



YISHUN INNOVA JUNIOR COLLEGE
JC 2 PRELIMINARY EXAMINATION
Higher 2

CANDIDATE
NAME

CG

INDEX NO

ECONOMICS

9570/01

Paper 1

20 August 2026

Case Study Questions

2 hour 30 minutes

Additional Materials:

Writing Papers
Cover Pages

READ THESE INSTRUCTIONS FIRST

Write your name, CG and index number on the work you hand in.

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

You may use a HB pencil for any diagrams or graphs.

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

There are **two** questions in this paper. Answer **all** questions.

Start **each question** (not each part) on a **fresh piece of writing paper**.

At the end of the examination, fasten your work for each question **separately** with a **cover page**.

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

This document consists of **8** printed pages and **2** blank pages.

[Turn over

BLANK PAGE

Answer **all** questions.

Question 1: The Global Cocoa Crisis and the Chocolate Industry

Table 1: Global cocoa bean production and average prices (2020-2024)

Year	Production (million tonnes)	Average cocoa price (US\$/kg)
2020	5.68	2.37
2021	5.77	2.43
2022	5.62	2.39
2023	5.12	3.28
2024	5.22	7.33
2025 ^e	4.72*	6.61*

^e = estimate

Sources: Food and Agriculture Organization (FAOSTAT), World Bank Commodity Price Data (The Pink Sheet); International Cocoa Organization (ICCO)

Table 2: Global cocoa bean production by region (2024)

Region	Production (tonnes)	Share of world production (%)
Africa	3,424,758	65.6
Asia	677,328	13.0
South America	961,840	18.4
North America	107,841	2.1
Oceania	51,430	1.0
World total	5,223,196	100.0

Source: Food and Agriculture Organization (FAOSTAT)

Extract 1: Why are cocoa prices rising?

Global cocoa prices reached record highs in late 2024 and remained above US\$10 per kilogram in early 2025. The sharp increase in cocoa prices has been driven by concerns over poor weather conditions in West Africa, a major cocoa-producing region and the primary supplier of cocoa beans to the European Union (EU).

According to the World Bank, global cocoa production is estimated to have declined by 14 percent in the 2023–24 season. This decline is largely due to lower cocoa output in Côte d'Ivoire and Ghana, which together account for nearly 60% of global cocoa production. Cocoa beans is the key ingredient used in the production of chocolate and confectionery products, and manufacturers have limited scope to reduce their use of cocoa in the short run despite the sharp increase in prices.

The rise in cocoa prices has also been exacerbated by strong seasonal demand, as consumers stocked up on cakes and chocolates during the festive season, resulting in a global cocoa deficit. The International Cocoa Organization (ICCO) reported a production deficit of 478 000 tonnes for the 2023–24 season. End-of-season cocoa stocks are projected to fall to 1.3 million tonnes, the lowest level in 46 years.

Source: Adapted from FoodNavigator, 6 February 2025.

Extract 2: European chocolate manufacturers respond to rising cocoa prices

The European Union (EU) is the world's largest importer and processor of cocoa beans. Consequently, the sharp increase in global cocoa prices has significantly increased production costs for chocolate manufacturers across Europe. Retail chocolate prices in the EU increased by an average of 17.9% in 2025, although the increase varied considerably across member states.

The European chocolate manufacturing industry is dominated by a small number of large multinational companies, including Mondelez International, Mars, Nestlé, Ferrero and Lindt & Sprüngli, which together account for a substantial share of the European chocolate market. These firms compete intensely through product innovation, advertising and brand development while closely monitoring competitors' pricing and product strategies.

Chocolate manufacturers have adopted different strategies to reduce the impact of higher cocoa prices. While many firms increased the retail prices of their chocolate products, others reduced the size of chocolate bars while maintaining the same selling price, a strategy commonly known as "shrinkflation". Some manufacturers also reformulated recipes by reducing the cocoa content or using alternative ingredients to limit further increases in production costs.

At the same time, some manufacturers have responded by strengthening their premium chocolate brands. Mondelez International, one of the world's largest confectionery companies, has invested 65 million Swiss francs in expanding production at its Toblerone factory in Bern, Switzerland. The investment forms part of the company's strategy of developing higher-value chocolate products that are expected to maintain consumer demand even as prices rise. According to industry analysts, premium chocolate brands are better able to protect profit margins while differentiating their products in an increasingly competitive market.

Besides adjusting product offerings, manufacturers have also increased investment in automation, product innovation and sustainable cocoa sourcing. These measures aim to improve production efficiency and reduce dependence on volatile cocoa supplies over the longer term. However, these investments require substantial financial resources and are unlikely to reduce production costs immediately. Industry analysts therefore expect chocolate prices to remain relatively high in the near future.

Sources: Adapted from FoodNavigator, 6 February 2025; CocoaRadar, March 2026.

Extract 3: Can cocoa production become more sustainable?

Cocoa production is one of the leading drivers of deforestation in West Africa. Forests are often cleared to establish new cocoa plantations, threatening biodiversity and wildlife habitats. Unsustainable cocoa production can also contribute to soil degradation and greenhouse gas emissions, threatening the long-term sustainability of cocoa farming.

Governments, chocolate manufacturers and international organisations are encouraging farmers to adopt more sustainable farming practices through training, sustainability certification schemes and investments to improve productivity on existing farmland rather than expanding into forest areas. The European Union has also introduced regulations requiring cocoa imported into the EU to be sourced from land that has not been recently deforested.

While these measures may increase production costs and limit cocoa expansion in the short run, supporters argue that they will protect forests and improve the long-term sustainability of the cocoa industry. Others argue that cocoa remains a major source of employment and export revenue in many producing countries, and stricter environmental requirements may slow economic growth and reduce farmers' incomes.

Sources: Adapted from National Wildlife Federation, *Cocoa and Deforestation*; United Nations Environment Programme, *Can Cacao Farming, Long a Driver of Deforestation, Really Become Sustainable?*; CBI, *Tips to Go Green for Cocoa Exporters*.

Questions

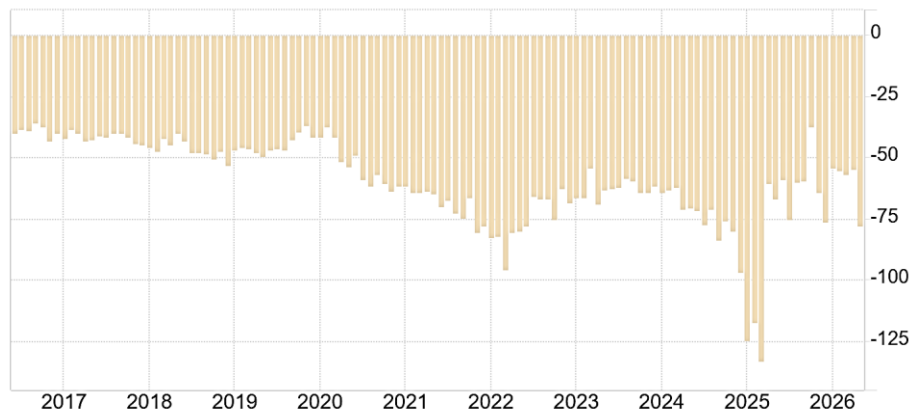
- (a) Using Table 1, describe the relationship between global cocoa production and average cocoa prices between 2020 and 2025. [2]
- (b) (i) With reference to Table 2, explain why cocoa producers in Africa may have significant influence over the world cocoa market price. [2]
- (ii) Using a diagram and the concept of price elasticity of demand, explain how poor weather conditions in West Africa will affect the total revenue of cocoa producers in 2024. [4]
- (c) Using Extract 2, explain two characteristics of the European chocolate manufacturing industry that suggest it is an oligopoly. [4]
- (d) Discuss whether strengthening premium chocolate brands is a more effective strategy than using shrinkflation in reducing the impact of rising cocoa prices on a chocolate manufacturer's profitability. [8]
- (e) Using Extract 3, discuss whether governments in cocoa-producing countries should prioritise promoting sustainable cocoa production to achieve allocative efficiency over expanding cocoa production to support economic growth. [10]

[Total: 30]

[Turn over

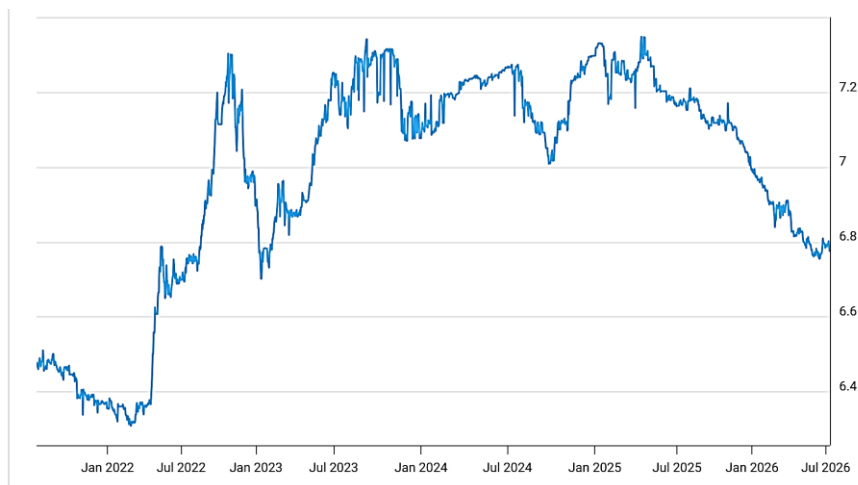
Question 2: Trade War between the US and China

Figure 1: The United States's (US) Balance of Trade (USD billion)



Source: tradingeconomics.com

Figure 2: Dollar Yuan Exchange Rate (Yuan/ USD)



Source: macrotrends.net

Extract 4: Trump threatens to hit China with 100 percent tariff starting in November

President Donald Trump on Friday said he will set a 100 percent tariff on Chinese goods starting on Nov. 1 and will “impose Export Controls on any and all critical software.” Trump’s announcement on social media came after he shared a post earlier in the day threatening “massive” new tariffs on China and hinted he might cancel an upcoming summit meeting with President Xi Jinping in response to a move by Beijing earlier this week to restrict exports of rare earth magnets and raw materials. Trump also indicated he could drop his tariff threat if China rolls back its plan to impose new export controls. China should not be allowed to exert “monopoly” power over the exports of rare earth magnets, which are used in a number of high-tech, green energy and medical goods, Trump continued.

Source: Politico, 10 October 2025

Extract 5: Ministerial Statement by PM Lawrence Wong

There is a growing push across the West to strengthen their domestic manufacturing capabilities and reduce dependence on global supply chains, especially in strategic industries. Business and consumer confidence has already been hit by the tariffs. International trade and investments will suffer. Our economic agencies got in touch with several multinational enterprises and local businesses after the tariff announcement. Even those who were not directly affected by the tariffs are worried about weakening demand from their consumers. Some have put new projects on hold while they assess the full implications of the tariffs.

What is troubling is not just the tariffs themselves – which are already damaging – but the fact that this new wave of protectionism is unpredictable and unstable. Protectionism is already bad – unstable protectionism is even worse. Businesses do not know what to expect. Many are holding back, fearful that changing rules will leave them with stranded assets. And all this creates an environment of deep uncertainty – one that could tip both the US and global economy into recession. The consequences extend far beyond economics. More countries are turning away from win-win cooperation and deeper integration. In the near term, we expect weaker global growth, which means external demand for our goods and services will fall. The outward-oriented sectors of our economy will suffer the brunt of the impact. They include manufacturing, especially segments like electronics and semiconductors; biomedical science, which have higher export exposure to the US. The global uncertainty and dampened sentiments will also impact some services industries, including finance and insurance. Singapore may or may not go into recession this year. But I have no doubt that our growth will be significantly impacted. We had originally projected GDP growth of 1 to 3% for 2025. MTI is reassessing the growth forecast and will likely revise it downwards.

Slower growth will mean fewer job opportunities and smaller wage increases for workers. And if more companies face difficulties or relocate their operations back to the US, there will be higher retrenchments and job losses. We have a comprehensive package of measures for households and individuals. They will receive CDC vouchers, SG60 vouchers and U-Save rebates to help with their cost of living. And there are targeted measures like increased ComCare Assistance for the more vulnerable groups. We are also supporting workers through investments in SkillsFuture. And those who find themselves involuntarily unemployed will receive help to get back on their feet through the SkillsFuture Jobseeker Support which will start later this month. We have also rolled out measures in the Budget to help businesses – there are short-term support measures through corporate income tax rebates, as well as schemes to boost their productivity and competitiveness, and to pivot to new markets. Our economic agencies are also engaging the firms impacted by the tariffs to better understand their responses, and see how we can support them, and assist them with any specific issues they face.

In this new environment, Singapore must redouble our efforts to remain a key node in global flows, and a trusted business hub. We will forge closer links with like-minded partners who share our commitment to open and free trade. The US may have decided to turn protectionist. But the rest of the world does not have to follow the same path. We will identify other partners to join us and work around this – to ensure resilience and maintain critical parts of the multilateral system, while laying the foundations for a possible new and different global system that can be achievable later. And this is why I have made the effort to engage and visit my counterparts in different countries. I touched base with the UK Prime Minister Keir

Starmer yesterday and have a few more conversations lined up in the coming weeks. They are all keen to do more with Singapore, and to expand our economic cooperation including in new areas like the digital and green economies, in line with the Singapore Green Plan 2030 that charts ambitious and concrete targets to advance Singapore's national agenda on sustainable development. We will also strengthen our collaboration and integration within ASEAN.

Sources: Prime Minister's Office Singapore 8 April 2025

Extract 6: Singapore sees zero growth as a possibility this year as it cuts GDP outlook on tariff worries

Singapore on Monday eased its monetary policy for the second straight time, as the city-state sees zero growth this year as a possibility after posting a lower-than-expected GDP expansion of 3.8% for the first quarter. The Monetary Authority of Singapore had eased its policy stance in its January meeting too, loosening policy for the first time since 2020. Singapore's year-on-year quarterly GDP growth missed expectations of 4.3% from economists polled by Reuters and was lower than the 5% expansion seen in the last quarter of 2024. The country's Ministry of Trade and Industry downgraded its GDP forecast to 0%-2% for 2025, down from its previous outlook of 1%-3%, MAS also projected GDP growth of 0%-2% for 2025. In a release, MTI said the growth slowdown was due to declines in manufacturing, as well as some services sectors such as finance and insurance.

MTI said that Singapore's external demand outlook has "weakened significantly." It highlighted that the manufacturing sector was likely to be negatively affected by weaker global demand, and services such as finance and insurance could see a slowdown. This is due to risk-off sentiments that will adversely affect the net fees and commission incomes of the banking, fund management, forex and security dealing segments. Manufacturing, as well as the finance and insurance sectors are some of the largest contributors to Singapore's economy, making up about 17% and 14% of its GDP, respectively.

Source: CNBC, 14 April 2025

Questions

- (a) (i) With reference to Figure 2, describe the changes in the value of the Chinese Yuan against the US dollar from 2022 to 2026 [2]
- (ii) Explain **one** possible reason for the general change in value of the Chinese Yuan against the USD on the foreign exchange market using demand and supply analysis. [2]
- (b) Using a diagram, explain how a tariff implemented by US mentioned in Extract 4 would affect the consumer surplus and producer surplus in the market. [4]
- (c) Explain the factors that a firm might consider in deciding whether to invest in Singapore in view of the uncertainty arising from unpredictable tariffs. [4]
- (d) Discuss the extent to which the US–China trade war is likely to worsen the standard of living of Singapore residents. [8]
- (e) Singapore on Monday eased its monetary policy for the second straight time as the city-state sees zero growth this year. [10]

Discuss the factors that the Singapore government should consider when deciding whether to ease its monetary policy in response to weaker economic growth arising from the US–China trade war.

[Total: 30]

- End of Paper -

BLANK PAGE