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TOTAL MARKS

NATIONAL SENIOR CERTIFICATE EXAMINATION MAY 2024

ECONOMICS

EXAMINATION NUMBER

Grid for entering examination number

Time: 3 hours

300 marks

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

- 1. This question paper consists of 34 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 it 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. ONE blank page (page 34) is included at the end of the paper. If you run out of space for an answer, use this page. Clearly indicate the number of your answer should you use this extra space.

Allocation of marks

Table with 7 columns: Q1, Q2, Q3, Q4, Q5, Q6, Total. Row 1: 50, 50, 50, 50, 50, 50, 300

**SECTION A**

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**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	
1.3	
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1.9	
1.10	
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1.19	
1.20	

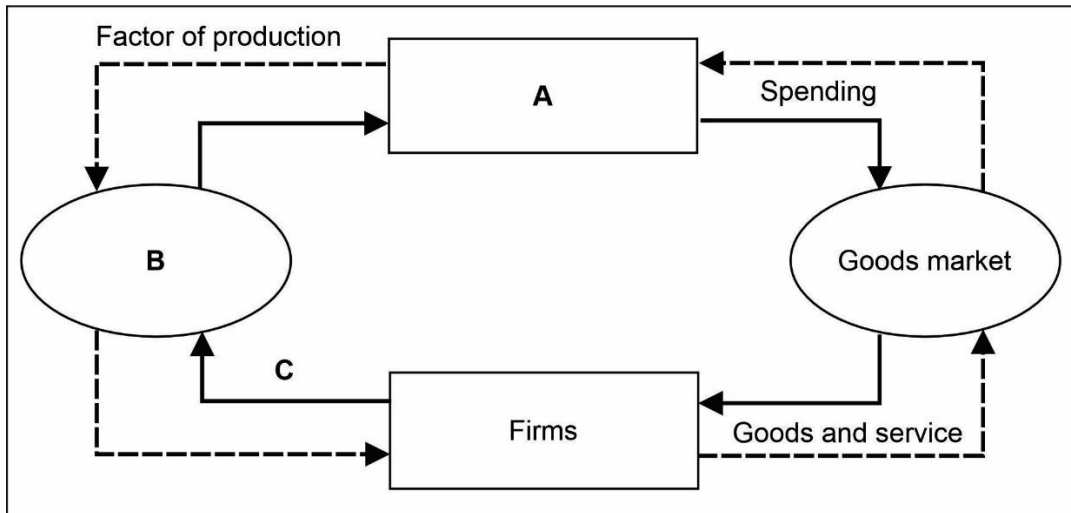
$$10 \times 2 = \frac{\quad}{20}$$

$$10 \times 3 = \frac{\quad}{30}$$

- 1.1 Which formula is used by economists when calculating GDP using the expenditure method GDP (E)?
- A  $C + G + I + (X - M)$
  - B  $w + i + r + p$
  - C  $C + G + X + (I - M)$
  - D  $G + I + (X - M)$
- (2)
- 1.2 When the standard of living of the majority of the population in a country increases, it is referred to as ...
- A economic development.
  - B economic recession.
  - C economic growth.
  - D economic peak.
- (2)
- 1.3 Where was the 15<sup>th</sup> BRICS summit held in 2023?
- A Brazil
  - B Russia
  - C China
  - D South Africa
- (2)
- 1.4 An increase in the price of petrol will cause the quantity of vehicles demanded to decrease and have a negative cross-price elasticity of demand in the long run, because ...
- A petrol and vehicles are substitutes.
  - B petrol is an inferior good.
  - C vehicles have an income inelastic demand.
  - D petrol and vehicles are complementary goods.
- (2)
- 1.5 These are goods provided by the government of a country, which exhibit the characteristics of non-excludability and non-rivalry in consumption.
- A Demerit goods
  - B Public goods
  - C Merit goods
  - D Externalities
- (2)
- 1.6 This is an example of an endogenous cause of the business cycle.
- A Change in political leadership, for example a new president in South Africa
  - B Changes in weather conditions like rainfall or drought
  - C Firms increase their investment spending
  - D Changes in technology
- (2)

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

**Diagram 1: Circular flow**



Letters A, B and C in Diagram 1 above represent ...

- A A: Households, B: Product market C: Spending.
- B A: Households, B: Factor market, C: Spending.
- C A: Government, B: Factor market, C: Foreign sector.
- D A: Government, B: Product market, C: Taxes. (2)

1.8 Which ONE of the following will lead to an appreciation of the currency?

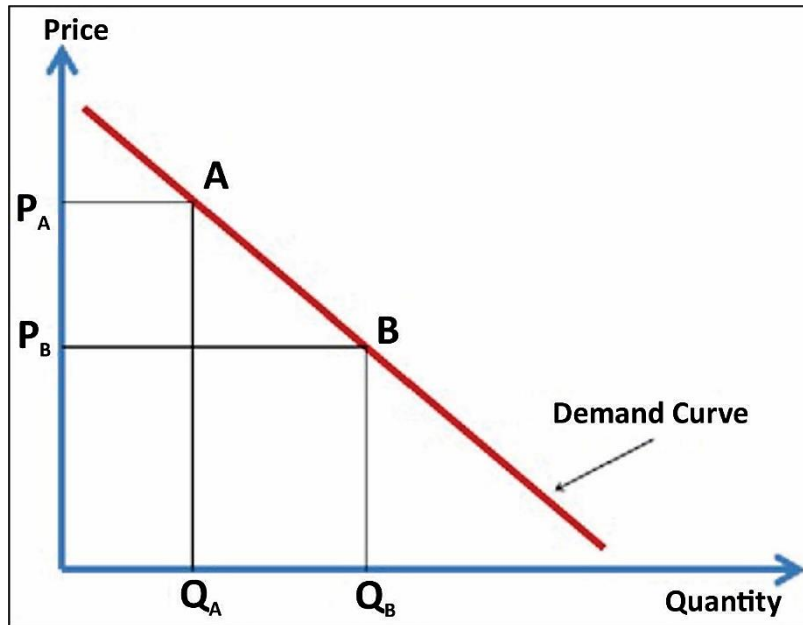
- A An increase in Foreign Direct Investment (FDI's)
- B The South African Reserve Bank (SARB) repaying foreign loans
- C Lowering of the repo rate (interest rate)
- D Relaxation of foreign exchange regulations (2)

1.9 The cell phone industry in South Africa is a good example of a/an ....

- A monopoly.
- B perfect market structure.
- C oligopoly.
- D duopoly. (2)

1.10 Study Graph 1 below and answer the question that follows.

**Graph 1: Demand**



**Graph 1:** 'Ceteris paribus' illustrates that the demand curve has a ... slope and a(n) ... relationship between price and quantity demanded.

- A negative; indirect
  - B positive; direct
  - C positive; indirect
  - D negative; direct
- (2)

1.11 If an economy is in a recession, the government and the Central Bank might be encouraged to apply ... policy by ...

- A expansionary; increasing interest rates, increasing government spending, and decreasing taxes.
  - B expansionary; decreasing interest rates, increasing government spending and decreasing taxes.
  - C restrictive; increasing interest rates, decreasing government spending, and increasing taxes.
  - D restrictive; decreasing interest rates, decreasing government spending, and increasing taxes.
- (3)

1.12 If a country's CPI was 109,5 in December 2021 and 111,2 in December 2022, the rate of inflation for December 2022 would be ...

- A 1,6%.
  - B -1,5%.
  - C 3%.
  - D 2,4%.
- (3)

1.13 Study Table 1 below and answer the question that follows.

**Table 1: Current Account of 'Country X'**

Balance of payments Items	Billions
Goods exports	576
Net gold exports	53
Service exports	104
Income receipts	35
Goods imports	(599)
Service imports	(135)
Income payments	(80)
Net current transfers	(15)

The trade balance is ...

- A –61 Billion.
- B 768 Billion.
- C 15 Billion.
- D 30 Billion.

(3)

1.14 Which ONE of the following statements about a managed floating exchange rate system is TRUE?

- A The exchange rate is determined only by the market forces of demand and supply.
- B The currency is pegged against another currency, normally the US Dollar.
- C Exchange rates are extremely volatile.
- D A central bank can only intervene to stabilise a depreciating currency if it has sufficient foreign exchange reserves to do so.

(3)

1.15 Consumer 'X' had a 20% increase in his salary. In the following year his expenditure on holidays increased by 12%. His income elasticity of demand for holidays is ... which means that holidays are a(n) ... good.

- A 0,6; inferior
- B 1,67; normal
- C 0,6; normal
- D –1; inferior

(3)

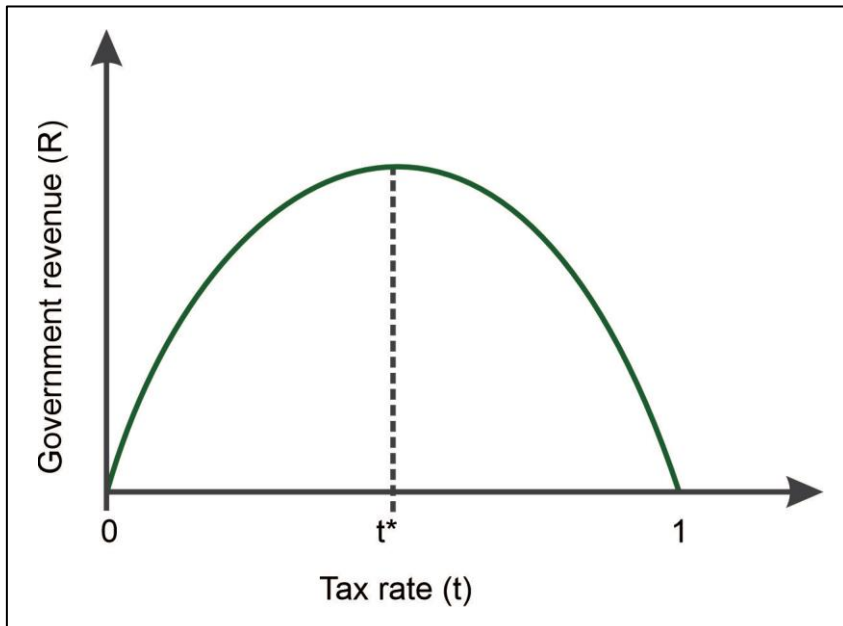
1.16 Which of the following statements about the policy of export promotion is TRUE?

- A It is an outward-orientated growth strategy based on openness and increased international trade.
- B The success of the countries known as the 'Asian Tigers' is usually used to illustrate the effectiveness of such a strategy.
- C A powerful export promotion tool is signing free-trade agreements.
- D All of the above.

(3)

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

**Graph 2: Laffer curve**



[Source: Google images]

The Laffer curve represents the following view(s):

- A To the left of the optimal tax rate, a government can increase its tax revenue.
- B There is an optimal tax rate that maximises the tax revenue of a country.
- C Tax rates that are too high discourage work and government revenue increases.
- D The  $t^*$  represents the lowest tax revenue collection point by government.

(3)

1.18 A price ceiling creates ... because it is usually set ... the equilibrium price.

- A excess demand; below
- B excess demand; above
- C excess supply; below
- D a lack of supply; above

(3)

1.19 Which combination of descriptions, A, B, C or D, is most likely to be consistent with the type of inflation identified?

	Type of Inflation	Description A	Description B
A	PPI	Also referred to as CPI	Price increases in consumer goods
B	Administered price inflation	Set by government	Includes electricity prices
C	Core inflation	Excludes items such as meat and fish	More stable than CPI
D	Stagflation	Measures cost of living	High growth and low inflation

(3)

1.20 Which ONE of the following descriptions best explains a multiplier with a value of 2?

- A For a simple economy, the change in the equilibrium value of output is always twice the change in the value of the investment (injection).
- B The macroeconomic multiplier is equal to the change in the leakages and injections.
- C The larger the mpc, the smaller the multiplier effect and the smaller the increase in the equilibrium level of output.
- D If the government increases its expenditure, the value of the output of the economy will decrease twice as much.

(3)

**50 marks**

**SECTION B**

**QUESTION 2      MACROECONOMICS**

2.1 Argue the accuracy of the following statements.

2.1.1 Gross Domestic Product excludes exports and includes imports.

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(2)

2.1.2 South Africa uses a fixed exchange rate system, e.g. China uses this system with the US Dollar.

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(2)

2.2 Study Table 2 below and answer the questions that follow.

**Table 2: National Expenditure figures for Country X**

Item	Real Value 2021 Millions	Real Value 2022 Millions
Final consumption expenditure by households (C)	1 134 152	1 184 538
Gross capital formation (I)	341 538	358 173
Final consumption expenditure by government (G)	<b>A</b>	383 321
Residual item	11 031	4 282
Export of goods and services	403 304	422 097
Minus: Imports of goods and services	472 927	518 119
Average CPI	107.1	111.7
<b>GDP at market prices</b>	<b>1 783 617</b>	<b>1 834 292</b>

2.2.1 **Describe** the following economic concepts:

(a) Residual item

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(2)

(b) Gross fixed capital formation (GFCF)

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(2)

2.2.2 **Calculate** the value of A. (Show all calculations.)

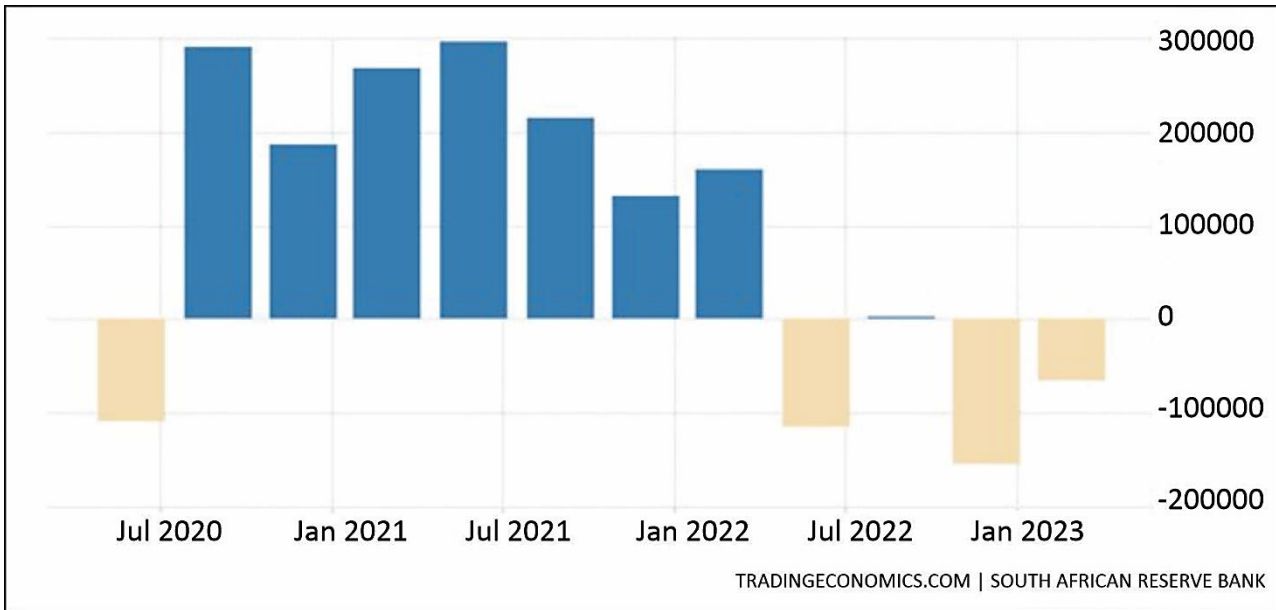
(2)

2.2.3 **Calculate** the economic growth rate for 2022 by referring to Table 2. (Show all calculations.)

(4)

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

**Graph 3: South Africa's Current Account**



2.3.1 **Name** THREE other major accounts that are found in the South African balance of payments (BOP) account.

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(3)

2.3.2 **Explain** how depreciation of the Rand could affect the current account in South Africa.

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(4)



2.4.2 **Name** TWO examples of leading indicators in an economy.

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(2)

2.4.3 **Analyse** what the leading indicators in Graph 4 are telling us about the South African economy in terms of the business cycle.

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(4)

2.5

**'The great Eskom privatisation debate.'**

[Source: <<https://www.iol.co.za/news/opinion/the-great-eskom-privatisation-debate-19605960>>]

**Explain** TWO advantages of privatisation.

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(4)

2.6 Use a graph and a short discussion to **explain** what will happen to the R/\$ (dollar) OR \$/R (rand) exchange rate if South Africa imports more from the United States of America.



Short discussion:

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(9)  
**[50]**

**QUESTION 3      MICROECONOMICS**

3.1 **Complete** Table 3 below by comparing the characteristics of the market structures listed.

**Table 3:**

Characteristics	Oligopoly	Monopolistic
Number of firms		
Nature of the product		
Availability of market knowledge to the business		
Barriers to entry		
Example		

(10)

3.2 Study Picture 1 below and answer the questions that follow.

**Picture 1: Competition Commission of South Africa**



[Source: <www.compcom.co.za>]

3.2.1 Use your knowledge of the South African economy and **name TWO** recent interventions by the organisation depicted in Picture 1 above.

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(2)

3.2.2 **Discuss** the role of the organisation on the previous page in the South African economy.

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(4)

3.3 Use a graph and a short discussion to explain maximum prices as a consequence of market failure.



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(8)



3.5 Study Table 4 below and answer the questions that follow.

**Table 4: Cross-price elasticity of demand (CPED)**

Goods	CPED
Fresh milk	+ 2.5
Tennis balls	- 4

3.5.1 **Describe** the economic term *cross-price elasticity of demand*.

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(2)

3.5.2 **Interpret** the cross-price elasticity of demand by referring to Table 4 above.

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(4)

3.5.3 **Discuss** FOUR factors that influence the **price elasticity of demand (PED)** for a product.

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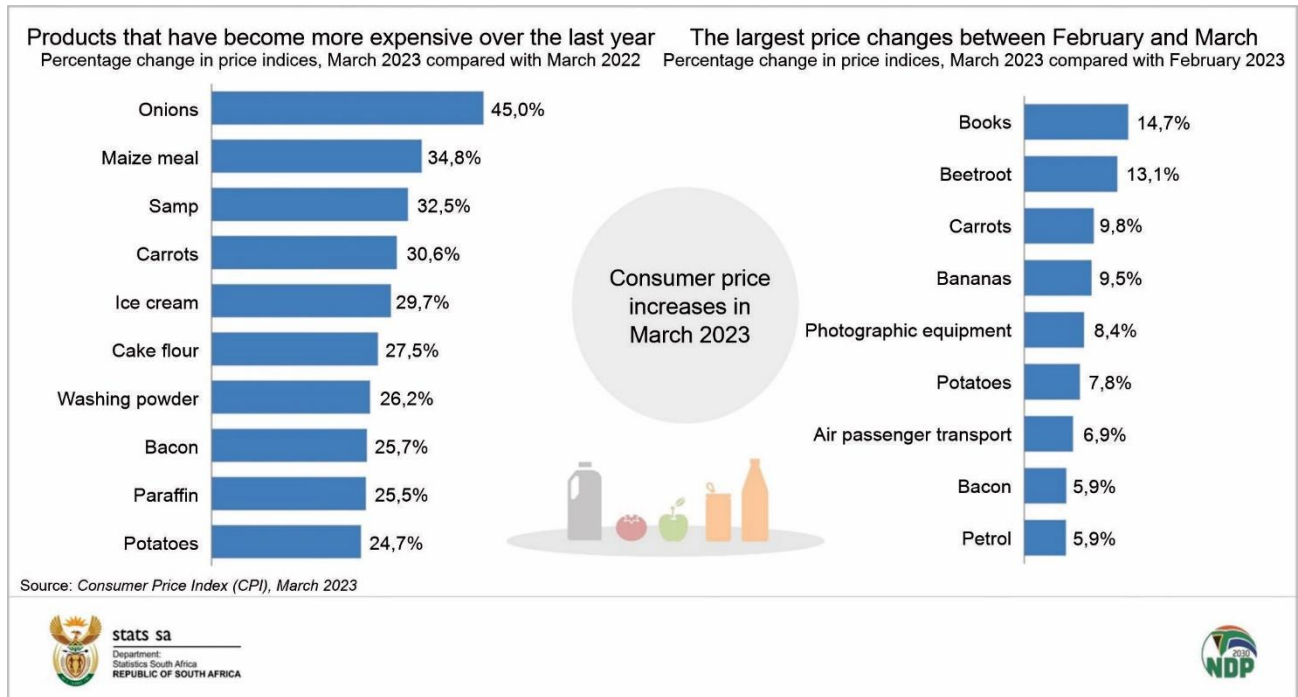
(8)  
**[50]**





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

**Graph 5: South Africa's Consumer Price Inflation**



4.3.1 Describe the economic term *Consumer Price Index (CPI)*.

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(2)

4.3.2 Refer to Graph 5 and **name** the product with the highest percentage change in price index year on year.

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(2)

4.3.3 Refer to Graph 5 and **name** the product with the lowest percentage change in price index month to month.

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(2)

4.3.4 **Explain** THREE consequences of inflation.

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(6)

4.3.5 **Evaluate** the impact of the increase in Consumer Price Inflation on the economy of South Africa as indicated in Graph 5.

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(8)

4.3.6 **Discuss** cost push inflation as one of the main causes of inflation.

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(8)  
**[50]**

**QUESTION 5 MIXED QUESTIONS**

5.1 Study Table 5 below and answer the questions that follow.

**Table 5: Price elasticity of demand**

	PRICE	QUANTITY DEMANDED
<b>A</b>	10 000	0
<b>B</b>	8 000	5
<b>C</b>	6 000	10
<b>D</b>	4 000	15
<b>E</b>	2 000	20

5.1.1 **Describe** the economic term *arc elasticity of demand*.

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(2)

5.1.2 **Calculate** the price elasticity of demand from C to D, using the ARC method and indicate the type of arc elasticity. (Show all calculations.)

(4)

5.2 **'Market failure occurs when the market system is unable to achieve an efficient allocation of resources.'**

**Discuss** the following causes of market failure:

(a) Externalities

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(4)

(b) Imperfect competition

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(4)

5.3 Study Table 6 and answer the questions that follow.

**Table 6: Marginal revenue data for Firm X**

Quantity	Price	Total Revenue	Total cost	Total profit	Marginal revenue
0	12	0	5	<b>D</b>	0
1	12	12	8	4	12
2	12	<b>A</b>	12	12	12
3	12	36	18	18	12
4	12	48	<b>C</b>	22	<b>E</b>
5	12	<b>B</b>	40	20	12

5.3.1 **Differentiate** between the economic terms *Marginal revenue* and *Marginal cost*.

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(4)

5.3.2 **Calculate** the missing values A–E in Table 6 above. (You do not need to show your calculations.)

**A:** \_\_\_\_\_

**B:** \_\_\_\_\_

**C:** \_\_\_\_\_

**D:** \_\_\_\_\_

**E:** \_\_\_\_\_

(5)



5.5 Extract 1:

**'Fitch Affirms South Africa at 'BB-'; Outlook Stable.'**

[Source: <<https://www.fitchratings.com/research/sovereigns/fitch-affirms-south-africa-at-bb-outlook-stable-17-07-2023>>]

5.5.1 List ONE other major example such as 'Fitch'.

\_\_\_\_\_ (1)

5.5.2 Refer to Extract 1 above and explain **what** 'Fitch' refers to.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ (2)

5.5.3 Refer to Extract 1 above and **evaluate** to what extent 'Fitch' poses a risk to the South African economy.

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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ (8)

[50]














**200 marks**

**SECTION C**

**QUESTION 6 DATA RESPONSE**

6.1 Study Figure 1 below and answer the questions that follow.

**Figure 1: A roundup of key economic statistics**  
As per Stats SA's monthly business cycle indicators published in June 2023

	y/y percentage change			m/m percentage change		
	Feb-23	Mar-23	Apr-23	Feb-23	Mar-23	Apr-23
Mining production 	-7,7	-2,2	2,3	-7,0	6,9	1,8
Manufacturing production 	-5,5	-1,8	3,4	-1,6	3,4	0,5
Electricity generation 	-9,7	-5,6	-8,6	-1,0	4,0	-4,3
Buildings completed (value) 	-23,8	-29,9	-34,9	-5,3	37,1	-5,0
Wholesale trade sales 	-0,2	-1,9	3,3	2,4	-0,9	3,3
Retail trade sales 	-0,7	-1,5	-1,6	-0,4	-0,6	0,4
Motor trade sales 	-2,2	-2,8	-3,4	0,6	-0,8	0,7
Income from tourist accommodation 	60,2	36,0	30,9	3,5	-1,6	4,2
Restaurants, catering & fast-food income 	13,0	8,8	7,4	-3,9	-1,3	3,8
Road transport: Freight payload 	12,4	7,7	16,0	-9,4	-1,9	6,3
Rail transport: Freight payload 	-12,3	-9,6	-6,1	-5,3	-2,7	4,3
Road transport: Passenger journeys 	8,3	8,8	-3,8	5,8	1,0	-9,9
Rail transport: Passenger journeys 	58,3	60,8	82,9	2,7	7,7	-12,1

[Source: <<https://www.statssa.gov.za/wp-content/uploads/2023/07/EconFig1.jpg>>]

6.1.1 **Name** the institution that collects the above information in South Africa.

\_\_\_\_\_ (1)

6.1.2 **Describe** the following economic terms:

(a) Business cycle

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ (2)

(b) Economic indicators

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ (2)

6.1.3 Use the production indicators in Figure 1 to **draw** a fully labelled business cycle to depict the impact of the information. Clearly label the country's position on the business cycle with a 'X'.



(6)

6.1.4 Refer to Figure 1 and **evaluate** the **extent** to which the income generated from 'tourist accommodation and restaurants, catering & fast-food income' may affect the current position of the South African economy.

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(8)

6.2 Study Source 1 and answer the questions that follow.

**Source 1: South Africa's Budget**



[Source: <<https://ewn.co.za/2023/02/22/graphic-here-s-how-much-more-you-ll-be-paying-for-alcohol-tobacco>>]

6.2.1 **Give** another economic term for *sin tax*.

\_\_\_\_\_ (1)

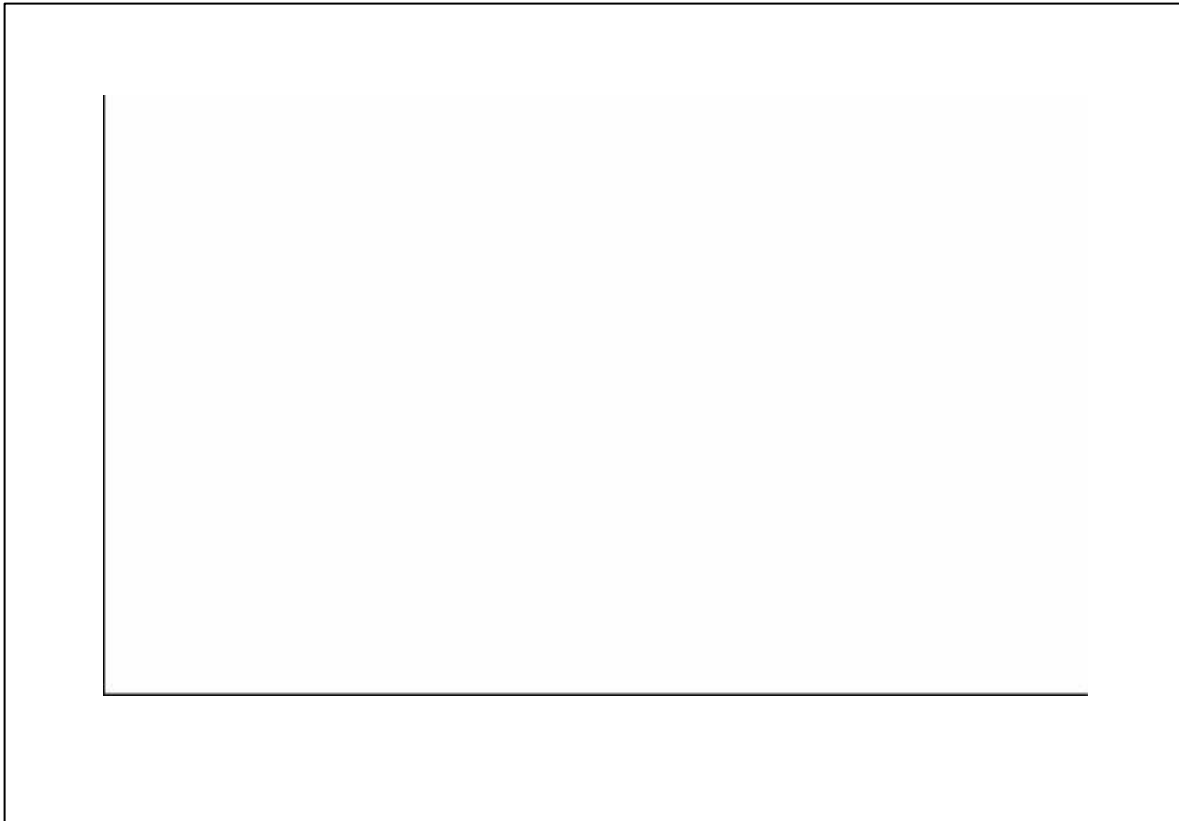
6.2.2 **Describe** the economic term *sin tax*.

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_ (2)

6.2.3 **Evaluate** the success of the increase in sin tax as shown in Source 1 above on the South African economy.

\_\_\_\_\_  
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 \_\_\_\_\_ (8)

6.2.4 **Draw** the Phillips curve and **explain** the relationship between the TWO variables on the X-axis and Y-axis.



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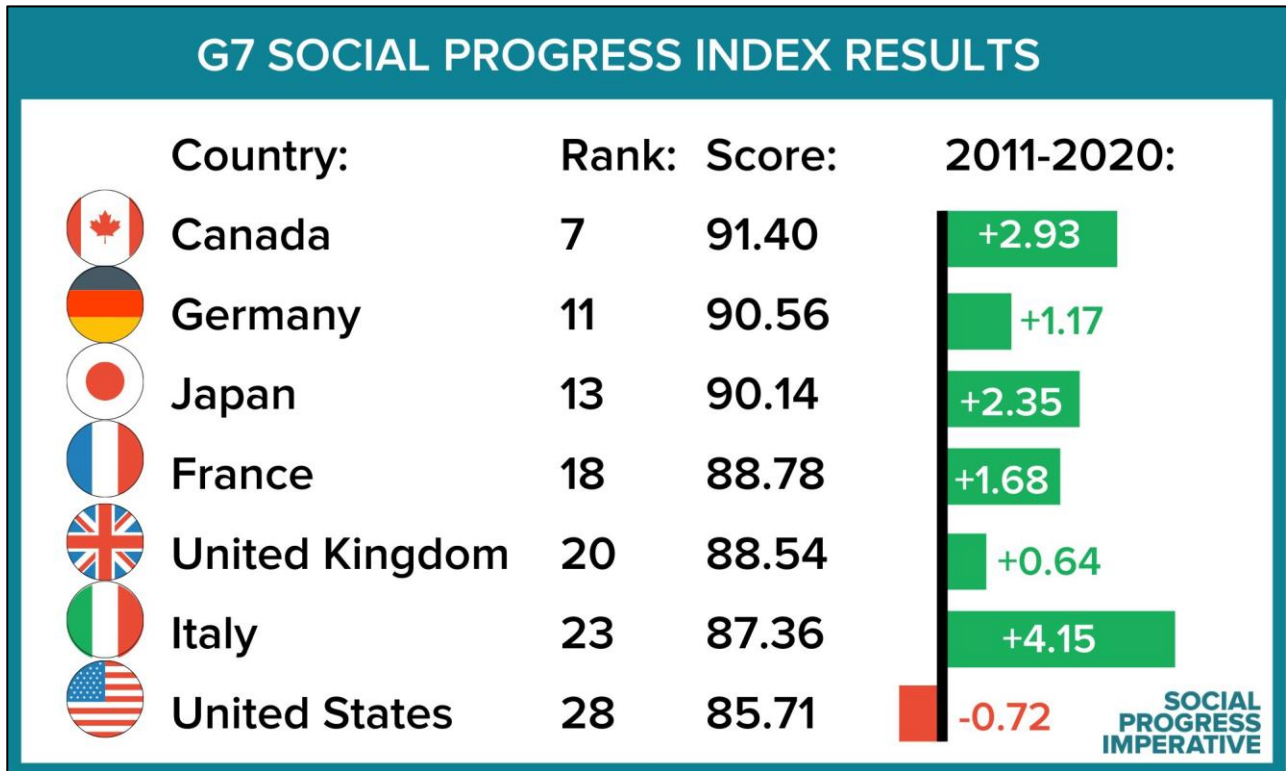
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(8)

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

**Source 2: G7 Social Indicator**



[Source: <<https://www.google.com/search?q=G7socialindicators>>]

6.3.1 **What** does the 'G7' represent?

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(2)

6.3.2 **Explain** what the rank and score in Source 2 indicate about the G7 countries.

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(4)

6.3.3 **Explain** why the USA would have a negative Social Progress Index score.

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(6)

**50 marks**

**Total: 300 marks**

