



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2024

ECONOMICS

MARKING GUIDELINES

Time: 3 hours

300 marks

These marking guidelines are prepared for use by examiners and sub-examiners, all of whom are required to attend a standardisation meeting to ensure that the guidelines are consistently interpreted and applied in the marking of candidates' scripts.

The IEB will not enter into any discussions or correspondence about any marking guidelines. It is acknowledged that there may be different views about some matters of emphasis or detail in the guidelines. It is also recognised that, without the benefit of attendance at a standardisation meeting, there may be different interpretations of the application of the marking guidelines.

SECTION A**QUESTION 1**

1.1	B
1.2	D
1.3	C
1.4	C
1.5	A
1.6	A
1.7	B
1.8	D
1.9	C
1.10	B
1.11	B
1.12	A
1.13	C
1.14	B
1.15	D
1.16	D
1.17	C
1.18	A
1.19	B
1.20	C

SECTION B**QUESTION 2 MACROECONOMICS**

- 2.1 2.1.1 (a) The stock or inventories of raw materials and intermediate goods that firms hold of which the value changes from year to year.
- (b) Is the value of the expenditure by economic agents at home and abroad, on the final output produced by domestic firms at the prices for which the products were actually sold **OR** the actual price the consumer pays for goods and services.

2.1.2 **Calculate** Gross Capital formation:

2022:

Gross fixed capital formation	941 944
+ Change in Inventories	<u>77 445</u>
Gross Capital Formation (I)	<u>R1 019 389</u> million

- 2.1.3 **A:** Gross fixed capital formation / GFCF.
- B:** GDE (Gross Domestic Expenditure including residual items).
- C:** –3 179
- D:** Plus: Exports of goods and services.
- E:** 1 550 539

2.1.4 **Calculate** economic growth rate for 2022.

2022:

$$\frac{\text{Current (New) Real GDP} - \text{Previous (Old) Real GDP}}{\text{Previous (Old) Real GDP}} \times \frac{100}{1}$$

$$\frac{6\,628\,551 - 6\,208\,786}{6\,208\,786} \times \frac{100}{1}$$

$$= 6,76\% \text{ or } 6,8\%$$

2.2 2.2.1 African Growth and Opportunity Act.

2.2.2 USA, Angola; Benin; Botswana; Burkina Faso; Burundi; Cameroon; Cape Verde; Chad; Comoros; Congo (Republic); Congo (DRC); Cote d'Ivoire; Djibouti; Ethiopia; Eswatini; Equatorial Guinea; Gabon; Gambia; Ghana; Guinea; Guinea-Bissau; Kenya; Lesotho; Liberia; Madagascar; Malawi; Mali; Mauritania; Mauritius; Mozambique; Namibia; Niger; Nigeria; Rwanda; Sao Tome and Principe; Senegal; Seychelles; Sierra Leone; South Sudan; Tanzania; Togo; Uganda; Zambia.
(Any 2 × 1)

- 2.2.3
- AGOA make it possible for SA and other African countries to trade with the USA through lower trade barriers. If AGOA is not replaced, then SA will lose the benefits of a favourable trade relationship with the USA.
 - The demand for SA goods (exports) will decrease leading to lower production or Gross Domestic Product (GDP) in SA and the likelihood of an increase in unemployment.
 - The effects of a loss of AGOA on investment and confidence would depend on the reason South Africa lost the benefits. Stripping it on political grounds would be more impactful than losing it due to income status.
 - South Africa might enter into new trade agreements with new trading partners.
- (Accept any other relevant correct answer.)

2.3 (a) **Direct Investment Flows**

- inflows of money that are used to finance the purchase of resources, either in the form of existing companies or to set up new companies.
 - For instance: Walmart's take-over of the local retail chain Massmart was a foreign direct investment in South Africa.
- (Accept any other relevant correct example.)

(b) **Portfolio Investment**

- the flow of money to or from another country, where the money is used to buy shares in companies quoted on that country's stock exchange.
 - For instance: when a German citizen buys shares in a South African company, or a South African citizen buys shares in an American company.
- (Accept any other relevant correct example.)

(c) **Hot money or other Investments**

- hot money flows refer to the flow of money into and out of a country as investors seek to get the highest rate of return.
 - For instance, if the interest rates are relatively high in South Africa compared to those in the United States, money flows from the United States to banks in South Africa, as holders of money seek to earn the highest rate of return.
 - Investments for returns, bonds.
- (Accept any other relevant, correct example.)

(×2 Describe and ×2 example)

- 2.4 2.4.1 (a) Business cycle is a diagrammatical representation of a time series that shows what happens to the value of the domestic output GDP of the economy over time.
- (b) Recession is two or more consecutive quarters of negative economic growth.
- 2.4.2
- Number of new cars sold.
 - Business confidence index.
 - Building plans approved.
 - New companies being registered.
 - Share prices/stock market returns or JSE All Share index.
 - Gold price.
 - Product exports.
- (Any 2 × 1)
- 2.4.3
- The leading indicator is changing before the coincident and lagging indicator is changing and tells us where the economy is heading.
 - During 2021 the leading indicator had a massive increase and decreased in 2022, but still very positive.
 - Economy is forecasted to continue growing, but at a slower pace.
- (Accept any other relevant correct answer.)
- 2.4.4
- Being able to predict the future path of the economy allows business owners to make more informed decisions and adapt their business strategies in advance, minimizing potential losses and maximizing opportunities for growth.
 - For instance: This illustrates why it is crucial for economic agents, whether they are individuals, businesses, or policymakers, to have some level of foresight into the economic environment in which they operate.
- (Accept any other relevant correct answer.)

QUESTION 3 MICROECONOMICS

3.1 3.1.1 Oligopoly

- 3.1.2
- It forces consumers to pay more than what they should.
 - High prices on essential goods like bread and medicine, has a negative impact on consumers, especially the poor people.
 - It has a negative impact on the rate of inflation, affecting the income and standard of living of consumers.
 - It prevents fair competition.

(Any 2 × 2)

- 3.1.3
- Primedia case.
 - Five liquefied petroleum gas (LPG).
 - Four SA drug manufacturers.
 - Standard Chartered.
 - Esor group.

(Candidates must explain the cases.)

(Accept any other relevant correct answer.)

(Any 2 × 2 or only × 1 for name)

- 3.1.4
- The Competition Appeals Court has dismissed the Competition Commission's rand manipulation case against the majority of banks – both local and international.
 - The banks were accused of rigged trades involving the rand/dollar exchange rate.
 - The Competition Commission referred a number of banks to the Competition Tribunal for price fixing involving the rand. The commission ultimately brought 28 banks under investigation, in what it called the 'Forex Cartel' case.
 - The commission alleged that the manipulation impacted the exchange rate of the South African Rand, which in turn affected various parts of the South African economy, including imports and exports, foreign direct investment, etc.

(Accept any other relevant correct answer.)

(Any 3 × 2)

3.2 3.2.1 Characteristics of Monopolistic competition

Differentiated products:

- Each firm sells products that are similar to other firms in the industry and they are good substitutes for each other but branding play a big role in the industry.
- The sneaker retail sector has similar products which is sneakers but they are differentiated with different branding like Nike, Fila, Wilson, etc.

Many sellers:

- There are many sellers and many/several competing producers. (not only the one mentioned in picture 2).
- In Picture 2, we have many producers of sneakers. (Candidates can mention some of the sneaker producers.)

Freedom of entry and exit:

- The barriers to entry in this industry are low, i.e. it is relatively easy to establish a small enterprise in this industry.
- It is easy to set up a sneaker business since no barriers exist.

Incomplete knowledge of the market:

- Firms do not have perfect information about the consumer behaviour and the behaviour of competing firms.
- Nike do not have perfect information about the consumer behaviour or other behaviour of competing firms like Vans, Reebok etc. due to competition in the market.

Price control:

- The monopolistic competitor cannot control prices but can ask a premium for a product.
- Certain big brands like Nike, Reebok, Vans, etc. can charge a higher price for their brand because of the name attached to it, but majority of the prices are determined by market forces of demand and supply.

(Name/explain characteristic 1 × 4 = 4/link characteristic with sneaker industry 2 × 4 = 8)

- 3.2.2
- Overall the sneaker retail sector in South Africa meets all the requirements, so it is fair to say that it is a monopolistic competitive industry.
 - They have many sellers, freedom too entry, imperfect market knowledge and cannot control prices.
- (If candidates believe that the market is perfectly competitive or an Oligopoly – credit can be given if their argument is sound.)

3.3 (a) **Negative externalities:**

- Are the cost experienced by someone not directly involved in the transaction that produce it.
- For Instance: The effects of environmental pollution, the South African government can intervene by putting laws in place to cut down on pollution. Not successful.

(Accept any other relevant correct example.)

(b) **Merit goods:**

- Are goods that society feels should be consumed by its citizens, e.g. education, healthcare and housing.
- Government can provide merit goods or subsidise the production of merit goods, e.g. government subsidy for education or health-care. Not successful

(Accept any other relevant correct example.)

(Candidates must describe the market failure and then explain the success of the government intervention.)

3.4 3.4.1 **Calculate** the Price elasticity of demand for frozen chicken portions.

$$\text{Quantity demanded} = \frac{29 - 36}{36} \times \frac{100}{1} = 19,44\%$$

$$\text{Price} = \frac{6 - 4}{4} \times \frac{100}{1} = 50\%$$

$$\frac{19,44}{50} = 0,39$$

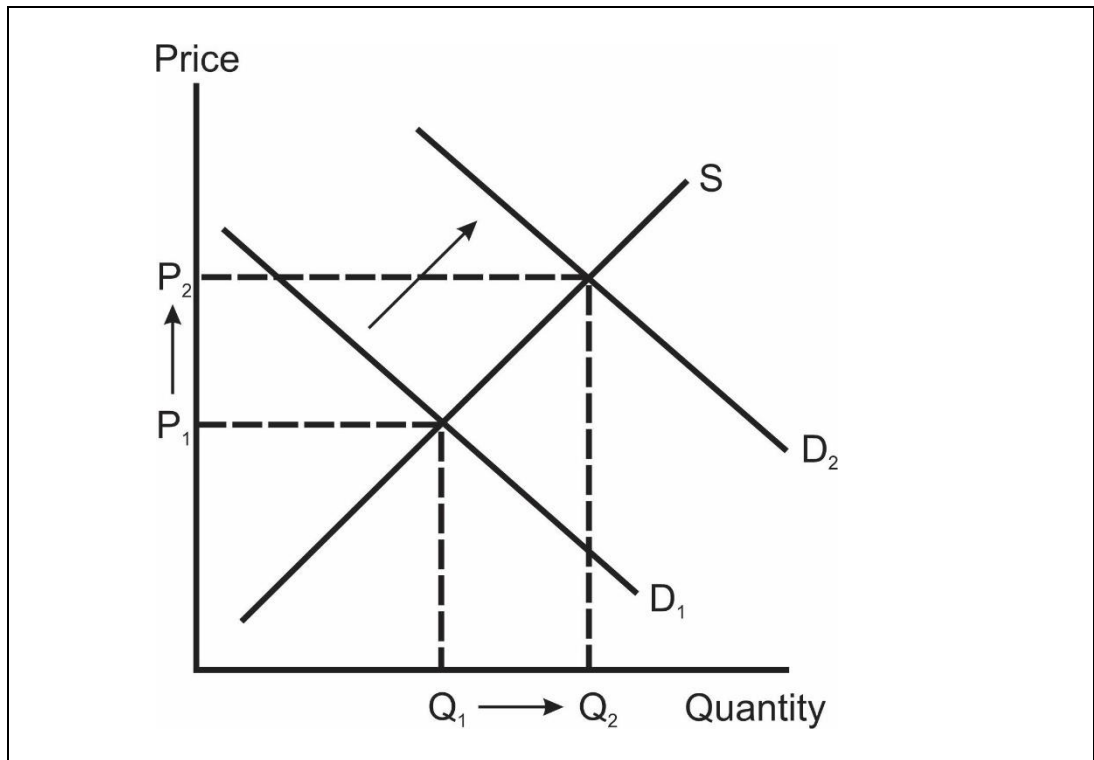
3.4.2 **Law of demand:**

When prices are high quantity demanded will be low, and when prices are low quantity demanded will be high. Indirect relationship between price and quantity demanded.

Law of supply:

When prices are high quantity supplied will be high, and when prices are low quantity supplied will be low. Direct relationship between price and quantity supplied.

3.4.3 Increase in demand:



QUESTION 4 CONTEMPORARY ECONOMIC ISSUES

4.1 Match the Columns:

Question Number	Answer
4.1.1	I
4.1.2	D
4.1.3	B
4.1.4	F
4.1.5	G

4.2 4.2.1 **Inflation** is a sustained increase in the general price level of goods and services over an extended period of time.

4.2.2 Cost-push nature/demand-pull.

4.2.3 Inflation rate:

<p>2024:</p> $\frac{\text{New} - \text{Old}}{\text{Old}} \times \frac{100}{1}$ $\frac{59,95 - 19,95}{19,95} \times \frac{100}{1}$ <p>= 200,50%</p>

4.2.4 **Demand-pull inflation:**

- Occurs when the total demand in the economy increases quicker than total supply, leading to price increases.
- Expansionary monetary and fiscal policy leads to consumers spending more, these policies include lower interest rates and lower taxes.
- Credit being more easily available will also cause demand to increase.
- Excessive government spending can lead to more job creation and also lead to increase in demand and higher inflation.
- Fast growth in other countries providing a boost to SA exports overseas.

(Accept any other relevant correct answer.)

4.2.5 Positives

- Businesses can generate more profit or revenue.
- Increase the value of a business's assets, then they have a higher possibility to borrowing money.
- More investment for growth and expansion.
- Higher productivity and business output.

Negatives

- Inflation can increase production cost to businesses which is bad for the consumers.
- Makes it difficult for businesses to compete.
- If businesses can't afford the high prices it can lead to business cutting down on labour, which causes higher unemployment.

(Accept any other relevant correct answer.)

(Candidates must have both positive and negative points.)

(Any 2 × 4)

4.3 (a) Gini-coefficient:

- Is a measure of equality or inequality of income or wealth distribution.
- Is a number between 0 and 1, the higher the number and closer to 1, the greater the degree of income inequality.

(b) Life expectancy:

- Life expectancy at birth, which is the average number of years that a newborn would be expected to live.
- The higher the expected years to live the better the country's performance indicating a good health care system and standard of living.

(c) GDP per capita:

- Indicates the standard of living of people/average income per person in the country.
- The higher the GDP per capita, the better/ higher the average living standard of the people in the country.

(Candidates must for each social indicator describe and explain how it is measured.)

- 4.4**
- Increase progressive tax systems by increasing the top marginal rate of income, ensuring those higher incomes pay relatively more tax than those on lower incomes, decreasing income inequality.
 - Decreasing the rate of indirect tax especially on essential goods and services the lower income earners tend to spend more of their income on and hence pay a greater proportion of their income in tax.
 - Increasing capital gains (or wealth) tax.
 - Introduce more effective BBBEE programs to empower more lower income groups in top management positions.
 - More company tax reductions that create more employment that can decrease the income inequality.

(Accept any other relevant correct answer.)

(Any 3× 2)

QUESTION 5 MIXED QUESTIONS

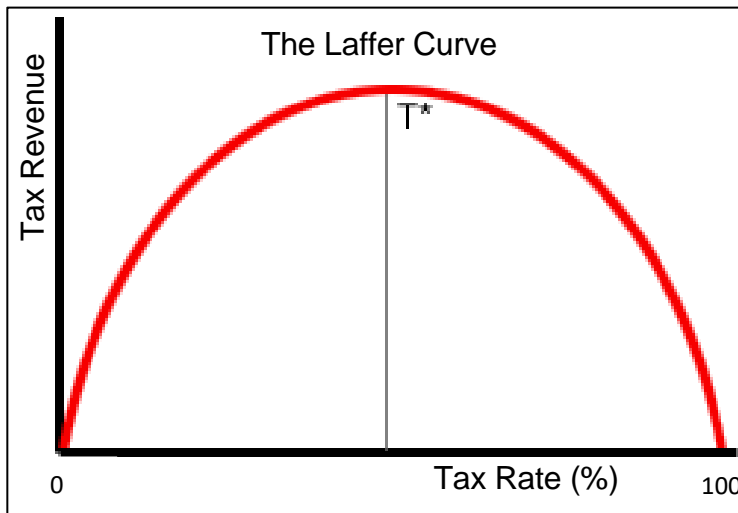
5.1 5.1.1 **The multiplier effect** occurs when an initial injection into the circular flow causes a bigger final increase in real national income **OR** the multiplier is the relation between initial investment and the final change in income **OR** The multiplier is the ratio of the change in income to the change in spending that brought it about.
(Accept any other relevant correct answer.)

5.1.2 Calculation of the multiplier: (including the formula)

$\frac{\text{Change in National Income } (\Delta Y)}{\text{Change in Injection } (\Delta J)}$ $\frac{500 (900 - 400)}{100 (400 - 300)}$ $= 5$

- 5.1.3
- The marginal propensity to consume is the fraction of additional income that households will spend on consumption.
 - Example: 0,6 implies the consumer will spend 60 c of every additional 100 c received.
 - The higher the marginal propensity to consume, the higher the multiplier will be.

5.2 The Laffer Curve:

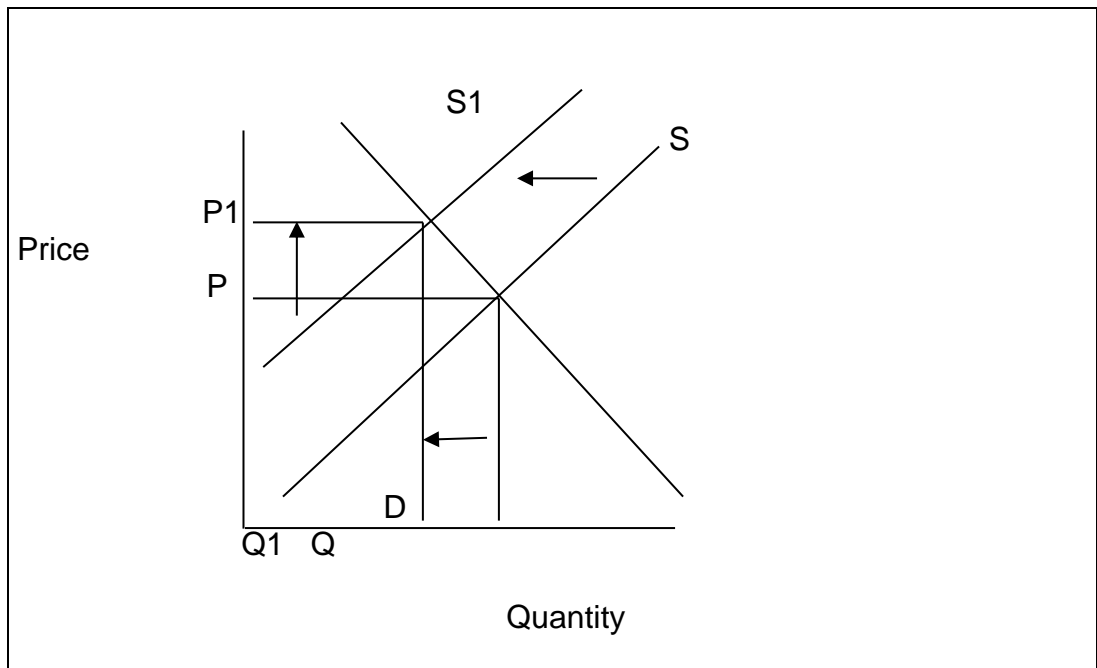


5.3 5.3.1 Carbon tax is an Indirect tax – a tax on a transaction as opposed to a direct tax which taxes income.

5.3.2 South Africa is a developing country because SA is still in the process of economic development and is characterised by a lower standard of living and lower GDP per capita. SA developing country Paris agreement and high energy greenhouse gas emissions

- 5.3.3
- Is a tax on emissions (for every ton of greenhouse gas released into the atmosphere) that is a negative externality, so negative to the environment.
 - Carbon emissions is a form of market failure (or it leads to market failure) due to the negative externalities of the production process. Government has a duty to intervene and to alter the behaviour of the producers for example to reduce the supply through increased input cost/or taxes.

5.3.4 Decrease in supply:



5.4 **Fixed Exchange rate system:**

- Occurs when a country keeps the value of its currency at a certain level against another currency.
- Example: The Danish krone is fixed against the Euro.
- China also uses this system with the US Dollar.

Free floating/independently floating exchange rate system:

- The forces of supply and demand determine the exchange rate.
- Central banks do not intervene in the foreign exchange market on behalf of the government.
- The exchange rate fluctuates as market conditions change.
- Disequilibria is automatically corrected.
- Example: US, Australia, Canada. (SA according to SARB)

Managed/controlled floating exchange rate system:

- The exchange rate can fluctuate between certain limits as set by the central bank.
 - Central banks intervene if the exchange rate moved outside the set limits.
 - They buy and sell foreign exchange to smooth out short-term fluctuations in the exchange rate.
 - Huge forex supplies (reserves) are required for such interventions.
 - Example: Japan, Mexico, India, China, Brazil. (SA according to IMF)
- (Accept any other relevant correct example.)

(Name 1 × 3 = 3, explanation 2 × 3 = 6, example 1 × 3 = 3)

5.5 5.5.1 Fitch, Standard & Poor's (S&P).
(Any 1 × 1)

5.5.2 Moody's refers to a credit rating agency/ SA's stable outlook unshaken by budget.

5.5.3 **Positives:**

- South Africa's 'BB-' outlook reduces the risk of South Africa being rated to a lower junk status (sub-investment grade).
- Will attract more investors into the country.
- The government can take out loans at a lower interest rate.

Negatives:

- If Moody's reduces South Africa to a lower junk status, it will make the country riskier for investors.
- Loans will cost the country much more, due to the risk factor of South Africa not being able to pay it back.

(Accept any other relevant correct answer.)

(Candidates must have both positive and negative points.)

(Any 2 × 4)

SECTION C**QUESTION 6 DATA RESPONSE**

6.1 6.1.1 International Monetary Fund

6.1.2 (a) **Extrapolation:**
Is used to **make predictions** about the value of a variable in the future using the current value of the variable.

(b) **GDP:**
Total value of all **final goods and services** produced **within the borders of a country for a specific period normally one year.**

6.1.3 **Positives:**

- A high economic growth rate can lead to a higher income to the households and businesses.
- This can reduce poverty and increase living standards of the people.
- May lead to an increase in HDI, which can include a better education system or increase in life expectancy and GDP per capita.
- Higher economic growth can also increase the government revenue received from households and businesses.

Negatives:

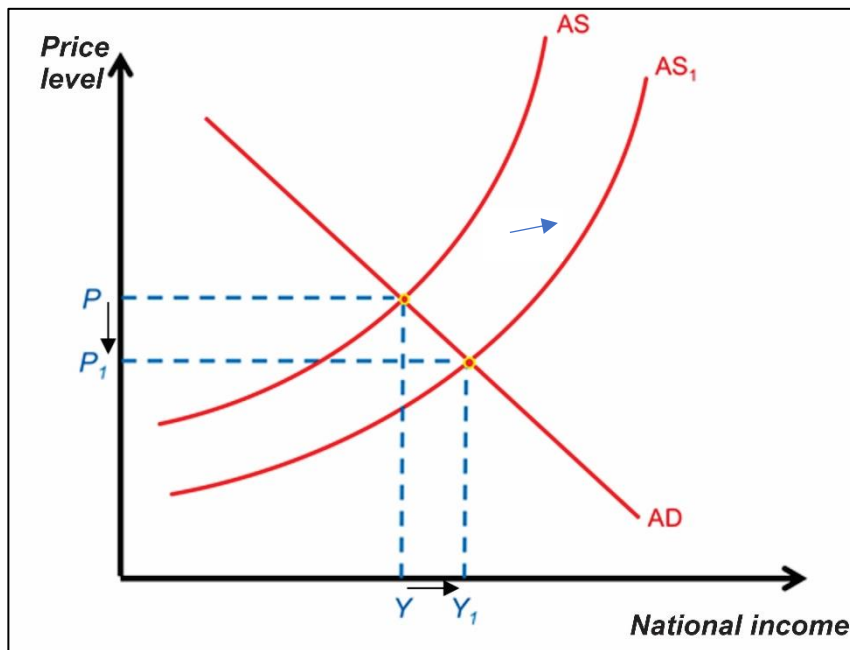
- Higher economic growth might lead to inflation.
- If households receive higher income or have more disposable income, they might buy more imports and the Current account deficit will increase.
- Higher production will lead to more output being produced which can cause bigger pollution.
- Can lead to inequality as business owners can make more money and the gap between the rich and poor can widen.

Extent:

- There is no guarantee that the increase in economic growth will definitely lead to an increase in economic development.
- The 1,8% is only a forecast, so not a guarantee that South Africa will have a positive growth.
- The 1,8% economic growth might not be big enough to bring about significant change in economic development.

(x1 Positive and x1 negative aspect x2 extent)

6.1.4 Increase in Aggregate Supply:



Graph mark allocation: max 6 marks

AS rightward shift 2 marks

Correctly labelled horizontal and vertical axes 2 marks (1 each)

Price with arrow decrease 1 mark.

National income shifts right with arrow 1 mark.

Explanation: max 6 marks

In an attempt to reverse a downswing or to boost the economy, the government could use an expansionary fiscal policy by increasing government spending and/or lowering taxes.

Increased government spending: To improve/create infrastructure (roads, telecommunications, harbours, etc.) so to improve productivity of firms by reducing production cost and enhance capacity to produce more efficiently.

Provide subsidies and grants to firms to reduce cost of production.

Increase spending on training to skill the workforce, resulting in higher productivity and output.

Taxation: Reduce corporate taxes to encourage firms to reinvest money in businesses and to expand, hiring more workers.

(Accept any other relevant correct answer.)

6.2 6.2.1 2024

6.2.2 **Yes**, agree with the advice.

Whether or not it's advisable to invest in BRICS (Brazil, Russia, India, China, and South Africa) economies over G7 (Group of Seven) economies depends on various factors including individual risk tolerance, investment goals, and market conditions.

Higher Growth potential:

BRICS economies are generally characterised by faster economic growth rates compared to G7 economies. These emerging markets often have rapidly expanding populations, increasing urbanization, and rising middle-class consumption, all of which can contribute to robust economic growth. Investing in these economies may offer opportunities for higher returns on investment compared to slower-growing G7 economies.

Diversification:

Investing in BRICS economies can provide greater diversification benefits to a portfolio. Since these economies have different growth drivers, market structures, and correlations with global markets compared to G7 economies, investing in BRICS can help spread risk and reduce overall portfolio volatility. Diversification across different regions and asset classes is a fundamental principle of sound investing.

Access to Emerging markets:

BRICS economies are often at the forefront of innovation and technological advancement in various industries such as technology, telecommunications, and renewable energy. Investing in these economies can provide exposure to emerging sectors and industries that may not be as prominent or developed in G7 economies, potentially offering opportunities for significant capital appreciation.

(Accept any other relevant correct answer.)

(If candidates believes that it is better to invest in G7 and said no – credit can be given if their argument is sound.)

6.2.3 THREE advanced economies (max 3)

- United States (US)
- Germany
- France
- United Kingdom (UK)
- Canada
- Italy
- Japan

THREE emerging economies (max 3)

- China
 - India
 - Brazil
 - Russia
 - South Africa
 - Saudi Arabia
 - Argentina
 - UAE
 - Egypt
 - Iran
 - Ethiopia
- (Any 3 × 2)

- 6.3 6.3.1 • The government can control through rules and regulations, the government can pass laws in an attempt to control the behaviour of school uniform industry.
- Similar to pollution Acts, government can prohibit this behaviour.
 - An advertising campaign to improve asymmetry of information.
 - The government can establish the Competition Commission, the Competition Tribunal and the Competition Appeal Court to ensure that the level of competition is fair.
 - The government can provide subsidies to the school uniform industry to reduce the cost of production and therefore prices.
- (Any 2 × 2)

- 6.3.2 Price elasticity of demand for school uniforms are **inelastic**.
The quantity demanded for school uniforms won't change that much if there is a change in price, because school uniforms can be regarded as a necessity or a need.

6.3.3 Substitutes:

- The more substitutes available the more elastic the product.
- Example: a cheaper store that sell the same generic grey pants, white shirt, black jersey, the more readily the consumer will switch if there is a price change.

Durability:

- The longer goods last, the more responsive the change in quantity demanded is to a change in price.
- Example: You will hang on to an old school blazer till the price drops.

Proportion of income spend on the good:

- The higher the proportion of income spend on a product the more elastic the product becomes.
- Example: A pair of school socks takes a fraction of a consumer's income, so consumers may not even be aware of a price increase, so it is more inelastic. However, a school blazer or school shoes would cost a large proportion of a consumer's income and a price increase would be noticed immediately.

Advertising/branding/marketing:

- Businesses use advertising to create brand loyalty, and the reason being to make the demand for the product more price inelastic.
- Example: Consumers will be brand loyal to Bata, Toughees or Grasshoppers and even if the price changes, they will still stick to the brand.

Habit-forming products:

- Not relevant to school uniform, because school uniforms are a necessity or a need, so it is more inelastic.

Time period:

- The demand for goods tends to be more elastic the longer the time period.
- Example: New better brands are developed that are more efficient, cheaper and more convenient. New better-quality shoes, socks, etc.

(Any 2 × 3)

Total: 300 marks