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Northern Cape Department of Education

PROVINCIAL PREPARATORY EXAMINATION

GRADE 12

ECONOMICS

PAPER 1

SEPTEMBER 2026

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MARKS: 150

TIME: 2 hours

This question paper consists of 13 pages.

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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.

12 Write neatly and legibly.

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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 tot 1.1.8) in the ANSWER OOK, e.g. 1.1.19D.

1.1.1 The owners of labour, land, capital and entrepreneurship in an economy is known as the ….

A consumers.
B government.
C foreign sector.
D businesses.

1.1.2 Estimating unknown data based on a pattern of known data is called …

A amplitude.
B trend
C length.
D extrapolation.



1.1.3 When the government sells more than 50% of the shares of its enterprise to the private sector, it is called …

A parastatal.
B nationalisation.
C privatisation.
D corruption.

1.1.4 … is when country A specialises in the production of cell phones because it can produce them at a relatively lower cost than other countries.

A Tariffs
B Comparative advantage
C Absolute advantage
D Imports

1.1.5 When a business reduces its average cost of production by producing on a larger scale, this is known as ….

A economies of scale.
B opportunity cost.
C ad valorem.
D diseconomies of scale.

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1.1.6 An instrument the central bank uses to encourage banks to act in a responsible manner in line with its monetary policy objectives is known as ….

A open market transactions.
B interest rate.
C cash reserve requirements.
D moral suasion.

1.1.7 Decentralisation of industries means that …

A industries develop only in cities.
B industries are established in rural areas.
C industries are closed down.
D production is reduced.

1.1.8 The … indicator is measured by dividing real GDP by the number of workers employed.

A unemployment rate
B employment rate
C labour productivity
D compensation per worker

(8 X 2) (16)

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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	Money flows	A	excessive rules and bureaucratic procedures that slow down business or government processes
1.2.2	Co-incident indicators	B	change at the same time as the economy changes
1.2.3	Red tape	C	aimed at promoting the growth and competitiveness of local manufacturing and production sectors
1.2.4	Free floating	D	movement of income and expenditure between participants in the economy
1.2.5	Trade liberalisation	E	includes capital and intermediate goods, but not services
1.2.6	Wealth tax	F	the value of the currency is determined by market forces
1.2.7	Industrial Policy Action Plan	G	allowing goods and services to move more freely across countries with less government restriction
1.2.8	Producer Price Index (PPI)	H	the government partially covers the cost of the service or product
		I	transfer duties that are paid when property is purchased

(8 x 1) (8)

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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 withdrawal of money from the circular flow

1.3.2 Factors that originate outside of the economy that cause business cycles

1.3.3 A deliberate action taken by the central bank to increase a fixed exchange rate

1.3.4 Limits the amount of goods that can be imported

1.3.5 Increase in the standard of living of the population in a country

1.3.6 A development route where infrastructure, industries and trade are concentrated to stimulate regional economic growth

(6 x 1) (6)

TOTAL SECTION A: 30

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SECTION B

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

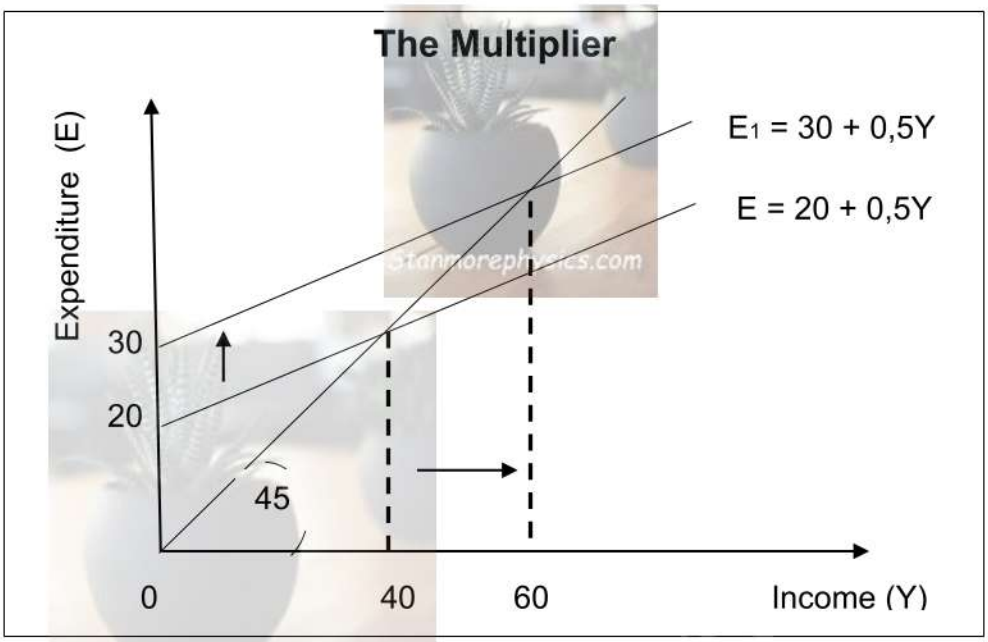
QUESTION 2 MACROECONOMICS **40 MARKS – 30 MINUTES**

2.1 Answer the following question:

2.1.1 Name TWO macro-economic variables that are directly linked to the Phillips Curve. (2 x 1) (2)

2.1.2 How can a country's balance of payments indicate its economic health? (1 x 2) (2)

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



[Source: Adapted from Enjoy Economics Grade 12]

2.2.1 Name any ONE economic participant that is involved in a two-sector economy. (1)

2.2.2 What does the 45° line in the graph represent? (1)

2.2.3 Briefly describe the term *multiplier effect.* (2)

2.2.4 Explain why the expenditure curve E_1 lie above E. (2)

2.2.5 Use the information from the graph to determine the size of the multiplier. Show ALL calculations. (4)

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

SOUTH AFRICA: TERMS OF TRADE 2025			
Year	**Index of import prices**	**Index of export prices**	**Terms of trade**
2022	162	177	109
2023	162	175	108
2024	168	180	107

[Source: SARB Quarterly Bulletin, March 2025]

2.3.1 Name ONE item used to calculate the terms of trade. (1)

2.3.2 Identify the trend in the terms of trade from 2022 to 2024. (1)

2.3.3 Briefly describe the term *trade balance*. (2)

2.3.4 Explain the effect of international trade on production of goods and services. (2)

2.3.5 Why is an improvement in the terms of trade important for South Africa? (4)

2.4 Briefly discuss *money markets* and *capital markets* in the circular flow. (2 x 4) (8)

2.5 Analyse the impact of the prosperity phase on the overall performance of a country's economy. (2 x 4) (8)

[40]

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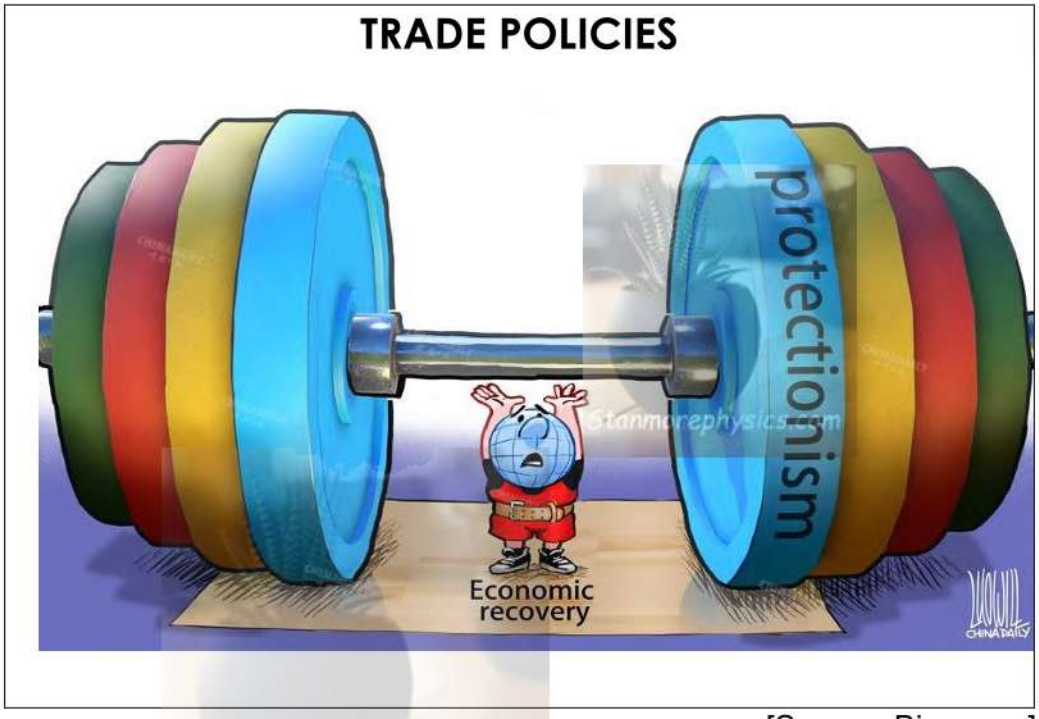
QUESTION 3 ECONOMIC PURSUITS **40 MARKS – 30 MINUTES**

3.1 Answer the following question:

3.1.1 Name any TWO supply-side approaches in promoting growth and development in South Africa. (2 x 1) (2)

3.1.2 How can industrial development promote job creation in the South African economy? (1 x 2) (2)

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



[Source: Bing.com]

3.2.1 Identify the trade policy applied by the government in the cartoon above. (1)

3.2.2 Name ONE method to promote import substitution. (1)

3.2.3 Briefly describe the term *free trade.* (2)

3.2.4 Why does protectionism negatively affect economic recovery? (2)

3.2.5 How can South Africa benefit from free trade? (4)

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

ECONOMIC GROWTH	
South African Reserve Bank	"The demand-side approach emphasises that for a country to experience economic growth, there is a need to increase aggregate demand through discretionary changes in the country's monetary and fiscal policies."

[Source: Adapted from Google Images]

3.3.1 Identify the policy administered by the South Africa Reserve Bank to control the money supply in the economy. (1)

3.3.2 Name ONE instrument used by the South Africa Reserve Bank to stimulate economic growth. (1)

3.3.3 Briefly describe the term *economic growth.* (2)

3.3.4 Briefly explain why a progressive income tax system plays a role in economic growth and development. (2)

3.3.5 How can economic growth contribute to economic development in South Africa? (4)

3.4 Briefly discuss *competition* and *good governance* as benchmark criteria for evaluating regional development strategies in South Africa. (2 x 4) (8)

3.5 Analyse the advantages of import substitution for a developing economy. (4 x 2) (8)

[40]

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QUESTION 4 MACROECONOMICS AND ECONOMIC PURSUITS

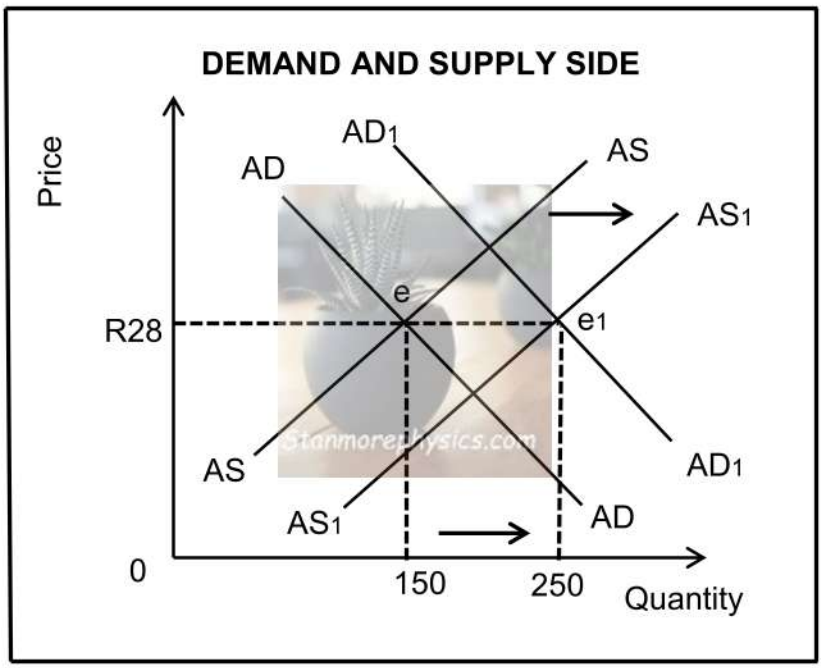
40 MARKS – 30 MINUTES

4.1 Answer the following question:

4.1.1 Name any TWO methods used to calculate GDP. (2 x 1) (2)

4.1.2 How can subsidies to local businesses promote a country's exports? (1 x 2) (2)

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



4.2.1 Name the framework that uses demand and supply-side policies to smooth business cycles. (1)

4.2.2 Give ONE reason why the aggregate demand curve may shift from AD to AD_1. (1)

4.2.3 Briefly describe the term *business cycle*. (2)

4.2.4 What effect will an increase in aggregate demand have on the general price level? (2)

4.2.5 Explain how the shift from AS to AS_1 can help the economy achieve long-term growth. (4)

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

South Africa's rural population left behind as provinces underperform

South Africa's regional economic performance varies significantly across provinces. Provinces like Gauteng and Western Cape contribute disproportionately to national GDP, while provinces such as Limpopo, Eastern Cape and Northern Cape contribute much less, often due to dependence on mining or limited industrial bases.

[Source: Mail & Guardian, 1 Dec 2024]

4.3.1 List ONE province mentioned in the extract that contributes significantly to South Africa's economy. (1)

4.3.2 Name ONE example of infrastructure that can support regional development. (1)

4.3.3 Briefly describe the term *Industrial Development Zone (IDZ).* (2)

4.3.4 Why is there a need for regional development strategies in South Africa? (2)

4.3.5 Explain how Special Economic Zones (SEZs) can promote industrial development in South Africa. (4)

4.4 Briefly discuss *natural resources* and *labour resources* as supply reasons for international trade. (2 x 4) (8)

4.5 How can developing countries narrow the inequality gap between the North and South? (4 x 2) (8)

[40]

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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 ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order response. • 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 the 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/Discuss in detail with the aid of graphs/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/ Differentiate/Explain/Assess/Debate **A maximum of 8 marks may be allocated for headings/examples.** **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 summary of what has been discussed without repeating facts already mentioned • Any opinion or valued judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations	Max. 2
TOTAL	**40**

QUESTION 5 MACROECONOMICS **40 MARKS – 40 MINUTES**

- Discuss in detail the reasons for public sector failure. (Link them to typical problems experienced through public sector service provisioning.) (26 marks)
- How can the effectiveness of the public sector impact economic performance? (10 marks) [40]

QUESTION 6 ECONOMIC PURSUITS **40 MARKS – 40 MINUTES**

- Discuss in detail the social indicators of South Africa. (26 marks)

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- Analyse the importance of regularly monitoring economic performance indicators for effective decision-making by governments, businesses and households. [40]

(10 marks)

TOTAL SECTION B: 40
GRAND TOTAL: 150



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GRADE 12

ECONOMICS

PAPER 1

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MARKING GUIDELINES

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MARKS: 150

These marking guidelines consist of 23 pages.

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SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 A - consumers ✓✓
1.1.2 D - extrapolation ✓✓
1.1.3 C - privatisation ✓✓
1.1.4 B - comparative advantage ✓✓
1.1.5 A - economies of scale ✓✓
1.1.6 D - moral suasion ✓✓
1.1.7 B - industries are established in rural areas ✓✓
1.1.8 C - labour productivity ✓✓ (8 x 2) (16)

1.2 MATCHING ITEMS

1.2.1 D - movement of income and expenditure between participants in the economy ✓
1.2.2. B - change at the same time and in the same direction as the economy changes ✓
1.2.3 A - excessive rules and bureaucratic procedures that slow down business or government processes ✓
1.2.4 F - the value of the currency is determined by market forces✓
1.2.5 G - allowing goods and services to move more freely across countries with less government restriction✓
1.2.6 I - transfer duties that are paid when property is purchased ✓
1.2.7 C - aimed at promoting the growth and competitiveness of local manufacturing and production sectors ✓
1.2.8 E - includes capital and intermediate goods, but not services✓ (8 x 1) (8)

1.3 IDENTIFY THE CONCEPT

1.3.1 Leakages/withdrawals✓
1.3.2 Exogenous ✓
1.3.3 Revaluation ✓
1.3.4 Quotas/Tariffs✓
1.3.5 Economic development /increase in real GDP per capita✓
1.3.6 Corridor ✓ (6 x 1) (6)

TOTAL SECTION A: 30

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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 question:

2.1.1 **Name two macro-economic variables that are directly linked to the Phillips Curve.**

- Inflation ✓
- Unemployment ✓ (2 x 1) (2)

2.1.2 **How can a country's balance of payments indicate its economic health?**

- A surplus in the balance of payments indicates that exports exceed imports, which can signal economic strength.✓✓
- A deficit in the balance of payments may indicate high dependence on foreign debt or capital, which can negatively affect the economy.✓✓

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

2.2 **DATA RESPONSE**

2.2.1 **Name ONE economic participant that is involved in a two-sector economy.**

- Households/consumers ✓
- Business/producers/firms ✓ (1)

2.2.2 **What does the 45˚ line in the graph represent?**

- The points where total expenditure equals total income ✓
- (E = Y)✓
- Line of equality ✓

(Accept any other correct relevant response) (1)

2.2.3 **Briefly describe the term *multiplier effect.***

The multiplier effect is the process whereby an initial change in spending changes the level of output and income by more than the initial change in spending.✓✓
(Accept any other correct relevant response) (2)

2.2.4 **Explain why the expenditure curve E_1 lies above E.**

- This could be due to an increase in injections such as higher government spending, investment, or consumption.✓✓
- E_1 is higher because autonomous expenditure increased from 20 to 30 ✓✓

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

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2.2.5 **Use the information from the graph to determine the size of the multiplier. Show ALL calculations.**

Method A:	Method B:	Method C:
$k = \frac{\triangle Y}{\triangle J}$ ✓✓	$k = \frac{1}{1-mpc}$ ✓✓	$k = \frac{1}{mps}$ ✓✓
$k = \frac{20}{10}$ ✓	$k = \frac{1}{1-0.5}$ ✓	$k = \frac{1}{0.5}$ ✓
$k = 2$ ✓	$k = 2$ ✓	$k = 2$ ✓

(4)

2.3 DATA RESPONSE

2.3.1 **Name ONE item used to calculate the terms of trade.**

- Index of import prices ✓
- Index of export prices ✓

(1)

2.3.2 **Identify the trend in the terms of trade from 2022 to 2024.**

Downward/decreasing trend ✓ (1)

2.3.3 **Briefly describe the term *trade balance*.**

The trade balance refers to the difference between the value of a country's net exports and imports of goods over a specific period. ✓✓
(Accept any other correct relevant response) (2)

2.3.4 **Explain the effect of international trade on production of goods and services.**

- Goods and services are produced on a much larger scale to meet the needs of international markets. ✓✓
- International trade encourages businesses to develop new products and improve production methods through innovation. ✓✓
- Countries tend to specialise in producing goods and services, in which they have a comparative advantage. ✓✓

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

2.3.5 **Why is an improvement in the terms of trade important for South Africa?**

- It increases purchasing power of exports. ✓✓
- South Africa can buy more imports for the same number of exports earned. ✓✓
- It may increase national income and improve the standard of living. ✓✓
- Higher export earnings can strengthen the value of the rand. ✓✓

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- It can help improve the Balance of Payments (BOP) by increasing export revenue and reducing pressure on the current account deficit.✓✓

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

2.4 **Briefly discuss *money markets* and *capital markets in the circular flow*.**

Money markets

- In the money market, short-term loans and very short-term funds are saved and borrowed by consumers and business enterprises. ✓✓
- Products sold in this market are bank debentures, treasury bills and government bonds. ✓✓
- The SARB is the key institution in the money market. ✓✓

Capital markets

- In the capital market long-term funds are borrowed and saved by consumers and business enterprises. ✓✓
- Products sold in this market are mortgage bonds and shares. ✓✓
- The Johannesburg Security Exchange is a key institution in the capital market.✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 4 marks for mere listing of facts and examples)
(2 x 4) (8)

2.5 **Analyse the impact of the prosperity phase on the overall performance of a country's economy.**

Positive impacts:

- Businesses ramp up production of goods and services to meet growing consumer demand. ✓✓
- This sustained increase in real GDP indicates a robust, expanding economy. ✓✓
- Corporate profits rise, encouraging entrepreneurs to invest in new projects, technology and infrastructure to capitalize on the boom. ✓✓
- As production scales up, labour demand increases, leading to significantly lower unemployment rates. ✓✓
- The competition for skilled workers forces businesses to raise wages. ✓✓
- This increases disposable income, which further drives consumer spending. ✓✓
- Commercial banks expand credit availability and the circulation of money increases across the economy.✓✓
- Companies report higher earnings, driving bullish stock market performance and higher investor returns. ✓✓
- Increased corporate profits, higher wages, and greater consumer spending result in higher tax revenues for the government. ✓✓
- This provides the state with the capital to finance public services and infrastructure.✓✓

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Negative impacts:

- The high demand for goods and services during this phase can create upward pressure on prices, leading to inflation. ✓✓
- Over-expansion may create economic imbalances and future instability.✓✓
- Inefficient allocation of resources because of high demand.✓✓
- Consumers may borrow excessively due to easy access to credit, leading to high debt levels.✓✓
- High demand for goods and services can outstrip supply, causing prices to rise and reducing the purchasing power of consumers. ✓✓
- The South African Reserve Bank in South Africa may increase interest rates to cool down the economy and curb inflation, which eventually raises the cost of borrowing. ✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 2 marks for mere listing of facts/examples)

(4 x 2) (8)
[40]



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

3.1 Answer the following question:

3.1.1 **Name TWO supply-side approaches in promoting growth and development in South Africa.**

- Improving the efficiency in markets ✓
- Improving the efficiency of inputs ✓
- Reduction of cost ✓

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

3.1.2 **How can industrial development promote job creation in the South African economy?**

- New or expanded industries create new employment opportunities for the local population. ✓✓
- It encourages businesses to grow and hire more workers, reducing unemployment. ✓✓

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

3.2 **DATA RESPONSE**

3.2.1 **Identify the trade policy applied by the government in the cartoon above.**

Protectionism✓ (1)

3.2.2 **Name ONE method to promote import substitution.**

- Tariffs✓
- Import quotas ✓
- Customs duties✓
- Subsidies ✓

(Accept any other correct relevant response) (1)

3.2.3 **Briefly describe the term *free trade.***

Free trade refers to the exchange of goods and services between countries without government restrictions.✓✓
(Accept any other correct relevant response) (2)

3.2.4 **Why does protectionism negatively affect economic recovery?**

- Protectionism makes imports and exports more expensive, reducing international trade.✓✓
- Global economic growth slows down because countries trade less with one another.✓✓
- Conflict between countries can result in price wars where countries continuously lower prices to stay competitive. ✓✓
- Businesses may produce less due to smaller international markets and lower demand.✓✓
- Jobs can be lost in export industries when foreign countries buy fewer goods.✓✓

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- Consumers may pay higher prices due to limited competition from foreign producers. ✓✓
  (Accept any other correct relevant response) (1 x 2) (2)

3.2.5 **How can South Africa benefit from free trade?**

- Demand for South African exports will increase due to the removal of international trade barriers. ✓✓
- South African consumers will pay less on imported products as it improves accessibility of goods and raises their standard of living. ✓✓
- Economic efficiencies will improve as foreign products increase competition among local producers. ✓✓
- South African producers may be able to minimise cost of production through specialisation and mass production. ✓✓
- South African consumers will have more choice on goods and services ✓✓
- South Africa benefits from improved international relations by removing trade restrictions ✓✓
  (Accept any other correct relevant response) (2 x 2) (4)

3.3 DATA RESPONSE

3.3.1 **Identify the policy administered by the South Africa Reserve Bank to control the money supply in the economy.**

Monetary policy✓ (1)

3.3.2 **Name ONE instrument used by the South Africa Reserve Bank to stimulate economic growth.**

- Interest rates ✓
- Open-market operations ✓
- Cash reserve requirements ✓
- Moral suasion ✓
  (Accept any other correct relevant response) (1)

3.3.3 **Briefly describe the term *economic growth.***

An increase in the productive capacity of an economy to produce more goods and services over time. ✓✓
(Accept any other correct relevant response) (2)

3.3.4 **Briefly explain why a progressive income tax system plays a role in economic growth and development.**

- A progressive income tax system increases government revenue, which can be used to improve infrastructure, education and healthcare to promote economic growth. ✓✓
- Higher-income earners pay a larger proportion of tax, helping to reduce income inequality and poverty.✓✓

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- It increases the purchasing power of lower-income households, which stimulates spending and demand in the economy. ✓✓

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

3.3.5 **How can economic growth contribute to economic development in South Africa?**

- Economic growth leads to job creation, which reduces unemployment. ✓✓
- More employment means more people earn an income, reducing poverty. ✓✓
- More income allows people to improve their living standards, supporting development. ✓✓
- Higher growth increases tax revenue, enabling government investment in education, health and infrastructure. ✓✓
- Economic development relies on the resources created by economic growth; therefore, growth is a necessary condition for development. ✓✓

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

3.4 **Briefly discuss *competition* and *good governance* as benchmark criteria for evaluating regional development strategies in South Africa.**

Competition

- Competition measures whether regional development strategies encourage fair and efficient markets. ✓✓
- It evaluates if initiatives promote rivalry between firms, which can improve efficiency and productivity. ✓✓
- Strategies are assessed on their ability to attract new businesses and investment to under-developed regions. ✓✓
- Development corridors encouraging multiple industries to compete and innovate✓✓

Good Governance

- Good governance assesses whether regional development strategies are implemented transparently, efficiently, and accountably. ✓✓
- It evaluates whether policies ensure proper use of resources and fair benefits to communities. ✓✓
- Projects are judged on coordination between government, private sector, and communities. ✓✓
- SIPs or SDIs monitored to ensure they deliver promised infrastructure and job opportunities.✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 4 marks for mere listing of facts and examples)
(2 x 4) (8)

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3.5 **Analyse the advantages of import substitution for a developing economy.**

Advantages

- Import substitution involves replacing imported goods with locally produced goods. ✓✓
- One major advantage is that it reduces dependence on foreign products.✓✓
- This helps improve the balance of payments by lowering import expenditure.✓✓
- Import substitution also promotes industrial development by encouraging the growth of local industries and increasing manufacturing output.✓✓
- Import substitution creates employment opportunities as domestic firms expand production. ✓✓
- It supports the development of small and medium enterprises and allows industries to gain experience and develop skills in a protected environment.✓✓
- Over time, this can strengthen economic self-sufficiency and contribute to economic growth. ✓✓
- It can save foreign currency, because less money is used to import goods from other countries.✓✓
- It can promote economic diversification, because the country does not rely only primary sectors such as agriculture or mining, but also develops manufacturing.✓✓
- It protects infant / new industries against strong foreign competition until they are large and competitive enough.✓✓
- It can encourage local entrepreneurship, because businesses get opportunities to manufacture products that were previously imported.✓✓
- It can lead to skills development and training, as workers learn new technical and production skills.✓✓
- It can strengthen the multiplier effect in the economy, because local production creates income, spending and further business activity.✓✓
- It can increase the government's tax revenue, because growing local industries make more profit and employ more people.✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 2 marks for mere listing of facts/examples)

(4 x 2) (8)

[40]

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QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

40 MARKS – 30 MINUTES

4.1 Answer the following question:

4.1.1 **Name TWO methods used to calculate GDP.**

- Production/GDP(P)✓
- Expenditure/GDP(E)✓
- Income/GDP(I)✓ (2)

4.1.2 **How can subsidies to local businesses promote a country's exports?**

- Subsidies reduce production costs, making exports cheaper and more competitive in the international market. ✓✓
- Subsidies can encourage businesses to produce more and enter new markets, which increases exports.✓✓

(Accept any other correct relevant response) (2)

4.2 **DATA RESPONSE**

4.2.1 **Name the policy that uses demand and supply to smooth business cycles.**

New Economic Paradigm ✓ (1)

4.2.2 **Give ONE reason why the aggregate demand curve may shift from AD to AD_1.**

- An increase in consumer spending ✓
- Higher household income ✓
- Increased government spending ✓
- Reduced taxes ✓
- Increased confidence✓
- Easier access to credit✓

(Accept any other correct relevant response) (1)

4.2.3 **Briefly describe the term *business cycle.***

A business cycle is the recurring pattern of expansion and contraction in the level of economic activity in an economy over time.✓✓

(Accept any other correct relevant response) (2)

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4.2.4 **What effect will an increase in aggregate demand have on the general price level?**

- An increase in aggregate demand will raise the general price level, causing demand-pull inflation.✓✓
- An increase in aggregate demand may lead to inflation as too much money chases too few goods and services.✓✓
- Producers may increase prices because of higher consumer demand for goods and services. ✓✓

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

4.2.5 **Explain how the shift from AS to AS_1 can help the economy achieve long-term growth.**

- Increase in supply helps the economy achieve long-term growth because more goods and services can be produced.✓✓
- Production becomes more efficient due to improved technology or increased resources.✓✓
- The economy can sustain higher levels of employment and income without causing inflation.✓✓
- An eventual decrease in prices back to the original equilibrium level may also occur as increased supply places downward pressure on prices. ✓✓

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

4.3 **DATA RESPONSE**

4.3.1 **List ONE province mentioned in the extract that contributes significantly to South Africa's economy.**

- Gauteng✓
- Western Cape✓ (1)

4.3.2 **Name ONE example of infrastructure that can support regional development.**

- Roads ✓
- Railways ✓
- Ports ✓
- Electricity supply ✓
- Water supply ✓
- Telecommunications ✓

(Accept any other correct relevant response) (1)

4.3.3 **Briefly describe the term *Industrial Development Zone (IDZ).***

- A IDZ is a special designated industrial area near major ports or airports✓ that provides incentives and infrastructure to attract investment and promote industrialisation and exports. ✓

(Accept any other correct relevant response) (2)

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4.3.4 **Why is there a need for regional development strategies in South Africa?**

- Regional development strategies reduce regional disparities by stimulating economic activity in underdeveloped areas.✓✓
- It promotes job creation by attracting investment to less developed regions.✓✓
- Alleviate poverty by increasing income-earning opportunities in poor communities.✓✓
- Improve access to education and healthcare through targeted social infrastructure development.✓✓
- Enhance housing and basic services through infrastructure provision.✓✓
- They reduce rural-urban migration by creating sustainable economic opportunities locally.✓✓

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

4.3.5 **Explain how Special Economic Zones (SEZs) can promote industrial development in South Africa.**

- Special Economic Zones improve infrastructure by concentrating development in transport, energy and communication networks within designated areas.✓✓
- SEZs promote job creation by attracting industries that generate employment opportunities in surrounding communities. ✓✓
- It provides tax incentives and a supportive regulatory environment that attract both local and international investors.✓✓
- By attracting more investment, SEZs boost exports and reduce regional development disparities.✓✓
- SEZs encourage the establishment of new industries by offering lower production costs and simplified administrative procedures. ✓✓
- They promote technology transfer and innovation as multinational firms introduce advanced skills and production methods.✓✓
- SEZs strengthen South Africa's global competitiveness and improve the balance of trade. ✓✓

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

4.4 **Briefly discuss *natural resources* and *labour resources* as supply reasons for international trade.**

Natural resources

- Countries differ in the availability, quality and quantity of natural resources such as minerals, fertile land, forests, and energy sources.✓✓
- These differences create a need for trade because no country is self-sufficient in all resources.✓✓
- Country exports goods that use its abundant natural resources (e.g., oil-rich countries export petroleum; South Africa exports minerals).✓✓
- Countries lacking specific resources import them from nations where they are naturally available and cheaper to produce.✓✓

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- This allows countries to access goods they cannot produce themselves and promotes global economic interdependence.✓✓

Labour resources

- The quality, quantity and cost of labour also differ between countries.✓✓
- Some countries have highly skilled labour with high productivity rates.✓✓
- This enables them to produce goods and services at a lower price than they are produced in other countries.✓✓
- Certain individuals have greater ability and aptitude for certain tasks ✓✓
- It is a worldwide phenomenon that some countries have developed a skill and aptitude for the production of a certain commodity ✓✓
- E.g. The Swiss (watch making)✓

(Accept any other correct relevant response)
(Allocate a maximum of 4 marks for mere listing of facts and examples)

(2 x 4) (8)

4.5 **How can developing countries narrow the inequality gap between the North and South?**

- Countries of the South should invest in education and skills development to improve human capital and productivity. ✓✓
- They must improve access to healthcare to enhance labour productivity and overall quality of life. ✓✓
- Developing countries should promote export-led growth to increase foreign exchange earnings and economic expansion. ✓✓
- Governments must strengthen infrastructure development to support industrial and economic activities. ✓✓
- Countries of the South should promote regional trade agreements to expand markets and reduce dependence on developed nations. ✓✓
- Developing countries should encourage entrepreneurship and small business development to broaden economic participation. ✓✓
- Governments must improve governance and reduce corruption to ensure efficient use of resources. ✓✓
- They should adopt appropriate technology to increase productivity and global competitiveness. ✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 2 marks for mere listing of facts/examples)

(4 x 2) (8)

[40]

TOTAL SECTION B: 80

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SECTION C

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

QUESTION 5: MACROECONOMICS 40 MARKS – 40 MINUTES

- **Discuss in detail the reasons for public sector failure. (link them to typical problems experienced in public sector service provisioning.)** **(26)**
- **How can the effectiveness of the public sector impact economic performance?** **(10)**

INTRODUCTION

- Public sector failure is when government fails to manage an economy and the resources under its control optimally.✓✓
- Public sector is part of the economy that includes all entities that are owned and controlled by the government and are responsible for the provision of public goods at a lower cost or free-of-charge.✓✓
  (Accept any other correct relevant introduction.) (Max. 2)

BODY: MAIN PART

Reasons for public sector failure are as follows:

1 **Management failure**: ✓
Lack of training and experience: ✓
- This occurs when civil servants are employed to perform certain jobs, but they do not have the required skills and abilities. ✓✓
- State resources and funds will be wasted since people will be paid for the work they are not qualified for. ✓✓

Poor leadership: ✓
- Poor leadership occurs when those in the position of power fail to act as entrusted. ✓✓
- Inefficiency is the direct result of poor leadership. ✓✓

2 **Apathy:** ✓
- Lack of accountability and apathy are closely linked in the workplace. ✓✓
- Long-term accountability is important for successful public production. ✓✓
- Corruption and poor service delivery are some of the symptoms of apathy. ✓✓
- In developing countries, accountability often does not apply. ✓✓

3 **Lack of motivation:** ✓
- Workers hardly receive incentives for successful service delivery. ✓✓
- Lack of motivation may lead to limited service, low in quality and high in cost. ✓✓

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4 **Bureaucracy:** ✓
- This refers to when there are too many rules, regulations and procedures that are followed as strictly as they are without changes. ✓✓
- As a result, policies take long to be implemented or are not implemented at all. ✓✓
- Bureaucrats are often empathic and insensitive to the needs of their clients. ✓✓

5 **Politicians:** ✓
- To retain their power, politicians must be re-elected or retain their political office. ✓✓
- This means that they will have to promote and endorse policies and projects if they can get votes in return. ✓✓
- Service delivery is therefore seriously affected by people who are always looking for power. ✓✓

6 **Special interest groups:** ✓
- Those who try to further their own interests by means of rent-seeking or lobbying. ✓✓
- They include trade unions and businesses. ✓✓
- They attempt to influence the government to act in their interest with profitable contracts, favourable regulations, etc. ✓✓

7 **Structural weaknesses:** ✓
- The role that parastatals are given to be the sole providers of certain goods or services, may impact negatively on the efficiency of the entire country. ✓✓
- A typical example is Eskom if power outages occur. ✓
- The above situation can easily scare potential investors from investing in the economy. ✓✓

8 **Assessing needs** ✓
- The problem of assessing needs leads to undersupply or oversupply of public goods and services. ✓✓
- Example : Housing and education ✓

9 **Accountability** ✓
- People want to be sure that the government officials do not abuse their position and power through corruption, nepotism and incompetence. ✓✓

10 **Efficiency** ✓
- Objective such as housing, health, job creation etc. are not always possible because of limited resources and serious structural weaknesses in the economy. ✓✓

11 **Pricing policy** ✓
- The state does not operate within the market system of demand and supply. ✓✓

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- Prices can be overvalued or undervalued ✓✓

12 **Parastatals** ✓
- Some parastatals function inefficiently which put pressure on the economy. ✓✓

13 **Privatisation / Nationalisation**
- People lose their jobs and this contributes to unemployment
(Accept any other relevant response)
(Allocate a maximum of 8 marks for mere listing/headings and examples.) (Max. 26)

ADDITIONAL PART

How can the effectiveness of the public sector impact economic performance?

- An effective public sector ensures the efficient allocation of resources, leading to minimal wastage and improved economic productivity. ✓✓
- Sound management of public finances promotes economic growth by directing spending towards infrastructure and human capital development. ✓✓
- Effective government performance supports macroeconomic stability by achieving objectives such as price stability, employment and sustainable growth. ✓✓
- Reduced corruption and improved governance increase investor confidence and attract domestic and foreign investment. ✓✓
- Efficient service delivery enhances business operations and production, contributing to higher output levels in the economy. ✓✓
- An effective public sector improves income redistribution, reducing inequality and supporting inclusive economic development. ✓✓
- Proper management of state-owned enterprises limits government debt and reduces the need for costly bailouts. ✓✓
- Sound public sector performance lowers the tax burden on households, increasing disposable income and consumption. ✓✓
- Efficient governance reduces social unrest and service-delivery protests, ensuring uninterrupted economic activity. ✓✓
- Overall, effective public sector performance promotes economic stability and long-term development, strengthening economic performance. ✓✓
(Accept any other correct relevant response)
(Allocate a maximum of 2 marks for mere listing of facts/examples)
(Max. 10)

CONCLUSION

For economic policies to be effective, the government must ensure that its interventions are efficient, transparent and sustainable to achieve long-term economic growth, social equity and improved living standards. ✓✓
(Accept any other correct relevant higher order response) (Max. 2) **[40]**

QUESTION 6: ECONOMIC PURSUITS **40 MARKS – 40 MINUTES**

- **Discuss in detail the social indicators.** **(26)**
- **Analyse the importance of regularly monitoring economic performance indicators for effective decision-making by governments, businesses and households.** **(10)**

INTRODUCTION

Social indicators are a measure used by economists and governments to evaluate the performance of the economy with regard to the social well-being of its inhabitants.✓✓

(Accept any other correct relevant introduction) (Max. 2)

BODY: MAIN PART

1 **DEMOGRAPHIC INDICATORS** ✓

- This deals with the characteristics of the population, e.g. population /size/race/ age/sex/ income/geographic distribution/ language/education/occupation/ religion/birth rate/ fertility rate/life expectancy at birth/infant mortality rate/death rate. ✓✓
- Definable issues related to human well-being over a period of time. ✓✓
- This information can be used by government to plan for e.g. infrastructure development and implementation of social programmes. ✓✓
- it is also important to businesses as it indicates the size and characteristics of business' target markets. ✓✓

The population growth: ✓

- In 2024 the South African population was estimated at 63.0 million and in 2017 the population stood at 55,91 million.✓✓
- South Africa has a relatively high population growth compared to other developed countries. ✓✓
- The population growth rate is an important indicator to the government in terms of the number of social services that are needed. ✓✓

Life expectancy: ✓

- This expresses the number of years a new-born infant will live if the prevailing patterns of mortality remained the same throughout his or her life in South Africa. ✓✓
- Life expectancy went up from 49.7 years in 2015 to 66.5 years in 2024. ✓✓
- It is important for the government to know the average life expectancy of the population since working human beings require a range of social services and also the tax base of the country. ✓✓
- Insurance companies in particular are interested in the life expectancy unexpected reductions in life expectancy reduce the number of years' policy holders can pay their premiums and can have detrimental effect on the services of such businesses. ✓✓

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2 **NUTRITION AND HEALTH INDICATORS** ✓

Nutrition: ✓

- This is an important indicator for the well-being of infants and young children. ✓✓
- Two important conditions of nutrition in child malnutrition and overweight which are both particularly important for children under the age of five years of age: ✓✓

Child malnutrition ✓

- Malnutrition is expressed in two ways, namely weight for age (underweight) and height for weight (stunted or dwarfism). ✓✓
- The proportion of children who are underweight is the most important indicator of malnutrition. ✓✓
- It is important to monitor malnutrition and weight because being overweight increases the risk of death and inhibits cognitive development in children. ✓✓

Overweight children ✓

- The prevalence of overweight children is growing concern in South Africa. ✓✓
- There is an association between obesity in children and the high✓✓ prevalence of diabetes, respiratory diseases, high blood pressure, and psychological and orthopaedic disorders. ✓✓
- Being overweight can lead to numerous adverse health conditions which affect people's ability to work and take care of themselves obesity is a killer. ✓✓
- Governments often legislate that health supplements such as vitamin A be added to basic food stuffs such as bread while the health department also encourage breast feeding. ✓✓
- Malnutrition and obesity in children are indicators considered when deciding on feeding schemes and their extent. ✓✓

HEALTH: ✓

- A number of indicators are used both nationally and internationally to monitor the health of a population. ✓✓

Infant mortality ✓

- The number of children who die before the age of 1 is a way to measure the health of the population. ✓✓
- Child mortality is significantly higher in poor households. ✓✓

Under five mortalities ✓

- The number of children that will die before the age of 5 years. It was 22.9 per 1 000 in 2024. ✓✓

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Health expenditure ✓
- This is measured in terms of the amount of public and private expenditure on healthcare as a percentage of GDP. ✓✓
- Healthcare has extreme positive externalities. ✓✓

Access to safe and drinking water ✓
- This is measured in terms of the percentage of the population that a reasonable access to safe and drinking water (treated or uncontaminated). ✓✓
- In 2010 it was 89% compared to 87% in 2023. ✓✓

- **Access to sanitation facilities** ✓
- This is measured in terms of the percentage of a population with at least adequate sanitation facilities that can effectively prevent human/animal/and insect contact. ✓✓
- A healthy population saves on medical and other costs, produces income and contributes to a stronger economy. ✓✓
- In 2010 it was 71% compared to 83% in 2023. ✓✓

3
- **EDUCATION** ✓
- The standard of living is related to the level of education. ✓✓
- Education is a key social indicator:
  - Percentage public-sector spending: Public expenditure: the percentage of the national budget that is directed towards education. ✓✓
  - Secondary enrolment: this shows the percentage of an age group attending high school. ✓✓
  - Primary completion: the percentage of an age group that has completed primary education is an indicator of the efficiency of the education system. ✓✓
  - Youth literacy rate: the percentage of the 15-24 age group that are literate. ✓✓

4 **SERVICES** ✓
- Services are vital to enhance people's lifestyles and level of economic and social development. ✓✓
- In South Africa, in terms of the Constitution's requirements of human dignity and social justice the following are identified: ✓✓

Electricity✓
- The National Electricity Regulator reports that 89.8% of households have access to electricity in 2010 compared to 83% in 2010. ✓✓

Refuse removal✓
- Some 61% of households in South Africa had access to refuse removal by the local authorities once a week. ✓✓

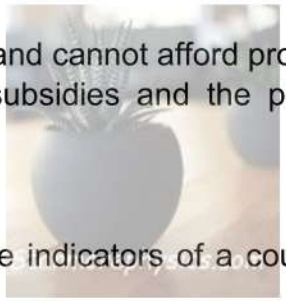
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Water supply ✓
- Some 89% of households had access to clean water in 2010 this is the average of urban and rural access to improved water schemes. ✓✓
- Improved water resources refer to an adequate amount of water from sources. e.g. households' connections/taps inside the yard/ public taps /boreholes/protected springs/and rainwater collection. ✓✓

Sanitation ✓
- Just over 71% of households in South Africa had access to functioning basic sanitation in 2010. ✓✓
  e.g. flush toilets/pit toilets with ventilation pipes/and chemical toilets. ✓✓

5 **HOUSING AND URBANISATION** ✓
- The standard of living of the population is related to the quality of their housing and services: ✓✓

Housing ✓
- Many South African citizens are poor and cannot afford property. ✓✓
- The government supplies housing subsidies and the private sector provides housing loans. ✓✓



Urbanisation ✓
- The level of urbanisation is one of the indicators of a country's social development. ✓✓
- It is measured by natural growth of the urban population, migration and establishment of new towns. ✓✓

(Accept any other relevant response)
(Allocate a maximum of 8 marks for mere listing/headings and examples.)
(Max. 26)

ADDITIONAL PART

Analyse the importance of regularly monitoring economic performance indicators for effective decision-making by governments, businesses and households.

- Measuring real GDP growth allows the government to determine whether the economy is expanding or contracting, which helps guide fiscal and monetary policy decisions. ✓✓
- Economic indicators make it possible to compare a country's economic performance with that of other countries, assisting in assessing international competitiveness. ✓✓
- Inflation data plays a key role in wage negotiations, as it helps employers and workers agree on wage increases that protect purchasing power. ✓✓
- Exchange rate trends assist exporters and importers in evaluating trade opportunities and risks when deciding which countries to trade with. ✓✓
- Stable prices create certainty, enabling businesses and consumers to plan spending, saving, and investment decisions more confidently. ✓✓

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- Productivity statistics help investors assess whether businesses in the country can produce efficiently and compete in global markets. ✓✓
- Employment and unemployment figures inform government about job creation patterns, helping to design targeted labour market policies. ✓✓
- Consumer Price Index (CPI) data reflects changes in the cost of living, allowing households and policymakers to understand how prices affect living standards. ✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 2 marks for mere listing of facts/examples) (Max. 10)

CONCLUSION

The use of economic and social indicators enables the South African government to make informed policy choices and improve the delivery of social programme. ✓✓

(Accept any other correct relevant conclusion) (Max. 2) **[40]**

TOTAL SECTION B: 40
GRAND TOTAL: 150

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