The Measurement of the non-observed economy in South Africa

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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 (Heroine, 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)

<table>
<thead>
<tr>
<th>Industry</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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</thead>
<tbody>
<tr>
<td>Formal</td>
<td>88,5</td>
<td>88,3</td>
<td>88,2</td>
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<td>88,0</td>
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<td>87,9</td>
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<tr>
<td>Informal</td>
<td>5,7</td>
<td>5,8</td>
<td>5,8</td>
<td>5,8</td>
<td>5,7</td>
<td>5,5</td>
<td>5,4</td>
<td>5,6</td>
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<tr>
<td>Own final use</td>
<td>5,6</td>
<td>5,7</td>
<td>5,8</td>
<td>6,0</td>
<td>6,1</td>
<td>6,3</td>
<td>6,1</td>
<td>6,3</td>
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<td>Other non-observed</td>
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<td>0,2</td>
<td>0,2</td>
<td>0,2</td>
<td>0,2</td>
<td>0,1</td>
<td>0,1</td>
<td>0,2</td>
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<tr>
<td>Total</td>
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<td>100,0</td>
<td>100,0</td>
<td>100,0</td>
<td>100,0</td>
<td>100,0</td>
<td>100,0</td>
<td>100,0</td>
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## Relative size of non-observed economy (2)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Agriculture</th>
<th>Mining</th>
<th>Manufacturing</th>
<th>Electricity, water</th>
<th>Construction</th>
<th>Trade</th>
<th>Transport, communication</th>
<th>Finance, business services</th>
<th>Other services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal</td>
<td>94,4</td>
<td>99,8</td>
<td>97,1</td>
<td>98,3</td>
<td>78,3</td>
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<td>95,4</td>
<td>75,3</td>
<td>90,1</td>
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<td>Non-observed</td>
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<td>0,2</td>
<td>2,9</td>
<td>1,7</td>
<td>21,7</td>
<td>21,2</td>
<td>4,6</td>
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<tr>
<td>Total</td>
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</table>
Conclusion

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