

Principal examiner reports for teachers

Principal examiner reports for teachers summarise what candidates did well and what candidates needed to improve for this examination series only.

This report is to be used in conjunction with the question paper and mark scheme.

For guidance on teaching and learning we provide resources for many of our syllabuses.

Resource	Where to find it
Grade descriptions – Grade descriptions describe the level of performance typically demonstrated by candidates achieving the different grades awarded for a qualification.	School support hub Select: Subject > Resource finder > Syllabus and specimen materials
Schemes of work – Schemes of work are designed to support you in your teaching and lesson planning.	School support hub Select: Subject > Resource finder > Teaching and learning
Lesson planning – Guidance on how to plan a lesson.	Lesson planning
Resource plus – There may be additional resources such as teaching packs containing lesson plans, resources and worksheets and videos for aspects of your syllabus.	School support hub Select: Subject > Resource finder > Teaching and learning
Teaching tools	Teaching Tools
Exemplar candidate responses	School support hub Select: Subject > Resource finder > Teaching and learning
Learner guide – A guide for students to help them understand what the course involves.	School support hub Select: Subject > Resource finder > Teaching and learning
Community forums – Do you have a question or something to share? Our online forums are great way to keep up to date with your subject and the global Cambridge community.	Community forum on the school support hub
Access to scripts for this series.	Access to scripts service
Results analysis is available for some syllabuses.	Results analysis
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ECONOMICS

Paper 9708/11 AS Level Multiple Choice

Key messages

Candidates performed well on **Questions 1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 12, 14, 18, 20, 21, 22, 24, 25, 29 and 30.**

Candidates performed less well on **Questions 10, 13, 15, 16, 17, 19, 23, 26, 27, and 28.**

Overall performance was very good, with most candidates answering at least 20 questions correctly. Incorrect answers most often came from limited understanding of macroeconomic concepts.

Comments on specific questions

Question 10

- Option **D** was a very common incorrect answer.
- Consumer surplus is shown by the area between the demand curve and supply curve at the equilibrium price. Therefore, if the supply curve is horizontal, an outward shift of the demand curve will lead to an increase in consumer surplus.

Question 13

- Option **A** was a common incorrect answer.
- This suggests that some candidates were not able to recognise that the subsidy would lead to an increase in equilibrium quantity, so that the area HJKI also needs to be included in the incidence for the consumer.

Question 15

- All three incorrect options, **B, C and D**, were equally popular.
- This suggests that many candidates did not appreciate the fact that a specific tax will have a greater effect as demand becomes more price inelastic. Therefore, the extreme case of perfect price inelasticity (a value of 0) will create the largest amount of tax revenue, as demand will remain constant even though the equilibrium price increases.

Question 16

- Option **C** was a common incorrect answer.
- This suggests that some candidates reversed the adjustments needed to change GDP at basic prices to GDP at market prices. Market prices measure the price paid by the consumer, so that indirect taxes need to be included and subsidies excluded.

Question 17

- Option **C** was a common incorrect answer.
- This suggests that although these candidates identified that there was a 5% change in real GDP, they misunderstood the suppressing impact of inflation on GDP. With a 5% increase in nominal GDP and an increase in the price level of 10%, real GDP must decrease by 5%.

Question 19

- Option **C** was a common incorrect answer.
- If an economy is in recession, any increase in consumption will cause an increase in real GDP (a rightward shift of aggregate demand when aggregate supply is not vertical). This suggests that some candidates were unfamiliar with how recession and full capacity could be shown on an aggregate demand and supply diagram.

Question 23

- Option **C** was a common incorrect answer.
- This suggests that some candidates were unfamiliar with how an increase in interest rates is likely to lead to increased inflation (due to higher costs of production).

Question 26

- Option **C** was a common incorrect answer.
- Government subsidies lead to lower costs or increased efficiency for the domestic producer. As with interest-free loans and financial help, a reduction in taxes on profits will give domestic producers a greater ability to invest in the business to help improve efficiency.

Question 27

- Option **B** was a common incorrect answer.
- This suggests that some candidates did not recognise that country X has a comparative advantage in bananas (4 to 1 ratio compared with only 2 to 1 for apples). Given this, they have then assumed country Y must have a comparative advantage in bananas so will only produce bananas, giving the incorrect answer of 75 apples and 45 bananas.

Question 28

- Option **D** was a common incorrect answer.
- The introduction of a floating exchange rate will cause foreign exchange reserves to fluctuate (as they are used to buy domestic currency to help prevent an unwanted depreciation). It is also true that foreign exchange reserves will decrease if the domestic currency appreciates too much. It is therefore incorrect to assume that foreign exchange reserves will necessarily increase.

ECONOMICS

Paper 9708/12 AS Level Multiple Choice

Key messages

Candidates performed well on **Questions 1, 3, 4, 5, 6, 7, 8, 10, 11, 14, 15, 18, 20, 22, 23, 24, 25, 26, 27 and 29.**

Candidates performed less well on **Questions 2, 9, 12, 13, 16, 17, 19, 21, 28 and 30.**

Overall performance was very good, with most candidates answering at least 20 questions correctly. Incorrect answers most often came from limited understanding of macroeconomic concepts.

Comments on specific questions

Question 2

- Option **D** was a common incorrect answer.
- This suggests that some candidates did not realise that when a country is operating on its production possibility curve, there must be full employment of all resources.

Question 9

- Option **B** was a common incorrect answer.
- This suggests that some candidates did not know that a perfectly elastic demand curve is horizontal so that there will be no consumer surplus and a positive producer surplus.

Question 12

- Option **C** was a common incorrect answer.
- A transfer payment is a one-way financial transaction with no exchange of goods or services, that does not have to be repaid. The student is receiving a loan and even though it is interest-free, as with any loan, it will need to be repaid.

Question 13

- Options **A** and **B** were common incorrect answers.
- This suggests that many candidates did not know how to interpret the size and impact of a subsidy on this type of diagram.
- An answer of \$200 (option **A**) suggests that candidates took the change in price to be the size of the subsidy and did not realise that equilibrium quantity would increase to 40. Candidates who selected option **B** only made one of these errors.

Question 16

- Options **A** and **D** were common incorrect answers.
- This suggests that some candidates overlooked the word 'not' in the question. The use of technology (with any improvement in productivity) and the increased use of immigrant labour (with any impact on wages or output) will be included in a country's measurement of Gross Domestic Product.

Question 17

- Option **B** was a common incorrect answer.
- This suggests that some candidates reversed the adjustments needed to change GDP at market prices to GDP at basic prices. Market prices measure the price paid by the consumer, so that indirect taxes need to be deducted, and subsidies added to return to basic prices.

Question 19

- All three incorrect options, **A**, **C** and **D**, were equally popular.
- This suggests that many candidates were unclear about what the level of employment measures. A decrease in the number of people employed does not affect the size of the labour force (those available for work). It also does not affect the economy's potential output, or productive capacity, which that labour force could produce if everyone were fully employed.

Question 21

- Options **A** and **C** were common incorrect answers.
- Any supply-side policy ultimately aims to increase the potential output of the economy. Although supply-side policy could help to overcome a rare situation where actual output exceeds potential output (an over-heating economy), option **A** is not the main objective.
- Candidates who chose option **C** are likely to have confused a macroeconomic policy with a microeconomic objective of equilibrium in product markets.

Question 28

- Options **A** and **B** were common incorrect answers.
- Policies to reduce protectionism require competition to be made fairer and not favour any one country or group of countries. Increasing product safety standards and subsidising domestic firms will both make it more difficult for overseas firms to sell into the domestic market.

Question 30

- Option **B** was a very common incorrect answer.
- This suggests that many candidates reversed the effect of a depreciation. Any depreciation in the pound sterling will make imports more expensive (which will reduce the supply of sterling when domestic consumers buy less imports) and exports less expensive (increasing the demand for sterling from overseas consumers demanding more exports).

ECONOMICS

Paper 9708/13 AS Level Multiple Choice

Key messages

Candidates performed well on **Questions 1, 2, 3, 4, 5, 6, 7, 9, 10, 12, 13, 14, 16, 20, 21, 22, 25, 26, 27 and 28.**

Candidates performed less well on **Questions 8, 11, 15, 17, 18, 19, 23, 24, 29 and 30.**

Overall performance was very good, with most candidates answering at least 20 questions correctly. Incorrect answers most often came from limited understanding of macroeconomic concepts, especially exchange rates.

Comments on specific questions

Question 8

- All three incorrect options, **A, B** and **D**, were popular.
- This suggests that many candidates were not familiar with the relationship between the value of the gradient and slope of a supply curve. A horizontal supply curve has an infinite value for the price elasticity of supply; a vertical supply curve has a value of zero; any straight-line supply curve which starts at the origin has a constant value of one.

Question 11

- All three incorrect options, **A, C** and **D**, were popular.
- This suggests that many candidates did not know the difference between income and wealth. Interest, profits, and rent are all forms of income. They represent a flow of money over time rather than a stock of money.

Question 15

- Options **A** and **D** were very common incorrect answers.
- This suggests that candidates were unfamiliar with how a maximum price, below the current equilibrium, will affect the market. At any price below the market equilibrium, there will be excess demand, so the market will not clear. Companies would only be willing to produce more vaccines if the price increased above the maximum price imposed by the government.

Question 17

- Option **C** was a common incorrect answer.
- This suggests that some candidates misunderstood what is meant by a leakage. Although spending on research and development has fallen, this is a decrease in an injection, rather than a leakage.

Question 18

- Option **B** was a very common incorrect answer.
- This suggests that most candidates did not know the correct formula to convert nominal GDP to real GDP as they inverted the GDP deflator.

Question 19

- Option **C** was a common incorrect answer.
- This suggests that some candidates did not know the relationship between changes in the exchange rate and import prices. A rising exchange rate makes imports less expensive, making cost-push inflation less likely.

Question 23

- Option **A** was a common incorrect answer.
- This suggests that some candidates were mistaken about how changes in the budget deficit affect the macroeconomy.
- The data shows an economy with decreasing real output, and deflation. A combination of expansionary policies will be needed to achieve economic growth with low inflation. Although a decreased rate of interest is an expansionary monetary policy, this will be fully or partly offset by the contractionary fiscal policy of a decreased budget deficit.

Question 24

- Option **D** was a common incorrect answer.
- Any expansionary fiscal policy will have the most impact when the economy is in recession or a long way below full employment. This is shown by the horizontal part of the aggregate supply curve.
- The government injecting a large amount of spending is not enough to guarantee increased employment. If the economy is already at full employment, then there will be no change in employment with an increase in the price level.

Question 29

- Option **B** was a common incorrect answer.
- This suggests some candidates were unfamiliar with the basic arguments for protectionist policies or what is meant by the terms of trade. Improving a country's terms of trade is a common argument in favour of protection.

Question 30

- Options **B** and **D** were common incorrect answers.
- This again suggests that many candidates were unsure about the effect of changes in the exchange rate. An appreciation of the exchange rate will make imports less expensive and exports more expensive which will worsen the current account of the balance of payments (ruling out option **B**). These cheaper imports will also lead to a decrease in the domestic price level (ruling out option **D**).

ECONOMICS

Paper 9708/14 AS Level Multiple Choice

Key messages

Candidates performed well on **Questions 1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 12, 13, 16, 17, 18, 21, 23, 24, 25** and **28**.

Candidates performed less well on **Questions 9, 14, 15, 19, 20, 22, 26, 27, 29** and **30**.

Overall performance was excellent, with most candidates answering the majority of questions correctly. Incorrect answers most often came from gaps in the understanding of macroeconomic concepts.

Comments on specific questions

Question 9

- Options **C** and **D** were incorrect answers chosen by some candidates.
- This suggests that these candidates did not appreciate the stated complementary relationship between mobile phones and apps. An increase in the price of mobile phones will lead to a fall in expenditure on them, as well as on any complementary products, including apps.

Question 14

- Option **C** was an incorrect answer chosen by some candidates.
- This suggests that these candidates did not consider the inflationary nature of increasing tax allowances. This will lead to an increase in disposable income for many consumers, along with the higher minimum wages. A general increase in tax allowances is also likely to increase income inequality.

Question 15

- Option **B** was an incorrect answer chosen by some candidates.
- This suggests that these candidates did not consider the word 'not' in the question. Initially, the farmers' income will be \$8000. In years 1 and 4, it will be \$5000 so that the government will need to provide extra income to farmers.

Question 19

- All three incorrect options, **B**, **C** and **D**, were very popular.
- This suggests that many candidates did not understand what limits the usefulness of the consumer price index (CPI) to record changes in the price level. Although CPI only takes a sample of prices of goods and services, the statistical methods used mean that this sample will be representative of the average price change experienced by the average household. However, these methods cannot take account of changes in the quality of goods and services.

Question 20

- Options **C** and **D** were incorrect answers chosen by some candidates.
- A trade balance surplus will cause aggregate demand to increase. To maintain the current equilibrium, a policy measure to produce the opposite effect will be necessary. Both an increased budget deficit (to increase infrastructure spending) and lower interest rates will also lead to higher aggregate demand.

Question 22

- Option **A** was an incorrect answer chosen by some candidates.
- This suggests that some candidates confused proportional tax with progressive tax.

Question 26

- Option **B** was an incorrect answer chosen by some candidates.
- This suggests a confusion between tariffs and quotas. A decrease in the former would make imports less expensive, which leads to decreased protectionism. A decrease in the latter means that fewer imports are allowed into a country, so this is a protectionist measure.

Question 27

- Option **C** was a common incorrect answer.
- An increase in restrictions on foreign exchange (such as regulations to limit the buying, selling, and cross-border transfer of currencies) will help to limit trade, as foreign currency is necessary for this. This will force domestic firms and consumers to buy more domestic output, which will likely help to reduce a current account deficit.

Question 29

- Option **B** was an incorrect answer chosen by some candidates.
- This suggests that these candidates inversed the impact of changes in the value of exports and imports on the supply and demand for currency. A decrease in the value of exports will reduce the demand for the domestic currency and an increase in the value of imports will increase the supply of domestic currency. Both will lead to a depreciation of the currency.

Question 30

- Options **A** and **D** were incorrect answers chosen by some candidates.
- For any country which relies heavily on imports of oil, a decrease in oil prices will most likely lead to a fall in inflation (ruling out option **D**). These cheaper imports of oil may help to improve the current account of the balance of payments. Nevertheless, the ultimate impact on the current account is unclear as the general slowdown in global economic activity may lead to foreign workers losing their jobs or seeing a fall in their income. This will reduce foreign remittances which are a component of the current account. This rules out option **A** as it is uncertain which of the two opposing effects on the current account will be the largest.

ECONOMICS

Paper 9708/21 AS Level Data Response and Essays
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Key messages

What candidates did well

- Candidates demonstrated clear knowledge of core economic concepts, such as inflation, aggregate demand, unemployment and international trade.
- Candidates showed good understanding of macroeconomic tools, including fiscal policy and supply-side policies, with clear explanations of how government spending or training could affect unemployment in an economy in **Question 4(b)**.
- Candidates produced well-developed chains of reasoning, especially when developing links to provide a logical chain of argument.
- Candidates applied concepts effectively in relation to the classification of goods and services, such as in relation to the concepts of rivalry and excludability in **Question 2(a)**.
- Candidates showed clear evaluative skills, offering balanced arguments and assessments, such as in relation to the reduction of the over-consumption of a demerit good in **Question 2(b)** or the arguments for and against protectionism in **Question 5(b)**.

What candidates needed to improve

- Candidates needed to demonstrate clearer understanding of some key topics, such as real wages in **Question 1(a)**, interest rates **Question 1(d)**, progressive income tax **Question 3(b)** and tools of protection **Question 5(a)**.
- Candidates needed to further interpret data response questions, such as in **Question 1(a)**, using the data to produce a correct answer.
- Candidates needed to have a better understanding of key terms and concepts, such as in relation to the difference between frictional unemployment and structural unemployment in **Question 4(a)**.
- Candidates needed to develop answers more fully in relation to particular policies, such as in relation to supply-side policy in **Question 4(b)**.
- Candidates needed to evaluate more, providing balanced arguments including a consideration of both sides of an argument with a justified conclusion, such as in relation to the redistribution of income in **Question 3(b)** or the reduction of unemployment in **Question 4(b)**.

Comments on specific questions

Section A

Question 1

(a) Comprehensive responses

- Many candidates recognised that money wages would have to increase.
- Many candidates understood that the increase in money wages would have to be by more than 3.3% if there was to be an increase in real wages.

Limited responses

- Some candidates simply stated that money wages would have to change without making it clear that this would need to be an increase.
- Some candidates believed that money wages would need to increase by 3.3% for real wages to have increased, although money wages would actually have needed to increase by more than 3.3% for there to have been a real increase in wages.

(b) Comprehensive responses

- Many candidates correctly stated two other tools of monetary policy that could be used in Japan to control inflation, such as money supply, credit regulations or exchange rates.
- Many candidates stated a more general tool, such as quantitative tightening, and this was acceptable.

Limited responses

- Some candidates confused fiscal policy and monetary policy and stated two tools of fiscal policy.
- A few candidates stated interest rates as a tool of monetary policy, not realising that the question had explicitly indicated that the two tools of monetary policy needed to be 'apart from interest rates'.
- A few candidates stated 'quantitative easing' as a possible tool of monetary policy that could be used in Japan to control inflation rather than 'quantitative tightening'.

(c) Comprehensive responses

- Many candidates explained how a decrease in the interest rate in Japan could lead to the depreciation in the value of the yen.
- Many candidates considered other possible factors that could help to determine the value of the yen.
- Many candidates included a diagram that correctly showed a shift of the demand or supply curve and that was correctly labelled.

Limited responses

- Some candidates were unable to explain how a decrease in the interest rate in Japan could lead to the depreciation in the value of the yen.
- Some candidates did not consider other possible factors that could determine the value of the yen, apart from a change in the interest rate in Japan.
- Some candidates labelled the diagram incorrectly.
- A few candidates did not include a diagram, despite an explicit reference to 'with the help of a diagram' in the question.

(d) Comprehensive responses

- Many candidates explained how low interest rates could lead to an increase in aggregate demand in Japan.
- Many candidates analysed other possible factors that could lead to an increase in aggregate demand in Japan, apart from low interest rates.
- Many candidates included an evaluation of whether low interest rates alone were likely to lead to an increase in aggregate demand in Japan.

Limited responses

- Some candidates were unable to clearly explain the likely impact of low interest rates on aggregate demand in Japan.
- Some candidates did not analyse any other factors, apart from interest rates, that might lead to an increase in aggregate demand in Japan.
- Some candidates did not reach a conclusion on whether low interest rates alone were likely to lead to an increase in aggregate demand in Japan.

(e) Comprehensive responses

- Many candidates explained the potential advantages of a relatively fast rate of economic growth in Japan, such as in relation to living standards.
- Many candidates analysed the potential disadvantages of the Japanese economy growing faster than expected, such as in relation to inflation.
- Many candidates included an evaluation of whether the potential advantages of the Japanese economy growing faster than expected would outweigh the potential disadvantages.

Limited responses

- Some candidates were unable to clearly explain the potential advantages of a relatively fast rate of economic growth in Japan.
- Some candidates did not analyse any of the possible disadvantages of the Japanese economy growing faster than expected.
- Some candidates did not reach a conclusion on whether the potential advantages of the Japanese economy growing faster than expected would outweigh the potential disadvantages.

Section B

Question 2

(a) Comprehensive responses

- Many candidates explained the difference between a public good and a merit good in relation to the concepts of rivalry and excludability.
- Many candidates analysed the features and characteristics of health care, especially in relation to under-consumption and under-production.
- Many candidates included an evaluation of whether health care should be classified as a public good or a merit good.

Limited responses

- Some candidates were unable to clearly explain the difference between a public good and a merit good, making no reference to the concepts of rivalry and excludability.
- Some candidates did not analyse the features and characteristics of health care and made no reference to under-consumption and under-production.
- Some candidates did not reach a conclusion on whether health care should be classified as a public good or a merit good.

(b) Comprehensive responses

- Many candidates explained the difference between the use of a tax and the use of a public information campaign as ways of reducing the over-consumption of a demerit good.
- Many candidates analysed the relative advantages and disadvantages of the two possible ways to reduce the over-consumption of a demerit good.
- Many candidates included an evaluation of which of these methods would be a better method to reduce the over-consumption of a demerit good.

Limited responses

- Some candidates were unable to clearly explain the difference between a public good and a merit good, making no reference to the concepts of rivalry and excludability.
- Some candidates did not analyse the features and characteristics of health care and made no reference to under-consumption and under-production.
- Some candidates did not reach a conclusion on whether health care should be classified as a public good or a merit good.

Question 3

(a) Comprehensive responses

- Many candidates explained three economic reasons for the inequality of income in an economy, such as in relation to taxation or to education and skills.
- Many candidates analysed why some of these economic reasons were more important than the others.
- Many candidates included an evaluation of which of these economic reasons was likely to be the most important.

Limited responses

- Some candidates were unable to explain three economic reasons for the inequality of income in an economy.
- Some candidates did not analyse why some economic reasons might be more important than others.
- Some candidates did not reach a conclusion on which one of the economic reasons was likely to be the most important.

(b) Comprehensive responses

- Many candidates explained the key features of a minimum wage as a way of redistributing income in an economy.
- Many candidates analysed the key features of a progressive income tax as a way of redistributing income in an economy.
- Many candidates included an evaluation of which of these two policies was likely to be more effective in redistributing income in an economy.

Limited responses

- Some candidates were unable to explain the key features of a minimum wage as a way of redistributing income in an economy.
- Some candidates did not analyse the key features of a progressive income tax as a way of redistributing income in an economy.
- Some candidates did not reach a conclusion as to whether a minimum wage or a progressive income tax was likely to be the more effective policy to redistribute income in an economy.

Section C

Question 4

(a) Comprehensive responses

- Many candidates clearly explained the differences between the two types of unemployment, frictional and structural unemployment, stressing that one was likely to be relatively short-term and the other relatively long-term.
- Many candidates analysed the potentially negative effects of each type of unemployment on an economy.
- Many candidates included an evaluation of which of these two types of unemployment was likely to be more damaging in an economy.

Limited responses

- Some candidates were unable to explain the differences between the two types of unemployment, often confusing the two types.
- Some candidates did not analyse the potentially negative effects of each type of unemployment on an economy.
- Some candidates did not reach a conclusion as to which type of unemployment was likely to be more damaging in an economy.

(b) Comprehensive responses

- Many candidates explained the use of fiscal policy as a way of reducing unemployment in an economy and included appropriate examples of how this could be achieved, such as through an increase in government spending and/or a reduction in taxation.
- Many candidates analysed the use of supply-side policy as a way of reducing unemployment in an economy and included appropriate examples of how this could be achieved, such as through an increase in the provision of education and training or a reduction in the powers of trade unions.
- Many candidates included an evaluation of which of these two policies was likely to be more effective in reducing unemployment in an economy.

Limited responses

- Some candidates were unable to explain how fiscal policy could be used to reduce unemployment in an economy.
- Some candidates did not analyse how supply-side policy could be used to reduce unemployment in an economy and sometimes appeared unclear about exactly what was meant by supply-side policy.
- Some candidates did not reach a conclusion as to whether fiscal policy or supply-side policy was likely to be more effective in reducing unemployment in an economy.

Question 5

(a) Comprehensive responses

- Many candidates clearly explained the difference between trade embargoes and export subsidies as tools of protection.
- Many candidates analysed how each tool could be effective as a tool of protection.
- Many candidates included an evaluation of which was likely to be the more effective tool of protection.

Limited responses

- Some candidates were unable to explain the difference between trade embargoes and export subsidies as a tool of protection.
- Some candidates did not analyse how each tool could be effective as a tool of protection.
- Some candidates did not reach a conclusion as to which tool was likely to be more effective in terms of protectionism.

(b) Comprehensive responses

- Many candidates explained the various possible arguments against protectionism, such as the idea that free trade would be more likely to lead to a more efficient allocation of resources.
- Many candidates analysed the various possible arguments for protectionism, such as the prevention of dumping and the support for infant industries.
- Many candidates included an evaluation of which of these two sets of arguments was stronger than the other.

Limited responses

- Some candidates were unable to explain the various possible arguments against protectionism and in favour of free trade.
- Some candidates were unable to analyse the various possible arguments for protectionism and against free trade.
- Some candidates did not reach a conclusion as to whether the arguments against protectionism were stronger than the arguments for protectionism.

ECONOMICS

Paper 9708/22 AS Level Data Response and Essays

Key messages

What candidates did well

- Comprehensive responses used accurate economic terminology and applied concepts directly to the contexts provided.
- Many candidates interpreted numerical data effectively in **Section A** and used it to support calculations and classifications.
- Diagrams were generally clear, correctly labelled and linked to the written explanation.
- Comprehensive responses demonstrated sound reasoning when assessing policies and explained how outcomes could vary depending on economic conditions.
- Many candidates applied their knowledge to real situations, explaining both what was occurring and why it occurred in economic terms.

What candidates needed to improve

- Some responses repeated information from the extract or question stem rather than applying economic analysis.
- Definitions of key terms were sometimes incomplete, especially where formulae were required.
- Several diagrams were not labeled or were not integrated into the explanation.
- Evaluation was occasionally asserted without supporting reasoning.
- Some responses would have benefited from clearer planning to maintain focus on the demands of the question.

Comments on specific questions

Section A

Question 1

(a) Comprehensive responses

- Many candidates used the correct price elasticity of demand (PED) formula and identified both percentage-change components clearly.
- Responses recognised that the calculation required changes between 2022 and the 2024 forecast.

Limited responses

- Some candidates produced an incorrect formula often resulting in incorrect calculation.

(b) Comprehensive responses

- Many candidates stated that the estimate suggested elastic demand and explained that this was unusual for an essential raw material which would ordinarily be expected to be price inelastic in demand.
- Responses linked the unusual nature of the estimate to competitive pricing behaviour described in the extract.

Limited responses

- Some candidates stated that demand was elastic without explaining why this was unusual.
- A few responses repeated the numerical value without interpreting it.
- Some candidates referred only to price changes without linking them to the nature of the good.

(c) Comprehensive responses

- Many candidates drew accurate demand and supply diagrams showing the subsidy as a downward shift of the supply curve for Australian nickel producers.
- Responses explained that the subsidy reduces production costs for Australian firms, allowing them to increase output and supply at each price.
- Many responses recognised that the impact may vary because Australia faces strong competition from Indonesia, whose lower labour costs and large inward investment give it a comparative advantage.
- Some candidates considered that the subsidy may help maintain domestic production and support self-sufficiency, which the extract identifies as a government objective.

Limited responses

- Some diagrams omitted labels or did not show the supply curve shifting because of the subsidy.
- Some responses repeated information from the extract without applying economic reasoning to explain how the subsidy affects production.

(d) Comprehensive responses

- Many candidates explained how a large increase in government spending could support several macroeconomic objectives, linking these directly to the measures described in the extract.
- Responses explained how increased spending could raise aggregate demand, supporting the objective of economic growth.
- Several candidates noted that the extract refers to mine closures and jobs at risk and explained how government spending could help maintain employment in the nickel industry and related sectors, contributing to the objective of low unemployment.
- Many responses assessed affordability concerns raised in the extract and explained how these relate to the objective of fiscal sustainability.

Limited responses

- Some candidates described government spending in general terms without linking it to the specific macroeconomic objectives relevant to the Australian context.
- A few responses repeated information from the extract, such as mine closures or Indonesia's competitive pricing, without explaining how government spending relates to growth, employment or external stability.
- Some candidates listed macroeconomic objectives without connecting them to the spending measures outlined in the extract.
- Similarly, some responses did not consider the extract's reference to affordability or the implications for fiscal sustainability.

(e) Comprehensive responses

- Many candidates explained comparative advantage clearly and applied it to Indonesia's position in the nickel market.
- Responses recognised that governments may consider strategic, employment or environmental factors in addition to comparative advantage.
- Several candidates provided balanced assessments of whether comparative advantage should be the sole criterion.
- Many responses linked the discussion to long-term economic objectives.

Limited responses

- Some candidates described comparative advantage without applying it to the context.
- A few responses stated that comparative advantage was the only factor without explanation.
- Some candidates repeated definitions (including absolute advantage) rather than assessing the principle.

Section B

Question 2

(a) Comprehensive responses

- Responses made a direct comparison between the two types of goods in terms of rivalry and excludability.
- Many candidates explained how increased provision of information could raise consumption of merit goods by improving awareness of benefits and reducing information failure.
- Several responses recognised that information alone may not be sufficient if other barriers exist, such as affordability or access, and explained this clearly.

Limited responses

- Some candidates described public goods and merit goods without making a clear comparison between them.
- Some candidates stated that information always increases consumption of merit goods without considering conditions such as income or availability.
- A few responses repeated definitions without applying them to the question's requirement to consider the extent to which information provision is effective.

(b) Comprehensive responses

- Public goods were defined accurately using non-rivalry and non-excludability, and responses made a clear comparison with merit goods by explaining that merit goods are under-consumed due to information gaps rather than the free-rider problem.
- Candidates referred to other market structures by noting that public goods may be provided in centrally planned systems, where governments allocate resources directly, and in mixed economies, where the state intervenes to ensure provision when private markets do not.
- Responses identified that in a market economy, limited provision of public-good-type services can occur when firms are able to introduce mechanisms that allow exclusion, reducing the free-rider problem and making private provision commercially viable.

Limited responses

- Some candidates repeated the definition of public goods without assessing provision.
- A few responses stated that only governments can provide public goods without explanation.
- Some candidates did not consider other economic systems.

Question 3

(a) Comprehensive responses

- Many candidates drew clear and accurately labelled diagrams showing market equilibrium where quantity demanded equals quantity supplied and linked the diagram directly to the written explanation.
- Responses explained that changes in consumer income shift the demand curve and that the resulting impact on price depends on income elasticity of demand. Candidates recognised that demand for normal goods increases when income rises, causing equilibrium price to rise, while demand for inferior goods may fall, causing equilibrium price to fall.
- Candidates used income elasticity to explain why the size of the price change varies across different goods, noting that goods with higher positive income elasticity experience larger shifts in demand than goods with low- or negative-income elasticity.

Limited responses

- Some candidates described market equilibrium without linking income changes to shifts in demand or explaining how the nature of the good influences the resulting price change.
- Such responses often stated that price would change when income changes but did not refer to income elasticity of demand or distinguish between normal and inferior goods.
- Some candidates repeated the diagram or definition of equilibrium without applying economic reasoning to explain why the size or direction of the price change varies across different types of goods.

(b) Comprehensive responses

- Many candidates explained how price controls affect quantity demanded and quantity supplied.
- Responses recognised that maximum prices may create shortages and minimum prices may create surpluses.
- Several candidates linked these outcomes to non-price rationing or excess supply.
- Many responses assessed the extent of changes using clear reasoning.

Limited responses

- Some candidates described price controls without explaining changes in quantities.
- A few responses repeated definitions without applying them.
- Some candidates stated that all consumers benefit from lower prices without considering availability.

Section C

Question 4

(a) Comprehensive responses

- Many candidates explained clearly why real GDP adjusts for changes in the price level.
- Responses recognised that nominal GDP may give a misleading impression of growth.
- Several candidates considered how growth may occur through improved efficiency or technology.
- Many responses linked resource quantity to long-term growth.

Limited responses

- Some candidates confused the two types of inflation and omitted to explain why real GDP is regarded as a more accurate measure.
- Some candidates described GDP without distinguishing between real and nominal calculations.
- Some responses overlooked resource quality and confused economic growth with using more existing resources, rather than increasing the quantity of available resources.

(b) Comprehensive responses

- Many candidates identified benefits such as higher living standards and increased employment.
- Responses recognised costs such as environmental pressures or inequality.
- Candidates assessed whether benefits outweigh costs in different contexts.
- Many responses linked the discussion to macroeconomic objectives.

Limited responses

- Some candidates listed benefits and costs without assessment.
- A few responses stated that growth is always beneficial without explanation.
- Some candidates repeated general statements without applying them to different economies.

Question 5

(a) Comprehensive responses

- Many candidates drew accurate and clearly labelled diagrams showing the circular flow of income in an open economy with government intervention, identifying households, firms, government, financial institutions and the external sector.
- Responses explained injections such as government spending, investment and export revenue, and leakages such as taxation, saving and import expenditure, linking these flows directly to changes in the level of income in the economy.
- Candidates considered how the transition to a closed economy removes injections from exports and leakages from imports and explained how this alters the balance between total injections and total leakages.
- Many responses recognised that the level of income may rise or fall depending on whether the remaining injections exceed leakages once trade flows are removed and linked this clearly to the diagram.

Limited responses

- Some candidates described the circular flow of income without identifying injections and leakages or explaining how these flows influence the level of income in the economy.
- Several responses repeated the diagram without linking the transition to a closed economy to changes in injections and leakages, such as the removal of export revenue or import expenditure.
- Some candidates stated that income would change following the transition without explaining how the balance between injections and leakages determines whether income rises or falls.
- A few responses omitted government intervention or financial flows, which limited the explanation of how injections and leakages operate within the circular flow.

(b)

Comprehensive responses

- Many candidates explained how fiscal policy affects injections and leakages, noting that government spending increases injections while taxation influences leakages through disposable income.
- Candidates selected two macroeconomic objectives and showed how fiscal measures could support them, such as using spending to raise employment or adjusting taxation to influence price stability.
- Responses recognised that the effectiveness of fiscal policy depends on wider conditions such as confidence, spare capacity or the responsiveness of households and firms.

Limited responses

- Some candidates described fiscal policy without linking spending or taxation to injections and leakages in the circular flow.
- Several responses named macroeconomic objectives without explaining how specific fiscal measures influence those objectives through changes in income flows.
- Some candidates repeated definitions without applying economic reasoning to assess how fiscal policy affects the selected objectives.

ECONOMICS

Paper 9708/23 AS Level Data Response and Essays
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Key messages

What candidates did well

- Comprehensive responses used accurate economic terminology and applied concepts directly to the contexts provided.
- Many candidates interpreted data effectively and used it to support explanations.
- Diagrams were generally clear, correctly labelled and linked to written analysis.
- Several responses demonstrated sound reasoning when assessing policies and explained how outcomes could vary depending on economic conditions.
- Many candidates applied their knowledge to real situations, explaining both what was occurring and why it occurred in economic terms.

What candidates needed to improve

- Some responses repeated information from the extracts rather than applying economic analysis.
- Definitions of key terms were sometimes incomplete.
- Several diagrams did not contain labels or were not integrated into the explanation.
- Evaluation was occasionally asserted without supporting reasoning.
- Some responses would have benefited from clearer planning to maintain focus on the demands of the question.

Comments on specific questions

Section A

Question 1

(a) Comprehensive responses

- Candidates identified relevant changes in the data and expressed these clearly.
- Responses selected appropriate comparisons and described them accurately.

Limited responses

- Some candidates repeated figures without identifying the changes.

(b) Comprehensive responses

- Responses explained economic reasons for differing demand patterns and linked these to preferences, policy differences or market conditions.
- Candidates applied contextual information to support their reasoning.

Limited responses

- Some candidates listed reasons without explanation.

(c) Comprehensive responses

- Diagrams showed a clear rightward shift of the supply curve for Chinese EVs entering the EU market and linked this directly to the export subsidy reducing production costs for Chinese firms.
- Responses explained that the export subsidy lowered the market price of imported Chinese EVs and increased the quantity traded in the EU.
- Many candidates recognised that the size of the change depends on economic factors such as price elasticity, the scale of the subsidy or competitive pressures from EU producers.

- Several responses linked the analysis to the extract by noting that Chinese producers already benefit from lower costs, meaning the export subsidy could reinforce their competitive position.

Limited responses

- Some diagrams omitted labels or did not show the supply curve shifting.
- Several responses repeated extract information about subsidies without applying economic reasoning to explain price or quantity changes.
- Some candidates described subsidies in general terms without linking them to the specific context of Chinese EVs entering the EU market.

(d) Comprehensive responses

- Responses defined cross elasticity clearly and applied it to the relationship between German EVs and imported Chinese EVs.
- Candidates explained how knowledge of cross elasticity helps German manufacturers understand how sensitive demand for their EVs is to price changes in Chinese EVs.
- Many responses linked this to strategic decisions such as pricing, product differentiation or investment in features that reduce substitutability.
- Several candidates recognised that cross elasticity helps German firms anticipate how Chinese price reductions, driven by lower production costs, could affect demand for domestic EVs.

Limited responses

- Some candidates stated the definition without applying it to the competitive relationship between German and Chinese EVs.
- Several responses listed points without developing them or linking them to the EU EV market.
- Some candidates repeated general statements about competition without using cross elasticity to explain demand relationships.

(e) Comprehensive responses

- Responses explained how increased sales of Chinese EVs in the EU could reduce demand for domestically produced EVs in countries such as Germany, leading to lower output and employment in related industries.
- Candidates recognised that higher imports could influence the current account and reduce tax revenue from domestic producers.
- Several responses explained that stronger competition may encourage domestic firms to innovate, improve efficiency or invest in new technologies, supporting long-term growth.
- Many candidates linked the analysis to wider macroeconomic conditions, noting that the impact depends on how domestic producers respond and how consumers adjust their spending.

Limited responses

- Some candidates listed impacts without explanation or without linking them to the EV market.
- Several responses repeated extract information about Chinese EV sales without applying economic reasoning.
- Some candidates described general macroeconomic effects without relating them to the specific context of a major EU car-manufacturing country.

Section B

Question 2

(a) Comprehensive responses

- Responses identified three non-price determinants of demand and explained how each could influence demand for pomegranates in the context of rising interest in health foods.
- Candidates linked changes in tastes to increased awareness of health benefits and explained how this could shift demand even when price remains unchanged.
- Many responses applied income changes to the context by explaining that pomegranates may be viewed as a normal good with premium qualities.
- Candidates recognised that changes in the prices of substitutes could influence demand and applied this to consumer switching between fruits.

Limited responses

- Some candidates listed determinants without explaining how they influence demand for pomegranates.
- A few responses repeated general definitions without applying them to the context of a fruit gaining popularity due to health benefits.
- Some candidates omitted examples or did not consider the relative significance of the determinants.
- A few responses described determinants that were not relevant to the context.

(b) Comprehensive responses

- Responses explained how restricting supply could raise market price and increase revenue for small producers when demand remains strong due to the fruit's perceived health benefits.
- Candidates linked supply restrictions to higher producer surplus and reduced competitive pressure from larger producers, applying this directly to the context.
- Many responses recognised that benefits depend on demand conditions, noting that consumers who value health benefits may continue purchasing despite higher prices.
- Candidates explained conditions under which gains may be limited, such as the presence of close substitutes or elastic demand.

Limited responses

- Some candidates described supply restrictions without linking them to market outcomes for small producers.
- Some candidates focused on general statements rather than the specific situation of small producers in the pomegranate market.
- A few responses omitted discussion of conditions under which benefits may not occur.

Question 3

(a) Comprehensive responses

- Responses explained the characteristics of public and private goods clearly and used examples relevant to the question.
- Candidates recognised that non-rejectability means individuals cannot avoid consumption once a public good is provided and applied this to examples such as national defence.
- Many responses explained that the extent of non-rejectability varies depending on how the good is delivered.
- Explanations linked characteristics to implications for consumption and provision.

Limited responses

- Some candidates repeated definitions without linking them to the requirement to consider non-rejectability.
- Several responses omitted examples or did not consider the extent to which public goods cannot be rejected.
- Some candidates described characteristics without explaining their implications for consumers.
- A few responses focused only on definitions and did not address the question's requirement.

(b) Comprehensive responses

- Responses explained how increased government spending on merit goods could improve access for lower-income households and support long-term earning potential.
- Candidates linked spending on merit goods to the correction of information gaps and applied this to goods that may be underconsumed without intervention.
- Many responses explained that spending on public goods benefits all groups but may not always change income distribution significantly.
- Candidates recognised conditions under which spending may support more equal outcomes, such as targeted provision or addressing barriers to access.

Limited responses

- Some candidates listed effects without explanation.
- A minority of responses described spending without linking it to distributional outcomes.
- Some candidates omitted discussion of conditions under which spending may have limited impact.

- A few responses focused only on definitions and did not address the question's requirement.

Section C

Question 4

(a) Comprehensive responses

- Responses used an AD/AS diagram to show clearly how an increase in aggregate demand raises real output and the price level, linking each change directly to the stem.
- Candidates explained the movement along the short-run aggregate supply curve and recognised that the size of the effect depends on spare capacity.
- Many responses identified when rising AD becomes a problem, such as when the economy is close to full capacity and inflationary pressure increases.
- Explanations connected the diagram to real-world conditions, showing when further increases in AD may reduce economic stability.

Limited responses

- Some candidates drew diagrams that were incomplete or did not show both output and price level changes.
- A minority of responses described AD rising without explaining how this affects the economy at different levels of capacity.
- Some candidates stated that increases in AD cause inflation without explaining when this becomes problematic.
- A few responses repeated general theory without linking it to the stem's requirement to consider when issues arise.

(b) Comprehensive responses

- Responses explained how increases in long-run aggregate supply can reduce unemployment by expanding productive capacity and supporting long-term job creation.
- Candidates recognised that LRAS measures often address structural unemployment and linked this clearly to the stem.
- Many responses assessed whether LRAS is the best method by comparing it with demand-side measures that may reduce cyclical unemployment more quickly.
- Explanations considered conditions such as labour market flexibility and investment levels when judging effectiveness.

Limited responses

- Some candidates described LRAS without explaining how it relates to unemployment.
- A minority of responses stated that LRAS reduces unemployment without assessing whether it is the best method.
- Some candidates focused only on demand-side policies and did not address LRAS directly.
- A few responses omitted discussion of conditions affecting the effectiveness of LRAS measures.

Question 5

(a) Comprehensive responses

- Responses explained clearly how currency depreciation worsens the terms of trade by raising import prices relative to export prices.
- Candidates linked this directly to the stem by showing how depreciation affects purchasing power and competitiveness.
- Many responses recognised that depreciation is not always beneficial, noting issues such as higher import costs, inflationary pressure or limited export responsiveness.
- Explanations considered conditions such as elasticity of demand and reliance on imported inputs when judging outcomes.

Limited responses

- Some candidates described depreciation without linking it to the terms of trade.
- Several responses stated that depreciation helps exports without explaining why benefits may not occur.
- Some candidates omitted discussion of factors such as import dependence or elasticity. A few responses repeated definitions without applying them to the stem's requirement to consider why depreciation may not be beneficial.

(b)

Comprehensive responses

- Responses explained how a current account deficit may create negative consequences such as reduced domestic output or increased foreign borrowing, linking these directly to consumers and firms.
- Candidates recognised that deficits are not always harmful, noting benefits such as access to cheaper imports or increased consumer choice.
- Many responses assessed outcomes for both consumers and firms, considering conditions such as the sustainability of financing and the structure of imports.
- Explanations provided reasoned judgement on when deficits may or may not lead to negative consequences.

Limited responses

- Some candidates described the current account without linking it to consumers or firms.
- Several responses stated that deficits are harmful without explaining why or considering alternative outcomes.
- Some candidates omitted discussion of conditions affecting whether consequences are negative.
- A few responses repeated general statements without addressing the stem's requirement to assess both groups.

ECONOMICS

Paper 9708/24 AS Level Data Response and Essays
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Key messages

What candidates did well

- Diagrams were generally accurate and relevant to the questions that were set.
- Comprehensive answers displayed good knowledge and understanding of economic theories and concepts.
- Analysis generally considered the strengths and weaknesses of different economic arguments based on different economic situations.
- Some answers were able to reach a justified conclusion based on the preceding analysis.

What candidates needed to improve

- Some responses repeated information from the extract or question stem rather than applying economic analysis.
- Definitions of key terms were sometimes incomplete, especially where formulae were required.
- Several diagrams lacked labels or were not integrated into the explanation.
- Evaluation was occasionally asserted without supporting reasoning.
- Some responses would have benefited from clearer planning to maintain focus on the demands of the question.

Comments on specific questions

Section A

Question 1

(a) Comprehensive responses

- Many candidates were able to explain that currency depreciation meant that the value of one currency falls compared to the value of another currency/in a floating exchange rate system. This meant that Argentina's exporters may benefit as the price of their exports falls for other countries.

Limited responses

- Such responses were ones that made no reference to other countries so any fall in the value of a domestic currency could be interpreted as a rise in inflation.
- Occasionally there was no reference at all to the consequences for Argentina's exporters.

(b) Comprehensive responses

- Most candidates recognised that a tariff would increase the price of imports and that this would likely reduce the expenditure and therefore the value of imports.

Limited responses

- Many candidates did not recognise the impact on the value of imports and some focused on the size of the current account deficit instead.

(c) Comprehensive responses

- Most candidates produced an accurate diagram with correct labels showing a shift to the left of the supply curve and the subsequent increase in the price of transport in Argentina.
- The analysis of the cause, namely an increase in the cost of production, was also generally identified.

- The impact, namely inflation or cost-push inflation, was also generally correctly explained.
- Some candidates offered reasonable evaluation which generally focused on offsetting AD factors, such as lower government spending, leading to a decrease in AD.

Limited responses

- These were often the result of inaccurate, macro based AD/AS diagrams being produced rather than micro diagrams applicable to an individual market.
- Evaluation was either omitted or inaccurate/unexplained.

(d) Comprehensive responses

- Such responses were those that explained the advantages and disadvantages of removing maximum prices in Argentina.
- These advantages included allowing the price mechanism to operate leading to a more efficient allocation of resources, allowing producers to have a higher income and incentivising them to produce more. This could eliminate possible shortages and reduce illegal markets and queues. The disadvantages mainly fell on consumers due to, for example, a lack of affordability, falls in living standards and inflation.
- Some candidates were able to evaluate fully and compare the advantages and disadvantages and reach a conclusion as to which outweighed the other in the context of Argentina.

Limited responses

- Such answers did not offer explanations and asserted rather than explained the advantages and disadvantages.
- Some candidates misread the question and answered a question based on the introduction rather than the removal of maximum prices.
- Some candidates did not offer any evaluation or offered a generic evaluation which was not in the context of Argentina and the case study.

(e) Comprehensive responses

- Such candidates had a good understanding of the tools of supply side policy.
- These responses were able to explain how improvements to supply side policy may or may not benefit everybody in Argentina. This was often explained in the context of firms, workers/consumers and the government.
- Such responses often focused on increased productivity and profitability, more jobs, higher income and reduced prices and increased tax revenue and reduced budget deficits.
- The reasons why not everybody would benefit often focused on workers and possible unemployment and the government in terms of an increased budget deficit in the short run to finance the improvements.
- Evaluation was good in some cases and clearly weighed up the evidence from both sides to reach a conclusion that answered the question in the context of Argentina.

Limited responses

- Such answers did not offer any explanations and asserted rather than explained the benefits or lack of benefits to different groups within Argentina.
- Such answers were often unclear as to what supply side policy consisted of.
- Evaluation was often missing, not based on preceding analysis of both sides and/or not in the context of Argentina.

Section B

Question 2

(a) Comprehensive responses

- Most candidates clearly defined cross elasticity of demand and distinguished between a substitute and a complement product.
- Many candidates recognised that the value of the measurement of the cross elasticity of demand (XED) determined the closeness of the relationship and were able to explain this.
- Candidates were able to assess the usefulness of XED in terms of competitive pricing decisions to increase sales.
- Some candidates were able to analyse weaknesses, normally in terms of the accuracy of the data.
- A few candidates were able to effectively provide evaluation by comparing the strengths and weaknesses of the measurement to reach an overall conclusion as to its usefulness.

Limited responses

- Understanding of XED was occasionally unclear or incorrect.
- The coefficient value of a substitute was sometimes confused with that of a complement.
- Analysis of the usefulness of the measurement was sometimes unclear.
- Evaluation was missing or not based on any preceding analysis.

(b) Comprehensive responses

- Most candidates demonstrated good knowledge and understanding of price elasticity of demand (PED) and income elasticity of demand (YED).
- Most candidates were able to partially apply analysis of YED to the question of usefulness during a period of negative economic growth.

Limited responses

- Analysis of the usefulness of PED was normally generic and not applied to the question.
- Analysis of the reasons why both PED and YED might not be useful in a period of negative economic growth was often based on generic observations about the accuracy of the data and not specific to the question.
- Evaluation was therefore often one-sided.

Question 3

(a) Comprehensive responses

- Many candidates had a good grasp of the concepts involved.
- The three functions of price were often clearly identified and explained to provide good knowledge and understanding of the role of price in the allocation of resources and the prevention of over-consumption.
- Most candidates clearly explained why demerit goods may still be overconsumed.
- Some candidates were able to offer valid evaluation.

Limited responses

- Some candidates did not clearly explain the functions of price in the context of resource allocation.
- Many candidates did not explain the concept of equilibrium.
- Evaluation was often missing or not based on any preceding analysis.

(b) Comprehensive responses

- Such answers compared the efficiency of mixed economies with a relatively large state sector and a relatively small state sector.
- A few answers were able to provide a range of analysis to support their conclusions which led to an effective evaluation.

Limited responses

- Many candidates answered this question by comparing planned/significant state sector mixed economies with those in a market economy which did not answer the set question. In such answers, effective evaluation was not possible.

Section C

Question 4

(a) Comprehensive responses

- Some candidates had clear knowledge and understanding of the circular flow of income in both a closed and an open economy.
- This included knowledge and understanding of what is meant by injections and leakages and how they differ between a closed and an open economy.
- A few candidates analysed the significance of the value of exports and imports in determining whether an economy may grow. They considered the resulting changes in injections and leakages and evaluated the overall impact.

Limited responses

- Some candidates made use of a diagram, which was either unclear or unexplained.
- Knowledge and understanding of injections and leakages was occasionally unexplained.
- Evaluation was missing or not based on preceding analysis.

(b) Comprehensive responses

- Such responses demonstrated a clear understanding of price stability, the use of both expansionary and contractionary fiscal policy, and the various shapes proposed for the long-run aggregate supply curve.
- Some candidates analysed the possible impacts of different forms of fiscal policy on price stability, considering the various shapes and stages of the long-run aggregate supply curve.
- A few candidates were able to analyse and evaluate the overall impact on price stability.

Limited responses

- Such responses offered unclear or incomplete analysis in terms of different uses of fiscal policy, different forms of the LRAS and whether the economy was suffering from inflation or deflation. As a result, evaluation was missing.

Question 5

(a) Comprehensive responses

- Many candidates were able to explain three benefits of specialisation and free trade and the benefits to consumers.
- Some candidates were able to explain why, in certain cases, consumers may not benefit, such as when overseas producers drive domestic producers out of business and then raise prices.
- There was evidence of evaluation that offered a valid judgement as to whether consumers always benefit from specialisation and free trade based on preceding analysis.

Limited responses

- Such responses tended to confuse specialisation as simply the division of labour rather than an outcome of free trade.
- Such responses also tended to focus on a specialisation on one product only at the expense of all others.
- Some responses also focused purely on the advantages and disadvantages of comparative advantage.
- Some responses did not explain the points being made.
- Evaluation was often missing.

(b) Comprehensive responses

- Many answers were well-explained and covered the benefits and possible drawbacks.
- Several strands of arguments were generally analysed particularly for the benefits especially for the possible boost to GDP and employment.
- Some evaluation was generally in evidence.

Limited responses

- Analysis was asserted rather than explained by a few candidates.
- Evaluation was missing or not supported by preceding analysis.

ECONOMICS

Paper 9708/31 A Level Multiple Choice
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Key messages

Candidates performed well on **Questions 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 13, 15, 16, 17, 20, 21, 25, 26, 27 and 28.**

Candidates performed less well on **Questions 6, 12, 14, 18, 19, 22, 23, 24, 29, and 30.**

Overall performance was good, with most candidates answering many questions correctly. Incorrect answers most often came from limited understanding of macroeconomic concepts.

Comments on specific questions

Question 6

- All three incorrect options, **B**, **C** and **D**, were popular.
- This question is about the ‘diamond-water paradox’ and highlights the limitations of using marginal utility theory. It is true that money is a poor measure of utility, so that it does not assess satisfaction well, and price is not only determined by marginal utility. This means that options **B**, **C** and **D** all help to explain the paradox.

Question 12

- Option **A** was a common incorrect answer.
- This suggests that some candidates did not understand how the size of a subsidy is shown on a cost and benefit diagram. To achieve an optimal level of output, the MPC curve needs to shift to MSC. This requires a vertical shift equal to VW which is the size of the subsidy.

Question 14

- Option **D** was a very common incorrect answer.
- This shows that many candidates misunderstood the relationship between interest rates and the desire to hold money. A decrease in interest rates lowers the opportunity cost of holding money because savings accounts now yield lower returns. Consequently, individuals and businesses are incentivised to hold more money, not less.

Question 18

- Options **B** and **C** were common incorrect answers.
- This suggests that most candidates did not understand what is represented by a deflationary gap. With a marginal propensity to consume of 0.8, the multiplier is 5. Although the economy is \$5 million below the full employment level, due to the multiplier, the deflationary gap (the shortfall in aggregate demand needed to reach full employment level of income) is only \$1 million.

Question 19

- Option **D** was a common incorrect answer.
- This suggests that some candidates inversed the direction of causality between savings and interest rates. Although an increase in nominal interest rates may lead to increased saving, this is not what the question is asking. An increase in the propensity to save will likely lead to a decrease in nominal interest rates. By preferring to save rather than spend, households increase the supply of loanable funds. In

turn, banks and financial institutions decrease nominal interest rates to encourage businesses and individuals to borrow these newly available funds.

Question 22

- Options **A** and **D** were common incorrect answers.
- This suggests that many candidates did not understand the nature of methods to manipulate a country's exchange rate.
- Any decrease in the reserves of the foreign currency (option **A**) will be due to the buying of domestic currency by the central bank, increasing its demand. This will lead to an unwanted appreciation of the domestic currency.
- A reduction in the current account surplus (option **D**) will be due to an increase in exports (increasing the demand for domestic currency) and/or a decrease in imports (decreasing the supply of the domestic currency); both changes causing an unwanted appreciation of the currency.

Question 23

- All three incorrect options, **A**, **B** and **D**, were popular.
- For the policy of decreasing income tax to be most effective, given the conditions, a significant increase in output is required and with as much excess capacity as possible. The point furthest inside the 1) production possibility curve signifies where spare capacity is largest (which rules out options **B** and **D**).
- A larger marginal propensity to consume will be preferred, as that will mean a larger multiplier effect. This means that option **C** is preferred to option **A**.

Question 24

- Options **A** and **D** were common incorrect answers.
- This suggests that many candidates were unfamiliar with the causes of changes in the Phillips curve and, especially, the expectations-augmented version of the Phillips curve.
- Any increase in aggregate supply caused by a favourable change (such as technological advancements or lower resource prices) shifts the short-run Phillips curve to the left, allowing the economy to experience lower inflation and lower unemployment at the same time.
- A fundamental impact on the expectations-augmented Phillips curve comes from how inflationary expectations will affect the position of the Phillips curve in the short run.

Question 29

- All three incorrect options, **A**, **B** and **D**, were equally popular.
- This suggests that many candidates were unable to apply the basic concept of producer surplus in this less familiar setting of international trade. The removal of the tariff will cause the price to fall from P_1 to P_2 so that the producer surplus decreases from $U + V$ to U (so the change is V). At no point is W part of the producer surplus.

Question 30

- Options **B** and **C** were common incorrect answers.
- This suggests that many candidates only made one numerical adjustment (either population growth or inflation) to GDP growth. Real GDP per capita changes need to take account of changes in both population and inflation.
- Assuming a starting point of \$100, the GDP growth of 5.7% leads to \$105.7. Allowing for a 2% increase in population, GDP per capita will be \$103.6. Then with inflation of 3.8%, real GDP per capita will be equal to \$100, giving an increase of 0%.

ECONOMICS

Paper 9708/32 A Level Multiple Choice
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Key messages

Candidates performed well on **Questions 1, 2, 5, 8, 9, 10, 11, 12, 14, 15, 18, 19, 20, 22, 23, 24, 25, 28, 29 and 30.**

Candidates performed less well on **Questions 3, 4, 6, 7, 13, 16, 17, 21, 26, and 27.**

Overall performance was reasonably good, with most candidates answering many questions correctly. Incorrect answers most often came from limited understanding of some fundamental macroeconomic concepts.

Comments on specific questions

Question 3

- Options **A** and **C** were common incorrect answers.
- This suggests that some candidates were unfamiliar with how improved transport infrastructure will be an external economy of scale. This leads to a movement of, rather than a movement along, the average total cost curve. This decrease to ATC_2 rules out an answer of C_2 on the original average total cost curve (option **A**). Also, there is no reason why the firm would immediately increase its output to Q_2 which rules out an answer of C_4 (option **C**).

Question 4

- Options **C** and **D** were common incorrect answers.
- This suggests that some candidates did not know that market failure occurs when marginal costs (private plus external) and marginal benefits (private plus external) are not equal.

Question 6

- Option **A** was a very common incorrect answer.
- This shows that many candidates did not understand the difference between a short run and a long run shutdown decision. In the short run, the fixed costs do not change so that the only decrease in profit comes from that month's lost production ($20,000 \times \$0.5 = \$10,000$). In the long run, only the fixed costs of \$5000 need to be included as a loss from shutting down.

Question 7

- Options **B** and **D** were common incorrect answers.
- The diagram shows that because of an increase in the price of wheat, its consumption increases. This is not the behaviour of a normal good (which rules out option **B**) rather that of a Giffen good. If the substitution effect had been larger than the income effect, the consumption of wheat would not have increased (ruling out option **D**).

Question 13

- Options **B** and **C** were common incorrect answers.
- This suggests that many candidates were unfamiliar with the distinction between narrow and broad money. Although more than just notes and coins, broad money does not include financial assets, such as stocks and shares, which can be traded. Also, many components of broad money, including savings accounts, can be influenced via a government's monetary policy.

Question 16

- Options **A** and **C** were common incorrect answers.
- This suggests that many candidates did not know how to approach this question.
- Regardless of whether an economy is closed or open, the multiplier is found by the same formula which is $1/(1-mpc)$. If a household pays tax of \$0.20 for every extra \$1 earned, it has \$0.80 disposable income. If it spends $\frac{3}{4}$ of this disposable income, that is equal to \$0.60. This gives a marginal propensity to consume of 0.6 so that the multiplier is 2.5.

Question 17

- Options **B** and **C** were very common incorrect answers.
- This suggests that many candidates were unfamiliar with what determines the natural rate of unemployment. It arises from all sources except fluctuations in aggregate demand; it is a result of supply-side factors. Introducing minimum wage legislation will cause a supply-side shock. Workers delaying their search for jobs will create frictional unemployment which will have an impact on the natural rate of unemployment.

Question 21

- Options **A** and **B** were common incorrect answers.
- This suggests that many candidates did not realise that when consumer prices increase year on year, this means there will be inflation throughout the period. Although prices are increasing more slowly in some years (so the line falls from 2003 to 2004), they are still increasing.

Question 26

- All three incorrect options, **A**, **B** and **C**, were equally popular.
- This suggests that many candidates did not know the effect on trade of a currency depreciation and particularly the J curve effect. This explains how a depreciation will initially worsen the trade balance if the demand for imports and/or exports is price inelastic.

Question 27

- Option **D** was a common incorrect answer.
- This suggests that many candidates confused national income with national income per capita. Just because the US has a higher GNI per capita than Australia, it does not follow from the data that the US has a larger national income as we do not have information about the population of either country.

ECONOMICS

Paper 9708/33 A Level Multiple Choice
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Key messages

Candidates performed well on **Questions 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 13, 15, 16, 17, 20, 21, 25, 26, 27 and 28.**

Candidates performed less well on **Questions 6, 12, 14, 18, 19, 22, 23, 24, 29, and 30.**

Overall performance was good, with most candidates answering many questions correctly. Incorrect answers most often came from limited understanding of macroeconomic concepts.

Comments on specific questions

Question 6

- All three incorrect options, **B**, **C** and **D**, were popular.
- This question is about the ‘diamond-water paradox’ and highlights the limitations of using marginal utility theory. It is true that money is a poor measure of utility, so that it does not assess satisfaction well, and price is not only determined by marginal utility. This means that options **B**, **C** and **D** all help to explain the paradox.

Question 12

- Option **A** was a common incorrect answer.
- This suggests that some candidates did not understand how the size of a subsidy is shown on a cost and benefit diagram. To achieve an optimal level of output, the MPC curve needs to shift to MSC. This requires a vertical shift equal to VW which is the size of the subsidy.

Question 14

- Option **D** was a very common incorrect answer.
- This shows that many candidates misunderstood the relationship between interest rates and the desire to hold money. A decrease in interest rates lowers the opportunity cost of holding money because savings accounts now yield lower returns. Consequently, individuals and businesses are incentivised to hold more money, not less.

Question 18

- Options **B** and **C** were common incorrect answers.
- This suggests that most candidates did not understand what is represented by a deflationary gap. With a marginal propensity to consume of 0.8, the multiplier is 5. Although the economy is \$5 million below the full employment level, due to the multiplier, the deflationary gap (the shortfall in aggregate demand needed to reach full employment level of income) is only \$1 million.

Question 19

- Option **D** was a common incorrect answer.
- This suggests that some candidates inversed the direction of causality between savings and interest rates. Although an increase in nominal interest rates may lead to increased saving, this is not what the question is asking. An increase in the propensity to save will likely lead to a decrease in nominal interest rates. By preferring to save rather than spend, households increase the supply of loanable funds. In

turn, banks and financial institutions decrease nominal interest rates to encourage businesses and individuals to borrow these newly available funds.

Question 22

- Options **A** and **D** were common incorrect answers.
- This suggests that many candidates did not understand the nature of methods to manipulate a country's exchange rate.
- Any decrease in the reserves of the foreign currency (option **A**) will be due to the buying of domestic currency by the central bank, increasing its demand. This will lead to an unwanted appreciation of the domestic currency.
- A reduction in the current account surplus (option **D**) will be due to an increase in exports (increasing the demand for domestic currency) and/or a decrease in imports (decreasing the supply of the domestic currency); both changes causing an unwanted appreciation of the currency.

Question 23

- All three incorrect options, **A**, **B** and **D**, were popular.
- For the policy of decreasing income tax to be most effective, given the conditions, a significant increase in output is required and with as much excess capacity as possible. The point furthest inside the 1) production possibility curve signifies where spare capacity is largest (which rules out options **B** and **D**).
- A larger marginal propensity to consume will be preferred, as that will mean a larger multiplier effect. This means that option **C** is preferred to option **A**.

Question 24

- Options **A** and **D** were common incorrect answers.
- This suggests that many candidates were unfamiliar with the causes of changes in the Phillips curve and, especially, the expectations-augmented version of the Phillips curve.
- Any increase in aggregate supply caused by a favourable change (such as technological advancements or lower resource prices) shifts the short-run Phillips curve to the left, allowing the economy to experience lower inflation and lower unemployment at the same time.
- A fundamental impact on the expectations-augmented Phillips curve comes from how inflationary expectations will affect the position of the Phillips curve in the short run.

Question 29

- All three incorrect options, **A**, **B** and **D**, were equally popular.
- This suggests that many candidates were unable to apply the basic concept of producer surplus in this less familiar setting of international trade. The removal of the tariff will cause the price to fall from P_1 to P_2 so that the producer surplus decreases from $U + V$ to U (so the change is V). At no point is W part of the producer surplus.

Question 30

- Options **B** and **C** were common incorrect answers.
- This suggests that many candidates only made one numerical adjustment (either population growth or inflation) to GDP growth. Real GDP per capita changes need to take account of changes in both population and inflation.
- Assuming a starting point of \$100, the GDP growth of 5.7% leads to \$105.7. Allowing for a 2% increase in population, GDP per capita will be \$103.6. Then with inflation of 3.8%, real GDP per capita will be equal to \$100, giving an increase of 0%.

ECONOMICS

Paper 9708/34 A Level Multiple Choice
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Key messages

Candidates performed well on **Questions 1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 17, 19, 22, 23, 24, 26 and 27.**

Candidates performed less well on **Questions 10, 15, 16, 18, 20, 21, 25, 28, 29, and 30.**

Overall performance was good, with most candidates answering many questions correctly. Incorrect answers most often came from limited understanding of macroeconomic concepts, especially monetary policy and international trade.

Comments on specific questions

Question 10

- Options **A** and **B** were very common incorrect answers.
- This suggests that many candidates were unfamiliar with the underlying causes of the poverty trap.
- The poverty trap is caused by a combination of means-tested benefits being withdrawn and marginal tax rates increasing (a progressive income tax system) as household incomes rise.

Question 15

- Options **B** and **C** were very common incorrect answers.
- This suggests that many candidates were unfamiliar with the technical definition of narrow money. This is defined as highly liquid assets, including notes and coins in circulation, current account deposits, and other liquid assets held by the central and commercial banks.

Question 16

- Options **C** and **D** were very common incorrect answers.
- This shows that many candidates did not have a comprehensive understanding of credit creation by commercial banks. If a commercial bank holds more of its deposits in cash, this will decrease the overall volume of bank deposits in the economy, due to the credit multiplier effect. This is also the case if the central bank sells securities. Any buyers pay for these securities by transferring funds from their commercial bank accounts to the central bank. This removes money from circulation, directly reducing the money supply and lowering the reserve balances that commercial banks hold.

Question 18

- Option **D** was a common incorrect answer.
- This suggests that some candidates did not understand the difference between marginal propensity to consume (mpc) and average propensity to consume (apc). If benefits decrease, the income of the unemployed will fall. It is accepted that mpc increases as an individual's income falls. When the mpc increases, the multiplier also increases. The multiplier is not concerned with absolute spending (apc) but marginal spending, and its effect on national income.

Question 20

- All three incorrect options, **A**, **B** and **C**, were equally popular.
- This suggests that many candidates were led (by the presence of velocity of circulation and money supply in the incorrect options) into thinking this was a question about Fisher's equation. In fact, it is testing the simple relationship between prices, income and output. If prices have only risen by 3%, but money income has increased by 6%, volume of output must have increased by 3%.

Question 21

- Option **D** was a common incorrect answer.
- This suggests that many candidates did not understand the inter-relationship of the different components of the balance of payments. The balance of payments requires that the current account and the capital/financial account add up to zero. If the current account is in deficit, the economy must be borrowing from the rest of the world or selling domestic assets to foreigners to make up the difference. This results in a net capital inflow (not an outflow as stated in option **D**).

Question 25

- All three incorrect options, **A**, **C** and **D**, were equally popular.
- This suggests that many candidates were unfamiliar with the causes of changes in the Phillips curve and, especially, the expectations-augmented version of the Phillips curve.
- A fundamental impact on the expectations-augmented Phillips curve comes from how inflationary expectations will affect the position of the Phillips curve in the short run.

Question 28

- Options **B** and **C** were common incorrect answers.
- This suggests that many candidates were unfamiliar with the causes of external debt for a country.
- Increased subsidies for domestic tourism will help a country by attracting overseas tourists to visit or increased inward capital investment, both of which may help to pay off some of the country's external debt. The withdrawal of multinational companies, although not good for the country, will not have any impact on external debt.

Question 29

- All three incorrect options, **A**, **B** and **D**, were popular.
- This suggests that many candidates were unfamiliar with the role of the International Monetary Fund (IMF). The IMF was set up to promote the health of the world economy. This includes helping to expand international trade, promoting exchange rate stability, and helping members experiencing balance of payments difficulties.

Question 30

- All three incorrect options, **A**, **B** and **C**, were equally popular.
- This suggests that many candidates were unfamiliar with the impact of the different stages of economic integration. The establishment of a free trade zone is the first stage of integration, followed by a monetary union and then economic union. Although all of these will, in principle, increase trade between countries, the greatest effect will most likely be seen in a customs union. The common external tariff will encourage trade to take place within the customs union, at the expense of trade with countries outside of the customs union.

ECONOMICS

Paper 9708/41 A Level Data Response and Essays

Key messages

What candidates did well

- Many candidates demonstrated good knowledge and understanding across the full range of the assessed syllabus.
- Where a supporting diagram was requested, many candidates provided relevant, accurate and clearly labelled diagrams.

What candidates needed to improve

- Some candidates demonstrated limited understanding of key topics, including types of price discrimination and the distinction between long-run average cost (LRAC) and short-run average cost (SRAC).
- Candidates should pay close attention to the number of marks available for each question. This provides an indication of the depth and extent of explanation required, particularly for questions in *Section A*.
- Candidates should remember that up to 6 marks are available for responses demonstrating high-quality evaluation. This applies to all questions in **Section B**.
- Candidates should aim to provide a full and developed explanation in essay questions. Responses should demonstrate developed chains of reasoning rather than simple descriptions or lists of points. A small number of well-developed points is generally more effective than a long list of undeveloped statements.

Comments on specific questions

Section A

Question 1

(a) Comprehensive responses

- Most candidates accurately identified and briefly explained each relevant piece of evidence.
- Most candidates successfully identified the falling unemployment rate and rising interest rates as evidence that Japan was experiencing an expansionary phase of the business cycle.

Limited responses

- Some candidates described the business cycle in general terms rather than explaining how the evidence provided demonstrated that Japan was in an expansionary phase.
- The question required candidates to identify and explain two pieces of evidence from the extract. Some candidates identified appropriate evidence without providing the brief explanation required.
- A few candidates used evidence or explanations that were not contained in the extract and therefore did not directly answer the question.
- A small number of candidates discussed a recessionary phase rather than an expansionary phase of the business cycle.

(b) Comprehensive responses

- Many candidates correctly identified higher interest rates and a reduction in the availability of credit.
- Most candidates developed their explanation by linking higher interest rates and reduced credit availability to a fall in aggregate demand, helping to move inflation towards the 2% target.
- Some candidates used appropriate AD/AS diagrams to illustrate the effect of a change in aggregate demand on the inflation rate.

Limited responses

- Some candidates discussed lowering interest rates and increasing credit availability, despite the extract stating that core inflation was forecast to remain above the target. Candidates should ensure that their response is consistent with the information provided in the extract.

(c) Comprehensive responses

- The majority of candidates used evidence from the article to explain the benefits of a depreciation of the yen.
- Many candidates addressed the 'extent' aspect of the question by considering the price elasticity of demand for both exports and imports.

Limited responses

- Some candidates did not explicitly relate their response to Japan's balance of trade.
- Some candidates were unable to provide the required contrast, limiting the extent to which they addressed the question.

(d) Comprehensive responses

- Some candidates provided a well-balanced response using relevant information from the article.
- Comprehensive responses developed their points using relevant economic theory and made clear contrasts based on information from the article.
- The most common and effective application by many candidates was the reference to the fact that US interest rates were not expected to decrease, meaning that the value of the US dollar could remain relatively high.

Limited responses

- Some candidates provided a general description of how changes in interest rates affect exchange rates without applying the analysis to the scenario in the question.
- Some candidates were unable to provide the required contrast.
- Some candidates did not make clear and specific application to the US and Japan.

Section B

Question 2

Comprehensive responses

- This was a popular question, and many candidates were generally well prepared, demonstrating good knowledge and understanding.
- Most candidates included correctly labelled diagrams to support their analysis. It was rare to see responses without a diagram.
- Many candidates produced accurate LRAC diagrams showing falling long-run average costs due to economies of scale.
- Many responses explained why larger firms benefit from different types of economies of scale and stated that fixed costs can be spread over a greater level of output, reducing average costs.
- Supporting examples used by many candidates often included sectors such as consultancy, software development and specialist services, where smaller firms may compete effectively because digital technologies and outsourcing reduce the need for large-scale operations.
- Many candidates correctly identified the Minimum Efficient Scale (MES).

Limited responses

- Some candidates did not provide developed evaluative responses addressing the word 'always' by recognising that the importance of firm size depends on the industry.
- Some candidates focused on SRAC curves or discussed perfect and imperfect competition, which was not relevant to the question.
- Fewer candidates explained the causes of diseconomies of scale and why average costs may eventually begin to rise.

Question 3

Comprehensive responses

- Most candidates recognised and addressed the four key elements of this question:
 - Produce an appropriate diagram illustrating third-degree price discrimination.
 - Explain third-degree price discrimination.
 - Assess the consequences for the firm.
 - Assess the consequences for consumers.
- All four elements were required to achieve marks beyond Level 2 for AO1 and AO2, and many candidates produced comprehensive responses.
- Many candidates applied appropriate real-world examples, including:
 - peak and off-peak rail travel
 - airline pricing
 - student discounts for cinemas
 - student pricing for Apple products or Amazon Prime.

Limited responses

- Some candidates confused different degrees of price discrimination, particularly first-degree and third-degree price discrimination.
- Few candidates referred to consumer surplus, despite its relevance when evaluating the impact on consumers.

Question 4

Comprehensive responses

- Most candidates used AD/SRAS/LRAS diagrams effectively to support their responses.
- Many candidates accurately explained a negative output gap as a situation where actual output is below potential output.
- Most candidates recognised that a high marginal propensity to import (MPM) or a low marginal propensity to consume (MPC) reduces the size of the multiplier.
- Most candidates recognised government spending as an injection into the circular flow of income and as a component of aggregate demand. This was generally explained well.
- The most comprehensive responses focused directly on the question by explaining why government spending does not need to increase by the full value of the negative output gap in order to restore full employment.
- Some candidates achieved high evaluation marks by discussing issues such as:
 - uncertainty surrounding the size of the multiplier
 - government spending representing only one component of aggregate demand
 - possibility of crowding out
 - rising national debt, increasing debt-servicing costs, declining investor confidence and the potential for debt crises.

Limited responses

- Some candidates confused expansionary fiscal policy with expansionary monetary policy.
- Some explanations of the multiplier process were underdeveloped.
- Candidates who simply stated that an injection of government spending generates multiple rounds of spending through the multiplier process were generally able to access AO1 marks only.

Question 5

Comprehensive responses

- Many candidates accurately explained that external debt can include:
 - government bonds held by overseas investors
 - loans from international organisations such as the IMF or World Bank
 - commercial borrowing from foreign banks and investors.
- The uses of external debt were also generally well explained by most candidates, including:
 - financing government expenditure
 - infrastructure investment
 - financing trade deficits
 - supporting wider economic development.

Limited responses

- Some candidates confused external debt with national debt.
- Few candidates considered the extent to which high levels of external debt may become unsustainable, particularly for low-income countries.

ECONOMICS

Paper 9708/42 A Level Data Response and Essays

Key messages

- Candidates generally demonstrated understanding of the relevant theory and were able to articulate the analytical aspects within the context of the question. Others were not able to fully develop the analytical aspects of the question or to apply it to the context of the question.
- Many questions contained the trigger word 'evaluate'. This term required a candidate to judge or calculate the quality, importance, amount, or value of the information or theory that was used in the answer. Whilst most produced an evaluation, many did not develop the evaluative point sufficiently to gain a level 2 evaluation (E2).
- Candidates are reminded that a thorough reading of the question is necessary to pick out the full breadth of the question. This is especially true now that the questions are without sub-divisions.
- Some candidates wrote at great length. In some cases, these responses were not directed towards the question set. Comprehensive answers must be relevant, concise and well-directed.
- It should be noted that evaluative comments must include a degree of analysis or explanation based upon economic concepts relevant to the question set.

What candidates did well

- Candidates used clearly drawn or accurately labelled diagrams and referred to them within their essays.
- Candidates provided answers that matched the question that had been set.
- Candidates included evaluative comments in their essay responses.

What candidates needed to improve

- Candidates should read the question carefully and ensure that their answer focuses on the topic or topics specified in the question.
- Candidates should ensure that diagrams are drawn accurately and labelled correctly.
- Some candidates needed to allocate their time more evenly across all questions.
- Candidates should ensure that the length and level of detail of their answer are appropriate to the demands of the question.

Comments on specific questions

Section A

Question 1

(a) (i)–(ii) Comprehensive responses

- The correct answers recognised the command word 'explain'. Candidates wrote of the effect of a balance of trade deficit in reducing the level of gross domestic product (GDP) and a fall in employment.

Limited responses

- Limited answers did not explain and only defined the term 'balance of trade deficit'.

(b) Comprehensive responses

- Candidates drew a correct diagram showing the impact of a general tariff in increasing the price of imported goods, the positive effect this has on domestic production, and the negative effect on the level of imports.

Limited responses

- Some candidates drew the incorrect diagram (based on the supply and demand for a single good). This meant that the explanation only referred to the reduction in imported goods.

(c) Comprehensive responses

- A close reading of the question paid off. Good answers analysed the effect of rising interest rates in the US on the 3 aims of government policy. A contrast was drawn between the positive effect on the rate of inflation and the negative effect on employment and economic growth. Comprehensive responses carried a conclusion that there was inconsistency in the outcomes.

Limited responses

- Responses limited the analysis to the link between higher interest rates and only one or two of the aims of the US government and were unable to come to a conclusion.

(d) Comprehensive responses

- Comprehensive answers showed the ability of the candidates to read the passage and relate its contents regarding LIC and the impact of an appreciated US exchange rate. This question required a higher level of understanding than in part (c) as the candidates had to identify the ways in which the exchange rate change had affected the LIC, which the candidates succeeded in doing. They also arrived at a conclusion that exchange rate appreciation had provided little benefit to LICs.

Limited responses

- Candidates only partially addressed the different ways in which the appreciating US \$ affected the LIC. This limited reading of the text and its application to the question meant that their answer was limited. Some identified only a single effect.

Section B

Question 2

Comprehensive responses

AO1 and AO2

- Candidates recognised that the question's focus was on the use of utility theory to explain the slope of the market demand curve for normal goods and inferior goods.
- Accurate definitions of diminishing marginal utility (MU) and total utility (TU) were given. Many candidates offered accurately drawn and labelled diagrams of both MU and TU, explaining their shape, usually in the context of a normal good.
- Candidates explained that an individual maximises total utility by allocating their income so that the final \$ spent on each good provides the same level of utility, as shown by the equi-marginal principle, $MU_x/P_x = MU_y/P_y$.
- Candidates then analysed the effect of a change in the price of a good, such as Good X, on demand, showing how the resulting disturbance to equilibrium requires the quantity consumed of Good X to change in order to restore equilibrium.
- Candidates then used this information to develop the shape of the demand curve and from that point analysed how the combination of individuals' demand curves made up the market demand curve.
- Candidates made a distinction in the applicability of the MU theory to normal and inferior groups.

AO3

- Good evaluation was shown by those who, for example, analysed how the limits of consumer rationality might apply in the context of purchasing a house, where marginal analysis may be called into question, or how the purchase of the final item in a set, for example a Pokémon card, may challenge the concept of diminishing marginal utility.

Limited responses

AO1 and AO2

- Candidates restricted their responses to a consideration of definitions of diminishing marginal utility (MU) and total utility (TU).
- Some candidates did not consider the wording of the question and offered long and often inaccurate explanations of an Indifference Curve analysis.
- Candidates made no distinction between normal and inferior goods.

AO3 Evaluation

- An evaluative comment was not offered. Alternatively, a brief one-line comment was made, for example, 'consumers are not always rational'.

Question 3

Comprehensive responses

AO1 and AO2

- Candidates were able to provide definitions of the roles of government, trade unions, the role of marginal physical product marginal revenue product and the supply of labour in determination of wages.
- The responses showed how government intervention using a minimum wage and/or trade union intervention by restricting access to the job changed the likely demand and supply of labour.
- These were illustrated as the question asked with relevant, accurately drawn and labelled diagrams.
- The diagrams were used as the basis to give an analysis which showed an increase in unemployment.
- Comprehensive responses then produced an analysis based on those occasions when there was a monopoly purchaser (monopsonist) of labour together with the appropriate diagram.

AO3

- Good evaluation was shown by candidates who explained that the extent of the change in employment depended on the elasticity of demand and supply of labour with respect to changes in the wage level, or on the ability to increase marginal physical/revenue product.

Limited responses

AO1 and AO2

- Limited answers wrote extensively on the role of trade unions rather than the effect of the negotiating skills in procuring a higher wage.
- Diagrams, if offered, were incorrectly drawn and mislabelled.

AO3

- More answers had limited or no evaluative comment. For example, 'it depends on the access to capital equipment'.

Section C

Question 4

Comprehensive responses

AO1 and AO2

- These responses began with definitions of inflation and distinguished between demand-pull inflation and cost-push inflation.
- The answers stated the quantity theory of money, $MV = PQ$, and commented that the equation was in fact an identity, with both sides representing nominal gross domestic product (GDP).
- The four terms were defined, and the answer analysed how the two sides must be equal.
- Answers continued with an analysis of how a change in M (money) would, given the assumption, that V and T remain constant in the short run, bring about a proportionate change in P (price).

AO3

- Good evaluative comments discussed whether the assumptions of both V and T being constant were realistic in a world where there are many sources of credit and where production often had spare capacity which can be applied to expanding output (T).
- Alternatively, candidates questioned the applicability of the monetary equation to the process of cost-push inflation.

Limited responses

- Candidates showed limited knowledge of the monetary equation and concentrated their response on analysing demand-pull and cost-push inflation. Those who explained the monetary transmission mechanism provided a more complete response.

Question 5

Comprehensive responses

AO1 and AO2

- These responses included a clear definition of gross national income (GNI) and explained why taking population growth and inflation into account is significant when considering the material standard of living.
- It was recognised that the question referred to high-income countries (HICs) and provided a definition of this term.
- The responses discussed the meaning of the term non-material standard of living and explained how it is interconnected with material standards of living.
- Given the level of real GNI per capita in HICs, candidates considered whether the differences were significant in a real sense.

AO3

- Candidates discussed the problems encountered in attempting to measure GNI, including issues relating to data collection, costs, and the informal economy.
- A discussion of whether an average was representative of the population and considered the use of the Gini coefficient as a measure of inequality.
- Candidates gave justified consideration of an alternative measure of the standard of living HDI/MPI.
- Candidates considered the negative externalities which might arise as GNI increases.

Limited responses

AO1 and AO2

- These concentrated on the gross domestic product (GDP) rather than the GNI.
- Limited or little discussion took place regarding the non-material standard of living.
- There was no consideration of population nor the price level.

AO3

- Candidates showed some knowledge of externalities and offered one-sentence comments on externalities arising.
- Comments on inequality were limited to simple statements without development.

ECONOMICS

Paper 9708/43 A Level Data Response and Essays

Key messages

What candidates did well

- Many candidates demonstrated good knowledge and understanding across the full range of the assessed syllabus.
- Where a supporting diagram was requested, many candidates provided relevant, accurate and clearly labelled diagrams.

What candidates needed to improve

- Some candidates demonstrated limited understanding of key topics, including types of price discrimination and the distinction between long-run average cost (LRAC) and short-run average cost (SRAC).
- Candidates should pay close attention to the number of marks available for each question. This provides an indication of the depth and extent of explanation required, particularly for questions in *Section A*.
- Candidates should remember that up to 6 marks are available for responses demonstrating high-quality evaluation. This applies to all questions in **Section B**.
- Candidates should aim to provide a full and developed explanation in essay questions. Responses should demonstrate developed chains of reasoning rather than simple descriptions or lists of points. A small number of well-developed points is generally more effective than a long list of undeveloped statements.

Comments on specific questions

Section A

Question 1

(a) Comprehensive responses

- Most candidates accurately identified and briefly explained each relevant piece of evidence.
- Most candidates successfully identified the falling unemployment rate and rising interest rates as evidence that Japan was experiencing an expansionary phase of the business cycle.

Limited responses

- Some candidates described the business cycle in general terms rather than explaining how the evidence provided demonstrated that Japan was in an expansionary phase.
- The question required candidates to identify and explain two pieces of evidence from the extract. Some candidates identified appropriate evidence without providing the brief explanation required.
- A few candidates used evidence or explanations that were not contained in the extract and therefore did not directly answer the question.
- A small number of candidates discussed a recessionary phase rather than an expansionary phase of the business cycle.

(b) Comprehensive responses

- Many candidates correctly identified higher interest rates and a reduction in the availability of credit.
- Most candidates developed their explanation by linking higher interest rates and reduced credit availability to a fall in aggregate demand, helping to move inflation towards the 2% target.
- Some candidates used appropriate AD/AS diagrams to illustrate the effect of a change in aggregate demand on the inflation rate.

Limited responses

- Some candidates discussed lowering interest rates and increasing credit availability, despite the extract stating that core inflation was forecast to remain above the target. Candidates should ensure that their response is consistent with the information provided in the extract.

(c) Comprehensive responses

- The majority of candidates used evidence from the article to explain the benefits of a depreciation of the yen.
- Many candidates addressed the 'extent' aspect of the question by considering the price elasticity of demand for both exports and imports.

Limited responses

- Some candidates did not explicitly relate their response to Japan's balance of trade.
- Some candidates were unable to provide the required contrast, limiting the extent to which they addressed the question.

(d) Comprehensive responses

- Some candidates provided a well-balanced response using relevant information from the article.
- Comprehensive responses developed their points using relevant economic theory and made clear contrasts based on information from the article.
- The most common and effective application by many candidates was the reference to the fact that US interest rates were not expected to decrease, meaning that the value of the US dollar could remain relatively high.

Limited responses

- Some candidates provided a general description of how changes in interest rates affect exchange rates without applying the analysis to the scenario in the question.
- Some candidates were unable to provide the required contrast.
- Some candidates did not make clear and specific application to the US and Japan.

Section B

Question 2

Comprehensive responses

- This was a popular question, and many candidates were generally well prepared, demonstrating good knowledge and understanding.
- Most candidates included correctly labelled diagrams to support their analysis. It was rare to see responses without a diagram.
- Many candidates produced accurate LRAC diagrams showing falling long-run average costs due to economies of scale.
- Many responses explained why larger firms benefit from different types of economies of scale and stated that fixed costs can be spread over a greater level of output, reducing average costs.
- Supporting examples used by many candidates often included sectors such as consultancy, software development and specialist services, where smaller firms may compete effectively because digital technologies and outsourcing reduce the need for large-scale operations.
- Many candidates correctly identified the Minimum Efficient Scale (MES).

Limited responses

- Some candidates did not provide developed evaluative responses addressing the word 'always' by recognising that the importance of firm size depends on the industry.
- Some candidates focused on SRAC curves or discussed perfect and imperfect competition, which was not relevant to the question.
- Fewer candidates explained the causes of diseconomies of scale and why average costs may eventually begin to rise.

Question 3

Comprehensive responses

- Most candidates recognised and addressed the four key elements of this question:
 - Produce an appropriate diagram illustrating third-degree price discrimination.
 - Explain third-degree price discrimination.
 - Assess the consequences for the firm.
 - Assess the consequences for consumers.
- All four elements were required to achieve marks beyond Level 2 for AO1 and AO2, and many candidates produced comprehensive responses.
- Many candidates applied appropriate real-world examples, including:
 - peak and off-peak rail travel
 - airline pricing
 - student discounts for cinemas
 - student pricing for Apple products or Amazon Prime.

Limited responses

- Some candidates confused different degrees of price discrimination, particularly first-degree and third-degree price discrimination.
- Few candidates referred to consumer surplus, despite its relevance when evaluating the impact on consumers.

Question 4

Comprehensive responses

- Most candidates used AD/SRAS/LRAS diagrams effectively to support their responses.
- Many candidates accurately explained a negative output gap as a situation where actual output is below potential output.
- Most candidates recognised that a high marginal propensity to import (MPM) or a low marginal propensity to consume (MPC) reduces the size of the multiplier.
- Most candidates recognised government spending as an injection into the circular flow of income and as a component of aggregate demand. This was generally explained well.
- The most comprehensive responses focused directly on the question by explaining why government spending does not need to increase by the full value of the negative output gap in order to restore full employment.
- Some candidates achieved high evaluation marks by discussing issues such as:
 - uncertainty surrounding the size of the multiplier
 - government spending representing only one component of aggregate demand
 - possibility of crowding out
 - rising national debt, increasing debt-servicing costs, declining investor confidence and the potential for debt crises.

Limited responses

- Some candidates confused expansionary fiscal policy with expansionary monetary policy.
- Some explanations of the multiplier process were underdeveloped.
- Candidates who simply stated that an injection of government spending generates multiple rounds of spending through the multiplier process were generally able to access AO1 marks only.

Question 5

Comprehensive responses

- Many candidates accurately explained that external debt can include:
 - government bonds held by overseas investors
 - loans from international organisations such as the IMF or World Bank
 - commercial borrowing from foreign banks and investors.
- The uses of external debt were also generally well explained by most candidates, including:
 - financing government expenditure
 - infrastructure investment
 - financing trade deficits
 - supporting wider economic development.

Limited responses

- Some candidates confused external debt with national debt.
- Few candidates considered the extent to which high levels of external debt may become unsustainable, particularly for low-income countries.

ECONOMICS

Paper 9708/44 A Level Data Response and Essays

Key messages

- Candidates generally demonstrated understanding of the relevant theory and were able to articulate the analytical aspects within the context of the question. Others were not able to fully develop the analytical aspects of the question or to apply it to the context of the question.
- Many questions contained the trigger word 'Evaluate'. This term required a candidate to judge or calculate the quality, importance, amount, or value of the information or theory that was used in the answer. Whilst most produced an evaluation, many did not develop the evaluative point sufficiently to gain a level 2 evaluation (E2).
- Candidates are reminded that a thorough reading of the question is necessary to pick out the full breadth of the question. This is especially true now that the questions are without sub-divisions.
- Some candidates wrote at great length. In some cases, these responses were not directed towards the question set. Comprehensive answers must be relevant, concise and well-directed.
- It should be noted that evaluative comments must include a degree of analysis or explanation based upon economic concepts relevant to the question set.

What candidates did well

- Candidates used clearly drawn or accurately labelled diagrams and referred to them within their essays.
- Candidates provided answers that matched the question that had been set.
- Candidates included evaluative comments in their essay responses.

What candidates needed to improve

- Candidates should read the question carefully and ensure that their answer focuses on the topic or topics specified in the question.
- Candidates should ensure that diagrams are drawn accurately and labelled correctly.
- Some candidates needed to allocate their time more evenly across all questions.
- Candidates should ensure that the length and level of detail of their answer are appropriate to the demands of the question.

Comments on specific questions

Section A

Question 1

(a) Comprehensive responses

- Candidates commented both on the direction of change of both variables and the fact that one rose as the other fell.

Limited responses

- The candidates' responses indicated either a misunderstanding of the direction of change or an incorrect interpretation of the relationship between the changes.

(b) (i)–(ii) Comprehensive responses

- Candidates recognised the positive direction of change with respect to income and negative change in demand and/or the classification of the good as inferior.

Limited responses

- Candidates were not able to recognise the direction of change in income or demand and incorrectly classified the good as normal.

(c) Comprehensive responses

- A clear, accurately labelled graph together with an explanation and analysis of productive negative externality to illustrate a deadweight welfare loss was provided.

Limited responses

- Some responses drew the diagram incorrectly, which limited the development of the explanation.
- No diagram was attempted and a limited explanation was offered.

(d) Comprehensive responses

- Comprehensive answers demonstrated that candidates had engaged with the passage and related its content to the challenges of reconciling economic growth and sustainability.
- Candidates also argued that economic growth and sustainability was possible.
- A conclusion was drawn from these two situations.

Limited responses

- Candidates only produced a one-sided argument or provided very little evidence from the text.

Section B

Question 2

Comprehensive responses

AO1 and AO2

- Candidates recognised that the question's focus was on the use of utility theory to explain the slope of the market demand curve for a good.
- Accurate definitions of diminishing marginal utility (DMU) and total utility (TU) were given. Many candidates offered accurately drawn and labelled diagrams of both MU and TU, explaining their shape, usually in the context of a normal good.
- Candidates explained that an individual maximises total utility by allocating their income so that the final \$ spent on each good provides the same level of utility, as shown by the equi-marginal principle, $MU_x/P_x = MU_y/P_y$.
- Candidates then analysed the effect of a change in the price of a good, such as Good X, on demand, showing how the resulting disturbance to equilibrium requires the quantity consumed of Good X to change in order to restore equilibrium.
- Candidates then used this information to develop the shape of an individual's demand curve and from that point analysed how the combination of individual's demand curve made up the market demand curve.

AO3

- Good evaluation was shown by those who, for example, analysed how the limits of consumer rationality might apply in the context of purchasing a house, where marginal analysis may be called into question, or how the purchase of the final item in a set, for example a Pokémon card, may challenge the concept of diminishing marginal utility.
- Candidates explained the inability of marginal utility (MU) analysis to explain and analyse the demand curve for Giffen goods.

Limited responses

AO1 and AO2

- Candidates restricted their responses to a consideration of definitions of diminishing marginal utility (DMU) and total utility (TU).
- Some candidates did not consider the wording of the question and offered long and often inaccurate explanations of an Indifference Curve analysis.

AO3 Evaluation

- An evaluative comment was not offered. Alternatively, a brief one-line comment was made, for example, 'consumers are not always rational'.

Question 3

Comprehensive responses

AO1 and AO2

- Candidates defined oligopoly in terms of the concentration ratio of the largest firms.



- Candidates defined and explained the concept of collusion.
- Candidates analysed the behaviour of firms with and without collusion, including the use of diagram(s).
- Candidates compared the outcomes for firms in terms of profits under the two types of behaviour.

AO3

- Candidates explained that collusive behaviour often broke down as colluders saw the opportunity for greater profits in individual profit-seeking.
- Candidates explained that governments consider collusion to be 'bad' and introduce legislation to prevent collusion.
- Candidates made assumptions regarding theoretical behaviour that may not apply in practice.

Limited responses

AO1 and AO2

- Limited answers did not consider the full breadth of the question and offered only a descriptive approach.
- Oligopoly competition was described although the collusion element of the question was not considered.

AO3

- An evaluative comment was not offered. Alternatively, a brief one-line comment was made, for example, 'it depends on attitude to competition'.

Section C

Question 4

Comprehensive responses

AO1 and AO2

- Comprehensive responses required the candidates to identify, define and provide an analysis of how the multiplier and accelerator could come together to reduce the deflationary gap.
- The analysis of the multiplier was developed to show the impact of the ratio of the leakages from the economic system. This determined the size of the multiplier and the size of the government intervention required.
- The interplay of the change in national income (NI) and the level of induced investment explained and analysed the accelerator effect. Both effects were then integrated to explain the reduction in the deflationary gap.

AO3

- The multiplier effect was evaluated in terms of the timeliness of government action, the level of knowledge of the size of the multiplier, and the changeability of the multiplier over its operating period. A similar evaluation was conducted for the accelerator.
- The effect of the need to borrow to carry out the government's expansionary policies, and the risk of 'crowding out' private investment, thus offsetting the expansionary government policy, was discussed.

Limited responses

AO1 and AO2

- Candidates showed limited knowledge of the terms deflationary gap and multiplier.
- The accelerator element of the question was not considered.
- The answers were developed by assertion rather than explanation and analysis.

AO3

- Evaluative comments, where made, were limited to simple statements without development. For example, 'There may be 'crowding out'.
- Candidates suggested policies might come up against 'full employment' when the question concerns the lack of full employment.
- No evaluation was made.

Question 5

Comprehensive responses

AO1 and AO2

- The question required the candidate to define and explain the terms of 'expenditure-reducing' and 'expenditure-switching' policies and the balance of payments.
- Comprehensive responses chose and analysed one expenditure-reducing policy and one expenditure-switching policy and applied them to the question.
- The application of expenditure-reducing policy for example, was developed in terms of an aggregate demand and aggregate supply framework.
- The expenditure-switching analysis was developed in terms of the application of a general tariff system.
- Candidates showed a depth of analysis rather than providing a broader, more superficial answer.

AO3

- The evaluation was based on the solution offered. An expenditure-reducing policy might be analysed by its negative impact on the national income/economic growth/employment.
- Expenditure-switching policies were analysed in terms of time lags or the price elasticity of imports and exports, and the inflationary effect of price rises for imported raw materials.
- The analysis considered the ability of these two broad policies approaches to deal with the persistence of balance of payments.

Limited responses

AO1 and AO2

- These answers concentrated on a single aspect of the question on expenditure-reducing, expenditure-switching or balance of payments
- The policy or problem was described rather than analysed or the analysis was insufficient or incorrect.

AO3

- Comments were limited or unexplained. For example, 'It takes a long time.' or 'It depends on the price elasticity.'
- The 'persistent' element of the question was not considered.