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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 edged down by a further two points to 43 in the second quarter of 2023 (2023Q2). This follows a record 23-point decline in the first quarter. At the current level, just over four out of ten business executives in the sector were satisfied with prevailing business conditions. The decline in confidence was supported by a further downtick in activity. However, despite the decline, the current level of activity is normally associated with a somewhat higher level of confidence.

Barring the confidence level of one reached in the first quarter of 2020, business confidence in the transport, storage and communication subsector is currently at a record-low level of 11. This corresponds with the underlying deterioration in business conditions and business volumes.

Business confidence among realtors declined for a fifth consecutive quarter (to 34), which means only roughly a third of respondents are satisfied with prevailing business conditions. The drop in confidence was despite a slightly smaller net majority reporting a decline in business volumes relative to Q1. However, a further decline in profitability likely weighed on sentiment.

After ticking up by two points to 75 in Q1, business confidence in the hospitality subsector – hotels and restaurants – tumbled by 23 points to 52. The decline in confidence was supported by a notable moderation in business volume growth – albeit remaining positive for a seventh consecutive quarter. Still, combined with a slowdown in the average selling prices charged within the sector, profitability turned negative for the first time since mid-2021.

The only subsector to record an increase in confidence was business services where sentiment rose from 47 to 59. The improvement in confidence was supported by a notable increase in business volumes, with a net 21% reporting an increase in volumes relative to the same quarter last year.

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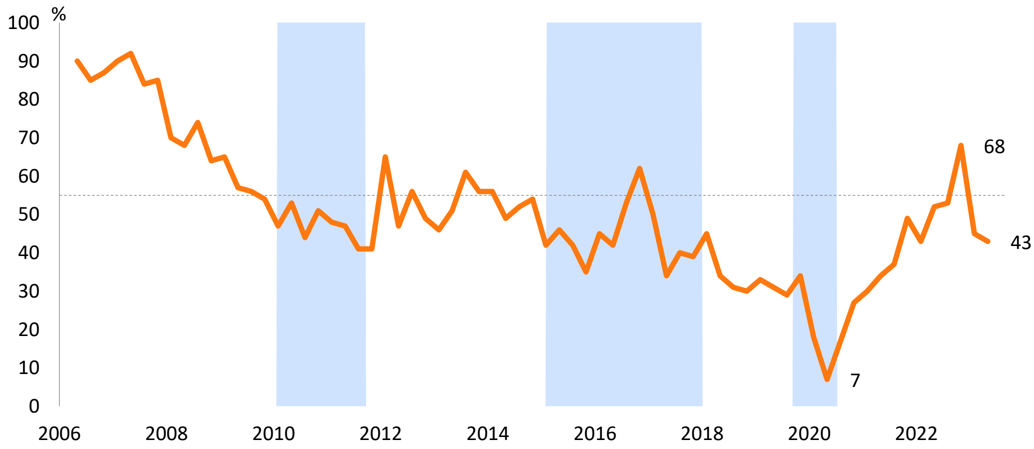
Introduction

Business confidence in the other services sector[1] edged down by a further two points to 43 in the second quarter of 2023 (2023Q2). This follows a record 23-point decline in the first quarter. At the current level, just over four out of ten business executives in the sector are satisfied with prevailing business conditions.

As illustrated in Figure 1, the current level is below the long-term average level (of 52) and 25 points below a recent (multi-year) peak of 68 reached in 2022Q4. The decline in confidence was supported by a further downtick in activity. A net majority of 6% reported a decline in business volumes (up from 4% in Q1). The first quarter followed five consecutive quarters of business executives in the sector reporting increased volume growth. However, despite the decline, the current level of activity is normally associated with a somewhat higher level of confidence. Based on comments by some of the respondents, a challenging business environment amid intense load-shedding during the survey period[2], as well as high borrowing costs while inflation remained elevated contributed to the negative sentiment.

There were significant (and diverging) movements within the four subsectors included in the 'other services total', which will be unpacked in the remainder of the report. After this section, separate tables and graphs of the survey data are also provided for each subsector as well as a summary of the survey results for the three main provinces (Gauteng, KwaZulu-Natal and the Western Cape).

Figure 1: Other services confidence declines for a second quarter



Source: BER, SARB
Note: business cycle downswings are shaded

[1] 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.

[2] The survey was conducted between 10 and 30 May 2023.

Details

Business confidence in three of the four subsectors declined relative to Q1[3]. The steepest decline was seen in the **hospitality** subsector (down by 23 points to 52), while confidence among **real estate businesses** declined by 9 points to 34. Respondents in the **transport** subsector had the lowest confidence reading of just 11 points, down from 14 in Q1. These declines were to some extent offset by an increase in confidence levels in the **business services** subsector, from 47 to 59.

TRANSPORT CONFIDENCE DECLINES EVEN FURTHER[4]

Barring the confidence level of one reached in the first quarter of 2020, business confidence in the transport, storage and communication subsector is currently at a record-low level of 11. This corresponds with the underlying deterioration in business conditions and business volumes. A significant net majority of 74% of respondents reported a decline in business volumes in the transport subsector. This is the steepest decline in volumes in ten years and is thus even (somewhat) weaker than experienced during the strictest phase of South Africa's COVID lockdown in 2020. Contrary to the previous quarter when respondents still anticipated volumes to rebound in the next quarter, a net 44% foresees a further decline in Q3. Respondents also noted a sharp decline in profitability for a second consecutive quarter, with another deterioration expected in Q3. This is as the rate of increase in selling prices charged declined in Q2.

Relative to Q1, all the constraints surveyed were also deemed a more serious deterrent on business conditions, with finances and insufficient demand rated as the most serious. Commentary referred to the weak rand exchange rate and the impact of higher interest rates hurting the sector. There was also mention of concerns about diplomatic relations between the US and South Africa[5].

REAL ESTATE VOLUMES LESS NEGATIVE, BUT CONFIDENCE STILL DECLINES

Business confidence among realtors declined for a fifth consecutive quarter (to 34), which means roughly a third of respondents are satisfied with prevailing business conditions. The drop in confidence was despite a slightly smaller net majority reporting a decline in business volumes relative to Q1. However, another deterioration is expected in Q3. Activity in the subsector could have been supported by consumers switching from buying property to renting amid higher borrowing costs as well as an increase in distressed sales. While this would translate into more business volumes, this type of activity would not necessarily translate to higher business confidence. Another drag on sentiment was a further decline in profitability. For four straight quarters, realtors have now seen profitability decline compared to the same level last year, with a further downtick expected in Q3. Commentary of the respondents

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[3] In the BER's survey, business services contribute 45%, transport 25%, real estate 20% and hospitality (i.e., hotels and restaurants) 10% to the total.

[4] The BER survey covers road freight transport and other supporting services (such as travel agencies, cargo handling and freight forwarding).

[5] About half of the responses were received before the US accusation that SA supplied weapons to Russia. This contributed to the rand weakening to a record low level against the US dollar and euro, but also brought back into focus concerns about SA being excluded from the African Growth and Opportunity Act (AGOA) once the current arrangement expires in 2025.

referred to higher interest rates as depressing (sales) activity in the sector. In this regard, it must be noted that the majority of responses were received before the South African Reserve Bank (SARB) hiked the policy interest rate with a second consecutive 50 basis points in late May.

SENTIMENT IN THE HOSPITALITY INDUSTRY SHARPLY DOWN FROM PREVIOUS TWO QUARTERS

After ticking up by two points to 75 in Q1, business confidence in the hospitality subsector – hotels and restaurants – tumbled by 23 points to 52. This means that roughly half of the respondents were satisfied with prevailing business conditions. While this presents a marked deterioration from the above 70 confidence levels recorded in 2022Q4 and 2023Q1, this is still significantly higher than virtually all of the other subsectors surveyed by the BER[6]. The decline in confidence was supported by a notable moderation in business volume growth – albeit remaining positive for a seventh consecutive quarter. Indeed, hoteliers and restaurateurs were the only respondents in the other services survey reporting that general business conditions *improved* relative to the same time last year. Still, the combination of slower sales volume growth and a slowdown in the average selling prices charged within the sector meant that profitability turned negative for the first time since mid-2021. On the input cost front, the cost of running diesel generators during load-shedding likely also weighed on profitability.

While the survey does not differentiate between business executives in the hotel and the restaurant business, the two subsectors are likely experiencing two different growth trajectories at the moment. Official data shows that spending at restaurants is largely back at pre-pandemic levels and that growth in the sector is slowing down. On the other hand, hotels have not yet returned to pre-pandemic levels in terms of volumes and are still experiencing catch-up growth. Tourism data for April (which includes Easter and other South African public holidays and, although not peak season, is usually still a decent month in terms of foreign arrivals) shows that day visitor numbers and overnight tourism figures are not yet back at 2019 levels, albeit higher than in 2022. This is further illustrated in Figure 2 - despite the steady recovery in foreign arrivals into South Africa, recent arrivals are not back at pre-pandemic levels. Respondents did express some hope that a recovery in tourism from Asia – with Chinese travellers up to recently essentially prohibited from leaving the country under strict zero-COVID lockdown regulations – could boost the sector going forward.

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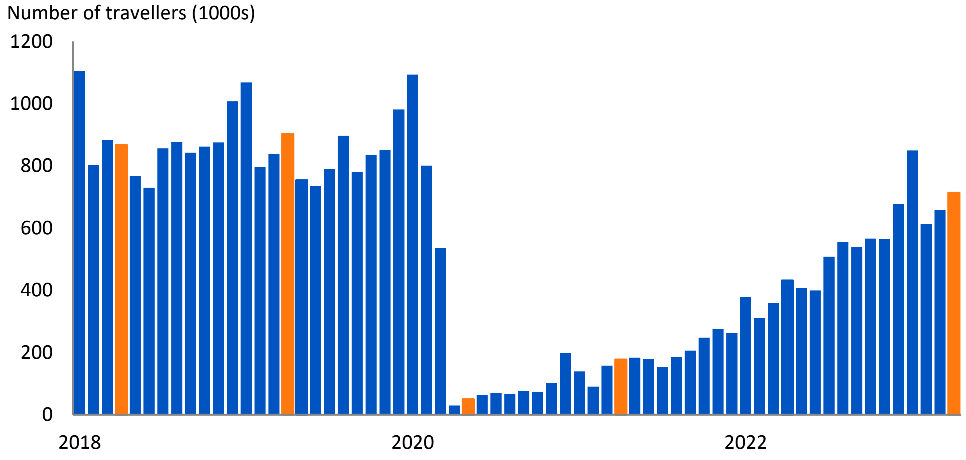
[6] A breakdown of the confidence levels among business executives surveyed in the retail, wholesale, new vehicle dealers, building and manufacturing subsectors can be found in the 2023Q2 **RMB/BER Business Confidence Index press release on our website**.

Figure 2: Overnight foreign visitor arrivals per month

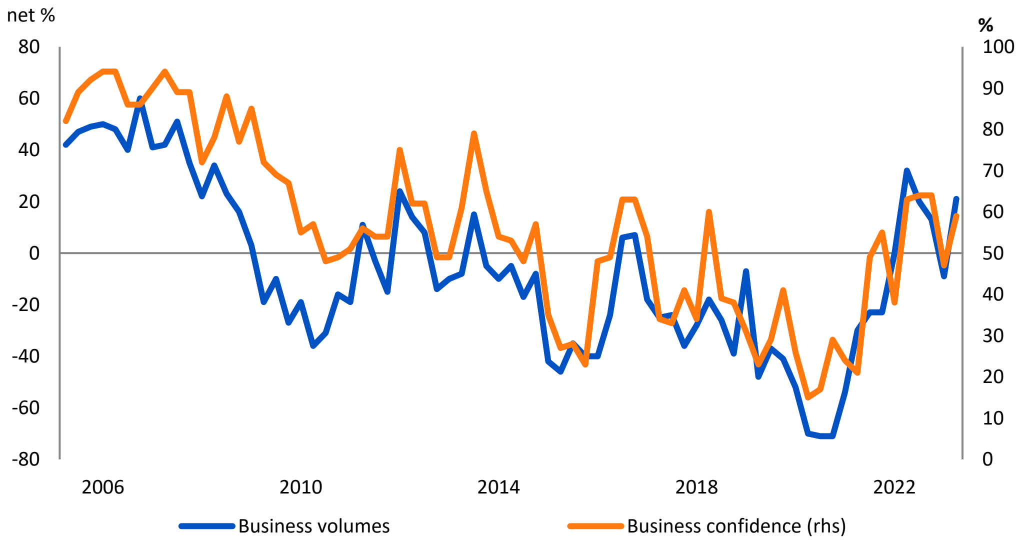


Source: Stats SA
Note, the month of April of each year is shaded.

BUSINESS SERVICES THE STAR PERFORMER

The only subsector to record an increase in confidence was the business services subsector. Confidence rose from 47 to 59. While this remains slightly below the average recorded in 2022, it is higher than all of the other sectors surveyed by the BER. The improvement in confidence was supported by a notable increase in business volumes with a net 21% reporting an increase in volumes relative to the same quarter last year – see Figure 3. Profitability, although still negative, improved from Q1. Also bucking the trend observed in the other subsectors was the insufficient demand constraint that ticked down relative to Q1 – i.e., insufficient demand was seen as a less serious constraint on business conditions compared to before. The subsector includes renting of machinery and equipment, computer services, legal services, accounting, consulting engineering, advertising, building and plant cleaning, debt collection and exhibitions. From anecdotal evidence, it seems that the consulting engineering category is performing particularly well. In general, commentary of the respondents mainly focussed on the negative impact of load-shedding and political/service-delivery issues.

Figure 3: Co-movement of confidence and volumes in the business services sector



Source: BER

Final remarks

Except for transport, the subsectors in the other services survey generally performed much better than the rest of the sectors surveyed by the BER. However, relative to its own history, confidence is currently well below the long-term average level and thus relatively subdued. Indeed, the big deterioration in sentiment already happened in Q1. This time around, a big increase in business services confidence was not enough to fully offset declines in the other subsectors.

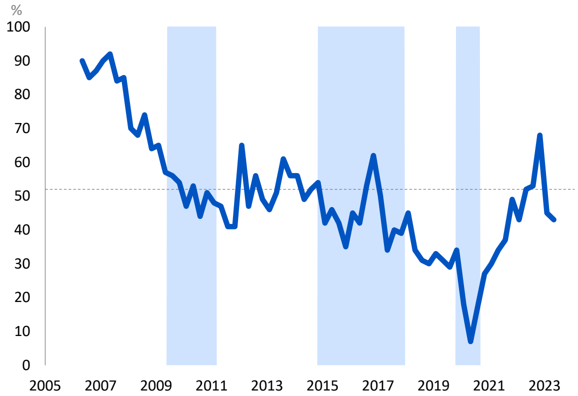
Overall business volumes declined further in Q2, but remain better than the long-term average. This suggests that the sector may continue to provide some support to the economy while the more energy-intensive industrial sectors are straining. However, with the exception of foreign tourism, many of the services captured in this survey are linked to the general strength of the local economy. Therefore, the relative outperformance will be difficult to maintain going forward without a more broad-based economic recovery.

Survey results

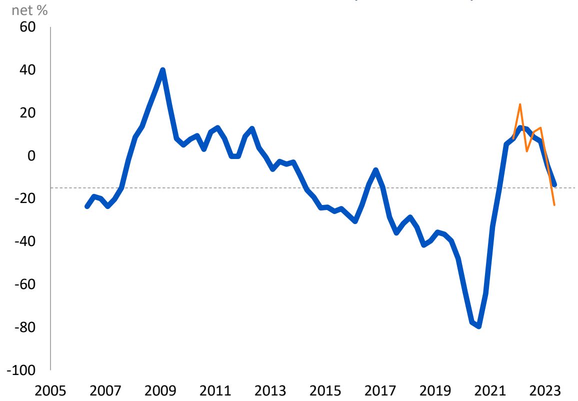
OTHER SERVICES: TOTAL[7]

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	Δ	σ_{Δ}
Confidence	%	33	52	71	37	49	43	52	53	68	45	**43**	-2	8
Business conditions	Net %	-40	-14	13	-13	13	24	2	11	13	-4	**-23**	-19	18
Smoothed	Net %	-37	-13	12	-15	5	8	13	12	9	7	**-5**	-12	9
Business volumes	Net %	-40	-10	20	-26	2	28	21	12	23	-4	**-6**	-2	16
Smoothed	Net %	-40	-13	14	-27	-7	1	17	20	19	10	**4**	-6	9
Selling prices / fees charged	Net %	-22	-3	15	-21	6	20	26	13	22	18	**15**	-3	12

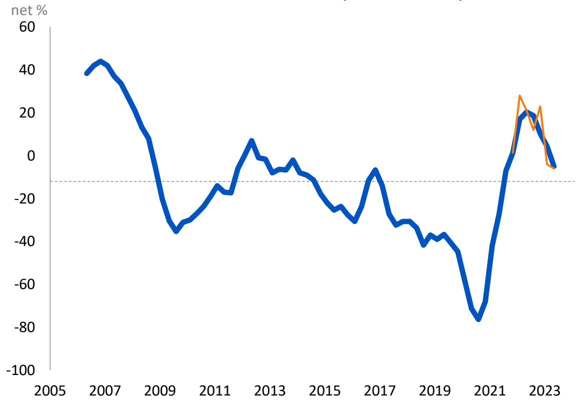
Confidence



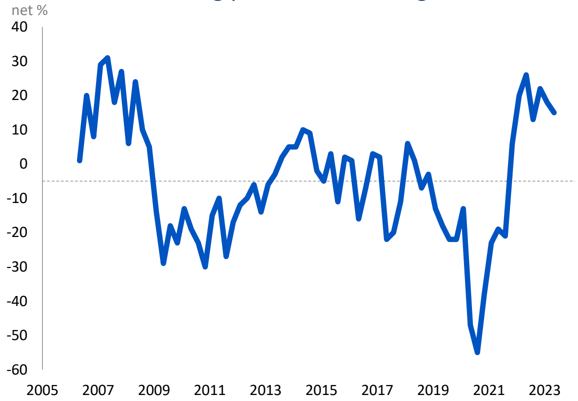
Business conditions (smoothed)



Business volumes (smoothed)



Selling prices / fees charged

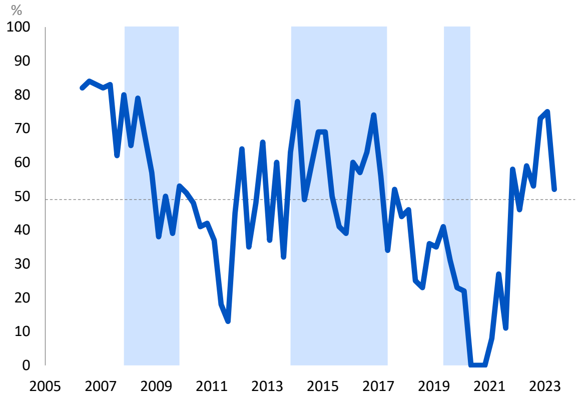


[7] The "other services: total" includes hotels & restaurants (15%), transport & storage (22%), real estate (18%) and business services (45%). The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the sub-sector's share according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

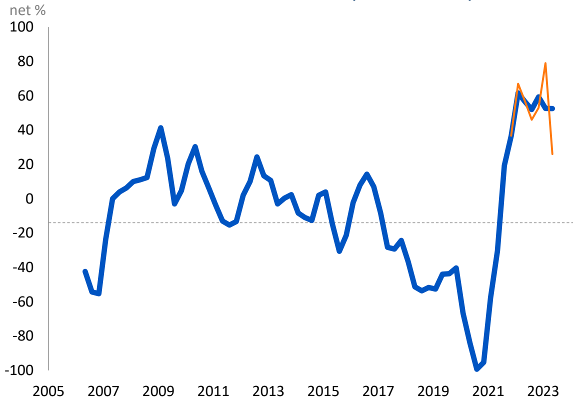
HOTELS & RESTAURANTS[8]

Indicator	Unit	μ-σ	μ	μ+σ	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	Δ	σ Δ
Confidence	%	28	50	71	11	58	46	59	53	73	75	**52**	-23	16
Business conditions	Net %	-50	-9	32	-18	61	67	57	46	53	79	**26**	-53	32
Smoothed	Net %	-44	-8	27	-30	19	37	62	57	52	59	**53**	-6	15
Business volumes	Net %	-56	-10	36	-16	55	69	57	48	56	80	**18**	-62	32
Smoothed	Net %	-54	-13	28	-31	16	36	60	58	54	61	**51**	-10	16
Selling prices / fees charged	Net %	-25	13	50	-68	32	44	45	27	51	85	**62**	-23	31
Smoothed	Net %	-21	12	45	-58	-20	3	40	39	41	54	**66**	12	13

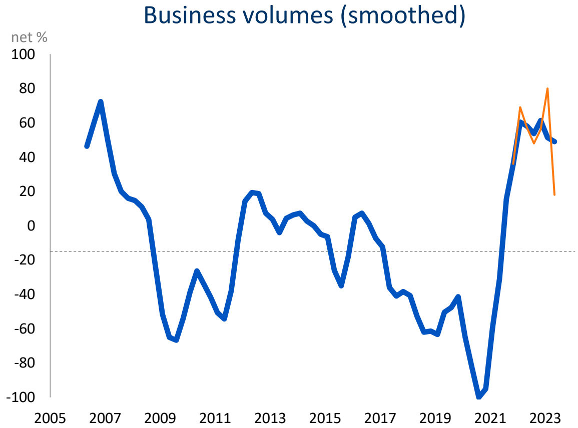
Confidence



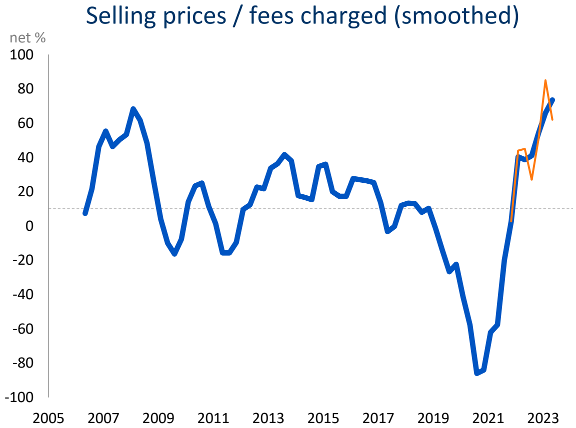
Business conditions (smoothed)



Business volumes (smoothed)



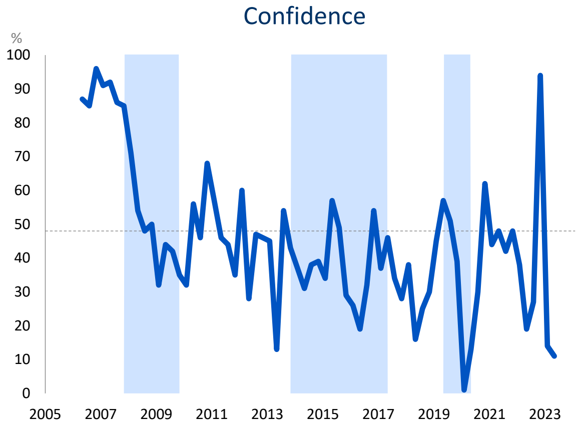
Selling prices / fees charged (smoothed)

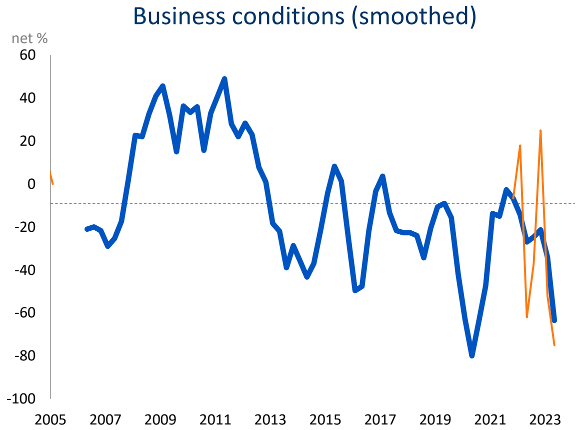


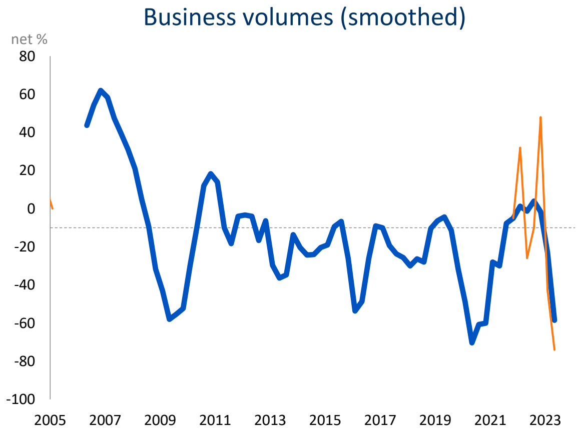
[8] Hotels & other accommodation (SIC code 641) (74%), restaurants and other food outlets (642) (26%). The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the sub-sector's share according to Stats SA's business censuses.

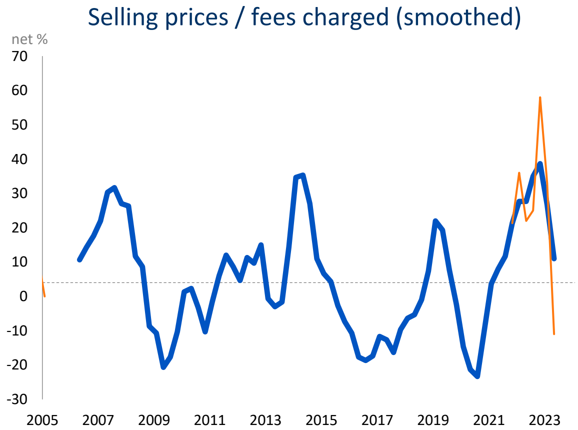
TRANSPORT & STORAGE[9]

Indicator	Unit	μ-σ	μ	μ+σ	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	Δ	σ Δ
Confidence	%	25	47	69	42	48	38	19	27	94	14	**11**	-3	19
Business conditions	Net %	-48	-11	26	-39	1	18	-62	-37	25	-52	**-75**	-23	37
Smoothed	Net %	-38	-9	20	-15	-3	-7	-14	-27	-25	-21	**-34**	-13	13
Business volumes	Net %	-48	-11	26	-45	-2	32	-26	-10	48	-43	**-74**	-31	34
Smoothed	Net %	-42	-13	15	-30	-8	-5	1	-1	4	-2	**-23**	-21	14
Selling prices / fees charged	Net %	-14	6	25	3	25	36	22	25	58	33	**-11**	-44	18
Smoothed	Net %	-11	5	22	8	12	21	28	28	35	39	**27**	-12	8





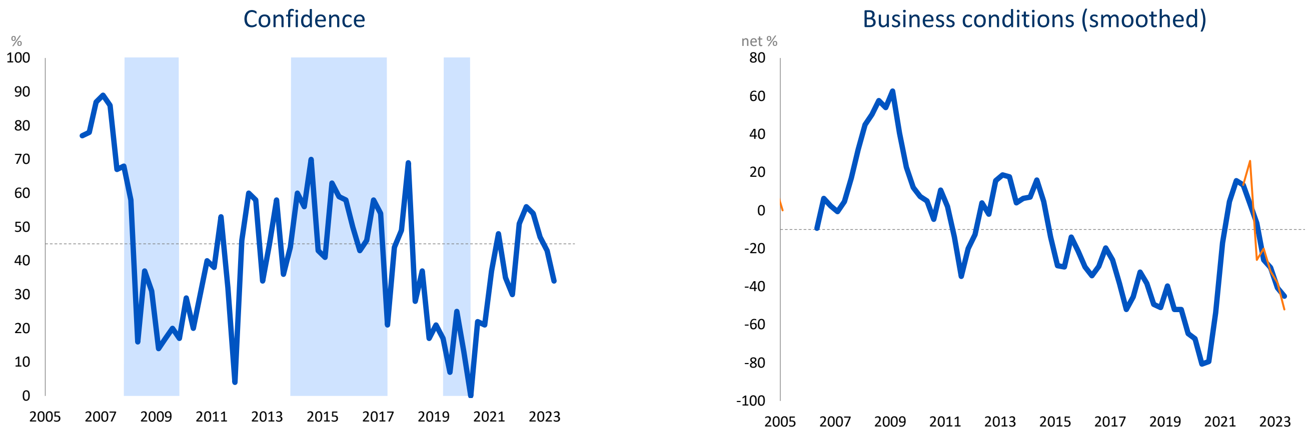


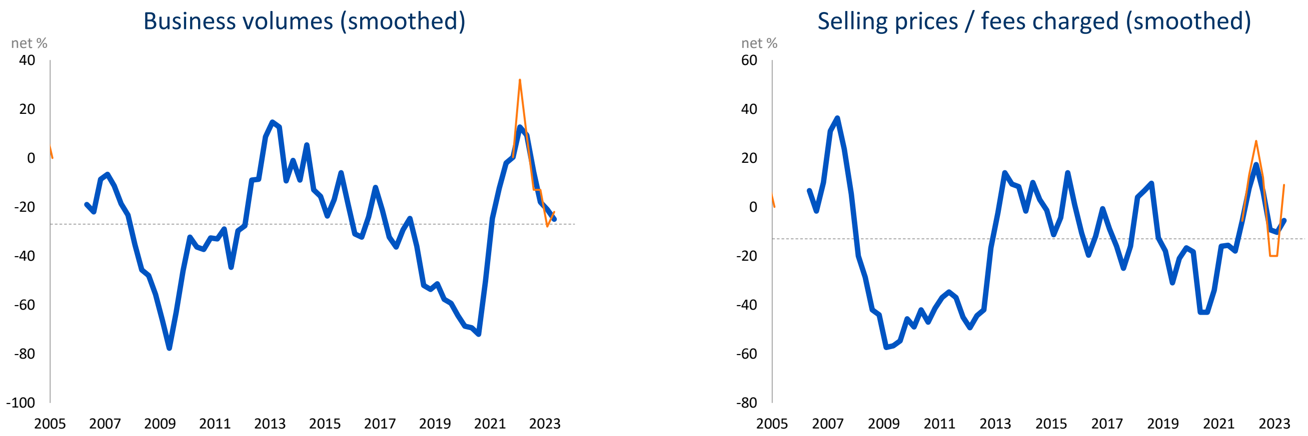


[9] 1) Land transport (39%): road freight (SIC code 7123)
2) Supporting transport & travel agencies (61%): cargo handling (7411), travel agencies & tour operators (7414), other (e.g., freight forwarding) (7419)
The figures in brackets indicate the BER's weights, which account for the sector coverage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

REAL ESTATE[10]

Indicator	Unit	μ-σ	μ	μ+σ	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	Δ	σ Δ
Confidence	%	22	45	67	35	30	51	56	54	47	43	**34**	-9	16
Business conditions	Net %	-48	-11	25	4	10	26	-26	-20	-32	-38	**-52**	-14	29
Smoothed	Net %	-43	-10	22	5	16	13	3	-7	-26	-30	**-41**	-11	12
Business volumes	Net %	-55	-26	3	-28	-3	32	9	-13	-13	-28	**-22**	6	28
Smoothed	Net %	-50	-28	-5	-12	-2	0	13	9	-6	-18	**-21**	-3	10
Selling prices / fees charged	Net %	-43	-12	19	-13	-17	13	27	12	-20	-20	**9**	29	26
Smoothed	Net %	-38	-16	7	-16	-18	-6	8	17	6	-9	**-10**	-1	11

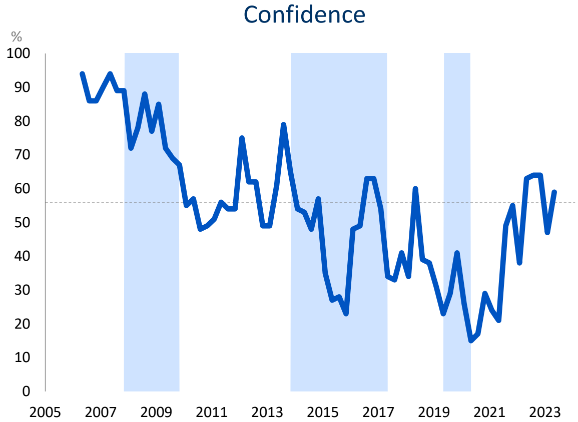


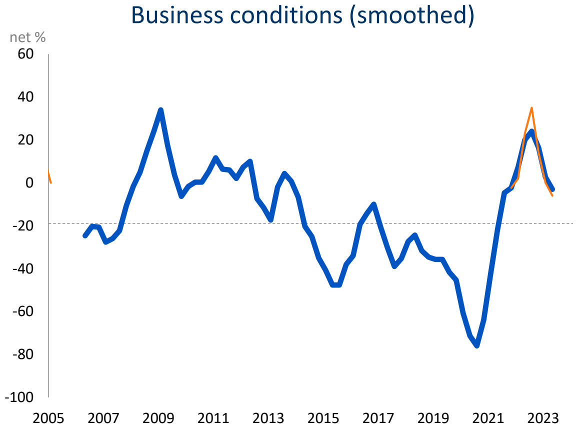


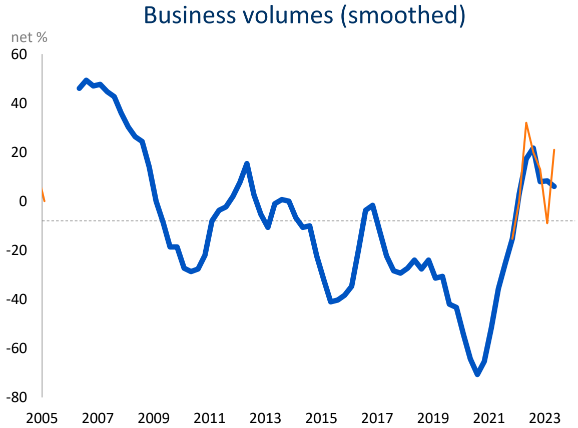
[10] Estate agents (auctioneering and sale of property) (SIC code 841) (35%) and property management (841) (65%). The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the sub-sector's share according to Stats SA's business censuses.

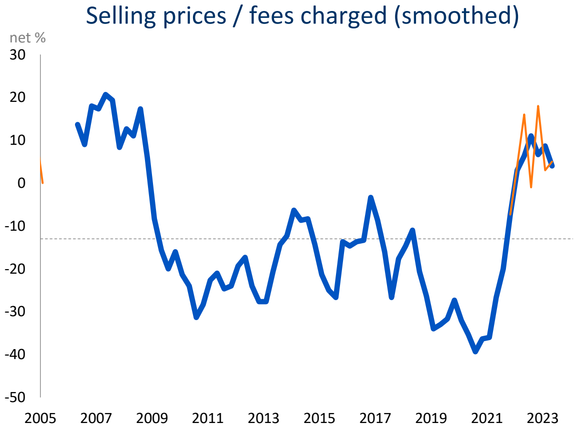
BUSINESS SERVICES[11]

Indicator	Unit	μ-σ	μ	μ+σ	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	Δ	σ Δ
Confidence	%	34	56	78	49	55	38	63	64	64	47	**59**	12	11
Business conditions	Net %	-43	-17	10	-6	-3	2	23	35	14	0	**-6**	-6	19
Smoothed	Net %	-39	-16	8	-22	-5	-2	7	20	24	16	**3**	-13	9
Business volumes	Net %	-39	-7	26	-23	-23	0	32	20	13	-9	**21**	30	16
Smoothed	Net %	-38	-10	19	-36	-25	-15	3	17	22	8	**8**	0	10
Selling prices / fees charged	Net %	-31	-11	8	-15	-11	4	16	-1	18	3	**5**	2	15
Smoothed	Net %	-29	-13	3	-27	-20	-7	3	6	11	7	**9**	2	6





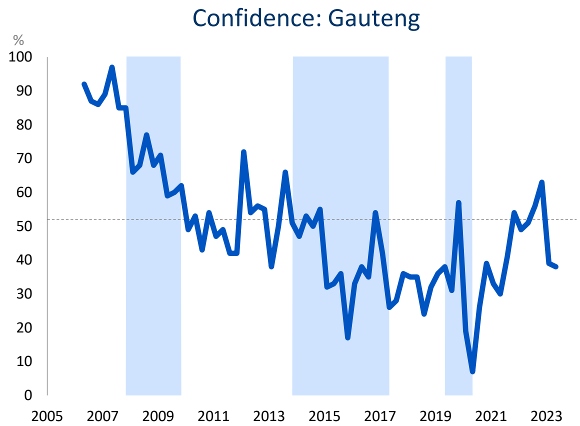


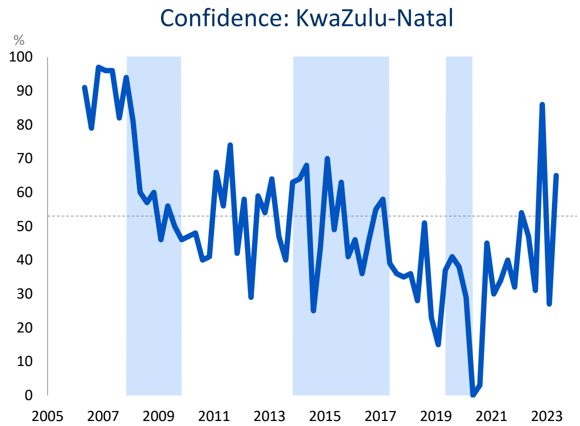


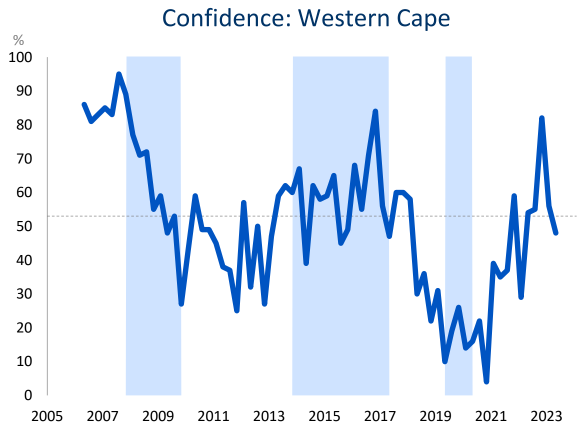
[11] 1) Renting of machinery & equipment (8%): transport equipment (SIC code 851), other machinery & equipment (852).
2) Computer services (19%): hardware consultancy (861), software consultancy (862).
3) Legal services, accounting & other (30%): legal services, accounting, bookkeeping, auditing & tax 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.

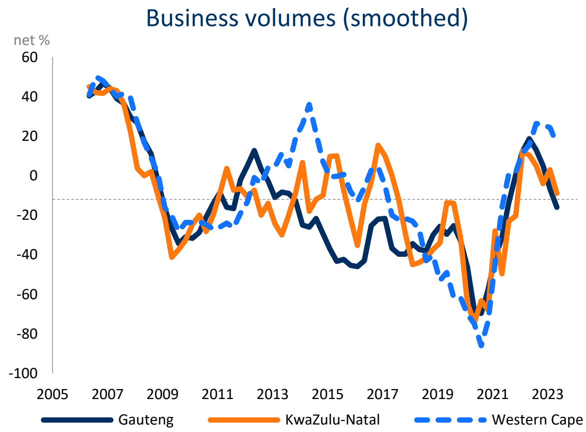
PROVINCES

Indicator	Unit	μ-σ	μ	μ+σ	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	Δ	σ Δ
Gauteng														
Confidence	%	31	51	72	41	54	49	51	56	63	39	**38**	-1	12
Business volumes	Net %	-44	-12	20	-28	0	29	8	19	12	-16	**-16**	0	20
Smoothed	Net %	-43	-15	12	-31	-14	0	12	19	13	5	**-7**	-12	9
KwaZulu-Natal														
Confidence	%	30	53	76	40	32	54	47	31	86	27	**65**	38	19
Business volumes	Net %	-46	-9	27	-88	-16	43	10	-22	27	-17	**-1**	16	39
Smoothed	Net %	-43	-15	12	-31	-14	0	12	19	13	5	**-7**	-12	9
Western Cape														
Confidence	%	31	53	75	37	59	29	54	55	82	56	**48**	-8	15
Business volumes	Net %	-40	-5	30	-14	11	8	16	22	41	14	**18**	4	20



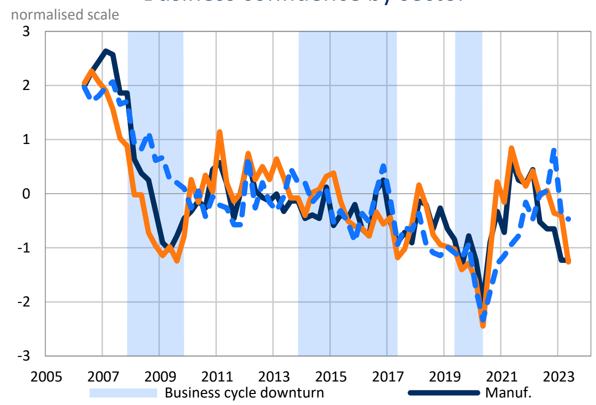






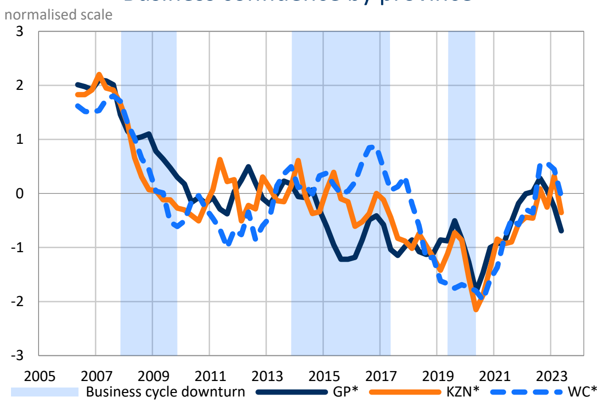
SUMMARY

Business confidence by sector

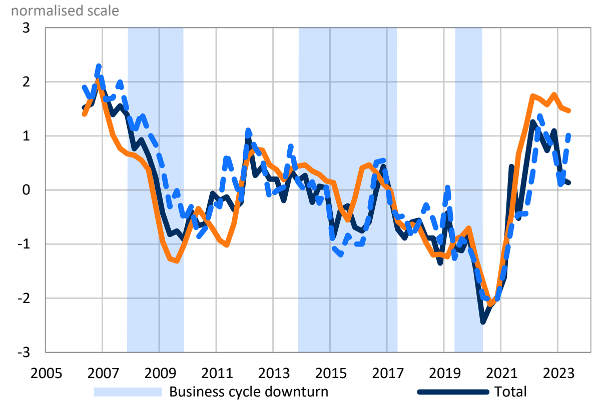


[1] *Trade = average of retail, wholesale & motor trade*

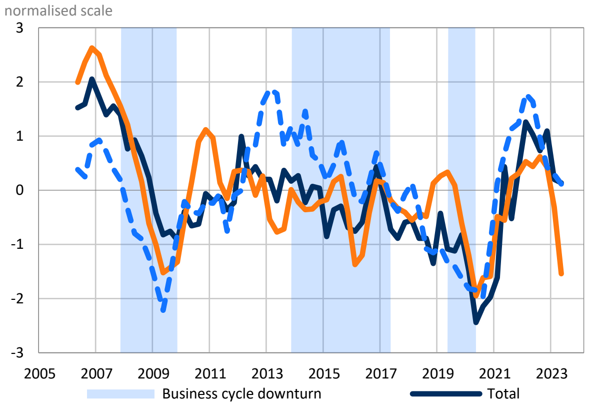
Business confidence by province



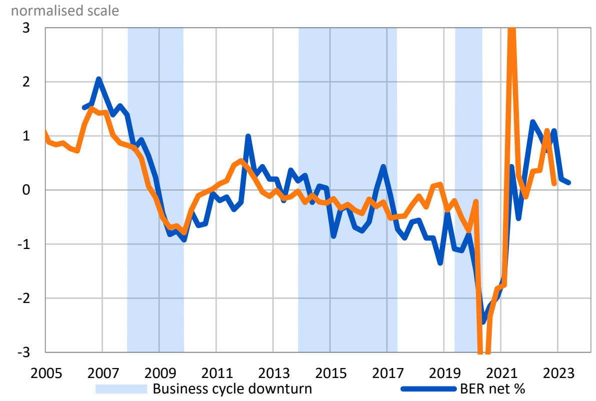
Business volumes



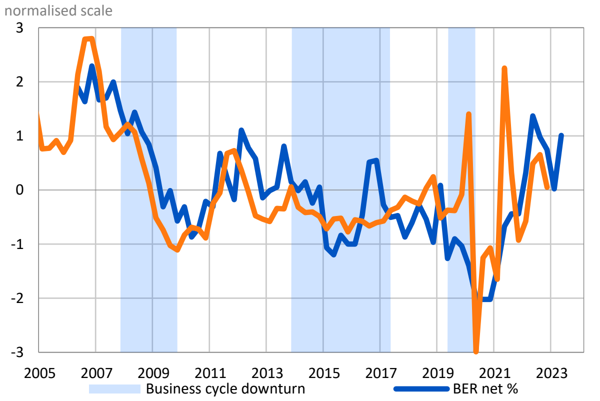
Business volumes



Total other services: volumes



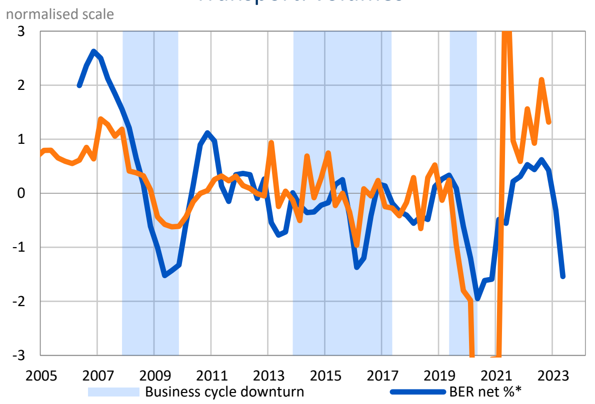
Business services: volumes



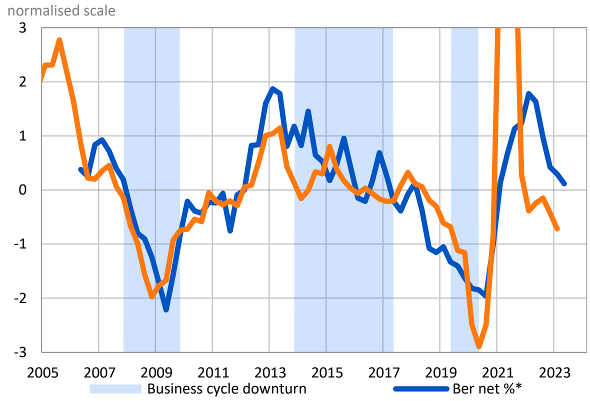
* *three-quarter centred moving average*

SUMMARY CONTINUES

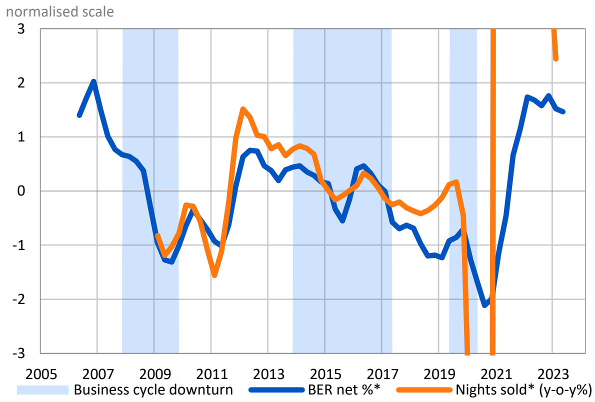
Transport: volumes



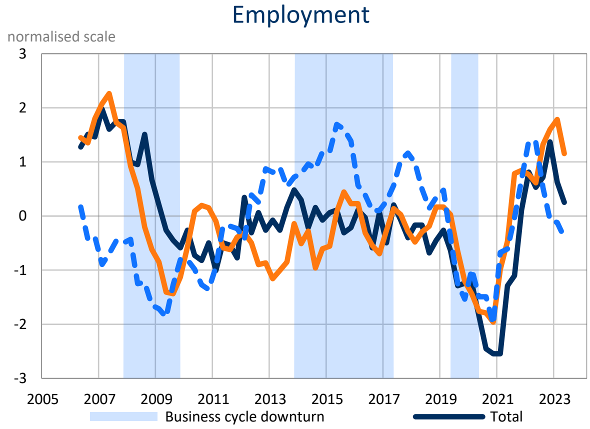
Real estate: volumes



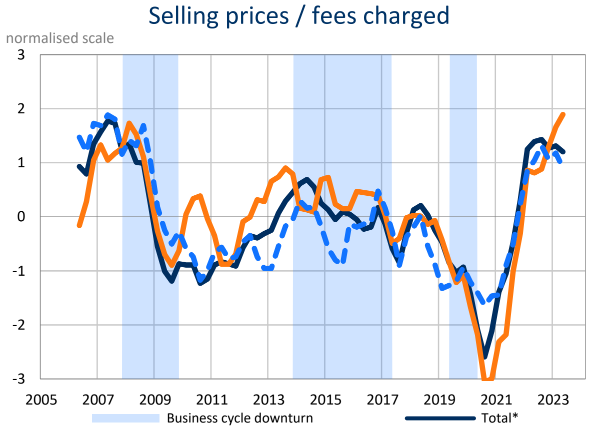
Hotels & restaurants: volumes



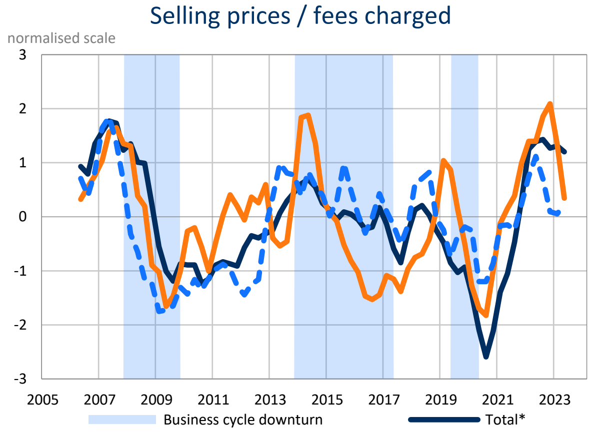
Employment



Selling prices / fees charged



Selling prices / fees charged



* *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' sector coverage 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 2016	BER 2020		Stats SA 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.

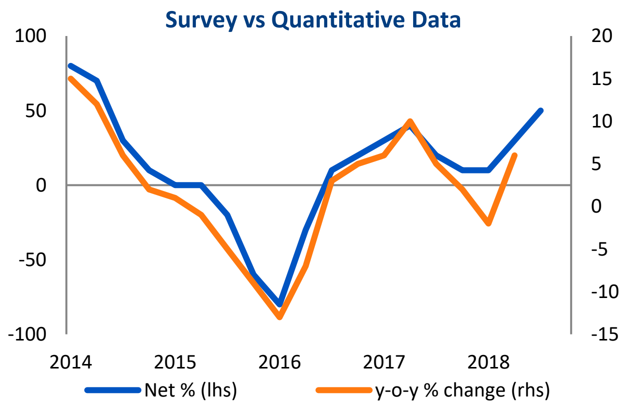
THE UNIQUE UNITS OF MEASUREMENT OF QUALITATIVE SURVEYS

Net percentage (net %)

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

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

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



Percentage (%)

The responses relating to business confidence are presented as percentages.

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

Theoretically, the confidence series can vary between a minimum of zero and a maximum of 100. A value of zero would reflect an extreme lack of confidence and 100 extreme confidence. These results reflect respondents' evaluation of the phenomenon/the survey variable in respect to that specific survey quarter, i.e. not relative to some period in the past or future.

DESCRIPTIVE STATISTICS IN THE TABLES

Smoothed

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

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

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

Seasonal adjustment (SA)

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

Average (μ)

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

One standard deviation below (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.