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Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ECONOMICS P1

2021

MARKS: 150

TIME: 2 hours

This question paper consists of 13 pages.

INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows in the ANSWER BOOK:

SECTION A: COMPULSORY
SECTION B: Answer TWO of the three questions.
SECTION C: Answer ONE of the two questions.
2. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
3. Number the answers correctly according to the numbering system used in this question paper.
4. Read the questions carefully.
5. Start EACH question on a NEW page.
6. Leave 2–3 lines between subsections of questions.
7. Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
8. Use only black or blue ink.
9. You may use a non-programmable pocket calculator.
10. Write neatly and legibly.

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

1.1 Various options are provided as possible answers to the following questions. Choose the 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 Cycles that last 3–5 years and are caused by businesses adapting their inventory levels:

- A Jugler
- B Kitchin
- C Kuznets
- D Kondratieff

1.1.2 A decrease in the value of the currency due to market forces is known as ...

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

1.1.3 Newly established firms that still need protection are called ... industries.

- A competitive
- B strategic
- C declining
- D infant

1.1.4 The continuous movement of factors of production, goods and services among the participants in the economy is called ...

- A leakages.
- B injections.
- C real flows.
- D money flows.

1.1.5 Service delivery to ensure the daily management of cities and towns is the responsibility of the ... government.

- A local
- B national
- C provincial
- D central

1.1.6 A nationwide government intervention to create employment using labour-intensive methods is known as the ...

- A Black Economic Empowerment Programme.
- B National Skills Development Strategy.
- C Expanded Public Works Programme.
- D Joint Initiative on Priority Skills Acquisition.

1.1.7 Issues related to human well-being over a period of time are monitored by using ... indicators.

- A growth
- B social
- C economic
- D communication

1.1.8 A track of land that forms a passageway allowing access from one area to another is called a/an ...

- A corridor.
- B special economic zone.
- C spatial development initiative.
- D industrial development zone.

(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 number (1.2.1 to 1.2.8) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.2.1	Embargo	A	when a country engages in foreign trade and produces a given good at a lower input cost than other countries
1.2.2	Length of the business cycle	B	a complete ban imposed on the importing of goods from a particular country
1.2.3	Comparative advantage	C	measured from peak to peak or trough to trough
1.2.4	Marginal propensity to save	D	the proportion of income that households do not consume
1.2.5	Non-rivalry	E	consumption by one person does not reduce consumption by another person
1.2.6	Wealth tax	F	economic goods which do not take a tangible and storable form
1.2.7	Industrial development	G	measured in terms of per capita real gross domestic product
1.2.8	Services	H	levied on properties according to their market value
		I	extensive increase in organised economic activity to manufacture, mine, farm and deliver services

(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 curve that indicates the relationship between the unemployment rate and inflation rate

1.3.2 An economy that excludes the foreign sector

1.3.3 A strategy to strengthen the institutional capacity to deliver services that facilitate economic and social development

1.3.4 A regional development initiative that attracts infrastructure and business investments to neglected areas

1.3.5 A tariff based on a fixed amount per unit, weight or size that is levied on imported goods

1.3.6 A business cycle approach based on forces inside the market system

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer any TWO of the 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 any TWO examples of a strategic industry. (2 x 1) (2)

2.1.2 How does a progressive income tax system influence income redistribution? (1 x 2) (2)

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

South Africa's National Accounts Aggregates Expenditure on Gross Domestic Product	
R millions At constant 2010 prices	2019
Final consumption expenditure by households	3 058 619
Final consumption expenditure by general government	1 081 318
Gross capital formation	893 104
Gross Domestic Expenditure	5 033 041
Residual item	19 097
Gross Domestic Expenditure (including residual)	5 052 077
Exports of goods and services	1 515 966
Imports of goods and services	1 490 318
GDP at market prices	5 077 625

[Adapted from www.resbank.co.za/webindicators, June 2020]

2.2.1 Which year does the South African Reserve Bank currently use as the base year? (1)

2.2.2 Identify the figure used to cater for errors and omissions when calculating the gross domestic product at market prices. (1)

2.2.3 Briefly describe the term *gross domestic expenditure*. (2)

2.2.4 What effect would an increase in imported clothing have on domestic textile manufacturers? (2)

2.2.5 How does gross capital formation impact the economy positively? (2 x 2) (4)

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

ECONOMIC INTEGRATION – NEW FREE TRADE AREA IN AFRICA

The United Nations Conference on Trade and Development and the World Trade Organisation play a role in international trade.

In May 2019 the African Continental Free Trade Area (AfCFTA) was launched to grow countries economically through regional cooperation and integration. AfCFTA aims to unlock manufacturing potential and facilitate industrialisation in Africa. The continent currently accounts for only 1,4% of global manufacturing output and is plagued by infrastructural challenges and corruption.

[Adapted from *Mail & Guardian*, 23 July 2020]

- 2.3.1 Name the institution that promotes trade liberalisation. (1)
- 2.3.2 Give ONE form of economic integration. (1)
- 2.3.3 Briefly describe the term *free trade*. (2)
- 2.3.4 Why will import substitution have a negative effect on consumers in the long run? (2)
- 2.3.5 How could African countries benefit from a new free trade agreement? (2 x 2) (4)
- 2.4 With the aid of a correctly labelled graph, explain the effects of demand-side policies in stimulating economic activity during a recession. (2 x 4) (8)
- 2.5 How could an increase in investments contribute towards a higher national income in the economy? (8)
- [40]**

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

3.1 Answer the following questions.

- 3.1.1 Name any TWO examples of industrial development zones in South Africa. (2 x 1) (2)
- 3.1.2 How can public-private sector partnerships contribute more to regional development? (1 x 2) (2)

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

SUSTAINABLE LIVELIHOODS OF TOWNSHIP SMMEs TOWARDS GROWTH AND DEVELOPMENT

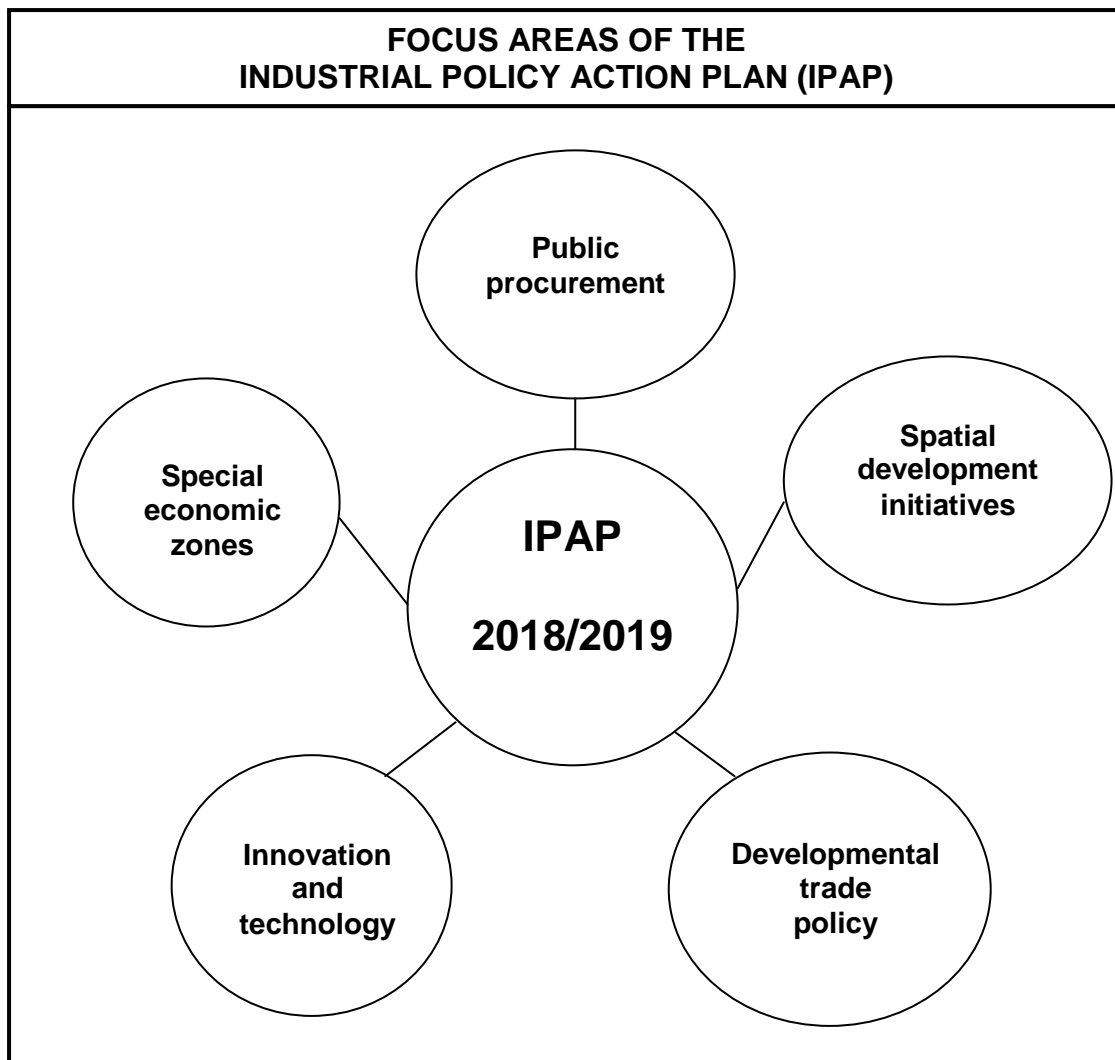
In South Africa, small, medium and micro-enterprises (SMMEs) have been recognised as the critical driving force to alleviate some economic challenges that the country faces. SMMEs in South Africa play a critical role in the country's economy and contribute between 40% and 41% of the country's GDP and up to 61% of the overall employment.

In this regard, the Small Enterprise Development Agency (SEDA) and the Small Enterprise Finance Agency (SEFA) plan on implementing programmes to improve the livelihood of township SMMEs.

[Adapted from www.mdpi.com, 14 April 2020]

- 3.2.1 Identify the institution that promotes small businesses. (1)
- 3.2.2 Which economic challenge is addressed by small, medium and micro-enterprises in the economy? (1)
- 3.2.3 Briefly describe the term *employment*. (2)
- 3.2.4 How do small, medium and micro-enterprises benefit from the Small Business Support Programme? (2)
- 3.2.5 What are the challenges in implementing broad-based black economic empowerment? (2 x 2) (4)

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



[Adapted from dti/IPAP, 2018/19–2020/21]

- 3.3.1 Which focus area provides economic infrastructure for industrial development? (1)
- 3.3.2 Name the industrial development policy that sets out the government's broad approach to industrial development. (1)
- 3.3.3 Briefly describe the term *innovation*. (2)
- 3.3.4 How does industrial development promote entrepreneurship in the economy? (2)
- 3.3.5 What are the challenges faced by the Industrial Policy Action Plan? (2 x 2) (4)
- 3.4 Discuss the general benchmark criteria for regional development. (4 x 2) (8)
- 3.5 Evaluate the use of supply-side measures in solving the persistent low economic growth in South Africa. (8)
- [40]**

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

4.1 Answer the following questions.

4.1.1 Name any TWO effects of international trade. (2 x 1) (2)

4.1.2 How do consumers in the importing country benefit from dumping? (1 x 2) (2)

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

SOUTH AFRICA'S BALANCE OF PAYMENTS – SECOND QUARTER 2019

The balance of payments consists of a current account, capital transfer and financial account.

South Africa's trade balance switched from a surplus of R41,9 billion in the first quarter of 2019 to a deficit of R27,2 billion in the second quarter. The deterioration in the trade balance came about as the value of merchandise imports increased substantially. This has impacted the terms of trade.

[Adjusted from SARB, Statistical Press Release, September 2019]

4.2.1 Identify the account in the balance of payments that records exports and imports of goods and services. (1)

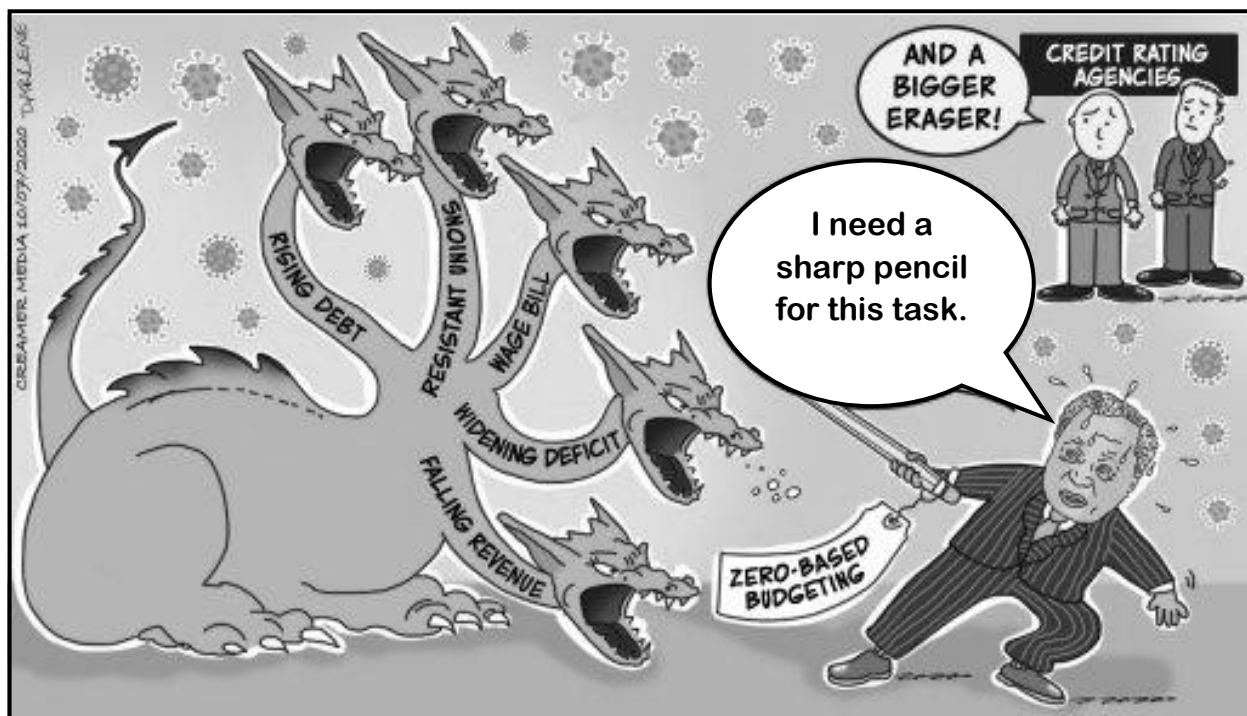
4.2.2 Which commodity is recorded as a separate export item in the South African balance of payments? (1)

4.2.3 Briefly describe the term *terms of trade*. (2)

4.2.4 Explain the impact of an increase in export prices on South Africa's trade balance. (2)

4.2.5 How can import control be used to correct the balance of payments deficit? (2 x 2) (4)

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



[Adapted from Google images, 2020]

- 4.3.1 Which government department is responsible for budgeting? (1)
- 4.3.2 Name ONE factor that contributed to the downgrading of the South African economy. (1)
- 4.3.3 Briefly describe the term *affirmative action*. (2)
- 4.3.4 What impact will South Africa's credit rating to junk status have on the economy? (2)
- 4.3.5 How could state-owned enterprises contribute towards expanding the economy? (2 x 2) (4)
- 4.4 Briefly discuss *extrapolation* and *amplitude* as features in the forecasting of business cycles. (2 x 4) (8)
- 4.5 Evaluate the impact of the depreciating rand on the South African economy. (8)
- [40]**

TOTAL SECTION B: 80

SECTION C

Answer any 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. <ul style="list-style-type: none"> • 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 your introduction. • Do NOT repeat any part of the introduction in the body. • Avoid mentioning in the introduction what will be discussed in the body. 	Max. 2
Body Main part: Discuss in detail/In-depth discussion/Examine/Critically discuss/Compare/Evaluate/Distinguish/Differentiate/Explain/Assess/Debate/Draw a graph and explain/Use the graph given and explain/Complete the given graph Additional part: Give own opinion/Critically discuss/Evaluate/Critically evaluate/Deduce/Compare/Distinguish/Interpret/Briefly debate/How/Suggest/Analyse	Max. 26 Max. 10
Conclusion Any higher-order conclusion should include: <ul style="list-style-type: none"> • 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, the objectives of the public sector. (26 marks)
- How will public sector failure negatively influence economic stability in South Africa? (10 marks)

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

- Discuss the various economic indicators in detail. (26 marks)
- How did the Covid-19 pandemic negatively influence the South African economy? (10 marks)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150