



GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PREPARATORY EXAMINATION

2023

10731

ECONOMICS

(PAPER 1)

ECONOMICS: Paper 1



10731E

Stanmorephysics

TIME: 2 hours

MARKS: 150

13 pages

X05



INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows in the ANSWER BOOK:

SECTION A: COMPULSORY
SECTION B: Answer TWO of the three questions.
SECTION C: Answer ONE of the two questions.

2. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
3. Number the answers correctly according to the numbering system used in this question paper.
4. Write the question number above each answer.
5. Read the questions carefully.
6. Start EACH question on a NEW page.
7. Leave 2 – 3 lines between sub-sections of questions.
8. Answer the questions in full sentences and ensure that the format, content, and context of your responses comply with the cognitive requirements of the questions.
9. Use only black or blue ink.
10. You may use a non-programmable calculator.
11. Write neatly and legibly.



SECTION A (COMPULSORY)**QUESTION 1****30 MARKS – 20 MINUTES**

1.1 Various options are provided as possible answers to the following questions. Choose the correct answer and write only the letter (A – D) next to the question numbers (1.1.1 to 1.1.8) in the ANSWER BOOK, e.g. 1.1.9 D.

1.1.1 An injection into the economy will lead to a/an ...

- A withdrawal of money.
- B decrease in the national income.
- C economy in equilibrium.
- D increase in the national income.

1.1.2 An economic indicator that changes only after the change in the economy has taken place, is called a ... indicator.

- A lagging
- B coincident
- C leading
- D composite

1.1.3 In the circular flow model, businesses ...

- A buy products and factors of production.
- B sell products and factors of production.
- C sell products and buy factors of production.
- D buy products and sell factors of production.

1.1.4 The difference between the value of a country's exports and the value of a country's imports for a given period is known as ...

- A capital account balance.
- B balance of trade.
- C current account balance.
- D balance of payments.

1.1.5 The discontinuation of international trade and investment with a particular country is known as ...

- A quotas.
- B dumping.
- C sanctions.
- D diversification.



1.1.6 A physically enclosed area next to a harbour or airport where the production of exports is encouraged, is known as a/an ...

- A Special Economic Zone.
 B Industrial Development Zone.
 C Spatial Development Initiative.
 D Broad-Based Black Empowerment Initiative.

1.1.7 Which of the following development initiatives is the most successful in South Africa?

- A Lubombo Spatial Development Initiative
 B Maputo Development Corridor
 C Lobito-Benguela Corridor
 D OR Tambo International IDZ

1.1.8 The ratio between import and export prices is known as ...

- A injections.
 B leakages.
 C taxes.
 D terms of trade.

(8 x 2) (16)

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A – I) next to the question numbers (1.2.1 – 1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Depression	A the absence of excessive fluctuations in the GDP of a country
1.2.2 Aggregate demand	B trade activities which are paid for using an exchange rate
1.2.3 Economic stability	C improvement in the well-being and quality of life of people
1.2.4 International Monetary Fund	D a world organisation that assists countries with balance of payment problems
1.2.5 Johannesburg Security Exchange	E key institution in the capital market in South Africa
1.2.6 Structural unemployment	F total spending on goods and services in the economy
1.2.7 Strategic industries	G economic activities at its lowest
1.2.8 Economic development	H a cause of changes in technology
	I very important infrastructure and technology that cause large innovative spill over effects

(8 x 1) (8)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question numbers (1.3.1 – 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

1.3.1 A balancing figure in the calculation of the gross domestic product expenditure

1.3.2 The process of estimating an unknown value using a known fact

1.3.3 A sub-account of the Balance of Payments that records international transactions relating to the ownership of fixed assets

1.3.4 A trade policy whereby the state discourages the importing of certain goods and services

1.3.5 An increase in the capital input in the economy at a faster rate than the increase in the labour input

1.3.6 An area where economic activities are concentrated (6 x 1) (6)

TOTAL SECTION A: 30



SECTION B

Answer any TWO of the three questions in this section in the ANSWER BOOK.

QUESTION 2: MACROECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Name TWO examples of real flows within the four-sector model. (2 x 1) (2)

2.1.2 How does comparative advantage encourage the production of specialised goods? (1 x 2) (2)

2.2 Read the following extract and answer the questions that follow.

NEW DIRECTION FOR MONETARY POLICY

Currently central banks face new challenges in the interaction between monetary policy and financial stability. There are clear trade-offs between inflation management and financial stability because interest rate hikes to fight inflation threaten to destabilise financial markets. A central bank stabilises inflation by slowing economic growth.

Emerging economies are feeling the crisis of developed countries raising interest rates to curb inflation. The raising of interest rates adds to slow economic growth after the pandemic and the effect of the Russia-Ukraine conflict. These two factors are causing supply shocks in the world economy. It also aggravates the national debt of these countries.

[Adapted source: <https://www.imf.org/en/Publications/fandd/issues/2023/03>]

2.2.1 Name ONE fiscal measure to increase economic activity during a recession. (1)

2.2.2 Which school of thought proposes external shocks as reasons for business cycles? (1)

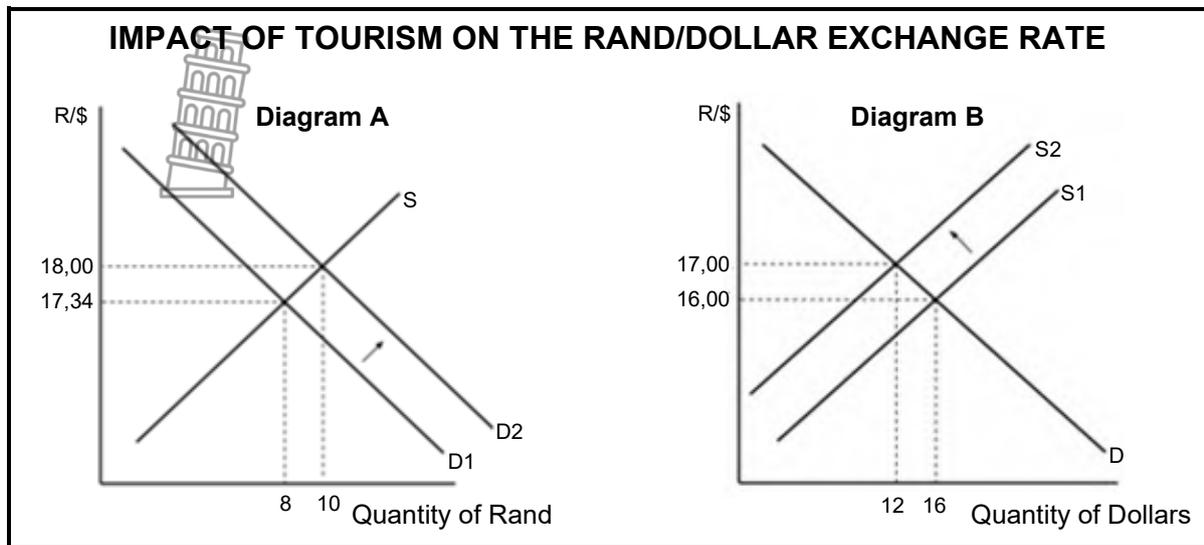
2.2.3 Briefly describe the term *monetary policy*. (2)

2.2.4 What is the relationship between *unemployment* and *inflation* in the Phillips curve? (2)

2.2.5 How can raising interest rates slow down economic growth? (2 x 2) (4)



2.3 Study the diagrams below and answer the questions that follow.



[Adapted source: internet images]

- 2.3.1 Who manages exchange rate policies in South Africa? (1)
- 2.3.2 Which diagram above represents an increase in the number of tourists from the USA to South Africa? (1)
- 2.3.3 Briefly describe the term *foreign exchange control*. (2)
- 2.3.4 How can the SARB correct an undervalued currency? (2)
- 2.3.5 Explain the impact on the rand if the number of tourists from South Africa to the USA decreases. Use the information in the diagrams to prove your answer. (2 x 2) (4)
- 2.4 Briefly explain real business cycles without the use of a graph. (4 x 2) (8)
- 2.5 How can an increase in the gross domestic product (GDP) influence the multiplier? (8)

[40]

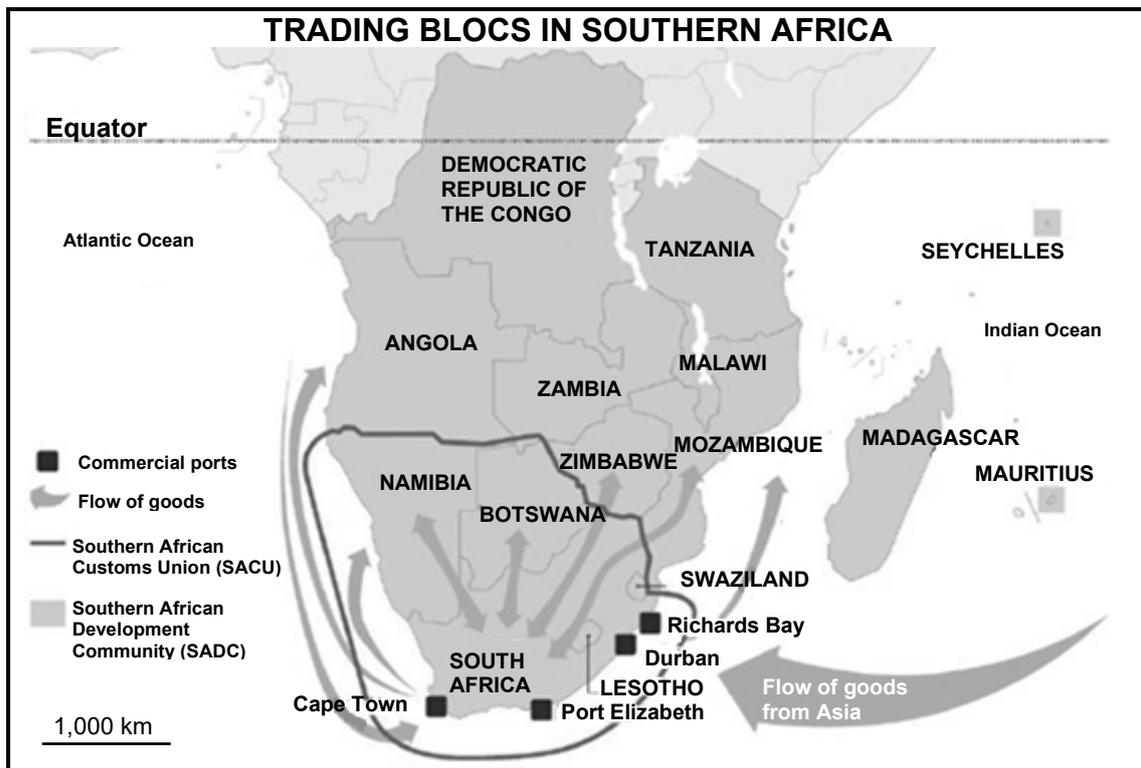


QUESTION 3: ECONOMIC PURSUITS**40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

- 3.1.1 Name TWO examples of SETAs in South Africa. (2 x 1) (2)
- 3.1.2 How does deregulation improve Broad-Based Black Economic Empowerment (BBBEE)? (1 x 2) (2)

3.2 Study the map below and answer the questions that follow.



[Source: https://www.cairn-int.info/article-E_AFEO_248_0031--south-africa-i-the-brics-africa.htm]

- 3.2.1 Name ONE country that is a member of SACU. (1)
- 3.2.2 Of how many countries does SADC consist? (1)
- 3.2.3 Briefly describe the term *trading bloc*. (2)
- 3.2.4 How do tariffs on imported goods influence domestic prices? (2)
- 3.2.5 How can countries benefit by being members of a trading bloc? (2 x 2) (4)

3.3 Study the information below and answer the questions that follow.

SA REMAINED THE DESTINATION FOR THE MOST FOREIGN DIRECT INVESTMENT PROJECTS IN AFRICA

SOUTH Africa remained the destination for the most foreign direct investment (FDI) projects despite the sharp fall in FDI in the continent due to the impact of COVID-19.

South Africa is less reliant on resource-based industries, and more driven by services and technology sectors. This helped to attract more projects during the pandemic.

[Adapted source: <https://www.iol.co.za/business-report/economy/sa-remained-the-destination-for-the-most-foreign-direct-investment>]

- 3.3.1 Identify ONE cross-cutting issue of the integrated manufacturing strategy from the information above. (1)
- 3.3.2 Name ONE reason for industrial development. (1)
- 3.3.3 Briefly describe the term *private-public partnership*. (2)
- 3.3.4 What is “development within” in regional development? (2)
- 3.3.5 How does foreign direct investment affect employment in South Africa? (2 x 2) (4)
- 3.4 Briefly discuss *good governance* and *provision of resources* as regional development policies in terms of international benchmark criteria. (4 x 2) (8)
- 3.5 Evaluate the impact of the National Skills Development Strategy (NSDS) on economic development since 1994. (8)
- [40]**



QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

4.1 Answer the following questions.

4.1.1 Name TWO examples of capital goods. (2 x 1) (2)

4.1.2 How does mass production influence international trade? (1 x 2) (2)

4.2 Study the table below and answer the questions that follow.

SOUTH AFRICA: NATIONAL ACCOUNTS	
R million	Current prices
	2022
Compensation of employees	3 009 561
Net operating surplus	1 937 904
Consumption of fixed capital	879 257
Gross value added at factor cost	5 826 713
Other taxes on production	137 099
Less: Subsidies on production	14 141
Gross value added at basic prices	5 949 671
Taxes on products	704 144
Less: Subsidies on products	15 469
Gross domestic product at market prices	(?)

[Adapted source: SARB Quarterly Bulletin March 2023]

4.2.1 Give another term for “compensation of employees”. (1)

4.2.2 Give ONE example of taxes on production. (1)

4.2.3 Briefly describe the term *factor cost*. (2)

4.2.4 What is the main purpose of subsidies on production? (2)

4.2.5 Calculate gross domestic product at market prices.
Show ALL calculations. (4)



4.3 Study the extract below and answer the questions that follow.

	<p>EXPANDING AFRICAN TRADE TO BOOST GROWTH AND REDUCE POVERTY</p> <p>Africa is poised to race ahead in the global market and become a major global player, but bold reforms are needed to help Africa win the race against poverty and improve the lives of all the continent's dynamic citizens.</p>
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[Adapted source: <https://www.worldbank.org/en/news/feature/2022/02/10/expanding-african-trade-to-boost-growth-and-reduce-poverty>]

- 4.3.1 Which initiative was established in 2021 to boost free trade in Africa? (1)
- 4.3.2 Which current South African growth and development policy aims to eliminate poverty by 2030? (1)
- 4.3.3 Briefly describe the term *global market*. (2)
- 4.3.4 Why does the North have little interest in the welfare of the South? (2)
- 4.3.5 How can Africa become a major global player? (2 x 2) (4)
- 4.4 Discuss *direct investments* and *portfolio investments* as sub-accounts of the financial account in the Balance of Payments. (4 x 2) (8)
- 4.5 Examine South Africa's endeavours to reduce inequality in the country. (8)
- [40]**

TOTAL SECTION B: 80



SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK.

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
<p>Introduction</p> <p>The introduction is a lower-order response.</p> <ul style="list-style-type: none"> • A good starting point would be to define the main concept related to the question topic. • Do NOT include any part of the question in your introduction. • Do NOT repeat any part of the introduction in the body. • Avoid mentioning in the introduction what you are going to discuss in the body. 	Max. 2
<p>Body</p> <p>Main part: Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Explain/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Assess/Debate A maximum of 8 marks may be allocated for headings/examples</p> <p>Additional part: Critically discuss/Evaluate/Critically evaluate/Debate/Deduce/Compare/Distinguish/Interpret/How?/Suggest A maximum of 2 marks may be allocated for merely listing facts.</p>	Max. 26 Max. 10
<p>Conclusion</p> <p>Any higher-order conclusion should include:</p> <ul style="list-style-type: none"> • A brief summary of what has been discussed without repeating any facts already mentioned • Any opinion or value-judgement on the facts discussed • Additional supporting information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations 	Max. 2
TOTAL	40

QUESTION 5: MACROECONOMICS**40 MARKS – 40 MINUTES**

- Discuss, in detail, the reasons for public sector failure. (Link them to a typical problem experienced through public sector provisioning.) (26 marks)
- Examine the practicality of the medium-term expenditure framework in the South African economy. (10 marks) **[40]**

QUESTION 6: ECONOMIC PURSUITS**40 MARKS – 40 MINUTES**

- Discuss, in detail, South Africa's social indicators. (26 marks)
- How important is productivity as an economic indicator? (10 marks) **[40]**

TOTAL SECTION C: 40**TOTAL: 150**



PREPARATORY EXAMINATION

2023

10732
ECONOMICS
(PAPER 2)

ECONOMICS: Paper 2



10732E

TIME: 2 hours

MARKS: 150

13 pages

X05



INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows in the ANSWER BOOK:
SECTION A: COMPULSORY
SECTION B: Answer TWO of the three questions.
SECTION C: Answer ONE of the two questions.
2. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
3. Number the answers correctly according to the numbering system used in this question paper.
4. Write the question number above each answer.
5. Read the questions carefully.
6. Start each question on a NEW page.
7. Leave 2 – 3 lines between subsections of questions.
8. Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
9. Use only black or blue ink.
10. You may use a non-programmable calculator.
11. Write neatly and legibly.



SECTION A (COMPULSORY)**QUESTION 1****30 MARKS – 20 MINUTES**

1.1 Various options are provided as possible answers to the following questions. Choose the correct answer and write only the letter (A – D) next to the question numbers (1.1.1 to 1.1.8) in the ANSWER BOOK, e.g. 1.1.9 D.

1.1.1 The time frame where any of the factors are flexible is called the ...

- A short run.
- B free range.
- C medium term.
- D long run.

1.1.2 Two competing companies that share the market is known as a ...

- A duopoly.
- B dual market.
- C symbiotic market.
- D competing market.

1.1.3 A price set by government to prevent the sale of goods at "unfairly low" prices is called a ... price.

- A maximum
- B minimum
- C equitable
- D producer

1.1.4 One of the main functions of the Competition ... is to decide if a large merger is beneficial for the economy.

- A Act
- B Tribunal
- C Commission
- D Court

1.1.5 The constant decrease in the general price level is known as ...

- A hyperinflation.
- B stagflation.
- C deflation.
- D disinflation.



1.1.6 An American who travels to South Africa to visit Robben Island is an example of a/an ... tourist.

- 
- A business
 - B outbound
 - C medical
 - D inbound

1.1.7 The rate at which the commercial banks lend money to their most creditworthy customers is called the ...

- A prime lending rate.
- B interest rate.
- C repo rate.
- D inflation rate.

1.1.8 Development based on meeting the needs of the present generation without compromising the needs of the future is known as ... development.

- A economic
- B international
- C sustainable
- D urban

(8 x 2) (16)



- 1.2 Choose a description from COLUMN B that matches an item in COLUMN A. Write only the letter (A – I) next to the question numbers (1.2.1 to 1.2.8) in the ANSWER BOOK.

COLUMN A	COLUMN B
1.2.1 Implicit cost	A value of inputs owned by the entrepreneur and used in the production process
1.2.2 Market share	B plants from other parts of the world and are foreign to the country
1.2.3 SABS	C the percentage of total sales in a particular industry gained by a single business
1.2.4 Shut-down point	D alterations in the environment caused by global warming
1.2.5 Moral persuasion	E monitors the quality of goods in South Africa
1.2.6 World heritage site	F a production level that offers no benefit for continued operations
1.2.7 Climate change	G a place that has special cultural or physical significance as identified by the UN
1.2.8 Alien vegetation	H indigenous plants
	I a method used by the Reserve Bank to influence money supply

(8 x 1) (8)

- 1.3 Give ONE term for each of the following descriptions. Write only the term next to the question numbers (1.3.1 to 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

- 1.3.1 A business that is unable to influence the market price on its own
- 1.3.2 Goods or services that are different in some way from one another
- 1.3.3 Goods that can be consumed by many people at the same time without reducing its availability for other users
- 1.3.4 When a person travels to another place solely to receive healthcare
- 1.3.5 A type of inflation that is caused by an increase in the prices of factors of production
- 1.3.6 The permanent destruction of forests and trees

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer any TWO of the three questions in this section in the ANSWER BOOK.

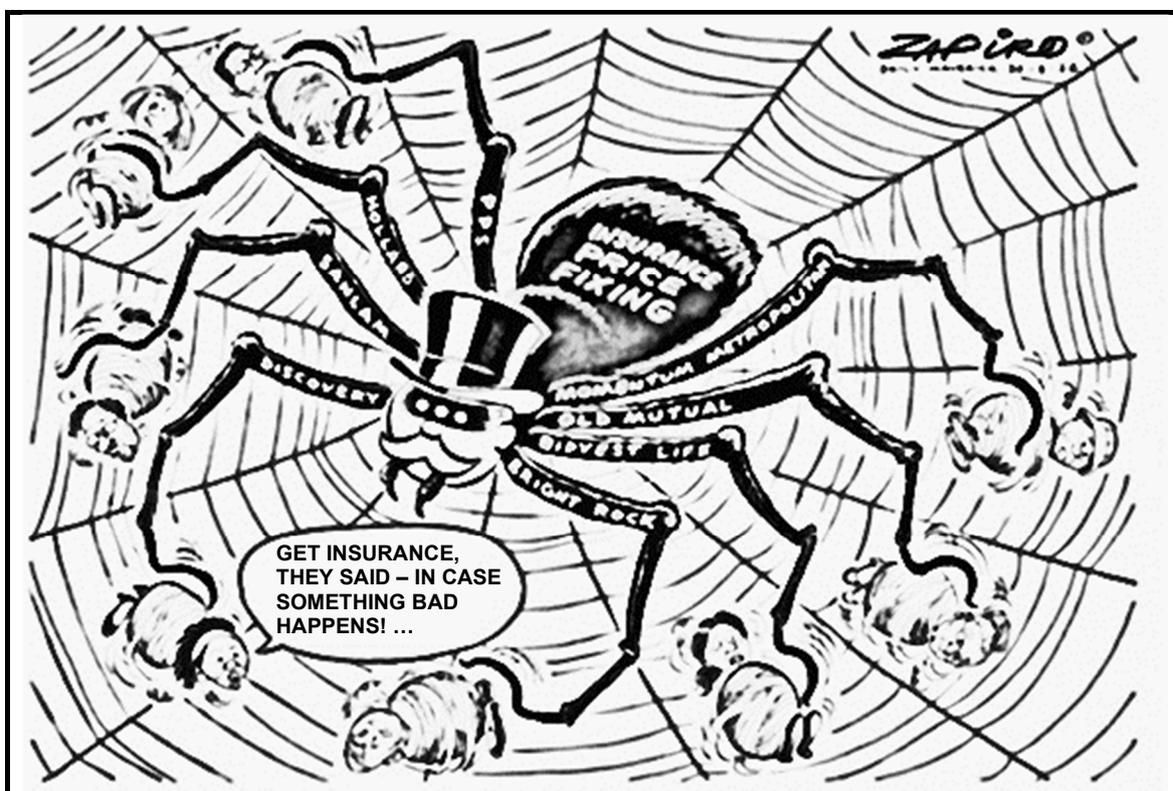
QUESTION 2: MICROECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Give TWO examples of perfectly competitive industries. (2 x 1) (2)

2.1.2 Why do monopolies set their prices higher than the mid-point of the demand curve? (1 x 2) (2)

2.2 Study the following cartoon and answer the questions that follow.



[Source: www.zapiro.com]

2.2.1 Identify the anti-competitive behaviour depicted in the cartoon. (1)

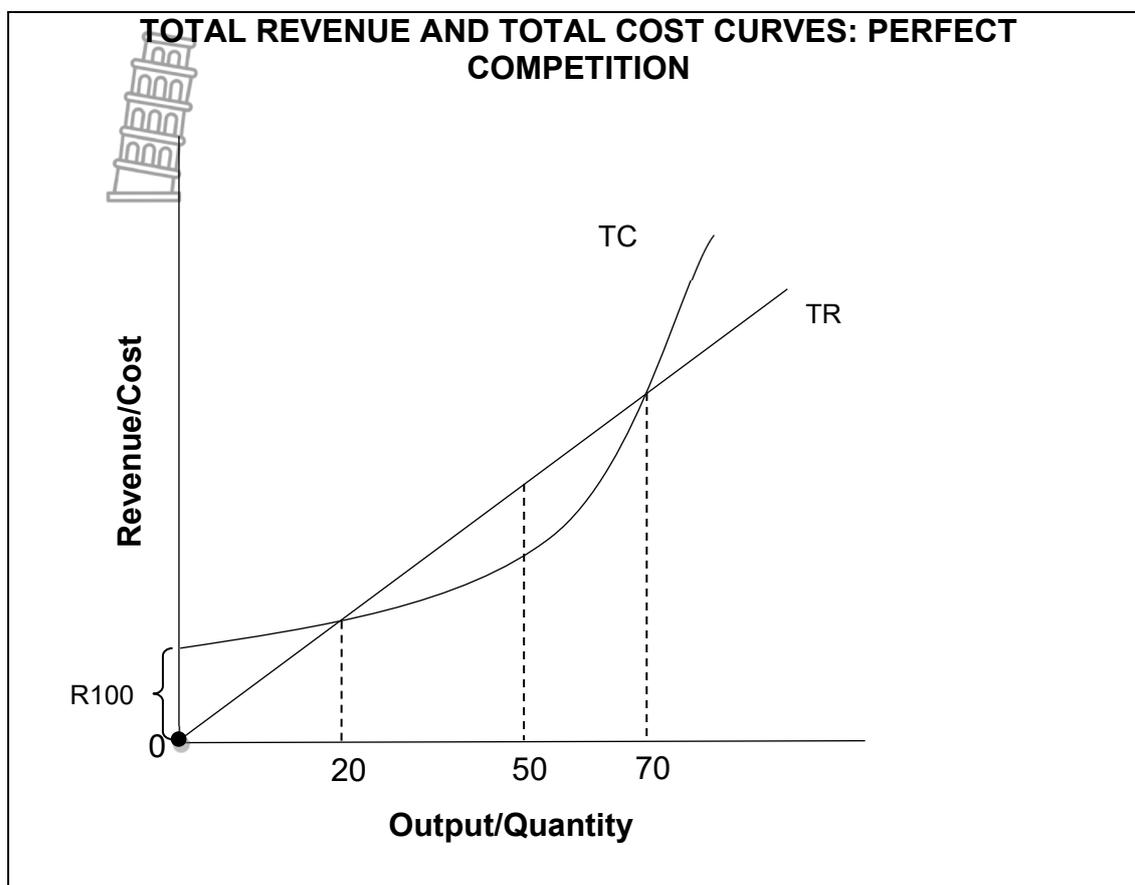
2.2.2 What non-price strategy can insurance companies use to gain market share? (1)

2.2.3 Briefly describe the term *perfect information*. (2)

2.2.4 Why is the insurance industry considered an example of monopolistic competition? (2)

2.2.5 How did the insurance companies in the cartoon benefit from anti-competitive behaviour? (4)

2.3 Study the graph below and answer the questions that follow.



- 2.3.1 Identify the break-even output quantity in the graph. (1)
- 2.3.2 What is the total fixed cost of the business in the graph? (1)
- 2.3.3 Briefly describe the term *profit maximisation*. (2)
- 2.3.4 Why should the business in the graph not produce more than 50 units? (2)
- 2.3.5 How much profit would this business earn at the equilibrium, if at 50 output $AVC = R50$ and $AR = R70$? (Show ALL calculations.) (4)
- 2.4 Describe the objectives of the Competition Policy Act in South Africa. (4 x 2) (8)
- 2.5 Why are markets with no barriers to entry the most efficient? (8)

[40]



QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

- 3.1.1 List any TWO methods that the government can use to ensure sustainable development. (2 x 1) (2)
- 3.1.2 What is the effect of high inflation on industrial peace? (1 x 2) (2)

3.2 Study the information below and answer the questions that follow.

GLOBAL WARMING

The COP 27 climate summit in Egypt concluded with a historic breakthrough to help vulnerable countries deal with losses and damages from the impacts of climate change.

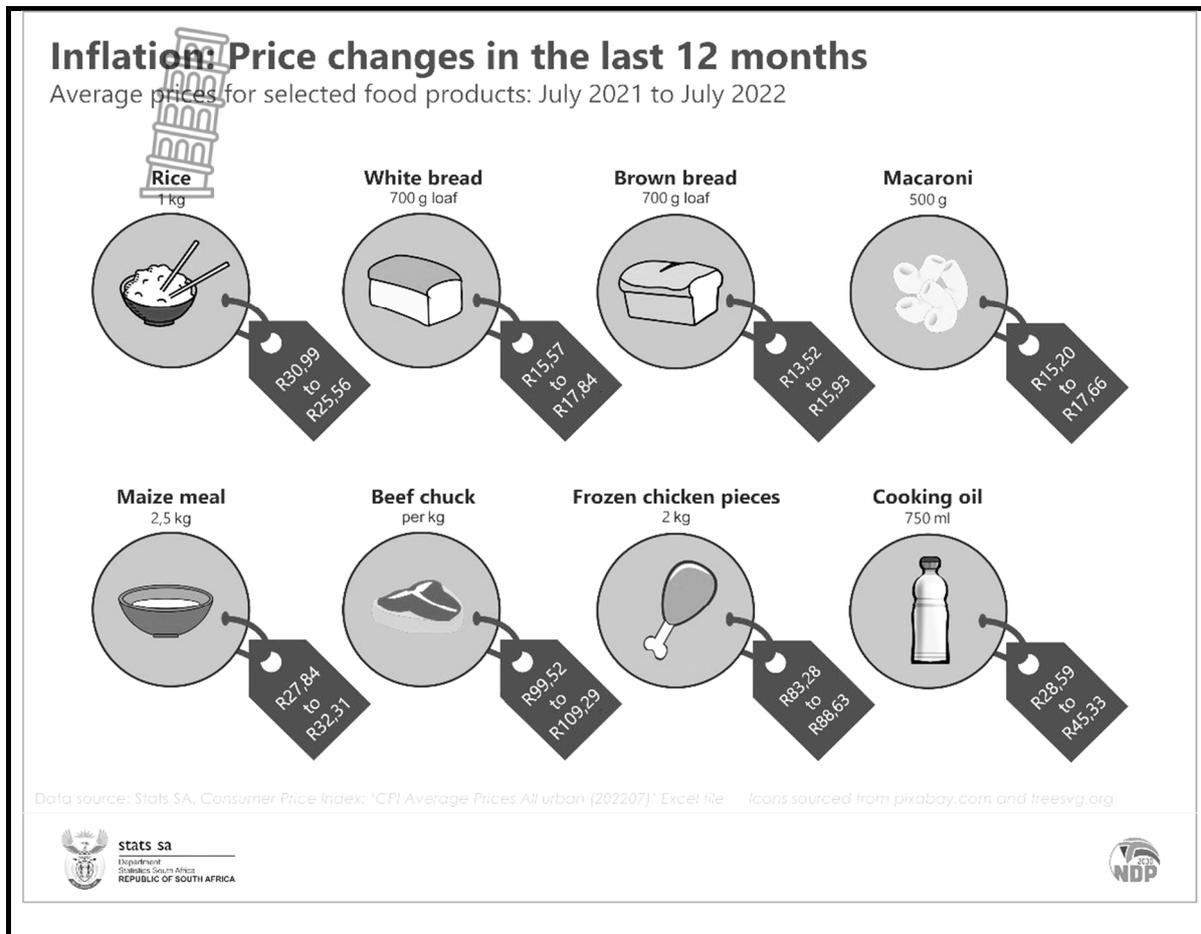


[Source: Internet picture]

- 3.2.1 In what year was COP 27 held? (1)
- 3.2.2 Name the international conference on environmental sustainability held in 1997. (1)
- 3.2.3 Briefly describe the term *command and control (CAC)*. (2)
- 3.2.4 How will COP 27 influence international measures to sustain the environment? (2)
- 3.2.5 How can granting property rights assist in achieving environmental sustainability? (2 x 2) (4)



3.3 Study the information below and answer the questions that follow.



[Source: StatsSA]

- 3.3.1 Identify the product that had a price decrease between July 2021 and July 2022. (1)
- 3.3.2 What is the current inflation target range in South Africa? (1)
- 3.3.3 Briefly describe the term *core inflation*. (2)
- 3.3.4 Why did prices of most products increase during July 2021 and July 2022? (2)
- 3.3.5 How are key inputs a cause of cost push inflation? (2 x 2) (4)
- 3.4 Distinguish between *public sector intervention* and *public sector control* as measures to ensure sustainability. (4 x 2) (8)
- 3.5 How is weighting used as a way to measure inflation? (8)

[40]

QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 List TWO positive effects of conservation. (2 x 1) (2)

4.1.2 Why is marginal revenue and average revenue the same for perfect markets? (1 x 2) (2)

4.2 Study the text below and answer the questions that follow.

FIBRE WAR IN SOUTH AFRICA HEATS UP

Hanno Labuschagne 18 July 2022

South Africa's biggest fibre network operators are in a heated battle, cutting prices and increasing line speeds to win over customers. Openserve blew the field wide open with substantial line speed increases and price cuts. MetroFibre and Vumatel followed and doubled their line speeds and reduced prices on most of their packages, significantly reducing Openserve's price advantage.

[Adapted source: mybroadband.co.za]

4.2.1 Name the market structure in which the fibre network operators are competing. (1)

4.2.2 Name the type of demand curve faced by fibre network operators. (1)

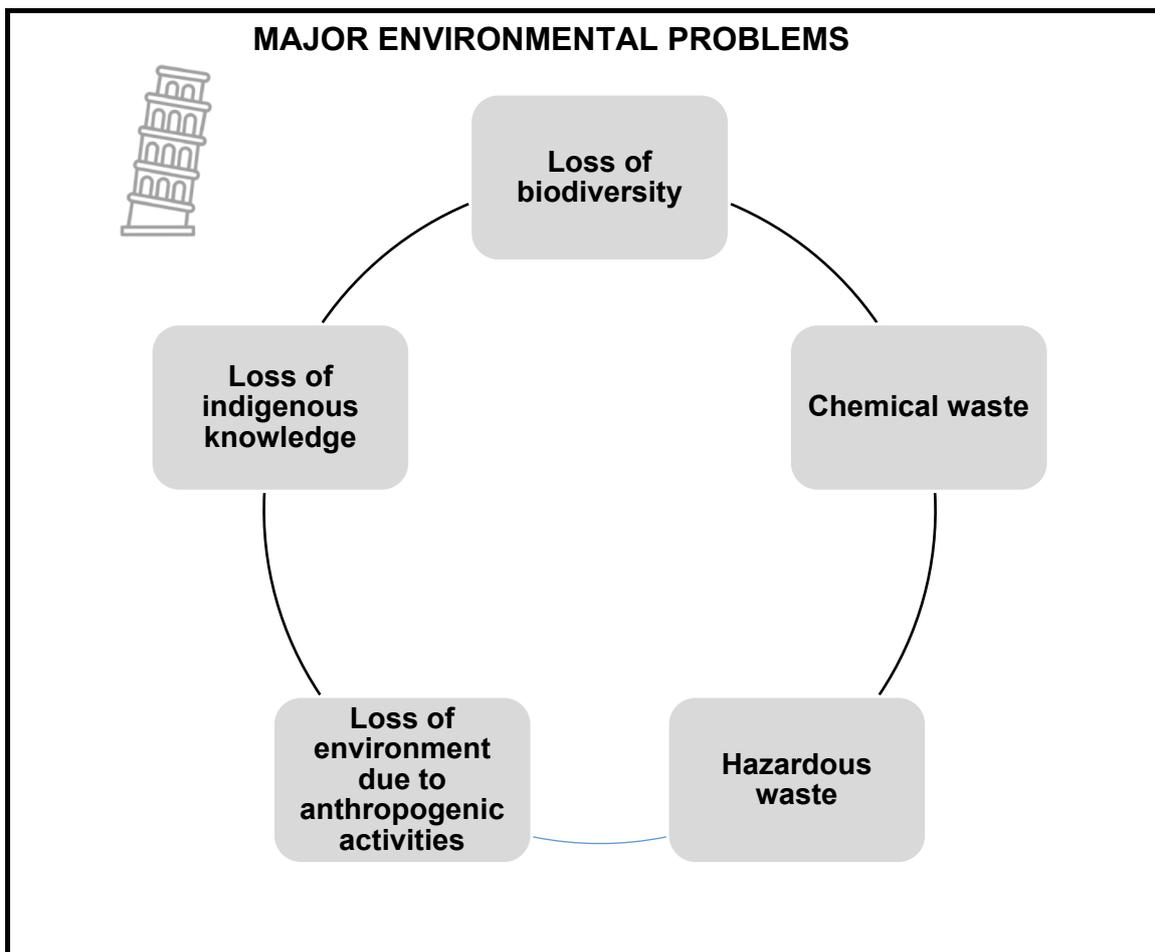
4.2.3 Briefly describe the term *mutual dependence*. (2)

4.2.4 Explain whether it is legally possible for the fibre operators to avoid price wars. (2)

4.2.5 What are the possible long-term consequences for businesses involved in a price war? (2 x 2) (4)



4.3 Study the diagram below and answer the questions that follow.



- 4.3.1 From the information above, identify the part that refers to the depletion of a variety of species of plants and animals in a particular area. (1)
- 4.3.2 Name ONE negative effect of tourism on the environment. (1)
- 4.3.3 Briefly describe the term *hazardous waste*. (2)
- 4.3.4 Briefly explain the Basel Convention agreement to reduce environmental damage. (2)
- 4.3.5 How can producers contribute to environmental sustainability? (2 x 2) (4)
- 4.4 Compare perfect competition and the monopoly in terms of the *demand curve* and *allocative efficiency*. (2 x 4) (8)
- 4.5 Why is cost push inflation more difficult to control than demand pull inflation? (8)

[40]

TOTAL SECTION B: 80

SECTION C

Answer ONE of the two questions in this section in the ANSWER BOOK.

Your answer will be assessed as follows:



STRUCTURE OF ESSAY	MARK ALLOCATION
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<p>Body</p> <p>Main part: Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Assess/Debate A maximum of 8 marks may be allocated for headings/examples.</p> <p>Additional part: Critically discuss/Evaluate/Critically evaluate/Debate/Deduce/Compare/Distinguish/Interpret/How?/Suggest A maximum of 2 marks may be allocated for merely listing facts.</p>	<p>Max. 26</p> <p>Max. 10</p>
<p>Conclusion</p> <p>Any higher-order conclusion should include:</p> <ul style="list-style-type: none"> • A brief summary of what has been discussed without repeating facts already mentioned • Any opinion or value-judgement on the facts discussed • Additional supporting information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations 	<p>Max. 2</p>
TOTAL	40



QUESTION 5: MICROECONOMICS**40 MARKS – 40 MINUTES**

- Discuss, in detail, with the aid of graphs, externalities as a cause of market failure. (26 marks)
- How can the state prevent market failure caused by externalities? (10 marks) **[40]**

**QUESTION 6: CONTEMPORARY ECONOMIC ISSUES****40 MARKS – 40 MINUTES**

- Examine, in detail, the benefits of tourism for:
 - Businesses (10 marks)
 - Infrastructure development (8 marks)
 - Households (8 marks) (26 marks)
- How is indigenous knowledge threatened by technological advancements? (10 marks) **[40]**

TOTAL SECTION C: 40**TOTAL: 150****END**



GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA



PREPARATORY EXAMINATION

2023

MARKING GUIDELINES

ECONOMICS PAPER 1 (10731)

22 pages



SECTION A (COMPULSORY)**QUESTION 1****1.1 MULTIPLE-CHOICE QUESTIONS**

1.1.1 D – increase in the national income ✓✓

1.1.2 A – lagging ✓✓

1.1.3 C – sell products and buy factors of production ✓✓

1.1.4 B – balance of trade ✓✓

1.1.5 C – sanctions ✓✓

1.1.6 A – Special Economic Zone ✓✓ OR B -Industrial Development Zone ✓✓

1.1.7 B – Maputo Development Corridor ✓✓

1.1.8 D – terms of trade ✓✓

(8 x 2) (16)

1.2 MATCHING ITEMS

1.2.1 G – economic activities at its lowest ✓

1.2.2 F – total spending on goods and services in the economy ✓

1.2.3 A – the absence of excessive fluctuations in the GDP of a country ✓

1.2.4 D – a world organisation that assists countries with balance of payment problems ✓

1.2.5 E – key institution in the capital market in South Africa ✓

1.2.6 H – a cause of changes in technology ✓

1.2.7 I – very important infrastructure and technology that cause large innovative spillover effects ✓

1.2.8 C – improvement in the well-being and quality of life of people ✓

(8 x 1) (8)



1.3 **GIVE THE TERM**

1.3.1 Residual item ✓

1.3.2 Extrapolation ✓

1.3.3 Capital transfer account ✓

1.3.4 Import substitution ✓

1.3.5 Capital deepening/capital intensive production ✓

1.3.6 Economic hub (node)/Special Economic Zone/Industrial Development
Zone/Corridor/Cities ✓ (6 x 1) (6)

TOTAL SECTION A: 30



SECTION B

Answer any **TWO** of the three questions from this section in the **ANSWER BOOK**.

QUESTION 2: MACROECONOMICS

2.1 Answer the following questions.

2.1.1 Name **TWO** examples of real flows within the four-sector model.

- Goods and services ✓
- Imports of goods and services ✓
- Export of goods and services ✓
- Factors of production ✓
- Public goods and services ✓ (2 x 1) (2)

2.1.2 How does comparative advantage encourage the production of specialised goods?

- Countries will specialise in goods where they have comparative advantages, therefore channel all resources and research to improve the product and enjoy economies of scale. ✓✓
- (Accept any other correct relevant response.)** (1 x 2) (2)

2.2 DATA RESPONSE

2.2.1 Name **ONE** fiscal measure to increase economic activity during a recession.

- Reduce taxes ✓
- Increase government spending ✓ (1)

2.2.2 Which school of thought proposes external shocks as reasons for business cycles?

- Exogenous/Monetarist view ✓ (1)

2.2.3 Briefly describe the term *monetary policy*.

- The approach taken by a country's central bank to influence spending in an economy by controlling the interest rates and the money supply. ✓✓
- (Accept any other correct relevant response.)** (2)

2.2.4 **What is the relationship between unemployment and inflation in the Phillips curve?**

- A reduction in unemployment will cause an increase in inflation because of the increased amount of spending by people that were previously unemployed. ✓✓
- Inverse relationship occurs when unemployment decreases, and inflation will increase ✓✓

(Accept any other correct relevant response.)

(2)

2.2.5 **How can raising interest rates slow down economic growth?**

- When central banks increase interest rates, it reduces demand for goods and services. ✓✓
- This could result in companies hiring fewer or laying off their workers and potentially lead to a recession. ✓✓
- Borrowing money becomes more expensive and the cost of doing business rises. ✓✓
- Over time, higher costs and less business could mean lower revenue and earnings for firms, possibly impacting their growth rate. ✓✓

(Accept any other correct relevant response.)

(4)

2.3 **DATA RESPONSE**

2.3.1 **Who manages exchange rate policies in South Africa?**

- The central bank/South African Reserve bank ✓

(1)

2.3.2 **Which diagram above represents an increase in the number of tourists from the USA to South Africa?**

- Diagram A ✓

(1)

2.3.3 **Briefly describe the term *foreign exchange control*.**

- Foreign exchange control governs the measures taken by the South African Reserve bank regarding the purchase of foreign currency. ✓✓
- Restrictions applied by some governments to ban or limit the sale or purchase of foreign currencies by nationals and/or the sale or purchase of the local currency by foreigner ✓✓

(Accept any other correct relevant response.)

(2)

2.3.4 **How can the SARB correct an undervalued currency?**

- When the currency is undervalued, interest rates can be decreased to cause an outflow of foreign currency and drain excess liquidity from the economy and release inflation pressure. ✓✓

(Accept any other correct relevant response.)

(2)

2.3.5 Explain the impact on the rand if the number of tourists from South Africa to the USA decreases. Use the information from the diagrams to prove your answer.

- A decrease in the number of tourists from South Africa to the USA will cause a decrease in the demand for dollars, therefore the USA will decrease the supply of dollars to South Africa. ✓✓
- The decreased number of tourists will shift the supply curve from S1 to S2. ✓✓
- Consequently, the equilibrium quantity of the dollar will reduce from 16 to 12. ✓✓
- The initial exchange rate was \$:R16 at quantity 16 dollars, but the decrease in the demand for the dollar increased the value of the dollar to \$:R17 at quantity 12 for the dollar. ✓✓
- The exchange rate will rise as the rand depreciates against the dollar. ✓✓

(Accept any other correct relevant response.) (2 x 2) (4)

2.4 Briefly explain real business cycles without the use of a graph.

- A real business cycle is obtained when the effects of irregular events, seasons and long-term growth trends are removed from time series data. ✓✓
- Real business cycle fluctuations are the result of exogenous changes in the real economic environment. ✓✓
- Exogenous factors, like technological advances, cause fluctuations in real output (supply). ✓✓
- Such supply-side shocks in the production function cause fluctuations of output and employment. ✓✓
- It causes the rise and decline of the economic activities taking place in an economy i.e., the expansion and recession of the economy. ✓✓
- Random technological changes cause permanent effects on potential output. In other words, GDP is effected by these fluctuations. ✓✓

(Accept any other correct relevant response.) (4 x 2) (8)

2.5 How can an increase in the gross domestic product (GDP) influence the multiplier?

- A higher GDP refers to higher income levels, higher spending/demand and positive economic growth. ✓✓
- There will be high levels of investment and additional income for consumers. ✓✓
- This will lead to a higher mpc in the economy. (Consumers tend to spend additional income.) ✓✓
- E.g., for every extra R100, the consumers will be prepared to spend a higher fraction. i.e., R70, resulting in an mpc of 0,7. ✓✓
- This increase in income/spending will have a snowball effect, i.e., an even higher GDP. ✓✓

(Accept any other correct relevant response.) (8)

[40]

QUESTION 3: ECONOMIC PURSUITS

3.1 Answer the following questions

3.1.1 Name any **TWO** examples of SETAs in South Africa.

- 
- Agricultural Sector Education and Training Authority (AgriSETA) ✓
 - Banking Sector Education and Training Authority (BANKSETA) ✓
 - Chemical Industries Education and Training Authority (CHIETA) ✓
 - Construction Education and Training Authority (CETA) ✓
 - Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority (CATHSSETA) ✓
 - Education, Training and Development Practices Sector Education and Training Authority (ETDP SETA) ✓
 - Energy and Water Sector Education and Training Authority (EWSETA) ✓
 - Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M SETA) ✓
 - Finance and Accounting Services Sector Education and Training Authority (Fasset) ✓
 - Food and Beverage Manufacturing Industry Sector Education and Training Authority (FoodBev SETA) ✓
 - Health and Welfare Sector Education and Training Authority (HWSETA) ✓
 - Insurance Sector Education and Training Authority (Inseta) ✓
 - Local Government Sector Education and Training Authority (LGSETA) ✓
 - Manufacturing, Engineering and Related Services Sector Education and Training Authority (merSETA) ✓
 - Media, Information and Communication Technologies Sector Education and Training Authority (MICT SETA) ✓
 - Mining Qualifications Authority (MQA) ✓
 - Public Service Sector Education and Training Authority (PSETA) ✓
 - Safety and Security Sector Education and Training Authority (SASSETA) ✓
 - Services Sector Education and Training Authority (SSETA) ✓
 - Transport Education Training Authority (TETA) ✓
 - Wholesale and Retail Sector Education and Training Authority (W&RSETA) ✓
- (2 x 1) (2)

3.1.2 **How does deregulation improve Broad-Based Black Economic Empowerment (BBBEE)?**

- It will create healthy competition within the economy and increase access to more black people working. ✓✓

(Accept any other correct relevant response.)

(1 x 2)

(2)

3.2 DATA RESPONSE

3.2.1 Name **ONE** country that is a member of SACU.

- South Africa ✓
- Namibia ✓
- Botswana ✓
- Lesotho ✓
- Swaziland ✓

(1)

3.2.2 How many countries does SADC consist of?

- 16 ✓

(1)

3.2.3 Briefly describe the term *trading bloc*.

- Trading blocs are groups of countries that establish rules for trade among all participating countries. ✓✓

(Accept any other correct relevant response.)

(2)

3.2.4 How do tariffs on imported goods influence domestic prices?

- For local producers, the import tariff raises the price of imported goods, domestic prices will be lower because the tariffs on imported goods will cause it to be higher than domestic prices. ✓✓

(Accept any other correct relevant response.)

(2)

3.2.5 How can countries benefit by being members of a trading block?

- There will be variety of goods and services among countries. ✓✓
- Countries in SADC enjoy free trade. ✓✓
- Factors of production can flow freely amongst these countries. ✓✓
- They can decide on common tariffs when trading with other countries that are not part of SADC. ✓✓
- Employment will increase within the trade bloc which will improve the standard of living. ✓✓

(Accept any other correct relevant response.)

(2 x 2)

(4)

3.3 DATA RESPONSE

3.3.1 Identify **ONE** cross-cutting issue of the integrated manufacturing strategy from the information above.

- Technology ✓

(1)

3.3.2 Name **ONE** reason for industrial development.

- To create employment ✓
- To diversify the economy ✓
- To increase exports ✓
- To create macroeconomic stability ✓

(Accept any other correct relevant response.)

(1)



3.3.3 Briefly describe the term *private-public partnership*.

- It is a relationship between the government and the private sector where the expertise and efficiency and/or capital of the private sector is used to develop certain regions. ✓✓

(Accept any other correct relevant response.)

(2)

3.3.4 What is “development within” in regional development?

- Development from within means that each region will be responsible for its own development. ✓✓

(Accept any other correct relevant response.)

(2)

3.3.5 How does foreign direct investment affect employment in South Africa?

- Direct investments occur when foreign parties invest in South African businesses, or when South African people or businesses invest in foreign businesses. ✓✓
- The investment is an injection into the local economy, spiralling the multiplier effect and stimulating economic growth in various sectors of the economy. ✓✓
- This could cause the demand for more labour – i.e., employment opportunities. ✓✓

(Accept any other correct relevant response.)

(2 x 2)

(4)

3.4 Briefly discuss *good governance* and *provision of resources* as regional development policies in terms of international benchmark criteria.

Good governance

- Regional development strategies should be managed effectively and free of corruption. ✓✓
- Democratic decision making, where the views of different role players are considered, and factored into decision making. ✓✓
- Transparency, where free and open engagements are promoted so that role players gain a sense of ownership. ✓✓
- Financial management and control where resources are not wasted and are properly accounted for. ✓✓

Provision of resources

- Adequate resources such as infrastructure and energy supply should be provided in poor resource regions to promote decentralisation of industrial hubs. ✓✓
- Providing enough social resources such as education and healthcare and nutrition should be the holistic development for regional development. ✓✓

(Accept any other correct relevant response.)

(2 x 4)

(8)

3.5 Evaluate the impact of the National Skills Development Strategy (NSDS) on economic development since 1994.

Successes of NSDS

- Individuals who engaged in NSDS gained qualifications, gained work experience and gained confidence to apply for jobs. ✓✓
- About 330 000 learners were funded by the National Skills Fund which showed an increase of 1,4 million people who received skills of development. ✓✓
- Increasing the supply of semi-skilled labour and alleviating poverty to a certain degree in the process. ✓✓
- The growth of FET Colleges was promoted which addressed the critical skills shortage. ✓✓

NSDS was not successful because:

- All SETAS produce quality guides, but they are not well known by the public. This reduced the number of trainees (student). ✓✓
- Skills development has been ineffective in the informal sector. ✓✓
- TVET colleges had limited success and employee confidence remained very low in TVET Sector. ✓✓
- Most registered companies do not participate at all in the skills development system which has compromised the objectives of NSDS. ✓✓

(Accept any other correct relevant response.)

(4 x 2)

(8)

[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

4.1 Answer the following questions.

4.1.1 Name TWO examples of capital goods.

- Tools ✓
- Machinery ✓
- Buildings ✓
- Vehicles ✓
- Computers ✓
- Construction equipment ✓

(Accept any other correct relevant response.)

(2 x 1)

(2)

4.1.2 How does mass production influence international trade?

- Mass production means the production of a good on a large scale, can facilitate surplus trade of goods between countries and allow consumers to buy a variety of goods at lower prices. ✓✓

(Accept any other correct relevant response.)

(1 x 2)

(2)

4.2 DATA RESPONSE

4.2.1 Give another term for “compensation of employees”.

- Wages/Salaries ✓ (1)

4.2.2 Give ONE example of taxes on production.

- Payroll tax ✓
- Taxes on land and buildings ✓
- License fees ✓
- Stamps ✓
- Registration fees ✓

(Accept any other correct relevant response.) (1)4.2.3 Briefly describe the term *factor cost*.

- It is the cost of the factors of production (that is labour, capital, land and enterprise.) ✓✓

(Accept any other correct relevant response.) (2)

4.2.4 What is the main purpose of subsidies on production?

- It is to keep prices below the market level for consumers. ✓✓

(Accept any other correct relevant response.) (2)

4.2.5 Calculate gross domestic product at market prices. Show ALL calculations.

Gross value added at basic prices	5 949 671 ✓
Taxes on products	704 144 ✓
Less: Subsidies on products	15 469 ✓
Gross domestic product at market prices	6 638 346 ✓

(4)

4.3 DATA RESPONSE

4.3.1 Which initiative was established in 2021 to boost trade in Africa?

- African Continental Free Trade Area (AfCFTA) ✓ (1)

4.3.2 Which current South African growth and development policy aims to eliminate poverty by 2030?

- National Development Plan (NDP) ✓

(1)

4.3.3 Briefly describe the term *global market*.

- The market in which goods and services of one country are traded (purchased or sold) to people of other countries. ✓✓

(Accept any other correct relevant response.) (2)

4.3.4 Why does the North have little interest in the welfare of the South?

- The North is mainly interested in the cheap resources that they can get from developing countries in the South. ✓✓
- This exploitation is their objective therefore they will never have interest in the welfare of the South. ✓✓
- The improvement of welfare will result in the North not being able to get resources at cheap prices. ✓✓
- When the North gives foreign aid, there will be strings attached and thus increased loss of our natural resources and freedom. ✓✓
- If the North recognises the wealth of the South, it will not have access to resources and cheap labour. ✓✓

(Accept any other correct relevant response.)

(2)

4.3.5 How can Africa become a major global player?

- African countries need to undertake bold domestic structural reforms to scale up the supply capacity of the region by improving digital connectivity, reforming fundamental institutions of legal frameworks. ✓✓
- Diversify trade with Asia: Asia's growing middle class and its substantial demand presents an opportunity for Africa to expand trade with the region. ✓✓
- Deepening regional integration within Africa: Sub-Saharan Africa's success in the global market rests on deepening regional integration to scale up supply capacity and build regional value chains. ✓✓
- There is a need to integrate unilateral trade preferences with other efforts to deepen trade and investment between African countries and advanced countries, mainly the US and the EU, addressing the structural challenges limiting the region's export capacity. ✓✓

(Accept any other correct relevant response.)

(2 x 2)

(4)



4.4 Discuss *direct investments* and *portfolio investments* as sub-accounts of the financial account in the Balance of Payments.

Direct investment

- Foreign direct investment (FDI) refers to investment in real estate (fixed property) and obtaining a meaningful share (10%+) or control of such business. ✓✓
- Direct investments occur when foreign parties invest in South African businesses, or when South African people or businesses invest in foreign businesses. ✓✓
- When a foreign business invests in a South African business, this results in money flowing into the country. ✓✓
- Such an inward direct investment is recorded as a liability because it needs to be repaid. ✓✓
- When a South African business person invests in a business in a foreign country, this results in money flowing out of the country. ✓✓
- Such an outward direct investment is recorded as an asset because the entity acquired will generate an income for South African investors. ✓✓ (Max. 4)

Portfolio investments

- Refers to the buying of financial assets such as shares in companies on the stock exchange of another country. ✓✓
- These investments are highly liquid, and their flows can be reversed at any time. ✓✓
- Portfolio investment money is also known as 'hot money'. ✓✓
- The investor is only interested in financial returns from investing in shares and not in the management of a business. ✓✓
- When foreign people or businesses buy shares on the JSE or government bonds, this results in money flowing into the country. ✓✓
- However, these money need to be repaid at some stage, therefore it is recorded as a liability. ✓✓
- When South Africans buy shares in companies that are listed on foreign exchanges or buy foreign government bonds, this results in an outflow of money. ✓✓
- However, when South Africans are obtaining ownership of foreign shares or bonds, the purchases are recorded as assets. ✓✓ (Max. 4)

(Accept any other correct relevant response.)

(8)



4.5 Examine South Africa's endeavours to reduce inequality in the country.

- South Africa focused on higher social spending, targeted government transfers, and affirmative action as efforts to reduce poverty among the previously marginalised. ✓✓
- Currently more than 18 million people are receiving a grant from the state. ✓✓
- A progressive tax system is in place to tax higher income groups at higher tax rates. This revenue is used as a redistributive method. ✓✓
- The equitable share formula used to determine transfers to provincial and local spheres of government contains a poverty component as a redistributive measure. ✓✓
- The 'social wage' has been used as a redistributive mechanism of the government budget deliberately aimed at improving the lives of the poor and reducing their cost of living. ✓✓
- This has been achieved through, among others, free primary health care; no-fee paying schools; old age and child support grants; housing; and free basic services (water, electricity and sanitation) to poor households. ✓✓
- Despite these efforts, inequality has remained high. ✓✓
- According to laffer curve/gini coefficient South Africa income distribution remains highly skewed. ✓✓
- The top 20 percent of the population holds over 68 percent of income (compared to a median of 47 percent for similar emerging markets). ✓✓
- The bottom 40 percent of the population holds 7 percent of income. ✓✓
- The South African land reform policies was not so successful only 23% have benefited from land reform policy. ✓✓
- Significant differences remain across regions. Income per capita in Gauteng – the main economic province that comprises large cities like Johannesburg and Pretoria – is almost twice the levels as that found in the mostly rural provinces like Limpopo and Eastern Cape. ✓✓
- Despite various job creation initiatives e.g EPWP, JIPSA, GEAR, high unemployment is still a major factor behind the inequality levels. ✓✓
- South Africa's unemployment rate is significantly higher than in other emerging markets, with youth unemployment exceeding 50 percent. ✓✓

(Accept any other correct relevant response.)

(8)
[40]

TOTAL SECTION B: 80



SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK.

QUESTION 5: MACROECONOMICS

- **Discuss, in detail, the reasons for public sector failure (link them to a typical problems experienced through public sector provisioning)** (26 marks)
- **Examine the practicality of the medium-term expenditure framework in the South African economy.** (10 marks)

INTRODUCTION

Public sector failure occurs when government intervention in the economy leads to an inefficient allocation of resources and leads to an overall decline in economic welfare. ✓✓

(Accept any other relevant introduction.)

(Max. 2)

BODY**MAIN PART****Management failure** ✓

Government departments often underperform for the following reasons:

- Lack of training and experience. ✓✓
- Public servants are employed to perform a certain role, but they do not have the correct training, skills, and experience. ✓✓
- This becomes a waste because they will be remunerated for the roles they were not qualified to perform. ✓✓
- People working in parastatals might lack management skills and might end up implementing wrong policies that may cause the public sector to fail. ✓✓
- If the management cannot explain the decisions that they took and explain how they spent the money they have been allocated, they are not accountable and this may be a result of corruption, corruption results in inefficiencies that lead to failure in the public sector. ✓✓
- The state employs a civil servant in the capacity of an accountant, but the employee does not have the required qualifications, and is therefore under qualified for this role. ✓✓
- Poor leadership – people in some managerial positions are not able to motivate, mentor and lead their staff complement. ✓✓
- Employees take the lead from their superiors and display the same lack of ability or become demotivated in their roles. ✓✓
- Management failure is therefore linked to efficiency as a problem of public sector provisioning. ✓✓

(Two marks for an accurate linking assertion that includes an explanation of the public sector failure. Only statement of linking: 1 mark)

Apathy ✓

- This occurs when civil servants are disinterested, lack of enthusiasm and are incompetent in their roles. ✓✓
- When public servants are apathetic, their productivity levels decrease resulting in poor service delivery. ✓✓
- Corruption and poor service delivery are signs of apathy and may result in poor accountability. ✓✓
- Parastatal employees lack the interest or concern because they know they will get paid even when they are underperforming. ✓✓
- E.g., a ward councillor receives the approval for the building of new communal toilets at the local park, but the building of the toilets is delayed because the required paperwork was never submitted to the building contractor ✓✓
- Apathy is therefore linked to efficiency as a problem of public sector provisioning. ✓✓

(Two marks for an accurate linking assertion that includes an explanation of the public sector failure)

Bureaucracy ✓

- Complex rules and procedures might lead to inefficiencies in the public sector and the public sector might fail to provide the goods and services in time to the consumers. ✓✓
- For example, if there is an electricity fault at some house, the state company Eskom will send their workers to fix the fault and the workers will only fix that fault because they were told to fix that only. Even if there is a fault in the neighbouring house they will not fix it but they will need that fault to be reported so they can come fix it. ✓✓
- This simply means that the parastatals cannot satisfy the needs of consumers in time because of the rules and procedures that must be followed that may take time to finish following them. ✓✓
- Bureaucracy is linked to typical problems experienced through public sector provisioning of efficiency and assessing needs. ✓✓

(Two marks for an accurate linking assertion that includes an explanation of the public sector failure)

Lack of motivation ✓

- Civil servants do not get evaluated, acknowledged or rewarded for excellence as in the private sector. ✓✓
- Civil servants do not get evaluated, acknowledged, or rewarded for excellent service by their clients, whereas their private sector counterparts do. ✓✓
- Furthermore, private sector employees are often incentivised through bonuses, awards etc. for excellent service whereas public sector employees are not. ✓✓
- Customer service is also not regarded as a priority. ✓✓
- Lack of motivation links to typical problems experienced through public sector provisioning of efficiency and assessing needs. ✓✓

(Two marks for an accurate linking assertion that includes an explanation of the public sector failure)

Politicians ✓

- In order to secure their political careers, politicians may be tempted to act in their personal capacity rather than in the interest of the public. ✓✓
- They could therefore promote and endorse projects and policies to secure votes for their re-election. ✓✓
- These projects and policies could lead to misallocation or wastage of resources. ✓✓
- Lack of accountability by politicians may be a result of corruption and this may lead to them not fulfilling the promises they made to community when they were running their campaigns. ✓✓
- As the politicians are not accountable for their actions then resources may not be allocated fairly because of corruption. ✓✓
- E.g., the Minister of Health approves a contract for a vaccination programme from a company where he is a major stakeholder without disclosing this information. ✓✓
- Politicians are linked to accountability and efficiency as problems of public provisioning. ✓✓

(Two marks for an accurate linking assertion that includes an explanation of the public sector failure. Only statement of linking: 1 mark)

Structural weaknesses ✓

- When the state is the only service provider of a good or service and there is an undersupply, it compromises the efficiency of the entire economy. ✓✓
- If the good or service provided is critical to the optimum functioning of the economy, and there are problems with its provisioning, all role players within the economy will be compromised. ✓✓
- This will have far-reaching negative consequences, most specifically hampering economic growth. ✓✓
- E.g., Eskom is the only service provider of electricity in South Africa and when power outages occur, it impacts on the efficiency of the entire country. ✓✓
- Linked to accountability, efficiency, and parastatals as problems of public provisioning. ✓✓

(Two marks for an accurate linking assertion that includes an explanation of the public sector failure)



Special interest groups ✓

- Rent-seeking is a process where people or businesses lobby for certain aspects in their favour. ✓✓
- Trade unions and other organisations often try to influence government officials to act in their favour. ✓✓
- Special interest groups' political power leads to more government spending which strain the government expenditure for the fiscal year ✓✓
- Strikes by special interest groups such as South African taxi association decreases production of the economy since people will not have alternative transportation to work. ✓✓
- This is linked to efficiency as a problem in public sector provisioning. ✓✓

(Accept any other correct and relevant response.) (Max. 26)

(Two marks for an accurate linking assertion that includes an explanation of the public sector failure)

(Maximum 8 marks for linking the reasons to the problems of public sector provisioning)

(A maximum of 8 marks should be allocated for headings and examples)

ADDITIONAL PART

Examine the practicality of the medium-term expenditure framework in the South African economy.

- Greater transparency of budget and service delivery information for the public. ✓✓
- The policy goals and resource allocation are clearly set out. ✓✓
- In this way it empowers government to determine priorities and deliver change. ✓✓
- Strengthen links between planning and prioritisation, budgeting, and service delivery in the country. ✓✓
- Improved efficiency of public expenditure and predictability of resource flows in the country. ✓✓
- The quest for greater efficiency in the management of public resources to deliver services more effectively and fairly. ✓✓
- Enhancing the partnership between government and the private sector to improve service delivery and quality. ✓✓
- It became evident during the pandemic that certain sectors were inefficient and underspend. ✓✓
- There has been underspending on capital programmes in recent years. The capital budgets for the future are the result for less and inelastic examination/accountability of budgets. ✓✓
- Municipalities fail to collect enough revenue during or within the fiscal year which increases pressure on MTEF. ✓✓
- Lack of quality and timely information by provincial and local municipalities as only 16% of South Africa's 257 municipalities have been given a clean audit by the auditor general for the 2020 – 21 financial year. ✓✓



- Pressure on the government's wage bill ceiling could undermine fiscal consolidation measures. ✓✓
- The government should consider how much they spend on salaries, as the wage bill is normally the highest in the total expenditure, and there has been attempts to reduce it, but the labour and unions are not in favour of such actions. ✓✓

(Accept any other relevant correct response.)

(Max. 10)

(A maximum of 2 marks will be allocated for a mere listing facts)

CONCLUSION

Increased transparency can help deliver change in public sector performance ensuring information-sharing, and publishing or disseminating performance information. ✓✓

(Accept any other higher-order conclusion.)

(Max. 2)

[40]

QUESTION 6

- **Discuss, in detail, South Africa's social indicators.** (26 marks)
- **How important is productivity as an economic indicator?** (10 marks)

INTRODUCTION

Social indicators describe the living conditions of people in a country and measure the level of development in living standards over time. ✓✓

(Max. 2)

BODY

MAIN PART

Demographics indicators ✓

Population growth ✓

- The population of South Africa is estimated to be 60,6 million by the end of June 2022. Between 2002 and 2022 South Africa experienced a positive population growth year-on-year. ✓✓
- A high population growth combined with low economic growth harms efforts to improve the average standard of living of the population ✓✓
- Measuring population growth is important for delivering social services and for identifying the size of the tax base (the total number of people paying taxes). ✓✓

Life expectancy ✓

- Number of years a new-born infant is likely to live under the prevailing conditions. ✓✓
- Life expectancy at birth for 2021 was estimated at 59,3 years for males and 64,6 years for females. ✓✓
- Infant mortality is the number of children per 1 000 births who die before the age of one year in a year. ✓✓
- The infant mortality rate for 2021 is estimated at 24,1 per 1 000 live births. ✓✓

Nutrition and health indicators ✓

- The standard of living of the population is related to the quality of nutrition and health. ✓✓
- These indicators are used by the government and other institutions to investigate health-related issues. ✓✓
- Malnutrition is expressed as underweight or dwarfism. ✓✓
- It contributes towards the risks of death and prevents cognitive development of children in SA. ✓✓
- Between 2018 and 2020, the number of people undernourished in South Africa amounted to 3.8 million, showing an increase compared to previous years. ✓✓
- Overweight is associated with obesity in childhood, diabetes, respiratory diseases, high blood pressure and psychological disorders. ✓✓
- Being overweight can lead to numerous adverse health conditions, which affects people's ability to work and take care of themselves. ✓✓
- Approximately 31% of men and 68% of women in South Africa are obese. ✓✓

Education indicators ✓

- The standard of living is related to the level of education. ✓✓
- Education directly influences the level of income and standards of living for the people. ✓✓
- If the level of education increases, more people will find jobs, unemployment will decrease and poverty will decline. ✓✓
- The level of education of the population also affects the country's level of productivity, competitiveness, and national wealth. ✓✓
- Public expenditure: The percentage of the national budget that is directed towards education. ✓✓
- The average percentage spending on the main budget was 20% – 25% over the last decade. ✓✓
- The average spending of education was 6,6% of GDP in 2022. ✓✓
- Secondary enrolment: This shows the percentage of an age group attending high school. ✓✓
- In 2020, the gross enrolment ratio for secondary school students in South Africa was about 102,1 percent. ✓✓
- Secondary education is considered as a minimum entry requirement to employment for semi-skilled labour. ✓✓
- Primary completion: The percentage of an age group that has completed primary education is an indicator of the efficiency of the education system. ✓✓
- In 2018, the gross primary enrolment ratio in South Africa amounted to 98,54 percent. ✓✓
- Young women are less likely to be employed than young men, particularly those with lower levels of education. Only 26% of 25 – 34 year-old women with below upper secondary attainment were employed in 2020 compared to 41% of men in South Africa ✓✓
- The impact of the pandemic on the economy has raised concerns about the prospects of young adults, especially those leaving education earlier than others. In South Africa, the unemployment rate among 25 – 34-year-olds with below upper secondary attainment was 44,4% in 2020, a decrease of 6 percentage points from the previous year ✓✓

- Education is one of the methods to decrease poverty and income inequality. ✓✓
- In South Africa, 15% of 25 – 34 year-olds had a tertiary qualification in 2020 compared to 47% on average across OECD countries. ✓✓

Services indicators ✓

- Basic services such as housing, water, sanitation, and electricity are important factors that indicate the standard of living of people in a country. ✓✓
- Electricity: the government promotes access to electricity to all members of the population, regardless of whether they live in rural or urban areas. ✓✓
- South Africa citizens with electricity access for 2020 was 84,39%, a 0,61% decline from 2019. ✓✓
- Refuse removal: In South Africa, the collection of households' waste decreased from 66,4% households in 2018 to 61,5% households in 2019. ✓✓
- South African households had access to refuse removal by local government services and dumping sites. ✓✓
- Water supply and sanitation is an objective of SA government for all people to have access to clean water and a basic functioning sanitation system. ✓✓
- An estimated 45,2% of households had access to piped water in their dwellings in 2021. A further 29,4% accessed water on-site while 12,2% relied on communal taps and 1,9% relied on neighbours' taps. ✓✓
- Although generally households' access to water improved, 2,7% of households still had to fetch water from rivers, streams, stagnant water pools, dams, wells and springs in 2021. ✓✓

Housing and urbanisation indicators ✓

- Housing: to secure social and economic benefits of proper housing, the government facilitates home ownership by means of housing subsidy scheme and loans from the private sector. ✓✓
- The RDP was also introduced to provide housing to previously disadvantaged people. ✓✓
- Various housing projects such as the People's Housing Process and the hostel redevelopments have been implemented to provide housing to such people. ✓✓
- Urbanisation is the increase in population numbers of urban areas (cities and towns). ✓✓
- South Africa had an urbanisation rate of 73% in 2021. The urbanisation rate in South Africa decreased by 1,4% on a year-on-year basis in 2021. Between 2010 and 2021, the indicator decreased by 15,1% ✓✓
- Causes of urbanisation may include natural growth in urban population, migration in form of rural-urban migration or international migration and founding/establishment of new towns. ✓✓

(Accept any other correct relevant response.)
(A maximum of 8 marks for headings and examples)

(Max. 26)



ADDITIONAL PART**How important is productivity as an economic indicator?**

- Productivity refers to how much output can be produced with a given set of inputs. ✓✓
- It measures how efficiently production inputs, such as labour and capital, are being used in an economy to produce a given level of output. ✓✓
- Productivity increases when more output is produced with the same amount of inputs or when the same amount of output is produced with less inputs. ✓✓
- A country's ability to improve its standard of living depends almost entirely on its ability to raise its output per worker (i.e., producing more goods and services for a given number of hours of work). ✓✓
- The four reasons of a nation's productivity are physical capital, technology, human capital, and natural resources. ✓✓
- Labour productivity measures the hourly output of a country's economy. ✓✓
- Capital productivity is used to determine the efficiency of fixed assets. It is a measure of the amount of output to the amount of physical capital used as input. ✓✓
- Material productivity is a measure of the output generated to the amount of input materials used. ✓✓
- New machines, technologies, and techniques are crucial factors in determining productivity. ✓✓

(Accept any other relevant correct response.)**(Max. 10)****(A maximum of 2 marks will be allocated for a mere listing facts)****CONCLUSION**

Social indicators are key in helping the government to decide on appropriate policies that can help in achieving economic development. ✓✓

(Max. 2)**(Accept any relevant higher order conclusion.)****[40]****TOTAL SECTION C: 40****TOTAL: 150**