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Other services

Quarterly analysis of activity in hotels & restaurants, transport & storage, real estate and business services

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Please refer to the glossary on the BER's **website** for explanations of technical terms.

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Executive summary

Confidence in the Other Services sector ticked up marginally in 2025Q3. However, at 46 index points, it remains below the long-run average, and underlying activity indicators remain weak. Moreover, confidence levels across 2025 continue to track below those of 2024, signalling a broader slowdown in this segment of the economy. That said, Other Services confidence still exceeds the broader RMB/BER Business Confidence Index (BCI), although the gap has narrowed in recent quarters.

While overall confidence held steady in the Other Services sector in Q3, the underlying conditions do not support this result. **Realised business volumes** fell below their historical average, and **business conditions** declined, although the latter remains broadly in line with long-run norms. There was also a notable decline in **profitability**, which is consistent with what we see with volumes. **Average selling prices**, in contrast, ticked up, aligning with official data pointing to a slight acceleration in consumer price (CPI) inflation, likely driven in part by higher input costs such as the electricity tariff hike in July.

Two broader trends may explain these outcomes. First, we see South African consumers under intense economic pressure. After two-pot withdrawals temporarily bumped consumers' spending power, this effect appears to be fading. The strain is evident in the weak results in the real estate and hospitality subsectors. **Real estate** activity fell in the third quarter. The net majority of respondents saw a drop in volumes compared to a year ago, a disappointing outcome, particularly in light of the 125 basis points of repo rate cuts since 2024Q3. The decline in business volumes, combined with a notable deterioration in business conditions, weighed on confidence in the subsector, declining to its lowest reading since 2024Q1.

Meanwhile, despite a sharp increase in **hospitality confidence**, realised business volumes in this subsector moved deeper into negative territory. This likely reflects weak domestic demand, as overseas arrivals (which surged in July) should have provided a stronger lift to volumes if local conditions were more supportive.

Second, the challenging operating environment, particularly stemming from bureaucratic inefficiencies and municipal mismanagement, continues to weigh on sentiment in the Other Services sector. **Transport confidence** slid amid domestic and global constraints. This was reflected in higher readings for all four constraints surveyed, increasing above their long-term averages, suggesting the business environment has worsened notably. Interestingly, the historical relationship between public-sector logistics and private-sector activity may also be relevant. When Transnet improves its performance, private logistics providers sometimes report weaker outcomes, possibly due to crowding-out effects.

Even in **business services**, where confidence increased, the survey results point to limited optimism. The slight improvement may reflect temporary relief during a period of relative political calm on the domestic front in Q3. However, respondents remain sceptical about the outlook, citing persistent inefficiencies and a weak demand environment.

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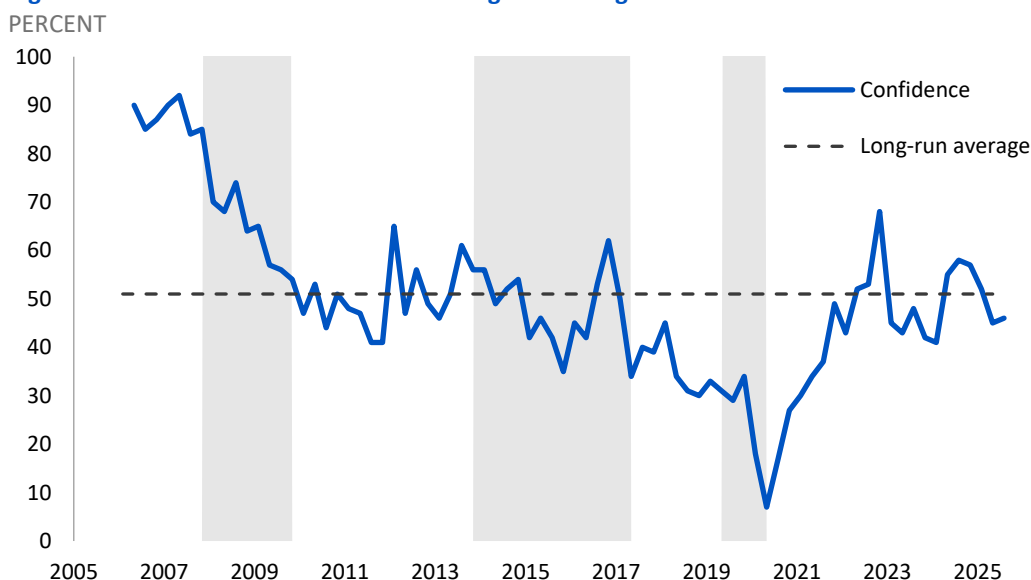
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Introduction

Although the overall business confidence in the Other Services sector¹ rose by one point to 46 between Q2 and Q3, this masks a lot of volatility amongst the several subsectors and underlying conditions that make up the index. At 46, confidence is just below the long-run average and readings in 2025 continue to track below those of 2024. However, confidence in Other Services is still above the Business Confidence Index (BCI), even though that gap has been narrowing. The Other Services survey results mimic those of the other surveys with respect to the decline in volumes (activity). This reflects a broader cooling in demand as businesses and consumers face sustained economic headwinds.

When considering the overall underlying conditions, most indicators were in negative territory, making it difficult to pinpoint the exact source of the sideways move in business confidence. However, a few developments offer some clues. First, although business conditions deteriorated, the index remains marginally above its long-term average. Second, the rise in expected business volumes (up by four points) may have helped keep confidence from falling. This is not unexpected, as there is often a strong correlation between expected and realised business volumes.

Figure 1: Other Services confidence and long-run average



Source: BER and SARB

¹ Hotels, restaurants, transport, real estate and business services make up the Other Services sector. They are denoted as “other” services to distinguish them from the retail, wholesale and motor trade sectors, which are also part of the services sector but included in the RMB/BER business confidence index (BCI). The Other Services sector is not included in the BCI due to its lagging business cycle characteristics, i.e., it recovers/deteriorates later than the BCI sectors. Although the Other Services sector contributes a considerable 22% (2019) to GDP and employment, the BER does not include it in the BCI to safeguard its advanced signalling properties.

That said, a significant decline in profitability likely kept confidence from increasing further.

This indicator dropped a meaningful 17 points to -36. The simultaneous drop in business volumes offers a partial explanation for this fall in profitability, especially since average prices/fees charged actually increased by four points to nine, above the long-run average.

The hospitality subsector also provides insight into the broader confidence and volume dynamics. Respondents in this subsector reported higher confidence levels despite business volumes falling below their long-run average. This divergence contrasts with developments in the other three subsectors, where confidence and volumes moved in the same direction. Confidence declined in both the transport and real estate subsectors, while a modest four-point rise was recorded in business services.

HOSPITALITY CONFIDENCE UP AS EXPECTED BUSINESS VOLUMES AND PROFITABILITY REBOUND

Confidence in the hotels and restaurants (hospitality) subsector saw a strong rebound in 2025Q3, rising by 15 points to 56, above its long-term average of 51. Improved realised business conditions accompanied the rise in business confidence. Unlike in the previous quarter, the overseas arrivals seem to align with business sentiment this time around,² though not with a decline in business volumes. Stats SA reports that overseas arrivals rose by a significant 20.1% y-o-y, by far the highest jump in recent months, and year-to-date, overseas visitors to SA are higher than in 2024, especially at O.R. Tambo International Airport. Nevertheless, realised business volumes declined by 15 points to -37, which may stem from weakness in domestic demand³.

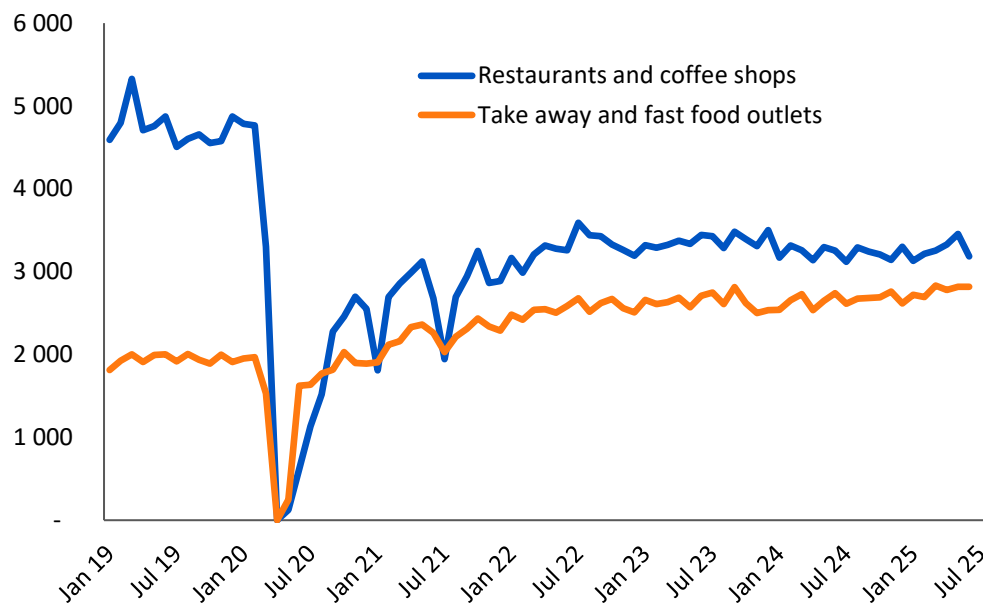
Domestically, we have noticed a change in consumer behaviour. Survey participants noted a move from traditional sit-down dining towards takeaway options, alongside a growing dependence on fast-food delivery via digital platforms. This shift in consumer behaviour is also evident in official statistics. As shown in Figure 2, income from takeaway and fast-food outlets has been steadily increasing and is now exceeding pre-COVID levels. At the same time, restaurant revenue has remained flat, with a significant decline in the June numbers, and remains well below pre-COVID levels. This trend aligns with ongoing consumer weakness, as the average nominal take-home pay has fallen for the fifth consecutive month in July and is now 6.9% lower than in February. Furthermore, the electricity tariff increase of 12.74%, which took effect for most households on 1 July 2025, is likely adding to the burden on consumers.

We also see businesses in this subsector more willing to pass on the higher input costs to clients, with the average selling price indicator rising by 20 points to 34. These elevated prices may also explain why businesses in the subsector were able to maintain profitability, despite the fall in business volumes. Another cause for optimism among respondents is more expected activity in Q4 surrounding the G20 activities and the main tourism season. We see this reflected in higher expected business volumes for the next quarter.

² Bureau for Economic Research (BER). 2025. Other Services Survey Publication: Quarterly Analysis of Activity in Hotels & Restaurants, Transport & Storage, Real Estate and Business Services – Volume 06, Number 02.

³ The third quarter survey took place from 6 to 25 August 2025, so August tourism numbers may likely have been lower than July, and our realised business volumes reflect this weakness.

Figure 2: Income generated: Restaurants and coffee shops vs. takeaway and fast food outlets
 RAND MILLION, CONSTANT PRICES, SEASONALLY ADJUSTED



Source: Stats SA

TRANSPORT CONFIDENCE SLIPS AMID DOMESTIC AND GLOBAL CONSTRAINTS

The transport and storage subsector appears to have been significantly impacted by both domestic and global headwinds. Business volumes fell sharply in 2025Q3, dropping by 35 points to -49. Survey respondents flagged red tape and broader government inefficiencies as serious obstacles to doing business, with ongoing global trade policy uncertainty compounding these challenges. All four indicators of constraints surveyed — insufficient demand, a shortage of skilled labour, a shortage of space or equipment, and financial constraints — rose above their respective long-term average levels in the third quarter. This means that they are a more serious constraint to business than usual, and point to a notable deterioration in the overall business environment facing the sector.

There have been reports of improvement at the ports, allowing for reduced waiting times and congestion. In recent years, however, when Transnet (or other SOEs involved in logistics) perform better, the transport and storage subsector tends to underperform, possibly due to crowding out private logistics providers. The slump in business activity this quarter corresponds with this trend. Over the long term, a better working Transnet should be good for the logistics sector regardless.

The decrease in business confidence by 19 points to 27 coincided with a 65-point fall in realised profitability, a 29-point drop in realised employment, and a decline in realised business conditions. This suggests the subsector may be undergoing a broader sectoral downturn. However, while firms remain pessimistic, their outlook for future activity improved, with both expected business conditions and volumes rising markedly in 2025Q3. Business activity is expected to rebound, supported by potentially improved government efficiency and more private participation in areas where the government dominated before. Improved consumer demand during the festive season might lift activity towards the end of the year.

REAL ESTATE SUBSECTOR REMAINS UNDER PRESSURE DESPITE RATE CUTS

Results in the real estate subsector deteriorated notably in the third quarter. Of the activity indicators, only average selling prices (up by 11 index points) and realised employment (up by 32 points) recorded improvements. All other indicators were down meaningfully. Business volumes declined by 10 points to -7, signalling that the net majority of respondents saw a fall in volumes compared to a year ago. This is disappointing, particularly in light of the 125 basis points of repo rate cuts since 2024Q3. Even the most recent 25 basis point cut, announced just before the survey period⁴, failed to lift actual or expected volumes. That said, business volumes remain above their long-run average, suggesting that not all segments of the market are equally weak. Indeed, industrial and commercial property⁵ appear to be outperforming residential real estate, consistent with the strong performance of real estate investment trusts (REITs)⁶ so far this year.

The drop in business volumes, combined with another notable deterioration in business conditions, weighed on confidence in the subsector. Real estate confidence declined by seven points to 29, the lowest reading since the first quarter of 2024, when it registered 14. Importantly, unlike what we noticed in the other subsectors, none of the expectations indicators moved higher this quarter, signalling persistent pessimism for real estate. Apart from weak demand for property sales and rentals, a lack of supply is increasingly acting as a constraint. The downward trend in the FNB supply-side index lends support to this narrative.

Survey responses also align with actual property price data. The average selling price index in our survey rose by 11 points to 15, 26 points above the long-run average. This corroborates the recent acceleration in the FNB housing price index, which is likely driven by a lower housing supply.

Figure 3: Average selling prices for the real estate subsector



Source: BER

⁴ The third quarter survey took place from 6 to 25 August 2025 and the latest interest rate cut happened on 31 July.

⁵ <https://www.businesslive.co.za/bd/companies/property/2025-08-12-industrial-property-surges-on-logistics-and-warehousing-demand/>

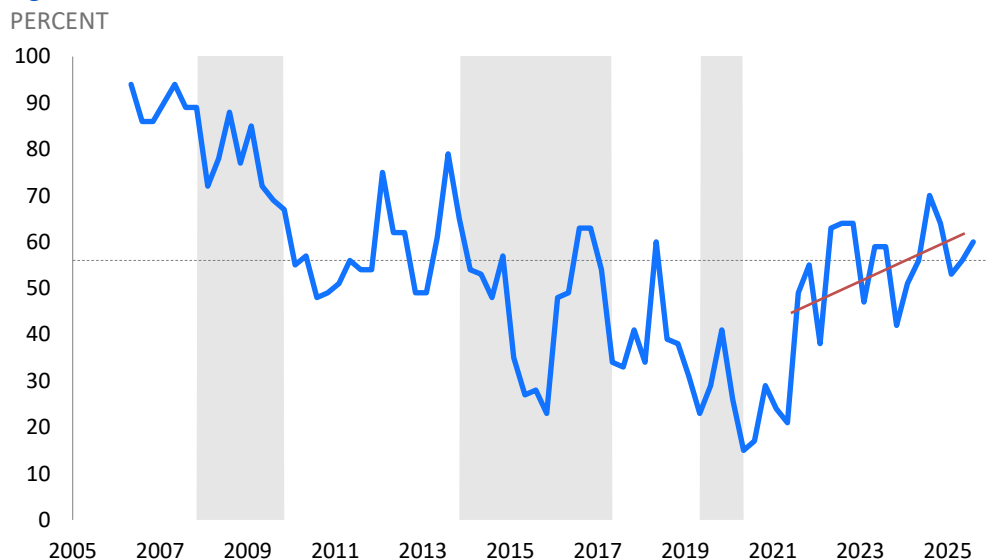
⁶ <https://www.businesslive.co.za/bd/companies/property/2025-09-03-while-sa-listed-property-holds-steady-cracks-are-beginning-to-show/>

CONFIDENCE IN BUSINESS SERVICES SUBSECTOR TICKS UP, BUT FUTURE OUTLOOK UNCERTAIN

Business confidence in the business services subsector rose by four index points in 2025Q3, reaching 60, comfortably above the long-term average of 42. In particular, a trendline through the confidence readings over the past four years suggests a broadly upward trajectory. This is a welcome development, particularly given the large weight of this subsector in the Other Services survey and its significant contribution to GDP⁷.

Although demand remains a key constraint, with 59% of respondents citing insufficient demand as a serious impediment to doing business, this share has declined meaningfully from the peak levels recorded during 2020–2021. However, a key challenge continues to be government inefficiencies, a theme frequently raised by respondents. In particular, comments point to ongoing frustration with municipal-level mismanagement, which undermines their operating environment.

Figure 4: Business confidence in business services



Source: BER and SARB

The uptick in confidence aligns with a modest increase in business volumes (up from -5 to -4) and a more notable incline in business conditions (up from -15 to 4). Business services was the only subsector in which both realised volumes and business conditions improved in the third quarter. However, the forward-looking indicators present a more downbeat picture. Both expected business volumes and conditions deteriorated notably, suggesting that heightened uncertainty is weighing on the outlook of firms.

Overall, the Q3 results suggest that respondents may have experienced some relief after a period of relative political calm, but remain sceptical about the outlook. Many firms appear to be losing hope that longstanding bureaucratic inefficiencies will ease any time soon.

⁷ The overall services industry makes up over 75% of real GDP in South Africa according to StatsSA data and the author's own calculations.

PROVINCIAL BUSINESS CONFIDENCE DIVERGES: WESTERN CAPE SLUMPS, GAUTENG LIFTS

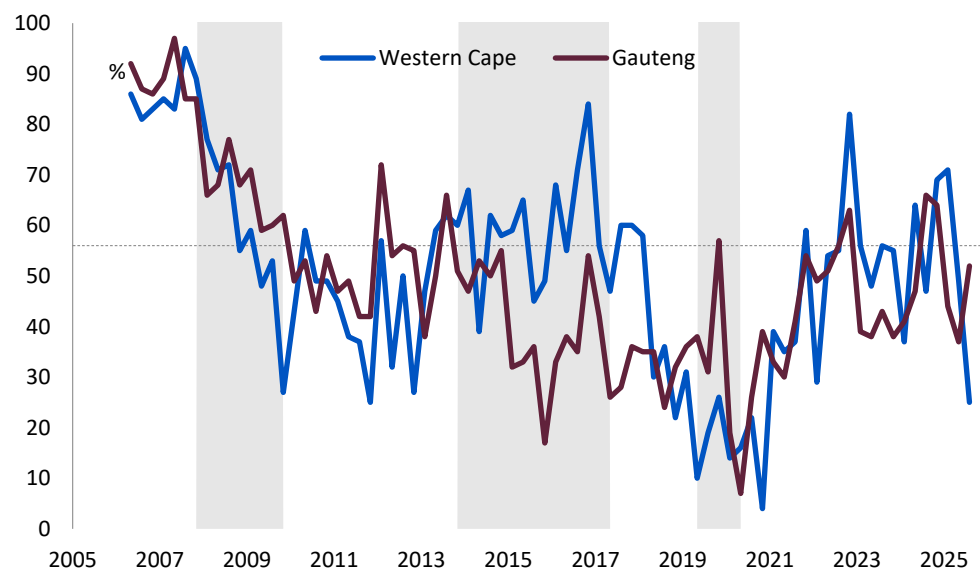
In the third quarter, business confidence and volumes declined in both the Western Cape and KwaZulu-Natal (KZN), while improving in Gauteng. This contrasts with a broader trend observed in other BER surveys, where the Western Cape typically outperforms Gauteng⁸. Business confidence in the Western Cape declined by a sharp 24 points to 25, the lowest reading in nearly five years.⁹ Both business conditions and business volumes fell meaningfully. The post-COVID recovery period was characterised by a notable ‘boom’ in the province, but this appears to have run its course. The latest readings suggest a marked growth slowdown, which is weighing on firms’ perceptions of the current operating environment.

Meanwhile, conditions in Gauteng look better this quarter. Business confidence increased by 15 points to 52, business conditions were up by 28 points to 2, and volumes increased by 6 points to -12. All three indicators are now at or above the historical average. It is difficult to determine the precise source of the boost in confidence in Gauteng. One possible explanation is the hosting of several G20-related events in Gauteng and nearby provinces, which may have supported the hospitality and transport subsectors. Another is a turnaround in property demand in specific Johannesburg areas¹⁰.

The provincial data can be volatile, so whether this trend proves to be temporary remains to be seen.

Figure 5: Gauteng and Western Cape business confidence

PERCENT



Source: BER and SARB

In KZN, the numbers continue to swing significantly. Following a surprising 90-point confidence level in Q2, business confidence plummeted again by 50 points to 40 in 2025Q3.

⁸ RMB/BER Business Confidence Index 2025Q3, press release

⁹ 2020Q4 was the last lowest point

¹⁰ <https://www.businesslive.co.za/fm/features/2025-09-11-is-the-gauteng-housing-market-through-the-worst/>

Underlying activity indicators also deteriorated considerably: business conditions and business volumes dropped by 59 and 62 net percentage points, respectively. Interestingly, despite the drastic declines, they both remain above long-run average levels, possibly reflecting how elevated the prior quarter's levels were. Underpinning the current weakness is continued demand-side pressure. An overwhelming 85% of respondents in KZN cited insufficient demand as a serious constraint to doing business.

WHERE TO FROM HERE?

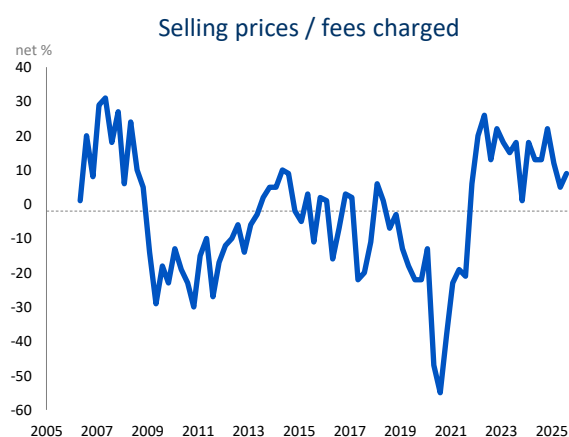
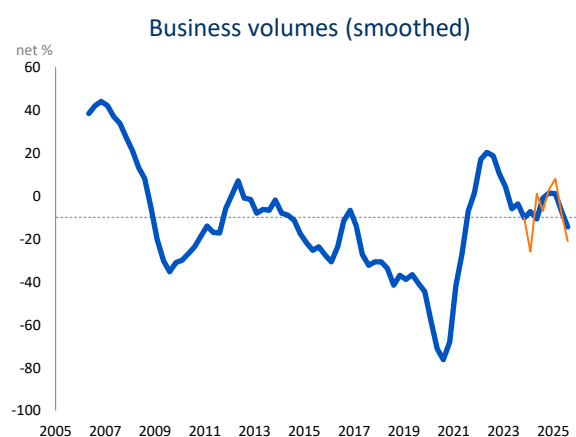
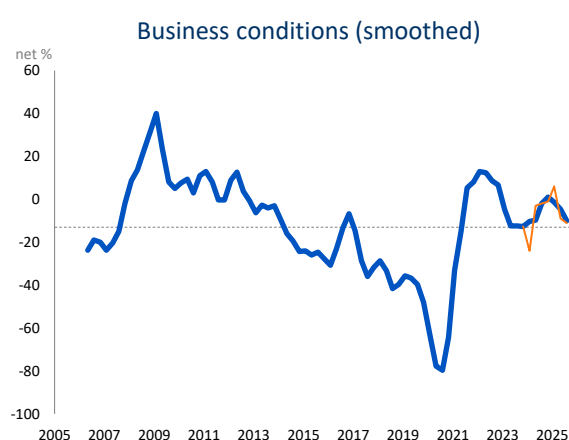
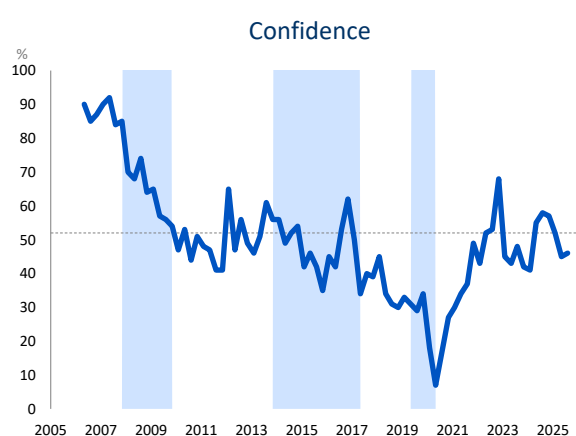
The outlook for the Other Services sector remains closely tied to developments in the broader South African economy. As momentum in other key sectors falters, the spillover effects are increasingly evident, whether through declining confidence, weaker activity levels, or both.

Barring a seasonal uptick in transport and hospitality, and the lagged impact of slightly lower interest rates, there are few near-term catalysts in sight that could significantly boost the sector. Demand conditions remain subdued and structural headwinds continue to weigh on consumers. That said, there is some hope that progress on structural and labour market reforms will help improve the broader business environment. In turn, this could support stronger and more sustainable growth in services over the medium term.

Survey results

OTHER SERVICES: TOTAL¹¹

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	Δ	σ_{Δ}
Confidence	%	33	52	70	42	41	55	58	57	52	45	46	1	8
Business conditions	Net %	-38	-13	12	-4	-24	-3	-2	-1	6	-9	-11	-2	17
Smoothed	Net %	-35	-12	11	-13	-10	-10	-2	1	-1	-5	-10	-5	9
Business volumes	Net %	-38	-10	19	3	-26	1	-7	3	8	-8	-21	-13	16
Smoothed	Net %	-37	-12	13	-10	-7	-11	-1	1	1	-7	-15	-8	9
Selling prices / fees charged	Net %	-20	-2	16	1	18	13	13	22	12	5	9	4	11



¹¹ The "other services: total" includes hotels & restaurants (15%), transport & storage (22%), real estate (18%) and business services (45%). The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the sub-sector's share according to Stats SA's business censuses.

μ – average

σ – standard deviation

Δ – change from previous period

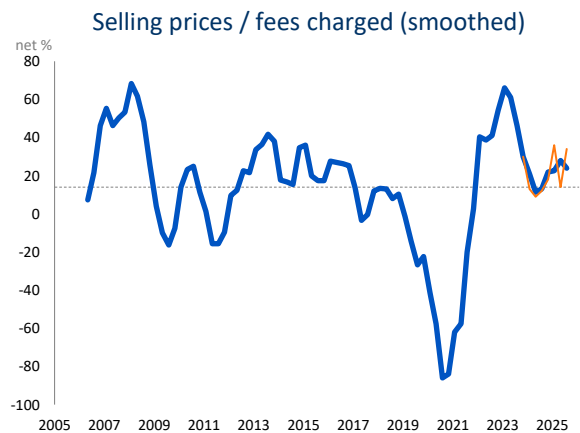
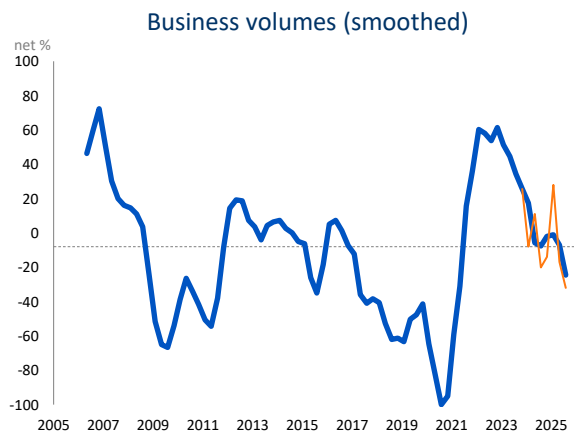
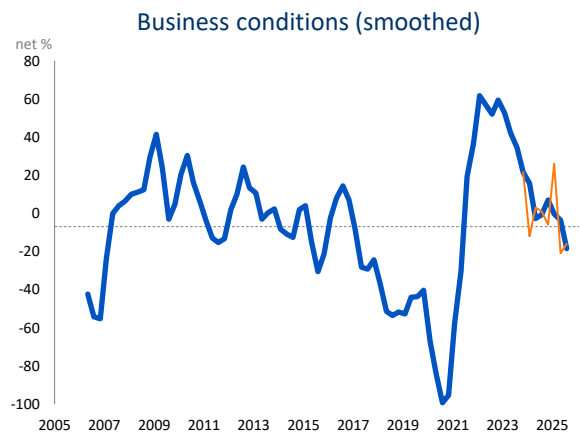
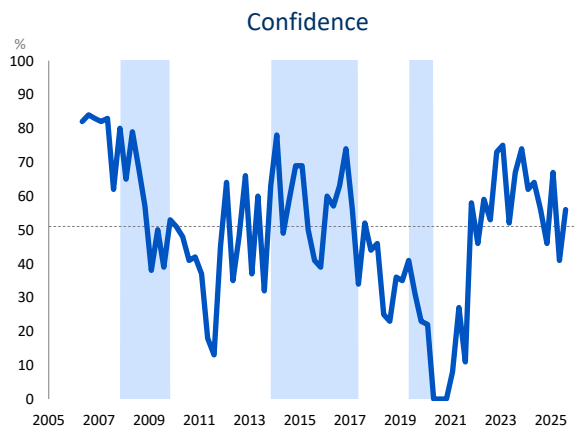
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2005 to the present

See Technical note for further details

HOTELS & RESTAURANTS¹²

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	Δ	σ_{Δ}
Confidence	%	30	51	72	74	62	64	56	46	67	41	56	15	16
Business conditions	Net %	-47	-7	32	56	-12	3	1	-6	26	-21	-16	5	32
Smoothed	Net %	-41	-6	28	22	16	-3	-1	7	0	-4	-19	-15	15
Business volumes	Net %	-53	-9	36	49	-8	11	-20	-14	28	-17	-32	-15	32
Smoothed	Net %	-50	-10	30	26	17	-6	-8	-2	-1	-7	-25	-18	15
Selling prices / fees charged	Net %	-22	14	50	41	13	9	12	18	36	14	34	20	30
Smoothed	Net %	-18	14	46	30	21	11	13	22	23	28	24	-4	13



¹² Hotels & other accommodation (SIC code 641) (74%), restaurants and other food outlets (642) (26%). The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the sub-sector's share according to Stats SA's business censuses.

μ – average

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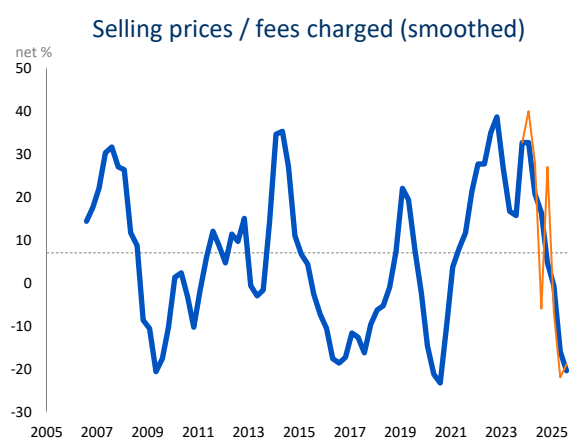
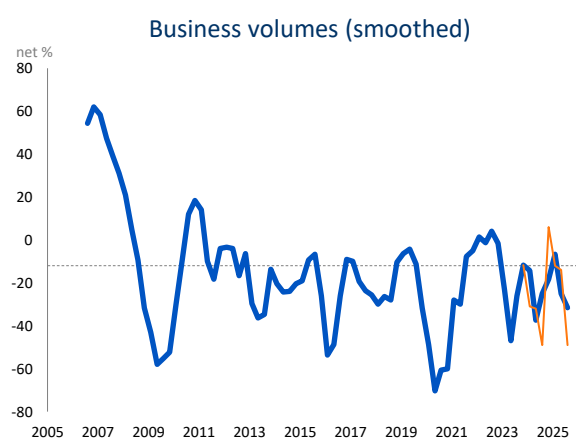
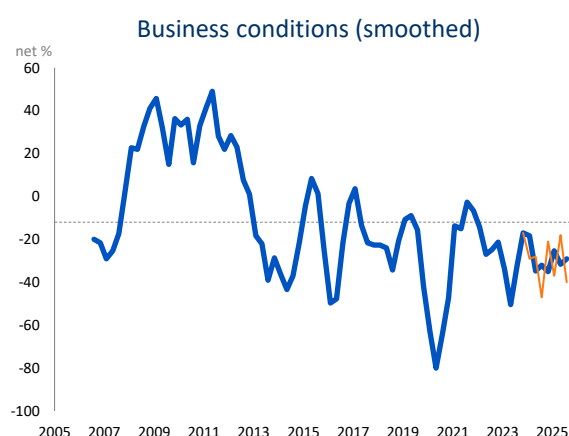
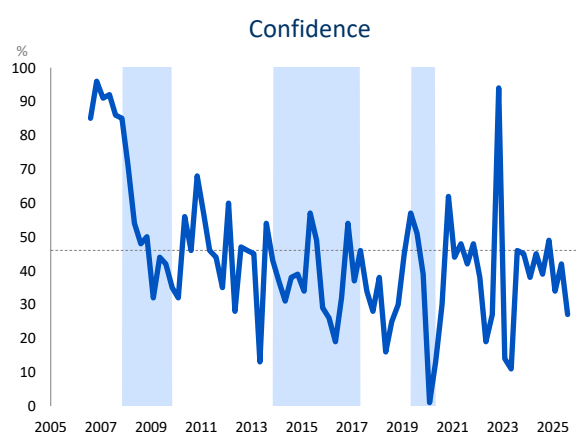
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2005 to the present

See Technical note for further details

TRANSPORT & STORAGE¹³

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	Δ	σ_{Δ}
Confidence	%	25	46	67	45	38	45	39	49	34	42	27	-15	19
Business conditions	Net %	-48	-13	23	2	-29	-28	-47	-21	-37	-18	-40	-22	36
Smoothed	Net %	-40	-12	17	-17	-18	-35	-32	-35	-25	-32	-29	3	13
Business volumes	Net %	-48	-12	24	20	-31	-32	-49	6	-12	-14	-49	-35	34
Smoothed	Net %	-42	-15	11	-12	-14	-37	-25	-18	-7	-25	-32	-7	14
Selling prices / fees charged	Net %	-14	6	26	30	40	28	-6	27	-7	-22	-19	3	19
Smoothed	Net %	-11	6	23	33	33	21	16	5	-1	-16	-21	-5	8



¹³ 1) Land transport (39%): road freight (SIC code 7123)

2) Supporting transport & travel agencies (61%): cargo handling (7411), travel agencies & tour operators (7414), other (e.g., freight forwarding) (7419)

The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the sub-sector's share according to Stats SA's business censuses.

μ – average

σ – standard deviation

Δ – change from previous period

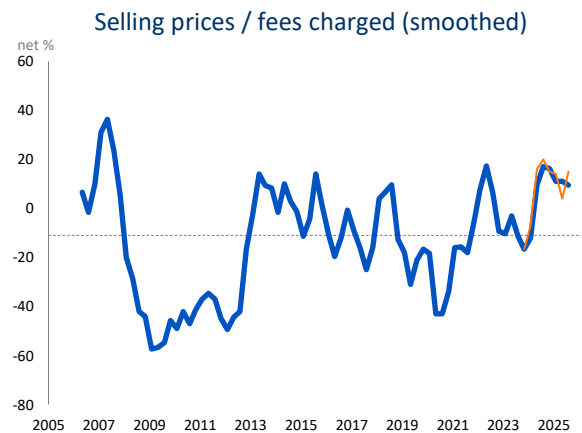
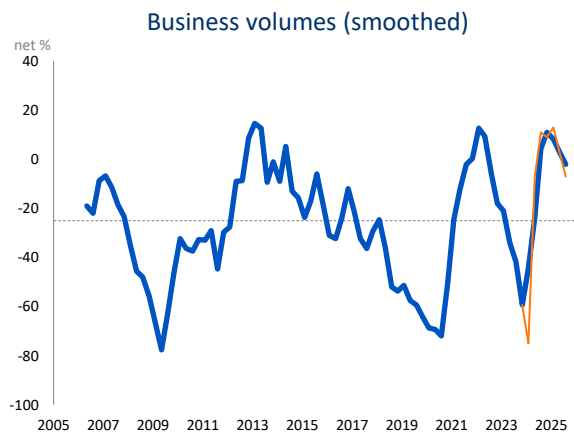
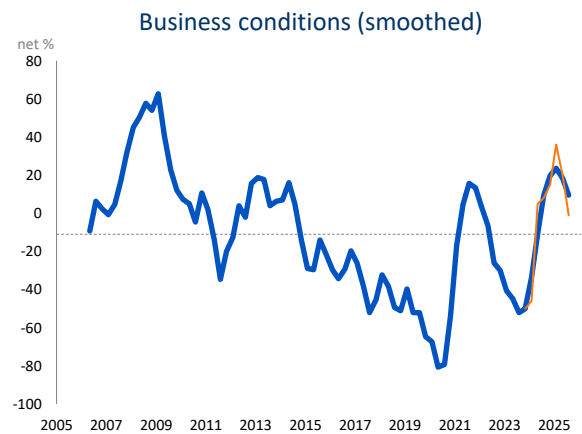
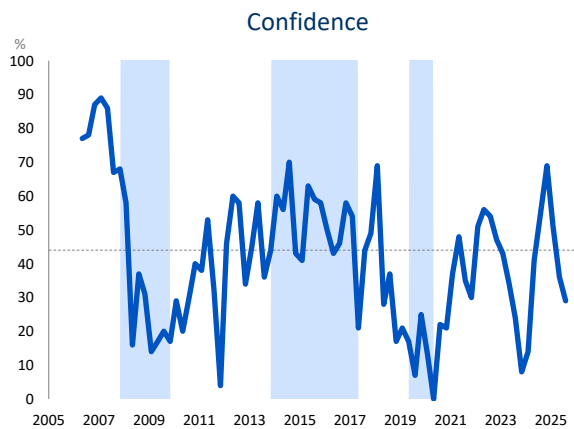
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REAL ESTATE¹⁴

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	Δ	σ_{Δ}
Confidence	%	22	44	66	8	14	41	55	69	51	36	29	-7	15
Business conditions	Net %	-47	-11	25	-60	-46	5	8	15	36	20	-1	-21	29
Smoothed	Net %	-42	-10	22	-50	-34	-11	9	20	24	18	10	-8	12
Business volumes	Net %	-54	-25	5	-51	-75	-7	11	9	13	3	-7	-10	28
Smoothed	Net %	-50	-26	-3	-59	-44	-24	4	11	8	3	-2	-5	11
Selling prices / fees charged	Net %	-41	-10	20	-45	-7	16	20	15	14	4	15	11	25
Smoothed	Net %	-36	-13	10	-17	-12	10	17	16	11	11	10	-1	11



¹⁴ Estate agents (auctioneering and sale of property) (SIC code 841) (35%) and property management (841) (65%). The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the sub-sector's share according to Stats SA's business censuses.

μ – average

σ – standard deviation

Δ – change from previous period

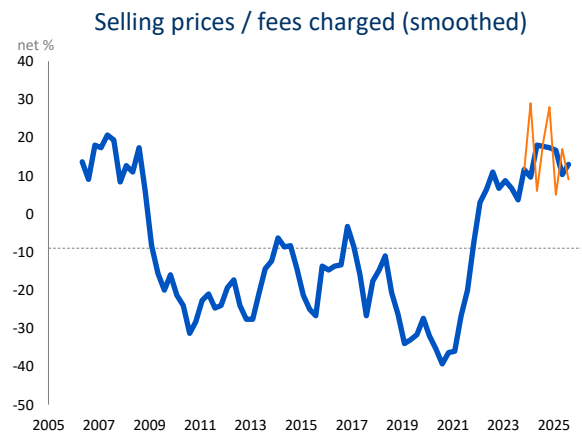
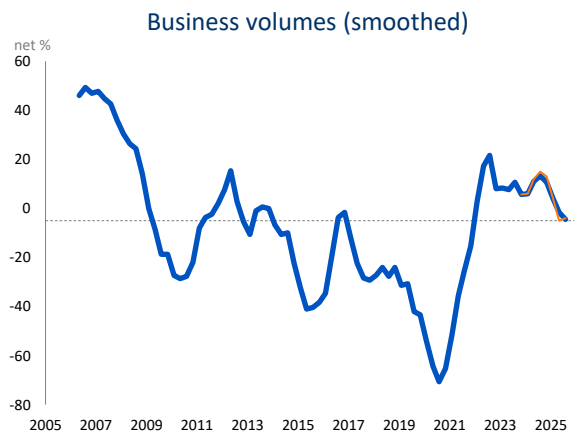
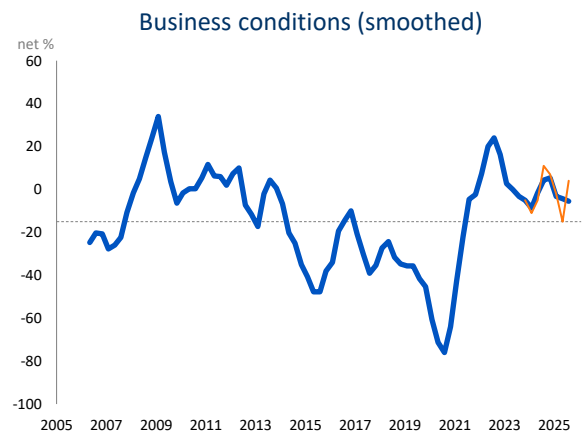
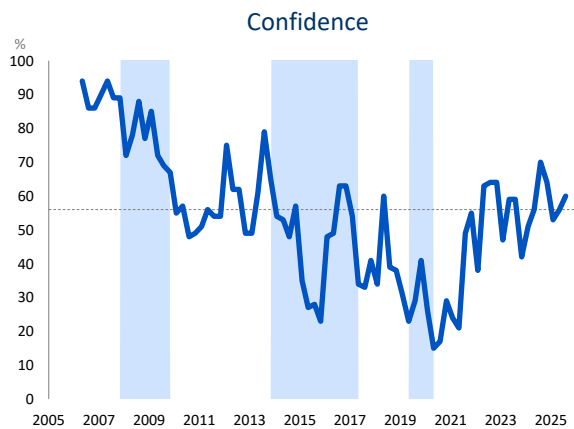
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2005 to the present

See Technical note for further details

BUSINESS SERVICES¹⁵

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	Δ	σ_{Δ}
Confidence	%	36	56	77	42	51	56	70	64	53	56	60	4	11
Business conditions	Net %	-40	-15	11	-10	-11	-5	11	7	-2	-15	4	19	18
Smoothed	Net %	-37	-14	9	-5	-9	-2	4	5	-3	-4	-6	-2	9
Business volumes	Net %	-36	-5	26	0	6	12	15	13	4	-5	-4	1	16
Smoothed	Net %	-35	-8	19	6	6	11	13	11	4	-2	-5	-3	9
Selling prices / fees charged	Net %	-29	-9	11	-6	29	6	19	28	5	17	9	-8	16
Smoothed	Net %	-27	-10	8	12	10	18	18	17	17	10	13	3	6



¹⁵ 1) Renting of machinery & equipment (8%): transport equipment (SIC code 851), other machinery & equipment (852).

2) Computer services (19%): hardware consultancy (861), software consultancy (862).

3) Legal services, accounting & other (30%): legal services, accounting, bookkeeping, auditing & tax consulting (8811-2), business & management consulting (8814).

4) Consulting engineering activities (88211) (23%)

5) Advertising (883) (3%)

6) Other (16%): building & industrial plant cleaning activities (8893), other (8899) e.g., debt collection, interior design, exhibitions.

The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the sub-sector's share according to Stats SA's business censuses.

μ – average

σ – standard deviation

Δ – change from previous period

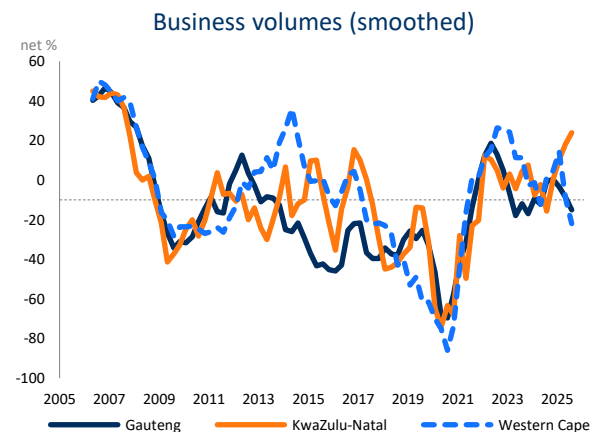
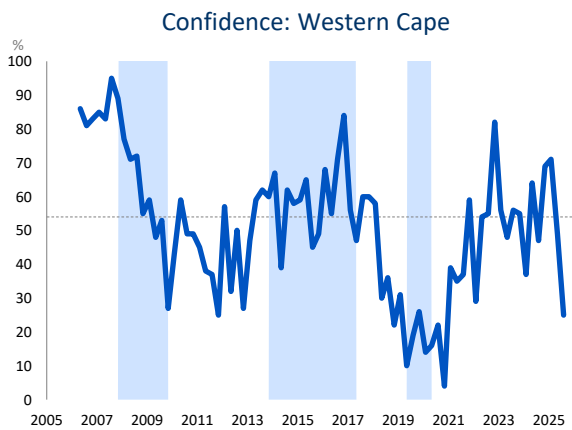
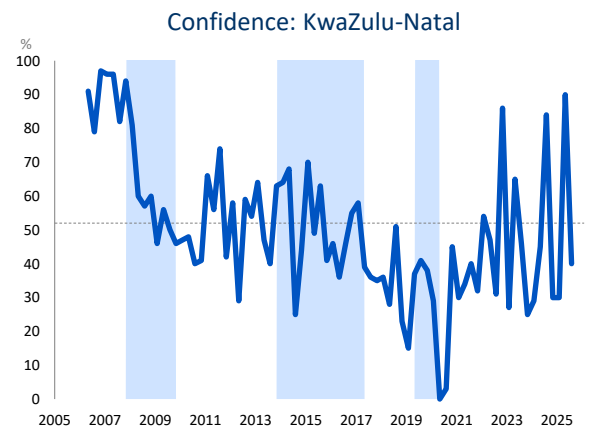
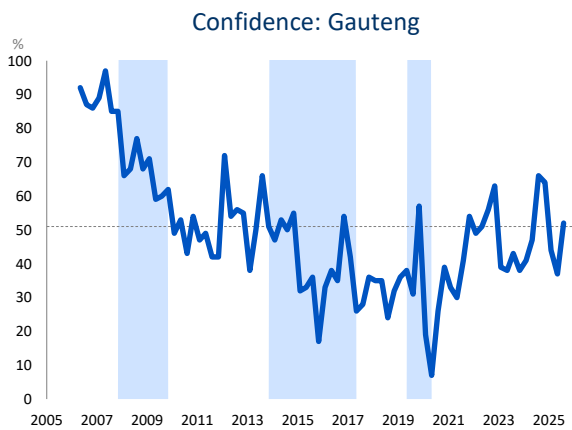
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2005 to the present

See Technical note for further details

PROVINCES

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	Δ	σ_{Δ}
Gauteng														
Confidence	%	32	51	70	38	41	47	66	64	44	37	52	15	12
Business volumes	Net %	-42	-12	19	2	-31	1	-7	4	4	-18	-12	6	20
Smoothed	Net %	-40	-14	11	-17	-9	-12	-1	0	-3	-9	-15	-6	9
KwaZulu-Natal														
Confidence	%	29	52	75	25	29	45	84	30	30	90	40	-50	21
Business volumes	Net %	-43	-8	28	9	9	-41	25	-31	7	55	-7	-62	40
Smoothed	Net %	-36	-10	15	8	-8	-2	-16	0	10	18	24	6	14
Western Cape														
Confidence	%	32	53	74	55	37	64	47	69	71	49	25	-24	16
Business volumes	Net %	-38	-4	29	14	-24	6	-19	17	16	10	-54	-64	22
Smoothed	Net %	-37	-7	23	-3	-1	-12	1	5	14	-9	-22	-13	11



μ – average

σ – standard deviation

Δ – change from previous period

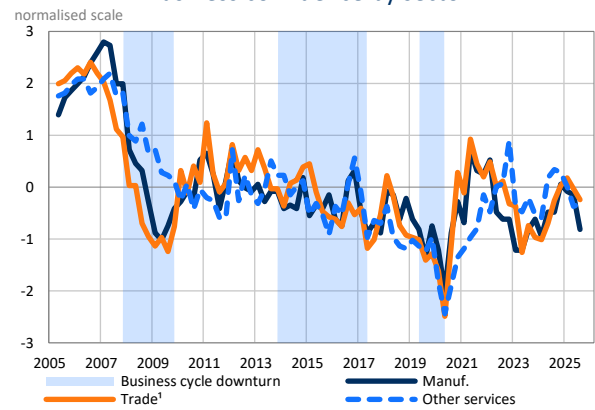
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2005 to the present

See Technical note for further details

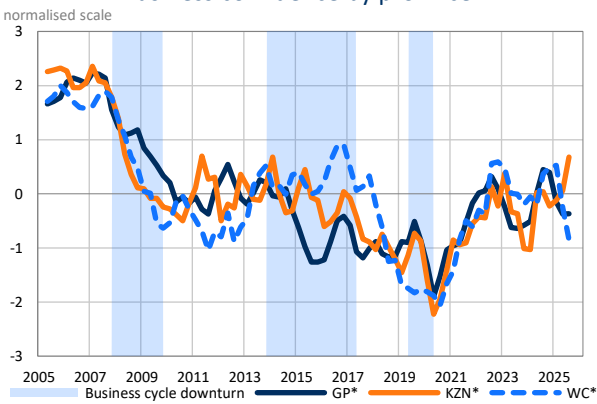
SUMMARY

Business confidence by sector

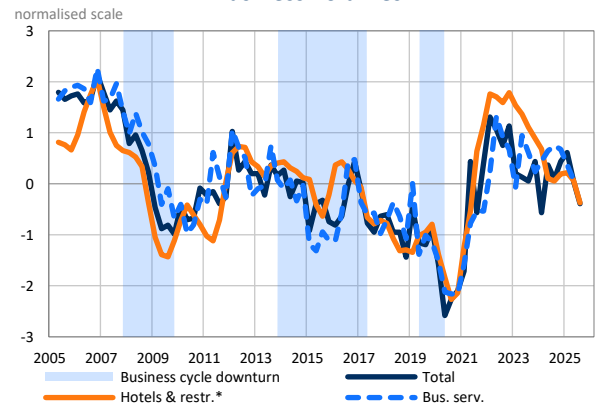


¹ Trade = average of retail, wholesale & motor trade

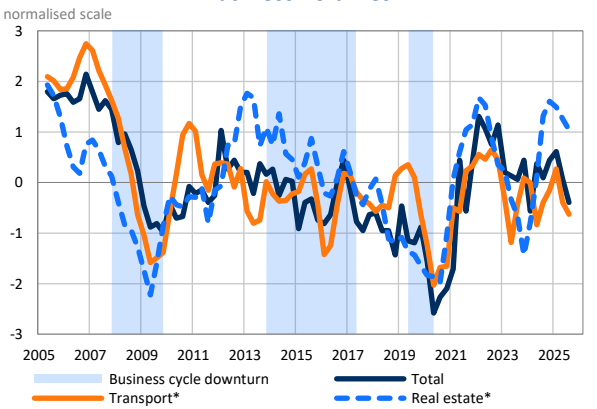
Business confidence by province



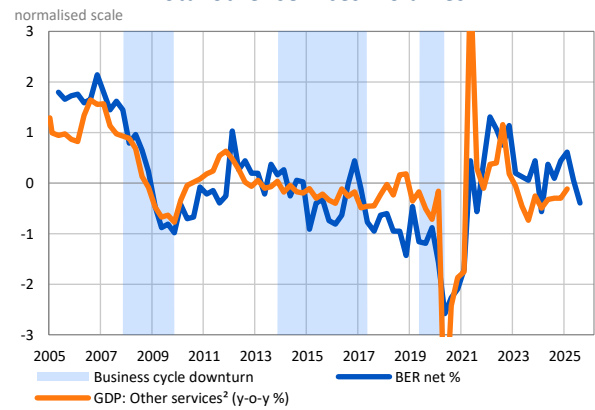
Business volumes



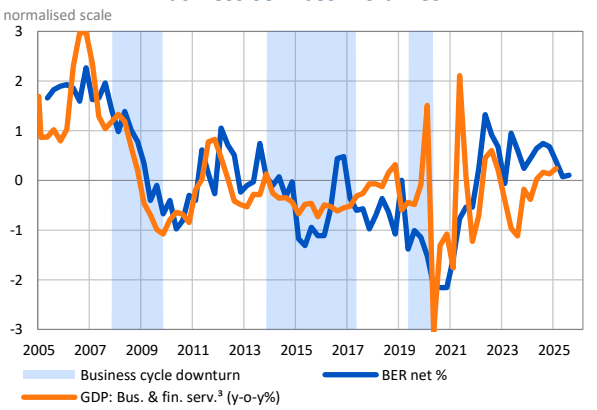
Business volumes



Total other services: volumes



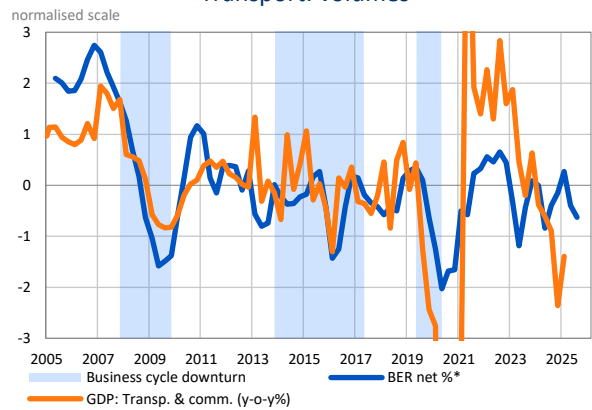
Business services: volumes



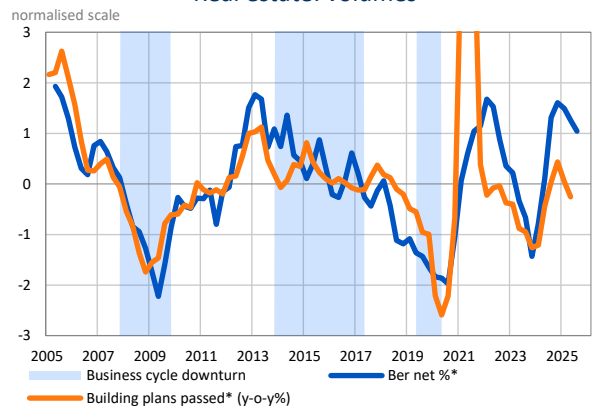
* three-quarter centred moving average

SUMMARY CONTINUES

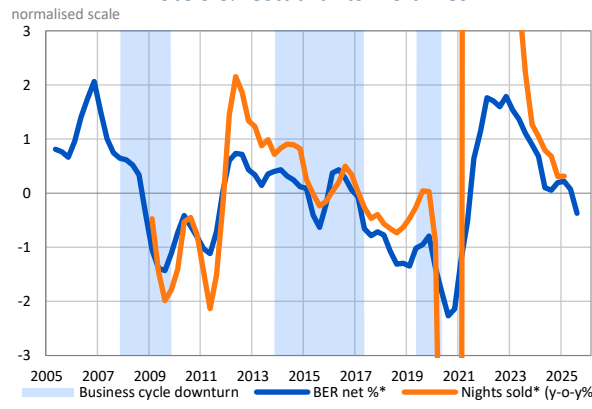
Transport: volumes



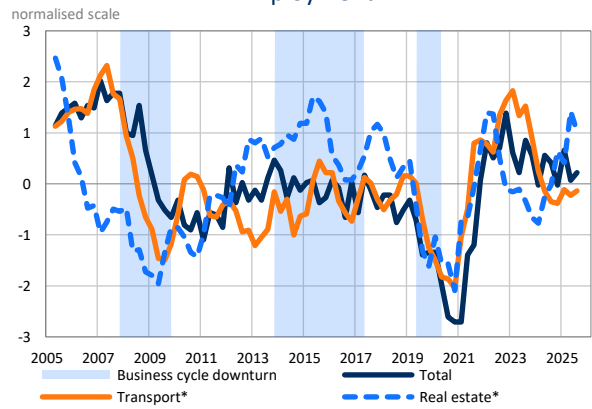
Real estate: volumes



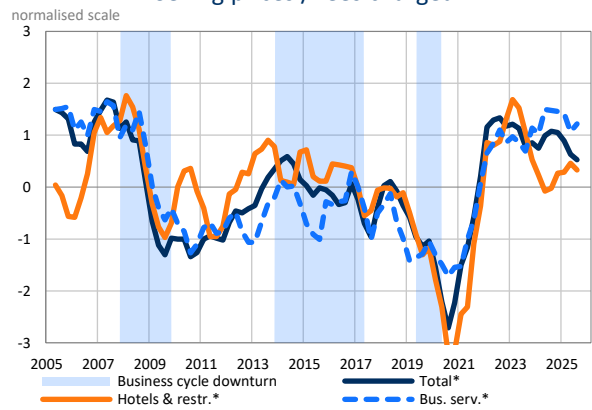
Hotels & restaurants: volumes



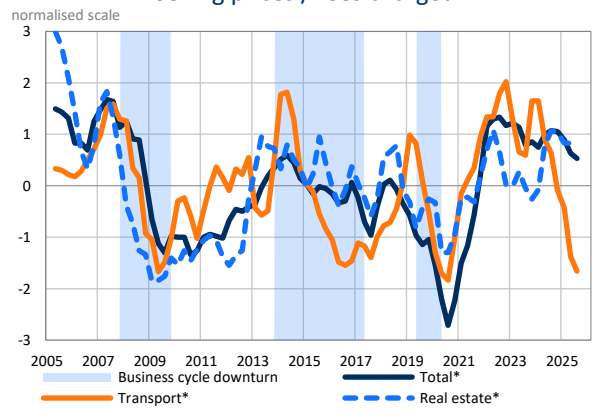
Employment



Selling prices / fees charged



Selling prices / fees charged



* three-quarter centred moving average

Technical note

THE OTHER SERVICES SURVEY METHOD

Short-term planning is hampered as official (quantitative or numeric) data is released with a time lag. Business tendency survey (BTS) *results reveal what happened between the release of the last official figures and the current state of affairs*. The survey results not only reveal earlier developments in activity, employment etc. (for which official figures are published), but also provide unique information, such as business confidence and respondents' expectations (or forecast) for the next quarter for which no official figures exist. It is now widely recognised that such subjective individual expectations play a key role in economic developments. Furthermore, the survey results of successive quarters *provide a means of tracking cyclical movements, pinpointing trend changes* and establishing forecasts.

Of the various sub-sectors making up the services sector of the economy, the BER's surveys have covered the domestic trade sectors (i.e. the retail, wholesale and motor trade) since their inception in the 1950s. In 2005, the BER expanded the surveys' sector coverage to select other services sectors, namely catering (restaurants and take-away outlets), accommodation (hotels and guest houses), transport, real estate and business services. Click [here](#) for a short video about the BER's other services survey.

In deciding which of the remaining services sector to cover, the BER followed its international counterparts. While the government provides the bulk of services, the selected sectors are those in which private firms dominate. For reasons of focus and feasibility, the BER does not cover personal services and sectors dominated by a few large firms (e.g. telecommunication and air transport).

These other services sectors are responsible for a large and rising share of GDP and employment, but the cyclical turning points in their overall confidence, business climate and activity time series lag those of the sectors that the BER traditionally reported on. Therefore, they are not included in the BER's composite cyclical indicators (e.g. the business confidence index). A short video on how this survey compares to the RMB/BER BCI can be found [here](#).

Firms in the other services sector differ from those that the BER has been reporting on traditionally (i.e. building contractors, manufacturers, retailers, wholesalers and vehicle dealers) in several important aspects.

The most obvious difference is that other services providers do not carry stocks to balance unexpected changes in demand. In contrast to stocks of raw material inputs and finished goods in manufacturing, as well as retail, wholesale and new vehicle inventories, other services cannot be stored temporarily. Instead, other service providers have to take care of short-term fluctuations in demand via adjustments in the utilisation of their workforce and/or space.

Another difference is that the cyclical peaks and troughs in other services sector's activity are not symmetrical and do not move in synch with those of the sectors reported on

traditionally. While the five sectors included in the RMB/BER business confidence index (BCI) reach upper and lower cyclical turning points at more or less the same time, other services lag the recovery at the bottom, as it takes time before capital and other business spending increase and starts to lift accommodation, transport and business services. To safeguard the cyclical and advanced signalling (predictive) properties of the RMB/BER BCI, the other service sector is not included in the BCI. Whereas quantitative estimates benefit from an expanded sector coverage, this is not necessarily the case for cyclical measures.

A final major difference is that there is no readily available equivalent official monthly reference measure of other services activity. Stats SA has been producing high-frequency data on the performance of hotels, restaurants and transport for a couple of years, but nothing on real estate and business services. The latter two are only covered together with financial intermediation in the quarterly GDP production numbers.

Table 1: A comparison of the sectors covered in the BCI vis-à-vis Other Services survey

	GDP %	Employment %	BCI	Other services
Primary sector	10.3	10.2		
Agriculture, forestry & fishing	2.2	7.1		
Mining and quarrying	8.2	3.1		
Secondary sector	21.7	15.5		
Manufacturing	14.0	9.3	✓	
Electricity, gas and water	3.7	0.4		
Construction	4.0	5.8	✓	
Tertiary (services) sector	68.0	74.3		
Trade, catering and accommodation	14.9	23.2		
Wholesale trade	4.9	5.1	✓	
Retail trade; repair of household goods	7.0	10.7	✓	
Motor trade; repair of motor vehicles	2.1	4.0	✓	
Catering and accommodation	1.0	3.4		✓
Transport, storage & communication	10.0	4.7		
Transport	8.0	3.9		✓
Communication	2.0	0.7		
Finance, real estate & business services	19.4	17.6		
Finance and insurance	6.1	2.5		
Real estate	5.5	1.1		✓
Business services *	7.8	13.9		✓
General government services	17.8	12.9		
Personal services **	5.9	16.0		
All sectors	100.0	100.0	31.9	22.3

Notes: GDP = Gross Domestic Product (National Accounts) from the production side; sector division according to the Standard Industrial Classification (SIC) of All Economic Activities, at current prices, 2019

Employment covers the formal and informal sector.

Data source: Quantec, author's own calculations

BCI = RMB/BER business confidence index

* Business services consist of 1) the renting of machinery and equipment (8%), 2) computer services (16%), 3) legal, accounting, market research & management consultancy (27%), 4) consulting engineering (21%), 5) advertising (3%) and 6) other (e.g. labour recruitment, security activities, building and plant cleaning, and miscellaneous such as debt collection, interior design and exhibitions) (25%).

** Personal services consist of 1) education (20%), 2) health & social work (45%), 3) other community services (e.g. refuse removal) (2%), 4) activities of membership organisations (e.g. those of trade unions) (2%), 5) recreation (e.g. cinemas, TV production), cultural (arts, news agencies, libraries, museums, nature reserves) & sport activities (26%) and 6) other (washing & dry-cleaning of clothes, hair dressing & beauty treatments, funeral services & miscellaneous) (4%)

Table 2: Composition of the other services sector (sub-sectors as % of the total)

	Stats SA		BER	
	2016	2020	2016	2020
1. Hotels & restaurants	5.4	5.9	12.8	15.2
Hotels and other accommodation	2.5	2.5	9.4	11.2
Restaurants and other food outlets	2.9	3.4	3.4	4.0
2. Transport, storage & communication	40.9	41.8		
2.1 Transport & storage	25.2	26.2	24.4	22.1
<u>2.1.1 Land transport & pipelines</u>	<u>9.8</u>	<u>10.4</u>	<u>11.5</u>	<u>8.7</u>
Rail transport	2.8	2.9	2.4	
Other land transport	6.7	7.1	9.0	8.7
Bus & other passenger transport	0.6	0.7	1.2	
Road freight	6.0	6.4	7.7	8.7
Pipelines	0.3	0.4		
<u>2.2.2 Water transport</u>	<u>0.0</u>	<u>0.0</u>	0.1	
<u>2.2.3 Air transport</u>	<u>3.2</u>	<u>3.0</u>		
<u>2.2.4 Supporting transport & travel agencies</u>	<u>12.1</u>	<u>12.7</u>	<u>12.8</u>	<u>13.4</u>
Cargo handling	0.9	0.8	2.1	1.8
Storage & warehousing	1.3	1.5	1.9	
Other (e.g., airport & harbour operation)	1.4	1.6		
Travel agencies & tour operators	0.8	1.0	1.8	3.1
Other (e.g., freight forwarding)	7.8	7.8	7.1	8.5
2.2 Post & telecommunication	15.7	15.6		
Postal and courier activities	0.7	0.8		
Telecom & cellular	15.0	14.8		
3. Real estate	12.9	12.1	16.7	17.8
Auctioneering & property sales	4.5	4.6	5.6	6.3
Property management & other	8.5	7.5	11.1	11.5
4. Business services	40.8	40.2	46.1	44.9
4.1 Renting of machinery & household goods	2.4	2.0	3.5	3.5
Rental of transport equipment	0.9	0.5	0.9	0.7
Rental of other machinery & equipment	1.4	1.3	2.5	2.8
Rental of personal & household equipment	0.1	0.2	0.1	
4.2 Computer and related services	6.1	7.4	7.5	8.7
Hardware consultancy	0.3	0.3	0.5	1.3
Software consultancy	4.6	5.9	5.9	7.4
Data processing & database activities	0.7	0.9	0.8	
Maintenance, repair & other	0.4	0.2	0.3	
4.3 Research & development	0.9	0.7		
4.4 Other business activities	31.3	30.0	35.0	32.6
<u>4.4.1 Legal, accounting & consultancy</u>	<u>8.4</u>	<u>9.3</u>	<u>12.5</u>	<u>13.4</u>
Legal services	1.7	1.9	7.1	7.5
Accounting, auditing & tax consultancy	1.4	1.8		
Market research & public opinion polling	0.2	0.2	0.2	
Business & management consultancy	5.0	5.3	5.1	6.0
<u>4.4.2 Architectural & other technical activities</u>	<u>4.5</u>	<u>3.5</u>	<u>9.7</u>	<u>10.4</u>
Architectural & engineering consultancy	4.2	3.1	9.7	10.4
Consulting engineering activities	3.5	2.4	9.7	10.4
Architectural activities	0.3	0.4		
Quantity surveying & other	0.5	0.3		
Technical testing & analysis	0.3	0.3		

	Stats SA	BER	Stats SA	
	2016	2020	2016	
4.4.3 Advertising	1.3	1.5	1.3	1.5
4.4.4 Business activities n.e.c.	17.1	15.8	11.6	7.3
Labour recruitment & provision of personnel	2.0	2.0	1.4	
Investigation and security activities	3.1	2.9	2.7	
Building & industrial plant cleaning activities	1.2	0.8	1.5	1.5
Photographic activities	0.0	0.0	0.5	
Packaging	0.2	0.2		
Other	10.6	9.9	5.5	5.8
Debt collection & credit rating	4.1	-		
Business brokerage	0.0	-		
Specialised design (e.g., interior design)	1.2	-	1.0	-
Telephone services (e.g., telemarketing)	2.3	-	2.0	-
Other appraisal	0.0	-		
Demonstration & exhibition	1.2	-	1.0	-
Other n.e.c.	1.7	-	1.5	-
Total	100.0	100.0	100.0	100.0

Notes: - not available; n.e.c. = not classified elsewhere; shaded = BER does not cover

Stats SA sources:

Accommodation: Report 64-11-01, 2015 & 2018

Restaurants: Report 64-20-01, 2015 & 2018

Land Transport: Report 71-02-01, 2016 & 2019

Post & Telecommunication: Report 75-01-01, 2016 & 2019

Real Estate & Business Services: Report 80-04-02, 2016 & 2020

Used the GDP deflator for “wholesale, retail, hotels & restaurants” and “transport, storage & communication” to estimate income in 2016 and 2020.

BER: 2016 applied to the period 2017 to 22Q2, 2020 applies since 22Q3

The survey results are obtained from questionnaires completed by senior executives during the middle month of every calendar quarter.

The business survey questionnaire contains a small number of questions. These questions are qualitative in nature, e.g., “Compared to the same quarter a year ago, is the volume of sales up, the same or down?”. No figures are requested.

The sample of executives remains the same from one survey to the next. A panel is in effect established. The sample provides for the main sectors (see Table 2). The list of participants is reviewed every few years to replace those firms that went out of business or stopped responding during the previous two years with new ones. The sector weights are updated every five years and adjusted for the response pattern.

To provide for widely differing sizes, each firm in the manufacturing, trade and other services sectors is allocated a weight based on its turnover. Firms in the building sector are not weighted. Participants have to complete a “participant details form” at the time of recruitment and every few years to ensure that their sector classification and turnover (optional) are correct.

Consult the BER web page (www.ber.ac.za) for more information about the business tendency survey method.

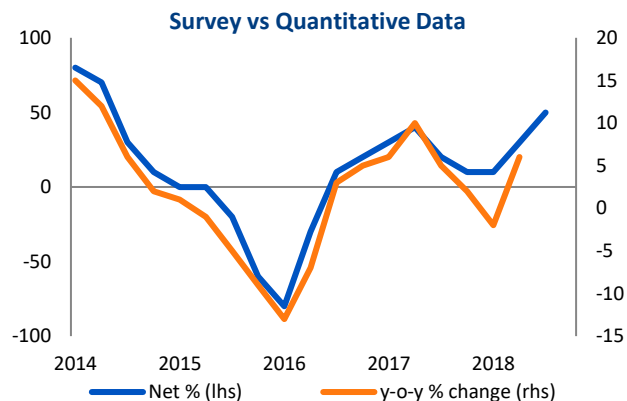
THE UNIQUE UNITS OF MEASUREMENT OF QUALITATIVE SURVEYS

Net percentage (net %)

The responses related to the change in activity, prices, employment, business conditions, expected economic performance etc. are presented as a “net percentage” (also called a “net balance” or a “net majority”). If, for example, the percentages of respondents rating the volume of sales as “higher”, the “same” or “lower” compared to a year ago are 70%, 10% and 20% respectively, then one can conclude that the majority of participants experienced higher sales. The net percentage is calculated as the percentage of respondents rating “sales” as higher less the percentage rating it as “lower”. The percentage rating it as the “same” is ignored. The net percentage in this example is therefore 50%, being the difference between the 70% “higher” and the 20% “lower”. A net percentage of –10%, for instance, would indicate a decline in sales compared to a year ago. Take note that this does not mean a year-on-year contraction of 10%. It only means that the activity of a majority of 10% of the respondents was lower compared to a year ago.

The net percentage, or net balance statistic, can theoretically vary between a minimum of -100 (when all participants replied “lower”) and a maximum of +100 (when all respondents replied “higher”). Theoretically a value of zero, therefore, indicates no change, between 0 and 100 reflects a rise (or improvement) and between 0 and –100 a decline (or deterioration) compared to the same quarter a year ago. The net balance statistic is a diffusion index, i.e. it indicates the degree to which the indicated change is “diffused” (spread) throughout the sample population. It indicates both the direction and size of the change.

Given that it reflects respondents’ estimation of the change in the phenomenon/variable in the current quarter relative to the same quarter a year ago, the net percentage corresponds to a year-on-year percentage change/growth rate in the corresponding/equivalent official data series (see the figure on the right).



Percentage (%)

The responses relating to business confidence are presented as percentages.

In the case of business confidence, respondents have to rate prevailing business conditions as either “satisfactory” or “unsatisfactory”. The percentage of respondents rating prevailing business conditions as satisfactory is taken as an indicator (proxy) for business confidence. A reading of 10 for business confidence, for instance, means that only 10% of the respondents indicated that they were satisfied. In this example, 90% were, therefore, unsatisfied.

Theoretically, the confidence series can vary between a minimum of zero and a maximum of 100. A value of zero would reflect an extreme lack of confidence and 100 extreme confidence. These results reflect respondents' evaluation of the phenomenon/the survey variable in respect to that specific survey quarter, i.e. not relative to some period in the past or future.

DESCRIPTIVE STATISTICS IN THE TABLES

Smoothed

Some series show erratic/volatile movements, i.e. data jumps around quite a bit between consecutive quarters. In such cases, it is necessary to smooth these movements over a longer period to obtain a general trend. Another case where we added moving averages is when the correlation between the survey results and the corresponding reference series is low or non-existent.

Three-quarter centred moving averages (3qcm) were selected in order to not disturb turning points too much, e.g. the moving average of 17Q4 is calculated as the average of 17Q3, 17Q4 and 18Q1, that of 18Q1 is calculated as the average of 17Q4, 18Q1 and 18Q2 etc. In order for the smoothed series to run up to the last unsmoothed data point, the last smoothed data point is only the average of two quarters, namely the previous and current quarter.

When a smoothed series is added, it is prudent not to attach too much value to the unsmoothed results of a particular quarter, but rather to evaluate it in its historical context.

Seasonal adjustment (SA)

In theory, the time series ought to display no seasonal patterns because respondents are instructed to compare the current quarter with the same one of a year ago (e.g. they have to compare the current Festive Season or wet/dry winter period with the same time a year ago). However, in practice, some series nevertheless reveal seasonal patterns, probably because some respondents incorrectly compare the survey quarter with the one directly preceding it. In such cases, a seasonally adjusted series (i.e. where such seasonal variation is eliminated with X12 ARIMA) is added.

Average (μ)

The neutral level of the time series for the two measurement types, net percentage and percentage, is 50 or zero respectively. The long-term average (mean) is often not equivalent to this neutral level. In such cases, it is more useful to evaluate the current results relative to such a long-term average than the neutral level.

One standard deviation below ($\mu-\sigma$) and above ($\mu+\sigma$) the average

The standard deviation indicates the common variation in or dispersion of the values. Data points falling between one standard deviation below and above the average could be regarded as common. Any data point falling outside these ranges, therefore, displays statistically significant variation.

Change (Delta: Δ)

This statistic indicates the change in the results of the latest quarter relative to the preceding quarter.

Volatility (standard deviation of the deltas: $\Delta\sigma$)

This statistic indicates the volatility of the quarter-on-quarter change. If the size (regardless if it is an increase or decline) of the change is greater than the standard deviation of the deltas, then it displays a statistically significant variation.

CONVENTIONS AND AIDS PROVIDED IN THE CHARTS

Shaded areas

Indicates cyclical downturns as demarcated by the South African Reserve Bank. Users need to take note that the business cycle could have already reversed course towards the end of the period covered in the chart, but usually we wait until the bank determines a turning point before changing the shaded areas.

Solid vs. dotted horizontal (X) axes:

A solid line indicates the theoretical mid-points of 50 or zero respectively, while a dotted line indicates the long-term average (mean). Also see the section on the “average” above.

Normalised scale

Time series data is normalised (standardised) when one wishes to observe the co-movement among indicators with different units of measurement, say for instance, between a diffusion index (confidence) and the growth rate in a volume index (GDP growth). Normalisation converts both series to the same scale (unit) by subtracting the long-term average from each series and dividing it by its standard deviation. This ensures that one compares “apples” with “apples” when making a visual inspection and not mistakenly identify co-movements or deviations that different scales could produce.