



NATIONAL SENIOR CERTIFICATE EXAMINATION  
SUPPLEMENTARY EXAMINATION – MARCH 2019

**ECONOMICS**

**EXAMINATION NUMBER**

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Time: 3 hours

300 marks

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**PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY**

1. This question paper consists of 32 pages. Please check that your question paper is complete.
2. Read the questions carefully.
3. All questions are **COMPULSORY**. Answer SIX questions as follows:  
ONE compulsory question from SECTION A;  
FOUR compulsory questions from SECTION B; and  
ONE compulsory question from SECTION C.
4. Answer ALL the questions in the spaces provided in this question paper.
5. Answer questions, where possible, point by point but in full sentences. A systematic presentation of facts is required.
6. It is in your best 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.

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**FOR OFFICE USE ONLY: MARKER TO ENTER MARKS**

Q1	Q2	Q3	Q4	Q5	Q6	TOTAL
50	50	50	50	50	50	/300

**SECTION A****QUESTION 1**

This question is **compulsory** and should be answered by ALL candidates.

**Select the correct alternative and mark its corresponding block with an 'X'.  
NO marks will be awarded if more than one answer per question has been selected.**

1.1 Which phase or point of the business cycle is associated with high interest rates?

A a depression

☐

B the peak

☐

C a recession

☐

D the trough

☐

(2)

1.2 National income will fall when:

A  $I + G + X > S + T + M$

☐

B  $T + S + M > G + I + X$

☐

C  $Y = C + I + G + (X - M)$

☐

D  $I + G + X > C + M + S$

☐

(2)

1.3 A tax system is regressive when ...

A the average tax rate is the same for all taxpayers.

☐

B people with high incomes pay a larger percentage of their income in tax than people with low incomes.

☐

C it takes a larger percentage of the income of low-income earners than of those with higher incomes.

☐

D a general tax is levied on each unit of the product.

☐

(2)

1.4 If the value of the rand to the US dollar changes from R12,07 to R11,85, it implies that the rand has ...

A devalued.

☐

B lost its value.

☐

C depreciated.

☐

D appreciated.

☐

(2)

1.5 Quotas, as a form of protectionism, will allow a government to ...

A control the quantity of imports into the country.

☐

B deliberately channel trade contracts to domestic firms.

☐

C assist its primary sector by subsidising its farmers.

☐

D tax foreign goods that enter the country.

☐

(2)

1.6 High unemployment, low economic growth and high price levels are characteristics of:

A hyperinflation

☐

B stagflation

☐

C deflation

☐

D disinflation

☐

(2)

1.7 In a perfect market ...

A access to markets is possible, but difficult.

☐

B there are many buyers but only one seller.

☐

C there are a few big role players that dominate the market.

☐

D no single firm can determine the price of goods and services.

☐

(2)

1.8 The Phillips curve indicates a trade-off between ...

- A unemployment and inflation. ☐
- B economic equality and uneven income distribution. ☐
- C a higher tax rate and a lower tax revenue. ☐
- D higher wages and unemployment. ☐ (2)

1.9 When the supply of dollars increases, the value of the rand will ...

- A fluctuate. ☐
- B stabilise. ☐
- C depreciate. ☐
- D appreciate. ☐ (2)

1.10 This is one of the negative consequences when maximum prices are imposed on certain goods and services:

- A an over-supply on the market ☐
- B job losses ☐
- C black-market activity ☐
- D high inflation ☐ (2)

1.11 Which combination accurately illustrates the consequences of high inflation?

	Winners	Losers
A	Creditors	Debtors
B	Fixed income earners	Holder of government bonds
C	Tax payers	Savers
D	Debtors	Creditors

(3)

1.12 A monopolist, in contrast to a perfect competitor, will produce ... price.

- A more and ask a higher ☐
- B less and ask a higher ☐
- C less and ask a lower ☐
- D more and ask a lower ☐ (3)

1.13 When government intervenes and decides to tax the production of a demerit good like tobacco, it does so because ...

- A it will effectively put a stop to tobacco usage. ☐
- B demerit goods have little impact on the business environment. ☐
- C tobacco is over-produced and over-consumed. ☐
- D it will increase the supply of tobacco. ☐ (3)

1.14 The "Brexit" refers to ...

- A the prospective separation of Scotland from the United Kingdom. ☐
- B the British exit from the Commonwealth. ☐
- C the United Kingdom adopting the euro in favour of the pound. ☐
- D the withdrawal of the United Kingdom from the European Union. ☐ (3)

Study the cost and revenue data for a perfectly competitive firm below and answer the question that follows.

**Table 1**

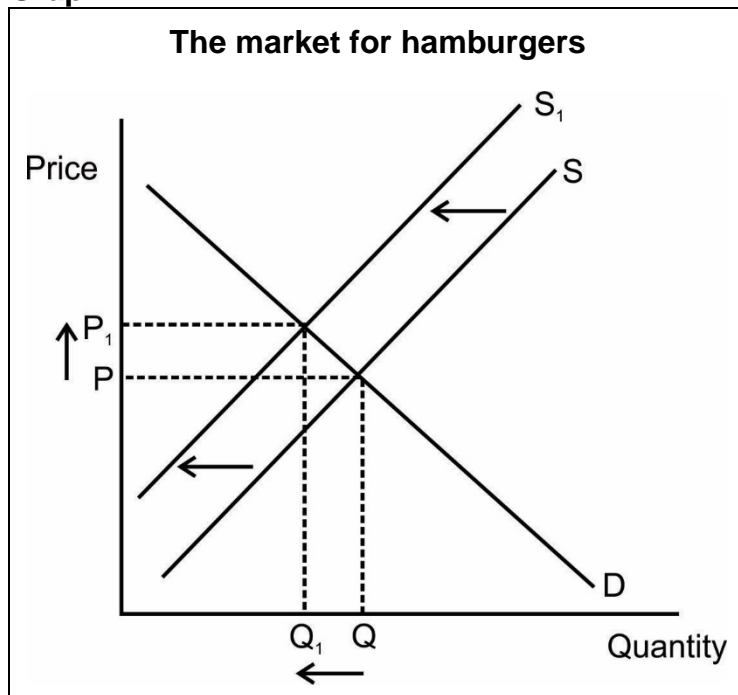
Output units	Price (rand)	Total revenue	Average revenue	Marginal revenue	Total cost	Average cost (rand)	Marginal cost (rand)
0	10	0	10	–	6	–	–
1	10	10	10	10	9	9	3
2	10	20	10	10	14	7	5
3	10	30	10	10	22	7,33	8
4	10	40	10	10	34	8,5	12
5	10	50	10	10	50	10	16
6	10	60	10	10	72	12	22
7	10	70	10	10	98	14	26

1.15 The firm above maximises its profits when ...

- A it produces less than 3 units of output. ☐
- B it produces 3 units of output. ☐
- C it produces 5 units of output. ☐
- D it produces more than 7 units of output. ☐ (3)

Study Graph 1 and answer the question that follows.

**Graph 1**



[Source: <investopedia.com>]

1.16 The shift in supply in the graph above is the result of ...

- A higher input prices of buns, meat and lettuce. ☐
- B more hamburger outlets that entered the market. ☐
- C advanced technology introduced in fast-food burger restaurants. ☐
- D fewer advertising campaigns promoting fast food. ☐

(3)

1.17 Which of the following is an indicator of economic development?

- A South Africa's real gross domestic product (GDP) growth rate was 2,0% in the third quarter of 2017. ☐
- B South Africa's M3 money supply is expected to show an upward trend throughout 2018. ☐
- C The GDP per capita in South Africa is expected to show a continuous increase. ☐
- D Forecasts expect the South African production sector to expand by 1,0% in 2018 and 1,3% in 2019. ☐

(3)

1.18 If the price of product A increases by 7% and the quantity demanded decreases by 16% ...

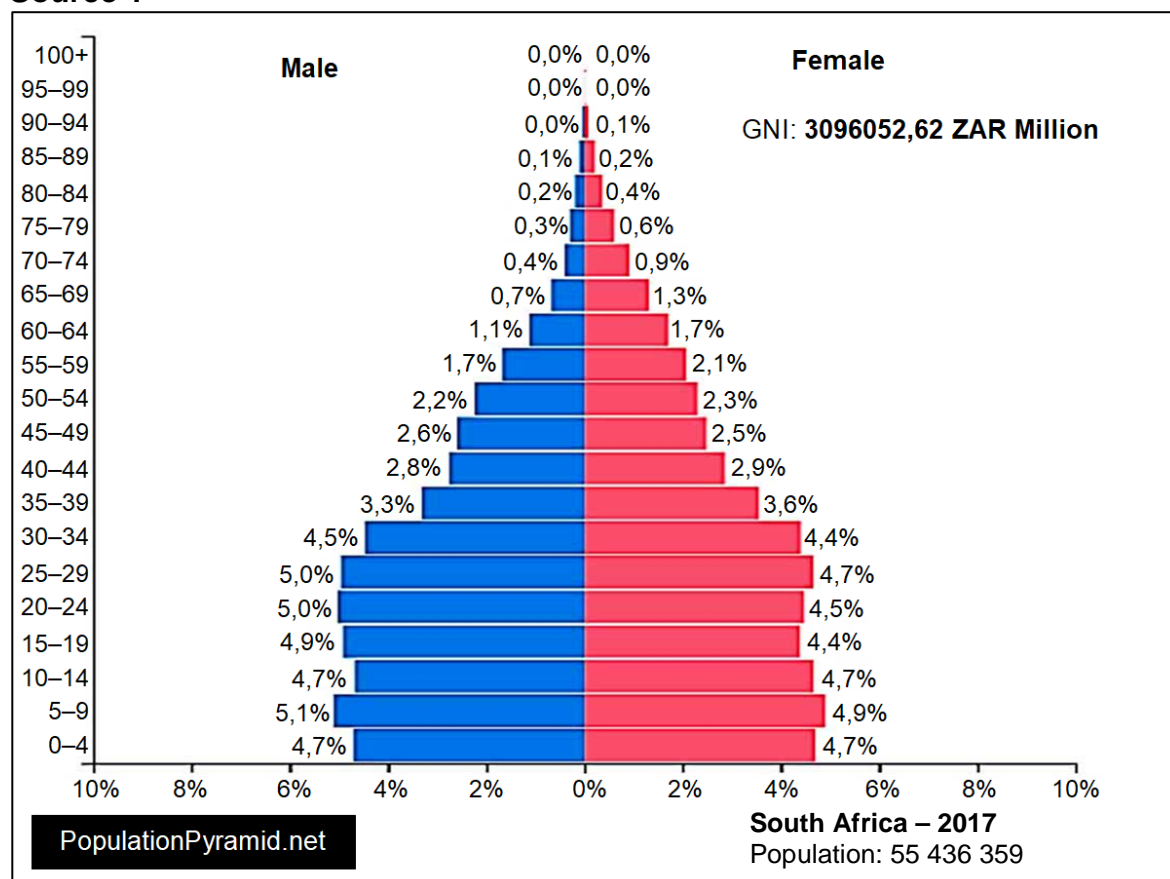
- A the price elasticity of demand is an inelastic 2,29.
- B the price elasticity of demand is an inelastic 0,43.
- C the price elasticity of demand is a unitary 22,9.
- D the price elasticity of demand is an elastic 2,29.

☐☐☐☐

(3)

Study Source 1 of the South African population pyramid below and answer Questions 1.19 and 1.20.

### Source 1



1.19 The potential implication of the abnormal population distribution in the above pyramid is ...

- A an increase in tax revenue.
- B a decrease in the demand for educational institutions.
- C a decrease in the economically active population.
- D an increase in life expectancy of the South African population.

☐☐☐☐

(3)

1.20 This is how the per capita income in South Africa will be determined:

- A the total population divided by the labour force
- B the number of unemployed divided by the labour force
- C GDP multiplied by the population
- D GNI divided by the population

☐☐☐☐

(3)

<b>50 marks</b>
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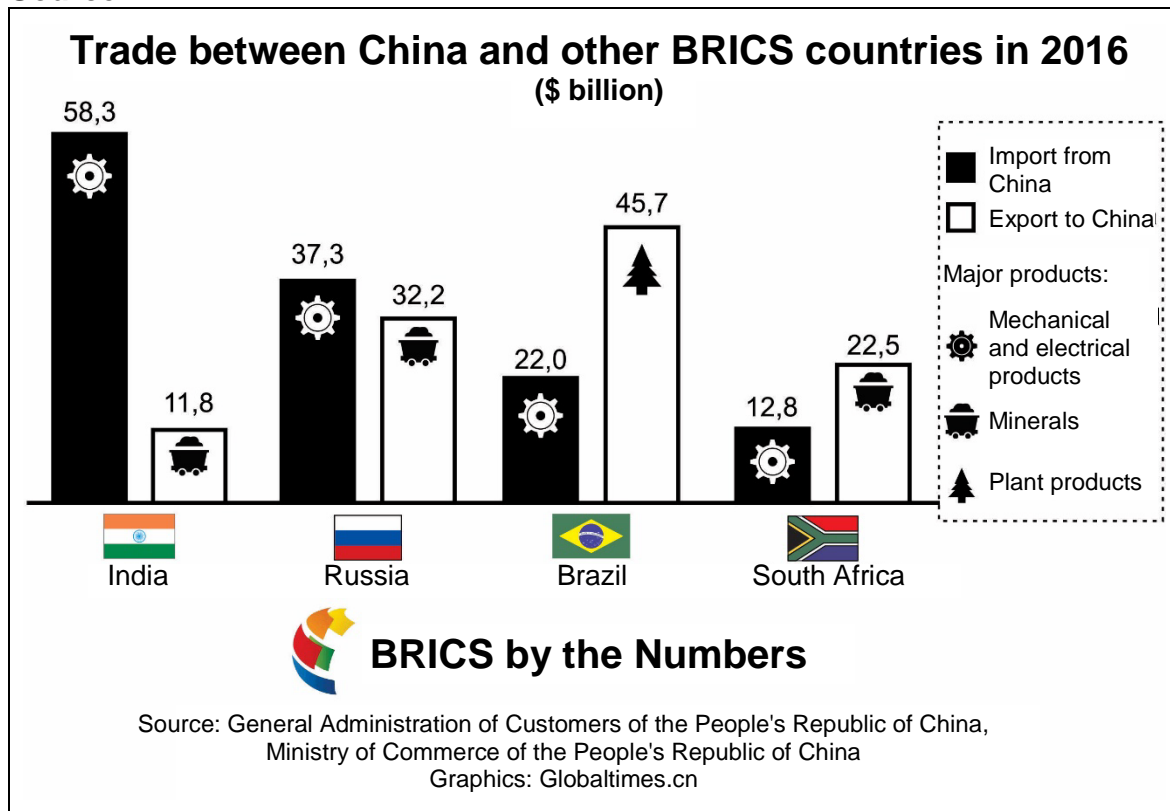


**SECTION B**

Answer all the questions in this section.

**QUESTION 2      MACRO ECONOMICS**

2.1 Study the image below and answer the questions that follow.

**Source 2**

[Source: <unicpress.com>]

2.1.1 Write down the names of the FOUR BRIC countries highlighted in Source 2 and indicate which currencies they use. (4)

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- 2.1.2 Based on Source 2, list TWO countries that will show a deficit in the Trade Balance of their Current Accounts. Explain your choice.

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(4)

- 2.1.3 Explain any TWO transactions in the Balance of Payment's Current Account (excluding imports and exports) that will cause an inflow of foreign currency into South Africa and name the accounts that these transactions will fall into.

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(6)

- 2.1.4 Refer to Source 2 above and evaluate the impact of the South African trade statistics on the country's trade balance, the value of the rand and future trade.

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(8)

2.2 Read the quotation below and answer the question that follows.

**"It is widely accepted nowadays that the most successful economies are those that have strong economic links with the rest of the world and are able to compete successfully in international markets."**

[Mohr, Fourie et.al. p. 369]

Explain FOUR reasons why countries across the world trade with one another.

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(8)

2.3 Study the cartoon below and answer the questions that follow.

### Cartoon 1



[Source: Mondodem.it]

2.3.1 Provide a brief explanation of the TWO types of trade depicted in Cartoon 1 above.

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(4)

2.3.2 Justify, using TWO reasons, why there are more customers in the free trade shop than in the protectionist shop.

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(4)

2.4 Read the newspaper headline below and answer the questions that follow.

**"Drought impact on Western Cape economy worse than anticipated – minister ... aggregate income after costs in the agriculture sector in the Western Cape is estimated to have declined by up to R5,9 bn."**

[Fin24 01/03/18]

2.4.1 The headline suggests a general decline in economic activity on the business cycle for the Western Cape. Briefly discuss whether the drought is an exogenous or endogenous cause of the business cycle of this province.

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(4)

2.4.2 Suggest and explain an effective economic policy that the South African government should consider to lessen the impact of the above-mentioned drought on the economy.

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(8)  
[50]

**QUESTION 3      MICRO ECONOMICS**

3.1 Read the newspaper headline below and answer the questions that follow.

**"Public enterprises played a big part in South Africa's credit ratings downgrade."**

[Mail & Guardian 5/4/17]

3.1.1 Explain what is meant by the term "public enterprises".

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(2)

3.1.2 Name TWO examples of South African public enterprises.

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(2)

3.1.3 According to the Mail & Guardian article, market failure in public enterprises is one of the main reasons why South Africa has been reduced to junk status in 2017 by two of the credit rating agencies.

Explain what is meant by the term "market failure" and use any one of South Africa's public enterprises as an example to demonstrate your understanding of the term.

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(4)

3.1.4 Name TWO of the credit ratings agencies that reviewed South Africa's credit rating status.

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(2)

3.1.5 Analyse why "junk status" is very negative for the South African economy.

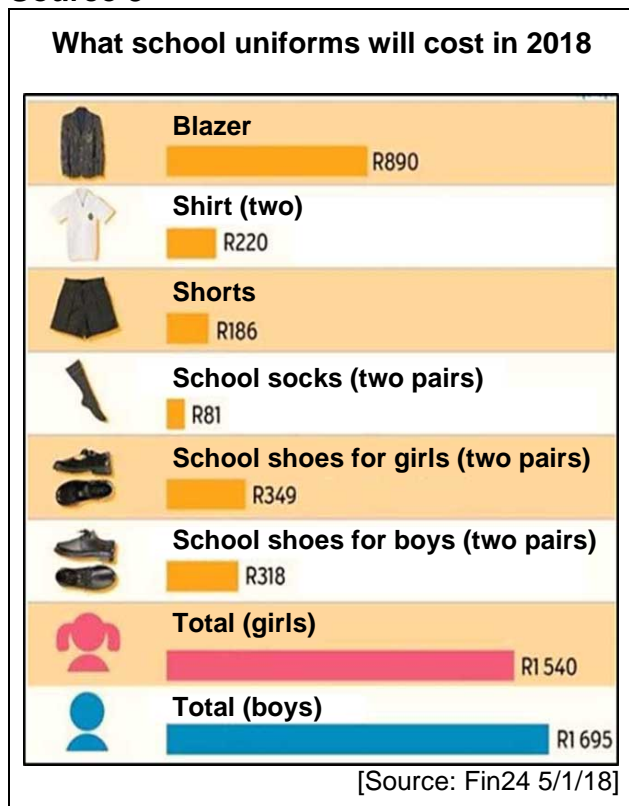
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(2)

3.2 Read the newspaper extracts and the infographic below and answer the questions that follow.

### Source 3



**"Why business cartels thrive in South Africa ... The school uniform cartel in South Africa is the latest industry to be exposed for anti-competitive behaviour. The Competition Commission released its findings on Monday, exposing widespread collusion across all levels in the R10 billion industry."**

[Mail & Guardian 11/1/18]

**The industry is essentially a money-making one. British research shows that the 145-year-old company, Trutex, supplies 1 000 schools and sells around 2,5 million garments each year. Do the maths. Here in South Africa the average uniform in a middle-income school costs around R9 000. If you have 400 learners buying uniforms, you're looking at a total of R3,6 million being spent on looking alike.**

[Mail & Guardian 28/1/11]

3.2.1 Explain what is meant by the term "cartel". In your answer, indicate to which specific imperfect market a cartel belongs.

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(4)

- 3.2.2 Justify how the school uniform cartel corresponds to THREE characteristics of the particular imperfect market you named in Question 3.2.1.

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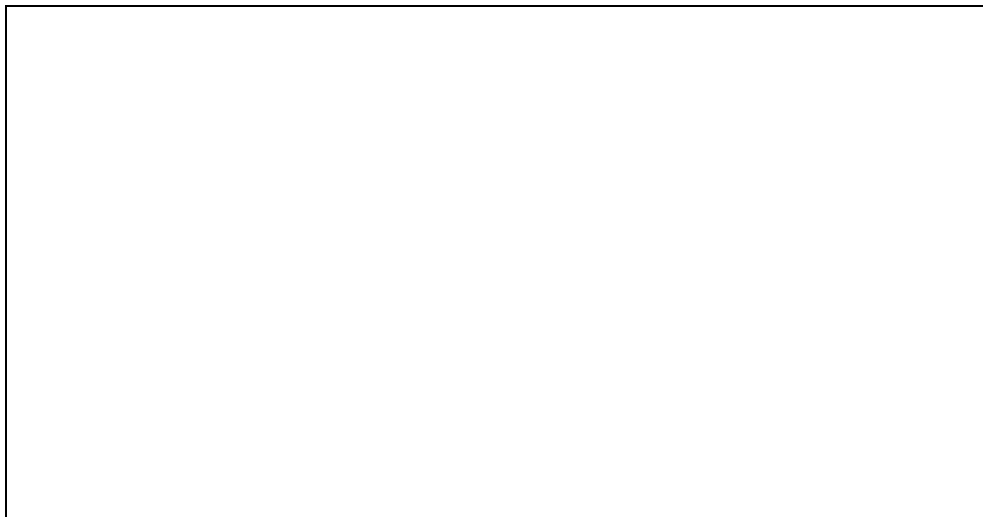
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(6)

- 3.2.3 Draw a graph to illustrate why imperfect markets result in market failure and provide an explanation to demonstrate your understanding of the graph.



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(7)



3.2.4 Explain TWO ways that the government can intervene to address the market failure that occurs in the school uniform industry.

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(4)

3.3 Read the headline below and answer the questions that follow.

**"Are school uniform prices coming down?"**

[Moneyweb 30/1/17]

3.3.1 Explain what is meant by the term "price elasticity of demand".

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(2)

3.3.2 Consider the headline above and evaluate whether the demand for school uniforms in South Africa is elastic or inelastic.

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(6)

3.3.3 Discuss any THREE factors that will influence the price elasticity of demand for school uniforms in South Africa. Use relevant examples to illustrate each factor.

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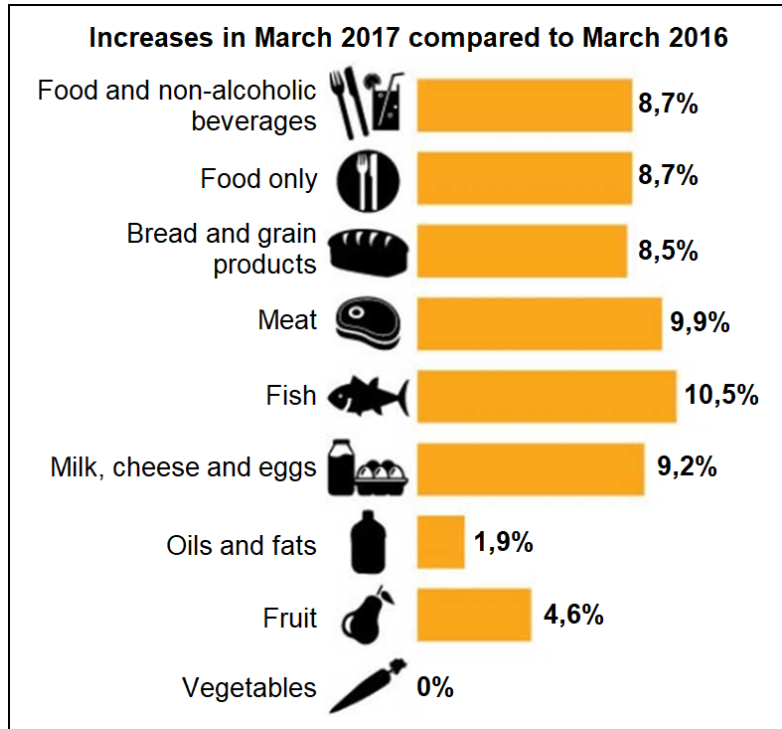
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(9)  
**[50]**

## QUESTION 4 CONTEMPORARY ECONOMIC ISSUES

- 4.1 Study the data on food price increases over one year and answer the questions that follow.

### Source 4



[Source: Fin24 19/4/17]

- 4.1.1 Define the economic term "inflation".

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(2)

- 4.1.2 Explain what is meant by South Africa's "inflation bracket".

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(4)

- 4.1.3 Study the information on price increases from 2016 to 2017 in Source 4 above and evaluate THREE consequences of inflation on the South African economy. Provide an example for each one of the consequences to demonstrate your understanding of the concepts.

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(9)

4.2 Read the newspaper extract below and answer the questions that follow.

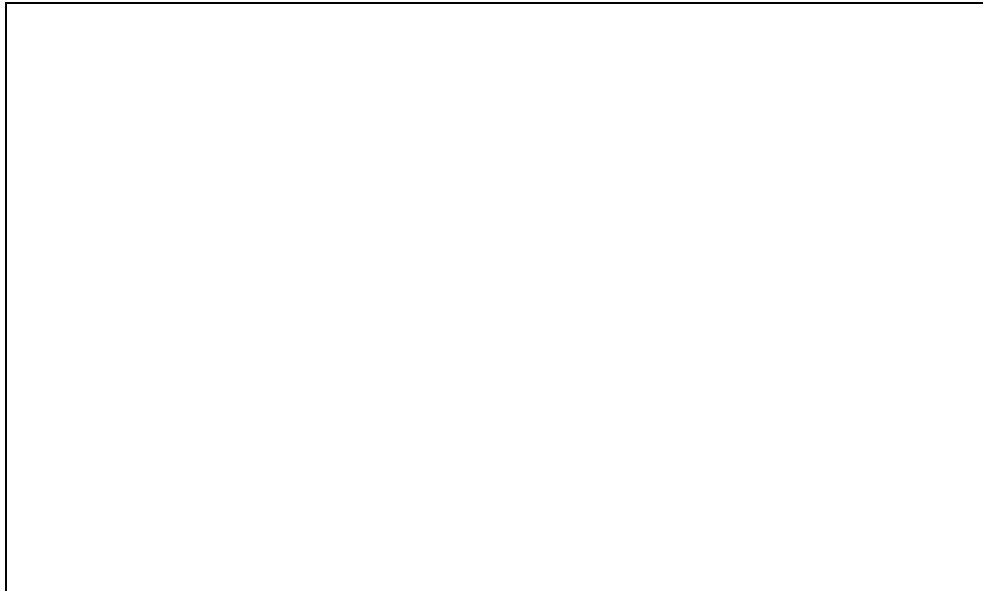
**"Government to introduce first national minimum wage in May ... this was a historic achievement that is expected to increase the earnings of more than six million working South Africans and improve the living conditions of households across the country."**

[Business Tech 16/2/18]

4.2.1 How much is the newly implemented minimum wage in South Africa?

(1)

4.2.2 Draw the minimum wage graph and analyse TWO disadvantages of this form of government intervention.



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(8)

- 4.2.3 Evaluate whether the intervention mentioned, i.e. the introduction of a national minimum wage, can be regarded as a demand-side approach that will lead to economic growth.

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(6)

- 4.3 Read the extracts from the national budget below and answer the questions that follow.

**"New taxes will be introduced to raise R36 bn. The lion's share of the coming year's additional tax of R36 bn will be generated by an increase from 14% to 15% in VAT, which will generate R22,9 bn."**

[Biznews 21/2/18]

- 4.3.1 Briefly discuss THREE ways in which the 1% increase in VAT will affect the South African economy.

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(6)

- 4.3.2 Budget 2018 introduced increases in various excise taxes. Explain what is meant by the term "excise tax" and provide TWO examples.

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(4)

- 4.3.3 Draw the Laffer curve to illustrate the danger of continuous tax increases and provide an explanation to demonstrate your understanding of the curve.



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(8)

- 4.3.4 According to City Press, the budget deficit is R195 billion. Explain what this means.

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(2)  
**[50]**

**QUESTION 5      MIXED QUESTIONS**

5.1 Read the newspaper extract below and answer the question that follows.

**"The National Development Plan: Five years on, are celebrations really in order? ... was the NDP always wildly unrealistic – or has government simply failed to implement it in a meaningful way?"**

[Daily Maverick 13/9/17]

List South Africa's five macroeconomic objectives and analyse whether you think each of these objectives, as stated in the NDP, has been achieved.



This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are no margins, text, or other markings on the paper.

(10)



5.2 Study the country comparison below and answer the questions that follow.

**Table 2: Country comparison: South Africa vs Nigeria**

		<b>South Africa</b> 	<b>Nigeria</b> 
GDP (\$)	2016	294 900 000	405 422 000
GDP per capita (\$)	2016	5 302	2 108
Debt (\$)	2016	152 509 000	71 405 000
Debt (%GDP)	2016	51,70%	17,61%
Unemployment rate	2016Q4	26,6%	7,2%
CPI	February 2018	3,8%	14,3%

[Adapted from: <countryeconomy.com>]

5.2.1 What currency will you use when visiting Nigeria?

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

5.2.2 Explain what is meant by the term "debt as a % of GDP".

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

5.2.3 Nigeria, similar to South Africa, is regarded as an emerging economy. Discuss TWO differences between an emerging economy and a developing economy.

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 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_ (4)

- 5.2.4 Use the statistics of any THREE economic indicators provided in Table 2 to evaluate the performance of the Nigerian and South African economies and to determine which one would be the better option for potential investors.

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(11)

- 5.2.5 Draw the Phillips curve and provide an explanation to demonstrate your understanding of the curve.



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(6)

5.3 Read the newspaper extract below and answer the questions that follow.

**"Some economists see the births of 11 000 Nigerians every day as new consumers feeding an engine of prosperity, but others fear they will create a crisis of poverty and unrest."**

[Naija247 News, 23/3/18]

5.3.1 It is estimated that Nigeria has a marginal propensity to consume (MPC) of 0,92. Explain what the concept MPC means and evaluate the impact of the current Nigerian MPC on that country's economy.

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(6)

5.3.2 Use Nigeria's current estimated MPC and determine the multiplier effect should the Nigerian government decide to invest \$200 billion into their economy. Show all calculations.

(7)

5.3.3 Identify TWO potential leakages that may, in future, decrease the Nigerian multiplier effect.

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(2)

[50]

**200 marks**

**SECTION C****QUESTION 6 DATA RESPONSE**

6.1 Study the national accounting data below and answer the questions that follow.

**Table 3**

	Billions of Rands
Subsidies on production	110
Consumption expenditure by households	1 684
Subsidies on products	113
Consumption expenditure by central government	672
Gross value added by primary sector	390
Gross capital formation	613
Net operating surpluses	920
Taxes on production	55
Gross fixed capital formation	622
Change in inventories	(9)
Exports	828
Gross value added by tertiary sector	1 705
Imports	833
Compensation of employees	2 198
Consumption of fixed capital	452
Taxes on products	372
Gross value added by secondary sector	610
Residual item	24

6.1.1 Use the data in Table 3 above to calculate GDP (gross domestic product) at market prices using the production method.

(4)

6.1.2 Use the data in Table 3 above to calculate GVA (gross value added) at basic prices using the income method.

(4)

- 6.1.3 Using the data in Table 3, calculate GDE (gross domestic expenditure) using the Expenditure Method.

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(4)

- 6.1.4 Explain how GDP is converted to GNP (gross national product).


(2)

- 6.1.5 Assume South Africa, Brazil and India all have a GDP that is greater than their GNI (gross national income).

Evaluate whether the citizens of these countries would be better or worse off as a result.


(4)

6.2 Read the quotation below and answer the question that follows.

**"In a world in which prices are changing it is essential to distinguish between nominal values and real values."**

[Mohr, Fourie et.al. p. 61]

In order to determine growth in economic activity, real values are used when GDP is measured from one period to the next. Explain why real, and not nominal, values are used.

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(2)

6.3 Study the table below and answer the questions that follow.

**Table 4**

GDP figures for economy A			
Year	Nominal GDP	Real GDP	CPI
2015	A	2 888 333	100
2016	3 812 366	B	104
2017	4 358 795	4 035 921	108

6.3.1 Calculate the values of A and B in Table 4.

(4)

6.3.2 Calculate the economic growth rate for 2017. Show all calculations.

(4)

6.4 Study the statistical data below and answer the questions that follow.

**Source 5**

**Exports in South Africa rose 12,0% month-on-month to ZAR 90,6 billion in February of 2018, while imports in South Africa declined 16,5% month-on-month to ZAR 90,2 billion in February of 2018, mainly due to lower purchases of machinery and electronics.**

[Source: Trading Economics]

**New car sales decreased from 31 323 in February 2017 to 31 200 in February 2018 while light commercial car sales decreased from 14 682 in February 2017 to 13 212 in February 2018.**

[Source: Naamsa]

**South Africa's real Gross Domestic Product in the third quarter of 2017 grew by 2,0%.**

[Source: Stats SA]

6.4.1 Categorise the statistical data in Source 5 under the headings: leading, lagging and coincident indicators.

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6.4.2 Briefly explain what leading, lagging and coincident indicators mean.

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(6)

