Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/22**

Paper 2 AS Level Data Response and Essays **May/June 2025**

2 hours

2121461485

You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS

- Answer **three** questions in total:
  - Section A: answer Question 1.
  - Section B: answer **one** question.
  - Section C: answer **one** question.
- Follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.
- You may use a calculator.
- You may answer with reference to any economy you have studied where relevant to the question.

INFORMATION

- The total mark for this paper is 60.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **4** pages.

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Section A

Answer all parts of question 1.

1 Can South Africa escape from its economic difficulties?

South Africa has serious economic difficulties. Despite its vast natural resources, the main economic indicators show a country in trouble. As Fig. 1.1 shows, despite a fall over the last year, unemployment remains very high. It is amongst the highest in the world, particularly for young people, and this has led to one of the highest and most persistent levels of income inequality in the world, with a Gini coefficient of 0.67.

Economic growth is amongst the worst in Africa and this, together with high government expenditure, means that the country has had a fiscal deficit of more than 4% of GDP in recent years. Despite falls in the value of South Africa's currency (rand), the current account of the balance of payments is projected to move to a significant deficit of 2.3% of GDP in 2023 and to deteriorate further to about 2.5% of GDP in 2024. South Africa is also suffering extended power cuts of up to 10 hours per day due to the collapse of the state electricity provider. What can be done?

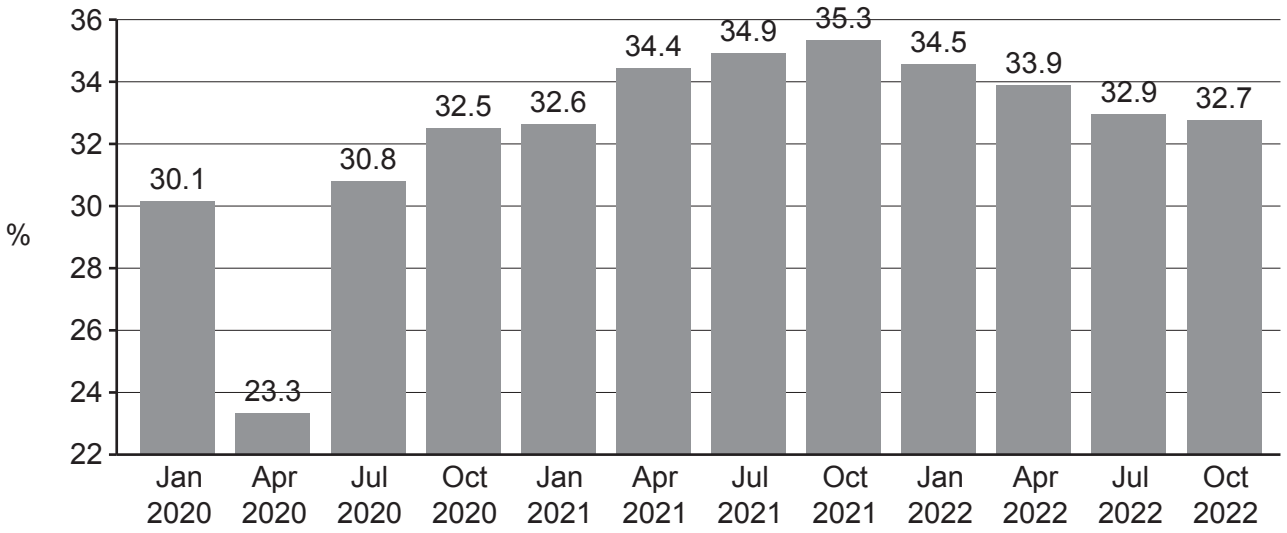


Fig. 1.1 South Africa % rate of unemployment, January 2020 to October 2022

Source: tradingeconomics.com

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In a March 2023 statement, the International Monetary Fund (IMF) recommended that the South African government should adopt the following policies:

- Improvements in infrastructure, particularly electricity supplies and transport links. This should be achieved by promoting more private sector investment.
- Encourage more competition within South Africa and free trade with neighbouring countries by reducing protection. Closer links with the African Continental Free Trade Area (AfCFTA) should be established.
- To tackle the very high rates of unemployment and income inequality, a range of policies has been suggested. These include setting the minimum national wage at an appropriate rate to encourage more people back into the workforce. This should be done alongside policies to strengthen employment protection. In addition, other policies include improving levels of education and training and better support for the transition from school to work. Finally, policies to promote entrepreneurship need to be introduced.

However, will these policies help South Africa escape from its economic difficulties?

Sources: adapted from: FocusEconomics article,
'Will South Africa find a way out of its economic rut?'
and IMF concluding statement concerning South Africa, 22 March 2023

(a) **(i)** Identify the overall change in the unemployment rate in South Africa between January 2020 and October 2022. [1]

(ii) Compare the trend in the unemployment rate in South Africa between January 2020 and January 2022 with that between January 2022 and October 2022. [1]

(b) Identify **one** possible impact on firms in South Africa and **one** possible impact on the government of South Africa of such a high rate of unemployment. [2]

(c) Consider whether continued falls in the value of the South African rand may lead to a reduction in the current account deficit of the balance of payments. [4]

(d) Assess the extent to which closer membership of the AfCFTA may help South Africa to achieve the growth needed to 'escape from its economic difficulties'. [6]

(e) Assess the extent to which the policies suggested to improve infrastructure and to reduce the high rates of unemployment in South Africa are likely to reduce income inequality. [6]

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Section B

Answer **one** question.

EITHER

2 **(a)** With the help of examples, explain the difference between public goods and free goods **and** consider whether a market economy can ever produce public goods. [8]

(b) Assess the extent to which a government can ensure that both merit and demerit goods are produced in desirable quantities. [12]

OR

3 **(a)** Explain **three** reasons, associated with costs of production, why the supply curve for a particular market may shift to the right **and** consider the extent to which government microeconomic policy may also shift the supply curve for a particular market to the right. [8]

(b) Assess the extent to which knowledge of a product's price elasticity of supply is the most useful measure of elasticity to a firm needing to react quickly to changes in its market. [12]

Section C

Answer **one** question.

EITHER

4 **(a)** With the help of an AD/AS diagram(s), explain one demand-side and one supply-side cause of deflation **and** consider which is likely to be more damaging to an economy. [8]

(b) Assess the extent to which using fiscal policy would be the best way to reduce a high rate of inflation. [12]

OR

5 **(a)** With the help of a diagram, explain **two** ways in which a fall in the balance of trade in goods may affect the value of a floating exchange rate **and** consider the extent to which a change in the relative rate of interest between two countries may have a greater impact on the exchange rate. [8]

(b) Assess whether an improvement in the terms of trade or a surplus on the current account of the balance of payments is of more benefit to an economy. [12]

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