



# basic education

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

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**ECONOMICS P1  
NOVEMBER 2025  
MARKING GUIDELINES**

**MARKS: 150**

**These marking guidelines consists of 22 pages.**

**PRINCIPLES FOR MARKING ECONOMICS – NSC OCT/NOV 2025**

*The following marking principles have been developed to standardise marking in all provinces.*

**MARKING**

- **ALL** questions and responses in candidates' scripts **MUST** be marked, irrespective of whether it is correct or incorrect.
- Where responses are in excess of what the instruction required, the following should apply
  - In section A, where candidates give **TWO** responses, the first response should be marked.
  - In section B, (2.1.1, 3.1.1 and 4.1.1) mark the first **TWO** responses and indicate **M 2** for responses that are in excess of what the question required.
  - In section B data response questions that require specific number of responses, (E.g. 2.2.1 and 2.2.2) mark the first response and indicate **M 1** for responses that are in excess.
  - In section B and C (choice questions), indicate **EXTRA** on questions in excess of the required number.
  - Where the maximum marks have been allocated for a particular question, mark all the responses up to the maximum marks for the question and indicate either **M 2 or M 8 or M 10 or M 26**. Thereafter, draw a line on the right-hand side of the responses that are in excess.
- A clear, neat tick must be used:
  - If **ONE** mark is allocated, **ONE** tick must be used: ✓
  - If **TWO** marks are allocated, **TWO** ticks must be used: ✓✓
  - The tick must be placed at the **FACT** that a mark is being allocated for.
  - Ticks must be kept **SMALL**, as various levels of moderation may take place.
- Incorrect answers must be marked with a clear, neat cross: ✕
  - Use one cross on every incorrect response in questions where candidates are required to give more than one response.
  - Try **NOT** to underline the candidates' responses
- For the following action words, **ONE-word** answers are acceptable: **list, name, state, identify**
- For the following action words, a **FULL** sentence must be written: **describe, explain, evaluate, analyse, suggest, differentiate, distinguish, define, discuss, why, how**
- The following action words need to be read within their context to determine whether a **ONE-word** answer or **FULL** sentence is required: **provide, what, tabulate, identify and give**
- Where candidates are required to draw a graph, mark the graph according to a marking grid provided in the official marking guideline.
- Where candidates are required to do calculations, the final answer would not necessarily be awarded full marks. **3 marks** are awarded for the **calculations** and **1 mark** for the **final answer**.

**NOTE THE FOLLOWING**

- If the numbering is incorrect or left out, as long as the sequence of answers to questions is followed candidates can be credited
- Where there are spelling errors, award the marks provided the meaning is correct.
- Pay attention to the sense of responses, which may be stated in a different way.
- In multiple-choice questions where a letter is the accepted response, but the learner writes the actual answer- award marks.
- There will be addendum to the marking guidelines for the marking of certain questions.

**TOTALLING AND TRANSFERRING OF MARKS**

- The sub-total for each sub-question must be recorded on the right-margin
  - Question 1 in Section A has **THREE** sub-sections and **THREE** sub-totals should be recorded on the right margin.
  - Questions in Section B have **FIVE** sub-sections and **FIVE** sub-totals should be recorded on the right margin.
  - Sub-totals must be written legibly and leave space for moderated marks on the right margin
- The total mark for each question should be recorded on the top left margin next to the question number and transfer to cover page of answer book

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

- 1.1.1 A – endogenous explanation ✓✓  
 1.1.2 B – 1 ✓✓  
 1.1.3 D – bureaucracy ✓✓  
 1.1.4 C – absolute ✓✓  
 1.1.5 D – specific ✓✓  
 1.1.6 B – progressive ✓✓  
 1.1.7 A – Integrated Manufacturing Strategy ✓✓  
 1.1.8 C – 15 and 64 ✓✓ (8 x 2) (16)

**1.2 MATCHING ITEMS**

- 1.2.1 G – the amount of money spent on final goods and services within a country ✓  
 1.2.2 I – shows the general direction in which the economy is moving ✓  
 1.2.3 E – consists of a three-year rolling expenditure and revenue projection of the government ✓  
 1.2.4 A – the value of a currency is determined by the forces of demand and supply ✓  
 1.2.5 B – developing countries undergoing rapid economic growth and Industrialisation ✓  
 1.2.6 F – changes in interest rates and money supply to influence the economy ✓  
 1.2.7 D – a geographical area that shows a cluster of businesses in a specific sector, such as manufacturing and technology ✓  
 1.2.8 C – the relationship between real output and factor input ✓ (8 x 1) (8)

**1.3 GIVE THE TERM**

- 1.3.1 Recession ✓  
 1.3.2 Laffer curve ✓  
 1.3.3 International trade / Foreign trade ✓  
 1.3.4 Protectionism ✓  
 1.3.5 Land restitution ✓  
 1.3.6 Demographic indicators ✓ (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 **Give any TWO examples of leading indicators.**

- Job advertising space ✓
- Number of building plans approved ✓
- Number of vehicles sold ✓
- Net gold and other foreign reserves ✓
- Real merchandise exports ✓
- New companies registered ✓
- Gold ore milled ✓
- Interest rate spread ✓
- Composite leading business cycle indicator for South Africa's major trading-partner countries ✓
- Commodity price index for South Africa's main export commodities (US dollar based) ✓
- Average hours worked per factory worker in manufacturing (half weight) ✓
- Volume of orders in manufacturing (half weight) ✓
- Business Confidence Index ✓
- Real M1 ✓

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

2.1.2 **How can the government exclude free riders from the consumption of public goods?**

- The government may impose user charges/fees/levies for using collective goods such as stadiums and national roads. ✓✓
- The government may use taxes to prevent free-riders from consuming public goods by forcing everyone to contribute financially. ✓✓

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

2.2 **DATA RESPONSE.**

2.2.1 **Identify the item that records the purchase of shares in the table above.**

Net portfolio investments ✓ (1)

2.2.2 **Name the sub-account of the balance of payment that records transactions relating to debt forgiveness.**

Capital transfer account ✓ (1)

2.2.3 **Briefly describe the term *direct investment*.**

An investment in real estate or fixed property and obtaining a meaningful share (10%+) or control of such business / It includes transactions relating to investments in foreign businesses and fixed property. ✓✓

(Accept any other correct relevant response) (2)

2.2.4 **Explain the purpose of unrecorded transactions in the balance of payments.**

To cater for errors and omissions in terms of timing, coverage and valuation. ✓✓

(Accept any other correct relevant response) (2)

2.2.5 **Use the information above to determine whether there is an increase or decrease in the reserve assets (A). Show ALL calculations.**

Balance on Financial Account	62 869 ✓
<u>Less:</u> balance on financial account excluding reserve assets	<u>63 066</u> ✓
= Reserve assets	<u>-197</u> ✓

**OR**

Reserve assets = 62 869 ✓ – 13 481 – 4 311 + 23 348 – 68 622 ✓  
= -197 ✓

There is an increase in the reserve assets because the value of reserve assets has a negative sign (-). ✓ (4)

2.3 **DATA RESPONSE**

2.3.1 **Identify the level of inflation where unemployment rate is 10% in the graph above.**

6% ✓ (1)

2.3.2 **Give the concept that relates to the level of unemployment where inflation rate is zero.**

Natural rate of unemployment ✓ (1)

**2.3.3 Briefly describe the concept *new economic paradigm* in relation to business cycles.**

It is the smoothing of business cycles (achieving price stability) through the use of demand-side and supply-side policies / It is possible to promote economic growth without provoking inflation by using demand-side and supply-side policies. ✓✓

(Accept any other correct relevant response)

(2)

**2.3.4 Explain the relationship between unemployment and inflation as illustrated by the above graph.**

There is an inverse/ trade-off/ negative relationship between unemployment and inflation. ✓✓

(Accept any other correct relevant response)

(2)

**2.3.5 How can the government improve efficiency of markets in the economy?**

- The government should remove laws and regulations (deregulation) to improve the flexibility of markets. ✓✓
- Encourage competition by promoting the establishment of new businesses, inviting foreign direct investments and removing power imbalances. ✓✓
- Levelling the playing field to ensure that all market participants have equal opportunities and no business is unfairly disadvantaged. ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

2.4 **Briefly discuss *full-employment* and *economic equity* as macroeconomic objectives of the government.**

**Full employment**

- Full employment is when all people who are looking for jobs get employed.✓✓
- The aim of the government is to create decent and sustainable jobs.✓✓
- Employment rate is measured as the percentage of the economically active population (EAP) that is employed.✓✓
- In the short-term, employment can be increased by using direct employment schemes and subsidies such as youth employment subsidies.✓✓
- In the medium term, government can support labour intensive activities especially in agricultural sector and provide investment incentives to businesses in industries that employ many people such as the manufacturing industry.✓✓
- In the long term, the government can support knowledge intensive and capital-intensive sectors in order to remain competitive or improve the quality of education and training to increase the employability of the future labour force.✓✓

(Accept any other correct relevant response)

(2 x 2)

**Economic equity**

- Economic equity refers to a situation whereby the resources of the economy are equally distributed amongst the population.✓✓
- Income is more equally distributed when the Gini-coefficient is less than 0,5.✓✓
- The distribution of income in the economy is not fair, as some people earn a large amount of money while others earn less.✓✓
- In SA the income gap is still high as evidenced by the Gini-coefficient of above 0,6.✓✓
- Through the progressive tax system, the government can redistribute income.✓✓
- Progressive taxation means that higher income earners pay higher tax rates.✓✓
- The government can help the poor with free basic education, free basic health-care, social grants, free services and subsidies.✓✓

(Accept any other correct relevant response)

(2 x 2)

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

(8)

**2.5 How can the appreciation of the rand impact the South African economy?****Positive impact**

- Importing production inputs such as crude oil, agricultural chemicals and vehicle parts will become less expensive curbing cost-push inflation ✓✓
- Lower cost of importing production inputs may increase domestic production which will stimulate economic growth and lower prices for goods and services ✓✓
- Foreign investors may be attracted to invest more in the economy because a stronger rand increases the returns on their investments ✓✓
- Import payments will decrease which may increase welfare as more resources may be used to produce more exports to finance higher cost of import ✓✓
- Export earnings will increase, resulting in an improvement in trade balance. ✓✓
- In the short-term, the terms of trade will improve as the prices of exports will be higher than import prices ✓✓
- Outbound tourism activities will increase as more South African tourists will visit other countries due to the stronger rand ✓✓

**Negative impact**

- Demand for South African exports such as base metals and mineral products will decrease as they become relatively expensive ✓✓
- Local businesses will suffer in terms of profits due to their products becoming less competitive in global markets ✓✓
- Unemployment levels may increase as local businesses will be forced to reduce their production due to reduced exports ✓✓
- Inbound tourism activities will decrease as less tourists visit the country due to the stronger rand ✓✓
- Balance of payments deficit will increase as less goods are exported while more goods are imported due to a stronger currency ✓✓

(Accept any other correct relevant response)

(4 x 2)

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

(8)  
**[40]**

**QUESTION 3: ECONOMIC PURSUITS****40 MARKS – 30 MINUTES****3.1 Answer the following questions.****3.1.1 Name any TWO international organisations that require members to standardise economic and social indicators.**

- International Monetary Fund (IMF) ✓
  - World bank ✓
  - United nations (UN) ✓
- (Accept any other correct relevant response)

(2 x 1) (2)

**3.1.2 How can export promotion lead to economic growth?**

Export subsidies and incentives may encourage the production of goods and services for exporting which increases the gross domestic product and stimulates economic growth. ✓✓

(Accept any other correct relevant response)

(1 x 2) (2)

**3.2 DATA RESPONSE****3.2.1 Identify the service to which the households have the lowest access in the graph above.**

Refuse removal ✓

(1)

**3.2.2 Name the social indicator that relates to the migration of people from rural areas to urban areas.**

Urbanisation ✓

(1)

**3.2.3 Briefly describe the term *sanitation*.**

The provision of facilities and services, such as toilets, garbage disposal and sewerage system, to ensure safe disposal of human waste, hygiene and cleans environment to protect people's health. ✓✓

(Accept any other correct relevant response)

(2)

**3.2.4 Explain the impact of an increase in population on a country's labour force.**

- An increase in population increases the number of people who are available to work increasing the labour force. ✓✓
  - An increase in supply of labour may lead to lower wages and salaries for the labour force. ✓✓
  - A larger population brings a variety of skills and experiences to the labour market. ✓✓
  - An increasing population may cause unemployment because there might not be enough jobs for everyone seeking work. ✓✓
  - Social and economic inequalities gap may widen as some groups cannot access education, training, and job opportunities. ✓✓
- (Accept any other correct relevant response)

(2)

**3.2.5 How can access to clean water boost a country's economic performance?**

- Clean water helps prevent diseases thus keeping workers healthy, reduces sick days, and boosts productivity. ✓✓
- Access to clean water promotes regular school attendance that leads to a better-educated workforce with higher earning potential. ✓✓
- Access to clean water may attract tourists to the country which increases economic activity. ✓✓
- Countries with reliable supply of clean water are more attractive to businesses that want to invest. ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

**3.3 DATA RESPONSE**

**3.3.1 Identify in the extract above the trade protocol that aims to reconstruct and develop Southern Africa's social and economic framework.**

Southern African Development Community / SADC ✓

(1)

**3.3.2 Name the international organisation that facilitates free trade.**

World Trade Organisation / WTO ✓

(1)

**3.3.3 Briefly describe the term *trade liberalisation*.**

The abolishment of government intervention in trade flows on both the import and the export side. / The removal of trade restrictions such as tariffs and quotas on exports and imports to allow free flows of goods and services between countries. ✓✓

(Accept any other correct relevant response)

(2)

**3.3.4 Explain a benefit of the African Growth Opportunity Act (AGOA) to South Africa.**

- Local producers may enjoy duty-free access on their exports to the USA market which makes their goods more competitive. ✓✓
- AGOA promotes industrial growth and diversification in South Africa. ✓✓
- Increase in exports production may lead to an increase in employment in South Africa. ✓✓

(Accept any other correct relevant response)

(2)

**3.3.5 How can dumping impact producers in importing countries?**

- Producers in importing countries may face unfair competition as foreign enterprises sell their product at very low prices. ✓✓
- Local producers may be forced to shut down their operations due to low demand for their products. ✓✓
- Businesses in importing countries may be forced to reduce their prices to match prices of foreign products which may lead to low profit margins. ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

**3.4 Briefly discuss *Broad-Based Black Economic Empowerment Programme (BBBEE)* and *National Skills Development Strategy (NSDS)* as South African growth and development policies and strategic initiatives.*****Broad-Based Black Economic Empowerment Programme (BBBEE)***

- BBBEE promotes inclusive economic participation for black South Africans to address historical inequalities. ✓✓
- The strategy provides a legal basis for the transformation of the South African economy. ✓✓
- The objectives are redress and affirmative action in the workplace and business environments. ✓✓
- BBBEE promotes growth and development through preferential procurement, enterprise development, skills development, and the promotion of ownership and management. ✓✓

(Accept any other correct relevant response)

(2 x 2)

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

- The NSDS aims to improve the skills of the South African labour force to meet economic needs, reduce unemployment, and promote equity. ✓✓
- The NSDS is intended to radically transform education and training in South Africa. ✓✓
- The strategy identifies and provides training for skills that are in high demand to boost economic productivity. ✓✓
- The NSDS improves the quality training programs, through partnerships between educational institutions, employers, and SETAs. ✓✓
- The strategy focuses on providing skills acquisition opportunities to historically disadvantaged groups, to transform racial and gender inequalities in the labour force. ✓✓

(Accept any other correct relevant response)

(2 x 2)

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

(8)

3.5 **How can changes in the various economic indicators be used to show improvement in the performance of the economy?**

- A decrease in the Consumer Price Index (CPI) shows lower cost of living in the economy which triggers an increase in demand for goods and services.✓✓
- A decline in the Producer Price Index (PPI) indicates lower cost of production and encourages the production of more goods and services.✓✓
- An improvement in the terms of trade means that South Africa gets more income for exports which is used to finance import expenditure, strengthening economic stability in the short term.✓✓
- An improved terms of trade may reflect a surplus in the current account which serves as a yardstick for a healthy economy.✓✓
- A higher employment rate reflects economic stability which boosts consumer spending, tax revenues, and economic growth.✓✓
- Higher labour productivity indicates enhanced economic efficiency, competitiveness, and GDP growth.✓✓
- Lower interest rates encourage spending and investment to boost economic activity.✓✓
- Higher interest rates curb inflation and attracts foreign investment which will lead to an increase in economic growth.✓✓
- A weaker exchange rate means results in exports becoming cheaper and more competitive in the global market which improves the trade balance of the current account.✓✓
- A stronger exchange rate shows that the country will pay less for imports which reduces inflation.✓✓
- An increase in money supply (M1, M2 and M3) reflects higher liquidity, expanding credit availability and boosting short-term spending.✓✓

(Accept any other correct relevant response) (4 x 2)  
**(A maximum of 2 marks may be allocated for mere listing of facts/examples)**

(8)  
**[40]**

**QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS**  
**40 MARKS – 30 MINUTES****4.1 Answer the following questions.****4.1.1 Name any TWO demand reasons for international trade.**

- Size of the population✓
  - Income levels✓
  - Change in the wealth of the population✓
  - Preferences and taste✓
  - The difference in consumption patterns✓
- (Accept any other correct relevant response)

(2 x 1) (2)

**4.1.2 How can literacy levels be improved in developing countries?**

- The government must build more schools and increase access to education.✓✓
  - Implement policies and programmes that encourage learners to read for meaning at elementary levels.✓✓
  - Make funding available and accessible to all marginalised communities.✓✓
  - Implement policies that make it compulsory for all the children to attend schooling. ✓✓
- (Accept any other correct relevant response)

(1 x 2) (2)

**4.2 DATA RESPONSE****4.2.1 Identify ONE factor that contributes to poor public sector provisioning in the above cartoon.**

Accountability✓

(1)

**4.2.2 Name the type of public goods that are supplied free-of-charge.**

Community goods✓

(1)

**4.2.3 Briefly describe the term *public sector failure*.**

- Public sector failure is when the government fails to manage the economy and the resources under its control optimally.✓✓
  - Occurs when the government fails to provide public goods in the desired quantities and quality.✓✓
- (Accept any other correct relevant response)

(2)

4.2.4 **Explain the effect of an increase in Value Added Tax (VAT) on businesses.**

- Businesses may incur additional cost when adjusting the prices of goods and services that are VAT linked. ✓✓
- Businesses may be faced with lower demand for goods and services which may lead to a decline in sales revenue. ✓✓  
(Accept any other correct relevant response)

(2)

4.2.5 **How can the privatisation of parastatals positively impact the government?**

- Privatisation reduces the fiscal burden and state borrowing as the sale of public assets to the private sector generates additional revenue for the government. ✓✓
- The tax base for the government may expand which will increase tax revenue resulting in greater financial capacity to deliver other services. ✓✓
- Privatisation helps the government to achieve developmental goals, such as black economic empowerment through increased ownership and control of businesses by the previously disadvantaged groups. ✓✓
- Privatisation of state-owned enterprises may generate immediate income for the government, which can be used to reduce state debt. ✓✓  
(Accept any other correct relevant response)

(2 x 2)

(4)

4.3 **DATA RESPONSE**

4.3.1 **Identify a socio-economic problem addressed by the Expanded Public Works Programme in the extract above.**

Unemployment ✓

(1)

4.3.2 **Name the growth and development policy that aims to eliminate poverty and reduce inequality by 2030.**

National Development Plan / NDP ✓

(1)

4.3.3 **Briefly describe the term *labour-intensive*.**

Processes or tasks that require more human efforts than capital to produce goods and services. ✓✓  
(Accept any other correct relevant response)

(2)

4.3.4 **Explain the impact of poor infrastructure on economic growth.**

- Poor infrastructure such as aging road networks may disrupt the distribution of production inputs and final goods leading to low production and a decline in economic growth. ✓✓
- Poor infrastructure may discourage foreign and domestic investments which limits the production capacity of the economy

because it will be expensive for entrepreneurs to operate their businesses. ✓✓

- Poor energy supply will make businesses to produce less output which decreases economic growth. ✓✓  
(Accept any other correct relevant response)

(2)

4.3.5 **How can the Expanded Public Works Programme help to improve the standard of living?**

- Expanded Public Works Programme (EPWP) provides temporary employment opportunities which create sources of income for the disadvantaged households. ✓✓
- EPWP provides opportunities for skills development for the participants to be absorbed into the labour market. ✓✓
- EPWP contributes to poverty alleviation by allowing households to start small businesses using skills acquired. ✓✓  
(Accept any other correct relevant response)

(2 x 2)

(4)

4.4 **Briefly discuss *specialisation* and *innovation* as arguments in favour of free trade.**

**Specialisation**

- Comparative advantage shows that world output can be increased if countries specialise in what they are relatively best at producing. ✓✓
- If countries specialise the goods for which they have a comparative advantage world trade and consumption will be maximised. ✓✓
- The effect of increasing living standards results in the trading of more goods and services. ✓✓
- Allows industries that have a comparative advantage with a lower opportunity cost. ✓✓
- Specialisation increases economic efficiency and prevents the wasting of resources. ✓✓
- Each country that is best suited for specific goods and services will engage in producing more of those goods or services. ✓✓

(2 x 2)

**Innovation**

- Free trade leads to increased competition, which provides a powerful incentive for innovation. ✓✓
- Free trade allows countries to introduce new products that can be exported to foreign markets ✓✓
- Enterprises compete to find production methods that cut costs and improve quality and reliability of goods. ✓✓
- Competition on international markets may force businesses to implement the latest technology and continuously improve their systems. ✓✓ (2 x 2)  
(Accept any other correct relevant response)

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

(8)

4.5 **Analyse the fiscal policy measures that can be used to dampen the economy.**

- Restrictive or contractionary fiscal policy is used during the prosperity phase of the business cycle to dampen the economy. ✓✓
- Decreasing government expenditure on infrastructural projects reduce demand for goods and services. ✓✓
- Cutting down on public sector wages (compensation of employees), may help to reduce aggregate demand for goods and services and discourage production. ✓✓
- Raising taxes on businesses will decrease profit prospects in the economy leading to an overall decline in the economic activity. ✓✓
- Increasing personal income tax may reduce disposable income, leading to a decline in consumer spending. ✓✓
- Increasing indirect taxes such as VAT, excise duties, etc. will increase the price of goods and services which reduces expenditure. ✓✓
- Reduction in social spending, such as welfare grants, may reduce the households' income level which leads to lower consumption expenditure. ✓✓
- A decrease in subsidies and incentives offered to businesses may lead to lower production output as the actual production cost incurred by producers increases. ✓✓
- The government can provide incentives for savings, such as tax-free savings accounts, to encourage people to save rather than to spend. ✓✓  
(Accept any other correct relevant response) (4 x 2)

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

**(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 markets within the four-sector circular flow model. (26 marks)
- Evaluate the contribution of the business sectors to the development of the South African economy. (10 marks)

**INTRODUCTION**

The circular flow is a simplified economic model that illustrates the inter-relationship between the economic participants. ✓✓

OR

A market is a mechanism that brings buyers and sellers together to exchange different types of products. ✓✓

(Accept any other correct relevant introduction)

(Max 2)

**BODY: MAIN PART****FOUR TYPES OF MARKETS IN THE CIRCULAR FLOW****(a) Goods market / Product market / Output market ✓**

- Product market is where goods and services are bought and sold. ✓✓
- Firms, government and foreign sector supply goods and services within the open economy which represents the real flow. ✓✓
- Consumers, firms, government and foreign sector buy goods and services from the goods market and their payments represent money flow. ✓✓
- Goods are defined as any tangible items such as food, clothing and cars that satisfy some human needs. ✓✓
- Services are defined as non-tangible actions which include transportation, retailing and financial transactions. ✓✓
- Consumer goods market involves the trading of durable consumer goods, semi-durable consumer goods and non-durable consumer goods. ✓✓
- A further distinction is made between the following consumer goods:
  - Non-durable goods are those items that are used up when they are consumed and cannot be re-used, such as petrol and beverages. ✓✓
  - Semi-durable goods last for a short period of time and can be used more than once, such as printer cartridge and a pen. ✓✓
  - Durable goods can be used over again and do not wear out very easily, such as vehicles and furniture. ✓✓
- Capital goods are those goods which are purchased by businesses for use in the production process and they are purchased in the capital goods market. ✓✓

**(b) Factor market / Resources market / Input market ✓**

- Factor market is where factors of production are exchanged. ✓✓
- The labour market, property market and the financial markets are part of the factor market. ✓✓
- Households are the owners of factors of production and they sell them to firms to produce goods and services. ✓✓
- The factors of production are labour, entrepreneurship, capital and land and they are exchanged for wages, profit, interest, and rent respectively. ✓✓

- The factors of production are labour, entrepreneurship, capital and land and they are exchanged for wages, profit, interest, and rent respectively. ✓✓
- The factor market can be further subdivided into the following markets in which different factors of production are traded:
  - A labour market where labour is traded, for example, the business done in employment agencies and labour brokers. ✓✓
  - A natural resource market where land and other natural resources are traded. ✓✓
- Factor services are real flows and they are accompanied by counter flows of income on the factor market. ✓✓

**(c) Financial markets ✓**

- Financial markets are not directly involved in production of goods and services, but act as a link between households and businesses with surplus income and other participants who need funds ✓✓
- Banks, insurance companies and pension funds form part of the financial market. ✓✓
- Financial markets render financial services to the other participants in the economy by gathering surplus funds and lending them to those who needs funding ✓✓

**Money market ✓**

- The money market is the market for short-term savings and loans. ✓✓
- Money market includes inter-bank lending for a period as short as overnight. ✓✓
- The securities traded include short term deposits, short term debentures and treasury bills. ✓✓
- The South African Reserve Bank (SARB) is a key institution in the money market. ✓✓
- The SARB administers the function of legislating and managing the money market. ✓✓

**Capital market ✓**

- The capital market is the market for long-term savings and loans. ✓✓
- The securities traded in this market are long term deposits, mortgage bonds and shares. ✓✓
- The Johannesburg Securities Exchange (JSE) is a key institution in the capital market. ✓✓

**(d) Foreign exchange market / Foreign currency market / Forex market ✓**

- The foreign exchange market is where different currencies of all the countries are traded. ✓✓ e.g. The South African rand can be exchanged for the US dollar in this market. ✓
- The foreign exchange market originates when one country imports goods from another country and domestic currency have to be exchanged in order to pay for such imports ✓✓
- Foreign exchange can be bought and sold at the banks and foreign exchange agencies ✓✓
- The South African rand is freely traded in the forex markets and its value is determined by the market forces of demand and supply. ✓✓

(Accept any other correct relevant response)

**(Allocate a max of 8 marks for headings/subheadings/examples) (Max 26)**

**ADDITIONAL PART****POSITIVES**

- Businesses create job opportunities directly and indirectly, helping to lower unemployment rates.✓✓
- The business sector offers skills development opportunities, such as in-service training and employee workshops, which improve workforce skills and enhance productivity.✓✓
- Businesses contribute largely to the gross domestic product (GDP) of a country through the production of goods and services as the main driver of economic growth.✓✓
- The sector invests in research and development, which encourages innovation and entrepreneurship.✓✓
- Businesses pay corporate tax to the government which is then used to fund public services and infrastructural projects.✓✓
- Businesses may work in partnership with the government to develop infrastructure, such as construction of roads, transportation and communication systems which promote economic activity and economic growth.✓✓
- Businesses participate in international trade activities enhancing competitiveness of the country's exports.✓✓
- Businesses engage in corporate social investment (CSI) projects which help to improve the welfare of communities. ✓✓

**NEGATIVES**

- The business sector widens inequality gap through paying low wages to workers.✓✓
- Businesses being profit driven, sometimes they fail to consider the negative impact of their activities to the environment such as pollution.✓✓
- The unfair business practices such as collusion, may result in consumer exploitation through high prices.✓✓

(Accept any other correct relevant response)

(Max 10)

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

**CONCLUSION**

Markets are critically important institutions in the economic system because they regulate the market, safeguard price stability and enhance both the business and consumer confidence.✓✓

(Accept any other higher-order conclusion)

(Max. 2)

**[40]**

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

- **Discuss in detail South African's initiatives (endeavours) in regional development. (26 marks)**
- **How can the government use incentives to promote industrial development? (10 marks)**

**INTRODUCTION**

Regional development focuses on policies which are aimed at improving areas or regions of a country that are less developed. ✓✓ **OR**

Regional development is the implementation of policies aimed at increasing the economic livelihood of specific areas or geographical regions. ✓✓ (Max 2)  
(Accept any other correct relevant introduction)

**BODY: MAIN PART****Spatial Development Initiatives (SDIs) ✓**

- Spatial Development Initiatives can be defined as a link between important economic hubs and regions in a country. ✓✓
- SDI is a policy to promote sustainable industrial development in areas where poverty and unemployment are at their highest. ✓✓
- SDIs stimulate economic activities in the underdeveloped areas to create employment and stimulate economic growth. ✓✓
- The state aimed to enhance private sector and foreign direct investments through the granting of incentives. ✓✓
- Spatial Development Initiatives promote the establishment of private-public partnerships (PPP) to improve the economic potential of underdeveloped areas. ✓✓
- In a PPP, private businesses may provide the capital to build the factories, buy raw materials and employ labour. ✓✓
- The government provides capital for the infrastructure such as roads and water supply networks. ✓✓
- The SDIs involve an interdepartmental investment strategy that the Department of Trade, Industry and Competition (DTIC) and the Department of Transport (DoT) lead. ✓✓
- DTIC is the driving force behind industrial and spatial development as it supports the establishment and growth of businesses. ✓✓
- SDIs focus on high-level support in areas where socio-economic conditions require concentrated government assistance and inherent economic potential exists. ✓✓
- SDIs fast-track investments and maximise synergies between various types of investments. ✓✓
- Examples of SDIs in South Africa include KwaZulu-Natal SDI, Wild Coast SDI, Fish River SDI, West Coast Investment initiative, Platinum SDI, Phalaborwa SDI, Gauteng Special Economic Zone, Lubombo SDI and Richards Bay initiative. ✓

**(A maximum of 1 mark may be allocated for the examples of SDIs)**

**Industrial Development Zones (IDZs) ✓**

- IDZs are geographically designed, purpose-built and physically enclosed industrial estates that are linked to international air or sea ports. ✓✓
- The focus of IDZs is to attract private investments and foreign direct investments in export-driven industries. ✓✓

- Industrial Development Zones allow duty-free importation of production-related raw-materials and inputs. ✓✓
  - Businesses in IDZs have access to dedicated customs services to make inspection and clearing more efficient. ✓✓
  - The strategy was aimed at enhancing international competitiveness of local industries in export markets. ✓✓
  - IDZs focus on creating employment by promoting exports of value-added products. ✓✓
  - Businesses that are located in IDZs enjoy world-class infrastructure, a zero rate of VAT on supplies from South African sources and reduced taxation on some products. ✓✓
  - IDZs were established to benefit investing companies through financial support provided by the government. ✓✓
  - Businesses in IDZs have access to transport for exporting purposes and latest technology for global communication. ✓✓
  - IDZs are designed to promote and develop links between domestic and zone-based industries. ✓✓
  - Examples of IDZs in South Africa include Coega IDZ, OR Tambo International Airport, East London IDZ, Richards Bay IDZ and Saldanha Bay IDZ. ✓✓
- (A maximum of 1 mark may be allocated for the examples of IDZs)**

### **Special Economic Zones (SEZ) ✓**

- Special Economic Zones are geographically demarcated areas where specific economic activities have been identified to be developed. ✓✓
- Businesses located in SEZs may enjoy incentives such as tax relief and support systems to promote industrial development. ✓✓
- SEZs create a basis for a broader range of industrial parks and provide economic infrastructure to enable the clustering of manufacturers. ✓✓
- The aim of creating SEZs is to attract new businesses which develop new product lines and create employment. ✓✓
- The DTIC indicated that the existing IDZs where special tax incentives do not apply, would be graduated to SEZs. ✓✓
- SEZs are not necessarily linked to international air or sea port and the purpose of manufacturing is to cater for both domestic and export markets. ✓✓

### **Corridors ✓**

- A corridor is a track of land that forms a passageway allowing access from one area to another and is developed as part of regional development. ✓✓
- Corridors in South Africa are spatial areas that offer advantages to mining, manufacturing and other businesses. ✓✓
- The advantages include the presence of proper infrastructure and the specialisation of products or services. ✓✓
- Corridors are development areas within South Africa and are the priorities of all development agencies. ✓✓
- The DTIC provides help in support of the development corridors such as the Maputo development corridor, that starts in Gauteng and extends through Mpumalanga to the Maputo port, offers opportunity to the transport industry. ✓✓

(Accept any other correct relevant response)

(Max 26)

**(Allocate a max of 8 marks for headings/subheadings/examples)**

**ADDITIONAL PART**

- Reduce corporate taxes and offer tax holidays or exemptions to increase the profit prospects of businesses, which will attract investments in existing industries. ✓✓
- Provide subsidies on capital investment to reduce the development cost for potential investors in specific industries. ✓✓
- Government can provide cash grants or low-interest loans to businesses looking to expand and adopt new technologies. ✓✓
- The government can create a supportive environment for industries to thrive by investing in infrastructure development projects, such as roads, utilities, and industrial parks. ✓✓
- Simplify business registration procedure, reducing bureaucratic hurdles and providing easier access to licences can help industries grow efficiently. ✓✓
- Offer export incentives such as information on export markets and concessions on transport charges, to encourage production of goods and services for exporting. ✓✓
- Provide duty-free incentives to reduce the cost of production for businesses that import production inputs. ✓✓
- The government can provide direct financial support for skills development which helps to increase skills base and productivity of businesses. ✓✓
- Provide business support programmes to help improve the delivery of small business support to small business and entrepreneurs. ✓✓

(Accept any other correct relevant response)

(Max 10)

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

**CONCLUSION**

Regional development policies solve the long-term problems of unemployment and poverty, although certain constraints such as skills shortages and high costs still need to be addressed. ✓✓

(Accept any other relevant higher order conclusion.)

(Max. 2)

**[40]**

**TOTAL SECTION C:**

**40**

**GRAND TOTAL:**

**150**