Cambridge IGCSE™

ECONOMICS **0455/22**

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

2 hours 15 minutes

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You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS
- Answer **four** questions in total:
  Section A: answer Question 1.
  Section B: answer **three** questions.
- Follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.
- You may use a calculator.

INFORMATION
- The total mark for this paper is 90.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **8** pages. Any blank pages are indicated.

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Section A

Read the source material carefully before answering Question 1.

Source material: Employment and unemployment in Kuwait

Kuwait fact file	2023
labour force	2.4m
gross domestic product (GDP)	$160bn
surplus on the current account of the balance of payments	$64bn

Kuwait, a country in the Middle East, has a relatively large current account surplus. Countries, including China, India and South Korea, buy oil and electrical equipment from Kuwait. These countries' firms also pay to have ships insured in Kuwait and for financial advice from Kuwaiti banks. Products that are exported create employment and income. However, Kuwaiti exports are then not available to be consumed in Kuwait.

Kuwait is a high-income country with a relatively long life expectancy. It has good quality education and healthcare. The price of a range of products is cheaper in Kuwait than in Europe and the United States. For example, in 2023, the price of jeans and monthly access to the internet were cheaper in Kuwait. These price differences may change in the future as a result of changes in indirect taxes.

In recent years, there has been an increase in the number of Kuwaiti workers employed in the country's high-technology industries. Kuwait had a low unemployment rate in 2023, but a relatively high youth unemployment rate. Table 1.1 shows the unemployment rate and the youth unemployment rate (15–24 year olds) in selected countries in 2023.

Table 1.1 The unemployment rate and youth unemployment rate in selected countries in 2023

country	unemployment rate (%)	youth unemployment rate (%)
Argentina	6.8	30.0
Australia	3.7	10.8
Bahamas	10.1	30.5
Eswatini	22.6	51.0
Jordan	19.2	40.5
Kuwait	2.2	25.5

The Kuwaiti Government aims to reduce youth unemployment and to encourage an increase in the proportion of workers employed in the private sector. Whether workers will move from the public sector to the private sector will depend on, for example, wages, job security and working conditions in the two sectors.

Infrastructure projects in Kuwait influence employment. One example is the construction of the Mubarak Al-Kabeer port on Boubyan Island, a very popular tourist area in Kuwait. It is hoped that the port will change the cost of sea transport and create many jobs for Kuwait's young workers. However, some are concerned that the port may create noise, water and air pollution and have an impact on the wildlife on and around the island. There is also the possibility that the land could be put to better use.

Answer all parts of Question 1. Refer to the source material in your answers.

1 **(a)** Calculate Kuwait's current account surplus as a percentage of its GDP. [1]

(b) Identify **two** items that appear in Kuwait's trade in services. [2]

(c) Explain the opportunity cost of exporting products. [2]

(d) Explain **two** reasons why living standards may be high in Kuwait. [4]

(e) Draw a demand and supply diagram to show how an increase in the indirect tax on jeans will affect the market for jeans. [4]

(f) Analyse the relationship between the unemployment rate and the youth unemployment rate. [5]

(g) Discuss whether or not workers would benefit from moving from the public sector to the private sector. [6]

(h) Discuss whether or not a new port will benefit an economy. [6]

Section B

Answer any **three** questions.

Each question is introduced by stimulus material. In your answers you may refer to the material and / or other examples you have studied.

2 In 2023, a foreign multinational company (MNC) expanded its copper mine in Mongolia. The mine was opened ten years before when it created more than 15 000 jobs, reducing unemployment in the country. While mining increased in Mongolia, mines in some other countries were closed. Over time, the closure of mines has contributed to the decline of the primary sector in some countries. In contrast, the tertiary sector in most countries has increased.

(a) Identify **two** disadvantages of working as a miner. [2]

(b) Explain why government measurement of unemployment may be inaccurate. [4]

(c) Analyse why an MNC may close a mine in a host country. [6]

(d) Discuss whether or not a larger tertiary sector will increase a country's economic development. [8]

3 In 2022, the President of Zimbabwe ordered the country's commercial banks to stop lending. He was concerned that people were borrowing money to buy foreign currency. At this time, Zimbabwe faced several economic problems. The inflation rate was very high at 105%. In 2023, it rose to 850% despite the government's aim of a fall in the inflation rate.

(a) State what is meant by a fall in the inflation rate. [2]

(b) Explain **two** reasons why households may save their money in a commercial bank. [4]

(c) Analyse how a fall in a country's foreign exchange rate can cause inflation. [6]

(d) Discuss whether or not a reduction in bank lending will harm an economy. [8]

4 The UK Government imposes an indirect tax on a range of products. However, some goods and services do not have an indirect tax on them. These include books, children's clothes and cakes. UK clothes firms would like the indirect tax removed from adults' clothes. In 2023, there were some mergers between UK clothes firms. A year later, the UK Government planned to put an indirect tax on private sector school fees.

(a) Identify **two** characteristics of an economic good. [2]

(b) Explain **two** reasons why demand for cakes may increase. [4]

(c) Analyse the effects of taxing private sector school fees. [6]

(d) Discuss whether or not a government should encourage clothes firms to merge. [8]

5 The birth rate has fallen in many countries. However, the birth rate has risen in Denmark where fathers take on more childcare responsibilities than in many countries. Some Danish firms provide free childcare. These firms can have elastic or inelastic demand for their products. A relatively high proportion of Danish adults work in the public sector and most of them belong to a trade union. Some governments prevent workers from joining trade unions.

(a) Define 'birth rate'. [2]

(b) Explain **two** possible benefits of an increase in a country's birth rate. [4]

(c) Analyse how a firm could make demand for its products more price-inelastic. [6]

(d) Discuss whether or not governments should prevent workers from joining trade unions. [8]

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