Cambridge Assessment International Education

Cambridge O Level

ECONOMICS **2281/23**

Paper 2 Structured Questions **October/November 2025**

2 hours 15 minutes

2189326522

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: Changes in the Malawian economy

Malawi fact file	2022
Population	22m
Percentage of population with access to electricity	15%
Deficit on the current account of the balance of payments	12.9% of GDP

Malawi is a low-income East African country. It is often affected by natural disasters including droughts, floods and storms. In January 2022, Malawi was hit by Storm Ana. This damaged agricultural crops, factories, forests and power stations.

More than three-quarters of Malawi's labour force are employed in agriculture. Two of the country's main crops are tea and sugar. The quantity of tea offered for sale is affected by weather conditions, government subsidies and the price of fertilisers. The global market for sugar has been affected by health reports which identified the possible harmful effects of consuming too much sugar.

Three of the priorities of the Malawian Government are to develop new industries, raise education standards and develop more sustainable sources of energy. The proportion of Malawian children who finish their primary education (5–11 years of age) is relatively low. Table 1.1 shows GDP per head and the percentage of children who complete primary education in selected countries in 2022.

Table 1.1 GDP per head and the percentage of children who complete primary education in selected countries in 2022

Country	GDP per head ($)	Children who complete primary education (%)
Malawi	650	35
Mauritania	2200	70
Namibia	4900	78
Senegal	1640	60
South Africa	7060	99
Uganda	890	22

Only a small proportion of Malawi's population has access to electricity. Most households rely on wood and charcoal for cooking and heating. Using wood as a fuel contributes to the destruction of the country's forests and reduces air quality. The country does, however, get 3000 hours of sunshine a year. This means it could develop solar energy. There would be an initial cost to install solar panels and to reduce the risk of storm damage. Solar energy plants (also known as solar farms) can take up a large area and create visual pollution. However, a successful solar energy industry could decrease Malawi's imports of fuel and might affect its exchange rate.

Malawi's foreign exchange rate fell in 2022. The country's currency, the kwacha, bought fewer US dollars. This depreciation affected Malawi's current account of the balance of payment, its inflation rate and its economic growth rate. Some economists suggested that the Malawian Government should stop the kwacha falling further in value.

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

1 **(a)** Calculate the number of Malawians who had access to electricity in 2022. [1]

(b) Identify **two** capital goods used in Malawi. [2]

(c) Explain what is likely to have happened to Malawi's production possibility curve (PPC) in January 2022. [2]

(d) Explain **two** reasons why the supply of Malawian tea may increase. [4]

(e) Draw a demand and supply diagram to show the effect of a report stating the health risks of consuming sugar on the market for sugar. [4]

(f) Analyse the relationship between GDP per head and the percentage of children who complete primary education. [5]

(g) Discuss whether or not Malawi should develop a solar energy industry. [6]

(h) Discuss whether or not a government should try to stop its country's foreign exchange rate falling in value. [6]

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Section B

Answer any **three** questions.

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

2 A Swiss multinational food manufacturer increased prices for its products by an average of 8% in 2022. It increased its prices in the USA by 11.6%. This multinational company (MNC) is one of the world's oldest MNCs. It started as a small firm but has grown over the last 160 years. Over this period, its decisions have always been influenced by opportunity cost.

(a) Define *multinational company*. [2]

(b) Explain **two** reasons why a firm may charge a different price for the same product in two different countries. [4]

(c) Analyse how opportunity cost influences the decisions made by consumers, workers and producers. [6]

(d) Discuss whether or not consumers would benefit from an increase in the number of small firms in an industry. [8]

3 Central banks influence their countries' money supply. Central banks also regulate commercial banks. Households benefit from these commercial banks in several ways. In recent years, commercial banks have introduced new technology. Global online banking increased by 14% between 2019 and 2022. These advances in technology were combined with a greater use of division of labour.

(a) Identify **two** ways central banks differ from commercial banks. [2]

(b) Explain **two** characteristics that coins possess which mean they can perform the functions of money. [4]

(c) Analyse the services provided to households by commercial banks. [6]

(d) Discuss whether or not division of labour will benefit workers. [8]

4 The Central African country Chad has a triangle-shaped population pyramid and a high level of poverty. It regularly has an overall deficit on the current account of its balance of payments. Chad usually has a surplus on its secondary income. However, its trade in goods, trade in services and primary income are all usually in deficit. Some economists suggest that the Chadian Government should impose import quotas to reduce its trade in goods deficit.

(a) Define *primary income*. [2]

(b) Explain **two** influences on the shape of a country's population pyramid. [4]

(c) Analyse the causes of poverty. [6]

(d) Discuss whether or not imposing import quotas will reduce a trade in goods deficit. [8]

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5 In 2023, the Canadian Prime Minister said that his country's aim was to increase immigration to half a million a year. This was because the country was experiencing labour shortages and an increase in life expectancy. More workers in Canada would increase the tax revenue available to spend on pensions, and more workers would also increase consumer spending. An increase in the immigration of both skilled and unskilled workers might affect the country's car industry.

(a) Identify **two** causes of an increase in life expectancy. [2]

(b) Explain **two** ways a firm could attract skilled workers from another country. [4]

(c) Analyse how an increase in consumer spending could increase economic growth. [6]

(d) Discuss whether or not the wages of workers employed by car firms will increase in the future. [8]

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