

SURVEY PUBLICATION | THIRD QUARTER 2025

Building

Quarterly analysis of building activity

EDITOR:

Craig Lemboe

✉ cjl@sun.ac.za
☎ +27 (21) 808 9780

TECHNICAL ASSISTANCE:

Nicolaas van der Wath

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

Copyright & Disclaimer

*This publication is confidential and only for the use of the intended recipient.
Copyright for this publication is held by Stellenbosch University.*

Although reasonable professional skill, care and diligence are exercised to record and interpret all information correctly, Stellenbosch University, its division BER and the author(s)/editor do not accept any liability for any direct or indirect loss whatsoever that might result from unintentional inaccurate data and interpretations provided by the BER as well as any interpretations by third parties. Stellenbosch University further accepts no liability for the consequences of any decisions or actions taken by any third party on the basis of information provided in this publication. The views, conclusions or opinions contained in this publication are those of the BER and do not necessarily reflect those of Stellenbosch University.

Executive summary

After registering a five-index-point decline in 2025Q2 to 36, the **FNB/BER Building Confidence Index** shed a further point to reach 35 in Q3.

The biggest change in sentiment was a 12-point fall in confidence among quantity surveyors, which was partially offset by an 11-point jump in the business mood of main building contractors.

The business confidence of **architects** slipped by two points to 36. This was underpinned by a marked decline in average activity. Respondents expect work to remain under pressure in 2025Q4. Activity among **quantity surveyors** was also lower, resulting in a more downbeat sentiment reading of 38.

The index readings for **residential builder** activity and overall profitability deteriorated significantly in 2025Q2. These recovered (more or less back to their 2025Q1 level) in 2025Q3. As a result, residential builder confidence increased to 37 in 2025Q3, from 25 in 2025Q2. The indicator measuring the lack of new building demand as a business constraint declined, pointing to some improvement in order books.

The business confidence of **non-residential builders** gained six points to register a level of 50 in 2025Q3. Underpinning the better sentiment was higher activity and overall profitability. Order books, too, were encouraging.

The index measuring growth in civil construction work has been relatively upbeat over the last two years. This quarter, however, the index deteriorated significantly. This does not mean that activity is necessarily weaker, but it is indicative of a slowdown in growth momentum. Respondents expect similar conditions with respect to activity next quarter.

Despite the softer activity, confidence, as measured by the **FNB/BER Civil Construction Index**, increased to 43, from 41 in 2025Q2.

Table of Content

EXECUTIVE SUMMARY	3
INTRODUCTION	5
SUMMARY OF THE 2025Q3 BUILDING SURVEY RESULTS	5
Growth in Activity at the start of the building value chain eases in Q3	6
Residential builder confidence sharply up in Q3	7
Non-residential builders continue to outperform	9
CONCLUSION	11
SURVEY RESULTS	12
Building: total	12
Building: residential	14
Building: non-residential	15
Architects and quantity surveyors	16
Building: contractors and sub-contractors	17
Building: provinces	18
Building materials retail trade	19
Building materials manufacturing	20
Summary	21
Building plans passed and completed	22
TECHNICAL NOTE	23
The survey method	23
The unique units of measurement of qualitative surveys	24
Descriptive statistics in the tables	25
Conventions and aids provided in the charts	26

Introduction

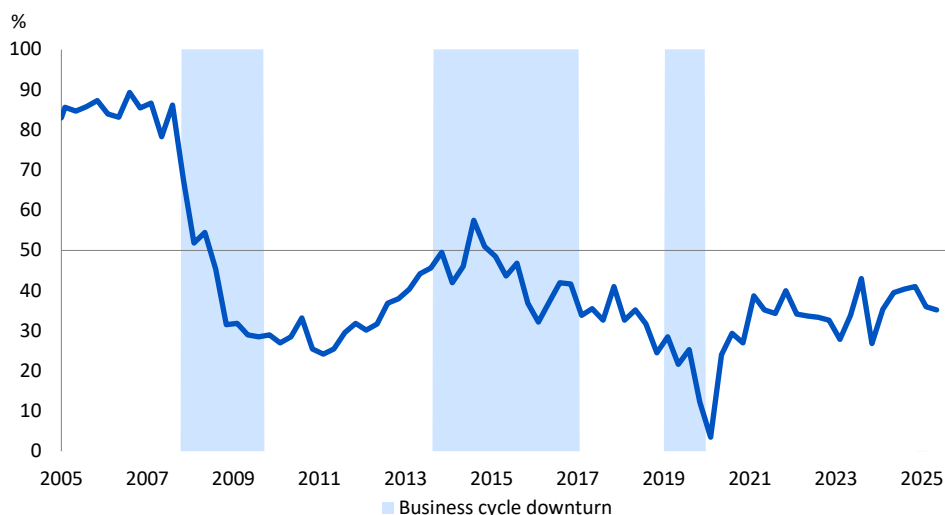
The report outlines some of the key findings of the BER's 2025Q3 Building Survey, including the **FNB/BER Building Confidence Index** as well as related data.

Summary of the 2025Q3¹ building survey results

The **FNB/BER Building Confidence Index** registered a level of 35 in 2025Q3, from 36 in 2025Q2 (Figure 1). The index has been moving within a narrow – albeit low – band (between 35 and 41) since the middle of last year. This means that, while sentiment in the industry isn't tanking, there is little lifting the business mood across the building value chain.

The current reading means that the majority (65%) of respondents are dissatisfied with prevailing business conditions.

Figure 1: FNB/BER Business Confidence Index



Source: BER

Compared to 2025Q2, the following changes to sentiment were registered: main contractors (+11), building sub-contractors (+4), hardware retailers (+1), architects (-2), building material manufacturers (-7) and quantity surveyors (-12).

Overall sentiment declined despite an increase in activity this quarter. The improvement in work among non-residential builders was particularly encouraging. Meanwhile, residential building work improved but is still under pressure.

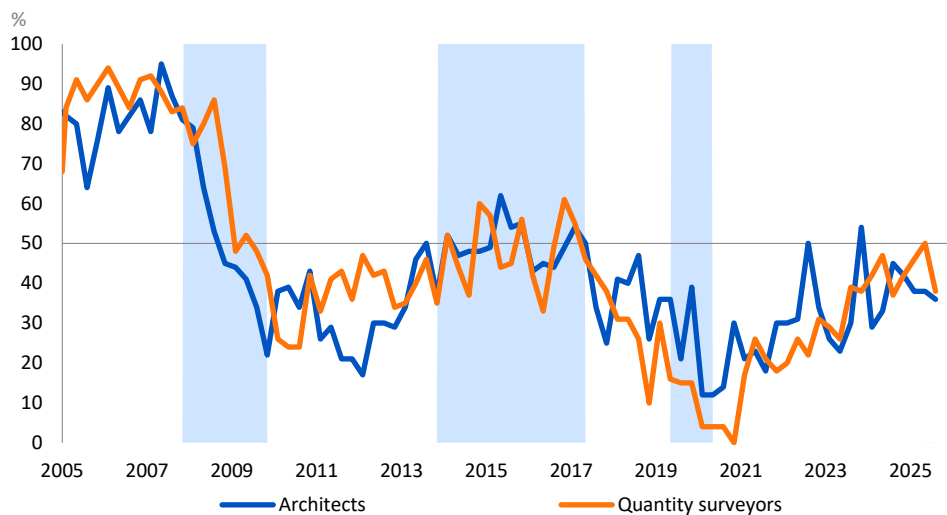
¹ The third quarter survey was conducted between 6 and 25 August 2025.

GROWTH IN ACTIVITY AT THE START OF THE BUILDING VALUE CHAIN EASES IN Q3

The index measuring growth in average activity² among **architects** slipped to -24 in 2025Q3, from -5 in 2025Q2. While this is a significant change, the level of the index only fell to around long-term average levels (of -26). Moreover, part of the slowdown is likely due to base effects, with activity already improving since 2024Q3 (the survey question relates growth to a year earlier). In all, the underlying data was consistent with somewhat weaker sentiment. Indeed, architect business confidence slipped to 36, from 38 in 2025Q2 (Figure 2).

The index measuring average activity³ among **quantity surveyors** also deteriorated, to -21, from 0 in 2025Q2. Sentiment moved in step, to 38 from 50 in 2025Q2.

Figure 2: Architect and quantity surveyor business confidence



Source: BER

According to Statistics South Africa (Stats SA), the real value of building plans passed fell by 8.8% year-on-year (y-o-y) in 2025Q2. The largest decline (34.7%) was registered in non-residential building plans passed, whereas plans passed for residential buildings were only 6.2% lower on an annual basis. In contrast, the real value of building plans passed for additions and alterations was up 14.8% y-o-y.

The building plans passed data for 2025Q2 was somewhat out of step with the BER survey results. However, based on the survey data, an outcome similar to 2025Q2 in building plans passed can be expected in 2025Q3.

² This is the average of the indices measuring activity at sketch plan stage, working drawing stage and commissioned projects stage.

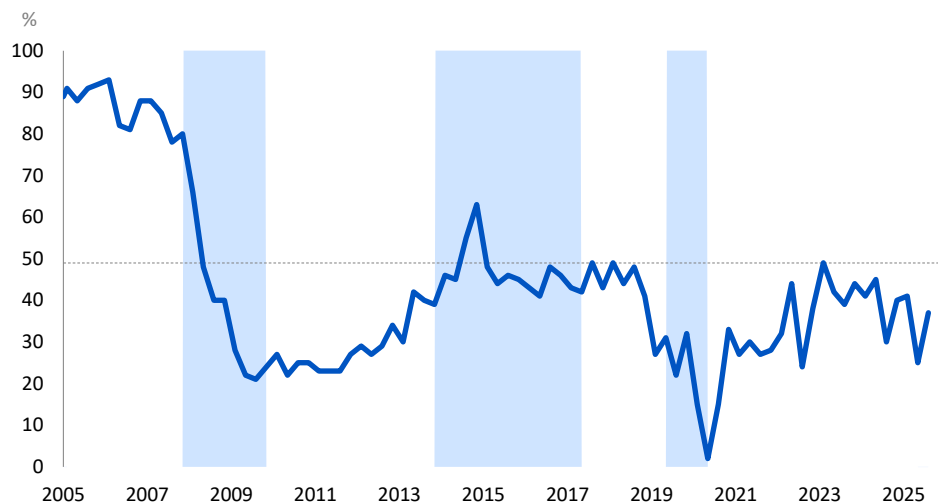
³ Activity for quantity surveyors is the average of activity at sketch plan stage, at bills of quantity stage and commissioned projects stage.

RESIDENTIAL BUILDER CONFIDENCE SHARPLY UP IN Q3

After falling to an almost three-year low in 2025Q2, **residential builder** confidence gained 12 points in 2025Q3 to register a level of 37 (Figure 3).

The underlying data supports the upward shift in confidence this quarter. Importantly, most of the indices returned to the level registered in 2025Q1. This suggests that the weakness in 2025Q2 was the outlier and conditions, especially with respect to activity, have normalised somewhat.

Figure 3: Residential builder confidence

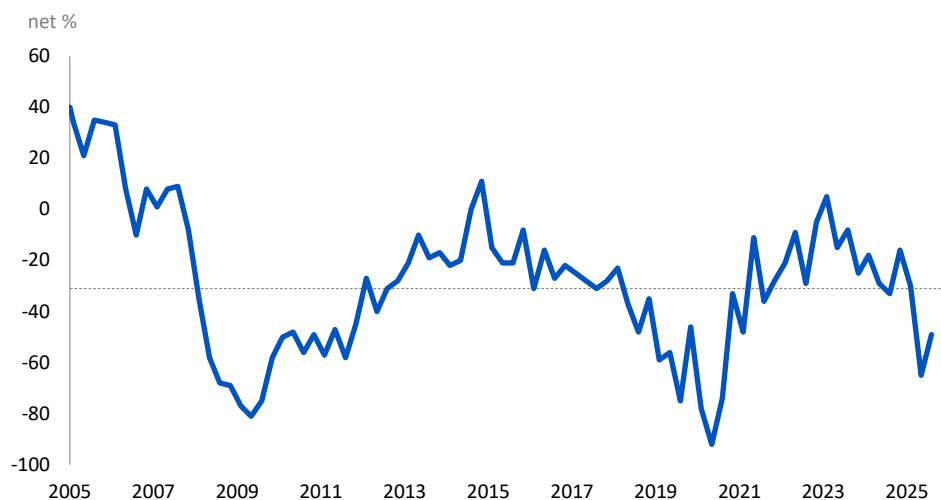


Source: BER

As noted above, activity improved in 2025Q3. A net 65% of respondents reported lower activity growth in 2025Q2, only 49% stated as such in 2025Q3 (Figure 4). This uptick is significant, even though the level remains below the long-term average.

According to Stats SA, the real value of investment in residential building contracted by 12.1% y-o-y in 2025Q2. The survey results suggest a less severe decline is on the cards for 2025Q3.

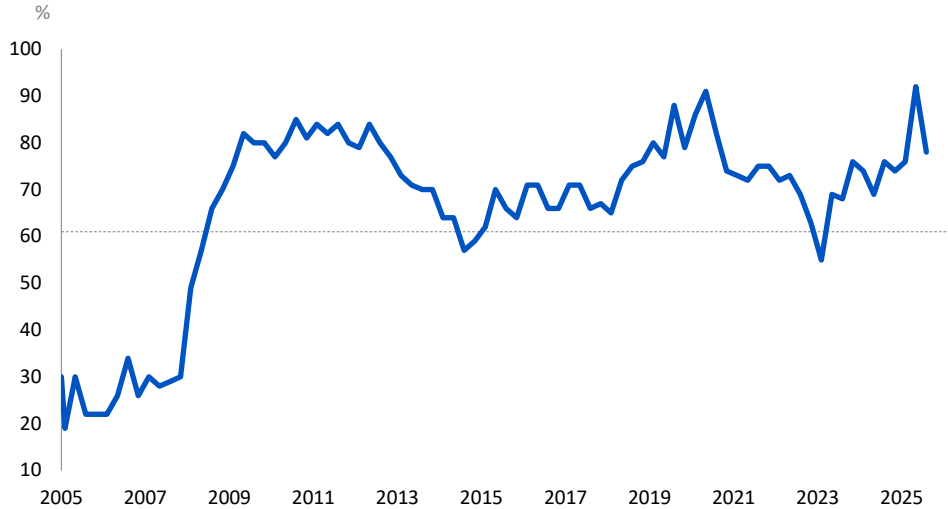
Figure 4: Residential builders, growth in activity.



Source: BER

Related to activity is the state of order books as proxied by the rating of insufficient demand for new building work as a constraint. For residential builders this index declined to 78% in 2025Q3 from 92% in 2025Q2 (Figure 5).

Figure 5: Residential builders, insufficient new demand as a business constraint

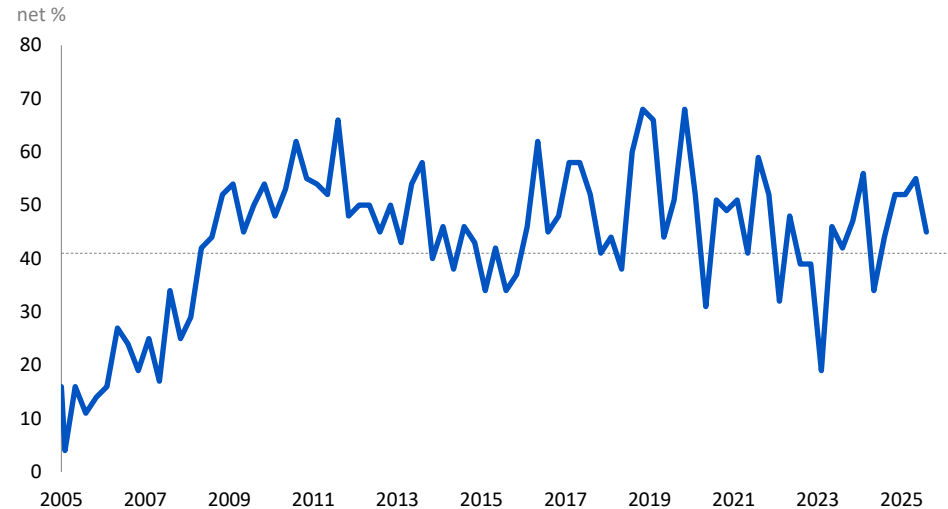


Source: BER

In addition to the activity indicators, overall profitability also recovered to around 2025Q1 levels.

Lastly, tendering price competition eased this quarter after remaining stable for the first half of 2025, which also supported confidence. A net 45% of respondents indicated that tendering price competition was keener in 2025Q3 than a year earlier, down from 55% in 2025Q2 (Figure 6).

Figure 6: Residential builders, tendering price competition

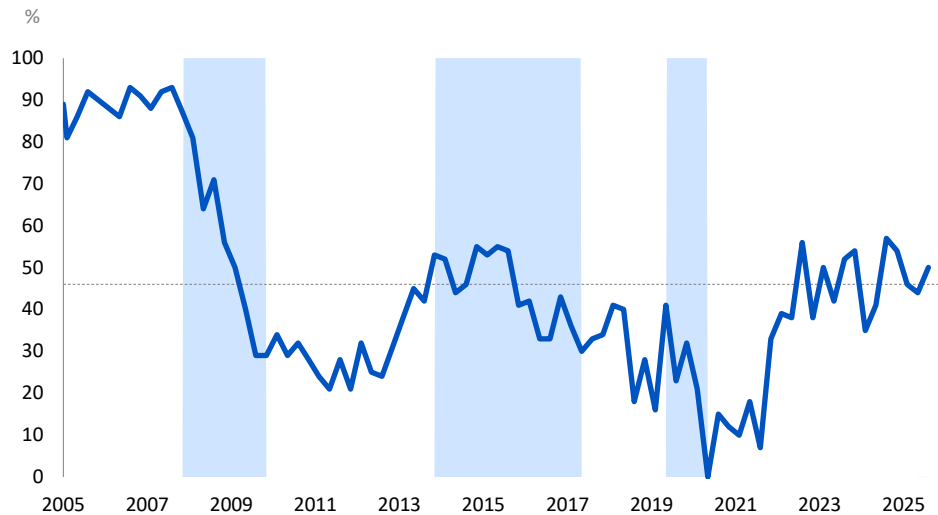


Source: BER

NON-RESIDENTIAL BUILDERS CONTINUE TO OUTPERFORM

The business confidence of **non-residential builders** gained six points to register a level of 50 in 2025Q3 (Figure 7). Similarly, the rating of business conditions improved. A net 11% stated that business conditions had deteriorated relative to a year earlier in 2025Q2, only 3% reported as such in 2025Q3.

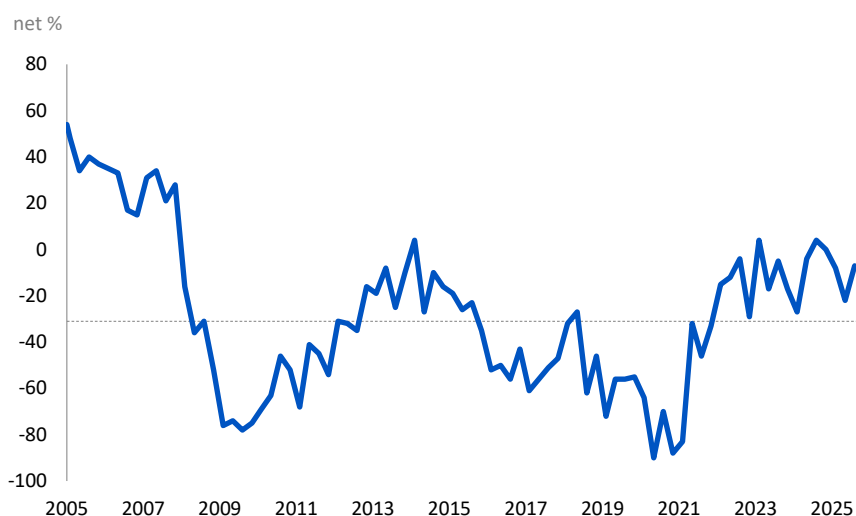
Figure 7: Non-residential builder business confidence



Source: BER

After a moderate contraction of 1.8% y-o-y in 2025Q1, the real value of non-residential building investment dropped steeply by 8.4% y-o-y in 2025Q2 according to Stats SA. The survey results point to an improvement in activity in 2025Q3 (albeit in the form of a less pronounced decline). A net 7% of respondents indicated that activity was lower in 2025Q3 than a year before, down from 22% in 2025Q2 (Figure 8).

Figure 8: Non-residential builders, growth in activity

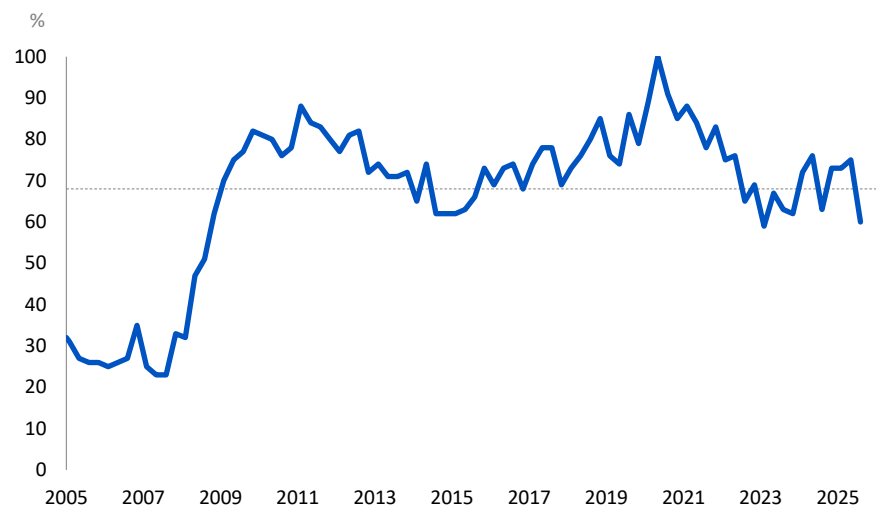


Source: BER

Overall profitability improved in step with the better activity, despite keener tendering price competition. A net 13% of respondents reported lower overall profitability in 2025Q3 compared to a year ago, from 24% that indicated as such in 2025Q2.

The outlook for work over the short term also improved both in terms of respondents' own expectations for next quarter and in terms of order books. The rating of the lack of new building demand as a constraint fell significantly to 60 in 2025Q3, from 75 in 2025Q2 (Figure 9). Excluding 2023Q1, when the index was at 59, this is the lowest reading since 2008Q3.

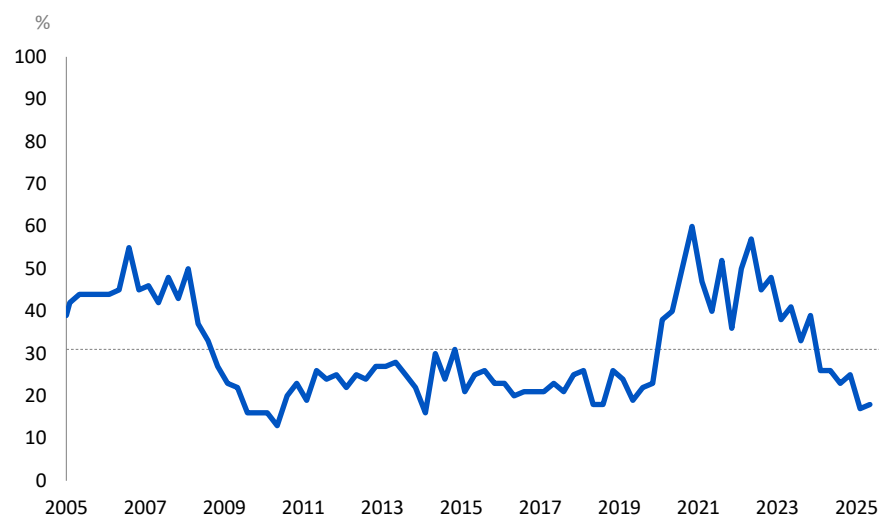
Figure 9: Non-residential builders, lack of new building demand as a business constraint



Source: BER

In terms of the other measured constraints, the rating of an inadequate supply of building materials also yielded interesting results. In 2025Q2, the index registered a level of 17, the lowest since 2014 (Figure 10). This quarter the index ticked up marginally to 18. In essence, despite the improved activity, building material supplies remain relatively abundant and, consequently, will keep building input costs low. This partially explains the better overall profitability reading, but could also see building inflation to clients remain contained over the near term.

Figure 10: Non-residential builders, inadequate building supplies as a business constraint



Source: BER

Conclusion

The **FNB/BER Building Confidence Index** lost one point to register a level of 35 in 2025Q3.

Despite the softer sentiment reading, building activity recovered following a disappointing 2025Q2.

Non-residential building activity, in particular, continued to fare well. This underpinned a lift in non-residential builder confidence to 50 in 2025Q3, from 44 in 2025Q2. Encouragingly, order books also improved. The index measuring the lack of new building demand as a business constraint registered its best (i.e. lowest) level since 2023Q1.

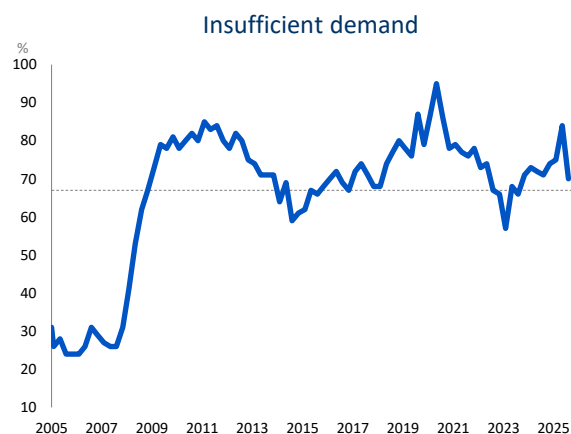
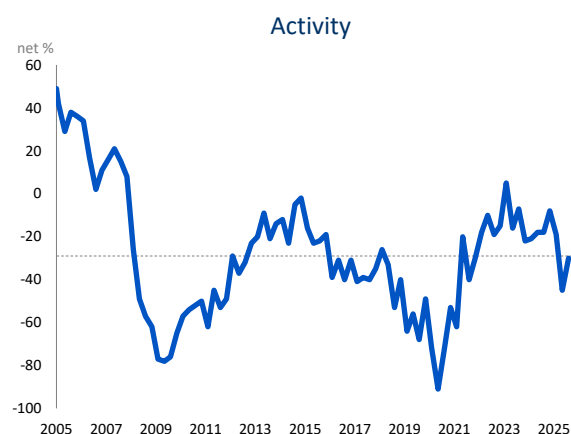
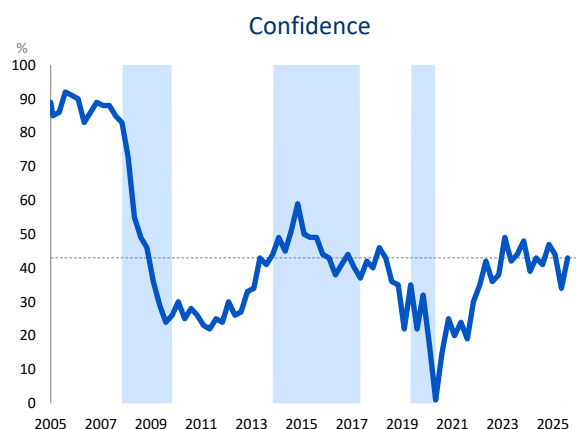
The confidence of **residential builders** gained 12 points to reach 37 in 2025Q3. The movement in sentiment reflects better activity, albeit still weak, this quarter.

While the results for building contractor activity are upbeat, work at the start of the building value chain was under pressure. The average activity for both **architects** and **quantity surveyors** deteriorated in 2025Q3. This, in turn, weighed on sentiment, especially that of quantity surveyors.

Survey results

BUILDING: TOTAL⁴

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	Δ	σ_{Δ}
Confidence	%	23	42	62	48	39	43	41	47	44	34	43	9	7
Activity	Net %	-57	-31	-4	-22	-21	-18	-18	-8	-19	-45	-30	15	13
Tendering competition	Net %	34	48	61	48	47	48	49	53	54	47	47	0	7
Insufficient demand	%	51	68	85	71	73	72	71	74	75	84	70	-14	5



⁴ Combined residential and non-residential building activity of contractors and sub-contractors.

μ - average

σ - standard deviation

Δ - change from previous period

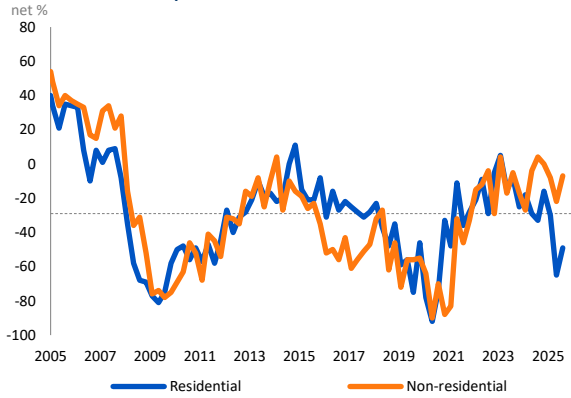
σ_{Δ} - volatility (standard deviation of the changes)

All above calculated over the last 20 years

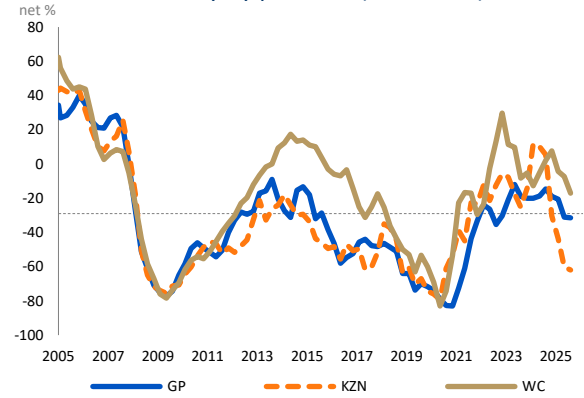
See technical note for further details

BUILDING: TOTAL

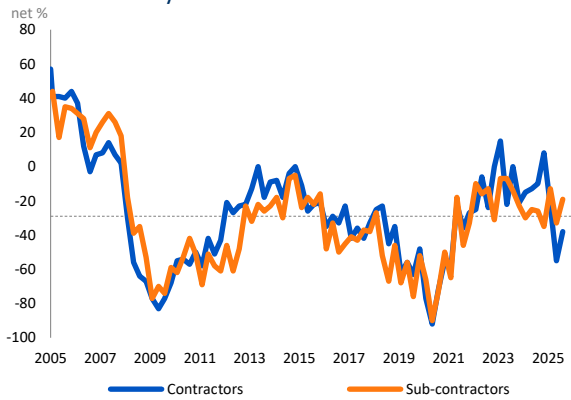
Activity: residential & non-residential



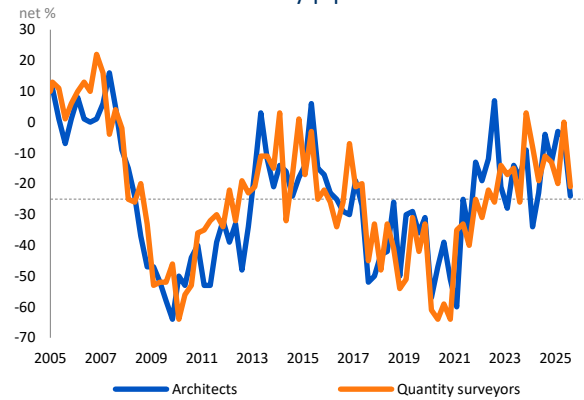
Activity by province (smoothed)



Activity: contractors & sub-contractors



Activity pipeline



μ - average

σ - standard deviation

Δ - change from previous period

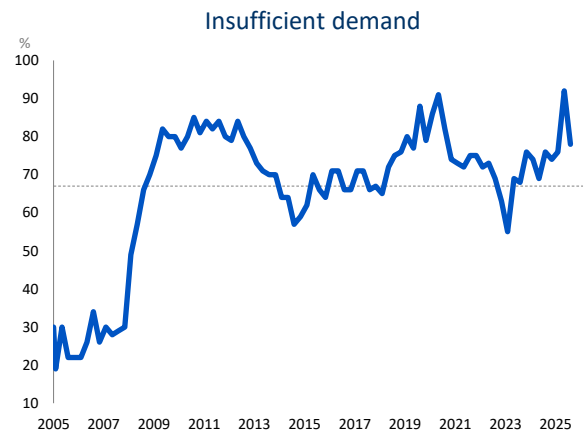
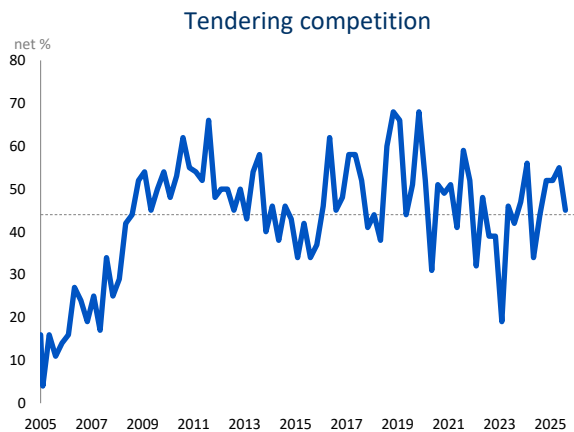
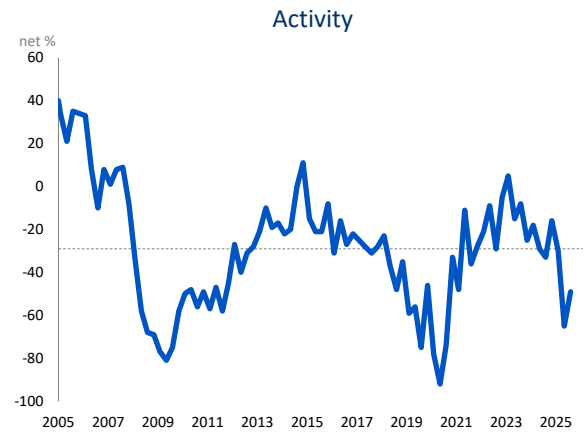
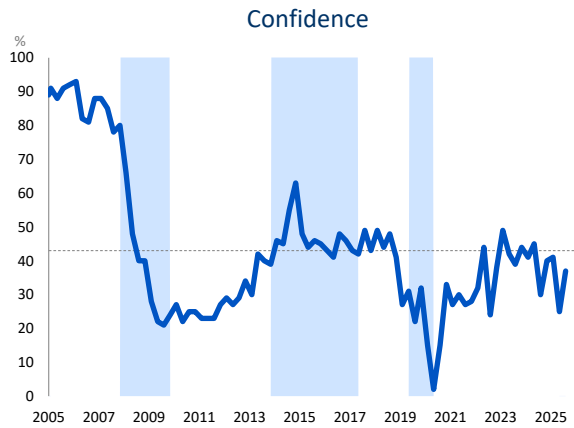
σ_{Δ} - volatility (standard deviation of the changes)

All above calculated over the last 20 years

See technical note for further details

BUILDING: RESIDENTIAL⁵

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	Δ	σ_{Δ}
Confidence	%	22	41	61	44	41	45	30	40	41	25	37	12	8
Activity	Net %	-57	-31	-5	-25	-18	-29	-33	-16	-30	-65	-49	16	16
Seasonally adjusted	Net %	-57	-31	-5	-27	-23	-30	-24	-18	-36	-71	-55	16	14
Tendering competition	Net %	33	45	57	47	56	34	44	52	52	55	45	-10	11
Insufficient demand	%	51	68	85	76	74	69	76	74	76	92	78	-14	6



⁵ The residential sector covers the construction of and additions to houses, town houses and flats for which building plans were submitted to a local authority. Other sporadic residential structures, such as tourist accommodation and casinos, and informal structures are not covered. The section on the building material retail trade provides additional information on activity related to additions and the informal sector.

μ - average

σ - standard deviation

Δ - change from previous period

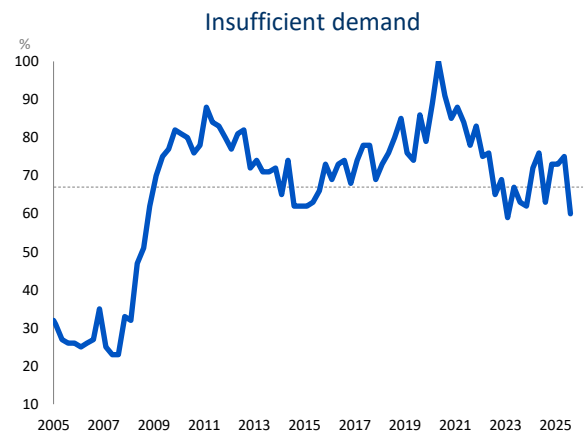
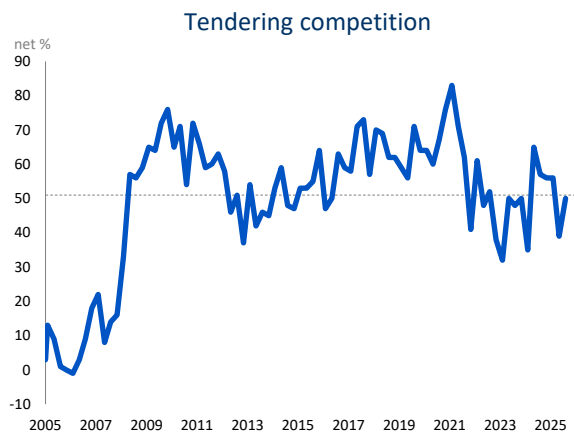
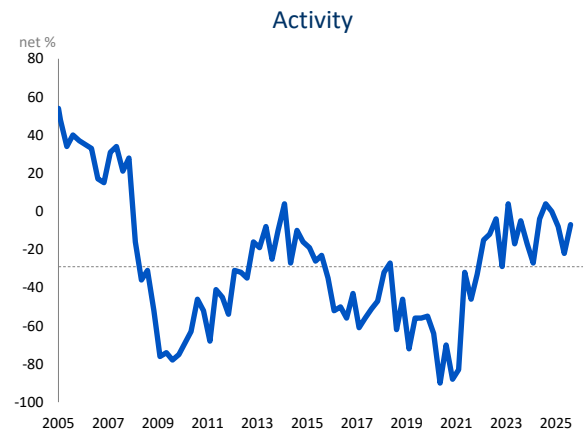
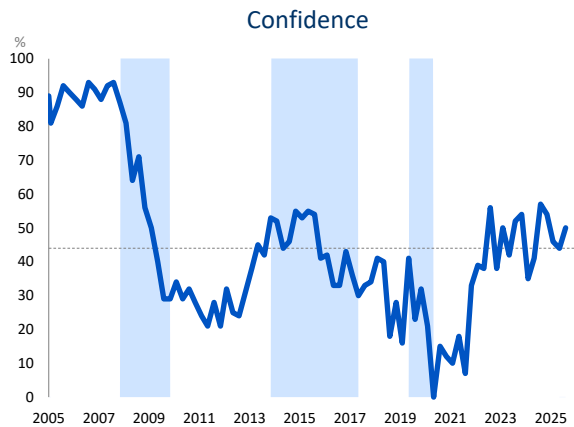
σ_{Δ} - volatility (standard deviation of the changes)

All above calculated over the last 20 years

See technical note for further details

BUILDING: NON-RESIDENTIAL⁶

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	Δ	σ_{Δ}
Confidence	%	22	43	65	54	35	41	57	54	46	44	50	6	10
Activity	Net %	-62	-31	1	-17	-27	-4	4	0	-8	-22	-7	15	16
Tendering competition	Net %	33	52	70	50	35	65	57	56	56	39	50	11	10
Insufficient demand	%	50	68	86	62	72	76	63	73	73	75	60	-15	6



⁶ The non-residential sector covers offices, banks, shops (retail), industrial (factories), warehouses and other structures (such as churches, sport clubs, schools and hospitals).

μ - average

σ - standard deviation

Δ - change from previous period

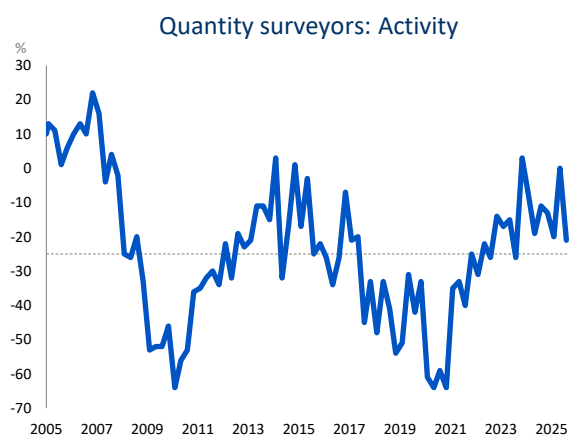
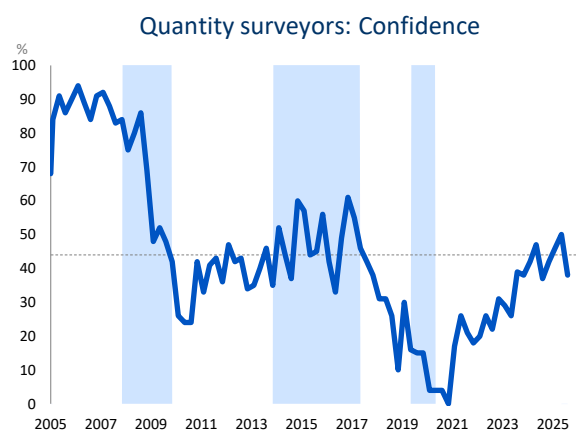
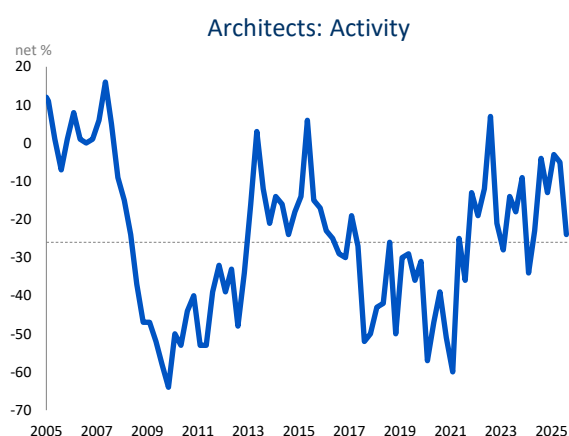
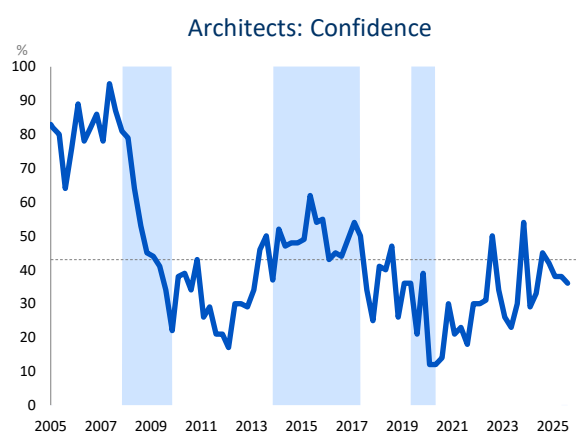
σ_{Δ} - volatility (standard deviation of the changes)

All above calculated over the last 20 years

See technical note for further details

ARCHITECTS AND QUANTITY SURVEYORS⁷

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	Δ	σ_{Δ}
Architects														
Confidence	%	23	43	62	54	29	33	45	42	38	38	36	-2	10
Activity	Net %	-45	-26	-7	-9	-34	-23	-4	-13	-3	-5	-24	-19	13
Quantity surveyors														
Confidence	%	20	43	66	38	42	47	37	42	46	50	38	-12	9
Activity	Net %	-45	-25	-5	3	-8	-19	-11	-13	-20	0	-21	-21	13



⁷ According to the Standard Industrial Classification of all Economic Activities (SIC), architects and quantity surveyors are not part of the building and construction sector; they are classified as "business services". However, the BER includes them here, as they provide additional information on developments in the building sector.

μ - average

σ - standard deviation

Δ - change from previous period

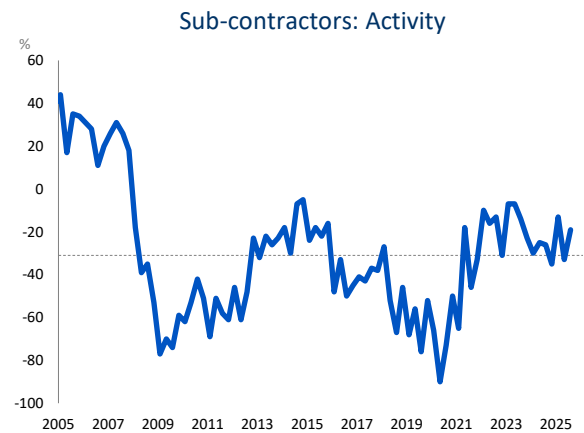
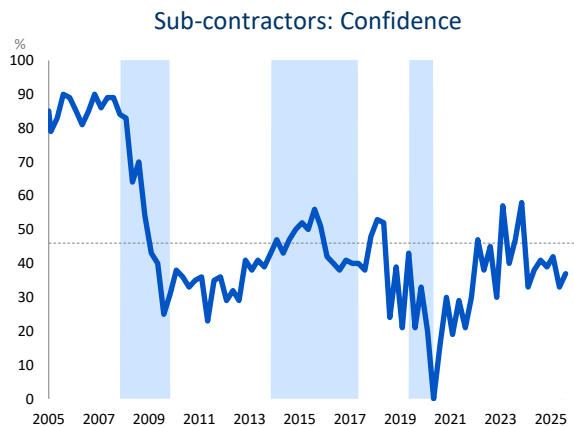
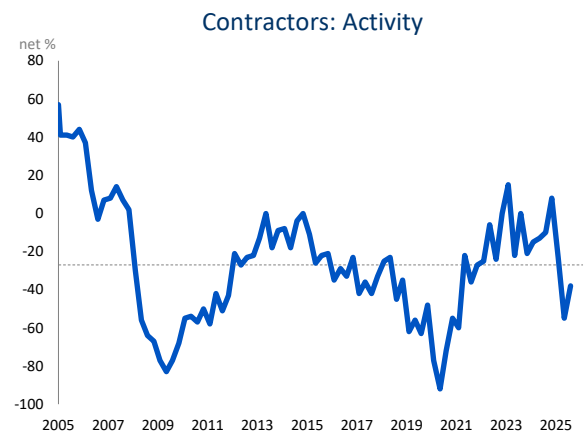
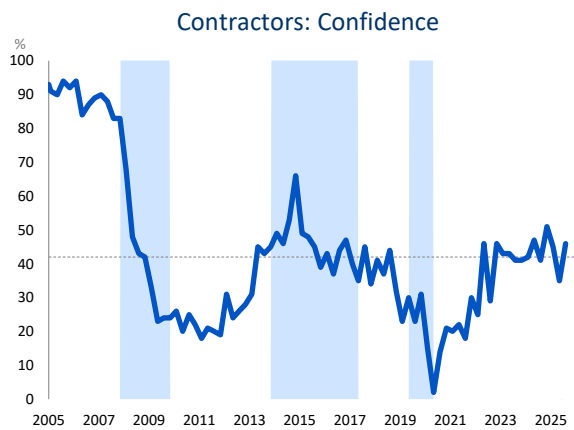
σ_{Δ} - volatility (standard deviation of the changes)

All above calculated over the last 20 years

See technical note for further details

BUILDING: CONTRACTORS AND SUB-CONTRACTORS⁸

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	Δ	σ_{Δ}
Contractors														
Confidence	%	21	41	62	41	42	47	41	51	45	35	46	11	8
Activity	Net %	-57	-29	-2	-21	-15	-13	-10	8	-23	-55	-38	17	15
Sub-contractors														
Confidence	%	25	44	64	58	33	38	41	39	42	33	37	4	10
Activity	Net %	-61	-32	-4	-23	-30	-25	-26	-35	-13	-33	-19	14	16

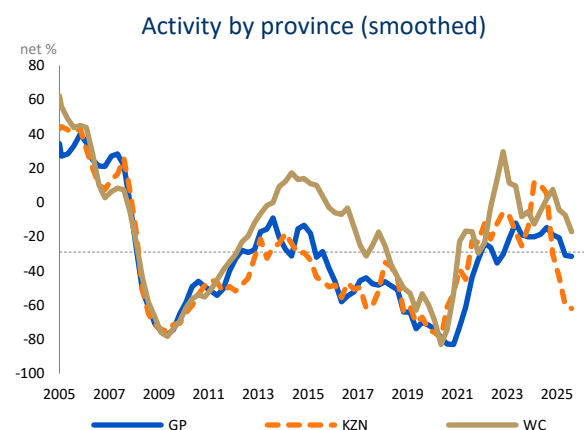
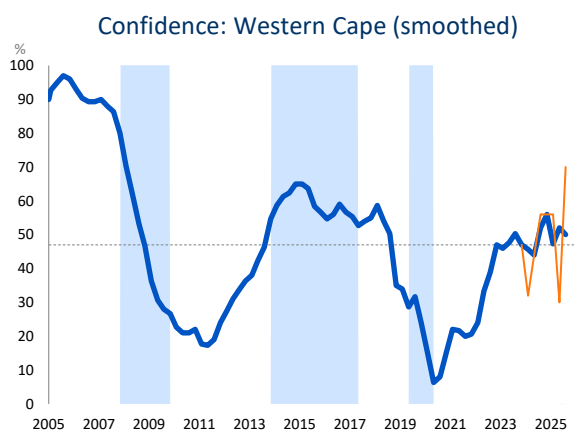
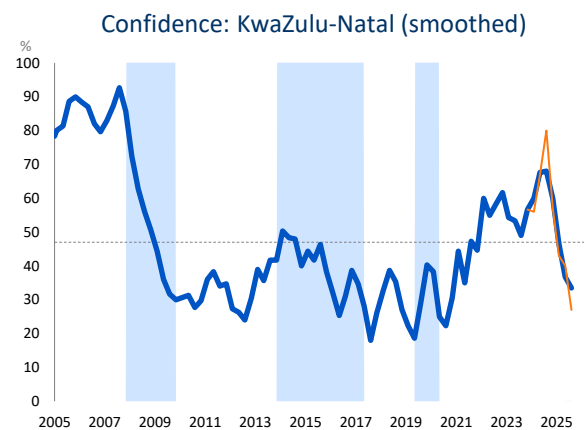
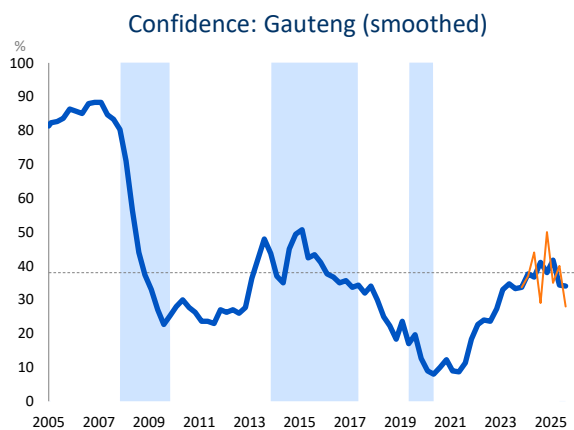


⁸ Sub-contractors cover the building trades, such as electricians, plumbers, painters and shop fitters.

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

BUILDING: PROVINCES

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	Δ	σ_{Δ}
Gauteng														
Confidence	%	15	37	58	32	37	44	29	50	35	40	28	-12	10
Smoothed	%	16	37	58	34	38	37	41	38	42	34	34	0	4
Activity	Net %	-66	-35	-4	-26	-17	-17	-22	-5	-30	-27	-36	-9	17
Smoothed	Net %	-64	-35	-6	-20	-20	-19	-15	-19	-21	-31	-32	-1	8
KwaZulu-Natal														
Confidence	%	24	45	67	57	56	67	80	57	43	40	27	-13	18
Smoothed	%	26	45	64	57	60	68	68	60	47	37	34	-3	7
Activity	Net %	-68	-36	-4	-14	0	50	-20	-14	-57	-60	-64	-4	24
Smoothed	Net %	-64	-36	-7	-14	12	10	5	-30	-44	-60	-62	-2	11
Western Cape														
Confidence	%	23	46	69	61	32	44	56	56	56	30	70	40	11
Smoothed	%	24	46	68	47	46	44	52	56	47	52	50	-2	5
Activity	Net %	-54	-20	13	-17	-16	-5	6	5	12	-30	-4	26	20
Smoothed	Net %	-51	-20	10	-5	-13	-5	2	8	-4	-7	-17	-10	10



μ - average

σ - standard deviation

Δ - change from previous period

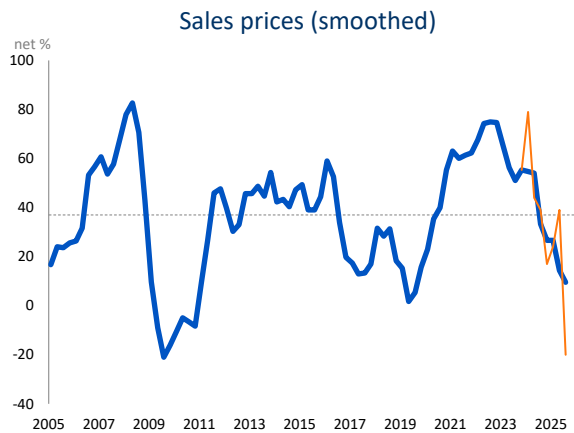
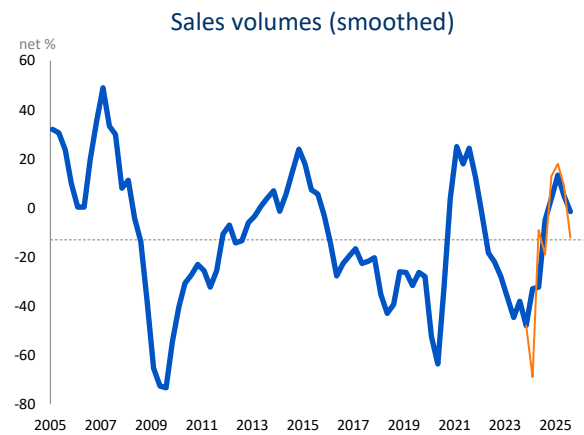
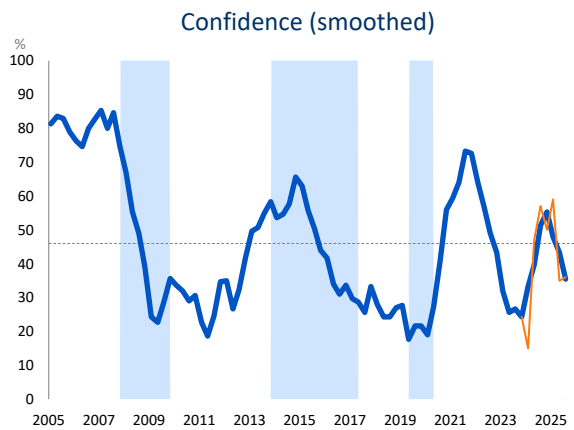
σ_{Δ} - volatility (standard deviation of the changes)

All above calculated over the last 20 years

See technical note for further details

BUILDING MATERIALS RETAIL TRADE⁹

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	Δ	σ_{Δ}
Confidence	%	23	44	66	38	15	47	57	50	59	35	36	1	16
Smoothed	%	26	44	63	24	33	40	51	55	48	43	36	-7	6
Sales volumes	Net %	-44	-14	17	-21	-69	-9	-19	13	18	9	-12	-21	27
Smoothed	Net %	-39	-13	12	-48	-33	-32	-5	4	13	5	-2	-7	12
Sales prices	Net %	9	37	65	41	79	44	39	17	24	39	-20	-59	23
Smoothed	Net %	13	37	61	55	55	54	33	27	27	14	10	-4	10

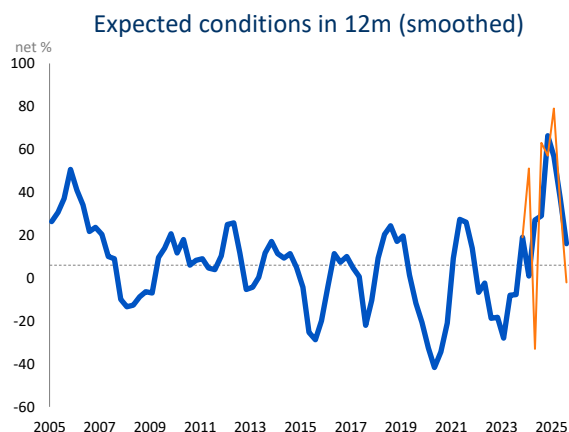
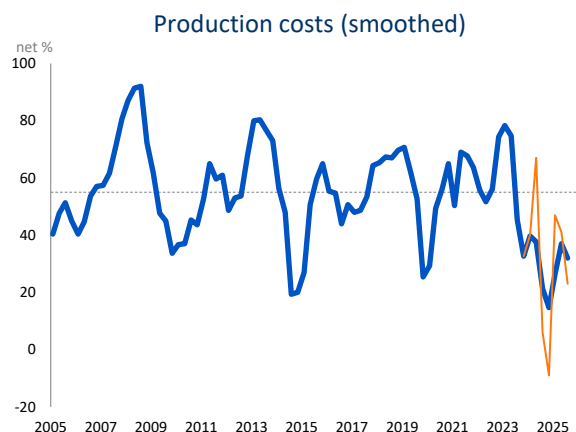
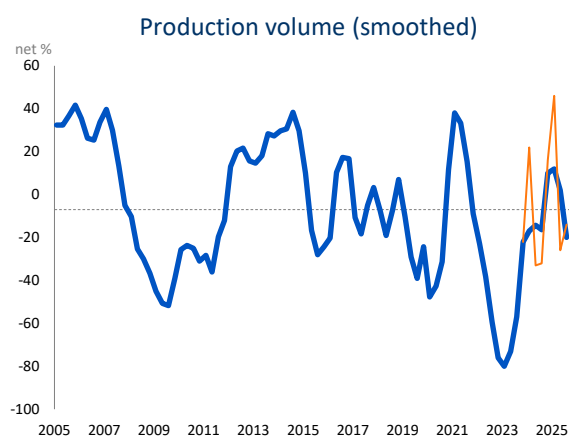
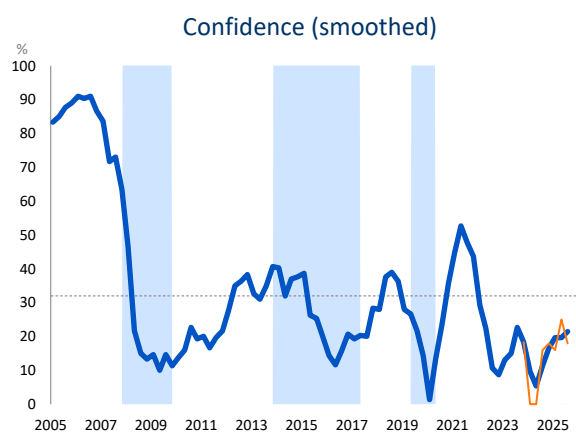


⁹ Hardware, paint, glass and other building material retailers. Developments in the building material retail trade provides additional information on activity related to additions and the informal sector.

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

BUILDING MATERIALS MANUFACTURING¹⁰

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	Δ	σ_{Δ}
Confidence	%	7	31	55	29	0	0	16	18	16	25	18	-7	17
Smoothed	%	9	31	52	18	10	5	11	17	20	20	22	2	7
Production volume	Net %	-45	-8	28	-40	22	-33	-32	16	46	-26	-14	12	33
Smoothed	Net %	-38	-8	22	-22	-17	-14	-16	10	12	2	-20	-22	14
Production costs	Net %	30	54	79	12	40	67	6	-9	47	41	23	-18	29
Smoothed	Net %	37	54	71	33	40	38	21	15	26	37	32	-5	10
Expected conditions in 12m	Net %	-22	6	34	-15	51	-33	63	57	79	34	-2	-36	33
Smoothed	Net %	-14	6	26	19	1	27	29	66	57	37	16	-21	13



¹⁰ Covering glass and non-metallic mineral (i.e. bricks, tiles, cement, prefab concrete, asphalt and mica products) manufacturing.

μ - average

σ - standard deviation

Δ - change from previous period

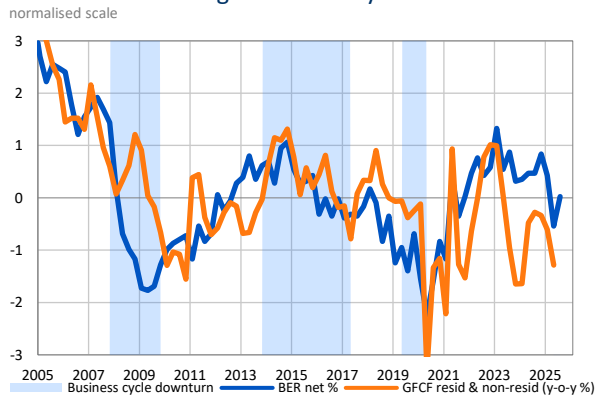
σ_{Δ} - volatility (standard deviation of the changes)

All above calculated over the last 20 years

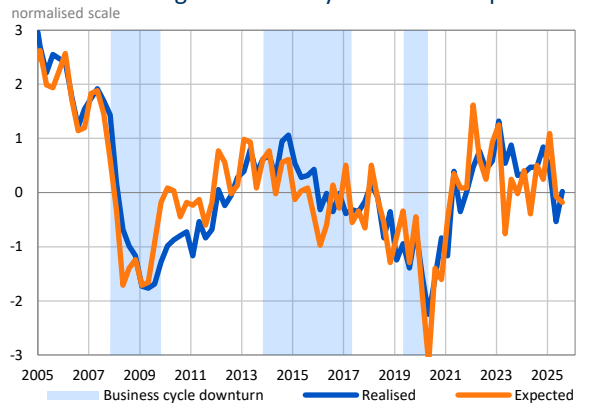
See technical note for further details

SUMMARY

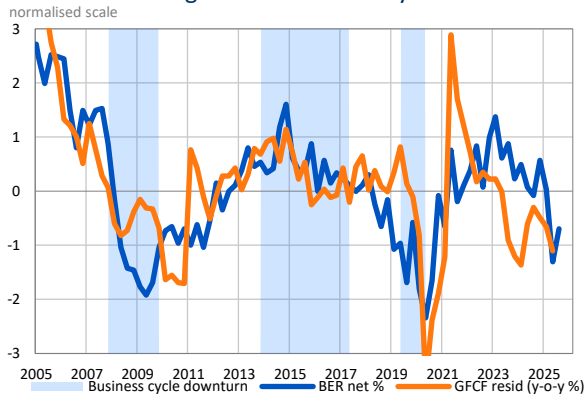
Building: total activity & GFCF



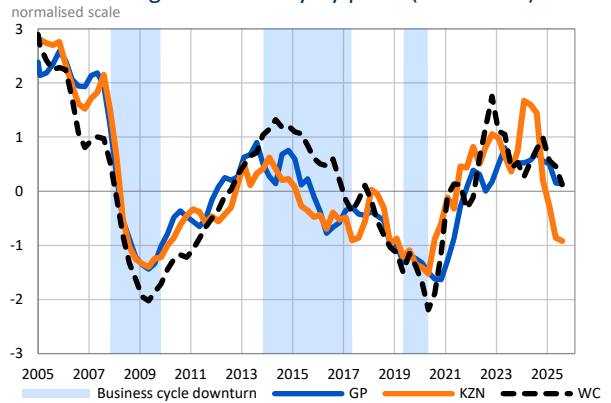
Building: total activity: realised & exp.



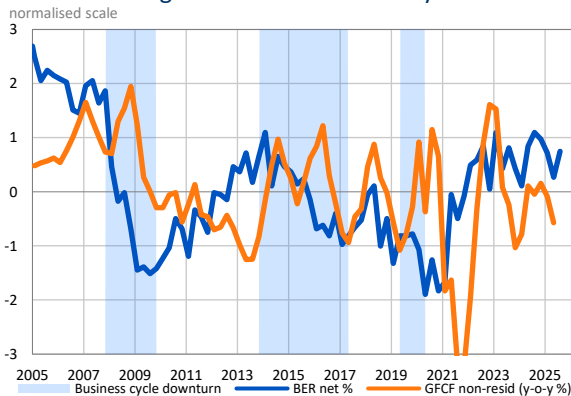
Building: residential activity & GFCF



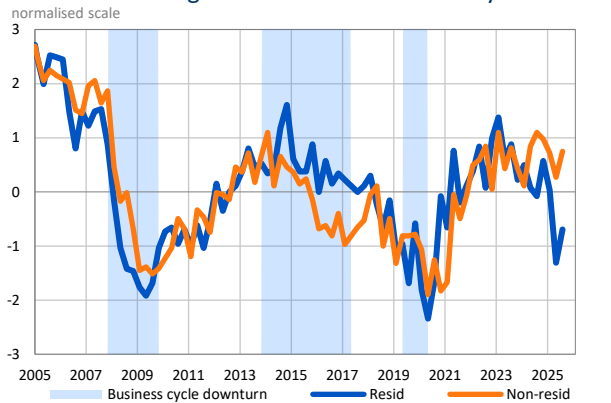
Building: total activity by prov. (smoothed)



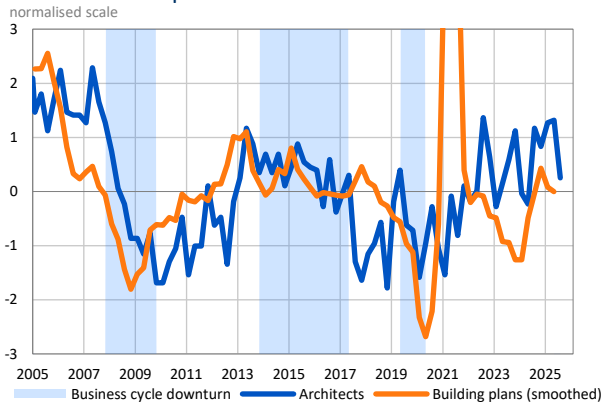
Building: non-residential activity & GFCF



Building: resid. & non-resid. activity



Pipeline: contracts awarded



BUILDING PLANS PASSED AND COMPLETED

Indicator (thousand sqm)	South Africa	Western Cape	Eastern Cape	Northern Cape	Free State	KwaZulu-Natal	North West	Gauteng	Mpumalanga	Limpopo
Recorded building plans passed	25Q2									
Dwelling-houses < 80 square metres	80.5	31.0	9.9	2.3	4.4	2.4	0.6	28.5	1.2	0.3
Dwelling-houses >= 80 square metres	849.5	365.1	45.4	8.2	25.9	87.8	36.4	191.9	60.3	28.5
Flats and townhouses	381.4	171.7	20.2	0.0	3.1	56.4	13.4	109.9	6.0	0.8
Other residential buildings	17.5	4.0	0.0	0.0	2.5	1.7	0.0	6.2	1.5	1.5
Office and banking space	39.1	7.8	2.7	0.1	0.6	5.8	1.0	18.0	2.4	0.8
Shopping space	108.1	45.2	3.7	6.0	2.9	11.9	7.3	13.0	9.8	8.2
Industrial and warehouse space	356.9	107.5	27.7	0.0	1.9	21.9	7.6	152.7	24.7	12.9
Other non-residential buildings	98.9	61.0	2.9	0.0	0.6	17.7	1.3	4.9	0.0	10.5
Additions and alterations: Dwelling-houses	591.1	249.8	45.8	5.3	17.9	75.5	15.1	140.1	34.7	7.1
Additions and alterations: Other buildings	233.3	83.2	28.7	4.3	3.7	32.1	13.9	54.2	10.8	2.3
Total	2756	1126	187	26	63	313	96	719	151	73
y-o-y % change	-5.6	26.7	7.9	-32.6	-4.5	-13.2	-41.1	-20.9	-37.2	-2.7
Buildings reported as completed	25Q2									
Dwelling-houses < 80 square metres	51.5	8.5	2.8	0.1	0.1	2.5	2.7	34.0	0.4	0.3
Dwelling-houses >= 80 square metres	428.4	155.5	24.6	0.8	1.0	56.2	36.4	124.9	9.8	19.2
Flats and townhouses	329.7	145.5	2.6	0.0	0.7	30.6	5.5	138.3	0.6	5.8
Other residential buildings	20.0	16.1	1.2	0.0	0.0	0.0	0.2	2.5	0.0	0.0
Office and banking space	46.7	4.2	1.3	0.0	0.0	9.9	2.1	28.3	0.0	1.0
Shopping space	93.9	1.0	0.2	0.0	0.0	23.0	39.5	25.7	0.9	3.6
Industrial and warehouse space	186.2	84.4	0.5	0.3	0.0	1.5	0.7	98.0	0.0	0.9
Other non-residential buildings	29.3	12.8	3.6	0.1	0.0	4.0	2.2	6.6	0.0	0.0
Additions and alterations: Dwelling-houses	140.6	43.2	24.0	2.9	0.4	23.4	14.7	29.3	2.2	0.5
Additions and alterations: Other buildings	106.7	38.2	14.3	0.5	0.0	10.9	5.4	37.1	0.1	0.2
Total	1433	509	75	5	2	162	110	525	14	31
y-o-y % change	-0.9	13.7	11.6	-60.6	-68.9	-12.3	53.8	-10.5	-62.2	-3.2

Source: Statistics South Africa

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 activity, employment etc. (for which official figures are published), but also provide unique information, such as business confidence, tendering prices, business conditions, constraint indicators 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 building activity 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. The BER also took responsibility for a quantitative building cost survey in that year. The breadth of the building survey was expanded on two occasions: 1) architects and quantity surveyors were added in 1986 in order to track developments along the whole building pipeline (i.e. from the initiation to the completion of projects) and 2) civil engineering contractors were added in 1997.

Consult the BER web page (www.ber.ac.za) for more information about the business tendency and building cost survey methods.

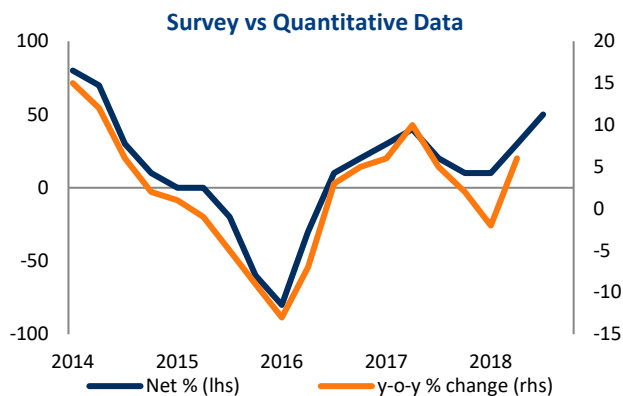
THE UNIQUE UNITS OF MEASUREMENT OF QUALITATIVE SURVEYS

Net percentage (net %)

The responses related to the change in activity, 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 building activity 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 activity. The net percentage is calculated as the percentage of respondents rating “activity” 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 activity 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 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

Three-quarter centred moving average (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: σ_Δ)

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.