**Using AD-AS diagram to explain how Singapore experiences slow growth.**

As Singapore is now classified as developed economy, it is natural that it will experience slow growth. However, there are several key factors that students may take note how the notion of slow growth is explained and illustrated.

**1. Introduction – Meaning of slow growth and the requirements of the question**

Slow growth refers to the stage of economic growth where the economy is experiencing small percentage increase in real GDP and the causes of this growth rate can be seen from the stage of economic development.

**2. Economic Causation – explanation based on how our components of AD and the constraints in our economy contributes to slow growth**

Slow growth occurs when there is a small percentage increase in the level of aggregate demand, and this can be due to slow down in global trade and investment which will decrease the level of aggregate demand. At the same time, the fiscal measures can also be used to raise the level of government expenditure to compensate the loss in external trade. It is also part of the strategy of the government to raise consumption to compensate the loss in the aggregate demand. Nonetheless, the lack of a sizeable level of population and rising unemployment rate limits the growth of consumption to accelerate growth rate.

Besides this, the economic constraints of a small multiplier also contributes to a small percentage of economic growth as the increase in the level of consumption fails to induce higher level economic activities to expand circular of income to raise economic growth. This is further limited by the rising cost condition which is near full employment and this implies that there is higher level of cost of production to discourage the growth of production in the economy, slowing down economic growth.

3. Graphical Illustration

As seen from the diagram, the small percentage increase in aggregate demand from AD0 to AD1 via the multiplier process, contributes to a small percentage increase in real GDP from Y0 to Y1 while GPL rise sharply from P0 to P1, indicating slow growth.