



# basic education

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Department:  
Basic Education  
**REPUBLIC OF SOUTH AFRICA**

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**ECONOMICS P1  
NOVEMBER 2022  
MARKING GUIDELINES**

**MARKS: 150**

**These marking guidelines consist of 21 pages.**

**SECTION A (COMPULSORY)****QUESTION 1****1.1 MULTIPLE-CHOICE QUESTIONS**

- 1.1.1 D - durable goods ✓✓  
 1.1.2 C - open market transactions ✓✓  
 1.1.3 A - community ✓✓  
 1.1.4 B - current ✓✓  
 1.1.5 C - African Growth and Opportunity Act ✓✓  
 1.1.6 D - land restitution ✓✓  
 1.1.7 A - mining and agritourism. ✓✓  
 1.1.8 B - infant mortality rate ✓✓ (8 x 2) (16)

**1.2 MATCHING ITEMS**

- 1.2.1 E - income and expenditure between the participants in the economy ✓  
 1.2.2 F - maintains that markets are inherently unstable and economic fluctuations are caused by internal factors ✓  
 1.2.3 A - a document that sets out the government's expected expenditure and income over a three-years period ✓  
 1.2.4 I - an item in the balance of payments that caters for any omissions, mistakes and errors in the balance of payments ✓  
 1.2.5 B - production of a wide range of goods and services ✓  
 1.2.6 C - refers to the world's developed countries and developing countries ✓  
 1.2.7 D - focuses on using science and technology to promote and expand industrialisation ✓  
 1.2.8 G - the price paid by commercial banks for borrowing money from the South African Reserve Bank ✓ (8 x 1) (8)

**1.3 GIVE THE TERM**

- 1.3.1 Gross National Product ✓  
 1.3.2 Pareto efficiency (-optimum) / Allocative efficiency ✓  
 1.3.3 Terms of trade ✓  
 1.3.4 Dumping ✓  
 1.3.5 Corridor ✓  
 1.3.6 Employment rate ✓ (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 macroeconomic objectives of the public sector.**

- Economic growth ✓
- Full employment ✓
- Price stability ✓
- Exchange rate stability ✓
- Balance of payments equilibrium ✓
- Economic equity / Equal distribution of income and wealth ✓

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

2.1.2 **Why are *subsidies on products* subtracted when converting GDP at basic prices to GDP at market prices?**

A subsidy on a product is a financial assistance that helps to reduce the price paid by consumers hence it is subtracted. / A subsidy is an expenditure to the government which is not paid by the consumers hence it is subtracted from the market prices. ✓✓

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

2.2 **DATA RESPONSE**

2.2.1 **Identify the marginal tax rate for a person earning between R216 201 and R337 800 per year.**

26% ✓ (1)

2.2.2 **Name the income tax system represented by the above table.**

Progressive ✓ (1)

2.2.3 **Briefly describe the term *fiscal policy*.**

It refers to changes in taxation and government expenditure to influence the level of economic activity. ✓✓

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

2.2.4 **Explain the effect of high tax rates on the taxpayers in a country.**

- People will be discouraged to work and they will leave the labour market. ✓✓
- Businesses may be discouraged to do production and shut down. ✓✓
- Businesses and individuals may evade tax. ✓✓

- Taxpayers' (consumers') disposable income will decrease resulting in a decrease in spending. ✓✓  
**(Accept any other correct relevant response)** (2)

**2.2.5 Use the information in the table above to calculate the income tax payable if one receives an annual income of R480 000.**

$$\begin{aligned}
 \text{Tax payable} &= \text{R}110\,739 + (36\% \text{ of taxable income above R}467\,500) \\
 &= \text{R}110\,739 + (36\% \times (\text{R}480\,000 - \text{R}467\,500)) \checkmark \\
 &= \text{R}110\,739 + (36\% \times 12\,500) \checkmark \\
 &= \text{R}110\,739 + \text{R}4\,500 \checkmark \\
 &= \underline{\underline{\text{R}115\,239}} \checkmark
 \end{aligned}$$

(4)

**2.3 DATA RESPONSE**

**2.3.1 Identify the original exchange rate in the above graph.**

$$\$1 = \text{R}14.60 / \text{R}14.60 / \$1 : \text{R}14.60 \checkmark$$

(1)

**2.3.2 Name the exchange rate system used in South Africa.**

Free floating/Flexible exchange rate system ✓ (1)

**2.3.3 Briefly describe the term *devaluation*.**

It is a decrease in the value of a currency in term of another due to deliberate action by the government. / Deliberate government intervention to reduce the value of a currency. / It is when the government (central bank) fixes or pegs the value of currency in terms of another at lower level than before. ✓✓

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

**2.3.4 What is the benefit of a surplus on the current account of the Balance of Payments?**

- The value of the rand will increase due to the net inflow of foreign exchange. ✓✓
- Importing production inputs will be cheaper due to improved exchange rate ✓✓
- Production will be stimulated and more employment opportunities will be created ✓✓
- Public debt to cover BOP problems will be reduced/less borrowing. ✓✓
- Foreign reserves may increase thereby improving the financial position of the country ✓✓

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

2.3.5 **With reference to the above graph, explain the effect of the increase in demand for US dollars on the value of the rand.**

- An increase in demand for US dollars shifts the demand curve to the right, from DD to  $D_1D_1$  / market equilibrium will shift from  $e$  to  $e_1$  ✓✓
- The price of the dollar increases from R14.60 to R15.00, which means that South Africans will need more rands to buy the same US dollar ✓✓
- The value of the rand decreases or the rand depreciates ✓✓  
**(Accept any other correct relevant response)** (2 x 2) (4)

2.4 **Explain the interrelationship between *households* and *businesses* in the circular flow model.**

- Households supply factors of production such as labour to businesses / Businesses buy factors of production from households through the factor market ✓✓
- Households receive income when businesses pay for factors of production. / Businesses pay for the factors of production which becomes income to the households ✓✓
- Households buy goods and services from businesses to satisfy their needs and wants / Businesses produce goods and services which they sell to businesses ✓✓
- Businesses receive income/sales revenue when households pay for goods and services / Households pay for goods and services which becomes income to businesses ✓✓
- Household provide money capital for businesses through savings with commercial banks or buying shares on stock exchange markets / businesses get money capital from households through savings and issuing of share ✓✓  
**(Accept any other correct relevant response)**  
**(A maximum of 4 marks may be allocated for mere listing of facts/examples)** (4 x 2) (8)

2.5 **Analyse the problems faced by the South African government in providing public goods and services.**

The South African government faces the following challenges in providing public goods and services:

- Some local authorities or municipalities do not have adequate financial and physical resources to provide quality services to their residents. ✓✓  
E.g. old water supply infrastructure ✓
- Corruption and nepotism have resulted in several government institutions having incompetent employees who cannot successfully deliver services ✓✓
- Most government officials are not held accountable for their actions which results in some public projects not delivered ✓✓
- It is difficult for the government to effectively access the needs of the citizens, resulting in over-supply and under-supply of some public services ✓✓

- The revenue collected by the government from the provision of public goods and services is insufficient to finance their provision ✓✓
- Several state-owned enterprises make losses that require bail-out from the government ✓✓
- Issues of privatisation of some state-owned enterprises such as Eskom and SAA have resulted in confusion in terms of the provision and pricing of public services ✓✓
- Bureaucracy within government institutions have resulted in public servants concentrating in the rules and procedures instead of delivering services to citizens ✓✓
- It is difficult for the state to come with a pricing policy, hence public goods may be over or undersupplied. ✓✓
- Lack of knowledge, qualifications, and management skills may result to the failure of the public sector. ✓✓
- Lack of interest, and motivation in the form of incentives may lead to lower levels of productivity, and poor provision of services. ✓✓
- An increase in the population not accompanied by the payment of rates and taxes may lead to an undersupply of public goods and services. ✓✓

**(Accept any other correct relevant response)**

**(A maximum of 2 marks may be allocated for mere listing of facts/examples)**

(4 x 2)

(8)  
[40]

**QUESTION 3: ECONOMIC PURSUITS****40 MARKS – 30 MINUTES****3.1 Answer the following questions.****3.1.1 Name any TWO forms of economic integration.**

- Economic union ✓
- Common market ✓
- Free trade area ✓
- Customs union ✓
- Monetary union ✓

(2 x 1) (2)

**3.1.2 Why do people often migrate to cities and urban areas?**

- To have access to higher standard of living due to better service delivery in cities and urban areas ✓✓
- To have access to employment opportunities since towns and cities are more industrialised ✓✓

**(Accept any other correct relevant response)** (1 x 2) (2)**3.2 DATA RESPONSES.****3.2.1 Identify the international trade policy depicted by the cartoon above.**

Free trade ✓

(1)

**3.2.2 What does the abbreviation WTO stand for?**

World Trade Organisation ✓

(1)

**3.2.3 Briefly describe the term *import substitution*.**

A trade policy whereby locally produced goods replace goods that had previously been imported ✓✓

**(Accept any other correct relevant response)** (2)**3.2.4 Why is it necessary for infant industries to be protected?**

- To allow new industries to grow and become well-established so that they can function independently. ✓✓
- To reduce unfair competition from foreign businesses that are well-established ✓✓

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

3.2.5 **How can South Africa benefit from free trade?**

- Demand for South African exports will increase due to the removal of international trade barriers ✓✓
- South African consumers will pay less on imported products as it improves accessibility of goods and raises their standard of living ✓✓
- Economic efficiencies will improve as foreign products increase competition on local producers ✓✓
- South African producers may be able to minimise cost of production through specialisation and mass production ✓✓
- South African consumers will have more choice on goods and services ✓✓
- South Africa benefit from improved international relations by removing trade restrictions ✓✓

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

3.3 **DATA RESPONSE**3.3.1 **Identify, in the graph above, the period in which South Africa experienced the highest negative growth rate.**

2020-Q2 ✓ (1)

3.3.2 **Name any ONE institution that publishes economic indicators in South Africa.**

- South African Reserve Bank/SARB ✓
  - Statistics South Africa (Stats SA) ✓
  - The Department of Trade, Industry and Competition (DTIC) ✓
- (Accept any other correct relevant response)** (1)

3.3.3 **Briefly describe the term *social indicator*.**

It refers to statistical data used to monitor the well-being of people in a society / They are used to describe and evaluate community well-being in terms of social, economic, and psychological welfare. ✓✓ (2)

**(Accept any other correct relevant response)**

3.3.4 **Explain the impact of an increase in labour productivity on businesses.**

- Businesses may experience a decrease in cost of production which will improve profits. ✓✓
- Businesses will produce more output with the same inputs (labour). ✓✓
- Businesses will be able to sell their products at more competitive prices thereby gaining more market share. ✓✓
- Better quality products will be produced and compete in the export markets ✓✓

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

3.3.5 **How can the government improve productivity of the South African labour force?**

- Provide better quality education and training to improve the skills and knowledge of the labour force ✓✓
- Provide work-related training programmes such as SETAs or EPWP to improve the skills of the current workforce ✓✓
- Improve health care services to ensure physical and mental fitness of workers ✓✓
- Impose fair personal income tax rate and other incentives such as an improved national minimum wage to motivate workers to produce more output ✓✓
- Provide an efficient and reliable public transport system to ensure that workers get to work on time ✓✓

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

3.4 **Briefly discuss *subsidies* and *incentives* as methods of export promotion.**

**Subsidies**

- Direct subsidies refer to financial support by the government to domestic producers who export goods. ✓✓
- They are provided in the form of cash payments to exporters ✓✓
- Indirect subsidies refer to support by the government but do not hold a pre-determined monetary or involve actual cash outlays ✓✓
- They are provided in the form of refunds on import tariffs and general tax rebates ✓✓
- The purpose of subsidies is to decrease producers' costs and increase their competitiveness in export markets ✓✓

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

**Incentives**

- The government supplies producers with the required information on export markets, research on potential export markets ✓✓
- Financial assistance may be in the form of concessions on transport costs, export credit loans and insurance contracts for export transactions ✓✓
- Export incentives increase the producers' efficiency so that they can compete effectively in international markets ✓✓
- Incentives result in greater volumes of South African goods to be exported thereby increasing economic growth ✓✓

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

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

**3.5 Evaluate South Africa’s regional development policies in terms of the international benchmark criteria.**

**South Africa’s regional development policies comply with international benchmark criteria because:**

- Spatial Development Initiatives (SDIs) and Special Economic Zones (SEZs) are managed through transparent, ethical and efficient governance to decentralize economic activity ✓✓
- The government ensures that no region is developed at the cost of another region’s potential through integration between different areas by means of spill-over benefits ✓✓
- partnership between all role players in the economy is encouraged by the government as it builds a more inclusive economy ✓✓
- provision of resources is ensured by prioritising infrastructure development projects in all provinces so that regional development is achieved ✓✓
- competitive businesses that are not in need of ongoing financial aid from government have been established ✓✓
- healthy competition in the economy is promoted through the competition policy as well as the Competition Commission, Competition Tribunal and Competition Appeal Court ✓✓
- people from different regions are involved in education and training, to improve productivity and ensure development of people by people ✓✓
- issues at grass roots level such as poverty and inequality, are addressed to ensure that development starts from below ✓✓
- more emphasis is put on total development covering all human life to achieve inclusive development, e.g. education, health and nutrition ✓✓
- various programmes were implemented by the Department of Trade, Industry and Competition (DTIC) to render support to SMMEs and entrepreneurship in an effort to remain market oriented ✓✓

**(Accept any other correct relevant response)**

**South Africa’s regional development policies DO NOT comply with international benchmarks criteria because:**

- corruption, nepotism and mismanagement of public funds have occurred in many provinces and municipalities resulting in poor governance ✓✓
- lack of resources, especially infrastructure, has resulted in some parts of the countries failing to attract investments and unemployment remained higher ✓✓
- ignorance towards education and training opportunities has resulted in poor investment in human capital ✓✓
- While South Africa encourages competition, there are many occurrences of collusion that have been investigated by the Competition Commission ✓✓

**(Accept any other correct relevant response)**

**(A maximum of 2 marks may be allocated for mere listing of facts/examples)**

(4 x 2)

(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.

- Specialisation ✓
- Mass production ✓
- Globalisation ✓
- Efficiency ✓
- Dumping ✓

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

4.1.2 How does Broad Based Black Economic Empowerment (BBEE) promote industrial development?

- Increasing the number of black people who own and control businesses promotes the establishment of new industries in the economy ✓✓
- Through skills development black people have an opportunity to acquire skills that they can use to start their own business ✓✓
- Enterprise development promotes large businesses to invest in small businesses such that they can expand and establish themselves ✓✓

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

4.2 DATA RESPONSE

4.2.1 Identify the value of marginal propensity to save (mps) from the above diagram.

0.2 ✓ (1)

4.2.2 Name the leakage that relates to the foreign sector.

Imports/payments for imports ✓ (1)

4.2.3 Briefly describe the term *autonomous consumption*.

The level of spending that is independent of the level of income or changes in income. ✓✓

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

4.2.4 Explain the importance of savings in the economy.

- Savings ensure the availability of loanable funds in financial institutions for investments (capital formation) ✓✓
- Consumers will have access to loans which will increase spending on durable goods ✓✓
- Savings help to control excess demand in the economy thereby reducing demand-pull inflation ✓✓
- Households will enjoy financial freedom as they will be able to pay for their future needs using their savings ✓✓

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

- 4.2.5 **Use the marginal propensity to consume (mpc) in the above diagram to determine the value of the multiplier. Write the formula and show ALL the calculations.**

$$\begin{aligned} \text{Multiplier (K)} &= 1/(1-\text{mpc}) \checkmark \\ &= 1/(1-0.8) \checkmark \\ &= 1/0.2 \checkmark \\ &= \underline{5} \checkmark \end{aligned}$$

**(A maximum of 3 marks may be allocated for correct calculation without the formula)**

(4)

### 4.3 DATA RESPONSE

- 4.3.1 **Identify the policy that sets out the government's approach to industrialisation.**

National Industrial Policy Framework/NIPF ✓

(1)

- 4.3.2 **Name any other incentive provided by the DTIC to promote industrial development in South Africa.**

- Small Businesses Support Program/SBSP ✓
- SEDA Technology Program/STP ✓
- Skills Support Program/SSP ✓
- Custom-free incentives ✓
- Foreign Investment Grant/FIG ✓
- Strategic Investment Program/SIP ✓
- Services to Business Processes ✓

(1)

- 4.3.3 **Briefly describe the term Special Economic Zones (SEZ).**

It refers to a geographically demarcated area which has been set aside for specific economic activities to be developed. / SEZs are geographically designated areas set aside for specifically targeted economic activities. ✓✓

(2)

**(Accept any other correct relevant response)**

- 4.3.4 **How can an increase in international oil prices slow down industrial development?**

- Fuel prices will increase resulting in higher cost of transport for different industries and lower profit prospects ✓✓
- Some businesses may shut-down their operations which will slow-down industrialisation ✓✓
- Potential investors may be discouraged to establish new businesses ✓✓
- The government will have less funds available to offer subsidies for industrial development since it will spend more on fuel procurement ✓✓

(2)

**(Accept any other correct relevant response)**

4.3.5 **Why is infrastructure development in previously neglected areas important?**

- Adequate infrastructure such as transport, communication and energy supply help to attract more investment ✓✓
- Development of infrastructure improves the economic livelihood of previously disadvantaged areas ✓✓
- More job opportunities will be created for the workers which will reduce their transport costs for commuting long distances to work ✓✓
- People in underdeveloped areas will enjoy better standard of living as they will be able to satisfy more needs due to the low cost of living ✓✓
- Workers will not lose ties with their families which will promote cultural values ✓✓
- Social problems associated with overcrowding or over-population in urban areas will be reduced ✓✓

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

4.4 **Briefly discuss *population growth* and *life expectancy* as demographic indicators.**

**Population growth**

- Population growth refers to the increase in the number of people residing in a country ✓✓
- The South African population increased to approximately 60,6 million in 2022 ✓✓
- Measuring population growth is important for delivering social services ✓✓
- When the size population increases, the tax base for the government will increase ✓✓

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

**Life expectancy**

- Life expectancy expresses the number of years a new-born infant will live if the prevailing patterns of mortality remained the same throughout his or her life ✓✓
- In South Africa the life expectancy at birth has increased over the years ✓✓
- It is important for governments to know what the average life expectancy is, because working humans require a range of social services and are simultaneously also a tax base ✓✓
- Assurance companies in particular are interested in life expectancy because unexpected reductions in life expectancy reduce the number of years policy holders can pay premiums ✓✓

**(Accept any other correct relevant response)**

**(A maximum of 4 marks may be allocated for mere listing of facts/examples)** (2 x 2) (8)

4.5 **How can South Africa reduce imports in order to correct Balance of Payments (BOP) deficit?**

**South Africa can reduce imports by:-**

- increasing interest rates to discourage domestic expenditure including imported goods and services ✓✓
- increasing direct taxes such as personal income tax to reduce households' disposable income and discourage their expenditure on imports ✓✓
- imposing import tariffs and duties to make imported goods and services more expensive and reduce domestic expenditure on them ✓✓
- imposing quotas to limit the quantity of goods and services that South Africans can import within a specific period ✓✓
- imposing embargos to completely ban the importing of certain goods and services ✓✓
- reducing the availability of foreign exchange to discourage domestic expenditure on import ✓✓
- implementing strict customs procedures to delay the process of purchasing imports ✓✓
- encouraging domestic production of imports such that consumers will purchase them on local markets (import substitution) ✓✓
- increasing aggregate supply of goods and services to avoid shortages on local markets ✓✓
- devaluing / depreciating the rand to make imports relatively more expensive ✓✓

**(Accept any other correct relevant response)**

**(A maximum of 2 marks may be allocated for mere listing of facts/examples)**

(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 features underpinning forecasting of business cycles.** (26 marks)
- **Analyse the challenges that an economic recession poses on different participants in the economy.** (10 marks)

**INTRODUCTION**

Business cycles can be described as successive periods of contraction and expansion of economic activities ✓✓

**(Accept any other correct relevant introduction)**

(Max 2)

**BODY: MAIN PART****LEADING INDICATORS ✓**

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

**COINCIDENT INDICATORS ✓**

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

**LAGGING INDICATORS ✓**

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

**COMPOSITE INDICATORS** ✓

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

**AMPLITUDE** ✓

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

**TREND LINE** ✓

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

**LENGTH/DURATION OF A CYCLE** ✓

- 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 ✓✓
- Cycles may overshoot which means that whenever activity in terms of some composite indicators increase to beyond its normal level ✓✓
- The contraction in the growth of output may overshoot the level where it should naturally stop. ✓✓

**EXTRAPOLATION** ✓

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

**MOVING AVERAGES ✓**

- They are calculated along the time series so that a smoother business cycle can be established. ✓✓
- Moving averages are used to analyse the changes in a series of data over a certain period of time. ✓✓
- Economists use moving averages to eliminate the effect of sharp fluctuation in the business cycle ✓✓

**(Accept any other correct relevant response)**

**(A maximum of 8 marks may be allocated for mere listing of headings/examples)**

(Max 26)

**ADDITIONAL PART**

**An economic recession may pose the following challenges on the different participants in the economy:**

- The tax base for the government may shrink as some businesses may shut-down their operation and workers lose jobs ✓✓
- Government will collect less tax revenue from businesses and households resulting in postponement of some public projects due to lack of funds ✓✓
- Social expenditure by the government may increase as poverty and unemployment levels increase during the recession ✓✓
- State debt may increase as the government tries to raise funds for some of its critical expenditure ✓✓
- Households may lose their jobs and fail to find new employment as production of goods and services decrease. ✓✓
- Consumers' confidence will decrease resulting in less expenditure on goods and services ✓✓
- Businesses may experience low demand for goods and services as consumers postpone some of their expenditures ✓✓
- Business may generate less revenue resulting in less profits. ✓✓
- Business confidence may decrease thereby discouraging them from investing in the economy ✓✓
- The foreign sector will have less supply of South African exports as domestic production decreases ✓✓
- Foreign investors will lose confidence with the economy resulting in less capital inflow ✓✓

**(Accept any other correct relevant response)**

**(A maximum of 2 marks may be allocated for mere listing of facts/examples)**

(Max 10)

**CONCLUSION**

The country can be enabled to prepare suitable policies to deal with different changes in the economy reflected by the indicators and features ✓✓

**(Accept any other correct relevant higher order conclusion)**

(Max 2)

**[40]**

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

- **Discuss in detail the South African growth and development policies and strategic initiatives since 1994. (26 marks)**
- **How can South Africa use supply-side measures to promote economic growth and development? (10 marks)**

**INTRODUCTION**

- Economic development is the process by which the standard of living improves over a period of time ✓✓
  - Economic growth is an increase in the production capacity or real GDP of an economy over time ✓✓
- (Accept any other correct relevant introduction) (Max 2)**

**BODY: MAIN PART****South African growth and development policies and strategic initiatives****Reconstruction and Development Programme (RDP) ✓**

- RDP was introduced to alleviate poverty and address the inequalities and shortfalls in social services. ✓✓
- The strategy focused on job creation, welfare, housing, transport, land reform, healthcare, education, training, water and sanitation. ✓✓
- The objectives of RDP were to:
  - improve service delivery for the poor such as housing, electricity, water and sanitation ✓✓
  - create of an environment that is suitable for human development through education and training ✓✓
  - serve as a road map for economic development in South Africa ✓✓
  - create a dynamic economy that can create new and sustainable jobs. ✓✓
  - alleviate poverty, low wages, and extreme inequalities in wages and wealth. ✓✓
  - address economic imbalances and structural problems in the economy. ✓✓
  - ensure elimination of discrimination on the basis of race or gender. ✓✓
  - democratise the economy and empower the previously disadvantaged groups. ✓✓

**Growth, Employment, And Redistribution (GEAR) ✓**

- GEAR was introduced to stimulate economic growth and create employment opportunities. ✓✓
- The strategy was to strengthen economic development, redistribute income and create socio-economic opportunities for the poor. ✓✓
- The objectives were to:
  - promote economic growth by attracting foreign direct investments. ✓✓
  - have tax system to finance education and training programmes which will improve workers' skills and create employment ✓✓
  - have budget reforms meant to redistribute income. ✓✓
  - adopt a free-floating exchange rate policy that would ensure exchange rate stability and make South African products competitive. ✓✓
  - have a faster fiscal deficit reduction programme by controlling public debt to ensure price stability (Inflation). ✓✓

- reduce tariffs that would lower prices of imported inputs. ✓✓
- maintain a consistent monetary policy to prevent high inflation. ✓✓
- increase the restructuring and privatisation of some parastatals. ✓✓

### **Black Economic Empowerment Programmes (BEE) ✓**

- The strategy was launched to assist in the transformation and redress of previously disadvantaged groups ✓✓
- BEE aims to significantly increase the number of black people who own, manage and control factors of production (businesses) ✓✓
- The objectives were redress and affirmative action in the workplace and business environments. ✓✓

### **Expanded Public Works Programme (EPWP) ✓**

- It was introduced to create employment opportunities for the poor and vulnerable/disadvantaged. ✓✓
- The strategy was to use labour-intensive programmes to give people skills they can use to find jobs afterwards. ✓✓
- The objectives of EPWP were to: -
  - provide poverty and income relief by creating temporary work opportunities for the unskilled, unemployed, poor and vulnerable such as women and youth ✓✓
  - use existing government and public entity budgets to reduce and alleviate unemployment ✓✓
  - increase the ability of workers to earn an income, either through the labour market or through entrepreneurial activity. ✓✓

### **Accelerated and Shared Growth Initiative for South Africa (ASGISA) ✓**

- It was launched as a national initiative to be supported by all businesses, labour and entrepreneurs. ✓✓
- The key elements of ASGISA were:
  - Halving unemployment and poverty by 2014. ✓✓
  - Increasing economic growth to an average of 6% between 2010 and 2014. ✓✓
- The objectives were to:
  - improve and develop infrastructure by spending 8% of the GDP on infrastructure development. ✓✓
  - promote industrial development through Industrial Development Zones (IDZ). ✓✓
  - promote education and skills development to reduce the shortage of scarce skills. ✓✓
  - stimulate the second economies (Informal sector) ✓✓
  - improve state administration through good governance. ✓✓
  - achieve economic development (welfare) through economic growth. ✓✓
  - improve the production capacity of tourism, biofuel and manufacturing. ✓✓

### **National Skills Development Strategy (NSDS) ✓**

- Strategy is intended to radically transform education and training in South Africa ✓✓
- The strategy aimed at improving the quality and quantity of training to support increased industrial competitiveness and improved quality of life for all South Africans ✓✓
- The Department of Labour used the NSDS as a tool to drive the process of developing the skills of the South African labour force ✓✓

**Joint Initiative on Priority Skills Acquisitions (JIPSA) ✓**

- It introduced as the skills development arm of ASGISA. ✓✓
- The objective was skills development, especially through the SETAs. ✓✓

**Small Business Development Promotion Programme (SBDPP) ✓**

- The strategy was to deliver support and services to SMMEs. ✓✓
- Department of Trade, Industry and Competition (DTIC), Industrial Development Corporation (IDC) and the National Small Business Act offer these services. ✓✓

**The New Growth Path (NGP) ✓**

- The strategy was introduced to identify key sectors as “job drivers” and promote industries and sectors that can drive job creation. ✓✓
- It aimed to increase economic growth, create 5million jobs by 2020 and create greater economic equity. ✓✓
- The NGP identifies the manufacturing, tourism, green energy and infrastructure development as key areas of job creation. ✓✓

**NATIONAL DEVELOPMENT PLAN (NDP) ✓**

- NDP was founded and led by the former Finance Minister in 2012/13. ✓✓
- The strategy is to expand economic opportunities through investment in infrastructure, more innovation, private investment and entrepreneurship. ✓✓
- The objectives were to: -
  - eliminate poverty and reduce inequality by 2030 ✓✓
  - reduce unemployment by 14% in 2020 and 6% in 2030 ✓✓
  - achieve economic growth on an inclusive basis ✓✓
  - achieve economic transformation through enhancing the capacity of the state, and promoting leadership and partnerships throughout society. ✓✓

**(Accept any other correct relevant response)**

**(A maximum of 8 marks may be allocated for mere listing of headings/examples)** (Max 26)

**BODY: ADDITIONAL PART****South Africa can use supply-side measures to promote economic growth and development by:**

- removing unnecessary rules and regulations (deregulation) to improve the efficiency of markets ✓✓
- lowering some of the taxes and license fees to reduce administrative costs for businesses ✓✓
- reducing the requirements and procedures of registering businesses in the country ✓✓
- improving the quality of education and training to improve the skills of the labour force ✓✓
- improving availability, reliability and cost of infrastructure services to ensure financial viability and profitability of businesses ✓✓
- promoting introduction of more affordable and reliable alternative sources of energy ✓✓
- promoting competition in different market to improve economic efficiency ✓✓
- providing subsidies and incentives to encourage capital formation in the economy ✓✓
- upgrading and maintaining its transport network to promote and ensure greater efficiency within the transport sector ✓✓
- ensuring that modern, effective, efficient and reliable communication channels can be accessed ✓✓
- providing free advisory services such as information on new export market, to promote efficiency and the ease of doing business ✓✓

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

(Max 10)

**CONCLUSION**

The modern economy has become more dynamic and it is important for the government to abort some policies that are no longer suitable and introduce new policies that are more relevant ✓✓

**(Accept any other correct relevant higher order conclusion)**

(Max 2)

**[40]****TOTAL SECTION C:****40****GRAND TOTAL:****150**