ANGLO-CHINESE JUNIOR COLLEGE

2025 JC2 PRELIMINARY EXAMINATIONS

ECONOMICS	**9570/01**
Higher 2	25 August 2025
Paper 1	2 hours 30 minutes

Additional materials: Writing papers
2 cover sheets

READ THESE INSTRUCTIONS FIRST

Write your exam index number and name on all the answers you hand in.
Write in dark blue or black ink 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 / tape in your answers.

Answer **all** questions.

Begin Question 2 on a **fresh** sheet of writing paper.

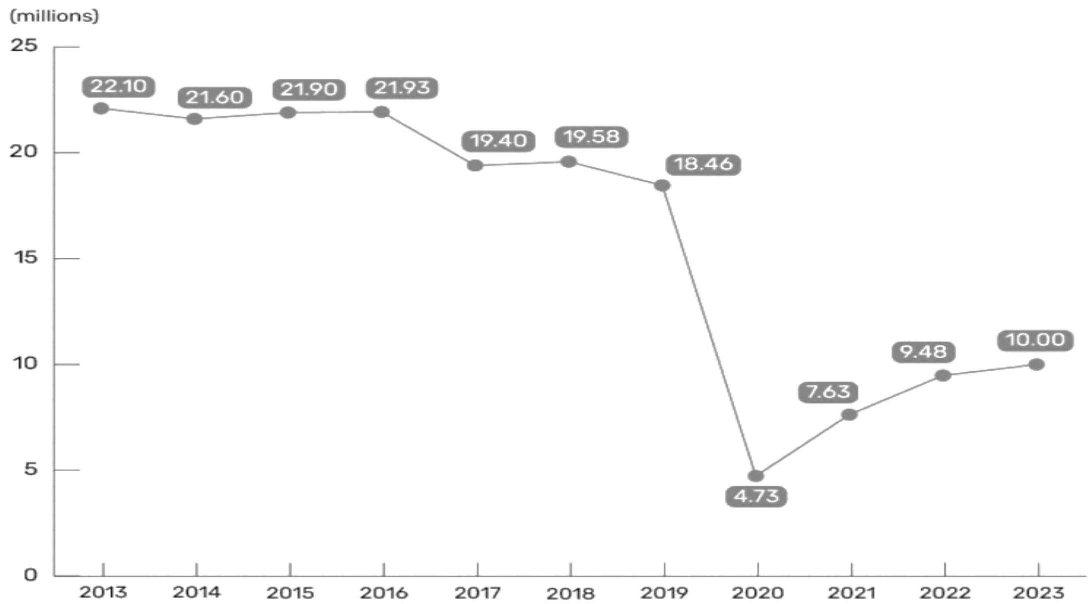
At the end of the examination, arrange your answers in order.
Fasten your answers for Question 1 and Question 2 **separately** using the cover sheets provided.

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

Answer **all** questions

Question 1: The Cinema Scene in Singapore

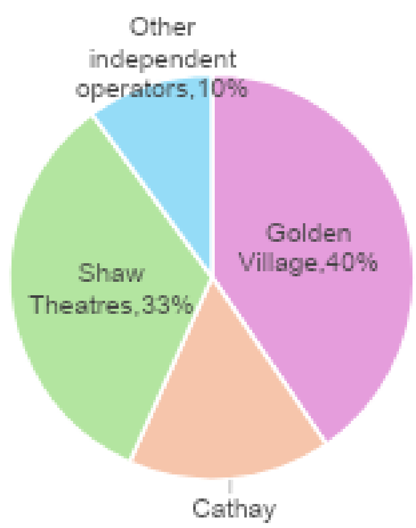
Figure 1: Cinema Attendance in Singapore (in millions of persons)



Source: Singapore Film Commission, retrieved 10 July 2025

Figure 2: Cinema Operator Market Share^ in Singapore (2023)

^Based on number of movie screens



Source: www.dollarsandsense.sg, 30 March 2025

Extract 1: Hollywood – A Cost Savings Heaven for Film Makers

From the early years of the twentieth century, right down to the present, the United States has been the world's major commercial producer of films and movies. Films and movies production in the United States as a whole, generated revenues of $26.7 billion in 2023, with Hollywood (located in Los Angeles) alone being responsible for almost 85% while other states in the United States account for the remaining 15%.

Hollywood offers film makers access to a dense network of specialized suppliers, such as computer generated imagery (CGI) studios and costume designers, which streamlines production. The availability of a large pool of skilled labour such as editors, stunt coordinators, and cinematographers makes hiring of professionals faster for film production. The clustering of film activity also enables shared use of advanced infrastructure like Universal Studios and post-production facilities such as Technicolor and Deluxe Entertainment, which provide services like colour grading, visual effects, and sound mixing. All these enables film makers to achieve cost savings when they locate their productions in Hollywood.

Adapted: Yale Global Online, accessed 9 July 2025

Extract 2: Impact of a rise in GST on the entertainment industry

Singapore will raise its goods and services tax, otherwise known as the GST, from 7% to 8% in 2023. It's the first of two scheduled hikes of the GST, with the second slated to take place in January 2024, when the GST will be raised from 8% to 9%.

Euston Quah, Head of Economics at the Nanyang Technological University (NTU) said "Some business sectors may be more affected than others. Businesses such as theatre plays will be more affected by the hike than businesses that sell basic necessities, such as supermarkets."

"The difficulty of persuading people to spend money on non-essential entertainment is not new, though it is becoming more and more challenging", said Sing'theatre artistic director Nathalie Ribette: "We cannot raise the ticket prices more."

Source: Adapted from CNBC, 28 December 2022

Table 1: Singapore Cathay Cineplex Movie Ticket Pricing

	Adult	**Student**	**Senior Citizen (Aged 55 and above)**
Weekdays	$11	$7 (before 6pm)	$5 (before 6pm)

Source: www.cathaycineplexes.com.sg, accessed 10 July 2025

Extract 3: Cathay Cineplex at Parkway Parade to cease operations

Entertainment company mm2 Asia, which operates the Cathay brand of cinemas in Singapore, will be shutting yet another cinema complex – its third closure in just over a year. The announcement of the latest cinema closure comes after mm2 Asia reported a loss of $22.7 million for the financial year 2022.

Retail experts said changing consumer habits have impacted ticket sales, as more streaming options become readily available. Ms Karen Chia, assistant director at Nanyang Polytechnic's School of Business Management, said: "The cinema landscape in Singapore is facing a triple threat: the meteoric rise of streaming giants like Disney+ and Netflix, higher operating costs due to tight labour market and rising rental cost, and dwindling ticket sales post-Covid-19 restrictions. It's a tough time, causing major cinema operators to throw in the towel."

Source: The Straits Times, 21 August 2023

Extract 4: Cinemas can bounce back with some novel ideas

Shaw Theatres, which runs eight cineplexes across the island, said it aimed to keep ticket prices as affordable as possible by leveraging on technology to counter rising labour cost. The operator also has two cinemas in Balestier and Changi Airport's Jewel mall dedicated to families with young children, complete with bean bags, ball pits and toys. Shaw Theatres said that it has observed a growing demand for its premium experiences and that these offerings really took off after the Covid-19 pandemic. The operator has also enhanced the cinema experience through luxurious offerings like their Premiere and Lumiere halls, featuring amenities such as plush, reclining seats, individual USB charging ports, and in-hall dining options. Shaw Premiere also provides a premium experience with lounge access, deluxe leather seats, and dine-in services.

And Cathay Cineplex, despite its recent closures, began operations at Century Square Mall in Tampines last year and presented its own attempt at a novel cinema. All its six halls feature neon signs and reclined lounges in the form of wave-shaped seats, aim at providing extra comfort and luxury to its customers.

Source: Channel NewsAsia, 29 September 2024

Questions

(a) With the aid of a diagram, explain one cost advantage for film makers when they locate their productions in Hollywood. [3]

(b) With reference to Extract 2, explain the impact of rising GST on consumers expenditure on non-essential entertainment such as watching a movie. [3]

(c) Using Figure 2, explain the type of market structure in which the cinema industry in Singapore is operating in. [2]

(d) **(i)** Using appropriate examples, distinguish between fixed cost and variable cost in the cinema industry. [4]

(ii) Using relevant case material, assess whether revenue or cost factors are more significant in contributing to the shutting down of cinemas in Singapore. [8]

(e) Discuss how far the concepts of price elasticity of demand and income elasticity of demand are useful to a firm like Shaw Theatres to raise its total revenue. [10]

[Total:30]

Question 2: Challenges Facing China's Economy

Table 2: China Key Economic and Social Indicators

	2019	2020	2021	2022	2023
Nominal GDP Growth (%)	7.8	3.5	12.6	5.1	4.9
Population Growth (%)	0.35	0.24	0.09	-0.01	-0.1
Unemployment Rate (%)	5.2	5.6	5.1	5.5	5.2
Youth[1] Unemployment Rate (%)	12	14	14	18	21.3
Inflation Rate (%)	2.9	2.5	1.0	2.0	0.2
Pollution Index **(PM2.5 micrograms per cubic meter)**	36	33	30	29	30
Life Expectancy at birth (years)	77.3	77.9	78.2	77.9	78.6

Source: National Bureau of Statistics of China

Extract 5: China's Overcapacity and Deflationary Pressures

China has an industrial overcapacity problem that is rooted in its long-standing investment-led growth strategy. For decades, economic expansion was driven primarily by large-scale investments in heavy industries. State subsidies, often financed by government borrowing, were channelled into strategic industries such as electric vehicles, solar panels, and batteries that led to repeated overbuilding and duplication of production capacity. As a result, China's economic growth model has long been imbalanced, with policy favouring investment and industrial output over household consumption.

These state subsidies incentivised firms to expand aggressively, even in the absence of sufficient domestic demand. Even as many sectors grapple with excess supply, the government continues to focus on its investment-led growth strategy instead of boosting citizens' incomes and spending.

[1] Youth refers to individuals aged 16-24.

This imbalance has led to excessive production alongside chronically weak domestic demand, creating fear that there will be eventual deflation.

Analysts note that measures are needed to prevent people from expecting a lower inflation, because this could undermine business confidence and consumer spending. Economists warn that such a cycle would raise real debt burdens and threaten economic growth. The possible threat of deflation has again “reared its head” in China, and without a rebalancing toward domestic demand, these ultra-low price pressures – and their painful consequences – may persist.

Source: Adapted from Reuters, 9 November 2023

Extract 6: China’s Demographic Decline and Youth Unemployment Crisis

China’s population is now in decline, ushering in a new demographic era with profound economic implications. The National Bureau of Statistics reported that the population fell by 2.08 million in 2023, a 0.15% drop to 1.409 billion people. This was the second consecutive year of shrinkage – the first time China’s population has declined since 1961. Decades of the one-child policy and rapid urbanisation have left China with one of the world’s lowest fertility rates.

At the same time, China is grappling with a job crisis among its youth. Officially, the youth unemployment rate hit a record 21.3% in June 2023 – the highest since the statistic began and a figure so troubling that authorities suspended the release of youth job data thereafter. Several factors underpin this spike in youth unemployment. A primary reason is the general economic slowdown and cautious business sentiment, leading companies to reduce hiring or offer fewer positions. Furthermore, a mismatch exists between the skills of a growing number of university graduates and the available job market, which is still heavily skewed towards manufacturing and traditional industries, rather than the growing service or high-tech sectors that many graduates are trained for. Meanwhile, the cohort of graduates has swelled to record numbers, intensifying competition. Faced with a shortage of appealing opportunities, many youths have simply opted out. Some pursue further studies; others retreat into inactivity, exemplified by the popular catchphrases of disillusioned youth such as *“tang ping”* (“lying flat”) – a rejection of the rat race.

The consequences of these demographic and labour trends are far-reaching. China’s working-age population is shrinking just as the burden of supporting a rapidly aging population grows, raising concerns about who will drive the economy and care for the elderly in the coming decades. Moreover, a generation of underemployed youth can become a drag on growth and innovation in the long run.

Source: Adapted from Reuters, 17 January 2024

Extract 7: China’s Economic Growth Challenges

As China grapples with a slowing economy, the government has been compelled to implement targeted fiscal stimulus such as the national trade-in scheme that offers cash rebates to consumers who swap old home appliances, electric vehicles, electronics such as smartphones, tablets, smartwatches and fitness bands for new ones to support growth.

However, these short-term measures have added to already significant levels of public debt. With land sales revenue collapsing due to the prolonged property market downturn, the government are now struggling to service their debts, prompting fears of bankruptcy. At the same time, households remain cautious in their spending, and private investment is subdued, placing more pressure on the government to maintain fiscal stimulus. Yet, analysts warn that continued reliance on debt-fuelled growth may prove unsustainable. With rising government debt, it may be harder for the government to respond swiftly and effectively to future economic shocks. Additionally, as more public funds are directed towards servicing debt, fewer resources may be available for long-term investments that could enhance living standards. While the government have acknowledged the need to improve debt management, they are reluctant to adopt strict austerity measures that could undermine fragile economic recovery. This presents a growing dilemma for Chinese policymakers in trying to balance short-term economic recovery with the imperative of long-term fiscal sustainability.

On the external front, China is facing significant challenges as well, primarily from intensifying US-China trade tensions. Several rounds of US tariffs and export controls contributed to a slowdown in China's exports to its largest trading partner, while retaliatory measures further strained bilateral trade flows. Weak export growth reduces the scope for global demand to mitigate China's structural problem of industrial overcapacity. China is now forced to seek new, often less lucrative, markets in the Global South[2]. Indeed, China's exports to the Global South exceeded its exports to all developed markets in 2023, with exports to the US comprising just 15% of total exports, down from 20% in 2018. This strategic shift reflected the diminished ability of the US to pressure China through tariffs as the centre of gravity of China's trade has shifted.

Source: Various

[2] According to UN Trade and Development (UNCTAD), the Global South broadly comprises Africa, Latin America and the Caribbean, Asia (excluding Israel, Japan, and South Korea), and Oceania (excluding Australia and New Zealand).

Questions

(a) With reference to Table 2, explain the relevant indicators that would suggest an increase in China's standard of living from 2019 to 2023. [4]

(b) With reference to Extract 5, explain **two** possible economic consequences of deflation for China. [4]

(c) With reference to Extract 6, explain how high youth unemployment rate might impact China's government budget and long-term economic growth. [4]

(d) "This presents a growing dilemma for Chinese policymakers in trying to balance short-term economic recovery with the imperative of long-term fiscal sustainability" (Extract 7)

Discuss the extent to which China should prioritise "short-term economic recovery" over "long-term fiscal sustainability". [8]

(e) In light of its macroeconomic challenges, discuss whether "China's long-standing investment-led growth strategy" (Extract 5) remains the most appropriate policy to achieve its domestic macroeconomic objectives. [10]

[Total:30]