



education

Department:
Education
North West Provincial Government
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS P1
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.

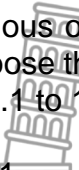
SECTION C: Answer ONE of the two questions.

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, for example 1.1.9 B.

1.1.1  The market in which one country's currency can be traded for other countries' currencies is called ...

- A financial market.
- B factor market.
- C foreign exchange market.
- D goods market.

1.1.2 Transfer of functions and ownership of entities from the private sector to the public sector.

- A Nationalisation
- B Privatisation
- C Regulation
- D Regional government

1.1.3 The inverse relationship between unemployment and inflation is illustrated by the ... curve.

- A Lorenz
- B Phillips
- C Laffer
- D Demand

1.1.4 A situation where one country has a relative advantage in the production of goods and services.

- A absolute advantage
- B protective
- C free trade
- D comparative advantage

1.1.5 The removal of trade practices that prevent the free flow of goods and services between countries is called ...

- A protocol.
- B sanctions.
- C trade liberalisation.
- D trade neutrality.



1.1.6 This program places emphasis on training to enable trainees to enter the formal workforce or create a livelihood for themselves.



- A Joint Initiative on Priority Skills Acquisition.
- B Growth, Employment and Redistribution.
- C Accelerated and Shared Growth Initiative for South Africa.
- D National Skills Development Strategy.

1.1.7 The track of land that forms a passageway allowing access from one area to another is referred to as a ...

- A corridor.
- B regional zone.
- C Industrial Development zone.
- D Spatial Development Initiative.

1.1.8 The number of children who die before reaching 1 year of age is known as ...

- A under five mortality.
- B infant mortality.
- C obesity.
- D malnutrition.

(8 x 2) (16)



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


COLUMN A	COLUMN B
1.2.1 Autonomous consumption	A markets are inherently unstable and government intervention may be required
1.2.2 Trade balance	B cost advantages reaped by companies when production becomes efficient
1.2.3 Efficient provisioning	C a policy aimed at improving service delivery to the people
1.2.4 Endogenous explanation	D statistics that describe population and their characteristics
1.2.5 Reconstruction and Development Program (RDP)	E spending that takes place irrespective of the level of income
1.2.6 Special Economic Zones (SEZ)	F a growth theory that maintains that economic growth is primarily the result of internal forces, rather than external ones
1.2.7 Demographics	G public servants provide the public with goods and services promptly and in the desired quantity and quality
1.2.8 Economies of scale	H the difference between the tangible exports and the tangible imports I geographically demarcated area where specific economic activities have been identified to be developed.


(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  An individual or family of people that live together, have a joint income and make decisions together.

1.3.2  Indicators that give consumers, businesses and the state a glimpse of the direction in which the economy might be heading

1.3.3 The output per worker in a particular period of time.

1.3.4 The worldwide interaction of economies with trade as an important element.

1.3.5 Regional development initiative aimed to attract infrastructure and business investments to neglected and underdeveloped areas.

1.3.6 The deliberate decrease in the value of the currency in terms of another currency as a result of central bank intervention. (6 x 1) (6)

TOTAL SECTION A: 30



SECTION B

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

QUESTION 2: MACROECONOMICS

40 MARKS – 30 MINUTES

2.1 Answer the following questions.

2.1.1 Name TWO types of financial markets. (2 x 1) (2)

2.1.2 Explain the impact of an appreciation of the rand on imports. (1 x 2) (2)

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

SOUTH AFRICAN ECONOMY BURST OFF TECHNICAL RECESSION

The South African economy avoided a technical recession in the third quarter of 2022 after a growth of 1,6%. The economy grew beyond expectations despite the impact of Eskom's ongoing power cuts. The real GDP reached pre-pandemic levels in the first quarter of 2022 with a growth of 1,6% but the recovery was short-lived. The GDP contracted by 0,7% in the second quarter, mainly due to the deadly and costly KwaZulu-Natal floods.

According to Stats SA, the biggest contributors to economic growth were finance, agriculture, transport and manufacturing.

[Adapted from <https://ewn.co.za>, 6 December 2022]

2.2.1 Identify a period of business cycle caused by KwaZulu-Natal floods. (1)

2.2.2 Name ONE type of business cycle. (1)

2.2.3 Briefly describe the term *recession*. (2)

2.2.4 Explain the impact of power cuts on economic activities. (2)

2.2.5 How can the government reduce the cost of doing business in the economy? (2 x 2) (4)



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

SOUTH AFRICA'S TERMS OF TRADE			
Year	Index of import prices	Index of export prices	Terms of trade
Jul 2020	123,0	146,9	119,4
Jul 2021	134,2	168,7	A
Jul 2022	160,6	176,6	109,9

[Adapted from Tradingeconomics.com / SARB]



- 2.3.1 Identify the institution that prepares the terms of trade in South Africa. (1)
- 2.3.2 Give ONE reason for an increase in import prices during July 2022. (1)
- 2.3.3 Briefly describe the concept *balance of payments*. (2)
- 2.3.4 Briefly explain the effect deterioration in the terms of trade have on a country's welfare. (2)
- 2.3.5 Calculate the terms of trade for July 2021 (**A**). Write down the formula first and show ALL calculations. (4)
- 2.4 Briefly discuss *real flow* and *money flow* in the circular flow model. (2 x 4) (8)
- 2.5 Analyse the factors that could contribute towards an increase in demand for US dollars in South Africa. (4 x 2) (8)
- [40]**



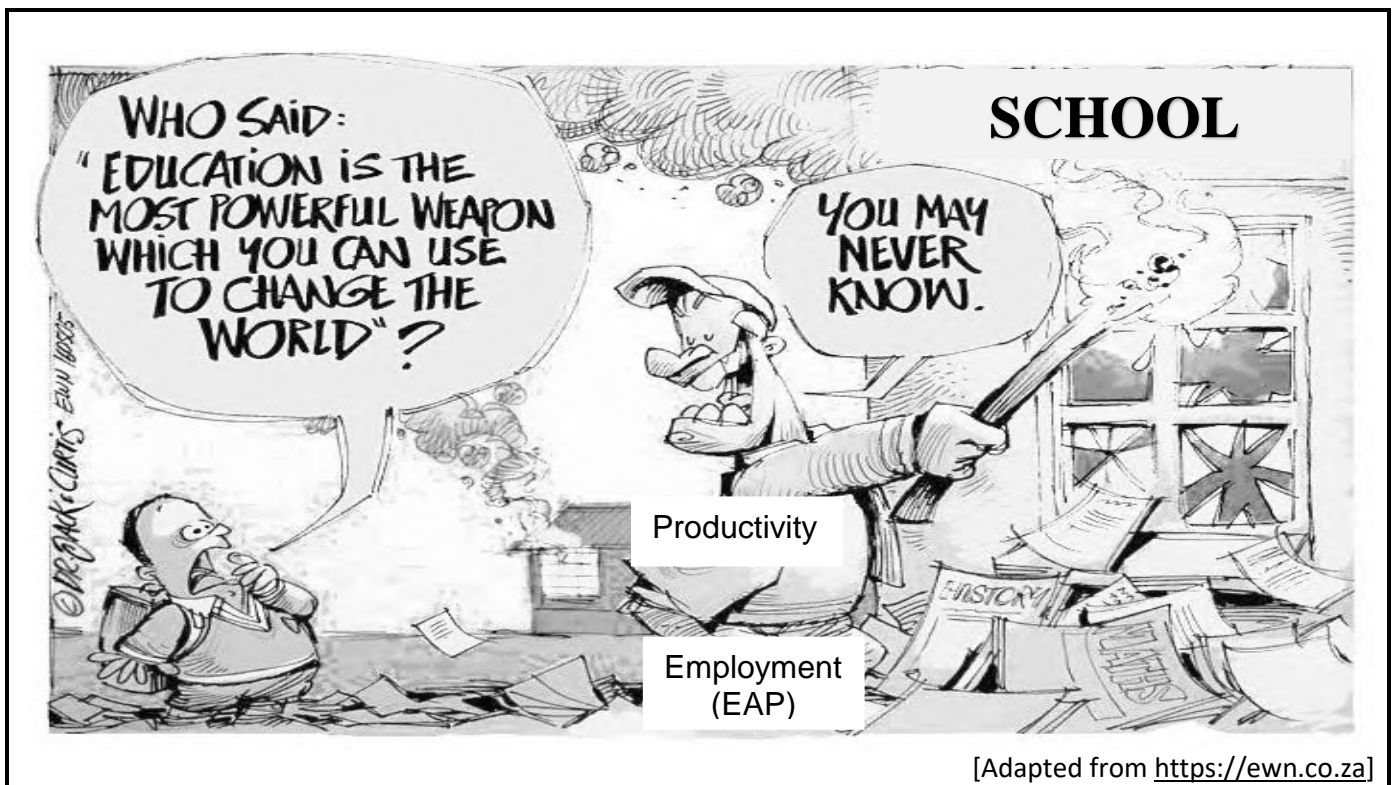
QUESTION 3: ECONOMIC PURSUITS

40 MARKS – 30 MINUTES

3.1 Answer the following questions.

- 3.1.1  Name any TWO industrialised areas where 80% of the country's GDP is produced. (2 x 1) (2)
- 3.1.2  How do subsidies promote growth and development in the economy? (1 x 2) (2)

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



- 3.2.1 Identify an economic indicator from the above cartoon. (1)
- 3.2.2 Name the indicator that measures the number of years a new-born baby is expected to live. (1)
- 3.2.3 Briefly describe the term *social indicator*. (2)
- 3.2.4 Why is the South African government spending the largest percentage of its income on education? (2)
- 3.2.5 Why is the size of the population important in the economy? (2 x 2) (4)

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

THE INDUSTRIAL DEVELOPMENT CORPORATION TO BOOST SA ECONOMY

South Africa urgently needs to accelerate its industrial development and economic growth rates and expand its human resources capabilities. This is necessary not only to address the crippling economic and human development inequalities left by apartheid, but also to match the country's rapidly growing BRICS partners.

The Industrial Development Corporation (IDC) can play a key role in South Africa for structural transformation by nurturing knowledge development, investing in infrastructure, promoting strategic trade, prioritising investments in existing key sectors and providing coherence to economic policies.

[Adapted from: <https://www.iol.co.za/business-report> January 2023]

- 3.3.1 Identify an institution that promote industrial development in South Africa. (1)
 - 3.3.2 Name ONE BRICS member-country other than South Africa. (1)
 - 3.3.3 Briefly describe the term *industrial development*. (2)
 - 3.3.4 Explain the importance of regional development in South Africa. (2)
 - 3.3.5 How can the South African government expand its human resource capabilities? (4)
 - 3.4 Briefly discuss *competitiveness* and *good governance* as international benchmark criteria for regional development. (2 x 4) (8)
 - 3.5 Evaluate the effectiveness of Expanded Public Works Programme (EPWP) in promoting growth and development in the country. (4 x 2) (8)
- [40]**



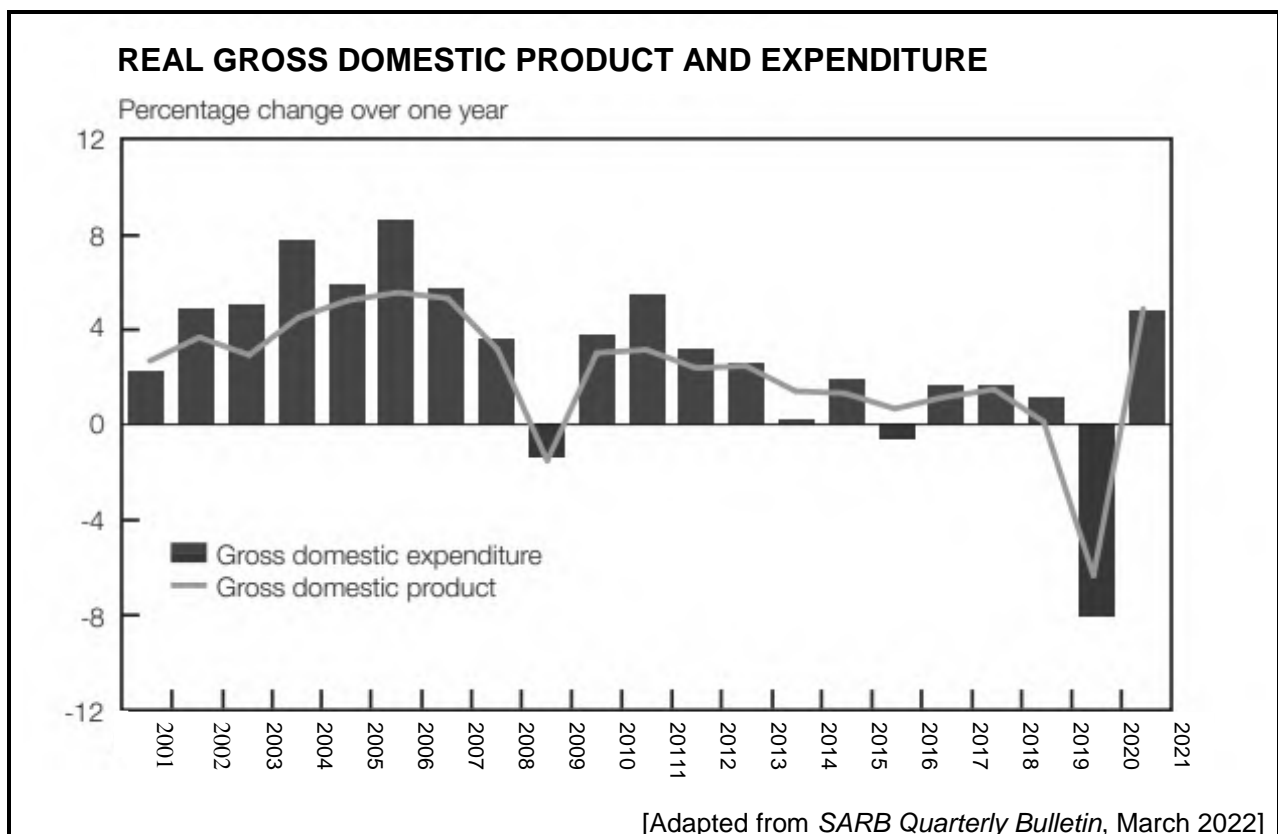
QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS**40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Name TWO ways in which urbanisation is measured. (2 x 1) (2)

4.1.2 Why are injections important in the South African economy?(1 x 2) (2)

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



4.2.1 Which year had the highest percentage change in gross domestic expenditure? (1)

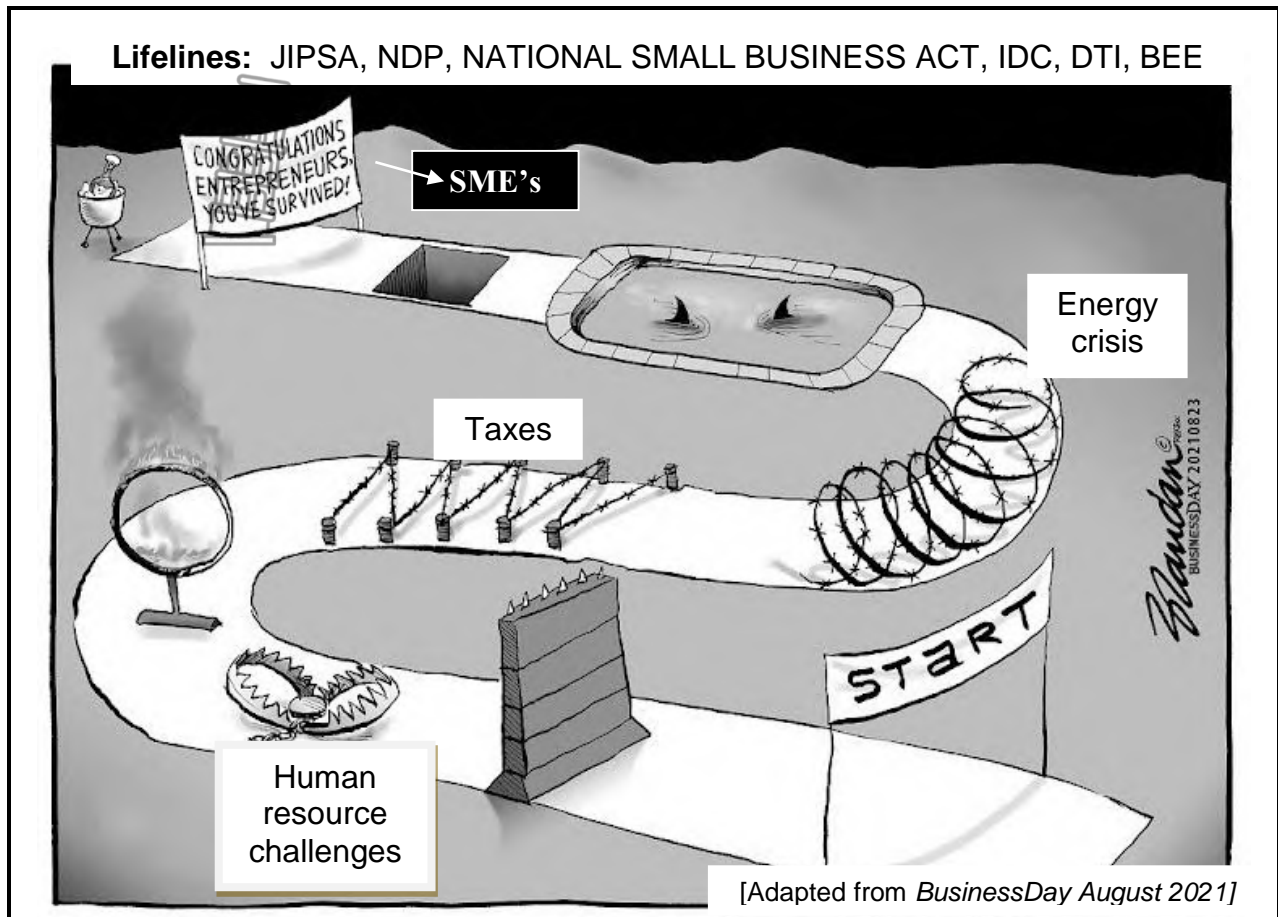
4.2.2 Name ONE method of calculating Gross Domestic Product (GDP). (1)

4.2.3 Briefly describe the term *subsidies on production*. (2)

4.2.4 Briefly explain the reason for a sharp decrease in gross domestic expenditure during the year 2020. (2)

4.2.5 Why are the real gross domestic product figures monitored in the country? (2 x 2) (4)

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



- 4.3.1 Identify a challenge relating to compulsory contribution to state revenue in the above cartoon. (1)
- 4.3.2 What does the acronym NDP stand for? (1)
- 4.3.3 Briefly describe the term *economic development*. (2)
- 4.3.4 Briefly explain the reason for a low economic growth rate in the country. (2)
- 4.3.5 How can small, medium and micro enterprises (SMMEs) contribute to economic growth and development? (4)

- 4.4 Discuss the key price change indicators. (2 x 4) (8)
- 4.5 Analyse the actions that can be taken by government when aggregate demand is too high in the economy? (8)




[40]

TOTAL SECTION B: 80

SECTION C

Answer only ONE of the two questions from 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 your introduction • Do NOT repeat any part of the introduction in the body • Avoid saying 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 A maximum of 8 marks may be allocated for heading/examples. Additional part: Give own opinion/Critically discuss/Evaluate/Critically evaluate/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Calculate/Deduce/Compare /Explain/Distinguish/Interpret/Briefly debate/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 value judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations 	Max 2
TOTAL NUMBER OF MARKS	40

QUESTION 5: MACROECONOMICS

40 MARKS – 40 MINUTES

- Discuss in detail the reasons for public sector failure. (26 marks)
- Analyse the challenges faced by the South African government in pursuing the macro-economic objectives. (10 marks) **[40]**

QUESTION 6: ECONOMIC PURSUITS

40 MARKS – 40 MINUTES

- Discuss in detail export promotion. (26 marks)
- Evaluate the impact of protectionism on the country's economy. (10 marks) **[40]**




TOTAL SECTION C: 40
GRAND TOTAL: 150

SECTION A (COMPULSORY)

QUESTION 1

30 MARKS – 20 MINUTES

1.1 MULTIPLE-CHOICE QUESTIONS

- 
- | | | | | |
|-------|---|---|---------|------|
| 1.1.1 | C | Foreign exchange market ✓✓ | | |
| 1.1.2 | A | nationalisation ✓✓ | | |
| 1.1.3 | B | Phillips ✓✓ | | |
| 1.1.4 | D | comparative advantage ✓✓ | | |
| 1.1.5 | C | trade liberalisation ✓✓ | | |
| 1.1.6 | D | National Skills Development Strategy ✓✓ | | |
| 1.1.7 | A | corridor ✓✓ | | |
| 1.1.8 | B | infant mortality ✓✓ | (8 x 2) | (16) |

1.2 MATCHING ITEMS

- | | | | | |
|-------|---|---|---------|-----|
| 1.2.1 | E | the spending that takes place irrespective of the level of income ✓ | | |
| 1.2.2 | H | the difference between the tangible exports and the tangible imports ✓ | | |
| 1.2.3 | G | public servants provide the public with goods and services promptly and in the desired quantity and quality ✓ | | |
| 1.2.4 | F | a growth theory that maintains that economic growth is primarily the result of internal forces, rather than external ones ✓ | | |
| 1.2.5 | C | a policy aimed improving service delivery to the people ✓ | | |
| 1.2.6 | I | Geographically demarcated area where specific economic activities have been identified to be developed. ✓ | | |
| 1.2.7 | D | statistics that describe population and their characteristics ✓ | | |
| 1.2.8 | B | cost advantages reaped by companies when production becomes efficient ✓ | (8 x 1) | (8) |

1.3 GIVE ONE TERM

- | | | | | |
|-------|-----------------------------------|--|---------|-----|
| 1.3.1 | Households/consumers ✓ | | | |
| 1.3.2 | Leading indicators ✓ | | | |
| 1.3.3 | Labour productivity ✓ | | | |
| 1.3.4 | Globalisation ✓ | | | |
| 1.3.5 | Spatial Development Initiatives ✓ | | | |
| 1.3.6 | Devaluation ✓ | | (6 x 1) | (6) |



TOTAL SECTION A: 30

SECTION B

Answer 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 types of financial markets.

- Money market ✓
- Capital market ✓ (2 x 1) (2)

2.1.2 Explain the impact of an appreciation of the rand on imports.

- Imports will increase as stronger rand reduces the price of imported goods. ✓✓
- The demand for foreign goods and services will increase. ✓✓ (1 x 2) (2)

2.2 DATA RESPONSE

2.2.1 Identify a period of business cycle caused by KwaZulu-Natal floods.

- Contraction / downswing ✓ (1)

2.2.2 Name ONE type of business cycle.

- Kitchen ✓
- Jugler ✓
- Kuznets ✓
- Kondratieff ✓ (1)

2.2.3 Briefly describe the term *recession*.

A negative economic growth for at least two successive quarters. ✓✓
(Accept any other correct relevant answer) (2)

2.2.4 Explain the impact of power cuts on economic activities.

- The ongoing power cuts will lead to lower production (productivity levels); higher costs, and reduced income for businesses ✓✓
- The situation will compromise investment prospects and economic growth. ✓✓
(Accept any other correct relevant answer) (2)



2.2.5 **How can the government reduce the cost of doing business in the economy?**



The government can reduce the cost of doing business in the economy by:

- Rolling out measures that can reduce the cost of production of enterprises directly and indirectly (the key factor) ✓✓
- Providing infrastructural services, whereby the state will absorb some costs; e.g. transport; communication; water and energy costs. ✓✓
- Reducing administration costs such as inspections; reports on laws; regulations; by laws; tax returns, etc. ✓✓
- providing cash incentives that will enable businesses to locate in neglected areas where unemployment is high.

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

2.3 **DATA RESPONSE**

2.3.1 **Identify the institution that prepares the terms of trade in South Africa.**

South African Reserve Bank (SARB). ✓ (1)

2.3.2 **Give ONE reason for an increase in import prices during July 2022.**

- A weaker domestic currency ✓
- Increase in global prices ✓
- Increase in demand of imported capital goods ✓
- Increase in import tariffs ✓

(Accept any other correct relevant response) (1)

2.3.3 **Briefly describe the term *balance of payments*.**

- Reflects all economic transactions between one country and another. ✓✓
- A systematic record of all transactions between one country and other countries. ✓✓

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



2.3.4 **Briefly explain the effect deterioration in the terms of trade have on a country's welfare.**



- It will lead to a decline in living standards as foreign currency earnings are relatively less. ✓✓
- Imported consumer goods will be more expensive. ✓✓
- A deterioration in the terms of trade shows that a country is poorer / more capital is flowing out of the country to pay for imports. ✓✓

(Accept any other correct relevant response)

(2)

2.3.5 **Calculate the terms of trade for July 2021 (A). Write down the formula first and show ALL calculations.**

$$\text{Terms of trade} = \left(\frac{\text{index of export prices}}{\text{index of import prices}} \right) \times 100 \checkmark$$

$$= \left(\frac{168,7}{134,2} \right) \times 100 \checkmark$$

$$= 125,7 \checkmark \checkmark$$

(4)

2.4 **Briefly discuss *real flow* and *money flow* in the circular flow model**

Real flows:

- Factors of production flow from the owners (households) to the producers via the factor markets. ✓✓
- Goods and services flow from the producers through the goods markets to the households and other users of goods and services. ✓✓
- Factors of production as well as goods and services flow from abroad to South Africa (imports). ✓✓
- Factors of production as well as goods and services flow from South Africa to foreign countries (exports) ✓✓

(Accept any other correct relevant response)

(A maximum of 2 marks may be allocated for mere listing of facts/examples)

Money flows:

- Factor compensation represents the spending by consumers and producers. ✓✓
- There is a flow of income to households in the form of wages, rent, interest and profit. ✓✓
- Consumption expenditure represents the spending of households and the income of producers. ✓✓
- Government receive an income in the form of tax from households and firms. ✓✓
- Households and firms saves their unspent money in the financial sector. ✓✓
- The financial sector provides loans to households and firms. ✓✓
- Foreign sector payments are in the form of leakages (payment for imports) and injections (revenue earned for exports). ✓✓

(Accept any other correct relevant response)

(A maximum of 2 marks may be allocated for mere listing of facts/examples)

(2 x 4)

(8)

2.5 **Analyse the factors that could contribute towards an increase in demand for US dollars in South Africa**

Factors that could contribute towards an increase in demand for US dollars :

- When South Africans want to import goods from USA either for domestic consumption or capital goods. ✓✓
- South Africans would require US dollars for payment of services rendered such as accommodation or transport. ✓✓
- The demand for dollars will also increase when South Africans show more interest in buying shares or assets from abroad. ✓✓
- An increase in the number of South Africans visiting America will also lead to an increase in the demand of US dollars. ✓✓
- South Africans will also demand dollars when they want to repay debt for loans taken from abroad. ✓✓
- The demand will also occur when paying interest or dividends to firms or individuals from the USA. ✓✓

(Accept any other correct relevant response)

(8)
[40]

QUESTION 3: ECONOMIC PURSUITS

40 MARKS – 30 MINUTES

3.1 **Answer the following questions.**

3.1.1 **Name any TWO industrialised areas where 80% of the country's GDP is produced.**

- Johannesburg-Pretoria-Tshwane ✓
- Durban-Pinetown ✓
- Cape Town metropole ✓
- Port Elizabeth-Coega-Uitenhage ✓

(2 x 1) (2)

3.1.2 **How do subsidies promote growth and development in the economy?**

- Subsidies make the products affordable; an increase in demand for goods and services will stimulate growth as well as employment levels ✓✓
- The production subsidy (decrease in production costs) will enable the firms to produce more and create job opportunities ✓✓

(Accept any other correct relevant response)

(1 x 2) (2)

3.2 DATA RESPONSE

3.2.1  Identify an economic indicator from the above cartoon.

Productivity ✓ / Employment ✓ / EAP ✓ (1)

3.2.2 Name the indicator that measures the number of years a newborn baby is expected to live.

Life expectancy ✓ (1)

3.2.3 Briefly describe the term *social indicator*.

Are measures used to evaluate the performance of a country in terms of the social well-being of its citizens.

Indicators that are concerned with people and their personal experience of social conditions. ✓✓

(Accept any other correct relevant response) (2)

3.2.4 Why is the South African government spending the largest percentage of its income on education?

- Education is expected to produce direct and indirect benefits for the individuals and society as a whole ✓✓
- Education is a basic building block of a nation - it is a single best investment a country can make to develop a healthy, prosperous and equitable society. ✓✓
- To reduce poverty; social injustice and to create opportunities for social inclusion ✓✓

(Accept any other correct relevant response) (2)

3.2.5 Why is the size of the population important in the economy?

- Because rapid population growth makes it more difficult for low-income and lower-middle-income countries to afford the increase in public expenditures on a per capita basis. ✓✓
- Enables the government to determine what is needed to eradicate poverty, end hunger and malnutrition ✓✓
- Enables the state to determine on how to allocate its budget efficiently in order for poor households to access health care, education and other essential services. ✓✓
- The size of the population will determine consumption levels, labour needed and whether demand will be met by supply. ✓✓

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

3.3 DATA RESPONSE

3.3.1 Identify an institution that promote industrial development in South Africa.



The Industrial Development Corporation (IDC) ✓✓ (1)

3.3.2 Name ONE BRICS member-country other than South Africa.

Brazil ✓ / Russia ✓ / India ✓ / China ✓ (1)

3.3.3 Briefly describe the term *industrial development*.

Refers to policies that are aimed at encouraging industrial investment and greater industrial efficiency. ✓✓
(Accept any other correct relevant response) (2)

3.3.4 Explain the importance of regional development in South Africa.

- To reduce unequal development of economic activities within a country ✓✓
 - To stimulate development in poorer areas or regions ✓✓
 - To implement and coordinate the implementation of national and regional industrial policies ✓✓
 - To prevent new imbalances from emerging ✓✓
- (Accept any other correct relevant response)** (2)

3.3.5 How can the South African government expand its human resource capabilities?

- Improving the quality of education will lead to better knowledge of individuals which will enable them to improve the standard of living. ✓✓
 - Provision of health-care services ensures healthy labour force who will increase the country's production levels ✓✓
 - Through training which will give practical work experience to improve the working skills of the youth and to ensure the availability of people with employable skills. ✓✓
 - Through social capital that comprises the value of social relationships and networks to complement the economic capital for economic growth of an organization ✓✓
- (Accept any other correct relevant response)** (2 x 2) (4)

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

Competitiveness

- Industries or business established as a result of regional policies should be competitive ✓✓
- They should not need ongoing financial aid from government. ✓✓
- To compete in the global markets and meet the challenges of globalisation economies need to focus more on product differentiation and shorter production cycles ✓✓
- This would lead to greater integration between firms both domestically and internationally ✓✓
- Greater product innovation and quality will lead to a movement away from mass production of standardised products towards manufacturing of a variety of semi-customised goods by skilled, adaptable work-force ✓✓

(Max 4)

Good governance

- Regional development strategies should be managed effectively and free of corruption. ✓✓
 - Democratic decision making, transparency, financial management; principles of accountability and control should be applied to ensure financial control ✓✓
 - Projects should be correctly programmed, monitored and evaluated ✓✓
- (Accept any other correct relevant response)** (Max 4) (8)

3.5 **Evaluate the effectiveness of Expanded Public Works Programme (EPWP) in promoting growth and development in the country.**

The EPWP has been effective in promoting growth and development:

- Providing income relief through temporary work. ✓✓
- Alleviating poverty and addressing unemployment through labour-intensive activities ✓✓
- Innovative due to its large-scale nature, inter-ministerial coordination, expansion beyond the infrastructure sector to include non-state, social, environmental and cultural sectors, and the fact that it is directly targeted to youth and vulnerable groups. ✓✓
- Has successfully included vulnerable groups such as women, youth and persons with disabilities to its pool of participants. ✓✓
- Phase 1 achieved a significant increase in income levels and the percentage of households who were able to save increased. ✓✓
- Improving economic efficiency and productivity through skills development. ✓✓
- Creating decent employment creation, promoting labour standards and fundamental rights at work. ✓✓

The EPWP has been ineffective in promoting growth and development due to these major challenges :

- low wages that could not cover people's basic needs ✓
- lack of discipline among participants who can not complete the training ✓
- limited duration of the training left participants still incompetent ✓
- delay in payment of stipends to participants, lead to inability to provide for basic needs ✓
- lack of coordination, management and administration among programme officials that lead to corruption and demotivation ✓
- lack of adequate funding ✓

(Accept any other correct relevant response)

(8)

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

40 MARKS – 30 MINUTES

4.1 **Answer following the questions.**

4.1.1 **Name TWO ways in which urbanisation is measured.**

- Natural growth of the urban population ✓
- Migration ✓
- Establishment of new towns ✓

(2 x 1) (2)

4.1.2 **Why are injections important in the South African economy?**

- They add more money in the circular flow, which will increase the quantity of money in the economy ✓✓
- Injections are additional money into the economy which result to an increase in the GDP (economic growth) and more profits ✓✓
- They lead to an increase in output, income and employment opportunities ✓✓

(Accept any other correct relevant response)

(1 x 2) (2)

4.2 **DATA RESPONSE**

4.2.1 **Which year had the highest percentage change in gross domestic expenditure?**

2006 ✓

(1)

4.2.2 **Name ONE method of calculating Gross Domestic Product (GDP).**

- Expenditure method ✓
- Production method ✓
- Income method ✓

(1)

4.2.3 **Briefly describe the term *subsidies on production*.**



Refers to subsidies that are not linked to specific goods or services, e.g. subsidy made on employment. ✓✓
Are forms of economic support given by government to certain industries (economic sectors) used to either stimulate production (reduce production costs) or support the incomes within a sector; e.g. such as tax breaks. ✓✓

(Accept any other correct relevant response)

(2)

4.2.4 **Briefly explain the reason for a sharp decrease in gross domestic expenditure during the year 2020.**

- The global shock prompted by the COVID-19 pandemic and restrictions designed to protect public health have led to a sharp contraction in the domestic economy. ✓✓
- Government interventions have cushioned the impact on workers and businesses which lead to a decrease in production and service delivery. ✓✓
- Unpredictable consumer trends generated economic uncertainty because businesses and people hold off on spending and investment decisions which made economic activity decline. ✓✓

(Accept any other correct relevant response)

(2)

4.2.5 **Why are the real gross domestic product figures monitored in the country?**

- Real gross domestic product tracks the health of a country's economy. ✓✓
- It represents the value of all goods and services produced over a specific time period within a country's borders. ✓✓
- Economists can use real GDP to determine whether an economy is growing or experiencing a recession. ✓✓
- Investors can use real GDP to make economic predictions and decisions —a bad economy often means lower earnings and stock prices. ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

4.3 **DATA RESPONSE**

4.3.1 **Identify a challenge relating to compulsory contribution to state revenue in the above cartoon.**

Taxes ✓



(1)

4.3.2 **What does the acronym NDP stand for?**

National Development Plan ✓

(1)

4.3.3 Briefly describe the term *economic development*.



- Economic development seeks to improve the economic well-being and quality of life for a community. ✓✓
- A process that concentrate on peoples' standard of living, self-respect and freedom of choice. ✓✓

(Accept any other correct relevant response)

(2)

4.3.4 Briefly explain the reason for a low economic growth rate in the country.

- People who don't have access to healthcare or education have lower levels of productivity. ✓✓
- The lack of infrastructure makes transportation more expensive and slows the overall efficiency of the country. ✓✓
- Flight of capital result to disinvestment; i.e. when the country fails to deliver the returns expected by investors. ✓✓
- Political instability in the form of strikes and boycotts scares the investors and hinders investment opportunities. ✓✓
- Often local laws don't adequately protect rights and the lack of an institutional framework can severely impact progress and investment. ✓✓

(Accept any other correct relevant response)

(2)

4.3.5 How can small, medium and micro enterprises (SMMEs) contribute to economic growth and development?

SMMEs can contribute to economic growth and development by:

- implementing labour intensive activities which will reduce unemployment levels ✓✓
- ensuring that the average capital cost of a job created in the SMME sector is lower than in the big business sector. ✓✓
- allowing more competitive markets to take part in the economy ✓✓
- adapting more rapidly to larger organizations than to changing preferences and trends ✓✓
- making use of local resources than imports in order to reduce production costs ✓✓
- providing opportunities that will aspire entrepreneurs especially those who are unemployed, under-employed or retrenched. ✓✓
- Workers at the smaller end of the scale often require limited or no skills or training subcontracting by large enterprises to SMMEs lends fertility to production processes. ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

4.4 **Discuss the key price change indicators.**

- **Producer Price index (PPI):** ✓ This is the indicator used to measure an increase or decrease over time in the prices of goods produced locally when they leave the factory floor; ✓✓ and an increase or decrease in the price of imported goods. ✓✓
- **Consumer Price index (CPI):** ✓ Weights are obtained from the expenditure of households and show changes in the purchasing power of the rand. ✓✓ This is the official index used in inflation targeting. ✓✓
(Accept any other correct relevant response) (2 x 4) (8)

4.5 **Analyse the actions that can be taken by government when aggregate demand is too high in the economy.**

The actions that can be taken by government when aggregate demand is too high in the economy:

- Implement contractionary / restrictive fiscal policy to reduce or control demand pull inflation ✓✓
- Restrictive fiscal policy is an attempt to decrease the level of economic activity by reducing government spending and / or increasing the level of taxes ✓✓
- A decrease in government spending will decrease job opportunities; therefore producers and consumers will have less income to spend on goods and service. ✓✓
- An increase in tax rate results to a decrease in consumer's disposable income and demand decrease (inflation is likely to decrease) ✓✓
- If the unspent money is preserved the aggregate expenditure will be less; therefore demand will drop ✓✓
- A simultaneous reduction in government spending and increase in tax will have a double negative effect on both the producers and consumers; i.e. demand will drop substantially ✓✓
(Accept any other correct relevant response) (8)

[40]

TOTAL SECTION B: 80



SECTION C

Answer only 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 public sector failure. (26 marks)
- Analyse the challenges faced by the South African government in pursuing the macro-economic objectives. (10 marks)

INTRODUCTION

Public sector failure occurs when the government fails to manage the economy and the resources under its control optimally. ✓✓

Public sector failure can be regarded as a failure of government to achieve its objectives. ✓✓

(Accept any other correct relevant introduction)

(Max 2)

BODY: MAIN PART

MANAGEMENT FAILURE ✓

- Ignorance leads to the implementation of conflicting or wrong policies ✓✓
- Incompetence in the public sector may be due to improper qualifications, lack of training, experience and an attitude of apathy ✓✓
- Lack of skills may lead to wrong decisions and low productivity ✓✓
- Corruption exist when government official exploit their positions for personal gain. ✓✓
- Taking bribes, committing fraud, nepotism, behaving dishonestly and committing discrimination. ✓✓
- Allowing rent-seeking, which is the behaviour that improves the welfare of someone at the expense of the welfare of others ✓✓

APATHY/INDIFFERENCE ✓

- Government officials show little or no interest in delivering an efficient service to the public ✓✓
- It is not always easy to hold the public sector officials accountable because of the huge workforce in various departments ✓✓
- Corruption and poor service delivery are some of the symptoms of apathy ✓✓
- People employed by the state do not always serve the interests of the public ✓✓
- Public sector officials seek to maximise their salaries, status and power and are not required to produce a profit and loss statement ✓✓
- Poor accountability is the result of low motivation, poor training, and lack of competence ✓✓

LACK OF MOTIVATION ✓

- Frontline workers rarely receive incentives for successful service delivery but are only monitored on inputs and following procedures and processes. ✓✓
- Lack of motivation leads to limited services, high cost and low-quality service delivery. ✓✓
- There is no measurement of effectiveness or productivity and few rewards for outstanding performance and penalties for poor performance. ✓✓
- There are not enough systems in place to evaluate the services that government employees give. ✓✓

BUREAUCRACY ✓

- Bureaucracy makes policies take long to be implemented or it is not implemented successfully ✓✓ for example, official rules and procedures ✓
- Bureaucrats tend to obey rules and procedures without judgements. ✓✓
- Government officials tend to be more interested in obeying rules than the efficient delivery of goods and services to the people. ✓✓
- Bureaucrats can manipulate policies to benefit themselves at the expense of the people. ✓✓

POLITICIANS ✓

- Politicians tend to promote policies and spend money on projects as long as they get votes in return. ✓✓
- These policies might involve an inefficient allocation of resources. ✓✓
- Politicians can also serve their own interests through corruption, personal and hidden agendas and suspicious motives. ✓✓

STRUCTURAL WEAKNESSES ✓

- Objectives are not met, such as full employment and houses for all are not realistic and attainable objectives. ✓✓
- Too aggressive redistribution of income and wealth may cause the government not to reach their macroeconomic objectives. ✓✓

SPECIAL INTEREST GROUPS ✓

- Groups such as labour unions and business groups can also cause government failure. ✓✓
- Trade unions can influence the government to pass certain laws to favour their members. ✓✓
- Business groups can influence the government to provide them with profitable contracts and favourable regulations. ✓✓
- Businesses may influence the government to distribute resources so that they can benefit at the expense of the country. ✓✓

(Max 26)



BODY: ADDITIONAL PART

Analyse the challenges that the South African economy is experiencing in achieving the macro-economic objectives.

- The economy faces a number of socio-economic challenges such as high unemployment rate; social inequality; limited access to health-care services; low levels of educated people that decreases the country's productivity levels. ✓✓
 - South Africa's unemployment rate is one of the highest in the world; unemployment in SA is due to sluggish economic growth, strict labour laws and bureaucratic hurdles that have weighed on the ability of local companies to hire additional workers. ✓✓
 - The rand is perceived to be riskier than currencies of developed countries due to domestic, political and economic instability – this can often lead to greater fluctuations in the rand's value against the dollar and other major currencies. ✓✓
 - The SARB is unable to keep inflation within the target range of 3–6% due to continuous increase in the price of fuel and other factors. ✓✓ For example, South Africa's annual inflation rate was 7,2% in December of 2022, down from 7,4% in the prior month, as expected, but still above the upper limit of the South African Reserve Bank. ✓✓ The fluctuations such as the depreciation and appreciation of a currency create uncertainties for investors; producers and retailers. ✓✓
 - South Africa faces persistent challenges of inequality, unemployment and poverty. ✓✓
 - These challenges have overtime been worsened by sustained low levels of investment and growth. ✓✓
 - South Africa is the most unequal country in the world, with race playing a determining factor in a society, where 10 percent of the population owns more than 80 percent of the wealth according to the World Bank report. ✓✓
- (Accept any other correct relevant response)** (Max 10)

CONCLUSION:

Efficient public sector provisioning in South Africa is key to a much better growth rate, higher employment rate and a better standard of living of all. ✓✓

(Accept any other correct relevant higher order response)

(Max. 2)

[40]



QUESTION 6: ECONOMIC PURSUITS

40 MARKS – 40 MINUTES

- Discuss in detail export promotion. (marks 26)
- Evaluate the impact of protectionism on the country's economy. (marks 10)

INTRODUCTION

Export promotion involves providing incentives to encourage local businesses to produce goods for export. ✓✓

Incentives or mechanisms to encourage domestic manufacturers to increase the exports of goods and services to foreign countries. ✓✓

(Accept any other correct relevant introduction)

(Max 2)

BODY: MAIN PART

REASONS FOR EXPORT PROMOTION ✓

Some of the reasons for export promotion:

- The country achieves significant export-led economic growth as a result of an increase in GDP ✓✓
- Export promotion enlarges the production capacity of the country / facilitate international trade and stimulate domestic economic activity by creating employment, production, and revenues ✓✓
- Export markets are much bigger than local markets. Businesses that focus on exporting expand their vision and markets regionally, internationally or even globally ✓✓
- It allows to expand market for local producers and more workers will be employed ✓✓
- Prices will be reduced because, exporting products can ensure increasing sales and sales potential in general ✓✓
- Reduces business' risks by developing alternative markets, should a slow down or disruption occur in your domestic market ✓✓
- Location of new investment opportunities ✓✓
- Provision of trade information and support services e.g. assistance with export procedures, product quality, export financing, transportation etc ✓✓
- Generating revenue for the government within the sort of customs and excise duties ✓✓

(Accept any other correct relevant reason)

(Max 5 x 2)

METHODS OF EXPORT PROMOTION ✓

Methods to support export promotion:

- Incentives: The government supplies information on export markets, research on new markets, concessions on transport charges, export credit, etc. in order to stimulate exports ✓✓
 - Subsidies: These include direct and indirect subsidies: ✓✓
 - Direct subsidies: Cash payments to exporters ✓✓
 - Indirect subsidies: Refunds on import tariffs and general tax rebates ✓✓
 - Trade neutrality: Subsidies equal in size to import duties are paid ✓✓
- Neutrality can be achieved through trade liberalisation ✓✓

(Max 4 x 2)

ADVANTAGES OF EXPORT PROMOTION ✓

The benefits of export promotion include:

- There are no limitations to size of scale since the market is very large ✓✓
- The expansion of exports stimulates production in related industries and leads to lower domestic prices in favour of local consumers ✓✓
- Cost and efficiency considerations will be the basis of production according to comparative advantage ✓✓
- Balance of payments equilibrium an increase in exports earns more foreign exchange for a country to pay for imports ✓✓ (Max 4 x 2)

DISADVANTAGES OF EXPORT PROMOTION ✓

The disadvantages of export promotion include:

- The real cost of production is reduced by subsidies and incentives ✓✓
- The lack of competition because of incentives and subsidies forces competitors out of the market ✓✓
- Export promotion results in increased tariffs and quotas by powerful overseas competitors ✓✓
- Export promotion results in the protection of labour-intensive industries by developed countries. ✓✓ (Max 4 x 2)

(Accept any other correct relevant response)

(A maximum of 8 marks may be allocated for headings/examples)

(Max 26)

BODY: ADDITIONAL PART

Evaluate the impact of protectionism on the country's economy.

Positives:

- Protectionism provides local industries with growth opportunities until they can compete against more experienced firms in the international market. ✓✓
- Protectionist policies help to reduce import levels and allow the country to increase its trade balance. ✓✓
- Higher employment rates result when domestic firms boost their workforce. ✓✓
- Protectionist policies tend to boost the economy's GDP due to a rise through domestic production. ✓✓



Negatives:

- As domestic producers don't need to worry about foreign competition, they have no incentive to innovate or spend resources on research and development (R&D) of new products. ✓✓
- Consumers have access to fewer goods in the market as a result of limitations on foreign goods. ✓✓
- Consumers will need to pay more without seeing any significant improvement in the product due to lack of competition. ✓✓
- Economic isolation often leads to political and cultural isolation, which in turn leads to even more economic isolation. ✓✓
- Industries can become dependent on protectionism; i.e. they could lose the ability to compete efficiently without any protective measures. ✓✓
- It is difficult to establish which industries have the potential to be competitive in the future and need protective measures. ✓✓
- It is also difficult to decide when protective measures should be reduced, because businesses are not always able to survive on their own. ✓✓
- Implementing tariffs changes prices in favour of producers and protects jobs as well as profits. ✓✓
- Protected industries may not mature and develop the skill to compete on their own. ✓✓
- Trade wars and trade restrictions are likely to bring about retaliation by foreign countries. ✓✓

(Accept any other correct relevant response)

(Max 10)

CONCLUSION

World economy grows and develops on better international relations with other countries by applying different trade policies such as import substitution and free trade. ✓✓

(Accept any other correct relevant response)

(Max 2)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150

