The diagram above shows South Africa’s quarterly real GDP growth rates from 2012 to the fourth quarter of 2018 (SARB Quarterly Bulletin, March 2019:7). Referring to this data, answer the following questions in properly referenced essay format:

1. Explain the difference between “real” and “nominal” GDP, commenting on which one is more useful for tracking the growth rate of an economy.

2. Using the data above, and other credible sources, comment on South Africa’s GDP growth rate, including a discussion of the phases of the business cycle.

3. Using the AD/AS model, illustrate and explain what the appropriate fiscal policy response would be to return the economy to its Long Run potential output (assuming it is currently operating below Y*).

4. Explain why, for an economy in recession, the SARB might use expansionary monetary policy to return the economy to its long-run potential. [Diagrams not required].

Sources:


Other credible sources for commentary include:

- SARB Monetary Policy Reviews [Online] Available: [https://www.resbank.co.za/Publications/Reviews/Pages/Monetary-Policy-Review.aspx](https://www.resbank.co.za/Publications/Reviews/Pages/Monetary-Policy-Review.aspx)
More information on data sources, and links to useful websites, are provided on the Eco102 Essay 2 LibGuide.

**Requirements**

- Your essay must be between 800 and 1000 words long and properly referenced (see referencing guide in the course booklet and on the course website). Incorrect or incomplete referencing will be penalised.

- Sources used must include: The textbook (for theory and definitions); Reliable source/s of economic data; and at least **TWO** other credible, published sources.

- Essays must be submitted with
  - 1) a *completed evaluation form* (available on the RUConnected course website) and
  - 2) the *complete Turnitin report attached* (Link available on the RUConnected course website)

- Essays without these attachments will not be accepted for assessment and may result in the loss of your DP.

- **NOTE** that an LOA for the essay means that you have an extension of the deadline, **but that you still have to submit it**.