



RAFFLES INSTITUTION
2026 YEAR 6 TERM 3 PRELIMINARY EXAMINATION
Higher 2

ECONOMICS

9570/01

Paper 1 Case Study Questions

1 September 2026

2 hours 30 minutes

Additional Materials: Answer Paper

READ THESE INSTRUCTIONS FIRST

Write your name, index number and civics 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 diagrams, graphs or rough working.
Do not use paper clips, highlighters, glue or correction fluid.

Answer **all** questions.

The number of marks is given in brackets [] at the end of each question or part question.
Start **each** Case Study on a fresh sheet of paper.
At the end of the examination, fasten your answers to Case Study 1 and Case Study 2 **separately**.

Detach this **cover page** and secure it in front of answers to **Case Study 1**.

Name: _____

Civics Class: _____

Economics Tutor: _____

Question	Marks
1	/30
2	/30

This document consists of **9** printed pages and **1** blank page.

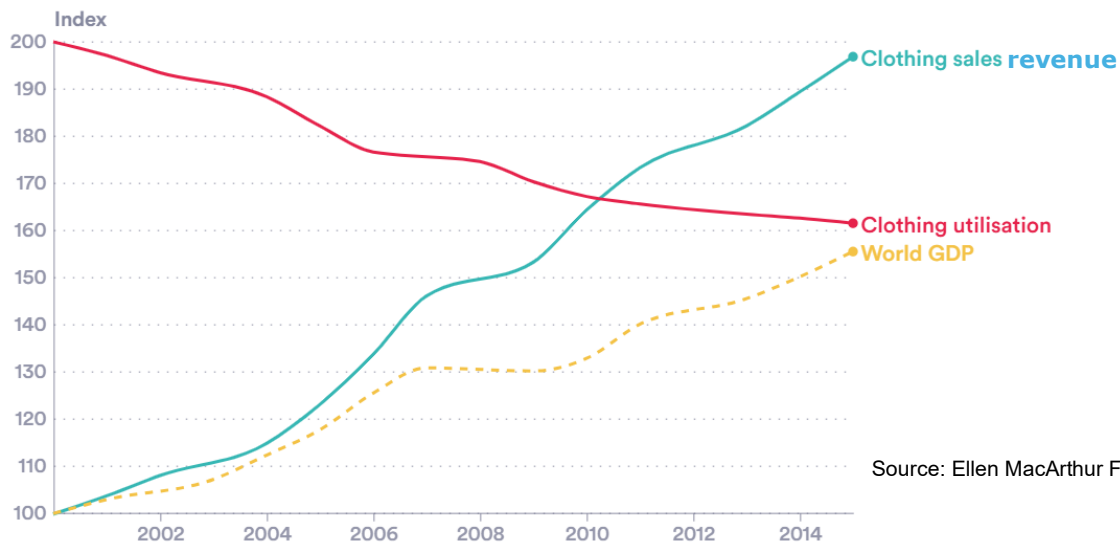


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Question 1 The Rise and Growth of Shein in the Fast Fashion Market

Figure 1: Growth of clothing sales and decline in clothing use, 2000-2015



Note: Indexing reflects 2000 values, sales and GDP start at 100; utilisation begins at 200.

Note: Clothing utilization refers to the intensity and duration clothing is actively worn.

Extract 1: Shein's Growth and Consumer Appeal

Founded in 2008 by Chinese entrepreneur Sky Xu and now headquartered in Singapore, Shein has grown into one of the world's largest online fashion retailers. Shein's expansion accelerated during the pandemic, and by 2022 the firm generated around US\$23 billion in global online revenue, capturing nearly one-fifth of the global fast-fashion market and overtaking long-established competitors such as Zara and H&M.

Shein's appeal is especially strong among younger consumers seeking constant style updates. One in four Gen Z shoppers buy from the platform, and 44% report making purchases at least once a month. Prices on many items have fallen over time as Shein scaled up production and intensified price competition, with some T-shirts now selling for as little as US\$5 and sweaters for around US\$10. In many markets, consumers view Shein's clothing as comparable in style to items from Zara or H&M but significantly more affordable.

Shein's online platform is designed to capture attention and influence purchasing behaviour. Features such as unlocking free shipping, loyalty point systems, and minimum-purchase coupons are used to encourage additional spending, leading users to accumulate items in their carts or work towards rewards. Daily login rewards, mini-games, and point systems also increase engagement, contributing to more frequent purchases.

Source: Various sources

Extract 2: Shein's Production Model and Cost Advantages

The global fast-fashion sector is highly competitive, with brands constantly racing to capture consumer attention in a marketplace shaped by rapid style turnover. Rather than responding directly to the pricing or output decisions of specific rivals, many firms focus on identifying emerging consumer trends and launching new designs quickly to attract buyers. The digital

nature of the fashion marketplace also makes entry relatively easy for new sellers. Anyone with a TikTok account and a Shopify store can technically start a “fast fashion” brand almost overnight, allowing numerous small brands to compete for consumer attention online.

Shein distinguishes itself through its ultra-fast and flexible production system. Traditional fashion retailers often forecast trends 3–12 months in advance and place large production orders. By contrast, Shein works with a network of primarily China-based suppliers willing to produce small initial batches and scale output quickly once an item proves popular. Production can take as little as 5–7 days, and delivery to overseas consumers is often completed within two weeks. This data-driven model allows Shein to introduce roughly 1.5 million new products annually, keeping shoppers engaged and encouraging repeat buying.

By operating without physical stores, Shein minimises inventory risk and overhead costs associated with maintaining retail outlets, allowing the company to respond quickly to emerging consumer trends and refresh its offerings more frequently than traditional retailers. The firm also relies heavily on data-driven tools to manage production. More than 5,000 suppliers use AI systems to analyse customer preferences and predict emerging trends, enabling output to closely track real-time purchasing patterns. Machine-learning technologies optimise production and inventory management, while tools such as Smartex.AI detect fabric defects and minimise material waste.

Originally founded in the eastern Chinese city of Nanjing, Shein has relied on a sprawling network of manufacturers in Guangdong to produce ultra-low-cost clothing for global markets. The concentration of specialised manufacturers, textile producers and logistics firms within major Chinese production hubs generates shared cost advantages for firms located in these hubs. As the ecosystem expands, suppliers accumulate experience, invest in automation and benefit from knowledge spillovers, which raise productivity across the industry and enable firms within the cluster to respond more quickly to changes in market demand.

Source: Various sources

Extract 3: Shein's alleged misleading practices

Despite its rapid growth, Shein's online strategies have come under EU scrutiny. Consumer watchdogs from 21 European countries filed a formal complaint with the European Commission, arguing that these practices are deliberate design choices rather than accidental features. Alleged strategies include fake countdown timers, repeated pop-ups on limited-time offers, low-stock alerts such as “only 3 left!”, displaying “original” versus discounted prices in ways that exaggerate perceived savings, and misleading product labels.

The Chinese fast fashion giant is being investigated in Italy over its sustainability claims. Images promoting Shein's clothing as sustainable are also done “through generic, vague, confused and/or misleading environmental assertions,” the authority said in its statement. In particular, the watchdog cited information from Shien's 'evoluShein' collection, which it said may have misled consumers into thinking the clothes they bought from the collection could be recycled.

Source: Various Sources

Extract 4: Rising emissions concerns

Shein's rapid growth and "superfast fashion" model have drawn scrutiny for its environmental impact. In 2024, the company generated approximately 26.2 million metric tonnes of CO₂. Critics argue that its ultra-low prices and mass production contribute to an oversupply of cheap synthetic clothing and rising pollution.

A significant share of emissions arises from its global supply chain, reflecting its reliance on thousands of suppliers across multiple countries. While its on-demand production model reduces unsold inventory, the large number of new designs produced daily increases overall emissions. Logistics also contributes substantially, as Shein ships individual parcels directly to consumers worldwide, often relying on air freight, which is more carbon-intensive than bulk shipping.

Source: Various sources

Extract 5: Regulating Fast Fashion

Regulators in Italy and France have taken formal action against Shein for misleading commercial and environmental claims. Italy fined the company €1 million, while France imposed a €40 million penalty for deceptive discounts and unsubstantiated environmental claims. Critics note that such practices can distort consumer perceptions and contribute to excessive spending and overconsumption.

In response, the French government has introduced policies to regulate the fast fashion industry, including firms such as Shein. These include two types of taxes. The eco-tax is a uniform per-unit tax applied to all fast fashion products, while the eco-score tax is differentiated according to firms' environmental performance. The eco-score also provides consumers with an indicator of the environmental impact of products, displayed alongside products when consumers are deciding whether to purchase them.

Source: Various Sources.

Questions

- a) Using Figure 1:
 - i) Explain what the data might suggest about the value of income elasticity of demand for clothing over the period shown. [2]
 - ii) Explain how changes in clothing utilisation might have affected clothing sales revenue over time. [2]
- b) Using Extract 1, explain one way in which Shein's online platform taps on cognitive biases to influence demand for its products and explain one limitation of this strategy. [4]
- c) With the aid of a diagram, explain how the "sprawling network of manufacturers in Guangdong" can lead to cost savings for firms like Shein. [4]
- d) Discuss which market structure best describes the fast-fashion industry. [8]
- e) Discuss whether Shein's "misleading practices" or "rising emissions concerns" should be the greater focus of government intervention in fast fashion. [10]

Total: 30 marks

Question 2: Trade, Economic Performance and Policy in Emerging Economies

Figure 2: Brazilian Real Chinese Yuan Exchange Rate



Extract 6 Brazil, China and the Expanding Role of BRICS in the Global Economy

The BRICS alliance—originally comprising Brazil, Russia, India, China, and South Africa—has evolved from a loose association of emerging economies into a powerful economic bloc challenging traditional Western-dominated global financial systems. With the recent expansion including countries like Egypt, Ethiopia, Iran, Saudi Arabia, the United Arab Emirates and Indonesia, BRICS now represents around 24% of global trade.

Brazil is the largest economy in Latin America with rich primary resources, a land stretching across eight and a half million square kilometers, and some of the world's most fertile soil. China, the second-largest economy in the world, has developed strong technology sectors and is a dominant force in next-generation energy technologies, investing heavily in renewable energy, electric vehicles, energy storage and nuclear power.

Brazil's president Lula hosted the G20 leaders' summit in Rio de Janeiro, where heads of state from 19 of the world's largest economies, including China, convened to talk shop. After the G20, China's president Xi Jinping met his Brazilian counterpart. They signed 37 agreements, covering everything from Brazilian grape, sesame, sorghum and fish exports to cooperation on satellites. Sino-Brazilian relations "are at their best moment in history," said Mr Xi, with Mr Lula by his side.

Several factors have been pushing Brazil and China closer. Brazil shares China's multipolar view of the world and is keen to rely less on the United States for international transactions. But perhaps the most important reason for this growing relationship is trade. China wants to buy what Brazil is selling. As China's middle class expanded, demand for Brazilian commodities such as oil, iron ore and soybeans increased significantly, and Brazilian exports to China are now at record highs.

Brazil is one of a handful of countries that runs a trade surplus with China in recent years. In 2025, trade between Brazil and China reached a record US\$171 billion, accounting for more than 28% of Brazil's total foreign trade. Commodities such as soybeans, oil and iron ore account for over 70% of Brazil's exports, reflecting Brazil's strong position in resource-based production.

While short-term price spikes from supply shocks might temporarily boost revenue for specific commodities, a sustained or severe reduction in supply due to poor weather generally harms Brazil's balance of trade by decreasing the overall value of its agricultural exports.

Various sources

Extract 7 Brazil imposes tariffs on Chinese steel

The Brazilian government recently decided to take protectionist measures by imposing a 25% tax on steel imported from China. This decision, although surprising given that China is Brazil's largest trading partner, reflects a desperate attempt to protect the domestic steel industry. Brazil and China, members of the BRICS bloc, have strong and strategic trade relations. However, the massive influx of Chinese steel in 2023 has seriously disrupted the local market, plunging the Brazilian steel sector into an unprecedented crisis; steel mills are operating with more than 40% idle capacity, and the temporary suspension of production activities have resulted in massive dismissal of workers.

The decision to tax Chinese steel aims to curb the alleged unfair competition -the practice of dumping in exports from China to Brazil. Soaring steel imports are a particular sore spot for the Brazilian government as the Latin American nation is one of the world's largest exporters of iron ore — a primary ingredient in steel production.

The surge in Brazil's steel imports also highlighted a conflict between two significant sectors of the national industry. Brazilian steel producers argue that these imports are detrimental to their business, while manufacturers in the automotive, machinery, electronics, and equipment sectors contend that higher import taxes would increase the prices of their products.

Various sources

Figure 3



Extract 8 Government Spending and Economic Performance in Russia

Worries mount about the future of the war since Mr Putin's full-scale invasion of Ukraine in 2022. Yet on the home front, things look better than ever for President Vladimir Putin. Despite sanctions, Russia's economy is growing strongly. It turns out that boisterous government spending during wartime has significantly boosted economic activity.

Russian GDP is expected to rise by over 3% in real terms this year, one of its fastest growth since the early 2010s. Unemployment is close to an all-time low. Russians are feeling

increasingly positive about the economy. Consumer confidence is well above its long-term average. Households are more willing to make big purchases such as cars and furniture, and restaurants are busy. Spending has increased noticeably: imports of cognac were 18% higher than in 2019, while spending on sparkling wine rose by 80%.

Although some of this recovery might appear to be driven by exports, the total value of Russia's exports has actually fallen slightly, partly due to lower oil prices. Instead, the main driver of growth is expansionary fiscal policy.

Mr Putin has abandoned austerity and significantly increased government spending. Russia is running a budget deficit of about 2% of GDP, funded partly using reserves accumulated in earlier years. Total government expenditure rose by about 15% annually in 2022 and 2023, with further increases expected. Much of this spending is directed towards the war. Military expenditure is expected to rise by around 60%, supporting production and incomes. The government has also increased payments to individuals—for example, bonuses for military recruits have doubled, and compensation is provided to families of those killed.

Spending extends beyond the war. Welfare payments have increased, including pension rises of close to 10%. The government is also investing in infrastructure, such as a major highway project, and funding social programmes, including schemes to support holidays for children.

These policies have had clear short-term benefits, boosting incomes, consumption and economic activity. However, concerns remain. Labour shortages may worsen, and continued deficit spending could deplete Russia's financial reserves within a few years.

Source: The Economist, 11th Aug 2024

Questions

- a) With reference to Figure 2 and Extract 6, explain one reason for the change in the value of the Brazilian Real against the Chinese Yuan in the foreign exchange market between 2021 to 2024. [2]

- b) Using the theory of comparative advantage, explain the pattern of trade between Brazil and China. [4]

- c) "Short-term price spikes from supply shocks might temporarily boost revenue for specific commodities" but a "sustained or severe reduction in supply due to poor weather generally harms Brazil's balance of trade".

Explain how supply shocks might affect Brazil's balance of trade in the short run and long run. [4]

- d) Discuss whether the use of tariffs is justified in protecting Brazil's domestic steel industry from foreign competition. [8]

- e) Using Figure 3, describe the trend in Russia's real GDP from 2021 to 2024. [2]

- f) With reference to Extract 8, discuss whether Russia's array of fiscal measures is likely, on balance, to have a positive impact on Russia's standard of living. [10]

Total: 30 marks

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Extract 2	© Miracuves: Business-model-of-shein © BBC News © Business times - Shein-Supply Chain upgrade © The Edge Singapore – Supply Chain - Shein
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Figure 2	© LSEG
Extract 6	© Scobrics Insights: BRICS Intra Trade Reaches \$1 Trillion, 29 June 2025 © Hedgepoint: Brazil's trade balance: understand the importance of commodities, 9 May 2024 © IMF: Changing Climate in Brazil: Key Vulnerabilities and Opportunities, 30 Aug 2024
Extract 7	© Tremplin: BRICS: Brazil imposes a heavy tax on China, 9 July 2024 © International Valor: Brazil imposes quota, increases tax on imported steel, April 2024 © Financial Times: Brazil launches China anti-dumping probes after imports soar.
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