



Financial statistics of private sector -

Overview of : Economic activity survey 2005 (Annual) • Quarterly Financial Statistics

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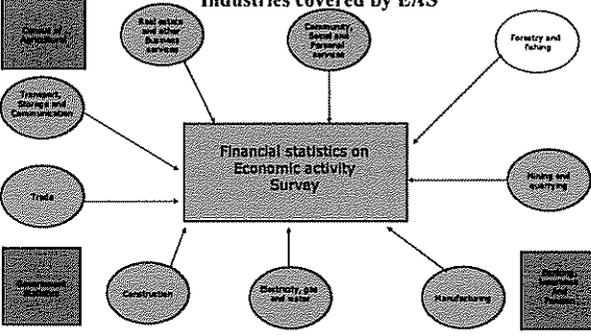
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Background

Industries covered by EAS



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Structure of the presentation

1. EAS 2005
 - Background
 - Improvements
 - Key findings
 - Data confrontation
 - Relative standard errors
 - Reasons for variances
 - Specific variables
 - Implication for users
 - Limitations
 - Time series
2. QFS

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Background

EAS HISTORY

YEAR	PUBLICATION	IMPROVEMENTS	PUBLISHED ON	TIMEFRAME
1998; 1999	Sample size: 10533 (BAR)	Pilot testing	N/A	—
2000	Sample size: 8251 (BAR)	Pilot testing	N/A	—
2001 & 2002	Sample size 2001: 10078 (BSF) Sample size 2002: 7312 (BSF)	Published discussion document containing only ratios for 2001/2002	4/12/2003	18 months
2003	Sample size: 12271 More detailed SIC	Published actual values for selected variables + ratios	23/11/2004	15 months
2004	Sample size: 12092 More detailed SIC	EAS2003 + 17 additional variables	31/10/2005	13 months*
2005	Sample size: 16872 More detailed SIC	EAS2004 + 6 additional variables; +SIC 12;13; 63; Additional ratios	21/9/2006	10 months

*Optimal period for sample size (±17 000) and 85% response rate for S1 & Annual National Accounts
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Background

Additional industries covered in EAS 2005

- Forestry and fishing (SIC 12; 13)
- Activities auxiliary to financial intermediation (SIC 83)

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Improvements

Improvements to 2005 publication

- Six new variables were added:
 - a. containers and packaging material;
 - b. losses from redemption, liquidation or revaluation of liabilities;
 - c. property tax;
 - d. regional service council levies;
 - e. profit from redemption, liquidation or revaluation of liabilities; and
 - f. Profit from the sale or realisation for cash or revaluation of assets
- Fixed asset schedule per industry

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Background

<ul style="list-style-type: none"> • EAS 2005 INCLUDES <ul style="list-style-type: none"> - forestry and fishing; - mining and quarrying; - manufacturing; - electricity, gas and water; - construction; - trade; - transport, storage and communication; - real estate and other business services; and - community, social and personal services 	<ul style="list-style-type: none"> • EAS 2005 EXCLUDES <ul style="list-style-type: none"> - agricultural, hunting and related services; - government; - financial intermediation; and - insurance and pension funding • The above industries are covered elsewhere in Stats SA
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Improvements

Improvements to 2005 publication

- Seven additional ratios were added:
 - a. Dividends paid and turnover;
 - b. Turnover and closing value of inventories;
 - c. Net profit before tax and fixed assets;
 - d. Net profit after tax and fixed assets;
 - e. Tax and net profit before tax
 - f. Capital expenditure on new assets and fixed assets;
 - g. Total capital expenditure on new assets and fixed assets
- Graphs illustrating selected variables

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Improvements

Planned Improvements to EAS 2006 publication

- Balance sheet items (2005 and 2006)
- Comparative figures for forestry and fishing
- Breakdown of inventories
- Response rate documents
- Added variable in questionnaire:
 - Subcontracting/outsourcing

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Improvements

Improvements to 2005 checklist

- Comparison with USI codes of EAS 2004, 2005 and ISS 2004 and 2005
- Using ratios to check quality of data
- Supplied reasons for percentage changes above 5% for all variables (was 10%)
- Media clippings and websites.
- Annual reports of companies.

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Improvements

Planned improvements to 2007 questionnaire

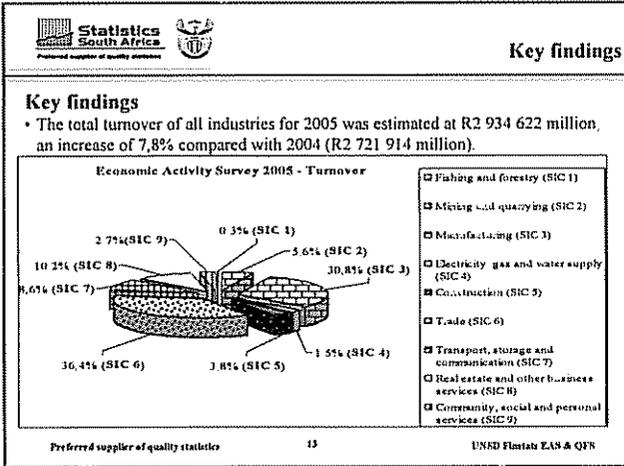
- Improve EAS questionnaire according to IFRS requirements by adding the variable amortisation
- Consider sample profile (slide 29)

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Improvements

EAS response for 2006	
Improved performance for EAS 2006	Challenges for EAS 2006
Overall response rate of 84%	Intensive response rate breakdown e.g Size 1 > 80 – 95% by sector Size 2 > 85 – 90% by sector Size 3 > 85 – 90% by sector Size 4 > 85 – 90% by sector
Size group 1 response rate is 86%	
Size group 2 to 4 response rate is 81%	
Collected all enterprises above R1 billion	
BF turnover contribution is 93% for size group 1	

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Data confrontation

Data confrontation

The following additional information was used to verify or confront data:

- Annual company reports
- Revised financial statements for 2004
- Data discrepancies queried
- Respondents visited (368 in 2006)
- Internet websites
- Media reports

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Statistics South Africa
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Data confrontation

Data confrontation

The following surveys were used to verify or confront data:

- Confrontation with Quarterly Financial Statistics (QFS) data
- Confrontation with Quarterly Employment Statistics (QES)
- Confrontation with monthly surveys

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Data confrontation

Major reasons for differences between EAS 2004 and 2005

- Difference in sampling methodology and sample size
- Difference in weights
- Reclassification approved by BSF in 2005 and 2006
- IFRS e.g. Woolworths indicated profit on assets due to fair value adjustment affecting profit with millions of rands; Telkom Ltd reviewed their remaining useful lives of property, plant and equipment resulting in a possible R2 billion difference in asset value

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Data confrontation

Major reasons for differences in QES and EAS 2004 and 2005

- Sample of EAS differ with that of QES
- Difference in reference period.
- EAS is annually and QES not.

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Relative standard errors (RSE's)

Difference in RSE's

- The higher response rates per size group resulted in smaller variances
- Dead units identified before samples were drawn, contributed to a decrease in variances and improvement in RSE's
- Sample size for 2005 increased from about 12 000 to 17 000
- Reclassification

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Data confrontation

Major reasons for differences between monthly surveys and EAS 2004 and 2005

- Monthly surveys only collect sales and services from activities relating to the specific surveys, whereas the EAS collects data based on the main activity of the enterprise
- Difference in reference period.
- Monthly surveys cover establishments whereas EAS covers the enterprise according to the main activity.

Comparison of turnover with monthly surveys – R million						
Industry	EAS 2004	EAS 2005	% changes	Monthly 2004	Monthly 2005	% change
Mining and quarrying	151 001	164 636	9,0	120 250	131 317	9,2
Manufacturing	660 789	604 054	5,1	754 447	817 097	8,3
Trade	664 753	1 007 021	8,4	664 221	1 110 008	13,8

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Reasons for variances

Reasons for variance

- 1 Different sampling frames were used
- 2 Change in structure of enterprises
- 3 Classification differences occurred between 2004 and 2005 .
- 4 Difference in accounting policies and practices adopted (IFRS)
- 5 Reclassifications done by System of Registers in 2005
- 6 Change in financial reporting standards.
- 7 Design weights differ from EAS 2004 to EAS 2005 due to different sample sizes and different population sizes between surveys per size group (slide 29)
- 8 Difference in response rate between EAS 2004 and 2005

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Implications for users

Implications

- 1 National accounts annual estimates
- 2 Serves as basis for:
 - 1 structure / profile of businesses in South Africa; and
 - 2 quarterly and monthly surveys comparisons
- 3
- 4 It is financial estimates of units in the economy broken down by industry
- 5 LSS and EAS co-operation
- 6 Cost saving device

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Limitations

Sampling frame issues

- 1 Sample structure containing a large number of size group 4 units
- 2 Unit Status Indicator (USI) codes
- 3 Weighting influence
- 4 Units with large weights affecting significantly certain industries lead to consultation with Methodology and Standards
- 5 Recommendation from methodologist was applied

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Limitations

Limitations of the EAS

- 1 Not covering the whole economy
- 2 Not activity based but industry based
- 3 No provincial data available
- 4 Structure of enterprises can differ from year to year
- 5 Difference in sampling methodology
- 6 Accounting reference period of enterprises differ
- 7 BSF duplication of units and classification differences
- 8 LSS represents a snapshot of an industry every 3 years whereas EAS is ongoing
- 9 Sampling frame issues

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Time series analysis

- 1 This EAS publication is the fourth in the series.
- 2 In 2003, the first EAS publication contained only financial ratios for the 2001 and 2002 years
- 3 The second EAS publication, in 2004, covered the 2001, 2002 and 2003 financial years, provided actual financial values
- 4 In EAS 2005 contained financial information for the 2003 and 2004 years.
- 5 SEE EAS HISTORY FOR MORE DETAIL

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- Article Inside Stats SA – after publication
- Pamphlet
- User groups: sent to – Respondents
 - Attendees of AC meeting
 - National accounts
 - Reserve bank
 - Economists
 - Researchers
 - Government departments (NT; DTI, etc)

Data on EAS is generally considered to be of good quality due to:

- Data confrontation with other internal survey
 - a Quarterly Financial Statistics (QFS)
 - b Quarterly Employment Statistics (QES)
 - c Monthly surveys
- Supplementary verification
 - a IFRS
 - b Visit respondents

Data on EAS is generally considered to be of good quality due to:

- No other source to verify actual EAS data – however BF turnover compared with EAS 2005 (> 92%).
- Additional check measures
 - a Comparing USI codes of EAS and LSS 2004 and 2005
 - b Use ratios to check quality
 - c Media clippings
 - d Websites
 - e Annual reports of companies

1. Sample size: 5000
2. Published with a quarter lag
3. Less detailed than the EAS /AFS
4. Provides information for determining trends, not estimates
5. Main internal user –national accounts; various other users

Major reasons for differences between monthly surveys and QFS March 2007

- Monthly surveys only collect sales and services from establishments relating to specific activities, whereas the QFS collects data based on the main activity of the enterprise, namely manufacturing and trade.
- Administrative information on mining sales received from Department of Minerals and Energy whereas the QFS collects data from enterprises.

Comparison of turnover with monthly surveys – R million

Industry	QFS December 2006	QFS March 2007	% change	Monthly – December quarter 2006	Monthly – March quarter 2007	% change
Mining and quarrying	62 341	60 574	-2,8	54 863	53 601	-2,3
Manufacturing	302 908	292 226	-3,5	287 149	257 799	-3,5
Trade (excluding accommodation and catering)	378 841	371 023	-2,1	368 035	356 386	-6,4

Questions & Discussion?