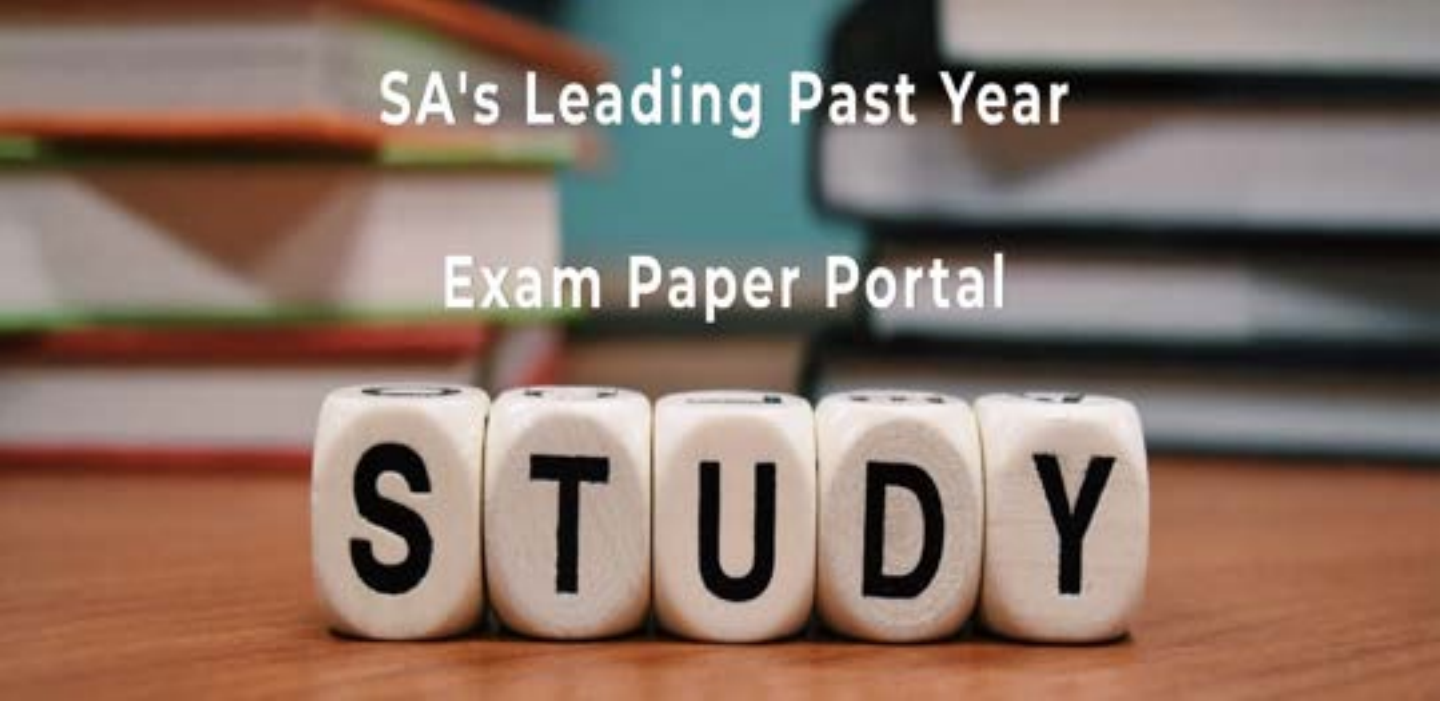

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GRADE 12

ECONOMICS P1

NOVEMBER 2017

MARKS: 150

TIME: 2 hours

This question paper consists of 12 pages.

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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. Number the answers correctly according to the numbering system used in this question paper.

4. Write the question number above each answer.

5. Read the questions carefully.

6. Start EACH question on a NEW page.

7. Leave 2–3 lines between subsections of questions.

8. 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.

9. Use only black or blue ink.

10. You may use a non-programmable pocket calculator.

11. Write neatly and legibly.

SECTION A (COMPULSORY)

QUESTION 1 30 MARKS – 20 MINUTES

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (1.1.1–1.1.8) in the ANSWER BOOK, for example 1.1.9 D.

1.1.1 In an economy where injections exceed leakages, the …

A production of goods and services will decrease.
B national income will increase.
C national income will decrease.
D gross value added in production will decline.

1.1.2 Long-term funds are borrowed or saved on the ... market.

A capital
B money
C foreign exchange
D goods

1.1.3 Goods and services that benefit the society are called ... goods.

A demerit
B harmful
C common
D merit

1.1.4 Economic integration where member countries agree on a common economic policy is called a ...

A free-trade area.
B custom union.
C economic union.
D common market.

1.1.5 Which government policy seeks to eliminate poverty and reduce inequality by 2030?

A New Growth Path
B National Development Plan
C Expanded Public Works Programme
D Reconstruction and Development Programme

1.1.6 Cash grants paid out to the poor form part of the … policy.

A monetary
B growth
C fiscal
D economic

1.1.7 The number of years that a new-born baby is expected to live is referred to as …

A the mortality rate.
B malnutrition.
C obesity.
D life expectancy.

1.1.8 The North-South divide can also be referred to as the … gap.

A development
B inflation
C monetary
D supply (8 x 2) (16)

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A–I) next to the question number (1.2.1–1.2.8) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.2.1	Exogenous explanation	A	liquid assets made available by the IMF to finance deficits on the balance of payments (BOP)
1.2.2	Leading indicators	B	supplies financial development assistance mostly to developing countries
1.2.3	Special drawing rights	C	charged by the Reserve Bank to other financial institutions for loanable funds
1.2.4	Free-floating	D	markets are inherently stable and need no government intervention
1.2.5	Public goods	E	shows the direction in which the economy might be heading
1.2.6	Nationalisation	F	believes markets are inherently unstable and government intervention is necessary
1.2.7	World Bank	G	the state takes ownership of privately-owned enterprises and assets
1.2.8	Repo rate	H	exchange rate system where the value of the currency is determined by market forces only
		I	provided by the government for use by all members of society, for example public libraries

(8 x 1) (8)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1–1.3.6) in the ANSWER BOOK. Acronyms and abbreviations will NOT be accepted.

1.3.1 Value of all final goods and services produced within the borders of a country for a specific period

1.3.2 A curve that shows the relationship between tax rates and tax revenue

1.3.3 A trade policy which promotes the replacement of imported goods with locally produced goods

1.3.4 A spatial area for regional development that forms a passageway

1.3.5 Removal of unnecessary laws and regulations to improve the functioning of the economy

1.3.6 Return of land to those who have lost it due to discriminatory laws of the past (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 indirect taxes. (2 x 1) (2)

2.1.2 What impact will a decrease in commercial banks' cash reserve requirements have on the aggregate money supply? (1 x 2) (2)

2.2 Study the information below and answer the questions that follow.

SOUTH AFRICA ALREADY IN A RECESSION – ECONOMISTS

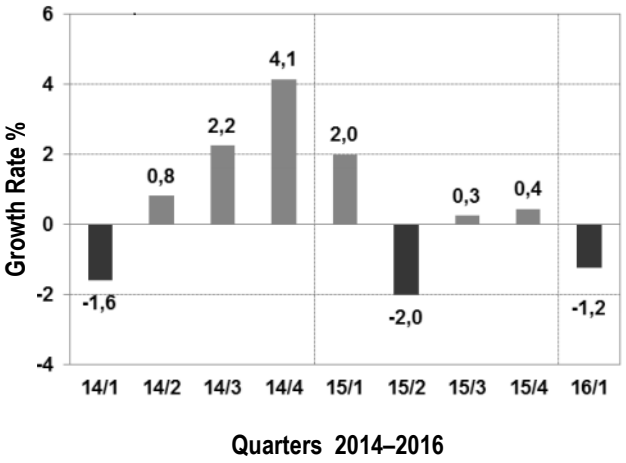
It is the view of many economists that South Africa is already in a recession because the South African economic growth rate is lower than the population growth rate.

The economic downturn emerges from a sharp drop in global demand for South African commodities in the mining and quarrying industries.

South Africa is battling with rising unemployment and low skills.

[Adapted from *City Press,* June 2016]

GROWTH IN GDP



[Source: *Stats SA revised GDP data 2016*]

2.2.1 In the information above, identify the reason why the economy is already in a recession. (1)

2.2.2 What was the GDP growth rate in the first quarter of 2016? (1)

2.2.3 Briefly describe *open market transactions* as a monetary policy instrument. (2 x 2) (4)

2.2.4 How can the South African government use fiscal policy to stimulate the economy? (2 x 2) (4)

2.3 Study the table below and answer the questions that follow.

CURRENT COMPOSITION OF THE SOUTH AFRICAN BALANCE OF PAYMENTS (BOP) – 2016	
1. Current Account	**(R millions)**
Merchandise exports	276 349
+ Net gold exports	13 777
+ Services receipts	49 728
+ Income receipts	21 176
Less merchandise imports	270 258
Less payment for services	54 905
Less income payments	48 420
Current transfers (net receipts)	-6 555
Balance on Current Account	-19 108
Memo item: Trade Balance	**(A)**
2. Capital Transfer Account	57
Net lending to (+) or borrowing from (-) rest of the world	-19 051
3. Financial Account	
Net direct investments	2 184
Net portfolio investments	30 601
Net financial derivatives	-9 022
Net other investments	-19 830
Reserve assets	1 191
Balance on Financial Account	5 124
Memo item: Balance on financial account excluding reserve assets	3 933
Unrecorded transactions	13 927

[Source: *SARB – Quarterly Bulletin,* September 2016]

2.3.1 Which subaccount in the balance of payments above includes reserve assets? (1)

2.3.2 Which institution is responsible for the publishing of the balance of payments? (1)

2.3.3 How can South Africa ensure a net inflow of capital? (2 x 2) (4)

2.3.4 Use figures in the table above to calculate the trade balance (**A**). Show ALL calculations. (2 x 2) (4)

2.4 Differentiate between *money flows* and *real flows* in the circular-flow model. (2 x 4) (8)

2.5 Explain, by means of a neatly labelled graph, the effect on the value of the rand if there is a sharp increase in the number of South African tourists visiting the USA. (8)

[40]

QUESTION 3: ECONOMIC PURSUITS 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO areas addressed by the Reconstruction and Development Programme. (2 x 1) (2)

3.1.2 What effect does a low economic growth rate have on poverty? (1 x 2) (2)

3.2 Study the information below and answer the questions that follow.

EDUCATION CHALLENGES IN SOUTH AFRICA

Quality education leads to long-term growth, development and prosperity. Focusing on skills and knowledge, the role of education becomes all-important in the development of human capital. Urbanisation has made it necessary for society to be more literate and skilled so that there are more chances to develop at an economic and social level.

PERFORMANCE INDICATOR	%
Population with at least some secondary education (% 25 years and above)	74,3
Public expenditure on education (% of GDP)	6,2
Gross enrolment at secondary institutions (%)	96,8
Gross enrolment at tertiary institutions (%)	19,7
Percentage dropout from secondary to tertiary institutions (%)	82,2

[Adapted from *UN Statistics on South Africa, 2016*]

3.2.1 Identify the social indicator in the information above. (1)

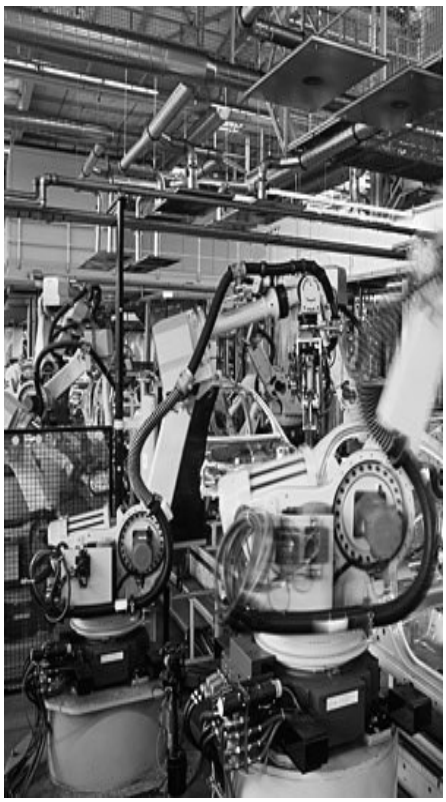
3.2.2 What percentage of the GDP is spent on education? (1)

3.2.3 Briefly explain *urbanisation* as a social indicator. (2 x 2) (4)

3.2.4 What led to the high dropout rate (82,2%) from secondary to tertiary institutions? (2 x 2) (4)

3.3 Study the information below and answer the questions that follow.

CHINA DEAL TO CREATE OVER 2 500 JOBS IN SOUTH AFRICA



South Africa's automotive industry has received a major boost with the announcement of the biggest investment in 40 years.

An auto plant by a Chinese state-owned car manufacturer will create more than 2 500 jobs in South Africa. This could be seen as one of the bright spots of an economy expanding at the slowest pace since an economic slowdown in 2009.

The plant will be built in partnership with South Africa's state-owned Industrial Development Corporation (IDC) and will have the capacity to produce 100 000 units a year by 2027.

About 60% of this South African plant's output will be earmarked for export to Africa. Vehicles could be sent to Europe as a beneficiary, at a later date.

[Source: *Fin24 Top Stories*, 30 August 2016]

3.3.1 Identify a foreign country that is a BRICS member in the information above. (1)

3.3.2 How many potential job opportunities does China's investment promise to create for South Africa? (1)

3.3.3 Briefly describe the role of the Industrial Development Corporation in the South African economy. (2 x 2) (4)

3.3.4 Explain the positive impact, other than job creation, that this investment might have on the South African economy. (2 x 2) (4)

3.4 Explain any TWO challenges of globalisation for developing countries (North-South divide). (2 x 4) (8)

3.5 How can the implementation of regional development policies improve the standard of living in South Africa? (8)

[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

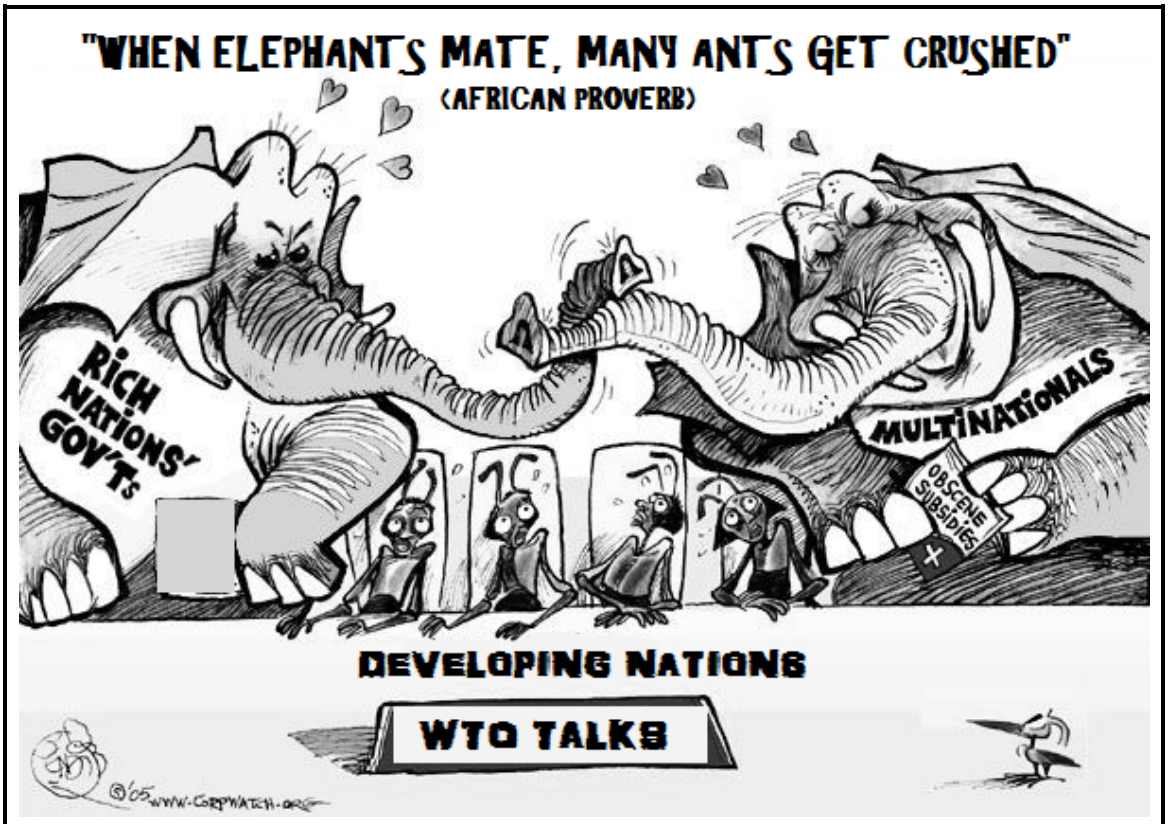
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name any TWO growth strategies used in South Africa. (2 x 1) (2)

4.1.2 What determines the size of the multiplier? (1 x 2) (2)

4.2 Study the information below and answer the questions that follow.



The World Trade Organisation (WTO), founded in 1995, aims to increase international trade in goods, services and agriculture through multilateral negotiations. However, most of the poorest countries are pushed aside for a more ambitious corporate agenda which includes issues such as increased investor rights, greater restrictions on government regulation and stronger intellectual property provisions. These actions are actually the opposite of free trade, since they promote stronger monopolies.

[Adapted from www.Corpwatch.org]

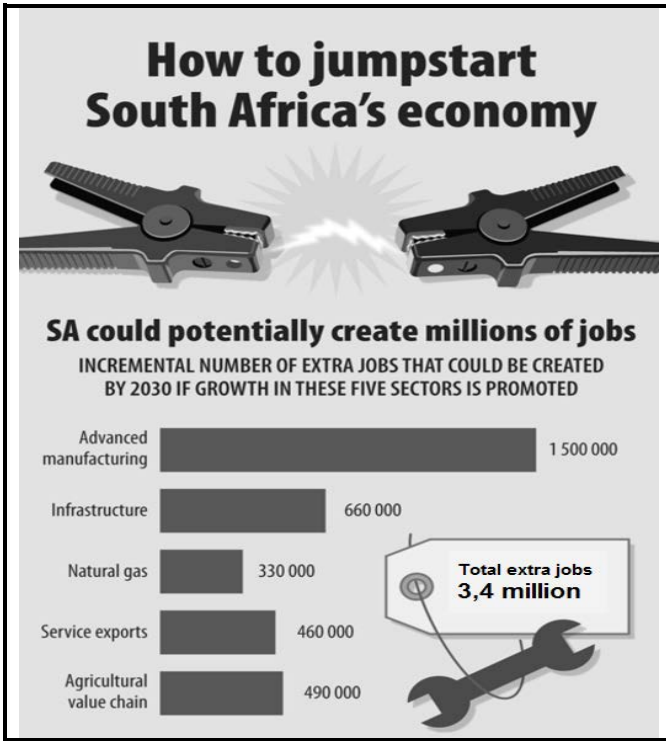
4.2.1 Identify the nations represented by the ants in the information above. (1)

4.2.2 Which international organisation above promotes free trade? (1)

4.2.3 What are the benefits of import substitution for developing countries? (2 x 2) (4)

4.2.4 Why are developing countries (developing nations) opposed to free trade? (2 x 2) (4)

4.3 Study the information below and answer the questions that follow.



Currently South Africa is experiencing major job losses, low economic growth levels and a lack of confidence by foreign investors due to uncertainty in the implementation of policies.

South Africa has, however, certain advantages and strengths that can be capitalised to expand the economy and create jobs in the five sectors to realise the ambitions of the National Development Plan.

[Adapted from *Mail & Guardian*, September 2015]

4.3.1 Identify the most important sector to jumpstart (grow) the economy in the information above. (1)

4.3.2 Name ONE problem in the information above, currently experienced in South Africa, that prevents economic growth. (1)

4.3.3 Briefly describe the main objectives of the National Development Plan. (2 x 2) (4)

4.3.4 How can the government and the private sector join forces to create enough jobs? (2 x 2) (4)

4.4 Briefly discuss *good governance* and *competitiveness* as appropriate regional development measures in terms of benchmark criteria. (2 x 4) (8)

4.5 Use the GDP data below to explain the importance of moving averages in the forecasting of business cycles.

YEAR	2010	2011	2012	2013	2014	2015	2016
GDP (bn)	5	8	9	11	4	6	10

(8)
[40]

TOTAL SECTION B: 80

SECTION C

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

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order response. • A good starting point would be to define the main concept related to the question topic. • Do not include any part of the question in your introduction. • Do not repeat any part of the introduction in the body. • Avoid saying in the introduction what you are going to discuss in the body.	Max. 2
Body **Main part:** Discuss in detail/In-depth discussion/Examine/Critically discuss/ Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain **Additional part:** 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	Max. 26 Max. 10
Conclusion Any higher-order conclusion should include: • A brief summary of what has been discussed without repeating facts already mentioned • Any opinion or value judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations	Max. 2
TOTAL	**40**

QUESTION 5: MACROECONOMICS 40 MARKS – 40 MINUTES

- Discuss any FIVE problems of public sector provisioning in South Africa in detail. (26 marks)
- How can the unfair distribution of income in South Africa be resolved? (10 marks) **[40]**

QUESTION 6: ECONOMIC PURSUITS 40 MARKS – 40 MINUTES

- Discuss the following economic indicators in detail:
  - Production (10 marks)
  - Foreign trade (8 marks)
  - Money supply (8 marks) (26 marks)
- How can productivity be used more effectively to benefit the South African economy? (10 marks) **[40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150

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