CAMBRIDGE
International Education

Cambridge IGCSE™

ECONOMICS **0455/12**

Paper 1 Multiple Choice **February/March 2026**

45 minutes

You must answer on the multiple choice answer sheet.

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You will need: Multiple choice answer sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

INSTRUCTIONS
- There are **thirty** questions on this paper. Answer **all** questions.
- For each question there are four possible answers **A**, **B**, **C** and **D**. Choose the **one** you consider correct and record your choice in soft pencil on the multiple choice answer sheet.
- Follow the instructions on the multiple choice answer sheet.
- Write in soft pencil.
- Write your name, centre number and candidate number on the multiple choice answer sheet in the spaces provided unless this has been done for you.
- Do **not** use correction fluid or tape.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION
- The total mark for this paper is 30.
- Each correct answer will score one mark.
- Any rough working should be done on this question paper.

This document has **12** pages. Any blank pages are indicated.

1 What could cause a reduction in the factors of production in a country?

A a decrease in the population

B a discovery of new resources

C an advance in technology

D an increase in the unemployment rate

2 A government reduces social security spending by $10bn in order to increase defence spending by $10bn.

What is this an example of?

A expansionary fiscal policy

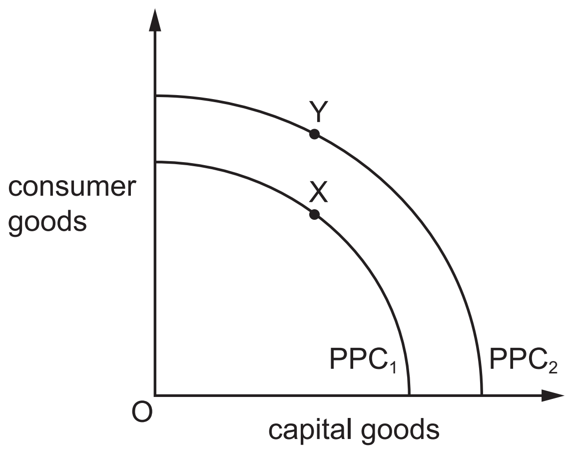
B market forces

C price stability

D reallocation of resources

3 The diagram shows an economy located at point X on an initial production possibility curve, PPC_1.

The government would like to move to point Y on PPC_2.



Which policy is likely to achieve this outcome?

A Cut indirect taxes on consumer goods.

B Encourage the immigration of skilled labour into the country.

C Train the unemployed to help them get jobs.

D Transfer resources from the production of capital goods to the production of consumer goods.

4 What is likely to reduce the price of an airline's flights?

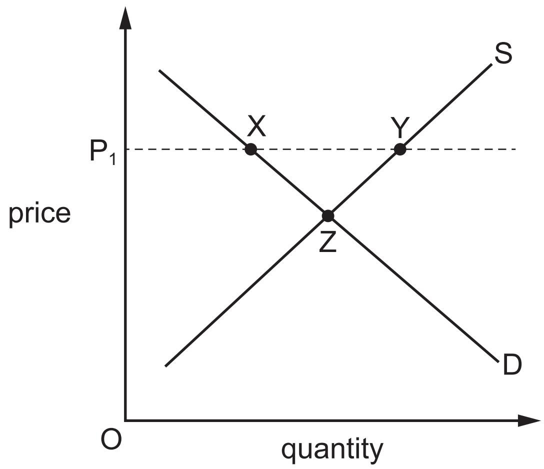
A increased competition from new airline companies

B increased demand for flights

C increased fuel prices

D increased wages for airline staff

5 The diagram shows the market for a good.



If the current disequilibrium price is at P_1, what will need to happen to adjust to the market equilibrium at point Z?

A A contraction in supply from Y to Z and an extension in demand from X to Z.

B The demand curve will need to shift to the right from X to Y.

C The government will need to set a minimum price at $P_{1.}$

D The supply curve will need to shift to the left from Y to X.

6 Which combination of changes in price and quantity demanded would result in a price elasticity of demand of –0.1?

	percentage change in price	**percentage change in quantity demanded**
A	–0.05	–0.05
B	10	–1
C	10	100
D	20	20.1

7 What is a key feature of the market economic system?

A both the private and public sectors play an important role in the allocation of resources

B competition between firms results in lower prices and more choice for consumers

C the government always intervenes to reduce market failure and increase competition

D the transfer of ownership of private sector assets to the public sector

8 Some private sector firms in a free market allocate resources inefficiently, by causing external costs.

Which economic concept does this describe?

A opportunity cost

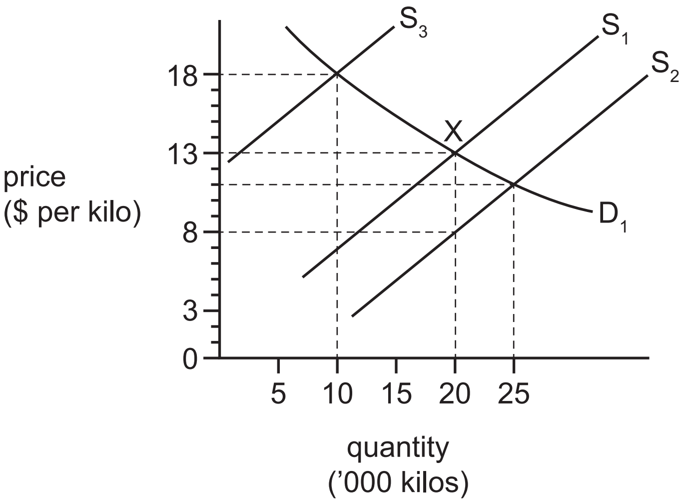
B diseconomies of scale

C market failure

D specialisation

9 A government gives farmers a subsidy of $5 per kilo to supply food on the open market, where X is the original equilibrium position.

The effect is illustrated in the diagram shown.



What will be the new equilibrium price and quantity supplied as a result of the subsidy?

	equilibrium price ($ per kilo)	**quantity supplied ('000 kilos)**
A	8	20
B	11	25
C	13	20
D	18	10

10 Why is a central bank important to producers?

A for the collection of corporation tax

B to maintain price stability

C for the provision of loan facilities

D for the provision of savings accounts

11 What might have caused savings to rise faster than incomes in a particular year?

A incomes increased at a greater rate than inflation

B increased consumer confidence leading to increased consumer spending

C interest rates fell leading to a fall in the return on savings

D the rate of income tax increased

12 On average, doctors earn more than bus drivers.

Which change would be likely to reduce the earnings gap between doctors and bus drivers?

A a decrease in the profits earned by bus companies

B a decrease in the qualifications needed to be a doctor

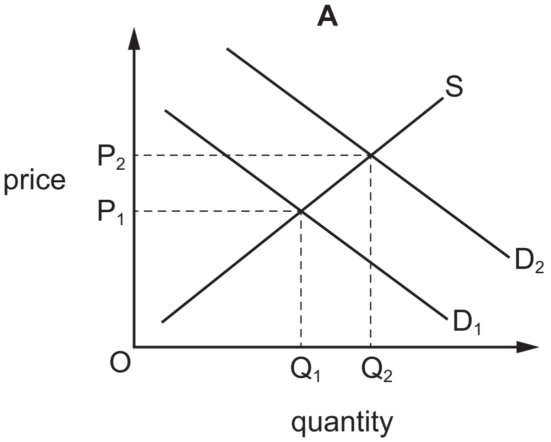
C an increase in demand for medical care

D an increase in the number of people passing the driving test

13 A car manufacturer has increased the amount of specialisation in its factory.

Which diagram shows the impact on the market for the manufacturer's cars?

A



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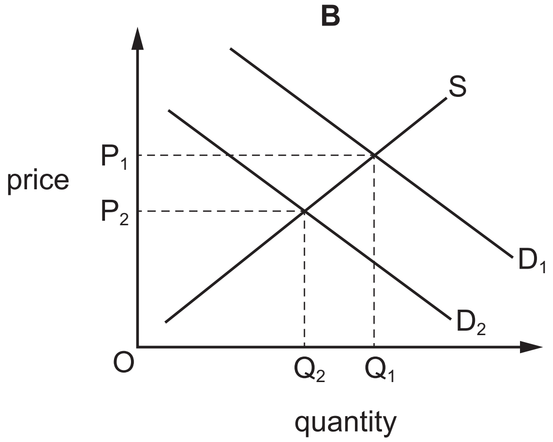

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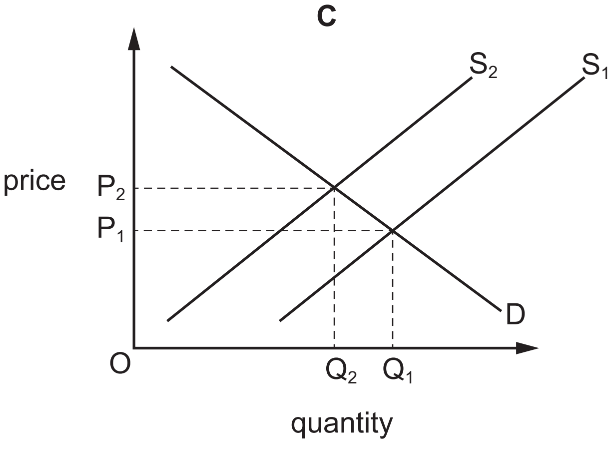

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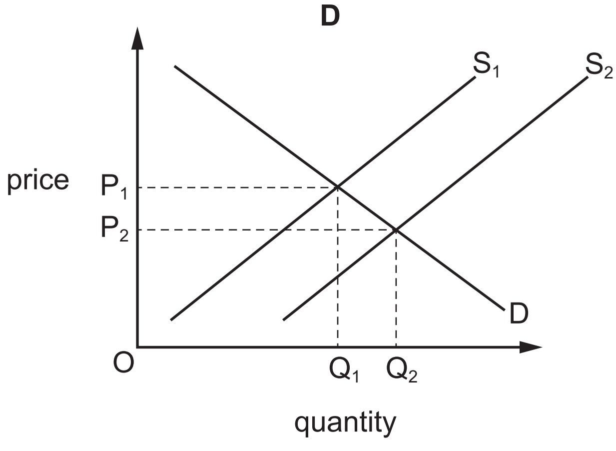

14 A group of workers in a firm joins a trade union.

What would the union be expected to do?

A arrange for labour-saving technology to be introduced

B discuss safety issues in the workplace with the employer

C ensure job security by promoting the firm's products through advertising

D negotiate new contracts with major buyers of the firm's products

15 The table shows the output, total fixed cost and total variable cost of a firm.

output	**total fixed cost**	**total variable cost**
5	1000	1000
10	1000	2000
15	1000	3000
20	1000	4000

What can be concluded from the data?

A average fixed cost remains constant

B average total cost rises

C average variable cost remains constant

D total cost falls

16 What allows a monopoly to charge a high price for its products and still make a profit?

	number of substitute products	**barriers to entry into the industry**
A	many	high
B	many	low
C	none	high
D	none	low

17 Which government actions are primarily aimed at achieving an international impact?

	setting a minimum wage	**depreciating the exchange rate**	**deregulating industry**	**introducing tariffs**
A	no	no	yes	yes
B	no	yes	no	yes
C	yes	yes	no	no
D	yes	no	yes	no

18 Governments aim to encourage stable prices because inflation can result in a current account deficit on the balance of payments.

How does high inflation contribute to a current account deficit?

A Countries have to barter manufactured goods for raw materials.

B Goods manufactured for export lose their competitiveness.

C Numbers of foreign visitors increase.

D Spending on imported goods is reduced.

19 Which feature of a tax is **not** desirable?

A certainty regarding the payment required

B convenient payment method

C equal payments by all citizens

D flexibility in different economic circumstances

20 What is an example of expansionary monetary policy?

A a reduction in the money supply

B a reduction in the rate of income tax

C a reduction in trade union power

D a reduction in the rate of interest

21 A country has high unemployment and low inflation. To reduce unemployment, the government increases its spending on education and training causing a budget deficit.

What is the most likely effect of this policy on inflation in the short run and the long run?

	short run	**long run**
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

22 The following information was published by an economy's central bank.

In which case was real GDP growth highest?

	rate of nominal GDP growth (%)	**rate of inflation (%)**
A	2.0	1.0
B	7.0	5.0
C	9.0	13.0
D	10.0	11.0

23 The table shows the percentage change in some items of the Consumer Prices Index (CPI) in a year.

item	**% increase in price**
energy	16
food	18
housing	10
transport	17

What will be the most likely consequence of these changes?

A interest rates will need to be reduced

B there will be a more equal distribution of income

C there will be cost–push inflation

D there will be demand-side deflation

24 Cuba is said to be transitioning towards a market economic system.

What is the most likely impact of this on the pattern of employment in Cuba?

A a decrease in the proportion of workers employed in the public sector

B a decrease in the proportion of workers employed in the private sector

C a decrease in the proportion of workers employed in small firms

D a decrease in the proportion of workers employed in the tertiary sector

25 What is **not** a component of the Human Development Index (HDI)?

A expected years of schooling

B income per head

C life expectancy at birth

D stock of natural resources

26 What could explain the rise in a country's population size despite a fall in its birth rate?

A A birth rate that exceeds the death rate.

B A death rate that exceeds the birth rate.

C Net emigration exceeds the birth rate.

D Net emigration exceeds the death rate.

27 What is a basis for specialisation at a national level?

A diseconomies of scale

B increased costs of production

C superior resource allocation

D wide variety of goods produced

28 The import of a product from country X into country Y has been banned.

What is this an example of?

A embargo

B quota

C subsidy

D tariff

29 What is necessary to be able to operate a fixed exchange rate system?

A free movement of capital and workers

B free trade between all economies

C permission from trading partners

D reserves of foreign currencies

30 A developing economy has a surplus on its trade in goods of $75 billion and a deficit on its trade in services of $25 billion, while its current account is in overall balance.

Which values for primary income and secondary income result in the current account being in balance?

	primary income	**secondary income**
A	deficit of $20 billion	surplus of $120 billion
B	deficit of $30 billion	deficit of $70 billion
C	surplus of $35 billion	surplus of $15 billion
D	surplus of $40 billion	deficit of $90 billion

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