



Province of the
EASTERN CAPE
EDUCATION



**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

NOVEMBER 2022

**ECONOMICS P1
MARKING GUIDELINE**

MARKS: 150

This marking guideline consists of 17 pages.

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

- 1.1.1 A final goods and services ✓✓
- 1.1.2 D government ✓✓
- 1.1.3 B electricity ✓✓
- 1.1.4 A per capita income ✓✓
- 1.1.5 C has value only because it is generally accepted as a medium of exchange ✓✓
- 1.1.6 C monetary policy of the SARB ✓✓
- 1.1.7 B National roads ✓✓
- 1.1.8 A developed ✓✓ (8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 D the current price at which an item or service may be bought or sold ✓
- 1.2.2 F education, health and welfare ✓
- 1.2.3 A services such as transport and communication ✓
- 1.2.4 G services such as legal, medical and financial service ✓
- 1.2.5 H economic aggregates ✓
- 1.2.6 I moving backwards to a less developed country ✓
- 1.2.7 E a policy aimed to increase the ownership of agricultural land of black people in the economy ✓
- 1.2.8 B the greatest threat to workers' health in South Africa ✓
(8 x 1) (8)

1.3 **GIVE ONE TERM**

1.3.1 Salary ✓

1.3.2 Non-durable ✓

1.3.3 Capital deepening ✓

1.3.4 Indigenous knowledge ✓

1.3.5 Interest rate ✓

1.3.6 Gross Domestic Product at market prices ✓ (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

QUESTION 2: MACROECONOMICS

- 2.1 2.1.1 **Name any TWO groups of marginalised people in the economy.**
- Poor rural communities ✓
 - The disabled ✓
 - Women ✓
 - The elderly ✓
 - Refugees ✓
 - School-leaving youth ✓
- (Any 2 x 1) (2)
- 2.1.2 **Why are intermediate goods and services excluded when calculating the value of GDP?**
- They are excluded as counting them will lead to double counting. ✓✓
 - To ensure the accuracy of the figures. ✓✓
- (Accept any other correct relevant response.) (Any 1 x 2) (2)
- 2.2 **DATA RESPONSE**
- 2.2.1 **Name any other participant in an open economy.**
- Government ✓
 - Foreign sector ✓
- (Any 1 x 1) (1)
- 2.2.2 **Indicate the flow that is represented by goods and services.**
- Real flow ✓
- (1)
- 2.2.3 **Briefly describe the term *circular flow*.**
- A continuous flow of spending, production and income between different economic participants. ✓✓
- (Accept any other correct relevant response.) (2)

2.2.4 Explain the interaction between households and firms.

- Households sell their factors of production to firms and get an income in return. ✓✓
 - Firms produce goods and services which they sell to households and earn a profit in return. ✓✓
- (Accept any other correct relevant response.) (Any 1 x 2) (2)

2.2.5 How can the business sector contribute more positively to the economy?

The business sector can contribute more positively by:

- investing more in labour intensive projects with the focus on skills development of workers ✓✓
 - re-investing their profits in gross capital formation programmes ✓✓
 - diversifying their business operations by bringing in a differentiated product ✓✓
 - supporting South African businesses in terms of procuring raw materials and increase the market share for South African produced goods and services locally and abroad ✓✓
- (Accept any other relevant correct response.) (Any 2 x 2) (4)

2.3 DATA RESPONSE**2.3.1 Name an example of a non-renewable resource.**

- Gold ✓
 - Diamonds ✓
 - Fossil fuel ✓
- (Accept any other relevant correct response.) (Any 1 x 1) (1)

2.3.2 What is the importance of natural resources to the economy?

- They form the basis of production in the primary sector/they serve as a source of food. ✓
- (Accept any other relevant correct response.) (Any 1 x 1) (1)

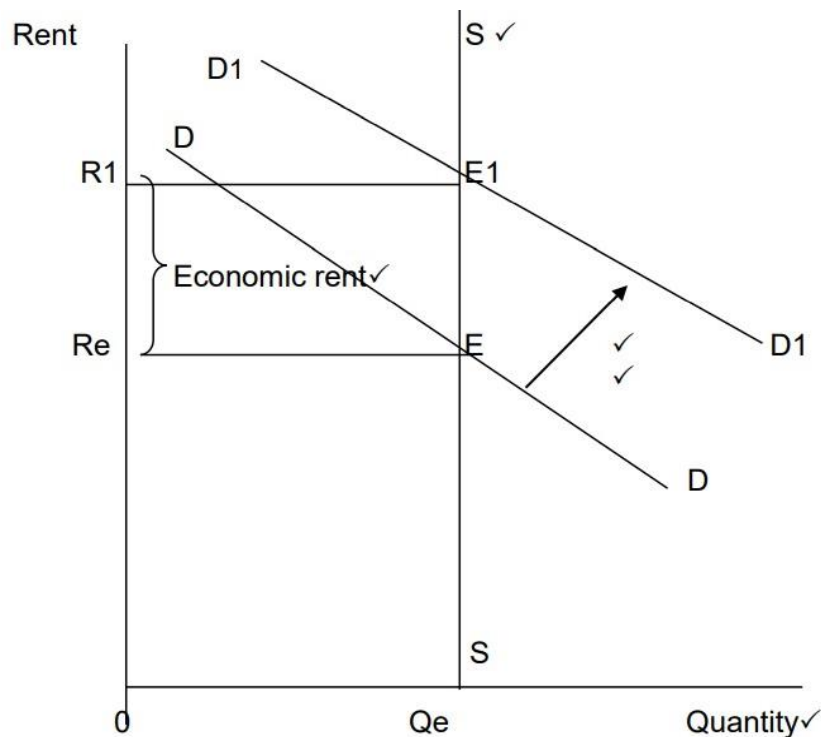
2.3.3 Briefly describe the term *natural resource*.

- All means made available by nature to be used as inputs in the production process. ✓✓
(Accept any other relevant correct response.) (2)

2.3.4 Explain the relationship between scarcity of land and rent.

- If land is scarce, the rent will be high and if land is readily available, the rent will be lower. ✓✓
(Accept any other relevant correct response.) (2)

2.3.5 Redraw the graph in your answer book and show what will happen to the price of land (rent) if there is an increase in the demand for land.



- 1 mark for axis
- 1 mark for S
- 1 mark for shift of DD to D1D1
- 1 marks for Economic rent

(Accept any other relevant correct response.) Max. (4)

2.4 Discuss the characteristics of a market economy.

- The market forces of demand and supply determine what, how and for whom to produce ✓✓
 - Price act as signals in the free market to prevent shortages and surpluses ✓✓
 - The individual can act on his own initiative and has freedom of choice with regards to all economic choices. ✓✓
 - Most of the factors of production are privately owned and controlled ✓✓
 - Decision-making is decentralised ✓✓
 - A market economy is subject to continuous business fluctuations ✓✓
 - Market economies are subject to market failures. ✓✓
- (Accept any other relevant correct response.)

(8)

2.5 How is Black Economic Empowerment ensuring community participation in South Africa?

BEE ensures community participation in South Africa by:

- aiming to distribute wealth as wide as possible throughout communities through the economic empowerment of previously disadvantaged groups. ✓✓
- providing the small and medium enterprises some access to the markets. ✓✓
- involving black owners of businesses and public enterprises, as well as large businesses, so that they are included in all decision-making. ✓✓
- supporting black businesses so that black people can play a larger role in the economy. ✓✓
- allowing access and entrance to the stock exchange for black owners people. ✓✓

(Accept any other correct relevant response.)

(Allocate a maximum of 2 marks for mere listing of facts and examples.)

(8)

[40]

QUESTION 3: ECONOMIC PURSUITS

- 3.1 3.1.1 **Name any TWO components of the monetary system in South Africa.**
- National Treasury ✓
 - South African Reserve Bank ✓
 - Financial institutions ✓
- (Any 2 x 1) (2)

- 3.1.2 **How does *wealth* differ from *income*?**
- Wealth consists of property, vehicles and equipment owned at a specific point in time. ✓✓
 - Income is the reward that owners of factors of production receive for using it in the production process ✓✓
(Accept any other correct relevant response.)
- (Any 1 x 2) (2)

3.2 DATA RESPONSE

- 3.2.1 **Name the index that describes the percentage of the population living below the poverty-line income.**
- Head Count Index ✓ (1)

- 3.2.2 **Indicate what a Gini coefficient of one means.**
- Perfect income inequality / most unfair distribution ✓ (1)

- 3.2.3 **Briefly describe the term *Gini co-efficient*.**
- The Gini co-efficient is a measure of the distribution of income across a population / A statistical measure used to express the inequality of income distribution. ✓✓
(Accept any other correct relevant response.) (2)

- 3.2.4 **Explain the relationship between the Lorenz curve and the Gini coefficient.**
- The further the Lorenz curve is away from the line of equality, the higher the Gini coefficient will be. ✓✓
 - The closer the Lorenz curve is to the line of equality, the lower the Gini coefficient will be. ✓✓
(Accept any other correct relevant response)
- (Any 1 x 2) (2)

3.2.5 **How can the government reduce inequality in income distribution?**

The government can reduce inequality of income distribution by:

- Increasing the minimum wage to a living wage
- Investing in education ✓✓
- Employing a progressive tax and benefits system which takes proportionately more tax from those on higher levels of income, and redistributes welfare benefits to those on lower incomes. ✓✓

(Accept any other correct relevant response.) (4)

3.3 **DATA RESPONSE**

3.3.1 **Name any function of the South African Reserve Bank.**

- Government’s banker ✓
- Bank of issue ✓
- Banker’s bank ✓
- Custodian of gold and foreign exchange reserves ✓

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

3.3.2 **State the inflation targeting range in South Africa.**

- 3–6% ✓

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

3.3.3 **Briefly describe the term *repurchase (repo)rate*.**

- Repo rate is the rate at which the central bank of a country lends money to commercial banks in the event of any shortfall of funds. ✓✓

(Accept any other correct relevant response.) (2)

3.3.4 **Explain the role of the SARB when bank failure occurs.**

- SARB intervenes to prevent a loss of confidence in the banking sector.
- The SARB guarantees that depositors will not lose the money that they deposited in a registered bank. ✓✓

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

3.3.5 How can South Africa's monetary policy contribute to a higher economic growth rate?

It can contribute by:

- keeping low and stable inflation ✓✓
- stimulating aggregate demand with low interest rates ✓✓
- cutting interest rates, which lowers the cost of borrowing, ✓✓ resulting in higher investment activity and the purchase of consumer durables ✓✓

(Accept any other relevant correct response.) (Any 2 x 2) (4)

3.4 Briefly discuss *medium of exchange* and *unit of account* as functions of money.

Medium of exchange

- The primary function of money is acceptance as payment for goods and services ✓✓
- Goods are exchanged for money which makes exchange much easier ✓✓
- Before people used money as a medium of exchange, they had to barter. ✓✓
- Money overcomes the shortcomings of barter. ✓✓
- Money oils the mechanism of exchange and cause the economy to be more productive. ✓✓ (Any 2 x 2)

Money as a unit of account

- Money is used to measure the relative worth/value of goods and services. ✓✓
- It is used as the standard unit unit for stating the prices of all items. ✓✓
- As a unit of amount/measurement, money enables people to know the worth/value of products immediately ✓✓
- This makes it easy to compare the value of things according to their prices and do economic calculations. ✓✓
- We use money to measure the relative worth of the factors of production, goods and services. ✓✓ (Any 2 x 2) (8)

3.5 Analyse the benefits of microfinance in the economy.

- Access to essential financial services empowers individuals economically and socially. ✓✓
- It creates self-reliance and economic sustainability in poor communities where salaried jobs are scarce. ✓✓
- Small loans enable entrepreneurs to start or expand micro, small and medium enterprises. ✓✓
- Entrepreneurs who create successful businesses, in turn, create jobs, trade, and overall economic improvement within a community. ✓✓
- For business owners, microloans are a way to access funds even with no credit history or a bad credit score. ✓✓
- Microfinance can help women break the cycle of poverty. ✓✓ (Accept any correct relevant response.) (8)

[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS4.1 4.1.1 **Name any TWO sources of wealth.**

- Savings ✓
 - Inheritance ✓
 - Entrepreneurial activities ✓
- (Accept any other correct relevant response.) (Any 2 x 1) (2)

4.1.2 **How will an increase in interest rates influence consumer spending?**

An increase in interest rates will result in:

- the commercial banks also increasing the prime lending rate ✓✓
 - a high prime rate discouraging people to borrow more. ✓✓
decreasing amount of money available for spending. ✓✓
 - spending on goods and services also decreasing. ✓✓
- (Accept any other correct relevant response.) (Any 1 x 2) (2)

4.2 **DATA RESPONSE**4.2.1 **Name an example of capital goods.**

- Machines ✓
 - Equipment ✓
 - Tools ✓
- (Accept any other correct relevant response.) (Any 1 x 1) (1)

4.2.2 **Indicate the remuneration for capital.**

Through interest ✓ (1)

4.2.3 **Briefly describe the term *capital formation*.**

- Capital formation refers to a process whereby capital goods are produced or purchased. ✓✓
- (Accept any other correct relevant response.) (1 x 2) (2)

4.2.4 **Outline the importance of savings important for the creation of capital goods.**

- The funds required for the production or purchase of capital goods are obtained from savings. ✓✓
- (Accept any other correct relevant response.) (1 x 2) (2)

4.2.5 **Why is capital formation important to the South African economy?**

- Capital goods increase the efficiency of labour and increase all the economic activities ✓✓
- Increases the country's ability to produce wealth ✓✓
- When the stock of fixed capital in a country grows at a rate that is greater than the growth rate of the labour force, it will lead to an increase in real GDP ✓✓
- Creates jobs/job opportunities ✓✓
- Shows how much of the new value added in the economy is invested rather than consumed ✓✓

(Accept any other correct relevant response.) (Any 2 x 2) (4)

4.3 **DATA RESPONSE**

4.3.1 **Identify the period in which growth in real GDP is the lowest.**

2nd Quarter of 2020/2020 ✓

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

4.3.2 **Name an economic indicator that is used to measure economic growth.**

- Real GDP ✓ (1)

4.3.3 **Briefly describe the term *economic growth*.**

- It is an increase in the production capacity of a country. ✓✓
(Accept any other correct relevant response.) (1 x 2) (2)

4.3.4 **Explain factors that can lead to increased economic growth.**

- An increase in capital investment ✓✓
- Increased labour productivity ✓✓
- Improvement in technology ✓✓

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

4.3.5 **Why is South Africa experiencing low economic growth rate levels?**

South Africa is experiencing low economic growth levels because of:

- the overvaluation and volatility of South Africa's currency ✓✓
 - an inadequate national infrastructure ✓✓
 - shortage of skilled labour ✓✓
 - barriers to entry, limits to competition and limited new investment opportunities ✓✓
 - deficiencies in state organisation, capacity and leadership ✓✓
- (Accept any other correct relevant response.) (Any 2 x 2) (4)

4.4 Discuss credit cards and electronic fund transfers as means to make payments.

Credit cards

- A credit card enables the cardholder to buy products on credit. ✓✓
- One does not need money in his/her account to pay with a credit card. ✓✓
- A credit card has a fixed credit limit ✓✓
- Each month, the cardholder must deposit a certain amount to pay off the debt.
- Examples include bank credit cards such as Visa and Master cards, dealer credit cards such as Makro or Woolworths. ✓✓ (Any 2 x 2)

Electronic fund transfers

- One of the newest forms of payment ✓✓
- Money is transferred from one account to another electronically by using the internet ✓✓
- These payments are also known as EFT payments. ✓✓
(Accept any other correct relevant response.) (Any 2 x 2) (8)

4.5 Evaluate the South African’s government efficiency in delivering socio-economic services

POSITIVES

- Provision of free basic education and making it a priority through its early childhood development to ensure that all children get access to education. ✓✓
- Provision of free healthcare through its public health clinics and hospitals which is accessible to the all citizens. ✓✓
- Provision of social grant benefit to millions of poor South Africans. ✓✓
- Provision of nutritional meals to many public schools in the country. ✓✓
- Many households have electricity installed and access to clean water and sanitation. ✓✓
- Houses have been built for millions of families. ✓✓
- Government has made considerable effort in creating employment through its Expanded Public Works Programme (EPWP). ✓✓
- There has been efforts to boost agriculture and food security in rural areas through different projects by the Department of Agriculture. ✓✓

NEGATIVES

- The number of people who are unemployed has increased in recent years ✓✓
- Corruption has hindered service delivery in the country ✓✓
- The poor state of healthcare centres with dire shortages. ✓✓
- Increase in poverty levels as more people find themselves without jobs. ✓✓
(Accept any other correct relevant response.) (Any 4 x 2) (8)

[40]

SECTION C**QUESTION 5: MACROECONOMICS**

- Discuss in detail the economic importance of the primary sector (26 marks)
- Analyse the negative impact of the global pandemic (Covid-19) on the economic structure in South Africa. (10 marks)

INTRODUCTION

- The primary sector (primary industry) consists of economic activities that are based on natural resources that come from the earth, e.g. mining, farming, forestry and fishing. ✓✓
(Accept any correct relevant introduction.) (2)

MAIN PARTProvides food and minerals ✓

- The agricultural sector produces a wide range of products. ✓✓
- South Africa is not self-sufficient and therefore some agricultural products are imported. ✓✓
- Mining has been the driving force behind the history and development of South Africa's economy. ✓✓
- South Africa is almost self-reliant in minerals besides crude oil and other oil products that need to be imported. ✓✓

Earns foreign exchange ✓

- South Africa earns foreign income by exporting primary sector products such as fruit, nuts, grain and various minerals. ✓✓
- The foreign exchange earned is used to pay for necessary imports like oil. ✓✓
- South Africa is one of the largest and most diverse mineral producers and exports a variety of minerals. ✓✓

Train workers and create job opportunities ✓

- Workers need to be trained to use the machinery ✓✓
- Job opportunities are created in the mining industry ✓✓
- Agriculture is an important employer for rural people, although the numbers have declined in recent years ✓✓

Provision of raw materials for secondary industries ✓

- Agriculture, fishing, forestry and mining play an important role in the development and establishment of manufacturing industries in South Africa. ✓✓
- Canning factories are examples of industries that were established to process raw materials such as fruit. ✓✓

Contribution to GDP ✓

- Despite the decline in the contribution of the agricultural sector to the GDP, it still plays an important role in providing job opportunities ✓✓
- The sector continues to draw considerable foreign investment to the country. ✓✓

Source of capital formation ✓

- Both agricultural and mining industries need a lot of capital goods in the production process. ✓✓
- Foreign investment plays a very important part in the growth of these industries. ✓✓
- Capital formation in the agricultural sector grows steadily due to high commodity prices. ✓✓

Stimulation of research and development ✓

- In the primary sector there are research institutions that conduct research into methods of boosting productivity and quality ✓✓
- The South African Bureau of Standards (SABS) and the Council for Scientific and Industrial Research (CSIR) are examples of such institutions. ✓

(Max.) (26)

ADDITIONAL PART

- All three sectors and their workers were negatively affected by the pandemic. ✓✓
- The sectors and workers that were most affected by the COVID-19 pandemic were the mining/mineral sectors, the construction sector, the transport sector and most of the services sectors such as retail trade and accommodation. ✓✓
- Reduced economic activities led to reduced labour and capital demand. ✓✓
- This, in turn, led to reduced income to all participants in the economy. ✓✓
- Households dependent on unskilled labour income suffered the most because these workers were the most constrained after the lockdown. ✓✓
- Mining and minerals were affected by the lockdown as well as the drop in the mineral prices on the world market. ✓✓
- There has been a decline in GDP growth which has been largely due to the slowdown in economic activity coupled with widespread disruptions in both international and domestic supply chains. ✓✓
- Lower GDP growth and increasing unemployment translate to rising unemployment and poverty rates. ✓✓

(Accept any other correct relevant response.)

(Max.) (10)

CONCLUSION

As the country attempts to gain control over the pandemic, it is important for the government to protect vulnerable populations (females), support vulnerable sectors and external trade diversification. ✓✓

(Accept any other correct relevant high order conclusion.)

(Max.) (2)

[40]

QUESTION 6

- **Discuss in detail the characteristics of developing countries. (26 marks)**
- **How does the National Development Plan propose to increase economic growth and development in South Africa? (10 marks)**

INTRODUCTION

The three major characteristics of developing countries are – Low per capita real income. High population growth rate/size. High rates of unemployment. ✓✓ (2)
(Accept any correct relevant introduction.)

MAIN PARTLow standard of living ✓

- Low living standards are also related to low levels of education. ✓✓
- The level and effectiveness of education are expressed by the adult literacy rate. ✓✓
- This is a percentage of people aged 15 years and above who can read, write and speak. ✓✓
- Literacy rates in developing countries are low compared to those in developed countries. ✓✓
- Education deficiencies and the apartheid legacy have caused severe skills shortages in South Africa. ✓✓
- The most important way of escaping poverty for individuals is education. ✓✓
- An improved education system is necessary to grow the economy as a whole. ✓✓

Low levels of productivity ✓

- Productivity is essential for a nation's development and its inhabitants's welfare. ✓✓
- The low levels of labour productivity in most developing countries is caused by lack of capital investments, low education standards and experienced management. ✓✓

High population growth and dependency burdens ✓

- Developing countries usually have a high population growth due to very high birth rates. ✓✓
- A high population growth rate causes a number of problems such as unemployment, pressure on housing, education and health services. ✓✓
- The labour force in developing countries has to support almost as twice as many children and elderly people as it does in richer countries. ✓✓
- The high birth rates transform into high dependency ratios. ✓✓
- Children and the elderly must be supported by a country's labour force. ✓✓

High levels of unemployment ✓

- A country with a high population growth rate and low levels of economic growth will not be able to provide enough job opportunities. ✓✓
- Labour is also underutilised in developing countries compared to developed countries. ✓✓
- More jobs have to be created to accommodate the rapid population growth – an aim that is usually not achieved. ✓✓

Dependence on the primary sector ✓

- Most of the people in developing countries live and work in rural areas. ✓✓
- They depend heavily on subsistence agriculture for a livelihood ✓✓
- These countries depend on exporting primary products. ✓✓
- Poor countries get less for their exports and have to pay more for their imports. ✓✓

Deficient infrastructure ✓

- In most developing countries, infrastructure is often lacking or poorly maintained. ✓✓
- Poor infrastructure limits economic growth as there is poor access to markets. ✓✓
- Infrastructure plays an important role in improving competitiveness and facilitating international trade ✓✓ (Max.) (26)

ADDITIONAL PART

- Improving labourers' skills by means of better education and training ✓✓
 - Improving the functioning of demand and supply in the labour market ✓✓
 - Stimulating exports where South Africa has a comparative advantage e.g. mining and tourism ✓✓
 - Growing investment in social and economic infrastructure ✓✓
 - Raise productivity by giving more people an opportunity to participate in the economy ✓✓
- (Accept any other correct relevant answer.) (10)

CONCLUSION

The coronavirus (COVID-19) pandemic and the economic shutdowns are dealing a severe blow to the global economy and especially poorer countries. ✓✓

(Accept any correct higher order conclusion.) (2)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150