Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/22**

Paper 2 Structured Questions **February/March 2025**

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: Population, household spending and poverty in Romania

Romania fact file	2022
Current account deficit on the balance of payments (percentage of GDP)	9%
GDP	$300bn
Unemployment rate	5.2%
Economic growth rate	4.8%
Inflation rate	13.8%
Percentage of women of working age in the labour force	42%

Between 1990 and 2022, Romania's population fell from 23 million to 19 million. The country's birth rate and death rate both fell over this period. Some workers from other countries, including Sri Lanka and Vietnam, came to live in Romania. However, more Romanian workers left the country to work and live mostly in other European countries.

If the Romanian economy continues to grow at its relatively high rate, fewer of its people may emigrate and more immigrants may be attracted. Recent economic growth has been driven largely by increases in household spending. Romanians have become wealthier, more confident about their future and have experienced low interest rates.

In April 2022, the Romanian Government placed a maximum price on electricity. Romanians spend a relatively high proportion of their income on electricity and on food. Table 1.1 shows selected countries' GDP per head and average spending on food as a percentage of total household spending.

Table 1.1 GDP per head and average spending on food as a percentage of total household spending in 2022

Country	GDP per head ($)	Average spending on food as a % of total household spending
Belgium	52 100	13
Cambodia	1 800	42
Egypt	3 850	33
Ethiopia	960	56
Norway	89 200	11
Romania	15 000	26
USA	70 500	6

The poor are particularly affected by changes in electricity prices and food prices. Romania has a relatively high level of poverty. To reduce poverty, some economists have suggested that the government should attract more foreign multinational companies (MNCs) to Romania. More MNCs may affect poverty because of the possible effects on unemployment and prices.

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Another way to reduce poverty would be to encourage more women to work. The proportion of women in Romania who work or seek work has fallen in recent years. There is a range of influences on whether women enter the labour force. These include social attitudes, female education and whether childcare facilities and part-time work are available.

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

1 **(a)** Calculate Romania's current account deficit on its balance of payments in $s. [1]

(b) Identify **two** reasons why Romania's population fell between 1990 and 2022. [2]

(c) Explain why immigration into Romania may increase in the future. [2]

(d) Explain **two** reasons why household spending has increased in Romania. [4]

(e) Draw a demand and supply diagram to show the effect of setting a maximum price on electricity. [4]

(f) Analyse the relationship between GDP per head and average spending on food as a percentage of total household spending. [5]

(g) Discuss whether or not foreign MNCs reduce poverty in their host countries. [6]

(h) Discuss whether or not a higher proportion of women is likely to enter Romania's labour force in the future. [6]

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 South Korea makes use of both economic goods and free goods. Its output includes products with both elastic and inelastic supply. The country is building the world's first floating city, estimated to cost $180m. This is to cope with rising sea levels caused by climate change. Governments take a number of measures to reduce greenhouse gases which contribute to climate change, including banning the burning of wood to heat homes.

(a) Identify a difference between economic goods and free goods. [2]

(b) Explain how opportunity cost will influence a government's decision on whether to spend tax revenue on a large infrastructure project. [4]

(c) Analyse the influences on whether supply of a product is elastic or inelastic. [6]

(d) Discuss whether or not a government should ban the burning of wood to heat homes. [8]

3 Estonia's factors of production are employed in a range of industries including education. In 2022, the country experienced a shortage of teachers. The government increased teachers' wages to attract workers from other industries. Two of Estonia's other industries are building and clothing. Estonia's clothing industry has firms of different sizes. Estonia's firms were affected in 2022 by the government increasing the money supply.

(a) Define *factor of production*. [2]

(b) Explain **two** reasons why building workers may **not** become teachers. [4]

(c) Analyse how a small firm can compete successfully with a large firm in the same industry. [6]

(d) Discuss whether or not an increase in the money supply will benefit an economy. [8]

4 Nigeria has a mixed economic system. In January 2023, Nigeria had a high unemployment rate of 33% which created a number of costs. Its high inflation rate of 22% had several effects on the country's firms. In 2022 and the start of 2023, Nigerians increased their demand for foreign currency.

(a) Identify **two** costs of unemployment. [2]

(b) Explain how the key resource allocation decisions are made in a mixed economic system. [4]

(c) Analyse the causes of an increase in the demand for foreign currency. [6]

(d) Discuss whether or not inflation will harm a country's firms. [8]

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5 Finland is a high-income country that usually has a higher value of exports than imports. It has a strong commercial banking sector which has increased its lending in recent years. The country has an ageing population, with more than a quarter of its population aged over 65. In 2022, Finland's Government had a budget deficit with government spending exceeding tax revenue.

(a) Identify a difference between an export and an import. [2]

(b) Explain why commercial banks may increase their lending. [4]

(c) Analyse how an ageing population may affect a country's economic growth rate. [6]

(d) Discuss whether supply-side policy measures will reduce a government's budget deficit. [8]

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