



**PROVINCIAL EXAMINATION**  
**JUNE 2023**  
**GRADE 10**

**ECONOMICS**

**PAPER 1**

**TIME:** 1½ hours

**MARKS:** 100

**10 pages**



**INSTRUCTIONS AND INFORMATION**

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



**SECTION A (COMPULSORY)****QUESTION 1****20 MARKS – 15 MINUTES**

1.1 Four 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 1.1.5) in the ANSWER BOOK, e.g. 1.1.6 D.

1.1.1 Resources are called ... in the production process.

- A outputs
- B final goods
- C internal goods
- D inputs

1.1.2 Goods that are scarce and that people are willing to pay for are known as...

- A free goods.
- B economic goods.
- C public goods.
- D merit goods.

1.1.3 The foreign sector imports and exports final goods from the ... market.

- A factor
- B foreign exchange
- C product
- D financial

1.1.4 Which of the following is an example of a service sector?

- A Banking
- B Construction
- C Mining
- D Farming

1.1.5 An economic indicator that tells us something about an event, after it has happened, is called a ... indicator

- A leading
- B lagging
- C composite
- D co-incident

(5 x 2) (10)

- 1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A – G) next to the question number (1.2.1 to 1.2.6) in the ANSWER BOOK, for example 1.2.7 H.

COLUMN A	COLUMN B
1.2.1 International Economics	A When a business focuses on the production of one product or service
1.2.2 Relative scarcity	B The period of very high economic activity just before the economy slows down
1.2.3 Real flow	C The type of goods that are used to produce other goods and services
1.2.4 Specialisation	D Shows us what has happened to the economy
1.2.5 Intermediate goods	E When a good or service is available but you do not have the resources to acquire it
1.2.6 Boom	F A branch of Economics that studies the trade and finances between countries around the world
	G The movement of goods and services and factors of production among the participants in the economy

(6 x 1) (6)

- 1.3 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1 to 1.3.4) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

1.3.1 An approach to Economics that views the free-market economy as unstable in nature

1.3.2 An act that was implemented to promote ownership and management in existing businesses and new businesses by previously disadvantaged groups

1.3.3 A sector that provides goods and services at a lower or no price to households

1.3.4 The facilities provided to ensure that economic activities can take place, for example, roads, airports and telephone lines

(4 x 1) (4)

**TOTAL SECTION A: 20**

**SECTION B**

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

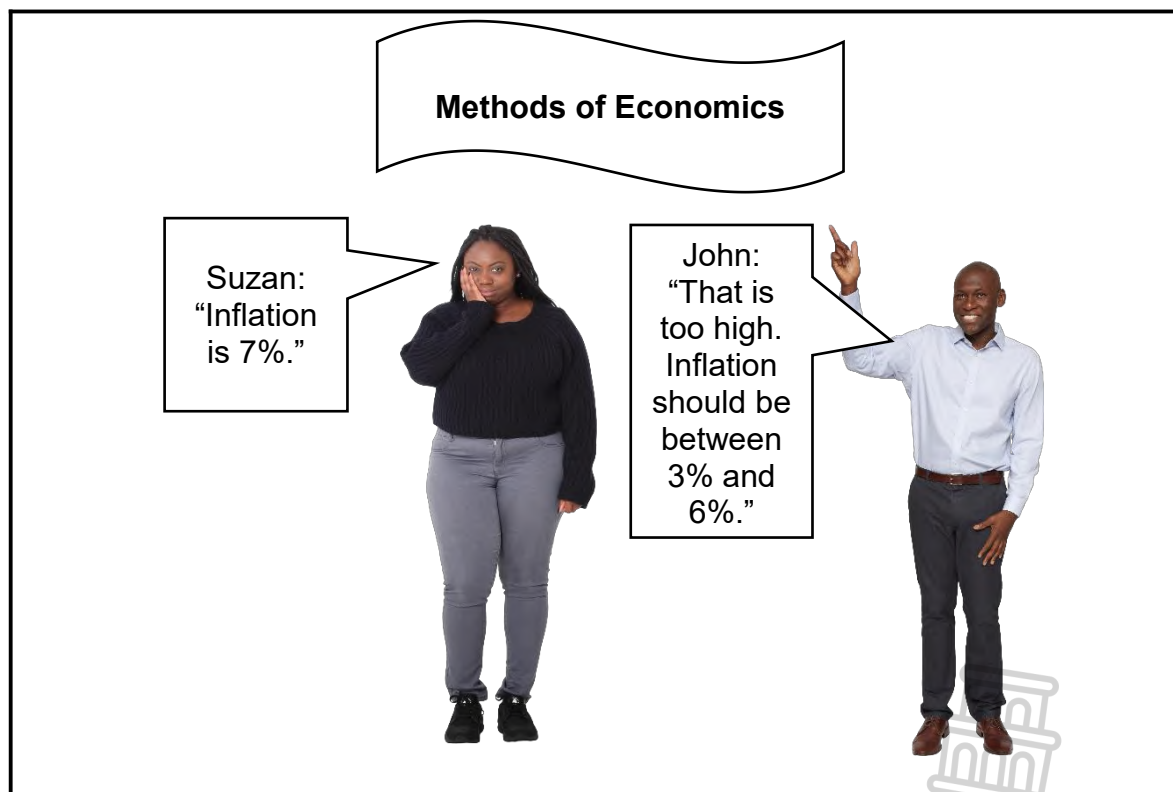
**QUESTION 2: MACROECONOMICS****40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Name any TWO science subjects related to Economics. (2 x 1) (2)

2.1.2 Why does the government promote human rights? (1 x 2) (2)

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



[Own source]

2.2.1 Who made a positive statement in the illustration above? (1)

2.2.2 Give ONE other example of a positive statement in Economics. (1)

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

2.2.4 Why are the remarks from economists mostly normative statements? (2)

2.2.5 Why is it difficult to conduct research in Economics? (2 x 2) (4)

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

<b>GROSS VALUE ADDED</b>	<b>2021 (million rands)</b>
Primary Sector	631 848
Secondary Sector	1 037 270
Tertiary Sector	3 894 359
<b>GVA AT BASIC PRICES</b>	<b>2.3.5 ?</b>
Taxes on products	658 188
Subsidy on products	15 412
<b>GDP AT MARKET PRICES</b>	<b>6 206 253</b>

- 2.3.1 Identify the method used to calculate GDP in the table above. (1)
- 2.3.2 Give ONE example of taxes on products. (1)
- 2.3.3 Briefly describe the term *gross domestic product*. (2)
- 2.3.4 Why were subsidies subtracted when calculating the GDP at market prices? (2)
- 2.3.5 Calculate the Gross Value Added at basic prices. Show ALL calculations. (4)
- 2.4 Differentiate between *microeconomics* and *macroeconomics*. (2 x 4) (8)
- 2.5 Why is foreign trade beneficial for a country? (8)

**[40]**



## QUESTION 3: MACROECONOMICS

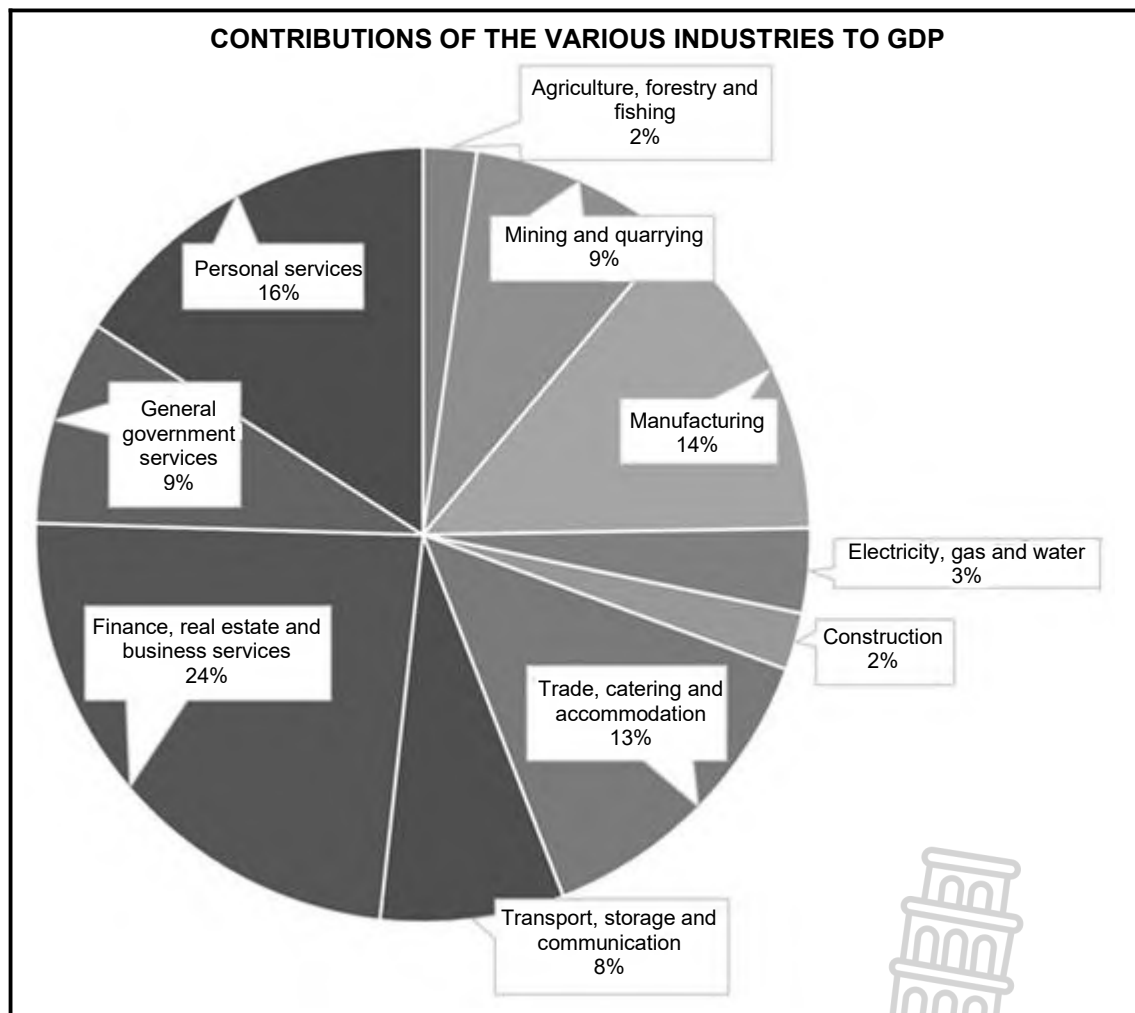
40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO examples of renewable natural resources. (2 x 1) (2)

3.1.2 Why is a recession undesirable for the economy? (1 x 2) (2)

3.2 Study the following pie chart and answer the questions that follow.



[Source: Stats sa]

3.2.1 From the diagram above, identify the sector that contributes the most towards economic growth. (1)

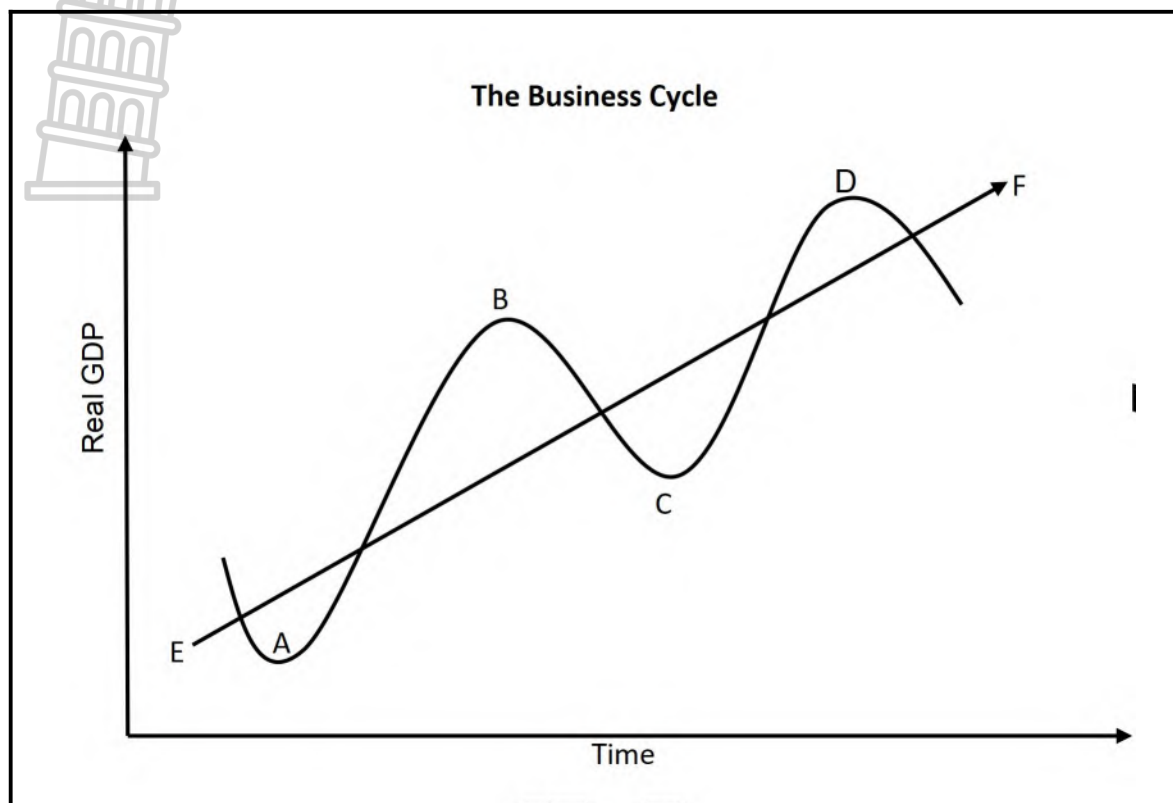
3.2.2 Give ONE example of an industry in the primary sector. (1)

3.2.3 Briefly describe the term *production*. (2)

3.2.4 Explain the relationship between the primary and secondary sector. (2)

3.2.5 Why is the tertiary sector important in the economy? (2 x 2) (4)

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



[Adapted source: [www.businessinsider.co.za](http://www.businessinsider.co.za)]

- 3.3.1 Identify the point at which economic activity is at its the highest. (1)
- 3.3.2 Name the economic indicator that shows the general direction in which the economy is moving. (1)
- 3.3.3 Briefly describe the term *business cycle*. (2)
- 3.3.4 How is a complete business cycle measured? (2)
- 3.3.5 How can the government lower aggregate demand during a peak in the business cycle? (2 x 2) (4)
- 3.4 Differentiate between the *exogenous* and *endogenous* reasons for changes in the business cycle. (8)
- 3.5 How does the government address environmental problems in the economy? (8)

[40]

**TOTAL SECTION B: 40**



**SECTION C**

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

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
<p><b>Introduction</b></p> <p>The introduction is a lower-order response.</p> <ul style="list-style-type: none"> <li>• A good starting point would be to define the main concept related to the question topic.</li> <li>• Do not include any part of the question in your introduction.</li> <li>• Do not repeat any part of the introduction in the body.</li> <li>• Avoid mentioning in the introduction what you are going to discuss in the body.</li> </ul>	<p>Max. 2</p>
<p><b>Body</b></p> <p><b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain</p> <p><b>Additional part:</b> 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</p>	<p>Max. 26</p> <p>Max. 10</p>
<p><b>Conclusion</b></p> <p>Any higher-order conclusion should include:</p> <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned</li> <li>• Any opinion or value judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion/analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> <li>• Recommendations</li> </ul>	<p>Max. 2</p>
<p><b>TOTAL</b></p>	<p><b>40</b></p>

**QUESTION 4**

- With the aid of a diagram, discuss the circular flow model of an open economy under the following headings:
  - Flows
  - Injections and leakages
  - Markets(26 marks)
- Evaluate the positive effects of savings on the economy. (10 marks) **[40]**

**QUESTION 5**

- Discuss, in detail, the effect of fluctuating business cycles on the South African economy. (26 marks)
- How can the government stimulate the economy during a recession? (10 marks) **[40]**

**TOTAL SECTION C: 40****TOTAL: 100**



**GAUTENG PROVINCE**  
EDUCATION  
REPUBLIC OF SOUTH AFRICA

**PROVINCIAL EXAMINATION**  
**JUNE 2023**  
**GRADE 10**  
**MARKING GUIDELINES**

**ECONOMICS (PAPER 1)**

**17 pages**



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

1.1.1 D inputs ✓✓

1.1.2 B economic goods ✓✓

1.1.3 C product ✓✓

1.1.4 A Banking ✓✓

1.1.5 B lagging ✓✓

(5 x 2) (10)

**1.2 MATCHING ITEMS**

1.2.1 F A branch of Economics that studies the trade and finances between countries around the world ✓

1.2.2 E When a good or service is available but you do not have the resources to acquire it ✓

1.2.3 G The movement of goods and services and factors of production among the participants in the economy ✓

1.2.4 A When a business focuses on the production of one product or service ✓

1.2.5 C The type of goods that are used to produce other goods and services ✓

1.2.6 B The period of very high economic activity just before the economy slows down ✓

(6 x 1) (6)

**1.3 GIVE A TERM**

1.3.1 Keynesian Approach ✓

1.3.2 Broad-Based Black Economic Empowerment Act ✓

1.3.3 Government/Public Sector ✓

1.3.4 Infrastructure ✓

(4 x 1) (4)

**TOTAL SECTION A: 30**

**SECTION B**

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

**QUESTION 2: MACROECONOMICS**

2.1 2.1.1 Name any TWO science subjects related to Economics.

- Statistics ✓
  - Mathematics ✓
  - Information and technology ✓
- (Any other correct relevant response.) (2 x 1) (2)

2.1.2 Why does the government promote human rights?

- To make sure that the everyone has a baseline level of dignity. ✓✓
- (Accept any other correct relevant response.) (1 x 2) (2)

**2.2 DATA RESPONSE**

2.2.1 Who made a positive statement in the illustration above?

- Suzan ✓ (1)

2.2.2 Give ONE other example of a positive statement in Economics.

- The unemployment rate is 34%. ✓
- (Accept any other correct relevant response.) (1)

2.2.3 Briefly describe the term *Economics*.

- The study of the efficient use or management of resources to achieve maximum satisfaction of human material unlimited needs and wants. ✓✓
- (Accept any other correct relevant response.) (2)

2.2.4 Why are the remarks from economists mostly normative statements?

- The economists give their opinion on an economic subject. These statements cannot be proved and are thus normative statements. ✓✓ (2)



### 2.2.5 Why is it difficult to conduct research in Economics?

- **Economics is not an exact science** as it studies human behaviour which constantly changes. ✓✓
- **Human beings can also be biased** in their judgement; this means that even researchers feelings can contribute to problems of subjectivity. ✓✓
- **Different economists have different views** on how the economy should work. ✓✓
- For example, one may believe in a weaker rand because it may promote exports, while another may favour a stronger rand because it may make imports cheaper. ✓✓
- **Economists have to decide which facts to use.** Statistics on performance of the economy are produced constantly, so this may make it difficult for economic researchers to have the same explanation to a particular research problem (if they used different statistics). ✓✓
- **Running experiments is difficult**, unlike in pure sciences such as Physics, where chemical variables can be controlled as per the wish of the researcher, in Economics variables cannot be controlled. ✓✓
- For example, to see whether price increases cause decreases in demand, they have to assume that other factors remain constant (*ceteris paribus*). ✓

(Accept any other correct relevant responses.)

(4)

## 2.3 DATA RESPONSE

### 2.3.1 Identify the method used to calculate GDP in the table above.

- Production method. ✓

(1)

### 2.3.2 Give ONE example of taxes on products.

- VAT ✓
- Import duty ✓
- Excise duty ✓

(Accept any other correct relevant response.)

(1)

### 2.3.3 Briefly explain the term *gross domestic product*.

- It is the market value of all the final goods and services produced within the borders of a country. ✓✓

(2)



2.3.4 **Why are subsidies subtracted when calculating the GDP at market prices?**

- Subsidies are financial incentives paid to producers by government. Subsidies lower the cost of production. ✓✓  
(Accept any other correct relevant response.)

(2)

2.3.5 **Calculate the Gross Value Added at basic prices. Show ALL calculations.**

$$631\,848 + 1\,037\,270 + 3\,894\,359 \quad \checkmark\checkmark$$

$$\text{GVA at basic price} = 5\,563\,477 \quad \checkmark\checkmark$$

(If only the answer is provided, give a maximum of 2 marks.)

(4)

2.4 **Differentiate between *microeconomics* and *macroeconomics*.**

- Microeconomics is the study of decisions made by people and businesses regarding the allocation of resources and prices of goods and services. ✓✓
- Microeconomics is concerned with how supply and demand interacts in individual markets for goods and services. ✓✓
- Macroeconomics deals with the study of the behaviour and performance of the economy in total. ✓✓
- The most important factors studied in macroeconomics involve gross domestic product (GDP), unemployment, inflation, growth rate etc. ✓✓

(Accept any other correct relevant response.)

(2 x 4)

(8)

2.5 **Why is foreign trade beneficial for a country?**

- The foreign sector offers consumers and suppliers the opportunity to access goods and services and to get bigger markets across the world. ✓✓
- The foreign sector allows access to more capital, cheaper imports and larger export markets. ✓✓
- Access to global markets through the foreign sector helps the local economy to be more efficient and make better use of its resources.
- The foreign sector allows for more competition locally and local companies can benefit from greater division. ✓✓
- Innovators and entrepreneurs can share ideas already used successfully in other countries and implement them locally. ✓✓
- Trade with foreign countries creates cooperation and better relations between nations. ✓✓

(Accept any other correct relevant response.)

(4 x 2)

(8)

**[40]**

**QUESTION 3: MACRO ECONOMICS**

3.1 3.1.1 Name any **TWO** examples of renewable natural resources.

- solar energy ✓
- wind energy ✓
- water ✓
- air ✓
- plants ✓
- biofuels ✓
- animals ✓

(Any other relevant response.)

(2 x 1) (2)

3.1.2 Why is a recession undesirable for the economy?

- It leads to a decline in economic activities as well as a widespread drop in spending. ✓✓
- It decreases the availability of job opportunities and economic growth/which leads to retrenchment; poverty and repossession of people's assets. ✓✓
- It decreases economic activities in various sectors of the economy such as manufacturing and services. ✓✓

(1 x 2) (2)

3.2 **DATA RESPONSE**

3.2.1 From the diagram above, identify the sector which contributes the most towards economic growth.

- Finance/Real estate/Business services ✓ (Any ONE) (1 x 1) (1)

3.2.2 Give **ONE** example of an industry in the primary sector.

- Mining ✓
- Agriculture ✓
- Farming ✓
- Fishing ✓

(Accept any other correct relevant response.)

(1 x 1) (1)

3.2.3 Briefly describe the term *production*.

- Production is the process whereby an entrepreneur combines available resources and turns them into some sort of a product. ✓✓

(Accept any other correct relevant response.)

(2)



3.2.4 **Explain the relationship between the primary and secondary sector.**

- Raw materials from the primary sector are processed into finished goods in the secondary sector. ✓✓  
(Accept any other correct relevant response.)

(2)

3.2.5 **Why is the tertiary sector important in the economy?**

- It is the biggest contributor to the gross domestic product and a source of employment. ✓✓
- It is a source of income for the government. ✓✓
- Creates market for consumer products. ✓✓  
(Accept any other correct relevant response.)

(2 x 2)

(4)

3.3 **DATA RESPONSE**

3.3.1 **Identify the point at which economic activity is at its highest.**

- Peak D/Upper turning point D ✓

(1)

3.3.2 **Name the economic indicator that shows the general direction in which the economy is moving.**

- Trendline/Line E F ✓

(1)

3.3.3 **Briefly describe the term *business cycle*.**

- Refers to the successive periods of growth and decline in economic activities or is a time series showing repeated increasing and decreasing economic activity. ✓✓  
(Accept any other correct relevant response.)

(2)

3.3.4 **How is a complete business cycle measured?**

When measuring a business cycle the series of expansions and contractions in real GDP are measured.  
Measurement of the cycle begins at a peak and continues through a recession, a trough, and an expansion (from peak to peak/from trough to trough). ✓✓

(2)

3.3.5 How can the government lower aggregate demand during a peak in the business cycle?



- A decrease in government spending (G), will decrease the job opportunities/availability of income. ✓✓
- The aggregate expenditure will decrease, as well as inflation. ✓✓
- An increase in taxes will reduce the household's disposable income, consumers will have less income to spend. ✓✓
- The government can simultaneously reduce government spending and increase tax to decrease the demand for goods and services. ✓✓

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

3.4 Differentiate between the *exogenous* and *endogenous* reasons for changes in the business cycle.

**Exogenous reasons:**

- Exogenous reasons are reasons for business cycles that originate outside the market system. ✓✓
- Changes in weather conditions affect the output of the agricultural sector and tourism industry of an economy and the total level of economic activity. ✓✓
- When the economy has structural change, it affects production, employment, investments, government expenses, taxes, imports and exports. ✓✓
- Variations in the money supply also cause changes to the business cycles. ✓✓
- Random shocks can cause changes to the business cycle e.g., war, sudden increase in the price of oil, natural disasters, etc. ✓✓
- Political actions, such as when the government wants to win election votes, will adopt an expansionary policy and after the election the inflationary effects of this expansionary policy begins. ✓✓

(Accept any other relevant responses.)

(Max. 4)

(2 x 2)

**Endogenous factors**

- They are factors that are part of the economic system. ✓✓
- The expansion phase also contains mechanisms that eventually causes a contraction of economic activity. ✓✓
- As the level of economic activity increases, total spending in the economy increases as well. ✓✓
- This causes an increase in imports which negatively affects the balance of payments and leads to a depreciation of the exchange rate. ✓✓
- Increase in interest rates due to increased borrowing (negative effect on the economy). ✓✓
- Positive perceptions of the economy will lead to an increase in spending and vice versa. ✓✓

(Accept any other relevant responses.)

(Max. 4)

(2 x 2)

(8)

3.5 **How does the government address environmental problems in the economy?**

- Section 24 of the Constitution sets out the right to an environment that is not harmful to health or wellbeing, and calls on the government to take legislative and other actions to: prevent pollution and ecological degradation, promote conservation and secure ecologically sustainable development. ✓✓
- Environmental policy can include laws and policies addressing water and air pollution, chemical and oil spills, smog, drinking water quality, land conservation and management, and wildlife protection (such as the protection of endangered species). ✓✓
- The government imposes fees and levies on consumers and producers for the waste that they produce and dump in the environment, for example, emission charges on industries and vehicles owners for gas waste. ✓✓
- Green taxes are charged on the production of products that are not biodegradable, for example, tyres. ✓✓
- Producers will have to decrease their pollution to make sure that they keep the cost of their product down. ✓✓
- Cleaner and safer technology is being developed with the environment in mind. ✓✓
- Less waste products, decreased reliance on fossil fuels and a demand by producers for efficient and environmentally safe technology gives rise to new products and environmentally safe machines. ✓✓
- The government embarks on massive public environmental awareness programmes to help restore the damages, promote recycling and reuse and reduce environmental pollution. ✓✓
- Moral persuasion – environmental awareness is created to make people behave in a manner that is friendly to the environment. ✓✓

(Accept any other correct relevant response.)

(4 x 2)

(8)

**[40]**

**TOTAL SECTION B:**

**40**

**SECTION C**

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

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
<p><b>Introduction</b></p> <p>The introduction is a lower-order response.</p> <ul style="list-style-type: none"> <li>• A good starting point would be to define the main concept related to the question topic.</li> <li>• Do not include any part of the question in your introduction.</li> <li>• Do not repeat any part of the introduction in the body.</li> <li>• Avoid mentioning in the introduction what you are going to discuss in the body.</li> </ul>	<p>Max. 2</p>
<p><b>Body</b></p> <p><b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/ Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain</p> <p><b>Additional part:</b> 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</p>	<p>Max. 26</p> <p>Max. 10</p>
<p><b>Conclusion</b></p> <p>Any higher-order conclusion should include:</p> <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned</li> <li>• Any opinion or value judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion/analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> <li>• Recommendations</li> </ul>	<p>Max. 2</p>
<p><b>TOTAL</b></p>	<p><b>40</b></p>

**QUESTION 4**

- With the aid of a diagram, discuss the circular flow model of an open economy under the following headings:
  - Flows
  - Injections and leakages
  - Markets

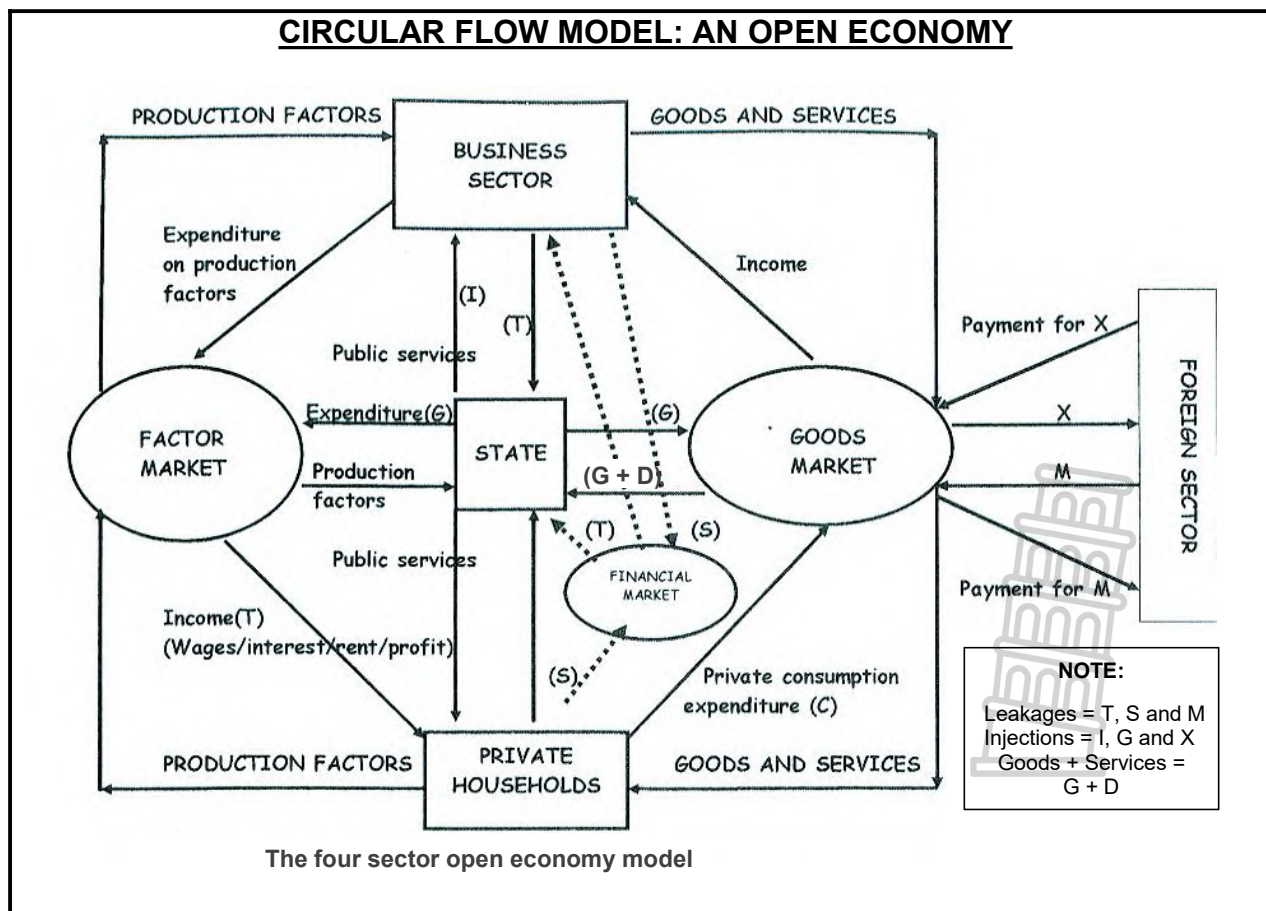
(26 marks)
- Evaluate the positive effects of savings on the economy. (10 marks) [40]

**Introduction**

The circular flow model of an open economy shows the workings of an economy that is open to foreign trade. ✓✓  
(Accept any other correct relevant introduction.) (Max. 2)

**BODY**

**MAIN PART**



Participants	= 4 marks
Markets	= 2 marks
Flows	= 2 marks
<b>Max. = 8 marks</b>	

**Flows**Real flow

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

Money flow

- Producers/Businesses spend on production factors and the households receive an income (wages, rent, interest and profit). ✓✓
- Households spend their income (private consumption expenditure) on goods and services and the producers receive an income. ✓✓

**Injections**

- Injections represents the injection of money into the economic cycle (local economy). ✓✓
- It refers to the flow of any spending which is not derived from income (Y). ✓✓
- Additional money enters the economy and it increases income. ✓✓
- Domestic purchases on goods and services increase. ✓✓
- In an open economy, injections are government spending (G), the revenue earned from exports (X) and investment spending (I). ✓✓

**INVESTMENTS** ✓

- Businesses get loans from various financial institutions and then this money is used to buy (invest) in property, machines, equipment, etc. ✓✓
- They also use this money to buy stock and intermediate goods. ✓✓
- The government spends money on goods and services to provide economic and social services and infrastructure, e.g. building of dams, schools, hospitals ✓✓, etc.

**EXPORT** ✓

- Goods and services are exported to foreign countries.
- Money enters the circular flow because the foreign sector pays for the goods and services they received. ✓✓

**Leakages**

- A leakage represents the withdrawal of money from the economic cycle (local economy). ✓✓
- It does not give rise to a further round of income. ✓✓
- It causes domestic purchases on goods and services to decrease. ✓✓
- In an open economy, the leakages are taxes (T), the expenditure on imports (Z) and savings (S). ✓✓

**SAVINGS**

- It is that portion of money that is not spent on goods and services. ✓✓
- The money leaves the circular flow and goes to financial institutions. ✓✓

**TAXES**

- Households and businesses pay taxes to the government. This money leaves the circular flow and goes to the government. ✓✓
- Households pay taxes on their income and businesses pay taxes on their profits. ✓✓
- E.g. of taxes is Income tax and Value Added Tax (VAT). ✓

**IMPORTS**

- It is when goods are imported from other countries. ✓✓
- Money leaves the circular flow because money flows to foreign countries. ✓✓

**Markets****Goods/Product market** ✓

- Business enterprises sell their goods and services on the product market and receive the spending from the households in return. ✓✓
- The government provides public goods and services to households and businesses on the product market. ✓✓
- The foreign sector imports and exports final products on the product market. ✓✓
- These are markets for consumer goods and services. ✓✓
- E.g.:
  - Durable consumer goods ✓
  - Semi durable consumer goods ✓
  - Non-durable consumer goods ✓



**Factor market** ✓

- Factors of production are traded on these markets. ✓✓
- Households present their factors of production to business enterprises on the factor market and receive income. ✓✓
- The government purchases factors of production (mostly labour) on the factor market and pays salaries. ✓✓
- The foreign sector is responsible for imports and exports of raw materials; is liable for the emigration/immigration of workers; and channels international capital investments on the factor market. ✓✓
- Natural resources, labour, capital, and entrepreneurship are traded on this market. ✓

**Financial markets** ✓

- They are not directly involved in the production of goods and services but act as a link between households, the business sector and other participants. E.g. banks, insurance companies and pension funds. ✓✓
- The funds from the surplus units are channelled to deficit units in the economy. ✓✓
- Surplus units are those firms and households in the economy that do not spend all their income ✓✓
- Participants deposit their surplus funds into financial institutions. ✓✓

**Money markets** ✓

- This is used by participants as a means of borrowing and lending in the short term. ✓✓
- It is a market for short term savings and loans. ✓✓
- The SARB is a key institution in the money market. ✓✓

**Capital markets** ✓

- It is a financial market in which the individuals and institutions trade financial securities in the long term. ✓✓
- It is long-term deposits and borrowing (e.g. mortgage bonds). ✓✓
- The Johannesburg Securities (Stock) Exchange (JSE) is a key institution in the capital market. ✓✓





**Foreign exchange markets** ✓

- The businesses buy and sell foreign currency to pay for imported goods and services. ✓✓
- In an open economy, foreign currency is needed to facilitate transactions between countries. ✓✓
- The currencies can be exchanged (e.g. rand for pound). ✓✓
- The exchange rate is usually determined by the interaction of demand and supply. ✓✓
- At times, the central bank influences exchange rates directly and indirectly. ✓✓

**(Max. 26)****ADDITIONAL PART**

- Savings is the income that participants choose to put into financial institutions. ✓✓
- It is a leakage of money from the circular flow to the financial institutions as it decreases the spending flow. ✓✓
- Savings reduce the amount of money that households have to spend. ✓✓
- Savings are the building blocks for investments. ✓✓
- Business borrows money from the financial institutions, this money comes from savings. ✓✓
- Businesses use this money to buy capital goods, e.g. machinery. ✓✓
- Without savings, there can be no investments, meaning less production of goods and services. ✓✓
- Investments balance out the leakages caused by savings. ✓✓
- Investments have a major impact on the economy. ✓✓

(Accept any other correct relevant answer.)

**(Max. 10)****Conclusion**

While circular flow is a simplification of reality, understanding the real flows and money flows that occur in such a situation is an important foundation for understanding more complex economies. ✓✓.

(Accept any other correct relevant conclusion.)

**(Max. 2) [40]**

**QUESTION 5**

- **Discuss, in detail, the effect of fluctuating business cycles on the South African economy.** (26 marks)
- **How can the government stimulate the economy during a recession?** (10 marks)

**Introduction**

(Any relevant definition.)

**(Max. 2)****BODY****MAIN PART****Changes in aggregate (total) supply and demand ✓**

- In a recovery period people will demand more. ✓✓
- This may lead to shortages of goods and services to meet the demand. ✓✓
- Businesses will then produce more. ✓✓
- In a recession there will be a decrease in demand for goods and services. ✓✓
- Businesses will have a surplus and reduce production. ✓✓

**Changes in economic growth ✓**

- In a downswing, there will be less economic growth, businesses will produce less. In an upswing there will be more economic growth, businesses will produce more to meet the growing demand for goods and services. ✓✓

**Changes in employment ✓**

- In a downswing, businesses will produce less and the result will be people will lose their jobs, unemployment will increase. ✓✓
- In an upswing, businesses will produce more goods and services and employ more people, unemployment will decrease. ✓✓

**Changes in price levels ✓**

- In the early stages of a downturn of the economy, prices are usually quite high and may even increase a bit. ✓✓
- People cannot afford the goods and services anymore and will buy fewer goods and services. This will lead to a total downswing. ✓✓
- In the early stages of an upswing, prices will be low and people will buy more goods and services. ✓✓

**Changes in the exchange rate ✓**

- In the early stages of a downturn of the economy, there is a decreased demand for a country's goods and services and a decrease in exports. ✓✓
- They would demand less of that country's currency and this leads to depreciation or a weakening of the currency. ✓✓
- In an upswing in the economy, there is an increased demand for a country's currency. More people are buying the country's goods and services. This leads to an appreciation of the currency. ✓✓

**Impact on the economically vulnerable ✓**

- A downswing will deprive people of satisfying their basic needs of food, shelter and clothing. ✓✓
  - An upswing in the economy will result in higher income and spending on luxury items. ✓✓
- (Max. 26)**

**ADDITIONAL PART**

- Improvement in the standard of living of people in the economy. ✓✓
  - Both exports and investments will lead to more money flowing into SA. ✓✓
  - More production in SA will benefit the SA economy. ✓✓
  - More jobs opportunities are created which will lead to an increase in demand for various goods and services. ✓✓
  - Improvement in the infrastructural development. ✓✓
- (Accept any relevant response.)
- (Max. 10)**

**Conclusion**

Business cycles are long-term trends and can last from 3 to 5 years or even more than 10 years. ✓✓

(Any other relevant conclusion.)

**(Max. 2) [40]**

**TOTAL SECTION C: 40**

**TOTAL: 100**

