

COLLABORATING WITH USERS: ONE USER'S PERSPECTIVE

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1. Introduction

I have been using South African Reserve Bank (SARB) data in my professional life since 1984, while my first exposure to this data was at university in first year economics in 1973. During the past 37 years I have seen a notable improvement in both the quality and timeliness of the data, but what has impressed me most is the responsiveness of the South African Reserve Bank to queries or suggestions.

2. The Second and Third Quarter 1996 Balance of Payments data

While I was analysing the mining production published by Statistics South Africa in 1996, I noticed that gold mining production was dropping sharply despite a steep rise in the rand gold price due to the depreciation of the rand from February 1996 onwards.

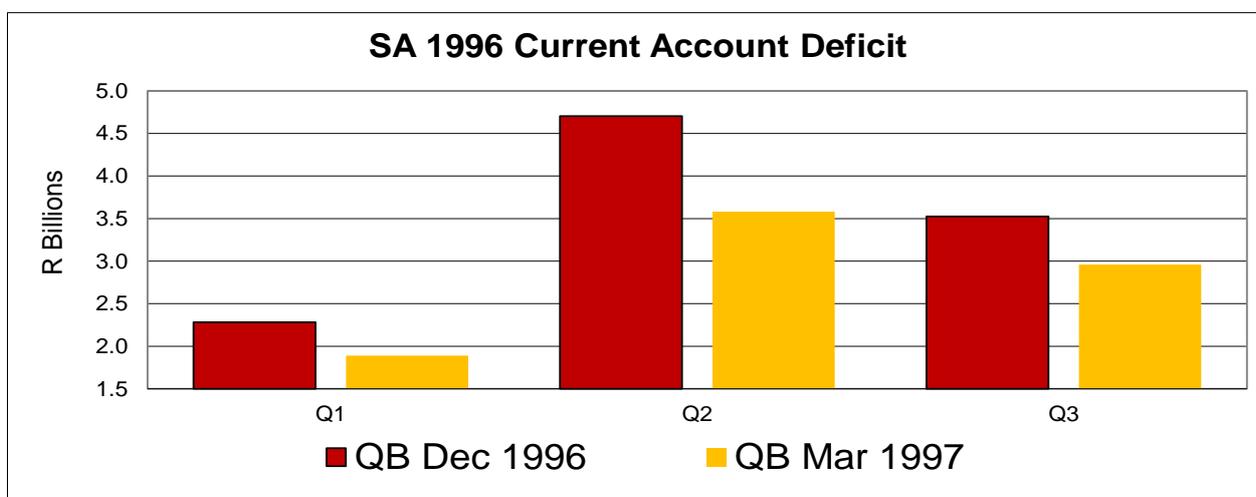
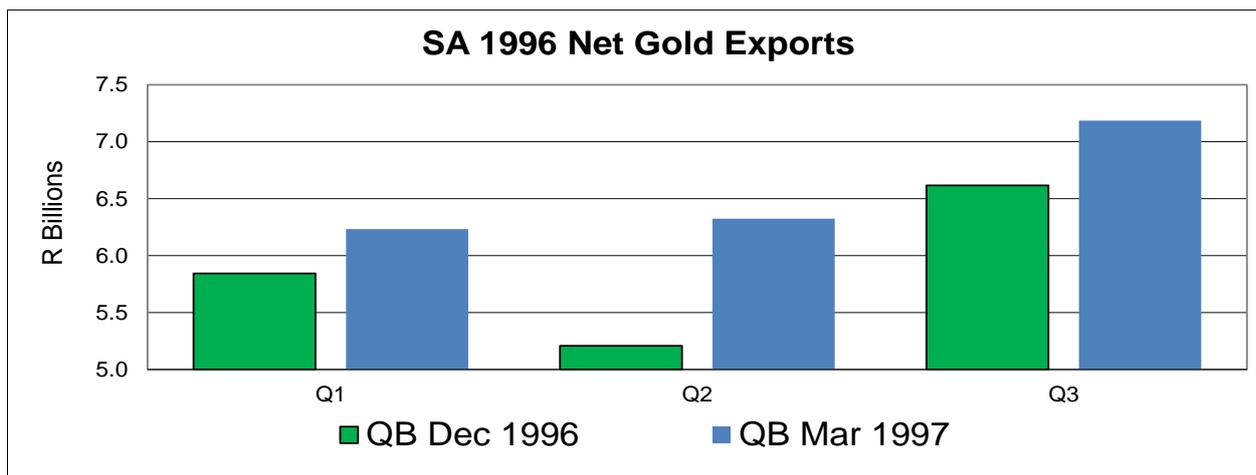
I then checked with the Chamber of Mines gold production data and that showed only a marginal drop. I then went back to Statistics South Africa to query their data. Their data source in turn was the Minerals Bureau, which in turn received its data from Customs and Excise, as well as the Rand Refinery.

The reason for the steep drop in gold export value and therefore production turned out to be a mis-classification of tael bars. The tael is an ancient Chinese unit of weight. These smaller bullion bars were minted for Harmony Gold Mining as a marketing exercise in the Far East, where tael bars are common. Customs and Excise did not count them as exports, but rather as re-exports, as the Rand Refinery regularly refined bullion bars into tael bars for offshore banks. This analysis of the problem with gold mine production was published in Business Day, South Africa's main financial newspaper.

When the SARB's December 1996 Quarterly Bulletin was published I was therefore surprised to see that this mis-classification error had not been rectified in the balance of payments data. The Bulletin was published shortly after the Bank rate had been raised in November 1996; in part due to balance of payments pressure on the rand exchange rate.

I queried the data with the SARB and went through to see them to voice my concerns, but I was told that much of the staff was going on holiday shortly, while respondents such as at the Minerals Bureau and Statistics South Africa would also be away. That meant that I was only phoned at the end of January 1997 and told I could publish in Business Day that there would be an upward revision in net gold exports and a consequent reduction in the current account deficit. This news helped to prompt a recovery in the rand, but the revised data was only published in the March 1997 Quarterly Bulletin.

The extent of the revisions is shown below. Net gold exports in the second quarter was revised higher by 21.4% or R1.116bn. This accounted for 99.4% of the R1.123bn reduction in the second quarter current account deficit to R3.581bn, while the third quarter revision increase of R568m in net gold exports almost exactly matched the R566m reduction in the current account deficit for that quarter.



3. Publication of South Africa's Net Open Forward Position

After the relatively lengthy delay in the SARB's response to my data queries in 1996, I was therefore pleasantly surprised at the extremely rapid response to my suggestion that the SARB consider publishing its Net Open Forward Position on a regular basis as suggested by the International Monetary Fund during the course of the Autumn 1997 meeting in Hong Kong.

The Asian currency crisis of 1997 had been precipitated by the central bank of Thailand in July 1997 when it could no longer meet its forward contracts on its Net Open Forward Position. As foreign currency traders did not know what Thailand's Net Open Forward Position was at the time, the prudent response was to panic first and then find out the facts as they became available later.

I phoned Dr Chris Stals, the governor of the SARB at the time, around 2pm and he said he would take my suggestion under advisement. I was anticipating a lengthy wait of several weeks, but instead it was before the close of business that day that he came back to me and said the SARB would be publishing the Net Open Forward Position on a regular monthly basis. South Africa thereby became the second central bank to publish its Net Open Forward Position on a regular basis after Thailand.

4. Lessons

The first lesson is that all data needs to be tested for “reasonableness”. It was not reasonable for net gold exports to show a decline in the second quarter 1996 on the first quarter 1996 given the rapid decline of the rand exchange rate in the second quarter.

The second lesson is that even if you are open and transparent in your data, such as South Africa is in terms of its foreign reserves and Net Open Forward Position, does not mean that this will stop panics and extreme volatility in foreign exchange markets.

The third lesson is that sometimes there are factors beyond your control. During one of the periodic bouts of rand weakness a joint media briefing was to be held by the Minister of Finance and the SARB governor. The meeting was scheduled for 5pm and a reasonable amount of time was allowed for journalists to get from Johannesburg to Pretoria. Unfortunately there was an accident on the highway so much of the realtime news media could not get to Pretoria by 5pm, so the media conference was sensibly postponed to 6pm. The postponement however resulted in a spate of rumours and the rand weakened further merely as a result of the postponement.

The fourth lesson is that in a time of almost instant communication, the sooner a rumour is dealt with the better. Rumours about President Nelson Mandela’s health in February 1996 could have simply been dealt with by posting online footage of him walking about with a copy of today’s newspaper in his hand. That would not have been invasive of his privacy, as it could be controlled by the government and could be done in minutes if there had been contingency planning.

5. Conclusion

Although the SARB’s statistical tables in its Quarterly Bulletin run to more than 150 pages, the market’s want for more data is insatiable, so a balance must be made between cost and availability of data, as data collection is not costless as in some “perfect market” heaven.

In my view, the balance of payments data needs to be improved so that the “unrecorded transactions” are a minimal percentage of the current account balance. Another area requiring attention is housing data. Are house prices rising or are they falling? Are there large regional disparities or does one size fit all? How much of home loans is being used in current consumption via refinancing and how much is being used to build new housing?

As noted in my introduction, during the past 37 years I have seen a notable improvement in both the quality and timeliness of the data, but what has impressed me most is the responsiveness of the South African Reserve Bank to queries or suggestions and I expect this to continue in the future.