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KWAZULU-NATAL PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

CURRICULUM GRADE 10 -12 DIRECTORATE

NCS (CAPS) SUPPORT



LAST PUSH TEACHER REVISION DOCUMENT

ECONOMICS PAPER 1 & 2

GRADE 12

2026

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MACROECONOMICS:
CIRCULAR FLOW

MAIN TOPIC: MACROECONOMICS	
TOPIC 1: CIRCULAR-FLOW MODEL	**CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES**
Present the circular-flow model as a macroeconomic model:	(Focus: Relevant concepts, interaction between participants, markets, flows, injections, leakages and equilibrium in the economy)
1.1 The open-economy circular-flow model	• Briefly describe the **concepts** related to the circular flow. • Draw and interpret an **open four-sector circular-flow diagram**. • Discuss the 4 **participants** and inter relationships between them: - Household, business, state and foreign sector - Real flows and money flows - Show the relationship of the financial sector in the circular flow
- Equations	• Justify the equality: L = J and indicate its component elements: - Injections (J = I + G + X) - Leakages (L = S + T + M) • Brief explanation of an economy in equilibrium: - Y = C + I + G + (X – M) • Relate aggregate spending (consumption) to income. • Explain concepts **autonomous consumption** and **marginal propensity to consume** (mpc)
- Markets	• *Discuss in detail the markets within the FOUR-SECTOR model*: - **Factor markets: (labour, resource, capital)** - **Product markets: (consumer and capital goods, durable, semi-durable and non-durable)** - **Financial (monetary and capital)** - **Foreign exchange market** - Link the operation of financial and foreign exchange markets to the participants of the circular flow
1.2 National account aggregates	(Focus: Relevant concepts, deducing, interpretation, analyses of aggregates and conversions) • Briefly describe the **concepts** GDP and GNP • Discuss the THREE **methods** to determine GDP using data tables: - Production GDP(P) - Income GDP(I) - Expenditure GDP(E) • Analyse, interpret and derive aggregates from data tables
National account conversions	• Analyse the national account conversions: - Factor cost, basic prices, market prices - Taxes and subsidies on production - Taxes and subsidies on products - GDP to GNP • Explain the **purpose** of the System of National Accounts (SNA) as outlined by the United Nations (UN)

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ACTIVITY 1

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 (1.1.1–1.1.9) in the ANSWER BOOK, for example 1.1.6 D

1.1.1 A model which illustrate the flows between participants in the economy is called …

A. Market
B. Business cycle
C. Circular flow ✓✓
D. Economics

1.1.2 The movement of money in the form of income and expenditure is called…

A. Model
B. Money Flow ✓✓
C. Real Flow
D. Economy

1.1.3 The method used to derive total remuneration on factors of production is called the ….

A Production.
B Income ✓✓
C Expenditure.
D Circular.



1.1.4 Expenditure by businesses on capital goods for production purposes is known as…

A. investments spending ✓✓
B. government spending.
C. export.
D. import.

1.1.5 Market that provides long term deposits, loan and investment is known as… market.

A money
B exchange
C capital. .✓✓
D product market

1.1.6 Earning received from the export of goods and services are regarded as …

A. leakages
B. injections ✓✓
C. investment
D. export

1.1.7 The circular flow that includes the foreign sector is called a/an... economy

A. monetary
B. open✓✓
C. fixed
D. closed

1.1.8 The market where goods and services are sold and bought is known as the … market

A. factor
B. resource
C. financial
D. product ✓✓

1.1.9 Spending that does not depend on the level of income is called… expenditure

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A. autonomous ✓✓
B. consumer
C. national
D. induced

(9 x 2)= 18

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A–I) next to the question numbers (1.2.1 to 1.2.7) in the ANSWER BOOK, e.g. 1.2.8 H

COLUMN A	COLUMN B	Answers
1.2.1 Marginal Propensity to Save	A. Income and expenditure between the participants in the circular flow	1.2.1. E ✓
1.2.2 Household		1.2.2. I ✓
1.2.3 Money flow	B. A small initial increase in spending produces a proportionately larger increase aggregate national income	1.2.3. A ✓
1.2.4 Capital market		1.2.4. G ✓
1.2.5 Gross Domestic Product	C. Where both short-term and long-term monetary assets are traded.	1.2.5. F ✓
1.2.6 Financial market	D. Shows the way that goods and services are produced and consumed in the economy	1.2.6 C ✓
1.2.7 Multiplier effect		1.2.7 B ✓
1.2.8 Gross national product	E The portion of an increase in income that is not consumed	1.2.8 H ✓
1.2.9 Leakages	F. Total value of all goods and services produced within the borders of a country within a specified period	1.2.9 J ✓
1.2.10 Money market	G. Where long term funds are borrowed and save by consumer and business enterprise	1.2.10 K ✓
	H. Value of all final goods and services produced by the permanent residents of the country for specific period	
	I The main participant and the owners of all factors of production in the circular flow	
	J The withdrawal of money from the circular flow.	
	K .Where short term funds are borrowed and save by consumer and business enterprise	

10X 1=**10**

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1.3 Give the correct term for each of the following descriptions. Write only the term next to the question number (1.3.1 – 1.3.6)

1.3.1 The movement of goods and services as well as factors of production.
Real Flow ✓

1.3.2 An economy that includes the foreign sector
Open Economy ✓

1.3.3 A model of the economy showing how the economic participants interact with another.
Circular flow ✓

1.3.3 Consumption that is not dependent on the level and changes of income
Induced consumption ✓

1.3.4 The method used to derive total remuneration on factor of production.
Income method✓

1.3.5 The proportion of additional income that consumer spend on goods and services.
Marginal propensity to consume✓

1.3.6 The figure on expenditure method that is used to correct errors and omissions
Residual Value ✓

6×1=6

ACTIVITY 2



2.1.1 Name any TWO types of consumer goods (2)
- Durable goods ✓
- Semi durable goods ✓
- Non-durable goods ✓

2.1.2 Name any TWO examples of non-durable goods. (2)
- Food✓
- Fuel✓

(Accept any other relevant correct answer)

2.1.3 Name any TWO methods to calculate national account aggregates. (2)
- Income✓
- Production✓
- Expenditure ✓

2.1.4 Name any TWO examples of leakages. (2)
- Taxes✓
- Savings✓
- Imports expenditure✓

2.1.5 Name any TWO markets in the economic circular flow. (2)
- Factor ✓
- Goods / Product ✓
- Financial ✓
- Foreign exchange ✓

2.1.6 Name any TWO examples of injections in the circular flow. (2)
- Exports earnings/exports income✓
- Investment✓
- Government expenditure✓

2.1.7 Name any TWO financial markets in the circular-flow (2)
- Money✓
- Capital✓

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- Foreign exchange / Forex✓

2.1.8 Name any TWO components of consumption function (2)

- Marginal propensity to consume ✓
- Autonomous consumption✓
- Disposable income✓

2.1.9 Name the TWO flows in the circular flow model. (2)

- Real flow✓
- Money flow✓

2.1.10 Name any TWO participants in an open economy (2)

- Households ✓
- Businesses/Firms✓
- Government✓
- Foreign Sector✓

2.1.11 Name any two examples of secondary sector (2)

- Manufacturing✓
- Construction✓
- Electricity, water and gas✓

2.1.12 How do subsidies positively affect the price of goods and services? (2)

Subsidies reduce cost of production to firms thus they charge relatively low prices for their goods and services ✓✓

2.1.13 Why is System of National Accounts important in determining the national aggregates. (2)

- The SNA is recommended by the United Nations and hence used in all countries to enable the economic information of different countries to be comparable. ✓✓
- The SNA gives information on the level of development of a country. ✓✓

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ACTIVITY 3

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



Source: WallStreetMoja

3.1.1 Identify an economic term depicted in the extract above (1)

Multiplier effect ✓

3.1.2 Name one factor that determines the size of multiplier (1)

- Marginal propensity to consume✓
- Marginal propensity to save ✓

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

Induced consumption refers to the portion of consumer spending that is influenced by changes in income levels ✓✓

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(Accept any other correct and relevant answer)

3.1.4 Why does the size of multiplier increase as marginal propensity to consume increase? (2)

The size of the multiplier increases when the marginal propensity to consume rises because a higher mpc means consumer spend the larger portion of an extra income instead of saving .✓✓

(Accept any other correct and relevant answer)

3.1.5 Using the marginal propensity to consume (mpc) of 0.5 to calculate the value of the multiplier. Show all calculations (4)

K= 1/1-mpc✓

= 1/1-0.5 ✓

= 1/0.5 ✓

= 2✓

3.2 How can business sectors contribute more meaningfully to the economy? (8)

- Businesses can Invest more in labour intensive projects in order to contribute towards skill development of workers. ✓✓
- Reinvesting their profits in producing a wide variety of goods to ensure diversification and consumer choice. ✓✓
- Invest in capital goods like machinery to ensure mass production at a lower cost thus improving their competitiveness. ✓✓
- Expanding their business operation and investing in the latest technology to ensure the upliftment of the quality of factors of production used in the production process. ✓✓

(Accept any other correct and relevant answer)

3.3 How does inflow of money contribute to economic growth? (8)

- Inflows of money, whether from foreign direct investment (FDI) or capital markets, provide the necessary funds for businesses to invest in new projects, facilities, and technologies. ✓✓
- Access to funds encourages entrepreneurship, enabling start up and small businesses to emerge, which can drive innovation and diversify the economy. ✓✓
- When money flows into the economy, whether through government spending, foreign investment, or exports, it often leads to increased household incomes. ✓✓
- Increased consumption stimulates businesses to produce more, leading to further economic activity as these businesses hire employees and increase their orders for materials, creating a multiplier effect throughout the economy. ✓✓
- Inflows can lead to increased government revenues, allowing for greater public investment in infrastructure (roads, schools, hospitals). Improved infrastructure enhances productivity, lowers costs for businesses, and ultimately facilitates economic growth. ✓✓
- Investments in education and healthcare improve human capital, which is essential for a productive workforce. A healthier, more educated population can contribute more effectively to economic growth. ✓✓

(Accept any other correct and relevant answer)

ACTIVITY 4

4.1 Answer the following questions

4.1.1 Name any TWO examples of injection. (2)

- Investment ✓
- Exports earnings✓
- Government spending✓

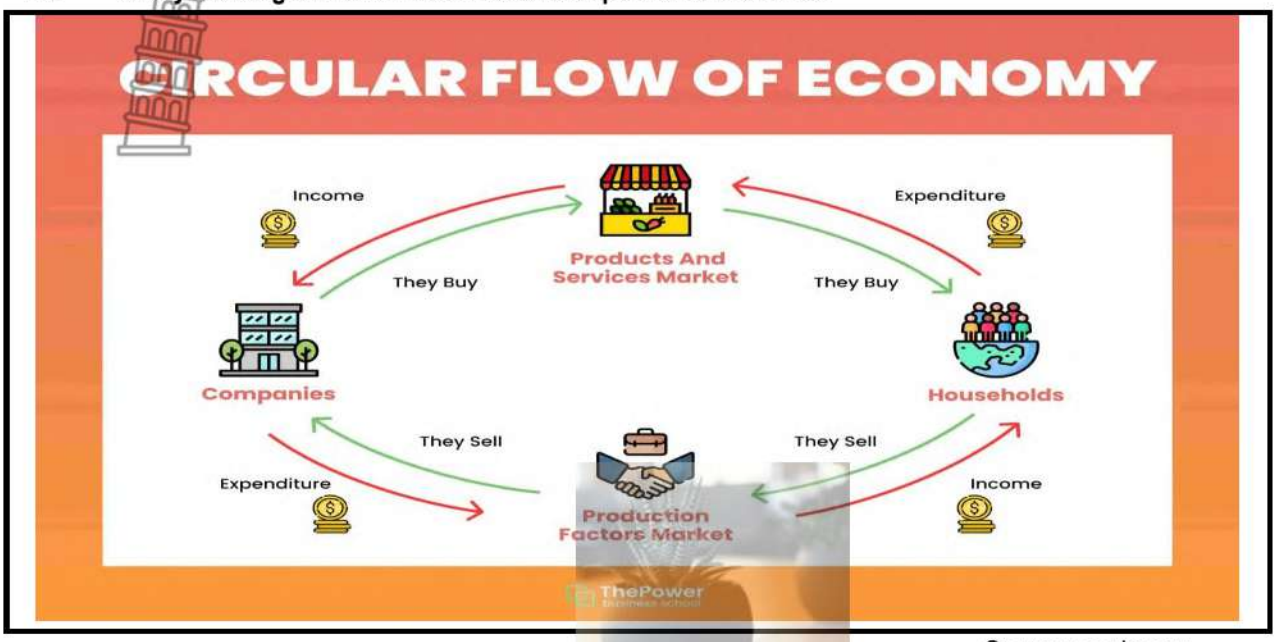
4.1.2 Why are households an important participant in the circular flow? (2)

- Households ensure the availability of factors of production that are used in production of goods and services ✓✓
- They are the consumers of goods produced by firms ✓✓

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- They contribute to the economy by paying tax to government so that government can provide public goods and services ✓✓
  (Accept any other correct and relevant answer)

4.2 Study the diagram below and answer the questions that follow



Source:google.com

4.2.1 Identify the primary participant from the above diagram. (1)
Household ✓

4.2.2 Name any ONE example of financial market. (1)
- Money Market ✓
- Capital Market ✓

4.2.3 Briefly describe the term *factor market*. (2)
Factor market is a market where factors of production are bought and sold ✓✓
(Accept any other correct and relevant answer)

4.2.3 Explain the importance of factors of production in the circular flow? (2)
- Factors of production such as labourer are used to produce goods and services by facilitating the process of changing natural resources into finished goods ✓✓
- Natural resources are used as input to produce other goods ✓✓
- Capital, Tools or machineries help to fasten the process of producing goods more accurately ✓✓
(Accept any other correct and relevant answer)

4.2.5 How can foreign direct investment (FDI) influence the economy? (4)
- Foreign direct investment influences the economy by attracting investors, expanding production and leads to increase in gross domestic product ✓✓
- More people are employed when more firms are established in our country and more spending will occur which results to multiplier effect ✓✓
(Accept any other correct and relevant answer)

4.3 Discuss the interaction between the foreign sector and government. (8)
- Imports flow through goods markets to government departments. ✓✓
- Payment for imports by government to the foreign sector. ✓✓
- Importers and exporters pay tax to the government. ✓✓

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- Government providing subsidies to the exporters to encourage them to sell more goods to other countries. ✓✓

(Accept any other correct and relevant answer)

4.4 How do subsidies contribute to an increase in gross domestic product? (8)

- Subsidies lower the cost of production for businesses, allowing them to produce more goods and services. This increase in production can lead to higher GDP. ✓✓
- Subsidies can encourage both domestic and foreign investments in particular sectors by improving profitability and reducing operational risks. Increased investment typically leads to higher economic output and GDP growth. ✓✓
- Subsidies can result in lower prices for consumers, increasing the purchasing power of households. This rise in consumption feeds back into the economy, boosting GDP. ✓✓
- By making essential goods and services more affordable, subsidies can stimulate demand, encouraging further production and economic growth. ✓✓
- By subsidizing critical industries, governments can enhance the competitiveness of domestic products in international markets, potentially increasing exports, which adds to GDP. ✓✓
- Increased exports can improve a country's trade balance, contributing positively to its GDP. ✓✓

(Accept any other correct and relevant answer)

ACTIVITY 5

5.1 Study the extract below and answer the questions that follow

The Circular Flow Model

The circular flow model is used to measure a nation's income, because it measures both cash coming into and exiting a nation's economy. It's also used to gauge the interconnectivity between sectors, because a robust economy will have interaction between components.

The relationship between a government's taxation policies and a household's consumption spending will have a direct impact on a business's ability to sell goods at product market. Money also flows into the circle in a four-sector model through exports (X) that bring in cash from international buyers from the foreign sector.

Source:Alex Dos Diaz / Investopedia

5.1.1 Identify the market where goods and services are traded from the diagram above. (1)

Product market ✓

5.1.2 Name any ONE example of money flow. (1)

- Income received from factors of production ✓
- Spending on goods and services ✓
- Taxes to the government ✓

5.1.3 Briefly describe the term *leakages*. (2)

Leakages are the withdrawal of money from the circular flow through taxes, savings and payment for imports. ✓✓

(Accept any other correct and relevant answer)

5.1.4 Explain the impact of increase in savings on the size of the multiplier. (2)

- Increase in savings will decrease consumer spending leading to a decrease in the size of the multiplier. ✓✓

(Accept any other correct and relevant answer)

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5.1.5 How does an increase in personal income tax influence consumers? (4)

- An increase in personal income tax will reduce the household's disposable income result in a decrease in spending power. ✓✓
- Consumers will borrow money in order to supplement their disposable income. ✓✓

(Accept any other correct and relevant answer)

5.2 Analyse the relationship between the financial sector and other participants in the circular flow. (8)

- Financial sector includes banks and institutions that provide borrowing and lending services to the other participants on the circular flow model ✓✓
- Financial institutions act as intermediaries between the households who want to save money and businesses that borrow money to finance their investment ✓✓
- Commercial banks accept money from households as deposits and pay interests on the savings ✓✓
- Households may borrow money from financial institutions to purchase goods and services such as houses and vehicle✓✓
- The government may borrow funds from different financial institution to cover the spending needs ✓✓
- Financial institution such as commercial banks and insurance companies pay tax to the government from the income that they generate ✓✓

(Accept any other correct relevant answers)

ACTIVITY 6

6.1 Study the graph below and answer the questions that follows



6.1.1 Identify the quarter where South African Growth Rate was the highest in 2025. (1)

Q3 ✓

6.1.2 Name any ONE example of primary income from the rest of the world. (1)

- Compensation of Employees ✓
- Dividends ✓
- Interest income ✓
- Profit etc. ✓

(Accept any other relevant answer)

6.1.3 Briefly describe the term *gross domestic product.* (2)

Gross domestic product refers to total value of all final goods and services produced within the borders of the country at a given period usually one year. ✓✓

(Accept any other correct and relevant answer)

6.1.4 Explain the impact of an increase in government spending on the size of the multiplier. (2)

An increase in government spending may result to high consumer spending thus increasing the multiplier. ✓✓

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(Accept any other correct and relevant answer)

6.1.5 Why is the factor market important in the circular flow? (4)

- Factor market makes factors of production accessible for economic activities, for instance capital for investments through the factor market. ✓✓
- Factor market allows consumers to earn an income from the sale of the factors of production which will enable them to purchase goods and services in the product market. ✓✓

6.2 Briefly discuss the *real flow* and *money flow* (8)

Money flow

- It refers to the flow or movement of money in the circular flow ✓✓
- When households pay for goods and services it is regarded as money flow ✓✓
- Taxes paid by other participants also form part of money flow ✓✓

Real flow

- It refers to the flow or movement of goods I the circular flow ✓✓
- The purchase of goods by households from firms is regarded as real flow ✓✓
- The movement of factors of production also represent real flow ✓✓

(Accept any other correct relevant answers)

(Accept any other correct and relevant answer)

ACTIVITY 7

7.1 Study the table below and answer the questions that follow:

SOUTH AFRICAS GROSS DOMESTIC PRODUCT (GDP) – 2025	
Primary sector	398 000
Secondary sector	754 000
Tertiary sector	1 365 300
Gross value added at basic prices	**2 517 300**
Taxation on products	99 800
Subsidies on products	63 648
Gross domestic product at market prices	**A**

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7.1.1 Identify the sector that deals with the extraction of raw materials from the above table. (1)

Primary sector ✓

7.1.2 Name any ONE example of taxes on products. (1)

Value added tax,
excise duties
custom duties, ✓

(Accept any other correct and relevant answer)

7.1.3 Briefly describe the term *basic price*. (2)

Basic price is the price of goods before the effect of taxes and subsidies on product has been considered. ✓✓

(Accept any other correct and relevant answer)

7.1.4 Explain the effect of subsidies on products on the final market price of goods (2)

Subsidies on products reduce the price of goods thus making goods more affordable✓✓

(Accept any other correct and relevant answer)

7.1.5 Calculate the gross domestic product at market price (A) show all workings (4)

R2 517 300✓
+R99 800✓
– R63 648✓

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= R2 553 452✓

ACTIVITY 8

8.1 Study the table below and answer the questions that follow

EXPENDITURE

GROSS VALUE ADDED ACCORDING TO DIFFERENT SECTORS OF ECONOMY	
At current prices (R millions)	**2025**
Consumption expenditure by household(C)	334 123
Consumption expenditure by government (G)	542 234
Gross capital formation (I)	457 774
Residual item	**A**
Gross domestic expenditure	1 342 531

[Adapted: SARB Quarterly Bulletin, JUNE 2025]

8.1.1 Name the method that was used in the calculation of the gross domestic product? (1)

Expenditure ✓

8.1.2 Name the sector which contributed the most to GDP? (1)

Government ✓

8.1.3 Briefly describe the term *real Gross Domestic Product*. (2)

It is GDP at constant prices where prices are adjusted for price changes (effects of inflation are removed) ✓✓

(Accept any relevant response)

8.1.4 Explain the importance of gross fixed capital formation in the economy. (2)

- Gross fixed capital formation contributes to an increase in economic growth resulting from the investment in the construction of new factories and expenditure new machinery. ✓✓

(Accept any relevant response)

8.1.5 Calculate the value of A. Show all calculations. (4)

	At current prices (R millions)
Gross domestic expenditure	1 342 531✓
Consumption expenditure by household(C)	(334 123) ✓
]Consumption expenditure by government (G)	(542 234)
Gross capital formation (I)	(457 774)✓
Residual Value	8 400✓

8.2 Briefly discuss *taxes on production* and *taxes on product*. (8)

Taxes on Production

- Taxes on production are taxes that producers incur as a cost of doing business, regardless of how much they produce or sell. ✓✓

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- Taxes on production are not directly linked to the quantity or value of output or sales e.g. Business licenses, Property taxes on land and buildings used in production ✓✓

Taxes on Products

- Taxes on Products directly linked to the products, sale, or import of goods and services. ✓✓
- Taxes on Products are typically ad valorem (percentage-based) or specific (fixed amount per unit). E.g. Value Added Tax (VAT), Excise duties (e.g., on alcohol, tobacco, fuel) ✓✓

(Accept any other correct relevant answers)

ACTIVITY 9

9.1 Study the extract below and answer the questions that follow

South African GDP grows by 1.0%

In **2026**, South Africa's GDP growth is projected to be **1.0%** according to the International Monetary Fund (IMF). In the first quarter of **2026**, the GDP increased by **0.5%**, marking a sixth consecutive quarter of growth. This growth was driven by various sectors, including tertiary, and primary sector.

Source: Google News

9.1.1 Identify the percentage increase in GDP in first quarter of 2026. (1)

0.5% ✓

9.1.2 Name any ONE sector that contributes to the South African GDP. (1)

- Primary Sector✓
- Secondary Sector✓
- Tertiary Sector✓

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9.1.3 Briefly describe the term *double counting*. (2)

- Double counting is when a transaction is counted more than once resulting in national accounts being overstated. ✓✓

(Accept any other correct and relevant answer)

9.1.4 Explain the reason for subtracting subsidies when calculating gross domestic product? (2)

Subsidies are subtracted when calculating GDP in order to get the real cost of production and the value of GDP.✓✓

(Accept any other correct and relevant answer)

9.1.5 Why is it important to convert gross domestic product to gross national product (4)

- The conversion helps to provide a reflection of the nation's productive capacity since Gross National Product only includes products produced by permanent residents. ✓✓
- GNP helps policymakers understand the economic well-being of residents, guiding decisions that better address income distribution and external economic relations. ✓✓
- GNP allows for a more precise comparison of a nation's economic health with other countries, especially those with significant foreign investments or expatriate populations.✓✓

(Accept any other correct relevant answers)

ACTIVITY 10

- Discuss in detail the market within the four-sector model (26)
- Evaluate the functions of market in the circular flow (10)

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INTRODUCTION:

A market is defined as any contact or communication between actual or potential buyers and actual and potential sellers of goods and services. ✓✓

BODY

MAIN PART:

1. **The Product/ goods market** ✓

- Goods and services are traded in the product market. All participants purchase these goods and services in the product market. ✓✓
- Goods are defined as tangible items (such as food, clothing and cars) that satisfy some human wants or need. ✓✓
- Services are non-tangible actions (such as cleaning services, medical care, etc.) that satisfy human wants or need. ✓✓
- Non-durable goods are those items which are used up when they are consumed and cannot be re-used, for example, cool drink, petrol and electricity. ✓✓
- Semi-durable goods last a short period of time and can be used more than once. ✓✓
- Durable goods can be used over again and do not wear out very easily e.g. vehicles. ✓✓
- Households purchase consumer goods for consumption and businesses purchase capital goods for use in the production process. ✓✓

2. **The Factor/ Resources market** ✓

- The four factors of production are traded for income in form of wages/ salaries, interest, economic rent and profit in this market. ✓✓
- Businesses purchase the factors of production from the households in the factor market. ✓✓
- The price and quantity traded is also determined by interaction between supply and demand. ✓✓
- The factor market can be further sub-divided into markets in which different factors of production like labour, property and financial market. ✓✓

3. **The financial market** ✓

- The financial market serves those who wish to save and those who wish to borrow. ✓✓
- The money, capital and foreign exchange markets are part of the financial market. ✓✓
- Financial sector represents financial institutions which are not directly involved in the production of goods and services but are a link between participants in the economy with surplus money and participants who require funds. ✓✓
- Households make their financial capital available to the financial sector in the form of savings. ✓✓
- The financial sector in turn makes financial capital available to firms through investments. ✓✓

a) **Money market** ✓

- Market that is used by participants as a means for borrowing and lending in short term, from a few days to just less than 3 years. ✓✓
- The South African Reserve Bank is a key institution in the money market. ✓✓

b) **Capital market** ✓

- A financial market where individuals and institutions trade financial securities in the long-term, which is 3 years and above. ✓✓
- The JSE is the key institution in the capital market. ✓✓

c) **The foreign exchange market** ✓

- In an open economy, foreign currency is needed to facilitate transaction between countries. ✓✓
- It is on this market that one currency can be exchanged for another. ✓✓

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- The amount that is received in this exchange is known as exchange rate. ✓✓
- The exchange rates are normally determined by the interaction between supply and demand. ✓✓
- They are sometimes influenced by the Reserve bank. ✓✓
- Foreign currency can be acquired through commercial banks. ✓✓

(Accept any other correct relevant answers)
(Allocate maximum of 8 marks for subheading and examples) (26)

Evaluate the functions of market in the circular flow. (10)

Positive Impact

- Availing factors of production for economic activities e.g. capital for investments through the factor market ✓✓
- Allowing consumers to earn an income from the sale of the factors of production which enable them to purchase goods and services in the product market' ✓✓
- Enabling households, the business sector and other participants to access funds for trading and production through financial markets✓✓ e.g. banks✓
- Earning valuable income through exports through the foreign exchange markets✓✓

Negative Impact

- Failing to provide enough training, employment possibilities will be limited, if the factor market is ineffective✓✓
- SMMEs struggle to produce quality goods for the product market due to lack of capital or accessibility to funds through the financial market ✓✓
- Inefficiently satisfying the needs and wants of consumers ✓✓
- Providing inadequate transport, technology and communication to reach existing markets✓✓

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Conclusion

The markets play a pivotal role in the economy, they also serve as link between various participants in the circular flow. ✓✓

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BUSINESS CYCLES

TOPIC 2: BUSINESS CYCLES	CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES
Analysis and explanation of business cycles, and how they are used in forecasting.	(Focus: Relevant concepts, composition, explanation, government policies, new economic paradigm and features underpinning forecasting in respect of South African conditions)
2.1 The composition and features of business cycles	• Briefly describe the **concepts** • Briefly explain the **nature** of business cycles • Demonstrate/Illustrate a **typical business cycle** • Use a diagram and briefly discuss the different **phases** in a business cycle • Broadly outline the **real** business cycle.
2.2 Explanations/Causes	• Discuss the **exogenous (monetarist)** explanation • Discuss the **endogenous (Keynesian)** explanation • Compare both explanations • Give a broad outline of the **types** of business cycles (Kitchin, Jugler, Kuznets and Kondratieff)
2.3 Government policy	• Explain the composition of the following policies: - **Fiscal policy** o Taxes and government expenditure o Briefly relate to the budget - **Monetary policy** o Interest rates (repo rate) o Open market transactions o Cash reserve requirement o Moral suasion
2.4 The new economic paradigm (smoothing of cycles)	• ***Discuss in detail 'The new economic paradigm'/Explain the 'smoothing of cycles'*** - **Explain demand-side policies.** o **Explain clearly how monetary and fiscal policies (expansionary and contractionary) can be used in smoothing out business cycles** o **Relate to inflation (peak) and unemployment (trough) by using the Phillips curve** - **Explain supply-side policies and how aggregate supply can be stimulated through:** o **Reduction in costs** o **Improving efficiency in inputs** o **Improving efficiency in markets** • Explain the effect of demand-side and supply-side policies using a graph (aggregate demand and aggregate supply).
2.5 Features underpinning forecasting business cycles	• Briefly describe the relevant concepts • ***Discuss in detail the features underpinning forecasting***: - Indicators o **Leading** o **Coincidence** o **Lagging** o **Composite** - **Length of a cycle** - **Amplitude** - **The trend line** - **Extrapolation** - **Moving averages** • Use a diagram and discuss the cycle length, amplitude and the trend line as features underpinning forecasting.

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ACTIVITY 1

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. Negative economic growth for at least two consecutive quarters is known as…
A. Boom
B. Depression
C. Recession✓✓
D. Recovery

1.1.2. The point where economic contraction is at its lowest is known as…
A. Trough✓✓
B. Peak
C. Trend
D. Recovery

1.1.3. A diagram shows expansion and contraction periods of economic activities is known as… cycle
A. Productivity
B. Business ✓✓
C. Economic
D. Employment



1.1.4. The removal of unnecessary restrictions by legislation is known as ...
A. Regulation
B. Centralisation
C. Deregulation✓✓
D. Decentralisation

1.1.5. A period where there is a general increase in economic activities is known as …
A. Downswing
B. Upswing✓✓
C. Depression
D. Contraction

1.1.6. Rate that is charge by South African Reserve bank to commercial banks is known as …
A. Exchange
B. Prime
C. Repo✓✓
D. Inflation

1.1.7. They change at the same time as economy changes is known as… indicator
A. Coincident
B. Composite✓✓
C. Lagging
D. Leading

1.1.8. The cycle that is caused by a change in in investment and last for 7-11 years is known as …
A. Kondratieff
B. Kuznets
C. Kitchen

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D. jugler✓✓

(2x8) (16)

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter next to the question number.

COLUMN A	COLMN B	
1.2.1 Moving average	A. Measures the distance of oscillation of a variable from trend line to the peak or trough	1.2.1. G ✓
1.2.2 Real business cycle	B. Economic fluctuation emanating from outside the market system	1.2.2. F ✓
1.2.3 Peak	C. Removal of unnecessary laws and restrictions	1.2.3. D ✓
1.2.4 Amplitude	D. The upper turning point of business cycle	1.2.4. A ✓
1.2.5 Lagging indicator	E. Use interest rates to influence the level of expenditure	1.2.5. I ✓
1.2.6 Kitchen cycle	F. Obtain when the effect of irregular events and seasons are removed from time series data	1.2.6. H ✓
1.2.7 Exogenous factor	G. Calculated over a certain time to smooth out minor fluctuations in the data	1.2.7. B✓
1.2.8 Monetary policy	H. The cycle is caused by a change in inventory	1.2.8 .E✓
	I. Does not change until after the business cycle has changed	

(1x8) 8

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question number.

1.3.1 A policy that targets taxes and government expenditure to influence economic activity
Fiscal policy ✓

1.3.2 Predicting the future economic activities using the fact that is known
Extrapolation✓

1.3.3 It illustrates the relationship between unemployment and inflation
Phillip curves✓

1.3.4 A summary of the value of different indicators of the same type into a single value
Composite indicator✓

1.3.5 It involves buying and selling of government securities
Open market transaction✓

1.3.6 Measures the duration of the business cycle from peak to peak
Length ✓

(1x6) 6

ACTIVITY 2

2.1 Answer the following questions

2.1.1 Name any TWO instruments of monetary policy used by South African Reserve Bank (2)

- Interest rate✓
- Open market transaction✓
- Moral suasion✓
- Cash reserve requirement ✓

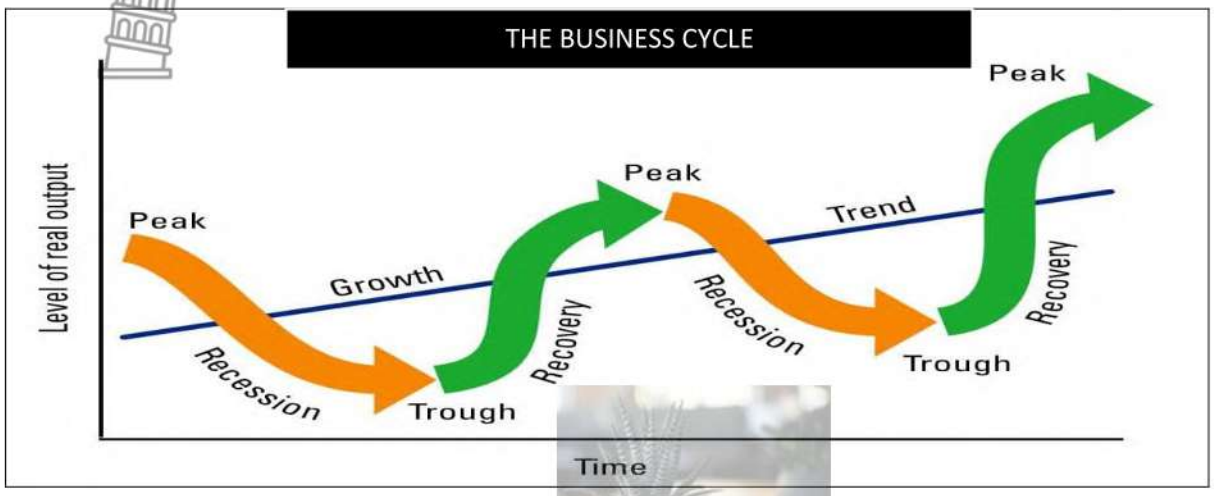
2.1.2 Why does the inflation rate tends to be high during the prosperity phase? (2)

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- Demand tends to be high in relation to the supply of goods and services which results to a shortage and higher prices ✓✓
- The amount of money in circulation tends to be high which result in too much money chasing few goods leading to increase in prices✓✓

(Accept any relevant response)

2.2 Study the diagram below and answer the questions that follow



2.2.1 Identify the turning point during which there is very high employment (1)

Peak✓

2.2.2 Name the business cycle feature that is measured from trough to trough (1)

Length✓

2.2.3 Briefly describe the term *leading indicator* (2)

Leading indicator are the indicators that change before the economy changes. ✓✓

(Accept any relevant response)

2.2.4 Why is the government intervention not necessary under exogenous explanation? (2)

The argument by the monetarists is that markets are inherently stable; it is only the exogenous factors that can destabilise the market hence the government intervention is unnecessary because the market can correct itself. ✓✓

(Accept any relevant response)

2.2.5 How can government use restrictive fiscal policy to smooth out the fluctuation in the economy? (2)

- Government increase direct and indirect taxes; this reduces household disposable income which result to a decrease in spending✓✓
- Government decrease expenditure on goods, services and infrastructure and that reduce aggregate demand in the economy ✓✓

(Accept any relevant response)

ACTIVITY 3

3.1 Answer the following questions

3.1.1 Name any TWO types of business cycle. (1 x 2) (2)

- Kitchen✓
- Jugler✓
- Kuznets✓
- Kondratieff ✓

3.1.2 Why is extrapolation important in the forecasting of business cycles? (2)

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- Economists use past data such as trends and assume that these trends will continue, and then they make predictions about the future ✓✓
- Economists also make economic predictions in other settings e.g. the prediction of future share prices✓✓

(Accept any other correct relevant response)

3.2 Study the picture below and answer the questions that follows



Source:google.com

3.2.1 Identify the contraction phase in the above picture (1)

Recession✓

3.2.2 Name the type of business cycle that is caused by a change in technology (2)

Kondratieff✓

3.2.3 Briefly describe the term *real business cycle*. (2)

Real business cycle is obtaining when the effect of irregular events, seasons and long term growth are removed from time series of data✓✓

(Accept any other correct relevant response)

3.2.4 Explain the use of expansionary fiscal policy to stimulate economic activity (2)

- Increase government expenditure will increase aggregate demand which serves as an injection into the economy resulting in an increase in production✓✓
- Reducing taxation leading to an increase in disposable income which will lead to an increase in demand✓✓

3.2.5 How can a government improve efficiency of markets in the economy? (4)

- The government should remove laws and regulations to improve the flexibility of markets✓✓
- Encourage competition by promoting the establishment of new businesses, inviting foreign direct investment ✓✓
- Levelling the playing field to ensure that all market participants have✓✓

(Accept any other correct relevant response)

ACTIVITY 4

4.1 Answer the following questions

4.1.1 Name any TWO periods of business cycles. (2 x 1) (2)

- Contraction/downswing ✓
- Expansion/upswing ✓

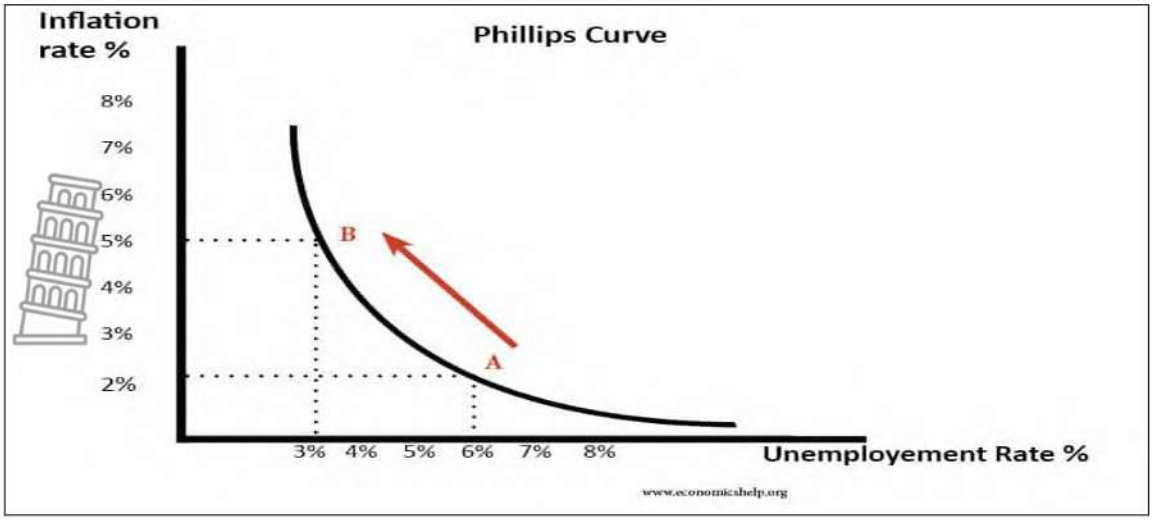
4.1.2 Why is it important to use moving averages to forecast business cycles? (1 x 2) (2)

- It removes fluctuation in economic data which makes it easier to predict business cycles a particular trend✓✓

(Accept any other correct and relevant answer)

4.2 Study the graph below and answer the questions that follow

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4.2.1 Identify the level of inflation where unemployment rate is 3 %in the graph above (1)

5 %✓

4.2.2 Name the lower turning point of business cycle (1)

Trough ✓

4.2.3 Briefly describe the term *new economic paradigm* (2)

It is the smoothing of business cycle through the use of demand –side and supply –side policies. ✓✓

(Accept any relevant response)

4.2.4 Explain the relationship between unemployment and inflation as illustrated by the above graph. (2)

There is an inverse relationship, decrease in unemployment result to an increase in inflation or conversely an increase in unemployment results to a decrease in inflation. ✓✓

(Accept any relevant response)

4.2.5 How can the government lower the cost of production for businesses? (4)

- Government can lower cost of production by implementing cash incentives and offer businesses subsidies. ✓✓
- Supplying infrastructure services such as transport, communication, water and energy can make business operations efficient. ✓✓
- Government can reduce the administration costs of businesses by making processes such as tax returns and license applications easy.

(Accept any relevant response)

ACTIVITY 5

5.1 **Answer the following questions**

5.1.1 Name the TWO approaches to business cycles. (2x1) (2)

- Endogenous/Keynesian approach/Sunspot theory✓
- Exogenous/Monetarist approach✓

5.1.2 How are leading indicators used in the forecasting of business cycles? (1 x 2) (2)

- Leading indicators are used by economists to get an idea of what to expect in the near future as they change before a business cycle changes✓✓
- They give consumers, businesses and the state a glimpse of the direction in which the economy might be heading✓✓

(Accept any other correct relevant response)

5.2 Study the extract below and answer the questi0ons that follow.

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ECONOMY FLUCTUACTIONS IN SOUTH AFRICA

The South African economy has experienced several ups and downs over the past decade. During the periods of economic expansion, businesses increase production, employment rises, and consumer spending improves.

Sources :business –ed.com

5.2.1 Identify the period where employment rise from the extract above (1)

Expansion ✓

5.2.2 Name any ONE economic indicator underpinning forecasting of a business cycle. (1)

- Leading✓
- Lagging✓
- Coincident✓
- Composite✓

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

Recession is a negative economic growth for at least two consecutive quarter. ✓✓

(accept any relevant response)

5.2.4 Explain the purpose of trend line in a business cycle. (2)

The trend line indicates the general direction of the economy which can assist policy makers in planning ✓✓

(Accept any other correct and relevant response)

5.2.5 How can government use monetary policy to stimulate economic activity? (4)

- Reduction in interest rates will make credit cheaper which will increase demand for goods and services. ✓✓
- Money supply can be increased by granting more credit through decreasing cash reserve requirements leading to high demand and economic growth
- Buying securities via open market transactions which will increase consumer spending as well as production. ✓✓

(Accept any other correct and relevant response)

ACTIVITY 6

6.1 **Answer the following questions:**

6.1.1 Name TWO components of Philips curve. (2)

- Inflation rate ✓
- Unemployment rate ✓

6.1.2 Why are lagging indicators used less often by policy makers? (2)

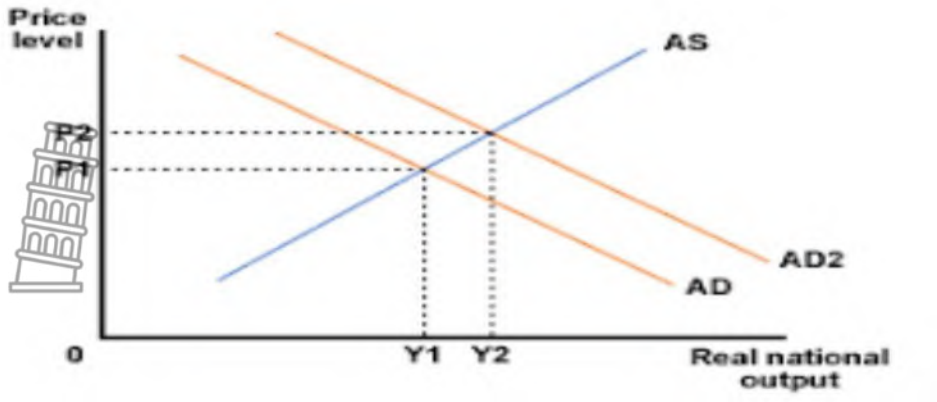
Lagging indicators give the changes that have already occurred in the economy, as such, policy makers prefer using leading indicators. ✓✓

(Accept any other correct relevant response)

6.2 **Study the graph below and answer the questions that follow:**



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6.2.1 Identify the original equilibrium price from the graph above. (1)

P1 ✓

6.2.2 Name any ONE demand side policy that is used to smooth the fluctuations in the economy. (1)

- Monetary policy ✓
- Fiscal policy ✓

6.2.2 Briefly describe the term *business cycle*. (2)

Business cycle is a successive period of increasing and decreasing in economic activity. ✓✓

(Accept any other correct relevant response)

6.2.4 Why does inflation tend to fall during recession? (2)

- Aggregate demand tends to fall during recession which causes excess supply of goods and results to a decrease in prices ✓✓
- During recession unemployment rises and becomes harder for workers to bargain for higher wages leading to a decrease in demand for goods and services resulting to a decrease in prices. ✓✓

(Accept any other correct and relevant answer)

6.2.5 How can reduction of costs be used as a supply side measure. (4)

- Reducing the cost of the business through measure like tax incentives or subsidies can increase the profitability, enabling firms to invest more in growth and expansion.
- Lower operational costs allow business to produce more goods and services at lower prices increase overall supply of the economy
- Lowering the cost, business can offer more competitive prices potentially capturing a larger market share and driving economic growth.

(Accept any other correct and relevant answer)

ACTIVITY 7

7.1 Answer the following questions

7.1.1 Name TWO policies in which the new economic paradigm is embedded. (2)

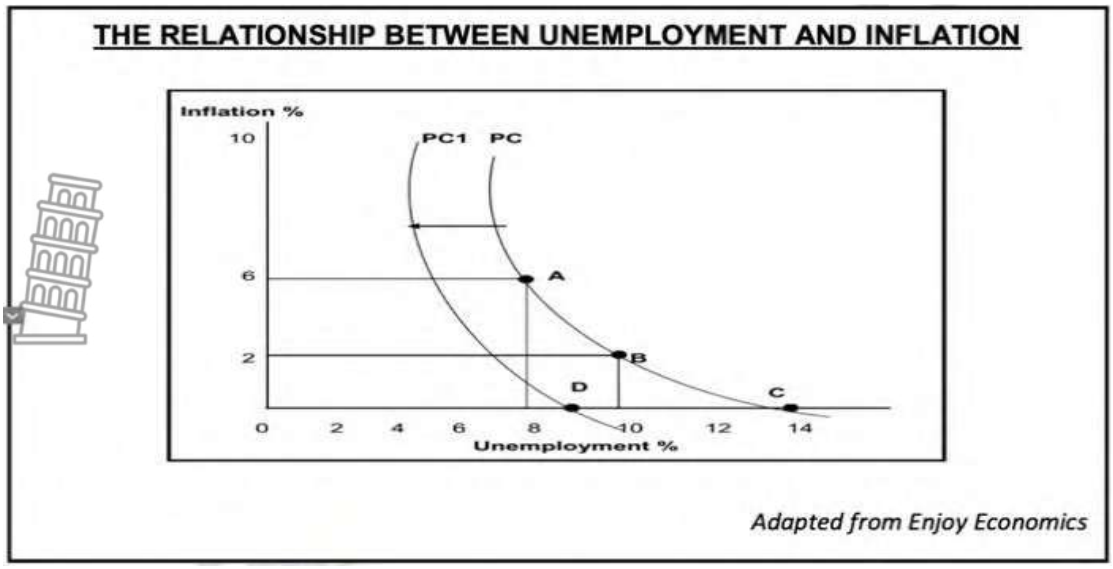
- Demand side policies✓
- Supply-side policies✓

7.1.2 How can competition stimulate aggregate supply? (2)

- Competition allows the establishment of new businesses in different industries which will increase the production of goods and services, stimulating aggregate supply. ✓✓

(Accept any correct relevant responses)

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7.2.1. Identify the economic model shown in the graph above (1)

Phillips curve ✓

7.2.2. Give the concept that relate to the level of unemployment where the inflation is zero. (1)

Natural rate of unemployment ✓

7.2.3. Briefly describe the term *cash reserve requirements.* (2)

Cash reserve requirement is the minimum percentage of deposits that banks must hold as reserves used by the central bank to regulate the money supply and inflation rate. ✓✓

(Accept any other relevant and correct response.)

7.2.4. Explain the effect of a decrease in unemployment on the inflation rate. (2)

Inflation rate and unemployment rate have an inverse relationship, when the rate of unemployment decreases, this will result in more disposal income and an increase in consumer spending, as a result an inflation rate will increase✓✓

(Accept any other relevant and correct response.)

7.2.5. How can the government reduce unemployment without triggering inflation? (4)

- The government can reduce unemployment without triggering inflation by focusing on supply side measures to stimulate the economy✓✓
- Unemployment can be achieved by reducing the cost of production by improving the key infrastructure as well as subsiding the new firms✓✓
- The government can improve the efficiency of key input such as labour by providing improved education and training✓✓

(Accept any other relevant and correct response.)

ACTIVITY 8

8.1 Answer the following questions

8.1.1 Name TWO turning points of a business cycles (2)

- Peak ✓
- Trough✓

8.1.2. How can a complete business cycle be measured? (2)

- Complete cycles of fluctuations are determined by distances from peak to peak and from trough to trough✓✓

(Accept any correct relevant responses)

8.2 Study the extract below and answer the questions that follow:

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MONETARY POLICY

The SARB MPC held the repo rate at 6.75% (prime: 10.25%) in March 2026, citing fuel price shocks and Middle
East conflict risks, despite inflation landing at a 3.0% target in February. While headline inflation was 3.0%, the SARB expects it to rise toward 4% in 2Q26 due to high energy prices before slowing later.

Source:www.SARB.com

8.2.1. Identify the type of interest that is charged by South African Reserve Bank to commercial banks from above extract. (1)

Repo rate ✓

8.2.2 Name any ONE instrument of fiscal policy that is used to smooth out the fluctuations in business cycles. (1)

- Taxation ✓
- Government spending ✓

8.2.3. Briefly describe the term *deregulation* (2)

Deregulation is the removal of unnecessary restrictions by legislation. ✓✓
(Accept any other relevant and correct response.)

8.2.4. Explain the benefits of keeping interest rates unchanged to South African economy? (2)

- Keeping interest rates unchanged provides stability and certainty for households and businesses, allowing them to plan spending, saving, and investment with confidence. ✓✓
- It also helps maintain a balance between controlling inflation and supporting economic growth in South Africa✓✓

(Accept any other relevant and correct response.)

8.2.5 Why are open market transactions important to dampen an overheating economy? (4)

- Open market transactions are important because the SARB sells government bonds to absorb excess liquidity, which reduces the money supply and increase interest rates which curbs inflation and slows economic growth. ✓✓
- Open market transactions allow the SARB to reduce the amount of money available for lending and spending while decreasing aggregate demand and control inflation. ✓✓
- Open market transactions are important because selling government securities withdraw excess money from the economy, reducing liquidity and curbing excessive spending. This helps slow down inflationary pressures and stabilise an overheating economy✓✓

(Accept any other relevant and correct response.)

ACTIVITY 9

9.1 Distinguish between *endogenous* and *exogenous explanations* of business cycles. (8)

Endogenous explanations:

- Endogenous factors are dependant variables. This follows the belief that economic growth is primarily the result of endogenous and not external forces. ✓✓
- The Keynesian approach holds the view that markets are inherently unstable and therefore government intervention is required. ✓✓
- The price mechanism fails to co-ordinate demand and supply in markets and this gives rise to upswings and downswings. ✓✓
- Prices are not flexible enough (e.g, wages). ✓✓

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- A business cycle is an inherent feature of the market economy. ✓✓

Exogenous explanations:

- Exogenous factors are independent variables that originates from outside. ✓✓
- The Monetarist believe that the markets are inherently stable and disequilibrium is caused by incorrect use of policies. E.g. monetary policy ✓✓
- Weather conditions and market shocks cause upswings and downswings. ✓✓
- Government should not intervene in the markets. ✓✓
- Sunspot theory based on the belief that increased solar radiation causes changes in weather conditions. ✓✓

Accept any correct and relevant answer

9.2 Briefly discuss *improving efficiency of inputs* and *improving efficiency of markets* as supply-side policies to smooth out business cycles. (8)

Improving the efficiency of inputs

- Tax rates: low tax rates can serve as an incentive to workers. It will improve the productivity and output. ✓✓
- Capital consumption: replacing capital goods regularly creates opportunities for businesses to keep up with technological developments and better outputs. ✓✓
- Human resource development: to improve the quality of manpower by improving healthcare, education and training. ✓✓
- Free advisory services: these promote opportunities to export. ✓✓

Improving efficiency of markets

- Deregulation: removal of laws, regulation and by-laws and other forms of government controls which makes the market free. ✓✓
- Competition: encourages the establishment of new businesses. ✓✓
- Levelling the playfield: private businesses cannot compete with public enterprises. ✓✓

(Accept any correct and relevant answer)

9.3 Briefly discuss recovery phase and depression phase of the business cycle. (8)

Recovery phase

- Recovery phase is reached when there is a greater demand for goods and services. ✓✓
- High demand lead to an increase in the production capacity of the economic activities. ✓✓
- Business confidence rises and spending by firms consequently increases. ✓✓
- There is an increased performance in the level of economic activities and the country enters into a period of prosperity✓✓

Depression phase

- During a depression money is in short supply, leading to a further decline in spending. ✓✓
- There is negative impact on investment spending. ✓✓
- Economic activity is at its lowest, and a trough is reached. ✓✓
- Cost of production increases which decreases economic growth. ✓✓

(Accept any other relevant and correct response.)

9.4 Analyse the importance of price stability in preventing extreme fluctuations in business cycles. (8)

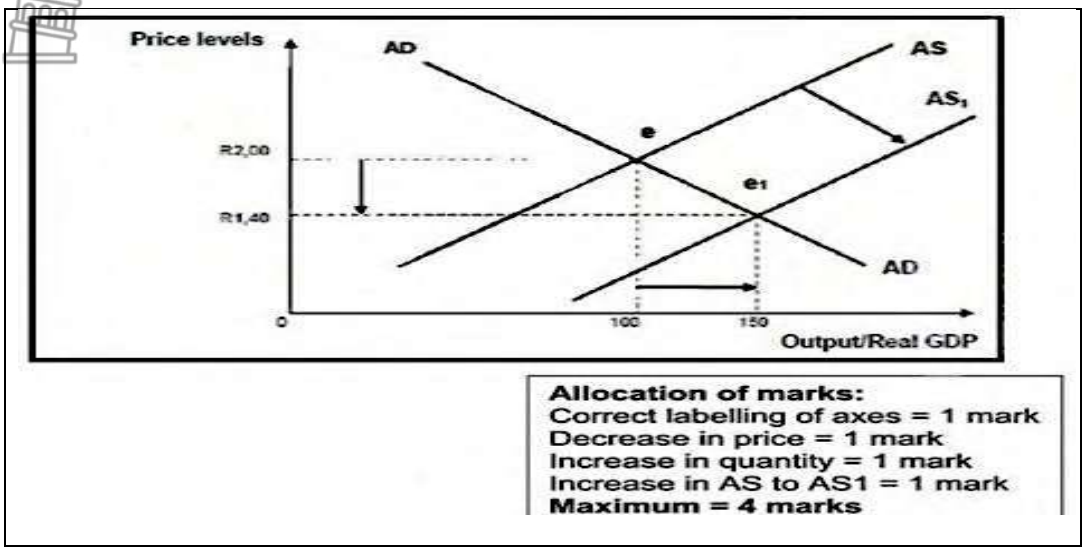
- Price stability controls speculative behaviour among businesses and consumers thereby reducing supply-side and demand-side influences on economic fluctuations. ✓✓
- Positive consumer confidence is encouraged which enables businesses to maintain steady growth in production levels. ✓✓
- Stable prices result in longer cycles which show strength of the economy and economic growth path will have an upward trend. ✓✓

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- Stable prices enable SARB to keep interest rates unchanged to ensure continued growth in the economy without big fluctuations. ✓✓
- The SARB can use the inflation target of 3-6% to keep prices stable in the interest of sustained and balanced economic growth.

(Accept any correct and relevant answer)

9.5 With the aid of a well labelled graph explain the influence of the supply-side policy in increasing output whilst lowering prices. (8)



Allocation of marks:
Correct labelling of axes = 1 mark
Decrease in price = 1 mark
Increase in quantity = 1 mark
Increase in AS to AS1 = 1 mark
Maximum = 4 marks

- Implementation of supply-side policies to complement higher aggregate demand, will shift the aggregate supply curve from AS to AS_1✓✓
- Those supply-side policies include reduction in cost, improvement in the efficiency of markets and inputs✓✓
- A new equilibrium will be formed at point e_1, where higher output 150 is produced at a lower price level of R1,40✓✓

(Accept any other relevant and correct response.)

ACTIVITY 10

Discuss in detail the features underpinning the forecasting of business cycles. (26)

How can exogenous factors cause economic fluctuations to business cycles? (10)

INTRODUCTION

Business cycles is successive periods of increasing and decreasing levels of economic activities over a period of time. ✓✓

Body: Main part

1. **Leading economic indicators**✓
   - Leading economic indicators are indicators that change before the economy changes/ coincide with the reference turning point. ✓✓
   - Leading economic indicators give consumers, businesses and policy makers a glimpse of where the economy is headed. ✓✓
   - Leading economic indicators reach the peak before the economy reaches the peak. ✓✓
   - Most important type of indicator in helping economists to predict what the economy will be like in the future. ✓✓

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- When these indicators show prosperity, the level of economic activities will also rise in a few months' time. ✓✓ e.g.
  number of new vehicles sold, real exports of goods, etc. ✓

2. **Coincident economic indicators**✓
   - Coincident economic indicators move at the same time as the economy. If the turning point of a specific time series variable coincide with the reference turning point. ✓✓
   - It indicates the current state of the economy. ✓✓ e.g. retail sales. ✓
   - If the business cycle reaches a peak and then begins to decline, the value of retail sales will reach a peak and then begin to decline at the same time. ✓✓
3. **Lagging indicators**✓
   - Lagging indicators do not change direction until after the business cycle has changed its direction. ✓✓
   - Lagging indicators serve to confirm the behaviour of coincident indicators. ✓✓ e.g. new machinery sold. ✓
   - If the business cycle reaches the peak and begins to decline, we are able to predict the value of new machinery sold. ✓
4. **Composite indicators**✓
   - It is a grouping of various indicators of the same type into a single value. ✓✓
   - The single figure forms the norm for a country's economic performance. ✓✓
5. **Length**✓
   - Length is the time that it takes for a business cycle to move through one complete cycle. It is measured from peak to peak/ trough to trough. ✓✓
   - It is useful to know the length because the length tends to remain relatively constant over time. ✓✓
   - If business cycles have longer length, we consider the economy to be strong. ✓✓
6. **Amplitude**✓
   - Amplitude is the difference between the total output between a peak and a trough. ✓✓
   - Amplitude measures the distance of the oscillation of a variable from the trend line. It is the intensity of the upswing and downswing in economic activity. ✓✓
   - The larger the amplitude the more extreme the changes that may occur. ✓✓
7. **Trendline** ✓
   - A trend line is the movement of the economy in a general direction. ✓✓
   - Trend line usually has a positive slope because the production capacity of the economy increases over time. ✓✓
   - Trends are useful because they indicate the general direction in which the economy is headed. It indicates the rate of increase or decrease in the level of output. ✓✓
8. **Extrapolation**✓
   - Extrapolation is the technique of using past data to make predictions about the future. ✓✓
   - It is also used to make economic predictions in other settings e.g. prediction of future share price. ✓✓
9. **Moving averages**✓
   - Moving average is a statistical analytical tool that is used to analyse the changes that occur in a series of data over a certain period of time. ✓✓
   - Moving averages can be calculated for the past three months in order to smooth out any minor fluctuations. ✓✓

ADDITIONAL PART

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How can exogenous factors cause economic fluctuations to business cycles? (10)

- Expansionary policies such as reduction in taxation and interest rates stimulate aggregate demand which will increase the production of goods and services. ✓✓
- An increase in money supply and government expenditure may stimulate spending which will cause an expansion in economic activity. ✓✓
- Structural changes such as an increase in the contribution of the secondary or tertiary sector to the GDP may change production patterns and expand the level of economic activity. ✓✓
- Technological innovations lead to large investments in the production of new products causing an expansion in economic activity. ✓✓
- Random shocks such as change in the ruling party or civil war may cause businesses and households to be pessimistic thereby reducing the level of activity. ✓✓
- A drastic increase in international oil prices may increase the cost of production which will shrink the level of economic activity. ✓✓
- Natural disasters such as droughts and floods may destroy infrastructure causing a contraction in economic activity. ✓✓
- Climate change and global warming reduce primary sector production, slowing down economic growth the economy which also facilitates the production of goods and services. ✓✓

(Accept any other correct relevant response.)

NOTE: Allocate a maximum of 2 marks for a mere listing of facts

CONCLUSION

Economists need to foretell what is likely to happen in the economy by studying and monitoring a variety of economic variables. ✓✓

ACTIVITY 11

Discuss in detail the new economic paradigm in smoothing out the business cycles. (26)

INTRODUCTION

The new economic paradigm is a policy approach that seeks to create economic growth and increase employment without resulting in a shortage of inputs and a rise in inflation by using both demand and supply side policies. ✓✓ **MAIN PART**

DEMAND-SIDE POLICIES ✓

- Demand-side policies focus on increasing aggregate demand in the economy. ✓✓
- When households, firms and government spend more, demand in the economy increases. ✓✓
- High demand makes the economy grow but can lead to inflation. ✓✓

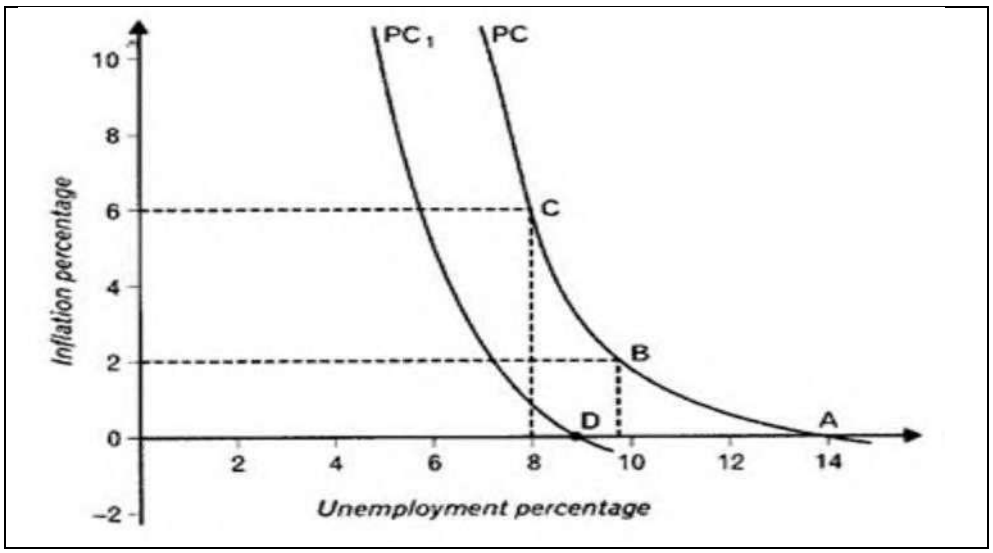
Inflation: ✓

- The decrease of interest rates by the reserve bank stimulates credit demand and enables consumers to spend more. ✓✓
- If aggregate demand increases more quickly than aggregate supply it may cause prices to increase and result to inflation. ✓✓

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Unemployment: ✓

- Government may decide to decrease taxes for individuals and companies which then results to an increase in aggregate demand. ✓✓
- The increase in government spending makes firms to start producing more goods and increase employment. ✓✓
- As unemployment decreases inflation is likely to increase because more people will have more money to spend. ✓✓
- The inverse relationship between unemployment and inflation is illustrated using the Phillips curve. ✓✓



(Drawing of the graph -mark to a maximum of 4, and explanation 4 marks)

- The PC curve shows the initial situation where letter A is the point of intersection of the PC curve with the x-axis. It shows the natural rate of unemployment of 14% and inflation rate is zero. ✓✓
- If unemployment rate falls to 8%, inflation caused by wage increases rises to 6% and if inflation rate decreases from 6% to 2%, unemployment rate increases from 8% to 10%. ✓✓
- The trade-off between inflation and unemployment can be resolved by stimulating both demand and supply side policies. ✓✓
- The shift of the Phillips curve from PC to PC1 results in decreasing unemployment rate to 9% and inflation rate remaining constant at zero. ✓✓

SUPPLY-SIDE POLICIES✓

- Supply-side policies refer to any measures undertaken by government to influence the level of aggregate supply in the economy. ✓✓

Reduction of costs of production ✓

- Reducing of the costs of production means that a greater output can be supplied at any given price level. ✓✓
- Infrastructure services: Government can provide infrastructure services such as transport, water and energy at lower or reasonable prices to help business reduce their costs of production. ✓✓

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- Administrative costs: these costs include various laws and regulations such as tax returns, registration and licenses which the government needs to make simpler and less costly for businesses. ✓✓
- Cash incentives: includes subsidies for businesses to locate areas where unemployment is high and compensation to exporters for certain costs they incur in the development of export markets. ✓✓

IMPROVING THE EFFICIENCY OF INPUTS ✓

• Tax rates: government needs to lower taxes in order to encourage investment, increase production and profits.

✓✓

- Capital consumption: replacing capital goods regularly creates opportunities for businesses to keep up with technological development. ✓✓
- Depreciation allowances are subtracted from gross profit before taxes are calculated and therefore reduce the amount of tax liability. ✓✓
- Human resource development: the quality of labour can be improved by improving health care, education, training skills and mobility of labour. ✓✓
- Free advisory services: these promote opportunities to export and establish business activities in foreign countries and provide research and development and statistical information. ✓✓

IMPROVING THE EFFICIENCY OF MARKETS ✓

- Deregulation: this includes the removal of laws, regulations and by-laws, and other forms of government controls to stimulate supply of goods and services. ✓✓
- Competition: this entails arranging the market in such a way that allows for new businesses, increase competition and invite foreign direct investment. ✓✓
- Levelling the playing field: government policy should protect the private sector and public enterprises by legislation to survive on available resources. ✓✓

CONCLUSION

It is very important for policy makers not to rely on applying one school of thought in smoothing out business cycles because economic circumstances keep on changing. Demand side policy alone cannot efficiently smoothen the business cycle hence it's important to apply both demand and supply side policies. ✓✓

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TOPIC 3: PUBLIC SECTOR	CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES
Evaluate the role of the public sector in the economy with special reference to its socio-economic responsibility in the South African context	(Focus: Composition and necessity of public sector, problems of public sector provisioning, objectives, fiscal policy and reasons for public sector failure)
3.1 The composition and necessity of the public sector	• Briefly describe the **composition** of the public sector • Explain the **necessity** of the public sector: - To supply public goods - To conserve resources - To manage the economy
3.2 Problems of public sector provisioning	• Discuss how each of the following factors contributes to poor public sector provisioning: - Accountability - Efficiency - Assessing needs - Pricing policy - Parastatals - Privatisation/Nationalisation
3.3 Objectives of the public sector	• ***Discuss in detail the main objectives of the public sector in the economy*** - **Economic growth** - **Full employment** - **Exchange rate stability / Balance of Payments equilibrium** - **Price stability** - **Economic equity**
3.4 Budgets	• Broadly outline the various budgets • Emphasise public debt as a % of GDP • Analyse current **main budget** data relating to: - Taxes - Sources of income - Expenditure allocation - Personal income tax tables (tax calculation) • Differentiate between **Medium Term Expenditure Framework (MTEF)** and **Medium Term Budget Policy Statement (MTBPS)** • Explain how socio-economic rights are embedded in the budgets of the South African government
3.5 Fiscal policy (including Laffer curve)	• Briefly discuss the following: - The main **variables** (tax and government expenditure) - **Features** of fiscal policy: goal-bound, demand-based, cyclical • Discuss the **effects** of fiscal policy. - Income distribution - Consumption - Price level - Incentives/Disincentives in relation to the **Laffer curve** - (Draw and interpret the Laffer curve) - Discretion

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ACTIVITY 1

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 (1.1.1–1.1.7) in the ANSWER BOOK, for example 1.1.6 D

1.1.1 Goods that are beneficial to the society are known as…
- A. demerit goods.
- B. merit goods.✓✓
- C. imported goods
- D. manufactured goods

1.1.2 The transfer of ownership of business from the private sector to the public sector is called…
- A. South African Reserve Bank
- B. privatisation
- C. department of Basic Education
- D. nationalisation✓✓

1.1.3 The compulsory payment made to the government by people and businesses is known as…
- A. taxation✓✓
- B. fines
- C. licence fees
- D. donations

1.1.4 A business that is fully or partly owned by the government is called…
- A. public-private partnership.
- B. privatization
- C. nationalization
- D. state-owned enterprise (SOE)✓✓

1.1.5 The document that shows income and expenditure estimates of the government for a three-year period is known as…
- A. medium-Term Expenditure Framework (MTEF)✓✓
- B. national Development Plan (NDP)
- C. national Development Strategy (NDS)
- D. national Skills Development Strategy (NSDS)

1.1.6 The spending of money on lobbying in order to increase wealth without actually any more wealth is called…
- A. corruption
- B. rent seeking✓✓
- C. bureaucracy
- D. nepotism

1.1.7 The income received by individuals without rendering any service is called…
- A. rent income
- B. taxation
- C. tariff
- D. transfer payment✓✓

(2X7) (14)

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1.2 Match column A with column B

Number	Column A	Answer	Column B
1.2.1	National budget	B✓	A.Complex administrative procedures that delay service delivery
1.2.2	Free rider	C✓	B,Annual plan showing government revenue and expenditure
1.2.3	Fiscal policy	D✓	C.Benefits enjoyed by people who did not pay for them
1.2.4	Bureaucracy	A✓	D. Government action of using taxation and spending to influence the economy
1.2.5	Progressive tax	G✓	E.Goods that are non-rival and non-excludable
1.2.6	Public goods	E✓	F.Government-owned business enterprise
			G.Tax where higher-income earners pay a higher percentage

(1X6)=(6)

1.3 Provide a concept for each of the following descriptions.

1.3.1 The inability of the government to allocate resources efficiently or provide services effectively.
Public sector failure✓

1.3.2 Excessive administrative procedures that delay decision-making and service delivery.
Bureaucracy ✓

1.3.4 Payments made by the government to households without receiving any services.
Transfer payments✓

1.3.5 A tax charged at the same rate regardless of the taxpayer's income level.
Proportional tax✓

1.3.6 The curve that shows the relationship between the tax rate and tax revenue...
Laffer curve✓

(1X6) (6)

ACTIVITY 2

2.1 Answer the following questions

2.1.1 Name any TWO necessities of the public sector. (2 x 1) (2)

- To supply public goods✓
- To conserve resources✓
- To manage the economy✓

2.1.2 How can the government improve the efficiency of parastatals in South Africa? (2)
The government can foster accountability from all personnel and stakeholders in the daily operation of the state owned enterprises.✓✓.
The government can develop human resources through capacity building and training to ensure sound work ethics in the parastatals.✓✓
(Accept any relevant correct response)

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

Parastatals in South Africa

State-owned enterprises (SOEs), are businesses that are owned wholly or partly by the government. They are established to provide essential goods and services, promote economic development, create employment, and support strategic sectors of the economy. Although they operate like businesses, their main objective is often to serve the public interest rather than to maximize profits. Despite their important role, many parastatals face challenges such as poor financial management and corruption.

Daily News 10 May 2026

2.2.1 Identify any ONE problem faced by parastatals in the extract above. (1)

- Poor financial management✓
- Corruption✓

2.2.2 Name the main source of the government revenue. (1)

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Taxation✓

2.2.3 Briefly describe the term *full employment*. (2)

The situation when people who are actively looking for work are able to find it or create jobs for themselves. ✓✓

(Accept any other correct relevant response)

2.2.4 Explain the necessity of the public sector in the economy. (2)

- The public sector stabilise the economy through the use of fiscal and monetary policies managing economic fluctuations and reduce the impact of recession.✓✓
- The state address the social inequalities by redistributing resources and providing support to disadvantaged and vulnerable population promoting social welfare and cohesion.✓✓

(Accept any relevant correct answer)

2.2.5 Why is the existence of SOEs important to the economy? (4)

- State-owned enterprises (SOEs) are important because they provide essential services such as electricity, transport, and water that support households and businesses. ✓✓
- SOEs promote economic growth by investing in infrastructure and creating employment opportunities. ✓✓
- SOEs also help achieve government social and development objectives by providing services that may not be profitable for private businesses. ✓✓

(Accept any other correct relevant response)

2.4 How can the South African municipalities improve efficiency in service delivery? (8)

- South African municipalities can improve service delivery by appointing qualified and experienced officials to manage municipal resources effectively. ✓✓
- Municipalities should strengthen financial management and prevent corruption to ensure that public funds are used efficiently. ✓✓
- Municipalities must regularly maintain and upgrade infrastructure such as roads, water systems, and electricity networks to reduce service disruptions. ✓✓
- Municipalities should improve accountability by monitoring performance and responding promptly to community complaints. ✓✓
- Municipalities should involve communities in planning and decision-making to ensure that services meet local needs.✓✓

(Accept any other correct relevant response)
Maximum 2 marks where mere listing of facts occurs)

ACTIVITY 3

3.1.1 Name any TWO spheres of the public sector. (2 x 1) (2)

- National government. ✓
- Provincial government. ✓
- Local government. ✓

3.1.2 Why is the public sector involvement important in the management of the economy? (1 x 2) (2)

- The public sector is important in managing the economy because it provides essential public goods and services such as education, healthcare, and infrastructure that support economic activity. ✓✓
- It promotes economic stability through fiscal policies, taxation, and government spending to encourage growth and reduce unemployment. ✓✓
- The public sector also corrects market failures and promotes a more equitable distribution of income and resources. ✓✓

(Accept any other correct relevant response)



3.2 Study the picture below and answer the questions.

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3.3.1 Identify the product supplied by the government in the picture above. (1)

Energy✓

3.3.2 Name any ONE form of indirect tax in South Africa. (1)

- Excise duty. ✓
- Value Added Tax✓
- Fuel levy✓

(Accept any relevant correct answer)

3.3.3 Briefly describe the term *free riders*. (2)

Individuals who enjoy the benefit of the good without paying for it.✓✓

(Accept any other correct relevant answer)

3.3.4 Explain the negative impact of the failure of parastatals. (2)

The failure of state owned enterprises results to a decrease in the standard of living, increase in the inequality and loss of job opportunities. ✓✓

(Accept any other correct relevant answer)

3.3.5 Why is inefficiency a problem in public sector provisioning? (4)

- Inefficiency is a problem in public sector provisioning because it leads to poor service delivery and delays in providing essential services such as healthcare, education, electricity, and water. ✓✓
- It results in the waste of public resources through mismanagement, corruption, and unnecessary expenditure. ✓✓
- Inefficiency reduces public confidence in government institutions and lowers the quality of services received by citizens. ✓✓
- It also discourages investment and slows economic growth, as businesses depend on efficient public services to operate effectively. ✓✓

(Accept any other correct relevant answer)

3.5 How can public sector failure negatively influence economic stability? (8)

- The public sector failure can cause policy uncertainty, which may reduce investor confidence. ✓✓
- The unemployment will increase as the economy fails to create new job opportunities✓✓
- The production of goods and services will decrease as the parastatals fails to supply key input services such as energy used by businesses to produce. ✓✓
- The cost of doing the business will increase as the businesses come up with alternative methods of production to replace energy. ✓✓
- The fiscal burden will increase due to wastage of resources especially by parastatals. ✓✓
- The public sector failure may lead to price instability, which depress consumer spending.✓✓

(Accept any other correct relevant answer)

ACTIVITY 4

4.1 **Answer the following questions**

4.1.1 Name any TWO objectives of the public sector. (2 x 1) (2)

- Economic growth ✓

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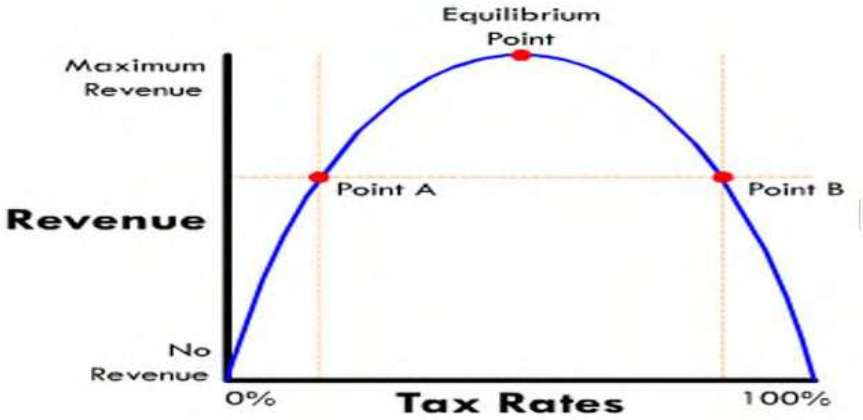
- Full employment ✓
- Price stability✓
- Exchange rate stability✓
- Economic equity✓

4.1.2 Why does the government provide merit goods? (1 x 2) (2)

- The government provides merit goods because they benefit both individuals and society, even though many people cannot afford them or may consume too little of them. ✓✓
- It ensures that essential services such as education and healthcare are accessible to everyone, improving social welfare and economic development. ✓✓

(Accept any other correct relevant answer)

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



4.2.1 Identify the curve depicted on the graph above. (1)

Laffer curve✓

4.2.2 Name one instrument of the fiscal policy (1)

- Taxation✓
- Government spending ✓

4.2.3 Briefly describe the term *collective goods.* (2)

The goods that excludes the free riders by levying fees. ✓✓

(Accept any relevant correct response)

4.2.4 Explain the impact of privatization of state-owned -enterprises on the economy. (2)

- Privatization of state-owned enterprises can improve efficiency and productivity because private businesses are often managed more competitively. ✓✓
- It can reduce government spending and generate revenue from the sale of state assets. ✓✓
- Privatization may lead to job losses and higher prices if private owners focus mainly on making profits. ✓✓

(Accept any other correct relevant answer)

4.2.5 Why would the government support parastatals? (4)

- The government supports parastatals to provide essential goods and services that may not be supplied adequately by the private sector. ✓✓
- It ensures that strategic industries such as electricity, water, and transport continue to operate in the public interest. ✓✓
- Government support promotes economic development and creates employment opportunities. ✓✓

(Accept any other correct relevant answer)

4.3 Discuss the effect of slow economic growth on the economy. (8)

- Slow economic growth reduces the production of goods and services, leading to lower national income. ✓✓

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- It increases unemployment because businesses produce less and hire fewer workers. ✓✓
- Government tax revenue declines, making it more difficult to fund public services and infrastructure. ✓✓
- Consumer and business confidence may fall, resulting in lower spending and investment.
- The overall standard of living may decline due to slower income growth. ✓✓

(Accept any other correct relevant answer)

ACTIVITY 5

5.1.1 Name any TWO examples of direct taxes. (2)

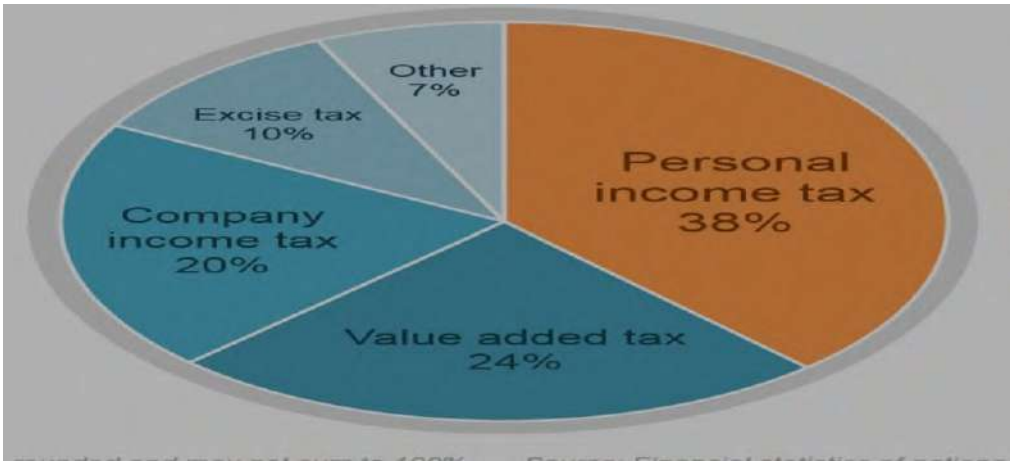
- Personal income tax✓
- Company tax✓

5.1.2 How will an increase in the VAT rate affect the general standard of living? (2)

- An increase in the VAT rate raises the prices of goods and services, reducing consumers' purchasing power. ✓✓
- People can afford fewer goods and services, leading to a lower general standard of living. ✓✓

(Accept any other correct relevant answer)

5.2 Study the pie chart below and answer the questions.



Source:www.google.com

5.2.1 Identify the tax that contributed most percentage to government revenue in the pie chart above. (1)

Personal income tax✓

5.2.2 Name any ONE feature of the public goods. (1)

- Non-rivalness ✓
- Non – excludability ✓
- Infinite consumption ✓

(Accept any relevant correct answer)

5.2.3 Briefly describe the term *tax evasion.* (2)

An illegal ways of misrepresenting taxable income in order to pay a reduced amount of tax. ✓✓

(Accept any relevant correct answer)

5.2.4 Explain the impact of regressive taxation on the poor. (2)

It reduces the disposable income of the poor and further lowers their standard of living.✓✓

(Accept any relevant correct response)

5.2.5 Why does the South African government spend the largest amount of budget on education? (4)

- Investing in education is crucial for human capital, equipping individuals with skills and knowledge essential for economic growth and productivity✓✓
- Education expenditure helps address social inequalities by providing equal opportunities for all citizens, promoting upward mobility and reducing poverty. ✓✓

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- Adequate funding in education contributes to social stability by enhancing civil engagement and reducing crime rates, creating a more informed and cohesive society✓✓

(Accept any other correct relevant answer)

5.3 Briefly discuss pricing policy and parastatals as problems of public sector provisioning. (8)

Pricing policy

- Pricing policy can become a problem in public sector provisioning when government charges prices that are too low to cover the cost of providing goods and services✓✓
- Low prices often result in financial losses and greater dependence on government subsidies. ✓✓
- Service delivery may decline because there are insufficient funds for maintenance, expansion, and efficient operation. ✓✓

(Accept any other correct relevant answer)

Parastatals

- Parastatals can become a problem in public sector provisioning when they are inefficient and poorly managed, leading to financial losses. ✓✓
- Many rely on government bailouts, which place additional pressure on public finances and reduce funds available for other essential services. ✓✓
- Poor service delivery and inefficiency can slow economic growth and reduce public confidence in the government. ✓✓

(Accept any other correct relevant answer)

ACTIVITY 6

6.1.1 List the TWO main characteristics of fiscal policy (2 x 1) (2)

- Goal-bound✓
- Demand-biased✓
- Cyclical✓

(Accept any other correct relevant answer)

6.1.2 Why is it necessary to calculate a country's total loan debt? (2)

- It is necessary to calculate a country's total loan debt to monitor the government's ability to repay its borrowings and manage public finances responsibly. ✓✓
- It helps the government plan future borrowing and avoid excessive debt that could harm economic growth. ✓✓

(Accept any other correct relevant answer)

6.2 Study the extract below and answer the questions that follow

PUBLIC SECTOR CHALLENGES

The public sector comprises three levels of government, namely national, provincial and local government. The government programmes include the Medium-term Strategic Framework implemented from 2014–2030 as part of the National Development Plan. It consists of various focus areas such as education, health and economic growth and development.

Adapted from www.gov.za]

6.2.1 Identify the level of government where policies are developed and coordinates services across all provinces (1)

National government. ✓

6.2.2 Name the department that implements the fiscal policy. (1)

National Treasury/ Department of Finance✓

(Accept any other correct relevant answer)

6.2.3 Briefly describe the term *accountability*. (2)

Accountability is the responsibility of public officials and institutions to explain, justify, and take responsibility for their decisions and actions. ✓✓

(Accept any other correct relevant answer)

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6.2.4 Explain the impact of levying a sugar tax on producers. (2)

- Levying a sugar tax increases production costs for producers of sugary products, which may reduce their profits if they cannot pass the tax on to consumers. ✓✓
- It also encourages producers to reduce the sugar content of their products or develop healthier alternatives to maintain sales. ✓✓

(Accept any other correct relevant answer)

6.2.5 Why is it necessary for the government to pay social grants? (4)

- The government pays social grants to reduce poverty and provide financial support to vulnerable groups such as the elderly, children, and people with disabilities. ✓✓
- Social grants help beneficiaries meet their basic needs, improving their standard of living.
- Social grants promote social stability by reducing inequality and supporting household consumption. ✓✓

(Accept any other correct relevant answer)

6.3 Explain the importance of government spending on infrastructure development. (8)

- Government spending on infrastructure development improves transport, communication, and energy networks, making it easier for businesses to operate efficiently. ✓✓
- It creates employment opportunities during the construction and maintenance of infrastructure projects. ✓✓
- Improved infrastructure attracts local and foreign investment, promoting economic growth.
- Better roads, schools, hospitals, and utilities improve the quality of life and increase productivity. ✓✓
- In the long term, infrastructure development supports sustainable economic development and enhances the country's competitiveness. ✓✓

(Accept any other correct relevant answer)

ACTIVITY 7

7.1.1 Name any TWO effects of public sector failure. (2 x 1) (2)

- Allocation of resources ✓
- Economic instability✓
- Distribution of income✓
- Social instability✓

(Accept any other correct relevant response)

7.2 Study the picture below and answer the questions that follow



7.2.1 Identify the objective of the public sector in the picture above. (1)

Economic growth. ✓

7.2.2 Name the main source of state revenue. (1)

Taxation. ✓

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

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A budget is a financial plan that estimates the government's expected revenue and planned expenditure for a specific period, usually one financial year. ✓✓
(Accept any other correct relevant answer)

7.2.4 Explain the relationship between the main budget and the MTEF. (2)

- The main budget sets out the government's expected revenue, expenditure, and borrowing for the current financial year while Medium-Term Expenditure Framework (MTEF) supports the main budget by providing a three-year spending plan that guides government expenditure over the medium term. ✓✓

(Accept any other correct relevant answer)

7.2.5 How can the government intervene to solve high rate of youth unemployment in the country. (4)

- The government can create more job opportunities for young people through public works programmes and investment in infrastructure projects. ✓✓
- It can provide skills development, vocational training, and entrepreneurship support to improve young people's employability. ✓✓
- The government can also offer incentives such as tax rebates or wage subsidies to businesses that employ young workers. ✓✓

(Accept any other correct relevant answer)

7.3 Discuss economic equity as an objective of the public sector. (8)

- Economic equity refers to a condition of fairness where the economic processes and their outcomes do not unduly favour or disadvantage any particular group or individuals. ✓✓
- The fairness or economic justice, attempts to balance economic disparities among different societal segments to promote a more inclusive and just society.✓✓
- Equity looks at the distribution of capital, goods, and access to services throughout an economy and is often measured using tools such as the Gini index.✓✓
- Equity may be distinguished from economic efficiency in overall evaluation of social welfare.✓✓

(Accept any other correct relevant answer)

7.4 How can the government intervene in the rising fuel prices? (8)

- The government can reduce or temporarily suspend fuel taxes and levies to lower the retail price of fuel. ✓✓
- The state can subsidize fuel prices for a limited period to reduce the burden on households and businesses. ✓✓
- The government can also invest in public transport and alternative energy sources to reduce dependence on petrol and diesel. ✓✓
- Strengthening the local currency through sound economic policies can help reduce the cost of imported fuel. ✓✓
- In the long term, encouraging local energy production and improving energy efficiency can make the economy less vulnerable to rising international fuel prices. ✓✓

(Accept any other correct relevant answer)

ACTIVITY 8

8.1 Discuss privatization as a problem of public sector provisioning. (8)

- Privatization refers to the transfer of functions and ownership from the public to the private sector. ✓✓
- Privatization leads to higher prices which excludes people from its consumption. ✓✓
- State-owned enterprises are sometimes bureaucratic, inefficient, and unresponsive to consumer needs and therefore often a burden on the taxpayer. ✓✓
- Public enterprises do not pay tax; privatized enterprises must pay tax – therefore privatization will broaden the tax base. ✓✓
- Privatized enterprises will have greater access to investment, be more innovative and be able to adapt more easily to changing economic conditions. ✓✓
- Privatization will give more people a share in the economy and general welfare and can serve as an instrument of black economic empowerment ✓✓

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- The proceeds will make funds available for spending on housing, education, health care and assistance to the poor. ✓✓
- The aim of privatization is to reduce the relative size of the public sector. ✓✓
- Advantages of privatization: privatization stimulates growth and improves the overall efficiency and performance of the economy. ✓✓

(Accept any other correct relevant answer)

8.2 Discuss the economic and political effects of public sector failure. (8)

Economic effects

- Economic growth: public sector failure is a barrier to economic growth. ✓✓
- Waste of resources: the public sector is not motivated by profit. ✓✓
- Price instability: public sector failure may lead to unstable prices for goods. ✓✓
- Unemployment: the public sector must provide systems, services and policies that provide opportunities to create employment. ✓✓

(Accept any other correct relevant answer)

Political effects

- Large bureaucracy: a failing government is often characterised by a large number of bureaucrats. ✓✓
- Inefficiency: a lack of monitoring and evaluation causes inefficiency, poor workmanship and low productivity in the public sector. ✓✓

(Accept any other correct relevant answer

ACTIVITY 9

Discuss in detail the main objectives of the public sector in the economy. (26)
How successful is the implementation of South Africa's fiscal policy (10)

INTRODUCTION

The government provides goods and services that are under-supplied by the market and therefore plays a key role in regulating economic activity and guiding and shaping the economy. ✓✓

BODY: MAIN PART

OBJECTIVES

Economic growth ✓

- The government promotes economic growth by investing in infrastructure such as roads, schools, hospitals, and energy supply. ✓✓
- It also creates a favourable environment for businesses through supportive policies and public investment to encourage production and investment. ✓✓
- Sustained economic growth leads to higher employment, increased incomes, and an improved standard of living for citizens. ✓✓

Full employment ✓

- The public sector aims to ensure that all people who are willing and able to work can find jobs. ✓✓
- The government promotes employment through public works programmes, infrastructure development, and support for businesses that create jobs. ✓✓
- It also invests in education, skills development, and entrepreneurship to improve people's employability. ✓✓
- Achieving full employment reduces poverty, increases household income, and contributes to higher economic growth and improved living standards. ✓✓

Exchange rate stability✓

- The public sector aims to maintain a relatively stable value of the country's currency against other currencies. ✓✓
- A stable exchange rate encourages international trade and investment by reducing uncertainty for businesses and investors. ✓✓

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- The government and central bank may use monetary and fiscal policies to minimise excessive fluctuations in the exchange rate. ✓✓
- Exchange rate stability also helps control inflation by keeping the cost of imported goods and services relatively stable. ✓✓

Economic equity ✓

The public sector aims to reduce inequalities in the distribution of income and wealth.

- The government promotes equity through progressive taxation, social grants, and the provision of free or subsidised basic services such as education and healthcare.
- It also implements policies that improve access to economic opportunities for disadvantaged groups.
- Greater economic equity helps reduce poverty, promotes social justice, and improves the overall standard of living. (Max. 26)

(Accept any other correct relevant response)
(Allocate a maximum of 8 marks for the mere listing of facts/examples)

ADDITIONAL PART

How successful is the implementation of South Africa's fiscal policy (10)

- The government has used taxation and public spending to provide social grants, education, healthcare, and infrastructure, helping to reduce poverty and improve access to basic services. ✓✓
- Fiscal policy has also supported economic growth and job creation through public investment and economic recovery programmes. ✓✓
- However, high public debt, budget deficits, and slow economic growth have limited the effectiveness of fiscal policy. ✓✓
- Persistent challenges such as high unemployment, inequality, and inefficient public spending have reduced the overall impact of government interventions. ✓✓
- Therefore, while fiscal policy has achieved some positive outcomes, significant structural challenges continue to hinder its full success. ✓✓

CONCLUSION:

While government has achieved some successes, the fulfillment of some of the objectives are compromised by factors like lack of accountability, corruption, budgeting, nepotism and incompetence. ✓✓' (Max. 2)
(Accept any other correct and relevant higher order response)

ACTIVITY 10

Discuss in detail the reasons for public sector failure (link them to typical problems experienced through public sector provisioning). (26)
How can the unfair distribution of income in South Africa be resolved? (10)

INTRODUCTION

Public Sector Failure occurs when government intervention in the economy leads to an inefficient allocation of resources and leads to an overall decline in economic welfare. ✓✓

MAIN PART

1. Management Failure✓

- Management failure is a major reason for public sector failure because poor leadership often results in inefficient service delivery. ✓✓
- Incompetent or unqualified managers may make poor decisions, leading to wasteful expenditure and the misallocation of public resources. ✓✓
- Weak planning, inadequate monitoring, and a lack of accountability reduce the effectiveness of government programmes and state-owned enterprises. ✓✓
- The quality of public services declines, economic growth is hindered, and public confidence in government is weakened. ✓✓

2. Apathy✓

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- Apathy is a cause of public sector failure when public officials show little interest or commitment to performing their duties effectively. ✓✓
- Employees who are unmotivated may neglect their responsibilities, resulting in poor service delivery and delays in implementing government programmes. ✓✓
- A lack of dedication also reduces productivity and weakens accountability within public institutions. ✓✓
- Public resources are used inefficiently, and the quality of services provided to citizens declines. ✓✓

3. **Lack of motivation**✓
   - Lack of motivation is a reason for public sector failure because employees who are not motivated often perform their duties poorly. ✓✓
   - Low motivation reduces productivity, efficiency, and commitment to delivering quality public services. ✓✓
   - It may also lead to absenteeism, low morale, and poor customer service in government institutions. ✓✓
   - Service delivery is weakened, public resources are used inefficiently, and citizens lose confidence in the public sector. ✓✓

4. **Bureaucracy**✓
   - Bureaucracy is a reason for public sector failure because excessive rules and lengthy administrative procedures delay decision-making and service delivery. ✓✓
   - Too many levels of approval can slow down the implementation of government projects and policies. ✓✓
   - Bureaucratic red tape also increases administrative costs and reduces the efficiency of public institutions. ✓✓
   - Citizens experience delays in receiving services, leading to dissatisfaction and reduced confidence in the public sector. ✓✓

5. **Structural weaknesses**✓
   - Structural weaknesses are a reason for public sector failure because poorly designed institutions and ineffective organisational structures reduce efficiency. ✓✓
   - Overlapping responsibilities and poor coordination between government departments can delay decision-making and service delivery. ✓✓
   - Inadequate systems, outdated technology, and limited institutional capacity also hinder the effective implementation of government policies. ✓✓
   - Resources are used inefficiently, public services deteriorate, and the government's ability to achieve its objectives is weakened. ✓✓

ADDITIONAL PART

- The unfair distribution of income in South Africa can be reduced by implementing progressive taxation, where higher-income earners pay a larger share of tax. ✓✓
- The government should expand access to quality education, skills development, and vocational training to improve employment opportunities. ✓✓
- Creating more jobs through investment in infrastructure and support for small businesses can increase household incomes and reduce poverty. ✓✓
- Social grants and other welfare programmes should continue to assist vulnerable households while promoting economic inclusion. ✓✓
- Effective land reform and equal access to economic opportunities can also help reduce income inequality and improve economic equity. ✓✓

CONCLUSION

The government should try to form policies such as private public partnerships as this will bring some motivation and ensure creativity and innovation which will improve service delivery. ✓✓

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FOREIGN EXCHANGE MARKET

TOPIC 4: FOREIGN EXCHANGE MARKETS	CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES
Examination of the foreign exchange market, the establishment of exchange rates, and show how the Balance of Payments Account is affected	(Focus: Reasons for and effects of international trade, balance of payments, foreign exchange, foreign exchange markets and the correction of disequilibria in the foreign exchange market)
4.1 The main reasons for international trade	• ***Discuss in detail the reasons for international trade*** **Demand reasons:** - **Size of population** - **Income levels** - **Change in the wealth of the population** - **Preferences and taste** - **The difference in consumption patterns** - **Absolute and Comparative advantage** **Supply reasons:** - **Natural resources** - **Climatic conditions** - **Labour resources** - **Technological resources** - **Specialisation** - **Capital** • Briefly discuss the following **effects** of international trade: - Specialisation - Mass production - Efficiency - Globalisation
4.2 The Balance of Payments	• Briefly describe the **concepts** • Explain the value/purpose of the BoP • *Discuss the **composition** of the **current BoP** (which changed recently) in terms of the different accounts. Each item within the accounts should be explained. **1. CURRENT ACCOUNT** Goods exports + Net gold exports + Services receipts + Income receipts less Merchandise imports less Payment for services less Income payments Current transfers (net receipts) Balance on Current Account Memo item: trade balance **2. CAPITAL TRANSFER ACCOUNT** **NET LENDING TO (+) OR BORROWING FROM (-) REST OF THE WORLD** **3. FINANCIAL ACCOUNT** Net direct investment Net portfolio investment Net financial derivatives Net other investments Reserve assets (SDR allowances) **Balance on Financial Account** Memo item: balance on Financial Account excluding reserve assets. Unrecorded transactions

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ACTIVITY 1

1.1 Various questions 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 -1.1.5) in the answer book, for example 1.1.6 B.

1.1.1 The interaction of economies with trade as an important element is known as…

A. privatisation
B. entrepreneurship
C. globalisation✓✓
D. export promotion

1.1.2 The different between the value of imports and export of good is referred to as…

A. net service
B. reserve account
C. financial account
D. trade balance✓✓

1.1.3 The price of one national currency in terms of another currency is called as a/an

A. inflation rate
B. revaluation
C. exchange rate✓✓
D. devaluation

1.1.4 When the country produces more output than other countries give the same input is referred as a/an…advantage

A. Absolute ✓✓
B. Relative
C. Comparative
D. Competitive

1.1.5 An import duty that levied as a fixed amount per unit, wage or size of important goods is called a/an…tariffs

A. ad valorem ✓✓
B. composite
C. single
D. specific

1.1.6 The purchasing of financial asset such as shares on the stock exchange of another country is called… investment

A. portfolio✓✓
B. direct
C. other
D. capital

1.1.7 Financial capital held by the monetary authorities such as an central bank to finance the trading this equilibrium is referred to as…

A. Financial derivative
B. Merchandise export
C. Reserve asset✓✓
D. Portfolio investment

1.1.8 The account that reflects the ownership of fixed asset and their transferred by migrants is referred as…account

A. Current transfer
B. Financial
C. Capital transfer✓✓
D. Current

8X 2 = 16

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1.2 Choose a description from Column B that matches an item in Column A. Write only the Letter (A. – G.) next to the question number (1.2.1 – 1.2.8) in the answer book.

COLUMN A		COLUMN B	
1.2.1 Unrecorded transaction	A	Future financial contract that derives their values from underlying asset	E✓
1.2.2 Special drawings right	B	An international organisation that lends money to countries with ongoing balance of payment problems	D✓
1.2.3 Financial derivative	C	When an organisation or a country is released from it obligation to repay loan	A✓
1.2.4 Absolute advantage	D	A financial instrument distributed among members countries of the IMF to help with BOP problems	F✓
1.2.5 Balance of payment	E	An item in the balance of payment that caters for any omissions and errors	G✓
1.2.6 Debt forgiveness	F	A country produces a good and services at the lower cost than other countries	C✓
1.2.7 International Monetary Fund	G	The systematic record of all transaction between one country and the rest of the world	B✓
1.2.8 Comparative advantage	H	When average revenue is less than average cost	I✓
	I	One country can produce good at a lower opportunity cause than others	

8x 1 = 8

1.3 Give ONE term for each of the following description. Write only the term next to the question number (1.3.1 – 1.3.6) in the ANSWER BOOK.

1.3.1 Comparison of the country's exports price with its import prices using an index.
Terms of trade✓

1.3.2 Good bought from foreign countries for consumption, production or resale
Merchandise import✓

1.3.3 The value of the country's currency in terms of another country's currency
Exchange rate✓

1.3.4 An increase in the price of a currency in terms of another currency due to market forces
Appreciation✓

1.3.5 The worldwide interaction of economies with trade as an important element is called.
Globalisation✓

1.3.6 The deliberate action to increase the price of the currency in terms of another currency.
Revaluation✓

(6 x 1) (6)

ACTIVITY 2

2.1 Answer the following questions

2.1.1 Name any TWO examples of investments in the financial account. (2)

- Direct investment/ Foreign direct investment✓
- Portfolio investment✓
- Financial derivatives✓
- Other investment✓

2.1.2 How does an increase in population affect international trade? (1 x 2) (2)
An increase in population will result in an increase in the demand for goods and services, local producers may not be able to meet the new demand as a result consumers will opt for import of goods and services. ✓✓
(Accept any other relevant and correct response.)

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

THE RAND WEAKENS AGAINST MAJOR CURRENCIES

The South African rand depreciated from R17,80/$1 to R19,10/$1 over a period of three months. Economists attribute the depreciation to increased imports, lower foreign investment inflows and global economic uncertainty. While exporters welcomed the weaker rand because their products became more competitive internationally, importers faced higher costs for imported machinery, fuel and electronic goods.

[*Source : adopted from business news*]

2.2.1 Identity the original exchange rate on the extract above (1)

R17,80/$1✓

2.2.2 Name any ONE exchange rate system (1)

- Free floating exchange rate✓
- Manage floating exchange rate✓
- Fixed exchange rate✓

2.2.3 Briefly describe the term *exchange rate.* (2)

Exchange rate is the value of one country's currency compared to the value of another country's currency. ✓✓

(Accept any relevant and correct response)

2.2.4 Explain the effect of appreciation of currency on the economy. (2)

- An appreciation of the currency makes imports cheaper, increasing the purchasing power of consumers and businesses leading to lower inflation. ✓✓
- A stronger currency makes exports more expensive for foreign buyers, potentially leading to decreased demand and reduced export revenues, which can negatively impact industries that rely heavily on exports. ✓✓

(Accept any other relevant and correct response.)

2.2.5 How would the depreciation of a rand impact on the trade relations between South Africa and the USA? (4)

- A depreciation of the rand would make South African goods cheaper for American consumers, potentially leading to an increase in exports to the USA. ✓✓
- A weaker rand would give South African industries a competitive edge in the US market, particularly in sectors such as agriculture, mining, and manufacturing. ✓✓
- The depreciation of the rand could lead to a shift in the trade balance between the two countries, with South Africa potentially increasing its trade surplus with the USA. ✓✓
- A weaker rand could also make US investment in South Africa more attractive, as American companies could acquire assets and invest in the country at a lower cost. ✓✓

(Accept any other correct relevant response)

2.3 How can South Africa benefit from international trade? (8)

- International trade increases competition and this encourages innovation in goods and services. ✓✓
- Competition allows consumers to take advantage of higher quality goods and relatively cheaper prices. ✓✓
- International trade ensures that resources are allocated more efficiently as markets expand, because each country specializes in its most effective production. ✓✓
- International trade leads to increased production of traded goods, leading to an improvement in economic welfare. ✓✓
- International trade increases consumer choices and consumers can buy goods and services across the world. ✓✓

(Accept any other correct relevant response.)

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ACTIVITY 3

3.1.1 Name any TWO supply reasons for international trade. (2)

- Natural resources✓
- Climatic conditions✓
- Labour resources✓
- Technological resources✓
- Specialisation✓
- Capital✓

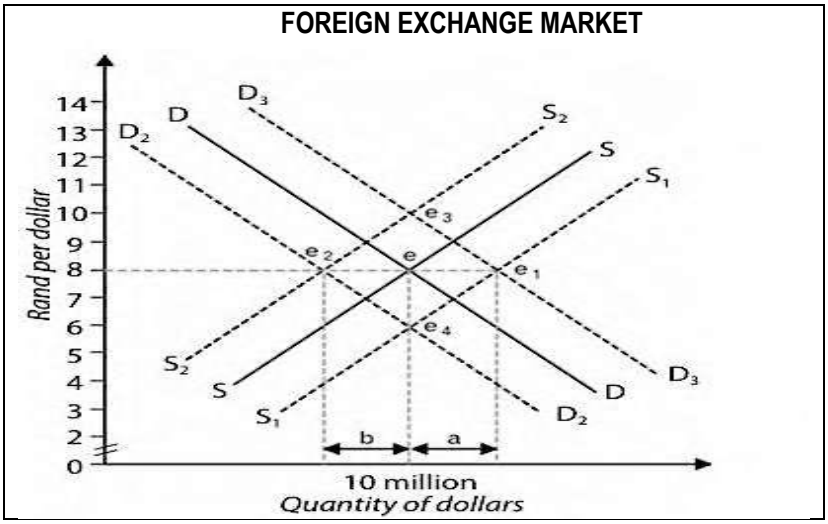
(Accept any correct relevant responses)

3.1.2 How is international trade affected by high income levels? (2)

- High income levels increases the demand for goods and services some of which are imported from other countries. ✓✓

(Accept any correct relevant responses)

3.2 Study the graph below and answer the questions that follow:



3.2.1 Identify the original demand curve in the above graph? (1)

DD✓

3.2.2 Name the exchange rate system used in the graph above. (1)

Free floating exchange rate✓

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

Devaluation is the deliberate decrease in the value of one country's currency by the authorities of the country. ✓✓

(Accept any other correct and relevant response)

3.2.4 Explain the effect of the depreciation of rand on exports. (2)

When the rand depreciates it will result in an increase in exports as the demand by foreigners increases. ✓✓

(Accept any other relevant and correct response.)

3.2.5 How can the South African Reserve Bank intervene in order to stabilize the currency? (4)

- The SARB must buy foreign exchange when the currency is overvalued and sell foreign exchange when the currency is undervalued which will invite an inflow of investment. ✓✓
- When the currency is undervalued interest rates can be decreased to cause an outflow of foreign currency and drain excess liquidity from the economy. ✓✓

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- If it is overvalued Reserve will increase interest rates to invite an inflow of investments. ✓✓

3.3 Briefly discuss *free floating* and *managed floating* exchange rate systems. (8)

Free floating

- A free floating exchange rate is an exchange rate system where the price of a currency is determined by market forces of demand and supply✓✓
- If the demand for the currency is high, its value will increase, if the demand is low, the value will decrease✓✓
- South Africa uses the free floating exchange rates✓✓

(Accept any other relevant and correct response.)

Managed floating

- A managed floating exchange rate is an exchange rate system in which the exchange rate is neither entirely free nor fixed✓✓
- The central bank tries to influence exchange rates by purchasing and selling currencies✓✓
- A managed floating exchange rate is a system that combines the elements of fixed and floating exchange rate system✓✓

(Accept any other correct and relevant response)

ACTIVITY 4

4.1.1 Name any TWO effects of international trade. (2)

- Specialisation✓
- Mass production✓
- Efficiency✓
- Globalisation✓

(Accept any correct relevant responses)

4.1.2 Why is international trade important for the South African economy? (2)

- International trade allows South Africans to access goods not produced locally leading to increase in consumer choice ✓✓

(Accept any correct relevant responses)

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



Source: www.SARB.com

4.2.1 Identify a demand reason for international trade in the above picture (1)

Comparative advantage✓

4.2.2 Name the market where currencies are traded. (1)

Foreign exchange market✓

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(Accept any other relevant and correct response.)

4.2.3 Briefly describe the term *mass production*. (2)

The production or manufacturing of goods in a large scale or in the big volume which allows goods to be more affordable. ✓✓

(Accept any other relevant and correct response.)

4.2.4 Explain the impact of comparative advantage on the country's competitiveness. (2)

- Comparative advantage allows countries with low opportunity cost to produce and sell goods to a country with high opportunity cost. ✓✓
- Specialisation which will turn to more production may be achieved which make it to be more competitive over other countries. ✓✓

(Accept any other relevant and correct response.)

4.2.5 How does an increase in wealth of the population impact on demand for imports? (4)

- An increase in wealth lead to greater demand for goods imported from other countries. ✓✓
- Wealthy people demand more luxury goods, and if these goods are not produced by local businesses, they will be imported thus increasing demand for imports✓✓.

(Accept any other relevant correct responses)

4.3 How can the South African economy be influenced by international trade? (8)

Positive

- International trade enables businesses to create jobs and stimulate economic growth. ✓✓
- International trade allows for an exchange of expertise and commodities, which can help to address skills shortages in South Africa. ✓✓
- It leads to specialisation which increases the standard of living, especially when the area of specialisation is in great demand due to a shortage. ✓✓
- Efficiency increases when there is competition which leads to lower prices enabling the same income to buy more goods and services. ✓✓
- International trade increases innovation and consumer choice therefore consumers can benefit from better quality of goods and relatively low prices. ✓✓

Negative

- International trade may lead to dumping. ✓✓
- International trade due to competition then local businesses may suffer. ✓✓

(Accept any relevant answer)

ACTIVITY 5

5.1 Answer the following questions

5.1.1 Name any TWO exchange rate systems. (2)

- Free floating exchange rate system✓
- Managed floating exchange rate system✓
- Fixed exchange rate system✓

(Accept any correct relevant responses)

5.1.2 Why are reserve assets important on the balance of payment (BOP)?. (2)

- Provide a safety net to ensure that a country does meet its international payment obligations✓✓.
- Reserve assets may be used in financing any deficit or absorbing any surplus in the overall setting of the Balance of Payment. ✓✓

(Accept any correct relevant responses)

5.2 Study the cartoon below and answer the questions that follow



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FINANCIAL ACCOUNT OF BALANCE OF PAYMENTS (BOP) – 2024

ITEMS	R millions
Net direct investment	68 622
Net portfolio investment	-23 348
Net financial derivatives	4 311
Net other investment	13 481
Reserve assets	A
Balance on financial account	**62 869**
Memo item: balance on financial account excluding reserve assets	63 066
Unrecorded transactions	-18 613

An increase in reserve assets is indicated by a negative (-) sign and a decrease is indicated by a positive (+) sign.

[Adapted from *SARB Quarterly Bulletin*, December 2024]

5.2.1 Identify the item that records the purchase of shares by individuals in the table above. (1)

Net portfolio investments✓

5.2.2 Name the sub-account of the Balance of Payments that record transactions relating to debt forgiveness. (1)

Capital transfer account✓

5.2.3 Briefly describe the term *direct investment*. (2)

An investment in real estate or fixed property and obtaining a meaningful share (10%+) and control of such business / It includes transactions relating to investments in foreign businesses and fixed property. ✓✓

(Accept any other correct relevant response)

5.2.4 Explain the purpose of unrecorded transactions in the Balance of Payment (2)

To cater for errors and omissions in terms of timing, coverage and valuation.✓✓

(Accept any other relevant and correct response.)

5.2.5 Use the information above to determine whether there is an increase or decrease in the reserve assets (A). Show ALL calculations. (4)

Balance on Financial Account 62 869✓

Less: balance on financial account excluding reserve assets 63 066✓

= Reserve assets -197✓

OR

Reserve assets = 62 869✓ – (13 481 – 4 311 + 23 348 – 68 622)✓

= -197✓

There is an increase in the reserve assets because the value of reserve assets has a negative sign (-).✓

5.3 Analyse the effect of the United States of America/Iran war on international production. (8)

- Iran is one of the largest oil exporting countries and oil is the key input in the production of goods and services.✓✓
- The disturbance means oil cannot be sold to other countries in the required quantities resulting in inefficiency.✓✓
- Limited supply of oil can slow down the production process as many industries cannot operate without the supply of fuel such as petrol.✓✓
- Less production which can head some countries into slow production which may turn to a recession or even a depression.✓✓

(Accept any other relevant correct responses) (Max 8)

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ACTIVITY 6

6.1.1 Name TWO variables that are used to calculate the terms of trade. (2)

- Index of export prices✓
- Index of import prices✓

6.1.2 How an increase in global oil price impact South African economy? (2)

- Increases transportation costs across all economic sectors thereby increasing the price of goods and services.✓✓

(Accept any correct relevant responses)

6.2 Study the graph below and answer the questions that follow:

BALANCE OF PAYMENT(BOP)
THE FINANCIAL ACCOUNT

ITEM	2026(R million)
Net direct investment	-335
Net portfolio investment	1666
Net financial derivative	-26
Net other investment	-1153
Reserve asset (SDR allowance)	-1508
Balance on financial account	-1660
Memo item: Balance on financial account, excluding reserve asset	A

Source www.SARB.gov .com

6.2.1 Identify the item that records commodities controlled by monetary authorities. (1)

Net portfolio investments✓

6.2.2 Name the account in the balance of payment that record export and import of good and services. (1)

Current account✓

6.2.3 Briefly describe the term *financial derivatives*. (2)

Net financial derivative is referred to as the financial contracts that derive its value from an underlying asset.✓✓

(Accept any correct relevant responses)

6.2.4 Explain the purpose of Special Drawing Right allowances in balance of payment. (2)

- Special Drawing Right (SDR) provide liquidity and they can be exchanged for hard currencies to help stabilize a country's Balance of Payment. ✓✓
- SDRs increase the country's foreign reserves which improves the financial account of the BOP. ✓✓

(Accept any other relevant and correct response.)

6.2.5 Use the information in the table above to calculate the balance on financial account(A) show all the calculations (2 x 2) (4)

A= Balance financial account - reserve asset

A= -1660✓-(-1508) ✓ or A= (-335✓+1666✓-1153✓)

A=-1660+1508 ✓ A=-152✓

A=-152✓

6.3 How can international institutions assist countries in correcting the balance of payment disequilibrium? (8)

- International institutions such as world trade organisations may impose regulations which may limit the importation of some goods in its import control regulation to ensure a fair trade liberation✓✓
- Achieved in this regard, will be low import of dangerous goods and those goods which may harm the economy of the country✓✓
- The economy will be stimulated as more production undertaken within the boundaries of the country✓✓

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- World bank may reduce interest rates for those countries that want to borrow money with the purpose of inducing the production of goods important to be exported to other countries✓✓
- Exportation of goods will increase the value of export curbing the value of imports by a higher margin thus achieving a surplus in the balance of payment account✓✓
(Accept any other correct relevant response)

ACTIVITY 7

7.1 Study the extract below and answer the questions that follow

SOUTH AFRICA RECORDS WIDEST TRADE SURPLUS IN 6 MONTHS

South Africa notched a trade surplus of ZAR 20,1 billion in May 2024, significantly higher than the downwardly revised ZAR 9,68 billion in the previous month. It was the widest trade surplus in six months, as exports soared by 5,7% over a month to a six-month peak of ZAR 178,4 billion. Conversely, imports decreased by 0,5% to ZAR 158,3 billion, leading to an improvement in South Africa's terms of trade.

[Adapted from Trading Economics]

7.1.1 Identify the value of trade surplus in the above extract. (1)
ZAR 20,1 billion ✓

7.1.2 Name the current account item that records donations. (1)
Current transfers ✓

7.1.3 Briefly describe the term *appreciation*. (2)
Appreciation is the increase in the value of a country's currency due to market forces. ✓✓
(Accept any other relevant and correct response.)

7.1.4 Explain the impact of changes in the trade balance on the current account balance. (4)
- When a country exports more goods than it imports, it experiences a trade surplus, which positively impacts the current account. ✓✓
- Conversely, if imports exceed exports, the country faces a trade deficit, negatively affecting the current account. ✓✓
(Accept any other relevant and correct response.)

7.1.5 How can a current account surplus benefit the South African economy? (2)
- It indicates that a country is exporting more than it is importing, contributing to a positive trade balance. ✓✓
- A current account surplus results in higher foreign exchange earnings, boosting the country's foreign reserves and enhancing financial stability. ✓✓
- When a country is exporting more, it can be interpreted as a sign of high productivity. ✓✓
(Accept any other relevant and correct response.)

7.2 How can South Africa discourage import of good from other countries? (8)
- South Africa can apply import tariffs to increase prices of imported good and encouraging consumption of local produced goods. ✓✓
- Import quotas limit the number of goods and services that can be important from other countries✓✓
- Subsidies can be used to encourage local producers to produce previously imported food✓✓
- Exchange control limit the amount of foreign exchange made available for import investment and travelling abroad. ✓✓
- Physical control can in the form of complete ban or embargo on the import of certain and good can be applied ✓✓e.g. arms and drugs✓
(Accept any other relevant and correct response.)

ACTIVITY 8

8.1 Study the table below and answer the questions that follow

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BALANCE OF PAYMENT 2024 (R BILLION)	
CURRENT ACCOUNT	**2024**
Merchandise exports	1 820
Net gold exports	139
Service receipts	298
Income receipts	281
Less: Merchandise imports	1 782
Less: Payments for services	369
Less: Income payments	451
A?	-248

[Adapted from Trading Economics]

8.1.1 Identify the item in the current account that is unique to South Africa. (1)

Net gold exports ✓

8.1.2 Name the missing item A from the current account in the table above. (1)

Current transfers ✓

8.1.3 Briefly describe the term *balance of payment*. (2)

- Balance of payments is a systematic record of all trade and financial transactions of a country with the rest of the world. ✓✓

(Accept any other relevant and correct response.)

8.1.4 Explain change in demand as a measure to correct balance of payment disequilibria. (2)

- An increase in the repo rate affects interest rates and leads to a decrease in import spending✓✓
- Government incentives are applied to substitute imports and to promote exports✓✓
- Certain exchange controls have been retained by the central bank to ration foreign exchange and lead to a decrease in the demand. ✓✓

(Accept any other relevant and correct response.)

8.1.5 Calculate the value of the trade balance. Show the formula and ALL calculations. (4)

trade balance = (Merchandise exports + Net gold exports)-
Merchandise imports✓

(R1 820bn + R139bn) ✓ -R1 782bn✓
R1 959bn -R1 782bn
R177bn✓
N.B: Allocate a maximum of 4 marks

8.2 Analyse the impact of a devaluation of the rand on the economy. (8)

- A weaker rand makes South African exports cheaper and more competitive, leading to increased export volumes and revenue. ✓✓
- As exports rise and imports become expensive, the trade balance improves and reliance on foreign capital decreases. ✓✓
- A lower rand also draws more foreign tourists, boosting tourism revenue, and makes South African assets like property and stocks more attractive to foreign investors. ✓✓
- However, it increases import costs, raising production costs and potentially causing higher inflation as businesses pass on these costs to consumers. ✓✓
- Additionally, a weaker rand reduces the purchasing power of South African consumers. ✓✓
- It raises the debt burden for businesses and the government due to higher costs of foreign debt. ✓✓

(Accept any other relevant and correct response.)

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ACTIVITY 9

9.1.1 Name any TWO example of current transfers (2)

- Gift
- donation

(Accept any correct relevant responses)

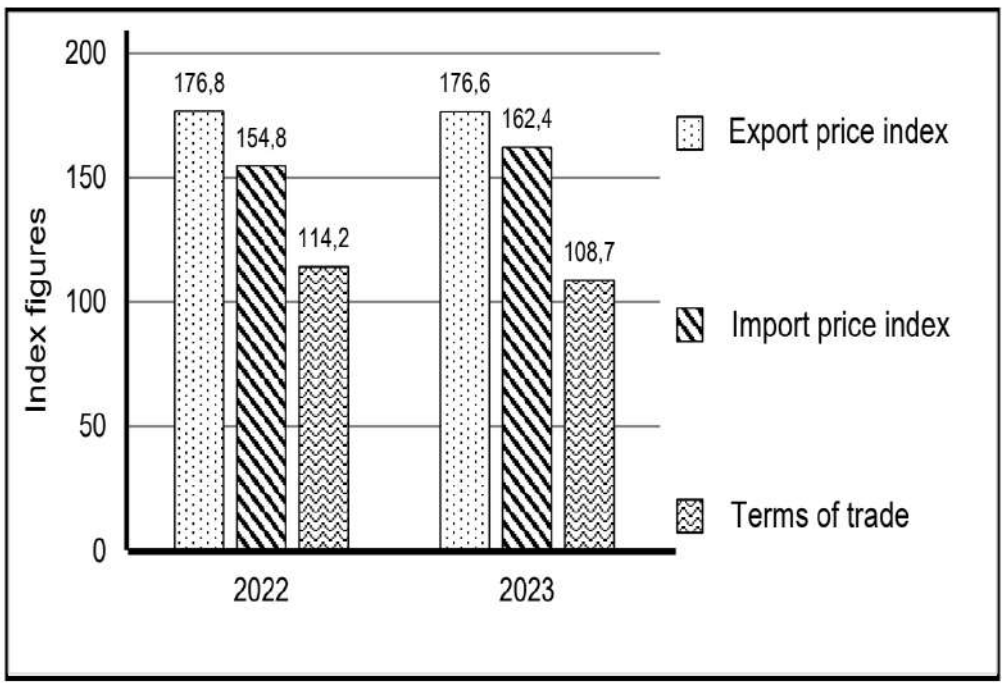
9.1.2 Explain the significance of the improvement in terms of trade? (2)

- it indicates that the country is earning more from its exports than it spends on imports, potentially strengthening its balance of payment position. ✓✓
- Suggests that a country is benefiting from its trade which can enhance its overall economic stability. ✓✓

(Accept any correct relevant responses)

9.2 Study the graph below and answer the questions that follow

SOUTH AFRICA'S TERMS OF TRADE



[Adapted from SARB: Quarterly Bulletin, June 2024]

9.1.1 Identify the export price index for 2023 in the graph above. (1)

176,6✓

9.1.2 State the formula for calculating the terms of trade. (1)

Terms of trade = $\frac{Index\ of\ export\ prices}{Index\ of\ import\ prices} \times \frac{100}{1}$✓

9.1.3 Briefly describe the term *globalisation.* (2)

The worldwide interaction of countries or economies with trade as an important element. ✓✓

(Accept any other correct relevant response.)

9.1.4 Explain the effect of international trade on production of goods and services? (4)

- Goods and services will be produced in large quantities (mass production) to cater for the world market. ✓✓
- The average cost of production decreases through economies of scale which improves efficiency. ✓✓
- International trade may promote innovation and production of new products. ✓✓

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- Specialisation may be promoted in countries that have comparative advantages in the production of specific products. ✓✓

(Accept any other relevant and correct response.)

9.1.5 How can a balance of payments deficit be corrected? (4)

- The monetary authorities can increase the interest rate to make credit expensive which would discourage the locals from importing the goods. ✓✓
- The reserve bank can take complete control of the foreign exchange market and thus limit the foreign currency available to reduce the demand of foreign products. ✓✓
- The reserve bank can devaluate the value of the currency to make it expensive to buy from other countries. ✓✓
- The devaluated currency will also make local products more affordable leading to more injections. ✓✓
- Countries can encourage export promotion by giving export subsidies to their local producers in order to earn more from world markets. ✓✓
- Import substitution through the introduction of import tariffs and quotas can be introduced to directly reduce the leakages. ✓✓
- Countries with deficits can borrow money from the International Monetary Fund whose sole objective is to assist countries with balance of payment problems. ✓✓

(Accept any other correct relevant response.)

ACTIVITY 10

10.1 Study the extract below and answer the questions that follow

SOUTH AFRICA: TERMS OF TRADE 2022			
Month	**Index of import prices**	**Index of export prices**	**Terms of Trade**
January	108,2	102,9	95,1
February	107,9	105,4	97,6
March	107,7	109,7	**A**

[Adapted from https://www.statssa.gov.za/publications/P01427/P01427March2022.pdf]

10.1.1 Identify the value of terms of trade for January in the above extract. (1)

95,1✓

10.1.2 Name any TWO example of current transfers (1)

- Gift ✓
- Donation✓

(Accept any other relevant and correct response)

10.1.3 Briefly describe the term *trade balance*. (2)

Trade balance is the difference in value between a country's imports and exports of goods. ✓✓

(Accept any other relevant and correct response)

10.1.4 How can a current account surplus benefit the South African economy? (2)

- It indicates that a country is exporting more that it is importing, contributing to a positive trade balance. ✓✓
- A current account surplus results in higher foreign exchange earnings, boosting the country's foreign reserves and enhancing financial stability. ✓✓
- When a country is exporting more, it can be interpreted as a sign of high productivity. ✓✓

(Accept any other relevant and correct response.)

10.1.5 Calculate the terms of trade for March 2022 (A). Show ALL calculations. (4)

Terms of trade = index of export prices/index of import prices x 100

= 109,7✓ /107,7✓x 100✓

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= 101,8✓

10.2 Briefly discuss *absolute* and *comparative advantage* as supply reasons for international trade. (8)

Absolute advantage:

- Absolute advantage means the country can produce that good or service better than anyone else / at the lowest costs. ✓✓
- A country with an absolute advantage makes economic gains by specialising in what it does best. ✓✓
- A basis for trade exists since it makes sense for this country to specialise in the production of this good and then trade it for goods that other countries have an absolute advantage in. ✓✓
- Each country specialises in producing what they do best and imports those products that they can buy more cheaply from foreign countries than from local producers. ✓✓
- Even if the country has absolute advantage in the production of everything, it does not necessarily have to produce everything and be self-sufficient because of the principle of comparative advantage. ✓✓

Comparative advantage:

- The principle of comparative advantage states that under certain conditions, two countries can gain from trade if one of them is more efficient than the other in producing everything. ✓✓
- Comparative advantage introduces opportunity cost as a factor for analysis in choosing between different options for production diversification. ✓✓
- A country has a comparative advantage in the production of a good or service that it produces at a lower opportunity cost than its trading partners. ✓✓
- Countries increase their economic prosperity by exporting the goods that they are relatively more efficient at producing and importing the goods that other countries are relatively more efficient at producing. ✓✓

(Accept any other relevant and correct response.)

ACTIVITY 11

- Discuss in detail the reasons for international trade. (26)
- Evaluate the success of South African government in correcting the balance of payments deficit. (10)

INTRODUCTION

International trade refers to the exchange of goods and services between two countries or more. ✓✓
(Accept any other correct and relevant response) Max (2)

BODY: MAIN PART

Demand reasons

Size of population✓

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

Income levels✓

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

Changes in the wealth of the population✓

- An increase in the wealth of the population leads to greater demand for goods. ✓✓
- People have access to loans and can spend more on luxury goods, many of which are produced in other countries. ✓✓
- In case where luxury goods and services cannot be produced locally, people will have to import them from other countries. ✓✓

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Preferences and tastes

- Preferences and tastes play a part in the determination of prices. ✓✓
- Customers in Australia prefer a specific product which they do not produce and need to import, and it will have a higher value than in other countries. ✓✓
- People's taste and preferences evolve and are often influenced by social media and globalization. ✓✓
- Changes in preference create markets for goods and services that are not always manufactured domestically. ✓✓

Difference in consumption patterns✓

- The difference in consumption patterns is determined by the level of economic development in the country. ✓✓
- In countries where the level of disposable income is high, demand for luxury goods is high, which creates a larger market for imports. ✓✓
- A poorly developed country will have a high demand for basic goods and services but a lower demand for luxury goods. ✓✓

Supply reasons

Natural resources✓

- Natural resources are not evenly distributed across all countries of the world. ✓✓
- They vary from country to country and can only be exploited in places where these resources exist.
- South Africa has large deposits of gold while Nigeria has crude oil. ✓✓
- The availability of natural resources creates a platform for specialisation and an opportunity to earn valuable export revenue. ✓✓

Climate conditions✓

- Every country has a unique climate which allows it to grow specific crops. ✓✓
- Specialisation is promoted in production which empowers countries to produce at lower cost per unit. ✓✓
- Climate conditions make it possible for some countries to produce certain goods at lower price than other countries. ✓✓
- Brazil is the biggest producer of coffee in the world because its climate conditions are favourable for coffee production. ✓✓

Labour resources✓

- Labour resources differ in quality, quantity, and cost between countries. ✓✓
- Some countries have highly skilled and well-paid workers with high productivity levels such as Switzerland. ✓✓
- Some countries have bigger or smaller labour force, where minimum wage may be higher while others have no regulations regarding remuneration. ✓✓
- Some countries have specialized labour force in the production of certain goods and services. ✓✓
- Germany has the most skilled labour in the production of BMW, VW, Mercedes Benz cars, which gives it the capacity to export to other countries. ✓✓

Technological resources✓

- Technological resources are available in some countries that enable them to produce certain goods and services at a low unit cost. ✓✓
- Some countries have access to advanced technological resources such as machinery and equipment. ✓✓
- Japan and Singapore are technologically advanced which gives them a competitive advantage on the global markets. ✓✓

Specialisation ✓

- Specialisation in the production of certain goods and services allows some countries to produce them at a lower cost than others (comparative advantage). ✓✓

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- Japan specializes in the production of electronic goods and sells these at a lower price. ✓✓
- Specialisation ensures that mechanization, division of labour and economies of scale are associated with mass production are achieved. ✓✓
- Countries therefore earn international reputation for specializing in the production of certain products. ✓✓

Capital ✓

- Capital allows developed countries to enjoy an advantage over underdeveloped countries. ✓✓
- Developed countries are usually highly industrialized and have well-developed infrastructure which promotes higher levels of productivity. ✓✓
- Due to a lack of capital, some countries cannot produce all the goods they require themselves. ✓✓

(Accept any other relevant answer)

(Award a maximum of 8 marks for Subheadings and examples)

Evaluate the success of South African government in correcting the balance of payments deficit.
(Max 10)

- The South African government has implemented various measures to correct the balance of payments deficit, such as promoting exports, limiting unnecessary imports, and attracting foreign investment. ✓✓
- Efforts like the devaluation of the rand helped make South African goods more competitive abroad, boosting export earnings. ✓✓
- Monetary and fiscal policies, including controlling inflation and government spending, aimed to stabilize the economy and support the deficit correction. ✓✓
- However, structural challenges such as high unemployment, energy shortages, and reliance on commodity exports limited the overall effectiveness of these measures. ✓✓
- Global economic factors, like fluctuating commodity prices and demand for South African goods, also influenced outcomes beyond government control. ✓✓
- While there have been periods of improvement in the current account and foreign reserves, the deficit has not been fully eliminated, showing only partial success. ✓✓
- Therefore, the government's interventions have had some positive impact but have not completely resolved the balance of payments challenges. ✓✓
  (Accept any other relevant answer)

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

  Conclusion
  As a developing country South Africa encourages international trade in order to achieve higher economic growth✓✓
  (Accept any other relevant answer)

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ECONOMIC PURSUITS:
INTERNATIONAL TRADE POLICIES

MAIN TOPIC: ECONOMIC PURSUITS	
TOPIC 8: PROTECTIONISM AND FREE TRADE	**CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES**
Discussion of protectionism and free trade; Evaluate South African international trade policies and major protocols in terms of the following:	(Focus on export promotion, import substitution, protectionism and free trade)
8.1 Export promotion	• ***Discuss in detail export promotion*:** - **Definition** - **Methods** - **Reasons/Advantages** - **Disadvantages**
8.2 Import substitution	• Discuss **import substitution**: - Definition - Methods - Reasons/Advantages - Disadvantages
8.3 Protectionism	• ***Discuss in detail the arguments in favour of protectionism*:** - **Industrial development** - **Infant industries** - **Stable wage levels and high standard of living** - **Increased employment** - **Self-sufficiency and strategic industries** - **Prevention of dumping** - **Stable exchange rates and BoP** - **Protection of natural resources**
8.4 Free trade	• Explain the following **arguments** in favour of **free trade**: - Specialisation - Economies of scale - Choices/Increased welfare - Innovations/Best practice - Improved international relations
8.5 A desirable mix	• Briefly describe the concept **desirable mix** • Briefly explain the desirable mix between: - Import substitution and export promotion - Protection and free trade • Explain trade liberalisation and the role of the World Trade Organisation (WTO) as part of globalisation • Briefly explain the different forms of economic integration (cite appropriate examples)
8.6 An evaluation	• Briefly **evaluate** the following South Africa's **trade policies**: - Import substitution and export promotion - Protection and free trade • **Briefly evaluate** the successes and failures of the following South Africa's **trade protocols**: - Southern African Custom Union (SACU) - Multilateral Monetary Area (MMA) - Southern Africa Development Community (SADC) - African Union (AU) - European Union (EU) - Mercusor - AGOA - Japan – South Africa's Partnership Forum - Brazil, Russia, India, China and SA (BRICS)

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ACTIVITY 1

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 A policy where there are no restrictions to trade such as taxes on goods or bans on imports, it is called …

A. dumping.
B. protectionism.
C. free trade.✓✓
D. diversification.

1.1.2 An interfacing and interaction of economies with trade as a key element is known as …

A. free trade.
B. communication.
C. industrialization.
D. globalization. ✓✓

1.1.3 The application of a trade policy whereby the state discourages importing of certain goods and services is called …

A. protectionism. ✓✓
B. import substitution.
C. export promotion.
D. globalization.

1.1.4 Newly established firms that still need protection from foreign competition are called ... industries

A. competitive
B. strategic
C. declining
D. infant✓✓

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

A. exportation
B. dumping✓✓
C. importation
D. import substitution

1.1.6 Import duties imposed as a percentage of the value of the imported goods is known as …tariffs

A. composite
B. specific
C. ad valorem ✓✓
D. average

1.1.7 Economic integration where member countries agree on a common economic policy is called a……..

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

1.1.8 A policy where goods that were previously imported are replaced with goods produced locally is called …

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A. subsidies.
B. import substitution. ✓✓
C. export promotion.
D. diversification.

1.1.9 Financial assistance made by the government to local producers for them to be competitive is called…
A. subsidies ✓✓
B. tariffs
C. quotas
D. import substitution

(9x2) 18

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A-E) next to the question number (1.2.1 – 1.2.5) in the ANSWER BOOK.

Column A	Column B	Answers
1.2.1 Trade liberalization 1.2.2 Protectionism 1.2.3 Ad valorem 1.2.4 Export promotion 1.2.5 Dumping 1.2.6. Sanctions	A. A tariff that is charged as a percentage of the value of imported goods B. A tariff that is charged as a certain amount per unit, mass or size of a good C. The government policies and regulations which are designed to benefit local producers of goods and services in their competition with imported goods D. The abolition of government intervention in trade flows on both the import and export . E. Penalty applied by one or more countries on another country F. The practice of selling goods in a foreign country at lower prices than in the country of origin.. G. Incentives to encourage the production of goods that can be exported.	1.2.1 D✓ 1.2.2 C✓ 1.2.3 A✓ 1.2.4 G✓ 1.2.5 F✓ 1.2.6 E✓

(6 x 1) (6)

1.3 Give the economic term for each of the following descriptions. Write on the term/concept next to the question number.

1.3.1 Goods that were previously imported are replaced with local produce goods.
Import substitution✓

1.3.2 Withdrawal of capital investment from a company or a country.
Disinvestments✓

1.3.3 The financial help given to exporters to help them export their goods.
Subsidies✓

1.3.4 A limited supply of goods and services to reduced imports.
Quotas✓

1.3.5 The situation where by consumers and producers are free to buy and sell goods anywhere without any restrictive.

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Free trade. ✓

1.3.6 World-wide exposure and interaction of economies with trade as a key element.
Globalization✓

ACTIVITY 2

2.1 Study the cartoon below and answer the questions that follow



www.google.com

2.1.1 Identify the South African trade policy in the cartoon above (1)
Import substitution ✓

2.1.2 Name the organization that promotes free trade. (1)
World trade organization ✓

2.1.3 Briefly describe the term *export promotion*. (2)
Export promotion refers to policies and strategies implemented by the government to encourage production of goods and services with an intention to export✓✓
(Accept any other correct relevant response.)

2.1.4 Explain the impact of free trade on the prices of goods. (2)

- Higher exports reduce cost of production because of economies of scale and the price decreases. ✓✓
- Free trade reduces the prices of goods as imported goods can be cheaper the consumers can now afford the goods needed in a country. ✓✓

(Accept any other correct relevant response.)

2.1.5 How would imposing tariffs on imported goods benefit South Africa? (2 x 2) (4)

- Tariffs on trade are often used as a means to restrict imports by increasing the price of goods and services purchased from overseas. ✓✓
- It protects newly established infant industries against well-established foreign competition. ✓✓
- Imposing tariff will create more revenue for the government, that revenue will benefit South Africa. ✓✓
- It prevents countries from dumping their products in the South African market. ✓✓

(Accept any other correct relevant response.)

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2.4 Briefly discuss *specialisation* and *economies of scale* as arguments in favour of free trade. (8)

Specialisation

- Countries specialise in producing products in which they have a comparative advantage leading to higher output. ✓✓
- Specialisation allows world trade and consumption to be maximised leading to global efficiency. ✓✓
- Specialisation will increase economic efficiency and prevent wastage of resources and the industries will have lower opportunity cost. ✓✓ (Max 4)

Economies of scale

- Trade allows economies of scale to be maximise and thus unit costs are reduced ✓✓
- Economies of scale are a source of comparative advantage which results to an increase in exports. ✓✓ (Max 4)

(Accept any other correct alternative response)

2.5 Evaluate the success of the methods implemented by the South African government to promote exports. (8)

- The government pays cash subsidies to exporters and Implementing incentives to foreign market exporters. ✓✓
- The government has established research centres to help businesses identify new markets. ✓✓
- The government provides concessions on transport charges to encourage local producers to enter the export markets. ✓✓
- The state offers concessions like tax rebates on profits earned from exports or on capital invested to produce export goods. ✓✓
- The state offers employment subsidies and assistance in financing exports. ✓✓

(Accept any other correct relevant response)

ACTIVITY 3

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

SA ECONOMY UNDER PRESSURE FROM US TARRIFS

South African exporters are expected to face renewed pressure after the United States increased tariffs on imports from 60 countries, with economists warning that the move could weigh on export-driven industries even though the final tariff imposed on South Africa is lower than initially feared. The US recently increased tariffs on South African exports from 10% to 12.5%, significantly below the more than 30% initially proposed under the so-called "Liberation Day" tariff measures.

Source: google.com

3.1.1 Identify the new tariff percentage that USA has imposed on South African goods. (1)

12.5%✓

3.1.2 Name the trade protocol that South Africa and the United State are both members of. (1)

AGOA✓

3.1.3 Briefly describe the term *globalisation*. (2)

Globalisation refers to a world-wide exposure and interaction of economies with trade as a key element. ✓✓

(Accept any other correct relevant response)

3.1.4 Why is import substitution important for the country's economy? (2)

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- Reduces reliance on foreign goods by promoting domestic production, which helps to achieve greater self-sufficiency and reduce vulnerability to global market fluctuations. ✓✓
- Improves the trade balance by reducing imports and increasing local production, which can decrease trade deficits. ✓✓

(Accept any other correct relevant response)

3.1.5 How will export promotion negatively affect the South Africa's economy? (4)

- The real cost of production is hidden by subsidies and incentives which reduces the total cost of production and may result in local firm being unable to compete in an open market ✓✓
- Export promotion will drive competitors out of the market as they are unable to compete with firms that are subsidised, this reduces consumer choice, drives prices up and poor quality of goods ✓✓
- Developed countries often maintain high levels of effective protection for their industries that produce labor-intensive goods ✓✓

(Accept any other correct relevant response)

3.4 Discuss the different forms of economic integration. (8)

- Free trade areas are formed when a group of countries agree to sign an agreement whereby goods are traded amongst each other without the use of tariffs and quotas. ✓✓
- Customs union occurs when member countries agree to adopt the same level of tariffs and quotas against non-member countries. ✓✓
- Common market occurs when member countries decide to increase the level of economic integration between them. ✓✓
- Economic union is a common market where meber countries attempt to coordinate their fiscal and monetary policies.

(Accept any other correct relevant response)

3.5 How can the government protect local infant industries against unfair international competition? (8)

- The government must increase tariffs on imports in order to increase the cost and market price, with the hope that local consumers will resolve to buying cheaper locally produced substitute ✓✓
- The government must put limits on the number (quota) of imports that are allowed to enter the country ✓✓
- The central bank can reduce the amount of foreign exchange available to those that wish to import ✓✓
- The government can impose diverting trade strategies that may include time wasting custom tactics, high quality standards and high import deposits ✓✓

(Accept any other correct relevant response)

3.6 Analyse the negative effects of protectionism on the South African economy. (8)

- Industries that have been granted protection tend to become dependent on it and may struggle to survive financially. ✓✓
- Some industries were not protected against price cutting and dumping of foreign goods and services✓✓ e.g. the dumping of chicken by USA. ✓
- The unemployment rises, compromising the standard of living due to a lower demand impacting negatively on local production, ✓✓
- The disadvantages of higher prices against the advantages of lower imported prices are difficult to weigh up in the long term. ✓✓
- Protection largely encourages import substitution, which dampens economic growth and job creation. ✓✓
- It is difficult for the government to determine when to phase out protection because if it is done too early it will leave industries vulnerable. ✓✓

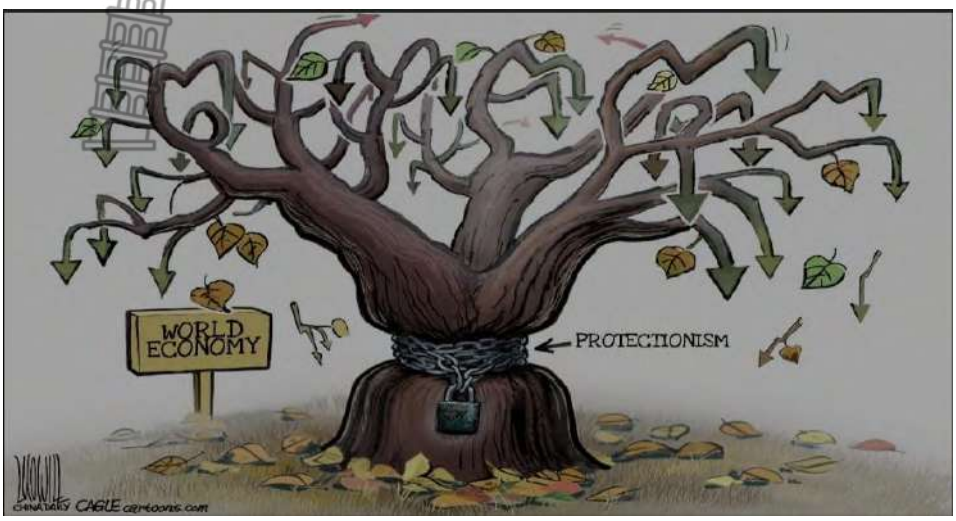
(Accept any relevant correct response)

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ACTIVITY 4

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

SOUTH AFRICAN TRADE POLICY



Source:www.google.com

4.1.1 Identify the international trade policy depicted above. (1)

Protectionism ✓

4.1.2 Name the organisation that promotes reduction of all trade barriers (1)

World Trade Organisation.✓

4.1.3 Briefly describe the term *common market*. (2)

It is a custom union where the member countries allow the free movement of capital and labour between themselves.✓✓

(Accept any relevant correct answer)

4.1.4 Explain the negative impact of dumping on the South African economy. (2)

- Dumping drives out competition in the market reducing choice for consumers. .✓✓
- Local businesses may struggle to compete with low prices potentially leading to job losses and economic instability. .✓✓
- Dumping can harm local industries in South Africa by making it difficult for them to compete with low prices of imported goods. .✓✓

(Accept any relevant correct answer)

4.1.5 Why is export promotion good for economic growth? (4)

- The country enjoys the achievement of significant export-led economic growth.✓✓
- Export promotion enlarges the production capacity of the country by the local industries.✓✓
- Export markets are much bigger than local industries.✓✓
- More job opportunities are created for the employment of local workers. ✓✓
- More surpluses by local firms tend to lower prices of goods and services.✓✓
- (Accept any relevant correct answer)

4.2 Evaluate South Africa's import substitution as a trade policy. (8)

Positive effect:

- Increase in industrial growth and development, as new industries will be established. ✓✓

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- Increase in profits leading to further investments. ✓✓
- Tariffs introduced in South Africa lead to increased demand for locally manufactured goods and services. ✓✓
- Import substitution improves industrialisation, which increases employment opportunities. ✓✓
- A decrease in imports has a positive effect on the balance of payment as more exports than imports will take place. ✓✓

Negative effect:

- Import substitution is restrictive as the choice of goods and services available to consumers may be limited. ✓✓
- It is not easy to implement the policy of import substitution due to unrecorded informal or illegal transactions. ✓✓
- It does not necessarily lead to an overall reduction in imports, as South Africa had to import capital and intermediate goods to manufacture consumer goods. ✓✓
- Inefficient local production may occur because local producers are shielded from international competition. ✓✓

(Accept any relevant correct response)

ACTIVITY 5

5.1 Study the picture below and answer the questions that follow.

SOUTH AFRICAN TRADING PARTNERS



Source: www.googlesearch.com

5.1.1 Identify the trade protocol depicted in the cartoon above. (1)

Mercosur.✓

5.1.2 Name any product that South Africa trade with in Mercosur countries. (1)

- Plastic and rubber ✓
- Vehicles and automobile ✓
- Machinery and electronic equipment ✓
- Agricultural goods ✓

(Accept any relevant correct response)

5.1.3 Briefly describe the term *trade barriers*. (2)

Trade barriers are any measure that artificially restricts international trade.✓✓

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(Accept any relevant correct response)

5.1.4 Explain the effect of cheap imports on South Africa's industries. (2)

- Cheap imports force some local producers to close down due to cheap imports from other countries reducing local production and efficiency. ✓✓
- Cheap imports can lead to job loses to industries due to a decrease in demand for local production. ✓✓

(Accept any relevant correct response)

5.1.5 How has the Mercosur trade agreement influenced the South African economy? (4)

- It has led to an increase in the South Africa's export in products such as chemicals, wine and vehicles diversifying export market away from EU. ✓✓
- South Africa's trade deficit with Brazil increased as its imports more than its exports. ✓✓
- Cheap agricultural imports like poultry and sugar undercut local producers leading to job losses. ✓✓

(Accept any relevant correct response)

ACTIVITY 6

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

President urges faster SACU reforms



President Cyril Ramaphosa has called on member states of the South African Custom Union (SACU): South Africa, Lesotho, Namibia, Botswana to accelerate reforms and strengthen regional cooperation to help the bloc respond to changing global trade,

Source: www.googlesearch.com

6.1.1 Identify one-member country of the SACU depicted in the above extract. (1)

- South Africa ✓
- Lesotho ✓
- Namibia ✓
- Botswana ✓

6.1.2 Name any ONE type of an economic integration. (1)

- Free trade area ✓
- Custom union ✓
- Common market ✓
- Economic union ✓

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(Accept any relevant correct answer)

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

- It is an agreement that sets the rules of trade between the countries and which can affect trade with non-member countries.✓✓

(Accept any relevant correct answer)

6.1.4 Explain the importance of South Africa to trade with other countries. (2)

- It helps to attain the resources it does not have in order to produce goods and services✓✓.
- Trading with other countries generates foreign exchange needed to pay for imports and stabilise the country's currency. ✓✓
- Trade creates employment opportunities, when a country has to produce for export markets. ✓✓
- It improves the consumer choice to the satisfaction of their needs and wants. ✓✓

(Accept any relevant correct response)

6.1.5 How does South Africa benefit from the European Union? (4)

- South Africa export larger portion of its agricultural produce to EU without paying higher taxes. ✓✓
- The EU is the biggest investor in the South African economy, which resulted in many job opportunities created in factories thereby improving the standard of living for people. ✓✓
- EU forces South African products to meet high quality standards and become globally competitive. ✓✓
- The EU provides grants for education, SMME's and green energy, which helps develop the South African economy. ✓✓

(Accept any relevant correct response)

ACTIVITY 7

7.1 Study the cartoon below and answer the questions that follow



www.economicsimages.com

7.1.1 Identify one trade policy mentioned in the above cartoon. (1)

Protectionism /free trade✓

7.1.2 Name the organization that seeks to promote globalization. (1)

World trade organization ✓

7.1.3 Briefly describe the term free trade. (2)

- When producers and consumers are free to buy goods and services from anywhere in the world without the interference of government✓✓

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(Accept any relevant correct response)

7.1.4 Explain economies of scale as an argument in favour of free trade. (2)

- Enterprises are always competing to find new production methods that cut costs and will improve the quality and reliability of goods. ✓✓
- Trade allows economies of scale to be maximised and thus unit costs are reduced✓✓

(Accept any relevant correct response)

7.1.5 Why do developing countries face challenges when trading with developed countries? (4)

- Developing countries often face higher tariffs, quotas, and non-tariff barriers imposed by developed countries, making their goods less competitive. ✓✓
- Developed countries have stringent and high standards and regulations that can be difficult and costly for developing countries to meet. ✓✓
- Developing countries often lack the infrastructure, technology, and capital needed to compete effectively with developed countries. ✓✓

(Accept any relevant correct response)

ACTIVITY 8

8.1 Study the cartoon below and answer the questions that follow



www.googlecom

8.1.1 Identify the trade protocol in the above cartoon. (1)

BRICS ✓

8.1.2 Name ONE of the new members of the expanded BRICS nations. (1)

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

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(Accept any relevant answer)

8.1.3 Briefly describe the term *customs unions.* (2)

Customs unions are trade agreements between a group of countries that agree to eliminate tariffs and other trade barriers on goods traded among them. ✓✓

(Accept any relevant answer)

8.1.4 Explain the importance of the Southern Africa Development Community (SADC) trade policy. (2)

- The policy facilitates trade and financial liberalisation, to establish competitive and diversified industrial development, to increase investment, and eradicate poverty among member countries ✓✓
- to promote sustainable and equitable economic growth and socio- economic development through efficient productive systems, deeper cooperation and integration, good governance ✓✓

(Accept any relevant answer)

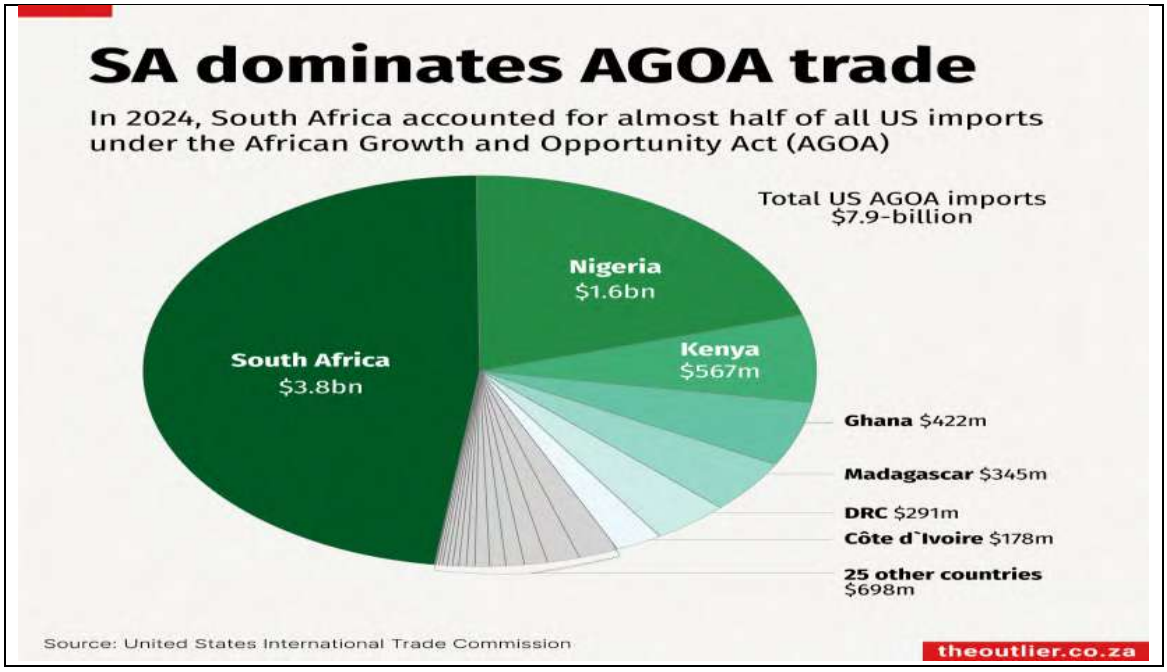
8.1.5 How can South Africa benefit from being a member of BRICS? (4)

- BRICS promotes and creates new trade opportunities for value added exports and investment✓✓
- South Africa benefits by having access to new technology and funding through the BRICS bank ✓✓
- South Africa benefits from a greater influence at a world stage and exchange of skills ✓✓

(Accept any relevant answer)

ACTIVITY 9

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



9.1.1 Identify the value of South African exports to the USA. (1)

3.8 Bn dollars ✓

9.1.2 Name any product exported to the US. (1)

- Platinum ✓
- Manganese✓
- Titanium ores✓

(Accept any relevant correct answer}

9.1.3 Briefly describe the term *trade neutrality*. (2)

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Trade neutrality is a trade incentive in which the government provides subsidies that are equal to the value of import tariffs ✓✓
(Accept any relevant answer)

9.1.4 Explain the benefit of South Africa by being a member of the trading bloc. (2)

- Employment will increase which will improve standard of living. ✓✓
- There will be a variety of goods and services produced. ✓✓

(Accept any relevant answer)

9.1.5 How can the non-renewal of the AGOA affect the South African economy? (4)

- The revenue generated from exports will decrease which may negatively affect the trade balance. ✓✓
- Business profits may decrease which may result in retrenchment of workers. ✓✓
- The South African youth may lose the opportunity to be equipped with skills and knowledge necessary for economic development. ✓✓
- It could lead to a decrease in foreign investment thereby lowering the living standard.✓✓

(Accept any relevant answer)

ACTIVITY 10

- Discuss in detail the arguments in favour of protectionism. (26)
- Why is it important for South Africa to increase its export capacity? (10)

INTRODUCTION

Protectionism is a trade policy whereby the state discourage the importing and exporting of certain goods and services.✓✓

It is an economic policy that restricts trade between countries to protect domestic industries from unfair competition. ✓✓

(Accept any relevant correct response)

BODY: MAIN PART

Arguments in favour of protectionism

(a) Industrial development✓

- Countries need to develop diversified industries to prevent over-specialisation.✓✓
- A country relying too heavily on the export of one or a few products is very vulnerable✓✓for example, Botswana relies almost entirely on the export of diamonds.✓
- Import restrictions may be imposed on a range of products in order to ensure that a number of domestic industries develop.✓✓
- The imposition of tariffs produces revenues for governments to promote industrial development.✓✓
- In developing countries, the tax base is often limited because of low incomes of individuals and businesses.✓✓
- Low incomes in developing countries do not provide much tax revenue and therefore, customs duties on imports are an additional source of revenue.✓✓

(b) Infant industries✓

- Newly established industries find it difficult to survive because of high average costs of production, which are higher than those of well- established foreign competitors.✓✓
- Infant industries need protection in their early years for them to be able to grow and take advantage of economies of scale, lower their average costs and become competitive.✓✓
- When industries are well established and competitive, the protection should be removed.✓✓
- In some circumstances, declining industries or sunset industries should be permitted to go out of business gradually.✓✓

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- Protection may enable an industry to decline gradually, thereby allowing time for resources to move to other industries.✓✓

(c) Stable wage levels and higher standard of living✓

- A country with high wages has a view that the standard of living will be undermined if cheaper goods are imported from countries with low wages.✓✓
- Imports from countries with relatively low wages represent unfair competition and may threaten the standard of living of highly paid workers in local industries. ✓✓
- Local industries would be unable to compete because of their higher wages that push up the prices of local goods. ✓✓
- Protection is necessary to prevent local wage levels from falling or even to prevent local businesses from closing down due to becoming unprofitable. ✓✓
- Competition from low-wage countries may reflect the fact that those countries have a comparative advantage in low-skilled labour-intensive industries. ✓✓

(d) Increased employment✓

- Countries with high levels of unemployment are continuously pressured to stimulate employment creation.✓✓
- Countries with high unemployment often tend to resort to protectionist policies in order to stimulate industrialisation. ✓✓
- Imposing import restrictions would mean that citizens would purchase more products that are domestically produced and thereby raise domestic employment. ✓✓
- Concentration on domestic employment creation, at the expense of other countries led to measures being referred to as "beggar-thy-neighbour" policies. ✓✓
- Countries making use of protectionist policies should keep in mind that imposing import restrictions is likely to provoke retaliation. ✓✓

(e) Self-sufficiency and strategic industries✓

- In times of conflict; cut-offs or frictions between countries may occur.
- Protection should be granted, especially to key industries to ensure the availability of these key products✓✓
- Some industries, such as iron and steel, agriculture (basic foodstuffs, such as maize}, chemicals (fertilizers), energy (fuels) and electronics (communication) are often regarded as strategic industries. ✓✓
- Developing countries may feel that they need to protect and develop strategic industries in order to become self-sufficient✓✓.

(f) Prevention of dumping✓

- Dumping is selling goods in a foreign market at a price that are below the cost of production in the country of origin. ✓✓
- Foreign enterprises may engage in dumping because government subsidies permit them to sell at very low prices or because they are seeking to raise profits through price discrimination. ✓✓
- The reason for exporting products at a low price may also be to dispose of accumulated stocks of the good. ✓✓
- Consumers in the importing country will therefore benefit from lower prices. ✓✓
- The long-term objective of exporting countries may be to drive out domestic producers and gain a strong market position. ✓✓

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- Consumers are likely to lose out as a result of the reduction in choice and the higher prices that the exporters will be able to charge. ✓✓
- Domestic production will decrease as some of the local manufacturers may be competed out of the market by cheap foreign products.
- Tax revenue for the government will decrease as workers lose jobs and businesses reduce production.

(g) Stable exchange rates and balance of payments✓

- The primary reason for protectionism is that an unstable currency tends to cause underdevelopment, limiting a country's imports and exports. ✓✓
- Protecting the balance of payments and improving the terms of trade are sometimes used as arguments to justify protectionist policies. ✓✓
- Protectionism helps to reduce imports thereby increasing the trade balance and helps the local currency (rand) to appreciate. ✓✓

(h) Protection of natural resources✓

- International trade and globalisation stimulate awareness of the unique features of natural resources. ✓✓
- Governments can use trade restrictions and domestic measures to strengthen property rights or reduce exploitation of natural resources. ✓✓
- Governments could make producers and consumers take account of the social costs of their activities by levying excise duties such as carbon tax. ✓✓

(Accept any other correct relevant response)

ADDITIONAL PART

- Export-led economic growth may lead to economic development in the country. ✓✓
- Income generated in the form of foreign currency can be used to pay for imported production inputs such as oil and machinery. ✓✓
- The trade balance may increase which will reduce balance of payments (BoP) problems. ✓✓
- Demand for local goods and services may increase through exports markets that are much bigger than local markets. ✓✓
- Local businesses will be encouraged to produce goods in large quantities, which leads to a decrease in the cost of production. ✓✓
- Prices of local goods and services will decrease as they are produced in large quantities. ✓✓
- The global competitiveness of local businesses will increase through economies of scale and innovation. ✓✓
- More job opportunities will be created for local households, as new businesses will be established to produce exports. ✓✓
- Financial assistance will be provided to producers to upgrade their technology and improve productivity. ✓✓

(Accept any other correct relevant response)

CONCLUSION

The government should choose a desirable mix of protectionist and free trade policies that will suit the prevailing conditions in the economy. ✓✓

(Accept any other correct relevant response)

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ECONOMIC GROWTH AND DEVELOPMENT

Please refer to Last Push 2024 and 2025 documents for more activities on this topic.

TOPIC 9: ECONOMIC GROWTH AND DEVELOPMENT	CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES
Compare South African growth and development policies in terms of international benchmarks; also highlight the North/South divide	• Distinguish between **growth** and **development**
9.1 The demand-side approach	• ***Discuss in detail* the demand-side approach in promoting growth and development in South Africa** - Give an overview of the **demand-side approach**: o **The monetary policy (interest rate changes, open market transactions, moral suasion)** o **The fiscal policy (progressive personal income tax, wealth tax, cash benefits, natural benefits, other redistribution, land restitution and redistribution, subsidies on property)**
9.2 The supply-side approach	• *Discuss* the **supply-side** approach in promoting growth and development in South Africa - Give an overview of the **supply-side approach**: o Efficiency and effectiveness of markets o Business efficiency o The cost of doing business
9.3 Approaches to growth and development policies used in South Africa	• ***Discuss in detail the following South African growth and development policies and strategic initiatives*:** - **Reconstruction and Development policy (RDP)** - **Growth, Employment and Redistribution Programme (GEAR)** - **National Skills Development Strategy (NSDS)** - **Accelerated and Shared Growth Initiative for South Africa (AsgiSA)** - **Joint Initiative on Priority Skills Acquisition (JIPSA)** - **Expanded Public Works Programme (EPWP)** - **The New Growth Path (NGP)** - **National Development Plan (NDP)** - **Small Business Development Promotion Programme** - **Black Economic Empowerment Programmes**
9.4 The North/South divide	• Compare countries in the North to those in the South with respect to the following: - Unequal **standards of living** (per capita income, life expectancy, education) - **Challenges** of globalisation (poverty, growth, trade) - **Environment** (countries in the North, countries in the South)

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ACTIVITY 1

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 A policy in which the marginal tax rate increases as taxable income increases is called…

A regressive tax system
B proportional tax system
C progressive tax system ✓✓
D equitable tax system

1.1.2 An increase in the real value of production in a country is known as economic …

A development.
B growth. ✓✓
C integration.
D prosperity.

1.1.3 Financial support paid by the government to businesses as an incentive to decrease their cost of production is known as …

A. subsidies ✓✓
B. tariffs
C. sureties
D. investment

1.1.4 A strategy aimed at creating 5 million jobs by 2020

A New Growth Path (NGP) ✓✓
B Reconstruction and Development Plan (RDP)
C Accelerated and Shared Growth Initiative for South Africa (AsgiSA)
D National Development Plan (NDP)

1.1.5 Return of land to those that have lost it due to discriminatory laws is called …

A land distribution.
B land reform.
C land redistribution.
D land restitution. ✓✓ **(5x2) 10**

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A-I) next to the question number (1.2.1 –1.2.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	Answers
1.2.1	Restrictive monetary policy	A. A tax levied on capital goods	1.2.1 B✓
1.2.2	Human development index	B. A policy used to decrease economic activities through interest rate	1.2.2 D✓
1.2.3	JIPSA		1.2.3 E✓
1.2.4	National Development Plan	C. Tax levied on individual personal assets	1.2.4 F✓
1.2.5	Wealth taxes	D. A composite economic indicator used to measure the standard of living	1.2.5 C✓
		E. A policy that focuses on the acquisition of skills	
		F. It is a national strategy in South Africa to develop the economy with an outlook towards 2030	

(5x1) 5

1.3 Give One term for each of the following descriptions by writing the correct term.

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1.3.1 The policy implemented in 1994 to redress inequalities of the past.
Reconstruction and Development Programme ✓

1.3.2 A tool used by the SARB to persuade banks to act in a responsible manner based on prevailing economic conditions.
Moral suasion ✓

1.3.3 The government program that was initiated to half poverty and unemployment in South Africa by 2014.
Accelerated and shared growth initiative of South Africa ✓

1.3.4 Countries that are characterized by low per capita income.
South divide / developing countries ✓

1.3.5 A tax system that is used to redistribute income in favour of the poor.
Progressive tax system ✓

(5x1) (5)

ACTIVITY 2

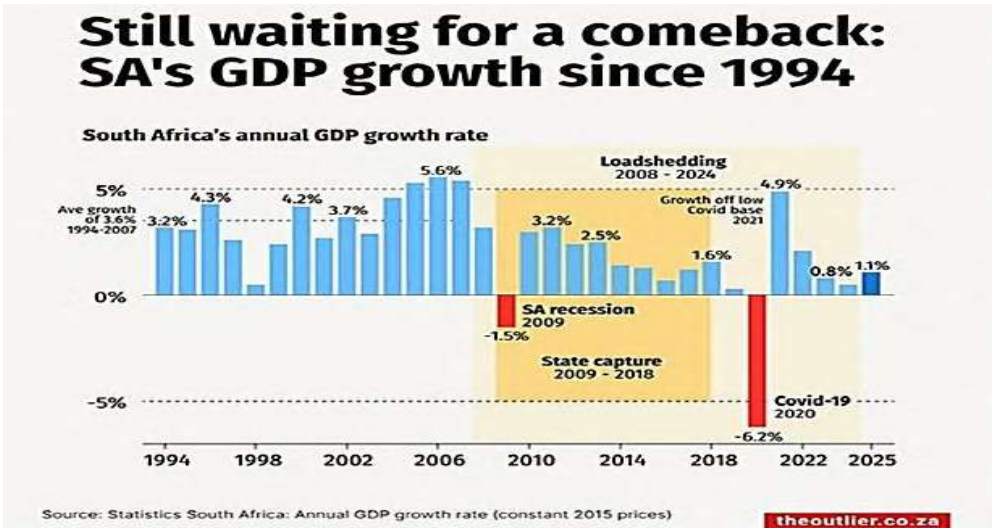
2.1 Answer the following questions.

2.1.1 Name any TWO measures of the standard of living. (2)

- Real GDP per capita ✓
- Life expectancy ✓
- Education / Literacy level ✓

2.1.2 Why does government need to provide cash benefits to certain groups of people? (2)
Cash benefits serve as a social security net that aims to protect vulnerable groups from poverty. ✓✓
(Accept any other correct relevant response)

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



Source: www.theoutlier.co.za

2.2.1 Identify the longest period of economic prosperity from the graph above. (1)
1994 – 2007 ✓

2.2.2 Name the main indicator used to measure economic growth. (1)
Gross domestic product / GDP ✓

2.2.3 Briefly describe the term *property subsidy*. (2)

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Financial assistance provided by government to people to acquire ownership of fixed residential properties. ✓✓
(Accept any other correct relevant response)

2.2.4 Explain the impact of an increase in investment on economic growth. (2)

Investments contribute to an increase in economic growth as business would build new productions plants, expand the existing ones and spend on new machinery which increase output in the economy. ✓✓
(Accept any other correct relevant response)

2.2.5 Why do banks have to comply with the cash reserve requirement set by the SARB? (4)

- Holding a certain minimum cash reserve helps to ensure that depositors are able to find money whenever they want to withdraw. ✓✓
- The law assists to prevent a run on banks which can cause financial crisis in the economy. ✓✓
- The SARB use the instrument as a core tool to control the national money supply to prevent high inflation. ✓✓

(Accept any other correct relevant response)

ACTIVITY 3

3.1 Answer the following questions.

3.1.1 Name any TWO examples of wealth tax. (2)

- Property tax / rates ✓
- Inheritance / estate duty ✓
- Capital gains tax ✓

3.1.2 How does the lack of skilled labour negatively affect the economy? (2)

- Unskilled labour may contribute to low productivity leading to poor economic growth rate. ✓✓
- In a situation where wage increases are higher than productivity due to unskilled labour, there may be inflationary pressures in the economy as producers would want to increase prices to compensate for high costs of production. ✓✓

(Accept any other correct relevant response)

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

SOUTH AFRICA GETS $1.5BN LOAN TO FUND INFRASTRUCTURE

The South African government and the World Bank have signed a US$1.5 billion Development Policy Loan aimed at supporting infrastructure reforms and boosting inclusive economic growth.
The financing will support reforms in the electricity, freight and logistics sectors, as well as efforts to address challenges in water and sanitation.

Source: www.allafrica.com.co.za

3.2.1 Identify a term that relates to the transportation of goods from the extract above. (1)

Freight and logistics ✓

3.2.2 Name the government department that is responsible for developing infrastructure in South Africa. (1)

Department of Public Works and Infrastructure ✓

3.2.3 Briefly describe the term *public private partnership*. (2)

Collaboration between government and private enterprises to build a large infrastructure project or provide a service. ✓✓
(Accept any other correct relevant response)

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3.2.4 Why is shortage of electricity considered as a supply-side shock to the economy? (2)

Businesses cannot be able to operate efficiently without electricity and that results to a decrease in output. ✓✓

(Accept any other correct relevant response)

3.2.5 How does poor sanitation affect the standard of living? (4)

- Poor sanitation can pollute water causing a wide spread of deadly diseases such as cholera. ✓✓
- The public would experience financial strain as they would need to spend on healthcare services and find alternative methods of improving sanitation. ✓✓
- Young children may suffer from malnutrition which can result to high mortality rates. ✓✓

(Accept any other correct relevant response)

ACTIVITY 4

4.1 Answer the following questions.

4.1.1 Name TWO land reform programmes. (2)

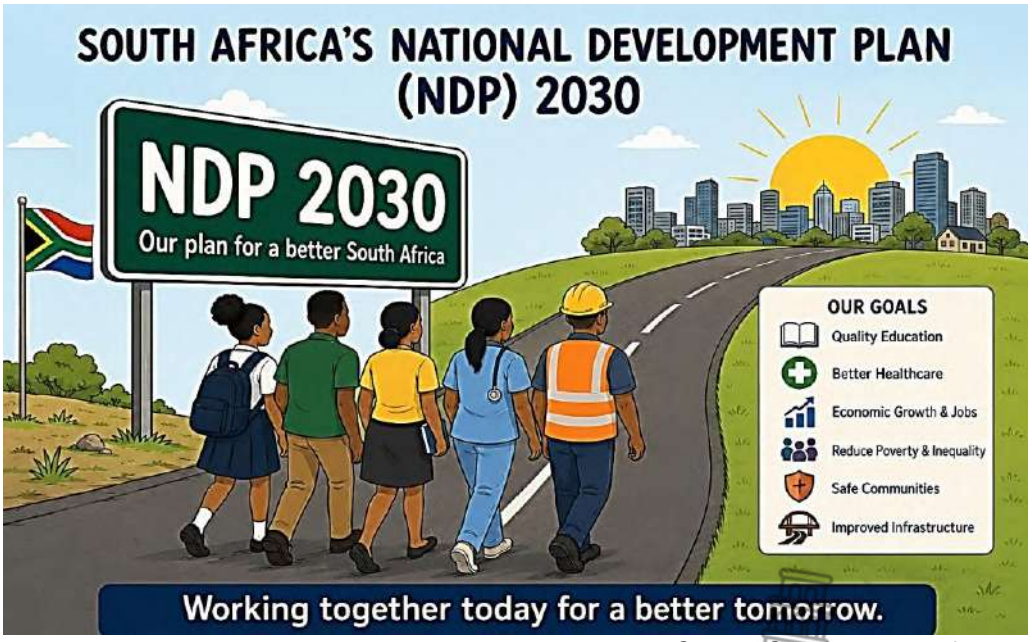
- Land redistribution ✓
- Land restitution ✓

4.1.2 Why does South Africa experience high inequality among its population. (2)

- The country still suffers from the lasting effects of the apartheid regime which treated citizens unequally based on the colour of their skin. ✓✓
- There is poor implementation and integration of government policies while other policy goals work against others. ✓✓

(Accept any other correct relevant response)

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



Source: Google generated

4.2.1 Identify the growth and development policy from the above picture. (1)

National Development Plan 2030 ✓

4.2.2 Name the South African government policy that aims to create employment using labour-intensive methods. (1)

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Expanded Public Works Programme ✓

4.2.3 Briefly describe the term *life expectancy.* (2)

The average number of years a person is expected to live assuming that the conditions they live in do not change. ✓✓

(Accept any other correct relevant response)

4.2.4 Explain the negative impact of high crime rate in the economy. (2)

High crime rate poses a risk for businesses and that can result to a decrease in investor confidence. ✓✓

(Accept any other correct relevant response)

4.2.5 Why are economic redress policies important in the South African economy? (4)

- Economic redress policies help to uplift the standard of living of the previously marginalised groups by empowering them with skills and to make a living. ✓✓
- Effective implementation of redress policies assists in bridging the gap between the rich and the poor which helps stimulate economic growth. ✓✓

(Accept any other correct relevant response)

ACTIVITY 5

5.1 Answer the following questions

5.1.1 Name TWO policies that are used under the demand-side approach. (2)

- Monetary policy ✓
- Fiscal policy ✓

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



Source: www.gov.za

5.2.1 Identify a socio-economic challenge that is prevalent mostly among the youth from the above cartoon. (1)

Unemployment ✓

5.2.2 Name the South African institution that measures economic growth. (1)

Statistics South Africa ✓

5.2.3 Briefly describe the term *per capita income.* (2)

The average amount of money earned by each person in a specific country or region. ✓✓

(Accept any other correct relevant response)

5.2.4 Why do developed countries have a higher life expectancy than developing countries? (2)

Countries in the north have a high life expectancy because they have high income per capita resulting in affordability of better health care ✓✓

(Accept any other correct relevant response)

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5.2.5 How can fiscal constraints negatively affect the economy? (4)

- Socio-economic issues such as poverty would rise as government would be short of funds to provide welfare services. ✓✓
- Economic growth may be stifled by lack of investment in infrastructure as government would have to cut down on its expenditure. ✓✓
- The economy may be unable to attract investments as its credit ratings may be downgraded. ✓✓

(Accept any other correct relevant response)

5.3 Distinguish between *economic growth* and *economic development*. (8)

Economic growth

- Economic growth takes place when a country produces more goods and services than before. ✓✓
- Economists measure it as the percentage change in real GDP from one year to another. ✓✓
- The focus is on goods and services. ✓✓
- Economic growth is a necessary input for economic development to take place. ✓✓
- The economy may grow but it does not guarantee economic development. ✓✓

Economic development

- Economic development deals with issues such as education, literacy, healthcare, employment and environmental sustainability. ✓✓
- aims to create an environment that will promote people's dignity, self-respect and self-esteem and that also includes an increased freedom of choice by providing opportunities and a variety of goods and services to enable people to live their lives to the full✓✓
- It is concerned with people and human development✓✓
- Requires that economic growth must lead to improved living standards and well-being of the majority of people. ✓✓

(Accept any other correct relevant response)

ACTIVITY 6

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



Source: www.bussinessday.co.za

6.1.1 Identify the year that had the most decline in economic activity from the graph above. (1)

2021 ✓

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6.1.2 Name the government policy used to influence money supply. (1)

Monetary policy✓

6.1.3 Briefly describe the term *open market transactions.* (2)

A monetary policy instrument used to control money supply through buying and selling of government bonds and securities. ✓✓

(Accept any other correct relevant response)

6.1.4 Explain the importance of moral suasion as monetary policy instrument. (2)

The financial sector has a huge direct impact in the economy which can have negative ripple effects if the SARB doesn't use moral suasion to influence banks on how they should conduct their activities. ✓✓

(Accept any other correct relevant response)

6.1.5 Why is price stability important for achieving economic growth? (4)

- Price stability provides certainty for various economic participants and improve investor confidence. ✓✓
- Planning in the economy improves when policy makers, especially monetary authorities, have a clear picture about price levels. ✓✓
- Stable prices prevent people from rushing to spend money right away out of fear that prices will jump tomorrow. ✓✓

(Accept any other correct relevant response)

6.2 How can interest rates affect the economy? (8)

High Interest Rates

- Higher borrowing costs: Loans, car financing, and mortgages become more expensive, leading to higher monthly debt payments. ✓✓
- Less consumer spending: People cut back on large purchases and discretionary items because money is tighter. ✓✓
- Increased saving: Savers earn better returns on bank deposits, which encourages people to save instead of spend. ✓✓
- Slowed business growth: Companies delay factory upgrades, expansion plans, and new hiring due to expensive financing. ✓✓

Low Interest Rates

- Cheaper credit: Loans and mortgages become affordable, reducing monthly debt burdens for households. ✓✓
- Boosted spending: Consumers feel more confident to buy homes, cars, and lifestyle goods. ✓✓
- Encouraged business investment: Firms borrow easily to fund new projects, buy equipment, and expand operations. ✓✓
- Risk of inflation: Excessive spending and demand can drive prices up if the economy overheats. ✓✓

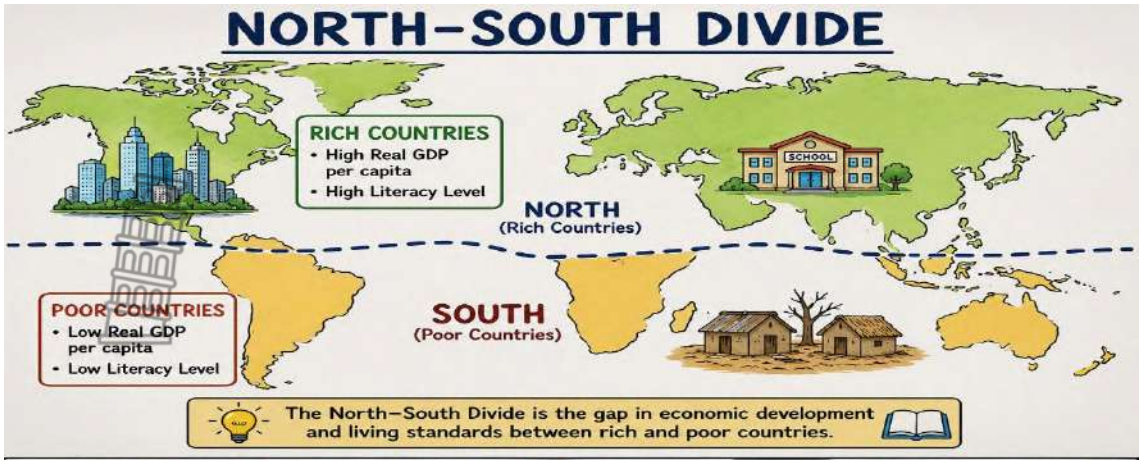
(Accept any other correct relevant response)

ACTIVITY 7

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



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Source: google generated

7.1.1 Identify a term that relates to first world countries from the cartoon above. (1)
Rich countries ✓

7.1.2 Name the South African government policy that was introduced in 1994 to reduce inequality (1)
Reconstruction and Development Programme ✓

7.1.3 Briefly describe the term *economic development.* (2)
An improvement in people's standard of living through the provision basic needs. ✓✓
(Accept any other correct relevant response)

7.1.4 Explain the impact of low literacy levels on workers. (2)
Low literacy levels cause workers to be unproductive as they normally lack the necessary skills to perform their duties. ✓✓
(Accept any other correct relevant response)

7.1.5 How does the economic activities of industrialised countries affect the environment? (4)

- Mass production that emits pollution destroys the ozone layer which results to global warming. ✓✓
- Industrialisation can cause degradation of land and lead to a decrease in agricultural output. ✓✓

(Accept any other correct relevant response)

7.2 How can government assist in lowering the costs of doing business? (8)

Regulation and Taxes

- **Cut red tape**: Make business registration and licensing faster and cheaper. ✓✓
- **Lower tax rates**: Reduce corporate income tax or offer special tax breaks for new businesses. ✓✓
- **Reduce trade tariffs**: Lower import and export fees on raw materials and goods. ✓✓

Infrastructure and Support

- **Improve transport**: Build better roads, ports, and railways to move goods quickly. ✓✓
- **Upgrade digital networks**: Provide fast, affordable internet access for all areas. ✓✓
- **Lower energy prices**: Support stable, cheap power and green energy options.

Workforce and Innovation

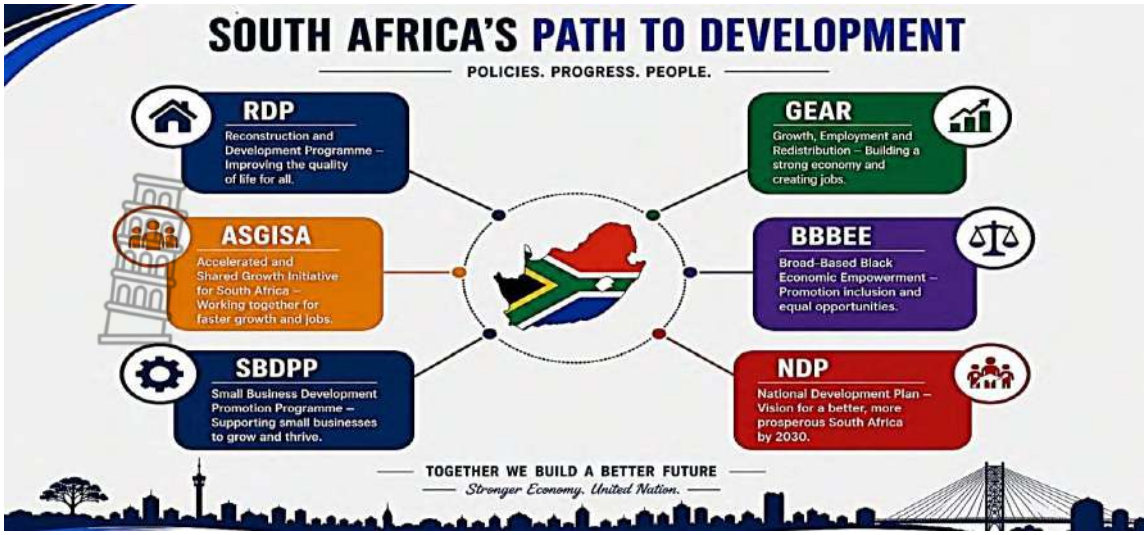
- **Fund job training**: Pay for programs that teach workers the skills companies need. ✓✓
- **Back research**: Give grants for new technology and product development. ✓✓
- **Provide cheap credit**: Back low-interest loans for small businesses. ✓✓

(Accept any other correct relevant response)

ACTIVITY 8

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

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Source: google generated

8.1.1 Identify a policy that was aimed at providing social services including housing from the above information. (1)

RDP ✓

8.1.2 Name the South African government department that provides welfare services. (1)

Department of Social Development ✓

8.1.3 Briefly describe the term sustainable development. (2)

The use of resources to meet present needs without compromising the ability of future generations to meet their own needs. ✓✓

(Accept any other correct relevant response)

8.1.4 Explain the importance of promoting small businesses for economic development. (2)

The development of small businesses creates job opportunities and source of income which helps the poor to afford basic needs and improve their standard of living. ✓✓

(Accept any other correct relevant response)

8.1.5 Why is it important for the government to form a working partnership with the private sector in the economy? (4)

- Businesses have trained workers with special technical skills that public offices might not have. ✓✓
- Money risks are split between both sides so a single bad project does not hurt the public budget too much. ✓✓
- Public transport, health care, and utilities run smoother when private management style mixes with public goals. ✓✓

(Accept any other correct relevant response)

ACTIVITY 9

- Discuss in detail the demand-side approach in promoting economic growth and development in South Africa. (26 marks)
- Analyse the importance of promoting small businesses to the South African economy. (10 marks)

INTRODUCTION

The demand-side approach involves discretionary changes in monetary and fiscal policies with the aim of changing the level of aggregate demand and therefore output. ✓✓

(Accept any other correct relevant response)

BODY: MAIN PART

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THE SOUTH AFRICAN DEMAND-SIDE APPROACH

- The South African government uses both monetary and fiscal policies for stabilisation purposes. ✓✓
- It uses monetary policies, through the SARB, mainly to stabilise prices during the long upswings of the business cycles. ✓✓
- The government uses fiscal policy to meet social development and economic growth. ✓✓

Monetary policy ✓

- The SARB, as the central bank, is responsible for formulating South Africa's monetary policy and is largely responsible for implementing this policy. ✓✓
- Its primary goal, as defined in the Constitution, is to protect the value of the currency, by stabilising prices in terms of inflation targets. ✓✓
- It uses mainly the following monetary policy instruments: - ✓

1. **Interest rate changes** ✓

- In South Africa interest rates are used to influence credit creation by making credit more expensive or cheaper. ✓✓
- To stimulate economic growth, the SARB may reduce interest rates to make borrowing cheaper which will encourage consumer spending and encourage production. ✓✓
- Interest rates are used to stabilise the exchange rate by encouraging capital inflows or outflows in order to take care of a deficit or a surplus on the current account of the balance of payments. ✓✓

2. **Open market transactions** ✓

- To restrict bank credit, the SARB may sell securities on open markets which results in money flowing from the banks to the SARB and cannot extend credit. ✓✓
- To encourage credit creation, the SARB buys securities on open markets leading to money flowing into the banking system and used to extend credit. ✓✓

3. **Moral suasion** ✓

- The SARB consults with banks and persuades them to act in a manner that is desirable in terms of the economic conditions that prevail at the time. ✓✓
- The persuasion is often linked to transactions of the SARB in the money market, for example buying and selling paper such as bills and bonds. ✓✓
- For instance, if banks are too generous in extending credit, the SARB can call on them to be stricter. ✓✓
- To encourage credit extension, the SARB may persuade commercial banks to be more lenient when granting credit to their clients. ✓✓

4. **Cash reserves requirement** ✓

- To restrict bank credit, the SARB may increase the cash reserve requirement which reduces credit extension by banks. ✓✓
- To encourage credit creation, the SARB decreases the cash reserve requirement to allow banks to extend more credit to the public. ✓✓
- Access to more credit will increase consumer spending and investments which will stimulate economic growth. ✓✓

Fiscal policy ✓

- South Africa's fiscal policy is put into practice by means of the budgetary process. ✓✓
- The main purpose of fiscal policy in South Africa is to stimulate macroeconomic growth and employment, and to ensure a desirable redistribution of income (economic equity). ✓✓

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- The price stability and exchange rates stability objectives are left for the most part to monetary policy. ✓✓
- The government compiles its expenditure and taxation in a way that enhances its chances of achieving its macroeconomic objectives. ✓✓

In South Africa, fiscal policy includes the following elements: -

1. **Progressive personal income tax✓**
   - Higher-income earners are taxed at higher rates than lower-income earners. ✓✓
   - The taxes are used to finance social development. ✓✓
   - Tax revenue will benefit the poor through social grants and social allowances such as pensions. ✓✓

2. Wealth taxes✓

- Properties such as houses, offices and factory buildings in urban areas are taxed annually (Property tax). ✓✓
- Transfer duties are paid when properties are bought. ✓✓
- Securities (shares and bonds) are taxed when they are traded. ✓✓
- Capital gains tax (CGT) is levied on gains earned on the sale of capital goods, such as properties and shares. ✓✓
- Estate duties are levied on the estates of deceased persons with a value of more than R3,5 million. ✓✓
- Taxes are used to finance development expenditures which benefit the poor more than those who are not poor. ✓✓

3. Cash benefits ✓

- The government provides social security payments such as old-age pensions, disability grants, child support grants, foster child grant, unemployment insurance and the social relief of distress (SRD) grant. ✓✓

4. Benefits in kind/Natural/Natura benefits ✓

- Benefits in kind include the provision of healthcare, education and school meals, protection, municipal services and infrastructure. ✓✓
- Where user-fees are charged, poor people and low-income earners benefit more than others because they pay nothing or less than higher-income earners. ✓✓
- For instance, Free basic electricity (FBE) of 50kWh per household per month and Free basic water (FBW) of 6 kl (6 000 litres) of water per month per household are provided. ✓✓

5. Other redistribution methods✓

- Some macroeconomic policies have advantages that favour poor and low-income earners. ✓✓
- Public works programmes provide employment and strategic integrated projects (SIPs), provide employment subsidies and a number of other cash and financial benefits to SMMEs. ✓✓
- Previously disadvantaged persons receive first preference to redress the imbalance of the past. ✓✓

6. Land restitution and land redistribution ✓

- The purpose of land restitution is to return land (or pay cash compensation) to those who lost their land because of discriminatory laws of the past. ✓✓
- Land redistribution focuses on land for residential (town) and productive (farm) use. ✓✓
- The aim is to redistribute 30% of the country's agricultural land to previously disadvantaged persons. ✓✓
- The funds for land restitution and land redistribution programmes are provided for in the main budget. ✓✓

7. Property subsidies✓

- Subsidies help beneficiaries to acquire ownership of fixed residential property. ✓✓
- The government's housing subsidy scheme provides funding options to all eligible persons earning a specified range of monthly income. ✓✓
- A housing subsidy is not a cash pay-out but it is paid directly to the financial institution providing the housing bond or to the seller. ✓✓
- The subsidy depends on a person's income but the lower the income, the higher the subsidy. ✓✓

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- The housing subsidy scheme is financed from the main budget. ✓✓

(Accept any other correct relevant response)
(Allocate a max of 8 marks for headings/subheadings/examples) (Max 26)

ADDITIONAL PART

- Small businesses can help to create employment for those who are structurally unemployed in the economy thereby reducing the unemployment rate. ✓✓
- Small businesses may compete with larger businesses which improves economic efficiency and promotes innovation. ✓✓
- Output produced by small businesses contributes to the GDP of the country thereby stimulating economic growth. ✓✓
- Small businesses may create a source of income for the households which helps to alleviate poverty in South Africa. ✓✓
- The establishment of small businesses may expand the tax base which increases tax revenue for the government. ✓✓
- Output produced by small businesses may contribute to an increase in exports which helps to reduce balance of payments (BOP) problems. ✓✓
- Promotion of small businesses may help to encourage skills development amongst the South African population. ✓✓
- The population percentage that depends on social grants may decrease thereby reduce the welfare expenditure for the government. ✓✓
- Tax revenue collected from small business may increase the financial capacity of the government to develop infrastructure. ✓✓

(Accept any other correct relevant response)

(A maximum of 2 marks may be allocated for mere listing of facts/examples) (Max 10)

CONCLUSION

The government should complement demand-side policies with supply-side policies to achieve higher economic growth. ✓✓

ACTIVITY 10

Discuss in detail the South African growth and development policies and strategic initiatives since 1994. (26)
How can South Africa use supply-side measures to promote economic growth and development? (10)

INTRODUCTION

Economic development is the process by which the standard of living improves over a period of time. ✓✓
(Accept any other correct relevant response)

BODY: MAIN PART

- South African growth and development policies and strategic initiatives ✓✓
- Reconstruction and Development Programme (RDP) ✓✓
- RDP was introduced to alleviate poverty and address the inequalities and shortfalls in social services. ✓✓
- The strategy focused on job creation, welfare, housing, transport, land reform, healthcare, education, training, water and sanitation. ✓✓

The objectives of RDP were to:

- improve service delivery for the poor such as housing, electricity, water and sanitation ✓✓

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- create of an environment that is suitable for human development through education and training ✓✓
- serve as a road map for economic development in South Africa ✓✓
- create a dynamic economy that can create new and sustainable jobs. ✓✓
- alleviate poverty, low wages, and extreme inequalities in wages and wealth. ✓✓
- address economic imbalances and structural problems in the economy. ✓✓
- ensure elimination of discrimination on the basis of race or gender. ✓✓
- democratise the economy and empower the previously disadvantaged groups. ✓✓

Growth, Employment, And Redistribution (GEAR) ✓

- GEAR was introduced to stimulate economic growth and create employment opportunities. ✓✓
- The strategy was to strengthen economic development, redistribute income and create socio-economic opportunities for the poor. ✓✓

The objectives were to:

- promote economic growth by attracting foreign direct investments. ✓✓
- have tax system to finance education and training programmes which will improve workers' skills and create employment ✓✓
- have budget reforms meant to redistribute income. ✓✓
- adopt a free-floating exchange rate policy that would ensure exchange rate stability and make South African products competitive. ✓✓
- have a faster fiscal deficit reduction programme by controlling public debt to ensure price stability (Inflation). ✓✓
- reduce tariffs that would lower prices of imported inputs. ✓✓
- maintain a consistent monetary policy to prevent high inflation. ✓✓
- increase the restructuring and privatisation of some parastatals. ✓✓

Black Economic Empowerment Programmes (BEE) ✓

- The strategy was launched to assist in the transformation and redress of previously disadvantaged groups ✓✓
- BEE aims to significantly increase the number of black people who own, manage and control factors of production (businesses) ✓✓
- The objectives were redress and affirmative action in the workplace and business environments. ✓✓

Expanded Public Works Programme (EPWP) ✓

- It was introduced to create employment opportunities for the poor and vulnerable/disadvantages. ✓✓
- The strategy was to use labour-intensive programmes to give people skills they can use to find jobs afterwards. ✓✓

The objectives of EPWP were to: -

- provide poverty and income relief by creating temporary work opportunities for the unskilled, unemployed, poor and vulnerable such as women and youth ✓✓
- use existing government and public entity budgets to reduce and alleviate unemployment ✓✓
- increase the ability of workers to earn an income, either through the labour market or through entrepreneurial activity. ✓✓

Accelerated and Shared Growth Initiative for South Africa (ASGISA) ✓

- It was launched as a national initiative to be supported by all businesses, labour and entrepreneurs. ✓✓

The key elements of ASGISA were:

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- Halving unemployment and poverty by 2014. ✓✓
- Increasing economic growth to an average of 6% between 2010 and 2014. ✓✓

The objectives were to:

- improve and develop infrastructure by spending 8% of the GDP on infrastructure development. ✓✓
- promote industrial development through Industrial Development Zones (IDZ). ✓✓
- promote education and skills development to reduce the shortage of scarce skills. ✓✓
- stimulate the second economies (Informal sector) ✓✓
- improve state administration through good governance. ✓✓
- achieve economic development (welfare) through economic growth. ✓✓
- improve the production capacity of tourism, biofuel and manufacturing. ✓✓

National Skills Development Strategy (NSDS) ✓

- Strategy is intended to radically transform education and training in South Africa. ✓✓
- The strategy aimed at improving the quality and quantity of training to support increased industrial competitiveness and improved quality of life for all South Africans ✓✓
- The Department of Labour used the NSDS as a tool to drive the process of developing the skills of the South African labour force✓✓
- Joint Initiative on Priority Skills Acquisitions (JIPSA) ✓✓
- It introduced as the skills development arm of ASGISA. ✓✓
- The objective was skills development, especially through the SETAs. ✓✓
- Small Business Development Promotion Programme (SBDPP) ✓✓
- The strategy was to deliver support and services to SMMEs. ✓✓
- Department of Trade, Industry and Competition (DTIC), Industrial Development Corporation (IDC) and the National Small Business Act offer these services. ✓✓

The New Growth Path (NGP) ✓

- The strategy was introduced to identify key sectors as "job drivers" and promote industries and sectors that can drive job creation. ✓✓
- It aimed to increase economic growth, create 5million jobs by 2020 and create greater economic equity. ✓✓
- The NGP identifies the manufacturing, tourism, green energy and infrastructure development as key areas of job creation. ✓✓

NATIONAL DEVELOPMENT PLAN (NDP) ✓

- NDP was founded and led by the former Finance Minister in 2012/13. ✓✓
- The strategy is to expand economic opportunities through investment in infrastructure, more innovation, private investment and entrepreneurship. ✓✓
  The objectives were to: -
  - eliminate poverty and reduce inequality by 2030 ✓✓
  - reduce unemployment by 14% in 2020 and 6% in 2030 ✓✓
  - achieve economic growth on an inclusive basis ✓✓
  - achieve economic transformation through enhancing the capacity of the state, and promoting leadership and partnerships throughout society. ✓✓

(Accept any other correct relevant response)
(A maximum of 8 marks may be allocated for mere listing of headings/examples) (Max 26)

BODY: ADDITIONAL PART

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South Africa can use supply-side measures to promote economic growth and development by:

- removing unnecessary rules and regulations (deregulation) to improve the efficiency of markets. ✓✓
- lowering some of the taxes and license fees to reduce administrative costs for businesses. ✓✓
- reducing the requirements and procedures of registering businesses in the country. ✓✓
- improving the quality of education and training to improve the skills of the labour force. ✓✓
- improving availability, reliability and cost of infrastructure services to ensure financial viability and profitability of businesses. ✓✓
- promoting introduction of more affordable and reliable alternative sources of energy. ✓✓
- promoting competition in different market to improve economic efficiency. ✓✓
- providing subsidies and incentives to encourage capital formation in the economy
- upgrading and maintaining its transport network to promote and ensure greater efficiency within the transport sector. ✓✓
- ensuring that modern, effective, efficient and reliable communication channels can be accessed. ✓✓
- providing free advisory services such as information on new export market, to promote efficiency and the ease of doing business. ✓✓

(Accept any other correct relevant response)
(A maximum of 2 marks may be allocated for mere listing of facts/examples) (Max 10)

CONCLUSION

The modern economy has become more dynamic and it is important for the government to abort some policies that are no longer suitable and introduce new policies that are more relevant. ✓✓
(Accept any other correct relevant response)

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INDUSTRIAL DEVELOPMENT

TOPIC 10: REGIONAL DEVELOPMENT	CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES
Justify South Africa's industrial development policies and their suitability in terms of international best practice **10.1 Industrial development in South Africa** **10.2 Regional development** **10.3 South Africa's endeavours** **10.4 Incentives to encourage industrial development** **10.5 Appropriateness of South Africa's industrial policies**	• Briefly describe the **concept** 'industrial development' • Explain the **reasons** for industrial development • Briefly explain South Africa's **Industrial Development Policies:** - The focus of the National Industrial Policy Framework **(NIPF)** - The focus of the Industrial Policy Action Plan **(IPAP)** • Briefly explain the following **Industrial Development Strategies:** - The focus of the National Research and Development Strategy **(NRDS)** - The focus of the Integrated Manufacturing Strategy **(IMS)** • Outline the **aims** of regional development • ***Discuss in detail South Africa's initiatives (endeavours) in regional development:*** - **Spatial development initiatives (SDI's)** - **Corridors** - **Industrial Development Zones (IDZ's)** - **Special Economic Zones (SEZ's_** • Discuss **spatial development initiatives (SDIs**) in South Africa and link to p**rivate-public partnerships**. • Discuss **corridors** in South Africa • Discuss **Industrial Development Zones** (IDZs) in South Africa • Discuss **Special Economic Zones** (SEZs) in South Africa. (Relate this new development to the shortcomings of the IDZs and the benefits of SEZs) • Name the various spatial initiatives (SDI, corridors). Indicate/Identify them on a map of SA • Briefly discuss the **incentives** used by the SA government to improve industrial development: - Small Businesses Support Program - SEDA Technology Program (STP) - Skills Support Program (SSP) - Critical Infrastructure Facilities - Custom-free incentives - Foreign investment incentives - Strategic Investment Program - Services to Business Processes • Outline the appropriateness of South Africa's industrial policies.

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10.6 Appropriateness of South Africa's regional development policies in terms of benchmark criteria **10.7 Small business development** **10.8 The appropriateness of black economic empowerment in the SA economy**	Briefly discuss regional development in terms of the following benchmark criteria - Free market orientation - Competitiveness - Sustainability - Good governance - Provisioning of resources - Investment of social capital - Integration - Partnerships Briefly evaluate South Africa's regional development policies in terms of the above benchmarks. Explanation and evaluation Explanation and evaluation of BBBEE

ACTIVITY 1

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. e.g 1.1.6 D

1.1.1 Purpose-built industries that are physically enclosed and linked to an international air or seaport are called…

A. Special economic zone
B. Industrial development zone✓✓
C. Corridor
D. Spatial development initiative

1.1.2 The best international practise criteria which focuses on ensuring that the benefits of one region spill over to other industries and areas is known as....

A. Good governance
B. Integration ✓✓
C. Provision of resources
D. Partnership

1.1.3 The use of science and technology to promote industrial development is part of the…

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

1.1.4 A cash grant to build or expand physical infrastructure is called…

A. Industrial development zone
B. Integrated manufacturing grant
C. Foreign investment grant ✓✓
D. Critical infrastructure program

1.1.5 A piece of land that forms a passageway that allows access from one area to another and is part of regional development is called…

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A. Custom
B. Corridor ✓✓
C. Freeway
D. Zones

1.1.6 The Department of Trade and Industry initiative that focuses on improving competitiveness in production is called…
A. National industrial Policy Framework
B. National Research and Development Strategy
C. Integrated Manufacturing Strategy
D. Small Business Support Programme ✓✓

1.1.7 An international benchmark criterion for regional development that requires democratic decision making and transparency is called…
A. Good governance ✓✓
B. Integration
C. Partnership
D. Free-market orientation

1.1.8 The process of transforming natural resources into finished goods is called…
A. National research development strategy
B. Industrial policy action plan
C. Special economic zone
D. Integrated manufacturing strategy ✓✓

(8x2) 16

1.2 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.2.1 – 1.2.10) in the ANSWER BOOK. Acronyms and abbreviations will NOT be accepted.

1.2.1 Approaches and methods implemented to improve the expansion of industries.
Industrial development strategies ✓

1.2.2 A track of land that forms a passageway allowing access from one area to another.
Corridor ✓

1.2.3 Policies that are aimed at increasing the economic livelihood of specific areas.
Regional development✓

1.2.4 A regional development initiative that attracts infrastructure and business investments to neglected areas.
Spatial development initiative ✓

1.2.5 The total industrial capacity of an economy that is available for use.
Industrial base ✓

1.2.6 Efforts by the government to move manufacturing and other businesses from metropolitan areas to rural areas.
Decentralisation ✓

1.2.7 A cash grant to build or expand physical infrastructure.
Critical infrastructure programme ✓

1.2.8 A tax-free grant for skill development.
Skills support programme ✓

1.2.9 Industries that employ more labour than capital in the production process.
Labour intensive industries ✓

1.2.10 The collaboration between the government and private companies to finance, build and operate large infrastructure projects.
Public-private partnership ✓

(10x1) 10

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ACTIVITY 2

2.1 Answer the following questions

2.1.1 Name TWO industrial development strategies in South Africa. (2)

- National research development strategy✓
- Integrated Manufacturing Strategy✓

2.1.2 How do Special Economic Zones improve industrial development? (2)

- Special Economic Zones have connectivity to both suppliers and potential markets whilst promoting export-orientated industries and local integration. ✓✓
- SEZs stimulate employment and industry growth and social development. ✓✓

(Accept any other correct and relevant response)

2.2 Study the cartoon below and answer the questions that follow:

RICHARDS BAY INDUSTRIAL DEVELOPMENT ZONE (metal and marine industries)



OTHER SOUTH AFRICAN IDZs are OR TAMBO INT. AIRPORT (high tech industries), COEGA IDZ (metal and automotive industry), EAST LONDON IDZ (automotive and agro processing) SALDANHA IDZ

Adapted from www.google.com

2.2.1 Identify the Industrial Development Zone that manufactures vehicles. (1)

- Coega IDZ✓
- East London IDZ✓

2.2.2 Name the key economic activity that Saldanha IDZ specializes in. (1)

Steel industries ✓

2.2.3 Briefly describe the term *regional development*. (2)

- Regional development refers to policies that are aimed at increasing the economic livelihood of specific areas. ✓✓

(Accept any other correct and relevant response)

2.2.4 Why is it necessary for the government to provide incentives to businesses? (2)

- To attract more investments to a particular economic activity or product. ✓✓
- Financial incentives are provided to motivate producers by reducing the cost of production and be able to produce more output of a specific product ✓✓

(Accept any other correct and relevant response)

2.2.5 How can South Africa benefit from the introduction of Special Economic Zones (SEZ)? (4)

- Introduction of SEZs stimulates economic growth by attracting more investments in key growth areas. ✓✓
- Broader industrial areas that are not linked to airports and harbours are created. ✓✓
- South Africa benefits job opportunities that are created in the manufacturing sector which further promotes skills development. ✓✓
- Diversification of the economy through the production of a wide variety of goods and services. ✓✓

(Accept any other correct and relevant response)

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2.3 Briefly discuss Small Business Support Program and Services to Business Processes as incentives to encourage industrial development. (8)

Small Business Support Program

- It is an incentive that provides a tax-free cash grant for investment industries in South Africa. ✓✓
- Grants are given to SMMEs with total assets under R100 Million. ✓✓

Services to Business Process

- It aims to attracts investment and create employment in South Africa through offshoring activities. ✓✓
- A base incentive as a tax-exempt grant paid over three years for each offshore job created and maintained. ✓✓

(Accept any other correct and relevant response)

ACTIVITY 3

3.1 Answer the following questions

3.1.1 Name TWO industrial development policies in South Africa. (2)

- Industrial Policy Action Plan✓
- National Industrial Policy Framework✓

3.1.2 How can Public Private Partnerships contribute to regional development? (2)

- PPPs stimulate the development of infrastructure in underdeveloped areas. ✓✓

(Accept any other correct and relevant response)

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

INDUSRIAL GROWTH, ATTRACTING LOCAL AND FOREIGN INVESTMENT THROUGH TAX INCENTIVES OFFERING DUTY FREE, FDI GRANTS, AND SKILLS SUPPORT PROGRAMME.



www.google.com

3.1.1 Identify the financial incentive that allows for the importing without paying any tariffs. (1)

Duty free✓

3.1.2 Name any ONE South Africa`s industrial development policy. (1)

- National Industrial Policy Framework / NIPF✓
- Industrial Policy Action Plan / IPAP✓

3.1.3 Briefly describe the term *corridors*. (2)

A corridor is a track of land that forms a passageway allowing access from one area to another and developed as part of regional development. ✓✓

(Accept any other correct relevant answer)

3.1.4 Explain the importance of using corporate tax to attract investment into special economic zones? (2)

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- The government reduced corporate tax for businesses that are established in SEZs✓✓
- The tax relief makes it possible for new businesses to survive the first few years in production by reducing operational cost for them. ✓✓

(Accept any other correct relevant answer)

3.1.5 How does industrial development promote entrepreneurship? (4)

- Encourage entrepreneurs to exploit the world economy to trade and acquire knowledge. ✓✓
- Industrial development can create new market opportunities for entrepreneurs, particularly in sectors like manufacturing, technology and innovation. ✓✓
- Industrial development can lead to the transfer of knowledge and skills between industries, which can benefit entrepreneurs and help them develop new products. ✓✓

(Accept any other correct relevant answer)

3.2 Discuss the reasons why the government supports and encourages regional development and integration in Southern Africa. (8)

- Promotes political and economic stability amongst neighbouring countries. ✓✓
- Expands export markets and earns valuable export revenue. ✓✓
- Creates potential sources of resources such as energy and water when countries need them. ✓✓
- Integration may be a precondition for support from foreign donors and investors who want to expand markets. ✓✓
- Promotes more efficient transport and infrastructural development which promotes further investment. ✓✓

(Accept any other correct relevant answer)

3.3 Why is the manufacturing sector important for the economy? (8)

- The manufacturing sector is labour intensive which helps the economy to create many jobs and reduce unemployment. ✓✓
- Processes raw materials into finished goods that can be exported at higher prices and generate more income for the economy. ✓✓
- Manufacturing attracts more foreign direct investments which helps to expand the tax base for the government and contribute to the GDP. ✓✓
- The sector contributes to economic growth which enables consumers to have a variety of goods and services that will satisfy human needs. ✓✓

(Accept any other correct and relevant response)

3.4 Discuss the factors that may influence the success of industrial development zones (IDZs) in South Africa negatively. (8)

- Political, industrial, and social instability such as industrial actions and community protests many create a negative sentiment towards South Africa thereby reducing investors' confidence. ✓✓
- Electricity shortages disrupt production through the nation-wide power cuts which may discourage potential investments in IDZs. ✓✓
- Depreciation of the rand may increase the cost of importing production inputs such as oil and semi-finished materials thereby discouraging new investments. ✓✓
- High inflation rate may reduce demand for South African exports which may discourage production for exports in IDZs. ✓✓
- Lack of skilled labour may discourage investors as it will lead to low productivity, poor quality product and high average cost of production✓✓
- (Accept any other correct and relevant response)

ACTIVITY 4

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

SPECIAL ECONOMIC ZONES IN SOUTH AFRICA

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The new Special Economic Zone Programme originated from developments in the national economic policies and strategies, such as National Industry Policy Framework. The SEZ policy helped to address challenges with the Spatial Development Initiatives. The Foreign Investment Grant and Critical Infrastructure Programme are some of the financial incentives that promote regional development.

Adapted from Business Report,

4.1.1 Identify one financial incentive that promotes regional development from the above passage. (1)

- Foreign Investment Grant ✓
- Critical Infrastructure Programme✓

4.1.2 Name the government department that is responsible for industrial development in South Africa. (1)

Department of trade and Industry. ✓

4.1.3 Briefly describe the term *Industrial Development Zone*. (2)

Industrial Development Zone refer to purpose built industrial estates that are physically enclosed and linked to an international port or airport. ✓✓

(Accept any other correct relevant answer)

4.1.4 Explain the benefit of foreign investment grant in regional industrial development. (2)

- Foreign investment grant provides cash incentives to assist foreign investors to cover their start-up cost which encourages the establishment of businesses in different regions. ✓✓
- Foreign investment grant covers the cost of relocating and purchasing of new machinery and equipment from abroad✓✓

(Accept any other correct relevant answer)

4.1.5 Why is the new Special Economic Zone programme regarded as an improvement of the current Industrial Development Zones? (4)

- The SEZ involves a broader range of industrial parks and does not need to be located near a port or an airport as with current IDZs. ✓✓
- The SEZ involves production for export and domestic use, whereas the IDZ focusses on only on exports. ✓✓
- The SEZ offer special tax incentives which is not applicable to the existing IDZs. ✓✓

(Accept any other correct relevant answer)

4.2 Discuss the aims of regional development. (8)

- Reduce the unequal distribution of economic activities within a country. ✓✓
- Stimulate development in poorer areas and thereby increase the standard of leaving in those areas. ✓✓
- Prevent new imbalances from emerging and focus on promoting equity throughout the economy. ✓✓
- Implement and coordinate national and regional industrial policies. ✓✓
- Develop the poorer areas by using labour and natural resources from those areas. ✓✓

(Accept any other correct relevant answer)

ACTIVITY 5

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

INDUSTRIAL DEVELOPMENT IN SOUTH AFRICA

The mission of the Department of Trade, Industry and Competition is to promote structural transformation towards a dynamic industrial and globally competitive economy.

The Critical Infrastructure Facilities, among other incentives, aim to attract investment by supporting infrastructure that is deemed to be critical. The South African government is implementing the CIFs to stimulate investment growth in line with National Policy Framework (NIFP).

Adapted www.timeslive.co.za

5.1.1. Identify the policy that sets out the government`s approach to industrialisation. (1)

- National Industrial Policy Framework / NIPF✓

5.1.2. Name any ONE incentive provided by the DTIC to promote industrial development in South Africa. (1)

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- Small businesses support program/ SBSP✓
- SEDA✓
- Skills support program/ SSP✓
- Custom free incentives✓
- Foreign investment grant✓

5.1.3. Briefly describe the term *Special Economic Zone (SEZ).* (2)

- Special Economic Zone is a geographically demarcated area which has been set aside for specific economic activities to be developed. ✓✓

(Accept any other correct relevant answer)

5.1.4. Explain the importance of public private partnership in Spatial Development Initiatives. (2)

- It allows for private sector businesses to take advantage of the economic potential of underdeveloped areas✓✓
- The private business may provide investment capital while governemnt provides infrastructure such as roads and electricity. ✓✓

(Accept any other correct relevant answer)

5.1.5. Why is infrastructure development in previously neglected areas important? (4)

- Adequate infrastructure such as transport, communication and energy supply help to attract more investment. ✓✓
- More job opportunities will be created for the workers which will reduce their transport cost for travelling long distances to work. ✓✓
- Better standard of living as people will be able to satisfy their needs due to the low cost of living. ✓✓
- Social problems associated with overcrowding in urban areas will be reduced. ✓✓

(Accept any other correct relevant answer)

5.2 Evaluate South Africa's regional development policies in terms of the international benchmark criteria. (8)

- South Africa has invested in infrastructure projects in key economic zones, aligning with international benchmarks for improving accessibility and connectivity. ✓✓
- The country aims to diversify its economy by promoting various sectors, though challenges remain in fully achieving this compared to international standards. ✓✓
- South Africa has implemented policies to support small and medium-sized enterprises (SMEs), like global best practices, but the effectiveness of these policies can vary. ✓✓
- : Efforts to improve education and skill development are underway, yet South Africa still behind in meeting international benchmarks in terms of quality and access. ✓✓
- While there are policies aimed at reducing inequality and promoting inclusive growth, South Africa continues to face significant disparities compared to global standards. ✓✓

(Accept any other correct relevant answer)

ACTIVITY 6

6.1 Study the picture below and answer the questions that follow.

COEGA – NELSON MANDELA BAY



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The investment comes amid the devastating state of an already depressed economy, with South Africa losing more jobs than it creates.

Adapted from www.timeslive.co.za

6.1.1 Identify an example of industrial development zone depicted by the above picture. (1)

COEGA Industrial Development Zone✓

6.1.2 Name any other corridor in South Africa. (1)

- Maputo development corridor✓
- Coast to coast corridor✓

(Accept any other correct relevant answer)

6.1.3 Briefly describe the term *regional development*. (2)

Policies that are aimed at increasing the economic livelihood of specific areas or geographical regions that are underdeveloped. ✓✓

(Accept any other correct relevant answer)

6.1.4 Why do special economic zones (SEZs) have a wider industrial development objective? (2)

- SEZs can be located anywhere in the country which improves economic activity in many areas that are not close to international ports. ✓✓
- Goods produced in SEZs can be sold to domestic and export markets allowing businesses to generate extra income. ✓✓

(Accept any other correct relevant answer)

6.1.5 How can industrial development influence the international competitiveness of a country? (4)

- Industrial development increases the variety of goods and services that can be exported to other countries. ✓✓
- Some industrial development measures such as subsidies and incentives may allow local businesses to export goods at lower prices that may be more competitive. ✓✓
- Industrial development through export promotion may result in favourable exchange rates. ✓✓

(Accept any other correct relevant answer)

6.2 Briefly discuss *good governance* and *investment* in social capital as benchmark criteria for regional development. (8)

Good governance:

- Regional development strategies should be managed effectively and free of corruption. ✓✓
- Principles of accountability and transparency should be applied. ✓✓
- Proper financial management and control is essential to meet the aims set by the government. ✓✓

Investment in social capital:

- The government needs to improve the quality of education and health care in a region. ✓✓
- Development should be addressed from below where most urgent human needs exist. ✓✓

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- Technology is instrumental in the production of goods and services in the 21st century and this requires a more skilled labour force. ✓✓

(Accept any other correct relevant answer)

6.3 Evaluate the potential success of special economic zones (SEZ) in South Africa. (2X4) (8)

- Special Economic Zones (SEZs) in South Africa can attract FDI by offering incentives such as tax breaks, streamlined regulations, and infrastructure support, drawing in international businesses. ✓✓
- SEZs can play a crucial role in accelerating industrialization by clustering industries, promoting economies of scale, and fostering innovation and technological advancement. ✓✓
- The establishment of SEZs can lead to significant job creation, providing employment opportunities in various sectors, from manufacturing to services, thus reducing unemployment rates. ✓✓
- By focusing on export-oriented industries, SEZs can enhance South Africa's export capabilities, contributing to a positive trade balance and economic growth. ✓✓
- SEZs can stimulate economic development in less developed regions, reducing regional disparities and contributing to balanced economic growth across the country. However, challenges such as infrastructure deficits and policy consistency need to be addressed for sustained success. ✓✓

(Accept any other correct relevant answer)

ACTIVITY 7

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

DEVELOPMENT PACE OF GAUTENG AREA

YEAR	Developed area (in km²)	Not yet developed area (in km²)	Change in developed areas (in km²)	% change in developed areas (in km²)
2022	1422	16748,31	-	-
2023	2472,64	15677,67	1070,64	6,37%
2024	3224,63	14745,68	731,77	4,67%
2025	3847,75	14320,56	625,12	A

Adapted from google.com

7.1.1 Identify the area development trend in Gauteng since 2022. (1)

Upward / increasing trend✓

7.1.2 Which development concept is best illustrated in the table above? (1)

Regional development✓

7.1.3 Briefly describe the term *Spatial Development Initiatives*. (2)

Program aimed at promoting investment projects in underdeveloped areas where unemployment and poverty are high. ✓✓

(Accept any other correct relevant answer)

7.1.4 Explain the key differences between Special Economic Zones and Industrial Development Zones. (2)

- Industrial Development Zones were established specifically for exports purposes and must be located near the airport or seaport while Special Economic Zones fulfil a broader regional development role and can be in any area. ✓✓

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7.1.5 Calculate the percentage change in the developed area as indicated by letter A in 2025. Show all your calculations. (4)

- A = 625,12✓ / 14745,68✓ X 100
  = 0,0418 X 100✓
  = 4,18%✓

7.2 Briefly discuss the *provision of resources* and *competitiveness* as benchmark criteria for South Africa`s regional development policies. (8)

Provision of resources:

- Adequate resources such as infrastructure and energy supply should be provided in resource poor regions to promote decentralisation of industrial hubs and thereby promote economic growth. ✓✓
- Providing enough social resources such as education, healthcare and nutrition should also be a priority so that holistic development is ensured. ✓✓
- The South African government continues to prioritise infrastructural development in all provinces so that regional development is achieved. ✓✓

Competitiveness:

- Companies are more proactive, innovative, efficient and effective if competition is present. ✓✓
- Competition does improve the overall quality of the manufactured product as competitors are constantly evaluating more efficient ways of producing goods and services. ✓✓
- The South African government places a strong emphasis on encouraging healthy competition in the economy. ✓✓

(Accept any other correct relevant answer)

ACTIVITY 8

Discuss in detail South Africa's initiatives (endeavours) in regional development. (26)
Evaluate the appropriateness of South African regional development policies in terms of international benchmark. (10)

INTRODUCTION

Regional development is the policy aimed at increasing economic activity in geographical areas that are less developed. ✓✓
(Accept any other correct relevant introduction) (Max 2)

MAIN PART

Spatial development initiatives (SDI) ✓

- It is a policy aimed at attracting infrastructure and investments to areas with high unemployment and poverty. ✓✓
- The main objective is to create employment and stimulate economic growth in specific areas with high growth potential. ✓✓
- SDI initiative makes provision for private-public partnerships (PPPs) to take advantage of the economic potential of underdeveloped areas. ✓✓
- Lubombo SDI is one of the examples of the 7 local SDIs we have in South Africa. ✓

The incentives from the government the SDIs enjoy includes;

- Duty free incentives- The benefit of importing intermediate goods with no charge of import tariff. ✓✓

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- Skills support programme-Tax free grants for skills development. ✓✓

Industrial Development Zones (IDZs) ✓

- IDZs are purpose built industrial estates located near a point of entry or exit into a country such as ports and airports. ✓✓
- The benefits of IDZs are to support investing companies, especially for greenfield development projects. ✓✓
- Access to transport for export purposes is one of the key objectives of the IDZs. ✓✓
- The other aim is to waiver import duties for products that are produced for export. ✓✓
- The example of the IDZ is Saldanha Bay which focuses on steel. ✓

Special Economic Zones (SEZs) ✓

- It is a geographically demarcated area where specific economic activities have been identified to be developed. ✓✓
- SEZ's can benefit the economy by attracting new businesses. ✓✓
- SEZ's assist businesses that establish new product lines and expand their operations✓✓
- creating more employment for the households in their neighbourhood ✓✓
- promoting more effective use of resources, increasing productivity and economic growth✓✓
- focusing on both domestic production and exports. ✓✓
- SEZ's areas may enjoy incentives such as tax relief and support systems to promote industrial development. ✓✓
- The government provides economic infrastructure to these areas and help in establishing industrial parks for employment-enhancing manufacturers. ✓✓
- It creates a basis for a broader range of industrial parks. ✓✓
- It also provides economic infrastructure to enable the effective clustering of value-adding and employment-enhancing manufacturers. ✓✓

Corridors ✓

- A corridor is a track of land that forms a passageway allowing access from one area to another. ✓✓
- The purpose of this can be to link two industrial areas or to link industries and the markets. ✓✓
- Maputo corridor is a major trade corridor which connects Limpopo, Mpumalanga and Gauteng with Maputo city in Mozambique. ✓✓
- Maputo corridor comprises of roads, railway and border facilities at Komatipoort. ✓✓ (Max 26)

(Accept any other correct relevant and higher order response)

ADDITIONAL PART

How effective is South Africa regional development policies in term of international benchmarking? (10 marks)

- Managing strategies free of corruption through good governance to improve the country's economic growth and development. ✓✓
- Build partnership between central government, local authorities, civil societies and special interest groups with the private sector. ✓✓
- Provide sufficient resources in poor areas, focusing on total development of all human life. ✓✓
- Establish competitive businesses which will operate without depending on the government, reducing its financial burden. ✓✓

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- Involving people from all regions in training, education, improving productivity and provide essential goods and services. ✓✓
- Concentrate on issues at grass level to ensure development starts at lower levels of the population to improve their economic welfare. ✓✓
- Integrate between different areas by means of spill over benefits to other industries to improve the functioning of the economy. ✓✓ (10)

(Accept any other correct relevant and higher order response)

CONCLUSION

Although the government has invested in such initiatives there have been some internal and external factors such as shortage of skills and unstable exchange rate that have hindered the progress of these initiatives. ✓✓
(Accept any other correct relevant and higher order response)

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ECONOMIC AND SOCIAL INDICATORS

TOPIC 11: ECONOMIC AND SOCIAL INDICATORS	CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES
Analyse South Africa's economic and social performance indicators and their uses	
11.1 Assessing the performance of an economy	• Briefly describe the **concepts** • Briefly discuss the importance of **measuring** the performance of the economy
11.2 Economic indicators	• ***Discuss in detail the following economic indicators***: - **Inflation rate indicators** o Production prices (PPI) o Consumer prices (CPI) - **Foreign trade indicators** o Terms of trade o The exchange rate - **Employment indicators** o Economically active population (EAP) o Employment rate o Unemployment rate - **Productivity indicators** o Labour productivity o Remuneration per worker - **Interest rate indicators** o Repo rate (link to other interest rates such as prime rate) - **Money supply indicators** o M1 o M2 o M3
11.3 Social indicators	• ***Discuss in detail the following social indicators***: - **Demographic indicators** o Population growth o Life expectancy - **Nutrition and health indicators** **Nutrition** o Malnutrition o Obesity **Health** o Child mortality o Under 5 mortality o Spending on health o Access to clean water o Access to sanitation - **Education** o Percentage public-sector spending o Percentage enrolment in secondary schools - **Services** o Electricity o Refuse/Garbage removal o Water supply o Sanitation

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11.4 International comparisons	- **Housing and urbanisation** **Housing** ○ Number of houses completed **Urbanisation** ○ Natural growth in population ○ Migration ○ Founding of new towns • Compare South Africa's growth and development performance with that of other countries by focusing on the following: - Globalisation - International standardisation (IMF, World bank, UN) - Financial aid and support - Comparison and forecasting

ACTIVITY 1

1.1 Various option 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- 1.1.5) in the ANSWER BOOK, for example 1.1.6 D

1.1.1 The process whereby people move from rural areas to towns and cities is called…

A. urbanisation ✓✓
B. emigration
C. migration
D. immigration

1.1.2 An indicator that measures the number of children who die before the age of one year is called …

A. spending on health
B. under-five mortality rate
C. infant mortality rate ✓✓
D. access to sanitation

1.1.3 The percentage of the population living in poverty in a country is indicated by …

A. life expectancy.
B. Gini coefficient ✓✓
C. per capita gross domestic product.
D. headcount index.

1.1.4 The number of employed people expressed as percentage of economically active population…

A. population
B. labour force.
C. unemployment rate.
D. employment rate. ✓✓

1.1.5 An indicator generally used to measure the cost of production is known as the … index.

A. Consumer price
B. Production price ✓✓

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C. Price

D. Headcount **(5x2) 10**

1.2 Choose the description from COLUMN B that matches the item in COLUMN A. Write only the letter(A-I) next to the question number (1.2.1- 1.2.5) in the ANSWER BOOK.

	COLUMN A		COLUMN B
1.2.1	Life expectancy	B. ✓	A. Measures changes in prices of goods and services
1.2.2	Social indicator	C. ✓	B. Number of years a new born is expected to live.
1.2.3	Repo rate	E. ✓	C. Monitors identifiable and definable issues related to human well-being.
1.2.4	Demographics	F. ✓	D. a policy aimed at improving service delivery to the people
1.2.5	Consumer Price Index	A. ✓	E. The price paid by commercial banks for borrowing money from the South African Reserve Bank.
			F. Statistics that describe population and their characteristics

(5x1) 5

1.3 Provide the economic term/ concept for each of the following descriptions. Write only the term/ concept next to the question number. No abbreviations, acronyms or examples will be accepted.

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

Population growth rate ✓

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

Labour productivity ✓

1.3.3 Compares a country's export prices to its import prices by means of indexes

Term of trade ✓

1.3.4 The interest rate charged by commercial banks to their clients.

Prime rate ✓

1.3.5 People within the economically active population who are willing and able to work but cannot find a job

Unemployment ✓

(5 x 1) 5

ACTIVITY 2

.1 **Answer the following questions**

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.1.1 Name any two instruments used to measure human development (2)

- Life expectancy ✓
- Level of education ✓

(Accept any other correct relevant response)

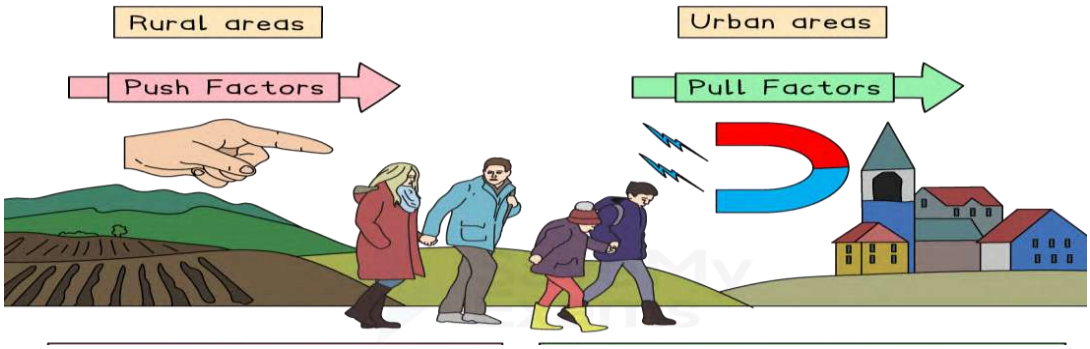
.1.2 Why do people often migrate to cities? (2)

- People migrate to cities and town or urban areas because of better job opportunities and higher wages and better services such as education, health care, water, etc ✓✓

(Accept any other correct relevant response)

2.2 Study the cartoon below and answer the questions that follow

URBANISATION



[Adapted from: www.//savemyexams.com/igcse/geogr]

2.2.1 Identify the social indicator that is depicted above. (1)

Urbanisation ✓

2.2.2 Name any ONE type of nutrition indicators. (1)

- Child malnutrition ✓
- Overweight ✓

2.2.3 Briefly describe the term *migration* (2)

- Migration is the movement of people from one place to another, either within a country or between countries, with an intention of settling temporarily or permanently. ✓✓

(Accept any other correct relevant response)

2.2.4 Explain the importance of social indicators to the government of South Africa. (2)

- Social indicators help South African government to measure the standard of living and quality of life of people ✓✓.
- It is also used to plan and identify problems to improve service delivery in areas like health, education and housing ✓✓

(Accept any other correct relevant response)

2.2.5 Why is a high rate of urbanisation a problem to the government? (4)

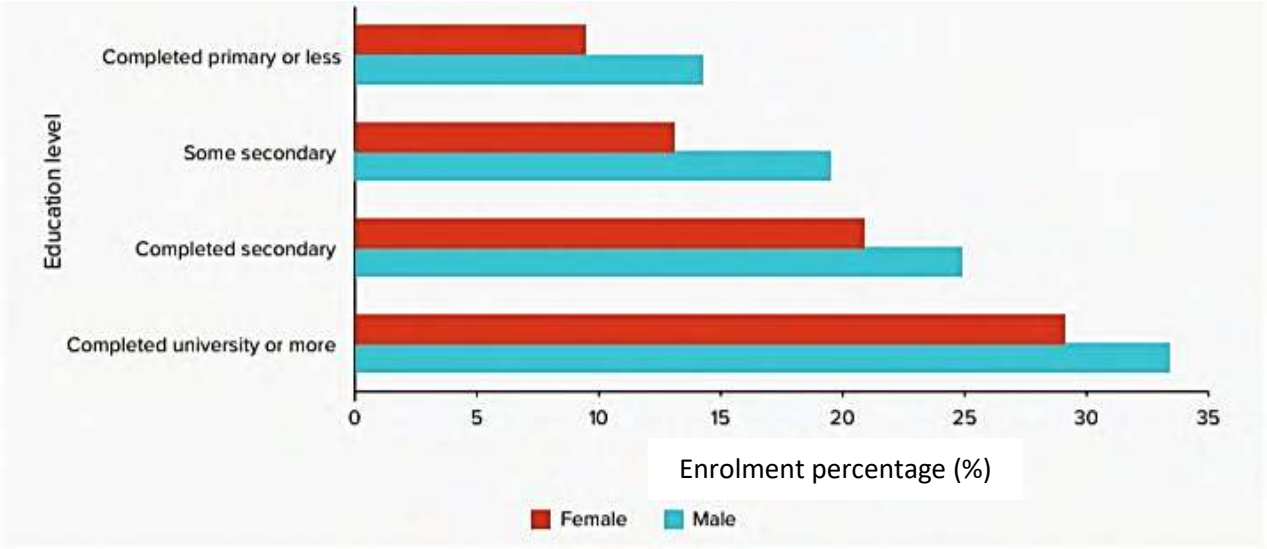
Downloaded from Stanmorephysics.com

- It increases demand for services such as education, housing, water, electricity and transport which government may struggle to provide. ✓✓
- Growth in informal settlements may lead to overcrowding and shacks, which increases poverty, crime and unemployment that government must address. ✓✓

(Accept any other correct relevant response)

ACTIVITY 3

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



Source: google.com

3.1.1 Identify the social indicator from the above graph. (1)

Education✓

3.1.2 Name any ONE economic indicator. (1)

- Inflation rate ✓
- Terms of trade✓
- Employment ✓

(Accept any other correct relevant response)

3.1.3 Briefly describe the term *social indicator.* (2)

- Social indicator is statistical data used to monitor the well-being of people in a society. ✓✓

(Accept any other correct relevant response)

3.1.4 Explain the importance of quality health system in the economy? (2)

- Quality health system is vital for economic prosperity by maintaining a healthy and productive workforce, which lead to economic growth. ✓✓

(Accept any other correct relevant response)

3.1.5 How can high population growth affect the standard of living? (4)

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- High population growth increases the dependency burden as population growth gets higher than economic growth.✓✓
- High population creates strain on the existing services and infrastructure leading to poor standard of living. ✓✓
- Unemployment rate grows at a faster rate as population growth outgrow the available job opportunities.✓✓

(Accept any other correct relevant response)

3.2 Briefly discuss *population growth* and *life expectancy* as demographic indicators (8)

Population Growth

- Population growth refers to the increase in the number of people residing in a country. ✓✓
- The South African population increased to approximately 64 million in 2025. ✓✓
- Measuring population growth is important for delivering social services. ✓✓
- When the size of population increases, tax base for government will also increase. ✓✓ (MAX. 4)

Life Expectancy

- Life expectancy expresses the number of years a new-born infant will live if the prevailing patterns of mortality remained the same throughout his or her life. ✓✓
- In South Africa the life expectancy at birth has increased over the years. ✓✓
- It is important for governments to know what the average life expectancy is, because working humans require a range of social services and are simultaneously also a tax base✓✓
- Assurance companies in particular are interested in life expectancy because unexpected reductions in life expectancy reduce the number of years policy holders can pay premiums.✓✓ (MAX.4)

(Accept any other correct relevant response)

3.3 How does the poor services delivering impact economic development in South Africa. (8)

- In South Africa we are currently facing an energy crisis. Load-shedding causes economic activity to slow down, which leads to fewer jobs create.✓✓
- Poor service delivery creates challenging environment for businesses to thrive, leading o reduced productivity and competitiveness. ✓✓
- South Africa is a dry country and has water shortage, not all south Africans has access to clean water. ✓✓
- South Africa does not make use of green energy of recycling for refuse removal, the high level of pollution lowers the health of south African. ✓✓
- Only 83% of South Africans has access to sanitation and flush toilets, which impacts economic development negatively. ✓✓

(Accept any other correct relevant response)

ACTIVITY 4

Downloaded from Stanmorephysics.com

4.1 Answer the following questions

4.1.1 Name any two foreign trade indicators. (2)

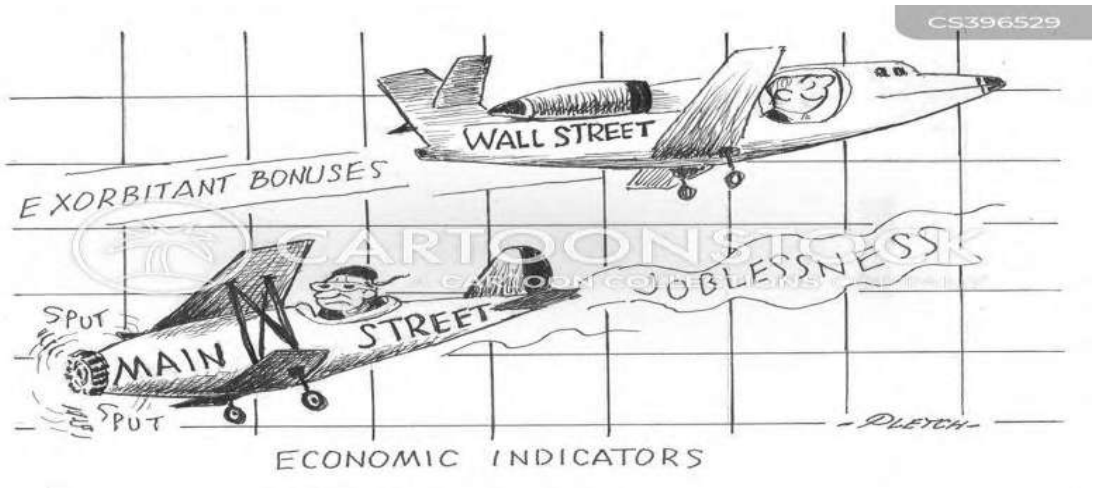
- Terms of trade ✓
- Exchange rate ✓

4.1.2 Why it is important for the government to prepare economic indicators? (2)

- Economic indicators are used to compare the performance of the economy with the rest of the world. ✓✓
- Preparation of indicators is a statutory requirement by the united nation. ✓✓

(Accept any other correct relevant answers)

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



Source: Google.com

4.2.1 Identify the concept that is concerned with the performance of the economy. (1)

Economic indicators ✓

4.2.2 Give another name for unemployment on the above cartoon. (1)

Joblessness ✓

4.2.3 Briefly describe the term *economically active population*. (2)

Economically Active Population is a labour force between the ages of 15 to 65 who are working as well as those who are actively seeking employment. ✓✓

(Accept any correct relevant answers)

4.2.4 Explain the importance of measuring unemployment in the country? (2)

- The government can create strategies to reduce unemployment such as job creation project and skills development programmes. ✓✓

(Accept any correct relevant answers)

4.2.5 How can the government create sustainable employment opportunities? (4)

- The government must invest in human resource development through quality education and training provision. ✓✓

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- The government must improve the competitiveness of manufacturing sector by investing in value added production. ✓✓
- The government must invest in infrastructure development to attract foreign direct investment. ✓✓

(Accept any correct relevant response)

ACTIVITY 5

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

INFLATION RATE INDICATOR

South Africa's annual inflation rate increased to **5.0% in June 2026**, up from **4.5% in May 2026**, marking the highest level since June 2024. Transport costs, particularly a **34.3% rise in fuel prices**, were the biggest contributor to highest inflation. Rising inflation reduces consumers' purchasing power and increases cost of living, making it an important economic indicator for assessing the country's economic performance and guiding monetary policy.

Source: Statistics South Africa (2026)

5.1.1 Identify a new percentage of inflation rate in the extract. (1)

5.0% ✓

5.1.2 Name the policy used by SARB to curb inflation. (1)

Monetary policy ✓

5.1.3 Briefly describe the term *economic indicator.* (2)

Economic indicators are used to establish the performance of an economy in terms of the basic economic objectives. ✓✓

(Accept any correct relevant answers)

5.1.4 Explain the importance of measuring the performance of the economy. (2)

- It is important for the government to assess the performance of the economy because it develops mechanism to caution the most affected sector of the economy promptly. ✓✓
- The measurement of the performance of the economy develops some economic stabilisers to defuse the huge impact that may result from the unexpected economic downturn. ✓✓
- A positive performance of the economy attracts more investors in the country which stimulates foreign competition. ✓✓

(Accept any other correct relevant answers)

5.1.5 How can the rise in fuel prices contributes to high cost of living? (4)

- A rise in fuel prices directly drives up the cost of living by increasing transport expenses, hiking food and retail prices, and increasing production costs. ✓✓

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- Manufacturing inputs depend on fuel, making production more expensive which results in high cost of living. ✓✓

  (Accept any correct relevant answers)

5.2 Discus employment as an economic indicator (8)

- Employment is an important economic indicator because it shows how many people in a country are actively working and contributing to production. ✓✓
- A high level of employment usually indicates a strong and a growing economy, where businesses are expanding and creating jobs. ✓✓
- High unemployment suggests economic problems such as low demand, slow grow growth or recession. ✓✓
- Employment levels also reflect the standard of living, as more employed people mean higher incomes and improved living conditions. ✓✓
- Governments and institutions like Statistics South Africa use employment data to make decisions about economic policies and development strategies. ✓✓

  (Accept a correct relevant answers)

ACTIVITY 6

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



6.1.1 Identify the economic indicator depicted by the cartoon above. (1)

Unemployment ✓

6.1.2 Name any ONE international institution that requires countries to standardise economic indicators. (1)

- United Nations/ UN ✓
- International Monetary Fund/ IMF✓
- World Bank✓

6.1.3 Briefly describe the term full *employment*. (2)

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Employment is the number of people within the economically active population who are actively looking for and able to get the job .✓✓

(Accept any other relevant and correct response)

6.1.4 Explain interest rate as the measure to increase gross domestic product? (2)

- Lower interest rates will stimulate borrowing and spending, leading to increase in demand for capital goods and investments, production expansion and economic growth will be achieved ✓✓

(Accept any other relevant and correct response)

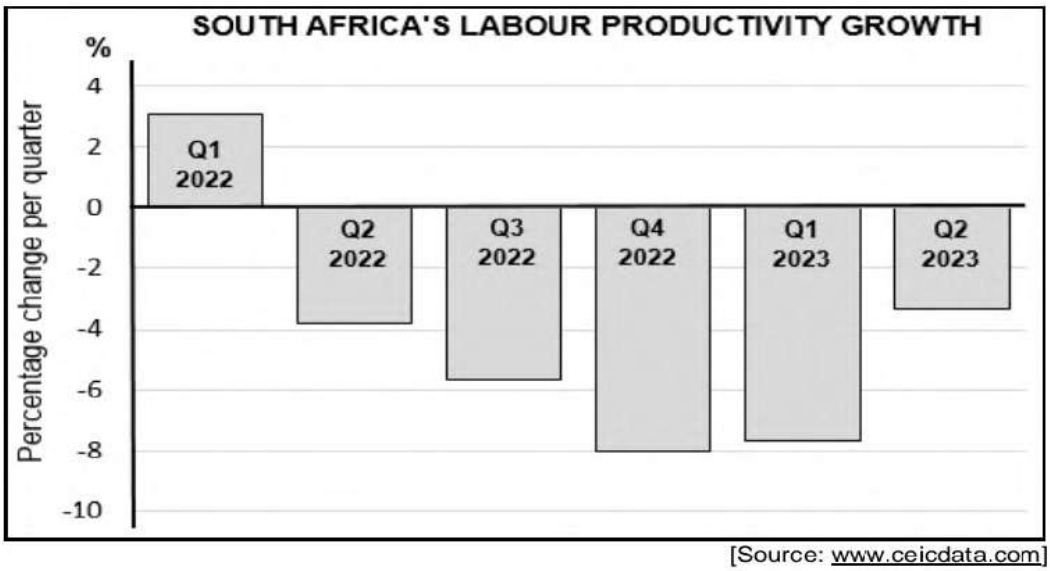
6.1.5 How can the government reduce unemployment in the country? (4)

- Provide temporary employment in public sector projects. E.g.EPWP/CWP ✓✓
- Provide resources, mentorship and funding for the new entrepreneurs to promote self-employment. ✓✓
- Offer financial incentives to employers for skills development. ✓✓

(Accept any other relevant and correct response)

ACTIVITY 7

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



[Source: www.ceicdata.com]

7.1.1 Identify the percentage change in labour productivity for the fourth quarter of 2022. (1)

- 8% ✓

7.1.2 Name any ONE economic indicator that relates to productivity. (1)

Remuneration per worker ✓

7.1.3 Briefly describe the term *economic indicator*. (2)

Economic indicator is the statistical data that is used to measure the performance of the economy. ✓✓

(Accept any other correct relevant response)

7.1.4 Explain the importance of healthcare services to the labour force? (2)

- Access to healthcare services helps to improve the mental and physical ability of workers which increases the productivity of the labour force. ✓✓

Downloaded from Stanmorephysics.com

- Access to good health care can make an area more attractive to potential workers and retain the skilled labour force. ✓✓

(Accept any other correct relevant response)

7.1.5 How can a decrease in labour productivity impact the economy? (4)

- A decrease in labour productivity may increase the average cost of production which may lead to an increase in the cost – push inflation. ✓✓
- Production output may decrease which may slow down economic growth and increase unemployment. ✓✓
- Decrease in productivity may results in less export volumes which leads to Balance of Payment deficit. ✓✓
- Workers may lose their jobs which leads to a decrease in demand for goods and services in the economy. ✓✓

(Accept any other correct relevant response)

ACTIVITY 8

8.1 Answer the following questions.

8.1.1 Name TWO example of price change indicators. (2)

- Producer Price Index (PPI) ✓
- Consumer Price Index (CPI) ✓

8.1.2 Why is it important to have sufficient money supply in the economy? (2)

- Sufficient money supply allows economic participants to buy goods and services leading to high production and high growth. ✓✓

(Accept any other correct relevant response)

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

DEVELOPMENT IN LABOUR PRODUCTIVITY, LABOUR SHARE AND WAGES IN SOUTH AFRICA

South Africa's GDP per capita, a simple measure of labour productivity and relative income, has fallen since 2017. The real value of average compensation rose between 2008 and 2021 but has fallen sharply since. The share of labour in total income has also declined since 2021. This post shows that there are some surprising difference between the productivity and labour cost estimates from Stats SA and the World Bank.

[Adapted from:codera.co.za]

8.2.1 Identify one example of an economic indicator in the extract above. (1)

- GDP per capita ✓
- Labour productivity ✓

8.2.2 Name the indicator that relates to coin and notes available in the economy. (1)

M1 ✓

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8.2.3 Briefly describe the term d*emographics.* (2)

Demographics is the statistical data of a population which is used to understand the characterics of a group of people. ✓✓

(Accept any other correct relevant answer)

8.2.4 Explain the importance of managing money supply in the economy. (2)

- Managing Money supply is critical to prevent having too much money chasing few goods which can cause inflation. ✓✓
- Effective management of money supply helps to protect the value of the currency✓✓

(Accept any other correct relevant answer)

8.2.5 How can an increase in wages per worker affect the performance of the economy? (4)

- An increase in wages per worker without an equal increase in labour productivity caused workers to have more money to spend. ✓✓
- The high level of expenditure leads to an increase in the general price level of goods and services.✓✓
- High inflation may cause a reduction in the level of standard of living. ✓✓

(Accept any other correct relevant response)

8.3 Briefly discuss *Consumer Price Index* and *Producer Price Index* as economic indicators. (8)

Consumer Price index

- The cost of a basket of goods that are bought by an average household. ✓✓
- The basket consists of goods and services that are selected by Stats SA to measure inflation. ✓✓
- It relates to the cost of living for households. ✓✓
- Prices include VAT except for selected products such as agricultural products and fuel. ✓✓

Producer Price Index

- The cost of locally produced goods when they leave factory floor and the cost of imported goods. ✓✓
- The basket consists of intermediate and some finished goods only based on the prices at factory gates. ✓✓
- It relates to cost of production for firms ✓✓
- Prices exclude VAT. ✓✓

(Accept any other relevant answer)

ACTIVITY 9

9.1 Study the extract below and answer the questions that follow

SOUTH AFRICA'S ECONOMIC INDICATORS

South Africa's economy was forecasted to grow by 1,5 %in 2025 and 1,8% in 2026. Inflation is expected to remain well below the target in 2025. The decrease in fuel prices in September to November 2024, also played a major role in the reduction of inflation. The exchange rate of the rand to the major currencies such as the dollar had also improved, leading to relatively cheaper fuel prices.

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However, the unemployment rate is still a concern as it influences economic development and is expected to decrease slightly. This was due to the upwardly adjusted economic growth expectation resulting from the positive effect of interest rate reduction.

(*Adapted from: Google*)

9.1.1 Identify the economic indicator related to foreign trade in the extract. (1)

Exchange rate ✓

9.1.2 Name the inflation indicator that informs about the cost of producing goods in a country. (1)

Producer Price Index/ PPI ✓

9.1.3 Briefly describe the term *labour productivity.* (2)

Labor productivity is a measure that compares economic output against the amount of labor required to produce that output. ✓✓

(Accept any other correct and relevant response)

9.1.4 Why are countries required to standardise their economic indicators? (2)

- Economic indicators are standardised to enable meaningful cross boarder comparisons of economic performance. ✓✓
- The standardization is crucial in making informed investment decisions and formulating effective international economic policies. ✓✓

(Accept any other correct relevant response)

9.1.5 How can interest rate as an economic indicator influence inflation? (4)

- When interest rates change, they can affect how much people spend or invest and this can cause inflation to rise or fall. ✓✓
- Higher interest rate increases borrowings costs, discouraging consumption and investment which can combat inflation. ✓✓
- Lower interest rates can stimulate consumer spending and investment which in turn can lead to higher price. ✓✓

(Accept any other correct and relevant response)

ACTIVITY 10

10.1 Study the table below and answer questions that follow.

LIFE EXPECTANCY TRENDS IN SOUTH AFRICA

YEAR	LIFE EXPECTANCY AT BIRTH WITHOUT HIV	LIFE EXPECTANCY AT BIRTH WITH HIV
2021	66.3	56.0
2022	65.5	52.1

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2023	**64.2**	**53.4**
2024	**63.1**	**51.0**
		[Source:www.statssa.gov.za]

10.1.1 Identify the year that shows the highest life expectancy without HIV from the above table. (1)

2021 ✓

10.1.2 Name the institution that publishes social indicators trends in South Africa. (1)

Statistics SA/Stats SA ✓

10.1.3 Briefly describe the term *life expectancy*. (2)

- Life expectancy refers to the number of years a new-born infant will live if the prevailing patterns of mortality remained the same throughout his or her life. ✓✓

(Accept any other relevant answer

10.1.4 Explain the impact of a high inflation rate on the real income of households. (2)

- People's real income falls since the purchasing power decreases. ✓✓
- When prices rise faster than nominal income, households experience a decline in their standard of living because their fixed income buys few necessities. ✓✓

(Accept any other correct relevant response)

10.1.5 How can government improve the life expectancy of a country. (4)

- Government can improve life expectancy by investing in public health infrastructure. ✓✓
- Government can also promote healthy lifestyle policies, ensuring equitable access to primary healthcare. ✓✓
- Government create community awareness campaigns on the illness and improved medical services. ✓✓

(Accept any other relevant answer)

ACTIVITY 11

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



[Source: cartoon -pay -nower - later1.png]

11.1.1 Identify a social indicator depicted by the above cartoon. (1)

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Education ✓

11.1.2 Name any ONE example of demographic indicator. (1)

- Population growth✓
- Life expectancy✓

11.1.3 Briefly describe the term *terms of trade*. (2)

Terms of trade is the ratio between the import prices and export prices in terms of indexes. ✓✓

(Accept any other correct relevant response)

11.1.4 Why is the investment in nutrition important? (2)

- Investment in nutrition helps in reducing healthcare cost and improving productivity leading to economic growth. ✓✓
- Investment in nutrition also helps in promoting education, intellectual capacity and social development of present and future generations ✓✓

(Accept any other correct relevant response)

11.1.5 How does the poor literacy levels negatively impact the citizens? (4)

- Limited literacy skills hinder workforce efficiency. ✓✓
- It restricts career choices and advancements leading to limited opportunities. ✓✓
- Individuals may have low self-esteem as feelings of inadequacy occur. ✓✓
- Daily tasks become challenging without literacy skills, and it leads to the dependency on others. ✓✓
- It reduces the quality of life of individuals because it affects the mental and physical well-being. ✓✓

(Accept any other correct relevant response)

11.2 Discuss health as a social indicator. (8)

Infant mortality

- The number of children who die before the age of 1 is a way to measure the health of the population. . ✓✓
- Child mortality is significantly higher in poor households. . ✓✓

Under five mortality

- The number of children that will die before the age of 5 years . ✓✓

Health expenditure

- Health Expenditure is measured in terms of the amount of public and private expenditure on healthcare as a percentage of GDP (healthcare receives the second largest budget allocation for its services). . ✓✓
- Healthcare has extremely positive externalities as a larger section of the population now has access to basic healthcare. . ✓✓

Access to safe drinking water

- Access to safe drinking water measured in terms of the percentage of the population that have reasonable access to safe drinking water (treated or uncontaminated). . ✓✓

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- The Department of Water Affairs constructed many water relief schemes during the harsh lockdown, especially for schools and rural communities. ✓✓

Access to sanitation facilities

- Access to sanitation facilities is measured in terms of the percentage of a population with at least adequate sanitation facilities that can effectively prevent human/animal/ insect contact. ✓✓
- A healthy population saves on medical and other costs, produces income and contributes to a stronger economy. ✓✓

(Accept any other correct relevant response.)

ACTIVITY 12

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

DEMOGRAPHICS OF SOUTH AFRICA

South Africa's population break by race, based on the Statistics South Africa mid-year estimates, shows that Black Africans form the vast majority at 51.5 million people (81,7%), followed by Coloureds at 5.3 million people (8.5%), white 4.5 million people (7.2%), and Indian or Asian at 1,6 million people (2.6%).

https://southafrica-info.com

12.1.1 Identify the social indicator discussed in the extract above. (1)

Demographics ✓

12.1.2 Name the social indicator that allocated the largest budget in South Africa (1)

Education ✓

12.1.3 Briefly describe the term *urbanisation* (2)

Urbanisation is a movement of people from rural areas to towns. ✓ ✓

(Accept any other correct and relevant response)

12.1.4 Why is it important for government to measure population growth? (2)

- It is important for the government to know the population growth for the country for service delivery. ✓✓
- It also helps the government to know the expected tax base in the country. ✓✓

(Accept any other correct and relevant response)

12.1.5 How can education improve the standard of living in the country? (4)

- When people are educated, they stand a good chance to find better job opportunities. ✓✓
- People will receive a decent wage to afford their needs and wants and reducing the burden to the government. ✓✓

(Accept any other correct and relevant response)

12.2 How does the South African government use social indicators to plan for future development? (8)

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- Demographic indicators/population growth/life expectancy/birth rate) help government plan future infrastructure, schools, hospitals, and social programmes. ✓✓
- Nutrition indicators /obesity/malnutrition are used to decide on regulations to improve child development and reduce health risks. ✓✓
- Health indicators/infant mortality/access to clean water/sanitation/health expenditure) guide government in allocating resources to public healthcare and ensuring a healthier workforce. ✓✓
- Education indicators/literacy rates/enrolment/primary completion are used to determine education budgets and policies to raise skills levels. ✓✓
- Services assist government in setting priorities for infrastructure investment and service delivery. ✓✓
- Housing and urbanisation help government to plan housing programmes, establishment of new towns and to provide affordable shelter for low-income households. ✓✓
- Collectively, social indicators allow government to evaluate living standards, reduce inequalities, and implement policies for sustainable socio-economic development. ✓✓

(Accept any other correct relevant response)

ACTIVITY 13

Discuss the various economic indicators in detail. (26)

INTRODUCTION

Governments use different statistical data to predict economic trends and formulate suitable developmental strategies toward influencing the direction that the economy should take✓✓

Economic indicators are used to establish the performance of an economy in terms of the basic economic objectives✓✓

(Accept any other relevant response) (Max. 2)

BODY: MAIN PART

- **PRODUCTIVITY INDICATORS✓**
- **Labour productivity✓**

It is the output per worker over a period of time. ✓✓

Closely watched most, particularly in relation to real wage increases, South Africa productivity's increased less than labour remuneration✓✓

Labour productivity is measured by dividing the real GDP by the number of workers employed✓✓

Remuneration per worker ✓

- If productivity increases are lower than the real wage increases, inflationary pressures will occur✓✓
- The relationship between productivity and wages is crucial for employers to survive in vigorous markets and workers to survive on their salaries. ✓✓

(Accept analysis of other kind of productivity)

FOREIGN TRADE INDICATORS✓

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The terms of trade✓

• It is the ratio of exports and imports prices✓✓

• Changes in terms of trade serve as indicator of changes that may spill over into the balance of payments✓✓ e.g. if it deteriorate, it may lead to a deficit✓✓

• If terms of trade will deteriorate, greater volume of exports must be produced to keep export earnings constant✓✓

The exchange rate✓

• Changes in an exchange rate affect the prices for imports and prices of exports/ income earned from exports✓✓

• A depreciation of the rand against the dollar will result in US goods and services becoming more expensive domestically and earnings from exports to the US increasing✓✓

• Where countries are extremely dependent on international trade, exchange rate of trading countries must be closely monitored✓✓

THE INFLATION RATE✓

• Inflation can be described as an increase in the general level of prices in an economy that is sustained over a period of time✓✓

• SARB aims to keep the inflation rate stable between 3 and 6% ✓✓

The following instruments measure inflation:

Consumer prices/CPI✓

• CPI is the weighted average of the prices of a general basket of goods and services likely to be bought by consumers✓✓

• Measures the cost of living of consumers✓✓

• It indicates changes in the general purchasing power of currency✓✓

• It includes VAT and interest rate✓✓

Production prices /PPI ✓

• Measures cost of production to producers✓✓

• Measures prices of locally produced goods when they leave the factory and imported goods when they enter the country✓✓

• Serves as an indicator to predict consumer inflation (CPI) ✓✓

• It excludes VAT and interest rate✓✓

EMPLOYMENT✓

• Employment indicators are used to calculate trends in employment, productivity in the economy and measure economic growth✓✓

The factors discussed below are used to measure employment.

The economically active population (EAP / labour force) ✓

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• The official employment ages in South Africa are between 15 and 65 who are willing to work and it includes workers in the formal sector, informal sector, employers, self-employed persons and unemployed persons. ✓✓

Employment rate✓

• The number of employed persons expressed as percentage of the EAP gives the employment rate✓✓

• The South African employment rate was 65.5% in June 2022 and is not accompanied by a similar growth in employment numbers✓✓

Unemployment rate✓

• Unemployment refers to people who are willing and able to work but are unable to find work in the labour market at the current wage rate✓✓

• The unemployment rate is expressed as the percentage of unemployed persons out of the total number of people willing and able to work✓✓

• In South Africa the official unemployment rate was 34.5% in Q1 of 2022 and is the most important cause of poverty✓✓

MONEY SUPPLY✓

• Money supply is of critical importance to give early warning of likely changes in inflation✓✓

• Oversupply of money without an increase in the supply of goods and services will lead to inflation✓✓

• South African Reserve Bank defines money in different categories:

M1 - coins and notes; M2 - equal to M1 plus all short- and medium- term deposits; M3 - equal to M2 plus all long-term deposits of domestic private sector with monetary institutions✓✓

INTEREST RATES✓

• The interest rate is the price of borrowing money✓✓

• Repo rate is the main factor used to measure interest rate✓✓

• It is the rate at which South African Reserve Bank lends money to commercial banks✓✓

• The SARB uses the repo rate to stimulate and dampen the economy ✓✓

• There is also the prime rate which is the rate at which commercial banks, will lend money to their customers✓✓

• Prime rate is based on the repo rate; i.e. when repo rate changes the prime rate will also change ✓✓

CONCLUSION

The use of economic indicators is important as it assist the government to determine future economic policies ✓✓ (2)

ACTIVITY 14

- Discuss in details the various social indicators. (26)
- How successful has the South African government been in promoting economic development through use of these indicators. (10)

INTRODUCTION

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- Social indicators are numerical measures that describe the well- being of individuals or communities used by economists. ✓✓

(Accept any other relevant response)

MAIN PART

Demographics ✓

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

Population growth ✓

- Population growth is the increase in the number of people in a population or dispersed group. ✓✓
- Measuring population growth is important for delivering social services and for identifying the size of the tax base. ✓✓
- Understanding population growth is important for predicting, managing, monitoring eradicating pest and disease outbreaks. ✓✓
- Population growth usually has implications for indicators related to education, infrastructure and employment. ✓✓
- Human settlements and the use of natural resources are also related to population growth. ✓✓

Life expectancy ✓

- The term life expectancy refers to the number of years a person can expect to live. ✓✓
- Life expectancy is based on an estimate of the average age that members of a particular population group will be when they die. ✓✓
- It is a measure that is often used to determine the overall health of a community.✓✓
- Changes in life expectancy are often used to describe trends in mortality. ✓✓
- Life expectancy for a particular population group depends on factors such as their lifestyle, access to healthcare, diet and economic status.✓✓

Nutrition and Health Indicators. ✓

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

Child malnutrition. ✓

- Malnutrition is expressed in two ways – weight for age (under – weight) and height for age (dwarfism). ✓✓
- The proportion of underweight children is the most important indicator of malnutrition. ✓✓
- In South Africa malnutrition is one of the leading causes of child deaths, and the number of affected children is increasing. ✓✓
- The main causes of childhood malnutrition are household food insecurity, inadequate care and unhealthy household environment, and lack of health care services. ✓✓

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Overweight Children/ Obesity. ✓

- There is an association between obesity of children and other diseases. ✓✓

Health. ✓

Infant Mortality/ Child Mortality. ✓

- Infant mortality refers to the number of children who die before the age of one year and it is one way of measuring the health of a population. ✓✓
- The infant mortality rate is the number of infant deaths for every 1000 live births. ✓✓
- The main causes of infant mortality in South Africa are HIV and AIDS, pregnancy and childbirth complications, and malnutrition, which are all related to poverty. ✓✓
- Reducing infant mortality requires increased health sector spending and improved health systems functioning. ✓✓

Under- Five Mortality. ✓

- Under – five mortality is the number of children that will die before the age of 5 years. ✓✓

Health expenditure. ✓

- Health expenditure measures the amount of money spent on health as a percentage of GDP. ✓✓

Access To Safe Drinking Water. ✓

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

Access To Sanitation Facilities. ✓

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

Education. ✓

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

Public Expenditure.✓

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- Public expenditure measures the percentage of the national budget that is directed towards education. ✓✓
- Secondary enrolment.✓
- Secondary enrolment shows the percentage of an age group attending high school. ✓✓
- Secondary school enrolment, in South Africa has been improving over the last decade.✓✓

Primary Completion✓

- Primary completion refers to the percentage of an age group that has completed primary education.✓✓
- The percentage is an indicator of the efficiency of the education system. ✓✓

Youth Literacy Rate.✓

- Youth literacy rate is the percentage of people ages between 15-24 who can both read and write.✓✓
- Literacy not only enriches an individual's life, but it creates opportunities for people to develop skills that will help them provide for themselves. ✓✓
- Literacy improves the ability of individuals to access information. ✓✓

Services.✓

- Services are vital to enhance people's lifestyle and level of economic and social development.✓✓
- **Electricity.** ✓✓
- The percentage of households connected to the country's main electricity supply increased.✓✓

Refuse removal.✓

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

Water Supply.✓

- In South Africa about 87% of households had access to clean water. ✓✓

Sanitation. ✓

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

Housing And Urbanisation.✓✓

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

Housing.✓

- Adequate housing can also facilitate labour mobility within the economy and help the economy adjust to adverse shocks. ✓✓

URBANISATION.✓

- Urbanisation is the movement of people from rural areas to cities or towns. ✓✓

(Accept any other correct relevant responses)

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

ADDITIONAL PART.

The South African government has been successful in the following ways:

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- It has provided free health services of quality at the provincial hospitals and clinics. ✓✓
- The government has developed more major road infrastructure leading into economic hubs to accommodate more traffic. ✓✓
- The government extended school feeding schemes to more primary schools in the country where major unemployment is experienced in communities. ✓✓
- Improved the provision of clean water to communities, especially when droughts are experienced. ✓✓
- Increased free housing services and grants to the needy.✓✓
- The South African government has not been successful in the following ways.
- There is still poor school infrastructure, poor learning conditions and a lack of learning materials in most schools in the country. ✓✓
- Most public hospitals experience a shortage of resources in medicine and equipment. ✓✓
- Strike actions by municipal workers hamper delivery of services to the citizens. ✓✓
- Escalating corruption in the public sector hampers attempts by the government to provide for the welfare of the population. ✓✓
- Overall poor service delivery is still rife in the country. ✓✓

(Accept any other correct relevant response) (Max 10)

CONCLUSION

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

(Accept any other relevant higher order conclusion) (Max 02)

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MICROECONOMICS:
PERFECT MARKET

MAIN TOPIC: MICROECONOMICS	
TOPIC 5: PERFECT MARKETS	**CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES**
Examine the dynamics of perfect markets with the aid of cost and revenue curves	**NOTE:** 1. Review cost and revenue tables and curves done in Grade 11. 2. Distinguish between short and long term/run. 3. Graphs can tested as a middle order 8 marker in the following ways" - Draw a graph only/draw a graph and explain/provide an explanation to a given graph
5.1 Perfect competition	• Briefly describe the **concept** • Examine the **characteristics** of a perfect market.
5.2 Individual business and industry	• Distinguish between individual businesses and the industry. • Use graphs to explain the **derivation of the demand curve** for the individual business. • Construct a revenue table to show that D= P=AR=MR • Use graphs to explain **profit maximisation** using: - Total cost and total revenue curves - Marginal cost and marginal revenue curves • Derive the supply curve from cost curves The examination of individual business and industry should be accompanied by an analysis of tables and graphs.
5.3 Market structure	• Briefly describe the concept • Briefly recap comparisons between the main market structures done in Grade 11 (number of business, nature of business, examples, entry into market, prices). Refer to 6.5 for detail comparison, after completion of all four market structures.
5.4 Output, profits, losses and supply **5.4.1 Individual business**	• ***Discuss in detail the various equilibrium positions with the aid of graphs***: - Economic profit - Economic loss - Normal profit (short and long run)
5.4.2 The industry	• Explain economic profit/economic loss/normal profit with the aid of graphs(short run). • Explain normal profit with the aid a of graph (Long run) • Explain **shutdown point** using costs and revenue (FC, VC, TC, TR) and explain graphically (AR and AVC) Show the relationship between the industry equilibrium positions and the individual firm's equilibrium positions with graphs, i.e. how entry and exit into the market influence equilibrium position from the short run to the long run.
5.5 Competition policies	• Describe the **aims/objectives** of the competition policy • Briefly describe the Competition Act, 1998 (Act 89 of 1998), as amended • Explain the role of the **Competition Commission, Competition Tribunal and Competition Appeal Court** • Explain South Africa's **anti-monopolistic policy** • Evaluate the successes/failures of the competition policy. (relate to current examples)

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ACTIVITY 1

1.1 Various questions 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, for example 1.1.9 B.

1.1.1 Price determined by market forces of demand and supply is known as the...price.
- A. normal
- B. cost
- C. market✓✓
- D. Basic

1.1.2 An income that is earned per extra unit of output sold is referred to as …revenue.
- A. maximum
- B. average
- C. total
- D. marginal ✓✓

1.1.3 The cost that changes with the level of output produced is known as …cost.
- A. Fixed
- B. marginal
- C. variable✓✓
- D. average

1.1.4 The revenue a firm earns per unit of output sold is known as…revenue
- A. average ✓✓
- B. marginal
- C. total
- D. sales

1.1.5 The supply curve for a firm in a perfectly competitive market has a … slope.
- A. positive✓✓
- B. horizontal
- C. negative
- D. vertical

1.1.6 The institution that investigates restrictive business practices is known as competition…
- A. Commission✓✓
- B. Tribunal
- C. Appeal Court
- D. policy

1.1.7 The period of production where all the factors of production are variable is known as...
- A. long term
- B. medium term.
- C. short run.
- D. long run. ✓✓

1.1.8 Additional cost incurred for producing an extra unit is known as…cost
- A. Fixed
- B. Average
- C. Marginal ✓✓
- D. Total

(8 X 2 = 16)

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1.2 Choose a description from Column B that matches an item in Column A. Write only the letter (A. – G.) next to the question number (1.2.1 – 1.2.8) in the answer book.

COLUMN A		COLUMN B	
1.2.1 Diseconomies of scale	A	The cost that are incurred by the business but cannot recovered	E✓
1.2.2 Profit maximization	B	Actual expenditure of a business, such as wages and rent	D✓
1.2.3 Sunk cost	C	different businesses that produce the same product	A✓
1.2.4 Break-even-point	D	The point where marginal is equal to marginal cost.	F✓
1.2.5 Perfect market	E	Occurs if inputs increase and output decrease by lesser percentage increase in input	G✓
1.2.6 Industry	F	When the total revenue is equal to the total cost	C✓
1.2.7 Explicit cost	G	The larger number of buyers and sellers they sell homogenous product	B✓
1.2.8 Normal profit	H	When average revenue is less than average cost	I✓
	I	Minimum earning required to prevent an entrepreneur from leaving the business	

(8x 1) (8)

1.3 Give ONE term for each of the following description. Write only the term next to the question number (1.3.1 – 1.3.6) in the ANSWER BOOK.

1.3.1 The average revenue is greater than the average cost of a firm.
Economic profit✓

1.3.2 Value of input owned by an entrepreneur and use in the production process
Implicit cost✓

1.3.3 The cost that remains the same even if the output changes
Fixed cost✓

1.3.4 Profit earned in the long run by businesses in the perfect market
Normal profit✓

1.3.5 A point where a firm's average revenue(price) is equal to average variable cost.
Shutdown point✓

1.3.6 A market structure where no single producer can influence the market price.
Perfect competitive ✓

(6 x 1) (6)

ACTIVITY 2

2.1 Answer the following questions.

2.1.1 Give any two example of perfect competitive market. (2)

- Agricultural industry✓
- Johannesburg security exchange✓
- Street vendors✓

(Accept any other relevant answer)

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2.1.2 Why is the demand curve of a perfect market horizontal? (2)

All business charge the same price as they are price takers and their price is determined through the interaction of demand and supply. ✓✓

(Accept any other relevant answer)

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

REVENUE FOR A FIRM

Total output	Price	Fixed cost	Variable cost	Total cost
0	50	30		30
1	50	30	18	48
2	50	30	25	55
3	50	30	38	68
4	50	30	45	75

2.2.1 Identify the market price that is charged by perfect market in the table above. (1)

R50✓

2.2.2 Name any ONE example of fixed cost (1)

- Rent ✓
- Salary✓

(Accept any relevant response)

2.2.3 Briefly describe the term *variable cost*. (2)

Variable costs are cost that change directly with the level of production. ✓✓

(Accept any relevant response)

2.2.4 Why are businesses in perfect market called price takers.? (2)

All the business in this market structure have to use the price determined by the industry, their prices are determined through the interaction of demand and supply of the industry. ✓✓

(Accept any relevant response)

2.2.5 Calculate the marginal cost for the 4th output. Show ALL calculations. (4)

ΔTC ÷ ΔQ output✓

= (75 - 68) ✓ ÷ (4 - 3) ✓

= 7 ÷ 1 ✓

= 7✓

ACTIVITY 3

3.1 Answer the following questions.

3.1.1 Give any TWO example of variable cost. (2)

- Raw material✓
- Water bill✓
- Electricity bill✓

(Accept any other relevant answer)

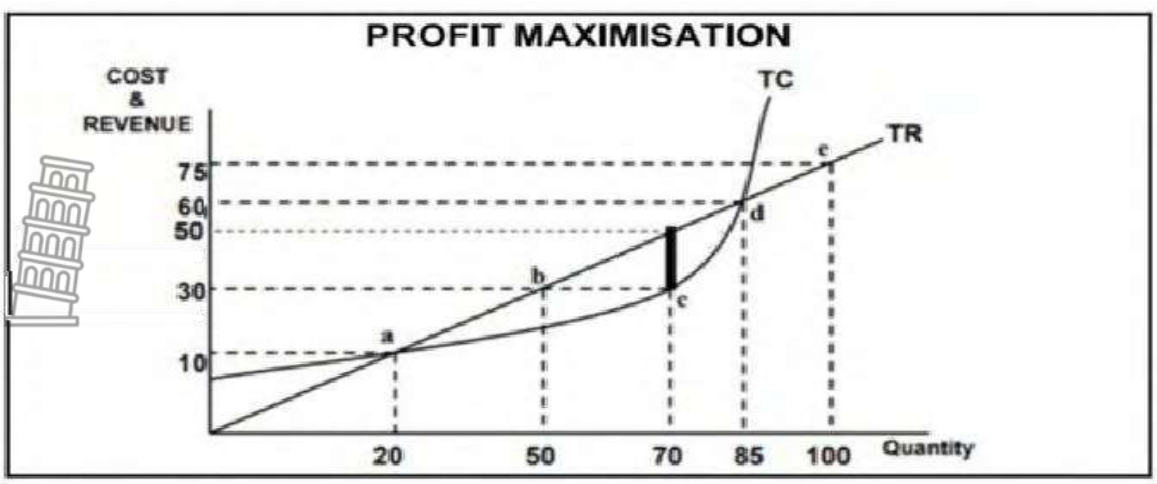
3.1.2 Why is the marginal revenue (MR) curve in the perfect market the same as the demand curve? (2)

- Each additional unit will be sold at the same price which is the same as the demand curve. ✓✓

(Accept any other relevant answer)

3.2 Study the graph below and answer the questions that follows.

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3.2.1. Identify the break-even point from the graph above. (1)

A or D✓

3.2.2. Name the type of profit that is made by perfect market in long run (1)

Normal profit ✓

3.2.3. Briefly describe the term *total cost*. (2)

Total cost is the sum of fixed cost and variable cost that have been used during production process. ✓✓

(Accept any other relevant answer)

3.2.4. Why total cost curve starts above zero? (2)

Business need to pay for the fixed cost even if they did not produce ✓✓

(Accept any other relevant answer)

3.2.5. Use the graph above to calculate the maximum profit that will be made by business. show all calculations. (4)

Economic profit = TR-TC✓

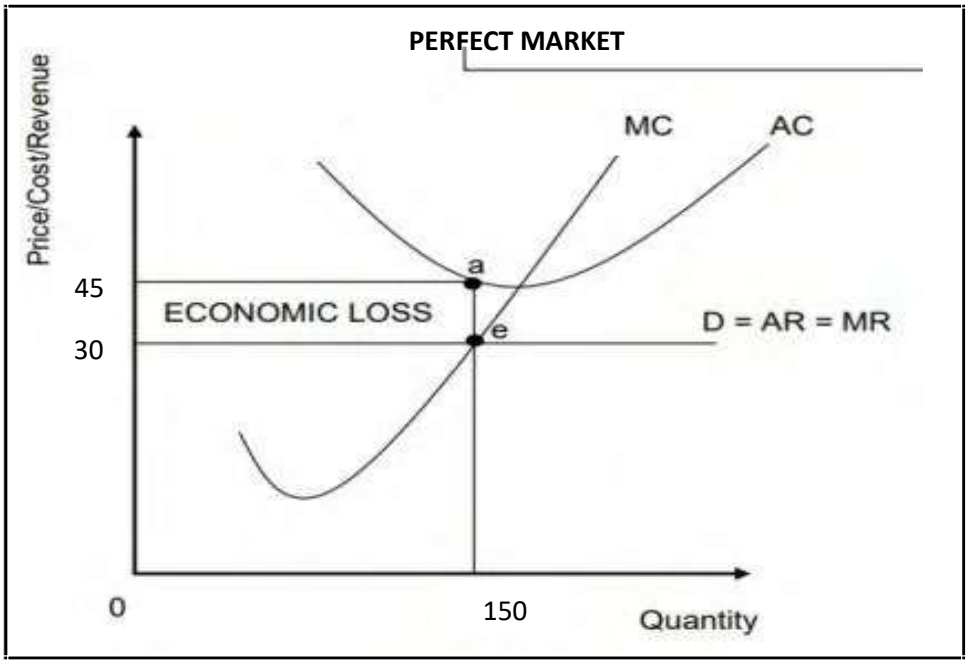
= 50 ✓- 30 ✓

=20✓

ACTIVITY 4

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

Downloaded from Stanmorephysics.com



4.1.1 Identify the market structure shown by the graph above. (1)

Perfect market✓

4.1.2 Name the curve that represent the supply curve of the business? (1)

Marginal cost(MC) ✓

4.1.3 Briefly describe the term *average cost*. (2)

Average cost is the cost per unit of product sold / is the price of a single unit of product. ✓✓

(Accept any other relevant answer)

4.1.4 Explain a reason for a firm in s perfectly competitive market earns only normal profit in the long run. (2)

- In the long run, firms in a perfectly competitive market earn only normal profit because the absence of barriers to entry allows new firms to enter the industry when existing firms earn economic profits.
- This increases market supply, lowers the market price, and reduces profits until only normal profit is earned. ✓✓

(Accept any other relevant answer)

4.1.5 Use the graph above to calculate the total revenue for this business. Show ALL calculations. (4)

TR =(PXQ) ✓

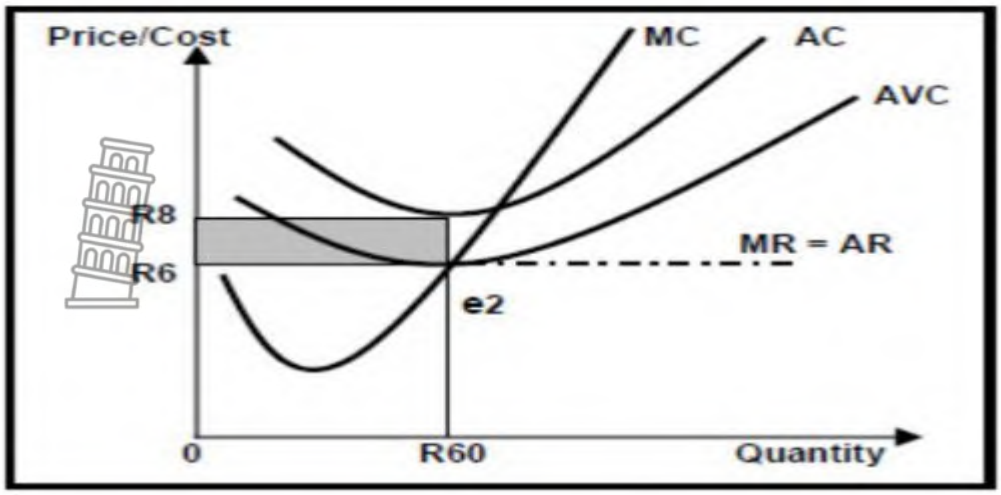
=30✓ X 150✓

=4500✓

ACTIVITY 5

5.1 Study the graph below and answer the questions that follows.

Downloaded from Stanmorephysics.com



5.1.1 Identify the market price from the above diagram. (1)

R6✓

5.1.2 Name the nature of a product that is sold in the perfect market. (1)

Homogenous or identical ✓

5.1.3 Briefly describe the term marginal revenue. (2)

Marginal revenue is the additional income to sell one extra unit. ✓✓

5.1.4 Explain the importance of producing where marginal cost is equal to marginal revenue. (2)

Producing at the point where marginal cost is equal to marginal revenue is important because the firm maximise its profit. ✓✓

(Accept any other relevant and correct response.)

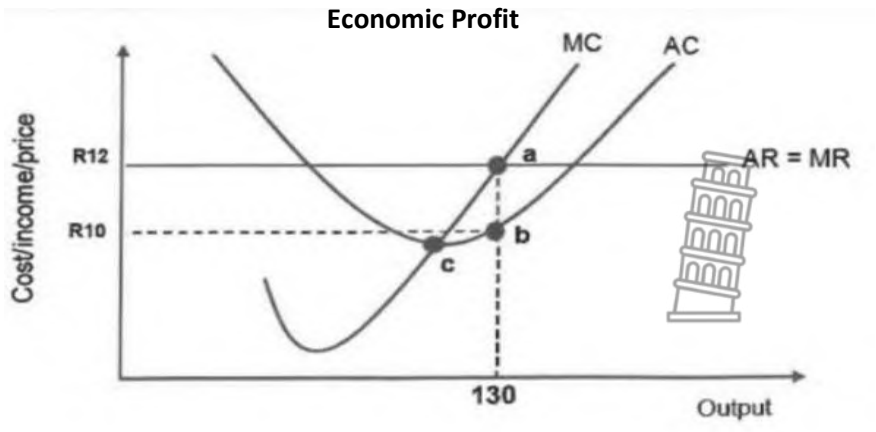
5.1.5 Why should firm avoid producing beyond profit maximisation point. (4)

- A firm should avoid producing beyond profit maximisation point because the marginal cost MC becomes greater than the marginal revenue(MR) which lead to reduced profit. ✓✓
- Producing beyond the point also result in inefficiency use of resources, therefore it is not sustainable for the firm's long-term profitability. ✓✓

(Accept any other relevant and correct response.)

ACTIVITY 6

6.1 **Study the graph below and answer the questions that follows.**



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6.1.1 Identify the profit maximisation point in the graph above. (1)

Point A✓

6.1.2. Name the period where all factors of production can change (1)

Long run ✓

6.1.3 Briefly describe the term economic profit. (2)

Economic profit occurs when average revenue is greater than average cost. ✓✓

(accept any other correct and relevant response)

6.1.4. Why does the individual business take the price determined by the industry? (2)

An individual firm is very small in relation to the industry and has no influence over the market price. ✓✓

(Accept any other relevant and correct response)

6.1.5. Calculate economic profit made above. Show all calculations. (4)

TC=PXQ

10 X 130✓ = 1300 ✓

TR = 12 x 130 = 1560✓

Economic profit = 260✓

Or

12 - 10✓ = 2✓

2 x 130✓ = 260✓

ACTIVITY 7

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

PERFECT MARKET

A perfect market is a market that is structured to have anomalies that would otherwise interfere with the best price-being obtained. No firm can influence the price of product since it is homogeneous. Due to the freedom of entry into the market, the level of competition is very high

Source: Google

7.1.1 Identify the nature of product that is sold in the perfect market from extract above. (1)

Homogenous ✓

7.1.2 Name any ONE example of implicit cost (1)

- Rent✓
- Interest✓
- Salary✓
- Profit✓

7.1.3 Briefly describe the term *industry* (2)

A group of producers that produce homogenous product in the market ✓✓

(Accept any other relevant and correct response)

7.1.4 Why is the demand curve for perfect market horizontal? (2)

All business charge the same price as they are price takers and their price is determined through the interaction of demand and supply. ✓✓

(Accept any other relevant and correct response)

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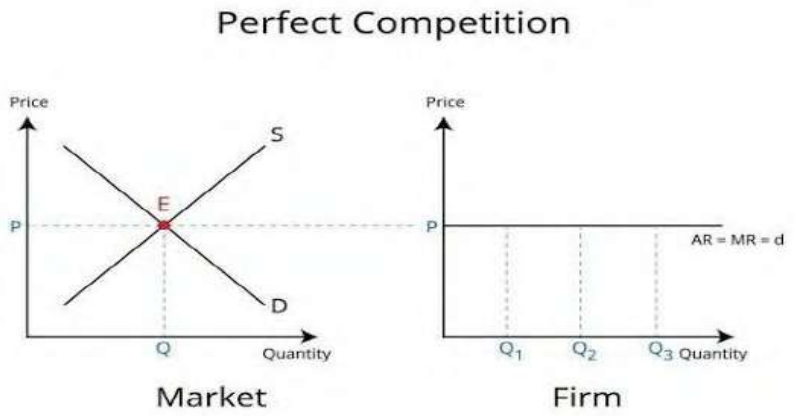
7.1.5. How can exit of firms in a perfect market affect the economy? (4)

- There will be a decrease in competition due to limited number of forms in the market. ✓✓
- Prices of goods and services are likely to increase because of a decrease in supply. ✓✓
- Unemployment levels will increase as some businesses would shut down their operation. ✓✓

(Accept any other relevant and correct response)

ACTIVITY 8

8.1 Study the diagram below and answer the questions that follow.



8.1.1 Identify the market price that is charge by an industry in the graph above (1)

P✓

8.1.2 Name the type of profit that is made by a perfect market in a long run (1)

Normal profit ✓

8.1.3 Briefly describe the term *economic profit* (2)

Economic profit is the profit a firm earns after deducting both explicit costs (such as wages, rent, and raw materials) and implicit costs (such as the owner's time and the opportunity cost of invested capital). ✓✓

(Accept any other relevant and correct response)

8.1.4. Why individual firm is regarded as a price taker? (4)

- Individual firm will take the price form industry in the intersection of demand and supply ✓✓
- An individual firm cannot influence the price, if it increases the price will lose customers and decrease in price result to a loss ✓✓

(Accept any other relevant and correct response)

ACTIVITY 9

9.1 Study the extract below and answer the question that follows

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COMPETITION COMMISSION AND TRIBUNAL

New Africa tax-free stores accuse Dakar LTD of abuse of dominance due to its power. The matter arose after Dakar stopped supplying inferior products to new Africa. They are asking now asking the Tribunal for an order declaring that Dakar is abusing its dominance ,in contravention of the Competition act

Source: google

9.1.1 Identify the institution that is responsible for investigating anti-competitive behaviour in the extract above (1)

Competition commission ✓

9.1.2 Name the institution that review and amend cases. (1)

Competition appeal court ✓

9.1.2 Briefly describe the term implicit cost (2)

The value of an input owned by entrepreneur is used in production process ✓✓
(Accept any other relevant and correct response)

9.1.4 Explain the way in which dominant businesses can abuse their market powers (2)

- Excessive pricing of goods and service, denying competition access to an essential facility, price discrimination ✓✓
- Refusal to supply scarce resources to a competitor ✓✓
- Charging prices that are below cost so as to exclude rivals. ✓✓
(accept any other relevent answer)

9.1.5 How can small, medium and micro enterprises (SMME) contribute to the goals of competition policy? (4)

- They provide more competition which will prevent monopolies from abusing their power. ✓✓
- SMMEs are an indication that all South African businesses, small and big are provided with equal opportunities to participate in the economy ✓✓
- They provide opportunities to aspiring entrepreneurs, especially those who are unemployed, underemployed or retrenched. ✓✓
(Accept any other relevant and correct response)

ACTIVITY 10

10.1 Study the picture below and answer the questions that follow.



Source: google

Downloaded from Stanmorephysics.com

10.1.1 Identify any one example of perfect competition from the above picture (1)

- Share markets✓
- Securities✓
- Bond market ✓
- Local vegetable market✓
- Agricultural product ✓

10.1.2 Name any one example of sunk cost (1)

- Advertising ✓
- Machinery cost ✓

(accept any relevant response)

10.1.3 Briefly describe the term *explicit cost*. (2)

Explicit cost is the actual expenditure of businesses such as rent. ✓✓
(accept any relevant response)

10.1.4 Explain the impact of new entry for perfect market in a long run (2)

New firms will be attracted by economic profit made in a short run, supply will increase and price will decrease and they will make normal profit ✓✓
(accept any relevant response)

10.1.5 Why perfect market regarded as efficient market. (4)

- They produce more output and charge lower prices which gives consumers advantage to afford ✓✓
- They are many sellers who are price takers, consumers have a choice to buy to anyone✓✓

(accept any relevant response)

ACTIVITY 11

11.1 Distinguish between an *industry* and an *individual firm.* (8)

Industry

- This is a group of individual firms that sell identical product. ✓✓
- The industry sets the market price through the market forces of demand and supply ✓✓

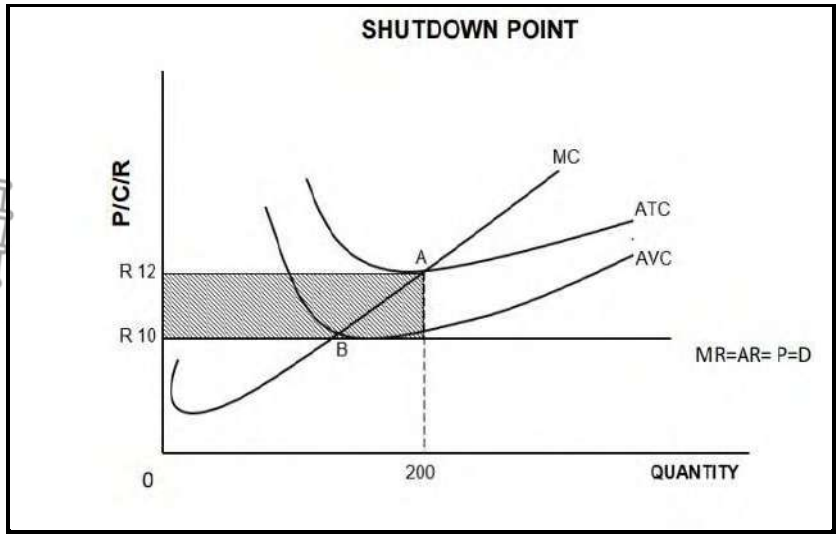
Individual firm

- This is a single firm that produces and sell a homogeneous product ✓✓
- The individual firm is a price taker and sell at the market price determined in the industry ✓✓

(Accept any other correct and relevant answer)

11.2 With an aid of a fully labelled graph explain the shutdown point using costs and revenue. (8)

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Mark Allocation	
Correct drawing and labelling of cost curves	1 Mark
Correct drawing and labelling of revenue curves	1 Mark
Correct indication of SHUT DOWN point	1 Mark
Correct labelling of and on axis	1 Mark
	Max 4 Marks

Explanation

- A shut down is a point where the firm may decide to close or continue with its operations. ✓✓
- It is important that a firm's revenue covers average variable costs to stay in business. ✓✓
- The lowest level of production is 200 units where AR=AVC=MC (shutdown point B). ✓✓

11.3 Briefly discuss the role of the *Competition Commission* and the *Competition Tribunal* as institutions that promote competition in South Africa. (8)

Competition Commission

- The Competition Commission investigates restrictive business practices and the abuse of market power by businesses. ✓✓
- It decides if mergers and acquisitions should go ahead or not✓✓
- The Competition Commission makes recommendations to the Competition Tribunal for approval✓✓

(Max 4)

Competition Tribunal

- The Competition Tribunal adjudicates on matters referred to it by the Competition Commission and issues any order for costs. ✓✓
- It can accept, reject or amend the recommendations of the Competition Commission✓✓
- The Competition Tribunal has jurisdiction throughout the Republic. ✓✓
- The Competition Tribunal grants exemptions, authorizes or prohibits large mergers. ✓✓

(Accept any other relevant correct response)

ACTIVITY 12

- Discuss in detail the various equilibrium positions with the aid of graphs in a perfect market (26)
- Evaluate the success of Competition policy on the economy. (10)

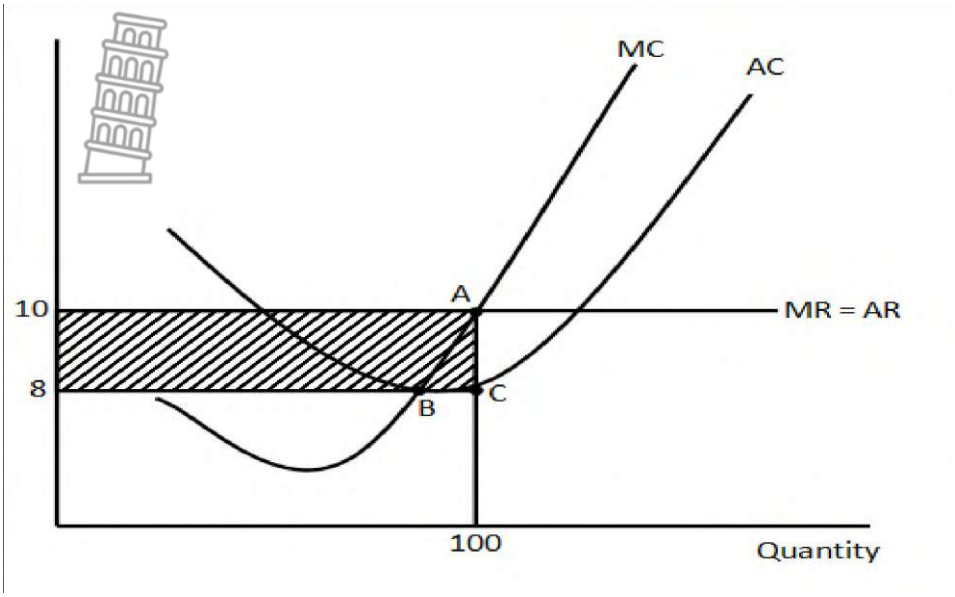
INTRODUCTION

A perfect competitor is a market structure with a large number of buyers and sellers. ✓✓

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BODY (MAIN PART)

ECONOMIC PROFIT ✓



ECONOMIC PROFIT ✓

- It is the profit that is made in addition to the normal profit. ✓✓
- When average revenue is greater than average cost the firm makes economic profit. ✓✓
- is made by the perfect competitor in the short-run. ✓✓

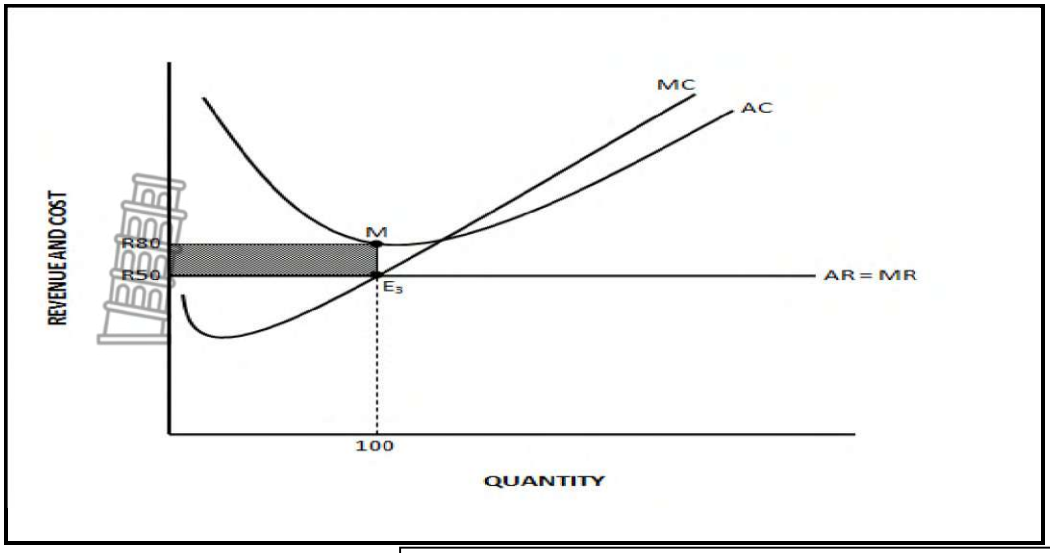
EXPLANATION

- Given a market price of R10, profit is maximised at point? where MR=MC=R10. ✓✓
- This occurs at a quantity of one hundred units. ✓✓
- The firm's average revenue (AR) per unit of production is R10. ✓✓
- The firm's average cost (AC) per unit of production is R8, which is lesser that a price of R10. ✓✓
- Therefore, the firm is making an economic profit of R10-R8 = R2 per unit of production. ✓✓
- The economic profit is represented by the shaded area in the graph above. ✓✓

ECONOMIC LOSS ✓

- is made when total costs are greater than the total revenue. ✓✓
- When average revenue is lower than average cost the firm makes an economic loss ✓✓

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Mark Allocation		
Correct drawing and labelling of cost curves	1 Mark	
Correct drawing and labelling of revenue curves	1 Mark	
Correct indication of profit maximisation point	1 Mark	
Correct indication of area (Economic loss)	1 Mark	max 4 marks

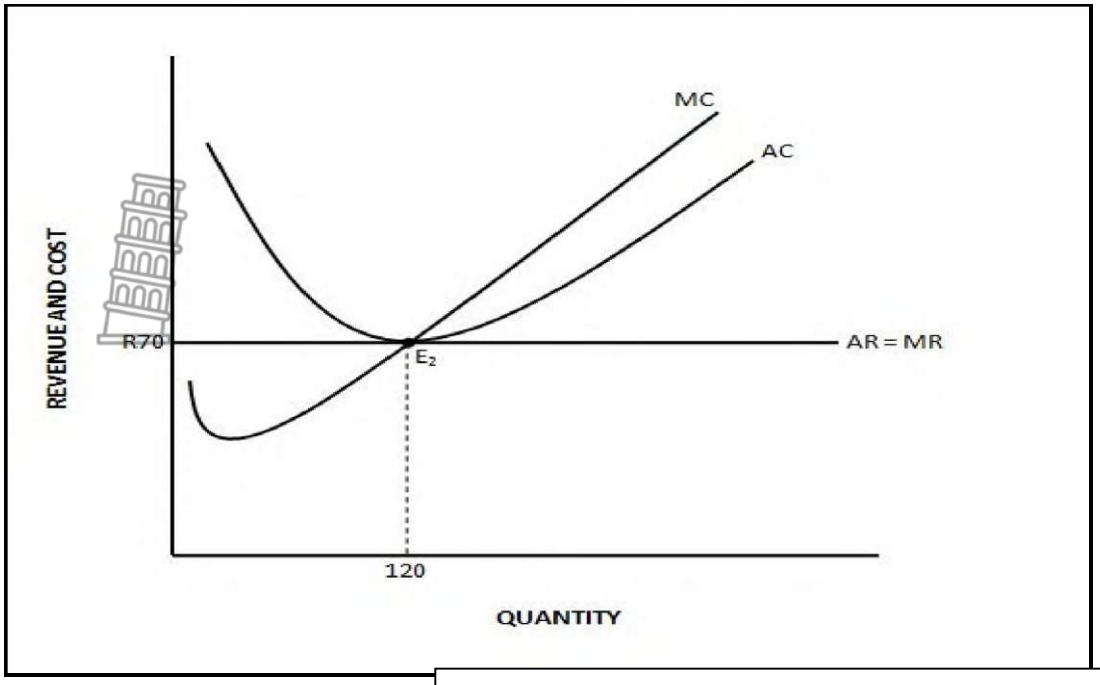
EXPLANATION

- Given a market price of R50, profit is maximised at point E where MR=MC=P ✓✓
- This occurs at a quantity of 100 units. ✓✓
- The average revenue (AR) per unit of production is R60. ✓✓
- The average cost (AC) per unit of production is R80, which is less than the price of R60. ✓✓
- Therefore, the firm is making an economic loss of R60-R80 =-R-20 per unit of production. ✓✓
- Economic loss is represented by shaded area on the graph above. ✓✓

NORMAL PROFIT ✓

- Normal profit Is the minimum earnings required to prevent the entrepreneur from leaving the industry
- When average revenue equals average cost the firm makes normal profit. ✓✓
- Is made by a firm in the long-run, if more firms enter the market. ✓✓

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Mark Allocation		
Correct drawing and labelling of cost curves	1Mark	
Correct drawing and labelling of revenue curves	1 Mark	
Correct indication of profit maximisation point /point e	2 Mark	max 4 marks

EXPLANATION

- Given a market price of R70 profit is maximised where MR=MC=P. ✓✓
- This occurs at a quantity of 120 units. ✓✓
- At the quantity of 100 the firm's average revenue (AR) per unit of production is R70 ✓✓
- The firm average cost (AC) per unit of production is R70 ✓✓
- Since AR = AC, the firm earns a normal profit since all its costs are fully covered. ✓✓
- Point E is usually called a break-even point. ✓✓

ADDITIONAL PART

Evaluate the success of Competition policy on the economy. (10)

- Successfully investigating and prosecuting unfair competition on regular basis in the country which has disadvantaged other businesses and consumers. ✓✓
- Making recommendations about penalties for businesses found guilty of abuse and this has been endorsed and fines imposed. ✓✓
- Implementing Competition Tribunal which evaluate / analyse the investigations a recommendation of the Competition policy where necessary. ✓✓
- The Competition Amendment Bill has improved the competition policy by holding directors / owners accountable for uncompetitive behaviour. ✓✓
- Curbing the economic power of big conglomerates to arrive at a more equitable distribution of income and wealth to the benefit of the economy at large. ✓✓
- Regulate market power of mergers where conditions were imposed and charging them accordingly. ✓✓
- Some unfair competitive behaviour has been unidentified making business get away with

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their mischievous activities. ✓✓

- Consumers in some instances become victims of high prices, colluded which are unfairly justified by businesses. ✓✓

CONCLUSION

Businesses under perfect competition can only realise normal profits in the long run due to the number of businesses entering in the market to share in the profits made in the short run. ✓✓

(Max. 2)





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IMPERFECT MARKETS

TOPIC 6: IMPERFECT MARKET	CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES
Examine the dynamics of imperfect markets with the aid of cost and revenue curves	
6.1 The dynamics of imperfect markets with the aid of cost and revenue curves	• Explain the following in an imperfect market: - **Income/Revenue** o Revenue schedule (a review) o Average and marginal revenue curves - **Costs** o Cost schedule (a review) o Average and marginal cost curves
6.2 Monopolies	• ***Discuss the monopoly in detail (with/without the aid of graphs):*** - **Concept** - **Characteristics** - **Economic profit, economic loss (short run)** - **Economic profit (Long-run)** • Briefly describe the **concept** • Emphasise and highlight good practical examples of businesses in this market • Examine the **characteristics** in detail • Distinguish between natural and artificial monopolies • Explain the downward slope of the demand curve (AR) • Explain the **marginal revenue curve** (Show the relationship between the **demand curve (AR)** and the **MR curve** graphically) • Explain, with the aid of graphs, **economic profit** and **economic loss** • Explain the **long-run equilibrium position** with the aid of a graph
6.3 Oligopolies	• ***Examine the oligopoly in detail:*** - **Concept** - **Characteristics** - **Kinked-demand curve** • Briefly describe the **concept** • Emphasise and highlight good practical examples of businesses in this market • Examine the **characteristics** of the oligopoly • Explain **non-price competition** (emphasise, amongst others, advertising, product differentiation and branding) • Discuss **collusion** (relate to current examples of collusive behaviour) • Distinguish between overt (explicit) collusion (cartels) and tacit (implicit) collusion *(price leadership)* • Broad outline of **prices and production levels** • Broad outline of the rationale of the **kinked demand curve** • Use the **kinked demand curve** and explain why oligopolists are reluctant to compete on prices.
6.4 Monopolistic competition	• Briefly describe the **concept** - Emphasise and highlight good practical examples of businesses in this market. - Briefly discuss product differentiation in this market • Examine the **characteristics** • Explain **non-price competition** (emphasise, amongst others, advertising, product differentiation and branding among other examples of non-price competition) • Broad outline of **prices and production levels**

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6.5 Compare and contrast market structures	• ***Compare and contrast any TWO types of market structures (perfect to imperfect/imperfect to imperfect) in detail*** in terms of the following. - **Number of businesses** - **Nature of product** - **Entrance** - **Control over prices** - **Information** - **Examples** - **Demand curve** - **Economic profit/loss** - **Decision-making** - **Collusion** - **Productive/Technical efficiency** - **Allocative efficiency**

MONOPOLY

ACTIVITY 1

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 A legal protection that gives an inventor the exclusive right to produce is known as…

A. copy right
B. patent✓✓
C. License
D. certificate

1.1.2 A monopoly created through government-imposed barriers to entry, such as government requirements is known as...

A. artificial monopoly✓✓
B. natural monopoly
C. local monopoly
D. pure monopoly

1.1.3 An advantage gained when a firm's average cost per unit decreases as production increases is known as…

A. diseconomies of scale
B. constant scale
C. economies of scale✓✓
D. economies

1.1.4 A point where marginal revenue is equal to marginal costs, while a firm is incurring a loss is known as…

A. loss minimisation point✓✓
B. loss maximisation point
C. shut-down point
D. break-even point

1.1.5 The income earned from each unit of a product sold is known as…

A. average costs
B. marginal costs
C. marginal revenue
D. average revenue✓✓

(5X2) (10)

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1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A – I) next to the question numbers.

COLUMN A	ANSWERS	COLUMN B
1.2.1 monopoly	B✓	A. a situation where the market fails to supply goods that match the needs of the consumers.
1.2.2 economic profit	E✓	B. an imperfect market structure where only one firm operate as a supplier of a product.
1.2.3 inelastic demand	D✓	C. the additional costs incurred by a firm when one extra unit is produced.
1.2.4 allocative inefficiency	A✓	D. exist when a change in price will result in a smaller percentage change in the quantity demanded.
1.2.5 marginal costs	C✓	E. a huge profit a firm can earn, where average revenue is greater than average costs.
		F. costs to a third party that are excluded from the market price of goods.

(5X1) (5)

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 The huge costs that are irretrievable if a business shut-down.
Sunk Costs✓

1.3.2 Occurs when the average cost of the business is greater than the average revenue.
Economic loss✓

1.3.3 A period of production where all input factors are variable.
Long-run✓

13.4 A market where goods and services are bought and sold illegally.
Black market✓

(4X1) (4)

ACTIVITY 2

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

Understanding Monopoly Firm Dynamics

Monopoly refers to a market structure where a single firm is the sole producer of a product with no close substitutes, making it the price maker. Key features include one seller, restrictions on entry, and the absence of a supply curve. The monopolist determines price and output by maximizing the difference between total revenue and total cost, and can earn super normal or normal profits depending on the relationship between average revenue and average cost.

Source: https://www.scribd.com/presentation/863576443/Theory-of-Monopoly-Firm

2.1.1 Identify a number of businesses that can operate in a monopoly, from an extract above. (1)

- Singly firm✓
- One seller✓

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- Sole producer✓

2.1.2 Name the nature of a product that a monopolist produces. (1)

Unique product✓

2.1.3 Briefly describe the term *natural monopoly*. (2)

Natural monopoly is a monopoly created by the berries that are economic in nature such as high development costs. ✓✓

(Accept any other correct relevant response)

2.1.4 Explain the long-run profit position of a monopoly firm. (2)

A firm will sustain economic profit in the long run due to the absence of competition, given that market entry is completely blocked. ✓✓

(Accept any other correct relevant response)

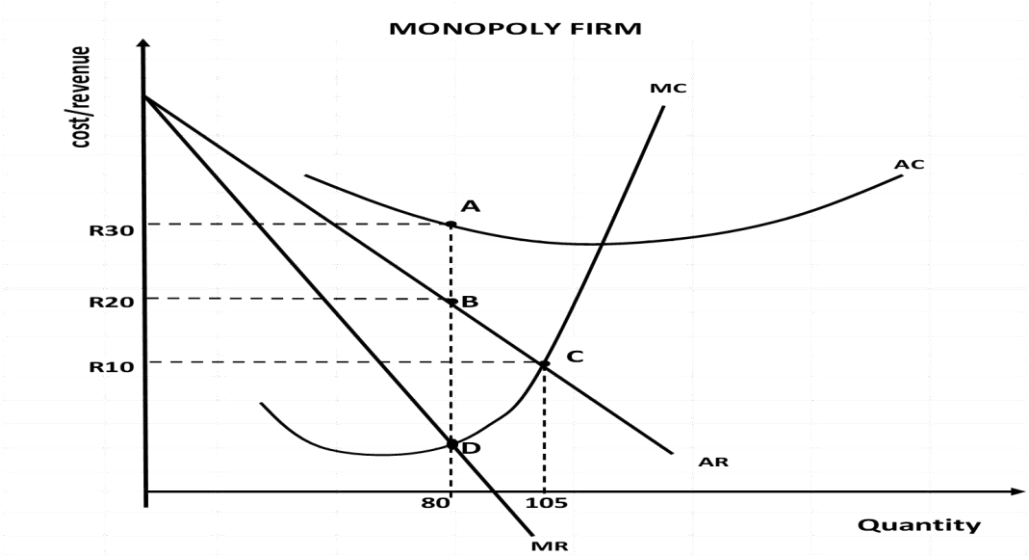
2.1.5 How could monopoly negatively affect consumers? (4)

- Monopolies can set prices well above production costs since consumers have no alternatives. ✓✓
- With one dominant firm, product variety will get reduced. ✓✓
- Without competition, monopolies often neglect product improvements and customer service. ✓✓

(Accept any other correct relevant response)

ACTIVITY 3

3.1 Study the graph below and answer the questions that follow:



3.1.1 Identify a loss minimisation point from the graph above. (1)

Point D✓

3.1.2 Name any ONE artificial barrier in a monopoly market. (1)

- Government licenses✓
- Patents✓

(Accept any other correct relevant response)

3.1.3 Briefly describe the term *imperfect market.* (2)

Imperfect market is a market structure where there are few sellers, who are price setters and heterogeneous products are sold. ✓✓

(Accept any other correct relevant response)

3.1.4 Explain the reason for the marginal revenue curve is positioned beneath the average revenue curve in a monopoly market. (2)

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In a monopoly, the marginal revenue (MR) curve lies beneath the average revenue (AR) curve because the monopolist must lower the price on all units sold to sell an additional unit, which reduces the extra revenue gained from each sale made. ✓✓
(Accept any other correct relevant response)

3.1.5 Calculate economic loss from the graph above. Show all calculations. (4)

Economic Loss = (AR – AC) x Q
= (R20 – R30) ✓ x 80✓
= -R10 x 80✓
= -R800✓

OR

Economic Loss = (AR x Q) – (AC x Q)
= (R20 x 80) ✓ – (R30 x 80) ✓
= R1600 – R2400✓
= -R800✓
(Accept any other correct relevant calculation)

ACTIVITY 4

4.1 Study the picture below and answer the questions that follow.



4.1.1 Identify an imperfect market structure shown in the diagram above. (1)
Monopoly✓

4.1.2 Name the slope of a demand curve in a monopoly market. (1)
- Negatively Sloping✓
- Inelastic Demand/steeper✓
(Accept any other correct relevant response)

4.1.3 Briefly describe the term *short-run*. (2)
Short-run is a period of production where at least one factor input remains fixed.✓✓
(Accept any other correct relevant response)

4.1.4 Explain the nature of a product in monopoly market. (2)
A monopoly produces a unique product with no close substitutes available in the market. ✓✓
(Accept any other correct relevant response)

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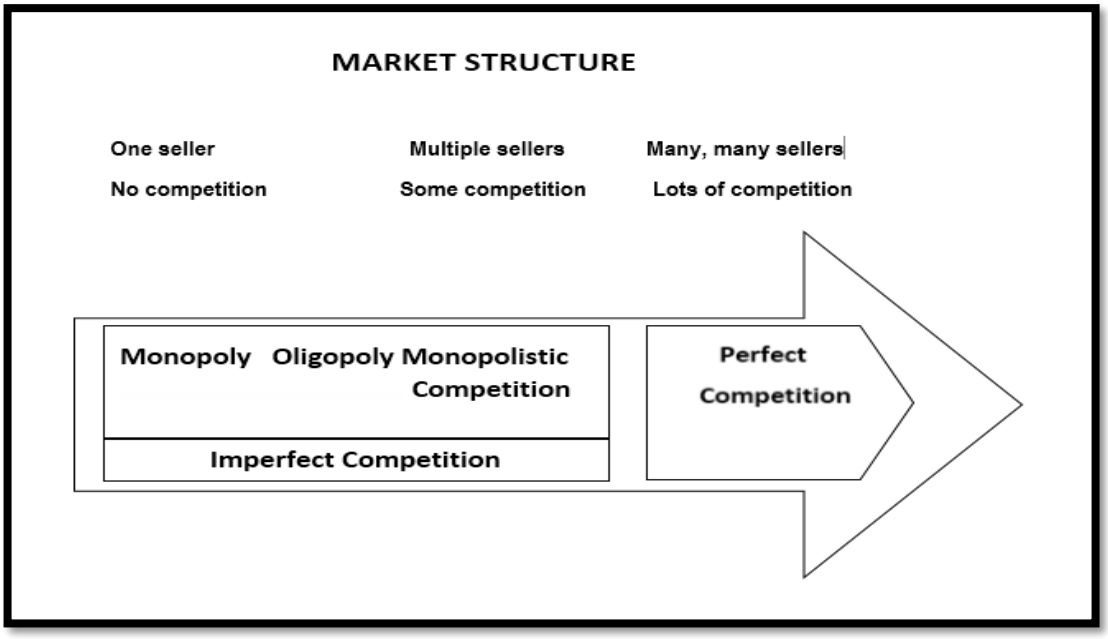
4.1.5 Why monopoly firm cannot charge excessively high prices to gain more profits. (4)

- The monopolist faces a downward-sloping demand curve, if prices are set too high, consumers reduce purchases or exit the market entirely, lowering total revenue. ✓✓
- Charging excessively high prices reduces quantity sold, which can decrease profits.
- Even in the absence of close substitutes, consumers may still turn to alternatives such as imported goods or black-market options, which can reduce demand. ✓✓

(Accept any other correct relevant response)

ACTIVITY 5

5.1 Study the diagram below and answer the questions that follow.



5.1.1 Identify the market structure where there is no competition from the above diagram. (1)

Monopoly✓

5.1.2 State the profit usually made by a monopolist in a long-run. (1)

Economic Profit✓

5.1.3 Briefly describe the term *unique product.* (2)

Unique product is the product that is completely different, with no close substitute available. ✓✓

(Accept any other correct relevant response)

5.1.4 Explain a reason that may cause a state to create an artificial monopoly. (2)

- The state may grant exclusive rights to a firm to ensure the reliable supply of essential goods and services. ✓✓
- State create artificial monopoly to manage certain natural resources in the national interest. ✓✓

(Accept any other correct relevant response)

5.1.5 Why could a monopolist incur economic losses in the long run? (4)

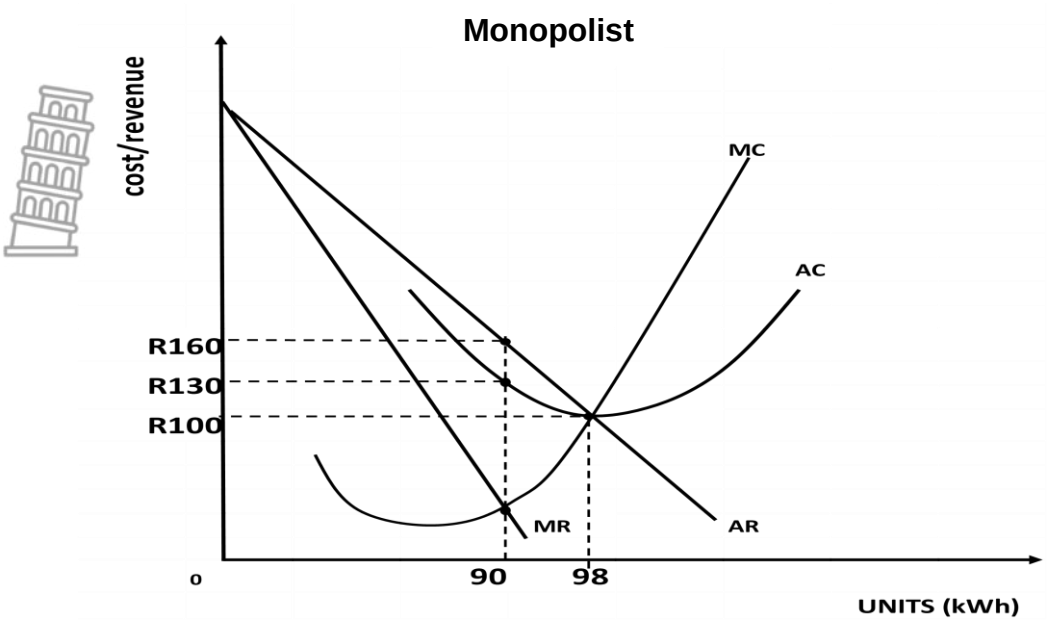
- Poor economic performance, which may lead to rising production costs, can cause total expenses to exceed the revenue earned by the firm, resulting in losses. ✓✓
- Managerial inefficiency within a monopoly can contribute to weak performance and financial decline. ✓✓
- Government regulations, such as price controls, may restrict the monopoly's ability to operate effectively, leading to losses. ✓✓

(Accept any other correct relevant response)

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ACTIVITY 6

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



6.1.1 Identify a market price in the graph above. (1)

R160✓

6.1.2 Name any ONE example of a monopoly in South Africa except ESKOM. (1)

- Transnet✓
- Denel✓
- Airports Company South Africa✓

(Accept any other correct relevant response)

6.1.3 Briefly describe the term *total cost*. (2)

Total cost is the overall expenditure a firm incurs in producing a given level of output. ✓✓

(Accept any other correct relevant response)

6.1.4 Explain a reason for monopoly firm to be considered a price maker. (2)

A monopoly sets its own price because it controls both supply and faces the entire demand. ✓✓

(Accept any other correct relevant response).

6.1.5 Calculate economic profit made by ESKOM in the graph above. Show all calculations. (4)

Economic Profit = (AR – AC) x Q
= (R160 – R130) ✓ x 90✓
= R30 x 90✓
= R2700✓
OR
Economic Profit = AR x Q – AC x Q
= R160 x 90✓ – R130 x 90✓
= R14 400 – R11 700✓
= R2700✓

(Accept any other correct relevant calculation)

ACTIVITY 7

7.1 Briefly discuss *artificial monopoly* and *natural monopoly*. (2x4) (8)

Natural Monopoly

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- A monopoly created through the barriers that are economic in nature such as high development costs. ✓✓
- This occurs when a single firm can supply the entire market more efficiently than multiple firms due to high fixed costs and economies of scale. ✓✓

Artificial Monopoly

- A monopoly created through government-imposed barriers to entry, such as government licensing requirements. ✓✓
- This monopoly is created through deliberate actions by the government. ✓✓
- It does not arise from efficiency but from barriers that prevent competition. ✓✓

(Accept any other correct relevant response)

7.2 How do monopolies negatively impact consumers in the economy. (4x2) (8)

- A monopoly can charge higher prices than in a competitive market, leaving consumers with fewer affordable options. ✓✓
- Lack of competition means less incentive to improve products or services, so consumers may receive lower quality products or services. ✓✓
- Consumers often have only one provider, which restricts variety and innovation in the economy. ✓✓
- Monopolies may produce less than socially optimal levels, creating shortage supply in the economy. ✓✓
- Monopolies often block new firms from entering the market, preventing new ideas and competitive pressure that would benefit consumers. ✓✓

(Accept any other correct relevant response)

7.3 Briefly discuss *nature of the product* and *control over price* as characteristics of monopoly. (4x2) (8)

Nature of the product

- The monopoly produces and sells a unique product with no close substitutes to choose from. ✓✓
- The buyers can only buy from a monopoly, or will have to go without a product. ✓✓
- For example, diamonds are a unique product provided by De Beers✓

Control over price

- A monopoly has full control over price through manipulating output and restricting output to create a shortage causing an increase in price. ✓✓
- Monopolies are price makers because they have liberty to determine a price. ✓✓
- A monopoly has considerable control over price but it can be limited by market demand. ✓✓

(Accept any other correct relevant response)

7.4 Discuss the challenges that prevent state-owned (artificial) monopolies in South Africa from generating economic profit. (4x2) (8)

- An issue of corruption and managerial incompetence undermines the ability of state-owned monopolies to generate profits. ✓✓
- High maintenance costs of infrastructure and operational expenses often exceed revenue, preventing profitability. ✓✓
- Non-payment of debts by municipalities reduces the income available to state-owned enterprises. ✓✓
- Regulatory restrictions posed by bodies such as NERSA restrict price increases, limiting revenue growth. ✓✓
- Frequent reliance on government bailouts fosters inefficiency and weakens sound management practices. ✓✓
- Enterprises are supplying essential goods such as water cannot impose very high prices, making cost recovery difficult. ✓✓

(Accept any other correct relevant response)

ACTIVITY 8

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8.1 Discuss the monopoly in detail without the aid of graphs. (26)

INTRODUCTION

Monopoly exists when there is only one seller of a product, when the product has no close substitutes, and when barriers block entry into the market completely. ✓✓

(Accept any other correct relevant introduction) (Max. 2)

BODY

MAIN PART

Number of firms/businesses ✓

- The monopolist is the only supplier of a product which implies that there is no competition in this market structure. ✓✓
- The monopoly also responsible for the industry's total output ✓✓ such as De Beers and Eskom. ✓

Nature of product ✓

- The product is unique and it has no close substitutes which implies that consumers' choice is limited. ✓✓
- The product has relatively inelasticity demand which means that quantity demanded less responsive to price changes. ✓✓

Market entry ✓

- Market entry refers to how easy or difficult for the businesses to enter or to leave the market. ✓✓
- Market entry into a monopoly market is entirely/completely blocked. ✓✓
- The reason why other producers are unable to supply the same product as the monopolist is that there are barriers that prevent them from entering the product market, ✓✓such as high development costs, limited size of the market, exclusive ownership of raw materials, patents, licensing, sole rights, import restrictions. ✓✓
- These barriers can be divided into two main groups:

Natural monopolies ✓

- High development costs are frequently a reason for the existence of natural monopolies✓✓
- The provision of electricity is an example of natural monopoly because building power stations and transmission lines to distribute electricity costs billions of rand. ✓✓
- Natural monopolies are frequently owned or regulated by the government and can serve the whole market at a lower price than two or more businesses together. ✓✓

Artificial monopolies ✓

- Artificial monopolies exist due to barriers to entry are not economic in nature such a patent. ✓✓
- A patent is the legal and exclusive right of a patent holder to manufacture a product using his or her unique invention. ✓✓
- Licences protect operators against the entry of competitors and is another way in which an artificial monopoly may exist. ✓✓
- In South Africa licences are required for radio and TV broadcasting, telephone and cellular phone communication networks, and commercial production of electricity. ✓✓

Control over price✓

- A monopolist has full control over the market price and it is regarded as a price maker. ✓✓
- Monopolist can decide on price-quantity combination, that suits it the best, on the demand curve. ✓✓
- There is always the possibility of consumer exploitation because a monopolist is the only supplier of a product. ✓✓
- A monopoly business may restrict output or supply of the product to charge higher price. ✓✓
- However, this is often limited by the market demand since monopolist does not have control over demand. ✓✓
- Consumers have limited budgets and a monopoly can therefore not demand excessive prices for its product. ✓✓

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- The monopolist's product has to compete for consumers' favour (and money) with all other products available in the economy. ✓✓

Market information ✓

- All buyers and the single seller have full knowledge about the current market conditions. ✓✓
- This implies that there is high degree of transparency in the monopoly as there is no incentive for the monopoly to hide information from consumers. ✓✓

Demand curve ✓

- A monopolist is faced with a normal demand curve which slopes downwards from left to right. ✓✓
- The demand curve is relatively inelastic because the product has no close substitutes. ✓✓
- Demand curve for a monopoly is equal to its average revenue curve. ✓✓
- For every additional unit sold by a monopoly, marginal revenue is less than the price, thus marginal revenue curve lies below the demand curve. ✓✓

Economic profit/loss ✓

- A monopolist can earn an economic profit or economic loss in the short run. ✓✓
- If a monopoly is making economic loss in the short-run, it will build a new production plant that yields economic profit in the long-run. ✓✓
- If a monopoly is making economic profit in the short-run, it will expand its production scale or capacity in order to make more economic profit in the long-run. ✓✓

Decision making✓

- A monopoly business makes decisions independently because there are no competitors ✓✓
- However, a monopoly's decisions may be influenced by government laws and regulations, ✓✓ for instance Eskom's decisions are influenced by NERSA ✓

Collusion✓

- Collusion is irrelevant because there is one business in the market. ✓✓

Productive and allocative efficiency ✓

- A monopoly does not achieve productive efficiency because output is produced without minimising the average cost. ✓✓
- There is allocative inefficiency because the output produced by a monopoly does not correspond with the quantity demanded by consumers. ✓✓
- Monopoly produces output level where the price is above the marginal cost✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 8 marks for headings and examples) (Max. 26)

CONCLUSION

A monopoly fails to achieve both productive and allocative efficiency as they do not produce at the lowest possible average cost and do not produce at optimum output level. ✓✓
(Accept any other correct higher order conclusion) (Max. 2)

MONOPOLISTIC COMPETITION

ACTIVITY 1

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 A hybrid market structure that combines elements of perfect market and monopoly is called...

A. Perfect market
B. Monopolistic competition✓✓
C. Monopoly
D. Oligopoly

1.1.2 A long run equilibrium position faced by monopolistic competitors is known as…

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A. Economic profit
B. Economic loss
C. Normal profit✓✓
D. Accounting profit

1.1.3 Goods or services that stand out from competitors through branding are known…
A. Unique products
B. Similar products
C. Differentiated products✓✓
D. Homogenous products

1.1.4 The process of creating a unique name, logo and identity for a product is known as …
A. branding✓✓
B. packaging
C. advertising
D. service

(4x2) (8)

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter next to the question number.

COLUMN A		COLUMN B
1.2.1 Product differentiation	E✓	A. Firms use advertising, branding instead of cutting prices.
1.2.2 Monopolistic competition	F✓	B. The minimum level of earnings needed to keep a business operating
1.2.3 Non- price competition	A✓	C. The government sets both price and quantity in the market.
1.2.4 Normal profit	B✓	D. Consumers and firms do not have full knowledge about prices and products.
1.2.5 Imperfect information	D✓	E. Making a product unique through branding, advertising or packaging.
		F.A large number of firms sell similar but not identical products.

(5x1) (5)

ACTIVITY 2

2.1.1 Name any TWO examples of monopolistic competitive businesses. (2x1) (2)
- Restaurants✓
- Clothing stores✓
- Bakeries✓
- Hotels✓

(Accept any other relevant answers)

2.1.2 Why is monopolistic competition regarded as a hybrid structure? (2)
Monopolistic competition is regarded as a hybrid market structure because it combines features of both perfect competition and monopoly.✓✓
(Accept any other relevant answers)

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

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MONOPOLISTIC COMPETITION



Source:Google

2.2.1 Identify the market structure that is depicted in the above picture? (1)

Monopolistic competition✓

2.2.2 Name the type of profit made by a monopolistic competition in the long run? (1)

Normal profit✓

2.2.3 Briefly describe the term *monopolistic competition*. (2)

Monopolistic competition is a market structure in which many firms sell similar but differentiated products and compete with one another.✓✓

(Accept any other relevant answers)

2.2.4 Why businesses in a monopolistic competition have some control over the price of its products? (2)

Monopolistic competition has differentiated products, each with a unique brand therefore consumers see the products as different and the firm can set its own price to some extent.✓✓

(Accept any other relevant answers)

2.2.5 How can branding affect the clothing industry? (4)

- Branding creates brand loyalty making customers to prefer one label over others giving the business repeat sales and stable income.✓✓
- A strong brand gives the business some control over the price making customers willing to pay more for a branded item because they associate it with quality, status or fashion.✓✓
- Branding through logos, packaging and advertising makes the clothing stand out, attracting new customers and help the business gain a bigger market share.✓✓

(Accept any other relevant answers)

ACTIVITY 3

3.1 Answer the following questions.

3.1.1 Name any two forms of non- price competition. (2x1) (2)

- Branding✓
- Advertising✓
- Packaging✓
- Service✓

3.1.2 Why is it relatively easy to enter the monopolistic competitive market? (2)

Monopolistic competitive markets are characterised by less barriers to entry as new firms can enter the market without obtaining licences, buying a patent or require affordable start- up capital.✓✓

(Accept any other relevant answers)

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3.2 Study the picture below and answer questions that follow.



Source: Google.com

3.2.1 Identify the nature of the product in the above picture. (1)
Differentiated products✓

3.2.2 Name the type of information found in monopolistic competitive markets. (1)
Incomplete✓

3.2.3 Briefly describe the term *allocative efficiency*. (2)
When the market produces the best possible mix of goods and services desired by consumers.✓✓
(Accept any other relevant answer)

3.2.4 Why is the demand curve for a firm in monopolistic competition relatively elastic? (2)
There are many firms selling similar but differentiated products, so if one firm increases its price, consumers can easily switch to competitor's product.✓✓
(Accept any other relevant answer)

3.3.5 How can product differentiation negatively affect businesses in monopolistic competition? (4)

- Product differentiation can increase production and marketing costs, reducing a firm's profits. ✓✓
- If consumers do not perceive the product as different or better than competitors' products, the business may lose customers and sales. ✓✓
- Constant spending on advertising and product improvements can also reduce profitability and make it difficult for firms to compete effectively.✓✓

(Accept any other relevant answer)

ACTIVITY 4

4.1 Answer the following questions.

4.1.1 Name any TWO examples of sunk costs. (2x1) (2)

- Advertising costs✓
- Training costs✓
- Legal and setup costs✓

4.1.2 Why collusion is impossible in a monopolistic competitive market? (2)
There are too many independent businesses in the market and getting all of them to agree on a fixed price or output level is too difficult.✓✓
(Accept any other relevant answer)

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4.2 Study the extract below and answer questions that follow.

ONLINE AND IN-HOUSE DELI STORES

Just Teddy, a Deli in Johannesburg has two restaurants, an online store and an in-house store. Restaurants that address a need gap in the market with differentiated products can seldom be found elsewhere, also attracting more patrons owing to baking classes and online store. The online store, which provided a lifeline during lockdown, is an additional source of revenue.

Adapted from www.news24.com

4.2.1 Identify a strategy that monopolistic competitors use for gaining customers from the above extract. (1)

- Online store✓
- Differentiated products✓
- Baking classes✓

4.2.2 Name the nature of decision-making under monopolistic competition. (1)

Independent✓

4.2.3 Briefly describe the term branding. (2)

Branding is a form of product differentiation where a business creates a unique name logo, design or image to identify its product and distinguish it from its competitors.✓✓

(Accept any other relevant answer)

4.2.4 Explain the impact of new entry in the market on profits. (2)

As new businesses enter the markets profits decrease to normal profit in the long run.✓✓

(Accept any other relevant answer)

4.2.5 How would non- price competition strategies positively affect consumers? (4)

- Consumers get more different products to choose from e.g. vegan meals, less-sugar sodas.✓✓
- Consumers benefit from improved packaging, customer service as every business wants to be the best.✓✓
- Online ordering, home delivery, loyalty apps and longer trading hours make shopping easier and convenient for customers.✓✓

(Accept any other relevant answer)

ACTIVITY 5

5.1 How do businesses in monopolistic competition use non- price competition to increase their market share? (8)

- A strong brand name, logo and attractive packaging builds brand loyalty. Customers choose the brand even if the price is high.✓✓
- Firms change features, quality, size or design to make their products unique.✓✓
- Firms use TV, radio, social media and influencers to inform consumers and create a good image attracting more customers.✓✓
- Friendly staff, fast service, loyalty rewards programmes and after- sales service keep customers coming back.✓✓
- Offering home delivery, online ordering, extended shopping hours create convenience and more customers are attracted to the business.✓✓

(Accept any other relevant answer)

5.2 Briefly discuss *prices* and *production levels* in monopolistic competition. (8)

Prices

- Firms can charge a higher prices in the short run because of product differentiation and make economic profit.✓✓

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- In the long run, new firms enter the market because of easy entry and exit. Demand falls and price drops until firm earn normal profit.✓✓

Production level

- Firms produce where MR= MC in order to maximise profits. Output is relatively high because demand is high.✓✓
- In the long run, due to new entrants, supply increases causing excess capacity and productive inefficiency.✓✓

(Accept any other relevant answer)

5.3 Compare perfect competition and monopolistic competition in terms of *demand curve* and *technical efficiency*. (8)

Demand curve

Perfectly competitive firms have a horizontal demand curve which is perfectly elastic.✓✓

Monopolistic competition has a downward sloping demand curve which is elastic.✓✓

Technical efficiency

Perfect competition is technically efficient producing output at the lowest possible average cost.✓✓

Monopolistic competition is technically inefficient producing with excess capacity.✓✓

(Accept any other relevant answer)

ACTIVITY 6

- Compare and contrast monopolistic competition with monopoly in detail. (26)
- Analyse the impact of imperfect markets in the economy. (10)

INTRODUCTION

A monopoly is the only seller of goods and services and it is also the industry.✓✓

(Accept any correct and relevant introduction)

BODY

Number of businesses

There are many businesses that operate in monopolistic competition.

Only one firm dominates the monopoly market.

Nature of the product

Monopolistic competition has differentiated products that are close substitutes.

A monopoly has unique products that have no close substitutes.

Entrance into the market

It is relatively easy to enter a monopolistic competitive market.

A monopoly has high barriers to entry in the form of patents, high capital start up and government regulations.

Demand curve

A monopolistic completion firm has a downward sloping demand curve that is elastic due to substitutes.

A monopoly demand curve is also downward sloping but inelastic because of no substitutes.

Technical efficiency

Both the monopoly and monopolistic competition are technical inefficient.

Allocative efficiency

Both market structures are allocative inefficient.

Monopoly produce low quantities and monopolistic competition produce excess surplus.

Price and output

Both businesses are price makers.

Monopoly can restrict output and charge a higher price.

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Monopolistic competition charges high price because of differentiated products.

Decision- making

Monopolistic competition decision making is independent as each firm decides on its price as per their product differentiation.

In a monopoly, decision making is centralised as they make their decision without considering competitors, as there are none.

Collusion

Collusion is not possible in a monopoly because there is only one firm in the market.

Collusion is unlikely and difficult in a monopolistic competition because there are many businesses selling differentiated products. Product differentiation makes it hard to agree on a single price.

Long run profits

Monopolistic competition makes normal profit in the long run because of easy entry into the market.

Monopoly continue to earn economic profit because of barriers to entry.

Examples

Monopolistic competition: fast- food businesses, saloon, clothing, hotels

Monopoly: Eskom, Transnet, Denel

ADDITIONAL PART

ANALYSE THE EFFECTS OF IMPERFECT MARKES IN THE ECONOMY.

Negative effects

Imperfect markets are inefficient because the charge high prices and supplying low quantities and some consumers may not afford.

In monopolistic competition and monopoly, firms have excess capacity leading to waste of resources.

A monopoly sells a unique product with no close substitutes leaving consumers with no alternatives if prices rise or quality falls.

High barriers to entry prevent new firms from entering markets, limiting innovation and entrepreneurship in the long run.

Positive effects

Monopolistic competition gives consumers more choice as firm compete through branding, quality, design and service.

Large firms in oligopolies and monopolies can plan long term and invest in infrastructure that small competitive firms cannot afford.

CONCLUSION

To reduce the negative effects of imperfect markets, government uses the Competition Commission to prevent abuse of dominant, regulate prices of monopolies and promote entry. However, it allows some imperfect where they are necessary for service delivery.

OLIGOPOLY

ACTIVITY 1

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

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SOUTH AFRICAN BANKING INDUSTRY
Monopoly or Oligopoly?



Source:www.iol.com September 2024

1.1.1 Identify the market structure that represents the banking industry, from the information above (1)
Oligopoly ✓

1.1.2 Name the institution that investigates restrictive business practices. (1)
Competition Commission ✓

1.1.3 Briefly describe the term *price leadership* (2)
Price leader is a situation where the dominant business sets the price and the other firms accept it as the market price ✓✓
(Accept any other correct relevant response)

1.1.4 Explain the impact of collusion by banks on consumers. (2)
- Collusion will result in consumers paying high prices on the banking services. ✓✓
- The collusive banks may provide poor quality services to consumers as they will not have any other alternatives ✓✓

(Accept any other correct relevant response)

1.1.5 Why would businesses aim to achieve economies of scale? (4)
- Businesses aim to achieve economies of scale because producing at a larger scale lowers the average cost per unit, making them more competitive and profitable in the long run. ✓✓
- Aiming at increasing the competitiveness of businesses through low prices, which increases the demand. ✓✓
- To improve the profitability of businesses due to increased sales / To earn higher profit and expand the investment capacity. ✓✓

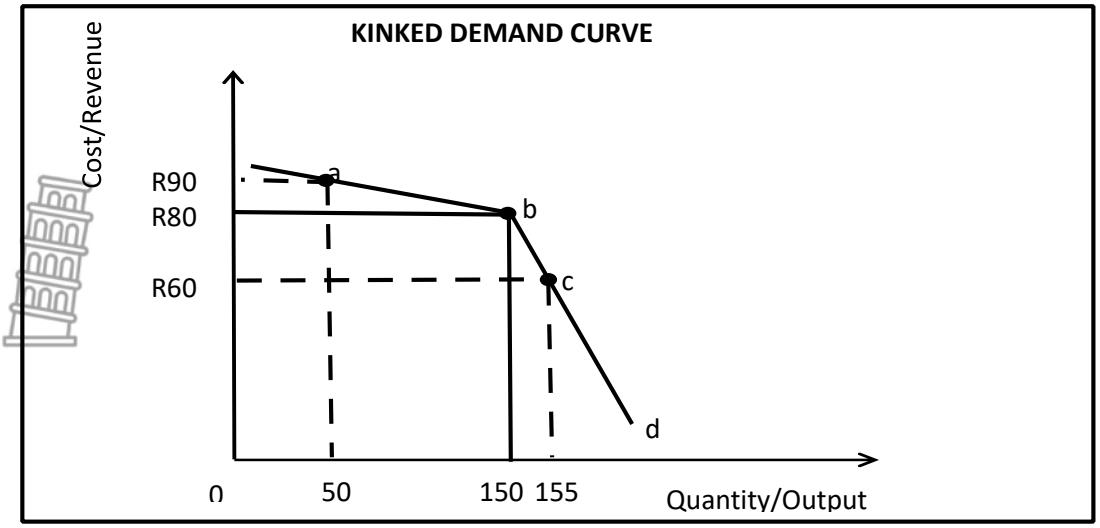
(Accept any other correct relevant response)

ACTIVITY 2

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



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2.1.1 Identify the market price in the above graph (1)

R80✓

2.1.2 Name any ONE type of price elasticity represented by the kinked demand curve. (1)

- Relatively inelastic✓
- Relatively elastic ✓

2.1.3 Briefly describe the term *oligopoly*. *(2)*

Oligopoly is a market structure that is dominated by few large sellers of a particular product or service. ✓✓

(Accept any other correct relevant response)

2.1.4 Explain the impact of price competition on the oligopoly market. (2)

Price competition may result in a price war, which will decrease prices, revenue or profit for the businesses. ✓✓

(Accept any other correct relevant response)

2.1.5 Calculate Total revenue earned by the firm. Show all calculations (4)

TR = P x Q ✓

(R80 ✓ x 150 ✓)

R12 000 ✓

ACTIVITY 3

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

Assets of Major South African Banks (2026)			
Bank	**Assets (ZAR billions)**	**Branches**	**Market Position**
ABSA Bank	2,239	>1,000	Broad retail presence
Nedbank	1,558	>350	Corporate & green finance
Capitec	263	>880	Fastest retail growth
Standard Bank	3,621	>1,200	Largest by assets
FirstRand	2,679	>750	Strong retail & corporate
			Source: SARB yearly bulletin 2025 - 2026

3.1.1 Identify a dominant firm from the table above? (1)

Standard bank✓

3.1.2 Name the nature of the product sold in the pure oligopoly market (1)

Homogenous or Identical✓

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3.1.3 Briefly describe the term *product differentiation*. (2)

Product differentiation is a strategy used by firms to distinguish a product or service from other products available in the market. ✓✓

(Accept any other correct relevant response)

3.1.4 Why businesses in the oligopoly industry are interdependent? (2)

Businesses in the oligopoly industry are interdependent because there are few sellers dominating the market, therefore each seller is influenced by the actions of other sellers. ✓✓

(Accept any other correct relevant response)

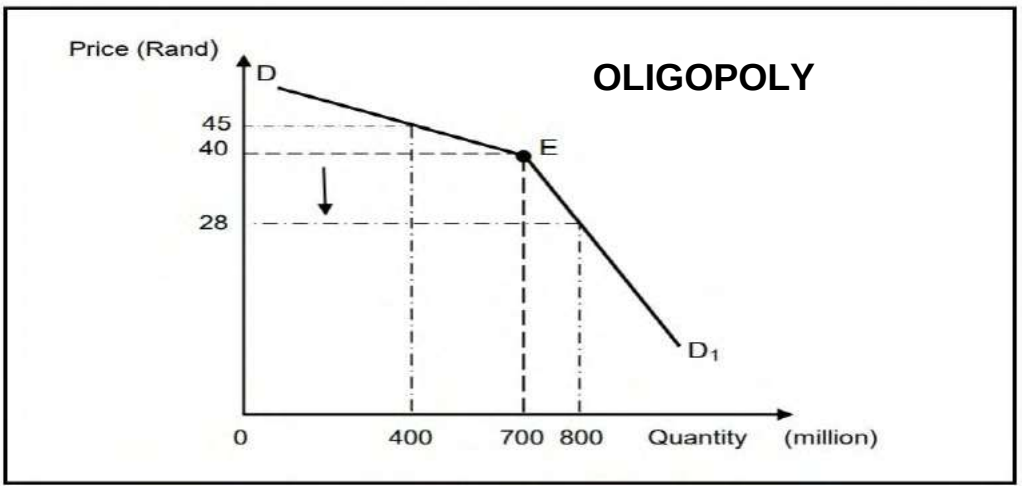
3.1.5. How could control over price differ in oligopoly compared to perfect market? (4)

- Oligopoly firms are price-makers because firms have some control over prices, whereas in a perfect market, they are price takers, they have no control over the price. ✓✓
- Oligopolies cannot increase the price anyhow without checking the price of the competitors because they face a mutual dependence, unlike in a perfect market, only market forces can affect the price change. ✓✓
- Oligopoly firms often compete through non-price competition such as advertising, whereas perfect market compete mainly by producing efficiently. ✓✓

(Accept any other correct relevant response)

ACTIVITY 4

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



4.1.1 Identify the relatively inelastic demand part in the graph above. (1)

E-D1 / D1 - E✓

4.1.2 Name the demand curve faced by oligopolist (1)

Kinked-demand curve✓

4.1.3 Briefly describe the term *overt collusion*. (2)

Overt collusion occurs when the firms openly and formally agree to control the market by agreeing to fix prices and output. ✓✓

(Accept any other correct relevant response)

4.1.4 Explain the effect on consumers if collusion exist in an oligopoly industry. (2)

- Consumers will have less choices on the type of goods or services available and other benefits that may be available. ✓✓
- The oligopolistic firms will earn economic profits at the expense of consumers when prices are fixed higher. ✓✓

(Accept any other correct relevant response)

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4.1.5. How can the government discourage anti-competitive practices in the oligopoly market? (4)

- Encourage reporting of anti-competitive practices through competition bodies, such as Competition Commission. ✓✓
- The government should better regulate the oligopolies through laws that will enable fair competition in the market. ✓✓
- Impose heavy fines or penalties on firms found guilty of anti-competitive practices. ✓✓

(Accept any other correct relevant response)

4.2 How do firms operating in an oligopoly market increase their market share? (2X2) (4)

- Firms in an oligopoly market may use non-price competition strategies to increase their market share. ✓✓
- Firms in an oligopoly market structure use advertising to gain a competitive edge over the competitors. ✓✓
- The firms may stay open for longer hours when the competitors are already closed.✓✓
- Offering loyalty rewards to customers with the aim of maintaining their customer-base. ✓✓
- Some of the firms offer after-sale service to customers such as free delivery✓✓
- Using the internet to market their business or products help oligopoly businesses to have a competitive advantage. ✓✓
- The firms may make their products slightly different from that of their competitors.✓✓

(Accept any other correct relevant response)

4.3 Evaluate the success of the competition policy in eliminating collusion in the market. (8)

Positive

- Competition policy investigate and prosecutes firms involved in collusion and price-fixing. ✓✓
- Heavy fines and penalties discourage firms from engaging in anti-competitive behaviour. ✓✓
- Consumers benefit from more competitive prices, improved product quality and greater choice. ✓✓

Negative

- Some firms continue to collude secretly, making it difficult to detect and eliminate all cases. ✓✓
- Investigations can take a long time, so collusion may continue before action is taken. ✓✓
- Firms continue to collude despite the risk of penalties because the profits gained may exceed the fines. ✓✓

(accept any other relevant answer)

ACTIVITY 5

5.1 Study the bar graph below and answer the questions that follow.

NETWORK QUALITY SCORE (OUT OF 10)



Source: commscloud.com/news

Downloaded from Stanmorephysics.com

5.1.1 Identify the score of the leading network operator from the graph above. (1)

9.90✓

5.1.2 Name a market structure that is dominated by only two large firms. (1)

Duopoly✓

5.1.3 Briefly describe the term *imperfect markets* (2)

Imperfect markets are the markets with limited competition and barriers to entry that prevent others from interring the markets. ✓✓

(Accept any other correct relevant response)

.1.4 Explain the effect of price leadership on new firms. (2)

- New firms may struggle to enter the market because they must follow the price set by the dominant firm. ✓✓
- Price leader may set a low price which make it difficult for a new firm to make enough profit to survive. ✓✓

(Accept any other correct relevant answer)

5.1.5 How may the long-run profits of firms in an oligopoly differ? (4)

- Some firms may continue to earn economic profit because barriers to entry limit new competitors. ✓✓
- Firms with lower production costs or greater efficiency may earn higher long-run profits than their rivals. ✓✓
- Firms that lose market share due to strong competition or changing consumer preferences may earn only normal profit. ✓✓

(Accept any other correct relevant answer)

5.2 Briefly discuss *explicit collusion* and *implicit collusion*. (8)

Explicit collusion

- It is an organisation of oligopolistic business that comes into existence in an industry with the specific aim of forming a collective monopoly. ✓✓
- It is when oligopolies collude openly and formally. ✓✓
- Cartels control the production of goods and this influences the prices of products. e.g. OPEC (oil) ✓✓

Implicit collusion

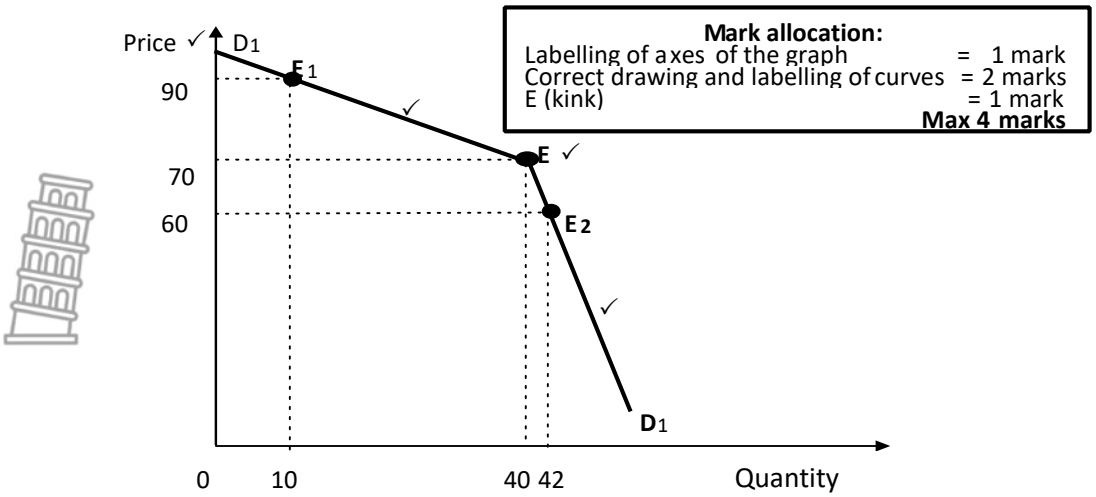
- The behaviour by firms is motivated by arrangement that is not formal. ✓✓
- Price signals are frequently the key element to tacit collusion. ✓✓
- One business increases its price in the hope that the rivals will increase their prices - a firm like this known as a price leader. ✓✓
- When the other businesses follow with the increase, they are known as price followers. ✓✓
- Price leaders are usually the strongest and most dominant business whose production cost is the lowest, e.g. steel industry, transport industry. ✓✓
- The costs of production are lower as the firms produce at the lowest point of the average cost curve. ✓✓

(Accept any other correct relevant answer)

ACTIVITY 6

6.1 With the aid of a correctly labelled graph, Explain the reason for oligopolies to sell at market price**.** (8)

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- Oligopolists sell at market price, R70 where they yield more total revenue✓✓
- Suppose an oligopolist is selling at a market price of R70 and 40 units of outputs are sold. Total revenue is R70 x 40 = R2800✓✓
- When a firm wants to increase profits by increasing the price to R90, quantity demanded will fall to 10 units and total revenue would decrease to R90 x 10 = R900. ✓✓
- If a firm wants to increase profits by reducing the price to R60, the quantity demanded will increase to 42 units, total revenue would be R 2520. ✓✓

Explanation: 4 marks

(Accept any other correct relevant response)
(A maximum of 4 marks may be allocated for mere listing of facts/examples)

6.2 How does mutual dependence influence the behaviour/actions of firms in the oligopoly market?

- Mutual dependence results in businesses monitoring other firms' actions to protect their customers from switching to the competitors. ✓✓
- When one firm launches a sales promotion initiative other firms will do the same to retain their customers. ✓✓
- Price wars may occur if one firm reacts to a price reduction of another firm. ✓✓
- Continuous reaction to price decreases will drive prices down towards a cost of production which may force firms out of the market. ✓✓
- To avoid price wars oligopoly will charge a price at the kink of the demand curve. ✓✓
- To improve profits or reduce uncertainties in their behaviour, oligopolists tend to collude with others. ✓✓
- When one firm decides to increase the price, other businesses may keep their prices constant resulting in the loss of market share as well total revenue. ✓✓
- Oligopolistic firms will use non-price strategy such as advertising to increase market share. ✓✓

(Accept any other correct relevant response)
(A maximum of 2 marks may be allocated for mere listing of facts/examples)

6.3 Evaluate the reasons for firms in an oligopoly prefer to operate at the kinked point. (8)

- If an individual firm increase price, competitors may not follow causing the firm to lose customers and market share. ✓✓
- When a firm decreases prices, competitors will match the price cut leading to a price war and reduced revenue. ✓✓
- Selling at the kinked point helps to reduce market uncertainties. ✓✓
- Stable prices help firms to plan production, budgeting and investment easily. ✓✓
- At the kinked point a firm will make the highest revenue than any other point on the kinked demand curve. ✓✓

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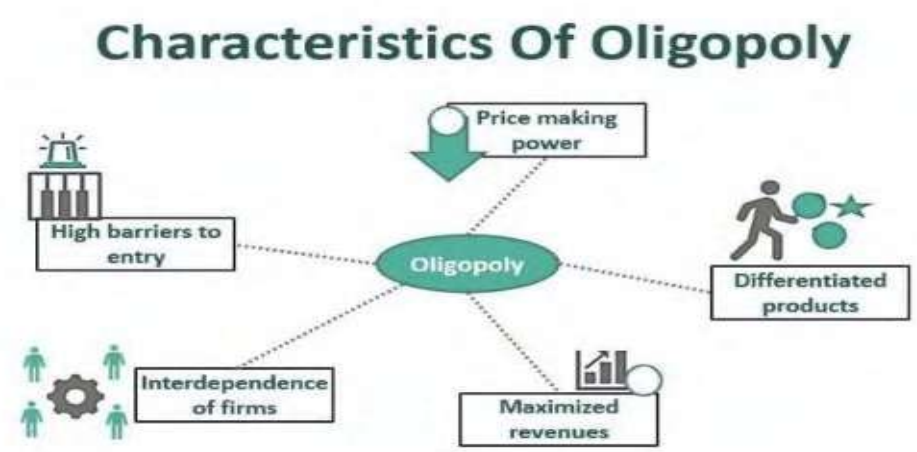
(Accept any other relevant correct answer)

6.4 How can product differentiation be used as a non-price competition strategy? (8)

- Firms can use better materials, reliability, performance, or durability to improve quality of their product to ensure it is longer-lasting. ✓✓
- Branding and good reputation can create a strong brand which reduce consumers' perceived risk and increase willingness to pay. ✓✓
- Adding useful features or offering multiple versions such as colours, sizes, models, flavours can enhance customer support. ✓✓
- Styling, user experience, and look-and-feel can make a product more desirable to customers. ✓✓
- Improved customer service and support such as differences in warranties, repairs, installation, responsiveness, and after-sales help. ✓✓
- Better Convenience and distribution such faster delivery, easier returns, better availability, or convenient locations can attract customers attention.✓✓
- Marketing and advertising can persuade consumers that the product fits their preferences better.✓✓

ACTIVITY 7

7.1 Study the diagram below and answer the questions that follow.



Source: google images

7.1.1 Identify the nature of the product sold in a market structure above. (1)

Differentiated product✓

7.1.2 Name the type of demand curve associated with an oligopoly. (1)

Kinked demand curve✓

7.1.3 Briefly describe the term *tacit collusion.* (2)

Tacit collusion is the behaviour where a dominant firm increase its price and hope that its rivals will follow it as a market signal and increase their prices. ✓✓

(Accept any other correct relevant response)

7.1.4 Explain freedom of entry as a characteristic of oligopoly. (2)

An oligopoly is characterized by high start-up costs which block new firms from entering the market. ✓✓

(Accept any other relevant answer)

7.1.5 Why is branding important in the oligopoly market? (4)

- Branding helps to differentiate a product from that of its competitors and builds customer loyalty✓✓
- It reduces direct price competition because when products are differentiated through brand, consumers see them as not perfect substitutes✓✓

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- Well-known brands attract more customers, helping firms maintain their market share. ✓✓

(Accept any other correct relevant response)

7.2 How does price fixing negatively affect consumers? (8)

- Price fixing can lead to inflated prices and consumers will end up paying more than they should for goods and services. ✓✓
- When firms collude to keep prices elevated, consumers end up paying more than they would in a competitive market. ✓✓
- It could block new firms from entering the market, which would limit the supply of good and services thus reduce choice for consumers ✓✓
- Collusion can reduce incentives to compete on quality, variety, or innovation which denies consumers access to new and better products. ✓✓
- Price fixing weakens the competitive drive to develop better products or processes which decreases standard of living of consumers. ✓✓
- This can mean fewer new products and technologies, and slower improvements in efficiency and service. ✓✓
- Higher costs for consumers can reduce purchasing power, which affects how much households can spend on other necessities. ✓✓

(Accept any other correct relevant response)

ACTIVITY 8

8.1 Study the picture below and answer the questions that follow.



8.1.1 Identify the nature of the product sold by these firms in the picture above. (1)

Differentiated ✓

8.1.2 Name the demand curve faced by a firm operating in this market structure. (1)

Kinked demand curve ✓

8.1.3 Briefly describe the term *duopoly*. (2)

Duopoly is a market structure where only two firms dominate the market. ✓✓

(Accept any other correct relevant answer)

8.1.4 Explain the relationship between the number of firms and a market price in an oligopoly. (2)

- Firms are interdependent, meaning they consider competitors' pricing decision before charging their own prices. ✓✓
- The small number of firms makes collusion or price leadership more possible, resulting in a higher price. ✓✓

(Accept any other correct relevant answer)

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8.1.5 How could collusion by large firms in the market affect the economy? (4)

- Households will be exploited by firms and have little or no access to goods and services in the market. ✓✓
- Firms will limit the supply of goods and ask for higher prices from households. ✓✓
- Economic growth will decrease as the supply is controlled by fewer firms. ✓✓

(Accept any other correct relevant answer)

ACTIVITY 9

9.1 Study the picture below and answer the questions that follow.

COLLUSION



Source: google images

9.1.1 Identify the formal collusion depicted in the picture above. (1)

Overt collusion ✓

9.1.2 Name the institution that is responsible for imposing fines on anti-competitive behaviours in South Africa (1)

Competition tribunal ✓

9.1.3 Briefly describe the term *differentiated product*. (2)

Differentiated product is a good or service that stand out from competitor through unique features or branding. ✓✓

(Accept any other correct relevant answer)

9.1.4 Why is it important for the government to prevent collusion in the economy? (2)

It is important to prevent collusion as it protects households from exploitation by firms. ✓✓

(Accept any other correct relevant answer)

9.1.5 How can firms in an oligopoly maximize revenue through non-price competition? (4)

Firms in the oligopoly market can maximise revenue by advertising more to expose their business to customers. ✓✓

Firms can create a trusted brand to attract more customers and increase their market share. ✓✓

(accept any other correct relevant answer)

9.2 How can the government discourage firms from engaging in anti-competitive behaviour? (8)

- Granting licenses to other businesses to compete against existing oligopolies. ✓ ✓
- Imposing heavy fines on firms found guilty of anti-competitive practices/behaviour. ✓✓
- Speeding up investigations on firms/businesses suspected of collusion/price fixing. ✓ ✓
- Prohibiting mergers and takeovers by oligopoly businesses with the aim of reducing competition. ✓ ✓
- Implementing/introducing maximum prices on markets where there are possibilities of price fixing. ✓ ✓

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- Regulating unfair business practices, such as acquiring exclusive rights to resources, which may prevent new firms from entering the market. ✓ ✓

(Accept any other correct relevant response)

(Allocate a maximum of 2 marks for mere listing of facts) (max. (8)

ACTIVITY 10

10.1 How can oligopoly firms use the non-price competition as a marketing strategy? (8)

- They can implement aggressive Advertising in order to persuade more customers buy their product. ✓✓
- Use branding increase customer loyalty and to create a good image of their product. ✓✓
- They can also improve service rendered to their existing customers so that they will have a good word of mouth and attract new customers. ✓✓
- Extend business hours to allow those who work late to access the product after hours. ✓✓
- After sale service keep customers' loyalty and increases sales. ✓✓

(Accept any other correct relevant response)

10.2 How does competition commission contribute positively to the economy? (8)

- Competition commission contribute by preventing mergers that can cause low production. ✓✓
- Prevents consumer exploitation that can lead to higher prices and inflation. ✓✓
- Creates job opportunities that lead to high revenue for the state due to VAT and PAYE. ✓✓
- More businesses may be created because no collusive behaviour is done that prohibit others to join the industry. ✓✓
- Ensures fairness when businesses trade of which prices may be low but with high quality✓✓
- Encourages businesses to operate efficiently, innovate and optimize, this leads to improved productivity and resource allocation across industries. ✓✓
- Vibrant and competitive markets contribute to overall economic growth by stimulating business activity, job creation and investment. ✓✓

(Accept any other correct relevant response)

ACTIVITY 11

11.1 How can restrictive business practices in an oligopoly negatively affect the economy? (8)

- A dominant business may induce suppliers or customers not to deal with a competitor. ✓✓
- Major firms can refuse to supply scarce goods to a competitor. ✓✓
- The charging of prices that are below cost to exclude rivals from the market. ✓✓
- Big firms control the supply and charge higher prices because buyers have no other choices. ✓✓
- consumers and other businesses face limited options for goods and services. ✓✓
- Companies with no rivals do not try hard to save resources or improve quality which results in Poor efficiency ✓✓
- Fewer jobs will be created as new companies that could hire workers cannot enter the locked market. ✓✓
- It prevents innovation as firms stop trying to invent better products when they do not need to compete for customers ✓✓
- Foreign and local investors stay away from unfair markets where rules favour only a few dominant groups✓✓

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MARKET FAILURE

Examination Guidelines

TOPIC 7: MARKET FAILURE	CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES
Explain the reasons for and consequences of market failures, reflecting on the cost-benefit analysis	
7.1 The causes of market failures	• ***Discuss in detail how the following factors lead to the misallocation of resources in the market:*** - **Externalities** - **Missing markets** - **Imperfect competition** - **Lack of information** - **Immobility of factors of production** - **Imperfect distribution of income and wealth**
7.2 Consequences of market failures	• Compare the following inefficiencies with the aid of a well-labelled graph: - **Productive inefficiency** - **Allocative inefficiency** • Describe the following with the aid of well-labelled graphs: - **Negative externalities** - **Positive externalities** • ***Discuss in detail state intervention as a consequence of market failures, with the aid of relevant graphs*** - **Direct control** - **Imperfect markets** - **Minimum wages** - **Maximum prices** - **Minimum prices** - **Taxes and subsidies** - **Subsidies on goods and services** - **Redistribution of wealth** - **Government involvement in production**
7.3 Cost-benefit analysis	• Describe the **concept** cost-benefit analysis • Describe the **reasons** for a CBA • Apply the CBA in **practice**

ACTIVITY 1

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, for example 1.1.9. D

1.1.1. The goods that are under-supplied by the market but are beneficial to the society are known as …

A. demerit goods
B. economic goods
C. merit goods✓✓
D. public goods

1.1.2. The value of the next best alternative that is given up when making economic decision is known as …

A. opportunity cost✓✓
B. Social cost
C. Production cost
D. Private cost

1.1.3. A wage rate set by the government below which no employer may pay workers is known as …

A. maximum wage
B. alternative wage

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C. minimum wage✓✓
D. low wage

1.1.4. A market in which illegal goods are bought and sold is known as…
A. factor market
B. product market
C. imperfect market
D. black market✓✓

1.1.5. A cash incentives given to a producer to lower the cost of production is known as …
A. taxation
B. subsidy ✓✓
C. price
D. Surplus

1.1.6. Price set by the government above market price to benefit businesses is known as …
A. price floor✓✓
B. price wars
C. price ceiling
D. price market

1.1.7. A situation where the market supplies goods that do not match the needs of the society are known as …
A. pareto inefficiency
B. productive inefficiency
C. technical inefficiency
D. allocative inefficiency✓✓

1.1.8. The cost or benefit to the third parties which are not included in the market price is known as….
A. efficiencies
B. externalities✓✓
C. excludabilities
D. inefficiencies (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 – 1.2.8) in the answer book e.g. 1.2.9 F**

COLUMN A	Answers	COLUMN B
1.2.1. Missing market	H	A. Aims at allocating scarce resources efficiently
1.2.2. Demerit goods	G	B. A cost to the third party that which is not included in a market price of a good or service
1.2.3. Dumping	I	C. When it is impossible to increase the welfare of one person without decreasing the welfare of another
1.2.4. Maximum prices	F	D. Goods that are non-rival in consumption
1.2.5. Production possibility curve	A	E. An instrument used by the businesses to evaluate projects
1.2.6. Pareto efficiency	C	F. Government intervenes to make goods more affordable
1.2.7. Feasibility study	E	G. Goods that are socially harmful to society
1.2.8. Negative externalities	B	H. They fail to produce certain goods and services despite being needed or wanted
		I. Selling of goods and services to another country at a price that is lower than the country of origin

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(8x1) (8)

1.3 **Provide the economic term / concept for each of the following descriptions. Write only the term/ concept next to the question number. NO ABBREVIATIONS WILL BE ACCEPTED.**

1.3.1 Inefficiency that occurs because market fail to produce optimum output at the lowest possible cost.
Productive inefficiency ✓

1.3.2 Evaluation done by the government to weigh costs and benefit to determine whether it should be carried out.
Cost- benefit analysis✓

1.3.3 Consumption of goods by one person without reducing consumption by others.
Non-rivalry ✓

1.3.4 A situation where the market supplies goods that matches the needs of consumers.
Allocative efficiency✓

(4 x 1) (4)

ACTIVITY 2

2.1. Answer the following questions

2.1.1 Name two types of externalities (2)

- Positive externality✓
- Negative externality ✓

2.1.2 Why does government impose taxes on demerit goods? (2)

- The government imposes taxes on demerit goods to discourage their consumption because they can harm individuals and society✓✓.
- The higher prices caused by these taxes reduce demand while also generating revenue that can be used to address the social costs associated with these goods.✓✓
(Accept any other correct relevant response)

2.2 Study the picture below and answer the questions that follow



PICTURE A
Negative externalities



PICTURE B?



PICTURE C Demerit

2.2.1 Identify the concept that relates to the third part from the above picture. (1)
Negative externality✓

2.2.2 Name any ONE type of pollution. (1)

- Air pollution✓
- Water pollution✓

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- Noise pollution✓
- Land pollution✓

2.2.3 Briefly describe the term *demerit goods.* (2)

Demerit goods are goods and services that are considered harmful to individuals and society when consumed. ✓✓

(Accept any other correct relevant response)

2.2.4 Explain the measures that can the government use to encourage the consumption of merit goods. (2)

- The government can encourage the consumption of merit goods by providing them free of charge or at subsidized prices, making services such as education and healthcare more affordable and accessible to everyone. ✓✓
- It can also run public awareness campaigns to educate citizens about the long-term benefits of using merit goods, thereby increasing demand.✓✓

(Accept any other correct relevant answer)

2.2.5 How can the government intervene to discourage the production of demerit goods? (4)

- Government can ban their production or reduce it by means of taxation such as excise duties and by providing information about their harmful side effects. ✓✓
- The government uses various forms of regulations (laws) to prohibit or control the use of undesirable goods. ✓✓
- This may include an age limit is legislation to persons to whom such goods can be sold e.g. 18 years to purchase alcohol or cigarettes and Legislations that prohibits people from smoking in public areas. ✓✓

(Accept any other correct relevant response)

2.3 Discuss imperfect competition as a reason for market failure. (8)

- In market economies, competition is often impaired by power as power often lies to a greater extent with producers than consumers. ✓✓
- Most businesses operate under conditions of imperfect competition that allows them to restrict output and raise prices e.g. monopoly, duopoly, oligopoly. ✓✓
- They can also prevent new businesses from entering the industry using patents, copy writes and licenses as barriers. ✓✓
- Businesses are not always efficient in the production for an example, businesses had technology to produce long-life light bulbs for some time but they delayed in order to maximize profit. ✓✓

(Accept any other correct relevant response)

ACTIVITY 3

3.1 Study the extract below and answer questions that follow.

MARKET FAILURE

Some products may be under produced or not produced at all .i.e. parks. Some products may be produced or over produced but are not wanted by society e.g. drugs. The production and consumption of some products affect third parties e.g. pollution and smoking cigarettes

The distribution of market income may not enable all citizens to participate meaningfully in society

Source :EDUCBA

3.1.1 Identify the example of negative externality from the extract above (1)

- Pollution✓
- Cigarettes ✓

3.1.2 Name any one cause of market failure. (1)

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- Missing market✓
- Externalities✓
- Immobility of factors of production✓

(Accept any other correct relevant response)

3.1.3 Briefly describe the term *market failure*. (2)

Market failure occurs when the best available optimal production has not been achieved resulting in allocative and/or productive inefficiency. ✓✓

(Accept any other correct relevant response)

3.1.4 Explain the effects of market failure on the distribution of goods and services. (2)

- Market failure lead to inefficient distribution of goods and services that leads to a lack of equilibrium in the market. ✓✓
- The law of demand and supply is meant to lead to an equilibrium in prices and when it does not it indicates that the market has failed. ✓✓

(Accept any other correct relevant response)

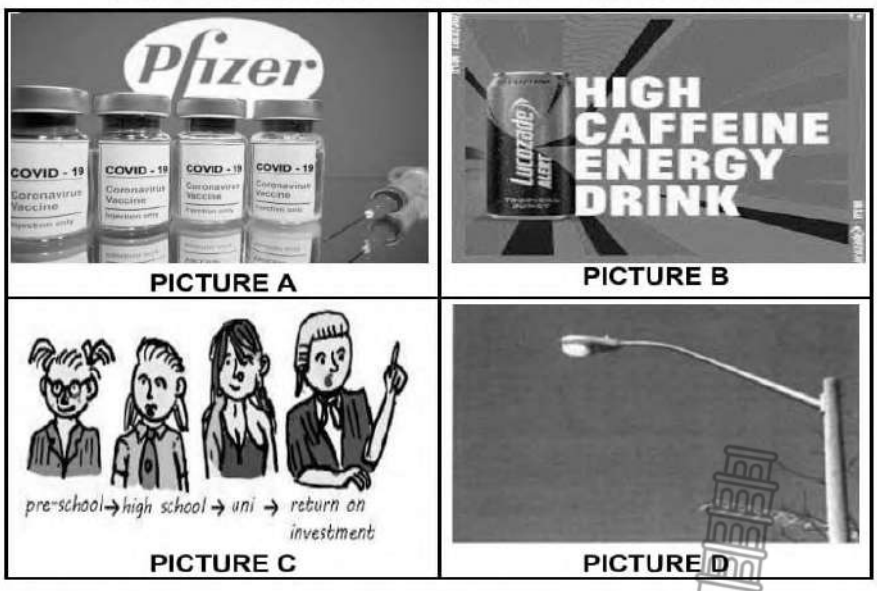
3.1.5 Why would the government intervene in the operation of markets? (4)

- The government intervenes in the operation of markets to correct market failures, such as the underproduction of merit goods and the overproduction of demerit goods. ✓✓
- It also intervenes to protect consumers, promote fair competition, and reduce income inequality through taxes, subsidies, and regulations. ✓✓
- These interventions help improve economic efficiency, promote social welfare, and ensure a more equitable distribution of resources. ✓✓
- There could be an inequitable distribution of income and wealth which the government needs to correct.✓✓

(Accept any other correct relevant response

ACTIVITY 4

4.1 Study the pictures below and answer the questions that follow.



Source: Google+ images

4.1.1 Identify demerit goods in the pictures above. (1)

Picture B✓

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4.1.2 Name the goods that are under-supplied by the market (1)

Merit goods✓

4.1.3 Briefly describe the term *externalities.* (2)

Externalities are costs or benefit incurred by the third party that was not part of the transactions. (Accept any other correct relevant response) ✓✓

4.1.4 How can the government encourage positive externality (4)

- The government can provide subsidies who create products or services with positive externalities. ✓✓
- Subsidies to consumers can or services with positive externalities more affordable. ✓✓
- The government can provide goods and services that generate positive externalities when private market under produce them. ✓✓
- Provide breaks or credits to individuals or businesses engaged in activities that generates positive externalities. ✓✓

(Accept any other correct relevant response)

ACTIVITY 5

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



The public broadcaster in South Africa provides 19 radio stations (AM/FM) and six television broadcasts to the general public. It is one of the largest state-owned enterprises in South Africa.

Adapted from www.ask.com/ entertainment

5.1.1 Identify a public broadcast in South Africa. (1)

SABC✓

5.1.2 Name any ONE characteristics of public goods. (1)

- Non-excludability✓
- No-rivalry✓

5.1.3 Briefly describe the term *public goods*. (2)

Public goods are goods that are provided by the state for the use of all members of the society. ✓✓

(Accept any other correct relevant response)

5.1.4 Explain the immobility of factors of production cause a of market failure. (2)

Immobility of factors of production occurs when labour, capital as factors of production cannot move to where they are needed, that cause the market failure. ✓✓

(Accept any other correct relevant response)

5.1.5. How can the government take measures to promote the availability of information to consumers and producers? (4)

- Government can make businesses supply certain information on the packaging of their product for example food supplement producers must state the nutritional information of the supplements they make. ✓✓
- The South African Bureau of Standard test and provide information about the quality of product. ✓✓

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- The Department of Trade and Industry provide information about the quality of product and assistance to broaden the participation of all in the economy. ✓✓
  (Accept any other correct relevant response)

ACTIVITY 6

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

BUDGET SPEECH 2026

Sin tax is a levy placed on certain goods and services that are not necessarily essential for daily survival. The levy is applied to goods that cause health and social issues such as sugary drinks. For the average user, sin tax means that harmful goods will become expensive, placing them under financial pressure. This increase raises the risk of, more illegal goods flooding the market. The excise taxes on sugary drinks have been enforced since 2018 and it is expected that it may be increase in the 2026/2027 budget to combat obesity and health issues.

Source :Adapted from ENCA

6.1.1 Identity the type of tax charged on demerit goods above. (1)

Sin tax✓

Excise duties✓

6.1.2 Name any ONE example of collective goods. (1)

- Toll gate✓
- Parks✓

(Accept any other correct relevant response)

6.1.3 Briefly describe the term private cost. (2)

Private costs are actual cost that are directly paid by individual, firm or organisation when producing a good or service. ✓✓

(Accept any other correct relevant response)

6.1.4 Why imperfect markets are regarded as inefficient? (2)

Monopolies are charging high prices with low quantities which make it difficult for consumers to demand goods. ✓✓

(Accept any other correct relevant response)

6.1.5 How can excise duties used as a good source of income for the government. (4)

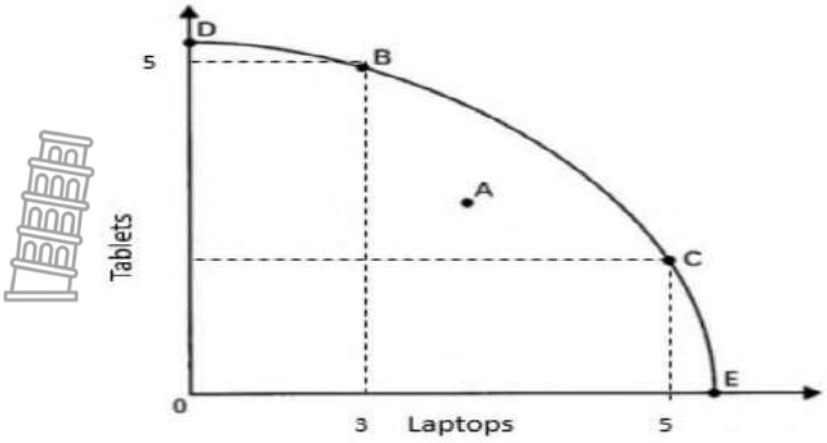
- Excise duties can be used as a good source of income because people are addicted to most goods that pay excise duties therefore they will continue to buy the goods even though the price has increased. ✓✓
- Government can increase its revenue by charging a higher percentage. ✓✓

(Accept any other correct relevant response)

ACTIVITY 7

7.1 Study the graph below and answer the question that follows.

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7.1.1 Identify the point where resources are not being used efficiently. (1)

A✓

7.1.2 Name the graph that shows different combination of two goods. (1)

Production possibility curve/ PPC✓

7.1.3 Briefly describe the term *allocative efficiency*. (2)

Allocative efficiency is when the business in the industry use available resources to produce the output that is most demanded by consumers. ✓✓

(Accept any other correct relevant response)

7.1.4 Explain the impact of producing at point **B**. (2)

- Any production along the PPC means that the resources are being used efficiently. ✓✓
- At point B, the economy would be producing 5 tablets and 3 computers. ✓✓

(Accept any other correct relevant response)

7.1.5 How can a business be productive inefficiency? (4)

- A business will be productive inefficient if it fails to produce maximum output at lowest possible cost. ✓✓
- Productive inefficiency occurs when the business average cost does not decrease with the increase in outputs.

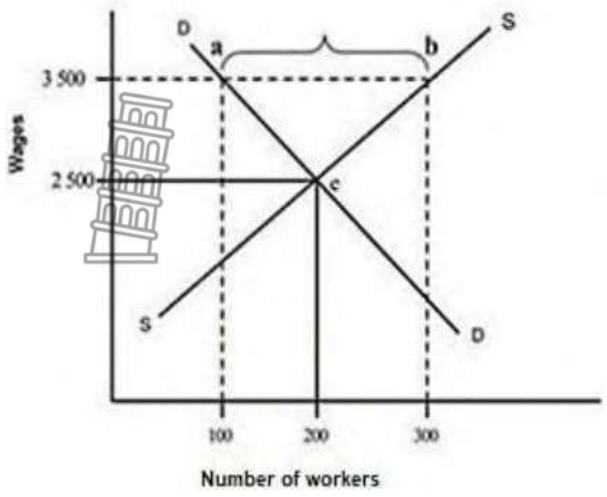
(Accept any other correct relevant response). ✓✓

ACTIVITY 8

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

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MINIMUM WAGE



Research into the effects of minimum wages on health is rapidly expanding. At least three mechanisms could link higher wages to changes in health status. Higher wages could allow workers to afford both health-improving and health-harming products and service.

[Source: https//www.healthaffairs.org/]

8.1.1 Identify the market wage on the graph above. (1)

R2500✓

8.1.2 Name the curve in the graph that represent employers. (1)

Demand / DD✓

8.1.3 Briefly describe the term *minimum wage.* (2)

Minimum wage is a wage rate set by government, below which no employer can pay their workers. ✓✓

(Accept any other correct relevant response)

8.1.4 Why is competition in the market good for the economy? (2)

- Competition is good for the market because it pushes prices down and enables consumers to afford goods and services. ✓✓
- When firms compete consumers will benefit from the variety of products available in the market. ✓✓

(Accept any other correct relevant response)

8.1.5 How can the minimum wage policy benefit workers? (4)

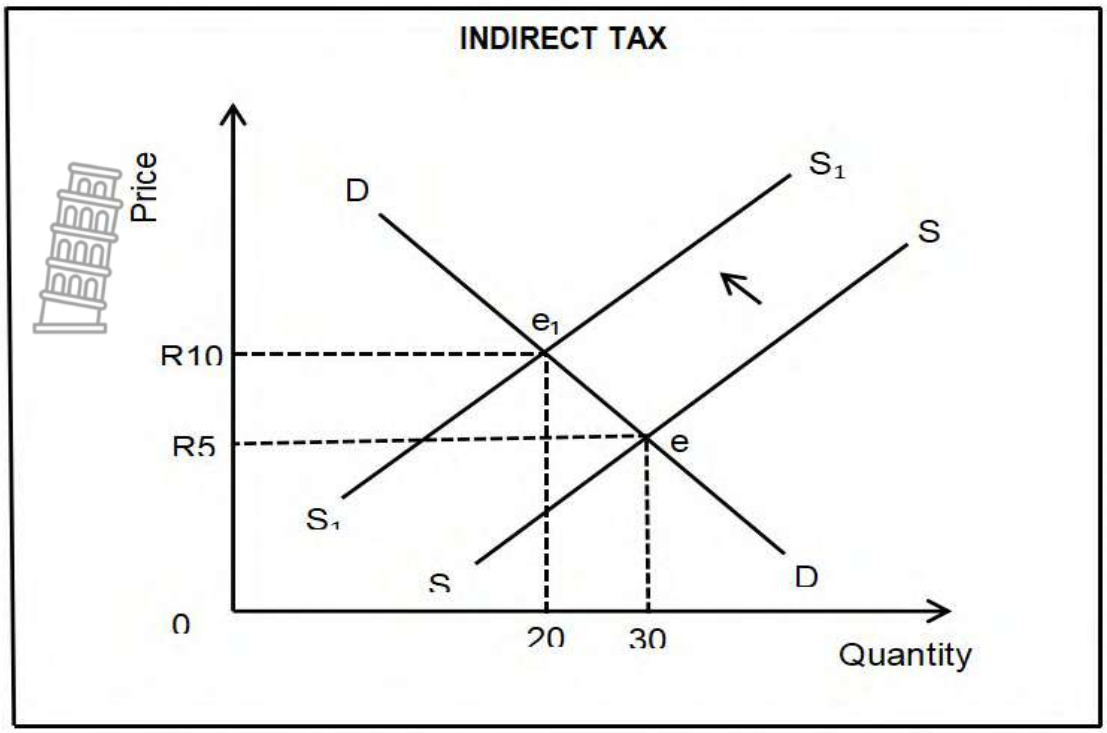
- Workers will earn more and be able to afford basic goods and services leading to increase in standard of living. ✓✓
- Vulnerable workers are protected as they do not need to negotiate with the employers for wage increase. ✓✓

(Accept any other correct relevant response)

ACTIVITY 9

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

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9.1.1 Identify the original equilibrium point from the graph above. (1)

e✓

9.1.2 Name any ONE example of direct tax. (1)

- Income tax✓
- Corporate tax / company tax ✓

(Accept any other correct relevant response)

9.1.3 Briefly describe the term *market failure*. (2)

Market failure is a situation where the free market fails to allocate resources efficiently, resulting in the overproduction or underproduction of goods and services. ✓✓

(Accept any other correct relevant response)

9.1.4 Explain the importance of social welfare grants to household (2)

- Social welfare grants help people who are unemployed to earn an income and be able to satisfy their basic needs and wants. ✓✓
- They are the method used by government to redistribute income from the rich to the poor.✓✓

(Accept any other correct relevant response)

9.1.5 How can an increase in indirect tax affect economy? (4)

- Increase in indirect tax can lead to an increase in the prices of goods and services at the expense of consumers. ✓✓
- The government can benefit by raising more government revenue to provide social services. ✓✓
- Unemployed individuals will be unable to buy essential goods that satisfy their needs and wants. ✓✓

(Accept any other correct relevant response)

9.2 Briefly discuss *productive* and *allocative efficiency* as consequences of market failure. (8)

Productive Inefficiency

- Productive inefficiency happens when the business does not produce at the lowest possible cost of the LAC curve. ✓✓
- It is characterised by a situation where the businesses do not maximise outputs from given inputs. ✓✓
- There is room to reduce cost without producing fewer goods or without producing lower quality goods. ✓✓

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(Accept any other relevant answer)

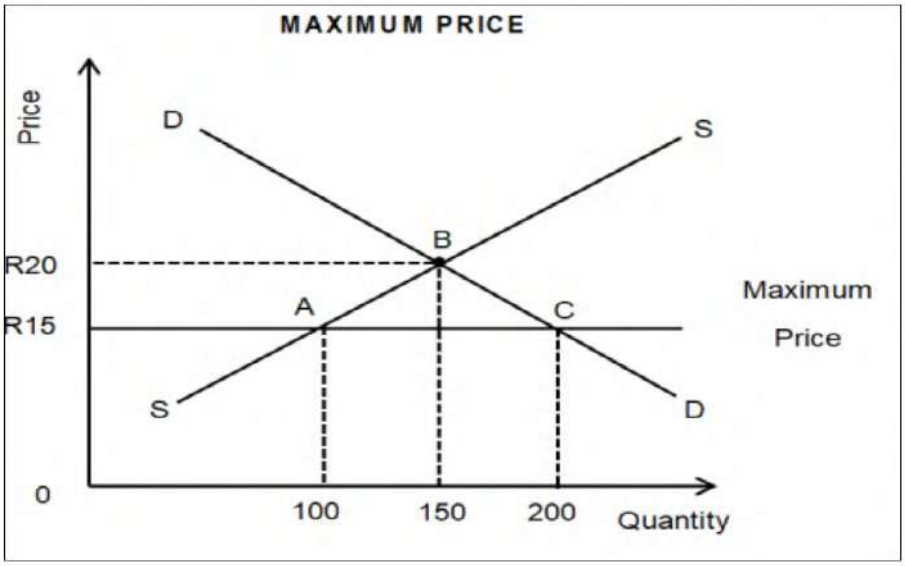
Allocative Inefficiency

- When resources are not allocated in the right proportions and the product mix does not meet the consumers' tastes. ✓✓
- Some goods might be oversupplied, while other goods might be under- supplied. ✓✓
- Businesses are allocated resources inefficiently and produce goods and services that consumers do not want. ✓✓

(Accept any other correct relevant response)

ACTIVITY 10

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



10.1.1 Identify the maximum price from the above graph. (1)

R15✓

10.1.2 Name any product where maximum price is set. (1)

- Basic goods✓
- Housing✓
- Transport ✓

(Accept any other correct relevant response)

10.1.3 Briefly describe the term *price floor.* (2)

Price floor is a legally imposed minimum price below which a good or service may not be sold. It is set above the market equilibrium price to protect producers by ensuring they receive a minimum income. ✓✓

(Accept any other correct relevant response)

10.1.4 Explain the positive effect of implementing a minimum wage in the economy. (2)

- Implementing a minimum wage increases the income of low-paid workers, enabling them to afford basic goods and services and improving their standard of living. ✓✓
- Higher incomes can also increase consumer spending, which stimulates demand for goods and services and supports economic growth. ✓✓

(Accept any other correct relevant response)

10.1.5 Why does government provide production subsidies? (4)

- Government provide production subsidies to encourage businesses to produce more of certain goods and services that are considered important for the economy or society. ✓✓

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- Subsidies increase production by lowering producers' costs and encourage businesses to produce more helping them to meet demand and reduce shortages. ✓✓
- When production costs fall businesses may charge lower prices making goods and services more affordable. ✓✓

(Accept any other correct relevant response)

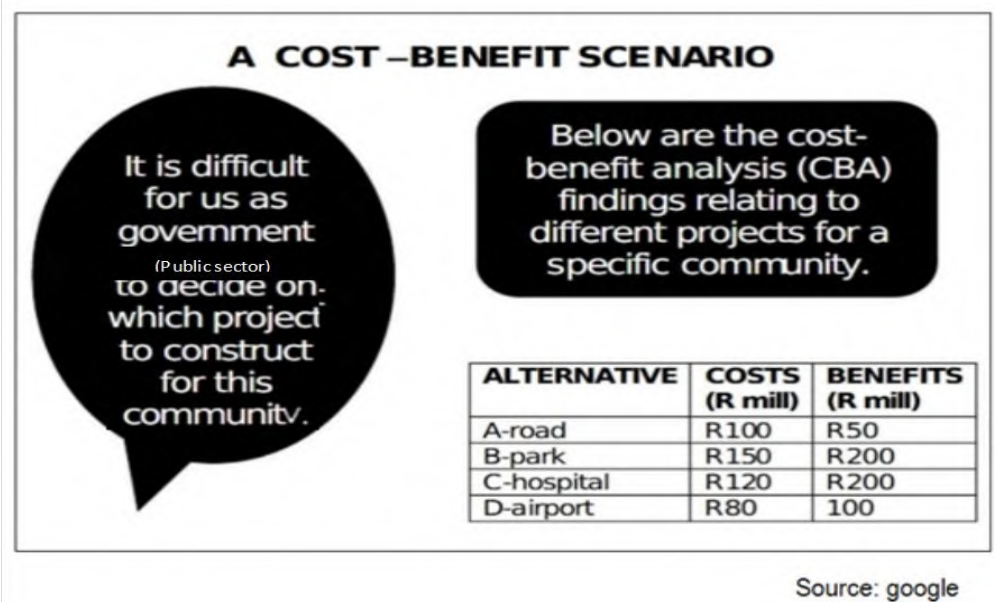
10.2 Analyse the impact of minimum price on the economy. (8)

- Minimum price is set by the government above the market price thus encouraging producers' willingness to produce more. ✓✓
- The desired effect is that consumption of the good will fall due to higher price. ✓✓
- Consumers will find it difficult to buy more because lower income earners will not afford to purchase goods at higher prices. ✓✓
- A surplus will be the result because of a decrease in demand while the supply is increased. ✓✓
- A surplus will end up being destroyed or used as an animal fodder which does not produce the required results and has negative impact in the economy of decreasing demand. ✓✓

(Accept any other correct relevant response)

ACTIVITY 11

11.1 Study the information below and answer questions that follow.



ALTERNATIVE	COSTS (R mill)	BENEFITS (R mill)
A-road	R100	R50
B-park	R150	R200
C-hospital	R120	R200
D-airport	R80	100

Source: google

11.1.1 Identify the sector that relies on cost-benefit analysis to decide on which projects to undertake (1)

Public sector✓

11.1.2 Name any ONE example of social costs. (1)

- Pollution ✓
- Destruction of plants and animals✓
- Increase traffic ✓

(Accept any other correct relevant response)

11.1.3 Briefly describe the term *social benefit.* (2)

- Social benefit is the total benefit gained by society from the production or consumption of a good or service. ✓✓

(Accept any other correct relevant response)

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11.1.4 Why is important for the government to make cost-benefit analysis before taking a projects? (2)

- Cost benefits analysis brings objectivity to decision making ensuring that the government implements projects that will benefits the community. ✓✓
- It ensures that the government uses all scare resources efficiently and ensure that the project adds to the welfare of the community at large and is non-excludable to anyone using it. ✓✓

(Accept any other correct relevant response)

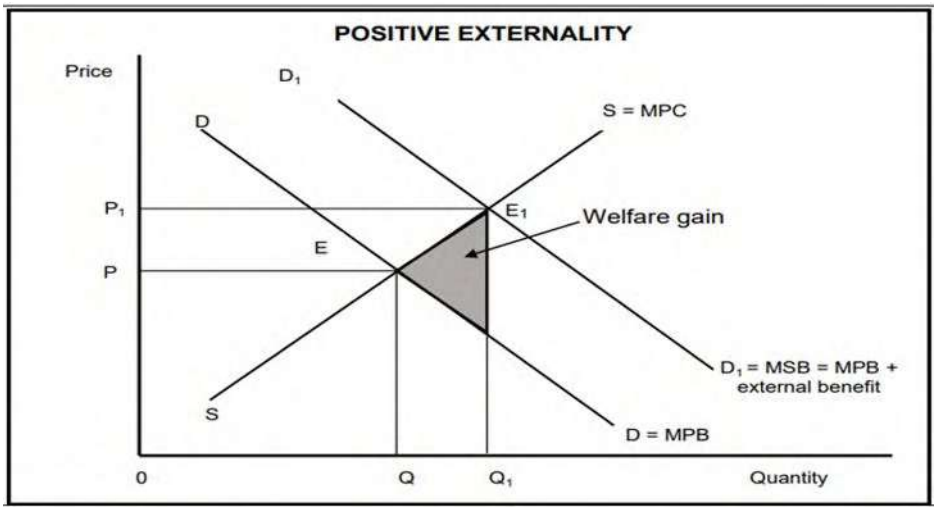
11.1.5 Calculate the cost benefit ratio of building an airport. (4)

R100 /R80✓✓

=1.2✓✓

ACTIVITY 12

12.1 Study the graph below and answer the questions that follows.



12.1.1 Identify the benefit to a third party who is not directly involved in the activity (1)

External benefit/ Positive externality ✓

12.1.2 Name any ONE example of a product with positive externality. (1)

- Education✓
- Vaccination✓

(Accept any other correct relevant response)

12.1.3 Briefly describe the term *merit goods* (2)

Merit goods are goods and services that are beneficial to individuals and society but are often under-consumed in a free market.✓✓

(Accept any other correct relevant response)

12.1.4 Explain the impact of a subsidy on the market of goods with positive externalities. (2)

- When government provide subsidies, it ensures that the cost of goods with positive externalities is as affordable as possible✓✓
- The subsidies encourages producers to increase production and consumers will consume more of the product which increases demand and shift the demand.✓✓

(Accept any other correct relevant response)

12.1.5 Why are market reluctant to provide public goods? (4)

- Market are reluctant to provide public goods because it requires a huge capital which is challenging for the private sector since they have little incentives to supply these goods. ✓✓
- It is difficult to charge higher prices and therefore profits are compromised leading to free-riding and marking its unprofitable for private firms to produce them. ✓✓
- Some of these goods are non-excludable which is difficult to prevent people from using. ✓✓

(Accept any other correct relevant response)

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ACTIVITY 13

- Discuss in detail the factors lead to the misallocation of resources in the market (26)
- How does government intervene in the economy to redistribute income and wealth? (10)

INTRODUCTION

Market failure is when the forces of supply and demand fail to allocate resources efficiently / When markets fail to allocate goods and services efficiently. ✓✓ (Max. 2)

(Accept any other correct relevant response)

BODY: MAIN PART

EXTERNALITIES ✓

- Externalities are costs and benefits to the third party that are not included in the market price. ✓✓
- Goods that have negative externalities are over-produced because the cost to the third party is not included in the market price. ✓✓
- Goods that have positive externalities are under-produced because the benefit to the third party is not included in the market price. ✓✓
- Externalities are the cost and benefits (spill-over effects or third-party effects) that convert private cost and benefits into social cost and benefits. ✓✓

Basic cost and benefit concepts of externalities include the following;

- Private costs are the internal costs incurred by consumers and producers when they buy or produce goods and services. ✓✓
- Private benefits are enjoyed by those who buy the goods and those who produce the goods. ✓✓ For example, the family enjoys using the car and the producer sells it (profit). ✓
- Social costs are the costs to individual producers and consumers as well as to society at large. ✓✓ For example, pollution that is caused by waste products, such as tyres, batteries, oil. ✓
- No value is given for these extra or external costs because no market exists to price them. ✓✓
- Social costs include both private costs and external costs. ✓✓
- Social benefits are the total benefits enjoyed by producers, consumers and the society at large. ✓✓ Social benefits include both private benefit and external benefit. ✓✓

MISSING MARKETS ✓

- Markets are often incomplete in the sense that they cannot meet the demand for certain goods. ✓✓

Public goods: ✓

- They are not provided by the price mechanism because producers cannot withhold the goods from non-payment and there is often no way of measuring how much a person consumes. ✓✓
- Public goods, which include community and collective goods, have the following features:
- Non-rivalry which means that consumption by one person does not reduce the consumption of another person, ✓✓ for example, a lighthouse.
- Non-excludability which means that consumption cannot be confined to those who have paid, so there are free riders, ✓✓ for example, radio and TV licences in South Africa. ✓
- Non-rejectability which means that individuals cannot abstain from consumption on public goods such as street lights ✓✓

Merit goods ✓

- These are goods/services that are deemed necessary or beneficial to the society, For example, education, health care etc. ✓✓

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- These goods are highly desirable for general welfare but not highly rated by the market, therefore provide inadequate output/supply. ✓✓
- The reason for the undersupply of merit goods is that the market only takes the private costs and benefits into account and not the social costs and benefits. ✓✓

Demerit goods ✓

- These are goods/services that are regarded as bad or harmful for consumption hence we should use less of these ✓✓ For example, alcohol, cigarettes, etc. ✓
- Demerit goods lead to a lot of social costs, therefore, the government charges sin tax / excise duties to discourage the consumption of such goods. ✓✓
- The market tends to oversupply demerit goods. ✓✓
- Some consumers may be unaware of the true cost of consuming them. ✓✓

LACK OF INFORMATION ✓

- Markets do not respond to changes in consumer demand if resources cannot be easily reallocated due to lack of information. ✓✓
- Technical and allocative efficiency require that both producers and consumers have complete and accurate information about the costs and benefits of the goods and services produced and consumed in the market. ✓✓
- Producers and consumers make production and consumption decisions based on the information they have. ✓✓
- When information is incomplete or inaccurate, it leads to wrong decisions about what to produce, how to produce and for whom to produce, and a waste of resources occurs. ✓✓
- Producers might not know all the different technologies and production techniques that are available and the different resources that can best be used to produce goods/services more efficiently. ✓✓
- Consumers might not know that the price of a product is lower from other suppliers or about the harmful effects of a product since they might just base their decisions to use the product on the information from a misleading supplier. ✓✓

IMMOBILITY OF FACTORS OF PRODUCTION ✓

- The supply of labour cannot be increased because of the time it takes to be trained or educated. ✓✓
- Labour takes time to move into new occupations and geographically due to the long time it takes to upgrade skills, and family ties. ✓✓
- Physical capital such as equipment, buildings, land and raw materials can only move from one place to another at a high cost. ✓✓
- Technological applications change production methods such the use of robots rather than physical labour.
- With greater technological change there is an increasing need for workers to become flexible, to update skills, change employment, occupations and work patterns. ✓✓

IMPERFECT COMPETITION ✓

- In market economies, competition is often weakened by market power because power often lies to a greater extent with producers than with consumers. ✓✓
- Most businesses operate under conditions of imperfect competition that allows them to restrict output, raise prices and produce where price exceeds marginal cost. ✓✓
- Monopolies and oligopolies restrict supply in order to maximise profits and can also prevent new businesses from entering the industry. ✓✓

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- Resources are under allocated to the production of goods and services produced under conditions of imperfect competition. ✓✓
- The government may choose to do nothing about imperfect competition and trust that large profits will attract competitors to the market or it can regulate the market through competition policy. ✓✓

IMPERFECT DISTRIBUTION OF INCOME AND WEALTH ✓

- The shortcoming of market systems is that it is neutral in the issue of income distribution. ✓✓
- If the initial distribution of income is unequal, the final distribution will also be unequal hence the market is failing. ✓✓
- Unequal distribution of income is caused by varying of skill levels and the ability to produce output. ✓✓
- The market fails to ensure that everyone gets equal access to the output of the economy. ✓✓
- Too many of the resources are used to produce output for the rich and too few for the poor. ✓✓ (Max. 26)

(Accept any other correct relevant response)
(Allocate a maximum of 8 marks for headings / sub-headings/examples)

ADDITIONAL PART:

How does government intervene in the economy to redistribute income and wealth? (10)

- Government uses progressive income tax system in which higher-income groups pay higher marginal tax rate in order to finance the provision of social services to the poor. ✓✓
- Tax revenue is used to pay cash grants such as old-age grants, disability grants and child support grant which assists the public to satisfy their basic needs. ✓✓
- Implementing policies such as Broad-Based Black Economic Empowerment, land redistribution and land restitution helps to improve the economic position of the previously disadvantaged groups. ✓✓
- The state provides free of charged and subsidised public goods and services such as education, primary healthcare and housing to improve the standard of living for poor people. ✓✓
- A tax threshold of R99 000 is used to exempt people who are younger than 65 years of age as a means to redistribute income. ✓✓
- Job creation programmes such as the Expanded Public Works Programme have Been implemented with an aim to generate income for poor and unskilled people. ✓✓
- Government imposes taxes and laws on demerit goods to discourage consumption and to earn revenue that can be used to finance the provision of public goods. ✓✓ (Max. 10)

(Accept any other correct relevant response)
(Allocate a maximum of 2 marks for mere listing of facts)

CONCLUSION

Fiscal policy is considered the most effective tool for redistributing income and wealth to address market failures. However, the design and implementation needs to be carefully considered to ensure that it is effective in addressing the market failure without creating unintended consequences. ✓✓
(Accept any other correct relevant higher order conclusion) (Max. 2)

ACTIVITY 14

- With the aid of graphs, discuss in detail the state intervention as a consequence of market failures. (26)
- How can the government deal with lack of information because of market failure? (10)

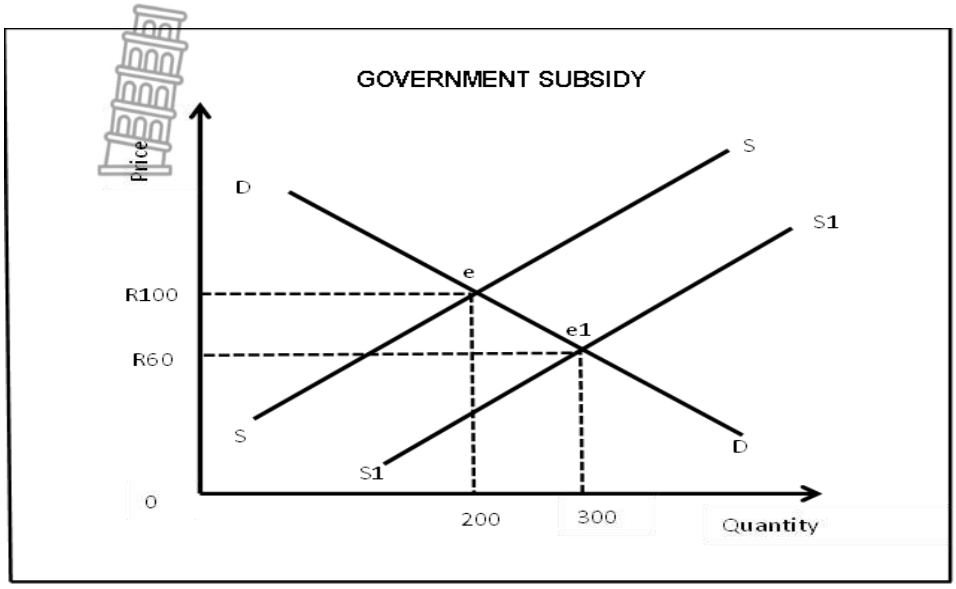
INTRODUCTION

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Market failure occurs when the market forces of demand and supply fail to allocate the resources efficiently. ✓✓
(Accept any other correct relevant introduction)

BODY/ MAIN PART

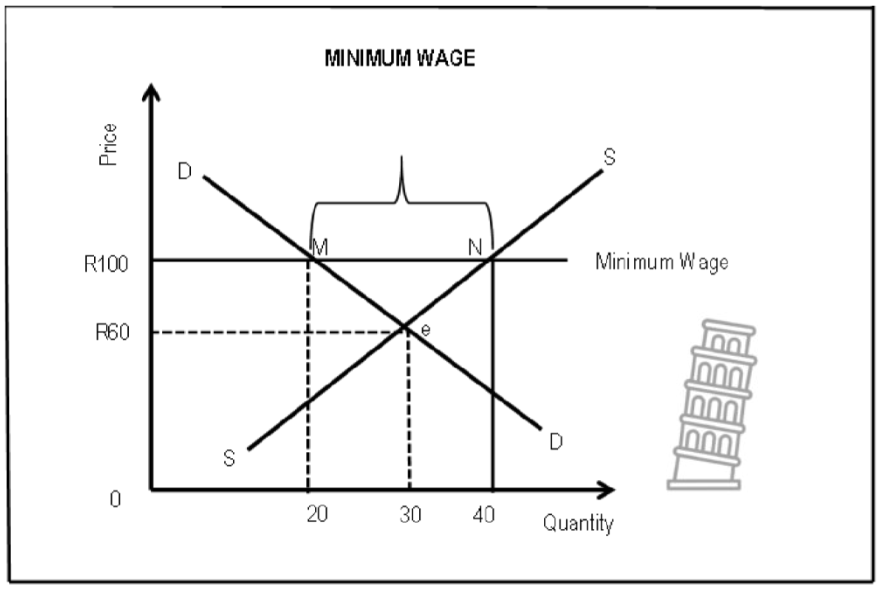
Providing producer subsidies ✓



- The government provides subsidies to producers to encourage them to produce more goods and services. ✓✓
- Subsidies protect the countries food security and ensure that critical basic goods are adequality provided . ✓✓

  Subsidies on production will shift the supply curve from SS to S1S1, increasing quantity produced from 200 to 300. ✓✓
- Subsidies will lower the cost of producing goods from a R100 to R60 and thus the market price of these goods is lowered, increasing consumption. ✓✓

Minimum wages ✓

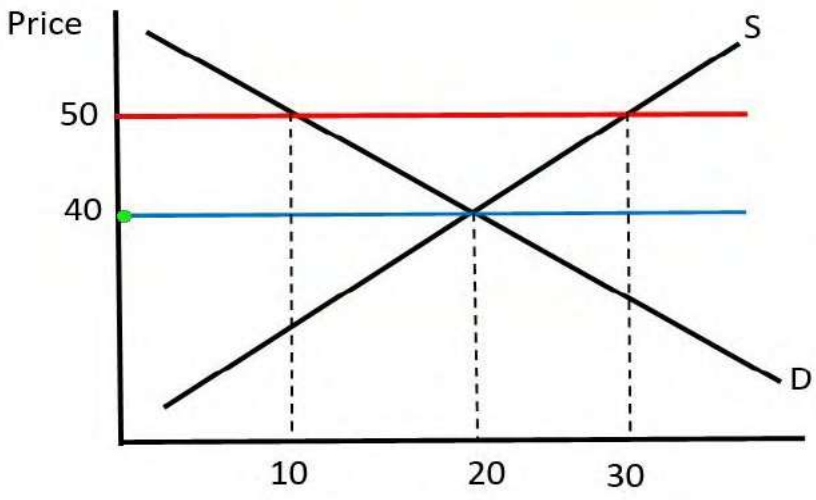


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- A minimum wage is the lowest remuneration that employers are required by law to pay their workers. ✓✓

- Income for the workers will increase from R60 to R100 and as a result their standard of living will improve (improve welfare and ensure basic needs are met). ✓✓
- The minimum wage is set above the equilibrium market wage; supply of labour will increase from 30 to 40 while the demand for labour will decrease from 30 to 20. ✓✓
- The increase in the cost of labour will result in a surplus in the labour market M-N, ✓✓

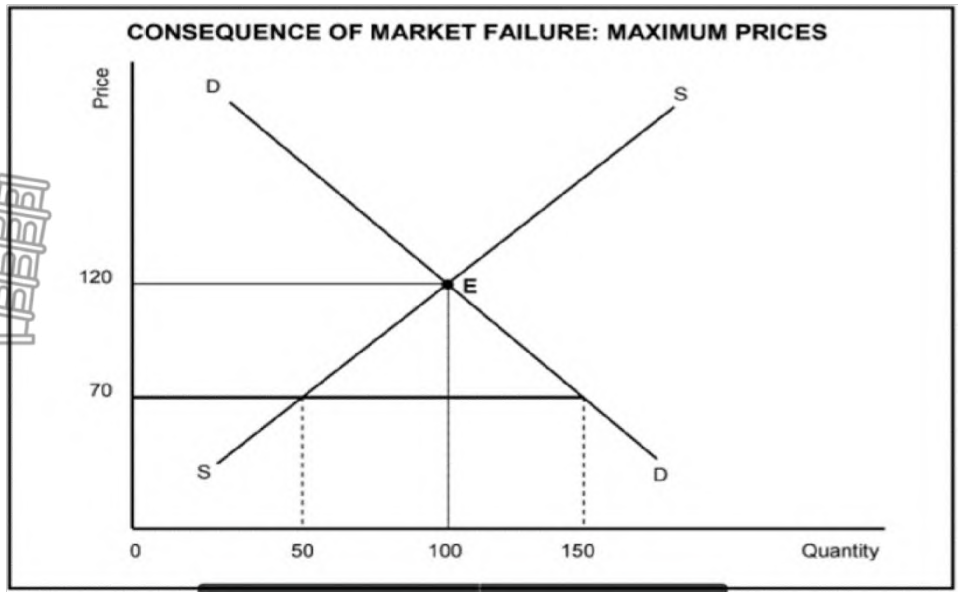
Minimum prices ✓



- The government intervenes and passes the minimum price to ensure sufficient supplies of staple food in the market.
- The approach of setting minimum prices or price floors will be used so that it will be worthwhile for producers (to make a comfortable profit) to produce essential goods in desired quantities.
- These are prices that are set above the market price from R40 to R50
- Minimum prices however have unwanted side-effects as they cause a surplus in the market.as supply increase from 20 to 30 while demand decreases from 20 to 10
- Surplus products become a challenge to dispose as they should rather be sold at lower costs, dumped to other countries which is prohibited by the WTO or be destroyed.

Maximum prices ✓

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- The government will set a maximum price if the price is deemed to be too high for essential goods (basic goods). ✓✓
- The maximum price that is set by the government below the market price from R100 to R70 is known as a price ceiling or maximum price. ✓✓
- The immediate effect of maximum prices in the market is that the quantity supplied from 100 to 50 while quantity demanded increase from 100 to 150 thus causing shortages. ✓✓

  Shortages in supply for certain goods in the market will result to the establishment of the 'black markets'. ✓✓

Additional part

How can the government deal with programme of Imperfect markets as a cause of market failure?

- . Formulating or implementing a competition policy to increase the level of competition. ✓✓
- Using laws on competition to prevent exorbitant prices charged by firms, to ensure that entry to the market is free. ✓✓
- Prevent harmful collusion and encourage foreign competition which helps to keep prices low. ✓✓
- Granting licences to more business in the case of state monopolies to increase competition ✓✓
- Prevent monopolies from abusing economic power by Imposing price controls to decrease prices of goods and services. ✓✓
- Provide subsidies and incentives to new entrepreneurs that enter the market. ✓✓

  (Accept any other correct relevant response)

CONCLUSION

Market failures can have devastating effects on the economy which requires government to intervene to reduce their consequences. ✓✓

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CONTEMPORARY ECONOMIC ISSUES:
INFLATION

MAIN TOPIC: CONTEMPORARY ECONOMIC ISSUES	
TOPIC 12: INFLATION	**CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES**
Analyse and investigate inflation and the policies used to combat it	
12.1 Inflation	• Briefly describe the **concept** • Briefly examine the following ways to **measure** inflation: - **Indexes** (CPI/PPI) - **Weighting** (Basket of goods and services) - **Inflation rate** (Calculations)
12.2 Types and characteristics of inflation	• Explain the different **types** of inflation - **Consumer inflation** ○ Headline inflation ○ Core inflation ○ Administered prices inflation - **Producer inflation** ○ CPI ○ PPI - **All inclusive inflation** - **Hyper inflation** - **Stagflation**
12.3 Causes of inflation	• Briefly distinguish between the different **characteristics** of demand-pull and cost-push inflation • Briefly compare the **Monetarists'** and **Keynesian explanations** of inflation • Discuss the causes of demand-pull inflation - Increase in household consumption ○ Decline in savings ○ Tax reduction ○ Access to credit - Investors' expenditure - Government expenditure - Export services • Discuss the **causes** of cost-push inflation - Wages - Key inputs - Exchange rate depreciation - Profit margins - Productivity - Natural disasters
12.4 Consequences of inflation	• ***Discuss in detail the consequences of inflation*** under the following headings: - **Debtors/Creditors** - **Wage and salary earners** - **Investors and savers** - **Tax payers** - **Industrial stability** - **Unemployment/poverty** - **Balance of payments problems** - **Psychological influence**
12.5 The inflation problem in South Africa	• Discuss expectations and inflation • Broadly outline the **inflation problem** in South Africa
12.6 Measures to combat inflation	• ***Discuss in detail the measures to combat demand-pull and/or cost-push inflation*** - **Monetary policy** - **Fiscal policy** - **Other measures**
12.7 Inflation targets	• Evaluate the success of **inflation targeting**

ACTIVITY 1

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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 (1.1.1-1.1.4) in the ANSWER BOOK

1.1.1 The increase in prices of goods and services that are set or controlled by the government are known as……

A. Core inflation
B. Headline
C. Administered price inflation✓✓
D. Consumer inflation

1.1.2 An increase in prices of goods and service while the country experiences unemployment and slow economic growth are known as…

A. Deflation
B. Headline inflation
C. Stagflation✓✓
D. Core inflation

1.1.3 The movement of income tax payers into a higher tax brackets due to salary increase are known as…

A. Bracket creep✓✓
B. Tax adjustment
C. Weighting
D. Inflation adjustment

1.1.4 An inflation that occurs when the total demand for goods and services is more than the total supply is known as…

A. Cost push
B. Demand pull✓✓
C. Administered price
D. Core

1.1.5 An extreme rapid and uncontrollable rise in general price level at a rate of more that 50% is known…

A. all-inclusive inflation
B. consumer inflation
C. producer inflation
D. hyperinflation✓✓ (5x 2) (10)

1.2 Give ONE term for EACH of the following descriptions. Write only the term next to the question numbers (1.2.1 to 1.2.4) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

1.2.1 A measure designed to show average changes in the price, quantity or value of a group over a period of time

Index✓

1.2.2 A type of inflation that occurs when the cost of production increases, leading to higher prices for goods and services

Cost push inflation✓

1.2.3 The sustained increase in the general price level of goods and services in an economy over a period of time.

Inflation ✓

1.2.4 The measure of inflation that includes the prices of all final goods and services.

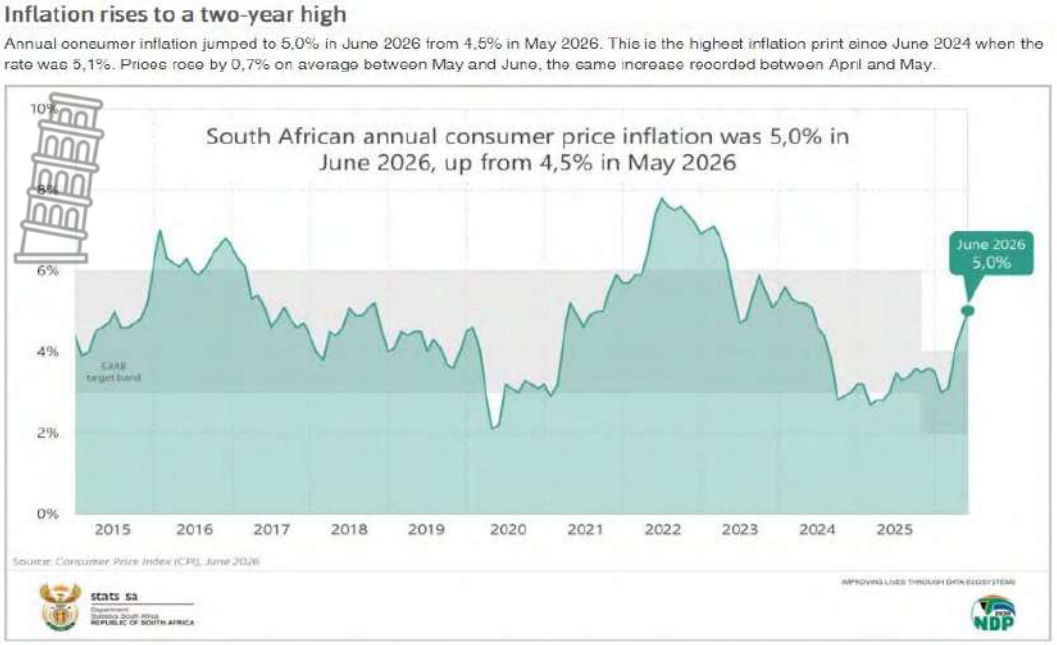
All-inclusive inflation✓

(4 x 1) (4)

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ACTIVITY 2

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



2.1.1 Identify the inflation rate for May 2026 from the graph above. (1)

4.5%✓

2.1.2 Name the price index that excludes value added tax (VAT). (1)

Producer price index (PPI) ✓

2.1.3 Briefly describe the term *deflation* (2)

A sustained decrease in the general price level of goods and services over a period of time. ✓✓

(Accept any correct relevant response)

2.1.4 Why is core inflation more stable than consumer price index (CPI) inflation? (2)

Core inflation excludes items that are highly volatile in prices and that are regulated by government intervention while CPI inflation includes items with high volatile prices✓✓

(Accept any correct relevant response)

2.1.5 How can increase in productivity help to combat inflation? (4)

- The average cost of production will decrease which reduces cost push inflation✓✓
- Increase in productivity that is linked to wage increase may neutralize cost push inflation✓✓
- Higher productivity through education and training may increase production output which will stimulate aggregate supply✓✓

(Accept any correct relevant response)

ACTIVITY 3

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



Adapted from: google images

3.1.1 Identify the economic term depicted by the above cartoon. (1)

Inflation✓

3.1.2 Name the inflation target set by the South African Reserve Bank. (1)

3% with a tolerance band of +-1%✓

3.1.3 Briefly describe the term *indexation.* (2)

Iindexation is a policy of linking prices of items such as wages to price indices to eliminate the effects of inflation. ✓✓

(Accept any correct relevant response)

3.1.4 Explain the impact of an increased inflation on industrial unrest. (2)

When prices increase rapidly, workers will demand higher wages to keep up with the rising costs of living and this may lead to strikes or other forms of labour unrest ✓✓

(Accept any correct relevant response)

3.1.5 How will a higher inflation rate disadvantage low-income earner? (4)

- A higher inflation rate reduces the purchasing power of low-income earners because their wages often do not increase as quickly as prices. ✓✓
- They struggle to afford basic necessities such as food, transport, and housing as the cost of living rises.✓✓
- Low-income households usually spend a larger proportion of their income on essential goods, making them more vulnerable to inflation. ✓✓
- They also have limited savings, making it difficult to cope with rising prices or unexpected expenses. As a result, their standard of living declines and poverty may increase.✓✓

3.2 Differentiate between *consumer price index* and *producer price index.* (8)

CONSUMER PRICE INDEX	PRODUCER PRICE INDEX
CPI is tool that tracks changes in the price level of a market basket of consumer goods and services produced by households. ✓✓	Measures the average change in the prices received by producers for their goods and services. ✓✓
Reflects retail prices paid by households. ✓✓	Reflects wholesale or factory-gate prices received by producers. ✓✓
Used to measure consumer inflation and changes in the cost of living. ✓✓	Used to measure producer inflation and production cost trends. ✓✓
Includes goods and services such as food, housing, transport, education, and healthcare. ✓✓	Includes goods produced in sectors such as manufacturing, mining, agriculture, and electricity. ✓✓
Indicates how inflation affects consumers ✓✓	Indicates how inflation affects producers and businesses. ✓✓

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ACTIVITY 4

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



Adapted from: Google images

4.1.1 Identify the type of inflation that relates to the prices determined by the government. (1)

Administered price inflation✓

4.1.2 Name any ONE cause of cost push inflation (1)

- Wages✓
- key input✓
- Exchange rate depreciation✓
- profit margin✓
- Productivity ✓
- Natural disaster✓

4.1.3 Briefly describe the term *headline inflation* (2)

Headline inflation reflects the rate of change in prices of all goods and services in an economy over a period of time✓✓

(Accept any correct relevant response)

4.1.4 Explain the benefit of an increase general price for debtors in the economy. (2)

Debtors gain because they receive money with a high purchasing power when taking credit and repay with money that has low purchasing power. ✓✓

(Accept any correct relevant response)

4.1.5 How would an oversupply of money affect the economy? (4)

- May lead to an increase in demand-pull inflation resulting in an increase in the price of goods and services. ✓✓
- The value of money will be reduced which will result in the lower standard of living for the consumers. ✓✓
- Currency may depreciate which makes imports expensive and reduce the country's purchasing power in global markets. ✓✓

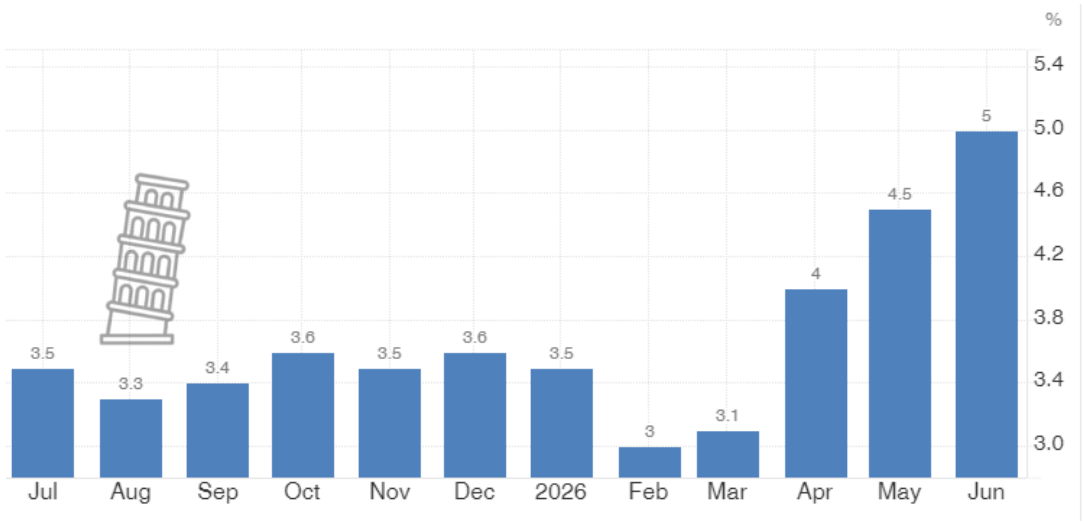
(Accept any correct relevant response)

ACTIVITY 5

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

SOUTH AFRICAN INFLATION RATE

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Source: www.statssa.gov.za

5.1.1 Identify the month that shows the highest inflation rate from the graph above? (1)

June✓

5.1.2 Name any ONE item that is excluded from CPI basket. (1)

- Petrol✓
- Electricity✓
- Fresh produce✓

(Accept any other relevant answer)

5.1.3 Briefly describe the term *Producer price index* (2)

The Producer Price Index (PPI) is an economic indicator that measures the average change over time in the selling prices received by domestic producers for their output. ✓✓

(Accept any correct relevant response)

5.1.4 Explain the impact of inflation on low-income earners. (4)

- Low-income earners are severely affected by inflation because the prices of essential goods and services increase faster than their incomes. ✓✓
- Their purchasing power declines, making it difficult to afford basic necessities such as food, transport, and housing. ✓✓
- They have little opportunity to save or invest. As a result, their standard of living decreases and the risk of poverty increases.✓✓

(Accept any other correct relevant response)

5.1.5 Why do policymakers exclude some items when calculating core inflation? (2)

- Policy makers take out volatile goods to find the underlying change in the CPI. ✓✓
- Policy makers assume that consumers value the items included in core inflation more than those that are excluded. ✓✓

(Accept any other correct relevant response)

5.2 Briefly discuss *higher wages* and *exchange rates depreciation* as causes of cost push inflation (8)

Higher wages

- Higher wages increase the cost of production because businesses have to pay employees more.
- To maintain their profit margins, firms often pass these higher labour costs on to consumers by increasing the prices of goods and services. .✓✓
- If wage increases are not matched by higher productivity, inflationary pressures become even greater.✓✓

Max 4

Exchange rates depreciation

- Exchange rate depreciation may be the cause of price increases. ✓✓

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- If the depreciates in terms of US dollar, all; imported goods and services become more expensive. ✓✓
- Producers have to pay more money for the same quantity than before, therefore they often would increase their prices. ✓✓

Max 4

ACTIVITY 6

6.1 Study the extract below and answer the questions that follow

Inflation rises to a two-year high

Annual consumer inflation jumped to 5,0% in June 2026 from 4,5% in May 2026. This is the highest inflation print since June 2024 when the rate was 5,1%. Prices rose by 0,7% on average between May and June, the same increase recorded between April and May.
Transport was the largest contributor to both the annual and monthly changes in the consumer price index (CPI), mainly underpinned by higher fuel prices. The annual rate for transport accelerated to 12,7% in June from 9,4% in May. Fuel prices climbed by 34,3% in the 12 months to June

Adapted from: www.StatisticsSA.gov.za

6.1.1 Identify one cause of inflation in the above extract (1)

Higher Fuel prices✓

6.1.2 Name the institution that sets inflation target in South Africa (1)

South African Reserve bank (SARB) ✓

6.1.3 Briefly describe the term Consumer price index (2)

The Consumer Price Index (CPI) is a key economic measure that tracks the average change over time in prices paid by urban consumers for a market basket of consumer goods and services. ✓✓
(Accept any other correct relevant response)

6.1.4 Explain monetary policy as a measure to curb cost push inflation. (4)

- Monetary policy can help curb cost-push inflation by increasing interest rates to reduce overall spending in the economy. ✓✓
- Higher interest rates discourage borrowing and encourage saving, which lowers consumer demand. ✓✓
- Reduced demand makes it more difficult for businesses to pass higher production costs on to consumers through higher prices. ✓✓
- Inflationary pressures are eased and inflation is kept within the target range.✓✓

6.1.5 How can natural disasters contribute to inflation in the economy. (8)

- Natural disasters can damage farms, factories, and infrastructure, reducing the supply of goods and services. ✓✓
- The shortage of products causes prices to increase as demand exceeds supply. ✓✓
- Businesses may also face higher production and transport costs due to damaged infrastructure and disrupted supply chains.✓✓
- Higher costs are often passed on to consumers, contributing to inflation in the economy.✓✓

ACTIVITY 7

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

INFLATION RATE HISTORY IN SOUTH AFRICA

YEAR	Average price of a basket of goods	CPI
2023	R5297,58	100
2024	R5383,00	101.7
2025	R5440.00	A
2026	R5530,52	104.4

Adapted from: www.focusontransport.co.za

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7.1.1 Identify the base year in the table above (1)

2020✓

7.1.2 Name any One South African institution provides inflation statistics. (1)

- Statistics SA✓
- South African reserve bank✓
- JSE✓

(Accept any correct relevant response)

7.1.3 Briefly describe the term *core inflation*. (2)

Core Inflation is also known as underlying inflation, is a measure of inflation which excludes items that face volatile price movement, notably food and energy✓✓

(Accept any correct relevant response)

7.1.4 Why is it necessary to assign weights to different expenditure items? (2)

- To show the importance of difference items in the basket✓✓
- To ensure that the impact on purchasing power is measured correctly✓✓

(Accept any other correct relevant response)

7.1.5 Calculate the value of A using the table above. Show all calculations. (4)

$\frac{5440.00}{5297,58}$ x 100

102,7

234,58 ✓ X 100✓

200✓

=117,3✓

ACTIVITY 8

- Discuss in detail the consequences of inflation. (26)
- Analyse the impact of foreign direct investment of price stability (10)

INTRODUCTION

This is a constant and significant increase in the general price level of goods and services in the country over a certain period of time, e.g. a year. ✓✓ (Max 2)

BODY: MAIN PART

Salary and wage earners ✓

•Price increases affect people whose incomes are relatively fixed (in other words, people whose incomes remain constant or do not increase at the same rate as prices do). ✓✓

•This group includes retired people, pensioners and the poor. ✓✓

•As prices increase, their almost fixed incomes purchase less and less✓✓

•However, there are individuals and entrepreneurs whose incomes often increase at a rate that is higher than the inflation rate and they do not suffer but gain from inflation. ✓✓

•Globalization results in increased employment opportunities in the economy due to increased productivity; the need to produce more goods both for local and international markets rises in globalised economies. ✓✓

•The demand for increased skilled labour becomes a need as a result, this demand for labour benefits the local labour market in increased employment opportunities and growth. ✓✓

Investors and savers ✓

•Different types of investments are affected by inflation: Assets with fixed nominal values. ✓✓

•These assets have a fixed nominal value and give a return if they are held until maturity. ✓✓

•When they are paid, because their nominal values remain constant, the purchasing power of the nominal values decreases as prices increase (that is, their real value decreases). ✓✓

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Assets with flexible market values✓

•The holders of shares and fixed property usually gain by price increases because the nominal values of these assets tend to increase at least proportionately to the rate of inflation (that is, their market values are flexible). ✓✓

•Often, the prices of these assets increase more rapidly than increases in the general price level. ✓✓

•In this case, inflation creates wealth to the advantage of those holding such assets. ✓✓

Taxpayers ✓

•South Africa has a progressive personal income tax system. ✓✓

•This means that marginal and average tax rates increase in harmony with the income level✓✓.

•The higher an individual's income, the greater the percentage of income he or she has to pay in tax. ✓✓

•With inflation, taxpayers' nominal income (wages and salaries) rises even when their real income remains unchanged. ✓✓

•Taxes are levied on nominal income and not on real income. ✓✓

•Therefore, if the income tax schedule remains unchanged, inflation increases the average rate of personal income tax. ✓✓

•Individuals will have to pay higher taxes even if they are actually no better off than before. ✓✓

•This phenomenon, known as bracket creep, leads to a redistribution of income from taxpayers to the government. ✓✓

•Bracket creep results from a combination of inflation and progressive income tax. ✓✓

•It has the same effect as an increase in the tax rate. ✓✓

Industrial peace ✓

Wage bargaining is often accompanied by strikes and mass action. ✓✓

•These actions can sometimes spill over into violence, which affects society at large. ✓✓

•In extreme situations, in the presence of exceptionally high inflation together with a government that is determined not to yield to wage increase demands (which can push inflation to even higher levels), widespread civil unrest follows. ✓✓

Inflation has a negative effect on economic growth ✓

•Inflation leads to increased uncertainty in the economy. ✓✓

•This uncertainty discourages savings and investments especially in the long term. ✓✓

•Which are necessary for economic growth – result: reduced economic growth. ✓✓

•Inflation affects the real money value and savings. ✓✓

•Because inflation reduces the real value of money, it affects the real value of money saved in particular. ✓✓

•This means that because of inflation, the rand buys fewer goods and services than before. ✓✓

•It also means that the real money value saved is worth less at the end of the savings period than when the money was saved. ✓✓

•E.g. if a consumer receives 5% interest on his/her savings account while the inflation rate is 8%, then the real rate of interest on the consumer's savings is –3%. ✓✓

Inflation has an adverse effect on a country's balance of payments (BOP) ✓

•If a country's rate of inflation is higher than that of its trading partners, the prices of exported goods increase while the prices of imported goods decrease. ✓✓

•This leads to a loss of competitiveness in the export market, which in turn, leads to decreased exports. ✓✓

•This has a negative effect on the country's balance of payments (BOP). ✓✓

•The loss of export competitiveness can also increase unemployment✓✓.

•Inflation affects the redistribution of income in a country. ✓✓

•The effects of inflation are uneven, while it does not clearly benefit anyone and certainly harms most, it also harms some less than others. ✓✓

•Inflation also tends to redistribute income from low-income groups to higher income groups. ✓✓

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•This is because people in the low income groups do not have assets that can rise in value faster than the rate of inflation to help them overcome the effects of inflation. ✓✓
•Powerful groups such as trade unions, large companies and the wealthy, can increase their share of national income at the expense of disadvantaged people such as pensioners, the unemployed and welfare recipients. ✓✓
(Allocate a maximum of 8 marks for headings/sub-headings) (Max. 26)

Analyse the impact of foreign direct investment on price stability. (10)

- Increasing production of goods and services which will increase the aggregate supply thus stabilize the prices✓✓
- Bringing more efficient production techniques that will reduce the production costs slowing down the cost push inflation✓✓
- Increase competition in local markets which will keep local prices down strengthening the rand through higher export volume which will help to reduce cost of importing production inputs such as crude oil✓✓
- Improving technology in production which increases productivity thereby reducing cost push inflation✓✓
- Creating more employment opportunity thereby stimulating consumer spending which contribute to demand pull inflation✓✓
- Increasing expenditure on capital goods such as machineries and equipment resulting to increased aggregate demand. ✓✓
  (Accept any other correct relevant high order response)

CONCLUSION

South Africa has seen stable prices since the implementation of inflation targeting in 2 000 and has been applying all monetary and fiscal measures to combat inflation. A high rate of inflation will always cause instability in the economy. ✓✓ (Max. 2) [40]

ACTIVITY 9

- Discuss in detail the measures to combat demand-pull inflation. (26)
- How can inflationary expectations influence the behaviour of various participants in the economy? (10)

INTRODUCTION

Inflation refers to a sustained and significant increase in the general price level over a period of time; and a simultaneous decline in the buying power of money.

BODY

MONETARY POLICY MEASURES

Monetary policy measures to combat inflation are taken by the South African Reserve Bank (SARB) and government through the implementation of one or more of the following instruments:

Interest rates✓

- The SARB curbs inflation by increasing the repo rate which makes it expensive to borrow money. ✓✓
- Banks pass on the increased cost of borrowing (repo rate) to their clients by increasing the interest rate. High interest rate discourages consumers from taking unnecessary credit, discouraging consumer spending. ✓✓
- A decrease in credit creation results to a reduction of money supply thereby reducing demand-pull inflation. The increase in interest rates stabilises the value of the currency which helps to reduce cost-push inflation through lower import cost. ✓✓

Open market transactions✓

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- The SARB can directly decrease the supply of money by selling government securities in the open market and when banks buy these securities money flows from banks to the SARB which reduces money supply. ✓✓
- Reduction in money supply will reduce aggregate demand controlling demand-pull inflation. ✓✓

Cash Reserve Requirements✓

- Commercial banks are required to hold a certain minimum cash reserve with the central bank. ✓✓
- An increase in the cash reserve requirement limits the amount of money that banks can give out as credit and helps to curb inflation. ✓✓

Moral suasion✓

- The SARB can persuade commercial banks to act in a responsible manner when granting credit under inflationary conditions. ✓✓
- Moral suasion helps to reduce inflation because credit will be granted to fewer consumers. ✓✓

FISCAL POLICY MEASURES

Inflation can be combated through fiscal changes in taxation and government expenditure. The following are actions that can be taken:

Government expenditure✓

- The state can reduce expenditure by postponing some government projects such as roads, hospitals and schools. ✓✓
- Aggregate demand will decrease thereby reducing demand-pull inflation. ✓✓
- The government may finance a budget deficit from the non-banking sector to limit inflation.

Taxation✓

- Government can increase direct taxation such as personal income tax to decrease demand. ✓✓
- An increase in indirect taxation (VAT) causes spending to decrease because goods become more expensive. The state can impose surcharges on imported goods which will increase their prices, discouraging consumer spending. ✓✓
- A loan levy can be used to reduce disposable income of consumers. ✓✓
- The government may reduce taxes on savings or introduce tax-free savings accounts to encourage saving and reduce spending. ✓✓

OTHER MEASURES

Additional measures that can be used to combat inflation include:

Increase productivity. ✓

Improved education and training allow for more people to be employed and ensure that they are more productive. ✓✓

Price Control: ✓

The government ensures that certain essential goods remain affordable by fixing their price. ✓✓

Wage Policy: ✓

A wage policy should keep wage increases in line with inflation rate. ✓✓

Stricter conditions for consumer credit: ✓

The National Credit Regulator may impose strict requirement on consumer credit which will reduce aggregate demand. ✓✓

Import controls are relaxed: ✓

More imports may help to supplement local supply of goods and services, reducing inflation caused by product shortages. ✓✓

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Floating exchange rate: ✓✓
Prices are automatically adjusted to international conditions which allow free operation of the price mechanism (real prices). ✓✓
Indexation: ✓
Refers to a policy of linking prices of items such as wages, pensions and mortgage bond interest rates to price indices to eliminate the effects of inflation. ✓✓
(Accept any other correct relevant response)

ADDITIONAL PART
How can inflationary expectations influence the behavior of various participants in the economy? (10)

- Inflation expectations play a major role in the process that transmits expectations of price increases through to the actual increase in prices. ✓✓
- Consumer spending may increase when consumers expect prices to increase in the near future, without market signals✓✓.
- More consumer goods and capital good are bought before the price increase thus increasing aggregate demand. ✓✓
- Labour unions demand higher wages to protect purchasing power for their members when they anticipate rise in inflation. ✓✓
- When wages increase, businesses raise their prices to compensate the increase in labour costs thereby fuelling inflation✓✓.
- When businesses expect inflation to rise, they tend to increase their prices in advance which increase their profit margins. ✓✓
- The SARB uses inflation expectations to adjust monetary policy instruments that control money supply. ✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 2 marks for mere listing of facts) (Max. 10)

CONCLUSION
A high rate of inflation will always cause instability in the economy hence various measures are applied to combat it. / Inflation expectations are self- fulfilling because higher expectations lead to higher inflation and the vice versa is true. ✓✓
(Accept any other correct relevant conclusion) (Max.2)

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TOURISM

TOPIC 13: TOURISM	CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES
Debate the economic importance of tourism for South Africa and suggest policies to promote it. Also refer to the importance of indigenous knowledge systems (IKS).	
13.1 Tourism	• Describe the relevant **concepts** • Briefly explain the **types** of tourism • Outline the ways to measure tourism
13.2 Reasons for its growth	• Briefly discuss the **reasons** for growth in the tourism industry (internationally and domestically)
13.3 The effects of tourism	• ***Examine in detail the effects of tourism*** - **GDP** - **Employment** - **Poverty** - **Externalities** - **Environment** - **Investment**
13.4 The benefits of tourism	• ***Examine in detail the benefits of tourism*** - **Households** - **Businesses** - **State** - **Infrastructure development**
13.5 South Africa's profile	• Discuss South Africa's **tourism profile** with reference to: - Indigenous knowledge o heritage sites o importance
13.6 Policy suggestions	• Discuss the Department of Tourism's **policy suggestions** under the following headings: - Marketing - Spatial distribution - Taxing - Infrastructure development

ACTIVITY 1

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A-D) next to the question numbers (1.1.1–1.1.4), the ANSWER BOOK, e.g. 1.1.6 D.

1.1.1 Activities of people travelling to and staying in places outside their usual environment for no more than one year for leisure, business and other purposes is known as … (2)

A. travels.
B. ecotourism.
C. tourism. ✓✓
D. tourists.

1.1.2 Travelling for the purpose of taking a holiday, to play sport, to visit friends, and to see the tourist attractions is known as … tourism. (2)

A. business
B. cultural

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C. domestic
D. leisure ✓✓

1.1.3 Local people visiting other countries are known as…tourists
A. outbound✓✓
B. inbound
C. travellers
D. Explorers

1.1.4 The cooperation between private sector and government in funding and provision of tourists' infrastructure and activities is known as…
A. tourism sector
B. public-private partnership✓✓
C. tourist attraction
D. public sector intervention

1.2 Choose a description from Column B that matches an item in Column A. Write only the letter (A) next to the question number.

COLUMN A		Answer	COLUMN B
1.2.1	Cultural tourism	C ✓	A. Tourists travelling through South Africa using air, road, rail and sea transport to get to another destination.
1.2.2	Ecotourism	D✓	B. All the infrastructural facilities needed by tourists.
1.2.3	Transit tourists	A✓	C. Tourists come to visit museums and art galleries, e.g. Robben Island and the Apartheid Museum.
1.2.4	World heritage sites	E✓	D. Tourists visit undisturbed natural areas, wilderness, scenic attractions, flora and fauna.
			E. Places listed by the United Nations as having cultural, historical and scientific importance.

(1x4) (4)

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

1.3.1 The culture, history and environment that is unique to the local people.
Indigenous knowledge system ✓

1.3.2 The combination of recreational travel with educational experience to explore ancient history by visiting sites of archaeological significance.
Paleo tourism ✓

1.3.3 The travel of non-residents into a country for business or leisure.
Inbound tourism ✓

1.3.4 Travelling for a purpose to attend work or trade conferences and meetings.
Business tourism✓

(1x4) (4)

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ACTIVITY 2

2.1 Study the extract below and answer the following questions.

G20 Summit in SA

South Africa hosted the G20 Summit in Johannesburg in November 2025. Over 15000 delegates, media and tourists visited the country. Hotels, restaurants, transport services and tour operators reported a 30% increase in bookings during that month.

Source: google.com

2.1.1 Identify the percentage increase in bookings from the above extract. (1)

30%✓

2.1.2 Give the minimum length of stay that is used to measure tourism. (1)

One night✓

2.1.3 Briefly describe the term business tourism. (2)

Business tourism refers to travelling domestically or internationally for work-related purposes. ✓✓

(Accept any other relevant answer)

2.1.4 Explain the positive impact of the G20 Summit on the South African infrastructure. (2)

- The G20 Summit encourages investment in infrastructure such as roads, airports, public transport, and communication networks to accommodate international delegates. ✓✓
- These improvements enhance the quality and efficiency of South Africa's infrastructure, benefiting businesses and communities long after the summit. ✓✓
- Better infrastructure also supports economic growth by improving connectivity, attracting investment, and creating employment opportunities. ✓✓

(Accept any other relevant answer)

2.1.5 How can the government ensure growth in tourism? (4)

- The government can invest in tourism infrastructure such as roads, airports, public transport, and tourist facilities to improve visitors' experiences. ✓✓
- It can promote South Africa internationally through marketing campaigns to attract more foreign tourists.✓✓
- The government can also improve safety and security at tourist destinations to increase visitor confidence.✓✓

(Accept any other relevant answer)

ACTIVITY 3

3.1 Answer the following questions

3.1.1 List two enviromental heritage sites. (2x1) (2)

- Isimangaliso wetland✓
- Ukhahlamba or Drankensburg park✓

(Accept any correct relevant response)

3.1.2 How can crime prevention boost tourism sector in the economy? (1x2) (2)

- It will make the tourists feel safe when they visit the country thus increasing the inflow of the foreign currency✓✓
- Safety indirectly markets the economy as the best place for investment and tourism activities✓✓

(Accept any other relevant correct response)

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



3.2.2 Identify the world heritage site in the data above. (1)

Mapungubwe national park✓

3.2.2 Name any ONE type of tourism in South Africa. (1)

Cultural✓

Eco.tourism✓

(Accept any other relevant correct responses)

3.2.3 Briefly describe the term *inbound tourism*. (2)

Inbound tourism is the travel of foreign visitors into a country for business or leisure.✓✓

(Accept any other relevant correct responses)

3.2.4 Explain the impact of the depreciation of the rand on tourists visiting South Africa. (2)

- More tourists will come to South Africa which will increase the inflow of foreign currency✓✓
- The production base of the economy will rise to cater for the growing number of visitors in the economy✓✓

(Accept any other relevant correct responses)

3.2.5 How would improvement in households' income levels influence tourism? (4)

- Positive influence as households will spend most of their income on holidays for leisure purposes✓✓
- Increase tourism capacity as local tourism attractions are bound to be renovated as the growth of the domestic tourism✓✓
- Infrastructure development will be initiated as there is an increase for demand of tourism✓✓

(Accept any other relevant correct responses)

3.3 Briefly discuss *spatial distribution* and *marketing* as tourism's policy suggestions. (8)

Spatial distribution

- Creating representative bodies which will help tourist to easily access knowledge about all tourist destinations✓✓
- Less known attractions should be aggressively marketed because tourist should receive accurate product description that will make them eager to visit the places✓✓

Marketing

- The business trust and Tourism Business Council of South Africa together with the Department of Tourism promote South Africa as a destination to the foreign market✓✓
- This is done through media and social media in existing and new markets✓✓
- It portrays a positive image about South Africa in terms of its facilities, safety and other attractions✓✓

(accept any other relevant correct responses)

3.4 Analyse the benefits of tourism in alleviating poverty in developing countries (8)

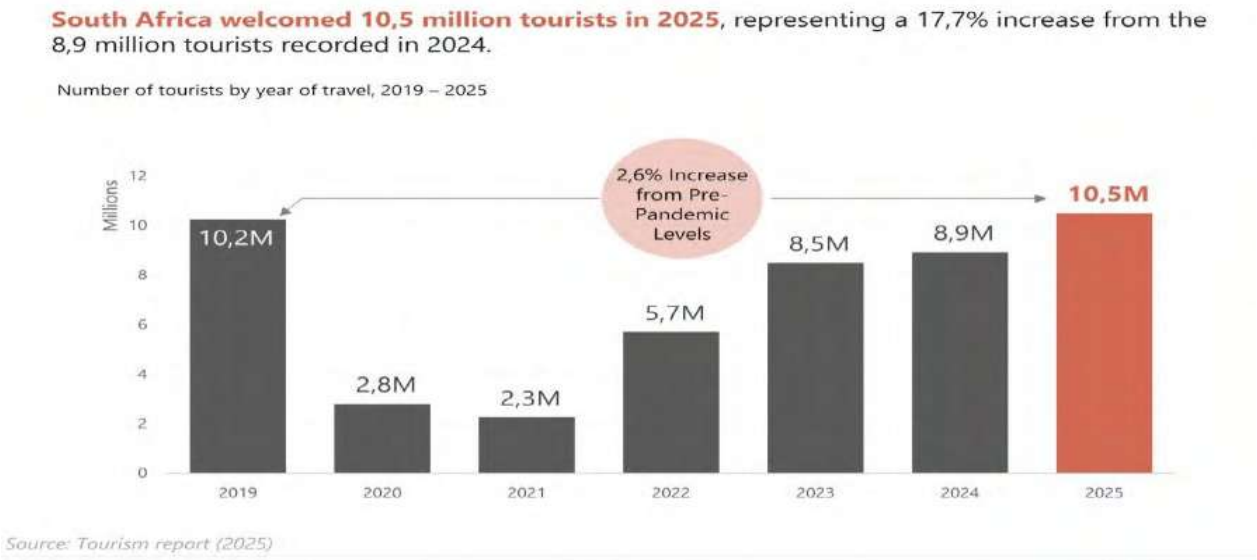
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- Tourism is mainly labour-intensive because it requires more human effort for it to succeed✓✓
- It creates immediate employment for communities which will induce the income levels for the community✓✓
- Households will be able to work in small businesses established for tourism industry✓✓
- They will also be able to create their own firms to cater for the increased demand for goods and services✓

(Accept any other relevant correct responses)

ACTIVITY 4

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



4.1.1 Identify the percentage increase in the number of tourists who visited SA between 2024 and 2025 from the above graph. (1)

17,7%✓

4.1.2 Name any ONE way that used to measure tourism. (1)

- Minimum length to stay ✓
- Maximum of 1 year✓
- Traveling distance✓
- Purpose for visit ✓
- Remuneration✓

4.1.3 Briefly describe the term *paleo-tourism*. (2)

Is a tourist who visit sites of archaeological significance such as the Cango Caves in Oudtshoorn✓✓

(Accept any other correct relevant response)

4.1.5 Why is marketing as a tourism policy suggestion important? (4)

- Marketing persuades South African citizens to travel within a country. E.g. Shot left campaign✓✓
- It ensures that south Africa is selected as a destination. E.g. Media such as Facebook and Tik Tok✓✓

(Accept any other correct relevant response)

4.2 Analyse the challenges faced by the tourism industry in South Africa. (8)

- Inadequate infrastructure, including poor roads and unreliable electricity supply, reduces the quality of the tourism experience. ✓✓
- Environmental issues such as pollution and the degradation of natural attractions can make destinations less appealing to visitors. ✓✓

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- Reduce tourist arrivals, limit tourism revenue, and slow job creation and economic growth in the sector.✓✓
  (Accept any other correct relevant response)

ACTIVITY 5

5.1 Study the picture below and answer questions that follow.



5.1.1 Identify the type of tourism depicted by the above picture. (1)

Leisure ✓

5.1.2 Name any one service industry that depends on tourism. (1)

- Accommodation ✓
- Entertainment ✓
- Transportation ✓

(Accept any correct relevant response)

5.1.3 Briefly describe the term *transit tourism.* (2)

Transit tourism is the temporary stay of travellers in a country while they are on their way to another destination, ✓✓

(accept any relevant response)

5.1.4 Explain the role of marketing in distributing tourists effectively. (2)

- Targeted advertising and social media campaigns to attract different segments of travellers to make them familiar with the tourism destination. ✓✓
- Content marketing and collaborations with influencers, airlines and travel agencies increase visibility and interest in diverse destinations. ✓✓

(Accept any relevant response)

5.1.5 How can the tourism industry benefit the poor in rural societies? (4)

- Tourism is a fast and effective mechanism for distributing resources to rural areas to develop them as tourism sites as many prime tourist attractions are located in rural areas.✓✓
- Tourist development in rural areas increase the number of available jobs in areas where there aren't many jobs.✓✓
- People are able to earn a living in their home areas, resulting in a reduction in urbanisation and a more balanced population distribution.✓✓

(Accept any relevant response)

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ACTIVITY 7

- Examine in detail the benefits of tourism. (26 marks)
- How can indigenous knowledge systems impact in promoting tourism in South Africa. (10 marks)

INTRODUCTION

Tourism refers to activities of people travelling to and staying in places outside their usual environment for not more than one consecutive year and for different reasons. ✓✓

(Accept any other correct relevant introduction) (Max. 2)

BODY: MAIN PART

Households ✓

- Households may benefit from an increase in income and opportunities for employment and entrepreneurship. ✓✓
- Individuals receive training through programmes established to promote tourism. ✓✓
- Households are indirectly involved in tourism as employees in hotel industry, financial institutions etc. ✓✓
- They benefit from improved infrastructure created for tourists though local people can use. ✓✓
- They acquire skills from that are required by the tourism industry. ✓✓
- Income earned is spent in their communities and they can contribute to the local economy. ✓✓
- Entrepreneurs from households operate as tour guides. ✓✓

Businesses ✓

- Households may benefit from an increase in income and opportunities for employment and entrepreneurship. ✓✓
- Formal sector activities are promoted through tourism e.g. companies are tasked with building infrastructure such as hotels or roads. ✓✓
- Formal sector activities are promoted through tourism e.g. companies are tasked with building infrastructure such as hotels or roads. ✓✓
- The informal sector benefits because of trading in traditional products such as crafts and arts. ✓✓
- Banks employ more tellers, and this leads to higher employment. ✓✓
- The business environment is stimulated in rural and urban areas promoting entrepreneurial opportunities and assisting with BEE. ✓✓
- Tourist destinations are developed through the public and private partnerships (PPPs). ✓✓

Government ✓

- Government benefits because of income it receives from tourists. ✓✓
- Tourism enables the government to advertise a country tourism potential. ✓✓
- Direct and indirect contributions to the government revenue is made through levies on tourists —these are made for two purposes. ✓✓
- To raise revenue –with the growth of tourism many countries levy tourist tax which are used as a source of revenue. ✓✓
- income earned can be used to promote tourism in the country. ✓✓
- Through this the government is enabled to achieve its socio-economic objectives, informal sector growth, BEE and SMME development. ✓✓

Infrastructure development ✓

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- For any country to be regarded as a tourist destination, physical infrastructure has to be adequate and well maintained. ✓✓
- The needs of a large number of tourists in any country for accommodation and infrastructure leads to the construction of hotels and improvement in the existing infrastructure. ✓✓
- Together with the private sector the government has to develop and upgrade infrastructure to meet the demands and expectations of tourists. ✓✓
- Locals and tourists benefit from the infrastructure. ✓✓
- Tourists require social infrastructure e.g. clinics and ambulances. ✓✓



ADDITIONAL PART

- More cultural villages can be improved to facilitate and promote tourism e.g. Shangana in Mpumalanga, Basotho in the Free State and Simunye Zulu Lodge in Kwazulu-Natal where guides explain and demonstrate storytelling and indigenous knowledge practices. ✓✓
- Advertising campaigns domestically and internationally by travel agencies, hotels and B & B, lodges. ✓✓
- SA Tourism can focus on promoting these heritage sites in brochures and fliers, social media. These actions will make tourists more aware of these attractions. ✓✓
- Encourage tourists to experience different cultures and townships - experience life at home with a household and eat at a shebeen or township restaurant. ✓✓
- World Heritage Sites of South Africa can be promoted for their cultural significance e.g. the Fossil Hominid Sites of Sterkfontein, Mapungubwe Cultural Landscape, Richtersveld Cultural and Botanical Landscape, Vredefort Dome and Robben Island. ✓✓
- Environmental World Heritage Sites of South Africa selected for their natural importance namely the Cape Floral Region Protected Areas, Isimangaliso Wetlands Park as well as uKhahlamba / Drakensberg Park which has been selected for its mixed significance. ✓✓

CONCLUSION

Marketing of tourism products to both domestic and international markets is important for achieving the full growth potential of the sector in South Africa.✓✓
(Accept any other relevant and higher order response)

Activity 8

- Discuss in detail the effects of tourism. (26)
- How does investment in tourism benefit the economy? (10)

INTRODUCTION

Tourism refers to the activities of people travelling to and staying in places outside their usual environment for not more than one consecutive year for business, leisure and other purposes.
(Accept any other correct relevant response)

MAIN PART

Gross Domestic Product√



- Tourism is the fourth largest industry in South Africa and supports a large number of establishments. ✓✓
- Direct contribution: Tourism contributes 7.9% of GDP in South Africa. ✓✓
- Indirect contribution: Tourism is a service-based industry responsible for 65% of GDP in developed countries and 40% in developing countries. ✓✓

Employment✓

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- About 7% of the South African workforce is employed in this industry and it is regarded as the largest provider of jobs and earner of foreign exchange. ✓✓
- Tourism is labour intensive although it has the lowest ratio of investments. ✓✓
- Different skills are used from hairdressers to accountants therefore It has a potential to create jobs even for small entrepreneurs. ✓✓
- Immediate employment is provided for in the informal sector for example food vendors. ✓✓

Poverty✓

- The income earned in this industry contributes to the country's growth and development. ✓✓
- Department of Tourism is involved in poverty relief projects that promote community owned products and services.✓✓
- Poverty relief programs manage and administer poverty relief proposals. ✓✓
- Their focus is on infrastructure investment and product development. ✓✓
- Tourism is an effective mechanism for distributing resources to rural areas to develop them as tourist sites. ✓✓

Externalitie✓

- Tourism activities may result in costs or benefits to third parties who are not directly involved in the economic activity✓✓
- Negative externalities may include traffic and congestion, destruction of flora fauna, spoiling views of landscape and aircraft noise near airports. ✓✓
- Positive externalities may include for example Gautrain which provide links to different areas speedily. ✓✓
- Other benefits are the new amenities increased direct and indirect tax revenue. ✓✓
- Tourism can cause inflation which makes some goods unaffordable to locals. ✓✓

The environment✓

- The influx of tourists and vehicles into conservation areas damages grass plants and animal species. ✓✓
- Tourism involves transport which is a major source of pollution. ✓✓
- Policy should be in place to ensure tourists are transported in the most environmental friendly way horse riding and cycling. ✓✓
- The rapid degradation of the environment poses a major threat to the tourism industry. ✓✓

Investment ✓

- Tourism leads to increased demand which makes business more willing to invest in capital goods and labour. ✓✓
- Government expenditure on infrastructure is encouraged because it can generate income. South Africa has a first world infrastructure, however there is a lack of infrastructure in rural areas which limits the participation of rural communities. ✓✓
- Energy infrastructure like electricity and basic services like water and refuse removal is needed by tourists at tourist site. ✓✓

(Accept any relevant and correct response)
(Allocate a maximum of 8 marks for sub-headings and examples)

ADDITIONAL PART

- Investment in tourism links markets to rural areas where production takes place, due to the upgrading of transport infrastructure to tourist sites in rural areas. ✓✓
- It improves the efficiency to conduct business by supplying effective communication infrastructure at hotels, for example telephone lines and internet access. ✓✓
- Investment in tourism provides a reliable energy infrastructure, for example light and hot water to improve the quality and comfort of the tourists stay which will grow tourism further. ✓✓

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- It leads to the establishment of businesses near tourist sites such as a general dealer, chemists and a spa which will increase GDP. ✓✓
- It allows tourists to enjoy a unique experience of the country, through different recreational activities such as game drives and hikes. ✓✓
- Investing in education and qualifications can help Small and Medium Tourism Enterprises (SMTES) that are hindered by lack of skills and relevant qualifications in the business management to grow. ✓✓
(Accept any other correct relevant response)

CONCLUSION

Tourism sector is highly dependent on the improvement of the infrastructure of the country which would highly increase the national income to the benefit of its citizens. ✓✓
(Accept any other relevant and higher order response) [40]



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ENVIRONMENTAL SUSTAINABILITY

TOPIC 14: ENVIRONMENTAL SUSTAINABILITY	CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES
Analyse environmental sustainability and investigate recent international agreements in this regard, for example the Rio de Janeiro and Johannesburg summits	
14.1 The state of the environment	• **Describe** the relevant **concepts** • Discuss the **state of the environment** under the following headings: - Pollution (definition and types) - Erosion - Deforestation - Climate change - Conservation - Preservation
14.2 Measures to ensure sustainability	• Brief discussion of how the **markets** can be used to ensure sustainability under the following headings: - The market does not take care of social costs and benefits - The market fails because of specific reasons - The mechanism of the market and social costs and benefits • ***Discuss in detail how the government can ensure sustainable development*** under the following headings: - **Grant property rights** - **Pay for environmental use** - **Levy environmental tax** - **Pay environmental subsidies** - **Issue marketable permits** - **Command and control** - **Voluntary agreements** - **Education**
14.3 International measures	• ***Discuss in detail the following problems and the international measures taken to ensure sustainable development*** under the following headings: - **Biodiversity** - **Chemical waste** - **Hazardous waste** - **Climate change policy (Nations Framework Convention on Climate Change [UNFCC], Kyoto Protocol, Paris agreement on climate change)** - **Indigenous knowledge** • Explain the major **international protocols and agreements** on sustainable development and evaluate their effectiveness to ensure sustainability - **Rio de Janeiro summit (UNCED)/Johannesburg summit (WSSD) (Rio +10) / Rio +20 summit** - **Millennium Development Goals/Sustainable Development Goals**

ACTIVITY 1

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1.1 Various options are provided as possible answers to t e following questions. Choose the correct answer and write only the letter (A-D) next to the q1uestion number (1.1.1-1.1.5) in the ANSWER BOOK.

1.1.1 The contamination of the environment by harmful substances or waste, which damages the air, water, land, and living organisms is known as…….

A deforestation
B pollution✓✓.
C preservation
D sustainability

1.1.2 The process of removing trees from the land without replacing them, is known as …

A soil erosion
B desertification
C deforestation✓✓.
D land degradation

1.1.3 Measures taken to ensure that non-renewable resources are threatened by extinction, are known as …

A preservation✓✓.
B intervention
C accumulation
D conservation

1.1.4 Agreement between the government and businesses to reduce pollutions without imposing taxes and regulations, are known as …

A property rights
B voluntary agreement✓✓.
C marketable permits
D environmental taxes

1.1.5 Financial support provided by government to encourage investment in green energy, is known as …

A property subsidy
B employment subsidy
C export subsidy
D environmental subsidy✓✓.

(5 x 2) (10)

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

COLUMN A			COLUMN B
1.2.1	Millenium Development Goals	E✓	A. Method used to create awareness and change people's attitudes toward the environment.
1.2.2	Quantity standards	D✓	B. The variety of living organisms in a particular area or on Earth as a whole.
1.2.3	Education	A✓	C. A strategy aimed at achieving the sustainable use and management of natural resources.
1.2.4	Environmental tax	F✓	D. Command and control approach that focuses on the amount of environmental pollution emitted
1.2.5	Biodiversity	B✓	E. An objective to eradicate extreme poverty and hunger
			F. Imposed on output of goods that generate pollution

(5 x 1) (5)

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

1.3.1 The ability of the environment to survive its use for economic activities.
Environmental sustainability. ✓.

1.3.2 Natural resources that can be replaced or regenerated
Renewable resources√✓.

1.3.3 Culture, history and environment that is unique to a specific culture or society.
Indigenous knowledge system. ✓

1.3.4 A license given to businesses to pollute to a certain limit.
Marketable permit. ✓.

1.3.5 Taking care of the environment to ensure that the needs of the present and future generations are met.
Conservation✓.

1.3.6 A global problem that impacts the variation in the weather patterns.
Climate change. ✓ (6 x 1) (6)

ACTIVITY 2

2.1 Study the picture below and answer the questions that follow.



2.1.1 Identify the type of pollution from the picture above. (1)
Air pollution. ✓

2.1.2 Name any ONE other type of pollution. (1)
- Water pollution ✓.
- Land pollution ✓.
- Noise pollution✓

2.1.3 Briefly describe the term *erosion*. (2)
Erosion is the movement of soil, rock, or sediment by water, wind, ice or gravity. ✓✓.
(Accept any other correct and relevant answer)

2.1.4 Explain the effect of climate change on the agricultural industry. (2)
- Climate change has caused flooding and drought which has decreased the production of agricultural products. ✓✓.
- The agricultural industry has decreased profits due to less demand because of high prices✓✓.

(Accept any other and relevant answer)

2.1.5 Why do markets fail to protect the environment? (4)
- The markets see the environment as a common resource to be used for its own benefits. ✓✓.

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- Externalities such as air pollution caused by factories cannot be stopped without policy restrictive policies. ✓✓.
- Lack of knowledge, businesses damage the environment without realizing it e.g companies making aerosol cans (such as spray deodorants) did not know the damaging effect they had on the ozone layer. ✓✓

(Accept any other and correct relevant response)

2.2 Briefly discuss conservation and preservation in relation to the state of the environment. (8)

Conservation

- Conservation relates to the sustainable management of natural resources that are non-renewable to ensure they are not completely used up and disappear from the environment. ✓✓.
- Conservation seeks creative continuity of the environment while ensuring that change is sympathetic to the quality of life of both present and future generation. ✓✓.
- Conservation is necessary when the stock of natural resources is utilized more than they can reproduce what has been used. ✓✓.
- The government can apply different control measures, such as permits and quotas to conserve natural resources. ✓✓.

(Accept any other correct relevant response) **Max 4**

Preservation

- Preservation refers to keeping resources that are non-renewable intact or unharmed, such as wetlands, an indigenous forest or a river mouth ecosystem✓✓.
- Preservation helps to preserve existing assets to ensure that they do not get used in a way that is destructive to the environment. ✓✓.
- Heritage sites that have special cultural or environmental significance are often targeted for preservation✓✓.
- The government may intervene in the market when it is necessary to preserve environmental assets✓✓.

(Accept any other correct relevant response) Max **4**

2.3 How can the government use command and control measures to ensure environmental sustainability? (8)

- Government can impose a range of policies to legislate what people may or may not do. ✓✓.
- Regulations may be set to enforce environmental limits or standards in terms of how resources may be used. ✓✓.
- Maximum permitted levels may be set on environment activities, such as carbon dioxide emissions or resource use. ✓✓.
- Minimum permitted levels may be imposed on the extraction of resources such as water in reserves and trees in plantation. ✓✓.
- Quantity standards are set to prescribe the predetermined amount of pollution caused, such as factory and car gas emissions. ✓✓.
- Quality standards are set to prescribe rules and regulations on environmental impact of pollution emitted. ✓✓.
- Social impact standards are set to focus on the effect of environmental pollution on people. ✓✓.
- The government can maintain the stock levels environmental resources through the issuing of permits /license and quotas. ✓✓.

(Accept any correct relevant response)

ACTIVITY 3

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

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Why is soil erosion such a big problem?

Soil is a natural resource that may look robust and endless but is in fact the fragile product of thousands of years of formation. Topsoil, which lies closest to the surface of the land, contains essential nutrients for crops. It is this layer of soil that is endangered by wind and water erosion. Soil erosion decreases soil fertility, which can negatively affect crop yield. It also sends soil-laden water downstream, which can create heavy layers of sediment that prevent streams and rivers from flowing smoothly and can eventually lead to flooding

Source: www.sciencedirect.com

3.1.1 Identify the term that refers to the wearing away and removal of the top layer of earth by forces like water. (1)

Soil erosion ✓

3.1.2 Name ONE cause of soil erosion. (1)

- Rainfall and flooding✓
- Agriculture✓
- Heavy winds✓.
- Grazing✓

3.1.3 Briefly describe the term *global warming*. (2)

The gradual and continual increase in the earth's average temperature✓✓.
(Accept any other correct relevant answer)

3.1.4 Explain the effect of soil erosion on food security. (2)

- Land can no longer be cultivated thereby leading to a shortage of food supply. A.✓✓.
- The loss of top soil results in higher production costs and increase in price of food, thereby making food less affordable✓✓.

(Accept any other correct and relevant answer)

3.1.5 How can producers contribute to environmental sustainability? (4)

- Producers can contribute to environmental sustainability by using natural resources responsibly and reducing pollution during production. ✓✓
- They can adopt eco-friendly technologies, recycle waste, and use renewable energy to lower their environmental impact.✓✓
- Producers can also manufacture sustainable products and use environmentally friendly packaging to help conserve the environment. ✓✓.
- Producers can protect bio-diversity and functioning of the eco-system by providing essential services.✓✓

(Accept any other correct relevant answer)

3.2 How can the government promote green economy in South Africa? (8)

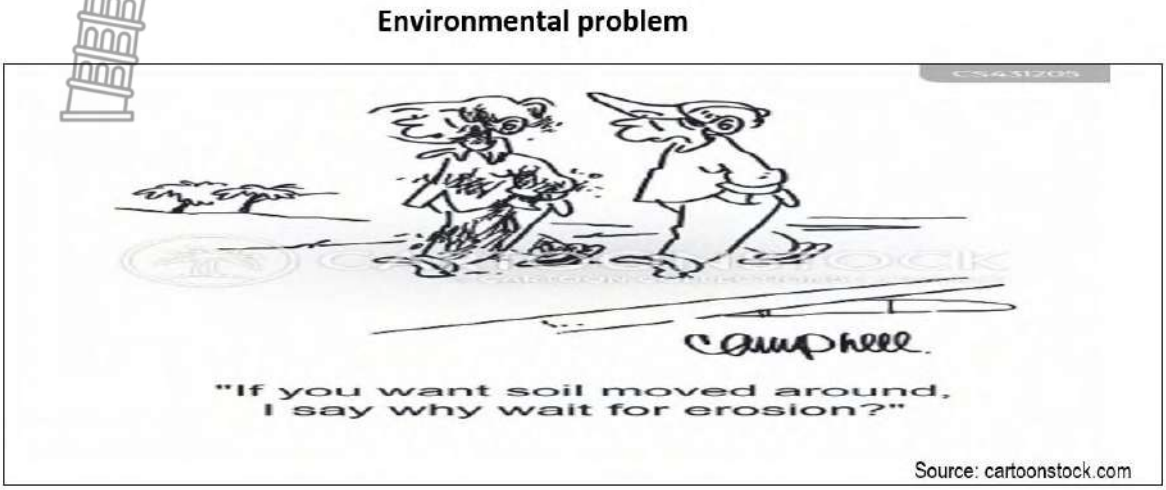
- The government can make use of the constitution to create laws and methods to achieve green economy✓✓.
- The government can enforce the national environmental management Act and other acts that are meant to address biodiversity.✓✓.
- Taxes can be used to solve environmental challenges as they tend be quite easy to implement and control. ✓✓.
- Revenue collected from taxes may be further used on measures such as environmental awareness to achieve green economy✓✓.
- The government should promote the use of eco-friendly methods of energy production such as wind, water and nuclear✓✓.
- Eco-friendly methods of energy production can be fast-tracked by allowing more independent power producers into the markets to counter the pollution that is generated by Eskom. ✓✓.

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- Incentives such as tax rebates can be provided to companies that produce environmentally friendly products✓✓.
  (Accept any other correct and relevant answer)

ACTIVITY 4

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



4.1.1 Identify the environmental problem illustrated in the picture above. (1)
Erosion✓

4.1.2 Name the type of tax that is imposed by government to reduce environmental degradation. (1)
Environmental tax/ green tax/ carbon tax.✓

4.1.3 Briefly describe the term *biodiversity* (2)
Biodiversity is the variety of living organisms, including plants, animals, and microorganisms, as well as the ecosystems in which they live.✓✓.
(Accept any other correct and relevant answer)

4.1.4 Explain the impact of climate change on farming activities. (2)

- Climate change causes unpredictable weather patterns, such as droughts, floods, and heatwaves, which reduce crop yields and damage farmland. ✓✓
- Higher temperatures and changing rainfall patterns affect livestock health.✓✓.

(Accept any other correct and relevant answer

4.1.5 How can an environmental tax help to reduce global warming? (4)

- Environmental tax helps to reduce the consumption and the production of unfriendly environmental products. ✓✓.
- It will assist to encourage the usage of a friendly environmental product by issuing environmental subsidies. ✓✓.

(Accept any other correct and relevant answer)

4.2 Discuss how the government can ensure sustainable use of land and natural resources. (4 x 2) (8)

- Government should have educational awareness about environment issues and consequences of people's actions to make their consumption habits. ✓✓.
- Government can allow people property right over them so that they can look after the environment. ✓✓.
- Consumers and producers must pay monthly fees to the government for the waste they produce. ✓✓.
- Environmental subsidies must be granted to people usig the environmental friendly products.✓✓.

(Accept any other correct and relevant answer)

ACTIVITY 5

Downloaded from Stanmorephysics.com

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



Source: www.istockphoto.com

5.1.1 Identify the environmental problem from the cartoon above. (1)

Chemical waste ✓

5.1.2 Name the international measure that regulates with the control of hazardous waste. (1)

Basel convesion ✓

5.1.3 Briefly describe the term *indigenous knowledge system*. (2)

Culture, history and environment that is unique to the local people and understanding, skills and traditions are passed down through generations. ✓✓.

(Accept any other correct and relevant response)

5.1.4 Explain the impact of the loss of indigenous knowledge on the environment. (2)

- Environmental damage may increase as future generations will not be able to co-exist with the environment without indigenous knowledge✓✓.
- Loss of indigenous knowledge may lead to over-exploitation of natural resources. ✓✓.

(Accept any other correct and relevant response)

5.1.5 Why factories often be held accountable for contributing to air pollution? (4)

- Factories cause negative externalities in societies by producing pollutions✓✓.
- The cost of air pollution is not included in the price of the product. ✓✓.

(Accept any other correct and relevant answer)

5.2 Evaluate the success of international agreements in reducing climate change. (8)

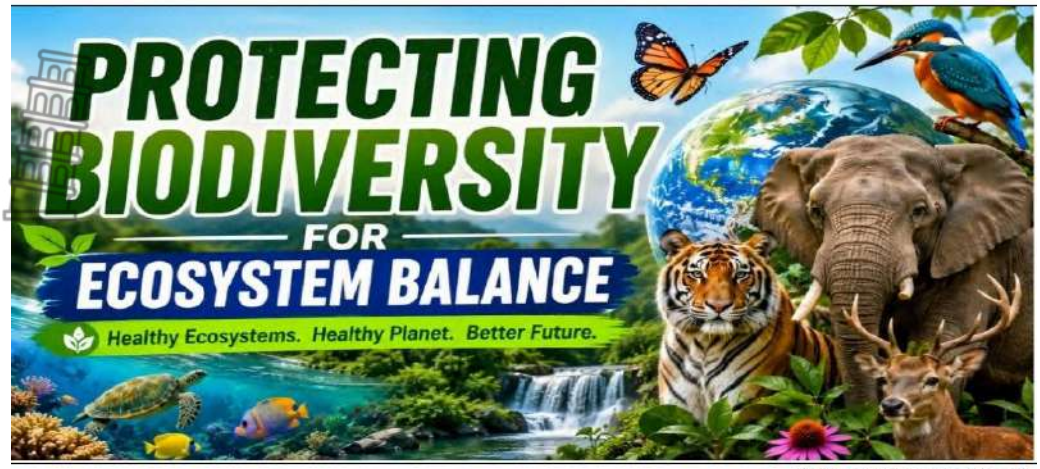
- United Nations Framework on Climate Change (UNFCCC) established to reduce greenhouse gas emissions in the atmosphere. ✓✓.
- Most countries agree on taking measures to protect the environment, but they differ on who is most responsible for the damage and to set emission-reduction gases✓✓.
- The UNFCCC did not succeed because it was voluntary for individual countries. ✓✓.
- The Kyoto Protocol was an improvement of UNFCCC as it attempted to get developed countries to commit to reducing their emission of greenhouse gases✓✓.
- Kyoto Protocol failed as countries that did not meet targets were not penalized✓✓.
- Major polluters like the USA pulled out and this impacted negatively on the success of the agreement. ✓✓.
- The Paris Agreement was an improvement of the Kyoto Protocol as its goal is to limit global warming✓✓.
- Assistance in the form of subsidies was pledged to developing countries to reduce greenhouse emission✓✓.

(Accept any other correct and relevant answer)

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ACTIVITY 6

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



Source:www.swasya.com

6.1.1 Identify the environmental concept illustrated by the diversity of plants and animals shown in the picture above. (1)

Biodiversity ✓

6.1.2 Name the international measure that regulates policies to manage nuclear waste. (1)

Basel Convention ✓

6.1.3 Briefly describe the term *sustainable development*. (2)

Sustainable development is a long term approach to development and planning that ensures that the present needs are fulfilled with due consideration of future generations. ✓✓.

(Accept any other correct relevant answer)

6.1.4 Explain marketable permits as a measure to ensure sustainable development. (2)

- Marketable permits allow firms to buy and sell their rights to pollute within a set limit, creating financial incentives to reduce emissions. ✓✓.
- Curbing total pollution and enabling trading, encourages efficient resource use while promoting sustainable development. ✓✓.

(Accept any other correct and relevant response)

6.1.5 How is the loss of biodiversity being addressed internationally? (4)

- The Convention of International Trade on Endangered Species (CITES) has been established which bans international trade in an agreed list of endangered species✓✓.
- CITES makes use of permits and quotas to regulate and monitor the trade of species that may become endangered. ✓✓.
- Modern technology makes it possible to transplant desirable genes from one species to another and create new species with one most resistant to diseases. ✓✓.
- Convention of Biological Diversity (CBD) is an international legal instrument for conservation of biological diversity and its components. ✓✓.

(Accept any other correct and relevant answer)

6.2 Why international agreements fail to reduce the rate of climate change? (8)

- The agreements are not contractual; therefore, implementation mainly end up being voluntary and many countries do not follow through. ✓✓.
- Reduction of greenhouse gases clashes with the goal of economic growth, as many countries use fossil fuel for energy, countries end up choosing to ignore the agreements. ✓✓.

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- Major countries such as the USA who are major polluters resigned from the agreement, therefore sending a message that these agreements are not important. ✓✓.
- Some countries choose not to be part of these agreements at all, indicating that they do not believe in reducing greenhouse gases. ✓✓.
- Clean technology is expensive, as such many countries especially developing countries cannot afford to stop the use of fossil fuel. ✓✓.

(Accept any other correct and relevant response)

ACTIVITY 7

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

SOUTH AFRICA'S SHRINKING FORESTS

Large areas of indigenous forest and woodland are cleared every year to make way for farming, mining and urban settlement. Rural households also rely heavily on wood for fuel and building material, especially where electricity is unaffordably. Once the tree cover is removed, the exposed soil is left vulnerable to wind and water erosion, rainfall patterns become less predictable and many indigenous plant and animal species lose their natural habitat.

[Adapted from www.news24.com

7.1.1 Identify, from the extract above, ONE cause of deforestation. (1)

- Farming activities✓
- Mining activities✓
- Urban settlement✓

7.1.2 Name any ONE effect of deforestation mentioned in the extract. (1)

- Soil Erosion✓
- Biodiversity loss.
- Infrastructure development.

(Accept any correct relevant response)

7.1.3 Briefly describe the term *ecosystem.* (2)

Ecosystem is a community of living organisms interacting with one another and with the non-living environment, such as air, water, and soil. ✓✓.

(Accept any other correct and relevant response

7.1.4 Explain the impact of deforestation on biodiversity (2)

- The impact of deforestation on biodiversity is the depletion of natural resources through over exploitation of resources✓✓.

(Accept any other correct and relevant response)

7.2 Evaluate international measures taken to address environmental problems. (8)

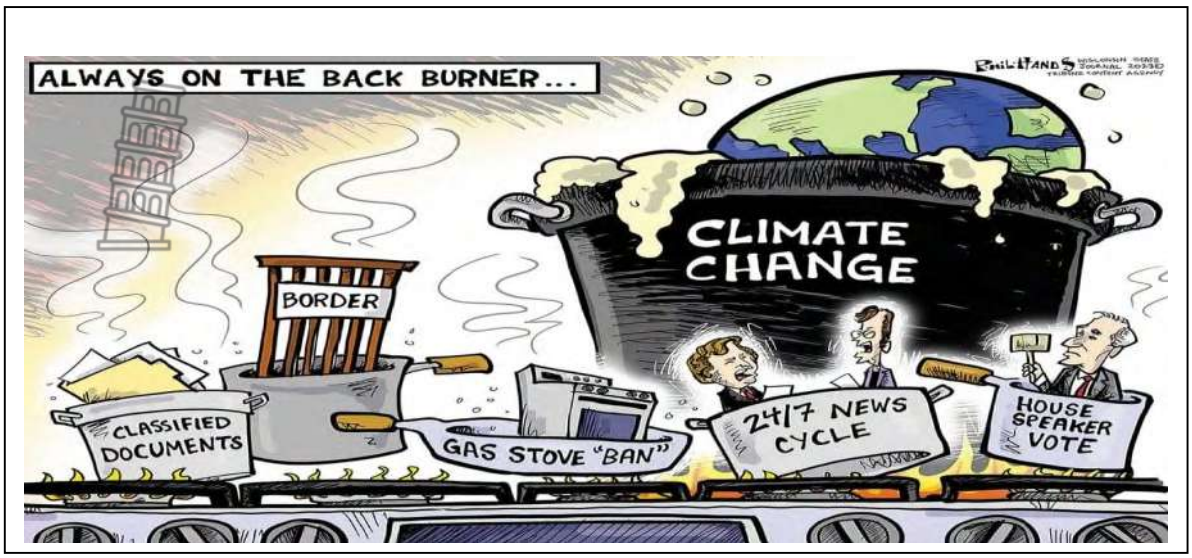
- International measures such as the Paris Agreement, climate change conferences, and global environmental treaties have increased cooperation among countries and encouraged the adoption of cleaner technologies.✓✓
- Successful in raising awareness and reducing greenhouse gas emissions in some nations.✓✓
- They have also promoted funding and support for developing countries to improve environmental protection. ✓✓
- Many countries fail to meet their emission reduction targets because participation and enforcement are often voluntary. ✓✓
- Global environmental problems such as climate change, biodiversity loss, and pollution continue despite these international efforts. ✓✓.

(Accept any other correct and relevant answer)

ACTIVITY 8

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8.1 Study the picture below and answer the questions that follow.



www.cartoonstock.com

8.1.1 Identify the environmental problem illustrated in the cartoon above. (1)
Climate change✓

8.1.2 Name the type of tax that is levied on goods that generate external environmental costs. (1)
Green tax✓

8.1.3 Briefly describe the term *global warming*. (2)
Refers to a continuously increase earth average temperature✓✓.
(Accept any other correct and relevant answer)

8.1.4 Explain the effect of climate change on the South African economy. (2)
- Climate change reduces agricultural production through droughts, floods, ✓✓
- It damages infrastructure and disrupts industries such as tourism, ✓✓
- Climate change also increases government spending on disaster relief ✓✓.

(Accept any other correct and relevant answer)

8.1.5 Why is soil erosion regarded as a threat to sustainable development in South Africa? (4)
- It will decrease economic growth that will result to a decrease in the economic development. ✓✓.
- Soil erosion can cause the environmental damage since trees and rocks will be removed. ✓✓.

(Accept any other correct response)

ACTIVITY 9

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



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Shuttrestock.com

9.1.1. Identify the type of pollution illustrated in the picture above. (1)

Air pollution✓

9.1.2 Name any ONE example of non-renewable resources. (1)

- Crude oil✓
- Diamond ✓
- Coal✓

9.1.3 Briefly describe the term *environmental sustainability*. (2)

Environmental sustainability is the responsible use and management of natural resources to meet present needs without compromising the ability of future generations to meet their own needs. ✓✓.
(Accept any other correct and relevant response)

9.1.4 Explain the effect of pollution on the health of communities living nearby. (2)

Pollution cause dieses such as lung cancer, pneumonia and respiratory, asthma. ✓✓.
(Accept any other correct and relevant answer.

9.1.5 How can the Basel Convention help to manage hazardous waste? (4)

- The Basel Convention allows parties to the convention to only export a hazardous waste to other parties that have not banned imports of such waste. ✓✓.
- The Convention does not allow parties to import from or export to non-parties.✓✓
- Parties are obliged to prevent the import or export of hazardous wastes if they have reasons that the wastes will not be treated in an environmentally-friendly manner at their destination.✓✓
(Accept any other correct relevant response

ACTIVITY 10

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

Protecting Natural Resources for Sustainable Development

Natural resources are essential for economic growth and improving people's standard of living. However, activities such as mining, farming, manufacturing, and transport can damage the environment through pollution, deforestation, and excessive use of natural resources. To ensure that future generations can also benefit from these resources, governments, businesses, and communities must promote sustainable practices. These include reducing pollution, recycling waste, conserving water, protecting forests and wildlife, and investing in renewable energy. By managing natural resources responsibly, countries can achieve economic growth while maintaining a healthy environment and improving the quality of life for all.

Source:dailynews.economics

10.1.1 Identify the environmental concept that relates to the introduction of waste matter into the environment. (1)

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Pollution✓

10.1.2 State any ONE measure that government use to ensure environmental sustainability. (1)

- Property rights✓.
- Environmental tax✓.
- Environmental subsidy✓.
- Marketable permits✓

10.1.3 Briefly describe the term *preservation*. (2)

Means to keep something unharmed, when no development takes place in a specific area. ✓✓.
(Accept any other correct and relevant answer

10.1.4 Explain the benefits of conservation practices for future generations. (2)

Conservation practices keep resources available for the use by the future generations. ✓✓.
(Accept any other correct and relevant answer)

10.1.5 Why is indigenous knowledge important in environmental conservation? (4)

- Indigenous knowledge can provide a powerful basis from which to develop alternative way of managing resources✓✓..
- Indigenous knowledge is applied in an environment to make living, often done in a way that is environmentally sustainable✓✓.

(Accept any other correct and relevant answer

10.3 How government intervention can be used to reduce pollution (4x2) (8)

- Environmental taxes help to reduce the disposal of plastic bags waste and to produce a reusable, long lasting bags✓✓.
- Environmental subsidy encourages the usage of environmentally friendly products✓✓.
- Environmental permit issued by government to reduce the level of air pollution in a country. ✓✓.
- It can allow businesses to sell all or part of its pollution licence to another firms that has a large or increased pollution level✓✓.

(Accept any other correct and relevant answer

ACTIVITY 11

- Discuss in detail government measures to ensure sustainable development. (26)

INTRODUCTION:

Sustainable development aims to meet the needs of the present generation without compromising the ability of future generations to meet their needs. Governments can promote sustainable development through measures that protect the environment while supporting economic growth and social well-being. These measures include conservation, renewable energy, pollution control, sustainable resource use and environmental education.✓✓

BODY

MAIN PART

Environmental laws and regulations ✓

- Government can introduce and enforce laws that control pollution, protect natural resources, and regulate activities that damage the environment.✓✓
- Businesses that violate environmental laws can be fined or penalised.✓✓

Promotion of renewable energy ✓

- Government can encourage the use of solar, wind and other renewable energy sources to reduce dependence on fossil fuels.✓✓
- This helps lower greenhouse gas emissions and protects the environment for future generations.✓✓

Investment in public transport I✓

- Developing reliable public transport systems can reduce the number of private vehicles on the roads, lowering traffic congestion and air pollution.✓✓

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- Government can also promote cleaner vehicles such as electric buses and trains.✓✓

Conservation of natural resources✓

- Government can establish protected areas and regulate the use of forests, water, fisheries and land.✓✓
- Conservation ensures that natural resources are not depleted faster than they can be replaced.✓✓

Environmental taxes✓

- Government can impose taxes on activities that create negative externalities, such as pollution and carbon emissions. ✓✓
- These taxes encourage firms and consumers to adopt more environmentally friendly practices while generating revenue for environmental programmes✓✓.

Subsidies for environmentally friendly activities ✓

- Government can provide financial incentives for businesses and households that use renewable energy, recycle waste or adopt energy-efficient technologies. ✓✓
- This makes sustainable alternatives more affordable and encourages their wider use. ✓✓

Waste management and recycling✓

- Government can improve waste collection, recycling facilities and landfill management while encouraging businesses and households to reduce, reuse and recycle.✓✓
- This reduces pollution and prevents the unnecessary depletion of resources.✓✓

Education and awareness programmes ✓

- Government can educate communities about climate change, conservation, recycling and responsible consumption.✓✓
- Increased environmental awareness can encourage people to make sustainable choices.✓✓

Sustainable land-use planning✓

- Government can regulate where industries, housing and agricultural activities are developed to prevent environmental degradation.✓✓
- Proper planning protects agricultural land, ecosystems and water resources.✓✓

Support for sustainable agriculture✓

- Government can assist farmers to use water-saving irrigation, soil conservation, organic farming and environmentally friendly technologies.✓✓
- This promotes food security while protecting land and water resources. ✓✓

Investment in green infrastructure ✓

- Government can invest in energy-efficient buildings, water systems, renewable-energy projects and environmentally friendly infrastructure. ✓✓
- This supports economic development while reducing environmental damagl✓✓.

International cooperation ✓

- Government can participate in international agreements aimed at addressing climate change, biodiversity loss and pollution.✓✓
- Cooperation with other countries helps address environmental problems that cross national borders. ✓✓

ADDITIONAL PART:

How does South Africa use conservation to ensure a sustainable environment? (10)

- South Africa uses conservation by establishing national parks, nature reserves and protected areas to preserve biodiversity and natural habitats.✓✓
- The government protects endangered species through laws that control poaching, illegal hunting and wildlife trafficking.✓✓
- Forests, wetlands and water resources are conserved to ensure that natural resources remain available for future generations.✓✓

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- Programmes such as reforestation and land rehabilitation help restore areas that have been damaged by mining, agriculture and other human activities.✓✓
- South Africa also promotes sustainable use of natural resources, including responsible tourism, fishing and agricultural practicesl✓✓
- These conservation measures help protect biodiversity, reduce environmental degradation and support sustainable economic development.✓✓

CONCLUSION

The government can achieve sustainable development by balancing **economic growth, social development and environmental protection**. Effective implementation, monitoring and enforcement of these measures are essential to ensure that development meets present needs without compromising the ability of future generations to meet their needs.✓✓

ACTIVITY 12

- Discuss in detail the FIVE environmental problems and the international measures taken to ensure sustainable development. (26)

INTRODUCTION

Environmental problems such as climate change, pollution, deforestation, water scarcity and loss of biodiversity threaten economic development and the well-being of future generations. International measures such as agreements, conservation programmes and cooperation among countries are used to address these problems and promote sustainable development.✓✓

BODY

MAIN PART

Climate change and global warming✓

- Climate change is caused mainly by the increasing concentration of greenhouse gases from activities such as burning fossil fuels, deforestation and industrial production.✓✓
- It results in rising temperatures, changing rainfall patterns, droughts, floods and rising sea levels. International measures include the Paris Agreement, where countries committed to reducing greenhouse-gas emissions and limiting global warming.✓✓
- Countries also promote renewable energy, energy efficiency and climate adaptation measures to support sustainable development. ✓✓

Air pollution✓

- Air pollution occurs when harmful substances from factories, vehicles, mining and energy production are released into the atmosphere. ✓✓
- It can cause respiratory illnesses, acid rain and damage to ecosystems. International cooperation through agreements such as the Montreal Protocol has successfully reduced substances that damage the ozone layer, while countries also work together to reduce harmful emissions.✓✓
- Cleaner technologies, renewable energy and stricter pollution standards are encouraged to improve air quality.✓✓

Water pollution and water scarcity✓

- Water pollution is caused by industrial waste, sewage, agricultural chemicals and oil spills entering rivers, lakes and oceans. ✓✓
- Water scarcity is worsened by overuse, droughts and climate change, threatening human health, agriculture and economic activity. International organisations and agreements promote sustainable water management, improved sanitation, wastewater treatment and protection of freshwater ecosystems. ✓✓
- The UN Sustainable Development Goals, particularly Goal 6, encourage countries to ensure clean water and sanitation for all. ✓✓

Deforestation and loss of biodiversity✓

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- Deforestation involves the removal of forests for agriculture, mining, settlements and other economic activities, leading to habitat destruction and loss of plant and animal species. ✓✓
- International measures include the Convention on Biological Diversity (CBD), which promotes the conservation of biodiversity and the sustainable use of natural resources. ✓✓
- Countries also establish protected areas, combat illegal wildlife trade and promote sustainable forestry. ✓✓
- These measures help preserve ecosystems and ensure that natural resources remain available for future generations. ✓✓

Waste and land degradation✓

- Poor waste management, excessive consumption, mining and unsustainable farming can cause soil degradation, pollution and the accumulation of waste on land and in the oceans.✓✓
- International measures include cooperation to reduce hazardous waste and agreements such as the Basel Convention, which controls the movement and disposal of hazardous waste between countries.✓✓
- Countries also promote recycling, waste reduction, cleaner production and sustainable agricultural practices.✓✓
- These measures reduce environmental damage and encourage more efficient use of natural resources. ✓✓

ADDITIONAL PART

Evaluate government intervention measures to ensure the sustainability of the environment. (10)

- Government intervention measures such as environmental laws, pollution taxes and conservation programmes can help reduce environmental damage and promote sustainable development..✓✓
- Renewable-energy subsidies and investment in green infrastructure can encourage businesses and households to adopt cleaner technologies..✓✓
  Conservation measures, such as protected areas and restrictions on illegal hunting, help preserve biodiversity and natural resources for future generations..✓✓
- However, these measures can be expensive to implement and may increase production costs for businesses, potentially reducing economic growth and employment in some industries..✓✓
- Their success may also be limited by poor enforcement, corruption, lack of funding and non-compliance by businesses and individuals..✓✓
- Government intervention can be effective in achieving environmental sustainability if policies are properly funded, enforced and combined with public education and international cooperation..✓✓

CONCLUSION

Sustainable development requires countries to implement international agreements effectively while balancing economic growth, social needs and environmental protection.✓✓