



RIVER VALLEY HIGH SCHOOL
JC 2 Preliminary Examinations
in preparation for General Certificate of Education Advanced Level
Higher 1

ECONOMICS

8843/01

Paper 1

10 September 2024

3 hours

Additional Materials: Answer Booklet

READ THESE INSTRUCTIONS FIRST

Answer **all** questions. The number of marks is given in brackets [] at the end of each question or part question.

Answer Question 1 and Question 2 on **separate** booklets. You can ask for an additional booklet if you need more than one for a question.

For each Answer Booklet:

Write your name, centre number and index number on the first page of all Answer Booklets that you hand in. Write clearly and use capital letters.

For each booklet, use both sides of the paper.

Write in dark blue or black pen. HB pencil may be used for graphs and diagrams only.

DO **NOT** WRITE ON ANY BARCODES.

Write the number of the question you are responding to in the first margin.

Question	Part	
1	ai	
1	aII	

If the question you are responding to also contains parts, for example 1a, write the question part in the second margin.

Do not tear out any part of the Answer Booklet.

All work must be handed in. If you have used any additional booklet, please insert it inside the first Answer Booklet.



This document consists of **9** printed pages and 3 blank pages

[Turn over

Answer **all** questions.

Question 1: Global Impacts on Prices and the Renewable Energy Surge

Table 1: Indices of selected primary commodity prices

	All Primary Commodities	Food	Petroleum
Weights	100.0	27.8	26.6
Year			
2016	100.0	100.0	100.0
2017	113.3	103.8	122.7
2018	127.7	102.5	155.6
2019	117.0	99.4	142.9
2020	105.9	101.1	96.3
2021	161.5	128.4	156.3
2022	215.9	147.4	231.4

Source: *www.imf.org*, 7 December 2023

Extract 1: Businesses in Singapore squeezed by soaring petrol and supply expenses amidst Ukraine invasion

Businesses across various sectors are facing increasing pressure as Russia's invasion of Ukraine further disrupts global supply chains and pushes up prices for fuel and key food ingredients significantly. With Russia being one of the world's top three oil producers, fears of supply problems have driven up global oil prices.

The conflict has also sparked fears about global grain production and the supply of edible oil. Russia and Ukraine together account for more than a quarter of global wheat exports, while Ukraine alone makes up almost half of the exports of sunflower oil. Both are key commodities used in many food products. Such concerns have sent basic commodity prices soaring, mirroring the crisis in energy markets. Meanwhile, already-strained global supply chains have come under further stress.

Food manufacturers, wholesalers and distributors are also keeping an eye on freight rates, which will make it more expensive for them to move their goods around.

"It has caused a lot of panic in Singapore," said Mr David Tan, president of the Singapore Food Manufacturers' Association (SFMA).

This means that even though Singapore does not import wheat directly from the warring countries, companies in Singapore, ranging from importers to bakeries, snacks, and noodle producers, may still end up paying more for supplies from elsewhere, especially if the panic buying continues as the global economy recovers from the Covid-19 pandemic, said Mr Tan. "While most countries have strategic reserves for food and other essential supplies, in land-scarce countries like Singapore, it is difficult to do so for long periods, particularly for perishable items," Mr Tan added. Additionally, food retailers are also susceptible to the risk of incurring losses, especially those selling non-essential items.

Source: *Channel NewsAsia*, 3 March 2022

Extract 2: UK's planned price caps for essential food items face fierce opposition from retailers

The British government is working on a voluntary agreement with food sellers to cap prices of essential items such as bread, eggs and milk in an effort to ease the financial squeeze on poorer members of society. "The government is working constructively with supermarkets as to how we address the very real concerns around food inflation and the cost of living," Health Minister Stephen Barclay told media in London. With food and drink prices rising at the fastest pace in half a century, the British move mirrors steps already taken by other European countries, some of which have imposed mandatory price controls.

However, retailers and economics experts throughout Europe reject many of these measures as inefficient and often counterproductive. And because price caps must apply to all retailers, they tend to hit small family corner grocery stores hardest, since such businesses primarily sell essential items and have no hope of recouping lost revenue.

Some governments continue to resist the call for price controls. Spain, for instance, has cut its sales tax on food instead.

Source: The Straits Times, 30 May 2023

Extract 3: Singapore's youth drive towards a green future

Singapore is one of the world's leading energy and chemical hubs, home to companies with major refining and petrochemical operations. But young people find the fossil fuel industry unappealing, with many considering a career in clean energy a safer bet. This perspective is strongly influenced by global climate movements demanding the industry's demise.

Connecting these concerns, the stark reality of burning fossil fuels for energy becomes apparent. The release of greenhouse gases like carbon dioxide during this process contributes to the trapping of heat in the atmosphere. This heightened heat, in turn, fuels a cascade of detrimental consequences such as extreme weather events, biodiversity loss, deteriorating health, and rising sea levels.

In the eyes of these forward-thinking individuals, prioritising reduced consumption and embracing clean energy emerge as the pathway to a net-zero future, overshadowing the reliance on fossil fuels.

Source: Channel NewsAsia, 3 February 2022

Extract 4: Singapore's transition to clean energy

Singapore is setting up a S\$5 billion fund to invest in clean energy technology and infrastructure as it works toward net zero emissions by 2050. This Future Energy Fund will "put us in a better position to move quickly on critical infrastructure and enhance our security in clean energy," said Deputy Prime Minister Lawrence Wong.

Singapore's shift to renewable energy sources like solar and wind has been hampered by its limited land space. Currently, some 95% of the city-state's electricity comes from natural gas.

With the power sector accounting for 40% of total emissions, the government plans to import low-carbon electricity from neighbouring countries, which will require investments in submarine cables and grid infrastructure. It's also looking into hydrogen generation, storage, and delivery.

Across Southeast Asia, governments have expressed climate ambitions; however, there has been a lack of substantial action to meet nationally determined contribution (NDC) targets by 2030, particularly in the energy and nature sectors, which collectively represent 85% of the region's total emission reduction goals. In Singapore, the carbon tax is scheduled to gradually increase from the current S\$5 per tonne of emissions, ultimately reaching a range between \$50 and \$80 per tonne by 2030. These measures are aimed at accelerating the transition to renewable energy sources and fulfilling climate objectives within the region.

Source: Bloomberg, 16 February 2024 and The Straits Times, 6 December 2023

Questions

- (a) With reference to Table 1, compare the change in food prices between 2017 and 2022 with the change in petroleum prices over the same period. [2]
- (b) Russia's invasion is placing pressure on global physical supply chains. Additionally, panic buying from consumers as the global economy recovers from the COVID-19 pandemic have further contributed to significant price changes of food.
- (i) Using a supply and demand diagram, explain the likely impact of these events on the price of food and comment on the significance of price elasticity of supply in this case. [6]
- (ii) With reference to Extract 1, explain the likely effects on the food retailers' total revenue in view of the change in food prices in b(i). [5]
- (c) Using the information in Extract 2, discuss the view that a price cap is the best policy to address the soaring food prices. [8]
- (d) Assess whether or not the statement in Extract 2 "The government is working constructively with supermarkets as to how we address the very real concerns around food inflation and the cost of living" is a normative one. [3]
- (e) With reference to Extract 3, explain the opportunity cost of "embracing clean energy as the pathway to a net-zero future". [2]
- (f) (i) With reference to Extract 3 and using a diagram, explain how burning of fossil fuel to generate electricity could lead to market failure. [4]
- (ii) Discuss whether government funding for investment in clean energy technology and infrastructure is better than carbon pricing in addressing the market failure. [10]

[Total: 40]

Question 2: Economic Issues in Singapore and Japan

Table 2: Key economic indicators in Singapore and Japan (Year 2023)

	Singapore	Japan
GDP per capita (US\$) at current prices	84,714	33,805
Infant mortality rate (per 1000 live births)	1.41	1.56

Source: Trading Economics

Extract 5: Retrenchments in Singapore more than doubled

Retrenchments in Singapore more than doubled in 2023 from the previous year to 14,320, even as the unemployment rate fell slightly. Business restructuring, global challenges and ongoing geopolitical uncertainties were the main reasons for retrenchments in 2023, contributed largely by the trade, information technology and electronics manufacturing sectors.

Ms Selena Ling, OCBC Bank's chief economist said that while there has been some uptick in retrenchment numbers, the outlook for Singapore's labour force remains positive. Most of the retrenched workers have managed to find employment within six months and often in a different sector, thereby signalling the transferability of their skill sets.

'The Government strongly encourages employers and workers to make full use of available programmes to remain competitive and resilient amid economic uncertainty,' said the Ministry of Manpower. 'Employers should press on with business transformation and equip their workers for expanded or redesigned job roles. Workers are encouraged to continue to upskill and be open to new opportunities.'

Source: The Straits Times, 31 January 2024

Extract 6: Ageing population brings opportunities

In Japan, more than 1 in 10 people in the country are aged 80 or older and almost a third of its population is over 65. Singapore's population is also ageing rapidly, with the proportion of citizens aged 65 and above increasing to 18.4% in 2022. The landscape of workforce is changing as people are living longer. Globally, the ratio of older people aged 65 and over to people of working age (15-64) is projected to reach 2 in 5 by 2050.

The gift of longer life expectancy creates opportunities for the economy. Older workers contribute their knowledge and experiences, thereby complementing the skills of younger workers who are often more tech savvy and hold newer education and skills. To harness the benefits of this new and longer work-life expectancy, age-friendly policies such as extending or removing retirement age, promoting lifelong learning, and creating age-friendly workplaces must be in place. By extending their working years, older workers will be able to accumulate their wealth.

The coming years will see the intersection of new technologies and a growing proportion of older workers. For instance, there will be increasing use of automation and robots to make existing jobs physically easier for older workers to perform.

Technology can also offer innovative ways for older workers to develop new skills and stay updated with industry trends through online courses, virtual simulations, and other educational tools.

Source: World Economic Forum, 12 December 2022

Extract 7: Singapore tightens monetary policy in a surprise move

The Monetary Authority of Singapore (MAS) tightened its monetary policy settings to allow for a faster appreciation of the Singapore dollar in an unexpected move aimed at countering rising inflation as geopolitical shocks on global supply chains and brisk economic demand elevated inflation pressures across the region. This policy move comes just a day after data showed inflation climbed by the fastest pace in December in nearly 8 years. MAS said that inflation is rising with no let-up in sight over the next few months as businesses continue raising prices and passing on the cost increase to consumers.

Singapore's GDP is expected to grow between 3% to 5%, unchanged from earlier forecasts while inflation is projected to average around 6%. 'Too high an inflation will dilute consumers' purchasing power and erode corporate margins, while stirring instabilities in the economy,' said DBS senior economist Irvin Seah. According to the Ministry of Manpower, recent poll on wage expectations showed that more firms have expressed an intention to raise the wages of their employees. This reflects the efforts by firms to restore wages of some employees who experienced wage cuts during the pandemic years, as well as give higher wage increases to other employees to retain staff amidst competition for workers.

Source: Reuters, 25 January 2022

Extract 8: Bank of Japan maintains ultra-loose monetary policy

Every major central bank in the world has scrambled to push up interest rate in an effort to tame rampant inflation, except for the Bank of Japan (BoJ). The central bank in Japan has remained steadfastly committed to its ultra-low interest rate, arguing that making price of money more expensive now would only suppress already weak demand and set back a fragile economic recovery from the pandemic.

As a result, the yen has hit a two-decade low against the dollar which is a significant drop of more than 18%. Consequently, households are facing an increase in prices of every imported good and the situation is undermining consumer sentiment.

In a previous era, when Japan was a manufacturing superpower, a weak yen would have increased the value of revenue earned overseas and attracted foreign investment. But exporting is now less important to the overall Japanese economy as companies now seek to avoid trade restrictions and take advantage of cheaper labour costs overseas. This has thus reduced the impact of exchange rate on the economy.

Source: The New York Times, 10 May 2022 and 21 October 2022

Extract 9: Japanese Prime Minister's new economic strategy

When Japanese Prime Minister Fumio Kishida came to power in October last year, he pledged to spur healthy growth alongside a more equal distribution of wealth. He laid out several policies which include labour market reforms. Japan's labour market has always been criticised for lacking mobility. Rigid seniority-based wages under the lifetime employment system have undermined the efficiencies of Japanese companies and it has also disincentivised employees from skills acquisition or pursuing further education since pay increases are typically tied to tenure rather than skills acquisition.

'By making the labour market more flexible and linking salary to performance, it will improve productivity and hence enable individual workers to earn more competitive wages,' said Shigeto Nagai, economist at Oxford Economics. NTT, Japan's largest telecommunications company, recently announced plans to shift from seniority to performance-based promotion and compensation, raising hopes that corporate peers could be encouraged to follow suit.

The government had announced a policy package of investments worth 400 billion yen (US \$3.2 billion) over three years until fiscal year 2024 to support skills development for workers.

Source: Al Jazeera, 3 October 2022

Questions

- (a) Explain whether the information in Table 2 is sufficient to conclude that Singapore has a higher standard of living than Japan. [5]
- (b) Explain **one** possible reason why retrenchment numbers in Singapore more than doubled in 2023 but unemployment rate fell in the same year. [2]
- (c) With reference to Extract 5, explain **two** reasons for the rise in retrenchment numbers in Singapore in 2023 and comment on the severity of the problem. [6]
- (d) With reference to Extract 6 and using a Production Possibilities Curve, explain how an ageing population will increase economic growth both in the short run and long run. [5]
- (e) Explain why the MAS tightened monetary policy in Singapore while the BoJ loosened monetary policy in Japan. [4]
- (f) Discuss the possible consequences on the economy when 'inflation is rising with no let-up in sight'. [8]
- (g) Extract 9 suggests that the removal of seniority-based wage system will incentivise employees to undergo skills acquisition. The Japanese government announced that it will spend 400 billion yen (US \$3.2 billion) to support skills development for workers.

Discuss the extent to which inclusive growth can be achieved through the removal of seniority-based wage system. [10]

[Total: 40]

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