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Training and Consultancy

The path to enlightened education

SUBJECT: ECONOMICS

GRADE 12

2026 LAST PSUH

QUESTION PAPER BANK

PAPER 1

JENN MAREMATLOU TRAINING INSTITUTE
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PAPER 1

NSC JUNE 2026

SECTION A (COMPULSORY)

QUESTION 1 30 MARKS – 20 MINUTES

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question numbers (1.1.1 to 1.1.8) in the ANSWER BOOK, e.g. 1.1.9 D.

1.1.1 The actual amount paid by consumers on final goods and services is known as … price.

A basic
B current
C market
D nominal

1.1.2 The phase in a business cycle where the level of economic activity is at its lowest is called …

A depression.
B recession.
C prosperity.
D Recovery.

1.1.3 The requirement to explain one's own decisions and actions is known as …

A apathy.
B efficiency.
C bureaucracy.
D accountability.

1.1.4 An increase in the value of one currency in terms of another currency, due to changes in the market forces, is called …

A revaluation.
B depreciation.
C devaluation.
D appreciation.

1.1.5 A form of wealth tax that is paid when properties are bought is known as…

A transfer duty.
B capital gains tax.
C estate duty.
D excise duty.

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1.1.6 The worldwide interaction of economies with trade as an important element is called …

A decentralisation.
B globalisation.
C specialisation.
D regulation.

1.1.7 The Industrial Policy Action Plan was designed to increase industrialisation in the … sector.

A service
B agricultural
C manufacturing
D tertiary

1.1.8 The number of years a newborn baby is likely to live is known as …

A child malnutrition.
B life expectancy.
C mortality rate.
D population growth

(8 x 2)(16)

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

COLUMN A	COLUMN B
1.2.1 Transfer payments	A an increase in the quantity of goods and services produced in a country
1.2.2 Kitchin cycle	B involves a cash incentive to promote the development of the South African labour force to gain new expertise
1.2.3 Economic growth	C buying and selling of government securities to influence the supply of money
1.2.4 Foreign exchange market	D statistical data used to evaluate the performance of a country in terms of the social well-being of its citizens
1.2.5 Embargo	E caused by businesses adapting their inventory levels over a 3–5-year period
1.2.6 Open-market transactions	F when the value of the currency is pegged by the central-bank
1.2.7 Skills support programme	G money received by households without rendering any productive service
1.2.8 Social indicator	H facilitates the buying and selling of the different currencies of the world
	I a complete ban on the importing of specific goods from a particular country

(8 x 1) (8)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question numbers (1.3.1 to 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

1.3.1 Spending that is independent of the level of income

1.3.2 The transfer of functions and ownership of assets from the public sector to the private sector

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1.3.3 The ratio of a country's export price index to its import price index

1.3.4 A redress measure that aims to reallocate 30% of the country's agricultural land to previously disadvantaged groups

1.3.5 Basic facilities and services, such as road networks, that are provided to support industrial activities

1.3.6 Individuals from the ages of 15 to 64 who are willing and able to work. (6x1)(6)

TOTAL SECTION A: 30

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NSC NOV 2025

SECTION A (COMPULSORY)

QUESTION 1 30 MARKS - 20 MINUTES

1 .1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A—D) next to the question numbers (1 .1 .1 to 1 .1 .8) in the ANSWER BOOK, e.g. 1 .1 .9 D.

1 .1 .1 Fluctuations in economic activity that are caused by forces inside the market system are regarded as a/an ... business cycles.

A endogenous explanation of
B exogenous explanation of
C monetarist approach to
D classical approach to

1 .1 .2 The sum of marginal propensity to consume (mpc) and marginal propensity to save (mps) in a two-sector model is equal to ...

A 2.
B 1 .
C 0,5.
D 0,75.

1 .1 .3 When government departments follow too many rules and procedures at the cost of quality service delivery, it is known as ...

A apathy.
B efficiency.
C rent seeking.
D bureaucracy.

1 .1 .4 When a country produces more output than other countries given the same input, it is referred to as a/an ... advantage.

A competitive
B relative
C absolute
D comparative

1 .1 .5 An import duty that is levied as a fixed amount per unit, weight or size of imported goods is called a/an ... tariff.

A ad valorem
B composite
C single
D specific

1 .1 .6 The South African government ensures a more equitable redistribution of income by using a ... tax system.

A proportional

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B progressive
C regressive
D multiple

1 .1 .7 The industrial development strategy that focuses on improving competitiveness in production is known as the ...
A Integrated Manufacturing Strategy.
B National Industrial Policy Framework.
C National Research and Development Strategy.
D Industrial Policy Action Plan.

1 .1 .8 The economically active population consists of people between the ages of ...
A 1 5 and 54.
B 1 5 and 34.
C 1 5 and 64.
D 1 5 and 74.

(8 x 2)(16)

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A—I) next to the question numbers (1 .2.1 to 1 .2.8) in the ANSWER BOOK, e.g. 1 .2.9 J.

COLUMN A	COLUMN B
1 .2.1 Gross domestic expenditure	A. the value of a currency is determined by the forces of supply and demand only
1 .2.2 Trend line	B. developing countries undergoing rapid economic growth and industrialisation
1 .2.3 Medium-term Budget Policy Statement	C. the relationship between real output and factor input
1 .2.4 Free-floating exchange rate system	D. a geographical area that shows a cluster of businesses in a specific sector, such as manufacturing and technology
1 .2.5 Emerging markets	E. consists of a three-year rolling expenditure and revenue projection of the government
1.2.6 Monetary policy	F. changes in interest rates and money supply to influence the economy
1 .2.7 Industrial hub	G. the amount of money spent on final goods and services within the borders of a country
1.2.8 Productivity	H. the value of a currency is pegged by the government
	I. shows the general direction in which the economy is moving

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1 .3 Give ONE term for each of the following descriptions. Write only the term next to the question numbers (1 .3.1 to 1 .3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

1 .3.1 A decline in real gross domestic product for at least two consecutive quarters

1 .3.2 The curve that illustrates the relationship between tax rates and tax revenue for the government

1 .3.3 The exchange of goods and services between different countries

1 .3.4 A trade policy that governments use to safeguard local industries against unfair foreign competition

1 .3.5 A land reform programme that aims to compensate people who lost their land due to discriminatory laws of the past

1 .3.6 The social indicators that relate to the information about the size and structure of a population (6 x 1)(6)

TOTAL SECTION A: 30

NSC JUNE 2025

SECTION A (COMPULSORY)

QUESTION 1 30 MARKS – 20 MINUTES

1 .1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A—D) next to the question numbers (1 .1 .1 to 1 .1 .8) in the ANSWER BOOK, e.g. 1 .1 .9 D.

Consumer spending that is independent of the level of income is known as ...

1 .1 .1 consumption.

A. induced
B. autonomous
C. household
D. aggregate

1 .1 .2 An estimation of new data which is unknown, based on facts that are known, is referred to as ...

A. extrapolation.
B. trend line.
C. a moving average.
D. the length of a cycle.

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1.1.3 A free rider cannot be excluded from the consumption of ... goods.

A. demerit
B. merit
C. collective
D. community

1.1.4 A decrease in the value of one currency in terms of another currency due to market forces is known as ...

A. appreciation.
B. evaluation.
C. depreciation.
D. devaluation.

1.1.5 A trade agreement that sets the rules governing the exchange of goods between countries is known as ...

A a trade protocol
B trade liberalisation.
C free trade.
D a trade contract.

1.1.6 The application of scientific knowledge to develop new innovations in the production process is known as ...

A natural resources.
B entrepreneurship.
C technology.
D labour.

1.1.7 The government's key activities and time frames for implementing industrial development programmes are drafted in the ...

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

1.1.8 A global organisation that provides financial assistance to enhance economic development in developing countries is known as the ...

A United Nations.
B World Trade Organisation.
C International Monetary Fund.
D World Bank.

(8x2)(16)

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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 (1 .2.1 to 1 .2.8) in the ANSWER BOOK, e.g. 1 .2.9 J.

COLUMN A	COLUMN B
1 .2.1 Real flow	A. aims to eliminate poverty and reduce inequality by 2030
1 .2.2 Phillips curve	B. an excessive accumulation of body fat that has negative effects on health
1 .2.3 Nationalisation	C. transfer of functions and ownership of entities from the private sector to the public sector
1 .2.4 Absolute advantage	D. an incentive that aims to provide investment in the training of the South African labour force
1 .2.5 Economic union	E. countries share a single monetary system, one central bank and a unified fiscal system
1 .2.6 National Development Plan	F. transfer of functions and ownership of entities from the public sector to the private sector
1 .2.7 Skills Support Programme	G. movement of goods, services and factors of production between economic participants
1 .2.8 Obesity	H. when a country can produce a good or service cheaper than other countries while using the same resources
	I. illustrates the relationship between unemployment and inflation

(8 x 1) (8)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question numbers (1 .3.1 to 1 .3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

1 .3.1 The proportion of additional income that households choose to spend on goods and services

1 .3.2 An economic indicator that changes at the same time as the economy

1 .3.3 The item in the balance of payments that records transactions linked to the purchase of businesses or fixed property

1 .3.4 Discretionary changes in monetary and fiscal policies attempting to change the level of aggregate demand

1 .3.5 The collaboration between the government and private companies to finance, build and operate large infrastructure projects

1 .3.6 Measures the number of children who die before reaching one year of age, per thousand live births in a year. (6 x 1)(6)

TOTAL SECTION A: 30

NSC NOV 2024

SECTION A (COMPULSORY)

QUESTION 1 30 MARKS — 20 MINUTES

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A—D) next to the question numbers (1 .1 .1 to 1 .1 .8) in the ANSWER BOOK, e.g. 1 .1 .9 D.

1.1.1 Short-term savings and loans are traded on the ... market.
- A capital
- B foreign exchange
- C factor
- D money

1.1.2 Job advertising space is an example of a ... indicator.
- A lagging
- B coincident
- C leading
- D composite

1 .1 .3 The deficit rule states that shortages on the budget should not exceed ... of the gross domestic product (GDP).
- A 60%
- B 3%
- C 30%
- D 6%

1 .1 .4 The ratio of a country's export price index to its import price index is known as the ...
- A trade balance.
- B exchange rate.
- C terms of trade.
- D interest rate.

1 .1 .5 A trade policy that restricts certain imports to prevent unfair foreign competition for local industries is called ...
- A protectionism.
- B export promotion.
- C import substitution.
- D free trade.

1 .1 .6 The level of a country's standard of living is measured by ...
- A real GDP.
- B nominal GDP.
- C national income.
- D per capita GDP.

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 probable number of years that a person will live after birth is known as ...

A child mortality.
B life expectancy.
C under-five mortality.
D population growth.

(8 x 2)(16)

1 .2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A—I) next to the question numbers (1 .2.1 to 1 .2.8) in the ANSWER BOOK, e.g. 1 .2.9 J.

COLUMN A	COLUMN B
1 .2.1 Factor cost	A. a three-year rolling expenditure and revenue projection for the government
1 .2.2 Moving average	B. a form of credit granted by the International Monetary Fund to countries that experience balance of payments deficits
1 .2.3 Medium-term Expenditure Framework	C. aims to eliminate poverty and reduce inequality by 2030
1 .2.4 Special Drawing Rights	D. method used to predict the unknown using facts that are known
1 .2.5 Boycotts	E. attract infrastructure and investments to neglected and underdeveloped areas
1 .2.6 National Development Plan	F. amount paid for the resources used to produce goods and services
1 .2.7 Spatial Development Initiatives	G. method used to smooth out short-term fluctuations in time series data
1 .2.8 Urbanisation	H. the process of the movement of people from rural areas to cities and towns
	I. voluntary measures taken not to trade with a certain country

(8x1)(8)

1 .3 Give ONE term for each of the following descriptions. Write only the term next to the question numbers (1 .3.1 to 1 .3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

1 .3.1 The flow of goods, services and factors of production among the participants in the economy
1 .3.2 A curve that illustrates the inverse relationship between unemployment and the inflation rate
1 .3.3 The transfer of functions and ownership of entities from the private sector to the public sector
1 .3.4 Financial support in the form of cash payments provided by the government to domestic producers
1 .3.5 Industries that employ more labour than capital in the production process
1 .3.6 The economic indicator used to measure the cost of living. (6 x 1)(6)

TOTAL SECTION A: 30

NSC JUNE 2024

SECTION A (COMPULSORY)

QUESTION 1 30 MARKS – 20 MINUTES

1 .1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A—D) next to the question numbers (1 .1 .1 to 1 .1 .8) in the ANSWER BOOK, e.g. 1 .1 .9 D.

1 .1 .1 When calculating gross domestic expenditure (GDE), errors and omissions are accounted for by the….

A. market price.
B. residual item.
C. basic price.
D. input cost.

1 .1 .2 The vertical difference between a trough and the next peak of a cycle is known as…

A. amplitude.
B. extrapolation.
C. moving average.
D. length of cycle.

1 .1 .3 The Minister of Finance presents the Medium-term Budget Policy Statement (MTBS) in ... every year.

A. February
B. June
C. April
D. October

1 .1 .4 The difference between tangible exports and tangible imports is called ...

A. trade balance.
B. current transfer.
C. reserve assets.
D. trade deficit.

1 .1 .5 The worldwide interfacing and interaction of economies, with trade as an important element, is called ...

A. nationalisation.
B. centralisation.
C. globalisation.
D. devaluation.

1 .1 .6 The form of tax that is levied annually on the market value of residential, office and factory buildings is called....

A. capital gain tax.
B. property tax.
C. transfer duty.
D. estate duty.

1.1.7 A geographically designated area that has been set aside to develop specific economic activities is known as a/an ...

A. industrial base.
B. export processing zone.
C. Industrial hub.
D. Special economic zone.

1.1.8 The human development index (HDI) of a country with the highest level of development is...

A. 10
B. 0
C. 1
D. 100

(8x2)(16)

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

COLUMN A	COLUMN B
1.2.1 Real flow	A. when a person is required to give an explanation of his or her decisions or actions.
1.2.2 Deregulation	B. used by the United Nations to compare the standards of living among different countries.
1.2.3 Accountability	C. legal ownership of copyright, design, patent or trademark by an individual or business.
1.2.4 Specialisation	D. number of years that a new-born infant is likely to live.
1.2.5 Trade neutrality	E. the movement of factors of production, goods and services among economic participants.
1.2.6 Human development index	F. payment of subsidies that are equal to import duties paid by export producers.
1.2.7 Intellectual property	G. the removal of laws and other forms of government control that interfere in the functioning of markets.
1.2.8 Life expectancy	H. production of goods and services in large quantities.
	I. focuses on the production/ provision of a particular type of good or service.

(8x1)(8)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question numbers (1 .3.1 to 1 .3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

1.3.1 Occurs when the value of intermediate products is added to the final product when calculating GDP.

1.3.2 When all the people who are actively looking for work are able to find jobs or create jobs for themselves.

1.3.3 The price of one currency in terms of another.

1.3.4 Measures that artificially restrict the movement of goods and services among countries.

1.3.5 When the central bank convinces commercial banks to act in a manner that is desirable to the prevailing economic conditions.

1.3.6 The total industrial capacity of an economy that is available for use.

(6x1)(6)

TOTAL SECTION A: 30

NSC NOV 2023

SECTION A (COMPULSORY)

QUESTION 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 to 1 .1 .8) in the ANSWER BOOK, e.g. 1 .1 .9 D.	
1.1.1	A deliberate action by the government to increase the value of a currency is known as ...	
	A revaluation. B appreciation. C devaluation. D depreciation.	
1.1.2	Business cycles that last from 7 to 1 1 years, caused by changes in net investments, are known as ... cycles.	
	A Kuznets B Kondratieff C Jugler D Kitchin	
1.1.3	The relationship between the tax rate and the tax revenue for the government is illustrated by the ... curve.	
	A Phillips B Laffer C Lorenz D Indifference	
1.1.4	If the value of the marginal propensity to consume (MPC) is 0,6, the value of the marginal propensity to save (MPS) will be ...	
	A 0,4. B 0,75. C 1,67. D 2,5.	

1.1.5	A limit on the quantity of goods and services that can be purchased from other countries is known as import ...	
	A tariff. B incentive. C levy. D quota.	
1.1.6	A growth and development strategy that was intended to halve unemployment and poverty by 201 4 was known as ...	
	A Reconstruction and Development Policy. B Accelerated and Shared Growth Initiative for South Africa. C Growth, Employment and Redistribution Programme. D National Skills Development Strategy.	
1.1.7	The government's broad approach to industrialisation is set out in the ...	
	A Industrial Policy Action Plan. B Strategic Integrated Projects. C Skills Support Programme. D National Industrial Policy Framework.	
1.1.8	The increase in the population of cities and towns through the movement of people from rural areas is known as ...	
	A immigration B migration. C urbanisation. D emigration.	
		(8 x 2)(1 6)

1 .2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A—I) next to the question numbers (1 .2.1 to 1 .2.8) in the ANSWER BOOK, e.g. 1 .2.9 J.

COLUMN A		COLUMN B	
1 .2.1	Autonomous consumption	A	an economic indicator that relates to the cost of living
1 .2.2	Monetarist approach	B	when an organisation or a country is released from its obligation to repay a loan
1 .2.3	Accountability		
1 .2.4	Debt forgiveness	C	cooperation between countries to adopt common monetary and fiscal policies
1 .2.5	Economic union		
1 .2.6	Capital formation	D	focuses on using science and technology to promote industrialisation
1 .2.7	National Research and Development Strategy	E	maintains the view that markets are inherently unstable
1 .2.8	Consumer price index	F	the requirement to give an explanation of one's own decisions and actions
		G	maintains the view that markets are inherently stable
		H	part of household spending that is independent of the level of income
		I	the process of adding new assets, such as machinery and equipment, to the existing stock

(8 x 1) (8)

1 .3 Give ONE term for each of the following descriptions. Write only the term next to the question numbers (1 .3.1 to 1 .3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

1 .3.1 The withdrawal of money from the circular flow

1 .3.2 A summary of the various indicators of the same type into a single value

1 .3.3 The exchange rate is determined by market forces with intervention by the central bank

1 .3.4 The increase in the capacity of the economy to produce more goods and services

1 .3.5 The processing of natural resources into finished products

1 .3.6 The lowest interest rate charged by commercial banks to their best clients

(6 x 1)(6)

TOTAL SECTION A:30

MACROECONOMICS

CIRCULAR FLOW

SECTION B

2.1 Answer the following questions.

2.1.1 Name any TWO methods used to calculate gross domestic product(GDP). (2 x 1)(2)

2.1.2 Why is investment regarded as an injection in the circular flow model? (1 x 2) (2)

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

THE MULTIPLIER EFFECT

Increased spending by the businesses and households in an economy boosts income and creates jobs, leading to more money available for people to spend. This successive round of spending generates even more income and jobs, further promoting additional expenditures. However, in each round of spending, some of the extra income may be saved in a two-sector model.

[Adapted from www.TeAra.govt.nz]

2.2.1 Identify an economic participant that owns the factors of production in the extract above. (1)

2.2.2 Give the formula for calculating the value of the multiplier in a two-sector economy. (1)

2.2.3 Briefly describe the term *multiplier effect*. (2)

2.2.4 Explain the relationship between marginal propensity to consume (mpc) and the value of the multiplier. (2)

2.2.5 How can an increase in imports impact the South African economy? (2 x 2)(4)

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

NATIONAL ACCOUNTS FOR SOUTH AFRICA

At current prices

Item	2024 (R billion)
Compensation of employees	2 861
Net operating surplus	1 795
Consumption of fixed capital	797
Gross value added at factor cost	5 453
Taxes on production	132
Subsidies on production	12
Gross value added at basic prices	(A)
Taxes on products	634
Subsidies on products	14
Gross domestic product at market prices	6 193

[Adapted from SARB Quarterly Bulletin, December 2025]

2.3.1 Identify in the table above the method used to calculate the gross domestic product (GDP). (1)

2.3.2 Give ONE example of taxes on products. (1)

2.3.3 Briefly describe the term *subsidy on production*. (2)

2.3.4 Why is it important for a country to prepare national account aggregates? (2)

2.3.5 Calculate the gross value added (GVA) at basic prices (A) in the table above. Show ALL calculations. (2 x 2) (4)

2.4 Discuss the financial market within the FOUR-SECTOR circular flow model. (4x2)(8)

2.5 Analyse the importance of the financial sector in a circular-flow model. (4 x 2) (8)

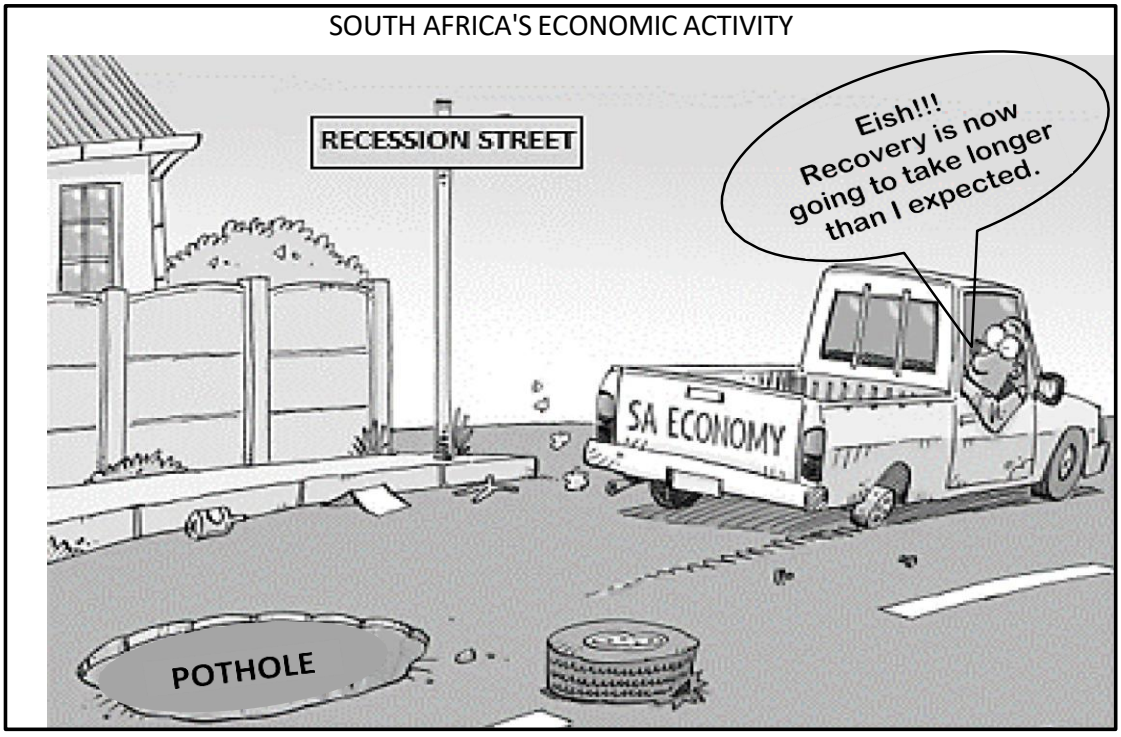
BUSINESS CYCLE

2.1 Answer the following questions.

2.1.1 Give any TWO examples of leading indicators. (2 x1)(2)

2.1.2 How can competition stimulate aggregate supply in the economy? (1 x 2)(2)

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



[Adapted from https://x.com/zapiro]

2.2.1 Identify a contraction phase of the business cycle in the cartoon above. (1)

2.2.2 Name any ONE monetary policy instrument that can be used to influence economic activity. (1)

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

2.2.4 Why are leading indicators important to policy makers in the economy? (2)

2.2.5 How can an economic recovery benefit the South African economy? (2x2)(4)

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

BUSINESS CYCLES OF SOUTH AFRICA SINCE 1999

Upswing	Duration in months	Downswing	Duration in months
Sept 1 999 to Nov 2007	99	Dec 2007 to Aug 2009	21
Sept 2009 to Nov 201 3	51	Dec 201 3 to Apr 2017	41
May 201 7 to June 201 9	26	July 201 9 to Apr 2020	1 0

[Adapted from SARB Quarterly Bulletin, December 2023]

2.3.1 Identify the period in which South Africa experienced the longest downswing. (1)

2.3.2 Name the turning point of a business cycle associated with the highest level of inflation. (1)

2.3.3 Briefly describe the term *extrapolation*. (2)

2.3.4 Explain the importance of the trend line in the forecasting of business cycles. (2)

2.3.5 How can an economic recession influence households in the economy? (2x2)(4)

2.4 Discuss the exogenous (monetarists) explanations of business cycle. (4x2)(8)

2.5 Analyse the fiscal policy measures that can be used to dampen the economy. (2x4)(8)

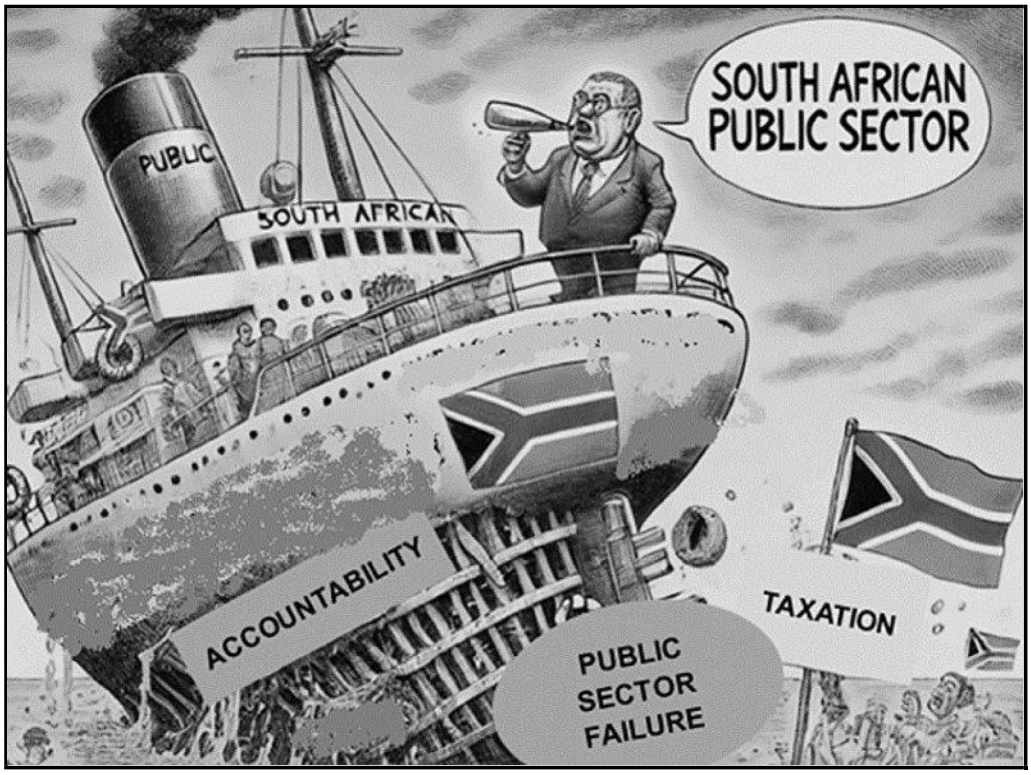
PUBLIC SECTOR

2.1 Answer the following questions

2.1.1 Name any TWO levels (spheres) of the government. (2 x 1)(2)

2.1.2 How can the government exclude free riders from the consumption of public goods? (1 x2)(2)

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



[Adapted from Dall-e, January 2025]

2.2.1 Identify ONE factor in the cartoon above that contributes to poor public sector provisioning. (1)

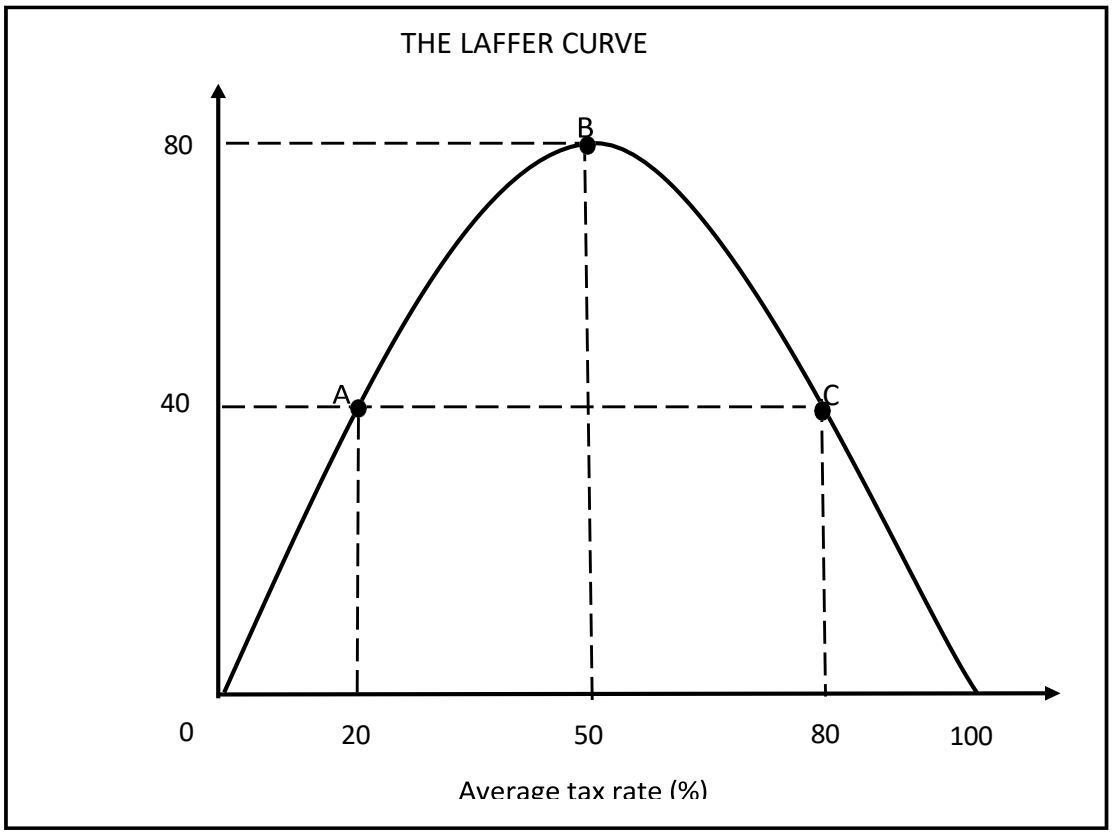
2.2.2 Name the type of public goods that are supplied free of charge. (1)

2.2.3 Briefly describe the term *public sector failure.* (2)

2.2.4 Explain the effect of an increase in value-added tax (VAT) on businesses. (2)

2.2.5 How can the privatisation of parastatals positively impact the government? (2x2)(4)

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



2.3.1 Identify the tax rate at which the government collects the maximum tax revenue in the graph above. (1)

2.3.2 Name the main source of the government's tax revenue. (1)

2.3.3 Briefly describe the term *fiscal policy*. (2)

2.3.4 How can government expenditure be used to encourage the production of goods and services? (2)

2.3.5 Why will high tax rates generate less tax revenue for the government? (2 x 2)(4)

2.4 Briefly discuss full employment and economic equity as macroeconomic objectives of the government. (4 x 2)(8)

2.5 How can the South African government use the national budget to promote the socio-economic rights of its citizens? (2 x 4)(8)

FOREIGN EXCHANGE MARKETS

2.1 Answer the following questions

2.1.1 Name any TWO types of exchange rate systems. (2 x 1)(2)

2.1.2 Why is the asset component subtracted when calculating net direct investment in the financial account of the Balance of Payments? (1 x2)(2)

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

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 31 1
Net other investment	1 3 481
Reserve assets	A
Balance on financial account	62 869
Memo item: balance on financial account excluding reserve assets	63 066
Unrecorded transactions	-1 8 61 3

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]

2.2.1 Identify the item that records the purchase of shares in the table above. (1)

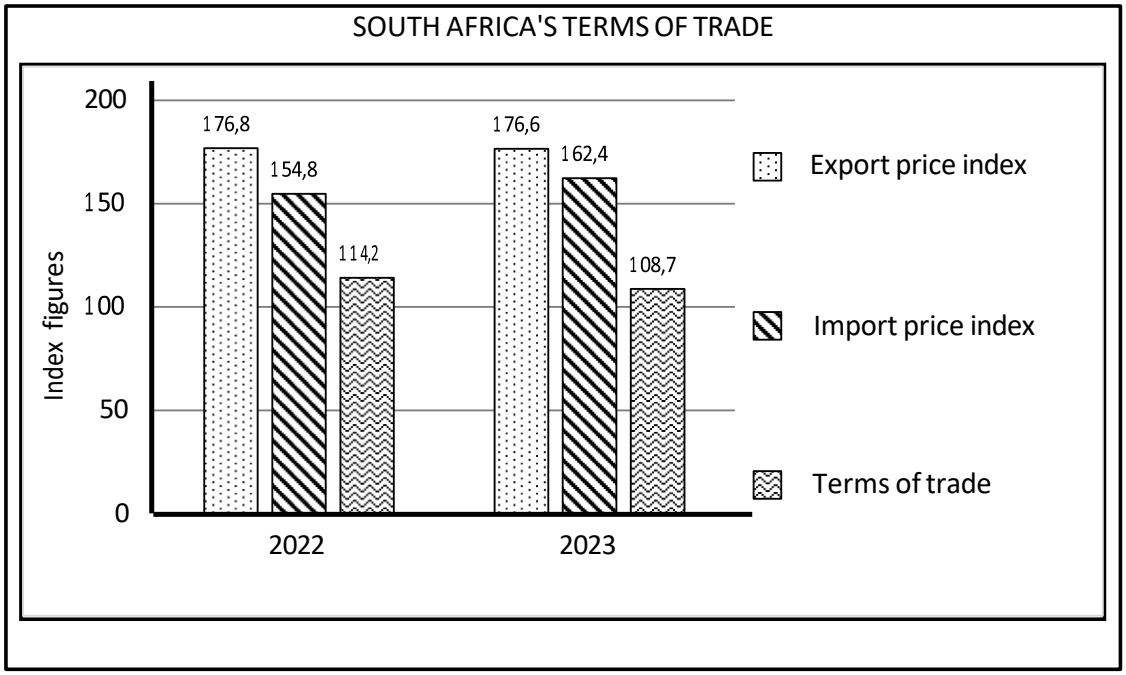
2.2.2 Name the sub-account of the Balance of Payments that record transactions relating to debt forgiveness. (1)

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

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

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

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



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

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

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

2.3.4 Explain the effect of international trade on production of goods and services. (2)

2.3.5 How will a decrease in the terms of trade influence the economy? (2 x 2) (4)

2.4 Briefly discuss specialisation and mass production as effects of international trade. (8)

2.5 How can the appreciation of the rand impact the South African economy? (4x2)(8)

ECONOMIC PURSUITS

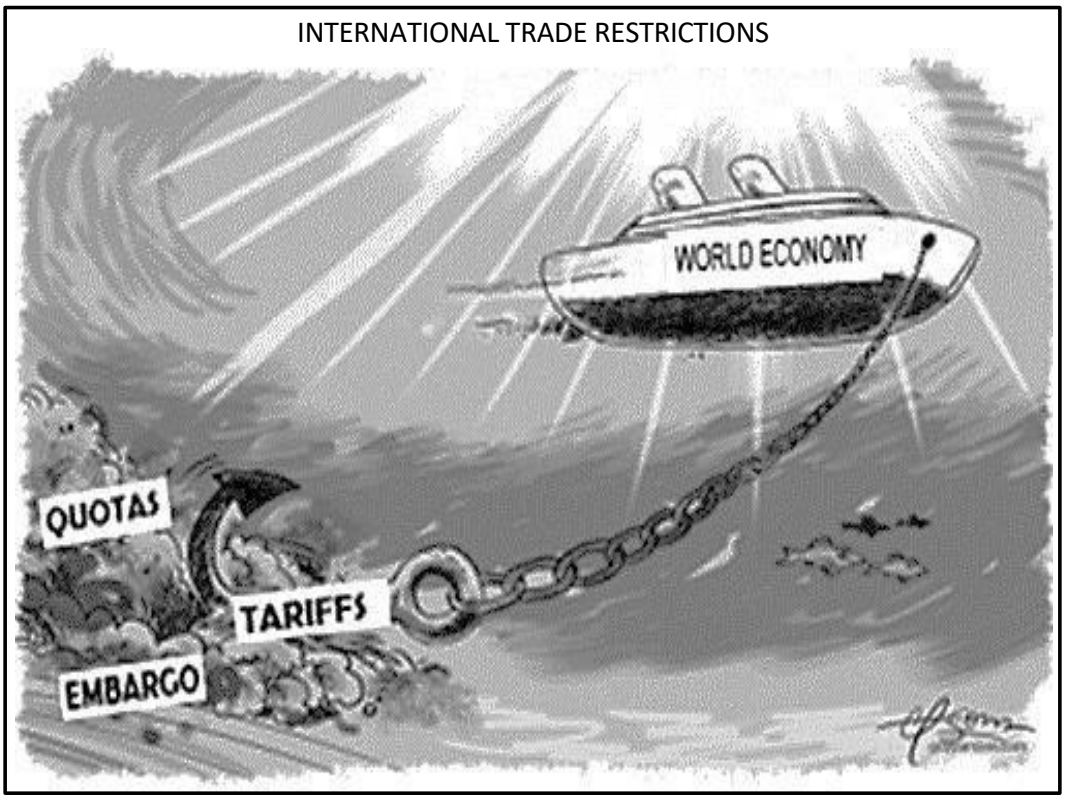
PROTECTIONISM AND FREE TRADE

3.1 Answer the following questions

3.1.1 Name any TWO demand reasons for international trade. (2 x 1)(2)

3.1.1 How can export promotion lead to economic growth? (1 x 2) (2)

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



[Adapted from www.guyparsons.com]

3.2.1 Identify a trade restriction that refers to a tax levied on imported goods. (1)

3.2.2 Name the international organisation that promotes the removal of trade restrictions between countries. (1)

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

3.2.4 Explain the importance of protecting infant industries from foreign competition. (2)

3.2.5 How can the economy benefit from specialising in the production of a specific product? (2 x 2) (4)

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

TRADE AGREEMENTS

The South African Revenue Service (SARS) administers a number of trade agreements or protocols as well as other international instruments in terms of the Customs and Excise Act, 1964 (Act 91 of 1964).

Among them is the Southern African Customs Union (SACU) agreement between the governments of some Southern African Development Community (SADC) states.

[Adapted from SARS, Trade Agreements, September 2024]

3.3.1 Identify in the extract above the trade protocol that aims to reconstruct and develop Southern Africa's social and economic framework. (1)

3.3.2 Name the international organisation that facilitates free trade. (1)

3.3.3 Briefly describe the term *trade liberalisation*. (2)

3.3.4 Explain a benefit of the African Growth and Opportunity Act (AGOA) for South Africa. (2)

3.3.5 How can dumping impact producers in importing countries? (2 x 2)(4)

3.4 Briefly discuss specialisation and innovation as arguments in favour of free trade. (2x4)(8)

3.5 Evaluate the impact of export promotion on local industries in South Africa. (4x2)(8)

ECONOMIC GROWTH AND DEVELOPMENT

3.1 Answer the following questions

3.1.1 Name any two cash benefits provided by the government to households. (2x1)(2)

3.1.2 How can the government use land restitution to achieve its development and redress objectives ? (1x2)(2)

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

EXPANDED PUBLIC WORKS PROGRAMME (EPWP)

The implementation of the EPWP focuses on key service delivery interventions, such as waste management, paving of roads, patching of potholes and the maintenance of public facilities.

The programme will be intensified to create job opportunities for the youth, women and rural poor communities that bear the burden of low economic growth and unemployment.

[Adapted from https://www.gov.za/news/media]

3.2.1 Identify in the extract above a socio-economic problem addressed by the Expanded Public Works Programme. (1)

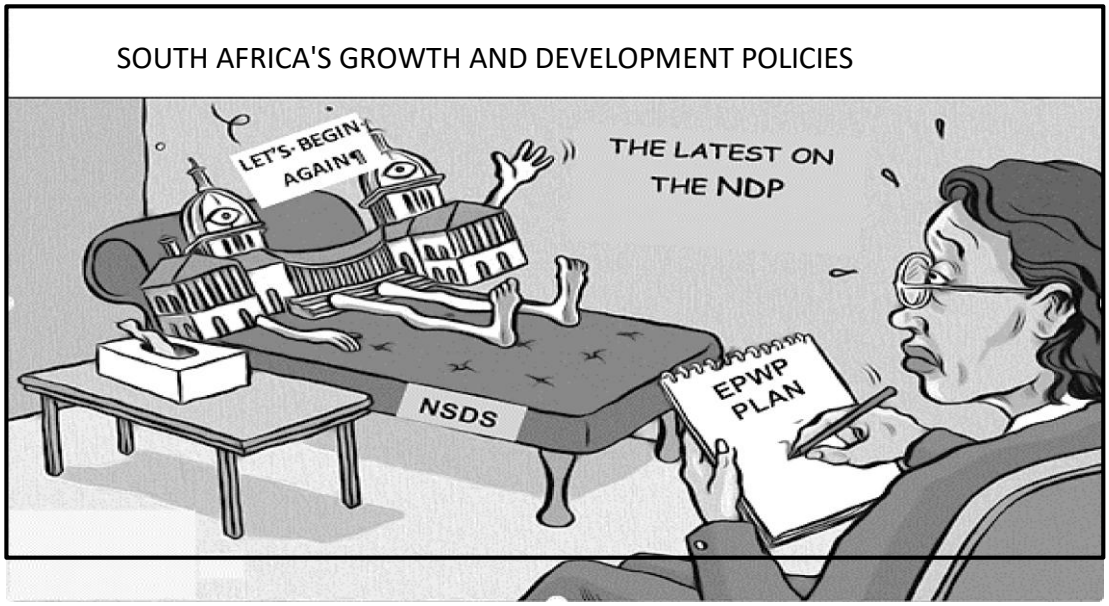
3.2.2 Name the growth and development policy that aims to eliminate poverty and reduce inequality by 2030. (1)

3.2.3 Briefly describe the term *labour-intensive.* (2)

3.2.4 Explain the impact of poor infrastructure on economic growth. (2)

3.2.5 How can the Expanded Public Works Programme help to improve the standard of living? (2 x 2) (4)

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



[Adapted from *Business Day*, May 2024]

3.3.1 Identify the growth and development initiative that provides temporary employment for unskilled labour in the cartoon above. (1)

3.3.2 Name the government initiative that aimed at halving unemployment and poverty by 2014. (1)

3.3.3 Briefly describe the term *economic development*. (2)

3.3.4 Explain the shortcoming of the National Skills Development Strategy regarding employment levels. (2)

3.3.5 Why is the National Development Plan important to achieve economic development in South Africa? (2 x 2) (4)

3.4 Briefly discuss the Broad-Based Black Economic Empowerment Programme (BBBEE) and the National Skills Development Strategy (NSDS) as South African growth and development policies and strategic initiatives. (2 x 4) (8)

3.5 Discuss the unequal standards of living between the countries in the North (developed) and those in the South (developing). (4 x 2) (8)

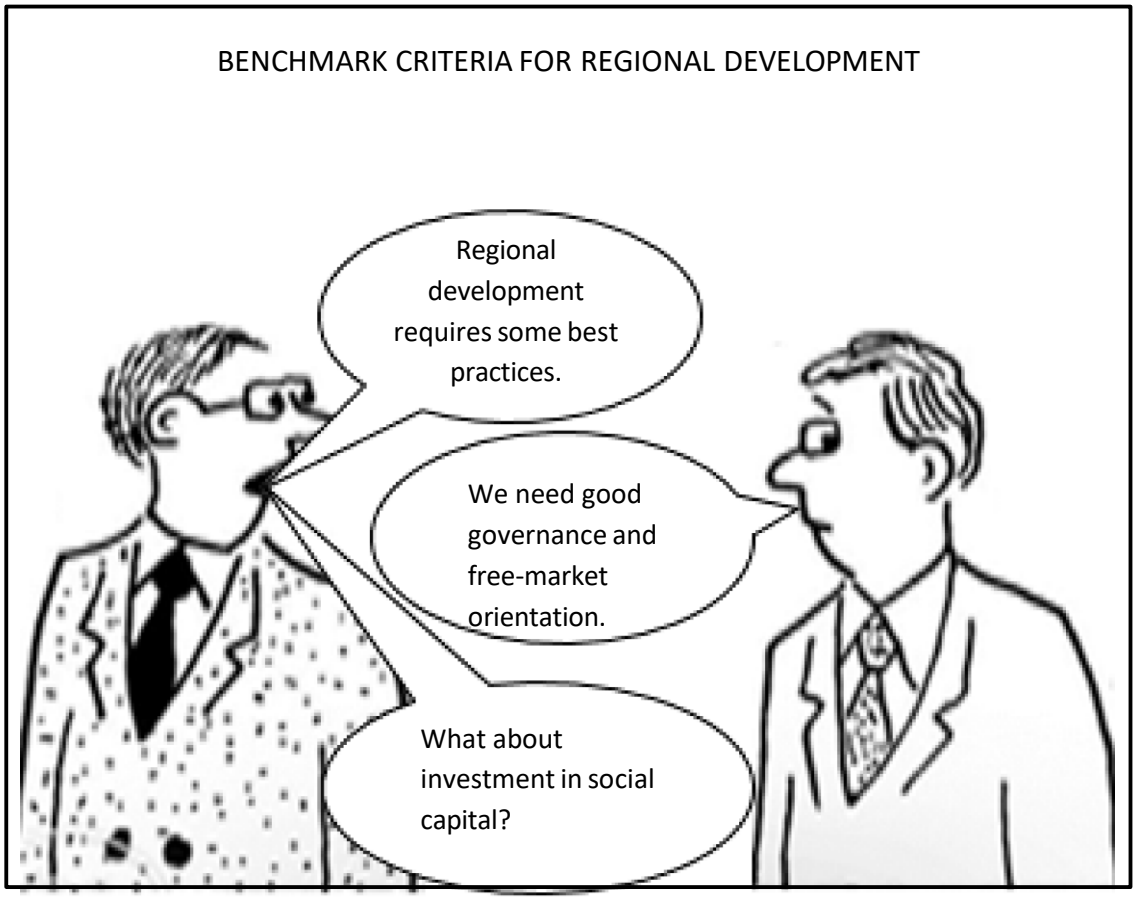
REGIONAL DEVELOPMENT

3.1 Answer the following questions

3.1.1 Name any TWO Spatial Development Initiatives (SDIs) in South Africa. (2 x 1) (2)

3.1.2 How can the Integrated Manufacturing Strategy (IMS) promote industrialisation in South Africa? (2 x 1)(2)

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



[Adapted from Cartoonstock.com]

3.2.1 Identify the benchmark criterion that promotes transparency in regional development in the cartoon above. (1)

3.2.2 Give the term that refers to the concentration of economic activities in a few urban areas. (1)

3.2.3 Briefly describe the term *regional development*. (2)

3.2.4 Explain the benefit of investing in human capital. (2)

3.2.5 Why is industrial development important in the economy? (2 x 2)(4)

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

SPECIAL ECONOMIC ZONES IN SOUTH AFRICA

Special economic zones (SEZs) in South Africa have not fully lived up to their potential. There are aspects of South Africa's SEZ model that clearly need to change, one being that the zones must be made to fit within a long-term development plan, rather than being unplanned projects.

The governments must honestly and competently implement laws to foster investor confidence in SEZs.

[Source: www.mg.co.za]

3.3.1 Identify any ONE challenge faced by South Africa in implementing special economic zones (SEZ) in the extract above. (1)

3.3.2 Name the purpose-built industrial estate that is physically enclosed and linked to an international airport or seaport. (1)

3.3.3 Briefly describe the term *industrial development*. (2)

3.3.4 Explain the importance of positive investor confidence to the economy. (2)

3.3.5 How can businesses benefit from operating in special economic zones (SEZs)? (2x2)(4)

3.4 How can the South African government ensure the success of regional development policies? (4 x 2)(8)

3.5 Analyse the importance of private-public partnerships (PPPs) in implementing spatial development initiatives in South Africa. (4 x 2) (8)

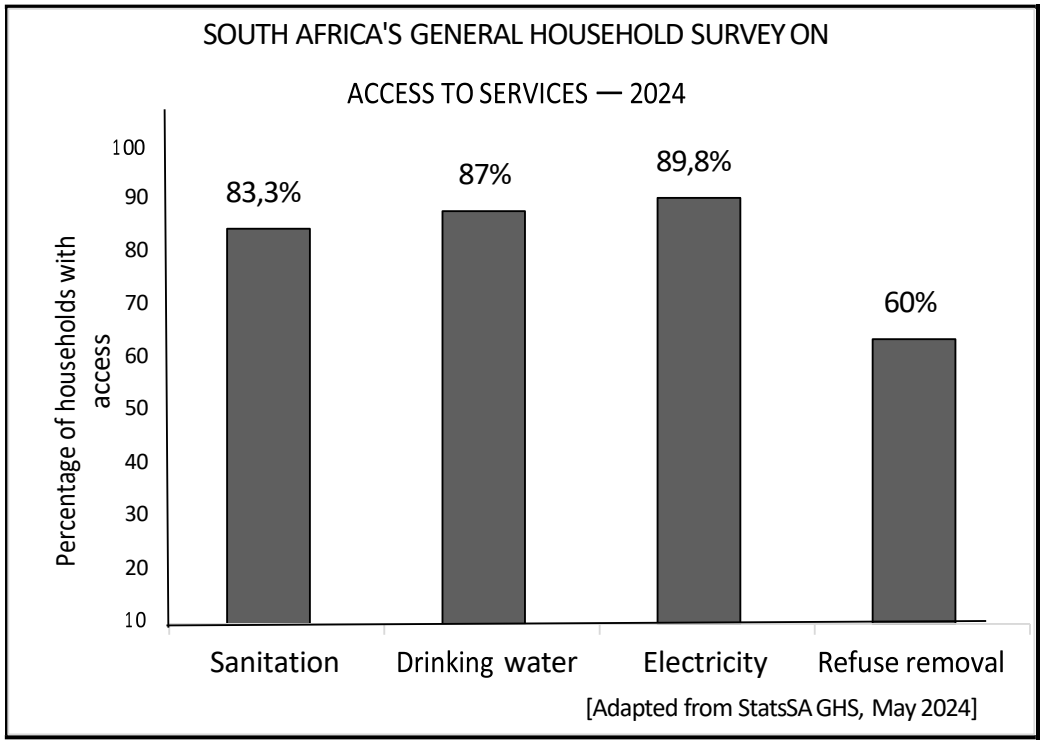
ECONOMIC AND SOCIAL INDICATORS

3.1 Answer the following questions

3.1.1 Name any TWO international organisations that require members to standardise economic and social indicators. (2 x 1) (2)

3.1.2 Why is it important to compile economic indicators in the economy? (1 x 2) (2)

3.2 Study the bar graph below and answer the questions that follow.



3.2.1 Identify in the graph above the service to which households have the least access. (1)

3.2.2 Name the social indicator that relates to the migration of people from rural areas to urban areas. (1)

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

3.2.4 Explain the impact of an increase in the population on a country's labour force. (2)

3.2.5 How can access to clean water boost a country's economic performance?(2x2)(4)

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

SOUTH AFRICA'S EMPLOYMENT INDICATORS

Period	Employment rate	Unemployment rate	Economically active population (EAP)
Q1 : 2024	67,1 %	32,9%	24,9 million
Q2: 2024	66,5%	33,5%	25,1 million

[Adapted from https://www.statssa.gov.za]

3.3.1 Identify the employment rate for the second quarter of 2024 in the table above. (1)

3.3.2 Give ONE reason for the high unemployment rate in South Africa. (1)

3.3.3 Briefly describe the term *economically active population (EAP).* (2)

3.3.4 Explain the importance of compiling the consumer price index (CPI) figures. (2)

3.3.5 How can the South African economy benefit from an increase in employment? (2x2)(4)

3.4 Briefly discuss housing and urbanisation as social indicators. (2 x 4) (8)

3.5 How can changes in the various economic indicators be used to show improvement in the performance of the economy? (4 x 2) (8)

QUESTION 4

Note: QUESTION 4 of SECTION B is a combination of the two main topics (MACROECONOMICS & ECONOMIC PURSUITS). Each weigh 20 MARKS making a total of 40 MARKS.

A typical structure of section B is used as follows:

4.1.1 MACROECONOMICS – Low order (command verbs: give, name, list) (2 MARKS)

4.1.2 ECONOMIC PURSUITS – Middle order (command verbs: how, why and what) (2 MARKS)

4.2 MACROECONOMICS – Middle order (scenario / extract/ cartoon/ graph/ table) (10 MARKS)

4.3 ECONOMIC PURSUITS – Middle order (scenario / extract/ cartoon/ graph/ table) (10 MARKS)

4.4 MACROECONOMICS – Middle order (command verbs: briefly discuss, explain, distinguish, with aid of a well labelled graph) (8 MARKS)

4.5 ECONOMIC PURSUITS – High order (command verbs: evaluate, analyse, justify, how, why) (8 MARKS)

ESSAYS

QUESTION 5 – MACROECONOMICS

CIRCULAR FLOW

- Discuss in detail the markets within the FOUR-SECTOR circular flow model. (26 marks)
- Evaluate the contribution of the business sectors to the development of the South African economy. (10 marks)

BUSINESS CYCLES

- Discuss in detail the new economic paradigm/ smoothing of business cycles. (26 marks)
- Why is it impossible to achieve zero unemployment and low inflation rates in an economy? (10 marks)

AND

- Discuss in detail the features underpinning the forecasting (prediction) of business cycles. (26 marks)
- Analyse the measures that can be used to stimulate aggregate supply in the economy. (10 marks)

PUBLIC SECTOR

- Discuss in detail the main objectives of the public sector in the economy. (26 marks)
- Evaluate the impact of privatisation of state-owned enterprises (parastatals) on the South African economy. (10 marks)

AND

- Discuss in detail reasons for public sector failure and link them to typical problems experienced in public sector provision. (26 marks)
- Analyse the effects of public sector failure on communities. (10 marks)

FOREIGN EXCHANGE MARKETS

- Discuss in detail the reasons for international trade. (26 marks)
- Analyse the impact of a weaker currency (rand) on the South African economy.(10 marks)

QUESTION 6 – ECONOMIC PURSUITS

PROTECTIONISM & FREE TRADE

- Discuss in detail export promotion as South Africa's international trade policy.

  (26 marks)

- Evaluate the impact of an increase in import tariffs on the South African economy (10 marks)

AND

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

ECONOMIC GROWTH & DEVELOPMENT

- 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)

AND

- Discuss in detail South African growth and development policies and strategic initiatives. (26 marks)
- How can South Africa use supply side measures to promote economic growth and development?

REGIONAL DEVELOPMENT

- Discuss in detail South Africa's initiatives (endeavours) in regional development (26 marks)
- How can the government use incentives to promote industrial development. (10 marks)

ECONOMIC & SOCIAL INDICATORS

- Discuss in detail various economic indicators. (26 Marks)
- How can social indicators assist the government in improving decision-making? (10 marks)

AND

- Discuss in detail various social indicators (26 Marks)
- Analyse the importance of assessing the performance of the economy. (10 marks)

SOLUTIONS

NSC JUNE 2026

SECTION A QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 C – market ✓✓
1.1.2 A – depression ✓✓
1.1.3 D – accountability ✓✓
1.1.4 D – appreciation ✓✓
1.1.5 A – transfer duty ✓✓
1.1.6 B – globalisation ✓✓
1.1.7 C – manufacturing ✓✓
1.1.8 B – life expectancy ✓✓

(8 x 2)(16)

1.2 MATCHING ITEMS

1.2.1 G✓ - money received by the households without rendering any productive service

1.2.2 E✓ - caused by businesses adapting their inventory levels over a 3–5-year period

1.2.3 A ✓- an increase in the quantity of goods and services produced in a country

1.2.4 H ✓- facilitates the buying and selling of different currencies of the world

1.2.5 I ✓- a complete ban on the importing of specific goods from a particular country

1.2.6 C ✓- buying and selling of government securities to influence the supply of money

1.2.7 B ✓- involves a cash incentive to promote the development of South African labour force to gain new expertise

1.2.8 D ✓- statistical data used to evaluate the performance of a country in terms of the social well-being of its citizens

(8 x 1)(8)

1.3 GIVE THE TERM

1.3.1 Autonomous consumption / Autonomous expenditure ✓
1.3.2 Privatisation ✓
1.3.3 Terms of trade✓
1.3.4 Land redistribution ✓
1.3.5 Infrastructure ✓
1.3.6 Economically active population ✓ (6 x 1)(6)

TOTAL SECTION A: 30

NSC NOV 2025
SECTION A (COMPULSORY)

QUESTION 1

1 .1 MULTIPLE-CHOICE QUESTIONS

1 .1 .1 A — endogenous explanation ✓✓

1 .1 .2 B — 1 ✓✓

1 .1 .3 D — bureaucracy ✓✓

1 .1 .4 C — absolute ✓✓

1 .1 .5 D — specific ✓✓

1 .1 .6 B — progressive ✓✓

1 .1 .7 A — Integrated Manufacturing Strategy ✓✓

1 .1 .8 C — 1 5 and 64 ✓✓

(8 x 2)(1 6)

1.2 MATCHING ITEMS

1.2.1 G — the amount of money spent on final goods and services within a country ✓

1.2.2 I — shows the general direction in which the economy is moving✓

1.2.3 E — consists of a three-year rolling expenditure and revenue projection of the government ✓

1.2.4 A — the value of a currency is determined by the forces of demand and supply ✓

1.2.5 B — developing countries undergoing rapid economic growth and Industrialisation ✓

1.2.6 F — changes in interest rates and money supply to influence the economy ✓

1.2.7 D — a geographical area that shows a cluster of businesses in a specific sector, such as manufacturing and technology ✓

1.2.8 C — the relationship between real output and factor input ✓ (8 x 1)(8)

1.3 GIVE THE TERM

1.3.1 Recession ✓
1.3.2 Laffer curve ✓
1.3.3 International trade / Foreign trade ✓
1.3.4 Protectionism ✓
1.3.5 Land restitution ✓
1.3.6 Demographic indicators ✓

(6 x 1)(6)

TOTAL SECTION A: 30

NSC JUNE 2025

SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 B - autonomous ✓✓
1.1.2 A - extrapolation ✓✓
1.1.3 D - community ✓✓
1.1.4 C - depreciation ✓✓
1.1.5 A - a trade protocol ✓✓
1.1.6 C - technology ✓✓
1.1.7 B - Industrial Policy Action Plan ✓✓
1.1.8 D - World Bank ✓✓ (8 x 2)(16)

1.2 MATCHING ITEMS

1.2.1 G - movement of goods, services and factors of production between economic participants ✓
1.2.2 I - illustrates the relationship between unemployment and inflation ✓
1.2.3 C - transfer of functions and ownership of entities from the private sector to the public sector ✓
1.2.4 H - when a country can produce a good or service cheaper than other countries while using the same resources ✓
1.2.5 E - countries share a single monetary system, one central bank and a unified fiscal system ✓
1.2.6 A - aims to eliminate poverty and reduce inequality by 2030 ✓
1.2.7 D - an incentive that aims to provide investment in the training of the South African labour force ✓
1.2.8 B - an excessive accumulation of body fat that has negative effects on health ✓ (8 x 1)(8)

1.3 GIVE THE TERM

1.3.1 Marginal propensity to consume ✓
1.3.2 Coincident ✓
1.3.3 Direct investments ✓
1.3.4 Demand-side policy / Demand-side approach ✓
1.3.5 Public-private partnership / Private-public partnership ✓
1.3.6 Infant mortality rate ✓ (6 x 1)(6)

TOTAL SECTION A: 30

NSC NOV 2024

SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 D - money ✓✓
1.1.2 C - leading ✓✓
1.1.3 B - 3% ✓✓
1.1.4 C - terms of trade ✓✓
1.1.5 A - protectionism ✓✓
1.1.6 D - per capita GDP ✓✓
1.1.7 A - good governance ✓✓
1.1.8 B - life expectancy ✓✓ (8 x 2) (16)

1.2 MATCHING ITEMS

1.2.1 F - amount paid to the resources used to produce goods and services ✓
1.2.2 G - method used to smooth-out short-term fluctuations in time series data ✓
1.2.3 A - a three-year rolling expenditure and revenue projections for the government ✓
1.2.4 B - a form of credit granted by the International Monetary Fund to countries that experience balance of payments deficit ✓
1.2.5 I - voluntary measures taken not to trade with a certain country✓
1.2.6 C - aims to eliminate poverty and reduce inequality by 2030 ✓
1.2.7 E - attract infrastructure and investments in neglected and underdeveloped areas ✓
1.2.8 H - the process of movement of people from rural areas to cities and towns ✓ (8 x 1)(8)

1.3 GIVE THE TERM

1.3.1 Real flow ✓
1.3.2 Phillips curve ✓
1.3.3 Nationalisation ✓
1.3.4 Direct subsidies ✓
1.3.5 Labour-intensive ✓
1.3.6 Consumer price index ✓ (6 x 1)(6)

TOTAL SECTION A: 30

NSC JUNE 2024

SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 B- residual item✓✓
1.1.2 A- amplitude✓✓
1.1.3 D- October✓✓
1.1.4 A- trade balance✓✓
1.1.5 C- globalisation ✓✓
1.1.6 B- property tax✓✓
1.1.7 D- special economic zone✓✓
1.1.8 C- 1✓✓

1.2 MATCHING ITEMS

1.2.1 E- the movement of factors of production, goods and services among economic participants. ✓
1.2.2 G- the removal of laws and other forms of government control that interfere in the functioning of markets.✓
1.2.3 A- when a person is required to give an explanation of his or her decisions or actions.✓
1.2.4 I- focuses on the production/ provision of a particular type of good or service. ✓
1.2.5 F- payment of subsidies that are equal to import duties paid by export producers.✓
1.2.6 B- used by the United Nations to compare the standards of living among different countries. ✓
1.2.7 C- legal ownership of copyright, design, patent or trademark by an individual or business.✓
1.2.8 D- number of years that a new-born infant is likely to live.✓

1.3 GIVE THE TERM

1.3.1 Double counting✓
1.3.2 Full employment ✓
1.3.3 Exchange rate✓
1.3.4 Trade barriers✓
1.3.5 Moral suasion/persuasion✓
1.3.6 Industrial/ economic/ manufacturing/ production base✓

(6 x 1)(6)
TOTAL SECTION A: 30

NSC NOV 2023

SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 A — revaluation ✓✓

1.1.2 C — Jugler✓✓

1.1.3 B — Laffer ✓✓

1.1.4 A — 0,4✓✓

1.1.5 D — quota ✓✓

1.1.6 B — Accelerated and Shared Growth Initiative for South Africa ✓✓

1.1.7 D — National Industrial Policy Framework ✓✓

1.1.8 C — urbanisation ✓✓ (8 x 2)(16)

1.2 MATCHING ITEMS

1.2.1 H —part of household spending that is independent of the level of income ✓

1.2.2 G —maintain the view that markets are inherently stable ✓

1.2.3 F —the requirement to give an explanation of one's own decisions and actions✓

1.2.4 B —when an organisation or a country is released from its obligation to repay a loan✓

1.2.5 C —cooperation between countries to adopt common monetary and fiscal policies ✓

1.2.6 I —the process of adding new assets, such as machinery and equipment, to the existing stock ✓

1.2.7 D —focuses on using science and technology to promote industrialisation ✓

1.2.8 A —an economic indicator that relates to the cost of living ✓

(8 x 1)(8)

1.3 GIVE THE TERM

1.3.1 Leakages ✓

1.3.2 Composite indicator ✓

1.3.3 Managed floating / Controlled floating ✓

1.3.4 Economic growth ✓

1.3.5 Manufacturing ✓

1.3.6 Prime rate ✓ (6 x 1) (6)

TOTAL SECTION A: 30

CIRCULAR FLOW

2.1.1 Name any two methods used to calculate gross domestic product (GDP)

- Income✓
- Production ✓
- Expenditure ✓ (2x1)(2)

2.1.2 Why is investment regarded as an injection in the circular flow model?

- Investment results in money flowing from the banking system to businesses which increases the amount of money in circulation ✓✓
- Investments represent increase the capital stock and autonomous spending which lead to an overall rise in the flow of money in the economy ✓✓
  (Accept any other correct relevant response) (1 x 2) (2)

2.2 DATA RESPONSE

2.2.1 Identify an economic participant that owns the factors of production in the extract above. (1)

Households✓

2.2.2 Give the formula for calculating the value of the multiplier in a two-sector economy. (1)

1/1-mpc✓ OR 1/mps✓ OR ΔY/ΔJ✓

2.2.3 Briefly describe the term *multiplier effect.* (2)

A small initial increase in spending produces a proportionately larger increase in the national income. ✓✓
(Accept any other correct relevant response)

2.2.4 Explain the relationship between marginal propensity to consume (mpc) and the value of the multiplier. (2)

The smaller the marginal propensity to consume (mpc) is the smaller the value of the multiplier / The bigger the marginal propensity to consume (mpc) is the bigger the value the multiplier. ✓✓
(Accept any other correct relevant response)

2.2.5 How can an increase in imports impact the South African economy?

- An increase in imports represents a leakage as more funds will be flowing out of the economy. ✓✓
- Local firms may lose revenue as consumers shift spending to imported goods, reducing income in the business sector. ✓✓
- Lower production by local firms can lead to reduced wages and job losses, reducing household income. ✓✓
- Declining business profits and household income can lead to lower tax

revenue for the government. ✓✓

- When imports exceed exports, it can lead to a trade deficit, reducing the overall flow of income within the economy. ✓✓
- An increase in imports lead to currency depreciation as high demand for foreign currency weakens the rand. ✓✓
- It can drive industrial growth and lower prices for consumers, but if left unbalanced, it can lead to job losses in local manufacturing. ✓✓
- Increased imports may lead to closure of some local industries as their products may not satisfy the needs and preferences of consumers. ✓✓
- Consumers will benefit from a wider range of goods and services which may often come at lower prices due to increased competition. ✓✓
- Imports of capital goods can increase the production capacity of the business sector which increases economic growth. ✓✓
- Increase in imports may encourage domestic firms to become more efficient through international competition. ✓✓
- Local businesses may have more access to imported production inputs at a lower cost leading to lower manufacturing costs. ✓✓

(Accept any other correct relevant response) (2x2)(4)

2.3 DATA RESPONSE

2.3.1 Identify the method used to calculate gross domestic product (GDP) in the above table.

- Income method / GDP(I) ✓

2.3.2 Give ONE example of taxes on products.

- Value Added Tax / VAT ✓
- Excise duties ✓E.g. Sin tax, carbon tax, sugar tax, fuel levy
- Import duties / Custom duties / Import tariffs /✓

(Accept any other correct relevant response)

2.3.3 Briefly describe the term *subsidy on production*.

- Financial assistance or support by the government to reduce cost of production or encourage production of certain products or influence remuneration of the factors of production ✓✓

(Accept any other correct relevant response)

2.3.4 Why is it important for a country to prepare national account aggregates?

- To determine the level economic activity by measuring the value of real GDP in a country✓✓
- To measure economic growth by comparing real GDP figures for the current period with the previous ✓✓
- To measure the standard of living by determining the level of real GDP per capita✓✓
- To compare the levels of prosperity between countries ✓✓

(Accept any other correct relevant response)

2.3.5 Calculate the gross value added (GVA) at basic prices (A) in the table above. Show all calculations.

GVA at basic prices (A) = 5 453✓ + 1 32✓- 1 2✓
= R5 573 bn ✓

(4)

2.4 Discuss the financial market within the FOUR-SECTOR circular flow model.

- Financial markets facilitate the lending and borrowing of funds between economic participants who have surplus funds and those who need it.✓✓
- The market is not directly involved in the production of goods and services, but serve as a link between households and businesses. ✓✓
- Banks, insurance companies and pension funds form part of the financial market. ✓✓
- The financial market is divided into the money market and the capital market. ✓✓
- The money market provides for short-term deposits, loans and investments ✓✓
- Money market includes inter- bank lending for a period as short as overnight. ✓✓
- The South African Reserve Bank (SARB) administers the function of legislating and managing the money market. ✓✓
- Products traded in the money market include bank debentures and government bonds. ✓✓
- The capital market provides for long-term savings, loans and investments. ✓✓
- The Johannesburg Securities Exchange (JSE) is the key institution in this market. ✓✓
- Securities that are traded in the capital market are long-term deposits, mortgage bonds, shares etc. ✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 4 marks for mere listing of facts and examples)
(Allocate a maximum of 2 marks for examples only) (4 x 2)(8)

2.5 Analyse the importance of the financial sector in a circular flow model.

- The financial sector acts as an intermediary between savers and borrowers, helping to channel funds from households to firms. ✓✓
- Financial institutions accept deposits from households as savings, which represents a leakage from the circular flow. ✓✓
- The financial sector makes loanable funds available for households and businesses to borrow for investments, which are injections into the circular flow. ✓✓
- The financial sector provides loans and credit which support business expansion, job creation, and income generation for the economy. ✓✓
- The financial sector provides credit to households which enables them to demand more goods and services, thus increasing consumption. ✓✓
- In an open economy, foreign investments and capital flows are facilitated by the financial sector, allowing funds to move between countries. ✓✓
- The financial sector facilitates foreign exchange transactions which enables the importing and exporting of goods and services. ✓✓
- The financial sector supports balance of payments stability by influencing interest rates and capital inflows/outflows. ✓✓

(Accept any other correct relevant response) (4x2)
(Allocate a maximum of 2 marks for mere listing of facts.(8)

BUSINESS CYCLES

2.1 **Answer the following questions.**

2.1.1 Give any TWO examples of leading indicators.

- Job advertising space ✓
- Number of building plans approved✓
- Number of vehicles sold✓
- Net gold and other foreign reserves✓
- Real merchandise exports✓
- New companies registered✓
- Gold ore milled✓
- Interest rate spread✓
- Composite leading business cycle indicator for South Africa's major trading-partner countries✓
- Commodity price index for South Africa's main export commodities (US dollar based) ✓
- Average hours worked per factory worker in manufacturing (half weight) ✓
- Volume of orders in manufacturing (half weight) ✓
- Business Confidence Index✓
- Real M1 ✓

(accept any other correct relevant response)

2.1.2 How can competition stimulate aggregate supply in the economy?

- Competition may improve production efficiency resulting in more goods and services being produced in the economy. ✓✓
- Businesses may become more innovative, use new production techniques with higher productivity, and increase aggregate supply. ✓✓
- More businesses may be established which helps to increase the total output in the economy ✓✓

(Accept any other correct relevant response) (1x2)(2)

2.2 DATA RESPONSE

2.2.1 Identify a contraction phase of business cycles from the cartoon above.

- Recession ✓ (1)

2.2.2 Name any ONE monetary policy instrument that can be used to influence economic activity.

- Interest rate / repo rate ✓

- Open market transaction ✓
- Cash reserves requirements ✓
- Moral suasion ✓
- Exchange control ✓ (1)

2.2.3 Briefly describe the term *amplitude.*

- Measures the vertical distance between a peak and trough in a business cycle.✓✓ (Accept any other correct relevant response)(2)

2.2.4 Why are leading indicators important to policy makers in the economy?

- Give advance warning to policy makers of changes in aggregate economic activity which helps them to formulate suitable economic policies. ✓✓ (Accept any other correct relevant response)(2)

2.2.5 How can an economic recovery benefit the South African economy?

- The government will collect more tax revenue as households and businesses receive more income and expenditure increases. ✓✓
- Dependence burden for the government may decrease as it will spend less on social grants. ✓✓
- Financial capacity of the government to develop infrastructure and other projects increases as it receives more income. ✓✓
- Economic recovery may assist the government to achieve its objectives such as poverty alleviation and reduction in unemployment ✓✓
- More factors of production will be employed as production of goods and services increase ✓✓
- Business confidence may increase which leads to more investments and expansion of the industrial base ✓✓

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

2.3 DATA RESPONSE

2.3.1 Identify the period in which South Africa experienced the longest downswing.

- December 201 3 to April 201 7 ✓ (1)

2.3.2 Name the turning point of a business cycle associated with the highest level of inflation.

- Peak ✓ (1)

2.3.3 Briefly describe the term *extrapolation.*

- Estimating or forecasting something unknown based on known facts or information. ✓✓

(Accept any other correct relevant response) (2)

2.3.4 Explain the importance of the trend line in the forecasting of business cycles.

- Trend line shows the general direction in which the economy is heading. ✓✓
- A rising trend line indicates that the economy is gradually growing / A declining trend line indicates that the economy is gradually contracting. ✓✓

(Accept any other correct relevant response)

2.3.5 How can an economic recession influence households in the economy?

- During an economic recession households lose their jobs and other sources of income. ✓✓
- Households may be forced to look for alternative ways of generating income for survival, such as informal businesses. ✓✓
- Households buy less goods and services due to low income level leading to low standard of living. ✓✓
- Households may have to import goods and services due to product shortages on local markets. ✓✓
- Some households may be forced to migrate to other countries for employment opportunities and better standard of living. ✓✓
  (Accept any other correct relevant response) (2 x 2) (4)

2.4 Discuss the exogenous (monetarists) explanations of business cycle.

- Monetarists believed that markets are inherently stable. ✓✓
- Any fluctuations in economic activity are caused by external factors. ✓✓
- The growth path of the economy is determined by supply of factors of production. ✓✓
- The market forces of demand and supply will always bring the market back to equilibrium when imbalances develop. ✓✓
- Monetarists suggest that the government should not intervene in market operations because its intervention leads to deviation from the potential growth path. ✓✓
- Structural changes that affect production, employment, investments, government expenditure, taxes, imports and exports may lead to the expansion of business cycles. ✓✓
- Random socio-economic shocks, such as sudden increase in fuel prices may affect business confidence and consumers' confidence. ✓✓
- Natural disasters, such as droughts and floods may negatively affect agriculture, forestry and tourism, reducing the level of economic activity. ✓✓
- (Accept any other correct relevant response)
- (A maximum of 4 marks may be allocated for mere listing of facts)

- (A maximum of 2 marks may be allocated for mere listing of examples of exogenous factors or a maximum of 4 marks for the explanation of the examples) (4 x 2)

2.5 Analyse the fiscal policy measures that can be used to dampen the economy.

- Restrictive or contractionary fiscal policy is used during the prosperity phase of the business cycle to dampen the economy. ✓✓
- Decreasing government expenditure on infrastructural projects reduce demand for goods and services. ✓✓
- Cutting down on public sector wages (compensation of employees), may help to reduce aggregate demand for goods and services and discourage production. ✓✓
- Raising taxes on businesses will decrease profit prospects in the economy leading to an overall decline in the economic activity. ✓✓
- Increasing personal income tax may reduce disposable income, leading to a decline in consumer spending. ✓✓
- Increasing indirect taxes such as VAT, excise duties, etc. will increase the price of goods and services which reduces expenditure. ✓✓
- Reduction in social spending, such as welfare grants, may reduce the households' income level which leads to lower consumption expenditure. ✓✓
- A decrease in subsidies and incentives offered to businesses may lead to lower production output as the actual production cost incurred by producers increases. ✓✓
- The government can provide incentives for savings, such as tax-free savings accounts, to encourage people to save rather than to spend. ✓✓

(Accept any other correct relevant response)(4 x 2)
(A maximum of 2 marks may be allocated for mere listing of facts/examples)

PUBLIC SECTOR

2.1 Answer the following questions

2.1.1 Name any TWO levels (spheres) of the government.

- National/central✓
- Provincial/regional✓
- Local/municipalities✓ **(2 x 1)(2)**

2.1.2 How can the government exclude free riders from the consumption of public goods?

- The government may impose user charges/fees/levies for using collective goods such as stadiums and national roads. ✓✓
- The government may use taxes to prevent free-riders from consuming public goods by forcing everyone to contribute financially. ✓✓

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

2.2 DATA RESPONSE

2.2.1 Identify ONE factor that contributes to poor public sector provisioning in the above cartoon.

- Accountability✓ (1)

2.2.2 Name the type of public goods that are supplied free-of-charge.

- Community goods✓ (1)

2.2.3 Briefly describe the term *public secfor failure*.

- Public sector failure is when the government fails to manage the economy and the resources under its control optimally. ✓✓
- Occurs when the government fails to provide public goods in the desired quantities and quality. ✓✓

(Accept any other correct relevant response) (2)

2.2.4 Explain the effect of an increase in Value Added Tax (VAT) on businesses.

- Businesses may incur additional cost when adjusting the prices of goods and services that are VAT linked. ✓✓
- Businesses may be faced with lower demand for goods and services which may lead to a decline in sales revenue. ✓✓

(Accept any other correct relevant response) (2)

2.2.5 How can the privatisation of parastatals positively impact the government?

- Privatisation reduces the fiscal burden and state borrowing as the sale of public assets to the private sector generates additional revenue for the government. ✓✓
- The tax base for the government may expand which will increase tax revenue resulting in greater financial capacity to deliver other services. ✓✓
- Privatisation helps the government to achieve developmental goals, such as black economic empowerment through increased ownership and control of businesses by the previously disadvantaged groups. ✓✓
- Privatisation of state-owned enterprises may generate immediate income for the government, which can be used to reduce state debt. ✓✓

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

2.3 DATA RESPONSE

2.3.1 Identify the tax rate at which the government collects the maximum tax revenue in the graph above.

- 50% / 50 ✓ (1)

2.3.2 Name the main source of the government's tax revenue.

- Personal income tax ✓ (1)

2.3.3 Briefly describe the term *fiscal policy.*

- The changes in taxation and government expenditure to influence the level of economic activity. ✓✓

(Accept any other correct relevant response) (2)

2.3.4 How can government expenditure be used to encourage the production of goods and services?

- The government may pay subsidies as financial assistance or support to promote production of certain goods and services. ✓✓
- Critical infrastructure grant may be used as an incentive to encourage investments in improving infrastructure. ✓✓
- Spending on research and development may help businesses to use new production methods and technology which improves productivity. ✓✓
- Funding education and training helps the state to build highly skilled work force which will improve productivity and enabling businesses to produce more goods and services. ✓✓
- Improve the provision of public goods and infrastructural services, such as public roads, to promote economic activity. ✓✓

(Accept any other correct relevant response) (2)

2.3.5 Why will high tax rates generate less tax revenue for the government?

- When the tax rates are very high, individual taxpayers will be discouraged to work thus reducing the tax base and tax revenue for the government. ✓✓
- High corporate tax rates may discourage the establishment of new businesses and expansion of existing businesses which will reduce government's tax base and tax revenue. ✓✓
- High tax rates will encourage tax avoidance and tax evasion which reduces tax revenue. ✓✓
- High tax rates can lead to 'brain drain' and emigration of high-income earners and high net worth individuals, resulting in less tax revenue for the government. ✓✓

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

2.4 Briefly discuss full-employment and economic equity as macroeconomic objectives of the government.

Full employment

- Full employment is when all people who are looking for jobs get employed. ✓✓
- The aim of the government is to create decent and sustainable jobs. ✓✓
- Employment rate is measured as the percentage of the economically active population (EAP) that is employed. ✓✓
- In the short-term, employment can be increased by using direct employment schemes and subsidies such as youth employment subsidies. ✓✓

- In the medium term, government can support labour intensive activities especially in agricultural sector and provide investment incentives to businesses in industries that employ many people such as the manufacturing industry. ✓✓
- In the long term, the government can support knowledge intensive and capital-intensive sectors in order to remain competitive or improve the quality of education and training to increase the employability of the future labour force. ✓✓

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

Economic equity

- Economic equity refers to a situation whereby the resources of the economy are equally distributed amongst the population. ✓✓
- Income is more equally distributed when the Gini-coefficient is less than 0,5. ✓✓
- The distribution of income in the economy is not fair, as some people earn a large amount of money while others earn less. ✓✓
- In SA the income gap is still high as evidenced by the Gini-coefficient of above 0,6. ✓✓
- Through the progressive tax system, the government can redistribute income. ✓✓
- Progressive taxation means that higher income earners pay higher tax rates. ✓✓
- The government can help the poor with free basic education, free basic health-care, social grants, free services and subsidies. ✓✓

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

  (A maximum of 4 marks my be allocated for mere listing of facts/examples) (8)

2.5 How can the South African government use the national budget to promote the socio-economic rights of its citizens?

- Providing healthcare services for all, particularly the poor and disadvantaged by providing treatment for dieses, immunisations e.t.c, in rural and underserved areas. ✓✓
- Providing funds to schools, teacher salaries, learning materials and scholarships to help reduce educational inequality. ✓✓
- Investing in skills development programs to equip citizens with the skills needed for employment and economic participation. ✓✓
- Increasing social welfare programmes, which include child grants, pensions, disability grants and unemployment benefits. ✓✓

- Funding affordable housing projects and thereby addressing the housing backlog and improving the living conditions of low-income and previously disadvantaged groups. ✓✓
- Investing in basic services such as clean water, sanitation and electricity to ensure that citizens have access to basic infrastructure that supports their right to a safe and healthy environment. ✓✓
- Creating jobs and economic empowerment programmes to reduce unemployment and increase economic participation. ✓✓
- Supporting food security programs, particularly for vulnerable populations through nutrition programs, food assistance and community-based initiatives to ensure that people, especially children, have access to sufficient and nutritious food. ✓✓
- Developing basic infrastructure such as roads, electricity, water supply and sanitation, particularly in underserved and rural areas. ✓✓

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

(A maximum of 2 marks may be allocated for mere listing of facts) (8)

FOREIGN EXCHANGE MARKETS

2.1

2.1.1 Name any TWO types of exchange rate systems.

- Free floating ✓
- Managed / Controlled floating ✓
- Fixed ✓ (2 x 1) (2)

2.1.2 Why is the asset component subtracted when calculating net direct investment in the financial account of the Balance of Payments?

- Assets create a capital outflow when South Africans take money out of the country and invest it in other countries. ✓✓
  (Accept any other correct relevant response) (1 x 2) (2)

2.2 DATA RESPONSE.

2.2.1 Identify the item that records the purchase of shares in the table above.

- Net portfolio investments ✓ (1)

2.2.2 Name the sub-account of the balance of payment that records transactions relating to debt forgiveness.

- Capital transfer account✓ (1)

2.2.3 Briefly describe the term *direct investment*.

- An investment in real estate or fixed property and obtaining a meaningful share (10%-«) or control of such business. ✓✓

- It includes transactions relating to investments in foreign businesses and fixed property. ✓✓
  (Accept any other correct relevant response) (2)

2.2.4 Explain the purpose of unrecorded transactions in the balance of payments.

- To cater for errors and omissions in terms of timing, coverage and valuation. ✓✓
  (Accept any other correct relevant response) (2)

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

- Balance on Financial Account 62 869✓
- Less: balance on financial account excluding reserve assets 63 066 ✓

= Reserve assets -1 97✓

OR

- Reserve assets = 62 869✓ — 1 3 481 — 4 31 1 -« 23 348 — 68 622 ✓

= -1 97 ✓

- There is an increase in the reserve assets because the value of reserve assets has a negative sign (-). ✓ (4)

2.3 DATA RESPONSE

2.3.1 Identify the export price index for 2023, in the above graph.

- 1 76,6 ✓ (1)

2.3.2 State the formula for calculating the terms of trade.

- Terms of trade = $\frac{index\ of\ export\ prices}{index\ of\ import\ prices} x\ 100$ ✓ (1)

2.3.3 Briefly describe the term *globalisation.*

- The worldwide interaction of countries or economies with trade as an important element. ✓✓
  (Accept any other correct relevant response) (2)

2.3.4 Explain the effect of international trade on production of goods and services.

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

- Domestic production may decrease as local industries face unfair competition from foreign businesses ✓✓

(Accept any other correct relevant response) (2)

2.4 Briefly discuss specialisation and mass production as effects of international trade.

Specialisation

- Specialisation increases the standard of living, especially when the area of specialisation is in great demand due to a shortage of supply ✓✓
- Angola has oil deposits so it can specialise in oil production while Mozambique has no oil deposits and cannot specialise in oil ✓✓
- Countries that specialize in the production of a specific product will have the most competitive prices (can produce at a lower cost) ✓✓
- China has developed a competitive advantage in the production of textiles and they produce high-quality products at comparatively low prices ✓✓
- Countries that specialise in the production of goods and services that have inelastic demand such as oil, earn large amounts of export revenue✓✓
- International trade can have a negative impact on some industries and on people in other countries ✓✓
- South African textile producers cannot compete with Chinese producers and have had to close down, causing many workers to lose their jobs ✓✓

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

Mass production

- Mass production becomes possible if the foreign demand is added to domestic demand. ✓✓
- Large scale production results in the employment of more domestic factors of production, which improves the standard of living ✓✓
- Mass production promotes economies of scale as the unit cost of production decreases which allows consumers to pay lower prices✓✓
- When the producers' average cost decreases, it will increase their profitability. ✓✓
- Mass production ensures that producers can maximize their competitive edge on global markets ✓✓
- Mass production may promote dumping which may be regarded as unfair competition to other countries ✓✓
- Mass production may lead to over-exploitation of natural resources threatening environmental sustainability ✓✓

(Accept any other correct relevant response) (2 x 2)
(Allocate a maximum of 4 marks for a mere listing of facts/examples) (8)

2.5 How can the appreciation of the rand impact the South African economy?

Positive impact

- Importing production inputs such as crude oil, agricultural chemicals and vehicle parts will become less expensive curbing cost-push inflation ✓✓
- Lower cost of importing production inputs may increase domestic production which will stimulate economic growth and lower prices for goods and services ✓✓
- Foreign investors may be attracted to invest more in the economy because a stronger rand increases the returns on their investments ✓✓
- Import payments will decrease which may increase welfare as more resources may be used to produce more exports to finance higher cost of import ✓✓
- Export earnings will increase, resulting in an improvement in trade balance. ✓✓
- In the short-term, the terms of trade will improve as the prices of exports will be higher than import prices✓✓
- Outbound tourism activities will increase as more South African tourists will visit other countries due to the stronger rand ✓✓

Negative impact

- Demand for South African exports such as base metals and mineral products will decrease as they become relatively expensive ✓✓
- Local businesses will suffer in terms of profits due to their products becoming less competitive in global markets ✓✓
- Unemployment levels may increase as local businesses will be forced to reduce their production due to reduced exports ✓✓
- Inbound tourism activities will decrease as less tourists visit the country due to the stronger rand ✓✓
- Balance of payments deficit will increase as less goods are exported while more goods are imported due to a stronger currency ✓✓

  (Accept any other correct relevant response) (4 x 2)
  (A maximum of 2 marks may be allocated for mere listing of facts/examples) (8)

ECONOMIC PERSUITS

PROTECTIONISM AND FREE TRADE

3.1

3.1.1 Name any TWO demand reasons for international trade.

- Size of the population✓
- Income levels✓
- Change in the wealth of the population✓
- Preferences and taste✓
- The difference in consumption patterns✓

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

3.1.2 How can export promotion lead to economic growth?

- Export subsidies and incentives may encourage the production of goods and services for exporting which increases the gross domestic product and stimulates economic growth. ✓✓

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

3.2 DATA RESPONSE

3.2.1 Identify a trade restriction that refers to a tax levied on imported goods.

- Tariffs ✓ (1)

3.2.2 Name the international organisation that promotes the removal of trade restriction between countries

- World Trade Organisation (WTO) ✓ (1)

3.2.3 Briefly describe the term *embargo.*

- A ban on the export or import of a product and/or ban on trade with a particular country. ✓✓
  (Accept any other correct relevant response) (2)

3.2.4 Explain the importance of protecting infant industries from foreign competition.

- Protection allows newly established infant industries to establish themselves such that they can take advantage of economies of scale and become competitive. ✓✓
- Protecting infant industries helps to create local employment opportunities and stimulates economic development in emergingsectors. ✓✓
- Protecting infant industries will help to diversify production in industries. ✓✓
- Protecting infant industries can assist a country to become less dependent of foreign goods and services. ✓✓
  (Accept any other correct relevant response) (2)

3.2.5 How can the economy benefit from specialising in the production of a specific product?

- Specialisations may lead to lower cost of production which can increase profit margins for the producers. ✓✓
- Consumers may pay lower prices for goods and services which leads to better standard of living. ✓✓
- The economy may develop absolute or comparative advantage, which helps to minimise wastage of resources. ✓✓
- Total output may increase due to higher productivity (mass production), which promotes economic growth. ✓✓
- International trade may increase through the cost advantages. ✓✓
(Accept any other correct relevant response) (2 x 2) (4)

3.3 DATA RESPONSE

3.3.1 Identify in the extract above the trade protocol that aims to reconstruct and develop Southern Africa's social and economic framework.

- Southern African Development Community / SADC✓ (1)

3.3.2 Name the international organisation that facilitates free trade.

- World Trade Organisation / WTO✓ (1)

3.3.3 Briefly describe the term *trade liberalisation.*

- The abolishment of government intervention in trade flows on both the import and the export side. ✓✓
- The removal of trade restrictions such as tariffs and quotas on exports and imports to allow free flows of goods and services between countries. ✓✓
(Accept any other correct relevant response) (2)

3.3.4 Explain a benefit of the African Growth Opportunity Act (AGOA) to South Africa.

- Local producers may enjoy duty-free access on their exports to the USA market which makes their goods more competitive. ✓✓
- AGOA promotes industrial growth and diversification in South Africa. ✓✓
- Increase in exports production may lead to an increase in employment in South Africa. ✓✓
- (Accept any other correct relevant response) (2)

3.3.5 How can dumping impact producers in importing countries?

- Producers in importing countries may face unfair competition as foreign enterprises sell their product at very low prices. ✓✓
- Local producers may be forced to shut down their operations due to low demand for their products. ✓✓
- Businesses in importing countries may be forced to reduce their prices to match prices of foreign products which may lead to low profit margins. ✓✓
- (Accept any other correct relevant response)(2 x 2) (4)

3.4 **Briefly discuss specialisation and innovation as arguments in favour of free trade.**

Specialisation

- Comparative advantage shows that world output can be increased if countries specialise in what they are relatively best at producing. ✓✓
- If countries specialise the goods for which they have a comparative advantage world trade and consumption will be maximised. ✓✓
- The effect of increasing living standards results in the trading of more goods and services. ✓✓
- Allows industries that have a comparative advantage with a lower opportunity cost. ✓✓
- Specialisation increases economic efficiency and prevents the wasting of resources. ✓✓
- Each country that is best suited for specific goods and services will engage in producing more of those goods or services. ✓✓ (2 x 2)

Innovation

- Free trade leads to increased competition, which provides a powerful incentive for innovation. ✓✓
- Free trade allows countries to introduce new products that can be exported to foreign markets ✓✓
- Enterprises compete to find production methods that cut costs and improve quality and reliability of goods. ✓✓
- Competition on international markets may force businesses to implement the latest technology and continuously improve their systems. ✓✓ (2 x 2)

(Accept any other correct relevant response)
(A maximum of 4 marks may be allocated for mere listing of facts/examples) (8)

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

Positive impact

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

Negative impact

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

(Accept any other correct relevant response) (4x2)
(Allocate a maximum of 2 marks for a mere listing of facts/examples) (8)

ECONOMIC GROWTH AND DEVELOPMENT

3.1

3.1.1 Name any two cash benefits provided by the government to households.

- Child support grant✓
- Foster care/child grant✓
- Care dependency grant✓
- Old age grant✓
- Disability grant✓
- Social relief of distress grant/SRD grant✓
- Grant-in aid✓
- War veterans grant✓

(Accept any other correct relevant response)

3.1.2 How can the government use land restitution to achieve its development and redress objectives ?

- The government can return land or pay cash compensation to those who lost their land because of discriminatory laws in the past to improve the standard of living for the previously disadvantaged people✓✓.

(Accept any other correct relevant response) (2)

3.2 DATA RESPONSE

3.2.1 Identify a socio-economic problem addressed by the Expanded Public Works Programme in the extract above.

- Unemployment ✓ (1)

3.2.2 Name the growth and development policy that aims to eliminate poverty and reduce inequality by 2030.

- National Development Plan / NDP ✓ (1)

3.2.3 Briefly describe the term *labour-intensive.*

- Processes or tasks that require more human efforts than capital to produce goods and services. ✓✓

(Accept any other correct relevant response) (2)

3.2.4 Explain the impact of poor infrastructure on economic growth.

- Poor infrastructure such as aging road networks may disrupt the distribution of production inputs and final goods leading to low production and a decline in economic growth. ✓✓

- Poor infrastructure may discourage foreign and domestic investments which limits the production capacity of the economybecause it will be expensive for entrepreneurs to operate their businesses. ✓✓
- Poor energy supply will make businesses to produce less output which decreases economic growth. ✓✓

(Accept any other correct relevant response) (2)

3.2.5 How can the Expanded Public Works Programme help to improve the standard of living?

- Expanded Public Works Programme (EPWP) provides temporary employment opportunities which create sources of income for the disadvantaged households. ✓✓
- EPWP provides opportunities for skills development for the participants to be absorbed into the labour market. ✓✓
- EPWP contributes to poverty alleviation by allowing households to start small businesses using skills acquired. ✓✓

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

3.3 DATA RESPONSE

3.3.1 Identify the growth and development initiative that provides temporary employment for unskilled labour in the cartoon above.

- EPWPP✓ (1)

3.3.2 Name the government initiative that aimed at halving unemployment and poverty by 2014.

- Accelerated and Shared Growth Initiative for South Africa / AsgiSAP✓ (1)

3.3.3 Briefly describe the term *economic development*.

- The improvement in the standard of living for a country's population over a period of time / Economic development is measured in terms of increases in per capita real GDP. ✓✓

(Accept any other correct relevant response) (2)

3.3.4 Explain the shortcoming of the National Skills Development Strategy regarding employment levels.

- Skills training does not always guarantee job opportunities due to skills mismatches and demands of the labour market. ✓✓
- Despite training initiatives, many beneficiaries struggle to find permanent jobs. ✓✓
- The South African economy is not growing fast enough to absorb newly trained job seekers. ✓✓

(Accept any other correct relevant response) (2)

3.3.5 Why is the National Development Plan important to achieve economic development in South Africa?

- The NDP aims to create a more equitable society by focusing on housing, healthcare and social security in order to reduce poverty and address historical inequalities. ✓✓
- The NDP helps to achieve inclusive economic growth by ensuring economic participation of previously disadvantaged groups. ✓✓
- The NDP promotes private investments which helps to reduce the high levels of unemployment, especially among the youth. ✓✓
- Improves the quality of education, training and skills development to build a productive workforce. ✓✓

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

3.4 Briefly discuss the Broad-Based Black Economic Empowerment Programme (BBBEE) and the National Skills Development Strategy (NSDS) as South African growth and development policies and strategic initiatives.

Broad-Based Black Economic Empowerment Programme (BBBEE)

- BBBEE promotes inclusive economic participation for black South Africans to address historical inequalities. ✓✓
- The strategy provides a legal basis for the transformation of the South African economy. ✓✓
- The objectives are redress and affirmative action in the workplace and business environments. ✓✓
- BBBEE promotes growth and development through preferential procurement, enterprise development, skills development, and the promotion of ownership and management. ✓✓

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

National Skills Development Strategy (NSDS)

- The NSDS aims to improve the skills of the South African labour force to meet economic needs, reduce unemployment, and promote equity. ✓✓
- The NSDS is intended to radically transform education and training in South Africa. ✓✓
- The strategy identifies and provides training for skills that are in high demand to boost economic productivity. ✓✓
- The NSDS improves the quality training programs, through partnerships between educational institutions, employers, and SETAs. ✓✓
- The strategy focuses on providing skills acquisition opportunities to historically disadvantaged groups, to transform racial and gender inequalities in the labour force. ✓✓

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

(A maximum of 4 marks may be allocated for mere listing of facts/examples) (8)

3.5 Discuss the unequal standards of living between the countries in the North (developed) and those in the South (developing).

- Countries in the North, such as the United States, Germany and

Japan, have significantly higher per capita income, advanced technology and stable financial systems. ✓✓

- Countries in the South, such as Nigeria, India and Brazil, often face lower per capita income, largely due to economic instability, reliance on primary industries and income inequality. ✓✓
- Life expectancy in Northern countries is much higher, often exceeding 75 years, because of better healthcare, nutrition and living conditions. ✓✓
- Many countries in the South struggle with shorter life expectancy, often below 65 years, due to poverty, inadequate healthcare systems, malnutrition and higher disease prevalence. ✓✓
- Education systems in the North are well-funded, widely accessible and have high literacy rates, with many people completing secondary and tertiary education. ✓✓
- In the South, educational opportunities are often limited, with higher dropout rates, inadequate infrastructure, and lower literacy levels, especially in rural areas. ✓✓
- Economic constraints and political instability further hinder access to quality education in many developing nations. ✓✓

(Accept any other correct relevant response) (4 x 2)
(Allocate a maximum of 4 marks for mere listing of facts)

REGIONAL DEVELOPMENT

3.1

3.1.1 Name any TWO Spatial Development Initiatives (SDIs) in South Africa.

- KwaZulu-Natal SDI ✓
- Platinum SDI ✓
- Wild Coast SDI✓
- Fish River SDI ✓
- West Coast Investment Initiative✓
- Coast to Coast Corridor ✓
- Phalaborwa SDI ✓
- Maputo Development Corridor ✓
- Lubombo SDI ✓
- Richards Bay SDI✓

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

3.1.2 How can the Integrated Manufacturing Strategy (IMS) promote industrialisation in South Africa?

- IMS focuses on improving the competitiveness of manufacturing businesses by improving infrastructural services such as energy, communication and transport ✓✓
- The strategy aims to improve cross-cutting issues by examining a range of factors such as technology, innovation and human resources ✓✓
- Access to finance is improved through the provision of funding for the development of industries ✓✓
- IMS involves the up-skilling of human resources through skills development programmes to improve labour productivity and the quality of goods and services ✓✓

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

3.2 DATA RESPONSE

3.2.1 Identify the benchmark criterion that promotes transparency in regional development in the cartoon above.

- Good governance✓ (1)

3.2.2 Give the term that refers to the concentration of economic activities in a few urban areas.

- Industrial centralisation✓ (1)

3.2.3 Briefly describe the term regional development.

- The process of improving the economic livelihood of specific areas or regions in a country to reduce inequalities. ✓✓
  (Accept any other correct relevant response) (2)

3.2.4 Explain the benefit of investing in human capital.

- Investment in human capital assures the government of more skilled labour force which will stimulate sustainable long-term economic growth. ✓✓
- The standard of living of the citizens may improve as skills development will help people to be employed or create employment. ✓✓
- Improving the productivity of a business which could lead to lower production unit cost which leads to economies of scale. ✓✓
- Investing in human capital through education, training yields high return and boost work force productivity. ✓✓
- A skilled work force drives innovation, and improves overall economic growth. ✓✓
  (Accept any other correct relevant response) (2)

3.2.5 Why is industrial development important in the economy?

- The establishment of new industries will create new job opportunities which helps to reduce the level of unemployment. ✓✓
- Foreign direct investment (FDI) will be attracted by incentives offered by the government and export-oriented industries may be established in demarcated areas. ✓✓
- The production capacity of the economy will increase which will lead to high rates of economic growth. ✓✓
- South African consumers will benefit by having a wider choice on goods and services produced by new industries. ✓✓
- Industrial development makes South Africa less reliant on products from other countries through diversification. ✓✓
- Industrialisation promotes beneficiation by adding value to the raw materials before they are exported which helps to improve the trade balance. ✓✓
  (Accept any other correct relevant response) (2 x 2) (4)

3.3 DATA RESPONSE

3.3.1 Identify any ONE challenge faced by South Africa in implementing special economic zones (SEZ), from the extract above.

- Unplanned projects ✓ (1)

3.3.2 Name the purpose- built industrial estate that is physically enclosed and linked to an international airport or sea port.

- Industrial Development Zone/IDZ ✓ (1)

3.3.3 Briefly describe the term *industrial development*.

- Implementation of policies that are aimed at increasing and encouraging industrial investment and efficiency✓✓
  (Accept any other correct relevant response) (2)

3.3.4 Explain the importance of positive investor confidence to the economy.

- More businesses will be established which will expand the industrial base of the economy. ✓✓
- Foreign direct investments (FDIs) may be attracted to the economy which increases capital inflow and stabilise the value of local currency. ✓✓
- Increase in economic activity due to a positive investor sentiment may create new job opportunities and increase tax revenue for the government. ✓✓
  (Accept any other correct relevant response) (2)

3.3.5 How can businesses benefit from operating in special economic zones (SEZs)?

- Businesses that operate in special economic zones (SEZs) have access to world class infrastructure, such as ICT, which allow them to operate efficiently. ✓✓
- Companies located in SEZs may benefit from tax reliefs and support systems provided by the government to promote industrial development. ✓✓
- Businesses in SEZs may receive financial incentives, such as the skill support programme and duty-free incentive, which reduce their cost of doing business and improve their competitiveness. ✓✓
  (Accept any other correct relevant response) (2 x 2) (4)

3.4 **How can the South African government ensure the success of regional development policies?**

- Minimise government intervention in the market so that the forces of demand and supply as well as the profit motive can ensure the effective allocation of resources through market orientation. ✓✓
- Manage regional development policies more effectively to ensure that they are free of corruption and red tape. ✓✓
- Promoting transparency by encouraging free and open engagement to gain a sense of ownership for regional development policies. ✓✓
- Promoting effective financial management to ensure that resources are not wasted and are properly accounted for. ✓✓
- Provide poorly resourced areas with sufficient resources, such as human and financial resources, to ensure proper implementation of policies. ✓✓

- Ensuring a holistic development by providing social resources such as education and health to underdeveloped regions of the country. ✓✓
- Promote integration by ensuring that the benefits of one region spills-over to other areas and no region develops at the cost of another region's potential. ✓✓
- Promote partnership in regional development by building a relationship between central government, local authorities, civil society, private sector, special interest groups and international partners ✓✓
- Increase the competitiveness of businesses through innovation to improve the overall quality of the manufactured products. ✓✓
- Promote the use of efficient production techniques which will lead to superior manufactured goods and expand to international markets. ✓✓
- Investing more money in infrastructure such as transport and energy to improve the economic livelihood of underdeveloped areas ✓✓
- Encourage local governments to pursue their own economic potential so that the entire country can benefit. ✓✓
- Promote decentralisation of economic hubs to ensure more equal representation of all regions. ✓✓

  (Accept any other correct relevant response)
  (Allocate a maximum of 2 marks for mere listing of facts) (4 x 2) (8)

3.5 Analyse the importance of private-public partnerships (PPPs) in implementing spatial development initiatives in South Africa.

- PPPs bring private investment and funding to complement public sector budgets, especially for large-scale infrastructure. ✓✓
- The private sector offers technical knowledge, innovative solutions, and advanced technologies that can improve the quality and efficiency of spatial development. ✓✓
- PPPs allow for the sharing of financial, technical, and operational risks between the public and private sectors, making large projects more feasible and manageable. ✓✓
- Performance-based contracts and private sector management expertise lead to more efficient project execution and better cost management. ✓✓
- PPPs ensure that private partners are held accountable for not meeting specific standards and benchmarks. ✓✓
- PPP projects, such as large-scale infrastructure, inject significant resources into a region and create opportunities for local businesses. ✓✓
- PPPs can be used to develop sustainable business models for allocating funds, integrating technologies, and improving data governance for better urban planning and management. ✓✓
- PPPs encourage job creation by attracting private investment and fostering entrepreneurship. ✓✓
- PPPs may strengthen good governance and accountability through shared responsibilities and performance-based agreements. ✓✓
- Supports socio-economic inclusivity by integrating businesses into community upliftment initiatives. ✓✓

- Enables skill development and knowledge transfer from private enterprises to public entities and local workforce. ✓✓
- Stimulates foreign direct investment by creating a conducive business environment backed by government support. ✓✓
- Enhances environmental sustainability through joint efforts in green infrastructure, waste management, and conservation projects. ✓✓
- Accelerates urban and rural development by aligning corporate interests with national and regional strategies. ✓✓
- Improves resilience against economic and social challenges by leveraging the strengths of both sectors. ✓✓
- Facilitates funding and resource sharing between government and private sector, reducing financial burdens on public institutions. ✓✓
- (Accept any other correct relevant response) (4 x 2)
- (Allocate a maximum of 2 marks for mere listing of facts) (8)

ECONOMIC AND SOCIAL INDICATORS

3.1

3.1.1 Name any TWO international organisations that require members to standardise economic and social indicators.

- International Monetary Fund (IMF) ✓
- World bank ✓
- United nations (UN) ✓

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

3.1.2 Why is it important to compile economic indicators in the economy?

- Economic indicators are used to measure the overall economic performance and assist the government to formulate suitable policies to improve performance. ✓✓
- To establish the state of the economy and to assess how the economy is performing from time to time in order to assist policymakers to make informed economic decision. ✓✓
- To compare the country's economic performance with other countries in order to assess development progress. ✓✓
- To compare economic performance between different sectors or regions within a country. ✓✓

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

3.2 DATA RESPONSE

3.2.1 Identify the service to which the households have the lowestaccess in the graph above.

- Refuse removal ✓ (1)

3.2.2 Name the social indicator that relates to the migration of people from rural areas to urban areas.

- Urbanisation ✓ (1)

3.2.3 Briefly describe the term *sanitation.*

- The provision of facilities and services, such as toilets, garbage disposal and sewerage system, to ensure safe disposal of human waste, hygiene and cleans environment to protect people's health. ✓✓
  (Accept any other correct relevant response) (2)

3.2.4 Explain the impact of an increase in population on a country's labour force.

- An increase in population increases the number of people who are available to work increasing the labour force. ✓✓
- An increase in supply of labour may lead to lower wages and salaries for the labour force. ✓✓
- A larger population brings a variety of skills and experiences to the labour market. ✓✓
- An increasing population may cause unemployment because there might not be enough jobs for everyone seeking work. ✓✓
- Social and economic inequalities gap may widen as some groups cannot access education, training, and job opportunities. ✓✓
  (Accept any other correct relevant response) (2)

3.2.5 How can access to clean water boost a country's economic performance?

- Clean water helps prevent diseases thus keeping workers healthy, reduces sick days, and boosts productivity. ✓✓
- Access to clean water promotes regular school attendance that leads to a better-educated workforce with higher earning potential. ✓✓
- Access to clean water may attract tourists to the country which increases economic activity. ✓✓
- Countries with reliable supply of clean water are more attractive to businesses that want to invest. ✓✓
  (Accept any other correct relevant response) (2 x 2) (4)

3.3 DATA RESPONSE

3.3.1 Identify the employment rate for the second quarter of 2024 in the table above.

- 66.5% ✓ (1)

3.3.2 Give ONE reason for high unemployment rate in South Africa.

- Low economic growth / low production ✓
- Lack of investment /✓
- Lack of skills / Irrelevant skills ✓
- Capital-intensive production methods ✓
  (Accept any other correct relevant response) (1)

3.3.3 Briefly describe the term *economically active population* (EAP).

- The total number of people between the ages of 1 5 to 64 who are willing and able to work. ✓✓

(Accept any other correct relevant response) (2)

3.3.4 Explain the importance of compiling the consumer price index (CPI) figures.

- To measure the cost of living for the households or negotiate for wage increases✓✓
- To measure consumer inflation in the economy ✓✓
- To determine repo rate/interest rate adjustments ✓✓
  (Accept any other correct relevant response) (2)

3.3.5 How can the South African economy benefit from an increase in employment?

- The level of households' income will increase which stimulates demand for goods and services. ✓✓
- Increased consumer spending will encourage businesses to produce more output thereby stimulating economic growth. ✓✓
- Increase in aggregate demand may attract more investments which expands the industrial base of the economy. ✓✓
- The government may collect more tax revenue as more households receive income from their employment. ✓✓
- Higher tax revenue collected by the government may be used to implement infrastructure development projects ✓✓
  (Accept any other correct relevant response) (2 x 2) (4)

3.4 Briefly discuss housing and urbanisation as social indicators.

Housing

- A significant percentage (over 84%) of South Africans are living in formal dwellings. ✓✓
- Approximately 12% of the population lives in informal houses, which are mostly squatter settlements on the periphery of cities and towns. ✓✓
- A smaller percentage (about 4%) of South Africans are living in traditional homes in rural villages. ✓✓
- Many South African citizens are poor and cannot afford property. ✓✓
- The government supplies housing subsidies and the private sector provides housing loans. ✓✓
- The government built a significant number (about 2.7million) of low-cost houses over the past years, but there is still a backlog (over 2 million houses). ✓✓
- Adequate housing can facilitate labour mobility within the economy and help the economy adjust to adverse shocks. ✓✓ (2 x 2)

Urbanisation

- Urbanisation occurs because people move from rural areas (countryside) to urban areas increasing the proportion of people living in towns and cities. ✓✓
- South Africa is urbanising rapidly with a significant proportion (about 67%) of households already living in urban areas. ✓✓
- The proportion of households living in urban areas is expected rise (to over 70% by 2030) which will increase demand on basic infrastructure requirements. ✓✓

- Urbanisation is measured/caused by natural growth of the urban population, rural-urban migration and the establishment of new towns. ✓✓ (2 x 2)
  (Accept any other correct relevant response)
  (Allocate a maximum of 4 marks for mere listing of facts) (8)

3.5 How can changes in the various economic indicators be used to show improvement in the performance of the economy?

- A decrease in the Consumer Price Index (CPI) shows lower cost of living in the economy which triggers an increase in demand for goods and services. ✓✓
- A decline in the Producer Price Index (PPI) indicates lower cost of production and encourages the production of more goods and services. ✓✓
- An improvement in the terms of trade means that South Africa gets more income for exports which is used to finance import expenditure, strengthening economic stability in the short term. ✓✓
- An improved terms of trade may reflect a surplus in the current account which serves as a yardstick for a healthy economy. ✓✓
- A higher employment rate reflects economic stability which boosts
- consumer spending, tax revenues, and economic growth. ✓✓
- Higher labour productivity indicates enhanced economic efficiency, competitiveness, and GDP growth. ✓✓
- Lower interest rates encourage spending and investment to boost economic activity. ✓✓
- Higher interest rates curb inflation and attracts foreign investment which will lead to an increase in economic growth. ✓✓
- A weaker exchange rate means results in exports becoming cheaper and more competitive in the global market which improves the trade balance of the current account. ✓✓
- A stronger exchange rate shows that the country will pay less for imports which reduces inflation. ✓✓
- An increase in money supply (M1 , M2 and M3) reflects higher liquidity, expanding credit availability and boosting short-term spending. ✓✓
  (Accept any other correct relevant response) (4 x 2)
  (A maximum of 2 marks may be allocated for mere listing of facts/examples) (8)

CIRCULAR FLOW

QUESTION 5: MACROECONOMICS 40 MARKS — 40 MINUTES

- Discuss in detail the markets within the four-sector circular flow model. (26 marks)
- Evaluate the contribution of the business sectors to the development of the South African economy. (10 marks)

INTRODUCTION

- The circular flow is a simplified economic model that illustrates the inter-relationship between the economic participants. ✓✓
- A market is a mechanism that brings buyers and sellers together to exchange different types of products. ✓✓
  (Accept any other correct relevant introduction) (Max 2)

BODY: MAIN PART

FOUR TYPES OF MARKETS IN THE CIRCULAR FLOW

(a) **Goods market / Product market / Output market /**✓

- Product market is where goods and services are bought and sold. ✓✓
- Firms, government and foreign sector supply goods and services within the open economy which represents the real flow. ✓✓
- Consumers, firms, government and foreign sector buy goods and services from the goods market and their payments represent money flow. ✓✓
- Goods are defined as any tangible items such as food, clothing and cars that satisfy some human needs. ✓✓
- Services are defined as non-tangible actions which include transportation, retailing and financial transactions. ✓✓
- Consumer goods market involves the trading of durable consumer goods, semi-durable consumer goods and non-durable consumer goods. ✓✓

A further distinction is made between the following consumer goods:

- Non-durable goods are those items that are used up when they are consumed and cannot be re-used, such as petrol and beverages. ✓✓
- Semi-durable goods last for a short period of time and can be used more than once, such as printer cartridge and a pen. ✓✓
- Durable goods can be used over again and do not wear out very easily, such as vehicles and furniture. ✓✓
- Capital goods are those goods which are purchased by businesses for use in the production process and they are purchased in the capital goods market. ✓✓

(b) **Factor market / Resources market / Input market /**✓

- Factor market is where factors of production are exchanged. ✓✓
- The labour market, property market and the financial markets are part of the factor market. ✓✓

- Households are the owners of factors of production and they sell them to firms to produce goods and services. ✓✓
- The factors of production are labour, entrepreneurship, capital and land and they are exchanged for wages, profit, interest, and rent respectively. ✓✓
- The factors of production are labour, entrepreneurship, capital and land and they are exchanged for wages, profit, interest, and rent respectively. ✓✓

The factor market can be further subdivided into the following markets in which different factors of production are traded:

- A labour market where labour is traded, for example, the business done in employment agencies and labour brokers. ✓✓
- A natural resource market where land and other natural resources are traded. ✓✓
- Factor services are real flows and they are accompanied by counter flows of income on the factor market. ✓✓

(c) **Financial markets** ✓

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

Money market ✓

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

Capital market ✓

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

(d) **Foreign exchange market / Foreign currency market / Forex market**✓

- The foreign exchange market is where different currencies of all the countries are traded. ✓✓ e.g. The South African rand can be exchanged for the US dollar in this market. ✓

- The foreign exchange market originates when one country imports goods from another country and domestic currency have to be exchanged in order to pay for such imports ✓✓
- Foreign exchange can be bought and sold at the banks and foreign exchange agencies✓✓
- The South African rand is freely traded in the forex markets and its value is determined by the market forces of demand and supply. ✓✓

(Accept any other correct relevant response)

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

ADDITIONAL PART

Evaluate the contribution of the business sectors to the development of the South African economy.

POSITIVES

- Businesses create job opportunities directly and indirectly, helping to lower
- unemployment rates. ✓✓
- The business sector offers skills development opportunities, such as in-service training and employee workshops, which improve workforce skills and enhance productivity. ✓✓
- Businesses contribute largely to the gross domestic product (GDP) of a country through the production of goods and services as the main driver of economic growth. ✓✓
- The sector invests in research and development, which encourages innovation and entrepreneurship. ✓✓
- Businesses pay corporate tax to the government which is then used to fund public services and infrastructural projects. ✓✓
- Businesses may work in partnership with the government to develop infrastructure, such as construction of roads, transportation and communication systems which promote economic activity and economic growth. ✓✓
- Businesses participate in international trade activities enhancing competitiveness of the country's exports. ✓✓
- Businesses engage in corporate social investment (CSI) projects which help to improve the welfare of communities. ✓✓

NEGATIVES

- The business sector widens inequality gap through paying low wages to workers. ✓✓
- Businesses being profit driven, sometimes they fail to consider the negative impact of their activities to the environment such as pollution. ✓✓
- The unfair business practices such as collusion, may result in consumer exploitation through high prices. ✓✓

(Accept any other correct relevant response) (Max 10)
(A maximum of 2 marks may be allocated for mere listing of facts/examples)

CONCLUSION

- Markets are critically important institutions in the economic system because they regulate the market, safeguard price stability and enhance both the business and consumer confidence. ✓✓
  (Accept any other higher-order conclusion) (Max. 2) [40]

BUSINESS CYCLES

QUESTION 5

- Discuss in detail 'The new economic paradigm'/Explain the 'smoothing of cycles' (26 marks)
- Why is it impossible to achieve zero unemployment and low inflation rates in an economy? (10 marks)

INTRODUCTION

- The new economic paradigm suggests that it is possible to implement measures to promote economic growth and reduce unemployment without provoking inflation. ✓✓
- The new economic paradigm is embedded in both demand-side and supply-side policies. ✓✓

(Accept any other correct relevant introduction) Max. 2

MAIN PART

Demand-side policies: ✓

Monetary policy: ✓

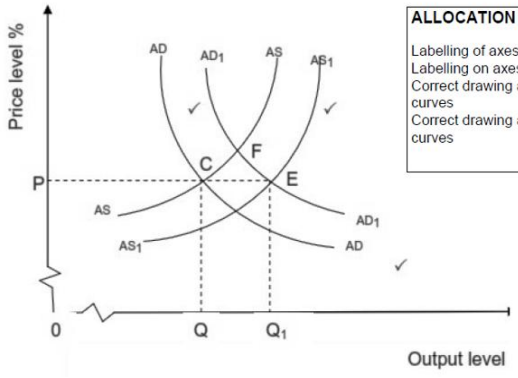
- When the level of economic activity is depressed, the SARB can use expansionary measures to stimulate economic activities. ✓✓
- An expansionary monetary policy is implemented when the economy is in recession in order to stimulate economic activities. ✓✓
- Interest rates can be reduced to make borrowing cheaper and encourage spending by households and businesses. ✓✓
- The increased spending increases the level of economic activity, investment will increase and more factors of production will be employed. ✓✓
- Higher levels of production, income and expenditure will be achieved. ✓✓
- If the supply of goods and services does not increase in line with increase in demand, inflation will increase. ✓✓

Fiscal policy: ✓

- When the level of economic activity is low, expansionary fiscal measures can be used to stimulate growth and reduce unemployment. ✓✓
- An increase in government expenditure will increase aggregate demand as more people will be employed and earn an income. ✓✓
- When there is an increase in injection in the economy, production will result in a higher employment of factors of production. ✓✓
- The result will be higher income and higher expenditure. ✓✓
- Taxes can be reduced, which will lead to an increase in disposable income. ✓✓
- This will increase consumer spending and investments, stimulating aggregate demand. ✓✓

Inflation: ✓

- Aggregate demand increases more quickly than aggregate supply and this causes prices to increase.✓✓
- If the supply does not react to the increase in demand, prices will increase and this will lead to inflation. ✓✓
- Aggregate demand and supply are in equilibrium where AD = AS at point C, and again where AD1 = AS1 at point E.✓✓
- The diagram below illustrates that if AD increases to AD1 and AS does not respond, the new equilibrium will be at point F, therefore, real production will increase and prices will also increase, inflation will prevail. ✓✓

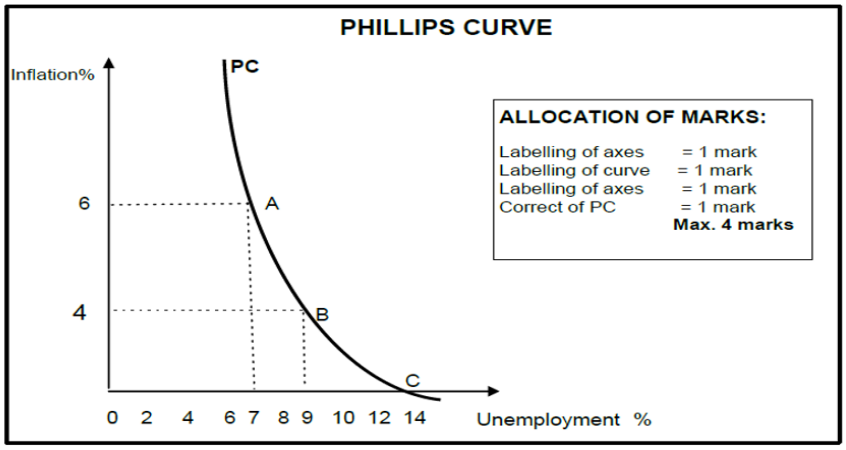


ALLOCATION OF MARKS:

Labelling of axes = 1 mark
Labelling on axes = 1 mark
Correct drawing and labelling of AD curves = 1 mark
Correct drawing and labelling of AS curves = 1 mark
Max. 4 marks

Unemployment: ✓

- Demand-side policies are effective in stimulating economic growth during economic recession. ✓✓
- The demand for labour will increase due to economic growth, and that leads to reduced unemployment. ✓✓
- A decrease in unemployment results in an increase in inflation because more people are employed, which causes an increase in demand for labour. ✓✓
- This relationship between unemployment and inflation is illustrated using the Phillips curve. ✓✓



ALLOCATION OF MARKS:

Labelling of axes = 1 mark
Labelling of curve = 1 mark
Labelling of axes = 1 mark
Correct of PC = 1 mark
Max. 4 marks

- The Phillips curve shows the negative or inverse relationship between unemployment and inflation. ✓✓

- PC shows the initial situation, where at point C the PC curve intersects x/axis i.e. natural rate of unemployment is 14%. ✓✓
- If unemployment falls to B i.e. 9% causes wages to increase, and inflation will kick in and increase to 4%. ✓✓
- The government can choose how much unemployment wishes to trade-off for inflation. ✓✓

SUPPLY-SIDE POLICIES✓

Reducing cost of doing business ✓

- Improving infrastructural services such as communication, transport and energy can lower logistical costs for businesses. ✓✓
- Simplifying and streamlining administrative costs such as inspections and regulations can reduce compliance costs for businesses, making it easier and cheaper to operate. ✓✓
- Cash incentives such as subsidies can be used to encourage businesses to locate in areas where unemployment is high. ✓✓
- Subsidies can also be used to compensate exporters for certain costs they incur to encourage increased production aimed at foreign markets. ✓✓

Improving efficiency of inputs ✓

- Lower rates of personal income tax are incentives for high productivity and increase aggregate supply. ✓✓
- Capital consumption: by replacing capital goods on a regular basis that will create opportunities for businesses to keep up with technological development. ✓✓
- Businesses are allowed to subtract depreciation allowance before tax is deducted from their profits in order to reduce their tax liability. ✓✓
- Human resources development: the quality of labour can be improved by improving health care, education and training which will increase the efficiency of businesses. ✓✓
- Free advisory services given to businesses can promote opportunities to export and establish business activities in foreign countries and this includes information on weather forecasts, veterinary services and research and development (R&D).✓✓

Improving efficiency of markets ✓

- Deregulation involves removal of laws, regulations and by-laws to make markets free labour and other resource inflexibilities should be addressed. ✓✓
- Competition is encouraged to establish new businesses, invite foreign direct investment and remove power imbalances. ✓✓
- Levelling the economic playing fields: private businesses cannot compete with public enterprises due to legislative protection. ✓✓

(Accept any other correct relevant response)
(Allocate a max of 8 marks for heading / subheadings and examples) Max. 26

ADDITIONAL PART

Why is it impossible to achieve zero unemployment and low inflation rates in an economy?

- It is impossible to achieve zero unemployment because some level of frictional unemployment always exists as people move between jobs, enter the labour market, or search for better opportunities. ✓✓
- Structural unemployment also prevents zero unemployment, since workers' skills do not always match the needs of employers, especially when technology or industries change. ✓✓
- Attempting to reduce unemployment to zero usually requires strong demand stimulation, which increases spending and puts upward pressure on prices, leading to inflation. ✓✓
- When unemployment is very low, labour becomes scarce, causing wages to rise, which increases production costs and results in higher prices for goods and services. ✓✓
- The Phillips Curve suggests a trade-off between inflation and unemployment, meaning policies that lower unemployment tend to increase inflation, and vice versa. ✓✓
- To keep inflation low, governments may use tight monetary or fiscal policies, but these reduce economic activity and increase unemployment, making both goals impossible to achieve at the same time✓✓.

(Accept any other correct relevant response)
(Allocate a max of 2 marks for mere listing of facts & examples)

CONCLUSION

- The New Economic Paradigm accepts that inflation and unemployment cannot both be eliminated at the same time. It prioritises sustainable growth, skills development, and economic flexibility over unrealistic targets. This approach seeks long-term stability by managing trade-offs rather than avoiding them.✓✓

(Accept any other relevant higher order conclusion.) (Max. 2) [40]

AND

BUSINESS CYCLES

QUESTION 5: MACROECONOMICS 40 MARKS – 40 MINUTES

- Discuss in detail the features underpinning the forecasting (prediction) of business cycles. (26 marks)
- Analyse the measures that can be used to stimulate aggregate supply in the economy. (10 marks)

INTRODUCTION

- Business cycles can be described as successive periods of contraction and expansion of economic activities✓✓
- Forecasting is the process of making projections about the changing conditions of future events that may significantly affect the economy.✓✓

(Accept any other correct relevant introduction) (Max 2)

BODY: MAIN PART

LEADING INDICATORS✓

- Leading indicators are indicators that change before the economy changes. ✓✓
- Leading indicators give consumers, business leaders and policy makers a glimpse (advance warnings) of where the economy might be heading. ✓✓
- Leading indicators peak before a business cycle has reached a peak. ✓✓
- Leading indicators help economists to predict what the economy will be like in the future. ✓✓
- When leading indicators rise, the level of economic activities will also rise in a few months' time. ✓✓
- When leading indicators decline it means that the level of economic activity will decline in the near future. ✓✓
- The examples of leading indicators include the number of residential plans passed, number of job advertisements, number of new companies registered, etc. ✓

COINCIDENT INDICATORS✓

- Coincident indicators are indicators that change at the same time as the economy changes. ✓✓
- Coincident indicators show the actual state of the economy. ✓✓
- A downturn is shown by a decrease in coincident indicators while an upswing is shown as an increase. ✓✓
- Coincident indicators confirm the changes predicted by the leading indicators. ✓✓
- The value of retail sales will reach a peak and then begin to decline at the same time as the business cycle. ✓✓
- The examples of coincident indicators are usage of capacity in manufacturing, registered unemployment, real GDP, etc. ✓

LAGGING INDICATORS✓

- Lagging indicators change after the economy has already changed. ✓✓
- Lagging indicators reach the turning point after the business cycle has already turned. ✓✓
- Lagging indicators serve to confirm the behaviour of co-incident indicators. ✓✓
- The examples of lagging indicators include the number of commercial vehicles sold, real investment in machinery, unit labour costs in manufacturing, etc. ✓

COMPOSITE INDICATORS✓

- Composite indicators summarise a group of indicators of the same type into a single value. ✓✓
- The composite indicator forms a norm for a country's economic performance. ✓✓
- Composite indicators can be consolidated into single values of a composite leading, coincident and lagging indicator. ✓✓

AMPLITUDE✓

- An amplitude is the difference between the value of total output between peak and trough measured from the trend line to the peak and trough. ✓✓
- Amplitude reflects the intensity of the upswing and downswing in economic activity. ✓✓
- The amplitude shows two things:
- The power of the underlying forces such as interest rates, exports or consumer spending. ✓✓
- A large amplitude during the upswing signifies strong underlying forces. ✓✓
- The duration of a cycle with larger amplitude is usually longer than one with a small amplitude. ✓✓
- The extent of change such a decrease in unemployment of 50% or increase in inflation of 100% during the upswing✓✓
- The larger the amplitude, the more extreme the changes that may occur. ✓✓

TREND LINE✓

- The trend line indicates the general direction in which the economy is moving. ✓✓
- When the economy is growing, there is an upward trend, but when the economy is contracting there is a downward trend✓✓
- The trend will change when the time series data change their behavioural patterns of the past✓✓
- The trend line normally has a positive slope because the production capacity of the economy increases over time✓✓

EXTRAPOLATION✓

- Extrapolation refers to the estimation of something unknown from the facts that are known. ✓✓
- Past data is used when predictions are made about the future based on assumptions related to trends. ✓✓
- Extending a trend into the future may provide information on what is likely to happen. ✓✓
- Economists may predict that the economy will grow in few months to come if a business cycle has passed through a trough and entered into an upswing. ✓✓
- Extrapolation techniques are sometimes used to predict future share prices. ✓✓

LENGTH/DURATION OF A CYCLE✓

- Length of a cycle is measured from peak to peak or from trough to trough. ✓✓
- Longer cycles show strength and shorter cycles show weakness with regard to economic activities. ✓✓
- The contraction in the growth of output may overshoot the level where it should naturally stop. ✓✓

MOVING AVERAGES✓

- Moving averages are calculated along the time series data so that a smoother business cycle can be established✓✓

- Moving averages are used to analyse the changes in a series of data over a certain period of time. ✓✓
- Economists use moving averages to eliminate the effects of sharp fluctuation in the business cycle✓✓

(Accept any other correct relevant response) (Max 26)
(Allocate a maximum of 8 marks for mere listing of facts/examples)

ADDITIONAL PART

Analyse the measures that can be used to stimulate aggregate supply in the economy.

- Lower corporate taxes to increase profits will encourage investment and expansion of businesses. ✓✓
- Reduced production costs will increase the aggregate supply of goods and services to make them available at all price levels. ✓✓
- Provide incentives in the form of cash allowances and subsidies to enhance export promotion and decentralization of businesses to decrease total costs. ✓✓
- Investing in infrastructure such as transportation, communication and energy will improve efficiency and reduce production costs. ✓✓
- Reduction of tariffs and import duties will lower the cost of imported raw materials and capital goods. ✓✓
- Reduction in taxes will motivate workers to produce more, leading to a higher production output and aggregate supply. ✓✓
- Deregulation and simpler tax regulations can decrease administrative costs for businesses and encourage them to produce more output. ✓✓
- Labour productivity can be enhanced through better education, training and health services leading to more goods and services that can be produced✓✓
- Promote infrastructure development (e.g. transport, energy) to reduce time and resource wastage. ✓✓
- Enhanced labour market flexibility by reforming labour laws and reducing barriers to hiring. ✓✓
- Strong financial markets to improve access to credit for businesses to expand their operations. ✓✓
- Encourage research and development to boost innovation and technology which will result in increased quantity and better-quality products. ✓✓
- Decrease interest rates to reduce the cost of borrowing which will encourage businesses to invest and expand production. ✓✓

(Accept any other correct, relevant response) (Max 10)
(Allocate a maximum of 2 marks for mere listing of facts)

CONCLUSION

- The country can be enabled to prepare suitable policies to deal with different changes in the economy reflected by the indicators and features. / Policy makers should closely watch all the indicators because external factors are very significant for South African business cycles✓✓

(Accept any other correct relevant higher order, conclusion) (Max 2) (40 Marks)

PUBLIC SECTOR

QUESTION 5

- Discuss in detail the main objectives of the public sector in the economy. (26 marks)
- Evaluate the impact of privatisation of state-owned enterprises (parastatals) on the South African economy. (10 marks)

INTRODUCTION

- Public sector is the part of the economy that is made up of all entities that are owned and controlled by the government ✓✓
- Macroeconomic objectives are the goals or targets that the public sector wants to achieve for the whole economy ✓✓
  (Accept any other correct relevant introduction) (Max. 2)

BODY: MAIN PART

1. **ECONOMIC GROWTH**✓

- Economic growth is the increase in the production of goods and services by the economy / Economic growth is the increase in the capacity of the economy to produce more goods and services ✓✓
- It is measured in terms of an increase in the real gross domestic product (GDP) ✓✓
- Economic development occurs when the economic growth rate is higher than the population growth rate ✓✓
- High economic growth rate means there will be fewer people who are dependent on the state to satisfy their basic needs / For economic development to occur, economic growth rate should exceed the population growth rate ✓✓
- The state tries to ensure that there is continuous economic growth because it leads to an improvement in the standard of living ✓✓
- In South Africa, economic growth has been extremely low due to factors such as natural disasters, power cuts and lack of investments ✓✓

2. **FULL EMPLOYMENT** ✓

- The objective of the governments is to ensure that all persons who are willing to work and looking for work, should be able to find work or create work for themselves ✓✓
- Informal sector activities must be promoted because they have the potential to increase employment ✓✓
- GEAR was implemented to create a positive climate that was conducive to employment creation by the private sector ✓✓
- The government accelerates employment creation through direct employment schemes, targeted subsidies and expansionary macroeconomic policies ✓✓
- Labour-intensive activities in the agricultural and light manufacturing sectors are also used to create employment✓✓
- The state also support knowledge-intensive and capital-intensive sectors to remain competitive ✓✓

- In South Africa, unemployment rate increased over the past few years due to the effects Covid-1 9 pandemic ✓✓

3. **EXCHANGE RATE STABILITY/BALANCE OF PAYMENTS EQUILIBRIUM**✓

- Exchange rate stability occurs when the exchange rate remains stable so as to reduce uncertainty in foreign trade✓✓
- Depreciation and appreciation of a currency create uncertainties for investors, producers and traders ✓✓
- Volatile exchange rate causes the price of imports and exports to be erratic which could cause Balance of Payments disequilibria ✓✓
- Exchange rate stability helps to control the inflation rate and achieve higher economic growth ✓✓
- Government uses its monetary and fiscal policies to ensure that the exchange rate remains relatively stable for as long as possible ✓✓
- The South African Reserve Bank replaced the managed floating exchange system with a free-floating exchange rate system to reduce currency speculation in the market ✓✓
- In South Africa, the rand has been depreciating due to factors such as less exports and the negative sentiment surrounding the economy ✓✓

4. **PRICE STABILITY** ✓

- Price stability occurs when the general price of goods and services remains relatively constant over time ✓✓
- When prices are stable and inflation is low, markets can function optimally and the government can promote economic growth and development more effectively ✓✓
- In South Africa relative price stability means that the inflation rate remains within the inflation target of 3—6% ✓✓
- Interest Rates, based on the Repo Rate are the main instruments used to achieve price stability. ✓✓
- If inflation exceeds the upper limit of the range, the Reserve Bank must consider increasing the interest rate to cool down the heated economy✓✓
- A stable budget deficit also has a stabilising effect on price stability ✓✓
- Inflation targeting helps to create a greater degree of transparency in monetary policy ✓✓
- In South Africa, inflation rate is high due to factors such as increasing fuel and foods price. ✓✓

5. **ECONOMIC EQUITY / EQUAL DISTRIBUTION OF INCOME / ECONOMIC JUSTICE** ✓

- Economic equity exists when the resources of a country are fairly distributed amongst the population ✓✓
- A redistribution of income and wealth is essential in market economies✓✓
- The government must intervene because there are sections of society that earn a large amount of money while others earn very little ✓✓
- South Africa uses a progressive income tax system where higher income earners pay higher tax rates than lower income earners ✓✓

- Taxes on profits, wealth and expenditure can be used to finance free social services for the poor households ✓✓
- Free basic education, free basic healthcare, basic economic services and cash grants to the poor and other vulnerable people, will enhance economic equity ✓✓
- The government also tries to compensate for the human rights abuses of the past by implementing redress policies such as employment equity and black economic empowerment ✓✓

  (Accept any other correct relevant response)
  (Allocate a maximum of 8 marks for a mere listing of facts/examples) (Max. 26)

ADDITIONAL PART

Evaluate the impact of privatisation of state-owned enterprises (parastatals) on the South African economy

Privatisation of State-owned enterprises (parastatals) may impact positively on the South African economy as follows: -

- Efficiency in service delivery will improve as privately owned businesses will provide better quality services due to the profit motive ✓✓
- The government may raise extra income from the sales of public assets which will help to finance strategic public projects such as infrastructure development✓✓
- The tax base will expand which will allow the government to raise more tax revenue to address other socio-economic issues ✓✓
- Fiscal burden in term of financial bail-outs will be decreased which will help to reduce public debt. ✓✓
- The government's financial position will improve due to decrease in administrative and other operational costs such as wages and salaries ✓✓
- Developmental objectives such as economic empowerment may be promoted due to an increase in the number of individuals who own factors of production ✓✓
- Privatisation may attract foreign direct investments which will create capital inflow thereby improving the Balance of Payments ✓✓

(Accept any other correct relevant response)

Privatisation of State-owned enterprises (parastatals) may impact negatively on the South African economy as follows: -

- Goods and services will become more expensive due to the profit motive and lack of public interest in the private sector ✓✓
- Consumers may pay higher prices for essential services which may increase the cost of living ✓✓
- Other businesses may incur higher cost of production as pay more for key input services which may contribute to cost-push inflation ✓✓
- Privatisation may increase unemployment by shifting to less labour-intensive production ✓✓
- Privatisation of State-owned enterprises such as Eskom may lead to the creation of monopolies that may exploit consumers ✓✓
- (Accept any other correct relevant response) (Max. 10)

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

CONCLUSION

- It is very important that the state improves its functioning from time to time to avoid economic instabilities so as to bring about desired development. ✓✓

(Accept any other relevant higher order conclusion.) (Max. 2) [40]

AND

PUBLIC SECTOR

QUESTION 5

- Discuss in detail the reasons for public sector failure and link them to typical problems experienced in public sector provisioning. (26 Marks)
- Analyse the effects of public sector failure on communities. (10 Marks)

INTRODUCTION

- Public sector failure occurs when government intervention in the economy leads to an inefficient allocation of resources and an overall decline in economic welfare. ✓ ✓
  (Accept any other relevant introduction.) (Max. 2)

MAIN PART

Management failure. ✓

- Management failure is a shortfall of duty or performance in directing and controlling government departments, functions or teams. ✓ ✓
- Poor planning, weak leadership, and bad decision making leads to unfinished projects, corruption, and waste of funds. ✓ ✓
- Example: managers not monitoring workers or failing to maintain public infrastructure. ✓
- Since assessing of needs is difficult, the state might oversupply or undersupply some goods. This leads to public sector failure. ✓ ✓
- People working in parastatals may lack management skills and might end up implementing wrong policies which may cause the public sector to fail. ✓ ✓
- If the management lacks accountability and cannot explain their financial decisions regarding the state's revenue, it leads to corruption and ultimately public sector failure ✓ ✓

Apathy ✓

- Apathy is when you lack dedication to do anything or just don't care about what is going on around you which is one of the characteristics of some civil servants. ✓ ✓
- The government officials show little or no interest in delivering efficient service to the public, there are usually long queues in government offices as apathy affects the behaviour and ability to complete daily activities. ✓ ✓

- Corruption and poor service delivery are signs of apathy and may results as a cause of poor accountability. ✓ ✓
- Parastatal employees lack the interest or concern because they know they will get paid even when they are underperforming. ✓ ✓
- Results from lack of accountability or poor work culture lead to undersupply of necessary public service to society. This is public sector failure.

Bureaucracy ✓

- Bureaucrats tend to obey rules and regulations without proper judgement, this affect the effectiveness of services rendered by the state✓ ✓
- Too many rules and long procedures slow down service delivery and citizens wait longer for documents, support, or approvals. ✓ ✓
- Bureaucracy wastes resources and creates frustration as some problems need immediate action while the laws have several procedures to be followed before fixing the problem. ✓ ✓
- There is no emphasis on creating additional competencies as there is less freedom to act within a bureaucracy. ✓ ✓
- Complex rules and procedures might lead to inefficiencies in the public sector and the public sector might fail to provide the goods and services in time for the consumers. ✓ ✓
- Example: If there is an electricity fault at a domestic residence the state company Eskom will send their workers to fix the fault and the workers will only fix that fault because they were told to fix only that, even if there is a fault at the neighbouring house they won't fix it as they will need that fault to be reported so they can respond. ✓
- Bureaucracy links with inefficiency as government officials provide fewer public goods and services than what they can provide with the available resources because of too much red tape. ✓ ✓

Lack of motivation ✓

- Workers rarely receive incentives for successful service delivery but are only monitored on inputs and processes leading to inefficiency it the work place.✓✓
- Inefficiency might lead to limited services, high costs, low quality work as workers feel that they are not valued by the employer. ✓ ✓
- Nationalising companies may demotivate workers to work hard as their hard work would not be recognised, leading to the workers being less efficient. ✓✓
- Public workers may not be motivated due to low salaries, limited rewards, no competition, this reduces productivity and causes poor quality of public services. ✓✓

Politicians ✓

- Politicians may make decisions for political gain rather than public benefit as money may be spent to win votes or hiring unqualified people due to political connections ✓✓

- Politicians often endorse or promote policies or projects which are mostly unrealistic, as long as they get the votes in for their empty promises. ✓ ✓
- Lack of accountability by politicians may be a result of corruption and this may lead to them not fulfilling the promises they made to individuals when they were running their campaigns. ✓ ✓
- As the politicians are not accountable for their actions, resources may not be allocated fairly because of corruption. ✓ ✓

Structural weaknesses ✓

- Government systems may be old, outdated, or poorly designed like weak monitoring systems or poor communication between departments or outdated technology ✓ ✓
- These weaknesses can cause lack of accountability on decisions and actions of public officials and reduce efficiency and transparency.✓ ✓
- This might happen when government redistributes income and wealth too aggressively without proper projections and/or planning. ✓ ✓
- Structural weakness links with pricing policy as it is usually difficult for the government to accommodate changing circumstances in terms of charging appropriate prices in the economy. ✓ ✓

Special interest groups ✓

- Special interest groups can be viewed as using their political power to raise demand for public services as well as using their bargaining power to fight for higher wages
- Certain people or groups with powerful influence in the government usually try to further their own interests by means of *rent-seeking or lobbying. ✓ ✓
- These groups include private businesses and the trade unions. ✓ ✓
- Farmers tend to demand undeserved subsidies and organised labour tend to influence government to their own advantage (higher salaries) at the expense of service delivery. ✓ ✓
- Special interest groups can also link with privatisation as some businesses apply for subsidies and not share it fully with their workers which is an unnecessary misdirection of funds. ✓ ✓
  (Allocate a maximum of 21 marks if there is no link.)
  (Maximum 8 marks for mere listing of facts and examples)

ADDITIONAL PART

Analyse the effects of public sector failure on communities.

Allocation of resources

- When public institutions fail, resources are used in wrong places or get wasted as a result the government fail to achieve optimal allocation of resources. ✓ ✓
- communities will experience inadequate services such as poor healthcare services, lack of clean water and sanitation, unreliable electricity supply and poor road

maintenance This lowers the quality of life and makes daily living difficult for citizens. ✓✓

Economic stability

- Economic instability increases poverty and reduces the ability of families to meet their basic needs as businesses may close or avoid investing in poorly managed areas. ✓✓
- High unemployment levels develop because fewer jobs are created. ✓✓
- Inflation and rising costs of living place financial pressure on households leading to communities becoming more dependent on government grants and support ✓✓

Distribution of income

- Corruption and poor economic management benefit only a small group of people while the majority of the community remain poor. ✓✓
- Wealth and opportunities are concentrated among politically connected individuals. While poor communities continue to experience underdevelopment. ✓✓

Social instability

- When people feel neglected or treated unfairly, social conflict often increases as service delivery protests and strikes become more common. ✓✓
- Crime rates may increase because of unemployment and poverty then communities lose trust in government institutions and leadership. ✓✓
  (Any other correct relevant response) (Max 10)

Conclusion

- Public sector failure has widespread negative effects on communities. It affects service delivery, economic growth, education, healthcare, safety, and public trust. Effective leadership, accountability, transparency, and proper management are essential to ensure that communities receive the services and opportunities they deserve. ✓✓
  (Any other correct relevant high-order conclusion) (2 Marks)

FOREIGN EXCHANGE MARKETS

QUESTION 5

• Discuss in detail the reasons for international trade. (26 marks)

• Analyse the impact of a weaker currency (rand) on the South African economy. (10 marks)

INTRODUCTION

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

BODY: MAIN PART

REASONS FOR INTERNATIONAL TRADE

Demand reasons

1. 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. ✓✓

2. 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. ✓✓

3. 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. ✓✓

4. 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. ✓✓

5. 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

1. 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. ✓✓

2. 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. ✓✓

3. 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. ✓✓

4. 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 considered to be technologically advanced which gives them a competitive advantage on the global markets. ✓✓

5. Specialisation ✓

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

6. 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 correct relevant response)
  (Allocate a max of 8 marks for headings/subheadings/examples) (Max 26)

ADDITIONAL PART

A weaker currency (rand) may positively impact on the South African economy as follows: -

- Imports will become relatively more expensive which may discourage importing and increase demand of local products. ✓✓
- Demand for South African exports such as base metals and mineral products will increase as they become relatively cheaper. ✓✓
- Tourism activities will increase as more tourists visit the country due to the weaker rand. ✓✓
- Balance of payments deficit will decrease as less goods are imported while more goods are exported. ✓✓

A weaker currency (rand) may negatively impact on the South African economy as follows: -

- Importing production inputs such as crude oil, agricultural chemicals and vehicle parts will become expensive fuelling cost-push inflation. ✓✓
- Higher cost of importing production inputs may decrease domestic production which will slow down economic growth. ✓✓
- Foreign investors may withdraw their investments in the economy because a weaker rand reduces the returns on their investments. ✓✓
- Import payments will increase which may reduce welfare as more resources are used to produce more exports to finance higher cost of import. ✓✓
- Export earnings will decrease, resulting in a decrease in trade balance. ✓✓

  (Accept any other correct relevant response) (Max 10)
  (A maximum of 2 marks may be allocated for mere listing of facts/examples)

CONCLUSION

- As a developing country, South Africa should encourage international trade to achieve higher economic growth. ✓✓

  (Accept any other higher-order conclusion) (Max. 2) [40]

PROTECTIONISM AND FREE TRADE

QUESTION 6

- Discuss in detail export promotion as South Africa's international trade policy. (26 marks)
- Evaluate the impact of an increase in import tariffs on the South African economy (10 marks)

INTRODUCTION

Export promotion involves providing incentives to encourage local businesses to produce goods for export/When the government pays incentives to encourage production of goods and services that can be exported ✓✓

(Accept any other correct relevant introduction) (Max. 2)

BODY: MAIN PART

Methods of export promotion

(a) **Export incentives** ✓

- The purpose of export incentives is to encourage exports by giving financial assistance to exporting companies ✓✓
- Financial assistance to exporting businesses enables them to compete effectively in international markets so that they can export larger volumes✓✓
- The government may supply information on export markets, research on new markets, offer concessions on transport charges, export credit, etc. in order to stimulate exports ✓✓

(b) **Export subsidies** ✓

Direct subsidies ✓

- Direct subsidies result in government expenditure because they provide direct financial support to domestic exporters ✓✓
- Direct subsidies are cash payments such as cash grants to export exhibitions and market research and subsidies for training and employing personnel ✓✓
- The purpose of direct subsidies is to reduce the cost of production and increase competitiveness in the exporting markets ✓✓

Indirect subsidies ✓

- Indirect subsidies occur when the government does not earn certain types of incomePP e.g. tax revenue. ✓✓
- The government often refunds companies certain taxes to promote exports ✓✓

- Indirect subsidies may include refunds on import tariffs and general tax rebates on profits earned from exports or on capital invested to produce export goods ✓✓

(c) **Trade neutrality** ✓✓

- The government may provide subsidies that are equivalent to import duties paid by exporters when importing production inputs ✓✓
- Trade neutrality can be achieved through trade liberalization ✓✓

(d) Export processing zones (EPZs) ✓

- An Export Processing Zone (EPZ) is a free trade enclave within a protected economy and is usually located near a harbour or airport✓✓
- Manufacturers are located in an EPZ to produce for export purposes, making use of imported inputs that are obtained free of all custom duties. ✓✓
- Developing countries offer incentives to attract foreign investors to their EPZs ✓✓

Reasons/Advantages of export promotion

- There are no limitations to the size and scale since the world market is much bigger than domestic market✓✓
- Production is based on cost and efficiency considerations and is organised along the lines of comparative advantage ✓✓
- There is increased domestic production through the expansion of export production which will lead to lower domestic prices ✓✓
- Exchange rates would be realistic and there is no need for exchange control and quantitative restriction ✓✓
- Value can be added to the natural resources of the country by processing them into finished products with higher value✓✓
- Export promotion creates more employment opportunities for the South African labour force ✓✓
- Increase in exports may help to reduce Balance of Payment deficit ✓✓
- Export promotion enlarges the production capacity of the country and promote industrial development ✓✓
- Performance of manufacturing and service industries and international competitiveness of South African producers will improve✓✓
- Export promotion ensures efficient use of resources through improved innovation and competition ✓✓

  Disadvantages of export promotion
- The real cost of production may not be reflected in the prices of the products as subsidies and incentives may reduce the total cost of production ✓✓
- There may be lack of competition because of incentives and subsidies allowing exporting businesses to charge very low prices, forcing competitors who could create sustainable businesses out of the market✓✓
- Developed countries often maintain high levels of effective protection for their labour-intensive industries in which developing countries already have comparative advantage ✓✓

- Withdrawal of incentives by the government may lead to the closure of affected companies ✓✓
- Export promotion may be regarded as dumping by other countries and they may retaliate with increased tariffs and quotas ✓✓
- Export promotion may be against the provisions of the World Trade Organisation, when goods are exported at prices below the real cost of production due to subsidies. ✓✓

(Accept any other correct relevant response) (Max 26)

(Allocate a maximum of 8 marks for mere listing of facts/examples)

ADDITIONAL PART

Evaluate the impact of an increase in import tariffs on the South African economy.

POSITIVES

- Tariff increases will generate additional government revenue which can be invested in infrastructure, education, and support the establishment of small and medium-sized enterprises. ✓✓
- A decrease in imports due to an increase in import tariffs may lead to a reduction in balance of payments deficit. ✓✓
- Tariff increases will protect local industries by making imported goods more expensive, allowing domestic producers to produce more goods and services. ✓✓
- Increased tariffs will support the growth of local businesses, particularly in manufacturing and agriculture, leading to job creation and industrial development. ✓✓
- Encourages local innovation and self-sufficiency by motivating businesses to develop local alternatives and invest in research and development. ✓✓
- Helps to build domestic supply chains, reducing reliance on international markets for goods and services. ✓✓

NEGATIVES

- Tariff increases will raise the price of imported goods, making essential raw materials and consumer products more expensive. ✓✓
- Production costs for industries that heavily rely on imports, such as manufacturing and automotive will increase. ✓✓
- If other countries impose retaliatory tariffs on South African exports, local businesses may struggle to compete in international markets, for example the agriculture and mining, which are major contributors to South Africa's economy. ✓✓
- Higher import costs can lead to increased consumer prices, contributing to inflation and low consumer spending. ✓✓
- Tariff changes create uncertainty for businesses, making it harder for companies to plan investments and expansion due to lower investor confidence and reduced foreign direct investment.

- Economic instability caused by tariffs can weaken the South African rand, making imports even more expensive and increase inflation. ✓✓
- Industries affected by higher costs and reduced competitiveness may cut jobs to maintain profitability which could increase the unemployment rate which is already a concern in South Africa. ✓✓
- Increased tariffs may also disrupt trade relationships and reduce overall trade volumes, impacting long-term economic stability. ✓✓

(Accept any other correct relevant response) (Max. 10)

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

CONCLUSION

Export promotion may help the economy to achieve a significant export-led economic growth through mass production. ✓✓

(Accept any other correct relevant higher-order conclusion) (Max. 2) [40]

AND

PROTECTIONISM AND FREE TRADE

QUESTION 6: ECONOMIC PURSUITS 40 MARKS - 40 MINUTES

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

INTRODUCTION

- Protectionism is a trade policy whereby the state discourages 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 foreign competition. ✓✓
  (Accept any other correct relevant introduction) (Max 2)

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

(c) Stable wage levels and higher standards 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 will purchase more domestic products and thereby raise domestic employment. ✓✓
- Concentration on domestic employment creation, at the expense of other countries, led to such 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 (fertilisers), 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 prices 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. ✓✓
- 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 globalization stimulate awareness of the unique features of natural resources. ✓✓
- Governments can use trade restrictions and domestic measures to strengthen property rights or reduce the 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)
(Allocate a max of 8 marks for headings/subheadings and examples) (Max 26)

ADDITIONAL PART

Why is it important for South Africa to increase its export capacity?

It is important for South Africa to increase its export capacity because: -

- 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 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 export 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 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. ✓✓
- The industrial base of the economy will diversify and expand through the establishment of new industries that produce exports. ✓✓

(Accept any other correct relevant response) (Max. 10)
(Allocate a maximum of 2 marks for mere listing of facts/examples)

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 relevant higher order conclusion) (Max. 2) [40]

ECONOMIC GROWTH AND DEVELOPMENT

QUESTION 6

- 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 introduction) (Max 2)

BODY: MAIN PART

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). ✓✓
- 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. ✓✓
- 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

Analyse the importance of promoting small businesses to the South African economy.

- 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 improve 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) (Max 1 0)
(A maximum of 2 marks may be allocated for mere listing of facts/examples)

CONCLUSION

- The government should complement demand-side policies with supply-side policies to achieve higher economic growth. ✓✓

(Accept any other relevant higher order conclusion.) (Max. 2) [40]

AND

ECONOMIC GROWTH AND DEVELOPMENT

QUESTION 6

- **Discuss in detail the South African growth and development policies and strategic initiatives since 1994. (26 marks)**

- **How can South Africa use supply-side measures to promote economic growth and development? (10 marks)**

INTRODUCTION

- Economic development is the process by which the standard of living improves over a period of time ✓✓
- Economic growth is an increase in the production capacity or real GDP of an economy over time ✓✓

(Accept any other correct relevant introduction) (Max 2)

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 ✓✓
  - 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).✓✓

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:
  - 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

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 higher order conclusion) (Max 2) **[40]**

REGIONAL DEVELOPMENT

QUESTION 6

- Discuss in detail South African's initiatives (endeavours) in regional development. (26 marks)
- How can the government use incentives to promote industrial development? (10 marks)

INTRODUCTION

- Regional development focuses on policies which are aimed at improving areas or regions of a country that are less developed. ✓✓
- Regional development is the implementation of policies aimed at increasing the economic livelihood of specific areas or geographical regions. ✓✓ (Max 2)
(Accept any other correct relevant introduction)

BODY: MAIN PART

Spatial Development Initiatives (SDIs) ✓

- Spatial Development Initiatives can be defined as a link between important economic hubs and regions in a country. ✓✓
- SDI is a policy to promote sustainable industrial development in areas where poverty and unemployment are at their highest. ✓✓
- SDIs stimulate economic activities in the underdeveloped areas to create employment and stimulate economic growth. ✓✓
- The state aimed to enhance private sector and foreign direct investments through the granting of incentives. ✓✓
- Spatial Development Initiatives promote the establishment of private-public partnerships (PPP) to improve the economic potential of underdeveloped areas. ✓✓
- In a PPP, private businesses may provide the capital to build the factories, buy raw materials and employ labour. ✓✓
- The government provides capital for the infrastructure such as roads and water supply networks. ✓✓
- The SDIs involve an interdepartmental investment strategy that the Department of Trade, Industry and Competition (DTIC) and the Department of Transport (DoT) lead. ✓✓
- DTIC is the driving force behind industrial and spatial development as it supports the establishment and growth of businesses. /✓✓
- SDIs focus on high-level support in areas where socio-economic conditions require concentrated government assistance and inherent economic potential exists. ✓✓

- SDIs fast-track investments and maximise synergies between various types of investments. ✓✓
- Examples of SDIs in South Africa include KwaZulu-Natal SDI, Wild Coast SDI, Fish River SDI, West Coast Investment initiative, Platinum SDI, Phalaborwa SDI, Gauteng Special Economic Zone, Lubombo SDI and Richards Bay initiative. ✓

(A maximum of 1 mark may be allocated for the examples of SDIs)

Industrial Development Zones (IDZs) ✓

- IDZs are geographically designed, purpose-built and physically enclosed industrial estates that are linked to international air or sea ports. ✓✓
- The focus of IDZs is to attract private investments and foreign direct investments in export-driven industries. ✓✓
- Industrial Development Zones allow duty-free importation of production-related raw-materials and inputs. ✓✓
- Businesses in IDZs have access to dedicated customs services to make inspection and clearing more efficient. ✓✓
- The strategy was aimed at enhancing international competitiveness of local industries in export markets. ✓✓
- IDZs focus on creating employment by promoting exports of value-added products. ✓✓
- Businesses that are located in IDZs enjoy world-class infrastructure, a zero rate of VAT on supplies from South African sources and reduced taxation on some products. ✓✓
- IDZs were established to benefit investing companies through financial support provided by the government. ✓✓
- Businesses in IDZs have access to transport for exporting purposes and latest technology for global communication. ✓✓
- IDZs are designed to promote and develop links between domestic and zone-based industries. ✓✓
- Examples of IDZs in South Africa include Coega IDZ, OR Tambo International Airport, East London IDZ, Richards Bay IDZ and Saldanha Bay IDZ. ✓
  (A maximum of 1 mark may be allocated for the examples of IDZs)

Special Economic Zones (SEZ) ✓

- Special Economic Zones are geographically demarcated areas where specific economic activities have been identified to be developed. ✓✓
- Businesses located in SEZs may enjoy incentives such as tax relief and support systems to promote industrial development. ✓✓
- SEZs create a basis for a broader range of industrial parks and provide economic infrastructure to enable the clustering of manufacturers. ✓✓
- The aim of creating SEZs is to attract new businesses which develop new product lines and create employment. ✓✓
- The DTIC indicated that the existing IDZs where special tax incentives do not apply, would be graduated to SEZs. ✓✓

- SEZs are not necessarily linked to international air or sea port and the purpose of manufacturing is to cater for both domestic and export markets. ✓✓

Corridors✓

- A corridor is a track of land that forms a passageway allowing access from one area to another and is developed as part of regional development. ✓✓
- Corridors in South Africa are spatial areas that offer advantages to mining, manufacturing and other businesses. ✓✓
- The advantages include the presence of proper infrastructure and the specialisation of products or services. ✓✓
- Corridors are development areas within South Africa and are the priorities of all development agencies. ✓✓
- The DTIC provides help in support of the development corridors such as the Maputo development corridor, that starts in Gauteng and extends through Mpumalanga to the Maputo port, offers opportunity to the transport industry. ✓✓
  (Accept any other correct relevant response) (Max 26)
  (Allocate a max of 8 marks for headings/subheadings/examples)

ADDITIONAL PART

How can the government use incentives to promote industrial development?

- Reduce corporate taxes and offer tax holidays or exemptions to increase the profit prospects of businesses, which will attract investments in existing industries. ✓✓
- Provide subsidies on capital investment to reduce the development cost for potential investors in specific industries. ✓✓
- Government can provide cash grants or low-interest loans to businesses looking to expand and adopt new technologies. ✓✓
- The government can create a supportive environment for industries to thrive by investing in infrastructure development projects, such as roads, utilities, and industrial parks. ✓✓
- Simplify business registration procedure, reducing bureaucratic hurdles and providing easier access to licences can help industries grow efficiently. ✓✓
- Offer export incentives such as information on export markets and concessions on transport charges, to encourage production of goods and services for exporting. ✓✓
- Provide duty-free incentives to reduce the cost of production for businesses that import production inputs. ✓✓
- The government can provide direct financial support for skills development which
- helps to increase skills base and productivity of businesses. ✓✓
- Provide business support programmes to help improve the delivery of small business support to small business and entrepreneurs. ✓✓
- (Accept any other correct relevant response) (Max 1 0)
- (A maximum of 2 marks may be allocated for mere listing of facts/examples)

CONCLUSION

Regional development policies solve the long-term problems of unemployment and poverty, although certain constraints such as skills shortages and high costs still need to be addressed. ✓✓

(Accept any other relevant higher order conclusion.) (Max. 2) [40]

ECONOMIC AND SOCIAL INDICATORS

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

- **Discuss in detail the various economic indicators.** **(26 marks)**
- **How can social indicators assist the government in improving decision-making?** **(10 marks)**

INTRODUCTION

Economic indicators are statistical data used to establish the performance of an economy in terms of the economic objectives of growth, price stability, exchange rate stability and employment. ✓✓
(Accept any other correct relevant introduction) **(Max 2)**

BODY: MAIN PART

1) Inflation indicators ✓

- SARB aims to keep the inflation rate stable between 3 and 6% (inflation target).✓✓
- Price increases occur either because of scarcity of goods and services or changes in consumer preferences. ✓✓
- There are two key inflation indicators:

a) Producer price index (PPI): ✓

- PPI is used to measure changes in the prices of goods produced locally when they leave the factory floor and imported goods when they enter the country.✓✓
- The indicator consists of a basket of local, exported and imported goods. ✓✓
- The index measures the cost of production and it serves as an indicator to predict consumer inflation (CPI). ✓✓

b) Consumer price index (CPI): ✓

- CPI is the weighted average of the prices of a general basket of goods and services likely to be bought by consumers. ✓✓
- Weights are obtained from the expenditure of households and show changes in the purchasing power of the rand. ✓✓
- CPI is the official index used in inflation targeting. ✓✓
- The index measures the cost of living and it is used by labour unions to negotiate for wage increases. ✓✓

2) Foreign trade indicators ✓

- In an increasingly globalised world, international trade is most important. ✓✓
- Exports stimulate employment and imports widen the choice of consumers. ✓✓
- There are two key foreign trade indicators:

a) Terms of trade: ✓

- Terms of trade (ToT) is the ratio of export price index to import price index. ✓✓
- A deterioration in the terms of trade is caused by an increase in import prices and a decrease in export prices. ✓✓
- A greater volume of exports may need to be produced to maintain export earnings, if the terms of trade decline. ✓✓
- An improvement in the terms of trade is caused by a decrease in import prices and an increase in export prices. ✓✓
- The economy will spend less for the same amount of imports if the terms of trade increase. ✓✓
- Changes in the terms of trade serve as an indicator of changes that may cause spill over effects into the Balance of Payments an appreciate or depreciate. ✓✓

b) Exchange rate: ✓

- Exchange rate refers to the value of a country's currency in terms of another currency. ✓✓
- Exchange rates between countries differ, in other words, while the rand may depreciate against the US dollar, it may appreciate against the Chinese yuan. ✓✓
- Changes in an exchange rate affect the prices for imports and export earnings.✓✓
- Depreciation of the rand against the dollar will result in US goods and services becoming more expensive in South Africa. ✓✓
- Appreciation of the rand against the US dollar will make South African exports to the US more expensive thereby reducing demand. ✓✓

3) Employment indicators ✓

a) The economically active population (EAP)/Labour force: ✓

- Economically Active Population refers to the labour force between 15 – 65 years of age. ✓✓
- EAP includes workers in the formal sector, informal sector, employers, self-employed persons and unemployed persons. ✓✓

b) Employment rate: ✓

- Employment rate is the number of employed persons expressed as a percentage of the economically active population (EAP). ✓✓
- The South African employment rate was approximately 67.4% in 2023. ✓✓
- High level of employment is an indicator of a strong economy with high levels of growth and development. ✓✓
- Employment indicators are used to calculate the trends in different economic sectors or industries, productivity and success of the economy in utilising its full potential. ✓✓

c) Unemployment rate: ✓

- Unemployment rate is the number of unemployed people (who are actively looking for work) expressed as a percentage of the economically active population. ✓✓
- Statistics South Africa obtains labour data from the Quarterly Labour Force Surveys to calculate unemployment. ✓✓
- In South Africa the official unemployment rate was approximately 32,6% in 2023 and is the major cause of poverty. ✓✓

4) Productivity indicators

- Labour productivity is watched very closely, particularly in relation to real wage increases. ✓✓

a) Labour productivity: ✓

- Labour productivity is measured by dividing the real GDP by the number of workers employed. ✓✓
- In South Africa labour productivity increases at a lower rate than the increase in labour remuneration ✓✓

b) Remuneration per worker: ✓

- When productivity increases are lower than the real wage increases, inflationary pressures will occur. ✓✓
- The relationship between productivity and wages is crucial for employers and workers and they are therefore important indicators. ✓✓

5) Interest rates ✓

- Interest rate is the cost of borrowing money as well as returns of capital invested.✓✓
- Repo rate is the main factor used to measure interest rates. ✓✓
- Repo rate is the rate at which the South African Reserve Bank (SARB) lends money to commercial banks. ✓✓
- An increase in interest rates means that households and businesses will pay higher repayment instalments on their debts. ✓✓
- Higher interest rates signal a downturn in business cycles and some workers may lose their jobs and incomes fall. ✓✓

6) Money supply ✓

- In South Africa the supply of money is controlled by the SARB. ✓✓
- Money supply is classified into the following three categories.
  - **a)** M1: ✓ it consists of bank notes and coins in circulation and demand deposits of the domestic private sector at banks. ✓✓
  - **b)** M2: ✓ it consists of M1 plus other short term and medium-term deposits of the domestic private sector at banks. ✓✓
  - **c)** M3: ✓ it consists of M2 plus long-term deposits of the domestic private sector at banks. ✓✓

(Accept any other correct relevant responses)
(Allocate a max of 8 marks for headings/subheadings/examples) (Max 26)
(Allocate a maximum of 12 marks for the discussion of business cycles indicators, ie. leading, coincident, lagging and composite indicators)

ADDITIONAL PART

Social indicators can assist the government in improving decision-making as follows:

- The government uses demographic information to plan for the future and achieve certain outcomes such as welfare services for the old age. ✓✓
- Population growth allows the government to identify the size of the tax base and determine the amount of social services they will be able to deliver. ✓✓
- The size of a country's population helps the government to plan for its infrastructure projects and social programmes. ✓✓
- Urbanisation indicators help the government to indicate the availability of the labour force and plan on the availability of land for human settlement and economic purposes. ✓✓
- Malnutrition and obesity indicators help the government to decide on how much to invest in the national health system and feeding schemes. ✓✓
- Housing indicators help the government to determine the housing needs of citizens and know how much it needs to invest in housing projects in order to improve the standard of living. ✓✓
- Education indicators allow the government to determine the future supply of skilled labour and implement suitable measures to improve the quality of education. ✓✓

- Health indicators help the government to investigate health-related issues and formulate strategies to improve the overall health status of the country. ✓✓
  (Accept any other correct relevant response) **(Max. 10)**
  (Allocate a maximum of 2 marks for mere listing of facts / examples)

CONCLUSION

Policy makers should monitor the trends followed by economic indicators to ensure that they implement suitable policies to improve the performance of the economy. ✓✓
(Accept any other relevant higher order conclusion) **(Max. 2)** **[40]**

AND

ECONOMIC AND SOCIAL INDICATORS

QUESTION 6

- Discuss in detail various social indicators
- Analyse the importance of assessing the performance of the economy

INTRODUCTION

- Social indicators are concerned with people and consider the nation's well-being as they measure a country's social development/ standard of living. ✓✓
- Economic indicators are statistics used to assess the performance of an economy✓✓ (Accept any other correct relevant introduction) (MAX 2)

MAIN PART

Demographics ✓

- This deals with the characteristics of the population, e.g. population size/ race/age/sex/ income/geographic distribution/language/education/ occupation/religion/birth rate/fertility rate/life expectancy at birth/infant mortality rate/death rate. ✓✓
- This information can be used by government to plan for, e.g. infrastructure development ✓✓ and implementation of social programmes. ✓✓
- It is also important to business as it indicates the size and characteristics of business' targets markets. ✓✓

<u>The population growth</u> ✓

- The population of South Africa was estimated to be 60,14 million at mid-year 2021 and is projected to trend around 61,93 million in 2022. ✓✓
- South Africa has a relatively high population growth compared to other developed countries. ✓✓
- The population growth rate is an important indicator to the government in terms of the number of social services that are needed. ✓✓

<u>Life expectancy</u> ✓

- This 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, life expectancy at birth for 2021 was estimated at 59,3 years for males and 64,6 years for females. ✓✓
- The average life expectancy for South Africa in 2022 is estimated at 64,63 years. ✓✓ It is important for the government to know the average life expectancy of the population since working human beings require a range of social services and also the tax base ofthe country. ✓✓
- Insurance companies in particular are interested in the life expectancy because unexpected reductions in life expectancy reduce the number of years policy holders can pay their premiums, ✓✓ and can have detrimental effect on the services of such businesses. ✓✓

Nutrition and health ✓

These are two related social indicators.

Nutrition

- This is an important indicator for the well-being of infants and young children. ✓✓
- Two important conditions of nutrition are child malnutrition and overweight which are both particularly important for children under the age of five years of age. ✓✓

Child malnutrition ✓

- Malnutrition is expressed in two ways, namely weight for age (underweight) and height for weight (stunted or dwarfism). ✓✓
- Malnutrition in all its forms amounts to an intolerable burden not only national health system but on the entire cultural, social and economic fabrics of the nation. ✓✓
- The proportion of children who are underweight is the most important indicator of malnutrition ✓✓and weight because being overweight increases the risk of death and inhibits cognitive development in children. ✓✓

Overweight children ✓

- The prevalence of overweight children is a growing concern in South Africa. ✓✓
- There is an association between obesity in children and the high prevalence of diabetes, respiratory diseases, high blood pressure, and psychological and orthopaedic disorders. ✓✓
- Being overweight can lead to numerous adverse health conditions which affect people's ability to work and take care of themselves. ✓✓
- Governments often legislate that health supplements such as vitamin A be added to basic food stuffs such as bread. ✓✓
- The health department also encourages breastfeeding. ✓✓
- Malnutrition and obesity in children are indicators considered when deciding on feeding schemes and their extent. ✓✓

Health

- A number of indicators are used both nationally and internationally to monitor the health of a population. ✓✓

Infant mortality ✓

- This is measured in terms of the number of infants who die before reaching one year of age per thousand live births in a given year. ✓✓
- The current infant mortality rate for South Africa in 2022 is 24,306 deaths per 1 000 livebirths, a 2.93% decline from 2021. ✓✓
- The infant mortality rate for South Africa in 2021 was 25,039 deaths per 1 000 livebirths, a 2,84% decline from 2020. ✓✓
- Child mortality is substantially higher in poor households. ✓✓

Under five-mortality ✓

- This is measured in terms of the probability that a new-born baby will die before reaching the age of five years, if subject to present age-specific mortality rates. ✓✓
- The probability is expressed as a number per thousand and in South Africa the Under five-mortality rate (per 1,000 live births) in South Africa was reported at 32,2% in 2020, according to the World Bank. ✓✓

Health expenditure ✓

- This is measured in terms of the amount of public and private expenditure on healthcare as a percentage of GDP. ✓✓
- Health expenditure for the 2021/2022 financial year was R248,8 billion and is expected to increase by 0,8% per year, from R58,1 billion in 2020/21 to R59,4 billion in 2023/24. ✓✓
- Health care has extensive positive externalities. ✓✓

Access to safe drinking water ✓

- This is measured in terms of the percentage of the population that has a reasonable access to safe and drinking water (treated or uncontaminated). ✓✓
- The percentage of households with access to an improved source of water increased from 84,4% to 88,7% between 2002 and 2021. ✓✓

Access to sanitation facilities ✓

- This is measured in terms of the percentage of a population with at least adequate sanitation facilities that can effectively prevent human/animal/and insect contact. ✓✓
- The percentage of households with access to improved sanitation increased by 22,4 percentage points between 2002 and 2021, growing from 61,7% to 84,1%. ✓✓
- A healthy population saves on medical and other costs, produces income and contributes to a stronger economy. ✓✓

Services ✓

Services are vital to enhance people's lifestyles and level of economic and social development. ✓✓

In South Africa, in terms of the Constitution's requirements of human dignity and social justice the following are identified:

Electricity ✓

- An increase in the percentage of households that were connected to the electricity supply from the mains increased from 76,7% in 2002 to 89,3% in 2021. ✓✓

Refuse removal ✓

- Three-fifths (62,9%) of households in South Africa had their refuse removed weekly or less regularly in 2021. ✓✓
- Refuse removal was much more common in urban than inrural areas (85,4% compared to 11,8%), while 86,3% of households in metropolitan areas had access to these services. ✓✓

Water supply ✓

- 88,7% of all households used tap water in their dwellings, their yards or from their neighbour's or communal taps, while only 45,2% had water inside their dwellings in 2021. ✓✓
- This is the average of urban and rural access to improved water schemes. ✓✓
- Improved water resources refer to an adequate amount of water from sources ✓✓
- e.g. households' connections/taps inside the yard/public taps/ boreholes/protected springs/and rainwater collection. ✓

Sanitation ✓

- Nationally, in 2021, only 64,8% of households used flush toilets, while 19,3% used pit toilets with ventilation pipes and 13,4% used pit toilets without ventilation pipes. ✓✓

Education ✓

The standard of living is related to the level of education. ✓✓

Education is a key social indicator:

Public expenditure ✓ the percentage of the national budget that is directed towards education. ✓✓
Secondary enrolment ✓ this shows the percentage of an age group attending high school. ✓✓
Primary completion ✓ the percentage of an age group that has completed primary education is an indicator of the efficiency of the education system. ✓✓
Youth literacy rate ✓ the percentage of the 15–24 age group that are literate. ✓✓

Housing and urbanisation

Housing ✓

- Significant proportion of SA citizens are poor and cannot afford property (± 50%). ✓✓
- Government supplies subsidies and loans from private sector. ✓✓
- More than 1,5 million houses handed over since 1994. ✓✓

Urbanisation ✓

Urbanisation (increase in population numbers in cities/towns) because of:

- the natural growth of the urban population; ✓✓
- migration ✓
- establishment of new towns. ✓✓

(Accept any other correct relevant answer.)
(Max. 8 marks for headings, listing of facts and examples.) (Max. 26) (26)

ADDITIONAL PART

Analyse the importance of assessing the performance of the economy

Assessing the performance of the economy is important as it:

- Determines if the economy is growing as measured by the real GDP.✓✓
- Assess the total performance of the south African economy in comparison with other countries. ✓✓
- Assist employers and employees in wage negotiations using inflation rate indicators. ✓✓
- Assist importer and exporter in considering the average value of the currency when deciding countries to trade with using exchange rate values. ✓✓
- Businesses and consumers can make financial plans with the help of price stability, especially if the inflation rate has been stable over the past years. ✓✓
- Guides potential investors if/whether an investment in the country can allow their businesses to be competitive in the global market using productivity figures. ✓✓
- Makes employment trends available to the government using employment indicators. ✓✓
- Ensures constant information of the cost of living to all economic participants using CPI figures. ✓✓

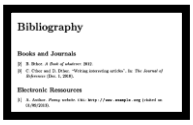
(Accept any other correct relevant response) (max 10)

(allocate a maximum of 2 marks for mere listing of facts and examples)

CONCLUSION

- Social indicators are important as they assess the development and progression of communities as a result of government initiative to improve the lives of the society. ✓✓

(Accept any other correct relevant high-order conclusion) (max 2) [40 Marks]


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