CAMBRIDGE
International Education

Cambridge IGCSE™

ECONOMICS **0455/23**

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: The economy of the Isle of Man

Isle of Man fact file	2022
gross domestic product (GDP)	$7.0bn
insurance industry share of GDP	18.0%
GDP growth rate	10.3%
unemployment rate	0.7%

The Isle of Man is an island located between the United Kingdom (UK) and Ireland. Its geographical location has helped to attract foreign labour and capital. In 2022, it had a very low unemployment rate and high GDP growth rate. The island has the same monetary policy as the UK but sets its own fiscal policy. Some fiscal policy measures have attracted many insurance firms to operate on the island.

The Isle of Man is set to generate as much as 75% of its electricity from renewable sources by 2026. A higher percentage of renewable energy generation may reduce pollution and affect health and life expectancy. In addition, energy costs could also decrease which will affect secondary sector firms such as food processors. Table 1.1 shows the percentage of energy obtained from renewable sources and life expectancy in selected countries in 2021.

Table 1.1 Percentage of energy obtained from renewable sources and life expectancy in 2021

country	percentage of energy from renewable sources	life expectancy (years)
Bangladesh	1.6%	74.3
Timor-Leste	0.4%	69.5
Iceland	100.0%	83.0
Isle of Man	5.0%	80.5
Luxembourg	85.0%	82.8
Oman	1.9%	72.5

Goods are transported to and from the island by air or sea. The government has increased spending to improve the airport and move the economy's production possibility curve (PPC). The increased spending was used to increase the number of employees and improve the airport building. This has affected the number of flight cancellations. However, some airport users are still not satisfied. Some industries are also dissatisfied as the government is not funding projects which affect these other industries directly.

Firms deciding whether to invest in the Isle of Man consider several influences including the level of demand and labour availability. The market for goods and services on the island is very small. However, there is free trade with neighbouring countries. Foreign workers are attracted by the low cost of living in the Isle of Man. However, some workers stay for only a short period of time before moving to jobs elsewhere.

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

1 **(a)** Calculate the total contribution of the insurance industry to the Isle of Man's GDP. [1]

(b) Identify **two** factors of production that have moved to the Isle of Man. [2]

(c) Explain **one** government macroeconomic aim that has been achieved in the Isle of Man. [2]

(d) Explain the difference between fiscal policy and monetary policy. [4]

(e) Draw a demand and supply diagram to show the effect of lower energy costs on the market for processed food. [4]

(f) Analyse the relationship between the percentage of energy generated from renewable sources and life expectancy. [5]

(g) Discuss whether or not increased government spending on the airport will benefit the economy of the Isle of Man. [6]

(h) Discuss whether or not companies should invest in the Isle of Man. [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 Georgia is a country located on the border between Europe and Asia. This allows Georgia to participate in international trade very easily. Georgia has also attracted many multinational companies (MNCs) due to its relative economic stability. However, the unemployment rate remains high. Almost 45% of all workers in the country are members of a trade union.

(a) Define 'multinational companies'. [2]

(b) Explain **two** types of unemployment. [4]

(c) Analyse how membership of a trade union can affect workers. [6]

(d) Discuss whether or not international trade benefits firms. [8]

3 It takes many years for an olive tree to produce olives, making their supply inelastic. However, many economies have developed due to increases in the sales of this primary-sector product. Greek olive farmers have the potential to contribute to economic development. These farmers are hoping that the government will provide more subsidies to their industry.

(a) Define 'inelastic supply'. [2]

(b) Explain how growth in the primary sector can help economic development. [4]

(c) Analyse the causes of an increase in the sales of a product. [6]

(d) Discuss whether or not subsidies to farmers are beneficial for an economy. [8]

4 In 2023, the interest rate set by the central bank in Argentina reached 97%. This was to stop the foreign exchange rate of the Argentinian currency from falling further. Commercial banks in Argentina became concerned over their levels of loans and household savings.

(a) Identify **two** influences on saving. [2]

(b) Explain the difference between a central bank and a commercial bank. [4]

(c) Analyse how higher interest rates can affect firms. [6]

(d) Discuss whether or not a fall in the foreign exchange rate of a currency is an advantage for an economy. [8]

5 Seoul, the capital city of the Republic of Korea, is home to many large firms which have very high productivity levels. The Republic of Korea has grown rapidly due to advances in technology and successful supply-side policy measures. However, this rapid economic growth has led to some market failures.

(a) Define ‘productivity’. [2]

(b) Explain **two** examples of market failure that may occur in an economy. [4]

(c) Analyse how supply-side policy measures may enable the government to achieve its macroeconomic aims. [6]

(d) Discuss whether or not advances in technology are beneficial for workers. [8]

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