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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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Summary of the 2024Q4 trade sector survey results

RETAIL CONFIDENCE RISES TO HIGHEST LEVEL IN THREE YEARS

Extending the positive momentum of the past two quarters, business confidence among retailers rose by nine percentage points (% pts) to 54% in the fourth quarter[1]. This marks the highest level of retailer confidence since 2022Q3.

This lift in confidence was underpinned by a significant improvement in indices tracking realised business conditions, sales volumes and profitability in the retail sector. Moreover, the sector appears to have favourable expectations for the first quarter of next year. Indeed, a moderate retreat in consumer sentiment during the fourth quarter highlights the ongoing pressures consumers face. However, the consumer outlook has improved significantly compared to this time last year, strengthening the likelihood that retailers' optimistic expectations will be realised.

Figure 1: Business confidence among retailers increases for a third consecutive quarter to 54%
PERCENTAGE

Source: BER Retail Survey 2024Q4

Official retail trade sales data from Stats SA show a 2% y-o-y expansion in total retail sales volumes during the third quarter. Robust growth in non-durable goods sales (food, beverages, groceries, cosmetics, pharmaceuticals, etc.) partially offset a decline in the sales of semi-durable goods (textiles, clothing, and footwear) and a slowdown in durable goods sales (furniture, appliances, and hardware).

Notably, following a sharp decline in 2024Q1, retail confidence has sustained an upward trajectory. This corresponds with the official Stats SA data, which reflects a contraction in total retail sales volumes during the

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[1] The survey was conducted between 24 October 2024 and 11 November 2024.

first quarter and a rise in total sales volumes of around 2% y-o-y in both the second and third quarters. On this basis, we anticipate strong retail trade statistics for the fourth quarter.

Table 1: Percentage change in retail sales volumes, year-on-year[2]

	Total	Non-durable goods	Semi-durable goods	Durable goods
2022Q3	3.5%	4.0%	8.6%	-2.6%
2022Q4	-0.7%	-1.6%	4.4%	-3.4%
2023Q1	-1.9%	-2.8%	4.5%	-4.5%
2023Q2	-2.5%	-3.9%	3.1%	-3.4%
2023Q3	-0.5%	-2.7%	12.2%	-4.4%
2023Q4	-0.2%	-1.1%	6.7%	-3.5%
2024Q1	-0.2%	1.6%	-3.0%	-2.3%
2024Q2	2.1%	2.8%	2.1%	1.1%
2024Q3	2.0%	3.5%	-0.8%	0.5%

Source: Stats SA, Retail Sales Statistics

The BER's survey results for the fourth quarter of 2024 indicate that the retail sales volume index (seasonally adjusted) improved significantly relative to the third quarter. The sales volume indices rose firmly above their respective long-term averages across all retail subsectors – further pointing to positive year-on-year growth in retail sales in 2024Q4.

Retailers of **non-durable goods** registered the largest uptick in volume growth, with the sales volume index rebounding by a statistically significant 42 index points. Faster volume growth undoubtedly bolstered the confidence level of non-durable goods retailers but with a business confidence reading of only 39%, the majority of non-durable goods retailers remain dissatisfied with prevailing business conditions. The relatively subdued level of confidence among these retailers can probably be ascribed to the faster-than-expected deceleration in food inflation, which put downward pressure on profitability of food retailers. Despite a slight increase, the profitability index remains well below its long-term average.

Textiles, clothing and footwear retailers' confidence stood at its highest level since 2007Q3, surging from 34% to 76% and making semi-durable retailers the most optimistic group this quarter. A substantial improvement in the profitability index (up 82 index points) and a rise in the sales volume index helped propel semi-durable retailers' confidence. To clamp down on cheaper imports from online retailers like Shein and Temu and incentivise consumers to buy locally, the South African Revenue Service (SARS) introduced new tax regulations[3], which may have partly supported confidence. The implementation of the two-pot retirement system, which has allowed consumers to withdraw at least R40bn from their pensions since September, likely also boosted semi-durable goods sales.

Unlike the other two retail subsectors, **durable goods** retailers' confidence registered a moderate (3% pts) decline to 57%. However, this follows two consecutive quarters where durable retailers were the main drivers of higher overall retail business confidence. Hardware retailers' confidence declined due to a slight deterioration in their realised business conditions, while furniture retailers were moderately more optimistic. All the underlying indicators support *furniture retailers'* upbeat sentiment; notably their profitability index rose to its highest level since 2007Q1 (pre-financial crisis). Similar to the semi-durable

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[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.

[3] The new regulations now also subject imports under R500 to a 45% import tariff and 15% VAT, as opposed to the 20% custom duties and no VAT initially levied on these smaller packages.

goods category, the furniture, household appliances and electronic goods category was probably also one of the key beneficiaries of two-pot retirement fund withdrawals.

On the price front, the BER's survey results suggest a continuation of downward pressure on purchase and selling prices as indicated by headline CPI. Prices moved below their long-term averages for the first time in over five years, with selling prices increasing slower than purchase prices. The retail purchasing price index fell by 25 index points, while the selling price index declined by 32 index points. Notably, during the survey period, the rand/dollar exchange rate was strong (averaging R17.61/$); some declines in the price indices reflect a pass-through effect of a stronger rand. However, food and fuel inflation also cooled substantially.

CONSUMER GOODS BOLSTERED HIGHER CONFIDENCE AMONG WHOLESALERS

Wholesaler confidence improved to its highest level in four years during the fourth quarter. Following a marginal decline in the third quarter, wholesaler confidence rose by 9% pts to 60%. This means that over half of wholesalers are satisfied with prevailing business conditions. Both non-consumer goods[4] and consumer goods[5] wholesalers registered an increase in confidence. However, consumer goods wholesalers primarily drove the improvement, as they assess business conditions to be better than a year ago, with scope for further improvement in the first quarter of next year. The sales volume index of consumer goods rose significantly from -17 to 0 index points this quarter. The strength of the consumer goods wholesale sector corresponds with the increase in fourth-quarter retail confidence and sales volumes reported above, signalling a recovery in consumer demand.

Wholesaler profitability remained above the long-term average but came under slight pressure in Q4. This is likely due to selling prices increasing at a slower rate than purchase prices. However, marginally weaker profitability relative to the previous quarter failed to dampen wholesale confidence.

NEW VEHICLE DEALERS' CONFIDENCE SLIPS

Surprisingly, new vehicle dealers' confidence lost some ground during the fourth quarter, declining from 27% to 23%. Given that naamsa data shows a 17% y-o-y increase in new passenger car sales during October and November, one would have expected a significant improvement in new vehicle dealer confidence during the fourth quarter. However, increased competition from more affordable, Chinese-manufactured vehicles are probably weighing down the confidence levels of the BER's more traditional automotive industry survey respondents. The fourth quarter was the first time the BER's Motor Trade survey respondents highlighted their concerns over growing competition from Chinese-manufactured vehicles. Elevated vehicle costs are pushing new vehicle buyers to buy down or look at alternative, more affordable models to traditional mainstream manufacturers, reshaping the domestic new vehicle market.

Apart from shifting trends within the automotive sector, the South African Reserve Bank (SARB) had only delivered an initial 25bps interest rate cut at the time of the survey. The issue of vehicle affordability remains a central theme across survey respondents' comments. We therefore ascribe the Q4 deterioration in confidence to the disruption caused by the surge in Chinese-manufactured vehicles (read increased price competition) and unmet expectations for substantial interest rate cuts.

On a positive note, new vehicle dealers still have a minor sense of optimism about next quarter: their outlook for sales volumes ticked up from 0 to 5 index points (above the long-term average of -9 index points). The

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[4] Metals and metal ores, construction materials, hardware, plumbing and supplies, other intermediate products, waste and scrap, machinery and equipment.

[5] Agricultural raw materials and livestock, food, beverages and tobacco, textiles, clothing and footwear and other household goods.

favourable sales volume outlook among our survey respondents, coupled with gradual improvements in business conditions, bode well for a recovery trend in the new vehicle market.

Confidence among *used vehicle* dealers improved by 11% pts to 37%, boosted by increased realised and expected business conditions and sales volume indices.

KEY TAKEAWAYS

Besides new vehicle dealers, the BER's retail survey results for the fourth quarter of 2024 are encouraging. Benefitting from an uptick in demand, retailers and wholesalers reported confidence above the 50-neutral level, suggesting that more than half of respondents are satisfied with prevailing business conditions.

Looking ahead, lower inflation, stronger consumer confidence, and further interest rate cuts should help put consumers on a better footing. In Q4 specifically, a cash injection to some households' disposable income through the recently introduced two-pot retirement system should also boost spending, pointing to a very positive outlook for the trade sector during the festive season.

Survey results

RETAIL TRADE: TOTAL[6]

Indicator	Unit	μ-σ	μ	μ+σ	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	Δ	σ Δ
Confidence	%	29	40	50	34	20	32	47	34	39	45	**54**	9	9
Business conditions	Net %	-47	-30	-14	-41	-69	-36	-26	-30	-33	-26	**1**	27	15
Sales volumes	Net %	-36	-21	-6	-37	-35	-34	-33	-27	-19	-22	**12**	34	13
Seasonally adjusted	Net %	-35	-21	-6	-32	-34	-35	-38	-22	-18	-23	**7**	30	11
Smoothed	Net %	-33	-21	-9	-29	-35	-34	-31	-26	-23	-10	**-5**	5	6
Selling prices	Net %	17	39	60	68	75	50	44	66	55	43	**17**	-26	14

Confidence

Sales volumes (smoothed)

Selling prices

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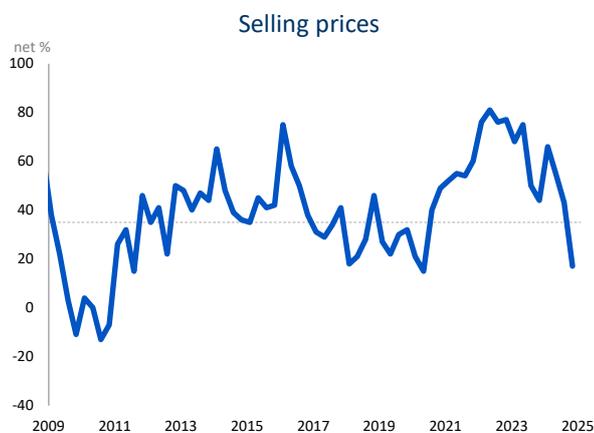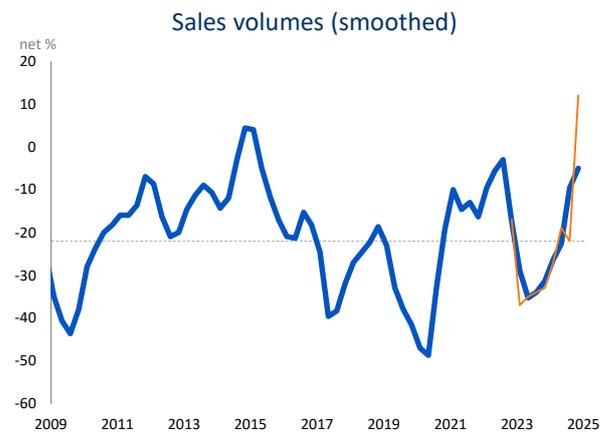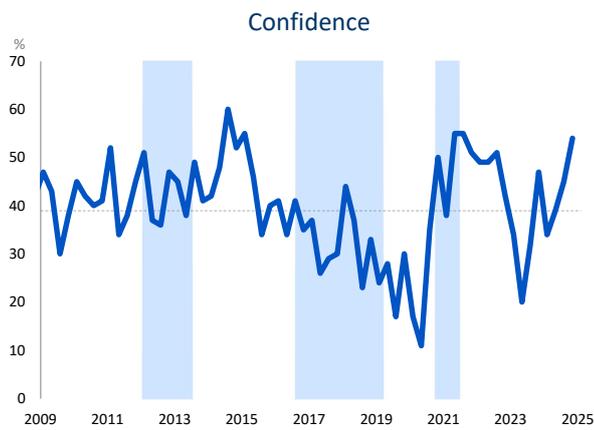
[6] The "retail trade total" consists of the "retail trade durables", the "retail trade semi-durables" and the "retail trade non-durables" goods sectors. The BER does not cover the retail trade in second hand goods in stores (SIC code 624), the retail trade not in stores (625) and the repair of personal and household goods (626).
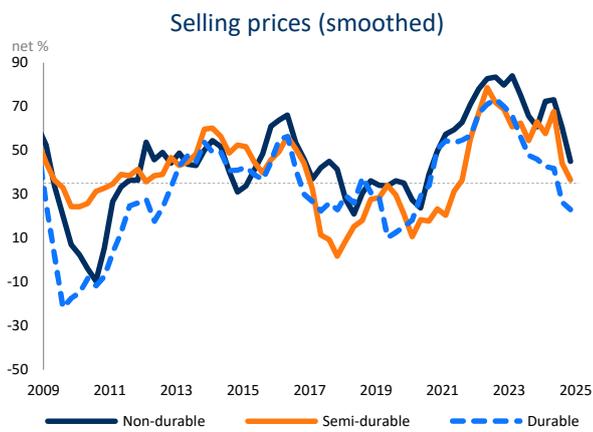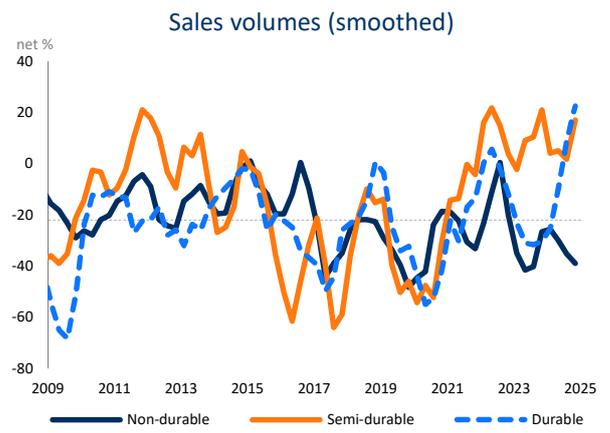
μ – average
σ – standard deviation
Δ – change from previous period
σ_Δ – volatility (standard deviation of the changes)
All of the above calculated over 2009 to the present
See Technical note for further details

RETAIL TRADE: BY CATEGORY

Confidence (smoothed)

Sales volumes (smoothed)

Selling prices (smoothed)

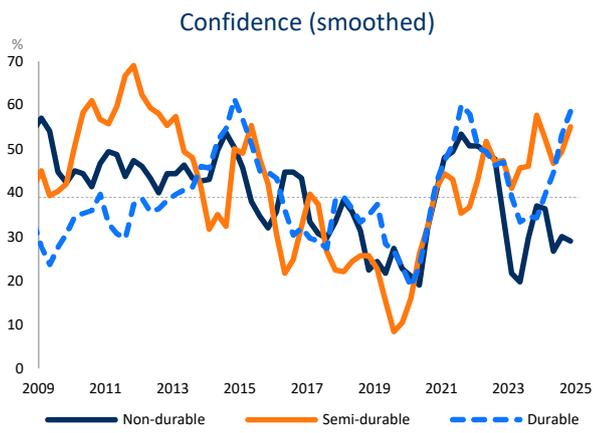*μ – average*
σ – standard deviation
Δ – change from previous period
σ_Δ – volatility (standard deviation of the changes)
All of the above calculated over 2009 to the present
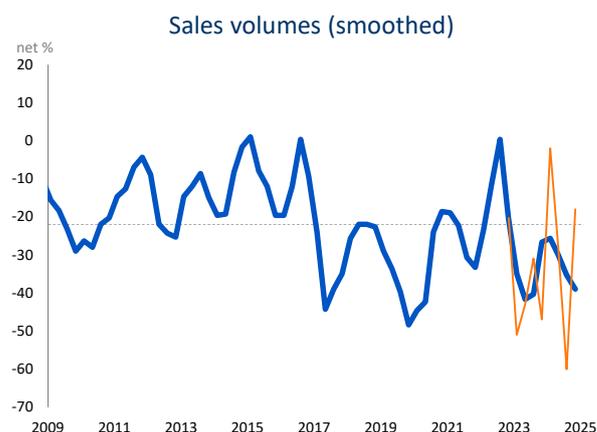*See Technical note for further details*

RETAIL TRADE: NON-DURABLES[7]

Indicator	Unit	μ-σ	μ	μ+σ	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	Δ	σ Δ
Confidence	%	27	39	52	18	7	34	48	29	32	19	**39**	20	13
Business conditions	Net %	-53	-34	-14	-68	-89	-32	-22	-20	-57	-76	**-17**	59	23
Sales volumes	Net %	-39	-22	-5	-51	-43	-31	-47	-2	-28	-60	**-18**	42	20
Seasonally adjusted	Net %	-39	-22	-5	-38	-48	-38	-48	11	-33	-67	**-19**	48	19
Smoothed	Net %	-34	-22	-10	-35	-42	-40	-27	-26	-30	-35	**-39**	-4	8
Selling prices	Net %	21	45	69	79	90	56	51	75	91	53	**37**	-16	20

Confidence

Sales volumes (smoothed)

Selling prices

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[7] 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
σΔ – volatility (standard deviation of the changes)
All of the above calculated over 2009 to the present
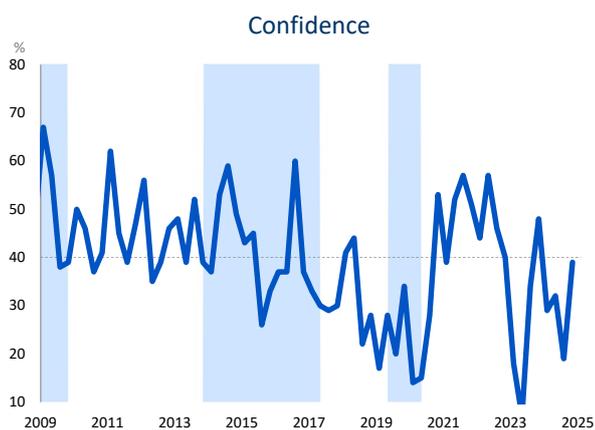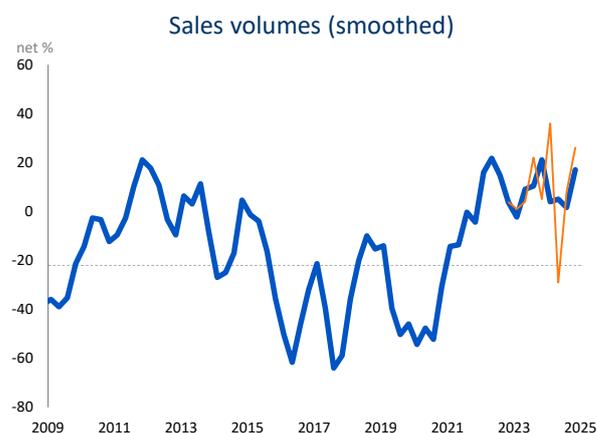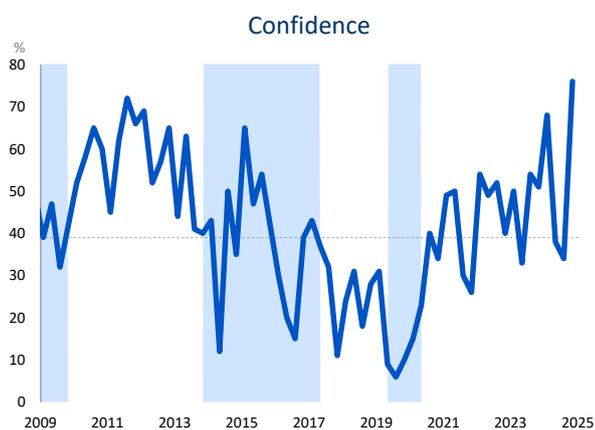*See Technical note for further details*

RETAIL TRADE: SEMI-DURABLES[8]

Indicator	Unit	μ-σ	μ	μ+σ	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	Δ	σ Δ
Confidence	%	25	42	59	50	33	54	51	68	38	34	**76**	42	16
Business conditions	Net %	-62	-30	1	1	-46	-36	2	23	-33	-20	**35**	55	33
Sales volumes	Net %	-46	-15	16	1	4	22	5	36	-29	8	**26**	18	34
Smoothed	Net %	-38	-15	9	-2	9	10	21	4	5	2	**17**	15	12
Selling prices	Net %	18	39	61	63	49	75	39	75	59	69	**4**	-65	21

Confidence

Sales volumes (smoothed)

Selling prices

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

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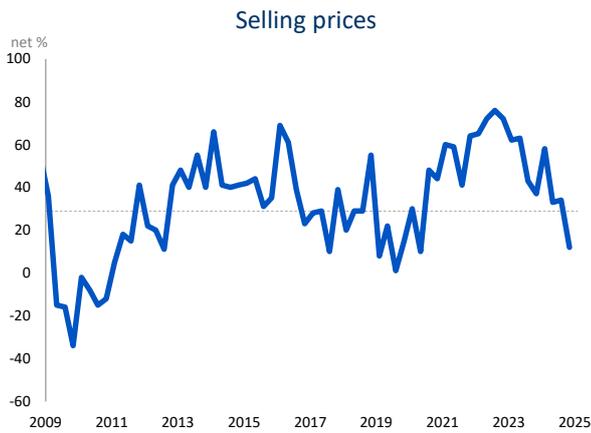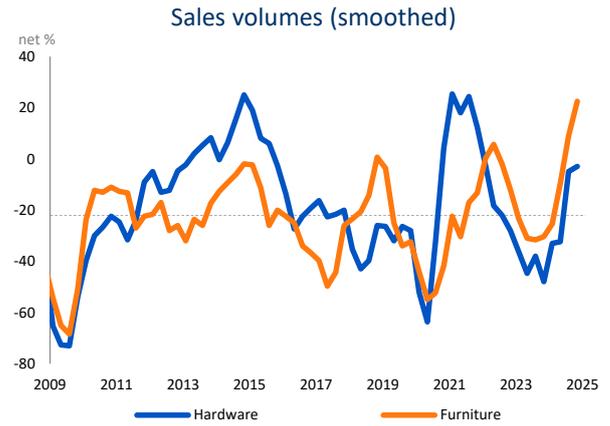*Δ – change from previous period*
σΔ – volatility (standard deviation of the changes)
All of the above calculated over 2009 to the present
See Technical note for further details

RETAIL TRADE: DURABLES[9]

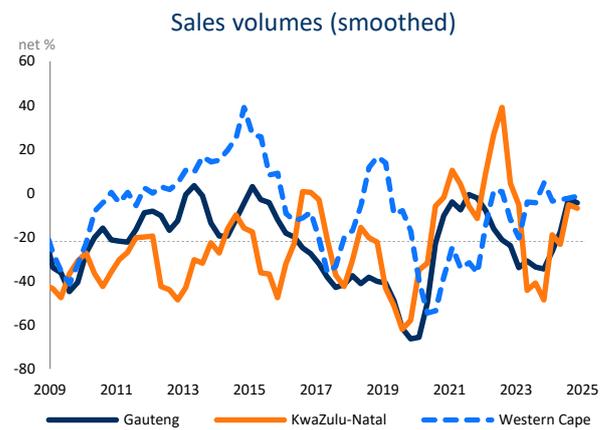| Indicator	Unit	μ-σ	μ	μ+σ	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	Δ	σ Δ
Confidence	%	26	39	52	41	32	27	45	31	43	60	**57**	-3	13
Business conditions	Net %	-50	-28	-6	-32	-49	-38	-35	-44	-19	1	**3**	2	21
Sales volumes														
Total	Net %	-44	-21	2	-37	-34	-45	-26	-52	-13	-5	**22**	27	22
Hardware	Net %	-48	-19	10	-41	-39	-54	-21	-69	-9	-19	**13**	32	27
Furniture	Net %	-46	-23	0	-31	-29	-33	-33	-25	-18	14	**31**	17	25
Selling prices	Net %	8	33	57	62	63	43	37	58	33	34	**12**	-22	19

Confidence

Sales volumes (smoothed)

Selling prices

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[9] "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
σΔ – volatility (standard deviation of the changes)
All of the above calculated over 2009 to the present
See Technical note for further details

RETAIL TRADE: PROVINCES

| Indicator	Unit	μ-σ	μ	μ+σ	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	Δ	σ Δ
Gauteng														
Confidence	%	23	37	51	26	27	29	28	22	25	43	**63**	20	13
Smoothed	%	26	37	48	32	27	28	26	25	30	44	**53**	9	5
Sales volumes	Net %	-43	-23	-3	-30	-40	-23	-38	-43	1	-11	**2**	13	18
Smoothed	Net %	-40	-23	-6	-34	-31	-34	-35	-27	-18	-3	**-5**	-2	8
KwaZulu-Natal														
Confidence	%	20	39	57	42	15	34	81	9	76	54	**34**	-20	23
Smoothed	%	26	39	51	32	30	43	41	55	46	55	**44**	-11	7
Sales volumes	Net %	-52	-24	4	-47	5	-91	-37	-18	-2	-50	**36**	86	34
Smoothed	Net %	-44	-24	-4	-5	-44	-41	-49	-19	-23	-5	**-7**	-2	13
Western Cape														
Confidence	%	33	45	57	44	28	43	52	66	45	42	**59**	17	16
Smoothed	%	37	45	53	35	38	41	54	54	51	49	**51**	2	5
Sales volumes	Net %	-33	-8	18	-17	-16	21	-18	11	-4	-16	**13**	29	27
Smoothed	Net %	-28	-8	13	-20	-4	-4	5	-4	-3	-2	**-2**	0	10
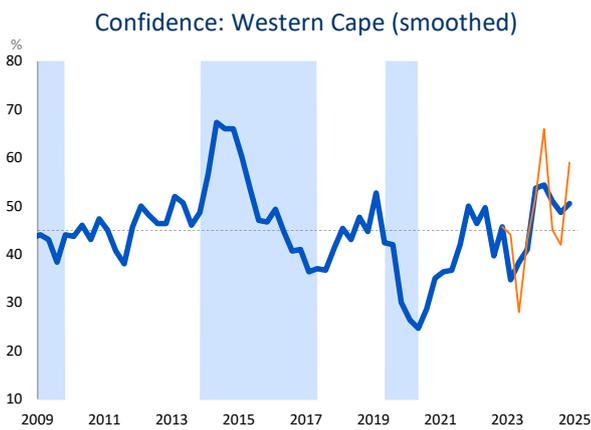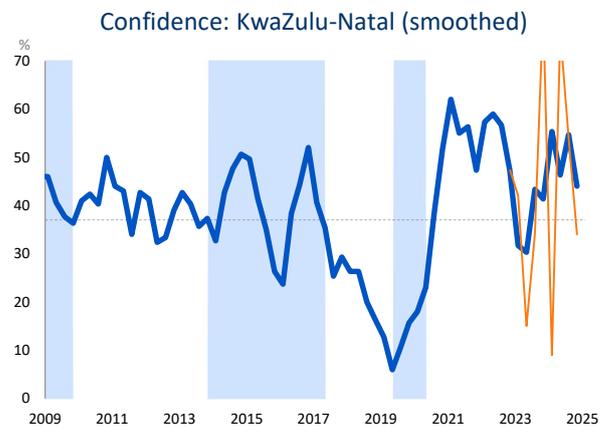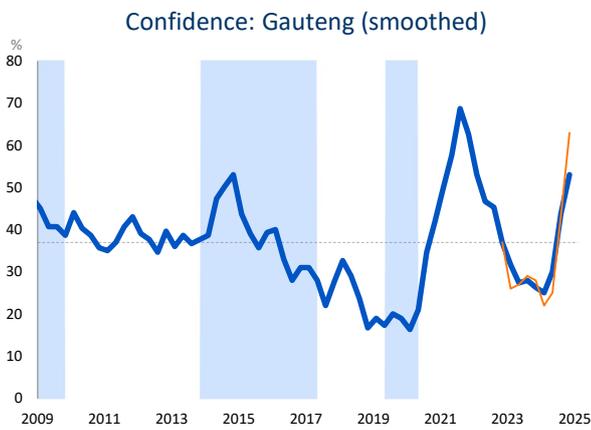
Confidence: Gauteng (smoothed)

Confidence: KwaZulu-Natal (smoothed)

Confidence: Western Cape (smoothed)

Sales 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 2009 to the present
See Technical note for further details

WHOLESALE TRADE: TOTAL[10]

Indicator	Unit	μ-σ	μ	μ+σ	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	Δ	σ Δ
Confidence	%	35	45	56	40	32	38	36	37	53	51	**60**	9	9
Business conditions	Net %	-52	-30	-7	-39	-40	-62	-46	-54	-35	-9	**2**	11	20
Sales volumes	Net %	-42	-21	-1	-27	-35	-34	-34	-13	-17	-17	**0**	17	17
Selling prices	Net %	4	25	47	47	48	15	26	36	29	17	**13**	-4	16
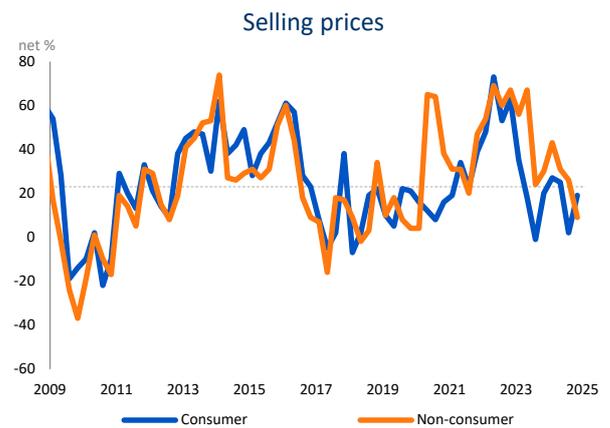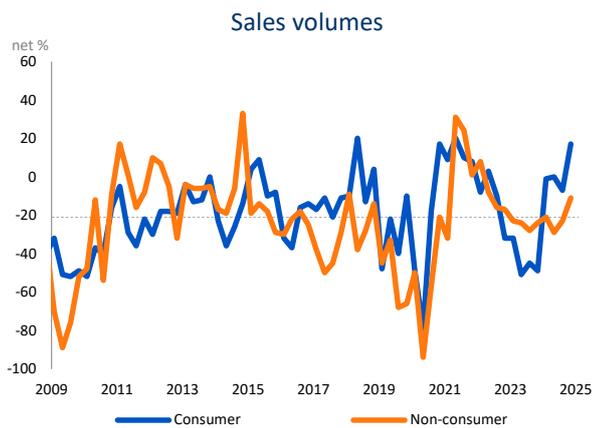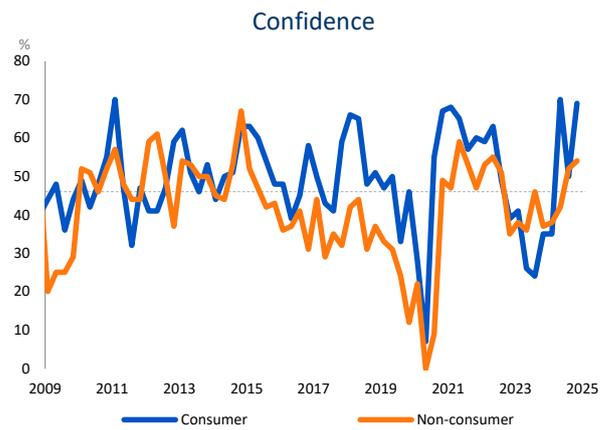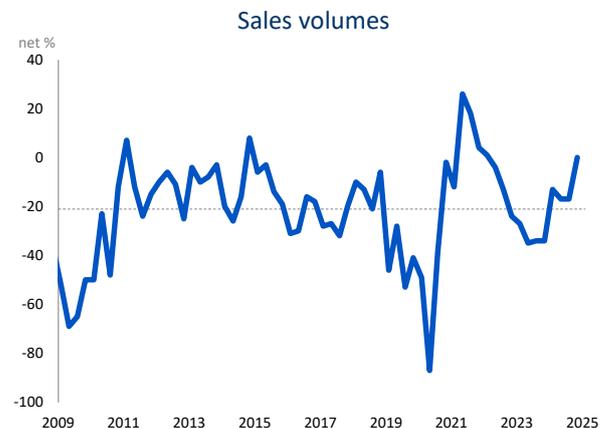
[10] The "wholesale trade total" consists of the "wholesale trade consumer goods" and the "wholesale trade non-consumer goods" sectors. The BER does not cover the wholesale trade on a fee or contract basis (SIC code 611), the wholesale trade in precious stones, jewellery and silverware (61393) and the 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 GOODS[11]

Indicator	Unit	μ-σ	μ	μ+σ	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	Δ	σ Δ
Confidence	%	37	49	61	41	26	24	35	35	70	50	**69**	19	13
Business conditions	Net %	-53	-30	-6	-58	-37	-72	-66	-54	-18	-19	**18**	37	23
Sales volumes	Net %	-40	-19	2	-32	-51	-45	-49	-1	0	-7	**17**	24	20
Selling prices	Net %	3	24	46	35	18	-1	20	27	25	2	**19**	17	18

Confidence

Sales volumes

Selling prices

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[11] 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
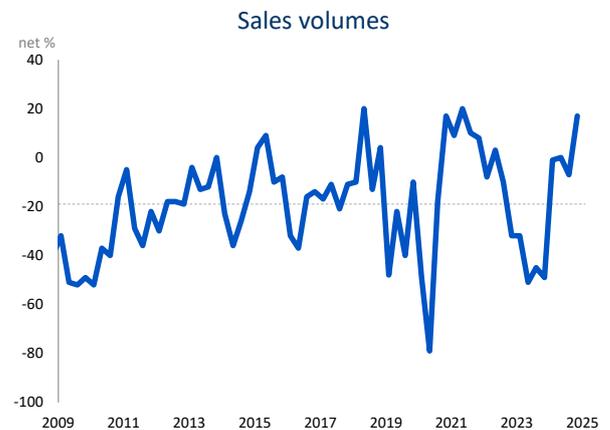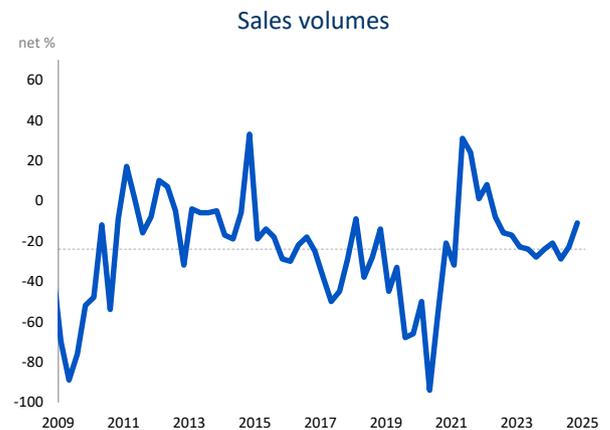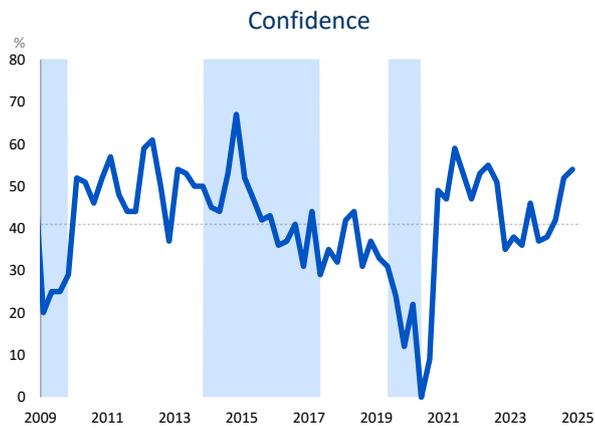*Δ – change from previous period*
σ_Δ – volatility (standard deviation of the changes)
All of the above calculated over 2009 to the present
See Technical note for further details

WHOLESALE TRADE: NON-CONSUMER GOODS[12]

Indicator	Unit	μ-σ	μ	μ+σ	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	Δ	σ Δ
Confidence	%	29	42	54	38	36	46	37	38	42	52	**54**	2	11
Business conditions	Net %	-55	-30	-5	-25	-40	-54	-31	-53	-45	-1	**-15**	-14	22
Sales volumes	Net %	-50	-24	2	-23	-24	-28	-24	-21	-29	-23	**-11**	12	22
Selling prices	Net %	0	25	50	56	67	24	30	43	31	26	**9**	-17	19

Confidence

Sales volumes

Selling prices

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[12] 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).
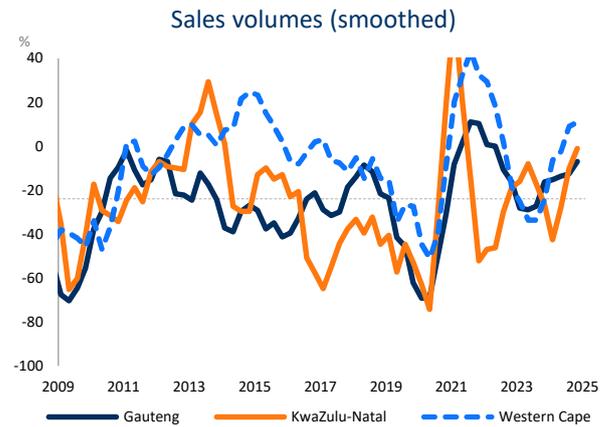
μ – average
σ – standard deviation
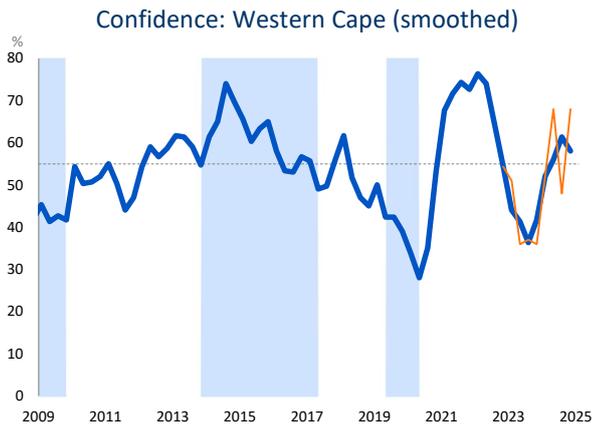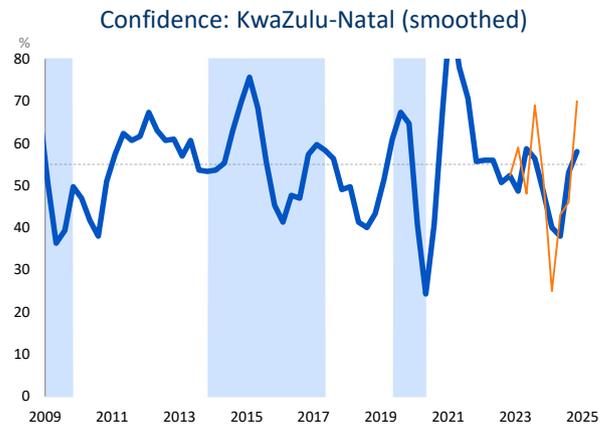*Δ – change from previous period*
σ_Δ – volatility (standard deviation of the changes)
All of the above calculated over 2009 to the present
See Technical note for further details

WHOLESALE TRADE: PROVINCES

Indicator	Unit	μ-σ	μ	μ+σ	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	Δ	σ Δ
Gauteng														
Confidence	%	29	42	54	33	33	38	40	35	51	65	**67**	2	9
Smoothed	%	31	42	52	33	35	37	38	42	50	61	**66**	5	5
Sales volumes	Net %	-49	-26	-3	-23	-37	-27	-18	-4	-24	-13	**-1**	12	20
Smoothed	Net %	-45	-26	-7	-28	-29	-27	-16	-15	-14	-13	**-7**	6	9
KwaZulu-Natal														
Confidence	%	37	54	72	59	48	69	52	25	43	46	**70**	24	21
Smoothed	%	43	54	66	49	59	56	49	40	38	53	**58**	5	9
Sales volumes	Net %	-60	-26	8	-13	-30	19	-40	-59	-29	4	**-6**	-10	38
Smoothed	Net %	-51	-25	0	-16	-8	-17	-27	-43	-28	-10	**-1**	9	18
Western Cape														
Confidence	%	40	54	69	51	36	37	36	52	68	48	**68**	20	15
Smoothed	%	43	54	65	44	41	36	42	52	56	61	**58**	-3	6
Sales volumes	Net %	-34	-7	20	-32	-20	-49	-32	8	5	-20	**42**	62	26
Smoothed	Net %	-29	-7	15	-25	-34	-34	-24	-6	-2	9	**11**	2	11

Confidence: Gauteng (smoothed)

Confidence: KwaZulu-Natal (smoothed)

Confidence: Western Cape (smoothed)

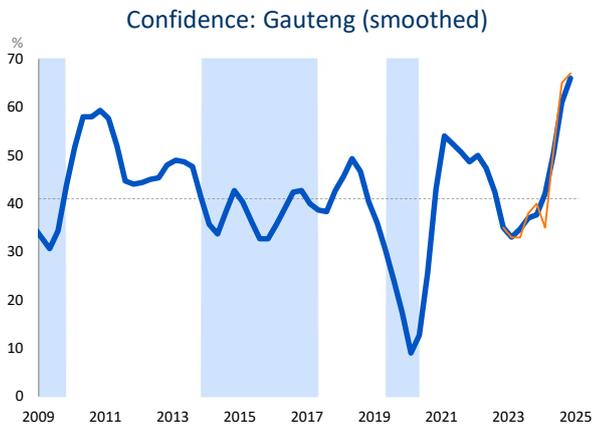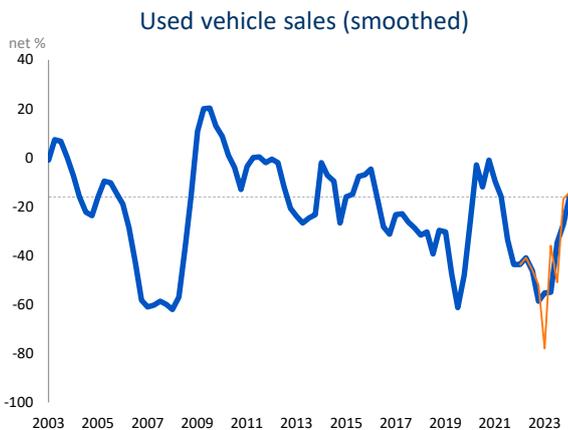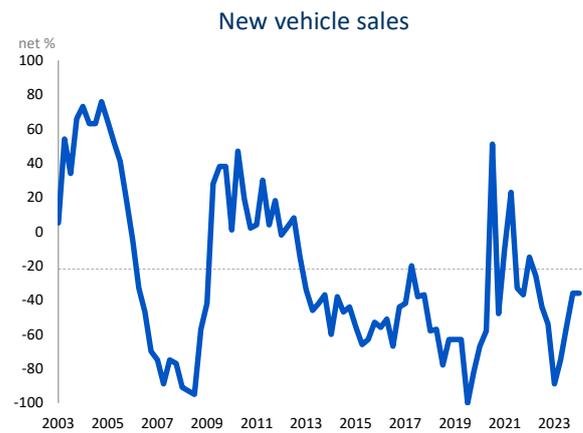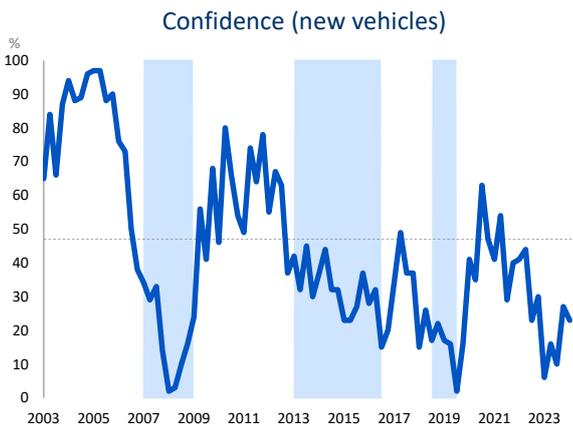
Sales volumes (smoothed)

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

MOTOR TRADE[13]

Indicator	Unit	μ-σ	μ	μ+σ	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	Δ	σ Δ
New vehicles														
Confidence	%	17	41	66	44	23	30	6	16	10	27	**23**	-4	14
Sales volumes	Net %	-74	-30	15	-26	-44	-54	-89	-75	-55	-36	**-36**	0	26
Used vehicles														
Sales volumes	Net %	-49	-23	2	-41	-46	-52	-78	-36	-51	-17	**-14**	3	24
Smoothed	Net %	-44	-23	-3	-41	-46	-59	-55	-55	-35	-27	**-16**	11	10
Spare parts														
Sales volumes	Net %	-20	4	28	-3	2	7	6	9	14	25	**19**	-6	20
Smoothed	Net %	-17	4	25	2	2	5	7	10	16	19	**22**	3	8

Confidence (new vehicles)

New vehicle sales

Used vehicle sales (smoothed)
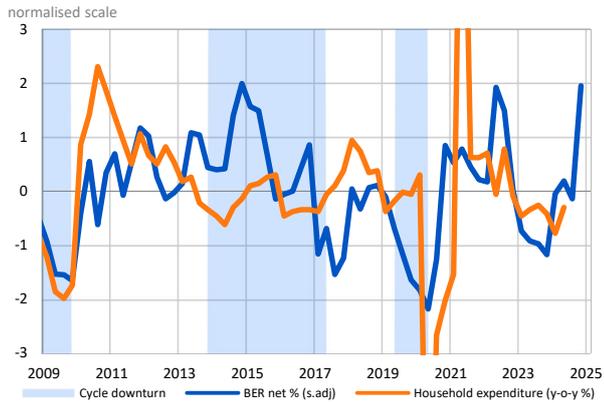

Spare part sales (smoothed)

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[13] 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).
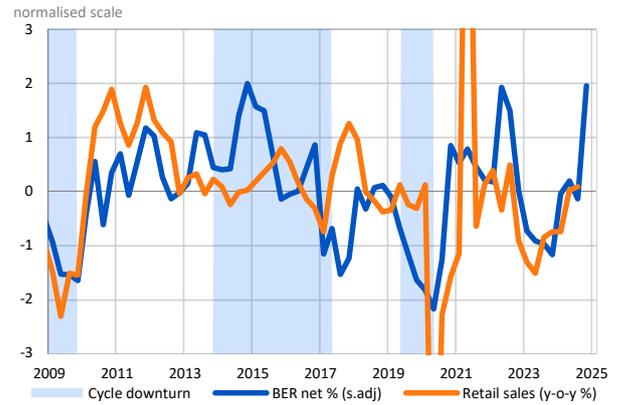
μ – average
σ – standard deviation
Δ – change from previous period
σ_Δ – volatility (standard deviation of the changes)
All of the above calculated over 2009 to the present
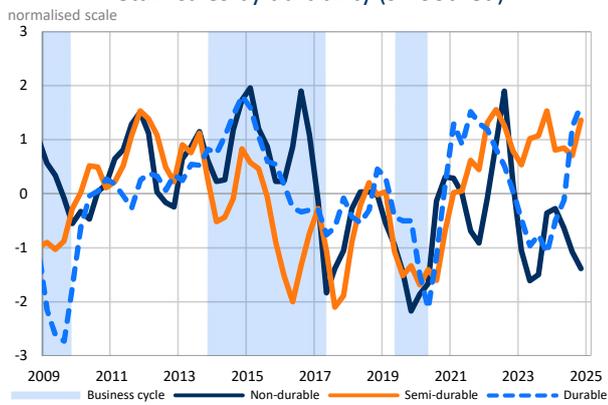*See Technical note for further details*
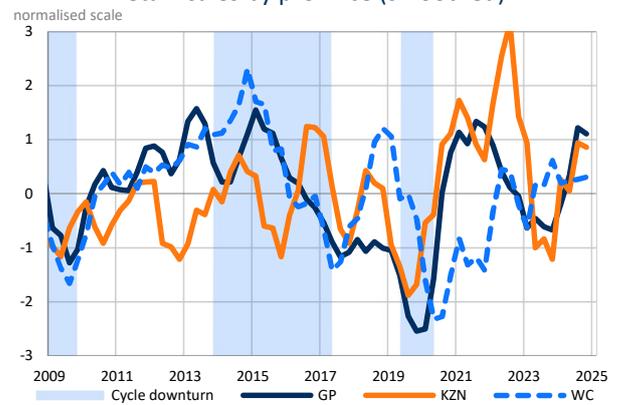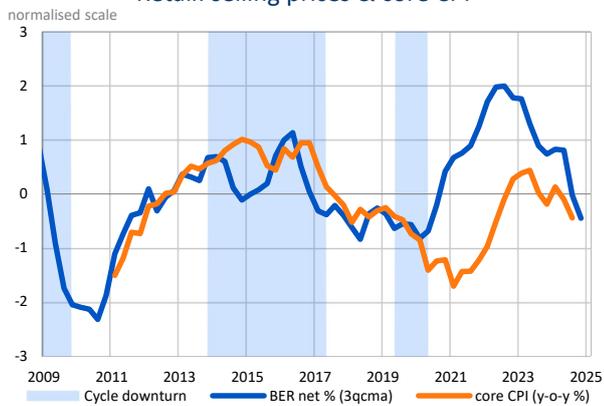
SUMMARY

BER retail sales & FHCE*
normalised scale

Legend: Cycle downturn | BER net % (s.adj) | Household expenditure (y-o-y %)

Retail sales
normalised scale

Legend: Cycle downturn | BER net % (s.adj) | Retail sales (y-o-y %)

Retail: sales by durability (smoothed)
normalised scale

Legend: Business cycle | Non-durable | Semi-durable | Durable

Retail: sales by province (smoothed)
normalised scale

Legend: Cycle downturn | GP | KZN | WC

Retail: selling prices & core CPI
normalised scale

Legend: Cycle downturn | BER net % (3qcma) | core CPI (y-o-y %)

Wholesale sales
normalised scale

Legend: Cycle downturn | BER net % | Wholesale sales (y-o-y %)

Motor: new vehicle sales
normalised scale

Legend: Cycle downturn | BER net % | Actual new vehicle sales (y-o-y %)

Motor: used vehicle sales
normalised scale

Legend: Cycle downturn | BER net % | Value used vehicle sales (y-o-y %)
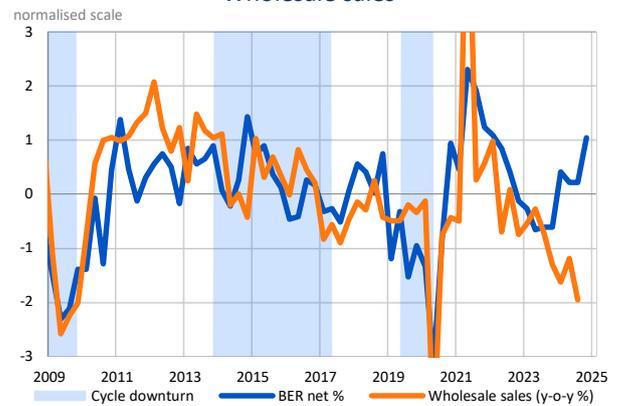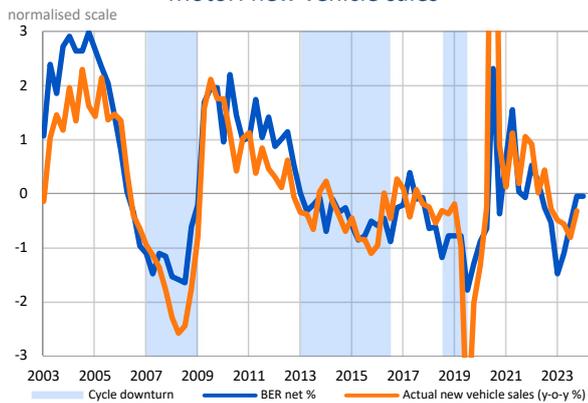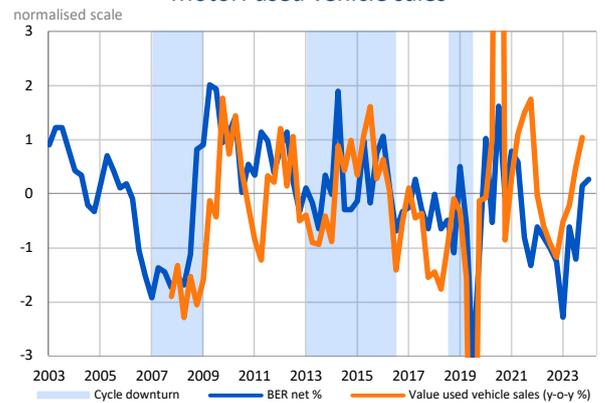
Incl. spending on cars, petrol and services.

19

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).

Survey vs Quantitative Data

Net % (lhs) — y-o-y % change (rhs)
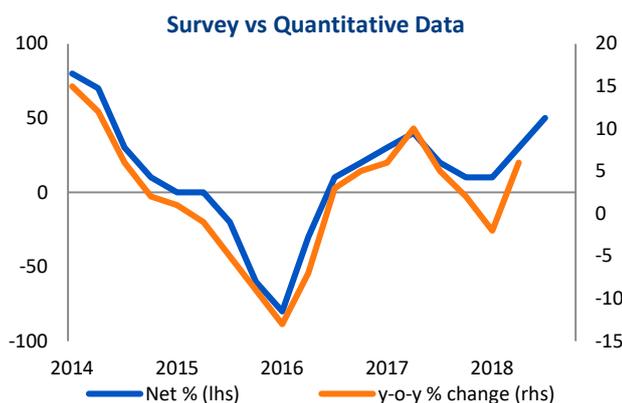
Percentage (%)

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.