on health and education ~~so~~ and invest in it ~~to~~ improving development now and in the future.

This candidate has shown a strong chain of analysis in recognising the impact of rising employment on the material standard of living, health and life expectancy. How health will improve is explained by reference to tax revenue and government spending. This was supported by a correct diagram which was referenced earlier in the analysis. The candidate recognises that life expectancy is a component of HDI but the impact on sustainability is stated not explained.

Question 18*

18* In September 2022, measures introduced in the UK's mini-budget threatened to affect confidence in the UK.

Evaluate, using an appropriate diagram(s), whether a loss of confidence in an economy will affect the exchange rate. **[20]**

Candidates found this question to be the more challenging of the essays. The requirement to focus on a loss of confidence in the economy was often ignored by candidates.

More successful candidates recognised that this would impact foreign investment, speculation and the demand for imports. Such answers were often supported by exchange rate diagrams showing reduced demand or reduced supply of the pound on the foreign exchange market. Evaluations frequently focused upon the balancing impact of higher interest rates or the adjustments which a floating exchange rate would deliver.

Less successful candidates lost focus on the question and discussed the impact of falling confidence on consumption supported by AD AS diagrams. Although this argument had some merit, to be credited, the link to currency demand and supply had to be explicit. Some candidates who took this approach developed their analysis into explanations of government monetary policy. As the focus of these answers was on the impact of interest rates, with no reference to confidence, they could gain little credit.

Exemplar 3

using ~~fiscal~~ monetary policy. One way they can do this is by ~~decreasing~~ increasing interest rates. This means that consumers will have more confidence to borrow money and spend or invest it. Moreover, as interest rates directly affect exchange rates, this means that the value of the money would also be affected. For example, if £1 was equivalent to two US dollars, if exchange rates were to increase £1 ~~would~~ could be equivalent to four US Dollars. This means that the value of the ~~gre~~ Great British Pound has increased. Therefore, if there is a loss of confidence in an economy ~~and~~ this ~~wea~~ will lead to decreased consumption which ~~means~~ could lead to negative economic growth. This could then lead to ~~gre~~ the central bank increasing interest rates, which ~~will give people~~ ~~confidence again aswel to borrow or invest more of their money~~ is directly linked to exchange rates.

This is an example of a less successful response. The candidate is aware that interest rates may have an impact on the exchange rate, but this is stated rather than explained. The analysis presented relates to an increase in confidence rather than the loss of confidence required in the question. In the final lines the candidate attempts to relate their answer to the loss of confidence but this is related to economic growth rather than exchange rates.

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