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Other services

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

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

Executive summary

Business confidence in the Other Services sector declined by 5 points to 52 in 2025Q1, despite an increase in business volumes and improved business conditions. However, at 52, confidence remains at its long-term average, indicating a balanced outlook—neither overly optimistic nor overly pessimistic. This level also means that just over half of respondents are satisfied with current business conditions.

The overall result for the **Other Services sector** masks variations across its subsectors. Confidence declined in three of the four subsectors, while business volumes fell in only two, highlighting a disconnect between sentiment and actual activity. Despite the broader decline in confidence, the downturn was particularly pronounced in the **Transport and Storage subsector**. This comes as no surprise, given that South Africa has been grappling with an ongoing logistics crisis, which continues to weigh heavily on activity in this industry.

In contrast, confidence in the **Hotels and Restaurants subsector** was notably strong at the start of the year. The peak tourist season, which extends through January and February, has provided a significant boost, further supported by increased activity related to South Africa's G20 presidency. This has attracted more visitors than usual, with expectations that this momentum will continue through November this year. This surge in tourism may also explain why respondents in the Western Cape, in general, remain particularly optimistic about prevailing business conditions.

The **Real Estate subsector** performed largely as expected. While confidence declined this quarter, it has now returned to more typical levels following last quarter's surge in optimism. Notably, despite the dip in sentiment, business volumes increased. A relatively lower interest rate environment compared to our 2024Q4 survey[1], coupled with a significant uptick in demand for office space, has supported activity in this segment.

Meanwhile, both business volumes and confidence declined in the **Business Services subsector**. However, despite this drop, underlying conditions remain above the long-term average, indicating steady activity. A particularly encouraging development was the notable increase in realised employment. Given that labour constraints are often a major hurdle for businesses, this uptick is a positive sign. Hiring more employees is typically a long-term commitment, suggesting optimism about future growth in this subsector.

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[1] At the time of our 2024Q4 survey, only one 25 basis point interest rate cut had taken place. By the time of our 2025Q1 survey, three 25 basis point interest rate cuts had taken place.

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Introduction

Business confidence in the Other Services[2] sector declined by 5 points to 52 in 2025Q1, despite increased business volumes and improved business conditions. However, at 52, confidence remains at its long-term average, indicating a balanced outlook—neither overly optimistic nor overly pessimistic. This level also means that just over half of respondents are satisfied with current business conditions. The drop in overall confidence is due to a decrease in confidence in three out of the four subsectors. However, with the exception of transport, confidence is still either at or slightly better than the long-term average level.

Figure 1: Business confidence in Other Services exactly at the long-term average level
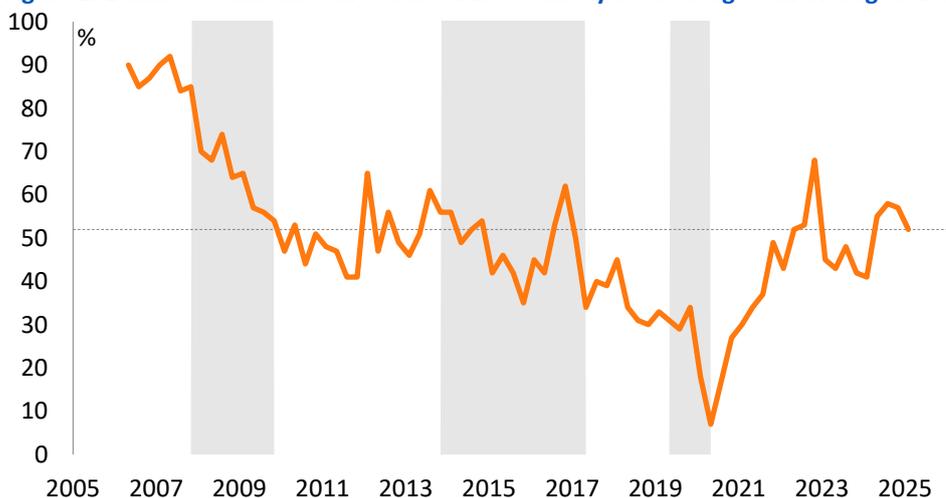
Source: BER; Note: grey area denotes business cycle downturns in the SA economy.

The decline in confidence came despite an uptick in all of the underlying indicators. Most notably, **business volumes** increased meaningfully, and are well above long-term average levels. Volumes are slightly better on the back of two more interest rate cuts relative to the previous survey. This should have brought some relief to consumers with debt. Moreover, withdrawals from the two-pot retirement system still fizzled through the economy and boosted consumers' disposable incomes, helping volumes.

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

Business conditions also improved and indicated that respondents feel better about operating conditions relative to a year ago[3]. A notable improvement in the first quarter of this year relative to the first quarter of last year is due to less load-shedding. There is also more certainty regarding the political climate in South Africa relative to 2024Q1, which was months before the National Election. There has been some improvement in visa processing, which could have direct positive spillovers on the hospitality subsector. Nonetheless, many hurdles remain, and most respondents comment on the difficulty of dealing with government and municipalities in the business services subsector. These factors continue to weigh on their view of current business conditions.

Although the average **asking price indicator** went down by 10 net percentage points, it is still positive and signifies an increase in asking prices relative to a year ago. In fact, this indicator has been above average for over two years, which is typically good for respondents because it means they are not hesitant to pass on prices to customers. Increased volumes and still-positive prices contributed favourably to **profitability**. The overall decline in confidence was also in spite of an increase in profitability.

TRANSPORT SECTOR STRUGGLES AMID WEAK DEMAND AND RISING COSTS

Transport and storage business volumes fell 18 points to a net balance of -12. Recent freight payload data confirms this weakness in road transport volumes, with an 8.3% y-o-y decline in 2024 (see Figure 2), particularly in the last three months of the year due to delays at domestic ports and difficulties accessing Maputo's port, a key re-export facility. This slowdown was also reflected in the latest GDP data from Stats SA for 2024Q4, where the transport, communication, and storage sector contracted 1% q-o-q and 5.2% y-o-y. For 2024 as a whole, the sector was down by 1.4% compared to 2023.

Figure 2: Monthly freight transportation payload data
Seasonally adjusted ('000 tons)
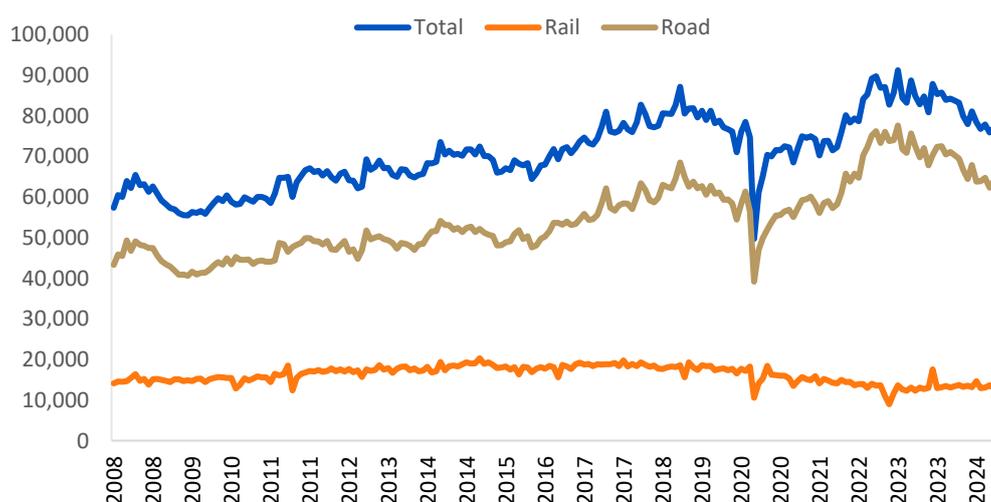
Source: Stats SA

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[3] The survey took place from 5 to 24 February, with the bulk of responses received early in the survey period. This means that many responses were received just after US President Donald Trump announced that the US would cut all aid to South Africa. While this would have had little direct impact on the sectors surveyed, it signals a further souring of already strained US-SA trade relations.

Business conditions deteriorated by 16 points to -37, while business confidence dropped 15 points to 34 this quarter, down from 49 last quarter. Confidence now sits below the long-term average, indicating that more than six in ten respondents are dissatisfied with business conditions.

Several factors may have contributed to the decline. Higher fuel prices during the survey period likely played a role, as reflected in the drop in average selling prices/fees charged by transport respondents, now at -7, lower than last year. Profitability also took a significant hit, falling 27 points to -64 this quarter. Insufficient demand remains a key challenge, with 75% of respondents citing it as a major obstacle, up from 68% last quarter. Additionally, 71% of respondents report that limited access to finance is a major hindrance. In short, both demand-side (weak demand) and supply-side (access to finance and high input costs) pressures continue to weigh on businesses in this subsector.

A recurring trend in this subsector is weaker confidence in the first half of the year, likely due to the post-holiday slowdown. Historically, Q1 and Q2 see below-average confidence, while Q4 experiences a seasonal boost. With that in mind, this quarter's decline in sentiment is well explained by a deterioration in the underlying indicators and a more challenging business environment.

REAL ESTATE ACTIVITY REMAINS STRONG, BUT CONFIDENCE PULLS BACK

Business volumes in the real estate sector increased slightly this quarter. Overall, volume growth remains well above historical norms[4]. This is illustrated in **Error! Reference source not found.**Figure 3, where the orange dotted line highlights the extent to which real estate volumes exceed those in other subsectors and the total volume in Other Services in recent quarters.

In line with the sustained high levels of activity, business conditions improved markedly, rising to 36 from 15 in the previous quarter. This places conditions above the upper threshold of the confidence band—a level last seen more than 15 years ago. The primary driver of this improvement appears to be the cumulative 75 basis points of interest rate cuts delivered in recent months, which have provided some relief to the sector. Furthermore, the FNB/BER Consumer Confidence Index (CCI) shows that after soaring from -16 to a five-year high of -6 in 2024Q3, the confidence levels of high-income households (earning more than R20 000 per month) rose further to -4 in 2024Q4. These are the households most likely participating in the real estate market, and their optimism bodes well for demand.

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[4] One way to determine whether a change is significant or not is to calculate the standard deviation of a long-term time series. If a change's size (regardless of whether it is an increase or decline) is greater than the standard deviation, then it displays a statistically significant variation. If the level of the series is more than 1 standard deviation removed from the long-term average, it is a sign of a significant under/overperformance relative to the long-term experience. See the technical note at the back for more information on the descriptive statistics.

Figure 3: Business volumes for overall Other Services and the real estate subsector

Net percentage points (normalised scale)
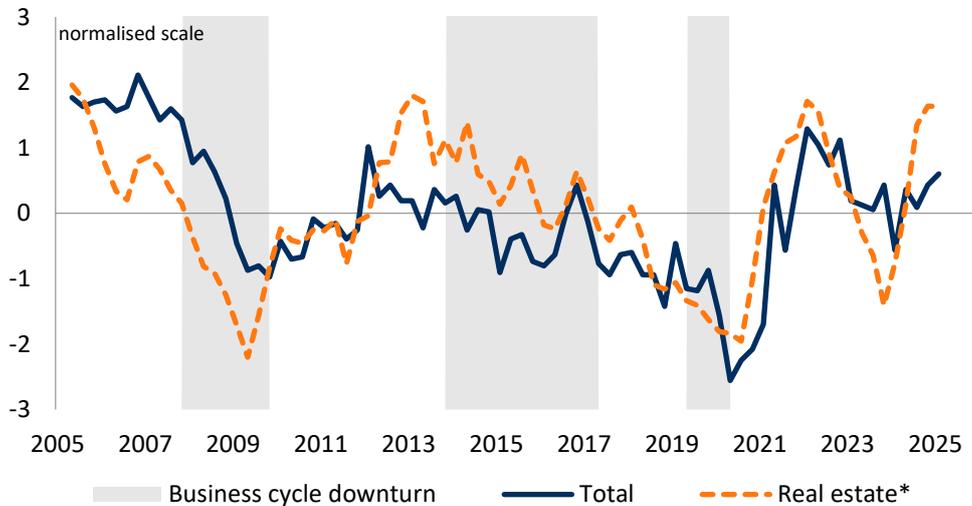
Source: BER and Stats SA

The improved volumes and business conditions align with other indicators in the property market. For instance, Rode's State of the Property Market report for the fourth quarter of 2024[5] highlighted a decline in vacancy rates for combined A+, A, and B-grade office space to 12.6%, down from 14.4% a year earlier. Some reports suggest that demand for office space is beginning to outpace supply in certain areas as firms encourage employees to return to the office. The extent to which policy shifts around remote work in the US influence global and local office demand remains to be seen. Our hunch is that more and more firms will call employees back to the office, giving rise to even more demand for office rentals, boding well for this subsector.

Despite stronger business conditions, confidence in the real estate sector declined by 18 points to 51 in the first quarter. However, this follows an elevated reading of 69 last quarter, which may have been overly optimistic. The current level remains above the long-term average, indicating that sentiment, while lower, is still relatively upbeat.

BUSINESS SERVICES ACTIVITY MODERATES, BUT EMPLOYMENT AND PROFITABILITY HOLD UP

Business volumes in the business services subsector declined by 9 points to a net balance of 4 in Q1, reflecting weaker business conditions and a pullback in confidence. At 53, confidence is now in line with the long-run average, with just over half of respondents satisfied with prevailing business conditions.

Notably, this decline in confidence comes despite an increase in profitability and improved employment outcomes—both of which remain above their respective long-term averages. Furthermore, the typical constraints on business activity in this subsector were reported as less severe in Q1. All major impediments tracked in the survey either eased or remained at their

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[5] https://www.businesslive.co.za/bd/companies/property/2025-02-25-rodes-property-market-outlook-upbeat-despite-challenges/

long-term averages. A particularly noteworthy development was the reported shortage of skilled labour, which fell sharply to 37% from 58% in the previous quarter. This coincided with an improvement in employment, suggesting that firms are not only facing fewer hiring constraints but are also more willing to expand their workforce. Whether this trend continues, remains to be seen.

Encouragingly, this willingness to take on new workers points to confidence in future capacity needs and aligns with a more optimistic outlook for expected business volumes in the coming months.

HOTELS AND RESTAURANTS LEAD THE WAY IN Q1, BUOYED BY STRONG INDUSTRY ACTIVITY

The smallest subsector, hotels and restaurants, emerged as the most upbeat in Q1. Business volumes surged by a statistically significant 42 points, reaching a net balance of 28. This was accompanied by a sharp rise in confidence, which climbed 21 points to 67. Meanwhile, business conditions improved markedly, rebounding to 26 from -6 at the end of 2024. Respondents have also indicated higher profitability.

Industry data supports this positive outcome, with total sector income continuing to grow on an annual basis. In addition, South Africa's G20 presidency has generated significant activity in the hospitality sector. The first quarter alone saw major events—including the G20 conference and a major climate conference—drawing a large number of visitors to the country, particularly to Cape Town[6].

Figure 4: Tourism accommodation total industry income grew by 8% in 2024
R million current prices — Seasonally adjusted
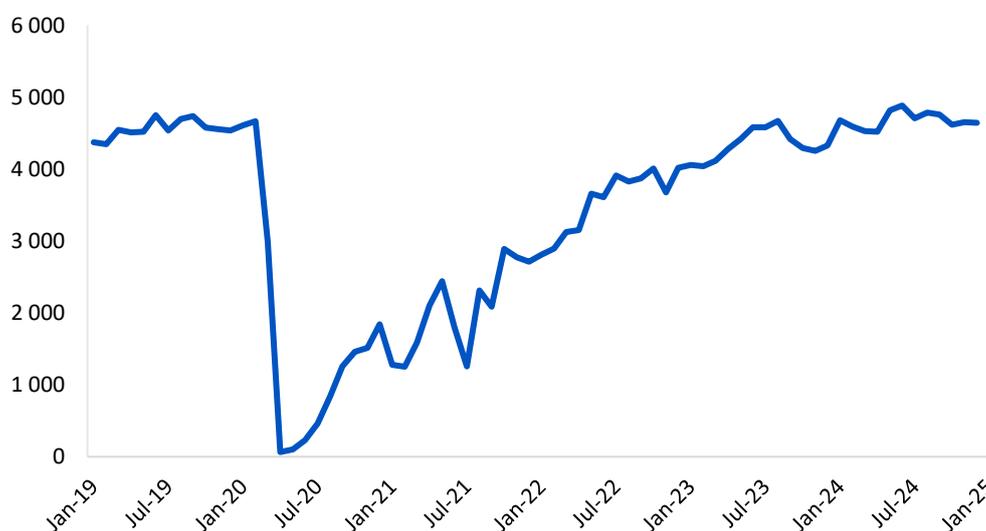
Source: Stats SA

This may also explain why general confidence in the Western Cape edged up by 2 points to 71 in Q1, as business conditions in the province remain particularly favourable. In contrast, general

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[6] Although some of these events were in Gauteng, the majority took place in the Western Cape.

confidence in Gauteng fell sharply from 64 to 44, while sentiment in KwaZulu-Natal remained stable at 30.

FINAL REMARKS

Despite a slight decline in confidence, our feeling is that respondents, with the exception of the transport subsector remain relatively upbeat about current business conditions, and we are hopeful that will continue to translate into real economic activity. Similar to the recent RMB/BER BCI and GDP statistics from 2024Q4, it remains the more consumer-facing sectors that are doing well relative to other non-consumer-facing sectors, like transport. The sectors tied to the interest rate cycle (like real estate) are also slowly picking up. With only one more 25 basis point repo rate cut expected in March, we do not expect much additional support from a much lower interest rate environment, however, every bit helps. While interest rates provide limited relief, structural reforms could play a more substantial role in improving business conditions for all sectors in the economy.

Survey results

OTHER SERVICES: TOTAL[7]

Indicator	Unit	μ-σ	μ	μ+σ	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	Δ	σ Δ
Confidence	%	33	52	70	43	48	42	41	55	58	57	**52**	-5	8
Business conditions	Net %	-39	-13	13	-23	-10	-4	-24	-3	-2	-1	**6**	7	17
Smoothed	Net %	-35	-12	11	-12	-12	-13	-10	-10	-2	1	**3**	2	9
Business volumes	Net %	-39	-10	20	-6	-8	3	-26	1	-7	3	**8**	5	16
Smoothed	Net %	-38	-12	13	-6	-4	-10	-7	-11	-1	1	**6**	5	9
Selling prices / fees charged	Net %	-20	-2	16	15	18	1	18	13	13	22	**12**	-10	12

Confidence

Business conditions (smoothed)

Business volumes (smoothed)

Selling prices / fees charged

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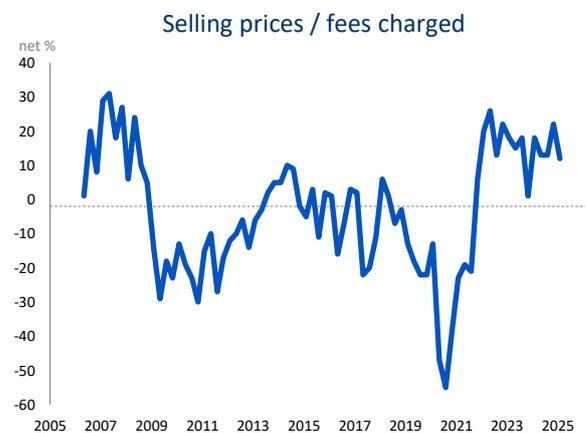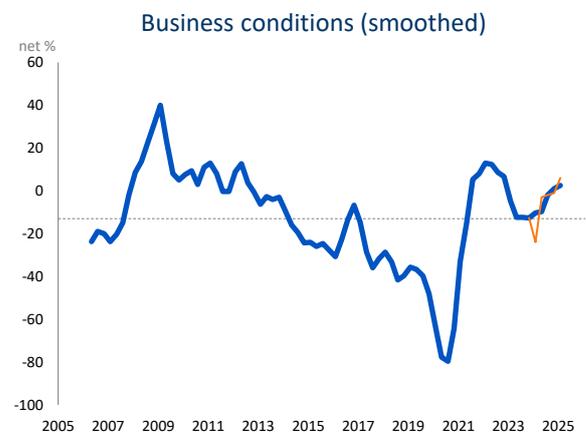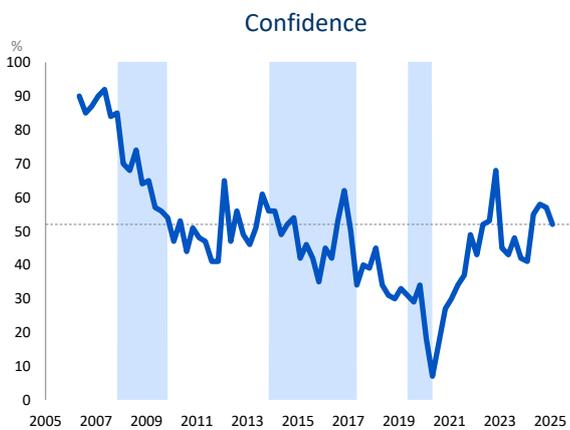
[7] The "other services: total" includes hotels & restaurants (15%), transport & storage (22%), real estate (18%) and business services (45%). The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the sub-sector's share according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

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

HOTELS & RESTAURANTS[8]

Indicator	Unit	μ-σ	μ	μ+σ	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	Δ	σ Δ
Confidence	%	30	51	72	52	67	74	62	64	56	46	**67**	21	16
Business conditions	Net %	-47	-7	33	26	21	56	-12	3	1	-6	**26**	32	32
Smoothed	Net %	-41	-6	29	42	34	22	16	-3	-1	7	**10**	3	15
Business volumes	Net %	-53	-8	37	18	36	49	-8	11	-20	-14	**28**	42	32
Smoothed	Net %	-50	-10	30	45	34	26	17	-6	-8	-2	**7**	9	15
Selling prices / fees charged	Net %	-23	14	50	62	36	41	13	9	12	18	**36**	18	30
Smoothed	Net %	-18	14	46	61	46	30	21	11	13	22	**27**	5	13

Confidence

Business conditions (smoothed)

Business volumes (smoothed)

Selling prices / fees charged (smoothed)

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

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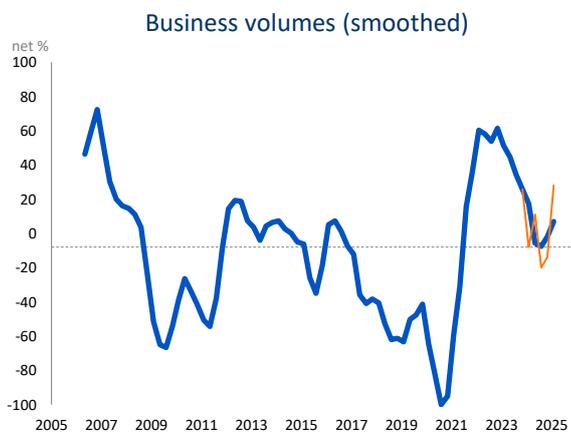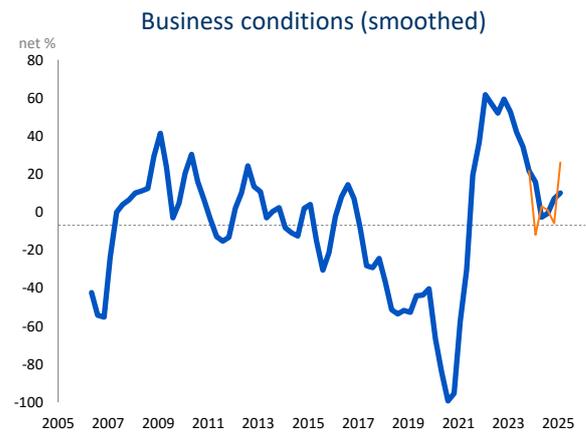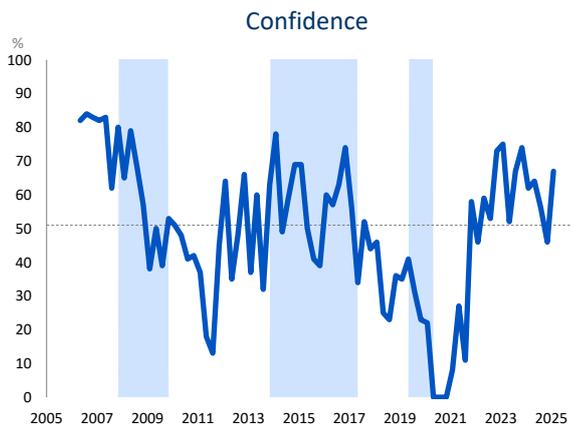*σ – standard deviation*
Δ – change from previous period
σΔ – volatility (standard deviation of the changes)
All of the above calculated over 2005 to the present
See Technical note for further details

TRANSPORT & STORAGE[9]

Indicator	Unit	μ-σ	μ	μ+σ	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	Δ	σ Δ
Confidence	%	25	46	68	11	46	45	38	45	39	49	**34**	-15	19
Business conditions	Net %	-48	-12	24	-75	-24	2	-29	-28	-47	-21	**-37**	-16	36
Smoothed	Net %	-40	-11	18	-50	-32	-17	-18	-35	-32	-35	**-29**	6	13
Business volumes	Net %	-48	-12	24	-74	-24	20	-31	-32	-49	6	**-12**	-18	34
Smoothed	Net %	-42	-15	12	-47	-26	-12	-14	-37	-25	-18	**-3**	15	15
Selling prices / fees charged	Net %	-13	7	27	-11	28	30	40	28	-6	27	**-7**	-34	19
Smoothed	Net %	-10	7	23	17	16	33	33	21	16	5	**10**	5	8

Confidence

Business conditions (smoothed)

Business volumes (smoothed)

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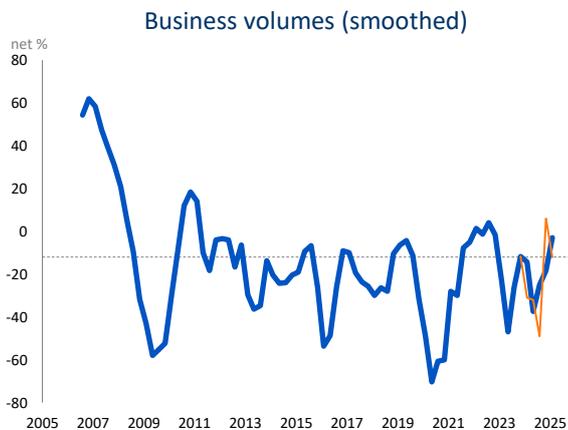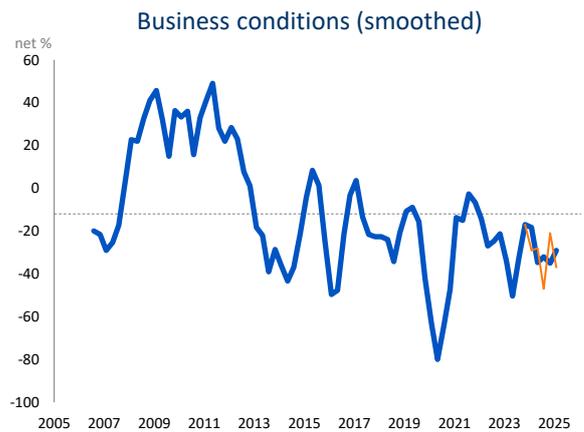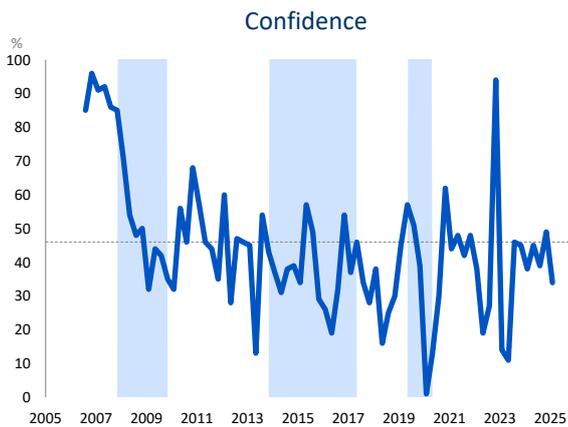
[9] 1) Land transport (39%): road freight (SIC code 7123)
2) Supporting transport & travel agencies (61%): cargo handling (7411), travel agencies & tour operators (7414), other (e.g., freight forwarding) (7419)
The figures in brackets indicate the BER's weights, which account for the sector coverage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

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

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REAL ESTATE[10]

Indicator	Unit	μ-σ	μ	μ+σ	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	Δ	σ Δ
Confidence	%	22	44	66	34	24	8	14	41	55	69	**51**	-18	16
Business conditions	Net %	-48	-11	25	-52	-44	-60	-46	5	8	15	**36**	21	29
Smoothed	Net %	-43	-11	21	-45	-52	-50	-34	-11	9	20	**26**	6	12
Business volumes	Net %	-55	-25	4	-22	-52	-51	-75	-7	11	9	**13**	4	29
Smoothed	Net %	-50	-27	-4	-34	-42	-59	-44	-24	4	11	**11**	0	11
Selling prices / fees charged	Net %	-41	-11	20	9	2	-45	-7	16	20	15	**14**	-1	25
Smoothed	Net %	-36	-14	9	-3	-11	-17	-12	10	17	16	**15**	-1	11

Confidence

Business conditions (smoothed)

Business volumes (smoothed)

Selling prices / fees charged (smoothed)

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

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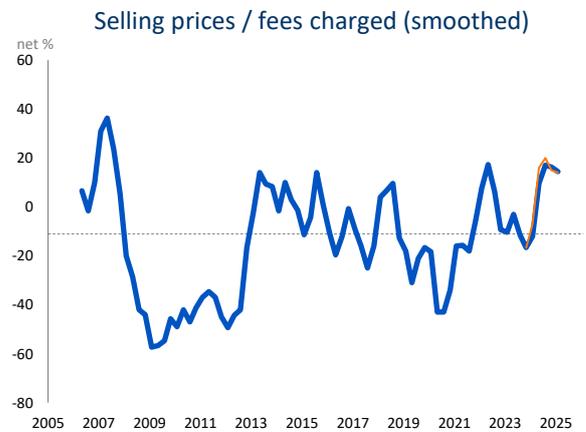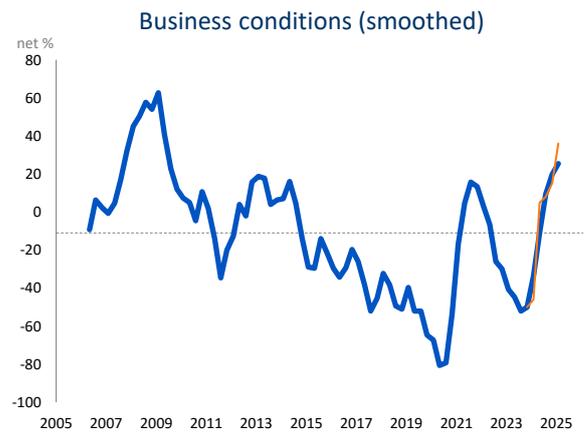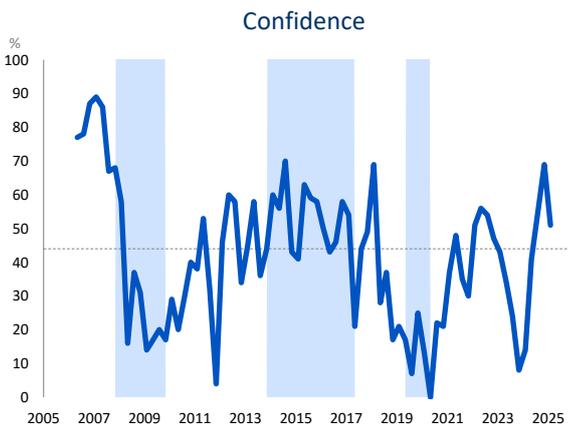*Δ – change from previous period*
σ_Δ – volatility (standard deviation of the changes)
All of the above calculated over 2005 to the present
See Technical note for further details

BUSINESS SERVICES[11]

Indicator	Unit	μ-σ	μ	μ+σ	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	Δ	σ Δ
Confidence	%	35	56	77	59	59	42	51	56	70	64	**53**	-11	11
Business conditions	Net %	-41	-15	11	-6	6	-10	-11	-5	11	7	**-2**	-9	18
Smoothed	Net %	-37	-14	9	0	-3	-5	-9	-2	4	5	**3**	-2	9
Business volumes	Net %	-36	-5	26	21	11	0	6	12	15	13	**4**	-9	16
Smoothed	Net %	-36	-8	20	8	11	6	6	11	13	11	**9**	-2	9
Selling prices / fees charged	Net %	-29	-9	11	5	12	-6	29	6	19	28	**5**	-23	16
Smoothed	Net %	-28	-11	7	7	4	12	10	18	18	17	**17**	0	6

Confidence

Business conditions (smoothed)

Business volumes (smoothed)

Selling prices / fees charged (smoothed)

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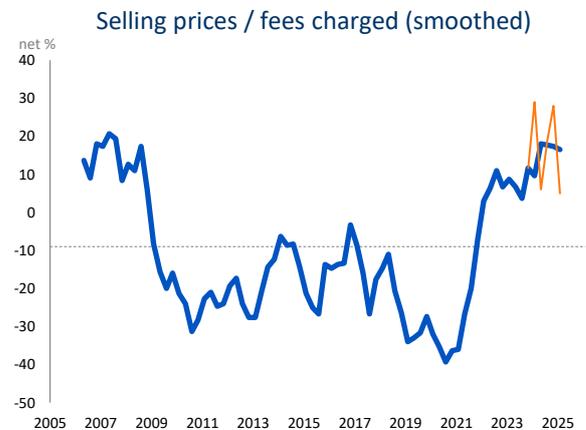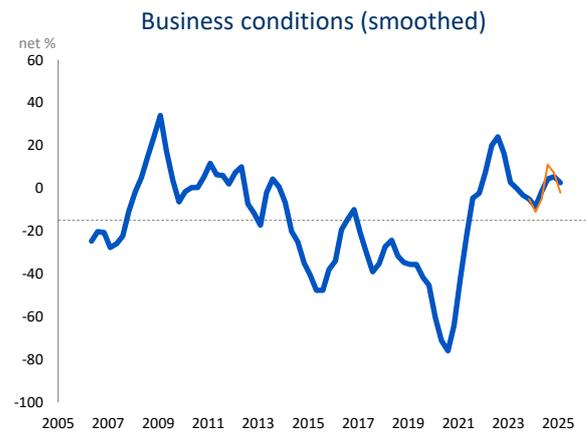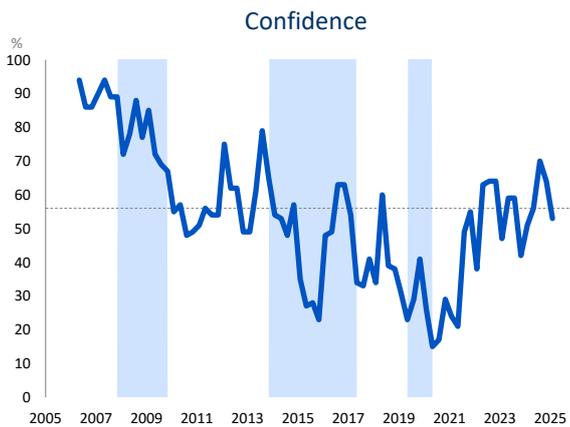
[11] 1) Renting of machinery & equipment (8%): transport equipment (SIC code 851), other machinery & equipment (852).

2) Computer services (19%): hardware consultancy (861), software consultancy (862).

3) Legal services, accounting & other (30%): legal services, accounting, bookkeeping, auditing & tax consulting (8811-2), business & management consulting (8814).

4) Consulting engineering activities (88211) (23%)

5) Advertising (883) (3%)

6) Other (16%): building & industrial plant cleaning activities (8893), other (8899) e.g., debt collection, interior design, exhibitions.

The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the sub-sector's share according to Stats SA's business censuses.

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

PROVINCES

Indicator	Unit	μ-σ	μ	μ+σ	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	Δ	σ Δ
Gauteng														
Confidence	%	32	51	71	38	43	38	41	47	66	64	**44**	-20	12
Business volumes	Net %	-42	-11	19	-16	-22	2	-31	1	-7	4	**4**	0	20
Smoothed	Net %	-40	-14	12	-18	-12	-17	-9	-12	-1	0	**4**	4	9
KwaZulu-Natal														
Confidence	%	29	52	75	65	46	25	29	45	84	30	**30**	0	20
Business volumes	Net %	-44	-9	27	-1	5	9	9	-41	25	-31	**7**	38	39
Smoothed	Net %	-40	-14	12	-18	-12	-17	-9	-12	-1	0	**4**	4	9
Western Cape														
Confidence	%	32	54	75	48	56	55	37	64	47	69	**71**	2	15
Business volumes	Net %	-38	-4	30	18	2	14	-24	6	-19	17	**16**	-1	21

Confidence: Gauteng

Confidence: KwaZulu-Natal

Confidence: Western Cape

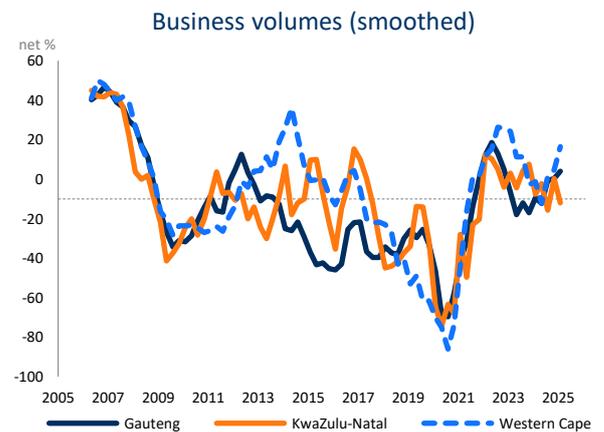### Business volumes (smoothed)

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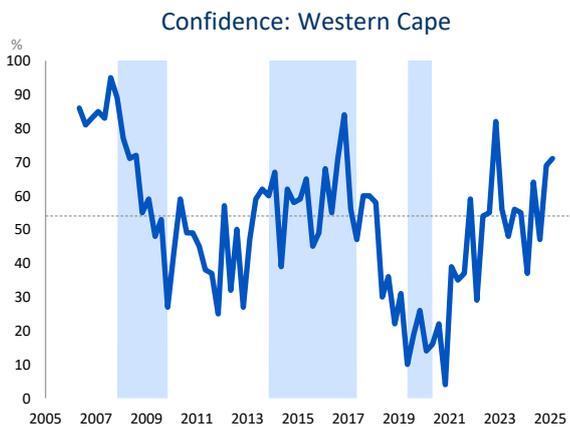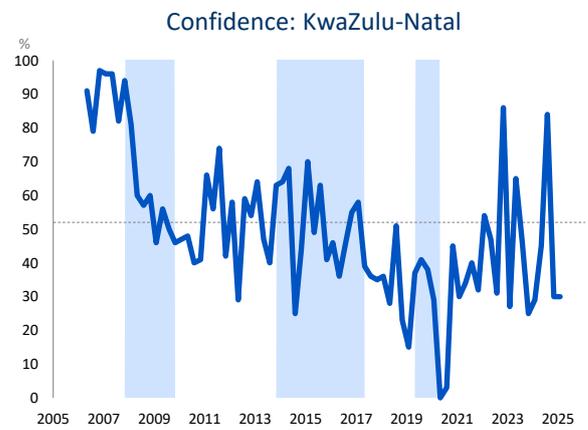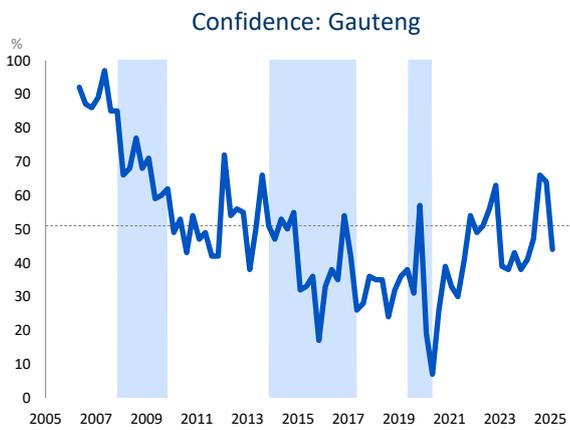*Δ – change from previous period*
σ_Δ – volatility (standard deviation of the changes)
All of the above calculated over 2005 to the present
See Technical note for further details

16

SUMMARY

Business confidence by sector

normalised scale
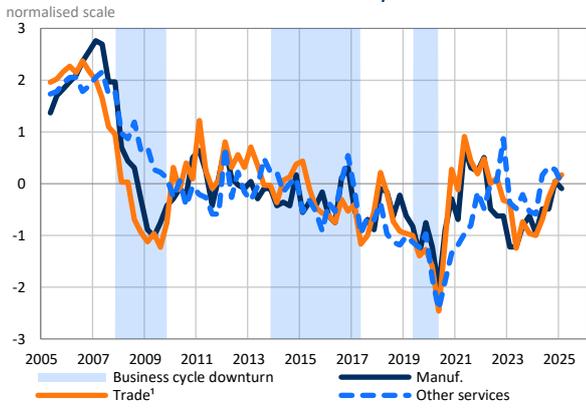
¹ Trade = average of retail, wholesale & motor trade

Business volumes

normalised scale

Total other services: volumes

normalised scale

* three-quarter centred moving average

Business confidence by province

normalised scale

Business volumes

normalised scale
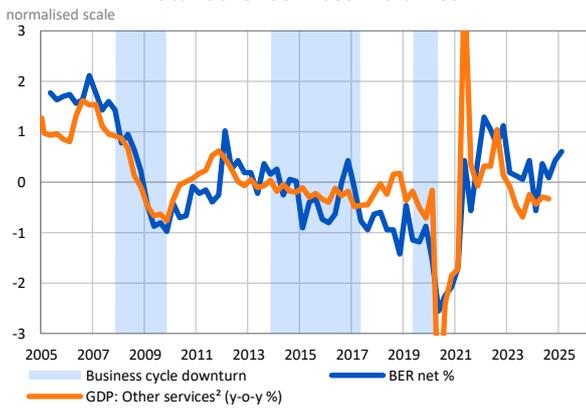
Business services: volumes
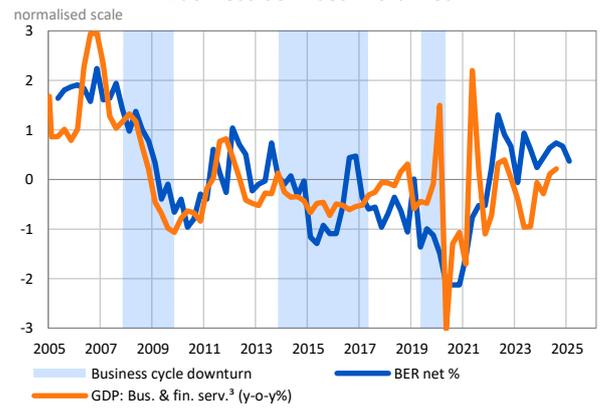
normalised scale

SUMMARY CONTINUES

Transport: volumes

normalised scale

- Business cycle downturn
- BER net %*
- GDP: Transp. & comm. (y-o-y%)

Real estate: volumes

normalised scale

- Business cycle downturn
- Ber net %*
- Building plans passed* (y-o-y%)
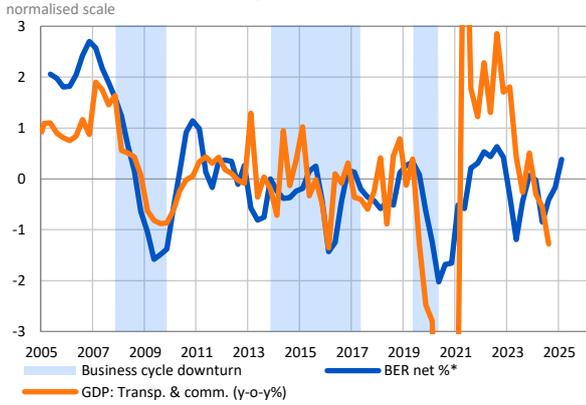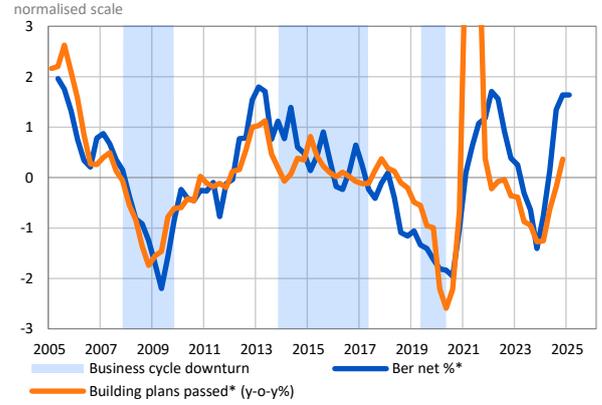
Hotels & restaurants: volumes
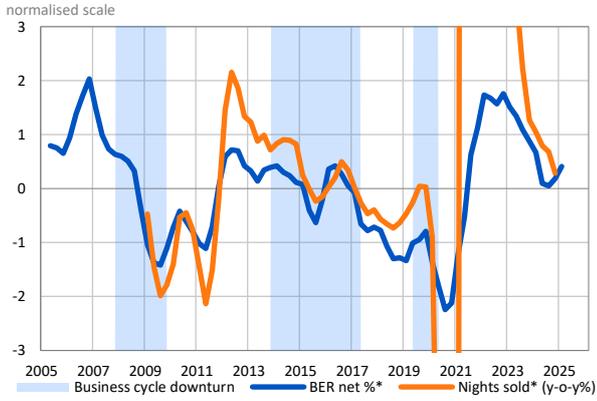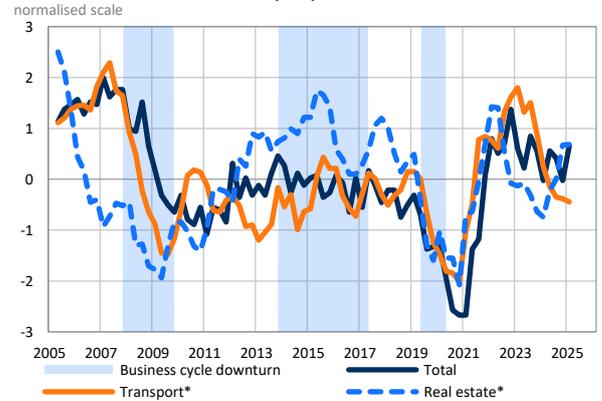
normalised scale

- Business cycle downturn
- BER net %*
- Nights sold* (y-o-y%)

Employment

normalised scale

- Business cycle downturn
- Total
- Transport*
- Real estate*

Selling prices / fees charged

normalised scale

- Business cycle downturn
- Total*
- Hotels & restr.*
- Bus. serv.*

Selling prices / fees charged

normalised scale

- Business cycle downturn
- Total*
- Transport*
- Real estate*
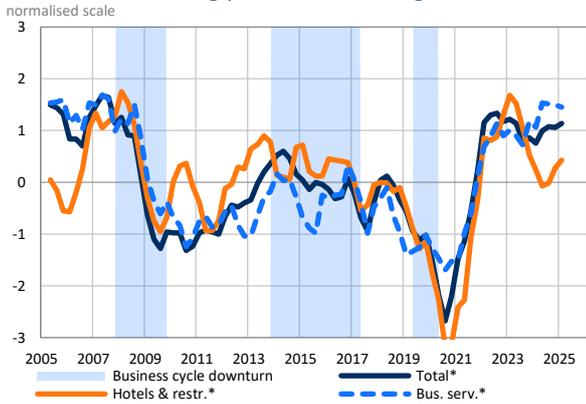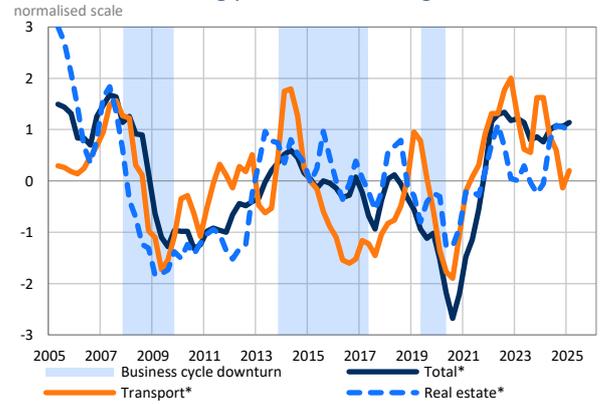
*three-quarter centred moving average

Technical note

THE OTHER SERVICES SURVEY METHOD

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

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

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

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

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

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

Another difference is that the cyclical peaks and troughs in other services sector's activity are not symmetrical and do not move in synch with those of the sectors reported on

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

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

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

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

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

Employment covers the formal and informal sector.

Data source: Quantec, author's own calculations

BCI = RMB/BER business confidence index

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

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

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

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

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

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

Stats SA sources:

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

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

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

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

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

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

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

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

THE UNIQUE UNITS OF MEASUREMENT OF QUALITATIVE SURVEYS

Net percentage (net %)

The responses related to the <u>change in activity, prices, employment, business conditions, expected economic performance etc.</u> 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)
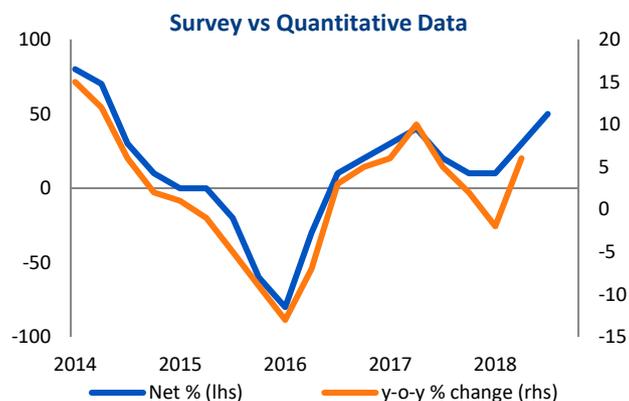
Percentage (%)

The responses relating to business confidence are presented as percentages.

In the case of <u>business confidence</u>, 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.