

Grade 12 Economics: SA Economic Indicators & Policies Study Guide

Grade 12 | Economics | Study Guide | 2024

Free Study Resources for South African Matric Learners

1. Monetary Policy (SARB)

South African Reserve Bank (SARB) uses the repo rate to control inflation.

Repo rate: rate at which SARB lends to commercial banks.

- If inflation too HIGH: raise repo rate -> banks raise prime rate -> credit more expensive -> spending falls -> inflation falls
- If growth too LOW/recession: lower repo rate -> cheaper credit -> more borrowing -> more spending -> growth rises
- Prime rate = repo rate + 3.5% (in South Africa)
- SARB target: CPI between 3% and 6%

2. Fiscal Policy (National Treasury)

Government uses taxation and spending to influence the economy.

- Expansionary fiscal policy: increase govt spending OR reduce taxes -> stimulate growth
- Contractionary fiscal policy: decrease spending OR increase taxes -> reduce inflation
- Budget surplus: revenue > spending (contractionary effect)
- Budget deficit: spending > revenue (expansionary; requires borrowing)

Budget balance:	Revenue - Expenditure
Public debt:	Accumulated budget deficits over time
Debt-to-GDP ratio:	$(\text{Total public debt} / \text{GDP}) \times 100$

3. Balance of Payments (BOP)

- Current account: trade in goods (trade balance) + services + income + transfers
- Capital account: transfers of capital assets
- Financial account: foreign investment flows (FDI + portfolio + other)
- Current account deficit: imports > exports; need capital inflows to finance

4. Exchange Rates

The value of the rand against foreign currencies.

Factors affecting the rand:

- Interest rates: higher SA rates attract foreign capital -> rand strengthens
- Inflation: higher SA inflation -> rand weakens (purchasing power lower)
- Current account deficit: more demand for foreign currency -> rand weakens
- Political stability: uncertainty -> capital flight -> rand weakens
- Commodity prices: SA is commodity exporter; higher commodity prices -> rand strengthens

TIP A weaker rand: exports CHEAPER (good for exporters); imports MORE EXPENSIVE (increases inflation; bad for consumers). A stronger rand: opposite effects. The SARB does not directly target the exchange rate.

5. Economic Growth vs Development

Growth: increase in real GDP (quantitative).

Development: improvement in quality of life, reduction in poverty and inequality (qualitative).

Human Development Index (HDI): combines income, education, and life expectancy.

- SA challenges: high unemployment (>32%), inequality (Gini coefficient ~0.63), poverty
- National Development Plan (NDP) 2030: long-term vision for SA development