

GCE Examiners' Report

Economics

GCE

Summer 2025

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Introduction

Our Principal Examiners' report provides valuable feedback on the recent assessment series. It has been written by our Principal Examiners and Principal Moderators after the completion of marking and moderation, and details how candidates have performed in each unit.

This report opens with a summary of candidates' performance, including the assessment objectives/skills/topics/themes being tested, and highlights the characteristics of successful performance and where performance could be improved. It then looks in detail at each unit, pinpointing aspects that proved challenging to some candidates and suggesting some reasons as to why that might be.¹

The information found in this report provides valuable insight for practitioners to support their teaching and learning activity. We would also encourage practitioners to share this document – in its entirety or in part – with their learners to help with exam preparation, to understand how to avoid pitfalls and to add to their revision toolbox.

Further support

Document	Description	Link
Professional Learning / CPD	WJEC offers an extensive programme of online and face-to-face Professional Learning events. Access interactive feedback, review example candidate responses, gain practical ideas for the classroom and put questions to our dedicated team by registering for one of our events here.	https://www.wjec.co.uk/home/professional-learning/
Past papers	Access the bank of past papers for this qualification, including the most recent assessments. Please note that we do not make past papers available on the public website until 12 months after the examination.	Portal by WJEC or on the WJEC subject page
Grade boundary information	Grade boundaries are the minimum number of marks needed to achieve each grade. For unitised specifications grade boundaries are expressed on a Uniform Mark Scale (UMS). UMS grade boundaries remain the same every year as the range of UMS mark percentages allocated to a particular grade does not change. UMS grade boundaries are published at overall subject and unit level. For linear specifications, a single grade is awarded for the subject, rather than for each unit that contributes towards the overall grade. Grade boundaries are published on results day.	For unitised specifications click here: Results, Grade Boundaries and PRS (wjec.co.uk)

¹ Please note that 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.

Exam Results Analysis	WJEC provides information to examination centres via the WJEC Portal. This is restricted to centre staff only. Access is granted to centre staff by the Examinations Officer at the centre.	Portal by WJEC
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Bank of Professional Learning materials	Access our bank of Professional Learning materials from previous events from our secure website and additional pre-recorded materials available in the public domain.	Portal by WJEC or on the WJEC subject page.
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Executive Summary

Candidates must ensure they understand the demands of the question before attempting an answer. This is particularly important for unit 4 where both part (a) and (b) must be answered. There were instances in unit four where candidates were answering part (a) then realising they could write very little for part (b), crossing out (a) and then starting the other question in the section.

Command words and other key words must be adhered to. There were many instances this series where marks were lost because the question was not answered e.g. unit one Q17 was on regional minimum wage, many wrote about the national minimum wage; unit three Q9 required the factors that may determine whether freeports would be beneficial, many wrote about the benefits of freeports.

When diagrams are drawn, it is important that they are labelled correctly, too many candidates are confusing micro and macro labels.

At AS level it was the low tariff definitions and technical questions where candidates failed to achieve marks.

It was pleasing to see structure to candidates to work and attempts to analyse and evaluate even at the lower grades.

Quantitative skills were strong this series.

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UNIT ONE: INTRODUCTION TO ECONOMIC PRINCIPLES

Overview of the Unit

Candidates were well-prepared for the structure of the unit, and nearly all candidates completed the paper in the available time.

Section A appeared to contain the most accessible questions, with nearly all candidates answering all questions. In Section B, candidates performed comparably better in Q18, but found Q17 and Q19 more challenging. Overall, there was a good spread of marks across all questions, implying that it discriminated well between candidates.

Candidates are encouraged to ensure they fully understand the demands of the questions before attempting an answer; this can be achieved by highlighting command words, key words and data from the question stem to ensure focus in their responses. Some candidates made brief notes in the margins to ensure a comprehensive approach to higher-tariff questions.

Accurate and technical definitions and diagrams should be a focus to ensure candidates maximise AO1 marks. Candidates should contextualise their answers, where relevant, using information, data and context to support points made to maximise AO2 marks. Logical chains of analysis and evaluation are needed to ensure candidates demonstrate a thorough understanding of the topics being assessed to achieve high-band AO3 and AO4 marks.

Comments on individual questions/sections

MULTIPLE CHOICE QUESTIONS (MCQs)

Candidate performance in this section was in-line with previous years. Strong candidates tend to score more than 10 marks, completing this section in a timely fashion thus leaving enough time to complete Section B.

Good practice continues to include the highlighting of relevant key words/ data within the question, diagrams drawn or annotations made (where relevant) to support candidates with reaching the correct answer, and the use of ticks/crosses next to answers to show a process of elimination.

Centres should ensure that candidates are strongly advised to answer **all** MCQs; a small minority of candidates left some questions without a selected answer, perhaps with the intention of coming back to it later, but the reality is that candidates will either not have enough time remaining or will simply forget to return to these questions. Candidates should also ensure that the letters (A, B, C, D or E) are written within the given answer boxes; a minority of candidates are circling or ticking their chosen answer, which not only fails to follow the instructions given, but also risks ambiguity.

STRUCTURED ANSWER QUESTIONS (SAQs)

- Q16. (a) The best responses contained specific wording, explaining for example, that as price increases, firms are more willing to supply more as they seek to profit-maximise due to the profit-motive.

Some candidates' answers were not entirely accurate, with some candidates:

- stating increasing revenue as opposed to profit,
- explaining that the reason for the upward sloping supply curve is due to more firms entering the market, which of course is a cause for a shift of the supply curve, not a movement along the supply curve, and
- answering far too simplistically, for example that 'as price increases, supply increases'.

- (b) Most candidates scored 1 or 2 marks in this question and overall it was answered well. Due to it being a 'calculate' question, simply shading the consumer surplus area on the diagram was not awarded any credit. It was clear that some students were unsure or unclear on how exactly to calculate the consumer surplus, using the figures provided on the diagram, but using these figures incorrectly.
- (c) Nearly all candidates attempted an explanation of both the income and substitution effect. The best responses were accurate and technical in their explanations. Candidates needed to initially make it clear whether they were referring to a price increase or price decrease. Although the question refers to a price increase, some answers were clearly referring to a price decrease, therefore without making this clear it gives the impression that candidates do not have an accurate understanding.

In terms of the income effect, given a price increase, the best responses explained that there would be a decrease in people's *real* income or purchasing power resulting in fewer grapes being demanded. Many candidates referred to 'disposable income', which is incorrect. Some candidates referred to an increase in income resulting in more consumers being able to afford grapes at the higher price, and others referred to the PED or YED of grapes, all of which were not an appropriate nor correct response to the question.

In terms of the substitution effect, candidates needed to be specific in their explanation of consumers looking for a *cheaper* alternative. Too many candidates wrote about consumers looking for an alternative, but the key element here is that they would be looking for a cheaper alternative. In both instances of the income and substitution effect, candidates needed to contextualise their answers.

- Q.17 Overall, this question was not answered well. The main issue was not that of subject knowledge concerning the National Minimum Wage (NMW), but it was the fact that the question asked specifically about a Regional Minimum Wage (RMW). Too many candidates answered this question generically about the benefits and drawbacks of a NMW, which unfortunately limited them to a maximum of 4 marks out of 10 if data from two of the tables was used – therefore maximum marks included: AO2 (2 marks), AO3 (1 mark) and AO4 (1 mark).

The best responses used data from the tables to explain that for areas such as Mid Wales, that had the highest unemployment and lowest average wages, would benefit from a higher, or indeed lower, regional minimum wage than the rest of the country. Some candidates answered the question slightly differently, which was also given credit, in applying the concept of a RMW to Wales and making a comparison with England. Candidates that used a NMW diagram correctly within their answers were able to use the theory to illustrate what would happen to employment levels and incentive to work, for example. A reminder to candidates that a diagram can be used to add value to a response, even when not explicitly asked for as part of the question itself.

Candidates that did not score well, did so either due to writing generically about NMW, incorrectly interpreting the data in support of their points, or simply not writing enough; either in quantity or development of points.

This question is an excellent example of why it is important that candidates read questions carefully.

Q.18 Overall, this question was answered well, with candidates demonstrating their understanding of AD, and its components. Only a minority of candidates scored 0 marks in this question. The majority of candidates sign-posted their answer for G and I very clearly, with workings to support.

(a) This question was answered well by some candidates, but too many did not demonstrate a technical or accurate understanding of the concepts being assessed.

Regarding 'wealth', most candidates referred to an increase in income or disposable income, as opposed to the value of assets, the former being incorrect. The best candidates referred to the wealth effect, explaining that if the value of one's assets were to increase, this would increase their confidence to spend in the economy, thus increasing consumption. Of course, the negative wealth effect could equally result in a decrease in consumption.

Candidates were too vague in their explanations of 'expectations'. The best responses referred to expectations being predictions about the future relating to job security, wage growth, economic stability etc, then providing an example to support the idea of what would happen to consumption. For example, many candidates referred to the idea that if the rate of inflation was expected to rise in the near future, households would be incentivised to spend now rather than later, thus increasing consumption. The majority of candidates only provided a simple example, but needed to demonstrate an understanding of the concept of 'expectations'.

(b) This was the only question in this paper that specifically assessed the drawing of a diagram. Most candidates drew an accurate diagram, with an inward shift of the AD curve. However, some candidates drew an inward shift of the LRAS curve, which did not score AO1 marks as the main aim of fiscal policy is to affect AD. Although fiscal policy can affect productive capacity, the main aim of CFP would be to reduce AD. Other issues with diagrams included micro labelling (price/ quantity, demand, supply), and the use of many AD curves, which made it difficult to award marks if CFP was not clearly demonstrated. Although candidates were not penalised for using the classical LRAS curve or SRAS, centres are reminded that it is the Keynesian LRAS curve that is used at AS-level.

To achieve the second set of AO1 marks, candidates needed to demonstrate a detailed understanding of CFP, e.g an increase in taxation and/ or decrease in government spending, in order to reduce inflationary pressure. Most students achieved at least 1 mark out of 2 here.

To achieve full AO3 marks, candidates needed to follow through on either how an increase in taxation and/ or reduction in government spending would result in a reduction in consumption and/ or investment and/ or government spending, leading to a reduction in AD, and how that would result in a fall in economic growth, e.g firms would produce fewer goods and services in response to the decrease in AD. Only a minority of students scored full AO3 marks, therefore candidates should be advised in similar questions to be clear on *how* CFP leads to a fall in economic growth.

Some candidates unfortunately wrote about interest rates, clearly confusing contractionary fiscal policy with contractionary monetary policy, in which case a maximum of 2 marks out of 6 was achieved, assuming the diagram had been drawn correctly.

- Q.19 (a) The quality of answers was mixed here. Some candidates clearly understood that the role of lender of last resort was for the central bank to lend money to commercial banks or financial institutions, to ensure financial stability and confidence in the economy in times of financial difficulty. Some centres had clearly used the 2008 financial crisis as an example of this, which helped candidates to explain this concept.

Around half of students had an incorrect understanding of this role, believing that either the central bank would lend money to the government, or that households would borrow money from the central bank directly if turned down for a loan from a commercial bank.

- (b) This question required candidates to consider whether the BoE should only consider current inflation when setting the base rate. Most candidates took the approach of explaining why this is the case, but also why other factors should be considered.

For the analysis, candidates needed to explain why current inflation is important to consider, and the best responses explained in detail how changes to the base rate feeds through to inflation via consumption and/ or investment, and the impact of this on households' purchasing power.

For the evaluation, the best responses explained:

- the time-lag of interest rates in the transmission mechanism, therefore questioning the usefulness of *current* inflation,
- explained how *previous* inflation could be considered in terms of how this reacted to past base rate decisions,
- how changes to the base rate can be less effective when facing cost-push inflation, as opposed to demand-pull inflation, questioning the usefulness of only considering current inflation when making base rate decisions.
- other factors that could be considered alongside current inflation, such as unemployment rates, economic growth, wage growth, house prices etc. This made it clear that the BoE has other considerations, in addition to meeting the 2% inflation target.

With the other factors, the best responses linked this back directly to the question, and used a hypothetical example of 'if the base rate increased... (this is the effect it would have on unemployment rates, economic growth, wage growth, house prices etc')'. Some candidates, likely due to running out of time at the end of the paper, had a rather superficial evaluation which did not directly address the question.

Summary of key points:

- Candidates should make every effort to ensure the accuracy of these definitions and diagrams to maximise AO1 marks. This includes, diagrams using the Keynesian LRAS curve as opposed to the classical LRAS curve or SRAS, and labelling all axis and curves accurately, as well as ensuring thorough and technical definitions.
- Candidates should ensure a technical understanding of economic concepts; lower tariff questions concerning the income and substitution effects, wealth and expectations were not answered well by many students.
- Every effort should be made to read and understand questions carefully, paying close attention to command words and other important key words and information provided. Q17 on Regional Minimum Wage is a good example of this, where many candidates only scored band 1 marks due to their answer being written on National Minimum Wage as opposed to Regional Minimum Wage.
- Candidates should be clear which command words constitute an evaluation/ counter-argument.
- Information, data and context provided should be read and understood carefully, so that candidates are able to use this skilfully to support their answers. Specific numerical data, where provided should be used to support points made.
- Candidates should ensure that points are developed thoroughly, with logical chains of analysis or evaluation.

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UNIT TWO: ECONOMICS IN ACTION

Overview of the Unit

Although this was a challenging paper, candidates generally found the paper more accessible and performed better across the paper than they did in 2024. This brings performance more in line with previous series.

This paper included some topics that are not examined as often, including the functions of prices and government failure. Candidates generally found these questions difficult. It is important for centres and for candidates to ensure the entirety of the specification is taught and revised.

Candidates generally performed slightly better on Question 1 than on Question 2. Some of this difference is attributable to candidates running out of time, particularly on Questions 2.d, 2.e, and 2.f. This illustrates the importance of candidates' time management across the paper. It may also reflect that candidates found the macroeconomic questions more difficult than the microeconomic.

Compared to previous series, this paper emphasized higher-mark questions, with 50 of the total marks coming from 10-mark questions. This required candidates to demonstrate more sustained analytical and evaluative commentary.

The two calculation questions (1.a and 2.a) were generally handled well, as were the diagrams in questions which explicitly required them (1.d., 1.e., 1.f. and 2.f.)

Comments on individual questions/sections

Q.1 (a) This calculation question was generally answered well. Because of the nature of the graph, a range of values was accepted for both the original price and the new price. Almost all candidates identified appropriate values from the graph, demonstrating good data interpretation skills.

The most common calculation error made was when candidates divided the new price by the old price. Percentage change calculations appear repeatedly throughout the specification and candidates should be reminded of the importance of calculating these correctly.

There was no need to convert pence into pounds for this question, although a number of candidates chose to do so.

(b) (i) Many candidates provided an accurate definition of opportunity cost as the total value of the next best alternative foregone. Although some candidates erred by using vague or imprecise definitions, most candidates conveyed a good understanding of the meaning of opportunity cost.

When giving an example of opportunity cost, it was important that candidates defined the choice being made e.g. “the opportunity cost **of buying a heat pump** is continued use of a gas boiler.”

- (b) (ii) This question was answered very well by most candidates. Most candidates provided an accurate definition of complementary goods. The most common example provided was wood and wood-burning stoves, although some candidates also considered installation of wood-burning stoves or gas and gas boilers.

Occasionally, candidates erred by providing a definition that was too strong, asserting that complementary goods are goods that “have to be,” “must be,” or are “always” purchased together. It is important that candidates avoid this as it is not an entirely accurate definition of the relationship.

- (c) Candidates found this question difficult. Although most candidates showed a good understanding of the meaning of substitutes, they struggled to consider specifically the strength of the relationship. Many candidates did not address the strength of the relationship at all, and this limited the total marks that could be achieved.

A number of candidates attempted to do an XED calculation using the change in the price of gas calculated in 1.a. and the quote from the text that said that sales of wood-burning stoves had doubled over 6 years. The flaw in this approach, however, is that it is the XED between gas and wood-burning stoves, rather than between gas boilers and wood burning stoves. This limited the potential of this approach. Additionally, some candidates calculated “sales doubling” as a 200% increase in quantity demanded rather than a 100% increase, leading to further inaccuracies in the XED value calculated.

As evaluation, candidates provided a wide range of reasons why boilers and stoves may be weak substitutes. Candidates considered that they may be closer substitutes for higher-income households, for whom the installation cost of wood-burning stoves is less likely to be prohibitive. Some candidates also made the point that wood-burning stoves provide a certain aesthetic or decorative value that gas boilers do not. These points were generally effective and well-made.

Many candidates identified that the wood-burning stove has greater emissions than the gas boiler. However, for this to be effective evaluation, candidates needed to link this to the question by recognizing that, as a result of the greater emissions from wood-burning stoves, some environmentally conscious consumers may be less likely to switch between the two, weakening the substitute relationship.

- (d) This question was generally answered well. Both negative production and negative consumption externality diagrams were accepted. The most common mistake was in labelling the cost and benefit curves and identifying the deadweight loss area.

There was no need to write anything for this question, and candidates should be reminded of the importance of not spending valuable time writing explanations that are not required.

- (e) Candidates generally drew an accurate diagram from the question, achieving both AO1 marks. Common mistakes in the diagram included shifting the demand curve and not correctly labelling the axes. In both 1.e. and 1.f., a significant number of candidates labelled the x-axis as Quantity Demanded (QD) instead of Quantity (Q). Centres should clarify to candidates the importance of correct labelling of the axes.

Many candidates were able to explain how an indirect tax would discourage consumption of wood-burning stoves. However, in order to fully answer the question, candidates needed to then explain how this is an advantage of an indirect tax because it would help to reduce the negative externality and correct the market failure. Some particularly strong responses included a discussion of indirect taxes as a way of “internalising the externality” which was commendable.

Many candidates did not provide any application which weakened their responses. Candidates should be reminded of the importance of using the data and extracts when the question indicates that this is necessary.

- (f) Candidates generally drew accurate subsidy diagrams, although the x-axis labelling issues noted in Question 1.e. were also noted here.

Apart from the diagram, candidates found this question particularly difficult, likely because of the need to consider both subsidies and government failure. Many candidates showed a weak understanding of government failure which limited their ability to answer the question.

It is worth clarifying that saying that government spending on subsidies has an opportunity cost does not constitute government failure in and of itself. Candidates would need to explain how the opportunity cost may outweigh the net social benefit of the subsidy and thus constitute government failure.

- Q.2 (a) This question was generally answered well. The most common mistake was not correctly accounting for the difference between millions and billions in the calculation.

A few candidates calculated the three percentages for each country separately, rather than combining them. Although not expected, because of the wording of the question, this was a valid approach.

- (b) Candidates found this question to be the most difficult across the paper.

Very few candidates could successfully identify or describe even one of the three price mechanisms. It is worth centres clarifying to candidates the importance of this topic and not overlooking it in revision.

Several candidates confused the term “free market” with “free trade”. Candidates should be reminded of this distinction.

- (c) Many candidates successfully identified at least one appropriate supply-side policy. Subsidies and government spending on education and/or training were two of the most common policies suggested, although there were a wide range of policies identified.

Some candidates failed to identify an actual policy citing, for example, “education” rather than “increased government spending on education” or “government subsidies for education.” This lack of clarity weakened responses.

A few candidates confused demand-side and supply-side policies. Some candidates correctly identified a supply-side policy but then explained it in terms of increasing AD. It is worth emphasizing this distinction to students.

- (d) Candidates found elements of this question straightforward. Many candidates were able to argue that an increase in net trade brings the benefit of economic growth, but at the expense of inflationary pressure. Some candidates included a diagram showing an increase in AD and this was often effective. If explained well, this merited Band 2 credit for both AO3 and AO4.

The strongest responses also considered the impact of an improvement in net trade on other macroeconomic objectives such as employment, the government budget, inequality, etc. Some candidates effectively used the concept of the multiplier to expand their analysis on the advantages of an improvement in the balance of trade.

- (e) Candidates generally were able to provide effective analysis for this question and thus earn AO3 marks. Most candidates successfully identified that a depreciation of the pound would make exports to Eurozone countries less expensive and would increase the total value of exports.

Candidates found the necessary evaluation more difficult. The most common evaluative responses included consideration of the size and duration of the depreciation and whether the pound had depreciated against other currencies as well.

A few candidates considered the significance of the PED of Welsh exports and this was generally explained well.

- (f) Most candidates drew an accurate diagram showing the removal of a tariff. A common error was labelling the x-axis as rGDP and the y-axis as PL.

Some candidates devoted a significant amount of space to describing the implementation of a tariff, as opposed to the removal of a tariff. This was not an effective use of exam time. Some candidates also discussed the possible motivations for the implementation of a tariff at length. This was not necessary and did not strengthen candidate responses. Candidates should be encouraged to jump straight into answering the question directly.

Many candidates achieved a good balance in their answers between the advantages and disadvantages of removing a tariff, although some answers were weakened by imbalance.

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UNIT THREE: EXPLORING ECONOMIC BEHAVIOUR

Overview of the Unit

Unit 3 examined a range of direct content across the AS and A Level specification covering elements of micro, macro, global economics as well as synoptic questions where candidates could draw their answers from across the range of the full specification.

Section A focused on multiple short data response case studies which included a mixture of short and extended questions assessing the full range of assessment objectives. Q3, price discrimination and Q4, UK's base interest rate and inflation rate 2021-2023 were particularly well answered.

Section B questions also combined a mixture of short and extended response questions that were focused on a large data response case study on various aspects of the Welsh economy. This case study enabled candidates to draw on and apply their own knowledge to a familiar scenario. Section B questions were more synoptic, assessing breadth and depth of economic understanding.

Comments on individual questions/sections

Section A

Q.1 In part (a), a significant percentage of candidates were able to identify the correct output for both allocative and productive efficiency.

In part (b), a substantial percentage of candidates were able to accurately calculate the firm's daily profit. Some responses lost marks by only calculating the average profit per unit. A small number of candidates achieved zero for this question as they were unable to demonstrate understanding of how to calculate profit.

In part (c), full marks were less common than in part (a) and (b) as the concept of using calculations to determine revenue maximisation appeared to be slightly more challenging than the concept of calculating profit. That said, a significant percentage of candidates were still able to demonstrate understanding by using accurate calculations on both sides of the argument to determine that output 9 was incorrect. Some candidates lost a mark for AO2 by only using calculations for one side of the argument only. Weaker responses scored zero by confusing revenue maximisation with profit and/or used AC or MC within their calculations.

Part (d) was the most difficult. Many candidates were not able to accurately explain the difference between accounting profits and economic profits and it was more common for marks being dropped for this question. Many candidates often confused accounting profit with normal profit. However, economic profit being abnormal profits was accepted.

Q.2 In part (a), a sizeable proportion of candidates were able to identify the opportunity cost ratios for each country. The question was accessible for a large majority of candidates.

In part (b), many candidates were able to identify a suitable TOT based on their answers to part (a). Marks were more commonly lost because candidates were unable to describe how each country would gain from their identified TOT. Stronger candidates were able to gain full marks by describing and or using calculations to show how both countries would gain from the identified TOT. Weaker candidates struggled to understand the concept of a TOT and therefore struggled to access marks for this question. Some candidates over complicated their TOT by using quantities each country should trade with one another rather than identifying a TOT for 1m coffee bags. In this instance, marks were commonly lost due to errors within their calculations and not describing the gains to trade.

In part (c), many candidates were able to identify points for both sides of the argument. However, counterarguments were usually more developed and awarded higher (band 2) marks. It was common to see candidates referencing an increase in total world output without development. However, developing counterarguments in more detail such as the negative impact on structural unemployment, interdependence, and/or the type of specialised good with links to LEDCs. Lots of candidates used their answers to part (b) which was not necessary for this question due to the way it was worded. In some cases, this did help support arguments, but in other cases it caused the candidate to lose focus of the question. Overall, this question was a good differentiator between weaker and stronger candidates as marks were spread across the entire bands.

Q.3 In part (a i), most candidates were able to correctly calculate the price of the ticket, rounding the answer correctly to the nearest whole number and were commonly awarded full marks. Weaker candidates were unable to calculate percentage changes, and a small minority of responses did not attempt the question.

In part (a ii), many candidates were able to demonstrate some understanding of price discrimination or how it can be used. In most cases when understanding was present it was also common to see candidates correctly link their understanding to the data which resulted in a high percentage of full mark responses. However, the question proved problematic to some candidates who could not demonstrate any understanding of price discrimination and therefore struggled to apply the data correctly.

Part (b). The question worked well to differentiate between stronger and weaker candidates. Stronger candidates were able to develop their greater understanding of price discrimination in detailed chains of arguments for different stakeholders. While weaker candidates produced point-based reasons for either side of the argument without development and sometimes lacked key understanding of price discrimination to develop a convincing chain of reasoning, especially for AO4. For AO4, when band 2 marks were awarded; 2 marks rather than 3 marks was awarded more frequently due the development of the counter argument, which in many cases could have been developed further. Candidates that struggled with part (a ii) also found it difficult to access more than band 1 marks for this question.

- Q.4 Most candidates applied the data well. The key differentiator between stronger and weaker responses was the ability to use economic theory to explain why the relationship between interest rates and inflation differed across the data set. Stronger answers referenced the different causes of inflation (demand-pull / cost-push) and used real-world understanding to help support arguments. For example, the energy crisis, making cost-push inflation a more influential cause over the time-period and/or that it took a significant rise in interest rates to eventually control inflation levels over the period shown. Some candidates demonstrated their economic theory through AD/AS diagram to support arguments on either side of the question. Weaker responses used the data to provide arguments for both sides of their argument but were unable to explain why the relationship may have occurred during the period shown, and the absence (or limited use) of economic theory to support their view. Only using the data to provide evidence to why interest rates were and were not effective in controlling inflation was awarded as AO2 marks only. Candidates needed to provide economic reasoning explaining why the links may or may have not been expected to access the AO3 and AO4 marks.
- Q.5 Asset bubbles have not been assessed in unit 3 since 2017 and it was pleasing to see that many candidates were able to describe one cause and consequence. Application to the case study / own knowledge of the housing market was mostly limited, as many candidates struggled to obtain both marks for AO2. Stronger answers were able to use two separate data points when describing their cause and consequence. For example, linking 60% of house purchases being made using a mortgage and low interest rates as a key cause, while the consequence being linked to the £7 500 fall in house prices. There were some responses that only considered a cause or a consequence and therefore could not achieve band 2 marks. A minority of candidates showed a lack of understanding of asset bubbles and struggled to access band 1 marks.

Section B

- Q.6 Part (a). This calculation question proved difficult for many candidates. Almost all candidates attempted the question. However, it was common for zero marks to be awarded due to the wrong approach being used. It was common to see candidates calculate the percentage change in exports against imports over the two years or the percentage difference between imports and exports in 2022 compared to 2021. In many instances there was no interpretation of the figures when this approach was used and so no marks could be awarded. However, stronger candidates were able to gain full marks for this question by using the correct approach. Overall, this calculation question proved more difficult than other quantitative questions in the paper.
- Part (b). Most candidates were able to demonstrate understanding of at least one cause of a worsening trade in goods balance, and, in most cases, candidates were able to apply this to either their own knowledge of the Welsh economy or using the data. Stronger candidates were able to offer more reasons and apply more precisely to the Welsh economy allowing them to achieve band 2 marks for AO1 and AO2. Clear links to the worsening trade balance for both reasons were required for band 2 AO3 marks. Stronger candidates were able to provide this. However, weaker candidates often made brief links to exports and/or imports limiting answers at band 1 for AO3. Overall, this question was more accessible than part (a).

- Q.7 It was pleasing to see that the understanding of costs and revenues diagrams was executed well by many candidates who were able to show a change in profits through cost increases for a firm. There were a number of minor labelling errors on the vertical axis, however, in most cases this did not impact the candidate achieving both marks for AO1 as a change in profits was clearly identified. Weaker candidates were unable to show changes in costs and/or a change in profits. However, in many cases they were still able to access limited AO2 by linking the increased costs that led to a fall in Tata's profits. Top band AO2 proved more challenging for stronger candidates with accurate diagrams. In most cases increased costs mentioned in lines 17-19 were linked to MC and AC generically rather than describing specifically how it caused MC and AC to shift. For example, common responses described higher inflation, energy bills and interest rates increased MC and AC for Tata, which was awarded as limited application. Stronger responses indicated that MC would rise due to the impact of inflation and/or energy bills would have on the material costs / operating costs for Tata impacting MC directly, and how this would also lead to a rise in AC. Alternatively how higher interest rate payments would impact AC rather than MC. Top marks for AO2 proved the biggest challenge for candidates in this question.
- Q.8 The data was used well by most candidates who were able to provide evidence to support both sides of the question. The main differentiator between stronger and weaker responses was the ability to develop chains of reasoning that linked the data to its impact on economic development indicators such as national income and health. Stronger candidates were able to develop more detailed chains of reasoning linking a greater number of points from the case study and focused on the concept of economic development throughout. This allowed stronger candidates to access top band AO3 marks. Counter-arguments were good, using data such as the level of government support compared to governments abroad, Tata's requirement for a bigger support package, and/or the impact on job losses due to the green investment. The main differentiator between strong and weak responses for AO4 was like AO3; the level of development and the focus it had on economic development. A large number of candidates focused their answer on economic growth and not development and therefore limited the banding that could be awarded. A minority of candidates achieved top band marks for AO4. This proved the most difficult aspect of the question, and only a minority of candidates were able to demonstrate the highest level of evaluation which was more commonly awarded through weighted judgements linked to economic development. The use of depend on factors that were explained in detail worked well to achieve this.
- Q.9 Unfortunately, lots of candidates analysed the benefits and drawbacks of freeports to Wales rather than answering the question set. This limited responses to band 1 marks. Many other responses did not focus their answers on the "factors" but because some factors were implied within the response it allowed these candidates to achieve a mixture of band 1 and band 2 marks. Due to a loss of focus of the question by a large number of candidates, top band evaluative marks were uncommon as judgements did not focus on the factors that could determine whether freeport will be beneficial for Wales. This proved to be the biggest challenge out of the longer extended responses questions.

Q.10 The final question of the paper worked well to differentiate responses. Most candidates used the data well to form arguments on both sides of the question. Weaker responses provided descriptive answers of the data rather than using the data to provide an analytical and evaluative approach. A descriptive approach limited AO3 and AO4 marks. The strongest of answers were able to make clear links between the figures and data to form analytical and evaluative chains of reasonings. For example, comparing the high growth rates of employment in the financial sector and the economic impact of this, against the possibility of increased regional inequalities. Highlighting that financial jobs are mainly based in two cities, while other areas of Wales may suffer, linking to negative job growth of sectors which other areas of Wales depend on. Stronger responses were able to develop higher level evaluative comments such as using figure 3 to determine that the financial sector's impact on the Welsh economy will be a long-run impact rather than a short-run impact given the total jobs in the sector is still low compared to other sectors.

ECONOMICS

GCE

Summer 2025

UNIT 4: EVALUATING ECONOMIC MODELS AND POLICIES

Overview of the Unit

Unit 4 assesses candidates' depth of understanding. There is no case study and therefore AO2 (application) is not assessed in this unit.

Candidates have a choice option for this unit and must pick a question from each of the three sections. These questions, in particular part b, the 20-mark essays, are designed to be fully synoptic. This means that candidates can draw their understanding from all areas of the specification when answering a particular question.

In section A, candidates had a choice between answering questions on the revenue curves for different market structures and evaluating the desirability of perfect competition **or** diminishing returns and strategies for growth for oligopolies.

In section B, candidates had a choice between answering questions on quantitative easing, tightening, inflation and deflation **or** different forms of fiscal policy and its appropriateness during an economic downturn.

In section C, candidates had a choice between answering questions on measuring economic development and poor governance as an obstacle **or** managing an exchange rate for protectionism and the expansion of the EU for existing members.

Generally, timing was fine for this unit as very few candidates left a question unanswered. Most candidates used their time well for each of the three sections. However, some had a less developed answer for their final attempted 20-mark essay. It was also common for candidates to start with section B or C. However, most started the exam with section A, and answer questions in numerical order. A small number of candidates appeared to start writing answers for a question choice, only to cross out their work and answer the alternative question which would have impacted on their time.

Comments on individual questions/sections

Section A

- Q.1 Part (a). Most responses were able to differentiate between AR and MR for the different market structures. The shape of both revenue curves for both market structures was drawn accurately by a substantial proportion of candidates. However, many candidates added elements to their diagram which were not required for this question, such as the costs curves and profit areas. Mislabelling of the axis prevented some candidates from achieving full marks for AO1.

Some candidates focused their response on their full understanding of the two different market structures rather than primarily focusing on AR and MR. This caused a number of candidates to have sections of their answer not credited.

For AO3, it was common for candidates to explain the main reason for the differences in AR and MR including customer knowledge and price setting abilities between the market structures. The strongest of answers were then able to explain AR and MR in more detail, for example, linking AR to elasticity and explaining that MR falls more sharply due to prices (AR) having to be reduced to achieve a greater output in monopolistic competitive market structures. Some candidates also provided numerical examples to illustrate their understanding of AR and MR for both market structures which was an effective way to gain analysis marks. Weaker responses lacked explanations of why the AR and/or MR curves differed across both market structures, limiting AO3 marks.

Part (b). In part (b) candidates had to compare the desirability of perfectly competitive markets to other market structure(s), using at least one diagram. Understanding of characteristics of market structures and diagrams of perfect competition was good overall. Common approaches to the question were to compare the distinct types of efficiencies of different market structures and the impact of long-term profit potential across the different market structures. When the impact of these clearly linked to different stakeholder, it allowed top band marks to be accessed.

Weaker responses focused on a narrower range of points/stakeholders, for example only focusing on prices charged in each market structure. Weaker responses were also unable to integrate their diagrams (which were not always accurate) into their analysis or evaluation to develop the points made. Focusing on a narrower range of points and a lack of integration of diagram(s) prevented marks exceeding low-band 2 across the AOs. Stronger responses covered the desirability of points made to a range of stakeholders, for example, on customers, employees, the firm, and/or the government. Stronger responses were also able to achieve top band AO4 marks through weighted judgements focusing on the depends on factors for a variety of stakeholders discussed. The essay question worked well to differentiate between stronger and weaker responses given the variety of expectations required to achieve the different bands.

- Q.2 Part (a). Responses to this question covered all aspects of the banding. Unfortunately, some candidates demonstrated inaccurate understanding of diminishing marginal returns and/or did not use accurate numerical examples to demonstrate their understanding for AO1. Analysis to MC was more accessible even for weaker responses that struggled with the first part of the question. The question worked well to differentiate stronger from weaker candidates as stronger responses were able to use simple and accurate numerical values of total and marginal product when describing diminishing returns and being able to link this to the impact on MC. Higher marks for AO3 were awarded when candidates were able to link changes in MC to their own numerical examples of when diminishing returns set in.

Part (b). Achieving top band answers proved more challenging for candidates in this question. The main reason being the two key areas for the question; increasing market share and profits for an oligopoly firm. Diagrams needed to show both elements which on its own proved tricky. Analysis and evaluation needed to consider how strategies may or may not achieve both market share and profits with the strategies used by the firm. Common strategies discussed involved advertising, mergers, collusion, and/or price changes. The strongest of responses were able to evaluate these strategies in terms of achieving increased market share and profits and were able to show the impact of the possible outcomes using either a costs and revenues diagram or payoff matrix. It was common for relevant strategies being discussed but with diagrams that showed a change of profits or market share and an imbalanced focus to either profits or market share. Weaker candidates found the question hard to access, and some strategies and diagrams used did not show or explain increased output (market share) for a firm. It was also common for candidates to provide a one-way analysis of strategies rather than a two-sided evaluation of the strategies limiting AO4 marks. Despite the small number of candidates choosing this option, it still did well to differentiate between stronger and weaker candidates.

Section B

Q.3 Part (a). Responses to this question demonstrated a mixed understanding of QE and QT. Weaker responses were able to link QE and QT to liquidity in the banking system, while stronger responses were able to provide a greater understanding of QE and QT, explaining its impact on bond prices, yields, and/or interest rates. This allowed differentiation of marks within the bands for AO1. However, some candidates only focused their answer on QE limiting the level of response. Analysis of the impact of QE and QT on the economy were stronger when candidates demonstrated a greater understanding of QE/QT, allowing candidates to link all elements of QE/QT stated above to its impact on the economy. There were a number of candidates who confused QE with QT or demonstrated no understanding of any of the concepts, which resulted in a number of bands 0/1 responses.

In part (b), Candidates were able to demonstrate understanding of the costs of both inflation and deflation accessing AO1 marks. The main differences between stronger and weaker responses were the ability to develop these costs in a detailed chains considering its impacts on a variety of different stakeholders. The best responses were also able to evaluate each cost within each paragraph throughout the response rather than providing a summary style evaluation at the end comparing the costs of inflation against deflation. Candidates who only considered the costs of inflation and then the costs of deflation in separate sections of their answer struggled to access top band AO4 marks as they did not consider the factors that determined how bad the costs may or may not be compared to one another. It was also common for band 2 marks being awarded because of candidates providing an imbalanced analysis and evaluation of the costs of either inflation or deflation. Overall, the question worked well to distinguish between stronger and weaker candidates.

Q.4 Part (a). This question worked well to differentiate stronger from weaker candidates. Weaker responses often talked about fiscal policy generically. Band 2 responses expressed some knowledge of both types of fiscal policy, while stronger responses were able to link these policies to trade cycles and structural government decision making. As a result, marks were awarded across the full range of bands for this question. For AO3 marks, candidates needed to link both forms of fiscal policy to a budget deficit. Stronger answers were able to make clearer links with direct reference to changes in government revenue and government spending. Weaker responses that had more gaps in their understanding of both forms of policy were unable to make clear links or were only able to make links to a budget deficit from one type of fiscal policy. Responses that used real examples were usually an effective way of explaining the difference between the two terms. For example, knowledge of the financial crisis and how rising unemployment caused budget deficits within automatic fiscal policy. Moreover, using Covid-19 when explaining discretionary deliberate actions such as the government spending on furlough to protect jobs.

In part (b), understanding of tightening fiscal policy was good, and so was understanding of an economic downturn. However, weaker candidates struggled to link the appropriateness of tightening fiscal policy when in an economic downturn. Many responses considered the effects of tightening fiscal policy with examples of changes to different types of taxes and spending without considering the economy being in an economic downturn at that time. This prevented candidates from achieving top band 2 and 3 marks. This was the most challenging part of the question as many candidates lost focus of the full question. It was common to see the pros and cons of increasing different types of taxes and/or reducing different types of government spending. Stronger responses were able to consistently analyse the positive and negative impact of tightening fiscal policy in an economic downturn, with the best answers providing more specific chains of analysis by using changes to specific types of taxes and government spending. The best answers balanced the importance of reducing a cyclical fiscal deficit and government debt against the requirement to improve economic performance. The strongest of which determined the factors that would be the key considerations of the use of such a policy, for example the current debt to GDP, or the cause and significance of the downturn.

Section C

Q.5 Part (a). Most candidates were able to identify at least two measures of economic development. The main difference between a weak and strong response was the ability to describe specifically how the identified measure can be measured. For example, some weaker responses considered access to health as a measure, whereas stronger responses would add a more precise description of the measure to this, for example the number of doctors per 1,000 population. The precise use of a measure was a key differentiator between the bands. Weaker responses also tended to identify a measure and straight away attempted to explain its suitability, therefore missing out on top band marks. Stronger responses centralised their analysis around living standards and why the specific measure is suitable to show improvements in the quality of lives of citizens. Some strong responses focused their suitability on different economies (LEDCs / MEDCs) which allowed them to access top band marks with a detailed chain of response. Responses that failed to achieve top band marks for AO3 tended to lack focus towards why the specific measure identified (e.g. internet access per 1,000 population) is suitable in measuring living standards.

In part (b) candidates were asked to evaluate the biggest obstacles facing LEDCs from economic development, initially focusing on poor governance. Most candidates were able to demonstrate an understanding of multiple obstacles facing LEDCs including poor governance. It was also pleasing to see that many candidates understand that poor governance can be seen in many forms and not just for example 'corruption.' Weaker responses considered different obstacles in isolation of one another and failed to link back their analysis and evaluation to how it may reduce the standard of living within LEDCs. A lack of focus towards economic development restricted high band 2 and 3 marks.

Although it was not expected for candidates to consider specific LEDCs, some strong responses achieved high band AO3 and AO4 by using country case studies to explain how living standards may or may not have been impacted by different obstacles impacting them. Stronger answers continuously focused their answer on the barriers to living standards and were also able to constantly evaluate each obstacle relative to poor governance. For example, high debt and poor healthcare as obstacles may have been a factor because of poor governance and misallocation of funds in the past. Overall, this question worked well to differentiate candidates across the bands.

- Q.6 Part (a). Understanding of protectionism appeared to be slightly more accessible compared with how a country can manage its exchange rate. As a result, AO3 marks appeared to be slightly more accessible for this question, especially for weaker responses. It was common for candidates to offer one way that a country could use to manage its exchange rate, which, in many responses was accurately demonstrated using an exchange rate diagram. This allowed candidates to access band 2 marks for AO1, not achieving excellent understanding due to the lack of "ways" being described. Some weaker responses were not able to correctly describe how a country can depreciate its exchange rate, for example, a country buying its own currency on the FOREX market, impacting AO1 marks. Furthermore, other weaker responses analysed protectionism because of an appreciating currency, which was not awarded for AO3. The strongest of responses were able to describe more than one way to manage an exchange rate, using an accurately drawn diagram within their explanations. These responses were then able to link a weaker currency to protectionism because of changes in import and export prices. Stronger approaches also considered the protection of infant industries and avoid dumping due to a weaker exchange rate.

In part (b), most candidates approached the question correctly by considering the benefits and drawbacks to existing EU members of EU expansion and not to the new members themselves. However, a small number of candidates did focus on the latter. On the most part, this question was quite accessible for AO1 marks. Stronger responses tended to analyse and evaluate a greater range of EU considerations such as increased trade, migration, FDI and providing financial assistance. Weaker responses tended to focus on one or two narrow components of EU expansion for existing members. Stronger responses also provided more considerations to a relatively poor new member country, where weaker responses considered EU expansion more generally, this allowed for better development and precision of arguments made. The other main differentiator between strong and weak responses was the development of chains of arguments, counterarguments and depends on factors, which allowed stronger responses to gain into high bands for AO3 and AO4. Overall, the topic area was mostly accessible, with greater precision to the question and greater chains of development that separated stronger from weaker responses.

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