



KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA



**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ECONOMICS
Stanmorephysics.com
PROVINCIAL STANDARDISED ASSESSMENT
MARCH 2026

MARKS: 100

TIME: 1½ hours

Stanmorephysics.com

This question paper consists of 9 pages.



INSTRUCTIONS AND INFORMATION

1. Answer THREE questions as follows:
 - SECTION A: COMPULSORY
 - SECTION B: Answer any ONE question from this section.
 - SECTION C: Answer any ONE of the two questions.
2. Number the answers correctly according to the numbering system used in this question paper.
3. Write the number of each question above each answer.
4. Read the questions carefully and start EACH question on a new page.
5. Leave at least ONE line between subsections of each question.
6. Start each question on a new page.
7. Answer questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
8. Answer ONLY the required number of questions. Answers in excess of the required number will NOT be marked. Stanmorephysics.com
9. Use ONLY blue or black ink.
10. Non-programmable pocket calculators may be used.
11. Write legibly and present your work neatly.

SECTION A: COMPULSORY**QUESTION 1****20 MARKS – 20 MINUTES**

- 1.1. Various options are provided as possible answers to the following questions. Choose the correct answer and write only the letter (A-D) next to the question number (1.1.1-1.1.8) in the ANSWER BOOK, for example 1.1.9. D.
- 1.1.1. The addition of income or spending into the circular flow of the economy that increases overall economic activity is known as ...
- A. leakage
 - B. injection
 - C. withdrawal
 - D. loss
- 1.1.2. The technique of predicting the future of the business cycle using past data is known as ...
- A. amplitude
 - B. trough
 - C. trend
 - D. extrapolation
- 1.1.3. Public goods that are non-excludable and non-rival in consumption are referred to as ... goods.
- A. collective
 - B. community
 - C. merit
 - D. demerit
- 1.1.4. The purchase of financial assets, such as shares on the stock exchange of another country is called ... investment.
- A. direct
 - B. other
 - C. portfolio
 - D. capital
- 1.1.5. The final price paid by consumers for goods and services is known as ... price.
- A. market
 - B. basic
 - C. factor
 - D. goods

(2 x 5) (10)

- 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.

Column A		Column B
1.2.1	National accounts	A. They change at the same time as the economy changes B. System of integrated statistics that provide a comprehensive picture of production, income and expenditure in the economy
1.2.2	Coincident indicators	
1.2.3	Laffer curve	
1.2.4	Budget	
1.2.5	Devaluation	C. An item in the balance of payments that caters for any omissions and errors
1.2.6	Unrecorded transactions ²	D. The analysis of the relationship between the country's tax rate and tax revenue E. The accounting summary of anticipated revenue and estimated expenditure for a period of time F. The deliberate action by the state to decrease the value of a country's currency

(1 x 6) (6)

- 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 A portion of disposable income that households keep for future consumption.
- 1.3.2 A policy used by the central bank to control the supply of money in the economy.
- 1.3.3 The total number of people between the ages of 15 and 65, who are willing and able to work.
- 1.3.4 Comparison of the country's export prices with its import prices using an index.

(1 x 4) (4)
TOTAL SECTION A: 20 MARKS

SECTION B

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

QUESTION TWO: MACRO-ECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Name any **TWO** types of business cycles. (2 x 1) (2)

2.1.2 Why is the financial sector important in the economy? (1 x 2) (2)

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

THE MULTIPLIER EFFECT

The tourism sector in South Africa has experienced a significant increase in international arrivals, with a reported rise of 1.3 million new arrivals compared to the same period in 2024. Tourism contributes around 8% to the countries' GDP, with households being on the receiving end on the benefits thereof. This figure increases significantly in indirect contribution as South Africa has a marginal propensity to consume of 60% for every rand.

SOURCE: BUSINESS TECH, 2025

2.2.1 Identify the economic participant from the extract above. (1)

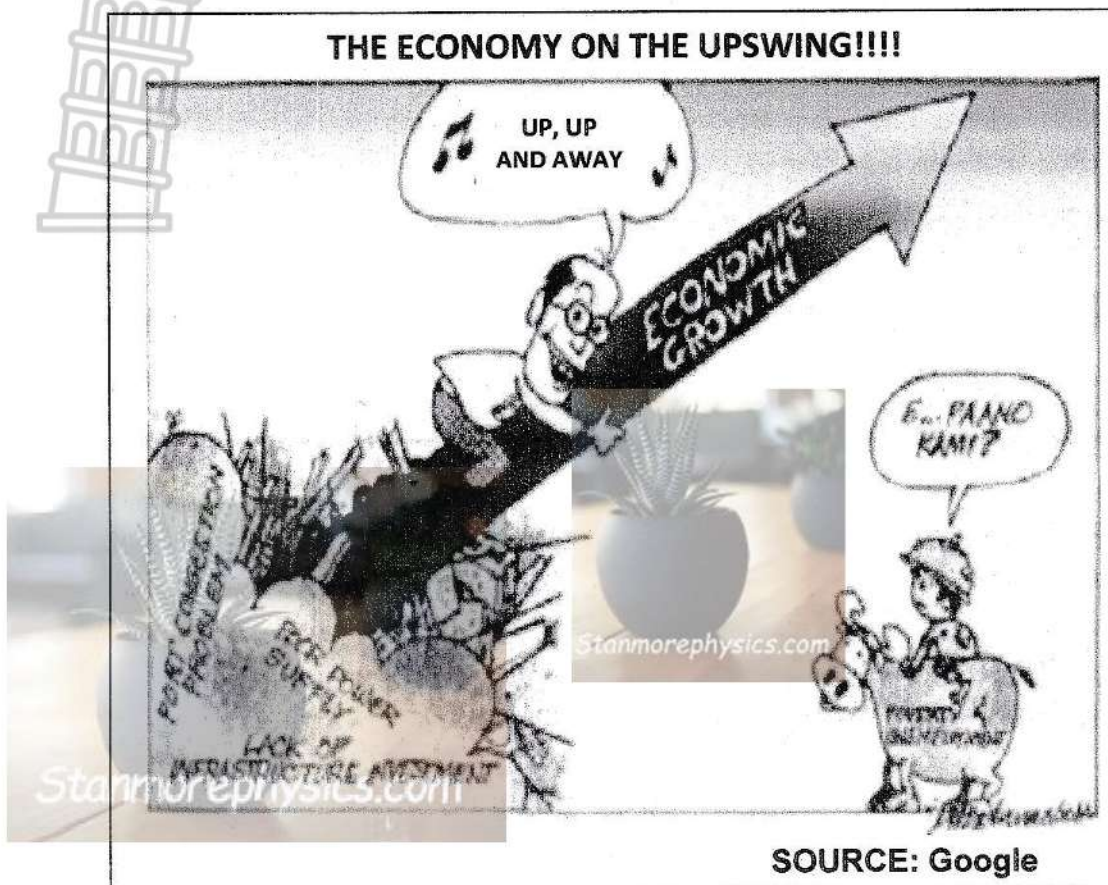
2.2.2 Give the value of the marginal propensity to save for South Africa (1)

2.2.3 Briefly describe the term *autonomous consumption*. (2)

2.2.4 Explain the positive impact of an increase in investment spending on the size of the multiplier. Stanmorephysics.com (2)

2.2.5 How does an increase in taxation negatively affect the economy? (4)

2.3 Study the cartoon below and answer questions that follow.



2.3.1 Identify the period of the business cycle depicted in the cartoon above? (1)

2.3.2 Name ONE example of an exogenous factor to business cycle fluctuation. (1)

2.3.3 Briefly describe the term *recession*. (2)

2.3.4 Explain the impact of an increase in money supply on price levels. (2)

2.3.5 Why would the government implement fiscal policy in the economy? (4)

2.4 Briefly discuss *leading indicators* and *lagging indicators* as features underpinning forecasting of business cycles. (8)

2.5 How can an increase in government spending affect the economy? (8)

[40]

QUESTION 3: MACRO-ECONOMICS**40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name the TWO flows in the circular flow. (2)

3.1.2 How does a high unemployment rate affect business cycles? (2)

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

GROSS VALUE ADDED ACCORDING TO TYPE OF ECONOMIC ACTIVITY		
At current prices (R millions)	2024	2025
Primary sector	491 860	227 753
Secondary sector	941 459	2 042 456
Tertiary sector	2 596 256	5 902 399
Gross value added at basic prices	4 029 575	A

[Adapted: SARB Quarterly Bulletin, JUNE 2025]

3.2.1 Identify the method used to calculate the gross domestic product above. (1)

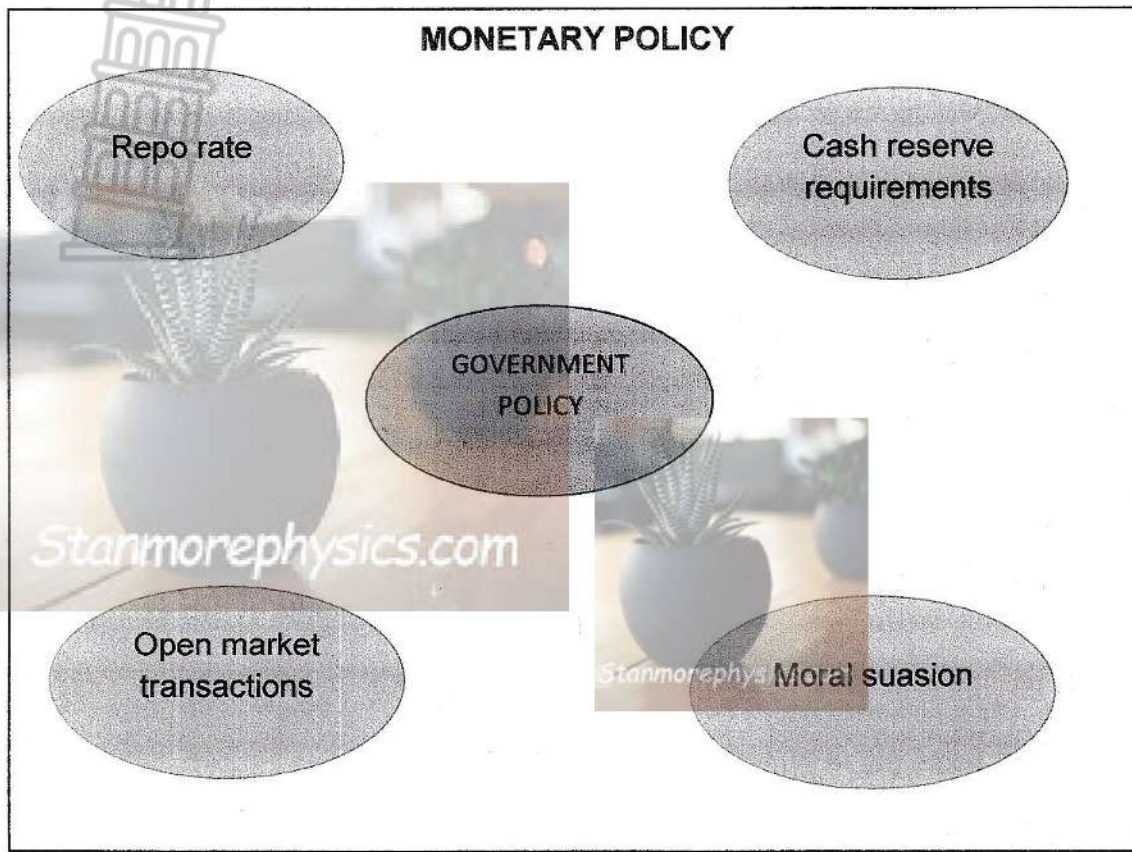
3.2.2 Name ONE example of an industry in the Primary sector. (1)

3.2.3 Briefly describe the term *Gross National Product*. (2)

3.2.4 Explain the impact of double counting in the National Income. (2)

3.2.5 Calculate the value of A. (Show all calculations). (4)

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



- 3.3.1 Identify the term that relates to the cost of borrowing by banks on the information above. (1)
- 3.3.2 Name the institution that is responsible for the determination of the policy shown above. Stanmorephysics.com (1)
- 3.3.3 Briefly describe the term *cash reserve requirements*. (2)
- 3.3.4 Explain the benefits of keeping interest rates unchanged to South Africa? (2)
- 3.3.5 Why are open market transactions important to dampen the overheating economy? (4)
- 3.4 Briefly discuss the factor market and the product market within the four-sector model. (8)
- 3.5 How can aggregate supply be stimulated? (8)

TOTAL SECTION B: 40 MARKS

SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK. Ensure that your answer follows the structure indicated below in order to obtain maximum marks:

STRUCTURE OF ESSAY	MARK ALLOCATION
<p>Introduction</p> <p>The introduction is a lower order-response</p> <ul style="list-style-type: none"> • A good starting point would be to define the main concept related to the question topic. • Do not include any part of the question in your introduction. • Do not include any part of the introduction in your body. • Avoid saying in the introduction what you are going to discuss in the body. 	Max. 2
<p>Body</p> <p>Main part: Discuss in detail/ In depth discussion/ Examine/ Critically discuss/ Analyse/ Compare/ Evaluate/ Distinguish/Differentiate/ Explain.</p> <p>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/ How/ Suggest</p>	<p>Max. 26</p> <p>Max. 10</p>
<p>Conclusion</p> <p>Any high-order conclusion should include:</p> <ul style="list-style-type: none"> • A brief summary of what has been discussed without repeating facts already mentioned. • Any opinion or value judgment on the facts discussed. • Additional support information to strengthen the discussion/ analysis. • A contradictory viewpoint with motivation, if required. • Recommendations. 	Max. 2
TOTAL	40

QUESTION 4: MACRO-ECONOMICS**MARKS – 40 MINUTES**

- Discuss the main objectives of the public sector. (26)
- How can the South African government improve public sector provisioning? (10)

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

- Discuss in detail the reasons for international trade. (26)
- Evaluate the success of South African government in correcting the balance of payments deficit. (10)

[40]**TOTAL SECTION C: 40 MARKS****GRAND TOTAL: 100 MARKS**



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MARKING GUIDELINES

MARCH 2026

Stanmorephysics.com

MARKS: 100

TIME: 1½ hours

This marking guideline consists of 16 pages.

INSTRUCTIONS AND INFORMATION

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SECTION A: COMPULSORY

QUESTION 1

20 MARKS – 20 MINUTES

1.1. MULTIPLE CHOICE QUESTIONS

- 1.1.1. B✓✓
- 1.1.2. D✓✓
- 1.1.3. B✓✓
- 1.1.4. C✓✓
- 1.1.5. A✓✓

(2 X 5) (10)

1.2. MATCHING ITEMS

- 1.2.1. B✓
- 1.2.2. A✓
- 1.2.3. D✓
- 1.2.4. E✓
- 1.2.5. F✓
- 1.2.6. C✓



(1 x 6) (6)

1.3. GIVE THE TERM

- 1.3.1 Savings ✓
- 1.3.2 Monetary policy ✓
- 1.3.3 Economically active population ✓
- 1.3.4 Terms of trade ✓

(1 x 4) (4)

TOTAL SECTION A: 20

SECTION B

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

QUESTION TWO: MACRO-ECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Name any **TWO** types of business cycles.

(2 x 1)(2)

- Kitchin cycle ✓
- Juglar cycle ✓
- Kuznet cycle ✓
- Kondratief cycle ✓

2.1.2 Why is the financial sector important in the economy?

(1 x 2) (2)

- The financial sector is important because it facilitates savings and loans and channels them to businesses and individuals who need funds for investment and consumption. ✓✓

(Accept any other correct relevant response)

2.2 DATA RESPONSE

2.2.1. Identify the economic participant from the extract above.

(1)

Households ✓

2.2.2. Give the value of the marginal propensity to save (mps) for South Africa.

(1)

0.4 ✓

2.2.3. Briefly describe the term *autonomous consumption*.

(2)

Autonomous consumption is spending which is independent of the level of income. ✓✓

(Accept any other correct relevant response)

2.2.4. Explain the positive impact of an increase in investment spending on the size of the multiplier.

(2)

- An increase in investment spending increases the size of a multiplier since it is an injection into the circular flow, boosting the aggregate demand and triggers the additional rounds of spending through the economy. ✓✓
- Increase in investment leads to a larger increase in national income, as the initial investment is multiplied in the economy. ✓✓

(Accept any other correct relevant response)

2.2.5 How does an increase in taxation negatively affect the economy? (4)



- Higher taxes reduce disposable income, which lowers consumer spending and aggregate demand, leading to slower economic growth. ✓✓
- Increased taxation can also discourage investment and entrepreneurship, reducing business activity and job creation which further dampens economic output. ✓✓
- Higher taxes can lead to a decrease in international competitiveness making it harder for domestic businesses to compete globally. ✓✓

(Accept any other correct relevant response) [10]

2.3 DATA RESPONSE

2.3.1 Identify the period of the business cycle depicted in the cartoon above? (1)



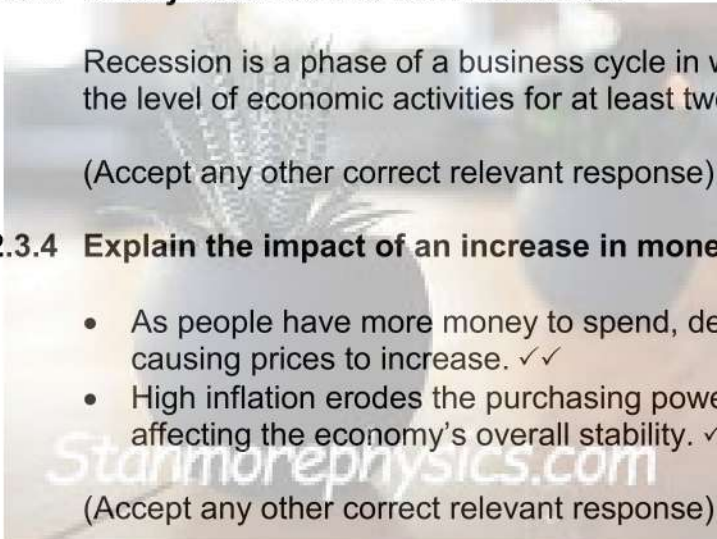
Expansion/Upswing ✓

2.3.2 Name one example of an exogenous factor to business cycle fluctuation. (1)

- Climate condition ✓
- Technological advances ✓

(Accept any other correct relevant response)

2.3.3 Briefly describe the term recession. (2)



Recession is a phase of a business cycle in which there is a decline in the level of economic activities for at least two consecutive quarters. ✓✓

(Accept any other correct relevant response)

2.3.4 Explain the impact of an increase in money supply on price levels. (2)

- As people have more money to spend, demand exceeds supply causing prices to increase. ✓✓
- High inflation erodes the purchasing power of consumers and affecting the economy's overall stability. ✓✓

(Accept any other correct relevant response)

2.3.5 Why would the government implement fiscal policy in the economy? (4)



- The government implements fiscal policy to influence economic activity by adjusting spending and taxation to promote economic growth, reduce unemployment, and control inflation. ✓✓
- The government can use fiscal policy to reduce income inequalities and stabilise the economy during recession. ✓✓
- The state implements tax incentives or subsidies for specific sectors to encourage production and job creation. ✓✓

(Accept any other correct relevant response) [10]

2.4 Briefly discuss leading indicators and lagging indicators as features underpinning forecasting of business cycles. (8)

Leading indicators

- Leading indicators are factors that change before the economy changes which include the new building contracts, consumer confidence etc. ✓✓
- They give consumers, business leaders and policy makers a glimpse into where the economy might be headed. ✓✓
- If leading indicators rise today, then the rest of the economy is likely to rise in the coming year. ✓✓

Max 4

Lagging indicators

- Lagging indicators do not change direction until after the business cycle has changed direction. ✓✓
- They serve to confirm the behaviour of coincident indicators ✓✓ e.g. new machinery sold. ✓
- If the business cycle reaches the peak and begins to decline, we are able to predict the value of the new machinery sold. ✓✓

Max 4

(Accept any other correct relevant response)

2.5 How can an increase in government spending affect the economy? (8)

- Boost aggregate demand by injecting funds into the economy, raising output and employment. ✓✓
- Stimulate the multiplier effect because initial spending leads to additional consumption and investment. ✓✓
- Raise inflation if the economy is near full capacity, due to increased demand. ✓✓
- Increase public debt which may affect future fiscal sustainability and interest rates. ✓✓
- Crowding-out effect, higher government spending may raise interest rates, potentially reducing private investments as borrowing becomes more expensive. ✓✓

(Accept any other correct relevant response)

[40]

QUESTION 3: MACRO-ECONOMICS**40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name the TWO flows in the circular flow. (2)

- Real flow ✓
- Money flow ✓

3.1.2 How does a high unemployment rate affect business cycles? (2)

- Unemployment reduces consumption spending because fewer people have income resulting to a decline in economic activity and depression ✓✓

(Accept any other correct relevant response)

3.2 DATA RESPONSE**3.2.1 Identify the method used to calculate the gross domestic product above.** (1)

Production method ✓

3.2.2 Name any ONE example of an industry in the Primary sector. (1)

Agriculture, ✓ Mining, ✓ Fishing, ✓ Forestry ✓

(Accept any other correct relevant response)

3.2.3 Briefly describe the term *Gross National Product*. (2)

Gross National Product is the total value of all final goods and services produced by the citizens of the country both domestically and abroad in a given period of time usually a year. ✓✓

(Accept any other correct relevant response)

3.2.4 Explain the impact of double counting in the National Income. (2)

- Double counting inflates the national income figures, making the economy to appear larger and more productive than it actually is, which can mislead policy makers. ✓✓

(Accept any other correct relevant response)

3.2.5 Calculate the value of A. (Show all calculations). (4)

$$227\,753 ✓ + 2\,042\,456 ✓ + 5\,902\,399 ✓ = 8\,172\,608 ✓$$

3.3 DATA RESPONSE

3.3.1 Identify the term that relates to the cost of borrowing by banks on the information above. (1)

- Repo rate ✓

3.3.2 Name the institution that is responsible for the determination of the policy shown above. (1)

- South African Reserve Bank ✓

3.3.3 Briefly describe the term *cash reserve requirements*. (2)

Cash reserve requirement is the minimum percentage of deposits that banks must hold as reserves used by the central bank to regulate the money supply and control inflation. ✓✓

(Accept any other correct relevant response)

3.3.4 Explain the benefits of keeping interest rates unchanged to South Africa? (2)

- Keeping interest rates unchanged provides stability and certainty for households and businesses, allowing them to plan spending, saving, and investment with confidence. ✓✓
- It also helps maintain a balance between controlling inflation and supporting economic growth in South Africa. ✓✓
- Stable interest rates can attract investments by maintaining consistent returns on savings and investments, supporting economic growth and potentially creating jobs. ✓✓

(Accept any other correct relevant response)

3.3.5 Why are open market transactions important to dampen the overheating economy? (4)

- Are important because the SARB sells government bonds to absorb excess liquidity, which reduces the money supply and increase interest rates which curbs inflation and slows economic growth. ✓✓
- Open market transactions allow the SARB to reduce the amount of money available for lending and spending while decreasing aggregate demand and control inflation. ✓✓
- Open market transactions are important because selling government securities withdraw excess money from the economy, reducing liquidity and curbing excessive spending. This helps slow down inflationary pressures and stabilise an overheating economy. ✓✓

(Accept any other correct relevant response)

3.4 Briefly discuss the factor market and the product market within the four-sector model. (8)

Factor market

- This is a market where factors of production are bought and sold. ✓✓
- Factor market includes labour, property and financial markets. ✓✓
- Factor services are real flows and they are accompanied by counter flows of income on the factor market. ✓✓

Max 4

(Accept any other correct relevant response)

Product market

- This is a market where goods and services are bought and sold. ✓✓
- Buying and selling goods that are produced in markets include durable, semi durable and non-durable goods. ✓✓

Max 4

(Accept any other correct relevant response)

3.5 How can aggregate supply be stimulated? (8)

- The government must levy fair taxes in order to encourage workers to be productive and investors to invest more. ✓✓
- Granting of subsidies to new entrepreneurs that want to enter the market. ✓✓
- Upgrade transport, energy and digital infrastructure to support businesses. ✓✓
- Subtracting depreciation allowances before tax to reduce the amount of tax liability. ✓✓
- Deregulation by removing laws, regulations and bylaws and other form of government control to make markets more free. ✓✓
- Human resources development can be improved through health care, education, training and the mobility of labour to match the demand. ✓✓
- Improve the efficiency of markets through the establishment of new businesses, invite foreign direct investments, remove power imbalances and implement arrangements that increase competition. ✓✓
- The government must Level the playing field because private businesses can't compete with public enterprises due to government legislative protection. ✓✓

(Accept any other correct relevant response)

TOTAL SECTION B: 40

SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK. Ensure that your answer follows the structure indicated below in order to obtain maximum marks:

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<p>Conclusion</p> <p>Any high-order conclusion should include:</p> <ul style="list-style-type: none"> • A brief summary of what has been discussed without repeating facts already mentioned. • Any opinion or value judgment on the facts discussed. • Additional support information to strengthen the discussion/ analysis. • A contradictory viewpoint with motivation, if required. • Recommendations. 	<p>Max. 2</p>
<p>TOTAL</p>	<p>40</p>

QUESTION 4: MACRO-ECONOMICS**MARKS – 40 MINUTES**

- Discuss the main objectives of the public sector. (26)
- How can the South African government improve public sector provisioning? (10)

INTRODUCTION

The main objectives of the state are to serve the people and help in bringing about a systematic development for all citizens. ✓✓
(Accept any other relevant correct introduction) (2)

BODY MAIN PART:**Economic growth ✓**

- Economic growth refers to an increase in the production of goods and services in the economy. ✓✓
- It is measured in terms of Real GDP. ✓✓
- For economic development to take place, the economic growth rate must be higher than the population rate. ✓✓
- The state must ensure sustainable growth as it leads to an improvement in the standard of living. ✓✓

Full employment ✓

- Full employment means that all persons who would like to work and who are looking for work should be able to find work or create work for themselves. ✓✓
- Attaining high levels of employment is one of the most important economic objectives for all governments. ✓✓

Exchange rate stability ✓

- The state tries to protect the country's currency from excess depreciation and appreciation. ✓✓
- Depreciation and appreciation creates uncertainty for producers and investors and should therefore be limited. ✓✓
- Monetary and fiscal policies are used to ensure that exchange rates remain relatively stable for as long as possible. ✓✓

Price stability ✓

- A market economy performs much better when prices are relatively stable. ✓✓
- In South Africa the relative price stability means maintaining an inflation rate of between 3% and 6%. ✓✓

[Accept the new inflation target of 3% with a 1 % point tolerance band: (2%-4%)].

Economic equity ✓

- A redistribution of income and wealth is essential in market economies. ✓✓
- In South Africa the state uses a progressive tax system to provide free services to the poor. ✓✓
- Free social services such as basic education, primary healthcare, basic economic services and to pay cash grants to poor and other vulnerable people. ✓✓

(Accept any other correct relevant response)

(Award a maximum of 8 marks for Subheadings and examples)

Additional Part**How can the South African government improve public sector provisioning?**

- Improving accountability by ensuring regular audits, and hold officials accountable for public funds. ✓✓
- Enhancing skills and building capacity through training and developing public sector employees to improve efficiency and effectiveness. ✓✓
- Increasing citizens' involvement by encouraging public participation in decision making and budgeting process. ✓✓
- Addressing corruption and mismanagement by implementing robust anti-corruption measures and take action against misconduct. ✓✓
- Investing in quality infrastructure to support economic growth and service delivery. ✓✓
- Collaborating with private sector and NGOs to leverage resources and expertise. ✓✓

(Accept any other correct relevant response)

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

Conclusion

It is important for the state to deal with both problems in public sector provisioning as well as public sector failure in order to ensure that state objectives are achieved ✓✓

(Accept any other correct relevant response)

(10)

[40]

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

- Discuss in detail the reasons for international trade. (26)
- Evaluate the success of South African government in correcting the balance of payments deficit. (10)

INTRODUCTION

International trade refers to the exchange of goods and services between two countries or more. ✓✓

(Accept any other correct relevant introduction)

(Max 2)

BODY: MAIN PART**REASONS FOR INTERNATIONAL TRADE****Demand reasons****Size of population ✓**

- If there is an increase in population growth, it causes an increase in demand, as more people's needs must be satisfied. ✓✓
- Local suppliers may not be able to satisfy this demand and consumers will be forced to import from other countries. ✓✓

Income levels ✓

- Changes in income cause a change in the demand for goods and services. ✓✓
- An increase in the per capita income of people results in more disposable income that can be spent on local goods and services, some of which may then have to be imported. ✓✓
- Local supply may be insufficient to satisfy the demand, thereby creating a demand for imports. ✓✓

Changes in the wealth of the population ✓

- An increase in the wealth of the population leads to greater demand for goods. ✓✓
- People have access to loans and can spend more on luxury goods, many of which are produced in other countries. ✓✓
- In case where luxury goods and services cannot be produced locally, people will have to import them from other countries. ✓✓

Preferences and tastes ✓

- Preferences and tastes play a part in the determination of prices. ✓✓
- Customers in Australia prefer a specific product which they do not produce and need to import, and it will have a higher value than in other countries. ✓✓
- People's taste and preferences evolve and are often influenced by social media and globalization. ✓✓
- Changes in preference create markets for goods and services that are not always manufactured domestically. ✓✓

Difference in consumption patterns ✓

- The difference in consumption patterns is determined by the level of economic development in the country. ✓✓
- In countries where the level of disposable income is high, demand for luxury goods is high, which creates a larger market for imports. ✓✓
- A poorly developed country will have a high demand for basic goods and services but a lower demand for luxury goods. ✓✓

Supply reasons**Natural resources ✓**

- Natural resources are not evenly distributed across all countries of the world. ✓✓
- They vary from country to country and can only be exploited in places where these resources exist. ✓✓
- South Africa has large deposits of gold while Nigeria has crude oil. ✓✓
- The availability of natural resources creates a platform for specialisation and an opportunity to earn valuable export revenue. ✓✓

Climate conditions ✓

- Every country has a unique climate which allows it to grow specific crops. ✓✓
- Specialisation is promoted in production which empowers countries to produce at lower cost per unit. ✓✓
- Climate conditions make it possible for some countries to produce certain goods at lower price than other countries. ✓✓
- Brazil is the biggest producer of coffee in the world because its climate conditions are favourable for coffee production. ✓✓

Labour resources ✓

- Labour resources differ in quality, quantity, and cost between countries. ✓✓
- Some countries have highly skilled and well-paid workers with high productivity levels ✓✓ such as Switzerland ✓
- Some countries have bigger or smaller labour force, where minimum wage may be higher while others have no regulations regarding remuneration. ✓✓
- Some countries have specialized labour force in the production of certain goods and services. ✓✓
- Germany has the most skilled labour in the production of BMW, VW, Mercedes Benz cars, which gives it the capacity to export to other countries. ✓✓

Technological resources ✓

- Technological resources are available in some countries that enable them to produce certain goods and services at a low unit cost. ✓✓
- Some countries have access to advanced technological resources such as machinery and equipment. ✓✓
- Japan and Singapore are technologically advanced which gives them a competitive advantage on the global markets. ✓✓

Specialisation ✓

- Specialisation in the production of certain goods and services allows some countries to produce them at a lower cost than others (comparative advantage). ✓✓
- Japan specializes in the production of electronic goods and sells these at a lower price. ✓✓
- Specialisation ensures that mechanization, division of labour and economies of scale are associated with mass production are achieved. ✓✓
- Countries therefore earn international reputation for specializing in the production of certain products. ✓✓

Capital ✓

- Capital allows developed countries to enjoy an advantage over underdeveloped countries. ✓✓
- Developed countries are usually highly industrialized and have well-developed infrastructure which promotes higher levels of productivity. ✓✓
- Due to a lack of capital, some countries cannot produce all the goods they require themselves. ✓✓

(Accept any other relevant answer)

(Award a maximum of 8 marks for Subheadings and examples)

Additional Part

Evaluate the success of South African government in correcting the balance of payments deficit.

(10)

- The South African government has implemented various measures to correct the balance of payments deficit, such as promoting exports, limiting unnecessary imports, and attracting foreign investment. ✓✓
- Efforts like the devaluation of the rand helped make South African goods more competitive abroad, boosting export earnings. ✓✓
- Monetary and fiscal policies, including controlling inflation and government spending, aimed to stabilize the economy and support the deficit correction. ✓✓
- However, structural challenges such as high unemployment, energy shortages, and reliance on commodity exports limited the overall effectiveness of these measures. ✓✓
- Global economic factors, like fluctuating commodity prices and demand for South African goods, also influenced outcomes beyond government control. ✓✓
- While there have been periods of improvement in the current account and foreign reserves, the deficit has not been fully eliminated, showing only partial success. ✓✓
- Therefore, the government's interventions have had some positive impact but have not completely resolved the balance of payments challenges. ✓✓

(Accept any other relevant answer)

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

Conclusion

- As a developing country South Africa encourages international trade in order to achieve higher economic growth ✓✓

[40]

TOTAL SECTION C: 40

GRAND TOTAL: 100