

NATIONAL COUNCIL OF PROVINCES

QUESTION FOR ORAL REPLY

QUESTION NUMBER 22

7 JUNE 2005

MR Z S KOLWENI TO ASK THE MINISTER OF FINANCE:

- (1) Whether the method used by Statistics SA to calculate its Gross Domestic Product is different to the one used by the SA Reserve Bank; if so, why;
- (2) in light of the fact that additional financial resources are allocated to re-weight the basket of goods used by the Consumer Price Index, (a) under what circumstances are changes in the basket of goods necessary and (b) what changes are contemplated in the existing basket of goods? **C143E**

REPLY:

- (1) Statistics South Africa (Stats SA) and the South African Reserve Bank (SARB) have a joint responsibility for the development of a wide range of national accounts statistics.

There are three approaches to the calculation of estimates of GDP. Stats SA uses the production approach and the income approach to estimate GDP on a quarterly, annual and regional basis.

The South African Reserve Bank uses the expenditure approach to estimate the expenditure on gross domestic product on a quarterly and annual basis.

As part of the benchmarking and re-basing of national accounts statistics, Stats SA published a series of supply and use tables, which is an instrument that allows for the incorporation of all three approaches.

- (2) (a) Changes in the basket of goods and services are a function of the expenditure/consumption patterns of the country's people. Furthermore, globalization and rapid technological advances play a crucial role in the rate at which new products and services appear on the market and become part of the changing consumption pattern of individuals. It is critical to be able to determine these changing consumption preferences and levels at regular intervals.

This information is then used as input into the CPI basket where the changes in prices of the goods and services are tracked on a monthly basis. The changing consumption pattern of South Africans is established through administering the Income and Expenditure Survey (IES).

- (b) Changes in the existing basket of goods and services are a direct outflow of the expenditure pattern of people as reflected by their consumption preferences and levels as established through the Income and Expenditure Survey (IES). Stats SA is responsible for the changes in the basket of goods and services, depending on what consumers tell them they buy, but cannot speculate on any changes that may occur in the composition of the existing CPI basket of goods and services.

Examples of recent changes made to the basket of goods from the 2000 Income and Expenditure Surveys (IES) are as follows:

Shift in weighting structure for the CPI (Historical metropolitan areas).

Significant shifts in the relative importance (weights) of goods and services of the CPI basket were food (which increased from 18,02% in 1995 to 20,99% in 2000), medical care and health expenses (which increased from 5,95% in 1995 to 7,15% in 2000), education (which increased from 2,04% in 1995 to 3,48% in 2000), clothing and footwear (which decreased from 4,76% in 1995 to 3,25% in 2000), housing (which decreased from 24,07% in 1995 to 22,14% in 2000), furniture and equipment (which decreased from 3,94% in 1995 to 2,53% in 2000) and other goods and services (which decreased from 6,49% in 1995 to 3,32% in 2000).

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QUESTION FOR ORAL REPLY

QUESTION NUMBER 11

7 JUNE 2005

MR T RALANE TO ASK THE MINISTER OF FINANCE:

- (1) What improvements can be expected with regard to the business register that is kept by Statistics South Africa;
- (2) how many new businesses were formed recently up to the latest specified date for which information is available? **C129E**

REPLY:

- (1) In the **short-term** the number of employees given to SARS in terms of PAYE and Skills Development Levy will be added to the Business Register as of April 2005. This together with turnover will form an important and key indicator on the measure of size for the efficient and optimal design of economic surveys.

In the **long-term** the introduction of a unique and mandatory business identifier for all business entities will ensure a sound frame to underpin South Africa's economic statistics. This can only be achieved if an amendment to the current company law is introduced. Stats SA is in discussion with the DTI in this regard.

- (2) A total of 25 183 businesses came into being during the financial year ended 28 February 2005 (i.e. 1 March 2004 to 28 February 2005). During the same period 3 449 businesses were liquidated. This information is derived from the South African Revenue Services Income Tax Register.

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QUESTION FOR ORAL REPLY

QUESTION NUMBER 9

7 JUNE 2005

MR B J MKHALIPHI TO ASK THE MINISTER OF FINANCE:

- (1) Whether Statistics South Africa transferred any funds from one programme to another during the financial year ending 31 March 2005 as permitted in Section 43 of the Public Finance Management Act, Act 1 of 1999; if so, what are the relevant details;
- (2) whether, with reference to page 3 of the Strategic Plan for 2005-06, any measures have been or are to be taken to eliminate discontinuities and errors in the future activities of Statistics South Africa; if not, why not; if so, what measures? C127E

REPLY:

- (1) Stats SA did not transfer any funds from one programme to another during the financial year ending 31 March 2005.
- (2) The following key measures were introduced to minimise discontinuities and errors in the future:
 - New business register: Stats SA has introduced a new business register that will lead to improved coverage of the economy. The business register is the sampling frame for all major economic collections. It is sourced from VAT and income tax data provided by SARS. New samples for selected economic surveys are scheduled to be drawn annually in August. As a result of the new business register, increased sample sizes of certain series were introduced to improve coverage. Parallel surveys are conducted to ensure comparability and continuity between samples. Stats SA has also introduced a quality improvement survey to enhance the classification of businesses on the business register, which will contribute to improved accuracy and quality of economic statistics.
 - CPI direct price collections project: Following a major revision of the CPI in 2003, Stats SA developed a strategy to improve the quality of the CPI. The main focus is to implement a new enumerator-based monthly price collection methodology from retail outlets, in line with international best practices, that will provide a more robust and reliable indicator of inflation. The first results will be published in 2006.

- Income and expenditure survey (IES): The IES forms the basis for determining the contents and weights of the components of the basket of the CPI. In line with best international practice, Stats SA is moving towards a three-year cycle for the updating of the CPI basket, based on a three-yearly IES. Stats SA has also adopted best international collection methodology for the IES based on a combination of the recall and diary methods. The IES will also provide an independent source of information for estimating and improving the data on private final consumption expenditure for national accounts.
- Statistical infrastructure: Central storage of data and metadata is a key element in improving the quality of, and access to, authoritative and reliable statistical information. Stats SA has established a Data Management Information Delivery project (DMID) to address weaknesses in the statistical production cycle in terms of storage of, access to, and management of data and metadata. The prerequisite for a successful data warehouse is centralisation and standardisation of metadata and the development and adoption of standards and classifications.
- Statistical standards and definitions: Stats SA has established a Standards and Methodology unit to ensure a common approach to quality management and control in the statistical production processes. To this end, Stats SA have introduced standard operating procedures and measures for each statistical production area to minimise the occurrence of errors in the future, which includes a detailed workflow of the processes and procedures and control measures at each critical quality point. Stats SA have also compiled a compendium of concepts and definitions for the statistical system, developing policies, procedures and standards for maintaining confidentiality in the dissemination of statistics, and developing quality assurance procedures for Stats SA publications.
- International support: Stats SA also brought in international expertise to assist Stats SA to provide advice on international methodologies used by other international statistical agencies.
- Statistical capacity building: The organisation are continuously training staff members to increase their skills and competence to ensure high quality outputs. Training in official statistics is a long-term process. Initiatives to date include staff training in East Africa since 2001, Masters training programme in data mining at Wits University, an Internship programme (15 this year) increasing to 60, and numerous in-house courses. The organisation also introduced information sharing sessions to enhance process integration amongst different statistical production areas.

International statistics agencies all need to revise their series and statistics from time to time to ensure relevant and reliable information to support evidence based decision-making. It is not possible to eliminate all errors, but all their efforts are focussed on minimising the risk of errors occurring in their statistics. Stats SA are contemplating the use of an error log in order to improve the quality of its outputs.