



education
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ECONOMICS P1

JUNE 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. Number the answers correctly according to the numbering system used in this question paper.
3. Write the number of the question above each answer.
4. Read the questions carefully and start each question on a NEW page.
5. Leave 2 – 3 lines between subsections of questions.
6. 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.
7. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
8. Use only black or blue ink.
9. Non-programmable pocket calculators may be used.
10. Write neatly and legibly.

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

1.1 Various options are provided to answer 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.

1.1.1 In a four-sector economy, the marginal propensity to consume is often ... than/to in a three-sector economy.

- A smaller
- B equal
- C larger
- D higher

1.1.2 A group of Economists who believe that markets are inherently stable are known as the ...

- A Monetarists.
- B Interventionists.
- C Keynesians.
- D Multipliers.

1.1.3 The type of business cycle that is related to technological development is called the ... cycle.

- A Jugler
- B Kitchen
- C Kondratieff
- D Kutznet

1.1.4 The item that is recorded as a debit (negative) in the Balance of Payment is the ...

- A income receipt.
- B service payment.
- C goods export.
- D transfer receipt.

1.1.5 Prices paid by the consumers to obtain particular products after taxes and subsidies are considered is called the ...

- A basic price.
- B factor cost.
- C absolute price.
- D market price.

1.1.6 The GDP on which the effects of inflation has been removed is known as the ...

- A current GDP.
- B nominal GDP.
- C real GDP.
- D GDP per capita.

1.1.7 A factor that can causes a public sector failure is ...

- A efficiency.
- B apathy.
- C high motivation.
- D skilled managers.

1.1.8 An institution that gives financial assistance to countries with fundamental Balance of Payment disequilibrium is called the ...

- A United Nations.
- B South African Reserve Bank.
- C World Bank.
- D International Monetary Fund.

(8 x 2) (16)

1.2 Choose a description from COLUMN B that matches an item in COLUMN A. Write only the letter (A –I) next to the question number (1.2.1 – 1.2.8) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.2.1	Injections	A	Public goods that the consumer has to pay for their consumption.
1.2.2	Real business cycle	B	The decrease in the value of a currency due to government action
1.2.3	Functional classification	C	The value of final goods and services produced by the residents of a country
1.2.4	Devaluation	D	Government spending is categorised according to the public services provided
1.2.5	National Accounts Aggregate	E	Emphasizes the role of shocks affecting the supply side of the economy
1.2.6	Gross national product	F	A summary of a record of a country's economic activities
1.2.7	System of National Account	G	The value of final goods and services produced within the borders of a country
1.2.8	Collective goods	H	Standardises the way economic activities are calculated worldwide
		I	Economic activities that add money into the economy

(8 x 1) (8)

- 1.3 Write the concept described in each of the following statements. Write only the term next to the question number (1.3.1 – 1.3.6) in the ANSWER BOOK. Examples, acronyms, and abbreviations WILL NOT be accepted.

1.3.1 When firms spend money to buy capital goods such as machinery, land, and equipment.

1.3.2 The monetary policy instrument whereby commercial banks are required to retain a certain amount of money in their accounts with the SARB.

1.3.3 The situation whereby all people who are looking for jobs get employed.

1.3.4 An increase in the production capacity of a country over time.

1.3.5 The exchange rate system whereby the market forces determine the value of a currency to a certain extent.

1.3.6 Goods that increase the welfare of society and which the government encourages their consumption.

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

QUESTION 2: MACROECONOMICS

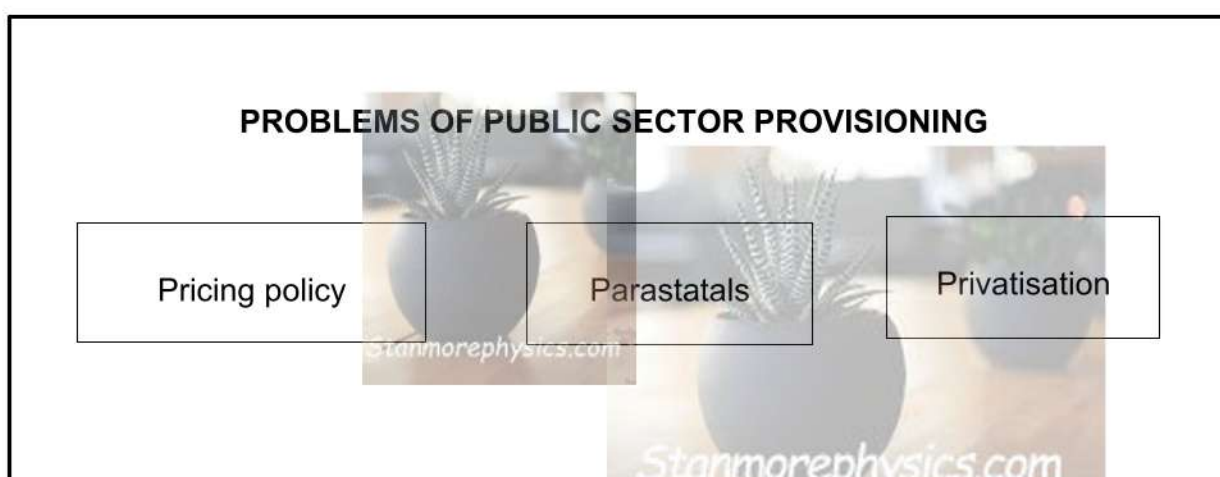
40 MARKS – 30 MINUTES

2.1 Answer the following questions.

2.1.1 Mention any TWO branches of the central government (2 x 1) (2)

2.1.2 Explain the purpose of the Balance of Payment. (1 x 2) (2)

2.2 Read the information below and answer the questions that follow.



2.2.1 Name any ONE pricing policy option of the government. (1)

2.2.2. Identify the term for describing the selling of government businesses to a firm in the business sector in the data above. (1)

2.2.3 Briefly describe the term *public sector*. (2)

2.2.4 Explain how parastatals can be created in a country. (2)

2.2.5 How can privatisation benefit the economy? (2 x 2) (4)

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

SOUTH AFRICA's FINANCIAL ACCOUNT: BALANCE OF PAYMENT	
FINANCIAL ACCOUNT	2023
Net direct investment	116 003
Net portfolio investment	-122 380
Net financial derivatives	43 601
Net other investments	2 531
Reserve assets	13 276
Balance on financial account	53 013
MEMO ITEM: Balance on financial account excluding reserve assets	39 737
Unrecorded transactions	58 856
MEMO ITEM: Balance on financial account excluding reserve assets including unrecorded transactions	A

[Extracted from *SARB Quarterly Bulletin, 2024*]

- 2.3.1 Identify an item that records financial capital held by the monetary authorities. (1)
- 2.3.2 Name ONE other main account of the Balance of Payment (except the Financial account). (1)
- 2.3.3 Briefly describe the term *direct investments*. (2)
- 2.3.4 Why are portfolio investments regarded as "hot money"? (2)
- 2.3.5 Calculate the value of the *memo -item* labelled **A**. Show all the calculations? (4)
- 2.4 Briefly explain the *main budget* and the *mid -term budget* (MTBPS). (2 x 4) (8)
- 2.5 How can the foreign sector benefit an economy? (8)

[40]

QUESTION 3: MACROECONOMICS

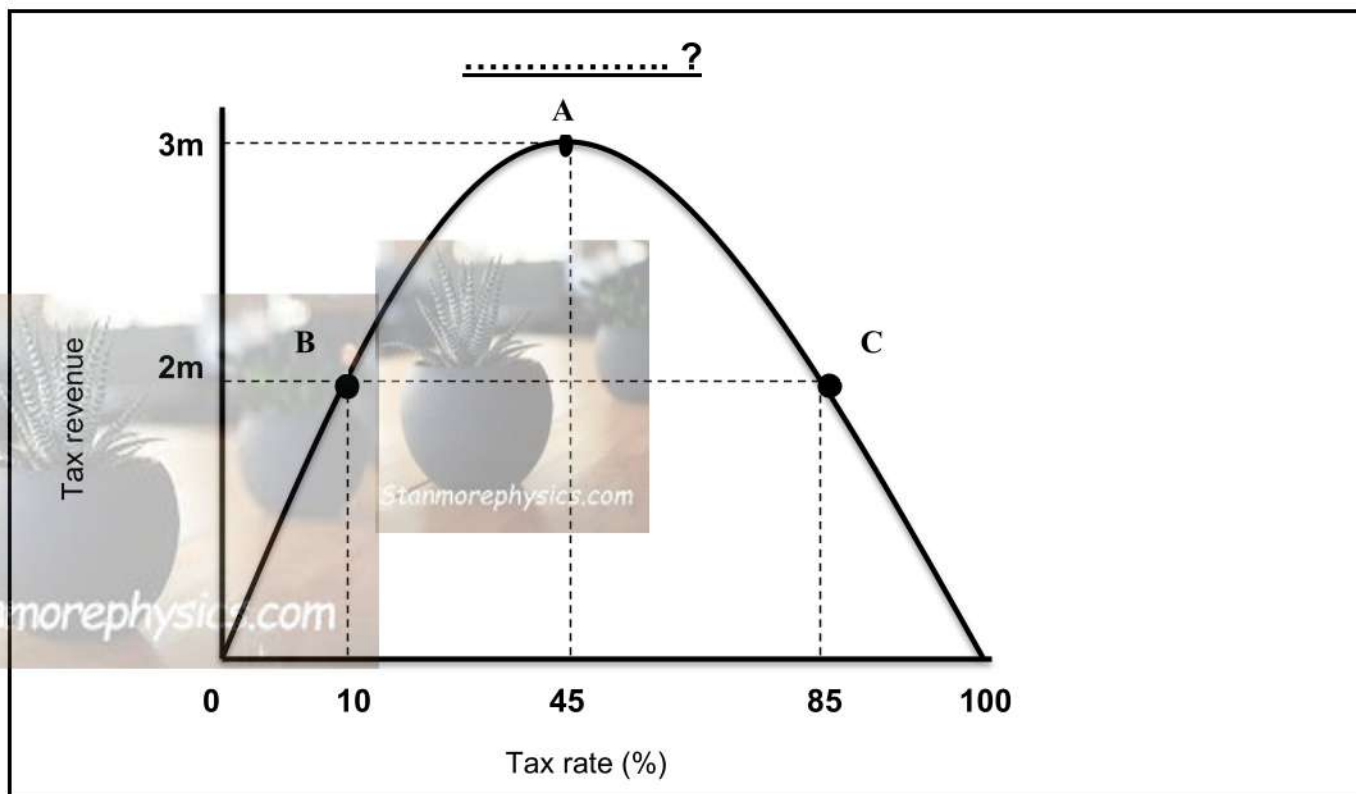
40 MARKS – 30 MINUTES

3.1 Answer the following questions:

3.1.1 Mention any TWO examples of community goods. (2 x 1) (2)

3.1.2 How can the depreciation of the rand increase inflation? (1 x 2) (2)

3.2 Study the graph below and answer the questions that follow:



3.2.1 Provide a suitable heading for the graph above. (1)

3.2.2 Identify the tax rate that will take all tax payer's income to the government. (1)

3.2.3 Briefly describe the term *direct taxation*. (2)

3.2.4 Why do governments levy custom duties? (2)

3.2.5 Using the information in the graph, explain the effect of the moderate tax rates on government revenue. (2 x 2) (4)

3.3 Read the information below and answer the questions that follow:

INTERNATIONAL TRADE: TERMS OF TRADE

South Africa's Terms of trade increased to 110.30 points in the second quarter of 2024 from 108 points in the first quarter of 2024. Terms of trade in South Africa averaged 76.07 points from 1960 until 2024, reaching all time high of 130.30 points in the second quarter of 2021.

[www.tradingeconomics.co.za]

- 3.3.1 Name any ONE price index that is used in terms of trade. (1)
- 3.3.2 Identify the figure that indicates negative terms of trade in the extract above. (1)
- 3.3.3 Briefly describe the term *international trade*. (2)
- 3.3.4 How can population growth cause international trade? (2)
- 3.3.5 Explain what an improved (positive) term of trade indicates for the economy. (2 x 2) (4)
- 3.4 Draw the Phillips Curve, and explain the relationship between inflation and unemployment. (8)
- 3.5 How can the supply factors cause countries to be exporters in international trade? (8)
- [40]**

QUESTION 4: MACROECONOMICS

40 MARKS – 30 MINUTES

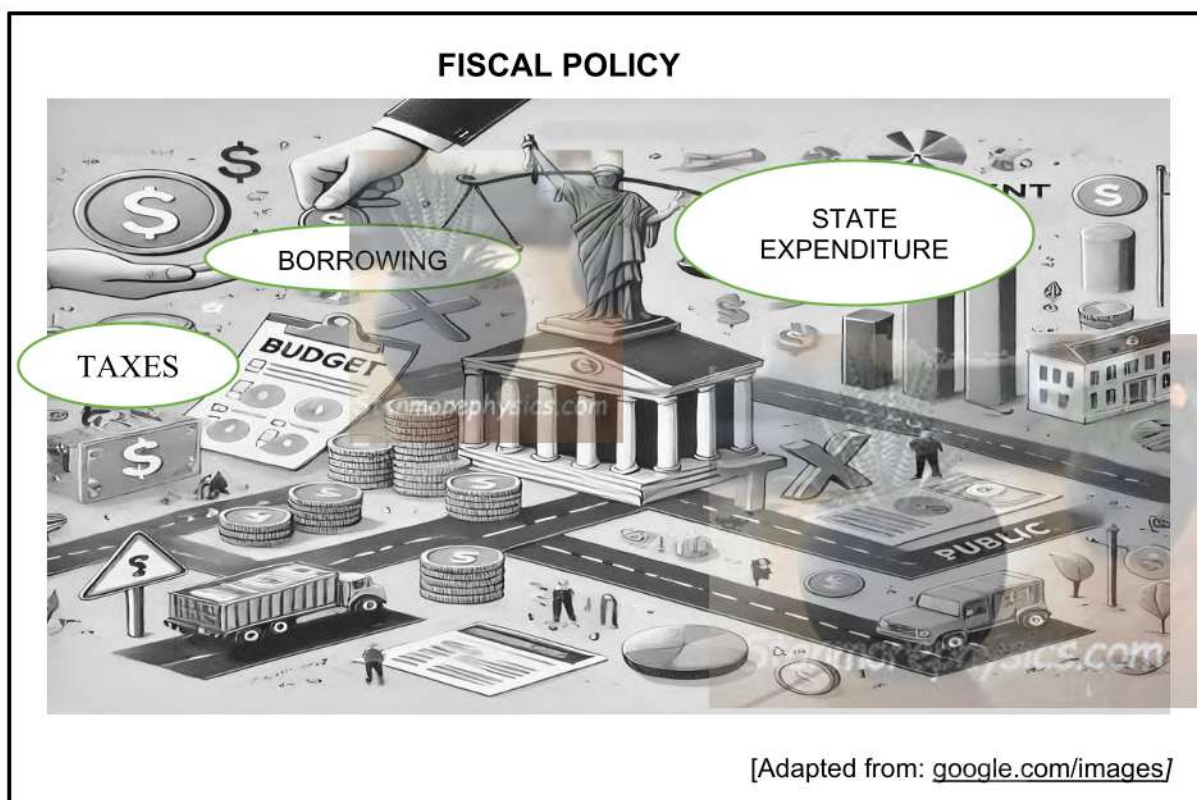
Answer the following questions.

4.1 Answer the following questions.

4.1.1 List TWO features of public sector failure (1 x 2) (2)

4.1.2 What does a surplus (positive balance) in the trade account indicate for the economy? (1 x 2) (2)

4.2 Study the data item below and answer the questions that follow.



4.2.1 Identify the component of fiscal policy that creates government debt. (1)

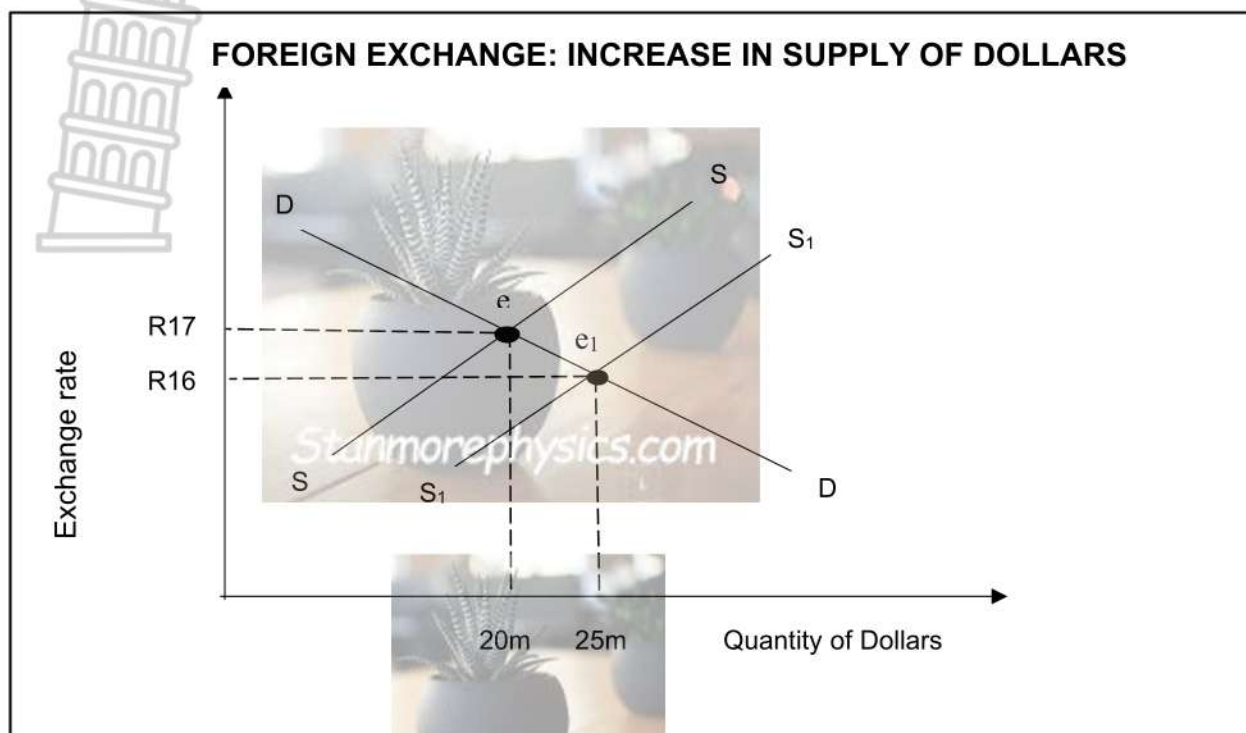
4.2.2 Name the tax that is being levied on petrol and diesel in South Africa. (1)

4.2.3 Briefly describe the term *public sector failure*. (2)

4.2.4 How can bureaucracy lead to a public sector failure? (2)

4.2.5 Explain ways in which the government expenditure can be used to redistribute income. (2 x 2) (4)

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



- 4.3.1 Identify the original amount of dollars supplied in the market. (1)
- 4.3.2 What is the type of exchange rate used in South Africa? (1)
- 4.3.3 Briefly describe the term currency *appreciation*. (2)
- 4.3.4 Explain why would South Africans demand US dollars? (2)
- 4.3.5 Use the information in the graph, to explain the effect of an increase in the supply of dollars in the market. (2 x 2) (4)

4.4 Briefly explain the fixed exchange rate system. (8)

4.5 How can the efficiency of inputs be improved to increase aggregate supply? (8)

TOTAL SECTION : 80

SECTION C

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

STRUCTURE OF 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 in your introduction any part of the question. • 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 / Differentiate / 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 Max. 10
Conclusion <ul style="list-style-type: none"> • The conclusion is a wrap up of the discussion of the topic in the body and should be treated as a higher order response. • The conclusion can take the form of an own opinion, examples to support your discussion or contradictory viewpoint from what has been discussed. • No aspect from either the introduction or body should be included in the conclusion. 	Max. 2
TOTAL	40

QUESTION 5: MACROECONOMICS

40 MARKS – 40 MINUTES

- Discuss in detail the markets within the four-sector model. (26 marks)
- Evaluate the contribution of the business sector in the economy. (10 marks)

[40]

QUESTION 6: MACROECONOMICS

40 MARKS – 40 MINUTES

- Discuss in detail the features underpinning forecasting business cycles. (26 marks)
- How can endogenous factors lead to an increase in economic activity? (10 marks)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150



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REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ECONOMICS P1
JUNE 2025
MARKING GUIDELINES**

MARKS: 150

This marking guidelines consists of 17 pages.

SECTION A (COMPULSORY)

QUESTION 1

30 MARKS

1.1 MULTIPLE-CHOICE

- 1.1.1 A smaller ✓✓
- 1.1.2 A Monetarists. ✓✓
- 1.1.3 C Kondratieff ✓✓
- 1.1.4 B service payment. ✓✓
- 1.1.5 D market price. ✓✓
- 1.1.6 C real GDP. ✓✓
- 1.1.7 B apathy. ✓✓
- 1.1.8 D International Monetary Fund ✓✓

(8 x 2) (16)

1.2 MATCH -TYPE

- 1.2.1 I economic activities that add money into the economy ✓
- 1.2.2 E emphasizes the role of shocks affecting the supply side of the economy ✓
- 1.2.3 D government spending is categorised according to the public services provided ✓
- 1.2.4 B decrease in the value of a currency due to a government action ✓
- 1.2.5 F summary of a record of a country's economic activities ✓
- 1.2.6 C value of final goods and services produced by the residents of a country ✓
- 1.2.7 H standardises the way economic activities are calculated worldwide ✓
- 1.2.8 A public goods that the consumer has to pay for their consumption ✓

(8 x 1) (8)

1.3 ONE TERM.

1.3.1 Investment/ Gross fixed capital formation✓

1.3.2 Cash reserve requirement✓

1.3.3 Full employment✓

1.3.4 Economic growth✓

1.3.5 Managed floating✓

1.3.6 Merit goods✓

(6 x 1) (6)

TOTAL SECTION A: 30



SECTION B

QUESTION 2: MACROECONOMICS

40 MARKS

2.1 Short questions:

2.1.1 Mention any TWO branches of the central government.

- Executive ✓
- Judiciary ✓
- Legislative ✓

(2 x 1) (2)

2.1.2 Explain the purpose of the Balance of Payment.

To systematically record a country's transactions with the rest of the world over a particular period ✓✓

(1 x 2) (2)

(Accept any other correct relevant responses)

2.2 DATA RESPONSE.

2.2.1 Name any ONE pricing policy option of the government.

- Free of charge ✓
- Charging a small fee ✓
- Subsidies ✓

(1)

2.2.2 Identify the term for describing the selling of government businesses to a firm in the business sector in the data above.

Privatisation ✓

(1)

2.2.3 Briefly describe the term *public sector*.

The part of the economy that is owned, operated, and controlled by the government ✓✓

(2)

(Accept any other correct relevant responses)

2.2.4 Explain how parastatals can be created in a country.

- The government establishes a businesses whose aim is to make profit ✓✓
- The government takes over the ownership of businesses from the private sector ✓✓

(2)

2.2.5 **How can privatisation benefit the economy?**

- Increases the country's tax base (number of taxpayers) as the firm starts paying tax after privatisation ✓✓
- Provides revenue to the government from the sale ✓✓
- Increase economic efficiency as the private sector is often more efficient in production ✓✓

(2 x 2) (4)

(Accept any other correct relevant responses)

2.3 **DATA RESPONSE.**2.3.1 **Identify an item that records financial capital held by the monetary authorities.**

Reserve assets ✓

(1)

2.3.2 **Name ONE other main account of the Balance of Payment (except the Financial account).**Current account ✓
Capital transfer account ✓

(1)

2.3.3 **Briefly describe the term *direct investments*.**Investment in fixed property in a foreign country or acquisition of a significant share in a business in a foreign country ✓✓
(Accept any other correct relevant responses)

(2)

2.3.4 **Why are portfolio investments regarded as “hot money”?**

They can easily be converted into cash/ the shares can be easily sold ✓✓

(2)

2.3.5 **Calculate the value of A. Show all the calculations?**

39 737 ✓ + 58 856 ✓

= 98 593 ✓✓

(4)

2.4 Briefly explain the *main budget* and the *mid-term budget* (MTBPS)

Main budget

- The main budget is presented in Parliament in February by the Minister of Finance ✓✓
 - The Finance Minister announces the planned expenditure, income and borrowing ✓✓
 - Preparation of the main budget starts in April of every year and continues when various departments submit their budget proposals to the treasury ✓✓
- (Max.4)

Med-Term budget (MTBPS)

- The Minister of Finance delivers it in the last week of October of each year ✓✓
 - The Minister of Finance informs Parliament of any changes that occurred in the economy since the main budget in February ✓✓
 - MTBPS provides the government's assessment of the state of the economy, the budget priorities and the division of revenue ✓✓
 - It is based on the information contained in the Medium Term Expenditure Framework ✓✓
- (Max.4)

(Accept any other correct relevant responses)

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

(8)

2.5 How can the foreign sector benefit an economy?

- Multinational companies operating in the country employ local labour, therefore allowing households to earn livelihoods ✓✓
- Foreign producers provide imported goods and services, therefore allowing local consumers to have access to foreign goods ✓✓
- The government earns income through taxation from the foreign firms operating in the country ✓✓
- Skill and knowledge exchanges can take place when foreign firms work in collaboration with local producers ✓✓
- The country can earn foreign exchange when goods are exported to foreign countries ✓✓
- Local businesses can increase their incomes and profits by operating in various countries ✓✓

(Accept any other correct relevant responses)

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

(8)

[40]

QUESTION 3: MACROECONOMICS

40 MARKS

3.1 Short questions

3.1.1 Mention any TWO examples of community goods.

- Street lights ✓
- Defence ✓
- Policing services ✓

(2 x 1) (2)

(Accept any other correct relevant responses)

3.1.2 How can the depreciation of the rand increase inflation?

Prices of key imported inputs can increase leading to an increase in local prices ✓✓

(1 x 2) (2)

(Accept any other correct relevant responses)

3.2 DATA RESPONSE:

3.2.1 Provide a suitable heading for the graph above.

The Laffer Curve ✓

(1)

3.2.2 Identify the tax rate that will take all tax payer's income to the government.

100% ✓

(1)

3.2.3 Briefly describe the term *direct taxation*.

A tax levied on the income of specific individuals or businesses ✓✓

(2)

3.2.4 Why do governments levy customs duties?

- To reduce the consumption of imported goods by making them expensive ✓✓
 - To earn government revenue for financing government projects ✓✓
- (Accept any other correct relevant responses)

(2)

3.2.5 Using the information in the graph, explain the effects of the moderate tax rates on government revenue

- At the tax rate of 10%, the government revenue increases from zero to 2m ✓✓
- At the tax rate of 45% the government revenue increases to the 3m ✓✓

(2 x 2) (4)

3.3 DATA RESPONSES

3.3.1 Name any ONE price index that is used in terms of trade.

Export price index ✓

Import price index ✓

(1)

3.3.2 Identify the figure that indicates negative terms of trade in the extract above.

76.07 ✓

(1)

3.3.3 Briefly describe the term *international trade*.

Importing and exporting of goods and services across countries ✓✓
(Accept any other correct relevant responses)

(2)

3.3.4 How can population growth be a cause of international trade?

A growing population often needs more and varied goods and services, some of which can only be imported ✓✓
(Accept any other correct relevant responses)

(2)

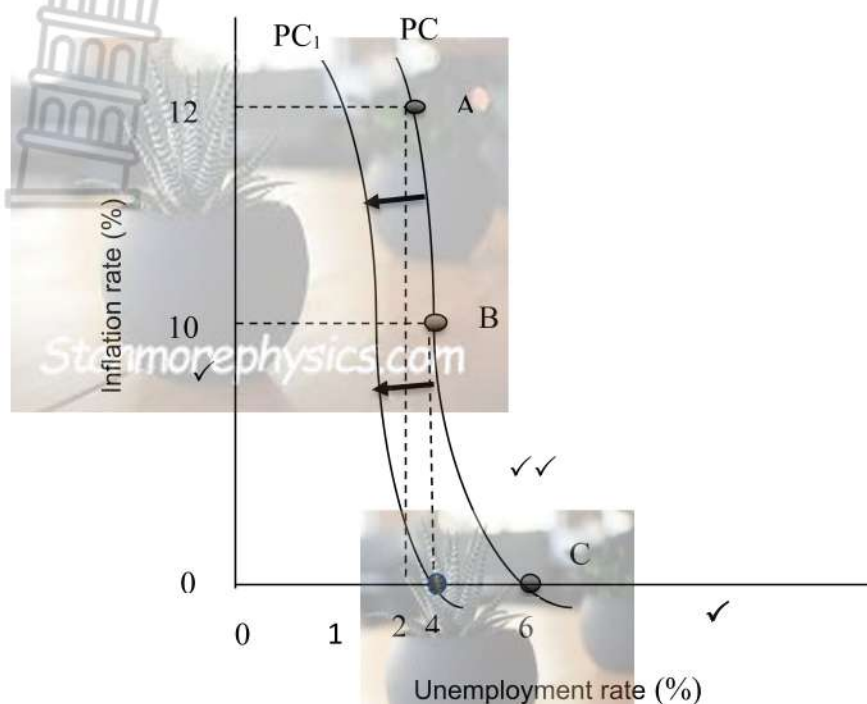
3.3.5 Explain what improved (positive) terms of trade indicate for an economy.

- The country earned more money from its exports than what it paid for its imports ✓✓
- The country's economic welfare increased as more goods were produced and sold ✓✓

(2 x 2)

(4)

3.4 Draw the Phillips Curve, and explain the relationship between inflation and unemployment



Mark allocation	
Labelling of axis=	1
Labelling on axis =	1
Correct drawing and labelling of the <u>curve/s</u> =	2
Total marks	= 4

- On PC, the natural unemployment of 6% puts no pressure on inflation, therefore the inflation rate is 0% ✓✓
 - When demand side policies are used, unemployment decreases from 6% to 4% while inflation increases from 0% to 10% ✓✓
 - This indicates that there is a negative relationship between unemployment and inflation ✓✓
 - If the supply-side policy is used, the economy will operate on PC₁ whereby the natural unemployment will be at 4% while inflation is 0% ✓✓ (Max.4)
- (Accept any other correct relevant responses)
(Allocate a maximum of 4 marks for the mere listing of facts)

(8)

NB: The learner can obtain the maximum marks even with a graph with one Phillips Curve

3.5 **How can supply factors cause countries to be exporters in international trade?**

- Availability of natural resources can allow a country to export such resources or its finished products ✓✓
- Easily available capital can enable producers to invest in the production of a variety of products, some of which can be exported ✓✓
- Countries with highly skilled labour can produce unique kinds of products and sell some to the rest of the world ✓✓
- Countries with comparative advantage in the production of a particular product can specialize in its production and export to other countries ✓✓
- Availability of entrepreneurial skills can lead to the establishment of a large number of business which produces goods, some of which are exported ✓✓
- Advancement in technology can enable efficiency in production and therefore, the surplus can be exported ✓✓
- Climatic conditions can allow a country to produce some products in larger quantities and therefore, export the excess quantities ✓✓

(Accept any other correct relevant responses)

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

(8)

[40]



QUESTION 4: MACROECONOMICS

40 MARKS

4.1 Short questions:

4.1.1 List TWO features of public sector failure.

- Inefficiency ✓
- Ineffectiveness ✓

(2 x 1) (2)

4.1.2 What does a surplus (positive balance) in the trade account indicate for the economy?

The money inflow from exports of physical goods is higher than the money outflow for imports ✓✓
(Accept any other correct relevant responses)

(1 x 2) (2)

4.2 DATA RESPONSE:

4.2.1 Identify the component of fiscal policy that creates government debt.

Borrowing ✓

(1)

4.2.2 Name the tax that is levied on petrol and diesel in South Africa.

Fuel levy ✓

(1)

4.2.3 Briefly describe the term *public sector failure*.

When government intervention in the economy results in ineffective and inefficient allocation of resources ✓✓
(Accept any other correct relevant responses)

(2)

4.2.4 How can bureaucracy lead to a public sector failure?

- There are often too many steps taken for a project to be implemented, this often results in inefficiency ✓✓
- The process of service delivery becomes slow due to the many administrative levels a project should pass through ✓✓
(Accept any other correct relevant responses)

(2)

4.2.5

Explain ways in which the government expenditure can be used to redistribute income.

- Subsidizes some basic goods and services to make them affordable ✓✓
- Social grants transferred to the poor for them to cover their basic needs ✓✓
- Providing certain services such as free education and healthcare for free to the poor ✓✓

(2 x 2) (4)

(Accept any other correct relevant responses)

4.3 DATA RESPONSE:

4.3.1 **Identify the original amount of dollars supplied in the market.**

20m ✓

(1)

4.3.2 **What is the type of exchange rate used in South Africa?**

Free-floating ✓

(1)

4.3.3 **Briefly describe the term currency appreciation.**

When the value of a currency increases due to the market forces of demand and supply ✓✓

(2)

(Accept any other correct relevant responses)

4.3.4 **Explain why South Africans would demand US dollars.**

- To pay for the goods imported from other countries ✓✓
- To engage in international tourism ✓✓
- To make investments in foreign countries ✓✓

(2)

(Accept any other correct relevant responses)

4.3.5 **Use the information in the graph to explain the effect of an increase in the supply of dollars in the market.**

- The equilibrium quantity of dollars increased to 25m ✓✓
- The exchange rate decreased to \$1 = R16/ the amount of Rands for a Dollar decreased to R16 ✓✓
- The rand has appreciated by R1, while the dollar has depreciated by R1 ✓✓

(2 x 2) (4)

(Accept any other correct relevant responses)

4.4 Briefly explain the fixed exchange rate system.

- The value of the currency is fixed or pegged to another country's currency usually the US dollar ✓✓
 - This is often to avoid uncertainties about exchange rates ✓✓
 - A government decides the amount of its currency that will be equal to one dollar ✓✓
 - The government of these countries can increase the value of its currency when it sees fit, and this is called revaluation ✓✓
 - When the government feels that its currency is too strong, it can decide to decrease its value, and this is called devaluation ✓✓
- (Accept any other correct relevant responses)

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

(8)

4.5 How can the efficiency of inputs be improved to increase aggregate supply?

- A reduction in personal income tax rates can increase aggregate supply, as households will be encouraged to work harder to increase their disposable incomes ✓✓
- A reduction in company tax can encourage businesses to increase their investment, leading to an increase in aggregate supply ✓✓
- Replacement of capital goods regularly can allow businesses to keep up with technological development leading to more production ✓✓
- Improvement in health care, education, and training can improve the quality of workers by making them more efficient in their jobs ✓✓
- Government can offer free advisory services to promote opportunities to export and establish business activities in foreign countries ✓✓

(Accept any other correct relevant responses)

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

(8)

SECTION C

ESSAYS

QUESTION 5 MACROECONOMICS

40 MARKS

- **Discuss in detail the role of markets within the FOUR SECTOR model. (26)**
- **Evaluate the contribution of the business sector to the economy. (10)**

INTRODUCTION

The circular flow model is a simplified model of the interactions between the participants in the economy ✓✓ (Max. 2)
(Accept any other relevant introduction)

BODY: MAIN PART

Product/goods/ output market ✓

- These are the markets for consumer goods and services ✓✓
- Goods are defined as tangible items, such as food, clothes, cars, etc., that satisfy some human wants or needs. ✓✓
- Buying and selling of goods that are produced in markets e.g. Capital Goods market for trading of buildings and machinery ✓✓
- Consumer goods market is used to trade durable consumer goods, semi-durable consumer goods, and non-durable consumer goods. ✓✓
- Services are defined as non-tangible actions and include wholesale and retail, transport and financial markets. ✓✓

Factor/resource/ input markets ✓

- Households sell factors of production on the markets: rent for natural resources, wages for labour interest for capital and profit for entrepreneurship. ✓✓
- The factor market includes the labour, property and financial markets. ✓✓
- The market where services of factors of production are traded e.g. labour is hired and capital is borrowed – these services earn wages, interest, rent and profits. ✓✓

Financial markets ✓

- They are not directly involved in the production of good and services, but act as a link between households, the business sector and other participants with surplus funds. ✓✓
- E.g. banks, insurance companies and pension funds ✓

Money markets ✓

- In the money markets short term loans and very short-term funds are saved and borrowed by consumers and business enterprises. ✓✓
- Products sold in the market are bank debentures, treasury bills and government bonds. ✓✓
- The simplest form exists when parties make demand and short-term deposits and borrow on short term. ✓✓
- The SARB is the key institution in the money market ✓✓

Capital markets ✓

- In the capital markets long term funds are borrowed and saved by consumers and the business sector ✓✓

- The Johannesburg Security Exchange (JSE) is a key institution in the capital ✓✓
- Products sold in this market are mortgage bonds and shares ✓✓

Foreign exchange markets ✓

- On the foreign exchange markets businesses buy/ sell foreign currency to pay for imported goods and services ✓✓
- These transactions occur in banks and consist of electronic money transfers from one account to another ✓✓
- The leading Centre's/ most important foreign exchange markets are in London, New York and Tokyo ✓✓

(Accept any other correct relevant response.)

(Max.26)

(Allocate a maximum of **8 marks** for mere listing of facts including the headings)

ADDITIONAL PART

The business sector contribute to an economy positively by:

- *producing* goods and services that satisfy human needs and wants, therefore allowing consumption to take place ✓✓
- *employing* factors of production from which households earn income, therefore contributing to the livelihood of the households ✓✓
- *contributing to the government revenue by declaring all of their incomes and paying relevant taxes* ✓
- *earning* foreign exchange when exporting various goods and services ✓✓
- *contributing* to economic development by inventing new products which improve the lives of people ✓✓

The business sector contributes to an economy negatively by:

- *charging* prices that are too high for their products therefore limiting consumption ✓✓
- *producing* products that are of inferior quality therefore not fully satisfying people's specific wants ✓✓
- *misinforming* consumers about the effects of the ingredients in their products ✓✓
- *using* highly scientific terms when listing the ingredients in their products thereby making consumers not know what they consume ✓✓
- *colluding* with other businesses to fix prices at a higher level to maximize profits ✓✓
- *paying too low wages* for labour they use in the production process, therefore forcing the government to intervene at certain times ✓✓

(Accept any other correct relevant responses)

(Max.10)

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

CONCLUSION

Markets are key institutions in an economy, because they allow uninterrupted interaction of the market forces to determine prices without being controlled by the state ✓✓

(Accept any other relevant higher- order conclusion)

(Max.2)

(40)

QUESTION 6 : MACROECONOMICS

40 MARKS

- Discuss in detail the features underpinning forecasting. (26)
- How can endogenous factors lead to an increase in economic activity? (10)

INTRODUCTION

Business cycle is successive periods of increasing and decreasing levels of economic activity. ✓✓ (Max. 2)
(Accept any other correct relevant introductions)

BODY: MAIN PART

Leading indicators✓

- They are indicators that change before the economy gets changed. ✓✓
- They tell of how the economy will be in the coming months. ✓✓
- When they rise, it means the economic activity will rise in the next few months. ✓✓
- When they decline it also means the level of economic activity will decline in the coming months. ✓✓
- Examples include the number of residential plans passed, the number of job advertisements, and the number of new companies registered ✓

Coincident indicators✓

- They are indicators that change at the same time as the economy changes. ✓✓
- A downturn is shown by a decrease in these indicators while an upswing is shown an increase in these indicators. ✓✓
- Examples of coincident indicators are: usage of capacity in manufacturing, registered unemployment, Retail sales, and real merchandise imports. ✓✓

Lagging indicators✓

- They are indicators that change after the economy has already changed. ✓✓
- They reach the turning point after the business cycle has already turned. ✓✓
- They are used to confirm the changes predicted by the leading indicators. ✓✓
- Examples of lagging indicators are: the number of commercial vehicle sold, real investment in machinery, unit labour cost in manufacturing ✓✓

Composite indicator✓

- It is the summary of a group of indicators of the same type into a single value. ✓✓
- This means all the values of the leading indicators are summarised, the same is done with coincident and lagging indicators. ✓✓

Extrapolation✓

- Means to estimate something unknown from facts or information that is known. ✓✓
- For example, if it becomes clear that the business cycle has passed through a trough and has entered a boom phase, forecasters might predict that the economy will grow in the few months ✓✓

Length of the cycle✓

- It is the time that the economy takes to move from one peak to another peak or one trough to another trough. ✓✓
- Some business cycles last for a brief time while other can take up to 50 years. ✓✓
- Shorter cycles represent a weaker cycle and longer lengths represent a stronger cycle ✓✓

Trend line ✓

- It shows the general direction in which the economy is moving. ✓✓
- It usually has a positive slope because the production capacity of a country increases over time. ✓✓
- Economists look at the performance of the economy over the past few years and then predict a future trend. ✓✓

Amplitude ✓

- It measures the vertical distance between a trough and the trend line or the vertical distance between the peak and the trend line. ✓✓
- It indicates the intensity of the underlying forces and the size of a change. ✓✓
- High amplitude shows the strong forces in the economy and severe expansion or contraction of economic activities. ✓✓
- Low amplitude indicates weak forces in the economy and a more moderate expansion or contraction of economic activities. ✓✓

Moving averages

- This is a method of repeatedly calculating a series of different average values along a time series to produce a smooth curve. ✓✓
- By using averages, the economists get a clearer picture of the general trends in the business cycle. ✓✓

(Max. 26)

(Accept any other correct relevant response)

(Allocate a maximum of **8 marks** for the mere listing of facts including headings)

ADDITIONAL PART

Endogenous factors can lead to an increase in economic activity when:

- *Increases in consumer income* can lead to an increase in aggregate demand and the increase in production of goods and services ✓✓
- *Decreases in interest rates* can lead to an increase in demand for loans leading to increases in aggregate demand and supply ✓✓
- *Increase in the level of investments* can increase the production capacity of the economy ✓✓
- *changes in consumer tastes and preferences* can increase the consumption of certain products, therefore production increases ✓✓
- *expansionary fiscal policy* such as reduction in taxes can increase consumer disposable income and aggregate demand ✓✓
- *increase in government expenditure* on education and training can result in skilled workforce who is efficient in production ✓✓

(Max.10)

(Accept any other correct relevant responses)

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

CONCLUSION

Business cycles indicate the performance of economic activity and the government can use this information to apply suitable economic policies ✓✓

(Max 2)

(Accept any other relevant conclusion)

(40)

TOTAL SECTION C:
GRAND TOTAL:

40
150