GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

JUNE EXAMINATION
GRADE 12

2025

ECONOMICS

(PAPER 1)

ECONOMICS P1

C2731E

TIME: 2 hours

MARKS: 150

14 pages

X05

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

1.1.1 For an economy at equilibrium, Y = C + I + G + (X – M), represents …

A capital investment, inflation, government expenditure and net imports.
B consumption expenditure, investment, government expenditure and net exports.
C corporate profits, individual savings, general income and exports.
D currency reserves, industrial output, gross earnings and import differences.

1.1.2 Which sector makes the largest contribution to South Africa's GDP in recent years?

A Primary sector
B Tertiary sector
C Informal sector
D Secondary sector

1.1.3 The phase of the business cycle which is characterised by increasing economic activities and employment.

A Contraction
B Recession
C Expansion
D Depression

1.1.4 Which measure is likely to be used to stimulate economic growth during a contraction phase?

A Increasing taxes
B Reducing public spending
C Reducing interest rates
D Limiting money supply

1.1.5 … is an effect of public sector failure.

A Price stability
B Full employment
C Economic growth
D Social instability

1.1.6 The component of the public sector responsible for the daily running of a city or town is ...

A parastatals.
B national government.
C provincial government.
D local government.

1.1.7 What is an increase in the value of a currency compared to other currencies due to the market forces of demand and supply called?

A Appreciation
B Revaluation
C Depreciation
D Devaluation

1.1.8 When a country is the only producer of a good or service, it has a/an …

A absolute advantage.
B comparative advantage.
C relative advantage.
D economic advantage. (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, for example 1.2.9 J.

COLUMN A		COLUMN B	
1.2.1	Trough	A	distribute income more evenly
1.2.2	Leakages	B	a form of credit used by the International Monetary Fund to assist countries struggling with their balance of payments
1.2.3	Basic prices	C	the lowest turning point of the business cycle
1.2.4	Moving averages	D	the cost of goods and services before other taxes on production have been added and other subsidies on production have been subtracted
1.2.5	Regressive tax	E	ZAR1,00 = US$0,1212
1.2.6	Negative externality	F	the withdrawal of money from the circular flow
1.2.7	Special drawing rights	G	distribute income less evenly
1.2.8	Indirect quotation	H	a technical indicator that smoothes out price fluctuations over a specific period
		I	a cost to a third party not involved in a transaction

(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 Causes of business cycles within the market system

1.3.2 Data that is used to show the current state of the economy

1.3.3 The amount consumers pay for goods and services including taxes, minus subsidies

1.3.4 Shows the expected revenue and expenditure of Gauteng for the next financial year

1.3.5 Goods for which it is possible to exclude the free riders with tolls or a fee

1.3.6 A worldwide interaction of economies with trade as an important element

(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 taxes on production. (2 x 1) (2)

2.1.2 What causes unemployment to increase during a recession? (1 x 2) (2)

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

QUARTERLY FORECASTS							
INDUSTRIES	**ACTUAL**			**FORECAST**			
	2023		**2024**	**2024**			
	Shared % of GDP	**Full year**	**Q1**	**Q2**	**Q3**	**Q4**	**Full year**
Agriculture	2,6	-4,8	13,5	1,2	4,2	5,6	4,0
Mining	7,3	-0,5	-2,3	-0,9	0,1	0,5	-11
Manufacturing	12,0	0,3	-1,4	0,9	0,4	0,4	-0,4
Electricity, gas and water	2,9	-4,0	-0,4	1,8	0,5	0,3	3,0
Construction	2,2	-0,1	-3,1	0,5	0,4	0,3	-5,2

[Source: *Stats SA & Nedbank forecasts*]

2.2.1 Identify the industry which is expected to contribute the least to the economy in the third quarter of 2024. (1)

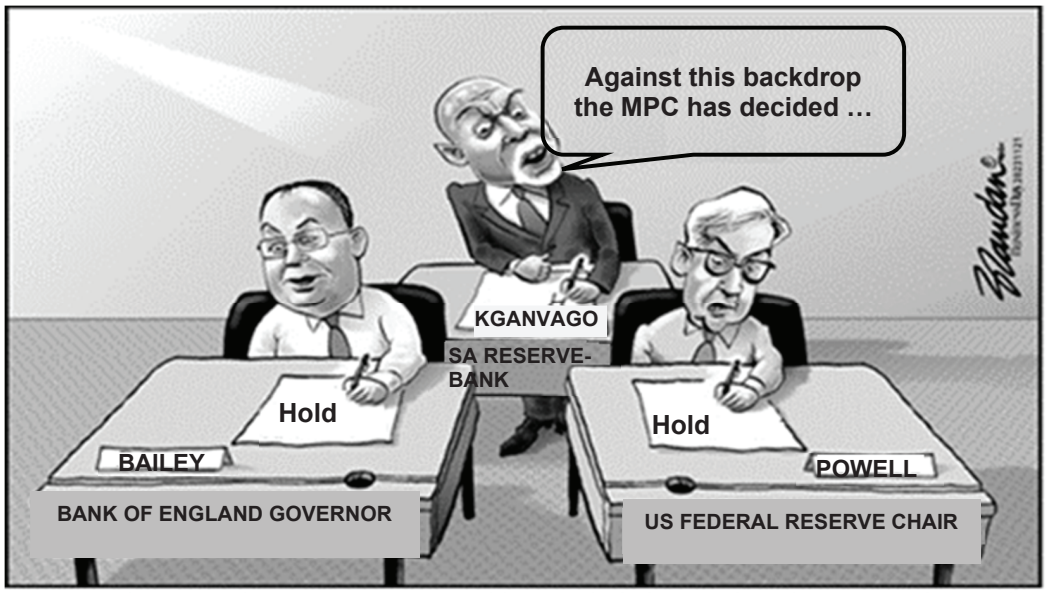
2.2.2 Name any ONE method that is used to calculate GDP. (1)

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

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

2.2.5 Why is it important to monitor the real domestic figures in a country? (2 x 2) (4)

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



[Adapted from *https://brandanreynolds.com/2023/11/26/business-day-tuesday-21-november-2023/*]

2.3.1 Identify the institution responsible for maintaining financial stability in South Africa. (1)

2.3.2 Name any ONE monetary policy instrument. (1)

2.3.3 Briefly describe the term *fiscal policy*. (2)

2.3.4 Explain the positive impact of credit in the economy. (2)

2.3.5 Why would government implement policies that slow down an overheating economy? (2 x 2) (4)

2.4 Discuss the *trendline* and *amplitude* as features underpinning forecasting. (2 x 4) (8)

2.5 How can households, as key participants in the circular flow model, contribute to the growth and development of the economy? (4 x 2) (8)

[40]

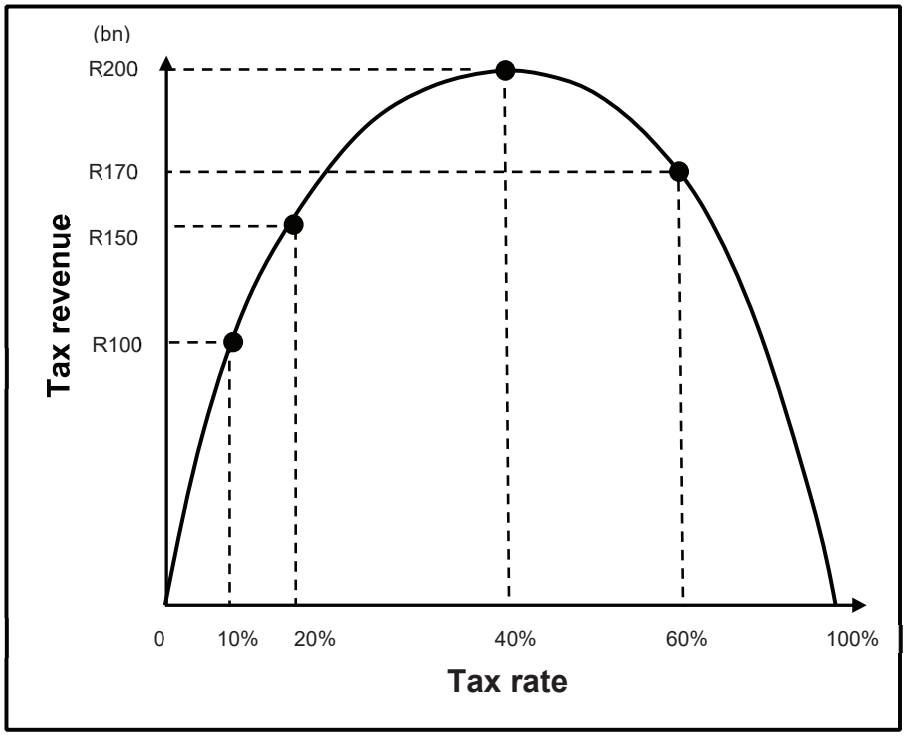
QUESTION 3: MACROECONOMICS **40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Provide any TWO sources of government income. (2 x 1) (2)

3.1.2 How will international trade be affected by high-income levels? (1 x 2) (2)

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



3.2.1 Identify the tax rate that gives the maximum tax revenue. (1)

3.2.2 Which institution is responsible for collecting tax in South Africa? (1)

3.2.3 Briefly describe the term *Laffer curve.* (2)

3.2.4 Why would a tax rate of 10% be regarded as a motivation to work? (2)

3.2.5 Argue against an increase in the tax rate from 40% to 60% by the government. (2 x 2) (4)

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

FINANCIAL ACCOUNT OF THE BALANCE OF PAYMENTS FOR RSA		
Net direct investment 46 777	Net portfolio investment 2 600	Net financial derivatives 7 600
Net other investments 17 000	Goods exports 150 000	Reserve assets 11 000

[Source: Examiner's data]

3.3.1 How many accounts are there in South Africa's balance of payments? (1)

3.3.2 Identify the item that should be recorded under the current account. (1)

3.3.3 Briefly describe the term *balance of payments.* (2)

3.3.4 Why is it important to have the unrecorded transaction item in the balance of payments? (2)

3.3.5 Use the information in the table above to calculate the balance on the financial account. (4)

3.4 Explain exchange rate systems with reference to the *free-floating* and *managed floating* exchange rate systems. (2 x 4) (8)

3.5 How does privatisation affect any of the four macroeconomic objectives of the state? (4 x 2) (8)

[40]

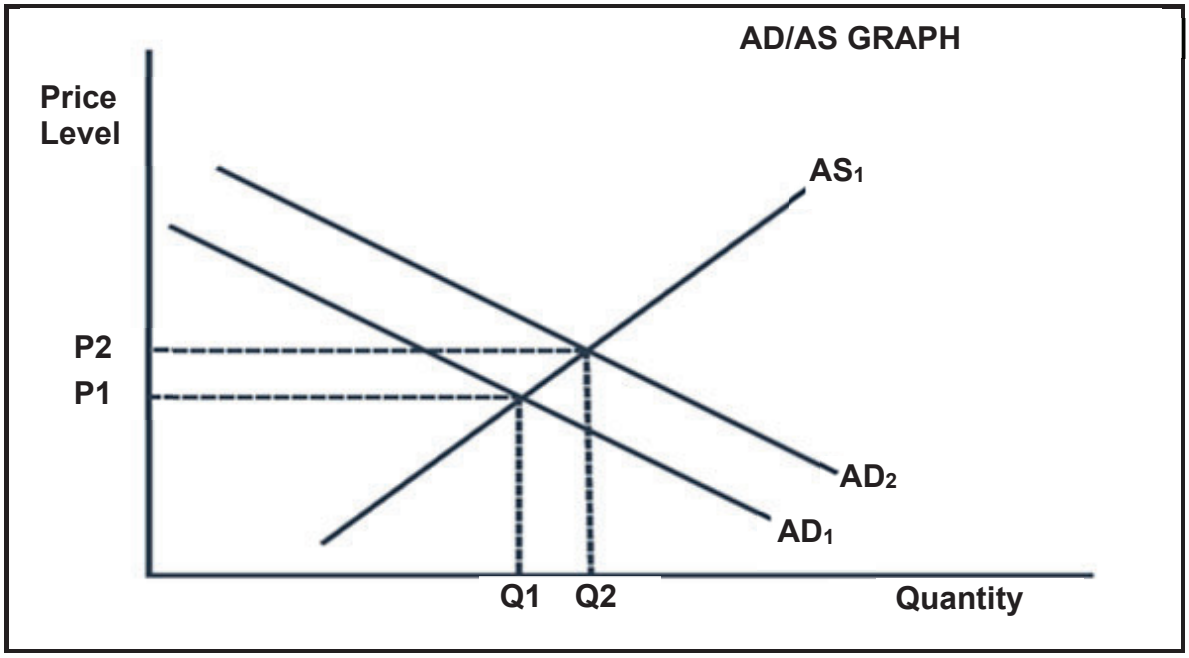
QUESTION 4: MACROECONOMICS **40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Name any TWO examples of exogenous causes of business cycles. (2 x 1) (2)

4.1.2 Why would a South African citizen demand dollars? (1 x 2) (2)

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



[Adapted from *Business Tech, 2024*]

4.2.1 Identify the original equilibrium quantity. (1)

4.2.2 Name any ONE type of business cycle. (1)

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

4.2.4 What impact does an increase in aggregate demand have on real output? (2)

4.2.5 How can the government lower the cost of production? (2 x 2) (4)

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

> Terms of trade in South Africa increased to 110,80 points in the third quarter of 2024 up from 110,20 points in the second quarter of 2024. Terms of trade in South Africa have averaged 76,20 points from 1960 to 2024, reaching an all-time high of 130.30 points in the second quarter of 2021 and a record low of 42,30 points in the third quarter of 1965.

[Source: *https://tradingeconomics.com/south-africa/terms-of-trade*]

4.3.1 Identify the year with the worst terms of trade in South Africa. (1)

4.3.2 How many quarters are used to determine the terms of trade in a year? (1)

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

4.3.4 What does an all-time high terms of trade of 130,30 mean for the South African economy? (2)

4.3.5 Calculate the terms of trade if the index of import prices is 96 and the index of export prices is 108. (Show ALL calculations.) (4)

4.4 Explain how aggregate supply can be stimulated through the efficiency of inputs. (4 x 2) (8)

4.5 How can a balance of payments deficit be corrected? (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 the 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 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 role of various markets within the FOUR-SECTOR model. (26)
- Evaluate the effect of an increase in investment on the South African economy. (10)

[40]

QUESTION 6: MACROECONOMICS **40 MARKS – 40 MINUTES**

- Discuss in detail the reasons for public sector failure and link them to typical problems experienced in public sector provisioning. (26)
- Justify the reasons for the government to impose different types of taxes. (10)

[40]

TOTAL SECTION C: 40

TOTAL: 150