Section A

Question 1
In 2024, the United Kingdom (UK) raised its national minimum wage to increase the income of low-wage workers amid a modest economic recovery. Some business owners, however, have expressed concern over higher wage costs, warning that these may ultimately be passed on to consumers through increased prices.

(a) Explain why, for normal goods, an economic recovery will increase consumer expenditure to different extents, while higher wage costs can increase or decrease consumer expenditure. [10]

(b) Discuss the intended and unintended consequences when the UK government raises the national minimum wage, and consider whether you support the UK's decision to do so. [15]

Question 2
(a) Explain what economists mean by allocative efficiency and why public goods would lead to allocative inefficiency. [10]

(b) In some countries, governments provide free Wi-Fi even though it is not a public good. Access to the internet will allow critical information to be passed on to everyone, which not only benefits users themselves but also the wider community.

Discuss the efficiency and equity reasons for the provision of free Wi-Fi by governments. [15]

Question 3
The supermarket industry in Singapore has three big firms: NTUC FairPrice, Sheng Siong, and Macrovalue (operating Cold Storage, Giant and others), each taking up a relatively large market share and earning high profits. Newer firms like Scarlet Supermarket and Little Farms are merely earning normal profits.

(a) Explain why a new firm may aim to earn only normal profits, and how such a firm's price and output would compare with those of an existing firm that aims to maximize profit. [10]

(b) In view of the potential cost and revenue problems that a new firm may face when entering a supermarket industry dominated by a few large firms, discuss the strategies it could adopt to survive in the long run. [15]

Section B

Question 4

(a) Explain why governments are concerned with high rates of inflation and balance of trade deficits. [10]

(b) Discuss the extent to which the reduction of high inflation may conflict with the attainment of other macroeconomic goals. [15]

Question 5

The US Dollar's depreciation stems from multiple factors. While the US government welcomes a weaker dollar, which could help to enhance export competitiveness, some economists raise concerns about the negative impacts on the US economy.

(a) Explain **one** possible demand-side cause and **one** possible supply-side cause for a country's currency to depreciate in a freely floating exchange rate system. [10]

(b) Discuss whether, on balance, the depreciation of the US Dollar will benefit or harm the US economy. [15]

Question 6

Singapore and the US are among the richest countries in the world in terms of real GDP per capita. The US has imposed protectionist tariffs in pursuit of an "America First" policy, while intensifying US-China trade tensions have prompted multinationals to relocate their operations back to the US, sparking fears of deglobalisation.

(a) Explain how real GDP per capita can be a useful yet inadequate measure of standard of living in a country. [10]

(b) Discuss the extent to which deglobalisation hurts a country's standard of living. [15]

Section A

Question 1
Rare earth elements are critical inputs in the production of semiconductors, electric vehicles and other high technology products. Rising incomes have contributed to strong growth in these industries. While the extraction of rare earth elements can be challenging and time consuming, producers in some industries have also explored alternative materials.

(a) Explain why the above events have led to a sharp increase in the price of rare earth elements, and the reason why shortages may continue to occur despite higher prices. [10]

(b) Discuss how the rise in the price of rare earth elements may affect two related markets. [15]

Question 2
The pharmaceutical industry is dominated by a small number of large firms that hold patents over many medicines. Patents and high costs of developing new medicines create significant barriers to entry, giving established firms considerable market power. Recently, governments have been encouraging the entry of low-cost alternatives.

(a) Explain the likely effects on a pharmaceutical firm's price and output when its objective changes from profit maximising to an alternative objective. [10]

(b) Discuss the extent to which entry of low-cost alternatives will benefit consumers and harm producers in the pharmaceutical industry. [15]

Question 3
Japan is highly vulnerable to earthquakes and tsunamis. Tsunami warning systems alert communities to approaching waves. Households may also invest in earthquake-resistant housing to reduce the risk of buildings collapsing during earthquakes, which can also improve the safety of people in surrounding areas.

(a) Explain why the market may fail in the provision of tsunami warning systems and earthquake-resistant housing. [10]

(b) Discuss appropriate policies that can be employed to address the market failures associated with the provision of tsunami warning systems and earthquake-resistant housing. [15]

Section B

Question 4
Income inequality may arise from changes in technology as well as changes in the demand for and the supply of workers with different skills. This has prompted governments to adopt a redistributive policy of progressive taxation **with** cash transfers.

(a) Explain one demand and one supply factor that may contribute to a significant rise in income inequality. [10]

(b) Discuss whether the above redistributive policy is the most appropriate for a government to achieve inclusive economic growth. [15]

Question 5
For is a small and highly open economy that is closely integrated with the global economy through trade and capital flows. In recent years, changing global economic conditions have raised questions about the benefits and challenges of greater economic integration.

(a) Explain how technology has facilitated globalisation and how an increase in international capital outflows can affect a country's exchange rate. [10]

(b) Discuss the extent to which conflicts between macroeconomic objectives may arise as Singapore becomes increasingly integrated into the global economy. [15]

Question 6
The UK has experienced periods of rising unemployment as economic growth weakened, while also recording persistent deficits in its trade in goods. These challenges have raised concerns about employment and the country's external economic position.

(a) Explain why countries seek to achieve a low rate of unemployment and avoid a persistent balance of trade deficit. [10]

(b) Discuss whether the use of supply-side policy is more effective than demand-side policy in achieving full employment. [15]

Section A

Question 1
Land is a scarce resource and must be allocated among competing uses (residential, commercial, industrial, and recreational).

(a) Explain how a production possibilities curve can be used to illustrate the concept of opportunity cost, and how the price mechanism can help to allocate scarce resources. [10]

(b) Discuss whether demand factors or supply factors have a greater impact on residential property prices. [15]

Question 2
TicketMaster, a dominant ticketing provider in Singapore, mandates that major stadium concerts such as Taylor Swift and Coldplay sell tickets exclusively through its website, blocking rivals like Sistic.

(a) Explain how Ticketmaster's dominance in the entertainment ticketing industry negatively impacts consumers and rival ticketing providers. [10]

(b) Discuss the effectiveness of pro-competition policy compared to regulatory pricing in addressing these negative impacts. [15]

Question 3
SkillsFuture faces a key challenge of low utilization. Many workers find it hard to balance training with work, while some courses do not translate into better career outcomes or improvements to productivity. The government announced a top-up of 4,000 dollars for workers aged 40 and above, which will not expire, in addition to introducing an upgraded portal to better align courses to careers..

(a) Explain why upskilling causes a low sign-up rate, and however, selection may cause consumers to select themselves out of the market. [10]

(b) Discuss whether fiscal intervention is the best policy to improve the sign-up rate for upskilling courses. [15]

Section B

Question 4
Ongoing shocks to global food and energy prices have threatened price stability in trade-dependent Singapore.

(a) Explain how the above global economic development might affect price stability **and** balance of trade in Singapore. [10]

(b) Discuss the extent to which conflicting government objectives is the main factor in government policy decision making when aiming for a healthy balance of trade. [15]

Question 5
German Labor Minister Bärbel Bas has stated that "the labor market is still shaped by the economic slump of recent years. The cyclical headwinds continue to leave their mark on the labor market and require countermeasures. Economic growth is the only way to reduce unemployment".

(a) Explain how extra economic growth will lead to a fall in unemployment in the labor market, and a possible reason why it might not. [10]

(b) Discuss the view that governments should always aim for low unemployment rates. [15]

Question 6
"While trade is no longer always seen as a mutually beneficial exercise, in today's unsettled, troubled world, countries have to work to make it a win-win," Senior Minister Lee Hsien Loong said on May 19, during a visit to Guangxi Autonomous Region in southwestern China.

(a) Explain how trade could be mutually beneficial to both countries and **one** cost of embracing globalisation. [10]

(b) Discuss possible policy measures countries could adopt to make trade a win-win. [15]

Section A

Question 1
As a land-scarce city-state, Singapore faces unavoidable trade-offs when allocating its finite land area. In 2023, it was announced that the Singapore Turf Club facility at Kranji would close by 2027. The site occupies about 120 hectares and had been used for horse racing and other recreational activities. The land is expected to be redeveloped to meet future needs, including housing.

(a) Explain how a production possibilities curve can be used to illustrate the central economic problem, and how the price mechanism addresses this problem in allocating land between competing users. [10]

(b) Discuss the policies that the Singapore government can implement to promote equity in the residential housing market. [15]

Question 2
Supermarkets are increasingly using predictive data analytics to anticipate consumer demand and provide more personalized shopping experiences, while advanced automated logistics have streamlined operations. However, concerns have been raised that these technologies may strengthen the market position of larger supermarket chains.

(a) Explain how the use of predictive data analytics and advanced automated logistics may increase the profitability of a supermarket. [10]

(b) Discuss whether government intervention is needed to address increasing market dominance by large firms in the retail supermarket sector. [15]

Question 3
Essential public infrastructure includes both safety networks and utilities (e.g. electricity, water, and gas) distribution. National flood warning systems broadcast real-time alerts across entire regions to protect lives and property, whereas utility distribution is often controlled by a dominant utility provider possessing substantial market power.

(a) Explain how the characteristics of a national flood warning system and market dominance in the utility market lead to market failure. [10]

(b) Discuss the extent to which government intervention will address the inefficiencies in each of the above markets, and consider the extent to which such intervention will be successful. [15]

Section B

Question 4
Between 2022 and 2023, rapid urbanization across Asian economies continued to lift aggregate incomes, yet residents in densely populated cities from Jakarta to Dhaka to Ho Chi Minh City reported longer commutes, deteriorating air quality, overcrowded housing, and widening gaps between high- and low-income neighborhoods.

(a) Explain why rising real GDP per capita may reflect improvements in living standards but may not do so accurately. [10]

(b) Discuss whether the use of supply-side policies is the most appropriate measure to raise living standards in a developing country like Indonesia. [15]

Question 5
Throughout most of 2024, the Federal Reserve maintained its interest rate at a 23-year high of 5.25%-5.50%. Thereafter, the US Dollar appreciated significantly as the Federal Reserve then decided to raise interest rates.

(a) Explain how a raising of interest rates by the Federal Reserve might affect the domestic and external macroeconomic aims of the United States. [10]

(b) Discuss the factors a government should consider when deciding which economic policy to adopt to combat inflation. [15]

Question 6
Decades of stable global trade and economic integration are now breaking down due to rising uncertainties around the world, like geopolitical conflicts, broken supply chains and unpredictable government policies.

(a) Explain why countries specialize and trade with one another and how a country's pattern of trade can change over time. [10]

(b) In light of rising global uncertainties, discuss whether Singapore should continue to embrace globalisation. [15]

Section A

Question 1
Oat milk has recently come under scrutiny following viral online claims that it may cause bloating and blood glucose spikes, prompting some consumers to switch to fresh milk. Meanwhile, have threatened fresh milk production by reducing dairy cows' milk yields.

(a) Explain how the functions of price mechanism operate in the market for fresh milk when consumers switch to fresh milk. [10]

(b) Discuss how the above events may have affected the fresh milk and oat milk markets. [15]

Question 2
In a significant shift within the UK mobile network industry, the market saw increased concentration from four major mobile network operators down to three following the merger of Vodafone UK and Three UK. This structural change reduced competition, raising concerns regarding its impact on efficiency and equity in the mobile network industry.

(a) Explain one way in which firms respond to existing competition and one way in which firms respond to potential competition. [10]

(b) Discuss the impact of a merger on efficiency and equity in the UK mobile network industry. [15]

Question 3
Many Singaporeans believe that only family members can provide the best care for elderly relatives, leading them to avoid available elder care services. Consequently, they often ignore the impact of this decision on their employers. To encourage the uptake of elderly care services, the government has implemented Home Caregiving Grant for families.

(a) Explain **two** reasons why market failure may occur in the market for elderly care services. [10]

(b) Discuss the extent to which Home Caregiving Grant is the most effective policy in addressing both these types of market failure. [15]

Section B

Question 4
In 2021, the US government injected USD 1.9 trillion in fiscal stimulus to combat unemployment following the COVID-19 pandemic. By mid-2022, unemployment had fallen to 3.5%, but inflation had surged to a 40-year high of 9.1%.

(a) Explain **two** causes of unemployment in a country. [10]

(b) Discuss whether policies aimed at reducing unemployment will inevitably lead to higher inflation. [15]

Question 5
Singapore's rapidly aging population is driving up government spending on healthcare and senior care, placing increasing pressure on public finances. Policymakers must find sustainable ways to finance these rising costs while maintaining fiscal sustainability and macroeconomic performance.

(a) Explain how an aging population might affect a country's macroeconomic performance. [10]

(b) Discuss whether fiscal sustainability is the most important factor in Singapore's macroeconomic decision-making. [15]

Question 6
While integration into global markets unlocks unprecedented economic growth, it inherently exposes economies to unfair trade practices and external shocks. In response, governments are increasingly deploying protectionist measures to mitigate the negative impacts of globalisation.

(a) Explain a possible demand-side and a supply-side reason for trade to occur in Singapore. [10]

(b) Discuss the view that countries should adopt protectionist measures. [15]

Section A

Question 1
The generative artificial intelligence industry is dominated by a small number of major firms such as OpenAI, Google, Anthropic, and Microsoft. These firms benefit from substantial barriers to entry arising from the extremely high research and development costs, access to advanced computing infrastructure, and strong network effects.

(a) Explain how market dominance can influence a firm's price and output decisions. [10]

(b) Discuss whether government intervention is always needed when firms such as OpenAI and Anthropic dominate the market. [15]

Question 2
Among the most commonly seized products by the Health Sciences Authority (HSA), enforcing the ban on vaping, are k-pods, which are marketed in appealing flavors and widely perceived by young users to be harmless. Medical studies link k-pod use to nicotine addiction and serious respiratory harm. Beyond health risks to users themselves, the open use of k-pods in school and social spaces has been shown to normalize vaping among peers, drawing more young people into the habit.

(a) Using the PPC diagram, explain **two** ways in which the market failure in the market for vapes can impact the economy. [10]

(b) Discuss the effectiveness of banks and public education in correcting the market failure in the market for vapes. [15]

Question 3
Price volatility in essential commodities is a recurring issue due to varying climatic conditions, often impacting the livelihoods of farmers. The Indian government purchased approximately 6.4 million metric tons of onions during 2023-24 for its buffer stock initiative. Such procurement initiatives ensured favorable prices for onion farmers throughout the year in 2023.

(a) Explain why the prices of essential agricultural commodities, such as onions, are typically more volatile compared to non-essential goods. [10]

(b) Discuss whether a government buffer stock scheme is the best way of stabilising the price of onions in India. [15]

Section B

Question 4
Productive output will always be an indirect proxy for progress in the material lived experience of a nation’s people. GDP growth is strongly correlated with rising living standards, but this relation is not lockstep. Economic policymakers must focus on broad-based improvements in human outcomes.

(a) Explain why GDP per capita alone may be insufficient when comparing material standard of living between countries. [10]

(b) Discuss whether a densely populated country undergoing rapid structural change from the transition to a green economy can achieve broad-based improvements in material and non-material standards of living. [15]

Question 5
Governments have aims in relation to unemployment and sustainable economic growth.

(a) Explain the consequences of failing to achieve these aims. [10]

(b) Discuss the extent to which supply-side policy is the best policy for Singapore to achieve its key macroeconomic objectives. [15]

Question 6
In 2021 and 2024, the US increased interest rates to combat inflation, while the Bank of Japan maintained low interest rates to achieve its inflation target. As a result, the Japanese yen depreciated against the US Dollar. Furthermore, an increase in the cost of imported energy reinforced the yen's weakness. The yen's depreciation has had mixed effects on Japan's regional trading partners.

(a) Explain how the factors mentioned above contributed to the weakening of the yen. [10]

(b) Discuss whether the weakening of the yen would be detrimental to Singapore’s economy. [15]

Section A

Question 1

Online food delivery platforms face high rider-related operating costs, and the market is dominated by a few large players. While Generative AI tools may lower barriers to entry by cutting consumer support, marketing and administrative costs, established platforms retain significant advantages through their large customer, restaurants and rider networks

(a) Explain how a rise in rider payments would affect an online food delivery platform's profit and shutdown decision. [10]

(b) Discuss the most appropriate strategy for an established online food delivery platform to maintain its market share as Generative AI tools lower barriers to entry. [15]

Question 2

Singapore's semiconductor industry has expanded rapidly, creating a persistent shortage of engineers with specialized technical skills. The government has responded by allowing firms to hire qualified foreign professionals more readily, expanding local education and training pathways and encouraging firms to adopt automation and AI-enabled technologies to raise productivity..

(a) Using relevant elasticity concepts, explain how the signaling, incentive and rationing functions of rising wages may reduce, but not necessarily eliminate, the shortage of semiconductor engineers in the short run. [10]

(b) Discuss whether expanding local education and training is the most effective way of alleviating the shortage of semiconductor engineers in Singapore in the long run. [15]

Question 3

Research and development (R&D) in Singapore's pharmaceutical and biomedical sectors act as a massive economic multiplier, transforming the city-state into a premier global hub. It drives advancements that directly benefit other businesses, national exports, and everyday consumers.

(a) Explain two different reasons for the market failure associated with research and development (R&D) by a firm. [10]

(b) Discuss the factors that the government might consider in deciding whether subsidizing firms to undertake R&D would be beneficial for Singapore. [15]

Section B

Question 4

Media reports highlight growing anxiety among fresh graduates who are taking longer to land full-time jobs. In addition to the trade war with the United States (US), China's aggressive pivot towards electric vehicles and clean energy has created a changing technological landscape and job losses

(a) Explain how the China-US trade war might lead to one type of unemployment, while the changing technological landscape might lead to a different type of unemployment in China. [10]

(b) Discuss whether interest rate based monetary policy is the best way to reduce unemployment in China. [15]

Question 5

Over the years, many economies have experienced periods of rapid economic growth. Governments have implemented a range of policies to promote and sustain strong and stable economic growth. However, the benefits of such rapid growth may not be evenly distributed, particularly where long-standing industrialisation strategies have concentrated investment and government support in selected industries such as the technology sector.

(a) Explain why such rapid economic growth may be undesirable. [10]

(b) Discuss whether contractionary fiscal policy is the most effective way to address the problems arising from rapid economic growth. [15]

Question 6

The global trading environment has become increasingly fragmented. Disruptions such as geopolitical tensions between the United States and China have prompted the restructuring of global supply chains, while the Red Sea shipping crisis and China's economic slowdown have highlighted the vulnerabilities of economies that rely heavily on a narrow range of trading partners or supply routes.

(a) Explain how disruptions to global trade flows may affect an economy’s balance of payment and internal economy. [10]

(b) Discuss whether free trade or protectionism is the more appropriate policy for countries to adopt when global trade is disrupted. [15]