GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PREPARATORY EXAMINATION

2026

10731

ECONOMICS

(PAPER 1)

ECONOMICS: Paper 1

10731E

TIME: 2 hours

MARKS: 150

14 pages

X10

P.T.O

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 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 to 1.1.8) in the ANSWER BOOK, e.g. 1.1.9 D.

1.1.1 Which term refers to the cost of factors of production incurred when producing goods and services?

A Real GDP
B Nominal GDP
C GDP deflator
D GDP at factor cost

1.1.2 The business cycle which is caused by changes in inventory is known as the … cycle.

A Kuznets
B Kitchen
C Kondratieff
D Jugler

1.1.3 A feature of fiscal policy that changes according to the phases of the business cycle is known as:

A Supply-side
B Goal-bound
C Cyclical
D Demand-based

1.1.4 The systematic record of all transactions between a country's residents and the rest of the world is called the:

A Balance of payments
B Rand-US dollar exchange rate
C Trade deficit
D Trade surplus

1.1.5 The process of reducing or eliminating tariffs, quotas, and other trade barriers to allow the free flow of goods and services between countries is called:

A Import substitution
B Dumping
C Export promotion
D Trade liberalisation

1.1.6 Economic growth is measured by the change in:

A Nominal GDP
B Real GDP
C GNP at market prices
D GDP per capita

1.1.7 To improve the international competitiveness of the South African manufacturing sector, the state introduced the:

A National Industrial Policy Framework (NIPF)
B Special Economic Zones (SEZs)
C Integrated Manufacturing Strategy (IMS)
D Industrial Development Zones (IDZs)

1.1.8 Which of the following is considered an economic indicator?

A Exchange Rate
B Life Expectancy
C Adult Literacy Rate
D Human Development Index (HDI) (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 numbers (1.2.1 to 1.2.8) in the ANSWER BOOK, e.g. 1.2.9 J.

COLUMN A		COLUMN B	
1.2.1	Monetary flow	A	the ability of a country to produce a good at a lower opportunity cost
1.2.2	Phillips curve	B	people entering from a foreign country to establish permanent residence
1.2.3	Regressive tax	C	represents the movement of income and expenditure
1.2.4	Comparative advantage	D	causes income distribution to be more uneven
1.2.5	Desirable mix	E	relationship between unemployment and inflation
1.2.6	Land restitution	F	an industrial park, designed to attract global companies
1.2.7	Coega SEZ	G	returning property rights to people who were dispossessed by discriminatory laws
1.2.8	Immigration	H	a trade strategy combining free trade, export promotion, and import substitution
		I	outflow of residents to another country

(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. Abbreviations, acronyms and examples will NOT be accepted.

1.3.1 A model that shows the working of the economy and the relationship between participants

1.3.2 Variables such as job advertising space and share prices that provide early signals of the direction of the economy

1.3.3 A system of administration characterised by excessive regulation and rigid adherence to rules

1.3.4 All persons, male and female, between the ages of 15 – 65 who offer their labour for productive activities

1.3.5 Statistics, such as life expectancy and literacy rates, that measure the well-being of the population

1.3.6 The international institution established to promote exchange rate stability and assistance to member countries with balance of payments difficulties

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer any TWO of the 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 items used to calculate the trade balance. (2 x 1) (2)

2.1.2 Why is the accumulation of savings essential for capital formation? (1 x 2) (2)

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

QUARTERLY ECONOMIC REVIEW

South Africa's economic growth slowed in the first quarter of 2025. Real GDP rose by only 0,1%, compared with a revised 0,4% in the fourth quarter of 2024. The primary sector (such as mining and agriculture) and the tertiary sector (services) recorded growth, while the secondary sector (manufacturing, electricity and construction) continued to contract.

Manufacturing was particularly hard hit due to a combination of difficult conditions. These included weak demand from local consumers, high operating costs for businesses and ongoing infrastructure and logistics problems that made it difficult to move goods efficiently.

[Adapted from *resbank.co.za*]

2.2.1 Identify the economic indicator used to measure economic growth in the above extract. (1)

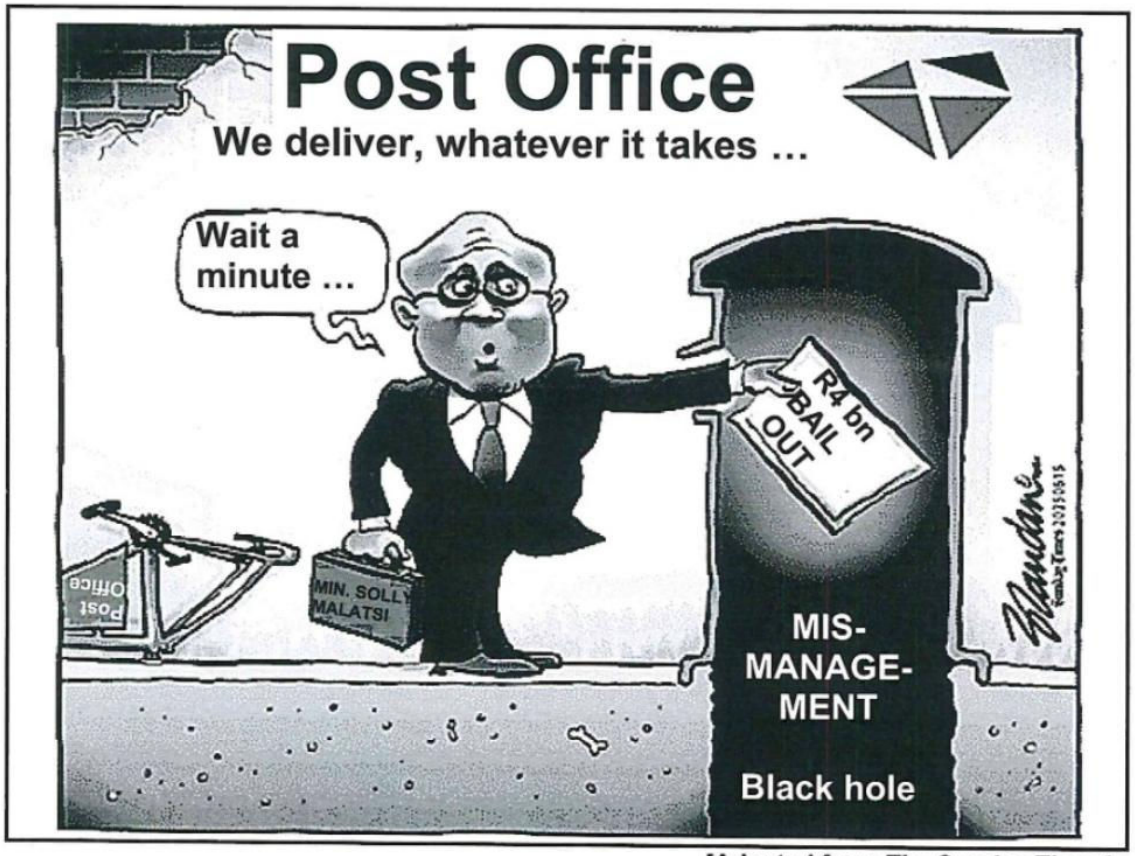
2.2.2 Name any ONE method used to derive the gross domestic product. (1)

2.2.3 Briefly describe the term *national income*. (2)

2.2.4 Explain how weak domestic demand leads to a decrease in production. (2)

2.2.5 How does slow economic growth affect the government's ability to provide services? (4)

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



[Adapted from *The Sunday Times*]

2.3.1 Identify the state-owned enterprise (SOE) depicted in the cartoon. (1)

2.3.2 Give ONE reason for the government's failure to provide public goods. (1)

2.3.3 Briefly describe the term *state-owned enterprise*. (2)

2.3.4 Explain the purpose of providing government bailouts to state-owned enterprises (SOEs). (2)

2.3.5 How do the financial losses of SOEs negatively affect the national budget? (2 x 2) (4)

2.4 Briefly discuss *exogenous* and *endogenous* causes of business cycles. (2 x 4) (8)

2.5 Evaluate the effectiveness of using foreign loans to correct a balance of payments deficit. (4 x 2) (8)

[40]

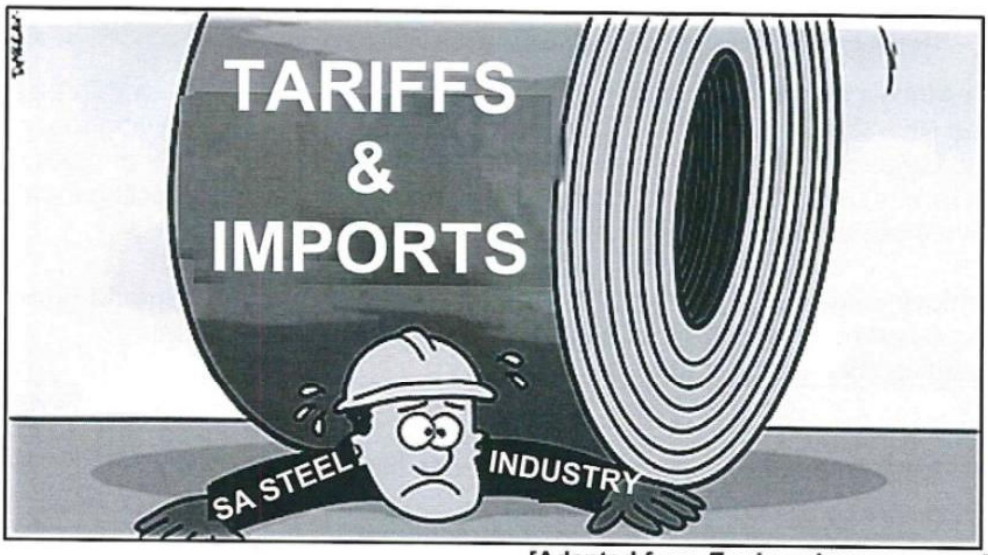
QUESTION 3: ECONOMIC PURSUITS **40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name TWO nutrition indicators used to determine the health status of a population. (2 x 1) (2)

3.1.2 Why is a stable electricity supply essential for economic productivity? (1 x 2) (2)

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



[Adapted from *Engineeringnews.co.za*]

3.2.1 Identify ONE threat to the South African steel industry shown in the cartoon above. (1)

3.2.2 Name ONE negative consequence of *"cheap imports"* for local workers. (1)

3.2.3 Briefly describe the term *quotas*. (2)

3.2.4 Explain ONE negative effect of high tariffs on local consumers. (2)

3.2.5 How does retaliation occur in international trade? (2 x 2) (4)

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

WE NEED TO RETHINK SOUTH AFRICA'S GROWTH MODEL

By Ashley Nyiko Mabasa



South Africa's economic growth has been sluggish since 2008. Even with plans like the New Growth Path (NGP), the country's economy is still growing too slowly. Major challenges in energy and transport sectors (especially at ports and rail networks) are holding us back, and we focus too much on protecting local industries rather than promoting export competitiveness.

To achieve long-term prosperity, the country needs to abandon demand-driven strategies and pivot towards an export-led model focused on global competitiveness and structural reform.

[Adapted from *Mail & Guardian*]

3.3.1 Identify the economic plan mentioned in the extract above. (1)

3.3.2 Name ONE infrastructure problem mentioned in the extract above that hinders economic growth. (1)

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

3.3.4 Explain the NDP's approach to addressing the infrastructure challenges mentioned in the extract. (2)

3.3.5 What challenges do countries in the Southern Hemisphere face when trading with developed countries in the Northern Hemisphere? (2 x 2) (4)

3.4 Differentiate between the *consumer price index* and the *producer price index*. (4 x 2) (8)

3.5 Evaluate the success of South Africa's export promotion policies. (4 x 2) (8)

[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

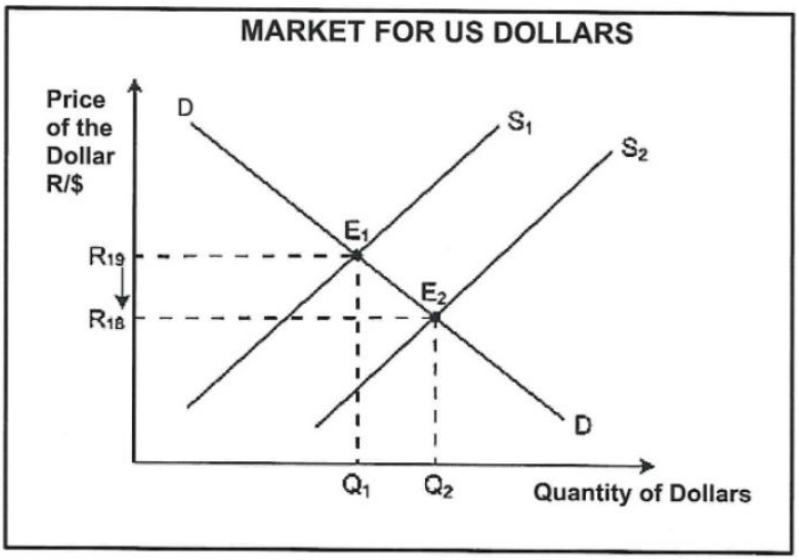
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name any TWO original member countries of BRICS. (2 x 1) (2)

4.1.2 Why do leakages reduce the size of the multiplier? (1 x 2) (2)

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



4.2.1 Identify the exchange rate system depicted in the graph above. (1)

4.2.2 What is the new equilibrium exchange rate? (1)

4.2.3 Briefly describe the term *foreign exchange rate*. (2)

4.2.4 Explain ONE reason for the shift of the supply curve from S_1 to S_2. (2)

4.2.5 How does the change in the exchange rate impact South Africa's imports and exports? (2 x 2) (4)

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

ECONOMIC INDICATORS

	Unit	Latest	Previous
Consumer Price Index (CPI)	% (year-on-year)	5,1	5,5
Producer Price Index (PPI)	% (year-on-year)	4,0	4,6
M3	% (year-on-year)	7,6	5,5
Repo Rate	%	8,25	8,25
Gross Domestic Product (GDP)	% (quarter-on-quarter)	-0,2	0,5
Trade Balance	R (billions)	14,1	20,5
Business Confidence Index	Index points	111,5	108,6

[Adapted from *https://group.nedbank.co.za*]

4.3.1 Identify the economic indicator used to measure the money supply from the table above. (1)

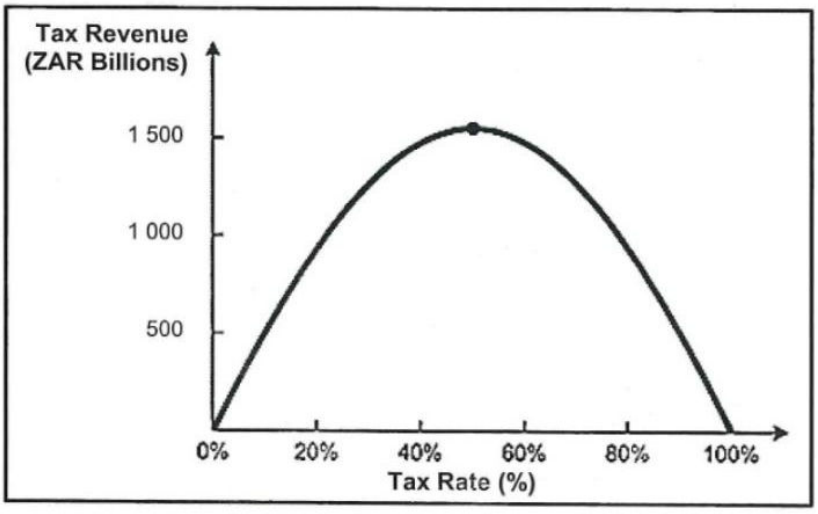
4.3.2 What is the current trend in the inflation rate (CPI) according to the table? (1)

4.3.3 Briefly describe the term *economic indicators*. (2)

4.3.4 Explain the impact of a decrease in the PPI on economic growth. (2)

4.3.5 How can the SARB use the repo rate to stimulate private sector investment? (2 x 2) (4)

4.4 Use the graph below to describe what happens to total tax revenue when the tax rate increases. (2 x 4) (8)



4.5 Why do demand-side policies not work well to increase economic growth when inflation is high? (4 x 2) (8)

[40]

TOTAL SECTION B: 80

SECTION C

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

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order response. • A good starting point would be to define the main concept related to the question topic. • Do NOT include any part of the question in your introduction. • Do NOT repeat any part of the introduction in the body. • Avoid mentioning 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/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Assess/Debate **A maximum of 8 marks may be allocated for headings/examples.** **Additional part:** Critically discuss/Evaluate/Critically evaluate/Debate/ Deduce Compare/Distinguish/Interpret/How?/Suggest **A maximum of 2 marks may be allocated for the mere listing of facts.**	Max. 26 Max. 10
Conclusion Any higher-order conclusion should include: • A brief summary of what has been discussed without repeating facts already mentioned • Any opinion or value judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations	Max. 2
TOTAL	**40**

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

- Discuss in detail the features underpinning forecasting of business cycles. (26)
- Analyse the problems faced by policymakers during periods of low economic growth and high unemployment. (10)

[40]

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

- Discuss in detail South Africa's initiatives (endeavours) in regional development. (26)
- How can South Africa overcome the challenges that restrict regional development? (10)

[40]

TOTAL SECTION C: 40

TOTAL: 150

END