Province of the EASTERN CAPE EDUCATION

Iphondo leMpuma Kapa: Isebe leMfundo
Provinsie van die Oos Kaap: Department van Onderwys
Porafensie Ya Kapa Botjahabela: Lefapha la Thuto

NATIONAL SENIOR CERTIFICATE

GRADE 12

JUNE 2026

ECONOMICS P1

MARKS: 150

TIME: 2 hours

This question paper consists of 12 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. 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 answer and write only the letter (A–D) next to the question numbers (1.1.1 to1.1.8) in the ANSWER BOOK, for example 1.1.9 B.

1.1.1 The circular-flow model of an open economy shows the functioning of an economy that includes the … sector.

A public
B business
C foreign
D domestic

1.1.2 Long term financial instruments, such as shares, are traded in the … market.

A money
B capital
C foreign exchange
D labour

1.1.3 Fiscal policy is the action taken by the government in respect of taxation and … to influence economic activity.

A exchange control
B money supply
C government expenditure
D credit control

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

A Kuznets
B Kitchin
C Juglar
D Kondratief

1.1.5 The removal of unnecessary restrictions by legislation is known as …

A regulation.
B deregulation.
C centralisation.
D decentralisation.

1.1.6 Service delivery to ensure the daily management of cities and towns is the responsibility of the … government.

A local
B national
C provincial
D central

1.1.7 To reap the benefits of efficient markets, countries rely on the principle of … advantage.

A competitive
B absolute
C relative
D comparative

1.1.8 If the rand depreciates, prices and the rate of inflation will …

A increase.
B tumble.
C remain the same.
D decrease. (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 numbers (1.2.1 to 1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Marginal propensity to save	A transfer of ownership of assets from the private sector to the public sector
1.2.2 Systems of national accounts	B outflow of money from the economy
1.2.3 Open-market transaction	C proportion of the disposable income that households do not consume
1.2.4 Leakages	D liquid assets that are made available by the IMF to finance deficits on the balance of payments
1.2.5 Nationalisation	E prescribed by the United Nations to compile GDP figures
1.2.6 Non-rivalry	F proportion of the disposable income that households consume
1.2.7 Mass production	G buying and selling of government securities to influence the money supply
1.2.8 Special Drawing Rights	H consumption by one person does not reduce consumption by another person
	I ensures an increase in the supply of standardised goods through an automated mechanical process

(8 x 1) (8)

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

1.3.1 Market for short term savings and loans

1.3.2 A negative economic growth rate for at least two consecutive quarters

1.3.3 A business owned wholly by the state and run by a public authority

1.3.4 The value of the country's currency exchanged for another currency

1.3.5 The rate at which commercial banks borrow money from South African Reserve Bank

1.3.6 Illustrates a relationship between tax rate and tax revenue (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 examples of taxes on products. (2)

2.1.2 How can the fiscal policy be used to influence economic activity? (2)

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

MACROECONOMIC MULTIPLIER
The macroeconomic multiplier refers to the effect of an increase in aggregate demand on overall level of economic activity when there is an injection (e.g. investment, government spending), leading to a larger increase in GDP due to induced consumption spending.

2.2.1 Identify an example of injection from the extract above. (1)

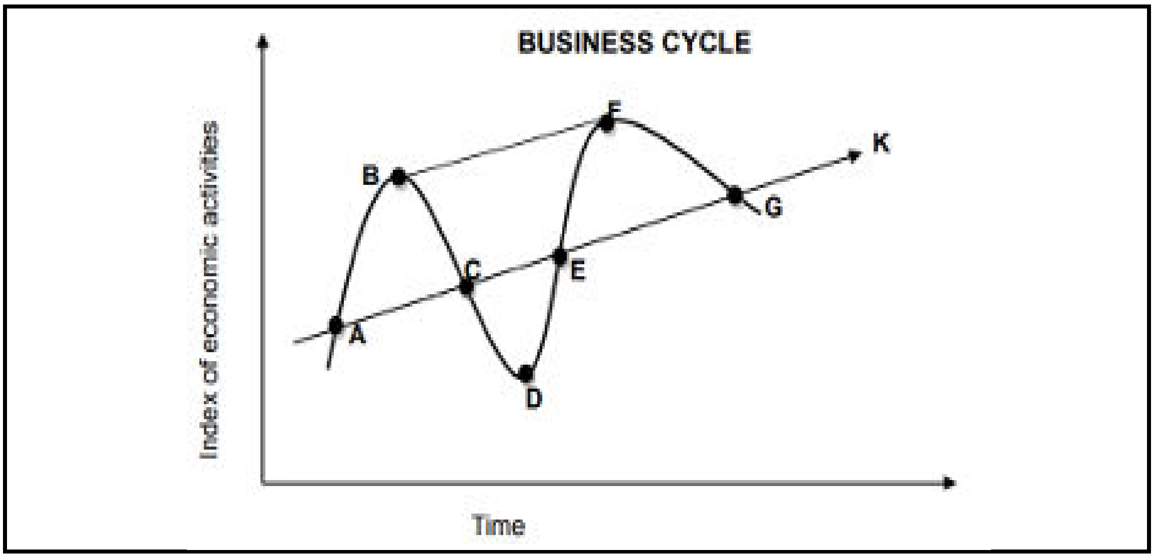
2.2.2 Name any ONE type of flow in a circular-flow model. (1)

2.2.3 Briefly describe the term *induced consumption*. (2)

2.2.4 Explain the interaction between households and firms in a circular flow. (2)

2.2.5 Use the multiplier formula to calculate the eventual change in aggregate income, if there was an injection of R50 billion into the economy and an mpc of 0,5. Show ALL calculations. (4)

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



2.3.1 Identify the letter that represent the trendline in the illustration above. (1)

2.3.2 Name any ONE phase of the business cycle. (1)

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

2.3.4 Explain the economic activity during the phase EF in the business cycle above. (2)

2.3.5 How can the South African Reserve Bank prevent a recession in a business cycle? (4)

2.4 Explain the monetarist explanation of the business cycle. (8)

2.5 Evaluate the use of tax cuts as a means to stimulate the economy. (8)
[40]

QUESTION 3: ECONOMIC PURSUITS 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO features of the fiscal policy. (2 x 1) (2)

3.1.2 Why is it important for a country to attract foreign direct investment? (2)

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

SOUTH AFRICA'S TERMS OF TRADE

YEAR	INDEX OF EXPORT PRICES	INDEX OF IMPORT PRICES	TERMS OF TRADE
2021	100	100	100
2022	120,10	110	109
2023	115,95	114,5	101
2024	121,5	120,5	**A**

[Source: statssa 2024]

3.2.1 Identify the year used as a base in the table above. (1)

3.2.2 What was the trend in the index of export prices between 2022 and 2023? (1)

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

3.2.4 What is the effect of a weak exchange rate on the terms of trade? (2)

3.2.5 Calculate the terms of trade for 2024 (**A**). Show ALL calculations. (4)

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

BUDGET SPEECH 2025

The Medium-term Budget Policy Framework focuses on sustainable economic growth, fiscal consolidation and social welfare improvements, with projected growth of 4,5% to 5,5% and a fiscal deficit target of 3,8% of GDP.

[Source: National Treasury 2025]

3.3.1 Identify the focus area associated with economic development from the extract above. (1)

3.3.2 Name the accepted debt rule as a percentage of GDP. (1)

3.3.3 Briefly describe the term *national budget*. (2)

3.3.4 Explain the benefits of privatising state-owned enterprises to the state. (2)

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

3.4 Explain climatic conditions and labour resources as supply reasons for international trade. (8)

3.5 How can households as important participants in the circular-flow model contribute to building the economy? (8)

[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

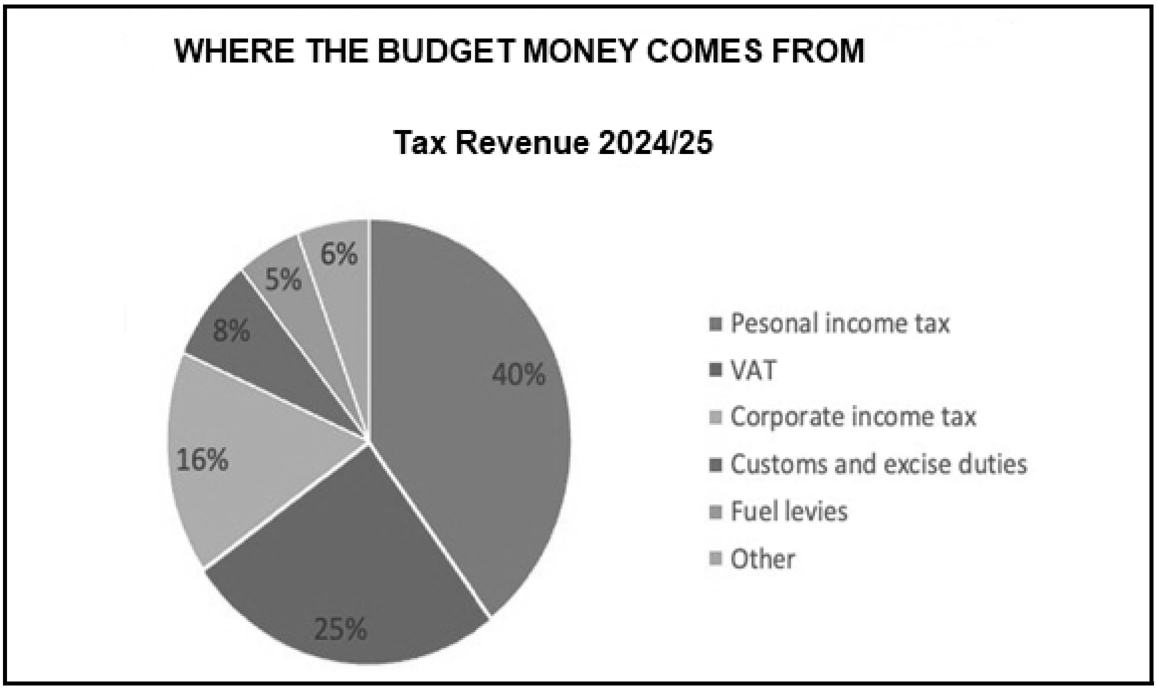
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name any TWO sub-accounts of the financial account of the balance of payment. (2 x 1) (2)

4.1.2 What is the significance of an improvement in terms of trade? (2)

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



[Source: National Treasury 2024]

4.2.1 Identify the type of tax levied on demerit goods from the information above. (1)

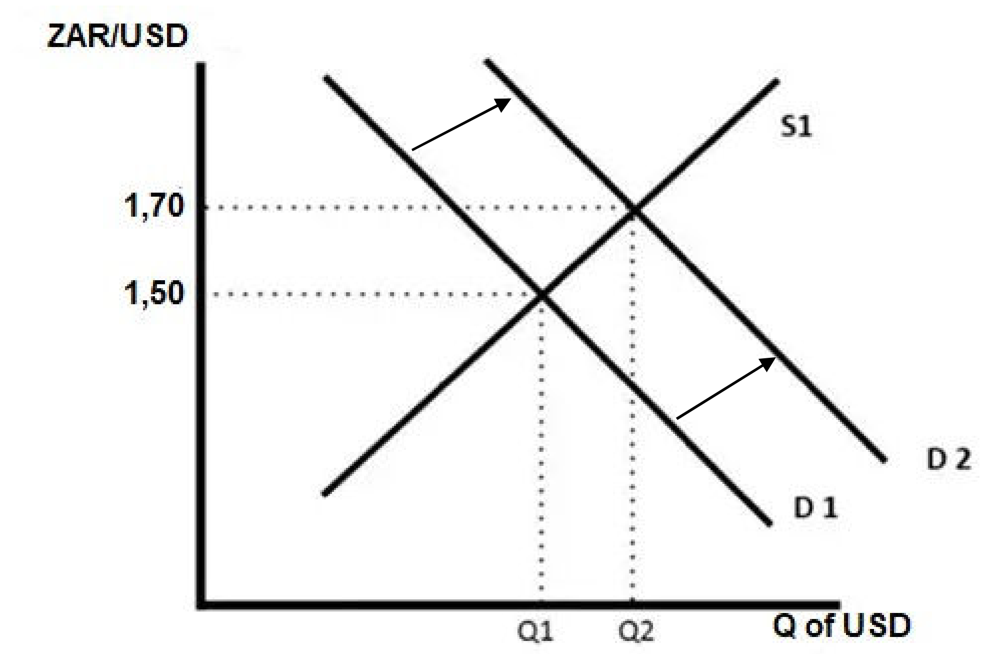
4.2.2 Name any ONE objective of the state. (1)

4.2.3 Briefly describe the term *indirect tax*. (2)

4.2.4 What would be the financial implication of a 2% increase in VAT for the government? (2)

4.2.5 How can the effective use of budgets help provinces in efficient service delivery? (2 x 2) (4)

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



4.3.1 Identify the original exchange rate on the graph above. (1)

4.3.2 Name the exchange rate system used in South Africa. (1)

4.3.3 Briefly describe the term *devaluation.* (2)

4.3.4 Explain any factor that can cause an increase in demand for US dollars in South Africa. (2)

4.3.5 How can imports be used to correct the balance of payments deficit? (4)

4.4 Differentiate between *current account* and *capital transfers account* of the balance of payment. (8)

4.5 Evaluate the extent to which an increase in both direct and indirect taxes will improve the budget deficit. (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 any part of the question in your introduction. • 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 **40 MARKS – 40 MINUTES**

- Discuss in detail features underpinning forecasting. (26)
- How can fiscal policy be used to positively influence economic activity? (10)

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

- Discuss in detail the reasons for public sector failure. (26)
- How does public sector failure impact the economic stability? (10)

TOTAL SECTION C: 40
GRAND TOTAL: 150