

ECONOMICS

Paper 9708/11
AS Level Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key
1	B	11	C	21	A
2	C	12	D	22	D
3	C	13	A	23	C
4	A	14	D	24	A
5	B	15	D	25	C
6	B	16	B	26	C
7	C	17	D	27	D
8	D	18	C	28	D
9	B	19	A	29	C
10	B	20	C	30	B

General comments

The general standard of answers on this paper was slightly improved on that seen in June 2024. A significant number of the candidates, one in seven, correctly answered more than 25 of the questions. Only one third of the candidates scored below 50 per cent of the available marks.

Candidates performed much better on the microeconomic questions compared to the macroeconomic ones. **Questions 4, 11, 12, 22 and 27** were answered most successfully, with a correct response rate of at least 80 per cent in each case. **Question 17** was the only one with a correct response rate of less than 25 per cent.

Comments on specific questions

Question 2 showed a common error amongst many candidates when working with production possibility curves (PPC). The key word is 'possibility'; the diagram does **not** show what output takes place or should take place. This was the error shown by more than 60 per cent of candidates by choosing options **B** and **D**. The diagram does not make it possible to say that country Y will produce more consumer goods, only that it is able to produce more, or that it should produce at any one particular point. The correct answer, chosen by less than a third of candidates, was option **C**. Any straight line PPC will have a constant opportunity cost.

Question 5 raised an interesting misconception about private goods. Just because an industry is privatised does not make the good produced by it private. This was the thinking of close to half of candidates by choosing option **C**. A private good is defined by excludability and rivalry. A technological development that makes a previously public good now excludable would lead it to become a private good so that option **B**, chosen by more than 40 per cent of candidates, was correct.

Question 17 was a challenging question correctly answered by only 20 per cent of candidates. To achieve macroeconomic equilibrium, $S + M + T = I + X + G$. The question tells us that investment is \$50 m greater than savings. Rearranging the formula, $(X-M) + (G-T) = -50$. For this to work, there needs to be a surplus on the current account ($X-M$) of \$50 m and a budget surplus of \$100 m (which makes $G-T = -\$100$ m as $T > G$ when there is a surplus), so that option **D** is correct. Option **C** was chosen by nearly 40 per cent of the candidates, by confusing deficits and surpluses on the current account. Option **B** was chosen by a third of candidates by not realising that for $G-T$ to be negative it needs to be in surplus.

Question 20 was another numerate question with a significant wrong answer. 40 per cent of candidates chose option **B**. However, an answer of \$1.10 suggests that the original price of the eggs has been simply increased by the rate of inflation. Option **D** was another common wrong answer which completely ignores the impact of the consumer price index on real prices. Both wrong choices may imply that these candidates did not understand the concept of real prices. Option **C** was the correct answer, chosen by just over a third of candidates. The consumer price index is used as a price deflator so that the new nominal price of \$1.32 is divided by 1.1 (a 10% increase) to give the answer of \$1.20.

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Paper 9708/12
AS Level Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key
1	A	11	A	21	B
2	C	12	D	22	C
3	B	13	A	23	B
4	C	14	A	24	A
5	D	15	A	25	B
6	C	16	D	26	C
7	D	17	B	27	B
8	A	18	D	28	A
9	D	19	B	29	D
10	C	20	A	30	C

General comments

The general standard of answers on this paper was slightly improved on that seen in June 2024. More than 10 per cent of the candidates correctly answered more than 25 of the questions. Only one quarter of the candidates did not correctly identify at least half of the answers.

Candidates performed exceptionally well on the microeconomic questions. **Questions 1, 3, 4, 5, 7 and 24** were answered most successfully, with a correct response rate of at least 80 per cent in each case. **Question 20** was the only question with a correct response rate of less than 25 per cent.

Comments on specific questions

Question 18 showed a lack of understanding about why an aggregate demand curve is typically downward sloping. One reason is the 'wealth effect' which causes the real value of assets to increase as the price level falls. Option **D** is therefore correct, although it was chosen by less than 30 per cent of candidates. Option **A**, the most popular option, hints at the 'international effect' but that refers to the relationship between changes in the price level and net exports (not imports on their own). Option **C**, a less popular choice, is incorrect about the 'interest rate effect' as only a fall in interest rates would encourage consumption. Although option **B** is a correct statement, and was a popular choice, this would cause a shift in the aggregate demand curve.

Question 20 was by far the least well answered question with less than 15 per cent of candidates identifying the correct option. National income only measures actual output and would not include opportunity cost (the extra leisure time) or transfer payments (the lost government tax revenue) so that \$570 000 (option **A**) is the correct answer. Option **C** was the most popular option which incorrectly includes the lost tax revenue and ignores the overtime payments. Options **B** and **D** were both more popular than the correct answer.

Question 23 shows a common misunderstanding about the different types of taxation. Option **C** was by far the most popular option chosen by over half of the candidates. For a tax to be proportional the marginal tax rate must be constant. However, with a tax-free allowance, even though there is then a single tax rate the marginal tax rate will gradually increase, so that it is a progressive tax. Therefore, option **B** was correct, although it was chosen by less than 30 per cent of candidates.

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Paper 9708/13
AS Level Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key
1	D	11	C	21	B
2	C	12	A	22	D
3	B	13	C	23	A
4	D	14	D	24	D
5	A	15	C	25	B
6	B	16	A	26	D
7	A	17	B	27	A
8	B	18	C	28	B
9	B	19	A	29	A
10	C	20	C	30	B

General comments

The general standard of answers on this paper was slightly below that seen in June 2024. Very few candidates correctly answered more than 25 of the questions and one third of the candidates scored below 50 per cent of the available marks.

Candidates performed very well on the microeconomic questions. **Questions 3, 4, 5, 7, 8 and 9** (all microeconomic questions) were answered most successfully, with a correct response rate of at least 80 per cent in each case. **Questions 14 and 29** were the only questions with a correct response rate of less than 25 per cent.

Comments on specific questions

Question 13 asked for the identification of a statement which was **not** correct. Option **C** was correctly identified as the answer by more than a third of candidates. A flood-control dam would not be an example of a merit good which is any good thought to be desirable but underprovided by the market. However, option **A** was the most popular, although it is a correct statement. Direct provision of any good is one way in which a government might respond to a lack of public goods in the market.

Question 14 saw just over 20 per cent of candidates correctly selecting option **D** as the right combination of conditions for a buffer stock scheme to be **least** likely to run out of money. Most of the remaining candidates chose option **B**. The only difference in these two options is the ability of new farmers to start growing good X. If it is easy for new farmers to start growing the good (option **B**), this is likely to push the equilibrium price below the minimum price set by the scheme. This will mean the government will have to buy up stock, potentially causing the scheme to run out of money.

Question 25 tested understanding about the operation of interest rates to control inflation. Although raising interest rates is a common way to reduce the rate of inflation, it may increase costs of production, leading to a fall in aggregate supply and potentially creating more inflation, so that option **B** is the correct answer. However, just over half of candidates chose option **A**, even though a fall in aggregate demand is the main way in which inflation is controlled when raising interest rates, as it reduces the demand-pull inflationary pressure in the economy.

Question 29 was the least well answered question with less than one in seven candidates correctly choosing option **A**. The terms of trade measures the index of export prices relative to the index of import prices. The table shows a country's terms of trade increasing over a three-year period so that import prices are falling relative to export prices which may mean that cost-push (imported) inflation decreases. Although this is not assured, the question asks for the most likely impact, so it is a case of then confirming that the other options are less likely to be true. Two options were more popular than the correct answer. Option **C** confuses the budget surplus with the trade surplus, and the terms of trade tells us nothing about the volume of exports or imports so that option **D** is also incorrect. Option **B** is highly unlikely as export prices are rising relative to import prices which is likely to help improve living standards. Therefore, these latter three options can easily be proved to be not true, leaving option **A** as the most likely correct answer.

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**Paper 9708/14
AS Level Multiple Choice**

Question Number	Key
1	D
2	*
3	D
4	B
5	*
6	B
7	C
8	B
9	D
10	B

Question Number	Key
11	D
12	B
13	B
14	B
15	B
16	D
17	C
18	B
19	D
20	C

Question Number	Key
21	D
22	C
23	A
24	D
25	C
26	D
27	C
28	B
29	B
30	C

General comments

The general standard of answers on this paper was very good. Nearly 15 per cent of the candidates correctly answered more than 25 of the questions. On the other hand, only 20 per cent of candidates scored below 50 per cent of the available marks.

Atypically, candidates performed very well on the macroeconomic questions but much less well on the microeconomic ones. **Question 4, 8, 10, 20, 21, 22, 26, 27** and **30** were answered most successfully, with a correct response rate of at least 80 per cent in each case. **Question 3** and **16** were the only questions answered correctly by less than 30 per cent of candidates.

Due to issues with **Question 2** and **Question 5**, these questions have been discounted. Each candidate's total mark has been multiplied by a weighting factor so that the maximum mark for the question paper remains unchanged.

Comments on specific questions

Question 3 asks about the fundamental conditions necessary for a market economy to be able to allocate resources efficiently. This relies on the existence of goods which are the subject of imperfect information, namely public, merit and demerit goods. A free market will be much more likely to operate efficiently in the absence of these goods so that option **D** is the correct answer. However, options **B** and **C** were both more popular than the correct answer. This may have been due to candidates not reading the table carefully enough, so not appreciating that it showed what was **needed** by consumers (rather than **provided** for them) in the economy. Option **B** would make it very difficult for a free market to allocate resources efficiently as

merit and public goods would not be provided. Even option **C** (the most popular choice) would be unlikely to be efficient as the merit goods needed would be typically underprovided in a free market. **Question 16** was answered correctly by just over a quarter of candidates, identifying that an increase in exports (option **D**), as an injection, is a cause of a change in the circular flow of income. However, a similar number of candidates selected options **B** and **C**. In the case of both, an increase in income moving around the circular flow will have the consequence of increasing consumption, spending and savings.

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Paper 9708/21
AS Level Data Response and Essays

Key messages

- Candidates need to ensure they focus on the particular 'command' or 'directive' word that is being used in a question, such as '**assess**', '**compare**', '**consider**', '**describe**' or '**explain**'.
- It is important candidates understand that in some questions, a certain number of marks can be awarded for '**evaluation**'. These were **Questions 1(c), 1(d), 1(e)** and all questions in **Sections B** and **C**. There is often a clue in the question to guide candidates towards this, such as in **Question 1(c)** which required candidates to consider whether disinflation was more harmful than deflation, or in **Question 3(a)** which required candidates to explain, with the help of a diagram, how changes in a subsidy could influence the price and quantity sold of a product in a market and consider how expenditure on a subsidy is affected by the price elasticity of demand for the product, or in **Question 5(b)** which required candidates to assess whether expansionary fiscal policy always benefits an economy.
- Candidates need to ensure that diagrams are correctly drawn and clearly labelled. There were, unfortunately, a number of examples of poor labelling and, in some cases, no labelling at all. In addition to the questions which explicitly required a diagram to be drawn (**Questions 2 (a)** and **3 (a)**), there were a number of questions where diagrams could have been used to good effect to support an answer, such as **Question 4 (a)** and **Question 5 (b)**.
- It is important that candidates read the questions very carefully to avoid making an error in their answer. For example, in **Question 1 (a)**, some candidates described what happened in all of the months shown in Table 1.1 rather than comparing changes in the inflation rate and changes in the interest rate in the US, while in **Question 5 (a)**, some candidates wrote about the surplus or deficit in the current account of the balance of payments rather than a budget surplus or budget deficit.

General comments

It was obvious in some answers that candidates had not looked closely at the 'command' or 'directive' word being used in the question. It is important that candidates do recognise whether they are being asked to '**assess**', '**compare**', '**consider**', '**describe**' or '**explain**' something.

It is also important that candidates focus on whether there is any additional guidance provided in a particular question, such as in **Question 3 (b)**, where candidates were required to assess whether an increase in the tax on a demerit good is always the best way to reduce the consumption of a product or in **Question 4(b)**, where candidates were required to assess whether the potential benefits of free trade always outweigh the arguments for protection.

Comments on specific questions

Section A

Question 1

(a) Stronger responses compared changes in the inflation rate and changes in the interest rate in the US using Table 1.1, pointing out that the inflation rate rose and then fell while the interest rate rose continuously and that the proportionate changes in the interest rate were always greater than that of the inflation rate. Weaker responses simply described what was happening rather than explicitly compare the changes.

(b) Stronger responses explained one reason why using the Consumer Price Index (CPI) to measure the inflation rate in the US may not produce an accurate result. For example, the CPI is supposed to be based on the average basket of products bought by all households, but as buying patterns change the basket used in the CPI may no longer be typical of all households. However, many responses did not demonstrate a clear understanding of the limitations of the CPI as a way of measuring inflation.

(c) Many responses demonstrated a clear knowledge and understanding of the distinction between disinflation, where there is a fall in the rate of inflation in an economy over a period of time but where prices are still rising, and deflation, where there is a fall in the average or general level of prices in an economy over a period of time, i.e. inflation is negative. They then went on to consider whether disinflation was more harmful than deflation. One of the four marks in this question was for evaluation, but very few candidates were able to gain this mark.

(d) Most responses demonstrated a knowledge and understanding of the possible impact of increases in the interest rate on firms and consumers, making borrowing more expensive so that there was a fall in both aggregate supply and aggregate demand. However, relatively few went on to assess whether this made a recession in the US inevitable because demand and supply may not necessarily be interest elastic and so there might not actually be a significant effect of increases in the interest rate on supply and demand. There were two marks available for evaluation in this question, but relatively few candidates gained any of these marks; it is important that candidates realise that they are required to offer some evaluation in 1 (d) questions and this is why a careful reading of the question is so important.

(e) A number of candidates made quite a good attempt to assess whether the Federal Reserve setting an inflation target as part of its monetary policy was likely to be helpful for the US economy. Arguments in favour of it included the degree of stability and confidence it could provide, while arguments against it included the fact that the Federal Reserve might be unwilling to take the necessary measures to keep inflation at that particular level. As in the previous question, many candidates did not attempt to offer any evaluation of the potential benefits and limitations of setting an inflation target as part of its monetary policy despite the fact that the command word used in the question was 'assess'.

Section B

Question 2

(a) In this part of the question, candidates were required to explain the reasons for a movement within a production possibility curve (PPC) and a shift of a PPC, with the help of a diagram, and then to go on to consider the extent to which opportunity cost determines the shape of a PPC. Most candidates were able to draw and label a PPC, but some incorrectly labelled the two axes as 'price' and 'quantity' and some did not ensure that the two ends of the PPC actually touched the axes. Most candidates understood that movement within a PPC was caused by a reallocation of existing resources whereas a shift of a PPC was the result of an increase in the quantity and/or quality of resources or the impact of an improvement in technology. A number of candidates were able to demonstrate the extent to which opportunity cost determined the shape of a PPC, e.g. if there were constant opportunity costs, the PPC would be drawn as a straight line rather than as a curve.

(b) In the second part of the question, candidates were required to assess whether a shift to the right of a PPC was only caused by an increase in the quantity of resources and many candidates recognised that it was not only the quantity of resources that was important but also the quality of resources. There was also some good assessment of the potential impact of technological change. Unfortunately, the quality of the evaluation was rather limited and candidates need to remember that although eight marks are allocated to 'knowledge and understanding' (AO1) and 'analysis' (AO2) in the **part (b)** questions, four marks are allocated to 'evaluation' (AO3). Candidates also need to understand that a summary does not constitute an evaluation.

Question 3

(a) In this part of the question, candidates were required to explain, with the help of a diagram, how changes in a subsidy can influence the price and quantity sold of a product in a market and then to go on to consider how expenditure on a subsidy was affected by the price elasticity of demand for the product. Most candidates only considered an increase in a subsidy, shifting the supply curve for

the product to the right, and not a decrease in a subsidy, which would shift the supply curve to the left. This illustrates the importance of candidates carefully reading the question as the question did explicitly refer to 'changes in a subsidy'. There were some good attempts to consider the potential impact of price elasticity of demand for the product.

(b) In the second part of the question, candidates were required to assess whether an increase in the tax on a demerit good was always the best way to reduce the consumption of such a product. There were some good answers to this question, with candidates analysing the potential advantages and disadvantages of using taxation as a way to discourage the consumption of a demerit good. They pointed out that because the demand for such products was usually price inelastic, other approaches might need to be used, such as an information campaign and/or the establishment of a minimum price for the product. Unfortunately, little evaluation was provided by the majority of candidates in terms of assessing whether an increase in tax on a demerit good was always likely to be the best way to reduce the consumption of a demerit good, despite the fact that four of the twelve marks available were for evaluation.

Section C

Question 4

(a) In this part of the question, candidates were required to explain how the circular flow of income in an economy changes when that economy moves from a closed economy to an open economy and then to go on to consider what determines the extent of this change. Most candidates demonstrated quite a sound knowledge and understanding of the circular flow of income, both in terms of a closed economy where injections would comprise investment and government spending and withdrawals or leakages would comprise savings and taxes, and in terms of an open economy where spending on exports would be an additional injection and spending on imports would be an additional leakage or withdrawal. Unfortunately, relatively few candidates made much of an attempt to consider what might determine the extent of the change from a closed economy to an open economy, despite the fact that two evaluation marks were available for a consideration of the extent of this change.

(b) In the second part of the question, candidates were required to assess whether the potential benefits of free trade would always outweigh the arguments for protectionism. Most candidates were able to analyse the relative advantages and disadvantages of free trade and protectionism, but relatively few then went on to offer any meaningful evaluation, such as in terms of the relative strength of the two sets of arguments. Candidates need to remember that although eight marks are allocated to 'knowledge and understanding' (AO1) and 'analysis' (AO2) in the **part (b)** questions, four marks are allocated to 'evaluation' (AO3).

Question 5

(a) In this part of the question, candidates were required to explain the difference between a budget surplus and a budget deficit and then to go on to consider the extent to which a budget surplus was better than a budget deficit. There were some good answers to this question and the majority of candidates clearly understood what was meant by a budget surplus and a budget deficit. Unfortunately, however, a number of candidates misunderstood the meaning of these two terms and instead wrote about a surplus or a deficit in the current account of the balance of payments. Unfortunately, relatively few candidates were able to offer any meaningful evaluation in relation to the extent to which a budget surplus was better than a budget deficit, despite the fact that two marks were allocated to evaluation.

(b) In the second part of the question, candidates were required to assess whether expansionary fiscal policy would always benefit an economy. There were some good answers to this question, with candidates contrasting the potential advantages, such as an increase in aggregate demand in an economy which could lead to higher economic growth and higher employment, with the potential disadvantages, such as the need for such a policy to be financed which would increase the national debt and the fact that an expansionary fiscal policy would be likely to be inflationary. Unfortunately, relatively few candidates offered an evaluation in terms of whether an expansionary fiscal policy would always benefit an economy.

ECONOMICS

**Paper 9708/22
AS Level Data Response and Essays**

Key messages

- (a)** Focus on the Question – Many candidates gave general answers rather than directly addressing the specific question, which limited their marks. It's essential to tailor responses to the question's demands.
- (b)** Importance of Evaluation – While analysis was often present, many candidates failed to provide balanced evaluation or judgment. Including evaluative comments is crucial for higher marks.
- (c)** Use of Diagrams – Candidates frequently neglected to include diagrams or drew them incorrectly. Correct and labelled diagrams help support explanations and can boost marks.
- (d)** Conceptual Understanding – Some candidates confused key economic concepts (e.g., public goods vs government-provided private goods) and struggled with terms of trade and exchange rate mechanisms. Solid understanding of core concepts is vital.

General comments

This paper tested candidates' knowledge, analysis, and evaluation skills across a wide range of economic topics. Many candidates showed understanding of core concepts, particularly fiscal policy, market failure, and shifts in supply and demand. However, some issues limited overall performance.

Some candidates did not focus their answers directly on the question asked, often providing general descriptions instead of applying their knowledge to the specific context. Evaluation was limited in many responses, with few candidates developing balanced judgments. Diagrams were sometimes omitted or poorly drawn, affecting the ability to gain marks for analysis.

There were also misunderstandings of concepts such as the distinction between public goods and government-provided private goods, as well as the concepts of terms of trade and exchange rate influences.

Candidates who combined focused responses with evaluation and included diagrams generally achieved higher marks.

Candidates are reminded that evaluation should not consist of summative statements nor a series of statements preceded by 'it depends upon' etc. Nor should it simply analyse the strengths and weaknesses of individual arguments. Evaluation is the comparison of the strengths and weaknesses of different concepts etc., leading to a conclusion that attempts to answer the question set. Answers that do this clearly will always gain high marks.

Most candidates appeared to have enough time to complete the paper and most were reasonably legible. However, some scripts were barely readable which may have led to some marks being lost. Care should be taken where possible

Comments on specific questions

Section A

Question 1

(a) (i) This was a straightforward question requiring identification of the overall direction of change. A significant number of candidates however, focused unnecessarily on short-term variations, which were not relevant to the demands of the question. Some also attempted calculations which was not required, only the overall change. This suggests that candidates would benefit from closer attention to the precise requirements of the question.

(ii) Candidates were required to identify the overall trend between the specified time periods. A significant minority of responses however, focused on fluctuations within the periods rather than comparing the two trends between the relevant dates meaning no marks could be awarded. Greater attention to the exact wording of the question would help candidates provide more focused and relevant responses. There were, however, many candidates who did gain the mark.

(b) Many candidates suggested that productivity may fall for firms due to unemployment, which is not necessarily true. Similarly, many referred to a fall in GDP being an impact on a government which is more an impact on the overall economy. Neither was accepted. It was however pleasing to see many answers gaining the full 2 marks for this question.

(c) Candidates showed a strong understanding of how the South African rand's depreciation affects the current account, noting how cheaper exports and costlier imports can reduce the deficit through changes in their demand. Some still, however continue to confuse trade volume with value. Top answers evaluated the role of price elasticity of demand and highlighted factors like product quality and time delays that influence effectiveness. Overall, many demonstrated solid knowledge and thoughtful evaluation, responding well to the question.

(d) The question required candidates to assess the extent to which membership of the ACFTA would generate the economic growth necessary for South Africa to overcome its current challenges. Many candidates did not focus sufficiently on the specific demands of the question. Instead, they predominantly described the characteristics of a free trade area and listed potential benefits and costs in a general manner. Successful responses demonstrated detailed analysis of both the positive and negative impacts of ACFTA membership on South Africa's growth prospects, supported by a balanced evaluation that weighed both advantages and disadvantages. High-scoring answers included a clear and justified conclusion that directly addressed the question set. Candidates are advised to ensure that their evaluation is explicitly linked to the context and that conclusions provide a clear response to the question asked.

(e) Similar to the previous question, a significant number of candidates did not focus their responses directly on the question posed. The emphasis was often placed on the likelihood of the suggested policies reducing income inequality. However, many candidates primarily discussed the effects of these policies on employment, without clearly linking this to the potential impact on income distribution. Furthermore, evaluation was generally weak or omitted altogether, despite this being a 6-mark question with a clear allocation of 4 marks for analysis and 2 marks for evaluation. This question format has appeared consistently in recent papers, yet many candidates limited themselves to a maximum of 4 marks by failing to engage with the evaluative element. Candidates should take care to include balanced evaluation to maximise their marks.

Section B

Question 2

(a) Some candidates encountered difficulties in accurately and clearly explaining the concepts of non-excludability and non-rivalry. Often, the difference was indistinct leaving the Examiner to try and work out which explanation should be applied to which concept meaning marks were often lost. There was also notable confusion between public goods and government-provided private merit goods and services. For example, education, healthcare and roads are not public goods even if they are provided by the government. In contrast, free goods were generally better understood and explained. Where candidates struggled to demonstrate full knowledge and understanding, clear explanations regarding the reasons for the lack of private sector provision often helped to secure

some credit. However, most responses showed limited or no engagement with evaluation related to the extent to which a market economy can ever produce public goods, resulting in missed opportunities to earn higher marks through a well-reasoned judgment.

(b) Many candidates provided detailed explanations of merit and demerit goods, and the government interventions used to correct market failures. These included subsidies, taxes, regulation, and information provision, with clear analysis of their intended effects. The main problem however was that too many answers focused on consumption (which has been a question asked in previous series) rather than production required for this question which did limit the marks that could be awarded. Also, many candidates still do not include an evaluative judgment in their answers and limit this to summative statements or phrases often beginning with, 'it depends upon'. Without a balanced conclusion considering the effectiveness or limitations of these policies, candidates missed out on valuable marks. Evaluation is essential to demonstrate critical thinking and to fully address the question. Candidates are encouraged to develop reasoned judgments considering the strengths and weaknesses of all arguments to enhance the quality of their responses.

Question 3

(a) This was the least popular question in **section B**. Those candidates who attempted this question generally demonstrated a good understanding of the factors that can cause a rightward shift in the supply curve. However, fewer were able to effectively explain the role of government intervention in influencing supply. A common weakness across responses was the lack of evaluation; most candidates offered limited or no consideration of the effectiveness or potential drawbacks of government involvement. To improve, candidates should ensure their answers include a balanced and reasoned judgment, thereby maximising their ability to access higher marks.

(b) Answers to this question were generally not strong considering that questions of this type frequently appear. Although knowledge and understanding of the various elasticity measures is important to underpin analysis, too many candidates continue to adopt an 'all I know about elasticity' whether it be PES, PED, YED or XED rather than attempting to answer the question set. This question was not asking candidates to explain the detailed nuances of elastic and inelastic supply but rather how a firm would use the measurement if needing to react quickly to changes in the market. Part of this analysis would also be how firms could use knowledge of PES to plan for possible changes in the future. Similar analysis needed to be carried out for at least one other measurement of elasticity. Many answers were purely descriptive or assertive which led to some very low marks and hardly any evaluation. The few answers that did genuinely attempt some analysis of the usefulness of PES with at least one other measurement were well rewarded.

Section C

Question 4

(a) This question required candidates to use an AD/AS diagram to first explain deflation and then its causes and then whether a demand side or a supply side cause was the most damaging. Most were able to define deflation reasonably accurately although some confused it with disinflation. Some simply stated it was the opposite of inflation or negative inflation but without explaining what inflation was in terms of the general price level so could not be credited. A demand side cause using AD/AS analysis is simply a shift to the left of the AD curve whilst a supply side cause is a shift to the right of the AS curve. Further elaboration was unnecessary. Most gained the 3 marks on offer although marks were occasionally lost by inaccurately labelled diagrams which were often micro based. The potential damage or otherwise could be ascertained by examining the impact on real GDP shown on the diagram and the subsequent impact on employment levels and judgements as to which was the most damaging could be made. Whilst there were many good and sometimes full mark answers, marks were sometimes lost by failing to evaluate at all despite sound analysis or confusion about what deflation was and/or the effects of a fall in AD and a rise in AS on the wider economy.

(b) Most candidates demonstrated a reasonable understanding of fiscal policy and its role in reducing a high level of inflation. However, many limited their responses by assessing the question from a perspective of whether the inflation rate is high or low despite the question specifying a high rate. This approach generally meant analysis could not get beyond Level 2 even when fully explained. Candidates who were more focused on the question and analysed a broader range of alternative policies easily gained Level 3 marks. Furthermore, a significant number of candidates did not

include a final evaluative judgment in their answers, which restricted their overall scores. Far too often, evaluation is presented simply as a summary of previous statements rather than an attempt to actually compare the strengths and weaknesses of the competing arguments. To improve, candidates should aim to provide a balanced conclusion that weighs the effectiveness and limitations of the policies discussed, thereby maximising their marks.

Question 5

(a) **Question 5** was easily the least popular question on the paper with only 21 per cent of all candidates attempting it. A significant number of candidates did not include the required diagram, which immediately restricted their ability to gain higher marks. Furthermore, many showed a limited or incorrect understanding of the effect of relative interest rates on exchange rate movements. Consequently, very few candidates offered any form of evaluation or balanced judgment in their responses. Candidates should be reminded of the importance of following all question instructions and developing evaluative points to enhance the quality and depth of their answers.

(b) Very few candidates were able to clearly explain the concept of terms of trade and often confused it with balance of trade or trade agreements. This severely limited their potential to achieve marks beyond Level 1. While some candidates could explain what constitutes a current account surplus, this had little impact on their overall performance. The absence of a clear understanding of terms of trade made it difficult for them to develop any meaningful judgment or evaluation. Candidates are encouraged to ensure they grasp key concepts fully, as this is essential for producing coherent and well-argued responses.

ECONOMICS

Paper 9708/23
AS Level Data Response and Essays

Key messages

- For **Question 1**, data response, one important change within the current syllabus is that 4– and 6–mark questions contain a requirement for explained analysis and evaluation. Similarly, knowledge and understanding marks will only be awarded if they are relevant to the question and, where possible, within the context of the data itself.
- Part **(a)** of essay questions is split on a 3, 3, 2 basis. AO1 gains up to 3 marks, AO2 up to 3 marks and AO3 up to 2 marks. Candidates need to organise their answers based on this split and must be encouraged to apply all knowledge and understanding to the question that is set. Furthermore, all analysis should be relevant and fully explained to gain credit. Answers that simply state facts without any explanation are very unlikely to gain credit. Finally, evaluation must compare and contrast the preceding analysis and make a judgement to answer the question to be awarded marks.
- Whilst the use of accurate graphs, formulae and concepts is strongly encouraged and is indeed a very important part of answering most questions, it is important to note that without further explanation and analysis, such a focus alone will only be credited as AO1. Analysis is underpinned by such knowledge and understanding but to move into AO2 and AO3, it requires further elaboration and explanation/application.
- In part **(b)** of essay questions, answers which examine one side of the question only will be highly unlikely to gain more than mid-Level 2 analysis and will not be awarded evaluation marks as they are unlikely to fully answer the question.
- Candidates therefore need to be fully prepared by centres to follow this approach to maximise their marks.
- Centres are further reminded that questions may be drawn from any part of the syllabus and therefore full coverage (including all new areas) of the syllabus is essential.

General comments

- This paper tested candidates' knowledge, analysis, and evaluation skills across a wide range of economic topics. Many candidates showed understanding of core concepts, particularly fiscal policy, market failure, and shifts in supply and demand. However, some issues limited overall performance.
- Some candidates did not focus their answers directly on the question asked, often providing general descriptions instead of applying their knowledge to the specific context. Evaluation was limited in many responses, with few candidates developing balanced judgments. Diagrams were sometimes omitted or poorly drawn, affecting the ability to gain marks for analysis.
- There were also misunderstandings of concepts such as the distinction between public goods and government-provided private goods, as well as the concepts of terms of trade and exchange rate influences. Candidates who combined focused responses with evaluation and included diagrams generally achieved higher marks.
- Although most scripts were legible, there was still a significant minority where handwriting was indistinct. Every candidate will want their hard work to be accredited but need to take more care in certain instances, to ensure that it can be clearly read by Examiners.

Comments on specific questions

Section A

Question 1

(a) The majority of candidates responded well to this question, successfully presenting fully labelled and accurate diagrams illustrating a leftward shift in the supply curve for food crops in Southeast Asia. However, a considerable proportion of candidates included written explanations alongside their diagrams. As the question did not require such narrative responses, this was unnecessary. Candidates are reminded of the importance of adhering to the command words used in questions. A comprehensive list of these command words, along with guidance on their interpretation, is provided in the syllabus.

(b) This question proved more challenging than anticipated. While many candidates demonstrated an understanding of the time lags between planting and the eventual increase in the supply of food crops, a substantial number incorrectly asserted that the price elasticity of supply (PES) for food crops would be price elastic. Furthermore, only a minority of candidates correctly addressed the requirement to justify their answer by explaining the rate at which supply would respond to a change in price. Instead, many relied on a general explanation of the law of supply, which did not fully meet the demands of the question.

(c) This question required candidates to use a production possibility curve (PPC) diagram to assess the opportunity cost associated with the decision to begin producing red onions. It was therefore disappointing that a significant number of candidates, while able to draw a correctly shaped PPC, failed to identify that the initial production point should reflect zero red onion output. The question required candidates to show an increase in red onion production accompanied by a reduction in the output of the alternative good, thereby illustrating increased opportunity cost. Many responses simply presented a PPC with an inaccurate or arbitrary starting point. Additionally, as highlighted in previous reports, the 4-mark 'consider' command word requires some degree of evaluation, which was again rarely evident in candidate responses.

(d) Candidates generally showed a good understanding of the suggested retail price (SRP), clearly explaining its potential to stabilise onion prices through affordability and reduced volatility, as well as drawbacks such as shortages or black markets. However, many responses lacked full evaluation. A common weakness was the failure to consider an alternative method of price stabilisation, such as subsidies or buffer stocks. Even when alternatives were mentioned, few candidates compared them directly with SRP or addressed whether SRP was the most effective option. Evaluation is a key requirement in questions that ask whether a method is the best. Without comparing options and reaching a supported judgement, candidates are unlikely to gain access to the higher-level evaluation marks.

(e) Many candidates responded well to the question, offering relevant analysis of whether the increase in onion prices affected all households equally in the Philippines. Most recognised that the impact would vary, particularly based on income levels. The majority of responses were stronger when arguing that the effect would not be equal. Candidates commonly explained that onions make up a larger proportion of spending for low-income households, meaning price rises would have a greater impact on them. This reasoning was often well developed. However, fewer candidates considered the opposite view, such as the limited effect on higher-income households or potential substitutes. As a result, evaluation was sometimes underdeveloped.

Section B

Question 2

(a) This question was the least popular in **Section B**, with relatively few candidates attempting it. Many were able to correctly define price elasticity of supply (PES), often showing the correct formula and explaining what it means for supply to be price inelastic, particularly referring to the short-run estimate of 0.2. However, a disappointing number of students did not develop their answers to explain why the PES differed between the short run and the long run – as a result, they failed to discuss the significance of the higher long-run estimate of 0.8 for smartphone producers. Stronger responses linked the difference to factors such as limited production capacity in the short run and greater ability to increase supply through investment in the long run, showing how this affects the

availability and cost of semi-conductors for smartphone manufacturers. Without this development, many answers lacked the necessary depth to fully address the question.

(b) Many candidates demonstrated a solid understanding of how a continuing increase in demand for semi-conductors influences resource allocation by effectively explaining the rationing, incentive, and signalling functions of the price mechanism. They showed how rising prices alleviate excess demand, encourage higher production levels, and attract new firms to the market. Some responses applied the production possibility curve to illustrate the opportunity cost of reallocating scarce resources towards semi-conductor production. Stronger answers also acknowledged constraints such as the limited availability of silicon, extraction costs, time lags, environmental legislation, and variations across different economic systems. In contrast, weaker answers often focused solely on describing the demand increase without adequately linking it to resource allocation or addressing key issues like supply limitations, factor mobility, and potential environmental impacts, resulting in limited analysis. Candidates should be reminded that to earn the 4 evaluation marks, it is essential to address both sides of the argument, as responses presenting only one-sided analysis cannot be awarded evaluation marks.

Question 3

(a) This was by far the most popular question in **Section B**. Most candidates were able to define merit goods and explain why healthcare tended to be underprovided in a market economy. Better responses recognised that healthcare has wider benefits for the economy creating a need for government intervention. The strongest answers explained that simply providing healthcare free of charge is not always enough; without improved information or timely access, underconsumption of healthcare may persist. They often discussed issues like information asymmetry and long waiting times. Weaker responses were more general and lacked economic analysis, often stating that 'governments provide merit goods to help people' without explaining why the market fails or why provision may be unsuccessful. Many overlooked that free healthcare provision by itself may not overcome challenges like lack of information or delays in accessing services.

(b) Candidates were generally able to identify that charging for healthcare can discourage unnecessary or excessive use, helping to reduce resource wastage and long waiting times, which benefits both consumers and providers. Many responses also recognised that fees could generate additional revenue to reinvest in improving healthcare quality and infrastructure, while easing pressure on government budgets and enabling more targeted subsidies. Stronger responses acknowledged the benefits of increased efficiency and better allocation of resources. However, weaker responses failed to fully explore the potential negative consequences of charging, such as reduced access for low-income individuals and the risk that people might avoid essential treatment due to cost, worsening long-term health outcomes. The under-provision of preventive care was also frequently missed. Some responses lacked a clear distinction between impacts on consumers and providers or offered descriptive rather than evaluative points. The best responses balanced the arguments effectively and reached a well-reasoned and justified conclusion.

Section C

Question 4

(a) Stronger responses began with an accurate definition of economic growth, typically identifying it as an increase in real GDP over time. This provided a solid platform for explaining two valid causes of growth, often from both aggregate demand (AD) and long-run aggregate supply (LRAS) perspectives. Many such responses included competent chains of analysis, such as how increased government spending can boost AD, or how technological progress raises productive capacity and shifts LRAS. In contrast, weaker responses often lacked depth, offering incomplete chains of reasoning or simple assertions. For example, candidates might have stated 'investment causes growth' or 'education improves the economy' without explaining how these affect components of AD or LRAS. A significant number of candidates also failed to address the evaluative aspect of the question—namely, the extent to which the impact can be measured. Few recognised that the true extent of economic growth may be underestimated due to the exclusion of domestic services and the informal or hidden economy from official GDP statistics.

(b) Candidates demonstrated varying levels of understanding of economic growth's benefits and costs. Stronger responses clearly defined economic growth and discussed benefits such as higher real GDP per capita, which improves living standards by enabling consumers to access more goods and services. Many candidates explained that growth typically creates jobs by increasing demand for labour, reducing unemployment, and generates more tax revenue, allowing governments to invest in public services like healthcare and education. Some also noted that sustained growth encourages investment and consumption by raising expectations of future income and profits. Weaker answers often focused only on benefits without addressing negative impacts. Some responses showed a more complete view, recognising that growth can widen income inequality, disproportionately benefit the wealthy while leave some behind. Environmental concerns such as pollution and resource depletion were common in stronger answers, alongside inflationary pressures and resource shortages linked to rapid growth. The best responses assessed both the benefits and costs of economic growth, often considering specific groups, and provided a justified conclusion on whether growth is always beneficial, whereas some candidates made general assertions supported by examples without fully developing the evaluation.

Question 5

(a) This question on the terms of trade was by far the least popular in **Section C** and remains an area of the specification that many students find challenging. Most candidates who attempted it were able to provide a correct definition of the terms of trade, showing a basic understanding of the concept. However, many struggled to analyse and evaluate the benefits of an improvement in the terms of trade to the current account of the balance of payments. While some correctly noted that an increase in terms of trade means a country can buy more imports for a given quantity of exports, few went further to consider important factors such as the price elasticity of demand for exports and imports or the possible effects on trade volumes.

(b) It was disappointing to see only a minority of candidates explain how government policy may impact an economy's comparative advantage. Those who did highlighted how investment in education and training improves workforce skills and productivity, enhancing competitiveness in certain sectors. Moreover, investment in infrastructure, such as transport links and digital networks, was also cited as a way to lower production and distribution costs, strengthening comparative advantage. Unfortunately, few candidates explained how government policies can have limited influence on any comparative advantage or decided if such actions would bring lasting benefits.

ECONOMICS

Paper 9708/24
AS Level Data Response and Essays

Key messages

- Candidates are reminded of the need to answer the question set rather than a preprepared answer to a previously asked question. This is necessary to avoid irrelevancy and ensure answers are fully focused on the actual question.
- Candidates are reminded of the difference between analysis and evaluation. Although both are underpinned by accurate knowledge, understanding and application, they have different purposes. Analysis will generally focus on the strengths and weaknesses of, for example different economic concepts and theories. Evaluation should not consist of summaries of preceding arguments but should be an attempt to compare the strengths and weaknesses of competing arguments to answer a question e.g., **2(b)** which asks whether governments should always support the provision of merit goods. This should always lead to a justified conclusion.
- Accurate knowledge of concepts is essential. For example, in **5(a)**, terms of trade was often misunderstood and confused with balance of trade meaning the whole answer was incorrect. Candidates are reminded that questions may be based on any part of the syllabus, so adequate preparation is essential,
- Finally, candidates are reminded of the need to include diagrams if requested in the question and if it enhances the quality of the answer. However, diagrams must not be used if they are not explained or annotated in a manner that explains their purpose. They also must be accurately labelled, e.g., micro and macro diagrams must be used appropriately.

General comments

- Overall, a full range of marks was in evidence and there was a pleasing number of high marks within the whole cohort.
- Equally, there was a significant minority of candidates who were clearly underprepared for the examination and achieved very low marks despite, in some circumstances, writing a great deal.
- Rubric errors were pleasingly rare, and most candidates answered the correct number of questions from the correct sections of the paper.
- For most candidates, time did not appear to be a problem and most appeared to finish with enough time. However, there is still a tendency to spend too much time on the 2-mark questions and also on detailed discussions within essays of information that is not relevant to the question.
- Although most scripts were legible, there was still a significant minority where handwriting was indistinct. Every candidate will want their hard work to be accredited but need to take more care in certain instances, to ensure that it can be clearly read by Examiners.

Comments on specific questions

Section A

Question 1

(a) This type of question has been asked before. It is asking for a description of the trend (not trends) over the full period covered by the data. Therefore, a narrative of all the changes during the time period is irrelevant and not required and was not credited. There were really only two trends, the rate of economic growth fell and also, the trend did show a great deal of fluctuation. A comment about the fact that it became negative up to January 2021 and from July 2021 to the end of the period, it became positive was also credited. Far too many answers gained little or no credit as all changes were discussed despite writing a great deal.

(b) Most candidates were able to gain some credit for this question although a common error was simply to refer simply to output rather than the **value** of output. Most had some understanding that the reference to 'real' meant that the value had to be adjusted for inflation and gained either 1 or 2 marks depending on the accuracy of the meaning of GDP. As ever, the best answers were the simplest i.e., nominal GDP – the rate of inflation and this alone gained 2 marks.

(c) Many candidates were able to gain 3 marks for explaining the advantages and disadvantages of subsidies. This was normally in the context of reducing costs of production leading to increased competitiveness and AD/lower prices together with the burden to government finances. However, evaluation was often generic and not in the context of Malaysia at all. The data clearly refers to subsidies being a significant expense for Malaysia which was something few candidates picked up on when evaluating. Candidates must be reminded to use the data as much as possible when answering all parts of **Question 1**, particularly those requiring evaluation i.e., the 4– and 6-mark questions.

(d) A common error was simply to list the factors either by copying or paraphrasing what was in the data without explaining how they may lead to economic growth. Candidates must be reminded that analysis consists of an explanation and not an assertion. The data does refer to both external and internal factors and both needed to be explained as to how they might lead to economic growth e.g., an increase in exports should lead to an increase in AD and therefore economic growth – an external factor. Domestic subsidies (an internal factor) should lead to a fall in the cost of production which may lead to improved export competitiveness and the increase in exports with the impact described in the previous sentence. The strengths of the internal and external factors then needed to be compared in the context of Malaysia to arrive at a justified conclusion about how far the external factors were responsible for the economic growth in the **full period January 2019 to January 2022** and not just the period affected by COVID-19.

(e) This question was not supported by much data, so answers were far more generic as a result. What was expected though, was a sound economic understanding about the consequences (positive and negative) of a fall in unemployment on the economy as a whole. There were some good answers, particularly regarding the positive consequences although the negative impacts were generally less well done. Most candidates focused on the risks of inflation and increased costs for businesses as negative consequences although many failed to explain why either occurred. As ever though, evaluation was lacking and this is clearly a skill that needs to be developed i.e., an ability to actually assess the relative strengths of competing arguments to reach a final conclusion as opposed to merely summarising arguments.

Section B

Question 2

(a) This was a popular question and received the full range of marks available. Common weaknesses were a tendency to refer to elasticity in general terms e.g., price elastic means that demand has a big change when the price changes. Candidates should always refer to the percentage change in demand following a percentage change in price to gain any credit. Similarly, price changes affect revenue and not necessarily profit as this depends on costs of production etc. Consequently, answers which used precise language often gained high marks compared to those lacking the necessary precision. The significance of price elastic and price inelastic demand relates to the revenue generated by price changes in each case and the evaluation/conclusion should have focused on the potential additional revenue generated by raising the price if price inelastic and vice versa. Answers that focused on the accuracy of the measure were mainly irrelevant as this affects a firm's decision-making ability whether the product has a price elastic or price inelastic demand.

(b) This was a slightly differently worded question to similar questions in the past. The question asked for an assessment of whether the provision of merit goods should always be supported and not an assessment of the methods of doing so. It was also not focused on whether a government should actually directly provide merit goods but whether their provision should be supported e.g., by direct provision, subsidies, maximum prices, information provision etc. Too many answers focused on the methods and not the reasons and marks were often low as a result. Another common misconception is that demerit goods are substitutes for merit goods and that a reduction in the provision of demerit goods will lead to an increase in merit goods which is a false assertion.

Although there were some good marks awarded, a failure to read the question carefully led to many examples of low marks.

Question 3

(a) Although minimum prices are used to discourage the consumption of demerit goods and provide a stable income for farmers, neither of these two scenarios were included in the question and therefore, any reference to them had no relevance. The impact of a minimum price is simply to raise the price of a product which the laws of supply and demand state will reduce demand, increase supply and therefore create a surplus. All that was required for the first three marks was to draw an accurate diagram, show and explain the surplus. Many received 2 marks although the surplus was not always explained, and time was often wasted explaining the reasons for a minimum price. Consumer surplus was often better explained and shown on the diagram although the reasons for the fall were rarely explained. Most candidates were able to state that the extent of the fall depended on PED although the overall quality of the evaluation varied a great deal. Consequently, the modal mark was 4/8 although some did achieve full marks whilst others received only 1 for an accurate supply and demand diagram.

(b) The question asked whether a minimum wage was the best way to **redistribute income**. The emphasis being on income redistribution. Although the way in which a minimum wage actually works was important to the analysis, many candidates focused far too heavily on this as opposed to how the policy may or may not redistribute income. It was also noticeable within this analysis how many candidates interchanged the words price and wage. Other policies such as progressive tax and transfer payments were often analysed better than a minimum wage, but they still tended to focus more on the policies rather than how they can lead to a better redistribution of income. Candidates do need to focus fully on the question as responses are going to get into Level 2 or beyond. Consequently, marks for evaluation were rare.

Section B

Question 4

(a) This was the most popular question by far in **section C**. Most answers were generally good with the majority recognising why expenditure on education was a supply-side policy and the different impacts on the price level in the short run and the long run caused by the initial impact on AD and the eventual impact on AS. Candidates who kept their responses concise and reasonably simple and used these terms of reference often scored more marks than candidates who over-elaborated often leading to irrelevant answers. Common errors were normally due to a lack of precision e.g., defining supply-side policy as one that affected rather than increased AS. Another issue resulted from analysis which focused simply on the long run impact of such expenditure without considering how or why the price level might rise in the short run. Such answers could not gain any evaluation marks along with answers that merely summarised analysis without reaching a conclusion.

(b) Answers to this question were generally sound regarding the negative consequences although the depth of explanation was an important factor in discriminating between the mark levels. Candidates often focused on many consequences without really explaining any of them very well. It is far better to concentrate analysis on e.g., two or three valid points fully explained rather than many points with minimal discussion. Positive consequences were much more difficult to find and were often concentrated on suggestions that low levels of inflation suggested economic growth and borrowers also gain, although neither were consistently well explained. There were some reasonable attempts at evaluation mainly regarding the rate and type of inflation although many were unable to get beyond simple summative statements.

Question 5

(a) Answers to this question mainly depended on whether candidates understand the difference between terms of trade and balance of trade. A significant number clearly do not even when the formula is correctly given and still continue to discuss the value of exports and imports rather than their price and the effects of the prices. There were still a number of good answers however and these tended to focus on good points being lower import prices for raw materials and negative points being a loss of export competitiveness. Evaluation was often still weak despite some reasonable analysis with most candidates being unable to grasp the importance of making a judgement based on the relative importance of both the positive and negative effects.

(b) This was a fairly straightforward question and many of the answers reflected this. However, many candidates did not explain answers in sufficient depth and simply asserted different points. The comment made for **4(b)** is still relevant, it is better to explain two or three valid points in detail rather than simple assertions of many more points. The negative effects often focused on more expensive imports of raw materials although many candidates suggested that more expensive imports would lead to a fall in standard of living without really explaining why. Evaluation continues to be weak summative statements although better answers made valid reference to the importance of international trade for different economies.

ECONOMICS

Paper 9708/31
A Level Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key
1	B	11	B	21	D
2	C	12	B	22	A
3	A	13	C	23	A
4	C	14	B	24	D
5	C	15	B	25	B
6	D	16	C	26	C
7	C	17	B	27	B
8	C	18	A	28	C
9	B	19	A	29	D
10	C	20	C	30	B

General comments

The general standard of answers on this paper was significantly down on that seen in June 2024. Only 5 per cent of the candidates correctly answered more than 25 of the questions. Nearly half of all candidates scored below 50 per cent of the available marks.

Candidates performed much better on the microeconomic questions compared to the macroeconomic ones. **Question 3, 8, 19 and 22** were answered most successfully, with a correct response rate of at least 80 per cent in each case. **Question 27 and 30** were answered correctly by very few candidates.

Comments on specific questions

Question 9 was a question about tradeable pollution permits, a topic which many candidates did not appear to understand. This was shown by option **C** being the most popular. However, if permits are resold, no extra revenue will be earned by the government as any payment will just move from the buyer to the seller who was originally issued the permit. Option **D** was also popular although the use of pollution permits is an example of government intervention and has significant administrative costs. The correct answer was option **B**, chosen by less than one third of candidates. Tradeable pollution permits are a way to encourage producers to reduce pollution, as this means they would then be able to sell on any unneeded permits and/or not have to buy as many permits in the first place.

Question 23, about the natural rate of unemployment, did see the correct option **A** as the most popular answer. However, each other option was chosen by at least one in five candidates. Option **B** would not cause a conflict, as a fall in inflationary expectations will help to reduce inflationary pressure. Option **C**, increased labour productivity, and option **D**, increased labour supply, would both reduce pressure in the labour market helping to reduce wage pressures, a common influence on price inflation.

Question 27 was a challenging question which was correctly answered by only a quarter of candidates. The question shows a reverse J-curve effect because of a revaluation of the currency. The Marshall-Lerner condition states that the sum of the price elasticities of demand for imports and exports must be greater than 1 for a devaluation to be successful. Therefore, if a revaluation is considered, the opposite must be true. Option **B** shows the combined elasticities to be less than 1 in the short run (which would lead to an improvement in the current account) but greater than 1 in the long run (so that the current account would decline). Option **C** was chosen by more than 50 per cent of the candidates, but this shows the standard answer for a devaluation of the currency. It is vital that candidates read questions very carefully even if they may initially appear familiar.

Question 30 was by far the least well answered question with less than 10 per cent of candidates correctly choosing option **B**. The most likely reason for this would appear to be another case of not reading the question carefully, missing that it said 'prevent' the developing company from achieving economic development. Options **A** and **D** were very popular, but both would aid development; more high income elastic goods would lead to more growth as incomes rise, and increased quotas would make it easier for the developing country to export its output. Even option **C** was quite popular even though anything to encourage investment in research and development would help the country to develop.

ECONOMICS

Paper 9708/32
A Level Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key
1	C	11	D	21	D
2	A	12	C	22	A
3	B	13	C	23	A
4	C	14	C	24	D
5	C	15	D	25	B
6	D	16	A	26	A
7	D	17	A	27	B
8	D	18	B	28	A
9	C	19	A	29	A
10	C	20	C	30	D

General comments

The general standard of answers on this paper was slightly down on that seen in June 2024. Less than 10 per cent of the candidates correctly answered more than 25 of the questions. At the other extreme, less than one third of the candidates scored below 50 per cent of the available marks.

Candidates performed slightly better on the microeconomic questions compared to the macroeconomic ones. **Question 1, 21 and 30** were answered most successfully, with a correct response rate of at least 85 per cent in each case. **Question 26 and 27** were least well answered.

Comments on specific questions

Question 18 did see nearly half of all candidates correctly choose option **B**. However, options **C** and **D** were popular, each chosen by close to a quarter of candidates. This suggests that these candidates misunderstood when a recession occurs; a fall in GDP for two consecutive quarters. This means that in this question, the recession appears to last from 2025 to 2035. The recession will definitely end after 2035 as GDP starts to increase, ruling out option **D**. As the fall in GDP starts in 2025 any recession must start during that year, ruling out option **C**.

Question 24 was about an increase in the national debt. A third of candidates did select the correct option **D** recognising that the flood of public sector money into the money markets, because of a budget deficit, is very likely to be a cause of crowding out. However, option **B** was a slightly more popular answer. Candidates who chose this option are likely to have confused a budget deficit with a trade deficit. Any increase in the national debt will arise from a budget deficit (something recognised by most candidates, as option **C** was least popular).

Question 26 presented a scenario where an economy with a fixed exchange rate, below par value, adopted a floating exchange rate. *Ceteris paribus*, this would lead to an appreciation of the exchange rate leading to more expensive exports and cheaper imports. This would reduce cost-push inflation (imported inflation) so that the policy of low inflation would most likely benefit. However, only just over a quarter of candidates chose the correct option **A**. Option **C** was the most common choice, by more than half of candidates. However, an appreciation of the currency will most likely lead to a growing deficit on the current account of the balance of payments.

Question 27 was answered correctly by less than 30 per cent of candidates, choosing option **B**. Decreasing government regulations will reduce the costs of producers, so that they would be more competitive in international markets, helping to reduce the deficit on the current account of the balance of payments. Options **C** and **D** were as popular as the correct option. However, increasing exchange rates will make domestic producers less competitive, and increasing government spending is likely to increase consumer income so that imports will increase. Neither will help with correcting the current account. Given the evidence from this and the previous question, many candidates are confusing the basic relationship between exchange rates and the current account deficit.

ECONOMICS

Paper 9708/33
A Level Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key
1	B	11	B	21	D
2	C	12	B	22	A
3	A	13	C	23	A
4	C	14	B	24	D
5	C	15	B	25	B
6	D	16	C	26	C
7	C	17	B	27	B
8	C	18	A	28	C
9	B	19	A	29	D
10	C	20	C	30	B

General comments

The general standard of answers on this paper was significantly down on that seen in June 2024. Only 5 per cent of the candidates correctly answered more than 25 of the questions. Nearly half of all candidates scored below 50 per cent of the available marks.

Candidates performed much better on the microeconomic questions compared to the macroeconomic ones. **Question 3, 8, 19 and 22** were answered most successfully, with a correct response rate of at least 80 per cent in each case. **Question 27 and 30** were answered correctly by very few candidates.

Comments on specific questions

Question 9 was a question about tradeable pollution permits, a topic which many candidates did not appear to understand. This was shown by option **C** being the most popular. However, if permits are resold, no extra revenue will be earned by the government as any payment will just move from the buyer to the seller who was originally issued the permit. Option **D** was also popular although the use of pollution permits is an example of government intervention and has significant administrative costs. The correct answer was option **B**, chosen by less than one third of candidates. Tradeable pollution permits are a way to encourage producers to reduce pollution, as this means they would then be able to sell on any unneeded permits and/or not have to buy as many permits in the first place.

Question 23, about the natural rate of unemployment, did see the correct option **A** as the most popular answer. However, each other option was chosen by at least one in five candidates. Option **B** would not cause a conflict, as a fall in inflationary expectations will help to reduce inflationary pressure. Option **C**, increased labour productivity, and option **D**, increased labour supply, would both reduce pressure in the labour market helping to reduce wage pressures, a common influence on price inflation.

Question 27 was a challenging question which was correctly answered by only a quarter of candidates. The question shows a reverse J-curve effect because of a revaluation of the currency. The Marshall-Lerner condition states that the sum of the price elasticities of demand for imports and exports must be greater than 1 for a devaluation to be successful. Therefore, if a revaluation is considered, the opposite must be true. Option **B** shows the combined elasticities to be less than 1 in the short run (which would lead to an improvement in the current account) but greater than 1 in the long run (so that the current account would decline). Option **C** was chosen by more than 50 per cent of the candidates, but this shows the standard answer for a devaluation of the currency. It is vital that candidates read questions very carefully even if they may initially appear familiar.

Question 30 was by far the least well answered question with less than 10 per cent of candidates correctly choosing option **B**. The most likely reason for this would appear to be another case of not reading the question carefully, missing that it said 'prevent' the developing company from achieving economic development. Options **A** and **D** were very popular, but both would aid development; more high income elastic goods would lead to more growth as incomes rise, and increased quotas would make it easier for the developing country to export its output. Even option **C** was quite popular even though anything to encourage investment in research and development would help the country to develop.

ECONOMICS

Paper 9708/34
A Level Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key
1	C	11	B	21	A
2	B	12	B	22	B
3	B	13	D	23	B
4	B	14	A	24	D
5	B	15	D	25	B
6	B	16	B	26	B
7	B	17	B	27	A
8	C	18	D	28	A
9	C	19	A	29	B
10	C	20	B	30	B

General comments

The general standard of answers on this paper was very good. 10 per cent of the candidates correctly answered more than 25 of the questions. At the other extreme, only a quarter of candidates scored below 50 per cent of the available marks.

Candidates performed exceptionally well on the microeconomic questions but much less well on the macroeconomic ones. **Question 1, 2, 4, 6, 9, 10, 23, 24 and 28** were answered most successfully, with a correct response rate of at least 80 per cent in each case. Although no single question performed especially poorly, **Question 19** and **30** were the only questions answered correctly by less than a third of candidates.

Comments on specific questions

Question 19 answers suggested that many candidates did not know the components in the quantity theory of money formula. Only a third of candidates correctly chose option **A**. This is not a correct statement as **M** represents the money supply which is more than just the notes and coins in circulation. Option **C** was equally popular, even though **T** does represent the quantity of real transactions. Option **D** was chosen by close to a quarter of candidates, even though **V** (the velocity of circulation) is a measurement of how often a unit of money is spent during the period in question. It is possible that a reason for so many incorrect answers was candidates missing the word 'not' in the question, even though it was in bold type.

Question 30 asked what was least likely to improve when high-income countries increase aid to low-income countries. Although incorrect, option **A** was the most popular chosen by more than 40 per cent of candidates. However, external funds injected into a low-income country is likely to improve the overall state of the economy so helping to support its exchange rate. Option **D** was chosen by 20 per cent of candidates,

although reserves of foreign currency are very likely to increase as a result of another country physically sending its own currency to the low-income country. Although only chosen by less than a third of candidates, option **B** was correct. Candidates may have confused what is included in the financial account. Foreign aid is now recorded in the current account (as secondary income) so it will have no obvious impact on a country's financial account.

ECONOMICS

Paper 9708/41
A Level Data Response and Essays

Key messages

- **Section A** is a data response question and candidates must refer to the evidence provided when specifically instructed by the question.
- When a supporting diagram is requested, candidates must provide a relevant, labelled diagram. A well-written response without a diagram in these cases will not earn marks beyond Level 2.
- For essay questions, even when an evaluative comment is not explicitly requested, it is implied and should still be included. In **Sections B** and **C**, up to 6 marks are available for evaluative development in the two essay questions.

General comments

Candidates who provided developed, well-reasoned and well-supported evaluative comments generally performed well in **Sections B** and **C**. It is important to note that up to 6 marks are awarded for responses demonstrating this high level of evaluative skill.

Overall, there were some strong responses to the paper and those candidates are to be congratulated on achieving high marks. These responses typically featured well-balanced, clearly structured answers that directly addressed the question, supported by relevant examples and applications where appropriate.

However, a common weakness in some responses was a failure to address the question directly. This was particularly evident in **Question 5**, where many candidates did not clearly distinguish between a **free trade area** and a **customs union**. A free trade area involves the removal of tariffs and quotas on products traded between member countries, while each member maintains its own external trade policy. In contrast, a customs union removes internal trade barriers and adopts a common external tariff on goods imported from non-member countries. Many candidates did not mention the common external tariff element.

In **Questions 2** and **4**, diagrams were explicitly requested. Most candidates included diagrams, though some contained errors in labelling and construction. There were some accurate diagrams in **Question 2** illustrating the **income and substitution effects**. A frequent mistake in **Question 4** was labelling macroeconomic diagrams with 'D' and 'S' when explaining the causes of inflation (demand-pull and cost-push). A few candidates also confused a **negative output gap** with a **positive output gap** in their diagrams.

Candidates who did not produce a correctly labelled and relevant diagram were restricted to a maximum of Level 2 in the essay section. While diagrams were not explicitly requested in **Question 3**, for example, candidates were rewarded for incorporating diagrams when relevant, such as illustrating profit maximisation using the **MR = MC** rule or sales maximisation using the **AR = AC** rule. The **LRAC** curve illustrating the benefits of economies of scale can also strengthen analytical responses and support evaluative comments—this was particularly evident in stronger answers.

Comments on specific questions

Section A

Question 1

- (a) Two marks were awarded for accurately distinguishing **structural unemployment**—where the skills of the labour force do not match available jobs—from the **natural rate of unemployment**, which includes both structural and frictional unemployment, even when the economy is operating at full capacity. One mark was awarded for a brief comment such as ‘they are not the same.’
- (b) Two marks were awarded for identifying government spending and taxation as components of **fiscal policy**. Up to 4 marks were available for a correct diagram and explanation linked to the effects on both output and employment. There were some well-developed responses to this question.
- (c) Most candidates were able to gain full marks by explaining the sequence of events and policy changes in chronological order, using information from the article to show the effects of government intervention.
- (d) To earn full marks, candidates were expected to provide a balanced response using information from the article. A number of candidates correctly concluded that there is some evidence contradicting the claim that governments have little effect on outcomes. One mark was reserved for a clear conclusion. Candidates who focused on government intervention tended to score well.

Section B

Question 2

Candidates who selected this question were often well-prepared and provided correctly labelled diagrams to support their analysis. It was rare to see responses without any diagram. Most candidates successfully defined both the **substitution** and **income effects**, although some diagrams were incorrectly labelled. Answers generally included good evaluative points and were of a higher standard than those for other questions on this paper, with more Level 3 marks being achieved.

Question 3

Candidates who produced strong responses accurately identified a **takeover** as a key driver of external growth. They demonstrated a clear understanding of the benefits of **economies of scale** through **horizontal integration** and cost reductions through **vertical integration**. However, some responses failed to link these efficiencies to potential consumer benefits such as lower prices. Several candidates confused a **takeover**—in which one firm acquires another—with a **merger**, where two firms form a new entity. The strongest answers directly addressed the question’s focus on falling prices and rising profits. Many high-quality responses also considered the **type of integration** (horizontal, vertical, or conglomerate), **market competition, operational integration**, and potential **regulatory and consumer responses**. These responses were awarded high marks for evaluation.

Section C

Question 4

This was the more popular of the two macroeconomic questions. Most candidates were able to define **inflation** and explain why it might create problems. However, a few produced incorrect diagrams by confusing a **negative output gap** with a **positive output gap**. There were some well-developed responses using **aggregate demand and supply curves**, while others applied the **Keynesian Cross (expenditure-output model)**, with a focus on **fiscal policy**. A few candidates provided strong evaluative comments identifying the **root causes of stagflation**—whether demand-side or supply-side—are crucial in determining the appropriate policy response. If inflation is primarily **cost-push** (e.g., due to rising energy prices or supply chain disruptions), fiscal expansion may worsen the problem. In such cases, **supply-side policies** or a balanced approach combining targeted fiscal measures with **structural reforms** may be more effective. Ultimately, **fiscal policy alone** is unlikely to resolve stagflation without trade-offs, such as higher inflation or slower growth, depending on the chosen stance.

Question 5

Some candidates confused a **free trade area (FTA)**—where each country maintains its own external trade policy—with a general removal of trade barriers. While FTAs eliminate tariffs and quotas among member states, they do not adopt a common external tariff. In contrast, a **customs union** removes internal trade barriers and enforces a **common external tariff** on goods from non-members. A few candidates correctly

observed that the initial statement was overly simplistic and earned higher marks for analysis and evaluation. While FTAs avoid some of the costs associated with customs unions (notably, the loss of sovereignty over trade policy), they introduce complexities, particularly due to **rules of origin** and **enforcement issues**. Additionally, FTAs may not achieve the same level of integration and policy coordination as customs unions. Therefore, the statement fails to fully capture the trade-offs involved.

ECONOMICS

Paper 9708/42
A Level Data Response and Essays

Key messages

- Candidates generally demonstrated that they understood the relevant theory and the best candidates were able to articulate the analytical aspects within the context of the question. Others failed to fully develop the analytical aspects of the question or to apply it to the context of the question.
- Many questions contained the command word 'Evaluate'. This term required a candidate to judge or calculate the quality, importance, amount, or value of the information or theory that was used in the answer. Whilst most produced a limited evaluation less developed the evaluative point sufficiently to gain a level 2 evaluation (E2).
- Candidates are reminded that a thorough reading of the question is necessary to pick out the full breadth of the question. This is especially true for questions that are without sub-divisions.

General comments

- The level of English shown by candidates was of its usual high standard. Many answers were again of a high standard in response to the questions.
- The common faults were as in previous examinations, but they are worth repetition.
- The use of badly drawn, or inaccurately labelled diagram, or even more distressing perfectly presented diagram without any reference to them in the essay re-occurred as did the use of pre-learned answers that did not match the question which had been set. These comments, however, should not detract from the impression that the standard of response was high.
- Some candidates wrote at great length. In many examples these responses were poorly directed towards the question set. Candidates who can produce a relevant, concise and well-directed answer will always be fully rewarded.
- It should be noted that to gain L2 evaluation marks the evaluative comment must include a degree of analysis or explanation based upon economic concepts relevant to the question set.

Section A

Question 1

(a) A good proportion of candidates were able to provide both a definition of 'economic sustainability' and an example from the passage. Even where a definition was lacking many were able to identify an example.

(b) Candidates performed less well on this question and to some extent confused this question with **Question (c)**. The emphasis was on the high coal producing countries and the advantages and disadvantages of the retention of coal production and use by them.

(c) Candidates scored highly on this part of **Question 1**. Choosing both positive and negative aspects of events to illustrate the contradictions. Some candidates did, however, concentrate on only aspect of the effects in China.

(d) Most candidates drew a correct diagram with relevant labels and identified the over production of coal. Answers were lacking in the initial definitions for the terms marginal social cost, marginal social benefit and externality. In the latter case the form of the externality was omitted. Only a small number of answers contained a conclusion.

Section B

Question 2

AO1 and AO2. **Question 2** was the more popular question in this section and was answered by about three in four candidates.

Many candidates followed the question and provided a correct diagram of equilibrium in a monopoly market. A misdrawing of the supernormal profit area in the diagram was a significant error in some diagrams. There was a lack of recognition that this must be the difference between average revenue and average cost at the profit maximising output. Candidates went on to compare the equilibrium of monopoly with the equilibrium of perfect competition as an analysis of the disadvantage of monopoly behaviour.

AO3. Better responses analysed and explained how a government might for example, impose a maximum price, or other intervention. Weaker responses merely stated the type of intervention without explanation or analysis.

Level 2 evaluation was reached by a minority of candidates. This was mainly by those who developed an evaluative analysis of natural monopoly or developed the benefits of dynamic economies of scale. Otherwise, evaluation was comment rather than explanation.

Question 3

AO1 and AO2. The question required the candidates to develop a number of themes, an increase in labour productivity, perfect and imperfect labour markets, an increase in productivity and the effect on wages and employment. Many candidates showed a good understanding of two elements of the question but few managed to cover all the elements required.

Candidates are reminded that wage determination is the result of the interaction of demand and supply of labour. Many answers considered the marginal revenue product and the demand for labour but references to the supply of labour were scant. Fewer still referred to an increase in productivity. Better answers made reference to either monopsony labour markets or the intervention of governments or trade unions as the basis for market imperfection.

AO3 As with **Question 1** Level 2 evaluation was reached by only a minority of candidates. For example, no one attempted to evaluate whether the increase in productivity was more significant for workers in perfect competition or monopsony. Though some made reference to the limitations of the assumptions of the perfectly competitive model of wage determination.

Section C

Question 4

This question was attempted by a minority of candidates. Where it was attempted, many candidates did not fulfill the requirement of the use of an injections/withdrawals graph. This limited the mark available for AO2. Given this restriction many candidates developed an analysis based on the impact of a fall in interest rates on the level of employment through a consideration of AD/AS. Some candidates misread the question and explained the effect of an increase in interest rates. Given the specific form of the question answers which chose to explore alternative policies e.g., fiscal or supply-side policy were not rewarded.

AO3 Evaluation was better in responses to this question than either of the **Section B** questions. The better candidates analysed the possibility of the inflationary impacts, exchange rate effects, the liquidity trap or the form of unemployment which existed. Weaker candidates merely stated for example, there was the problem of the liquidity trap without development.

Question 5

This was the most popular essay choice. It was a broad question requiring the candidate to consider the meaning of globalisation, the standard of living and the impact on both high-income and low-income countries. Good responses provided an analytical response which covered all these aspects. Weaker responses considered elements of the question. Some omitted reference to the standard of living, high-income countries, others considered only multinational corporation or FDI this reduced the development of the answer to the highest level. There were some very good responses to the question where candidates

thorough reading of the question produced excellent analysis which linked all the elements together making reference to expansion of the production possibility frontier and the impact on AD in both types of economy.

AO3. The level of evaluation on this question was the highest of all questions. The best responses attempted to answer the question regarding the effect of globalisation on the standard of living in high-income and low-income countries.

Candidates analysed how the benefits of globalisation might be seized by a minority of the population, the impact of negative externalities, exploitation of workers or inflation. Again, weaker responses included a series of sentences on these limitations without fully developing the effects.

ECONOMICS

Paper 9708/43
A Level Data Response and Essays

Key messages

- **Section A** is a data response question and candidates must refer to the evidence provided when specifically instructed by the question.
- When a supporting diagram is requested, candidates must provide a relevant, labelled diagram. A well-written response without a diagram in these cases will not earn marks beyond Level 2.
- For essay questions, even when an evaluative comment is not explicitly requested, it is implied and should still be included. In **Sections B** and **C**, up to 6 marks are available for evaluative development in the two essay questions.

General comments

Candidates who provided developed, well-reasoned and well-supported evaluative comments generally performed well in **Sections B** and **C**. It is important to note that up to 6 marks are awarded for responses demonstrating this high level of evaluative skill.

Overall, there were some strong responses to the paper and those candidates are to be congratulated on achieving high marks. These responses typically featured well-balanced, clearly structured answers that directly addressed the question, supported by relevant examples and applications where appropriate.

However, a common weakness in some responses was a failure to address the question directly. This was particularly evident in **Question 5**, where many candidates did not clearly distinguish between a **free trade area** and a **customs union**. A free trade area involves the removal of tariffs and quotas on products traded between member countries, while each member maintains its own external trade policy. In contrast, a customs union removes internal trade barriers and adopts a common external tariff on goods imported from non-member countries. Many candidates did not mention the common external tariff element.

In **Questions 2 and 4**, diagrams were explicitly requested. Most candidates included diagrams, though some contained errors in labelling and construction. There were some accurate diagrams in **Question 2** illustrating the **income and substitution effects**. A frequent mistake in **Question 4** was labelling macroeconomic diagrams with 'D' and 'S' when explaining the causes of inflation (demand-pull and cost-push). A few candidates also confused a **negative output gap** with a **positive output gap** in their diagrams.

Candidates who did not produce a correctly labelled and relevant diagram were restricted to a maximum of Level 2 in the essay section. While diagrams were not explicitly requested in **Question 3**, for example, candidates were rewarded for incorporating diagrams when relevant, such as illustrating profit maximisation using the **MR = MC** rule or sales maximisation using the **AR = AC** rule. The **LRAC** curve illustrating the benefits of economies of scale can also strengthen analytical responses and support evaluative comments—this was particularly evident in stronger answers.

Comments on specific questions

Section A

Question 1

- (a) Two marks were awarded for accurately distinguishing **structural unemployment**—where the skills of the labour force do not match available jobs—from the **natural rate of unemployment**, which includes both structural and frictional unemployment, even when the economy is operating at full capacity. One mark was awarded for a brief comment such as ‘they are not the same.’
- (b) Two marks were awarded for identifying government spending and taxation as components of **fiscal policy**. Up to 4 marks were available for a correct diagram and explanation linked to the effects on both output and employment. There were some well-developed responses to this question.
- (c) Most candidates were able to gain full marks by explaining the sequence of events and policy changes in chronological order, using information from the article to show the effects of government intervention.
- (d) To earn full marks, candidates were expected to provide a balanced response using information from the article. A number of candidates correctly concluded that there is some evidence contradicting the claim that governments have little effect on outcomes. One mark was reserved for a clear conclusion. Candidates who focused on government intervention tended to score well.

Section B

Question 2

Candidates who selected this question were often well-prepared and provided correctly labelled diagrams to support their analysis. It was rare to see responses without any diagram. Most candidates successfully defined both the **substitution** and **income effects**, although some diagrams were incorrectly labelled. Answers generally included good evaluative points and were of a higher standard than those for other questions on this paper, with more Level 3 marks being achieved.

Question 3

Candidates who produced strong responses accurately identified a **takeover** as a key driver of external growth. They demonstrated a clear understanding of the benefits of **economies of scale** through **horizontal integration** and cost reductions through **vertical integration**. However, some responses failed to link these efficiencies to potential consumer benefits such as lower prices. Several candidates confused a **takeover**—in which one firm acquires another—with a **merger**, where two firms form a new entity. The strongest answers directly addressed the question’s focus on falling prices and rising profits. Many high-quality responses also considered the **type of integration** (horizontal, vertical, or conglomerate), **market competition, operational integration**, and potential **regulatory and consumer responses**. These responses were awarded high marks for evaluation.

Section C

Question 4

This was the more popular of the two macroeconomic questions. Most candidates were able to define **inflation** and explain why it might create problems. However, a few produced incorrect diagrams by confusing a **negative output gap** with a **positive output gap**. There were some well-developed responses using **aggregate demand and supply curves**, while others applied the **Keynesian Cross (expenditure-output model)**, with a focus on **fiscal policy**. A few candidates provided strong evaluative comments identifying the **root causes of stagflation**—whether demand-side or supply-side—are crucial in determining the appropriate policy response. If inflation is primarily **cost-push** (e.g., due to rising energy prices or supply chain disruptions), fiscal expansion may worsen the problem. In such cases, **supply-side policies** or a balanced approach combining targeted fiscal measures with **structural reforms** may be more effective. Ultimately, **fiscal policy alone** is unlikely to resolve stagflation without trade-offs, such as higher inflation or slower growth, depending on the chosen stance.

Question 5

Some candidates confused a **free trade area (FTA)**—where each country maintains its own external trade policy—with a general removal of trade barriers. While FTAs eliminate tariffs and quotas among member states, they do not adopt a common external tariff. In contrast, a **customs union** removes internal trade barriers and enforces a **common external tariff** on goods from non-members. A few candidates correctly

observed that the initial statement was overly simplistic and earned higher marks for analysis and evaluation. While FTAs avoid some of the costs associated with customs unions (notably, the loss of sovereignty over trade policy), they introduce complexities, particularly due to **rules of origin** and **enforcement issues**. Additionally, FTAs may not achieve the same level of integration and policy coordination as customs unions. Therefore, the statement fails to fully capture the trade-offs involved.

ECONOMICS

Paper 9708/44
A Level Data Response and Essays

9708 Paper 44 was introduced for the first time for the summer 2025 examination. The paper in format and approach was the same as the previous paper 42 which candidates would have sat. This means that the Key Messages and General Comments from Paper 42 are relevant.

Key messages

- Candidates generally demonstrated that they understood the relevant theory and the best candidates were able to articulate the analytical aspects within the context of the question. Others failed to fully develop the analytical aspects of the question or to apply it to the context of the question.
- Many questions contained the command word 'Evaluate'. This term required a candidate to judge or calculate the quality, importance, amount, or value of the information or theory that was used in the answer. Whilst most produced a limited evaluation less developed the evaluative point sufficiently to gain a level 2 evaluation (E2).
- Candidates are reminded that a thorough reading of the question is necessary to pick out the full breadth of the question. This is especially true for questions that are without sub-divisions.

General comments

- The level of English shown by candidates was of its usual high standard. Many answers were again of a high standard in response to the questions.
- The common faults were as in previous examinations, but they are worth repetition.
- The use of badly drawn, or inaccurately labelled diagram, or even more distressing perfectly presented diagram without any reference to them in the essay re-occurred as did the use of pre-learned answers that did not match the question which had been set. These comments, however, should not detract from the impression that the standard of response was high.
- Some candidates wrote at great length. In many examples these responses were poorly directed towards the question set. Candidates who can produce a relevant, concise and well-directed answer will always be fully rewarded.
- It should be noted that to gain L2 evaluation marks the evaluative comment must include a degree of analysis or explanation based upon economic concepts relevant to the question set.

Section A

Question 1

(a) Most candidates identified two categories included in the HDI. Often it was reference to the gross national income (GNI) which was omitted from the answer.

(b) This question was answered well by the majority of candidates. Candidates made good use of the data to explain the process involved in the division of labour. Some responses did not refer to the 'average' costs which was important to include.

(c) Candidates who correctly identified the market structure as 'monopolistic competition' also went on to correctly analyse the effect on long term profit of firms in the industry. Some candidates failed to fully explain how the entry of new firms into the industry would cause the movement of the average curve to a point of tangency and hence normal profits. Most diagrams were drawn and labelled correctly. Errors such as the omission of labels for the axes were present in a minority of cases. Some did not differentiate correctly between average and marginal costs or average and marginal revenues, resulting in diagrams that made no sense.

(d) Many responses made good use of the information in the article to identify elements of change in Bangladesh. This leads to the conclusion that the overall effect of changes was uncertain. Some responses considered only one side of the argument, others came to no conclusion

Section B

Question 2

AO1 and AO2. **Question 2** was the more popular question in this section and was answered by about three in four candidates.

The better responses identified and defined different forms of economic efficiency either within the context of the forms of market structure or a discussion of the effects of externalities. Either form was the basis for a candidate to develop a fuller response. Good answers saw the analytical development of two or more forms of government intervention. Whilst many candidates analysed the nature of the problem only a minority went as far as to analyse the intervention suggested. A mention of the intervention was insufficient to show full consideration of the question. Better responses explained and analysed how, for example, a government might impose a maximum price on a monopolist, or a tax on a negative production externality. Weaker responses merely stated the type of intervention without explanation or analysis.

AO3. Level 1 evaluation was awarded to candidates who identified limitations in their analysis such as the lack of realism of the ideal of perfect competition or how large a tax to impose.

Level 2. This was mainly achieved by those who developed an evaluative analysis, for example, of natural monopoly, which refutes the arguments against a monopoly or developed the benefits of dynamic economies of scale. Similarly, those who approached the answer from the externalities angle needed a full evaluation, for example, of the impact of price elasticity of demand on the outcome.

Question 3

AO1 and AO2. The key word in the question was 'always'. This meant that a candidate had to consider both cases where the theory explained differences in wages and circumstances where it did not. A consideration of a perfect market and the demand and supply of labour was provided in the better responses. The analysis of demand for labour was provided in terms of the law of diminishing returns and its impact on the marginal physical product (MPP) and the price of the good produced (P) combining to form the marginal revenue product (MRP), the demand curve for labour. Many answers went no further than this. A consideration of factors affecting the supply of labour were often shown in a diagram by the horizontal supply curve for an unidentified 'firm'. Many candidates produced a partial analysis of the monopsony firm and its impact on wages but without reference to the question set. Similarly, reference was made to the imposition of a minimum wage but without reference to the question.

AO3 As with **Question 1** Level 2 evaluation was reached by only a minority of candidates. For example, no one attempted to evaluate whether the 'always' applied or not. Though some made reference to the limitations of the assumptions of the perfectly competitive model of wage determination, few ventured beyond this.

Section C

Question 4

AO1 and AO2. This question was attempted by a minority of candidates.

The best responses included an analysis of the effect of falling exports on the level of national income. They then developed an analysis of expansionary monetary policy in terms of a reduction in interest rates. The effect of the reduced interest rates was analysed in different ways. One approach traced the effect through the money transmission mechanism to an increase in investment and hence lower cost/better goods leading to greater competitiveness. Others saw the lower interest rates reducing the demand for the domestic currency and enhancing exports through lower prices. Less successful responses showed gaps in the logical development of their analysis.

AO3 The best evaluative comments were directly related to the reference to 'monetary policy alone'. They saw that alternatives to monetary policy could help increase exports and pointed to supply-side policy. Others criticised the ability of monetary policy to achieve the desired outcome. Some saw the problem lying in the possibility of the liquidity trap. Others envisaged problems with the exchange rate effects which might in turn lead to inflationary cost-push effects from higher costs of imported raw materials. Some questioned the effect of price elasticity of demand for exports on the outcome.

Question 5

AO1 and AO2. This was a popular question.

The better responses began with a definition of potential economic growth either in terms of a production possibility curve (PPC) or an increase in the aggregate supply curve (AS). In many cases these were illustrated by a correctly drawn and labelled diagram.

Candidates who developed their response in terms of identifying an increase in resources or productivity and analysed how this would come about through investment in, for example, education or health with improved human capacity to work, the discovery of new sources of raw materials or the better use of existing ones could increase capacity were all credited. Those who saw a complex interaction of government monetary and fiscal policy contributing to potential economic growth fully developed their answer. Those who extended the analysis to suggest that it was the interplay of these factors together with a reward for entrepreneurship which saw the highest growth. Weaker responses were much more descriptive or omitted some of the factors.

AO3. The better responses identified the lack of government ability to implement the correct monetary and fiscal policies or saw that short-term priorities might detract from the long-term achievement of economic potential growth. Made a strong evaluative comment point. Many produced a list of the possible negative effects from economic growth, for example negative externalities but failed to fully develop the point(s) made.