A-level ECONOMICS 7136/3

Paper 3 Economic Principles and Issues

Mark scheme

June 2025

Version: 1.0 Final

256A7136/3/MS

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

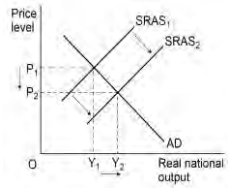
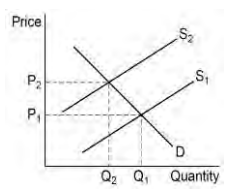
It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

No student should be disadvantaged on the basis of their gender identity and/or how they refer to the gender identity of others in their exam responses.

A consistent use of 'they/them' as a singular and pronouns beyond 'she/her' or 'he/him' will be credited in exam responses in line with existing mark scheme criteria.

Further copies of this mark scheme are available from aqa.org.uk

SECTION A KEY LIST

1	**B** (Individuals are required by law to choose an option)	**11**	**D** (Point D)	**21**	**B** (5.3%)
2	**C** (ST)	**12**	**C** (Ireland's gross national income per capita was higher than Finland's.)	**22**	**A** (**Situation A**)
3	**B** (Create a hypothesis and test whether it can predict the behaviour of economic agents)	**13**	**B** (is more price inelastic when price increases from £8 to £10 than when it increases from £10 to £15.)	**23**	**D** (The rate of increase in the price of necessities, such as energy, is higher than for all goods and services)
4	**D** 	**14**	**D** (Some potential tenants who would like to rent a house at R_1 cannot find a house to rent)	**24**	**A** (Country X has both an absolute advantage and a comparative advantage in producing canoes)
5	**A** (A fall in the number of Jobcentres provided by the government)	**15**	**D** (Profit maximisation is not the most important objective for all managers)	**25**	**D** (US$5200 million)
6	**B** (A reduction in the tax on a good with positive consumption externalities)	**16**	**B** (the quarterly inflation rate fluctuated whilst the unemployment rate increased throughout the year.)	**26**	**D** (Tax breaks for manufacturing firms that invest in upgrading their machinery and other capital goods)
7	**D** (Increasing returns to scale)	**17**	**C** (Savings deposited with commercial banks that have more than a year to maturity)	**27**	**D** (High concentration ratios and consumer complaints are examples of indicators which may suggest anti-competitive behaviour and prompt further investigation by the Competition and Markets Authority.)
8	**C** (£75 000)	**18**	**D** (Bank Y is more profitable than Bank Z but is less secure.)	**28**	**C** (Over time, more firms will have an incentive to reduce their pollution)
9	**D** 	**19**	**B** (B)	**29**	**A** (The amounts outstanding on households' existing mortgages will fall in real terms)
10	**D** (The level of investment depends on the rate of change in national income)	**20**	**C** (Falls for peak-time passengers and rises for off-peak passengers)	**30**	**C** ($26 500)

Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

SECTION B

INVESTIGATION **Total for this investigation: 50 marks**

3 1 *To what extent, if at all, do the data suggest that the contribution the automotive industry makes to the UK economy has declined significantly since 2015? You must use the data in **Extract B** to support your assessment.*

[10 marks]

Level of response	Response	Max 10 marks
Level 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 B** • shows some appreciation of the limitations of the data • includes a supported final judgement concerning the extent to which the contribution that the UK automotive industry makes to UK economy has declined since 2015.	**8–10 marks**
Level 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 B** • may show some appreciation of the limitations of the data • at the top of the level, is likely to include a final judgement regarding the extent to which the data support the view that the contribution that the UK automotive industry makes to UK economy has declined since 2015.	**4–7 marks**
Level 1	**A weak response that:** • is very brief and/or lacks coherence • may include one or more superficial points regarding the extent to which the data suggest that the contribution that the UK automotive industry makes to UK economy has declined since 2015 • contains very limited or poor use of the data in **Extract B** • doesn't show any appreciation of the limitations of the data • may include an unsupported judgement concerning the extent to which the contribution that the UK automotive industry makes to UK economy has declined since 2015.	**1–3 marks**

When assessing the extent to which the contribution that the UK automotive industry makes to UK economy has declined since 2015, most students are likely to base their assessment on the data in Extract B. However, they can also be rewarded for making relevant use of the other extracts and their own knowledge.

Relevant issues include:

- explanation that the automotive industry includes many different activities and types of enterprise
- recognition that the automotive industry has different parts of the supply chain in different countries
- explanation of what is meant by 'a decline in the automotive industry'
- what is meant by 'contribution to the UK economy'
- identification of factors that should be taken into account when assessing whether the UK automotive industry's contribution to the UK economy has declined
- data that lend support to the view that the automotive industry's contribution to the UK economy has declined since 2015:
  - the number of passenger cars produced has declined from 1587.7 thousand in 2015 to 905.2 thousand in 2023 (43% decline) but increased by 130.2 thousand in 2023. It peaked at 1722.7 thousand in 2016
  - domestic sales of passenger cars manufactured in the UK fell from 359.8 thousand in 2015 to 191.3 thousand in 2023 (47% decline) but increased by 23.1 thousand in 2023. It peaked at 373.3 thousand in 2016
  - exports of passenger cars manufactured in the UK fell from 1227.9 thousand in 2015 to 713.9 thousand in 2023 (42% decline) but increased by 107.1 thousand in 2023. It peaked at 1349.4 thousand in 2016
  - the gross value added by motor vehicles manufactured in the UK has increased from £14 929 million in 2015 to £15 773 million in 2022 (6% increase), but peaked in 2017 at £17 334 million
  - motor vehicle manufacturing in the UK accounted for 0.779% of the economy in 2015 but this had fallen to 0.629% of the economy in 2022
  - the number of people employed in the industry fell from 799 thousand in 2015 to 780 thousand in 2022 (2% decline), but employment peaked at 864.3 thousand in 2020
  - the balance of trade in motor vehicles deteriorated from a deficit of £17 622 million in 2015 to a deficit of £20 906 million in 2023 (19% increase), but the smallest deficit was £10 561 million in 2021
  - imports of motor vehicles increased from £51 915 million in 2015 to £68 089 million in 2023 (31% increase), but the smallest value of imports was £44 870 million in 2020 and the largest value was £68 089 million in 2023
- data that is not entirely consistent with the view that the automotive industry's contribution to the UK economy has declined since 2015:
  - exports of motor vehicles increased from £34 293 million in 2015 to £47 183 million in 2023 (38% increase), but the largest value of exports was £44 257 million in 2018
  - the deficit on the balance of trade in motor vehicles is a smaller proportion of the total deficit on the balance of trade in goods in 2023 (11%) than in 2015 (14%)
  - the deficit on the balance of trade in motor vehicles is a smaller proportion of GDP in 2023 (0.78%) than in 2015 (0.92%)
- Limitations of the data might, for example, include:
  - some of the data does not include all parts of the automotive industry, eg Figure 1 only provides data about passenger cars
  - data for 2020 to 2022 are likely to have been distorted by the effects of the pandemic on economic activity
  - there are fluctuations within some of the data series that may make it hard to determine the underlying trends
  - some of the data are in nominal terms, eg gross value added, which makes it difficult to determine the true changes
  - there is no data for GVA and employment in 2023
  - there is no data for 2024 or 2025
- discussion of how aggregate data for the industry can obscure the performance of different parts of the industry
- recognition that the automotive industry remains a significant part of the UK economy
- recognition that the contribution the industry makes to the economy can change very quickly, particularly when the industry is going through a period of rapid change
- recognition that there has been a recovery in the performance of the industry in 2023

- discussion of the extent to which, if at all, the contribution that the UK automotive industry makes to UK economy has declined since 2015
- an overall assessment of whether the contribution that the UK automotive industry makes to UK economy has declined significantly since 2015.

As indicated in the level of response mark grid, a good response will include a supported final judgement concerning the extent to which the contribution that the UK automotive industry makes to UK economy has declined since 2015. A good response will quote data to support the judgement and data will be quoted accurately. It is likely that good answers will conclude that the data support the view that the contribution the UK automotive industry makes to the UK economy has declined significantly. However, students should not be penalised for a different conclusion, provided it is well supported.

MAXIMUM FOR QUESTION 31: 10 MARKS

Summary of key data in Extract B

Passenger cars UK (thousands)	**2015**	**2023**	**Change**	**% change**
Total production	1587.7	905.2	-682.5	-43.0%
Domestic sales	359.8	191.3	-168.5	-46.8%
Exports	1227.9	713.9	-514	-41.9%

	2015	**2022**	**Change**	**% change**
GVA by motor vehicles (£m)	14929	15773	844	5.7%

	2015	**2023**	**Change**	**% change**
UK GDP (£bn)	1916	2690	774	40.4%

	2015	**2022**	**Change**	**% change**
Number employed (000s)	799.0	780.0	-19	-2.4%

	2015	**2023**	**Change**	**% change**
UK exports of motor vehicles (£m)	34293	47183	12890	37.6%
UK imports of motor vehicles (£m)	51915	68089	16174	31.2%
Balance (X-M) (£m)	-17622	-20906	-3284	18.6%

	2015	**2023**	**Change**	**% change**
UK balance of trade in goods (£m)	-125318	-188813	-63495	50.7%

3 2 *Explain factors that affect the UK's balance of trade in motor vehicles.*

[15 marks]

Level of response	Response	Max 15 marks
Level 3	**A good response provides an answer that:** • is well organised and develops a selection of the key issues that are relevant to the question • shows sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning.	**11–15 marks**
Level 2	**A reasonable response provides an answer that:** • focuses on issues that are relevant to the question • shows satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places.	**6–10 marks**
Level 1	**A weak response provides an answer that:** • has one or more relevant issues identified • has some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • has very limited application of relevant economic principles and/or data to the question • might have some limited analysis but it may lack focus and/or become confused.	**1–5 marks**

Relevant issues include:

- explanation of 'balance of trade in motor vehicles'
- explanation of what is meant by 'The UK has a persistent deficit in its balance of trade in motor vehicles'
- explanation that the balance of trade can be affected by changes in the value of exports and/or changes in the value of imports
- analysis of how the growth in the global economy and, in particular, the main markets for UK car exports, such as the EU, are likely to affect UK exports of motor vehicles
- analysis of how the growth in the UK economy is likely to affect UK imports of motor vehicles
- explanation of the significance of the income elasticity of demand for motor vehicles
- explanation of how foreign direct investment into the UK motor vehicle industry affects the UK's balance of trade in motor vehicles
- explanation of how the closure of manufacturing facilities in the UK affect the UK's export and import of motor vehicles, eg Honda closing its plant in Swindon
- explanation of how exchange rates and changes in exchange rates can affect the UK's balance of trade in motor vehicles
- explanation of how foreign competition and the development of motor vehicle manufacturing abroad affects the value of UK's exports and imports of motor vehicles
- analysis of how government support for the motor vehicle industry both in the UK and in other countries is likely to affect the UK's balance of trade in motor vehicles

- analysis of the impact of trade restrictions, eg tariffs, quotas and export subsidies, on the UK's balance of trade in motor vehicles
- explanation of the possible effects of the UK's withdrawal from the EU
- explanation of how the growing demand for EVs and hybrid vehicles has affected and, may in the future, affect the UK's balance of trade in motor vehicles
- the importance of the price competitiveness of domestic and overseas producers
- analysis of factors that may affect price competitiveness, eg productivity, wage and other factor costs
- explanation of the significance of the price competitiveness and the price elasticity of demand for motor vehicles for the UK's balance of trade in motor vehicles
- explanation of the significance of non-price factors and how they are likely to affect the UK's balance of trade in motor vehicles
- explanation of how problems in the supply chain might affect the UK's balance of trade in motor vehicles.

The use of relevant diagrams to support analysis should be taken into account when assessing the quality of a candidate's response to the question.

MAXIMUM FOR QUESTION 32: 15 MARKS

3 3 *After considering **Extract D**, and the original evidence in **Extracts A**, **B** and **C**, would you recommend that the Government continue to subsidise firms to encourage them to set up gigafactories to produce batteries in the UK?*

Justify your recommendation.

[25 marks]

Level of response	Response	Max 25 marks
Level 5	**Sound, focused analysis and well-supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.	**21–25 marks**
Level 4	**Sound, focused analysis and some supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.	**16–20 marks**
Level 3	**Some reasonable analysis but generally unsupported evaluation that:** • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't well-supported by arguments and/or data.	**11–15 marks**
Level 2	**A fairly weak response with some understanding that:** • includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • includes some limited application of relevant economic principles and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes some evaluation which is weak and unsupported.	**6–10 marks**
Level 1	**A very weak response that:** • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes analysis which is, at best, very weak • includes attempted evaluation which is weak and unsupported.	**1–5 marks**

Relevant issues include:

- explanation of the changing nature of the market for motor vehicles, ie the growing market share of hybrids and EVs
- the role of governments in encouraging the change in the market
- explanation of how this change in the market is driving the need for large-scale production of batteries
- use of data in Extract D to explain the likely future demand for batteries in the UK
- assessment of the importance of the automotive industry to the UK economy
- the importance of batteries in other markets
- analysis of the impact of subsidies
- analysis of the multiplier effects of investment in gigafactories
- arguments in favour of continuing to provide subsidies for battery gigafactories:
  - explanation of why there is likely to be insufficient capacity without government subsidies
  - consideration of whether there is a need to match the subsidies given by other governments
  - assessment of the environmental/externality arguments, ie the need to reduce carbon emissions
  - evaluation of the case for supporting car manufacturing in the UK
  - consideration of how subsidies create employment and safeguard jobs in the automotive industry
  - explanation of how subsidies for gigafactories may support the balance of payments
  - discussion of how subsidies for gigafactories may support other sectors of the economy
  - discussion of how subsidies for gigafactories may support some of the less prosperous regions of the UK
  - assessment of the strategic arguments related to the importance of batteries in the future and not just in the automotive industry
- arguments against continuing to provide subsidies for battery gigafactories:
  - analysis of how subsidies distort comparative advantage and lead to a misallocation of resources
  - analysis of how subsidies can lead to inefficiency
  - discussion of whether the government should be supporting foreign firms through subsidies
  - consideration of the financial and opportunity costs of providing subsidies at a time when the UK has a large budget deficit and national debt
  - explanation of why it could mean higher taxes which may damage other sectors of the economy
  - discussion of whether it is better to import batteries from abroad more cheaply and benefit from subsidies given by foreign governments
  - evaluation of government failure arguments, perhaps linked to why governments may not be good at ‘picking winners’
  - assessment of whether changes in technology and creative destruction may mean the subsidies are wasted
- an assessment of whether other policies might be a better way to encourage firms to set up gigafactories in the UK
- an assessment of whether other policies might be a better way to support the UK car industry and/or deal with market failures such as environmental degradation
- an overall evaluation of the arguments for and against the UK Government continuing to subsidise firms to set up gigafactories to produce batteries
- a supported recommendation.

The use of relevant diagrams to support analysis should be taken into account when assessing the quality of a candidate’s response to the question.

An answer that does not include any evaluation or a supported recommendation must not be awarded more than 13 marks.

MAXIMUM FOR QUESTION 33: 25 MARKS