

**NAMIBIA SENIOR SECONDARY CERTIFICATE**

**ECONOMICS HIGHER LEVEL**

**8337/1**

PAPER 1

2 hours 30 minutes

Marks 100

**2017**

Additional Materials: Answer Book  
Non-programmable calculator

**INSTRUCTIONS AND INFORMATION TO CANDIDATES**

- Write your answer in the Answer Book provided.
- Write your Centre Number, Candidate Number and Name on all the work you hand in.
- Write in dark blue or black pen.
- You may use a soft pencil for any diagrams, graphs and rough working.
- Do not use correction fluid.
  
- Answer Section A and any **three** questions from Section B.
  
- The number of marks is given in brackets [ ] at the end of each question or part question.
- You may use a non-programmable calculator.

This document consists of **4** printed pages.



**Republic of Namibia**  
**MINISTRY OF EDUCATION, ARTS AND CULTURE**

**SECTION A**

Candidates must answer this question.

- 1** Foreign direct investment in Mozambique had risen to US\$5,4 million in 2014. The downside of this investment is that the current account deficit grew to 36% of GDP. The investment was used for the construction of a gas production facility. The deficit might be reduced in 2018/19 due to expected gas exports.
- (a) (i)** In which section of the balance of payments will foreign direct investment in the construction of a gas production facility be placed? [3]
- (ii)** Outline the possible causes of a deficit on the current account of a country. [2]
- (b)** Discuss why a deficit on the current account might be of concern to the Government of Mozambique. [10]
- (c)** How might an improvement in the current account balance of Mozambique, influence the value of its currency? [10]
- [25]**

## SECTION B

Candidates must answer **three** questions.

- 2** The road between Windhoek and Okahandja was upgraded to a highway to promote road safety, because it is one of the busiest roads in Namibia. This project improved the competitiveness of Namibia as a gateway for imports and exports of land-locked countries in southern Africa, via the Walvis Bay harbour. The upgrading was financed by the Namibian Government.

(Adapted from [www.economist.com.na](http://www.economist.com.na) 13 December 2013)

- (a) Explain why road infrastructure in Namibia is provided by the public sector. [5]
- (b) Use the concepts of positive and negative externalities to explain the involvement of the government in this project. [10]
- (c) Would you be in favour of Namibians having to pay for the use of this road if it were privatised? [10]

**[25]**

- 3** In 2015 South African steel and mining industries announced a loss of thousands of jobs. Low mineral prices, increased input costs and rising imports of highly subsidised steel from China resulted in job losses.

- (a) (i) Define *unemployment*. [2]
- (ii) Describe the type of unemployment created in the steel and mining industries. [3]
- (b) Explain why job losses in the mining and steel industries might have a negative impact on an economy. [10]
- (c) Evaluate how reduced subsidies on Chinese steel might influence employment in South Africa. [10]

**[25]**

- 4** Increased mining exploration in Namibia has caused the demand for workers with specific skills to rise significantly.

- (a) What factors might influence a person's choice to acquire these particular skills? [5]
- (b) Explain, with the use of a demand and supply diagram, how the equilibrium wage and quantity of skilled workers might be affected by a higher demand. [10]
- (c) Discuss, using examples, why there might be differences in the earnings of people employed in the primary and tertiary sectors of a country. [10]

**[25]**

- 5** The Toyota Motor Corporation, the world's biggest vehicle manufacturer, moved its production from Canada to a new factory in Mexico. The Mexican government welcomed the investment of US\$1 billion in the construction of the factory, because of the multiple benefits it might have on the national income and the economy of Mexico.
- (a) What is meant by *the multiplier effect*? [5]
- (b) Calculate the multiplier effect of the investment on the national income if Mexicans save US\$12, spend US\$13 on foreign goods and pay tax of US\$15 out of every US\$100. Show your calculations. [10]
- (c) Except for the multiplier effect on national income, would you consider the location of the Toyota Motor Corporation to be beneficial to the Mexican economy? [10]
- [25]
- 6** In 2015 the central bank of Zambia increased interest rates because of predicted inflation rates of 3,8% and 5,4% in 2015 and 2016 respectively. However, the inflation rate actually increased to 4,9% and 6,1% respectively due to the effects of a drought on food prices, a rise in fuel prices and a shortage of electricity.
- (a) What is meant by an inflation rate increase from 3,8% in 2015 to 5,4% in 2016? [5]
- (b) Do you think a high inflation rate is necessarily harmful to the economy? [10]
- (c) Discuss, with reference to the statement, whether the central bank might keep inflation under control by only increasing the interest rates. [10]
- [25]