Province of the
EASTERN CAPE
EDUCATION

NATIONAL SENIOR CERTIFICATE

GRADE 12

PRE - JUNE 2025

ECONOMICS P1

MARKS: 150

TIME: 2 hours

This question paper consists of 11 pages.

INSTRUCTIONS AND INFORMATION

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

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

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

4. Write the question number above each answer.

5. Read the questions carefully.

6. Start EACH question on a NEW page.

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

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

9. Use only black or blue ink.

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

11. Write neatly and legibly.

SECTION A: (COMPULSORY)

QUESTION 1 **30 MARKS – 20 MINUTES**

1.1 Various options are provided as possible answers to the following questions. Choose the correct answer and write only the letter (A–D) next to the question number (1.1.1–1.1.8) in the ANSWER BOOK, for example 1.1.7 B.

1.1.1 If the marginal propensity to consume (mpc) is 0,6 in a 2-sector model, the marginal propensity to save (mps) will be …

A 4
B 6
C 9
D 0,4

1.1.2 The following is presented in October to inform parliament of changes in the budget since February …

A main budget
B medium-term budget policy statement
C medium-term expenditure framework
D national budget

1.1.3 Business cycles that are caused by changes in the construction industry that last for 15 to 20 years are called … cycles.

A Kuznets
B Kitchin
C Jugler
D Kondratieff

1.1.4 The … is presented in October to inform parliament of changes in the budget since February.

A Main budget
B Medium – term budget policy statement
C Medium term expenditure framework
D National budget

1.1.5 Transfer of ownership of entities from the private sector to the public sector is called …

A privatisation.
B commercialisation.
C deregulation.
D nationalisation.

1.1.6 Investment contracts that base their value on the underlying assets, such as currencies and commodities, are known as …

A other investments.
B direct investments
C financial derivatives
D portfolio investments

1.1.7 The peak of a business cycle is characterised by a …

A high demand for credit.
B stable inflation rate.
C high unemployment rate.
D low output.

1.1.8 A deliberate action by the government to increase the value of a currency is known as …

A revaluation
B appreciation
C devaluation
D depreciation

(8 x 2) (16)

1.2 Choose a description in 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, for example 1.2.9 J.

COLUMN A		COLUMN B	
1.2.1	Autonomous consumption	A	prescribed by the United Nations to compile gross domestic product figures
1.2.2	New economic paradigm	B	process of transferring ownership of a business, or asset from the public sector to individuals companies).
1.2.3	Bureaucracy	C	money received without any productive service rendered
1.2.4	Mass production	D	spending that takes place irrespective of the level of income
1.2.5	Transfer payment	E	the smoothing of business cycles using monetary and fiscal policy
1.2.6	Privatisation	F	ensures the supply of standardised articles through an automated mechanical process
1.2.7	Investment	G	spending by businesses on capital goods
1.2.8	Recession	H	official rules and regulations that can hinder service delivery
		I	the contraction period of the business cycle

(8 x 1) (8)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1–1.3.6) in the ANSWER BOOK.

1.3.1 It illustrates (shows) the relationship between unemployment and inflation

1.3.2 A form of credit from the International Monetary Fund (IMF) which can be used when balance of payments difficulties are experienced

1.3.3 Tax systems where low-income earners pay higher tax rates while high-income earners pay lower tax rates

1.3.4 A deliberate increase in the price of the currency in terms of another currency due to market forces

1.3.5 An approach that maintains the view that markets are inherently stable

1.3.6 A summary of the various indicators of the same type into a single value

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer any 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 sources of state revenue. (2)

2.1.2 How are basic prices converted to market prices? (2)

2.2 Study the extract below and answer the questions that follow:

EFFECTS OF INTERNATIONAL TRADE

International trade helps countries specialise in what they produce best, leading to greater efficiency and economic growth. Trade brings in foreign income, creates jobs, and gives consumers access to a wider variety of products.

In the last quarter of 2024, South Africa's terms of trade rose to 111.70 points, indicating a slight improvement compared to the previous quarter.

2.2.1 Identify an effect of international trade in the above extract. (1)

2.2.2 Name ONE demand reason for international trade (1)

2.2.3 Briefly describe the term *comparative advantage*. (2)

2.2.4 Explain natural resources as a supply reason for international trade (2)

2.2.5 How does an improvement in TOT affect the economy? (4)

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

NATIONAL ACCOUNTS FOR SOUTH AFRICA
At current prices

Item	2021 (R billion)
Compensation of employees	2 861
Net operating surplus	1 795
Consumption of fixed capital	797
Gross value added at factor cost	**5 453**
Taxes on production	132
Subsidies on production	12
Gross value added at basic prices	**(A)**
Taxes on products	634
Subsidies on products	14
Gross domestic product at market prices	**6 193**

[Adapted from *SARB Quarterly Bulletin*, December 2022]

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

2.3.2 Give ONE example of taxes on products. (1)

2.3.3 Briefly describe the term *subsidy on production.* (2)

2.3.4 Why is it important for a country to prepare national account aggregates? (2)

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

2.4 Briefly discuss management *failure* and *lack of motivation* as reasons for public sector failure. (8)

2.5 How can households play an important role in the economy? (8)

[40]

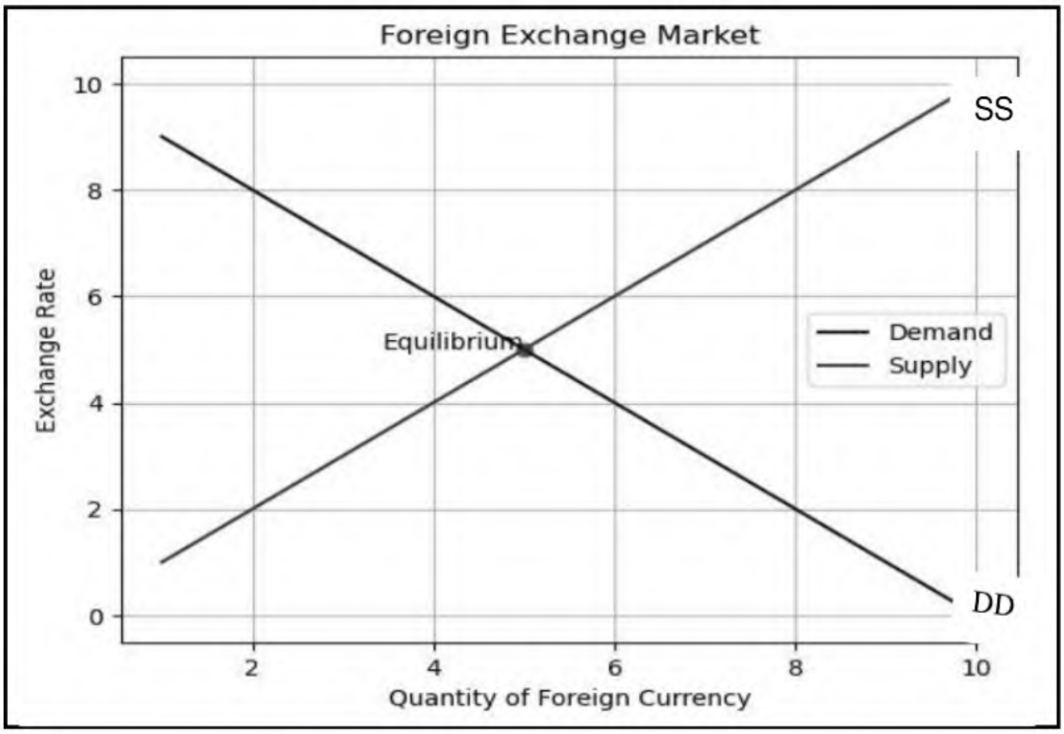
QUESTION 3: ECONOMIC PURSUITS **40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name any TWO factors of production (2)

3.1.2 Why does the endogenous school of thought encourage government intervention in the economy? (2)

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



3.2.1 Identify the equilibrium exchange rate in the graph above. (1)

3.2.2 Name ONE exchange rate system. (1)

3.2.3 Briefly describe the term *exchange rate.* (2)

3.2.4 Explain a factor affecting supply of a foreign currency (2)

3.2.5 How can changes in the exchange rate affect South Africa's imports and exports? (4)

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

PUBLIC SECTOR CHALLENGES

The public sector comprises three levels of government, namely national, provincial and local government. The government programmes include the Medium-term Strategic Framework implemented from 2014–2019 as part of the National Development Plan. It consists of various focus areas such as education, health and economic growth and development.

[Adapted from www.gov.za]

3.3.1 Which level of government develops policy and coordinates services across all nine provinces? (1)

3.3.2 Name ONE macroeconomic objective of the state. (1)

3.3.3 Briefly describe the term accountability. (2)

3.3.4 How will the government benefit from privatising state-owned enterprises? (2)

3.3.5 Why is the pricing policy a problem for the government in respect of the provisioning of goods and services? (4)

3.4 Briefly discuss injections and leakages in an open circular flow. (8)

3.5 Evaluate the impact of the depreciating rand on the South African economy (8)

[40]

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 THE ESSAY	MARK ALLOCATION
Introduction • A good starting point would be to define a concept or key word that appears in the question. • Include other sentences to support the topic. • Do not include in your introduction any part of the question. • Do not repeat any part of the introduction in the body. • Avoid saying in the introduction what you are going to discuss in the body.	Max. 2
Body **Main part:** Discuss in detail/In-depth discussion/Examine/Critically discuss/ Analyse/Compare/Evaluate/Distinguish/Explain/Assess/Debate.	Max. 26
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. 10
Conclusion Any relevant higher order conclusion that should include: • A brief summary of what has been discussed/analysed without repeating facts already mentioned in the body • An opinion or valued judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if so required • Recommendations	Max. 2
TOTAL	**40**

QUESTION 5: MACROECONOMICS

- Discuss in detail the markets within the four-sector model (26)
- Analyse the relationship between the financial sector and other participants in the circular-flow model. (10)

QUESTION 6: MACROECONOMICS

- Discuss in detail the features underpinning forecasting (26)
- Analyse the challenges that an economic recession poses on different participants in the economy. (10)

TOTAL SECTION C: 40

GRAND TOTAL: 150