Name:		Index Number:		Class:	

DUNMAN HIGH SCHOOL
Preliminary Examination
Year 6

Economics (Higher 2)

9570/1

Paper 1 Case Study Questions

15 September 2025

2 hours 30 minutes

No Additional Materials are required

READ THESE INSTRUCTIONS FIRST

An answer booklet will be provided with this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper ask the invigilator for a continuation booklet.

Answer **all** questions.

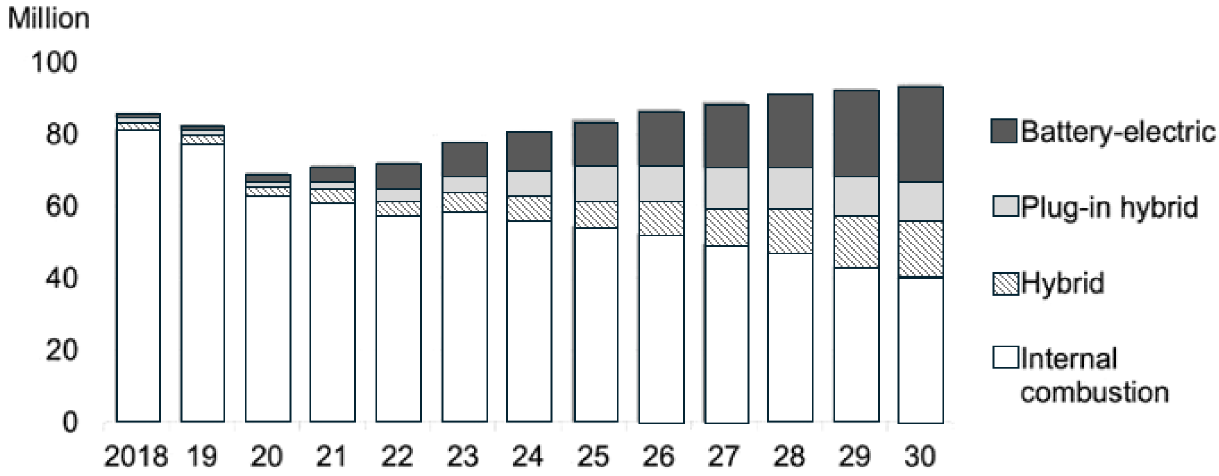
The number of marks is given in brackets [ ] at the end of each question or part question.

This document consists of **9** printed pages including this cover page.

[Turn over

Question 1: The market for electric vehicles

Figure 1: Projected global sales of vehicles (2018 – 2030)



Source: Electric Vehicle Outlook 2025, BloombergNEF.com, 20 July 2025

Extract 1: The manufacturing process for electric vehicles

Electric vehicle production combines traditional car assembly with advanced electrical systems. The process starts with design and engineering such as battery layout, motor placement, and chassis structure. Manufacturers then produce battery packs by assembling lithium-ion cells with cooling systems, whilst creating electric motors and other electronics. During assembly, workers build the vehicle body, then install the electric drivetrain, battery pack, and interior components like seats and infotainment systems. After assembly, each vehicle undergoes quality control, software calibration, and testing including charging tests and range verification.

Source: Adapted from imarcgroup.com, 20 July 2025

Extract 2: Electric vehicle market in Norway

Electric vehicles (EVs) are pretty much everywhere you look in Norway. The wealthy Nordic country, which is known for its massive oil and gas reserves in the North Sea, has long been blazing a trail in the transition away from internal combustion engine cars.

A steady stream of measures to support the uptake of EVs, from tax exemptions to reduced fees, has now put the country on the cusp of completely erasing internal combustion vehicles from its new car market.

It is perhaps no surprise then that standing at a crosswalk in Oslo's city center means waiting for a near-constant stream of fully electric models to come to a stop. "It is very visible. And I think some people do not even really realize how good this is because it has happened quite fast," Christina Bu, secretary general of Norway's EV Association said. “The air is cleaner, it is quieter, and this is a change that hasn’t really cost consumers that much,” Bu said. Norway’s sales of EVs have increased from less than 1% of total auto sales in 2010 to 88.9% last year — and this trend doesn’t show any sign of slowing. “Norway has had strong policies for many years to encourage EV adoption. It is not just about value added tax[1] exemptions for EVs but also higher and higher taxes on internal combustion engine cars.” Bu said.

Source: Adapted from Sam Meredith, CNBC.com, 15 July 2025

Table 1: Market Share of Top 10 EV Manufacturers in China (2024)

Manufacturer	Market Share (%)
BYD	34.0
Geely	7.5
Tesla	6.7
Chang’an	6.6
SGM – Wuling	5.5
Li Auto	4.3
AITO	4.3
GAC	3.9
GWM	3.0
Chery	2.7

Source: China Passenger Car Association

Extract 3: Price wars in China’s automotive industry

China called for its automotive industry to halt brutal price wars, as it was threat to the sector's health and sustainable development. The industry ministry said it would join hands with law enforcement agencies to tackle unfair competition and take necessary regulatory measures. "There are no winners in a 'price war', let alone a future," it said in a statement, vowing to safeguard consumers and promote high-quality development of the industry.

The remarks came after fresh incentives offered last week on more than 20 models by electric vehicle giant BYD, that prompted several rivals, such as Geely and Chery, to follow suit. The ministry's comments echo a similar call on Saturday by the China Association of Auto Manufacturers (CAAM) for a truce in the price wars, saying they affect profitability and efficiency.

Source: Channel News Asia, 31 May 2025

Extract 4: Consumers’ concerns and expectations about EVs

Globally, battery range is the most important factor for consumers considering an electric vehicle (EV) purchase. To appeal to EV buyers, manufacturers may need to provide more information about driving range, because many consumers mistakenly

[1] Value added tax (VAT) is an indirect tax applied to the sale of goods and services.

believe their daily routine must involve frequent recharging, even if they travel short distances. EV price and charging speed are also major purchase priorities.

Source: McKinsey.com, 20 July 2025

Extract 5: The Chinese electric vehicle market

EV sales in China have risen year-on-year. In 2023, China sold a total of 8.9 million pure EVs and plug-in hybrids. The boom is largely driven by the Chinese government's substantial supportive policies. China's government began subsidising what they refer to as new-energy vehicles (NEVs) in 2009. China is the world's biggest EV market, accounting for about 60 per cent of global sales.

The affordability of China's EVs plays a massive part. Their average retail price has fallen over the years to just over US$34,000 as of 2022. This is 33 per cent less than the average price of a gasoline car. "China's focus has been to ensure that EVs were accessible for the masses, and it has done so to great success, developing its low-entry segments, and allowing demand to shift as smoothly as possible from (internal combustion engines) to EVs," a CEO of a research firm said.

Besides increasingly fierce domestic competition from new entrants such as Xiaomi, Chinese EV firms also face challenges trying to expand globally. For one, the government's substantial subsidies to the EV sector have come under scrutiny. China's Minister of Commerce has said however that the rapid development of Chinese EV manufacturers is a result of constant technological innovation, a well-established supply chain system and market competition instead.

The European Commission has begun an investigation to determine whether to impose tariffs on exports of Chinese EVs to protect European car makers.

Source: Adapted from Channel News Asia, 12 April 2024

Questions

(a) Compare the projected sales of battery-electric vehicles and internal combustion vehicles between 2018 and 2030. [2]

(b) With reference to Extract 1, explain one way in which electric vehicle (EV) manufacturers can enjoy cost savings from an increase in scale of production. [2]

(c) With reference to Extract 2, explain how the use of electric vehicles (EVs) may result in positive externalities. [2]

(d) Extract 2 highlights how Norway has transitioned away from internal combustion engine vehicles to EVs. [6]

Using a demand and supply diagram, explain how the government policies mentioned in Extract 2 have led to more electric cars on the roads.

(e) Discuss whether a "price war" (Extract 3) is the best strategy for EV manufacturers to raise their profits. [8]

(f) The European Commission began investigations to determine whether to impose tariffs on exports of Chinese EVs (Extract 5).

Discuss whether the imposition of tariffs by the European Commission is justified. [10]

[Total: 30]

Question 2: (Don't) cry for me, Argentina

Extract 6: Argentina's economy faces recession, soaring inflation

The World Bank and the Organisation for Economic Cooperation and Development (OECD) have issued stark warnings for Argentina's immediate economic outlook, warning that a recession lies ahead in the coming months.

Both the World Bank and the OECD projected a 1.6 to 2 percent decline in gross domestic product (GDP) in 2023. The main reason for the economic downturn is Argentina's historic drought, which has slashed soybean and corn harvests and is expected to cause losses equivalent to three percent of GDP. A decline in consumption and investments, exacerbated by political uncertainty surrounding upcoming presidential elections, has also dampened demand. The World Bank also highlighted the impact of Brazil's economic slowdown, Argentina's main trading partner, on Argentina's exports.

Both institutions emphasised the importance of fiscal discipline and the need for Argentina's government to adhere to current fiscal targets. The OECD noted the efforts of Argentina's central bank to curb inflation through interest rate hikes but recommended further increases in response to recent spikes in inflation.

Source: Adapted from Bueno Aires Times*, 9 June 2023*

Table 2: Consumer Price Index (CPI) for selected countries in May 2025 (2016=100)

Country	CPI in May 2025
Argentina	8714
France	121
Germany	122
India	193
Singapore	100
Switzerland	108

Source: *Tradingeconomics.com*, *July 2025*

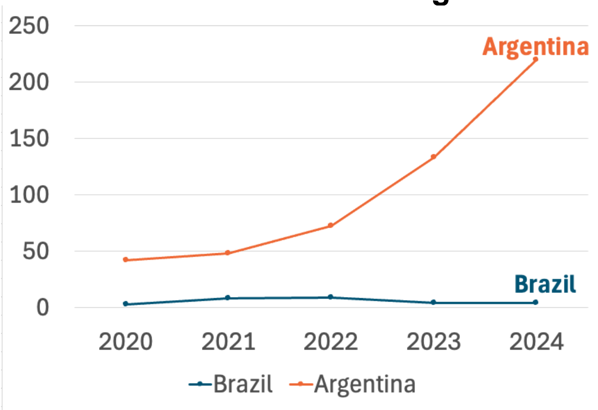
Extract 7: Argentina annual inflation hits 114%

Argentina's annual inflation rate topped 114% in May, and remains one of the fastest inflation rates in the world and is far above neighbouring countries. Argentina has long battled high inflation, currency weakness and indebtedness, but high global prices linked to the war in Ukraine and a historic drought have hindered the government's ability to rein in prices and stabilise the economy.

The fast-rising prices have sapped earning power and savings, battered the government's popularity with voters ahead of general elections in October and left around four in every 10 people in the country in poverty. Argentina's central bank has been forced to hike the benchmark interest rate in a bid to tamp down inflation and protect the peso[2] currency, with inflation remaining high even as Brazil, Mexico and Chile have seen prices start to cool.

Source: Adapted from Otaola J, Reuters*, 15 June 2023*

Figure 2: Annual inflation rate in Argentina and Brazil



Source: International Monetary Fund, July 2025

Extract 8: Inflation down, poverty up as President Javier Milei takes chainsaw to Argentina's economy

In his first year of his presidency, Milei's commitment to a strict fiscal adjustment has begun to change a country that was prone to economic stagnation and runaway inflation, driven by years of wild money-printing that paid for government deficits. Milei moved quickly to slash public subsidies on energy and public transport, eliminate government ministries and scrap public infrastructure projects. Overall, Milei has reduced government spending by 30 percent relative to last year, and brought monthly inflation down to 2.4 percent, the lowest in more than four years.

To be sure, the belt-tightening that restored order to Argentina's accounts has come at a steep social cost, triggering a punishing recession, and an increase in unemployment. The brunt of the pain has fallen on the working class. Poverty surged, with the number of people estimated to be living in extreme poverty remains north of 6 million.

To help spur growth, the Milei administration has begun bulldozing the regulatory maze that has long made doing business in Argentina difficult. A cornerstone reform is an investment promotion regime that provides generous tax, trade and foreign-exchange benefits for 30 years, for projects worth more than US$200m in the forestry, tourism, infrastructure, mining, technology, steel, energy, and oil and gas sectors. It is believed that the reform will encourage large-scale investments in Argentina's most competitive sectors, shifting the country's reliance away from agricultural exports, but the impact will be limited as long as currency and capital controls remain in place. These controls are a big red flag for investors worried about being able to take money out of Argentina if needed.

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[2] The peso is the currency of Argentina.

The government has also not freed up the exchange rate. An increasingly overvalued peso is complicating efforts to attract capital and is putting downward pressure on exports. It is a status quo that makes it more difficult for the central bank to accumulate dollar reserves, a crucial resource for paying off foreign debts.

Source: Adapted from Grinspan L, Al Jazeera*, 30 December 2024,*
and the Economist Intelligence Unit, *25 July 2024*

Extract 9: MERCOSUR and EFTA[3] conclude negotiations on a free trade agreement

Argentina is a part of the Southern Common Market, also known as MERCOSUR, which comprises of Argentina, Bolivia, Brazil, Paraguay and Uruguay. The recently concluded free trade agreement (FTA) with the European Free Trade Association (EFTA) will create a free-trade zone of almost 300 million people and a combined GDP of more than US$4.3 trillion. Both sides will benefit from improved market access for more than 97% of their exports, which will increase bilateral trade and translate into benefits for businesses and individuals. The FTA will create new business opportunities for economic operators in the MERCOSUR and EFTA states, including for the high number of small and medium-sized enterprises present in each jurisdiction.

As a comprehensive and broad-based free trade agreement, the MERCOSUR-EFTA agreement will cover trade in goods, trade in services, investment, intellectual property rights, government procurement, competition, amongst others.

Source: Adapted from EFTA.int, 2 July 2025

[3] The European Free Trade Association (EFTA) is a regional trade organisation and free trade area consisting of four European states: Iceland, Liechtenstein, Norway, and Switzerland.

Questions

(a) **(i)** With reference to Figure 2, compare the change in general price level in Argentina and Brazil. [2]

With reference to Table 2,

(ii) Explain what is meant by the Consumer Price Index. [1]

(iii) Explain why it cannot be said that prices of goods and services in Argentina are definitely higher as compared to other countries in Table 2. [1]

(b) With reference to Extract 6 and using an AD/AS diagram, explain **one** demand-side and **one** supply-side reason that contributed to Argentina's economic downturn in 2023. [4]

(c) Extract 8 highlighted that Argentina maintains an overvalued currency.

(i) Explain how the overvalued currency "puts downward pressure on exports" (Extract 8). [3]

(ii) Explain why maintaining the overvalued currency will deplete a country's foreign currency reserves. [1]

(d) Discuss the consequences of the fiscal adjustment (Extract 8) in Argentina. [8]

(e) Discuss whether supply-side policy or a policy promoting free trade is more appropriate to achieve non-inflationary economic growth in Argentina. [10]

[Total: 30]