BUREAU for ECONOMIC RESEARCH

SURVEY PUBLICATION | THIRD QUARTER 2024

Other services

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

Volume 05 Number 03

Stellenbosch UNIVERSITY IYUNIVESITHI UNIVERSITEIT

EDITOR:

Katrien Smuts

ksmuts@sun.ac.za
+27 (72) 408 1213

TECHNICAL ASSISTANCE:

Nicolaas van der Wath

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

Executive summary

Business confidence in the Other Services sector improved from 55 to 58 in the third quarter of 2024. The current level is six points above the long-term average, signalling that respondents in this sector are relatively optimistic about prevailing business conditions. There has been a shift from the start of the year, when 2024 started with six out of ten respondents unsatisfied, to now nearly six out of ten respondents being satisfied with prevailing business conditions.

The uptick in confidence was met with a slight improvement in **business conditions**, likely caused by no load-shedding and a market-friendly election outcome. However, the uptick in confidence was contrary to the overall decline in business volumes.

Business confidence **increased in two subsectors** and **declined in the other two.** Still, business confidence in three of the four subsectors remains above 50 and above long-term average levels. This quarter's exception is the transport and storage subsector, where confidence declined and is below the long-term average.

Business volumes in the **transport and storage subsector** declined to a level below the bottom value of the confidence band. Consistent with the decrease in volumes, business confidence and business conditions in transport declined relative to the second quarter.

Business confidence in the **hospitality subsector** fell to 56, still just above the long-run average. This aligns with a decline in volumes in this subsector, which fell below the long-term average. The current confidence level and volumes are lower compared to the same quarter last year, which signals that performance in this sector is softer compared to a year ago.

In contrast to the first two subsectors, the **real estate subsector** showed strong upward movement in business volumes to levels above the long-run and is the first positive reading in over two years. Confidence also ticked up meaningfully to 55, the highest value in over two years and the highest level since the period of higher interest rates started.

Surprisingly, business volumes, conditions, and confidence ticked up in the **business services subsector.** Confidence rose to the highest level in more than a decade. The positive election outcome lifted sentiment in this subsector because many rely on the government’s business, either directly or indirectly.

Table of Content

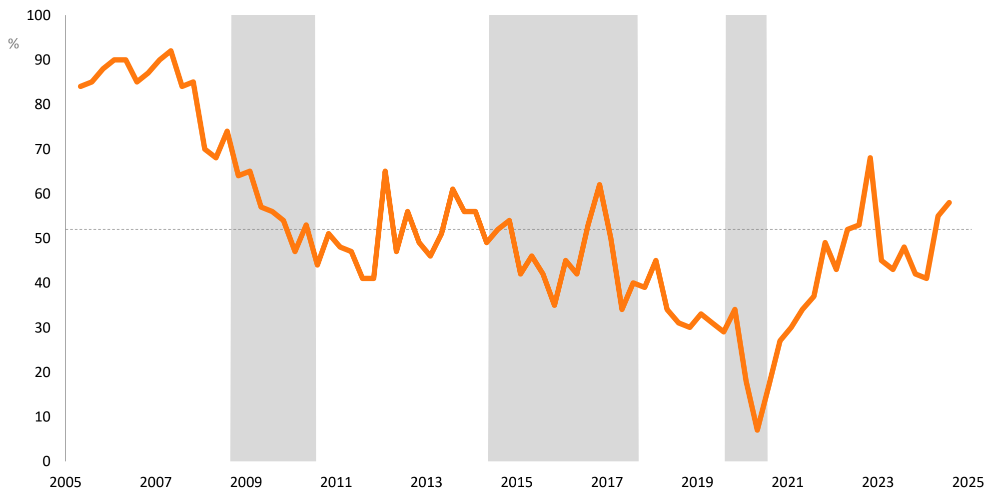
List of tables

List of figures

Introduction

Business confidence in the Other Services sector improved from 55 to 58 in the third quarter of 2024. The current level is six points above the long-term average, signalling that respondents in this sector are relatively optimistic about prevailing business conditions. There has been a shift from the start of the year, when 2024 started with six out of ten respondents unsatisfied, to now nearly six out of ten respondents being satisfied with prevailing business conditions.

Figure 1: Sentiment in the Other Services sector even more upbeat in 2024Q3



Source: BER, SARB (downturn areas of the business cycle are shaded)

Consistent with the increase in confidence was a slight incline in business conditions, from -3 to -2, and remaining above the long-term average. More encouragingly, there was an increase in *expected* business conditions for the next quarter, going from -5 to +12. Historically speaking, it is meaningful since the expected and realised business conditions are strongly correlated (in other words, better expectations often lead to better realised conditions).

Less encouraging, however, is the decline in realised business volumes, which fell to -7. Even though volumes remain above the long-term average, the print implies that most respondents saw a decline in business volumes compared to a year ago. The primary drivers behind this decline are reduced volumes in two subsectors: hospitality and transport. However, both subsectors face specific factors contributing to their downturn (more on this below).

Average selling prices or fees charged remained steady at 13. Despite declining volumes, realised profitability rose by eight points to -12 (above average), and expected profitability jumped by 23 points to +5. This can be attributed to the still positive average selling prices, which suggest respondents are able to pass on some cost increases to consumers.

The constraints to doing business in Other Services remained relatively high in a historical context. Sixty-three per cent of respondents highlihted insufficient demand as a serious constraint, 41% said finances are a serious constraint, while 45% reported a shortage of skilled labour as a serious constraint.

Details

Business confidence rose in two subsectors but declined in the other two. Even so, confidence in three of the four subsectors remains above 50 and exceeds long-term average levels. This quarter's exception is the transport and storage subsector, where confidence dropped and now sits below the long-term average.

TRANSPORT VOLUMES PLUMMET

Within the transport and storage subsector, volumes dropped by 17 points to -49, falling below the lower bound of the confidence band. In line with this decline in volumes, both business confidence and conditions weakened compared to the second quarter. Interestingly, despite a six-point drop, the current confidence level of 39 remains relatively high, given the poor business volumes and conditions. Several factors are at play. On the one hand, Transnet has made some progress in improving operations which could benefit some respondents in the sector. On the other hand, improvements at Transnet could negatively impact *private* trucking and logistics firms' volumes by reducing demand.

After taking a slight dip last quarter, finances were listed by 66% of respondents as a serious constraint to doing business in this subsector. This also featured prevalently in the respondents' comments. Difficulty accessing finance hampers business activities and puts a lid on growth in these firms. Therefore, the prospect of an interest rate cut (at the time of the survey[1]) would have been a slight mood lifter, as was seen in the more optimistic expectation parameters.

VOLUMES DROP, BUT CONFIDENCE STILL ELEVATED IN HOSPITALITY

Business volumes in the hospitality subsector declined by 31 to -20, falling below the long-term average. This result aligned with the decline in confidence in this subsector. Business confidence fell by eight points to 56, now close to the long-run average. There was a two-point decline in business conditions, currently at +1. The results in the hospitality subsector are consistent with trends seen in other related data. Hotels and restaurants did particularly well post-pandemic and are experiencing a normalisation, with significantly slower growth, but still growth.

Both the current confidence level and business volumes were softer compared to the same quarter last year. One comment highlighted the impact of the 'weather in Cape Town' and the 'Mpox scare' as factors that deterred tourists, helping to explain why volumes and confidence were weaker than last winter. Interestingly, the absence of load-shedding has also played a role in reducing restaurant visits. During the second and third quarters of 2023, heavy load-shedding boosted restaurant sales, but the trend has reversed with less load-shedding this year (and continued pressure on consumer's disposable income). According to Stats SA, real restaurant income registered an annual decline in Q2 2024, marking the first drop since the peak of the pandemic – see

Figure 2: Growth in real restaurant income
PERCENT, Y-O-Y

[1] The survey was conducted from 7 to 26 August 2024, before the SARB's repo rate cut on 19 September.

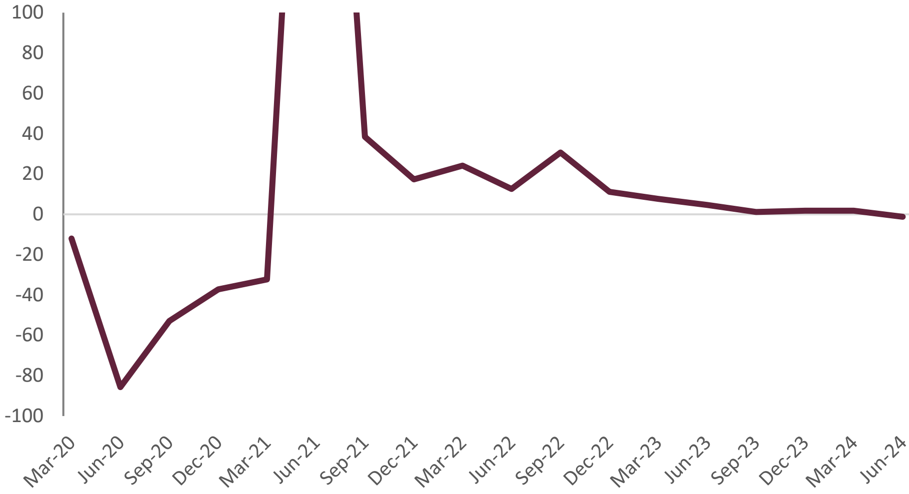
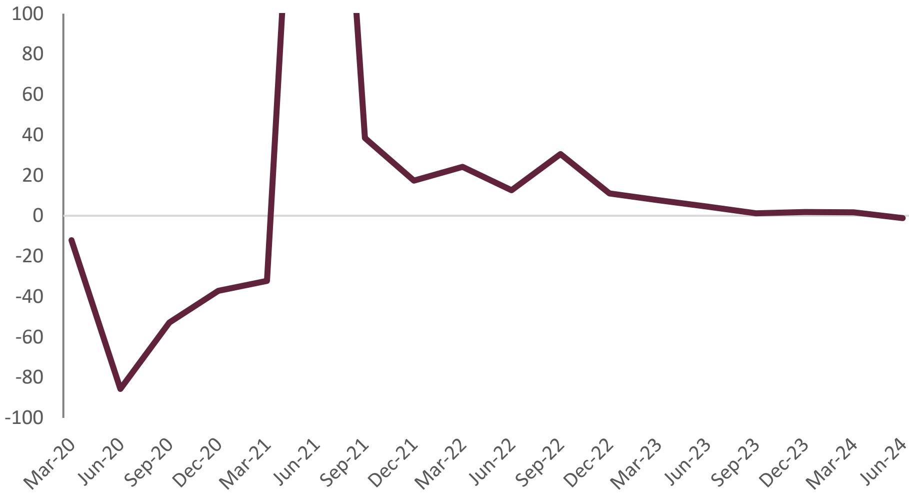


Figure 2: Growth in real restaurant income

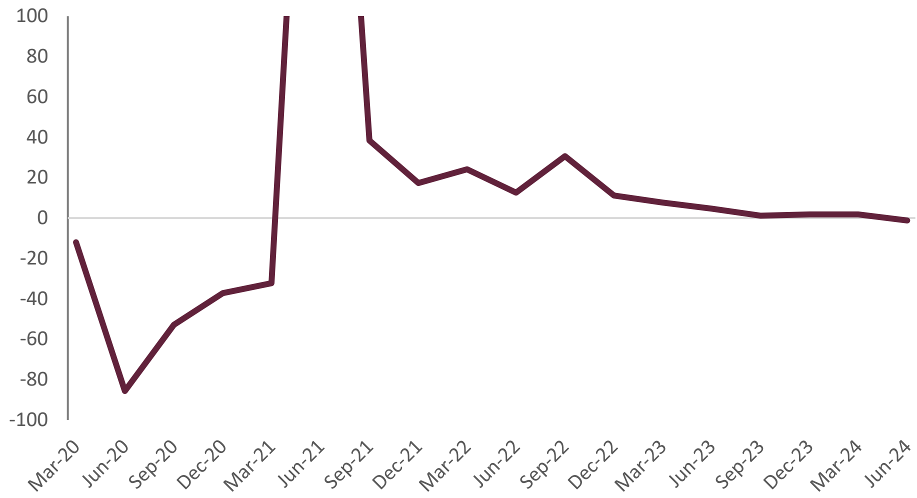
PERCENT, Y-O-Y



.

Figure 2: Growth in real restaurant income

PERCENT, Y-O-Y



Source: Stats SA and author's calculations

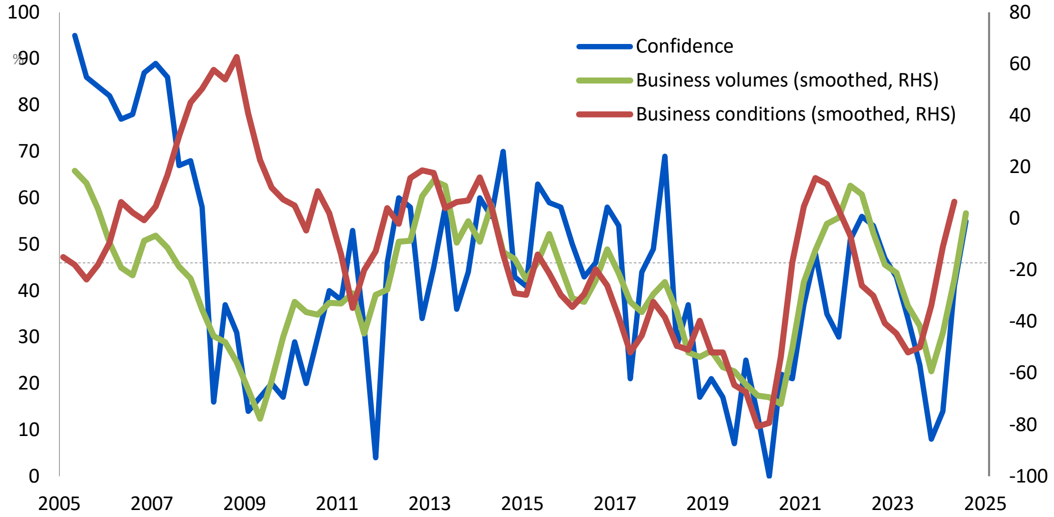
REAL ESTATE SENTIMENT SEES SIGNIFICANT BOOST

In contrast to the transport and hospitality subsectors, the real estate subsector experienced strong upward momentum in business volumes, rising by 18 points to +11. Confidence saw another significant boost in 2024Q3. At the end of 2023, confidence was at 8, but it has steadily climbed, most recently increasing by 14 points to 55—see Figure 3. This marks the highest level in over two years and is well above the long-term average. Business conditions also improved, up by three points to 8, maintaining levels above the average.

The anticipation of rate cuts (at the time of the survey) was likely a considerable impetus for the improved sentiment in this subsector. The data reflects that respondents viewed insufficient demand (63%) and finances (37%) as less of a serious constraint to doing business compared to 2024Q2. Historically, high asking prices and profitability in this subsector may offer additional insight into the improved sentiment. That said, some respondents remain cautiously optimistic, fearing that the interest rate cuts will not stimulate the property market enough. This was reflected in the comments made by some respondents, as well as in the slightly more downbeat expectation parameters.

Figure 3: Real Estate business confidence, business volumes and business conditions

LHS is % pts, RHS is net balance



Source: BER

BUSINESS SERVICES IMPROVE ACROSS THE BOARD

Surprisingly, the business services subsector reflected positive movements across all realized and expected parameters. Business volumes rose by three points, remaining strong at +15. Similarly, business confidence saw a significant jump of 14 points to 70, the highest level in over a decade. Business conditions improved from -5 to +11. The positive election outcome has had the greatest impact in this subsector, as many firms depend on government operations, either directly or indirectly. Still, despite reporting on improvements from the previous quarter, constraints like insufficient demand, a shortage of skilled labour, and finances continue to pose serious obstacles.

MIXED CONFIDENCE RESULTS BETWEEN PROVINCES

Although historically very volatile, confidence in KwaZulu-Natal overtook confidence in the other two provinces, edging up by 39 points to 84 in 2024Q3. In contrast, confidence in the Western Cape declined by 17 points to 47. This may be because of the prevalent cold and rainy weather over the last few months, which has been (quite literally) dampening the mood in the province.

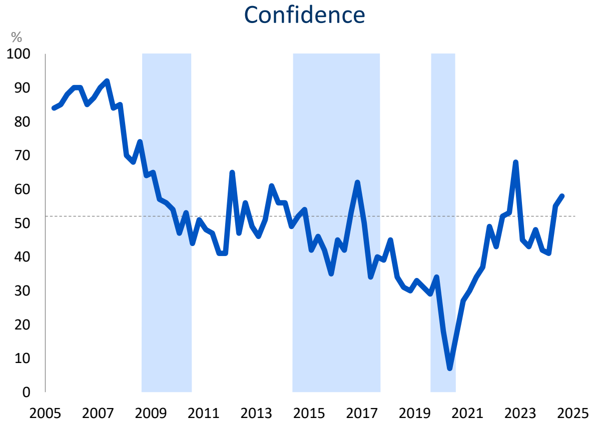
FINAL REMARKS

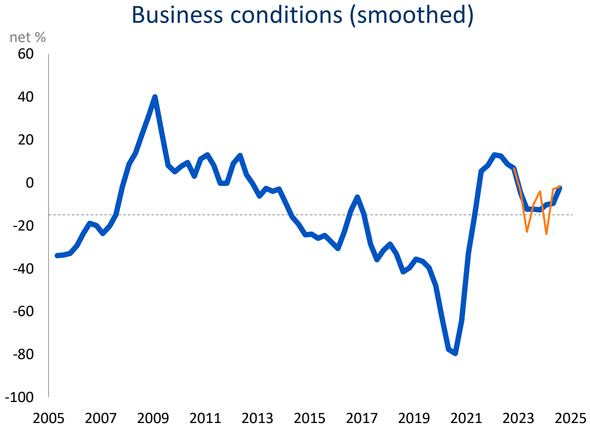
With the exception of the transport and storage subsector, overall sentiment in the Other Services sector remains highly positive. The other three subsectors all recorded sentiment above 50 points. This optimistic outcome likely reflects the market-friendly election results and a sustained absence of load-shedding; both may have surprised respondents. Additionally, this year's steady decline in consumer price inflation may have boosted demand and supported the SARB’s plan to cut interest rates. A lower interest rate environment should benefit overall business confidence and business volumes in Other Services, since it will remove some pressure off consumers. However, some respondents (particularly in the real estate sector) may have pinned their hopes on a bigger boost to demand from lower interest rates.

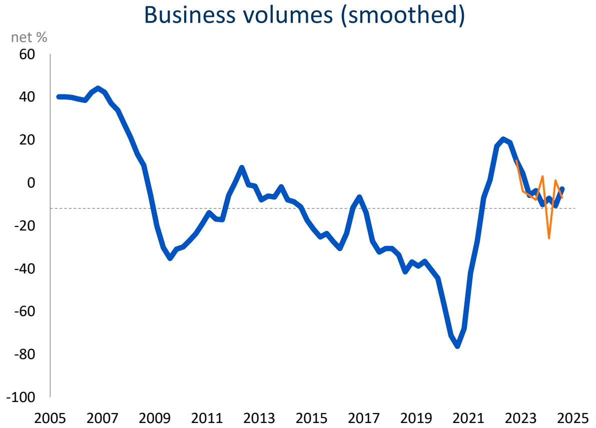
Survey results

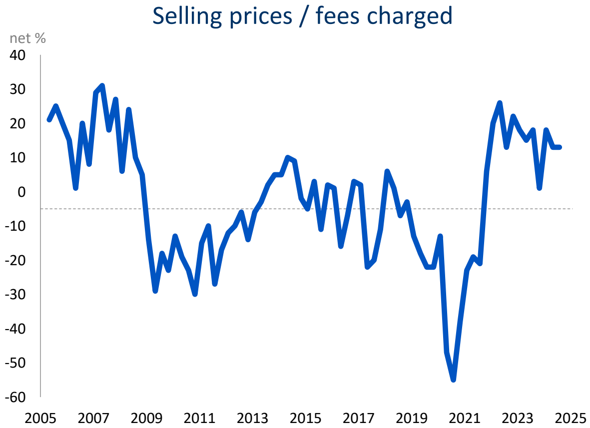
OTHER SERVICES: TOTAL[2]

Indicator	Unit	μ-σ	μ	μ+σ	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	Δ	σ_Δ
Confidence	%	33	52	71	68	45	43	48	42	41	55	**58**	3	8
Business conditions	Net %	-39	-13	12	13	-4	-23	-10	-4	-24	-3	**-2**	1	17
Smoothed	Net %	-36	-13	10	-12	-12	-13	-10	-10	-3	0	**0**	0	8
Business volumes	Net %	-39	-10	19	23	-4	-6	-8	3	-26	1	**-7**	-8	16
Smoothed	Net %	-38	-11	16	-6	-4	-10	-7	-11	-3	0	**0**	0	8
Selling prices / fees charged	Net %	-21	-2	16	22	18	15	18	1	18	13	**13**	0	12







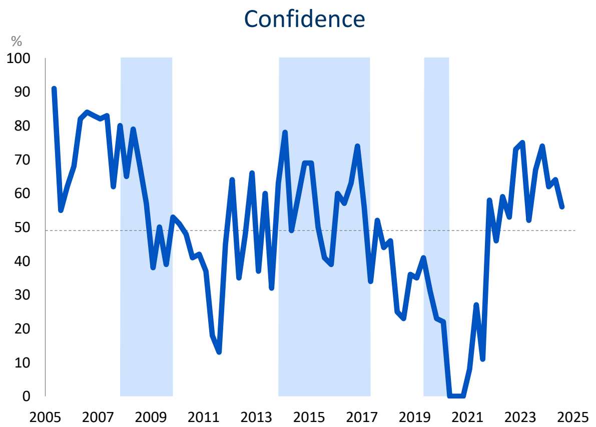


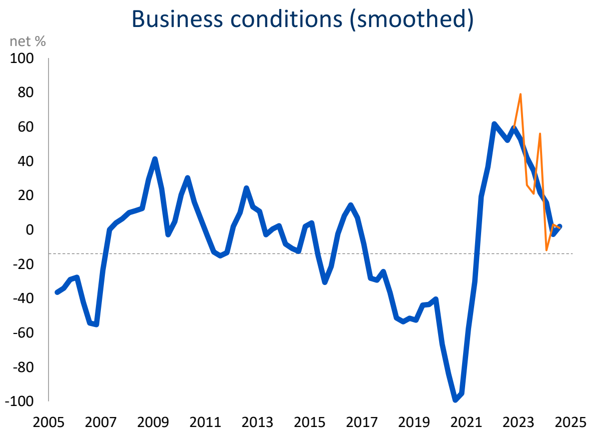
[2] The "other services: total" includes hotels & restaurants (15%), transport & storage (22%), real estate (18%) and business services (45%). The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the sub-sector's share according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

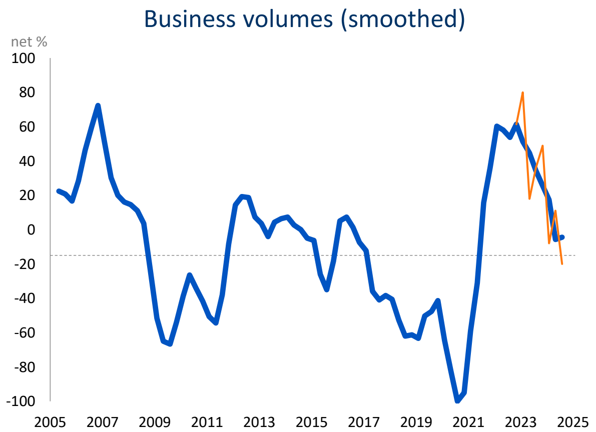
μ – average
σ – standard deviation
Δ – change from previous period
σ_Δ – volatility (standard deviation of the changes)
All of the above calculated over 2005 to the present
See Technical note for further details

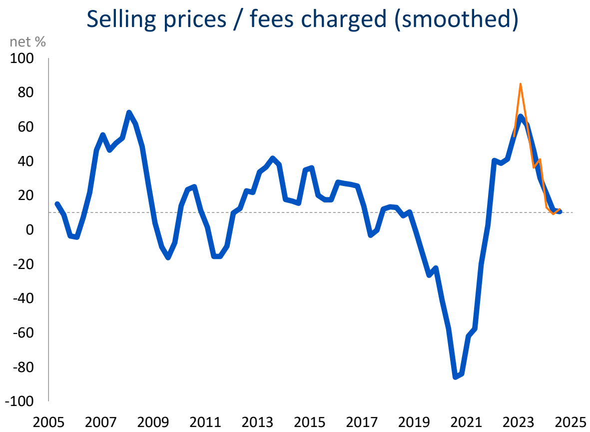
HOTELS & RESTAURANTS[3]

Indicator	Unit	μ-σ	μ	μ+σ	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	Δ	σ Δ
Confidence	%	29	51	72	73	75	52	67	74	62	64	**56**	-8	16
Business conditions	Net %	-48	-8	33	53	79	26	21	56	-12	3	**1**	-2	32
Smoothed	Net %	-42	-7	28	42	34	22	16	-3	2	0	**0**	0	14
Business volumes	Net %	-54	-9	37	56	80	18	36	49	-8	11	**-20**	-31	32
Smoothed	Net %	-50	-9	31	45	34	26	17	-6	-5	0	**0**	0	15
Selling prices / fees charged	Net %	-24	13	50	51	85	62	36	41	13	9	**12**	3	30
Smoothed	Net %	-19	13	45	61	46	30	21	11	11	0	**0**	0	13









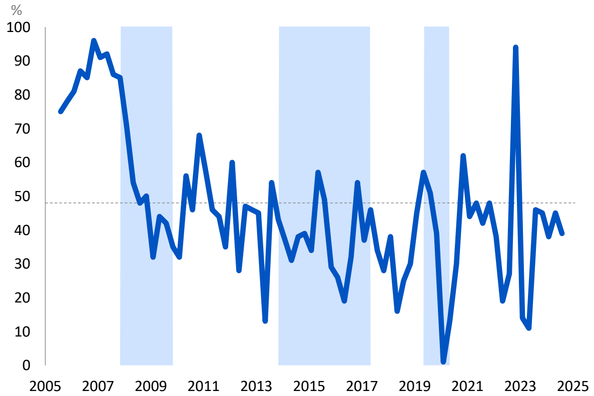
[3] Hotels & other accommodation (SIC code 641) (74%), restaurants and other food outlets (642) (26%). The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the sub-sector's share according to Stats SA's business censuses.

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

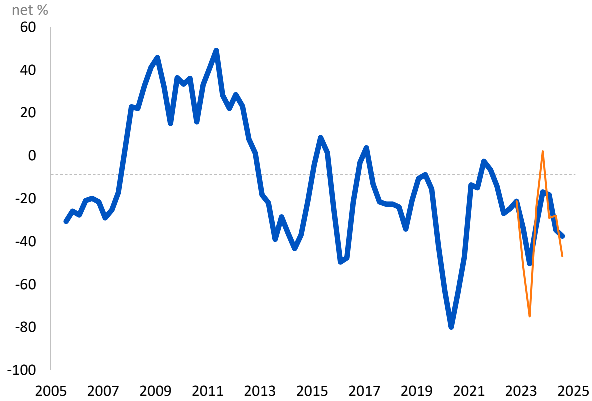
TRANSPORT & STORAGE[4]

Indicator	Unit	μ-σ	μ	μ+σ	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	Δ	σ Δ
Confidence	%	25	47	68	94	14	11	46	45	38	45	**39**	-6	19
Business conditions	Net %	-48	-12	24	25	-52	-75	-24	2	-29	-28	**-47**	-19	36
Smoothed	Net %	-40	-11	17	-50	-32	-17	-18	-35	-38	0	**0**	0	14
Business volumes	Net %	-48	-12	25	48	-43	-74	-24	20	-31	-32	**-49**	-17	34
Smoothed	Net %	-42	-13	16	-47	-26	-12	-14	-37	-41	0	**0**	0	14
Selling prices / fees charged	Net %	-13	7	27	58	33	-11	28	30	40	28	**-6**	-34	19
Smoothed	Net %	-10	7	23	17	16	33	33	21	11	0	**0**	0	8

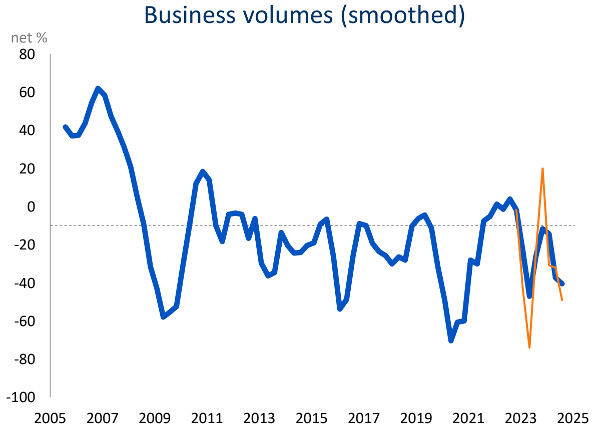
Confidence



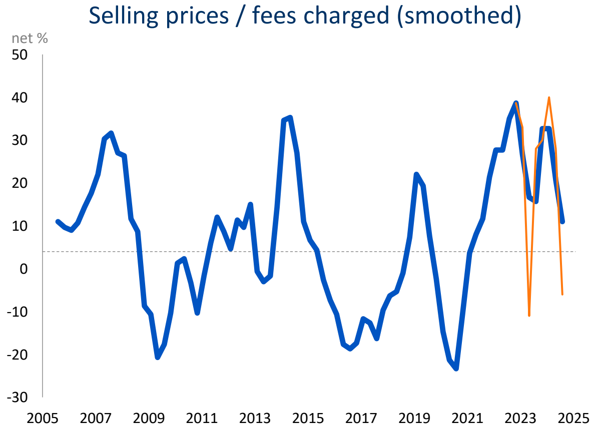
Business conditions (smoothed)



Business volumes (smoothed)



Selling prices / fees charged (smoothed)



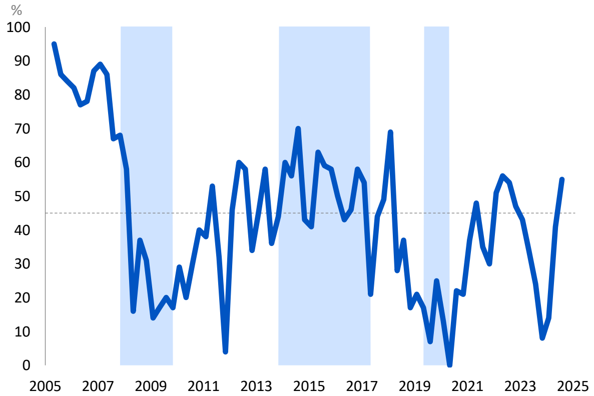
[4] 1) Land transport (39%): road freight (SIC code 7123)
2) Supporting transport & travel agencies (61%): cargo handling (7411), travel agencies & tour operators (7414), other (e.g., freight forwarding) (7419)
The figures in brackets indicate the BER's weights, which account for the sector coverage 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

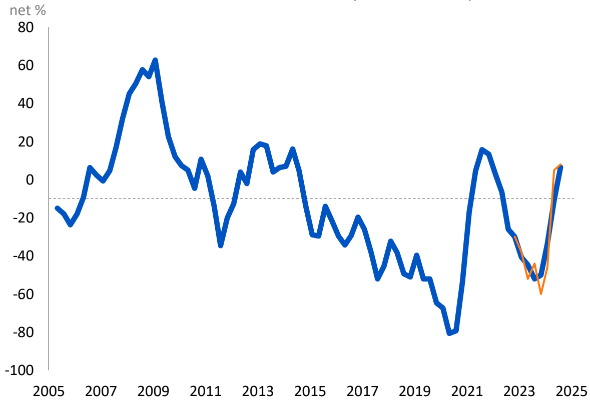
REAL ESTATE[5]

Indicator	Unit	μ-σ	μ	μ+σ	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	Δ	σ_Δ
Confidence	%	21	44	66	47	43	34	24	8	14	41	**55**	14	16
Business conditions	Net %	-48	-12	24	-32	-38	-52	-44	-60	-46	5	**8**	3	29
Smoothed	Net %	-44	-12	20	-45	-52	-50	-34	-11	7	0	**0**	0	12
Business volumes	Net %	-55	-26	3	-13	-28	-22	-52	-51	-75	-7	**11**	18	29
Smoothed	Net %	-50	-27	-5	-34	-42	-59	-44	-24	2	0	**0**	0	11
Selling prices / fees charged	Net %	-42	-11	20	-20	-20	9	2	-45	-7	16	**20**	4	26
Smoothed	Net %	-37	-13	10	-3	-11	-17	-12	10	18	0	**0**	0	12

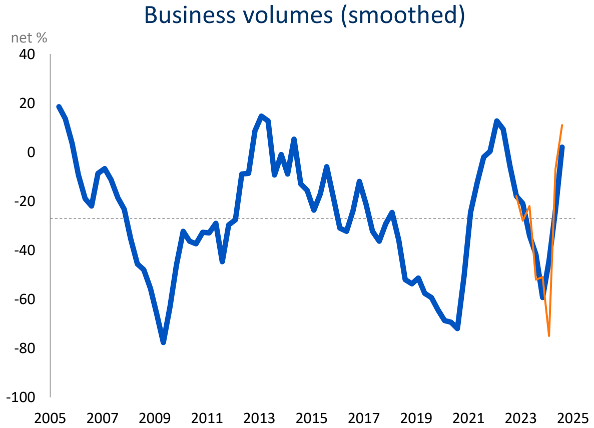
Confidence



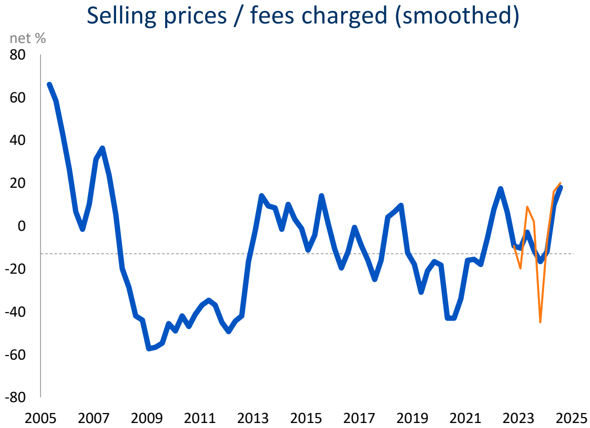
Business conditions (smoothed)



Business volumes (smoothed)



Selling prices / fees charged (smoothed)

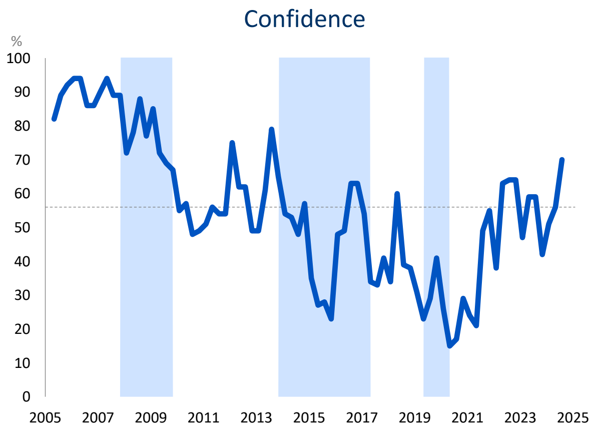


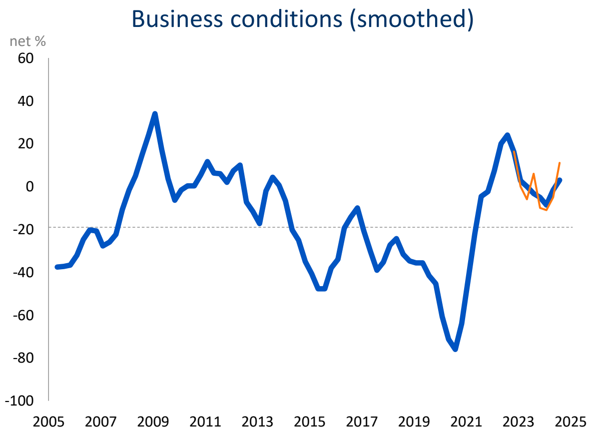
[5] Estate agents (auctioneering and sale of property) (SIC code 841) (35%) and property management (841) (65%). The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the sub-sector's share according to Stats SA's business censuses.

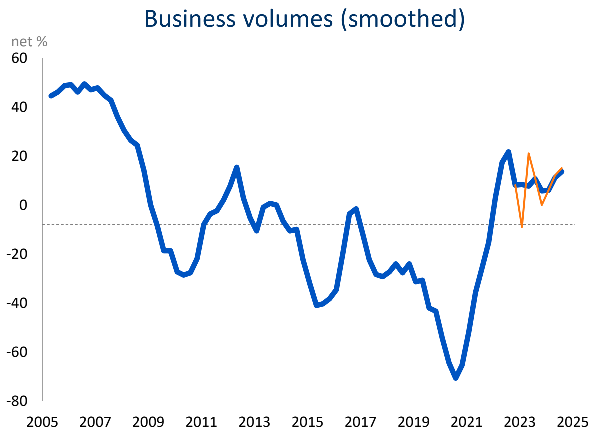
μ – average
σ – standard deviation
Δ – change from previous period
σ_Δ – volatility (standard deviation of the changes)
All of the above calculated over 2005 to the present
See Technical note for further details

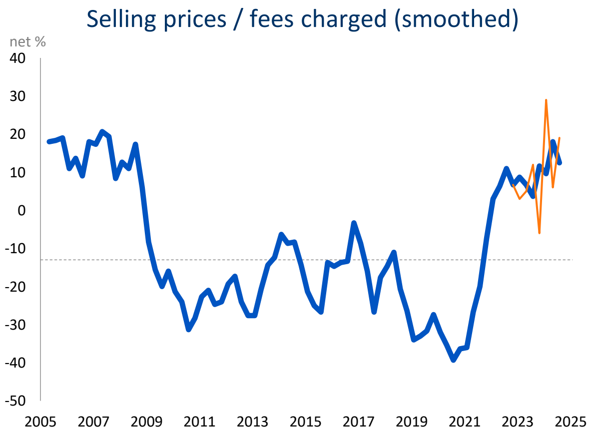
BUSINESS SERVICES[6]

Indicator	Unit	μ-σ	μ	μ+σ	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	Δ	σ Δ
Confidence	%	35	56	77	64	47	59	59	42	51	56	**70**	14	11
Business conditions	Net %	-41	-16	10	14	0	-6	6	-10	-11	-5	**11**	16	19
Smoothed	Net %	-38	-15	8	0	-3	-5	-9	-2	3	0	**0**	0	9
Business volumes	Net %	-37	-6	26	13	-9	21	11	0	6	12	**15**	3	16
Smoothed	Net %	-36	-7	22	8	11	6	6	11	14	0	**0**	0	8
Selling prices / fees charged	Net %	-30	-10	10	18	3	5	12	-6	29	6	**19**	13	16
Smoothed	Net %	-28	-11	7	7	4	12	10	18	13	0	**0**	0	6









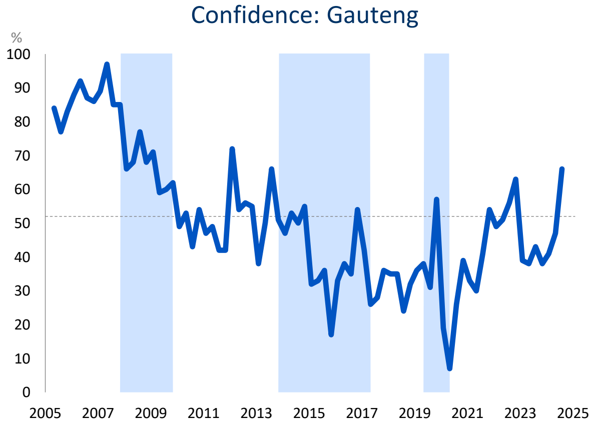
[6] 1) Renting of machinery & equipment (8%): transport equipment (SIC code 851), other machinery & equipment (852).
2) Computer services (19%): hardware consultancy (861), software consultancy (862).
3) Legal services, accounting & other (30%): legal services, accounting, bookkeeping, auditing & tax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

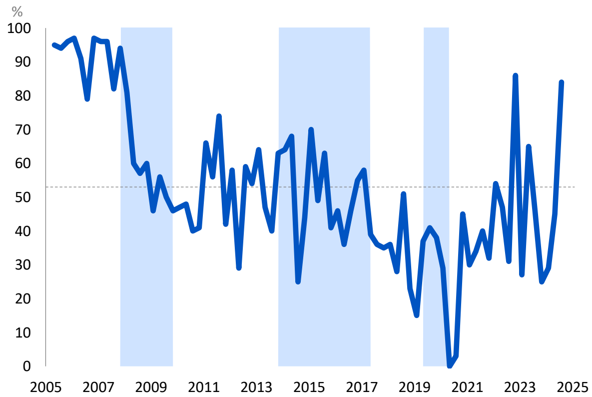
PROVINCES

Indicator	Unit	μ-σ	μ	μ+σ	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	Δ	σ Δ
Gauteng														
Confidence	%	31	51	71	63	39	38	43	38	41	47	**66**	19	12
Business volumes	Net %	-43	-12	19	12	-16	-16	-22	2	-31	1	**-7**	-8	20
Smoothed	Net %	-41	-13	14	-18	-12	-17	-9	-12	-3	0	**0**	0	8
KwaZulu-Natal														
Confidence	%	30	53	75	86	27	65	46	25	29	45	**84**	39	19
Business volumes	Net %	-44	-9	27	27	-17	-1	5	9	9	-41	**25**	66	39
Smoothed	Net %	-41	-13	14	-18	-12	-17	-9	-12	-3	0	**0**	0	8
Western Cape														
Confidence	%	32	53	74	82	56	48	56	55	37	64	**47**	-17	15
Business volumes	Net %	-39	-5	29	41	14	18	2	14	-24	6	**-19**	-25	21

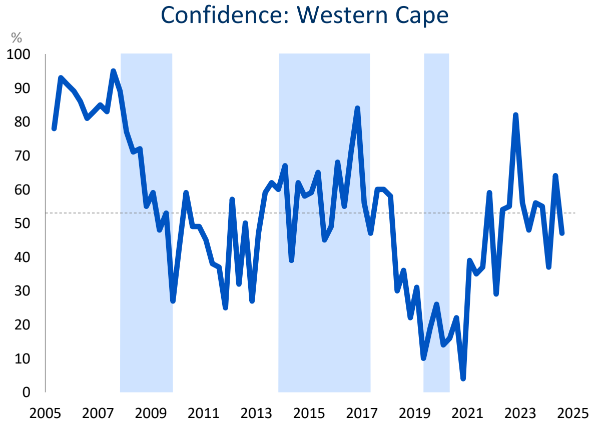
Confidence: Gauteng



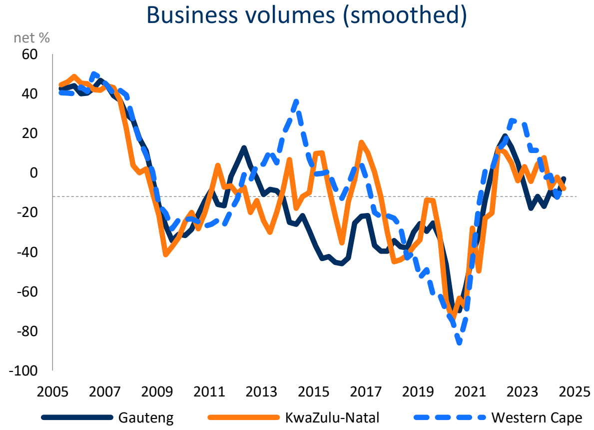
Confidence: KwaZulu-Natal



Confidence: Western Cape



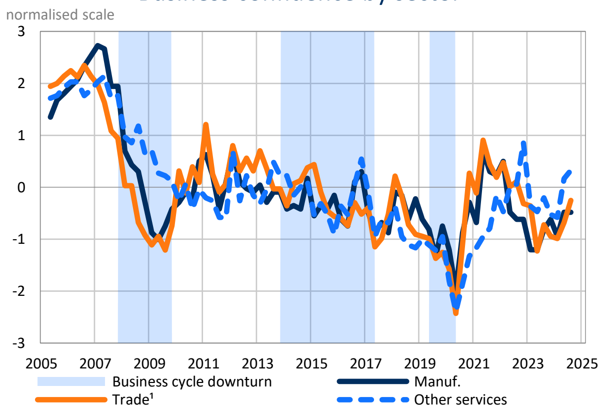
Business volumes (smoothed)



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

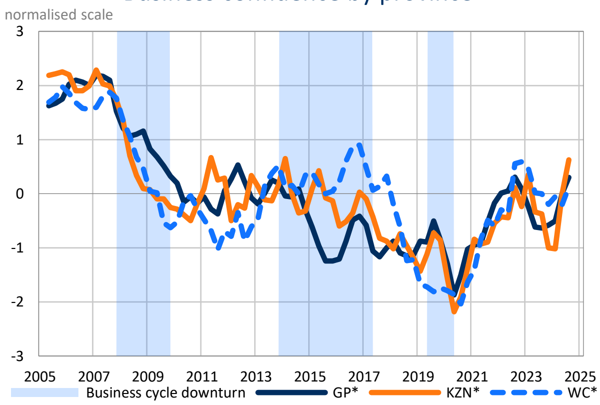
SUMMARY

Business confidence by sector

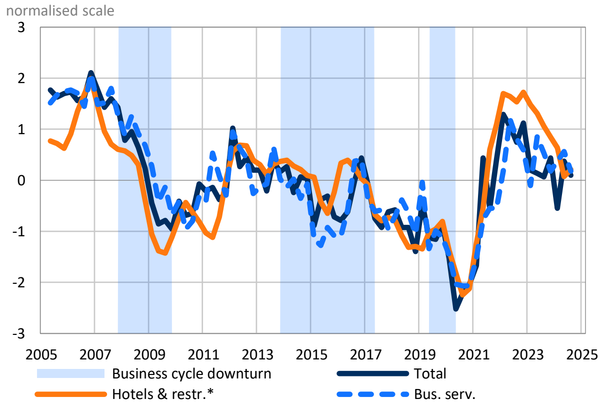


¹ Trade = average of retail, wholesale & motor trade

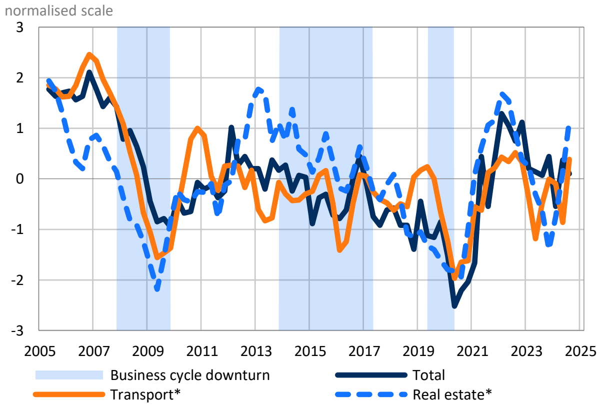
Business confidence by province



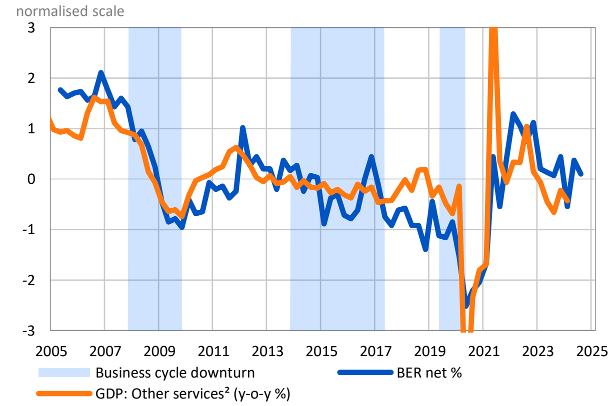
Business volumes



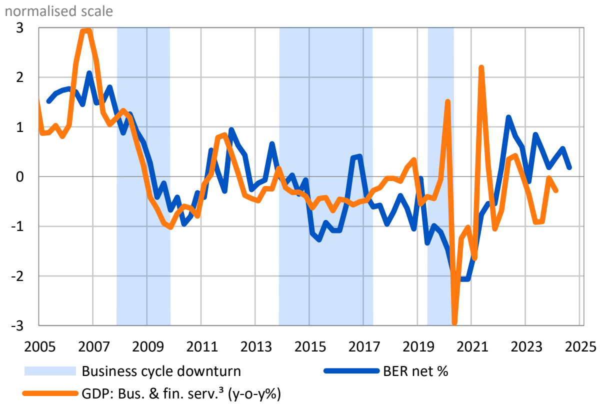
Business volumes



Total other services: volumes



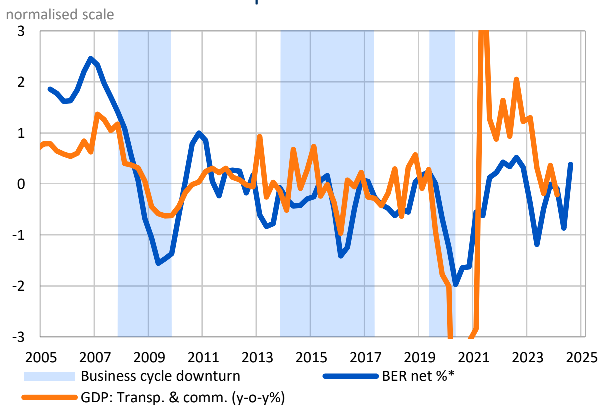
Business services: volumes



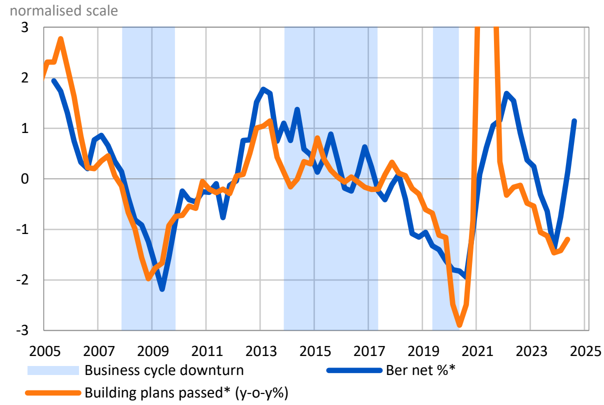
** three-quarter centred moving average*

SUMMARY CONTINUES

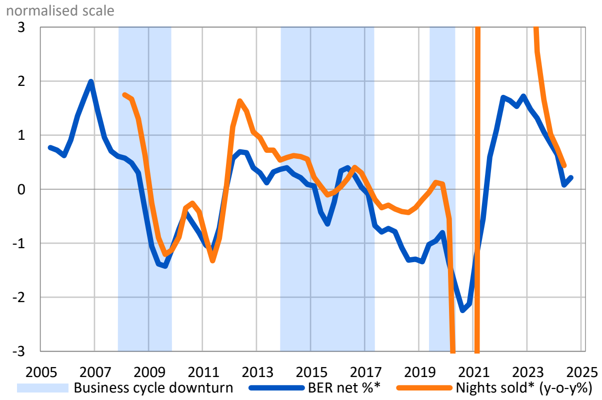
Transport: volumes



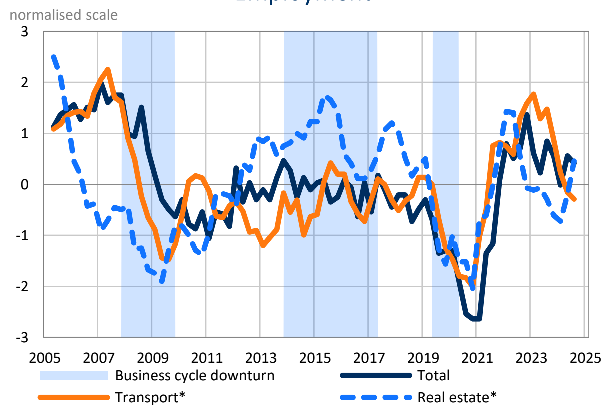
Real estate: volumes



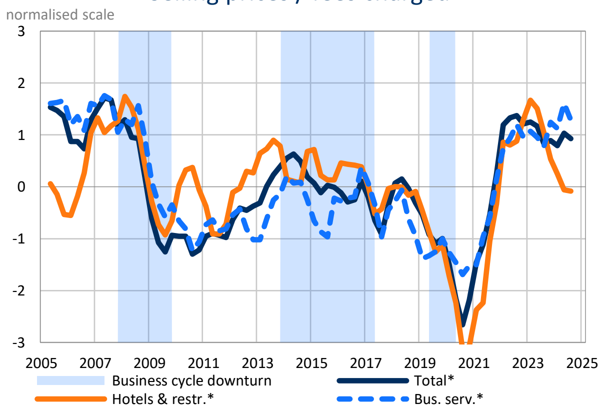
Hotels & restaurants: volumes



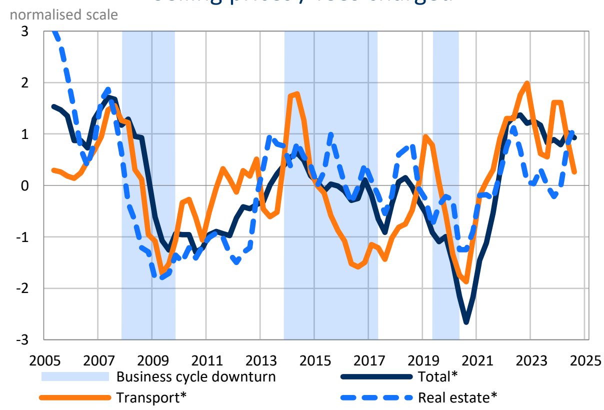
Employment



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	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.

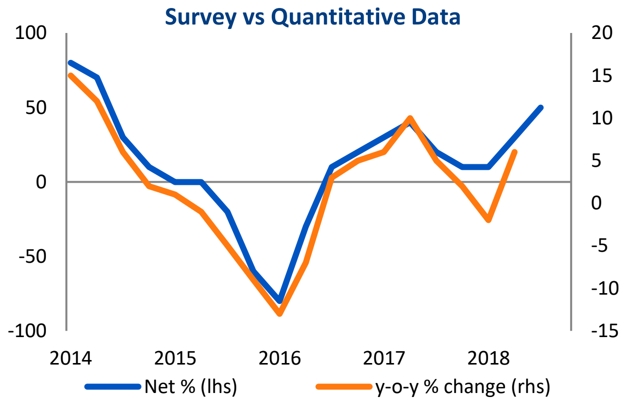
THE UNIQUE UNITS OF MEASUREMENT OF QUALITATIVE SURVEYS

Net percentage (net %)

The responses related to the 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.