

SURVEY PUBLICATION | FIRST QUARTER 2025

Building

Quarterly analysis of building construction activity

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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

The **FNB/BER Building Confidence Index** rose marginally to 41 in 2025Q1, from 40 in 2024Q4.

The biggest increase in sentiment was registered by hardware retailers. On the other end of the spectrum, the confidence of main building contractors registered a six-point decline.

Residential builder confidence increased by one point to 41 in 2025Q1, despite a deterioration in activity growth and overall profitability. The rating of insufficient new demand as a business constraint ticked higher to 76%, from 74% in 2024Q4.

Non-residential building activity also edged somewhat lower in 2025Q1. A more significant deterioration, however, was reported for overall profitability. As such, business confidence fell to 46 in 2025Q1, from 54 in 2024Q4.

Both residential and non-residential contractors are upbeat about prospects for activity (and also profitability and business conditions) next quarter, despite being disappointed by the realised outcome this quarter.

The expected improvement in work is in line with better activity among **architects**. Due to a worsening in business conditions, however, sentiment retreated to 38 in 2025Q1, from 42 in 2024Q4. Meanwhile, the business confidence of **quantity surveyors** gained four points to register a level of 46.

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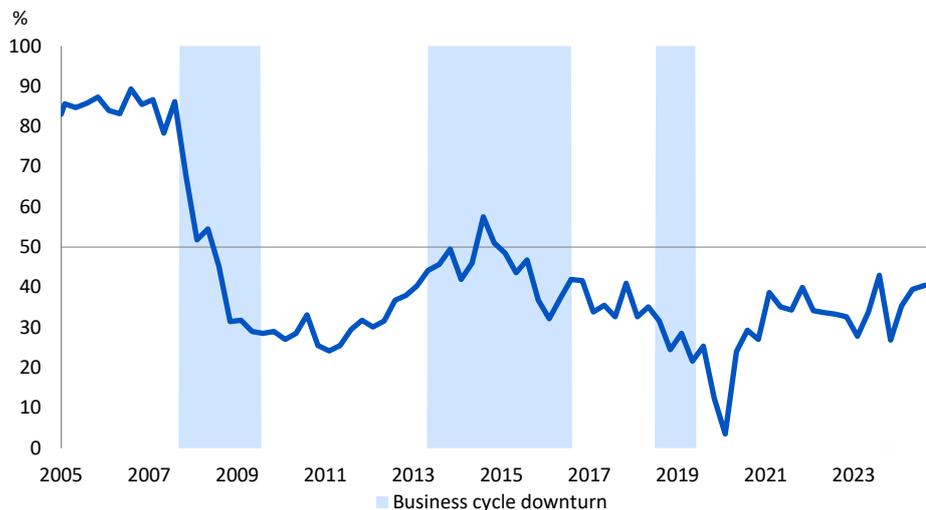
Introduction

The report outlines some of the key findings of the BER's 2025Q1 Building and Construction Survey, including the **FNB/BER Building Confidence Index** as well as related data.

Summary of the 2025Q1¹ building survey results

The **FNB/BER Building Confidence Index** gained one point to register a level of 41 in 2025Q1 (Figure 1). While close to the long-term average (of 42), the current reading means that almost 60% of respondents are dissatisfied with prevailing business conditions.

Figure 1: FNB/BER Business Confidence Index



Source: BER

Regarding the sub-sectors, the following changes in sentiment were recorded compared to 2024Q4: hardware retailers (+9), quantity surveyors (+4), building sub-contractors (+3), building material manufacturers (-2), architects (-4) and main contractors (-6).

In terms of activity, the results were also mixed. From the perspective of main building contractors, work slowed. However, respondents expect an improved performance next quarter (and likely for the remainder of the year). This is in step with the higher activity reported among architects – which is a good indicator of prospective building activity.

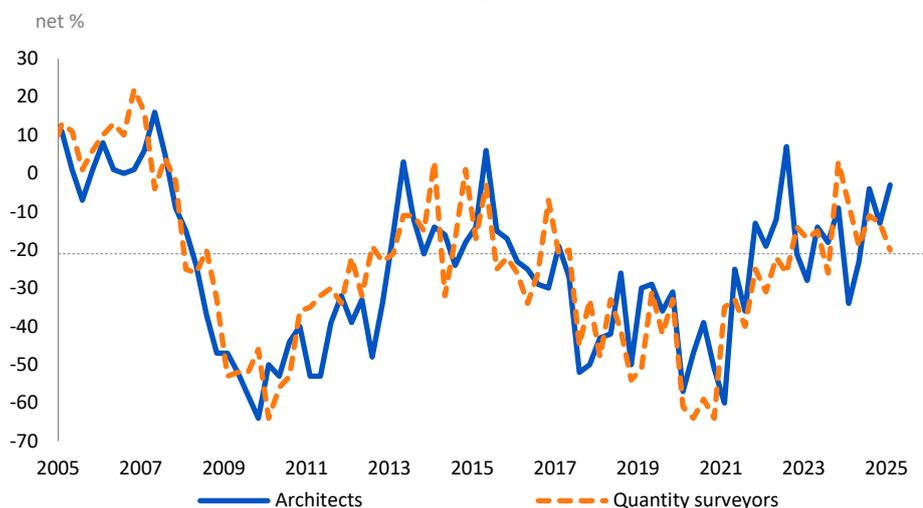
¹ The 2025Q1 survey was conducted between 5 and 24 February 2025.

ARCHITECT ACTIVITY IMPROVES ONCE MORE IN 2025Q1

After declining to -13% in 2024Q4, the average activity index² for **architects** rose to -3% in 2025Q1 (Figure 2). This is significantly higher than the long-term average reading of -26%. However, despite the improvement in work, business confidence was lower (at 38 index points versus 42 in 2024Q4). Weighing on sentiment this quarter was a deterioration in business conditions. Whereas a net 3% of respondents noted that business conditions worsened compared to a year earlier in 2024Q4, 12% stated as such this quarter. Looking at the comments, much of this can be attributed to frustration regarding the slow pace at which building plan approvals take place – which crucially affects this sector.

Quantity surveyor confidence rose to 46 in 2025Q1, from 42 in 2024Q4. Sentiment moved higher even though activity³ deteriorated. A net 20% of respondents indicated lower activity growth in 2025Q1 relative to the same time last year, up from 13% that reported as such in 2024Q4.

Figure 2: Architect and quantity surveyors, growth in activity



Source: BER

Activity at the start of the building pipeline saw a decent improvement toward the end of last year. According to Statistics South Africa (Stats SA), the real value of total building plans passed rose by 7.9% year-on-year (y-o-y) in 2024Q4, from 3.3% in 2024Q3. This figure was boosted by a more than 40% y-o-y increase in the real value of non-residential building plans passed, while the real value of residential plans passed registered more subdued growth of 2.5% y-o-y. The real value of plans passed for additions and alterations, in contrast, contracted by 3.7% y-o-y in 2024Q4.

The survey results suggest that a further uptick in plans passed in 2025Q1 is likely.

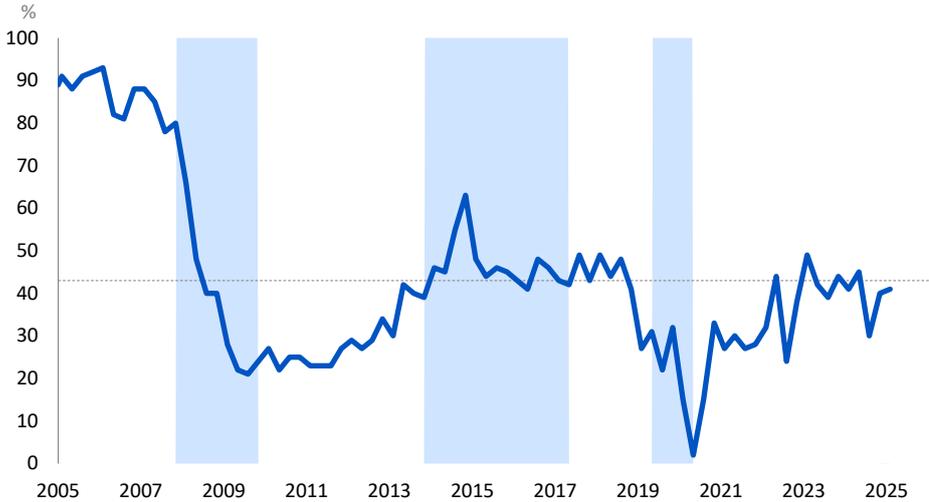
² This is the average of the indices measuring activity at sketch plan stage, working drawing stage and commissioned projects stage.

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

RESIDENTIAL CONTRACTOR CONFIDENCE LARGELY FLAT

Residential builder confidence registered a level of 41 in 2025Q1, from 40 in 2024Q4 (Figure 3). While sentiment was broadly flat, most of the other indicators worsened relative to 2024Q4 (but closer to levels recorded in 2024Q3), including the rating of business conditions. A net 25% of respondents noted that business conditions had deteriorated in 2025Q1 relative to a year ago, up from 6% that stated as such in 2024Q4.

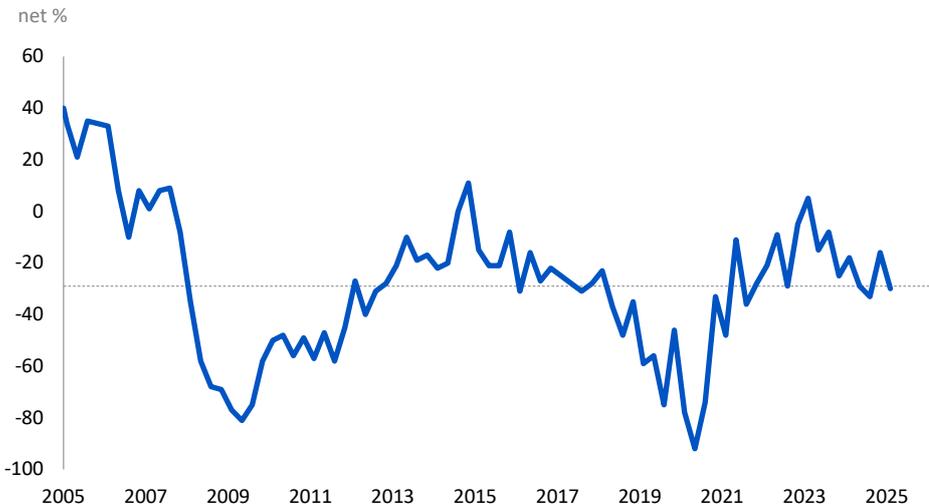
Figure 3: Residential builder confidence



Source: BER

Activity also slipped this quarter. According to a net 30% of respondents, growth in building activity was lower in 2025Q1 relative to a year earlier, up from 16% that indicated lower activity growth in 2024Q4. According to Stats SA, the real value of residential building investment declined by 5.9% y-o-y in 2024Q4. These survey results suggest that the weakness in activity continued at the start of the year.

Figure 4: Residential builders, growth in activity



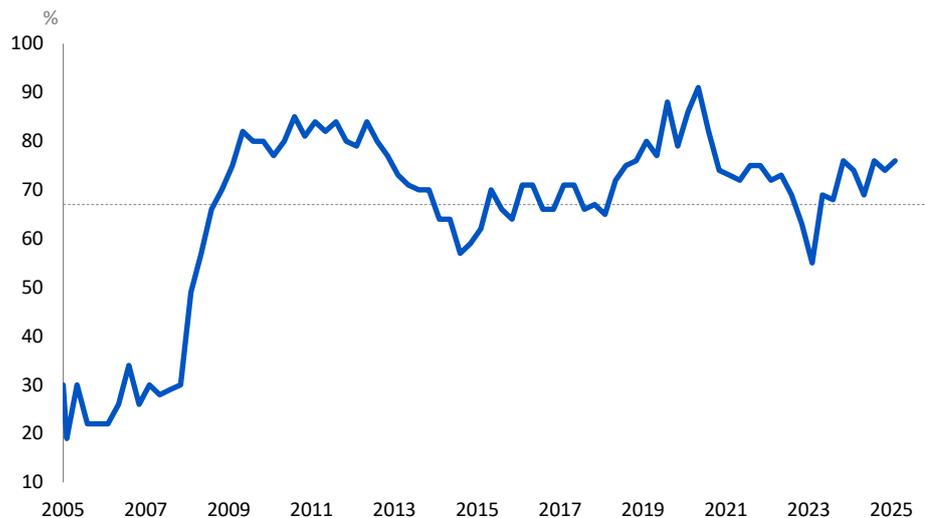
Source: BER

As a result of the decline in work, overall profitability deteriorated notably (also due to tendering competition that, while unchanged, is at an elevated level).

While activity was weaker this quarter, residential builders are optimistic regarding prospects for work next quarter. Indeed, respondents are upbeat about prospects for 2025Q2 in general (i.e. also for employment and overall profitability) relative to the realised outcomes of this quarter.

The positive expectation for future activity is unfortunately not reflected in order books. The rating of insufficient demand as a constraint (a proxy for order books) edged higher to 76% in 2025Q1, from 74% in 2024Q4 (Figure 5).

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



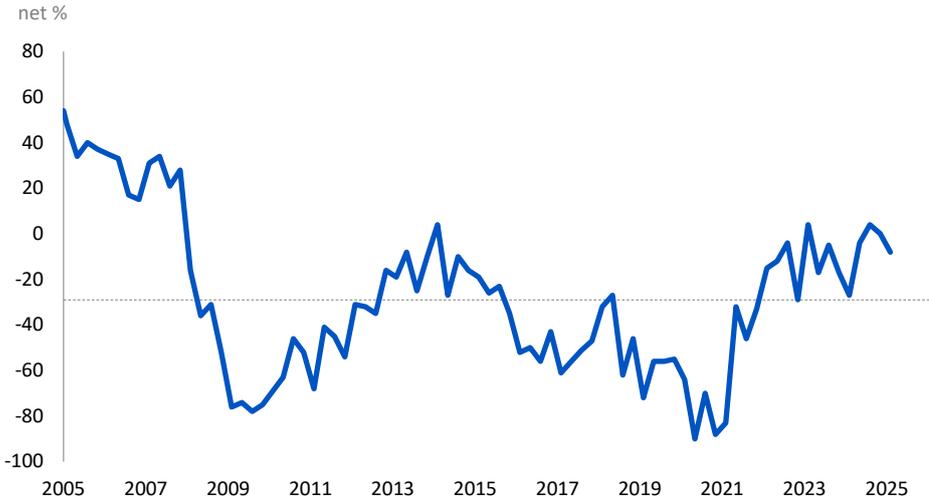
Source: BER

In terms of the other constraints, the most significant reading was the rating of the supply of building material. Only 24% of respondents indicated that the supply of building materials was inadequate, its lowest level since 2020Q2. In addition, the rating of access to credit as a constraint was also lower. Of course, this could be because of weaker activity as these questions are relative to demand (i.e. if work is slow, demand for materials would be too and, as such, procuring building materials would be relatively easier).

NON-RESIDENTIAL ACTIVITY SLIGHTLY WEAKER IN Q1

Stats SA reported that the real value of **non-residential** building investment increased by an annual rate of 4.7% in 2024Q4, from 0.5% in 2024Q3. The latest survey results suggest that the pace should more or less be maintained this quarter. The index measuring the growth in activity registered a level of -8% in 2025Q1, from 0 in 2024Q4 (Figure 6). However, if compared to the long-term average (of -29%), this (weaker) reading is still quite encouraging.

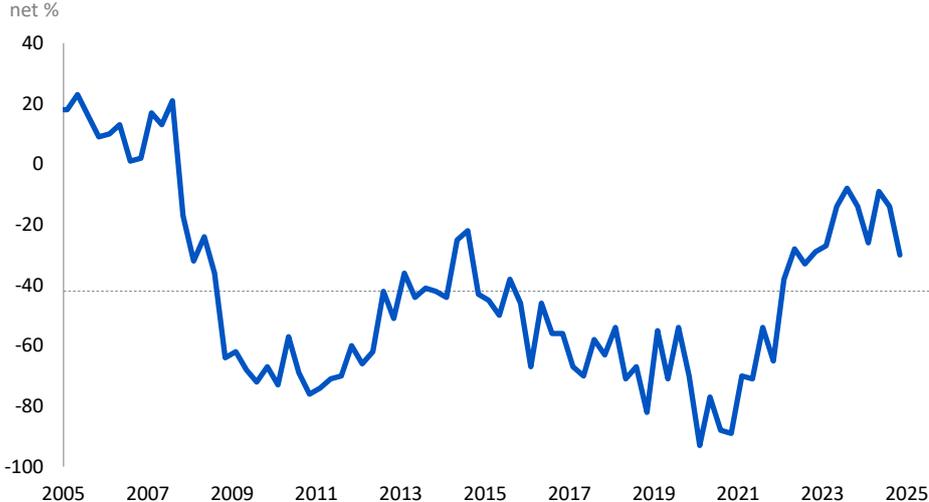
Figure 6: Non-residential builders, growth in activity



Source: BER

Overall profitability also deteriorated. A net 30% of respondents reported that overall profitability was lower than a year earlier in 2025Q1, from 14% that stated as such in 2024Q4 (Figure 7). This is the worst level since end-2022.

Figure 7: Non-residential builders, growth in overall profitability

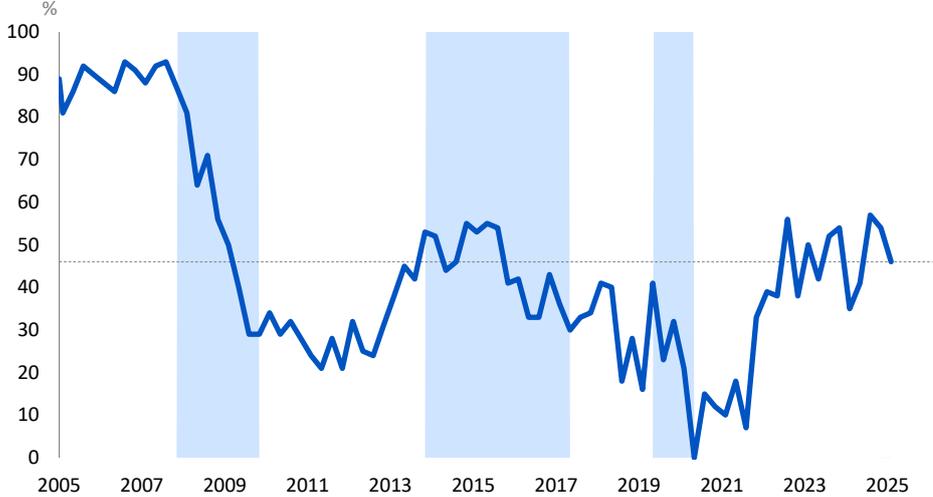


Source: BER

Also lower this quarter was the rating of business conditions. Whereas in 2024Q4 a net 11% of respondents stated that business conditions had improved compared to a year earlier, 12% of respondents reported that it had worsened in 2025Q1.

In all, the deterioration in business conditions, activity and profitability explains the eight-point drop, to 46, in non-residential builder confidence (Figure 8).

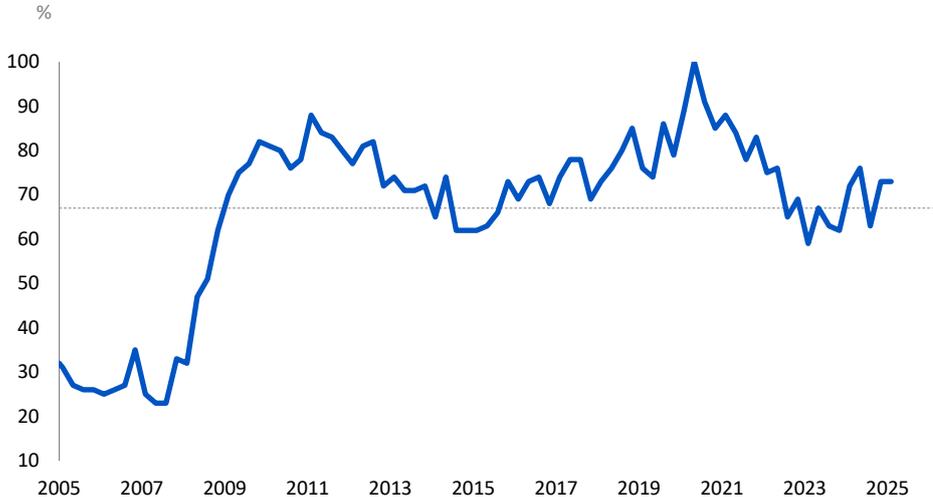
Figure 8: Non-residential builder confidence



Source: BER

The outlook for activity next quarter is quite optimistic (so too for employment growth and overall profitability). However, this does not match with order books. The rating of insufficient new demand as a business constraint remained elevated at 73% this quarter (Figure 9).

Figure 9: Non-residential builders, insufficient demand as a business constraint



Source: BER

In conclusion

The **FNB/BER Building Confidence Index** increased to 41 in 2025Q1, from 40 in 2024Q4.

Activity for both residential and non-residential builders lost some steam this quarter after ending 2024 on a relatively solid footing.

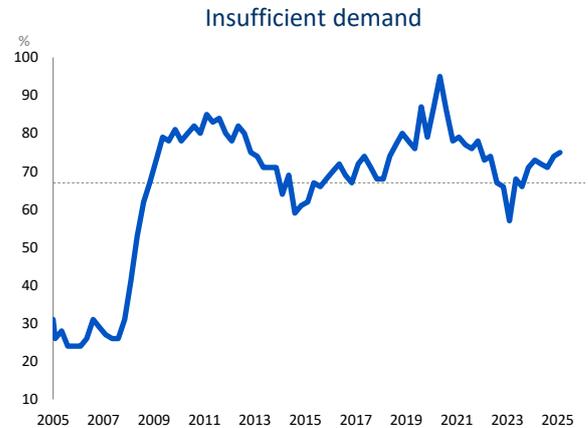
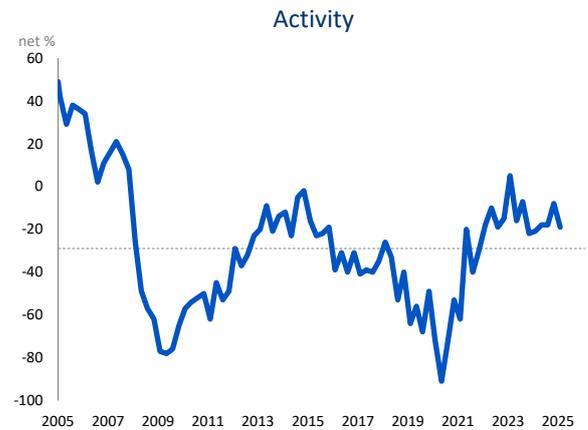
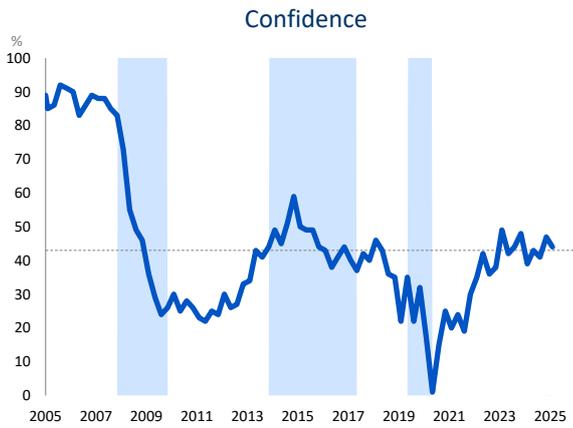
Interestingly, despite the weaker realised outcome for activity this quarter, respondents (again both residential and non-residential) are upbeat about prospects for activity next quarter. This is supported by the uptick in work by architects – which is earlier on in the building value chain and is a leading indicator for future building construction. Indeed, official data has already shown that a recovery in building plans passed is taking shape and would probably be even more pronounced were it not for the delays in municipal approvals.

In contrast, the rating of insufficient demand as a business constraint – a proxy for order books – is still quite high and argues against the prospects for better activity in coming quarters. The confidence of builders could retreat if realised activity remains weak next quarter.

Survey results

BUILDING: TOTAL⁴

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	Δ	σ_{Δ}
Confidence	%	23	43	64	42	44	48	39	43	41	47	44	-3	7
Activity	Net %	-57	-29	0	-16	-7	-22	-21	-18	-18	-8	-19	-11	13
Tendering competition	Net %	32	47	62	47	44	48	47	48	49	53	54	1	7
Insufficient demand	%	49	67	85	68	66	71	73	72	71	74	75	1	5

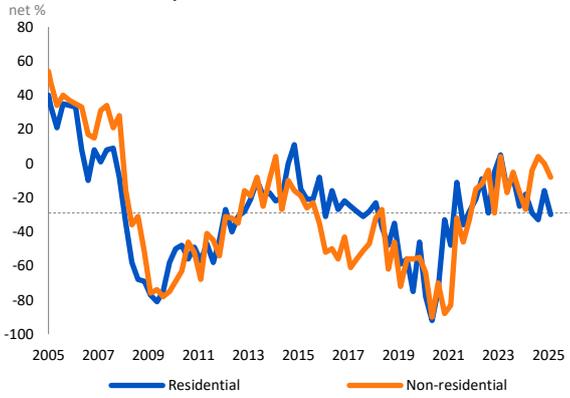


⁴ Combined residential and non-residential building activity of contractors and sub-contractors.

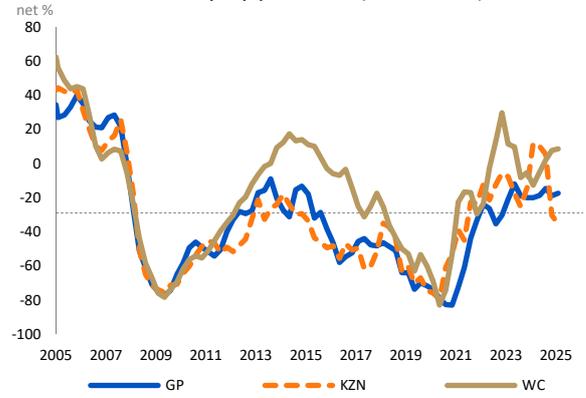
μ - average
 σ - standard deviation
 Δ - change from previous period
 σ_{Δ} - volatility (standard deviation of the changes)
 All above calculated over the last 20 years
 See technical note for further details

BUILDING: TOTAL

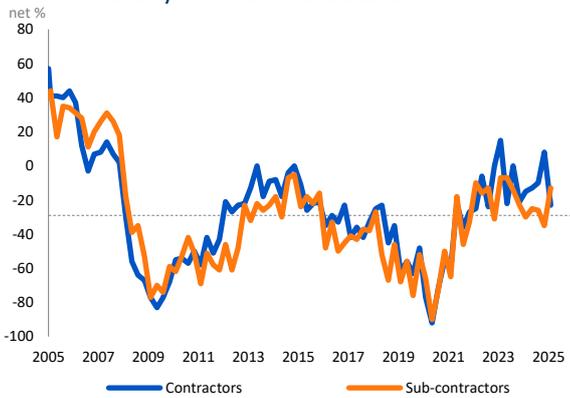
Activity: residential & non-residential



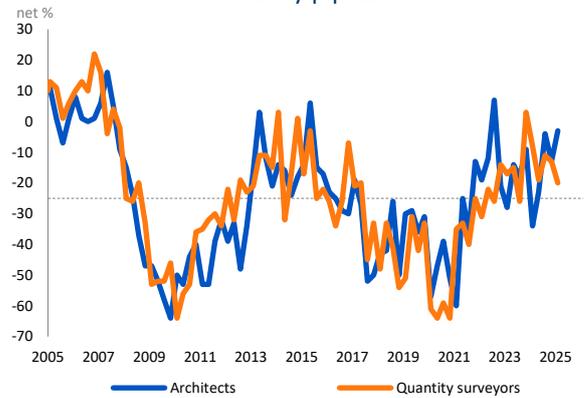
Activity by province (smoothed)



Activity: contractors & sub-contractors



Activity pipeline



μ - average

σ - standard deviation

Δ - change from previous period

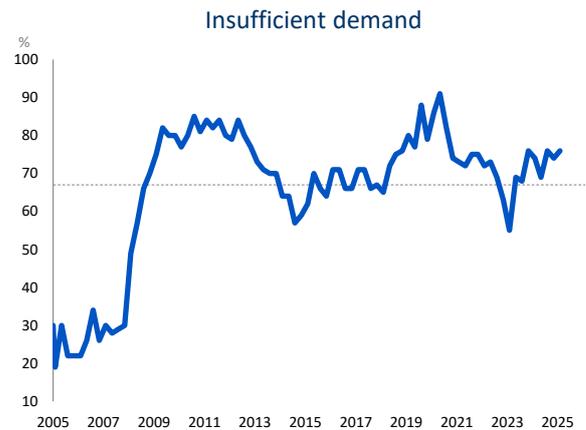
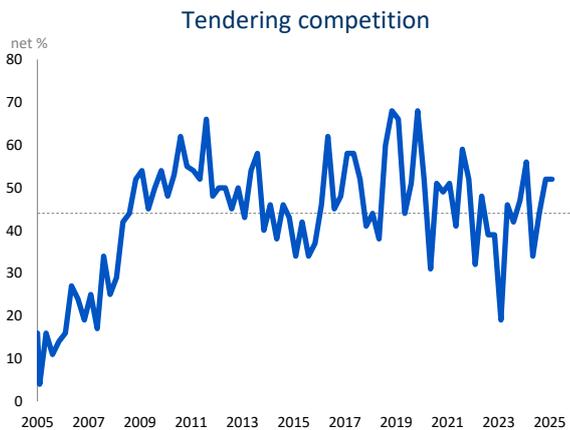
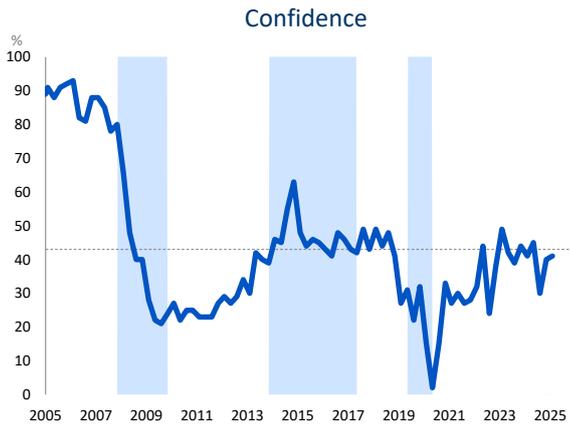
σ_{Δ} - volatility (standard deviation of the changes)

All above calculated over the last 20 years

See technical note for further details

BUILDING: RESIDENTIAL⁵

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	Δ	σ_{Δ}
Confidence	%	22	43	63	42	39	44	41	45	30	40	41	1	8
Activity	Net %	-56	-29	-1	-15	-8	-25	-18	-29	-33	-16	-30	-14	15
Seasonally adjusted	Net %	-56	-29	-2	-16	0	-27	-23	-30	-24	-18	-36	-18	13
Tendering competition	Net %	31	44	57	46	42	47	56	34	44	52	52	0	11
Insufficient demand	%	49	67	84	69	68	76	74	69	76	74	76	2	5



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

μ - average

σ - standard deviation

Δ - change from previous period

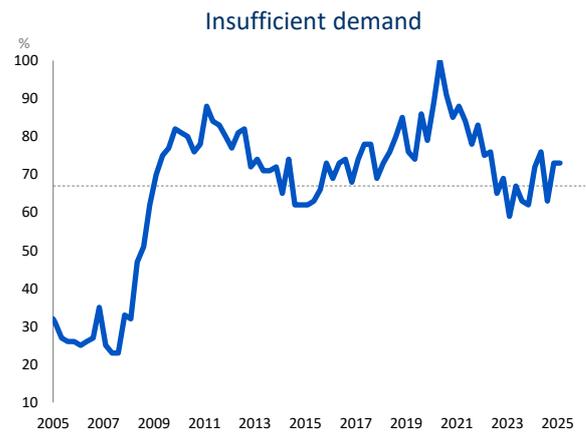
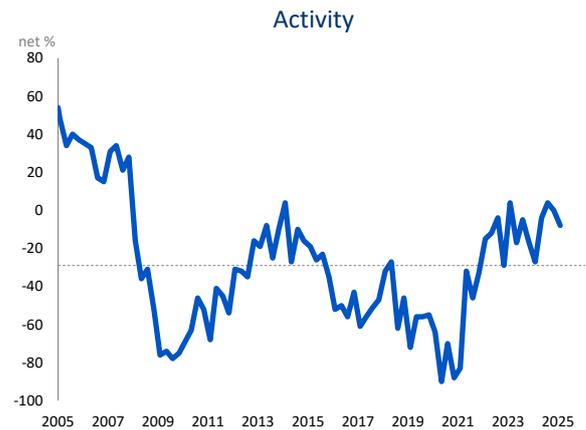
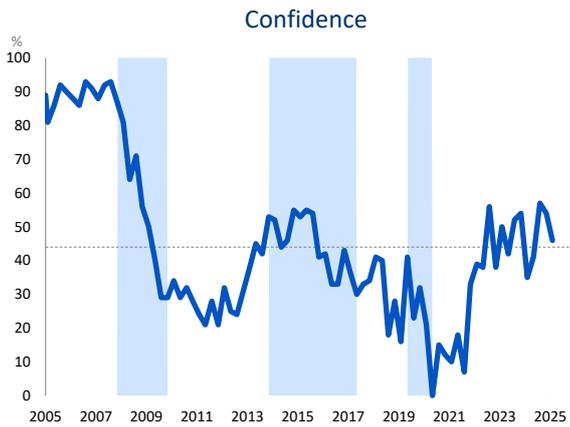
σ_{Δ} - volatility (standard deviation of the changes)

All above calculated over the last 20 years

See technical note for further details

BUILDING: NON-RESIDENTIAL⁶

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	Δ	σ_{Δ}
Confidence	%	21	44	67	42	52	54	35	41	57	54	46	-8	10
Activity	Net %	-62	-29	4	-17	-5	-17	-27	-4	4	0	-8	-8	16
Tendering competition	Net %	31	51	71	50	48	50	35	65	57	56	56	0	10
Insufficient demand	%	48	67	86	67	63	62	72	76	63	73	73	0	6



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

μ - average

σ - standard deviation

Δ - change from previous period

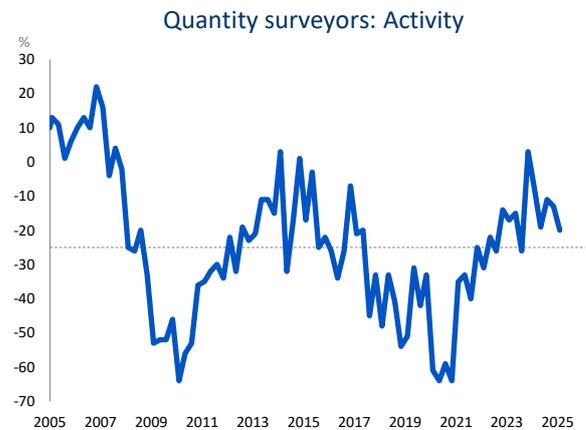
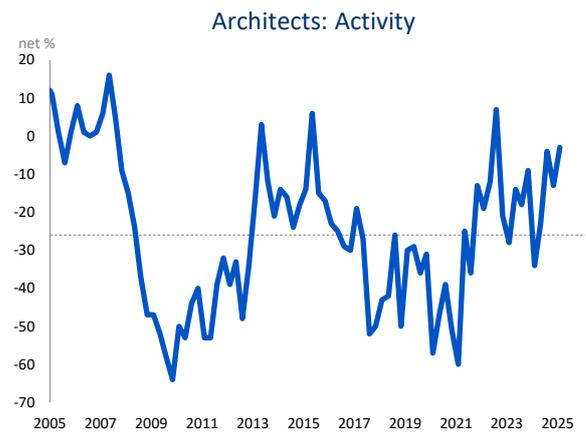
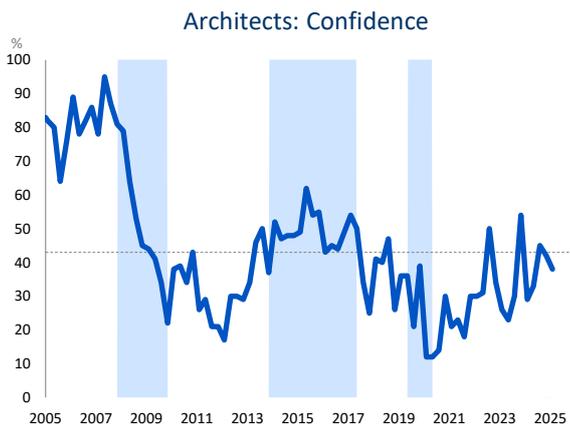
σ_{Δ} - volatility (standard deviation of the changes)

All above calculated over the last 20 years

See technical note for further details

ARCHITECTS AND QUANTITY SURVEYORS⁷

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	Δ	σ_{Δ}
Architects														
Confidence	%	24	43	63	23	30	54	29	33	45	42	38	-4	11
Activity	Net %	-45	-26	-6	-14	-18	-9	-34	-23	-4	-13	-3	10	13
Quantity surveyors														
Confidence	%	20	44	68	26	39	38	42	47	37	42	46	4	9
Activity	Net %	-45	-25	-4	-15	-26	3	-8	-19	-11	-13	-20	-7	13



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

μ - average

σ - standard deviation

Δ - change from previous period

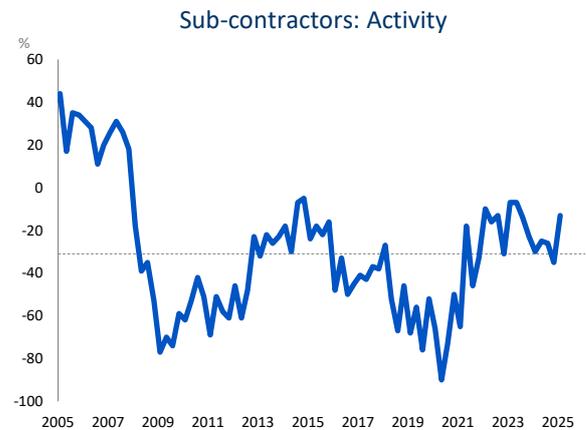
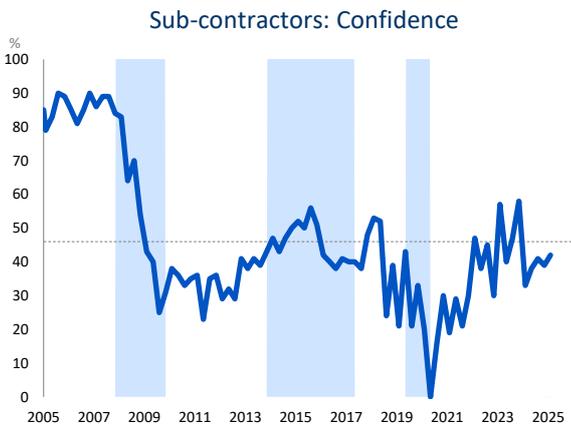
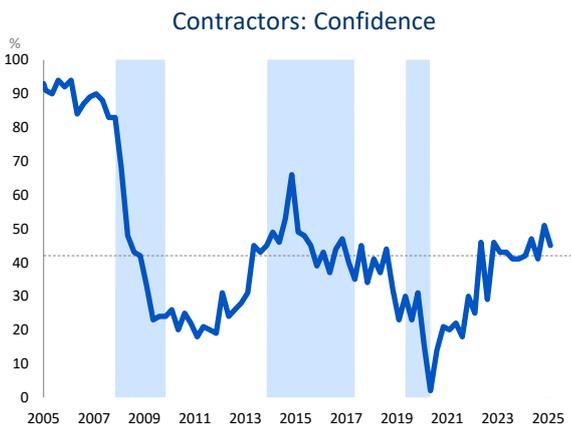
σ_{Δ} - volatility (standard deviation of the changes)

All above calculated over the last 20 years

See technical note for further details

BUILDING: CONTRACTORS AND SUB-CONTRACTORS⁸

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	Δ	σ_{Δ}
Contractors														
Confidence	%	20	42	64	43	41	41	42	47	41	51	45	-6	8
Activity	Net %	-57	-27	3	-22	0	-21	-15	-13	-10	8	-23	-31	15
Sub-contractors														
Confidence	%	25	46	66	40	47	58	33	38	41	39	42	3	10
Activity	Net %	-61	-31	-1	-7	-14	-23	-30	-25	-26	-35	-13	22	16

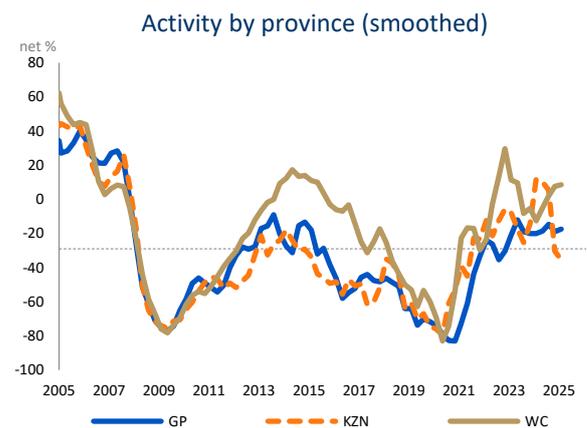
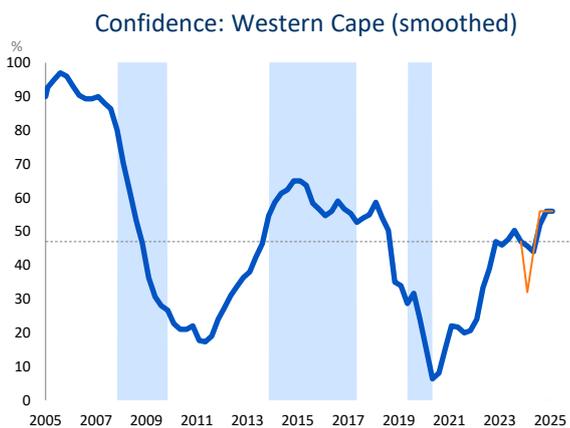
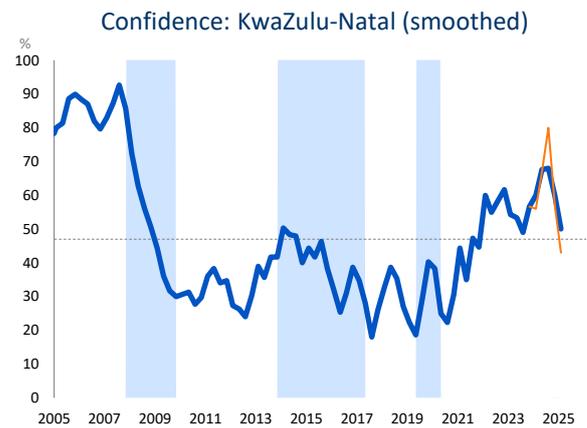
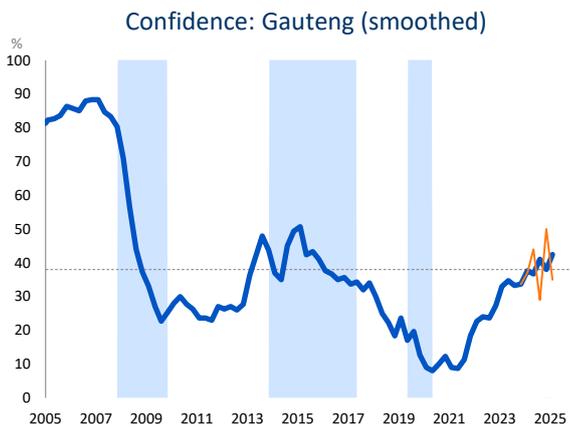


⁸ Sub-contractors cover the building trades, such as electricians, plumbers, painters and shop fitters.

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

BUILDING: PROVINCES

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	Δ	σ_{Δ}
Gauteng														
Confidence	%	15	38	61	36	32	32	37	44	29	50	35	-15	10
Smoothed	%	16	38	60	35	33	34	38	37	41	38	43	5	4
Activity	Net %	-66	-34	-1	-14	-17	-26	-17	-17	-22	-5	-30	-25	17
Smoothed	Net %	-65	-34	-3	-12	-19	-20	-20	-19	-15	-19	-18	1	8
KwaZulu-Natal														
Confidence	%	24	47	69	33	57	57	56	67	80	57	43	-14	18
Smoothed	%	27	47	67	53	49	57	60	68	68	60	50	-10	7
Activity	Net %	-67	-33	1	-33	-29	-14	0	50	-20	-14	-57	-43	25
Smoothed	Net %	-64	-33	-2	-17	-25	-14	12	10	5	-30	-36	-6	10
Western Cape														
Confidence	%	23	47	71	42	48	61	32	44	56	56	56	0	9
Smoothed	%	24	47	71	48	50	47	46	44	52	56	56	0	5
Activity	Net %	-53	-19	16	-25	17	-17	-16	-5	6	5	12	7	19
Smoothed	Net %	-51	-19	14	10	-8	-5	-13	-5	2	8	9	1	10



μ - average

σ - standard deviation

Δ - change from previous period

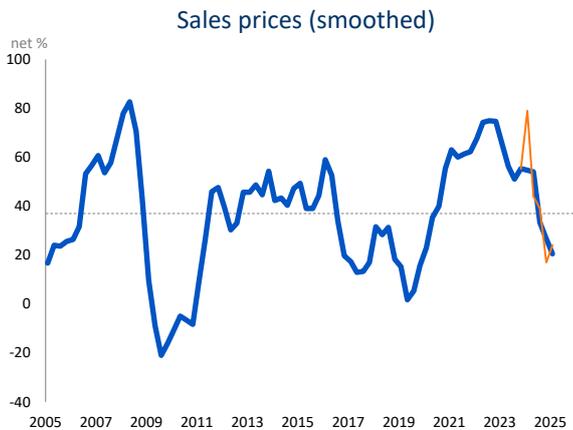
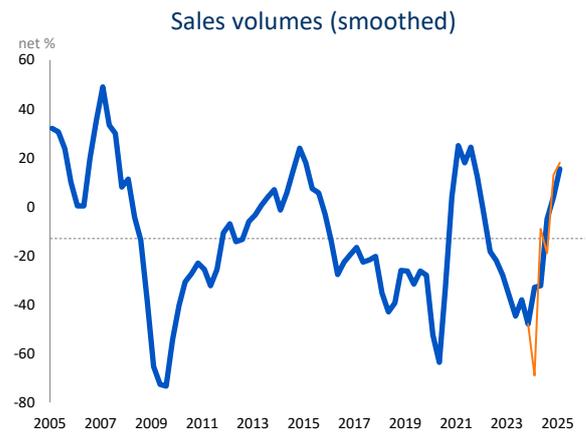
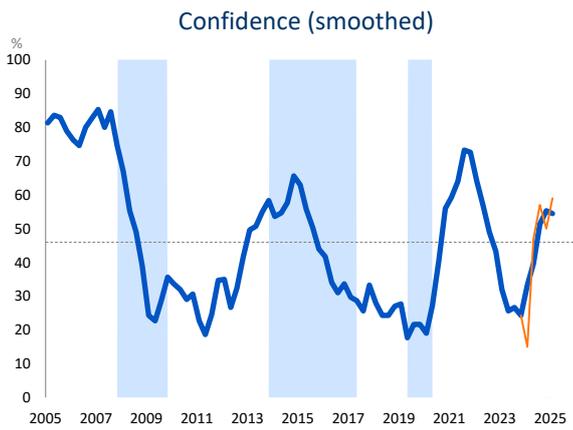
σ_{Δ} - volatility (standard deviation of the changes)

All above calculated over the last 20 years

See technical note for further details

BUILDING MATERIALS RETAIL TRADE⁹

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	Δ	σ_{Δ}
Confidence	%	23	46	68	22	20	38	15	47	57	50	59	9	16
Smoothed	%	26	46	65	26	27	24	33	40	51	55	55	0	6
Sales volumes	Net %	-44	-13	19	-39	-54	-21	-69	-9	-19	13	18	5	27
Smoothed	Net %	-39	-13	14	-45	-38	-48	-33	-32	-5	4	16	12	12
Sales prices	Net %	10	37	65	66	46	41	79	44	39	17	24	7	22
Smoothed	Net %	13	37	61	56	51	55	55	54	33	27	21	-6	10



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

μ - average

σ - standard deviation

Δ - change from previous period

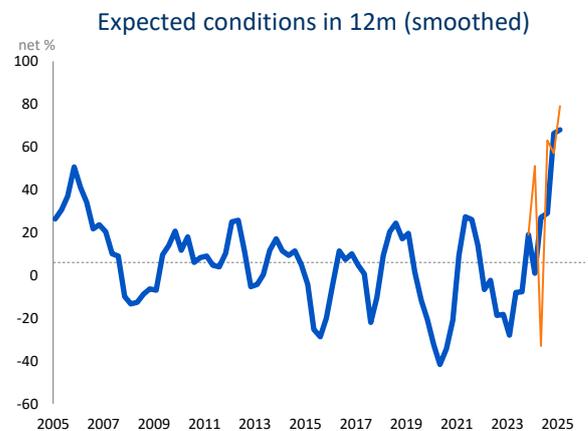
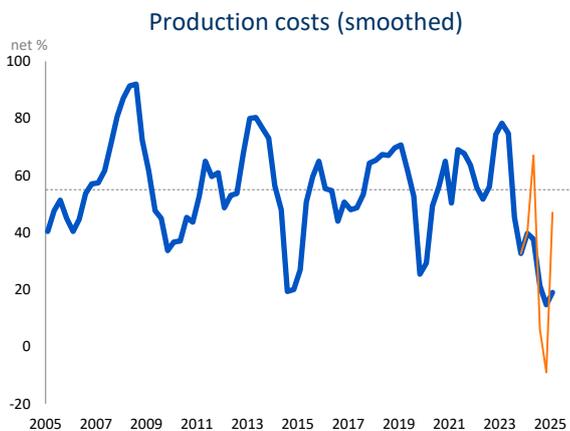
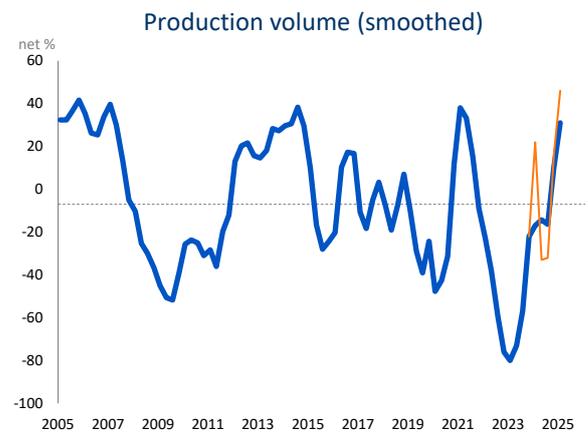
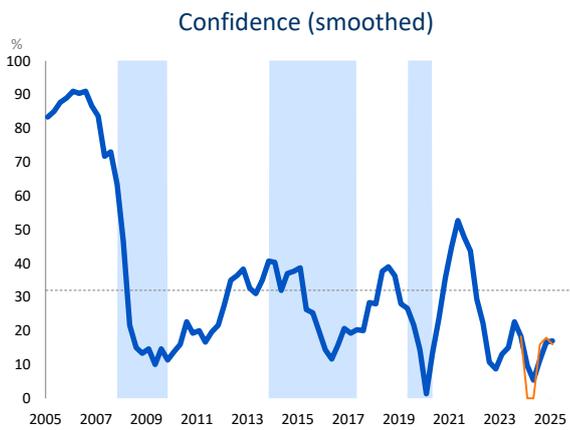
σ_{Δ} - volatility (standard deviation of the changes)

All above calculated over the last 20 years

See technical note for further details

BUILDING MATERIALS MANUFACTURING¹⁰

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	Δ	σ_{Δ}
Confidence	%	7	32	58	13	26	29	0	0	16	18	16	-2	17
Smoothed	%	9	32	56	15	23	18	10	5	11	17	17	0	7
Production volume	Net %	-44	-7	30	-83	-48	-40	22	-33	-32	16	46	30	32
Smoothed	Net %	-38	-7	24	-73	-57	-22	-17	-14	-16	10	31	21	14
Production costs	Net %	31	55	79	78	46	12	40	67	6	-9	47	56	29
Smoothed	Net %	38	55	72	75	45	33	40	38	21	15	19	4	10
Expected conditions in 12m	Net %	-22	6	34	-29	21	-15	51	-33	63	57	79	22	32
Smoothed	Net %	-15	6	27	-8	-8	19	1	27	29	66	68	2	12

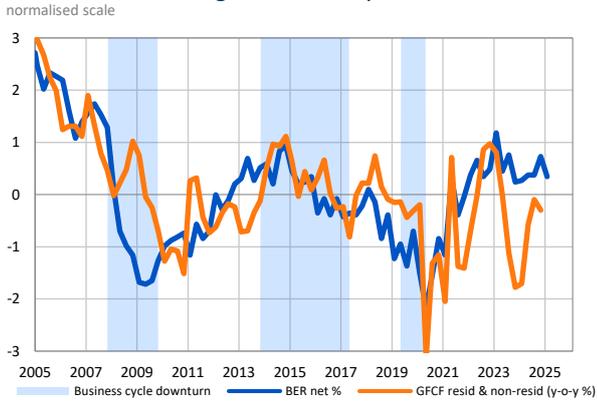


¹⁰ Covering glass and non-metallic mineral (i.e. bricks, tiles, cement, prefab concrete, asphalt and mica products) manufacturing.

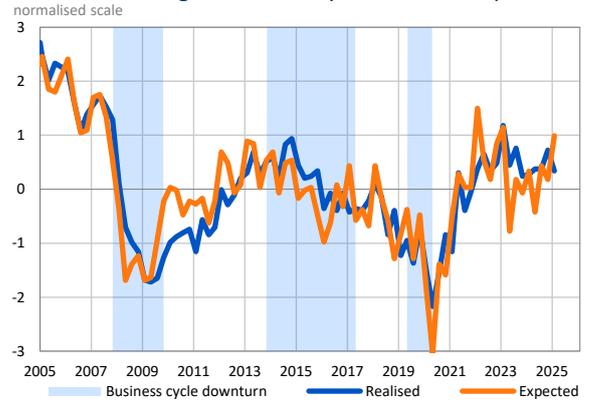
μ - average
 σ - standard deviation
 Δ - change from previous period
 σ_{Δ} - volatility (standard deviation of the changes)
 All above calculated over the last 20 years
 See technical note for further details

SUMMARY

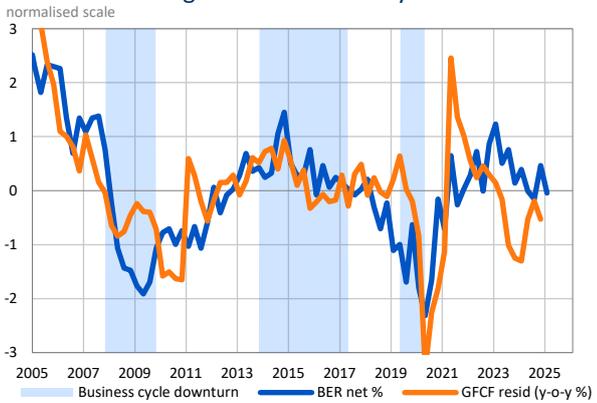
Building: total activity & GFCF



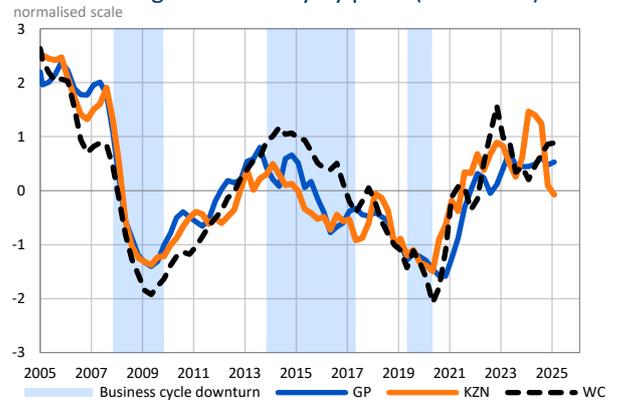
Building: total activity: realised & exp.



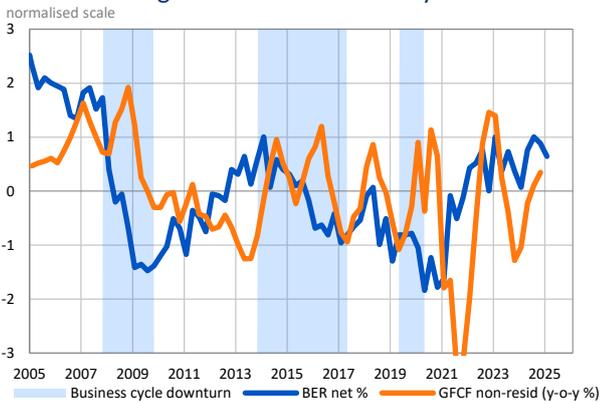
Building: residential activity & GFCF



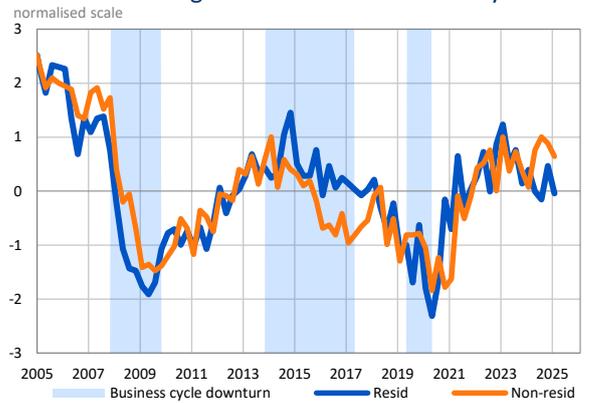
Building: total activity by prov. (smoothed)



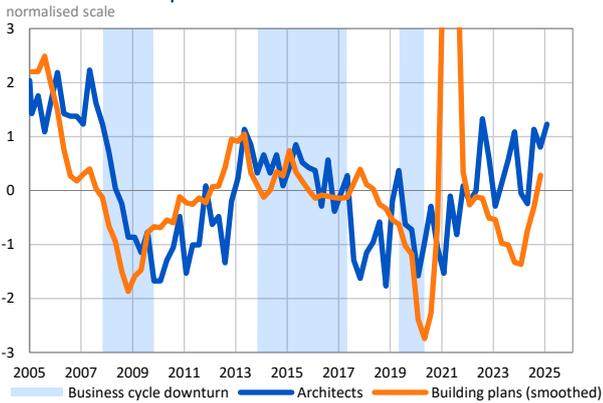
Building: non-residential activity & GFCF



Building: resid. & non-resid. activity



Pipeline: contracts awarded



BUILDING PLANS PASSED AND COMPLETED

Indicator (thousand sqm)	South Africa	Western Cape	Eastern Cape	Northern Cape	Free State	KwaZulu-Natal	North West	Gauteng	Mpumalanga	Limpopo
Recorded building plans passed										
	24Q4									
Dwelling-houses < 80 square metres	64.6	24.1	5.4	0.5	0.0	0.4	5.7	27.4	0.7	0.3
Dwelling-houses >= 80 square metres	640.0	236.9	46.2	3.1	13.8	67.9	41.8	181.7	24.5	24.0
Flats and townhouses	365.0	263.7	6.0	0.2	4.4	25.3	3.7	55.2	3.5	2.8
Other residential buildings	33.6	23.8	0.4	3.1	0.1	3.7	1.9	0.0	0.6	0.0
Office and banking space	55.0	3.0	3.0	0.0	0.0	10.7	4.3	27.2	6.7	0.0
Shopping space	42.5	8.5	0.8	3.5	0.0	3.3	17.8	3.6	4.6	0.3
Industrial and warehouse space	317.5	73.5	13.9	0.2	17.6	98.8	3.4	108.0	1.6	0.6
Other non-residential buildings	76.3	30.6	4.2	12.6	0.4	15.6	4.0	5.6	3.3	0.0
Additions and alterations: Dwelling-houses	263.6	95.5	39.7	2.6	5.0	30.4	9.1	71.3	7.3	2.7
Additions and alterations: Other buildings	138.3	34.3	50.2	0.5	0.9	30.0	2.5	18.0	1.6	0.3
Total	1996	794	170	26	42	286	94	498	55	31
y-o-y % change	-24.1	-5.0	4.9	28.7	-17.3	-25.7	-33.6	-38.2	-66.0	-54.9
Buildings reported as completed										
	24Q4									
Dwelling-houses < 80 square metres	65.9	25.4	2.1	3.9	0.6	2.1	3.2	28.0	0.5	0.3
Dwelling-houses >= 80 square metres	573.5	209.4	23.3	5.2	12.4	54.4	35.3	179.6	35.4	18.4
Flats and townhouses	202.2	99.7	1.7	0.8	0.0	26.6	3.1	62.0	7.6	0.6
Other residential buildings	29.1	4.1	13.4	0.0	4.1	1.8	0.1	5.2	0.2	0.0
Office and banking space	17.5	9.4	5.5	0.0	0.0	1.1	1.0	0.0	0.5	0.0
Shopping space	122.7	29.6	15.6	0.0	0.0	40.6	17.0	15.5	3.2	1.2
Industrial and warehouse space	485.6	130.6	24.5	0.5	0.9	33.5	6.4	278.9	10.3	0.0
Other non-residential buildings	42.8	6.1	6.2	0.0	10.1	8.6	3.2	6.3	2.2	0.0
Additions and alterations: Dwelling-houses	297.5	108.4	54.3	5.1	4.6	35.2	9.0	69.4	9.2	2.4
Additions and alterations: Other buildings	115.8	51.7	18.6	0.8	2.4	9.7	7.3	24.2	0.5	0.6
Total	1953	674	165	16	35	214	86	669	70	23
y-o-y % change	-26.2	-35.1	20.6	-55.0	-27.9	-43.1	-4.9	0.8	-62.8	-65.6

Source: Statistics South Africa

Technical note

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

THE SURVEY METHOD

The survey results are obtained from questionnaires completed by senior executives in the trade, manufacturing and building sector during the middle month of every calendar quarter.

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

The sample of executives remains the same from one survey to the next. A panel is in effect established. The sample provides for the main sectors. The list of participants is reviewed every few years to replace those firms that went out of business or stopped responding during the previous two years with new ones.

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

The BER conducted its first survey of the manufacturing and trade (i.e. retail, wholesale and motor trade) sectors in 1954. The sector coverage was expanded to the building sector (i.e. main contractors and sub-contractors) in 1969. The BER also took responsibility for a quantitative building cost survey in that year. The breadth of the building survey was expanded on two occasions: 1) architects and quantity surveyors were added in 1986 in order to track developments along the whole building pipeline (i.e. from the initiation to the completion of projects) and 2) civil engineering contractors were added in 1997.

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

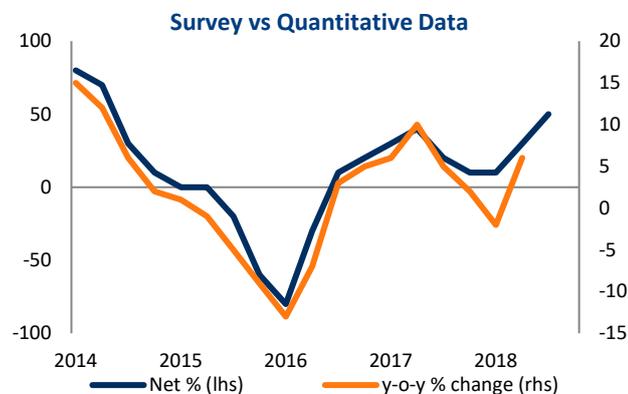
THE UNIQUE UNITS OF MEASUREMENT OF QUALITATIVE SURVEYS

Net percentage (net %)

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

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

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



Percentage (%)

The responses relating to business confidence and constraints are presented as percentages.

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

In the case of the constraints, respondents have to rate if a particular issue – for instance, a shortage of skilled labour – “seriously”, “slightly” or “not at all” hampers their activity. Composite constraint indices are calculated by weighting the responses as follows: The answers of respondents rating a particular constraint as “serious” are weighted by 0.67%; “slightly” by

0.33% and “not a constraint at all” are discarded. The results are then multiplied by $100/67 = 1.49$ to convert it to an index that can vary between zero and 100.

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

Theoretically, the confidence and constraints series can vary between a minimum of zero and a maximum of 100. A value of zero would reflect an extreme lack of confidence/no limitation at all and 100 extreme confidence/complete limitation. These results reflect respondents’ evaluation of the phenomenon/the survey variable in respect to that specific survey quarter, i.e. not relative to some period in the past or future.

DESCRIPTIVE STATISTICS IN THE TABLES

Three-quarter centred moving average (smoothed)

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

Three-quarter centred moving averages (3qcm) were selected in order to not disturb turning points too much, e.g. the moving average of 17Q4 is calculated as the average of 17Q3, 17Q4 and 18Q1, that of 18Q1 is calculated as the average of 17Q4, 18Q1 and 18Q2 etc. In order for the smoothed series to run up to the last unsmoothed data point, the last smoothed data point is only the average of two quarters, namely the previous and current quarter.

When a smoothed series is added, it is prudent not to attach too much value to the unsmoothed results of a particular quarter, but rather to evaluate it in its historical context.

Seasonal adjustment (SA)

In theory, the time series ought to display no seasonal patterns because respondents are instructed to compare the current quarter with the same one of a year ago (e.g. they have to compare the current Festive Season or wet/dry winter period with the same time a year ago). However, in practice, some series nevertheless reveal seasonal patterns, probably because some respondents incorrectly compare the survey quarter with the one directly preceding it. In such cases, a seasonally adjusted series (i.e. where such seasonal variation is eliminated with X12 ARIMA) is added.

Average (μ)

The neutral level of the time series for the two measurement types, net percentage and percentage, is 50 or zero respectively. The long-term average (mean) is often not equivalent to this neutral level. In such cases, it is more useful to evaluate the current results relative to such a long-term average than the neutral level.

One standard deviation below ($\mu-\sigma$) and above ($\mu+\sigma$) the average

The standard deviation indicates the common variation in or dispersion of the values. Data points falling between one standard deviation below and above the average could be regarded as common. Any data point falling outside these ranges, therefore, displays statistically significant variation.

Change (Delta: Δ)

This statistic indicates the change in the results of the latest quarter relative to the preceding quarter.

Volatility (standard deviation of the deltas: σ_{Δ})

This statistic indicates the volatility of the quarter-on-quarter change. If the size (regardless if it is an increase or decline) of the change is greater than the standard deviation of the deltas, then it displays a statistically significant variation.

CONVENTIONS AND AIDS PROVIDED IN THE CHARTS

Shaded areas

Indicates cyclical downturns as demarcated by the South African Reserve Bank. Users need to take note that the business cycle could have already reversed course towards the end of the period covered in the chart, but usually we wait until the bank determines a turning point before changing the shaded areas.

Solid vs. dotted horizontal (X) axes:

A solid line indicates the theoretical mid-points of 50 or zero respectively, while a dotted line indicates the long-term average (mean). Also see the section on the “average” above.

Normalised scale

Time series data is normalised (standardised) when one wishes to observe the co-movement among indicators with different units of measurement, say for instance, between a diffusion index (confidence) and the growth rate in a volume index (GDP growth). Normalisation converts both series to the same scale (unit) by subtracting the long-term average from each series and dividing it by its standard deviation. This ensures that one compares “apples” with “apples” when making a visual inspection and not mistakenly identify co-movements or deviations that different scales could produce.