




education
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12



ECONOMICS P1
SEPTEMBER 2024

MARKS: 150

TIME: 2 hours

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. Number the answers correctly according to the numbering system used in this question paper.
3. Write the number of the question above each answer.
4. Read the questions carefully and start each question on a NEW page.
5. Leave 2 – 3 lines between subsections of questions.
6. 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.
7. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
8. Use only black or blue ink.
9. Non-programmable pocket calculators may be used.
10. Write neatly and legibly.



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

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

1.1.1 The GDP at the current year's monetary value is also called ... GDP.

- A nominal
- B expenditure
- C real
- D income

1.1.2 The summary of a group of indicators of the same type into a single value is known as the ... indicator.

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

1.1.3 Parks, beaches and toll gates are examples of... goods.

- A accessible
- B collective
- C community
- D general

1.1.4 An increase in the number of South African tourists visiting a foreign country may lead to a/an ... of the rand.

- A appreciation
- B stability
- C free floating
- D depreciation

1.1.5 The tax calculated as a nominal amount per unit or weight of goods imported is known as... tariff.

- A specific
- B ad valorem
- C special
- D fair

1.1.6

The return of land to those who have lost it due to discriminatory laws of the past is known as ...

- A Black economic empowerment.
- B land redistribution.
- C land distribution.
- D land restitution.



1.1.7

The World Trade Organisation was formed to promote...

- A tariffs.
- B trade barriers.
- C free trade.
- D dumping.

1.1.8

Employment rate is calculated by expressing the number of employed people as a percentage of the ...

- A Economically Active Population.
- B production.
- C unemployed people.
- D population.



- 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 number (1.2.1 – 1.2.8) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.2.1	Investment	A	state owned enterprises established with the aim of making profit
1.2.2	Transfer duty	B	measured by real GDP per capita
1.2.3	Downswing	C	international trade policy that may be used to discourage the import of certain goods and services
1.2.4	Parastatals	D	financial capital held by the monetary authorities to finance the trading disequilibrium
1.2.5	Productivity	E	provision of support to poor areas in order to improve them
1.2.6	Protectionism	F	the contraction period of the business cycle
1.2.7	Regional development	G	taxation payable when immovable properties are bought
1.2.8	Reserve assets	H	money spent by firms to buy capital goods
		I	the relationship between the output of economic activities and the input used
			(8 x 1) (8)



1.3 Write the concept described in each of the following statements. Write only the term next to the question number (1.3.1 – 1.3.6) in the ANSWER BOOK. Examples, acronyms, and abbreviations WILL NOT be accepted.

1.3.1 The price that considers taxes and subsidies and is paid by the consumer to obtain a product.

1.3.2 The component of the Balance of Payments that records transactions related to production, income, and expenditure.

1.3.3 The graph that shows the relationship between unemployment and inflation.

1.3.4 The use of various policies to encourage industrial investment and efficiency.

1.3.5 An improvement in the quality of life of the majority of people in a country over a period of time.

1.3.6 The percentage at which the number of people living in a country increases over time.

(6 x 1)

(6)

TOTAL SECTION A:

30



SECTION B

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

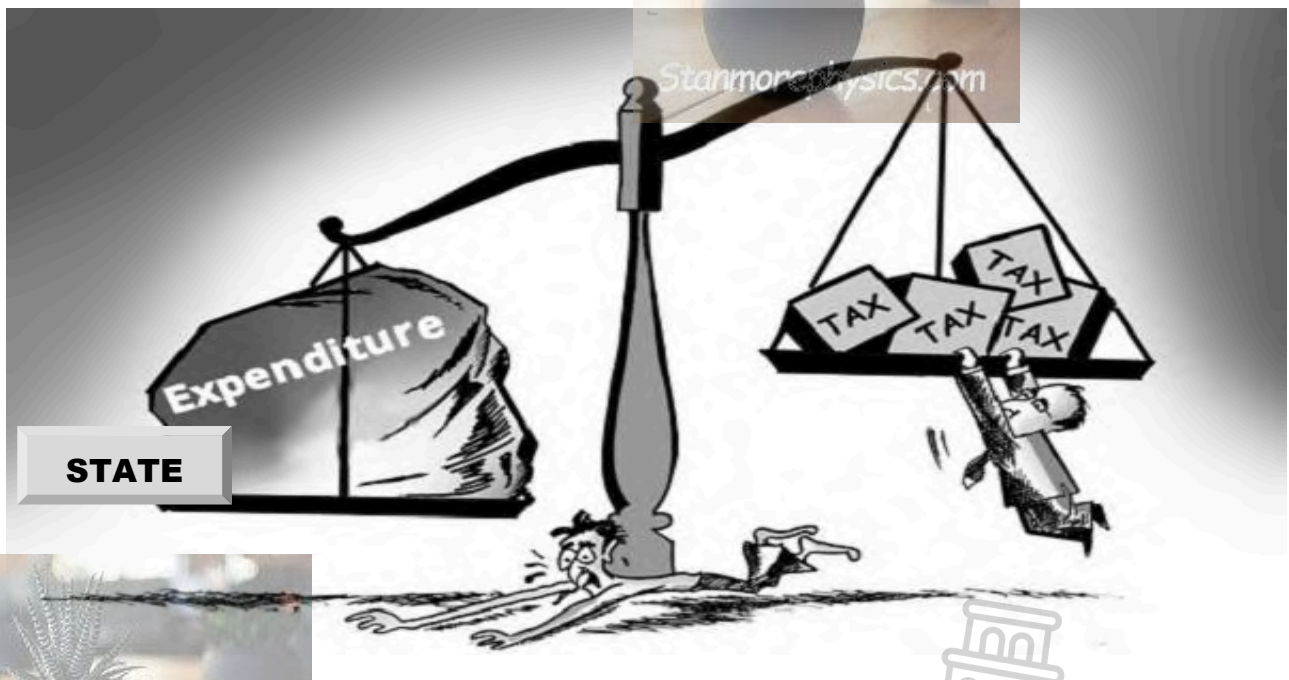
QUESTION 2: MACROECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions:

2.1.1 Name any TWO kinds of business cycles. (2 x 1) (2)

2.1.2 Why are the values of imports deducted when calculating the expenditure on GDP? (1 x 2) (2)

2.2 Read the data item below and answer the questions that follow.

DEMAND SIDE POLICIES TO BUSINESS CYCLE

[Source: [google images.com](https://www.google.com)]

2.2.1 Name the demand side policy represented in the above diagram. (1)

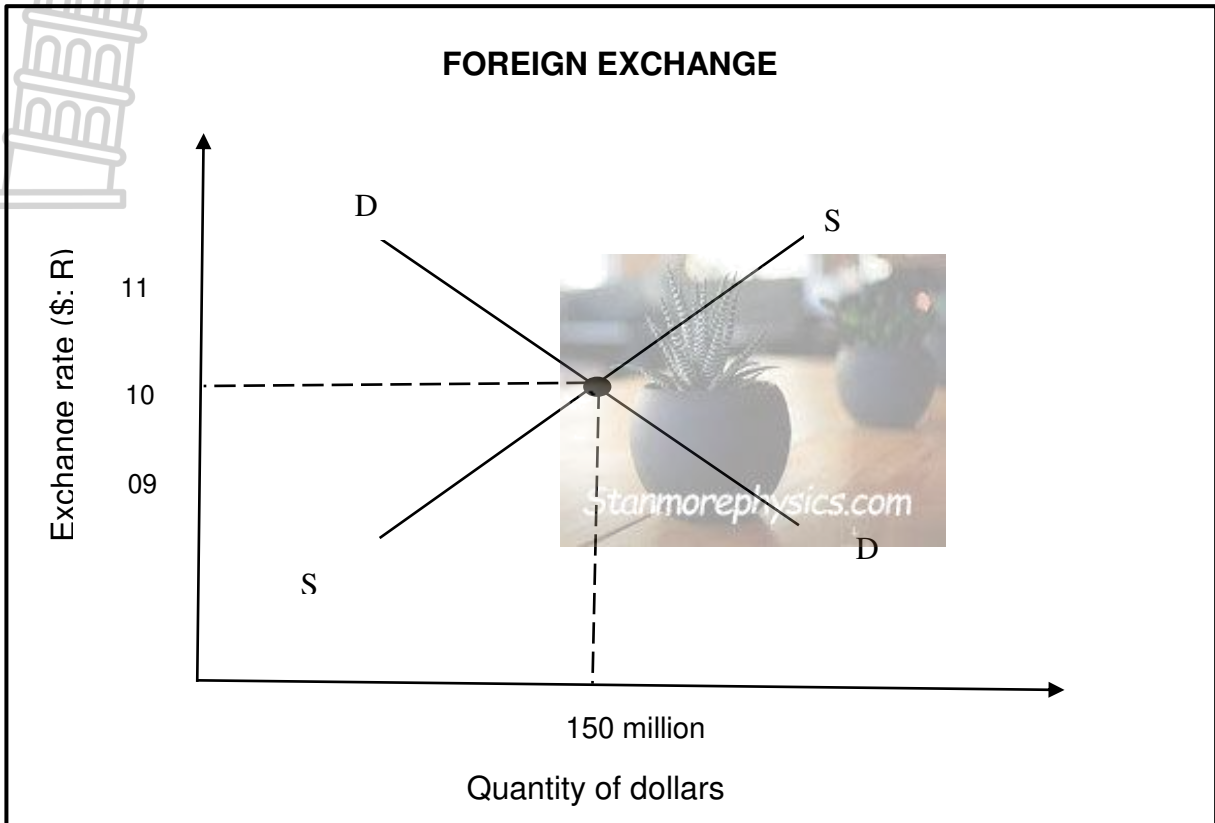
2.2.2 Give any ONE example of a direct tax. (1)

2.2.3 Briefly describe the term *government expenditure*. (2)

2.2.4 What effect can an increased cash reserve requirements have on the level of economic activity. (2)

2.2.5 How can moral suasion be used to influence the level of spending in the economy. (2 x 2) (4)

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



- 2.3.1 Write the equilibrium exchange rate from the information in the graph. (1)
 - 2.3.2 List any ONE cause for demand for foreign exchange. (1)
 - 2.3.3 Briefly describe the term *exchange rate*. (2)
 - 2.3.4 Why is terms of trade important in international trade? (2)
 - 2.3.5 Redraw the graph above, and indicate what would happen in the market when the demand for dollars increases. (4)
- 2.4 Discuss the income method of calculating gross domestic product (GDP). (8)
- 2.5 How can the free floating exchange rate system impact on an economy? (8)
- [40]**

QUESTION 3: ECONOMIC PURSUITS

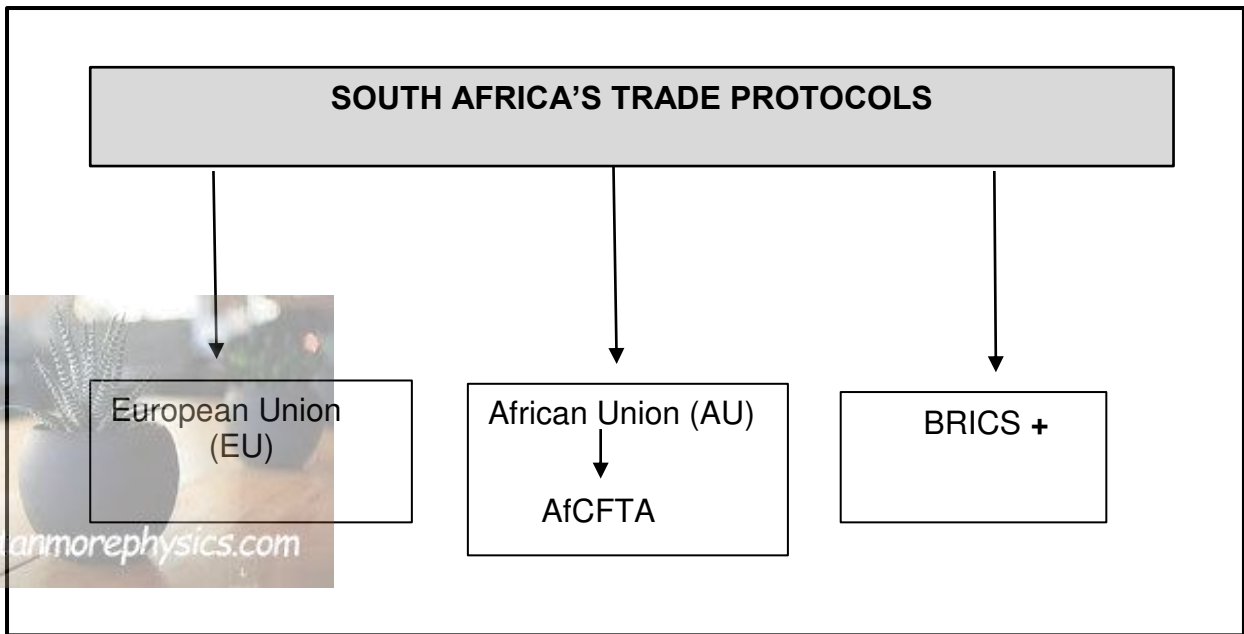
40 MARKS – 30 MINUTES

3.1 Answer the following questions:

3.1.1 List any TWO indicators that measure the standard of living. (2 x 1) (2)

3.1.2 Why do farmers in developing countries struggle to compete in international markets? (1 x 2) (2)

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



3.2.1 Name any ONE country that joined BRICS+ countries in 2024. (1)

3.2.2 Provide the labelling for the acronym AfCFTA. (1)

3.2.3 Briefly describe the term *trade protocol*. (2)

3.2.4 Explain the aim of the EU – SA free trade agreement. (2)

3.2.5 How can the African Continental Free Trade Area (AfCFTA) benefit the economy on the African continent? (2 x 2) (4)

3.3 Read the extract below and answer questions that follow.

INDUSTRIAL DEVELOPMENT IN SOUTH AFRICA

The purpose of the regional development policy in South Africa is to provide an employment safety net for those without access to opportunities designed to lift them out of poverty. The policy recognises that policies to address unemployment and create decent work will take time to reach people living in marginalised areas where few opportunities exist.

(Adapted from www.google.com)

- 3.3.1 Which government department is responsible for industrial development policy in South Africa? (1)
- 3.3.2 Name the regional development strategy aimed at improving areas with high poverty and unemployment. (1)
- 3.3.3 Briefly describe the term *corridor*. (2)
- 3.3.4 Explain the purpose of the Industrial Development Zone (IDZ). (2)
- 3.3.5 What objectives does South Africa want to achieve with the Industrial development policy? (2 x 2) (4)
- 3.4 Briefly explain *competition* and *deregulation* as measures to increase the aggregate supply of goods and services. (2 x 4) (8)
- 3.5 Evaluate the possible impact of import substitution on an economy. (8)
- [40]**



QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

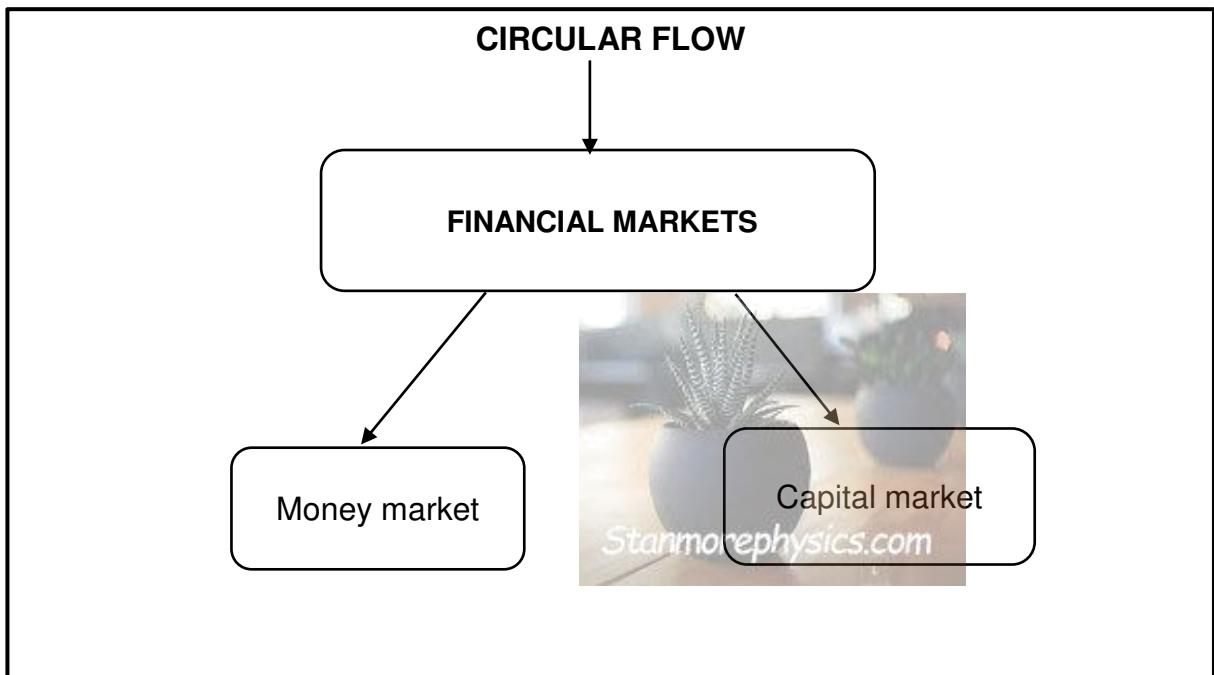
40 MARKS – 30 MINUTES



4.1.1 Name any TWO incentives used by the South African government to improve industrial development. (1 x 2) (2)

4.1.2 How can interest rate be used to correct the deficit on the balance of payment? (1 x 2) (2)

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



4.2.1 Identify the financial market in which long-term funds can be saved. (1)

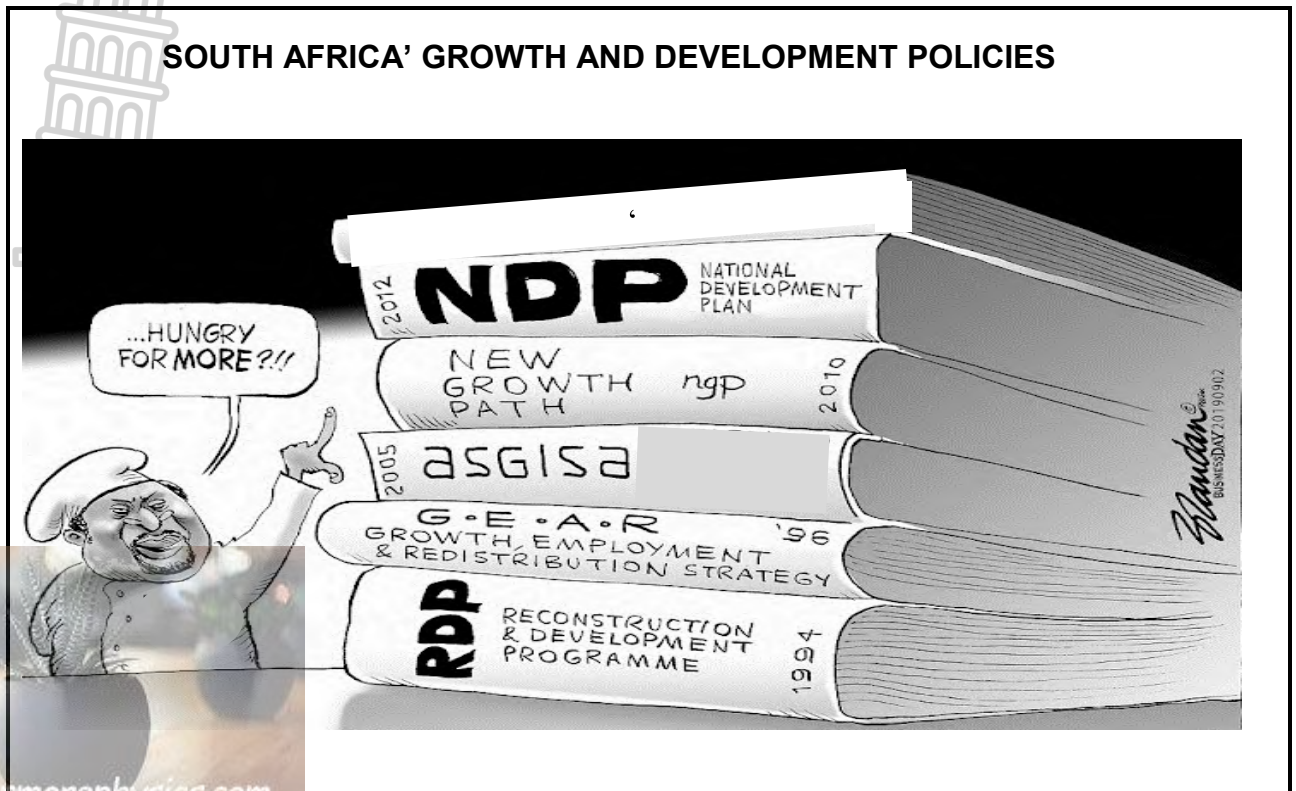
4.2.2 Name the economic participant that collect tax in the circular flow. (1)

4.2.3 Briefly describe the term *circular flow*. (2)

4.2.4 Explain the general importance of the financial markets in the economy. (2)

4.2.5 How can households contribute to the effective functioning of the factor market? (2 x 2) (4)

4.3 Study the data item below and answer the questions that follow.



[Source: www.thebusinessday.co.za]

- 4.3.1 Identify the policy that aims to eliminate poverty and inequality by 2030. (1)
 - 4.3.2 Write the full meaning of the acronym ASGISA. (1)
 - 4.3.3 Briefly describe the term *economic growth*. (2)
 - 4.3.4 Explain any key element of the GEAR policy. (2)
 - 4.3.5 What positive economic achievements are associated with the RDP policy? (2 x 2) (4)
 - 4.4 Briefly discuss the prosperity phase of a business cycle. (8)
 - 4.5 Evaluate the appropriateness of South Africa's industrial development policies. (8)
- [40]**

TOTAL SECTION B: 80

SECTION C

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

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction <ul style="list-style-type: none"> • A good starting point would be to define a concept or keyword that appears in the question. • Include other sentences to support the topic. • Do not include in your introduction any part of the question. • 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 / Assess / Debate 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	Max. 26 Max. 10
Conclusion <ul style="list-style-type: none"> • The conclusion is a wrap-up of the discussion of the topic in the body and should be treated as a higher-order response. • The conclusion can take the form of an own opinion, examples to support your discussion, or contradictory viewpoint from what has been discussed. No aspect from either the introduction or body should be included in the conclusion. 	Max. 2
TOTAL	40

QUESTION 5: MACROECONOMICS

40 MARKS – 40 MINUTES

- Discuss in detail the reasons for public sector failure. (26 marks)
- How can the South African government positively influence the level of employment? (10 marks)

[40]

QUESTION 6: ECONOMIC PURSUITS

40 MARKS – 40 MINUTES

- Discuss the economic indicators in detail. (26 marks)
- Why is it important for a country to measure its economic performance frequently? (10 marks)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150



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GRADE 12

ECONOMICS P1
SEPTEMBER 2024
MARKING GUIDELINE *physics.com*

MARKS: 150



This marking guideline consists of 21 pages.

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

- 1.1.1 C nominal ✓✓
- 1.1.2 D composite ✓✓
- 1.1.3 B collective ✓✓
- 1.1.4 D depreciation ✓✓
- 1.1.5 A specific ✓✓
- 1.1.6 B land restitution. ✓✓
- 1.1.7 C good governance ✓✓
- 1.1.8 A Economically Active Population ✓✓

(8 x 2) (16)

1.2 MATCH TYPE

- 1.2.1 H money spent by firms to buy capital goods ✓
- 1.2.2 G taxation payable when immovable properties are bought ✓
- 1.2.3 F the contraction period of the business cycle ✓
- 1.2.4 A state owned enterprises established with the aim of making profit ✓
- 1.2.5 I the relationship between the output of economic activities and the input used ✓
- 1.2.6 C international trade policy that may be used to discourage the import of certain goods and services ✓
- 1.2.7 E provision of support to poor areas in order to improve them ✓
- 1.2.8 D Financial capital held by the monetary authorities to finance the trading disequilibrium ✓

(8 x 1) (8)

ONE TERM



- 1.3.1 Market price ✓
- 1.3.2 Current account ✓
- 1.3.3 Phillips curve ✓
- 1.3.4 Industrial development ✓
- 1.3.5 Economic development ✓
- 1.3.6 Population growth rate ✓

(6 x 1) (6)

TOTAL SECTION A: 30



SECTION B**QUESTION 2: MACRO-ECONOMICS****40 MARKS****2.1 Short questions****2.1.1 Mention any TWO types of business cycles.**

- Kitchin ✓
- Jugler ✓
- Kuznets ✓
- kondratieff ✓

(2 x 1) (2)

2.1.2 Why are the values of imports deducted when calculating the expenditure on GDP?

Imports are produced in foreign countries, therefore they are not part of the GDP ✓✓
 (Accept any other correct relevant responses)

(1 x 2) (2)

2.2 DATA RESPONSE**2.2.1 Name the demand side policy represented in the above diagram.**

Fiscal policy ✓

(1)

2.2.2 Give any ONE example of a direct tax.

- Personal income tax ✓
 - Corporate tax ✓
- (Accept any other correct relevant responses)

(1)

2.2.3 Briefly describe the term *government expenditure*.

Money spent by the public sector on the acquisition of goods and provision of public services ✓✓
 (Accept any other correct relevant responses)

(2)

2.2.4 What effect can increased cash reserve requirements have on the level of economic activity?

Banks will have limited funds to give out as loans, therefore spending and investment will decrease ✓✓
 (Accept any other correct relevant responses)

(2)

2.2.5 **How can moral suasion be used to influence the level of spending in the economy.**



- To increase (expand) demand for loans, the SARB can encourage the banks to be less strict in their requirements for one to qualify for a loan ✓✓
- To reduce (restrict/ contract) demand for loans, banks can be encouraged to be stricter with loan extension ✓✓ (2 x 2) (4)
(Accept any other correct relevant responses)

2.3 **DATA RESPONSE**

2.3.1 **Write the equilibrium exchange rate from the information in the graph.**

\$ 1 = R10 ✓ (1)

2.3.2 **List any ONE cause for a demand of foreign exchange.**

- Importing goods ✓
- Repayment of overseas loans ✓ (1)
(Accept any other correct relevant responses)

2.3.3 **Briefly describe the term exchange rate.**

Price of one currency in terms of another currency ✓✓ (2)
(Accept any other correct relevant responses)

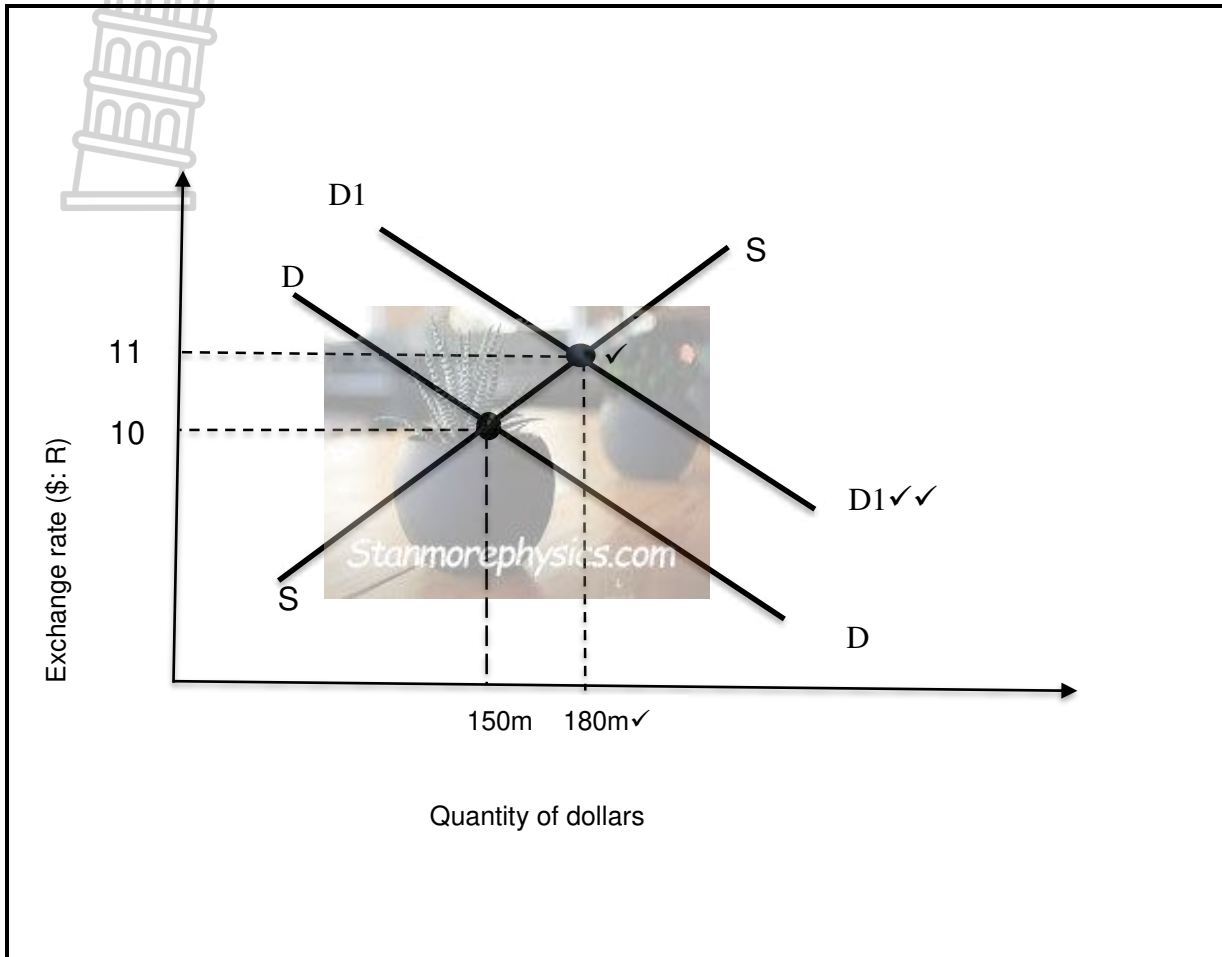
2.3.3 **Why is terms of trade important in international trade?**

It helps countries to determine if they earn enough foreign exchange from their exports compared to what they pay for imports ✓✓
(Accept any other correct relevant responses)

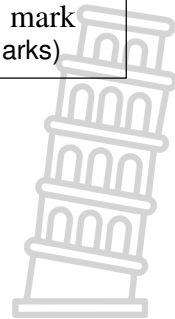
(2)



2.3.5 Redraw the graph above, and indicate what would happen in the market when the demand for dollars increases.



Marking grid
Correct drawing and labelling of the new demand curve = 2 marks
Correct indication of the new equilibrium exchange rate = 1 mark
Correct indication of the new quantity of dollars = 1 mark
(4 marks)



2.4 **Discuss the income method of calculating gross domestic product.**

- When firms produce goods and services they employ factors of production ✓✓
 - Compensation of employees which comprises salaries and wages is considered ✓✓
 - Net operating surpluses which include profits, rent for landowners, and interest earned on capital before taxation are added ✓✓
 - The value of the depreciation of fixed capital is also added ✓✓
 - The value of all incomes in the economy is equal to GDP at factor cost ✓✓
- (Accept any other correct relevant responses ✓✓)
(Allocate a maximum of 4 marks for mere listing of facts)

(8)

2.5 **How can the free-floating exchange rate system impact on an economy?**

Free-floating exchange rates can impact the economy by:

- increasing the value of a currency when such a currency's demand in the foreign exchange market increases ✓✓
- making imported products cheaper and potentially increasing in the local market as a result of the currency appreciation ✓✓
- reducing the quantity of local goods exported as they become expensive in foreign markets ✓✓
- leading to a deficit in the balance of payment when imports are sustainably higher than exports ✓✓
- decreasing the value of a currency when the demand of such currency declines ✓✓
- making local exports cheaper in foreign markets and potentially increasing as a result of currency depreciation ✓✓
- resulting in a surplus on the Balance of Payment when the amount earned from exports is sustainably higher than the amount paid for imports ✓✓

(Accept any other correct relevant responses)

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

(8)

[40]

QUESTION 3: ECONOMIC PURSUITS**40 MARKS – 30 MINUTES****3.1 Short questions****3.1.1 List any TWO indicators that measure the standard of living.**

- Per capita income ✓
- Life expectancy ✓
- Education ✓

(2)

3.1.2 Why do farmers in developing countries struggle to compete in international markets?

Developed countries subsidise their farmers heavily, therefore allowing them to charge very lower prices for their products ✓✓
(Accept any other correct relevant responses)

(2)

3.2 DATA RESPONSE**3.2.1 Name any ONE country that joined BRICS+ countries in 2024.**

- Egypt ✓
- Ethiopia
- Iran ✓
- Saudi Arabia ✓
- United Arab Emirates ✓

(1)

3.2.2 Provide the labeling for the acronym AfCFTA.

African Continental Free Trade Area ✓

(1)

3.2.3 Briefly describe the term *trade protocol*.

Trade agreements that specify the rules governing the level of trade between the parties ✓✓
(Accept any other correct relevant responses)

(2)

3.2.4 Explain the aim of the EU – SA free trade agreement.

A gradual reduction in tariffs on imported products ✓✓
(Accept any other correct relevant responses)

(2)

3.2.5 How can the AfCFTA benefit the economy on the African continent?

- Increases economic growth as firms have larger markets ✓✓
- It has the potential to generate significant job opportunities ✓✓
- Increases trade in value-added products ✓✓

(Accept any other correct relevant responses)

(2 x 2)

(4)

3.3 DATA RESPONSE

3.3.1 Which government department is responsible for industrial development policy in South Africa?

Department of trade and industry / DTI ✓

(1)

3.3.2 Name the regional development strategy aimed at improving areas with high poverty and unemployment.

Spatial Development Initiatives /SDIs ✓

(1)

3.3.3 Briefly describe the term *corridor*.

A track of land that forms passageways allowing access from one area to another ✓✓

(2)

(Accept any other correct relevant responses)

3.3.4 Explain the purpose of the Industrial development Zone (IDZ).

To attract new investment and increase production for export markets ✓✓

(2)

(Accept any other correct relevant responses)

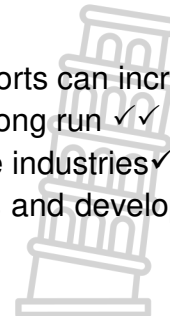
3.3.5 What objectives does South Africa want to achieve with the Industrial development policy?

- Making the economy more diverse so that exports can increase ✓✓
- Making industrialisation more intensive in the long run ✓✓
- Promoting the development of labour-intensive industries ✓✓
- Greater participation by disadvantaged groups and development of the marginalised area ✓✓

(2 x 2)

(4)

(Accept any other correct relevant responses)



3.4 Briefly explain *competition* and *deregulation* as measures to increase the aggregate supply of goods and services.

Competition

- Encouraging the establishment of small businesses can help to increase competition ✓✓
- Foreign Direct Investment can be recruited to add to the local investment ✓✓
- The Competition Act of 1998 was established to encourage fair competition ✓✓ (Max.4)

Deregulation

- Government can contribute towards an increase in aggregate production by reducing regulations of industries ✓✓
 - Removal of unnecessary laws can increase firms in the market and therefore total production can also increase ✓✓ (Max. 4) (8)
- (Accept any other correct relevant responses)
(Allocate a maximum of 4 marks for the mere listing of facts)



3.5 Evaluate the impact of import substitution on an economy.**Positively by:**

- *increasing* domestic employment as local workers are employed to produce the goods that substitute foreign goods ✓✓
- *stimulating* economic growth as a result of increased production and employment ✓✓
- *encouraging* diversification of the economy as a variety of goods and services are locally produced ✓✓
- *making* the domestic economy less vulnerable to foreign actions and conditions, since it would be producing a variety of goods and services ✓✓
(Accept any other correct relevant responses)

Negatively by:

- *drawing* away capital and entrepreneurial talent from the areas of comparative advantage to areas where protection stimulates profit artificially ✓✓
- *leading* the country to the usage of poor production methods due to unavailability of technology from abroad ✓✓
- *lowering* the competitiveness in the market since firms receive protection from the government ✓✓
- *having* foreign countries retaliating to tariffs and quotas imposed on their exports ✓✓
- *disadvantaging* local consumers when locally produces goods are not of high quality or are not sold at low prices ✓✓
(Accept any other correct relevant responses)
(Allocate a maximum of 2 marks for the mere listing of facts)

(8)
[40]



QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS**40 MARKS****4.1 Short questions**

4.1.1 Mention any TWO incentives used by the South African government to improve industrial development.

- Small Businesses Support Program ✓
- Skills Support Program (SSP) ✓
- Critical Infrastructure Facilities ✓
- Custom Free Incentives ✓
- Foreign Investment Incentives / Foreign investment Grant ✓
- Strategic Investment Program ✓
- Services to Business Processes ✓ (2 x 1) (2)

4.1.2 How can interest rates be used to correct the deficit on the balance of payment?

- Increased interest rate can reduce spending which includes spending on imports ✓✓
 - Increased interest rate may lead to increases in investment in a country resulting in money inflow ✓✓ (1 x 2) (2)
- (Accept any other correct relevant responses)

4.2 DATA RESPONSE

4.2.1 Identify the market in which long-term funds can be saved.

Capital market ✓ (1)

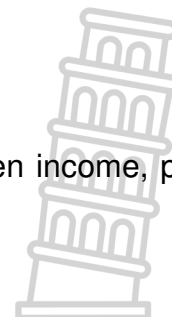
4.2.2 Name the economic participant who collects taxes in the circular flow.

Government/ public sector/ state ✓ (1)

4.2.3 Briefly describe the term *circular flow*.

A model that shows the relationships between income, production and expenditure ✓✓ (2)

(Accept any other correct relevant response)



4.2.4

Explain the general importance of the financial market in the economy.

- It gathers financial surpluses and lends them to those who need funding ✓✓
(Accept any other correct relevant response)

(2)

4.2.5

How can households contribute to the effective functioning of the factor market?

Households can contribute to the effective functioning of the factor market by:

- saving more of their incomes in financial institutions to enable borrowing and investments by entrepreneurs ✓✓
- investing in education and skills development to improve the quality of their labour ✓✓
- maintaining and upgrading land and capital to prolong their productivity and usefulness ✓✓
(Accept any other correct relevant response)

(2 x 2)

(4)

4.3 DATA RESPONSE

4.3.1 **Identify the policy that aims to eliminate poverty and inequality by 2030.**

National Development Plan/NDP ✓

(1)

4.3.2 **Write the full meaning of the acronym ASGISA.**

Accelerated Shared Growth Initiative South Africa ✓

(1)

4.3.3 **Briefly describe the term *economic growth*.**

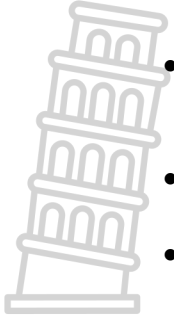
It is an increase in the production capacity of a country over a period of time. ✓✓
(Accept any other correct relevant responses)

(2)

4.3.4 **Explain any key element of the GEAR policy.**

- To have an exchange rate policy that can result in stability to the currency ✓✓
- A consistent monetary policy to prevent an uncontrollable inflation ✓✓
(Accept any other correct relevant responses)

(2)

4.3.5 What positive economic achievements are associated with the RDP policy?

- The government created an increased demand for goods and services as it was providing basic social needs to previously disadvantaged people ✓✓
 - The expanded public works programmes helped to reduce unemployment and poverty slightly ✓✓
 - Building of houses, providing clean water, electrification, and basic healthcare were increased ✓✓ (2 x 2) (4)
- (Accept any other correct relevant responses)

4.4 Briefly discuss the prosperity phase of a business cycle.

- Entrepreneurs invest more money than before in the economy ✓✓
 - Employment level is high, and this results in even more spending on goods and services ✓✓
 - The level of growth in production is very high ✓✓
 - Inflation gets out of control, especially at the boom which is the end of the prosperity phase ✓✓ (8)
- (Accept any other correct relevant responses)
(Allocate a maximum of 4 marks for mere of facts)



4.5 **Evaluate the appropriateness of South Africa's industrial development policies.**

Policies are appropriate because:

- Small business development improved, and the financing of small businesses has been reasonably successful ✓✓
- Interventions in industries are based on good economic research and analysis ✓✓
- There has been substantial progress and growth in the upgrading of the value-adding and labour-intensive manufacturing sectors ✓✓
- Great success was achieved in combating customs fraud and targeting illegal imports and products of inferior quality ✓✓
- An alignment of trade policy with industrial policy took place and this increased competitiveness in international markets ✓✓

Not appropriate because:

- Unemployment is still a challenge as the implementation of the NDP has not been able to create more jobs ✓✓
- The growth rate has been lower than hoped despite huge amounts being spent on the improvement in infrastructure in the SDIs ✓✓
- IDZs growth has been very slow because the incentives offered are often not attractive enough ✓✓
- Huge increase in electricity and load shedding increased production costs. As a result, smaller businesses were forced into bankruptcy ✓✓
- Uncompetitive behaviour such as collusion is still widespread even with the existence of the competition institutions ✓✓

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

(Accept any other correct relevant responses)

(8)
[40]

TOTAL SECTION B: 80



SECTION C**ESSAYS****QUESTION 5: MACROECONOMICS**

- **Discuss in detail the reasons for public sector failure. (26 marks)**
- **How can the South African government positively influence the level of employment? (10 marks)**

INTRODUCTION

Public sector failure is when the government intervention in the economy results in more inefficient and ineffective allocation of resources ✓✓
(Accept other correct relevant introductions) (Max. 2)

BODY: MAIN PART:**Poor management/ management failure ✓**

- The public sector organizations may have leaders with poor management skills ✓✓
- Some of these managers may lack proper experience and training while others may be having hidden agendas ✓✓
- This may affect how they apply various policies or may make the timing of such policies not right. ✓✓

Lack of motivation ✓

- Government employees often do not receive incentives for successful service delivery. ✓✓
- There are no systems to evaluate service quality provided by the employees.
- Even those who do outstanding work are not recognized therefore they end up being demotivated. ✓✓

Apathy ✓

- Some employees are apathetic (uninterested/ indifferent) about their work.
- They lack accountability for their actions. ✓✓
- This means they often lack responsibility for their decisions; these can result in poor service delivery. ✓✓

Bureaucracy ✓

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

Politicians ✓

- Politicians are often interested in being re-elected to their positions rather than serving the public ✓✓
- Therefore they often pursue vote-maximising strategies to secure or retain their political offices ✓✓
- The pressure of approaching an election often can make many politicians make decisions just to make the voting public happy ✓✓
- Some projects can be undertaken even if they were not budgeted for or no proper cost-benefit analysis was conducted ✓✓

Special interest groups (rent-seeking groups) ✓

- Rent-seeking refers to when people spend money on lobbying to increase their wealth without actually creating any more wealth. ✓✓
 - Special interest groups such as farmers or organised labour often attempt to influence the government to their advantage ✓✓
 - They make use of the law, lobbying, bribes and other favours to influence the government officials to act in their interest ✓✓ (Max. 26)
- (Accept any other correct relevant response)
(Allocate a maximum of 8 marks for a mere listing of facts including headings)

ADDITIONAL PART

The government can positively influence the level of employment by:

- *using* direct employment schemes such as youth wage subsidies to increase employment in the short run ✓✓
 - *supporting* labour-intensive activities, especially in the agricultural sector to offer medium-term employment. ✓✓
 - *providing* investment incentives to businesses in industries which employ a lot of people like the tourism sector ✓✓
 - *supporting* knowledge-intensive and capital-intensive sectors to remain competitive in the long run, and keep on creating jobs ✓✓
 - *allocating* a reasonable budget to both basic and higher education to encourage skills acquisition which can make the majority of the youth employable
 - offering loans at reasonable rates through government financial institutions to encourage the establishment of small businesses which can employ labour ✓✓
 - *promoting* entrepreneurial development among women by providing easier, information, and business advice ✓✓ (Max.10)
- (Accept any other correct relevant response)
(Allocate a maximum of 2 marks for the mere listing of facts)

CONCLUSION

Public sector failure has negative effects that can worsen a country's economic growth and development level ✓✓

(Accept any other correct relevant higher-order conclusion)

(Max.2)

[40]

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

- **Discuss the economic indicators in detail.** (26 marks)
- **Why is it important for a country to frequently measure its economic performance?** (10 marks)

INTRODUCTION

Economic indicators are statistics used to assess the performance of an economy ✓✓
 (Accept any other correct relevant introductions) (Max. 2)

BODY: MAIN PART**Inflation rate** ✓

- Inflation is a sustained and considerable increase in the general price level and a decrease in the purchasing power of money. ✓✓
- Two indicators related to inflation (price changes) are the Consumer Price Index and Producer Price Index. ✓✓
- Consumer Price Index ✓
- Consumer Price Index (CPI) – This is the official index used in inflation targeting (by the SARB). 3 -6%. ✓✓
- CPI show price changes of a representative basket of goods and services that consumers buy. ✓✓
- The index covers metropolitan and other urban areas. ✓✓
- It is an overall index and the weights are obtained from the expenditures of different income categories of households. ✓✓
- It is the most comprehensive indicator measuring consumer inflation in South Africa. ✓✓
- It shows changes in the general purchasing power of the rand. ✓✓
- Interest rates are the main monetary instrument used by SARB to fight consumer price index (CPI) ✓✓
- Producer Price Index. ✓
- PPI measures the cost of production rather than the cost of living/consumption ✓✓
- Basket consist of goods only ✓✓
- Capital and intermediate goods are included
- Prices exclude Value Added Tax (VAT) ✓✓
- Interest rates are excluded ✓✓
- Prices of imported goods are shown explicitly ✓✓

Foreign trade ✓

- In a globalised world, foreign trade is important; exports serve to stimulate employment while imports serve to increase consumer choices. ✓✓
- Two indicators of how a country performs in international trade are: exchange rate and terms of trade. ✓✓
- Exchange rate ✓
- An exchange rate is the price of one country's currency in terms of another country's currency. ✓✓

- Changes in exchange rate affect the prices paid for imports and earnings from exports. ✓✓
- A depreciation of the rand against the dollar will result in imports from the USA expensive but will make South African exports cheaper in USA. Therefore, it may increase earnings from exports. ✓✓
- An appreciation of the rand will cause imports to be cheaper and South African exports expensive in foreign countries. ✓✓

Terms of trade ✓

- It is the ratio of between the average price of exports and average price of imports. ✓✓
- To calculate the terms of trade export prices are divided by import prices and multiplied by 100. ✓✓
- Changes in terms of trade indicate changes in the country's welfare. ✓✓
- If the terms of trade improve (increase) it shows that a higher volume of imports can be purchased with an unchanged volume of exports. ✓✓
- The country earns more money from its exports of the same volume as its imports; this indicates that the economy is performing well.
- If a term of trade decreases, it means more goods have to be exported to purchase the same volume of imports as before. ✓✓
- The country earns less money from its exports compared to the amount paid for imports of the same volume; this indicates that the country is worse off. ✓✓

Employment indicators ✓

Employment progress in the country is monitored by the following indicator:

Full Employment ✓

- Full employment refers to aim of providing everyone who is willing to work at current wage rate with a job. ✓✓
- Increase employment to decrease loss of production – produce more goods and services. ✓✓

Economically Active Population (EAP) ✓

- Unemployment is calculated by expressing number of people who are willing and able to work, but do not have a job, as a percentage of the total number of people that are willing and able to work (EAP). EAP: people between 15 and 60/65. ✓✓

Unemployment ✓

- The proportion of EAP that are actively looking for work but are not working / the number of people in the EAP who are looking for jobs but cannot find them ✓✓

Employment Rate ✓

- Employment rate is the proportion of the Economically Active Population (EAP) that has jobs. ✓✓
- It is calculated by expressing the number of employed people as a percentage of the EAP / labour force participation rate. ✓✓
- Employment is important for the forecasting of trends – employment in the various sectors. ✓✓
- South Africa's employment rate is low compared to rates in developed and some developing countries. ✓✓

Employment indicators are used for three purposes:

- To calculate trends in employment in different sectors or industries ✓✓
- To disclose structural changes in the economy To calculate productivity ✓✓
- To show the success of the economy in utilising its full potential ✓✓

Productivity ✓

- Productivity is the relationship between the output of economic activities and the input used. ✓✓
 - It is a measure of the average efficiency of factors of production. ✓✓
 - Two elements of productivity are labour productivity and remuneration per worker ✓✓
- Labour productivity ✓
- Labour productivity is the output per worker. It measures the amount of goods produced by one hour of labour ✓✓
 - When labour productivity increases, it can lead to economic growth and improvement in living standards. ✓✓
 - South Africa generally has lower labour skills and lower productivity of labour. ✓✓
 - If the increase in labour productivity is lower than increase in real wages the result will be demand pull inflation. ✓✓

Remuneration per worker ✓

- If the increase in productivity is lower than the real wage increases, inflationary pressures will occur. ✓✓
- The relationship between productivity and wages is important for employers and workers and they are therefore important indicators for employers and employees. ✓✓
- For the employers to survive in competitive markets: If workers demand wage increases that are in line with their productivity, the firm can survive ✓✓
- For the employees to survive on their salaries: For employees, a positive productivity can mean they can negotiate for salaries that they can manage to afford their living. ✓✓

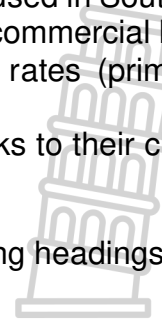
Interest rate ✓

- Interest rate is the price paid for borrowing money in the form of loans. ✓✓
- Repo rate (repurchased rate) is the interest rate indicators are used in South Africa ✓✓
- Repo rate is the rate at which the SARB borrow money to the commercial banks. ✓✓
- When the repo rate increases, it indicates that the interest rates (prime rate) will increase ✓✓
- Prime rate: is the interest rate charged by the commercial banks to their client's loans ✓✓

(Accept any other correct relevant response.)

(Max.26)

(Allocate a maximum of 8 marks for mere listing of facts including headings)



ADDITIONAL PART:***a country needs to measure its economic performance frequently because:***

- The figures can determine if a country's economy is growing as measured by the real Gross Domestic Product ✓✓
- The indicators can enable the country's total performance to be compared to others. ✓✓
- The inflation rate can help employers and employees in wage negotiations to set the right levels for wages ✓✓
- Exchange rate values can help importers and exporters to consider the average value of the currency in deciding on the country to trade with ✓✓
- Price stability can help businesses and consumers make financial plans especially if the inflation rate has been stable over the years. ✓✓
- Productivity figures can guide potential investors on whether an investment in the country can allow their businesses to be competitive in the global market ✓✓
- Employment indicators can inform the government about the employment trends in various economic sectors ✓✓
- Consumer Price Index (CPI) figures inform about the cost of living in a country ✓✓
(Accept any other correct relevant response) (Max. 10)
(Allocate a maximum of 2 marks for the mere listing of facts)

CONCLUSION

The government of South Africa uses economic and social indicators to develop suitable policies and implementation of social programmes ✓✓ (Max.2)
(Accept any other correct relevant higher-order conclusion)

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