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# basic education

Department:  
Basic Education  
**REPUBLIC OF SOUTH AFRICA**

## **NATIONAL SENIOR CERTIFICATE**

**GRADE 12**

**ECONOMICS P1  
FEBRUARY/MARCH 2015  
MEMORANDUM**

**MARKS: 150**

**This memorandum consists of 19 pages.**

**SECTION A (COMPULSORY)****QUESTION 1****1.1 MULTIPLE-CHOICE QUESTIONS**

- 1.1.1 B income ✓✓  
 1.1.2 B extrapolation ✓✓  
 1.1.3 A central ✓✓  
 1.1.4 A portfolio ✓✓  
 1.1.5 C recession ✓✓  
 1.1.6 C progressive ✓✓  
 1.1.7 B deficit ✓✓  
 1.1.8 A interdependent ✓✓ (8 x 2) (16)

**1.2 MATCHING ITEMS**

- 1.2.1 H financial grants to support the production of export goods ✓  
 1.2.2 A probable number of years a person will live after birth ✓  
 1.2.3 F a statement of a country's transactions with the rest of the world ✓  
 1.2.4 E movement of people from rural areas to cities and towns ✓  
 1.2.5 B offers opportunities for borrowing and saving ✓  
 1.2.6 D the peak of a business cycle ✓  
 1.2.7 G producers and consumers can buy and sell goods and services anywhere in the world ✓  
 1.2.8 C government estimates of income and expenditure for a three year period ✓ (8 x 1) (8)

**1.3 ONE WORD ITEMS**

- 1.3.1 Devaluation ✓  
 1.3.2 Merit goods/Public goods ✓  
 1.3.3 Circular flow model ✓  
 1.3.4 Personal income tax ✓  
 1.3.5 Reconstruction and Development Programme (RDP) ✓  
 1.3.6 South African Reserve Bank ✓ (6 x 1) (6)

**TOTAL SECTION A: 30**

**SECTION B**

Answer TWO of the three questions from this section in the ANSWER BOOK.

**QUESTION 2 MACROECONOMICS****2.1 Answer the questions.****2.1.1 Give TWO examples of non-durable goods.**

- Food ✓
- Fuel ✓

Any other relevant answer. (2 x 1) (2)

**2.1.2 Why is the exchange market important to tourists?**

Tourists need to exchange their own currency in order to buy goods and services in other countries. ✓✓

Accept any relevant response. (1 x 2) (2)

**2.2 Study the diagram and answer the questions that follow.****2.2.1 Provide the diagram with an appropriate heading.**

- Two sector economy/model ✓
- Circular flow model ✓
- Economic equilibrium ✓

(1)

**2.2.2 Give/Name any other injection besides investment.**

- Exports ✓
- Government expenditure ✓

(Any 1 x 1) (1)

**2.2.3 Identify A and B in the diagram.**

- **A** = Households/consumers ✓
- **B** = Business sector/producers/firms ✓

(2 x 1) (2)

**2.2.4 How will national income be influenced by the above leakages and injections?**

National income will increase ✓ because (investments) J exceeds (savings) L ✓

(2)

**2.2.5 Calculate the change in national income caused by the investment above. Show all calculations.**

$M = 1/1 - mpc = 1/1 - 0.75 = 4$  ✓✓  
Effect: R120m x 4 = R480m ✓✓

(4)

**2.3 Study the table and answer the questions that follow.****2.3.1 Describe the trend in the balance on the current account from 2010 to 2012.**

Increasing deficit in the balance on the current account ✓✓ (1 x 2) (2)

**2.3.2 Describe the term *trade balance*.**

It is the difference between goods exported and goods imported. ✓✓ (1 x 2) (2)

**2.3.3 Why is gold exports listed as a separate item on the current account?**

Due to the historic importance of gold as a strategic export product of South Africa. (1 x 2) (2)

**2.3.4 How can the government use our currency to improve the trade balance of 2012?**

The government can devalue the rand ✓✓ This will make our goods cheaper to foreign countries which will promote exports ✓✓  
Accept any other relevant response. (2 x 2) (4)

**2.4 Discuss *specialisation* and *economies of scale* as arguments in favour of free trade.****Specialisation:**

- The effect of increasing living standards result in the trading of more goods and services ✓✓
- Allows industries that have a comparative advantage with a lower opportunity cost ✓✓
- It increases economic efficiency and prevent wasting resources ✓✓
- Each country that is best suited for specific goods and services will engage in producing more of those goods or services ✓✓ (2 x 2) (4)

**Economies of scale:**

- Allows industries to maximise economies of scale and this will lead to cost reduction ✓✓ and enhance competitiveness in world markets ✓✓
  - Global economies benefit effective labour distribution and creation of economic efficiency ✓✓ World production and economic welfare increase and markets grow ✓✓
  - Producers compete to find the best production methods that cut costs and improve the quality of goods ✓✓ that will stimulate innovation and creativity ✓✓ (2 x 2) (4)
- (8)

**2.5 Why is it necessary to protect developing countries against unfair overseas competition?****It will promote employment ✓✓**

- Trade protection is a measure to control unemployment ✓✓
- Restricting foreign goods entering the country, domestic businesses not only produce more and employ more people, but new businesses will be able to enter the market, thus creating more jobs ✓✓ (2 x 2)

**It prevents dumping ✓✓**

- With dumping products are sold at prices so low that they undercut both the cost of production in the country of origin and the domestic prices ✓✓
- This makes it very difficult for local producers to compete ✓✓
- Eventually it will force weak industries out of the market ✓✓ (2 x 2)

**It gives temporary protection to infant industries ✓✓**

- New businesses have very high costs and low revenue when they start up ✓✓
- They will need protection against well established competition from abroad ✓✓
- Once the business has been through the infant stage and is competitive, the need for protection reduces ✓✓ (2 x 2)

**Self-sufficiency and strategic industries ✓✓**

- Some industries, such as iron and steel, agriculture and energy amongst others are often regarded as strategic industries ✓✓
  - Developing countries may feel that they need to develop these industries in order to become self-sufficient ✓✓ (2 x 2)
- Accept any other relevant answer (Any 2 x 4)

(8)  
**[40]**

**QUESTION 3 ECONOMIC PURSUITS****3.1 Answer the following questions.****3.1.1 Give TWO social indicators.**

- Education ✓
- Housing ✓

Accept any other relevant indicators.

(Any 2 x 1) (2)

**3.1.2 Why does the Monetary Policy Committee of the South African Reserve Bank meet every two months?**

To consider inflationary conditions and adjust the repo rate to ensure price stability ✓✓

Accept any other relevant response.

(1 x 2) (2)

**3.2 Study the extract and answer the questions that follow.****3.2.1 What is the state's role in the implementation of the NDP?**

The government role is to set up the framework for the private sector to function ✓✓

(1 x 2) (2)

**3.2.2 Discuss TWO positive elements of the NDP.**

- **Infrastructure expansion** with investment in five key physical and social infrastructure areas ✓✓ (namely in the energy, transport communication water and housing)
- **The agricultural value chain** by addressing the high costs of fertilizers ✓✓ and the inputs and the promotion of processing and export marketing ✓✓
- **Mining value-chain** by increasing mineral extraction ✓✓ improving infrastructure, skills development and supporting the beneficiation on the final manufacture of consumer and capital goods ✓✓
- **Green economy** by expanding construction and production of technologies ✓✓ for solar energy, wind energy and bio fuels ✓✓
- **Manufacturing sector** through innovation ✓✓ strong skills development, reduced input costs and increased research and development investment ✓✓
- **Tourism** and certain high-level services ✓✓

(Any 2 x 2) (4)

**3.2.3 Does the government provide quality education? Motivate your response.**

Yes ✓

- New schools being built ✓✓
- Textbooks / study material / website ✓✓
- Feeding scheme for children ✓✓

**OR**

No ✓

- Insufficient classrooms ✓✓
- Non-delivery of textbooks to some schools ✓✓
- Poorly skilled teachers ✓✓

(Any other correct response)

(2 x 2) (4)

**3.3 Study the cartoon and answer the questions that follow.**

**3.3.1 Name any benefit of Black Economic Empowerment to the economy of South Africa.**

- Transformation of the South African economy ✓✓
- Increase in the number of black people to own and to control the economy ✓✓
- Stimulation of income among previously disadvantaged communities ✓✓
- Improvement in the standard of living ✓✓
- Promotion of social equity ✓✓

(Any other correct answer)

(1 x 2) (2)

**3.3.2 Define the concept Broad-Based Black Economic Empowerment**

BBBEE is a much broader policy than BBE, it includes the development of small businesses, the development of skills, ownership of businesses and preferential procurement ✓✓

Accept any other relevant definition.

(2)

**3.3.3 What is the message depicted in the cartoon?**

- Does the business spend money on empowerment projects ✓✓
- Do other members of the disadvantaged communities benefit ✓✓
- Does the business take care of its activities on society ✓✓
- Does the business take care of the environment and the market place ✓✓

Accept any other correct message.

(1 x 2) (2)



3.3.4 **In your opinion, has the BEE policy benefited the Black people of South Africa?**

Yes ✓	No ✓
<b>Empowerment of indigenous people ✓✓</b>	
Gender equality, more opportunities for representation on all levels of management ✓✓	Benefits only a small part (few individuals) of the community due to nepotism and corruption ✓✓
<b>Economic empowerment – spread of financial wealth ✓✓</b>	
Sharp increase in economic power through shareholding capacity of big business ✓✓	Most black South Africans did not benefit at all – unemployed – lack of access to capital ✓✓
<b>Standard of living ✓✓</b>	
Those who got empowered are enjoying a much higher standard of living ✓✓	Many black South Africans do not enjoy a higher standard of living – the gap between rich and poor has increased ✓✓ The Gini coefficient has worsened
Any other relevant opinion. <span style="float: right;">(Any 2 x 2)</span>	

(4)

3.4 **Differentiate between *industrial development zones* and *special economic zones*.**

**Industrial Development Zones:**

- This is a purpose built industrial estate, physically enclosed and linked to an international port or airport with duty free incentives ✓✓
- It was designed to encourage international competitiveness in SA's manufacturing sector ✓✓
- IDZ's fall outside domestic customs zones and therefore able to import items free of customs and trade restrictions, add value, and then exports their goods ✓✓
- They are designed to attract new investment in export-driven industries. Thus encouraging exports, economic growth and employment ✓✓
- IDZs are the responsibility of provincial and local government ✓✓
- Businesses develop around the IDZs (banking, personnel, insurance, auditing, IT, communication, accommodation, catering, shopping, transport) ✓✓
- IDZs strengthen and stimulate economies in their immediate environments ✓✓
- Each IDZ offers direct links to an international port or airport, world-class infrastructure, a zero rate VAT on supplies from South African sources, government incentive schemes, reduced taxation for some products, access to latest information ✓✓

(2 x 2)

(4)

**Special Economic Zones:**

- These are where there are broader ranges of industrial parks and economic infrastructure provided for effective clustering of value-adding and employment – enhancing manufacturers ✓✓
- Designed to increase the growth of the economy ✓✓
- Boast exports ✓✓
- And create employment ✓✓
- Investment is based on public-private partnerships with the state providing the infrastructure ✓✓
- And private enterprises setting up businesses ✓✓
- Incentives are offered to firms so that they can have a competitive advantage ✓✓
- (Lower prices for their industrial exports over other world producers)
- growth in an SEZ is based on export-oriented manufacturing ✓✓
- Any other relevant argument (2 x 2)

(4)  
(8)

**3.5 Discuss how the Small and Medium Enterprise Development Programme (SMEDP) and Foreign Investment Grants (FIG) help to improve industrial development in South Africa.**

**Small and medium Enterprise Development Programme (SMEDP)**

- This is a government initiative to assist the SMME's in the economy to begin operating or to expand. ✓✓
- Grants are given to SMME's with total assets under R100 million. ✓✓
- A variety of industries are eligible for these grants, ranging from manufacturing and tourism to agriculture. ✓✓
- Grants are given for a maximum of three years. ✓✓ (Any 2 x 2)

(4)

**Foreign investment grant (FIG)**

- This takes the form of cash grants that is allocated to foreign companies that wish to invest in new manufacturing businesses. ✓✓
  - The grant covers 15% to maximum of R3 million to the costs of moving equipment and machinery into South Africa. ✓✓
- The goal of this incentive is to increase foreign investment and technologies in the country. ✓✓ (Any 2 x 2)

(4)  
(8)  
**[40]**

**QUESTION 4 MACROECONOMICS AND ECONOMIC PURSUITS****4.1 Answer the following questions.****4.1.1 Give any TWO methods to calculate national account aggregates.**

- Income ✓
  - Production / Value Added ✓
  - Expenditure ✓
- (2 x 1) (2)

**4.1.2 Why is the Gross National Product of South Africa generally lower than that of the GDP?**

Foreigner's contribution to our economy is more than our contribution to their economies ✓✓

(1 x 2) (2)

**4.2 Study the cartoon and answer the questions that follow.****4.2.1 What message is depicted in the cartoon above?**

Mr. Pravin Gordan is trying to find a balance in the distribution of the state's income and the needs in the critical areas of the economy. ✓✓  
Accept any other relevant message.

(2)

**4.2.2 Give ONE example of a tax incentive.**

- Duty-free incentives ✓✓
  - Tax-free cash grants ✓✓
- (1 x 2) (2)

**4.2.3 Explain the meaning of personal income tax relief.**

It refers to measures taken by government to reduce the tax burden on the tax payers. ✓ E.g. revision of tax rates ✓

(2 x 1) (2)

**4.2.4 Which part of the population will benefit the most from personal income tax relief? Motivate your answer.**

The lower income part of the population. ✓✓  
Motivation:  
To improve the standard of living of the poor the minister announced a relief in the scales specially applied to the low income levels. ✓✓  
Accept any relevant answer

(2 x 2) (4)

**4.3 Study the graph and answer the questions that follow.****4.3.1 Which province made the highest contribution to the South African economy in 2012?**

Western Cape ✓✓ (1 x 2) (2)

**4.3.2 Define the concept regional industrial development.**

Regional industrial development refers to policies which are aimed at increasing the economic livelihood of specific areas or regions ✓✓

Any other correct definition (1 x 2) (2)

**4.3.3 What is the average GDP growth rate for South Africa?**

± 2.2% ✓✓ (1 x 2) (2)

**4.3.4 What do you think should the government do to promote industrial development in under-performing provinces?**

- Build the necessary infrastructure ✓✓
- e.g. transport facilities, electricity, water ✓✓
- Develop incentives for potential investors ✓✓
- e.g. reduced taxes ✓✓

Any other correct answer (Any 2 x 2) (4)

**4.4 Discuss the monetary policy instruments used in stabilising the economy.****Interest rate changes ✓✓**

- It is used to influence credit creation by making credit more expensive
- or cheaper ✓✓
- Stabilisation of the exchange rate by encouraging capital inflows
- or outflows in order to take care of deficit ✓✓ or
- Surplus on the current account of the balance of payments ✓✓

**Open market transactions ✓✓**

- SARB selling securities to restrict bank credit ✓✓
- Banks have less money to lend and cannot extend as much credit as
- Before ✓✓
- To encourage credit the SARB buys securities in the open market and money then flows back into the system ✓✓
- Bank uses money to create credit ✓✓

**Moral suasion** ✓✓

- SARB consults with the banks and persuade them to act in a –manner
  - desirable to the prevailing economic conditions ✓✓
- Sells paper such as bills and bonds ✓✓

**Cash reserve requirement** ✓✓

- This is the minimum percentage of total deposits that banks have to keep as cash and that may be used for lending or investing ✓✓
- A change in the cash reserve requirement makes more or less money available in the banking system ✓✓

**Exchange control policy**

- A measure taken to prevent capital assets from being transferred to other countries ✓✓
  - A policy usually developed by developing countries where the central bank fears that large amounts of foreign currency will be removed from a country ✓✓
  - These have been reduced in South Africa recently ✓✓
- Any other relevant argument. (Any 4 x 2) (8)

4.5 **Assess how an increase in import prices and an increase in export prices (terms of trade) will affect the South African economy.**

An change in the terms of trade can have the following effects:

**An increase in export prices will result in:**

- The numerical value of the terms of trade index improves ✓✓
- Increased economic welfare because more revenue is earned with the same expenditure. ✓✓
- However, over the long term the higher export prices may result in a decrease in sales volumes, depending on the price elasticity of demand. ✓✓
- A welfare loss may result. ✓✓ (2 x 2) (4)

**An increase in import prices will result in:**

- The terms of trade worsening / numerical value of terms of trade index worsen ✓✓
  - Welfare lost because more resources were used to produce more units of exports to finance the higher cost of imports. ✓✓
- Any other relevant fact. (2 x 2) (4)

(4)  
(8)  
**[40]**

**TOTAL SECTION B: 80**

**SECTION C**

Answer only ONE of the two questions in this section in the ANSWER BOOK.

<b>STRUCTURE OF THE ESSAY:</b>	<b>MARK ALLOCATION:</b>
<b>Introduction</b>	Max. 2
<b>Body:</b> <b>Main part:</b> Discuss in detail/In-depth discussion/Examine/ Critically discuss/Analyse/Compare/Evaluate/Distinguish/ Explain/Assess/Debate	Max. 26
<b>Additional part:</b> 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. 10
<b>Conclusion</b>	Max. 2
<b>TOTAL</b>	<b>40</b>

**QUESTION 5 MACROECONOMICS**

**Governments' primary aim with business cycle policies is to achieve the best possible growth rates.**

- **Discuss the demand-and-supply-side-policies used by government to smooth out business cycles** (26)
- **Use a well labelled graph to explain the effects of demand-and-supply-side-policies on prices.** (10)

[40]

**INTRODUCTION**

The new economic paradigm in terms of the smoothing of business cycles discourages monetary policy makers from using monetary and fiscal policies to fine-tune the economy but rather encourages achieving stability through sound, long term decisions relating to demand and supply in the economy/Smoothing means to smooth out the painful part of economic down-fall that is part of the market economy ✓✓  
Any other relevant definition/description of smoothing/new economic paradigm

(Max.2)

**BODY: MAIN PART**

The new economic paradigm is embedded in the demand and supply side policies. ✓✓

**Demand-side policies**

- It focuses on aggregate demand in the economy. ✓✓
- When households, firms and the government spend more, demand in the economy increases. ✓✓
- This makes the economy grow but can lead to inflation. ✓✓

**Inflation: ✓**

- Aggregate demand increases more quickly than aggregate supply and this causes price increases. ✓✓
- If the supply does not react to the increase in demand, prices will increase. ✓✓
- This will lead to inflation (a sustained and considerable increase in the general price level)

**Unemployment: ✓**

- Demand-side policies are effective in stimulating economic growth. ✓✓
- Economic growth can lead to an increase in the demand for labour. ✓✓
- As a result more people will be employed and unemployment will increase. ✓✓
- As unemployment decreases inflation is likely to increase. ✓✓
- This relationship between unemployment and inflation is illustrated in the Phillips curve. ✓✓

**Supply-side policies****Reduction of cost ✓**

- Infrastructural services  
Reasonable charge and efficient of Transport, communication, water services and energy supply. ✓✓
- Administration costs  
These costs include inspection, reports on applications of various laws, regulations and by-laws, tax returns and returns providing statistical information. ✓✓ It adds to costs. ✓✓ In SA businesses carry a heavy burden. ✓✓
- Cash incentives  
It includes subsidies for businesses to locate in neglected areas where unemployment is high and compensation to exporters for certain costs they incur in development of export markets. ✓✓

**Improving the efficiency of inputs ✓**

- Tax rates  
Low tax rates can serve as an incentive to workers.  
It will improve the productivity and output. ✓✓
- Capital consumption  
Replacing capital goods regularly creates opportunities for businesses to keep up with technological development and better outputs ✓✓
- Human resource development  
To improve the quality of manpower by improving health care, education and training. ✓✓
- Free advisory service  
These promote opportunities to export. ✓✓

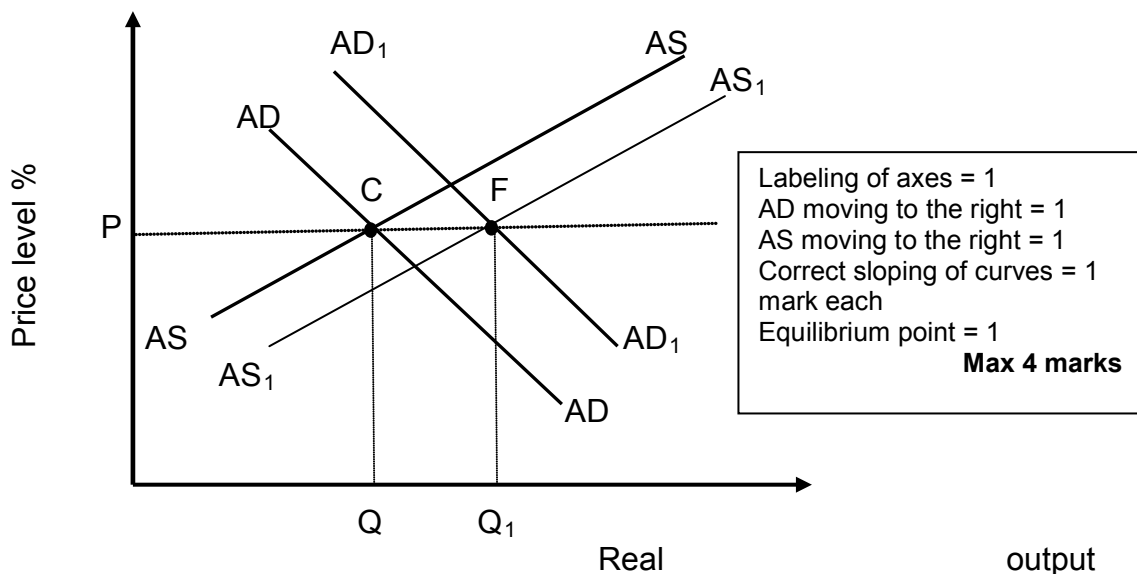
**Improving the efficiency of markets** ✓

- Deregulation  
Remove laws, regulations and by-laws and other forms of government controls makes the markets free. ✓✓
- Competition  
Encourages the establishment of new businesses. ✓✓
- Levelling the playing field  
Private businesses cannot compete with public enterprises. ✓✓

Answers must be in full sentences and well described with examples to be able to obtain 2 marks per fact.

If facts are listed the candidate will only get a maximum of 13 marks.

**(Max 26)**

**BODY: ADDITIONAL PART****Explanation:****The above graph shows:**

- Aggregate demand (AD) and aggregate supply (AS) are in equilibrium at point C. ✓✓
- If aggregate demand is stimulated so that it moves to  $AD_1$  and aggregate supply responds promptly and relocates at  $AS_1$  a larger real output becomes available without any price increases. ✓✓
- Supply is often sticky and fixed in the short term. ✓✓
- Therefore, if aggregate demand increases to  $AD_1$  and aggregate supply does not respond, intersection is at point F. Real production increases but so do prices, in other words with more inflation. ✓✓
- The aggregate demand curve locates at any position to the left of  $AS_1$  inflation prevails. ✓✓
- The solution is to create conditions that ensure that supply is more flexible. ✓✓
- If the cost of increasing production is completely flexible, a great real output can be supplied at any given price level. ✓✓

**(Max.6)**



**CONCLUSION**

It is clear from the discussion above that it is critically important to manage the aggregate supply and demand to ensure stability in the economy. ✓✓

Accept any relevant conclusion.

**(Max 2)**

**[40]**

**QUESTION 6 ECONOMIC PURSUITS**

**Economic indicators are used to determine the performance of the economy.**

- **Analyse in detail the following economic indicators:**
    - **Inflation rate**
    - **Employment**
  - **In your opinion, why is it important for the government to consider assessing the performance of the economy from time to time?**
- (26)**  
**(10)**  
**[40]**

**INTRODUCTION**

Economic indicators are statistical data that shows the behaviour of one or other economic variable, usually overtime ✓✓

(Accept any other relevant introduction)

**(Max. 2)**

**BODY: MAIN PART****1. Inflation rate**

- This is the general increase in the price level of goods and services in the economy over a certain period in time. ✓✓ E.g. one year.
- This is therefore an indicator of the health of the economy and it is monitored in two ways that is at the production wholesale level producer price level (PPI) ✓✓ and at the retail or consumer level consumer price index (CPI). ✓✓

**Producer Price Index (PPI) ✓**

- Used to measure the price of goods that are produced domestically when they leave the factory yard ✓✓ and goods that are imported when they enter the country( at a port) ✓✓ and both of these are before consumers become involved. ✓✓
- PPI consists of three baskets that are domestically manufactured outputs, ✓✓ e.g. changes in the PPI can be made monthly or quarterly or yearly. ✓✓
- While changes in the imported products and exported commodities are given separately in the same report. ✓✓
- PPI includes capital and intermediate goods but not services. ✓✓
- It is based on a completely different type of a basket of items in the CPI. ✓✓
- It measures the cost of production rather than the cost of living. ✓✓
- It is used to predict consumer goods inflation, (CPI). ✓✓
- If prices increase at the production level, they are likely to increase to a similar extent at the consumer level at a later stage. ✓✓

**Consumer Price Index (CPI) ✓**

- Shows price increases of a representative (weighted) basket of goods and services that consumers buy. ✓✓
- It is abbreviated as CPI, this cover all the urban areas. ✓✓
- It is an overall index and weights are obtained from expenditures of different income categories of households. ✓✓

- It is the most comprehensive indicator measuring consumer inflation in the country. ✓✓
- It shows changes in the general purchasing power of the rand and it is used for inflation targeting. ✓✓ **(Max.16)**

## 2. Employment

- In addition to economic growth, the employment of people of working age (15-64 years) is a major economic objective. ✓✓
- We need to know more than this; we need to know who the people are that need to be employed. The numbers are determined, not only by age, but also by people's willingness to work. ✓✓

### The economically active population (EAP) ✓

- The EAP is also known as the labour force. ✓✓
  - It consists of people between the age of 15 and 64 who are willing to work for income in cash or in kind and includes: ✓✓
  - Workers in the formal sector
  - Workers in the informal sector
  - Employers
  - Self-employed persons
  - Unemployed persons
- } Any one ✓✓
- The 2011 estimate of the South African population was 50.5 million people. ✓✓
  - The EAP numbered 17.5 million. (34.6% of the population). ✓✓

### Employment rate ✓

- The number of employed persons expressed as a percentage of the EAP gives the employment rate. ✓✓
- The employment rate can also be converted into an index. ✓✓
- The SA employment rate was 74.9% in 2011. ✓✓
- This is low, compared to rates in developed and even some developing countries such as Argentina and Pakistan. ✓✓
- In SA the growth in the economy is not accompanied by the similar growth in employment numbers. ✓✓

### Employment indicators are used for:

- To calculate trends in employment in different sectors or industries. This indicates structural changes in the economy. ✓✓
- To calculate productivity. ✓✓
- To show the success of the economy in utilising its full potential. ✓✓

### Unemployment rate ✓

- Statistics SA (SSA) obtains its labour data each year from Quarterly Labour Surveys (QLFS) ✓✓
- It uses the standard definition of the International Labour Office (ILO) to calculate unemployment. ✓✓
- The strict definition of unemployment is used to calculate the unemployment rate. ✓✓
- The unemployment are those people within the economically active population who:

- Did not work during the seven days prior to the interview ✓✓
- Want to work and are available to start work within a week of the interview ✓✓
- Have taken active steps to look for work or to start some form of self-employment in four week prior to the interview. ✓✓
- In SA the official unemployment rate was 25.2% in 2012.
- In developed countries, change in the unemployment rate trigger responses from governments to fine-tune the economy. ✓✓
- Increases require more funds for unemployment insurance (UIF) drawings. ✓✓
- In developing countries, unemployment is the most important cause of poverty. ✓✓

Accept current statistical data.

**(Max.16)**

### **BODY: ADDITIONAL PART**

- To give a policy direction in the country ✓✓
- To develop mechanism to caution the most affected sectors of the economy promptly e.g. during the 2008-2009 recession some companies required a bail out from the government ✓✓
- Develop some economic stabilisers to defuse the huge impact that may result from the unexpected economic downturn ✓✓
- Open some other alternative markets for their goods and services ✓✓
- To do research and advice the business community before the actual moment hits ✓✓
- It can be used to stimulate thinking and growth in a number of sectors in the Economy ✓✓

Accept any other relevant consideration.

**(Max.10)**

### **CONCLUSION**

Countries cannot survive and grow their economies if they do not pay attention to economic indicators for their planning processes. ✓✓

Accept any other relevant consideration.

**(Max. 2)**

**[40]**

**TOTAL SECTION C:**

**40**

**GRAND TOTAL:**

**150**