

SURVEY PUBLICATION | FOURTH QUARTER 2023

# 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.

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# Executive summary

Business confidence in the other services sector edged down by 6 points to 42 in the fourth quarter of 2023 (2023Q4). This comes after a slight increase in confidence in the third quarter. Overall, average confidence in 2023 was much lower than in 2022. The Q4 decline in confidence was despite respondents recording improved business conditions and higher business volumes, both being above their long-term averages.

The only subsector with increased confidence relative to Q3 was hotels and restaurants. Confidence rose by 7 points to 74 in the fourth quarter. The increase in confidence was supported by an uptick in business conditions, greater business volumes, and higher selling prices. Confidence in this sector has steadily increased from a record-low of zero, measured at the height of the lockdown in 2020, to what is now an above-average confidence level.

Confidence in the transport subsector edged down by one point to 45, but remains close to its long-term average of 47. An improvement in business conditions, business volumes, and higher selling prices bolster the relative strength in this sector. Still, sentiment is dragged down by non-activity factors such as crime.

Confidence among realtors has steadily declined since reaching a peak of 56 in mid-2022 to just 8 in 2023Q4. Business conditions are worse, while business volumes rose by one percentage point this quarter, although they remain weak.

Finally, all the underlying activity and demand indicators (including expectations for Q1) deteriorated in the business services subsector. Confidence declined by 17 points to 42 after it remained level at 59 between the second and third quarters.

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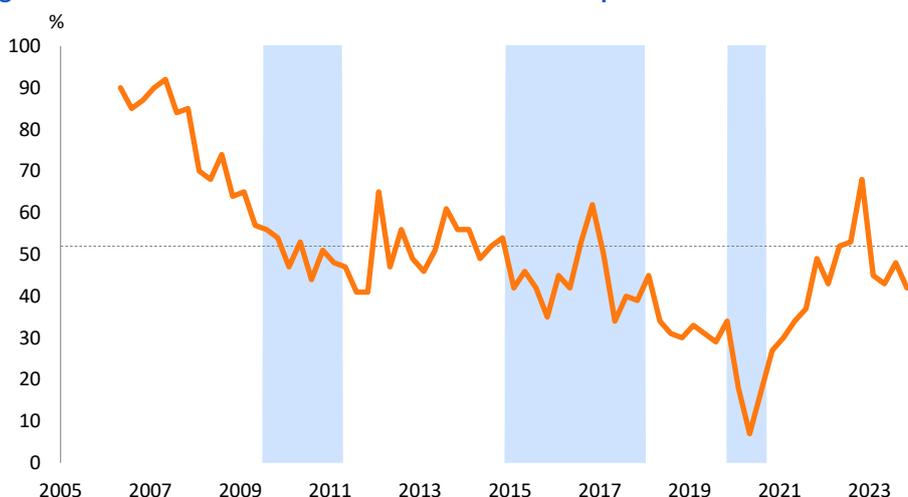
# Introduction

Business confidence in the other services sector<sup>1</sup> declined by 6 points to 42 in 2023Q4. This implies that almost 6 out of 10 respondents are dissatisfied with prevailing business conditions. Confidence levels have averaged around 45 this year, far lower than the 54 average that was seen in 2022 and below the long-term average reading.

**Confidence declined in Q4 despite an uptick in business volumes and a slight improvement in business conditions.** Business conditions improved from -10 to -4, while business volumes jumped from -8 to 3, the first time in positive terrain this year.

**However, there was a sharp decline in selling price inflation in Q4.** The indicator dropped from 18 to 1 in Q4. Not surprisingly, therefore, profitability was also down this quarter and, more worryingly, expected profits for Q1. Lower expected profits are amid an anticipated drop in volumes, with selling price inflation expected to remain low.

**Figure 1: Other services confidence down in the fourth quarter**



**Constraints on activity are still elevated, with three out of the four constraints surveyed increasing this quarter (this means that they are deemed a more serious hindrance to business conditions than before).** As the most serious constraint, 71% of respondents list insufficient demand, up 9 percentage points from Q3 and now at the highest level in two years. Finances are also listed as a bigger constraint at 57% this quarter. The latter two constraints are reflective of the high interest rate environment.

**Although still positive, realised and expected employment was also down this quarter.** This means more respondents still report increasing employment, but now at a slower rate.

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<sup>1</sup>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.

Respondents continue to highlight the shortage of skilled labour as a major constraint on activity, and although it has come down one percentage point from last quarter, it remains high at 50, only shaving off a few points from its all-time high earlier this year (2023Q2).

**The story of the three main provinces correlates with the overall result.** Confidence is down in all three provinces, although business volumes improved and are now above their long-term average. In Gauteng, confidence was down, yet fewer respondents listed business conditions as weaker than a year ago.

## Details

Business confidence in three of the four subsectors declined relative to Q3<sup>2</sup>. The steepest decline was seen in the **business services** subsector (down by 17 points to 42), while confidence among **transport** businesses declined by only one point to 45. Respondents in the **real estate** subsector had the lowest confidence reading of just 8 points, down from 24 in Q1. These declines were, to some extent, offset by an increase in confidence levels in the **hospitality** subsector, rising from 67 to 74.

### CONFIDENCE TAKES OFF IN THE HOSPITALITY SECTOR

**Among hotels and restaurants, confidence was up 7 points to 74, which implies more than seven out of ten respondents were satisfied with current business conditions.** The rise in confidence was supported by improvements in all the underlying conditions. The data shows improvements in business conditions, higher business volumes, greater pass-through of prices to consumers and higher profitability.

Two reasons can explain why confidence has been strong this quarter. The first is the uptick in spending that the Rugby World Cup gave to restaurants. The second is the expectation of a strong tourism season, with tourist arrivals not yet at their pre-pandemic levels. In the first nine months of 2023, the number of overseas arrivals in South Africa was still 21% below the same nine-month period in 2019. This number is expected to rise in the fourth quarter of this year due to a number of factors favouring travel to South Africa. These include a more confident European consumer (after energy woes during their previous winter, South Africa's main tourist season), Chinese tourists returning, a greater number of flights, the return of direct travel to South America, and a weaker rand.

**That said, although expectations for Q1 remain positive (especially when compared to the other subsectors), they are slightly down relative to Q4.** This could be explained by the fizzling out of the euphoria around the Springboks in the Rugby World Cup and expectations of less spending on services after the holiday season.

### TRANSPORT<sup>3</sup> SHOWS SOME RESILIENCE

**The transport sector tells a bit of a mixed story, but upbeat nonetheless. Confidence remains roughly level this quarter, dropping by only one point to 45, close to its long-term average of**

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<sup>2</sup>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.

<sup>3</sup>The BER survey covers road freight transport and other supporting services (such as travel agencies, cargo handling and freight forwarding).

**47.** The slight drop in confidence is despite business conditions improving, entering positive terrain for the first time in almost two years. Respondents in this sub-sector also report higher volumes. Moreover, the price indicator has been high over the past two years, which, in turn, lifts profitability.

Last quarter, there was a sharp uptick in confidence, and, at the time, we ascribed it to the substitution towards the storage industry (a subcomponent of the overall industry) as weakness looms in the *public* transport industry. Although this might still be the case, we now believe more factors are at play. The overall higher confidence in this sector over the past semester might also reflect the positive sentiment in the *private* transport industry. Volumes are higher for private transport firms because of Transnet woes. Industries that previously used the rail network are now substituting towards truck transportation. There is also a general increase in demand for road transport since industries such as courier services do well because of increased online trade and a non-existent postal service in the country.

**Despite the higher volumes, the slight decline in confidence this quarter might be explained by the increasing crime and theft on trucks.** Figure 2 shows the upward trend in truck hijackings that can be observed since January 2020. Before then, it hovered around the 94 per month mark, but since then has increased to an average of 139 per month. Of course, this also goes together with more trucks on the road, but it is nevertheless a worrying trend.

**Figure 2: Truck hijackings**  
Number of recorded crimes



*Source: SAPS. Note: the dip in 2020Q2 was due to policies restricting movement because of the COVID-19 pandemic.*

## REAL ESTATE ACTIVITY AND CONFIDENCE SHARPLY DOWN THIS YEAR

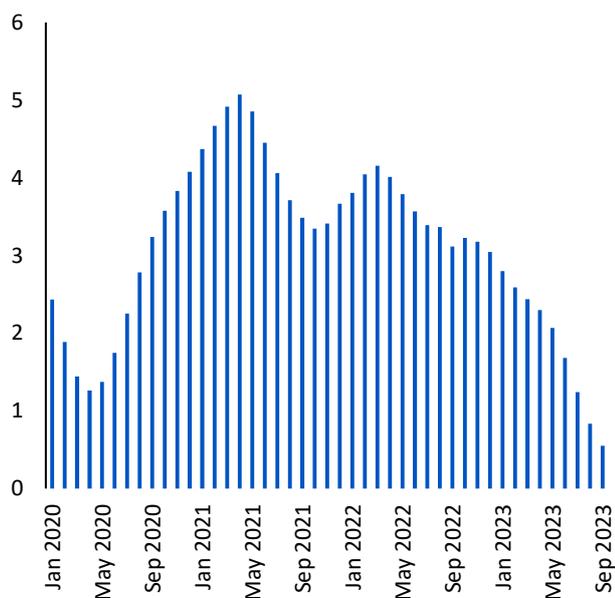
**Confidence in the real estate sector has continued its downward trajectory. It is at a very low level of 8, dropping by 16 points in the latest quarter. In fact, this is the lowest since 2020Q2.** Alongside the drop in sentiment, business conditions also edged down by 16 points to -60, a historically weak level. This signals that 6 out of 10 respondents experience worse business conditions compared to a year ago. Moreover, business volumes remain almost unchanged at a meagre value of -51. Selling prices also dipped deep into negative territory at -45, meaning that almost 50% of respondents say prices were down compared to a year ago.

**The low business volumes are underscored by how many respondents say insufficient demand and finances constrain activity in their business.** Indeed, 86% of respondents listed insufficient demand as a serious constraint on activity, while 66% reported finances as a serious constraint on activity. These results, and those on prices in this subsector, are further corroborated by the FNB house price index and the FNB demand strength index, which have been trending downwards over the last few months, as can be seen in Figure 3 and Figure 4. The results are also in line with lower activity levels in the BER's Building Survey. Particularly among residential builders, activity is sharply down and insufficient demand listed as a major constraint. The likeliest explanation for the bleak picture in this subsector is elevated borrowing costs due to the high interest rate, which makes it difficult for consumers to afford big-ticket items on credit.

All is not gloomy in this subsector, however, as there are some bright spots in expectations, with fewer respondents expecting business conditions and volumes to be lower next quarter. This movement might reflect respondents' belief that the hiking cycle for the SARB is over.

**Figure 3: House Price Index**

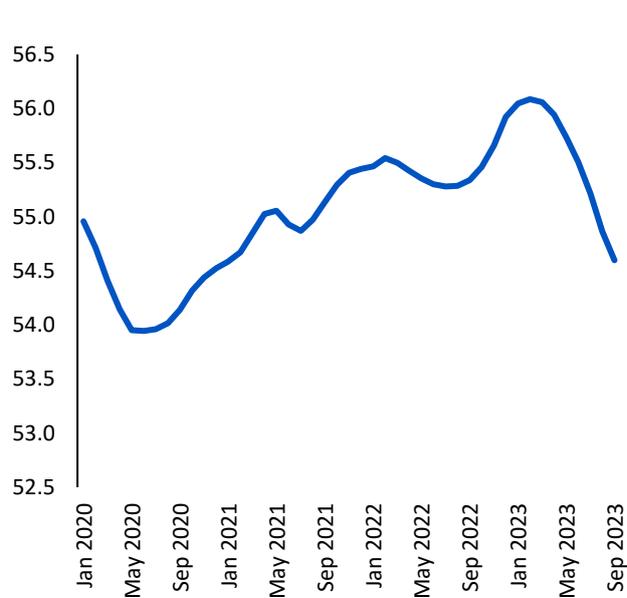
y-o-y growth



Source: FNB

**Figure 4: House Demand Strength Index**

2001 = 100



## UNDERWHELMING BUSINESS SERVICES PERFORMANCE

**Confidence in business services is down by 17 points and sits at 42. This result is on the back of deteriorating business conditions, lacklustre business volumes and weaker selling prices.**

Profitability is also down. In fact, all indicators, realised and expected in this subsector, are weaker this quarter. That said, business conditions and business volumes remain *above* levels over the 2016 to 2022 period, implying that there is some resilience in this industry, although it is hard to pinpoint where that remaining strength lies.

Insufficient demand was listed as the biggest constraint on activity, sitting at 68% of respondents. Moreover, in the comments, one of the major points that hamper activity continues to be the high levels of red tape and backlog in payments, especially when doing

business with municipalities and government institutions. Worryingly, expectations about business conditions, volumes, profitability and selling prices for 2024Q1 declined.

## Final remarks

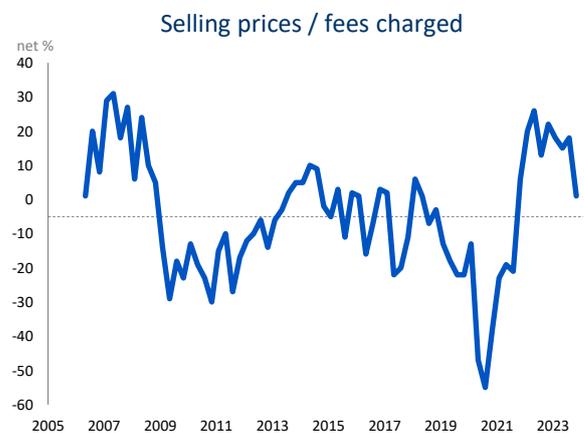
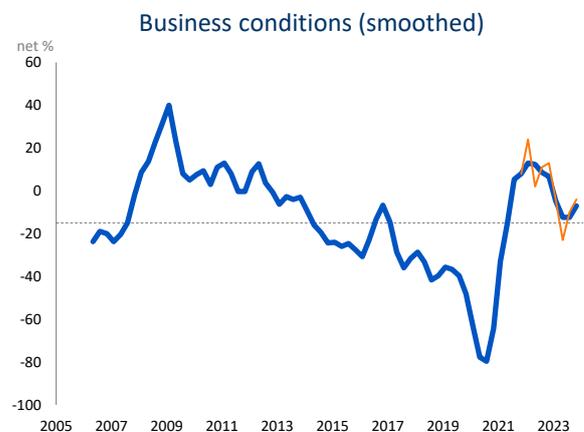
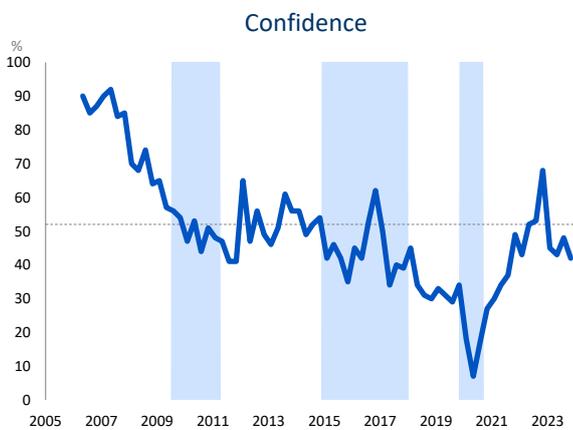
**Except for the hospitality industry, results within the other services survey are in line with the slight decline in the RMB/BER business confidence index, and another good barometer for overall subdued sentiment in the South African economy.** The fourth quarter saw a six-point decline in confidence, yet the sharpest drop was between 2022Q4 and 2023Q1, which means the 2023 average confidence level is now almost 10 points below the 2022 average level, and consistently below the long-term average.

**In terms of business volumes, it remained strong in the fourth quarter, lifting by 11 percentage points to 3, the first positive reading this year.** In fact, business volumes have remained resilient, above long-term average levels. There were some very specific factors boosting business volumes in the hospitality and transport subsectors, but this is not sufficient to pull through to higher confidence across the different sectors. The general feeling that nothing fundamental has changed in the economy continues to restrain sentiment. On a positive note, a sustained moderation in consumer inflation and a modest cutting cycle expected to start in mid-2024 may boost the local consumer and aide, among others, the suffering real estate sector.

# Survey results

## OTHER SERVICES: TOTAL<sup>4</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	33	52	71	43	52	53	68	45	43	48	<b>42</b>	-6	8
Business conditions	Net %	-40	-14	13	24	2	11	13	-4	-23	-10	<b>-4</b>	6	17
Smoothed	Net %	-37	-13	11	8	13	12	9	7	-5	-12	<b>-12</b>	0	9
Business volumes	Net %	-40	-10	20	28	21	12	23	-4	-6	-8	<b>3</b>	11	16
Smoothed	Net %	-39	-13	14	1	17	20	19	10	4	-6	<b>-4</b>	2	9
Selling prices / fees charged	Net %	-21	-3	15	20	26	13	22	18	15	18	<b>1</b>	-17	12



<sup>4</sup> 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.

$\mu$  – average

$\sigma$  – standard deviation

$\Delta$  – change from previous period

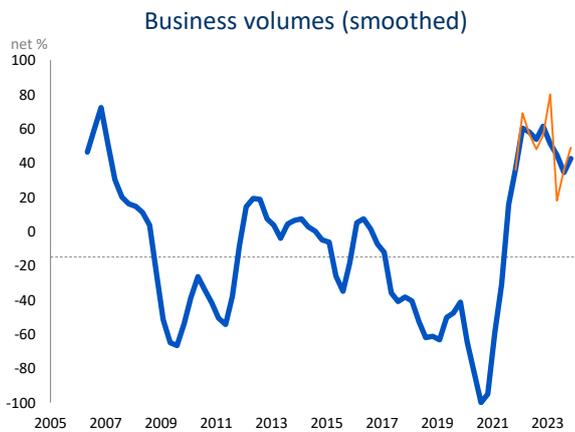
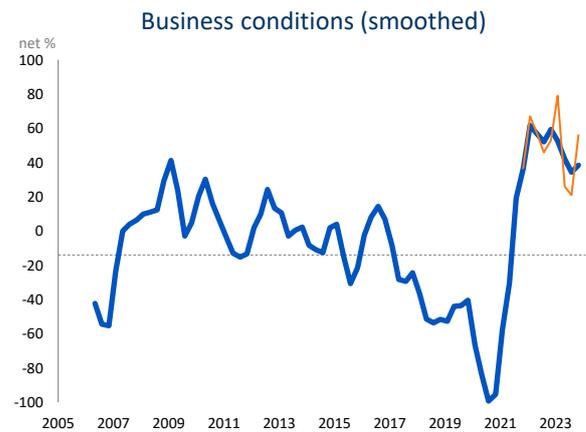
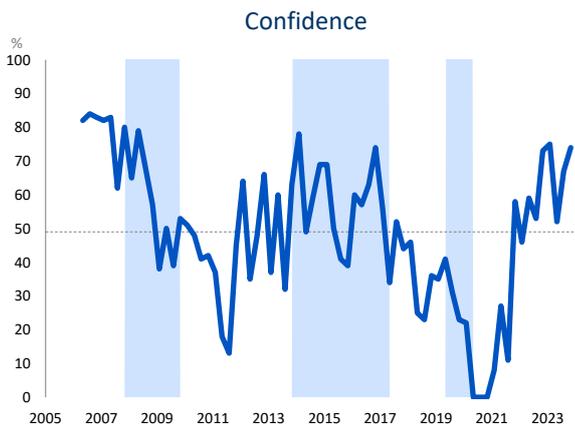
$\sigma_{\Delta}$  – volatility (standard deviation of the changes)

All of the above calculated over 2005 to the present

See Technical note for further details

## HOTELS & RESTAURANTS<sup>5</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	28	50	72	46	59	53	73	75	52	67	<b>74</b>	7	16
Business conditions	Net %	-49	-8	33	67	57	46	53	79	26	21	<b>56</b>	35	32
Smoothed	Net %	-43	-7	29	37	62	57	52	59	53	42	<b>34</b>	-8	15
Business volumes	Net %	-55	-9	37	69	57	48	56	80	18	36	<b>49</b>	13	31
Smoothed	Net %	-53	-11	30	36	60	58	54	61	51	45	<b>34</b>	-11	15
Selling prices / fees charged	Net %	-24	13	51	44	45	27	51	85	62	36	<b>41</b>	5	31
Smoothed	Net %	-20	13	47	3	40	39	41	54	66	61	<b>46</b>	-15	13



<sup>5</sup> 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.

$\mu$  – average

$\sigma$  – standard deviation

$\Delta$  – change from previous period

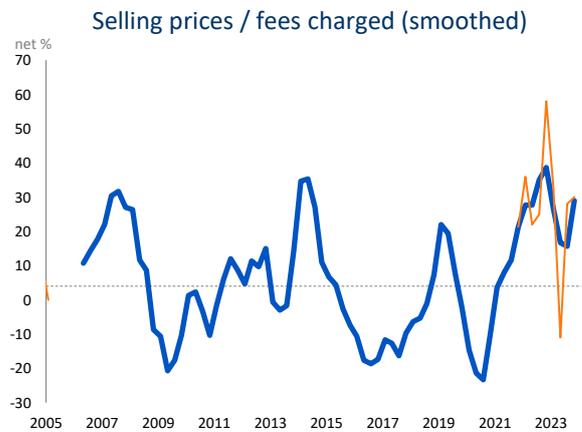
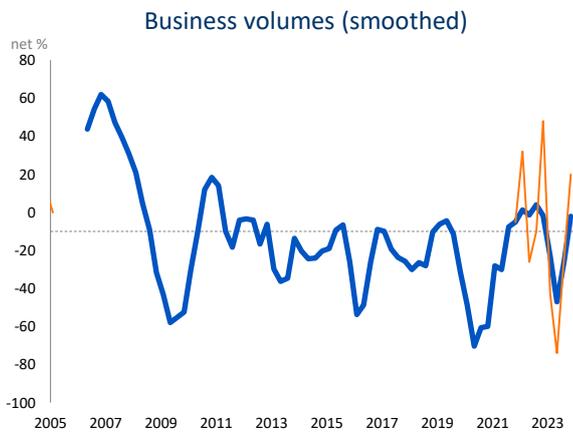
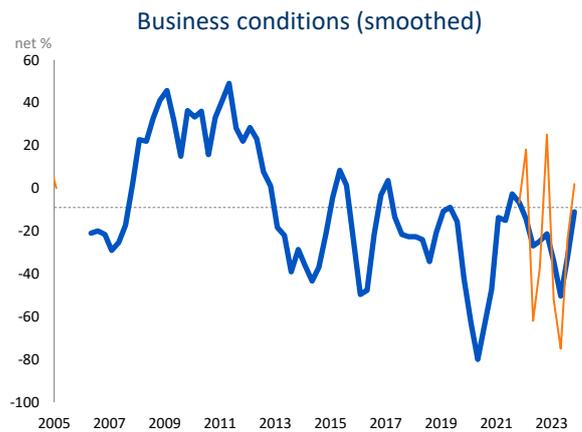
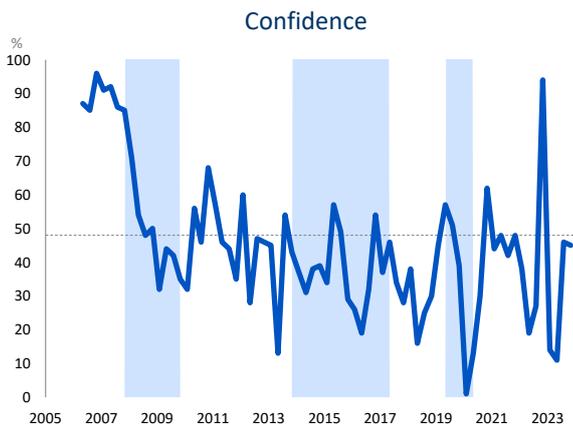
$\sigma_{\Delta}$  – volatility (standard deviation of the changes)

All of the above calculated over 2005 to the present

See Technical note for further details

## TRANSPORT & STORAGE<sup>6</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	25	47	69	38	19	27	94	14	11	46	45	-1	19
Business conditions	Net %	-47	-11	26	18	-62	-37	25	-52	-75	-24	2	26	37
Smoothed	Net %	-39	-10	20	-7	-14	-27	-25	-21	-34	-50	-32	18	13
Business volumes	Net %	-48	-11	26	32	-26	-10	48	-43	-74	-24	20	44	34
Smoothed	Net %	-43	-14	15	-5	1	-1	4	-2	-23	-47	-26	21	14
Selling prices / fees charged	Net %	-13	6	26	36	22	25	58	33	-11	28	30	2	19
Smoothed	Net %	-11	6	22	21	28	28	35	39	27	17	16	-1	8



<sup>6</sup> 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.

$\mu$  – average

$\sigma$  – standard deviation

$\Delta$  – change from previous period

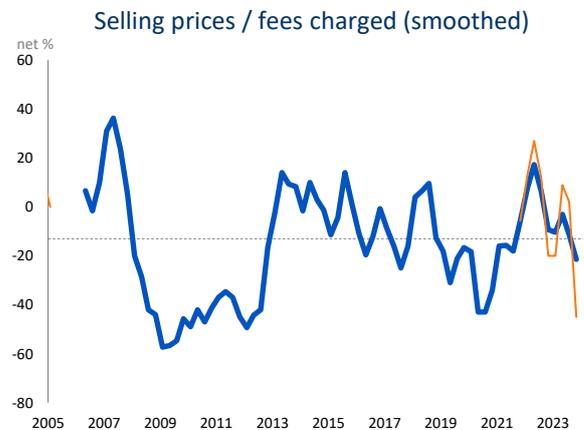
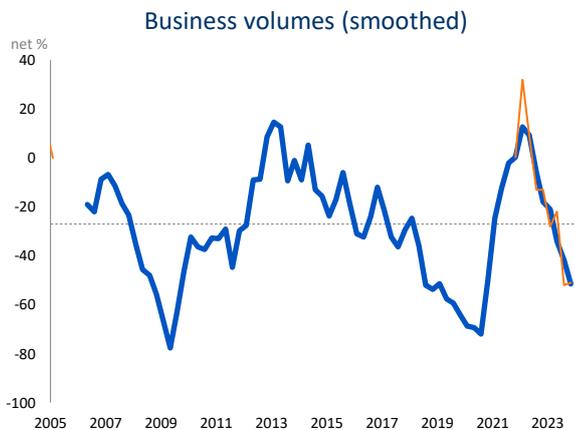
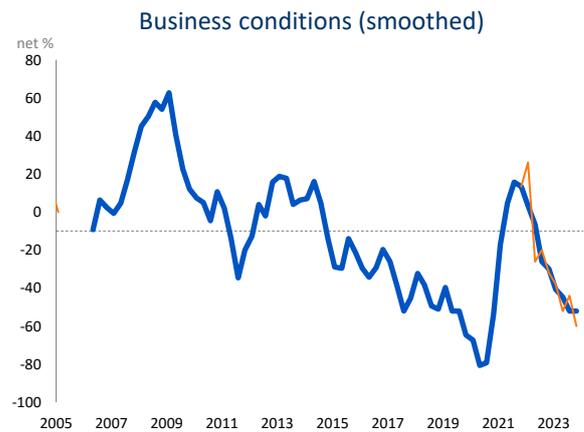
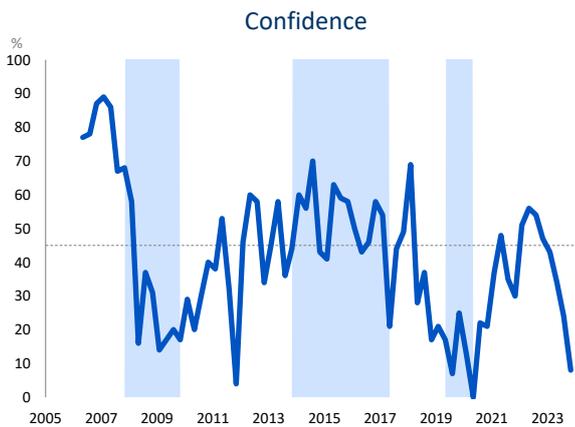
$\sigma_{\Delta}$  – volatility (standard deviation of the changes)

All of the above calculated over 2005 to the present

See Technical note for further details

# REAL ESTATE<sup>7</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	21	44	67	51	56	54	47	43	34	24	<b>8</b>	-16	15
Business conditions	Net %	-49	-12	24	26	-26	-20	-32	-38	-52	-44	<b>-60</b>	-16	29
Smoothed	Net %	-44	-11	21	13	3	-7	-26	-30	-41	-45	<b>-52</b>	-7	12
Business volumes	Net %	-55	-26	3	32	9	-13	-13	-28	-22	-52	<b>-51</b>	1	28
Smoothed	Net %	-50	-28	-5	0	13	9	-6	-18	-21	-34	<b>-42</b>	-8	10
Selling prices / fees charged	Net %	-43	-12	19	13	27	12	-20	-20	9	2	<b>-45</b>	-47	26
Smoothed	Net %	-38	-15	7	-6	8	17	6	-9	-10	-3	<b>-11</b>	-8	11

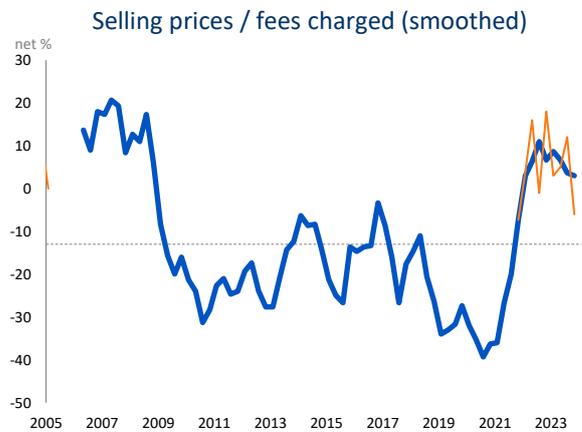
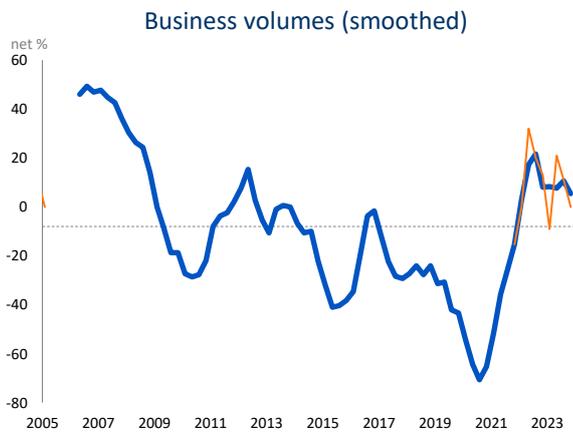
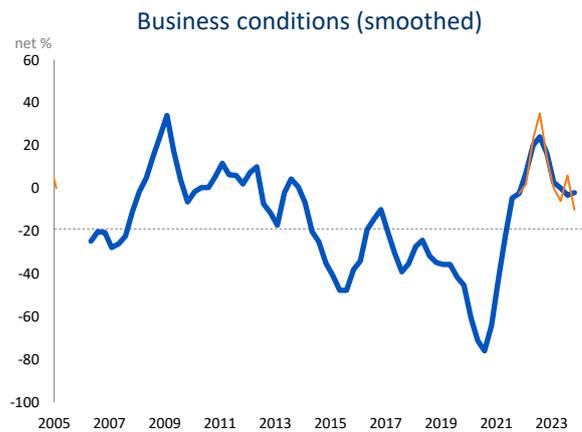
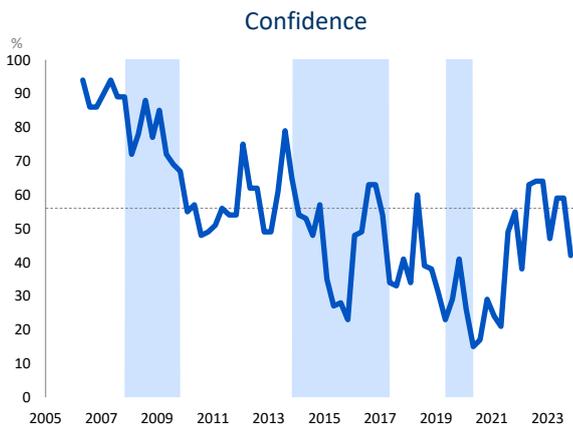


<sup>7</sup> Estate agents (auctioneering and sale of property) (SIC code 841) (35%) and property management (841) (65%). The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the sub-sector's share according to Stats SA's business censuses.

$\mu$  – average  
 $\sigma$  – standard deviation  
 $\Delta$  – change from previous period  
 $\sigma_{\Delta}$  – volatility (standard deviation of the changes)  
 All of the above calculated over 2005 to the present  
 See Technical note for further details

## BUSINESS SERVICES<sup>8</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	35	56	77	38	63	64	64	47	59	59	<b>42</b>	-17	11
Business conditions	Net %	-42	-16	10	2	23	35	14	0	-6	6	<b>-10</b>	-16	19
Smoothed	Net %	-39	-15	8	-2	7	20	24	16	3	0	<b>-3</b>	-3	9
Business volumes	Net %	-38	-6	26	0	32	20	13	-9	21	11	<b>0</b>	-11	16
Smoothed	Net %	-38	-9	19	-15	3	17	22	8	8	8	<b>11</b>	3	9
Selling prices / fees charged	Net %	-30	-11	8	4	16	-1	18	3	5	12	<b>-6</b>	-18	15
Smoothed	Net %	-29	-13	4	-7	3	6	11	7	9	7	<b>4</b>	-3	6



<sup>8</sup> 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.

$\mu$  – average

$\sigma$  – standard deviation

$\Delta$  – change from previous period

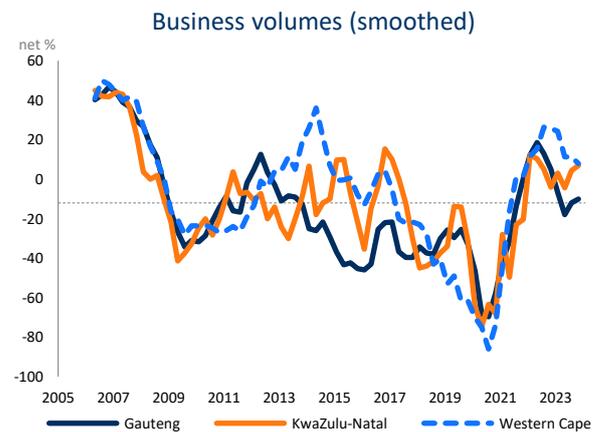
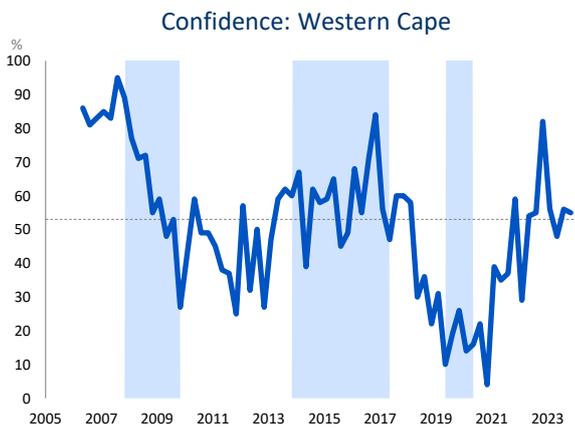
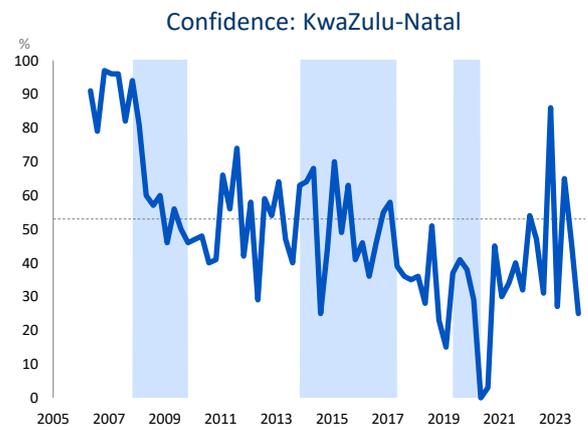
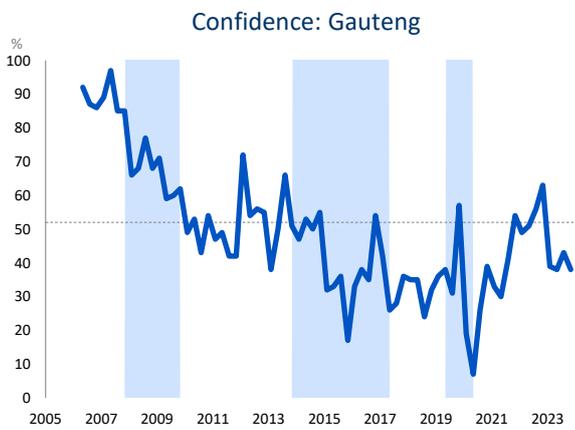
$\sigma_{\Delta}$  – volatility (standard deviation of the changes)

All of the above calculated over 2005 to the present

See Technical note for further details

# PROVINCES

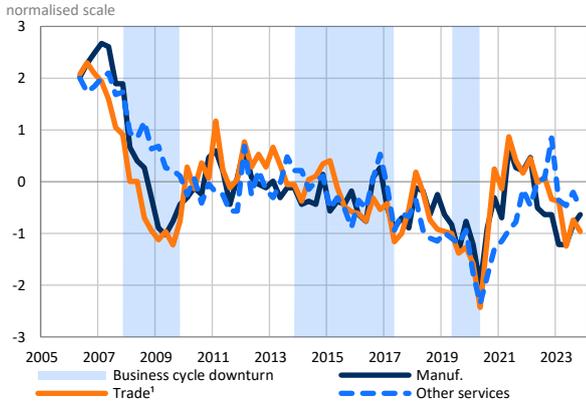
Indicator	Unit	$\mu - \sigma$	$\mu$	$\mu + \sigma$	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	$\Delta$	$\sigma_{\Delta}$
<b>Gauteng</b>														
Confidence	%	31	51	71	49	51	56	63	39	38	43	<b>38</b>	-5	12
Business volumes	Net %	-44	-12	20	29	8	19	12	-16	-16	-22	<b>2</b>	24	20
Smoothed	Net %	-42	-15	12	0	12	19	13	5	-7	-18	<b>-12</b>	6	9
<b>KwaZulu-Natal</b>														
Confidence	%	30	53	75	54	47	31	86	27	65	46	<b>25</b>	-21	19
Business volumes	Net %	-45	-9	27	43	10	-22	27	-17	-1	5	<b>9</b>	4	39
Smoothed	Net %	-42	-15	12	0	12	19	13	5	-7	-18	<b>-12</b>	6	9
<b>Western Cape</b>														
Confidence	%	32	53	75	29	54	55	82	56	48	56	<b>55</b>	-1	15
Business volumes	Net %	-39	-4	30	8	16	22	41	14	18	2	<b>14</b>	12	20



$\mu$  – average  
 $\sigma$  – standard deviation  
 $\Delta$  – change from previous period  
 $\sigma_{\Delta}$  – volatility (standard deviation of the changes)  
 All of the above calculated over 2005 to the present  
 See Technical note for further details

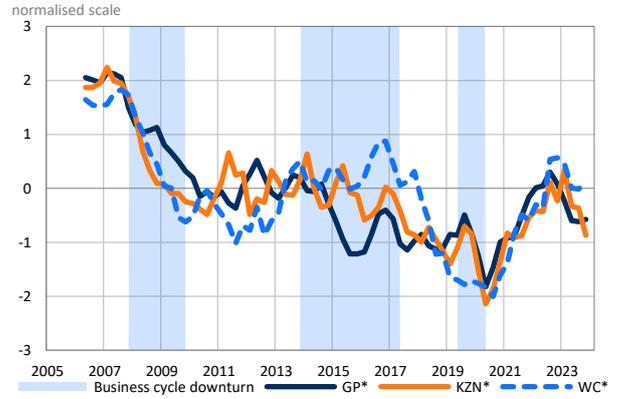
# SUMMARY

### Business confidence by sector

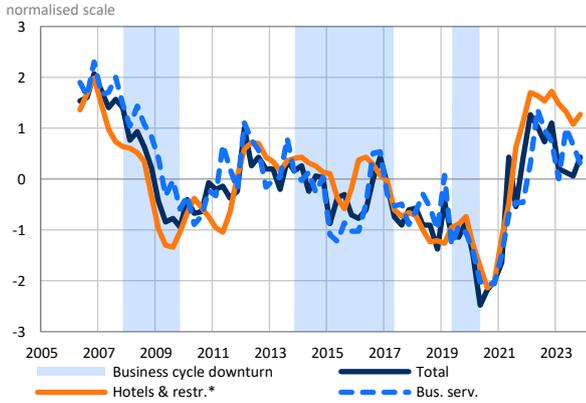


<sup>1</sup> Trade = average of retail, wholesale & motor trade

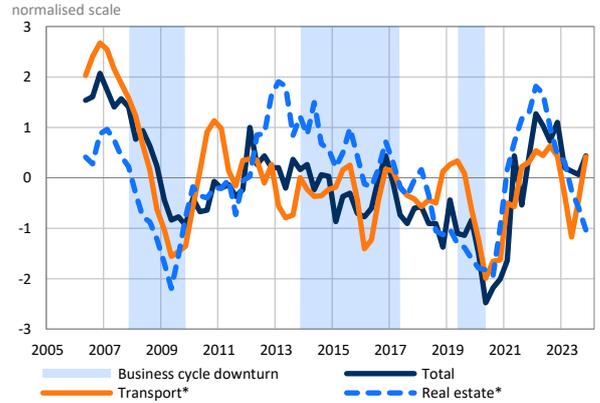
### Business confidence by province



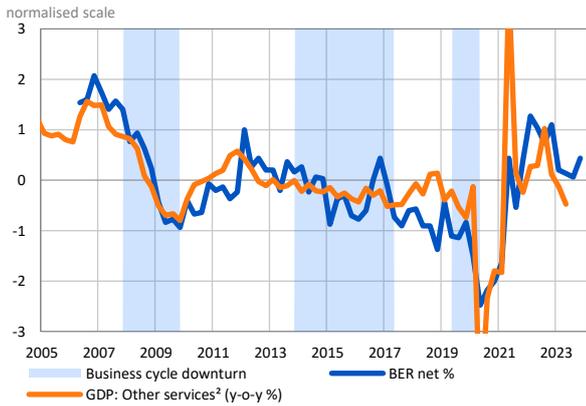
### Business volumes



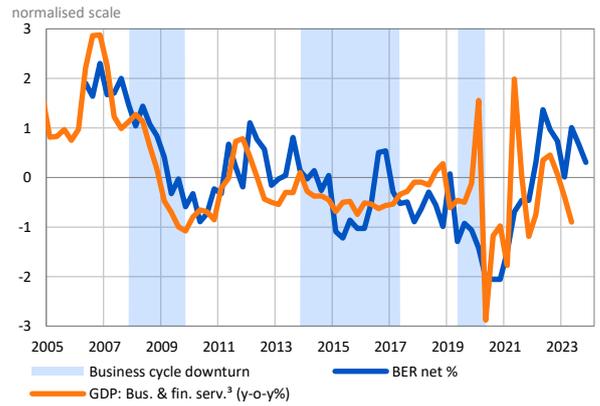
### Business volumes



### Total other services: volumes



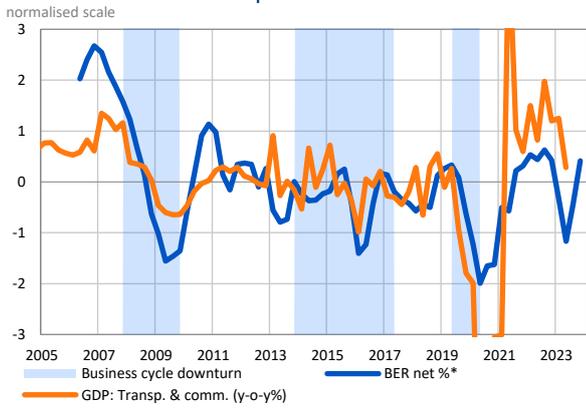
### Business services: volumes



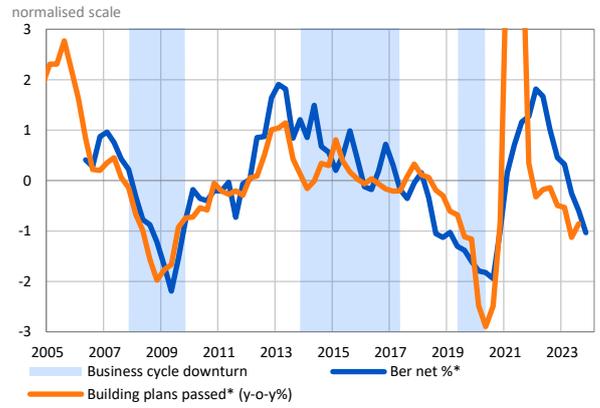
\* three-quarter centred moving average

# SUMMARY CONTINUES

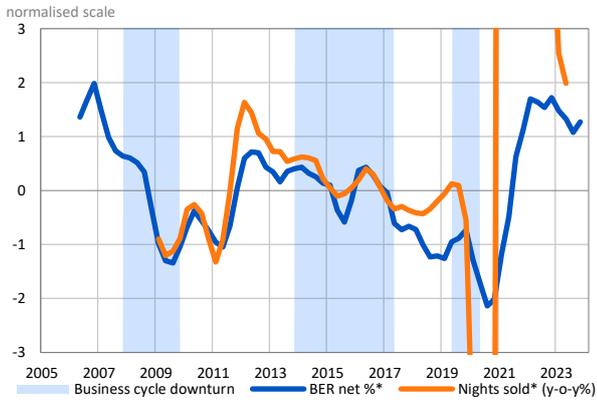
### Transport: volumes



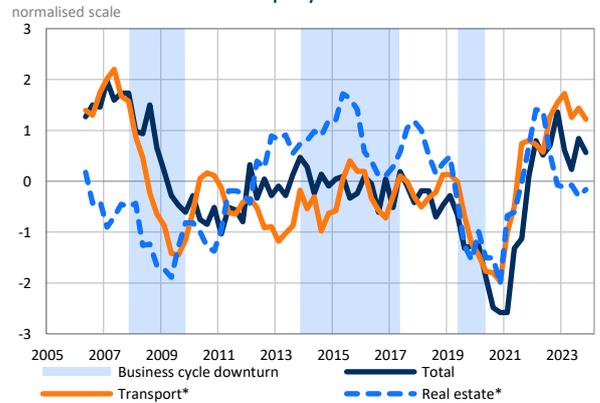
### Real estate: volumes



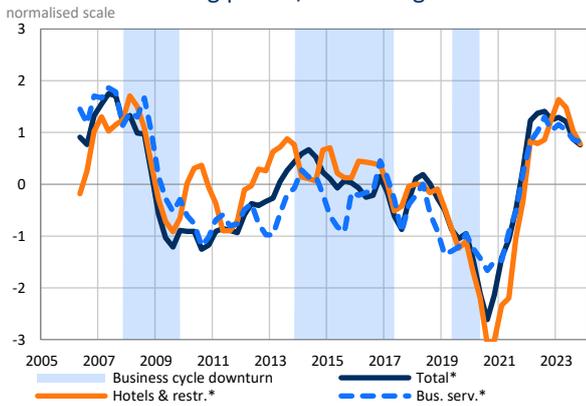
### Hotels & restaurants: volumes



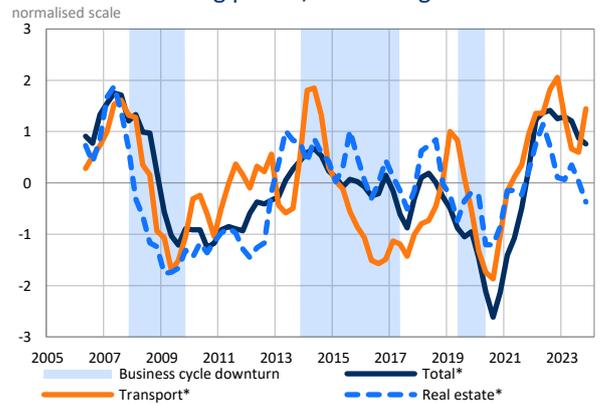
### Employment



### 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
<b>Primary sector</b>	<b>10.3</b>	<b>10.2</b>		
Agriculture, forestry & fishing	2.2	7.1		
Mining and quarrying	8.2	3.1		
<b>Secondary sector</b>	<b>21.7</b>	<b>15.5</b>		
Manufacturing	14.0	9.3	√	
Electricity, gas and water	3.7	0.4		
Construction	4.0	5.8	√	
<b>Tertiary (services) sector</b>	<b>68.0</b>	<b>74.3</b>		
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		
<b>All sectors</b>	<b>100.0</b>	<b>100.0</b>	<b>31.9</b>	<b>22.3</b>

*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
<b>1. Hotels &amp; restaurants</b>	<b>5.4</b>	<b>5.9</b>	<b>12.8</b>	<b>15.2</b>
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
<b>2. Transport, storage &amp; communication</b>	<b>40.9</b>	<b>41.8</b>		
<b>2.1 Transport &amp; storage</b>	<b>25.2</b>	<b>26.2</b>	<b>24.4</b>	<b>22.1</b>
<u>2.1.1 Land transport &amp; pipelines</u>	<u>9.8</u>	<u>10.4</u>	<u>11.5</u>	<u>8.7</u>
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		
<u>2.2.2 Water transport</u>	<u>0.0</u>	<u>0.0</u>	0.1	
<u>2.2.3 Air transport</u>	<u>3.2</u>	<u>3.0</u>		
<u>2.2.4 Supporting transport &amp; travel agencies</u>	<u>12.1</u>	<u>12.7</u>	<u>12.8</u>	<u>13.4</u>
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
<b>2.2 Post &amp; telecommunication</b>	<b>15.7</b>	<b>15.6</b>		
Postal and courier activities	0.7	0.8		
Telecom & cellular	15.0	14.8		
<b>3. Real estate</b>	<b>12.9</b>	<b>12.1</b>	<b>16.7</b>	<b>17.8</b>
Auctioneering & property sales	4.5	4.6	5.6	6.3
Property management & other	8.5	7.5	11.1	11.5
<b>4. Business services</b>	<b>40.8</b>	<b>40.2</b>	<b>46.1</b>	<b>44.9</b>
<b>4.1 Renting of machinery &amp; household goods</b>	<b>2.4</b>	<b>2.0</b>	<b>3.5</b>	<b>3.5</b>
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	
<b>4.2 Computer and related services</b>	<b>6.1</b>	<b>7.4</b>	<b>7.5</b>	<b>8.7</b>
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	
<b>4.3 Research &amp; development</b>	<b>0.9</b>	<b>0.7</b>		
<b>4.4 Other business activities</b>	<b>31.3</b>	<b>30.0</b>	<b>35.0</b>	<b>32.6</b>
<u>4.4.1 Legal, accounting &amp; consultancy</u>	<u>8.4</u>	<u>9.3</u>	<u>12.5</u>	<u>13.4</u>
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
<u>4.4.2 Architectural &amp; other technical activities</u>	<u>4.5</u>	<u>3.5</u>	<u>9.7</u>	<u>10.4</u>
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	2016
<u>4.4.3 Advertising</u>	<u>1.3</u>	<u>1.5</u>	<u>1.3</u>	<u>1.5</u>
<u>4.4.4 Business activities n.e.c.</u>	<u>17.1</u>	<u>15.8</u>	<u>11.6</u>	<u>7.3</u>
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	-
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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](http://www.ber.ac.za)) for more information about the business tendency survey method.

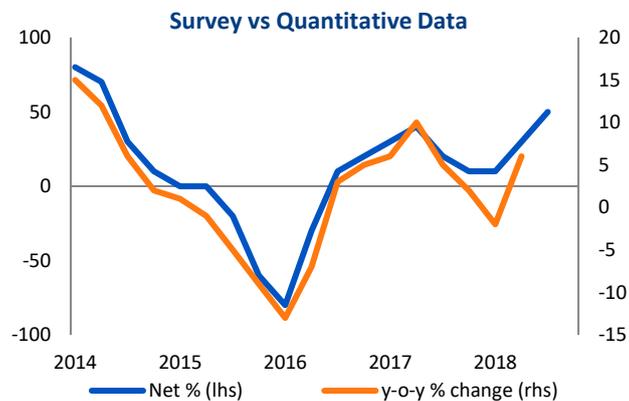
# THE UNIQUE UNITS OF MEASUREMENT OF QUALITATIVE SURVEYS

## 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 ( $\mu$ )

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: $\Delta$ )**

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.