GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PREPARATORY EXAMINATION

2024

MARKING GUIDELINES

ECONOMICS (PAPER 1) (10731)

21 pages

SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 A – it enables shareholders to sell their shares ✓✓

1.1.2 D – lagging ✓✓

1.1.3 C – 60 ✓✓

1.1.4 C – balancing item ✓✓

1.1.5 B – an embargo ✓✓

1.1.6 A – labour ✓✓

1.1.7 D – development-from-below ✓✓

1.1.8 B – Life expectancy at birth and expected years of schooling ✓✓ (8 x 2) (16)

1.2 MATCH ITEMS

1.2.1 F – as disposable income increases, an increase in personal consumer spending occurs ✓

1.2.2 G – caused by changes in the building and construction industries ✓

1.2.3 A – the current percentage charged on goods and services is 15% per purchased item ✓

1.2.4 I – the ability of a country to produce a good more efficiently than another country ✓

1.2.5 C – requires protection and support to become competitive in the market ✓

1.2.6 H – SARB consults with banks to act in a responsible manner based on economic conditions ✓

1.2.7 D – set up by government to promote economic growth and industries in South Africa ✓

1.2.8 E – it is depicted in the Lorenz curve and shows the distribution of income ✓ (8 x 1) (8)

1.3 **GIVE THE TERM**

1.3.1 Multiplier effect ✓

1.3.2 Forecasting ✓

1.3.3 Social instability/social unrest/political unrest✓

1.3.4 Mercosur ✓

1.3.5 Economic growth ✓

1.3.6 Consumer price index ✓ (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

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

2.1 Answer the following questions.

2.1.1 **Name TWO examples of capital goods sold in the product market.**

- Building/land✓
- Machinery ✓
- Vehicles ✓
- Tools ✓

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

2.1.2 **Why does the free rider problem cause government to provide public goods and services?**

- The free-rider problem forces the government to provide the public goods and services because private businesses cannot produce them and offer them for sale in the market like private commodities. ✓✓
- Once the government produces public goods, people can consume them without having thereby eliminated the incentive for private businesses to supply these goods to pay.✓✓

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

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

2.2.1 **Identify the phase in the business cycle which is portrayed in the cartoon above.**

- Contraction (downswing) ✓
- Recession/depression ✓ (1)

2.2.2 **Name the fiscal policy instrument from the information provided in the cartoon.**

- Government spending ✓ (1)
- Public debt✓

2.2.3 **Briefly describe the term *government policy***

- Government policy refers to a government's actions, decisions, and measures taken to address specific issues, achieve desired outcomes, and shape a country's socioeconomic and political landscape. ✓✓

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

2.2.4 **What is the relationship between unemployment and lagging indicators?**

- The relationship is positive because unemployment information/statistics confirms the state of the economy at a later stage. ✓✓

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

2.2.5 **How can the SARB use the Phillips curve to forecast inflation?**

- The SARB uses various modelling instruments to speculate on the inflation rate and will apply monetary policy to curb inflation. ✓✓
- During an expansion of the economy, the demand for workers increases which results in higher inflow of money into circulation. ✓✓
- This will lead to an increase in the demand for goods and services. ✓✓
- In addition, the demand for credit also increases, employed people can obtain credit easier than unemployed people. ✓✓
- This increases the aggregate demand for goods and services even more. ✓✓
- Aggregate demand will exceed aggregate supply and will lead to an increase in prices (inflation) ✓✓
- The SARB can make a projection of inflation based on the availability of employment data. ✓✓

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

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

2.3.1 **Name ONE reason for public sector failure <u>associated with workers.</u>**

- Incompetent management✓
- Lack of skills✓
- Lack of motivation✓
- Apathy ✓

(Accept any other correct relevant response.) (1)

2.3.2 **Give ONE state-owned-enterprise (SOE) in South Africa.**

- SAA ✓
- ESKOM ✓
- PRASA ✓
- SABC ✓
- ACSA ✓
- Development Bank of Southern Africa (DBSA) ✓
- GEMS ✓
- GEPF ✓
- SABS ✓

(Accept any other correct relevant response.) (1)

2.3.3 **Briefly describe the term *public service provisioning.***

- Public service means the activities and services done in any government capacity in the interest of the public domain. ✓✓
- A public service is a resource offered by an organisation, typically a government agency or private business, intended to support members of a community. Public services include health care, waste removal and transportation, and are systems and solutions that can benefit various groups of individuals. ✓✓

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

2.3.4 **What are the benefits of SOEs being incorporated into a single unit?**

- It can eliminate duplication of functions and streamline operations. ✓✓
- A single entity can achieve economies of scale and scope, leading to improved financial performance. ✓✓
- A single entity can improve accountability and transparency compared to a fragmented SOE landscape. ✓✓
- A single entity can have a clearer strategic focus and direction for the SOEs. It enables the government to align the objectives of the SOEs with national priorities and economic goals. ✓✓
- Consolidating SOEs can lead to better financial performance. By pooling resources, optimising asset utilisation, and implementing standardised financial management practices, the single entity can achieve economies of scale. ✓✓
- This can result in improved profitability, enhanced creditworthiness, and reduced reliance on government subsidies or bailouts. ✓✓

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

2.3.5 **How does lack of funds in the private sector impact infrastructure provisioning in South Africa?**

- The lack of private sector funds can contribute to existing infrastructure backlogs in South Africa. ✓✓
- The country faces significant infrastructure challenges, including inadequate transportation networks, energy shortages, water scarcity, and limited access to basic services in some areas. ✓✓
- The government may need to allocate a larger share of its resources to fund infrastructure projects, which can strain public finances ✓✓
- The lack of modern and reliable infrastructure can deter foreign direct investment and negatively impact investor confidence in the country's economic prospects. ✓✓

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

2.4 **Briefly discuss basic prices using the production method.**

- The production method is also known as gross value-added method. ✓✓
- The formula is: GVA= Gross Domestic Product + Subsidies on products – Taxes on products. ✓✓
- Gross value added at basic prices is derived as the sum of the value added in the agriculture, secondary and services sectors. ✓✓
- Basic prices are factor costs adjusted for taxes and subsidies related to production. ✓✓
- When calculating basic prices, subsidies on products are added back to market prices to remove their effect and reflect the value of goods or services without the subsidies. ✓✓
- Taxes on products are subtracted from market prices to remove their effect and reflect on the value of goods and services with the taxes.
- By adjusting market prices for taxes on products and subsidies on products, the basic price provides a more accurate representation of the value added at the production stage. ✓✓
- It helps in understanding the contribution of different industries or sectors to the overall economy and facilitates comparisons across industries without the distortion of taxes and subsidies. ✓✓

(Accept any other correct relevant response.) (4 x 2) (8)

2.5 **Evaluate the <u>role of the public sector</u> in the economy with <u>special reference</u> to its <u>economic responsibility</u> in the South African context.**

Positive role of the public sector:

- The SA economy is the most industrialised, technologically advanced, and diversified economy in Africa. ✓✓
- Steady progression towards the services sector results in diversification of the economy ✓✓
- Well established financial sector compared to other African countries
- The South Africa government implemented the basic income grant in addressing the poverty rate. ✓✓
- These services ensure basic rights, promote social inclusion, and contribute to human development. ✓✓
- The SARB manages to keep the inflation target rate within 3 – 6%. ✓✓

- Regulatory frameworks helps to ensure fair competition, consumer protection, and environmental sustainability. ✓✓
- The National Development Plan was implemented to eliminate poverty and reduce inequality by 2030. ✓✓

Negative aspects of the public sector:

- The government failed in its mandate to provide satisfactory levels of employment in the economy. Unemployment has been consistently above 30% in the last few years. ✓✓
- The economy is growing marginally at a rate lower than 3% in the last few years. ✓✓
- The South African government (public sector) has suffered from inefficiency, bureaucracy, and corruption. ✓✓
- Inefficient delivery of public services, mismanagement of resources, and corrupt practices has hindered socio-economic development, eroded public trust, and diverted resources from their intended purposes. ✓✓
- Excessive public spending, fiscal deficits, and high levels of public debt have strained the economy, leading to reduced investment, increased borrowing costs, and limited fiscal flexibility. ✓✓
- Inconsistency and uncertainty in policy formulation and implementation have hindered private sector confidence and investment which have caused unstable business environments and impeded long-term socio-economic development. ✓✓
- Budget deficit currently 6%, international benchmark is 3%. ✓✓
- GDP debt ratio is 73.9% of nominal GDP, international benchmark is 60%. ✓✓

(Accept any other correct relevant response.)
(A maximum of 2 marks will be allocated for a mere listing of facts.) (8)

[40]

QUESTION 3: ECONOMICS PURSUITS 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 **Name TWO measures of social indicators related to urbanisation.**

- Natural growth in population ✓
- Migration ✓
- Founding of new towns ✓ (2 x 1) (2)

3.1.2 **How does an increase in the interest rate on bank deposits impact savings?**

- An increase in the interest rate can lead to an increase in the overall savings rate in the economy, which is beneficial for long-term economic stability and investment. ✓✓
- Individuals may choose to save their money rather than spending it because the higher interest rates provide a better return on investment compared to the potential benefits of immediate consumption. ✓✓

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

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

3.2.1 **Name the trade protocol in which South Africa and China are members.**

- BRICS/BRICS+✓ (1)

3.2.2 **Give any ONE argument in favour of free trade.**

- Innovation/best practice✓
- Improved international relations ✓
- Increased welfare/choice ✓
- Economies of scale ✓
- Specialisation ✓

(Accept any other correct relevant response.) (1)

3.2.3 **Briefly describe the term *bilateral trade.***

- Bilateral trade refers to the exchange of goods, services, or investments between two countries. ✓✓

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

3.2.4 **What does a "strong trade surplus" for South Africa refer to in the Japan-South Africa Business Forum?**

- South Africa's exports value exceeds the cost of its imports from Japan. ✓✓
- Inflow of foreign currency in the economy. ✓✓

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

3.2.5 **How do green industries contribute to export promotion?**

- There is an increasing global demand for environmentally friendly products and services. ✓✓
- By meeting this demand, green industries can increase their exports and enter new markets. ✓✓
- Countries with strict environmental regulations may require imports to meet certain environmental standards, opening up new markets for green industries. ✓✓

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

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

3.3.1 **Name ONE example of <u>crumbling infrastructure</u> in South Africa that affects development in the country.**

- Energy-electricity (Eskom) ✓
- Transport-Bad/poor roads /Rail network/SAAs/Ports/harbour-congestion ✓
- Communication -Post office✓

(Accept any other correct relevant response.) (1)

3.3.2 **Provide ONE benefit in kind (benefit in natura) provided by the central government.**

- Healthcare ✓
- Education ✓
- School meals ✓
- Protection ✓

(Accept any other correct relevant response.) (1)

3.3.3 **Briefly describe the term *economic development.***

- Increase in a country's real gross domestic product per capita over time. ✓✓

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

3.3.4 **Why is an unequal public service a challenge to the South African economy?**

- Persistent inequality can impede social mobility and limit opportunities for disadvantaged individuals and communities. ✓✓
- Lack of infrastructure, such as reliable transportation networks or access to electricity, can hinder business growth and investment. ✓✓

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

3.3.5 **How does corruption affect poverty and inequality?**

- Government officials might use their power for private gain instead of rendering services to the poor, distorting government's role in resource allocation. ✓✓
- Less money is available for targeted social programmes. ✓✓
- The benefit of corruption mostly favours better connected people who belong mostly to high-income groups. ✓✓
- Corruption does not only affect investments and growth but also income distribution. ✓✓
- Corruption increases poverty by investments in capital intensive projects (to obtain higher profits) instead of capital-intensive projects that would deprive the poor of job opportunities. ✓✓

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

3.4 **Briefly discuss the importance of measuring the performance of the economy.**

- Measuring the performance of the economy allows for the tracking of economic growth over time. ✓✓
- GDP growth, for example, provides an indication of the overall expansion or contraction of the economy. ✓✓
- Economic performance measurements provide insights into the well-being and living standards of individuals within an economy. ✓✓
- By analysing sectorial contributions to GDP, employment, productivity, and trade, policymakers can identify areas of strength or weakness. ✓✓
- By assessing inflationary pressures, policymakers can implement appropriate monetary and fiscal policies to control inflation and mitigate its negative impacts on businesses and consumers. ✓✓
- Price stability is crucial for maintaining the purchasing power of individuals and ensuring efficient allocation of resources. ✓✓

(Accept any other relevant correct response.) (4 x 2) (8)

3.5 **Why are ad valorem tariffs used as a means of protectionism?**

- Ad valorem is normal applied where mass goods are being imported, by applying a percentage of the value of the imported goods. ✓✓
- Ad valorem tariffs provide protection to domestic industries by making imported goods more expensive relative to domestically produced goods, which discourage consumers from purchasing foreign goods and encourages them to buy domestically produced goods ✓✓
- This protectionist measure aims to create a competitive advantage for domestic industries, allowing them to expand production and capture a larger share of the domestic market. ✓✓
- The goal of ad valorem is to reduce dependence on foreign goods and develop a self-sufficient domestic production base. ✓✓
- Ad valorem tariffs can help address trade deficits by reducing imports and increasing domestic production. ✓✓

(Accept any other relevant correct response.)
(A maximum of 2 marks will be allocated for a mere listing of facts.) (8)
[40]

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

4.1 Answer the following questions.

4.1.1 **Name the TWO turning points in the business cycle.**

- Peak ✓
- Trough ✓ (2 x 1) (2)

4.1.2 **Why are trade barriers necessary for the protection of natural resources?**

- Trade barriers can help prevent the overexploitation and depletion of natural resources by limiting their extraction, production, and trade. ✓✓
- Trade barriers can encourage domestic production and consumption of natural resources, promoting self-sufficiency and reducing reliance on imports ✓✓

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

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

4.2.1 **Name the participant that earns revenue through personal income tax.**

- Government ✓ (1)

4.2.2 **Identify ONE monetary flow that moves through the factor market.**

- Interest ✓
- Rent ✓
- Profits ✓
- Wages and salaries ✓
- Payment for factors of production ✓

(Accept any other relevant correct response.) (1)

4.2.3 **Briefly describe the term *factors of production.***

- Factors of production refer to the resources or inputs that are used in the production of goods and services. ✓✓

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

4.2.4 **What effect does low spending have in the goods market?**

- Reduced consumer spending can lead to decreased income for businesses and workers, which can further reduce overall spending and create a cycle of decreased economic activity. ✓✓
- it can result in lower gross domestic product (GDP) growth, reduced retail sales, decreased industrial production, and potentially higher unemployment rates. ✓✓

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

4.2.5 **How does a negative multiplier impact on income in the circular flow model?**

- The negative multiplier effect occurs when an initial withdrawal or leakage of spending from the circular flow leads to knock-on effects and a bigger drop in real GDP. ✓✓
- A negative multiplier indicates a decrease in spending, which can result in a reduced demand for goods and services. ✓✓
- Businesses may experience lower sales and revenues, leading to a decline in their income. This reduction in business income can then result in lower wages, salaries, and profits, affecting the income of households ✓✓
- When businesses experience reduced demand, they may need to cut costs, which can include reducing their workforce ✓✓
- Governments may experience increased spending on unemployment benefits and other social safety net programs due to the negative multiplier's impact on income and employment. ✓✓

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

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

4.3.1 **Identify the period with the lowest labour productivity in the graph above.**

Jan 2023/Jan – March 2023/first quarter 2023 ✓ (1)

4.3.2 **Name ONE indicator used to measure employment.**

- Economically active population (EAP) ✓
- Employment rate ✓
- Unemployment rate ✓ (1)

4.3.3 **Briefly describe the term *productivity***

- Productivity is a measure of economic performance that compares the amount of goods and services produced (output) with the number of inputs used to produce those goods and services. ✓✓

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

4.3.4 **Explain the reasons for the decrease of labour productivity between July 2021 and January 2023.**

- July unrest in KZN and Gauteng ✓✓
- Challenges in transportation e.g., taxi strikes; bus driver strikes; railway network destroyed in the country. ✓✓
- Community protests barricading and blocking roads – people could not access their workplaces. ✓✓
- Weak economic growth and lack of investments caused many firms to close – loss of production. ✓✓

- Failing electricity generation has become the main bottleneck to production. ✓✓
- Skills shortages remain a constraint in several sectors of the economy. ✓✓
- Businesses were not able to access appropriate skills. ✓✓
- Businesses were not able to access markets – transport challenges, supply chain disruptions. ✓✓

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

4.3.5 **Why should a country evaluate the efficiency and effectiveness of its workforce?**

- Evaluating the efficiency and effectiveness of the workforce allows a country to identify areas where improvements can be made. ✓✓
- By evaluating the workforce, countries can identify areas where skills gaps exist and invest in education, training, and research and development to foster innovation. ✓✓
- A competitive workforce that is adaptable to new technologies and can drive innovation plays a vital role in promoting economic diversification and sustainable development. ✓✓
- A competitive and efficient workforce can positively impact social well-being by providing better job opportunities, higher wages, and improved living standards. ✓✓

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

4.4 **Briefly discuss improving the *efficiency of inputs* and *improving the efficiency of markets* as supply-side policies to smooth out business cycles.**

Improving the efficiency of inputs

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

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

Improving the efficiency of markets

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

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

(8)

4.5 **Evaluate the impact of globalisation on international trade.**

Advantages of globalisation on international trade:

- International trade can stimulate economic growth, create employment opportunities, and contribute to overall development of countries. ✓✓
- It allows countries to specialise in areas of comparative advantage, leading to increased productivity, innovation, and efficiency. ✓✓
- It enables consumers to access higher quality and more diverse products at competitive prices, improving their standard of living. ✓✓
- It encourages countries to engage in peaceful relations, negotiate trade agreements, and collaborate on common challenges, promoting global stability and peace. ✓✓

Disadvantages of globalisation on international trade:

- Trade can lead to unequal distribution of benefits, with some individuals, industries, or regions benefiting more than others. This can exacerbate income disparities and marginalise certain sectors or communities. ✓✓
- Trade liberalisation can result in job displacement, particularly in industries that face competition from foreign markets. Workers in affected industries may struggle to find alternative employment or experience downward pressure on wages. ✓✓
- Increased trade can lead to environmental challenges, such as overexploitation of natural resources, pollution, and carbon emissions. ✓✓
- Unregulated trade practices can exacerbate environmental degradation and contribute to global challenges like climate change. ✓✓

(Accept any other relevant correct response.)
(A maximum of 2 marks will be allocated for a mere listing of facts.) (8)

[40]

TOTAL SECTION B: 80

SECTION C

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

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order response. • A good starting point would be to define the main concept related to the question topic. • Do NOT include any part of the question in the introduction. • Do NOT repeat any part of the introduction in the body. • Avoid mentioning in the introduction what you are going to discuss in the body.	Max. 2
Body **Main part:** Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/ Explain/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Assess/Debate **A maximum of 8 marks may be allocated for headings/ examples.** **Additional part:** Critically discuss/Evaluate/Critically evaluate/ Debate/Deduce/Compare/Distinguish/Interpret/How?/Suggest **A maximum of 2 marks may be allocated for the mere listing of facts.**	Max. 26 Max. 10
Conclusion Any higher-order conclusion should include: • A brief summary of what has been discussed without repeating facts already mentioned • Any opinion or value judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations	Max. 2
TOTAL	**40**

QUESTION 5: MACROECONOMICS **40 MARKS – 40 MINUTES**

- **Discuss, in detail, demand reasons for international trade. (26 marks)**

- **How does the manipulation of the rand affect the foreign exchange market? (10 marks)** **[40]**

INTRODUCTION

- Countries of the world are interdependent and trade outside the border of a country must be an important element. ✓✓ (Max. 2)

(Accept any relevant introduction)

Body: Main Part

Changes in the size of the population ✓
- A bigger population means that there are more consumers' needs and wants that must be fulfilled. ✓✓
- More goods and services will therefore have to be produced locally, but the local supply might not be met by its corresponding demand. ✓✓
- This demand can therefore be satisfied by imports from other countries. ✓✓

Changes in the level of income ✓
- When aggregate income levels increase, so too will the aggregate demand for goods and services within the country. ✓✓
- Increase in income increases the disposable income for spending on additional goods and services. ✓✓
- If local supply is insufficient to meet the local demand, then the platform for international trade will emerge whereby imports will be necessitated. ✓✓

Changes in the wealth of the population ✓
- An increase in the wealth of the population will result in consumers demanding, for example, luxurious goods. ✓✓
- If luxury goods demand cannot be satisfied locally, such goods will have to be imported from abroad. ✓✓
- Most luxury goods are obtainable from developed countries since they specialise in such goods. ✓✓

Tastes and preferences ✓
- Japanese are well-known for their small cars, while the Americans are well-known for their big cars. ✓✓
- Americans are likely to export to those with taste for big cars, while Japanese will get imports from those who prefer small cars. ✓✓
- Tastes and preferences will push South Africans who are not the producers of iPhone to import them from the United States of America. ✓✓

Differences in consumption patterns ✓

- Consumption patterns are to a large extent determined by the level of economic development within the country. ✓✓
- In countries where the level of disposable income is high, the demand for luxury goods especially from other countries will be high. ✓✓
- In countries where the level of disposable income is low, the demand for basic goods especially from other countries will be high. ✓✓

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

ADDITIONAL PART

How does the manipulation of the rand affect the foreign exchange market?

- When authorities or market participants actively intervene in the foreign exchange market to manipulate the rand's value, it can lead to sudden and unpredictable fluctuations in the exchange rate. ✓✓
- This volatility can make it challenging for businesses and investors to plan and make informed decisions. ✓✓
- Depreciating the rand through manipulation can make exports more competitive in foreign markets, as they become relatively cheaper. ✓✓
- These fluctuations in the exchange rate resulting from manipulation can impact a country's balance of trade and its export-oriented industries. ✓✓
- Manipulation of the rand can affect investor confidence and foreign investment flows. ✓✓
- Investors generally prefer stable and predictable exchange rates to make long-term investment decisions. ✓✓
- When authorities intervene in the foreign exchange market to manipulate the currency, they may need to use foreign exchange reserves to buy or sell the currency. ✓✓
- Frequent intervention and manipulation can deplete a country's foreign exchange reserves, limiting its ability to address external imbalances or respond to economic shocks. ✓✓

(Accept any other relevant correct response.)
(A maximum of 2 marks will be allocated for the mere listing of facts.) (Max. 10)

CONCLUSION

As countries tend to specialise more, they become more dependent on one another and are increasingly affected by the economic successes and failures of each other. ✓✓

The desire to access a broader range of goods and services, leverage comparative advantages, achieve economies of scale, optimize resource utilisation, meet seasonal or non-local demand, and benefit from price and cost differentials drives international trade. ✓✓
(Accept any relevant higher-order conclusion.) (Max. 2) **[40]**

QUESTION 6: ECONOMIC PURSUITS 40 MARKS – 40 MINUTES

- **Discuss, in detail, South Africa's initiatives (endeavours) in regional development. (26 marks)**

- **How do municipalities use good governance to promote industrial development in their communities? (10 marks)**

INTRODUCTION

- Regional development is the policies aimed at increasing economic activity in geographical areas that are less developed. ✓✓ (Max. 2)

(Accept any relevant introduction)

MAIN PART

Spatial development initiatives ✓
- Spatial development initiatives (SDI) in South Africa with a link to the private-public partnerships. ✓✓
- It is a policy aimed at attracting infrastructure and investments to areas with high unemployment and poverty. ✓✓
- The main objective is to create employment and stimulate economic growth in those regions. ✓✓
- This initiative makes provision for private-public partnerships (PPPs) to take advantage of the economic potential of underdeveloped areas. ✓✓
- Lubombo SDI is one example of the 9 local SDIs we have in South Africa. ✓✓

The incentives from the government the SDIs enjoy includes;
- **Duty free incentives** – The benefit of importing intermediate goods with no charge of import tariff. ✓✓
- **Skills support programme** – Tax free grants for skills development. ✓✓

Industrial Development Zones (IDZs) ✓
- IDZs are purpose built industrial estates located near a point of entry or exit into a country such as ports and airports. ✓✓
- The benefits of IDZs are support to investing companies, especially for greenfield development projects. ✓✓
- Access to transport for export purposes is one of the key objective of the IDZs. ✓✓
- The other aim is to waiver import duties for products that are produced for export. ✓✓
- The example of the IDZ is Saldanha Bay which focuses on steel. ✓✓

Special Economic Zones (SEZs) ✓
- It is a geographically demarcated area where specific economic activities have been identified to be developed. ✓✓

SEZ's can benefit the economy by:

- Attracting new businesses (tax incentives) / investment ✓✓
- Assisting businesses that establish new products lines and expand their operations ✓✓
- Creating more employment for the people in their neighbourhood ✓✓
- Increasing productivity and economic growth ✓✓
- Promoting more effective use of resources✓✓
- Focusing on both domestic production and exports ✓✓
- These areas enjoy incentives such as tax relief and support systems to promote industrial development ✓✓
- The government provides economic infrastructure to these areas and helps in establishing industrial parks for employment-enhancing manufacturers ✓✓
- These areas enjoy incentives such as tax relief and support systems to promote industrial development ✓✓
- It creates a basis for a broader range of industrial parks ✓✓
- It also provides economic infrastructure to enable the effective clustering of value-adding and employment-enhancing manufacturers ✓✓

Corridors. ✓

- A corridor is a track of land that forms a passageway allowing access from one area to another. ✓✓
- The purpose of this can be to link two industrial areas or to link industries and the markets. ✓✓
- The Maputo corridor is a major trade corridor which connects Limpopo, Mpumalanga and Gauteng with Maputo city in Mozambique.
- This corridor comprises of roads, railway and border facilities at Komatipoort. ✓✓

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

ADDITIONAL PART

How do municipalities use good governance to promote industrial development in their communities?

- Municipalities must ensure that decisions related to industrial development are made openly, with proper consultation and participation of stakeholders. ✓✓
- This transparency builds trust and confidence among investors and businesses, encouraging them to invest in the community. ✓✓
- Municipalities must implement efficient administrative procedures to facilitate industrial development. ✓✓
- This includes simplifying licensing, permitting, and regulatory processes, reducing bureaucratic red tape, and ensuring timely and predictable decision-making. ✓✓
- Municipalities must adopt policies that support industrial development, such as zoning regulations that allocate suitable land for industrial activities, tax incentives to attract investments, and infrastructure development plans that cater to the needs of industries. ✓✓

- Good governance requires municipalities to prioritise environmental and social sustainability in industrial development. They can enforce regulations and standards that promote responsible practices, such as environmental impact assessments, waste management plans, and labour standards. ✓✓
- By promoting sustainable and responsible industrial practices, municipalities can attract businesses that align with these values and contribute positively to the community. ✓✓

(Accept any other relevant correct response.)
(A maximum of 2 marks will be allocated for a mere listing of facts.) (Max. 10)

CONCLUSION

Although the government has invested in such initiatives there has been some internal and external factors such as be shortages of skills and an unstable exchange rate that have hindered the progress of these initiatives. ✓✓
(Accept any relevant higher-order conclusion.) (Max. 2) **[40]**

TOTAL SECTION C: 40

TOTAL: 150