

AS LEVEL

Examiners' report

ECONOMICS

H060

For first teaching in 2019

H060/02 Summer 2022 series

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Introduction

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

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

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

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

Advance Information for Summer 2022 assessments

To support student revision, advance information was published about the focus of exams for Summer 2022 assessments. Advance information was available for most GCSE, AS and A Level subjects, Core Maths, FSMQ, and Cambridge Nationals Information Technologies. You can find more information on our [website](#).

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Paper 2 series overview

H060/02 Macroeconomics examination is one of two examination components for AS Level Economics. This component contains three distinct sections:

- Section A - multiple choice questions
- Section B – data response
- Section C – an extended essay question selected from a choice of two.

All sections target assessment objectives AO1, AO2 and AO3 and quantitative skills. Section B contains one question targeting AO4. The essay question targets all assessment objectives.

To do well in this component candidates need to apply their knowledge of microeconomic concepts to the situations presented in the question paper. This will involve using well labelled diagrams and calculations when appropriate.

Candidates who did well in this component were able to use economic knowledge and terminology with precision. Evidence from the data provided, and question stems, was effectively integrated into answers illustrating understanding of the concepts being applied. Questions which required extended writing were logically structured with extended chains of reasoning being used to develop balanced arguments and reaching a justified conclusion. Such responses contained clear dynamic diagrams which were integrated into the analysis.

Candidates who did well on this paper generally did the following:	Candidates who did less well on this paper generally did the following:
<ul style="list-style-type: none"> • used precise economic terminology • included their calculation for Question 16 (b) (i) • presented clearly labelled diagrams which were then used in the written analysis • provided clear chains of reasoning in Questions 16 (e) and Section C questions • structured the responses to Question 16 (e) and Section C questions to show analysis, evaluation, and a justified decision. 	<ul style="list-style-type: none"> • provided unclear choices for Section A questions. Answers often being re written within the answer boxes • confused economics terms • presented macro diagrams with micro labels • provided diagrams which were not referred to within the written analysis for Questions 16 (e) and the essay question • produced responses to Question 16 (e) and Section C questions consisted of lists of undeveloped and unrelated knowledge • produced a one-sided response to Question 16 (e) and Section C questions.

Assessment for learning



Candidates should be encouraged to focus clearly on the command word and any other instructions within the question to identify what their focus should be, e.g.,

(b) (i) Using **Fig. 2**, state what has happened to Japan's interest rate between 2017 and 2019.

.....
 [1]

Candidates must take note of the date specified.

Section A overview

Section A consists of 15 multiple choice questions, five of which tested quantitative skills. The mark scheme provides explanations for each question to illustrate the correct answers and justifications for incorrect or distractor answers.

Many candidates scored highly in this section of the examination showing strong knowledge of the concepts. Questions 6, 9, 11, 13 and 15 assessed quantitative skills.

Several candidates found Questions, 6, 7 and 9 difficult showing a lack of understanding of the calculation of balance of trade, factors affecting AS and the Marginal rate of taxation calculation.

Misconception



Occasionally candidates lost marks in this section by providing responses which were not clear. Candidates who wish to alter their response should be encouraged to cross out the mark they wish to change and write the new letter outside of the mark box.

Question 6

6 The table shows the value of imports and exports for a country in 2019.

	£bn
Imports of goods	740
Imports of services	275
Exports of goods	545
Exports of services	950

What was the balance of trade in goods?

- A – £675 bn
- B – £195 bn
- C + £480 bn
- D + £1285 bn

Your answer

[1]

Question 7

7 The UK government is planning to limit immigration. What impact may this have on the UK economy in the short-run?

- A Shift aggregate demand to the left
- B Shift aggregate demand to the right
- C Shift aggregate supply to the left
- D Shift aggregate supply to the right

Your answer

[1]

Question 9

9 The table shows the tax paid by individuals at different levels of income.

Annual Income	Tax paid
£20 000	£2250
£25 000	£2500
£30 000	£3000
£35 000	£4500
£40 000	£7000

What is the marginal tax rate if an individual's annual income increases from £30 000 to £35 000?

- A 10%
- B 13%
- C 30%
- D 50%

Your answer

[1]

Question 11

- 11 The exchange rate at the start of 2020 was £1 = \$2. By the end of the year, the pound appreciated by 50% against the dollar. If a UK firm sells £10 000 of products to the USA, how many dollars will it receive after the currency appreciation?

- A \$10 000
- B \$15 000
- C \$20 000
- D \$30 000

Your answer

[1]

Question 13

- 13 For a country, the CPI was 108 in 2018 and 120 in 2019. What was the inflation rate, to the nearest whole number, as measured by CPI in 2019?

- A -12%
- B +10%
- C +11%
- D +12%

Your answer

[1]

Question 15

- 15 The table shows the nominal GDP for a country.

Year	Nominal GDP (£m)
2019	1500
2020	1800
2021	2000

Between 2019 and 2020 the rate of inflation was 3%. What was the country's real GDP in 2020, at 2019 prices (to the nearest pound)?

- A £1456m
- B £1545m
- C £1748m
- D £1854m

Your answer

[1]

Section B overview

Section B of the paper consisted of data response questions related to information concerning the Japanese economy. Questions ranged in mark allocation from 1 to 10 with a total of 25 marks available. Candidates were required to apply their knowledge of the macroeconomics specification topics to the provided scenario. Some candidates were not confident with the data, which discussed a fall in GDP and provided responses which did not refer to this point.

Question 16 (a) (i)

16 (a) (i) Using **Fig. 1**, explain how the unemployment rate changed in Japan between 2015 and 2020.

.....

.....

.....

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

Many candidates were able to correctly answer this question. The more successful responses displayed quantitative skills and provided correctly calculated percentage change rather than copying the figures from Fig.1. A small number of candidates presented the correct numbers from Fig.1 but did not state if this was a rise or fall in unemployment. Such candidates therefore did not explain the change as instructed in the question.

Question 16 (a) (ii)

(ii) **Line 29** refers to "...unfilled jobs in IT related occupations."

Explain **one** supply side policy the Japanese government could implement to reduce the number of unfilled jobs.

.....

.....

.....

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

Most candidates were able to correctly answer this question. The most common correct responses being education and relaxing immigration rules. A small, but noticeable, number of candidates did not follow the instruction to explain supply side policy and discussed either fiscal policies or monetary policy as outlined in lines 23-25 of the data.

Question 16 (b) (i)

(b) (i) Using Fig. 2, state what has happened to Japan's interest rate between 2017 and 2019.

.....
..... [1]

This was a straightforward question for most candidates. Those who gained zero on this question described the entire period covered in Fig. 2 not the required years 2017 to 2019.

Question 16 (b) (ii)

(ii) Other than interest rates, explain one expansionary monetary policy that Japan's central bank could use.

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

As with Question 16 (a) (ii) candidates who struggled with this question had not carefully read the question. Such candidates either explained the impact of low interest rates or discussed expansionary fiscal policy. A significant number of candidates correctly stated quantitative easing but were unable to correctly explain how this policy operated.

Question instructions

Candidates need to carefully read each question to make sure that their responses focus on the correct data and policy. Candidates with strong knowledge lost marks by not following the instructions within the question.

Question 16 (c)

(c) The case study refers to the Tokyo Olympics (**lines 19–20**).

Using a diagram, explain what impact holding the Olympics is likely to have on economic growth in Japan.

.....

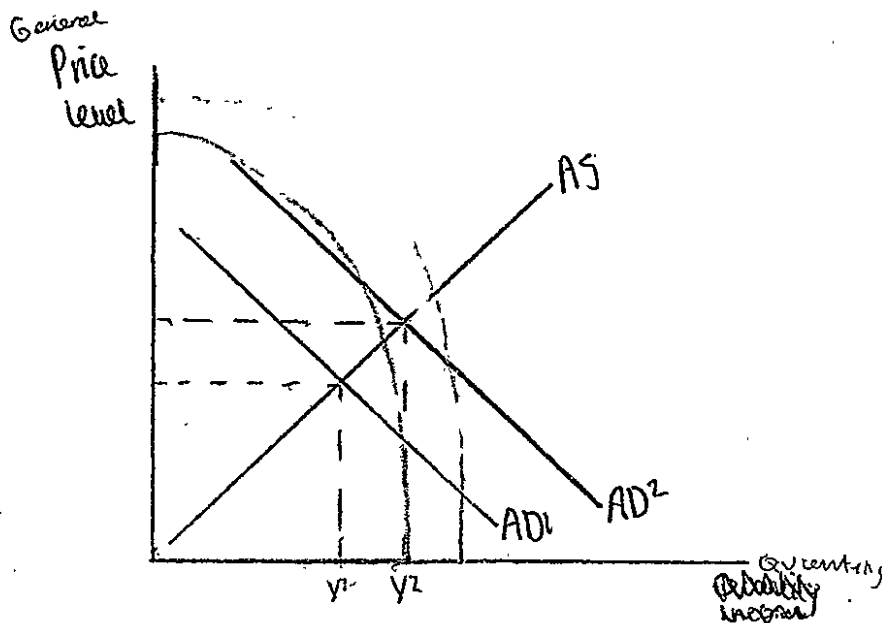
.....

.....

..... [4]

Most candidates were able to correctly draw a dynamic diagram to illustrate economic growth supported by explanations to show why AD would have an outward shift. Some candidates simply stated that consumption would rise with no link to consumer confidence or visitors and athletes. On its own this was insufficient to gain an explanatory mark. The weakest responses incorrectly explained the impact that delaying the Olympics would have.

Exemplar 1



.....
 Hosting the Olympics would ~~mean~~ ^{lead} to an increase
 in foreign investment and cause a large increase
 in demand from tourism, shown by the shift from [4]
 AD1 to AD2

Exemplar 1 shows a correct but incomplete diagram for Question 16 (c). The candidate has gained 1 mark for showing the correct rightward shift of AD. The marks for axis label and equilibrium could not be given as the labels were incorrect or incomplete. The written explanation reiterated that AD would shift, a point already rewarded on the diagram. The identification of increased foreign investment was unclear being confused with export income as it related to demand from tourism. This point was not rewarded.

Section C overview

Section C of the paper consisted of two optional essay questions. Candidates were required to choose one essay. Each essay stem provided some context for the question. Candidate responses are not required to relate to the information provided in the stem. The stems provide context which can be used to support candidates' responses if required. Candidates can and should make use of relevant examples that they have studied to offer context to their responses.

Use of diagrams

Candidates should be encouraged to read the grade descriptors for each level presented in the mark scheme.

Each essay in Section C requires the use of appropriate diagram(s). To achieve marks in Level 3 candidates must make sure that any diagrams presented are integral to the analysis. It is not sufficient to say 'see figure 1'.

Question 17*

17* Developing countries' share of global exports increased from 30% in 2000 to 42% in 2018.

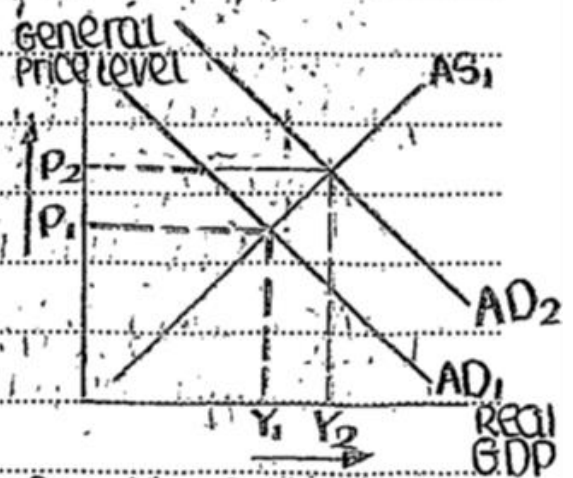
Although global trade is still dominated by trade in goods, trade in services is steadily increasing, reaching 23% of total trade in 2018, compared with 17% in 1980.

Evaluate, using an appropriate diagram(s), whether international trade is more beneficial to a developing country than a developed country. **[20]**

Many candidates appeared to be expecting a question relating to globalisation. Such candidates made valiant efforts to adapt their response to the impacts of international trade, with varying degrees of success. The most successful responses recognised the benefits of a wider market and increasing FDI/TNCs for developing nations. Successful analysis relating to developed nations tended to focus on the benefits of lower prices and a greater choice of goods. Candidates who were able to evaluate tended to focus on the issues of overspecialisation, reliance on other nations and the implications for the balance of payments situation. Such candidates often showed strong understanding of current global supply issues. Many candidates attempted to use the Kuznets curve within their response, rarely were the candidates able to effectively link this analysis to the question set. The weakest responses provided unsubstantiated statements relating to developed and developing countries.

Exemplar 2

One way international trade is beneficial is an increase in net exports sold to other countries. This can lead to an increase in the aggregate demand of a country, as net exports is a component of AD. AD shifts from AD_1 to AD_2 , increasing the price level from P_1 to P_2 and increasing output from Y_1 to Y_2 . This can benefit a developing country as $\$$ increased



demand for goods and services can improve economic growth in a country resulting in higher living standards for the country's citizens. This can benefit a developing country as $\$$ incomes will rise, giving citizens more disposable income to spend on goods and services that are necessary to them. The country will also have the luxury to buy more elastic goods that are more of a luxury. Firms will also be taking in more profit, allowing them to increase the level of output. This can also reduce the level of unemployment in a developing country as more workers would be needed in order to increase production. Developing countries' share of exports were said to have increased from 30% to 42% from 2000 to 2018.

This candidate provided a good analysis of the benefits of international trade to a developing nation. A coherent chain of reasoning is presented which clearly addresses the question set. The diagram is correct and integral to the analysis. Although the candidate shows some lack of understanding concerning economic growth this does not detract from the overall analysis. Data from the question stem is used to substantiate the analysis, this is not integrated into the discussion but is correct. This response was given 12 marks.

Question 18*

18* The Bahamas' main trading partner is the USA, accounting for around 80% of The Bahamas' total trade. Tourism accounts for more than one third of The Bahamas' gross national product and employs around 40% of its workforce.

The Bahamas fixes the value of its currency, the Bahamian Dollar, against the US Dollar.

Evaluate, using an appropriate diagram(s), whether it is beneficial for The Bahamas to operate a fixed exchange rate system. **[20]**

This was the slightly more popular essay question. More successful responses often started with an explanation of a fixed exchange rate system and how the rate is maintained. Diagrams illustrating movements in demand and supply of the currency were used within these explanations. Analysis in these responses focused on the benefits of increased stability on external demand. Many candidates had clearly considered the UK membership of the ERM in lessons and the strongest used this example to illustrate the implications of fixing exchange rates at an unsupportable level. Some candidates were able to effectively show how this could lead to increased speculation despite a fixed exchange rate. Less successful responses confused concepts and focused on the benefits and costs of a low rather than a fixed exchange rate. Such responses often stated that fixed exchange rates encourage currency speculation.

Exemplar 3

By the Bahamas operating in a fixed exchange rate, this would bring benefits as it will limit speculation on their currency of the Bahamian Dollar. As speculators try to predict if the value of the currency will increase, in order to invest before it does to make a profit. This will bring more stability to the currency especially as one of its main trading partners is the USA, so that the prices of their ~~exports~~ exports to the USA will not fluctuate as much. Meaning that the

This candidate showed understanding that a fixed exchange rate system would reduce currency speculation. The explanation however, is unclear there is no chain of analysis to show cause and effect. This response was given 10 marks.

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