RAFFLES INSTITUTION
2023 YEAR 6 TERM 2 TIMED PRACTICE
Higher 2

ECONOMICS 9570/01

Paper 1 Case Study Questions **20 March 2023**

2 hours

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	/25
2	/25

This document consists of **10** printed pages and **1** blank pages.

Raffles Institution

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Extract 1: Gig economy – a surprise boost from the pandemic

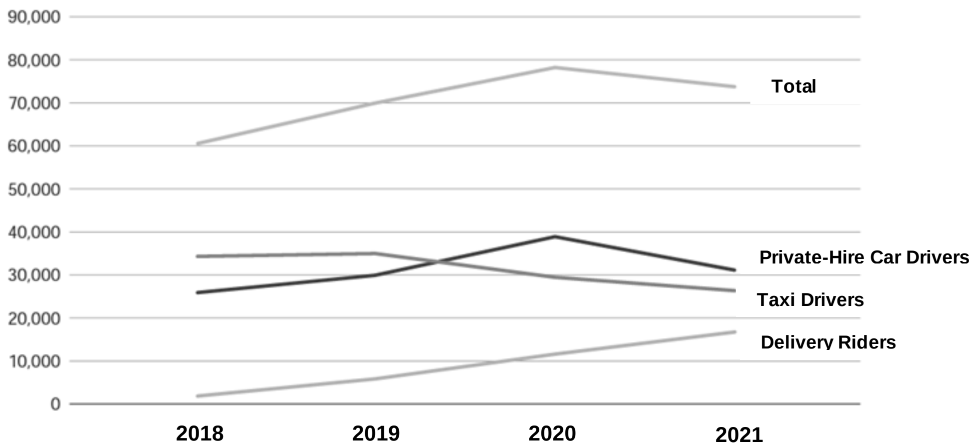
In Asia Pacific, 81 million jobs were reportedly lost in 2020 due to the pandemic. The unemployment rate in many countries rose to double digits. The gig economy, meanwhile, provided lifelines keeping many afloat as workers from travel and tourism industries turned to gig jobs to boost their incomes.

Offering greater flexibility, gig work has been popular in Singapore for some years now, even before the pandemic. Many have turned to gig work while waiting for permanent employment or use it to supplement their income while dabbling in ventures, in education or entrepreneurship. Part of this revolution is powered by technology – the rise of platform apps that allow you to order anything you desire with your phone. Throughout the circuit breaker and thereafter, there has been an increased reliance on these platform services. Although ride-sharing services on platforms such as Grab saw a fall in 2020 as people commuted less, a surge in food-delivery fuelled large revenue growth for these companies.

For workers traditionally at the lower end of the skills ladder, in a non-gig world, they may be confined to fixed jobs as cashiers, security staff or cleaners with long hours and low pay. By becoming platform workers such as delivery workers and private-hire car drivers who use online platforms to match their services with demand, they could make thousands a month.

Source: Channel News Asia, 2021

Figure 1: Number of platform workers in Singapore's gig economy, 2018 - 2021



Source: Ministry of Manpower, 2021

Extract 2: More support for the gig workers

The low-cost, asset-light model of platform companies like Grab, Uber and Lyft makes them more resilient to economic fluctuations. They did well in protecting people from unemployment during the pandemic. The question now is what more can be done to further support platform workers in the gig economy who have lower wage and job security. A national survey done in the US in 2020 revealed that about 1 in 7 gig workers earned less than the federal minimum wage on the hourly basis.

Recently, the Biden Administration has proposed requiring companies that rely on gig workers to treat them as permanent employees, giving them additional benefits, a minimum wage, overtime pay and other legal protections. However, analysts say that this could lead to 20% to 30% spike in costs for companies like Uber, forcing them to hike charges.

In Singapore, measures supporting training programmes and bolstering CPF savings of gig workers were rolled out in 2020. Workers could undergo training in skills tailored to their fields of gig work that creates potential for progress within the sector. The Government can also help ensure that gig workers have adequate social safety nets.

Source: Various

Extract 3: Big questions over gig worker welfare in Singapore

As Singapore looks to provide more sustained support for lower wage workers, there has been renewed attention on whether gig workers need a lift too. Grab, Gojek and Deliveroo have each come up with various initiatives to cover their drivers and riders, but these are tied to certain conditions and even performance tiers.

Fair earnings is also a key issue when it comes to ride-hailing drivers and delivery riders.

Asked if it would support a minimum wage for gig workers, if someday possible in Singapore, a FoodPanda spokesperson said that this would not be the "best way forward as instituting a minimum wage takes away flexibility and does not take into account the other costs it imposes on the rest of the ecosystem, such as customers who may have to pay more for delivery fees," she said.

Meanwhile, gig workers are afraid that the higher prices for food deliveries or private-hire car rides may drive down demand and affect their earnings. Part-time delivery rider Sang Shi Jie, 20, said: “If the delivery fee rises, customers will think twice before ordering food on the platform and this may mean less jobs for riders.”

Source: The Business Times and Today Online, 2021

Extract 4: Grab-Gojek Merger?

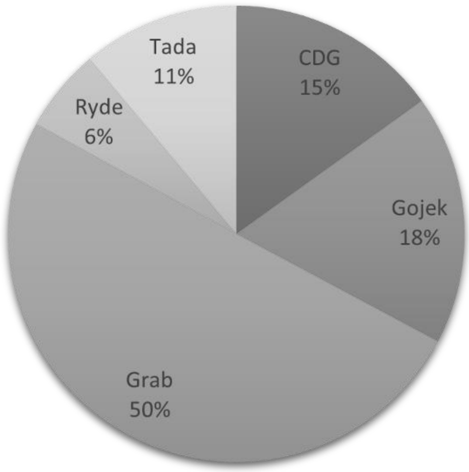
In December 2020, Grab reportedly informed its staff that it was in a position to acquire Gojek. This fuelled discussion about the possible impact of the merger on key stakeholders such as consumers. Memories of Grab’s acquisition of Uber in Southeast Asia two years ago are still fresh. Both Grab and Uber incurred fines from the Competition and Consumer Commission of Singapore (CCCS) and Philippine authorities for the merger. Some observers noted that post-merger, customers paid more while drivers faced less favourable terms.

Grab and Gojek may be considering the merger because of several key factors. First, they have complementary strengths with Grab having strong positions in ride-hailing and food delivery markets, especially in Singapore, and Gojek enjoying a strong position in Indonesia. The companies have fought intensely with each other, and other rivals, to gain strong market share in their respective markets. But as they mature, they may want to move away from aggressive marketing and price wars towards a consolidation of market position in pursuing the ultimate goal of profitability.

One view holds that because both compete in markets with already very few big players, competition watchdogs may oppose the merger because of concerns that the welfare for drivers and consumers may get much worse, post-merger. Another view suggests that concerns over predatory, monopolistic behaviour may be overstated. With large sums of capital raised, Grab is investing into the creation of detailed digital maps to help make transport and delivery services more efficient. Furthermore, while Grab has a large market share in ride-hailing and food delivery industries in Singapore, Gojek has a much smaller share. Even if the merger happens, consumers still have other options in ride-hailing and food delivery: FoodPanda, Deliveroo and Ryde to name a few.

Source: Channel News Asia, 2021

Figure 2: Market share of ride-hailing services in Singapore by gross sales revenue



Source: Statista, 2022

Extract 5: Rising fares and longer waiting time for ride-hailing services

The ride-hailing sector has been in the spotlight recently amid complaints of higher fares and booking difficulties after COVID-19 community safe management measures were eased in January 2022. These issues have been attributed to a higher demand for rides as more employees returned to the workplace accompanied by fewer drivers available.

In the private-hire transportation sector, where all the ride-hailing companies are competing for drivers, the shortage of drivers is a perennial issue. Rising petrol prices and operational costs have made driving for ride-hailing companies less attractive. The strong job market and falling unemployment rate are prompting more drivers to choose a full-time job for income stability instead of driving for ride-hailing companies earning an uncertain income. These two factors have further compounded the driver shortage issue.

On the other hand, with the easing of COVID-19 measures and increased social activities, demand for private-hire transport has increased drastically, with daily point-to-point trips increasing by 30,000 in June compared with February. To meet demand, ride-hailing companies are implementing initiatives to attract more drivers. Companies also have to resort to surge pricing, which results in higher fares for passengers, especially during peak hours.

Source: Channel News Asia, August 2022

Questions

(a) With reference to Figure 1:

(i) Compare the number of private-hire car drivers and delivery riders in Singapore from 2018 to 2021. **[2]**

(ii) With the aid of a diagram, explain one demand and one supply reason for the change in number of platform workers in Singapore from 2018 to 2021. **[5]**

(b) To what extent is the imposition of a minimum wage for gig workers an appropriate policy measure for Singapore? **[8]**

(c) (i) Identify the market structure in the ride-hailing market in Singapore. Justify your answer. **[2]**

(ii) Discuss whether the potential merger between Grab and Gojek would likely be the main cause of continued "rising fares" for ride-hailing services. **[8]**

[Total: 25 marks]

Question 2 Spotlight on the Arab World[1]

Table 1: Selected Economic Indicators of Egypt

	2020	2021
Real GDP Growth Rate (%)	3.6	3.3
Real GDP Per Capita (constant, in USD)	3,836	3,899
Real GDP Per Capita (constant, PPP)	11,381	11,566
Unemployment rate (%)	8.3	9.3
CPI (%)	5.7	4.9
Current Account (US$, billions)	-11.2	-18.4
Oil Export as a % of Merchandise Exports	18.0	32.0

Sources: The World Bank and IMF

Table 2: Selected Economic Indicators of Qatar

	2020	2021
Real GDP Growth Rate (%)	-3.6	1.6
Real GDP Per Capita (constant, in USD)	58,476	61,000
Real GDP Per Capita (constant, PPP)	89,019	92,862
Unemployment rate (%)	0.2	0.3
CPI (%)	-3.4	5.9
Current Account (US$, billions)	-2.9	26.4
Oil Export as a % of Merchandise Exports	82.0	84.0

Sources: The World Bank and IMF

Extract 6: Inflation in Egypt continues to skyrocket, leaving citizens struggling to buy basics

Egypt continues to battle surging inflation amid a dramatic slide of its currency as many Egyptians struggle with price hikes. Official figures show that the annual inflation ballooned in 2022, following the outbreak of Russia's war on Ukraine that rattled the world economy.

Most of Egypt's more than 104 million population has suffered from price hikes since the government embarked on an ambitious reform program since 2016 to overhaul the country's battered economy. The economy was also hit hard by the coronavirus pandemic, and the fallout from the war in Ukraine. Egypt is the world's largest wheat importer, with most of its imports having traditionally come from eastern Europe.

The higher inflation has inflicted heavy burdens on consumers, especially lower-income households. Nearly 30% of Egyptians live in poverty, according to official figures. Jason Tuvey, an analyst with Capital Economics, said the jump in inflation was the highest since the end of 2017 and predicted more hikes. "With the Egyptian pound having weakened even further since the turn of the year, inflation will continue to pick up over the coming months," he said.

[1] Arab World refers to the total population of 436 million inhabitants, including some of the wealthiest and poorest population, and corresponds to countries in the Middle East and North Africa.

President Abdel Fattah El-Sisi described the situation as “very difficult,” urging people to trust his administration. The government aims to curb state spending, halt the implementation of costly new projects, and order state agencies to embark on austerity measures. Egypt hiked interest rates by 300 basis points to 17.25% in its latest monetary policy meeting, seeking to tackle surging inflation amid expectations of a further weakening of the pound. Similar measures are undertaken by neighbouring countries such as Saudi Arabia, Kuwait and Qatar who have aggressively raised their interest rates as US doubled down on inflation.

Source: The Times of Israel

Extract 7: Attracting investment is Egypt’s top priority

Egyptian Prime Minister Mostafa Madbouly recently reviewed measures to boost investment opportunities in various economic sectors and stressed the need for concerted efforts to create an environment conducive to investments and friendly for foreign investors.

He described boosting domestic and foreign investments top priority of the government. The prime minister chaired a meeting attended by various ministers of the Cabinet to discuss preparations for the upcoming investment promotion conference in the country, said Cabinet spokesperson Nader Saad.

Saad said the meeting focused on the mechanisms for the implementation of a policy recently approved by President Abdel Fattah El-Sisi. It lays emphasis on increasing the private sector’s role in the economic development of the country. The Egyptian economy had been struggling to recover in the wake of the COVID-19 pandemic, but it was Russia’s invasion of Ukraine that sparked the latest crisis.

Meanwhile, gloomy economic forecasts are already casting a pall over 2023, with economists predicting a deepening global recession that will bring with it further depreciation of currencies including the Egyptian pound, skyrocketing prices, and rising rates of unemployment and poverty. This has placed additional strain on business confidence, endangering growth in the country.

Source: Arab News

Extract 8: FIFA World Cup 2022: Will Qatar's record spending pay off?

From the outset, the Qatar World Cup involved a level of spending never seen before. The gas-rich nation reportedly forked out $220 billion since it won the rights to host the men's World Cup more than 12 years ago. Much of that went into the construction of a new metro system, roads, a new airport, neighbourhoods and even an entirely new city. Hosting the World Cup serves as a vehicle to achieve the Qatar National Vision 2030 to transform Qatar into a global society and provide a higher standard of living.

Qatar Airways Group said in September that the airport's expansion project would be inaugurated prior to the World Cup, with annual passenger handling capacity expected to increase to 58 million. It also revealed that the final phase expansion, due to begin in January 2023, is expected to be completed by the middle of 2025 and will increase capacity to more than 70 million passengers a year.

Although “some of the infrastructural improvements are connected to the games”, they also have longer-term potential economic benefits. IPA Qatar, the country's investment promotion agency, said in a report that growth in the country's sports industry following the World Cup can help deliver greater foreign direct investment (FDI). It noted that Qatar's Ministry of Commerce and Industry has identified 83 commercial and investment opportunities for the private sector through 2023 in areas such as "event management and promotion" and "sports commercialisation". There is uncertainty, however, about whether these changes will result in long term economic progress.

Committed to its sustainable development goals, Qatar and FIFA pledged also that they would deliver the world's first “fully carbon-neutral FIFA World Cup tournament”. Nasser al-Khater, CEO of Qatar 2022, said the Gulf nation is “very proud” of the work they have done regarding sustainability, which includes plans for state-of-the-art air-conditioned stadiums and the planting of thousands of trees. Though the tournament is projected to emit a total of 3.6 million tons of carbon dioxide according to FIFA , they said 95% of those emissions will come from air travel, and are classified as "indirect emissions." However, climate researchers have cast doubt on the credibility of Qatar's claim of a “carbon-neutral” tournament, arguing that the Arab nation has underestimated the event's true emission output and climate impact.

Source: Various

Questions

(a)		With reference to Table 1 and 2,	
	(i)	compare the current account balance between Egypt and Qatar from 2020 to 2021.	**[2]**
	(ii)	identify the country with the higher cost of living in 2021. Justify your answer.	**[2]**
(b)	**(i)**	Using an appropriate diagram, explain **two** causes of inflation in Egypt.	**[5]**
	(ii)	Explain why the government in Egypt is taking measures to "tackle surging inflation" and restore price stability.	**[2]**
(c)		According to Extract 6, "Egypt hiked interest rates by 300 basis points to 17.25%". Using the case material and your own knowledge, assess the relative importance of interest rates to a firm in deciding whether to invest in Egypt.	**[6]**
(d)		According to Extract 8, "hosting the World Cup serves as a vehicle to achieve the Qatar National Vision 2030 to transform Qatar into a global society". To what extent will hosting the FIFA World Cup allow Qatar to achieve sustainable economic growth?	**[8]**

[Total: 25 marks]