education
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

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 ✓ (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✓

K = 1/ (1 - mpc) ✓

K = 1/(1 - 0.8) ✓
K = 1/ 0.2 ✓

Max.3

K = 5 ✓ (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 ✓✓ (2)
(Accept any other correct relevant response)

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) (4)

(Accept any other correct relevant response)

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) (8)
  (Allocate a Maximum of 4 marks for the mere listing of facts)

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✓✓ (8)
  (Accept any other correct relevant responses) **[40]**
  (Allocate a Maximum of 2 marks for the mere listing of facts)

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

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) (4)
(Accept any other correct relevant responses)

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) (8)
(Allocate a maximum of 2 marks for mere listing of facts) **[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) ✓✓ (2)
(Accept any other correct relevant responses)

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

= 1914+113+281+195 ✓ – (1843+343+356+45) ✓
= 2 503 – 2 587✓
= - 84 ✓ (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✓✓ (2)
(Accept any other correct relevant responses)

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) (4)
(Accept any other correct relevant responses)

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) (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 ✓✓

<u>Steps that the government can take to achieve full employment include</u>:

- 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 <u>headings</u>)

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