

The Measurement of the non-observed economy in South Africa

Gerhardt Bouwer

Introduction

- **GDP calculated according to SNA**
- **Failure to achieve comprehensive coverage of economy – biased growth**
- **Inclusion of non-observed economy**



Non-observed problem areas (1)

a) Underground production

- To avoid the payment of income, value added or other taxes**
- To avoid the payment of social security contribution**
- To avoid meeting certain legal standards (minimum wages, maximum hours, safety standards)**
- To avoid complying with certain administration procedures**



Non-observed problem areas (2)

b) Illegal production

- The production of goods and services that are forbidden by law**
- Production activities carried out by unauthorized producers**

Non-observed problem areas (3)

c) Informal sector production

- The production of goods and services are perfectly legal**
- Production is not performed with deliberate intention of evading the payment of taxes or infringing other regulations**



Non-observed problem areas (4)

d) Household production – own final use

- Productive activities that result in goods or selected services consumed or capitalized by the household that produced them**
- This is a perfect legal economic activity**

Non-observed problem areas (5)

e) Production missed due to deficiencies in data collection programme

- Undercoverage of enterprises**
- None-response by enterprises**
- Underreporting by enterprises**

South African situation (1)

a) Underground and illegal production

i) Agriculture and fishing

- Cannabis

- Abalone

(Output 0,1%, VA 0,2%)

South African situation (2)

a) Underground and illegal production

ii) Mining and quarrying

- Gold**
- Platinum**
- Diamonds**

(Output 0,04%, VA 0,03%)

South African situation (3)

a) Underground and illegal production

iii) Manufacturing

- Alcohol**

- Piracy (CD, DVD's)**

- Medicament**

(Output 0,01%, VA 0,03%)



South African situation (4)

a) Underground and illegal production

iv) Trade

- Narcotics (Heroin, cocaine, mandrax, ecstasy, other)**
 - Cigarettes**
 - Clothing**
 - Footwear**
 - Firearm, ammunition, explosives**
 - Motor vehicles**
- (Output 0,3%)**

South African situation (5)

a) Underground and illegal production

v) Personal services

- Prostitution

(Output 0,7%, VA 1,1%)



South African situation (6)

b) Informal sector production

- Agriculture, forestry, fishing**
- Mining and quarrying**
- Manufacturing**
- Construction**
- Trade, hotels, restaurants**
- Transport, storage, communication**
- Finance, business services**
- Personal services**



South African situation (7)

c) Household production - own final use

- Water fetching**
- Construction**
- Owner-occupied dwelling**

Relative size of non-observed economy (1)

Industry	2002	2003	2004	2005	2006	2007	2008	2009
Formal	88,5	88,3	88,2	88,0	88,0	88,1	88,4	87,9
Informal	5,7	5,8	5,8	5,8	5,7	5,5	5,4	5,6
Own final use	5,6	5,7	5,8	6,0	6,1	6,3	6,1	6,3
Other non-observed	0,2	0,2	0,2	0,2	0,2	0,1	0,1	0,2
Total	100,0							

Relative size of non-observed economy (2)

Industry 2005	Agri- culture	Mining	Manu- facturing	Elec- tricity, water	Construc- tion	Trade	Transport, commu- nication	Finance, business services	Other services
Formal	94,4	99,8	97,1	98,3	78,3	78,8	95,4	75,3	90,1
Non- observed	5,6	0,2	2,9	1,7	21,7	21,2	4,6	24,7	9,8
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0



Conclusion

- Only recently included
- Lack of data and information
- Research on continuous basis



End