Cambridge International Education

Cambridge IGCSE™

ECONOMICS **0455/23**

Paper 2 Structured Questions **May/June 2026**

MARK SCHEME

Maximum Mark: 90

Published

This mark scheme contains the instructions and marking guidance that our examiners used to mark candidate responses for this component.

Before they start marking, examiners complete a standardisation process. They review a range of candidate responses and discuss the mark scheme in detail to agree which answers can and cannot be accepted. Examiners award marks where it is clear that candidate responses have met the requirements of the mark scheme. These requirements may vary between different components or different versions of the same component, depending on the exact requirements of the question and the candidate responses seen during the standardisation process.

Sometimes, our mark schemes may allow marks to be awarded to responses which contain elements that are factually incorrect or for content not covered by the syllabus. We do this in response to the demands of a specific question to support candidates and make sure that our assessments are fair. However, these allowances should not be used as a guide for teaching and learning.

We cannot discuss the mark scheme with schools, and we recommend that schools read the mark scheme together with the assessment material and the Principal Examiner Report for Teachers.

General marking principles

All examiners must apply these marking principles when marking candidate responses.

1	Examiners must award marks for each response in line with: • the specific **content** defined in the mark scheme • the specific **skills** defined in the mark scheme or in the level descriptions • the **standard of response** required as exemplified by the standardisation scripts.
2	Examiners must award **whole marks** (not half marks, or other fractions).
3	Examiners must award marks **positively**. This means that: • marks are not deducted for errors or omissions • marks are awarded for correct/valid answers as defined in the mark scheme and also for **other valid answers** which go beyond the scope of the syllabus and mark scheme referring to your team leader as appropriate • the quality of spelling, punctuation and grammar are judged **only** when the mark scheme indicates that these features are **specifically assessed** in the question. However, the meaning of all responses must be unambiguous.
4	Examiners must **consistently** apply the requirements of the mark scheme and any rules for what to do when candidates have not followed instructions correctly.
5	Examiners must use the **full range of marks** defined in the mark scheme, unless limited by the quality of the candidate responses seen.
6	Examiners must award marks according to the mark scheme and **must not** award marks with grade thresholds or grade descriptions in mind.

Social Sciences-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. corrasion/corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

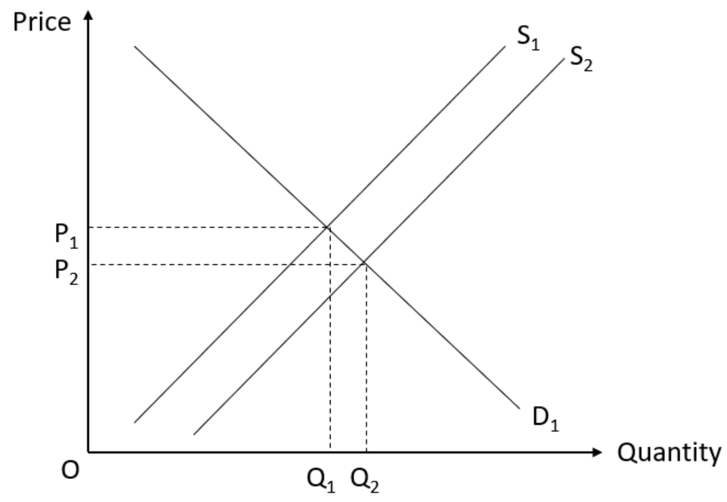
The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	**Meaning**
?	Uncertain what the candidate means – an illogical line of thought
BOD	Benefit of the doubt
BP	Blank page
^	Caret – a word is missing.
CON	Confused
✗	Cross
Highlighter	Highlight
L0	Nothing creditworthy
L1	Level 1

Annotation	Meaning
L2	Level 2
L3	Level 3
MAX	MAX
NAQ	Not answered question
NE	Not established – a statement made without any support
REP	Repetition
SEEN	SEEN
✓	Tick – a credit worthy point
TV	Too vague
On-page comment	To be used when a candidate has misidentified a question they have answered e.g.: This is an answer to **Q4(c)** and not **Q5(c)**.

Question	Answer	Marks	Guidance
1(a)	**Calculate the total contribution of the insurance industry to the Isle of Man's GDP.** $1.26 bn	**1**	Accept 1.3 bn or 1.26 bn = 1 260 000 000
1(b)	**Identify <u>two</u> factors of production that have moved to the Isle of Man.** • Labour (1) • Capital (1)	**2**	
1(c)	**Explain <u>one</u> macroeconomic aim of the government that has been achieved in the Isle of Man.** High GDP growth rate (1) more output / more goods and services in the economy (1) Low unemployment (1) people who are willing and able to find a job were able to find jobs / fewer people out of the labour force cannot find a job (1)	**2**	
1(d)	**Explain the difference between fiscal policy and monetary policy.** Logical explanation which might include: Fiscal policy is when the government changes (1) government spending / taxes / levels of government borrowing / government budget (1) Monetary policy is when the central bank / monetary authority (1) changes money supply / interest rates / exchange rates (1)	**4**	

Question	Answer	Marks	Guidance
1(e)	**Draw a demand and supply diagram to show the effect of lower energy costs on the market for processed food.** D and S diagram: Axes correctly labelled – price and quantity, or p and q (1). Original demand and supply curves correctly labelled (1). New supply curve shifted to the right (1). Equilibriums – shown by lines P_1 and Q_1 and P_2 and Q_2 or equilibrium points marked as E_1 and E_2 (1).	**4**	

Question	Answer	Marks	Guidance
1(f)	**Analyse the relationship between the percentage of energy generated from renewable sources and life expectancy.** Coherent analysis which might include: **Expected relationship (up to 2 marks):** Positive / direct relationship (1) the greater the percentage of energy that is generated from renewable resources, the higher the life expectancy (1) **Supporting evidence (up to 2 marks):** Iceland, the country with the highest percentage of renewable energy, has the highest life expectancy (1). Timor-Leste, which is the country with the lowest percentage of renewable energy has the lowest life expectancy (1). **Explanation of expected relationship (up to 2 marks):** A higher percentage of energy from renewable sources will lead to less pollution / cleaner air / cleaner environment (1) therefore people are healthier / less illness / example of illness such as asthma (1) **Exception (up to 2 marks):** Bangladesh / Oman (1) Bangladesh has a lower percentage of renewable energy but higher life expectancy than Oman (1). **Explanation of exception (1 mark)** There are other factors that affect life expectancy / example that affects life expectancy, e.g. income, healthcare etc. (1).	**5**	Responses do not have to be in the format suggested but they should address the expected/normal relationship, offer supporting evidence of that, highlight any exceptions to that, and analyse the overall data. Accept comparison of any two countries that demonstrate the supporting evidence.

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>1(g)</td><td>Discuss whether or not increased government spending on the airport will benefit the economy of the Isle of Man.

Award up to 4 marks for logical reasons why it might, which may include:
• shifts the economy’s production possibility curve to the right / economic growth (1) increase the supply of raw materials / more factors of production (1) more investment / capital inflows (1)
• increase number of employees / labour force (1) increased incomes (1) increased total demand (1)
• improved airport buildings (1) increasing productivity / output (1)
• more flights / fewer flight cancellations (1) more visitors / tourists
• spending money (1) more exports (1) current account improves (1)

Award up to 4 marks for logical reasons why it might not and may include:
• airport users / other industries may be dissatisfied by insufficient spending on other projects (1) may be used inefficiently (1) may cause external costs / pollution / damage the environment (1)
• increased budget deficit (1) opportunity cost (1) e.g. spending on infrastructure, education … (1)
• more imports (1) current account deteriorates (1)</td><td>6</td><td>Apply this example to all questions with the command word DISCUSS
(1(g), 1(h), 2(d), 3(d), 4(d) and 5(d))

Each point may be credited only once, on either side of an argument, but separate development as to how/why the outcome may differ is rewarded.

<table><tr><th>Generic example</th><th>Marks</th></tr><tr><td>Tax revenue may decrease…</td><td>1</td></tr><tr><td>...because of reason e.g. incomes may be lower.</td><td>1</td></tr><tr><td>Tax revenue may increase because incomes may be higher i.e. reverse of a previous argument.</td><td>0</td></tr><tr><td>Tax revenue may increase because of a different reason i.e. <u>not</u> the reverse of a previous argument e.g. government spending on subsidies may stimulate the economy more than spending on education.</td><td>1</td></tr></table></td></tr>
</table>

Question	Answer	Marks	Guidance
1(h)	**Discuss whether or not companies should invest in the Isle of Man.** Award up to 4 marks for logical reasons why they should invest, which may include: • to take advantage of free trade with neighbouring countries (1) easy to export / import (1) no (cost of) tariffs / lower costs (1) increasing revenue (1) higher profits (1) • low unemployment (1) availability of foreign workers (1) who may be attracted by the low cost of living (1) increase labour supply (1) reduce the cost of labour (1) reduce costs of production (1) • high growth rate (1) attractive fiscal policies (1) potential for firms to grow / high profits (1) Award up to 4 marks for logical reasons why they should not invest, which may include: • small domestic market (1) not enough demand (1) reducing revenue (1) insufficient supporting industries (1) difficult to obtain raw materials / semi manufactured goods / supporting services (1) higher costs (1) lower profits (1) • foreign workers may only stay for a few years (1) difficult to keep workers in the same job (1) firms have to continuously recruit / train new workers (1) increase costs of recruitment / training (1)	**6**	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>2(a)</td><td>Define ‘multinational companies.

Multinational companies are firms / businesses with headquarters in one country (1) that operate / produce / outlets in more than one country (1) earn revenue / profits outside their home country (1)</td><td>2</td><td></td></tr>
<tr><td>2(b)</td><td>Explain <u>two</u> types of unemployment.

Logical explanation which might include:
frictional unemployment / search unemployment (1) temporary unemployment / when workers are between jobs / searching for jobs (1)
structural unemployment (1) unemployment due to the decline of specific industries / skills do not match the demand in the economy / due to occupational immobility (1).
cyclical unemployment / demand-deficient unemployment (1) lack of spending / lack of demand for goods and services in the economy causes the demand for labour to be low (1)
seasonal unemployment (1) when seasons / weather changes affect the demand for labour (1)</td><td>4</td><td>One mark each for each of two reasons identified and one mark for each of two reasons.

Accept but do not expect:

regional unemployment (1) industries declining in particular parts of the country (1)

technological unemployment (1) workers losing their jobs due to advances in technology (1)

voluntary unemployment (1) when workers choose not to work (1)</td></tr>
</table>

Question	Answer	Marks	Guidance
2(c)	**Analyse how membership of a trade union can affect workers.** Coherent analysis which might include: • high bargaining power / collective bargaining (1) industrial action / strike (1) achieving higher wages (1) reduced hours / better working conditions / job protection (1) higher living standards (1) • offer training for workers (1) higher productivity (1) higher output (1) increased employment / better job prospects (1) • higher costs of production if wages rise (1) lower profits (1) lower output (1) higher unemployment (1) • may disagree with union objectives (1) have to take industrial action / strike (1) lose pay (1) • have to pay membership fees (1) less to spend on other items (1) • may increase job security (1) trade unions resisting cuts in employment (1).	**6**	Max 3 marks for simply listing the effects without explanations.

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<tr><td>2(d)</td><td>Discuss whether or not international trade benefits firms.

In assessing each answer, use the table opposite.

Why it might:
• lower costs as raw materials / capital goods can be purchased from lower-cost producers
• increase choices as firms can import goods from other countries
• better quality of goods for firms as firms now compete with competitors from all over the world
• international trade could lead to firms expanding as they have access to larger markets and can export output
• more sharing of knowledge and innovation leading to better quality products
• more economies of scale leading to lower costs.

Why it might not:
• over-dependence on foreign suppliers
• too much competition from foreign firms which might have lower costs
• firms from other countries might have more government support
• foreign firms may engage in dumping
• foreign firms may be applying lower health and safety standards.</td><td>8</td><td>
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.</td><td>6–8</td></tr>
<tr><td>2</td><td>A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.</td><td>3–5</td></tr>
<tr><td>1</td><td>There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.</td><td>1–2</td></tr>
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Question	Answer	Marks	Guidance
2(d)			<table><tr><td>Level</td><td>Description</td><td>Marks</td></tr><tr><td>0</td><td>A mark of zero should be awarded for no creditable content.</td><td>0</td></tr></table>

Question	Answer	Marks	Guidance
3(a)	**Define 'inelastic supply'.** When percentage change in quantity supplied / the responsiveness of quantity supplied (1) is less than the (percentage) change in price (1). When PES < 1 (1)	**2**	Accept an answer referring to unresponsive supply, i.e. perfectly inelastic (1)
3(b)	**Explain how growth in the primary sector can help economic development.** Logical explanation which might include: • growth of the primary sector may provide more jobs (1) e.g. in rural areas / coastal communities (1) increasing incomes /living standards (1) • increased output in primary products may reduce their prices (1) increasing demand for the products / economic growth (1) • growth of the primary sector may increase the supply of raw materials (1) reducing their prices (1) increasing output in secondary industries (1) • may increase tax revenue (1) allows more government spending on e.g. education / healthcare (1) improving years of schooling / life expectancy (1) • may increase products for export (1) reduce imports of raw materials (1) increasing total demand / economic growth (1) • may produce more food (1) increasing life expectancy (1) improving the HDI (1)	**4**	Credit a particular outcome e.g. life expectancy, economic growth or HDI only once.

Question	Answer	Marks	Guidance
3(c)	**Analyse the causes of an increase in the sales of a product.** Coherent analysis which might include: • lower prices (1) increase quantity demanded for a product (1) as consumers can afford more of the product (1) • higher prices of substitutes (1) consumers will buy less of the more expensive alternatives / competitors to the product (1) example (1) • lower prices of complements (1) consumers will buy more products that are usually used together (1) example (1) • better advertising / promotion / brand image / fashion / trends (1) increasing awareness of the product (1) • higher incomes (1) increase purchasing power (1) • higher quality product (1) makes it more desirable (1) e.g. last longer, better taste (1). • lower cost of production decreasing prices (1) such as lower cost of labour (1) • advances in technology (1) increasing supply (1) • reduction in indirect taxes (1) reducing prices (1)	**6**	Max 3 marks for simply listing the causes without an explanation. Max 3 marks for a static answer with no dynamic notion of an increase in sales e.g. low / lower. Credit lower / decreasing prices only once.

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<tr><td>3(d)</td><td>Discuss whether or not subsidies to farmers are beneficial for an economy.

In assessing each answer, use the table opposite.

Why it might be beneficial:
• reduce cost of production
• increase employment in the industry
• increase investments, increasing total demand.
• protects domestic producers
• increase international competitiveness
• reduces underproduction
• reduces prices, increase affordability/reduces poverty.

Why it might not be beneficial:
• increase budget deficit
• leads to complacency, reducing efficiency
• opportunity cost for the government
• government may have to increase taxes
• leads to overproduction.</td><td>8</td><td>
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4(a)	**Identify <u>two</u> influences on saving.** • income (1) • the rate of interest (1) • confidence of savers (1)	**2**	If more than two influences identified, consider the first three.
4(b)	**Explain the difference between a central bank and a commercial bank.** Logical explanation which might include: • a central bank is the reserve bank / monetary authority of a country / government owned (1) in charge of the implementation of monetary policy / controls the supply of money in the economy / sets interest rates (1) • regulates the financial industry (1) banker to the government (1) • lender of last resort to other banks in the country (1) bank for other banks (1) • a commercial bank is a bank that provides retail services (1) privately owned / aims to make profits (1) • takes deposits / savings (1) for individuals and firms / for the general public (1) • lends money in the form of loans, overdrafts and mortgages (1)	**4**	Max 3 marks for only explaining either a central bank or a commercial bank.

Question	Answer	Marks	Guidance
4(c)	**Analyse how higher interest rates can affect firms.** Coherent analysis which might include: • Higher interest rates will lead to higher returns from savings (1) more people save (1) fewer people borrow (1) fewer people consume goods and services (1) decreasing demand for firms' products (1) decreasing firm's revenue (1) reducing profits (1) some firms may go out of business (1) • Higher interest rates increase the cost of borrowing (1) higher overall cost of production (1) fewer firms will borrow (1) because of a fall in their (potential) profitability (1) reducing investment / potential expansion / growth of the firm (1)	**6**	

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<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>4(d)</td><td>Discuss whether or not a fall in the foreign exchange rate of a currency is an advantage for an economy.

In assessing each answer, use the table opposite.

Why it might be an advantage:
• price of exports decreases increasing price competitiveness of exports, leading to higher exports, and lower trade deficit
• increase total demand for the economy leading to economic growth
• increase demand for exports leading to increase demand for labour, decreasing unemployment
• less demand for imports increases the demand for domestic substitutes.

Why it might not be an advantage:
• increase price of imports leading to higher cost of imported raw materials / semi-finished goods, increasing cost of production for domestic firms
• increase price of imports leading to higher cost of imported goods and services for final consumers, cost-push inflation
• greater demand for exports, higher total demand, demand-pull inflation
• some firms may try to cut cost by letting go of some workers, increasing unemployment
• higher price of imports could worsen current account balance if PED of imports is inelastic.</td><td>8</td><td>
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Question	Answer	Marks	Guidance
5(a)	**Define 'productivity'.** Productivity is the rate of production / level of output per worker (1) per time period / per hour (1) it measures efficiency (1)	**2**	Accept but do not expect productivity in terms of another input / factor of production, e.g. capital
5(b)	**Explain <u>two</u> examples of market failure that may occur in an economy.** Logical explanation which might include: • public goods / products that are non-rival and non-excludable are not provided by the market (1) e.g. streetlights, lighthouses etc. (1) • merit goods / products with external benefits / positive externalities / products that are under-consumed by the market (1) e.g. education, healthcare etc. (1) • demerit goods / products with external costs / negative externalities / products overconsumed by the market (1) e.g. cigarettes, petrol or diesel cars etc. (1) • monopoly power / high prices / poor quality (1) e.g. water companies, smartphones etc. (1) • factor immobility (1) e.g. labour can't move from one place to another / one job to another / structural unemployment in certain areas (1)	**4**	One mark each for each of two reasons identified and one mark for each of two reasons. Accept any relevant examples of market failure. If more than two examples are given, consider the first three

Question	Answer	Marks	Guidance
5(c)	**Analyse how supply-side policy measures may enable the government to achieve its macroeconomic aims.** Coherent analysis which might include: • labour market reforms (1) such as reducing trade union power / reducing national minimum wage (1) making it easier for firms to hire workers / more incentives for people to seek employment (1) decreasing unemployment (1) • some of the higher output may be exported (1) reducing the current account deficit / increasing current account surplus (1) • education and training (1) will lead to a more qualified / skilled labour force (1) better employment prospects / lower unemployment (1) increasing productivity (1) increasing total supply / national output / economic growth (1) • lower income taxes (1) increase disposable incomes (1) may improve incentives to work (1) as disposable income is higher (1) • lower corporation tax / business taxes (1) may improve incentives to invest (1) as profits after tax would increase (1) increasing investment (1) leading to economic growth (1) • deregulation (1) reduced barriers to entry / more competition (1) lower prices / improved quality of the products (1) increased export demand (1) current account deficit reduces / surplus increases (1) • privatisation (1) profit-incentive for firms (1) leading to increased efficiency / better use of available resources (1) increased national output / economic growth (1) • subsidies to firms (1) to boost (long-term) economic growth (1) reduce firms' costs (1) reduce (cost-push) inflation (1)	6	Credit the same point, e.g. create economic growth, only once. Maximum 2 marks for listing macroeconomic aims or supply side measures.

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>5(d)</td><td>Discuss whether or not advances in technology are beneficial for workers.

In assessing each answer, use the table opposite.

Why it might be beneficial:
• increase productivity of labour as there is technology that can help workers do their jobs
• increase availability of jobs in the high-tech sector/ skilled jobs
• increase job options as workers can work from home / work from anywhere, increase geographical mobility of workers
• easier to find jobs online
• easier to gain knowledge to be able to take up jobs, increasing occupational mobility
• increase firm’s revenue which may increase wages of workers

Why it might not be beneficial:
• it might lead to job losses as advanced technology could do the jobs of human workers
• decreases wages as there is decrease in demand for workers
• lead to workers being lazy and physically unhealthy.</td><td>8</td><td>
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</table>

Question	Answer	Marks	Guidance
5(d)			<table><tr><td>Level</td><td>Description</td><td>Marks</td></tr><tr><td>0</td><td>A mark of zero should be awarded for no creditable content.</td><td>0</td></tr></table>