Mark Scheme

(a) (i) Define gross domestic product (GDP). **[1]**

- Gross domestic product (GDP) is the value of all final goods and services produced within the geographical boundary of a country over a given period of time. [1]

(ii) With reference to Table 1, compare the changes in real GDP across the countries from 2020 to 2022. **[2]**

- Similarity: All countries have an increase in real GDP from 2020 to 2022. [1]
- Difference: In 2020, Vietnam has an increase in real GDP whereas the rest of the countries have a decrease in real GDP. [1]

OR

- Vietnam's real GDP increased throughout 2020 to 2022 whereas the rest of the countries have a decrease in real GDP in 2020 then an increase in real GDP from 2021 to 2022. [1]

(b) Explain how "rising wages relative to productivity" could impact Vietnam's balance of trade position in the future. **[2]**

- Rising wages relative to productivity will lead to an increase in firms' cost of production. This will decrease Vietnam's export competitiveness, which will reduce qty demanded for Vietnam's exports (assuming PEDx>1) and hence export revenue. [1]
- This will worsen Vietnam's BOT position → may cause Vietnam's balance of trade surplus to decrease in the future/ or if exports fall significantly, balance of trade may be in a deficit. [1]

(c) With reference to Table 2, identify whether Singapore or Vietnam has a higher increase in real wages in 2022. Explain your answer. **[2]**

- Vietnam. [1]
- % change in real wage= % change in nominal wage - % change in consumer prices.
- Since Singapore's change in real wages is 6.5%-6.12%=0.38% is lower than Vietnam's change in real wages of 6.9%-3.16%=3.74%, Vietnam has a higher increase in real wages. [1]

(d) With reference to Table 2, explain why Vietnam's GDP per capita in purchasing power parity (PPP) terms exceeded its GDP per capita in USD. **[3]**

- PPP exchange rate equalises the purchasing power of different currencies, allowing the currency of one country to be converted into that of another country to buy the same amount of goods and services in the country. GDP per capita in PPP USD thus eliminates differences in cost of living between countries and reflects the country's purchasing power. Whereas GDP per capita in USD converts Vietnam's GDP to a common currency (USD) by using official exchange rates. [1]

- Since Vietnam's GDP per capita in PPP is 13000 USD which is higher than GDP per capita in USD of 4500 USD. This means that 4500 USD allows the purchase 13,000 USD worth of goods and services in Vietnam. [1]
- This means that cost of living in lower in Vietnam than in US [1].

(e) **Discuss whether the data provided is adequate in making a comparison between the standard of living of Singapore and Vietnam in 2022.** **[10]**

Introduction:

- SOL includes both material and non-material welfare
- Data includes indicators which reflect material as well as non-material aspect of SOL.

Thesis: Adequate data to compare material and non material SOL

1) Material: GDP Per capita (PPP USD) - Generally, Singapore had a higher standard of living as its GDP per head based on purchasing power parity (USD$105,000) is 8 times that of Vietnam (USD$13000), pointing to the higher purchasing power of each citizen on average for the same basket of goods and services. Gross domestic product measures the total value of all final goods and services produced within the geographical boundaries of the country. Since per capita divides the value by population size, it captures the amount of goods and services available for the average person in Singapore compared to Vietnam. On top of that, using purchasing power parity rates eliminates the differences in cost of living between the countries. This reflects a higher ability and willingness to purchase goods and services – as consumption levels are higher, there is greater satisfaction of material needs, and hence enjoy a higher material welfare, cet. par., higher SOL.

Note: it is also possible to compare UE rate between the 2 countries. However, note that the difference between the 2 countries is not significant. Also, the absolute GDP/capita is already given, which reflects material welfare – you do not need UE rate to ascertain that.

2) Non-material: Life expectancy- Singapore has a higher life expectancy of 84 years as compared to Vietnam's 76 years which indicates better access to quality healthcare services. It suggests that Singaporeans have better access to medical care, preventive services, treatments for diseases, and health interventions and hence enjoy a higher non-material standard of living, cet. par., higher SOL.

Anti-Thesis: Limitations of Data - insufficient data (both material and non-material)

1) Material: Lack of income distribution information - To allow one to draw a more definite conclusion about the standard of living, there could perhaps be more data such as the Gini coefficient which shows the extent of income disparity in the country. While average income (PPP) per head is higher in Singapore, the level of distribution of income may provide a better clue as to whether this applies to the general population or mainly due to the higher income groups □ if income inequality is high, the data could overstate SOL. The data also does not indicate the level of non-material welfare in both countries.

2) Other non-material indicators lacking – While the quality of health care is reflected by life expectancy, there are other non-material indicators that could provide a more conclusive picture of the overall SOL. A higher GDP/capita (SG) could also suggest higher productive activities and higher working hours and higher pollution. Indicators such as years in education, level of pollution in major cities or stress/leisure hours would have been useful information to have. While Extract 1 indicated that Vietnam is experiencing pollution problems, there is no data available on Singapore to compare with.

Conclusion / Evaluation:

<Justification on the stand>

- The data of GDP per capita (PPP USD) and life expectancy does allow for comparison of SOL between countries to the extent that it reflects material welfare and non-material welfare of countries. Singapore is likely to have a higher material welfare and non-material welfare and thus overall SOL compared to Vietnam due to the higher GDP per capita (PPP) by 8 times which is significant and a higher life expectancy.

However, while the data is useful to compare material welfare, and one aspect of non-material welfare, there are limitations of the data that will make it difficult to compare SOL between the 2 countries.

<Suggest alternative/improvement>

- Income inequality figures, literacy rates, number of working hours etc. is required to give a better indication of material welfare and non-material welfare and thus overall SOL between Singapore and Vietnam.
- Alternative measures like Human Development Index is a composite indicator which captures GNI per capita (PPP), life expectancy and mean years of schooling may reflect better the overall SOL. Similarly, Index of Sustainable Economic Welfare which critically reflects the effects of environment degradation may be a good measure to consider on top of just GDP per capita.

Mark Scheme

	Knowledge, Application, Understanding, Analysis
L1 (1-3m)	• No reference to case material • Little or weak economic analysis. Not answering the question. • Significant conceptual errors.
L2 (4 – 7 m)	• Balanced answer that covers both material and non-material adequately. • Able to bring in at least 2 economic data from the table to support the analysis.
	Evaluation
E1 (1m)	• One evaluative point explained
E2 (2-3m)	• Two evaluative points explained or a well-developed evaluation point (with strong context) AND a recommendation explained