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

MARKS: **150**

TIME: **2 hours**

This question paper consists of 13 pages.

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INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows in the ANSWER BOOK:

   SECTION A: COMPULSORY
   SECTION B: Answer any 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.

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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, for example 1.1.7 B.

1.1.1 If the marginal propensity to save (mps) is 0,2 in a two-sector model, the marginal propensity to consume (mpc) will be …

A 8
B 0,2
C 0,8
D 0,4

1.1.2 Business cycles that are caused by changes in construction activities, lasting for 15 to 20 years are called … cycles.

A Kitchin
B Juglar
C Kuznets
D Kondratieff

1.1.3 The responsibility for ensuring effective service delivery and the day-to-day management of cities and towns lies with the … government.

A local
B provincial
C central
D national

1.1.4 The increasing connection and interaction between countries, businesses, and people through trade is called …

A balance of payments
B globalisation
C international trade
D balance of trade

1.1.5 Newly established businesses that still need protection are called … industries.

A infant
B strategic
C declining
D competitive

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1.1.6 The growth and development policy that aims to eliminate poverty and reduce inequality by 2030, is known as the …

A ASGISA
B GEAR
C RDP
D NDP

1.1.7 A track of land that forms a passage gateway which allows access from one area to another to promote regional development, is known as …

A spatial development initiatives.
B corridor.
C special economic zone.
D industrial development zone.

1.1.8 Bank notes and coins in circulation and demand deposits in the banking sector, is classified as … money supply.

A M4
B M3
C M2
D M1 (8 x 2) (16)

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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 (1.2.1–1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A		COLUMN B	
1.2.1	Closed economy	A	a situation where no one can be made better off without making someone else worse off
1.2.2	Open market transactions	B	buys from and sells to other countries
1.2.3	Pareto efficiency	C	used to finance the balance of payments disequilibrium experienced by member countries
1.2.4	Special Drawing Rights	D	statistic data used to measure the performance of the economy
1.2.5	Trade liberalisation	E	coordinates government actions to increase the competitiveness of South African businesses
1.2.6	Expanded Public Works Programme	F	all goods and services are produced and consumed domestically
1.2.7	Integrated Manufacturing Strategy	G	nationwide government intervention to create employment using labour intensive methods
1.2.8	Economic indicator	H	the buying and selling of government securities by the central bank to control the money supply
		I	removal or reduction of barriers on imports and exports to promote international trade

(8 x 1) (8)

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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 The spending by households that occurs regardless of the income level

1.3.2 Refers to changes in taxation and government spending to influence the level of economic activity

1.3.3 A document showing expected revenue and planned expenditure for the fiscal year

1.3.4 An exchange rate system where the value of the currency is determined entirely by market forces

1.3.5 The process of improving the standard of living and well-being of a country's population

1.3.6 The number of employed people expressed as a percentage of the economically active population (6 x 1) (6)

TOTAL SECTION A: 30

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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 effects of international trade. (2)

2.1.2 Why is residual item included when calculating GDP with the expenditure method? (2)

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

MACROECONOMIC OBJECTIVES OF THE STATE

South Africa's economic growth remains low, averaging below 2%, with GDP expected to grow by 1,5–2% in 2026. Unemployment remains very high at around 32%, with youth unemployment far higher, showing that South Africa is still far from achieving full employment.

On a positive note, inflation has been relatively well controlled, remaining within the SARB target range. Overall, South Africa has achieved price stability more successfully than economic growth and employment, highlighting a key macroeconomic imbalance.

[Adapted from The United Nations in South Africa, SARB, Reuters.com, January 2026]

2.2.1 Identify the macroeconomic objective that is related to production in the extract above. (1)

2.2.2 Name the new inflation target adopted by the SARB to maintain price stability. (1)

2.2.3 Briefly describe the term *full employment.* (2)

2.2.4 Explain how interest rates are used to stabilise inflation. (2)

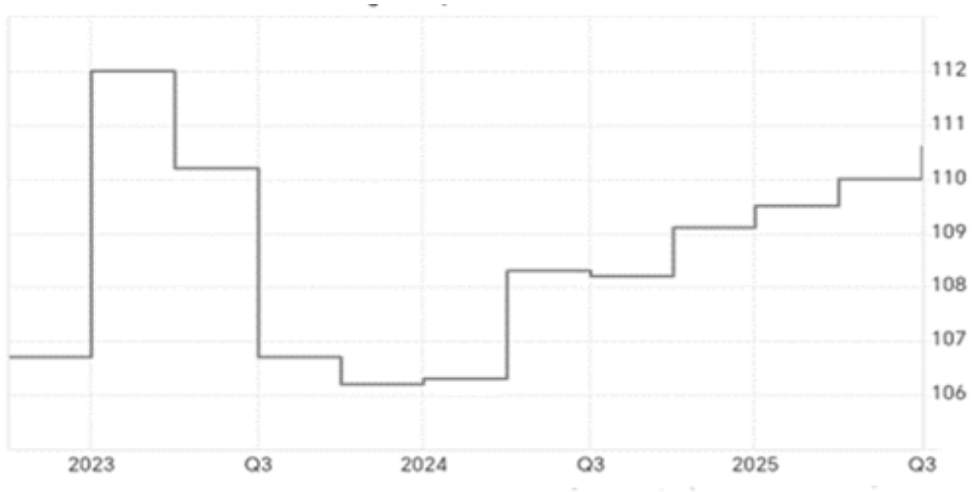
2.2.5 How can the government improve economic equity in South Africa? (4)

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

SOUTH AFRICA'S TERMS OF TRADE



[Adapted from tradingeconomics.com | South African Reserve Bank]

2.3.1 Identify the terms of trade recorded in the third quarter (Q3) of 2025 from the graph above. (1)

2.3.2 Give the concept that refers to buying goods and services from other countries. (1)

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

2.3.4 Explain the reason for calculating the terms of trade. (2)

2.3.5 How can the South African Reserve Bank (SARB) reduce a balance of payments deficit? (4)

2.4 With the aid of a well-labelled graph, explain the multiplier effect. (8)

2.5 Analyse the impact of a rand revaluation on the South African economy. (8)

[40]

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QUESTION 3: ECONOMIC PURSUITS

40 MARKS – 30 MINUTES

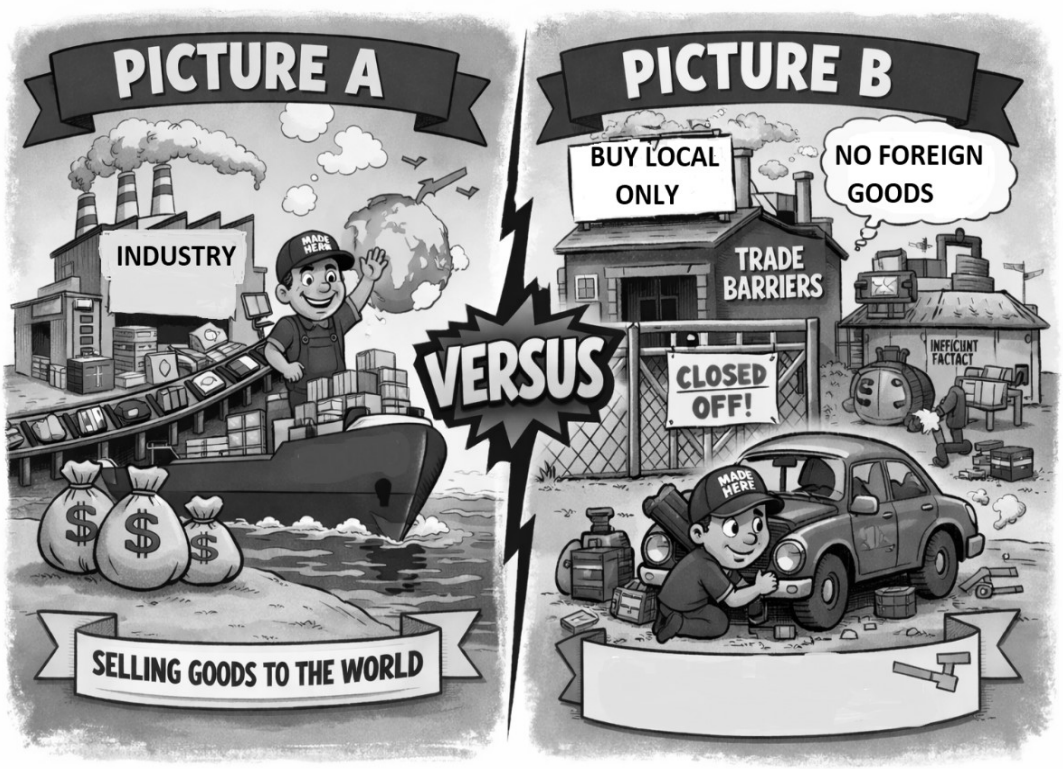
3.1 Answer the following questions.

3.1.1 Name TWO industrial development strategies in South Africa. (2 x 1) (2)

3.1.2 How are consumers in the importing country affected by dumping? (1 x 2) (2)

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

SOUTH AFRICA'S TRADE POLICIES



[Adapted from google images/economic concepts]

3.2.1 Identify the picture that relates to import substitution. (1)

3.2.2 Name the trade policy that encourages businesses to sell goods and services to other countries. (1)

3.2.3 Briefly describe the term *desirable mix*. (2)

3.2.4 What role does the World Trade Organisation play in supporting free trade? (2)

3.2.5 How does protectionism contribute to industrial development? (2 x 2) (4)

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

BENEFITS OF OPERATING WITHIN AN SEZ

The Special Economic Zone Programme in South Africa aims to promote balanced regional development and strengthen regional economies. The East London IDZ is one of the operational SEZs formed through the transition from IDZs under new legislation. Operating within an SEZ offers benefits like incentives that promote economic growth, create jobs, and attract more foreign investment.

[Source: East London IDZ official website/www.elidz.co.za]

3.3.1 Identify from the extract above the reason government provides incentives to businesses. (1)

3.3.2 Name the key industry operating in East London IDZ. (1)

3.3.3 Briefly describe the term *regional development.* (2)

3.3.4 Why is the Special Economic Zone programme better than the Industrial Development Zone? (2)

3.3.5 How can the skills support program help to promote industrial development? (4)

3.4 Briefly discuss progressive personal income tax and natural benefits as demand side approaches in promoting growth and development in South Africa. (2 x 4) (8)

3.5 How can South Africa benefit from free trade? (4 x 2) (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. (2)

4.1.2 How does Broad-Based Black Economic Empowerment (BBBEE) promote industrial development? (1 x 2) (2)

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

CIRCULAR FLOW OF INCOME

Households supply labour to firms in the factor market and receive wage as income. Firms produce goods and services which are sold to households in the goods market.

Some household's income is saved, paid to the government in the form of taxes, or spent on imported goods. Firms invest in new capital equipment, government provides public services, and producers earn income by selling goods to foreign countries.

[Adapted from Mankiw, N. Gregory. Principles of Economics]

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

4.2.2 Name the injection that occurs when a country sells goods to other countries. (1)

4.2.3 Briefly describe the term *real flow.* (2)

4.2.4 Explain the effect of savings on the circular flow in an economy. (2)

4.2.5 How do households contribute to the South African economy? (4)

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



Globalisation links countries through trade, technology, and investment, but it also creates challenges. Poverty remains high in some countries, growth rates differ between developed and developing nations, and industrial expansion keeps pushing boundaries.

[Source: google images]

4.3.1 Identify ONE challenge of globalisation mentioned in the article above. (1)

4.3.2 Give any reason for the poor economic conditions of countries in the South. (1)

4.3.3 Briefly describe the term *North-South divide.* (2)

4.3.4 Explain the negative effect of mass production on the environment. (2)

4.3.5 How does the standard of living in the North differ from the South in terms of life expectancy and education? (2 x 2) (4)

4.4 Discuss the necessity of the public sector in the economy. (8)

4.5 How can partnership and good governance be used as benchmark criteria for regional development? (2 x 4) (8)

TOTAL SECTION B: 40

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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 **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. 26 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 the features underpinning forecasting of business cycles. (26)
- How would the conflict (war) in the Middle East negatively affect the South African businesses? (10)

QUESTION 6: ECONOMIC PURSUITS

40 MARKS – 40 MINUTES

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

TOTAL SECTION C: 40
GRAND TOTAL: 150

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