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GRADE 12

Economics

SELF STUDY GUIDE

BUSINESS CYCLES

basic education
Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

Second Chance Matric Support Programme

2030 NDP

NATIONAL EDUCATION COLLABORATION TRUST

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INTRODUCTION

The declaration of COVID-19 as a global pandemic by the World Health Organisation led to the disruption of effective teaching and learning in many schools in South Africa. The majority of learners in various grades spent less time in class due to the phased-in approach and rotational/ alternate attendance system that was implemented by various provinces. Consequently, the majority of schools were not able to complete all the relevant content designed for specific grades in accordance with the Curriculum and Assessment Policy Statements in most subjects.

As part of mitigating against the impact of COVID-19 on the current Grade 12, the Department of Basic Education (DBE) worked in collaboration with subject specialists from various Provincial Education Departments (PEDs) developed this Self-Study Guide. The Study Guide covers those topics, skills and concepts that are located in Grade 12, that are critical to lay the foundation for Grade 12. The main aim is to close the pre-existing content gaps in order to strengthen the mastery of subject knowledge in Grade 12. More importantly, the Study Guide will engender the attitudes in the learners to learning independently while mastering the core cross-cutting concepts.

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HOW TO USE THIS SELF STUDY GUIDE?

2.1 This Study Guide addresses content and offers strategies to understand the differen aspects of assessing Business Cycles in a step-by-step approach, with consolidation activities to conclude.

2.2 The explanations and activities are intended to supplement the work you may have covered in class or have gained from textbooks, and **it does not replace them.**

2.3 Activities proceed from the low-order, simple focused examples to middle-order with paragraph and graphical construction and interpretation and finally higher-order questions that require application of knowledge that may relate to current issues.

2.4 It is important to allocate sufficient time to:

- Carefully read the explanations provided; underline or highlight key concepts, difficult vocabulary, important data, and relevant data.
- Underline key concepts within the question and ensure that correct interpretation is done before attempting the question.
- Practice the skill of drawing graphs dealt with in the Business Cycles.

2.5 Attempt the activities on your own; make constant reference to the explanatory notes but avoid referring to the suggested answers before attempting to answer an activity.

2.6 Compare your answers to the suggested answers and do your corrections in a different colour-ink pen. Note that you will learn more by discovering your weaknesses (when you get things wrong) and trying to understand why your thinking was out of line with what was expected.

2.7 The activities provided may not be sufficient to perfect your skills. Always refer to similar questions from past examination papers for this purpose. Repetitive practice is always valuable.

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MACRO ECONOMICS
BUSINESS CYCLES

Outcome

- Analysis and explanation of business cycles, and how they are used in forecasting.
- Know the types of business cycles and what happens in the economy over a few years.
- Understanding the different phases of a business cycle can help individuals make lifestyle decisions, investors make financial decisions and government make appropriate policy decisions.

The composition and features of business cycles

Key concepts

Term	Description
Business Cycle	Successive periods of increasing and decreasing economic activity / a time series showing repeated increasing and decreasing economic activity/ the recurrent (not periodic) pattern of expansion and contraction in the level of economic activity. Business cycle refers to the changes in the economy that produces a cyclical pattern that repeats itself every three to five years. It is also known as the economic cycle.
Recovery	When GDP begins to increase following a contraction and a trough in the business cycle; an economy is considered in recovery until real GDP returns to its long-run potential level.
Prosperity	Increased output and excessive economic activities following the recovery / economic growth rate on a year - to -year basis is positive, at an increasing rate.
Expansion	A period between the trough and peak including both recovery and prosperity.
Recession	A negative economic growth for at least two successive quarters/ a decline in economic activity lasting more than a few months.
Depression	Continuous decrease in the production output and economic activities.
Contraction	A period between the peak and trough including both recession and depression.
Peak	The highest point between the end of an economic expansion (end of prosperity) and the start of a contraction (start of recession).
Boom	The period immediately before and through the upper turning point is known as the boom.
Trough	The lowest point between the end of an economic contraction (end of depression) and the start of a expansion (start of recovery).
Real business cycle	An actual business cycle is obtained when the effects of irregular events, seasons and long-term growth trend are removed from the time series data.

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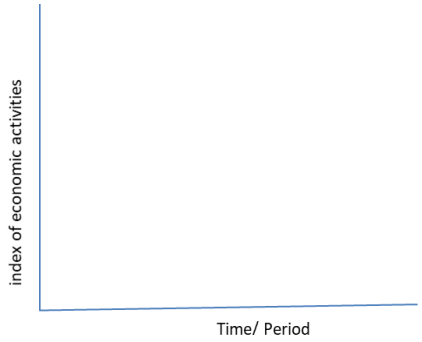
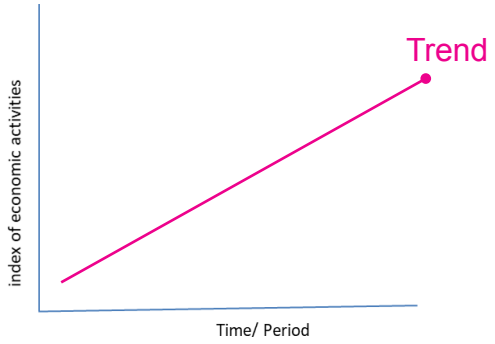
How to draw a business cycle diagram

https://youtu.be/TXrOpjG4dUs

- Remember to show a complete cycle with your wave – like pattern (2 periods and 2 turning points
- **Step 1 Drawing of the axes - a vertical line that represents the economic activities and a horizontal line that represent the time**

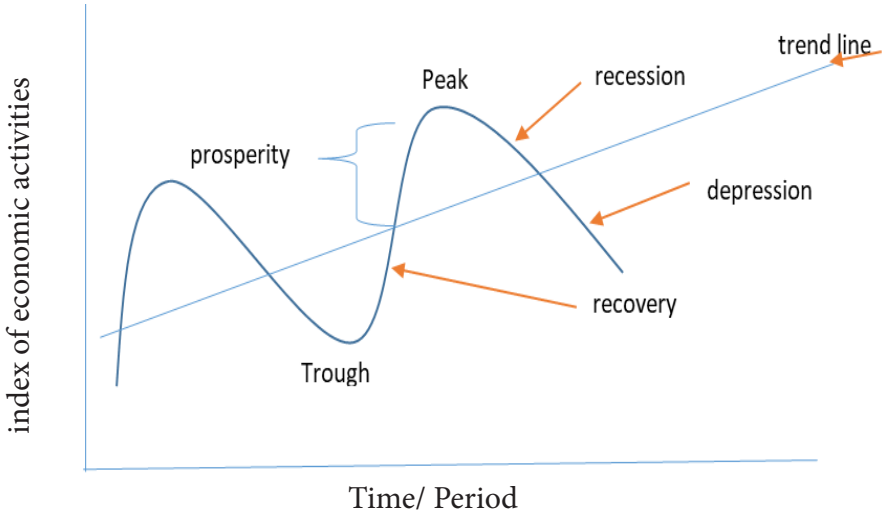


Step 2 Trend line - draw a line from the left point to the right of the graph



Step 3 Draw the 'wave – like' pattern around the trend line – illustrating the four phases and the turning points

See diagram below:



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Characteristics of the phases, points and periods of a business cycle

Recovery phase

- Recovery phase is an improvement in economic activity that occurs immediately after a trough.
- An increase in production output occurs.
- Unemployment decreases as consumers gain confidence in economic growth.
- The increased employment leads to rise in income.
- An economy is considered in recovery until real GDP returns to its long-run potential level.

Prosperity phase

- Businesses and consumers have gained confidence in the economy.
- A sustained increase in the production process is evident.
- Employment levels are at highest, wages and salaries rise and spending increases.
- The demand for goods and services rises.
- The high demand of goods and services will cause a rise in the inflation rate.

Recession phase

- A negative economic growth for at least two successive quarters occurs immediately after the peak.
- The high prices hike of goods and services discourage consumer demand.
- Production output will decline due to high interest rate.
- The demand for credit due to increased interest rates will fall.
- Unemployment rate will rise due to retrenchment.
- There is a decline in the economic activity and growth.

Depression phase

- Continuous decrease in the production output and economic activity leading to a shutdown of most economic activities.
- There is negative impact on investment spending.
- It occurs when a sustained decline in economic growth is evident.
- Unemployment rate is extremely high.
- Most businesses become bankrupt and down scale or close.
- A drastic decline in luxury consumer goods and services.

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The Boom

- The period immediately before and through the upper turning point is known as the boom.

Two turning points of business cycle

Peak

- Is the highest turning point of the business cycle.
- Production of goods and services are at the highest output level.
- Employment is also at a maximum level.
- The high demand of goods and services cause a price hike.
- An increase in inflation occurs because of increasing prices.

Trough

- This is lowest point of the business cycle at the end of the contraction period.
- Income levels are at the lowest due to high job losses.
- Low levels of investments by firms.
- Households use most of their savings to provide necessities.

Periods of business cycle

The expansion periods

- A period that consists of the recovery and prosperity phases (expansion = recovery + prosperity).
- It is the upswing in economic activities from trough to peak.
- Expansion is an upward sustained growth in the economic activities that lead to the increase in the gross domestic product (GDP).
- During this period, the economy experiences sustained growth.

The contraction periods

- A period that consists of both the recession and the depression phases (contraction = recession + depression).
- It is a downswing from peak to trough.
- It shows a rapid decrease in the production activities in the economy.
- There is a decline in employment and decrease in the gross domestic product (GDP).

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Summary of the South African business cycle context

THE DYNAMICS OF THE SOUTH AFRICAN BUSINESS CYCLE			
Phases	**Stage of the business cycle**	**Phases**	**Stage of the business cycle**
Depression	Latter stages of the downswing • Business sentiment is depressed • Low demand for credit • Interest rates are low • Surplus on the current account of the balance of payments • Property market is depressed • Share prices start increasing • Eventually a trough is reached	**Prosperity**	Latter stages of the upswing • High utilisation of production capacity • Higher demand and prices for capital goods • Inflation increases • Deficit on the current account of the balance of payments • Share prices lose momentum • High demand for credit • Property prices rise • Interest rates increase • Eventually a peak is reached
Trigger or activate	Exports increase (e.g. because of increased overseas demand or an increase in the gold price)		
Phase	**Early stages of an upswing**	**Phase**	**Early stages of a downswing**
Recovery	• Exports grow • Manufacturing production increases • Inventories decrease • Interest rates fall further • Rand depreciates • Inflation decreases • Current account is still in a surplus	**Recession**	• Rand depreciates • Inflation increases • Interest rates increase • Property prices are still high • Unplanned increase in inventories • Manufacturing production falls rapidly • Surplus on the current account of the balance of payments Demand for credit starts falling

Source: Mohr & Fourie (2011:537).

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Real / actual business cycle

- An actual business cycle is obtained when the effects of irregular events (such as the COVID-19 pandemic), seasons and long-term growth trend are removed from the time series data.
- **Real business cycle**s have periods of increasing and decreasing economic activity **within** business cycles (as you go up, there are some elements of going down).
- This means there are cycles within cycles.
- It is not a smooth rise or decline.
- These periodic fluctuations are not shown in the typical business cycle graph discussed earlier because the curve has been smoothened.

The graph below shows South Africa's recent real business cycle

Figure 1.2.5: South Africa's Real Business Cycle

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Box 1 Did the national lockdown distort the composite leading business cycle indicator?

The composite leading business cycle indicator for South Africa, as compiled by the South African Reserve Bank (SARB),[1] is intended to anticipate changes in the direction of aggregate economic activity. This composite leading indicator has a proven track record of shifting direction in advance of a change in the business cycle.[2] Since 1960, turning points in this indicator have occurred, on average, 7 months in advance of business cycle troughs and 13 months in advance of business cycle peaks.[3]

The focus of this box is on the impact of the coronavirus disease 2019 (COVID-19) pandemic, through the national lockdown restrictions, on 2 of the 11 component time series[4] of the leading indicator which displayed counter-intuitive movements. These indicators are the real M1 money supply[5] and the interest rate spread.[6] However, these distortions were not visible in the composite leading business cycle indicator, which attests to the robustness of combining a number of individual leading economic indicators that measure different economic processes in a composite indicator.

The COVID-19 shock to the economy distorted the conventional cyclical behaviour of money supply, and during the lockdown, growth in the real M1 money supply accelerated markedly from March 2020, despite the sharp contraction in real economic activity in the second quarter of the year. Strong growth in notes and coin in circulation outside the monetary sector as well as in cheque, transmission and other demand deposits of the domestic private sector with the monetary sector initially reflected consumers' inability to purchase non-essential goods and services. Later on, it reflected both households and companies' continued cautiousness given the uncertainty surrounding COVID-19 as well as expectations of severe job losses and an extended period of weak demand. In addition, support measures such as payment holidays offered by banks as well as enhanced social grant and Unemployment Insurance Fund (UIF) payments also contributed to the increase in real M1 money supply.

Adapted from SARB QB December 2020

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ACTIVITY 1

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question numbers (1.1.1 to 1.1.2) in the ANSWER BOOK, e.g., 1.1.9 D

1.1.1 A period when there is a general increase in economic activities is known as a(n)…

A. downswing
B. upswing
C. depression
D. recession

1.1.2 The point where economic contraction is at its lowest is called a …

A. trough
B. peak
C. length
D. trend

1.1.3 Employment figures in the business cycle will increase during a …

A. recession
B. recovery
C. depression
D. trough

1.1.4 During an economic recession … will increase

A. employment
B. production
C. spending
D. unemployment

(4x2) (8)

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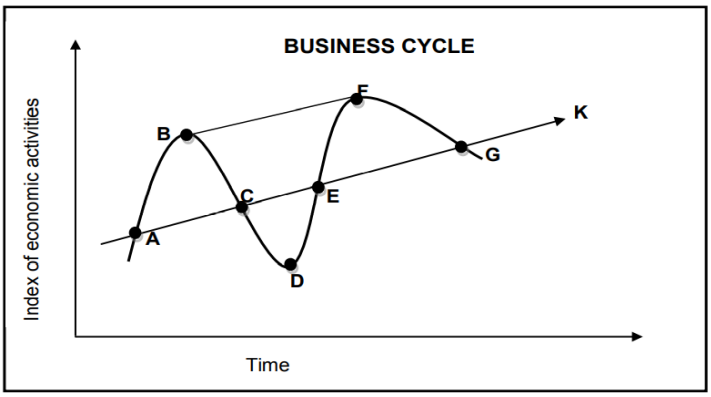
1.2 Study the diagram below and answer questions that follow.



1.2.1 Identify the letter that represent the trend line in the illustration above. (1)

1.2.2 Which letter represents a trough in the diagram above? (1)

1.2.3 Briefly describe the term *business cycle.* (2)

1.2.4 Explain economic activity during phase EF in the business cycle. (2)

1.2.5 How can the length of business cycles be used in forecasting? (4)

(10)

Explanations/causes of business cycles

Key concepts

Concepts	Description
Exogenous factors	Factors outside the market system of demand and supply that lead to the occurrence of business cycles.
Endogenous factors	Factors originating within the market system that lead to the occurrence of business cycles.
Monetarist approach	A school of thought which believes that controlling the supply of money directly influences inflation and that by fighting inflation with the supply of money, they can influence interest rates in the future. Monetarist economics theory was formulated by Milton Friedman. Monetarist economics involves the control of money in the economy.
Keynesian approach	A school of thought which believes the economy is best controlled by manipulating the demand for goods and services. Keynesian economics theory was formulated by John Maynard Keynes The terminology of demand-side economics is synonymous with Keynesian economics.

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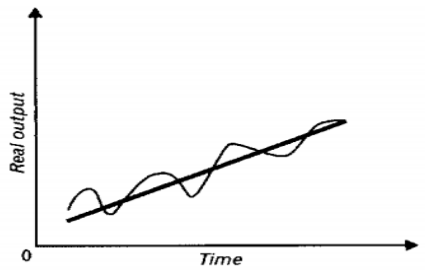
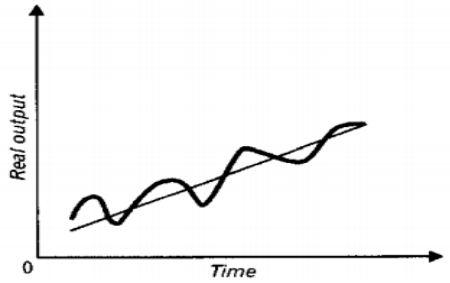
Two explanations/ causes of a Business Cycle are discussed and compared.

Exogenous / Monetarist explanations	Endogenous/Keynesian explanations
Originate from **outside** the free market system/ economy.	Originate from **within** the market system/ economy.
External forces cause expansions and contractions.	Forces **within** the market system cause expansions and contractions.
Examples of external forces; natural disasters, technological innovations, government intervention, random shocks like COVID-19 global pandemic, wars and fuel price increases, changes in money supply, changes in the contribution of sectors to the economy (structural changes).	**Examples of internal (forces within)**: shortcomings in how markets operate (different markets not working together), price mechanism failing to bring together demand and supply, prices which are difficult to bring down.
Believe that markets are inherently (naturally) **stable.**  A **Refer to the graph above:** The straight bold line **(AB)** indicates the natural growth of the economy which is inherently stable. The fluctuations around it are a result of external forces.	Believe that markets are inherently **unstable.**  B **Refer to the graph above**: The **potential** growth path is indicated by the straight thin black line. The cyclical bold line around the thin black line indicates the **real** path of the economy which is unstable.
Believe that the government **should not intervene** in how markets operate.	Believe that the government **should intervene** (by using government policies) to smooth out the business cycles.

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Types of business cycles

- Business cycles are different from each other.
- The differences can be seen in aspects like the time frames, length and amplitude (see discussion on features underpinning forecasting)

Four types of business cycles are explained below:

1. Kitchin Cycle

- Last from 3 -5 years
- Occur as businesses adapt their inventory levels
- Shortest business cycle

2. Jugler cycle

- Last 7 – 11 years
- Caused by large investments of businesses and government.

3. Kuznets cycles

- Last 15 - 25 years
- Caused by changes in the building and construction industries.
- Also called building cycles

4. Kondratieff Cycles

- Last 50 years and longer
- Caused by technological innovation, wars, construction of new roads and discoveries of new deposits, e.g gold

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Activity 2

2.1 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A–E) next to the question numbers (2.1.1 to 2.1.4) in the ANSWER BOOK

COLUMN A		COLUMN B	
2.1.1	Jugler	A	Last 50 years and longer
2.1.2	Kondratieff	B	Also called kinetics
2.1.3	Kitchin	C	Last 15 -25 years
2.1.4	Kuznets	D	Shortest cycle
		E	Caused by large investments of businesses and government

(4X1) (4)

2.2 Name any Two types of Business Cycles (2)

2.3 Explain the Monetarist explanations in business cycles (8)

2.2 Explain the exogenous causes of business cycles (8)

Government policy

Key concepts

Concept	Description
Monetary policy	The policy of the central bank regarding the money supply and interest rate of a country to influence economic activity.
Expansionary monetary policy	Helps speed up the economy/ increase economic growth by cutting interest rates.
Contractionary monetary policy	Helps to slow down a growing economy by increasing money supply in the economy.
Repurchase rate (repo rate)	Interest rate that the Reserve Bank charges financial banks.
Prime lending rate	The interest rate that commercial banks charge their most creditworthy customers, generally large corporations. It is linked to the repo rate.
Fiscal policy	The policy of how the government's budget is used to raise money(taxation) and spend money(expenditure) to influence economic activity.
Expansionary fiscal policy	Increasing government spending and decreasing taxes to stimulate the economy.
Contractionary monetary policy	Decreasing government expenditure and increasing taxes to slow down a growing economy.
Taxes	Compulsory payments made to the government by businesses and households.

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Government expenditure	Includes all government consumption, investment, and transfer payments.
Inflation	The sustained increase in the general price level of goods and services in the economy.
Economic growth	An increase in the productive capacity of a country. An increase in the goods and services produced in a country.

- Government applies policies to ensure the economy is more stable.
- The primary aim of government policies with business cycles is to achieve the best possible growth rates.

Monetary and fiscal policies are the main government policies used to achieve possible growth rates.

Monetary policy

Monetary policy refers to the actions undertaken by Reserve Bank to control money supply and achieve sustainable economic growth.

- The Reserve Bank regulates the supply of money by influencing its costs.
- The governor of the Reserve Bank implements the monetary policy.
- Five instruments are used.

Instruments used by the Reserve Bank

Interest rates

- Interest rates are based on the repurchase rate.
- The Reserve bank will cut/decrease the interest rate during a recession or depression.
- This is referred to as expansionary monetary policy.
- This helps to stimulate the economy by making it less expensive to borrow while increasing the money supply.
- If the economy is growing too rapidly during prosperity, the Reserve bank can implement a contractionary monetary policy.
- Higher interest rates are charged causing people to have less money to spend.
- Expenditure and demand will decrease, and the economy will be dampened.

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Open market transaction

- Involves buying and selling of government securities and other certain securities in the open market by SARB.

- Purchases inject money in the banking system increasing the amount of money available for credit.
- When the SARB wants to limit the supply of money in circulation, it sells securities to the banks.

Cash Reserve Requirements

- The SARB sets a minimum amount of reserve funds that commercial banks must keep as cash.
- These may be lowered or raised to control money supply and availability of credit.
- Lowering reserve requirements allows more bank lending during prosperity to dampen the economy.
- The SARB will raise the reserve requirement percentage when they want to limit the amount of money in circulation – during recession to stimulate the economy.

Moral persuasion/ suasion

- SARB convinces commercial banks to be more careful when lending money to their clients.
- Banks are persuaded to lend less during prosperity and more in times of recession.

Fiscal policy

Fiscal policy is the use of government revenue collection and expenditure to influence a country's economy to grow.

- This involves decisions by the state relating to **taxation** and **government spending** to achieve full employment, economic growth, price stability and economic equity. The Minister of Finance implements the fiscal policy.
- The government's budget summarises the fiscal policy.
- The government adjusts the taxes and its expenditure to influence the demand and supply of goods and services.
- An expansionary fiscal policy will be implemented when the economy is in a recession to stimulate it.
    - An increase in government expenditure serves as an injection into the economy. Aggregate demand will increase as production increases.
    - Taxes can be reduced, which will lead to an increase in disposable income and eventually an increase in aggregate demand.

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- A contractionary/restrictive fiscal policy will be implemented when the economy grows too fast to curb the growing economic activity.
    - A decrease in government expenditure will decrease aggregate demand.
    - Taxes can be increased which will decrease disposable income.

The new economic paradigm

Key concepts

Concepts	Description
Economic paradigm	A basic principle that describes how an economy works or should work. A paradigm is a perspective or set of ideas. It is a way of viewing a condition e.g., the economy
New economic paradigm	Refers to government policies designed to ensure a high rate of economic growth without having supply limitations and price inflation.
Unemployment	Occurs when a person who is actively searching for employment is unable to find work. Is often used as a measure of the wealth of the economy.
Phillips Curve	Illustrates the relationship between unemployment and inflation
Demand-side policies	Attempts to increase or decrease aggregate demand to affect output, employment, and inflation.
Supply-side policies	Policies aimed at increasing aggregate supply (AS).
Aggregate demand (AD)	It is the total spending on goods and services in the economy. AD = C+I+G+(X-M)
Aggregate supply (AS)	Aggregate Supply (AS) is the total quantity of goods and services supplied at every price level. It is the total value of goods and services produced in the economy in a given period.

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Government can use monetary and fiscal policies to smooth out the business cycle

The new economic paradigm

- Theories that explain the causes of business cycles are only true under specific circumstances.
- Governments need to apply policies that will prevent peaks ending with inflation or troughs that end with unemployment.
- The new economic paradigm in terms of the smoothing of business cycles encourages achieving stability through sound, long term decisions relating to demand and supply in the economy.
- The new economic paradigm refers to government policies designed to ensure a high rate of economic growth without having supply limitations and price inflation.
- This new way of thinking (new economic paradigm) lies in demand – side and supply side policies.

Demand-side policies

- Monetary and fiscal policies focus on aggregate demand.
- Demand side policy is relying on aggregate demand only.
- The aggregate demand is created by households, businesses, and the government (C + G + I).
- Demand side policy does not render ideal results on its own i.e. sustained growth without supply limitations and price inflation.
- Growth is often cut short because of all sorts of bottle necks that develop in the economy. Examples of bottlenecks such as, inflation, balance of payment deficits, and shortages of skilled labour, etc.
- Figure 1 shows what happens when only focusing on the demand side policies which rely on aggregate demand

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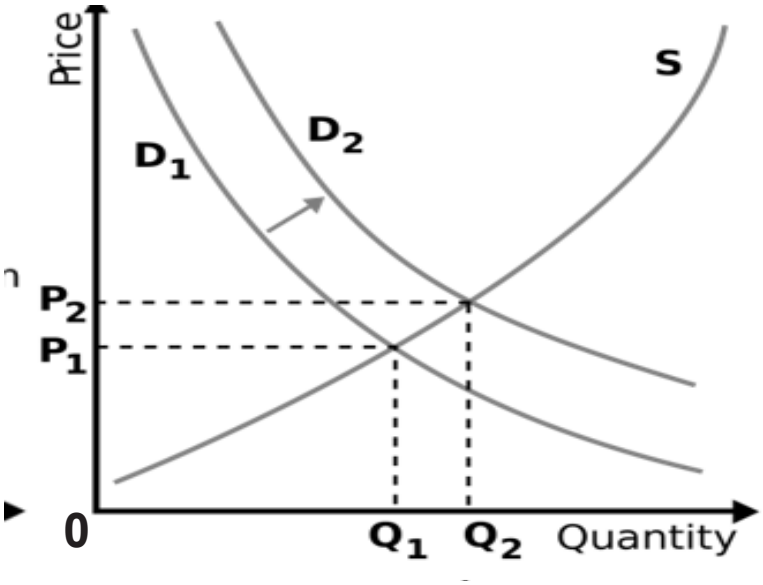

Figure 1: Demand- side policy without an increase in supply

- When demand increase (from D1 – D2) the quantity increases from Q1 to Q2.
- The quantity increase is a desired result, but supply did not increase
- Supply is often said to be 'sticky' (fixed) in the short-term)
- The shifting of demand from D1 to D2 resulted in a price increase from P1 to P2.
- This leads to inflation – an undesired result.
- It is clear that Aggregate Supply also needed to be managed.
- If the cost of increasing production is flexible; a greater real production output can be supplied at any given price level.

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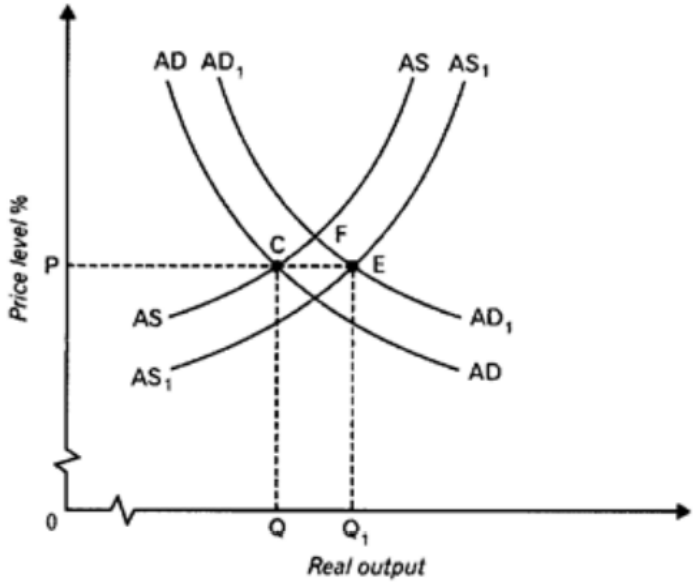

Figure 2: effect of demand-side and supply-side policies

- At Point C, Aggregate Demand (AD) and Aggregate Supply (AS) are in equilibrium.
- When Aggregate Demand (AD) increases in the economy, it shifts the Demand curve (AD) to the right (AD1).
- If the Aggregate Supply curve responds promptly and increase, the Aggregate Supply (AS) shifts to the right to AS1.
- At Point E the new equilibrium is formed
- At point E, a larger production output becomes available (Q – Q1), without any price increases.
- This occurs over the long-term – because aggregate Supply adjust easier over long-term.
- Over the short-term, when Aggregate Demand (AD) increase, it shifts to the right (AD1) and when Aggregate Supply (AS) remains unchanged, the AD1 intersect the AS at point F.
- At Point F a new equilibrium is formed.
- At Point F real production increase but the price also increases.
- Inflation occurs.
- To solve this problem, a situation must be created where supply is more flexible.

Unemployment

- Demand-side policies are effective in stimulating economic growth.
- The demand for labour will increase due to economic growth, and that leads to reduced unemployment.
- A decrease in unemployment results in an increase in inflation because more people are employed, which causes an increase in demand for labour.
- This relationship between unemployment and inflation can be illustrated by the Phillips curve.

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Phillips graph

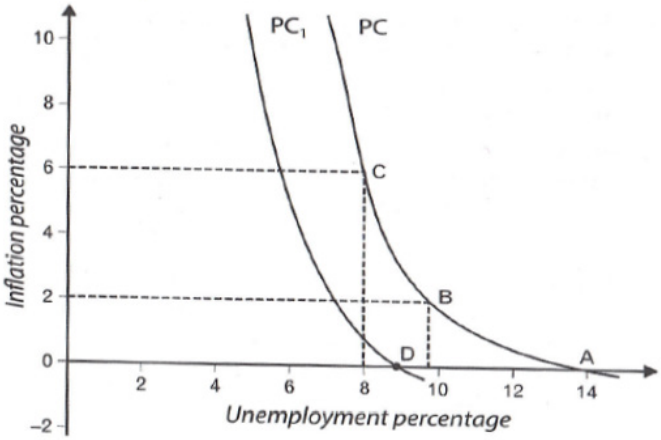

Figure 3: Phillips's curve

- The **Phillips curve** shows the inverse relationship between rates of unemployment and corresponding rates of inflation in an economy.
- Stated simply, as unemployment decreases in an economy, inflation increases.
- The PC curve shows the initial situation. A is the point of intersection of the PC curve with the x-axis. It shows the **natural rate of unemployment**, which is 14% in the graph above.
- This is the rate of unemployment that causes no pressure on wages and has no inflationary effects – inflation is at 0%.
- A movement left from Point A to Point B (if the economy is stimulated) will cause a decrease in unemployment (increase in employment) and an increase in inflation (unemployment decreases from 14% to 10% and inflation increases from 0% to 2%).
- If economic growth occurs and it causes a decrease in unemployment to 10%, it means the more people will get a job.

- If unemployment falls to C for instance, 8%, inflation caused by wage increases is at 6%.
- If unemployment increases from C to B to A, inflation falls from 6% to 2% to 0%.
- **There is an inverse relationship between unemployment and inflation.**
- The government decides the amount of unemployment they will accept for less inflation.
- Supply side measures can be used to shift the PC curve to PC1.
- Improved education
- Effective training
- Fewer restrictions on migration of skilled labour
- If the PC curve shifts to the left (PC1), the natural level of unemployment will decrease from 14% to 9%.
- The supply measures help reduce unemployment (from14%-9%) while keeping inflation low at 0%.

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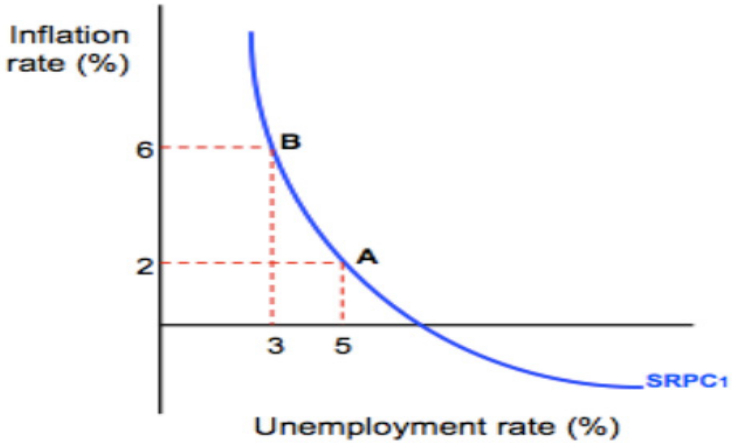
Activity 3

3.1 Study the graph below and answer the questions that follow.



Source google.com

3.1.1 Provide a name for the graph given above. (1)

3.1.2 What is the original natural rate of unemployment in the graph above? (1)

3.1.3 Briefly describe the term *new economic paradigm* (2)

3.1.4 Explain how the government can use its fiscal policy to speed up the recovery of an economy (2)

3.1.5 Redraw the graph to show the impact of supply side policies in the economy (4)

3.2.1 Write the acronym SARB in full. (1)

3.2.2 What type of monetary policy should SARB implement to prevent a trough in the business cycle? (1)

3.2.3 Briefly describe the term recovery (2)

3.2.4 Explain the negative impact of COVID-19 in the manufacturing sector. (2)

3.2.5 How can the SARB prevent further recessions in the economy? (2X2) (4)

3.3 With the aid of a graph, explain the effect of demand-side and supply-side policies in smoothing out business cycles. (8)

Supply-side policies

The supply-side policies focus on aggregate supply of the producers. For example, when the cost of production is reduced, producers can supply more goods & services.

- Reduction of production costs by providing subsidies to businesses.
- Cash incentives such as decrease tax to produce certain goods and services.
- Infrastructural services – the government can supply infrastructure services such as transport, communication, and energy.
- Administrative costs – government can reduce administrative costs such as inspections and unnecessary regulations.
- Improving the efficiency of inputs
- Capital consumption - more production capacity through decreased taxes.

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- Human resources development - better trained staff (SETAS).
- Free advisory services - technical advice from expensive expert sources.
- Improving the efficiency of markets.
- Deregulation – no government intervention by the removal of rules and regulations.
- Competition – create a competitive environment by developing new enterprises (SMMEs).
- Private state-owned enterprises (SOEs) to increase competition.

Features underpinning forecasting about business cycle

Concepts	Description
Leading indicators	Indicators that change before the economy changes e.g., Job advertising space, commodity prices, manufacturing orders
Co-incident indicators	Indicators that change at the same time as the economy e.g., value of wholesale, retail and new vehicle sales, volume of imports
Lagging indicators	Indicators that change only after the economy has changed. e.g., unemployment rate, number of commercial vehicles sold, real investment in machinery and equipment
Composite indicators	It is a grouping of various indicators of the same type into a single value. e.g., gender equity
Trend	Economic indicator that showing the **general direction** in which the economy is moving
Length	The length of the business cycle is measured from **peak to peak** or **trough to trough.**
Amplitude	Measures the **distance** of the variable from the **trend line**
Extrapolation	A technique used to predict/estimate the unknown from the known facts or experiences
Moving averages	Is a method of repeatedly calculating a series of different average values along a time series to smooth out the business cycle
Qualitative methods	Forecasting based on intuitive judgement, own opinions, market research and subjective probability estimates
Quantitative method	Forecasting based on mathematical models, statistics and historical time series data
Time series	Frequency of **data** – daily, weekly, monthly, quarterly or annually

Forecasting of business cycles

Leading indicators

- The turning points of these variables tend to always lead the reference turning points.
- It gives a warning of what we can expect in the future, economists use them to forecast turning points in the economy.
- Examples: net gold & foreign reserves, volume of mining production, total number of new cars sold, share prices, number of new businesses registered and real exports.

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Lagging indicators

- These variables tend to always lag with the reference turning points.
- They indicate what has already happened in the economy.
- Examples: the hours worked in construction, employment, the number of commercial vehicles sold and investment in capital goods (machinery & equipment).

Coincident Indicators

- The turning points of these variables tend to always coincide with the reference turning points.
- They provide information about the current situation of the economy.

Examples: the real GDP, registered unemployment, volume of imports and the volume of manufacturing production.

Composite Indicators

- It is a grouping of various indicators of the same type into a single value.
- The single figure forms the norm for a country's economic performance.

Trend line

- It is the general direction of the economy.
- The trend line that rises gradually will be positively sloped in the long run.
- The rising line indicates a growing economy.

Length

- The length is measured from peak to peak or trough to trough.
- Longer cycles show strength and shorter cycles show weakening regarding the economic activities.

Amplitude

- Measures the distance of the variable from the trend line.
- Amplitude is the vertical (height) difference between a trough and the next peak in the cycle.
- A larger amplitude means more extreme changes that occur in cycle.

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Extrapolation

- A technique used to predict/estimate the unknown from the known facts or experiences.
- Extrapolation is to estimate something unknown from facts that are known.
- The extrapolation from known facts is used to predict future share prices.

Moving averages

- Moving averages are used to analyse the changes in a series of data over a certain period of time.

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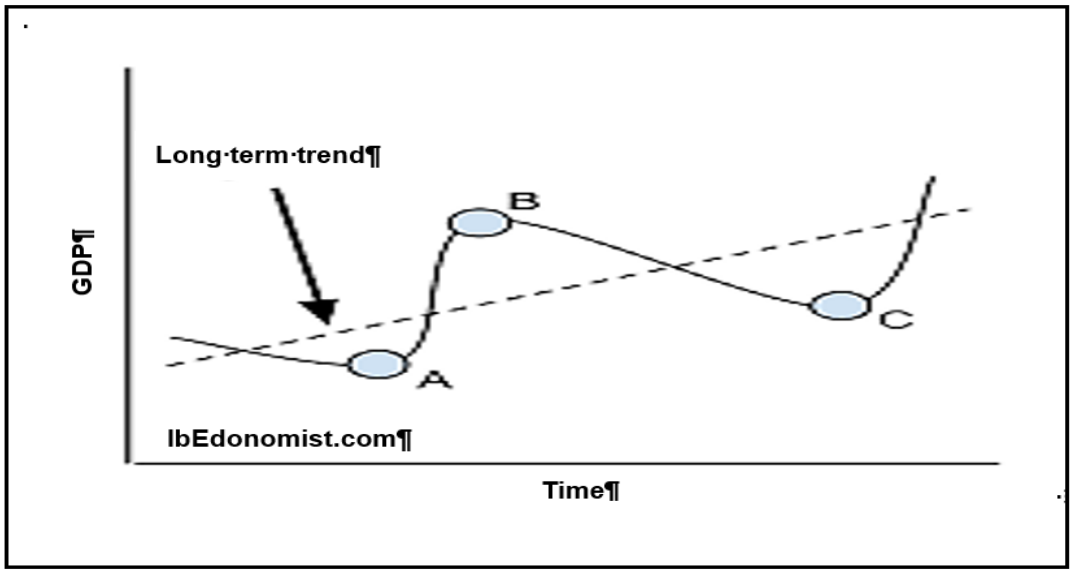
Activity 4

4.1 Study the graph below and answer the questions that follow.



4.1.1 Identify the point marked 'C' in the graph above.

(1)

4.1.2 Which feature underpinning forecasting is represented by AC?

(1)

4.1.3 Briefly describe the term *business cycle*.

(2)

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Activity 5

5.1 Briefly describe the term Extrapolation. (2)

5.2 Briefly describe the term amplitude. (2)

5.3 How accurate are leading indicators? (2)

5.4 Discuss the trend line in the forecasting of business cycles. (8)

5.5 Briefly discuss lagging indicators as a feature underpinning forecasting. (4 x 2)(8)

5.6 Distinguish between the amplitude and trend line as features underpinning forecasting (4 x 2)(8)

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1.1

1.1.1 B ✓✓Upswing

1.1.2 A ✓✓ Trough

1.1.3 B ✓✓Recovery

1.1.4 D ✓✓ Unemployment

1.2

1.2.1 Identify the letter that represent the trend line in the illustration above. (1)

K✓

1.2.2 Which letter represents a trough in the diagram above? (1)

D✓

1.2.3 Briefly describe the term *business cycle* (2)

- Successive periods of increasing and decreasing economic activity / a time series showing repeated increasing and decreasing economic activity/ the recurrent (not periodic) pattern of expansion and contraction in the level of economic activity. ✓✓

(Accept any other relevant, correct response)

1.2.4 Explain economic activity during phase EF in the business cycle. (2)

- Economy is growing and improving rapidly.✓✓
- More businesses open up and employment increase✓✓
- Higher demand and higher prices for capital goods✓✓
- Firms make higher profits and household salaries increase✓✓

1.2.5 How can the length of business cycles be used in forecasting? (4)

- The length is remains relatively stable and can be used to forecast the next cycle with similar length✓✓
- If a business cycle has 13 years, it can be predicted that 12 years will pass between successive peaks or trough, or it can take 6 years for an economy to pass through a trough ✓✓
- Longer cycles show strength which will indicate that the next cycle will also be strong✓✓

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2.4 Explain the Monetarist explanations in business cycles (8)

- Refer to those independent factors that can influence business cycles and originate outside the economy✓✓
- Some economists believe that business cycles are caused by exogenous factors such as those described below ✓✓
- The monetarists believe markets are inherently stable✓✓
- Disequilibrium is caused by incorrect use of policies, e.g. monetary policy ✓✓
- Governments should not intervene in the market ✓✓
- Sunspot theory based on the belief that increased solar radiation causes changes in weather conditions ✓✓
- Weather conditions, technological changes and shocks cause upswings and downswings ✓✓

(Accept any other correct relevant response)

A maximum of 1 mark for examples

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ACTIVITY 3

3.1 DATA RESPONSE

3.1.1 Provide a name for the graph given above.

- Phillips Curve ✓ (1)

3.1.2 What is the original natural rate of unemployment in the graph above?

- 14% ✓ (1)

3.1.3 Briefly describe the term *new economic paradigm*

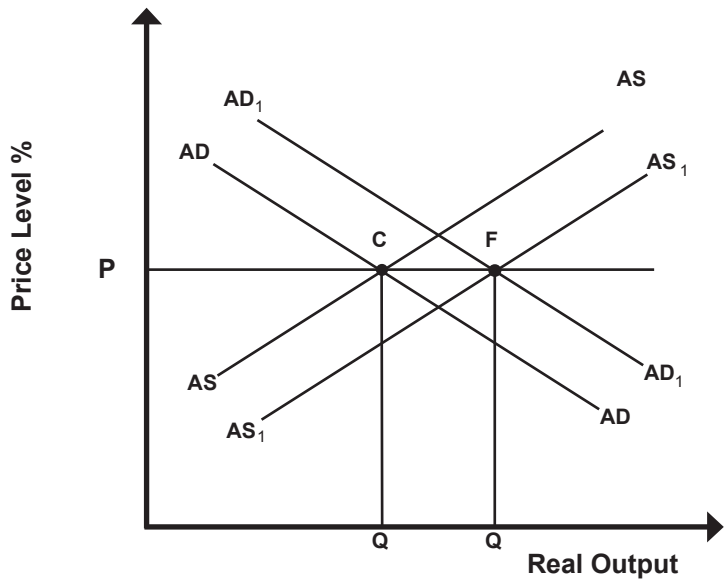
- The new economic paradigm refers to government policies designed to ensure a high rate of economic growth without having supply constraints and price infation. ✓✓
  (Accept any other correct relevant response) (2)

3.1.4 Explain how the government can use its fiscal policy to speed up the recovery of an economy

Government can speed up the recovery of the economy by:

- reducing taxes ✓which will give consumers and companies more money to spend on goods and services and for companies to expand theri production capacity.✓
- increasing government spending ✓ whiich will increase aggregate expenditure and demand and thus stimulate economic activity and employment. ✓
- increasing government spending and simultaneously decreasing taxes ✓✓
  (Accept any other correct relevant response) (Any 1 x 2) (2)

3.1.5 Redraw the graph to show the impact of supply side policies in the economy (4)



Labelling of axes =	1
AD moving to the right =	1
AS moving to thr right =	1
Correct sloping of curves =	1
mark each Equillibrium point =	1
Max 4 Marks	

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3.2.1 **Write the acronym SARB in full.** (1)

- South African Reserve Bank✓

3.2.2 **What type of monetary policy should SARB implement to prevent a trough in the business cycle?**

- Expansionary monetary policy✓

3.2.3 **Briefly describe the term *recovery.*** (2)

- Sustained level of increase in economic activity which occurs after a trough✓✓

(Accept any other correct relevant response)

3.2.4 **Explain the negative impact of COVID-19 in the manufacturing sector**. (2)

- COVID-19 led to a total shutdown of the economic activities ✓✓

(Accept any other correct relevant response)

3.2.5 **How can the SARB prevent further recessions in the economy?** (2x2) (4)

The SARB can prevent the recessions by:

- Adjusting the repo rate downwards which will lead to lower interest rates✓✓
- Decreasing cash reserve requirements to make more money available in the banks, for loans✓✓
- Buying securities in the open market (open market transactions) ✓✓
- Stabilising the exchange rates to increase the money supply✓✓

3.3 **How can South Africa's fiscal policy contribute to a higher economic growth rate?** (8)

- Increasing government spending to encourage economic activity directly from the private sector. ✓✓
- Transferring funds to individuals who may then spend that money to buy goods and services. ✓✓
- Decreasing tax revenue to encourage economic activity which increases individuals' disposable income. ✓✓
- The disposable income will increase demand for consumer goods and services. ✓✓
- The increase in demand for goods and services leads to decreased unemployment. ✓✓
- The expansionary fiscal policy can be beneficial when the economy is in recession. ✓✓

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Activity 4

4.1.1 Identify the point marked 'C' in the graph above

- Trough✓ (1)

4.1.2 Which feature underpinning forecasting is represented by AC?

- Length✓ (1)

4.1.3 Briefly describe the term *business cycle*

- Successive periods of increasing and decreasing economic activity / a time series showing repeated increasing and decreasing economic activity/ the recurrent (not periodic) pattern of expansion and contraction in the level of economic activity✓✓ (2)

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Activity 5

Briefly describe the term *Extrapolation*

Extrapolation means to estimate something unknown from the facts and information that is known using past data, where predictions are made about the future based on assumptions related to trends.✓✓ (2X1) (2)

5.2 Briefly describe the term *amplitude*

It is the difference between the value of total output between peak and trough measured from the trend line to the peak and trough ✓✓

(2X1) (2)

How accurate are leading indicators?

(2)

Leading indicators often face trade-offs between accuracy, precision and lead time in predicting future events ✓✓

Looking at several leading indicators in conjunction with other types of data can help provide information about the future health an economy. ✓✓

1.1 Discuss the trend line in the forecasting of business cycles.

- It represents the average position of a cycle. ✓✓
- Indicates the general direction in which the economy is moving. ✓✓
- An upward trend suggest that the economy is growing. ✓✓
- Trend line usually has a positive slope, because production capacity increases over time. ✓✓

(Accept any other relevant answer) (4x 2) (8)

5.5 Briefly discuss lagging indicators as a feature underpinning

Forecasting

(4 x 2) (8)

- Lagging follow immediately after the coincident indicators ✓✓
- Serve to confirm the behaviour of the coincident indicators ✓✓
- If it does not confirm the upswing or downswing, for instance, it signals that the upswing or downswing is weak. ✓✓
- A weak downswing will most likely end at an early stage ✓✓
- Change direction after reference turning points in the business cycle has been reached✓✓
- Confirm changes that were first indicated by the leading indicators and then the coincident indicators ✓✓
- Provide an advance signal of a turning point in the business cycle✓✓
- First to reflect imbalances that intensify (increase) or subsidise (decrease) in the economy ✓✓
- Influence of movements on subsequent movements in the leading indicators help explain the view that one business cycle generates the next one. ✓✓ (4 x 2) (8)

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5.6 Distinguish between the amplitude and trend line as features underpinning forecasting

(4 x 2) (8)

Amplitude

- The power of the underlying forces such as interest rates, exports, or consumer spending ✓✓
- A large amplitude during upswing demonstrates strong underlying forces ✓✓
- The duration of a cycle with a large amplitude is usually longer than one with a smaller amplitude ✓✓
- The extent of change – the larger the amplitude the more extreme the changes that may occur ✓✓
- During an upswing unemployment may decrease from 20% to 10% (a decrease of 50%) inflation may increase from 3% to 6% (by 100%) or a surplus on the current account (of the balance of payments) can change from surplus to a deficit ✓✓

Trend line:

- The trend line that rises gradually will be positively sloped in the long run, the rising line indicates a growing economy✓✓
- The trend indicates the general direction in which indexes that were used in the business cycle move ✓✓
- The trend will change when the time series data change their behaviour patterns of the past ✓✓
- Some forces have to be overcome for the time series data to change their behaviour patterns of the past, e.g. Resistance points and Channels✓✓
- (Accept any other relevant facts response)

(Any 2 x 4) (8)

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Activity 6

Discuss in the new economic paradigm in detail. (26 marks)

Evaluate the use of tax cuts as a means to stimulate the economy. (10 marks)

[40]

INTRODUCTION

The "new economic paradigm" discourages policy makers from using monetary and fiscal policies to fine-tune the economy, but rather encourages achieving stability through sound long-term policy decisions relating to demand and supply in an economy.✓✓
(Accept any other relevant introduction) (Max 2)

MAIN PART
DEMAND-SIDE POLICIES

Demand-side policies refers to measures undertaken by the government to influence the aggregate demand in the economy. ✓✓ The government uses monetary and fiscal policy to achieve this goal. ✓✓ When households, firms and government spend more, aggregate demand in the economy increases. ✓✓ This makes the economy grow but can lead to inflation. ✓✓

Inflation ✓

- Aggregate demand increases more quickly than aggregate supply and this causes prices to increase. ✓✓
- When the supply does not react to the increase in demand, prices will increase. ✓✓
- This will lead to inflation (a sustained and considerable increase in the general price level). ✓✓

Unemployment ✓

- Demand-side policies are effective in stimulating economic growth. ✓✓
- Economic growth can lead to an increase in the demand for labour. ✓✓
- More people will be employed, and unemployment will decrease. ✓✓
- When unemployment decreases inflation is likely to increase. ✓✓

SUPPLY-SIDE POLICIES

Supply-side policies refer to any measures undertaken by government to influence the level of aggregate supply in the economy. ✓✓ Government might try to stimulate aggregate supply by reducing the cost of production or improving the efficiency of inputs. ✓✓

Reduction of costs of production ✓

- Reducing the cost of production means that a greater output can be supplied at any given price level. ✓✓
- Governments can roll out measures that can reduce the cost of production of businesses directly or indirectly. ✓✓

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- E.g. provision of infrastructural services, efficient administration, less red tape and no corruption. ✓✓
- Infrastructural services ✓ – transport, communication, water, and energy costs often result in substantial costs to businesses. ✓✓
- Government can make a significant contribution if charges are reasonable, and services are efficient seen that all these services are under government control in South Africa. ✓✓
- Administrative costs ✓ – inspections, reports on the application of various laws, regulations and by-laws, tax returns etc. adds to production costs. ✓✓
- Decrease administrative costs (red tape) can make businesses more efficient. ✓✓
- Cash incentives ✓ – subsidies for businesses to locate in neglected areas where unemployment is high ✓✓ and compensation to exporters for certain costs they incur in the development of export markets. ✓✓

Improving the efficiency of inputs ✓

Greater efficiency is usually achieved with incentive schemes and measures such as:

- Tax rates – high rates of personal income tax are a disincentive to work. ✓✓
- High rates of corporate income tax are a disincentive to invest because they increase costs and reduce net profits. ✓✓
- High indirect taxes such as VAT are a disincentive to produce because they increase selling prices. ✓✓
- Capital consumption ✓ – replacing capital goods regularly creates opportunities for businesses to keep up with technological development. ✓✓
- Depreciation allowances are subtracted from gross profit before taxes are calculated and therefore reduce the amount of tax liability. ✓✓
- Human resource development ✓ – the quality of labour can be improved by improving health care, education, training or the mobility of labour. ✓✓
- Free advisory services ✓ – these promotes opportunities to export and establish businesses in foreign countries; improve the quality of human resources through the skills development act. ✓✓

Improving the efficiency of markets ✓

Measures that improve market efficiency include:

- Deregulation: ✓ remove laws, regulations and other forms of government controls that interfere in markets and make the markets free. ✓✓
- Address labour and other resource market inflexibilities. ✓✓
- Remove price, import, and exchange controls. ✓✓
- Competition ✓ – Implement measures that can increase competition. ✓✓ encourage the establishment of new businesses. ✓✓ Invite foreign direct investments. ✓✓ Remove power imbalances, such as monopolies and opportunities for collusion (oligopolies). ✓✓

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- Levelling the playing field ✓ – private businesses cannot compete with public enterprises. ✓✓
- Public enterprises have legislative protection and supported by government. ✓✓
- Corruption needed to be dealt with vigorously. ✓✓ (Max 26)

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ADDITIONAL PART

Evaluate the use of tax cuts as a means to stimulate the economy.

- A tax cut is generally seen as a fiscal measure to stimulate the economy.
- The assumption is that tax cuts will increase the amount of money for spending and therefor will lead to an increase in aggregate demand. ✓✓
- In an economy that is already weak, tax cuts will provide an immediate boost in demand, however tax cuts will create larger budget deficits. ✓✓
- Over the long term, and in a healthy economy, this will put downward pressure on a country's currency which could ultimately increase inflation through higher prices for imports. ✓✓
- In time, if inflation is high enough and the economy is strong enough, it could convince the central bank to initiate contractionary monetary policy, such as higher interest rates.
- The result of that is slower economic growth. ✓
- A lot depends on which segment of society gets the tax cuts. ✓
- Cuts to lower-income families directly translate into increased spending. That boosts demand and economic growth. ✓✓
- Tax cuts to higher-income families are often invested, saved, or used to pay off debt. ✓✓
  That tax cuts to higher income families boosts the stock market and banks, but not retail. ✓✓

(10)

(Accept any other correct relevant response)

CONCLUSION

Paying attention to the above discussed indicators and other features of business cycle forecasting can enable the country to prepare suitable policies to deal with the changes at hand. ✓✓

(Max.2)

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Activity 7

Discuss ALL the features underpinning the forecasting of business cycles, excluding the economic indicators. (26 marks)

Why is price stability important to prevent extreme fluctuations in business cycles? (10 marks)

[40]

INTRODUCTION

Business cycles is the recurring fluctuations (ups and downs) in economic activity, relative to the economic trend value. ✓✓ (2)

BODY

MAIN PART

Extrapolation ✓

This means using historical data and predicting the future on that basis. For example: If the economy grows or decreases continually, predictions can be made by means of extrapolation along the same trend line. ✓✓

Moving averages ✓

Refers to the average price of an indicator over a specified period. Moving averages are used to look at price trends. ✓✓ Tables indicating the moving averages of share prices are used to indicate whether they are moving upwards or downwards. ✓✓ Information can be gathered from this on a daily, monthly or annual basis. ✓✓

As the new members (for the day, week or month) are added and the older members are deleted, the average 'moves'. ✓✓

By calculating a moving average, a forecaster can smooth out the minor fluctuations in a data series. This makes it easier to spot trends. ✓✓

Trend line ✓

The trend line that rises gradually will be positively sloped in the long run; the rising line indicates a growing economy. ✓✓

The trend indicates the general direction in which indexes that were used in the business cycle move. ✓✓

The trend will change when the time series data change their behaviour patterns of the past. ✓✓

However, some forces have to be overcome for that to happen e.g. Resistance points and Channels. ✓✓

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Length of a cycle ✓
Measuring a cycle from peak to peak or trough to trough. ✓✓
Longer cycles show strength and shorter cycles show weakness with regard to economic activities. ✓✓
Amplitude ✓
Measures the distance of the variable from the trend line. ✓✓
Amplitude refers to the vertical (height) difference between a trough and the next peak of a cycle. ✓✓
The larger the amplitude, the more extreme the changes that occur. ✓✓
Max 8 marks to headings and/or examples [26]

ADDITIONAL PART

Why is price stability important to prevent extreme fluctuations in business cycles?
Price stability leads to inflation stability. ✓✓
If prices are stable then the demand for goods and services will be stable. ✓✓
Production of goods and services will not fluctuate and employment will be stable. ✓✓
Unemployment will not increase if prices are stable. ✓✓
Interest rates will remain unchanged, and the economy will continue to grow without big fluctuation. ✓✓

CONCLUSION
Government uses the monetary policy to achieve price stability and control the amount of money in circulation. ✓✓ (2)
[40]

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Examination Tips

How to prepare/study for the examination
During the study process
You need to draw up a timetable to study Economics every day.
The Business cycle study guide aims to support you to help you to get good marks during the assessment.
Use the study guide together with other sources to study towards the best possible marks in the examination.

Use the structure of the question paper to guide you in preparing for the examinations

- Every topic and subtopic is very important if you strive to get the best marks in Economics.
- Do not select (spot) the content, it will hamper your opportunity to get good marks.
- The concepts are very important to know and describe in order to understand the content and get marks.
- Make time to study smart, make notes, refer to you study guide, the examination guideline and other sources to add more information to your notes.
- Work out the activities and compare with the solution do not give up if performance is not what you desire. Practice makes perfect. Good luck!!
- You have made it so far against all odds, you can!!! Good luck!!!

Typical examination questions	What to expect	How to approach/ respond to the questions
Section A Question 1 Multiple question Match column A with column B Give the term	**Section A** Questions 1.1 consist of multiple choice (8X2) (16) 1.2 match column A with column B (8X 1) (8) 1.3 give the most correct term/ concept. No abbreviation, acronyms and examples will be accepted (6X1) (6)	To cover the full scope, study all the concepts in each main topic. Knowing all your Concepts and the description thereof will help you to get full marks in Section A

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Section B Questions 2.1.1, 3.1.1 and 4.1.1 Assess low cognitive questions	Questions 2.1.1, 3.1.1 and 4.1.1 Example of action verbs are: List, Give, Name. identify, etc. These questions will guide in the total number of items you need to provide e.g. List any **TWO** phases of the business cycle	Only give the required number of the correct items e.g. **Answer**: recovery, depression Note if you listed more than two required only the first two answers/items will be awarded marks in your response
Questions 2.1.2, 3.1.2 and 4.1.2 based on middle cognitive level	Questions 2.1.2, 3.1.2 and 4.1.2 access the general economic content Action verbs are what, why, how, etc.	You should be able to apply the current economic situation to respond to this question.
Questions 2.2 to 2.3 3.2, 3.3 4.2 and 4.3 are based on data responses. based on middle cognitive level	Questions 2.2, 2.3, 3.2, 3.3, 4.2 and 4.3 are based on data responses. The data response can be an extract that you must read, a cartoon that you must interpret, a graph that you must draw and interpret. You must study the content of the data response to answer the questions	You need to know your concepts and the description to answer the data responses. You must interpret tables, analyse, draw graphs accurately, calculate using the guidance from the data responses. Use the content in sources to answer these type of questions.

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Questions 2.4, 3.4 and 4.4 are 8 marks, middle order questions.	Questions 2.4, 3.4 and 4.4 are 8-marks, middle order questions. For example, Discuss, differentiate, compare, distinguish, etc. E.g. Differentiate between the recovery and recession phases of the business cycle. 8 marks	To answer this questions and get full marks you need to study your content thoroughly. The answers to these questions come straight from your notes or the relevant economic sources. You must study and summarise it to get the full eight marks per question
Questions 2.5, 3.5 and 4.5 for 8 marks based on high cognitive level.	Questions 2.5, 3.5 and 4.5 are questions such as analyse, outline, how. e.g. Evaluate the impact of the of COVID-19 pandemic on full employment. 8 marks	You are expected to relate the content in your notes to the current situations in the economy. give good reasons in your answers providing practical examples. responses can have positive or negative answers or you are expected to write in full sentences that substantiate your argument or motivation. You need to be confident in attempting these questions and answer as if you are an Economist.

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Questions 5 and 6 are based on middle and high cognitive levels essay type questions.	Questions 5 and 6 consists of following sub sections: introduction = 2 marks, main part = 26 marks, additional part = 10 marks conclusion = 2 marks Total essay = 40 marks in your essay type question	The introduction is based on the description of the topic. Read your questions with understanding and focus on the key words to give the correct concept description. The main part consists of headings and examples for 8 marks. The discussions of content from the sources for 18 marks the content for the main part of the essay is in your notes and in your sources. You have only to study all the content with understanding and recall. Examples of action verbs used to ask the questions are discuss or explain, draw and interpret the content for 26 marks. The additional part needs your application of the content to the current economic situation. You must substantiate your responses with practical examples. You must answer in full sentences to earn full marks. The conclusion is a summary of the discussed essay making recommendation

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4. General Examination Tips

HINT: Apply the following when answering the question paper:

Section A

- When answering Section, A – short questions, it is important not to rush but to read the questions carefully and to make sure you understand what the question is asking.
- You are looking for the MOST correct answer in the multiple-choice questions. (Question 1.1)
- There are 4 options so try to eliminate the completely wrong answer(s).
- Read carefully to identify the correct answer, identify the distractors that will also appear to be correct.
- The answer will NEVER be two options. Only ONE option will be correct.
- Your answer will immediately be marked incorrect if you write TWO options.
- Choose a description from column B that matches the item in column A. There are 8 marks for these questions in (Question 1.2)
- Give ONE term for each of the following descriptions, know your concepts.
- There are 6 marks for these questions in each paper (Question 1.3). Know your concepts and definitions to answer these questions.
- No marks will be awarded for abbreviations, acronyms and examples.

Section B

- When answering Section B - Choose 2 of the 3 questions.
- Read through the questions to select the ones that you know best.
- Use your 10 minutes reading time to identify the questions you know best.
- The mark allocation should guide you to the length of your answers.
- Discuss, explain, why, how and what type of questions should be answered in full sentences.
- For example: 4-mark questions must be answered with at least 2 facts, in full sentences.
- Calculations – Start off with the formula; then show all steps in the calculations.
- Specify the items when doing calculations – e.g.
    - ◊ Consumption (C) R 1000
    - ◊ Government spending (G) + R 800
    - ◊ Investment (I) + R 250
    - ◊ GDP = R 2050

Paragraph (8-mark questions)

- Ensure that you have sufficient facts to answer the question.
- E.g. Differentiate between two concepts (X and Y). Write at least TWO facts for X and TWO facts for Y. The mark allocation will be (2x4=8)
- If required to explain or discuss, write at least four facts on the topic. The mark allocation will be (4x2=8)

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Data response questions

- Answer any TWO of the three questions.
- Each data response question consists of 5 questions.
- Application type questions in question 2.5, 3.5 and 4.5 must be answered in full sentences and relate to relevant content.

SECTION C – is the essay questions

- Answer ONE of the two questions.
- The **introduction** should be a description. Do not repeat any part of the question in your introduction.
- **Make use of headings** where possible- a maximum of 8 marks are allocated for headings and examples.
- Include sufficient facts to cover the 26 marks in the body. These facts should be written in **full sentences** to obtain maximum marks.
- The **conclusion** must not repeat any of the facts already mentioned in the body or introduction. Read the table outlining the structure of the essay to ensure that you have an appropriate conclusion.

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