CARIBBEAN EXAMINATIONS COUNCIL

CSEC® ECONOMICS

Subject Report

May/June 2025

CARIBBEAN EXAMINATIONS COUNCIL

REPORT ON CANDIDATES' WORK IN THE

CARIBBEAN SECONDARY EDUCATION CERTIFICATE®

EXAMINATION

May/June 2025

ECONOMICS
GENERAL PROFICIENCY

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INTRODUCTION

The Caribbean Secondary Education Certificate (CSEC) Economics examination was offered in May/June 2025. The papers offered were as follows.

- Paper 01 — Multiple choice
- Paper 02 — Structured-question
- Paper 031 — School-Based Assessment (SBA)
- Paper 032 — Alternative for SBA (taken by private candidates)

Approximately 6590 candidates were entered for the examination. Approximately 69 per cent of candidates achieved acceptable grades (Grades I–III).

PAPER 01 — MULTIPLE CHOICE

Paper 01 consisted of 60 multiple-choice items. The paper was designed to test the entire syllabus. Approximately 69 per cent of candidates earned acceptable grades. The mean score was 41.68 out of 60 marks.

Paper 02 consisted of five compulsory questions. Each question was worth 20 marks. The mean score was 26.94 out of 100 marks.

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QUESTION 1

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This question tested candidates' ability to

- define the terms *production, productivity* and *economics*
- apply the concept of specialization to the tourism sector by linking it to increased output and improved quality
- connect economic advantages to real-world outcomes in tourism
- interpret an average cost curve and explain the effects of economies of scale on cost
- demonstrate an understanding of cost behaviour by identifying causes and correcting misconceptions.

Part (a)

For Part (a) (i), candidates were required to define the term *production*. It was attempted by most candidates. Although many candidates were able to correctly define production, some candidates were only able to score one mark. Some candidates defined production as the 'existence' or 'availability' of goods and services instead of *a process which involves converting inputs of resources or factors of production to outputs of goods and services.* In their responses, a few candidates included relevant scenarios where specific resources were converted or made into specific goods, which further demonstrated that some candidates understood the term.

Similarly, for Part (a) (ii), candidates were required to define the term *productivity*. It was attempted by most candidates. Although many candidates were able to define productivity correctly, some were only able to score one mark. Some candidates defined productivity as 'efficiency of production' rather than the *rate of converting inputs of resources to outputs of goods and services*. A few candidates included scenarios in their responses.

In Part (a) (iii), candidates were required to define the term *economics*. Although many candidates were able to define economics correctly, some candidates were only able to score one mark. Some candidates gave definitions of economics in which they failed to mention the concept of scarcity. Scarcity is the key element in why the study of decision-making and allocation of resources is so important.

Part (b)

Both Part (b) (i) and Part (b) (ii) appeared to be the most challenging sections for candidates. Although most candidates attempted these parts, many were only able to earn two of the four available marks.

In Part (b) (i), candidates generally explained how increased output could help or boost the tourism sector. However, many candidates failed to discuss how specialization contributes to this advantage and how it ultimately benefits the tourism sector. Some candidates illustrated how specialization can lead to increased output but did not fully explain how this advantage can strengthen the tourism sector. In several cases, candidates did not fully interpret Part (b) (i), as they did not make the link between specialization, its advantages and their effects on the tourism sector. Additionally, some candidates made no specific reference to tourism, tourists or any tourism-related goods and services, further indicating that such candidates did not interpret this question fully.

Similarly, in Part (b) (ii), most candidates were able to explain how producing better-quality goods and services could help or boost the tourism sector. However, many candidates failed to discuss how specialization contributes to this advantage and how it would ultimately help the tourism sector. Candidates who linked specialization to producing better quality goods and services did not fully explain how this advantage can lead to helping the tourism sector. Some candidates did not fully interpret Part (b) (ii), as they did not make the connection between specialization, its advantages and their effects on the tourism sector. Once more, the lack of specific references to tourism, tourists, or related goods and services suggests that some candidates did not interpret Part (b)(ii) appropriately.

Part (c)

Part (c) was the least attempted part. Many candidates who attempted it were only able to earn one or two marks. Although a diagram of an average cost curve was given as part of the stem, these candidates failed to show how the effect of economies of scale is illustrated on the curve. Some candidates correctly defined economies of scale and included its causes. However, these candidates gave an incorrect explanation of its effect on average cost. Based on their responses, these candidates perceived an increase in average cost as an advantage of economies of scale.

Similarly, in Part (c) (ii), a diagram of an average cost curve was given and many candidates scored only one or two marks. While some candidates correctly defined diseconomies of scale and identified its causes, they often failed to explain how it is represented on the cost curve. Many candidates incorrectly stated that a decrease in average cost is a disadvantage of diseconomies of scale.

QUESTION 2

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This question tested candidates' ability to
- define and provide examples of goods and services, highlighting their role in satisfying customer wants and needs
- differentiate between fixed and variable costs in the context of a specific business
- provide relevant examples of fixed and variable costs based on business scenarios
- interpret and construct demand and supply diagrams to illustrate the relationship between surplus and equilibrium price
- explain how market forces act to restore equilibrium in the presence of a surplus.

Part (a)

Overall, Part (a) (i) was well done. Candidates were required to define the term *goods* and give an example of such. Most candidates accurately stated that goods are tangible and are created to satisfy customers' wants and needs. They also provided an appropriate example. Many candidates gained full marks for Part (a) (i). However, a few candidates scored two marks because they did not include the impact of goods on customer satisfaction.

Part (a) (ii) was well done. For this part, candidates were required to define the term *services* and to provide an example of such. Most candidates accurately stated that *services are an intangible resource that satisfies customers' wants and needs* and they provided an appropriate example. Candidates who did such scored the full three marks. Although most candidates provided a correct example of a service, some of them provided a partial definition in which they did not mention the significance of customer satisfaction. Such candidates scored two marks.

Part (b)

Part (b) (i) was fairly well done. Candidates were asked to discuss fixed costs in relation to the business mentioned in the given scenario. A few candidates accurately defined fixed cost as *costs that do not change with output*. These candidates also provided two relevant examples of fixed costs that could be incurred by the type of business mentioned in the scenario. These examples included *securing suppliers, prototype testing, research and development, financing loans, capital investment* or *insurance.* Such candidates earned the full four marks. However, most candidates were given two to three marks as they gave a partial response. Although candidates recognized that fixed costs do not change, they did not speak to the relevance of the concept to output. Some candidates chose to define fixed cost by utilizing a formula. These candidates scored zero marks. Other candidates confused the definition and examples of variable cost with fixed cost. There were also candidates who failed to relate the examples to the business mentioned in the scenario.

Candidates performed fairly well on Part (b) (ii). They were required to discuss variable costs in relation to the business mentioned in the given scenario. Few candidates correctly explained that variable costs *are costs that change with output* and included relevant examples such as *purchase of raw material, utilities* and *labor cost.* In doing so such candidates earned the full four marks. Based on the responses given by candidates, it seemed that they had a limited understanding of the concept of variable cost. Many candidates neglected to explain its significance for output. Instead of providing a definition, some candidates stated the formula for variable cost. Candidates who did such were awarded zero marks. Additionally, some candidates' definitions and examples were related to fixed cost rather than variable cost. A few candidates included examples that were unrelated to the business in the scenario.

Part (c)

For Part (c), candidates were required to illustrate and explain the relationship between a surplus and an equilibrium price. Overall, this part was done fairly well. Very few candidates earned the full six marks which were awarded for correctly drawing and labelling the demand and supply curves, identifying the equilibrium price and surplus, and providing an accurate explanation of the relationship between the two variables. Some candidates confused the slopes of demand and supply curves while others incorrectly labelled the diagram. Most candidates correctly indicated the equilibrium price but failed to show the surplus area as being above the equilibrium point. Most candidates accurately defined a surplus as *supply being greater than demand* but failed to show a deeper understanding of the relationship by explaining that the price would fall towards the equilibrium.

QUESTION 3

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This question tested candidates' ability to
- accurately define economic terms (market *structure*, *public goods*, *market failure*)
- apply economic theory to real-world contexts (reasons an electric company may become a monopoly)
- interpret and correctly label curves on an economic diagram
- use data from a graph to calculate monopoly profit.

Part (a)

For Part (a) (i), candidates were required to recall the definition for *market structure*. Most candidates attempted Part (a) (i). However, many candidates failed to earn the full two marks, as they provided definitions for economic systems and market instead. A significant number of candidates provided only partial responses and were awarded one mark. Only a small percentage of candidates earned full marks. However, it must be noted that in many responses, candidates showed that they possessed knowledge of the concept, as many of them listed the four types of market structures.

In Part (a) (ii), candidates were asked to define *public goods*. This part was worth two marks. Although the response rate was high, many candidates did not earn full marks. Many of them earned only one mark, as it was evident that they had some knowledge of the concept but were unable to clearly define it based on its two key characteristics. In most cases where candidates earned one mark, their responses centred around the non-excludable feature of a public good. The term *free goods* was frequently used in the definitions provided. Similarly, several candidates defined *a public good* as a natural resource. Many candidates correctly identified examples of public goods, even though providing examples was not required. In cases where full marks were awarded, the responses were clear and concise.

In Part (a) (iii), candidates were required to define *market failure*. Response rates were high and several candidates demonstrated a clear understanding of the concept and so they earned full marks. However, many candidates simply equated market failure with a shortage in the goods market and a few incorrectly defined it as a "crash in the market".

Part (b)

Candidates were asked to discuss two reasons why an electric company may become a monopoly. This part was worth eight marks. While the response rate was high, many candidates did not understand what was required. In several instances, candidates explained why an electric company might wish to remain or become a monopoly, rather than outlining the factors that give rise to its monopoly power. A few candidates provided clearly articulated responses but these responses were limited in content and so these candidates earned only three to four marks. A few of them achieved five to six marks. Additionally, several candidates merely listed the characteristics of a monopoly without directly referring to the question. Overall, this part was poorly done.

For Part (c) (i), candidates were given a graph showing monopoly profit and they were required to correctly label the average revenue/demand, marginal cost and average total cost curves. Candidates performed fairly well. On average, a large proportion of candidates earned one to two marks, while a relatively large number of them achieved full marks.

Part (c) (ii) was an application question. Candidates were asked to calculate the monopoly profit using the figures from the given diagram. Many candidates did not provide a response. After analysing the working provided by candidates when calculating the profit, it was determined that some of them lacked mathematical skills and an understanding of the relevant economic concepts. Overall, Part (c) (ii) was poorly done. Less than one per cent of candidates earned full marks.

QUESTION 4

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This question tested candidates' ability to

- identify characteristics and challenges of Caribbean economies
- apply transactionary and speculative motives for money demand
- calculate GNP and distinguish it from GDP
- interpret the impact of foreign income on national accounts.

Part (a)

Part (a) was a knowledge-based question. Part (a) (i) tested candidates' knowledge of the characteristics of the Caribbean economies. While a moderate number of candidates were able to identify characteristics such as _small size/market, openness, dependence on agriculture/tourism and high debt levels_, many candidates confused characteristics with challenges. The mean score for Part (a) (i) was two out of three.

Part (a) (ii) tested candidates' knowledge of the challenges faced by Caribbean Economies. Many candidates identified challenges such _high unemployment, brain drain_ and _vulnerability to natural disasters or climate change_. Generally, very few candidates were able to identify challenges that were brought about by key inhibiting challenges such as _high cost of borrowing due to high debt levels, limited access to markets due to inability to produce at a large scale_ and _at lower costs_. The mean score for Part (a) (ii) was one out of three.

Part (b)

Part (b) tested candidates' application of the concepts of motives associated with demanding money. Part (b) (i) required a discussion on the term _transactionary motive_ while Part (b) (ii) focused on the term _speculative motive_.

For Part (b) (i), many candidates were able to identify that a Christmas bonus would increase income and increase purchases. A few candidates recognized that a Christmas bonus would lead to greater levels of transactions on regular day-to-day purchases during this period. A few candidates also provided a basic definition of the motive being discussed in this part. The mean score was two out of four.

For Part (b) (ii), a moderate number of candidates identified that _a stock market crash would discourage further investment and lead to the selling of stocks ahead of the crash_. A few candidates noted that funds received from selling stocks could be invested in less risky assets, increasing the demand for money, or alternatively, the funds could be saved, decreasing the demand for money. A few candidates proffered a basic definition of the motive under discussion. The mean score was also two out of four.

Part (c)

Part (c) focused on candidates' interpretation and analysis skills. For Part (c) (i), candidates were required to calculate the gross national product (GNP) for a given country using data based on expenditures. In Part (c) (i) candidates received the lowest scores. The mean score was less than one out of three. While some candidates were able to calculate the gross domestic product (GDP), many were unable to extend their calculations to determine the GNP. Approximately 50 per cent of candidates were unable to provide answer. Only a small number of candidates earned full marks by correctly applying the formula and accurately calculating GNP levels.

In Part (c)(ii), candidates were asked to categorize the income received. Most candidates answered correctly, though a few misclassified the income. The mean score was one out of one.

For Part (c)(iii), candidates were required to state the impact of Jonah's income on the GNP and GDP of Country B. The mean score was one out of two. Most candidates correctly noted that GDP would remain unchanged if the expenditure approach was used or would increase if the income approach was applied. However, many of them failed to recognize that because the income originated from abroad, it does not contribute to GNP.

QUESTION 5

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This question tested candidate's ability to
- identify components of the balance of payments and key trade-related concepts
- explain benefits of preferential trade agreements, particularly with the EU
- interpret exchange rate movements using a graph
- identify factors influencing exchange rate changes

Part (a)

Candidates were required to identify the three components of the balance of payments such as the current account, the capital account and the official reserves account. Many candidates were unable to accurately identify the three components.

Part (b)

In Part (b) (i), candidates were asked to identify the trade concepts that related to the definitions given. Most candidates were unable to give accurate answers.

For Part (b) (ii), candidates were required to identify the concept of balance of payments disequilibrium, however many candidates were unable to do so.

In Part (b) (iii), candidates were asked to identify the concept of a tariff. Most candidates ably identified a tariff, although a few candidates incorrectly identified a common external tariff.

Part (c)

Candidates were asked to describe four ways in which the Caribbean could benefit from preferential agreements with the European Union. Most candidates were unable to provide an accurate explanation and therefore scored no marks. Some astute candidates proficiently explained that an increase in foreign exchange earnings could strengthen the exchange rate of Caribbean countries by boosting export revenues.

Additionally, an increase in export earnings could assist in reducing the deficit on the balance of payments and the national debt. Furthermore, many candidates noted that increased exposure through the preferential agreement could boost tourism in Caribbean countries. Some candidates incorrectly described the benefits of economic integration, while weaker candidates were unable to provide any response.

Part (d)

In Part (d) (i), candidates were required to use the graph provided to explain whether there was an appreciation or depreciation. Most candidates correctly stated that there was an appreciation. Stronger candidates further explained that the appreciation resulted from an increase in demand, which required more Euros to purchase the US dollar. Weaker candidates, however, were unable to provide an explanation and therefore could not earn full marks.

For Part (d) (ii), candidates were required to briefly explain a factor that caused the rightward shift in the demand for the US dollar. Proficient candidates were able to explain that an increase in the demand for US exports led to an increase in the demand for the US currency to purchase their goods. Additionally, some candidates noted that an increase in the number of people wishing to travel to the US resulted in a greater demand for the US currency, contributing to an appreciation of the currency. However, most candidates were unable to explain any factor accounting for an appreciation of the exchange rate.

PAPER 031 — SCHOOL-BASED ASSESMENT

The 2025 CSEC Economics SBA assessed students' ability across the Knowledge/Comprehension, Application, and Interpretation and Analysis profile dimensions of the syllabus. It required students to use their critical thinking, problem-solving, communication, research, and data interpretation skills.

Table of Contents (1 mark)

Most students earned this mark by presenting a properly formatted table of content.

Topic (2 marks)

The topics chosen by students were good and within the scope of the syllabus. The most common topics used were related to demand and supply, particularly studies of elasticity, as well as unemployment and inflation. In most cases, the topics were very well defined. Students were largely able to clearly state the problem or issue under investigation and highlight the population of interest in the research. However, it was noted that in cases where students were unable to clearly state their topic, the overall quality of the SBA was affected.

Objectives (2 marks)

Most students presented two well written objectives to earn full marks. In most cases, objectives were realistic relative to the topic. Objectives were generally achievable within the scope of the research.

Background (4 marks)

While most students presented some history and development of the issue, some failed to adequately contextualize the information to establish why the research was needed or what its expected impact would be. In attempting to outline the impact, some students overstated the impact beyond what could be considered a reasonable target population

Methodology (10 marks)

Most students did not fully present their methodology as outlined in the SBA guidelines. While most students adequately described their data collection instrument, they did not adequately describe the data collection method. Students continue to present advantages of the data collection instruments used as justification for the data collection method. Furthermore, some students presented the disadvantages of the data collection instrument as the limitations of the research. In other instances, students presented issues relative to the dynamics of the SBA group such as, group members did not cooperate with each other as limitations of the research.

Presentation of Data (10 marks)

Most students used charts, graphs and/or tables to present the data collected. However, in many cases, these were not properly labeled. Additionally, the choice of graphs to present the data was often limited and inappropriate. Most candidates simply repeated the information presented in the charts, graphs and/or tables and did not attempt any real analysis of the data presented. The correct use of statistical terms when analysing the data requires much improvement. Furthermore, most students did not clearly caption and state the findings of the research.

Conclusion (4 marks)

Most students did not provide an adequate summary of their SBA. While many students correctly summarized the findings of the study, they failed to link these findings to the purpose or objectives of the research.

Recommendations (4 marks)

Most students were able to present two recommendations. However, in some cases, the students' recommendations were generic and not tailored to the particular population of interest.

Bibliography (1 mark)

Most students did not present a bibliography that was satisfactorily formatted and therefore failed to earn the mark allotted.

Overall Presentation (2 marks)

Most students earned the two marks allotted, as the SBAs were generally well presented in terms of the use of English and formatting.

PAPER 032 — ALTERNATIVE TO SCHOOL-BASED ASSEAMENT

This paper tested candidates' knowledge, interpretation, analysis and application of key concepts in the CSEC Economics syllabus. Paper 032 serves as an alternative to the SBA. It is taken by private candidates and it assesses their understanding and application of key economic concepts through a case study.

The highest score earned by a candidate was 27 out of 40. The mean percentage was 23.17 per cent, which represents a significant decline, compared with 33.48 per cent in 2023. Overall, the performance of candidates was poor.

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QUESTION 1

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This question tested candidates' ability to define economic terms accurately and to identify and describe the defining characteristics of different market structures.

Part (a)

Most candidates were able to correctly define the monopoly market structure. However, weaker candidates often gave incomplete definitions. While some candidates correctly noted the existence of buyers and sellers within the monopoly, others failed to accurately specify that there is only one seller for this market structure.

Part (b)

Similarly, most candidates were able to correctly define perfect competition. Weaker candidates did not indicate the type of goods sold under this market structure.

QUESTION 2

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This question primarily focused on the Knowledge and Comprehension profile dimension, requiring candidates to recall definitions and explain basic economic ideas accurately and completely.

Part (a)

Most candidates partially defined a *market* by indicating that buyers and sellers meet or communicate but did not identify an exchange of goods and services.

Part (b)

Most candidates defined an *economy* by identifying, through various means, that production, consumption and distribution take place. However, weaker candidates were only able to identify one of these defining features.

Part (c)

Most candidates partially defined *debt burden*. While many showed a clear understanding of what debt is, often describing it as money owed or financial obligations, the burden aspect of the term was frequently overlooked or inadequately explained.

QUESTION 3

Part (a)

A very small percentage of candidates provided acceptable reasons for inflation. These candidates generally referenced cost-push and demand-pull inflation, demonstrating a basic understanding of the underlying causes which are increased production costs or excessive aggregate demand.

Part (b)

Similarly, only a very small percentage of candidates provided acceptable reasons for recession. These responses included references to factors that contribute to a decline in economic activity, such as reduced consumer spending, falling investment levels or external shocks.

QUESTION 4

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Part (a)

Only a few candidates demonstrated how contractionary monetary policy can be used to control inflation. Some candidates correctly identified contractionary monetary policy measures such as reducing the supply of money by increasing interest rates but did not explain how this would make borrowing more expensive, thereby reducing spending and easing pressure on prices.

Part (b)

Few candidates demonstrated how government training programmes can be used to reduce unemployment. Some candidates indicated that these programmes could train the unemployed but failed to connect this action to the reduction of unemployment.

Part (c)

A few candidates demonstrated how expansionary fiscal policy can be used to control recession. Some candidates mentioned expansionary measures such as increasing government spending or cutting taxes but did not explain how these actions stimulate economic activity.

QUESTION 5

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This question tested candidates' ability to
- perform and interpret basic economic calculations
- apply economic reasoning by linking the balance of payments (BOP) to broader economic outcomes
- apply economic concepts in a real-world context.

Part (a)

Very few candidates calculated the balance of trade correctly in Part (a) (i). This showed that candidates possessed a limited understanding of the difference between exports and imports. Very few candidates calculated the balance of trade correctly. This showed that such candidates understood that the balance of trade is the difference between exports and imports.

In Part (a) (ii), very few candidates calculated the yearly balance of payments (BOP). However, despite the miscalculations, most candidates were still able to identify whether the BOP value indicated that there was a surplus or a deficit.

Part (b)

Most candidates focused on general ways to reduce unemployment that were not directly linked to the BOP. Nonetheless, a few candidates provided more relevant and insightful responses. For example, some candidates indicated that a surplus in the balance of payments could provide extra funds for governments to invest in new projects, thereby creating employment opportunities and initiating the circular flow of income.