

GCE A Level 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 component.

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	Eduqas 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.eduqas.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 Eduqas subject page
Grade boundary information	Grade boundaries are the minimum number of marks needed to achieve each grade. For linear specifications, a single grade is awarded for the subject, rather than for each component that contributes towards the overall grade. Grade boundaries are published on results day.	For unitised specifications click here: Results and Grade Boundaries and PRS (eduqas.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.

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Executive Summary

The quality of the response matters more than the length of the response. For component one, answer lines are provided, but they do not have to be filled in order to gain top band marks. When asked to explain factors, two well explained factors are better than many factors covered superficially.

Candidates should be encouraged to embed supporting evidence from the data within responses linking it to theory rather than a bolt on at the end. It was encouraging to see some candidates using their own examples from the real world supporting their answers.

Diagrams were often used well to support answers. Diagrams should be embedded within the analysis rather than drawn to satisfy the instruction given and then ignored. When diagrams are drawn, it is important that they are labelled correctly, too many candidates are confusing micro and macro labels.

Quantitative skills were strong this series.

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COMPONENT ONE: ECONOMIC PRINCIPLES

Overview of the Component

Component 1 like Components 2 and 3 is a synoptic paper. Section A has 20 multiple-choice questions testing AO1 and AO2 skills, while Section B has a number of short answer questions testing all four assessment objectives. Section A is marked out of 20 and Section B 40.

As always there were some excellent scripts from well-prepared candidates who, particularly in Section B, used their sound knowledge of economic theory and any data to answer questions accurately and confidently. Diagrams were often used well to support answers to the higher mark questions. It was encouraging to see some candidates using examples from the real world to support their answers. There were a number of candidates who had a weak grasp of economic theory, failed in Section B to use the data given and did not always address the question that had been set. There was no evidence that candidates ran out of time on this paper with Q26 usually completed successfully. It is important to remember that in Section B quality matters more than quantity. The lines given in the answer book to answer each question do not **have** to be filled in order to provide a top band answer.

A significant minority of candidates made it difficult for examiners to mark their papers by poor presentation and quite dreadful handwriting. These issues even stretched to Section A where in some cases it was unclear which letter had been put in the answer box. Since this paper is marked online these issues pose serious problems.

Comments on individual questions/sections

Section A.

Candidates found Q15 the most challenging, with many choosing options that shifted the AD curve when a change in VAT will only shift the SRAS curve to the right as a result of a fall in costs. Q12 also proved a challenge with many candidates misinterpreting the % changes shown in the chart. In addition, Q20, which tested comparative advantage and quantitative skills, was also answered incorrectly by many.

Section B.

Q21 (a), (b) & (c) Most candidates were able to correctly identify the areas on the tariff diagram, but many answers lacked a convincing explanation. For example, many candidates were unable to explain **why** an area represented an increase in the producer surplus, a welfare loss or the government's tariff revenue.

Q.22 Candidates were required to outline two necessary conditions for price discrimination and then find evidence of this from the data. In addition to the conditions set out in the mark scheme examiners also allowed price-setting power. The most popular conditions used by candidates were different price elasticities of demand and the creation of submarkets. However, many candidates found this question challenging having difficulty linking the theory to the data.

- Q.23** Examiners accepted either price elasticity of demand or marginal revenue as approaches to answering this question. Some candidates did this well linking their knowledge of economic theory to the diagram. However, many candidates completely misinterpreted the diagram seeing it as a total product curve with answers that included increasing and diminishing returns and economies and diseconomies of scale. Very often explanations were confused or contained little more than a description of the diagram.
- Q.24** This question produced some interesting and high quality answers. The best candidates used the data well linking it to negative consumption externalities and/or asymmetry of information. Some candidates drew a market failure diagram to support their answer. A number of valid arguments were accepted as evaluation. Candidates were expected to use the data to support **both** sides of the discussion.
- Q.25** Most candidates recognised and explained the link between investment and GDP sometimes using an AD/AS diagram. Evaluation was more of a challenge for many candidates although a number of lines of argument were accepted. Candidates were expected to use the data to support **both** sides of the argument- many did not.
- Q.26** Candidates were expected to use all three charts to access all the application marks. A significant number of candidates wrongly interpreted the data on bond yields. As QE is part of the specification this was surprising. The best candidates were able to link the rising cost of government borrowing to the chart on the national debt as well as the impact of low economic growth on the public finances. Indeed, a number of candidates used the economic problems that arose from the pandemic and the Liz Truss budget to support their answer.

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COMPONENT TWO: EXPLORING ECONOMIC BEHAVIOUR

Overview of the Component

Component 2 assesses all 4 of the AOs, but AO2 (application) is inevitably the key on this component. Hence the ability to use theory flexibly and respond to unfamiliar situations is of critical importance. The pattern on the paper remains similar to that of previous years – the highest scoring candidates had a complete command of economic theory but were also able to seamlessly relate this to the context of the data response, effortlessly building in supporting evidence from the cases to develop their arguments. Less strong candidates tended to see the case as something to bolt on to their theoretical answers – this approach can work, but it is less likely to deliver the fluent, well-integrated answers that scored most highly. Mid ranking scripts tended to see the case as an after-thought, often showing strong economic theory but not scoring well on AO2. From a teaching perspective, this reiterates the vital importance of allowing students to reflect and write about a range of real-world scenarios in classroom settings.

From a numerical skills perspective, the calculation and diagram questions were generally well-handled this year. Only a small minority of candidates struggled with percentage calculations or S/D AS/AD diagrams although the weakest candidates tended to mix up micro and macro analysis. Outside of the very weak responses, better answers were more likely to thoroughly embed their diagrams into their analysis rather than just seeing them as a 'picture' to be drawn and then ignored. There was a clear correlation between answers which made flexible and full use of the data and those that did the same with diagrams.

Taken as a whole, this year's component 2 was more accessible than the 2024 paper and very similar to the 2023 paper, the higher mean compared with last year reflecting the relatively straightforward calculation and diagram questions, making the paper more approachable at the lower end of the mark spectrum. The spread of marks was very similar to that of previous years, suggesting that the paper managed to deliver an appropriate range of challenge.

Comments on individual questions/sections

Q.1 Candidates scored more highly on question 1 than question 2, partly reflecting the nature of the questions (micro rather than macro) and partly reflecting the fact that candidates usually answered this question first. In some responses, this was reflected in some very long answers to the earlier questions, which scored well, but left candidates struggling for time on the two last 10-mark questions on question 2.

Other general remarks were that candidates were very comfortable in writing about external costs and market failure, often showing a clear understanding of welfare and the differences between external and social costs. The main weakness on question 1 centred around a rather hazy understanding of the operation and benefits of pollution permit schemes.

- 11** the initial calculation was handled with little difficulty by almost all candidates. The discriminator on part (ii) was the extent to which answers developed the sense in which the costs were 'external'. Most candidates could successfully identify the external costs, but the best answers linked this identification back to some sort of framework in which they could outline why their example impacted third parties.
- 12** This question caused few difficulties – the diagram was almost always drawn accurately, with the discrimination resting on whether candidates appreciated that the indirect tax was a cost to businesses that they would need to pass on.
- 13** Statistically this was the most difficult question on the paper, although a large proportion of candidates were able to accurately apply the two CPIs to the price change or at least deduct inflation from the price rise (for 4 and 3 marks respectively). The majority, however, did not understand the meaning of 'real change/terms' and therefore struggled to score highly on this question.
- 14** By contrast, this was the best answered of the 10 mark questions. Candidates were able to use the case well to show both how the tax seemed to have reduced landfill usage whilst also appreciating that there was an unintended side effect of fly tipping. There were some excellent externalities diagrams which were well adapted to show how welfare loss could in principle be reduced or eliminated. Insofar as there were weaknesses, they tended to be in depth of evaluation in terms of the limitations of the tax, perhaps too often descending into well-worn lines of 'it depends on how high the tax is' and 'time lags' without any real development as to why these two qualifiers mattered in this case or why they might be directly relevant to the context of this data response.
- 15** Most candidates were able to use the context here to be able to come up with a sensible attempt. Nevertheless, there was a clear distinction at the higher scoring end, where candidates were aware that the total number of permits had a finite upper limit and drew (at least part of) their supply curves as completely price inelastic. The main other differences arose from the extent to which candidates understood the incentive structure of the permits market, understanding that the market price of the permits was a key driver of behaviour change.
- 16** This question was the worst done of the 10 mark questions simply because a high proportion of candidates seemed unaware of how emissions trading schemes worked. Although the data response provided a helpful infographic, many candidates often struggled to do much more than explaining that infographic rather than reflecting on how the marketisation of pollution might or might not be a good idea. With Brexit leading to the UK developing its own ETS, this is an issue that has been in the news over the last few years. At the lower end of the answer quality, there was both a lack of understanding about what pollution permit trading really meant and a tendency to conflate a carbon tax with the landfill tax about which they had written earlier. At the top end, answers tended to take each of the trading scheme and carbon tax, explain their strengths and weaknesses and then contrast them with the other option to evaluate how serious the weaknesses really were.

Q.2 As noted above, question 2 proved the more challenging, partly because of its focus (macro rather than micro) and partly because of timing issues (although a conscious effort has been made to reduce the overall length of both datas).

21 For part (i) the majority of candidates understood that import restrictions would affect the supply of rupees rather than the demand for it and were able to link to the idea of reducing excess supply in the market. In part (ii) most candidates were able to produce a reasonable answer reflecting on the benefits or otherwise of a sharp currency depreciation. What marked out stronger answers was their focus on the question – ending the policy of supporting the rupee – reflecting on the fact that this would reduce strain on foreign currency reserves and so on, plus the effective use of the case, reflecting intelligently on whether the decision really would benefit Pakistan given the situation at the time. A weakness, therefore, was to spend too long writing about the extent to which the Marshall-Lerner condition might or might not hold in the abstract at the expense of writing about Pakistan itself.

22 Part (i) was extremely accessible, and the majority of candidates were able to identify the cost-push factors from the bullet point list and draw an appropriate AD/AS diagram reflecting a rise in costs. The main discriminator here was the extent to which answers then took the additional step to explain why the factor identified would actually lead to rising prices inside the economy. Part (ii) was also reasonably well answered but followed a similar pattern to 21(ii) in the sense that the impact of interest rates was generally understood, but better answers both showed an understanding of wider effects outside of savings and had more sophisticated, in-context evaluation about the extent to which interest rates would really make much of a difference in this case. Again, the ability to use a strong understanding of theory flexibly and to reflect on what they were reading was the hallmark of the highest scoring candidates.

23 A major weakness on this question was a tendency to write about interest rates again, having just done so on the previous question. The question asked about the IMF's fiscal recommendations, meaning that the sections of answers that wrote about monetary policy were unfortunately not able to receive credit. With this weakness combined with the fact that this was the last question on the paper, this question was the second weakest of the longer questions. Nevertheless, there were some strong answers which were able to highlight both the strengths and weaknesses for Pakistan of the IMF's austerity recommendations, showing that well-prepared candidates were able to score highly on this question.

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COMPONENT THREE: EVALUATING ECONOMIC MODELS AND POLICIES

Overview of the Component

Component 3 assesses candidates' depth of understanding. There is no case study and therefore AO2 (application) is not assessed in this unit.

Candidates have a choice for this unit and must pick one two-part 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. Candidates must ensure they fully understand the requirements of both parts of the question before proceeding.

Generally, timing was fine for this component 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.

Comments on individual questions/sections

Section A

- Q.1.1** The two diagrams required in the answer involved a movement along the LRAC curve and one showing an upward shift of the curve. Most candidates were confident with internal diseconomies of scale although external diseconomies of scale were not as well understood by many. Weaker candidates did not recognise that this was a question about the long run and drew short run cost curves with explanations of diminishing returns.
- Q.1.2** Good candidates were able to use cost and revenue diagrams on both sides of the discussion especially profit maximisation versus sales and revenue maximisation. Some candidates introduced macro issues into their answer i.e. highly profitable firms will increase government tax revenue and also high profits leads to high investment shifting the AD and AS curves. A number of candidates rightly pointed to the wider possible 'social' objectives of nationalised industries. However, many saw the NHS as a nationalised business making profits. Overall judgements often didn't go much further than a summary of what had already been said.
- Q.2.1** Most candidates were able to show what was meant by a contestable market although some confused contestability with competition. Clearly, an increase in contestability in a market is likely to increase competition but there are many uncontestable markets, which are highly competitive. Two well explained factors were enough to gain top marks. In all essay questions fewer factors done well are better than many factors only covered superficially.

- Q.2.2.** There were some well-argued responses to this question. Most candidates mentioned lower prices, increased choice, rising quality and sometimes reduced X-inefficiency as potential benefits of increased contestability. Evaluation involved arguments in favour of natural monopoly and that possibly lower profit levels lead to a drop in dynamic efficiency. Only a few candidates brought real world examples into their answer ie the retail energy market and the banking sector in recent years. Indeed, it was a surprise that no candidate used the popular Netflix film 'Bank of Dave' to support their answer!

Section B

- Q.3.1** This question was generally well answered; stronger answers tended to pick three distinctive factors and then explain the link to consumption in detail. Although top marks could in principle be gained with two factors done really well, such approaches tended to actually have a number of sub-points within their two main ideas. Weaker answers tended to assert the link to consumption rather than analysing the link, scoring weakly on AO3 or had a very narrow range of similar factors, damaging their AO1. The very weakest responses wrote about demand for products rather than aggregate consumption.
- Q.3.2** This part also attracted a wide range of responses. The very best understood the theoretical impacts of consumption and were able to put them into the wider context of the UK economy. This latter aspect was the discriminator between good answers and the best. Weaker answers tended to lack breadth, often having an over-reliance on simple AD/AS diagrams which then led them to write mainly about inflation/growth trade-offs rather than thinking about some of the wider issues associated with rising aggregate consumption (such as budget or trade effects).
- Q.4.1** This was a tricky essay in the sense that it required a deep level of knowledge in a relatively small area of the specification. As a result, it was attempted by only a small number of candidates.

On the whole, the answers were of high quality. Presumably, only those candidates confident in their knowledge chose to attempt the question, and as such, they were able to access the higher bands for AO1 and AO3.

It was pleasing to see strong technical descriptions of how to calculate weighted indices, and of the frequency and scope of data collection. A few weaker candidates were unable to say much beyond the idea of a basket of goods and percentage changes in price over time.

- Q.4.2** QT, or reverse QE, has been asked previously, and candidates should be prepared for this type of question in the future.

Relatively few candidates attempted the essay on this occasion, of those who did, most were able to provide a decent explanation of the QT process, although very few could accurately link it to bond prices and yields. Even fewer chose to use the Fisher equation ($MV=PT$) as part of their analysis.

Evaluations ranged from purely generic comments to thoughtful speculation about the likely *magnitude* of any impact and the probability of success. While the essay did not specify a country, the most successful candidates used the UK - or another relevant country - as a context through which they could evaluate the policy.

Section C

Q.5.1 Q5 was a popular essay choice; approximately four fifths of the cohort chose this essay over Q6. In general, this was an appropriate selection, as more candidates were familiar with the term *public sector debt* than they were with *terms of trade* (as we will see later). As a result, they were able to access higher-band AO1 and AO3 marks more frequently.

Most candidates linked their understanding of public sector debt well to ideas such as debt servicing costs, credit ratings, cost of borrowing, and crowding out. It was very pleasing to see a wide array of technical economic vocabulary and knowledge being demonstrated here.

In addition, many candidates linked to the idea of opportunity cost and the fact that debt repayments could have a deleterious effect on fiscal policy going forward.

The most successful candidates ensured that their answers were fully rooted in an analysis of economic development *for low-income countries* - not just the GDP impact on any country more generally.

Q.5.2 Given that this was such a popular essay, it is unsurprising that it yielded a mixed bag of responses.

The most successful candidates were able to fully link the concept of FDI to economic development in low-income countries, often using real-life examples to support their analysis. Strong candidates typically went beyond simply considering the impact on aggregate demand (AD), and explored issues such as knowledge transfer (and its related supply-side impact), the positive effects of increased domestic competition, economic diversification away from the primary sector, and improvements in infrastructure.

Weaker candidates, by contrast, limited their analysis to statements like “investment is a component of AD, and it shifts to the right” and perhaps some mention of the multiplier. These responses lacked range and depth, and said little about development beyond vague claims such as “therefore, standard of living will rise.”

The weakest candidates could not accurately discuss FDI at all. Several confused FDI with foreign aid or other types of injections into the circular flow.

In terms of evaluation, the strongest candidates articulated a range of issues related to FDI and expanded on them effectively. The most common evaluative angle focused on problematic behaviours often associated with multinational corporations (MNCs), such as labour exploitation, transfer pricing, and environmental damage.

It is important to note that a large number of candidates focused very heavily on the assumption that *all* low-income countries necessarily have corrupt or incompetent governments that are unable to use FDI effectively. This is problematic on several levels and should be avoided as a line of evaluation in the future.

Firstly, FDI does not directly create funds for the government. FDI ideally stimulates economic growth and job prospects for citizens, which may then increase tax revenue - but this is not automatic, and it must be explained properly. Secondly, candidates should understand that low-income countries are not inherently defined or characterised by having corrupt or incompetent governments. If candidates wish to argue that governments may sometimes misappropriate additional tax revenue, they must support this with specific examples rather than relying on generalised or unfounded assumptions.

Q.6.1 This was a relatively straightforward question, provided that candidates understood the concept of terms of trade.

Two marks (AO1) were awarded for demonstrating an understanding of the concept. This could have been achieved through a description or by explaining the terms of trade formula. Candidates then needed to develop two chains of analysis relating to two factors that would worsen the terms of trade.

Approximately one fifth of candidates chose this essay (Q5 was more popular). However, a significant percentage of those candidates did not have a strong understanding of the concept of terms of trade, which significantly affected their marks. For example, some candidates confused terms of trade with the trade balance (net exports), protectionist policy, or free trade areas. Others confused the export price index with the value of exports. All of these misunderstandings led to very weak answers, as it became impossible to access any of the remaining marks. Therefore, a key advisory point is that candidates must choose essays in which they know the relevant keywords extremely well.

Among those who did understand the terms of trade, marks were awarded based on how well the identified factor(s) were explained in relation to a worsening of a country's terms of trade. This was often done well. For example, candidates frequently acknowledged that a depreciation of the exchange rate would decrease export prices and increase import prices, thus worsening the terms of trade. Successful candidates ensured that their factor(s) clearly worsened the terms of trade – not just 'affected' them – and explained this in terms of relative prices or through a formulaic example.

Q.6.2 Much like 6.1, the bulk of marks in this essay hinged on whether candidates truly understood the concept of terms of trade. Misconceptions around trade balance and protectionism led to very weak marks indeed.

Successful responses tended to link a worsening of the terms of trade to two or three positive impacts on macroeconomic objectives - such as improved price competitiveness and the associated beneficial effects on aggregate demand like the multiplier and unemployment. These candidates were then able to 'size' their arguments in the evaluation sections, identifying how significant or likely those positive outcomes would be.

In addition, the question lent itself to a discussion on the possible causes of the deterioration in the terms of trade. Strong candidates noted that the macroeconomic costs and benefits largely depend on what causes the deterioration.

On occasion, some candidates focused too heavily on the *cause* itself, writing essays on the various effects of a depreciation of the exchange rate rather than focusing on the impact of that depreciation on the terms of trade.

Supporting you

Useful contacts and links

Our friendly subject team is on hand to support you between 8.30am and 5.00pm, Monday to Friday.

Tel: 029 2240 4260

Email: economics@eduqas.co.uk

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