



education

**MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA**

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ECONOMICS P1

SEPTEMBER 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 as possible answers to the following questions. Choose the correct answer and write only the letter (A – D) next to the question number (1.1.1 – 1.1.8) in the ANSWER BOOK.

1.1.1 To convert GDP at market prices to the GNP at market prices, primary income from abroad is...

- A multiplied.
- B subtracted.
- C added.
- D divided.

1.1.2 The graph that shows the trade-off between inflation and unemployment is known as the ...

- A Phillips curve
- B Multiplier graph
- C Laffer curve
- D Business cycle

1.1.3 The main budget is presented in Parliament in ... by the Minister of Finance.

- A April
- B October
- C February
- D May

1.1.4 A reason for the supply of foreign exchange by South Africa is ...

- A investments made by foreign countries.
- B repayments of overseas loans.
- C payments for imports.
- D transferring capital to foreign countries.

1.1.5 Cash grants offered for exhibitions overseas and funds for market research are examples of ... subsidies.

- A indirect
- B direct
- C common
- D money



1.1.6 South Africa uses the ... tax systems on personal and company incomes.

- A transfer
- B proportional
- C regressive
- D progressive

1.1.7 The government department responsible for industrial development in South Africa is the Department of ...

- A Tourism.
- B Trade, Industry and Competition.
- C Social Development.
- D Finance.



1.1.8 The official index used by the SARB in inflation targeting is called the ...

- A Inflation index.
- B CPIX.
- C PPI
- D CPI

(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 Households	A includes measures such as a complete ban on the import of certain products
1.2.2 Keynesian Economists	B movement of people from rural areas to cities and towns
1.2.3 Community goods	
1.2.4 International trade	C the government's three-year rolling action strategy aimed at improving the manufacturing sector
1.2.5 Physical control	D provision of services such as basic health care and school meals for free to the poor
1.2.6 Benefits in kind	
1.2.7 Industrial Policy Action Plan	E money given by the government to a person who is unable to care for themselves financially
1.2.8 Urbanisation	F importing and exporting goods and services across countries
	G characterised by non-excludability and non-rivalry in consumption
	H they believe that the business cycle is caused by factors from within the economy
	I the main participants and owners of factors of production in the economy
	(8 x 1) (8)

1.3 Write the term 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 Initial prices in the production of final goods and services before considering any taxes and subsidies.

1.3.2 Goods which are regarded as harmful to the welfare of the society and are usually highly supplied.

1.3.3 The exchange rate system whereby only the market forces of demand and supply determine the value of a currency.

1.3.4 A development policy designed to create economic opportunities for previously disadvantaged groups.

1.3.5 Tracks of land that form passageways allowing access from one area to another.

1.3.6 The number of children per 1000 births who die before the age of one year in a year. (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

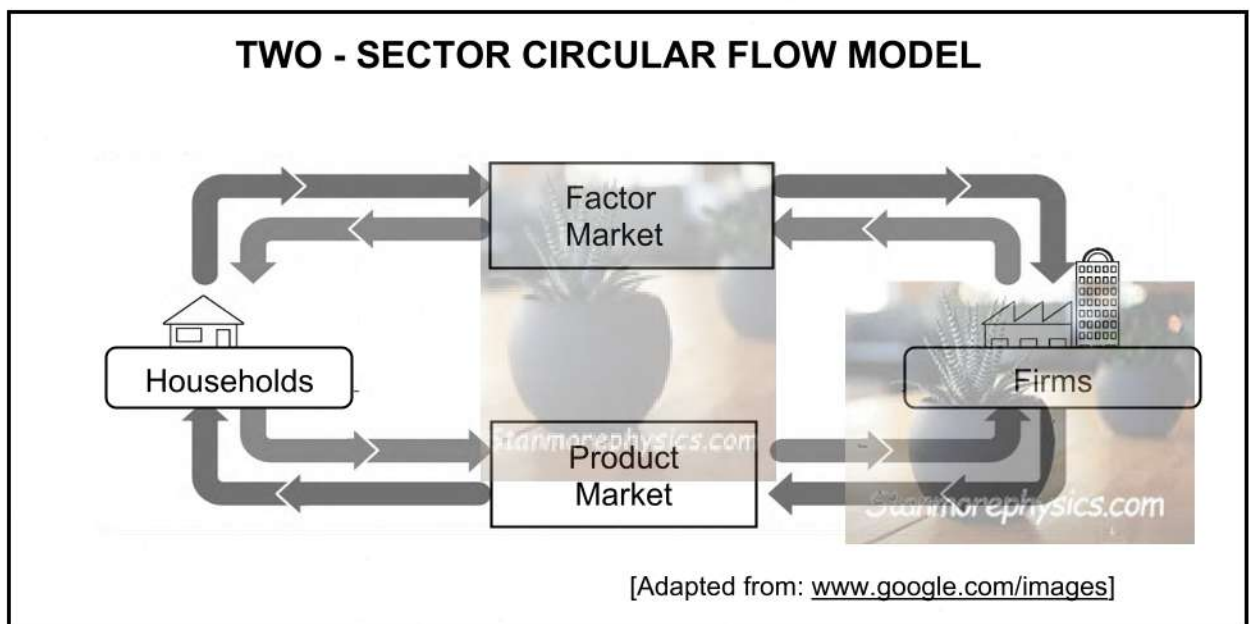
40 MARKS – 30 MINUTES

2.1 Answer the following questions.

2.1.1 Name any TWO examples of money flows in a circular flow. (2 x 1) (2)

2.1.2 How does deregulation help to improve the efficiency of markets? (1 x 2) (2)

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



2.2.1 Identify the market in which land can be bought and sold. (1)

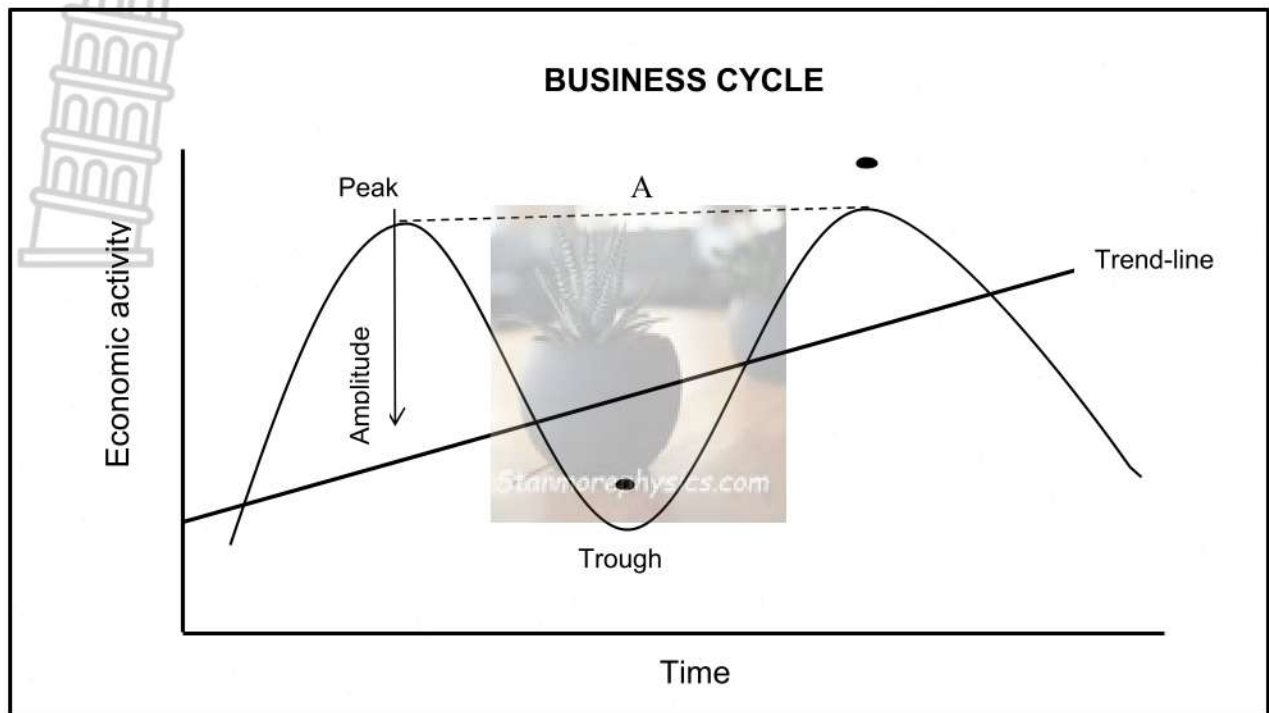
2.2.2 Name the leakage in the economy above. (1)

2.2.3 Briefly describe the term *circular flow*. (2)

2.2.4 Explain the relationship between multiplier and circular flow. (2)

2.2.5 If the households consume 80% of their income, what would be the size of the multiplier in this economy? Show all the calculations. (4)

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



- 2.3.1 Identify the turning point during which there is very high employment of factors of production. (1)
- 2.3.2 Name the business cycle feature labeled **A** in the diagram above. (1)
- 2.3.3 Briefly describe the term *leading indicators*. (2)
- 2.3.4 What does a low amplitude explain about a business cycle? (2)
- 2.3.5 How can the restrictive fiscal policy be applied to influence economic activities? (2 x 2) (4)

2.4 Explain the composition of the monetary policy. (8)

2.5 How can the government reduce a deficit on the Balance of Payment? (8)

[40]

QUESTION 3: ECONOMIC PURSUITS

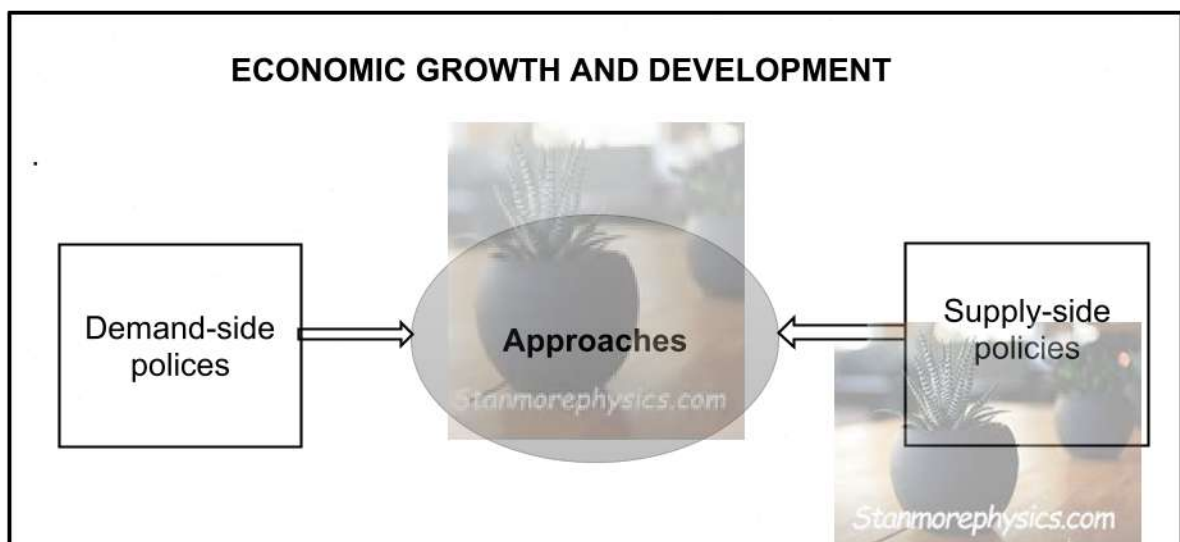
40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name the TWO elements (indicators) of productivity. (2 x 1) (2)

3.1.2 How can depreciation of a currency affect the demand for imported goods and services? (1 x 2) (2)

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



3.2.1 Identify the growth and development approach that focuses on increasing total consumption. (1)

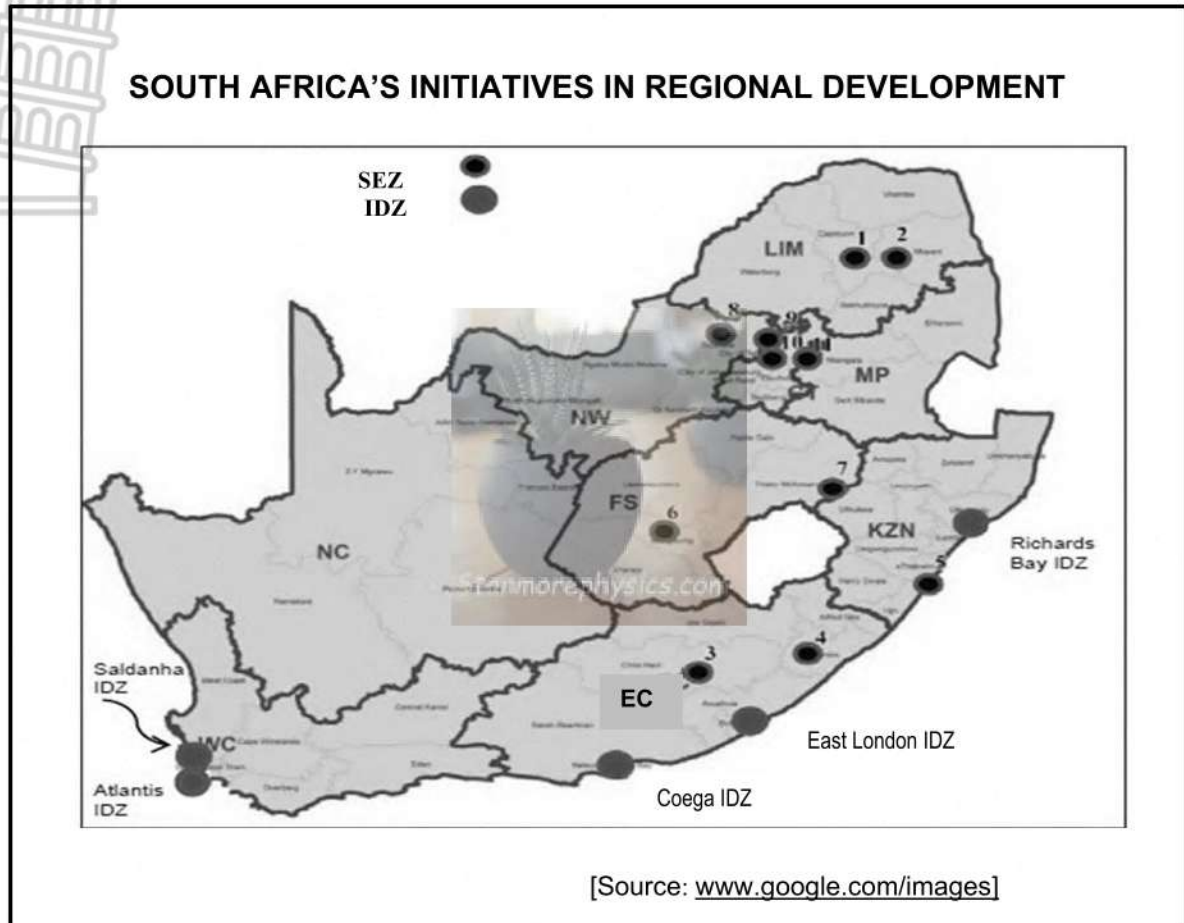
3.2.2 Name the indicator used to measure economic development. (1)

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

3.2.4 Why can economic growth sometimes fail to result in economic development? (2)

3.2.5 How can government improve business efficiency to achieve economic growth and development? (2 x 2) (4)

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



- 3.3.1 Identify the IDZ located in the Eastern Cape whose industry is automotive and general manufacturing. (1)
- 3.3.2 Name the type of industry that is found in the Saldanha IDZ. (1)
- 3.3.3 Briefly describe the term *special economic zones*. (2)
- 3.3.4 Explain the objective of the spatial development initiatives. (2)
- 3.3.5 Why is industrial development important for a country? (2 x 2) (4)
- 3.4 Briefly discuss *good governance* and *sustainability* as the benchmark criteria for industrial development. (2 x 4) (8)
- 3.5 Analyse the globalisation challenges faced by developing countries. (8)

[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name any TWO incentives used for industrial development in South Africa. (2 x 1) (2)

4.1.2 Why do some countries prefer to fix their currencies to the US dollar? (1 x 2) (2)

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

BALANCE OF PAYMENT	
Current account	Year: 2024
	Q1
Merchandise exports	1914
Net gold export	113
Services receipts	281
Income receipts	195
Merchandise imports	1843
Services payments	343
Income payment	356
Current transfers	-45
Balance on current account	A
Memo item: trade balance	184

[Extracted from: www.resbank.co.za]

4.2.1 Identify the product (commodity) that earns the largest foreign exchange when exported. (1)

4.2.2 Name any ONE other main account of the balance of payment. (1)

4.2.3 Briefly describe the term *Balance of Payment*. (2)

4.2.4 Why is the trade account important for a country? (2)

4.2.5 Calculate the balance on current account as indicated by letter **A**. Show all the calculations. (4)

- 4.3 Read the extract below and answer the questions that follow.

SOUTH AFRICA'S ECONOMIC INDICATORS

South Africa's economy was forecasted to grow by 1.5% in 2025 and 1.8% in 2026. Inflation is expected to remain well below the target in 2025. The decrease in fuel prices in September to November 2024, also played a major role in the reduction of inflation. The exchange rate of the rand to the major currencies such as the US dollar had also improved, leading to relatively cheaper fuel prices.

However, the unemployment rate is still a concern as it influences economic development and is expected to decrease slightly. This was due to the upwardly adjusted economic growth expectation resulting from the positive effect of interest rate reduction.

- 4.3.1 Identify the economic indicator related to foreign trade in the extract. (1)

- 4.3.2 Name the inflation indicator that informs about the cost of producing goods in a country. (1)

- 4.3.3 Briefly describe the term *economic indicator*. (2)

- 4.3.4 Why are countries required to standardise their economic and social indicators? (2)

- 4.3.5 How are the employment indicators useful in an economy? (2 x 2) (4)

- 4.4 Briefly discuss the *money market* and *capital markets*. (2 x 4) (8)

- 4.5 Evaluate the provision of basic services (as indicators of social development) in South Africa. (8)

TOTAL SECTION C: [40]

SECTION C

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

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction • A good starting point would be to define a term 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 • 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 introduction or body aspect should be included in the conclusion.	Max. 2
TOTAL	40

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

- Discuss in detail the main objectives of the public sector in the economy (26 marks)
- Why does the public sector often fail to achieve its macroeconomic objectives? (10 marks)

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

- Discuss in detail arguments in favour of protectionism. (26 marks)
- How can export promotion be beneficial to a country's economy? (10 marks)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150



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GRADE 12

**ECONOMICS P1
SEPTEMBER 2025
MARKING GUIDELINES**

MARKS: 150

This marking guideline consists of 16 pages.

SECTION A (COMPULSORY)

QUESTION 1

30 MARKS

1.1 MULTIPLE CHOICE

- 1.1.1 C added ✓✓
- 1.1.2 A Phillips curve ✓✓
- 1.1.3 C February ✓✓
- 1.1.4 A Investments by foreign countries. ✓✓
- 1.1.5 B direct ✓✓
- 1.1.6 D progressive ✓✓
- 1.1.7 B Trade, Industry and Competition. ✓✓
- 1.1.8 D CPI ✓✓

(8 x 2) (16)

1.2 MATCH TYPE

- 1.2.1 I the main participants and owners of factors of production in the economy ✓
- 1.2.2 H they believe that business cycles are caused by factors from within the economy ✓
- 1.2.3 G characterised by non-excludability and non-rivalry in consumption ✓
- 1.2.4 F importing and exporting goods and services across countries ✓
- 1.2.5 A includes measures such as a complete ban on the import of certain products ✓
- 1.2.6 D provision of services such as basic health care and school meals for free to the poor ✓
- 1.2.7 C the government's three-year rolling action strategy aimed at improving the manufacturing sector ✓
- 1.2.8 B movement of people from rural areas to cities and towns ✓

(8 x 1) (8)

1.3 ONE TERM



1.3.1 Basic prices ✓

1.3.2 Demerit goods ✓

1.3.3 Free – floating ✓

1.3.4 Broad Based Black Economic Empowerment /Black Economic Empowerment ✓

1.3.5 Corridors ✓

1.3.6 Infant mortality ✓



Stanmorephysics.co(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

QUESTION 2: MACRO-ECONOMICS

40 MARKS

2.1.1 Name any TWO examples of money flow in the circular flow.

- Factor income ✓
- Import payment ✓
- Export earnings ✓
- Taxation ✓
- Payment for goods and services ✓

(2 x 1) (2)

2.1.2 How does deregulation help to improve the efficiency of markets?

Removing laws and regulations that hamper the operation of the market can make markets effective and productive ✓✓

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

2.2 DATA RESPONSE

2.2.1 Identify the market in which land can be bought and sold

Factor market ✓ (1)

2.2.2 Name the leakage in the economy above.

Savings ✓ (1)

2.2.3 Briefly describe the term *circular flow*.

A model that shows the relationships between income, production, and expenditure ✓✓ (2)
(Accept any other correct relevant responses)

2.2.4 Explain the relationship between multiplier and the circular flow.

Multiplier of income, production and expenditure takes place in the circular flow ✓✓ (2)
(Accept any other correct relevant responses)



2.2.5

If the households consume 80% of their income, what would be the size of the multiplier in this economy? Show all the calculations.

$$80/100 = 0.8 \checkmark$$

$$K = 1 / (1 - mpc) \checkmark$$

$$K = 1 / (1 - 0.8) \checkmark$$

$$K = 1 / 0.2 \checkmark$$

$$K = 5 \checkmark$$

Max.3

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(4)

2.3

DATA RESPONSE

2.3.1

Identify the turning point during which there is very high employment of factors of production.

Peak ✓

(1)

2.3.2

Name the business cycle feature labeled A in the diagram above.

Length of a cycle ✓

(1)

2.3.3

Briefly describe the term *leading indicator*.

They are business cycle indicators that change before the economy changes ✓✓

(Accept any other correct relevant response)

(2)

2.3.4

What does a low amplitude explain about a business cycle?

The underlying forces in the economy are weak leading to a low to moderate contraction or expansion ✓✓

(Accept any other correct relevant response)

(2)

2.3.5

How can the restrictive fiscal policy be applied to influence economic activities?

- An increase in taxation can lead to a decrease in consumers' disposable income and spending ✓✓
 - A decrease in government expenditure can result in a decrease in aggregate expenditure ✓✓
 - Decreased aggregate expenditure can reduce production resulting in fewer factors of production employed ✓✓ (2 x 2)
- (Accept any other correct relevant response)

(4)

2.4 **Explain the components of the monetary policy.**

- 
- Interest rates: the repurchase rate (repo rate) is used when the commercial banks borrow money from the SARB ✓✓
 - Cash reserve requirements: the banks are required to maintain a certain amount of reserves in their accounts with the SARB ✓✓
 - Open market transaction: SARB can influence the money in circulation by selling or buying of government bonds ✓✓
 - Moral suasion: SARB persuades the banks to act in the manner that is desirable for the current economic climate ✓✓
 - Exchange rate policy: the monetary authorities can use a free floating or managed floating exchange rate system to influence the economy ✓✓
 - SARB uses the free-floating system where the value of the currency is determined by demand and supply ✓✓

(Accept any other correct relevant responses)

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

(8)

2.5 **How can the government reduce a deficit on the Balance of Payment?**

The government can reduce the deficit by applying the following measures:

- increasing interest rates can make credit expensive, therefore it can reduce spending on imports ✓✓
- increasing foreign investments as a result of increased interest rates, therefore increasing capital inflow ✓✓
- applying export promotion to encourage the production of goods that can be exported, leading to money inflow ✓✓
- implementing import substitution, by paying incentives to produce goods domestically rather than to import them, reducing money outflow ✓✓
- encouraging surpluses on the financial account, therefore using such surpluses to lend to other countries can result in money inflow as interest ✓✓

(Accept any other correct relevant responses)

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

(8)
[40]

QUESTION 3: ECONOMIC PURSUITS

40 MARKS

3.1 Short questions:

3.1.1 Name the TWO elements (indicators) of productivity.

- Labour productivity ✓
- Remuneration per worker ✓

(2 x 1) (2)

3.1.2 How can the depreciation of the currency affect the demand of imported goods and services?

Imported goods become expensive leading to a decrease in demand for such goods ✓✓
(Accept any other correct relevant responses)

(1 x 2) (2)

3.2 DATA RESPONSE

3.2.1 Identify the growth and development approach that focuses on increasing total consumption.

Demand side policies ✓ (1)

3.2.2 Name the indicator used to measure economic development.

Per capita income/ income per person ✓ (1)

3.2.3 Briefly describe the term *economic growth*.

An increase in the production capacity of a country over a period of time ✓✓ (2)
(Accept any other correct relevant response)

3.2.4 Why can economic growth sometimes fail to result in economic development?

Population growing at a higher rate than economic growth, resulting in shortages of employment ✓✓ (2)
(Accept any other correct relevant response)

3.2.5 How can government improve business efficiency to achieve economic growth and development?

- Charging reasonable taxes rates can encourage enterprises to increase production of goods and services ✓✓
- Providing businesses with some advisory services free of charge can encourage productivity ✓✓
- Improving the quality of labour by improving provision of health care, education and training ✓✓ (2 x 2) (4)
(Accept any other correct relevant response)

3.3

DATA RESPONSE



3.3.1 Identify the IDZ located in the Eastern Cape whose industry is automotive and general manufacturing.

East London IDZ ✓

(1)

3.3.2 Name the type of industry found in the Saldanha IDZ.

Steel ✓



3.3.3 Briefly describe the term *special economic zones*.

These are geographically demarcated areas where specific economic activities have been identified to be developed. ✓✓
(Accept any other correct relevant responses)

(2)

3.3.4 Explain the objective of spatial development initiatives.

- Attract business investments to neglected areas in the country ✓✓
 - Stimulate growth and employment in underdeveloped areas ✓✓
- (Accept any other correct relevant responses)

(2)

3.3.5 Why is industrial development important for a country?

- It allows a country to use the world economy to trade and acquire knowledge, to increase industrialisation ✓✓
 - It helps to maintain macroeconomic stability by growing the economy, creating jobs, stabilising the currency and interest rates ✓✓
 - It allows a country to achieve high rates of savings and investment, which can lead to growth in industries ✓✓ (2 x 2)
- (Accept any other correct relevant responses)

(4)

3.4

Briefly discuss *good governance* and *sustainability* as the benchmarks for industrial development

Good governance

- Development strategies should be managed effectively and free of corruption ✓✓
- Principles of accountability and transparency should be applied ✓✓
- Projects to be correctly programmed monitored and evaluated ✓✓
- Efficient financial control measures to be used ✓✓ (Max. 4)

Sustainability

- A region should have the capacity to support its own development ✓✓
- The natural resources and human resources should be used efficiently ✓✓
- Employment and sustainable development should be achieved ✓✓
- Development should be a long-term approach rather than for short-term profit-making purposes ✓✓ (Max.4)

(8)

(Accept any other correct relevant responses)

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

3.5 **Analyse the globalization challenges faced by developing countries.**



- In many developing countries including in Africa, poverty and inequality have been increasing over the years ✓✓
 - Most developing countries struggle to attract foreign direct investment which is important for increasing economic growth ✓✓
 - Even countries that run honest governments with low inflation rates and balanced budgets still struggle to grow economically compared to developed countries ✓✓
 - Majority of developing countries' farmers struggle to compete in international markets due to high subsidies provided by developed countries to their farmers ✓✓
 - High subsidies lead to developed countries' farmers charging very low prices for their products, therefore taking poor farmers out of the market ✓✓
 - Mass production by developed countries causes air pollution and climate change that negatively affect agricultural activities which are developing countries' main economic activity ✓✓
 - Poor farming methods reduce the fertility of soil therefore reducing the level of economies of developing countries ✓✓
- (Accept any other correct relevant responses)
(Allocate a maximum of 2 marks for mere listing of facts)

(8)
[40]

QUESTION 4: MACRO-ECONOMICS AND ECONOMIC PURSUIT: 40 MARKS

4.1 **Short questions:**

4.1.1 **Name any TWO incentives used for industrial development in South Africa.**

- Small business program ✓
- Skill support program ✓
- Critical infrastructure facility ✓
- Custom free incentives ✓
- Foreign investment grant ✓
- Strategic investment grant ✓
- Service to business processes ✓

(2 x 1) (2)

4.1.2 **Why do some countries prefer to fix their currencies to the US dollar?**

To avoid the effects of extreme fluctuations in the value of their currencies ✓✓

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

4.3 **DATA RESPONSE**

4.3.1 **Identify the product (commodity) that earns the largest foreign exchange when exported.**

Gold ✓

(1)



4.3.2 Name any **ONE** other main account of the Balance of Payment.

- Financial account ✓
- Capital transfer account ✓

(1)

4.3.3 Briefly describe the term **Balance of Payment**

A systematic record of a country's transactions with the rest of the world over a specific period ✓✓

(Accept any other correct relevant responses)

(2)

4.3.4 Why is the **trade account** important to an economy?

It reflects information on transactions involving exports and imports of goods (merchandise) ✓✓

(Accept any other correct relevant responses)

(2)

4.3.5 Calculate the balance on current account indicated by letter A.

$$= 1914 + 113 + 281 + 195 \checkmark - (1843 + 343 + 356 + 45) \checkmark$$

$$= 2\,503 - 2\,587 \checkmark$$

$$= -84 \checkmark$$

(4)

4.3 DATA RESPONSE

4.3.1 Identify the main monetary policy instrument that is used to control inflation.

Interest rate ✓

(1)

4.3.2 Name the inflation indicator that informs about the cost of production in a country.

Producer Price Index / PPI ✓

(1)

4.3.3 Briefly describe the term **economic indicators**.

These are statistics used to assess the performance of an economy ✓✓

(Accept any other correct relevant responses)

(2)

4.3.4 Why are countries required to standardize their economic and social indicators?

- To make the economic data of countries in the world comparable ✓✓

- The level of development of a country can be determined for purposes of providing financial aid ✓✓

(Accept any other correct relevant responses)

(2)

4.3.5

How are employment indicators useful in the economy?

To calculate trends in employment in different sectors or industries;
to disclose structural changes in the economy ✓✓

To calculate productivity to show the success of the economy in
using its full potential ✓✓ (2 x 2)

(Accept any other correct relevant responses)

(4)

4.4 **Briefly discuss the *money market* and *capital market*.**

Money market

This is a market for short term loans and savings (three years and shorter) ✓✓

SARB is a key institution in this market.

It includes inter- banking lending for a period as short as overnight. ✓✓

The securities traded include short term deposits, short term debentures and
treasury bills ✓✓ (Max 4)

Capital market

This is a market for long term savings and loans. ✓✓

JSE is a key institution in this market as it trades in shares. ✓✓

Examples of securities traded in this market are long term deposits, mortgage
bonds, shares and unit trusts. ✓✓ (Max 4)

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

(8)

4.5 **Evaluate the provision of basic services (as indicators of social development)
in South Africa.**

Successes :

- The majority of the households (about 82.7% in 2022) in South Africa used piped water as the main source of drinking water ✓✓
- Local governments are tasked with the sustainable delivery of solid waste disposal services, subject to national and provincial regulations and standards ✓✓
- Household waste is removed at least once per week this resulted in a decrease in households that used their refuse dumps thus reducing health hazards ✓✓
- There is an increase in the supply of electricity; nearly 94.3% of households in South Africa had access to electricity in 2022 ✓✓

Failures:

- Households still experience some water interruptions and poor water quality in some municipalities due to aging and unmaintained infrastructure ✓✓
- Although there is an increase in households receiving water from municipalities, there are households who still rely on unsafe sources such as rivers, dams, and streams mostly in rural areas ✓✓
- Many households still lack access to safe, affordable, and reliable sanitation services, for example, others are still using pit toilets and bucket toilets ✓✓
- There are still rural areas that still do not have access to the supply of electricity, therefore forced to rely on alternative sources of energy ✓✓
- Households especially in lower-income areas continue to experience electricity supply interruptions due to the effect of load shedding or load reduction ✓✓

(Accept any other correct relevant responses)

(Allocate Max. 2 marks for the mere listing of facts)

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(8)

TOTAL SECTION B: 80

SECTION C

ESSAYS

QUESTION 5: MACROECONOMICS

40 MARKS – 40 MINUTES

- Discuss in detail the main objectives of the public sector in the economy. (26 marks)
- Why does the public sector often fail to achieve its macroeconomic objectives? (10 marks)

INTRODUCTION

The public sector is the part of the economy that is managed, owned, and controlled by the government ✓✓ (Max. 2)
(Accept any other relevant introduction)

BODY: MAIN PART

To improve Economic growth ✓

- Economic growth is an increase in production of goods and services by a country in a year ✓✓
- Economic growth is measured by real GDP. Real GDP is the value of all finished products produced in the country after the effects of inflation have been removed ✓✓
- The economic growth rate must be higher than population growth rate for people's lives to improve ✓✓

To achieve full employment or to reduce unemployment ✓

- Full employment is when all people who are looking for jobs get employed ✓✓
- It is therefore the aim of the government to create decent jobs ✓✓
- Steps that the government can take to achieve full employment include:
- In the short run- employment can be increased by using direct employment schemes, subsidies such as youth wage subsidies ✓✓
- In the medium term government can support labour-intensive activities, especially in the agricultural sector ✓✓
- The government can provide incentives to businesses to invest in those industries which employ a lot of people ✓✓
- In the long term government can support knowledge-intensive and capital-intensive sectors to remain competitive ✓✓

To maintain price stability ✓

- Price stability occurs when prices of goods change by smaller percentages ✓✓
- In South Africa prices are stable when the inflation rate is within the 3 – 6% ✓✓
- If inflation exceeds the 6%, interest rates are increased ✓✓
- Increased interest rate reduces the over-spending and inflation ✓✓
- If inflation decreases below 3%, interest rates are reduced ✓✓
- This serves to increase spending and production and, therefore price levels. ✓✓

To maintain exchange rate stability ✓

- The government should manage the economy (through fiscal and monetary policies) in a way that the exchange rate becomes stable ✓✓
- Too much depreciation and appreciation of the rand create uncertainty and should be limited ✓✓

To achieve economic equity✓

- The distribution of income in the economy is often not fair, as some people earn large amounts of money while others earn very little ✓✓
 - Through taxation, the government can redistribute income to try to reduce inequality✓✓
 - Some of the measures that the government uses to help the poor are the provision of free education, free basic health, grants, and subsidies ✓✓ (Max. 26)
- Accept any other correct relevant response)

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

ADDITIONAL PART

The public sector often fails to achieve its macroeconomic objectives because:

- leaders often have poor management skills, lack proper experience and training, and have hidden agendas leading them to have policies incorrectly implemented ✓✓
- many workers lack motivation to carry out their duties efficiently due to the government's failure to acknowledge those who do outstanding work✓✓
- many government employees are apathetic (uninterested/ indifferent) about their work, which results in poor service delivery ✓✓
- lack of accountability often leads to mismanagement of funds, resulting in the non-delivery of some public goods and services to citizens ✓✓
- excessive and complex administrative procedures followed in the government sector, often result in government projects taking too long to be implemented ✓✓
- politicians who are only interested in keeping their offices often use the budget to get votes while postponing the provision of public goods and services ✓✓ (Max.10)

(Accept any other correct relevant response)

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

CONCLUSION

Public sector failure can lead to macro-economic problems such as low economic growth, high inflation and unemployment ✓✓ (Max.2)

(Accept any other relevant higher order conclusions)

(40)

QUESTION 6: ECONOMIC PURSUITS

40 MARKS

- **Discuss in detail arguments in favour of protectionism.** (26 marks)
- **How can export promotion be beneficial to a country's economy?** (10 marks)

INTRODUCTION

Protectionism refers to an international trade policy that may be used to discourage the import of certain goods and services to protect local industries✓✓ (Max. 2)
(Accept any other relevant introduction)

BODY: MAIN PART

Infant industry argument ✓

- Newly established industries especially in developing countries find it difficult to cope with well-established industries from developed countries✓✓
- Protectionism is suitable for protecting infant industries against established foreign industries which often use unfair competing methods such as price-cutting✓✓
- In their early years, businesses are faced with higher costs of production and, therefore exposed to failure if not protected✓✓

Stable wage levels and a high standard of living ✓

- Countries with high wages often believe that the standard of living will be undermined if cheaper goods are imported from countries with low wage levels ✓✓
- Imports from countries with relatively low wage levels can constitute unfair competition ✓✓
- These imports threaten the standard of living of the domestically well-paid workers. ✓✓
- Protection is required to prevent local standards of living from falling and local firms from closing down✓✓

Increased employment ✓

- Countries with high levels of unemployment are always under political pressure to impose trade restrictions to protect local jobs✓✓
- They often implement protection policies to stimulate industrialisation ✓✓
- Import restriction may increase consumption of locally produced goods and this may increase employment ✓✓

Self-sufficiency and strategic industries ✓

- In times of war, cut-offs or friction between countries can occur, and make a country unable to trade with others✓✓
- A country can protect local industries that produce goods that are of national importance such as agriculture, electricity, and military equipment✓✓

Prevention of dumping ✓

- Dumping happens when foreign firms sell their goods in foreign countries at lower prices than the products' cost of production✓✓

- It is also when a foreign firm sells its products in foreign markets at a lower price than the price charged at its domestic market ✓✓
- This causes local producers to lose profit as many consumers may enjoy buying from foreign firms at lower prices ✓✓
- In the long run the local industries can be forced out of the market ✓✓

Stable exchange rates and Balance of Payments ✓

- When imports are much higher than exports, there can be an unsustainable deficit in the current account of the Balance of Payments ✓✓
- Countries can impose protection measures to reduce imports ✓✓
- Reduced imports can lead to an improvement in the Balance of payment and the value of currencies ✓✓

Protection of natural resources ✓

- Free trade can easily exhaust the natural resources of a country because the entire world can now share these resources and consume them ✓✓
- With protectionism, local firms will be producing only for the local market as such natural resources can be conserved ✓✓

(Max.26)

(Accept any other correct relevant response.)

(Allocate

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

ADDITIONAL PART:

Export promotion can benefit a country's economy by:

- encouraging increases in firms' size and scale of production since the world market is large, therefore there are no limitations for producers ✓✓
- stimulating domestic total production which can lead to export-led economic growth in a country ✓✓
- increasing job creation and more secure employment within the country as goods are produced as a result of increased exports ✓✓
- increasing opportunities for training in industrial skills, thus resulting in workers earning increased incomes and standards of living ✓✓
- enabling the country's firms to concentrate on the production of goods on which they have a comparative advantage, therefore more efficient in producing ✓✓
- earnings foreign exchange from exports help the country to be able to pay for the imports ✓✓
- improving Balance of Payments as export earnings represent money inflows which helps in reducing the chances of deficits ✓✓

(Max.10)

(Accept any other correct relevant response)

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

CONCLUSION

A fair balance between protectionism and free trade can help achieve the best results as too much protectionism can make other countries retaliate with higher tariffs ✓✓ (Max. 2)

(Accept any other relevant higher-order conclusion)

TOTAL SECTION C: 40
GRAND TOTAL: 150