

All Diagrams Needed for IGCSE Economics (0455)



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2026 CANDIDATES

Sitting IGCSE Economics in October/November 2026?

This page follows the 2027 to 2029 syllabus, but almost every diagram also applies to you. These are the differences for the 2026 syllabus:

- **National minimum wage (#36)**: still required. In 2026 it is drawn as a minimum price in the labour market (2.11.2).
- **Economies and diseconomies of scale (#38)**: the ATC diagram for scale is only required from 2027. You still need the cost diagrams (#39 and #40) for 3.7.2.
- **Perfectly inelastic, unitary and perfectly elastic (#16, #18, #20, #23, #25, #27)**: named explicitly only from 2027. Learn them anyway, because the 2026 syllabus asks for diagrams showing different PED and PES.
- **Not on this page, 2026 only**: maximum and minimum prices in the foreign exchange market (2.11.2), and interpreting a population pyramid (5.3.3), which you are not asked to draw.

Your papers also follow the 2026 format: Paper 1 has 30 multiple-choice questions in 45 minutes, and Paper 2 is 90 marks in 2 hours 15 minutes. See [what changed between 2026 and 2027](#).

Every diagram the Cambridge IGCSE Economics 0455 syllabus asks you to draw and interpret, with what each one shows and the labelling mistakes that cost marks. If you would like one-to-one help drawing and explaining them, see our [IGCSE Economics tuition in Singapore](#).

New to the course? Start with [what IGCSE Economics covers and how it is assessed](#), or check [what the 0455 syllabus code means](#). Every diagram here follows the 2027–2029 syllabus, and our [guide to what changed in 2027](#) explains which diagrams were added.

There are 42 diagrams on the 2027 to 2029 syllabus, plus 1 extension diagram that is clearly marked. In the exam, Paper 1 may ask you to analyse diagrams in its multiple-choice questions, and Paper 2 may ask you to draw them.

— Original curve - - - New or shifted curve - - - Government price or wage control

How diagrams are marked

I tell students in my [IGCSE Economics classes](#) that diagram marks are free marks: once you can draw a diagram properly, it gives you a reliable 4-mark boost. Most diagram questions are worth 4 marks, often with an extra mark for a short explanation. 6-mark diagram questions are rarer.

In Cambridge's 2027 specimen Paper 2, Question 1(d) asks you to draw a demand and supply diagram for 4 marks. The mark scheme gives one mark each for:

- correctly labelled axes
- the original demand and supply curves, labelled
- the new curve, shifted in the right direction
- both equilibria shown, with dashed lines or marked points

For that question, the mark scheme states that no marks are awarded for written analysis. When a question only says draw, spend your time on the diagram, not on paragraphs.

The slips we see most often in students' practice answers: shifting the wrong curve, or shifting both; drawing two diagrams when one is asked for; and labelling the axes with something from the question, such as tax, instead of price and quantity (or wage rate and quantity of labour in a labour market).

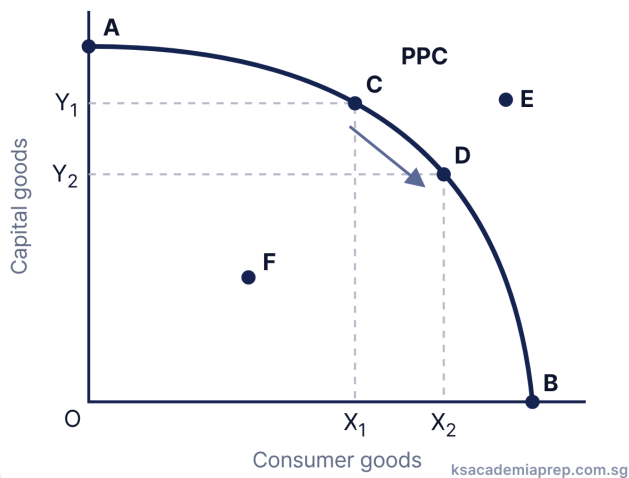
Source: [Cambridge IGCSE Economics 0455 specimen Paper 2 mark scheme, for examination from 2027](#).

1. Production possibility curve (PPC)

PPC diagram: points on, inside and beyond the curve

IGCSE ECONOMICS · 0455 · SYLLABUS 1.4

PPC diagram: points on, inside and beyond the curve



What it shows: A–D lie on the PPC, so all resources are fully and efficiently used. F lies inside the curve, so some resources are unemployed. E lies beyond the curve and is unattainable with current resources and technology. Moving from C to D gains X_1X_2 consumer goods at an opportunity cost of Y_1Y_2 capital goods. For a fuller explanation of scarcity, choice and opportunity cost, read [the basic economic problem explained](#).

HOW TO DRAW IT

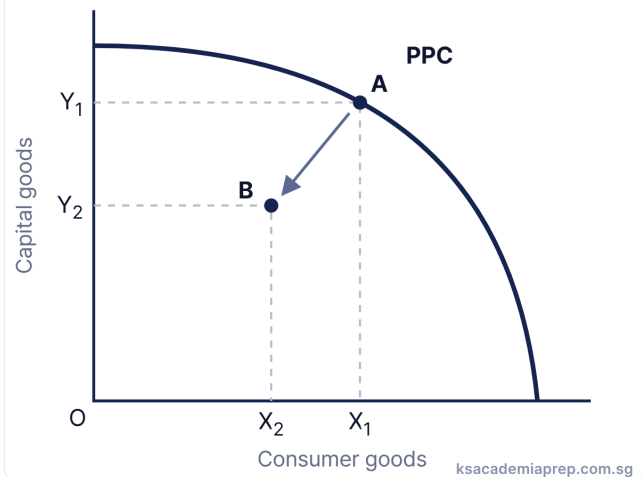
1. Label the axes with the two goods, e.g. capital goods and consumer goods.
2. Draw one curve bowed out from the origin that meets both axes, and label it PPC.
3. Mark points on the curve (A to D), one inside it (F) and one beyond it (E). Show the opportunity cost of moving from C to D with dashed lines to both axes.

Label the axes with the two goods, never price and quantity.

PPC diagram: rise in unemployment

IGCSE ECONOMICS · 0455 · SYLLABUS 1.4

PPC diagram: rise in unemployment



What it shows: A rise in unemployment moves the economy from point A on the PPC to point B inside it. Output of both goods falls (Y_1 to Y_2 and X_1 to X_2) because some resources are now unused, but the economy's productive capacity has not changed, so the PPC stays where it is.

HOW TO DRAW IT

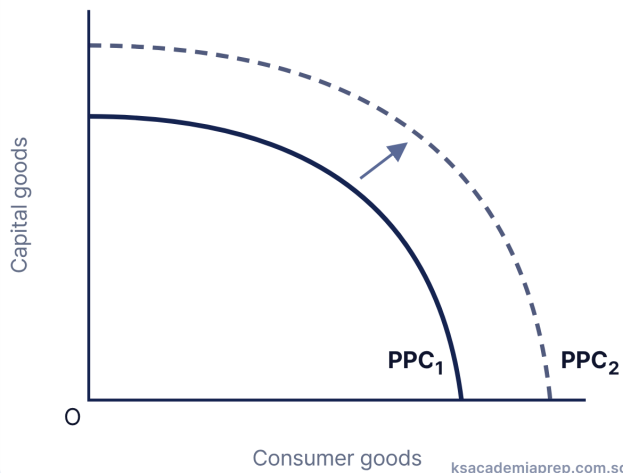
1. Draw and label one PPC.
2. Mark point A on the curve and point B inside it.
3. Draw an arrow from A to B and dashed lines showing output of both goods falling. Do not draw a second curve.

Do not shift the PPC inwards for unemployment. Only a fall in the quantity or quality of resources shifts the curve. This distinction has been tested in Paper 2, as our [past paper question breakdown](#) shows.

PPC diagram: outward shift

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PPC diagram: outward shift



What it shows: An outward shift from PPC_1 to PPC_2 shows economic growth: the economy can now produce more of both goods. It is caused by an increase in the quantity or quality of resources, e.g. more workers, more capital goods, better education and training, or improved technology.

HOW TO DRAW IT

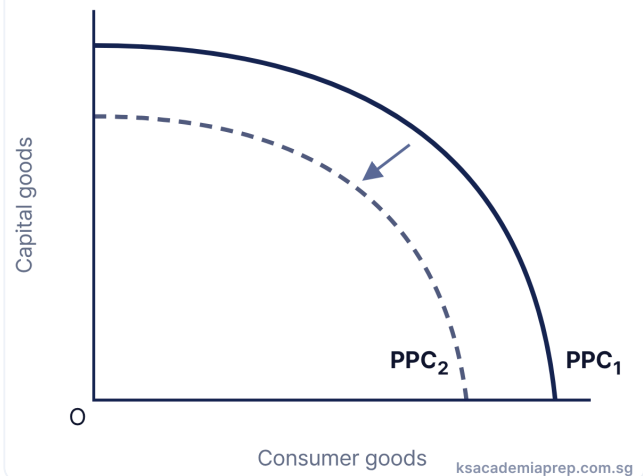
1. Draw the original curve and label it PPC_1 .
2. Draw a second curve further from the origin, meeting both axes, and label it PPC_2 .
3. Add an arrow pointing outwards between the two curves.

Shift the whole curve outwards and label both curves. Moving a single point is not a shift.

PPC diagram: inward shift

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PPC diagram: inward shift



What it shows: An inward shift from PPC_1 to PPC_2 shows a fall in the economy's productive capacity, e.g. after a natural disaster, a war, emigration of workers or the depletion of natural resources.

HOW TO DRAW IT

1. Draw the original curve and label it PPC_1 .
2. Draw a second curve closer to the origin, meeting both axes, and label it PPC_2 .
3. Add an arrow pointing inwards between the two curves.

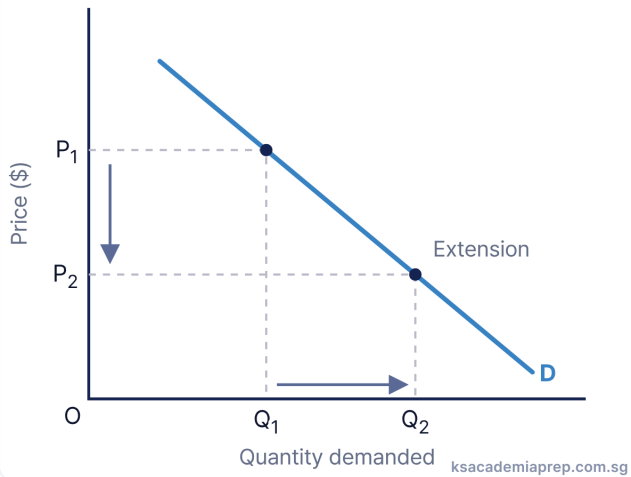
A move from a point on the curve to a point inside it (e.g. a recession raising unemployment) is not an inward shift, because capacity has not changed.

2. Demand

Movement along the demand curve diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 2.2

Movement along the demand curve diagram



What it shows: A fall in price from P_1 to P_2 causes an extension in demand from Q_1 to Q_2 , a movement down the curve. A rise in price causes a contraction. Only a change in the good's own price causes a movement along the curve.

HOW TO DRAW IT

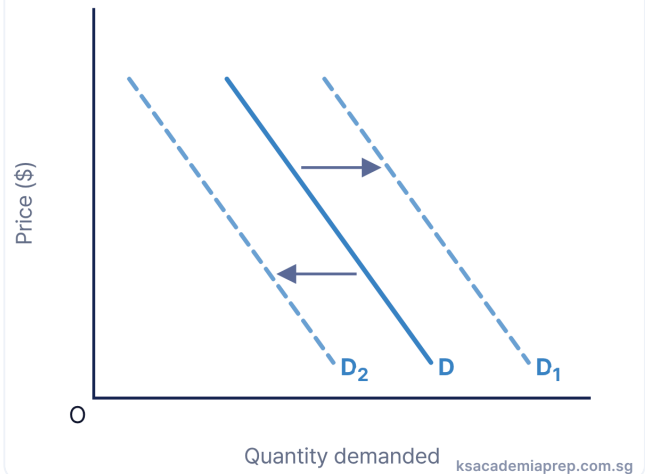
1. Label the axes Price (\$) and Quantity demanded.
2. Draw one downward-sloping curve and label it D .
3. Mark P_1 and P_2 on the price axis and Q_1 and Q_2 on the quantity axis with dashed lines. Add arrows and label the movement extension or contraction.

Use "extension" and "contraction" for movements, and "increase" and "decrease" for shifts.

Shift of the demand curve diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 2.2

Shift of the demand curve diagram



What it shows: A shift from D to D_1 is an increase in demand: more is demanded at every price. A shift to D_2 is a decrease. Shifts are caused by non-price factors, e.g. income, the prices of substitutes and complements, tastes and fashion, advertising and population.

HOW TO DRAW IT

1. Label the axes Price (\$) and Quantity demanded.
2. Draw the original curve D .
3. Draw D_1 parallel and to the right for an increase, or D_2 to the left for a decrease. Add an arrow showing the direction of the shift.

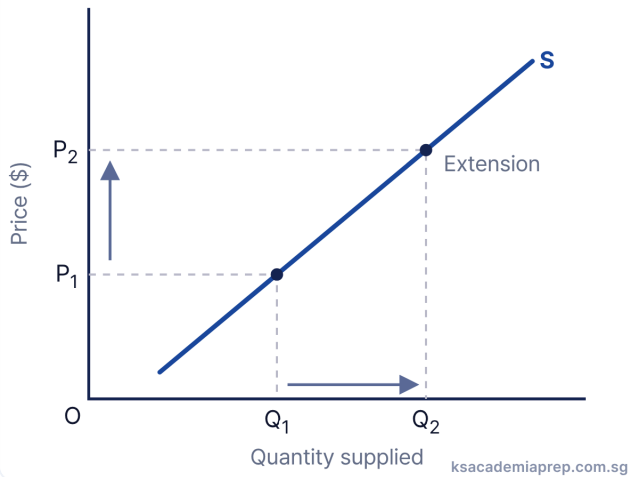
Label the original and new curves (D and D_1) and add an arrow to show the direction of the shift.

3. Supply

Movement along the supply curve diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 2.3

Movement along the supply curve diagram



What it shows: A rise in price from P_1 to P_2 causes an extension in supply from Q_1 to Q_2 , because producing more becomes more profitable. A fall in price causes a contraction.

HOW TO DRAW IT

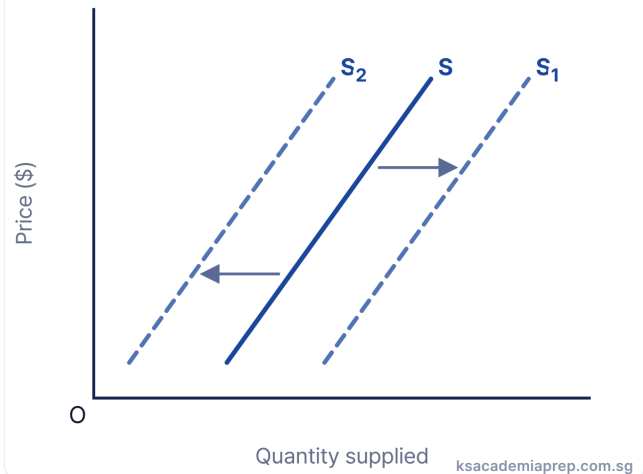
1. Label the axes Price (\$) and Quantity supplied.
2. Draw one upward-sloping curve and label it S.
3. Mark P_1 and P_2 and Q_1 and Q_2 with dashed lines. Add arrows and label the movement extension or contraction.

The supply curve slopes upwards from left to right. Only a change in the good's own price moves along it.

Shift of the supply curve diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 2.3

Shift of the supply curve diagram



What it shows: A shift from S to S_1 is an increase in supply: more is supplied at every price. A shift to S_2 is a decrease. Shifts are caused by non-price factors, e.g. costs of production, technology, indirect taxes and subsidies, weather and the number of firms.

HOW TO DRAW IT

1. Label the axes Price (\$) and Quantity supplied.
2. Draw the original curve S.
3. Draw S_1 to the right for an increase, or S_2 to the left for a decrease, and add an arrow.

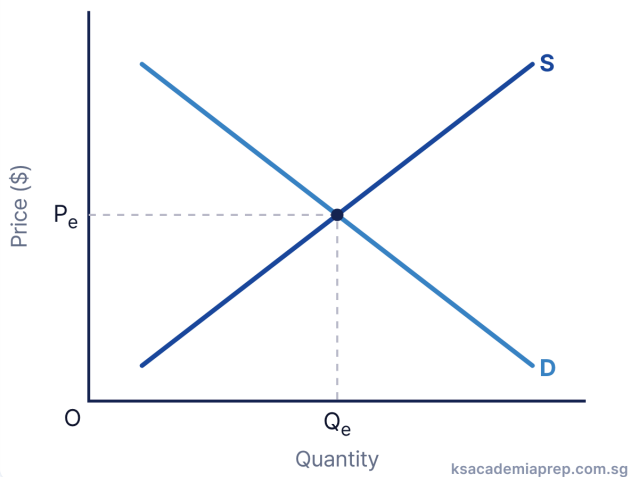
A rise in costs of production shifts supply to the left: a decrease in supply.

4. Price determination

Market equilibrium diagram

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Market equilibrium diagram



What it shows: Equilibrium is where demand equals supply, at price P_e and quantity Q_e . There is no excess demand or excess supply, so the market clears and there is no pressure for the price to change.

HOW TO DRAW IT

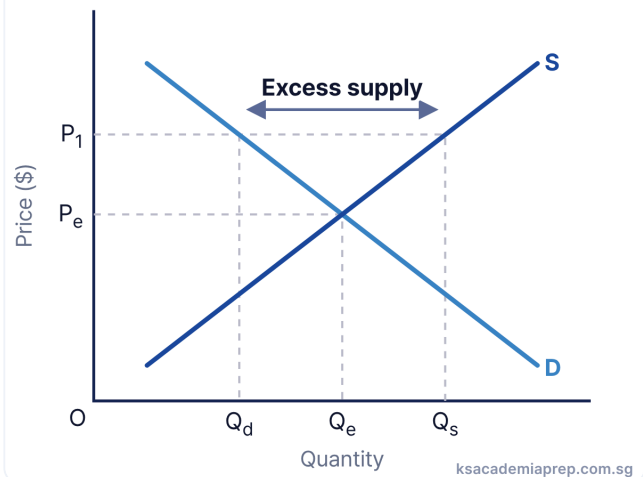
1. Label the axes Price (\$) and Quantity.
2. Draw a downward-sloping D and an upward-sloping S, and label both.
3. From the point where they cross, draw dashed lines to both axes and label them P_e and Q_e .

Mark the equilibrium price and quantity on the axes with dashed lines.

Excess supply diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 2.4

Excess supply diagram



What it shows: At P_1 , above the equilibrium price P_e , quantity supplied (Q_s) exceeds quantity demanded (Q_d). The gap between Q_s and Q_d is excess supply. Unsold stock pushes the price back down towards P_e .

HOW TO DRAW IT

1. Draw and label D and S, and mark P_e and Q_e .
2. Draw a horizontal dashed line at P_1 , above P_e .
3. Mark Q_d where the line meets D and Q_s where it meets S. Label the gap between them excess supply.

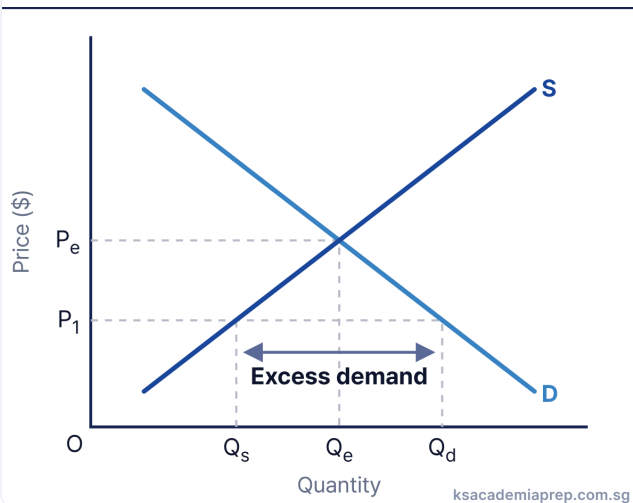
Excess supply is a horizontal distance at a given price, not a shaded area.

Excess demand diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 2.4



Excess demand diagram



What it shows: At P_1 , below the equilibrium price P_e , quantity demanded (Q_d) exceeds quantity supplied (Q_s). The gap is excess demand, a shortage. Consumers compete for the limited stock, pushing the price up towards P_e .

HOW TO DRAW IT

1. Draw and label D and S, and mark P_e and Q_e .
2. Draw a horizontal dashed line at P_1 , below P_e .
3. Mark Q_s where the line meets S and Q_d where it meets D. Label the gap between them excess demand.

Excess demand is also a horizontal gap, measured at the price below equilibrium.

Reading a demand and supply schedule

The syllabus asks you to find equilibrium and disequilibrium from a schedule as well as a diagram. In this market, equilibrium is at \$4, where quantity demanded equals quantity supplied at 60 units.

Demand and supply schedule for one market

PRICE (\$)	QUANTITY DEMANDED	QUANTITY SUPPLIED	MARKET
2	100	20	Shortage of 80
3	80	40	Shortage of 40
4	60	60	Equilibrium
5	40	80	Surplus of 40
6	20	100	Surplus of 80

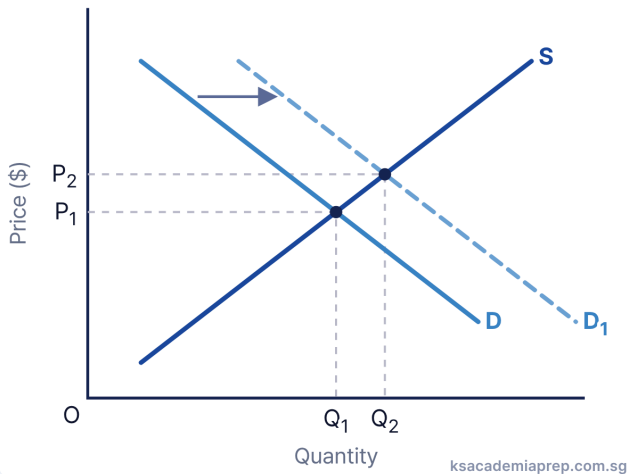
At any price below \$4 there is a shortage (excess demand), and at any price above \$4 there is a surplus (excess supply). The size of the shortage or surplus is the difference between the two quantity columns at that price.

5. Price changes

Increase in demand diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 2.5

Increase in demand diagram



What it shows: Demand increases from D to D_1 . At the original price there is now excess demand, so the price rises from P_1 to P_2 . This causes an extension in supply, and quantity rises from Q_1 to Q_2 .

HOW TO DRAW IT

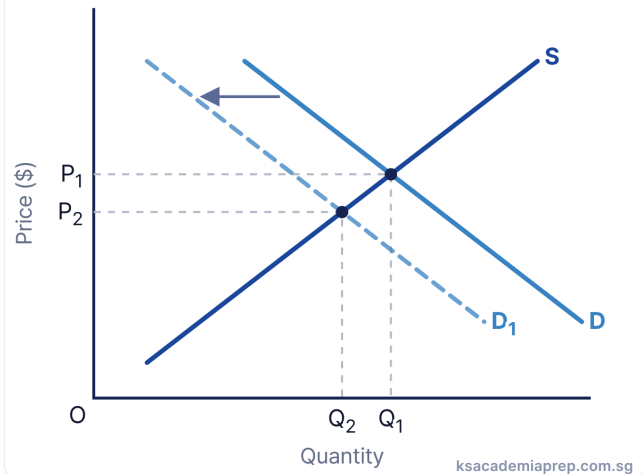
1. Draw D and S and mark the first equilibrium at P_1 and Q_1 .
2. Draw D_1 to the right of D and add an arrow.
3. Mark the new equilibrium at P_2 and Q_2 . Both are higher than before.

A shift of one curve causes a movement along the other. Here demand shifts and supply extends.

Decrease in demand diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 2.5

Decrease in demand diagram



What it shows: Demand decreases from D to D_1 . At the original price there is now excess supply, so the price falls from P_1 to P_2 . Supply contracts and quantity falls from Q_1 to Q_2 .

HOW TO DRAW IT

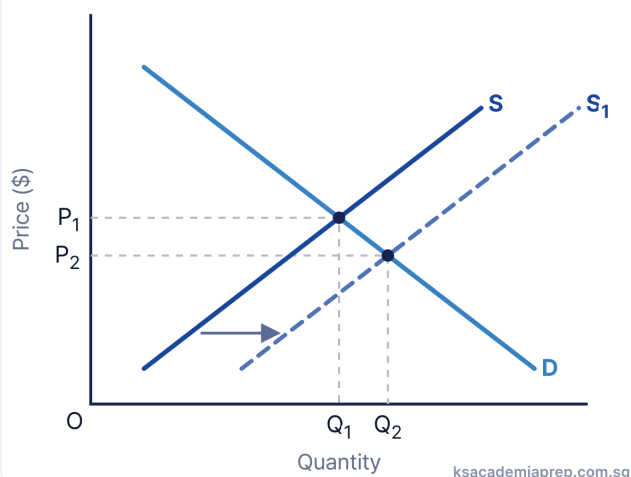
1. Draw D and S and mark the first equilibrium at P_1 and Q_1 .
2. Draw D_1 to the left of D and add an arrow.
3. Mark the new equilibrium at P_2 and Q_2 . Both are lower than before.

Explain the adjustment in steps: shift, excess supply at the old price, price falls, contraction in supply.

Increase in supply diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 2.5

Increase in supply diagram



What it shows: Supply increases from S to S_1 . At the original price there is now excess supply, so the price falls from P_1 to P_2 . Demand extends and quantity rises from Q_1 to Q_2 .

HOW TO DRAW IT

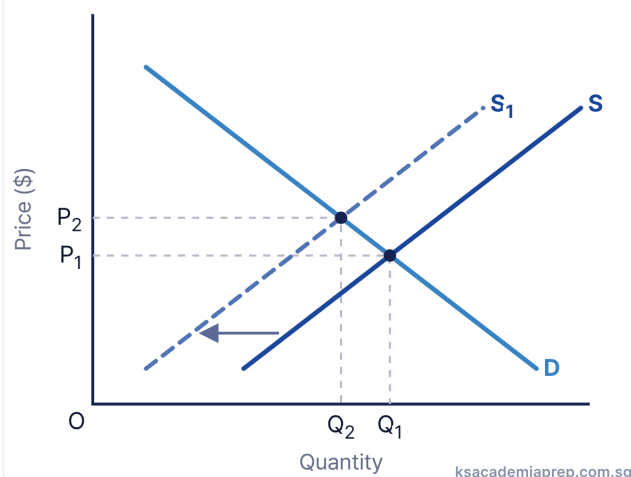
1. Draw D and S and mark the first equilibrium at P_1 and Q_1 .
2. Draw S_1 to the right of S and add an arrow.
3. Mark the new equilibrium: price falls to P_2 and quantity rises to Q_2 .

When supply increases, price and quantity move in opposite directions.

Decrease in supply diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 2.5

Decrease in supply diagram



What it shows: Supply decreases from S to S_1 , e.g. after a rise in costs of production. At the original price there is now excess demand, so the price rises from P_1 to P_2 . Demand contracts and quantity falls from Q_1 to Q_2 .

HOW TO DRAW IT

1. Draw D and S and mark the first equilibrium at P_1 and Q_1 .
2. Draw S_1 to the left of S and add an arrow.
3. Mark the new equilibrium: price rises to P_2 and quantity falls to Q_2 .

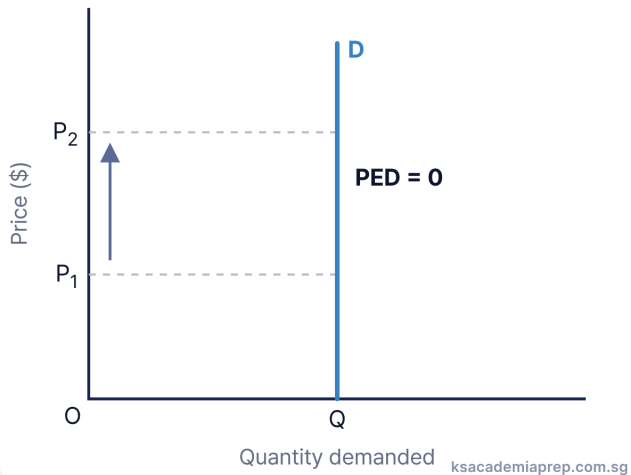
Check the direction of the shift: a decrease in supply moves the curve to the left.

6. Price elasticity of demand (PED)

Perfectly inelastic demand diagram (PED = 0)

IGCSE ECONOMICS · 0455 · SYLLABUS 2.6

Perfectly inelastic demand diagram (PED = 0)



What it shows: Quantity demanded stays at Q whatever the price. A rise from P₁ to P₂ causes no change in quantity demanded.

HOW TO DRAW IT

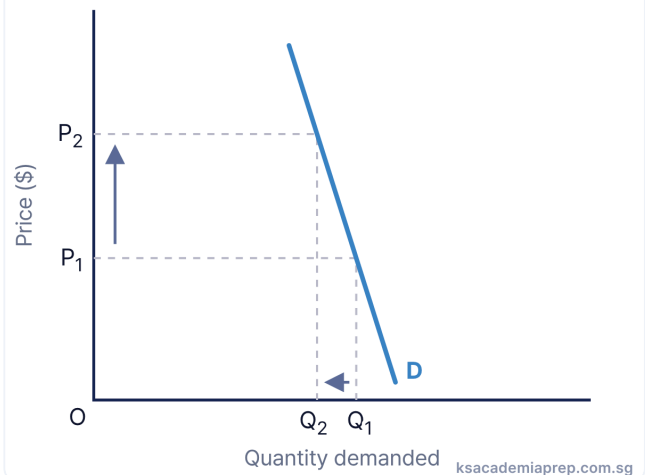
1. Label the axes Price (\$) and Quantity demanded.
2. Draw a vertical line at Q and label it D.
3. Mark two prices, P₁ and P₂, to show quantity demanded does not change. Label it PED = 0.

Draw a vertical line. This is a theoretical extreme; real products are rarely perfectly inelastic.

Price inelastic demand diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 2.6

Price inelastic demand diagram



What it shows: A rise in price from P₁ to P₂ causes a proportionately smaller fall in quantity demanded, from Q₁ to Q₂. Total revenue rises when price rises.

HOW TO DRAW IT

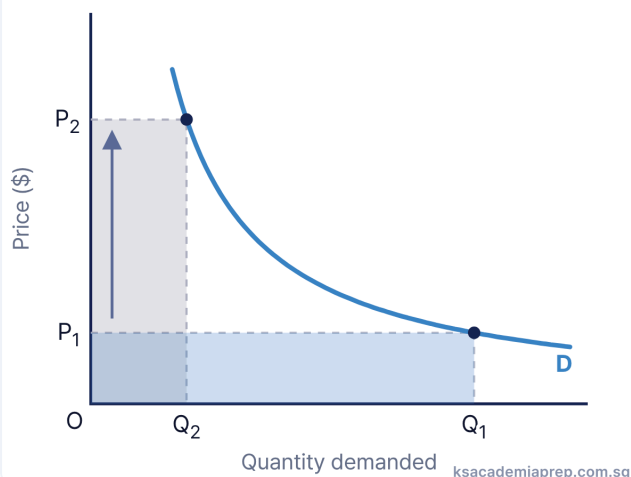
1. Label the axes Price (\$) and Quantity demanded.
2. Draw a steep demand curve and label it D.
3. Mark a large price change (P₁ to P₂) and the smaller change in quantity (Q₁ to Q₂) with dashed lines.

Draw the curve steep, and mark both price levels and both quantities.

Unitary elastic demand diagram (PED = -1)

IGCSE ECONOMICS · 0455 · SYLLABUS 2.6

Unitary elastic demand diagram (PED = -1)



What it shows: A change in price causes an equal percentage change in quantity demanded. The two shaded rectangles ($P \times Q$) have the same area, so consumer spending and firms' revenue do not change when the price changes.

HOW TO DRAW IT

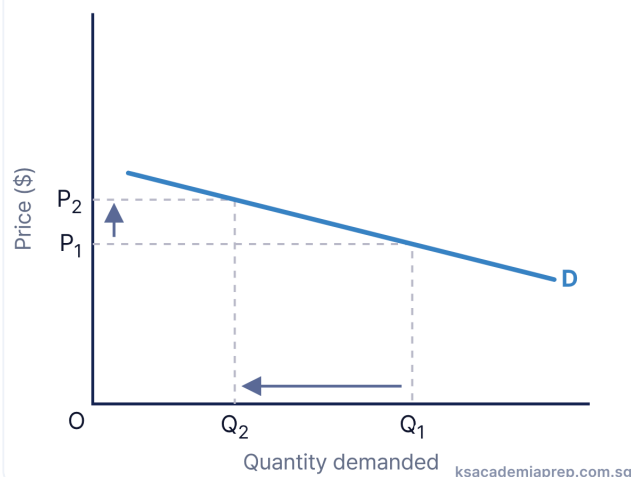
1. Label the axes Price (\$) and Quantity demanded.
2. Draw a curve that bends towards both axes without touching them. Do not draw a straight line.
3. Mark two points and shade the two price $\times$ quantity rectangles. They should have the same area.

Draw unitary elastic demand as a curve (a rectangular hyperbola), not a straight line.

Price elastic demand diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 2.6

Price elastic demand diagram



What it shows: A small rise in price from P_1 to P_2 causes a proportionately larger fall in quantity demanded, from Q_1 to Q_2 . PED is between -1 and minus infinity. Total revenue falls when price rises.

HOW TO DRAW IT

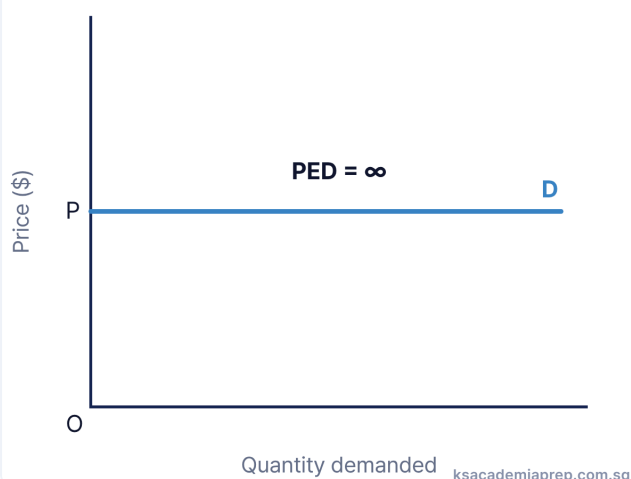
1. Label the axes Price (\$) and Quantity demanded.
2. Draw a flat demand curve and label it D.
3. Mark a small price change (P_1 to P_2) and the larger change in quantity (Q_1 to Q_2) with dashed lines.

Draw the curve flat and make the change in quantity visibly larger than the change in price.

Perfectly elastic demand diagram ($PED = \infty$)

IGCSE ECONOMICS · 0455 · SYLLABUS 2.6

Perfectly elastic demand diagram ($PED = \infty$)



What it shows: Consumers will buy any quantity at price P , but if the price rises even slightly, quantity demanded falls to zero.

HOW TO DRAW IT

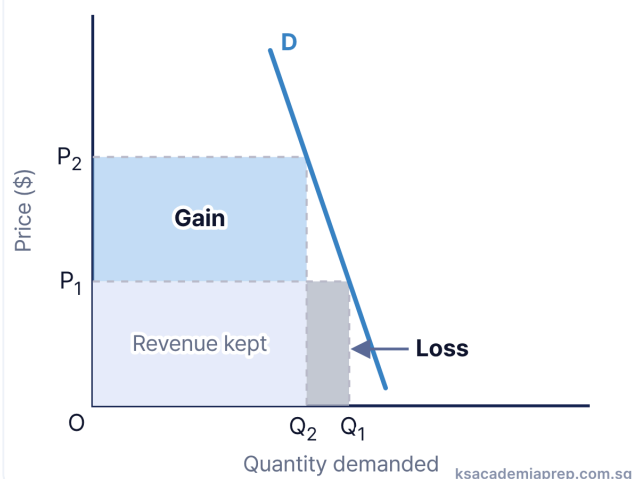
1. Label the axes Price (\$) and Quantity demanded.
2. Draw a horizontal line at price P and label it D .
3. Label it $PED = \infty$.

Draw a horizontal line. Like perfectly inelastic demand, this is a theoretical extreme.

PED and total revenue diagram: inelastic demand

IGCSE ECONOMICS · 0455 · SYLLABUS 2.6

PED and total revenue diagram: inelastic demand



What it shows: Total revenue is price $\times$ quantity, the rectangle under a point on the demand curve. Demand here is price inelastic, so when price rises from P_1 to P_2 the revenue gained (blue) is larger than the revenue lost (grey), and total revenue rises. With elastic demand the loss would be larger, so total revenue would fall.

HOW TO DRAW IT

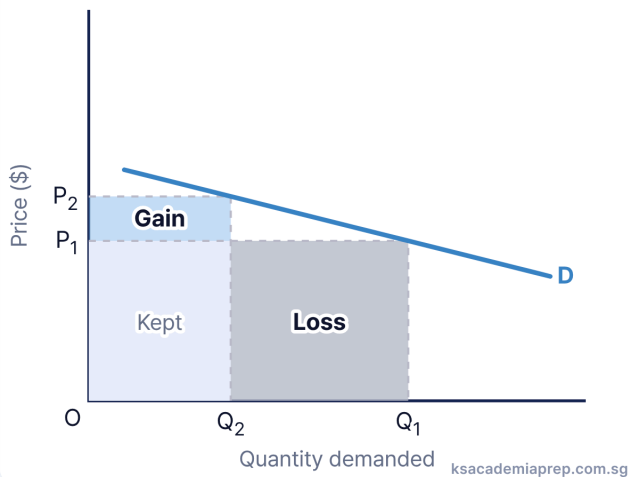
1. Draw a steep demand curve and mark P_1 , Q_1 and P_2 , Q_2 .
2. Shade the gain: the rectangle between P_1 and P_2 , up to Q_2 .
3. Shade the loss: the rectangle between Q_2 and Q_1 , up to P_1 . The gain is bigger, so total revenue rises.

Shade the gain and the loss separately and state which is bigger. Our [guide to scoring an A* in IGCSE Economics](#) shows how to build this into an 8-mark evaluation.

PED and total revenue diagram: elastic demand

IGCSE ECONOMICS · 0455 · SYLLABUS 2.6

PED and total revenue diagram: elastic demand



What it shows: Demand here is price elastic. When price rises from P_1 to P_2 , the revenue gained on the units still sold (blue) is smaller than the revenue lost on the units no longer sold (grey), so total revenue falls. To raise revenue, a firm with elastic demand should lower its price instead.

HOW TO DRAW IT

1. Draw a flat demand curve and mark P_1 , Q_1 and P_2 , Q_2 .
2. Shade the gain: the rectangle between P_1 and P_2 , up to Q_2 .
3. Shade the loss: the rectangle between Q_2 and Q_1 , up to P_1 . The loss is bigger, so total revenue falls.

Compare the two rectangles directly: if the grey loss is bigger than the blue gain, total revenue falls.

Working out the change in total revenue

Total revenue = price $\times$ quantity. Compare it before and after the price change.

INELASTIC DEMAND (PED = -0.2)

	PRICE	QUANTITY	TOTAL REVENUE (P $\times$ Q)
Before	\$2	100	\$200
After	\$3	90	\$270

Price rises by 50% and quantity falls by only 10%, so total revenue rises by \$70.

ELASTIC DEMAND (PED = -3)

	PRICE	QUANTITY	TOTAL REVENUE (P $\times$ Q)
Before	\$10	100	\$1,000
After	\$11	70	\$770

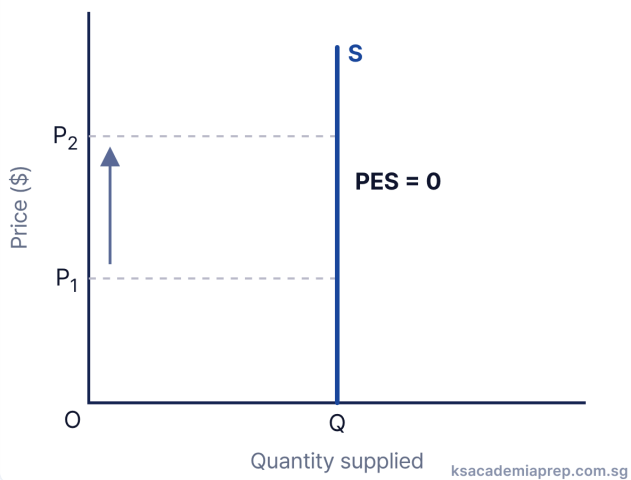
Price rises by 10% and quantity falls by 30%, so total revenue falls by \$230.

7. Price elasticity of supply (PES)

Perfectly inelastic supply diagram (PES = 0)

IGCSE ECONOMICS · 0455 · SYLLABUS 2.7

Perfectly inelastic supply diagram (PES = 0)



What it shows: Quantity supplied stays at Q whatever the price, e.g. the number of seats in a stadium for one match.

HOW TO DRAW IT

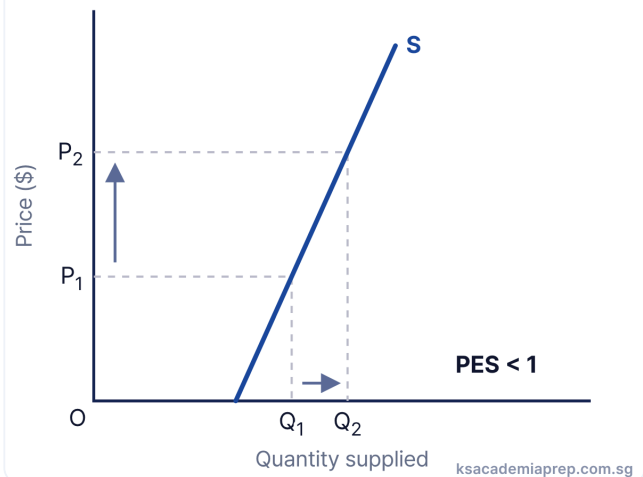
1. Label the axes Price (\$) and Quantity supplied.
2. Draw a vertical line at Q and label it S.
3. Mark P_1 and P_2 to show quantity supplied does not change. Label it PES = 0.

Draw a vertical line. It applies when producers cannot change output at all in the time period.

Price inelastic supply diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 2.7

Price inelastic supply diagram



What it shows: A rise in price from P_1 to P_2 causes a proportionately smaller rise in quantity supplied, from Q_1 to Q_2 .

HOW TO DRAW IT

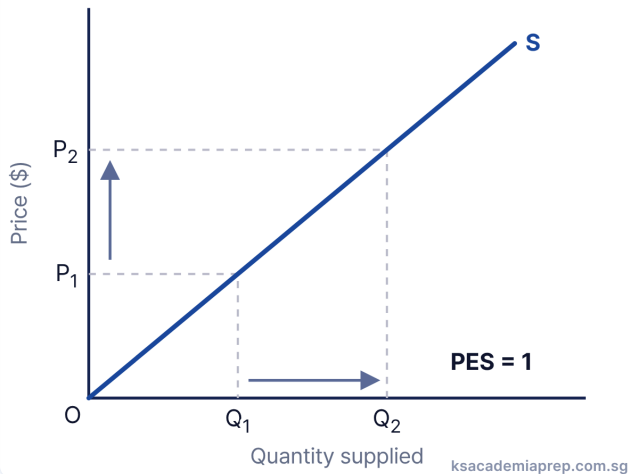
1. Label the axes Price (\$) and Quantity supplied.
2. Draw a straight supply line that starts from the quantity axis.
3. Mark the price change and the proportionately smaller change in quantity supplied.

Any straight supply line that starts from the quantity axis is price inelastic.

Unitary elastic supply diagram ($PES = 1$)

IGCSE ECONOMICS · 0455 · SYLLABUS 2.7

Unitary elastic supply diagram ($PES = 1$)



What it shows: A change in price causes an equal percentage change in quantity supplied.

HOW TO DRAW IT

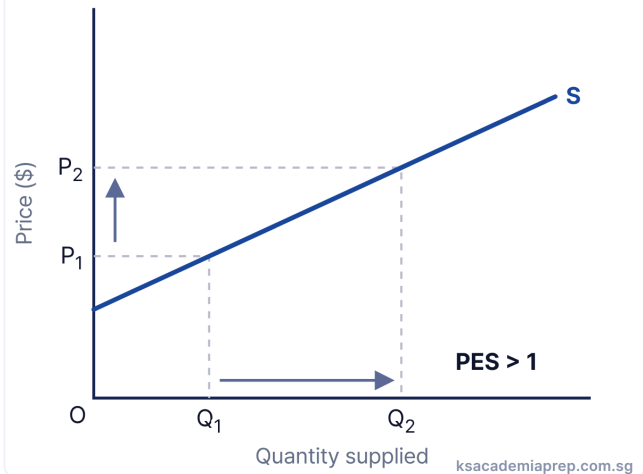
1. Label the axes Price (\$) and Quantity supplied.
2. Draw a straight supply line that starts from the origin, at any slope.
3. Mark the price change and the equal proportionate change in quantity supplied.

Any straight supply line through the origin has $PES = 1$, whatever its slope.

Price elastic supply diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 2.7

Price elastic supply diagram



What it shows: A rise in price from P_1 to P_2 causes a proportionately larger rise in quantity supplied, from Q_1 to Q_2 .

HOW TO DRAW IT

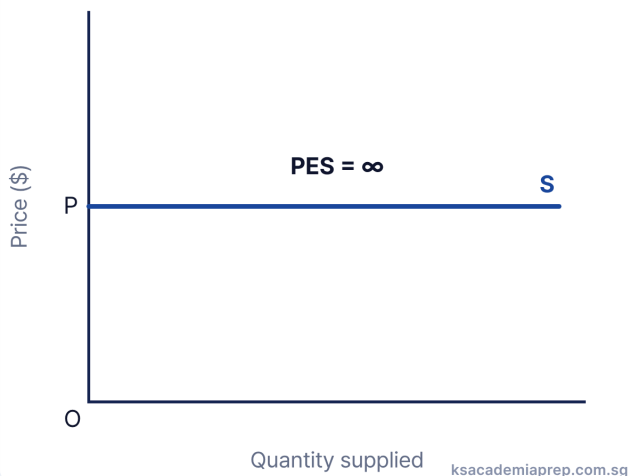
1. Label the axes Price (\$) and Quantity supplied.
2. Draw a straight supply line that starts from the price axis.
3. Mark the price change and the proportionately larger change in quantity supplied.

Any straight supply line that starts from the price axis is price elastic.

Perfectly elastic supply diagram ($PES = \infty$)

IGCSE ECONOMICS · 0455 · SYLLABUS 2.7

Perfectly elastic supply diagram ($PES = \infty$)



What it shows: Producers will supply any quantity at price P , but nothing at a lower price.

HOW TO DRAW IT

1. Label the axes Price (\$) and Quantity supplied.
2. Draw a horizontal line at price P and label it S .
3. Label it $PES = \infty$.

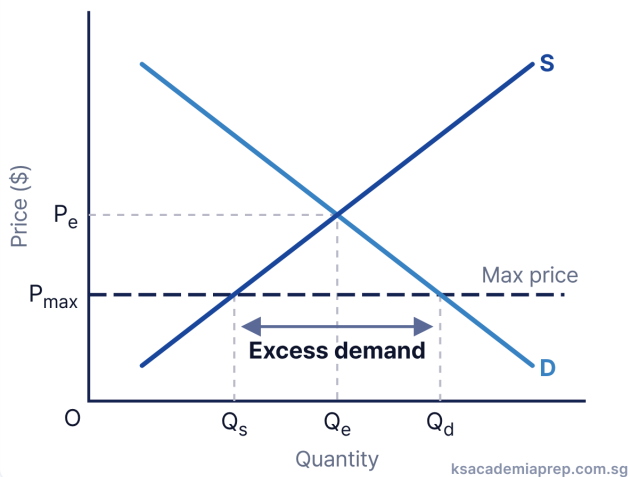
Draw a horizontal line and label it S .

8. Government intervention in markets

Maximum price diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 2.10

Maximum price diagram



What it shows: A maximum price is a legal limit set below the equilibrium price P_e . Quantity demanded (Q_d) exceeds quantity supplied (Q_s), creating excess demand. This can lead to queues, rationing and black markets.

HOW TO DRAW IT

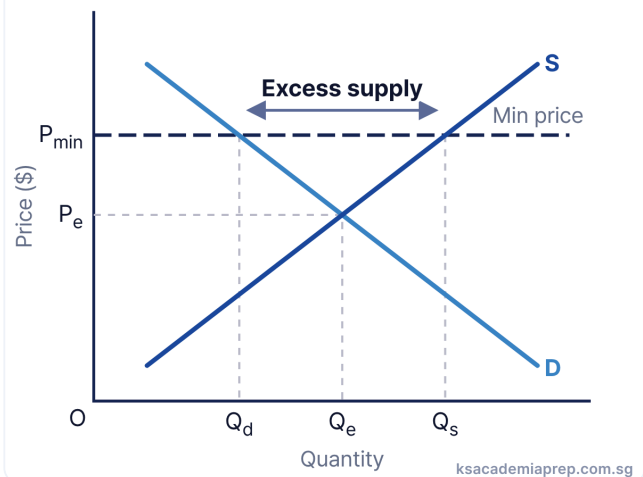
1. Draw and label D and S, and mark P_e and Q_e .
2. Draw a horizontal line below P_e and label it maximum price.
3. Read off Q_s on the supply curve and Q_d on the demand curve at that price. Label the gap excess demand. Do not shift either curve.

Draw the maximum price as a horizontal line below P_e , then read Q_d and Q_s off the curves you already have. Do not shift either curve: a price control changes the price, not demand or supply.

Minimum price diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 2.10

Minimum price diagram



What it shows: A minimum price is a legal floor set above the equilibrium price P_e . Quantity supplied (Q_s) exceeds quantity demanded (Q_d), creating excess supply. The government may have to buy and store the surplus.

HOW TO DRAW IT

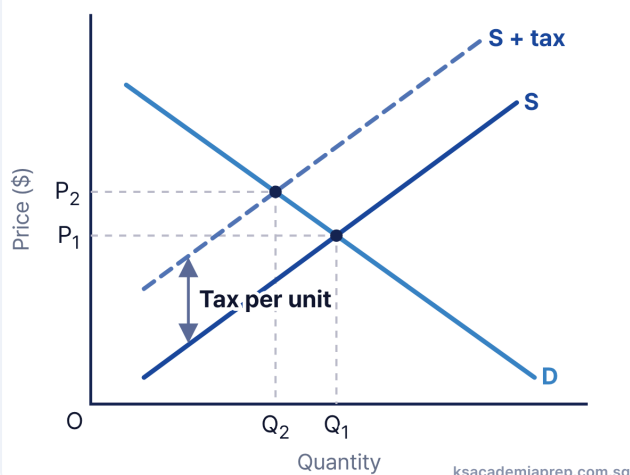
1. Draw and label D and S, and mark P_e and Q_e .
2. Draw a horizontal line above P_e and label it minimum price.
3. Read off Q_d on the demand curve and Q_s on the supply curve at that price. Label the gap excess supply. Do not shift either curve.

Draw the minimum price as a horizontal line above P_e , then read Q_d and Q_s off the curves you already have. Do not shift either curve.

Indirect tax diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 2.10

Indirect tax diagram



What it shows: A specific (per-unit) indirect tax raises firms' costs, so supply decreases from S to $S + \text{tax}$. The vertical distance between the curves is the tax per unit. Price rises from P_1 to P_2 and quantity falls from Q_1 to Q_2 .

HOW TO DRAW IT

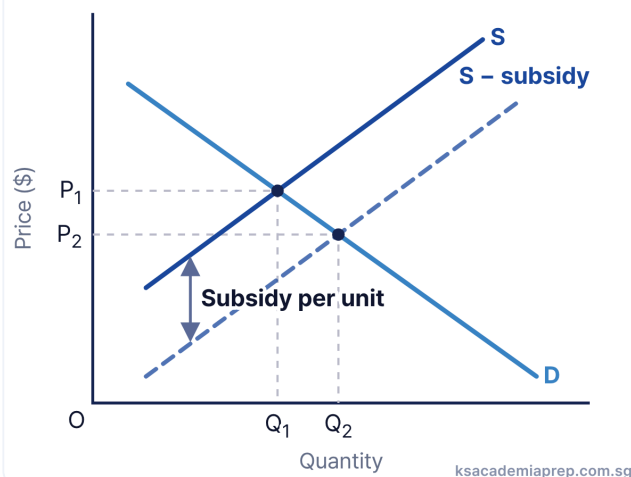
1. Draw D and S and mark the first equilibrium at P_1 and Q_1 .
2. Draw a new supply curve above S , parallel for a specific tax, and label it $S + \text{tax}$. Mark the vertical gap as the tax per unit.
3. Mark the new equilibrium: price rises to P_2 , by less than the tax, and quantity falls to Q_2 .

The price rises by less than the tax per unit: consumers pay part of the tax and producers pay the rest.

Subsidy diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 2.10

Subsidy diagram



What it shows: A subsidy lowers firms' costs, so supply increases from S to $S - \text{subsidy}$. The vertical distance between the curves is the subsidy per unit. Price falls from P_1 to P_2 and quantity rises from Q_1 to Q_2 .

HOW TO DRAW IT

1. Draw D and S and mark the first equilibrium at P_1 and Q_1 .
2. Draw a new supply curve below S and label it $S - \text{subsidy}$. Mark the vertical gap as the subsidy per unit.
3. Mark the new equilibrium: price falls to P_2 , by less than the subsidy, and quantity rises to Q_2 .

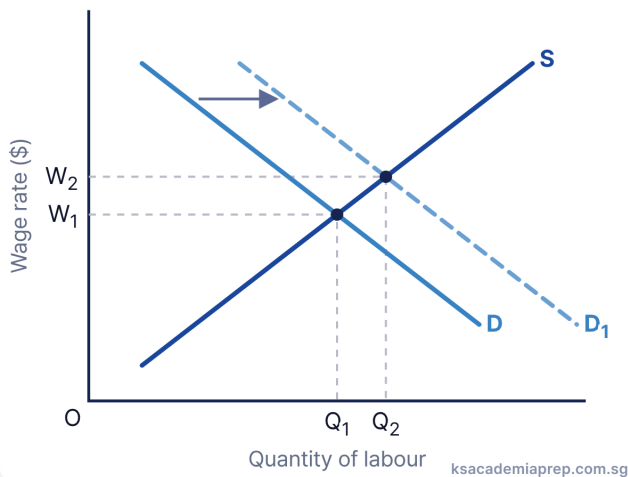
The price falls by less than the subsidy per unit, so part of the subsidy benefits producers.

9. The labour market

Increase in demand for labour diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 3.3

Increase in demand for labour diagram



What it shows: The demand for labour increases from D to D_1 , e.g. because demand for the product workers make has risen or workers have become more productive. The wage rate rises from W_1 to W_2 and employment rises from Q_1 to Q_2 .

HOW TO DRAW IT

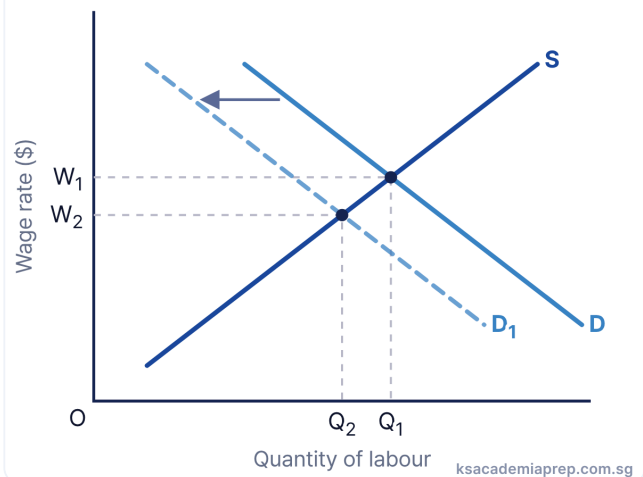
1. Label the axes Wage rate (\$) and Quantity of labour.
2. Draw D and S , mark W_1 and Q_1 , then draw D_1 to the right with an arrow.
3. Mark the new equilibrium: the wage rises to W_2 and employment rises to Q_2 .

Label the axes "wage rate" and "quantity of labour", not price and quantity.

Decrease in demand for labour diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 3.3

Decrease in demand for labour diagram



What it shows: The demand for labour decreases from D to D_1 , e.g. because demand for the product workers make has fallen or firms have replaced workers with machines. The wage rate falls from W_1 to W_2 and employment falls from Q_1 to Q_2 .

HOW TO DRAW IT

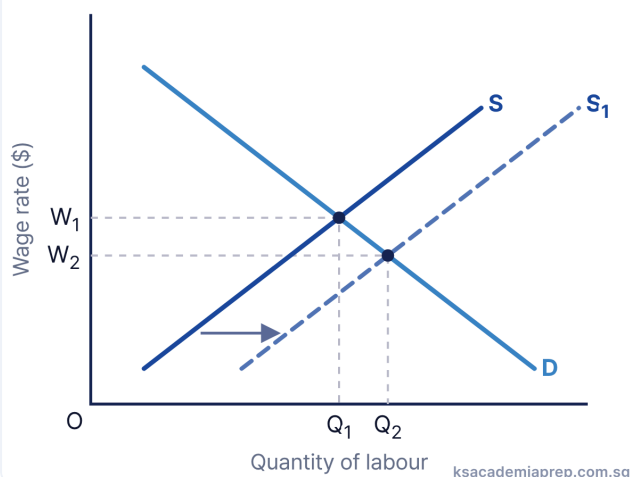
1. Label the axes Wage rate (\$) and Quantity of labour.
2. Draw D and S , mark W_1 and Q_1 , then draw D_1 to the left with an arrow.
3. Mark the new equilibrium: the wage falls to W_2 and employment falls to Q_2 .

Demand for labour is a derived demand: it depends on demand for the product that labour helps to make.

Increase in supply of labour diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 3.3

Increase in supply of labour diagram



What it shows: The supply of labour increases from S to S₁, e.g. because more people have trained for the job or more workers have migrated into the country. The wage rate falls from W₁ to W₂ and employment rises from Q₁ to Q₂.

HOW TO DRAW IT

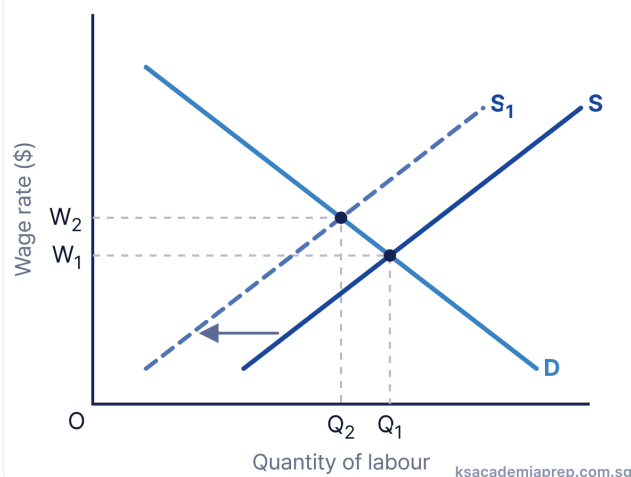
1. Label the axes Wage rate (\$) and Quantity of labour.
2. Draw D and S, mark W₁ and Q₁, then draw S₁ to the right with an arrow.
3. Mark the new equilibrium: the wage falls to W₂ and employment rises to Q₂.

Name a specific cause of the shift in your answer, not just "supply increases".

Decrease in supply of labour diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 3.3

Decrease in supply of labour diagram



What it shows: The supply of labour decreases from S to S₁, e.g. because workers emigrate, fewer people train for the job or working conditions become less attractive. The wage rate rises from W₁ to W₂ and employment falls from Q₁ to Q₂.

HOW TO DRAW IT

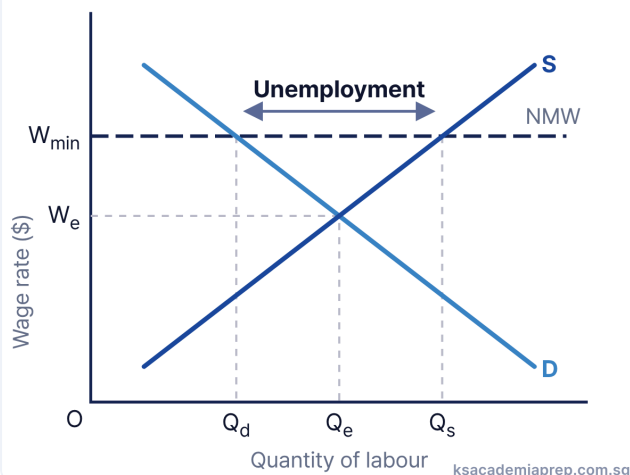
1. Label the axes Wage rate (\$) and Quantity of labour.
2. Draw D and S, mark W₁ and Q₁, then draw S₁ to the left with an arrow.
3. Mark the new equilibrium: the wage rises to W₂ and employment falls to Q₂.

When supply of labour falls, the wage rate and employment move in opposite directions.

National minimum wage (NMW) diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 3.3

National minimum wage (NMW) diagram



What it shows: A national minimum wage set above the equilibrium wage W_e raises the wage for workers who keep their jobs. Firms demand less labour (Q_d) while more people want to work (Q_s), so there is an excess supply of labour, i.e. unemployment. From 2027, NMW diagrams are listed under wage determination (3.3.2), one of several [changes to the 0455 syllabus](#). In the 2026 syllabus, the same diagram appears as a minimum price in the labour market (2.11.2).

HOW TO DRAW IT

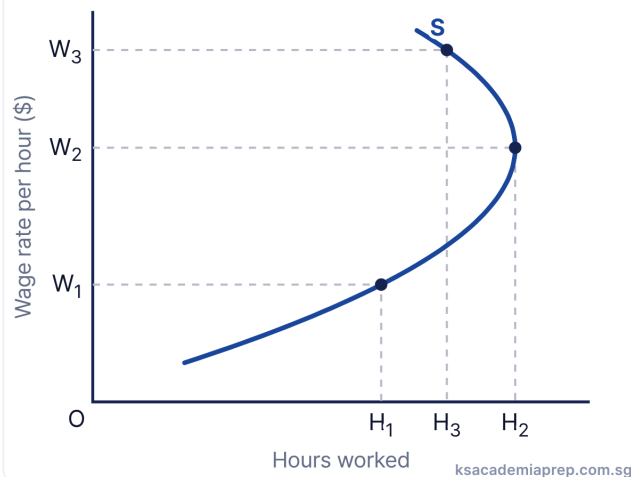
1. Label the axes Wage rate (\$) and Quantity of labour. Draw D and S and mark W_e .
2. Draw a horizontal line above W_e and label it national minimum wage.
3. Read off Q_d on the demand curve and Q_s on the supply curve at that wage. Label the gap unemployment.

An NMW set below the equilibrium wage has no effect, so draw it above W_e .

Backward-bending supply of labour diagram

IGCSE ECONOMICS · EXTENSION · NOT ON THE 0455 SYLLABUS

Backward-bending supply of labour diagram



What it shows: As the wage rate rises from W_1 to W_2 , the worker offers more hours (H_1 to H_2). Above W_2 , the worker may choose more leisure because they can earn enough in fewer hours, so hours worked fall to H_3 at W_3 .

HOW TO DRAW IT

1. Label the axes Wage rate per hour (\$) and Hours worked.
2. Draw a supply curve that rises to the right, then bends back to the left at high wage rates.
3. Mark W_1 , W_2 and W_3 with hours H_1 , H_2 and H_3 . H_3 is less than H_2 .

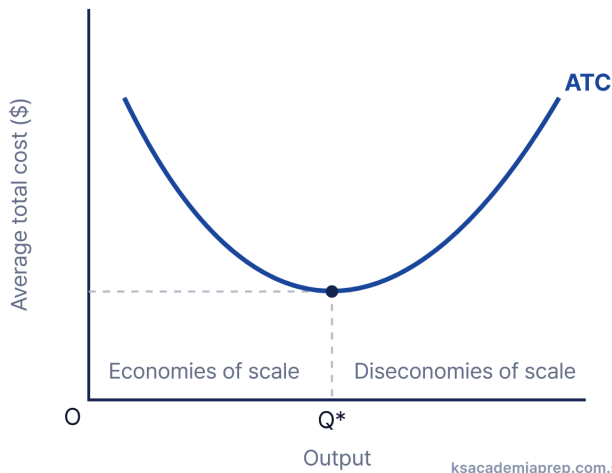
Extension only: not an explicit 0455 requirement, but useful when evaluating how workers respond to higher wages.

10. Firms' costs

Economies and diseconomies of scale diagram (ATC)

IGCSE ECONOMICS · 0455 · SYLLABUS 3.4

Economies and diseconomies of scale diagram (ATC)



What it shows: As output rises, ATC falls because of economies of scale, e.g. bulk buying, specialisation and cheaper finance. Q^* is the output with the lowest ATC. Beyond Q^* , diseconomies of scale, e.g. poor communication and coordination problems, make ATC rise.

HOW TO DRAW IT

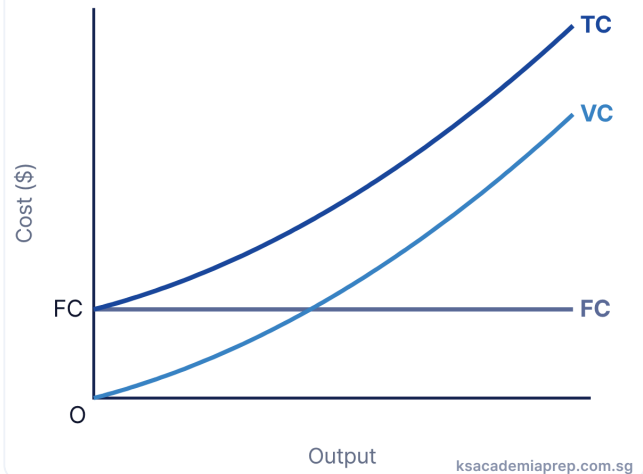
1. Label the axes Average total cost (\$) and Output.
2. Draw a U-shaped curve and label it ATC.
3. Mark the lowest point at Q^* . Label the falling part economies of scale and the rising part diseconomies of scale.

Economies of scale mean falling average total cost, not falling total cost. Drawing ATC diagrams is a new requirement in the [2027 syllabus](#).

Fixed, variable and total cost diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 3.6

Fixed, variable and total cost diagram



What it shows: Fixed cost does not change with output, so FC is horizontal. Variable cost starts at zero and rises as output rises. Total cost equals FC plus VC, so TC starts at the level of FC and the gap between TC and VC is always equal to FC.

HOW TO DRAW IT

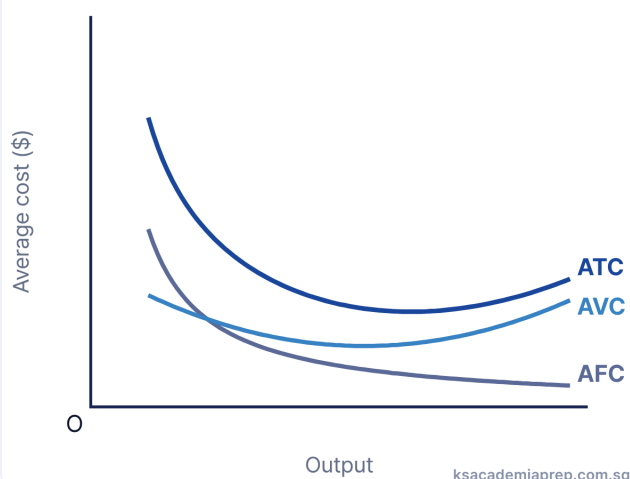
1. Label the axes Cost (\$) and Output.
2. Draw FC as a horizontal line and VC as a curve rising from the origin.
3. Draw TC starting at the FC level and staying the same distance above VC all the way.

Start TC at the FC level on the cost axis, not at the origin.

Average fixed, variable and total cost diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 3.6

Average fixed, variable and total cost diagram



What it shows: AFC falls continuously as output rises, because the same fixed cost is spread over more units. AVC and ATC are U-shaped. ATC equals AFC plus AVC, so the gap between ATC and AVC narrows as output rises.

HOW TO DRAW IT

1. Label the axes Average cost (\$) and Output.
2. Draw AFC falling continuously, and AVC as a U shape.
3. Draw ATC as a U shape above AVC. The gap between them is AFC, so it narrows as output rises.

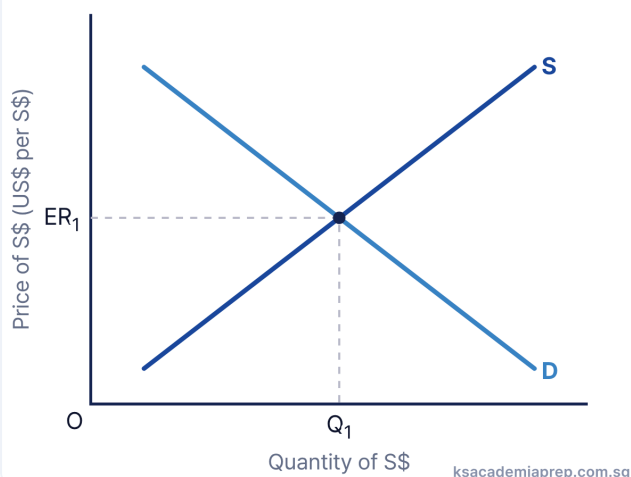
ATC always lies above AVC and the two curves never touch.

11. Foreign exchange rates

Exchange rate equilibrium diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 6.3

Exchange rate equilibrium diagram



What it shows: Under a floating exchange rate, the price of a currency is set by demand and supply. Demand for S\$ comes from foreigners buying Singapore exports, visiting Singapore and investing there. Supply of S\$ comes from Singapore residents buying imports and investing abroad.

HOW TO DRAW IT

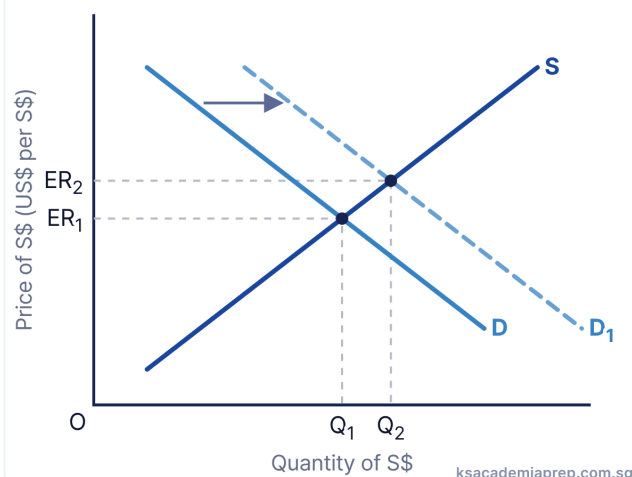
1. Label the axes Price of S\$ (US\$ per S\$) and Quantity of S\$.
2. Draw D and S for the currency and label both.
3. Mark the equilibrium exchange rate ER_1 and quantity Q_1 with dashed lines.

Label the vertical axis as the price of one currency in terms of another.

Currency appreciation diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 6.3

Currency appreciation diagram



What it shows: An increase in demand for S\$ from D to D_1 , e.g. because of higher demand for Singapore's exports, raises the exchange rate from ER_1 to ER_2 : the S\$ appreciates. A rise in Singapore's interest rates can have the same effect, because foreign savers buy S\$ to earn the higher return. So can speculation: speculators buy S\$ when they expect it to rise.

HOW TO DRAW IT

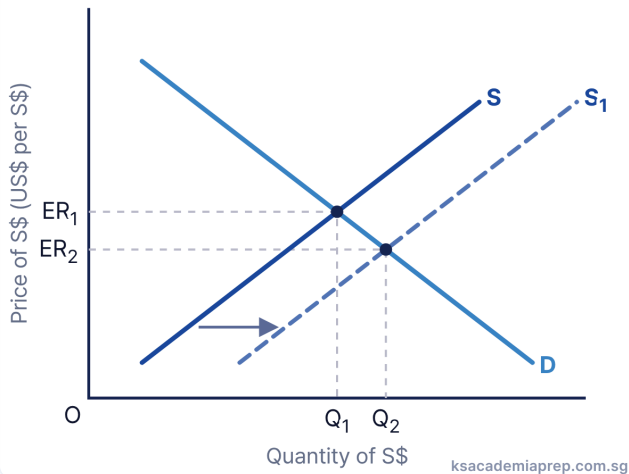
1. Draw D and S for S\$ and mark ER_1 and Q_1 .
2. Draw D_1 to the right with an arrow.
3. Mark the new equilibrium ER_2 , above ER_1 . The S\$ has appreciated.

Always state which currency has appreciated or depreciated.

Currency depreciation diagram

IGCSE ECONOMICS · 0455 · SYLLABUS 6.3

Currency depreciation diagram



What it shows: An increase in the supply of S\$ from S to S_1 , e.g. because Singapore residents buy more imports or invest more abroad, lowers the exchange rate from ER_1 to ER_2 : the S\$ depreciates. A fall in Singapore's interest rates can have the same effect, as savers move money abroad and sell S\$. So can speculators selling S\$ because they expect it to fall.

HOW TO DRAW IT

1. Draw D and S for S\$ and mark ER_1 and Q_1 .
2. Draw S_1 to the right with an arrow.
3. Mark the new equilibrium ER_2 , below ER_1 . The S\$ has depreciated.

Depreciation means the currency buys less foreign currency than before. Say which currency has depreciated.



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Kirby is an Economics graduate of the National University of Singapore (NUS) and has taught Economics full-time for over four years. At KS Academia Prep he teaches every IGCSE Economics (0455) group class and IB Economics at SL and HL, in English and Mandarin, at Far East Shopping Centre, #15-06, Orchard Road.

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