Cambridge Assessment International Education

Cambridge IGCSE™

ECONOMICS **0455/23**

Paper 2 Structured Questions **May/June 2025**

2 hours 15 minutes

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 Egyptian economy

Egypt fact file	2022
GDP	$469.1bn
Population	110.0m
Poverty rate	27.9%
Unemployment rate	7.2%

Egypt has always attracted tourists due to the pyramids and other ancient wonders. However, the tertiary sector is not the only source of economic growth; the primary and secondary sectors also contribute to economic growth. Egypt's exports include personal travel, oil, citrus fruits, gold and textiles.

There has been a building boom recently in Egypt. A new city is being built which requires finance, raw materials and labour. Firms are taking a big risk with this project as they are building houses before demand for them has been confirmed. If incomes fall, for example, the market for housing might be unprofitable.

Tourism is a good source of economic growth for Egypt. The country has attractions that were built thousands of years ago and natural attractions such as beautiful beaches and a warm climate. It has good infrastructure and is considered a safe and secure country which also attract tourists.

Free market reforms have encouraged more investment in Egypt. Fig. 1.1 shows investment (as a percentage of GDP) and economic growth rates in Egypt, 2015–2021.

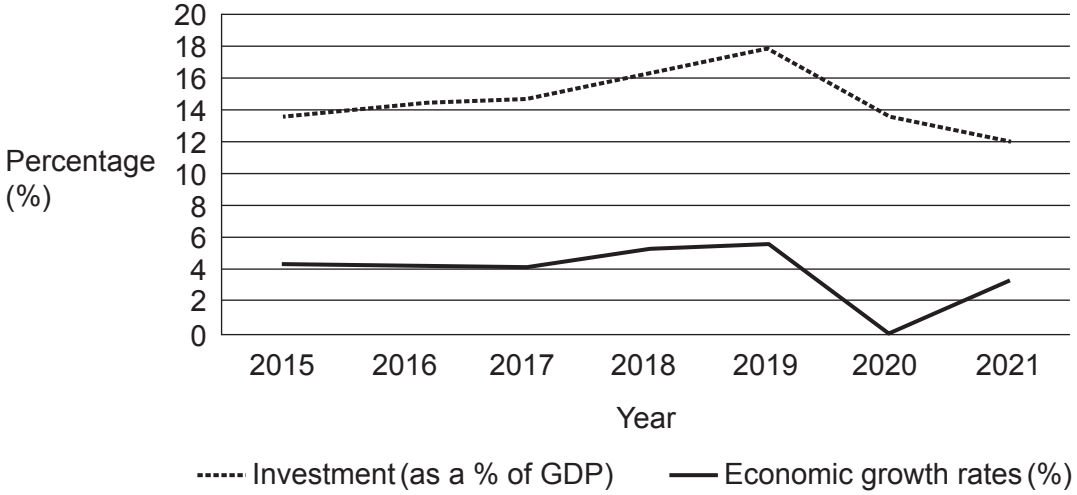

Fig. 1.1 Investment (as a % of GDP) and economic growth rates (%) in Egypt in 2015–2021

Deregulation in education has led to an increase in the number of schools and universities in Egypt. Increased opportunities for education and training will ensure future improvements in living standards. However, the opening of more private schools and universities might increase inequality as private education may remain unaffordable for some income groups.

In 2022, the Egyptian currency halved in value against the US dollar. The fall in the value of the currency affected inflation and the purchasing power of Egyptians. However, certain industries such as tourism have benefited from this as holidays in Egypt have become more affordable for non-Egyptians.

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

1 **(a)** Calculate the number of people who are in poverty in Egypt. [1]

View solution

(b) Identify **two** of Egypt's primary sector exports. [2]

View solution

(c) Explain how building a new city can reduce unemployment. [2]

View solution

(d) Explain why tourism is a good source of economic growth for Egypt. [4]

View solution

(e) Draw a demand and supply diagram to show the likely effect of falling incomes on the market for housing in the new city. [4]

View solution

(f) Analyse the relationship between investment (as a % of GDP) and economic growth rates for Egypt. [5]

View solution

(g) Discuss whether or not deregulation in education in Egypt will increase living standards. [6]

View solution

(h) Discuss whether or not a fall in the value of the Egyptian currency would harm the Egyptian economy. [6]

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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 One of the world's more expensive roads opened in Montenegro in 2022. To build the road, the Montenegro Government was helped by a foreign commercial bank and another multinational company (MNC). This new road could help the Montenegro Government achieve its macroeconomic aims and increase Montenegro's international trade. MNCs can have a significant impact on the host countries in which they locate.

(a) Define *international trade*. [2]

View solution

(b) Explain the importance of commercial banks to governments. [4]

(c) Analyse how building roads can help a government achieve its macroeconomic aims. [6]

View solution

(d) Discuss whether or not MNCs benefit host countries. [8]

View solution

3 The public sector in Andorra is focusing on developing the healthcare, biotechnology and sports industries. Andorra has the natural advantage of being a mountainous country. Several winter sports firms in Andorra have recently merged. This will affect the level of competition in the winter sports market in Andorra.

(a) Define *public sector*. [2]

View solution

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

(c) Analyse how differences in healthcare can lead to differences in economic development between countries. [6]

View solution

(d) Discuss whether or not competitive markets are beneficial for consumers. [8]

View solution

4 As cities experience economic growth, the buildings in the city become taller. This is driven by an increase in the willingness and ability of consumers to live in tall buildings. Changes in the conditions of supply have also increased the number of tall buildings being constructed. However, there is a limit to the height of buildings – above a certain height, the total cost of constructing the building will exceed the total revenue generated.

(a) Define *total cost*. [2]

View solution

(b) Explain **two** causes of an increase in the supply of a product. [4]

(c) Analyse factors that can increase the willingness and ability of consumers to buy a certain product. [6]

View solution

(d) Discuss whether or not economic growth will improve living standards in a city. [8]

View solution

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5 Missions to outer space face the same basic economic problem as that experienced on Earth. The African Space Agency was created to improve science and technology on the African continent. This agency also aims to coordinate trade between African countries to help technological development. This may improve how markets work. In 2021, total government spending on this agency was more than $500 million.

(a) Define *the basic economic problem*. [2]

View solution

(b) Explain how a market allocates resources. [4]

(c) Analyse the benefits a country may gain from exporting to and importing from other countries. [6]

View solution

(d) Discuss whether or not an increase in government spending will benefit an economy. [8]

View solution

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