

ST ANDREW'S JUNIOR COLLEGE
PRELIMINARY EXAMINATIONS – 2011
General Certificate of Education Advanced Level
Higher 2

ECONOMICS

9732/01

Paper 1: Case Study Questions

14 Sep 2011

2 hours 15 minutes

Additional Materials: Answer Paper

READ THESE INSTRUCTIONS FIRST

Write your name and class on all the work you hand in.

Write in dark blue or black pen on both sides of the paper.

You may use a soft pencil for any diagrams, graphs or rough working.

Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.

At the end of the examination, fasten all your work securely together.

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



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This document consists of 7 printed pages.

[Turn Over

Question 1

New Formula and Glittery Growth for Singapore

Extract 1: Singapore Tourism Revenue Surges on Record Visitor Arrivals

The money spent by tourists visiting Singapore surged last year after a record number of people travelled to the city-state, attracted by two new casinos amid a rebound in the global economy.

Spending rose 49 percent to S\$18.8 billion (\$14.7 billion) last year, exceeding the government's forecast of as much as S\$18.5 billion, the Singapore Tourism Board (STB) said in a statement today. International visitor arrivals rose 20 percent to 11.6 million in 2010.

Efforts to boost tourism in 2010 included the inaugural Youth Olympic Games, while the Singapore leg of Formula One, the world's most-watched motor sport, took place for the third year.

Adapted from *The Straits Times*, 12 November 2010

Extract 2: Sentosa IR Edges Ahead of Rival Marina Bay Sands (MBS)

Genting Singapore after being awarded its casino license, continues to lead the field in what is shaping up to be an intense horse race in Singapore's booming gaming market. Yesterday, it also unveiled details of new attractions set to make Universal Studios Singapore, housed within its Resort World Sentosa (RWS), a leading theme park in the region. Popular ride Battlestar Galactica, which has been suspended from operations since March, will re-open in the first half of next year.

RWS said yesterday that it is well on track to meet its visitor targets for the first year of operations – 13 million – while giving more details about its upcoming enhancements. It said that its four hotels are fully operational, and that the show *Voyage De La Vie* opened in July to a good response. This quarter, RWS will launch the world's largest animatronic attraction, Crane Dance, at the waterfront. Universal Studios Singapore remained popular with local and overseas guests, although the main attraction Battlestar Galactica is still closed. RWS said that the ride and another new attraction, called Journey to Madagascar, will be opened in the first half of next year.

MBS, which is owned by America's Las Vegas Sands, markets itself as a business and convention centre. Its 57th-floor "skypod", which seems to balance precariously atop three curving towers, is widely admired. Its infinity "skypool" is now the "go-to destination" for starlets who wish to splash around in bikinis for the cameras. It also has the world's biggest ballroom and a perfectly vast shopping centre. Just a 10-mins ride away, RWS projects itself as a family resort: it boasts a large Universal Studios set, as well as the obligatory fun rides.

Adapted from *The Straits Times*, 12 November 2010

Extract 3: Crown looks to attract more Middle East high rollers

Casinos operator Crown Ltd says it is feeling the effect of competition from new casinos in Singapore but may be in a better position when extensive refurbishments of its Melbourne and Perth casinos are completed.

"We expect to continue to feel the impact of Singapore, and it's a question as to how we can replace that business with new business out of China and also new business out of Singapore," Crown chief executive Rowen Craigie said.

One thing Crown Ltd is looking at is attracting more gamblers from the Middle East to Melbourne's Crown casino and Burswood casino in Perth.

Crown wants to improve links between the VIP gaming operations at the Aspinall's Club in London and its two Australian casinos, after completing its acquisition of Aspinall's in May 2011. "Aspinall's offers the group the opportunity probably to tap into the market that Aspinall's has traditionally serviced, which is the Middle East market," Mr Craigie said. "But we think in better integrating the two operations (Australia and the UK), we would be hopeful to get some new business out of the Middle East to Australia."

Adapted from *www.heraldsun.com.au*, 29 August 2011

Table 1: Quarterly Revenue earned by Marina Bay Sands (MBS) and Resort World Sentosa (RWS) in 2010 – 2011 (in million SGD)

Integrated Resorts/Year	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011
Marina Bay Sands	N.A.	\$281	\$631	\$728	\$760	\$958
Resort World Sentosa	\$460	\$979	\$744	\$788	\$922	\$728

Note: N.A. = Not available; 1Q 2010 = 1st Quarter 2010

Source: *Quarterly Financial Reports* of MBS and RWS, *www.straitstimes.com*, June 2011

Extract 4: Government funding for Formula 1 (F1) Race

The F1 race is set to generate \$100 million for Singapore each year. But many question whether the returns are big enough for the government to fund 60% in organising the \$150 million race. The spillover benefits to the economy are very large, whether it is tourism spending or consumer spending or business activity. "If STB is able to support this at a level comparable to the benefits for tourism and the economy, then it is justifiable. There are also mechanisms in place to ensure that if in fact the race is very successful, very profitable, then, profits beyond a certain pre-agreed level between STB and Singapore Grand Prix Pte Ltd will be ploughed back to defray the cost, in other words, to reduce the government grant," Minister of State for Trade and Industry, S Iswaran said.

Adapted from *Channel NewsAsia*, 26 May 2007

Extract 5: F1 Tickets Sold Online Buck High Price Trend

People fishing for a quick buck have cast their eyes on the latest happenings in town - the F1 race this weekend. More than 300 tickets have been spotted for sale on popular auction websites such as Ebay just days before the race is flagged off this Sunday. One listing is offering a three-day pit grandstand ticket for more than S\$2,000. That's some S\$600 above the official price of S\$1,400.

However, a large number of the tickets sold online are going for as much as 60 per cent below the official price. The practice is prohibited. Under the official purchase terms and conditions, tickets may not be resold or transferred for free or otherwise. Singapore Grand Prix Pte Ltd has served legal notice on at least one website for reselling F1 tickets and are in the midst of gathering more evidence against several more.

Adapted from *Channel NewsAsia*, 25 September 2008

Questions

- (a) (i)** Describe the trend of the revenue earned by Resort World Sentosa (RWS) from 1Q 2010 to 2Q 2011. [2]
- (ii)** Using economic concepts, account for your observations in **(a) (i)**. [4]
- (b) (i)** With reference to the data given, explain the likely market structure of the gaming industry in Singapore. [4]
- (ii)** Using a diagram, assess how the entrance of the two casinos (RWS and MBS) into the regional gaming industry would affect casino operator Crown Ltd. [4]
- (c)** Using economic analysis, discuss whether reselling of F1 tickets should be prohibited. [6]
- (d)** Assess the impact of the decision made by the Singapore government to build the two integrated resorts on its economy. [10]

[Total: 30]

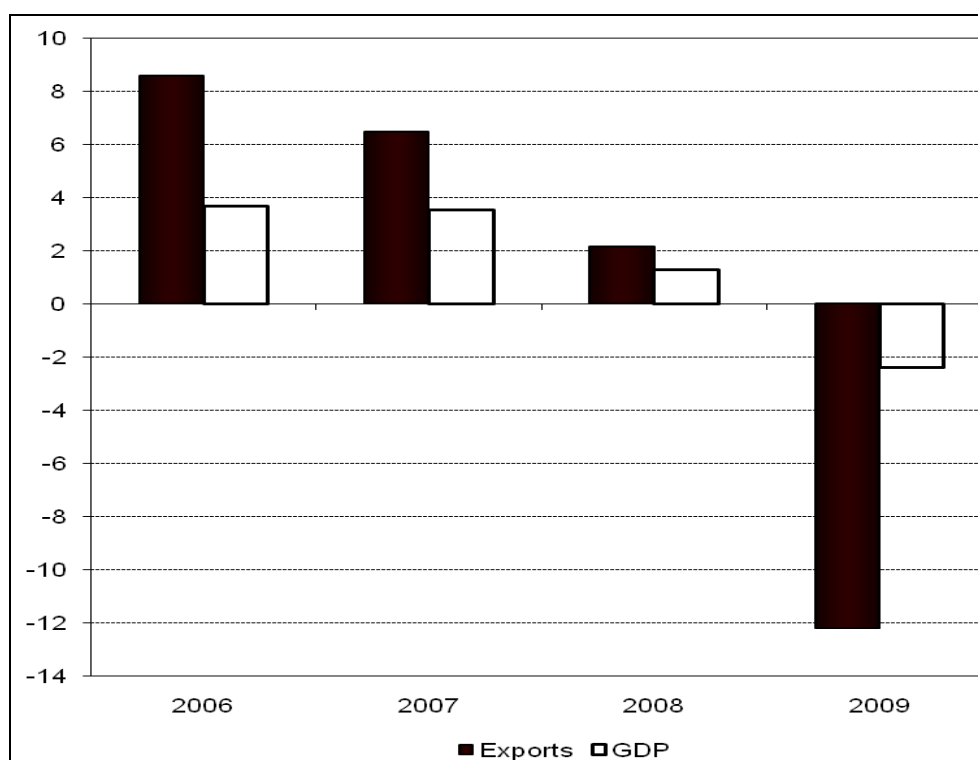
Question 2

Economic Recovery and Trade

Table 2: Singapore's Key Economic Indicators

	2006	2007	2008	2009
Consumer Price Index (% change)	1.0	2.1	6.6	0.6
Unemployment Rate (%)	2.7	2.1	2.2	3
% change in GDP at 2005 market prices	8.7	8.8	1.5	-0.8

Source: Singapore Department of Statistics

Figure 1: Volume of world merchandise exports and GDP, 2006 – 2009
(Annual % change)

Source: www.wto.org

Extract 6: Singapore's economy bounces back

Singapore appears to be emerging from its worst recession on record after the economy expanded at an annualised rate of 20.4% between April and June. The rapid expansion compares with a revised contraction of 12.7% in the first quarter from January to March. It was the first quarterly expansion in a year, lifted by increased drug sales and construction activity, said the Ministry of Trade and Industry. However, the government still expects the economy to contract for the year. The government now predicts the economy will decline between 4% and 6% for 2009 as a whole, less than its earlier estimate of a contraction of between 6% and 9%.

There was a big sigh of relief for many Singaporeans as the economy expanded in the second quarter at its fastest rate in nearly 6 years. Growth surpassed expectations, with a more than 20% rise from the previous quarter. All thanks to a surge in biomedical production, pharmaceuticals and high-end specialist manufacturing. And increased demand for flu vaccines helped an already recession-proof sector to expand. Exports, which are the real lifeblood of Singapore's economy, rose nearly 6% in May. Shipments of raw materials such as iron ore are picking up. The reason, yet again, appears to be China. The rest of the manufacturing sector is still struggling, however, and retail sales are still down. Domestic consumption is not picking up, so analysts say the worst may not be over yet.

Source: *BBC News*, 14 July 2009

Extract 7: Rising Protectionism

A steady buildup of protectionist measures could "slowly strangle" international trade and undercut the effectiveness of national stimulus plans, according to a report the World Trade Organisation (WTO) sent its 153 members on Thursday. Since early this year, there has been "significant slippage" in the global commitment to free trade due to the global economic crisis, the WTO said. "There have been increases in tariffs, new nontariff measures and more resort to trade defense measures such as antidumping actions."

The report lists examples of measures countries are taking to protect their companies and economies -- from European import tariffs on Asian plastic bags to a ban on Chinese toys in India. In March alone, South Korea raised import tariffs on oil; Mexico raised tariffs on 89 U.S. goods; Ukraine slapped an extra 13% tariff on all imports; the U.S. raised duties on imports of Chinese steel pipes; and Argentina mandated a special license for toy imports.

Twelve countries have acted to help their automobile industries. The U.S., Brazil and France have handed out generous loans. India has required licenses and Argentina has set prices for importation of foreign car parts. Ten countries, and the EU, have raised tariffs on imported steel. The WTO praised some nations for explicitly promoting trade. Argentina has eliminated export taxes on 35 dairy products. Brazil has expanded a program to give loans to exporters. China has scrapped import tariffs on steel plates. The Philippines has cut tariffs on wheat and cement. "More trade-policy initiatives of this kind, particularly if they were to be taken collectively by the major trading countries, would make an impact on a global scale," the WTO said.

Source: *Wall Street Journal*, 27 March 2009

Extract 8: Inflation rises with Asia's recovery

Asian economies, buoyed by fiscal pump-priming, loose monetary policies and growing intra-regional trade, have generally rebounded from recession faster and in better financial shape than other regions around the world. But as economic recovery comes quicker to Asia than in Europe and the United States, inflationary threats are rising as regional governments remain reluctant to rein in their crisis-induced stimulus measures, including, in many countries, record low interest rates.

As fast economic growth resumes, so too are pricing pressures that some say could undermine the medium-term effectiveness of government stimulus measures. Food and energy are major components of Asia's consumer price indices - accounting for as much as 60% and 15% respectively in certain economies. There is growing evidence of labour shortages across the region, with Chinese firms in the country's export-oriented southern regions complaining of insufficient skilled workers. Increasing consumer spending power, too, is contributing to inflationary pressures.

The International Monetary Fund (IMF), for one, does not support the rapid withdrawal of Asia's fiscal stimulus measures, warning that while economies have recovered they may not be strong enough yet to stand alone. Due to the still-fragile nature of the recovery, fiscal policies need to remain supportive of economic activity in the near term.

At the same time, the IMF said "countries that are already enjoying a relatively robust rebound of activity and credit will have to tighten monetary conditions earlier and faster than their counterparts elsewhere". Whether Asia's central banks do so in a timely and effective manner will determine whether Asia's recovering economies sustain growth or set the macroeconomic stage for the region's next bust.

Source: *Asia Times*, 25 February 2010

Questions

- (a) (i) Describe the trend of Singapore GDP from 2005 - 2009. [2]
- (ii) What does your observation in (a) (i) say about the Singapore's economic performance over the same period? [4]
- (b) "Exports, which are the real lifeblood of Singapore's economy, rose nearly 6% in May" (Extract 6).
Consider how the above could impact the Singapore government's use of exchange rate policy to boost its economy. [6]
- (c) (i) State any two causes of inflationary threats in Extract 8. [2]
- (ii) Assess whether the IMF has adopted the right approach in not supporting the rapid withdrawal of fiscal stimulus measures by Asian countries. [6]
- (d) (i) Using Figure 1, explain the relationship between real GDP growth and trade growth of the world from 2006 - 2009. [2]
- (ii) Some countries have moved away from free trade while others promoted it. Discuss under what circumstances these differing approaches would benefit the countries involved. [8]

[Total: 30]

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