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NATIONAL SENIOR CERTIFICATE EXAMINATION MAY 2023

ECONOMICS				
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EXAMINATION NUMBER							

Time: 3 hours 300 marks

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

- 1. This question paper consists of 36 pages. Please check that your question paper is complete.
- 2. Read the questions carefully.
- 3. All questions are compulsory.

SECTION A: Question 1

SECTION B: Question 2, 3, 4 and 5

SECTION C: Question 6

- 4. Answer ALL the questions on the question paper and hand this in at the end of the examination. Remember to write your examination number in the space provided.
- 5. Answer questions, where possible, point by point but in full sentences. A systematic presentation of facts is required.
- 6. It is in your own interest to write legibly and to present your work neatly.
- 7. Non-programmable calculators may be used.
- 8. Please **do not write in pencil** as work in pencil will not be marked. However, any sketches or diagrams may be done in pencil.
- 9. Four blank pages (pages 33–36) are included at the end of the paper. If you run out of space for a question, use these pages. Clearly indicate the number of your answer should you use this extra space.

Allocation of marks

Q1	Q2	Q3	Q4	Q5	Q6	Total
50	50	50	50	50	50	300

SECTION A

QUESTION 1

Choose the MOST correct option for questions 1.1–1.20 and enter the letter corresponding to your choice in the block below.

1.1	
1.2	
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4 4	Carriage in a (12)	: 41	. ماک می دامی			£1
1.1	Savings is a(n)	. In the	circular 110	w model and	i part of the .	TIOW

Δ	leal	kane	, real
/ \	ıva	Nayo	, i cai

- B injection, monetary
- C leakage, monetary
- D injection, real

(2)

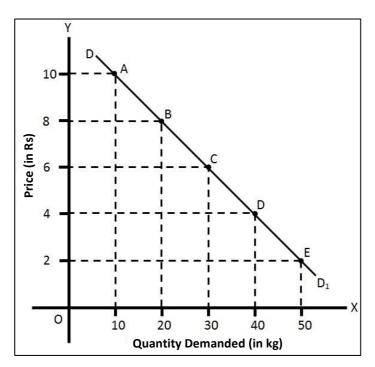
1.2 Government expenditure includes the ...

- A salaries and wages paid to workers in the private sector.
- B profits of producers and the consumption of households.
- C payment for imports to South Africa by private businesses.
- D expenditure on services provided by government.

(2)

- 1.3 This type of inflation occurs when production costs increase, leading to higher prices.
 - A Stagflation
 - B Cost-push inflation
 - C Deflation
 - D Demand-pull inflation (2)
- 1.4 Study Graph 1 below and answer the question that follows.

Graph 1: Demand and Supply



Graph 1 ceteris paribus illustrates that the demand curve has a \dots slope and a(n) \dots relationship between price and quantity.

- A positive, direct
- B negative, direct
- C negative, indirect

1.5 In a **closed economy**, Gross Domestic Product (GDP) at market price can be represented by which ONE of the following formulas?

A
$$C + G + I$$

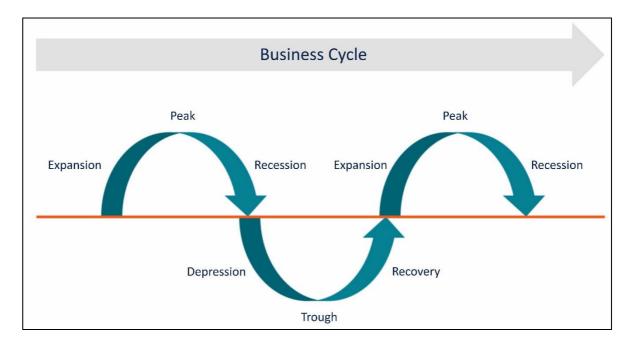
B $C + G + I + (X - M)$
C $C + G + (X - M)$
D $C + I + (X - M)$ (2)

- 1.6 The macroeconomic multiplier is equal to ...
 - A change in Y divided by the change in E.
 - B change in E divided by the change in Y.
 - C % change in QD divided by the % change in P.
 - D change in S divided by the change in I. (2)

- 1.7 The income tax system in South Africa is called ...
 - A Value Added Tax (VAT).
 - B Sin Tax.
 - C Corporate Tax.

1.8 Study Diagram 1 below and answer the question that follows.

Diagram 1: Business cycle



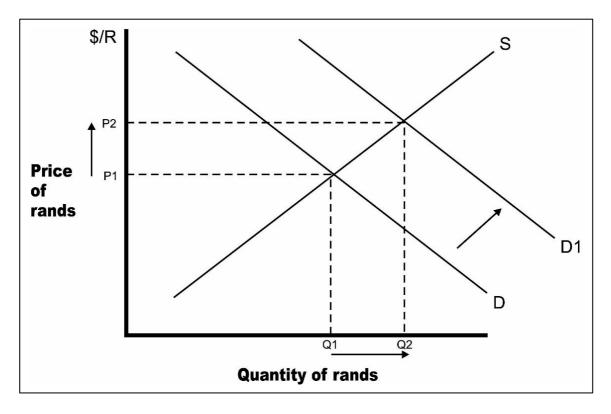
The length of the business cycle in Diagram 1 is measured from ... to ...

- A trough; peak.
- B peak; peak.
- C peak; recession.

- 1.9 This institution/organisation is responsible for collecting taxes on behalf of the South African government.
 - A SARB
 - B SABC
 - C SABS
 - D SARS (2)
- 1.10 If the marginal propensity to consume (c) is 0,4, the size of the multiplier will be ...
 - A 1,67.
 - B 2,5.
 - C 0,6.
 - D 0,4. (2)

1.11 Study Graph 2 below and answer the question that follows.

Graph 2: Demand for local currency



Which ONE of the following factors does not influence the demand for local currency (rands) as illustrated in Graph 2?

- A The purchase of local goods and services by foreigners.
- B Foreign investment by local residents.
- C Foreign tourists visiting South Africa.
- D Purchase of South African real assets by foreign investors. (3)
- 1.12 Income elasticity of demand (YED) will Generally, there will be more goods and services that will have a ... YED.
 - A vary; positive
 - B be the same; positive
 - C vary; negative
 - D be the same; negative (3)

1.13 Table 1 below shows estimates of the percentage changes in price and quantity demanded for fresh fruit and vegetables.

Table 1: Price elasticity

Type of food	Price change (%)	Quantity demanded (%)
Fresh fruit	7,0	-7,7
Fresh vegetables	8,0	-9,6

Other things being equal, the data in Table 1 suggests that ...

- A income elasticity of demand is negative for fresh fruit and veg.
- B demand is more price elastic for fresh vegetables than fresh fruit.
- C total revenue has increased for producers of both fresh fruit and fresh vegetables.
- D demand is price inelastic for both fresh fruit and fresh vegetables. (3)
- 1.14 Which of the following is the best example of price discrimination?
 - A One shuttle service charging more than the other shuttle services to go from point A to point B.
 - B Spur charging more for a cup of coffee than a cup of tea.
 - C An airline charging more for business class than economy class.
 - D Units of electricity that become cheaper after higher levels of consumption.

(3)

1.15 All other things being equal, which of the following is most likely to lead to a deterioration in South Africa's current account of the balance of payments?

Table 2

	SA inflation rate	Value of the rand
Α	Increase	Decrease
В	Decrease	Increase
С	Increase	Increase
D	Decrease	Decrease

(3)

- 1.16 When a price floor is set above the equilibrium price on the market, it will create ...
 - A a shortage on the market.
 - B a surplus on the market.
 - C an equilibrium on the market.
 - D no change.

(3)

- 1.17 The SARB requires commercial banks to hold reserve asset deposits with the central bank. If the SARB requires commercial banks to increase these deposits, then which one of the following is likely to occur?
 - A Bank lending to consumers and businesses will rise.
 - B Bank profits will rise.
 - C Bank lending to businesses and consumers will fall.
 - D Banks will have to borrow more from central banks.

1.18 In an attempt to reduce hyperinflation, the Venezuelan Government imposed maximum prices on a range of goods. This caused the price of illegally sold goods to rise.

Which one of the following statements could explain this?

- A The maximum prices increased demand whilst reducing supply.
- B The maximum prices reduced demand whilst increasing supply.
- C The maximum prices were set above the equilibrium price levels.
- D The maximum prices were set at the equilibrium price levels. (3)
- 1.19 Country X and Country Y produce two chocolates, COCO and MILCO. Their production, using all their resources, is shown in Table 3:

Table 3

	COUNTRY X	COUNTRY Y
COCO	300	350
MILCO	60	210

This can be illustrated on a ... curve, showing that Country Y has ...

- A production possibility; an absolute advantage in both products and a comparative advantage in MILCO.
- B Lorenz; an absolute disadvantage in both products and a comparative advantage in MILCO.
- C production possibility; an absolute advantage in both products and a comparative advantage in COCO.
- D Laffer; an absolute disadvantage in both products and a comparative advantage in COCO.

(3)

- 1.20 The critical macroeconomic policy implication of a vertical long-run Phillips curve is that ...
 - A inflation is everywhere and always a monetary phenomenon.
 - B big inflation will be stopped by big recession.
 - C money illusion is the source of the unemployment in the long run.
 - D demand policies cannot move the actual unemployment rate permanently away from its equilibrium level.

(3)

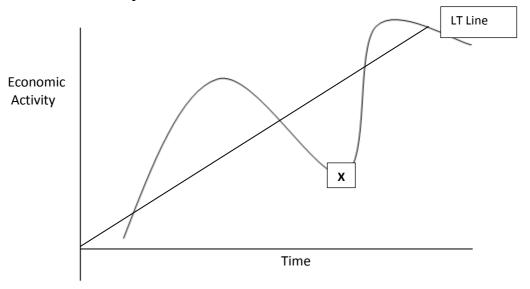
50 marks

SECTION B

QUESTION 2 MACROECONOMICS

2.1 Study Diagram 2 below and answer the questions that follow.

Diagram 2: Business cycle



2.1.1	Describe the economic term business cycle.

	(2)
2.1.2	Discuss the state of FOUR contributing factors of the economy that would occur at position 'X' on Diagram 2.

•	Discuss the economic policies that the South African government s consider to ensure that economic growth is achieved.					
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2.2 Study Table 4 below and answer the questions that follow.

Table 4: Balance of payment account for Country X (BOP)

Item	Billions
Current Account	
Merchandise exports	504
Gold exports	53
Service receipts	101
Income receipts	34
Goods imports	(554)
Services payments	(124)
Income payments	(88)
Net current transfers	(22)
Capital transfer account	0
Financial Account	
Net direct investment	36
Net portfolio investment	94
Net other investments	(16)
Unrecorded transactions	?
Change in net gold and other foreign reserves	(18)
Sum of balance of payments	0

2.2.1 **Describe** the following entries in the Balance of Payments (BOP).

Current account:	
Primary income flows:	

2.2.2 **Calculate** the following values for Table 4 on page 10.

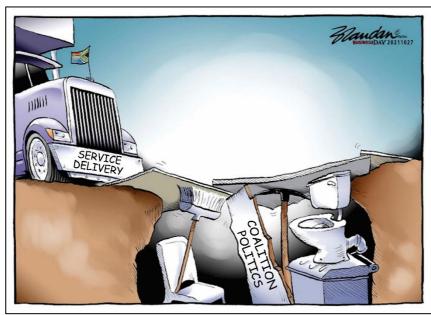
	(a)	Financial Account balance:
	(b)	Unrecorded transactions balance:
	(6)	Officeorded transactions balance.
		(2)
	(c)	Trade balance:
	()	
		(4)
2.2.3	Evalu accou	ate the implications or impact of a surplus or deficit on the current nt, on the value of the rand.
		(6)

2.2.4	Discuss THREE reasons why South Africa trades with the rest of the world.
	(6) [50]

QUESTION 3 MICROECONOMICS

3.1 Study Cartoon 1 below and answer the questions that follow.

Cartoon 1: Public sector service delivery issues



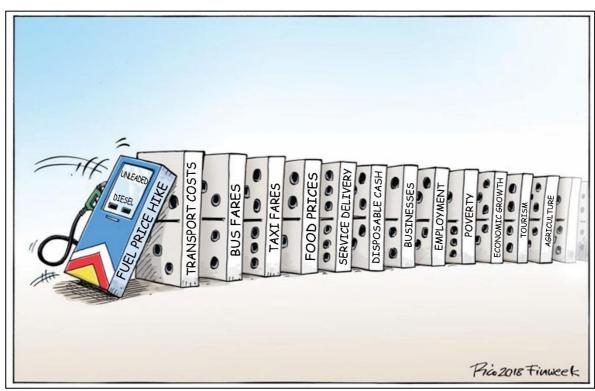
[Source: https://www.businesslive.co.za/bd/opinion/2021-10-27-cartoon-service-delivery-poser-for-coalitions/

3.1.1	Desc	ribe the concept of coalition politics as depicted in Cartoon 1.	
			2)
3.1.2	Interp	oret Cartoon 1.	2)
			_
			2)
3.1.3		uss the following TWO current service delivery issues by the public rand suggest government mechanisms to address the issues.	ic
	(a)	Lack of accountability	

(b)	Inefficiency	
		//
		11

3.2 Study Cartoon 2 below and answer the question that follows.

Cartoon 2: Fuel Price Hike



[Source: https://twitter.com/ricoschacherl/status/1047729355684814849]

3.2.1	Describe	the foll	owing	economic	terms:

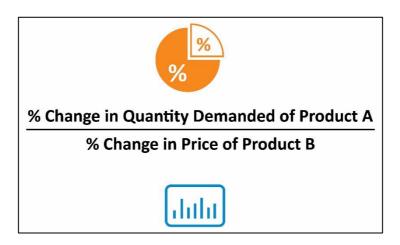
a)	Law of demand	
		(2)
b)	Law of supply	

3.2.2	With reference to Cartoon 2 on page 14, briefly explain the reasons that cou have caused the fuel prices to increase so dramatically.
3.2.3	Draw ONLY a fully labelled supply and demand diagram to illustrate the impact of the fuel price hike on businesses.
	(1

3.2.4	Evaluate the impact of a fuel price hike on the consumers and businesses. Your answer must make specific mention of the information in Cartoon 2 on page 14.
	(8)

3.3 Study Formula 1 below and answer the questions that follow.

Formula 1: Price elasticity



3.3.1 **Identify** the type of price elasticity for Formula 1.

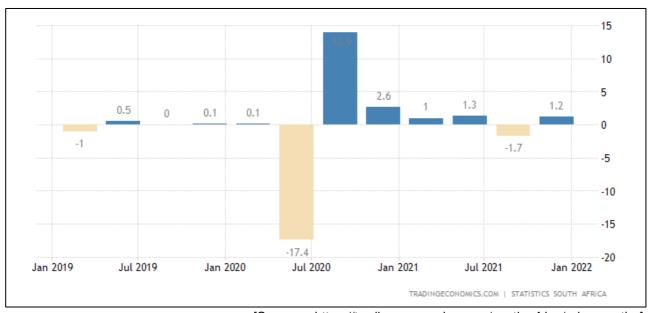
(2)

3.3.2	Use economic theory to briefly explain the difference between Product A and Product B as illustrated in Formula 1 on page 16.		
	(6)		
3.3.3	Explain how a firm could benefit from knowing the outcome of Formula 1 on page 16 on their price decisions.		
	(8)		
	[50 <u>]</u>		

QUESTION 4 CONTEMPORARY ECONOMIC ISSUES

4.1 Study Graph 3 below and answer the questions that follow.

Graph 3: South African Economic growth rate



[Source: <https://tradingeconomics.com/south-africa/gdp-growth>]

4.1.1	Describe	the	following	terms:
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Economic growth	
Economic development	

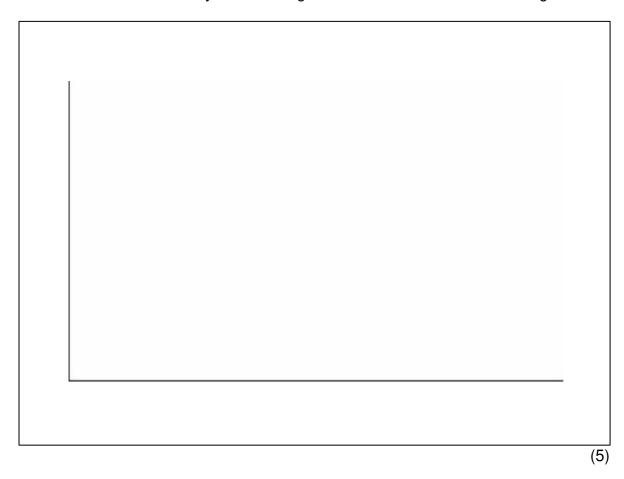
4.1.2 With reference to Graph 3 **explain** the drastic negative growth during the second quarter of 2020.

(4)

		to incr	ease economic growth.	 ,
		(a)	High labour productivity.	
				(4)
		(b)	Improved technology.	
				(4)
4.2	4.2.1	Briefly	explain the purpose of the National Minimum Wage Act.	(4)
				(0)
	4.2.2	List T	HREE sectors covered by the National Minimum Wage.	(2)
				(3)

4.1.3 **Discuss** the following TWO factors as policies of the supply side approach,

4.2.3 Draw ONLY a clearly labelled diagram to illustrate the minimum v



4.3 Study Source 1 below and answer the questions that follow.

Source 1: Gini Coefficient

Top 10 Countries with the Highest Gini Coefficients (%) – World Bank: 1. South Africa – 63,0 6. Central African Republic – 56,2 2. Namibia – 59,1 7. Eswatini – 54,6 3. Suriname – 57,9 8. Mozambique – 54,0 4. Zambia – 57,1 9. Brazil - 53,4 5. São Tomé and Príncipe – 56,3 10. Belize - 53,3 [Source: https://worldpopulationreview.com/country-rankings/gini-coefficient-by-country-2022]

4.3.1	Describe the economic term Gini Coefficient.	
		(2)

4.3.2	With reference to Source 1 on page 20, interpret whether the highest Gini Coefficient percentage is a good or bad thing.
	(4)
4.3.3	With reference to Source 1 on page 20, explain the reasons that could contribute to South Africa having the highest Gini Coefficient percentage in the world.
	(4)
4.3.4	Draw a fully labelled Lorenz curve to illustrate South Africa's Gini Coefficient.

4.3.5	South Africa has the highest unemployment rates in the world. Explain how the government can create more employment or jobs.
	(8) [50]

QUESTION 5 MIXED QUESTIONS

5.1 Study Excerpt 1 below and answer the questions that follow.

Excerpt 1: Inflation

SA consumer inflation remained unchanged on an annual basis at 5,7% in February, Statistics South Africa said. But there are plenty of food and fuel price pressures in the pipeline, not least because of Russia's invasion of Ukraine, so expect inflation to remain elevated and interest rates to maintain their climb.

[Source: https://www.dailymaverick.co.za/article/2022-03-23-sas-annualised-inflation-holds-steady-in-february-but-food-and-fuel-pressures-loom/>

5.1.1	Descr	ibe the economic terms:
	(a)	Inflation
		(2)
	(b)	Interest rates
		(2)
5.1.2	With row	eference to Excerpt 1, explain whether the South African Reserve Bank be concerned with the inflation rate.
		(4)
5.1.3	Discu	ss how food and fuel price pressures will cause inflation.
		(4)

	(a)	TWO losers:
	(b)	TWO winners:
5.2 5.2.1	Desc	eribe the economic term <i>collusion</i> .
		(2)
5.2.2	Nam	e the institution in South Africa that deals with businesses who collude.
		(2)
5.2.3	struc	h African banks are regarded as an example of an oligopoly market ture. Justify how this example corresponds with the following acteristics of oligopolies.
	(a)	Number of businesses:
		(4)

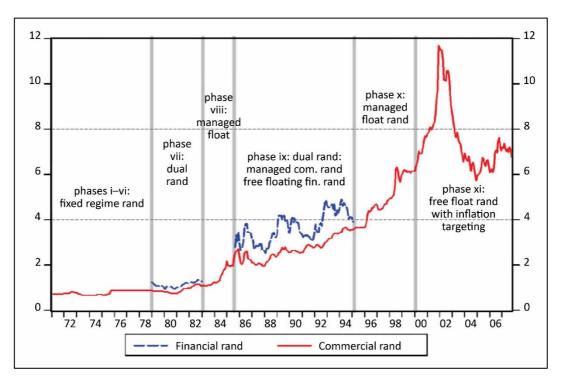
5.1.4 **Discuss** the effects of inflation on the individual consumer by referring to

TWO losers and TWO winners when inflation occurs.

(b)	Type of product:	
		(4)
(c)	Availability of market knowledge to consumers and the banks:	,
		(4)
(d)	Barriers to enter and exit the market:	
		(4)

5.3 Study Graph 4 below and answer the questions that follow.

Graph 4: Foreign exchange market



5.3.1	Explain the difference between the financial rand and the commercial rand.

(2)

5.3.2 **Discuss** phase xi in Graph 4 above.

(4)

5.3.3 Briefly **explain** the following exchange rate systems.

(a) Fixed exchange rate system:

(b)	Managed/controlled floating exchange rate system:	
		(2) [50]
		[50]
		200 marks

SECTION C

QUESTION 6 DATA RESPONSE

6.1 Study Source 2 below and answer the questions that follow.

Source 2: Types of taxes

South Africa to cut fuel levy to ease impact of rising prices

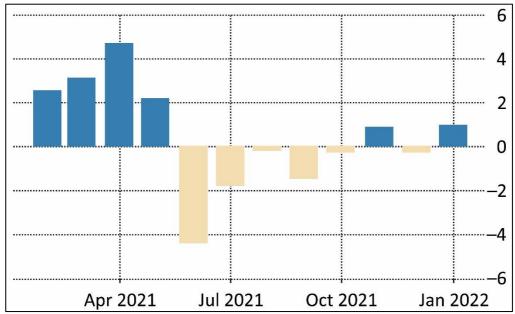
- General fuel levy to be reduced by almost 40% for two months
- Sale of strategic oil reserves to fund relief measure

[Source: https://www.bloomberg.com/news/articles/2022-03-31/south-africa-to-cut-fuel-levy-to-mitigate-against-rising-prices]

6.1.1	Briefly explain the meaning of a <i>fuel levy</i> as indicated in Source 2.				
	(2)				
6.1.2	Indicate whether a fuel levy is an example of direct or indirect taxes.				
	(1)				
6.1.3	List THREE other sources of revenue to the South African government besides the fuel levy as mentioned in Source 2.				
	(3)				
6.1.4	Evaluate the impact on reducing the general fuel levy as indicated in Source 2 on the fiscus of the South African government.				

6.2 Study Graph 5 below and answer the questions that follow.

Graph 5: South Africa's leading business cycle indicator



[Source: https://tradingeconomics.com/south-africa/leading-economic-index]

6.2.1	Explain the difference between a leading indicator and a lagging indicator.					
	(4					

6.2.2 **List** THREE examples of a leading indicator and THREE examples of a lagging indicator.

Leading indicators	Lagging indicators

(6)

	0.2.3	indicator is forecasting.
		(6)

6.3 Study Source 3 below and answer the questions that follow.

Source 3: South Africa's National Accounts

Expenditure on gross domestic product¹

R millions								
	2014	2015	2016	2017	2018	2019	2020	2021
At current prices								
Final consumption expenditure(6620J)	3 431 543	3 654 501	3 930 851	4 176 560	4 446 279	4 675 768	4 577 180	4 961 265
Final consumption expenditure by households ² (6007J)	2 633 125	2 815 210	3 011 897	3 199 715	3 408 418	3 576 750	3 437 068	3 761 665
Final consumption expenditure by general government ³ (6008J)	798 419	839 291	918 954	976 845	1 037 861	1 099 018	1 140 111	1 199 600
Individual consumption expenditure(6605J) Collective consumption expenditure(6606J)	330 963 467 456	347 926 491 365	379 153 539 800	412 167 564 677	449 920 587 941	477 244 621 774		544 648 654 953
Gross capital formation(6180J)	764 269	823 735	807 242	843 525	886 202	897 990	703 692	800 930
Gross fixed capital formation(6009J) Change in inventories ⁴ (6010J)	756 548 7 721	796 138 27 597	830 138 -22 896	832 762 10 762	849 198 37 004	860 188 37 803		809 899 -8 969
Gross domestic expenditure(6019J)	4 195 812	4 478 236	4 738 093	5 020 084	5 332 481	5 573 759	5 280 871	5 762 195
Residual item(6011J)	-	-	-	-	-	1 338	-4 335	62 731
Gross domestic expenditure (including residual)6012J)	4 195 812	4 478 236	4 738 093	5 020 084	5 332 481	5 575 097	5 276 537	5 824 926

[Source: https://www.resbank.co.za/content/dam/sarb/publications/quarterly-bulletins/qua

6.3.1	Describe	the	tollowing	economic	concep	ts as I	ist	ed	in :	Source 3	3.

(a)	Gross fixed capital formation

	(b)	Change in inventories
	(c)	Gross domestic expenditure (2)
		(2)
	(d)	Current prices
		(2)
6.3.2		TWO other methods used to calculate GDP besides the one used in se 3 on page 30.
		(2)
6.3.3	Inter	pret the GDP figures for 2020 and 2021.
		(4)
6.3.4		ne figures in Source 3 on page 30 to calculate the economic growth rate 121. (Show all calculations)
		(4)

		(4)
6.4	List FOUR of South Africa's macroeconomic objectives.	

Total: 300 marks

ADDITIONAL SPACE (ALL QUESTIONS)

CLEARLY INDICATE AT THE QUESTION THAT YOU USED THE ADDITIONAL SPACE TO ENSURE THAT ALL ANSWERS ARE MARKED.				

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