**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

SEPTEMBER 2015

**ECONOMICS P1
MEMORANDUM**

MARKS: 150

This memorandum consists of 20 pages.

SECTION A (COMPULSORY)

QUESTION 1

1.1	**MULTIPLE-CHOICE QUESTIONS**

    1.1.1	B ✓✓	production
    1.1.2	B ✓✓	exogenous
    1.1.3	C ✓✓	nationalisation
    1.1.4	A ✓✓	devaluation
    1.1.5	C ✓✓	direct investment
    1.1.6	C ✓✓	GEAR
    1.1.7	C ✓✓	is an increase in the level of economic welfare.
    1.1.8	A ✓✓	economic	(8 x 2)	(16)

1.2	**MATCHING ITEMS**

    1.2.1	D ✓	to base the prediction of future business cycle patterns on previous one
    1.2.2	E ✓	total income received by the permanent residence of a country.
    1.2.3	A ✓	state and semi state owned enterprises
    1.2.4	H ✓	a fiscal policy instrument
    1.2.5	B ✓	a process where people move from rural to urban areas
    1.2.6	C ✓	a monetary policy instrument
    1.2.7	F ✓	it is an industrial park that fall outside the domestic customs area.
    1.2.8	G ✓	converting a state-owned enterprise into a business with limited liability and with a profit motive.	(8 x 1)	(8)

1.3	**IDENTIFY THE CONCEPT**

    1.3.1	Money flow ✓
    1.3.2	Kuznets cycles ✓
    1.3.3	Pareto efficiency/allocative efficiency ✓
    1.3.4	Protectionism ✓
    1.3.5	Regional development/Spatial Development Initiative(SDI) ✓
    1.3.6	Dumping ✓	(6 x 1)	(6)

**TOTAL SECTION A:	30**

SECTION B   (Choose TWO questions from this section)

QUESTION 2: MACROECONOMICS

2.1   2.2.1   **List any TWO reasons for government intervention in the economy.**

- Provide public goods and services ✓
- Provide merit goods ✓
- Protect natural resources ✓
- Redistribution of income and wealth ✓
- Manage the economy ✓
- Encourage competition ✓   (Any 2 x 1)   (2)

2.1.2   **How will you explain the term multiplier?**
Multiplier – is whereby a small initial change in spending produces a proportionately larger increase in national income. ✓✓
(Accept any relevant explanation)   (1 x 2)   (2)

2.2   **DATA RESPONSE**

2.2.1   **Name the graph depicted above.**
Phillips Curve ✓   (1)

2.2.2   **Which point in the graph indicates the initial natural unemployment rate?**
Point C ✓   (1)

2.2.3   **What is the result of PC1 intersect at point D?**
The natural rate of unemployment decreases, from 14% to 9%. ✓✓   (2)

2.2.4   **Mention any supply side policy measure that can be used to shift PC to PC 1**
- Improved education ✓✓
- Effective training ✓✓
- Fewer legal restrictions on businesses ✓✓
- Fewer restrictions on the immigration of skilled workers ✓✓
                                                            (Any 2 x1)   (2)

2.2.5   **Explain the relationship between unemployment and inflation in the above graph?**
Inverse relationship / trade off /✓✓ If unemployment increases from A,B and C inflation falls from 6% to 2% to 0%. ✓   (Any 2 x 2)   (4)
                                                                            [10]

2.3   **DATA RESPONSE**

    2.3.1   **Which method of calculating GDP is reflected in the above table?**
        Expenditure method ✓✓   (2)

    2.3.2   **Why imports are deducted from the GDE figures?**
        Money is not spent on imports within the boundaries of South Africa, so they should not be included in GDE. ✓✓   (2)

    2.3.3   **What must be done to the GDP at market prices to convert it into GNP at market prices?**
        GDP at market prices plus (add) Primary income from the rest of the world ✓ minus primary income to the rest of the world. ✓   (2)

    2.3.4   **Calculate the Gross Domestic Expenditure in the above table labelled A.**
        GDE = R1 907,2 + R 604,4 + R8,2 + R707,0 + R24,6 ✓✓
        = R3 251,4 bn ✓✓   (4)
                                                                                            [10]

2.4   **Briefly explain the inefficiencies and ineffectiveness as characteristics of public sector failure.**

    Inefficiencies
- Occurs when public sector is not efficient in the allocation and use of resources. ✓✓
- Public sector is more wasteful in the allocation and use of resources than private sector.✓✓
- These may occur in relation to protection and social, economic and administrative services for which money is voted in the budget. ✓✓
- Not caring for the environment directly or indirectly and human rights not honoured. ✓✓
- The public sector tends to less productive than the private sector.✓✓

                                                                (Any 2 x 2)   (4)

    Ineffectiveness
- Occurs when policies of the public sector do not accomplish their intended purposes. ✓✓
- Refers to the public sector being inadequate and unable to bring about the desired effects in the economy. ✓✓
- For example missing targets, with regard to inflation, growth and employment. ✓✓
- Incompetence in using monetary and fiscal policy, land-use policy, industrial policy regional development policy and commercial policy. ✓✓

                                                                (Any 2 x 2)   (4)

2.5 **How can changes in exchange rates be used to correct the balance of payment disequilibria?**

Free floating exchange rates ✓
- They work automatically. ✓✓
- If imports increase, the demand for foreign exchange increases. ✓✓
- The currency depreciates as a result of working of market forces. ✓✓
- Depreciation makes imports more expensive in the depreciating country and exports cheaper in the foreign country ✓✓
- Imports decreases and exports increases, and the currency appreciates. ✓✓

Managed floating exchange rates ✓

- Central banks use their reserves to effect depreciation and appreciation. ✓✓
- Over the long term currencies have to find their equilibrium levels ✓✓

Fixed floating exchange rate ✓
- Currencies are devalued and revalue ✓✓
- When reserves become low they devalue their currencies which have the same effect as depreciation. ✓✓
- When reserves become too high and cause inflation, they revalue which have the same effect as an appreciation. ✓✓
- To devalue and revalue are deliberate action taken by the central bank to adjust a fixed rate of exchange. ✓✓ (Any 4 x 2) (8)

[40]

QUESTION 3: ECONOMIC PURSUIT

3.1   3.1.1   **Name TWO of South Africa Industrial Development policies**
- National Industrial Policy Framework (NIPF) ✓
- Industrial Policy Action Plans (IPAP) ✓   (2 x 1)   (2)

      3.1.2   **How will an increase in labour productivity influence economic growth?**
- Labour productivity is output per worker in a certain period of time such as a day / week. ✓✓
- It is measured by dividing the real GDP by the number of workers employed. ✓✓
- Increase in real GDP will increase economic growth. ✓✓
(Accept any relevant information)   (Any 1 x 2)   (2)

3.2   **DATA RESPONSE**

      3.2.1   **Name any ONE of the key sectors from the extract.**
- Clothing ✓
- Textiles ✓
- Automotive ✓   (Any 1 x 1)   (1)

      3.2.2   **What is the role of the Department of Trade and Industry according to the extract?**
To improve incentives schemes to boost manufacturing capacity and support job creation. ✓✓   (1)

      3.2.3   **Explain the meaning of the term industrial development**
Industrial development refers to planning for and building new industries in certain areas, as well as expanding existing industries in certain areas. ✓✓   (2)

      3.2.4   **Name TWO incentives used by government to promote Industrial Development.**

- Small Medium Enterprise Development (SMEDP) ✓
- Seda Technology Programme (STP) ✓
- Skills Support Programme (SSP) ✓
- Critical Infrastructure Facility (CIF) ✓
- Duty Free Incentives ✓
- Foreign Investment Grants (FIG) ✓
- Strategic Investment Programme (SIP) ✓
- Business Process Services (BPS)✓   (Any 2 x 1)   (2)

      3.2.5   **Why would the government offer these financial incentives?**
- Establish new businesses. ✓✓
- Involve domestic and foreign businesses in the government's SDIs. ✓✓
- Promote industrial development ✓✓
- Promote employment creation programmes ✓✓
- Established sustainable businesses that will be able to compete locally and internationally. ✓ ✓   (Any 2 x 2)   (4)

3.3   **DATA RESPONSE**

3.3.1   **What is the effect of an increase in life expectancy?**
- Improvement in social and economic conditions ✓   (1)

3.3.2   **What is the average life expectancy of people living in the North?**
78 years   (1)

3.3.3   **List any TWO indicators used to measure the standard of living.**
- Per capita income ✓
- Education ✓
- Life expectancy ✓   (Any 2 x 1)   (2)

3.3.4   **Suggest a solution on how to improve life expectancy.**
- Adequate food supplies ✓✓
- Reduce poverty ✓✓
- Control diseases ✓✓
- Health awareness programme ✓✓
  (Accept any relevant suggestion)   (Any 1 x 2)   (2)

3.3.5   **Compare the standard of living between the North and the South.**
- In the North the standard of living is high – 85% of the world's total income is produced by 15% of the world's population. ✓✓
- In the South the standard of living is low – 85% of the world's population living on one- fifth of world's income. ✓✓
  (Accept any relevant explanation.)   (4)

        [10]

3.4   **Distinguish between economic growth and economic development**

Economic growth	Economic development
• Process by which the productive capacity of the economy increases over time ✓✓	• Process that concentrates on people's standards of living, self-respect and freedom of choice. ✓✓
• Is measured as percentage change in real GDP ✓✓	• Deals with issues such as education, literacy, healthcare, employment and environmental sustainability.✓✓
• Is concerned with goods and services. ✓✓	• Is concerned with people and human development.✓✓
• It is necessary input for economic development. ✓✓ (Any 2 x 2)	• Growth should lead to Development. ✓✓ (Any 2 x 2)

        (8)

3.5   **Evaluate Spatial Development Initiative in South Africa.**

- SDI refers to national government programme aimed at unlocking inherent and underutilised economic development potential of certain spatial locations in South Africa. ✓✓
- Stimulate investment by private sector businesses. ✓✓
- Create employment and growth in selected areas ✓✓
- Develop infrastructure projects in the selected areas. ✓✓
- Provide high level support for development in the selected areas ✓✓
- Spread economic activity to poorly developed areas with potential for development ✓✓
- Establish private-public partnership ✓✓   (Any 4 x 2)   (8)

[40]

QUESTION 4: MACROECONOMICS AND ECONOMICS PURSUIT

4.1   4.1.1   **List TWO examples of Industrial Development Zones in South Africa**

- Coega – steel and auto components ✓
- OR Tambo International Airport – high tech industries ✓
- East London – vehicles ✓
- Richards Bay – metals. ✓
- Mafikeng IDZ – agro-processing, oil seeds and bio fuels ✓
- Saldanha Bay – proposed, feasibility study completed 2012 ✓

(Any 2 x 1)   (2)

4.1.2   **How will a leading business cycle indicator be used in forecasting?**   (1 x 2)   (2)

They peak before the peak in aggregate economic activity is reached and they reach a trough before aggregate economic activity reaches a trough. ✓✓
They give advance warning of changes in aggregate economic activities. ✓✓
(Accept any relevant explanation.)   (Any 1 x 2)   (2)

4.2   **DATA RESPONSE**

4.2.1   **Name the sub-account used in the above table?**
Current account ✓

4.2.2   **What does a negative figure mean in the trade balance?**
When the value of imports is greater than exports \ when there is a deficit ✓   (1)

4.2.3   **Describe the term balance of payments.**
Balance of payment is a statement of a country's trade and financial transactions with the rest of the world over a particular period of time. ✓✓   (2)

4.2.4   **Why is net gold exports entered as a separate item and not part of merchandised exports?**
- South Africa is the world's largest gold producer.✓✓
- It is net exporter of gold and therefore the amount is positive.✓✓
- Historical importance of gold to South Africa a major earner of foreign exchange.✓✓
- The large role gold played in the past.✓✓
- Trends can be identified. ✓✓   (Any 1 x 2)   (2)

4.2.5   **Calculate the trade balance for the second quarter in 2012**
Trade balance = (Merchandised exports + Net gold exports) – Merchandised imports (R826bn + R70bn) – R983 bn ✓✓= -R87bn ✓✓   (4)

4.3   **DATA RESPONSE**

      4.3.1   **Name an act used to promote equality in South Africa.**
- Broad Based Black Economic Empowerment ✓✓
- Land Restitution Act ✓✓
- Employment Equity Act ✓✓   (Any 1 x 2)   (2)

      4.3.2   **Explain ONE aim of the NDP.**
- Create jobs ✓ ✓
- Expand infrastructure ✓✓
- Use resources properly ✓✓
- Inclusive planning ✓✓
- Quality education ✓✓
- Quality healthcare ✓✓
- Build capable state ✓✓
- Fight corruption ✓✓
- Unite the nation ✓✓
- Improve integration ✓✓
- Reduce pollution ✓✓
- Improve equality ✓✓
- Improve safety ✓✓
(Any relevant explanation.)   (Any 1 x 2)   (2)

      4.3.3   **In which manner should these aims deployed?**
In a manner that promotes prosperity and equity. ✓✓   (2)

      4.3.4   **Explain why you think South Africa will reach these goals set out in the NDP.**
It was set out to expand economic opportunities ✓✓ through investment in infrastructure, ✓✓ more innovation, ✓✓ private investment and entrepreneurship ✓✓ /The NDP has a clear vision that the private sector is the most important role player in the economy. ✓✓   (Any relevant explanation)
                                  (Any 2 x 2)   (4)

4.4 **Differentiate between *money* and *capital market***

Money market

- Is the market for short-term savings and loans (three years and shorter). ✓✓
- It exists when parties, particularly consumers and producers, make demand and short-term deposits and borrow on short term. ✓✓
- It also exists when deposits and non-deposit intermediaries, businesses and Corporation for Public Deposit engage in communications that influence the prices of short-term funds. ✓✓
- The SARB is a key institution on the money market. ✓✓
- Inter-bank lending is a major part of the money market. ✓✓
- The following kinds of securities change hands in the money market are short term company debentures, short term government bonds, banker's acceptance, treasury bills and Reserve Bank debentures. ✓✓

(Any 2 x 2)   (4)

Capital market

- Exist when consumers and producers make long term deposits and borrow on long term, such as mortgage bond. ✓✓
- It also exists when deposits and non-deposit intermediaries engage in communications that influence the prices of long term funds. ✓✓
- Capital market transactions are conducted in a similar manner to those in the money market. ✓✓
- The Johannesburg Stock Exchange (JSE) is a key institution in the capital market. ✓✓
- Company shares and other debts that are listed are traded.✓✓

(Any 2 x 2)   (4)

4.5   **Evaluate any TWO South African approaches to improve business efficiency.**

> ➢ **Taxes** ✓
- Reduction in corporate and personal taxes ✓✓
- Bracket creeping on personal income tax has been attended to. ✓✓
- Vat has been kept at 14% for a long time. ✓✓

> ➢ **Capital formation** ✓
- Depreciation has been revised to encourage investment ✓✓
- Provided start-up capital and loans to SMME's. ✓✓
- Serves as incentives to promote efficiency ✓✓

> ➢ **Human resource** ✓
- School education has been transformed. ✓✓
- SETAs were established to facilitate work-related training. ✓✓
- Labour Relations Act − for the promotion of social justice and peaceful labour relations ✓✓

> ➢ **Free advisory service** ✓
- Advice on development of exports markets, managing and running SMMEs, agriculture production etc. ✓✓   (Any 4 x 2)   (8)

                                                       [40]

                        TOTAL SECTION B: **80**

SECTION C

Candidates to answer ONE of the two questions from this section.

STRUCTURE OF 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 in your introduction any part of the question. • 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/Differentiate/Explain/Assess/Debate	Max. 26
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/How/Suggest/Use the information and argue, debate, evaluate …	Max. 10
Conclusion • The conclusion is a wrap up of the discussion of the topic in the body and should be treated as a higher order response. • The conclusion can take the form of an own opinion, examples to support your discussion or contradictory viewpoint from what has been discussed. • No aspect from either the introduction or body should be included in the body	Max. 2
TOTAL:	**40**

QUESTION 5

Free trade has its advantages but countries have for many years placed barriers to restrict free international trade. Therefore most countries have a mixture of free trade and protectionism.

Discuss the argument for free trade.
Why is it important for South Africa to part of BRICS?

INTRODUCTION

Free trade occurs when there is trade without any protectionist activities or trade barriers between countries ✓✓ OR
Businesses are free to import and export goods, as well as to invest in foreign countries, without the imposition of restrictive tariffs. ✓✓
(Any relevant introduction is acceptable.) Max. (1 x 2)

BODY

The arguments for free trade

1. **Specialisation** ✓

    *   Free trade allows countries to specialise in industries in which they have a comparative advantage. ✓✓
    *   Specialisation will cause world trade and consumption be maximised. ✓✓

2. **Economies of scale** ✓

    *   Trade allows economies of scale to be maximised and costs to be reduced. ✓✓
    *   Economies of scale are a source of comparative advantage. ✓✓

3. **Choice** ✓

    *   Trade allows consumers the choice of what to buy from the whole world, are not restricted to locally produced goods. ✓✓
    *   Consumer welfare is increased ✓✓
    *   Some consumers at least will prefer to buy foreign goods rather than domestic goods. ✓✓

4.   **Innovation** ✓

- Free trade implies competition ✓✓
- A lack of free trade often leads to domestic markets being dominated by a few enterprises who avoid competition among themselves. ✓✓
- Provides a powerful incentive to innovate. ✓✓
- It leads to better   production methods which enable producer to cut costs and improve the quality and the reliability of goods. ✓✓   Max. 22
                                                                (If only listed Max. 4 marks)   (26)

ADDITIONAL PART

Why is it important for South Africa to be part of BRICS

- South Africa joined as a full member of the BRICS bloc of countries in 2011.✓✓
- It joined four of the seven biggest economies of the world. ✓✓
- Comprises the countries that in all likelihood will be the pivot on which global economy will centre over coming decades. ✓✓
- South Africa enjoys trade and investment benefits and influence on world forum. ✓✓
- To have more important role in the world economy.✓✓
- South Africa's membership of this body has expanded BRICS's geographic and intercontinental reach.✓✓
- To promote its regional integration programme and related continental infrastructure programme.✓✓
- To advance its national interest.✓✓
  (Accept any relevant explanation)   Max. 10   (10)

CONCLUSION

Free trade and protection play a significant role in the South African international
trade policy. ✓✓   (Any relevant conclusion accepted) Max. 2   (2)
                                                                                        [40]

QUESTION 6: ECONOMICS PERSUIT

Social indicators measures the level or progress of development over a period of time and are used by the government to form policies, set goals and monitor the success of policies.

Discuss the following South Africa' social performance based on social indicators in detail:

- Demographics
- Nutrition and Health
- Education
- Services

Propose FIVE considerations when assessing the economy.

INTRODUCTION

Social indicators are statistics that describe the level and progress of social development and human welfare within a country. ✓✓

<div align="right">(Any other relevant definition) Max. 2   (2)</div>

BODY

1.   **Demographics:**

   ➤   **Population growth**✓
   - South Africa's population numbered 50,5 million in 2011. It estimate that it will grow to 55 million by 2021. ✓✓
   - The growth rate slowed to only 1,19% in 2011. ✓✓

   ➤   **Life expectancy** ✓
   - Expresses the number of years a new born infant will live if prevailing patterns of mortality remained the same throughout this person's life. ✓✓
   - In South Africa, life expectancy went down from 62,8 years in 1991 to 47 years in 2005. It has increased again to 52 years in 2011. ✓✓

   Nutrition and health

   - Nutrition is an important indicator for the well-being of infant and young children. ✓✓

   ➤   **Child malnutrition** ✓
   - Is expressed in two ways: weight for age (underweight) and height for age (stunning or dwarfism). ✓✓
   - The proportion of children who are underweight is the most important indicator of malnutrition. ✓✓
   - Is important to monitor weight because being underweight increase the risk of death and inhibits cognitive development in children. ✓✓

2.
- ➢ **Overweight children** ✓
  - The prevalence of overweight children is a growing concern. ✓✓
  - There is an association between obesity in childhood and the high prevalence of diabetes, respiratory disease, high blood pressure and psychological and orthopaedic disorder. ✓✓
  - Being overweight can lead to numerous adverse health conditions, which affect people's ability to work and take care of themselves. ✓✓
  - Obesity is a killer. ✓✓

- ➢ **Health**
  - Indicators used both nationally and internationally to monitor the health of a population: ✓✓

- ➢ **Infant mortality** ✓
  - Measured in terms of number of infants who die before reaching one year of age per thousand live births in a given year. ✓✓
  - In South Africa in 2010 it was 34 (per 1 000). ✓✓

- ➢ **under- five mortality** ✓
  - Measured in terms of probability that anew born baby will die before reaching the age of five years if subject to present age-specific mortality rates. ✓✓
  - The probability is expressed as a number per thousand. In South Africa it was 50 (per 1 000) in 2010. ✓✓

- ➢ **Health expenditure** ✓
  - Measured in terms of amount of public and private health expenditure on health care as percentage of GDP. ✓✓
  - In 2009 SA's expenditure was 8,4% compared to 6,6% sub Saharan Africa and 5,3% in North Africa. ✓✓

- ➢ **Access to safe drinking water** ✓
  - Measured in terms of percentage of population that has reasonable access to safe treated drinking water. ✓✓
  - In 2009 91% of South African population had access compared to 60% in sub Saharan Africa and 92% in North Africa. ✓✓

Access to sanitation facilities ✓

- Measured in terms of percentage of population with at least adequate sanitation facilities that can effectively prevent human, animal and insect contact. ✓✓
- In 2009, 77% of South African population had access to improved sanitation compared to 31% in sub-Saharan Africa and 89% in North Africa. ✓✓
- A healthy population saves on medical and other costs, produces income and contribution to a stronger economy. ✓✓

3.   **Education**

- People's standard of living is directly related to their level of education. ✓✓
- ➢ **Public expenditure percentage** ✓
- Shows the percentage of public expenditure that is allowed directed towards education. ✓✓
- It includes public sector input but excludes private expenditure. ✓✓
- Percentage of high development countries is not really comparable to that of medium and lower development countries. ✓✓
- ➢ **Secondary enrolment percentage** ✓
- Shows the percentage of the designated age group attending secondary education ✓✓
- It considers a prerequisite for entry into employment for the semi-skilled. ✓✓
- In high development countries, learners of a young age attend secondary education. ✓✓

4.   **Services**

- ➢ **Electricity** ✓
- The National Electricity Regulator reports that 83,1% of households in South Africa had access to electricity in 2010. ✓✓
- The figure in 1995 was 50%. ✓✓

- ➢ **Water supply** ✓

- Some 80% of household had access to clean water in 2010. ✓✓
- This is the average of urban and rural access to an improved water sources.✓✓
- An improved water source refers to an adequate amount of water from sources such as household connections, taps inside the yard, public taps, boreholes, protected dug wells, protected springs and rain water collection.✓✓

> ➢ **Refuse removal**√
• Some 61% of household in South Africa had access to refuse removal by local authorities once a week. ✓✓

> ➢ **Sanitation** ✓
• Over 70% of households in South Africa had access to functioning basic sanitation in 2010. ✓✓
• Includes flush toilets, chemical toilets and pit toilets with ventilation pipes. ✓✓
• All other types of sanitation facilities are defined as substandard. ✓✓   (If only listed Max. 8 marks)   Max.8   (26)

Propose FIVE considerations when assessing the economy.

> ➢ **Performance** ✓
• We use economic indicators to establish how the economy is doing. ✓✓
• In terms of an economy performance means production of output. ✓✓

> ➢ **Comparison** ✓
• There are many indicators, e.g. for output, prices interest, money, credit etc.
• They are expressed in numbers ✓✓
• However, numbers themselves often tells us very little, for instance, if the price index is 25 it does not mean anything to us. ✓✓
• It is when indicators change that they draw our attention.✓✓
• When we know what they were and what they are now, they start having meaning to us.✓✓
• We can also compare them with similar numbers from other countries.
• Then they tell us our relative performance.✓✓

> ➢ **Specification** ✓
• To be meaningful, indicators have to compiled in terms of their rules of compilation. ✓✓
• For instance, we cannot simply add the output of all products of all producers and then conclude that we have calculated GDP. ✓✓
• Rules must be applied for such a calculation, that intermediate output must be subtracted and only output produced within the borders of a country is to be added.✓✓
• When we use indicators, we need to know what the specifications are for compiling them ✓✓

➤ **Purpose** ✓
- You need to know the purpose for which indicators are calculated. ✓✓
- For example, the CPI is calculated to show price increases of consumer's goods and reflects the cost of living. ✓✓
- It is incorrect for business to use the CPI to base their price increase on. ✓✓
- If you do not know the purpose for which specific indicators are designed, you cannot relate them to the appropriate performance. ✓✓

➤ **Safeguards** ✓
- You should apply three methods to safeguard the accuracy of your use of indicators:
- **Check the period that applies:** For example, financial statistics of the State may be for a financial year, which is from April to March and not for the calendar year, which is from January to December. ✓✓
- **Check if the data may be revised**: National account data only final after four years. ✓✓
- Over this period, some members may continue to change quarterly or annually. ✓✓
- **Cross-check:** It is possible to cross-check some data by using two sources, such as the Quarterly Bulletin and S.A statistics. ✓✓
- Do calculations, for example if you are working with real GDP check your figures by subtracting the CPI from nominal GDP. ✓✓

Max. 10
(If only listed max. 5 marks)   (10)

CONCLUSION

From the above discussion it is clear that social indicators play a significant role in South Africa. It is therefore of the utmost importance that we should study their uses in depth.✓✓

[Any relevant conclusion is accepted]   (Max. 2)   (2)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150