



DEPARTMENT OF EDUCATION
DEPARTEMENT VAN ONDERWYS
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**PROVINSIALE VOORBEREIDENDE EKSAMEN/
PROVINCIAL PREPARATORY EXAMINATION**

GRAAD/GRADE 12

**EKONOMIE/ECONOMICS
VRAESTEL/PAPER 1
SEPTEMBER 2025**

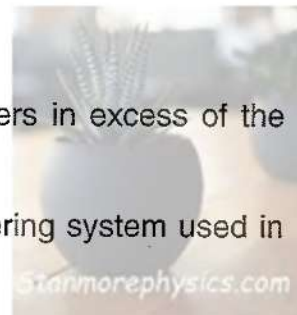
PUNTE/MARKS: 150

TYD/TIME: 2 uur/hours

**Hierdie vraestel bestaan uit 13 bladsye./
This question paper consists of 13 pages.**

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 calculator.
11. Write neatly and legibly.



SECTION A (COMPULSORY)**30 MARKS – 20 MINUTES****QUESTION 1**

- 1.1 Various options are provided as possible answers to the following questions. Choose the correct 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 Uninterrupted flow of spending, production and income between different sectors in the economy is known as the ...

- A production factors.
- B business cycle.
- C multiplier.
- D circular flow.

1.1.2 The inverse relationship between unemployment and inflation is known as the ... curve.

- A Phillips
- B demand
- C Laffer
- D Lorenz

1.1.3 Transfer of functions and ownership from the private sector to the public sector is known as ...

- A privatisation.
- B nationalisation.
- C governance.
- D parastatals.

1.1.4 ... of a currency refers to the deliberate increase in the value of the currency in terms of another currency.

- A Depreciation
- B Appreciation
- C Revaluation
- D Devaluation

1.1.5 The abolition of state interference in trade flows on both the import and export side is referred to as ...

- A export promotion.
- B trade liberalisation.
- C ad valorem tax.
- D industrial development.



1.1.6

A development policy that seeks to improve service delivery to the poor and create an environment for human development is called the ...

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



1.1.7

The ... is an intergovernmental organisation that aims to promote socio-economic cooperation and integration, as well as political and security cooperation between 15 states in Southern Africa.

- A Southern African Customs Union (SACU)
- B African Union (AU)
- C Southern African Development Community (SADC)
- D North Atlantic Free Trade Area (NAFTA)

1.1.8

The average number of years that newborn babies are expected to live under the existing conditions in a region or country is known as ...

- A infant mortality.
- B nutrition.
- C health spending.
- D life expectancy.

(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, for example 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Savings	A find legal ways to pay less tax through knowledge of the tax laws
1.2.2 Extrapolation	B process by which the standard of living improves
1.2.3 Tax avoidance	C entities that support economic collaboration, promote financial stability, and works toward reducing poverty worldwide
1.2.4 Globalization	D trade principle that attempts to keep the domestic economy safe by restricting the import of goods and services
1.2.5 Protectionism	E income that is not consumed
1.2.6 Economic development	F process of increasing international cooperation and communication, leading to an increase in trade and international business transactions
1.2.7 Industrial development	G An international bank established to promote economic recovery and development
1.2.8 International Monetary Fund (IMF)	H refers to policies aimed at encouraging investments and greater manufacturing efficiency
	I predict unknown data, based on a pattern of known data

(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. Abbreviations, acronyms and examples will not be accepted.



1.3.1 The market where one currency is traded for another, e.g. rand for the dollar

1.3.2 The many rules and regulations that govern state departments and lead to poor service and failure to meet government targets

1.3.3 When a country's opportunity cost of producing a product is lower than another country's opportunity cost of producing the same product

1.3.4 Negative economic growth for at least two consecutive quarters

1.3.5 The main objective of this incentive is to encourage greater investment in training for industrial development

1.3.6 Measured by dividing the real GDP by the number of workers employed (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 Name any TWO factors of production. (2 x 1)

2.1.2 What influence will an increase in the repo rate have on employment levels in South Africa? (1 x 2) (2)

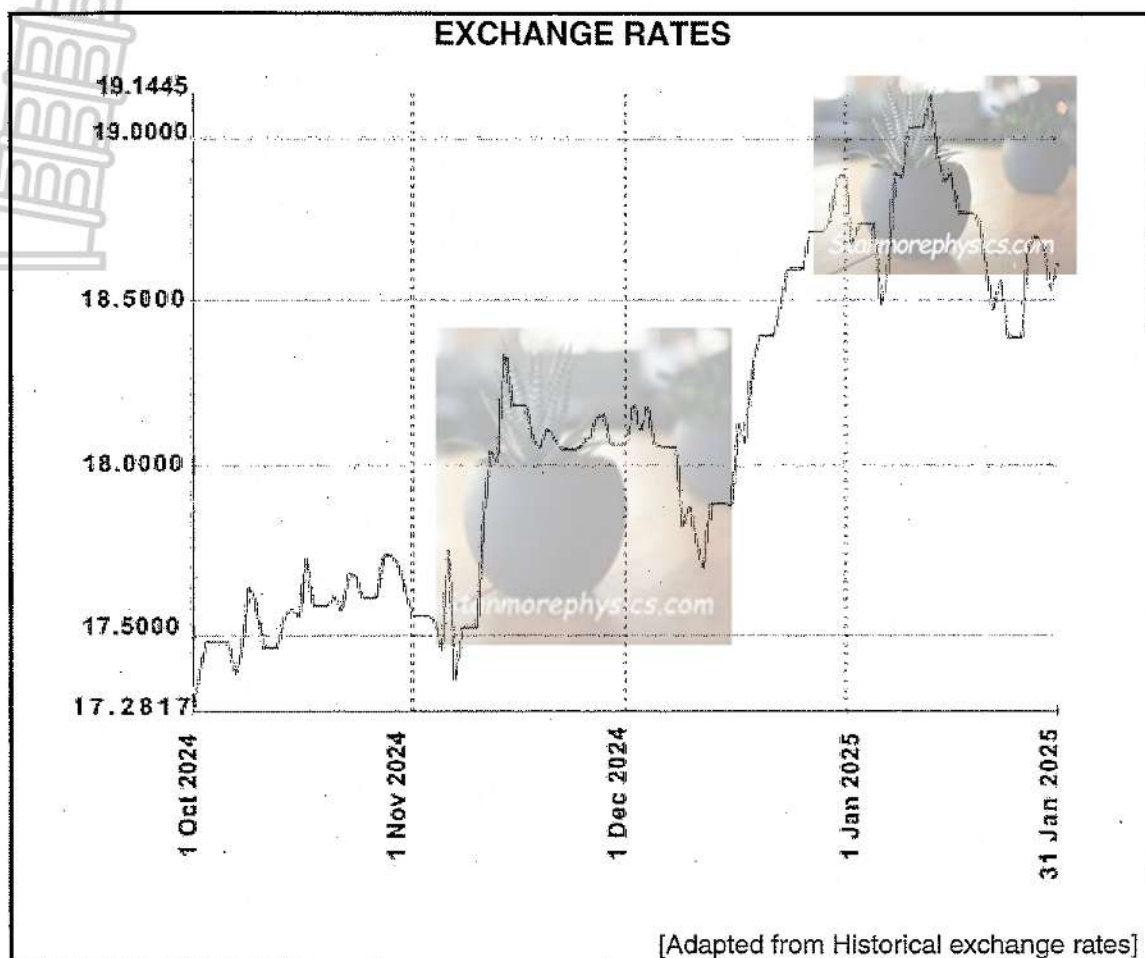
2.2 Study the cartoon below and answer the questions that follow.



[Adapted from Netwerk24 18 February 2025]

- 2.2.1 Identify from the cartoon who is portrayed as bearing the burden of the government's debt. (1)
- 2.2.2 Name the institution that is responsible for collecting taxes on behalf of the government. (1)
- 2.2.3 Briefly describe the term *indirect tax*. (2)
- 2.2.4 Explain why governments justify imposing high taxes? (2)
- 2.2.5 What consequence could a 2% increase in VAT have on businesses in the South African economy? (2 x 2) (4)

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



- 2.3.1 Identify the exchange rate of the rand against the dollar at the beginning of October 2024. (1)
- 2.3.2 Name ONE factor that will influence the demand for the US dollar. (1)
- 2.3.3 Briefly describe the term *terms of trade*. (2)
- 2.3.4 Explain possible reasons why the rand might depreciate against the US dollar. (2)
- 2.3.5 What impact does improved consumer confidence have on the economy and the exchange rate of the rand? (2 x 2) (4)
- 2.4 Explain how the multiplier effect can influence the government in creating more jobs when there is a R20 billion injection into the economy with a marginal propensity to save (mps) of 0,4. Show ALL calculations. (8)
- 2.5 How can the government use the fiscal policy as part of demand-side policies to increase aggregate demand in the economy? (4 x 2) (8)

40]

QUESTION 3: ECONOMIC PURSUITS**40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name any TWO methods to encourage export promotion. (2 x 1) (2)

3.1.2 Explain how access to quality education promotes economic development and reduces inequality. (1 x 2) (2)

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

MANUFACTURING CAN STIMULATE ECONOMIC GROWTH

Industrial policy should be at the core of the country's strategy for economic development. You are aware that manufacturing creates jobs in both the upstream and downstream sectors. These jobs are typically permanent and pay decent wages, while workers have access to **skills development** and career opportunities.



[Adapted from network24/business/economy 17 July 2024]

3.2.1 Identify the National Department that Parks Tau is currently serving as Minister of. (1)

3.2.2 Name the benefit from the extract above that is created when industrial policies are implemented in an economy. (1)

3.2.3 Briefly describe the term *Spatial Development Initiatives*. (2)

3.2.4 Explain the positive impact of skills development on workers. (2)

3.2.5 How can the Industrial Policy Action Plans (IPAP) enforce competition policies. (2 x 2) (4)

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

KEY ECONOMIC INDICATORS OF 2024					
INDICATORS		OCT 2023	%	OCT 2024	%
1 Production Price Index (PPI)*	Index	131,1	5,1	135,4	3,3
2 Official inflation rate (CPI)*	Index	111,8	5,4	116,1	3,8
3 Exchange rate:**					
Rand/dollar	R/\$	19,06	-5,4	17,60	7,7
Rand/pound	R/£	23,18	-13,3	23,10	0,3
Rand/euro	R/€	20,12	-12,9	19,26	4,3
4 Interest rate:*					
Bank rate/repo rate	%	8,25	2,00	8,00	-0,25
Prime rate	%	11,75	2,00	11,50	-0,25

[Source: Economic indicators and price movements in 2024 – SA Grain]

3.3.1 Identify the decrease in inflation from October 2023 to October 2024. (1)

3.3.2 Name the indicator from the table above that predicts consumer inflation. (1)

3.3.3 Briefly describe the term *repo rate*. (2)

3.3.4 Explain a possible reason why the South African Reserve Bank will lower the interest rate. (2)

3.3.5 How can an increase in inflation impact the economy? (2 x 2) (4)

3.4 Discuss the *employment rate* and *unemployment rate* as employment indicators. (2 x 4) (8)

3.5 How can South Africa reduce imports to correct a deficit in the balance of payments? (4 x 2) (8)

[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

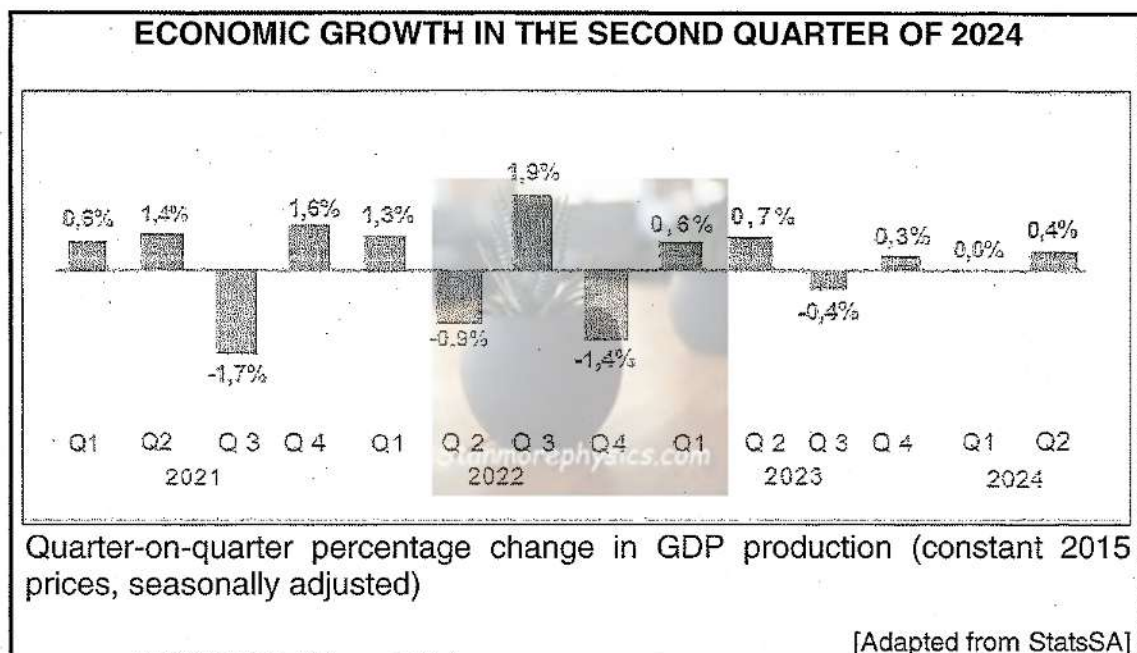
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name any TWO sub-accounts of the financial account. (2 x 1) 2)

4.1.2 What role does the World Trade Organisation play in promoting trade and cooperation between countries? (1 x 2) 2)

4.2 Study the following graph and answer the questions that follow.



4.2.1 Identify the increase in GDP from Q3 to Q4 in 2023. (1)

4.2.2 Name ONE reason why economic growth is important for a country. (1)

4.2.3 Briefly describe the term *supply-side approach*. (2)

4.2.4 Explain the role of investments in economic growth. (2)

4.2.5 Compare the challenges of globalisation in the *north* to the challenges in the *south*. (2 x 2) (4)

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

THE INDEX SHOWS THE ECONOMY HIT THE BRAKES IN JANUARY



The number of electronic transactions processed between banks through payment systems decreased by 8% in January after reaching a peak in December for a single month.

According to BankservAfrica, which facilitates payments between banks, a peak of 170,4 million electronic transactions was recorded in December. This dropped to 156,2 million in January.

[Adapted from Network 24]

- 4.3.1 Identify under which category of the money supply electronic transfers are classified as. (1)
- 4.3.2 Name a possible reason for the peak in electronic transactions in December. (1)
- 4.3.3 Briefly describe the term *real business cycle*. (2)
- 4.3.4 Explain how consumer spending on imports can influence the South African business cycle. (2)
- 4.3.5 How can lagging indicators as features of business cycles be used in forecasting? (2 x 2) (4)
- 4.4 Briefly discuss *income levels* and *preferences and taste* as reasons for international trade. (2 x 4) (8)
- 4.5 Evaluate the appropriateness of Broad-Based Black Economic Empowerment in the South African economy. (4 x 4) (16)

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 answer. • A good starting point would be to describe the main concept related to the question. • DO NOT include any part of the question in the introduction. • DO NOT repeat any part of the introduction in the body. • Avoid mentioning 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/Compare/Distinguish/Differentiate/Explain/Draw a graph and explain/Complete the given graph/Debate A maximum of 8 marks may be awarded for headings/examples.	Max. 26
Additional part: Critically discuss/Evaluate/Critically evaluate/Debate/Deduce/Compare/Interpret/How?/Suggest A maximum of 2 points can be awarded for simply stating facts.	Max. 10
Conclusion Any higher-order conclusion should include: • A brief summary of what was discussed, without repeating facts already mentioned • Any opinion or valued judgement on the facts discussed • Additional supporting information that strengthens the discussion/analysis • A contradictory viewpoint with motivation • Recommendations	Max. 2
TOTAL	40

QUESTION 5: MACRO-ECONOMICS**40 MARKS – 40 MINUTES**

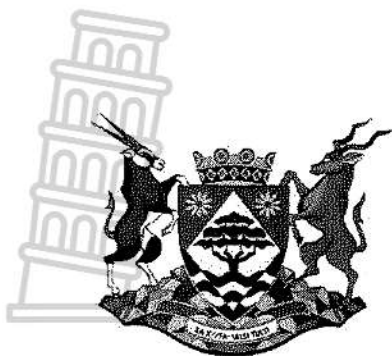
- Discuss in detail the markets within a four-sector circular flow model. (26)
- How can an increase in economic growth, import expenditure and higher interest rates affect the balance between injections and leakages in the economy? (10)

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

- Discuss in detail South Africa's initiatives (endeavours) in regional development.
- How successful has the government been in promoting industrial development in South Africa?

(10)

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



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PROVINCIAL PREPARATORY EXAMINATION

GRADE 12

ECONOMICS

PAPER 1

SEPTEMBER 2025

MARKING GUIDELINES

MARKS: 150

These marking guidelines consist of 21 pages.

SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

- 1.1.1 D – Circular flow✓✓
 - 1.1.2 A – Phillips✓✓
 - 1.1.3 B – Nationalisation✓✓
 - 1.1.4 C – Revaluation✓✓
 - 1.1.5 B – Trade liberalisation✓✓
 - 1.1.6 A – Reconstruction and Development Program✓✓
 - 1.1.7 C – Southern African Development Community (SADC)✓✓
 - 1.1.8 D – Life expectancy✓✓
- (8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 E – (income that is not consumed)✓
 - 1.2.2 I – (predict unknown data, based on a pattern of known data) ✓
 - 1.2.3 A – (find legal ways to pay less tax through knowledge of the tax laws) ✓
 - 1.2.4 F – (process of increasing international cooperation and communication leading to an increase in trade and international business transactions) ✓
 - 1.2.5 D – (a trade principle that attempts to keep the domestic economy safe by restricting the import of goods and services) ✓
 - 1.2.6 B – (process by which the standard of living improves) ✓
 - 1.2.7 H – (refers to policies aimed at encouraging investments and greater manufacturing efficiency) ✓
 - 1.2.8 C – (entities that support economic collaboration, promote financial stability, and work toward reducing poverty worldwide) ✓
- (8 x 1) (8)

1.3 GIVE THE TERM

- 1.3.1 Foreign exchange market/foreign currency market✓
 - 1.3.2 Bureaucracy/red tape✓
 - 1.3.3 Comparative advantage✓
 - 1.3.4 Recession✓
 - 1.3.5 Skills Support Programme✓
 - 1.3.6 Labour productivity✓
- (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer any TWO of the three questions.

QUESTION 2: MACROECONOMICS

2.1 Answer the following questions.

2.1.1 Name any TWO factors of production.

- Capital✓
- Entrepreneurship✓
- Labour✓
- Natural resources✓

(2 x 1) (2)

2.1.2 What influence will an increase in the repo rate have on employment levels in South Africa?

- Unemployment is likely to increase due to reduced business activity and consumer spending.✓✓
 - Employment is likely to decrease due to reduced business activity and consumer spending.✓✓
- (Accept any other relevant answer) (2)

2.2 DATA-RESPONSE

2.2.1 Identify from the cartoon who is portrayed as bearing the burden of the government's debt?

Taxpayers.✓ (1)

2.2.2 Name the institution that is responsible for collecting taxes on behalf of the government.

South African Revenue Service/SARS.✓ (1)

2.2.3 Briefly describe the term *indirect tax*.

Taxes levied on the sale of goods and services.✓✓
(Accept any other relevant answer) (1 x 2) (2)

2.2.4 Explain why governments justify imposing high taxes?

Governments argue that high taxes are necessary to provide public services, such as healthcare, education, infrastructure and social welfare programs.✓✓
They can also use taxes to reduce inequality or manage national debt.✓✓
(Accept any other relevant answer) (2)



2.2.5 What consequence could a 2% increase in VAT have on businesses in the South African economy?

- For businesses that cannot reclaim the entire VAT amount, they will have to bear the increased costs of production. ✓✓ This will particularly disadvantage small businesses that do not have the same capacity to reclaim tax. ✓✓
 - Businesses may have to pass on the new VAT rate to customers, which could further pressure market demand, depending on how sensitive the market is to price increases. ✓✓
- (Accept any other relevant answer)

(2 x 2) (4)

2.3 DATA-RESPONSE

2.3.1 Identify what the exchange rate of the rand against the dollar is at the beginning of October?

R17,28✓ / 17,2817✓ (1)

2.3.2 Name ONE factor that will influence the demand for the US dollar.

- Importing goods✓
 - Payment for services from foreign countries✓
 - Buying shares in another country✓
 - Tourists spending money overseas✓
 - Repayment of debt borrowed from foreign countries✓
- (Accept any other relevant answer.)

(1)

2.3.3 Briefly describe the term, *terms of trade*.

Compares a country's export prices with its import prices using indexes. ✓✓
(Accept any other relevant answer)

(2)

2.3.4 Explain possible reasons why the rand might depreciate against the US dollar.

- Slow economic growth, high unemployment, and poor productivity can erode investor confidence, resulting in reduced demand for the rand. ✓✓
 - Instability, corruption, or unclear economic policies may scare off foreign investors, leading to capital outflows and weakening the rand. ✓✓
 - Frequent power cuts and poor infrastructure affect business operations and economic output, which can reduce confidence in the economy and the currency. ✓✓
 - When the US raises interest rates, investors move money into the dollar to earn better returns, reducing demand for the rand. ✓✓
- (Accept any other relevant answer.)

(2)



2.3.5 What impact does improved consumer confidence have on the economy and the exchange rate of the rand?

- When consumers feel confident about the economy, they are more likely to spend money on goods and services. ✓✓ This increases demand, which can lead to higher production, job creation and overall economic growth. ✓✓
- Strong consumer behaviour contributes to higher growth in gross domestic product (GDP), as increased spending and investment drive overall economic expansion. ✓✓
- With higher consumer spending, the government collects more taxes, which can be used to finance infrastructure and social programs, further promoting economic growth. ✓✓
- If consumer confidence leads to higher domestic production and exports, South Africa could experience an improved trade balance, supporting a stronger rand. ✓✓

(Accept any other relevant answer)

(2 x 2) (4)

2.4 Explain how the multiplier effect can influence the government in creating more jobs when there is a R20 billion injection into the economy with a marginal propensity to save (mps) of 0,4. Show ALL calculations.

$$\begin{aligned}\text{Multiplier (K)} &= \frac{1}{mps} \\ &= \frac{1}{0,4} \checkmark \\ &= 2,5 \checkmark\end{aligned}$$

OR

$$\begin{aligned}&\frac{1}{1-mpc} \\ &= \frac{1}{1-0,6} \checkmark \\ &= \frac{1}{0,4} \\ &= 2,5 \checkmark\end{aligned}$$

$$\begin{aligned}\text{Injection} &= R20 \times 2,5 \checkmark \\ &= R50 \text{ billion} \checkmark\end{aligned}$$

(Max. 4)

- The change in total income as a result of the R20 billion injection is R50 billion. ✓✓ This increased income could lead to more demand for goods and services, which could increase production and ultimately create jobs, as businesses, in response to the increased demand, will hire more workers to supply the increased production. ✓✓
- By stimulating the economy, increased spending can encourage businesses to hire more people to support the increased demand for goods and services. ✓✓ As a result of the increased income and business activity, jobs in sectors such as production, sales, and services are likely to increase. ✓✓

(Accept any other relevant answer)

(Max. 4)

(4 x 2) (8)



2.5

How can the government use the fiscal policy as part of demand-side policies to increase aggregate demand in the economy?

- Fiscal policy refers to the government's use of taxes and spending to influence the economy. ✓✓ When the goal is to increase aggregate demand, the government will typically lower taxes or increase spending ✓✓:
 - Lower taxes increase the disposable income of consumers and businesses, which increases their spending capacity. ✓✓
 - This can encourage consumers to buy more, and businesses to invest more. ✓✓
 - The government can spend more on infrastructural projects, healthcare, and education to stimulate the economy. ✓✓ This direct spending can quickly increase demand for goods and services and create jobs. ✓✓
 - Increasing welfare benefits or unemployment insurance boosts household income, leading to more spending. ✓✓
 - These actions encourage economic activity by increasing consumption, investment, and overall demand in the economy. ✓✓
- (Allocate a maximum of 2 marks for the mere listing of facts/examples)

(Accept any other relevant answer)

(4 x 2) (8)

[40]

QUESTION 3: ECONOMIC PURSUITS

3.1 Answer the following questions.

3.1.1 Name any TWO methods to encourage export promotion.

- Financial incentives✓
- Cash awards✓
- Tax exemptions✓
- Discounts to provide relief✓
- Refunds on import tariffs✓
- Subsidies✓

(Accept any one of the above answers)

(2 x 1) (2)

3.1.2 Explain how access to quality education promotes economic development and reduces inequality.

- Advanced skills and knowledge enable them to enter higher-paying professions, which increases their standard of living and promotes economic progress. ✓✓
- (Accept any other relevant answer)

(2 x 1) (2)

3.2 DATA RESPONSE

3.2.1 Identify the National Department that Parks Tau is currently serving as Minister of.

Department of Trade, Industry and Competition ✓ / Department of Trade and Industry ✓ (1)

3.2.2 Name the benefit from the extract above that is created when industrial policies are implemented in an economy.

This creates jobs in the upstream and downstream sectors/job creation ✓ (1)

3.2.3 Briefly describe the term *Spatial Development Initiatives*.

SDIs are policies to promote sustainable industrial development in areas where poverty and unemployment are highest. ✓✓ This can be described as the link between economic core areas and regions in a country. ✓✓
(Accept any other relevant correct answers) (2)

3.2.4 Explain the positive impact of skills development on workers.

- Improved chances of being hired, workers with advanced or specialised skills have a greater chance of finding and keeping a job. ✓✓
- With better skills, workers can earn higher salaries as they become more productive and valuable to employers. ✓✓
- Skills development gives workers the opportunity to grow in their careers and take advantage of promotion opportunities. ✓✓
- Employees with specialised skills are less likely to lose their jobs during economic downturns. ✓✓
- With better job opportunities and higher incomes, workers can maintain a higher standard of living and provide better for their families. ✓✓
(Accept any other relevant answer) (2)

3.2.5 How can the Industrial Policy Action Plans (IPAP) enforce competition policies?

- IPAP can strengthen the role of the competition authorities in relation to private sector behaviour. ✓✓
- Interventions across institutions must be geared to monitor the conduct of dominant private firms. ✓✓
- IPAP must ensure that firms' strategies do not exploit market power. ✓✓
- New firms that enter the market must be supported. ✓✓
(Accept any other relevant answer) (2 x 2) (4)



3.3.1 Identify the decrease in inflation from October 2023 to October 2024.

1,6✓ (1)

3.3.2 Name the indicator from the table above that predicts consumer inflation.

Consumer Price Index/CPI✓ (1)



3.3.3 Briefly describe the term *repo rate*.

The repo rate is the interest rate at which a central bank lends money to commercial banks. ✓✓ It influences borrowing costs, inflation, and economic growth. ✓✓

(Accept any other relevant answer) (2)

3.3.4 Explain a possible reason why the South African Reserve Bank will lower the interest rate.

- A lower interest rate makes loans cheaper for businesses and individuals, which can increase investment and spending. ✓✓
- This encourages businesses to expand, create new jobs and grow the economy. ✓✓

(Accept any other relevant answer) (2)

3.3.5 How can an increase in inflation impact the economy?

CONSUMERS:

- An increase in inflation reduces the purchasing power of money, making goods and services more expensive. ✓✓
- It raises the cost of living, affecting households and businesses. ✓✓
- Higher inflation often leads to increased interest rates, making borrowing more expensive. ✓✓

BUSINESSES:

- Businesses face rising production costs, which may reduce profits and slow down growth. ✓✓
- Investors may lose confidence, leading to lower investment and economic instability. ✓✓

FOREIGN SECTOR:

- Currency value weakens, making imports more expensive but potentially increasing exports. ✓✓
- If uncontrolled, inflation can lead to economic uncertainty and reduced consumer spending on imports. ✓✓



GOVERNMENT:

- Increased government expenditure on infrastructural development due to higher prices. ✓✓
- Budgetary constraints due to increased government expenditure force the government to make choices as to where spending will take place. ✓✓
(Accept any other relevant answer) (2 x 2) (4)

3.4 Briefly discuss the *employment rate* and *unemployment rate* as employment indicators.

Employment rate:

- The employment rate shows the percentage of the working population that has jobs. ✓✓
- It reflects the level of job creation and the health of the labour market. ✓✓
- A rising employment rate indicates a healthy economy where more people are finding work, which is often associated with a growing economy. ✓✓
- A decline can indicate stagnation or decline in the economy, with few job opportunities available. ✓✓
- Investment and policy decisions can be influenced by the employment rate, as it indicates the demand for goods and services, as well as overall economic activity. ✓✓
(Accept any other relevant answer) (Max. 4)

Unemployment rate:

- The unemployment rate shows the percentage of people who are looking for work but cannot find a job. ✓✓
- It measures the inability of the labour market to provide employment opportunities for those who are actively looking. ✓✓
- A high unemployment rate indicates structural problems in the economy, such as insufficient job creation, a lack of skills among job seekers, or economic stagnation. ✓✓
- A low unemployment rate indicates a healthy labour market. ✓✓
- The unemployment rate is often a key metric used by policymakers to measure the success of labour market policies. ✓✓
- It is also important for determining the level of poverty and the social challenges a country may face. ✓✓
- (Allocate a maximum of 4 marks for the mere listing of facts/examples)
(Accept any other relevant answer) (Max. 4)
(2 x 4) (8)

3.5 How can South Africa reduce imports to correct a deficit in the balance of payments?

- The South African government can stimulate domestic production by promoting sectors such as agriculture, manufacturing and industry, which will reduce the demand for imported goods. ✓✓ This can be achieved through tax breaks, subsidies and other measures that encourage local manufacturers to produce more products locally. ✓✓



- Investing in technology, by encouraging innovation and technology, South Africa can build a more competitive manufacturing sector that is less dependent on imported products.✓✓
- The government can impose higher import tariffs on certain goods to increase the cost of imported products, which can reduce demand for them and make local products more competitive.✓✓
- In certain cases, South Africa may impose import restrictions or quotas on specific products to limit the volume of certain imported goods. ✓✓ This can help balance the balance of payments, but can also lead to higher prices for consumers.✓✓
- Reduce the consumption of foreign goods by bringing about changes in consumer behaviour. ✓✓ The government can launch educational campaigns to encourage South Africans to buy more local products and use fewer imported goods. ✓✓ Consumers can also be made aware of the benefits of local production, such as supporting jobs and economic growth.✓✓
- Encouraging green consumption by stimulating the use of local renewable resources and promoting sustainable consumption that is less dependent on imported goods can also help.✓✓
- By promoting exports, South Africa can bring in foreign exchange that can balance the balance of payments. ✓✓ The country can promote exports of products that are available in surplus, such as agricultural products or minerals.✓✓
- The government can take measures to build a broader export base, including promoting new sectors, which will allow for the sale of more valuable goods and services to other countries.✓✓
- The government can take measures to attract foreign direct investment (FDI), which can increase production capacity in South Africa. ✓✓ This will help local businesses to establish the production of goods that were previously imported into the country.✓✓
- By improving the business climate in South Africa, the country can attract more foreign companies that will produce locally, which can replace imports.✓✓
- A stable and stronger rand will reduce the cost of imports, but it will make the country's exports less competitive. ✓✓ The government can do a balancing act to manage the value of the rand and thereby control imports.✓✓
- Sometimes South Africa may also implement policies to restrict capital flows, which reduces the demand for foreign exchange, which in turn may reduce the demand for imported goods.✓✓
- One approach could be to reduce the country's dependence on imported basic goods (such as fuel, electricity, and manufacturing materials) by developing and promoting local alternatives.✓✓

(Allocate a maximum of 2 marks for the mere listing of facts/examples)

(Accept any other relevant answer)

(4 x 2) (8)

[40]

QUESTION 4: MACROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES

4.1 Answer the following questions.

4.1.1 Name any TWO sub-accounts of the financial account.

- Net direct investments✓
- Net portfolio investments✓
- Net financial derivatives✓
- Net other investment✓
- Reserve assets✓

(Accept any other relevant answer)

(1 x 2) (2)

4.1.2 What role does the World Trade Organisation play in promoting trade and cooperation between countries?

The World Trade Organisation (WTO) promotes trade and cooperation by establishing and enforcing global trade rules, reducing trade barriers, and providing a platform for negotiations among nations. ✓✓

(Accept any other relevant correct answer)

(2 x 1) (2)

4.2 DATA-RESPONSE

4.2.1 Identify the increase in GDP from Q3 to Q4 in 2023.

0,7✓

(1)

4.2.2 Name ONE reason why economic growth is important for a country.

- Higher incomes and a better standard of living✓
- Creation of new jobs helps reduce unemployment.✓
- Increases tax revenue, which allows the government to improve infrastructure✓

(Accept any other relevant answer)

(1)

4.2.3 Briefly describe the term *supply-side approach*.

A supply-side approach includes everything that can influence the total supply of goods and services, focusing on microeconomic components, e.g. competition and potential output. ✓✓

Policies aimed at increasing total market supply. ✓✓

(Accept any other relevant answer)

(2)



4.2.4 Explain the role of investments in economic growth.

- Investments in infrastructure, businesses and other sectors lead to the creation of new jobs, which reduces the unemployment rate and stimulates the overall economy.✓✓
 - Investments, especially in capital goods and technology, help expand the productive capacity of the economy, which increases the production of goods and services and contributes to economic growth.✓✓
 - Investing in research and development promotes innovation, which in turn increases productivity and can help create new industries and markets.✓✓
 - When a country attracts investment, it can create a positive cycle where more investors, domestic and foreign, are attracted, further boosting growth.✓✓
 - Investments in infrastructure, such as roads, transportation systems, and energy sources, promote overall economic efficiency and make it easier for businesses to thrive.✓✓
 - Investing in various sectors can diversify the economy, making the country less vulnerable to external shocks and improving economic stability.✓✓
 - Investments bring capital into the economy, which can be used by businesses to expand their products and services, which in turn leads to greater growth and development.✓✓
- (Accept any other relevant answer) (2)

4.2.5 Compare the challenges of globalisation in the North to the challenges in the South.

In the Global North, challenges of globalisation often revolve around job losses due to outsourcing, wage stagnation, and economic inequality, as industries move to lower-cost regions.✓✓

- Additionally, there are concerns over cultural homogenization and the impact of global competition on local businesses.✓✓
- In contrast, the Global South faces issues such as economic dependency, exploitation of natural resources, labour rights violations, and vulnerability to fluctuations in the global market.✓✓
- While the North struggles with maintaining economic dominance and social stability, the South contends with structural inequalities and uneven development.✓✓

(Accept any other relevant correct answer)

(2 x 2) (4)

4.3 DATA-RESPONSE

4.3.1 Identify under which category of the money supply electronic transfers are classified.

M1✓

(1)

4.3.2 Name a possible reason for the peak in electronic transactions in December.

The peak in electronic transactions in December is due to increased holiday shopping, festive season spending, and year-end bonuses, leading to higher consumer purchases.✓

(Accept any other relevant answer)

(1)

4.3.3 Briefly describe the term *real business cycle*.

A real business cycle is obtained when the effects of irregular events, seasons, and long-term growth trends are removed from the time series data.✓✓

(Accept any other relevant answer)

(2)

4.3.4 Explain how consumer spending on imports can influence the South African business cycle.

- If consumers spend more on imports, it could reduce domestic demand for local products. ✓✓
- This could lead to a decline in production and jobs in local industries, which could cool the economy and cause a recession. ✓✓
- When a country imports more than it exports, it can negatively affect the balance of payments, which can depress the exchange rate. ✓✓
- This can lower the value of the local currency, which in turn increases the cost of imports and can fuel inflation. ✓✓

(Accept any other relevant answer)

(2)

4.3.5 How can lagging indicators as features of business cycles be used in forecasting?

- Lagging indicators reflect changes after the economy has already begun to follow a trend, making them less useful for predicting turning points. ✓✓
- These indicators help assess the effectiveness of economic policies and the overall stability of the economy. ✓✓
- They confirm long-term trends rather than predict future movements. ✓✓
- Examples of these indicators are hours worked in construction and the total number of commercial vehicles sold. ✓✓
- Examples include unemployment rates, corporate profits, and interest rates. ✓✓

(Accept any other relevant answer)

(2 x 2) (4)



4.4 Briefly discuss *income levels and preferences and taste* as reasons for international trade.

INCOME LEVELS:

- The population's income levels affect demand. ✓✓ Changes in income cause a change in the demand for goods and services. ✓✓
- An increase in the per capita income of people results in more disposable income that can be spent on local goods and services, some of which may then have to be imported. ✓✓
- Higher-income countries demand a variety of goods, including luxury products, while lower-income countries focus on essential goods. ✓✓
- Countries with higher incomes import specialized or high-quality goods that may not be produced locally. ✓✓

PREFERENCES AND TASTE:

- It plays a part in determining prices, e.g. customers in Australia have a preference for a specific product which they do not produce and need to import, and it will have a higher value than in other countries. ✓✓
 - Cultural influences, brand popularity, and unique product offerings encourage trade. ✓✓
 - For example, some countries prefer imported cars, fashion, or food items due to quality, trends, or tradition. ✓✓
- (Allocate a maximum of 4 marks for the mere listing of facts/examples)
(Accept any other relevant answer) (2 x 4) (8)

4.5 Evaluate the appropriateness of Broad-Based Black Economic Empowerment in the South African economy.

Positive aspects

- B-BBEE aims to include previously disadvantaged groups, especially black South Africans, in the economic mainstream. ✓✓
- By providing access to resources, business opportunities, and ownership, it helps address historical injustices and economic inequality. ✓✓
- Through policies that promote skills development, training, and employment, B-BBEE creates opportunities for individuals in marginalised communities. ✓✓
- It encourages businesses to hire and train workers from these communities, reducing unemployment and fostering long-term skills development. ✓✓
- B-BBEE facilitates the growth of black-owned businesses by providing access to government contracts, funding, and business development programs. ✓✓
- This encourages entrepreneurship and helps diversify the economy by fostering small and medium enterprises (SMEs), contributing to economic dynamism. ✓✓
- The B-BBEE framework can attract both domestic and foreign investment. ✓✓ Companies that meet B-BBEE criteria may receive preferential treatment in terms of procurement, access to resources, or tax incentives, thus increasing their appeal to investors interested in compliant businesses. ✓✓



Negative aspects

- While B-BBEE aims to empower a broad segment of the population, in practice, the benefits are often concentrated among a small, politically connected elite. ✓✓
- This leads to criticism that the policy only benefits a few individuals, rather than transforming the economic position of the majority of disadvantaged South Africans. ✓✓
- Some businesses argue that B-BBEE requirements are overly restrictive, complex, and costly to implement. ✓✓
- The preference for black-owned or black-controlled businesses in tenders and contracts can discourage foreign investment and hinder business expansion. ✓✓
- Investors may view B-BBEE as a barrier to open competition and market entry. ✓✓
- The focus on empowering historically disadvantaged individuals has led to efforts in skills development, but there is still a significant skills gap in key industries. ✓✓
- In some sectors, qualified individuals are not readily available, which can hinder productivity and result in underperformance in businesses that are trying to comply with B-BBEE policies. ✓✓
- There are concerns that B-BBEE policies can be exploited for personal gain. ✓✓
- Some businesses may use B-BBEE compliance as a façade, appointing fronting directors or making superficial changes without genuinely empowering black South Africans. ✓✓
- This undermines the intent of the policy and leads to inefficient use of resources. ✓✓

(Allocate a maximum of 2 marks for the mere listing of facts/examples)

(Accept any other correct relevant answer)

(4 x 2) (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:

[illegible]

QUESTION 5: MACROECONOMICS

- **Discuss in detail the markets within a four-sector circular flow model. (26 marks)**

INTRODUCTION

- The circular economy model is a simplified presentation of the interaction between the participants in the economy.✓✓
- Markets coordinate economic activities and determine prices for goods and services.✓✓
(Accept any other correct relevant answer) (Max. 2)

MAIN PART

Goods/Product/Output Markets✓

- These are markets for consumer goods and services. ✓✓
- In economics, a distinction is made between goods and services:
- Goods ✓ are defined as consumable items such as food, clothing, and cars that satisfy some human needs✓

- Buying and selling of goods produced on markets, e.g.
 - Capital goods market✓ - for the trading of buildings✓ and machinery✓
 - Consumer goods market✓ - for the trading of durable consumer goods, semi-durable consumer goods and non-durable consumer goods✓✓
- Services are defined as intangible goods✓✓
- E.g. Cleaning services, medical services and financial services that satisfy human needs✓

Factors/Resource/Input market✓

- Households sell production factors on the markets✓✓: rent for natural resources, wages for labour✓, interest for capital✓ and profit for entrepreneurship.✓
- The factor market includes the labour, property and financial markets.✓✓

Financial markets✓

Money markets✓

- In the money market, short-term loans and very short-term funds are saved and borrowed by consumers and businesses. ✓✓
- E.g. Banks, Insurance companies✓
- Products are sold on this market, e.g. bank bonds✓, treasury bills✓ and government bonds.✓
- SARB is the key institution in the money market. ✓

Capital markets✓

- In the capital market, long-term funds are borrowed and saved by consumers and businesses. ✓✓
- E.g. The Johannesburg Stock Exchange is a key institution in the capital market.✓
- Products are sold on these markets, e.g. Mortgages and shares.✓

Foreign exchange markets✓

- In the foreign exchange market, businesses buy/sell foreign currency to pay for imported goods and services. ✓✓
- These transactions occur in banks and consist of an electronic transfer of funds from one account to another. ✓✓
- The most important foreign exchange markets are in London/New York/Tokyo.✓✓
- The SA Rand is freely traded on these markets,✓✓ e.g. if a person buys traveller's checks to travel abroad✓

(Accept any other relevant answer)

(A maximum of 8 marks will be allocated for mere listing of headings/examples)

(Accept any other relevant responses)

(Max. 26)

ADDITIONAL PART

- How can an increase in economic growth, import expenditure and higher interest rates affect the balance between injections and leakages in the economy? (10 marks)

When a country experiences rapid economic growth, it has several consequences for the balance between inputs (government spending, investment and exports)✓✓ and leakages (taxes, savings and imports) in the economy✓✓

Positives

- Higher economic growth leads to higher income for households, which stimulates spending and thus increases injections into the economy.✓✓
- Businesses experience greater profits and growth optimism, leading to increased investment in capital goods and expansion.✓✓
- More economic activity creates jobs, which in turn further increases consumer spending.✓✓

Negatives

- As incomes rise, households and businesses increase their spending on imported products and services, causing a leak from the circular flow.✓✓
 - This could have a negative impact on the trade balance, especially if imports grow faster than exports.✓✓
 - Economic growth can cause inflationary pressures, which can force central banks to raise interest rates.✓✓
 - Higher interest rates encourage savings and discourage loan-based investment, which can cause a decrease in injections.✓✓
- (Accept any other relevant answer)

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

(Max 10)

CONCLUSION

Markets are critically important institutions in our economic system because they regulate supply and demand, ensure price stability, and foster general business confidence. ✓✓
(Accept any other relevant correct answer)

(Max 2)

[40]

QUESTION 6

- Discuss in detail the South African initiatives (endeavours) in regional development. (26 marks)

INTRODUCTION

Regional development refers to policies that aim to improve economic well-being in specific areas or regions. ✓✓

(Accept any other correct relevant answer)

(Max. 2)

MAIN PART

SPATIAL DEVELOPMENT INITIATIVES✓

- SDI is a policy that promotes sustainable industrial development in areas where poverty and unemployment are at their highest. ✓✓
- It can be defined as a link between important economic hubs and regions in a country. ✓✓
- The intention was to grow SDIs by leveraging private sector investment✓✓
- The state encouraged inward investment by granting incentives✓✓
- The public/private partnerships promote the economic potential of underdeveloped areas✓✓
- In a PPP, a private business can provide the capital for setting up the factory and for purchasing raw materials and employing labour, while the government provides the capital for infrastructure. ✓✓e.g. roads and water✓
- Two types of PPPs are compensated differently: flat payments✓ and user fees. ✓
- The DTI leads interdepartmental investment strategies with the Department of Transport.✓✓
- The state's industrial policy strives for a balance between openness and promoting local competitiveness by opening up the domestic economy to international competition. ✓✓
- DTI is the driving force behind industrial and spatial development.✓✓
- Relies on networking with other central provincial government departments, parastatals such as Telkom, Eskom and Transnet and research institutions to plan and monitor development.✓✓
- Key policy remains sustainable industrial development in areas where poverty and unemployment are at their highest. ✓✓
- SDIs focus on high-level support in areas where socio-economic conditions require concentrated government assistance and inherent economic potential exists. ✓✓
- SDI's goal is to quickly obtain investment and maximise synergy between different types of investment. ✓✓

OBJECTIVES OF SPATIAL DEVELOPMENT INITIATIVES (SDI):

- Develop the physical infrastructure, such as roads and ports.✓✓
- Stimulate economic activities in underdeveloped areas. ✓✓
- Create jobs and stimulate economic growth in underdeveloped areas.✓✓
- Develop inherent economic potential in underdeveloped areas. ✓✓
- Attract private sector and foreign direct investment (FDI). ✓✓
- Create public/private sector partnerships (PPP). ✓✓

INDUSTRIAL DEVELOPMENT ZONES (IDZs)✓

- Physically enclosed industrial area, fenced and connected to a port or airport. ✓✓
- These areas are duty-free import zones. ✓✓
- This strategy was aimed at making exports more internationally competitive. ✓✓
- They focus on creating jobs and promoting exports. ✓✓
- Goods produced in these zones should be exported abroad. ✓✓
- If services are provided from outside, the economy in these areas should be stimulated. ✓✓
- Each Industrial Development Strategy is designed to:
 - provide a destination for the establishment of strategic investment. ✓✓
 - promote and develop a link between domestic and zone-based industries. ✓✓
 - enable exploitation of resource-intensive industries. ✓✓



SPECIAL ECONOMIC ZONES (SEZs)✓

- It creates a basis for a broader range of industrial parks and provides economic infrastructure to promote employment. ✓✓
- A geographically demarcated area where specific economic activities have been identified for development ✓✓
- These areas enjoy incentives such as tax relief and support systems to promote industrial development. ✓✓
- There are plans to reduce taxes to 15% as an incentive to attract new industries ✓✓
- The goal in creating an SES is to attract:
 - New businesses only ✓✓
 - Businesses developing a new product line ✓✓
 - Businesses expanding their volume ✓✓
- The DTI indicated that the existing IDZs where special tax incentives are not applied will eventually be integrated into SEZs. ✓✓

CORRIDORS✓

- Corridors in South Africa are spatial areas that offer specific advantages in mining, manufacturing and other businesses. ✓✓
 - The advantages include the presence of existing infrastructure and the specialisation of products or services. ✓✓
 - These corridors are development areas within South Africa and are the development priorities of all development agencies. ✓✓
 - The DTI assists in supporting the development corridors, e.g. the Maputo corridor✓, which starts in Gauteng and extends through Mpumalanga to the Maputo port✓, and provides opportunities for the transport industry. ✓✓
- (Accept any other correct relevant answer)
- (A maximum of 8 marks will be allocated for mere listing of headings/examples)

(Max. 26)

ADDITIONAL PART

- **How successful has the government been in promoting industrial development in South Africa? (10 marks)**

The government promoted industrial development by:

- Implementation of GEAR, which focused on promoting growth in the economy, although it was not successful because real GDP growth was not found at all levels. ✓✓
- The New Growth Path (NGP), which focused on improving certain skills that would attract businesses worldwide and ensure long-term economic growth, has not yet seen a reduction in the number of unemployed people. ✓✓
- The National Industrial Policy Framework (NIPF) is an appropriate policy measured against best practice, although hampered by the unemployment problem. ✓✓
- Spending large amounts on infrastructure improvement by the SDIs in maintenance, improvement, and expansion of infrastructure; access to appropriate, modern, effective and efficient infrastructure and services, it was still not enough to reduce unemployment. ✓✓
- Implementation of Industrial Development Zones, although some Industrial Development Zones showed low growth due to incentives that were not attractive enough to attract enough established businesses. ✓✓
- Introduction of SEZs to address the negative elements of the Industrial Development Zones by providing additional incentives. ✓✓
- Promoting small business development has been quite successful due to improved access to finance and capital, which has fostered entrepreneurship and contributed to efficient and competitive markets. ✓✓
- Promoting regional development, although it is still unevenly distributed and concentrated in the four major metropolises. ✓✓

(Accept any other correct relevant higher order answer)

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

(Max. 10)

CONCLUSION

It is the ultimate responsibility of the government to ensure that proper and effective policies and directions are given to the overall development of the country. ✓✓

Every area in the country should be considered for development and growth. ✓✓

The industrial sector is earmarked as a safety net for the millions of unemployed people in the rural areas. ✓✓

(Accept any other correct relevant higher order answer)

(Max. 2)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150