



KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

GRADE 12

**NATIONAL
SENIOR CERTIFICATE**

ECONOMICS P1

PREPARATORY EXAMINATION

SEPTEMBER 2023

MARKS: 150

TIME: 2 hours

Stanmorephysics

This question paper consists of 13 pages.

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 pocket 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 answer and write only the letter (A–D) next to the question number (1.1.1 to 1.1.8) in the ANSWER BOOK, e.g. 1.1.9 D.

1.1.1 An open economy is best described as a ... sector economy

- A one
- B two
- C three
- D four

1.1.2 The vertical difference between a trough and the next peak is referred to as the ...

- A Trend line
- B Length
- C Trough
- D Amplitude

1.1.3 The Laffer curve shows the relationship between tax revenue and ... rate.

- A tax
- B expenditure.
- C nominal.
- D income.

1.1.4 Financial capital held by the monetary authorities such as the central bank to finance the trading disequilibrium is referred to as...

- A financial derivatives
- B reserve assets
- C merchandise exports
- D portfolio investments

1.1.5 The practice of selling goods in a foreign country at lower prices than in the country of origin is known as ...

- A exportation
- B importation
- C dumping
- D investment



1.1.6 The growth and development policy that aims to eliminate poverty and reduce inequality by 2030 is called ...

- A Joint Initiative For Priority Skill Acquisition
- B National Development Plan (NDP)
- C New Growth Path (NGP)
- D Growth, Employment and Redistribution Programme (GEAR)

1.1.7 Unemployment resulting from mismatch between demand of labour and the skills of job seekers is referred to as ... unemployment.

- A Structural
- B cyclical
- C frictional
- D institutional

1.1.8 Long term deposits of the domestic sector at the monetary institutions are part of the ... money supply.

- A M1
- B M2
- C M3
- D M4

(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 number (1.2.1–1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

| COLUMN A | | COLUMN B | |
|----------|--------------------------|----------|---|
| 1.2.1 | Residual item | A | Expresses the number of years a child born today is estimated to live. |
| 1.2.2 | Open-market transactions | B | The process by which the standard of living improves. |
| 1.2.3 | Privatisation | C | Trade policy that tries to keep the domestic economy safe by restricting the import of goods and services rendered. |
| 1.2.4 | Transfer payments | D | Aims to reduce the centralisation of industries. |
| 1.2.5 | Protectionism | E | Money received without any productive service rendered. |
| 1.2.6 | Economic development | F | Evens out short-term fluctuation in economic data. |
| 1.2.7 | Regional development | G | Buying and selling of government securities to influence the money supply. |
| 1.2.8 | Life expectancy | H | Transfer of ownership of a government institution to individual ownership. |
| | | I | Allows for all errors and omissions in GDP calculations. |

(8 x 1) (8)



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

1.3.1 People who are able to make use of a good or service without paying for it.

1.3.2 A policy that targets taxes and government expenditure to influence economic activity.

1.3.3 Exchange rate system that uses forces of demand and supply.

1.3.4 Taxes levied on goods as they enter the country.

1.3.5 The measurement of the economic output per person.

1.3.6 The distribution of employment and investment over a wide range of industrial activities.

(6)

TOTAL SECTION A: 30



SECTION B

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

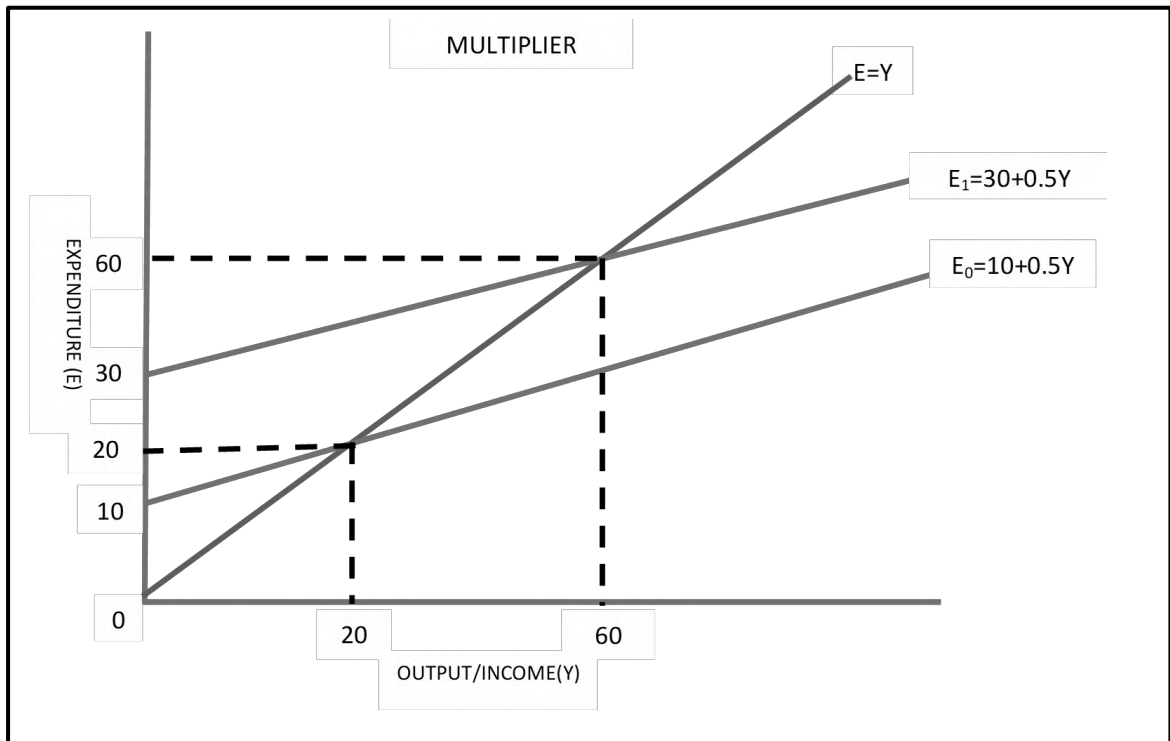
QUESTION 2: MACROECONOMICS

40 MARKS – 30 MINUTES

2.1 Answer the following questions.

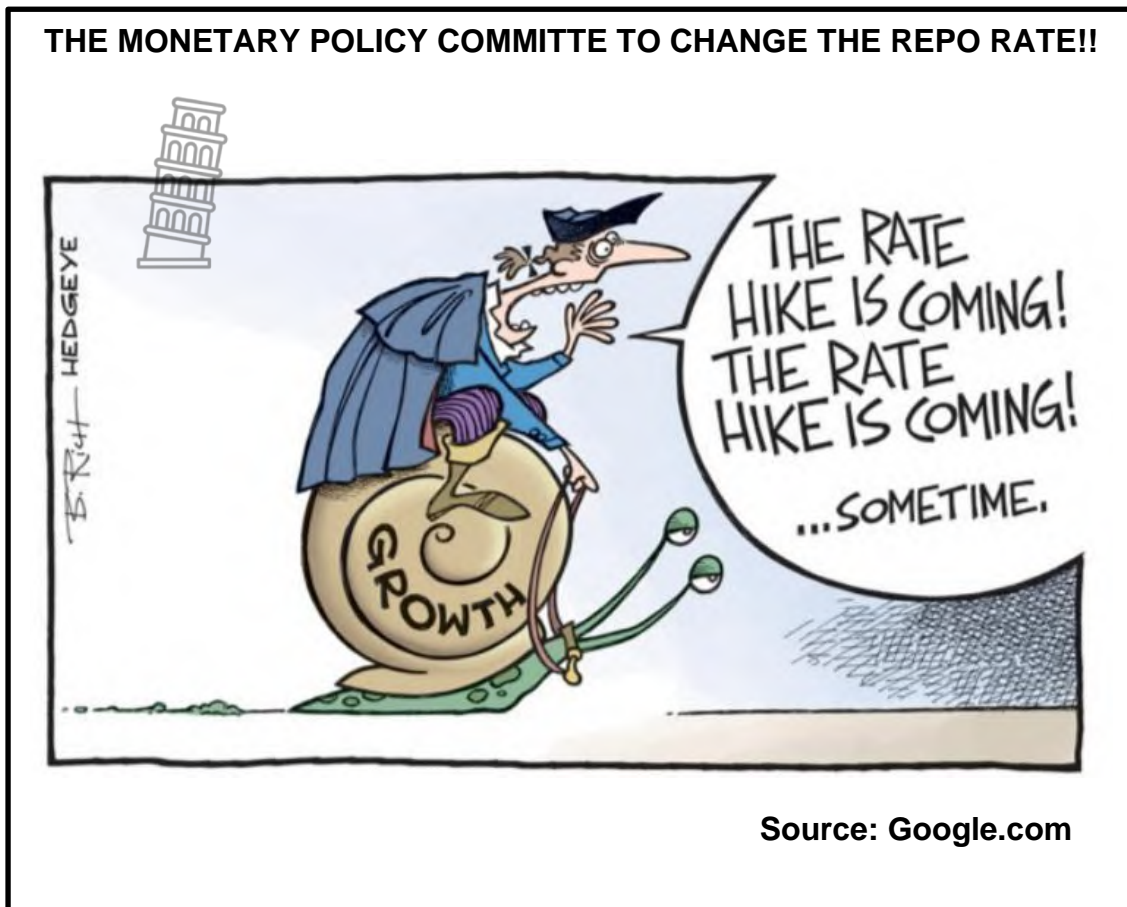
- 2.1.1 Name any TWO periods of business cycles. (2 x 1) (2)
- 2.1.2 What is the importance of the factor market on the circular flow? (1 x 2) (2)

2.2 Study the diagram and information below and answer the questions that follow.



- 2.2.1 Identify the original consumption function on the graph. (1)
- 2.2.2 Give the marginal propensity to consume (mpc) from the above graph. (1)
- 2.2.3 Briefly describe the term *induced consumption*. (2)
- 2.2.4 How does an increase in marginal rate of taxation (mrt) influence the value of the multiplier? (2)
- 2.2.5 Using the formula $\Delta Y/\Delta J$, calculate the value of multiplier for the above diagram. Show all calculations. (4)

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



- 2.3.1 Identify the monetary instrument that is mainly used in South Africa. (1)
- 2.3.2 Name the institution that is responsible for the formulation of monetary policy. (1)
- 2.3.3 Briefly describe the term *extrapolation*. (2)
- 2.3.4 What is the negative impact of excessive access to credit on the economy? (2)
- 2.3.5 How can moral suasion be used as a tool to dampen the overheated economy? (4)
- 2.4 Briefly discuss *bureaucracy* and *politicians* as reasons for public sector failure. (8)
- 2.5 How can a decrease in final consumption by households affect the economy? (8)

[40]



QUESTION 3: ECONOMIC PURSUITS**40 MARKS – 30 MINUTES****3.1 Answer the following questions.**

3.1.1 Name the TWO South Africa's industrial development strategies. (2x1) (2)

3.1.2 What is the main objective of the Reconstruction and Development Programme? (1x2) (2)

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

SOUTH AFRICA'S EXPORT PROMOTION POLICY EARNS A SECOND SPOT

South Africa has once again occupied the spot as the second largest economy in sub-Saharan Africa after Nigeria, based on a recorded GDP of \$66.0 billion in the third quarter of 2022 compared with Nigerian GDP of \$101.0 billion in the same period. This growth is attributed to the country's endeavour in promoting exports in the agricultural, transport and manufacturing industries.

Adapted from *Mail and Guardian*, January 2023

3.2.1 Identify the South African international trade policy discussed on the extract above. (1)

3.2.2 Name ONE concession that is given by the South African government to industries that produce exported goods. (1)

3.2.3 Briefly describe the term *direct subsidies*. (2)

3.2.4 What is the negative effect of incentives given by the government on the development of local industries? (2)

3.2.5 How can an increased domestic production benefit the country? (4)



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

| THE WORLD HUMAN DEVELOPMENT INDEX – 2021 | | |
|--|------------------------|------------------|
| Rank | Country | HDI value (2021) |
| 1 | Switzerland | 0.962 |
| 2 | Norway | 0.961 |
| 3 | Iceland | 0.959 |
| 4 | Hong Kong, China (SAR) | 0.952 |
| 5 | Australia | 0.951 |
| 109 | South Africa | 0.713 |

Adapted from <https://africacheck.org>

- 3.3.1 Identify the country with the highest human development index from the table above. (1)
- 3.3.2 Name any ONE aspect related to the standard of living. (1)
- 3.3.3 Briefly describe the term *North South divide*. (2)
- 3.3.4 What effect will focusing on primary industries have on the economies of developing countries? (2)
- 3.3.5 How do countries with a high economic divide negatively impact on countries with a low economic divide? (4)
- 3.4 Briefly discuss *Spatial Development Initiatives (SDI)* in South Africa. (8)
- 3.5 How is South Africa affected by the unstable conditions in the world market? (8)
- [40]**



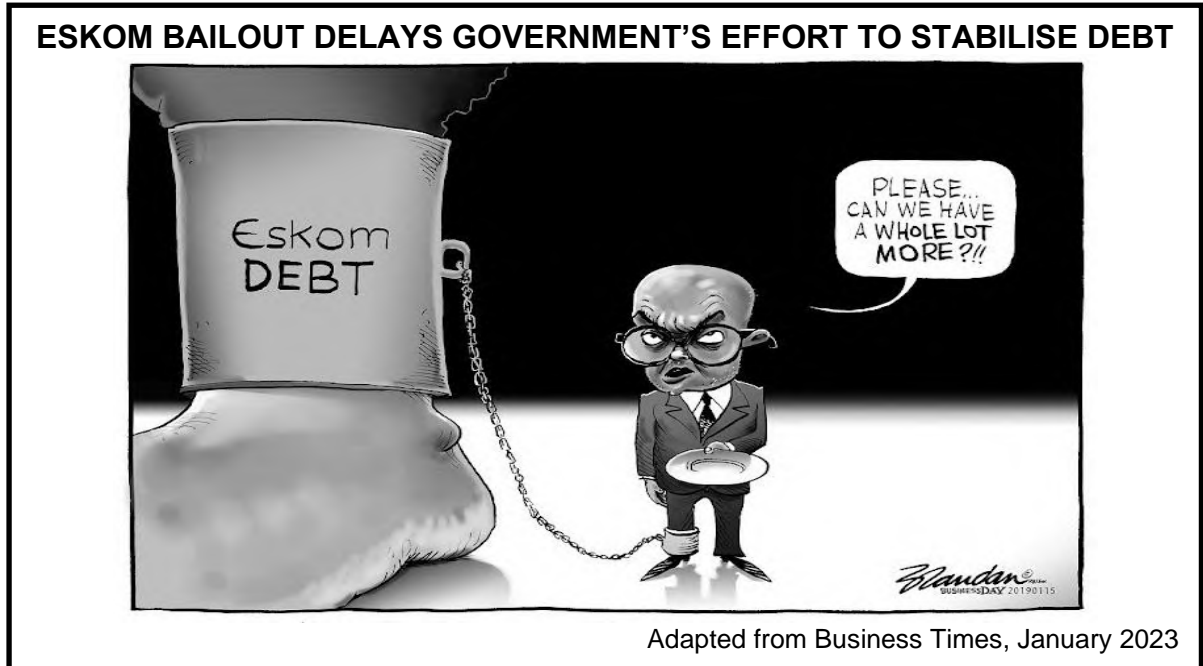
QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS**40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Name any TWO features of the fiscal policy. (2x1) (2)

4.1.2 What benefits are enjoyed by South Africa as a member country of BRICS? (2)

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



4.2.1 Identify the State-owned Enterprise (SOE) represented by the cartoon above. (1)

4.2.2 Name the institution that regulates the pricing of electricity in South Africa. (1)

4.2.3 Briefly describe the term *budget*. (2)

4.2.4 Explain the impact of high state debt on the provisioning of public goods and services. (2)

4.2.5 How the South African government improve accountability from public servants? (4)



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

ATLANTIS SPECIAL ECONOMIC ZONE

The Atlantis SEZ is part of the City of Cape Town's initiative taken in 2011 to establish a green-tech manufacturing hub in Atlantis. Situated in the West coast, this SEZ capitalises on the province's already booming renewable energy and green technology sector. A wind tower manufacturer, Gestamp Renewable Industries (GRI) has already invested R300 million and is in full-scale production.

Adapted from www.thedti.gov.org

- 4.3.1 Identify the Special Economic Zone (SEZ) that is discussed on the above extract. (1)
- 4.3.2 Name ONE aspect that is taken into consideration when identifying Industrial Development Zones (IDZs). (1)
- 4.3.3 Briefly describe the term *free trade zones*. (2)
- 4.3.4 Explain the negative impact of a shortage of skilled labour on industrial development. (2)
- 4.3.5 Why is it important for the South African government to establish economic hubs? (2X2) (4)
- 4.4 Briefly discuss *leading indicators* and *coincident indicators* as features of forecasting in business cycles. (8)
- 4.5 How can the South African government reduce the high rate of unemployment? (8)
- [40]**


TOTAL FOR 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 |
|--|------------------------|
| Introduction The introduction is a lower-order response. <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 the 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 |
| Body Main part: Discuss in detail/In-depth discussion/Examine/Critically Discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/D 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. Additional part: Critically discuss/Evaluate/Critically evaluate/Debate/Deduce/Compare/Distinguish/Interpret/How?/Suggest A maximum of 2 marks may be allocated for mere listing of facts. | Max. 26 Max. 10 |
| Conclusion Any higher-order conclusion should include: <ul style="list-style-type: none"> • A brief summary of what has been discussed without repeating facts already mentioned • Any opinion or valued judgement on the facts discussed • Additional support 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 international trade. (26)
- How can a deficit on the current account affect the economy of South Africa? (10)

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

- Discuss in detail South Africa's social indicators (26)
- How can South Africa improve its global position when compared with the rest of the world? (10)

[40]

TOTAL FOR SECTION C:
TOTAL MARKS:

40
150



**NATIONAL
SENIOR CERTIFICATE**

**ECONOMICS P1
PREPARATORY EXAMINATIONS
SEPTEMBER 2023
MARKING GUIDELINE**

MARKS: 150

TIME: 2 hours

This marking guideline consists of 23 pages.



SECTION A (COMPULSORY)

QUESTION 1

30 MARKS – 20 MINUTES

MULTIPLE CHOICE



- 1.1.1 D – four ✓✓
- 1.1.2 D – Amplitude ✓✓
- 1.1.3 A – tax ✓✓
- 1.1.4 B – reserve assets ✓✓
- 1.1.5 C – dumping ✓✓
- 1.1.6 B – National Development Plan (NDP) ✓✓
- 1.1.7 A – Structural ✓✓
- 1.1.8 C – M3 ✓✓

1.2 MATCHING ITEMS

- 1.1.9 I – ✓ Allows for all errors and omissions in GDP calculations.
- 1.2.2 G – ✓ Buying and selling of government securities to influence the money supply.
- 1.2.3 H – ✓ Transfer of ownership of a government institution to individual ownership.
- 1.2.4 E – ✓ Money received without any productive service rendered.
- 1.2.5 C – ✓ Trade policy that tries to keep the domestic economy safe by restricting the import of goods and services rendered.
- 1.2.6 B – ✓ The process by which the standard of living improves.
- 1.2.7 D – ✓ Aims to reduce the centralization of industries.
- 1.2.8 A – ✓ Expresses the number of years a child born today is estimated to live.

(8 x 1) (8)

1.3. CONCEPTS

- 1.3.1 Free riders ✓
- 1.3.2 Fiscal policy ✓
- 1.3.3 Free-floating exchange rate system ✓
- 1.3.4 Tariffs/ import duties / custom duties ✓
- 1.3.5 Gross domestic product per capita ✓
- 1.3.6 Industrial diversification ✓



(6 x 1) (6)

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 any TWO periods of business cycles. (2x1) (2)

- Contraction/downswing ✓
- Expansion/upswing ✓

2.1.2 What is the importance of the factor market on the circular flow? (1 x 2) (2)

- This is the market for the factors of production that are combined to produce goods and services on the economy.
- The factor market provides a platform where households can sell factors of production that they own.
(Accept any other relevant correct response)

2.2 DATA-RESPONSE

2.2.1 Identify the original consumption function on the graph. (1)

$E_0 = 10 + 0.5y$ ✓

2.2.2 Give the marginal propensity to consume (mpc) from the above graph (1)

0.5 ✓

2.2.3 Briefly describe the term *induced consumption*. (2)

Induced consumption is consumption that depends on the level of income. ✓✓

(Accept any other correct response)

2.2.4 How does an increase in marginal rate of taxation (mrt) influence the value of the multiplier? (2)

It will decrease the value of the multiplier due to a decrease in the marginal propensity to consume. ✓✓
(Accept any other correct response)



- 2.2.5 **Using the formula $\Delta Y/\Delta J$, Calculate the value of multiplier for the above diagram. Show all calculations.** (4)

$$K = \Delta Y / \Delta J$$

$$(60-20) \checkmark / (30-10) \checkmark$$

$$K = 40/20 \checkmark$$

$$K = 2 \checkmark$$



2.3 DATA RESPONSE

- 2.3.1 **Identify the monetary instrument that is mainly used in South Africa** (1)

Repo rate/ repurchase rate ✓

- 2.3.2 **Name the institution that is responsible for the formulation of monetary policy.** (1)

South African Reserve Bank / SARB ✓

- 2.3.3 **Briefly describe the term *extrapolation*.** (2)

Extrapolation refers to a technique that economists use to predict the future by using past data ✓✓

(Accept any other relevant and correct response)

- 2.3.4 **What is the negative impact of excessive access to credit on the economy?** (2)

- When people borrow more than what they really need, high inflation rate can be experienced. ✓✓
- Uncontrolled borrowing can make it difficult to determine expenditure. ✓✓

(Accept any other relevant and correct response)



2.3.5 How can moral suasion be used as a tool to dampen the overheated economy?

(4)

- When the South African Reserve Bank persuade banks to be more careful when they grant credit, excessive spending is curbed therefore business cycles are stabilized. ✓✓
- By exerting moral pressure on banks, they encourage their clients to save rather than spending thereby reducing inflationary pressure. ✓✓
- Strict measures applied by banks when lending money reduce unnecessary borrowing thereby curbing demand pull inflation. ✓✓

(Accept any other relevant and correct response)

2.4 Briefly discuss *bureaucracy* and *politicians* as reasons for public sector failure.

(8)

Bureaucracy

- Refers to excessively complex administrative procedures that are often followed in government sector. ✓✓
- Bureaucrats (government officials) are criticised for being too rigid and inefficient. ✓✓
- A simple request end up entangled in endless processes, paperwork that slows down an otherwise simple task. ✓✓
- Application for a particular project having to go from one administrative level to another, taking very long period before an answer can be given. ✓✓

(Max. 2X2=4)

Politicians

- Politicians are often interested in being re-elected to their positions rather than serving the public. ✓✓
- Therefore, they often pursue vote-maximizing strategies to secure or retain their political offices. ✓✓



- The pressure of looming election often can make many politicians make decisions just to make the voting public happy. ✓✓
 - Some projects can be undertaken even if they were not budgeted for or no proper cost benefit analysis was conducted. ✓✓
- (Accept any other relevant and correct response)



(Max. 2X2=4)

2.5 How can a decrease in final consumption by households affect the economy?

(8)

- A decrease in final consumption by households can cause a contraction on the country's economy thereby slowing down the economic growth ✓✓
- A reduced aggregate demand can shrink the productive capacity of the country thus reducing the real GDP. ✓✓
- A decline in consumption can hinder industrial development hence causing disinvestment. ✓✓
- Less spending by households reduces the per capita income therefore lowering the standard of living. ✓✓
- A reduction in turn-over for businesses can force a shut-down, reduce working hours and cause retrenchments. ✓✓
- A decrease in consumption spending by households increases the dependency rate to the government which hinders economic development for the country. ✓✓

(Accept any other relevant and correct response)

[40]



QUESTION 3: ECONOMIC PURSUITS

40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name the TWO South Africa’s industrial development strategies (2)



- National Research and Development Strategy
- Integrated Manufacturing Strategy ✓

3.1.2 What is the main objective of the Reconstruction and Development Programme? (2)

- The main objective of the RDP is aimed at providing basic services to the previously marginalized groups. ✓✓
- It aimed to mobilise all South Africans to finally abolishing apartheid and build a democratic, non-racial, and non-sexist future. ✓✓

(Accept any other relevant and correct response)

3.2 DATA RESPONSE

3.2.1 Identify the South African international trade policy discussed on the extract above. (1)

Export promotion ✓

3.2.2 Name ONE concession given by the government to industries that produce goods for exportation. (1)

Tax reduction ✓

3.2.3 Briefly describe the term *direct subsidies*. (2)

Direct subsidies refer to the direct financial support that is provided by the government to support domestic producers who export goods abroad. ✓✓

(Accept any other relevant and correct response)



3.2.4

What is the negative effect of incentives given by the government on the development of local industries?

(2)



- Incentives makes it difficult for producers to calculate their real cost of production. ✓✓
- Reliance on incentives may become a challenge when they are not received and can retard the ability to compete in the open market. ✓✓
- Withdrawal of incentives can sometimes lead to closure of affected companies. ✓✓

(Accept any other relevant and correct response)

3.2.5

How can an increased domestic production benefit the country?

(4)

- Increased domestic production can stimulate exportation hence increasing the real GDP of the country. ✓✓
- When domestic production increases, jobs are created therefore improving the GDP per capita in the country. ✓✓
- An increase in domestic production accelerates the economic growth rate of the country thereby improving the living conditions. ✓✓
- Increased production improves the trade balance of the country hence its balance of payment. ✓✓

(Accept any other relevant and correct response)



3.3 DATA RESPONSE.

3.3.1 Identify the country with the highest human development index from the table above. (1)

Switzerland ✓

3.3.2 Name any ONE component related to the standard of living (1)



- Real GDP per Capita ✓
- Education ✓
- Life expectancy ✓

(Accept any other relevant and correct response)

3.3.3 Briefly describe the term *North South divide*. (2)

- It is a non-geographical line that divides countries according to their wealth and development. Countries in the north are wealthy while those in the south are poor ✓✓

(Accept any other relevant and correct response)

3.3.4 What effect will focusing on primary industries have on the economies of developing countries? (2)

- Primary industries are not reliable since they can easily be affected by supply shocks, this makes countries who rely on them to be volatile. ✓✓
- Primary goods do not yield as much profit as they are still in their raw state, this makes these economies to have a slow economic growth rate. ✓✓

(Accept any other relevant and correct response)

3.3.5 How do countries with high economic divide negatively impact on countries with a low economic divide? (4)

- More developed countries have a tendency of dumping unwanted goods on low developed countries thereby retarding their industrial development. ✓✓
- Most developed economies are characterized by multinational industries who dominate the international markets. ✓✓



- Most developed countries are guilty of exploiting resources of less developed countries to meet their high demand. ✓✓
(Accept any other relevant and correct response)

3.4

Briefly discuss *Spatial Development Initiatives (SDI)* in South Africa.

(8)

SPATIAL DEVELOPMENT INITIATIVES (SDI)

- SDIs attract infrastructure and business investments to underdeveloped areas to create employment. ✓✓
- Department of Trade and Industry is a driving force behind industrial and spatial development. ✓✓
- DTI plans together with central, provincial and local government, IDC, parastatals and research institutions. ✓✓
- SDI refers to government's initiative and economic development potential of certain specific spatial locations in SA. ✓✓
- The key objectives of SDIs are to stimulate economic activity in selected strategic locations ✓✓
- To generate economic growth and foster sustainable industrial development; ✓✓
- To develop projects of infrastructure in certain areas and finance them through lending and private sector investment, ✓✓
- Establish private-public partnerships (PPP's) ✓
(Accept any other relevant and correct response)

3.5

How is South Africa affected by the unstable conditions in the world market?

(8)

Positive effects:

- South Africa is a major exporter of commodities such as gold, platinum, and minerals. During periods of global instability, the prices of these commodities can rise due to their perceived safe-haven status. This can boost South Africa's export revenues and contribute to economic growth. ✓✓
- In response to global market volatility, South African businesses may be incentivized to diversify their operations and seek opportunities in more stable markets. This diversification can reduce the country's overreliance on specific sectors or trading partners. ✓✓
- Economic instability can lead to disruptions in global supply chains. South African industries may benefit from increased demand for locally produced goods as an alternative to imported products that become more expensive or scarce. ✓✓
- In some cases, during global market turmoil, investors may seek out emerging markets like South Africa for potentially higher returns. This influx of investment can stimulate economic growth and job creation. ✓✓
- Unstable world markets can prompt the South African government to reevaluate its economic policies and make necessary reforms to

enhance resilience and competitiveness. This can lead to improved long-term economic prospects. ✓✓

Negative effects:

- South Africa's economy is heavily dependent on exports, particularly in sectors like mining and agriculture. When world markets are unstable, demand for these exports can decrease, leading to economic vulnerability and reduced growth prospects. ✓✓
- Unstable world markets can result in currency fluctuations. For South Africa, this can be particularly challenging as it affects the value of the South African Rand (ZAR). A weaker Rand can increase the cost of imported goods and raw materials, potentially leading to inflation and decreased purchasing power for consumers. ✓✓
- Uncertainty in global markets can deter foreign investors. South Africa relies on foreign direct investment (FDI) to fund various sectors of its economy. A lack of investment can hinder economic development and job creation. ✓✓
- South Africa has a significant level of external debt. When world markets are unstable, servicing this debt becomes more expensive due to higher interest rates. This can strain government finances and limit the funds available for essential services and infrastructure development. ✓✓
- Market instability can erode consumer confidence. When consumers are uncertain about the future, they may cut back on spending, which can have a negative impact on businesses and employment. ✓✓

(Accept any other relevant and correct response)

(max.4 marks each)

[40]



QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

40 MARKS – 30 MINUTES

4.1 Answer the following questions.



4.1.1 Name any TWO features of the fiscal policy.

(2 x 1)

(2)

- Demand biased ✓
- Goal bound ✓
- Cyclical ✓

4.1.2 What benefits are enjoyed by South Africa as a member country of BRICS? (2)

- Being a member of BRICS means that South Africa is involved on free trade which allows economies of scale to be maximised and thus unit cost are reduced. ✓✓
- South Africa may be able to specialise in products where they have a comparative advantage. ✓✓
- The country receives a variety of products from its trading partners thereby allowing consumers the choice of what to buy from the whole world, and not just what is produced domestically. ✓✓

(Accept any other relevant and correct response)

4.2 Data response

4.2.1 Identify the state owned enterprise shown above

(1)

ESKOM ✓

4.2.2 Name the institution that regulates the pricing of electricity in South Africa.

(1)

National Energy Regulator of South Africa ✓/NERSA ✓

4.2.3 Briefly describe the term *budget*

(2)

A budget refers to the document detailing anticipated revenue and estimated expenditure. ✓✓

(Accept any other relevant and correct response)



4.2.4 **Explain the impact of high state debt on the provisioning of public goods and services.** (2)

- A high state debt hinders the ability of the government to provide public goods but instead focus on repaying the debt. ✓✓
- With the existing debt, the government is unable to borrow from the same institution to provide social services. ✓✓



(Accept any other relevant and correct response)

4.2.5 **How can the South African government improve accountability from public servants?** (4)

- Accountability can be upheld by holding accountability session where public servants account for their actions. ✓✓
- Reporting to the auditor general can improve accountability and promote service delivery. ✓✓
- Control by departmental heads can make public servants to focus on improving their level of competency. ✓✓
- Putting into place a quality management system where public servants are rated according to their performance. ✓✓

4.3 **DATA RESPONSE**

4.3.1 **Identify the Special Economic Zone (SEZ) that is discussed on the above extract.** (1)

Atlantis special economic zone ✓

4.3.2 **Name ONE aspect that is taken into consideration when identifying Industrial Development Zones (IDZs).** (1)

Airport/ Harbour ✓

4.3.3 **Briefly describe the term *free trade zones*.** (2)

Free trade zones refer to duty free areas offering storage and distribution facilities for value-adding activities within the Special Economic Zone. ✓✓

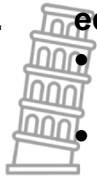
(Accept any other relevant and correct response)

4.3.4 **Explain the negative impact of a shortage of skilled labour on industrial development.** (2)

- Skilled-labour force is a pre-requisite requirement for the production of high-quality goods, without skilled workers standards will be lowered. ✓✓
 - A shortage of skilled workers implies that skills should be imported, this therefore increase the cost of production. ✓✓
- (Accept any other relevant and correct response)



4.3.5. Why is it important for the government to establish economic hubs?



- These hubs are strategically utilized as a measure to promote industrial development in a country. ✓✓
- Specialised areas provide a platform for investment and a focal point for economic growth. ✓✓
- Economic hubs are useful in enhancing the exchange of goods in the economy thus improving its real GDP. ✓✓
(Accept any other relevant and correct response)

4.4 Briefly discuss leading *economic indicators* and *coincident* as features of forecasting in business cycles.

(8)

Leading economic indicators

- Leading indicators are a subset of economic indicators that provide early signals about the future direction of an economy. ✓✓
- Their primary purpose is to help businesses, policymakers, and investors make informed decisions by anticipating economic changes before they happen. ✓✓
- Common leading indicators include stock market performance, business sentiment surveys, consumer confidence indices, and housing permits. ✓✓
- Consumer confidence surveys assess the sentiment and spending intentions of the public. High consumer confidence often leads to increased consumer spending, which drives economic growth. ✓✓
- The number of building permits issued for new construction can signal future economic activity. An increase in permits suggests a growing construction sector and potential economic expansion. ✓✓
- While leading indicators are valuable for forecasting, they are not foolproof, and false signals can occur. Additionally, they may not always predict the severity or duration of economic changes. ✓✓

Coincident indicators

- They move at the same time as the economy. If the turning point of a specific time series variable coincide with the reference turning point. ✓✓
- It indicates the current state of the economy. ✓✓
- If the business cycle reaches a peak and then begins to decline, the value of retail sales will reach a peak and then begin to decline at the same time. ✓✓
- E.g. retail sales/ real GDP. ✓
(Accept any other relevant and correct response)



4.5 **How can the South African government reduce the high rate of unemployment?** (8)

- Skills development programs can make a pool of population to be employable. ✓✓
- The government can create short-term employment in development project e.g. Extended Public Works Program. ✓✓
- Youth development programs where young people can do in-service training in scarce skills e.g. National Youth Development Agency. ✓✓
- Compulsory and free education can be promoted to improve the competency of the South Africans. ✓✓
- The government can advocate for foreign direct investment so as to create job opportunities. ✓✓
- The South African government can implement equality policies so as to allow the previously marginalized groups the opportunity to get the stake of the economy. ✓✓

(Accept any other relevant and correct response)

[40]

TOTAL SECTION B: 80



SECTION C

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

QUESTION 5: MACROECONOMICS

40 MARKS – 40 MINUTES

Discuss in detail the reasons for international trade.

(26)

INTRODUCTION

Trading globally gives consumers and countries the opportunity to be exposed to goods and services not available in their own countries, or which would be more expensive domestically ✓✓ (max.2)

(Accept any other relevant and correct introduction)

BODY: MAIN PART

Supply reasons:

Natural resources ✓

- These resources are not evenly distributed across all countries of the world. ✓✓
- They vary from one country to another, and can only be exploited in places where the resources exist. ✓✓
- South Africa is well equipped with different natural resources, but less resourced with skilled labour and capital. ✓✓
- Japan and Ireland which have an abundance of skilled labour, but they lack natural resources. ✓✓

Labour resources ✓

- Labour differs between different countries in terms of skills, knowledge, training, quality, quantity and also cost. ✓✓
- Some countries have highly skilled, well-paid workers, and high productivity levels, such as Switzerland. ✓✓



The availability of capital ✓

- In some countries they need to modernize their industries and economies with advanced machinery, equipment (plants), but cannot manufacture this equipment, because they lack the capital to do so. ✓✓
- This factor has therefore increased the need for international trade. ✓✓

Lack of entrepreneurship ✓

- Those countries that have good entrepreneurial skills offer more goods and services for trade. ✓✓
- Efficiency determines the supply of goods and services produced at lower prices and also reduce the opportunity cost of acquiring them. ✓✓

Climatic conditions ✓

- Countries have different climatic conditions and are therefore able to produce different products.
- Countries with favorable climate conditions make it possible for others to produce certain goods at a lower price. ✓✓
- An example is Brazil, which is the largest producer of coffee. ✓

Technological resources ✓

- The developmental levels and innovation processes of countries will always differ and as a result other countries may have them in abundance, while others may not. ✓✓
- Countries such as Germany and the USA are able to use capital which embodies high levels of technology, while other countries do not have access to the latest technology, such as basic internet services and healthcare. ✓✓
- Those countries that have high technological labour forces are able to produce certain goods and services at a low unit cost, such as the developed countries. ✓✓

Absolute and comparative advantages/costs ✓

- Absolute Advantage: Where one country can produce goods with fewer resources than another country. ✓✓

- Comparative Advantage: Where one country can produce goods at a lower opportunity cost – it sacrifices fewer resources in production ✓✓

Specialisation ✓

- The production of certain goods and services allows some countries to produce them at a lower cost than other producers. ✓✓
- Japan produces electronic goods and sells these at a much lower price. ✓✓
- International trade enables countries to specialize in the production of goods and services in which they have a comparative advantage above others. ✓✓

Most of these surplus productions get exported to other countries and the revenue earned from these exports can be used to finance their imports. ✓✓

Demand reasons for international trade:

The size of the population impacts demand ✓

- If there is an increase in population growth, it causes an increase in demand, as more people's needs must be satisfied. ✓✓
- Local suppliers may not be able to satisfy this demand. ✓✓

The population's income levels effect demand. ✓

- Changes in income cause a change in the demand for goods and services. ✓✓
- An increase in the per capita income of people results in more disposable income that can be spent on local goods and services, some of which may then have to be imported. ✓✓

An increase in the wealth of the population leads to greater demand for goods. ✓

- People have access to loans and can spend more on luxury goods, many of which are produced in other countries. ✓✓

Preferences and tastes ✓

- Preferences and tastes can play a part in the determining of prices, e.g. customers in Australia have a preference for a specific product which they do not produce and need to import, and it will have a higher value than in other countries. ✓✓

Consumption patterns ✓

- The difference in consumption patterns is determined by the level of economic development in the country, e.g. a poorly developed country will have a high demand for basic goods and services but a lower demand for luxury goods. ✓✓

The level of economic development and income/technical level ✓

- The consumption patterns of developed countries will differ from those of developing countries. ✓✓
- The need for basic necessities, such as food in developing countries may result in more needed goods being imported. (Demand for technical items) ✓✓

International migration ✓

- Different cultures, religions and lifestyles of immigrants will result in certain goods and services being imported. ✓✓
 - South Africa is a multi-cultural country, demanding various traditional food, clothes, etc. ✓✓
- (Accept any other relevant and correct response)

(Headings and examples have a maximum of 8 marks)

ADDITIONAL PART

How can a deficit on the current account affect the economy of South Africa? (10)

- A current account deficit may mean the country is not producing its own goods it rather relies on imports, this will result in a decline in economic growth ✓✓
- A deficit in the current may also mean that local firms cannot compete with imports therefore leading to a decline in production, shutting down of local firms and a loss of jobs ✓✓

- A rising current account deficit leads to an increased supply of a nation's currency in the foreign exchange markets. Therefore, in the currency market there will be an outward shift of supply. This – ceteris paribus – might lead to the external value of the currency falling. ✓✓
- If a current account deficit is financed through borrowing it is said to be more unsustainable. This is because borrowing is unsustainable in the long term and countries will be burdened with high-interest payments ✓✓
- A very high balance of payments deficit may, at some point, cause a loss of confidence by foreign investors. Therefore, there is always a risk, that investors will remove their investments causing a big fall in the value of currency (devaluation). This can lead to a decline in living standards and lower confidence for investment. ✓✓
- Foreign ownership of assets. If you run a current account deficit, it means you need to run a surplus on the financial/capital account. This means foreigners have an increasing claim on your assets, which they could desire to be returned at any time. ✓✓
- A persistent current account deficit may imply that you are relying on consumer spending, and the economy is becoming unbalanced between different sectors and between short-term consumption and long-term investment. ✓✓
(Accept any other relevant and correct response)

CONCLUSION

International trade is important for countries to survive economically, as barriers to trade would disadvantage all countries, due to their interdependency globally. ✓✓

(Accept any other relevant higher order conclusion)

Max (2)



QUESTION 6: ECONOMIC PURSUITS

40 MARKS – 40 MINUTES

Discuss in detail South Africa's social indicators. (26)

Introduction

Social indicators are concerned with people. They monitor identifiable and definable issues related to human well-being over a period of time. ✓✓ (max. 2)
(Accept any other relevant and correct introduction)

BODY: MAIN PART

Demographics✓

Population growth✓

- The size of the population is important for infrastructure and social programmes. ✓✓
- The size of the population was 61.3million in March 2023 ✓✓
- 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 ✓

- This expresses the number of years a newborn infant will live if the prevailing patterns of mortality remained the same throughout his or her life. ✓✓
- South Africa's life expectancy rate increased from 47 in the early 2000 to 64,9 in 2023 ✓✓
- Life expectancy at birth was estimated at 61,5 years for males and 67,7 years for females in 2019. ✓✓

Nutrition and health ✓

- The standard of living of the population is related to the quality of nutrition and health. ✓✓
- Nutrition is an important indicator for the well-being of infants and young children. ✓✓
- Child nutrition – Malnutrition is expressed in two ways – weight for age (under - weight) and height for age (dwarfism) . ✓✓
- The proportion of underweight children is the most important indicator of malnutrition. ✓✓

[40]

- Overweight children: there is an association between obesity of children and other diseases. ✓✓
- Infant mortality: The number of children that will die before one year of age is one way of measuring the health of a population. ✓✓
- Under-five mortality: the number of children that will die before the age of 5 years. ✓✓
- Health expenditure: the amount of health expenditure as a percentage of GDP. ✓✓
- Access to safe drinking water: the percentage of a population that has reasonable access to safe drinking water. ✓✓
- Access to sanitation facilities: the percentage of a population with at least adequate sanitation facilities that can prevent human, animal and insect contact. ✓✓

Housing and urbanisation ✓

- Significant proportions of South Africans are poor and cannot afford to buy residential property. ✓✓
- The government facilitates home ownership by means of a subsidy system and loans from the private sector. ✓✓
- More than 3 million subsidised houses have been handed over to households since 1994. ✓✓

Urbanisation ✓

- Urbanisation is the increase in the population numbers of cities and towns ✓✓
- The level of urbanisation is one of the indicators of a country's social development. ✓✓
- Urbanisation is an important social indicator because it points out to governments and developers that land has to be provided for a variety of purposes and services. ✓✓

Education ✓

- People's standard of living is directly related to their level of education. ✓✓
- Five or six years of schooling is a critical threshold for the achievement of sustainable literacy and numeracy skills. ✓✓
- A society of literate and skilled citizens has more chances of development at economic and social levels. ✓✓
- Education can reduce poverty and social injustice by providing the underprivileged with resources and opportunities for upward social mobility and social inclusion ✓✓
- Public expenditure percentage – shows the percentage of public expenditure that is directed towards education. It measures public sector input but excludes private expenditure. ✓✓
- Secondary enrolment percentage – shows the percentage of designated age group attending secondary education. ✓✓
- Education is considered a prerequisite for entry into employment. ✓✓

Services ✓

- A number of services are vital to enhance people's lifestyle and level of economic and social development. ✓✓

Electricity ✓

- A large percentage of South African households have access to electricity. ✓✓

Refuse disposal ✓

- Some households in South Africa have access to refuse removal by local authorities once a week. ✓✓

Water supply ✓

- The average number of households who have access to an improved water source has increased in South Africa since 1994. ✓✓

- An improved source refers to an adequate amount of water from sources such as household connections, taps inside the yard, public taps etc ✓✓
- Reasonable access is defined as the availability of 20 liters per person per day from a source within at least one kilometer of the dwelling. ✓✓



Sanitation ✓

- More households in South Africa have access to functioning sanitation. ✓✓
- This includes flush toilets, chemical toilets and pit toilets with ventilation pipes. ✓✓
- All other types of sanitation are defined as substandard ✓✓
(Accept any other correct relevant response)

(Headings and examples have a maximum of 8 marks)

ADDITIONAL PART

How can South Africa improve its global position when compared with the rest of the world? (10)

- increased competition and an improved business environment; strengthened small and medium enterprises and the supporting ecosystem to boost job creation. ✓✓
- increased resilience to external (climate and health) shocks; and improvements in the infrastructure investment framework and selected infrastructure services. ✓✓
- strengthening public sector institutions and governance frameworks, and promoting integration and cooperation in the region and continent. ✓✓
- South Africa must ensure that there is a smooth energy transition from coal-based energy to eco-friendly energy, which will strengthen Eskom ability to provide power for the economy. ✓✓
- Strengthening public finances, creating a more growth-friendly tax system and fostering higher productivity through enhanced infrastructure and education. ✓✓



(Accept any other correct relevant response)

CONCLUSION

Social indicators can serve as a focal point in directing government expenditure on issues that will guarantee social development and quality lifestyle. ✓✓

(Accept any other relevant higher order conclusion)

Max (2)



TOTAL FOR SECTION C: 40

TOTAL MARKS: 150

