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TOTAL MARKS

NATIONAL SENIOR CERTIFICATE EXAMINATION MAY 2025

ECONOMICS

EXAMINATION NUMBER

Grid for examination number

Time: 3 hours

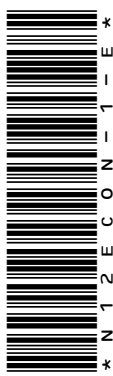
300 marks

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 it 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. Two blank pages (pages 33 and 34) are included at the end of the question paper. Use these pages if you run out of space for a question. Clearly indicate the number of the question you are answering should you use this additional space.

Allocation of marks

Table with 7 columns: Q1, Q2, Q3, Q4, Q5, Q6, TOTAL and 2 rows of data.



SECTION A

QUESTION 1

50

Choose the MOST correct option for Questions 1.1–1.20 and write the letter corresponding to your choice in the block below.

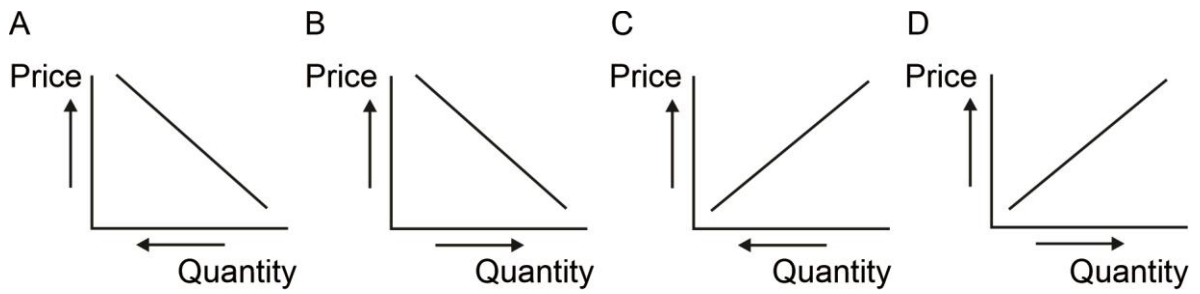
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$10 \times 3 =$

- 1.1 **Name** the participant in the circular flow that is excluded from a closed economy.
- A Households
 - B Firms
 - C Foreign sector
 - D Government
- (2)
- 1.2 **Indicate** the most likely impact of an increase in income on the real flow in the circular flow model.
- A Household spending will increase.
 - B Household savings will increase.
 - C The government will collect more tax.
 - D Firms will produce more goods.
- (2)
- 1.3 **Identify** the production method that can be used to calculate GDP at market prices.
- A $GDP (P) = w + r + i + p$
 - B $GDP (P) = \text{value added in primary sector} + \text{value added in secondary sector} + \text{value added in tertiary sector}$
 - C $GDP (P) = \text{value added in primary sector} + \text{value added in secondary sector}$
 - D $GDP (P) = C + G + I + (X - M)$
- (2)
- 1.4 **Select** which type of protectionism would limit the number of goods that may be imported into South Africa.
- A Tariffs
 - B Quotas
 - C Import taxes
 - D Quality controls
- (2)
- 1.5 **Identify** the statement that describes an endogenous reason for business cycles.
- A Floods could contribute to an upswing on the business cycle of an economy.
 - B Investment spending increases supply and could advance prosperity.
 - C A war in Europe could result in a recession.
 - D Industrial strikes could decrease production and delay a recovery.
- (2)
- 1.6 **Indicate** an example of a leading indicator:
- A Real GDP
 - B Retail sales
 - C Unemployment rate
 - D Number of new cars sold
- (2)

1.7 **Select** the graph that demonstrates the law of demand.



(2)

1.8 **Identify** the scenario that best demonstrates stagflation in a South African context:

	Inflation Rate	Growth Rate	Unemployment Rate
A	2%	1%	35%
B	4,5%	5%	4%
C	8%	0,5%	33%
D	9%	6%	2%

(2)

1.9 **Select** the combination below that illustrates a positive cross-price elasticity of demand.

- A Generators and diesel fuel
- B Cereal and milk
- C Coal-powered electricity and solar-powered electricity
- D Pen and paper

(2)

1.10 **Calculate** the month-on-month inflation rate using the information below:

	January 2022	February 2022	January 2023
CPI	102,3	103,4	106,2

- A 1,1%
- B 2,7%
- C 3,8%
- D 6,2%

(2)

1.11 Study Table 1 and **calculate** Country X's nominal GDP at market prices for 2023:

Table 1: National account figures for Country X

Item	2023 R billions
Final consumption expenditure	4 576
Exports	530
Gross capital formation	1 030
Gross fixed capital formation	900
Change in inventories	130
Residual item	-3
Imports	501
GDP at market prices	?

- A R7 664 billion
- B R5 632 billion
- C R6 634 billion
- D R6 662 billion

(3)

1.12 **Calculate** the 2023 economic growth rate of Country X using real prices:

Table 2: National account figures for Country X

Item	2022 R billions	2023 R billions
GDP at market prices	4 420	4 759
GDP at constant prices	4 420	4 450

- A $(4\ 759 - 4\ 420) \div 4\ 420 \times 100 = 7,67\%$
- B $(4\ 450 - 4\ 420) \div 4\ 420 \times 100 = 0,68\%$
- C $(4\ 420 - 4\ 420) \div 4\ 420 \times 100 = 0\%$
- D Since GDP at market and GDP at constant prices are equal, it is not possible to calculate the economic growth rate.

(3)

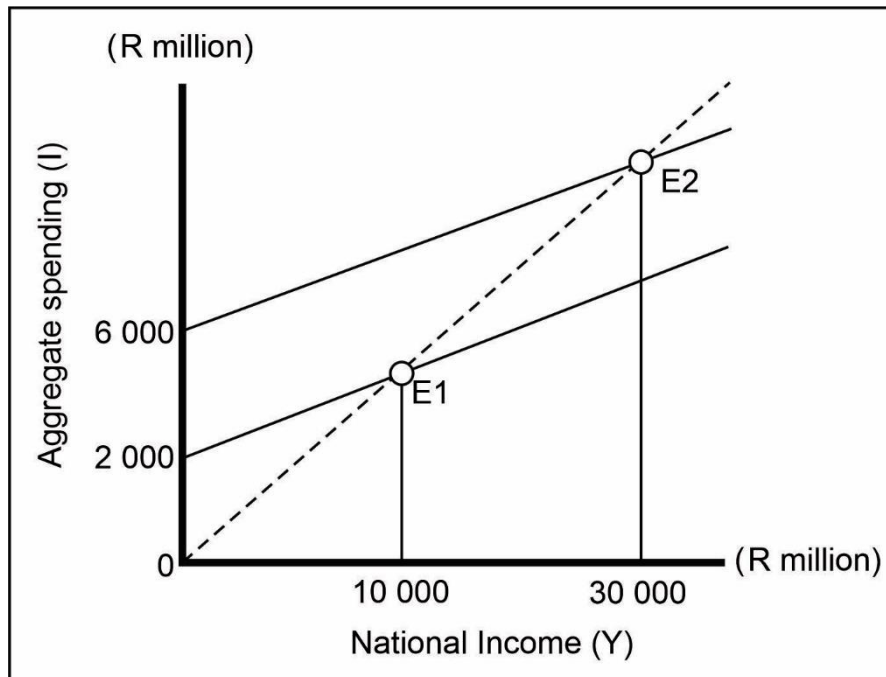
1.13 **Calculate** the value of the multiplier if the $mpc = 0,6$.

- A 5
- B 0,7
- C 1,25
- D 2,5

(3)

1.14 **Choose** the combination of statements that correctly describes the multiplier effect illustrated in Graph 1:

Graph 1: The multiplier graph



- (i) The multiplier effect shows that a small increase in spending leads to a proportionately larger increase in national income.
 - (ii) The multiplier in Graph 1 is 3, resulting in a R20 000 million increase in national income.
 - (iii) An additional R4 000 million in spending will increase national income by R20 000 million.
 - (iv) The R20 000 million increase in national income could benefit the economy through additional growth and employment.
- A (ii) and (iv)
 B (i), (ii) and (iii)
 C (i), (iii) and (iv)
 D All of the above
- (3)

1.15 **Choose** the combination of statements that correctly analyses South Africa's Philips curve:

- (i) South Africa's Philips curve shows the trade-off between inflation and unemployment.
 - (ii) If unemployment decreases, South Africa's inflation rate will increase.
 - (iii) South Africa's high unemployment rate has always kept the inflation rate within its target.
 - (iv) The creation of more jobs in South Africa will result in deflation.
- A All of the above
 B (i), (ii) and (iv)
 C (i) and (ii)
 D (ii)
- (3)

1.16 **Indicate** the statement that best describes Mexico's free-floating exchange rate system:

- A Mexico keeps the value of the Mexican Peso constant to the US Dollar to benefit trade.
- B The central bank of Mexico intervenes when the Mexican Peso depreciates against the US Dollar.
- C Mexico pegs the value of the Mexican Peso to the value of the US Dollar.
- D Mexico's exchange rate is only determined by market forces of demand and supply.

(3)

1.17 **Select** the option that correctly interprets the economic impact of restrictive fiscal policy.

	Growth Rate	Unemployment Rate	Inflation
A	Increase	Decrease	Increase
B	Decrease	Increase	Decrease
C	Decrease	Decrease	Increase
D	Increase	Increase	Decrease

(3)

1.18 **Choose** the combination of statements that best describes a lagging indicator:

- (i) A lagging indicator predicts future changes in economic activity.
- (ii) Lagging indicators change before changes occur in the economy.
- (iii) An increasing composite lagging indicator confirms past upswings.
- (iv) The unemployment rate is an example of a lagging indicator.

- A (iii)
- B (iv)
- C (i) and (ii)
- D (iii) and (iv)

(3)

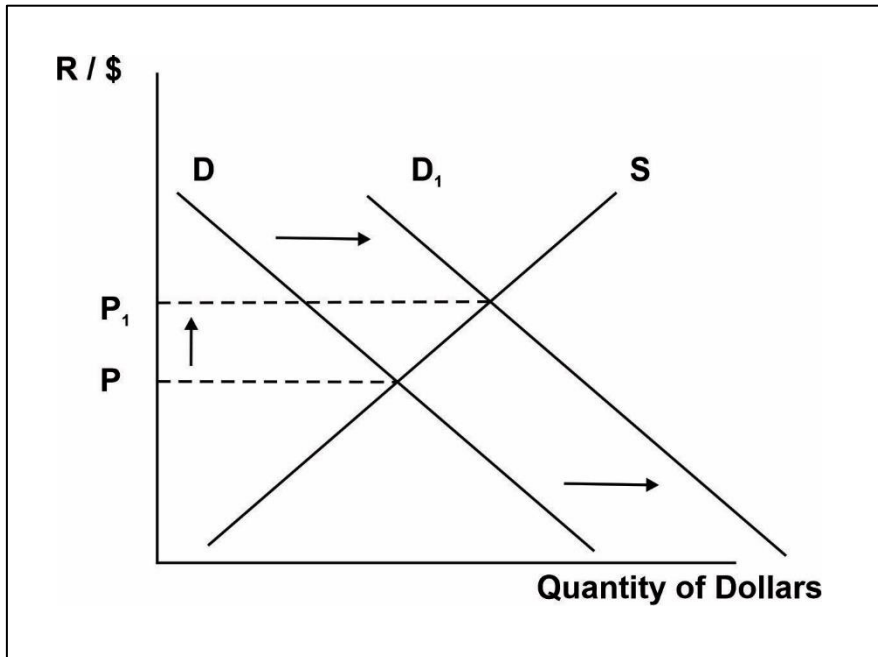
1.19 **Calculate** the cross-price elasticity of demand (XEd) if a 30% increase in the price of Product A results in a 50% decrease in the quantity demanded of Product B.

- A $X_{Ed} = -1,7$
- B $X_{Ed} = 1,7$
- C $X_{Ed} = -0,6$
- D $X_{Ed} = 0,6$

(3)

1.20 Based on the information in Graph 2, **choose** the combination of statements that are true.

Graph 2



- (i) Graph 2 illustrates the South African foreign exchange market.
- (ii) Graph 2 shows that the demand for Rands is increasing.
- (iii) Graph 2 shows that the US Dollar is depreciating against the South African Rand.
- (iv) Graph 2 demonstrates the effect when the United States increases imports from South Africa.

- A (i)
- B (ii) and (iii)
- C (i) and (iv)
- D (i), (ii) and (iv)

(3)

50 marks

SECTION B

QUESTION 2 MACROECONOMICS

2.1 Study Table 3 below and answer the questions that follow.

Table 3: National account figures 2021 and 2022 – South Africa

Item	2021 R millions	2022 R millions
A	3 838 229	4 209 539
B	1 201 482	1 269 160
Gross capital formation	809 935	1 019 389
Residual item	-21 957	-3 179
Gross Domestic Expenditure	5 827 690	6 494 909
Exports of goods and services	1 931 635	2 223 113
Imports of goods and services	1 550 539	2 089 471
Nominal GDP	6 208 786	6 628 550
Real GDP at 2021 prices	6 208 786	6 324 381

[Source (Adapted): 12Statistical tables National accounts. (<resbank.co.za>)]

2.1.1 Name the method used to calculate the national accounts in Table 3.

_____ (1)

2.1.2 Write down the missing entries for **A** and **B** in Table 3 above.

A: _____ (1)

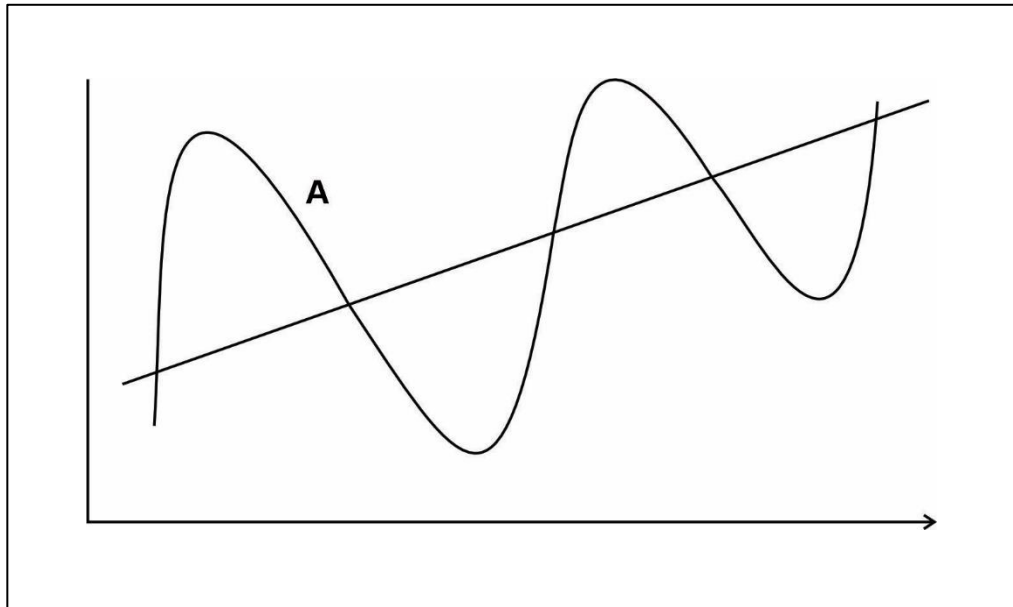
B: _____ (1)

2.1.3 Differentiate between nominal GDP and real GDP by **describing** each concept.

 _____ (4)

2.5 Study Diagram 1 below and answer the questions that follow.

Diagram 1: Country X's position on the Business Cycle



2.5.1 **Explain** Country X's position at Point A in the business cycle.

(3)

2.5.2 **Describe** FOUR characteristics that Country X will show to confirm its position at Point A in Diagram 1.

(8)
[50]

QUESTION 3 MICROECONOMICS

3.1 **Describe** the following economic concepts:

3.1.1 Accounting profit

(2)

3.1.2 Economic profit

(2)

3.2 ***'Food security in South Africa affected by growing concerns about water shortages and loadshedding'***

Draw a labelled graph to show the microeconomic effect of water shortages and loadshedding on the price of vegetables in South Africa.

(4)

3.3.2 **Justify**, using THREE reasons, whether McDonald's hamburgers have an elastic **OR** an inelastic price elasticity of demand.

(6)

3.4 **Person X is a high-income individual. When this person's income increases by 20%, the sales of McDonald's hamburgers to this person increase from two to three hamburgers a week.**

3.4.1 **Describe** the economic concept *income elasticity of demand*.

(2)

3.4.2 **Calculate** Person X's income elasticity of demand for hamburgers. Show all calculations.

(4)

3.4.3 **Explain** why hamburgers are not an inferior good for person X.

(2)

3.4.4 ***The income elasticity of demand for hamburgers will differ between high-income individuals and low-income individuals.***

Clarify why the statement above could be true.

(4)

3.5 Draw a labelled graph showing that a hamburger is a normal good for Person X.

Graph 3: Person X's income elasticity of demand for hamburgers



(4)

QUESTION 4 CONTEMPORARY ECONOMIC ISSUES

4.1 **Explain** the following economic concepts within a South African context:

4.1.1 Budget deficit

(4)

4.1.2 Government debt

(4)

4.2 **Complete** Table 4 below by explaining why the types of taxes mentioned are direct or indirect taxes:

Table 4: Direct and indirect taxes

Type of tax	Is this a direct or indirect tax?	Explain why the tax is direct or indirect
VAT		
PAYE		

(6)

4.3 **'Fiscal policy can be used to influence the economy'**

4.3.1 **Explain** how fiscal policy can be used to influence demand in the economy.

(4)

4.3.2 **Explain** THREE reasons why higher taxes may result in less tax revenue for government.

(6)

4.3.3 **Assess** the impact that less tax revenue will have on the South African economy.

(10)

QUESTION 5 MIXED QUESTIONS

5.1 **Describe** the following economic concepts:

5.1.1 Economic growth

(2)

5.1.2 Economic development

(2)

5.2 **Analyse** the performance of the South African economy against the following indicators:

5.2.1 South Africa's HDI value increased from 0,686 in 2011 to 0,713 in 2021.

(4)

5.2.2 South Africa's year-on-year CPI was 4,8% in August 2023 compared to China's year-on-year CPI of -0,2%.

(4)

5.2.3 South Africa's unemployment rate decreased by 0,7% from 32,6% in the second quarter of 2023 to 31,9% in the third quarter of 2023.

(4)

5.3 **Discuss** with examples the following causes of market failure:

5.3.1 Imperfect competition

(5)

5.4 Study Graph 4 below and answer the questions that follow.

Graph 4: Minimum wages compared in United States dollars



[Source: Minimum wage around the world in 2022 – including South Africa – BusinessTech]

5.4.1 **Describe** the economic concept of *minimum wage*.

(2)

5.4.2 **Calculate** South Africa's monthly minimum wage of \$241 in South African Rands using the exchange rate 1 US Dollar = 18 Rand.

(2)

5.5 Draw a labelled graph to **show the difference** between the effect of minimum prices and maximum prices on the economy.



(7)
[50]

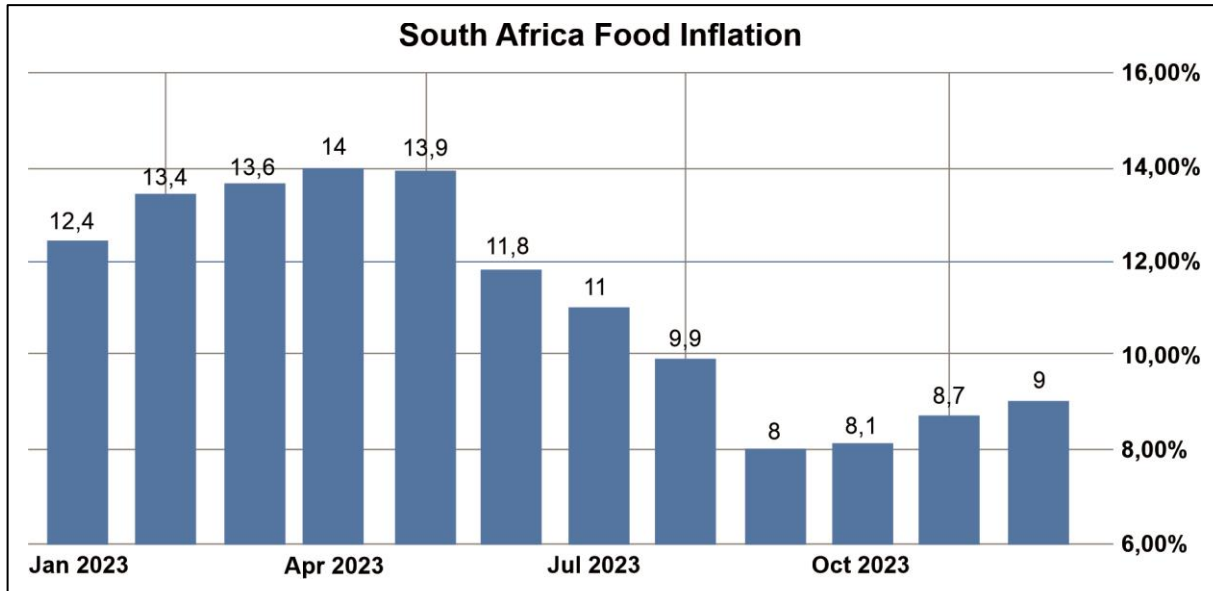
200 marks

SECTION C

QUESTION 6 DATA RESPONSE

6.1 Study Graph 5 below and answer the questions that follow.

Graph 5: South Africa food inflation



[Source (Adapted): South Africa Food Inflation (<tradingeconomics.com>)]

6.1.1 **Identify** South Africa's lowest month-on-month food inflation rate and the month during which this occurred.

_____ (2)

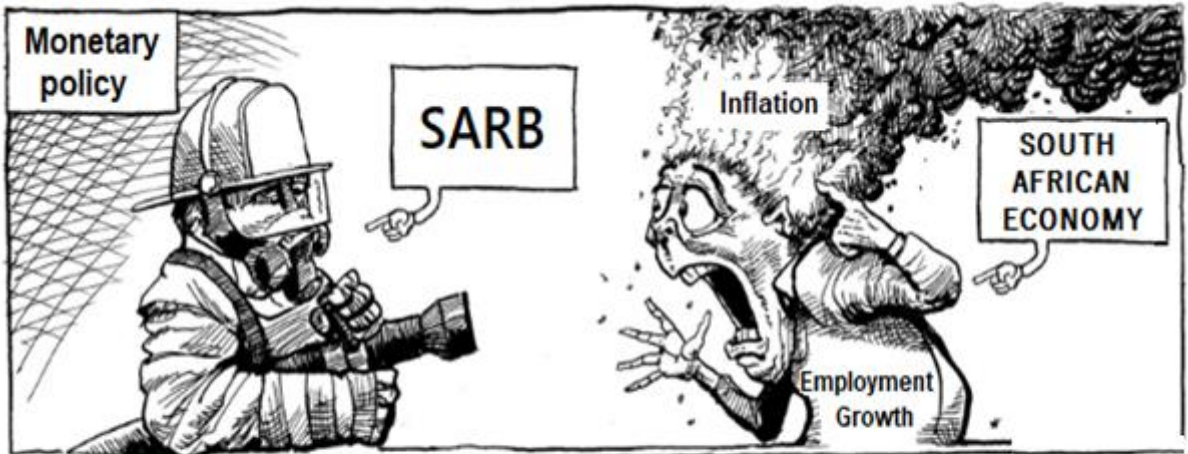
6.1.2 **Suggest** THREE cost-push reasons that could have resulted in an increase South Africa's food inflation rate during the last quarter of 2023.

(6)

6.2 Study Cartoon 1 below and answer the questions that follow.

Cartoon 1: The use of monetary policy

Scene 1



Scene 2



[Source: (Adapted) KAL's cartoon | Jul 16th 2022 Edition (<economist.com>)]

6.2.1 What does the acronym SARB stand for?

(1)

6.2.2 **Identify** the aim of the SARB in the context of Cartoon 1 above.

(2)

6.2.3 Study Cartoon 1. **Describe** TWO macroeconomic objectives illustrated in the cartoon.

(6)

6.2.4 Draw a labelled graph to show the **macroeconomic** effect of an increase in the repo rate on aggregate demand and price.



(6)

