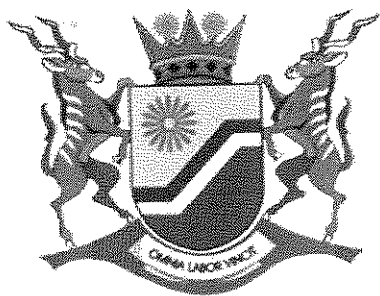




eduresourceza.com



education
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ECONOMICS P1
SEPTEMBER 2019
MARKING GUIDELINES**

MARKS: 150

This marking guidelines consists of 18 pages

SECTION A (COMPULSORY)**QUESTION 1****30 MARKS****1.1 MULTIPLE CHOICE**

1.1.1 D coincident ✓✓

1.1.2 A investment in equities ✓✓

1.1.3 A more than ✓✓

1.1.4 C trade liberalisation ✓✓

1.1.5 B land restitution ✓✓

1.1.6 C Structurally ✓✓

1.1.7 D real ✓✓

1.1.8 B Inflation ✓✓

(8 x 2) (16)

1.2 MATCH TYPE

1.2.1 E The use of past data to predict future business cycle ✓

1.2.2 F Gross salaries and wages earned by labour ✓

1.2.3 B When the value of a country's imports is greater than the value of its exports ✓

1.2.4 A When production costs decrease as the number of units produced increases ✓

1.2.5 G Demarcated geographic area in which some aspects of the business environment differs from the rest of the country ✓

1.2.6 I The measure of interest which banks charge on loans to their most creditworthy clients ✓

1.2.7 C A passageway allowing access from area to another usually advantageous to businesses ✓

1.2.8 D The economic value of the labour force ✓

(8 x 1) (8)

1.3 ONE TERM

1.3.1 Exogenous factors ✓

1.3.2 Full employment ✓

1.3.3 African Growth and Opportunity Act ✓

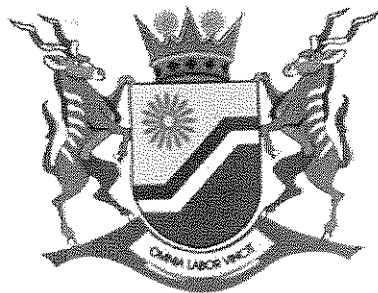
1.3.4 Trade protocols ✓

1.3.5 Economic development ✓

1.3.6 Strategic Integrated Projects ✓

(6 x 1) (6)

TOTAL SECTION A: [30]



education
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ECONOMICS P1
SEPTEMBER 2019
MARKING GUIDELINES**

MARKS: 150

This marking guidelines consists of 18 pages

SECTION A (COMPULSORY)**QUESTION 1****30 MARKS****1.1 MULTIPLE CHOICE**

1.1.1 D coincident ✓✓

1.1.2 A investment in equities ✓✓

1.1.3 A more than ✓✓

1.1.4 C trade liberalisation ✓✓

1.1.5 B land restitution ✓✓

1.1.6 C Structurally ✓✓

1.1.7 D real ✓✓

1.1.8 B Inflation ✓✓

(8 x 2) (16)

1.2 MATCH TYPE

1.2.1 E The use of past data to predict future business cycle ✓

1.2.2 F Gross salaries and wages earned by labour ✓

1.2.3 B When the value of a country's imports is greater than the value of its exports ✓

1.2.4 A When production costs decrease as the number of units produced increases ✓

1.2.5 G Demarcated geographic area in which some aspects of the business environment differs from the rest of the country ✓

1.2.6 I The measure of interest which banks charge on loans to their most creditworthy clients ✓

1.2.7 C A passageway allowing access from area to another usually advantageous to businesses ✓

1.2.8 D The economic value of the labour force ✓

(8 x 1) (8)

1.3 ONE TERM

1.3.1 Exogenous factors ✓

1.3.2 Full employment ✓

1.3.3 African Growth and Opportunity Act ✓

1.3.4 Trade protocols ✓

1.3.5 Economic development ✓

1.3.6 Strategic Integrated Projects ✓

(6 x 1) (6)

TOTAL SECTION A: [30]

SECTION B

QUESTION 2

MACROECONOMICS

40 MARKS

2.1 Short questions:

2.1.1 List TWO components of the consumption function.

- Marginal propensity to consume ✓
- Autonomous consumption ✓
- Disposable income ✓

(2 x 1) (2)

2.1.2 Why is it impossible to charge consumers a price for consumption of community goods?

Because of their non-excludability and indivisibility features a price cannot be charged on the basis of use ✓✓
(Accept any other correct relevant response)

(1 x 2) (2)

2.2 DATA RESPONSE

2.2.1 What is the name of the turning point labeled B?

Peak ✓

(1)

2.2.2 How many years is the length of the cycle A - C?

Five years ✓

(1)

2.2.3 What is the purpose of the trend line?

To show the general direction in which the economy is heading ✓✓

(2)

2.2.4 Why can trough E be regarded as more severe than trough C?

It is steeper as the distance between the trough and the trend line is larger/Trough E indicates bigger amplitude than C ✓✓
(Accept any other correct relevant response)

(2)

2.2.5 How could the government have used fiscal policy to prevent the economic activity from falling to its lowest level (represented by letter E)?

- Reduce income tax rates to encourage individuals and businesses to produce more ✓✓
 - Reduce taxes on products such VAT and other excise duties to stimulate aggregate demand in the economy ✓✓
 - Pay subsidies on production to businesses to reduce their cost of production and increase their outputs ✓✓
 - Offer incentives to different industries to attract both domestic investments and FDI's ✓✓
- (Accept any other correct relevant response)

(2 x 2)

(4)

Please turn over

2.3 DATA RESPONSE.

2.3.1 Which cause (reason) for international trade is natural resource such as oil an example of?

Supply reason ✓

(1)

2.3.2 Name the account of Balance of Payment in which money earned from exporting oil can be recorded.

Current account ✓

(1)

2.3.3 Briefly describe the term *international trade*?

International trade is the exchange of goods and service across many countries ✓✓
(Accept any other correct relevant response)

(2)

2.3.4 Why is oil regarded as an important factor of production?

It provide energy which is essential for production process to take place ✓✓
(Accept any other correct relevant response)

(2)

2.3.5 How can the exportation of oil benefit the economy?

- Oil exportation can contribute to economic growth ✓✓
 - Employment opportunities can be created ✓✓
 - It can reduce the trade deficit on the Balance of Payment ✓✓
 - Government revenue can increase due to increased production and employment ✓✓
- (Accept any other correct relevant response)

(2 x 2)

(4)

2.4 Differentiate between *money markets* and *capital markets* in the circular flow.

Money markets

- In the money market, short term loans and very short term funds are saved and borrowed by consumers and business enterprises ✓✓
- The South African Reserve Bank is the key institution in the money market ✓✓
- Products sold in this market are bank debentures, treasury bills and government bonds ✓✓

(Max 4)

Capital markets

- In the capital market long term funds are borrowed and saved by consumers and business enterprises ✓✓
- The Johannesburg Security Exchange is the key institution in the capital market ✓✓
- Products sold in this market are mortgage bonds and shares ✓✓

(Max 4)

(Accept any other correct relevant response)

(Maximum 4 marks for mere listing of facts)

2.5 How can the South African municipalities improve efficiency in service delivery?

Municipalities can improve efficiency in service delivery by:

- Appointing qualified people with enough experience as top managers ✓✓
- Training employees continually to equip them with relevant skills to handle the demand of their jobs ✓✓
- Eliminating Corruption by criminally charging and prosecuting those who are found to be involved in it ✓✓
- Holding employees accountable for their poor job performance, as a way to ensure that every official take their jobs seriously ✓✓
- Rewarding employees who perform above expectation rewarded accordingly to encourage them even more ✓✓
- Improving revenue collection by ensuring that clients pay for the services they consume ✓✓

(Accept any other correct relevant response)

(Maximum 2 marks for mere listing of facts/ examples)

(8)

QUESTION 3

ECONOMIC PURSUITS

40 MARKS

3.1 Short questions

3.1.1 List any TWO economic growth and development policies in South Africa

- Reconstruction and Development Programme/ RDP ✓
 - Growth Employment And Redistribution / GEAR ✓
 - Accelerated and Shared Growth Initiative for South Africa / ASGISA ✓
 - Broad Based Black Economic Empowerment / BBBEE ✓
 - New Growth Path/ NGP ✓
 - National Development Plan / NDP ✓ (2 x 1) (2)
- (Accept any other correct relevant response)

3.1.2 How does the appreciation of the rand against major currencies affect South African exporters?

- When the rand appreciate exports become relatively more expensive ✓✓
 - Demand for South African exports may decrease and exporters may sell less ✓✓
 - However this may increase export earnings for South African exporters ✓✓ (1 x 2) (2)
- (Accept any other correct relevant response)

3.2 DATA RESPONSE

3.2.1 Which period in the table shows the highest GDP growth rate?

2017,Q4 ✓ (1)

3.2.2 Identify a period of technical recession in the table above.

2018,Q1 to 2018,Q2 ✓ (1)

3.2.3 Briefly describe the concept *economic indicator*

Statistical data used to measure the performance of the economy in terms of the macro-economic objectives of the government ✓✓ (2)

(Accept any other correct relevant response)

3.2.4 How can low GDP growth lead to low standard of living in a country?

- Fewer job opportunities would be created therefore increasing number of people would be without income ✓✓
 - There may be shortage of certain products if the increase in population is much higher than economic growth ✓✓
- (Accept any other correct relevant response) (2)

3.2.5 Why has South Africa' economic growth been persistently lower in recent years?

- Severe effects of the 2016/17 drought reducing the primary sector output, especially agriculture and forestry sectors ✓✓
 - Continuous increases in international oil prices resulted in high fuel costs for manufacturers in South Africa reducing production.
 - High electricity tariffs and electricity shortages have been limiting production activity in the country ✓✓
 - Low investors' confidence due political instability and policy uncertainty among other things resulted in less investments limiting production ✓✓
- (2 x 2) (4)
- (Accept any other correct relevant response)

3.3 DATA RESPONSE.

3.3.1 Which South African government department is responsible for promoting regional development?

Department of Trade and Industry ✓ (1)

3.3.2 Name any ONE Spatial Development Initiative (SDI) in South Africa

- Richards Bay ✓
 - Phalaborwa ✓
 - Wild coast ✓
 - Platinum ✓
- (Accept any other correct relevant response) (1)

3.3.3 Briefly describe the term *Spatial Development Initiative*

Is a policy to promote sustainable industrial development in where poverty and unemployment are at their highest ✓✓ (2)

(Accept any other correct relevant response)

3.3.4 Why are under-developed regions mostly in rural areas?

- Rural areas often lack infrastructure needed for economic activities ✓✓
 - Most rural areas were previously marginalised due to lack of skills and knowledge necessary for economic participation ✓✓ (2)
- (Accept any other correct relevant response)

3.3.5 Evaluate the success of strategy of SDI in decentralizing the economic activities in South Africa?

SDI has been successful because:

- It developed infrastructure projects in under-developed areas to attract more investments ✓✓
- It stimulated economic activity in selected strategic location ✓✓
- It helped to develop inherent economic potential in certain areas ✓✓

SDI has been unsuccessful because

- Those places in which the strategy was implemented are very few, therefore the majority of under-developed areas are still poor with high unemployment ✓✓ (Any 2 x 2) (4)
- (Accept any other correct relevant response)

3.4 Explain *interest rate changes and open market transactions* as instruments of monetary policy

Interest rate changes

- In South Africa, banks turn to the SARB if they experience a general shortage of funds in the money market ✓✓
- They borrow from the SARB making use of its repurchase tender system ✓✓
- The SARB increases or decreases the repo rate to manipulate the cost of borrowing ✓✓
- To increase cost of borrowing the SARB may increase the repo rate ✓✓
- To reduce cost of borrowing the SARB may decrease the repo rate ✓✓ (Max.4)

Open-market transactions

- The SARB can directly increase or decrease the supply of money in circulation by buying or selling government securities in the open market ✓✓
- Quantitative easing is when the SARB buys government bonds from commercial banks for the purpose of easing liquidity shortages of banks ✓✓
- To restrict money supply the SARB sells securities and money flows from banks to the SARB ✓✓
- Commercial banks will have less money to lend and cannot extend as much credit as before ✓✓ (Max.4)

(Accept any other correct relevant response)

(Maximum 4 marks for mere listing of facts / examples)

(8)

3.5 **Evaluate regional development policies as part of South Africa's industrial policy.**

Regional development policies have succeeded as part of industrial policy by:

- Building private-public partnerships to stimulate local development and to access state resources ✓✓
- Developing regional industrial road maps with unique programmes for the various regions based on their specific strengths and opportunities ✓✓
- Focusing on solely on manufacturing even though the approach followed is a multi-sectorial one ✓✓
- Consolidating the Integrated Sustainable Rural Development Programme and Urban Renewal Programme ✓✓
- Developing a facility for municipal economic analysis capacity, regenerating small towns and cluster development ✓✓
- Enhancing physical and social infrastructure which are central to engagement in economic activities ✓✓

(Accept any other correct relevant response)

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

(8)
[40]

QUESTION 4: MACROECONOMICS & ECONOMIC PURSUITS**40 MARKS****4.1 Short questions****4.1.1 List any TWO types of exchange rate systems.**

- Fixed ✓
- free-floating ✓
- managed-floating ✓

(2 x 1) (2)

4.1.2 What is the objective of skill support programme in South Africa?

To encourage greater investment in skills training and to introduce new and advanced skills to the South Africa labour force ✓✓ (1 x 2) (2)

4.2 DATA RESPONSE**4.2.1 Identify the economic sector that contributed the most to the gross domestic product.**

Tertiary sector ✓

(1)

4.2.2 Name the method used in the table to calculate GDP.

Production / Gross value added method ✓

(1)

4.2.3 Briefly describe the term *basic prices*

Amount received by the producers of goods and services when consumers buy their products / The value of goods and services including taxes and subsidies on production but excluding taxes and subsidies on products ✓✓
(Accept any other correct relevant response)

(2)

4.2.4 How can taxes on products influence consumption spending?

Taxes on products will increase the prices of products which lead to a decrease in consumption spending ✓✓
(Accept any other correct relevant responses)

(2)

4.2.5 Calculate the value contributed by the primary sector as a percentage of GDP at market prices. Show all calculations

$$\frac{309}{2\,875} \times 100 = 10.7\% / 10.75\% / 11\%$$

(4)

4.3 DATA RESPONSE

4.3.1 What group of countries is represented by the thin person in the cartoon?

Developing countries/countries of the South/poor countries ✓ (1)

4.3.2 Identify the environmental problem in the cartoon.

Air pollution ✓ (1)

4.3.3 Briefly describe the concept *North-South divide*.

It refers to the developmental gap between the rich countries mostly in the Northern Hemisphere and the poor countries which are mostly in the Southern Hemisphere ✓✓ (2)
(Accept any other correct relevant response)

4.3.4 What is the consequence of the environmental problem in the cartoon?

Air pollution may result in ozone depletion leading to global warming and climate changes ✓✓ (2)
(Accept any other correct relevant response)

4.3.5 Why are many developing countries getting poorer as globalisation increases?

- Rich countries continue to subsidise production of agricultural goods making it difficult for developing countries to compete, while insisting that developing countries should eliminate their tariffs on manufactured goods ✓✓
- Most developing countries export primary sector products with less value while most developed countries export manufactured goods with higher value ✓✓
- Most of the world's poor countries have very little foreign trade ✓✓ (2 x 2) (4)
(Accept any other correct relevant response)

4.4 Discuss *competition* and *deregulation* as supply-side measures to promote economic growth in South Africa.

Competition

- Promotion of greater competition serves as an incentive for new businesses to enter the market ✓✓
- Competition in markets was increased by establishing new businesses, recruiting FDI's and the removal of import restrictions ✓✓
- The Competition Act aims to reduce anti-competition practices, eliminating abuse on dominant positions and the strengthening of merger control ✓✓
- The Act provide for the establishment and operation of the Competition Commission, Competition Tribunal and Competition Appeal Court ✓✓
(Max.4)

Deregulation

- Deregulation of regulated industries provides for greater competition in the market ✓✓
 - Many unnecessary laws and other barriers to competition in South Africa have been removed, although there are still some regulations in the informal sector ✓✓
 - Relaxation of exchange control measures helped to improve efficiency markets ✓✓
(Max.4) (8)
- (Accept any other correct relevant response)
(Maximum 4 marks for mere listing of facts / examples)

4.5 Evaluate the government plan to divide ESKOM into different units with the aim of improving its productivity.

The division of ESKOM into three operations units may have the following effects

Positive effects:

- Efficiency in the generation, transmission and distribution of electricity may improve, resulting in less electricity shortages ✓✓
- Efficiency will improve the financial viability of the parastatal reducing the fiscal burden on the government ✓✓

Negative effects:

- Unemployment may increase as such restructuring may result in massive retrenchment of workers ✓✓
- Consumers are likely to pay more on electricity as the unbundling of ESKOM may come at higher cost which will have to be offset by increasing electricity tariffs ✓✓
- Accessibility of electricity especially to the poor people may decrease ✓✓
(Accept any other relevant response)
(Maximum 2 marks for mere listing of facts / examples)

(8)
[40]

[80]

TOTAL SECTION B:

SECTION C**QUESTION 5:
MARKS****MACROECONOMICS****40**

- Discuss export promotion under the following headings:
 - Advantages (13)
 - Disadvantages (13) (26 marks)
- Evaluate the importance of innovation in South Africa's attempt to increase its exports. (10 marks)

INTRODUCTION

Export promotion is when governments pay incentives to encourage the production of goods and services for export market ✓✓ (Max 2)
(Accept any other correct relevant introduction)

**BODY: MAIN PART
ADVANTAGES**

- Increased domestic production ✓
 - The expansion of exports stimulates domestic production ✓✓
 - It enables the country to earn foreign exchange which can make payments of imported inputs possible ✓✓
 - There is also a backward linkage in that production in local industries in related fields get stimulated ✓✓
- Increased employment opportunities ✓
 - A greater number of jobs are created within the country and more secure employment can be offered ✓✓
 - As well as increased opportunities for training in industrial skills ✓✓
 - This leads to increased incomes and standards of living ✓✓
- Cost and efficiency ✓
 - Cost and efficiency considerations will be the basis of production according to comparative advantage ✓✓
 - This means that such industries utilize the abundant production factors of developing countries and no market distortions are caused ✓✓ (Max. 13)

DISADVANTAGES

- Protection of labour intensive industries ✓
 - This often occurs in developed countries to protect their industries in which developing countries can already achieve comparative advantage ✓✓
- Lack of competition ✓
 - Because of incentives and subsidies, businesses charge prices that are so low that they force competitors, who could create sustainable businesses, out of the market ✓✓
 - Total potential trade is, therefore, less with subsidies than without subsidies ✓✓

- **Increased tariffs and quotas ✓**
 - Overseas countries may retaliate with tariffs and even quotes, when similar goods are sold domestically below their real cost of production ✓✓
- **The real cost of production is concealed ✓**
 - The real cost of production is not reflected in the price of the product ✓✓
 - The cost of production is concealed by subsidies ✓✓
 - The production may never be able to compete in an open market ✓✓
- **Increased exports could be seen as dumping ✓**
 - This enables companies to gain a larger market share and push local producers out of the market ✓✓

(Max. 13)

(26 marks)

(Allocate maximum of 8 marks for mere listing of headings and examples)
(Accept any other correct relevant response)

ADDITIONAL PART

Innovation can be important in increasing exports in South Africa because:

- Innovation brings about improved method of production which often lead to improvement in the level of efficiency ✓✓
- New production methods often enable the producer to improve their product quality ✓✓
- Innovation enables mass production at lower cost and therefore sell at lower price ✓✓
- It can open new markets locally and abroad and increase employment ✓✓
- As productivity rises, businesses become more profitable and the wages of workers increase ✓✓

Innovation may not be important in increasing exports south Africa because

- The quality of labour In South Africa may not match the new technology available as the country has a shortage of skilled labour ✓✓
- The initial research and development necessary for innovation to succeed can be very costly, therefore many firms in a developing country such as South Africa may not have the finances required ✓✓

(Max 10)

(Accept any other relevant response)

(Maximum 2 marks for mere listing of facts / examples)

CONCLUSION

With the many available products in the global market, only the very best have a chance to be highly competitive, therefore investment in knowledge and capital is very important in export market ✓✓

(Max. 2)

(Accept any other correct higher order conclusion)

[40]

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

- Discuss the following social indicators in details.
 - i. Income distribution indicators (8)
 - ii. Nutrition and health indicators (10)
 - iii. Education indicators (8) (26 marks)
- Evaluate the South African government's efforts in providing services to enhance the level of economic and social development. (10 marks)

INTRODUCTION

Social indicators are concerned with people and take into account the well-being of the nation ✓✓ (Max.2)

(Accept any other correct relevant introduction)

BODY: MAIN PART**i. Income distribution****Gini coefficient ✓**

- This indicator measures the inequality in the distribution of income among the population ✓✓
- The value of the Gini-coefficient varies from 0 to 1 ✓✓
- Gini-coefficient of 0 represents perfectly equal distribution of income; while 1 represent totally unequal distribution of income ✓✓
- The SA Gini-coefficient is above 0.5 which indicates that there is unequal distribution of income ✓✓
- It is for this reason that the redistribution of income is one of SA's economic objectives ✓✓
- SA government uses a progressive tax system and policies such as employment equity and BEE to redistribute income and create opportunities for people to earn higher income ✓✓

Head count index ✓

- This indicator is used to indicate how poverty is distributed in a country ✓✓
- It indicates the proportion of the population that lives on an income less than the poverty line income ✓✓
- Poverty line is the value of basic goods and services which the government feels an individual or household needs to have a minimum standard of living ✓✓
- Head count index serves as an important indicator in forming government policies and determining the scope of social services and transfer payments ✓✓ (Max 8)

ii. Nutrition and Health indicators

- These indicators are used by the government and other institutions to investigate health-related issues ✓✓

Malnutrition ✓

- It is expressed as **underweight** or **dwarfism** ✓✓
- It contributes towards the risks of death and inhibits cognitive development of children in SA ✓✓

Overweight children ✓

- Overweight is associated with obesity in childhood, diabetes, respiratory diseases, high blood pressure and psychological disorders ✓✓
- Being overweight can lead to numerous adverse health conditions, which affect people's ability to work and take care of themselves ✓✓

Infant mortality ✓

- It is the number of children per 1000 births who die before the age of one year in a year ✓✓

Under-5 mortality ✓

- It is expressed as the number of children per 1000 who die before the age of five years in a year ✓✓

Spending on health ✓

- Refers to the total government expenditure on health services as a percentage of the GDP ✓✓

Access to clean water ✓

- Refers to the percentage of the population that has reasonable access to safe drinking water ✓✓

Access to sanitation ✓

- It is to the percentage of the population that has sufficient access to sanitation to prevent human contact with animals and insects ✓✓ (Max 10)

iii. Education indicators

- Education is one of the methods to decrease poverty and income inequality ✓✓
- Education directly influences the level of income and standards of living for the people ✓✓
- If the level of education increases, more people will find jobs, unemployment will decrease and poverty will decline ✓✓
- The level of education of the population also affects the country's level of productivity, competitiveness and national wealth ✓✓

Percentage public sector spending ✓

- It is the percentage of government expenditure on education ✓✓
- In SA the national budget allocates the highest public sector spending to education as a measure to overcome the skills challenge ✓✓

Percentage enrolment in Secondary schools ✓

- Refers to the percentage of children between the ages of 12 to 17 years attending secondary education ✓✓
- Secondary education is considered as a minimum entry requirement to employment for semi-skilled labour ✓✓ (Max 8)

(26 marks)

(Allocate a maximum of 8 marks for mere listing of headings)

(Accept any other correct relevant response)

ADDITIONAL PART

- The government implemented the Free Basic Electricity Programme whereby people with low income receive a prescribed allocation of 50 KWh per month ✓✓
- The National Electricity Regulator reports that more than 85% of households in South Africa have access to electricity ✓✓
- More than 60% of households in South Africa have access to refuse removal by local authorities once a week ✓✓
- Over 90% of South African households in both urban and rural areas have access to clean water ✓✓
- Approximately 71% of households in South Africa had access to functioning basic sanitation in 2010 ✓✓
- The World Health Organisation has reported that South Africa has significantly improved on the provision of sanitation ✓✓
- However community protest in some parts of the country are an evidence of government failure in service delivery ✓✓
(Accept any other correct relevant response) (Max 10)
(Maximum 2 marks for mere listing of facts / examples)

CONCLUSION

The government should regularly measure social indicators to analyse and assess the standards of living of the country ✓✓ (Max 2)
(Accept any other correct higher order conclusion)

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