KWAZULU-NATAL PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

NATIONAL
SENIOR CERTIFICATE

GRADE 12

NATIONAL
SENIOR CERTIFICATE

# ECONOMICS P1

# MEMO

# SEPTEMBER 2024

**MARKS:** 150

**DURATION:** 2 Hours

**This marking Guidelines consist of 15 pages.**

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## SECTION A (COMPULSORY)

## QUESTION 1

### 1.1 MULTIPLE CHOICE QUESTIONS

1.1.1. C (four) ✓✓
1.1.2. C (expansionary) ✓✓
1.1.3. A (international) ✓✓
1.1.4. D (collective) ✓✓
1.1.5. B (subsidies). ✓✓
1.1.6. A (National Development Plan.) ✓✓
1.1.7. D (Integrated manufacturing strategy) ✓✓
1.1.8. B (real GDP) ✓✓

(1x8) (8)

### 1.2 MATCH THE ITEMS

1.2.1 I (The minimum balance that banks are required by law to keep in their accounts) ✓

1.2.2 D (The value of tangible exports minus tangible imports) ✓

1.2.3 E (Is a tariff charged as percentage of the value of imported goods) ✓

1.2.4 H (The lowest turning point in a business cycle) ✓

1.2.5 F (Nationwide government intervention to create employment using labour intensive methods) ✓

1.2.6 A (All persons between the ages of 15 to 65 who supply labour for productive activities) ✓

1.2.7 B (It is aimed at promoting investment projects in underdeveloped areas where unemployment and poverty are high) ✓

1.2.8 G (Increase in the country's production capacity) ✓ (1x8) (8)

### 1.3 GIVE THE TERM

1.3.1 Repo Rate ✓

1.3.2 Government bonds ✓

1.3.3 Public goods ✓

1.3.4 Broad Based Black Economic Empowerment ✓

1.3.5 Quotas ✓

1.3.6 Exchange Rate ✓ (1x6) (6)

**TOTAL SECTION A: 30**

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

**2.1 Answer the following questions.**

**2.1.1 Name any TWO types of business cycle.**

- Kitchen ✓
- Jugler ✓
- Kuznets ✓
- Kondratieff ✓ **(2x1) (2)**

**2.1.2 How can double counting be avoided when calculating the GDP?**

- Double counting can be avoided by subtracting the value of intermediate goods in the final market price of goods. ✓✓
- Double counting can also be avoided by taking into account only productions made in each sector of production. ✓✓ **(1x2) (2)**

(Accept any relevant answer)

**2.2 Data response**

**2.2.1 Identify the primary participant in the diagram above.** **(1)**

Households ✓

**2.2.2 Name one factor of production provided by the factor market.** **(1)**

- Entrepreneurship ✓
- Raw materials ✓
- Capital ✓
- Labour ✓

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

Circular flow is a continuous flow of spending, production and income between different sectors. ✓✓

(Accept any relent answer)

**2.2.4 Explain the role of firms in the economy.** **(2)**

- Firms pay taxes to the government which are used to provide social services. ✓✓
- Firms are responsible for production of goods and service which leads to an increase in economic growth. ✓✓
- Firms create employment opportunities that lead to an improvement to the standard of living. ✓✓

(Accept any relevant answer)

**2.2.5 How can foreign direct investment influence national income?** **(2x2) (4)**

- Foreign direct investment directly influence the country's economic growth by stimulating the level of economic activities. ✓✓
- FDI reduces poverty through the direct channel by creating jobs in the private sector, which improves the general standard of living. ✓✓
- Foreign direct investment has a positive impact on the country's balance of payments capital flows into the country. ✓✓

(Accept any relevant answer) (10)

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## 2.3 Data response

**2.3.1 Identify the exchange rate system that is represented by the graph. (1)**
Free floating exchange rate ✓

**2.3.2 Which curve represents an increase in the demand for foreign currency? (1)**
D1D1✓

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

- Exchange rate is the value of one countries currency when compared and exchanged with another countries currency. ✓✓
  (Accept any relevant answer)

**2.3.4 What could have caused a shift of the demand curve to the right from DD to $D_1D_{1?}$ (2)**

- An increase in the number of South Africans touring the United States. ✓✓
- An increase in the number of South African imports from the USA✓✓
  (Accept any relevant answer)

**2.3.5 How can the SARB intervene to devalue the currency? (2x2) (4)**
Direct intervention: The Central bank buys foreign exchange when the currency is overvalued. ✓✓

- Indirect intervention: When a currency is overvalued an increase in interest rates invites an inflow of investments. ✓✓
- A surplus is created on the financial account that balances out the deficit on the current account. ✓✓
  (Accept any relevant answer)

**2.4 Discuss amplitude and length as features underpinning forecasting business cycles. (2x4) (8)**

**Amplitude**

- Amplitude refers to the vertical (height) difference between a trough and the next peak of a cycle. ✓✓
- The larger the amplitude, the more extreme the changes that occur. ✓✓

**Length**

- Length 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. ✓✓
  (Accept any relevant answer)

**2.5 How can the South African economy be influenced by the effect of international trade? (4x2) (8)**

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

(Accept any relevant answer)

## QUESTION 3: ECONOMIC PURSUITS 40 MARKS – 30 MINUTES

**3.1 Answer the following questions**

**3.1.1 Name any TWO inflation rate indicators (2x1) (2)**

- Producer price index ✓
- Consumer price index ✓

**3.1.2 How can physical control be used to reduce imports? (1x2) (2)**

The government may apply a complete ban or embargo on the import of certain goods from a particular country. ✓✓

(Accept any relevant answer)

**3.2 Data response**

**3.2.1 Identify one of the new BRICS countries. (1)**

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

**3.2.2 Name the country that assumed BRICS presidency in 2024. (1)**

- Russia ✓

**3.2.3 Briefly describe the term *import substitution.* (2)**

Import substitution occurs when locally produced goods replace goods that had previously been imported. ✓✓
(Accept any relevant answer)

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**3.2.4 Why is export promotion important for the South African economy? (2)**

- The country achieves significant export-led economic growth. ✓✓
- Export promotion enlarges the production capacity of the country. ✓✓
  Export markets are much bigger than local markets. ✓✓
  (Accept any relevant answer)

**3.2.5 How can South Africa benefits from being a member of BRICS? (2x2) (4)**

- Being a member of BRICS has enhanced South Africa's position and Influence as an important emerging economy. ✓✓
- BRICS membership gives us access to policy and technical expertise of larger and established economies. ✓✓
- BRICS membership gives us access to the funding support of the National Development Bank. ✓✓
  (Accept any relevant answer)

**3.3 Data response**

**3.3.1 Identify the economic concept that is depicted by the cartoon above. (1)**
North south divide ✓

**3.3.2 Name one country that is a member of the G7. (1)**

- United States of America ✓
- Canada✓
- France ✓
- Italy✓
- Germany ✓
- Japan ✓
- United Kingdom ✓✓

**3.3.3 Describe the term *economic development.* (2)**

Economic development is an Increase in a country's real gross domestic product per capita over time. ✓✓

(Accept any relevant answer)

**3.3.4 Why is South Africa regarded as one of the major polluters in the word? (2)**
South Africa is regarded as a major polluter because the country relies on coal for baseline electricity and coal is among the 32 common fossil fuels. ✓✓

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**3.3.5 How can countries of the South solve the inequality gap? (2x2) (4)**

- Countries of the South must establish labour intensive industries that will create sustainable employment opportunities. ✓✓
- Increase the competitiveness of their manufacturing sector through the\ diversification of the local industrial base. ✓✓
- Developing countries must create a conducive environment through policy making that will attract foreign direct investment✓✓
  (Accept any relevant answer)

**3.4 Discuss population growth and life expectancy as demographic indicators (4x2) (8)**

**Population growth**

- Measuring population growth is important for delivering social services and for identifying the size of the tax base (the total number of people paying taxes). ✓✓
- The South African population is currently around 63 million people. ✓✓

**Life expectancy**

- This is the number of years a new born baby is expected to live from birth to death. ✓✓
- The South African life expectancy is currently around 62 years of age. ✓✓

**3.5 Evaluate the success of the Japan- South Africa partnership forum for the South economy. (4x2) 8)**

- SA exports to Japan increased from R61 billion in 2011 to R150 billion in 2021. Last year, SA imported R34 billion worth of goods, resulting in a R114 billion trade surplus in South Africa's favour with Japan. ✓✓
- Japanese investors have commitment to strengthening ties and economic opportunities, including for small and medium businesses. ✓✓
- Both countries agreed to an ambitious work programme that includes collaboration on green industrialisation, electric vehicle technologies and green hydrogen. ✓✓
- South Africa has opportunities to more Japanese businesses, skills development in the local auto industry, work streams on manufacturing opportunities and the exchange of technical experiences. ✓✓
- The relationship has a positive impact on economic growth, balance of payments and employment opportunities. ✓✓
  (Accept any relevant answer)

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## QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

**40 MARKS – 30 MINUTES**

**4.1 Answer the following questions.**

**4.1.1 Name any TWO problems of public sector provision. (2x1) (2)**

- Pricing policy ✓
- Privatization/ Nationalisation ✓
- Bureaucracy ✓
- Lack of accountability ✓
- Problems in accessing needs ✓

**4.1.2 Why is education an important indicator for the development of a country? (1x2) (2)**

Education is important because it develops and capacitates the countries human resource with the necessary skills to foster economic growth. ✓✓
(Accept any other relevant answer)

**4.2 Data response**

**4.2.1 Name a phase of the business cycle that can be associated with high inflation. (1)**

- Prosperity ✓

**4.2.2 Identify one challenge faced by the South African economy on the cartoon above (1)**

- Unemployment ✓

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

Recession is a decrease in economic activities for at-least two consecutive terms. ✓✓
(Accept any relevant answer)

***4.2.4* Explain the impact of the high cost of food on the economy. (2)**

High cost of food will negatively affect consumers buying power as consumers will afford less goods and services which in turn reduce the standard of living. ✓✓
(Accept any relevant answer)

**4.2.5 How can reserve bank use open market transaction to curb inflation? (4)**

- The reserve bank must sell government bonds and securities on the open market. ✓✓
- This will result in a leakage of money from the economy and consumers will have less money to spend. ✓✓
- Aggregate demand will decrease and the negative multiplier effect will kick in. ✓✓

(Accept any relevant answer)

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## 4.3 Data Response

**4.3.1 Identify the percentage protest for water and sanitation.** **(1)**

- 11.5%✓

**4.3.2 Name the organisation that regulates electricity in South Africa.** **(1)**

- NERSA- National Electricity Regulator of South Africa ✓

**4.3.3 Briefly describe the term *urbanisation.*** **(2)**

- Urbanisation is the movement of people from rural areas to urban areas to seek for employment. ✓✓
  (Accept any relevant answer)

**4.3.4 Why is load shedding a threat to the South Africa's economy?** **(2)**

- Load shedding reduces the capacity of the country to produce goods and services which results in negative impact on economic growth and employment. ✓✓
  (Accept any other relevant answer)

**4.3.5 How can the government reduce the number of service delivery protest?** **(2x2) (4)**

- The government can ensure that they hire the most skilled and qualified employees to carry out service delivery. ✓✓
- The government can ensure that there are consequences for lack of service delivery among officials. ✓✓
  (Accept any other relevant answer)

**4.4 Discuss injections and leakages in the circular flow.** **(2x4) (8)**

**Injections**

- Injections refer to an inflow of money into the economy. ✓✓
- When injections increase this can lead to an increase in employment opportunities. ✓✓
- The following are injections (additions to) the circular flow: • Investment (I)
- Government expenditure (G) Payments for exports (X). ✓✓

**Leakages**

- Leakages refer to the outflow of money from the economy. ✓✓
- A increase in leakages has a negative impact on economic growth. ✓✓
- The following are leakages or withdrawals from the circular flow: Savings (S) Taxation (T) Payment for Imports (M). ✓✓

**4.5 How can trade liberation benefit developing countries?** **(2x2) (8)**

- Economies of scale: Free trade allows economies of scale to be maximised and thus unit cost are reduced. ✓✓ Economies of scale are a source of comparative advantage. ✓✓
- Choice: Free trade allows consumers the choice of what to buy from the whole world, and not just what is produced domestically. ✓✓Consumers' welfare is thus increased because some consumers at least will prefer to buy foreign goods rather than domestic goods. ✓✓
- Innovations: Free trade increases competition and this encourages innovation in goods and processes. ✓✓

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- Improves global efficiency: Under free trade, resources are allocated more efficiently as markets expand, because each country specialises in its most effective production. ✓✓
- Free trade leads to greater world production of traded goods, leading to an increase in economic welfare. ✓✓
- Free trade leads to mutual gains from international trade to all countries. ✓✓ (Accept any relevant answer)

**SECTION C**

| STRUCTUTURE OF ESSAY | MARK ALLOCATION |
|---|---|
| **Introduction**<br><br>The introduction is a lower order-response<br>• A good starting point would be to define the main concept related to the question topic.<br>• Do not include any part of the question in your introduction.<br>• Do not include any part of the introduction in your body.<br>• Avoid saying in the introduction what you are going to discuss in the body. | Max. 2 |
| **Body**<br><br>**Main part:** Discuss in detail/ In depth discussion/ Examine/ Critically discuss/ Analyse/ Compare/ Evaluate/ Distinguish/Differentiate/ Explain.<br><br>**Additional part:** Give own opinion/ Critically discuss/ Evaluate/ Critically evaluate/ Draw a graph and explain/ Use the graph given and explain/ Complete the given graph/ Calculate/ Deduce/ Compare/ Explain/ Distinguish/ Interpret/ Briefly debate/ How/ Suggest | Max. 26<br><br>Max. 10 |
| **Conclusion**<br><br>Any high-order conclusion should include:<br>• A brief summary of what has been discussed without repeating facts already mentioned.<br>• Any opinion or value judgment on the facts discussed.<br>• Additional support information to strengthen the discussion/ analysis.<br>• A contradictory viewpoint with motivation, if required.<br>• Recommendations. | Max. 2 |
| **TOTAL** | **40** |

**QUESTION 5 MACRO-ECONOMICS 40 MARKS – 40 MINUTES**

- **Discuss in detail the reasons for public sector failure (26)**
- **How can the South African government improve accountability of public sector officials? (10)**

**INTRODUCTION**

Public sector failure occurs when the government fails to manage the economy and the resources under its control optimally. / Public sector failure can be regarded as a failure of government to achieve its objectives. ✓✓ (1x2) (2)

**MAIN PART**

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

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

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

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

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

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**Special interest groups (rent seeking groups)** ✓

- Rent seeking refers to when people spend money on lobbying in order to increase their wealth without actually creating any more wealth. ✓✓
- Special interest groups such as farmers or organised labour often attempt to influence government to their own advantage. ✓✓
- They make use of the law, lobbying, bribes and other favours to influence the government officials to act in their interest. ✓✓ (26)

**Additional part**

- The government can ensure that all public representatives are held accountable in the national assembly during the parliamentary questioning. ✓✓
- The national treasury must implement strict rules on how the public purse can be used. ✓✓
- There must be serious consequences for all those found by the auditor general to have committed wasteful government spending. ✓✓
- There must be serious consequences including jail time and blacklisting all directors and employees responsible for corruption. ✓✓
- The government must give incentives to all individuals that report any case of corruption.
- Chapter 9 institutions such as the office of the public protector and constitutional court must play their role of holding the executive accountable. ✓✓
  (Accept any relevant answer)

**CONCLUSION** **(2)**

- It is imperative that the government puts in the necessary internal control systems to be able to deal with public sector failure because failure to do so undermines the citizens socio economic rights. ✓✓
  (Accept any suitable conclusion)

**QUESTION 6. ECONOMIC PURSUIT 40 MARKS – 40 MINUTES**

- **Discuss in detail South Africa's initiatives (endeavours) in regional development. (26)**
- **How can Small Business Development Programme stimulate regional development? (10)**

**INTRODUCTION**

Regional development is aimed at increasing the economic livelihood of specific areas or regions by limiting the negative effects of economic activities in only a few Areas. ✓✓

Accept any relevant introduction. (Max 2)

**BODY: MAIN PART**

- **Spatial development initiatives (SDI'S)** ✓
- SDI program attracts infrastructure and business investments to underdeveloped areas to create employment. ✓✓
- Department of trade and industry is the driving force behind industrial and spatial development. ✓✓
- DTI plans together with central, provincial and local government, IDC, parastatals and research institutions. ✓✓

**key objectives**

- Stimulate economic activity in selected strategic locations. ✓✓
- Generate economic growth and foster sustainable industrial development. Develop projects of infrastructure in certain areas and finance them through lending and private sector investment. ✓✓
- Establish private-public partnerships (PPP'S). in areas with high poverty and unemployment, SDI focuses on:
- High-level support in areas where socio-economic conditions require concentrated government assistance where inherent economic potential exists. ✓✓
- The approach is towards international competitiveness, regional cooperation and a more diversified ownership base. ✓✓
- Example KwaZulu-Natal (ports of Durban and Richards bay); ✓✓

**Industrial development zones (IDZS)** ✓

- They are purpose-built industrial estates, physically enclosed and linked to a port or airport. ✓✓
- Industrial development zones are built in duty-free import areas. ✓✓
- This strategy was aimed at making exports internationally competitive. ✓✓
- They focus on creating jobs and promoting exports. ✓✓
- Goods produced in these zones should be exported to foreign countries. ✓✓
- As services are provided from outside, the economy in the areas should be stimulated. ✓✓
- an IDZ offers a world-class infrastructure, enjoys a zero rate of vat on supplies from South African sources and reduced taxation on some products. ✓✓

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**Each IDZ is designed to:**

- Provide location for establishment of strategic investments. ✓✓
- Promote and develop links between domestic and zone-based industries. ✓✓
- Enable exploitation of resource-intensive industries. special economic zones ✓✓

**Special Economic Zones**

Geographically demarcated area where specific economic activities have been identified to be developed. ✓✓

- It creates a basis for a broader range of industrial parks and provide economic infrastructure to promote employment. ✓✓
- These areas may enjoy incentives such as tax relief and support systems to promote industrial development. ✓✓
- There are plans to reduce tax to 15% as an incentive to attract new industries. ✓✓

**The aim of creating sez is to attract:**

- New businesses and businesses which are developing a new product line. ✓✓
- Business which are expanding their volume. ✓✓
- The DTI has indicated that the existing IDZS where special tax incentives do not apply would be graduated into SEZS. ✓✓

**Corridors**

a corridor is a track of land that forms a passageway allowing access from one area to another and particular advantages to mining, manufacturing and other businesses. ✓✓

- Example of domestic corridor✓✓e.g. lubombo, west coast, fish river ✓✓

**Benefits of corridors**

- Corridors promote South Africa's regional integration in southern Africa: ✓✓
- They lead to political and stable neighbours. ✓✓
- Corridors create important export markets and a future source of water and energy supplies. ✓✓
- Integration may be a precondition for support from foreign investors, donors and multilateral institutions. ✓✓
- A robust regional transport system and a solid infrastructure base hold the key to attracting investment into the SADC region
- Improving competitiveness and promoting trade. ✓✓

(max.26)

(Accept any other relevant and correct response)
(a maximum of 8 marks for headings and examples.)

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**Additional part**

- Small business development programme transforms and integrate opportunities in townships and rural areas into productive business ventures. ✓✓
- It focuses on creating platforms that provide the business support, infrastructure and regulatory environment that enables entrepreneurs to thrive. ✓✓
- It overcomes the legacy of economic exclusion by creating a conducive environment for entrepreneurial activity. ✓✓
- It provides dedicated business support to enterprises in rural and township areas including access to funding. ✓✓
- Small business development program provides business skills training; product development support; credit guarantee; pitch-for-funding; and access to funding including working capital. ✓✓
- This policy has improved the competitiveness of the South African manufacturing sector by focusing on both informal and formal sector business. ✓✓

(Accept any relevant answer) (10)

**CONCLUSION**

A range of programs gives effect to government's commitment to support regional economic development AND integration in the Southern African region and beyond. ✓✓
(Accept any suitable conclusion)

**TOTAL MARKS: 150**

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