



NATIONAL SENIOR CERTIFICATE EXAMINATION
MAY 2025

ECONOMICS
MARKING GUIDELINES

Time: 3 hours

300 marks

These marking guidelines are prepared for use by examiners and sub-examiners, all of whom are required to attend a standardisation meeting to ensure that the guidelines are consistently interpreted and applied in the marking of candidates' scripts.

The IEB will not enter into any discussions or correspondence about any marking guidelines. It is acknowledged that there may be different views about some matters of emphasis or detail in the guidelines. It is also recognised that, without the benefit of attendance at a standardisation meeting, there may be different interpretations of the application of the marking guidelines.

SECTION A**QUESTION 1**

1.1	C
1.2	D
1.3	B
1.4	B
1.5	B
1.6	D
1.7	A
1.8	C
1.9	C
1.10	A
1.11	B
1.12	B
1.13	D
1.14	C
1.15	C
1.16	D
1.17	B
1.18	D
1.19	A
1.20	A

SECTION B**QUESTION 2 MACROECONOMICS**

2.1 2.1.1 Expenditure method

2.1.2 A – Final consumption expenditure by households / government
 B – Final consumption expenditure by households / government

If households are mentioned at A, government must be mentioned at B, or vice versa.

2.1.3 Nominal GDP: GDP at market prices or constant prices total value of *final goods and service* produced *within the borders of a country*.

Real GDP – nominal GDP compared to a base year (**Only one mark**) in order to ignore inflation. OR Values that exclude the effect of inflation.

2.1.4 Real GDP increased. **One mark for merely mentioning the increase**

The real change is smaller than the nominal change, since real GDP ignores inflation. **One mark for a statement that compares nominal and real figures directly from the information provided in the table**

The South African economy is growing at approximately 1,9%.

This figure is too low to make a significant impact such as creating inadequate job opportunities.

**Any other valid interpretation:
 Accept any correct and relevant responses**

2.2 **Method 1:** Private businesses could **market their products** in overseas markets.

Method 2: Private businesses could apply for **subsidies / tax concessions** from government to assist them with exporting their products by decreasing the cost of exports.

Method 3: Private businesses could **improve technology** in order to increase volumes enabling them to produce more.

OR

Private businesses could **decrease input costs** to increase production volumes, e.g. reducing electricity costs by investing in green technology.

**Any three valid methods:
 Accept any correct and relevant responses**

- 2.3 This will improve / contribute towards a surplus on the current account / Balance of Payments account.

Money flow / injections into the economy will increase, resulting in more production (and economic growth). Marks may only be awarded once for these aspects (production / growth) and employment (and income and spending). Marks may only be awarded once for these aspects (employment, income, and spending).

More employment, income, etc. will increase living standards, reduce poverty, etc.

Any four impacts:

Accept any correct and relevant responses

A candidate may refer to an example in the South African context, such as referring to South Africa's high unemployment rate (over 30%) or low growth rate (less than 2%) or high poverty rates (high percentage of rural population).

- 2.4 Net Direct investments

This is when investments are made into a foreign business for the purpose of obtaining a meaningful share or control of the business: the investor buys 10% or more of the shares of a business.

Any valid explanation:

OR

Purchasing a foreign business or starting a new business in a foreign country, e.g. Walmart's takeover of Massmart.

Any other relevant example:

Net Portfolio investments

Purchase of assets such as shares or bonds in another country. The purpose of portfolio investments is short-term financial gain.

Any valid explanation:

e.g. If a private individual buys R5000 worth of US Tesla shares.

Any other relevant example:

Net Other investments

The flow of money between countries in the form of bank loans or hot money. Hot money is the flow of money from one country to another in order to earn a short-term profit on interest rate differences and/or exchange rate changes.

Any valid explanation:

e.g. If a private individual invests their money in an overseas bank where interest rates are higher than local interest rates OR when a private individual trades on the forex market.

Any other relevant example:

2.5 2.5.1 Downswing OR early downswing OR recession OR contraction

Two terms of negative economic growth. Decrease in economic activity e.g. decrease in employment. **Accept any description of decline.**

2.5.2 Country X will experience slow growth or real GDP OR two consecutive terms of negative economic growth

There will be less production

Country X will experience increasing unemployment or high rates of unemployment

There will be less spending within Country X by households and firms

Inflation is high (lags the upswing) in Country X

Interest rates will increase in Country X (due to high inflation)

Any three characteristics correctly identified:**Accept any correct and relevant responses**

QUESTION 3 MICROECONOMICS

3.1 3.1.1 Accounting profit = Total revenue is larger (>) than total cost (only explicit cost).

Accept any other description

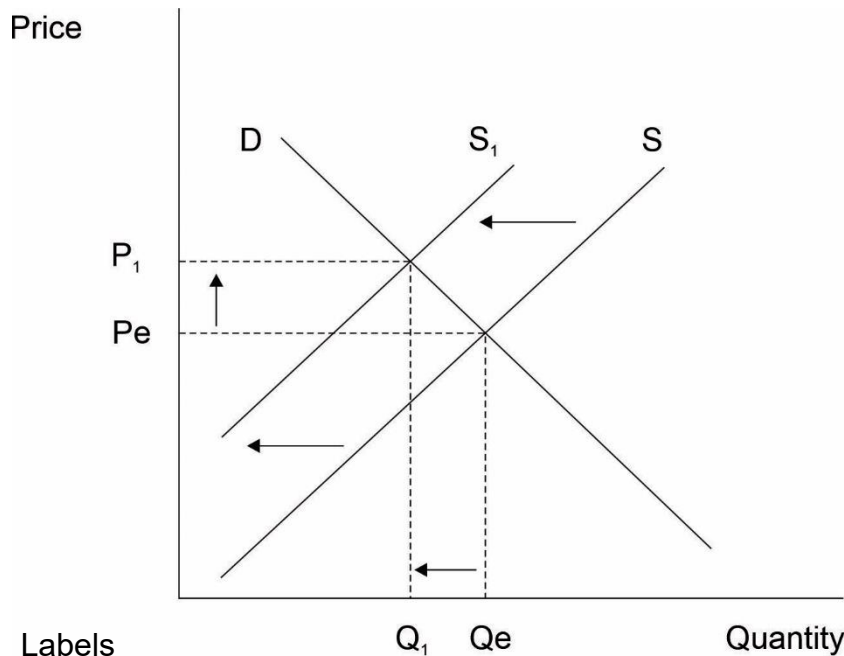
3.1.2 Economic profit = Total revenue is larger (>) than accounting cost and opportunity cost (the value of the best alternative not chosen).

OR

Economic profit is the level of output at which total revenue is greater than total explicit and implicit cost. Any profit above normal profit.

Accept any correct and relevant responses

3.2



Marks awarded for graph:

Labels on axes:

Supply curve shifting to the left: Candidates must show S to S₁ to achieve 2 marks.

An arrow or any other indication showing an increase in price:

3.3 3.3.1 Not true

McDonald's is an example of an oligopoly OR monopolistic competitive market.

In a monopoly there is only one seller – no close substitutes. McDonald's has competition, such as Nando's – there are a few substitutes.

In a monopoly, the product is unique. McDonald's burgers are not unique – there are other burgers available at sellers such as Nando's.

In a monopoly, entry is blocked. Anyone may sell hamburgers in competition to McDonald's.

In a monopoly, information is complete. McDonald's does not want competitors to know their secrets such as new products or advertising campaigns and therefore information is incomplete.

A monopoly has control over the price. McDonald's has less control over the price of their products than a monopoly has over their prices.

In a monopoly, factors of production are mobile. In the market for burgers, factors of production are immobile since aspects such as labour and stores are limited to location.

Any four characteristics of a monopoly mentioned:

**Discussion: Stating why McDonald's is not a monopoly:
If no characteristics of a monopoly are mentioned, but the candidate compares McDonald's to a monopoly, full marks may be allocated.**

Accept any correct and relevant responses

3.3.2 Candidate may choose elastic OR inelastic.

If elastic:

- There are other substitutes that may be bought, such as burgers from other suppliers OR other fast-food options such as pizza.
- McDonald's is expensive and therefore a luxury.
- McDonald's is not addictive or a habit forming product and can easily not be bought if the price increases.

If inelastic:

- McDonald's is habit forming since it must be eaten.
- It is essential to eat McDonald's at least once a week.
- There is no other fast-food like it and therefore substitutes are not available.
- It takes up a small amount of income, therefore a price change will not affect purchases.

Any three well-explained reasons:

Accept any correct and relevant responses

3.4 3.4.1 The responsiveness or sensitivity of quantity to a change in income.

3.4.2 $\frac{1}{2} \times 100 = 50\%$

$50\% \div 20\% = +2,5$

3.4.3 If the person's income increases, their quantity demanded for hamburgers increases. OR Since the calculation shows a positive number, it is a normal good.

3.4.4 For both high-income individuals and low-income individuals, hamburgers will be normal goods – if their incomes increase, both income groups will eat more burgers.

Low-income individuals will eat more hamburgers if their incomes increase, since they could not afford many hamburgers before the increase in income. High income individuals could afford hamburgers even before an increase in their incomes, making their increase in income more irrelevant to their demand for hamburgers. For them, it is a necessity.

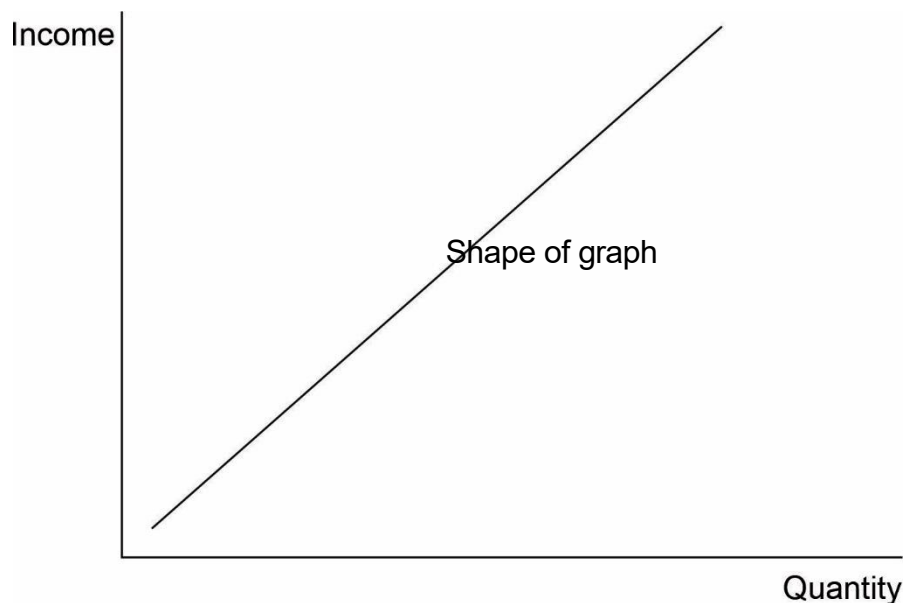
Hamburgers for low-income individuals tend to be more of a luxury than for high-income individuals.

If CPI increases, low-income earners will be less likely to eat more hamburgers since their incomes do not increase much in comparison to the increase in the price of burgers.

Any two valid points, showing difference in the income elasticity of demand for high-income individuals and low-income individuals:

Accept any correct and relevant responses

3.5



Marks awarded for graph:

Labels on axes:

Income elasticity curve showing a normal good / luxury good that slants to the right:

Use continued accuracy – consider candidate's answer at 3.4.2

3.6 Potholes – there are many potholes on public roads, and these take a long time to fix and are recurring.

Electricity provision – there is loadshedding because Eskom finds it difficult to maintain power stations.

Water provision – water is not safe to drink in some towns and cities, and water is not available at times.

Refuge removal and cleanliness of cities – some cities are dirty since rubbish is not removed.

Education – some public schools are in a poor state and the facilities are not well maintained.

Health – some hospitals are in a poor state and facilities are not well-maintained.

**Any four relevant challenges that are clear:
Accept any correct and relevant responses**

QUESTION 4 CONTEMPORARY ECONOMIC ISSUES

4.1.1 When government spending exceeds government revenue.

South Africa's budget deficit is over 3% of GDP, which is not healthy

4.1.2 The result of government borrowing money in order to cover one or more years of budget deficit.

South Africa's debt is over 70% of GDP, which is not healthy.

4.2

Type of tax	Is this a direct or indirect tax?	Explain why the tax is direct or indirect
VAT	Indirect	The tax is paid to an intermediary and not directly to government; it is levied on spending.
PAYE	Direct	The tax is paid directly to government; it is levied on income.

4.3 4.3.1 If government spending increases or tax decreases **2 marks MAX for how instruments of fiscal policy are used** demand will increase. **2 marks MAX for how fiscal policy influences demand as a result. Learners can argue the other way around as well for full marks:** decreased government spending and increased tax will lower demand.

4.3.2 More people may emigrate from the country.

Higher taxes will increase business cost and therefore reduce business revenue, reducing business' ability to pay workers – more people may lose their jobs, resulting in fewer workers that pay tax.

More people may decide to be dishonest and not declare their taxes, called tax evasion.

People may look for additional ways to pay less tax, called tax avoidance.

**Any three valid reasons:
Accept any correct and relevant responses**

4.3.3 Less tax revenue for the government will result in a bigger budget deficit or a smaller budget surplus.

The government will have to borrow more funds from institutions such as the World Bank or the IMF, which increases government debt.

A bigger budget deficit and more government debt may cause further ratings downgrades, which may reduce foreign investments

Government will want to increase tax rates for those that do pay tax, increasing the country's tax burden

If taxes in SA are increased, it may result in tax evasion.

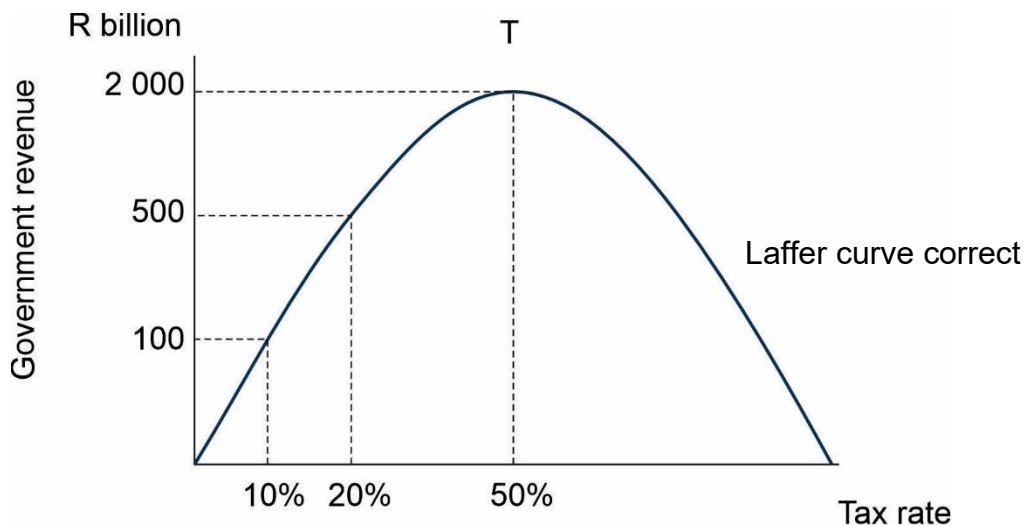
Fewer tax payers will result in lower, government spending.

Fewer tax payers will result in less money in the fiscus and government will have less money to spend on social welfare. There will be a negative impact on government spending on education, health, etc.

Less government spending has a negative impact on a country's growth outlook, as government spending increases demand and helps to drive growth

**Any four valid points:
Accept any correct and relevant responses**

4.4



Marks awarded for graph:

Labels on axes.

Laffer curve correctly drawn.

Optimal point shown at T.

4.5 **Demand factors**

Minimum wages will decrease the demand for labour.

Performance of the economy

If the economy is doing well and is growing, more goods and services are produced and therefore more labour needs to be employed.

OR

If the economy is not growing, the demand for labour will decrease.

Technology

Improved technology can increase the demand for labour (if workers are required to operate the machines) OR decrease the demand for labour (if it causes workers to be replaced by machines).

Productivity of labour

Employers will demand more labour if the additional labour adds to the productivity of the businesses.

The supply of other factors of production

If the availability of land, factories, machines, etc. increases, businesses will need more labour as well.

AND/OR

Supply factors

Minimum wages will increase the supply of labour.

Skills and competencies

All workers do not have the skills and competencies that is required by the economy at that moment. For example, if manufacturing skills are required, a person with agricultural skills may not be in demand.

Population growth

A bigger South African population increases the supply of labour.

Migration

If more workers leave South Africa, the supply of labour decreases.

Labour force participation rate (LFPR)

Over the past few decades, the number of women available for employment has increased. In SA, this increase was from 23% in 1960 to 47% in 2010. More women in the labour force has increased the supply of labour in the economy.

Any four headings (D and/or S):

Any four explanations that clarify each heading (D and/or S):

Explanations do not have to be in South African context.

Accept any correct and relevant responses

QUESTION 5 MIXED QUESTIONS

5.1 5.1.1 Economic growth is an increase in the number of final goods and services produced in the economy OR an increase in the country's production capacity OR an increase in the country's real GDP. **ONLY one mark if only this is mentioned.**

5.1.2 Economic development is an increase in the production per person or per capita real GDP or HDI that results in an increase in living standards.

5.2 5.2.1 South Africa's economy is performing well.
If the HDI increases, the country's economic development is increasing./if HDI decreases, the countries economic development is decreasing.
The closer to 1 the better./The closer to zero, the worse off.

Consider any other valid judgement.

5.2.2 The country is performing well.
The inflation rate is within the target range of 3–6%.
South Africa is performing better than China who is experiencing deflation.

Consider any other valid judgement.

5.2.3 South Africa is not performing well
Although unemployment has decreased, the rate is still too high.
Unemployment results in poverty, hunger, etc.

Two marks MAX if the candidate says the economy is performing well since more jobs are created.

Consider any other valid judgement.

5.3.1 Imperfect competition

(a) Monopolies overpower a specific market and **prevent other businesses from entering** a market, for example Eskom.

(b) Monopolies **restrict supply** to increase profit. Resources are therefore under-allocated to the production of goods and services, and the best possible production outcome is not achieved.

(c) **Firms collude** to undermine other businesses in the same market. They agree on higher prices to increase profits OR undercut prices to push out smaller producers.

(d) Businesses keep back products from consumers and only introduce products when it is to their benefit to introduce such products. For instance the car industry: car manufacturers only make small changes to each new car model to keep sales going.

Accept any correct and relevant responses

5.3.2 Negative externalities are over-supplied.

The market fails because it negatively impacts those not involved in the production process. It creates social cost (a cost to society, e.g. living with pollution from factories) in addition to the private cost.

Accept any correct and relevant responses

5.3.3 Immobility of factors of production

Factors of production are not able to move quickly from one place to another place where they may be needed, or where production could be more efficient. For instance, a factory cannot be moved to a place where the producers may be able to produce more efficiently.

Another example: Labour cannot quickly be better qualified or upskilled overnight in order to increase productivity.

Another example: Labour cannot always move to the area where production will be most efficient, due to family responsibilities.

Any two valid points per cause of market failure: 2 × 2 marks = 4 marks MAX per cause of market failure.

Any valid example for each cause:

IF two *clear* examples are provided for each cause, two marks may be awarded for the one example: 1 × 2 marks and one mark for the other example:

Accept any correct and relevant responses

5.4 5.4.1 Wage set by government above the equilibrium wage.

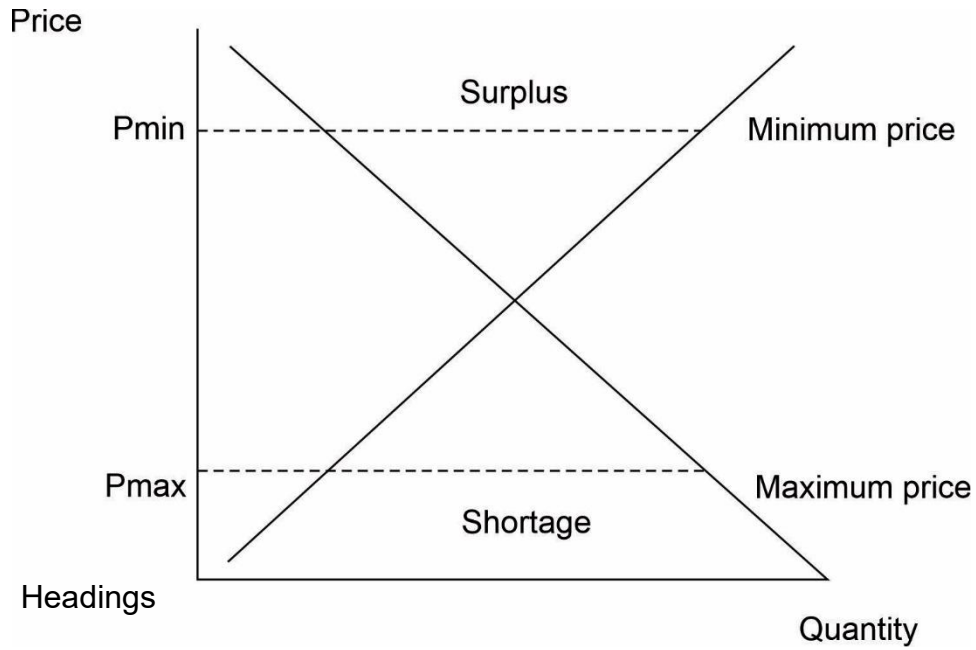
5.4.2 $\$241 \times R18 = R4\ 338$

- 5.4.3
- South Africa's minimum wage rate compares well with *emerging economies* like Brazil and India where the wage rate is also low.
 - Minimum wage workers in South Africa will be better off than in those countries.
 - SA's wage rate is much lower *than developed countries*.
 - Minimum wage workers will be worse off than in those countries.
 - SA's wage rate can never be increased to that of France, etc. since it will create too much unemployment.
 - If the wage rate increases, living standards in South Africa will increase and poverty will decrease to be closer to developed country's levels .
 - If the wage rate increases similar to those of developed countries, many people will receive a living wage.

Any evaluation:

Accept any correct and relevant responses.

5.5



Marks awarded for graph:

1 mark for headings on axes:

Minimum price indicated: Surplus indicated:

Maximum price indicated: Shortage indicated:

SECTION C**QUESTION 6 DATA RESPONSE**

6.1 6.1.1 September 8%

6.1.2 Oil prices went up increasing petrol prices and therefore transport cost of food.

Workers' strikes resulted in higher wages. Higher input costs increased the price of food since manufacturers want to maintain profits.

The Rand weakened, increasing import prices of food.

Floods/drought destroyed crops decreasing the supply of food.

Energy shortages increased input costs due to businesses having to install alternative energy sources or due to having to use generators.

Since it became more expensive to produce food, prices of food went up.

Any three valid reasons:

Accept any correct and relevant responses

6.1.3 (a) Yes. Food inflation increased at a decreasing rate from 13,9% to 11,8% in May.

Motivation must be clear to achieve two marks.

(b) No. There is no negative food inflation rate in Graph 4.

Motivation must be clear to achieve two marks – deflation must be described.

(c) No. There is no food inflation above 50% or more.

Motivation must be clear to achieve two marks – hyperinflation must be described.

6.1.4 It is outside the target of 3–6%.

It contributes significantly to a higher CPI.

It will cause money to lose its purchasing power – people will be able to afford less food.

It causes more hardship for poor South Africans who cannot afford food.

It may result in social unrest like looting if food becomes unaffordable.

People will have less disposable income for other essentials like clothing or shelter.

Potentially restrictive monetary action: higher interest rates.

Any five valid points that critique high food inflation from January to May:

Accept any correct and relevant responses

6.2 6.2.1 South African Reserve Bank

6.2.2 To decrease inflation.

OR

To decrease inflation into the 3–6% range.

6.2.3 Price stability Keeping inflation between 3-6%

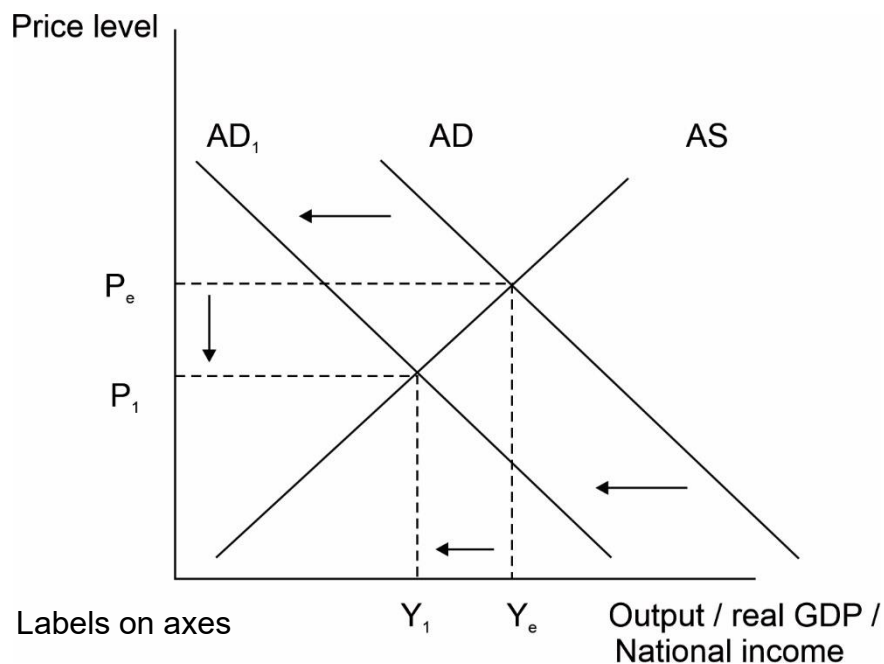
Full employment. Increase in employment. Everyone who wants to work and is looking for a job, has one. More jobs being created.

Positive economic growth Producing more final goods and services

Any two macroeconomic objectives mentioned:

Any two objectives described. Candidates do not need to provide the correct full definition, but only give a description of the concepts.

6.2.4



Marks awarded for graph:**Labels on axes:****Labels AS – AD on curve. Candidates must show AD to AD₁****Demand curve shifting to the left:****An arrow or any other indication (P_e to P₁) showing a decrease in price:****Decrease in quantity (Arrow or Y_e to Y₁):**

- 6.2.5 Monetary policy can be effectively used to control inflation since it decreases demand through interest rates, making it more expensive for consumers to borrow money.

If prices decrease, consumers will be less burdened when spending their income since money will not lose its value as quickly

However, while controlling inflation, employment and economic growth suffers.

This will cause more poverty in the economy and living standards will not improve if jobs are not created and if the economy does not grow. **Any consequence of less employment and low growth.**

Any other valid evaluation:**Candidates must refer to the positive and negative****Accept any correct and relevant responses****Total: 300 marks**