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GRADE 12

ECONOMICS P1

JUNE 2025

MARKING GUIDELINES

MARKS: 150

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SECTION A (COMPULSORY)**QUESTION 1****30 MARKS – 20 MINUTES****1.1. MULTIPLE CHOICE QUESTIONS**

- 1.1.1. C - (closed) ✓✓
- 1.1.2. D - (inflation and unemployment) ✓✓
- 1.1.3. B - (borrowing) ✓✓
- 1.1.4. A - (absolute advantage) ✓✓
- 1.1.5. D - (public) ✓✓
- 1.1.6. A - (portfolio) ✓✓
- 1.1.7. C - (economic growth) ✓✓
- 1.1.8. B - (exchange) ✓✓

(8x2) (16)

1.2. MATCHING ITEMS

- 1.2.1. E - spending that is dependent on income ✓
- 1.2.2. I - factors that affect the economy are outside the market ✓
- 1.2.3. G - the transfer of ownership of business from the public sector to the private sector ✓
- 1.2.4. F – caters for omissions and errors that may occur ✓
- 1.2.5. A – income and expenditure between participants in the economy ✓
- 1.2.6. H – it is embedded on the demand-side and supply-side policies ✓
- 1.2.7. B – goods that are under-supplied in the market system. ✓
- 1.2.8. D – a form of credit for International Monetary Fund (IMF) which can be used when balance of payments difficulties is experienced. ✓

(8X1) (8)

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SECTION B

Answer any TWO of these 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 turning points of a business cycle. (2x1) (2)

- Peak ✓
- Trough ✓

2.1.2. Why is the value of multiplier in two-sector model higher than of a four-sector model? (1x2) (2)

- The size of the multiplier will be higher as there will be less leakages. ✓✓

(Accept any other correct relevant response)

2.2. DATA RESPONSE

2.2.1. Identify the term that indicates the use of nominal GDP to calculate figures above? (1)

- Current prices ✓

2.2.2. Which method of calculating GDP is used in the table above? (1)

- Income method ✓

2.2.3. Briefly describe the term *gross national product*. (2)

- Gross domestic product is the value of all final goods and services produced by the citizens of the country during a given time period. ✓✓

(Accept any other correct relevant response)

2.2.4. How is *gross domestic product* converted to *gross national product*? (2)

- Gross domestic product plus primary income from the rest of the world minus primary income to the rest of the world. ✓✓
- Gross domestic product plus export of goods and services minus imports of goods and services. ✓✓

(Accept any other correct relevant response)

2.2.5. Calculate the gross domestic product at market prices (A). Show ALL calculations. (4)

- $6\,175\,572 + 730\,506 - 17\,341 = 6\,888\,737$ ✓

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1.3. GIVE THE TERM

1.3.1. Marginal propensity to consume✓

1.3.2. Deregulation✓

1.3.3. Subsidy✓

1.3.4. Free floating exchange rate✓

1.3.5. Mass production✓

1.3.6. Budget✓

(6X1) (6)

TOTALSECTION A: 30



2.3. DATA RESPONSE**2.3.1. Identify the item in that records transactions related to gift, pension and taxes in the information above? (1)**

- Current transfers✓

2.3.2. Give ONE example of primary income in the current account of the balance of payments. (1)

- Rent ✓
- Wages or salaries✓
- Interest✓
- Profit✓

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

- Trade balance is the difference between visible exports and imports. ✓✓

(Accept any other correct relevant response)

2.3.4. Why is it important for a country to have a positive trade balance? (2)

- The value of the rand will increase due to the net inflow of foreign exchange. ✓✓
- Importing production inputs will be cheaper due to improved exchange rate. ✓✓
- Production will be stimulated and more employment opportunities will be created. ✓✓
- Public debt to cover BOP problems will be reduced/less borrowing. ✓✓
- Foreign reserves may increase thereby improving the financial position of the country. ✓✓

(Accept any other correct relevant response)

2.3.5. How can the government reduce deficit on the balance of payments? (2x2) (4)

- A country can devalue its currency to make exports cheaper and imports expensive. ✓✓
- This leads to high exports volume and economic growth. ✓✓
- Foreign products become expensive, therefore the demand for imports will decrease. ✓✓
- This will improve trade and reduces trade deficit. ✓✓
- Encourage consumers and businesses to buy domestic products over imports. ✓✓
- Government can implement policies that encourage exports, such as exports subsidies or trade agreements, and discourage imports, like tariffs and quotas, to influence trade balance and improve current account. ✓✓
- Increased exports and decreased imports create trade surplus, which directly contributes to the positive current account balance. ✓✓

(Accept any other correct relevant response)



2.4. Discuss *climatic conditions* and *labour resources* as the supply reasons for international trade, (2x4) (8)

Climatic conditions

- Certain crops can only be cultivated in certain climatic conditions. ✓✓
- Countries that can produce such products have to exports them. ✓✓
- Climatic conditions are essential for agricultural production. ✓✓
- Countries have different climatic conditions and are therefore able to produce different products. ✓✓
- Climatic conditions make it possible to produce certain goods and services at a lower price than other countries. ✓✓
- E.g. Brazil is largest producer of coffee. ✓

Labour resources

- Labour resources differ in quality, quantity and cost between countries. ✓✓
- Some countries have highly skilled well-paid workers with high productive levels. ✓✓
- This enables them to produce goods at a low cost and sell them at a cheaper price. ✓✓
- Productivity levels are higher and their production costs are lower. ✓✓
- The more skilled, educated and productive the workers, the more competitive. ✓✓

(Accept any other correct relevant response)

(A maximum of 4 marks may be allocated for mere listing of facts/examples)

2.5. Evaluate the success of the South African government in achieving its macroeconomic objectives? (8)

The government is successful in reaching these goals by:

- reducing unemployment through the EPWP. If it was not for the programme, the unemployment rate would have been even higher. ✓✓
- managing to keep inflation within the 3–6% target. ✓✓
- improving economic equity (BEE through affirmative action, gender equity). ✓✓
- operating on a free floating exchange rate system in line with international benchmarks. ✓✓

The government is not successful in reaching its goals through:

- a decreasing economic growth rate; in the last 5 years the average real gross domestic product growth has been below 2%. ✓✓
- increasing unemployment rates - unemployment rate have increased to 27.7 in 2017 which was the highest since 2009. ✓✓
- fluctuating value of the rand - in the past 5 years the value of the rand fluctuated against the major trading partners' currencies. ✓✓
- BEE only benefitting a few individuals due to corruption and misrepresentations such as fronting. ✓✓

(Accept any other correct relevant response)

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



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

3.1. Answer the following questions.

3.1.1. Give any TWO examples of non-durable goods. (2x1) (2)

- Food/beverages /tobacco✓
- Households fuel / power / water✓
- Households consumer goods✓
- Medical and pharmaceutical products✓
- Petroleum products✓
- Recreational and entertainments goods. ✓

(Accept any other correct relevant response)

3.1.2. Why is inflation rate low during the depression phase of the business cycle? (1x2) (2)

- Demand is low in relation to the supply of goods and services which results in low prices. ✓✓
- The amount of money in circulation is very low which results in more goods and services in the market. ✓✓

(Accept any other correct relevant response)

3.2. DATA RESPONSE**3.2.1. Identify the form of taxation that provides the biggest source of government revenue in the information above. (1)**

- Personal income tax✓

3.2.2. Name ONE item exempted from VAT in South Africa. (1)

- Basic food items, like milk and brown bread✓
- Wheat flour ✓
- Sunflower oil ✓
- Oats ✓
- Apple ✓
- Toothpaste ✓
- Education services✓

(Accept any other correct relevant response)

3.2.3. Briefly describe the term *medium term expenditure framework*. (2)

- It shows government's income and expenditure estimates for a three-year period. ✓✓

(Accept any other correct relevant response)

3.2.4. Why is value added tax (VAT) not charged on certain goods and services? (2)

- To alleviate regressivity of the tax. ✓✓
- To reduce the cost of essential items and make them affordable by the poorest citizens. ✓✓

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- To ensure nutrition security for poorest citizens who struggle to afford food because of unemployment and low incomes. ✓✓

(Accept any other correct relevant response)

3.2.5. How will the increase in VAT benefit the South African economy? (2)

- It will generate significant revenue for the government, which can be used to fund public services, infrastructure, projects, social programs. ✓✓
- Broaden the tax base as it applies to the most goods and services consumed by citizens, potentially leading to more distribution of tax burden compared to other taxes. ✓✓

(Accept any other correct relevant response)

3.3. DATA RESPONSE**3.3.1. Identity the sector that contributed most to the decline of the real GDP in the third quarter of 2024 in the extract above. (1)**

- Agricultural sector ✓

3.3.2. Name the phase on the contraction period related to the decline in a country's real GDP for at least two consecutive quarters. (1)

- Recession ✓

3.3.3. Briefly describe the term *real GDP*. (2)

- It occurs when the effects of irregular events/seasonal/long term trends have been removed from time series data. ✓✓
- Real GDP measures economic growth, as expressed by gross domestic product (GDP), from one period to another, adjusted for inflation. ✓✓

(Accept any other correct relevant response)

3.3.4. What impact will a decline in the real GDP have on the economy? (2)

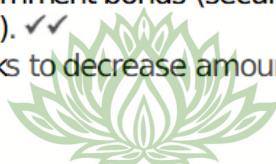
- More unemployment in the economy. ✓✓
- Less investment in capital intensive methods of production. ✓✓
- Decreased consumption and productivity. ✓✓
- Negative fluctuations of a country's exchange rate (exports) could be negatively affected. ✓✓

(Accept any other correct relevant response)

3.3.5. How can the South African Reserve Bank curb (manage) economic activities during rapid expansion period? (2x2) (4)

The South African Reserve Bank will use contractionary monetary policy to promote economic activity. ✓✓

- Adjust interest rates upwards to decrease money supply. ✓✓
- Increase cash reserve requirements which results in banks having less money to lend. ✓✓
- Selling government bonds (securities) to banks to decrease liquidity (open market transactions). ✓✓
- Pursue banks to decrease amount of credit given to the consumers (moral suasion) ✓✓



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- Devaluating the exchange rate. ✓✓
(Accept any other correct relevant response)

3.4. Discuss *efficiency* and *assessing the needs* as the factors contributing to the poor public sector provisioning. (2x4) (8)

Efficiency

Accountability does not guarantee efficiency. ✓✓

- Public goods must be efficiently provided (Pareto efficiency where the welfare of the community is at its maximum and it is therefore impossible to increase the welfare of one individual without making another worse off). ✓✓

Three major reasons for inefficiency: ✓✓

- ❖ Bureaucracy: ✓ (official rules and procedures). ✓✓ Officials may focus on correct procedures and rules and are indifferent to the quantity ✓✓ (e.g. the number of patients) attended to) and quality of the service (e.g. explaining the use of the medicine). ✓
- Some may be insensitive to the needs of their clients. ✓✓
- ❖ Incompetence ✓✓: i.e. lack of skill or ability to do a task properly. ✓✓ This may be due to improper qualifications, lack of training, experience and an attitude of apathy. ✓✓
- ❖ Corruption ✓ i.e. exploiting of a person's position for personal gain. ✓✓ Taking bribes, committing fraud, nepotism, behaving dishonestly and committing discrimination. ✓✓

(Max 4 marks)

Difficulty in assessing needs

- ❖ In the private sector, the forces of demand and supply dictate prices. ✓✓
- ❖ The market prices act as signals to the producers, communicating the needs of consumers and the quantity demanded. ✓✓
- ❖ State-owned enterprises do not operate according to the forces of demand and supply. ✓✓
- ❖ It therefore becomes difficult for state-owned enterprises to assess the needs of consumers of consumers and they are prone to under-or over-supplying public goods. ✓✓

Max: 4 marks

(Accept any other correct relevant response)

(A maximum 4 marks may be allocated for mere listing of facts/examples)

3.5. Analyse the impact of devaluation of the rand on South African economy? (8)

It will affect the economy positively because:

- exports are cheaper which allows the country to be more competitive. ✓✓
- there will be an increase in production which will lead to job creation. ✓✓
- an increase in exports will lead to an improvement in the Balance of Payments (reduced deficit). ✓✓
- an increase in aggregate demand will lead to economic growth. ✓✓
- it allows central banks to cut interest rates which will stimulate the economy. ✓✓

It will affect the economy negatively because:

- it causes inflation which will make imports more expensive. ✓✓
- it reduces the purchasing power (reduced real wages) of South Africans travelling abroad. ✓✓



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- it can scare off potential investors because their assets will decrease in value which can result in capital flight (disinvestment) ✓✓
- debts in foreign currency will impact negatively on the cost of repayments. ✓✓

(Accept any other correct relevant response)

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

[40]

QUESTION 4: MACROECONOMICS

40 MARKS – 30 MINUTES

4.1. Answer the following questions.

4.1.1. Name any TWO types exchange rate system. (2x1) (2)

- Free floating ✓
- Managed ✓
- Fixed ✓

4.1.2. What effect will increase in subsidies have on the production. (1x2) (2)

- It lowers the cost of production for businesses, thereby encouraging them to increase the output and produce more of a good or service. ✓✓
- Subsidies encourage more firms to enter the market for subsidised products since it is more affordable for them to produce. ✓✓

(Accept any other correct relevant response)

4.2. DATA RESPONSE

4.2.1. Identify the organisation responsible for regulation of electricity production in South Africa in the extract above. (1)

- National Energy Regulator of South Africa/ Nersa ✓

4.2.2. Name the state-owned enterprise that provides electricity in South Africa? (1)

- Eskom ✓

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

- Parastatals are state-owned enterprises that are run by the same principle as private sector. ✓✓

(Accept any other correct relevant response)

4.2.4. What impact does shortage of electricity have on the South African economy? (2)

- Low income families struggle to afford alternatives sources during outages. ✓✓
- Increased household expenditure through investment in alternative sources like generators. ✓✓
- Reduces economic activity results in financial crises. ✓✓
- Customer loyalty and trust declines. ✓✓
- Decrease in production and business profits lead to low tax revenue for the government. ✓✓

(Accept any other correct relevant response)



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4.2.5. How can the South African government address the electricity crises in South Africa? (2x2) (4)

- Maintaining and upgrading existing power plants at Eskom, enabling private investment in new generation capacity. ✓✓
- Issue permits to encourage investment in large-scale solar and wind farms to rapidly increase renewable energy generation capacity. ✓✓
- Facilitating rooftop solar adoption by households and businesses, and improving grid infrastructure to manage demand better. ✓✓
- Provide subsidies to residential and commercial rooftop solar installations. ✓✓
- Encourage consumers to switching off non-essential appliances to reduce load on the grid and help to keep the lights on. ✓✓

(Accept any other correct relevant response)

4.3. DATA RESPONSE**4.3.1. Which trend is indicated by the index of export prices in the graph above? (1)**

- Negative / decreasing trend ✓✓

4.3.2. Name the institution is responsible for publishing economic data in South Africa. (1)

- South African Reserve Bank / SARB ✓✓

4.3.3. Briefly describe the concept *terms of trade*. (2)

- Terms of trade is the ratio between a country's export prices and import prices. ✓✓

(Accept any other correct relevant response)

4.3.4. What will be the effect of the appreciation of rand on the terms of trade? (2)

- Imports become relatively less expensive while boosting the price of imports. ✓✓
- Terms of trade will improve and country can compete internationally. ✓✓
- The exports prices will increase more than imports prices. ✓✓

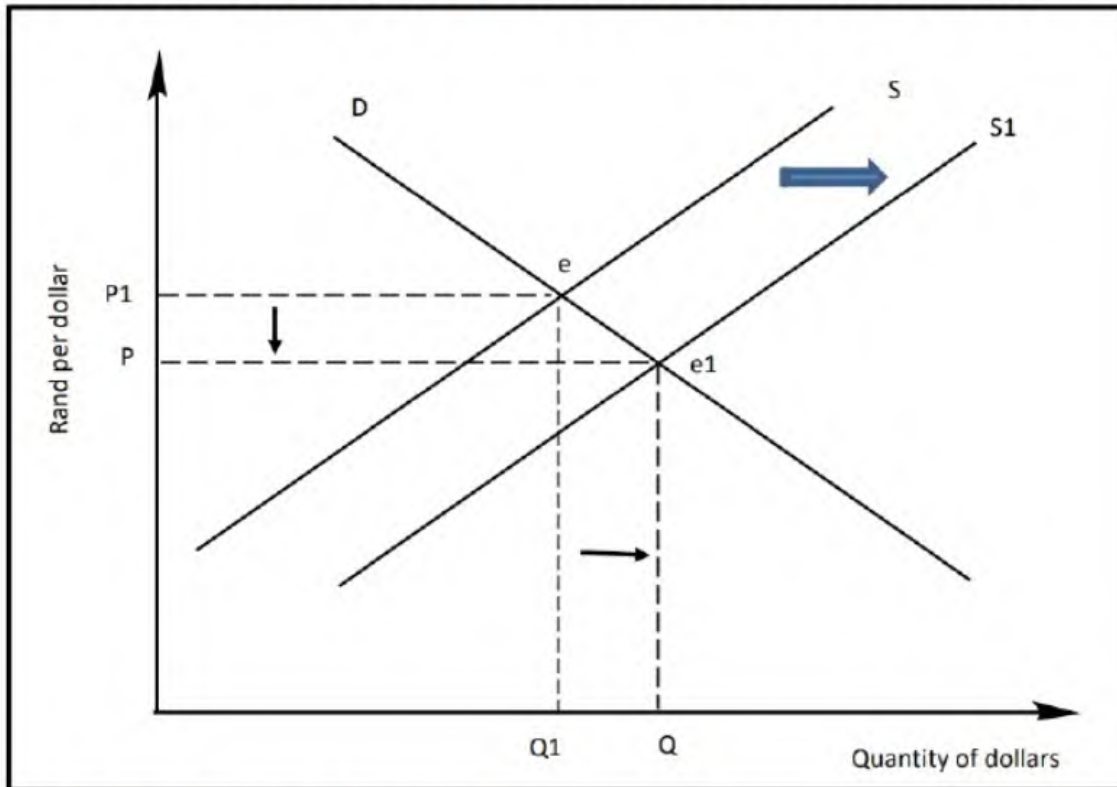
(Accept any other correct relevant response)

4.3.5. Calculate terms of trade for Jan-21. Show ALL calculations. (4)

- Index of export prices / index of import prices x 100
- $98.8/103.1 \times 100$ ✓✓
- $95.8 / 95.83 / 96$ ✓✓



- 4.4. With the aid of correctly-labelled graph, explain how an increase in the demand for South African exports to USA will have on the value of rand. (8)



Marks allocated for graph

- Labelling of axis = 1
- Labelling on axis = 1
- Demand and supply curve = 1
- Shift of supply curve = 2
- Movement of price = 1

Maximum: 6 marks

- This will lead to the increase in the quantity supplied of dollars from Q_1 to Q units. ✓✓
- The supply curve of US dollar will shift to the right (from SS to S_1S_1 causing an increase in the demand for rand. ✓✓
- The value of rand will appreciate from P_1 to P and the value of US dollar will depreciate. ✓✓
- This situation has to be managed, because in a long term our appreciated currency will make our products unaffordable and exports might decline. ✓✓
- The value of rand has appreciated against the US dollar. ✓✓

Max: 4 marks

(Accept any other correct relevant response)

(A maximum of 4 marks may be allocated for mere listing of facts/examples)

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4.5. How successful is the implementation of the South Africa's fiscal policy? (8)

The government have the following in place to raise revenue:

- Progressive personal income tax where those higher-income earners are taxed at a higher rate. ✓✓
- Wealth tax where properties like houses, offices and factory buildings in urban areas are taxed annually. ✓✓
- Other redistributions that advantage the poor and low income earners. ✓✓

Expenditure:

- Cash benefits provided in the form of old-age pensions, disability grants, child support grants. ✓✓
- Benefits in kind which include the provision of healthcare, education and school meals. ✓✓
- Property subsidies that help the beneficiaries to acquire ownership of fixed residential property. ✓✓
- Government complies in terms of expenditure and taxation in a way that enhances its chances of achieving macroeconomic objectives. ✓✓
- Government invest in more infrastructure to develop the economy, ✓✓ e.g. the Medupi power plant for the increase in the supply of electricity, the De Hoop dam. ✓
- The provision of housing to the impoverished and previously disadvantaged black majority. ✓✓
- Provision of meals at schools for school children. ✓✓

(Accept any other correct relevant response)

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

[40]

TOTAL SECTION B: 80



SECTION C

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

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

- **Discuss in detail the markets within the FOUR-SECTOR model. (26)**

INTRODUCTION

- A market is a mechanism that brings buyers and sellers together to exchange goods and services. ✓✓
- The circular flow is a simplified representation of the interaction between participants of the economy. ✓✓
- Markets coordinate economic activities and determine prices of goods and services ✓✓

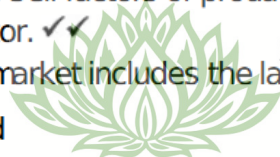
(Accept any other correct relevant introduction)

(Max: 2)**BODY: MAIN PART****PRODUCT AND FACTOR MARKETS****Product market/Goods/Output markets ✓✓**

- Product market is where goods and services are bought and sold ✓✓
- These are markets for consumer goods and services. ✓✓
- Firms, government and foreign sector supply goods and services in this market. ✓✓
- Consumers, firms, government and foreign sector buy goods and services in this market. ✓✓
- Goods are defined as any tangible items such as clothing, food, cars that satisfy human wants or needs. ✓✓
- Capital goods market are trading buildings and machinery. ✓✓
- Consumer goods markets are trading durable consumer goods, semi-durable goods and non-durable goods. ✓✓
- In capital goods market products such as buildings, machinery is exchanged. ✓✓
- The consumer goods market involves durable consumer goods, semi-durable consumer goods and non-durable consumer goods. ✓✓
- Services are defined as non-tangible actions and includes wholesalers and retailer, transport and financial markets. ✓✓
- The flow of goods and services represents real flow and the flow of income, expenditure and taxes represents money flow. ✓✓

Factor market/Resource/Input markets ✓

- The factor market is where factors of production are exchanged ✓✓ e.g. labour. ✓
- Households sell factors of production in this market to the firms, government and foreign sector. ✓✓
- The factor market includes the labour, property and financial markets. ✓✓



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- Factors of production are labour, capital, entrepreneurship and land and are exchanged for wages, interest, profit and rent respectively. ✓✓
- These services earn wages for labour, interest for capital, rent for natural resources and profits for entrepreneurship. ✓✓

FINANCIAL MARKETS✓

- They are not directly involved in the production of goods and services but link between households, business sector and other participants with surplus funds. ✓✓
- Banks, insurance companies and pension funds form part financial market. ✓✓

Money markets✓

- The money market is for short-term and very short term savings and loans. ✓✓
- The South African Reserve Bank (SARB) is a key institution in the money market. ✓✓
- The SARB administer the functions of legislating and managing the money market. ✓✓
- The securities traded includes short-term deposits, short-term debentures and treasury bills. ✓✓
- The money market includes interbank lending for a period short as overnight. ✓✓

Capital markets✓

- The capital market is for long term savings and loans. ✓✓
- The Johannesburg Security Exchange (JSE) is a key institution in the capital market. ✓✓
- The securities traded in this market is long-term deposits, mortgage bonds and shares. ✓✓

FOREIGN EXCHANGE MARKETS✓

- Foreign exchange market is market where currencies are traded for other currencies. ✓✓ e.g. South African rand for US dollar. ✓✓
- Foreign exchange market is a multi-national market as currencies of all countries are traded in this market. ✓✓
- This the market engaged in the buying and selling of foreign currencies. ✓✓
- Foreign exchange can be bought and sold at banks and foreign exchange agencies. ✓✓
- Foreign exchange markets facilitate international payments. ✓✓
- Businesses buy foreign exchange to pay for imports and exports. ✓✓
- The most important foreign exchange markets are in London, New York and Tokyo. ✓✓
- The South African rand is freely traded in forex markets and its value is determined by the market forces of demand and supply. ✓✓
- The simplest form for foreign exchange markets exists when a person buys foreign exchange. ✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 8 marks for headings/sub-headings examples)

(Max: 26)



ADDITIONAL PART

- **How can the government as a participant in an open economy contribute more positively to the economy? (10)**

The government can contribute more positively by:

- Providing public goods and services that markets are unable or unwilling to provide, such as national defense. ✓✓
- Managing legal and social framework by creating laws and providing courts, providing information and services to help the economy to function better and establish a monetary system. ✓✓
- Maintaining competition by creating and enforcing antitrust laws and regulating natural monopolies. ✓✓
- Use taxes to redistribute negative externalities such as environmental pollution, subsidies to encourage positive externalities, such as education. ✓✓
- Acting as a leading driver of specific investments in new technologies that help to late-stage start-ups and expand businesses.
- Providing incentives that will lead to a growing business and creation of employment opportunities. ✓✓
- Ensuring that income are distributed more equally by using progressive income tax to finance social development for the poor. ✓✓
- Managing deficit and controlling government spending and revenue through taxes and fees. ✓✓
- Determining tax system and its impact on the economy, social equality but also factors such as competitiveness. ✓✓
- Ensuring social security by providing pension and disability insurance as the two basic pillars needed in almost every country in the world. ✓✓
- Use government budget and/or the money supply to promote economic growth, control inflation, and reduce unemployment. ✓✓
- Providing infrastructure projects to ensure greater economic and social good that will help to stimulate the economy. ✓✓

(Accept any other correct relevant response)

- **(Allocate a maximum of 2 marks for mere listing of facts/examples)**

Max: 10

CONCLUSION

- Markets are critically important institutions in our economic system, because they safeguard price stability and general business confidence. ✓✓
- Markets ensure availability of consumer goods and services to households and government while allowing businesses access to factors of production. ✓✓

(Accept any other correct relevant higher order conclusion)

(Max: 2)



QUESTION 6: MACROECONOMICS 40 MARKS – 40 MINUTES**Discuss in detail features underpinning forecasting of business cycles. (26 marks)****INTRODUCTION**

- A business cycle can be described as the successive period of increasing and decreasing of economic activities. ✓✓
- There are a number of techniques available to help economists to forecast business cycles like economic indicators. ✓✓
- Forecasting is the process of making predictions about changing conditions of the future events that may significantly affect the economy. ✓✓

(Accept any other correct relevant introduction)

(Max: 2)**BODY****LEADING INDICATORS✓**

- These are the indicators that change before the economy changes. ✓✓
- These indicators peak before a business cycle has reached peak. ✓✓
- They give advance warning of changes in the economic activity. ✓✓
- They are the most important indicators that help the economists to predict business cycle. ✓✓
- When indicators rise, the level of economic activities will also rise in a few months' time. ✓✓
- Leading indicators are also important to investors because they are used to predict the future of economy. ✓✓
- Leading indicators give consumers, businesses and the state a glimpse of direction in which the economy is heading. ✓✓
- Examples are job advertising spaces, inventory and sales, net gold export and other foreign reserves, gold ore milled, physical volume of mining production, number of new car sold, real merchandise exports, new company registered. ✓

COINCIDENT INDICATORS✓

- These are the indicators that change together with the economy. ✓✓
- They reach peak at the same time with business cycle. ✓✓
- They indicate the actual state of the economy. ✓✓
- They move at the same time as economy moves. ✓✓
- They reach trough at the same time with business cycle. ✓✓
- Coincident indicators coincide with turning points. ✓✓
- Coincident indicators confirm the behaviour of leading indicators. ✓✓
- If coincident indicators are improving, it means the economy is improving. ✓✓



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- A downturn is shown by a decrease in these indicators while an upswing is shown by an increase in these indicators. ✓✓
- Examples are registered employees, real GDP, retail sales, real merchandise imports. ✓

LAGGING INDICATORS✓

- These are the indicators that change after the economy has changed. ✓✓
- They reach peak after business cycle has already reached peak. ✓✓
- They do not change until after business cycle has change direction. ✓✓
- They serve to confirm the behaviour of coincident indicators. ✓✓
- If they do not confirm an upswing or downswing, they are weak or likely to end at an early stage. ✓✓
- Examples are hours worked in construction, number of commercial vehicle sold, unit of labour costs in manufacturing, employment in non-agricultural sector, investment in machinery, hours worked in construction. ✓

COMPOSITE INDICATORS✓

- It is a grouping of various indicators of the same type in a single value. ✓✓
- The single figure forms the norms for a country's economic performance. ✓✓
- E.g. find a value of composite – leading, coincident and lagging indicators. ✓✓
- All three indicators could be calculated as a single composite indicator to benchmark a country's economic performance. ✓✓

THE LENGTH OF BUSINESS CYCLE

- The amount of time that a business cycle takes to move through one complete cycle. ✓✓
- It is measured from peak to peak or from trough to trough. ✓✓
- Longer cycles show strength and shorter cycles weaknesses of the economy. ✓✓
- Cycle may overshoot- increase beyond control. ✓✓
- If business cycle has the length of 10 years, it can be predicted than 10 years will pass between successive peaks or troughs in the economy. ✓✓

TREND LINE✓

- The trend line is the general direction of the economy. ✓✓
- The trend line represents the average position of cycle. ✓✓
- The trend line indicates increase and decrease in output. ✓✓
- The rising trend indicates the growing economy. ✓✓
- It has a positive slope because production capacity of country increases over time. ✓✓

AMPLITUDE✓

- Amplitude measures the distance between the peak and the trough of a business cycle. ✓✓
- It the value of total output between a trough and a peak and trend line. ✓✓
- It measures distance of the oscillation of variable from the trend line. ✓✓



NSC Marking guidelines

- Amplitude reflects intensity of upswing and downswing in economic activity. ✓✓
- Amplitude indicates the severity cyclical fluctuations in the business cycle. ✓✓
- The larger the amplitude the more extreme change that may occur. ✓✓
- If peak is close to the trend line, the underlying forces are weak. ✓✓
- If peak is far from the trend line, the underlying forces are very strong. ✓✓
- Large amplitude during upswing demonstrates strong underlying forces. ✓✓
- The duration of the cycle with a larger amplitude is usually longer than the one with smaller amplitude. ✓✓

EXTRAPOLATION✓

- Extrapolation is used to predict the future based on previous knowledge. ✓✓
- This is use of past data to predict business cycle. ✓✓
- This is the estimation of something unknown from information known. ✓✓
- The prediction of future path of business cycle based on the path to date. ✓✓
- This is the estimation of the figure or trend in future from the facts that are known. ✓✓
- Extending a trend into future may provide information on what is likely to happen. ✓✓
- Extrapolation may be used to predict futures share prices. ✓✓

MOVING AVERAGE✓

- Moving average are used to analyse the changes in a series of data over a certain period of time. ✓✓
- The calculation of average value of variables or indicators over a period of time. ✓✓
- Moving average is used to eliminate the effects of sharp fluctuations in business cycles. ✓✓
- Economists use moving average to smooth out business cycles so that it looks more like straight of lightly curved line. ✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 8 marks for headings/sub-headings examples)

(Max: 26 marks)

ADDITIONAL PART

Government tries to promote an economic recovery because it can lead to:

- During recovery household will find new employment as production of goods and services increases. ✓✓
- Consumers' confidence will increase resulting in more expenditure on goods and services. ✓✓
- This increased consumption can lead to an improved standard of living as people can afford better quality food, clothing, housing, healthcare, and education. ✓✓
- A n increase in consumer spending can lead to more revenue and profits for businesses. ✓✓
- Businesses' confidence may increase thereby encouraging them to invest in the economy. ✓✓
- An increase in investment will results with more employment rates. ✓✓
- Government will collect more tax revenue from businesses and households resulting in more investment in physical and social infrastructure. ✓✓



NSC Marking guidelines

- The government budget deficit will decrease as tax revenue increases and spending increase. ✓✓
- Social expenditure by government may decrease as poverty and unemployment levels decrease during the recovery. ✓✓
- Recovery causes an increase in exports because it increases demand for foreign goods. ✓✓

(Accept any other correct relevant response)

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

(Max:10 marks)

CONCLUSION

- The country can be enabled to prepare suitable policies to deal with different changes in the economy reflected by indicators and features. ✓✓
- It is important for the for the government to always forecast economic activity accurately by using quantitative and qualitative methods as it will lead better decision making by stakeholders in the economy. ✓✓
- Business cycles will continue to have an effect on the economic well-being of South Africa in future. ✓✓
- (Accept any other correct relevant higher order conclusion)

(Max:2)

[40]

TOTAL SECTION C: 40

GRAND TOTAL: 150



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