



Province of the
EASTERN CAPE
EDUCATION

iphondo leMpuma Kapa: Isebe leMfundo
Provinsie van die Oos Kaap: Departement van Onderwys
Porafensie Ya Kapa Botjhabela: Lefapha la Thuto

NATIONAL SENIOR CERTIFICATE

GRADE 12

SEPTEMBER 2025

ECONOMICS P1

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 any TWO of the three questions
SECTION C: Answer ONE of the two questions
2. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
3. Number the answers correctly according to the numbering system used in this question paper.
4. Write the question number above each answer.
5. Read the questions carefully.
6. Start EACH question on a NEW page.
7. Leave 2–3 lines between subsections of questions.
8. Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
9. Use only black or blue ink.
10. You may use a non-programmable pocket calculator.
11. Write neatly and legibly.



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

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question numbers (1.1.1 to 1.1.8) in the ANSWER BOOK, for example 1.1.7 B.

1.1.1 Products that consumers can use repeatedly for many years to satisfy their needs are referred to as ... goods.

- A semi-durable
- B non-durable
- C durable
- D perishable

1.1.2 Aggregate supply in the economy can be stimulated by ...

- A increasing the cost of doing business.
- B improving efficiency of inputs.
- C improving the inefficiency of markets.
- D maintaining the same costs.

1.1.3 The Medium Term Expenditure Framework (MTEF) indicates the government expenditure and revenue projection for a period of ... year/s.

- A one
- B two
- C three
- D four

1.1.4 A comprehensive and systematic record of all transactions between a specific country with other countries of the world, over a year is known as ...

- A balance of payments
- B globalisation
- C international trade
- D balance of trade

1.1.5 A protocol to strengthen the existing relations between Argentina, Brazil, Paraguay and Uruguay is called ...

- A Mercosur.
- B SADC.
- C AU.
- D BRICS.

1.1.6 The type of tax that is levied annually on the market value of residential, office and factory buildings is called ...



- A capital gains tax.
- B estate duty.
- C transfer duty.
- D property tax.

1.1.7 ... involves the implementation of sound economic policies and practices that ensure accountability, transparency and responsiveness to the needs of citizens.

- A Free market orientation
- B Good governance
- C Integration
- D Provision of resources

1.1.8 Obesity, as a social indicator, relates to ...

- A health.
- B malnutrition.
- C demographics.
- D nutrition.

(8 x 2) (16)



- 1.2 Choose a description in COLUMN B that matches an 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, for example 1.2.9 J.

COLUMN A		COLUMN B	
1.2.1	Import expenditure	A	when all people who are actively looking for work are able to get a job
1.2.2	Philips curve	B	promotes innovation which allows businesses to use new production techniques that are more efficient
1.2.3	Full employment	C	reallocation of agricultural land to previously disadvantaged groups
1.2.4	Exchange rate	D	refers to how much is produced in relation to the factors of production that are used
1.2.5	Land redistribution	E	deals with improving people's skills to meet the country's skills shortage.
1.2.6	JIPSA	F	refers to the flow of money out of the country
1.2.7	National Research and Development Strategy	G	return of land to those that have lost it due to discriminatory laws in the past
1.2.8	Productivity	H	shows a relationship between inflation and unemployment
		I	the price of one currency in terms of another currency

(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.

- 1.3.1 Long term funds are saved and borrowed by consumers and businesses in this market.
- 1.3.2 The minimum percentage of cash deposits that commercial banks must keep with the Central Bank.
- 1.3.3 The curve that illustrates the relationship between taxes and government revenue.
- 1.3.4 A trade policy that aims to reduce a country's reliance on imports by producing the goods and services that were previously imported.
- 1.3.5 The use of various policies to encourage industrial investment and efficiency.
- 1.3.6 The number of years that a newborn infant is likely to live. (6 x 1) (6)

TOTAL SECTION A: (30)

SECTION B

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

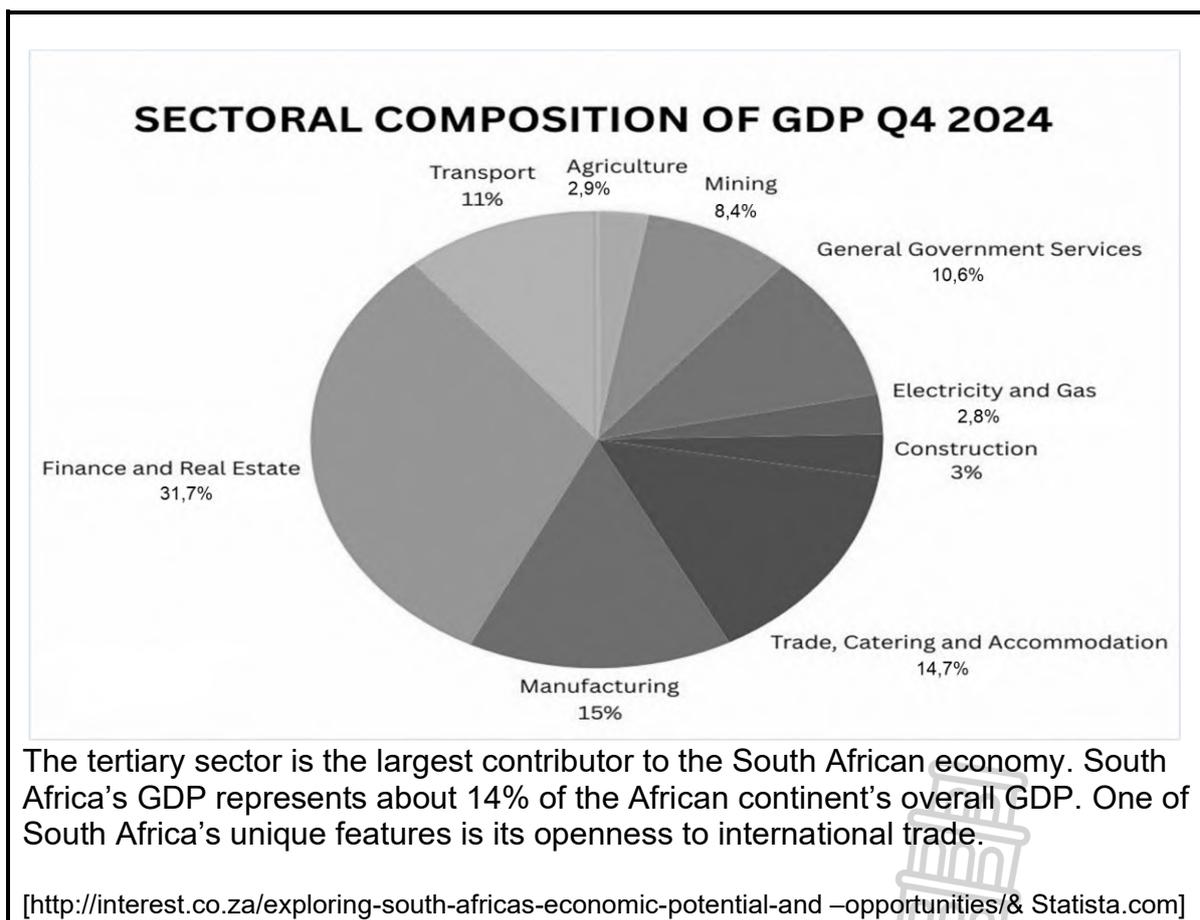
QUESTION 2: MACROECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Name any TWO problems of public sector provisioning. (2)

2.1.2 How can a decrease in government spending affect households? (2)

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



2.2.1 Identify the economic concept/term that is associated with an open economy from the extract above. (1)

2.2.2 Name the method of calculating GDP linked to the pie chart above. (1)

2.2.3 Briefly explain the term *secondary sector*. (2)

2.2.4 Differentiate between *gross domestic product* and *gross national product*. (2)

2.2.5 Use the above Pie chart to calculate the percentage contributed by the secondary sector to the South African economy. (4)

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

SOUTH AFRICA'S CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS			
R billions	2022	2023	2024
Receipts			
Merchandise exports	1 930	1 924	1 914
Net gold exports	86	116	113
Services receipts	207	262	281
Income receipts	186	217	195
Current transfers	-	-	-
Payments			
Merchandise imports	1 792	1 937	1 843
Services payments	298	343	343
Income payments	324	312	356
Current transfers	26	40	45

[Adapted from Stats SA and SARB June 2024]

- 2.3.1 Identify in the table above the item that captures all the transactions related to donations and gifts. (1)
- 2.3.2 In which year the country recorded the highest merchandise imports? (1)
- 2.3.3 Briefly describe the term *current account*. (2)
- 2.3.4 Explain the purpose of unrecorded transactions when compiling a country's balance of payments. (2)
- 2.3.5 Calculate the current account balance for the year 2024. Show ALL calculations. (4)
- 2.4 Explain the factors affecting the demand for foreign currency. (4 x 2) (8)
- 2.5 How does public sector failure impact economic stability in South Africa? (4 x 2) (8)

[40]



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

3.1 Answer the following questions.

3.1.1 Name TWO industrial development strategies in South Africa. (2 x 1) (2)

3.1.2 How could education as a social indicator reduce inequalities? (1 x 2) (2)

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

FREE TRADE AND PROTECTIONISM

Trump said a levy of 25% on Canadian and Mexican imports as well as an additional 10% tax on Chinese goods would come into force.

In response, both Canada and Mexico said they were preparing similar tariffs on US goods. The implementation of tariffs and the subsequent retaliation could mark the start of a new era of global trade wars. Tariffs are a central part of Trump's economic vision, as he sees them as a way of growing the US economy, protecting jobs and raising tax revenue.

[Adapted from <https://www.bbc.com/news/articles/c627nx42xelo> February 2025.]

3.2.1 Identify ONE argument in favour of protectionism from the extract above. (1)

3.2.2 Name the type of tariff that is levied as a percentage on the value of imported goods. (1)

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

3.2.4 Explain the importance of free trade on the South African economy. (2)

3.2.5 How do tariffs affect consumers in the importing country? (2 x 2) (4)



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

DESIGNATED SPECIAL ECONOMIC ZONES AND INDUSTRIAL DEVELOPMENT ZONES

SEZs are extremely useful to investors as they receive tax and financial incentives that are not available to investors outside designated zones. Communities in regions hosting SEZs also benefit significantly from the private and public investments, which often results in higher standard of living, increased employment, and reduced poverty and inequality.

[Source: DTI Mail & Guardian- Graphic: John McCann]

- 3.3.1 Identify the IDZ labelled **A** on the map above. (1)
- 3.3.2 Name ONE benefit of private and public investment to communities in regions hosting SEZs as indicated in the extract above. (1)
- 3.3.3 Briefly describe the term *Industrial Development Zone*. (2)
- 3.3.4 Explain any factor that can negatively impact the success of Industrial Development Zones in South Africa. (2)
- 3.3.5 How can customs-free incentives help improve industrial development? (4)
- 3.4 Briefly explain Free Trade Area and Common Market as forms of economic integration. (2 x 4) (8)
- 3.5 Evaluate the efficiency of service delivery to South African citizens. (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 types of exchange rate systems. (2)

4.1.2 How can export promotion solve the problem of unemployment? (2)

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

BUDGET PROCESS



The State of the Nation Address (SONA) and the MTBPS are both part of South Africa's budget process. To boost the economy and address unemployment, the government has pledged to invest over R940 billion in infrastructure projects over the next three years. Of this total, R375 billion will be allocated to State-Owned Enterprises (SOEs), for the construction of roads, bridges, dams, waterways and ports. South Africa's unemployment rate is above 32%, and the current public debt as a percentage of GDP stands at 75,1% as of September 2024.

[Adapted from Business Day iol.co.za February 2025]

4.2.1 Identify the policy statement that outlines the economic outlook from the information above. (1)

4.2.2 Name ONE government challenge from the above information. (1)

4.2.3 Briefly describe the term *main budget*. (2)

4.2.4 Why is it important for government to finance State-Owned Enterprises? (2)

4.2.5 How can the government effectively reduce public debt/borrowing? (2 x 2) (4)

4.3 DATA RESPONSE

Study the article below and answer the questions that follow.

ECONOMIC INDICATORS AND INTERNATIONAL ORGANISATIONS

The World Bank collects, analyses, and disseminates economic indicators to track a country's economic progress and identify areas for improvement. By analysing economic indicators, the World Bank helps countries and international organisations make informed decisions, promoting economic growth, poverty reduction and sustainable development.

[Source: Meta AI & Business Day 2025.01.29]

- 4.3.1 Identify the institution in the cartoon and information above that determines the interest rate. (1)
- 4.3.2 Name an international organisation that standardises economic indicators, NOT mentioned above. (1)
- 4.3.3 Briefly describe the term *economic indicator*. (2)
- 4.3.4 Explain the impact of an increase in labour productivity on businesses. (2)
- 4.3.5 How can interest rates as an economic indicator influence inflation? (2 x 2) (4)
- 4.4 Briefly explain the role of product markets and factor markets in the four-sector model. (2 x 4) (8)
- 4.5 Outline the importance of Public-Private-Partnership (PPP) in Spatial Development Initiatives (SDI). (4 x 2) (8)
- [40]**

SECTION C

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

Your answer will be assessed as follows:

STRUCTURE OF THE ESSAY	MARK ALLOCATION
Introduction <ul style="list-style-type: none"> • A good starting point would be to define a concept or key word that appears in the question. • Include other sentences to support the topic. • Do not include any part of the question in your introduction. • Do not repeat any part of the introduction in the body. • Avoid saying in the introduction what you are going to discuss in the body. 	Max. 2
Body Main part: Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Explain/Assess/Debate. Additional part: Give own opinion/Critically discuss/Evaluate/Critically evaluate/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Calculate/Deduce/Compare/Explain/Distinguish/Interpret/Briefly debate	Max. 26
Conclusion Any relevant higher order conclusion that should include: <ul style="list-style-type: none"> • A brief summary of what has been discussed/analysed without repeating facts already mentioned in the body • An opinion or valued judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if so required • Recommendations 	Max. 10
TOTAL	40

QUESTION 5: MACROECONOMICS

40 MARKS – 40 MINUTES

- Discuss in detail the new economic paradigm in smoothing-out business cycles. (26)
- How can a decrease in economic activity affect different participants in the economy? (10)

QUESTION 6: ECONOMIC PURSUITS

40 MARKS – 40 MINUTES

- Discuss in detail the South African growth and development policies and strategic initiatives since 1994. (26)
- Analyse the environmental effects of economic activities of countries in the North. (10)

TOTAL SECTION C: 40
GRAND TOTAL: 150





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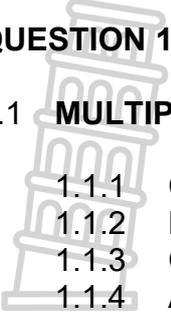
ECONOMICS P1 MARKING GUIDELINE

MARKS: 150



This marking guideline consists of 22 pages.

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

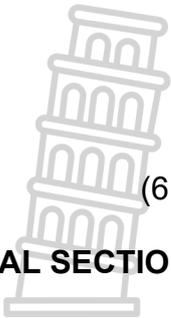
- 
- 1.1.1 C – durable ✓✓
 - 1.1.2 B – Improving efficiency of inputs ✓✓
 - 1.1.3 C – Three ✓✓
 - 1.1.4 A – Balance of payments ✓✓
 - 1.1.5 A – Mercosur ✓✓
 - 1.1.6 D – property tax ✓✓
 - 1.1.7 B – Good governance ✓✓
 - 1.1.8 D – Nutrition ✓✓
- (8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 F – refers to the flow of money out of the country ✓
 - 1.2.2 H – shows a relationship between inflation and unemployment ✓
 - 1.2.3 A – when all people who are actively looking for work are able to get a job ✓
 - 1.2.4 I – the price of one currency in terms of another currency ✓
 - 1.2.5 C – reallocation of agricultural land to previously disadvantaged groups ✓
 - 1.2.6 E – deals with improving people's skills to meet the country's skills shortage ✓
 - 1.2.7 B – promotes innovation which allows businesses to use new production techniques that are more efficient ✓
 - 1.2.8 D – refers to how much is produced in relation to the factors of production that are used ✓
- (8 x 1) (8)

1.3 GIVE THE TERM

- 1.3.1 Capital market ✓
 - 1.3.2 Cash reserve requirements ✓
 - 1.3.3 Laffer curve ✓
 - 1.3.4 Import substitution ✓
 - 1.3.5 Industrial development ✓
 - 1.3.6 Life expectancy ✓
- (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 2.1.1 **Name any TWO problems of public sector provisioning.**

- Lack of accountability ✓
- Inefficiency/Lack of efficiency ✓
- Pricing policy ✓
- Assessing needs ✓
- Parastatals ✓
- Privatisation/Nationalisation ✓

(Any 2 x 1) (2)

2.1.2 **How can a decrease in government spending affect households?**

- Government spending cuts can lead to job losses in the public sector, affecting households that rely on government employment ✓✓
- Households may experience reduced disposable income due to lower wages, fewer job opportunities etc. ✓✓
- Reduced government subsidies or support for essential services like healthcare and education can lead to increased costs for households ✓✓

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

2.2 DATA RESPONSE

2.2.1 **Identify the economic concept/term that is associated with an open economy from the extract.**

International trade ✓ (1)

2.2.2 **Name the method of calculating GDP linked to the pie chart.**

Production method ✓ (1)

2.2.3 **Briefly explain the term *secondary sector*.**

Secondary sector involves the processing of raw materials into finished goods/It is the sector that collects raw materials from industries of the primary sector and processes them into finished/final goods. ✓✓

(Any other correct relevant response) (2)



2.2.4 **Differentiate between *gross domestic product* and *gross national product*.**

GDP measures the value of final goods and services produced within the borders of a country, ✓ while GNP measures the value of final goods and services produced by the citizens of a country regardless of where they are located. ✓

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

2.2.5 **Use the above pie chart to calculate the percentage contributed by the secondary sector to the South African economy.**

$(15\% \checkmark + 3\% \checkmark + 2,8\% \checkmark) = 20,8\% \checkmark$ (4)

2.3 **DATA RESPONSE**

2.3.1 **Identify in the table above the item that captures all the transactions related to donations and gifts.**

Current transfers ✓ (1)

2.3.2 **In which year the country recorded the highest merchandise imports?**

2023 ✓ (1)

2.3.3 **Briefly describe the term *current account***

Current account is the account in the balance of payments that records international transactions relating to production, income and expenditure. ✓✓

(Accept any other relevant correct answer) (2)

2.3.4 **Explain the purpose of unrecorded transactions when compiling a country's balance of payments.**

- Captures the net effect of any discrepancies or errors in the data collection. ✓✓
- Adjust for underreporting or omission of certain transactions. ✓✓

(Accept any other correct relevant response) (2)

2.3.5 **Calculate the current account balance for the year 2024. Show ALL calculations.**

$[1\ 914 + 113 + 281 + 195] \checkmark - [1\ 843 + 343 + 356 + 45] \checkmark$
 $= -84 \checkmark \checkmark$

OR

$2\ 503 \checkmark - 2\ 587 \checkmark = -84 \checkmark \checkmark$ (4)

2.4 **Explain the factors affecting the demand for foreign currency.**

- Increase in imports leads to a higher demand for foreign currency ✓✓
- Paying for services provided by a foreign firm ✓✓
- Repaying of a foreign loan/debt from other countries ✓✓
- South African tourists who want to visit other countries ✓✓
- Buying shares or assets (investing) in other countries would lead to a demand for foreign currency ✓✓
- Paying interests or dividends to firms or individuals from other countries ✓✓

(Accept any other correct relevant response)

(4 x 2) (8)

2.5 **How does public sector failure impact economic stability in South Africa?**

- Public sector failure can lead to inefficient allocation of resources, resulting in reduced economic growth ✓✓
- There could be lack of investment due to failure to provide essential public services leading to low growth in the economy ✓✓
- Public sector failure can increase inequality because of lack of access to essential services, increasing further income inequality which affects mostly the vulnerable population such as the poor and elderly ✓✓
- Level of unemployment increases as the economy fails to create new employment opportunities ✓✓
- Public sector failure including corruption and mismanagement of funds damages investor confidence, leading to capital flight and reduced foreign investment ✓✓
- The decline in SOEs like Eskom, negatively impacts on the production of goods and services and increase the cost of doing business because of the failure to continuously supplying key input services like energy and transport, thus leading to businesses being inefficient ✓✓
- Public sector failure can lead to unstable prices for goods and services, because an inefficient public sector fails to control severe price fluctuations which will lead to higher inflation and an economic downturn ✓✓

(Accept any other correct relevant response)

(4 x 2) (8)

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

[40]



QUESTION 3: ECONOMIC PURSUITS

3.1 3.1.1 **Name TWO industrial development strategies in South Africa.**

- National Research and Development Strategy (NRDS) ✓
- Integrated Manufacturing Strategy (IMS) ✓ (2 x 1) (2)

3.1.2 **How could education as a social indicator reduce inequalities?**

- Education can lead to better job opportunities and higher salaries, reducing income inequality. ✓✓
 - Educated individuals can be equipped with skills and knowledge, making them more employable and competitive in the job market. ✓✓
 - Education can provide equal opportunities for individuals from different backgrounds, helping to reduce inequalities. ✓✓
- (Accept any other correct relevant response) (1 x 2) (2)

3.2 DATA RESPONSE

3.2.1 **Identify ONE argument in favour of protectionism from the extract above.**

- Growing the economy ✓
- Protecting jobs ✓
- Raising tax revenue ✓ (1)

3.2.2 **Name the type of tariff that is levied as a percentage on the value imported goods.**

Ad valorem ✓ (1)

3.2.3 **Briefly describe the term *protectionism*.**

Protectionism is a trade policy whereby the state discourages the importing of certain goods and service in order to protect local industries against unequal competition from abroad. ✓✓

(Accept any other correct relevant response) (2)

3.2.4 **Explain the importance of free trade on the South African economy.**

- Free trade boost productivity and encourages firms to be more efficient in their production methods. ✓✓
- Consumers have access to a wider range of higher quality products at lower prices.
- South African producers maybe able to minimise cost of production through specialisation and mass production. ✓✓
- Demand for South Africa's exports will increase due to the removal of international trade barriers. ✓✓

(Accept any other correct relevant response) (2)



3.2.5 **How do tariffs affect consumers in the importing country?**

- Tariffs directly increase the cost of imported goods which is passed down to consumers through higher prices and this can reduce the demand for imports and lead to higher prices for domestic alternatives ✓✓
- Tariffs can limit consumer choices by making imported goods more expensive or unavailable, ✓✓ particularly those that are not produced domestically or have a limited domestic supply ✓✓
- Tariffs can contribute to inflation by increasing the cost for imported goods and services which can then push up the overall price level ✓✓
- Retaliatory measures can be implemented by other countries, potentially escalating into trade wars, which can negatively affect consumers ✓✓
- While tariffs can protect domestic industries, they can also lead to higher prices and reduced competition which can negatively impact consumers ✓✓

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

3.3 **DATA RESPONSE**

3.3.1 **Identify the IDZ labelled A on the map above.**

East London IDZ ✓ (1)

3.3.2 **Name ONE benefit of private and public investment to communities in regions hosting SEZs as indicated in the extract above.**

- Higher standard of living ✓
- Increased employment ✓
- Reduced poverty and inequality ✓ (1)

3.3.3 **Briefly describe the term *Industrial Development Zone*.**

IDZ is a purpose built industrial estate that is physically enclosed and linked to an international port or airport. ✓✓ (2)
(Accept any other correct relevant response)

3.3.4 **Explain any factor that can negatively impact the success of Industrial Development Zones in South Africa.**

- Insufficient or poorly maintained infrastructure (roads, railways, ports, electricity, water and telecommunications), can limit accessibility, efficiency and competitiveness of IDZs. ✓✓
- Shortage of skilled labour which presents a significant obstacle, as the success of industrial initiatives. ✓✓
- Corruption and bribery, inefficiency and ineffectiveness within government and state-owned enterprises. ✓✓
- High levels of crime, particularly theft and vandalism. ✓✓
- Perception of South Africa as a high-risk investment destination. ✓✓

(Accept any other relevant correct response) (2)



3.3.5 How can customs-free incentives help improve industrial development?

- Customs-free incentives lower import costs such as raw materials, machinery and equipment, making it more affordable for businesses to operate and invest. ✓✓
- Making industries more competitive in the global market, enabling them to increase exports and attract foreign investment. ✓✓
- Customs-free incentives attract foreign investors, especially industries that rely heavily on imported inputs, promoting industry growth. ✓✓
- Customs-free incentives can promote industrial diversification by supporting new industries. ✓✓

(Accept any other correct relevant response)

(Any 2 x 2) (4)

3.4 Briefly explain Free Trade Area and Common Market as forms of economic integration.

• Free Trade Area/FTA

- Free Trade Area is a group of countries that agree to eliminate tariffs and other trade barriers on goods and services traded among member countries ✓✓
- Participating countries benefit from reduced tariffs while maintaining their existing protections for trade with countries outside the area ✓✓
- Member countries can keep trade protection against non-member countries ✓✓
- examples, North America Free Trade Agreement (NAFTA), Southern African Development Community (SADC) ✓

Max. 4

• Common market

- A Common Market is an agreement between two or more countries removing all trade barriers between themselves ✓✓
- They establish common tariffs and non-tariff barriers for importers ✓✓
- Countries in a Common Market allow the free movement of factors of production between member countries ✓✓
- Common markets impose common external tariffs on imports from non-member countries ✓✓
- It satisfies all the requirements of a customs union ✓✓
- examples, The European Union (EU) ✓

Max. 4

(Accept any other relevant correct response)

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

(8)

3.5 Evaluate the efficiency of service delivery to South African citizens.

Achievements/Successes

- Since 1994, South Africa has made significant progress in expanding access to basic services such as electricity, water, sanitation and housing. ✓✓
- South Africa has made strides in increasing access to education, providing free education to the poor citizens/communities. ✓✓
- Free basic health care is available to all South African citizens. ✓✓
- The country has implemented various healthcare programs, including the rollout of antiretroviral treatment for HIV/AIDS patients. ✓✓
- The signing of the National Health Insurance (NHI) Bill can be considered a significant milestone in South African government service delivery. ✓✓
- The NHI Bill aims to provide universal access to quality healthcare, regardless of socio-economic status. ✓✓
- The government has embarked on an ambitious initiative aimed at providing housing for impoverished/poor families. ✓✓

Failures/Challenges

- Despite progress, many communities, particularly in rural areas, still lack access to basic services and many people live in shacks due to lack of housing. ✓✓
- The quality of services, such as healthcare, and education is very poor. ✓✓
- The health facilities have limited equipment and medicines to provide efficient services. ✓✓
- Many citizens receive no proper municipal services such as refuse removal, thereby living in a polluted environment. ✓✓
- Many rural areas still do not have access to clean water, proper sanitation and electricity. ✓✓
- There are still some areas without electricity. ✓✓
- Eskom is currently facing significant challenges in maintaining its electricity generation capacity, and this leads to load shedding, affecting all South African citizens. ✓✓

(Accept any other correct relevant response)

(Allocate maximum of 2 marks for a mere listing of facts) (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 types of exchange rate systems.**

- Free floating ✓
- Managed floating ✓
- Fixed ✓

(2 x 1) (2)

4.1.2 **How can export promotion solve the problem of unemployment?**

- The promotion of exports can help solve unemployment by stimulating economic growth, thereby creating new job opportunities / promoting exports can generate higher demand for locally produced goods, leading to increased production and the need for more workers ✓✓
- Export promotion can lead to the growth of SMMEs, which are often labour-intensive and can create employment opportunities ✓✓

(Accept any other correct relevant response) (2)

4.2 DATA RESPONSE4.2.1 **Identify the policy statement that outlines the economic outlook from the information above**

- Medium Term Budget Policy Statement (MTBPS) ✓

(1)

4.2.2 **Name ONE government challenge from the above information**

- Unemployment rate above 32% /unemployment ✓
- 75,1% current public debt as percentage of GDP / Public debt / Debt ✓

(1)

4.2.3 **Briefly describe the term *main budget*.**

Main budget is the statement of government's planned expenditure and anticipated income for the fiscal year. ✓✓

(Accept any other relevant response)

(2)

4.2.4 **Why is it important for government to finance State-Owned Enterprises?**

It is important for government to finance SOEs because they:

- play a crucial role in delivering key infrastructure services like energy, transport and water, which are essential for economic growth. ✓✓
- are large employers, contributing significantly to job creation. ✓✓
- provide essential services, such as electricity, water, healthcare and education to the population of the country. ✓✓
- can offer services at affordable prices. ✓✓
- control strategic assets, such as ports, airports and telecommunication networks, which are essential for economic development. ✓✓

(Accept any other relevant response)

(2)

4.2.5 How can the government effectively reduce public debt/borrowing?



The government can effectively reduce public debt by;

- implementing cost-cutting measures by reducing spending in various areas such as social programmes e.g. Social Distress Relief (SDR) and reduce bloated cabinet ministers to free up funds for debt repayment. ✓✓
- narrowing budget deficit by cutting back on non-essential expenditures such as travelling, entertainment by government officials ✓✓
- investing more in infrastructure and education to improve the economy. ✓✓
- improving tax collection by enhancing tax administration to reduce tax evasion in order to boost revenue. ✓✓
- keeping interest rates low to make it cheaper for the government to repay the existing debt. ✓✓

(Accept any other relevant response) (2 x 2) (4)

4.3 DATA RESPONSE

4.3.1 Identify the institution in the cartoon and information above that determines the interest rate.

South African Reserve Bank (SARB) ✓ (1)

4.3.2 Name an international organization that standardizes economic indicators, NOT mentioned above.

- International Monetary Fund / IMF ✓
 - United Nations / UN ✓
- (1)

4.3.3 Briefly describe the term *economic indicator*.

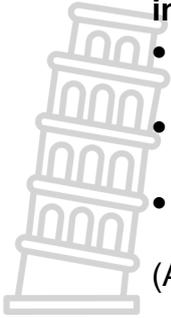
An economic indicator is a statistic or data used to measure trends in the economy / It is a statistical measure that provides insight into a country's economic performance and trends. ✓✓

(Accept any other correct relevant response) (2)

4.3.4 Explain the impact of an increase in labour productivity on businesses.

- With increased productivity businesses may experience a decrease in cost of production which will improve profits. ✓✓
- Businesses will produce more output with the same inputs (labour), leading to increased efficiency. ✓✓
- Businesses will be able to sell their products at more competitive prices thereby gaining more market share. ✓✓
- Better quality products will be produced and compete in the export markets. ✓✓

(Accept any other correct relevant response) (2)

4.3.5 How can interest rates as an economic indicator influence inflation?

- When interest rates change, they can affect how much people spend or invest, and this can cause inflation to rise or fall. ✓✓
- Higher interest rates increase borrowing costs, discouraging consumption and investment, which can combat inflation. ✓✓
- Lower interest rates can stimulate consumer spending and investment, which in turn can lead to higher prices. ✓✓

(Accept any other correct relevant response)

(2 x 2) (4)

4.4 Briefly explain the role of product markets and factor markets in the four-sector model.**Product markets**

- These are markets 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 tangible items, like food, clothes, cars that satisfies some human wants or needs. ✓✓
- In a capital goods market products such as buildings and machinery are traded. ✓✓
- Consumer goods market involves the trading of durable consumer goods, semi-durable consumer goods and non-durable consumer goods. ✓✓

Max. 4

Factor markets

- These are markets where factors of production are bought and sold. ✓✓
- Households are the owners of factors of production and they sell them to firms to produce goods and service. ✓✓
- Natural resources, labour, capital and entrepreneurship are traded in this market. ✓✓
- The factor market includes labour, property and financial markets. ✓✓
- Factor services are real flows and they are accompanied by counter flows of income and expenditure. ✓✓

Max. 4 (8)

4.5 Outline the importance of Public-Private-Partnership (PPP) in spatial development initiatives.

- It allows for private sector businesses to take advantage of the economic potential of underdeveloped areas. ✓✓
- The private business may provide investment capital, while government provides infrastructure such as roads, water and electricity. ✓✓
- Businesses benefit from profits and government benefits from taxes and decreased unemployment. ✓✓
- Allows moving towards international competitiveness, regional cooperation and diverse economy. ✓✓
- Private sector expertise and efficiency can lead to faster project completion and better maintenance / the likelihood of project delays can be reduced; as private sector is more efficient. ✓✓

- Public-Private-Partnership can stimulate local economic growth by creating jobs, attracting businesses, and increasing economic activity. ✓✓
- Due to fiscal constraints on financing road projects, the PPP approach means that an additional means to finance infrastructure and services is made available from sources other than the public sectors. ✓✓

(Accept any other correct relevant response)

(4 x 2) (8)

TOTAL SECTION B: 40



SECTION C**QUESTION 5: MACROECONOMICS**

- Discuss in detail the new economic paradigm in smoothing-out business cycles? (26 marks)
- How can a decrease in economic activity affect different participants in the economy? (10 marks)

INTRODUCTION

- The new economic paradigm suggests that it is possible to implement measures to promote economic growth and reduce unemployment without provoking inflation. ✓✓
- The new economic paradigm is embedded in both demand-side and supply-side policies. ✓✓

(Accept any other correct relevant introduction)

Max. 2

MAIN PART

Demand-side policies: ✓

Monetary policy: ✓

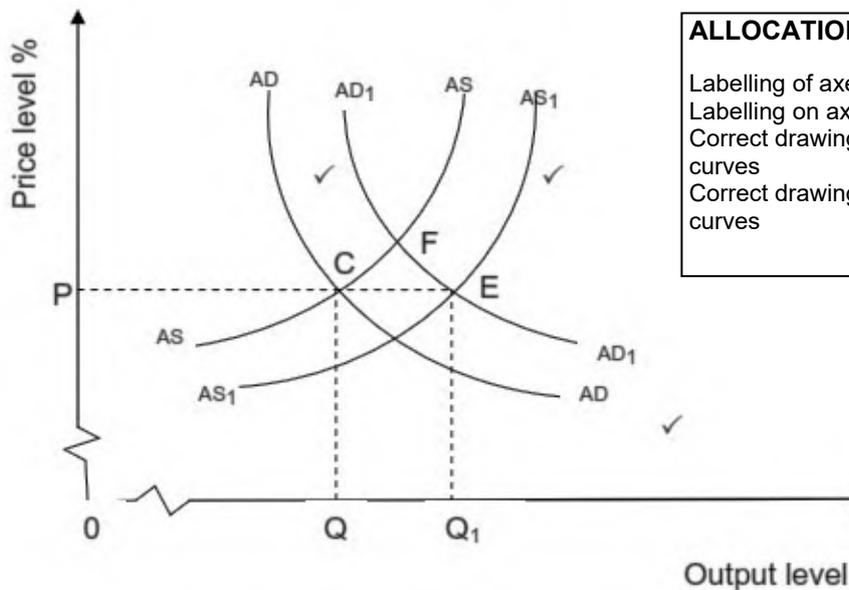
- When the level of economic activity is depressed the SARB can use expansionary measures to stimulate economic activities. ✓✓
- An expansionary monetary policy is implemented when the economy is in recession in order to stimulate economic activities. ✓✓
- Interest rates can be reduced to make borrowing cheaper and encourage spending by households and businesses. ✓✓
- The increased spending increases the level of economic activity, investment will increase and more factors of production will be employed. ✓✓
- Higher levels of production, income and expenditure will be achieved. ✓✓
- If the supply of goods and services does not increase in line with increase in demand, inflation will increase. ✓✓

Fiscal policy: ✓

- When the level of economic activity is low, expansionary fiscal measures can be used to stimulate growth and reduce unemployment. ✓✓
- An increase in government expenditure will increase aggregate demand as more people will be employed and earn an income. ✓✓
- When there is an increase in injection in the economy, production will result in a higher employment of factors of production. ✓✓
- The result will be higher income and higher expenditure. ✓✓
- Taxes can be reduced, which will lead to an increase in disposable income. ✓✓
- This will increase consumer spending and investments, stimulating aggregate demand. ✓✓

Inflation: ✓

- Aggregate demand increases more quickly than aggregate supply and this causes prices to increase. ✓✓
- If the supply does not react to the increase in demand, prices will increase and this will lead to inflation. ✓✓
- Aggregate demand and supply are in equilibrium where $AD = AS$ at point **C**, and again where $AD_1 = AS_1$ at point **E**. ✓✓
- The diagram below illustrates that if AD increases to AD_1 and AS does not respond, the new equilibrium will be at point **F**, therefore, real production will increase and prices will also increase, inflation will prevail. ✓✓

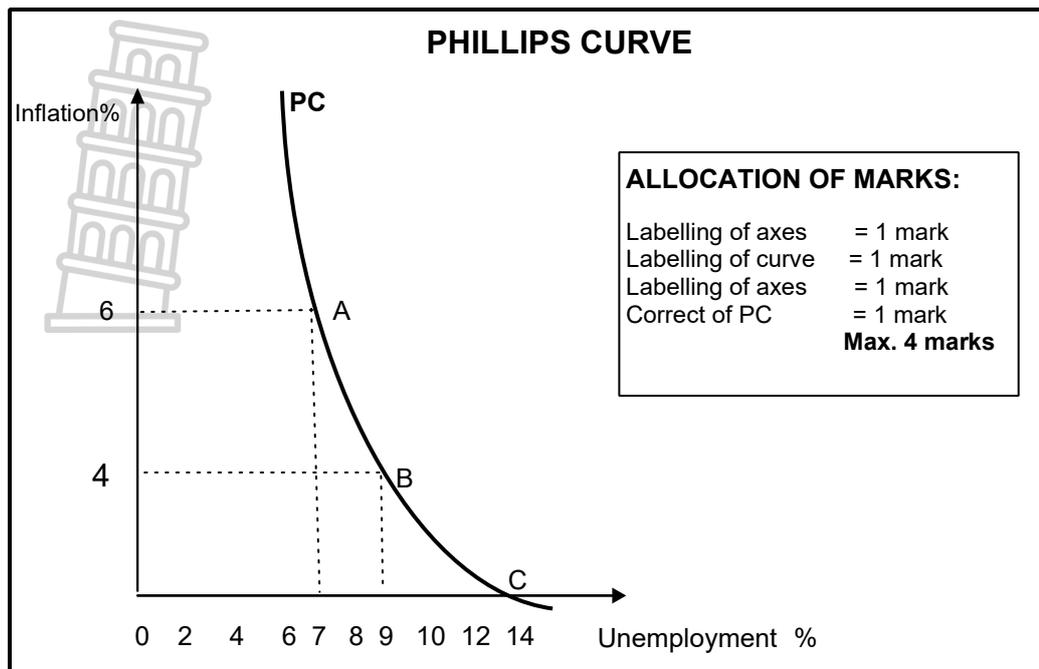
**ALLOCATION OF MARKS:**

- | | |
|--|----------|
| Labelling of axes | = 1 mark |
| Labelling on axes | = 1 mark |
| Correct drawing and labelling of AD curves | = 1 mark |
| Correct drawing and labelling of AS curves | = 1 mark |

Max. 4 marks**Unemployment:** ✓

- Demand-side policies are effective in stimulating economic growth during economic recession. ✓✓
- The demand for labour will increase due to economic growth, and that leads to reduced unemployment. ✓✓
- A decrease in unemployment results in an increase in inflation because more people are employed, which causes an increase in demand for labour. ✓✓
- This relationship between unemployment and inflation is illustrated using the Phillips curve. ✓✓





- The Phillips curve shows the negative or inverse relationship between unemployment and inflation. ✓✓
- PC shows the initial situation, where at point C the PC curve intersects x/axis i.e. natural rate of unemployment is 14%. ✓✓
- If unemployment falls to B i.e. 9% causes wages to increase, and inflation will kick in and increase to 4%. ✓✓
- The government can choose how much unemployment wishes to trade-off for inflation. ✓✓

SUPPLY-SIDE POLICIES ✓

Reducing cost of doing business ✓

- Improving infrastructural services such as communication, transport and energy can lower logistical costs for businesses. ✓✓
- Simplifying and streamlining administrative costs such as inspections and regulations can reduce compliance costs for businesses, making it easier and cheaper to operate. ✓✓
- Cash incentives such as subsidies can be used to encourage businesses to locate in areas where unemployment is high. ✓✓
- Subsidies can also be used to compensate exporters for certain costs they incur to encourage increased production aimed at foreign markets. ✓✓

Improving efficiency of inputs ✓

- Lower rates of personal income tax are incentives for high productivity and increase aggregate supply. ✓✓
- Capital consumption: by replacing capital goods on a regular basis that will create opportunities for businesses to keep up with technological development. ✓✓
- Businesses are allowed to subtract depreciation allowance before tax is deducted from their profits in order to reduce their tax liability. ✓✓
- Human resources development: the quality of labour can be improved by improving health care, education and training which will increase the efficiency of businesses. ✓✓

- Free advisory services given to businesses can promote opportunities to export and establish business activities in foreign countries and this includes information on weather forecasts, veterinary services and research and development (R&D). ✓✓

Improving efficiency of markets ✓

- Deregulation involves removal of laws, regulations and by-laws to make markets free ✓✓ labour and other resource inflexibilities should be addressed. ✓✓
- Competition is encouraged to establish new businesses, invite foreign direct investment and remove power imbalances. ✓✓
- Levelling the economic playing fields: private businesses cannot compete with public enterprises due to legislative protection. ✓✓

(Accept any other correct relevant response)

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

Max. 26

ADDITIONAL PART

A decrease in economic activity may affect different participants in the economy as follows:

- The tax base for the government may shrink as some businesses may shut-down their operation and workers lose jobs ✓✓
- Government will collect less tax revenue from businesses and households resulting in postponement of some public projects due to lack of funds ✓✓
- Social expenditure by the government may increase as poverty and unemployment levels increase during the recession ✓✓
- State debt may increase as the government tries to raise funds for some of its critical expenditure ✓✓
- Households may lose their jobs and fail to find new employment as production of goods and services decrease ✓✓
- Consumer confidence will decrease resulting in less expenditure on goods and services ✓✓
- Businesses may experience low demand for goods and services as consumers postpone some of their expenditures ✓✓
- Business may generate less revenue resulting in less profits ✓✓
- Business confidence may decrease thereby discouraging them from investing in the economy ✓✓
- The foreign sector will have less supply of South African exports as domestic production decreases ✓✓
- Foreign investors will lose confidence with the economy resulting in less capital inflow ✓✓

(Accept any other correct relevant response)

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

Max. 10

CONCLUSION

By implementing demand-side policies and supply-side policies, the government can help create a stable and prosperous economy while ensuring price stability. ✓✓
(Accept any higher order relevant conclusion.) Max. 2

[40]



QUESTION 6: ECONOMIC PURSUITS

- **Discuss in detail the South African growth and development policies and strategic initiatives since 1994. (26 marks)**
- **Analyse the environmental effects of economic activities of countries in the North. (10 marks)**

INTRODUCTION

- Economic development is the process by which the standard of living improves over a period of time ✓✓
- Economic growth is an increase in the production capacity or real GDP of an economy over time ✓✓

(Accept any correct relevant introduction)

Max. 2

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 or gender. ✓✓
 - democratize the economy and empower the previously disadvantaged groups. ✓✓

Growth, Employment, and Redistribution (GEAR) ✓

- 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 a tax system to finance education and training programs 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. ✓✓
- have a faster fiscal deficit reduction programme by controlling public debt to ensure price stability (inflation). ✓✓
- 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 factors of production (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/disadvantage. ✓✓
- 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 the 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 (welfare) through economic growth. ✓✓ improve the production capacity of tourism, biofuel and manufacturing. ✓✓

National Skills Development Strategy (NSDS) ✓

- The strategy is intended to radically transform education and training in South Africa ✓✓
- It 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 the skills of the South African labour force ✓✓

Joint Initiative on Priority Skills Acquisitions (JIPSA) ✓

- Its 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) ✓

- NDP was founded and led by the former Finance Minister in 2012/13. ✓✓
- 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. ✓✓

(Accept any other correct relevant response)

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

Max. 26

ADDITIONAL PART

The environmental effects of economic activities of countries in the North are as follows:

- Industrial activities, transportation and consumption patterns in the Northern countries generate significant amounts of pollution and waste, harming ecosystems and human health. ✓✓
- Mass production and consumption in the North damages the ozone layer, caused by pollution and toxic substances ✓✓
- Northern countries are among the largest energy consumers, contributing significantly to greenhouse gas emissions climate change experienced worldwide ✓✓
- Greenhouse gases produced by large industries affect lives in the South more negatively due to their way of living ✓✓
- Intensive farming practices in the Northern countries can lead to soil degradation, water pollution, and loss of biodiversity. ✓✓
- Climate change results in less agricultural output due to poor soil conditions, inadequate and unreliable rainfall. ✓✓
- The South is badly affected by degradation of land, and contamination of water and vegetation which causes malnutrition and hunger ✓✓
- Trade expansion can have an obvious direct impact on the environment due to higher pollution or degrading natural resources ✓✓
- Open markets can improve access to new technologies that make local production processes more efficient by diminishing the use of inputs such as energy, water, and other environmentally harmful substances. ✓✓
- As a country becomes more integrated within the world economy, its export sector becomes more exposed to environmental requirements imposed by the leading importers. ✓✓

(Accept any other correct relevant response)

Max. 10

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

CONCLUSION

It is the ultimate responsibility of the government to ensure that proper and effective policies are designed and implemented to improve the performance of the economy/While progress has been made, challenges persist, including electricity supply shortages, infrastructure constraints, fiscal vulnerabilities, and climate change shocks. ✓✓

(Accept any other relevant higher order conclusion)

Max. 2

TOTAL SECTION C: 40
GRAND TOTAL: 150