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Retail Trade

Quarterly analysis of activity in retail, wholesale
and motor trade

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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

Retail business confidence increased by six percentage points to 45% in the third quarter, six percentage points above the long-term average.

Among the retail subcategories, retailers of non-durable goods were the least optimistic. They saw a drop in confidence in Q3 from 32% to 19%, suggesting that non-durable goods retail sales grew slower during the third quarter than the relatively robust growth recorded in the second quarter. Durable goods retailers, in contrast, boosted overall retail confidence, with confidence among furniture retailers in particular standing out. Wholesaler confidence fell marginally to 51% in the third quarter but remained above the long-term average. For the second quarter in a row, wholesalers (as reflected in the RMB/BER Business Confidence Index (BCI)) were the most optimistic, with more than half satisfied with prevailing business conditions.

Confidence among new vehicle dealers rose by 17 percentage points to 27%, and their outlook on business conditions and sales volumes improved significantly in the third quarter.

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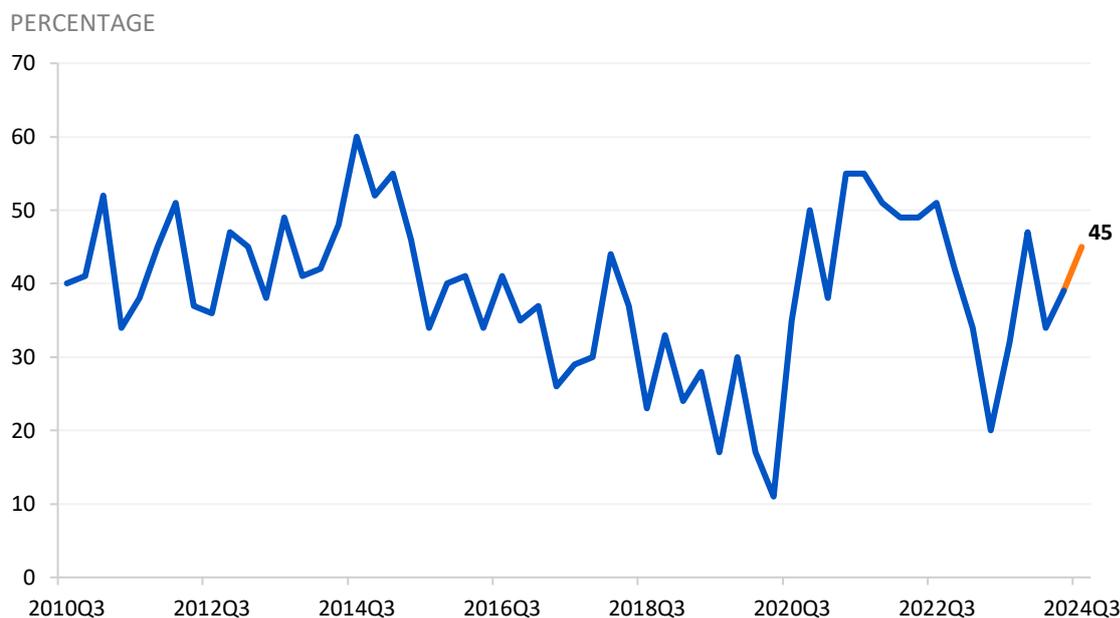
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Summary of the 2024Q3 trade sector survey results

RETAIL CONFIDENCE IMPROVES ABOVE ITS LONG-TERM AVERAGE

After levelling with the long-term average in the second quarter, business confidence among retailers increased by six percentage points (% pts) to 45% in the third quarter.¹ There was also a noticeable uplift in realised business conditions, with retailers expecting this to carry over into the fourth quarter. Consumers' real disposable income has been boosted by inflation at a three-year low. The absence of load-shedding and the market-friendly election likely also contributed to the rise in confidence among retailers.

Figure 1: Retail business confidence increased to 45% in the third quarter



Source:

BER

Official data from Statistics South Africa (Stats SA) shows a 2% y-o-y expansion in retail sales volumes during the second quarter. The increase was broad-based, but most growth came from non-durable goods sales (food, beverages, groceries, cosmetics, pharmaceuticals, etc.). Sales of semi-durable goods (textiles, clothing and footwear) also grew after slumping by 4.0% y-o-y last quarter. Durable goods sales (furniture, appliances and hardware) turned positive for the first time since mid-2021.

After retailer confidence fell sharply in the first quarter – in line with a 0.1%, y-o-y decline reflected in the Stats SA data – the latest movement in the official sales data corresponds with the Q2 increase in retailers' confidence and a rise in the BER's sales volume index.

¹ The survey was conducted 7-26 August 2024.

Table 1: Percentage change in retail sales² volumes (year-on-year)

	Total	Non-durable goods	Semi-durable goods	Durable goods
2022Q2	1.0%	1.1%	6.7%	-5.1%
2022Q3	3.6%	4.0%	8.6%	-2.4%
2022Q4	-0.6%	-1.6%	4.4%	-3.2%
2023Q1	-1.8%	-2.8%	4.5%	-4.4%
2023Q2	-2.4%	-3.9%	3.1%	-3.3%
2023Q3	-0.1%	-2.3%	11.8%	-3.8%
2023Q4	0.3%	-0.8%	5.4%	-2.0%
2024Q1	-0.1%	1.9%	-4.0%	-1.2%
2024Q2	2.0%	2.8%	0.9%	1.4%

Source: Stats SA, Retail Sales Statistics

Among the different retail categories, retailers of **non-durable goods** (food, beverages, groceries, cosmetics and pharmaceuticals) were the least optimistic and saw a drop in confidence in Q3 from 32% to 19%. Given the uptick in Q2 sales volumes and the current downtick in inflation, this is an unexpected result. This may be attributed to the timing of the survey or indicate that our sample is biased toward smaller retailers experiencing less favourable conditions than large grocery stores or supermarkets. The BER survey in Q2 was conducted in May, but most of the sales growth in non-durable goods occurred in June. Furthermore, given the significant deceleration in food inflation, some respondents may be disappointed by the slowdown in their turnover growth (rather than any impact on their sales volumes).

The index tracking **semi-durable goods** retailers' perspective about business conditions improved to above-average levels in Q3. There was also a statistically significant increase in the associated sales volume index. As in the same quarter last year, clothing and footwear retailers seem to be pushing volumes to sell excess stock, but at a cost to profitability: the semi-durable goods profitability index dropped to its lowest level since 2020Q3. As a result, confidence declined from 38% to 34%. In addition, despite the stronger rand, these retailers report faster purchase price increases than last year. This might be because orders and purchasing prices are set roughly a year in advance, suggesting that we'll see the impact of the stronger rand in next year's purchase prices. Although expectations about business conditions and sales volumes in Q4 have improved, optimism remains constrained.

Durable goods retailers boosted overall retail confidence. Confidence among furniture retailers stood out, rising from 38% to 64% and reaching its highest level in three years. All the underlying indicators support furniture retailers' upbeat sentiment: the indices tracking sales and the volume of orders placed swung into positive territory. The profitability index rose above its long-term average. After a significant gain in confidence last quarter, *hardware* retailers remained optimistic, with the indices tracking sales volumes settling close to average.

On the prices front, the BER's retail survey echoes the deceleration in price growth indicated by headline CPI. On aggregate, prices remain above their long-term averages, but the purchasing price index fell by 11 index points, and the selling price index declined by 12. This marks two consecutive quarters of a slowing rate of price increases, which is good news for consumers.

² Non-durable goods retailers include general dealers, retailers in specialised food, beverages and tobacco, and retailers in pharmaceutical and medical goods, cosmetics and toiletries. Durable goods retailers include retailers in household furniture, appliances and equipment, and retailers in hardware, paint and glass. Semi-durable goods retailers include retailers in textiles, clothing, footwear and leather goods.

WHOLESALERS REMAIN THE MOST OPTIMISTIC

Wholesaler confidence fell marginally to 51% in the third quarter but remained above the long-term average. For the second quarter in a row, wholesalers (as reflected in the RMB/BER Business Confidence Index) are the most confident sector, with more than half of wholesalers satisfied with prevailing business conditions.

Improved confidence and business conditions stem mostly from the *non-consumer goods* subsector (e.g., machinery, metal ores, building materials, and chemicals). Confidence among wholesalers of non-consumer goods rose 10% pts to 52%. This is supported by sharp improvements in the indices tracking business conditions, the volume of orders placed, and profitability. In addition, this wholesale subsector expects future demand to continue improving. It may reflect pent-up demand following election uncertainty that placed a lid on demand in the second quarter.

Confidence among wholesalers of *consumer goods* (e.g., textiles, clothing, footwear, food, beverages, furniture and household appliances) dropped by 20% pts to 50%, settling close to the long-term average.

IMPROVED CONFIDENCE AMONG MOTOR VEHICLE DEALERS

Confidence among new vehicle dealers rose by 17% pts to 27%. Their outlook on business conditions and sales volumes also improved significantly in the third quarter. We saw this type of movement in 2024Q1 when confidence increased from 6% to 16% in anticipation of interest rate cuts. In 2024Q2, when the “higher-for-longer” narrative became entrenched, confidence retreated to 10%. Comments from respondents to the BER’s Motor Trade survey mostly spoke to the impacts that interest rates and stricter lending standards have had on vehicle sales affordability.

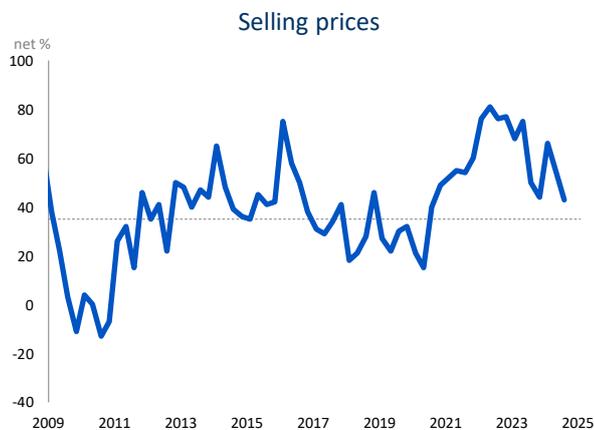
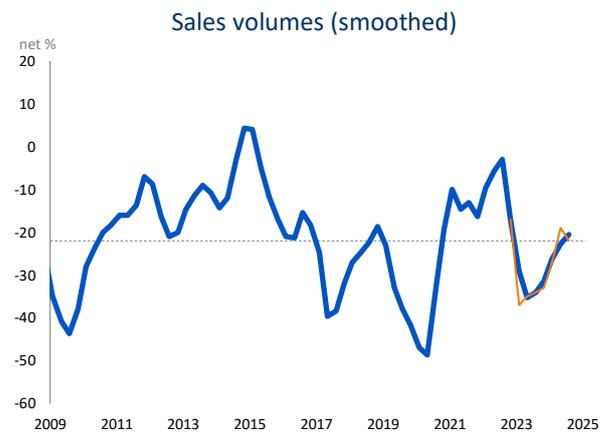
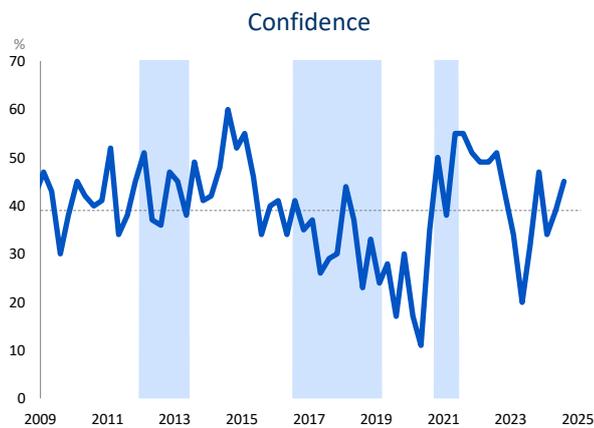
The realised business conditions and sales volume indices for new vehicle dealers also improved. This might be partly attributable to consumer demand held back by election uncertainty during Q2. Indeed, naamsa shows that y-o-y domestic passenger vehicle sales in July turned positive for the first time since January last year, and remained so in August. *Used* vehicle dealers’ confidence rose from 18% to 26% in 2024Q3, reflected in notable improvements in the realised and expected sales volumes and business conditions indices during Q3.

The motor trade survey results suggest that the worst may have passed for the sector, with consumer inflation at 4.4% in August, a stronger rand, fuel price reductions and the start of an interest rate cutting cycle. We expect to begin seeing a gradual normalisation of business conditions and confidence in the motor trade industry.

Survey results

RETAIL TRADE: TOTAL³

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	Δ	σ_{Δ}
Confidence	%	29	39	50	42	34	20	32	47	34	39	45	6	9
Business conditions	Net %	-47	-31	-15	-23	-41	-69	-36	-26	-30	-33	-26	7	15
Sales volumes	Net %	-36	-21	-7	-15	-37	-35	-34	-33	-27	-19	-22	-3	13
Seasonally adjusted	Net %	-35	-21	-7	-21	-32	-34	-35	-38	-22	-18	-23	-5	11
Smoothed	Net %	-34	-21	-9	-17	-29	-35	-34	-31	-26	-23	-21	2	6
Selling prices	Net %	18	39	61	77	68	75	50	44	66	55	43	-12	14



³ The “retail trade total” consists of the “retail trade durables”, the “retail trade semi-durables” and the “retail trade non-durables” goods sectors. The BER does not cover the retail trade in second hand goods in stores (SIC code 624), the retail trade not in stores (625) and the repair of personal and household goods (626).

μ – average

σ – standard deviation

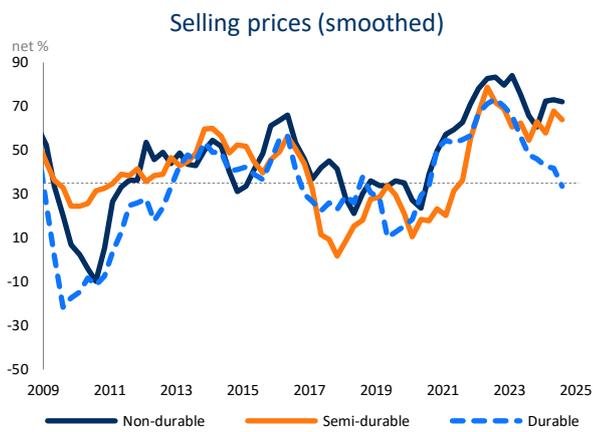
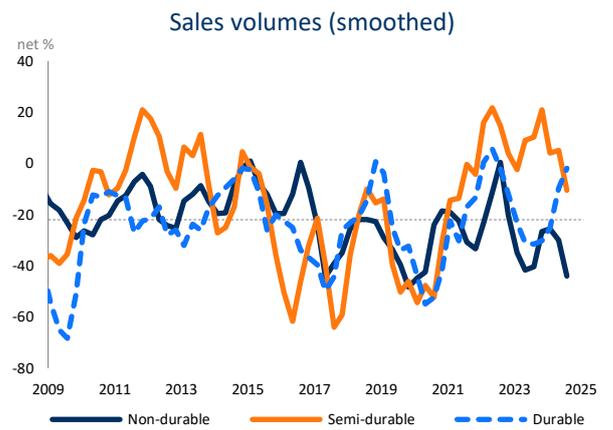
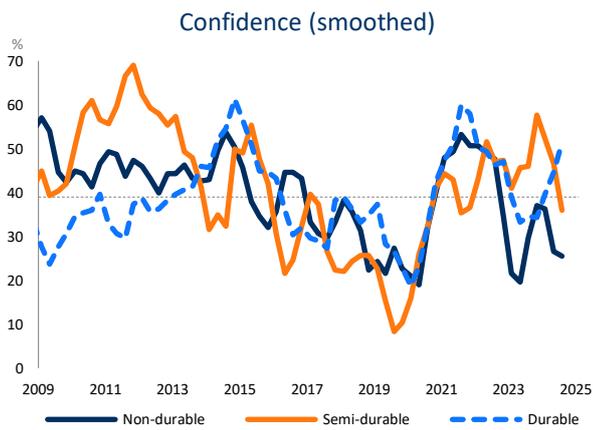
Δ – change from previous period

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

All of the above calculated over 2009 to the present

See Technical note for further details

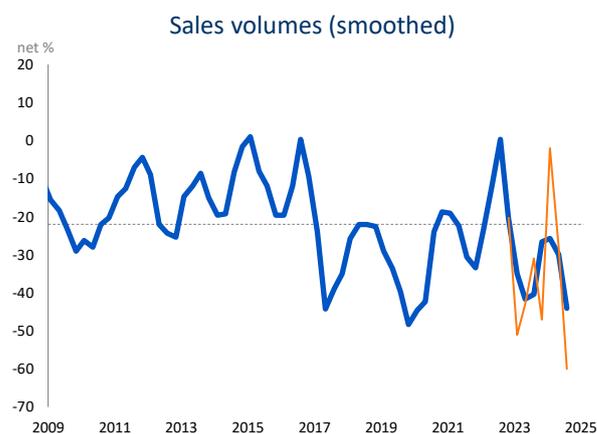
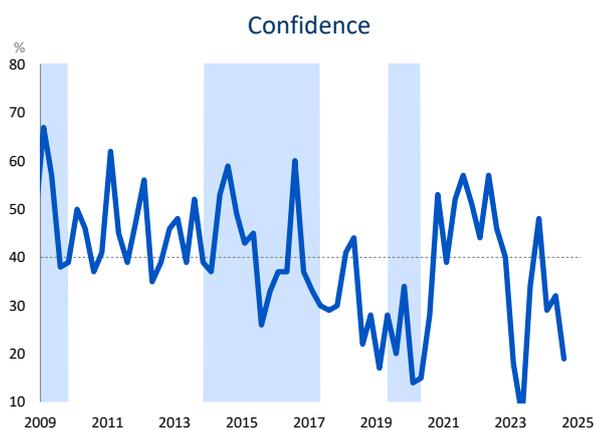
RETAIL TRADE: BY CATEGORY



μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – volatility (standard deviation of the changes)
 All of the above calculated over 2009 to the present
 See Technical note for further details

RETAIL TRADE: NON-DURABLES⁴

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	Δ	σ_{Δ}
Confidence	%	26	39	52	40	18	7	34	48	29	32	19	-13	13
Business conditions	Net %	-54	-34	-14	-17	-68	-89	-32	-22	-20	-57	-76	-19	22
Sales volumes	Net %	-39	-22	-5	-11	-51	-43	-31	-47	-2	-28	-60	-32	19
Seasonally adjusted	Net %	-39	-22	-5	-13	-38	-48	-38	-48	11	-33	-67	-34	18
Smoothed	Net %	-34	-22	-10	-20	-35	-42	-40	-27	-26	-30	-44	-14	8
Selling prices	Net %	21	45	69	83	79	90	56	51	75	91	53	-38	20



⁴ Food, inedible groceries, tobacco (SIC code 621), beverages (622), pharmaceutical & medical goods, cosmetic & toiletry articles (6231), reading matter, stationery, office supplies (62391), other non-durable goods (62399)

μ – average

σ – standard deviation

Δ – change from previous period

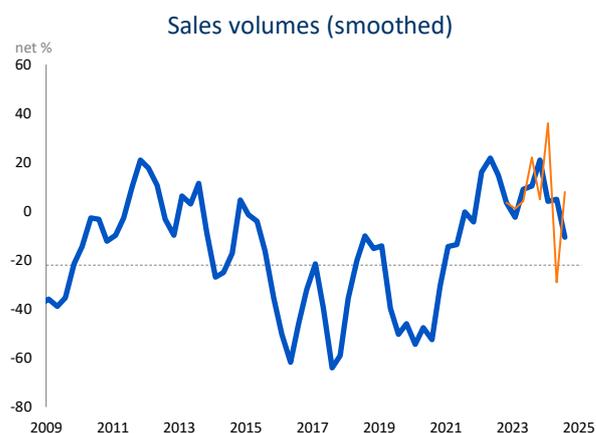
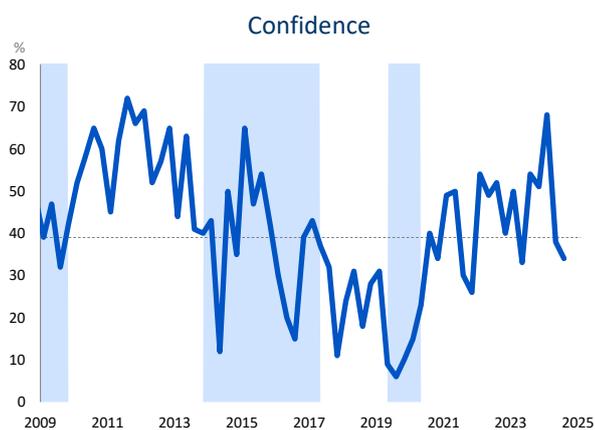
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2009 to the present

See Technical note for further details

RETAIL TRADE: SEMI-DURABLES⁵

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	Δ	σ_{Δ}
Confidence	%	24	41	58	40	50	33	54	51	68	38	34	-4	15
Business conditions	Net %	-62	-31	-1	-19	1	-46	-36	2	23	-33	-20	13	33
Sales volumes	Net %	-46	-15	15	-12	1	4	22	5	36	-29	8	37	34
Smoothed	Net %	-39	-15	8	4	-2	9	10	21	4	5	-11	-16	12
Selling prices	Net %	19	40	61	70	63	49	75	39	75	59	69	10	20



⁵ Textiles, clothing, footwear & leather goods (SIC code 6232), sports goods & entertainment requisites (62393), other semi-durable goods (62399)

μ – average

σ – standard deviation

Δ – change from previous period

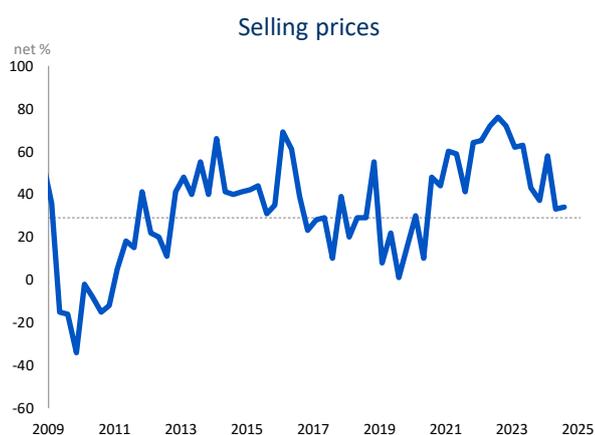
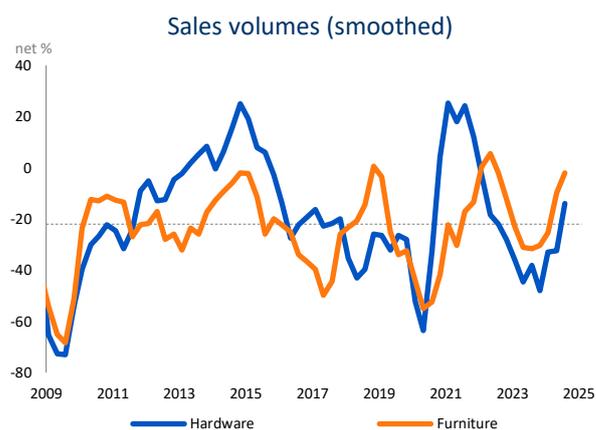
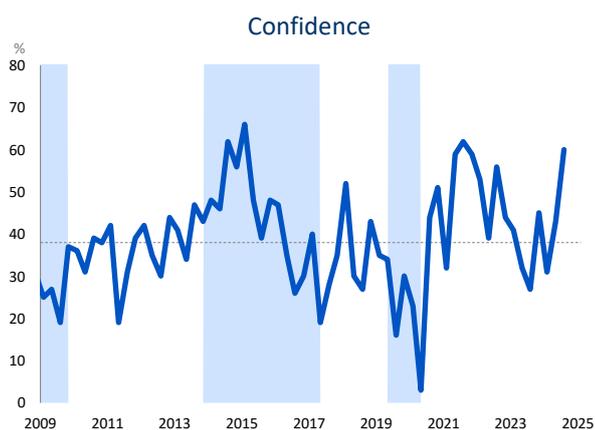
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2009 to the present

See Technical note for further details

RETAIL TRADE: DURABLES⁶

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	Δ	σ_{Δ}
Confidence	%	26	39	51	44	41	32	27	45	31	43	60	17	13
Business conditions	Net %	-50	-28	-7	-30	-32	-49	-38	-35	-44	-19	1	20	21
Sales volumes														
Total	Net %	-44	-22	1	-19	-37	-34	-45	-26	-52	-13	-5	8	22
Hardware	Net %	-49	-20	10	-29	-41	-39	-54	-21	-69	-9	-19	-10	27
Furniture	Net %	-46	-24	-2	-10	-31	-29	-33	-33	-25	-18	14	32	25
Selling prices	Net %	8	33	58	72	62	63	43	37	58	33	34	1	18



⁶ "Retail trade durables" consists of "hardware" and "furniture". "Hardware" includes hardware, paint and glass (SIC code 6234). "Furniture" consists of household furniture, appliances, articles and equipment (6233), jewellery and related items (62392) and other durable goods (62399)

μ – average

σ – standard deviation

Δ – change from previous period

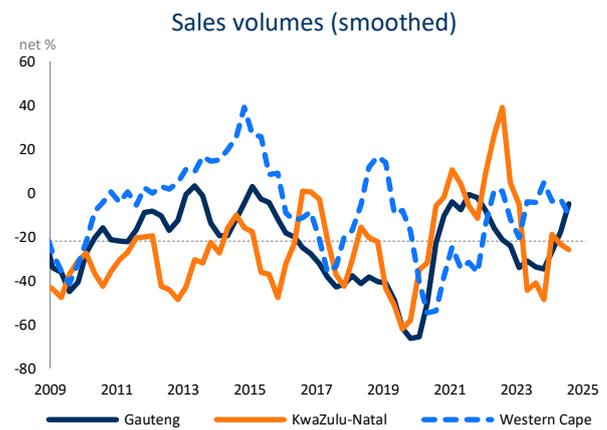
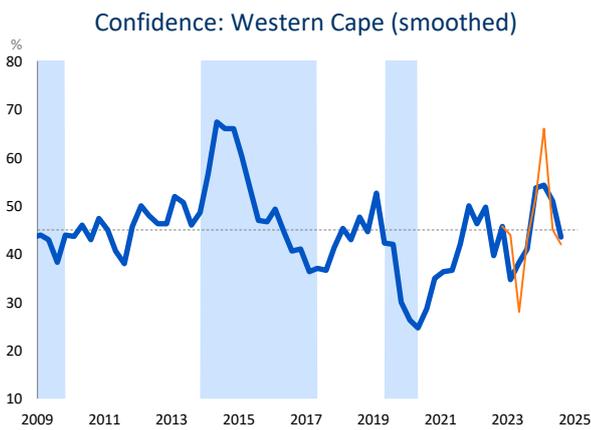
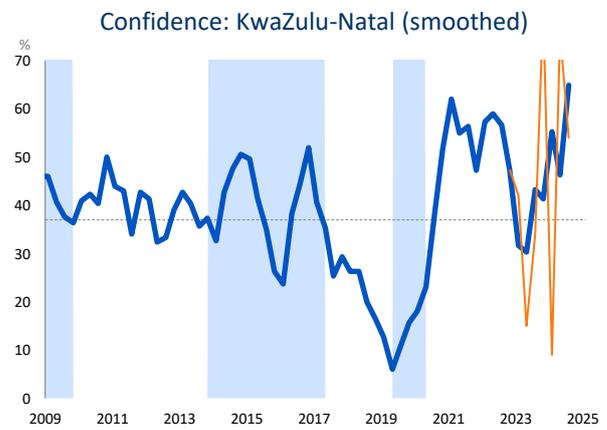
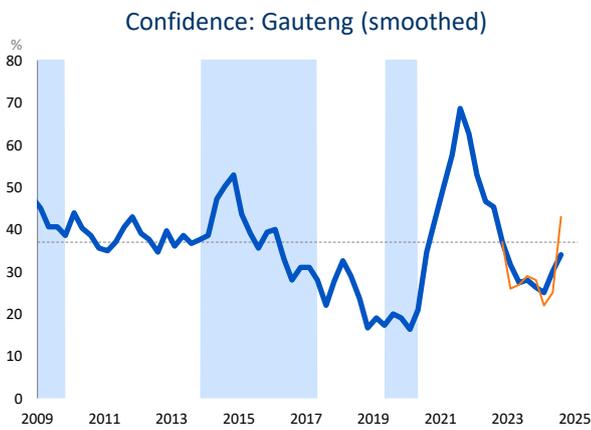
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2009 to the present

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RETAIL TRADE: PROVINCES

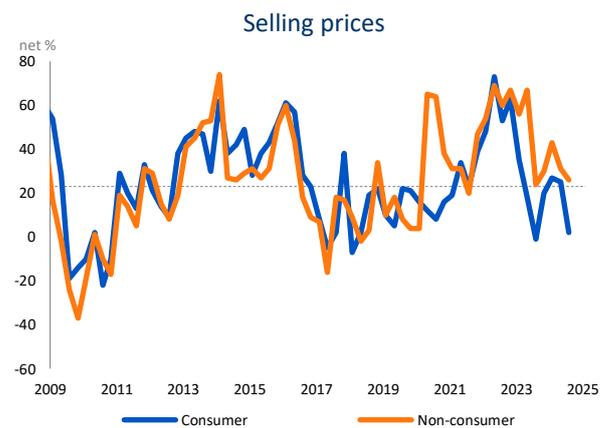
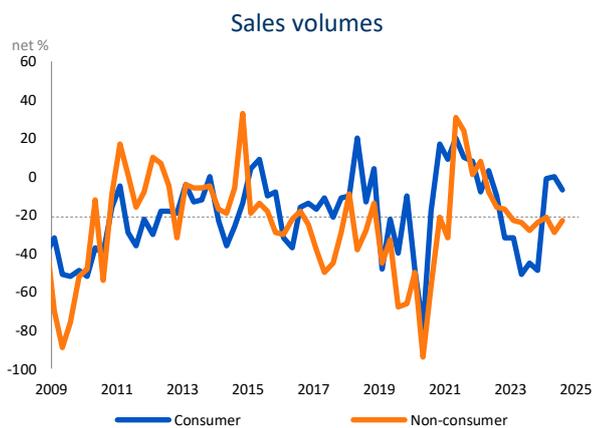
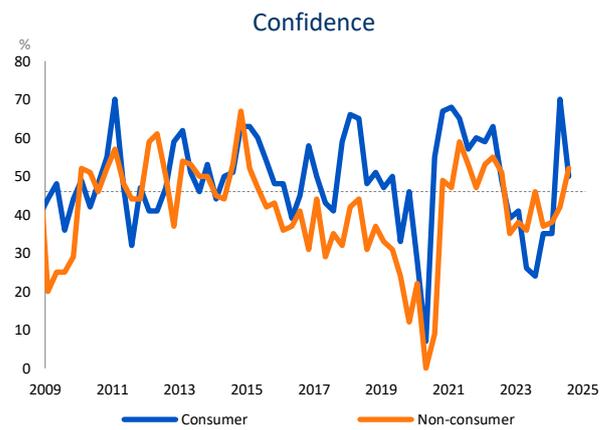
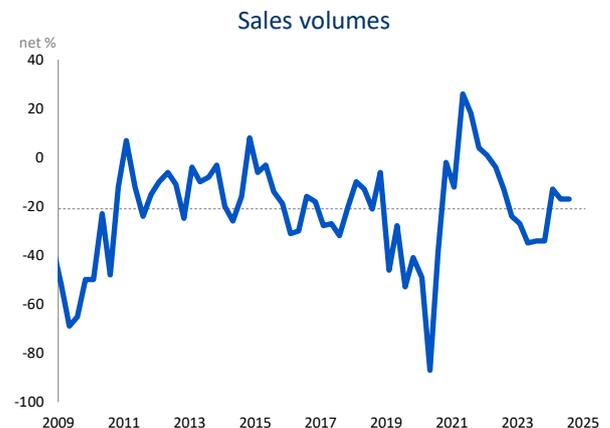
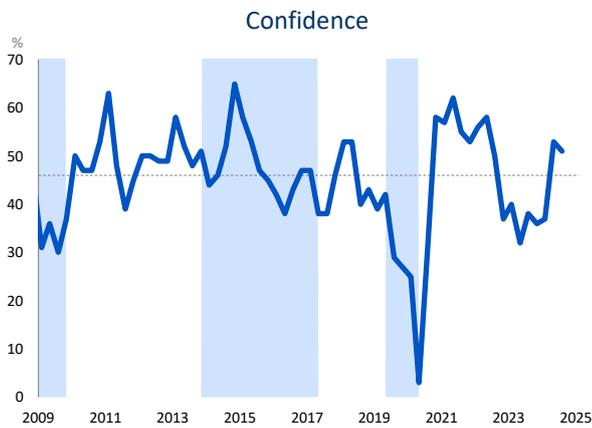
Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	Δ	σ_{Δ}
Gauteng														
Confidence	%	23	36	50	42	26	27	29	28	22	25	43	18	13
Smoothed	%	25	36	47	37	32	27	28	26	25	30	34	4	5
Sales volumes	Net %	-44	-23	-3	-32	-30	-40	-23	-38	-43	1	-11	-12	19
Smoothed	Net %	-40	-24	-7	-24	-34	-31	-34	-35	-27	-18	-5	13	8
KwaZulu-Natal														
Confidence	%	20	39	57	38	42	15	34	81	9	76	54	-22	23
Smoothed	%	26	39	52	47	32	30	43	41	55	46	65	19	8
Sales volumes	Net %	-53	-25	3	26	-47	5	-91	-37	-18	-2	-50	-48	33
Smoothed	Net %	-45	-25	-5	4	-5	-44	-41	-49	-19	-23	-26	-3	13
Western Cape														
Confidence	%	33	45	57	32	44	28	43	52	66	45	42	-3	16
Smoothed	%	36	45	53	46	35	38	41	54	54	51	44	-7	5
Sales volumes	Net %	-34	-8	18	-28	-17	-16	21	-18	11	-4	-16	-12	27
Smoothed	Net %	-28	-8	12	-12	-20	-4	-4	5	-4	-3	-10	-7	10



μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – volatility (standard deviation of the changes)
 All of the above calculated over 2009 to the present
 See Technical note for further details

WHOLESALE TRADE: TOTAL⁷

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	Δ	σ_{Δ}
Confidence	%	34	45	56	37	40	32	38	36	37	53	51	-2	9
Business conditions	Net %	-52	-30	-8	-22	-39	-40	-62	-46	-54	-35	-9	26	20
Sales volumes	Net %	-42	-22	-1	-24	-27	-35	-34	-34	-13	-17	-17	0	17
Selling prices	Net %	4	25	47	65	47	48	15	26	36	29	17	-12	16



⁷ The “wholesale trade total” consists of the “wholesale trade consumer goods” and the “wholesale trade non-consumer goods” sectors. The BER does not cover the wholesale trade on a fee or contract basis (SIC code 611), the wholesale trade in precious stones, jewellery and silverware (61393) and the wholesale trade in solid, liquid and gaseous fuels and related products (6141)

μ – average

σ – standard deviation

Δ – change from previous period

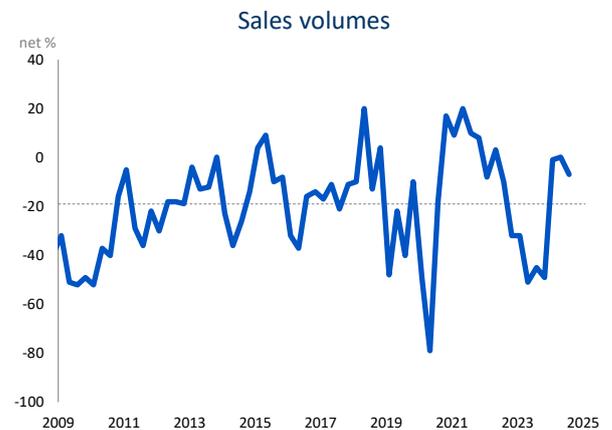
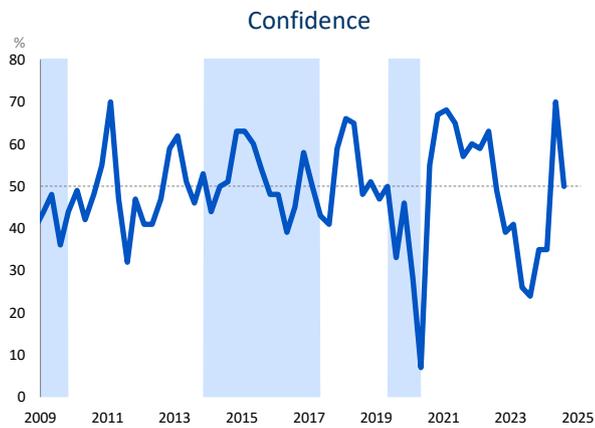
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2009 to the present

See Technical note for further details

WHOLESALE TRADE: CONSUMER GOODS⁸

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	Δ	σ_{Δ}
Confidence	%	37	49	61	39	41	26	24	35	35	70	50	-20	12
Business conditions	Net %	-53	-31	-8	-30	-58	-37	-72	-66	-54	-18	-19	-1	23
Sales volumes	Net %	-40	-20	1	-32	-32	-51	-45	-49	-1	0	-7	-7	20
Selling prices	Net %	3	25	46	63	35	18	-1	20	27	25	2	-23	18

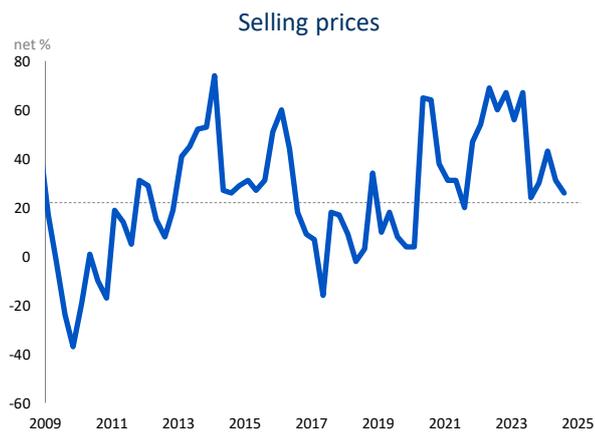
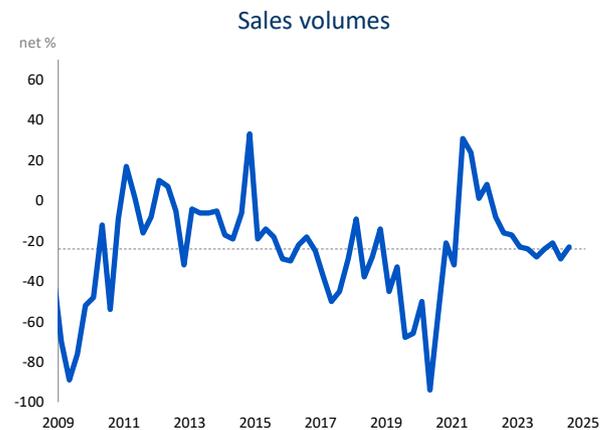


⁸ Agricultural raw materials and livestock (SIC 6121), food, beverages and tobacco (6122), textiles, clothing and footwear (6131) and other household goods (6139).

μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – volatility (standard deviation of the changes)
 All of the above calculated over 2009 to the present
 See Technical note for further details

WHOLESALE TRADE: NON-CONSUMER GOODS⁹

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	Δ	σ_{Δ}
Confidence	%	29	41	54	35	38	36	46	37	38	42	52	10	11
Business conditions	Net %	-55	-30	-5	-19	-25	-40	-54	-31	-53	-45	-1	44	22
Sales volumes	Net %	-50	-24	2	-17	-23	-24	-28	-24	-21	-29	-23	6	22
Selling prices	Net %	0	25	50	67	56	67	24	30	43	31	26	-5	19



⁹ Metals and metal ores (SIC code 6142), construction materials, hardware, plumbing and supplies (6143), other intermediate products, waste and scrap (6149) and machinery and equipment (615).

μ – average

σ – standard deviation

Δ – change from previous period

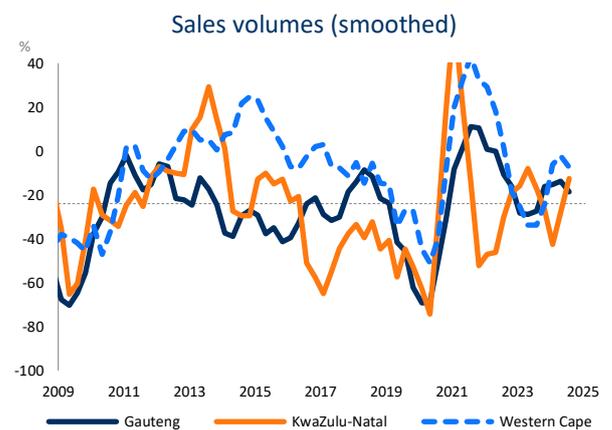
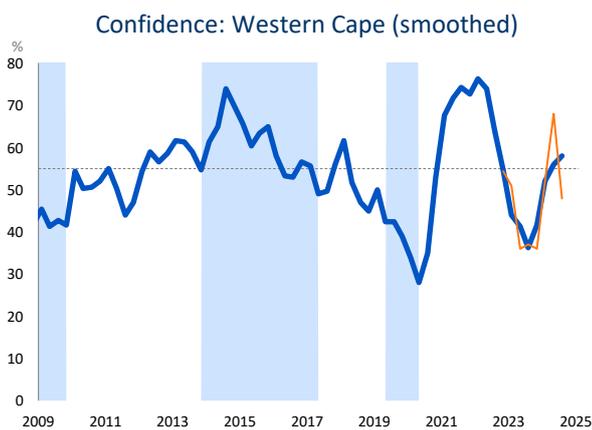
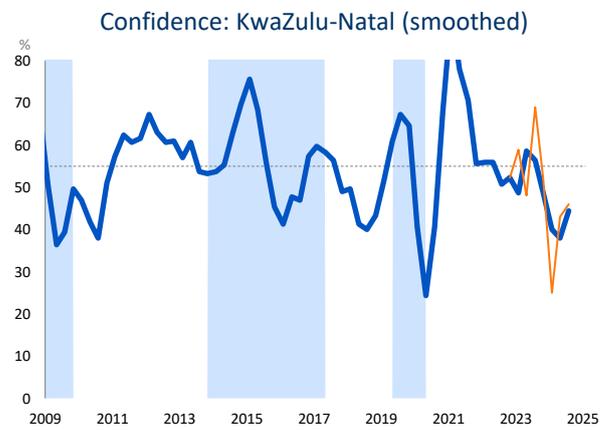
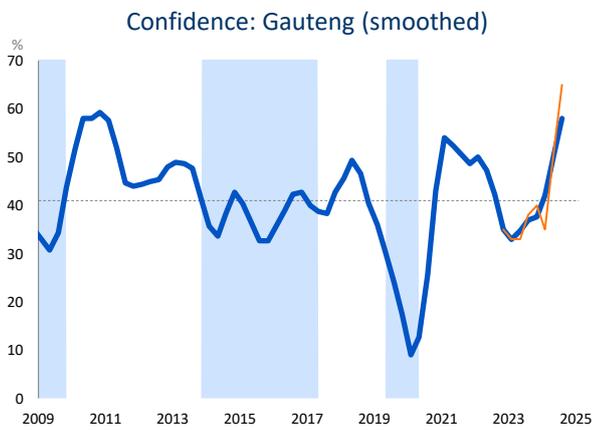
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2009 to the present

See Technical note for further details

WHOLESALE TRADE: PROVINCES

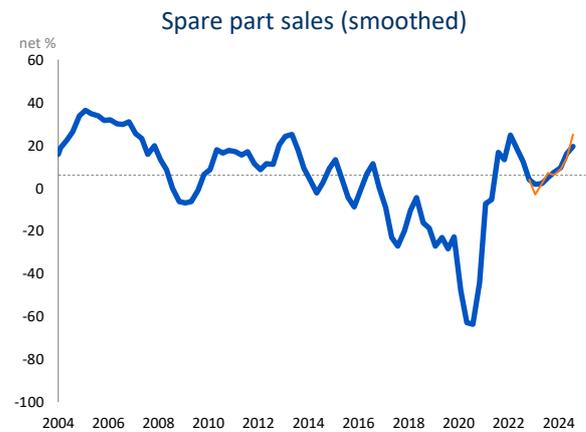
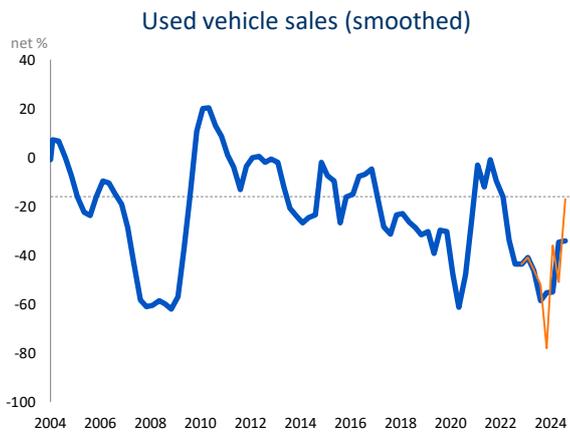
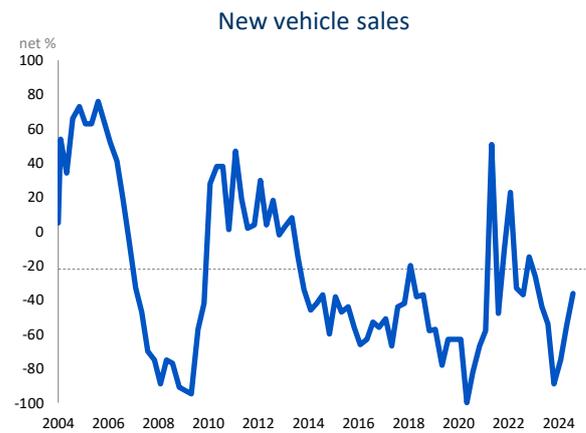
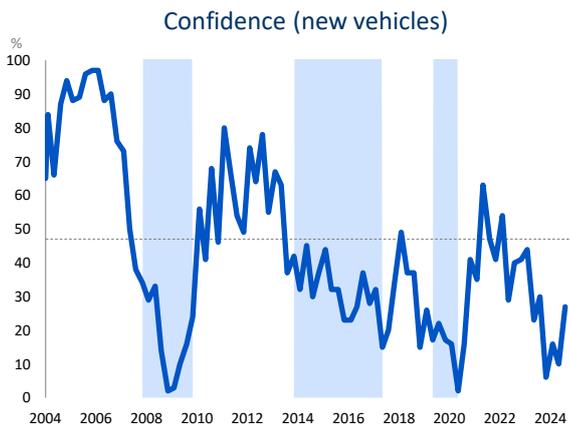
Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	Δ	σ_{Δ}
Gauteng														
Confidence	%	29	41	53	33	33	33	38	40	35	51	65	14	10
Smoothed	%	31	41	52	35	33	35	37	38	42	50	58	8	5
Sales volumes	Net %	-49	-26	-3	-25	-23	-37	-27	-18	-4	-24	-13	11	21
Smoothed	Net %	-45	-26	-7	-16	-28	-29	-27	-16	-15	-14	-19	-5	9
KwaZulu-Natal														
Confidence	%	37	54	71	39	59	48	69	52	25	43	46	3	21
Smoothed	%	43	54	66	52	49	59	56	49	40	38	45	7	9
Sales volumes	Net %	-60	-26	8	-5	-13	-30	19	-40	-59	-29	4	33	38
Smoothed	Net %	-51	-26	-1	-19	-16	-8	-17	-27	-43	-28	-13	15	18
Western Cape														
Confidence	%	40	54	68	45	51	36	37	36	52	68	48	-20	15
Smoothed	%	43	54	65	54	44	41	36	42	52	56	58	2	6
Sales volumes	Net %	-35	-8	19	-24	-32	-20	-49	-32	8	5	-20	-25	25
Smoothed	Net %	-30	-8	14	-19	-25	-34	-34	-24	-6	-2	-8	-6	11



μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – volatility (standard deviation of the changes)
 All of the above calculated over 2009 to the present
 See Technical note for further details

MOTOR TRADE¹⁰

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	Δ	σ_{Δ}
New vehicles														
Confidence	%	17	42	67	41	44	23	30	6	16	10	27	17	14
Sales volumes	Net %	-74	-28	17	-15	-26	-44	-54	-89	-75	-55	-36	19	26
Used vehicles														
Sales volumes	Net %	-49	-23	2	-36	-41	-46	-52	-78	-36	-51	-17	34	24
Smoothed	Net %	-44	-23	-3	-44	-41	-46	-59	-55	-55	-35	-34	1	10
Spare parts														
Sales volumes	Net %	-20	5	29	6	-3	2	7	6	9	14	25	11	20
Smoothed	Net %	-17	4	25	4	2	2	5	7	10	16	20	4	8

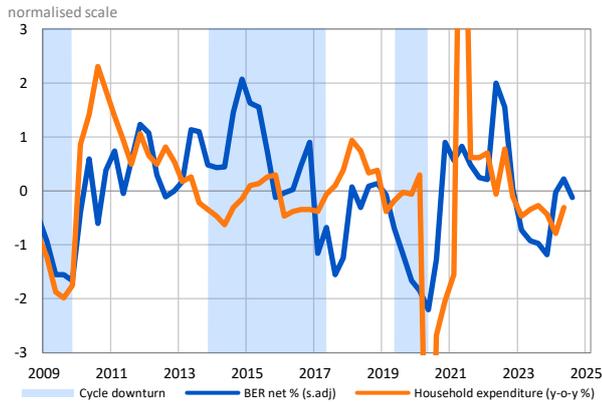


¹⁰ The “motor trade” consists of the retail sales of new and used vehicles (SIC code 6312), as well as new spare parts and accessories (6331). The BER does not cover the wholesale sale of motor vehicles (6311), the maintenance and repair of motor vehicles (632), the sale of used parts and accessories (6332), the sale, maintenance and repair of motor cycles (634) and the retail sale of automotive fuel (635).

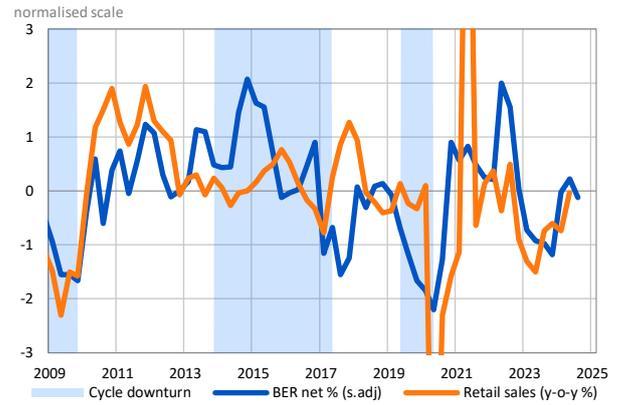
μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – volatility (standard deviation of the changes)
 All of the above calculated over 2009 to the present
 See Technical note for further details

SUMMARY

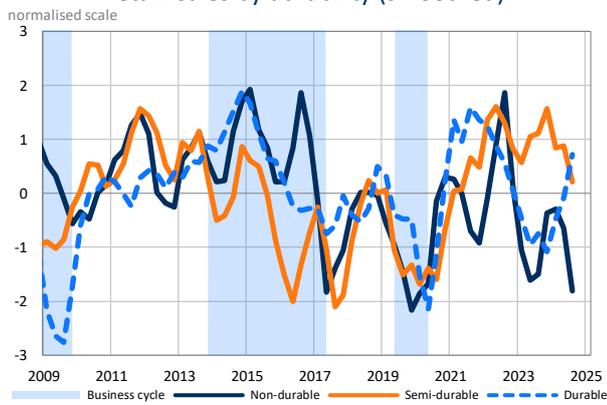
BER retail sales & FHCE*



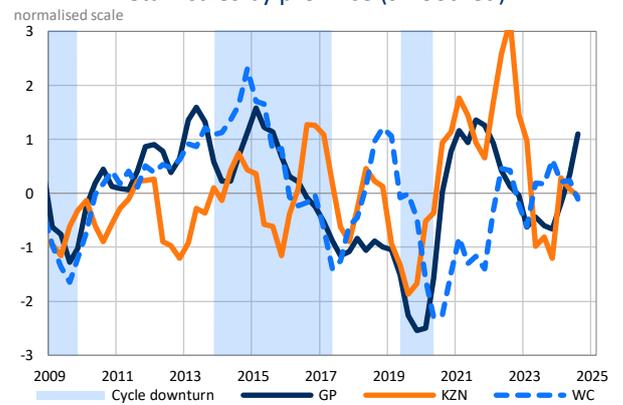
Retail sales



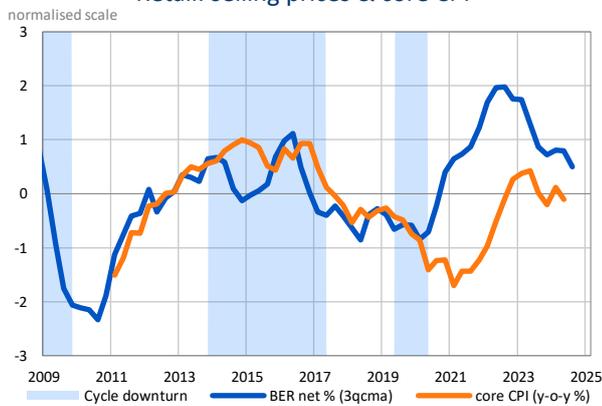
Retail: sales by durability (smoothed)



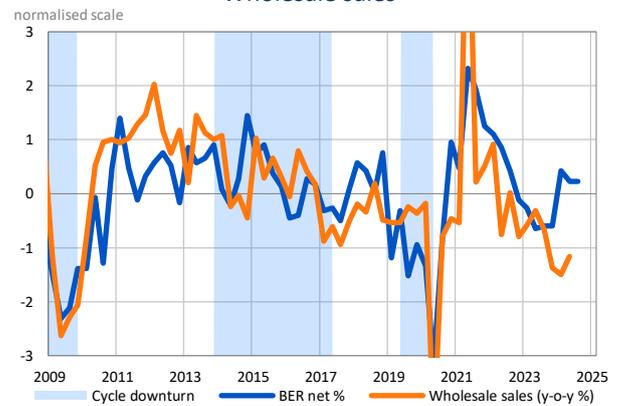
Retail: sales by province (smoothed)



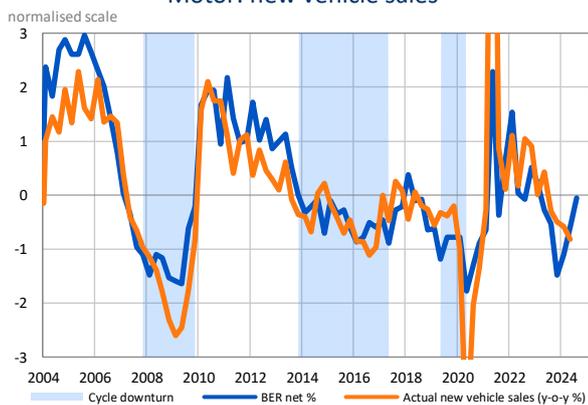
Retail: selling prices & core CPI



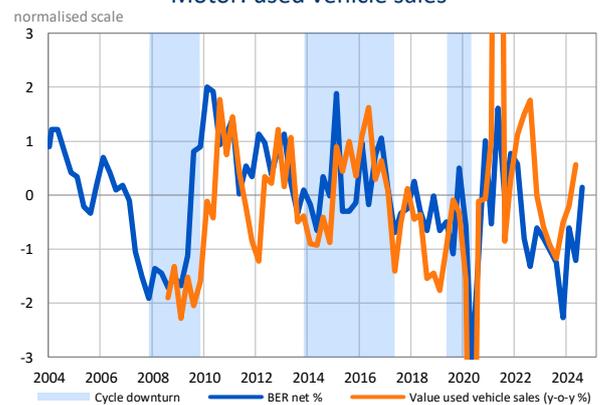
Wholesale sales



Motor: new vehicle sales



Motor: used vehicle sales



* Incl. spending on cars, petrol and services.

Technical note

THE RETAIL, WHOLESALE AND MOTOR TRADE 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.

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 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. 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.

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. Each response is weighted according to the firm's size and the sector's contribution, and this is, in turn, adjusted for the response pattern. These weights are updated every 5 years. The new weights will apply from the third quarter of 2022 onwards. At the same time, the historical time series for the retail and wholesale trade going back to 2009 were revised to reflect the latest business census and other official results. No changes were made to the historical time series for the motor trade. The revision led to very small changes in the results relative to those published previously.

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 survey method.

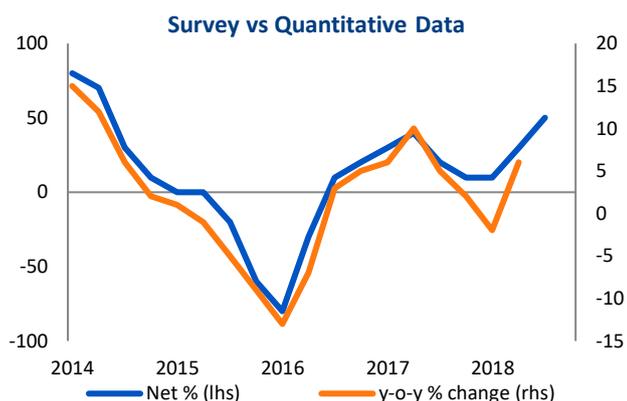
THE UNIQUE UNITS OF MEASUREMENT OF QUALITATIVE SURVEYS

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 ($\mu-\sigma$) 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.