A2 Teacher reference commentary

IQM3005 Economics Assessment 2 Individual presentation

INTERNAL ONLY | Updated documentary commentary aligned to current simulated scripts

Use the approved assessment and marking guidance with these selected extracts. Record evidence and criterion judgements independently before consulting the separate commentary. A selected extract does not establish a whole-script, whole-presentation or whole-submission mark. Marks remain documentary proposals pending subject review.

Delivery records are simulated and marks are documentary proposals only. They do not establish live oral delivery, authorship, audience response or observed presentation performance.

Imported input evidence

S01 secure application

The ONS producer-price bulletin reports UK manufacturing input prices were 24.0% higher in June 2022 than a year earlier. Within the same bulletin, the annual rate for imported materials and fuels purchased was 21.4%, and fuel excluding the Climate Change Levy was 52.9%. These are annual rates: they compare June 2022 with June 2021, rather than measuring one month's increase.

Reference commentary: Supports the AP evidence points in the current full-script marking: UK context, dated annual measures and correct distinction between annual and monthly change.

S02 partial application

The ONS producer-price bulletin says input prices for UK manufacturing rose 24.0% in the year to June 2022. Imported materials and fuels purchased rose 21.4% over the same year. These are annual rates of change, not how much the prices changed during June alone.

Reference commentary: Supports the AP evidence points in the current full-script marking: relevant UK context, dates and units; integration with the mechanism is uneven.

S03 factual but limited

The ONS reports UK manufacturing input prices rose 24.0% in the year to June 2022. Imported materials and fuels rose 21.4% in the year to June 2022. The ONS also reported fuel excluding the Climate Change Levy had an annual increase of 52.9%.

Reference commentary: Supports some AP evidence points in the current full-script marking: relevant figures and periods are stated, but the application is not developed.

AD AS mechanism

S01 developed mechanism

This diagram shows the initial imported-cost shock. Before the shock, aggregate demand intersects short-run aggregate supply at E_1. With AD unchanged, higher energy and electricity costs raise many firms' costs. At each price level, some firms are now willing to supply less output, so short-run aggregate supply shifts left from $SRAS_1$

to $SRAS_2$. The new short-run equilibrium E_2 has a higher price level and lower real output, assuming the AD curve and other conditions stay the same.

Reference commentary: Supports the analysis points in the current full-script marking; this extract is not a whole-criterion award: complete cost to SRAS to equilibrium chain.

S02 partial mechanism

In the diagram, the price level is up the side and real output is along the bottom. AD is the demand curve. SRAS is the short-run supply curve. If gas costs rise, firms have higher costs. This means supply goes down, shown by SRAS moving left from SRAS one to SRAS two.

Reference commentary: Supports some analysis points in the current full-script marking; this extract is not a whole-criterion award: correct supply mechanism, but equilibrium effects are not fully developed.

S03 error to diagnose

When Bank Rate rises, this shifts SRAS left as well as reducing spending. It can lower inflation.

Reference commentary: Supports a limited analysis point in the current full-script marking; this extract is not a whole-criterion award: a relevant spending link is present, but the policy is incorrectly assigned to SRAS.

Objective and trade off

S01 secure

The Bank's stated objective is to meet the 2% inflation target while supporting sustainable growth and employment. Restricting AD can reduce demand-side pressure on prices, but higher rates can weaken real output and employment.

Reference commentary: Supports the linked mechanism, objective and trade off in the current full-script marking; this extract is not a whole-criterion award.

S02 partial

The policy is related to the inflation target because higher rates can make demand weaker and reduce price pressure. However, the imported input-price increase is a supply shock. The higher interest rate does not fix that shock. It could also make output lower if spending falls.

Reference commentary: Supports a partial chain and trade off in the current full-script marking; this extract is not a whole-criterion award.

Source control: the complete responses and proposed marking are the controlling documents. See IQM3005_A2_Internal_responses.docx and IQM3005_A2_Proposed_marking.docx in the internal complete responses folder.