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Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ECONOMICS P1

MAY/JUNE 2024

MARKING GUIDELINES

MARKS: 150

These marking guidelines consist of 22 pages.

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 ✓✓ | (8 x 2) | (16) |

1.2 MATCHING ITEMS

- | | | | |
|-------|--|---------|-----|
| 1.2.1 | E - the movement of factors of production, goods and services between 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 between different countries ✓ | | |
| 1.2.7 | C - legal ownership of copyright, design, patent or trade mark by an individual or business ✓ | | |
| 1.2.8 | D - number of years that a new-born infant is likely to live ✓ | (8 x 1) | (8) |

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

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 SHORT QUESTIONS**

2.1.1 **Name the TWO factors that determine the size of the multiplier in a two-sector model.**

- Marginal propensity to consume / MPC ✓
- Marginal propensity to save / MPS ✓ (2 x 1) (2)

2.1.2 **How can the South African Reserve Bank (SARB) use open market transactions to increase money supply?**

Buy government securities/bonds from banks, thereby injecting more money into the banking system which will increase money supply. ✓✓
(Accept any other correct relevant response) (1 x 2) (2)

2.2 DATA RESPONSE

2.2.1 **Identify the category of consumer goods that recorded growth in the third quarter of 2022 (Q3,2022).**

Durable goods ✓ (1)

2.2.2 **Give ONE example of non-durable goods.**

- Food ✓
 - Beverages ✓
 - Fuel ✓
- (Accept any other correct relevant response) (1)

2.2.3 **Briefly describe the term *consumption*.**

Use of final goods and services to satisfy human needs / The act of using of resources to satisfy current needs and wants ✓✓
(Accept any other correct relevant response) (2)

2.2.4 **Why are savings regarded as leakages in the circular flow model?**

Savings flow from households to the banking system which reduces the amount of money in circulation / Savings reduce the flow of money that could be spend on goods and services ✓✓
(Accept any other correct relevant response) (2)

2.2.5 How can an increase in interest rates influence households on the circular flow?

- Households will borrow less money from financial institutions due to higher interest rates. ✓✓
- Consumers will buy fewer goods and services as credit becomes more expensive. ✓✓
- Households will receive more returns on savings that have flexible interest rates. ✓✓

(Accept any other correct relevant response)

(2 x 2) (4)

2.3 DATA RESPONSE

2.3.1 Identify a term that refers to parastatals.

- State-owned enterprises (SOEs) ✓ (1)

2.3.2 Give ONE feature of public sector failure.

- Ineffectiveness ✓
- Inefficiency ✓ (1)

2.3.3 Briefly describe the term *nationalisation*.

Transfer of functions and ownership of entities from the private sector to the public sector. / When the government takes ownership and control of an existing enterprise in the private sector. ✓✓
(Accept any other correct relevant response)

(2)

2.3.4 Why is it important for the government to remain in control of the key input sectors such as energy and transport?

- The government will be strategically positioned to control the cost of key inputs to production such as electricity and transport, which will minimise the cost of doing business in the economy. ✓✓
- To promote price stability and allow all households to afford goods and services ✓✓
- To promote infrastructure development which may be overlooked by private entities ✓✓
(Accept any other correct relevant response)

(2)

2.3.5 How can the South African government benefit from the privatisation of state-owned enterprises (SOEs)?

- The government can raise income (foreign exchange) from the sales of public entities to the private sector. ✓✓
- The tax base will expand and the government will raise more tax revenue to spend on economic projects such infrastructure development. ✓✓
- The government will have less administrative burden on the operations of parastatals. ✓✓
- Privatisation may reduce the fiscal pressure in terms financial bail-outs on loss-making parastatals. ✓✓

- The government can use privatisation to promote developmental objectives through black economic empowerment ✓✓
(Accept any other correct relevant response) (2 x 2) (4)

2.4 Discuss the role of households in the circular flow model.

- Households own the factors of production such as natural resources, labour, capital and entrepreneurship. ✓✓
- They sell factors of production to businesses for the production goods and services. ✓✓
- Households buy goods and services with the income that they receive from their factor services. ✓✓
- They save part of their income with financial institutions which ensures the availability of loanable funds. ✓✓
- They pay direct taxes such personal income tax to the government from the income that they earn. ✓✓
- Consumers pay indirect taxes such as VAT and excise duties when they buy goods and services. ✓✓
- Households may invest their income by purchasing assets such as shares and properties to accumulate wealth. ✓✓
- They borrow funds from financial institutions to buy goods and services which stimulates aggregate demand. ✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 4 marks for mere listing of facts) (4 x 2) (8)

2.5 Analyse the factors that may cause a deficit on South Africa's balance of payments (BoP)

- Decrease in domestic production may result in less goods and services being exported creating deficit in the current account. ✓✓
- Low economic growth in South Africa's trading partners such as USA and China may reduce demand for South African exports which will lead to a decrease in the value of exports. ✓✓
- Decrease in supply of goods and services on local markets may increase imports which will increase deficit in the current account. ✓✓
- Decrease in export prices and an increase in import prices may lead to less export earnings and higher import payments. ✓✓
- Removal of import restrictions such as tariffs and quotas may increase the amount of imports thereby increasing deficit in the current account. ✓✓
- Shortage of capital goods, such as machinery and equipment, in the domestic economy may result in more imports of such goods. ✓✓
- Unfavourable climatic conditions such as drought may decrease domestic production contributing to less exports and more imports. ✓✓
- Appreciation of the rand may increase imports as they become relatively cheaper and/or reduce exports as they become relatively more expensive. ✓✓
- Depreciation of the rand may increase import payments increasing deficit in the current account. ✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 2 marks for mere listing of facts) (4 x 2) (8)

[40]

QUESTION 3: ECONOMIC PURSUITS**40 MARKS – 30 MINUTES****3.1 SHORT QUESTIONS****3.1.1 Name any TWO redress policies in South Africa.**

- Broad Based Black Economic Empowerment (BBBEE) ✓
- Employment Equity Act (EEA) / Affirmative action ✓
- Land redistribution ✓
- Land restitution ✓

(Accept any other correct relevant response)

(2 x 1)

(2)

3.1.2 How can import substitution promote industrialisation?

The establishment of new businesses to produce goods and services that were previously imported helps to expand the local industries / Production of previously imported goods and services may encourage establishment of new industries or expansion of existing industries ✓✓
(Accept any other correct relevant response)

(1 x 2)

(2)

3.2 DATA RESPONSE**3.2.1 Identify a form of tax imposed on imports, in the extract above.**

Tariffs ✓

(1)

3.2.2 Name the international trade policy that protects local producers from unfair foreign competition.

Protectionism ✓

(1)

3.2.3 Briefly describe the term *import quota*.

A trade restriction that limits the quantity of goods and services that can be purchased from other countries. ✓✓
(Accept any other correct relevant response)

(2)

3.2.4 Explain the role of the World Trade Organisation (WTO) in promoting free trade.

- The WTO acts as a forum for multilateral trade negotiations ✓✓
- Administers and implements multilateral trade agreements ✓✓
- Resolves trade disputes and supervise the reviewing of national trade policies ✓✓

(Accept any other correct relevant response)

(2)

3.2.5 How can dumping impact on consumers in the importing country?

- In the short-term, consumers in the importing country will pay lower prices for goods and services. ✓✓
 - Consumers' income will afford more goods and services which will improve their welfare. ✓✓
 - In the long-term, consumers in importing countries may pay higher prices on goods and services as competition decreases. ✓✓
 - Consumers' choice will be limited as some local businesses will be driven-out of the market by cheap foreign products. ✓✓
 - Consumers may find it difficult to adjust to local products when the cheaper imports are withdrawn from the economy. ✓✓
- (Accept any other correct relevant response) (2 x 2)

(4)

3.3 DATA RESPONSE

3.3.1 Identify a letter that represents developed countries in the map above.

A ✓

(1)

3.3.2 Name ONE aspect (element) related to the standards of living.

- Per capita income ✓
 - Life expectancy ✓
 - Education ✓
- (Accept any other correct relevant response)

(1)

3.3.3 Briefly describe the concept *North/South divide*

The socio-economic and political division between the developed countries in the northern hemisphere and the developing countries in the southern hemisphere. ✓✓

(Accept any other correct relevant response)

(2)

3.3.4 How can economic activities in the North impact on the environment?

- Countries in the North practise mass production which involves the burning of fossil fuels, resulting in the emission of greenhouse gases that cause ozone depletion and climate change. ✓✓
 - Production of goods in large quantities may result in overexploitation of natural resources. ✓✓
- (Accept any other correct relevant response)

(2)

3.3.5 Explain the challenges faced by developing countries when trading with developed countries.

- Developing countries mainly export raw materials with less value to developed countries and import manufactured products with higher value from developed countries. ✓✓
- Developed countries continue to subsidise production of their agricultural goods, making it difficult for developing countries to compete. ✓✓
- Developed countries insist that developing countries should remove tariffs on manufactured goods which makes manufacturers in developing countries lose customers in their economies. ✓✓
- Weaker currencies lead to developing countries paying more for imports from developed countries ✓✓
- Lack of new technologies limit the competitiveness of developing countries on global markets ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

3.4 Discuss industrial development zones (IDZ) as South Africa's initiative in regional development

- An industrial development zone (IDZ) is a purpose-built industrial estate that is physically enclosed, with export as the main objective ✓✓
- An IDZ is often linked to an international airport or seaport, which makes it easier to import and export the goods ✓✓
- Industrial development zones (IDZs) fall outside the domestic custom zones and are able to import production inputs free of customs duties and trade restrictions ✓✓
- The imported inputs are used in the manufacturing process with the intention of exporting the finished goods ✓✓
- IDZs offer world-class infrastructure, a zero rate of VAT on supplies from South African sources and reduced taxation on some products ✓✓

IDZs were aimed to; -

- attract new investments in export-driven industries ✓✓
- encourage economic growth by attracting foreign investments in industrial development to boost export of valued added products ✓✓
- enhance international competitiveness of local industries and thereby expanding local markets ✓✓
- create job opportunities and expand the skills base in the country ✓✓
- provide government incentive programmes such as reduced taxation, duty-free imports and dedicated customs support services ✓✓
- promote the exploitation of resource intensive industries and thereby boosting industrialisation ✓✓
- 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 ✓

(Accept any other correct relevant response)

(Allocate a maximum of 4 marks for mere listing of facts/examples)

(4 x 2)

(8)

3.5 Analyse the reasons why South African consumers prefer imported goods and services.

South African consumers prefer importing goods and services because: -

- the removal of trade restriction through free trade agreements reduces the cost of importing goods and services ✓✓
- some countries such as China and Kuwait have comparative advantage in the production of certain goods which makes imports cheaper than locally produced goods ✓✓
- some local consumers enjoy shopping exclusively because of brand loyalty, increase in income and due to different tastes and preferences ✓✓
- imported goods and services may be of better quality than locally produced products, especially in the case of textiles ✓✓
- online shopping platforms such as Shein make it more convenient for South African consumers to buy products from other countries ✓✓
- certain goods and services may be available on local markets in limited quantities ✓✓
- importing goods and services from different countries provides more choices to consumers ✓✓

(Accept any other correct relevant response)

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

(4 x 2)

(8)

[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS
40 MARKS – 30 MINUTES**4.1 SHORT QUESTIONS****4.1.1 Name any TWO financial incentives used by the South African government to improve industrial development.**

- Small Businesses Support Program ✓
- SEDA Technology Program / STP ✓
- Skills Support Program / SSP ✓
- Critical Infrastructure Programme / CIP ✓
- Custom-free Incentives ✓
- Foreign Investment Incentives ✓
- Strategic Investment Program / SIP ✓
- Services to Businesses Processes ✓

(2 x 1) (2)

4.1.2 Why does the government strive to keep public debt to at least 60% of gross domestic product (GDP)?

- Reduce the burden on the taxpayer as the repayment on interest and loan comes from tax revenue
- Limiting public debt will mean that more money would be allocated to other functional needs of the government
(Accept any other correct relevant response)

(2)

4.2 DATA RESPONSE**4.2.1 Identify, in the table above, the year in which the value of the rand was the strongest.**

2018 ✓

(1)

4.2.2 Name the exchange rate system used in South Africa

Free floating exchange rate system ✓

(1)

4.2.3 Briefly describe the term *depreciation* in relation to exchange rates.

A decrease in the value of a currency in terms of another currency due to changes in the forces of demand and supply. ✓✓
(Accept any other correct relevant response)

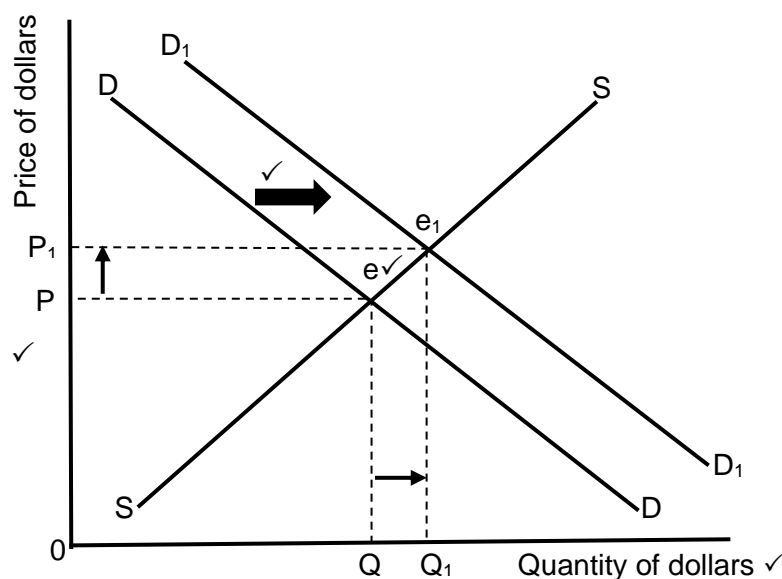
(2)

4.2.4 How can the government directly intervene in the foreign exchange market when the local currency is undervalued?

The central bank can sell foreign currency in the market to increase supply thereby reducing the exchange rate and the local currency will appreciate. ✓✓
(Accept any other correct relevant response)

(2)

- 4.2.5 Draw a correctly labelled graph to show the effect of an increase in demand for US dollars in South Africa.

**ALLOCATION OF MARKS:**

Correct labelling of axis	= 1 mark
Correct drawing and labelling of the original curves	= 1 mark
Correct shifting of demand curve	= 1 marks
Correct labelling on axis	= 1 mark
Max. 4 marks	

(4)

4.3 DATA RESPONSE

- 4.3.1 Identify the picture, using the letters above, that represents the fourth industrial revolution.

D ✓

(1)

- 4.3.2 Name the government department that is responsible for promoting industrial development in South Africa.

Department of Trade, Industry and Competition / DTIC ✓

(1)

- 4.3.3 Briefly describe the term *manufacturing*.

The process of converting raw materials or natural resources into semi-finished and finished products. ✓✓
(Accept any other correct relevant response)

(2)

4.3.4 Explain the influence of skills shortages on industrial development.

- Industrial development may slow down as businesses may fail to recruit highly skilled personnel. ✓✓
 - Potential investments in different industries may be discouraged by low labour productivity. ✓✓
 - It may lead to increased operational costs as industries may have to spend more on skills development ✓✓
- (Accept any other correct relevant response)

(2)

4.3.5 How can the National Research and Development Strategy (NRDS) help to improve the South African economy?

- The NRDS involves the research on new technologies which help to increase productivity. ✓✓
 - Research on new production techniques may result in higher output which will stimulate economic growth. ✓✓
 - Introduction of new technologies may improve productive efficiency which may lead to lower prices in the economy. ✓✓
 - New way of doing business such as internet sales may be more convenient and cost effective to consumers and producers. ✓✓
 - Artificial intelligence may help to solve complex problems in the economy. ✓✓
 - The development of new technologies may create new jobs such as data analysts. ✓✓
- (Accept any other correct relevant response)

(2 x 2)

(4)

4.4 Discuss the necessity of the public sector in the economy.

- The public sector provides community goods such as streetlights free-of-charge because free riders cannot be excluded in their consumption. ✓✓
- The state supplies collective goods such as stadiums and parks for a user fee or charge to discourage abuse of public goods by free-riders. ✓✓
- The state uses subsidies to encourage the production and consumption of merit goods such as education and healthcare because they are socially beneficial. ✓✓
- The government uses taxes to discourage production and consumption of demerit goods such as alcohol and cigarettes because they are harmful to human beings. ✓✓
- The government assumes the role of the 'protector' of the environment by formulating and imposing legislation that will ensure its sustainability. ✓✓
- The government is responsible for managing the collective interests of its citizens. ✓✓
- Ensures a social and legislative environment in which individuals and businesses can pursue their own interests to the maximum. ✓✓
- Applies suitable and credible economic policies in order to achieve internationally respected economic objectives. ✓✓
- Promotes policies that ensure equal opportunities for all citizens ✓✓

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

(4 x 2)

(8)

4.5 How does the South African government use fiscal policy to improve the standard of living?

The SA government uses the fiscal policy to improve the standard of living in the country by:

- using tax revenue to pay social grants such as old age grant, child support grant and disability grants to improve the standard of living for the disadvantaged groups. ✓✓
- using progressive income tax system which aims to redistribute income by levying high tax rates on high income earners and low tax rates on low income earners. ✓✓
- providing benefits in kind such as free basic health care and education to ensure that the standard of living for the economically marginalised citizens improves. ✓✓
- addressing economic challenges of unemployment by extending unemployment grant of R350 to maintain a better standard of living. ✓✓
- providing temporary employment and sources of income through the expanded public works programmes. ✓✓
- paying property subsidies to people earning less than R3500 per month for them to afford housing. ✓✓
- levying wealth taxes to finance social development expenditure that benefit the poor more than the rich. ✓✓
- implementing redress measures such as BBBEE and affirmative action to improve the standard of living for the previously disadvantaged groups. ✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 2 marks for mere listing of facts) (4 x 2)

(8)
[40]

TOTAL SECTION B: 80

SECTION C

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

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

- **Discuss in detail the new economic paradigm in smoothing-out business cycles.** (26)
- **How can an increase in economic activity impact on businesses?** (10)

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 relevant introduction) **(Max 2)**

BODY: MAIN PART**Demand-side policies:** ✓

- Traditional monetary and fiscal policies focus on manipulating aggregate demand to influence economic activity. ✓✓

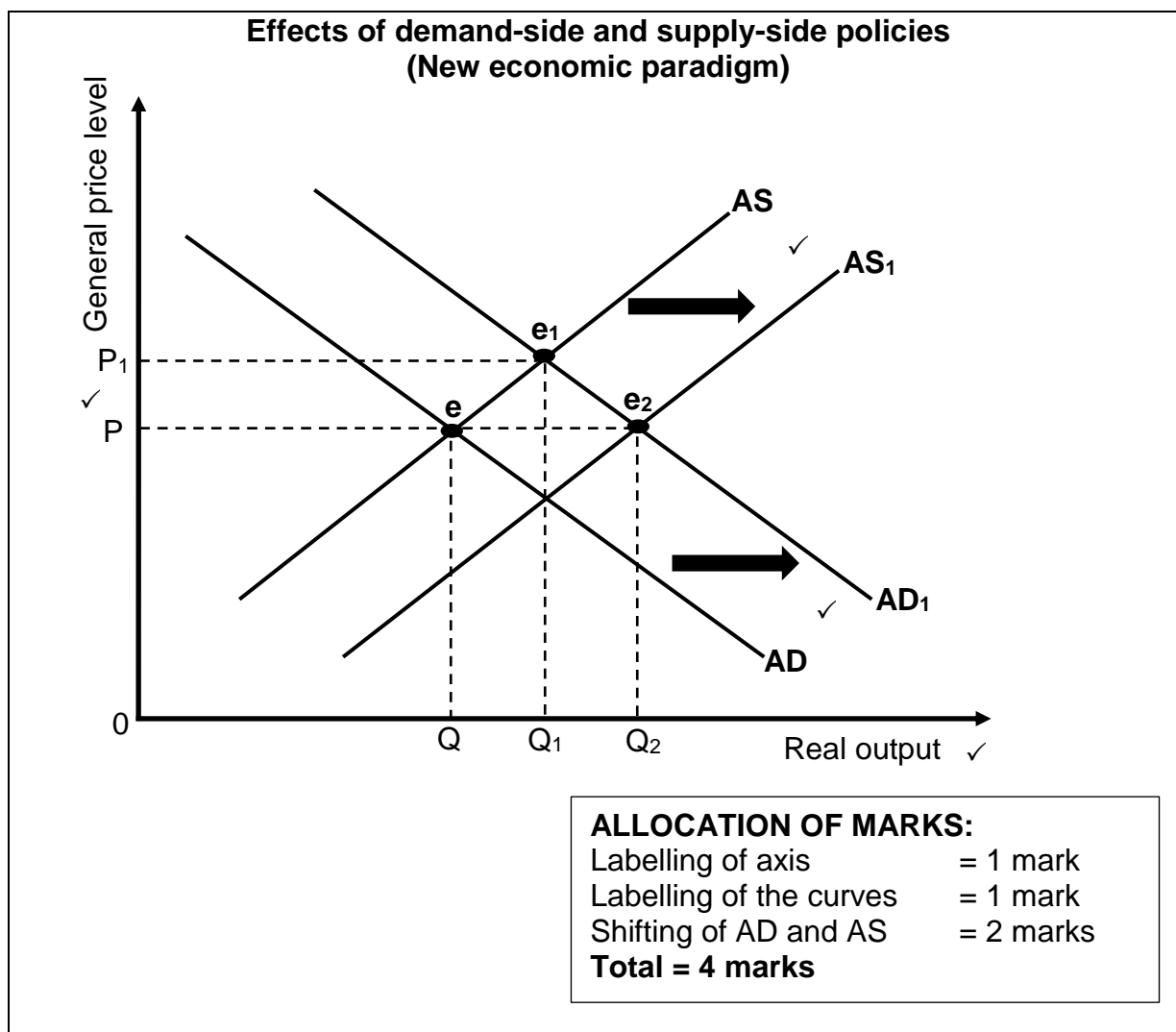
Monetary policy: ✓

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

Fiscal policy: ✓

- When the level of economic activity is low the minister of finance can use expansionary fiscal measures to stimulate growth and reduce unemployment. ✓✓
- An expansionary fiscal policy can be implemented during a recession in order to stimulate economic activities. ✓✓
- An increase in government expenditure will increase aggregate demand. ✓✓
- When there is an increase in injection in the economy, production will increase resulting more factors of production being employed. ✓✓
- Higher income and expenditure will stimulate economic activity. ✓✓
- Taxes can be reduced, which will lead to an increase in disposable income. ✓✓
- Consumer spending and investments will increase, stimulating aggregate demand in the economy. ✓✓

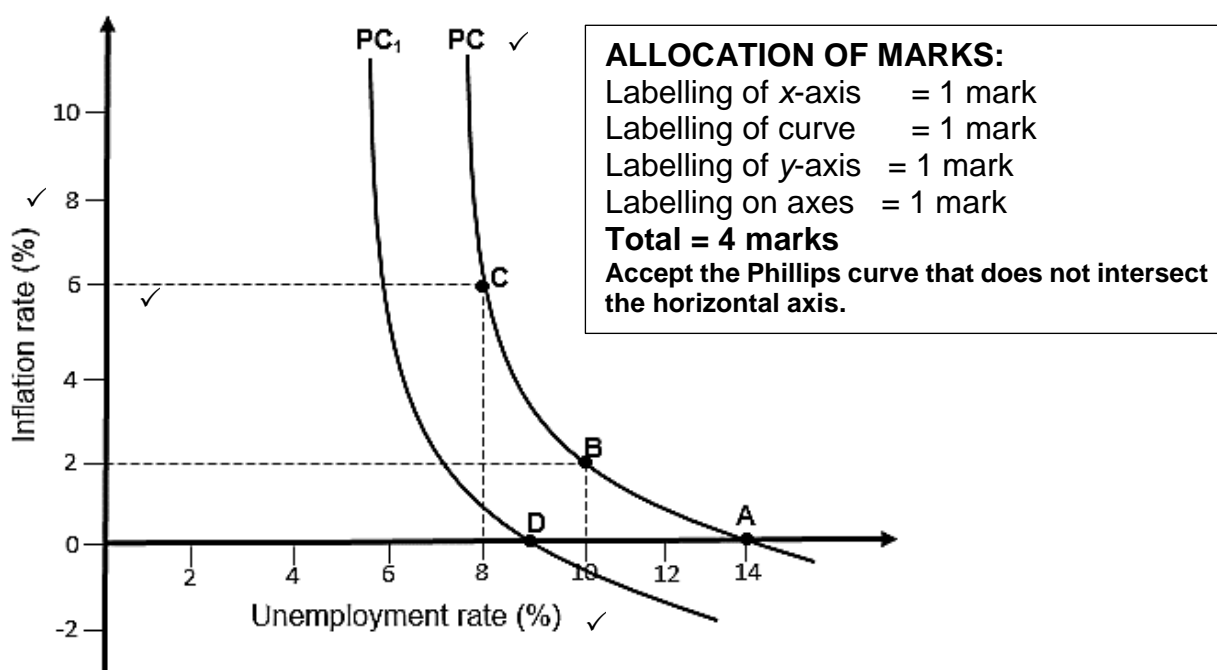
(Allocate marks for the discussion on how monetary and fiscal policies are used to smooth-out business cycles, ie. Expansionary policies to promote economic growth and reduce unemployment at the trough and restrictive policies to reduce inflation at the peak)

**Inflation:** ✓

- Aggregate demand and supply are in equilibrium at point e, where $AD = AS$. ✓✓
- More real output Q_2 is produced without any price increases, if aggregate demand shifts from AD to AD_1 while aggregate supply relocates to AS_1 . ✓✓
- Supply is often fixed in the short-term which makes aggregate supply to remain the same when aggregate demand increases. ✓✓
- An increase in aggregate demand to AD_1 while aggregate supply remains the same will form a new equilibrium point e_1 . ✓✓
- Real output increases from Q to Q_1 but the general price level also increases from P to P_1 leading to inflation. ✓✓
- The solution is to implement supply-side measures such as skills development to ensure that supply is more flexible. ✓✓

Unemployment: ✓

- Demand-side policies are effective in stimulating economic growth by increasing aggregate demand during economic recession. ✓✓
- Economic growth increases the demand for labour and reduces unemployment. ✓✓
- When unemployment falls inflation starts to rise, as illustrated by the Phillips curve. ✓✓

Phillips curve

- The Phillips curve shows the negative or inverse relationship between unemployment and inflation. ✓✓
- PC shows the initial situation, point A where the PC curve intersects the horizontal axis. ✓✓
- Point A shows natural rate of unemployment of 14%, which is the level of employment that causes no pressure on wages and therefore has no inflationary effects. ✓✓
- At levels of unemployment below point A (14%), inflation starts to increase. ✓✓
- If the economy is stimulated so that the unemployment rate falls to 10% at point B, wages increase to such an extent that inflation increases to 2%. ✓✓
- A further decrease in unemployment to 8% at point C causes inflation to increase to 6%. ✓✓
- Supply-side measures can be used to relocate the Phillips curve leftwards from PC to PC1. ✓✓
- Supply-side measures include improved education, effective training and fewer restrictions on immigration of skilled workers. ✓✓
- Natural unemployment decreases from 14% at point A to 9% at point D, without provoking inflation (inflation rate remains at 0%). ✓✓
- Demand can be stimulated to higher levels, before the increases in employment have an effect on inflation rate. ✓✓

Supply-side policies: ✓

- A demand-side approach does not render desirable outcome because growth has to be cut due to problems in inflation. ✓✓
- Aggregate supply needs to be managed to achieve greater output by focusing on increased flexibility of supply components. ✓✓
- The governments can support suppliers in a way that will allow them to respond to changes in demand. ✓✓
- Reduction of costs allows greater output to be supplied at any given price level. ✓✓

Government measures to reduce cost of doing business ✓

- Reduce the cost of infrastructural services such as communication, transport and energy costs. ✓✓
- Reduce administrative costs such as inspections and regulations that add to overall costs. ✓✓
- Cash incentives such as subsidies can be used to lower the production cost. ✓✓
- Compensation to exporters can be used to encourage increased production aimed at foreign markets. ✓✓

Measures to improve efficiency of inputs ✓

- Lower rates of personal income tax can be used as incentives for high productivity and increase aggregate supply. ✓✓
- Replacing capital goods on a regular basis will create opportunities for businesses to keep up with technological development. ✓✓
- Human resources development where the quality of labour can be improved by improving health care, education and training which will increase the efficiency of businesses. ✓✓
- Free advisory services to promote opportunities to export and establish business activities in foreign countries which includes weather forecasts, veterinary services and research. ✓✓

Measures to improve efficiency of markets ✓

- Deregulation where laws and regulations are removed to improve the flexibility of markets. ✓✓
- Competition is encouraged by promoting the establishment of new businesses, inviting foreign direct investments and removing power imbalances. ✓✓
- Levelling the playing fields, through privatisation, to allow private businesses to compete with public enterprises. ✓✓

(Accept any other correct relevant response)

(Max 26)**(Allocate a maximum of 8 marks for mere listing of facts / examples)****ADDITIONAL PART****An increase in economic activity may impact on businesses as follows:**

- Demand for goods and services produced by businesses increases as households receive more income from more employment opportunities. ✓✓
- Businesses may incur higher labour cost by employing more workers to produce more goods and services. ✓✓
- Manufacturers may need to use more technologically advanced production techniques to increase productivity. ✓✓
- Businesses' profits will increase due to higher sales of goods and services. ✓✓
- Exporters may generate more foreign exchange from selling more goods and services to export markets. ✓✓
- Businesses may import production inputs at lower cost as the rand appreciates during economic upswing. ✓✓
- Retail businesses may need to increase their inventory levels as more consumer goods and services will be purchased. ✓✓
- New businesses are established as potential investors become optimistic with the economy. ✓✓

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

CONCLUSION

The government should ensure that demand-side policies are supported by supply-side policies which helps to achieve economic growth while ensuring price stability. ✓✓

(Accept any other correct higher order, relevant conclusion)

(Max 2)

[40]

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 and the local currency may 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. ✓✓
- Indicators measuring access to basic services such as electricity, water and sanitation help the government to evaluate its performance in service delivery and identify areas of improvement. ✓✓

- 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]**

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TOTAL SECTION C: 40
GRAND TOTAL: 150