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

SEPTEMBER 2026

ECONOMICS P1
MARKING GUIDELINE

MARKS: 150

This marking guideline consists of 19 pages.

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SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 C – 0,8 ✓

1.1.2 C – kuznets ✓

1.1.3 A – local ✓

1.1.4 B – globalisation ✓

1.1.5 A – infant ✓

1.1.6 D – NDP ✓

1.1.7 B – corridor ✓

1.1.8 D – M1 ✓ (2 x 8) (16)

1.2 MATCHING ITEMS

1.2.1 F – All goods and services are produced and consumed domestically. ✓

1.2.2 H – The buying and selling of government securities by the central bank to control the money supply. ✓

1.2.3 A – A situation where no one can be made better off without making someone else worse off. ✓

1.2.4 C – Used to finance the balance of payments disequilibrium experienced by member countries. ✓

1.2.5 I – Removal or reduction of barriers on imports and exports to promote international trade. ✓

1.2.6 G – nationwide government intervention to create employment using labour intensive methods. ✓

1.2.7 E – coordinates government actions to increase the competitiveness of South African businesses. ✓

1.2.8 D – Statistic data used to measure the performance of the economy. ✓ (8 x 1) (8)

1.3 GIVE ONE TERM

1.3.1 Autonomous spending ✓

1.3.2 Fiscal policy ✓

1.3.3 National budget/ Budget ✓

1.3.4 Free floating exchange rate system/ Free floating ✓

1.3.5 Economic development ✓

1.3.6 Employment rate ✓ (6 x 1) (6)

TOTAL SECTION A: 30

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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 2.1.1 **Name any TWO effects of international trade.**

- Specialisation ✓
- Mass production ✓
- Efficiency ✓
- Globalisation ✓ (2)

2.1.2 **Why is residual item included when calculating GDP with the expenditure method?**

- The residual item in the expenditure method adjusts for discrepancies or errors, ensuring the total matches the GDP accurately / It takes into account errors and omissions that may have occurred in order to balance the GDP. ✓✓

(Accept any other correct relevant response.) (2)

2.2 **DATA RESPONSE**

2.2.1 **Identify the macroeconomic objective that is related to production in the extract above.**

Economic growth ✓ (1)

2.2.2 **Name the new inflation target adopted by the SARB to maintain price stability.**

2% – 4% / 3% ± 1 ✓ (1)

2.2.3 **Briefly describe the term *full employment.***

Full employment occurs when everyone who wants to work and is able to work has a job. ✓✓

(Accept any other correct relevant response.) (2)

2.2.4 **Explain how interest rates are used to stabilise inflation.**

- The central bank would raise the interest rates to increase the cost of borrowing which will slow down the economic activities and reduce upward pressure on prices when the inflation rate is high ✓✓
- Interest rates are lowered to encourage spending when inflation is low helping to stabilize prices ✓✓

(Accept any other correct relevant response.) (1 x 2) (2)

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2.2.5 **How can the government improve economic equity in South Africa?**

- The government can improve economic equity by taxing higher income earners at a higher rate and using the revenue to support the poor. ✓✓
- Improving access to education and health, thereby ensuring that everyone has equal opportunities to develop skills and maintain good health. ✓✓
- Proving social grants and welfare programmes such as pensions, child support, and unemployment benefits. ✓✓
- The government can improve economic equity by using subsidies to make basic goods and services affordable for low- income households. ✓✓

(Accept any other correct relevant response.) (2 x 2) (4)

2.3 DATA RESPONSE

2.3.1 **Identify the terms of trade recorded in the third quarter (Q3) of 2025 from the graph above.**

110 ✓ (1)

2.3.2 **Give the concept that refers to buying goods and services from other countries.**

Imports ✓ (1)

2.3.3 **Briefly describe the concept *terms of trade.***

Terms of trade refer to the ratio of a country's export prices to its import prices, by means of indexes ✓✓

(Accept any other correct relevant response.) (2)

2.3.4 **Explain the reason for calculating the terms of trade.**

- To measure whether a country is gaining or loosing from international trade by comparing export prices with import prices. ✓✓
- To show whether a country can pay for its imports using the same revenue earned from its exports over the same period. ✓✓

(Accept any other correct relevant response.) (2)

2.3.5 **How can the South African Reserve Bank (SARB) reduce a balance of payments deficit?**

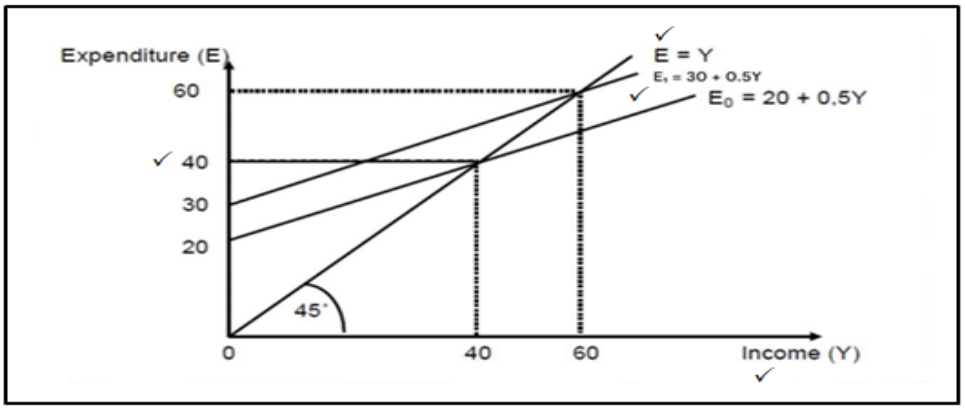
- The SARB may increase the repo rate to discourage consumer spending including spending on imports which will increase the balance on current account. ✓✓
- An increase in the repo rate attracts capital inflow as foreign investors take advantage of higher interest rates in the country which will increase the balance on financial account. ✓✓
- SARB can allow the rand to depreciate, making exports cheaper and imports more expensive, improving the balance on the current account. ✓✓
- Increase the cash reserves requirements to reduce credit creation which helps to reduce spending on imports. ✓✓
- SARB can control the availability of foreign currency to limit imports, making it harder to buy goods from abroad and helping reduce the balance of payments deficit. ✓✓

(Accept any other correct relevant response.) (4)

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2.4 **With the aid of a well-labelled graph, explain the multiplier effect.**



ALLOCATION OF MARKS:
- Correct labelling of the axes = 1 mark
- Correct labelling on the axes = 1 mark
- Correct drawing and labelling of the 45^0 line = 1 mark
- Correct indication of the new expenditure function = 1 mark

Max. 4 marks

- The multiplier effect occurs when a small increase in spending leads to a proportionately larger increase in national income. ✓✓
- At an income (Y) of 40 the expenditure curve(E_0) intersects the vertical axis at 20. ✓✓
- An increase from 20 to 30 means more money is injected in the economy and the new expenditure curve is (E_1) ✓✓
- This causes a proportionately larger increase in income from 40 to 60 ✓✓

(Accept any other correct relevant response.)
(Explanation must relate to the graph in order to earn marks. Explanation – 4 marks) (8)

2.5 **Analyse the impact of a rand revaluation on the South African economy.**
Positive impact:
- A stronger rand makes imported goods cheaper, which reduces cost –push inflation, and this is beneficial to fuel and food prices helping to keep the overall inflation low. ✓✓
- A revalued rand reduces the cost of living thus, increasing the consumer's buying power, improving their standard of living. ✓✓
- Firms importing capital goods and intermediate goods benefit from lower input costs, and this will increase their profitability. ✓✓
- Fewer rands will be needed to repay foreign debt, making repayment cheaper for the government. ✓✓
- Revaluation lowers government spending on interest payments, thereby freeing up funds for social and economic development. ✓✓
- A sustained and stronger currency can reflect increased foreign investment and improved fiscal credibility, signalling to global markets that South Africa is a stable investment destination. ✓✓

(Accept any other correct relevant response.)

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Negative impact:

- South African exports become more expensive in global markets, which may reduce demand for minerals and agricultural products. ✓✓
- A revaluation will decrease exports and increase imports, causing a balance of payments deficit and slowing economic growth. ✓✓
- A revaluation may reduce production in export-oriented sectors like mining, agriculture and manufacturing, leading to job losses and higher unemployment. ✓✓

(Accept any other correct relevant response.) (8)

(Allocate a maximum of 2 marks for a mere listing of facts.) **[40]**

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QUESTION 3: ECONOMIC PURSUITS

3.1 3.1.1 **Name TWO industrial development strategies in South Africa.**

- National Research and Development strategy / NRDS ✓
- Integrated Manufacturing strategy / IMS ✓ (2)

3.1.2 **How are consumers in the importing country affected by dumping?**

- Consumers may benefit from lower prices due to cheap imported goods. ✓✓
- Consumers may face lower quality products if the dumped goods do not meet the standards. ✓✓
- Future price increases may occur if domestic industries close, resulting in monopoly power. ✓✓

(Accept any other correct relevant response.) (1 x 2) (2)

3.2 **DATA RESPONSE**

3.2.1 **Identify the picture that relates to import substitution.**

Picture B / B ✓ (1)

3.2.2 **Name the trade policy that encourages businesses to sell goods and services to other countries.**

Export promotion ✓ (1)

3.2.3 **Briefly describe the term *desirable mix*.**

Desirable mix refers to a combination of trade policies that are appropriate for the current economic conditions of a country. ✓✓

(Accept any other correct relevant response.) (2)

3.2.4 **What role does the World Trade Organisation play in supporting free trade?**

- WTO encourages free trade between countries by reducing trade barriers such as tariffs and import quotas. ✓✓
- WTO supports free trade by creating rules that make international trade fair and predictable. ✓✓
- World Trade Organisation resolves trade disputes and ensures transparency among countries. ✓✓

(Accept any other correct relevant response.) (2)

3.2.5 **How does protectionism contribute to industrial development?**

- Protectionism allows industries to produce more goods domestically without competing with foreign products, leading to industrial development. ✓✓
- By protecting local industries, they can grow, mature and achieve economies of scale, gradually lowering production costs. ✓✓
- Being protected from foreign competition, industries can develop a wider range of products, leading to industrial development. ✓✓

(Accept any other correct relevant response.) (2 x 2) (4)

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3.3 DATA RESPONSE

3.3.1 **Identify from the extract above the reason government provides incentives to businesses.**
To promote economic growth/ create jobs/ attract more foreign investment ✓ (1)

3.3.2 **Name the key industry operating in East London IDZ.**
Automotive industry/ Automotive components manufacturing/ Vehicle assembly ✓ (1)

3.3.3 **Briefly describe the term *regional development***
Regional development refers to policies that are aimed at increasing the economic livelihood of specific areas or geographical regions that are under-developed. ✓✓
(Accept any other correct relevant response.) (2)

3.3.4 **Why is the Special Economic Zone programme better than the Industrial Development Zone?**
- SEZ allows more flexible development of industries beyond the traditional focus of IDZs.✓✓
- SEZs promote economic growth, job creation, and industrial diversification more effectively.✓✓
- SEZ involves a broader range of industrial parks and does not need to be located near a port or an airport unlike the IDZ which was restricted to such areas.✓✓
- The focus in the SEZ is not only on exports as it was the case with the IDZ, but involves production export and domestic use. ✓✓

(Accept any other correct relevant response.) (2)

3.3.5 **How can the skills support program help to promote industrial development?**
- Skills support program provides financial assistance to businesses for training and upskilling employees, which improves workers' skills, increases productivity, and enhance competitiveness. ✓✓
- Skills support program is offered as a tax-free cash grant to support skills development and boost business productivity. ✓✓
- Greater investment in skills training is encouraged by businesses, which supports the growth of manufacturing and other industries in South Africa. ✓✓
- About 50% of a company's training costs are covered over a period of three years. ✓✓

(Accept any other correct relevant response.) (2 x 2) (4)

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3.4 **Briefly discuss progressive personal income tax and natural benefits as demand side approaches in promoting growth and development in South Africa**

Progressive personal income tax:

- Progressive personal income tax is a system where individuals with higher incomes pay a large percentage of their income in taxes compared to those with lower incomes. ✓✓
- Progressive taxation helps narrow the gap, making economic growth more inclusive and sustainable. ✓✓
- The government can use the tax revenue to finance social development thereby increasing the quality of life. ✓✓
- With additional income from social grants, the households experience higher purchasing power, which stimulates demand and encourages businesses to increase production. ✓✓ (Max. 4)

Natural benefits:

- Natural benefits include free education, healthcare, school meals, protection, infrastructure development, etc. ✓✓
- When user fees are charged, poor or low-income earners pay less or nothing. ✓✓
- Limited quantities of free electricity and water are provided. ✓✓

(Accept any other relevant correct response.)

(Allocate a maximum of 4 marks for a mere listing of facts)

(Max. 4) (8)

3.5 **How can South Africa benefit from free trade?**

- Free trade gives South African businesses access to larger markets abroad, allowing them to expand and increase their growth potential. ✓✓
- Increased competition from free trade pushes local companies to be innovative and efficient. ✓✓
- Free trade can attract multinational companies that bring advanced production methods and technologies. ✓✓
- Free trade can bring South Africans the advantage of lower prices, making goods and services affordable. ✓✓
- Improves consumer welfare as a result of more choices on goods and services. ✓✓
- Enables specialisation, allowing countries to focus on producing what they do best. ✓✓
- Expanding industries and export opportunities through free trade can lead to job creation and overall economic growth. ✓✓

(Accept any other relevant correct response.)

(Allocate a maximum of 2 marks for a mere listing of facts) (8)

[40]

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QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 **Name any TWO sources of state revenue.**
- Tax ✓
- Loans ✓
- Donations ✓
- Profits from SOEs ✓
- Income from privatisation of state assets ✓
- Income from property rental ✓

(Accept any other correct relevant response.) (2)

4.1.2 **How does Broad Based Black Economic Empowerment (BBBEE) promote industrial development?**
- Supports preferential procurement and training in the industrial sector. ✓✓
- Encourages ownership and participation of black people in industries. ✓✓
- Through skills development, black people have an opportunity to acquire skills that they can use to start their own businesses. ✓✓

(Accept any other correct relevant response.) (1 x 2) (2)

4.2 **DATA RESPONSE**

4.2.1 **Identify from the extract above the market where resources are supplied to firms.**
Factor market ✓ (1)

4.2.2 **Name the injection that occurs when a country sells goods to other countries.**
Export income or export ✓ (1)

4.2.3 **Briefly describe the term *real flow.***
Real flow is the movement of goods and services or factors of production between different participants in the economy. ✓✓
(Accept any other correct relevant response.) (2)

4.2.4 **Explain the effect of savings on the circular flow in an economy.**
- Savings help reduce excess demand which lowers pressure on prices and helps to curb demand-pull inflation.
- They result in less money circulating between households and firms. ✓✓
- When households save, income is withdrawn from the circular flow, lowering the level of consumption. ✓✓
- Households gain financial security as savings enable them to meet future needs and unexpected expenses without relying on debt. ✓✓

(Accept any other correct relevant response.) (2)

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4.2.5 **How do households contribute to the South African economy?**

- Households provide resources to firms, which use them to produce goods and services, helping the economy to grow. ✓✓
- They earn income and spend on goods and services, which increases demand, encourages production and contributes to economic growth. ✓✓
- Households save money in banks, which can be used for investment by various businesses. ✓✓
- They pay taxes, enabling government to provide public services. ✓✓
- Households purchase imported goods, supporting trade and exchange flows. ✓✓

(Accept any other correct relevant response.) (4)

4.3 DATA RESPONSE

4.3.1 **Identify ONE challenge of globalisation mentioned in the extract above.**

- Poverty ✓
- Growth rates ✓
- Trade ✓

(1)

4.3.2 **Give any reason for the poor economic conditions of countries in the South.**

- Lack of skills ✓
- Lack of capital ✓
- Lack of investment ✓
- Lack of good education ✓
- Lack of good governance ✓

(Accept any other correct relevant response.) (1)

4.3.3 **Briefly describe the term *North-South divide.***

North-South divide refers to the general difference in wealth and development where countries in the Northern hemisphere are richer and more industrialised than countries in the Southern hemisphere which are poorer and less developed. ✓✓

(Accept any other correct relevant response.) (2)

4.3.4 **Explain the negative effect of mass production on the environment.**

- The release of greenhouse gases from mass production can damage the ozone layer, which leads to environmental degradation. ✓✓
- Mass production leads to deforestation because trees are cut down to get raw materials and space for production. ✓✓
- Production of goods in large quantities may result in overexploitation of natural resources. ✓✓

(Accept any other correct relevant response.) (2)

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4.3.5 **How does the standard of living in the North differ from the South in terms of life expectancy and education?**

- People in the North live longer due to better healthcare and living conditions, ✓ while life expectancy is shorter in the South. ✓
- Education is widely accessible and of good quality in the North, ✓ whereas the South has limited access to schooling and fewer opportunities for higher education. ✓

(Accept any other correct relevant response.) (4)

4.4 **Discuss the necessity of the public sector in the economy.**

- The public sector provides the community with goods such as streetlights free of charge because free riders cannot be excluded in their consumption. ✓✓
- The state supplies collective goods such as parks for a user fee or charge to discourage abuse of public goods by free riders. ✓✓
- The state uses subsidies to encourage the production and consumption of merit goods such as education and healthcare because they are socially beneficial. ✓✓
- The government uses taxes to discourage production and consumption of demerit goods such as alcohol and cigarettes because they are harmful to human beings. ✓✓
- The government protects the environment by formulating and imposing legislation that will ensure its sustainability. ✓✓
- The government is responsible for managing the collective interests of its citizens. ✓✓
- Applies suitable and credible economic policies in order to achieve its economic objectives. ✓✓
- Promote policies that ensure equal opportunities for all citizens. ✓✓

(Accept any other correct relevant response.)
(Allocate a maximum of 4 marks for a mere listing of facts) (4 x 2) (8)

4.5 **How can partnership and good governance be used as benchmark criteria for regional development?**
Partnership:

- Partnership can be used as a benchmark by assessing how government, the private sector and civil society collaborate in planning and implementing development initiatives. ✓✓
- Partnership can be used as a benchmark by assessing the success of Public-Private projects in improving services and infrastructure. ✓✓
- The level of stakeholder participation in decision-making indicates whether development is inclusive and responsive to community needs. ✓✓
- Partnership can be used as a benchmark by assessing transparency and the commitment of all role players in regional development. ✓✓

(Max. 4)

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Good governance:

- Good governance assesses the transparency of government decisions in regional development, ensuring that transparency, accountability and efficiency are applied in financial management and control. ✓✓
- It ensures that public investment is used effectively, attract private investment and fosters citizen participation. ✓✓
- Proper management of funds in all provinces and municipalities is assessed and holds public officials accountable and this will ensure effective service delivery. ✓✓

(Accept any other correct relevant response.)
(Allocate a maximum of 2 marks for a mere listing of facts)

(Max. 4) (8)
[40]

TOTAL SECTION B: 80

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SECTION C

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

QUESTION 5: MACROECONOMICS

40 MARKS – 40 MINUTES

Discuss in detail the features underpinning forecasting of business cycles. (26)

How would the conflict (war) in the Middle East negatively affect the South African businesses? (10)

INTRODUCTION

Business cycles can be described as successive periods of contraction and expansion of economic activities. ✓✓
(Accept any other correct relevant introduction.) (Max. 2)

BODY: MAIN PART

LEADING INDICATORS ✓

- Leading indicators are indicators that change before the economy changes ✓✓
- Leading indicators give consumers, business leaders and policy makers a glimpse (advance warning) of where the economy might be heading ✓✓
- These indicators peak before a business cycle has reached a peak ✓✓
- When these indicators rise, the level of economic activities will also rise in a few months' time ✓✓
- When they decline it also means the level of economic activity will decline in the near future ✓✓
- Examples: include the number of residential plans passed, number of job advertisements, number of new companies ✓

COINCIDENT INDICATORS ✓

- Coincident indicators are indicators that change at the same time as the economy changes ✓✓
- Coincident indicators show the actual state of the economy ✓✓
- A downturn is shown by a decrease in these indicators while an upswing is shown as an increase in these indicators ✓✓
- Coincident indicators confirm the changes predicted by the leading indicators ✓✓
- The value of retail sales will reach a peak and then begin to decline at the same time as the business cycle ✓✓
- Examples: are usage of capacity in manufacturing, registered unemployment, real GDP ✓

LAGGING INDICATORS ✓

- Lagging indicators change after the economy has already changed ✓✓
- Lagging indicators reach the turning point after the business cycle has already turned ✓✓
- Lagging indicators serve to confirm the behaviour of co-incident indicators ✓✓
- Examples: number of commercial vehicles sold, real investment in machinery, unit labour costs in manufacturing ✓

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COMPOSITE INDICATORS ✓

- Composite indicators summarise a group of indicators of the same type into a single value ✓✓
- The single figure forms a norm for a country's economic performance ✓✓
- Composite indicators can be consolidated into single values of a composite leading, coincident and lagging indicator ✓✓

AMPLITUDE ✓

- It is the difference between the value of total output between peak and trough measured from the trend line to the peak and trough ✓✓
- Amplitude reflects the intensity of the upswing and downswing in economic activity ✓✓
- The amplitude shows two things:
  - The power of the underlying forces such as interest rates, exports or consumer spending ✓✓
  - A large amplitude during the upswing signifies strong underlying forces ✓✓
- The duration of a cycle with larger amplitude is usually longer than one with a small amplitude ✓✓
- The larger the amplitude, the more extreme the changes that may occur ✓

TREND LINE ✓

- The trend line indicates the general direction in which the economy is moving ✓✓
- When the economy is growing, there is an upward trend, but when the economy is contracting there is a downward trend ✓✓
- The trend will change when the time series data change their behavioural patterns of the past ✓✓
- The trend line normally has a positive slope because the production capacity of the economy increases over time ✓✓

LENGTH/DURATION OF A CYCLE ✓

- The length of a business cycle is the amount of time it takes to move through one complete cycle. ✓✓
- Length is measured from peak to peak or from trough to trough ✓✓
- It is useful to know the length of a business cycle because the length tends to remain relatively constant overtime. ✓✓
- Longer cycles show strength and shorter cycles show weakness with regard to economic activities ✓✓

EXTRAPOLATION ✓

- Extrapolation refers to the estimation of something unknown from the facts that are known ✓✓
- Past data is used when predictions are made about the future based on assumptions related to trends ✓✓
- Extending a trend into the future may provide information on what is likely to happen ✓✓
- Economists may predict that the economy will grow in few months to come if a business cycle has passed through a trough and entered into an upswing ✓✓
- Extrapolation techniques are sometimes used to predict future share prices ✓✓

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MOVING AVERAGES ✓

- They are calculated along the time series so that a smoother business cycle can be established ✓✓
- Moving averages are used to analyse the changes in a series of data over a certain period of time ✓✓
- Economists use moving averages to eliminate the effect of sharp fluctuation in the business cycle ✓✓

(Accept any other correct relevant response.)
(A maximum of 8 marks may be allocated for mere listing of headings/ examples)

(Max. 26)

ADDITIONAL PART

- The escalating conflict raises global oil process, which directly increase the price of fuel, petrol and diesel in South Africa, and this heavily affects logistic dependent businesses, increasing the cost of transporting goods and raw materials ✓✓
- The conflict would cause delays in receiving imports leading to inventory shortages and disrupted manufacturing schedules ✓✓
- Economic growth would slow down as businesses struggle with higher operating costs, reduced profits and reduced demand caused by higher prices of goods and services ✓✓
- Some businesses would cut costs by retrenching workers and others would close down; this would increase the already high level of unemployment ✓✓
- Businesses would export less goods as global instability affects both local and foreign demand and disrupt trade routes ✓✓
- Shipping and insurance costs would increase due to risks in conflict zones, making imports and exports more expensive for most businesses ✓✓

(Accept any other correct relevant response.)
(A maximum of 2 marks may be allocated for mere listing of facts/examples)

(Max. 10)

CONCLUSION

The country can be enabled to prepare suitable policies to deal with different changes in the economy reflected by the indicators and features ✓✓
(Accept any other correct relevant higher order conclusion.) (Max. 2) **[40]**

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QUESTION 6: ECONOMIC PURSUITS

- **Discuss the various economic indicators in detail. (26 marks)**
- **How does urbanisation affect the standard of living of the South African population? (10 marks)**

INTRODUCTION

Governments use different statistical data to predict economic trends and formulate suitable developmental strategies toward influencing the direction that the economy should take / Economic indicators are used to establish the performance of an economy in terms of the basic economic objectives. ✓✓
(Accept any other correct relevant response.) (2)

BODY: MAIN PART

1. **PRODUCTIVITY INDICATORS** ✓

Labour productivity ✓

- Labour productivity is measured by dividing the real GDP by the number of workers employed ✓✓
- Watched most closely, particularly in relation to real wage increases ✓✓
- In South Africa productivity increased less than labour remuneration ✓✓

Remuneration per worker ✓

- If productivity increases are lower than the real wage increases, inflationary pressures will occur ✓✓
- The relationship between productivity and wages is crucial for employers' survival in vigorous markets and for workers to survive on their salaries ✓✓

2. **FOREIGN TRADE INDICATORS** ✓

The terms of trade ✓

- Changes in terms of trade serve as indicator of changes that may spill over into the balance of payments and may lead to a deficit ✓✓
- When terms of trade deteriorate, a greater volume of exports must be produced to keep export earnings constant ✓✓

The exchange rate ✓

- Changes in an exchange rate affect the prices for imports and prices of exports ✓✓
- A depreciation of the rand against the dollar will result in US goods and services becoming more expensive ✓✓

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3. **THE INFLATION RATE** ✓
   - Inflation can be described as an increase in the general level of prices in an economy that sustained over a period of time ✓✓
   - SARB aims to keep the inflation rate stable between 2% and 4% ✓✓

   The following instruments measure inflation:
   Consumer price index/CPI ✓
   - This is the weighted average of the prices of a general basket of goods and services likely to be bought by consumers ✓✓

   Producer price index /PPI ✓
   - PPI measures prices of locally produced goods when they leave the factory yard and imported goods when they enter the country ✓✓
   - It serves as an indicator to predict consumer inflation (CPI) ✓✓

4. **EMPLOYMENT** ✓
   The economically active population (EAP) / labour force ✓
   - The official employment ages in South Africa are between 15 and 65 who are willing to work, and it includes in the formal sector, informal sector, employers, self-employed persons and unemployed persons ✓✓

   Employment rate ✓
   - The number of employed persons expressed as a percentage of the EAP gives the employment rate ✓✓
   - The South African employment rate is approximately 39,7% and is not accompanied by a similar growth in employment numbers ✓✓

   Unemployment rate ✓
   - The unemployment rate is expressed as the percentage of unemployed persons out of the total number of people willing and able to work ✓✓
   - In South Africa the official unemployment rate rose 32,7% in the first quarter of 2026, up from 31,4% in the previous quarter and is the most important cause of poverty ✓✓

5. **MONEY SUPPLY** ✓
   - Money supply is of critical importance to give early warning of likely changes in inflation ✓✓
   - The South African Reserve Bank defines money in different categories:
     - M1 – coins, notes and demand deposits ✓✓
     - M2 – equal to M1 plus all short-and-medium term deposits ✓✓
     - M3 equals to M2 plus all long-term deposits of domestic private sector with monetary institutions ✓✓

6. **INTEREST RATES** ✓
   Repo rate ✓
   - Repo rate: the rate at which South African Reserve Bank lends money to commercial banks ✓✓
   - Interest rate is based on the repo rate; when repo rate changes interest rate also change ✓✓

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ADDITIONAL PART

- Urban areas offer more job opportunities due to more industries in such areas, leading to higher incomes and improved living standards ✓✓
- Cities provide better access to basic services such as water, electricity, sanitation and health care which improve the quality of life ✓✓
- Increased access to education because of availability of schools and tertiary institutions improve skills and future opportunities for a large number of people ✓✓
- In cities there are improved roads, transport and communication which makes life easier and more efficient ✓✓
- Growth of informal settlements reduces the quality of life in urban areas, this is due to overcrowding and poor housing conditions ✓✓
- Increased crime rates are a norm in cities because of high population density and unemployment ✓✓

(Accept any other correct relevant response.)
(A maximum of 2 marks may be allocated for mere listing of facts/ examples) (10)

CONCLUSION

The use of economic indicators is important, because analysts use the data to interpret current or future investment possibilities ✓✓
(Accept any other correct relevant higher order conclusion). (Max. 2) **[40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150

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