Please paste the barcoded label here	TOTAL MARKS

INTERNATIONAL SECONDARY CERTIFICATE EXAMINATION
MAY 2025

ECONOMICS

EXAMINATION NUMBER

Time: 3 hours

300 marks

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This question paper consists of 34 pages. Please check that your question paper is complete.
2. Read the questions carefully.
3. **All questions are compulsory**.
   SECTION A: Question 1
   SECTION B: Question 2, 3, 4 and 5
   SECTION C: Question 6
4. **Answer ALL the questions on the question paper and hand this in at the end of the examination. Remember to write your examination number in the space provided.**
5. Answer questions, where possible, point by point but in full sentences. A systematic presentation of facts is required.
6. It is in your own interest to write legibly and to present your work neatly.
7. Non-programmable calculators may be used.
8. Please **do not write in pencil** as work in pencil will not be marked. However, any sketches or diagrams may be done in pencil.
9. Three blank pages (pages 32–34) are included at the end of the paper. If you run out of space for a question, use these pages. Clearly indicate the number of the question you are answering should you use this additional space.

Allocation of marks

Q1	Q2	Q3	Q4	Q5	Q6	Total
50	**50**	**50**	**50**	**50**	**50**	**300**

SECTION A

QUESTION 1

Indicate the most correct answer by writing the letter of the alternative you have chosen in the space provided below.

1.1 An open economy is best described as a … sector economy.

A one
B two
C three
D four (2)

1.2 The estimation of future revenues and expenses over a period of time is known as …

A aggregate demand.
B budget.
C finance.
D expenditure. (2)

1.3 The deliberate increase in the value of a currency in terms of another is called …

A appreciation.
B revaluation.
C overvaluation.
D surplus. (2)

1.4 A characteristic of monopolistic competitors is that they …

A have full control over the price.
B can easily enter and exit the market.
C produce unique products.
D make economic profit in the long run. (2)

1.5 The type of inflation that occurs when there is 'too much money chasing too few goods' is called … inflation.

A imported
B key inputs
C cost-push
D demand-pull (2)

1.1	1.2	1.3	1.4	1.5

1.6 If the index of export prices is higher than the index of import prices, it shows that the … is positive.

A supply
B terms of trade
C balance of trade
D balance of payment (2)

1.7 The relationship between goods produced and the resources used to produce them is known as …

A productivity.
B production.
C remuneration per worker.
D labour rate. (2)

1.8 The balance of payments account that records, among others, transactions related to exports and imports of goods and services is known as the … Account.

A Financial
B Current
C Capital Transfer
D Reserve (2)

1.9 A trade protocol that is meant to improve trade relationships between the United States of America and Africa is called the …

A European Union.
B Southern African Customs Union.
C African Growth and Opportunity Act.
D Multilateral Monetary Area. (2)

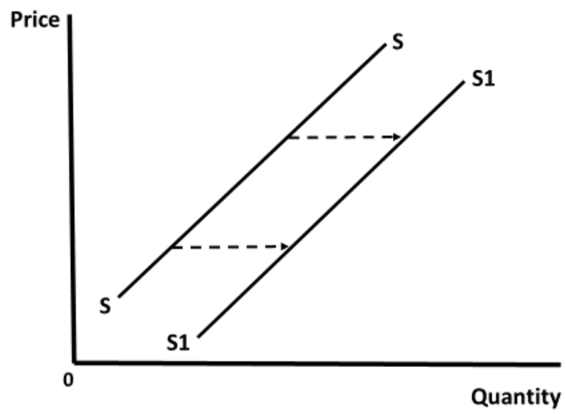
1.10 An increase in oil prices or other input costs will lead to …

A demand-pull inflation.
B an increase in interest rates.
C cost-push inflation.
D a reduction in the money supply. (2)

1.6	1.7	1.8	1.9	1.10

1.11 Study **Graph 1** below and answer the question that follows.

Graph 1: Supply of wheat



What could cause a shift of the supply curve from S to S1?

A A rise in the price of wheat.
B A rise in the price of barley.
C A rise in income of farmers.
D A subsidy given to wheat farmers. (3)

1.12 Other things being equal, which of the following will cause the demand curve for labour to shift to the right?

A A rise in real wages.
B An increase in immigration.
C A decrease in the size of the population.
D A fall in the money wage rate. (3)

1.13 What is the marginal propensity to consume (mpc) for a closed economy with no government sector in which investment rises by $100 resulting in real gross domestic product (GDP) rising by $1 000?

A 0,1
B 0,9
C 1,0
D 10,0 (3)

1.14 The difference between the value of a country's exports and the value of a country's imports for a given period of time is known as …

A Capital Account Balance.
B Balance of Trade.
C Current Account Balance.
D Balance of Payments. (3)

1.11	1.12	1.13	1.14

1.15 The monetary policy instrument whereby the Reserve (Central) Bank encourages the commercial banks to act desirably is called …

A repo rate.
B open market transaction.
C reserve requirements.
D moral suasion. (3)

1.16 When a business fails to produce the optimum output at the lowest possible cost, it is known as … inefficiency.

A productive
B allocative
C consumer
D pareto (3)

1.17 When import duties are imposed as a percentage of the value of imported goods, it is known as … duties.

A ad valorem
B specific
C progressive
D protectionism (3)

1.18 Spending that takes place irrespective of the level of income is called … expenditure.

A consumption
B autonomous
C induced
D government (3)

1.19 A price set by the government to prevent the sale of goods at 'unfairly low' prices is called a/an … price.

A maximum
B minimum
C equitable
D producer (3)

1.20 The value of inputs owned by an entrepreneur and used in the production process are called … costs

A implicit
B production
C explicit
D total (3)

1.15	1.16	1.17	1.18	1.19	1.20

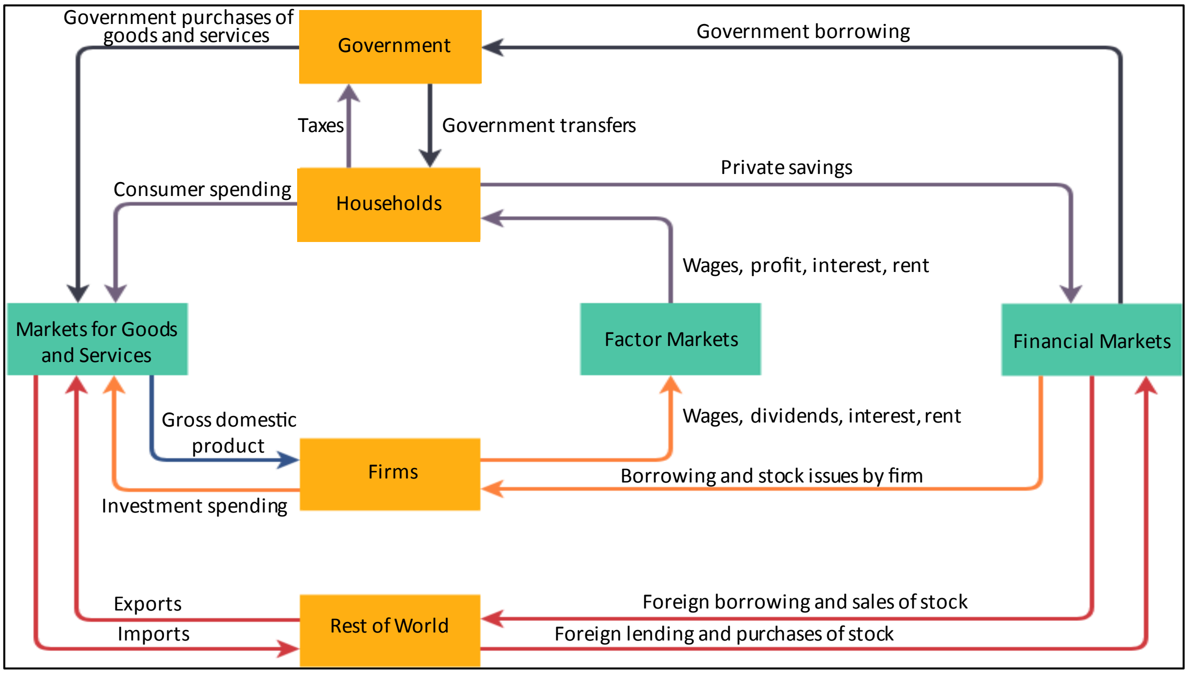
50 marks

SECTION B

QUESTION 2 MACROECONOMICS

2.1 Study **Diagram 1** below and answer the questions that follow.

Diagram 1: Open Circular Flow model



[Source: <www.googleimages.com>]

2.1.1 Identify the **FOUR** main participants of the circular flow depicted in Diagram 1 above.

____

____

(4)

2.1.2 Explain how an increase in household spending can influence the economy.

____

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____

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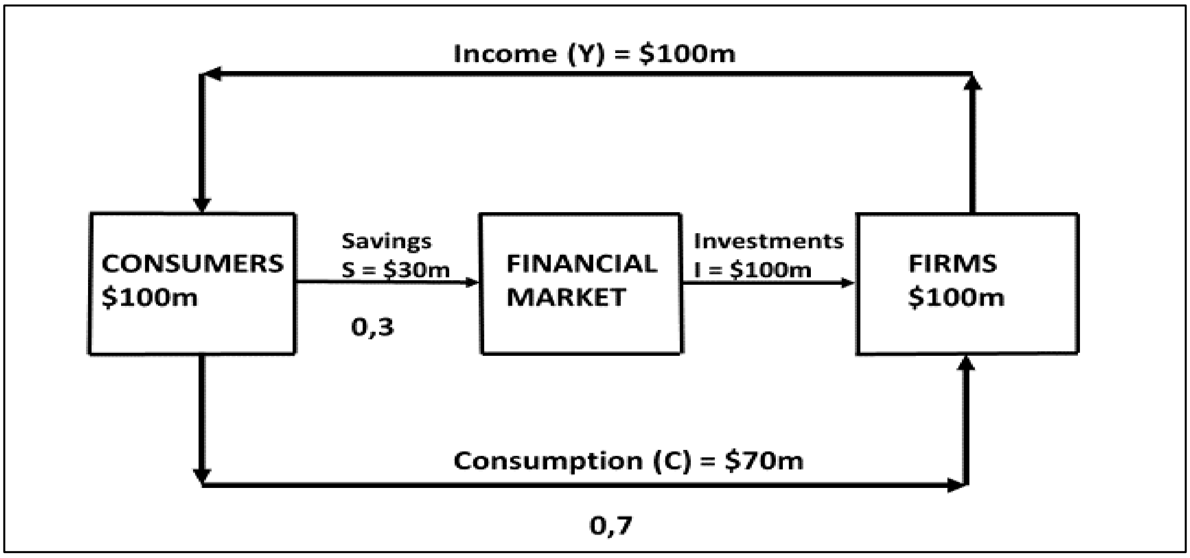
(4)

2.2 Study **Diagram 2** below and answer the questions that follow.

Diagram 2: Circular Flow and the Multiplier



2.2.1 Identify the marginal propensity to save (mps) in Diagram 2 above.

____ (2)

2.2.2 Name the leakage that relates to the foreign sector.

____ (2)

2.2.3 Briefly explain the importance of savings in the economy.

____

____

____

____

____ (2)

2.2.4 Calculate the value of the multiplier by making use of the marginal propensity to consume (mpc) from Diagram 2. Show all calculations.

(4)

2.3 Study **Table 1** below and answer the questions that follow.

Table 1: National income and production accounts for Country X at constant prices

Item	**2022 $ million**	**2023 $ million**
Final consumption expenditure by households	2 474 718	**A**
Final consumption expenditure by general government	527 384	668 978
Gross capital formation	664 817	599 009
B	–44	–5 772
Gross Domestic Expenditure	**3 666 875**	**3 706 830**
Exports of goods and services	859 665	**C**
D	877 938	832 675
Gross Domestic Product	**3 648 602**	**3 651 658**

[Source: <www.google.com>]

2.3.1 Which method of calculating the national accounts is used in Table 1?

(2)

2.3.2 Name or calculate **A to D**. You do not have to show your calculations.

(4)

2.3.3 Use the figures given and calculate the economic growth rate for 2023. Show all calculations.

(4)

2.3.4 Should the economy of Country X be concerned about its 2022 and 2023 Gross Domestic Expenditure that is greater than its Gross Domestic Product for these two years? Justify your answer.

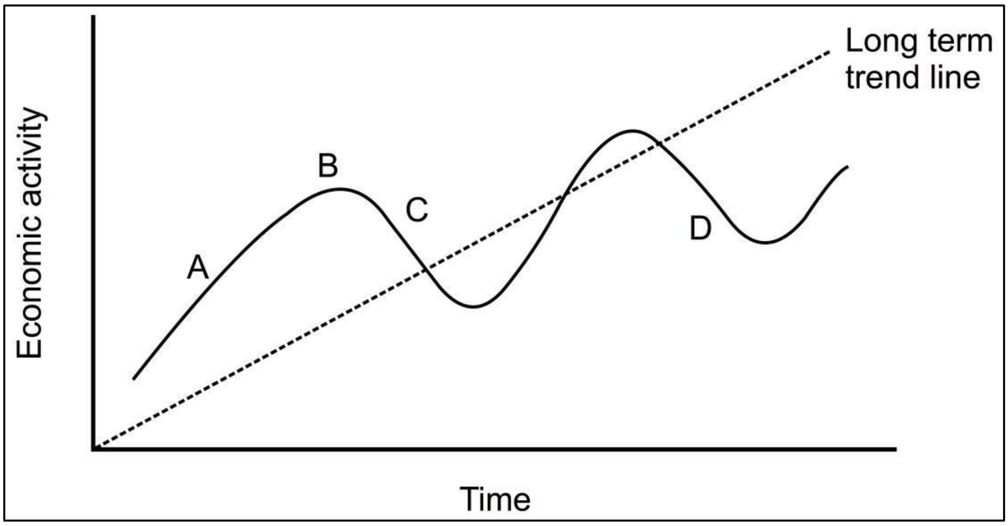
(4)

2.3.5 Differentiate between constant and current prices.

(4)

2.4 Study **Diagram 3** below and answer the questions that follow.

Diagram 3: Business Cycle



2.4.1 Name A to D.

A: ______________________________

B: ______________________________

C: ______________________________

D: ______________________________

(4)

2.4.2 Study **Source 1** below and answer the question that follows.

High demand for credit pushes up interest rates and results in the economy overheating.

Name the phase of the business cycle that you would expect given the above-mentioned situation. Briefly explain your answer.

____

____

____

____

____

(3)

2.4.3 Study **Source 2** below and answer the question that follows.

Banks repossess houses and cars; durable household appliances bought on credit are also repossessed and businesses shut down.

Name the phase of the business cycle that you would expect given the above-mentioned situation. Briefly explain your answer.

(3)

2.4.4 **Identify the concepts defined below.**

(a) Causes of business cycles that develop from inside the economic system.

(1)

(b) Phase in the business cycle entered after three consecutive quarters of contraction.

(1)

(c) The vertical distance between a trough and a peak in the business cycle.

(1)

(d) The time from one peak to the next peak in the business cycle.

(1)

50 marks

QUESTION 3 MICROECONOMICS

3.1 Study **Table 2** below and answer the question that follows.

Table 2: Cost data for an Imperfectly Competitive Firm

Quantity	Fixed cost FC	Variable cost VC	Total cost TC	Average cost AC	Marginal cost MC
0	40	0	40	_	_
1	40	16	56	**C**	16
2	40	**A**	64	32	**D**
3	40	44	**B**	28	20
4	40	68	108	27	**E**

Calculate the values of **A to E**. You do not have to show your calculations.

(5)

3.2 Study **Source 3** below and answer the questions that follow.

A 13% rise in the price of Vodacom calls leads to the demand for MTN calls increasing by 9%.

3.2.1 Calculate the cross-price elasticity of demand from **Question 3.2**. Show all calculations.

(3)

3.2.2 Use your answer in **Question 3.2.1** to identify the relationship between the two products.

____ (2)

3.3 Study **Source 4** below and answer the questions that follow.

When it comes to the income elasticity of demand, no-name brands are regarded as inferior goods.

3.3.1 Define the economic term *income elasticity of demand*.

____

____

____ (2)

3.3.2 Use **ONLY** a supply and demand graph to show the effects that an increase in income would have on the price and quantity sold of an inferior good.

(6)

3.4 Study **Source 5** and answer the question that follows.

In certain markets, the price mechanism might fail to allocate resources efficiently, causing market failure.

Discuss **THREE** causes of market failure and outline what the government can do about each one. Provide a heading for each form of market failure.

(12)

3.5 Study the image below and answer the questions that follow.

[Source: <www.googleimages.com>]

3.5.1 Use an example to discuss how banks use non-price competition to make their products or services more price inelastic.

(4)

3.5.2 The banking sector in South Africa is regarded as an example of an oligopoly. Justify how this example corresponds with **FOUR** characteristics of oligopolies.

(16)

50 marks

QUESTION 4 CONTEMPORARY ECONOMIC ISSUES

4.1 Briefly explain the following concepts:

4.1.1 Disinflation

(2)

4.1.2 Stagflation

(2)

4.1.3 PPI

(2)

4.1.4 Deflation

(2)

4.2 Discuss **THREE** consequences of inflation.

(12)

4.3 **Demand-pull or Cost-push inflation?**

Analyse the statements below and decide what type of inflation each scenario would cause.

4.3.1 Trade Unions are demanding wage increases that are higher than the increase in productivity levels.

(2)

4.3.2 Consumers' disposable income increases.

(2)

4.3.3 The current account changes from a deficit to a surplus.

(2)

4.3.4 Consumers have easier access to credit.

(2)

4.3.5 Suppliers have to pay higher prices for raw materials.

____ (2)

4.4 Study **Table 3** below and answer the questions that follow.

Table 3: Inflation data for Country X

Index	**Dec 2020**	**Dec 2021**	**Dec 2022**	**Nov 2023**	**Dec 2023**
CPI Headline	94.6	100	105.4	110.5	111.0

4.4.1 Which year is the base year?

____ (2)

4.4.2 Calculate the monthly inflation and the yearly inflation for December 2023. Show all calculations.

(6)

4.5 Study **Excerpt 1** below and answer the questions that follow.

New Minimum Wage will take effect from May 1, 2024. The Minister of State Labour, Nkeiruka Onyejeocha, stated this on Wednesday while addressing Nigerian workers at the May Day celebration in Abuja.

[Source: <www.punchng.com>]

4.5.1 Explain **TWO** reasons for a government introducing a minimum wage.

____

____

____

____

____

____ (4)

4.5.2 Use a diagram and a discussion to analyse the impact of a minimum wage on the labour market.

(8)

50 marks

QUESTION 5 MIXED QUESTIONS

5.1 Study **Excerpt 2** below and answer the questions that follow.

> **'Fiscal policy, monetary policy, they need to work together to try and raise the level of growth.' — Joe Hockey**

5.1.1 Briefly explain the differences between monetary policy and fiscal policy.

____

____

____

____

____

____

____ (4)

5.1.2 Discuss how each of these policies from **Question 5.1.1** can be used to stabilise the economy during times of recession. Provide examples to support your explanation.

(12)

5.1.3 Evaluate monetary and fiscal policies' effectiveness and limitations in addressing economic challenges such as inflation and unemployment.

Monetary Policy:

Effectiveness:

Limitations:

Fiscal Policy:

Effectiveness:

Limitations:

(8)

5.2 5.2.1 Discuss with headings **FOUR** reasons why countries trade.

(12)

5.2.2 Discuss **TWO** arguments that countries use in favour of free trade.

(4)

5.3 Study **Source 6** and answer the questions that follow.

South Africa has the highest Gini coefficient in the world at 0,63.

5.3.1 Describe the economic term ***Gini coefficient*.**

(4)

5.3.2 Use a diagram and describe the economic concept ***Lorenz curve***.

(6)

50 marks

SECTION C

QUESTION 6 DATA RESPONSE

6.1 Study **Table 4** below and answer the questions that follow.

Table 4: Highest and lowest HDI rankings in the world 2024

	Countries with the highest HDI		**Counties with the lowest HDI**
1	Switzerland - 0.962	**1**	South Sudan - 0.385
2	Norway - 0.961	**2**	Chad - 0.394
3	Iceland - 0.959	**3**	Niger - 0.400
4	Hong Kong - 0.952	**4**	Central African Republic - 0.404
5	Australia - 0.951	**5**	Burundi - 0.426

[Source: <www.datapandas.org>]

6.1.1 What does the acronym HDI stand for?

____ (2)

6.1.2 Identify the countries with the best and worst HDIs from the table above.

____ (2)

6.1.3 Name the components that make up the HDI index.

____ (3)

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

____ (2)

6.1.5 Discuss the relationship between the HDI and economic growth.

____

____

____

____

____

____

____ (4)

6.2 Study **Excerpt 3** below and answer the questions that follow.

Large June fuel price cuts now look likely as oil hits 3-month low

Petrol and diesel prices are currently on track for significant cuts at the start of June as Brent crude oil reaches its lowest level in three months. South African fuel prices are largely determined by international oil and fuel costs and the rand exchange rate, as oil is priced in dollars.

[Source: <www.news24.com>]

6.2.1 Draw a diagram and provide a brief explanation of the impact of a decrease in the international price of oil on the Rand/Dollar (R/$) market.

(9)

6.2.2 Draw a diagram and provide a short explanation to show the effect of a decrease in the price of petrol and diesel on the price of goods and services in the economy.

(9)

6.3 Study **Cartoon 1** below and answer the questions that follow.

6.3.1 Interpret the message of the cartoon.

____

(2)

6.3.2 How is the unemployment rate measured?

(2)

6.3.3 Differentiate between the narrow/strict definition of unemployment and the broad definition of unemployment.

(4)

6.3.4 Draw a diagram **ONLY** to show the relationship between unemployment and inflation.

(6)

6.3.5 Discuss the policy challenge/conflict that a country faces when trying to achieve the macroeconomic objectives of full employment versus a low and stable rate of inflation.

(5)

50 marks

ADDITIONAL SPACE (ALL QUESTIONS)

REMEMBER TO CLEARLY INDICATE AT THE QUESTION THAT YOU USED THE ADDITIONAL SPACE TO ENSURE THAT ALL THE ANSWERS ARE MARKED.