THE HEAD
MSHOWE HIGH SCHOOL
27 OCT 2016
PO BOX 150
TENGWE

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL

General Certificate of Education Advanced Level

ECONOMICS

9158/2

PAPER 2 Data Response

NOVEMBER 2016 SESSION

1 hour 15 minutes

Additional materials:
Answer paper

TIME 1 hour 15 minutes

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces provided on the answer paper/answer booklet.

Answer **both** questions.

Write your answers on the separate answer paper provided.

If you use more than one sheet of paper, fasten the sheets together.

Brief answers only are required.

INFORMATION FOR CANDIDATES

The questions in this paper carry equal marks. The number of marks is given in brackets [ ] at the end of each part question.

You should spend at least five minutes reading through the data for each question before you begin writing your answers.

This question paper consists of 4 printed pages.

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1 Study the extract below and answer the questions that follow:

Zimbabwe challenged to urgently reduce imports

There have been calls from the local industry urging government to urgently put in place measures that will reverse the tide of imports which the country is facing before they cripple local industries.

At approximately US$5 billion, the country's import bill has increased against exports to US$3,6 billion. A huge difference between exports and imports reflects lack of confidence in local manufactured goods, a development that stifles growth of industries.

Speaking at this year's edition of the Buy Zimbabwe Conference, Industry and Commerce Deputy Minister Mike Bimha said there was need to promote production and consumption of local goods.

"If we continue like this, unregulated imports will cripple our markets," he said. "We need initiatives such as Buy Zimbabwe which will help reverse this unsustainable tide of imports".

Mr Bimha said dialogue between Government and Business should continue to enable formulation of policies that suit industry.

"We need policies which will stimulate local industry. The Industrial Development and Trade policies that promote viable industrial and commercial sectors as well sustainable domestic and international trade were a result of intensive consultations with captains of industry," he said.

Speaking at the same occasion the Immediate Past President of the Confederation of Zimbabwe Industries Joseph Kanyekanye said local companies should produce in line with the requirements of the market.

"Local industry should step up to the plate. We should ensure that our goods and services meet standards of the international markets".

Buy Zimbabwe seeks to ensure that local products and services become more competitive both on the local and international scale. Running under the theme "Footprints in the sun", this year's conference focuses on crafting policies that would promote a sustainable economy that supports local products.

Source: *ZNCC BUSINESS 1 JUNE 2012*

(a) (i) Define the following terms:

1. balance of payments, and [1]

2. trade deficit. [1]

(ii) Using the information given in the extract, calculate Zimbabwe's balance of payments. [2]

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(b) (i) Explain **two** possible tools the government might use to regulate imports. [2]

(ii) Suggest **two** reasons why consumers lacked confidence in locally produced goods. [4]

(c) Assess the effectiveness of the industrial policy instruments that can be used in promoting domestic industries. [4]

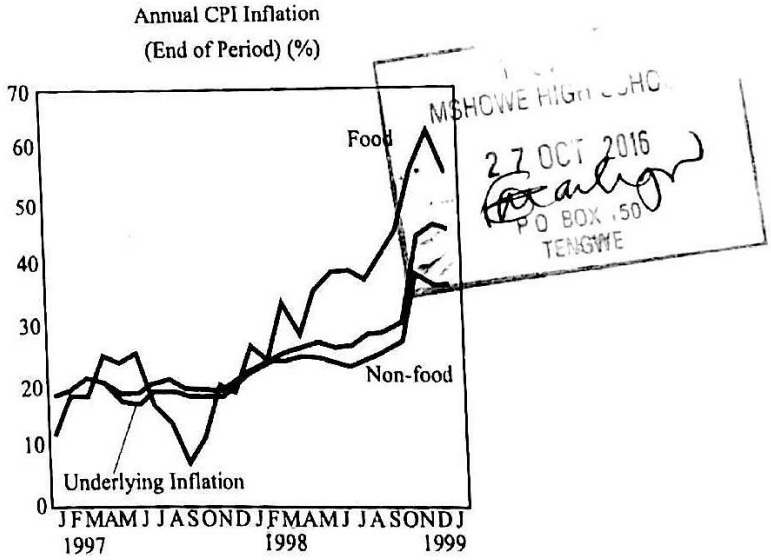
(d) Discuss the effects of restricting imports on the Zimbabwean economy. [6]

2 Read the following and answer the questions that follow:

Inflation

The annual rate of inflation declined from 46,6% in December 1998 to 44,2% in January 1999, against the background of declines in basic components of the food category, excluding meat. Food inflation decreased by 7,5 percentage points to 55,4%. Non-food inflation registered a marginal 0,1 percentage points decline to 36,88%.

From an increase of 4,2% in December, month-on-month inflation rose by 3,8% in January. This was on account of increases in both food and non-food aggregates. Food inflation increased by 6,0%, down from 7,2% in December. This was underpinned by increases in fish, 15,8%; meat, 9,8%; fruit and vegetables, 9,3%; coffee and tea, 6,7% and; dairy products 5,6%.



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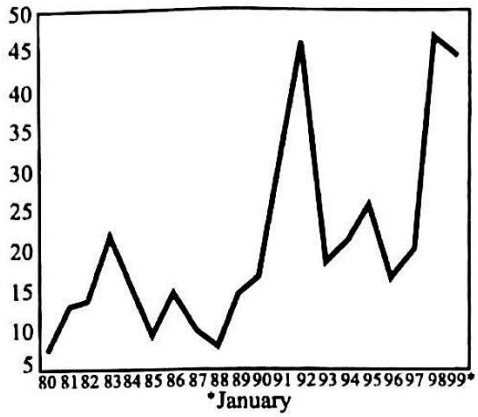
Figure 1

Non-food inflation declined marginally, by 0,7 percentage points to 2,3% in January, with the largest percentage point decrease of 7,8% to 0,3% recorded against recreation and entertainment. Other decreases were registered as follows: transport and communication, 5,6 percentage points to 1,8%; furniture and household goods, 2,6 percentage points to 3,8%. Clothing and footwear and medical care, however, recorded increases of 1,7 percentage points 4,5% and 0,8 percentage points to 1,4% respectively.

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Annual CPI Inflation Series

(End of Period) (%)



Source: Reserve Bank of Zimbabwe Monthly Review Vol 7 No. 1 January 1999

Figure 2

(a)	**(i)**	Define the term *Consumer Price Index*.	[2]
	(ii)	Apart from a decline in Costs of Components, what other reason could have led to a fall in inflation between December 1998 and January 1999?	[2]
(b)	**(i)**	With reference to **Figure 1**, compare the trend in food inflation with that of non-food inflation, over the period 1997 to 1999.	[2]
	(ii)	Account for the rise in month-on-month inflation despite a decline in annual inflation.	[2]
(c)	**(i)**	Using **Figure 2**, explain possible effects of the trend in inflation between 1980 and 1999.	[3]
	(ii)	Comment on **two** possible policy instruments that might be used to fight cost-push inflation.	[3]
(d)		Discuss the relationship between inflation and consumption.	[6]

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