AQA A-LEVEL ECONOMICS · 7136

ECONOMICS



MARK SCHEME

3.2.1.2 MACROECONOMIC INDICATORS

SCORE	PERCENTAGE
/20	%

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1.

Response	Max 4 marks
• includes evidence that shows that consumer confidence may have risen since 2014 • clearly explains how this data is evidence that consumer confidence may have risen since 2014.	**4 marks**
• includes evidence that shows that consumer confidence may have risen since 2014 • unclear explanation of how this data is evidence that consumer confidence may have risen since 2014.	**3 marks**
• includes some limited evidence that shows that consumer confidence may have risen since 2014 • limited explanation of how this data is evidence that consumer confidence may have risen since 2014.	**2 marks**
• includes evidence that does not clearly show that consumer confidence may have risen since 2014 • no explanation of how this data is evidence that consumer confidence may have risen since 2014.	**1 mark**

Relevant issues include:

- explanation of relevant terms such as saving ratio and consumer confidence
- explaining why the saving ratio may indicate consumer confidence
- explaining why the gross debt to income ratio is an indicator of consumer confidence
- the household gross debt to income ratio rose in 2014 to 141%, the first rise since 2011 indicating households were more willing to take on debt
- confidence may have been low before 2014, as household gross debt to income was falling from a high of about 168% in 2008 to a low of 140% in 2013 indicating households were reducing indebtedness
- forecast data for the household gross debt to income ratio indicate this will continue to rise until 2020 (to 162%) indicating households are expected to borrow more in the future
- the savings ratio fell in 2014 by 0.9 percentage points from 2012, but had a larger fall after 2014 by 1.3 percentage points in 2016 indicating a small rise in the marginal propensity to consume
- the lowest saving ratio was in 2016 at 7.1% indicating a peak in consumer confidence and willingness to consume
- confidence may have been low before 2014 as the savings ratio peaked in 2010 at 11.2% indicating household pessimism and a reluctance to spend.

[4]

2.

D

[1]

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3. C

[1]

4.

Response	Max 4 marks
• includes evidence that shows that living standards in India have improved. • clearly explains how this data is evidence that India is moving to a higher level of human development.	**4 marks**
• includes evidence that shows that living standards in India have improved. • unclear explanation of how this data is evidence that that India is moving to a higher level of human development.	**3 marks**
• includes some limited evidence that shows that living standards in India have improved. • limited explanation of how this data is evidence that India is moving to a higher level of human development.	**2 marks**
• includes evidence that does not clearly show that living standards in India have improved. • no explanation of how this data is evidence that India is moving to a higher level of human development.	**1 mark**

Relevant issues include:

- meaning of 'living standards'
- life expectancy has risen from 53.9 years in 1980 to 68.0 years in 2014
- expected years of schooling has increased from 6.4 years in 1980 to 11.7 years in 2014
- the Gross National Income per capita has risen from $1255 in 1980 to $5497 in 2014
- the HDI score has risen from 0.362 in 1980 to 0.609 in 2014

[4]

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5.

Level of response	Response	Max 10 marks
3	**A good response that:** • is well organised and includes at least three relevant, well-developed issues • makes effective use of the numerical/statistical data in **Extract C** • shows some appreciation of the limitations of the data • includes a supported final judgement concerning the extent to which the data suggest that houses in the UK were more affordable in 2017 than 2007	**8 – 10 marks**
2	**A reasonable response that:** • is fairly well organised and includes at least two relevant and fairly well-developed issues • includes some satisfactory use of the numerical/statistical data in **Extract C** • may show some appreciation of the limitations of the data • at the top of the level, is likely to include a final judgement re.g.arding the extent to which the data suggest that houses in the UK were more affordable in 2017 than 2007	**4 – 7 marks**
1	**A weak response that:** • is very brief and/or lacks coherence • may include one or more superficial points re.g.arding the extent to which the data suggest that houses in the UK were more affordable in 2017 than 2007 • contains very limited or poor use of the data in **Extract C** • doesn't show any appreciation of the limitations of the data • may include an unsupported judgement concerning the extent to which the data suggest that houses in the UK were more affordable in 2017 than 2007	**1 – 3 marks**

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When assessing the extent to which the data suggest that houses were more affordable in 2017 than they were in 2007, most students are likely to base their assessment on the data in **Extract C**. However, they can also be rewarded for making relevant use of the other extracts and their own knowledge.

Allow students a small margin of error when quoting from Figures 1 and 2.

Most students are likely to focus on the affordability of 'houses to buy' but can also be rewarded for assessing the affordability of 'houses available to rent'. Students who **only** consider the affordability of 'houses to buy' can be awarded full marks.

Relevant issues include:

- the meaning of affordability
- indicators of affordability, eg changes in house prices, changes in rents, mortgage payments as a percentage of earnings, changes in the ratio between earnings and house prices, rents as a proportion of disposable income, help available from the government to buy a house or pay the rent, ability to save the amount needed for a deposit on a house
- information in **Extract B** relating to the change in the ratio between median earnings and house prices (risen from 4 to 8 times since 1997 – suggesting houses are less affordable). However, the ratio between median earnings and house prices is not available for 2007, a limitation of the data
- information in **Extract B** relating to the spending of people with below-average incomes on housing
- the significance of the changes in the 'variable mortgage interest rate' as shown in Figure 1 (e.g. fallen, with some variability, from around 7.6% to 4.2% – ceteris paribus, making buying a house more affordable)
- the significance of the changes in the mortgage payments for first-time buyers as a percentage of take-home pay, as shown in Figure 2 (declined from around 52% to 32% between 2007 and 2017 – indicating improved affordability for first-time buyers)
- the significance of the data in Figure 3, showing the house price to earnings ratio for first-time buyers (between 2007 and 2017 the ratio fell from 5.4:1 to 5.2:1, indicating little change in affordability for first-time buyers)
- the significance of the data in Figure 4, showing what has happened to the average house price and nominal weekly earnings – these data can be used in several ways, but it is significant that between 2007 and 2017, the average house price rose by 19.9% and weekly earnings rose by 20.5%, indicating little change in affordability. However, since 2008, the average house price has risen much faster than average weekly earnings (40.9% and 18.7% respectively)
- limitations of the data might include:
    - some of the data relate to first-time buyers and may not be a fair reflection of affordability of houses in the UK
    - some of the data might be distorted by 'special deals', which may be short term, e.g. very low interest rates for the first couple of years
    - little information on required deposits, loan to value ratios and other restrictions on lending imposed by the authorities or self-imposed by banks and building societies
    - little information on the age of first-time buyers or the growth of 'generation rent' or use of 'the bank of mum and dad'
    - there is limited information about the affordability of rented accommodation which is important for an increasing proportion of the population, eg how this has been affected by the growth in the private rented sector and changes to the provision of social housing
    - limited information on the help available from the government for people buying or

renting accommodation, e.g. Help to Buy scheme and housing benefit. Some might mention the so-called ‘bedroom tax’

- changes to stamp duty land tax (SDLT) have also affected the affordability of buying a house
- there is little evidence showing regional differences in house prices and affordability.

As indicated in the level of response mark grid above, a good response will include a supported final judgement concerning the extent to which the data suggest that houses in the UK were more affordable in 2017 than 2007. A good response will quote data to support the judgement and data should be quoted accurately. The evidence is contradictory and has some limitations, the conclusion is likely to be qualified but what really matters is that it is well supported.

Data summary table

Figure 1 Standard variable mortgage interest rate	2007 - 2017	Fell from 7.6% to 4.2% - fall of 3.4% (allow percentage fall of around 45% - with a margin of error)
	2007 – mid 2008	Fell from 7.6% to 3.9% - fairly stable thereafter
Figure 2 Mortgage payments for first-time buyers % of mean take-home pay	2007 - 2017	Fell from 52% to 32% - indicating a significant increase in affordability for first-time buyers
	Between 2007 to 2008	Largest fall from 52% to 40% - reduction of 12%
Figure 3 House price to earnings ratio for first-time buyers	2007 - 2017	Fell from 5.4:1 to 5.2:1 (Small reduction over the period)
	2007 - 2012	Fell from 5.4:1 to 4.3:1 (Significant reduction over this period)
Figure 4 Average house price and average nominal weekly earnings	2007 - 2017	**House prices** increase from £189,193 to £226,756 – **increase of 19.9%** **Earnings** increase from £425 to £512 – **increase of 20.5%** Little change in affordability
	2007 - 2008	**House prices** fell from £189,193 to £160,954 – **fall of 14.9%**
		Earnings increase from £425 to £435 – **increase of 2.4%** Significant increase in affordability in the early part of the period.

[10]

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