BUSINESS REPORT

Search Go Online Edition Powered By IOL RSS Feeds » Newsl

Home
Print Edition
Opinion/ Analysis
News
Company News
Markets
International
About BR
Free Newsletter
Subscribe Now
Features
Market Indicators
Top 10 Stories
News by Sector
Free Newsletter
Financial Tools
Currency Converter
Su Doku
Other sites
- IOL Dating
- IOL Entertainment
- IOL HIV Aids
- IOL Jobs
- IOL Motoring
- IOL News
- IOL Parenting
- IOL Sport
- IOL Travel
- IOL Technology
- Personal Finance
Mobile
- IOL on your phone
- Cellphone Fun
- Mobile Games
Newspapers

NEWS

Treat first data releases with caution, says lecturer

October 20, 2006

By Ethel Hazelhurst

Johannesburg - The release of important economic data always makes headlines. But Corne van Walbeek, a senior lecturer at the University of Cape Town (UCT), warned yesterday that the statistical authorities and the financial press should treat initial releases with caution.

Van Walbeek, of UCT's school of economics, raised the issue in a paper presented at a conference arranged by the Development Policy Research Unit. He said first data releases and final releases "can differ quite substantially".

The discrepancy has important implications for policy making because economic information influences the decisions of Reserve Bank on interest rates, finance minister Trevor Manuel's budget decisions and the private sector's investment decisions.

The consequences of publishing incorrect information were illustrated in 2001 and 2002 when faulty methodology for determining rental prices distorted the outcome of CPIX (the consumer price index excluding mortgages). CPIX was overstated for a period and led to a series of unnecessary interest rate rises in 2002 and 2003, which, in turn, led to a slowing in growth.

Statistics SA is under great pressure to provide policy makers and the public with accurate and timely information. But Van Walbeek pointed out there was always a trade-off between accuracy and timeliness and decisions could not wait until final data were available. And the reality was that the best data available when decisions were made were "provisional and uncertain and could be substantially revised".

In South Africa, the first estimates of gross domestic product (GDP) were released by Stats SA "about 60 days after the end of the relevant quarter", said Van Walbeek. They were "calculated according to the production approach", which meant they were a measure of volumes produced.

The Reserve Bank makes an independent calculation, based on data from the SA Revenue Service, government departments and surveys of economic activity. This process measures GDP in terms of expenditure and the results are published in the central bank's Quarterly Bulletin, a few weeks after the initial release from Stats SA.

"From a policy and publicity perspective, it is these first releases that attract the most attention," said Van Walbeek.

The variations between initial and final data have implications for policy makers and economic analysts who base projections on the latest available data.

Van Walbeek discussed important macroeconomic relationships, including that between household consumption and imports. Strong household spending boosts import growth and strong import growth tends to produce a current account deficit - a shortfall between revenue earned from exports of goods and services and the cost of imports - unless export growth is very strong.

More News

- Absa and Barclays embark on China roadshow
- VWSA drives R400m into skills development
- MTN goes live in Iran
- SADC wants free trade region by 2008

Markets

- Rand knocked by stop loss buying
- JSE drifts sideways in quiet market
- Rand pegged in place
- Wall Street - October 23, 2006

Technology

- Freshly-picked Apple iPods soured by Windows computer virus
- Second Life is virtual world with real economy
- Virtual economies attract real-world tax attention
- Google hopes to make a name in South Korea

Company News

- Aquarius Platinum expands in Bushveld
- Shoprite happy with basket size
- Simmers inks infrastructure buy with Harmony
- Gold Fields to tap Dubai market

International

- Popular Naked Chef loosens his belt
- Zimbabwe's embattled bank chief fights on
- Green agency 'a Kremlin tool'
- Campaigners call for windfall tax on North Sea oil firms

So the Reserve Bank traditionally raises interest rates to cut borrowing and spending, when there is a need to reduce imports.

For this reason, the extent to which growth in household consumption fuels growth in imports is critical in South Africa's environment, when the deficit is running at 6.1 percent of GDP, well above acceptable levels. It was one of the major factors that influenced the Reserve Bank's monetary policy committee (MPC) to raise the repo rate by 1.5 percentage points since June. And it will remain a major factor when the MPC meets in December.

Van Walbeek pointed out the data revisions were not out of line with those in members countries of the Organisation of Economic Co-operation and Development. The problem has no obvious solution. Van Walbeek said his paper probably "raises more questions than answers".

E-MAIL STORY EASY PRINT SEARCH

OPINION/ ANALYSIS

Business Watch
New wave of Arab petrodollar investments is lifting African markets
There has been a lot written about the pros and cons of Chinese involvement in Africa.[Full Story...]

Take your Q
A world first that makes me proudly South African
The news last week that Wits professor David Block had led a team of international astronomers and had made the biggest discovery about the Andromeda spiral galaxy, the closest galaxy to our own, gave me a bit of a fillip.[Full Story...]

The week in review
The week in review - 22 October 2006
When I read about the glorification of arms manufacturers and their rise and rise in a world run by the military-industrial complex of the US, it does make me see red. [Full Story...]

More Opinion & Analysis stories

Today's Quote
"In June and July we had more success"
Who said that?

Business Forum
Got the latest inside info on business? Tell everyone about it on our forum

WEEKLY INTERVIEW
Professor at Columbia University in New York, Edmund Phelps, won the Nobel prize in economic sciences for theories that challenge views on the interplay between inflation and unemployment.

NEWS BY SECTOR

Economy

Researchers urge bold employment plan

Johannesburg - To cut the number of unemployed by 50 percent by 2014, South Africa would require an aggressive programme that increases the rate of economic and labour-intensive employment growth.[Full Story...]

Economy

Inquiry into chapter nine bodies

The discrepancies between the funds given to the various so-called chapter nine institutions are to be part of the inquiries made by parliament's ad hoc committee, which was established to review the organisations. The legal framework under which the commissions operate will also be assessed.[Full Story...]

News

R3.8bn upgrade too late for container traffic

A R3.8 billion investment for additional container handling capacity at the Durban port is unlikely to placate shipping lines, which are ready to re-impose a congestion surcharge of $50 (R375) on every 20-foot container moving through the harbour.[Full Story...]

Finance

Two Rivers may reach target by June

An initial forecast is that the Two Rivers platinum mine in Mpumalanga could take up to nine months to get back on track following two strikes in August and September.[Full Story...]

Finance

Growthpoint makes offer to buy out Paramount linked units

Growthpoint, the largest JSE-listed property holding and investment company with property assets exceeding R15 billion, has made a mandatory offer to acquire all the linked units in listed Paramount Property Fund.[Full Story...]

More Sector Reports stories

RSS Feeds | Free IOL Headlines | Newsletters | IOL on your phone