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Other services

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

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Stellenbosch UNIVERSITY IYUNIVESITHI UNIVERSITEIT

EDITOR:

Katrien Smuts

ksmuts@sun.ac.za
+27 (72) 408 1213

TECHNICAL ASSISTANCE:

Nicolaas van der Wath

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

Executive summary

Despite a slight dip in business confidence, which fell by one point to 57 in Q4, sentiment within the Other Services sector remains relatively positive**.** Current confidence levels are still above the long-term average. Furthermore, confidence in other services for the entire 2024 is 8 points higher than in 2023. In Q4, total business volumes improved, while business conditions remained stable, both staying above their long-term averages.

Looking at various subsectors helps clarify the apparent disconnect between overall confidence and business volumes. Confidence rose in the transport and real estate subsectors, while it fell in hotels, restaurants, and business services. Nevertheless, confidence remains above the long-term average in three of the four subsectors, with hotels and restaurants being the exception this quarter.

In hotels and restaurants, confidence dropped below its long-term average in Q4, despite an increase in business volumes. Business conditions mirrored the dip in confidence, declining to a level close to the long-term average. Weaker business conditions may be attributed to issues with air traffic, which led to flight disruptions and a slight decrease in tourist arrivals in September and October compared to the previous year. While the hospitality subsector is still doing relatively well, its growth is slowing relative to the strong recovery post-pandemic.

Conversely, the transport subsector demonstrated a turnaround, with an increase in confidence during the fourth quarter. This aligns with rising transport volumes and improved business conditions, possibly driven by expectations of more deliveries during the festive season and increased Black Friday orders.

Confidence in the real estate subsector saw a significant rise. Although business volumes decreased slightly, they remain historically high. Unlike the overall results, expectations for business volumes and conditions in the real estate subsector improved further, with respondents expressing optimism about an upswing.

Confidence in business services has decreased from its previous high level last quarter, but it remains elevated historically. In line with this drop in confidence, both business volumes and conditions declined in Q4, though they remain relatively high compared to historical standards. Financial concerns increased significantly this quarter and respondents indicated that although they are performing well, their growth is being hindered by high interest rates.

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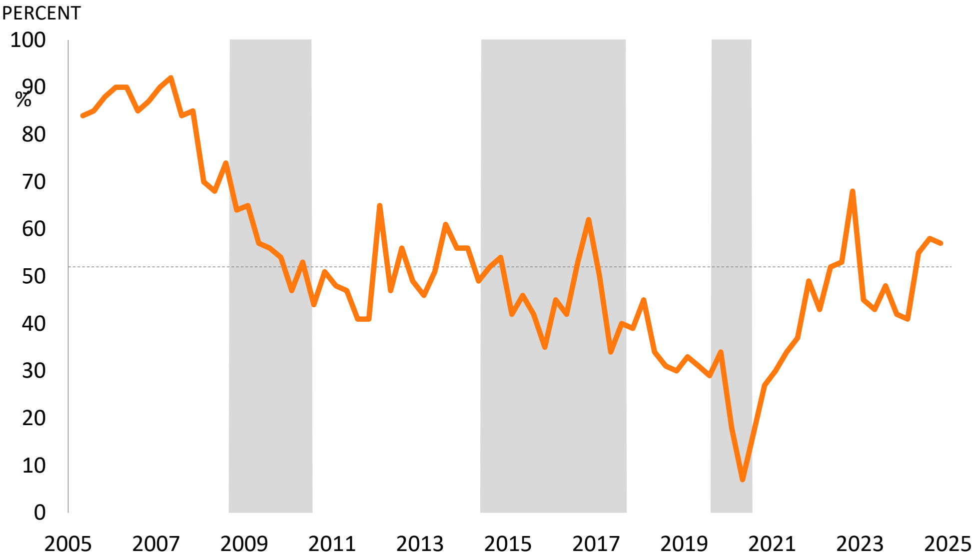
Introduction

Business confidence in the Other Services[1] sector dropped by one point to 58 in the fourth quarter. This is despite a slight uptick in the total business volumes indicator, from negative seven last quarter to positive three this quarter. Indeed, confidence remained above the long-term average. Overall business conditions also moved more or less sideways, improving by one point, to minus one. This remains above the long-term average.

Figure 1: Business confidence remains above long-term average



Source: BER, SARB (downward phases of the business cycle are shaded)

Despite higher volumes and an increase in selling prices and fees, profitability dipped compared to last quarter. Respondents report profitability at -23, 11 net lower than the previous quarter. This could have weighed on confidence.

Looking ahead, the general decline in the expectation variables is concerning. While the previous quarter saw an increase in all expectation variables, this quarter has shown a decline in expected business conditions, expected business volumes, employment, and profitability. This points to some apprehension about the start of the next year. However, there appears to be a pattern where expectation parameters are consistently lower in the fourth quarter compared to the third quarter, which suggests a turnaround is possible later in the year.

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

Insufficient demand and financial constraints remain serious obstacles for businesses in this sector. After a slight decrease last quarter, the number of respondents citing insufficient demand as a significant constraint rose once more, increasing from 63% to 67%. The financial constraint index increased from 41% to 48% after being somewhat lower last quarter.

Details

Turning to the subsectors, confidence increased in transport and real estate while decreasing in hotels and restaurants and business services. Nevertheless, confidence remains above the long-term average in three of the four subsectors, with hotels and restaurants being the exception this quarter.

HOTELS AND RESTAURANTS' CONFIDENCE DIPS BELOW LONG-TERM AVERAGE

Confidence in hotels and restaurants, otherwise known as the hospitality subsector, was down by ten points, from 56 to 46. It was last at 46 in 2022, but then it was on an upward trend following a sharp drop in the pandemic, and now confidence in this subsector is trending downward. At 46, confidence is just below the long-term average of 50.

Although the volume index increased by six points, it stayed below the long-term average. Furthermore, realised business conditions have deteriorated from a value of one to minus six.

Various factors have adversely affected business conditions, particularly air traffic issues in South Africa. A slow intake of air traffic controller trainees during the pandemic and loss of experienced controllers has led to a significant skills shortage. This crisis culminated in widespread flight disruptions in recent months, with one airline reporting over 3 800 delays between July and October[2]. However, the Air Traffic & Navigation Services (ATNS) has developed a detailed recovery plan, which is expected to resolve the issue by next year[3]. Although we do not survey the airlines directly, these disruptions may create challenges for the hospitality subsector.

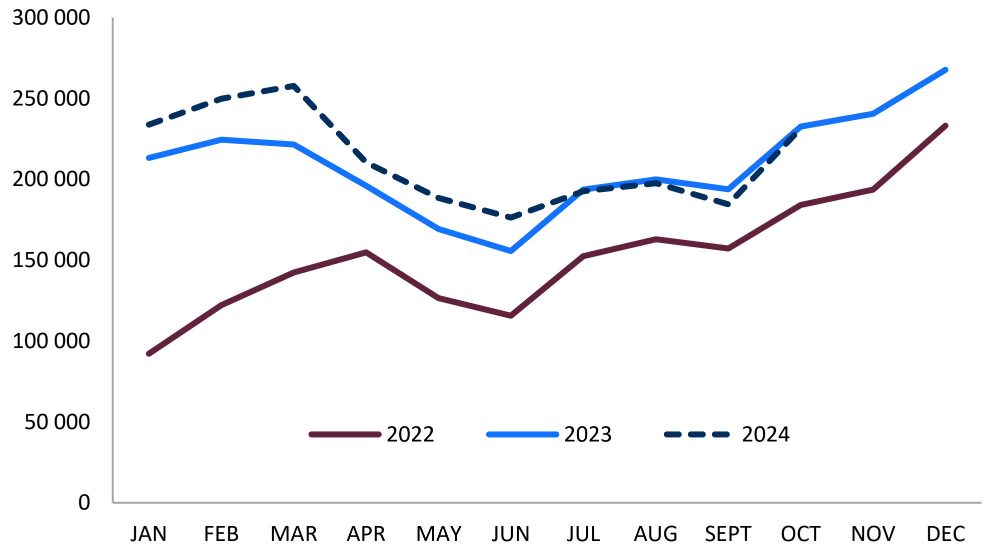
While overall arrivals in 2024 are anticipated to exceed those of 2023, there has been a slight year-on-year decline in arrivals during September and October (see Figure 2). The hospitality subsector is, therefore, still relatively strong, but it is experiencing a deceleration compared to its post-pandemic growth. Insufficient demand continues to be a significant constraint to business, as identified by 70% of respondents who regard it as a serious issue.

[2] https://www.businesslive.co.za/bt/opinion/2024-11-03-chris-barron-mayday-call-for-sa-aviation-industry/

[3] https://www.businesslive.co.za/bt/opinion/2024-11-10-mphilo-k-dlamini-air-traffic-challenges-yes-but-no-mayday-crisis/

Figure 2: Total overseas arrivals in South Africa by air, by month for 2022, 2023 and 2024

NUMBER OF VISITORS PER MONTH



Source: Stats SA

TRANSPORT EXPERIENCES NOTABLE TURNAROUND IN VOLUMES

The transport and storage subsector experienced a notable turnaround. Confidence increased by a significant[4] 10 points, reaching a level of 49, which is above the long-term average. This uptick is in line with the trend in transport volumes, which rose by a statistically significant 55 points to 6, well above the long-term average.

A still underperforming Transnet is contributing to the volume increases in this subsector. Additionally, expectations of increased deliveries during the festive season and Black Friday orders – at least at the time of the survey[5] – further bolstered volumes and confidence. Lower fuel costs also contributed to easing operational costs in transport.

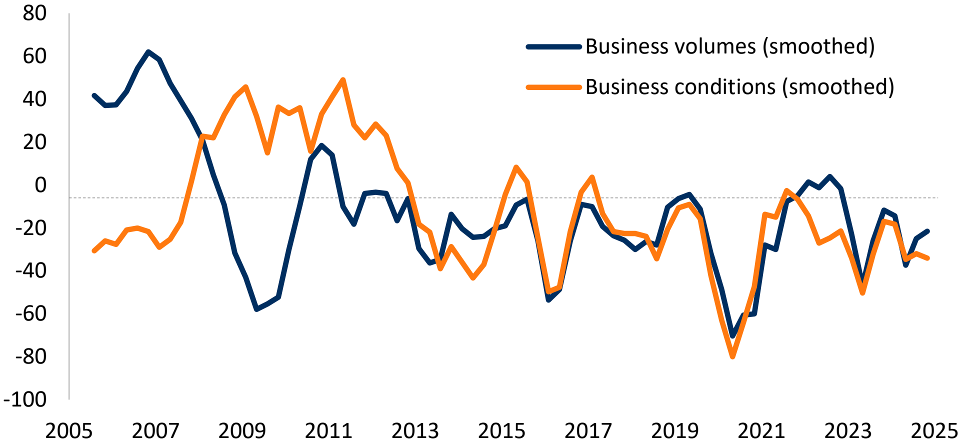
Business conditions improved alongside confidence, rising by 23 points to -21. While this marks a recovery, -21 remains very low from a historical perspective. Due to weak performance in previous quarters, the smoothed business conditions have declined, as illustrated in Figure 3.

The expectation indicators across all underlying conditions were especially negative in the transport subsector. Expected business volumes, business conditions, employment, profitability, and prices were lower compared to 2024Q3. Fortunately, however, the transport subsector has a very low correlation between expectations and realisations, which implies that the expectations rarely translate into reality.

[4]One way to determine whether a change is significant or not is to calculate the standard deviation of a long-term time series. If a change's size (regardless of whether it is an increase or decline) is greater than the standard deviation, then it displays a statistically significant variation. See the technical note at the back for more information on the descriptive statistics.

[5] The survey was conducted from 24 October to 11 November.

Figure 3: Transport smooth business volumes and business conditions
NET %, HORIZONTAL LINE AT ZERO



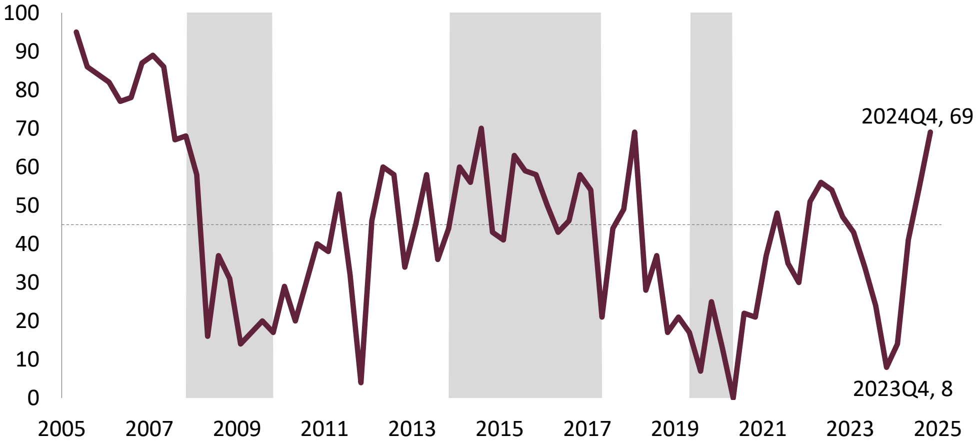
Source: BER

REAL ESTATE CONFIDENCE CONTINUES TO INCREASE

There was another meaningful increase of 14 in confidence in the real estate subsector—see

Figure 4**.** In fact, confidence has been ticking up every quarter this year, now sitting at 69, whereas it was only at 8 a year ago. However, business volumes dropped slightly by two net percentage points, but they remain high in a historical context. This result is consistent with returns in the South Africa Listed Property Index, which has increased by more than 22 percent[6] year to date. The South Africa Listed Property Index includes investment in commercial, residential, and industrial properties.

Figure 4: Real estate confidence notable improvement
PERCENT



Source: BER

Unlike the overall results, expectations for business volumes and conditions in the real estate subsector have improved compared to the third quarter. Respondents are optimistic that there is a turnaround on the horizon. However, there are concerns that fewer rate cuts than anticipated may hinder the recovery in this subsector. So far, the South African Reserve Bank

[6] Refinitiv

(SARB) has implemented two rate cuts of 25 basis points each, which should help support volumes in this subsector

BUSINESS SERVICES CONFIDENCE REMAINS HIGH IN A HISTORICAL CONTEXT

Confidence in business services decreased from a very high level of 70 last quarter to 64 this quarter. While this represents a decline, a score of 64 is still considered high, especially when viewed in a historical context. In line with this drop in confidence, business volumes and conditions declined in Q4, although they remain relatively high compared to historical averages.

The business services subsector consistently faces various constraints, and concerns regarding finances have notably increased by 19 points to 56 this quarter. While respondents generally appear to be doing well, the high interest rate environment is hindering their growth. This may help explain why profitability in this subsector has become a particular issue. This sector's profitability has dipped below the long-term average despite relatively high volumes and significantly increased asking prices. Although it is challenging to pinpoint the exact cause of the weak profitability, we suspect that input costs—likely wages—have risen faster than asking prices, making operations less profitable. Additionally, the shortage of skilled labour continues to be a significant constraint for 58 per cent of respondents.

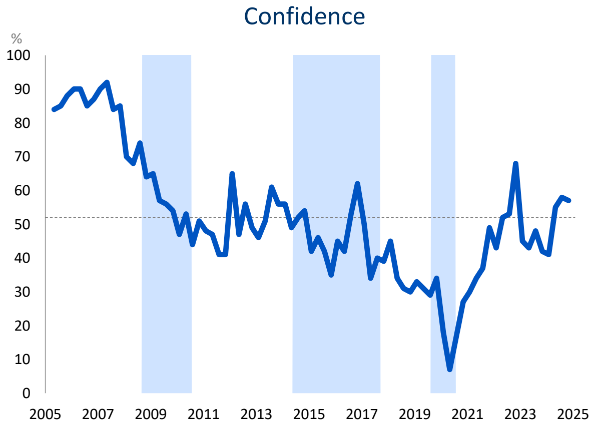
FINAL REMARKS

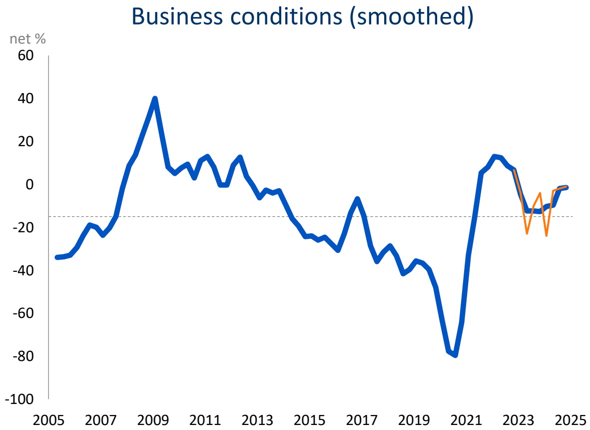
Overall, the Other Services sector remains robust. Business confidence and business conditions have held steady, while business volumes have seen a modest uptick relative to 2023. To put this in perspective, the Other Services Confidence and the RMB/BER Business Confidence Index (BCI) are both faring much better than last year. The BCI rose to 45 index points in the fourth quarter of 2024. This was the third consecutive increase, which now puts the index almost 20 points above a recent low of 27 reached in the second quarter of 2023. The economy has benefitted from no load-shedding, political stability under the Government of National Unity (GNU), a relatively stronger rand, lower international oil prices, and two repo rate cuts since September. Going forward, a lot still hinges on expectations of even lower interest rates and continued governmental stability.

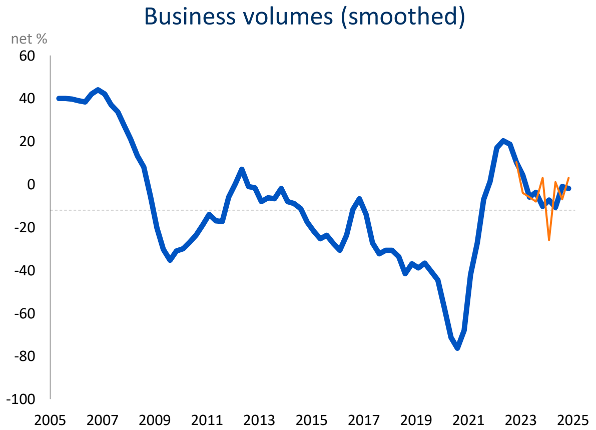
Survey results

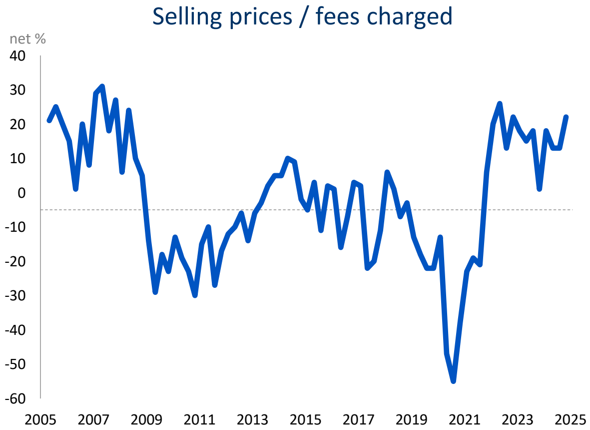
OTHER SERVICES: TOTAL[7]

Indicator	Unit	μ-σ	μ	μ+σ	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	Δ	σ Δ
Confidence	%	33	52	71	45	43	48	42	41	55	58	**57**	-1	8
Business conditions	Net %	-39	-13	12	-4	-23	-10	-4	-24	-3	-2	**-1**	1	17
Smoothed	Net %	-37	-14	10	9	7	-5	-12	-12	-13	-10	**-10**	0	9
Business volumes	Net %	-39	-10	19	-4	-6	-8	3	-26	1	-7	**3**	10	16
Smoothed	Net %	-38	-10	18	19	10	4	-6	-4	-10	-7	**-11**	-4	9
Selling prices / fees charged	Net %	-21	-2	16	18	15	18	1	18	13	13	**22**	9	12









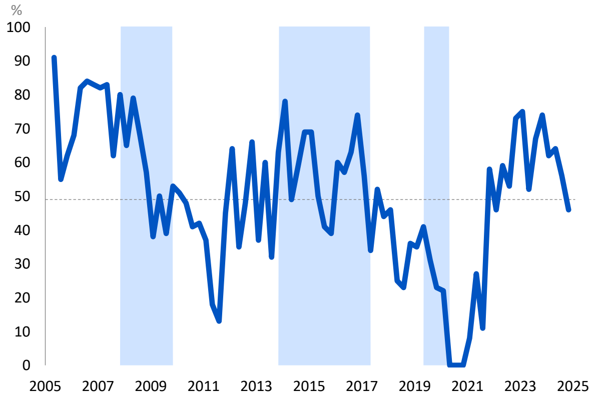
[7] The "other services: total" includes hotels & restaurants (15%), transport & storage (22%), real estate (18%) and business services (45%). The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the sub-sector's share according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

μ – average
σ – standard deviation
Δ – change from previous period
$σ_Δ$ – volatility (standard deviation of the changes)
All of the above calculated over 2005 to the present
See Technical note for further details

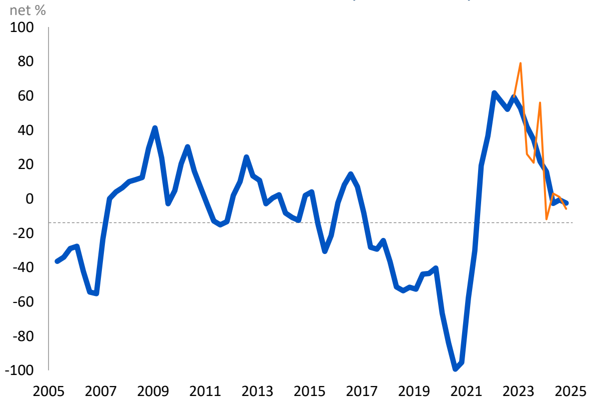
HOTELS & RESTAURANTS[8]

Indicator	Unit	μ-σ	μ	μ+σ	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	Δ	σ Δ
Confidence	%	29	50	72	75	52	67	74	62	64	56	**46**	-10	16
Business conditions	Net %	-48	-8	33	79	26	21	56	-12	3	1	**-6**	-7	32
Smoothed	Net %	-43	-8	27	52	59	53	42	34	22	16	**-3**	-19	15
Business volumes	Net %	-54	-9	36	80	18	36	49	-8	11	-20	**-14**	6	32
Smoothed	Net %	-49	-9	32	54	61	51	45	34	26	17	**-6**	-23	15
Selling prices / fees charged	Net %	-23	13	50	85	62	36	41	13	9	12	**18**	6	30
Smoothed	Net %	-19	13	45	41	54	66	61	46	30	21	**11**	-10	13

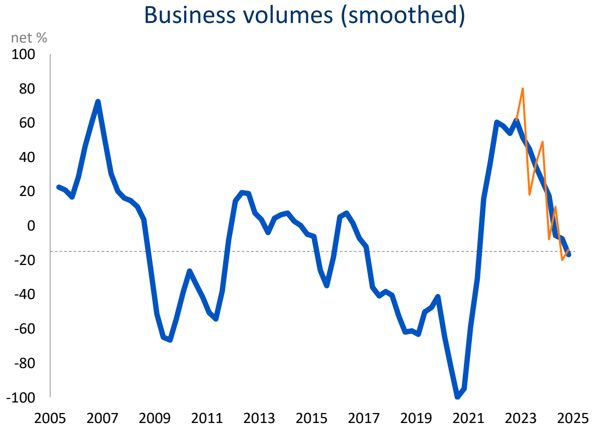
Confidence



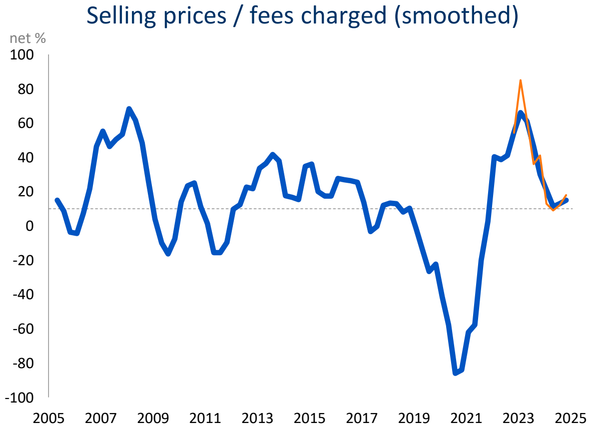
Business conditions (smoothed)



Business volumes (smoothed)



Selling prices / fees charged (smoothed)



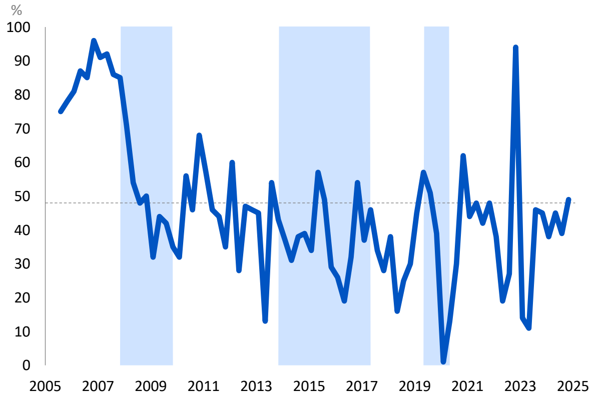
[8] Hotels & other accommodation (SIC code 641) (74%), restaurants and other food outlets (642) (26%). The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the sub-sector's share according to Stats SA's business censuses.

μ – average
σ – standard deviation
Δ – change from previous period
σ$_Δ$ – volatility (standard deviation of the changes)
All of the above calculated over 2005 to the present
See Technical note for further details

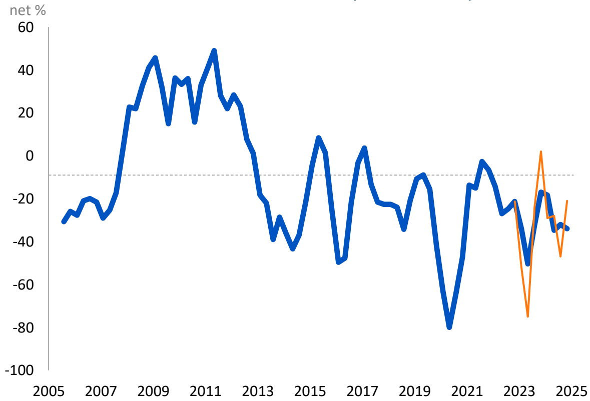
TRANSPORT & STORAGE[9]

Indicator	Unit	μ-σ	μ	μ+σ	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	Δ	σ Δ
Confidence	%	25	47	68	14	11	46	45	38	45	39	**49**	10	19
Business conditions	Net %	-48	-12	24	-52	-75	-24	2	-29	-28	-47	**-21**	26	36
Smoothed	Net %	-40	-11	17	-25	-21	-34	-50	-32	-17	-18	**-35**	-17	14
Business volumes	Net %	-48	-12	25	-43	-74	-24	20	-31	-32	-49	**6**	55	34
Smoothed	Net %	-42	-12	17	4	-2	-23	-47	-26	-12	-14	**-37**	-23	14
Selling prices / fees charged	Net %	-13	7	27	33	-11	28	30	40	28	-6	**27**	33	19
Smoothed	Net %	-10	7	23	35	39	27	17	16	33	33	**21**	-12	8

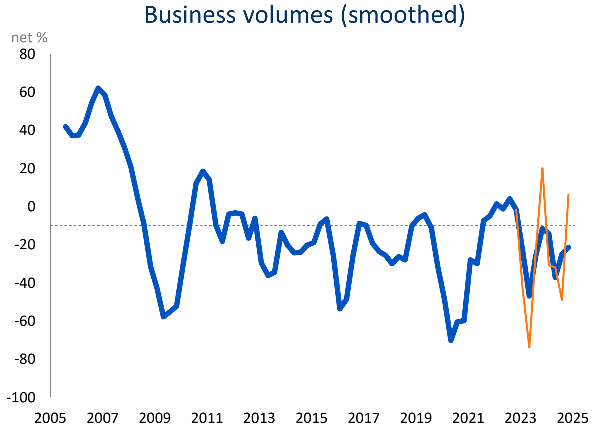
Confidence



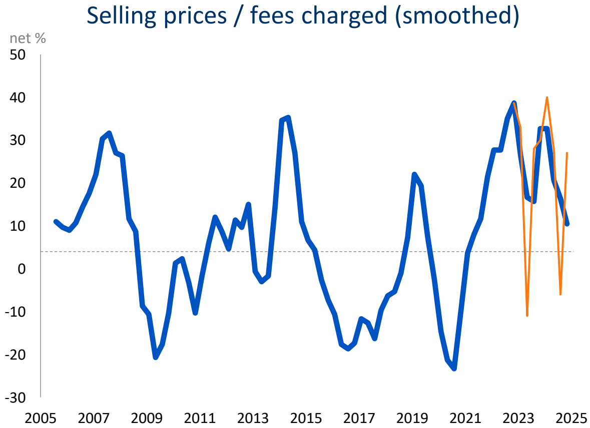
Business conditions (smoothed)



Business volumes (smoothed)



Selling prices / fees charged (smoothed)



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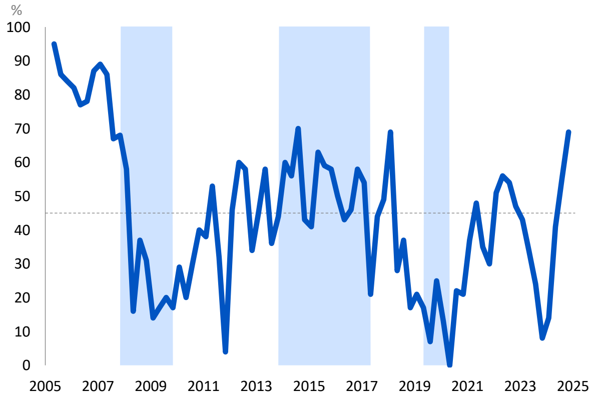
[9] 1) Land transport (39%): road freight (SIC code 7123)
2) Supporting transport & travel agencies (61%): cargo handling (7411), travel agencies & tour operators (7414), other (e.g., freight forwarding) (7419)
The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the sub-sector's share according to Stats SA's business censuses.

μ – average
σ – standard deviation
Δ – change from previous period
σ_Δ – volatility (standard deviation of the changes)
All of the above calculated over 2005 to the present
See Technical note for further details

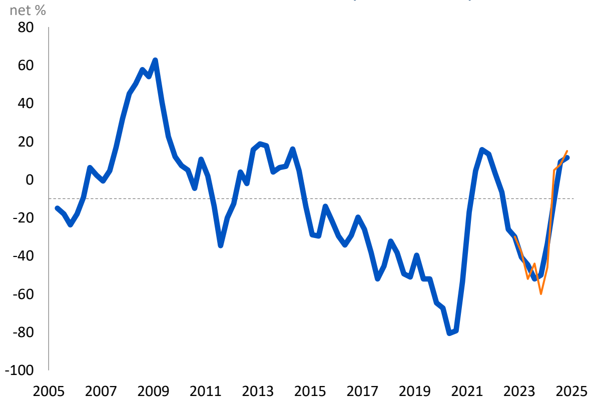
REAL ESTATE[10]

Indicator	Unit	μ-σ	μ	μ+σ	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	Δ	σ Δ
Confidence	%	21	44	67	43	34	24	8	14	41	55	**69**	14	16
Business conditions	Net %	-48	-12	24	-38	-52	-44	-60	-46	5	8	**15**	7	29
Smoothed	Net %	-44	-13	19	-26	-30	-41	-45	-52	-50	-34	**-11**	23	12
Business volumes	Net %	-55	-26	4	-28	-22	-52	-51	-75	-7	11	**9**	-2	29
Smoothed	Net %	-50	-27	-3	-6	-18	-21	-34	-42	-59	-44	**-24**	20	11
Selling prices / fees charged	Net %	-42	-11	20	-20	9	2	-45	-7	16	20	**15**	-5	26
Smoothed	Net %	-38	-12	15	6	-9	-10	-3	-11	-17	-12	**10**	22	14

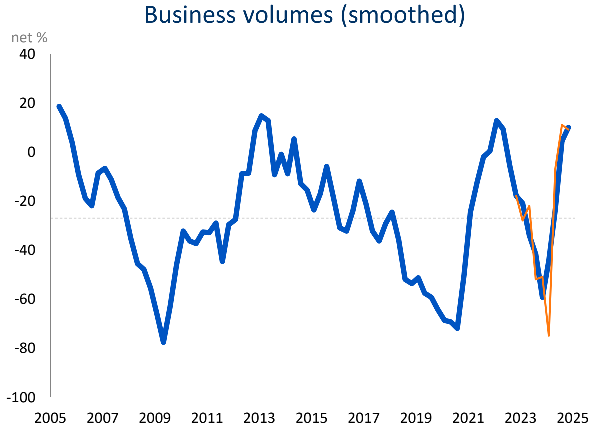
Confidence



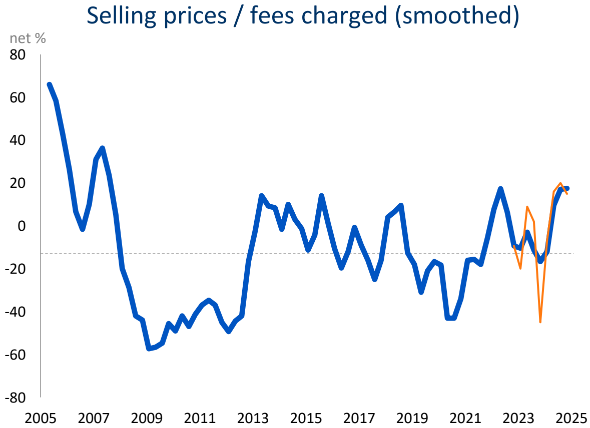
Business conditions (smoothed)



Business volumes (smoothed)



Selling prices / fees charged (smoothed)



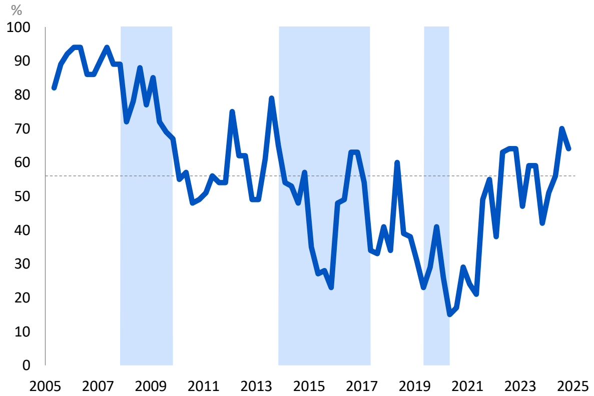
[10] Estate agents (auctioneering and sale of property) (SIC code 841) (35%) and property management (841) (65%). The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the sub-sector's share according to Stats SA's business censuses.

μ – average
σ – standard deviation
Δ – change from previous period
σ_Δ – volatility (standard deviation of the changes)
All of the above calculated over 2005 to the present
See Technical note for further details

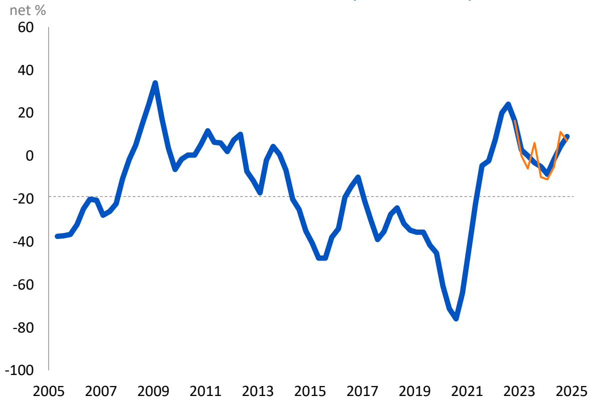
BUSINESS SERVICES[11]

Indicator	Unit	μ-σ	μ	μ+σ	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	Δ	σ Δ
Confidence	%	35	56	77	47	59	59	42	51	56	70	**64**	-6	11
Business conditions	Net %	-41	-15	11	0	-6	6	-10	-11	-5	11	**7**	-4	18
Smoothed	Net %	-39	-16	7	24	16	3	0	-3	-5	-9	**-2**	7	10
Business volumes	Net %	-37	-5	26	-9	21	11	0	6	12	15	**13**	-2	16
Smoothed	Net %	-36	-6	24	22	8	8	8	11	6	6	**11**	5	9
Selling prices / fees charged	Net %	-30	-9	11	3	5	12	-6	29	6	19	**28**	9	16
Smoothed	Net %	-28	-10	7	11	7	9	7	4	12	10	**18**	8	6

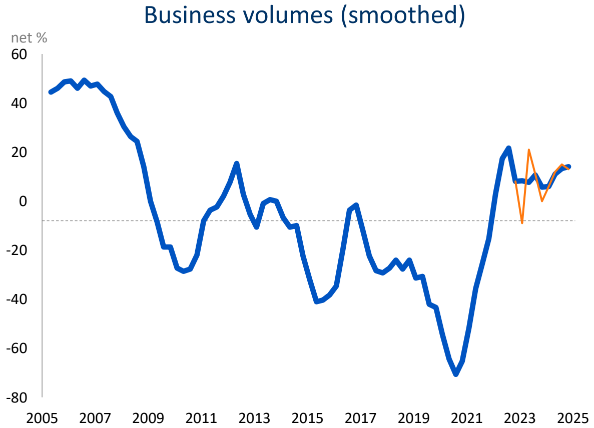
Confidence



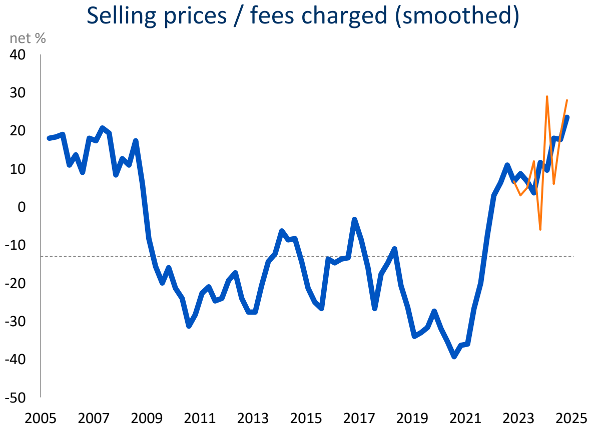
Business conditions (smoothed)



Business volumes (smoothed)



Selling prices / fees charged (smoothed)



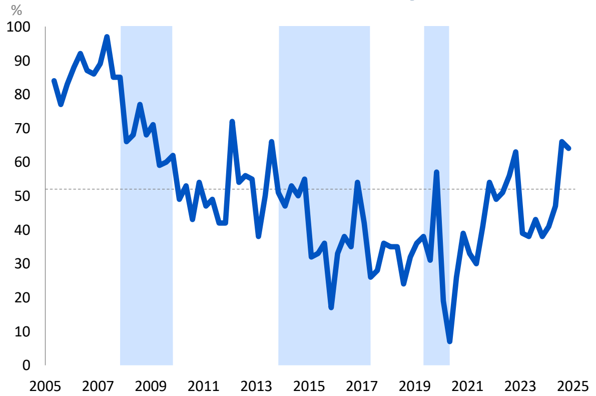
[11] 1) Renting of machinery & equipment (8%): transport equipment (SIC code 851), other machinery & equipment (852).
2) Computer services (19%): hardware consultancy (861), software consultancy (862).
3) Legal services, accounting & other (30%): legal services, accounting, bookkeeping, auditing & tax consulting (8811-2), business & management consulting (8814).
4) Consulting engineering activities (88211) (23%)
5) Advertising (883) (3%)
6) Other (16%): building & industrial plant cleaning activities (8893), other (8899) e.g., debt collection, interior design, exhibitions.
The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the sub-sector's share according to Stats SA's business censuses.

μ – average
σ – standard deviation
Δ – change from previous period
$σ_Δ$ – volatility (standard deviation of the changes)
All of the above calculated over 2005 to the present
See Technical note for further details

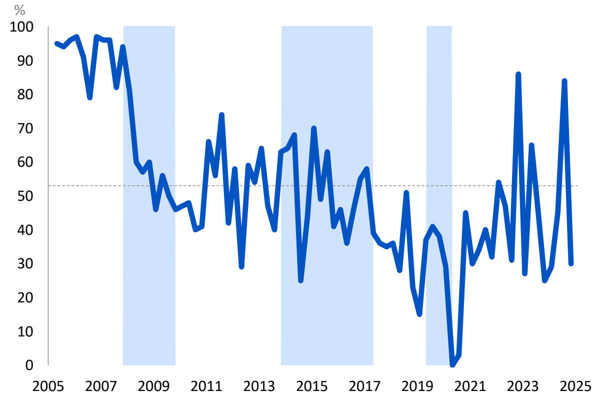
PROVINCES

Indicator	Unit	μ-σ	μ	μ+σ	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	Δ	σ Δ
Gauteng														
Confidence	%	32	51	71	39	38	43	38	41	47	66	**64**	-2	12
Business volumes	Net %	-43	-12	19	-16	-16	-22	2	-31	1	-7	**4**	11	20
Smoothed	Net %	-41	-12	17	13	5	-7	-18	-12	-17	-9	**-12**	-3	9
KwaZulu-Natal														
Confidence	%	29	52	75	27	65	46	25	29	45	84	**30**	-54	20
Business volumes	Net %	-44	-9	27	-17	-1	5	9	9	-41	25	**-31**	-56	39
Smoothed	Net %	-41	-12	17	13	5	-7	-18	-12	-17	-9	**-12**	-3	9
Western Cape														
Confidence	%	32	53	75	56	48	56	55	37	64	47	**69**	22	15
Business volumes	Net %	-38	-4	30	14	18	2	14	-24	6	-19	**17**	36	21

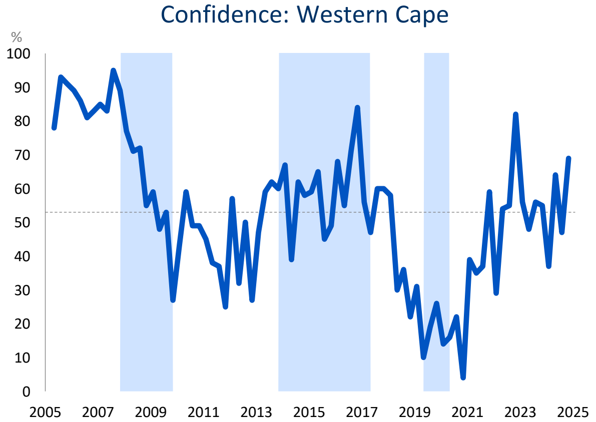
Confidence: Gauteng



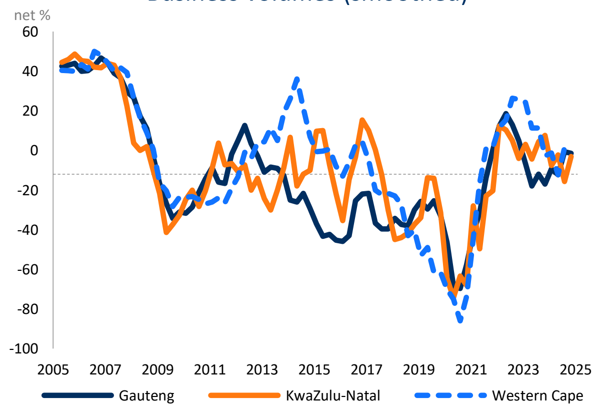
Confidence: KwaZulu-Natal



Confidence: Western Cape



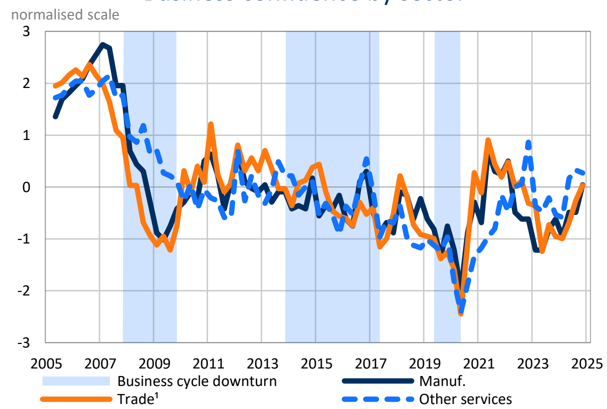
Business volumes (smoothed)



μ – average
σ – standard deviation
Δ – change from previous period
σ_Δ – volatility (standard deviation of the changes)
All of the above calculated over 2005 to the present
See Technical note for further details

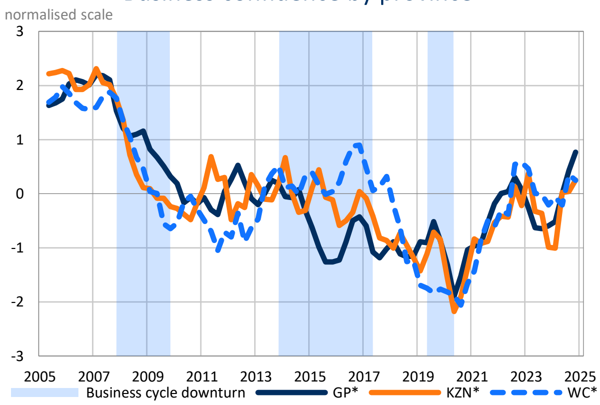
SUMMARY

Business confidence by sector

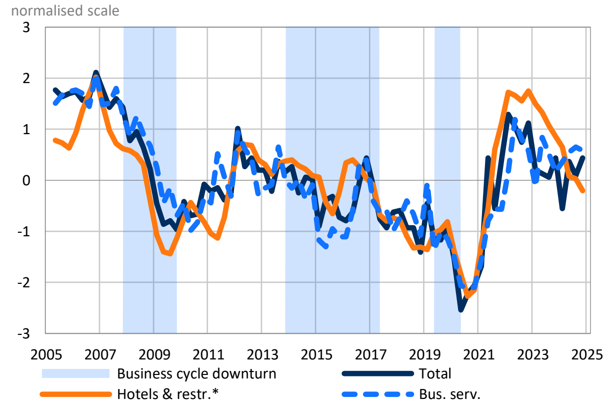


[1] *Trade = average of retail, wholesale & motor trade*

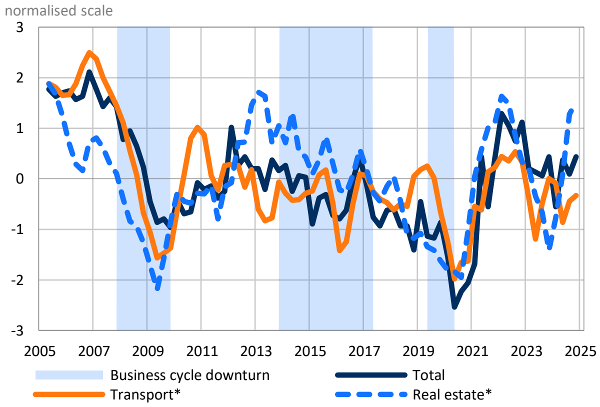
Business confidence by province



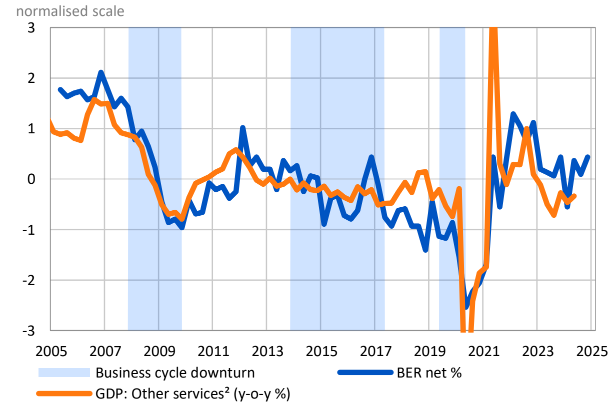
Business volumes



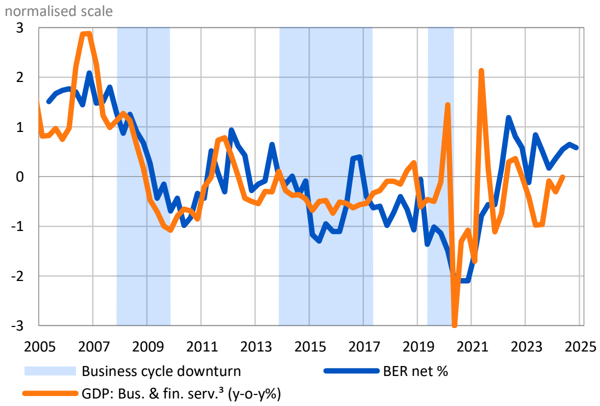
Business volumes



Total other services: volumes



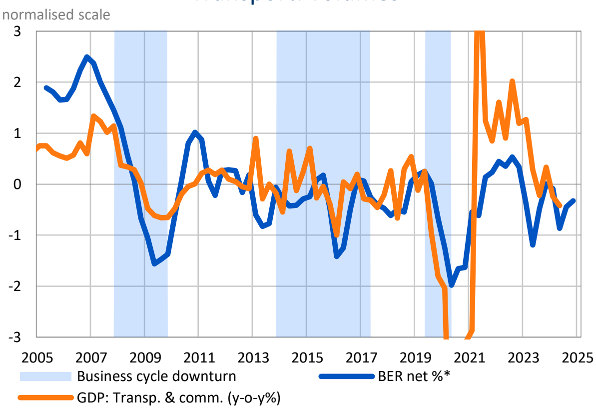
Business services: volumes



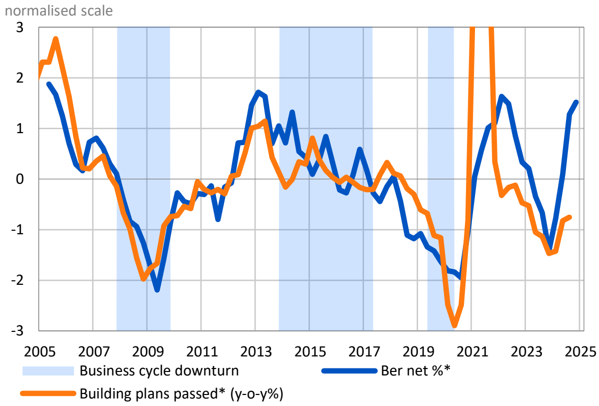
* *three-quarter centred moving average*

SUMMARY CONTINUES

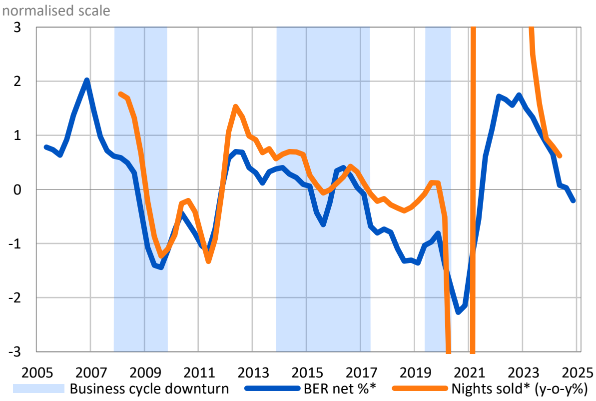
Transport: volumes



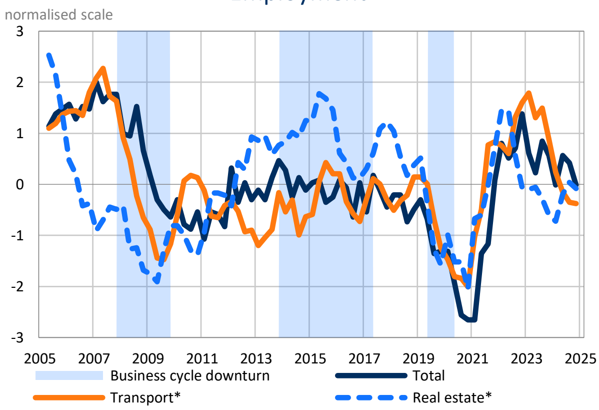
Real estate: volumes



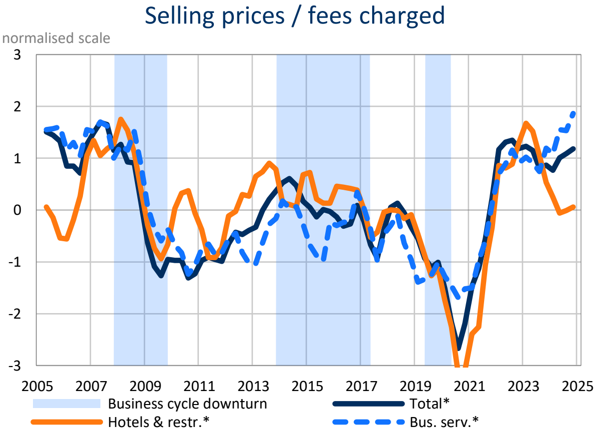
Hotels & restaurants: volumes



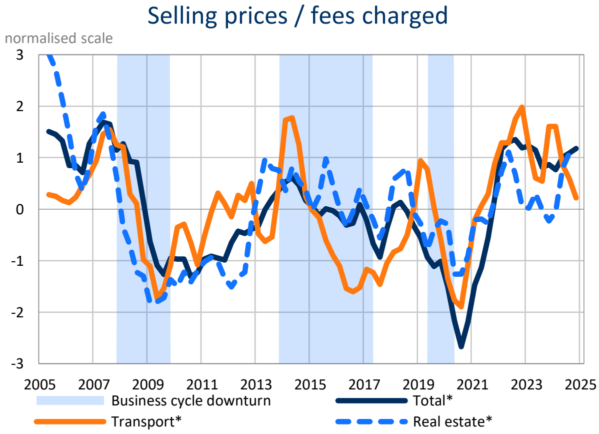
Employment



Selling prices / fees charged



Selling prices / fees charged



* *three-quarter centred moving average*

Technical note

THE OTHER SERVICES SURVEY METHOD

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

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

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

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

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

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

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

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

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

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

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

Employment covers the formal and informal sector.

Data source: Quantec, author's own calculations

BCI = RMB/BER business confidence index

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

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

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

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

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

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

Stats SA sources:

Accommodation: Report 64-11-01, 2015 & 2018
Restaurants: Report 64-20-01, 2015 & 2018
Land Transport: Report 71-02-01, 2016 & 2019
Post & Telecommunication: Report 75-01-01, 2016 & 2019
Real Estate & Business Services: Report 80-04-02, 2016 & 2020

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

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

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

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

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

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

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

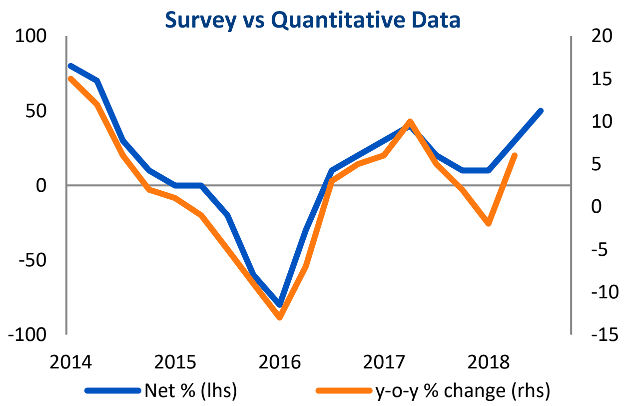
THE UNIQUE UNITS OF MEASUREMENT OF QUALITATIVE SURVEYS

Net percentage (net %)

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

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

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



Percentage (%)

The responses relating to business confidence are presented as percentages.

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

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

DESCRIPTIVE STATISTICS IN THE TABLES

Smoothed

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

Three-quarter centred moving averages (3qcma) 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 (μ-σ) and above (μ+σ) 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: Δσ)

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.