KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS P1

MARKING GUIDELINES

PREPARATORY EXAMINATION

SEPTEMBER 2025

MARKS: 150

This marking guideline consists of 17pages.

SECTION A: (COMPULSORY) **30 MARKS – 20 MINUTES**

QUESTION 1

1.1 **MULTIPLE CHOICE QUESTIONS**

1.1.1 A ✓✓ market

1.1.2 B ✓✓ deregulation

1.1.3 C ✓✓ appreciation

1.1.4 A✓✓ foreign exchange

1.1.5 D✓✓ life expectancy

1.1.6 C✓✓ Growth Employment and Redistribution Policy

1.1.7 B✓✓ globalisation.

1.1.8 D✓✓ common market. (8 x 2) (16)

1.2 **MATCH THE ITEMS**

1.2.1 H ✓ A withdrawal of money from the circular flow.

1.2.2 G ✓ Persuasion of banks by the SARB to offer credit responsibly

1.2.3 E ✓ An individual who enjoys the benefit of a good without paying for it

1.2.4 A ✓ An organisation that provides financial assistance to countries with ongoing balance of payments problems

1.2.5 F ✓ A penalty applied by one or more countries on another country

1.2.6 D ✓ Increase in the production of goods and services

1.2.7 B ✓ An amount of money that is available for households to spend.

1.2.8 C ✓ The established code of procedure or behavior in any group or organization. (8 x 1) (8)

1.3 **CONCEPTS**

1.3.1 Gross national income✓

1.3.2 Laffer curve✓

1.3.3 Economically Active Population✓

1.3.4 Fixed exchange rate system✓

1.3.5 Embargo✓

1.3.6 Infrastructure✓ (6 x 1) (6)

TOTAL SECTION A: 30

QUESTION 2: MACROECONOMICS **40 MARKS – 30 MINUTES**

2.1

2.1.1 Give TWO flows in a circular flow. **(1 x 2)(2)**

- Money flow ✓
- Real flow ✓

2.1.2 Why is it necessary to dampen an overheating economy? **(2 x 1)(2)**

Dampening an overheating economy is necessary to prevent negative consequences of rapid economic growth such as inflation and economic instability. ✓✓

(Accept any other correct relevant response)

2.2 **DATA RESPONSE**

2.2.1 Identify the remuneration for the use of capital as a factor of production. **(1)**

Interest ✓

2.2.2 Name any ONE type of financial market. **(1)**

- Money market ✓
- Capital market ✓

2.2.3 Briefly describe the term *circular flow*. **(2)**

Circular flow is a presentation that shows the flow of goods, services and money between different participants in an economy. ✓✓

(Accept any other correct relevant response)

2.2.4 Explain the importance of the foreign market in the economy. **(2)**

- Foreign market brings additional money into the economy through exports. ✓✓
- Foreign market provides an opportunity for domestic businesses to expand their customer base beyond boarders leading to increased sales and economic growth. ✓✓

(Accept any other correct relevant response)

2.2.5 How can an increase in investments positively impact the economy? **(4)**

- Investments in new projects can create job opportunities which will contribute to employment growth and poverty reduction. ✓✓
- An increase in investments may also lead to the improvement in the production capacity of the country leading to higher production levels and economic growth. ✓✓
- May lead to improved productivity as investment in new technologies can improve productivity leading to efficiency and competitiveness? ✓✓ (2 x 2) (4)

(Accept any other correct relevant response)

2.3 DATA RESPONSE

2.3.1 Identify the item that records transactions related to the sale of shares on an international stock exchange. **(1)**

Net Portfolio Investment✓

2.3.2 Name the account in the balance of payments that records exports and imports of goods and services. **(1)**

- Current account ✓

2.3.3 Briefly describe the term *net financial derivatives*. **(2)**

Net financial derivatives refer to the value of financial contracts whose value is derived from value of underlying asset.✓✓

(Accept any other correct relevant response)

2.3.4 Explain the purpose of Special Drawing Right (SDR) allowances in the balance of payments. **(2)**

- Special drawings rights are used by countries to manage balance of payments difficulties. ✓✓
- SDRs can be used as a supplementary foreign exchange reserve asset providing an additional source of liquidity. ✓✓

(Accept any other correct relevant response)

2.3.5 Use the information in the table above to calculate the balance on financial account (A). Show ALL calculations
A = Balance on financial account – Reserve assets
A = -1660✓ – (-1508) ✓ or A= (-335+1666-26-1153)

A = -1660+ 1508✓ A= -152

A = -152✓ **(4)**

2.4 Briefly discuss *amplitude* and *length* as features underpinning forecasting.

Amplitude

- It is the difference between the total output between a peak and a trough. ✓✓
- It measures the distance of the oscillation of a variable from the trend line. It is the intensity of the upswing and downswing in economic activity. ✓✓
- The larger the amplitude the more extreme the changes that may occur. ✓✓ (2 x 2) (4)

Length

- This is the time that it takes for a business cycle to move through one complete cycle. It is measured from peak to peak/ trough to trough. ✓✓
- It is useful to know the length because the length tends to remain relatively constant over time. ✓✓
- If business cycles have longer length, we consider the economy to be strong, shorter cycles shows the economy is weak. ✓✓ (2 x 2) (4)

(Accept any other correct relevant response)

(A maximum of 4 marks may be allocated for mere listing of facts / examples)

2.5 Analyse the relationship between the financial sector and other participants in the circular flow model.

- The financial sector provides households with facilities in which they can save and invest money. ✓✓
- Households borrow money from the financial sector for consumption and investments. ✓✓
- Financial sector provides businesses with access to capital enabling them to invest in capital goods, production and expansion. ✓✓
- Businesses use financial services such as loans, mortgage bonds and credit to manage their operations. ✓✓
- The financial sector facilitates government borrowing and lending helping to finance government expenditures. ✓✓ (4 x 2) (8)

(Accept any other correct relevant response)

(A maximum of 2 marks may be allocated for mere listing of facts/examples)

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

3.1 Answer the following questions.

3.1.1 Name TWO indicators used to measure inflation rate. **(2 x 1)(2)**

- Consumer Price Index (CPI) ✓
- Producer Price Index (PPI) ✓

3.1.2 How would reduced costs of doing business stimulate economic growth? **(1 x 2)(2)**

Lowering cost of doing business can make it possible for entrepreneurs to start new businesses, leading to increase in production, employment and improvement of economic growth. ✓✓

(Accept any other correct relevant response)

3.2 DATA RESPONSE

3.2.1 Identify a term in the extract that relates to the removal of import tariffs. **(1)**

Duty-free✓

3.2.2 Name the organization that promotes reduction of all trade barriers **(1)**

World Trade Organisation (WTO) ✓

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

Protectionism is the trade policy that restricts importation of goods and services in order to protect the domestic economy. ✓✓

(Accept any other correct relevant response)

3.2.4 Explain the negative impact of dumping on the South African Economy. **(2)**

- Dumping drives out competition in the market reducing choice for consumers. ✓✓
- Local businesses may struggle to compete with the low prices, potentially leading to job losses and economic instability. ✓✓
- Dumping can harm local industries in South Africa by making it difficult for them to compete with low prices of imported goods. ✓✓
- It can weaken the country's industrial base and the economy more dependent on foreign products. ✓✓
(Accept any other correct relevant response)

3.2.5 How can South Africa benefit from export promotion? (2 x 2)(4)

- The size of foreign market is much larger than the local market, this enables producers to produce more and benefit from economies of scale. ✓✓
- Increasing domestic output creates a larger demand for labour which will increase the employment rate in the country. ✓✓
- Money earned from exports will improve the trade balance in the country which result in an increase in the national income.✓✓
- Export promotion leads to export led economic growth which result in economic development. ✓✓

(Accept any other correct relevant response)

3.3 DATA RESPONSE

3.3.1 Identify the lowest unemployment rate on the graph above. (1)

31.9% ✓

3.3.2 Name any ONE example of demographic indicator. (1)

- Population growth rate ✓
- Dependency rate ✓
- Net migration ✓

(Accept any other correct relevant response)

3.3.3 Briefly describe the term *social indicator*. (2)

Social indicator is a measure that reflects the welfare of a society. ✓✓

(Accept any other correct relevant response)

3.3.4 Explain the impact of remuneration per worker on the inflation rate. (2)

- An increase in wages drives up labour costs, increase in prices which in turn contributes to inflation. ✓✓
- Higher wages increase disposable income of consumers leading to higher demand for goods and service leading to higher prices. ✓✓

(Accept any other correct relevant response)

3.3.5 How can the South African government create sustainable employment opportunities?

- Invest in renewable energy projects to create jobs in installation and maintenance. ✓✓
- Promote sustainable agricultural practices and conservation efforts, offering employment opportunities in rural areas. ✓✓
- Provide training and capacity building programmes to enhance local capabilities and support industrial growth. ✓✓ (2 x 2)(4)

(Accept any other correct relevant response)

3.4 Differentiate between economic *growth* and *economic development*. **(8)**

Economic growth

- Refers to an increase in the production of goods and services in any economy over a specific period of time. ✓✓
- It is measured by real gross domestic product. ✓✓
- Focuses on quantitative changes such as increase in the level of output, income and employment opportunities. ✓✓

Economic development

- Economic development refers to the improvement in the quality of life, standard of living within a country. ✓✓
- It is measured in terms of per capita income, GDP per capita and human development index. ✓✓
- It includes qualitative changes such as advancements in education, healthcare and infrastructure. ✓✓ (4 x 2) (8)

(Accept any other correct relevant response)

(A maximum of 4 marks may be allocated for mere listing of facts/examples)

3.5 How can South Africa discourage the import of goods from other countries? **(8)**

- South Africa can apply import tariffs to increase prices of imported goods and encouraging consumption of locally produced goods. ✓✓
- Import quotas limit the number goods and services that can be imported from other countries. ✓✓
- Subsidies can be used to encourage local producers to produce previously imported goods ✓✓
- Exchange control limit the amount of foreign exchange made available for imports, investment and travelling abroad. ✓✓
- Physical control can in the form of a complete ban or embargo on the imports of certain good can be applied ✓✓ e.g. arms and drugs. ✓
- Diverting trade measures make it difficult to import from abroad are import deposits, time consuming customs procedures and high quality standards imposed.✓✓ (4 x 2) (8)

(Accept any other correct relevant response)

(A maximum of 2 marks may be allocated for mere listing of facts / examples)

[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name any TWO industrial development policies. **(2 x 1)(2)**

- Industrial Policy Action Plans ✓
- The National Industrial Policy Framework ✓

4.1.2 How can interest rates be used to correct the balance of payments disequilibrium? **(1 x 2)(2)**

The government can increase interest rates in order to decrease the spending on imports. ✓✓
(Accept any other correct relevant response)

4.2 DATA RESPONSE

4.2.1 Identify the economic concept represented by the cartoon above. **(1)**

North-South divide ✓

4.2.2 Name the policy that was aimed at creating 5million jobs by year 2020. **(1)**

New Growth Path ✓

4.2.3 Briefly describe the term *standard of living.*

Standard of living is the improvement in the quality of life or welfare of the population in the country. ✓✓ **(2)**

(Accept any other correct relevant response)

4.2.4 Explain life expectancy as a social indicator.

- Life expectancy is a key social indicator that reflects a number of years a person is expected to live from birth. ✓✓
- Life expectancy is influenced by factors such as income levels, access to healthcare systems, sanitation and education. ✓✓ **(2)**
(Accept any other correct relevant response)

4.2.5 How can the countries in the North divide contribute to poverty alleviation in countries in South divide?

- Provide financial assistance to support development projects, infrastructure and social services. ✓✓
- Reduce or cancel debts owed by the Southern countries to alleviate financial burden. ✓✓
- Encourage foreign direct investments in Southern countries by opening markets for exports. ✓✓ **(2 x 2)(4)**

(Accept any other correct relevant response)

4.3 DATA RESPONSE

4.3.1 Identify the natural rate of unemployment from the graph above. **(1)**

14% ✓

4.3.2 Name one example of leading indicators. **(1)**

- Job advertising space ✓
- Building plans approved ✓
- Equity prices ✓

(Accept any other correct relevant response)

4.3.3 Briefly describe the term *Phillips curve*.

Phillips curve is a curve that shows the relationship between inflation and unemployment rate. ✓✓ (2)

(Accept any other correct relevant response)

4.3.4 Explain the importance of curbing inflation in the economy.

- High inflation rate creates uncertainty and instability in the economy. ✓✓
- Inflation reduces the purchasing power of money and affect ability of consumers" to afford goods and services. ✓✓ (2)

(Accept any other correct relevant response)

4.3.5 How can improving the efficiency of key inputs decrease unemployment rate?

- Optimising resources efficiency can allow businesses to explore new markets and products, which creates new job opportunities. ✓✓
- Businesses can gain competitive edge which would lead to increased market share, requiring more employees to meet increasing demand. ✓✓
- Efficient resource usage result in the reduction of cost which can be reinvested to improve human resource. ✓✓ (2 x 2)(4)

(Accept any other correct relevant response)

4.4 Briefly discuss *endogenous factors and exogenous factors* as causes of business cycles. **(8)**

Endogenous factors

- These are the causes that originate within the market system. ✓✓
- They believe that markets are inherently unstable. ✓✓
- They believe that the government should intervene by using government policies to smooth out business cycles. ✓✓

Exogenous factors

- These are causes that originate outside the market system. ✓✓
- External factors cause expansion and contraction in the economy. ✓✓
- They believe that markets are inherently stable. ✓✓
- The believe that government should not intervene in how market operates. ✓✓
- Examples include natural disasters, shocks, etc. ✓

(4 x 2)(8)

(Accept any other correct relevant response)

(A maximum of 4 marks may be allocated for mere listing of facts / examples)

4.5 Why is productivity considered a key measure of economic performance? **(8)**

- Productivity is closely linked to competitiveness, economies with high productivity are more competitive in the global market. ✓✓
- Productivity is the key inputs of long term economic growth, as productivity increases an economy can produce more goods and services of high quality at a lower cost per unit. ✓✓
- Productivity is related to the standard of living, higher wages and incomes as businesses can afford to pay their workers. ✓✓
- Productivity is often driven by innovation, as new technologies and processes enable to produce more. ✓✓
- Productivity measures how efficiently an economy uses its resources, Higher productivity indicates that the economy is producing more output with the same amount of input, or the same output with fewer inputs. ✓✓

(4 x 2) (8)

(Accept any other correct relevant response)

(A maximum of 2 marks may be allocated for mere listing of facts / examples)

[40]

TOTAL SECTION B: 80

SECTION C

QUESTION 5: MACROECONOMICS

- Discuss in detail macroeconomic objectives of the state. (26 marks)

- Evaluate the success of government in achieving the socio-economic rights of citizens (10 marks)

INTRODUCTION

The government provides goods and services that are under-supplied by the market and play a major role in regulating economic activities. ✓✓
(Max 2)
(Accept any other correct relevant introduction)

MAIN PART

Full employment ✓

- Full employment is a condition where all economically active people who are looking for a job can find it. ✓✓
- Government is always trying to attain high levels of employment in the country. ✓✓
- The current rate of unemployment is estimated at 32,90%.✓✓
- Employment increases due to the contribution of the informal sector. ✓✓
- The rate of unemployment has increased in South Africa over the years. ✓✓
- The GEAR strategy was implemented by the government with the purpose to create a climate conducive to employment creation mainly by the private sector. ✓✓

Economic growth ✓

- Economic growth refers to an increase in the production of goods and services by the country over a specific period. ✓✓
- Economic growth is measured in real GDP. ✓✓
- For economic growth to occur, economic growth rate must be higher than the population growth rate. ✓✓
- Economic growth leads to economic development. ✓✓

Price stability ✓

- The SARB has implemented a policy of keeping inflation within the target rate of 3-6%. ✓✓
- Market economies produce better results in terms of growth and development if the inflation rate is stable. ✓✓
- Interest rates are the main instrument used to stabilise prices. ✓✓

Economic equity ✓

- Redistribution of income and wealth is essential in the economy. ✓✓
- The South African government uses the progressive tax system to redistribute income. ✓✓
- Taxes on profits, progressive income tax and tax on wealth are taxes used to finance free public services and social security grants. ✓✓

Exchange rate stability✓

- The government manages the economy through effective fiscal and monetary policies to stabilise the country's exchange rate. ✓✓
- Depreciation and appreciation of the currency could create uncertainties for the currency and should be limited. ✓✓
- The South African government uses the free-floating exchange rate system, this allows the currency value to be determined by the market forces of demand and supply. ✓✓ (Max. 26)

ADDITIONAL PART

Evaluate the success of government in achieving the socio-economic rights of citizens. (10)

Success

- A comprehensive plan, National Development Plan 2030 is aiming at eliminating, poverty by providing skills development and creating jobs. ✓✓
- Social grants provide basic income to the vulnerable population, limiting the scale of poverty and inequality. ✓✓
- Investment in infrastructural development aims to facilitate economic growth and improve standard of living. ✓✓

Failure

- Despite poverty reduction efforts, many South Africans still struggle with limited access to basic services. ✓✓
- South Africa remains one of the most unequal societies globally with disparities in education, health and income. ✓✓
- Unemployment among youth hinder economic growth and perpetuate poverty. ✓✓

(5 x 2) (10)

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

CONCLUSION

While the government has achieved success in certain areas, it is still a challenge to achieve some of its objectives because of the problems that are associated with the public sector such as corruption and lack of accountability. ✓✓

(Accept any other correct relevant and higher order response)

QUESTION 6: ECONOMIC PURSUITS 40 MARKS – 40 MINUTES

- Discuss in detail South Africa's initiatives (endeavors) in regional development. (26 marks)
- Evaluate the appropriateness of South African regional development policies in terms of international benchmark. (10 marks)

[40]

INTRODUCTION

Regional development is the policy aimed at increasing economic activity in geographical areas that are less developed. ✓✓ (Max 2)

(Accept any other correct relevant introduction)

MAIN PART

Spatial development initiatives (SDI) ✓

- It is a policy aimed at attracting infrastructure and investments to areas with high unemployment and poverty. ✓✓
- The main objective is to create employment and stimulate economic growth in specific areas with high growth potential. ✓✓
- This initiative makes provision for private-public partnerships (PPPs) to take advantage of the economic potential of underdeveloped areas. ✓✓
- Lubombo SDI is one of the example of the 9 local SDIs we have in South Africa. ✓

The incentives from the government the SDIs enjoy includes;

- Duty free incentives- The benefit of importing intermediate goods with no charge of import tariff. ✓✓
- Skills support programme-Tax free grants for skills development. ✓✓

Industrial Development Zones (IDZs) ✓

- IDZs are purpose built industrial estates located near a point of entry or exit into a country such as ports and airports. ✓✓
- The benefits of IDZs is to support investing companies, especially for greenfield development projects. ✓✓
- Access to transport for export purposes is one of the key objective of the IDZs. ✓✓
- The other aim is to waiver import duties for products that are produced for export. ✓✓
- The example of the IDZ is Saldanha Bay which focuses on steel. ✓

Special Economic Zones (SEZs) ✓

- It is a geographically demarcated area where specific economic activities have been identified to be developed.
- SEZ's can benefit the economy by attracting new businesses. ✓✓
- SEZ's assist businesses that establish new product lines and expand their operations✓✓
- creating more employment for the households in their neighborhood ✓✓
- promoting more effective use of resources , increasing productivity and economic growth✓✓
- focusing on both domestic production and exports. ✓✓
- These areas may enjoy incentives such as tax relief and support systems to promote industrial development. ✓✓
- The government provides economic infrastructure to these areas and help in establishing industrial parks for employment-enhancing manufacturers. ✓✓
- It creates a basis for a broader range of industrial parks. ✓✓
- It also provides economic infrastructure to enable the effective clustering of value-adding and employment-enhancing manufacturers. ✓✓

Corridors ✓

- A corridor is a track of land that forms a passageway allowing access from one area to another. ✓✓
- The purpose of this can be to link two industrial areas or to link industries and the markets. ✓✓
- Maputo corridor is a major trade corridor which connects Limpopo, Mpumalanga and Gauteng with Maputo city in Mozambique. ✓✓
- This corridor comprises of roads, railway and border facilities at Komatipoort. ✓✓ (Max 26)

(Accept any other correct relevant and higher order response)

ADDITIONAL PART

How effective is South Africa regional development policies in term of international benchmarking? (10 marks)

- Managing strategies free of corruption through good governance to improve the country's economic growth and development. ✓✓
- Build partnership between central government, local authorities, civil societies and special interest groups with the private sector. ✓✓
- Provide sufficient resources in poor areas, focusing on total development of all human life. ✓✓
- Establish competitive businesses which will operate without depending on the government, reducing its financial burden. ✓✓
- Involving people from all regions in training, education, improving productivity and provide essential goods and services. ✓✓
- Concentrate on issues at grass level to ensure development starts at lower levels of the population to improve their economic welfare. ✓✓
- Integrate between different areas by means of spill over benefits to other industries to improve the functioning of the economy. ✓✓ (5 x 2) (10)

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

CONCLUSION

Although the government has invested in such initiatives there have been some internal and external factors such as shortage of skills and unstable exchange rate that have hindered the progress of these initiatives. ✓✓

(Accept any other correct relevant and higher order response)

TOTAL SECTION C: 40

GRAND TOTAL: 150