



education

Department:
Education
North West Provincial Government
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS P1
SEPTEMBER 2025

MARKS: 150

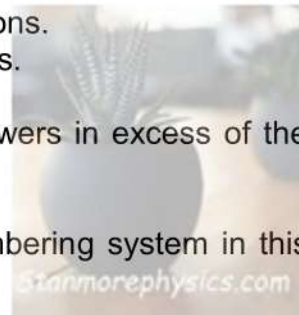
TIME: 2 hours

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 in this question paper.
4. Write the question number above each answer.
5. Read the questions carefully.
6. Start EACH question on a NEW page.
7. Leave 2–3 lines between subsections of questions.
8. Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
9. Use only black or blue ink.
10. You may use a non-programmable pocket calculator.
11. Write neatly and legibly.



SECTION A (COMPULSORY)

QUESTION 1

30 MARKS – 20 MINUTES

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

1.1.1 A negative economic growth for at least two consecutive quarters is known as ...

- A recession.
- B investments.
- C inflation.
- D unemployment.

1.1.2 The curve that illustrates the relationship between tax rates and government revenue is known as the ...

- A Phillips curve.
- B Laffer curve.
- C Lorenz curve.
- D Engel curve.

1.1.3 Liquid assets made available to countries to correct their balance of trade deficits ...

- A Systems of National Accounts.
- B Special Drawing Rights.
- C AGOA.
- D European Union.

1.1.4 The theory of ... refers to a situation whereby one country can produce goods cheaper than other countries given the same amount of input and resources.

- A international advantage
- B comparative advantage
- C absolute advantage
- D economic advantage

1.1.5 A strategy to strengthen institutional capacity to deliver services that will facilitate development is known as the ...

- A Integrated Manufacturing Strategy.
- B Sustainable Manufacturing Strategy.
- C Computer Manufacturing Strategy.
- D Mass Production Strategy.

1.1.6 An improvement in the people's standards of living is known as ...



- A contraction.
- B life expectancy.
- C economic growth.
- D economic development.

1.1.7 A penalty applied by one or more countries on another country is known as ...

- A export promotion.
- B revaluation.
- C sanctions.
- D depression.



1.1.8 The worldwide interaction with trade as a key element is known as ...

- A national trade.
- B national production.
- C international production.
- D globalisation.

(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 numbers (1.2.1. to 1.2.8) in the ANSWER BOOK, e.g. 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Open Economy	A national account figures at constant prices
1.2.2 Trough	B an economy that includes the foreign sector
1.2.3 Real figures	C point where the economic contraction is at its lowest
1.2.4 Nationalisation	D countries with advanced technological infrastructure
1.2.5 Developed countries	E transfer of ownership of entities from the private sector to the public sector
1.2.6 Disinvestment	F removal of barriers to trade in global economies
1.2.7 Trade liberalisation	G withdrawal of capital investment from a country or company
1.2.8 Small Business Development Support Programme	H focuses on incentives for small businesses
	I available to any registered small companies which would like to operate in the manufacturing sector

(8 x 1)

(8)

- 1.3 Give ONE term for each of the following descriptions. Write only the term next to the question numbers (1.3.1 to 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

1.3.1 The use of taxes and government spending to influence the economy

1.3.2 The highest turning point of the business cycle

1.3.3 Record all financial transactions between a country and the rest of the world over a period

1.3.4 Purpose-built industrial estates that are physically enclosed and linked to an international port or airport

1.3.5 All persons between the ages of 15 and 65 who are willing to work for income in cash or in kind

1.3.6 An official state ban on trade with a particular country (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 features of the fiscal policy. (2 x 1) (2)

2.1.2 What is the importance of government spending on the economy? (1 x 2) (2)

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

STATE OF THE NATION ADDRESS (SONA)



[Source: Adapted from *Business Day* February 2024]

2.2.1 Identify an example of a transfer payment in the cartoon above. (1)

2.2.2 Name any ONE objective of the public sector. (1)

2.2.3 Briefly describe the term *budget*. (2)

2.2.4 What is the purpose of the State of the Nation Address? (2)

2.2.5 What negative impact will lack of service delivery by municipalities have on local communities? (2 x 2) (4)

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

BUSINESS CYCLE INDICATOR FOR SOUTH AFRICA

The leading business cycle indicator decreased by 0,4% in June 2024 as decreases in five of the seven available component time series outweighed increases in the remaining two. The largest negative contributors were a decrease in the number of residential building plans approved and a narrowing of the interest rate spread. The only positive contributors were accelerations in the six-month smoothed growth rates of the real M1 money supply and the number of new passenger vehicles sold.

[Adapted from: <https://www.resbank.co.za>]

- 2.3.1 Identify the largest contributor to a decrease of the leading business cycle indicator in the extract above. (1)
- 2.3.2 Name any ONE other business cycle indicator. (1)
- 2.3.3 Briefly describe the term *business cycle*. (2)
- 2.3.4 Explain the impact of recession on businesses. (2)
- 2.3.5 How can the monetary policy be used to stimulate a depressed economy? (2 x 2) (4)
- 2.4 With the aid of a well labelled graph explain the influence of the supply-side policy in increasing output whilst lowering prices. (8)
- 2.5 How successful has the national treasury (Department of Finance) been in adhering to discretionary limitations on spending, budgeting and borrowing? (8)
- [40]**

QUESTION 3: ECONOMIC PURSUITS

40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 List any TWO aspects that determine the standard of living in a country. (2 x 1) (2)

3.1.2 What is the main focus of BRICS? (1 x 2) (2)

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

**INDUSTRIAL DEVELOPMENT ZONES (IDZ)/
SPECIAL ECONOMIC ZONES (SEZ)/CORRIDORS IN SOUTH AFRICA**

South Africa's regional development policies are embedded in the Industrial Development Programme (IDP), with the Department of Trade and Industry (DTI) as the driving force concerning industrial and spatial development. The IDP includes SDIs, corridors, IDZs and SEZs such as:

Maputo development Corridor	Richardsbay SDI	Lubombo SDI
--------------------------------	-----------------	-------------

[Adapted from: <https://www.bing.com>]

3.2.1 Identify ONE of South Africa's initiatives (endeavours) that are used to promote regional development. (1)

3.2.2 Name the province where the Richardsbay SDI is situated. (1)

3.2.3 Briefly describe the term *corridors*. (2)

3.2.4 What is the aim of the government regarding regional development? (2)

3.2.5 How does South Africa's regional development benefit Africa as a continent? (2 x 2) (4)

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

KEY ECONOMIC INDICATORS IN SOUTH AFRICA



[Source: *Business Day*, Thursday 15 August 2024]

- 3.3.1 Identify the economic indicator from the cartoon above. (1)
- 3.3.2 Name ONE international institution that requires South Africa to standardise their economic indicator. (1)
- 3.3.3 Briefly describe the term *economic growth*. (2)
- 3.3.4 What measures can the government put in place to increase the country's gross domestic product? (2)
- 3.3.5 How can the government reduce unemployment in the economy? (2 x 2) (4)
- 3.4 Differentiate between *producer price index* and *consumer price index*. (2 x 4) (8)
- 3.5 Analyse the challenges that a country might face in implementing protectionism as an economic policy. (8)

[40]

QUESTION: 4 MACROECONOMICS AND ECONOMIC PURSUITS

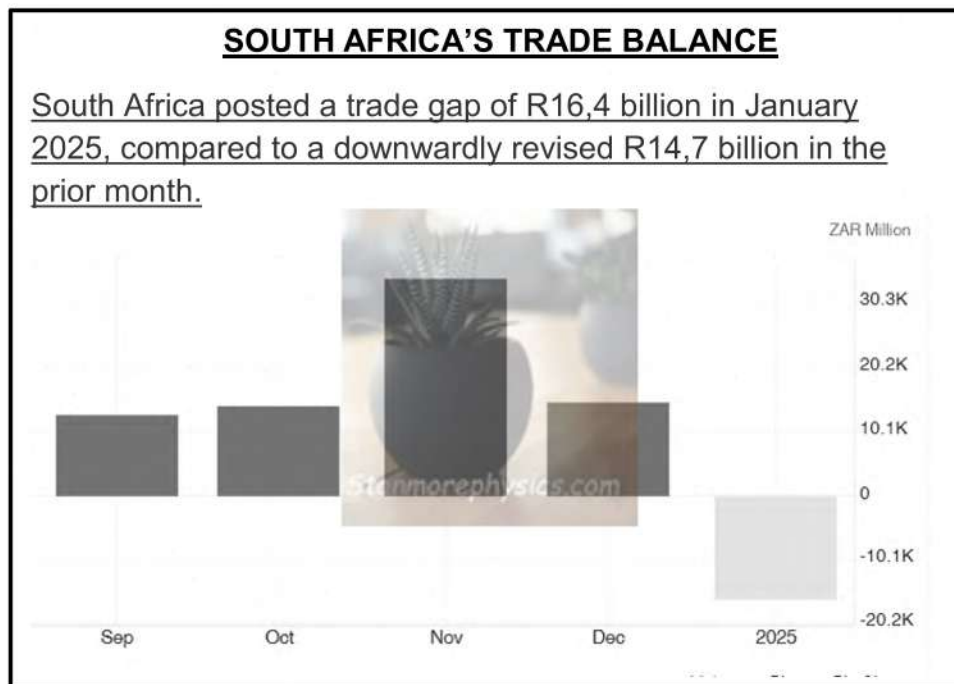
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 List any TWO incentives that are used by the South African government to improve industrial development. (2 x 1) (2)

4.1.2 How can the government intervene indirectly in the foreign exchange market when the local currency is undervalued? (1 x 2) (2)

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



[Source: South African Revenue Service]

4.2.1 Identify the date on which the highest deficit on the trade balance was recorded. (1)

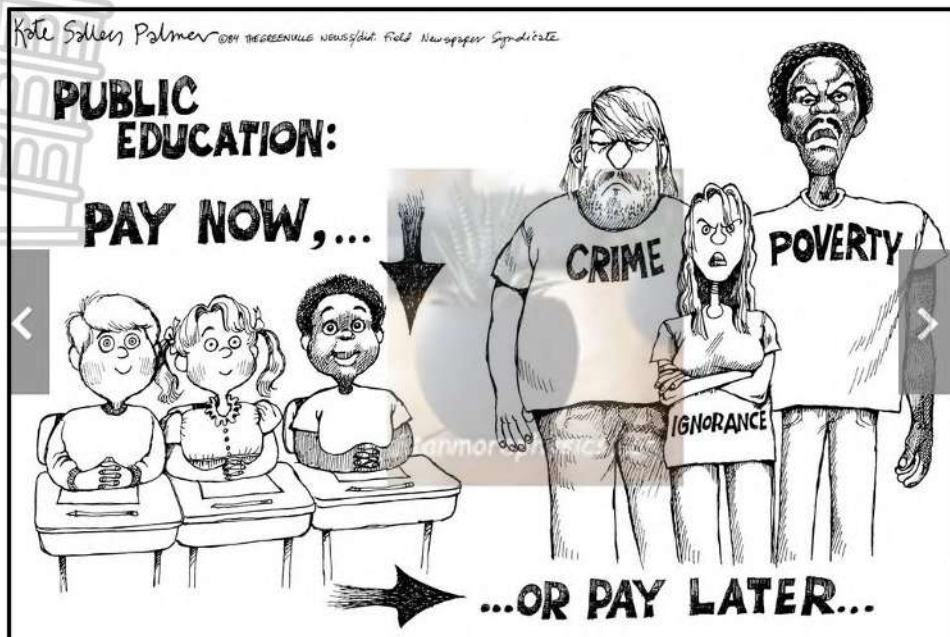
4.2.2 Name the type of exchange rate system used in South Africa. (1)

4.2.3 Briefly describe the term *terms of trade*. (2)

4.2.4 What negative impact will a decrease in terms of trade have on the economy? (2)

4.2.5 Calculate the percentage change in the trade balance between December 2024 and January 2025. (2 x 2) (4)

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



[Source: [cartoon-pay-now-or-later1.png](#)]

- 4.3.1 Identify a social indicator in the cartoon above. (1)
- 4.3.2 Name ONE problem that South Africa is facing according to the cartoon above. (1)
- 4.3.3 Briefly describe the term *social welfare*. (2)
- 4.3.4 Explain the impact of poor literacy levels on citizens. (2)
- 4.3.5 What is the relationship between economic growth and social indicators? (2 x 2) (4)
- 4.4 Briefly discuss *export incentives* and *export subsidies* as methods of export promotion. (2 x 4) (8)
- 4.5 Evaluate the impact of specialisation on the South African economy. (8)
- [40]**

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

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order response: • A good starting point will be to define the main concept related to the question topic. • DO NOT include any part of the question in your introduction. • DO NOT repeat any part of the introduction in the body. • Avoid 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/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/Assess/Debate A maximum of 8 marks may be allocated for headings/examples.	Max. 26
Additional part: Critically discuss/Evaluate/Critically evaluate/Deduce/Compare/ Distinguish/Suggest/Interpret/Debate/How.com A maximum of 2 marks may be allocated for mere listing of facts.	Max. 10
Conclusion Any higher-order conclusion should include: • A brief summary of what has been discussed without repeating facts already mentioned • Any opinion or valued judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations	Max. 2
TOTAL	40

40 MARKS – 40 MINUTES

- Discuss in detail the markets within the four-sector circular flow model. (26)
 - Analyse the impact of spending changes on the multiplier. (10)
- [40]**

40 MARKS – 40 MINUTES

- Discuss in detail the South African growth and development policies and strategic initiatives. (26)
 - Critically discuss the challenges encountered by the South African government in achieving its economic growth targets. (10)
- [40]**

TOTAL SECTION C:	40
GRAND TOTAL:	150



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NASIONAL SENIOR CERTIFICATE

GRADE 12

**ECONOMICS P1
SEPTEMBER 2025
MARKING GUIDELINES**

MARKS: 150

This marking guidelines consists of 19 pages.

SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

- 1.1.1 A recession✓✓
- 1.1.2 B Laffer ✓✓
- 1.1.3 B International Monetary Fund✓✓
- 1.1.4 C absolute advantage✓✓
- 1.1.5 A Integrated Manufacturing Strategy✓✓
- 1.1.6 D economic development✓✓
- 1.1.7 C sanctions✓✓
- 1.1.8 D globalisation✓✓



(8 x 2)

(16)

1.2 MATCHING ITEMS

- 1.2.1 B an economy that includes the foreign sector✓
- 1.2.2 C point where the economic contraction is at its lowest✓
- 1.2.3 A national account figures at constant prices ✓
- 1.2.4 E transfer of ownership of entities from the private sector to the public sector✓
- 1.2.5 D countries with advanced technological infrastructure✓
- 1.2.6 G withdrawal of capital investment from a country or company✓
- 1.2.7 F removes barriers to trade in global economy✓
- 1.2.8 H focuses on incentives for small businesses✓

(8 x 1)

(8)

1.3 GIVE THE TERM

- 1.3.1 Fiscal policy✓
- 1.3.2 Peak✓
- 1.3.3 Balance of payments✓
- 1.3.4 Industrial Development Zones✓
- 1.3.5 Economically Active Population✓
- 1.3.6 Embargo✓

(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 features of the fiscal policy.

- Goal bound✓
- Demand biased✓
- Cyclical✓

(2 x 1)

(2)

2.1.2 What is the importance of government spending on the economy?

- Government spending injects money into the economy, boosting aggregate demand and stimulating economic growth✓✓
- Governments provide essential public goods and services which benefit the society.✓✓

(Accept any other correct relevant response)

(1 x 2)

(2)

2.2 DATA RESPONSE.

2.2.1 Identify an example of a transfer payment in the cartoon above.

- Basic Income Grant/B.I.G✓

(1)

2.2.2 Name any ONE objective of the public sector.

- Full employment✓
- Economic equity✓
- Exchange rate stability✓
- Price stability✓
- Economic growth✓

(1)

2.2.3 Briefly describe the term *budget*.

- A budget is a document showing anticipated revenue and estimated expenditure for a specific period✓✓

(Accept any other correct relevant response)

(2)

2.2.4 What is the purpose of the State of the Nation Address?

- It serves as a means to inform the nation about its present economic, political and social condition / It is used by the president to summarize the accomplishments and plans of their program of the government for a particular year✓✓

(Accept any other correct relevant response)

(2)



2.2.5 What negative impact will the lack of service delivery by municipalities have on local communities?

- Broken promises erode citizens faith in government institutions✓✓
 - Expectations that are not met can fuel community protests or civil unrests✓✓
 - Citizens become less likely to vote or engage in community building activities✓✓
- (Accept any other correct relevant response) (2 x 2) (4)

2.3 DATA RESPONSE

2.3.1 Identify the largest contributor to a decrease of the business cycle indicators in the extract above?

- A decrease in the number of residential building plans approved✓
 - A narrowing of the interest rate spread✓
- (1)

2.3.2 Name any other business cycle indicator.

- Lagging✓
 - Coincident✓
 - Composite✓
- (Accept any other correct relevant response) (1)

2.3.3 Briefly describe the term *business cycle*.

- The successive periods of increasing and decreasing in economic activities over time✓✓
- (Accept any other correct relevant response) (2)

2.3.4 Explain the impact of recession on businesses.

- Recession decreases consumer spending and business investment✓✓
 - Difficulty managing working capital and meeting the financial obligations✓✓
 - Reduced availability of raw materials ✓✓
 - Reduced pricing power and decreased revenue✓✓
- (Accept any other correct relevant response) (2)

2.3.5 How can the monetary policy be used to stimulate a depressed economy?

Monetary policy adjustments can be made by the central bank. This can be done through:

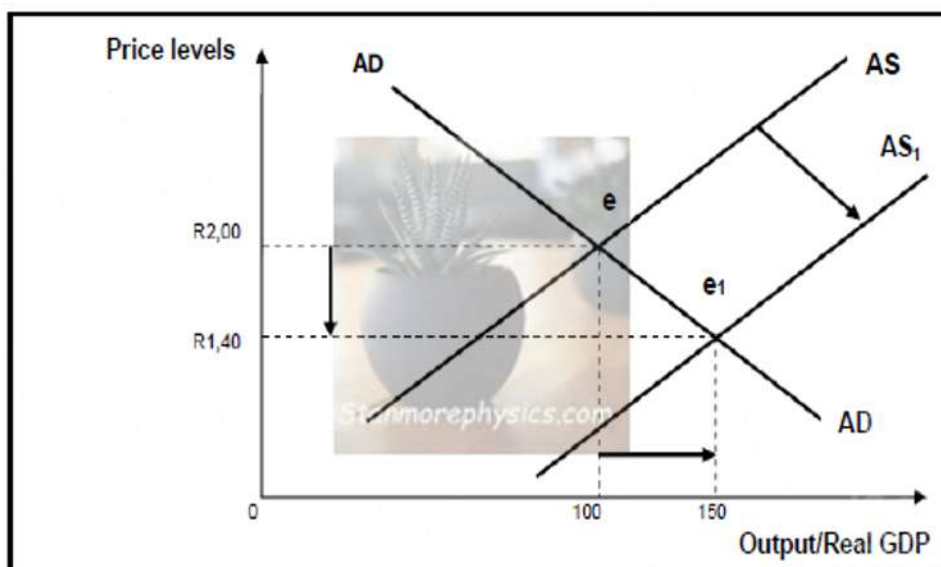
- Reducing the repo rate at which commercial banks borrow money from the central bank, thereby reducing the interest rates they charge to customers✓✓
- Injecting money into the economy by buying government bonds, which helps reduce interest rates and increase money supply✓✓
- Decrease the cash reserve requirements so that commercial banks can have more money to lend out to the public this stimulating spending✓✓
- Applying moral suasion where the SARB consults with banks and persuade them to act in a manner that is desirable in terms of economic conditions that prevail at the time✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

2.4 With the aid of a well-labelled graph, explain the influence of the supply-side policy in increasing output whilst lowering prices.



Allocation of marks:

Correct labelling of axes = 1 mark

Decrease in price = 1 mark

Increase in quantity = 1 mark

Increase in AS to AS1 = 1 mark

Maximum = 4 marks

- Implementation of supply-side policies to complement higher aggregate demand, will shift the aggregate supply curve from AS to AS1✓✓
- These supply-side policies include reduction in costs, improvement in the efficiency of markets and inputs ✓✓

- A new equilibrium will be formed at point e_1 , where higher output 150 is produced at a lower price level of R1,40.✓✓ (8)
(Accept any other correct relevant response) (Max 4)

2.5 **How successful has the national treasury (department of Finance) been in adhering to the discretionary limitations on spending, budgeting and borrowing?**

Not successful because:

- Debt rule✓: The debt-to-GDP ratio of South Africa is currently hovering around the range of between 72% and 75% of its nominal GDP and this exceeds the international benchmark of 60% of the country's GDP.✓✓
- Deficit rule✓: The budget deficit is currently at 4.9% of GDP and this exceeds the international benchmark of 3% of GDP.✓✓
- Borrowing rule✓: Most of the funds borrowed from multinational lenders are mostly used to finance social expenditure instead of capital expenditure, e.g. During the Covid-19 in 2020, the national treasury borrowed R500 billion from the World Bank to finance its Social Relief of Distress (SRD) fund expenditure.✓✓

(Accept any other correct relevant response)

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

(8)

QUESTION 3: ECONOMIC PURSUITS

40 MARKS – 30 MINUTES

3.1 Answer the following questions

3.1.1 **List any TWO aspects that determine the standard of living in a country.**

- Per capita income✓
- Life expectancy✓
- Education✓

(Accept any other correct relevant response)

(2 x 1)

(2)

3.1.2 **What is the main focus of BRICS?**

- Promoting economic cooperation, trade, and investment among member countries✓✓
- Sharing knowledge, expertise, and resources to address development challenges and reduce poverty in member countries✓✓

(Accept any other correct relevant response)

(1 x 2)

(2)

3.2 **DATA RESPONSE**

3.2.1 **Identify ONE of South Africa's initiatives (endeavours) that are used to promote regional development.**

- Spatial Development Initiative (SDIs)✓
- Industrial Development Zones (IDZ)✓
- Special Economic Zones (SEZ)✓
- Corridors✓

(1)

3.2.2 Name the province where Richardsbay SDI situated.

- KwaZulu-Natal/ KZN✓

(1)

3.2.3 Briefly describe the term *corridors*.

- It is a track of land that forms a passageway allowing access from one area to another and is developed as part of regional development✓✓
(Accept any other correct relevant response)

(2)

3.2.4 What is the aim of the government regarding regional development?

- To stimulate development in poorer areas✓✓
- To implement and coordinate the implementation of national and regional industrial policies✓✓
- To prevent new imbalances from emerging ✓✓
- To reduce the unequal development of economic activities within the country✓✓
(Accept any other correct relevant response)

(2)

3.2.5 How does South Africa's regional development benefit Africa as a continent?

- Through regional development neighbouring countries could use South African ports and airports for export opportunities✓✓
- South Africa's regional development programmes in infrastructure will improve economic development in the activities of African Union (AU) and the New Partnership for Africa's Development (NEPAD) ✓✓
- It will provide strategic direction in terms of South Africa's trade position in the Southern Customs Union and the Southern African Development Community. ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

3.3 DATA RESPONSE

3.3.1 Identify the economic indicator in the cartoon above.

- Unemployment✓

(1)

3.3.2 Name ONE international institution that requires South Africa to standardise their economic indicators.

- United Nations/ UN✓
- International Monetary Fund/ IMF✓
- World Bank✓

(1)

3.3.3 Briefly describe the term *economic growth*.



- It refers to an increase in the productive capacity of a country✓✓
(Accept any other correct relevant response)

(2)

3.3.4 What measures can the government put in place to increase the country's gross domestic product?

- Lower interest rates to stimulate borrowing and spending✓✓
- Increase government spending or decrease taxes✓✓
- Invest in education, healthcare and training✓✓
(Accept any other correct relevant response)

(2)

3.3.5 How can the government reduce unemployment in the economy?

- Provide temporary employment in the public sector projects. E.g. EPWP/CWP✓✓
- Provide resources, mentorship, and funding for new entrepreneurs✓✓
- Encourage on-the-job training and skills development✓✓
- Offer financial incentives to employers hiring unemployed individuals✓✓
(Accept any other correct relevant response)

(2 x 2)

(4)

3.4 Differentiate between *producer price index* and *consumer price index*

- The producer price index pertains to the cost of production whereas consumer price index pertains to the cost of living.✓✓
- The basket consists of consumer goods only (no services.) under producer price index while the basket consists of goods and services under consumer price index.✓✓
- Capital and intermediate goods are included in the producer price index whereas they are excluded in the consumer price index. ✓✓
- Prices exclude VAT under producer price index however, the prices do include VAT in the consumer price index.✓✓
- Interest rates are not taken into account (excluded) in the producer price index but they are taken into account in the consumer price index.✓✓
- Prices of imported goods are shown explicitly in the producer price index whilst they are not explicitly shown in the consumer price index.✓✓
(Accept any other correct relevant response)

(Max. 8)

OR

Producer Price Index

- Pertains to the cost of production.✓
- Basket consists of consumer goods only (no services.) ✓
- Capital and intermediate goods are included✓
- Prices exclude VAT. ✓
- Interest rates are not taken into account (excluded). ✓
- Prices of imported goods are shown explicitly. ✓
(Accept any other correct relevant response)

(Max. 4)

Consumer Price Index

- Pertains to the cost of living.✓



- Basket consists of consumer goods and services. ✓
 - Capital and intermediate goods are excluded. ✓
 - Prices include VAT. ✓
 - Interest rates are taken into account. ✓
 - Prices of imported goods are not shown explicitly. ✓
- (Accept any other correct relevant response)

(Max. 4)

(8)

3.5 **Analyse the challenges that a country might face in implementing protectionism as an economic policy.**

- Industries that have been granted protection, tend to become dependent on it and can never survive financially without it. ✓✓
 - Some industries were not protected against price cutting and dumping of foreign goods and services for example the dumping of chicken by USA. ✓✓
 - The rising unemployment figures compromised the standard of living due to a lower demand impacting negatively on local production. ✓✓
 - The disadvantages of higher prices against the advantages of lower imported prices are difficult to weigh up in the long term. ✓✓
 - Protection largely encourages import substitution which dampens economic growth and job creation. ✓✓
 - It is difficult for the government to determine when to phase out protection, because if it is done too early, it will leave the industries vulnerable. ✓✓
- (Accept any other correct relevant answer)

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

(8)

QUESTION: 4 MACROECONOMICS AND ECONOMIC PURSUITS

40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 **List any TWO incentives that are used by the SA government to improve industrial development.**

- Small Business Support Program ✓
 - SEDA Technology Program ✓
 - Skills Support Program ✓
 - Critical Infrastructure Program ✓
 - Custom-free incentives ✓
 - Foreign investment incentives ✓
 - Strategic investment Program ✓
 - Services to Business Processes ✓
- (Accept any other correct relevant response)

(2 x 1)

(2)

4.1.2 **How can the government intervene indirectly in the foreign exchange market when the local currency is undervalued?**



- The central bank may increase interest rates to attract capital inflow through investments, increasing the supply of foreign exchange and the rand will appreciate.✓✓
 - The central bank may reduce interest rates to create capital outflow and drain excess liquidity in the economy thereby reducing inflationary pressures.✓✓
- (Accept any other correct relevant response)

(1 x 2)

(2)

4.2 DATA RESPONSE

4.2.1 Identify the date on which the highest deficit on the trade balance was recorded.

- January 2025✓

(1)

4.2.2 Name the type of exchange rate system used in South Africa.

- Free Floating✓

(1)

4.2.3 Briefly describe the term *terms of trade*.

- It compares a country's export prices with its import prices by means of indexes✓✓
- (Accept any other correct relevant response)

(2)

4.2.4 What negative impact will a decrease in the terms of trade have on the economy?

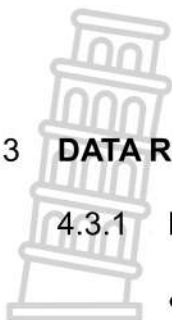
- Depreciation of a currency: A deficit can lead to a depreciation of the currency, making imports more expensive and potentially worsening the trade deficit.✓✓
 - Increased imports: A deficit can indicate increased demand for foreign goods, potentially leading to higher imports.✓✓
 - Decreased exports: A deficit can indicate a decrease in competitiveness of domestic industries, leading to decreased exports.✓✓
 - Reduced economic growth: Persistent deficits can lead to reduced economic growth, as resources are diverted to finance imports rather than domestic investment.✓✓
 - Inflationary pressures: A deficit can lead to inflationary pressures, as increased demand for imports drives up prices.✓✓
- (Accept any other correct relevant response)

(2 x 2)

(4)

4.2.5 Calculate the percentage change in the trade balance between December 2024 and January 2025.

$$\text{Percentage change} = \frac{\text{R16,4bn} - \text{R14,7bn}}{\text{R14,7bn}} \times 100\%$$



R14,76bn✓
= 11,56%✓

(4)

4.3 DATA RESPONSE

4.3.1 Identify a social indicator in the cartoon above.

- Education✓

(1)

4.3.2 Name ONE problem that South Africa is facing according to the cartoon above

- Crime✓
- Poverty✓
- Ignorance✓

(1)

4.3.3 Briefly describe the term *social welfare*.

- It refers to the well-being and quality of life of individuals or groups within a society.✓✓
(Accept any other correct relevant response)

(2)

4.3.4 Explain the impact of poor literacy levels on citizens.

- Limited literacy skills hinder workforce efficiency.✓✓
- It restricts career choices and advancements leading to limited opportunities.✓✓
- Individuals may have low self-esteem as feelings of inadequacy occur.✓✓
- Daily tasks become challenging without literacy skills, and it leads to the dependency on others.✓✓
- It reduces the quality of life of individuals because it affects the mental and physical well-being.✓✓
(Accept any other correct relevant response)

(2)

4.3.5 What is the relationship between economic growth and social indicators?

- Economic growth can lead to increased employment opportunities, higher incomes, and reduced poverty.✓✓
- Economic growth can increase access to healthcare services, improve healthcare infrastructure, and reduce mortality rates.✓✓
- Economic growth can lead to increased investment in education, improved educational outcomes, and higher literacy rates.✓✓
- Economic growth can lead to increased access to basic necessities like food, water, shelter and sanitation.✓✓
(Accept any other correct relevant response)

(2 x 2)

(4)

4.4 Briefly discuss *export incentives* and *export subsidies* as methods of export promotion.

Incentives:

- The government supplies information on export markets in order to stimulate exports ✓✓
- Other examples are research on new markets, concessions on transport charges, export credit ✓✓

(2 x 2) (4)

Subsidies:

- Incentives which encourage exporters to increase the amount of their production ✓✓
- It includes direct and indirect subsidies:
 - Direct subsidies: Cash payments to exporters ✓✓
 - Indirect subsidies: Refunds on import tariffs and general tax rebates ✓✓

(Accept any other correct relevant response)

(2 x 2) (4)

(Allocate a maximum of 4 marks for a mere listing of facts/ examples)

(8)

4.5 Evaluate the impact of specialisation on the South African economy.

Specialisation will impact *positively* on the South African economy in the following ways:

- Specialisation allows South African businesses to focus on specific areas, leading to increased efficiency and productivity. ✓✓
- By concentrating on specific industries, South Africa can develop a competitive advantage in the global market, attracting foreign investment and boosting exports. ✓✓
- Specialisation can lead to increased economic growth, as industries become more efficient and productive, contributing to the country's GDP. ✓✓
- It can lead to the creation of new job opportunities in specific industries, reducing unemployment and poverty ✓✓

Specialisation will impact *negatively* on the South African economy in the following ways:

- Over-specialisation can make the economy vulnerable to fluctuations in a few industries, leading to economic instability due to the dependence on a few industries. ✓✓
- Specialisation can limit the country's ability to diversify its economy, making it less resilient to external shocks. ✓✓
- Inequality and unemployment can occur as specialisation can exacerbate income inequality and unemployment, as some industries may not provide enough job opportunities or fair wages. ✓✓
- Specialisation in industries such as mining or agriculture can lead to environmental degradation and resource depletion. ✓✓

(Accept any other correct relevant response)

(8)

SECTION C:

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

QUESTION: 5 MACROECONOMICS

40 MARKS – 40 MINUTES

- **Discuss in detail the markets within the four-sector circular flow model.** (26)
- **Analyse the impact of spending changes on the multiplier.** (10)

INTRODUCTION

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

OR

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

(Accept any other correct relevant introduction)

BODY: MAIN PART

MARKETS IN THE FOUR SECTOR CIRCULAR FLOW MODEL

Product/Goods market/Output ✓

- Product market is where goods and services are bought and sold ✓✓
- Firms, government and foreign sector supply goods and services and their movement is called real flow ✓✓
- Goods are defined as any tangible items such as food, clothing and cars that satisfy human needs ✓✓
- In capital goods market products such as buildings and machinery are exchanged. ✓✓
- Consumer goods market involves the trading of durable consumer goods, semi-durable consumer goods and non-durable consumer goods. ✓✓
- Services are defined as non-tangible actions and includes wholesale and retail, transport and financial markets. ✓✓

Factor/Resources/Input market ✓

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

Financial markets ✓

- Financial markets render financial services to the other participants in the economy gathering surplus funds and lending them to those who needs funding. ✓✓

- Banks, insurance companies and pension funds form part of the financial markets.✓✓
- Financial markets are not directly involved in production of goods and services, but act as a link between households and businesses with surplus income and other participants who require it.✓✓

Money market✓

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

Capital market✓

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

Foreign exchange market✓

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

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

ADDITIONAL PART

The impact of spending changes has the following impact on the multiplier:

- Increase in government spending will stimulate economic growth, create jobs and attract foreign investments.✓✓
- Government spending that targets key industries like mining, agriculture, manufacturing and services can have a significant impact on the economy.✓✓
- Government spending on social programs, such as healthcare and social grants will have a high multiplier effect as these programs provide immediate support to those in need, who are likely to spend the money quickly on essential goods and services, thereby stimulating the economy.✓✓
- Increase in consumer spending will increase the demand for goods and services which can lead to a positive multiplier effect.✓✓
- Increase in consumer spending will encourage businesses to produce more, leading to economic growth.✓✓
- Increase in investment spending enhances productivity and capacity which will stimulate economic growth and attract foreign investment.✓✓
- Investments in cutting-edge technologies can lead to significant productivity gains, further increasing the multiplier.✓✓
- Spending on imported goods and services leaks money out of the economy, reducing the multiplier.✓✓

(Accept any other correct relevant response)

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

CONCLUSION

- Markets ensure the availability of consumer goods and services to households and government while allowing businesses access to factors of production. ✓✓ /
- Markets are critically important institutions in our economic system, because they regulate the market, to safeguard price stability and general business confidence ✓✓

(Accept any other correct relevant higher order conclusion)



- Discuss in detail the South African growth and development policies and strategic initiatives. (26 marks)
- Critically discuss the challenges encountered by the South African government in achieving its economic growth targets (10 marks)

INTRODUCTION

- Economic growth is an increase in the productive capacity or real GDP of an economy over time✓✓
- Economic development is the process by which the standard of living improves over a period of time✓✓
(Accept any other correct relevant introduction)

BODY: MAIN PART

SOUTH AFRICAN GROWTH AND DEVELOPMENT POLICIES AND STRATEGIC INITIATIVES

Reconstruction and Development Programme (RDP) ✓

- RDP was introduced to alleviate poverty and address the inequalities and shortfalls in social services.✓✓
- The strategy focused on job creation, welfare, housing, transport, land reform, healthcare, education, training, water and sanitation.✓✓
- The objectives of RDP were to:
 - Improve service delivery for the poor such as housing, electricity, water and sanitation.✓✓
 - Create an environment that is suitable for human development through education and training.✓✓
 - Serve as a road map for economic development in South Africa.✓✓
 - Create a dynamic economy that can create new and sustainable jobs.✓✓
 - Alleviate poverty, low wages, and extreme inequalities in wages and wealth. ✓✓
 - Address economic imbalances and structural problems in the economy.✓✓
 - Ensure elimination of discrimination on the basis of race and gender.✓✓
 - Democratised the economy and empower the previously disadvantaged groups✓✓

Growth, Employment, and Redistribution (RDP) ✓

- GEAR was introduced to stimulate economic growth and create employment opportunities.✓✓
- The strategy was to strengthen economic development, redistribute income and create socio-economic opportunities for the poor.✓✓
- The objectives were to:
 - Promote economic growth by attracting foreign direct investments.✓✓
 - Have tax system to finance education and training programmes which will improve workers skills and create employment.✓✓
 - Have budget reforms meant to redistribute income.✓✓
 - Adopt a free-floating exchange rate policy that would ensure exchange rate stability and make South African products competitive.✓✓
 - Reduce tariffs that would lower prices of imported inputs.✓✓
 - Maintain a consistent monetary policy to prevent high inflation.✓✓
 - Increase the restructuring and privatisation of some parastatals.✓✓

Black Economic Empowerment Programmes (BEE)✓

- The strategy was launched to assist in the transformation and redress of previously disadvantaged groups.✓✓
- BEE aims to significantly increase the number of black people who own, manage and control businesses.✓✓
- The objectives were redress and affirmative action in the workplace and business environments.✓✓

Expanded Public Works Programme (EPWP) ✓

- It was introduced to create employment opportunities for the poor and vulnerable/disadvantaged people.✓✓
- The strategy was to use labour-intensive programmes to give people skills they can use to find jobs afterwards.✓✓
- The objectives of EPWP were to:
 - Provide poverty and income relief by creating temporary work opportunities for the unskilled, unemployed, poor and vulnerable such as women and youth.✓✓
 - Use existing government and public entity budgets to reduce and alleviate unemployment.✓✓
 - Increase the ability of workers to earn an income, either through the labour market or through entrepreneurial activity.✓✓

Accelerated and Shared Growth Initiative for South Africa (ASGISA) ✓

- It was launched as a national initiative to be supported by all businesses, labour and entrepreneurs.✓✓
- The key elements of ASGISA were:
 - Halving unemployment and poverty by 2014✓✓
 - Increasing economic growth to an average of 6% between 2010 and 2014✓✓
- The objectives were to:
 - Improve and develop infrastructure by spending 8% of GDP on infrastructure development.✓✓
 - Promote industrial development through Industrial Development Zones (IDZ) ✓✓
 - Promote education and skills development to reduce the shortage of scarce skills.✓✓
 - Stimulate the second economies (Informal sector) ✓✓
 - Improve state administration through good governance.✓✓
 - Achieve economic development through economic growth.✓✓
 - Improve the production capacity of tourism, biofuel and manufacturing.✓✓



National Skills Development Strategy (NSDS) ✓

- Strategy is intended to radically transform education and training in South Africa. ✓✓
- The strategy aimed at improving the quality and quantity of training to support increased industrial competitiveness and improved quality of life for all South Africans. ✓✓
- The Department of Labour used the NSDS as a tool to drive the process of developing skills of the South African labour force. ✓✓

Joint Initiative on Priority Skills Acquisitions (JIPSA) ✓

- It is introduced as the skills development arm of ASGISA. ✓✓
- The objective was skills development, especially through the SETAs. ✓✓

Small Business Development Promotion Programme (SBDPP) ✓

- The strategy was to deliver support and services to SMMEs. ✓✓
- Department of Trade, Industry and Competition (DTIC), Industrial Development Corporation (IDC) and the National Small Business Act offer these services. ✓✓

The New Growth Path (NGP) ✓

- The strategy was introduced to identify key sectors as 'job drivers' and promote industries and sectors that can drive job creation. ✓✓
- It aimed to increase economic growth, create 5 million jobs by 2020 and create greater economic equity. ✓✓
- The NGP identifies the manufacturing, tourism, green energy and infrastructure development as key areas of job creation. ✓✓

National Development Plan ✓

- NDP was founded and led by the former Minister of Finance in 2012/2013. ✓✓
- The strategy is to expand economic opportunities through investment in infrastructure, more innovation, private investment and entrepreneurship. ✓✓
- The objectives were to:
 - Eliminate poverty and reduce inequality by 2030. ✓✓
 - Reduce unemployment by 14% in 2020 and 6% in 2030. ✓✓
 - Achieve economic growth on an inclusive basis. ✓✓
 - Achieve economic transformation through enhancing the capacity of the state and promoting leadership and partnerships throughout society. ✓✓

(A maximum of 8 marks may be allocated for mere listing of heading/examples)

(Max 26)

ADDITIONAL PART

The South African government is encountered with the following significant challenges:

- The country's GDP growth estimate for 2023 has been revised down to 0,6% due to various structural constraints and the ongoing impact of the COVID-19 pandemic. ✓✓
- In 2023 the country experienced a severe electricity shortfall, with rolling scheduled power cuts lasting 289 days. ✓✓
- This disrupted economic activity and increasing the operating costs for businesses. ✓✓
- The pace of job creation is not keeping up with the growing labour force resulting in a rising number of unemployed people. ✓✓
- The unemployment rate stands at an 33.5% as of Q2-2024, with women and youth being the mostly affected. ✓✓
- Inequality and poverty are a challenge as the country is having one of the highest inequality rates in the world. ✓✓
- South Africa faces significant skills gaps, hindering economic growth and development. ✓✓
- The Government of National Unity (GNU), formed in June 2024, aims to rebuild South Africa's economy through key reforms, focusing on economic recovery, workers' rights, social protection and equity. ✓✓

(Accept any other correct relevant response)

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

(Max 10)

CONCLUSION

South Africa's growth target is facing significant headwinds, and addressing these challenges will require sustained efforts from the government and international partners. ✓✓

(Accept any other correct relevant higher order conclusion)

(Max 2)

[40]

TOTAL SECTION C:

40

GRAND TOTAL:

150