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Manufacturing

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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

Following a five-point drop in Q1, the Absa Manufacturing Survey showed that manufacturing business confidence gained 7 points to 28 points in 2024Q2. While it still remains below the long-term average of 36 points, this is the highest confidence level in two years, at the same level of 28 points in 2022Q2.

Production in the second quarter benefitted from an extended period of no load-shedding. However, the benefit likely could not be exploited to its full potential as this was not announced beforehand, and there were expectations that it would not last. Still, production volumes improved from the first quarter. Demand is recovering, but sales growth comes mainly from the export markets, as domestic sales remain muted. Production costs are coming down in Q2 and are around the long-term averages. Business conditions have improved, and more capacity is being utilised. This level of capacity utilisation was last seen in 2021Q4.

Skills shortages remain a problem for the manufacturing industry, especially for highly sought-after skilled and semi-skilled labour. Port congestion and delays could also hamper restocking the needed raw materials and intermediate goods imported from outside the country. However, it is also encouraging that there is a renewed appetite for investments. Factory refurbishments have been reported, and more investment is required over time if capacity is to be built. The current political climate remains a risk that may delay the needed investments.

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Introduction

The South African (SA) manufacturing sector registered a significant quarterly decline in the first quarter of 2024 (2024Q1). However, there is hope for a recovery in the sector, as the latest Absa Manufacturing Survey suggests that the sector performed better in the second quarter (2024Q2). It was supported by an extended period of no load-shedding, and a recovery in demand.

This report provides an overview of the situation in the manufacturing sector as it developed during 2024Q2 and expectations for 2024Q3 and 12 months hence. The main section of the report discusses the trends in the overall manufacturing industry with the assistance of graphs, followed by a brief outlook for the sector. After this section, separate tables and graphs of the survey data are provided for each sector and province.¹

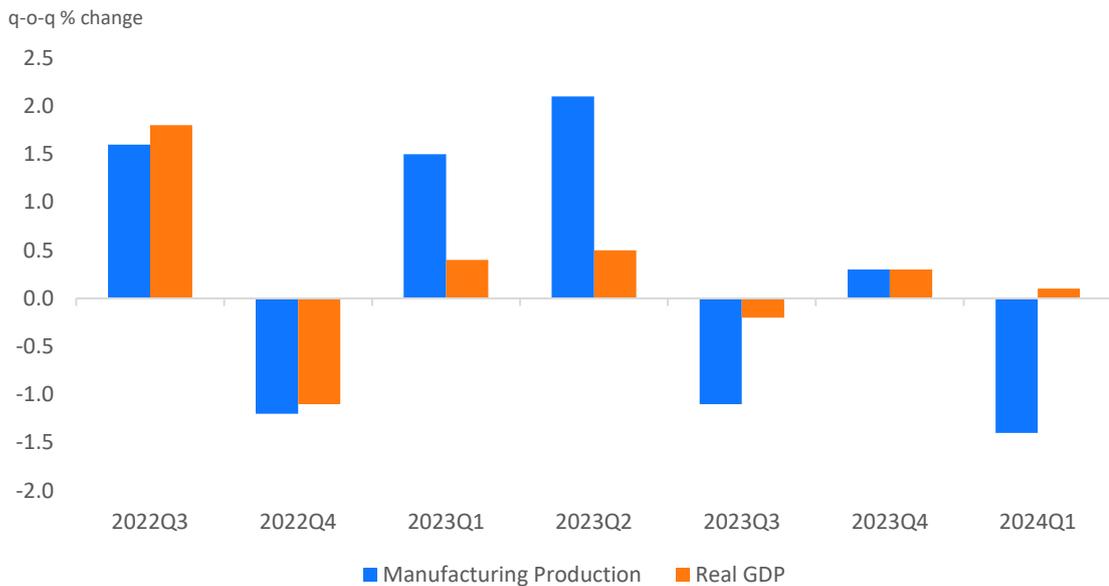
An overview of the latest official data

SA REAL GDP CONTRACTS IN Q1

According to the latest data from Statistics South Africa (Stats SA), SA's real GDP contracted by a marginal 0.1% quarter-on-quarter (q-o-q) in 2024Q1, following a revised 0.3% growth in 2023Q4. The decline is broad-based, as six of the ten sectors contracted. With significant production declines, weaker mining, manufacturing, and construction drove much of the downward momentum on the economy's supply side. The manufacturing sector declined by 1.4% q-o-q, shaving -0.2 percentage points (%pts) off the GDP. Five of the ten manufacturing subsectors recorded declines and uninspiring production patterns. The largest drag to GDP growth came from the weaker demand for new vehicles and transport parts & accessories (transport), as the subsector's export sales continued to decline. Worryingly, gross fixed capital formation, which includes investment in infrastructure and other fixed assets, declined for a third consecutive quarter as there were weaker investments in machinery and equipment, residential buildings, and construction works. Eskom data showed that, though there have been improvements in power generation, the unplanned capability loss factor (UCLF) was at 30.47% for the first three months of the year, while the planned capability loss factor (PCLF) was 15.33%. Load-shedding may have contributed to a decline in manufacturing production and insufficient demand in Q1.

¹ The Manufacturing Survey separately covers eight of the main subsectors of the manufacturing industry as well as the three main provinces (Gauteng, KwaZulu-Natal and the Western Cape).

Figure 1: The manufacturing sector subtracts from Q1 GDP growth



Source: Stats SA

According to Stats SA, manufacturing production increased by 5.3% in April 2024 compared to April 2023. Production growth was broad-based across subsectors, with the chemicals subsector growing by 5.1%, food and beverages (4.1%), wood and publishing (9.9%), and transport (6.5%). This was supported by a 13.6% growth rate in sales in April 2024 compared to April 2023, with all ten subsectors experiencing sales growth.

The latest Absa Purchasing Managers' Index (PMI) suggests that the manufacturing sector came under pressure in May. The headline index weakened to 43.8 points in May, down from 54 points in April. The current average PMI for Q2 is 48.9 points, which is in the contractionary territory. However, this may indicate some improvements as the current Q2 average edges slightly higher than that of Q1. The biggest drag came from business activity, which fell from 57.2 points in April to 38.1 in May, and the new sales orders fell from 55.6 in April to 37.8 in May. Slow global demand and muted domestic demand weighed on the sector. There was a sharp decline in domestic demand due to uncertainty during the election year. Global supply chain problems also affected local production as some of the inputs needed did not reach our shores in time. Production cost pressure is easing, supporting improved production in the sector.

GLOBAL MANUFACTURING OUTPUT MAINTAINS GROWTH

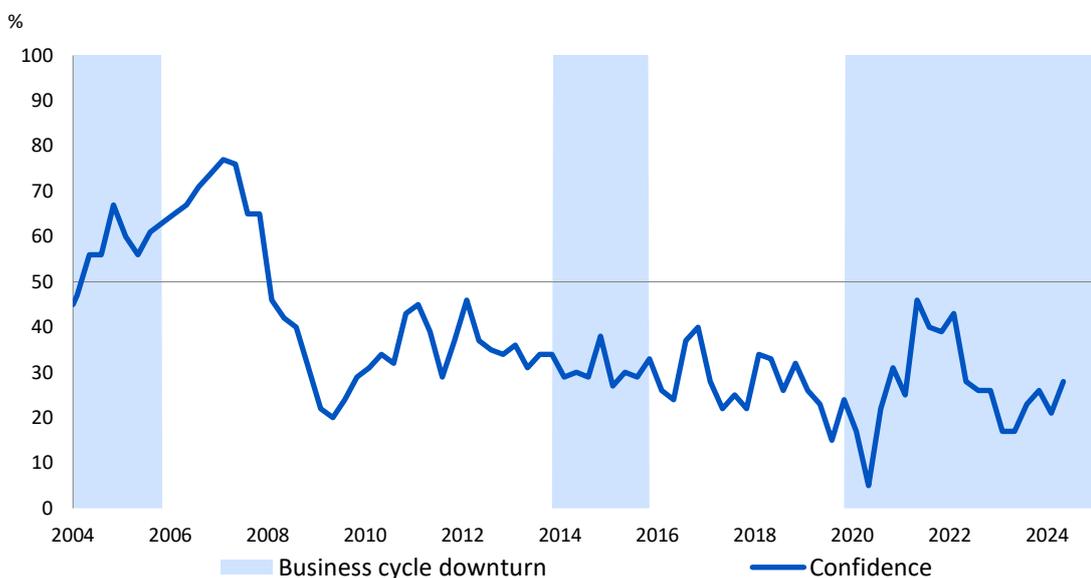
The J.P. Morgan global manufacturing PMI rose to a 22-month high of 50.9 in May (from 50.3 in April) to remain above the neutral 50-point mark for the fourth successive month. Three of the five PMI sub-indices indicated improved operating conditions (output, new sales orders, and employment). Signs of recovery were broad-based, with output growth accelerating in the US, China, and the UK, while contraction rates eased in Japan and the euro area. May saw manufacturing production increase at the quickest pace since December 2021. Output has now expanded for five consecutive months. Growth accelerated to a near three-year high in the intermediate goods industry, and output expanded for the third time in the investment goods sector in the past four months. Consumer goods remained the best-performing category overall despite seeing growth ease slightly over the month. The US, the UK, and China – major SA trading partners - were well above 50 points and reported improved trade flows, which may boost SA trading conditions. Worryingly, price pressures continued to rise in May, with inflation rates accelerating for both input costs (15-month high) and output charges (14-month high). For both price measures, rates of increase were (on average) steeper in developed nations compared to emerging markets.

The 2024Q2 Absa Manufacturing Survey results

MANUFACTURING BUSINESS CONFIDENCE IMPROVED IN Q2

Manufacturing business confidence improved from 21 index points in Q1 to 28 index points in 2024Q2 — the highest level in two years. While welcome, the index remains below the long-term average of 36 index points. The confidence level in the sector shows that just over 7 out of 10 respondents are unsatisfied with business conditions, and the confidence level remains below 50; levels last reached before the global financial crisis (GFC) – see Figure 2 below.

Figure 2: Only 3 out of 10 respondents are satisfied with prevailing business conditions



Source: BER, SARB

Total confidence in the sector has improved, but disparities between subsectors remain. Of the eight major manufacturing subsectors surveyed, half saw an increase in confidence, three reported a drop in confidence, and one subsector reported no change in confidence levels. The furniture and other manufacturing subsector recorded the highest confidence level of 59. These gains were supported by improvements in production volumes (-59 to 62), export volumes (-49 to 83), and production costs (65 to 49). However, it is a very small subsector. The big food and beverages subsector recorded a confidence gain of 23 points to 34 points in Q2, followed by a 13-point gain in the metals sector (33 points in Q2). Both of these sectors were supported by strong export growth. The chemicals subsector recorded a reading of 47 points in Q2 from 54 in Q1, shedding 7 points. However, confidence in the subsector remains above its long-term average. The subsector is facing rising production costs while facing a struggling export market. The transport subsector remains downbeat. It recorded a confidence decline of 5 points to 9 points in Q2, deepening significantly below its long-term average of 34 points. The subsector has been affected by the availability of intermediate parts needed in the production process, while export sales have also been dwindling and remain volatile.

EXPORT SALES ON A RECOVERY PATH WHILE DOMESTIC DEMAND REMAINS MUTED

A net majority of 14% reported a decline in domestic sales volumes in Q2, the same level in 2024Q1. More positively, sales of consumer goods in particular have improved since the start of the year. In general, domestic sales remain under pressure, given depressed demand, stubborn inflation, and high interest rates. Credit extension has also been slow, and the money supply remains restricted. In the past two and a half years, it was only in 2022Q1 that respondents reported an increase in domestic sales. Selling prices ticked up slightly by 1 point, compared to 5 points in the previous quarter, which (from a consumer perspective) is welcomed as this may indicate that inflation is slowing. Recent data from Stats SA on the producer price index (PPI) and consumer price index (CPI) show that inflation is trending downward. However, some domestic suppliers cited a tougher environment with cheaper imports hurting their client base. Other suppliers argued that in the absence of sufficient regular customers, and with the few large ones with strong relationships, order volumes have been declining. The good news is that only 3% of the producers expect domestic sales to decline in the next quarter.

Figure 3: Domestic and export sales volumes

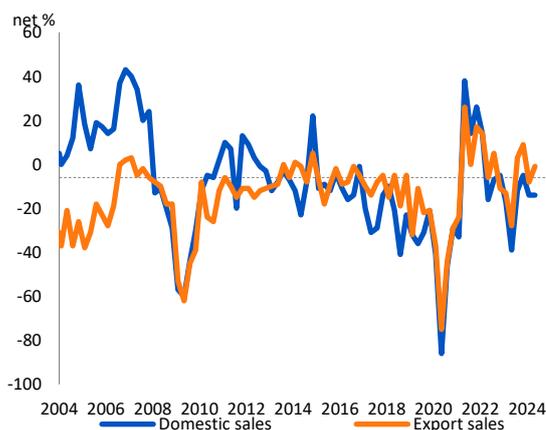
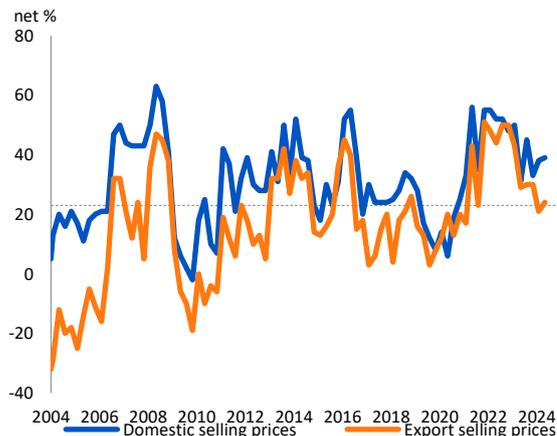


Figure 4: Selling price inflation slows



Source: BER

The performance on the export front was more encouraging, as only a net majority of 1% reported a decrease in sales volumes in Q2. This compares to a long-term average of -14. According to the JP Morgan Global Composite PMI, global economic growth hit a 12-month high in May 2024, posting 53.7 points in May, from 52.4 in April. Part of the expansion in business activity was due to the revival in global trade, and this is expected to continue benefitting export manufacturers, but risks of lagging recovery in strong markets remain. There were increased export volumes in the food and beverages and the metals subsectors, gaining 10 and 11 points, respectively. The transport subsector continues to face difficulties due to constrained demand and some lament shortages in some of the important intermediate components that are imported from the EU. Logistical issues were reported about congestion in our ports causing inefficiencies, but progress has been made in improving the situation.

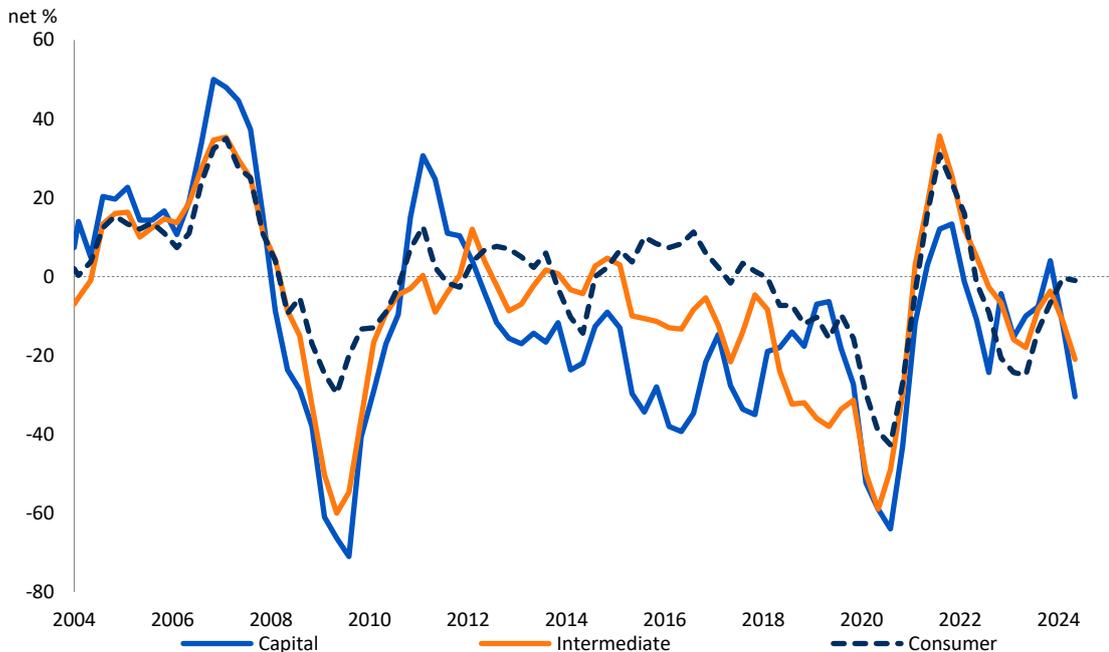
Manufacturers are more optimistic about export growth than before; however, only a net 6% of the respondents still see an increase in volumes in 12 months' time. The global economies have been recovering; all major SA trade partners, except for the EU, are in expansionary territory. Even in the EU, the contraction has slowed, and the supply backlogs are being attended to. China's manufacturing industry and the general economy have been picking up pace. This could support the metals sector, which has been struggling with low export sales. The Chinese manufacturing industry has been expanding for seven

consecutive months, which will spill over to improved exports for domestic manufacturers in the metals subsector.

PRODUCTION VOLUMES STABILISE DUE TO FEWER DISRUPTIONS

A seasonally adjusted (SA) net majority of 9% reported decreased production volumes in Q1 relative to the same quarter last year. This follows a 19% majority that reported declines in production volumes last quarter. Production declines are broad-based, with most of the manufacturing sectors reporting declines due to low demand and tough competition from imports. Production declines were recorded mainly in capital and intermediate goods, while consumer goods have seen a strong recovery in 2024. This is supported by the resilient sales volumes in the consumer goods segment. Also, respondents indicated that the shortage of skilled and semi-skilled labour continues to be a hindrance to production capacity. On a provincial level, production is down in both Gauteng and KwaZulu-Natal (KZN) while ticking up in the Western Cape (WC).

Figure 5: Production volumes by segment (smoothed)



Source: BER

The indicator tracking the average rate of increase in per unit production costs declined in Q2, after no move in 2024Q1 and following four consecutive quarters of declines. The indicator reached 65, the lowest reading in three years since the 61 points in 2021Q2. This could be partly due to the stable electricity supply, less money spent on diesel purchases, and some manufacturers reaping the rewards of moving to solar energy to lower their electricity bills. There was also a significant decline in the average hours worked per worker, meaning less money was spent on the employment bill. The long-term average is 63, so the measure has decreased significantly compared to recent quarters.

Even though there was an extended no-load-shedding period, the number of factory workers ticked down, with significant declines in the average hours worked per worker. This was in stark contrast to the expectation that more factory workers would be employed, given a stable power supply. Manufacturers may have expected load-shedding to return on short notice. This was also in contradiction with improving capacity utilisation and stabilising production output. Relative to the same quarter last year, more output was

produced compared to the previous quarter, and more capacity is being utilised. However, the downtick in employment (and hours worked) suggests that this could only have been made possible through mechanisation or a move to automated production processes in the manufacturing sector. For now, more data is required to understand what is happening better.

FIXED INVESTMENT SIGNS OF RECOVERY

A net 5% reported declining fixed investments in Q1; this compares to the long-term average of 0. This is, however, a welcome improvement compared to the average of 14.5% of respondents over the past five months (showing declines in investment). Some respondents reported improved investments due to planned factory refurbishments. The trading environment remains tough, and it is unlikely that we will experience significant growth in investments soon. Looking ahead, 8% of respondents expect a decline in fixed investments in machinery and equipment in 12 months. This is also better than the 14% net in 2024Q1.

The general political climate remains precarious and is seen as the most serious constraint on business conditions (of those surveyed). The rating edged up to 84% in Q2 compared to 2024Q1, a slight decrease from the 85 of the first quarter. However, this is still significantly above the long-term average of 64%. The survey was conducted before the elections on the 29th of May 2024, and there was heightened political uncertainty as these elections are expected to be the toughest the country has had since 1994. Subsequently, and at the time of writing, policy uncertainty remains as there have been no final decisions on the coalitions or the proposed government of national unity (GNU) and the policy considerations and agreements that will give direction and certainty.

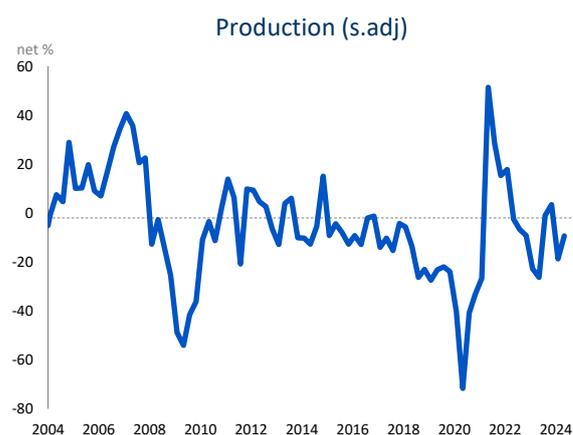
OUTLOOK

Following an improvement in Q2, respondents are even less downbeat about production and demand in Q3, given the recovery in global economies. Business conditions are expected to improve in the next 12 months. Only 26% of the respondents expect the business conditions to deteriorate further. This is the lowest level since the 20% of 2022Q3. The recovery in most advanced economies, with production in expansionary territory for a couple of months now, is signalling that growth will improve. The announced and expected cut in interest rates will boost both capital investments and consumer spending. Though there are disparities between countries, the EU, on average, has been struggling to deal with supply chain disruptions and production contractions. The declines have been reported to be improving, and this will support industry recovery in SA. Insufficient demand is less of a constraint now but the political environment remains a bigger downside risk to the manufacturing sector. The uncertainty over load-shedding in the next quarter, and supply logistical constraints, such as harbour issues, remain.

Survey results

MANUFACTURING: TOTAL²

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	Δ	σ_{Δ}
Confidence	%	21	36	52	26	26	17	17	23	26	21	28	7	7
Activity & prices														
Production	Net %	-28	-6	17	-10	-3	-18	-34	-4	9	-14	-17	-3	18
Seasonally adjusted	Net %	-27	-6	16	-7	-9	-23	-26	-1	4	-19	-9	10	16
Employment	Net %	-29	-15	-2	-14	-11	-17	-19	-18	-2	-21	-23	-2	10
Average hours worked / worker	Net %	-29	-13	3	-16	-16	-20	-32	-16	5	-5	-27	-22	13
Domestic sales	Net %	-32	-8	16	-7	-5	-17	-39	-12	-5	-14	-14	0	18
Domestic selling prices	Net %	16	31	46	52	48	50	31	45	33	38	39	1	12
Export sales	Net %	-30	-14	3	5	-11	-13	-28	3	9	-8	-1	7	14
Export selling prices	Net %	-1	18	36	50	50	43	29	30	30	21	24	3	13
Production costs	Net %	48	63	77	81	89	85	84	77	68	68	65	-3	11
Stocks & investment														
Finished goods rel. to demand	Net %	0	9	18	5	1	-4	-4	3	2	-5	11	16	7
Smoothed	Net %	2	9	17	2	1	-2	-2	0	0	3	3	0	5
Capacity underutilisation	%	65	72	79	68	68	74	78	69	73	74	63	-11	5
Smoothed	%	66	72	78	67	70	73	74	73	72	70	69	-1	4
Fixed investment	Net %	-15	0	14	1	2	-15	-20	-12	-13	-17	-5	12	10
Constraints														
Insufficient demand	Net %	54	62	70	58	65	61	58	60	61	65	60	-5	5
Political climate	Net %	46	64	83	76	83	91	86	84	82	85	84	-1	6
Expected in 12 months														
Business conditions	Net %	-34	-14	6	-20	-29	-45	-59	-29	-33	-46	-26	20	16
Smoothed	Net %	-32	-14	3	-22	-31	-44	-44	-40	-36	-35	-36	-1	12
Fixed investment	Net %	-16	-1	13	-6		-13		-8		-20		-12	13



² The total consists of 1) food & beverages, 2) textiles, clothing, leather & footwear, 3) wood, paper, printing & publishing, 4) chemical products, rubber & plastics, 5) glass & non-metallic mineral products, 6) basic metals, metal products & machinery, 7) electrical machinery, radio, TV and professional equipment, 8) motor vehicles, parts & transport equipment and 9) furniture & other. Although the BER covers the electrical machinery etc. sector and includes it in the total, it does not publish the results of this sector separately. The BER does not cover petroleum refining (which is part of the chemical etc. sector) and scrap metal (which is part of "other") and they are therefore not included in the total.

μ – average

σ – standard deviation

Δ – change from previous period

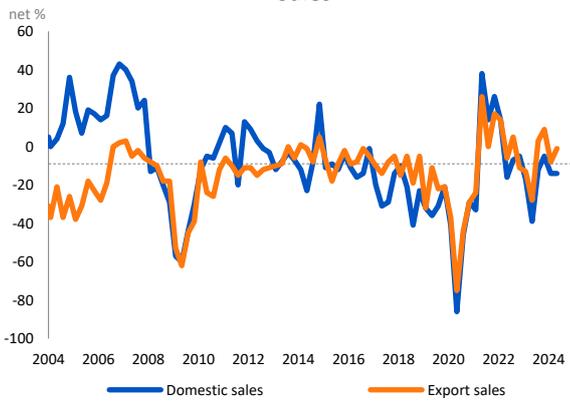
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over the last 20 years

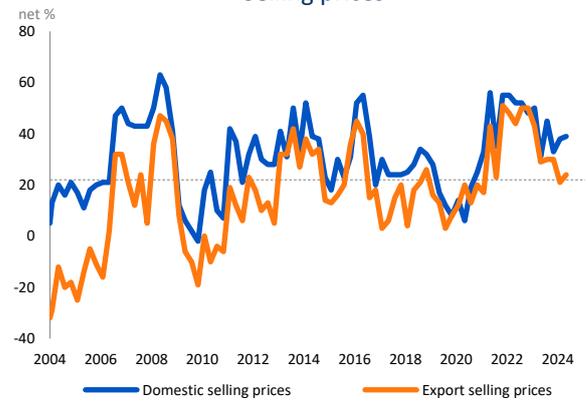
See technical note for further details

MANUFACTURING: TOTAL

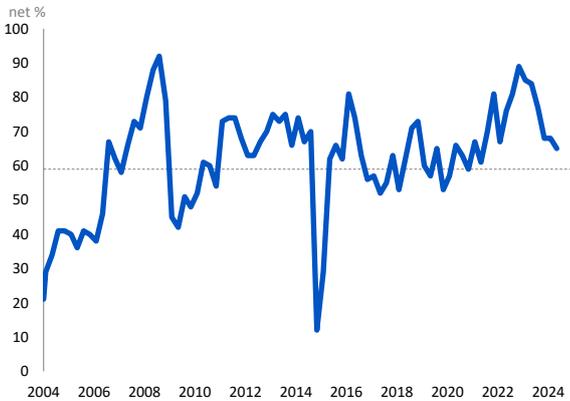
Sales



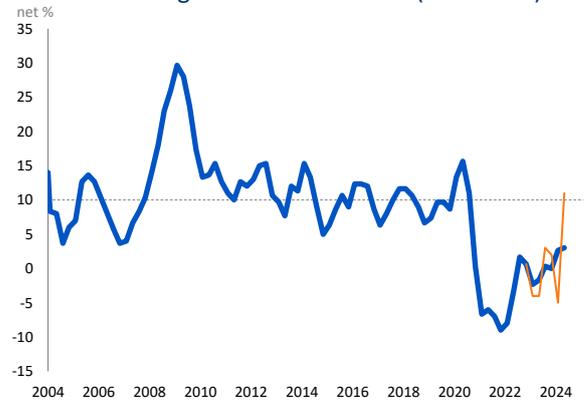
Selling prices



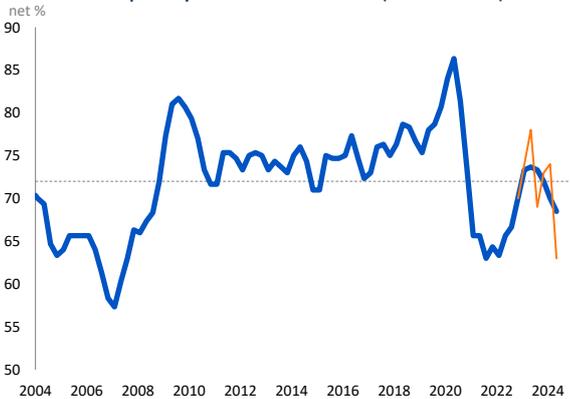
Production costs



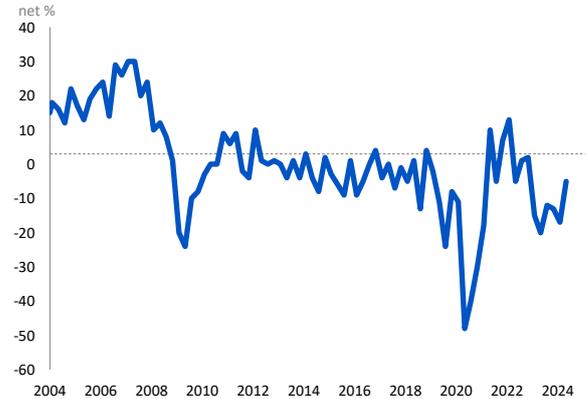
Finished goods rel. to demand (smoothed)



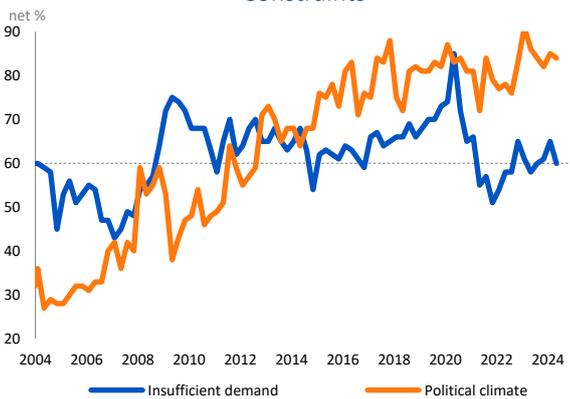
Capacity underutilisation (smoothed)



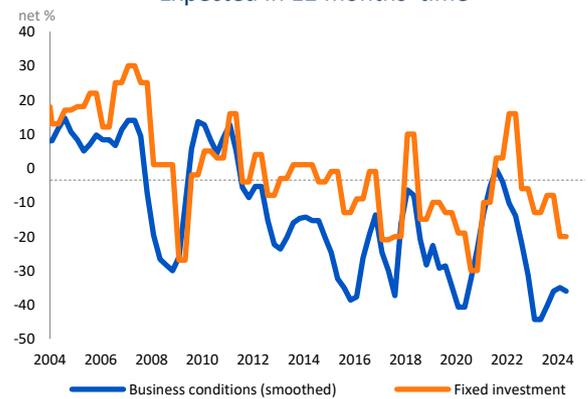
Fixed investment



Constraints

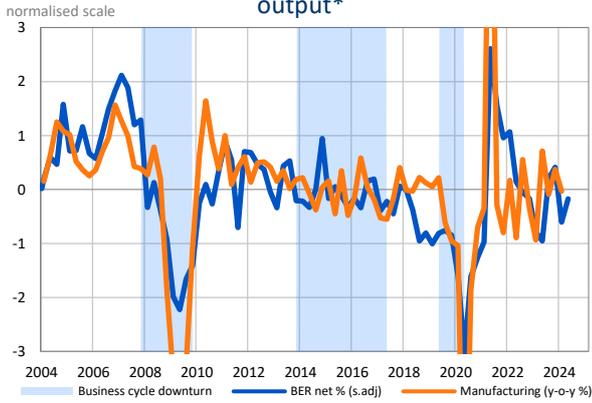


Expected in 12 months' time

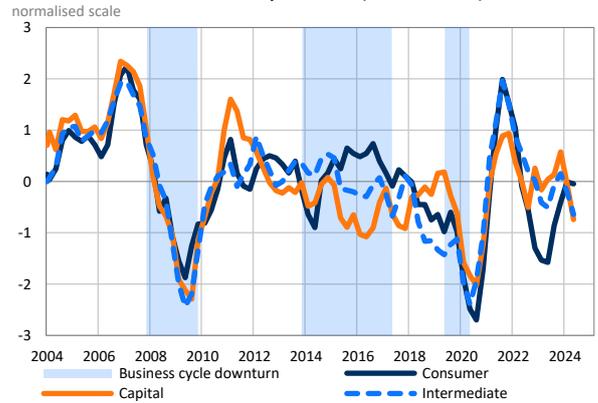


SUMMARY

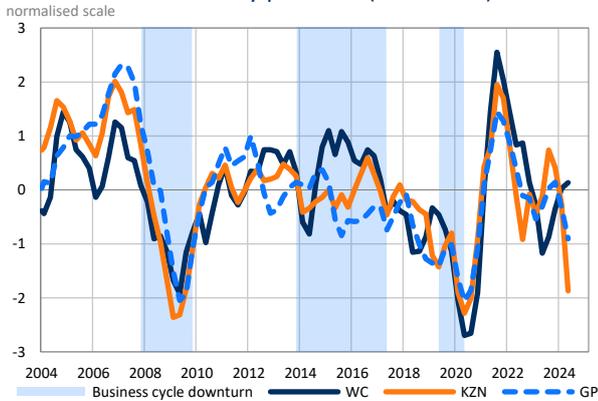
Production & actual manufacturing output*



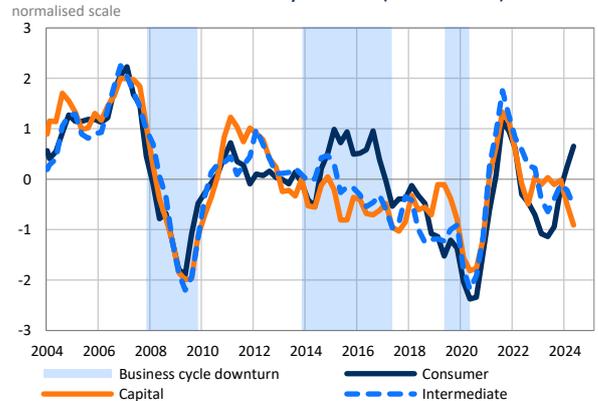
Production by sector (smoothed)



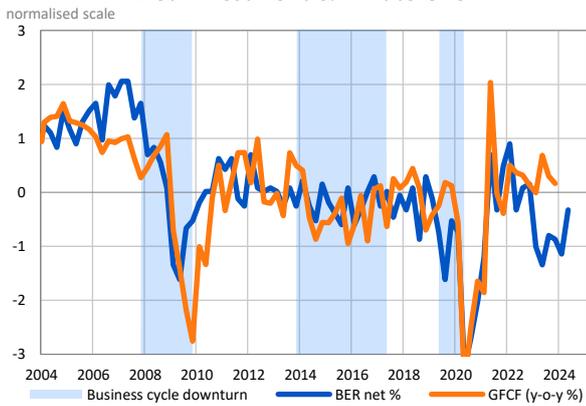
Production by province (smoothed)



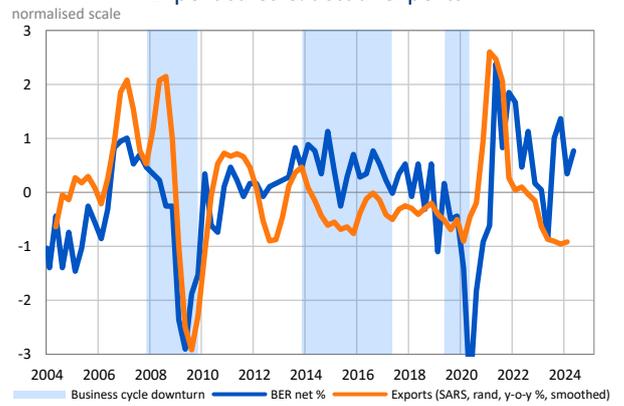
Domestic sales by sector (smoothed)



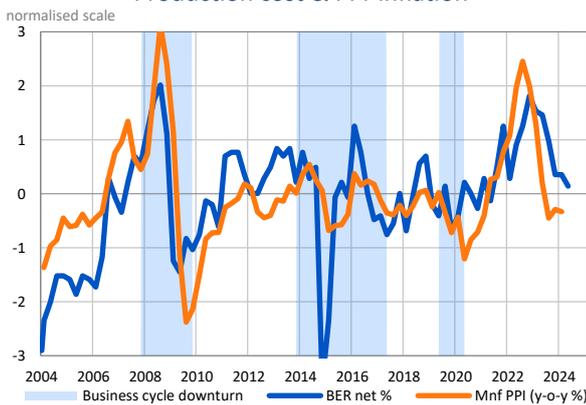
Fixed investment & Private GFCF



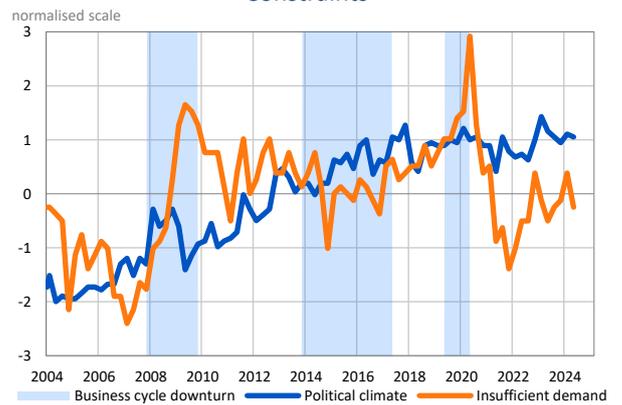
Export sales & actual exports



Production cost & PPI-inflation



Constraints



CAPITAL³, INTERMEDIARY⁴ AND CONSUMER⁵ GOODS

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	Δ	$\Delta\sigma$
Capital goods														
Confidence	%	14	34	55	15	24	13	10	21	19	16	16	0	11
Smoothed	%	15	34	54	17	17	16	15	17	19	17	16	-1	8
Production	Net %	-43	-11	21	-27	-3	17	-60	13	24	-25	-36	-11	30
Smoothed	Net %	-37	-11	15	-24	-4	-15	-10	-8	4	-12	-31	-19	20
Domestic sales	Net %	-45	-14	17	-36	-8	5	-48	3	-6	-41	-36	5	26
Smoothed	Net %	-41	-14	13	-27	-13	-17	-13	-17	-15	-28	-39	-11	19
Export sales	Net %	-40	-17	6	13	3	-12	-25	-21	15	-6	-5	1	24
Smoothed	Net %	-35	-17	1	3	1	-11	-19	-10	-4	1	-6	-7	17
Intermediate goods														
Confidence	%	19	35	51	31	20	15	20	29	28	20	27	7	8
Smoothed	%	20	35	50	28	22	18	21	26	26	25	24	-1	7
Production	Net %	-32	-7	18	2	-1	-21	-26	-7	8	-12	-30	-18	20
Smoothed	Net %	-29	-7	15	-3	-7	-16	-18	-8	-4	-11	-21	-10	17
Domestic sales	Net %	-38	-10	17	8	-5	-19	-36	-22	-1	-16	-30	-14	21
Smoothed	Net %	-34	-10	13	-4	-5	-20	-26	-20	-13	-16	-23	-7	17
Export sales	Net %	-32	-15	3	6	-22	-7	-23	11	21	-11	-11	0	17
Smoothed	Net %	-29	-14	0	-5	-8	-17	-6	3	7	0	-11	-11	12
Consumer goods														
Confidence	%	25	40	55	22	37	21	15	16	27	25	36	11	9
Smoothed	%	26	40	53	29	27	24	17	19	23	29	31	2	7
Production	Net %	-19	0	19	-21	-8	-33	-32	-10	1	-11	9	20	17
Smoothed	Net %	-16	0	15	-9	-21	-24	-25	-14	-7	0	-1	-1	14
Domestic sales	Net %	-23	-1	21	-17	-4	-23	-38	-7	-12	5	17	12	19
Smoothed	Net %	-20	-1	17	-10	-15	-22	-23	-19	-5	3	11	8	13
Export sales	Net %	-29	-11	8	-1	-5	-21	-35	7	-12	-6	13	19	17
Smoothed	Net %	-26	-11	4	-7	-9	-20	-16	-13	-4	-2	4	6	12

³ Capital goods: Structural metal products (SIC code 353-4), general purpose machinery (356), special purpose machinery & machine tools (357), electrical motors & generators (361), medical appliances, photo equipment (374-6), motor vehicles & bodies (381-2), parts & accessories (383), other transport equipment (384-7)

⁴ Intermediary goods: Grain mill products, starches & animal feeds (303), spinning, weaving & finishing of textiles, yarns (311), knitted & crocheted fabrics (313), sawmilling, preserving of timber, bark grinding & compressing (321), wood & wood products (322), paper and products (323), basic chemicals (334), rubber (337), plastic products (338), glass & glass products, fibreglass (341), other non-metal mineral products (bricks, tiles, cement, prefab concrete, asphalt, mica products) (342), basic iron & steel (351), basic precious (gold, platinum, silver) & non-ferrous metal (aluminium, copper, lead, nickel, tin, zinc) products (352), other fabricated metal products (355), electrical distribution & control apparatus (362), wire & cable (363), batteries, electrical bulbs & other (364-6)

⁵ Consumer goods: Meat, fish, fruit, vegetables, oils & fats (301), dairy products (302), other (304), beverages (305), tobacco (306), other textiles (312), wearing apparel & articles of fur (314-5), leather (316), footwear (317), other chemical products (335-6), computers & office machines, household appliances (358-9), TV, radio & communication equipment (371-3), furniture (391), other (e.g. jewellery, musical instruments, games & toys, recycling NOT COVERED) (392)

μ – average

σ – standard deviation

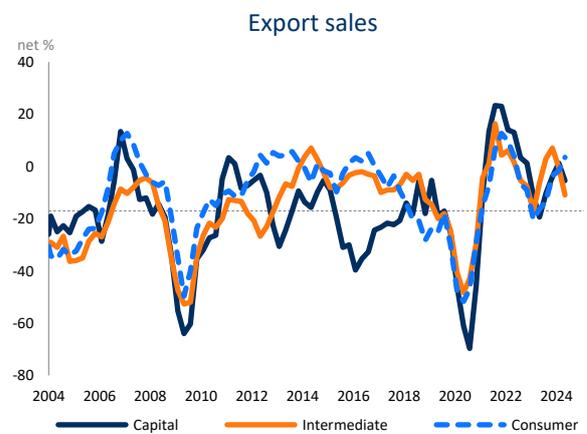
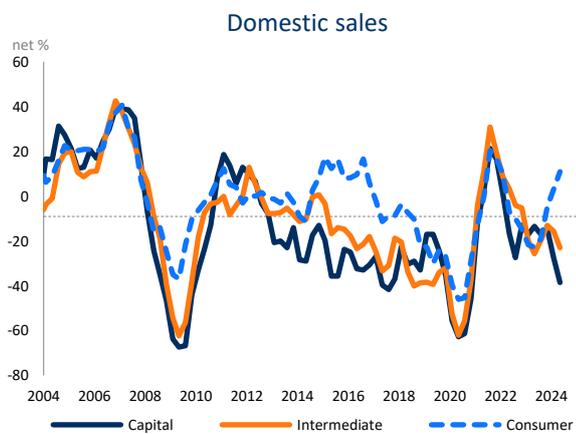
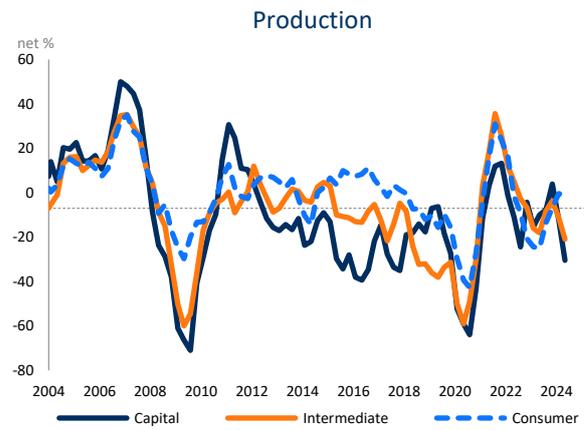
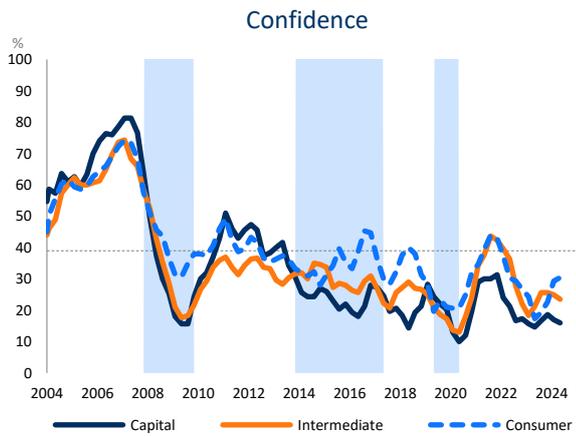
Δ – change from previous period

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

All of the above calculated over the last 20 years

See technical note for further details

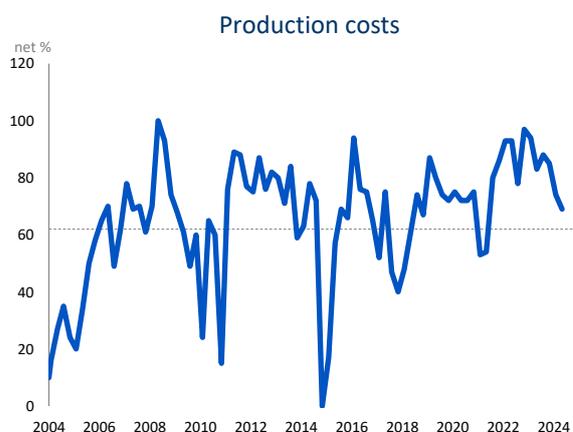
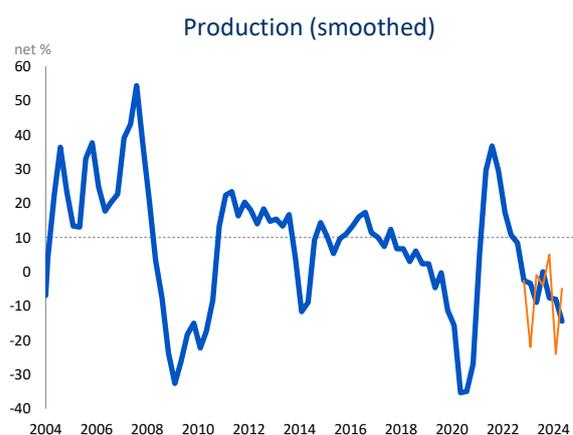
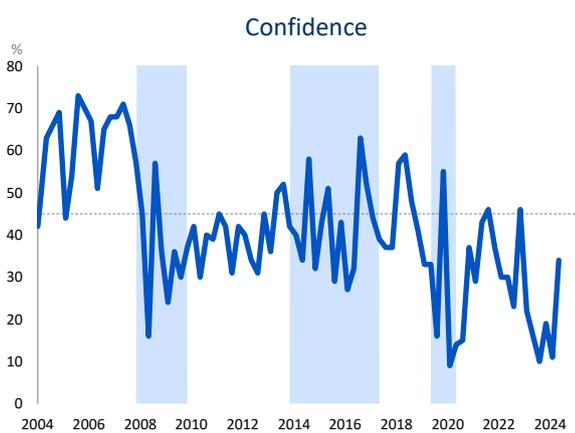
CAPITAL, INTERMEDIARY AND CONSUMER GOODS



μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – volatility (standard deviation of the changes)
 All of the above calculated over the last 20 years
 See technical note for further details

FOOD AND BEVERAGES⁶

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	Δ	$\Delta\sigma$
Confidence	%	25	41	57	23	46	22	16	10	19	11	34	23	15
Production	Net %	-16	8	31	1	13	-22	-1	-4	5	-24	-5	19	22
Smoothed	Net %	-11	7	26	8	-3	-3	-9	0	-8	-8	-15	-7	17
Export sales	Net %	-23	-1	21	19	12	-4	-5	2	3	-11	-1	10	21
Smoothed	Net %	-19	-1	17	16	9	1	-2	0	-2	-3	-6	-3	15
Production costs	Net %	47	67	87	78	97	94	83	88	85	74	69	-5	19
Business conditions in 12m	Net %	-31	-10	12	-23	-11	-18	-53	-27	-36	-70	-36	34	23



⁶ Food & Beverages: Meat, fish, vegetables, oils & fats (SIC code 301), dairy products (302), grain mill products, starches & animal feeds (303), other food (304) and beverages (305). In 2017, this sector contributed 28.4% to production and 11.1% to manufactured exports, petroleum and other excluded in both cases. We recommend that users attach more weight to the trend (smoothed series) than a single data point, as the correlation between the survey production data and reference series is low.

μ – average

σ – standard deviation

Δ – change from previous period

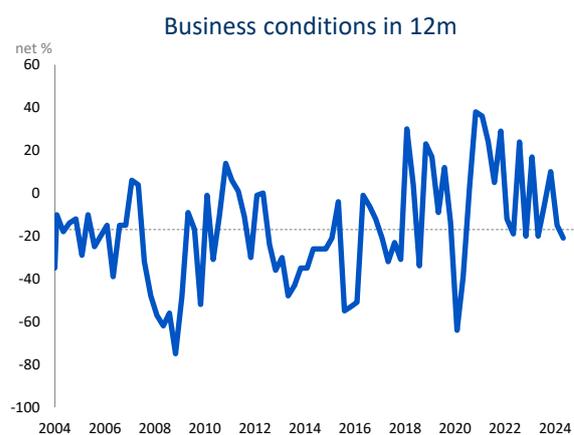
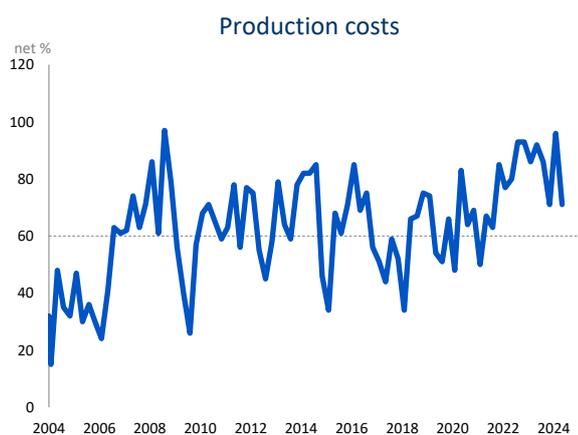
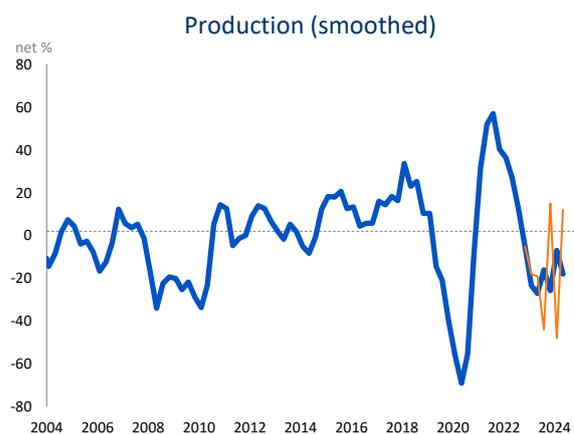
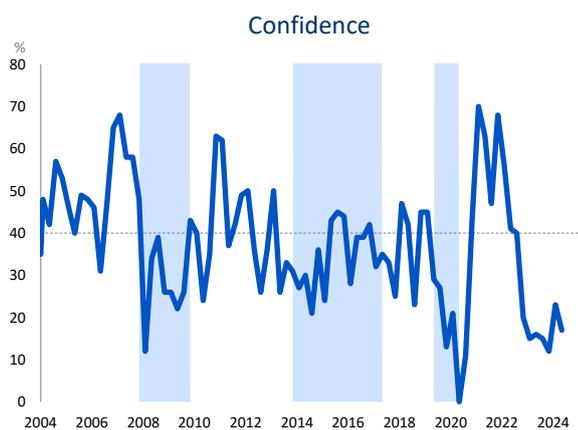
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over the last 20 years

See technical note for further details

TEXTILES, CLOTHING LEATHER AND FOOTWEAR⁷

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	Δ	$\Delta\sigma$
Confidence	%	22	37	52	40	20	15	16	15	12	23	17	-6	13
Production	Net %	-29	0	28	36	-33	-18	-19	-44	15	-48	12	60	29
Smoothed	Net %	-23	-1	22	12	-5	-23	-27	-16	-26	-7	-18	-11	21
Production costs	Net %	46	64	81	93	93	86	92	86	71	96	71	-25	16
Business conditions in 12m	Net %	-42	-17	8	24	-20	17	-20	-5	10	-15	-21	-6	25



⁷ Textiles, Clothing, Footwear & Leather: spinning, weaving & finishing of textiles, yarns (SIC code 311), other textiles (312), knitted & crocheted fabrics (313), wearing apparel & articles of fur (314-5), leather (316) and footwear (317). In 2017, this sector contributed 3.7% to production excluding petroleum and other.

μ – average

σ – standard deviation

Δ – change from previous period

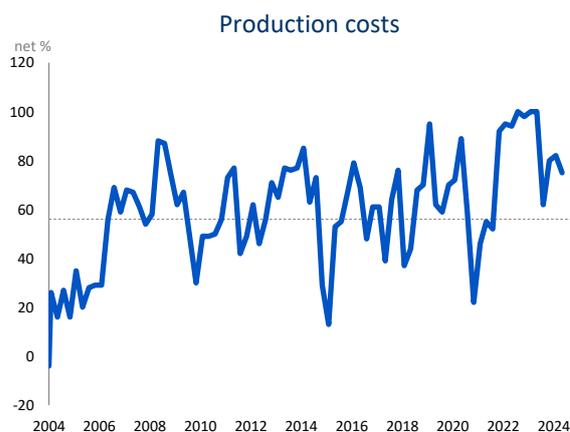
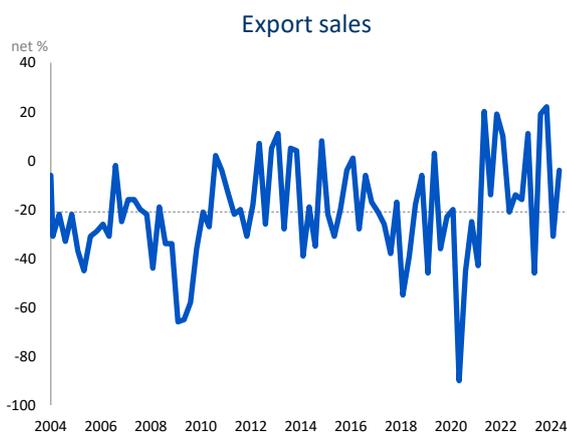
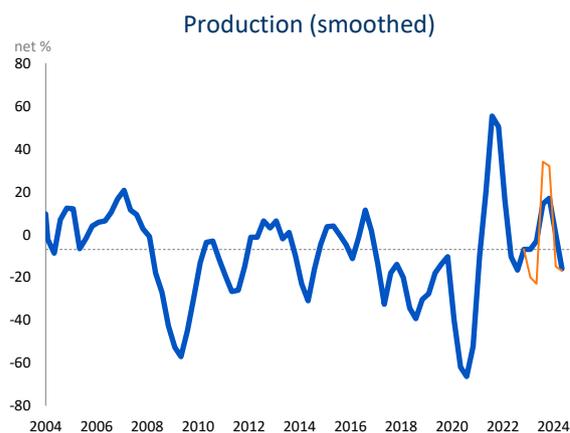
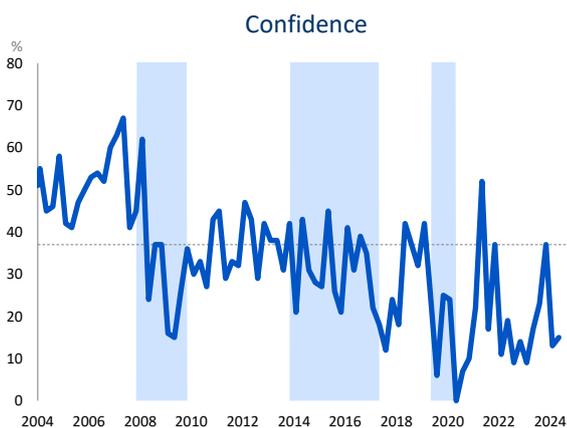
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over the last 20 years

See technical note for further details

WOOD, PAPER, PRINTING AND PUBLISHING⁸

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	Δ	$\Delta\sigma$
Confidence	%	17	32	47	9	14	9	17	23	37	13	15	2	14
Production	Net %	-38	-9	20	-23	22	-20	-23	34	32	-15	-17	-2	30
Smoothed	Net %	-31	-9	13	-17	-7	-7	-3	14	17	0	-16	-16	23
Export sales	Net %	-42	-21	0	-14	-16	11	-46	19	22	-31	-4	27	26
Production costs	Net %	41	62	82	100	98	100	100	62	80	82	75	-7	18
Business conditions in 12m	Net %	-37	-13	10	-27	-42	-47	-57	-29	-33	-64	-19	45	27

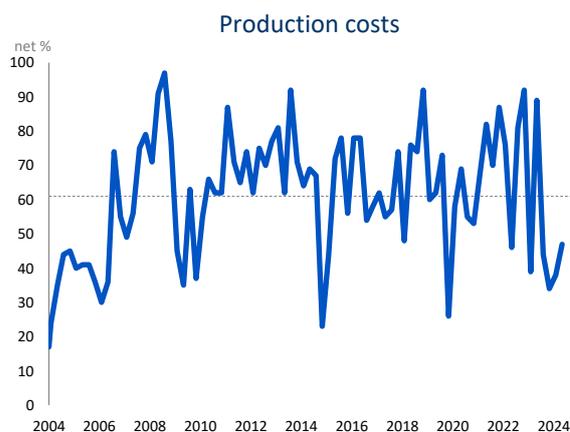
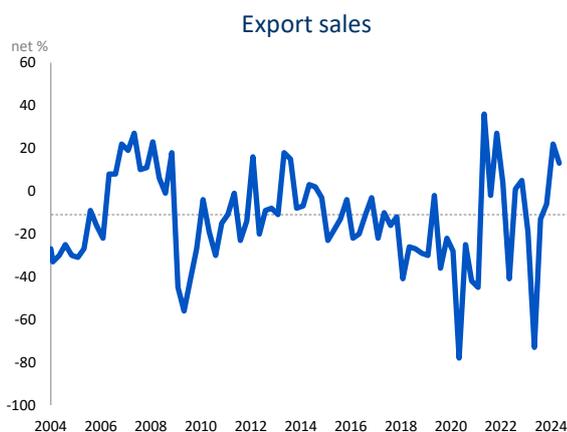
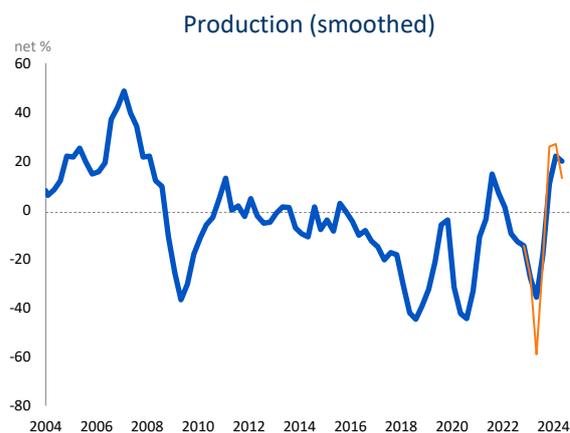
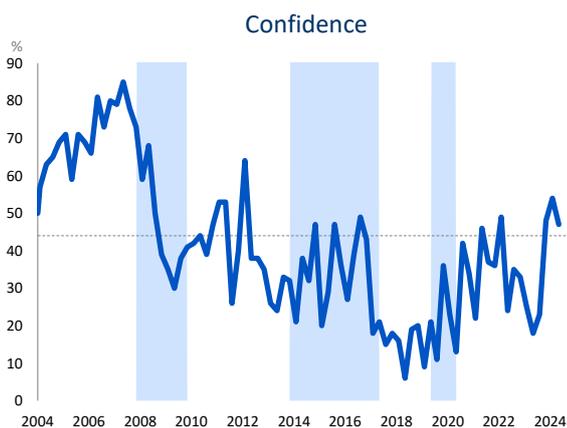


⁸ Wood, Paper, Printing & Publishing: sawmilling, preserving of timber, bark grinding & compressing (SIC code 321), wood & wood products (322), paper and products (323) and printing, publishing & recorded media (324-6). In 2017, this sector contributed 13.1% to production and 4.7% to manufactured exports, petroleum and other excluded in both cases. We recommend that users attach more weight to the trend (smoothed series) than a single data point, as the correlation between the survey production data and reference series is low.

μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – volatility (standard deviation of the changes)
 All of the above calculated over the last 20 years
 See technical note for further details

CHEMICAL, RUBBER AND PLASTIC PRODUCTS⁹

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	Δ	$\Delta\sigma$
Confidence	%	21	41	60	35	33	25	18	23	48	54	47	-7	12
Production	Net %	-29	-4	22	-20	3	-27	-59	-21	26	27	13	-14	24
Smoothed	Net %	-25	-4	17	-13	-15	-28	-36	-18	11	22	20	-2	16
Export sales	Net %	-34	-12	10	1	5	-19	-73	-13	-6	22	13	-9	24
Production costs	Net %	45	62	80	81	92	39	89	44	34	38	47	9	20
Business conditions in 12m	Net %	-37	-11	16	-27	-21	-41	-68	-53	-3	3	-21	-24	23



⁹ Chemicals, Rubber & Plastics: Refined petroleum & coke (SIC code 331-3) (NOT COVERED), basic chemicals (334), other chemical products (335-6), rubber (337) and plastics (338). In 2017, this sector contributed 16.6% to production and 15.4% to manufactured exports, petroleum and other excluded in both cases. We recommend that users attach more weight to the trend (smoothed series) than a single data point, as the correlation between the survey production data and reference series is low.

μ – average

σ – standard deviation

Δ – change from previous period

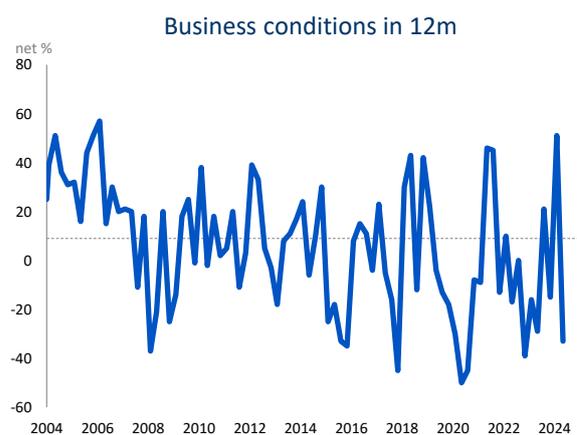
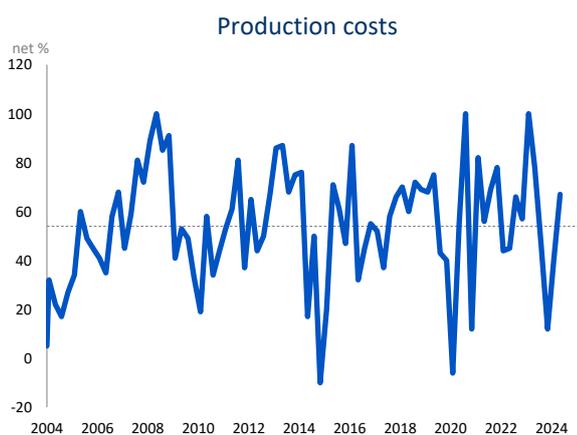
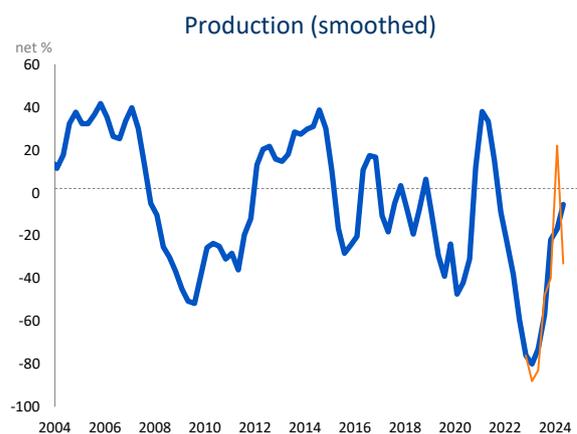
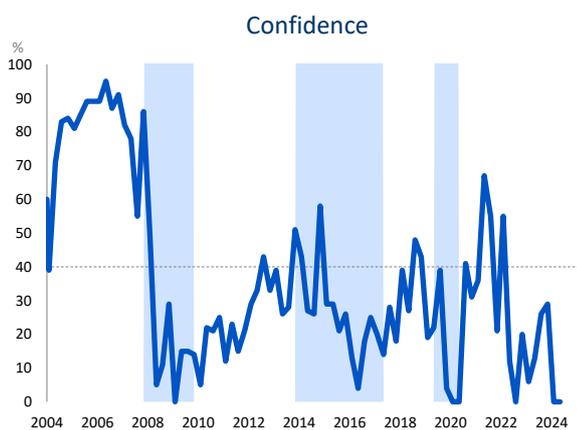
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over the last 20 years

See technical note for further details

GLASS AND NON-METALLIC MINERAL PRODUCTS¹⁰

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	Δ	$\Delta\sigma$
Confidence	%	8	35	62	0	20	6	13	26	29	0	0	0	17
Production	Net %	-43	-6	31	-71	-69	-88	-83	-48	-40	22	-33	-55	32
Smoothed	Net %	-37	-6	26	-59	-76	-80	-73	-57	-22	-17	-6	11	24
Production costs	Net %	32	55	78	66	57	100	78	46	12	40	67	27	28
Business conditions in 12m	Net %	-21	5	31	0	-39	-16	-29	21	-15	51	-33	-84	30

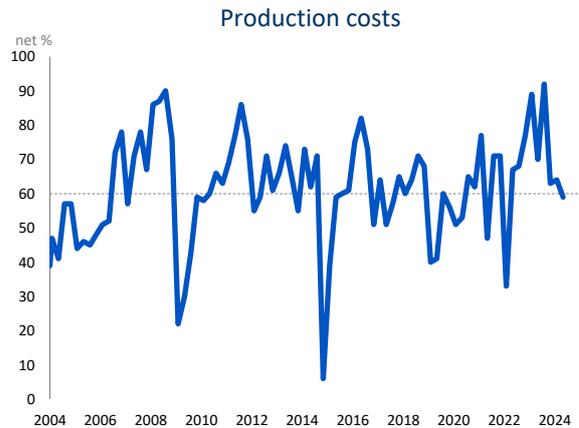
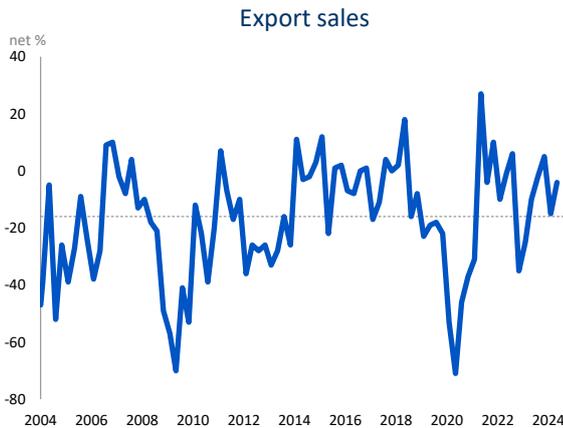
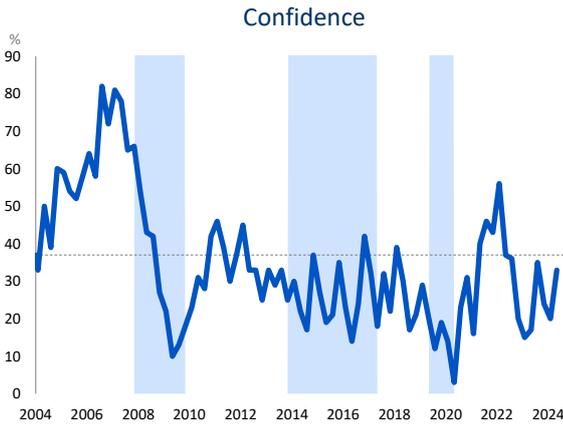


¹⁰ Glass & Non-metallic minerals: Glass & glass products, fibreglass (SIC code 341), other non-metallic mineral products (bricks, tiles, cement, prefabricated concrete, asphalt, mica products) (342). In 2017, this sector contributed 4.4% to production, excluding petroleum and other.

μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – volatility (standard deviation of the changes)
 All of the above calculated over the last 20 years
 See technical note for further details

BASIC METALS, METAL PRODUCTS AND MACHINERY¹¹

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	Δ	$\Delta\sigma$
Confidence	%	17	35	52	36	20	15	17	35	24	20	33	13	11
Production	Net %	-40	-11	17	-1	-7	-12	-27	-14	-15	-28	-36	-8	22
Smoothed	Net %	-36	-11	14	-1	-7	-15	-18	-19	-19	-26	-32	-6	18
Export sales	Net %	-36	-16	3	6	-35	-25	-10	-2	5	-15	-4	11	19
Production costs	Net %	47	62	77	68	77	89	70	92	63	64	59	-5	17
Business conditions in 12m	Net %	-41	-19	3	-17	-40	-72	-58	-19	-42	-52	-15	37	18

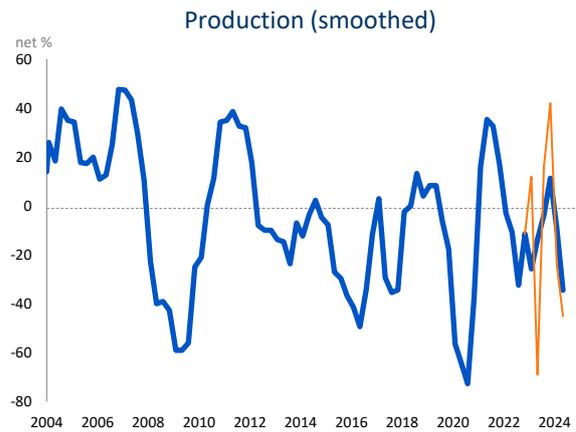
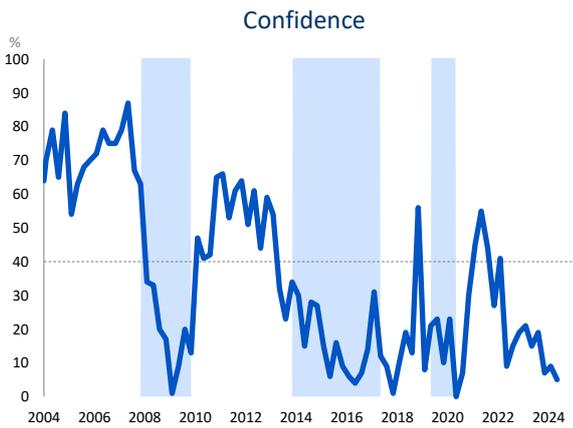


¹¹ Basic metals, Metal Products & Machinery: Basic iron & steel (SIC code 351), basic precious (gold, platinum, silver) & non-ferrous metal (aluminium, copper, lead, nickel, tin, zinc) products (352), structural metal products (353-4), other fabricated metal products (355), general purpose machinery (356), special purpose machinery & machine tools (357), computers & office machines (358) and household appliances (359). In 2017, this sector contributed 21.1% to production and 42.5% to manufactured exports, petroleum and other excluded in both cases.

μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – volatility (standard deviation of the changes)
 All of the above calculated over the last 20 years
 See technical note for further details

MOTOR VEHICLES, PARTS AND TRANSPORT EQUIPMENT¹²

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	Δ	$\Delta\sigma$
Confidence	%	9	34	59	15	19	21	15	19	7	9	5	-4	15
Production	Net %	-45	-6	33	-26	-20	12	-69	16	42	-24	-45	-21	42
Smoothed	Net %	-35	-6	24	-32	-11	-26	-14	-4	11	-9	-35	-26	26
Export sales	Net %	-45	-11	24	18	3	-4	-13	-2	46	14	-1	-15	38
Smoothed	Net %	-37	-11	16	18	6	-5	-6	10	19	20	7	-13	23
Production costs	Net %	43	69	94	100	100	88	100	93	90	91	79	-12	23
Business conditions in 12m	Net %	-57	-23	10	-27	-16	-45	-90	-62	-69	-83	-58	25	29

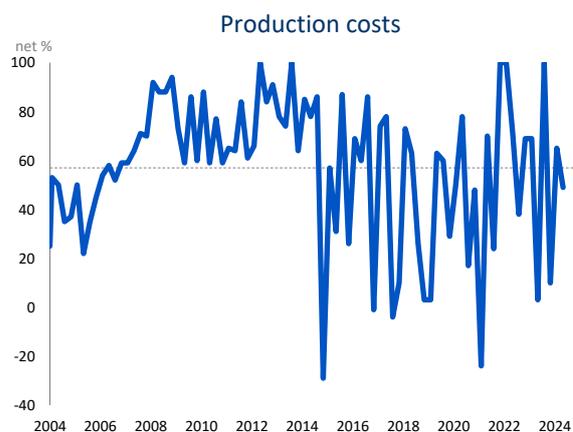
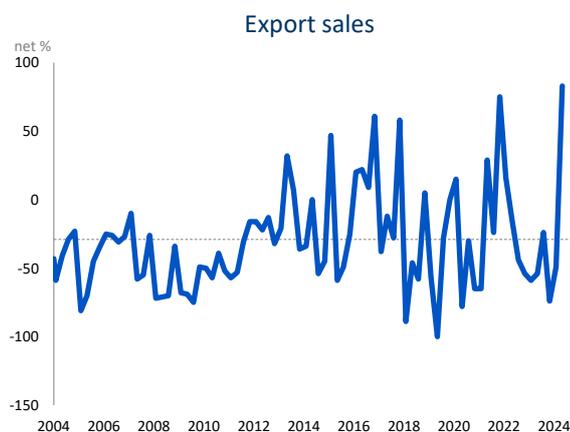
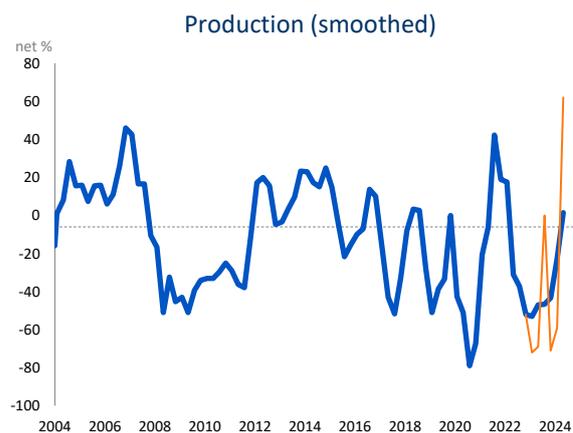
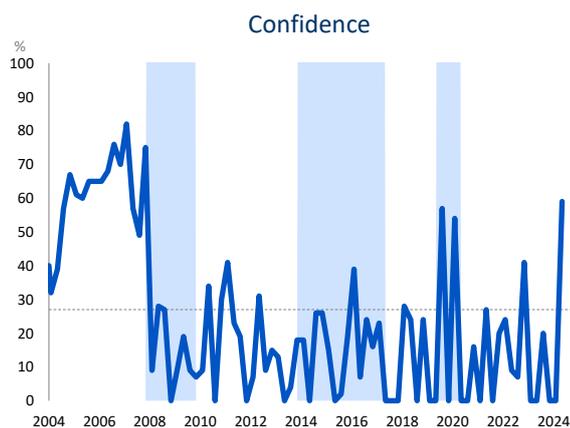


¹² Transport equipment: Motor vehicles & bodies (SIC code 381-2), parts & accessories (383), other transport equipment (384-7). In 2017, this sector contributed 7.7% to production and 16.1% to manufactured exports, petroleum and other excluded in both cases.

μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – volatility (standard deviation of the changes)
 All of the above calculated over the last 20 years
 See technical note for further details

FURNITURE AND OTHER¹³

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	Δ	$\Delta\sigma$
Confidence	%	0	24	48	7	41	0	0	20	0	0	59	59	23
Production	Net %	-53	-12	29	-66	-18	-72	-69	0	-71	-59	62	121	50
Smoothed	Net %	-41	-12	17	-37	-52	-53	-47	-47	-43	-23	2	25	27
Export sales	Net %	-68	-30	7	-44	-54	-59	-54	-24	-74	-49	83	132	46
Production costs	Net %	28	58	87	38	69	69	3	100	10	65	49	-16	40
Business conditions in 12m	Net %	-57	-22	13	-73	-49	-80	-100	20	-16	-69	-28	41	40



¹³ Furniture & Other: Furniture (SIC code 391), other (e.g. jewellery, musical instruments, games & toys, recycling NOT COVERED) (392), tobacco (306). In 2017, this sector contributed 1.2% to production and 1.0% to manufactured exports, petroleum and other excluded in both cases. We recommend that users attach more weight to the trend (smoothed series) than a single data point, as the correlation between the survey production and export data vis-à-vis the reference series is low.

μ – average

σ – standard deviation

Δ – change from previous period

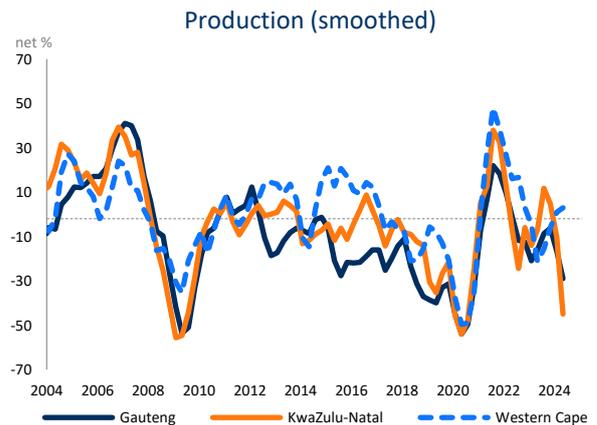
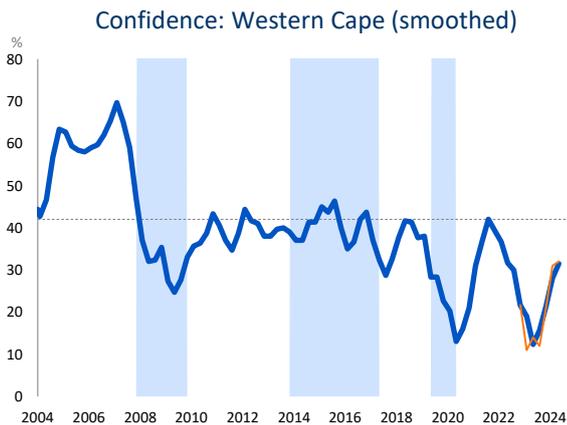
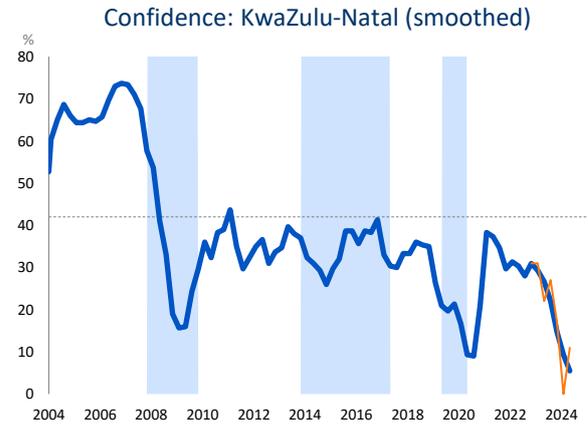
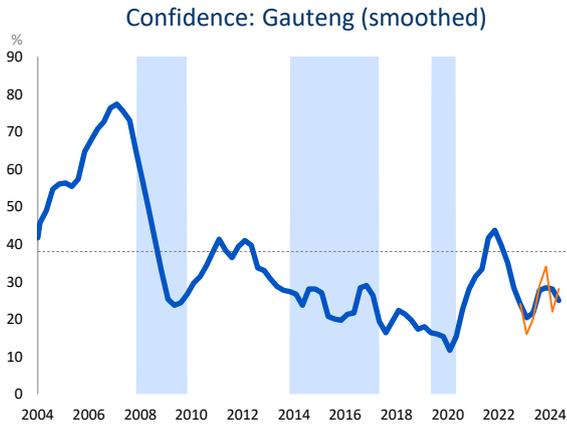
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over the last 20 years

See technical note for further details

BY PROVINCE

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	Δ	$\Delta\sigma$
Gauteng														
Confidence	%	17	35	52	31	25	16	20	29	34	22	28	6	8
Smoothed	%	18	35	52	28	24	20	22	28	28	28	25	-3	7
Production	Net %	-34	-9	15	-12	-12	-14	-37	3	8	-30	-28	2	19
Smoothed	Net %	-31	-9	12	-12	-13	-21	-16	-9	-6	-17	-29	-12	15
KwaZulu-Natal														
Confidence	%	19	37	55	27	35	31	22	27	17	0	11	11	12
Smoothed	%	20	37	53	28	31	29	27	22	15	9	6	-3	8
Production	Net %	-33	-4	24	-5	-16	3	-29	5	59	-50	-40	10	30
Smoothed	Net %	-26	-4	18	-24	-6	-14	-7	12	5	-10	-45	-35	19
Western Cape														
Confidence	%	24	39	53	22	32	11	14	12	21	31	32	1	11
Smoothed	%	26	39	51	30	22	19	12	16	21	28	32	4	8
Production	Net %	-23	1	24	1	28	-20	-22	-22	-3	7	-1	-8	23
Smoothed	Net %	-18	0	19	17	3	-5	-21	-16	-6	1	3	2	17



μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – volatility (standard deviation of the changes)
 All of the above calculated over the last 20 years
 See technical note for further details

Technical note

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 sales, production, employment, selling prices, capacity utilisation, investment etc. (for which official figures are published), but also provide unique information, such as business confidence, business conditions, constraints 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.

THE SURVEY METHOD

The survey results are obtained from questionnaires completed by senior executives in the trade, manufacturing and building sector 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 production 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. 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.

To provide for widely differing sizes, each firm in the manufacturing and trade 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.

The BER conducted its first survey of the manufacturing and trade (i.e. retail, wholesale and motor trade) sectors in 1954. The sector coverage was expanded to the building sector (i.e. main contractors and sub-contractors) in 1969. Architects, quantity surveyors and civil engineering contractors were added later to the building survey.

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

THE UNIQUE UNITS OF MEASUREMENT OF QUALITATIVE SURVEYS

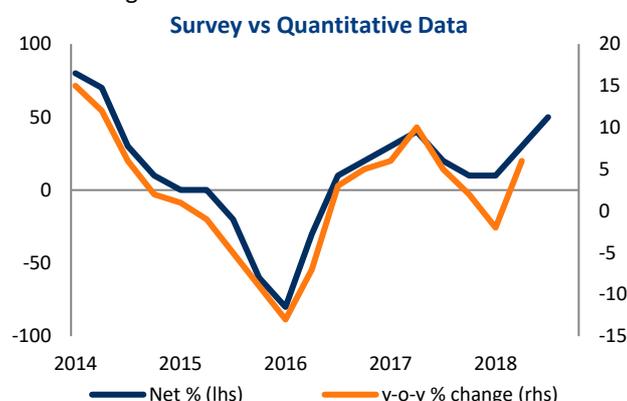
Net percentage (net %)

The responses related to the change in production, prices, employment, business conditions etc. are presented as a "net percentage" (also called a "net balance" or a "net majority"). If, for example, the percentages of respondents rating production 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 production. The net percentage is calculated as the percentage of respondents rating “production” 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 production compared to a year ago. Take note that this does not mean a year-on-year contraction of 10%. It only means that the production 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 and constraints 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.

In the case of the constraints, respondents have to rate if a particular issue – for instance, a shortage of skilled labour – “seriously”, “slightly” or “not at all” hampers their activity. Composite constraint indices are calculated by weighting the responses as follows: The answers of respondents rating a particular constraint as “serious” are weighted by 0.67%; “slightly” by 0.33% and “not a constraint at all” are discarded. The results are then multiplied by 100/67 = 1.49 to convert it to an index that can vary between zero and 100.

Care must be taken when making inferences from the constraints indices given that the list of constraints (issues) remains unchanged over time. Each constraint ought to be analysed relative to its own historical performance rather than comparing the ratings of the different constraints at a specific point in time. The latter inference would be more appropriate if respondents had to list all issues hampering their activity at a particular point in time and rank them in order of their impact.

Theoretically, the confidence and constraints series can vary between a minimum of zero and a maximum of 100. A value of zero would reflect an extreme lack of confidence/no limitation at all and 100 extreme confidence/complete limitation. 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.