



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ECONOMICS P1

2023

Stanmorephysics

MARKS: 150

TIME: 2 hours

This question paper consists of 12 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 numbers (1.1.1 to 1.1.8) in the ANSWER BOOK, e.g. 1.1.9 D.

1.1.1  The nominal value of all final goods and services produced within the boundaries of a country is known as GDP at ...

- A basic prices.
- B current prices.
- C constant prices.
- D factor cost.

1.1.2 A grouping of various indicators of the same type into a single value is referred to as ... indicators.

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

1.1.3 State-owned enterprises that provide public goods and services are called ...


- A nationalisation.
- B bureaucrats.
- C parastatals.
- D privatisation.

1.1.4 When a country can produce a product at a lower opportunity cost than any other country, it is known as ... advantage.

- A comparative
- B relative
- C absolute
- D complete

1.1.5 The co-ordination of various social, fiscal and monetary policies among the member countries is required in a/an ...

- A free-trade area.
- B economic union.
- C customs union.
- D common market.

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

- A National Development Plan.
- B New Growth Path.
- C Expanded Public Works Programme.
- D Reconstruction and Development Programme.

1.1.7 The use of science and technology to promote industrial development is part of the ...

- A Industrial Policy Action Plan.
- B National Industrial Policy Framework.
- C National Research and Development Strategy.
- D Integrated Manufacturing Strategy.



1.1.8 Bank notes and coins in circulation and demand deposits in the banking sector, is classified as ... money supply.

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


(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 to 1.2.8) in the ANSWER BOOK, e.g. 1.2.9 J.

COLUMN A		COLUMN B	
1.2.1	Marginal propensity to consume	A	the ratio between export and import prices measured by means of indexes
1.2.2	Fiscal policy	B	the decrease in production costs due to high levels of production
1.2.3	Economic equity	C	aims to significantly increase the number of previously disadvantaged people to own, manage and control the country's economy
1.2.4	Terms of trade	D	the redistribution of income within the economy
1.2.5	Economies of scale	E	use of taxation and government expenditure to achieve macroeconomic objectives
1.2.6	Globalisation	F	the worldwide integration of economies, with trade as an important element
1.2.7	Broad-based Black Economic Empowerment	G	established to promote economic recovery and development
1.2.8	United Nations	H	the proportion of additional income that households choose to spend on goods and services
		I	committed to maintaining international peace, security, social development and human rights

(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  Estimating or forecasting something unknown from facts and information that are known

1.3.2  An estimate of income and expenditure for a three-year period during the budgeting process

1.3.3 A trade policy that promotes the production of goods domestically rather than importing them

1.3.4 Restriction on the quantity of imports allowed into a country

1.3.5 The compensation of citizens who lost their land because of discriminatory apartheid laws

1.3.6 Policies that are aimed at increasing the economic livelihood of specific areas

(6 x 1) (6)

TOTAL SECTION A: 30



SECTION B

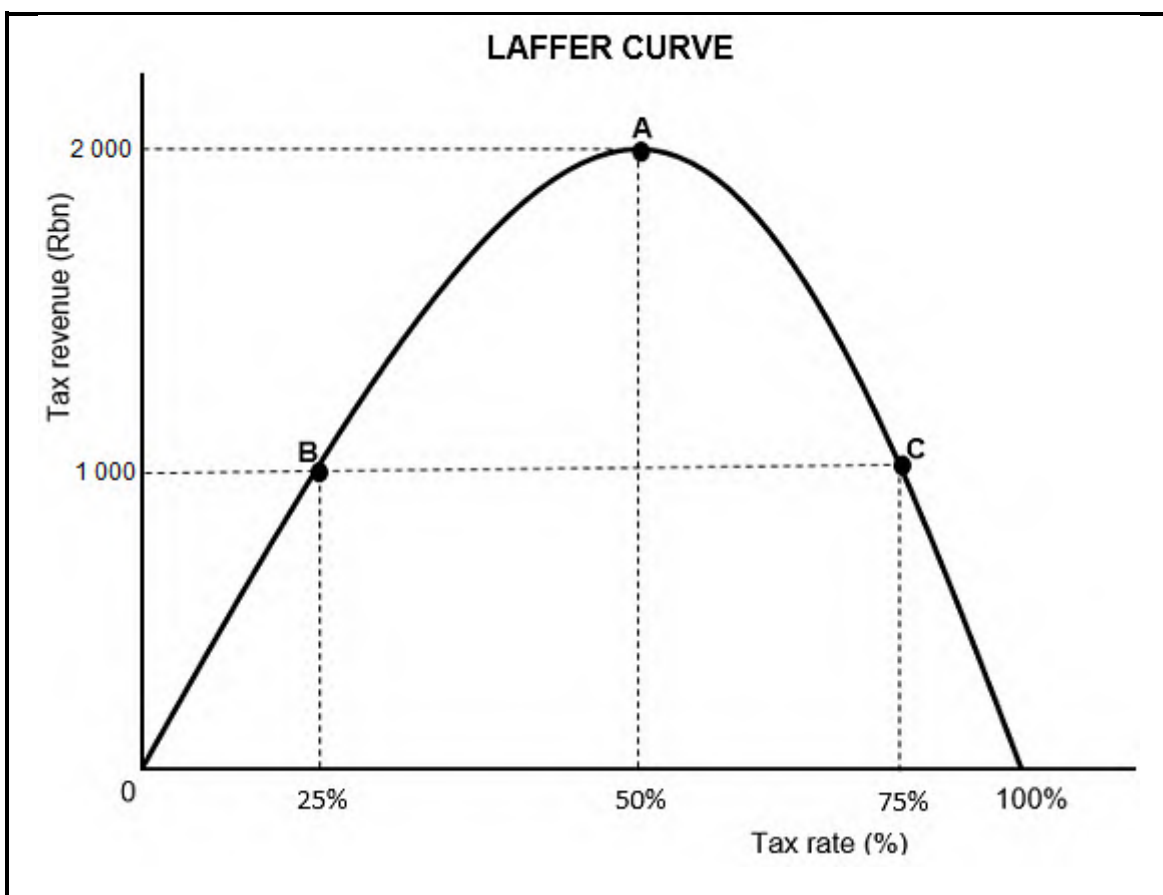
Answer any TWO of the three questions in this section in the ANSWER BOOK.

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

2.1 Answer the following questions.

- 2.1.1 Name the TWO turning points of a business cycle. (2 x 1) (2)
- 2.1.2 Why would a decrease in South African exports lead to the depreciation of the rand? (1 x 2) (2)

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



- 2.2.1 Identify the tax rate at which the government maximises tax revenue. (1)
- 2.2.2 Name any form of indirect tax paid by households to the government. (1)
- 2.2.3 Briefly describe the term *progressive tax*. (2)
- 2.2.4 Explain the effect of a regressive tax system on income distribution. (2)
- 2.2.5 Why will tax revenue decrease if the government imposes very high tax rates? (2 x 2) (4)

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





- 2.3.1 Identify a concept that relates to the changes in the consumer price index in the cartoon above. (1)
- 2.3.2 Name the explanation (approach) of business cycles illustrated in the above cartoon. (1)
- 2.3.3 Briefly describe the term *recession*. (2)
- 2.3.4 Explain the impact of the Ukraine/Russia war on local food prices. (2)
- 2.3.5 How can the government use monetary policy to stimulate economic activity? (2 x 2) (4)
- 2.4 Briefly discuss the *free-floating* and the *fixed* exchange rate systems. (2 x 4) (8)
- 2.5 How can the South African government improve the quality of public sector provisioning? (4 x 2) (8)
- [40]**



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

3.1 Answer the following questions.

- 3.1.1  Give any TWO examples of wealth tax. (2 x 1) (2)
- 3.1.2  Why is small business development important to the South African economy? (1 x 2) (2)

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

THE AFRICAN GROWTH AND OPPORTUNITY ACT (AGOA)

AGOA is a United States Trade Act, enacted on 18 May 2000, and it has since been renewed to 2025. It builds on existing United States trade programmes by expanding the duty-free benefits to qualifying sub-Saharan African (SSA) countries.

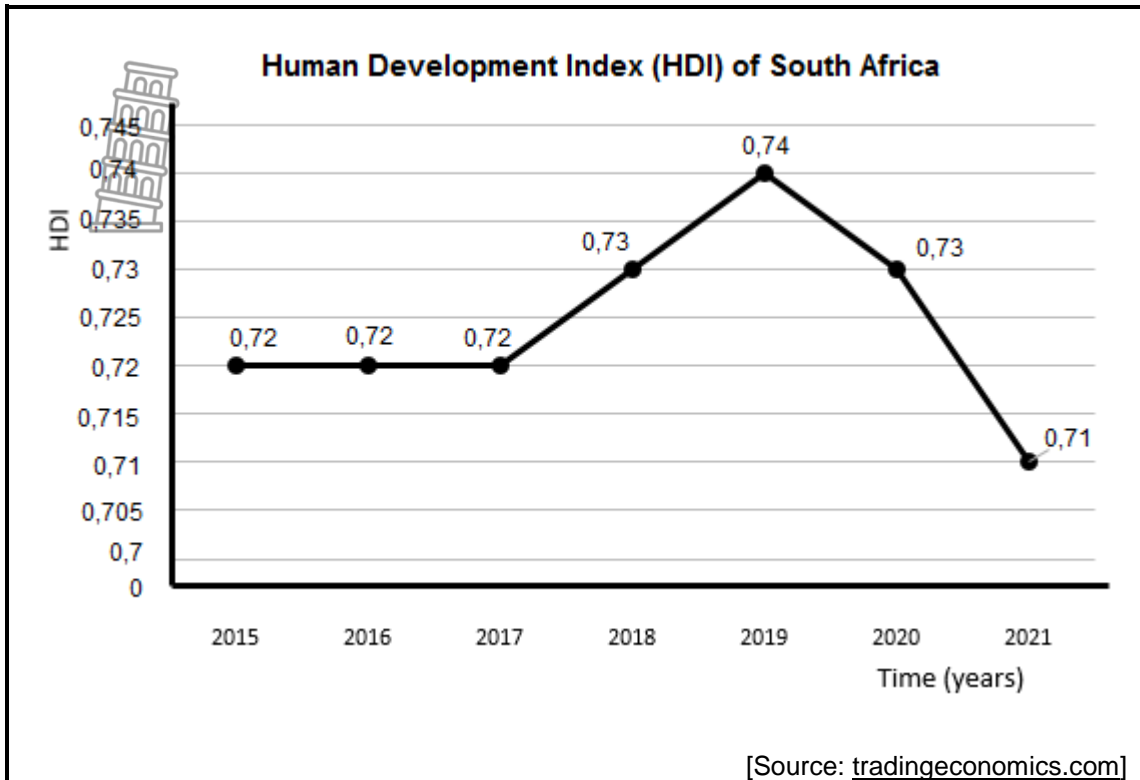
While the legislation significantly enhances market access to the US for South Africa, it goes against the protectionism policy.

[Adapted from //agoa.info]

- 3.2.1 Identify a term in the extract above, which relates to the removal of import tariffs. (1)
- 3.2.2 Name ONE other trade protocol of which South Africa is part. (1)
- 3.2.3 Briefly describe the term *protectionism*. (2)
- 3.2.4 Explain a disadvantage when applying the protectionism policy. (2)
- 3.2.5 How can the African Growth and Opportunity Act (AGOA) negatively affect South Africa? (2 x 2) (4)



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



- 3.3.1 In which year did South Africa record the highest human development index? (1)
 - 3.3.2 Name ONE indicator used to measure human development. (1)
 - 3.3.3 Briefly describe the term *economic development*. (2)
 - 3.3.4 Why did South Africa experience a decline in social and economic development in 2020? (2)
 - 3.3.5 How can the government improve the standard of living of the people? (2 x 2) (4)
- 3.4 Briefly discuss *partnerships* and *good governance* as benchmark criteria for regional development. (2 x 4) (8)
- 3.5 Evaluate the impact of export promotion on local industries in South Africa. (4 x 2) (8)
- [40]**



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

4.1 Answer the following questions.

4.1.1 Name any TWO characteristics of public goods. (2 x 1) (2)

4.1.2 How can South African workers benefit from import substitution? (1 x 2) (2)

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

BALANCE OF PAYMENTS (BOP) THE FINANCIAL ACCOUNT	
Item	2022 (R millions)
Net direct investment	32 367
Net portfolio investment	-4 688
Net financial derivatives	-3 465
Net other investments	9 594
Reserve assets (SDR allowances)	-35 241
Balance on Financial Account	-1 433
Memo item: Balance on Financial Account, excluding reserve assets	A

[Source: SARB, Quarterly Bulletin, September 2022]

4.2.1 Identify the item that records an investment made in a specific asset with a fixed future value, such as gold. (1)

4.2.2 Name the item that caters for any omissions and errors in the balance of payments. (1)

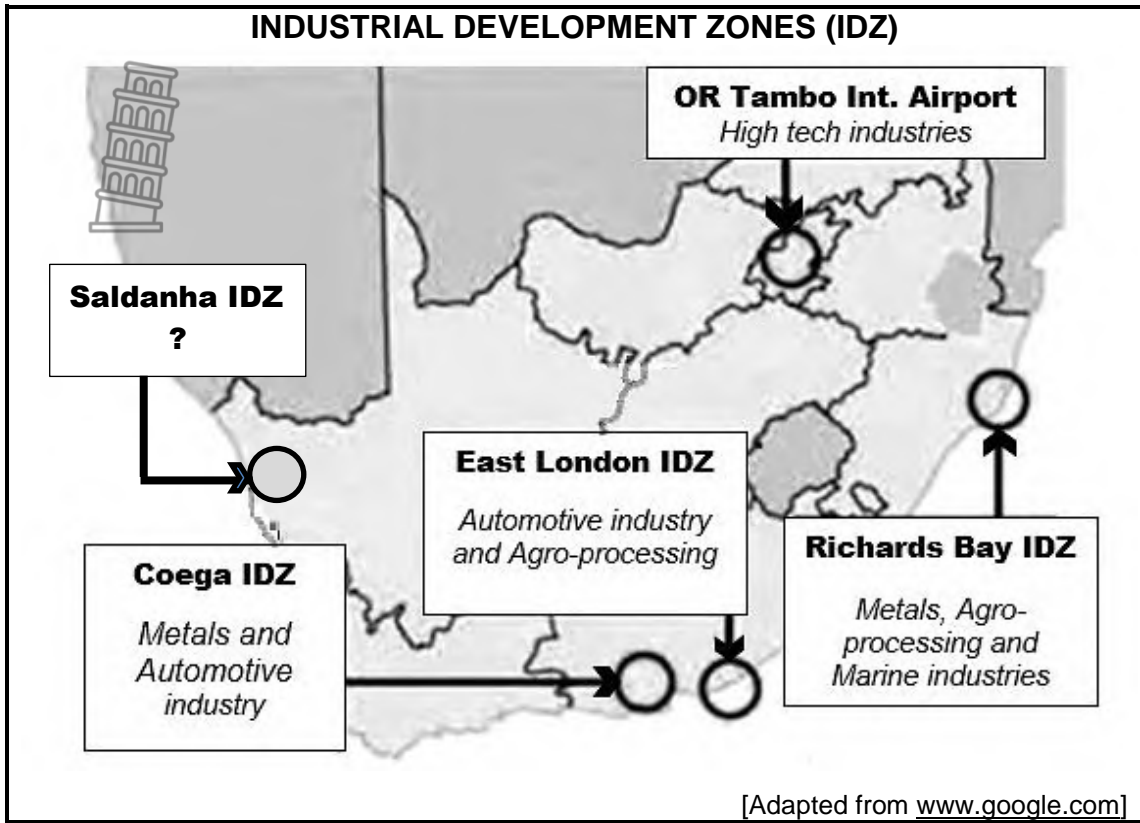
4.2.3 Briefly describe the term *portfolio investment*. (2)

4.2.4 Explain the purpose of Special Drawing Rights (SDR) allowances in reserve assets. (2)

4.2.5 Use the information in the table above to calculate the memo item (A). Show ALL calculations. (4)



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



- 4.3.1 Identify the industrial development zone that manufactures vehicles. (1)
- 4.3.2 Name the key economic activity in which the Saldanha IDZ specialises. (1)
- 4.3.3 Briefly describe the term *corridor*. (2)
- 4.3.4 Why is it necessary for the government to provide incentives to businesses? (2)
- 4.3.5 How can South Africa benefit from the introduction of special economic zones (SEZ)? (2 x 2) (4)
- 4.4 With the aid of a well-labelled Phillips curve, explain the relationship between *inflation* and *unemployment*. (8)
- 4.5 Analyse the demand-side and supply-side factors that influence economic growth in South Africa. (4 x 2) (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
Introduction The introduction is a lower-order response. <ul style="list-style-type: none"> • A good starting point would be to describe 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/Compare/Distinguish/Differentiate/Explain/Draw a graph and explain/Complete the given graph/Assess/Debate A maximum of 8 marks may be allocated for headings/examples.	Max. 26
Additional part: Critically discuss/Evaluate/Critically evaluate/Debate/Deduce/Compare/Interpret/How?/Suggest A maximum of 2 marks may be allocated for mere listing of facts.	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 • Recommendations 	Max. 2
TOTAL	40

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

- Discuss in detail the markets within the four-sector circular flow model. (26 marks)
- How can the increase in injections impact on the South African economy? (10 marks)

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

- Discuss in detail the various social indicators. (26 marks)
- How can urbanisation influence the standard of living of the South African population? (10 marks)

[40]


TOTAL SECTION C: 40
GRAND TOTAL: 150



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MARKING GUIDELINES

MARKS: 150


These marking guidelines consist of 22 pages.



SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS


- 
- 1.1.1 B - current prices ✓✓
 - 1.1.2 D - composite ✓✓
 - 1.1.3 C - parastatals ✓✓
 - 1.1.4 A - comparative ✓✓
 - 1.1.5 B - Economic union ✓✓
 - 1.1.6 A - National Development Plan ✓✓
 - 1.1.7 C - National Research and Development Strategy ✓✓
 - 1.1.8 D - M1 ✓✓
- (8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 H - the proportion of additional income that households choose to spend on goods and services ✓
 - 1.2.2 E - use of taxation and government expenditure to achieve macroeconomic objectives ✓
 - 1.2.3 D - the redistribution of income within the economy ✓
 - 1.2.4 A - the ratio between export and import prices measured by means of indexes ✓
 - 1.2.5 B - the decrease in production costs due to high levels of production ✓
 - 1.2.6 F - the worldwide integration of economies, with trade as an important element ✓
 - 1.2.7 C - aims to significantly increase the number of previously disadvantaged people who own, manage and control the country's economy ✓
 - 1.2.8 I - committed to maintaining international peace, security, social development and human rights ✓
- (8 x 1) (8)

1.3 GIVE THE TERM

- 1.3.1 Extrapolation ✓
 - 1.3.2 Medium Term Expenditure Framework ✓
 - 1.3.3 Import substitution ✓
 - 1.3.4 Import quota ✓
 - 1.3.5 Land restitution ✓
 - 1.3.6 Regional development ✓
- (6 x 1) (6)



TOTAL SECTION A: 30

SECTION B

Answer any TWO of the three questions in this section.

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

2.1 Answer the following questions.

2.1.1 Name the TWO turning points of a business cycle.

- Peak ✓
- Trough ✓

(2 x 1) (2)

2.1.2 Why would a decrease in South African exports lead to the depreciation of the rand?

Supply of foreign currency will decrease which will increase the value of foreign currency resulting in the depreciation of the rand / Demand for local currency in export destination countries may decrease resulting in depreciation ✓✓

(Accept any other correct relevant response)

(1 x 2) (2)**2.2 DATA RESPONSE**

2.2.1 Identify the tax rate at which the government maximises tax revenue.

50% ✓

(1)

2.2.2 Name any form of indirect tax paid by households to the government.

- Value Added Tax / VAT ✓
- Excise duty (Sin tax, Fuel levy, Carbon tax, Sugar tax) ✓
- Import duty / Import tariff ✓

(Accept any other correct relevant response)

(1)

2.2.3 Briefly describe the term *progressive tax*.

Tax system whereby people in higher-income groups pay higher tax rates than those in lower-income groups. ✓✓

(Accept any other correct relevant response)

(2)

2.2.4 Explain the effect of a regressive tax system on income distribution.

Regressive tax system makes income to be more unequally distributed / The income inequality amongst the population will increase / The gap between low-income earners and high-income earners will increase as low-income earners pay higher tax rates than high-income earners ✓✓

(Accept any other correct relevant response)

(2)

2.2.5 Why will tax revenue decrease if the government imposes very high tax rates?

- Some businesses and individual may be forced to evade tax resulting in lower tax revenue for the government. ✓✓
 - Some workers may be discouraged to enter the labour market which will reduce the tax base for the government. ✓✓
 - Businesses may reduce production or withdraw their investments from the economy, which shrinks the tax base. ✓✓
- (Accept any other correct relevant response) (2 x 2) (4)

2.3 DATA RESPONSE

2.3.1 Identify a concept that relates to the changes in the consumer price index from the cartoon above.

Cost of living ✓ (1)

2.3.2 Name the explanation (approach) of business cycles illustrated in the above cartoon.

Exogenous / Monetarist ✓ (1)

2.3.3 Briefly describe the term *recession*

Decline or negative growth in real Gross Domestic Product for at least two consecutive quarters / The first stage of a downswing where economic activity starts to decrease. ✓✓
(Accept any other correct relevant response) (2)

2.3.4 Explain the impact of the Ukraine/Russia war on local food prices.

The Ukraine/Russia war resulted in a decreased supply and an increase in prices of agricultural inputs from Russia, which led to an increase in local food prices / Fuel prices increased resulting in higher cost of transport which increased local food prices ✓✓
(Accept any other correct relevant response) (2)

2.3.5 How can the government use monetary policy to stimulate economic activity?

- The government can use expansionary monetary policy to stimulate economic activity during the recession or depression phase. ✓✓
 - Reduction in interest rates will make credit cheaper which will increase demand for goods and services ✓✓
 - Money supply can be increased by granting more credit or decreasing cash reserve requirements or buying securities via open market transactions which will increase consumer spending as well as production ✓✓
- (Accept any other correct relevant response) (2 x 2) (4)

2.4 Briefly discuss the **free-floating** and the **fixed** exchange rate systems.

Free-floating

- The value of a currency is solely determined by market forces, i.e. demand for rand and supply of rand. ✓✓
- The government does not intervene in the foreign exchange market to influence exchange rates. ✓✓
- The exchange rate fluctuates as market conditions change ✓✓
- Any differences in supply and demand are automatically corrected in the market. ✓✓
- South Africa uses a free-floating exchange rate system that allows the currency to adjust to global conditions ✓✓ (2 x 2) (4)

Fixed

- The government determines or pegs the exchange rate based on the value of another currency such as the US dollar. ✓✓
- The central bank buys and sells foreign exchange to maintain the exchange rate at the set level. ✓✓
- The government can devalue the exchange rate to a lower level in terms of other currencies or revalue it to a higher level. ✓✓ (2 x 2) (4)
(Accept any other correct relevant response)

(Allocate a maximum of 4 marks for a mere listing of facts/ examples)

(8)

2.5 How can the South African government improve the quality of public sector provisioning?

The South African government can improve the quality of public sector provisioning by:

- awarding government contract for service delivery to companies with a positive track record ✓✓
- allocating adequate resources to different department to ensure service delivery without failure ✓✓
- eliminating unnecessary rules and procedures (bureaucracy) to ensure efficient service delivery ✓✓
- eliminating corruption among government officials by implementing whistle blowing channels such direct telephone lines to report corruption ✓✓
- employing government official based on qualifications, skills and experience to ensure high competence level in the public sector ✓✓
- offering incentives such as performance bonuses to civil servants to motivate them to perform their tasks successfully ✓✓
- improving or upgrading the aging infrastructure to ensure reliable service delivery ✓✓
- avoiding nepotism, favouritism, bribery and cadre deployment in recruitment procedures in the public sector ✓✓
- privatizing some government assets to improve efficiency in service delivery, ✓✓ e.g. If Eskom could be privatized electricity supply could improve ✓

- holding government officials accountable for their decisions and actions. ✓✓
- implementing strict measures to reduce mismanagement of taxpayers' money, ✓✓ e.g. Intensifying the implementation of the Public Financial Management Act (PFMA) ✓
- forming Private Public Partnerships to enable a faster, more efficient delivery of goods and services ✓✓
- encouraging a competitive work culture by hiring and retaining talented individuals through competitive compensation packages ✓✓
- developing a framework for the appointment and payment of members to the Board of state-owned companies ✓✓
- focusing on scarce resources for highest financial impact ✓✓
- setting clear costing and development mandates with financial implications clearly set out ✓✓

(Accept any other correct relevant response)

(4 x 2)

(Allocate a maximum of 2 marks for a mere listing of facts/ examples)

(8)
[40]



QUESTION 3: ECONOMIC PURSUITS**40 MARKS – 30 MINUTES****3.1 Answer the following questions.****3.1.1 Name any TWO examples of wealth tax.**

- Capital gain tax ✓
- Transfer duty ✓
- Estate duty ✓
- Property tax ✓
- Donations tax ✓
- Dividend tax ✓

(Accept any other correct relevant response)

(2 x 1)

(2)

3.1.2 Why is small business development important to the South African economy?

Small businesses can help to create employment for those who are structurally unemployed / Small businesses may create sources of income for the households thereby reducing poverty in the country / Small businesses contribute to economic growth / Small businesses increase competition which increases economic efficiency ✓✓

(Accept any other correct relevant response)

(1 x 2)

(2)

3.2 DATA RESPONSE**3.2.1 Identify a term in the extract above, which relates to the removal of import tariffs.**

Duty-free ✓

(1)

3.2.2 Name ONE other trade protocol of which South Africa is part.

- Southern African Custom Union (SACU) ✓
- Multilateral Monetary Area (MMA) ✓
- Southern Africa Development Community (SADC) ✓
- African Union (AU) ✓
- Japan-South Africa's Partnership Forum ✓
- Brazil, Russia, India, China and South Africa (BRICS) ✓
- European Union (EU) ✓
- Mercusor ✓
- African Continental Free Trade Area (ACFTA) ✓

(Accept any other correct relevant response)

(1)

3.2.3 Briefly describe the term *protectionism*.

Government policy that discourages the importing of certain goods and services so that domestic industries are not exposed to unfair foreign competition ✓✓

(Accept any other correct relevant response)

(2)

3.2.4 **Explain a disadvantage when applying the protectionism policy.**



- Other countries may retaliate by implementing protectionism measures as well ✓✓
- Industries may become too reliant on protection and lose the ability to compete efficiently when protection is removed ✓✓
- It is difficult to establish which industries that have the potential to be competitive and will need protection ✓✓
- Decisions about when to reduce or remove protection measures are difficult to make ✓✓
- Inefficient producers are protected at the expense of the consumers who buy the products ✓✓
- Protected industries may not mature and develop skills to compete on their own ✓✓
- Local consumers may be denied of better-quality products ✓✓
(Accept any other correct relevant response)

(2)

3.2.5 **How can the African Growth and Opportunity Act (AGOA) negatively affect South Africa?**

- South African local businesses may face unfair competition from American products that are imported at lower prices. ✓✓
- Unemployment may increase as local businesses may be forced to shutdown ✓✓
- Local businesses may make less profits due to a decrease in demand for their products ✓✓
- South African businesses may be forced to reduce their prices to match competition from the US ✓✓
- South Africa's quality standards, especially on food products may be compromised ✓✓
(Accept any other correct relevant response)

(2 x 2)

(4)

3.3 **DATA RESPONSE**

3.3.1 **In which year did South Africa record the highest human development index?**

2019 ✓

(1)

3.3.2 **Name ONE indicator used to measure human development.**

- Per capita income ✓
- Literacy rate ✓
- Life expectancy ✓



(1)

3.3.3 **Briefly describe the term *economic development***

The improvement in the standard of living of a country's population over a period of time ✓✓
(Accept any other correct relevant response)

(2)

3.3.4 **Why did South Africa experience a decline in social and economic development in 2020?**

- In 2020 many people lost their employment and other sources of income due to the lockdown restrictions to reduce spreading of Covid-19 ✓✓
- Life expectancy decreased because of the threat imposed by coronavirus on human lives ✓✓
(Accept any other correct relevant response)



(2)

3.3.5 **How can the government improve the standard of living for the people?**

The government can improve the standard of living by:

- improving education and training for the people to gain skills and knowledge that will help them find employment and create employment (entrepreneurship) ✓✓
- attracting more investments for people to get jobs and receive some income ✓✓
- paying welfare grants to the poor and vulnerable to allow them to afford their basic needs ✓✓
- improving health care services, sanitation and water supply for the people to live a healthy lifestyle ✓✓

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

(4)

3.4 **Briefly discuss *partnerships* and *good governance* as benchmark criteria for regional development.**

Partnerships

- Regional development is the responsibility of different stakeholders in the economy ✓✓
- Partnerships should be built between central government, local authorities, civil society, special interest groups, NGOs and the private sector ✓✓
- Partnerships should be formed in order to improve transparency and encourage more 'buy in' from all role players ✓✓
- Partnerships amongst all role players within the economy is encouraged by the South African government as it builds a more inclusive economy ✓✓ (Accept any other correct relevant response)
(2 x 2) (4)

Good governance

- Regional development strategies should be managed effectively and free of corruption ✓✓
- Principles of accountability and transparency should be applied to ensure efficient financial management and control ✓✓
- Projects should be correctly programmed, monitored and evaluated ✓✓
- Good governance requires proper management of public funds in many provinces and municipalities ✓✓
(Accept any other correct relevant response) (2 x 2) (4)

(Allocate a maximum of 4 marks for a mere listing of facts/examples)

(8)

3.5 **Evaluate the impact of export promotion on local industries in South Africa.**

Export promotion may impact on local industries in the following ways:

Positive impact

- Bigger export markets allow local businesses to sell more products and generate more income ✓✓
- South African industries may produce goods in large quantities and benefit from economies of scale ✓✓
- The average cost of production may be minimised which allows local businesses to export their product at lower and competitive prices ✓✓
- Incentives provided by the government, such as the concessions on transport costs may increase profits for exporters ✓✓
- Export subsidies reduce production costs and increase the competitiveness of exporting businesses on international markets ✓✓
- Local industries will become more innovative and produce better quality products to gain competitive advantage on international markets ✓✓
(Accept any other correct relevant response)

Negative impact

- Producers who receive financial incentives from the government may lose their creativity and innovation in terms of productive efficiency ✓✓
- Producer may have a false sense of security as subsidies distort the actual cost of production ✓✓
- Businesses that do not receive the government's financial support may find it difficult to compete on export markets ✓✓
- Export industries may lose the market when foreign countries retaliate by imposing tariffs and quotas on imported goods ✓✓
(Accept any other correct relevant response)

(4 x 2)

(Allocate a maximum of 2 marks for a mere listing of facts/examples)

(8)
[40]



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

4.1 Answer the following questions.

4.1.1 Name any TWO characteristics of public goods.



- Non-excludable ✓
- Non-rivalry ✓
- Indivisible ✓
- Infinite/Endless consumption ✓
- Non-rejectable ✓

(Accept any other correct relevant response) (2 x 1) (2)

4.1.2 How can South African workers benefit from import substitution?

More South African workers will get employed to produce the goods that substitute foreign products / Workers will gain new knowledge and skills from producing products that were previously imported ✓✓

(Accept any other correct relevant response) (1 x 2) (2)

4.2 DATA RESPONSE

4.2.1 Identify the item that records an investment made in a specific asset, with a fixed future value such as gold

Net financial derivatives ✓ (1)

4.2.2 Name the item that caters for any omissions and errors in the balance of payments.

Unrecorded transactions ✓ (1)

4.2.3 Briefly describe the term *portfolio investment*.

The purchasing of financial assets such as shares on the stock exchange ✓✓

(Accept any other correct relevant response) (2)


4.2.4 Explain the purpose of Special Drawings Right (SDR) allowances in Reserve Assets.

To finance the Balance of Payments disequilibria/deficit experienced by member countries ✓✓

(Accept any other correct relevant response) (2)



4.2.5 Use the information in the table above to calculate the memo item (A). Show ALL calculations.

	Net direct investment	32 367	
	Net portfolio investment	-4 688 ✓	
	Net financial derivatives	-3 465 ✓	
	Net other investments	9 594 ✓	
	Memo item: Balance on Financial Account excluding reserve assets	<u>33 808</u> ✓	(4)

4.3 DATA RESPONSE

4.3.1 Identify the Industrial Development Zone that manufactures vehicles.

- Coega IDZ ✓
 - East London IDZ ✓
- (1)

4.3.2 Name the key economic activity that Saldanha IDZ specialises in.

Steel industries ✓

(1)

4.3.3 Briefly describe the term *corridor*

A track of land that forms a passageway allowing access from one area to another and providing advantages for the mining, agriculture and manufacturing industries ✓✓
 (Accept any other correct relevant response)

(2)

4.3.4 Why is it necessary for the government to provide incentives to businesses?

- To encourage businesses to produce more output of a specific product ✓✓
 - To attract more investments to a particular economic activity or product ✓✓
 - To attract businesses to neglected areas
 - Financial incentives are provided to motivate producers by reducing the cost of production ✓✓
 - To diversify trade ✓✓
- (Accept any other correct relevant response)
- (2)



4.3.5 **How can South Africa benefit from the introduction of Special Economic Zones (SEZ)?**

South Africa can benefit from the introduction of SEZ in the following ways:

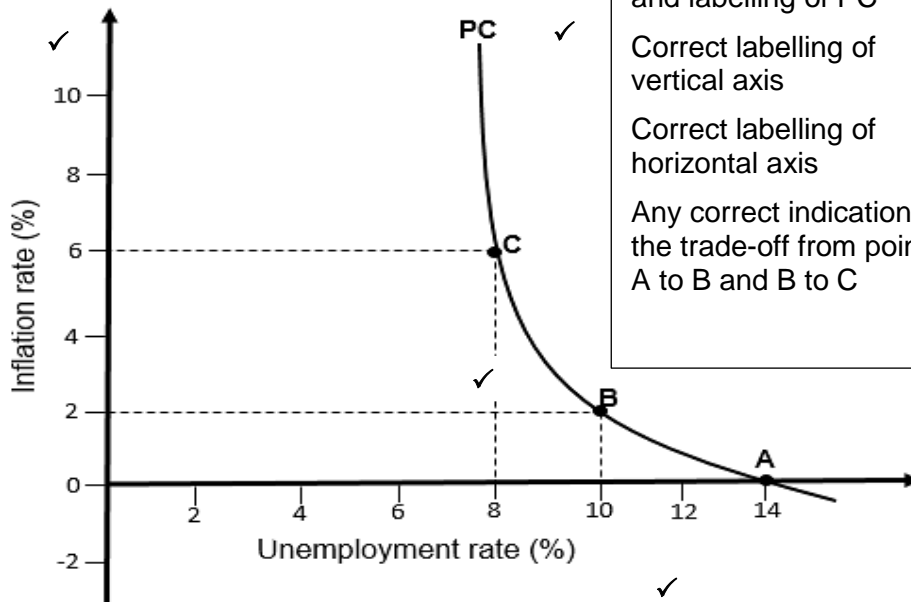


- Economic growth is stimulated by attracting more investments in key growth areas ✓✓
- Broader industrial areas that are not linked to airports or ports are created ✓✓
- Job opportunities created especially in manufacturing sector will promote further skills development ✓✓
- Production of a wide variety of goods and services will diversify the economy ✓✓

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

4.4 **With the aid of a well labelled Phillips curve, explain the relationship between inflation and unemployment**

PHILLIPS CURVE



Correct drawing(shape) and labelling of PC	= 1 mark
Correct labelling of vertical axis	= 1 mark
Correct labelling of horizontal axis	= 1 mark
Any correct indication of the trade-off from point A to B and B to C	= 1 mark
Max 4	

- The curve illustrates that there is a trade-off or inverse relationship between unemployment and inflation ✓✓
- The negative relationship implies that the government can choose how much unemployment they wish to trade-off for inflation ✓✓
- Point A represents the natural unemployment rate of 14% where inflation rate is 0% ✓✓
- When the government implement demand-side policies to reduce unemployment from 14%, inflation will increase ✓✓
- Between point A and B, if unemployment rate decreases from 14% to 10%, inflation rate will increase from 0% to 2%. ✓✓
- Between point B and C, if unemployment rate decreases from 10% to 8%, inflation rate will increase from 2% to 6%. ✓✓

(Accept any other correct relevant response) **Max 4**
(Allocate a maximum of 4 marks for a mere listing of facts/examples)

(8)

4.5 **Analyse the demand-side and supply-side factors that influence economic growth in South Africa.**

Positive factors

- Government subsidies in form of cash grants paid to the SMMEs help to improve the competitiveness of small businesses ✓✓
- Increase in government expenditure on infrastructure development especially in neglected areas will attract investments to different regions of the country ✓✓
- Foreign direct investments help to create new job opportunities and contribute to the real GDP ✓✓
- Increasing investments in skills development improves the skills of the South African workers and productivity which will increase production output ✓✓
- Demand for clean energy produced from solar and other sources results in the establishment of new companies which will create jobs ✓✓
- Reduction of corruption in state-owned enterprises will improve efficiency of infrastructural services thereby increasing production ✓✓
(Accept any other correct relevant response)

Negative factors

- Poor health care services and education may result in lower labour productivity which will reduce production output ✓✓
- Inadequate infrastructures such as roads, railway lines and bridges make transportation more expensive and slows the overall efficiency of the country ✓✓
- Low investors' confidence towards the South African economy reduces the ability of the economy to attract foreign direct investments ✓✓
- Low levels of savings have reduced the availability of loanable funds resulting in less private investments ✓✓
- Political, industrial and social instability reduce investors' confidence leading to a net capital outflow ✓✓
- Electricity shortages lead to lower output as production is lost through the nation-wide power cuts ✓✓
- Rising prices of imported production inputs such as oil and agricultural input prices lead to higher production costs which may discourage some producers ✓✓
- High inflation rate, recorded above the upper-limit of the inflation target, resulted in low consumer spending, discouraging production of goods and services ✓✓

(Accept any other correct relevant response)

(4 x 2)

(Allocate a maximum of 2 marks for a mere listing of facts/examples)

(8)
[40]

TOTAL SECTION B:

80

SECTION C

Answer any ONE of the two questions in this section.

QUESTION 5: MACROECONOMICS

40 MARKS – 40 MINUTES

- Discuss in detail the markets within the four-sector circular flow model. (26 marks)
- How can the increases in injections impact on the South African economy? (10 marks)

INTRODUCTION

The circular flow is a simplified economic model that illustrates the inter-relationship between the economic participants ✓✓ OR

A market is a mechanism that brings buyers and sellers together to exchange different types of products ✓✓

(Accept any other correct relevant introduction)

(Max 2)

BODY: MAIN PART

FOUR TYPES OF MARKETS IN THE CIRCULAR FLOW

(a) Product/Goods market ✓

- Product market is where goods and services are bought and sold ✓✓
- Firms, government and foreign sector supply goods and services and their movement is called real flow ✓✓
- Consumers, firms, government and foreign sector buy goods and services and their payments represent money flow ✓✓
- Goods are defined as any tangible items such as food, clothing and cars that satisfy some human needs ✓✓
- In capital goods market products such as buildings and machinery are exchanged ✓✓
- Consumer goods market involves the trading of durable consumer goods, semi-durable consumer goods and non-durable consumer goods ✓✓
- Services are defined as non-tangible actions and includes wholesale and retail, transport and financial markets ✓✓

(b) Factor/Resources/Input market ✓

- Factor market is where factors of production are exchanged, ✓✓ e.g. the labour market, property market and the financial markets ✓
- Households are the owners of factors of production and they sell them to firms to produce goods and services ✓✓
- The factors of production are labour, entrepreneurship, capital and land and they are exchanged for wages, profit, interest, and rent respectively ✓✓
- Factor services are real flows and they are accompanied by counter flows of income on the factor market ✓✓

(c) Financial markets ✓

- Financial markets render financial services to the other participants in the economy by gathering surplus funds and lending them to those who needs funding ✓✓
- Banks, insurance companies and pension funds form part of the financial market ✓✓
- Financial markets are not directly involved in production of goods and services, but act as a link between households and businesses with surplus income and other participants who require it ✓✓

Money market ✓

- The money market is the market for short-term and very short-term savings and loans ✓✓
- The South African Reserve Bank (SARB) is a key institution in the money market ✓✓
- The SARB administers the function of legislating and managing the money market ✓✓
- Money market includes inter-bank lending for a period as short as overnight ✓✓
- The securities traded include short term deposits, short term debentures and treasury bills ✓✓

Capital market ✓

- The capital market is the market for long-term savings and loans ✓✓
- The Johannesburg Securities Exchange (JSE) is a key institution in the capital market ✓✓
- The securities traded in this market are long term deposits, mortgage bonds and shares ✓✓

(d) Foreign exchange market ✓

- The foreign exchange market is a multi-national market where currencies of all the countries are traded, ✓✓ e.g. The South African rand can be exchanged for the US dollar ✓
- The foreign exchange market originates when one country imports goods from another country and domestic currency have to be exchanged in order to pay for such imports ✓✓
- Foreign exchange can be bought and sold at the banks and foreign exchange agencies ✓✓
- The South African rand is freely traded in the forex markets and its value is determined by the market forces of demand and supply ✓✓

(Accept any other correct relevant response)

(Allocate a max of 8 marks for headings/subheadings/examples) (Max 26)



ADDITIONAL PART

Increases in injections may impact on the South African economy as follows:

- Increase in investments will expand the tax base thereby increasing tax revenue for the government ✓✓
- The government's capacity to develop infrastructure such as energy and transport will increase ✓✓
- Establishment of new businesses and infrastructure development projects will create more employment ✓✓
- Consumer spending may increase as households receive more income leading to an increase in aggregate demand ✓✓
- Increase in government expenditure on welfare payments and social development improves the standard of living especially for the poor people ✓✓
- Increase in government spending in the form providing subsidies and incentives to businesses will encourage production of more goods and services ✓✓
- Increase in subsidies may reduce the cost of production which will reduce inflation in the economy ✓✓
- Increase in South African exports may result in the appreciation of the rand which will reduce the cost of importing production inputs such as oil ✓✓
- Increase in export production contribute to an increase in the real GDP of the country ✓✓
- Balance of payments problems may decrease as the trade balance increases due to an increase in exports ✓✓
- Through the multiplier process, the country's national income will increase by a bigger margin ✓✓

(Accept any other correct relevant response)

(Max 10)

(Allocate a maximum of 2 marks for a mere listing of facts/ examples)

CONCLUSION

Markets ensure availability of consumer goods and services to households and government while allowing businesses access to factors of production. ✓✓

(Accept any other relevant higher order conclusion.)

(Max 2)

[40]



QUESTION 6: ECONOMIC PURSUITS

40 MARKS – 40 MINUTES

- Discuss in detail the various social indicators. (26 marks)
- How can urbanisation influence the standard of living for the South African population? (10 marks)

INTRODUCTION

Social indicators are measures that economists use to evaluate the performance of a country in terms of the social well-being of its citizens ✓✓

(Accept any other correct relevant introduction)

(Max 2)

MAIN PART

1. Demographics ✓

- This deals with the characteristics of the population, such as size, race, age, gender, income geographic distribution, language, education, occupation and religion ✓✓
- These are definable issues related to human well-being over a period of time ✓✓
- The size of the population is important for infrastructure and social programmes

(a) Population growth: ✓

- Population growth is the increase in the number of people in a population or dispersed group ✓✓
- In South Africa population numbered 59,4 million in 2020, an increase of 1,23% from 2019 ✓✓
- Population growth is slowing down as the current population in 2022 is approximately 60 million, an increase of 0,84% from 2021 ✓✓
- 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) ✓✓
- Understanding population growth is important for predicting, managing, monitoring, and eradicating pest and disease outbreaks ✓✓
- Population growth usually has implications for indicators related to education, infrastructure and employment ✓✓
- Human settlements and the use of natural resources are also related to population growth ✓✓

(b) Life expectancy ✓

- The term 'life expectancy' refers to the number of years a person can expect to live ✓✓
- Life expectancy is based on an estimate of the average age that members of a particular population group will be when they die ✓✓
- In 2019, life expectancy for women in South Africa was about 67,68 years, while life expectancy for men was about 60,73 years on average ✓✓
- It is a measure that is often used to determine the overall health of a community ✓✓
- Changes in life expectancy are often used to describe trends in mortality ✓✓

- An increase in life expectancy may increase the productivity of available human resources, ✓✓ e.g., by improving health of workers ✓
- Life expectancy for a particular population group depends on factors such as their lifestyle, access to healthcare, diet and economic status ✓✓

2. Nutrition and Health ✓

- The standard of living of the population is related to the quality of nutrition and health ✓✓

Nutrition

(a) Child malnutrition ✓

- 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 ✓✓
- In South Africa malnutrition is one of the leading causes of child deaths, and the number of affected children is increasing ✓✓
- The main causes of childhood malnutrition are household food insecurity, inadequate care and unhealthy household environment, and lack of health care services ✓✓

(b) Overweight children/Obesity ✓

- There is an association between obesity of children and other diseases ✓✓
- South Africa has a combined overweight and obesity prevalence of 13,5% in children aged 6–14 years, which is higher than the 10% global prevalence in school children ✓✓

Health

(a) Infant mortality/Child mortality ✓

- Infant mortality refers to the number of children who die before the age of one year and it is one way of measuring the health of a population ✓✓
- The infant mortality rate is the number of infant deaths for every 1 000 live births ✓✓
- Infant mortality rate of South Africa decreased gradually from 93,59 deaths per thousand live births in 1971 to 25,11 deaths per thousand live births in 2020 ✓✓
- The main causes of infant mortality in South Africa are HIV and AIDS, pregnancy and childbirth complications, and malnutrition, which are all related to poverty ✓✓
- Reducing infant mortality requires increased health sector spending and improved health systems functioning ✓✓

(b) Under-five mortality ✓

- Under-five mortality is the number of children that will die before the age of 5 years ✓✓
- Under-five mortality rate of South Africa fell gradually from 143,8 deaths per thousand live births in 1971 to 32,6 deaths per thousand live births in 2020 ✓✓

(c) Health expenditure ✓

- Health expenditure measures the amount of money spent on health as a percentage of GDP ✓✓
- In 2019, health expenditure as a share of GDP for South Africa was 9,1% ✓✓

(d) Access to safe drinking water ✓

- Access to safe drinking water measures the percentage of a population that has reasonable access to safe drinking water ✓✓
- In South Africa the most improved water source was piped water inside the house with about 44% of households having such access ✓✓
- South Africa is expected to experience a water deficit of 17% by 2030, and climate change may worsen the situation ✓✓

(e) Access to sanitation facilities ✓

- Access to sanitation facilities measures the percentage of a population with at least adequate sanitation facilities that can prevent human, animal and insect contact ✓✓
- In South Africa about 80% of households use an improved sanitation facility ✓✓
- Approximately, 61% of households have flush toilets connected to the public sewer and about 12% of households have pit toilets with ventilation pipes ✓✓
- Poor sanitation causes economic losses associated with the direct costs of treating illnesses and lost income through reduced productivity ✓✓

3. Education ✓

- People's standard of living is directly related to their level of formal education ✓✓
- Five or six years of schooling is a critical threshold for the achievement of sustainable literacy and numeracy skills ✓✓

(a) Public expenditure ✓

- Public expenditure measures the percentage of the national budget that is directed towards education ✓✓
- In South Africa education receives the greatest share of government spending, with 21% of non-interest allocations set aside for basic and higher education ✓✓
- Government expenditure on education, as a percentage of GDP in South Africa was about 6,2 % in 2020 ✓✓

(b) Secondary enrolment ✓

- Secondary enrolment shows the percentage of an age group attending high school ✓✓
- Secondary school enrolment, in South Africa has been improving over the last decade ✓✓

(c) Primary completion ✓

- Primary completion refers to the percentage of an age group that has completed primary education ✓✓
- The percentage is an indicator of the efficiency of the education system ✓✓
- The primary school completion percentage for South Africa increased from 77,07% in 1991 to 92% in 2019 ✓✓

(d) Youth literacy rate ✓

- Youth literacy rate is the percentage of people ages 15-24 who can both read and write ✓✓
- Youth literacy rate of South Africa increased from 97,6% in 2007 to 99% in 2015, growing at an average annual rate of 0,24% ✓✓
- Literacy not only enriches an individual's life, but it creates opportunities for people to develop skills that will help them provide for themselves ✓✓
- Literacy improves the ability of individuals to access information ✓✓

4. Services ✓

- Services are vital to enhance people's lifestyle and level of economic and social development ✓✓

(a) Electricity ✓

- The percentage of households connected to the country's main electricity supply increased to 84,7% in 2018 ✓✓

(b) Refuse removal ✓

- Approximate 66,4% of households in South Africa had access to refuse removal by the local authorities once a week in 2018 ✓✓

(c) Water supply ✓

- In South Africa about 89% of households had access to clean water in 2018 ✓✓

(d) Sanitation ✓

- Just over 83% of households in South Africa had access to functioning basic sanitation in 2018 ✓✓
- e.g. flush toilets/pit toilets with ventilation pipes/and chemical toilets ✓

5. Housing and urbanisation ✓

- The standard of living of the population is directly related to the quality of their housing and services ✓✓

Housing

- In 2017, about 80% of South Africans were living in formal dwellings ✓✓
- A further 14% was living in informal housing, which are mostly squatter settlements on the periphery of cities and towns and in the gardens of formal houses ✓✓
- The remaining 6% was living in traditional homes in rural villages ✓✓
- Many South African citizens are poor and cannot afford property ✓✓
- The government supplies housing subsidies and the private sector provides housing loans ✓✓
- The government built 2,7 million low-cost houses over the past 15 years, but there is still an estimated backlog of 2 million more ✓✓
- Adequate housing can also facilitate labour mobility within the economy and help the economy adjust to adverse shocks ✓✓

Urbanisation

- Urbanisation occurs because people move from rural areas (countryside) to urban areas (towns and cities) ✓✓
 - Urbanisation is the process of increasing the proportion of people living in towns and cities ✓✓
 - South Africa is urbanising rapidly with 63% of households already living in urban areas ✓✓
 - The statistics are expected rise to 71% by 2030 which will increase demand on basic infrastructure requirements ✓✓
 - Urbanisation is measured/caused by natural growth of the urban population, rural-urban migration and the establishment of new towns ✓✓
- (Accept any other correct relevant response)

(Allocate a max of 8 marks for headings/subheadings/examples) (Max 26)

ADDITIONAL PART

Urbanisation can influence the standard of living for the South African population as follows:

Positive influence

- More people will have access to employment in manufacturing industries which will increase income levels ✓✓
- Children will have access to better quality education because most schools in urban areas have better infrastructural facilities ✓✓
- Illnesses and diseases will decrease due to improved access to proper sanitation and clean water ✓✓
- South Africans will have access to a variety of goods and services thereby improving the quality of their lives ✓✓
- People may take advantage of the entrepreneurial opportunities available in towns to start small businesses, thereby creating sources of income ✓✓
(Accept any other correct relevant response)

Negative influence

- Movement of people from rural to urban areas may cause overpopulation of cities and towns which may result in more criminal activities ✓✓
- Excess demand for services may result in poor services delivery by the government ✓✓
- Overpopulation may also result in the development of informal settlements that are associated with poor water supply and sanitation ✓✓
- Illnesses and diseases may increase in overpopulated towns ✓✓
- Informal settlements may result in illegal connections of electricity putting human lives in danger ✓✓
- Traffic congestion in cities and towns may increase road accidents resulting in loss of lives ✓✓

(Accept any other correct relevant response)

(Max. 10)

(Allocate a maximum of 2 marks for a mere listing of facts/ examples)

CONCLUSION

Social indicators are the best yardsticks in checking the development and progression of communities as a result of government initiatives to improve the lives of the society at large ✓✓

(Accept any other relevant higher order conclusion)

(Max. 2)

[40]

TOTAL SECTION C: 40

GRAND TOTAL: 150

