Principal examiner reports for teachers

Principal examiner reports for teachers summarise what candidates did well and what candidates needed to improve for this examination series only.

This report is to be used in conjunction with the question paper and mark scheme.

For guidance on teaching and learning we provide resources for many of our syllabuses.

Resource	Where to find it
Grade descriptions – Grade descriptions describe the level of performance typically demonstrated by candidates achieving the different grades awarded for a qualification.	School support hub Select: Subject > Resource finder > Syllabus and specimen materials
Schemes of work – Schemes of work are designed to support you in your teaching and lesson planning.	School support hub Select: Subject > Resource finder > Teaching and learning
Lesson planning – Guidance on how to plan a lesson.	Lesson planning
Resource plus – There may be additional resources such as teaching packs containing lesson plans, resources and worksheets and videos for aspects of your syllabus.	School support hub Select: Subject > Resource finder > Teaching and learning
Teaching tools	Teaching Tools
Exemplar candidate responses	School support hub Select: Subject > Resource finder > Teaching and learning
Learner guide – A guide for students to help them understand what the course involves.	School support hub Select: Subject > Resource finder > Teaching and learning
Community forums – Do you have a question or something to share? Our online forums are great way to keep up to date with your subject and the global Cambridge community.	Community forum on the school support hub
Access to scripts for this series.	Access to scripts service
Results analysis is available for some syllabuses.	Results analysis
Test maker is available for some subjects.	Test maker

Other services from Cambridge International Education

- **Digital mocks service**
- **Insight assessments**
- **Professional development**
  – Focus on assessment
  – Online marking workshops

ECONOMICS

Paper 0455/12
Multiple Choice

Key messages

Candidates performed well on **Questions 2**, **4**, **5**, **6, 7, 8, 12, 13, 14, 16, 18, 19, 20, 24, 25, 27, 28** and **29**.

Candidates performed less well on **Questions 1**, **3**, **9**, **10**, **11**, **15**, **17, 21, 22, 23, 26** and **30**.

Candidates were more knowledgeable on the microeconomic questions compared to the macroeconomic ones. The questions that the candidates performed less well on were more likely to include data that is in graphical or table form.

Comments on specific questions

Question 1

- Option **D** was a common incorrect answer.
- This question highlighted a misunderstanding about what reduces a country's factors of production. An increase in unemployment does not reduce the quantity of labour available, it simply means that some labour is not being utilised.

Question 3

- Options **C** and **D** were common incorrect answers**.**
- Option **C** increases the use of existing labour while it does not increase the total quantity of the factors of production.
- Option **D** refers to transferring resources from capital goods to consumer goods. It changes the composition of output along the current PPC; it will not move the economy to a higher production possibility curve.

Question 9

- Option **D** was a common incorrect answer.
- This item uncovers a common misconception about the introduction of a government subsidy to firms.
- Option **D** was likely chosen because it has the same quantity traded as before the subsidy, with price lowered by the full value of the subsidy.
- The correct answer, option **B**, shows that the (post subsidy) pricing benefit is shared by producer and consumer at a higher quantity traded in the market.

Question 10

- Option **C** was a common incorrect answer.
- The loan facilities in option **C** are provided by commercial banks, not the central bank.
- The central bank's key importance to producers is maintaining price stability (option **B**), which allows firms to plan production and investment with confidence.
- Options **A** and **D** relate to government taxation and commercial banking services, not functions of a central bank.

Question 11

- Option **D** was the most common incorrect answer.
- A higher rate of income tax will usually reduce disposable income and therefore reduce the ability to save, not cause savings to rise faster than incomes.
- The correct answer reflects that if incomes rise faster than inflation, real incomes increase, allowing households to save a larger proportion of their income.
- Options **B** and **C** describe situations that will typically reduce saving, not increase it.

Question 15

- Options **A** and **B** were common incorrect answers.
- The data show that total fixed cost stays at 1000 while output increases, meaning average fixed cost must fall, not remain constant, so option **A** cannot be correct.
- Option **B** reflects that even though average total cost does not rise, total cost increases at a constant rate, so average total cost falls as output expands.
- The correct conclusion is that average variable cost remains constant, as total variable cost rises proportionally with output.

Question 17

- Options **A**, **C** and **D** were the most common incorrect answers.
- These responses suggest uncertainty about which government actions are intended to influence a country's international position rather than its domestic economy.
- Policies such as setting a minimum wage and deregulating industry, as seen in options **A** and **C**, mainly affect conditions within the domestic labour and product markets.
- The correct actions are those that directly affect a country's trade or external competitiveness. Depreciating the exchange rate and introducing tariffs both have clear international effects. The first makes exports more competitive and the second restricts imports.

Question 21

- Option **B** was the most common incorrect answer, although it was selected as frequently as the correct answer.
- This question tested understanding of how demand-side policy affects inflation over different time periods. An increase in government spending raises total demand, so inflation is likely to rise in the short run, not fall as suggested in option **B**.
- In the long run, the policy aims to reduce unemployment by improving skills and productivity. Higher productivity helps contain costs, making lower inflation in the long run the most likely outcome, which is the correct option **C**.

Question 22

- Options **A** and **C** were the most common incorrect answers.
- A focus only on the nominal GDP growth rate led to option **A** (2% nominal growth, 1% inflation) or Option **C** (9% nominal growth, 13% inflation). This shows a misconception: real GDP growth depends on both nominal growth and inflation, not nominal growth alone.
- Option **A** was often selected because it has the lowest inflation rate. Its nominal growth is also very low, giving only a small real increase.
- In option **C**, although nominal GDP growth is high, inflation is even higher, meaning real GDP growth is negative.

Question 23

- Options **A** and **D** were the most common incorrect answers.
- The data show large price increases across typical sources of cost-push inflation.
- Reducing interest rates (option **A**) or expecting demand-side deflation (option **D**) does not match a situation where costs are rising sharply.

Question 26

- Options **C** and **D** were common incorrect answers.
- A focus only on the fall in the birth rate, incorrectly overlooks the role of migration and death rates in determining population size.
- Option C was selected due to a misinterpretation that "net emigration exceeds the birth rate" implies population growth.Net emigration means that more people are leaving than entering. If this exceeds the birth rate, it will lead to a decrease in population size.
- Option **D** focuses on death rates rather than birth rates, but it still identifies net emigration. If net emigration is greater than the reduction in the death rate, the overall population size will still decrease.

Question 30

- Option **C** was the most common incorrect answer.
- This question tested understanding that the current account balance is the sum of four components, of which the trade balance shows a surplus of $50 billion.
- A further surplus adds to the balance, while a deficit subtracts from it.
- Option **C** combines large surpluses on both primary and secondary income, which will create a substantial overall surplus, not a balanced current account.
- The correct option is the one where the deficit on primary income and the balance on secondary income exactly offset the net surplus on trade in goods and services, leaving the current account in overall balance.

ECONOMICS

Paper 0455/22
Structured Questions

Key messages

What candidates did well
- Candidates demonstrated clear knowledge of core economic concepts, such as the economic problem.
- Candidates supported data-interpretation answers effectively, for example, by identifying the 'inverse or negative relationship between GDP per head and the percentage of the population living in poverty' and using accurate evidence such as Iceland's GDP and poverty rate.
- Candidates showed good understanding of macroeconomic tools, including fiscal policy and supply-side policies, with clear explanations of how government spending or training could affect HDI or aggregate supply in **Question 1(g)**.
- Candidates produced well-developed chains of reasoning, especially when developing links to form a logical chain of argument.
- Candidates applied elasticity concepts effectively, using ideas such as substitutes, income and luxury status.
- Candidates showed clear evaluative skills in extended responses, offering balanced arguments that included conclusions and wider macroeconomic implications.

What candidates needed to improve
- Candidates needed to demonstrate clearer understanding of some key topics, such as income distribution between countries.
- Candidates needed to further interpret data-response questions, such as **Question 1(f)**, rather than copying data without explaining how it supported the identified trend.
- Candidates needed to avoid using reversed reasoning and instead explain mechanisms accurately. Simply stating the opposite of their earlier explanation should not be an approach.
- Candidates should avoid insufficient application to the specific context of the question, such as focusing on price changes rather than elasticity factors.
- Candidates needed to develop fuller explanations rather than making simple statements. For example, limited answers in **Question 3(d)** only stated that 'fixed rates do not change/are controlled/set by government' without exploring their implications or constraints on macroeconomic objectives.
- Candidates needed to further develop their evaluation by providing balanced arguments that analyse both sides and lead to a justified conclusion.

Comments on specific questions

Section A

Question 1

(a) **Comprehensive responses**
- Some candidates calculated the value accurately, giving $2.79 bn or an acceptable rounded form such as $2.8 bn, showing correct interpretation of the data and appropriate use of units.
- Many candidate responses demonstrated correct large-number notation and avoided common rounding errors.

Limited responses
- A few candidates gave $2.7 bn, showing imprecise rounding.
- Some candidates appeared confused with place value or omitted the 'billion' unit entirely, reducing accuracy.

(b) **Comprehensive responses**

- Most candidates identified two valid influences such as income, interest rates, or confidence, and selected the most relevant factors from the context.
- Many responses showed clear understanding of how macroeconomic variables affect household behaviour.

Limited responses

- Some candidates listed more than two influences without prioritising, or included vague ideas not linked to household spending.
- Some candidate responses identified only one influence or repeated the same idea in different wording.

(c) **Comprehensive responses**

- Some candidates identified a clear cause such as drought or extreme heat, and explained how this reduces fertility, damages crops, or lowers yields.

Limited responses

- While many candidates identified a reason, they were unable to successfully explain its effect on land quality.
- A few responses gave multiple undeveloped causes or unrelated environmental issues.

(d) **Comprehensive responses**

- Many candidates explained how greater use of capital equipment increases productivity and reduces costs, improving the price competitiveness and quality of Senegal's agricultural goods.
- Some candidates developed a clear link to the current account by showing how improved competitiveness can increase exports, reduce imports, and therefore reduce the deficit.

Limited responses

- Some candidates described productivity or cost reductions without connecting these to exports, imports, or the current account.
- Some candidates repeated similar points, such as 'more output', without developing the implications for trade.
- A few candidates confused the current account with government debt.

(e) **Comprehensive responses**

- Most candidates produced a fully labelled diagram and correctly labelled a rightward shift of demand.
- Many candidates marked the change in equilibrium clearly, showing a coherent understanding of how increased demand affects market outcomes.

Limited responses

- Some candidates drew a diagram and omitted key labels such as axes or equilibrium points.
- Some candidates shifted the wrong curve or drew an unlabelled line, making the analysis unclear.
- Many candidates included some written text which did not meet the requirements of the question.

(f) **Comprehensive responses**

- Many candidates correctly identified an inverse/negative relationship.
- Some candidates supported this with clear evidence, such as noting that Iceland had the highest GDP per head ($73 500) and the lowest poverty rate (0.0 per cent).
- Some candidates also recognised exceptions, such as Papua New Guinea and Senegal.

Limited responses

- Some candidates incorrectly stated that the relationship was direct/positive.
- A few candidates simply copied data, such as 'Senegal has a GDP of $1600 and 75.6 per cent living in poverty', without explaining how it supported the identified relationship.
- A few candidates did not link GDP per head to the ability to afford basic necessities.

(g) **Comprehensive responses**

- Many candidates demonstrated clear understanding of fiscal policy and the components of HDI.
- Many candidates explained how expansionary fiscal policy could raise years of schooling and life expectancy.
- Some candidates accurately linked tax reductions to higher disposable income and higher GDP per head.

Limited responses

- Some candidates omitted to explain how fiscal policy could lead to a lower HDI value, often just reversing their earlier reasoning without justification.
- Some candidates referred vaguely to 'living standards' rather than linking fiscal policy to specific HDI components.
- Some candidates showed a limited understanding of fiscal policy by not successfully applying it to HDI.

(h) **Comprehensive responses**

- Many candidates applied at least one factor influencing price elasticity of demand to the context of gold.
- Many candidates recognised that the question required discussing future changes in elasticity, not current demand.
- Some candidates explained clearly how these factors could make gold either more elastic or more inelastic in the future.

Limited responses

- Some candidates simply reversed their reasoning, such as stating the opposite explanation for inelasticity.
- Some candidates focused on how price affects demand, rather than on the determinants of price elasticity.
- A few candidates gave responses such as: 'Gold is an expensive product so an increase in price may cause demand to significantly decrease', which does not address elasticity.

Section B

Question 2

(a) **Comprehensive responses**

- Many candidates clearly stated that the economic problem exists because 'unlimited/infinite wants exceeded limited/finite resources', using accurate terminology.

Limited responses

- Some candidates only identified one side of the economic problem, such as 'unlimited wants or finite resources'.
- A few candidates gave vague or incorrect ideas such as references to 'unemployed resources or inequality'.

(b) **Comprehensive responses**

- Some candidates compared income distributions and correctly explained two clear reasons, including taxation systems, sectoral composition, or natural resource endowments.
- Some candidates successfully linked their explanations directly to why income distributions differ.

Limited responses

- Many candidates identified one or two reasons and were unable to effectively link the accompanying explanations to difference in income distribution.
- Some candidates omitted to compare or give descriptive statements.

(c) **Comprehensive responses**

- Most candidates identified at least two to three valid government measures, such as subsidies, increased benefits, or progressive taxation, and explained the mechanism by which these increased access to food for low-income households.
- Some candidates developed clear links to provide a logical chain of argument, often including maximum prices, reduced indirect taxes, or some form of direct provision.

Limited responses

- Some candidates listed measures without explaining how they improved access to food.
- A few candidates repeated similar points or provided undeveloped statements that did not form a chain of reasoning.

(d) **Comprehensive responses**

- Some candidates produced a discussion of why governments should and should not impose high taxes on the rich, covering revenue, redistribution, disincentive effects, and macroeconomic impacts.
- A few candidates provided responses that were clearly argued and well balanced, often including conclusions and wider issues such as emigration, or tax evasion.

Limited responses

- Many candidates' responses were one-sided, usually focusing only on why governments should impose high taxes.
- Some candidates discussed unrelated issues without linking back to personal income taxation.
- A few candidates listed simple statements with limited development.

Question 3

(a) **Comprehensive responses**

- Many candidates correctly identified lower interest rates as the relevant factor and explained why this would increase borrowing or investment.
- Some candidates successfully linked the increase in demand for bank loans to changes in inflation or confidence.

Limited responses

- Some candidates referred only to 'low' interest rates, missing the comparative requirement and therefore not fully addressing the factor.
- While some candidates successfully identified interest rates, they were unable to provide a developed explanation.
- A few candidates provided unrelated macroeconomic factors without linking them to the question.

(b) **Comprehensive responses**

- Many candidates showed clear awareness of supply-side policies, commonly identifying education, training, and subsidies.
- Some candidates developed their response by explaining how the policy would increase output or aggregate supply.

Limited responses

- Some candidates listed supply-side policies and omitted to explain how they increased output or aggregate supply.
- A few candidates confused supply-side policies with unrelated government measures.

(c) **Comprehensive responses**

- Some candidates recognised that state enterprises often aim for social welfare rather than profit maximisation.
- Some candidates developed valid benefits such as maintaining low prices to support low-income groups.

Limited responses

- Some candidates confused state enterprise with direct state provision.
- A few candidates omitted to develop their answers, simply asserting that state enterprises 'help people' without explaining how or why.
- Some candidates listed points without linking them to the objectives of state enterprises.

(d) Comprehensive responses

- A few candidates discussed the benefits of maintaining a fixed exchange rate, including certainty for firms, effects on investment decisions, and constraints on other macroeconomic objectives.
- A few candidates successfully contrasted fixed and floating exchange rates, explaining how floating rates could help manage balance-of-payments difficulties.
- A few candidates showed depth, balance, and clear reasoning, sometimes noting that fixed rates require intervention and may limit policy flexibility.

Limited responses

- Many candidates made simple statements such as 'fixed rates do not change/are controlled/set by government' without further development.
- Some candidates discussed the benefits and drawbacks of MNC investment, losing focus on exchange rates.
- Some candidates misunderstood how exchange rates affect trade flows, assuming they are the sole determinant.

Question 4

(a) Comprehensive responses

- Most candidates knew at least a partially correct version of the formula for PES.
- Many candidates used the correct terminology.

Limited responses

- Some candidates omitted 'quantity' from the formula '% change in quantity supplied'.

(b) Comprehensive responses

- Most candidates successfully identified at least one valid reason for working longer hours, such as earning higher income or to buy more goods and services.
- Some candidates identified multiple reasons and provided clear explanations.

Limited responses

- Many candidates listed several reasons while only explaining one.
- Some candidates repeated versions of the same idea omitting to add development.

(c) Comprehensive responses

- Most candidates demonstrated understanding of how competitive markets differ from monopoly markets, explaining several contrasting features.

Limited responses

- A few candidates provided only a single undeveloped comparison, offering little explanation of how the two market structures differ.
- Some candidates confused a competitive market with a perfectly competitive market.

(d) Comprehensive responses

- Many candidates produced analytical responses showing a solid understanding of the reasons for trade union growth.
- Some candidates developed both sides of the argument, explaining why membership might rise while also recognising reasons why membership may not increase, such as rising fees or further government restrictions.

Limited responses

- Some candidates provided a narrow range of descriptive points, often repeating ideas such as firms being reluctant to hire union members.

- While some candidates defined trade unions correctly, they were unable to extend their explanations into a balanced or well-reasoned discussion.

Question 5

(a) **Comprehensive responses**

- Many candidates accurately defined public goods using the correct characteristics of non-rivalry and non-excludability.

Limited responses

- Some candidates incorrectly defined public goods as 'goods provided by the government'.
- Some candidates confused public goods with merit goods.

(b) **Comprehensive responses**

- Most candidates correctly identified factors linked to occupational and geographical mobility, showing understanding of how these influence the ability of workers to change jobs or locations.
- Some candidates explained the connection between the identified factor and the specific type of mobility, demonstrating clear application.

Limited responses

- A few candidates provided general statements about youth and/or their involvement in labour markets without addressing mobility directly.

(c) **Comprehensive responses**

- Some candidates analysed clearly how governments can reduce pollution by explaining each method and its mechanism.
- Some candidates explained how regulations can restrict harmful activities, or how removing subsidies from polluting firms raises their costs of production and discourages output.

Limited responses

- A few candidates listed methods without explaining how they reduce pollution, offering statements with no analytical content.
- A few candidates repeated similar undeveloped points, showing little understanding of the mechanisms behind government intervention.

(d) **Comprehensive responses**

- Some candidates produced balanced assessments of whether emigrants will always enjoy higher living standards.
- Many candidates explored a range of potential drawbacks, including weaker family support networks.

Limited responses

- Some candidates explored a limited range of benefits, such as improved employment opportunities and higher wages, while omitting the drawbacks.
- Some candidates explored a limited range of drawbacks, such as higher living costs, pollution, overcrowding, competition for jobs and resources omitting the benefits.
- A few candidates focused too heavily on the social rather than economic factors.