

## MARKING GUIDELINES

EXAMINATION	NATIONAL SENIOR CERTIFICATE
GRADE	12
DATE	JUNE 2024
SUBJECT	ECONOMICS
PAPER	1
MARK TOTAL	150
DURATION (HOURS)	2
NUMBER OF PAGES	22



SOUTH AFRICAN COMPREHENSIVE ASSESSMENT INSTITUTE  
SUID-AFRIKAANSE KOMPREENSIEWE ASSESSERINGSINSTITUUT



## 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. Clearly indicate at the beginning of a question the number of the question chosen, for example **QUESTION 2**.
4. Number the answers correctly according to the numbering system used in this question paper.
5. Read the questions carefully and start **EACH** question on a **NEW** page.
6. 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.
7. Non-programmable pocket calculators may be used.
8. Write neatly and legibly in **BLUE** in only.

## SECTION A

### QUESTION 1: COMPULSORY

**30 MARKS - 20 MINUTES**

#### 1.1 MULTIPLE CHOICE QUESTIONS

- 1.1.1 C✓✓ Money market
- 1.1.2 D✓✓ Phillips curve
- 1.1.3 A✓✓ Reserve assets
- 1.1.4 A✓✓ money
- 1.1.5 B✓✓ Moral suasion
- 1.1.6 D✓✓ Expanded Public Works Programme.
- 1.1.7 C✓✓ Strategic integrated Projects
- 1.1.8 A✓✓ widening. (8x2) (16)

#### 1.2 MATCHING ITEMS

- 1.2.1 B✓ The total remuneration received by the factors of production for producing final goods and services within the borders of a country.
- 1.2.2 J✓ The abolishment of government intervention in international trade.
- 1.2.3 G✓ Government decreases taxes and increases government spending.
- 1.2.4 E ✓ Measures the distance from the trend line to the peak and the trend line to the trough.
- 1.2.5 D✓ The purpose is to expand production in value-added sectors with the focus on metals fabrication and green and energy-saving industries.
- 1.2.6 K✓ A nation-wide government intervention to create employment using labour-intensive methods.
- 1.2.7 A✓ Commercial banks pay to borrow money from the Reserve Bank.
- 1.2.8 H✓ The probable number of years a person will live after birth. (8x1) (8)

#### 1.3 GIVE ONE WORD/TERM

**(ABBREVIATIONS ACRONYMS AND EXAMPLES WILL NOT BE ACCEPTED.)**

- 1.3.1 factor cost ✓**or**  
payment for factors of production ✓**or**  
remuneration of the factors of production✓
- 1.3.2 rent seeking✓
- 1.3.3 special drawing rights✓
- 1.3.4 demographics✓
- 1.3.5 beneficiation✓
- 1.3.6 labour productivity✓

**TOTAL SECTION A: [30]**

## SECTION B

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

### QUESTION 2: MACRO ECONOMICS

**40 MARKS - 30 MINUTES**

#### 2.1 Answer the following questions:

##### 2.1.1 List any **TWO** member countries of BRICS.

Brazil ✓

Russia ✓

China ✓

South Africa ✓

India ✓

(Any 2x1) (2)

##### 2.1.2 How does a free-floating exchange rate benefit most countries?

It leaves the monetary and fiscal authorities free to pursue internal goals and adjustment often works as an automatic stabilizer to promote those goals. ✓✓

(Accept any other correct relevant response.)

(1x2) (2)

#### 2.2 DATA RESPON

##### 2.2.1 Give **ONE** example of a leakage.

- Savings✓
- Taxes✓
- Imports✓

(Any 1x1) (1)

##### 2.2.2 Provide **ONE** factor which influences the size of the multiplier.

- A change in spending (mps) ✓
- A change in consumption (mpc) ✓

(Accept any other correct relevant response) ✓

(Any 1x1) (1)

##### 2.2.3 Briefly describe the term *autonomous consumption*

The amount of spending that is fixed and does not change due to a change in income. ✓✓ **or**

The amount of spending that is fixed regardless of your income. ✓✓

(Accept any other correct relevant response)

(1x2) (2)

##### 2.2.4 Explain the effect on national income when injections are more than leakages.

- There is an increase demand of goods and services leading to an increase in the production, thus the national income will also increase. ✓✓

(Accept any other correct relevant response)

(Any 1x2) (2)

2.2.5 **Calculate the effect on national income when government spending increase by R250 million and the mpc is 0,7. (Show all calculations)**

Multiplier:

$$\alpha = 1/1 - \text{mpc.}$$

$$= 1/1 - 0,7 \checkmark$$

$$= 1/0,3$$

$$= 3,33 \checkmark$$

**OR**  $\alpha = 1/\text{mps}$

$$= 1/0,3 \checkmark$$

$$= 3,33 \checkmark$$

Effect on National Income:

$$= 3,33 \times \text{R}250 \text{ m} \checkmark$$

$$= \text{R}832,5 \text{ m} \checkmark$$

NB: (one mark awarded for answer only)

(4)

## 2.3 DATA RESPONDS

2.3.1 **Name ONE endogenous cause of business cycles**

- Changes in levels of investment  $\checkmark$
- Changes in total demand levels  $\checkmark$
- Changes in total supply levels  $\checkmark$
- Technological changes / innovation  $\checkmark$
- Monetary policies / measures  $\checkmark$

(Accept any other correct relevant response)

(Any 1x1) (1)

2.3.2 **Provide ONE characteristic of an economy during a recession phase.**

(1)

- Business confidence decreases.  $\checkmark$
- Businesses begin to invest and produce less.  $\checkmark$
- Fewer people will be employed.  $\checkmark$
- Households will receive less income and will spend less.  $\checkmark$
- The real GDP decreases.  $\checkmark$

(Accept any other correct relevant response.)

(Any 1x1) (1)

2.3.3 **Briefly describe the term *recession*.**

A recession occurs when there is a continuous decrease in economic activity for a period of six consecutive months (two quarters).  $\checkmark\checkmark$

(Accept any other correct relevant response.)

(1x2) (2)



**2.3.4 What does the South African Reserve Bank do to stimulate the economy?**

- Expansionary monetary and fiscal policies should be implemented. ✓✓
- To stimulate demand and economic activities during a recession, the Reserve Bank may reduce interest rates. ✓✓
- During a recession, a reduction in tax rates may increase disposable income and stimulate the demand for goods and services. ✓✓
- During a recession, the government could increase its spending in order to stimulate a slow economy. ✓✓
- Demand for credit starts to increase. ✓✓

(Accept any other correct relevant response.)

(Any 1x2) (2)

**2.3.5 How can an increase in aggregate supply combat inflation caused by excess demand.**

(4)

- The cost of production is reduced, producers can supply more goods and services at a lower price. ✓✓
- Supply is influenced by government by improving the efficiency of inputs in markets, no shortage will exist, and price will be stable. ✓✓
- Supply infrastructure services such as transport, communication and energy improving will reduce costs and keep prices lower ✓✓
- Reducing administrative costs such as inspections and unnecessary regulations, will reduce costs ✓✓
- Efficiency of markets is improved it will bring supply and demand in equilibrium keeping prices stable ✓✓

(Accept any other correct relevant response.)

(Any 2x2) (4)

**2.4 Briefly discuss the interactions between *households* and *businesses* in a closed economy.**

**Households**

- There is a flow of money and goods and services between the household sector and business sector. ✓✓
- Households are the owners of the factors of production, and they place their factors of production on the market so that it can be bought. ✓✓
- Households earn income in the form of wages by selling their factors of production to business. ✓✓

(2x2)



### **Business Sector**

- Businesses use the factors of production to produce goods and services on which the household sector spends their income. ✓✓
  - Businesses place goods and services on the product market, which is bought by households to satisfy their needs. ✓✓
  - Business receives an income. ✓✓ (2x2)
- (Accept any other correct relevant response.) (2x4) (8)
- (A maximum of 4 marks may be allocated for mere listing of facts/examples)

### **2.5 Evaluate the effect of lack of management skills on state entities.**

The effect of a lack of management skills on state entities are the following:

- This lowering the quality of services that are rendered therefore leading to government failure. ✓✓
- There is ineffective management of state resources. ✓✓
- They fail to provide services quickly and in desired quantities thereby causing inefficiency. ✓✓
- Making them vulnerable to embezzlement and loss of profit. ✓✓
- Crippling their overall efficiency hence detracting them from achieving the macroeconomic objectives of the state. ✓✓

(Accept any other relevant and correct response) (Any 4x2) (8)

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

**[40]**

**QUESTION 3: ECONOMIC PURSUITS**

**40 MARKS – 30 MINUTES**

**3.1 Answer the following questions:**

**3.1.1 List any TWO social indicators that refer to education.**

- Spending on education ✓
- Adult literacy ✓
- Enrolment ✓
- Learner to teacher ratio ✓
- Matriculant pass rate ✓
- Level of education ✓

(Accept any other relevant and correct response)

(Any 2x1) (2)

**3.1.2 How does the SARB use its open market transactions to restrict credit?**

- The SARB sells securities to restrict the flow of money. ✓✓
- The banks are forced to buy these security documents, which leave the banks with less money to lend. ✓✓

(Accept any other correct relevant response.)

(Any 1x2) (2)

**3.2 DATA RESPONDS**

**3.2.1 Give ONE example of a country of the NORTH.**

- Canada ✓
- France ✓
- Italy ✓
- Germany ✓
- Japan ✓
- United Kingdom ✓
- Russia ✓
- United States ✓
- Australia ✓
- New Zealand ✓

(Accept any other relevant example)

(Any 1x1) (1)

**3.2.2 Provide ONE characteristic for the countries in the SOUTH.**

- Low standard of living ✓
- Lack of adequate infrastructure ✓
- Low life expectancy ✓
- Lack of education ✓

(Accept any other correct relevant response)

(Any 1x1) (1)



**3.2.3 Briefly describe the term *globalisation*.**

The worldwide interaction of economies with trade as an important element. ✓✓

(Accept any other correct relevant response) (1x2) (2)

**3.2.4 Explain a trade challenge in terms of globalisation.**

Trade is a challenge of globalisation as:

- Rich countries continue to subsidise production of their agricultural goods, making it difficult for developing countries to compete. ✓✓
- Developed/rich countries insisting that developing countries must remove their tariffs on manufactured goods. ✓✓
- Most of the world's poor countries have very little foreign trade and blame globalisation for that. ✓✓

(Accept any other correct relevant response) (Any 1x2) (2)

**3.2.5 What effect does countries in the NORTH have on the environment?**

They contribute to the destruction of the environment by:

- Causing pollution through mass production of goods and services. ✓✓
- Causing climate change by being involved in high levels of industrial activities. ✓✓
- Exhausting natural resources due to over industrialisation. ✓✓
- Deforestation due to over industrialisation. ✓✓

(Accept any other correct relevant response) (Any 2x2) (4)

**3.3 DATA RESPONS**

**3.3.1 Name ONE main aim of the National Industrial Policy Framework.**

- To intensify the industrialisation ✓
- To encourage regional trade ✓
- To encourage economic integration ✓
- To promote the participation in the economy ✓
- To encourage/support a more labour-intensive industry ✓
- To facilitate diversification of the economy ✓

(Accept any other correct relevant response.) (Any 1x1) (1)



**3.3.2 Provide ONE benefit that a country obtains from foreign direct investments (FDI's).**

- Large-scale job creation for domestic people. ✓
- New technology/innovation is obtained in a country. ✓
- An increase in the GDP of a country. ✓
- The government can benefit from a broader tax base. ✓

(Accept any other correct relevant response.)

(Any 1x1) (1)

**3.3.3 Briefly describe the term *de-industrialisation*.**

Involves the process of social and economic change, caused by the removal or reduction of industrial activity and employment in a region. ✓✓

(Accept any other correct relevant response.)

(1x2) (2)

**3.3.4 What is the relationship between the manufacturing sector and the primary sector?**

- The primary sector provides the raw material for the manufacturing sector, such as metals for the production of cars. ✓✓
- The manufacturing sector provides backward and forward linkages to other sectors and creates jobs/economic growth in various sectors. ✓✓

(Accept any other correct relevant response.)

(Any 1x2) (2)

**3.3.5 Outline the benefits of Special Economic Zone (SEZ's) from the new African Free Continental Trade agreement (AFCTA).**

- Leads to an increase in economies of scale and access to cheaper raw material and intermediate inputs. ✓✓
- Improved conditions for regional value-chain products and integration into global value-chains. ✓✓
- A larger share in the utilisation of technology such as digital communication services, research and innovation, etc. ✓✓
- Expanded inter-African trade opportunities, linked to job creation. ✓✓

(Accept any other correct relevant response.)

(Any 2x2) (4)



**3.4 Briefly discuss the methods used by the *World Bank* and *United Nations* to standardise the indicators of member countries.**

**WORLD BANK**

- The World Bank Group of Institutions provide definitions for a range of economic and social indicators. ✓✓
- In partnership with International Organisation for Standardisation (ISO), the World Bank provides standards which give world class specifications for products, services, and systems. ✓✓

(2x2)

**UNITED NATIONS**

- Developed the best-known manual of economic indicators, the System of National Accounts (SNA). ✓✓
- It focuses on production, income and expenditure and how to avoid double counting. ✓✓
- It compiles data in the SARB Quarterly Bulletin in terms of the SNA specifications. ✓✓

(2x2)

(Accept any other correct relevant response)

(4x2) (8)

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

**3.5 Evaluate the success of the South Africa's New Growth Path to influence economic growth and economic development?**

The NGP has been successful in influencing growth and development, by:

- creating jobs through physical and social infrastructure expansion in areas such as energy, transport, communication, water and housing. ✓✓
- creating employment in the agricultural value chain by addressing the high costs of fertilisers and other inputs and by promoting, processing and export marketing. ✓✓
- creating jobs in the mining value chain by increasing mineral extraction, improving infrastructure and skills development and supporting the beneficiation on the final manufacturing of consumers and capital goods. ✓✓
- improving a green economy through expansion of infrastructure and technology in solar energy, wind energy and biofuels. ✓✓
- improving manufacturing sectors, skills development, research and investment. ✓✓
- expanding tourism and certain high-level services. ✓✓

The NGP has not been successful in influencing growth and development because:

- high unemployment rates still exist in all sectors of the economy due to lack of economic growth. ✓✓
- the growth levels decreasing in all sectors of the economy. ✓✓



- major pollution take place and there is an inefficient allocation of resources. ✓✓
- there is a high shortage of energy (load shedding) and low levels of water supply is experienced. ✓✓
- unequal distribution of income and wealth worsen in SA. ✓✓

(Accept any other correct, relevant answer.)

(Any 4x2) (8)

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

**[40]**

**QUESTION 4: MACRO ECONOMICS AND ECONOMIC PURSUITS**

**40 MARKS – 30 MINUTES**

**4.1 Answer the following questions:**

**4.1.1 List any TWO types of inefficiencies in public sector provisioning.**

- Bureaucracy ✓
- Incompetence ✓
- Corruption ✓
- Apathy ✓
- Management failure ✓

(Any 2x1) (2)

**4.1.2 How does technology support small business development?**

- Involves financial support to acquire innovative, production-enhancing technology for growth in the second economy. ✓✓
- Funding is made available to support the informal sector with unskilled to semi-skilled human resources, limited sales turnover, limited assets, etc. ✓✓
- Technology is more cost effective in the long run and will help reduce the small businesses' cost and make it more competitive in the economy. ✓✓

(Accept any other correct relevant response.)

(Any 1x1) (1)

**4.2 DATA RESPON**

**4.2.1 Give ONE example of renewable energy.**

- Solar ✓
- Wind ✓
- Tidal ✓
- Biomass ✓
- Biofuel ✓

(Accept any other correct, relevant answer.)

(Any 1x1) (1)

**4.2.2 Provide ONE other State Owned Enterprise not mentioned in the extract above.**

- Central Post office ✓
- Telkom ✓
- ACSA / SAA ✓
- Transnet ✓
- Denel ✓
- SAFCOL ✓

(Accept any other correct, relevant answer.)

(Any 1x1) (1)



4.2.3 **Briefly describe the term *nationalisation*.**

It is when the government takes ownership and control of an existing enterprise in the free market. ✓✓

(Accept any other correct, relevant answer.) (1x2) (2)

4.2.4 **Explain the benefits of the privatisation of State Owned Enterprises (SOE's).**

- It generates additional funds through income generated from tax.
- It will broaden the tax base through total assets, investment and income streams that are subject to taxation. ✓✓
- It will create greater efficiency in the economy, because the profit driven industries are more effective. ✓✓
- Promote more foreign investment in the SA and the inflow of capital. ✓✓
- Relieve pressure on the budget to alleviate shortages. ✓✓

(Accept any other correct, relevant answer.)

(Any 1x2) (2)

4.2.5 **How can Eskom function more effectively to benefit the consumer?**

Eskom can function more effectively by:

- allowing consumers to make payments directly to Eskom as the supplier - cut out the middleman. ✓✓
- producing at lower costs, e.g. cheaper suppliers. ✓✓
- applying effective management and control - no corruption and nepotism. ✓✓
- employing qualified and competent workers on all levels of the business. ✓✓

(Accept any other correct, relevant answer.)

(Any 2x2) (4)

**4.3 DATA RESPONCS**

4.3.1 **Name the social indicator depicted by the cartoon**

Social/Health. ✓

(1)

4.3.2 **Provide ONE other department linked to service delivery in South Africa.**

- Department of Safety ✓
- Department of Education ✓
- Department of Justice ✓

(Accept any other relevant answer)

(Any 1x1) (1)



#### 4.3.3 Briefly describe the term *social indicator*

- Social indicators monitor identifiable and definable issues related to human well-being over a period of time. ✓✓
- Social indicators are a measure used by economists and governments to evaluate the performance of the economy with regard to the social well-being of the inhabitants. ✓✓

(Accept any other correct relevant response) (1x2) (2)

#### 4.3.4 What impact does urbanisation have on the provision of housing in urban areas?

- Provincial governments are not able to provide housing to all the people migrating to cities. ✓✓
- Increase in the number of informal settlements. ✓✓

(Accept any other correct relevant response) (1x2) (2)

#### 4.3.5 How can service delivery by government enhance people's standard of living?

- Contribute to the supply running water to all citizens. ✓✓
- Replacement of pit toilets with flush toilets. ✓✓
- Assist all citizens in having access to electricity supply. ✓✓

(Accept any other correct relevant response) (Any 2x2) (4)

#### 4.4 Briefly discuss *interest rates* and *import substitution* as measures used to correct the balance of payments disequilibria. (2x4) (8)

##### Interest rates

- Interest rates can be increased to reduce spending on imports. ✓✓
- Foreigners on the other hand might take advantage by increasing their investment in the country with the higher interest rate. ✓✓

(2x2)

##### Import substitution

- Import control can be stricter, through increasing custom duties. ✓✓
- Local producers can be motivated to produce more locally with the help of subsidies. ✓✓
- Goods which were imported can be produced locally. ✓✓

(2x2)

(Accept any other correct, relevant answer.)

(A maximum of 4 marks may be allocated for mere listing of facts/examples) (2x4) (8)



**4.5 Evaluate the role of government to protect key strategic industries against foreign industrial take-overs.**

- Industrial development will be ensured if young industries are protected until properly established
- Infant industries should be given protection in their early years, they may grow and take advantage of economies of scale, lower average costs and become competitive
- Increased employment in local industries due to protectionism will result in less unemployment
- Economies of self-sufficiency and strategic key industries are vital to be self-supporting – protection granted especially to key industries
- Prevent dumping to ensure that financially weaker industries are not forced out of competition
- Protection of natural resources – protection ensures that industries survive.

✓✓

(Accept any other relevant response)

(Any 4x2) (8)

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

**[40]**

**TOTAL SECTION B: [80]**

## SECTION C

Answer any **ONE** question of the TWO questions in the **ANSWER BOOK**.

Your answer will be assessed as follows:

STRUCTURE OF THE ESSAY	MARK ALLOCATION
<p><b>Introduction</b> The introduction is a lower-order response.</p> <ul style="list-style-type: none"> <li>• A good starting point would be to define the main concept related to the question topic.</li> <li>• Do not include any part of the question in your introduction.</li> <li>• Do not repeat any part of the introduction in the body.</li> <li>• Avoid saying in the introduction what you are going to discuss in the body.</li> </ul>	<p>Max. 2</p>
<p><b>Body</b> <b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/ Compare/Evaluate/Distinguish/Differentiate/Explain.</p> <p><b>Additional part:</b> Give own opinion/Critically discuss/Evaluate/Critically evaluate/Draw a graph and explain/Use the graph given and explain/ Complete the given graph/Calculate/Deduce/Compare/Explain/ Distinguish/Interpret/Briefly debate/How/Suggest.</p> <p><b>Mark Allocation</b> <b>A maximum of six marks will be awarded for listing and examples.</b> Bullets in full sentences will be awarded two marks. Headings and sub-headings will receive one mark each.</p>	<p>Max. 26</p> <p>Max. 10</p>
<p><b>Conclusion</b> Any higher-order conclusion should include:</p> <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned.</li> <li>• Any opinion or value judgement on the facts discussed.</li> <li>• Additional support information to strengthen the discussion/analysis.</li> <li>• A contradictory viewpoint with motivation, if required.</li> <li>• Recommendations.</li> </ul>	<p>Max. 2</p>
<p><b>TOTAL</b></p>	<p><b>40</b></p>

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

- **Discuss in detail the supply side policies in the ‘smoothing’ of business cycles.** (26)
- **How can exogenous reasons cause the business cycle to fluctuate?** (10)

**INTRODUCTION**

The new way of thinking about the economy advises against using short-term money and government policies for smoothing out business cycles. Instead, it suggests achieving stability through wise, long-term decisions related to supply and demand, which can help mitigate economic downturns. ✓✓

(Accept any other correct relevant introduction.) (Max 2)

**BODY: MAIN PART****Supply-side policies****Reduction of costs ✓**

- Infrastructural services: Reasonable charges and efficient transport, communication, water services and energy supply. ✓✓
- Administrative costs: These costs include inspection, reports on applications of various laws, regulations and by-laws, tax returns and returns providing statistical information. ✓✓
- The above administrative costs add to costs and businesses carry a heavy burden. ✓✓
- Cash incentives: Includes subsidies for businesses to locate in neglected areas where unemployment is high and compensation to exporters for certain costs that they incur in development of export markets. ✓✓

**Improving the efficiency of inputs ✓**

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



### Improving the efficiency of markets ✓

- Deregulation: The removal of laws, regulations and by-laws and other forms of government controls makes the market free. ✓✓
- Competition: Encourages the establishment of new businesses ✓✓
- Levelling the play field: Private businesses cannot compete with public enterprises. ✓✓
- Increasing the limit of short selling will improve market efficiency. ✓✓
- A decrease in the information cost will also improve market efficiency. ✓✓

(Accept any other correct relevant response.)

(Max 26)

(A maximum of 8 marks will be allocated for mere listing of facts/examples.)

### ADDITIONAL PART

#### How can exogenous reasons cause the business cycle to fluctuate?

- Exogenous variables are independent factors that originate outside the economy causing fluctuations in the market. ✓✓
- Business cycle changes are caused by inappropriate or wrong government policy/intervention for example the government should not intervene in the market ✓✓
- Structural changes in the economy imply that there is a change in the size of contribution of the three sectors to the GDP. ✓✓
- Random shocks such as these affect the confidence of the businesses and households ✓✓
- Changes in weather conditions such as droughts, floods cause changes in agriculture and tourism ✓✓
- Better improved technologies lead to more production and economic activities in the country. ✓✓
- Weather conditions and market shocks cause upswings and downswings for example droughts leading to less inputs and economies products that can cause a downswing in the economy. ✓✓
- Market shocks can lead to a decrease in Foreign Direct Investments or bank failures that can lead to a downswing in the economy. ✓✓

(Accept any other correct relevant response.)

(Max 10)

### CONCLUSION

Managing the aggregate supply and demand to ensure stability in the economy is critically important. ✓✓

(Accept any other correct relevant response.)

(Max 2)

**[40]**

**OR**

## QUESTION 6: ECONOMIC PURSUITS

40 MARKS – 40 MINUTES

- Discuss in detail South Africa's initiatives in regional development. (26)
- How can the development of small businesses benefit the South African economy? (10)

### INTRODUCTION

Regional development refers to policies which are aimed at increasing the economic livelihood of specific areas or regions. ✓✓ (max 2)

### BODY: MAIN PART

#### Special economic zones (SEZ's) ✓

- These are geographical areas of a country set aside for specifically targeted economic activities. ✓✓
- These activities are supported through special arrangement that may include laws and support systems that promote industrial development. ✓✓
- They are meant to expand the manufacturing sector. ✓✓
- Create additional industrial hubs so that the national industry base will be regionally diversified. ✓✓
- These areas may enjoy incentives such as tax relief and support systems to promote industrial development. ✓✓
- There are plans to reduce tax to 15% as an incentive to attract new industries. ✓✓
- The aim of creating SEZ's is to attract:
  - only new business ✓
  - business which are developing a new product line ✓
  - business which are expanding their volume ✓
- The DTI has indicated that the existing IDZ's where special tax incentives do not apply, would be graduated into SEZ's ✓✓
- It creates a basis for a broader range of industrial parks and provide economic infrastructure to promote employment. ✓✓

#### Corridors ✓

- Corridors in South Africa are spatial areas that offer specific advantages to mining, manufacturing and other businesses. ✓✓
- The advantages also include the presence of existing infrastructure and the specialisation of products or services. ✓✓
- These corridors are development areas within South Africa and are the development priorities of all development agencies. ✓✓
- The DTI provides help in support of the development corridors. ✓✓



- The Maputo Corridor, that starts in Gauteng and extends through Mpumalanga to the Maputo port, offers opportunity to the transport industry; or the Phalaborwa sub-corridor in the Limpopo Province offers opportunities for mining and related activities. ✓✓

### **Spatial development initiatives (SDI's) ✓**

- This is an area with high levels of unemployment and poverty that has been identified by the government for a co-ordinated effort to develop the economic potential of the area. ✓✓
- The area chosen for an SDI must be under-developed and have the potential for sustainable growth. ✓✓
- The development focuses on high level support in areas where socio-economic conditions need concentrated government assistance. ✓✓
- These initiatives help to spread economic activities equally in the country. ✓✓
- All investment is based on public-private partnerships. ✓✓
- SDI's are a government strategy of investment that involves the Department of Trade and Industry (DTI) and transport (DOT). ✓✓
- SDI's focus on government attention across national, provincial and local levels to ensure that investment is fast-tracked ✓✓ and that the maximum synergy between the various types of investments. ✓✓
- These projects are expected to create new jobs well into the future. ✓✓
- The success of these projects relies on a strong move towards international competitiveness, regional cooperation and a more diversified ownership base. ✓✓

### **Industrial Development Zones ✓**

- IDZ's is a purpose-built industrial estate, physically enclosed and linked to an international port or airport with duty free incentives. ✓✓
- IDZ's were designed to encourage international competitiveness in SA's manufacturing sector. ✓✓
- IDZ's fall outside domestic customs zones and are therefore able to import items free of customs and trade restrictions, add value, and then export their goods. ✓✓
- IDZ's are designed to attract new investment in export-driven industries. ✓✓
- IDZ's encourage exports, economic growth and employment. ✓✓
- IDZ's are the responsibility of provincial and local government. ✓✓
- Businesses develop around the IDZ's (banking, personnel, insurance, auditing, IT, communication, accommodation, catering, shopping, transport). ✓✓



- IDZ's strengthen and stimulate economies in their immediate environments. ✓✓
- Each IDZ offers direct links to an international port or airport, world-class infrastructure, zero rated VAT on supplies from South African sources, government incentive schemes, reduced taxation for some products, access to latest information. ✓✓

(Accept any other correct relevant response.)

(Max 26)

(A maximum of 8 marks will be allocated for mere listing of facts/examples.)

### **ADDITIONAL PART**

**How can the development of small businesses benefit the South African economy?**

**Small businesses can benefit the South African economy by:**

- Providing guidance to create employment for structurally unemployed people that might lead towards a more inclusive economy. ✓✓
- Promoting entrepreneurial development among women and the youth in rural areas where unemployment is very high. ✓✓
- Helping in the diversification of the economy by promoting the upliftment of a variety of skills. ✓✓
- Providing more targeted support to small businesses, to assist them in growing and impacting positively on the SA economy. ✓✓
- Small business will also be a small-scale employer and a provider of some goods or/and services, thereby contributing to the GDP. ✓✓
- Enhancing competition most needed to benefit the consumer, pricewise. ✓✓
- Recovery Plan after Covid-19 and general decline in economic activities in the world. ✓✓
- South Africa encouraged entrepreneurship, especially in the manufacturing industries because this leads to more employment and job opportunities. ✓✓
- An increase in production can promote exports. ✓✓
- The economy should focus on motivating import substitution in order to become less reliant on the foreign sector. ✓✓

(max 10)

### **CONCLUSION**

Regional development is necessary in order for the country to move forward and the government has supported the development in Southern Africa for the benefit of South Africa ✓✓

(Accept any other relevant conclusion)

(Max 2)

**TOTAL SECTION C: [40]**

**GRAND TOTAL: [150]**