education

Department:
Education
North West Provincial Government
REPUBLIC OF SOUTH AFRICA

PROVINCIAL ASSESSMENT

GRADE 12

ECONOMICS P1
JUNE 2026

MARKS: 150

TIME: 2 hours

This question paper consists of 12 pages.

INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows in the ANSWER BOOK:

   SECTION A: COMPULSORY
   SECTION B: Answer TWO of the three questions.
   SECTION C: Answer ONE of the two questions.

2. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.

3. Number the answers correctly according to the numbering system used in this question paper.

4. Write the question number above each answer.

5. Read the questions carefully.

6. Start EACH question on a NEW page.

7. Leave 2–3 lines between subsections of questions.

8. Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.

9. Use only black or blue ink.

10. You may use a non-programmable pocket calculator.

11. Write neatly and legibly.

SECTION A (COMPULSORY)

QUESTION 1 **30 MARKS – 20 MINUTES**

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

1.1.1 Spending on … is an example of autonomous consumption.

A water and electricity
B wages
C rent
D travel

1.1.2 The … is a market for long-term financial instruments.

A wholesale market
B capital market
C retail market
D product market

1.1.3 The … cycle lasts 7 to 11 years and is caused by changes in net investments by businesses and the government.

A business
B Jugler
C Laffer
D Kontratieff

1.1.4 The instrument used by the South African Reserve Bank to directly increase or decrease the amount of money in the economy.

A The main budget
B Sin tax
C Government expenditure
D Open market transactions

1.1.5 … goods and services have benefits for the user and society.

A Merit
B Free
C Non-durable
D Collective

1.1.6 Government officials show little or no interest in delivering efficient services to the public. This is revered to as …

A bureaucracy.
B lack of motivation.
C structural weaknesses.
D apathy.

1.1.7 … compares a country's export prices with its imports prices by means of indexes.

A Terms of trade
B Exchange rate
C Net exports
D Trade balance

1.1.8 … is a deliberate action taken by the central bank to lower a fixed exchange rate.

A Revaluation
B Appreciation
C Devaluation
D Depreciation (8 x 2) (16)

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A–I) next to the question numbers (1.2.1 to 1.2.8) in the ANSWER BOOK, e.g. 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Induced consumption	A no government revenue will be earned at a tax rate of 0% or 100%
1.2.2 Economic equilibrium	B a financing instrument distributed among member countries of the IMF
1.2.3 Recovery phase	C the upper turning point of the business cycle
1.2.4 Prime interest rate	D leakages are equal to injections
1.2.5 Transfer payments	E higher production lowers the average cost per unit
1.2.6 Laffer curve	F rate used by commercial banks when giving credit to their best customers
1.2.7 Economies of scale	G period that follows directly after the trough
1.2.8 Special Drawings Rights	H the portion of household spending that changes in direct response to fluctuations in disposable income
	I income received without any productive service rendered

(8 x 1) (8)

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

1.3.1 The flow of income and expenditure between the participants in the circular flow

1.3.2 The total market value of all final goods and services produced by permanent citizens of a country within a specific period

1.3.3 The upward pressure on prices following a shortage of supply

1.3.4 Irrespective income level, all taxpayers pay the same percentage of their income in taxes

1.3.5 Efficiency achieved when it is impossible to make someone better off without making the other worse off

1.3.6 Incentives provided to encourage local businesses to produce goods to sell to other countries (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

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

2.1 Answer the following questions.

2.1.1 Name any TWO factors of production. (2 x 1) (2)

2.1.2 What negative impact will an increase in public sector regulations have on the South African economy? (1 x 2) (2)

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

NATIONAL INCOME AND PRODUCTION ACCOUNTS At current prices	
ITEMS	**2024 (R billion)**
Compensation of employees	3 343
Net operating surplus	2 126
Consumption of fixed capital	1 017
Gross value added at factor cost	**6 486**
Taxes on production	154
Subsidies on production	15
Gross value added at basic prices	**A**
Taxes on products	743
Subsidies on products	16
Gross domestic product at market prices	**7 352**

[Adapted from SARB Quarterly Bulletin, September 2025]

2.2.1 Identify in the table above the method used to calculate the gross domestic product (GDP). (1)

2.2.2 Name any other method that can be used to calculate gross domestic product (GDP). (1)

2.2.3 Briefly describe the term *base year*. (2)

2.2.4 Explain the impact of adding the value of intermediate goods when calculating GDP. (2)

2.2.5 Calculate gross value added GVA at basic prices (**A**) in the table above. Show ALL calculations. (2 x 2) (4)

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

[Source: https://brandanreynolds.com/tag/economic-growth]

2.3.1 Identify the problem that government is facing in the cartoon above. (1)

2.3.2 Name ONE main objective of the public sector in the economy. (1)

2.3.3 Briefly describe the term *national budget*. (2)

2.3.4 Why do governments nationalise certain industries? (2)

2.3.5 Differentiate between Medium-term Expenditure Framework (MTEF) and Medium-term Budget Policy Statement (MTBPS). (2 x 2) (4)

2.4 Briefly explain the effects of public sector failure. (4 x 2) (8)

2.5 Analyse the effect of increased leakages on the South African economy. (4 x 2) (8)

[40]

QUESTION 3: MACROECONOMICS **40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name the TWO types of taxes collected by government. (2 x 1) (2)

3.1.2 How is the demand for labour derived from the product market? (1 x 2) (2)

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

MUNICIPALITIES: IT'S TIME TO HOLD MAYORS TO ACCOUNT – AG

Despite calls on municipal and metro leaders to act with urgency to overhaul local government, which is characterised by "*insufficient accountability, failing service delivery, poor financial management and governance, weak institutional capability and widespread instability*", the action taken has been too slow and has had little impact on the lived realities of South Africans, said Maluleke.

"*Legislation is clear on what the responsibilities of mayors, councils and executive authorities are, it is the diligent and effective implementation of these responsibilities that is lacking.*"

[Adapted from https://www.moneyweb.co.za/news/south-africa]

3.2.1 Identify ONE problem with public sector provisioning from the extract above. (1)

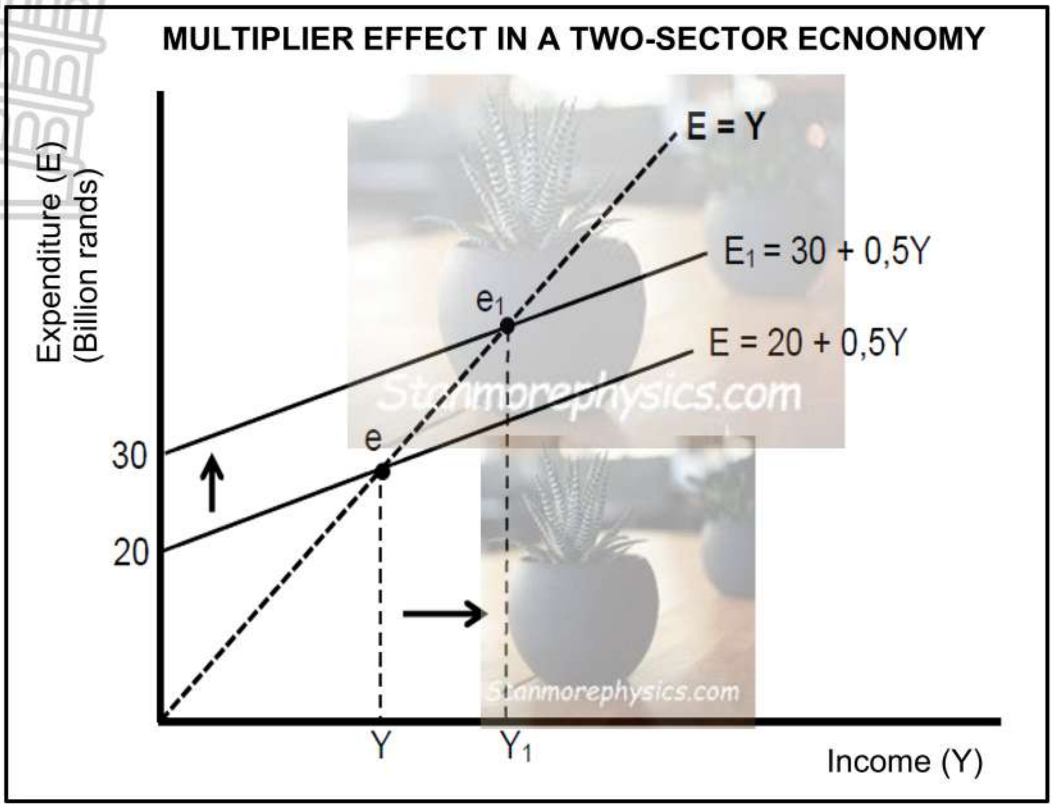
3.2.2 Name ONE source of income for local municipalities. (1)

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

3.2.4 Explain the impact of failing municipalities on their residents. (2)

3.2.5 How can privatisation generate income for the government? (2 x 2) (4)

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



3.3.1 Identify the value of the injection in the graph above. (1)

3.3.2 Name ONE participant in the economy. (1)

3.3.3 Briefly describe the term *multiplier*. (2)

3.3.4 Why is the multiplier derived from the marginal propensity to consume (MPC)? (2)

3.3.5 Use the information in the graph above to proof MPC + MPS = 1. Show ALL calculations. (2 x 2) (4)

3.4 Explain the link between the financial and foreign exchange markets, and the participants of the circular flow. (2 x 4) (8)

3.5 Analyse the effects of the high state debt to GDP ratio on the South African economy. (4 x 2) (8)
[40]

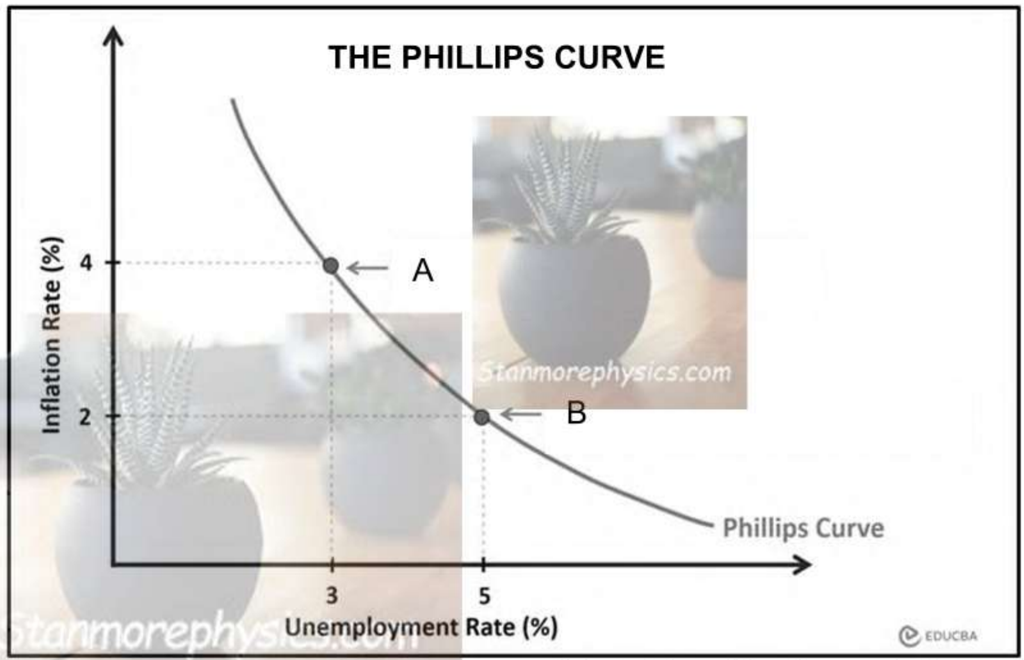
QUESTION 4: MACROECONOMICS **40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Name any TWO levels of the South African government. (2 x 1) (2)

4.1.2 Why does the government make use of subsidies on production? (1 x 2) (2)

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



[Adapted from https://www.educba.com]

4.2.1 Identify the lowest unemployment rate in the graph above. (1)

4.2.2 Give the concept that relates to a sustained and significant increase in prices of goods and services. (1)

4.2.3 Briefly describe the term *new economic paradigm*. (2)

4.2.4 Explain the inverse relationship between inflation and unemployment. (2)

4.2.5 How can supply-side policies be implemented to reduce unemployment without increasing inflation? (2 x 2) (4)

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

RAND BREAKS THROUGH THE R16/$ - AND MAY HAVE FURTHER TO RUN

On Monday 26 January 2026, the rand briefly moved stronger than the R16 mark at 10.40am. It then retreated slightly and was last quoted at 11.24am at R16,03/$. These are the currency's strongest levels since June 2022, and should help drive down inflation, especially in imported goods, including software, computers, smartphones, IT equipment and consumer electronics generally.

While the greenback weakened slightly against a basket of currencies, gold surged to a record high above $5 000/ounce on Monday, extending an historic rally as investors piled into the safe-haven asset amid rising geopolitical uncertainties.

[Adapted from https://techcentral.co.za/rand-breaks-through-r16]

4.3.1 Identify ONE advantage of the strengthening of the rand from the extract above. (1)

4.3.2 Name the system where a country's currency is anchored or linked to another major currency. (1)

4.3.3 Briefly describe the term *depreciation of the exchange rate*. (2)

4.3.4 How will the appreciation of the rand affect the price of fuel? (2)

4.3.5 Why do investors tend to buy more gold during periods of economic uncertainty? (2 x 2) (4)

4.4 Explain the purpose of the System of National Accounts (SNA) as outlined by the United Nations (UN). (4 x 2) (8)

4.5 Analyse the necessity of the public sector in the South African economy. (4 x 2) (8)
[40]

TOTAL SECTION B: 80

SECTION C

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

Your answer will be assessed as follows:

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

QUESTION 5: MACROECONOMICS 40 MARKS – 40 MINUTES

- Discuss in detail the features underpinning forecasting of business cycles. (26 marks)
- Suggest how the government can use fiscal policy during a contractionary period in a business cycle to improve the economy. (10 marks) **[40]**

QUESTION 6: MACROECONOMICS 40 MARKS – 40 MINUTES

- Discuss in detail the reasons for international trade. (26 marks)
- How can South Africa reduce imports in order to correct Balance of Payments (BOP) deficit? (10 marks) **[40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150

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2026 MID-YEAR EXAMINATION ERRATA/ADDITIONS & ADJUSTMENTS TO MARKING GUIDELINES

SUBJECT	Economics		**PAPER**	1
DATE	05 June 2026	**TIME OF ERRATA**		14:00
QUESTION	Section A: Question 1.	**MARKS**		
QUESTION	Section B: Question 2.	**MARKS**		
QUESTION	Question 3.	**MARKS**		
QUESTION	Question 4.	**MARKS**		
QUESTION	Sections C: Question 5.	**MARKS**		
QUESTION	Question 6.	**MARKS**		
	TOTAL MARKS AFFECTED			
	TOTAL MARKS FOR THE PAPER AFTER ADJUSTMENT			

REPLACE THE ANSWERS OR WRITE ADDITIONS OR ADJUSTMENTS ON THE TABLE BELOW:

SECTION A: **QUESTION 1.**		
1.1	**Multiple choice.**	
1.1.1	Options A and C accepted as correct.	(2)
1.3	**Give the term.**	
1.3.2	Correct answer Gross National Product (Gross Domestic Production is incorrect).	(1)
1.3.3	Accept Demand pull inflation and inflation as correct.	(1)
1.3.5	Accept Pareto efficiency and Pareto optimality as correct.	(1)
1.3.6	Accept export promotion, export subsidy and subsidy as correct.	(1)
SECTION B: **QUESTION 2.**		
2.2	**Data response:**	
2.2.2	Accept the following as correct. • Production method/GDP (P). • Expenditure method/GDP (E). • Gross Value Added/GVA	

2.2.5	• Do not penalize the learner if the answer is correct, the correct values and steps are used, but the formula is missing. • If learner copies from the table, we start marking from (+R154 – R15) ✓= R6 625 ✓, <u>the learner can achieve a maximum of 2 marks</u>.	
2.3	**Data response.**	
2.3.1	Accept unemployment as correct.	
2.3.2	Accept only: • Economic growth. • Full employment. • Exchange rate stability/Balance of Payment equilibrium. • Price stability. • Economic equality.	
2.3.5	• MTEF tabled in February together with the main budget and MTBPS tabled in October. • MTEF is a known as a rolling budget MTBPS, known as "Mini-budget".	
QUESTION 3.		
3.3	**Data response.**	
3.3.1	Accept 10 as correct. When doing corrections only use R10 billion (as indicated on the graph).	
3.4	• The financial market is where savings are transferred from economic participants who have surplus funds to those who need funds for investment. • They act as a link between savers and borrowers and include commercial banks, investment banks, pension funds, and insurance companies. • The financial and foreign exchange markets are closely connected because international investment and trade require both markets. • Households and businesses save money in banks, pension funds, and insurance companies, purchase shares and bonds and earn interest, dividends, and capital gains. • Businesses borrow money from banks, issue shares and bonds to raise capital and use borrowed funds to expand production and create jobs. • The government borrows money by issuing government bonds and using funds for infrastructure and public services. • Businesses buy foreign currency to pay for imports and receive foreign currency from exports through financial institutions. • Households purchase foreign currency when travelling abroad and receive transfers from family members working overseas. • The government uses financial institutions to make international payments and receives foreign aid or loans. (Accept any other correct and relevant response)	
QUESTION 4.		
4.2.1	Also accept 3.	