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Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ECONOMICS P1

2021

MARKING GUIDELINES

MARKS: 150

These marking guidelines consist of 19 pages.

SECTION A (COMPULSORY)**QUESTION 1**

- | | | | |
|-----|--|---------|------|
| 1.1 | 1.1.1 B – Kitchen ✓✓
1.1.2 D – depreciation ✓✓
1.1.3 D – infant ✓✓
1.1.4 C – real flows ✓✓
1.1.5 A – local ✓✓
1.1.6 C – Expanded Public Works Programme ✓✓
1.1.7 B – social ✓✓
1.1.8 A – corridor ✓✓ | (8 x 2) | (16) |
| 1.2 | 1.2.1 B – a complete ban imposed on the importing of goods from a particular country ✓

1.2.2 C – measured from peak to peak or trough to trough ✓

1.2.3 A – when a country engages in foreign trade and produces a given good at a lower input cost than other countries ✓

1.2.4 D – the proportion of income that households do not consume ✓

1.2.5 E – consumption by one person does not reduce the consumption by another person ✓

1.2.6 H – levied on properties according to their market value ✓

1.2.7 I – extensive increase in organized economic activity to manufacture, mine, farm and deliver services ✓

1.2.8 F – economic goods which do not take a tangible and storable form ✓ | (8 x 1) | (8) |
| 1.3 | 1.3.1 Phillips ✓
1.3.2 Closed ✓
1.3.3 Integrated Manufacturing Strategy ✓
1.3.4 Spatial Development Initiatives ✓
1.3.5 Specific ✓
1.3.6 Endogenous/Keynesian ✓ | (6 x 1) | (6) |

TOTAL SECTION A: 30

SECTION B

Answer any TWO of the three questions in this section in the ANSWER BOOK.

QUESTION 2: MACROECONOMICS**2.1 Answer the following questions.****2.1.1 Name any TWO examples of a strategic industry.**

- energy (fuels) SASOL / Eskom ✓
- iron and steel / Iscor ✓
- agriculture (basic foodstuffs) ✓
- chemicals (fertilizers) ✓
- Mining ✓
- Tele-communication ✓
- Vaccine manufacturers ✓
- Tourism
- Automobile

(Accept any other correct relevant response)

(2 x 1)

(2)

2.1.2 How does a progressive income tax system influence income redistribution?

Progressive income tax influences income redistribution by reducing the gap between the rich and the poor ✓✓

(Accept any other correct relevant response)

(1 x 2)

(2)

2.2 Study the table and answer the questions that follow.**2.2.1 Which year does the South African Reserve Bank currently use as the base year?**

2010/2015 ✓

(1)

2.2.2 Identify the figure used to cater for errors and omissions when calculating the Gross Domestic Product at market prices.

R19 097 m ✓

(1)

2.2.3 Briefly describe the term *gross domestic expenditure*.

Expenditure (spending) on all goods and services produced within the borders of a country within a specific period of time. ✓✓

(Accept any other correct relevant response)

(2)

2.2.4 What effect would an increase in imported clothing have on domestic textile manufacturers?

- Domestic textile manufacturers should face more competition that might force them to produce less ✓✓
- They might have less customers/market share/sales that will reduce profits ✓✓
- They might be forced to be more innovative due to high competition from foreign producers ✓✓
- Quality of their products should improve and they will become more competitive in global markets. ✓✓

(Accept any other correct relevant response)

(2)

2.2.5 How does gross capital formation impact the economy positively?

- The increased capital base of the country will increase production capacity ✓✓
- Gross capital formation will contribute to the growth potential of the economy through value-adding process ✓✓
- Balance of Payments problems will decrease by an increase in export production ✓✓
- Households may benefit from employment opportunities thus reducing poverty/government will achieve its goal of full employment and collect more tax revenue ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

2.3 Study the extract and answer the questions that follow.**2.3.1 Name the institution that promotes trade liberalisation.**

World Trade Organisation / WTO ✓

(1)

2.3.2 Give ONE form of economic integration.

- Custom union ✓
- Common market ✓
- Economic union ✓
- Monetary union ✓
- Free trade area ✓

(1)

2.3.3 Briefly describe the term *free trade*.

Free trade is when consumers and producers are free to buy goods and services anywhere in the world without restrictions ✓✓

(Accept any other correct relevant response)

(2)

2.3.4 Why will import substitution have a negative effect on consumers in the long run?

- Consumers' choice will decrease as they will be limited to domestic products only ✓✓
- Consumers may pay higher prices on domestic products due to less competition ✓✓

(Accept any other correct relevant response)

(2)

2.3.5 How could African countries benefit from a new free trade agreement?

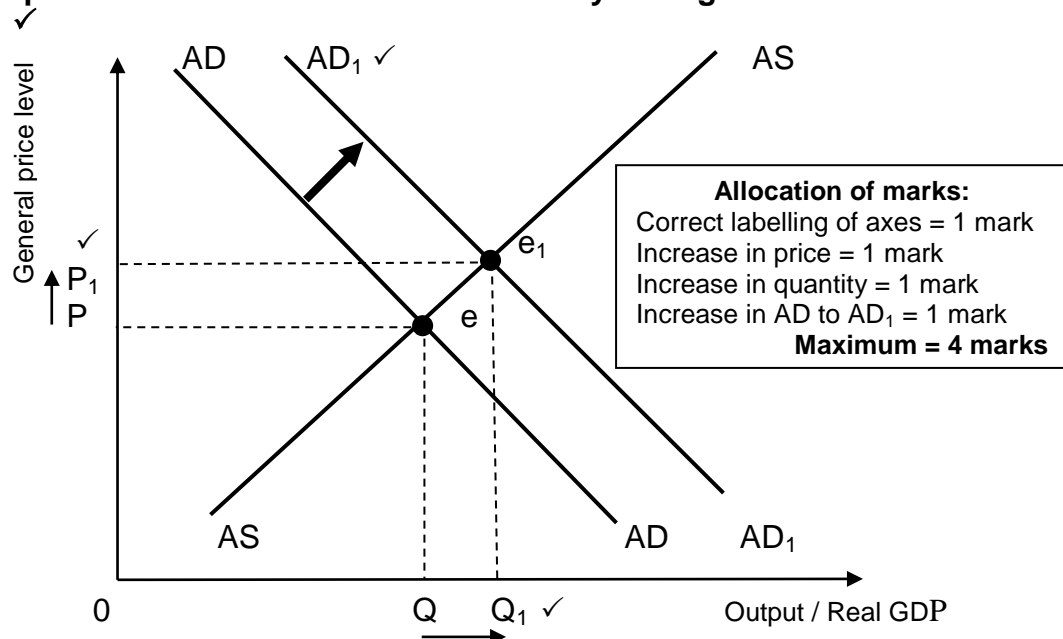
- enjoying lower prices on goods and services ✓✓
- enjoying free movement and job opportunities across borders ✓✓
- specialising in the production of goods where they enjoy a comparative advantage ✓✓
- producing goods in large quantities that comes as a result of specialisation ✓✓
- producing better quality products due to improved innovation ✓✓
- improving relationships through mutual gains from the exchange of goods among themselves ✓✓
- improving consumer welfare as a result of more choice of goods and services ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

2.4 With the aid of a correctly labelled graph, explain the effects of demand-side policies to stimulate economic activity during a recession.



- Demand-side policies involve expansionary monetary such as a decrease in interest rates that encourage borrowing that would increase consumption and investment. ✓✓
- Expansionary fiscal policy that involves a decrease in tax and an increase in government spending will increase spending as well. ✓✓
- Both policies will result in a shift aggregate demand from AD to AD₁ while aggregate supply remains at AS. ✓✓
- Real GDP will increase from Q to Q₁ when aggregate demand increases ✓✓
- The general price level will increase from P to P₁ ✓✓
- The demand-side policies maybe used to stimulate economic growth although inflation may increase ✓✓

(Accept any other correct relevant response)

(A maximum of 4 marks will be allocated for mere listing of facts/examples)

(Max 4)

(8)

2.5 How could an increase in investments contribute towards a higher national income in the economy?

Investments will benefit national income by:

- increasing the capital base of the economy, to expand the production capacity ✓✓
- creating more job opportunities and increasing income levels of households, stimulating aggregate demand ✓✓
- increasing competition when new businesses are established, resulting in increased efficiency in production ✓✓
- encouraging the introduction of new production technologies resulting in higher productivity ✓✓
- expanding the tax base for the government, leading to higher tax revenue/ to finance infrastructure development projects ✓✓
- increasing the competitiveness of local businesses on global markets/ stimulating the demand for exports ✓✓

(Accept any other correct relevant response)

(A maximum of 2 marks will be allocated for mere listing of facts/examples)

(8)
[40]

QUESTION 3: ECONOMIC PURSUITS**3.1 Answer the following questions.****3.1.1 Name any TWO examples of Industrial Development Zones in South Africa.**

- Coega (steel and auto) ✓
- OR Tambo International Airport (high tech) ✓
- East London (vehicles) ✓
- Richards Bay (metals) ✓
- Mafikeng IDZ ✓
- Saldanha Bay (steel) ✓
- Dube Trade Port ✓

(2 x 1)

(2)

3.1.2 How can Public Private Partnerships contribute more to regional development?

PPPs stimulate the development of infrastructure in underdeveloped areas ✓✓

(Accept any other correct relevant response)

(1 x 2)

(2)

3.2 Study the extract and answer the questions that follow.**3.2.1 Identify the institution that promotes small businesses.**

Small Enterprise Development Agency / SEDDA ✓
Small Enterprise Finance Agency / (SEFA) ✓

(1)

3.2.2 Which economic challenge is addressed by Small, Medium and Micro Enterprises in the economy?

- Unemployment /employment ✓
 - Poverty/distribution of income ✓
 - Address economic and social inequalities ✓
- (Accept any other correct relevant response)

(1)

3.2.3 Briefly describe the term *employment*.

When people between 15 and 65, who are willing and able to work, find jobs and in return receive a wage or salary for services provided ✓✓

(Accept any other correct relevant response)

(2)

3.2.4 How do Small Medium and Micro Enterprises benefit from the Small Business Support Programme?

- SMMEs receive a tax-free cash grant for investment in industries ✓✓
- New or expanding businesses will receive the grant for three years, after which the company is expected to be self-sustaining ✓✓
- Provision of business advice and related services ✓✓
- They access platforms which provide the business infrastructure support and a regulatory environment that enable entrepreneurs to thrive. ✓✓
- They access platforms which provide the business infrastructure support and a regulatory environment that enable entrepreneurs to thrive. ✓✓

(Accept any other correct relevant response)

(2)

3.2.5 What are the challenges in implementing Broad-based Black Economic Empowerment?

BBBEE faces the following challenges:

- the majority of people do not have finances to buy shares to participate in the ownership / shareholding of companies ✓✓
- rural and local communities do not all have access to economic opportunities. ✓✓
- corruption in the awarding of contracts, resulted in few people benefitting from BBBEE ✓✓
- fronting resulted in many people failing to benefit from the policy ✓✓
- a lack of skills and necessary knowledge led to many black women and youth not being able to occupy top management strategic positions in companies ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

3.3 Study the diagram and answer the questions that follow.

3.3.1 Which focus area provides economic infrastructure for industrial development?

Special Economic Zones / SEZs / Spatial Development Initiatives/SDIs ✓

(1)

3.3.2 Name the Industrial Development Policy that sets out the government's broad approach to industrial development.

National Industrial Policy Framework / NIPF ✓

(1)

3.3.3 Briefly describe the term *innovation*.

The incorporation of new ideas into production processes ✓✓

(Accept any other correct relevant response)

(2)

3.3.4 How does industrial development promote entrepreneurship in the economy?

Industrial development:

- encourages entrepreneurs to exploit the world economy to trade and acquire knowledge ✓✓
 - boosts improved innovation and technology ✓✓
 - motivates entrepreneurs to establish large scale production ✓✓
- (Accept any other correct relevant response)

(2)

3.3.5 What are the challenges faced by the Industrial Policy Action Plan?

- A lack of policy coherence and programme alignment ✓✓
- The opening-up of the economy to a diversity of participants has not happened ✓✓
- Concentration and vertical integration within sectors has increased since 1994, reinforced by high barriers to entry. ✓✓
- High private sector input costs – steel, chemicals and products in the plastics value-chain - remains a continuing constraint on the competitiveness of SA manufacturing. ✓✓
- Continued escalation of electricity costs ✓✓
- High port charges and inefficiencies are a significant barrier and constraint on the export of value-added goods ✓✓
- Current structure of the SA economy is ill suited to the creation of large numbers of jobs at appropriate skill levels. ✓✓
- Inadequate state support for investment, upgrading, innovation and technology ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

3.4 Discuss the general benchmark criteria for regional development.

- Good governance requires democratic decision-making, transparency, financial management and control ✓✓
- An integrated approach to ensure that the benefits of one region spill over to other industries and areas ✓✓
- Partnerships should be built between central government and the private sector ✓✓
- Provision of resources should be sufficiently provided in poorly resourced areas ✓✓
- Competitiveness requires that industries and businesses established as a result of regional policies should not need ongoing financial aid from the government ✓✓
- Development of people, for people, by people aims to serve people by training, education, improving productivity and providing essential goods and services to raise the standards of living in regions. ✓✓
- Development from below is necessary to concentrate on issues at grass roots level where most urgent human needs exist. It starts by dealing with poverty. ✓✓

- Total development as a multi-dimensional process: Treat development from a global perspective covering all human life, including the interaction of special forces in a community✓✓, e.g. education, health, nutrition✓
(Accept any other correct relevant response)
(A maximum of 4 marks may be allocated for the mere listing of facts / examples) (4 x 2) (8)

3.5 Evaluate the use of supply-side measures in solving the persistent low economic growth in South Africa.

Supply-side measures have been successful in solving low economic growth by:

- offering incentives, such as cash grants and subsidies to enhance export promotion / attract private sector investments and FDIs ✓✓
- lowering tax rates to motivate people to work harder to increase their income / increase production levels in the economy ✓✓
- lowering income tax rates may also encourage people to save more / improving availability of loanable funds for investment ✓✓
- increasing labour productivity through better education, training and healthcare services leads to higher production output ✓✓
- promoting (entrepreneurship), establishment of small businesses and new industries to increase competition / limit monopolies / oligopolies ✓✓

Supply-side measures still need to be improved in terms of:

- ensuring efficient and reliable supply of infrastructure services, such as transport and energy, to reduce the cost of doing business ✓✓
- reducing administrative cost, such as inspections and unnecessary regulations / by imposing simpler tax and operational regulations ✓✓
- privatising some of the state-owned assets to improve efficiency in service delivery ✓✓
- reducing government intervention by removing unnecessary rules and regulations / ensure free market operation / improve market efficiency ✓✓

(Accept any other correct relevant response)

(A maximum of 2 marks may be allocated for the mere listing of facts / examples)

(8)
[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS**4.1 Answer the following questions.****4.1.1 Name any TWO effects of international trade.**

- specialisation ✓
- mass production /large scale production/economic growth ✓
- efficiency/competition ✓
- globalisation ✓

(Accept any other correct relevant response) (2 x 1) (2)

4.1.2 How do consumers in the importing country benefit from dumping?

Consumers will pay lower prices for imported goods ✓✓

(Accept any other correct relevant response) (1 x 2) (2)

4.2 Study the extract and answer the questions that follow.**4.2.1 Identify the account in the Balance of Payments that records exports and imports of goods and services.**

Current account ✓ (1)

4.2.2 Which commodity is recorded as a separate export item in the South African Balance of Payments?

Gold ✓ (1)

4.2.3 Briefly describe the term *terms of trade*.

Terms of trade expresses a country's ratio of export prices in terms of its import prices ✓✓

(Accept any other correct relevant response) (2)

4.2.4 Explain the impact of an increase in export prices on South Africa's trade balance.

- Export earnings or the value of total exports would increase resulting in an increase in the value of the trade balance /
- Demand for exports would decrease, reducing the volume of export and the trade balance. ✓✓

(Accept any other correct relevant response) (2)

4.2.5 How can import control be used in order to correct the Balance of Payments deficit?

- BoP deficit can be corrected by imposing import tariffs and import quotas ✓✓
- Import tariffs makes imported goods more expensive thereby discouraging local markets from buying them ✓✓
- Import quota limits the amount or quantity of imports allowed to the economy ✓✓

(Accept any other correct relevant response) (2 x 2) (4)

4.3 Study the cartoon and answer the questions that follow.**4.3.1 Which government department is responsible for budgeting?**

Department of Finance ✓ (1)

4.3.2 Name ONE factor that contributed to downgrading of the South African economy.

- Rising debt ✓
- Falling revenue ✓
- Widening deficit ✓
- Corruption ✓
- Low GDP growth ✓
- High unemployment ✓
- Power shortages ✓
- Poor investor confidence ✓

(Accept any other correct relevant response)

(1)

4.3.3 Briefly describe the term *affirmative action*.

A policy that seeks to redress past discrimination through active measures to ensure equal opportunity, as in education and employment ✓✓

(Accept any other correct relevant response)

(2)

4.3.4 What impact will South Africa's credit rating to junk status have on the economy?

- Government would have to pay more in interest, which leaves less money for services (healthcare, education) and investment in infrastructure. ✓✓
- Government would need more money to cover its basic expenses. ✓✓
- Downgrading may lead to increased taxes ✓✓
- Disinvestment may occur which leads to low economic growth and increased levels of unemployment. ✓✓

(Accept any other correct relevant response)

(2)

4.3.5 How could state-owned enterprises contribute towards expanding the economy?

- Creating more job opportunities and appointing competent management. ✓✓
- Offering skills development programmes to improve productivity of existing workers ✓✓
- maintaining or servicing their machinery and equipment regularly to ensure quality service delivery ✓✓
- Dealing with corruption to reduce wastage of public funds ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

4.4 **Briefly discuss *extrapolation* and *amplitude* as features in the forecasting of business cycles.**

Extrapolation:

- Forecasters use past data e.g. trends and by assuming that this trend will continue, they make predictions about the future ✓✓
- Something unknown is estimated from facts or information that are known ✓✓
- If it becomes clear that the business cycle has passes through a trough and has entered a boom phase, forecasters might predict that the economy will grow in the months that follow ✓✓
- It is also used to make economic predictions such as future share prices ✓✓

(Max 4)

Amplitude:

- The difference between the total output between a peak and a trough ✓✓
- Measures the distance of the oscillation of a variable from the trend line ✓✓
- The intensity (height) of the upswing and downswing (contraction and expansion) in economic activity ✓✓
- A large amplitude during an upswing indicates strong underlying forces – which result in longer cycles ✓✓
- The larger the amplitude the more extreme the changes that may occur / extent of change ✓✓
- During the upswing inflation may increase from 5% to 10% (a 100% increase) ✓✓

(Max 4)

(8)

4.5 **Evaluate the impact of the depreciating rand on the South African economy.**

A depreciating rand will *positively* affect the South African economy in the following ways:

- exports will become relatively cheaper thus leading to increased demand for South African goods ✓✓
- Demand for South African exports such as base metals and mineral products will increase as they become relatively cheaper. ✓✓
- Foreign tourist arrivals will increase because it will be cheaper for them to spend money in South Africa. ✓✓
- Improvement in the trade balance as exports will be greater than imports. ✓✓

A depreciating rand will *negatively* affect the South African economy in the following ways:

- Imported production inputs such as crude oil and vehicle parts will become expensive, fuelling cost-push inflation. ✓✓
- Higher cost of imported production inputs will decrease domestic production and economic growth. ✓✓

(Accept any other correct relevant response)

(A maximum of 2 marks may be allocated for the mere listing of facts / examples)

(8)

[40]

TOTAL SECTION B: 80

SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK.

QUESTION 5: MACROECONOMICS

- **Discuss in detail the objectives of the public sector.** (26 marks)
- **How will public sector failure negatively influence economic stability in South Africa?** (10 marks)

INTRODUCTION

The government responds to market failure by establishing and maintaining state-owned enterprises to provide public goods and services ✓✓

(Accept any other correct relevant response) (Max 2)

BODY: MAIN PART

- **ECONOMIC GROWTH** ✓
 - An increase in the production of goods and services by the economy ✓✓
 - It is measured in terms of an increase in the real gross domestic product ✓✓
 - Real GDP is the value of goods produced in the country after the effects of inflation have been taken into account ✓✓
 - For economic development to occur, the economic growth rate must be higher than the population growth rate ✓✓
 - A high economic growth rate also means there will be fewer people who are dependent on the state to satisfy their basic needs ✓✓
 - The state tries to ensure that there is continual growth in this capacity because it leads to an improvement in the standard of living ✓✓

2. FULL EMPLOYMENT ✓

- Attaining high levels of employment is one of the most important economic objectives for all governments ✓✓
- Full employment means that all persons who would like to work and who are looking for work, should be able to find work or create work for themselves ✓✓
- The unemployment rate increased over the past few years and above 30% after Covid-19 pandemic. ✓✓
- Informal sector activities must be promoted because it is an area where employment increases ✓✓
- In the short-run, the state accelerates employment creation through direct employment schemes, targeted subsidies and expansionary macroeconomic packages ✓✓
- Over the medium term the state support labour-intensive activities in the agricultural and light manufacturing sectors ✓✓
- Over the longer run, as full employment is achieved, the state supports knowledge-intensive and capital-intensive sectors to remain competitive ✓✓

3. EXCHANGE RATE STABILITY / BALANCE OF PAYMENTS (BoP) EQUILIBRIUM ✓

- Depreciation and appreciation of a currency create uncertainty for producers and traders and should therefore be limited ✓✓
- Government uses its monetary and fiscal policies to ensure that the exchange rate remains relatively stable for as long as possible ✓✓
- BoP equilibrium influences the flow of goods, services and capital in a country ✓✓
- Exchange rate stability has a strong impact on the inflation rate and other macroeconomic variables ✓✓
- The choice and management of an exchange rate system forms a critical aspect of economic management to protect and encourage competitiveness, macroeconomic stability and growth ✓✓
- More money inflows into a country results in a surplus on the Balance of Payments account ✓✓
- The SARB changed the Exchange rate from a Managed floating to a Free-floating exchange rate. ✓✓
- Promoting domestic production will increase exports ✓✓

4. PRICE STABILITY ✓

- Market economies produce better results in terms of economic growth and employment when prices are relatively stable ✓✓
- In South Africa relative price stability means that the inflation rate remains within the inflation target of 3–6% ✓✓
- Interest Rates, based on the Repo Rate are the main instruments used to achieve price stability. ✓✓
- The benefit of the inflation target is a greater degree of transparency in monetary policy ✓✓
- If inflation exceeds the upper limit of the range, the Reserve Bank must consider increasing the interest rate to cool down the heated economy ✓✓

5. ECONOMIC EQUITY ✓

- A redistribution of income and wealth is essential in market economies ✓✓
- There are sections of society that earn a large amount of money while others earn very little ✓✓
- Progressive income tax and tax on profits, wealth and expenditure are used to finance free social services ✓✓
- Basic education, primary healthcare, basic economic services and cash grants to poor and other vulnerable people, will enhance economic equity ✓✓

(Accept any other correct relevant response)

(Max 26)

ADDITIONAL PART

The public sector failure impacts negatively on economic stability by:

- causing price instability which depress consumer spending ✓✓
- causing policy uncertainty which may reduce investors' confidence ✓✓
- increasing unemployment as the economy fails to create new job opportunities ✓✓
- discouraging exporters due to exchange rate instability ✓✓
- reducing the volume of exports which may increase the balance of payments (BOP) deficit ✓✓
- exposing the economy to a recession due to lack of real GDP growth ✓✓
- increasing the fiscal burden due to wastage of resources especially by parastatals ✓✓
- decreasing production of goods and services as parastatals/state-owned enterprises fail to supply key input services. ✓✓ e.g. energy and transport ✓
- increasing the cost of doing business in the economy as a result of inefficiencies ✓✓

(Accept any other correct relevant higher order response)

(Max 10)

CONCLUSION

The state plays a significant role in achieving the macroeconomic objectives by guiding the economy through the national budget ✓✓

(Accept any other correct relevant higher order conclusion)

(Max 2)

[40]

QUESTION 6: ECONOMIC PURSUITS**40 MARKS – 40 MINUTES**

- **Discuss the various economic indicators in detail.** (26 marks)
- **How did the COVID-19 pandemic negatively influence the South African economy?** (10 marks)

INTRODUCTION

Governments use different statistical data to predict economic trends and formulate suitable developmental strategies toward influencing the direction that the economy should take / Economic indicators are used to establish the performance of an economy in terms of the basic economic objectives ✓✓

(Accept any other relevant response)

(Max. 2)

BODY: MAIN PART**1. PRODUCTION INDICATORS_✓****Nominal GDP (at current / market prices) ✓**

- Nominal GDP cannot be used because the amount tends to be overestimated (inflation) ✓✓

Real GDP (at constant prices) ✓

- The growth performance of an economy is measured in terms of real GDP figures ✓✓
- Real GDP is obtained when the effect of inflation is removed from the data ✓✓
- When nominal growth is 8% and inflation is 3% then real growth is 5% ✓✓

Per capita real GDP ✓

- Per capita real GDP is calculated by dividing the real GDP figure by the total population ✓✓
- The purpose of per capita real GDP is to indicate economic development / indicate living standards / compare living standards between countries ✓✓

2. PRODUCTIVITY INDICATORS ✓**Labour productivity ✓**

- Watched most closely, particularly in relation to real wage increases ✓✓
- In South Africa productivity increased less than labour remuneration ✓✓
- Labour productivity is measured by dividing the real GDP by the number of workers employed ✓✓

Remuneration per worker ✓

- If productivity increases are lower than the real wage increases, inflationary pressures will occur ✓✓
 - The relationship between productivity and wages is crucial for employers survive in vigorous markets and workers to survive on their salaries. ✓✓
- (Accept analysis of other kind of productivity)

3. FOREIGN TRADE INDICATORS ✓**The terms of trade ✓**

- Changes in terms of trade serve as indicator of changes that may spill over into the balance of payments and may lead to a deficit ✓✓
- Terms of trade will deteriorate, if a greater volume of exports must be produced to keep export earnings constant ✓✓

The exchange rate ✓

- Changes in an exchange rate affect the prices for imports and prices of exports ✓✓
- A depreciation of the rand against the dollar will result in US goods and services becoming more expensive domestically and earnings from exports to the US increasing ✓✓

4. THE INFLATION RATE ✓

Inflation can be described as an increase in the general level of prices in an economy that is sustained over a period of time ✓✓

SARB aims to keep the inflation rate stable between 3 and 6% ✓✓

The following instruments measure inflation:

Consumer prices/CPI ✓

- This is the weighted average of the prices of a general basket of goods and services likely to be bought by consumers ✓✓

Production prices /PPI✓

- Measures prices of locally produced goods when they leave the factory and imported goods when they enter the country ✓✓
- Serves as an indicator to predict consumer inflation (CPI) ✓✓

5. EMPLOYMENT ✓**The economically active population (EAP / labour force) ✓**

- The official employment ages in South Africa are between 15 and 65 who are willing to work and it includes workers in the formal sector, informal sector, employers, self-employed persons and unemployed persons ✓✓

Employment rate ✓

- The number of employed persons expressed as percentage of the EAP gives the employment rate ✓✓
- The South African employment rate was 70,9% during 2019 and is not accompanied by a similar growth in employment numbers ✓✓

Unemployment rate ✓

- The unemployment rate is expressed as the percentage of unemployed persons out of the total number of people willing and able to work ✓✓
- In South Africa the official unemployment rate was 29,1 % in 2019 and is the most important cause of poverty ✓✓

6. MONEY SUPPLY ✓

- Money supply is of critical importance to give early warning of likely changes in inflation ✓✓
- South African Reserve Bank defines money in different categories: M1 - coins and notes; M2 - equal to M1 plus all short- and medium-term deposits; M3 - equal to M2 plus all long-term deposits of domestic private sector with monetary institutions ✓✓

7. INTEREST RATES ✓**Repo rate ✓**

- Repo rate: the rate at which South African Reserve Bank lends money to commercial banks ✓✓
- Interest rate is based on the repo rate; when repo rate changes interest rate also change ✓✓
(Max 26)

ADDITIONAL PART

The COVID-19 pandemic negatively influenced the South African economy by:

- shutting down industrial and business sectors, resulted in the reduction of production of non-essential goods and service ✓✓
- slowing down economic growth that increased unemployment / loss of income ✓✓
- restricting global trade, reduced the demand for South African products ✓✓
- contributing to more balance of payments problems as exports decreased ✓✓
- reducing mining and manufacturing productivity due to operational restrictions or scale-down. ✓✓
- restricting movement of people that reduced tourism activities domestically and internationally ✓✓
- reducing tax revenue for the government led to trade restrictions on non-essential products such as alcohol and tobacco. ✓✓
- decreasing real GDP growth with a possible recession in the economy as a result of the negative impact on production of goods and services. ✓✓

(Accept any other correct relevant response)

(Max 10)

CONCLUSION

The use of economic indicators is important, because analysts use the data to interpret current or future investment possibilities ✓✓

(Max 2) **[40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150