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Retail Trade

Quarterly analysis of activity in retail, wholesale
and motor trade

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

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Executive summary

The BER's quarterly Retail Trade survey shows that retailer confidence dropped to 20% during 2023Q2, down from 34% in Q1.

The substantial decline in retailer confidence can be ascribed to a marked deterioration in profitability on the back of soaring load-shedding related costs, persistently high food inflation and rising interest rates (now at a 14-year high).

Load-shedding remains the main driver of the loss in confidence, and the BER Retail survey shows that profitability is suffering as a result. During the second quarter, the BER's retailer confidence and profitability indices both slumped to their lowest levels since 2020Q2 (when hard COVID-19 lockdowns were implemented).

The BER's Wholesale Trade survey shows a similar downward trend. Confidence among wholesalers dropped to 32% in 2023Q2, down from 40% last quarter. This is below the long-term average of 45%.

The BER's Motor Trade survey shows that confidence among dealers of new vehicles took the largest dip of all the sectors surveyed by the BER. It fell from 44% in 2023Q1 to 23% in 2023Q2. Respondents are more pessimistic about sales volumes this quarter than at the start of the year.

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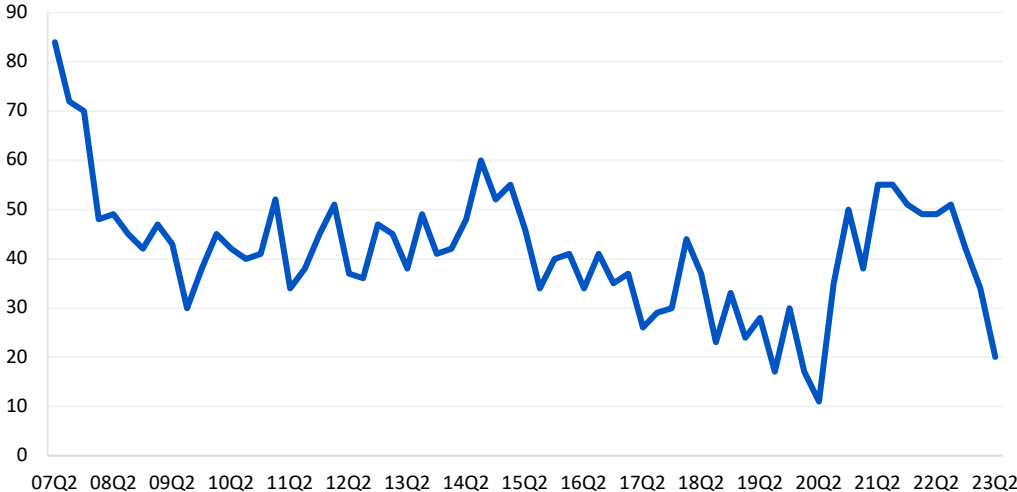
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Summary of the 2023Q2 trade sector survey results

RETAIL CONFIDENCE AT ITS LOWEST LEVEL SINCE 2020Q2

The BER’s quarterly Retail Trade survey¹ shows that retailer confidence dropped to 20% during 2023Q2, down from 34% last quarter. The substantial decline in retailer confidence can be ascribed to a marked deterioration in profitability on the back of soaring load-shedding related costs, persistent high food inflation and rising interest rates (currently at a 14-year high). When asked if they expect business conditions to be better/the same/poorer next quarter, the majority of retail respondents (net negative 56%) answered that they expect conditions to worsen.

Figure 1: Retail business confidence (%)



Source: BER Retail Trade Survey

Retail sales volumes during 2023Q1 were 1.0% lower than in the same quarter last year (Table 1). This follows a quarter of negligible growth (0.1%) at the end of 2022. The constant across both quarters is a step change in the frequency of load-shedding since the winter of last year when stage 6 load-shedding was initially introduced.

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

	Total	Non-durable goods	Semi-durable goods	Durable goods
2021Q1	-1.3%	-3.6%	13.6%	14.7%
2021Q2	29.0%	12.1%	56.3%	51.0%
2021Q3	0.2%	-0.1%	7.3%	-4.8%
2021Q4	2.5%	1.5%	12.0%	-2.3%
2022Q1	3.2%	4.0%	9.7%	-4.8%
2022Q2	1.0%	1.0%	6.6%	-5.0%
2022Q3	3.3%	4.0%	8.0%	-2.5%
2022Q4	-0.1%	-1.1%	4.5%	-2.6%
2023Q1	-1.0%	-1.8%	4.7%	-4.1%

Source: Stats SA

¹ Conducted 10-30 May 2023.

Notes: Non-durable goods retailers include general dealers, retailers in specialised food, beverages and tobacco, and retailers in pharmaceutical and medical goods, cosmetics and toiletries; Semi-durable goods retailers include retailers in textiles, clothing, footwear and leather goods; Durable goods retailers include retailers in household furniture, appliances and equipment, and retailers in hardware, paint and glass; Total excluding "other" categories.

Load-shedding affects the retail sector from both the demand and the supply side. It increases operational costs for retailers that must invest in backup power or buy diesel for generators and lowers consumer confidence. Increased spending on takeaway and restaurant meals during load-shedding also suppresses the demand for food retail. In addition, a surge in consumer spending on solar panels, inverters and batteries reduces available household income. The BER's survey results point to an alarming deterioration in retailer profitability over the last 6 months, with the index dropping from -29 in 2022Q4 to -62 in 2023Q2, the lowest level since level 5 lockdown was implemented during 2020Q2.

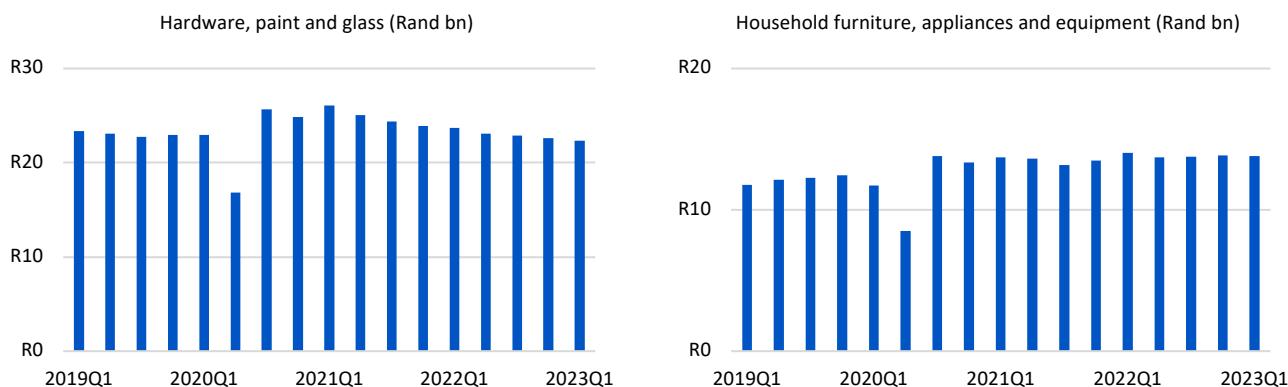
There is, however, some divergence in how different retail subcategories are trending.

Retailers of non-durable goods, in particular, seem to be taking strain. *Semi-durable goods* sales, however, continue their post-COVID recovery. Clothing and footwear sales volumes are now more than 25% higher than pre-COVID (2019Q1) levels. The BER's trade survey shows that respondents expect the growth in sales of semi-durable goods to continue into 2023Q2. The sales volume index for semi-durable goods increased from -2 to 3, whereas the same index for non-durable goods, despite an increase from -51 to -43 index points, remains at a very low level.

Several factors explain the outperformance of clothing and footwear sales volumes relative to other retail goods. One driver might be a divergence in inflation trends. In April, clothing and footwear prices had grown by 3% year-on-year, whereas prices of food and non-alcoholic beverages were experiencing the ninth month of double-digit inflation (13.9% in April 2023). Another factor might be that more people are returning to the office, embarking on business or leisure travel, and resuming recreational activities such as concerts, parties and sporting events following the COVID pandemic, creating a greater demand for clothing and footwear. Finally, the Social Relief of Distress grant introduced in 2020 may specifically have boosted sales of low-priced apparel.

Durable goods – split into (1) retailers of household furniture and appliances and (2) retailers of hardware – also show differing trends between categories. Lower levels of home renovations post-COVID are weighing down hardware demand, while sales of furniture and appliances have remained resilient despite steep interest rate hikes over the past year. The significant uptick in load-shedding may have supported spending on electrical appliances to replace those damaged by power surges or allow consumers to mitigate load-shedding (like gas stoves). The BER's trade survey confirms that hardware retailers are more downbeat than retailers of furniture and appliances about sales volumes this quarter.

Figure 2: Sales of durable goods (seasonally adjusted constant prices)



Source: Stats SA

The BER’s Retail Trade survey reveals a discouraging inflation trajectory regarding non-durable goods. The *non-durable goods* selling price index climbed to 90 points in 2023Q2, up from 79 in the previous quarter. The price pressure seems to be coming from the supply side, where a net 92% of retail respondents (non-durable goods) report an increase in the rate of average purchase prices (and have been doing so for the past three quarters). Given high food prices in 2022, base effects suggest that annual food price inflation may soon taper. The cost of investing in backup power and the weaker rand exchange rate during May likely affected retailers' purchase and selling price expectations.

CONFIDENCE AMONG WHOLESALERS IS ALSO DOWN

The BER’s Wholesale Trade survey shows that confidence dropped to 32% in 2023Q2, down from 40% last quarter. This is below the long-term average of 45%.

Wholesale sales volumes were 1.5% lower in 2023Q1 than in 2022Q1. This follows a previous quarter of negative y-o-y growth in 2022Q4.

Wholesalers of consumer goods, in particular, are affected by the downward trend in retail sales of non-durable goods. This is partly because food, beverages and tobacco wholesalers comprise a large share of this subcategory and likely face lower demand from retailers. The trend is echoed in the sales volume indices: wholesalers of consumer goods have a much bleaker outlook on volumes this quarter (-51 index points, far below the long-term average) than wholesalers of non-consumer goods (-24 index points, on par with the long-term average).

After a significant dip in the selling price index for wholesale goods last quarter – which we took to signal that price inflation might be tapering – the index stagnated this quarter. Wholesalers mention load-shedding and the weakening exchange rate in their comments, both of which have a bearing on wholesale selling prices.

MOTOR TRADERS DOWNBEAT ABOUT SALES VOLUMES

Naamsa data shows that 1.2% more vehicles were sold domestically in 2023Q1 than in 2022Q1. However, new car sales fell sharply in April, with sales volumes declining by 5.8% y-o-y. In May, sales were up 10.1% y-o-y, resulting from a low base caused by last year's KwaZulu-Natal floods. The uptick in sales is mainly driven by light commercial vehicles that have only recently recovered from the slump during the COVID-19 pandemic.

Naamsa foresees a “gloomy outlook” for the industry over the next three months.²

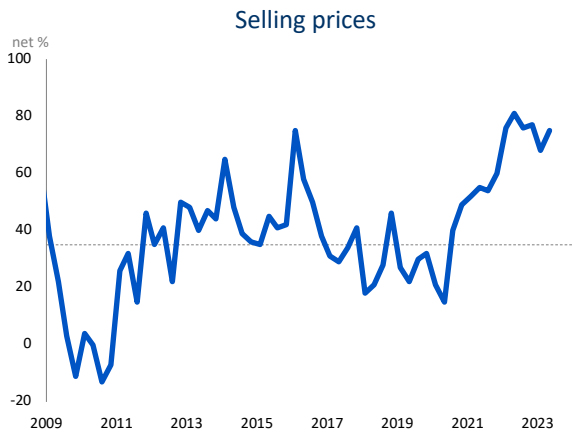
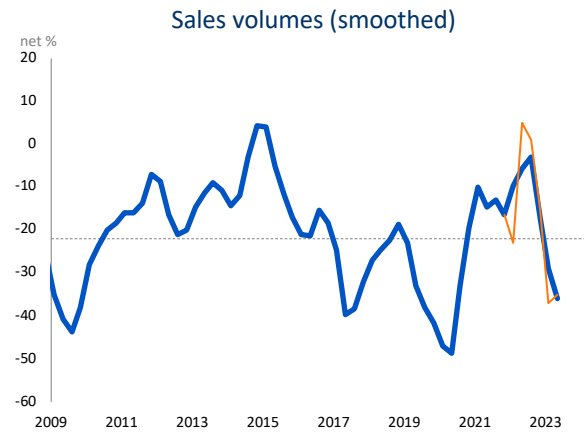
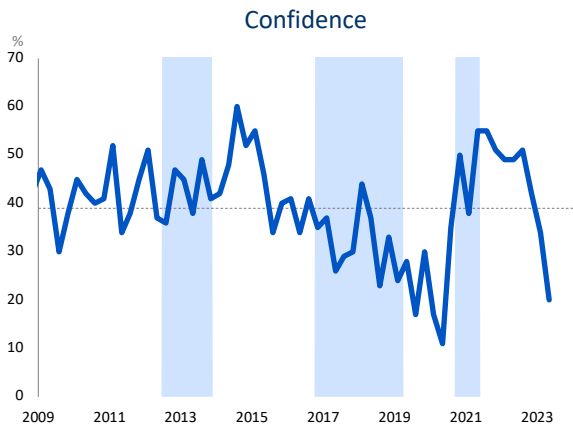
Continuous interest rate hikes and inflationary pressure affect sales. Furthermore, consumers who recently invested in alternative power sources at great expense will likely postpone their purchases of big-ticket durable goods, such as new vehicles.

As a result, the BER’s Motor Trade survey shows that confidence among dealers of new vehicles took the largest dip of all the sectors surveyed by the BER. It fell from 44% in 2023Q1 to 23% in 2023Q2. Respondents are more pessimistic about sales volumes this quarter than at the start of the year. Low sales are also reflected by the subindex that tracks stock relative to demand, which increased from -6 to 11 index points for new vehicles (and is now above the long-term average of 3). Similar trends hold for used vehicles. The sales volume index declined from -41 to -46 index points. Like new vehicles, stocks relative to demand are high.

² Naamsa Press Release, 1 June 2023.

RETAIL TRADE: TOTAL³

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	Δ	σ_{Δ}
Confidence	%	29	39	50	55	51	49	49	51	42	34	20	-14	9
Business conditions	Net %	-48	-31	-14	-14	-10	-20	-9	-15	-23	-41	-69	-28	15
Sales volumes	Net %	-36	-21	-6	-15	-11	-23	5	1	-15	-37	-35	2	13
Seasonally adjusted	Net %	-35	-21	-6	-13	-19	-21	9	3	-23	-35	-31	4	11
Smoothed	Net %	-33	-21	-8	-13	-16	-10	-6	-3	-17	-29	-36	-7	7
Selling prices	Net %	16	38	60	54	60	76	81	76	77	68	75	7	14



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

μ – average

σ – standard deviation

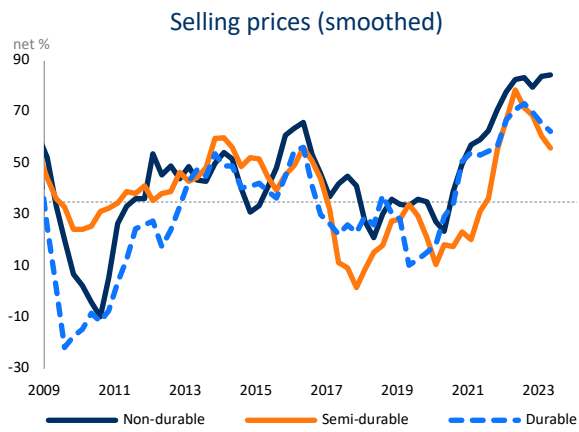
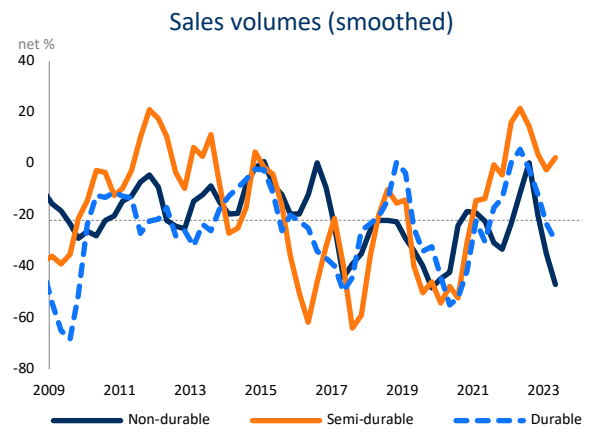
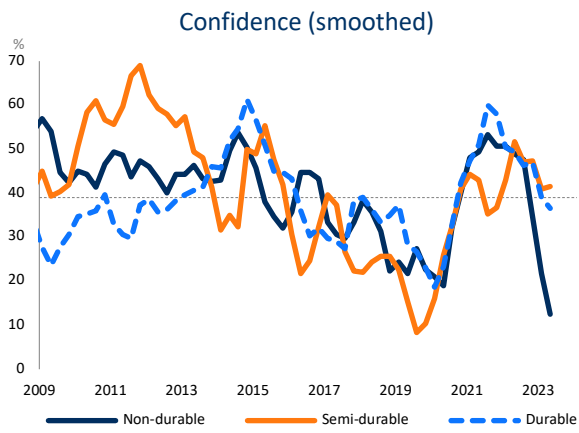
Δ – change from previous period

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

All of the above calculated over 2009 to the present

See Technical note for further details

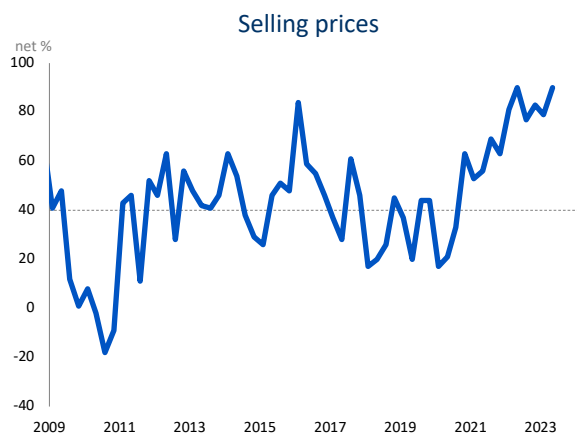
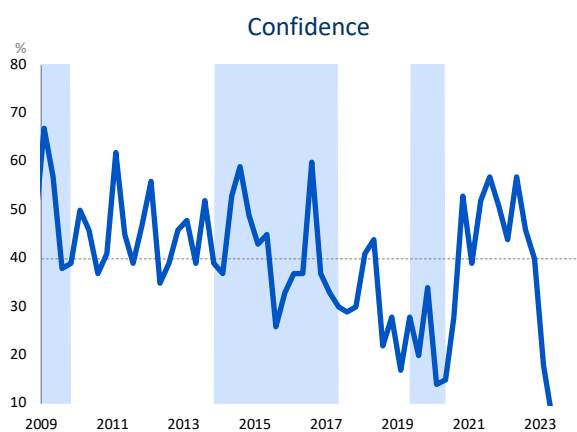
RETAIL TRADE: BY CATEGORY



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

RETAIL TRADE: NON-DURABLES⁴

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	Δ	σ_{Δ}
Confidence	%	27	40	53	57	51	44	57	46	40	18	7	-11	12
Business conditions	Net %	-53	-33	-14	-13	-20	-41	-1	-18	-17	-68	-89	-21	20
Sales volumes	Net %	-38	-21	-5	-19	-35	-46	11	1	-11	-51	-43	8	18
Seasonally adjusted	Net %	-38	-21	-5	-17	-43	-44	15	3	-19	-49	-39	10	18
Smoothed	Net %	-33	-21	-9	-31	-33	-23	-11	0	-20	-35	-47	-12	8
Selling prices	Net %	19	43	67	69	63	81	90	77	83	79	90	11	19



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

μ – average

σ – standard deviation

Δ – change from previous period

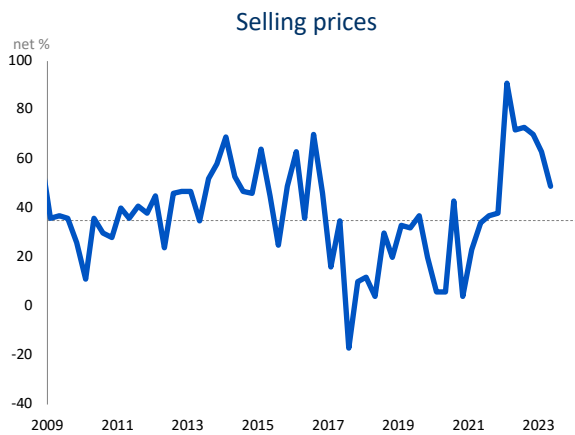
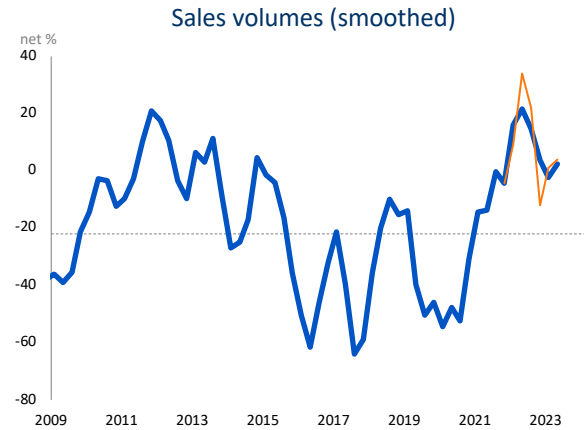
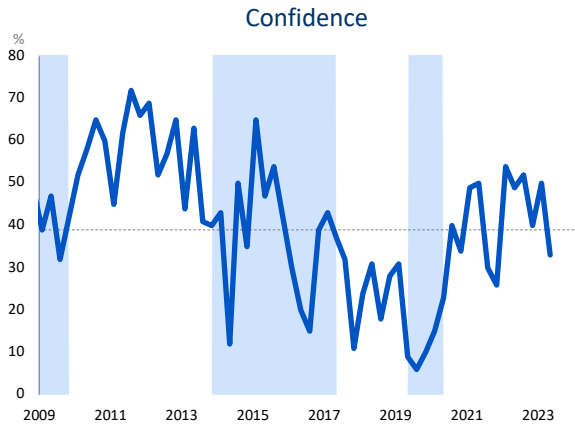
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2009 to the present

See Technical note for further details

RETAIL TRADE: SEMI-DURABLES⁵

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	Δ	σ_{Δ}
Confidence	%	24	40	57	30	26	54	49	52	40	50	33	-17	14
Business conditions	Net %	-64	-33	-2	-36	-30	6	34	22	-19	1	-46	-47	33
Sales volumes	Net %	-48	-18	13	-27	5	9	34	22	-12	1	4	3	33
Smoothed	Net %	-40	-17	6	0	-4	16	22	15	4	-2	3	5	12
Selling prices	Net %	18	38	58	37	38	91	72	73	70	63	49	-14	19



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

μ – average

σ – standard deviation

Δ – change from previous period

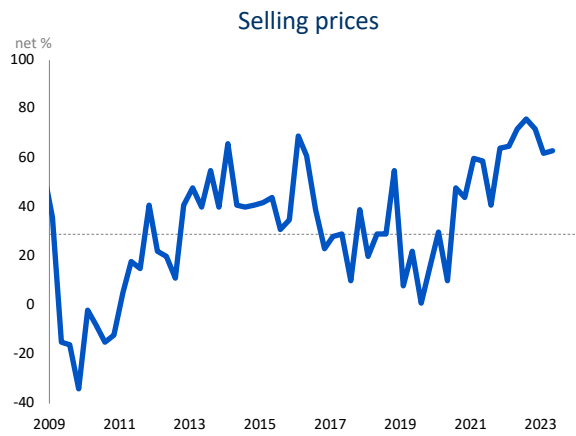
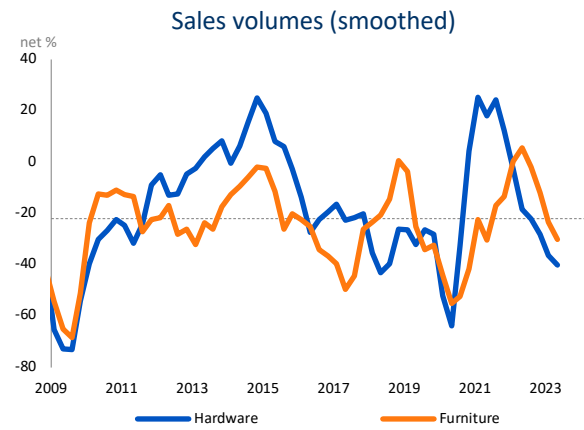
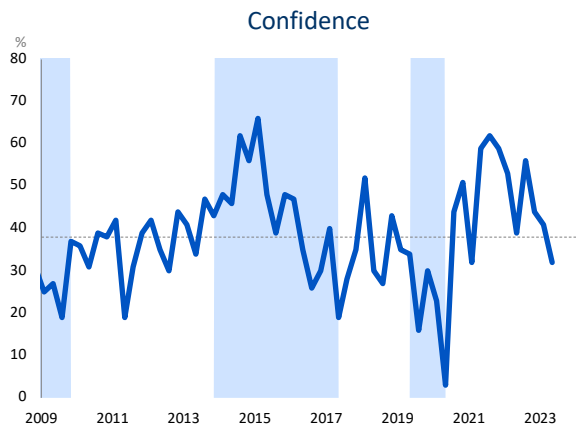
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2009 to the present

See Technical note for further details

RETAIL TRADE: DURABLES⁶

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	Δ	σ_{Δ}
Confidence	%	26	39	51	62	59	53	39	56	44	41	32	-9	13
Business conditions	Net %	-51	-29	-7	-7	10	1	-31	-22	-30	-32	-49	-17	22
Sales volumes														
Total	Net %	-44	-21	2	-5	14	-2	-11	-6	-19	-37	-34	3	22
Hardware	Net %	-48	-18	11	22	33	-18	-23	-14	-29	-41	-39	2	26
Furniture	Net %	-47	-25	-2	-42	-11	13	-1	5	-10	-31	-29	2	25
Selling prices	Net %	7	32	58	41	64	65	72	76	72	62	63	1	19



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

μ – average

σ – standard deviation

Δ – change from previous period

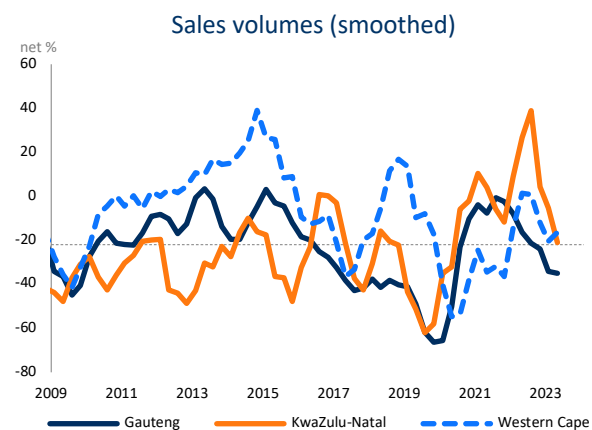
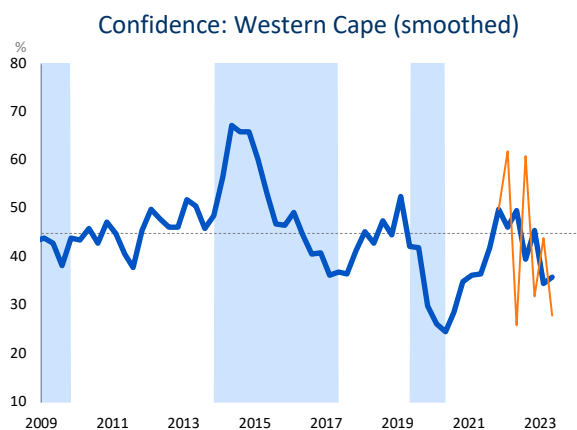
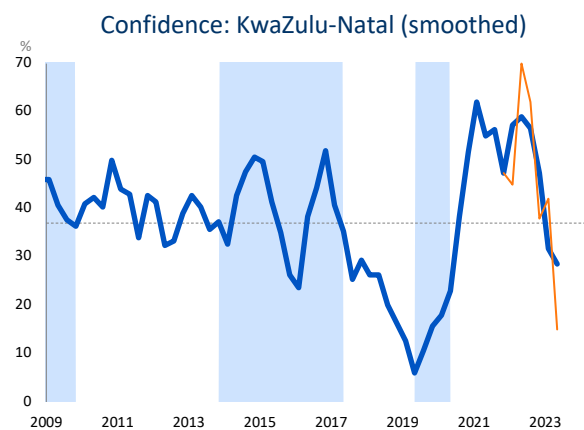
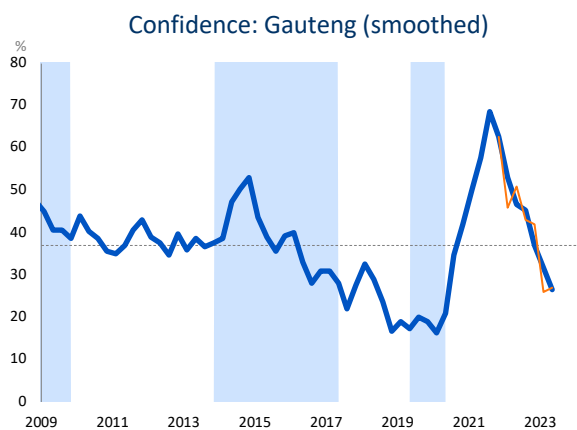
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All of the above calculated over 2009 to the present

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RETAIL TRADE: PROVINCES

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	Δ	σ_{Δ}
Gauteng														
Confidence	%	23	37	51	80	62	46	51	43	42	26	27	1	13
Smoothed	%	26	37	48	69	63	53	47	45	37	32	27	-5	5
Sales volumes	Net %	-44	-24	-3	-5	15	-17	-22	-10	-32	-30	-40	-10	18
Smoothed	Net %	-41	-24	-6	-1	-2	-8	-16	-21	-24	-34	-35	-1	8
KwaZulu-Natal														
Confidence	%	20	38	55	40	57	45	70	62	38	42	15	-27	19
Smoothed	%	25	38	50	56	47	57	59	57	47	32	29	-3	7
Sales volumes	Net %	-51	-24	3	-5	-19	-11	57	34	26	-47	5	52	30
Smoothed	Net %	-44	-24	-4	-6	-12	9	27	39	4	-5	-21	-16	12
Western Cape														
Confidence	%	32	44	57	37	51	62	26	61	32	44	28	-16	16
Smoothed	%	36	44	53	42	50	46	50	40	46	35	36	1	5
Sales volumes	Net %	-35	-9	18	-45	-38	-26	21	9	-28	-17	-16	1	26
Smoothed	Net %	-30	-8	13	-32	-36	-14	1	1	-12	-20	-17	3	10



μ – average

σ – standard deviation

Δ – change from previous period

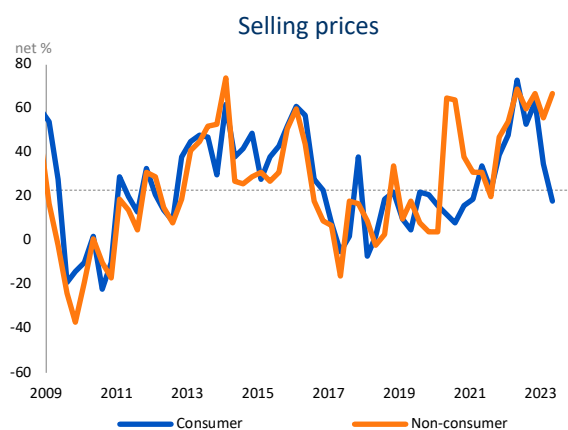
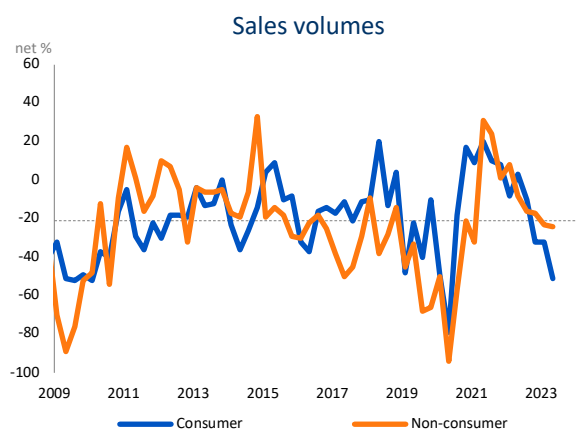
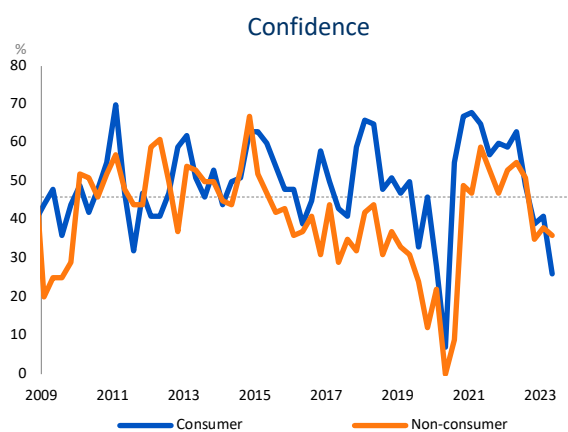
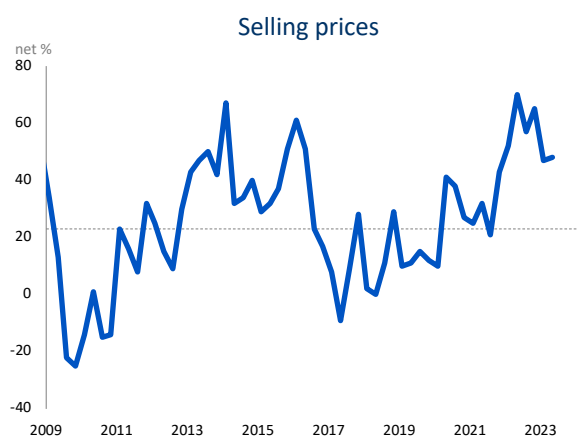
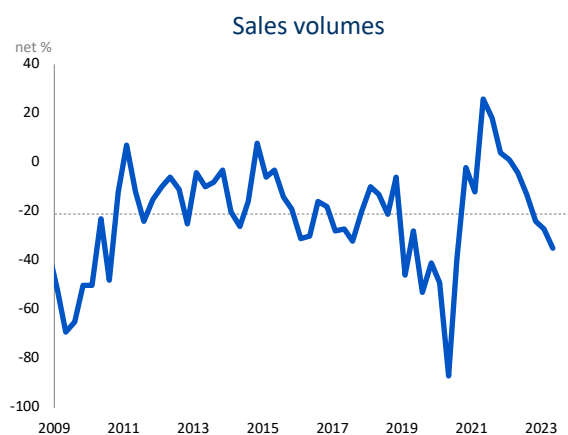
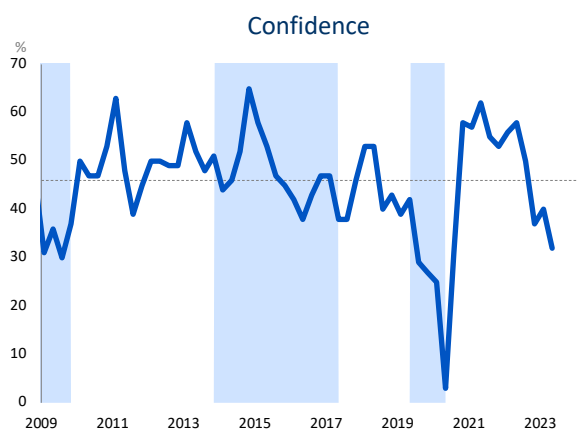
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2009 to the present

See Technical note for further details

WHOLESALE TRADE: TOTAL⁷

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	Δ	σ_{Δ}
Confidence	%	34	45	56	55	53	56	58	50	37	40	32	-8	9
Business conditions	Net %	-51	-29	-7	-1	-4	4	-6	-12	-22	-39	-40	-1	20
Sales volumes	Net %	-43	-22	0	18	4	1	-4	-13	-24	-27	-35	-8	18
Selling prices	Net %	3	25	48	21	43	52	70	57	65	47	48	1	16



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

μ – average

σ – standard deviation

Δ – change from previous period

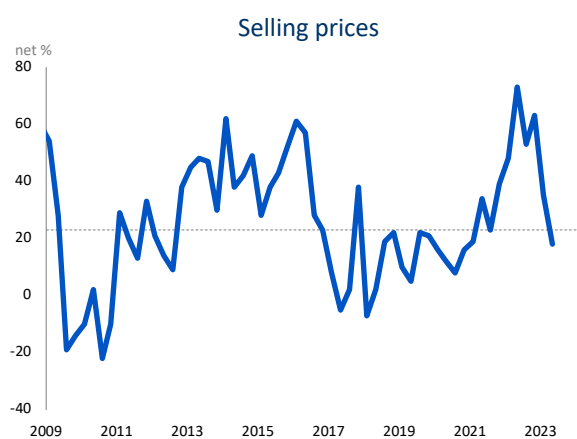
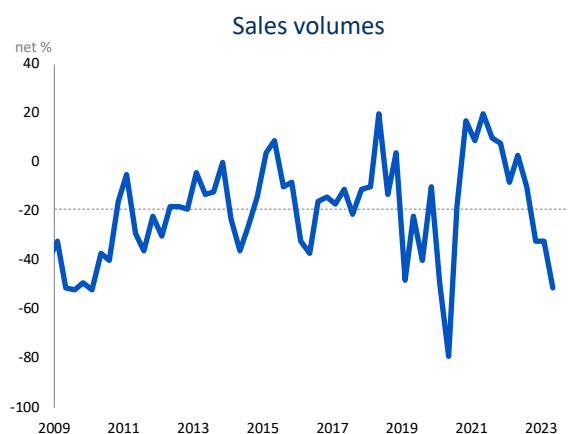
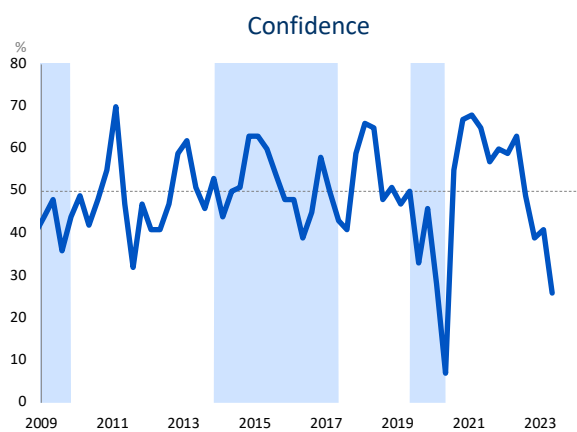
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2009 to the present

See Technical note for further details

WHOLESALE TRADE: CONSUMER GOODS⁸

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	Δ	σ_{Δ}
Confidence	%	38	49	61	57	60	59	63	49	39	41	26	-15	12
Business conditions	Net %	-51	-29	-7	2	2	1	-11	-19	-30	-58	-37	21	23
Sales volumes	Net %	-40	-19	1	10	8	-8	3	-10	-32	-32	-51	-19	20
Selling prices	Net %	3	25	48	23	39	48	73	53	63	35	18	-17	18



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

μ – average

σ – standard deviation

Δ – change from previous period

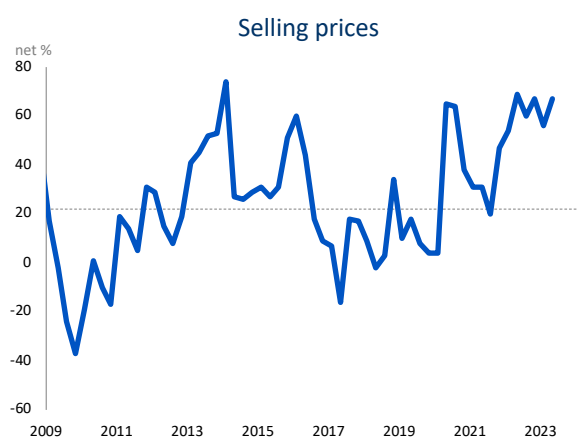
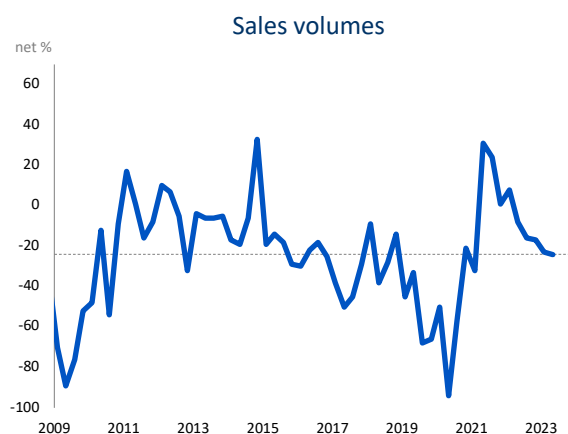
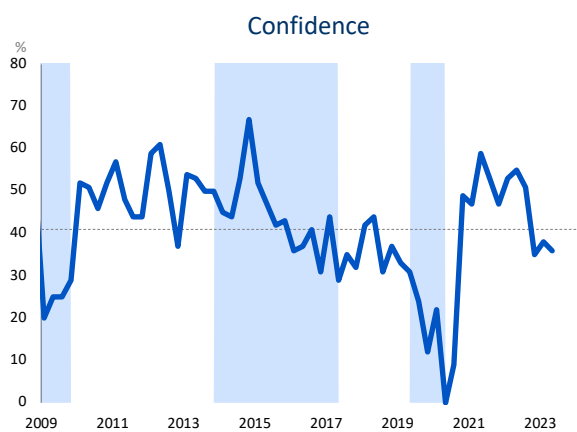
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2009 to the present

See Technical note for further details

WHOLESALE TRADE: NON-CONSUMER GOODS⁹

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	Δ	σ_{Δ}
Confidence	%	28	41	55	53	47	53	55	51	35	38	36	-2	11
Business conditions	Net %	-55	-30	-4	-3	-10	7	-2	-7	-19	-25	-40	-15	22
Sales volumes	Net %	-51	-24	3	24	1	8	-8	-16	-17	-23	-24	-1	23
Selling prices	Net %	-1	25	51	20	47	54	69	60	67	56	67	11	19



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

μ – average

σ – standard deviation

Δ – change from previous period

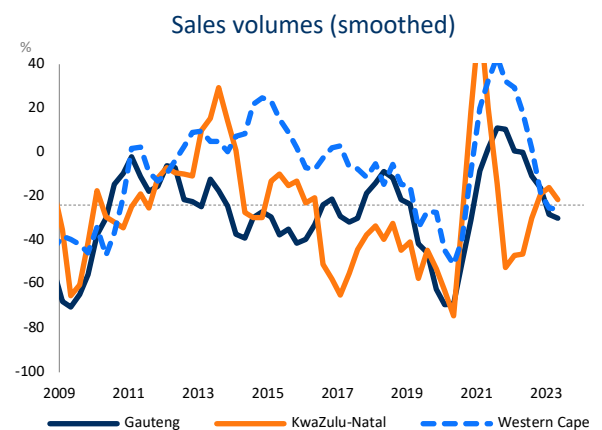
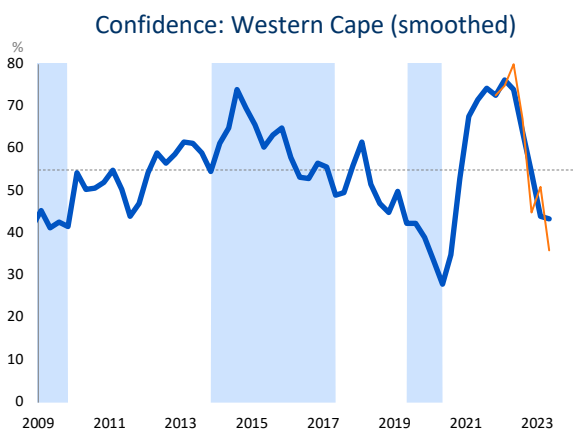
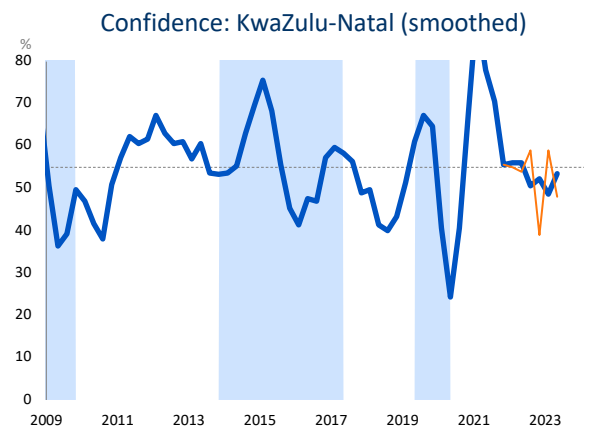
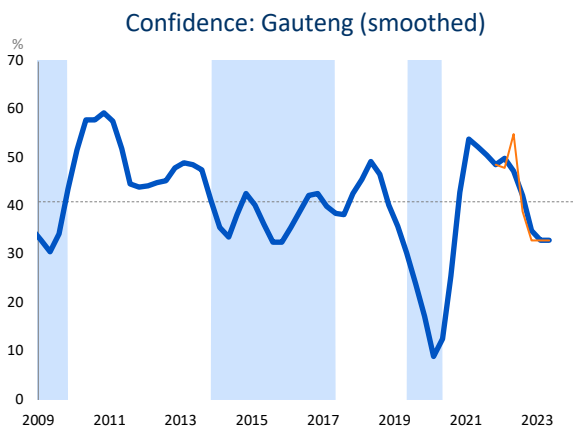
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2009 to the present

See Technical note for further details

WHOLESALE TRADE: PROVINCES

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	Δ	σ_{Δ}
Gauteng														
Confidence	%	29	41	53	51	47	48	55	39	33	33	33	0	10
Smoothed	%	31	41	51	51	49	50	47	42	35	33	33	0	5
Sales volumes	Net %	-51	-27	-3	23	1	7	-6	-1	-25	-23	-37	-14	21
Smoothed	Net %	-47	-27	-7	11	10	1	0	-11	-16	-28	-30	-2	9
KwaZulu-Natal														
Confidence	%	37	55	72	53	59	55	54	59	39	59	48	-11	22
Smoothed	%	43	55	66	71	56	56	56	51	52	49	54	5	9
Sales volumes	Net %	-61	-27	8	-62	-41	-54	-46	-39	-5	-13	-30	-17	38
Smoothed	Net %	-52	-26	0	-14	-52	-47	-46	-30	-19	-16	-22	-6	18
Western Cape														
Confidence	%	40	55	69	69	74	75	80	67	45	51	36	-15	15
Smoothed	%	44	55	66	74	73	76	74	64	54	44	44	0	6
Sales volumes	Net %	-34	-7	20	38	34	25	29	0	-24	-32	-20	12	25
Smoothed	Net %	-30	-7	15	43	32	29	18	2	-19	-25	-26	-1	11



μ – average

σ – standard deviation

Δ – change from previous period

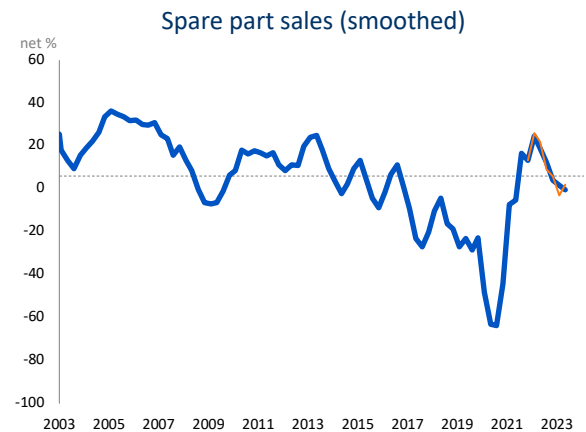
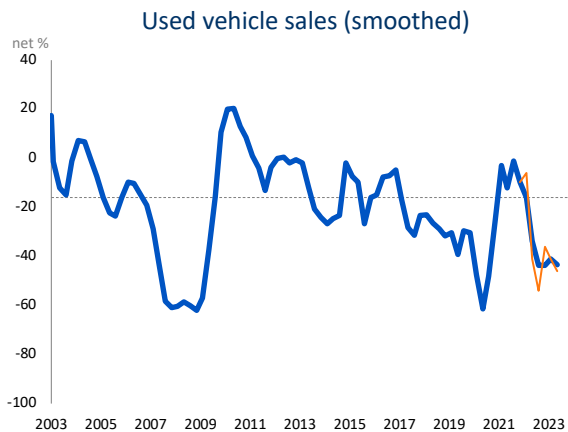
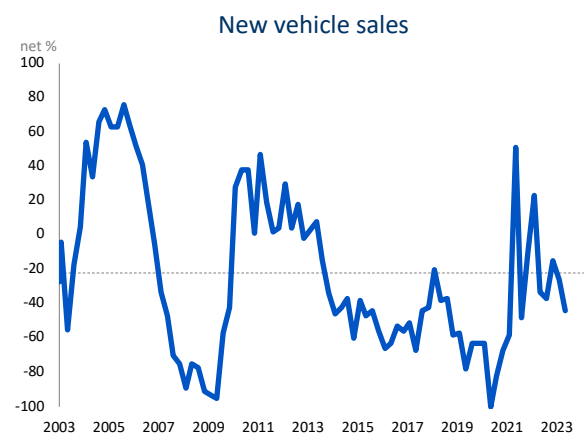
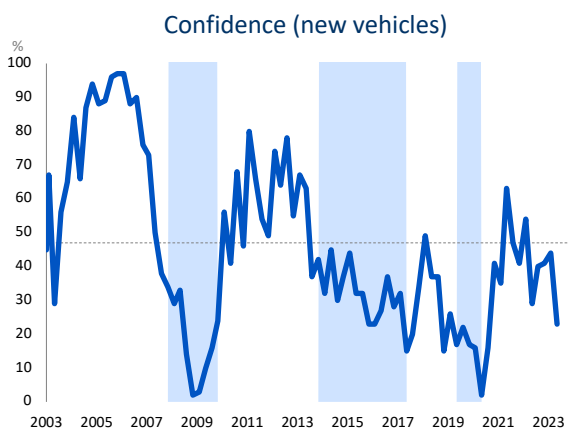
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2009 to the present

See Technical note for further details

MOTOR TRADE¹⁰

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	Δ	σ_{Δ}
New vehicles														
Confidence	%	20	46	71	47	41	54	29	40	41	44	23	-21	14
Sales volumes	Net %	-70	-23	25	-48	-10	23	-33	-37	-15	-26	-44	-18	27
Used vehicles														
Sales volumes	Net %	-45	-20	4	-22	-1	-6	-41	-54	-36	-41	-46	-5	23
Smoothed	Net %	-41	-20	0	-1	-10	-16	-34	-44	-44	-41	-44	-3	10
Spare parts														
Sales volumes	Net %	-20	5	29	-12	26	26	22	9	6	-3	2	5	20
Smoothed	Net %	-16	5	26	17	13	25	19	12	4	2	-1	-3	8



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

μ – average

σ – standard deviation

Δ – change from previous period

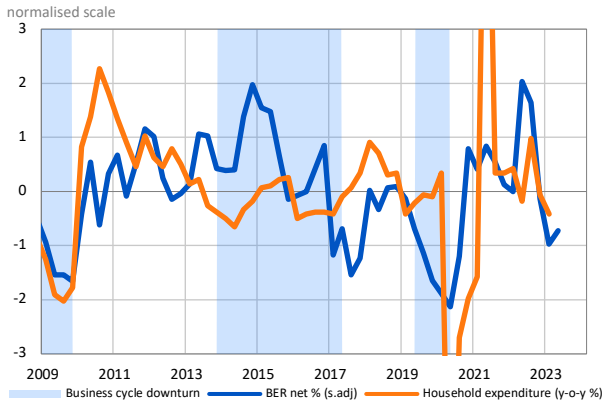
σ_{Δ} – volatility (standard deviation of the changes)

All of the above calculated over 2009 to the present

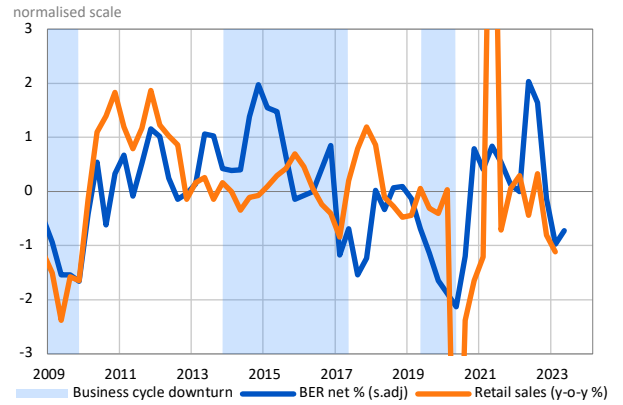
See Technical note for further details

SUMMARY

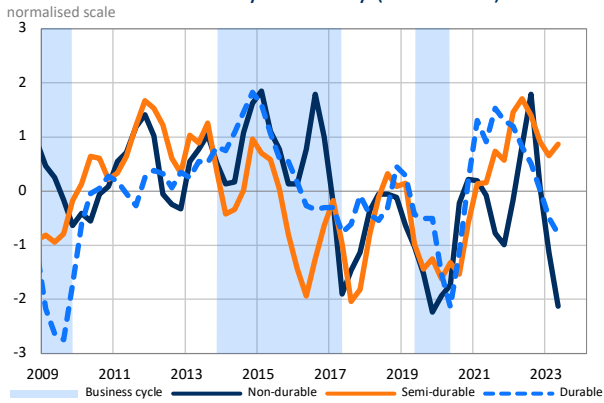
BER retail sales & FHCE*



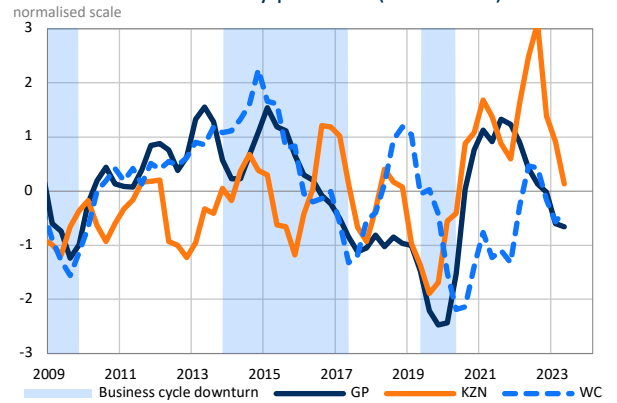
Retail sales



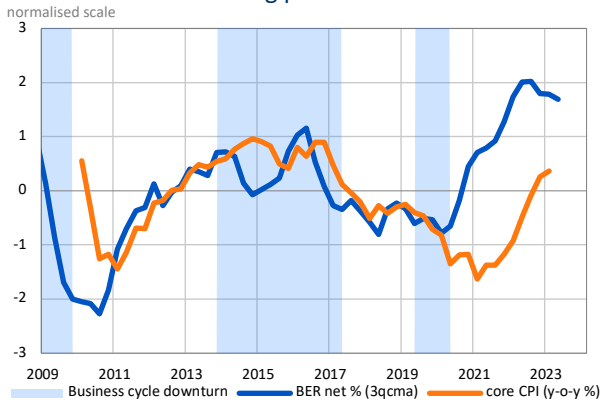
Retail: sales by durability (smoothed)



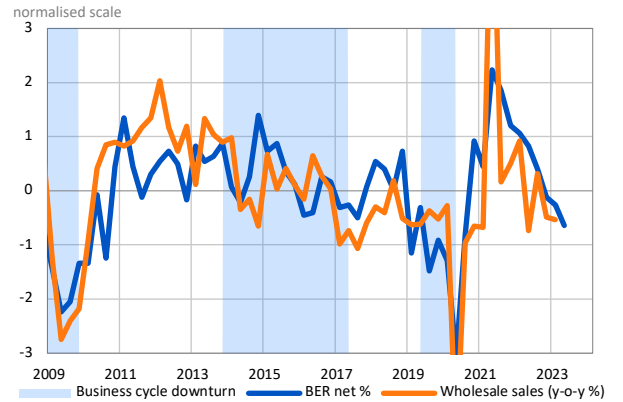
Retail: sales by province (smoothed)



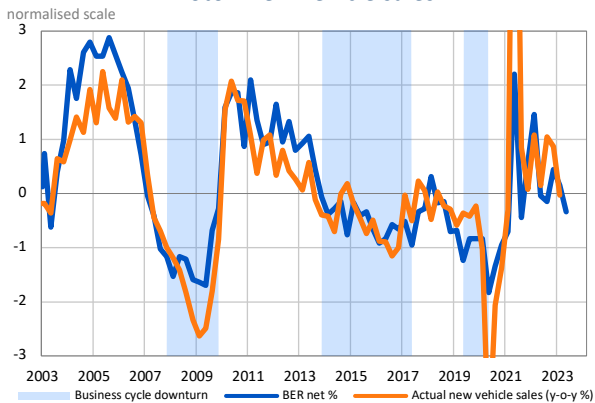
Retail: selling prices & core CPI



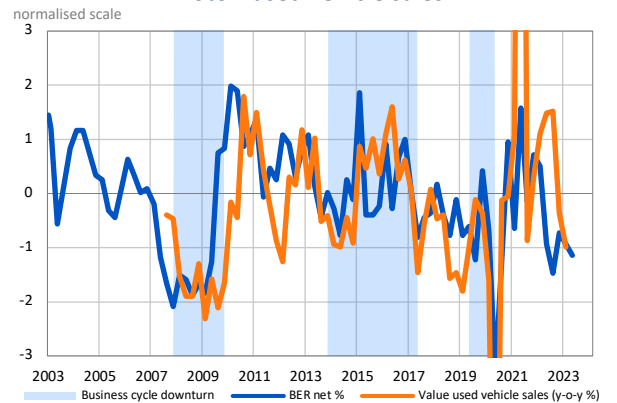
Wholesale sales



Motor: new vehicle sales



Motor: used vehicle sales



* Incl. spending on cars, petrol and services.

Technical note

THE RETAIL, WHOLESALE AND MOTOR TRADE SURVEY METHOD

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

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

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

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

Participants have to complete a "participant details form" at the time of recruitment and every few years to ensure that their sector classification and turnover (optional) are correct. Each response is weighted according to the firm's size and the sector's contribution, and this is, in turn, adjusted for the response pattern. These weights are updated every 5 years. The new weights will apply from the third quarter of 2022 onwards. At the same time, the historical time series for the retail and wholesale trade going back to 2009 were revised to reflect the latest business census and other official results. No changes were made to the historical time series for the motor trade. The revision led to very small changes in the results relative to those published previously.

The BER conducted its first survey of the manufacturing and trade (i.e. retail, wholesale and motor trade) sectors in 1954. The sector coverage was expanded to the building sector (i.e. main contractors and sub-contractors) in 1969. Architects, quantity surveyors and civil engineering contractors were added later to the building survey.

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

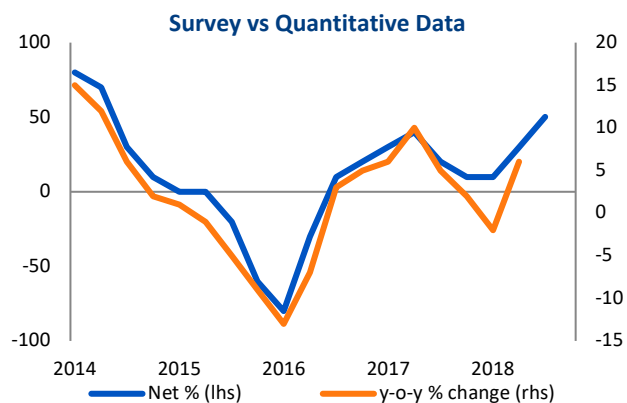
THE UNIQUE UNITS OF MEASUREMENT OF QUALITATIVE SURVEYS

Net percentage (net %)

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

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

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



Percentage (%)

The responses relating to business confidence are presented as percentages.

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

Theoretically, the confidence series can vary between a minimum of zero and a maximum of 100. A value of zero would reflect an extreme lack of confidence and 100 extreme confidence.

These results reflect respondents' evaluation of the phenomenon/the survey variable in respect to that specific survey quarter, i.e. not relative to some period in the past or future.

DESCRIPTIVE STATISTICS IN THE TABLES

Smoothed

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

Three-quarter centred moving averages (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: $\Delta\sigma$)

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

CONVENTIONS AND AIDS PROVIDED IN THE CHARTS

Shaded areas

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

Solid vs. dotted horizontal (X) axes:

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

Normalised scale

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