



RAFFLES INSTITUTION

H2 Economics

	2015	2016	2017	2018	2019
GDP per capita (current, USD)	1248.5	1401.6	1563.9	1698.4	1855.7
GDP per capita (current, PPP USD)	3555.5	3849.1	4161.1	4546.2	4950.7
Real GDP Growth Rate (%)	6.6	7.1	7.3	7.9	8.2
Unemployment Rate (%)	4.4	4.3	4.4	4.3	4.2
Inflation Rate (%)	6.4	5.9	5.4	5.8	5.5
Current Account Balance (billion USD)	2579.6	931.5	-5985.0	-7592.9	-3087.0
Official Exchange Rate (taka/USD)	77.8	78.4	80.6	83.7	85.5



a) With reference to Table 1 above, in which year was real GDP highest in Bangladesh? [1]

b) Explain why the values of GDP/capita (current, USD) are lower than GDP/capita (current, PPPUSD) from 2015 to 2019. [3]

1st mark: What is PPP exchange rate? PPP exchange rate equalises the purchasing power of different currencies, allowing the currency of one country to be converted into that of another country to buy the same amount of goods and services in the country.

^{2nd} mark: What does PPP try to capture? It adjusts for differences in cost of living between Bangladesh and the US.

3rd mark: Why it shows lower value when using official exchange rate? US\$1855.70 can buy US\$4950.70 worth of goods. Lower cost of living.



c) Describe the change in price level in Bangladesh between 2015 and 2019. [2)

- Prices in Bangladesh generally increased between 2015 and 2019. [1m]

- However, the prices generally increased at a decreasing rate during the period (disinflation). [1m]

D) State what happened to the Bangladeshi taka between 2015 and 2019.
[2]

- The taka generally depreciated against the USD between 2015 and 2019. [1m]
- It depreciated the most between 2017 and 2018. [1m]





- a) Compare the changes in real GDP of Venezuela and Colombia between 2012 and 2018. [2]
- 1 Similarity, 1 Difference





a) Compare the changes in real GDP of Venezuela and Colombia between 2012 and 2018. [2]

Difference: Venezuela – Fell, Colombia – rose

Similarity: 2012-2013 – both rise





b) Describe the trend in GDP growth rate of Iran between 2001 and 2017. [2]

General trend: Volatile High 13%, low -7.5%, but mostly positive Anomaly: Negative in 2012 and 2015.



Year	Nigeria	Saudi Arabia
2014	8.1	2.2
2015	9.0	1.2
2016	15.7	2.1
2017	16.5	-1.0
2018	12.1	2.6
2019	11.4	-2.1

Compare the change in rate of inflation and the consumer prices for Nigeria and Saudi Arabia between 2017 and 2019. [2]

Similarity, Difference but also 2 different aspects – rate of change vs absolute. Rate of change – Similarity – both see a fall in inflation rate from 2017-2019 Difference – Consumer prices rise (Nigeria), while it fell in Saudi Arabia.

Year	U.S. imports from China (USD billions)	U.S. exports to China (USD billions)
2014	468	124
2015	483	116
2016	463	116
2017	505	130
2018	540	120
2019	452	106

With reference to Table 3, compare the U.S balance of trade in goods with China in 2014 and 2019.[2]

When assessing BOT – always note whether it is in surplus or deficit, then direction of change.

Similarity – both years show deficit. Difference – 2019, deficit was largeaffles

	2019	2020	2021	
Real GDP, \$million (2015 prices)	480,984.6	461,056.9	496,161.6	
GDP growth, % (year-on-year)	1.3	-4.1	7.6%	
CPI (2019 Base year)	100	99.8	102.1	
Inflation rate %	0.6	-0.2	2.3	
Unemployment rate, %	3.0	3.8	3.4	
Balance of Trade position, Smillion	147,216.2	151,047.4	167,265.7	
a) Compare Singapore's economic performance from 2019 to 2021.				
GDP growth 1.3% and 7.6%				



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CPI 2.3% increase compared to 2019 (0.6%)				



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Unemployment rate 3% to 3.4%				



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a) Compare Singapore's economic performance from 2019 to 2021.				
BOT \$147bn surplus to \$167bn surplus				



a) How do economists compare the economic performance of different countries? [10]

- Economists compare economic performance of different countries using the respective <u>key economic indicators</u> (GDP growth rate, inflation rate, unemployment rate, BOT statistics)

Explaining the (A) definition of each macro goal, (B) measurement and any considerations required and (C) how to compare – what it implies / how does it demonstrate 1 is better than the other country.



a) How do economists compare the economic performance of different countries? [10]

- a) Economic growth → increase in total production of goods and services in the country over a specific period of time.
 b) Measurement (indicator used) Change in GDP
- GDP: value of all final goods and services produced within a given country during a given period of time Considerations:

Real figures to be used: adjusted for inflation – thus more accurately reflect the increase in actual output for the country.

c) Implications

 Higher Positive growth rate = faster expansion of economy= desirable economic performance. Use examples

a) How do economists compare the economic performance of different countries? [10]

c) Implications

• Stable and healthy growth improves business confidence -greater incentive for firms to invest. The higher capital expenditure allows the economy to expand its potential productive capacity, leading to potential growth and thus sustained growth.

• Economic growth helps to create jobs. With growth, more goods and services are being demanded and produced, leading to higher induced demand for labour – lowers dd deficient unemployment.



a) How do economists compare the economic performance of different countries? [10]

Real GDP per capita (with PPP exchange rate) as comparison

- To accurately capture the different level of production across countries.
- Per capita to reflect average person in the country's contribution / production to the national income.
- PPP to more accurately reflect the different value (cost of living) across countries as that can affect the quantity of goods/ services produced.



a) How do economists compare the economic performance of different countries? [10]

- a) Price Stability avoidance of sustained increase in price levels
 b) Measurement (indicator used)
 Inflation rate: rate of increase of CPI
- CPI is a weighted price index that measures the price of a fixed basket of goods and services typically consumed by households

c) Implications

 A low and stable rate of inflation ensures i) exports remains competitive and it also reduces ii) uncertainty, which increases consumer and investor confidence, vice versa.



a) How do economists compare the economic performance of different countries? [10]

c) Implications

• i) More price competitive exports - If domestic inflation is lower relative to foreign inflation. Foreign countries will increase their demand for the relatively cheaper exports,

 ii) More certainty - easier to predict changes in costs of production and prices and in turn forecast profits more accurately which makes long-term planning easier for businessmen. Hence, investment will increase.

- If India's inflation rate > Singapore's inflation rate
- Singapore performed better than India as it is better able to keep prices stable, allowing better decision-making for consumers, producers and governments.



a) How do economists compare the economic performance of different countries? [10]

a) Low Unemployment -resources are mostly fully and efficiently employed to produce maximum amount of goods and services; people who are willing and able to work can find jobs

b) Measurement (indicator used)

 Unemployment rate (No.of unemployed persons)/(Labour force)×100%

c) Implications

• Low unemployment results in a smaller wastage of scarce labour resources (smaller loss of potential output for the economy). A better utilization of resources imply that the economy has performed better in making full use of the labour force in the country.



a) How do economists compare the economic performance of different countries? [10]

c) Implications

- Unemployment rate Singapore < Unemployment rate in US
- Lower levels of unemployment means larger % of the labour force is gainfully employed – stable income = higher material SOL. Also, less concern about social problems which can arise.



a) How do economists compare the economic performance of different countries? [10]

- a) **Favourable BOT-** Typically, a BOT surplus is deemed favourable, while large and persistent BOT deficits is deemed unfavourable.
- b) Measurement (indicator used)
- BOT Statistics: record of a country's international transactions (Goods and Services) between its residents and those of the rest of the world
- Calculation: Balance of Trade refers to the value of the difference between export revenue and import expenditure.

c) Implications

• BOT surplus reflect competitiveness of the country's exports against other countries.



a) How do economists compare the economic performance of different countries? [10]

c) Implications

 BOT surplus reflect competitiveness of the country's exports against other countries. Greater inflow than outflow.

• A BOT deficit means that the country is paying more for its imports of goods and services than it is earning through exports. A BOT deficit typically translates to a fall in AD (due to (X-M) component of AD falling). This would cause a fall in real NY.



b) Assess the extent to which Singapore's economic performance is the main determinant of its population's standard of living. [15]

Clarify the meaning of SOL: Material vs non-material <u>R1:</u> Singapore's economic performance can measure the population's standard of living (material)

<u>R2:</u> Other indicators can determine (be the main determinant) of Singapore's SOL, in particular non-material SOL.



KEI–ESSAY 1

b) Assess the extent to which Singapore's economic performance is the main determinant of its population's standard of living. [15]

<u>R1:</u> Singapore's economic performance can measure the population's standard of living (material)

Higher real GDP per capita higher material SOL for the average resident of the country.

- 1. Further refinements Per Capita country's population (average) to take into account change in population size.
- If Real GDP per capita income increased, the average standard of living will tend to rise the average individual will have more and better quality goods and services available to consume.



KEI-ESSAY 1

b) Assess the extent to which Singapore's economic performance is the main determinant of its population's standard of living. [15]

<u>R1:</u> Singapore's economic performance can measure the population's standard of living (material)

2. The **unemployment rate** figure will provide an indication of Singapore's material SOL.

A lower unemployment rate figure would be a higher level of employment of the working population increase in disposable income increase ability to consume goods and services.



KEI–ESSAY 1

b) Assess the extent to which Singapore's economic performance is the main determinant of its population's standard of living. [15]

<u>R1:</u> Singapore's economic performance can measure the population's standard of living (material) – Limitations!

Composition:

Use <mark>examples</mark>:

If GDP rises as a result of a rise in I, this will not lead to an immediate increase in the population's material SOL at least in the SR. Given the nature of I, which refers to the acquisition of capital goods such as machineries, mSOL in the SR does not increase with an increase in I.



b) Assess the extent to which Singapore's economic performance is the main determinant of its population's standard of living. [15]

Evaluation 1: judgment as to whether if it is a good indicator of SOL (Mat)

Stand: The most commonly used economic performance indicator is the size of Real GDP per capita to determine a country's SOL.

#1: While distribution of income within the country could differ such that not everyone has benefited as much as the average income level suggest, it is still a fairly good proxy for both material and to an extent non-material SOL of the country as a large GDP per capita would imply greater level of resources for the govt which could trickle down to the average person.

#2: On top of that, even if Real GDP growth is due to investment, the **LR growth which accompanies it will tend to create jobs** and benefit the population.



KEI–ESSAY 1

b) Assess the extent to which Singapore's economic performance is the main determinant of its population's standard of living. [15]

<u>R2:</u> Other indicators/factors can determine (be the main determinant) of Singapore's SOL, in particular non-material SOL.

SOL goes beyond economic performance based on KEI – especially considering the difficulty in capturing non-material SOL aspect.

Healthcare indicators

 Common measures of healthcare include life expectancy rates as well as infant mortality rates. These can indicate the <u>quality of healthcare</u> available in the country.

 The ratio of the number of doctors, dentists and nurses to the population may indicate the <u>access to healthcare facilities</u> and services available to the people. Countries that have higher life expectancy levels are assumed to have a higher quality of life.



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Education indicators

- Literacy rates, mean years of schooling and the highest qualification attained by the population - indicate the quantity and quality of education.
- High literacy rate suggests the existence of an effective primary education system - ability of using the written word in daily life and to continue learning.
- Better opportunities of finding jobs and are able to continue to learn new skills that will help them in the workplace.



KEI-ESSAY 1

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<u>R2:</u> Other indicators can determine (be the main determinant) of Singapore's SOL, in particular non-material SOL.

Composite indicators:

- Composite indicators that combine material and non-material measures were developed to give a more complete picture of the level of human well-being.
- The Human Development Index (HDI) is the most widely used indicator
- It includes life expectancy at birth, mean number of years of schooling for adults and expected years of schooling for students, and also the PPP-adjusted real GNI per capita.



b) Assess the extent to which Singapore's economic performance is the main determinant of its population's standard of living. [15]

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Limitations!

Valuation of how each non-material indicator influences the quality of life **is subjective**. Even within each category – for instance, healthcare, there are numerous indicators which capture different aspects of it – e.g. life expectancy, infant mortality, number of doctors to population etc.



KEI–ESSAY 1

b) Assess the extent to which Singapore's economic performance is the main determinant of its population's standard of living. [15]

Evaluation 2:

- Stand: The subjectivity of what aspects determine overall welfare limits the usefulness of composite indicators in measuring living standards.
- #1: Some highly recognized composite indicators such as HDI are used commonly along side Real GDP per capita figures as comparison because they focus on the key issues of quality of life, which is education and healthcare.
- #2: However, many other composite figures which try to capture multiple facets of non-materials SOL tend to be less reliable and bias towards what the original creator wishes to focus on (pollution, freedom of speech etc).

b) Assess the extent to which Singapore's economic performance is the main determinant of its population's standard of living. [15]

Final Evaluation

As the non-material aspects of life are not captured by national income statistics, comparing SOL based solely on Singapore's economic performance indicators is not complete.

Placed alongside to give a clearer picture. For instance, Singapore has a high real GDP per capita as well as standings in HDI comparisons on a global basis.



Nominal	' GDP pe	er capita
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PPP

Country/Fco	per capita (Nominal			
Country/Let	2023 🜲	Rank 🛎		
Luxembourg	135,605	1		
Ireland	112,248	2		
Switzerland	102,866	3		
Norway	99,266	4		
Singapore	87,884	5		
Qatar	81,968	6		
United States	80,412	7		
Iceland	78,837	8		
Denmark	71,402	9		

	(PPP) pe	(PPP) per capita (I		
Country/Economy	₹ 2023 ≑	Rank 🌢		
Luxembourg	143,304	1		
Ireland	137,638	2		
Singapore	133,108	3		
Qatar	114,210	4		
Macao SAR	98,157	5		
Switzerland	89,537	6		
United Arab Emirates	88,962	7		
San Marino	84,135	8		
Norway	82,236	9		
United States	80,412	10		
Denmark	74,958	11		



Governments have aims in relation to unemployment, economic growth and the balance of trade. In 2014 Singapore's GDP at 2010 prices grew by 2.9%, the total population grew by 1.3%, inflation was 1% and overall unemployment stood at 2%.

Discuss how useful the above statistics are in comparing Singapore's SOL with that of other countries. [15]

Compare with:

1 b) Assess the extent to which Singapore's economic performance is the main determinant of its population's standard of living. [15]

How different is the expectation?



Discuss how useful the above statistics are in comparing Singapore's SOL with that of other countries. [15]

R1: Discuss how useful above statistics is in comparing Singapore's mSOL with that of other countries [T/AT]

R2: Discuss how useful above statistics is in comparing Singapore's **nmSOL** with that of other countries [T/AT]



Discuss how useful the above statistics are in comparing Singapore's SOL with that of other countries. [15]

Introduction:

 Define standard of living refers to the quantitative well-being and measured using the amount of goods and services an average citizen gets to consume measured by real GDP per capita

Refers to the qualitative aspect of life – measured using access to education, healthcare, amount of leisure time and etc



KEI–ESSAY 2

Discuss how useful the above statistics are in comparing Singapore's SOL with that of other countries. [15] R1: Discuss how useful above statistics is in comparing Singapore's mSOL with that of other countries [T/AT]

• Real GDP per capita grew - The Real GDP growth rate of 2.9% exceeds the population growth rate of 1.3.

 Suggests the purchasing power of the average household in Singapore has increased - more goods and services their material standard of living is thus improving

Discuss how useful the above statistics are in comparing Singapore's SOL with that of other countries. [15] R1: Discuss how useful above statistics is in comparing Singapore's mSOL with that of other countries [T/AT]

- Low rate of inflation Inflation rate at 1%
- Suggests the purchasing power of the average household in Singapore has not fallen significantly – inflation worsens the real income of the people.
- If Singapore has a lower inflation rate than other countries, it can imply that the people (esp the lower income) is not seeing a reduction in purchasing ability – thus able to consume similar goods and services as previous year.



Discuss how useful the above statistics are in comparing Singapore's SOL with that of other countries. [15] R1: Discuss how useful above statistics is in comparing Singapore's mSOL with that of other countries [T/AT]

- Unemployment rate in Singapore is at 2% suggests a relatively low level of unemployment implies that most Singaporeans are productively employed and enjoying the benefits of economic growth in Singapore
- If unemployment rate (SG) < other countries, then likely to be enjoying a higher material SOL due to being gainfully employed.



Discuss how useful the above statistics are in comparing Singapore's SOL with that of other countries. [15] <u>R1: Discuss how useful above statistics is in comparing Singapore's mSOL with that of other countries [T/AT]</u>

Limitations:

- 1. Lack of PPP-adjusted data and the way GDP data is presented makes it limited in its usefulness
- 2. Incomplete data + accuracy



Discuss how useful the above statistics are in comparing Singapore's SOL with that of other countries. [15] R1: Discuss how useful above statistics is in comparing Singapore's mSOL with that of other countries [T/AT]

Limitations:

- Lack of PPP-adjusted data and the way GDP data is presented makes it limited in its usefulness
- For proper comparison of material SOL need to use Real GDP per capita (PPP) rather than growth rate.
- Absolute figures, rather than change.
- And if this conversion is done using the market exchange rates, this may not accurately reflect the purchasing power of the country's citizens as there are differences in cost of living between Singapore and another country



Discuss how useful the above statistics are in comparing Singapore's SOL with that of other countries. [15] <u>R1: Discuss how useful above statistics is in comparing</u> <u>Singapore's mSOL with that of other countries [T/AT]</u>

Limitations:

- 2. Incomplete data + accuracy
- Comparison of SOL across countries using GDP data suffers from differences in data collection
- Underground or non-marketed activities in developing countries the GDP data of these countries are likely to be understating the true level of economic activity in the country.



Discuss how useful the above statistics are in comparing Singapore's SOL with that of other countries. [15] R1: Discuss how useful above statistics is in comparing Singapore's mSOL with that of other countries [T/AT]

Evaluation (R1)

Stand: The data is useful in allowing us to make some inferences with regards to how material SOL has been improving or worsening but cannot accurately represent differences in purchasing power between countries.

#1: Obtain up-to-date statistics (Real GDP per capita (PPP)) to better reflect and compare current levels of mSOL across countries #2: On top of that, adjustments could be made about the size of the non-marketed activities in the different countries to capture the true level of output.



KEI–ESSAY 2

Discuss how useful the above statistics are in comparing Singapore's SOL with that of other countries. [15] **R2:** Discuss how useful above statistics is in comparing Singapore's nmSOL with that of other countries [T/AT]

- The Real GDP data of Singapore also has some correlation with the non-material standard of living in Singapore
- Higher purchasing power greater ability to afford education and healthcare
- Singapore's higher Real GDP per capita has allowed greater expenditure on education and health care from the govt. Higher literacy rates and better outcomes in life expectancy both are aspects of non-material SOL



Discuss how useful the above statistics are in comparing Singapore's SOL with that of other countries. [15] R2: Discuss how useful above statistics is in comparing Singapore's nmSOL with that of other countries [T/AT]

- Unemployment levels also have some correlation with nonmaterial SOL
- Higher levels of unemployment can lead to higher crime rates / social unrest affecting security and safety in the country
- High levels of unemployment also lead to lack of economic security and lack a sense of purpose and belonging this can lead to higher stress levels in the population that are unemployed



Discuss how useful the above statistics are in comparing Singapore's SOL with that of other countries. [15]

R2: Discuss how useful above statistics is in comparing Singapore's nmSOL with that of other countries [T/AT] Limitations:

 High rates of employment and growth may correlate with long working hours and possibly stressful or dangerous working conditions.

• Conversely, higher rates of unemployment may not necessarily mean lower SOL if we consider that governments may use transfer payments such as social security and unemployment benefits to supplement the purchasing power of the unemployed.



Discuss how useful the above statistics are in comparing Singapore's SOL with that of other countries. [15]

R2: Discuss how useful above statistics is in comparing Singapore's nmSOL with that of other countries [T/AT] Evaluation (R2)

- Stand: The data has some usefulness as it may have some correlation with some aspects of non-material SOL such as education and healthcare.
- #1: Some aspects of strong economic performance may have negative implications on non-material SOL – such as pollution levels.
- #2: Generally, such economic statistics are a weak assessment of countries' non-material SOL – there are too many different considerations for non-mat SOL: Health, Stress, Pollution, Education.



Discuss how useful the above statistics are in comparing Singapore's SOL with that of other countries. [15] Overall Evaluation

- Data is incomplete Real GDP per capita may give a better picture. Growth alone or unemployment rate alone is insufficient.
- Consider using alternative indicators instead such as HDI.
- A composite indicator such as HDI includes GNI per capita PPP-adjusted, literacy rate and life expectancy. Such an indicator would better represent both material and nonmaterial aspects of SOL and also accounts for differences in cost of living by using PPP-adjusted data.

