Province of the

EASTERN CAPE

EDUCATION

DIRECTORATE SENIOR CURRICULUM MANAGEMENT (SEN-FET)

HOME SCHOOLING SELF-STUDY WORKSSHEET

SUBJECT	**ECONOMICS**	**GRADE**	12	**DATE**	**26/08/2020**
TOPIC	**ECONOMIC PURSUITS**	**TERM 1 REVISION**		**TERM 3 CONTENT**	x

QUESTION 1 **40 MARKS – 40 MINUTES**

- Discuss the following economic indicators in detail:
  - Production (10 marks)
  - Foreign trade (8 marks)
  - Money supply (8 marks) (26 marks)
- How can productivity be used more effectively to benefit the South African economy? (10 marks)
  (DBE/Nov 2017) **[40]**

INTRODUCTION

Economic indicators are a statistical data on the performance and trends of economic variables usually over time √√

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

MAIN PART

Production

- An economy's productive capacity is the maximum output that is possible with its existing resources √√
- Economic growth is an increase in the productive capacity of an economy over a period of time √√
- An increase in the production of goods and services is a sign enough of economic growth because it indicates an increase in a country's capacity to produce √√

GDP (Gross Domestic Product) √

- This is the total value of all final goods and services produced within the borders of a country over a certain period of time √√
- Nominal GDP (GDP at current prices) - These are market prices and they give a nominal GDP value √√
- Market prices mean current prices and they imply the monetary value of goods and services √√
- Current prices are the basic value indicator used in the national accounts √√

Real GDP (GDP constant prices) √

- The growth performance of an economy is measured in terms of real GDP Figures √√
- Nominal GDP cannot be used because the amounts tend to be overestimated due price increases √√
- Real GDP- This is obtained when the effect of inflation is removed from the data, e.g. nominal growth is 8% and inflation is at 3% then real GDP is 5% √√

Per Capita real GDP √

- Per capita real GDP is calculated by dividing the real GDP figures by the total population √√
- It is used for the following three purposes:
  − To indicate economic development √√
  − To indicate living standards √√
  − To compare living standards √√
- Governments microeconomic policy aims at specific sectors and is involved in specific ways in which the business and consumers interacting all in order to bring about economic success √√ e.g. promoting economic growth, development, productivity and investment in the economy √
  (Max 10)

Foreign trade

International trade can be described as the exchange of goods and services between two or more countries √√

Exchange rate

- This can be <u>defined</u> as the price at which one currency is exchanged for that of another √√
- <u>Two methods</u> of calculating the exchange rate, the indirect and the direct method and most countries use the direct method √√
- Most countries have <u>a number of exchange rates</u>, similar to the rand and e.g. if the rand appreciates against the US dollar it may depreciate against the euro√√
- Changes in the exchange rates <u>affect the prices for imports</u> and the prices that are earned by exports √√
- E.g. the <u>depreciation</u> of the rand against the dollar will result in US goods becoming more expensive domestically and earnings from exports to the US increasing, although the volumes remain the same that would react in due course and the opposite will happen if the rand appreciates √√
- It is therefore very important for both importers and exporters to keep an eye on the <u>exchange rates with their trading partners</u> √√
- It is an important indicator for almost everyone in the country hence it affects both prices and availability √√

Terms of trade

- This is the ratio <u>between export and import prices</u> √√
- Although they only express prices, changes in them have quantity (volume) effects √√
- E.g. if terms of trade deteriorate a greater volume of exports have to be produced and sold to keep export earnings constant and to maintain the volume of imports √√
- The opposite happens if export prices increase and the terms of trade improve√√
- Changes in terms of trade serve as an indicator of changes that may spill over into the balance of payments e.g. if it deteriorate a deficit may follow and if it happens the currency may depreciate and vice versa √√ (Max 8)

Money supply

- The level of money supply in the economy is very important. The SARB uses interest rates (repo rate) as the most important monetary policy instrument to influence the money supply √√

- An undersupply of money in the economy will lead to a contraction in economic activities – therefore SARB will decrease the repo rate (interest rates) √√
- An increase in the supply of money (over-supply) without an increase in supply of goods and services will lead to an increase in the general price level (inflation) in the long run √√

The SARB considers the supply of money to include:

- M1 - This includes the coins and notes in circulation plus all demand deposits in the banking sector √√
- M2 - This is equal to M1 plus all other short term and medium term deposits in the banking sector √√
- M3 - This is equal to M2 plus all long term deposits in the banking Sector √√

(Max 8) (Allocate a maximum of 8 marks for the mere listing of facts/ examples) (Max 26)
(Accept any other correct relevant response)

ADDITIONAL PART

Productivity can be used more effectively to benefit the South African economy by:

- Focusing on the term productivity which explain the relationship between real output and one unit of factor input √√
- using productivity figures to <u>adapt wages levels of workers</u> / base the wage negotiations on the productivity of the workers√√
- using <u>relevant formulas</u> to measure productivity of workers on a regular basis e.g. divide real GDP by the number of workers employed for a number of years and to construct an index number for each year √√
- ensuring that an increase in labour productivity is above the increase in wage levels will <u>decrease inflationary pressure</u> due to higher production at lower unit costs √√
- regular availability and use of the relevant indicators will <u>benefit employers in decision making</u> √√
- <u>increasing competition in the markets</u> will lead to higher productivity levels of all four factors of production √√
- by <u>making students aware (work ethics)</u> of the effects of higher productivity might filter through into the workplace √√
- better utilisation of <u>improved technology</u> √ innovative usage of factory space √ investing creatively in scarce entrepreneurial abilities and competencies √√

(Allocate a maximum of 2 marks for the mere listing of facts/examples)
(Accept any other correct relevant response)
(A maximum of 4 marks can be allocated if productivity is discussed in a general way)

(Max 10)

(Max 26)

CONCLUSION

Consistent analysis of composite indicators can provide both government and business a clear sense of where the economy is going and plan for the future √√ (Max 2)
(Accept any other correct relevant higher order response) **[40]**