

SURVEY PUBLICATION | SECOND QUARTER 2025

Building

Quarterly analysis of building activity

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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

After gaining one point in 2025Q1, the **FNB/BER Building Confidence Index** declined by five points to register a level of 36 in 2025Q2.

The biggest drop in sentiment was among retailers of **hardware**, however, the business confidence of building sub-contractors and main contractors was also lower.

Expenditure on **residential buildings** has been weak (indeed contracting) for the last few quarters - including an 8.5% decline in real terms in 2025Q1 - according to official statistics. This is in line with our survey data on activity. Unfortunately, activity remained under pressure in 2025Q2 which also affected overall profitability. In all, the downbeat environment was reflected in a fall in sentiment to 25.

Non-residential builder confidence slipped two points to 44 in 2025Q2. This is in line with its long-term average. Looking at the underlying indices for activity growth, profitability, and the rating of insufficient demand for new work as a constraint, these are consistent with a “normal” sentiment reading.

Work at the start of the building pipeline, on balance, improved in 2025Q2. Average activity among **architects**, while slightly lower, is still significantly above its long-term average. Meanwhile, work for **quantity surveyors** jumped noticeably. This bodes well for the outlook for building activity over the short- to medium-term.

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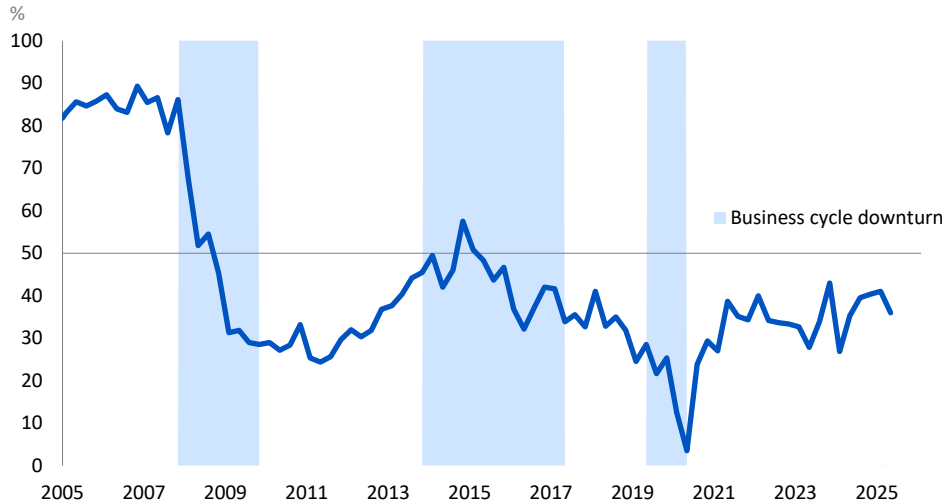
Introduction

The report outlines some of the key findings of the BER’s 2025Q2 Building Survey, including the **FNB/BER Building Confidence Index** as well as related data.

Summary of the 2025Q2¹ building survey results

After gaining one point in 2025Q1, the **FNB/BER Business Confidence Index** lost five points to register a level of 36 in 2025Q2 (Figure 1).

Figure 1: FNB/BER Building Confidence Index



Source: BER

Compared to 2025Q1, the following changes to sentiment were registered: building material manufacturers (+9), quantity surveyors (+4), building sub-contractors (-9), main building contractors (-10) and hardware retailers (-24). The business confidence of architects was unchanged.

The results for residential building activity were quite downbeat, but while also under pressure, non-residential building activity remained relatively resilient.

Looking ahead, builders may see increased demand in the coming months with activity among architects continuing to fare well this quarter. At the same time, activity among quantity surveyors jumped noticeably. Both of these are leading indicators of building work for main contractors.

¹ The 2025Q2 survey was conducted between 7 and 26 May 2025.

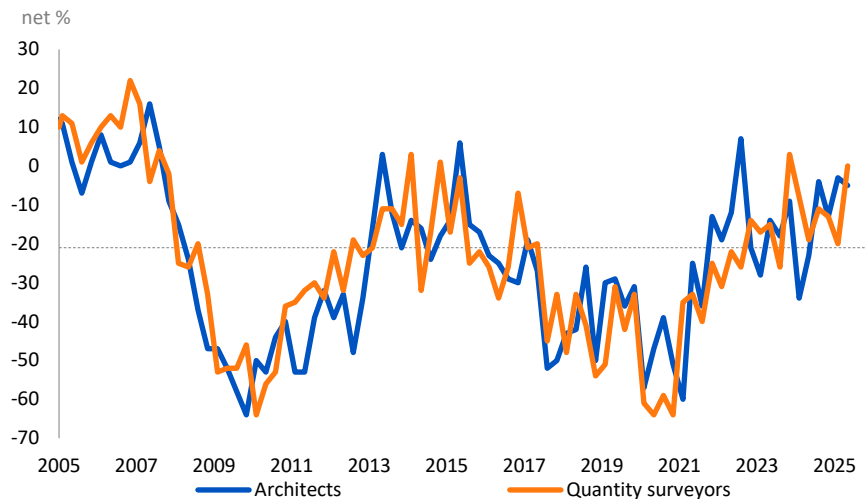
BUILDING PIPELINE GATHERS FURTHER MOMENTUM

According to Statistics South Africa (Stats SA), the real value of building plans passed declined by 1.3% year-on-year (y-o-y) in 2025Q1. This was entirely due to a 12.2% y-o-y fall in the value of residential plans passed. Non-residential building plans passed were up almost 21% on an annual basis in 2025Q1, while the value of plans passed for additions and alterations saw a more muted (4.0%) annual increase.

The survey results suggest that the value of plans passed increased in 2025Q2.

The index measuring average activity among architects² slipped to -5%, from -3% in 2025Q2 (Figure 2). However, despite being somewhat lower, it is still well above its long-term average (of -26%). Similarly, the average activity indicator for quantity surveyors³ registered an above average reading of 0, from -20% in 2025Q1. As a result, sentiment among quantity surveyors rose to 50, its best level since 2017.

Figure 2: Architect and quantity surveyor activity



Source: BER

Both architects and quantity surveyors are upbeat (quantity surveyors extremely so) about prospects for activity next quarter.

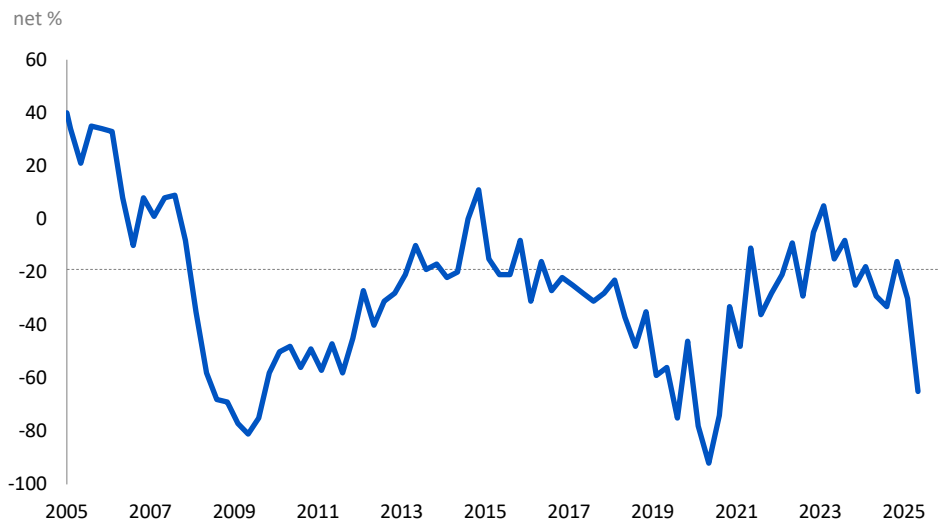
² This is the average of the indices measuring activity at sketch plan stage, working drawing stage and commissioned projects stage.

³ Activity for quantity surveyors is the average of activity at sketch plan stage, at bills of quantity stage and commissioned projects stage.

DECLINE IN RESIDENTIAL BUILDING WORK PERSISTS IN Q2

According to Stats SA's latest GDP release, the real value of spending on residential buildings contracted by 8.4% y-o-y in 2025Q1. The survey results suggest that demand was likely even weaker in 2025Q2. Whereas a net 30% of respondents stated that activity growth was lower compared to a year earlier in 2025Q1, 65% stated as such in 2025Q2. This is the lowest reading since 2020Q3 (Figure 3). In practice, while the survey results point to a sharp fall in work this quarter, given the extent of the decline in residential buildings over the past few quarters, the actual decline may be similar to that reported by Stats SA in 2025Q1.

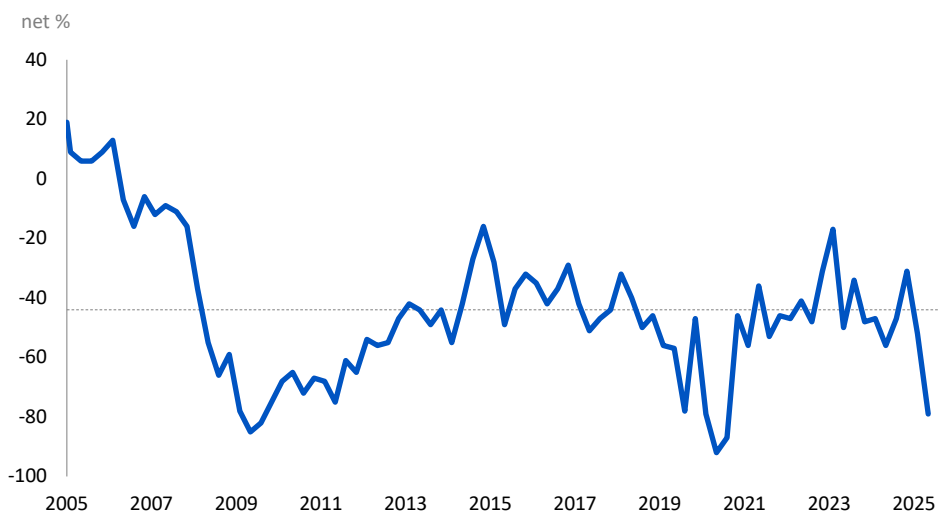
Figure 3: Residential builders, growth in activity



Source: BER

Overall profitability also deteriorated, in step with the lower activity. A net 79% of respondents reported lower profitability compared to a year earlier in 2025Q2, from 52% that indicated as such in 2025Q1 (Figure 4).

Figure 4: Residential builders, growth in overall profitability

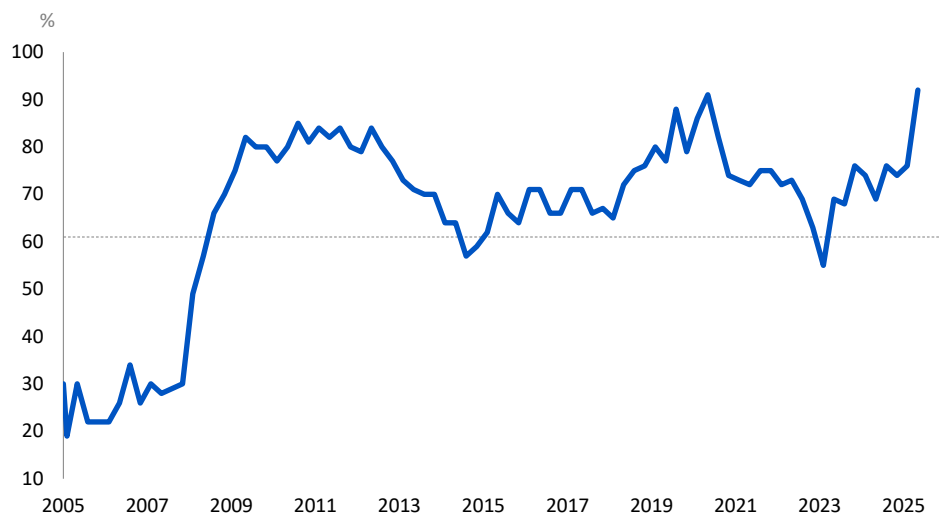


Source: BER

The various measured constraints to business operations worsened across the board in 2025Q2. This means that, in addition to actual performance (as reflected in activity and profitability) this quarter, the broader business environment was also more downbeat.

The biggest jump was registered by the index measuring the inadequate supply of building materials as a constraint, which, at 42, is at its joint highest level since 2021Q4. This is counterintuitive as this constraint typically intensifies when activity is high or increasing, which is not the case this quarter. The rating of insufficient demand as a new constraint was also markedly higher at 92%, from 76% in 2025Q1 (Figure 5).

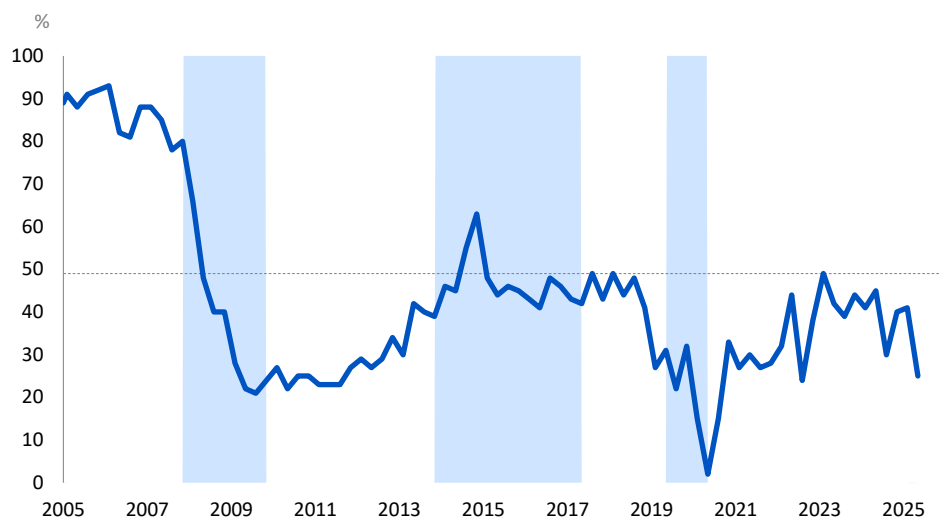
Figure 5: Residential builders, insufficient new demand as a constraint to business operations



Source: BER

With activity and profitability lower and the constraints to business operations higher, it is unsurprising that residential builder confidence fell 25, to its worst level in almost three years (Figure 6).

Figure 6: Residential builder confidence

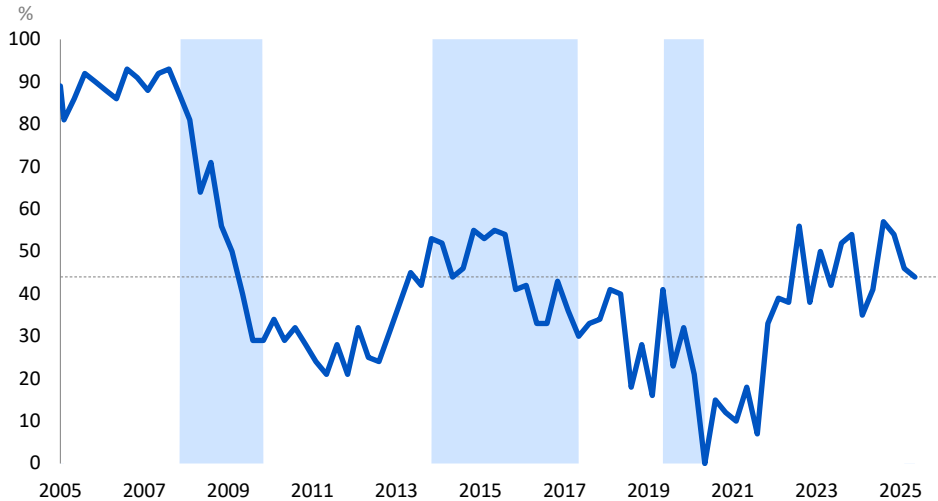


Source: BER

NON-RESIDENTIAL BUILDER CONFIDENCE LARGELY STABLE

In contrast to the residential builders, sentiment among non-residential builders shed only two points to register a level of 44 in 2025Q2. This is in line with its long-term average for the series (Figure 7).

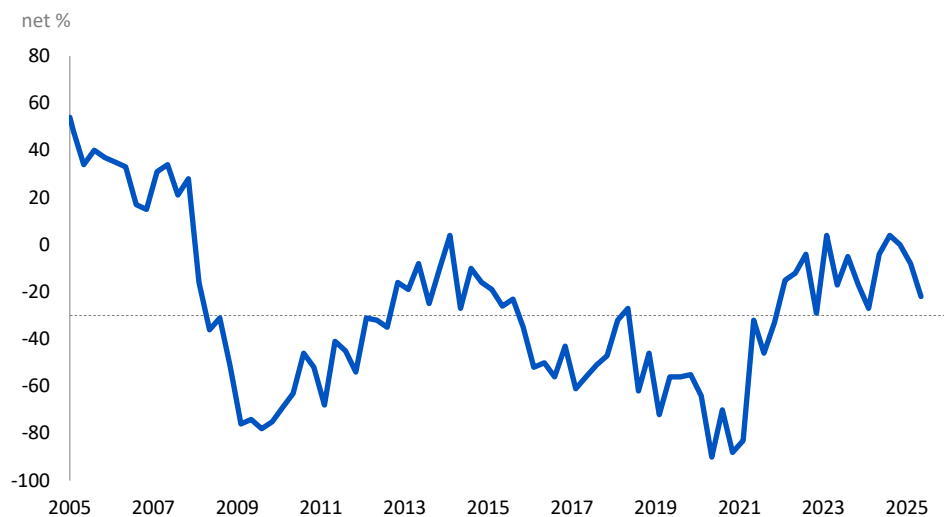
Figure 7: Non-residential builder confidence



Source: BER

Activity edged lower. A net of 22% of respondents indicated that activity was down in 2025Q2 compared to a year earlier, from 8% that indicated as such in 2025Q1 (Figure 8). However, despite the deterioration, activity is still above its long-term average.

Figure 8: Non-residential builders, growth in activity



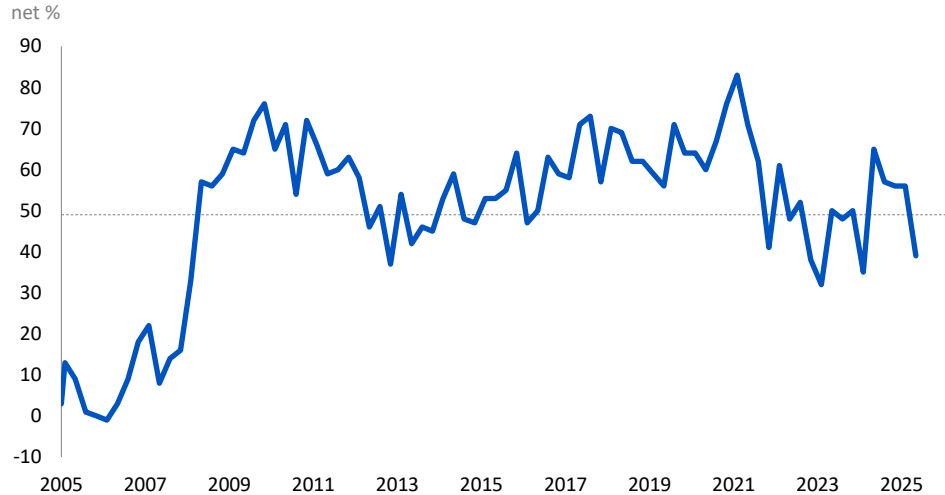
Source: BER

Stats SA reported a 2.4% contraction in real expenditure on non-residential buildings in 2025Q1, from a 0.9% y-o-y increase in 2024Q4. The 2025Q2 survey suggests that non-residential building demand came under further pressure in 2025Q2, however, it is unlikely to have fallen back by much more than in 2025Q1.

Overall profitability improved despite the lower activity as tendering competition eased. This, in turn, supported sentiment. Lower tendering price competition is typically a sign of relatively

abundant work. Whereas a net 56% stated that tendering price competition was keener than a year ago in 2025Q1, only 39% reported as such in 2025Q2 (Figure 9).

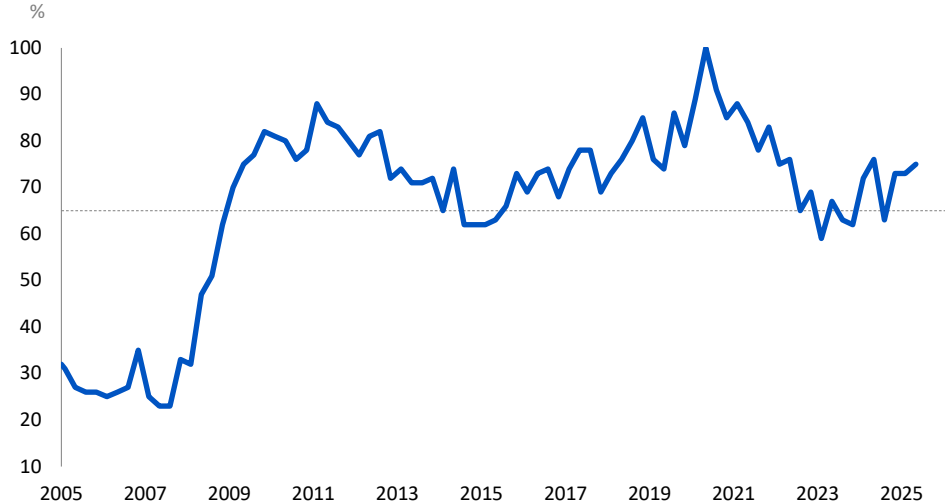
Figure 9: Non-residential builders, tendering price competition



Source: BER

The survey results this quarter presented mixed impressions of the outlook for building activity. Respondents' own expectations are very upbeat, even though they fell well short of realised outcomes this quarter. Meanwhile, the rating of insufficient demand as a business constraint ticked high to 75%, from 73% in 2025Q1 (Figure 10).

Figure 10: Non-residential builders, insufficient demand as a business constraint



Source: BER

Conclusion

The results of the 2025Q2 building and civil construction survey were mixed in terms of activity. **Non-residential** activity held up well while civil construction work ticked higher.

In contrast, the weak performance of **residential building** activity persisted. This is also reflected in the deterioration in overall profitability. Furthermore, the increase in the rating of insufficient new demand as a business constraint suggests that new residential building work is relatively scarce. It is unsurprising then that residential builder confidence fell to 25 in 2025Q2, from 41 in 2025Q1.

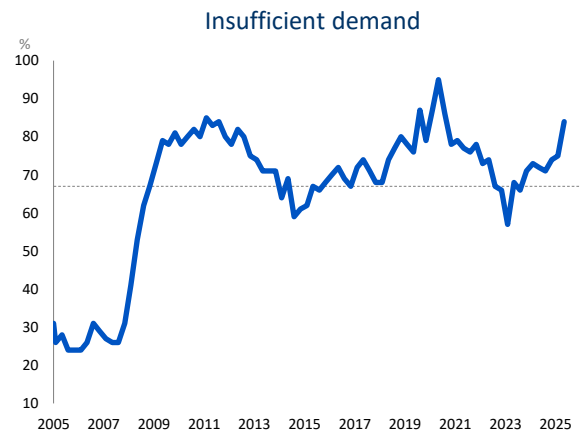
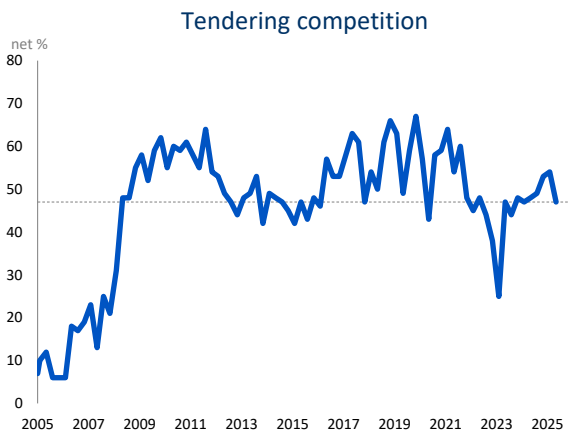
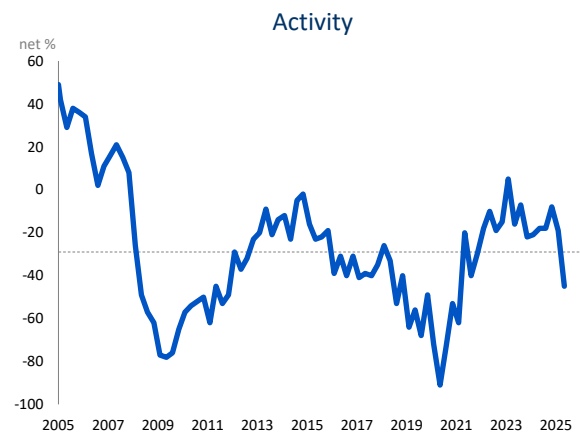
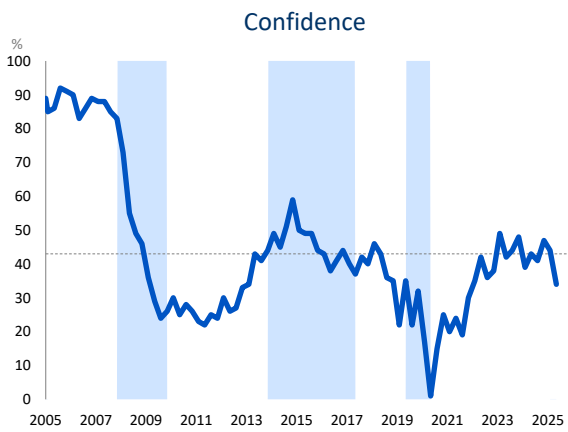
Sentiment among **non-residential builders** was marginally lower at 44 (from 46 in 2025Q2). This is an average reading which is consistent with the broadly “normal” readings of the underlying indices.

Architect confidence was unchanged at 38 in 2025Q2. This is somewhat below what the activity index, which suggests well-above average growth, would imply. In contrast, sentiment among **quantity surveyors** rose to a more than 8-year high of 50 due to a sharp increase in activity.

Survey results

BUILDING: TOTAL⁴

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	Δ	σ_{Δ}
Confidence	%	22	43	63	44	48	39	43	41	47	44	34	-10	7
Activity	Net %	-58	-30	-2	-7	-22	-21	-18	-18	-8	-19	-45	-26	13
Tendering competition	Net %	33	47	62	44	48	47	48	49	53	54	47	-7	7
Insufficient demand	%	50	68	85	66	71	73	72	71	74	75	84	9	5

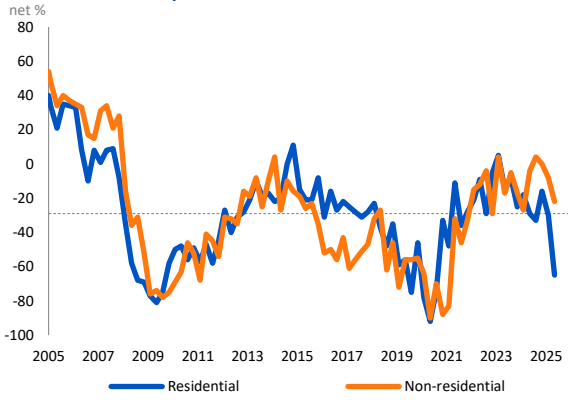


⁴ Combined residential and non-residential building activity of contractors and sub-contractors.

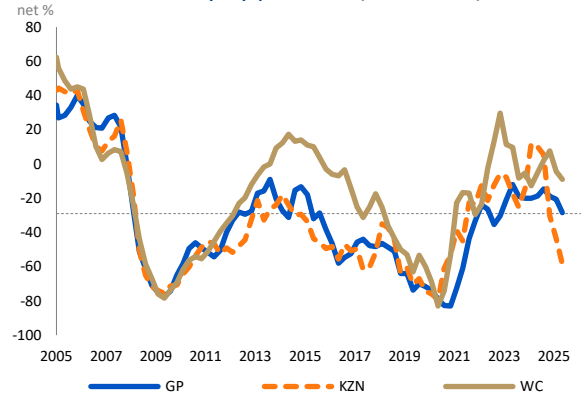
μ - average
 σ - standard deviation
 Δ - change from previous period
 σ_{Δ} - volatility (standard deviation of the changes)
 All above calculated over the last 20 years
 See technical note for further details

BUILDING: TOTAL

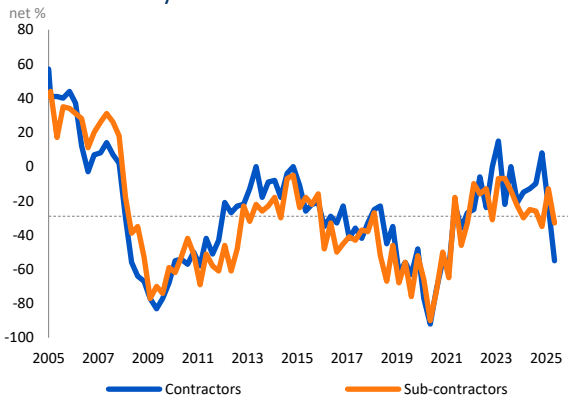
Activity: residential & non-residential



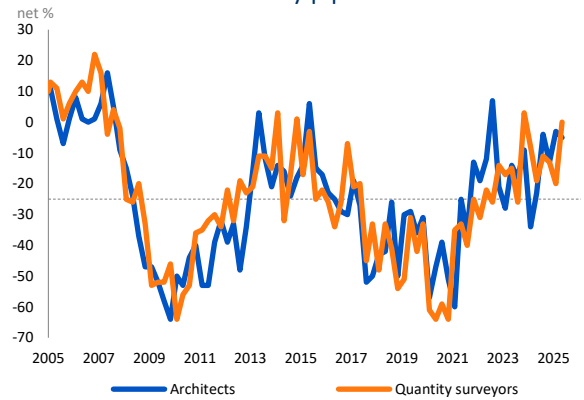
Activity by province (smoothed)



Activity: contractors & sub-contractors



Activity pipeline



μ - average

σ - standard deviation

Δ - change from previous period

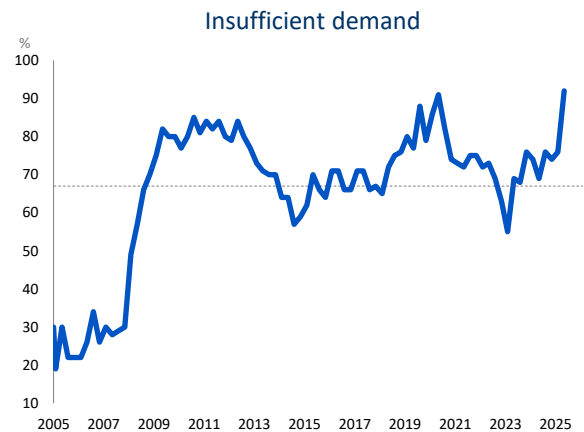
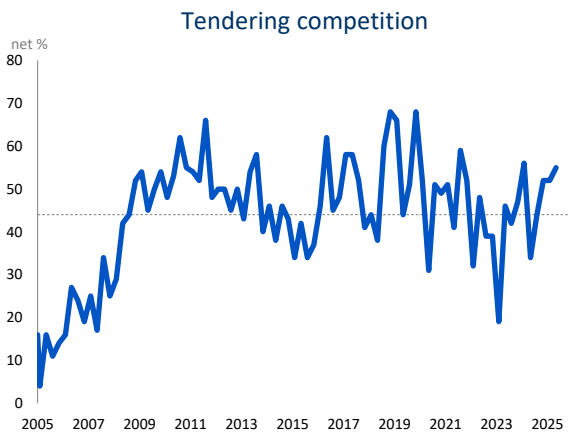
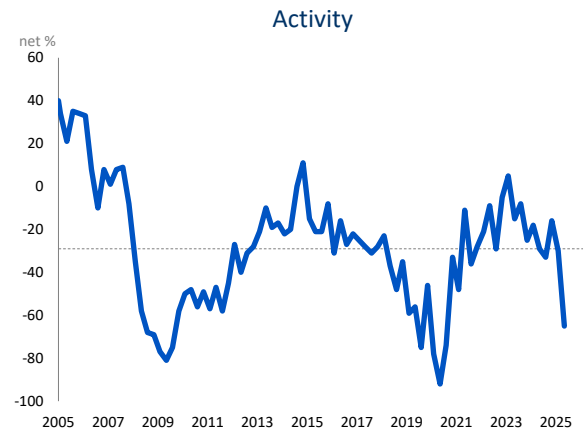
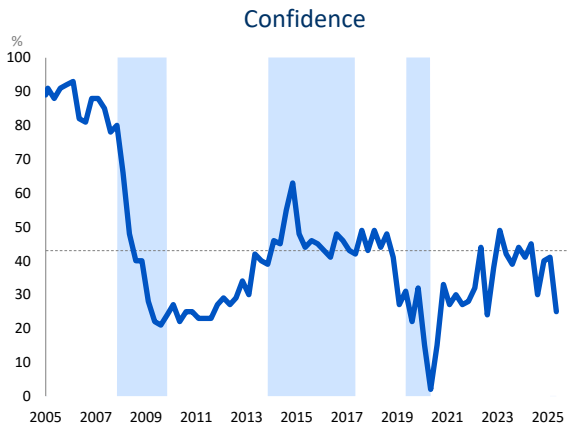
σ_{Δ} - volatility (standard deviation of the changes)

All above calculated over the last 20 years

See technical note for further details

BUILDING: RESIDENTIAL⁵

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	Δ	σ_{Δ}
Confidence	%	22	42	62	39	44	41	45	30	40	41	25	-16	8
Activity	Net %	-57	-30	-3	-8	-25	-18	-29	-33	-16	-30	-65	-35	16
Seasonally adjusted	Net %	-57	-30	-3	0	-27	-23	-30	-24	-18	-36	-71	-35	14
Tendering competition	Net %	32	45	57	42	47	56	34	44	52	52	55	3	11
Insufficient demand	%	50	67	85	68	76	74	69	76	74	76	92	16	6



⁵ The residential sector covers the construction of and additions to houses, town houses and flats for which building plans were submitted to a local authority. Other sporadic residential structures, such as tourist accommodation and casinos, and informal structures are not covered. The section on the building material retail trade provides additional information on activity related to additions and the informal sector.

μ - average

σ - standard deviation

Δ - change from previous period

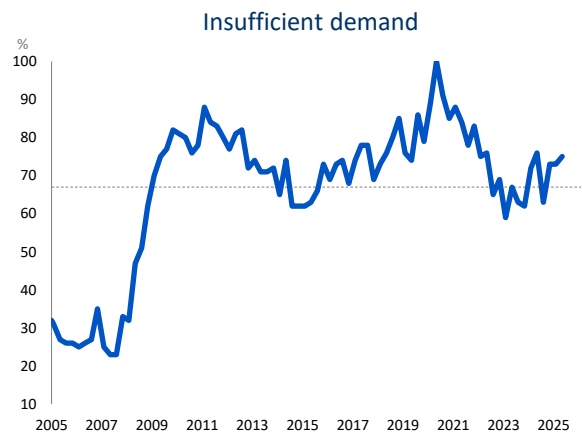
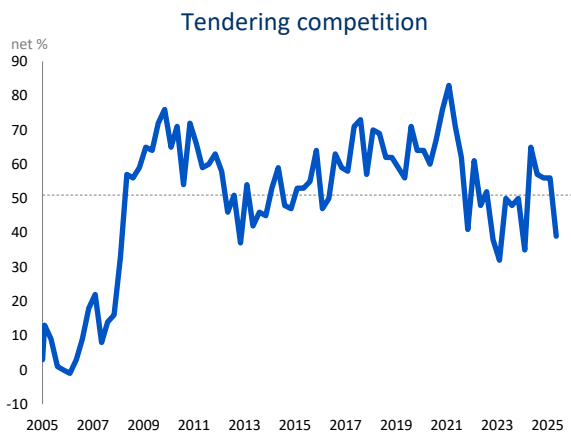
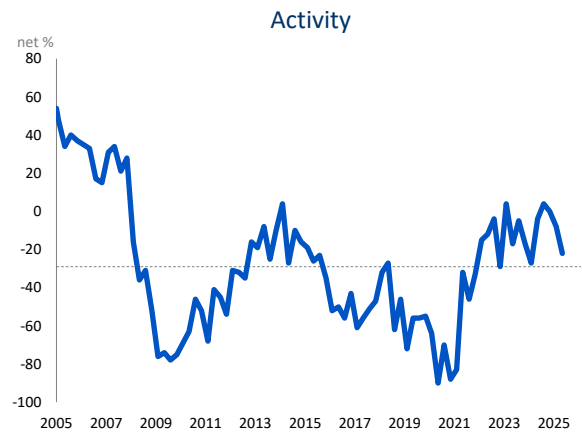
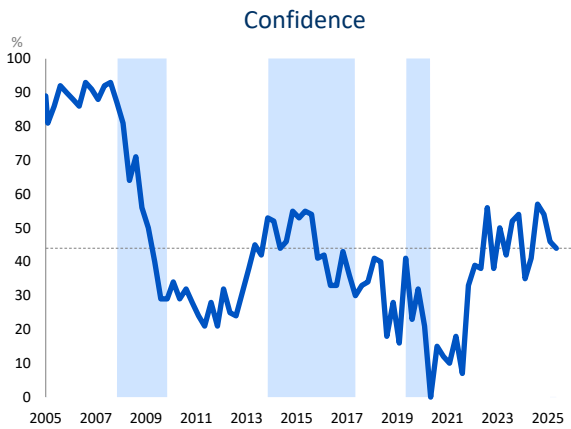
σ_{Δ} - volatility (standard deviation of the changes)

All above calculated over the last 20 years

See technical note for further details

BUILDING: NON-RESIDENTIAL⁶

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	Δ	σ_{Δ}
Confidence	%	21	44	66	52	54	35	41	57	54	46	44	-2	10
Activity	Net %	-62	-30	2	-5	-17	-27	-4	4	0	-8	-22	-14	16
Tendering competition	Net %	32	51	70	48	50	35	65	57	56	56	39	-17	10
Insufficient demand	%	49	68	86	63	62	72	76	63	73	73	75	2	6



⁶ The non-residential sector covers offices, banks, shops (retail), industrial (factories), warehouses and other structures (such as churches, sport clubs, schools and hospitals).

μ - average

σ - standard deviation

Δ - change from previous period

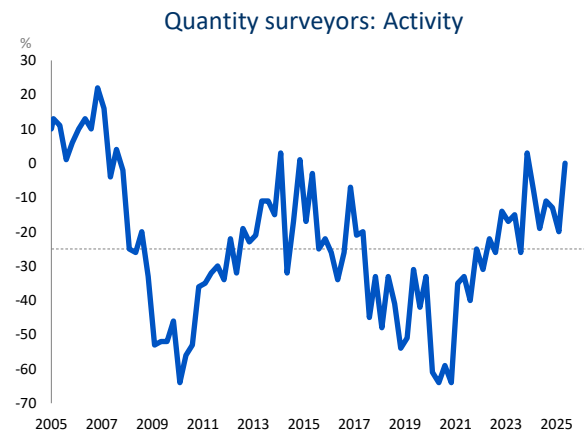
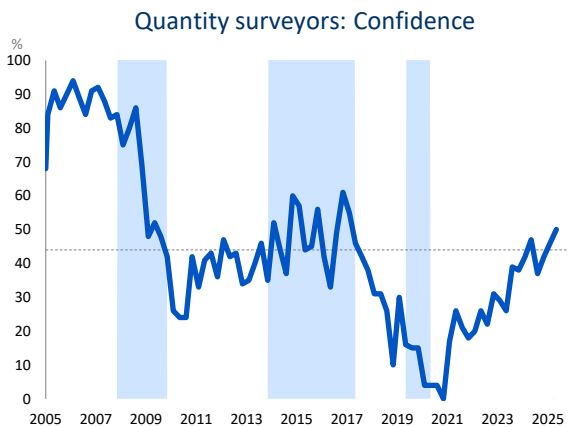
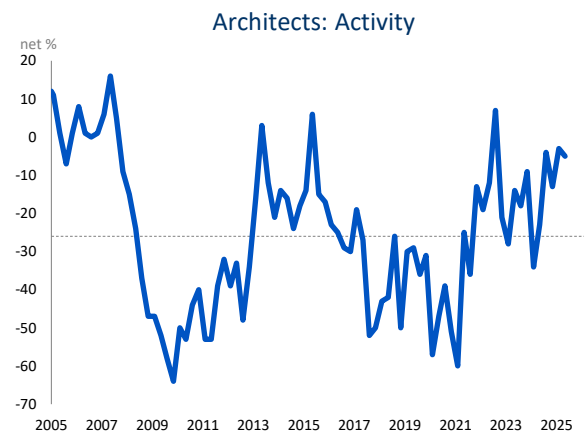
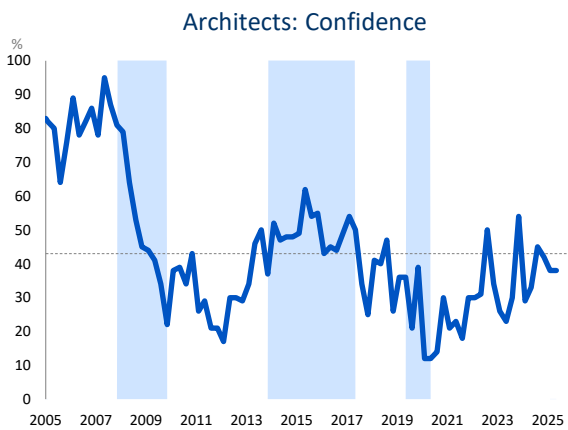
σ_{Δ} - volatility (standard deviation of the changes)

All above calculated over the last 20 years

See technical note for further details

ARCHITECTS AND QUANTITY SURVEYORS⁷

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	Δ	σ_{Δ}
Architects														
Confidence	%	24	43	62	30	54	29	33	45	42	38	38	0	11
Activity	Net %	-45	-26	-6	-18	-9	-34	-23	-4	-13	-3	-5	-2	13
Quantity surveyors														
Confidence	%	20	44	67	39	38	42	47	37	42	46	50	4	9
Activity	Net %	-45	-25	-5	-26	3	-8	-19	-11	-13	-20	0	20	13



⁷ According to the Standard Industrial Classification of all Economic Activities (SIC), architects and quantity surveyors are not part of the building and construction sector; they are classified as "business services". However, the BER includes them here, as they provide additional information on developments in the building sector.

μ - average

σ - standard deviation

Δ - change from previous period

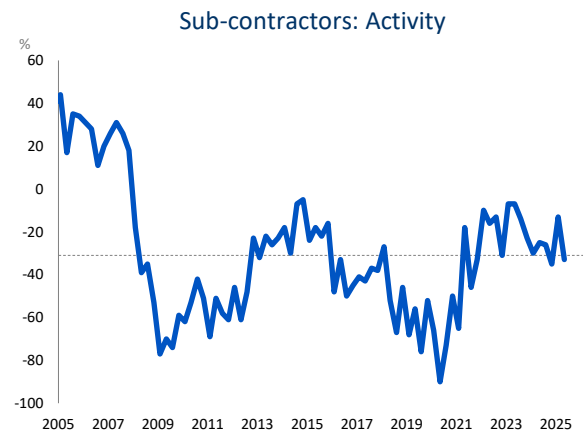
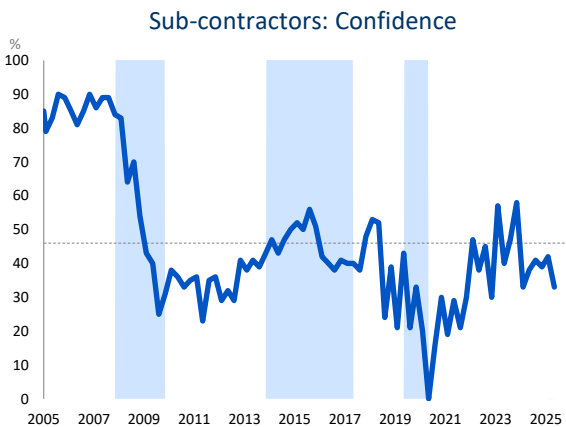
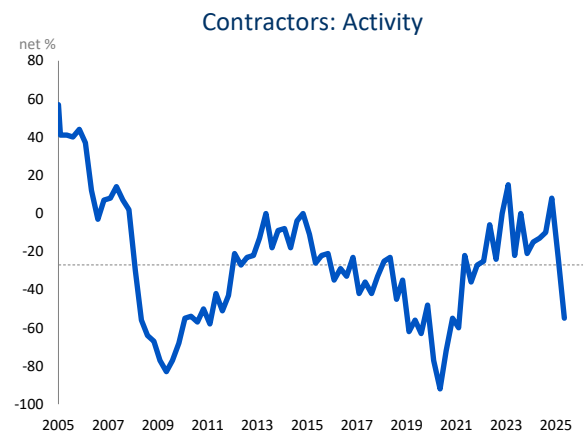
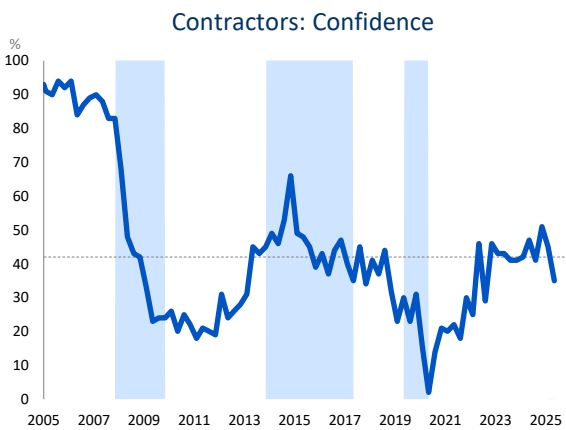
σ_{Δ} - volatility (standard deviation of the changes)

All above calculated over the last 20 years

See technical note for further details

BUILDING: CONTRACTORS AND SUB-CONTRACTORS⁸

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	Δ	σ_{Δ}
Contractors														
Confidence	%	20	42	63	41	41	42	47	41	51	45	35	-10	8
Activity	Net %	-57	-28	0	0	-21	-15	-13	-10	8	-23	-55	-32	15
Sub-contractors														
Confidence	%	25	45	65	47	58	33	38	41	39	42	33	-9	10
Activity	Net %	-61	-32	-2	-14	-23	-30	-25	-26	-35	-13	-33	-20	16



⁸ Sub-contractors cover the building trades, such as electricians, plumbers, painters and shop fitters.

μ - average

σ - standard deviation

Δ - change from previous period

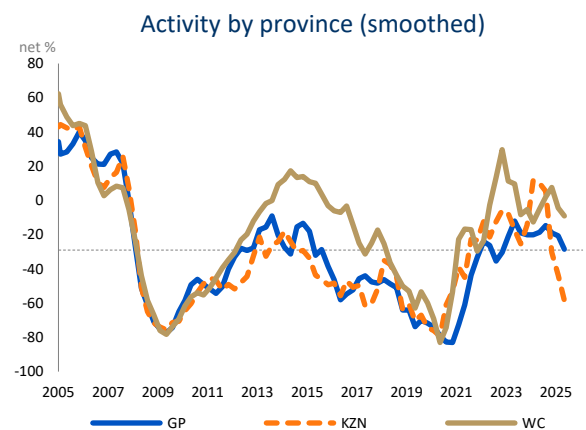
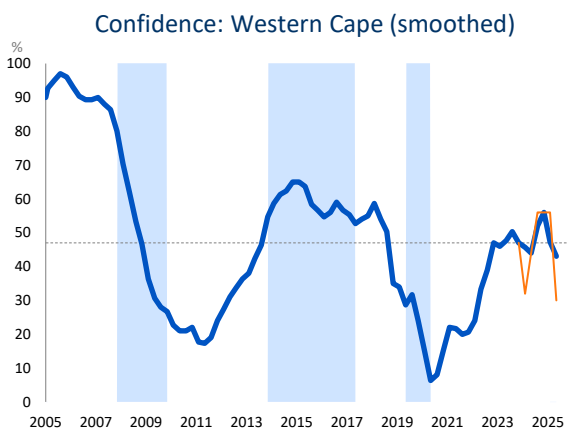
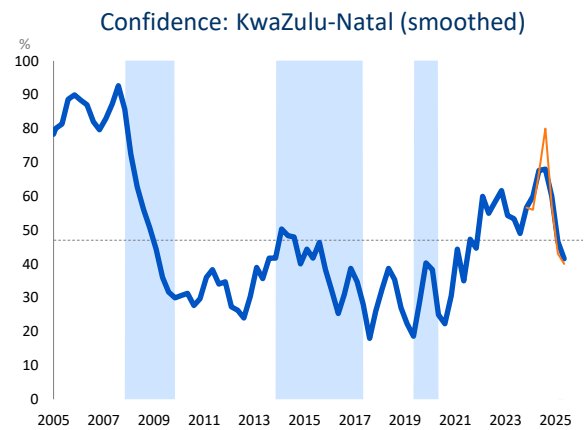
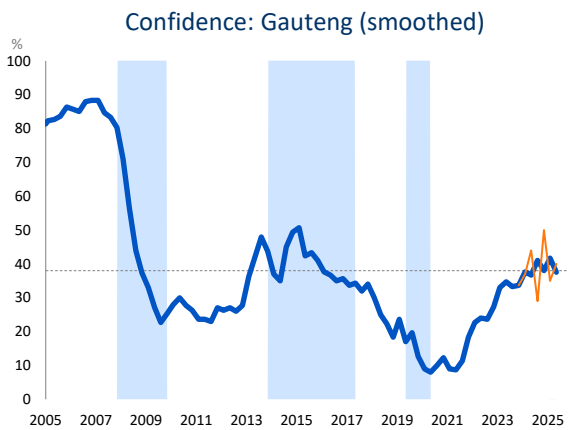
σ_{Δ} - volatility (standard deviation of the changes)

All above calculated over the last 20 years

See technical note for further details

BUILDING: PROVINCES

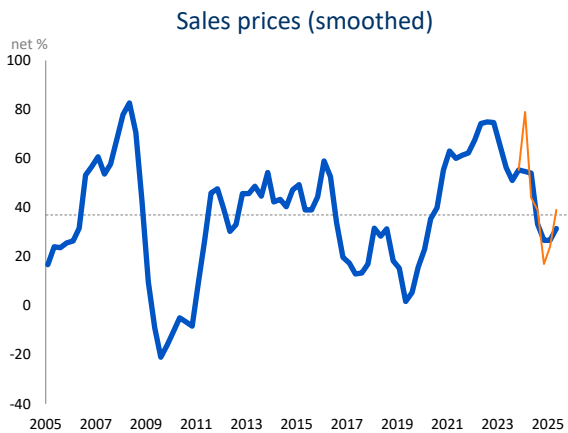
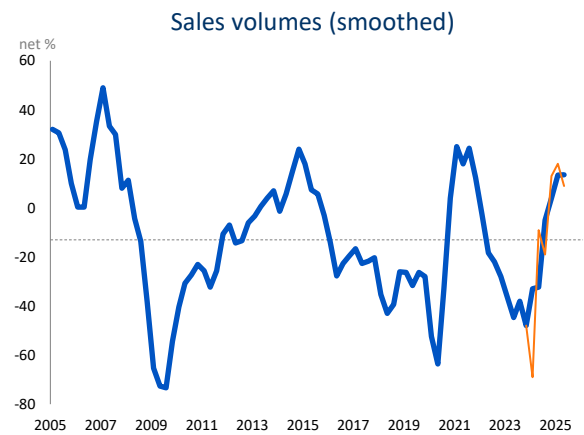
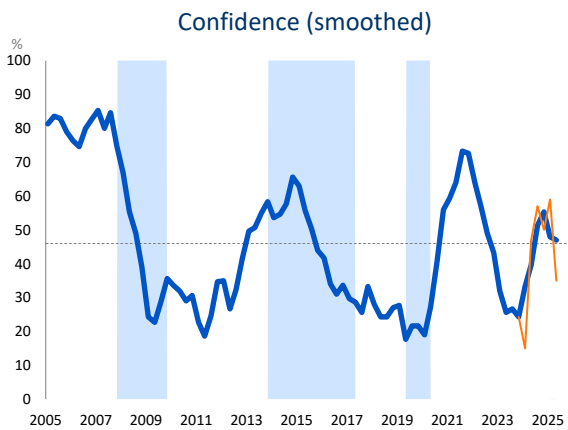
Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	Δ	σ_{Δ}
Gauteng														
Confidence	%	15	38	60	32	32	37	44	29	50	35	40	5	10
Smoothed	%	16	37	59	33	34	38	37	41	38	42	38	-4	4
Activity	Net %	-67	-34	-2	-17	-26	-17	-17	-22	-5	-30	-27	3	17
Smoothed	Net %	-65	-34	-4	-19	-20	-20	-19	-15	-19	-21	-29	-8	8
KwaZulu-Natal														
Confidence	%	24	46	68	57	57	56	67	80	57	43	40	-3	18
Smoothed	%	27	46	66	49	57	60	68	68	60	47	42	-5	7
Activity	Net %	-68	-34	-1	-29	-14	0	50	-20	-14	-57	-60	-3	25
Smoothed	Net %	-64	-34	-5	-25	-14	12	10	5	-30	-44	-59	-15	11
Western Cape														
Confidence	%	23	47	70	48	61	32	44	56	56	56	30	-26	10
Smoothed	%	24	47	69	50	47	46	44	52	56	47	43	-4	5
Activity	Net %	-54	-20	14	17	-17	-16	-5	6	5	12	-30	-42	20
Smoothed	Net %	-51	-20	12	-8	-5	-13	-5	2	8	-4	-9	-5	10



μ - average
 σ - standard deviation
 Δ - change from previous period
 σ_{Δ} - volatility (standard deviation of the changes)
 All above calculated over the last 20 years
 See technical note for further details

BUILDING MATERIALS RETAIL TRADE⁹

Indicator	Unit	$\mu - \sigma$	μ	$\mu + \sigma$	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	Δ	σ_{Δ}
Confidence	%	23	45	67	20	38	15	47	57	50	59	35	-24	16
Smoothed	%	26	45	64	27	24	33	40	51	55	48	47	-1	6
Sales volumes	Net %	-44	-13	18	-54	-21	-69	-9	-19	13	18	9	-9	27
Smoothed	Net %	-39	-13	13	-38	-48	-33	-32	-5	4	13	14	1	12
Sales prices	Net %	10	38	65	46	41	79	44	39	17	24	39	15	22
Smoothed	Net %	14	38	61	51	55	55	54	33	27	27	32	5	10



⁹ Hardware, paint, glass and other building material retailers. Developments in the building material retail trade provides additional information on activity related to additions and the informal sector.

μ - average

σ - standard deviation

Δ - change from previous period

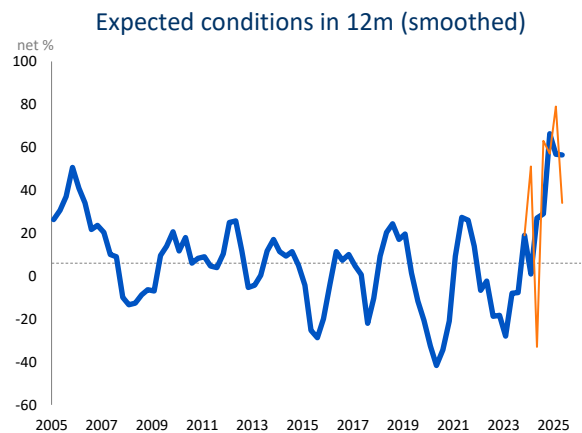
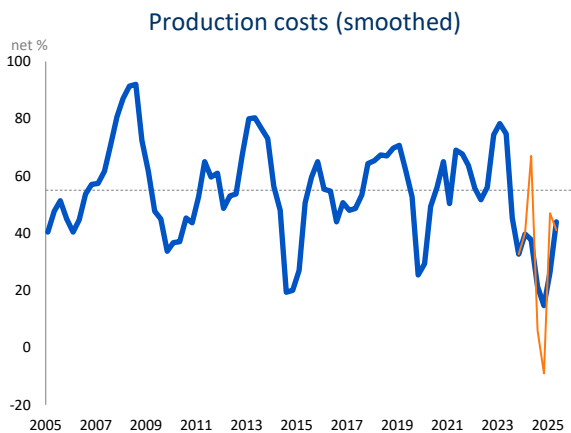
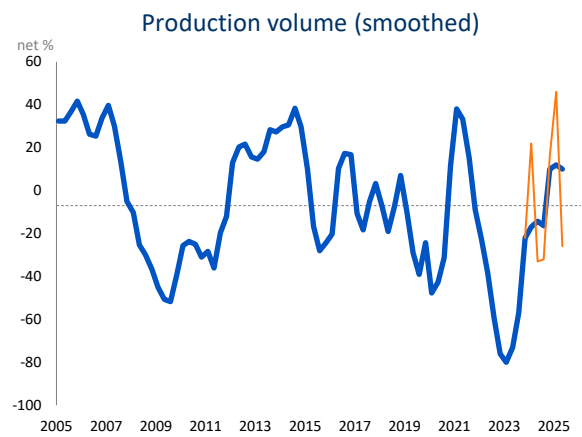
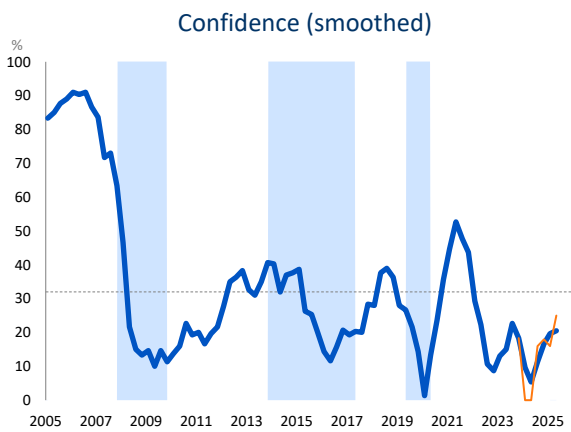
σ_{Δ} - volatility (standard deviation of the changes)

All above calculated over the last 20 years

See technical note for further details

BUILDING MATERIALS MANUFACTURING¹⁰

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	Δ	σ_{Δ}
Confidence	%	7	32	56	26	29	0	0	16	18	16	25	9	17
Smoothed	%	9	32	54	23	18	10	5	11	17	20	21	1	7
Production volume	Net %	-44	-7	29	-48	-40	22	-33	-32	16	46	-26	-72	33
Smoothed	Net %	-38	-7	23	-57	-22	-17	-14	-16	10	12	10	-2	14
Production costs	Net %	30	55	79	46	12	40	67	6	-9	47	41	-6	29
Smoothed	Net %	38	55	72	45	33	40	38	21	15	26	44	18	11
Expected conditions in 12m	Net %	-22	6	35	21	-15	51	-33	63	57	79	34	-45	32
Smoothed	Net %	-15	6	28	-8	19	1	27	29	66	57	57	0	12

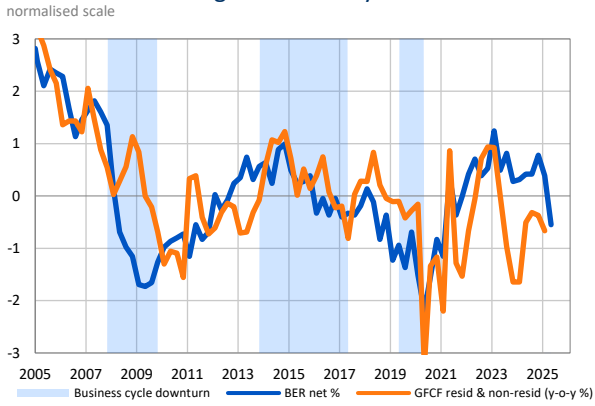


¹⁰ Covering glass and non-metallic mineral (i.e. bricks, tiles, cement, prefab concrete, asphalt and mica products) manufacturing.

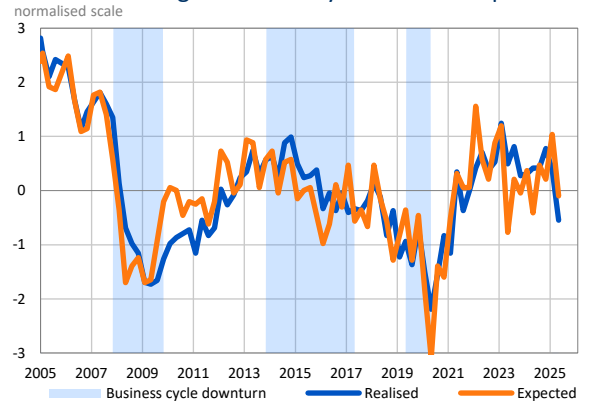
μ - average
 σ - standard deviation
 Δ - change from previous period
 σ_{Δ} - volatility (standard deviation of the changes)
 All above calculated over the last 20 years
 See technical note for further details

SUMMARY

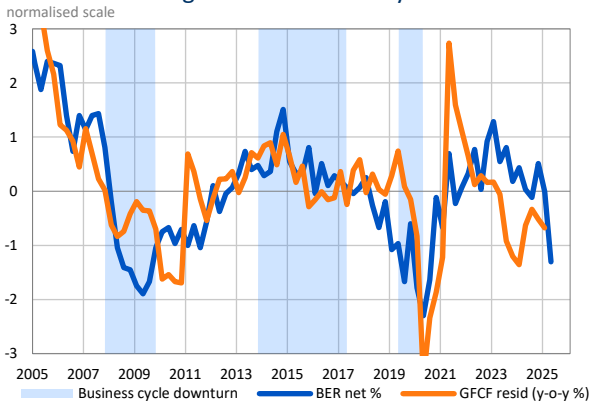
Building: total activity & GFCF



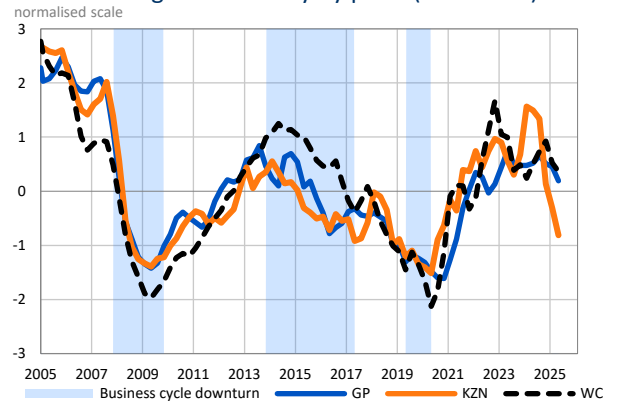
Building: total activity: realised & exp.



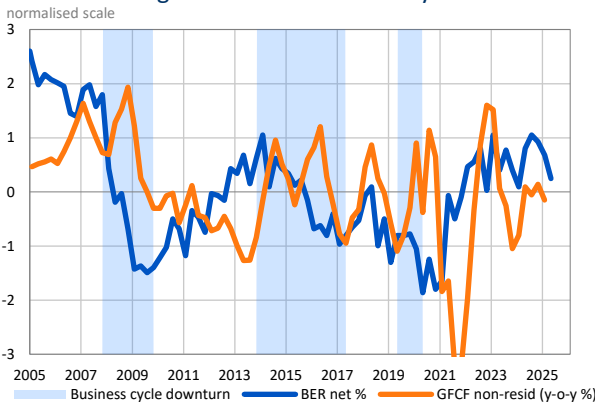
Building: residential activity & GFCF



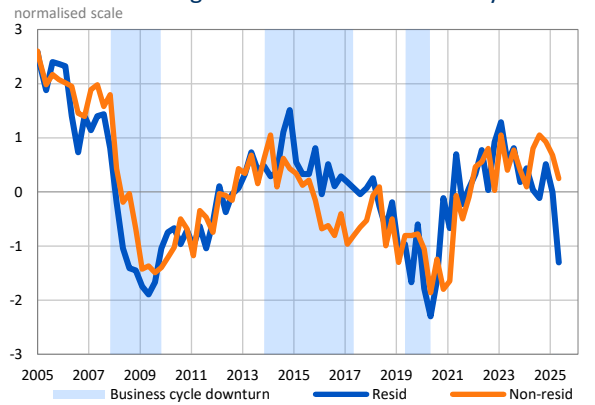
Building: total activity by prov. (smoothed)



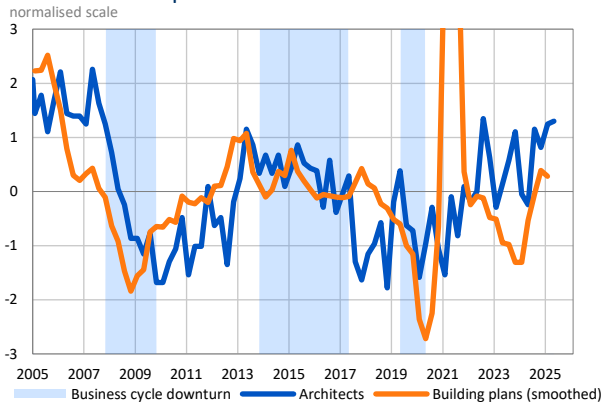
Building: non-residential activity & GFCF



Building: resid. & non-resid. activity



Pipeline: contracts awarded



BUILDING PLANS PASSED AND COMPLETED

Indicator (thousand sqm)	South Africa	Western Cape	Eastern Cape	Northern Cape	Free State	KwaZulu-Natal	North West	Gauteng	Mpumalanga	Limpopo
Recorded building plans passed										
25Q1										
Dwelling-houses < 80 square metres	71.1	15.6	4.4	0.4	7.0	1.4	1.0	37.4	2.9	1.1
Dwelling-houses >= 80 square metres	730.5	301.9	30.3	8.9	27.8	77.9	25.0	172.0	49.1	37.5
Flats and townhouses	266.8	120.2	8.0	0.0	8.5	49.0	3.3	67.6	7.0	3.2
Other residential buildings	42.8	15.1	0.0	0.0	1.1	22.1	0.4	0.4	3.8	0.0
Office and banking space	39.4	23.9	1.7	0.0	0.1	0.2	0.4	13.0	0.0	0.0
Shopping space	109.6	32.3	0.0	0.0	6.0	2.4	7.6	18.8	41.3	1.3
Industrial and warehouse space	394.2	74.1	76.3	1.3	11.2	47.6	24.8	116.8	38.7	3.5
Other non-residential buildings	71.0	36.6	5.5	0.8	4.2	3.3	0.2	4.6	3.2	12.5
Additions and alterations: Dwelling-houses	503.6	196.7	36.3	4.1	14.7	69.8	16.4	119.5	40.7	5.4
Additions and alterations: Other buildings	189.4	57.2	13.6	3.3	10.4	21.1	7.8	37.9	27.6	10.4
Total	2419	874	176	19	91	295	87	588	214	75
y-o-y % change	-0.9	14.7	11.5	-28.8	3.2	1.1	-25.8	-23.4	52.6	-16.3
Buildings reported as completed										
25Q1										
Dwelling-houses < 80 square metres	56.4	11.5	7.1	0.0	0.3	1.9	2.0	32.3	0.9	0.4
Dwelling-houses >= 80 square metres	403.4	155.0	7.1	2.0	7.7	45.4	28.9	125.8	12.2	19.3
Flats and townhouses	195.7	115.6	0.0	0.0	2.0	23.6	1.4	50.5	1.9	0.7
Other residential buildings	36.2	28.8	3.5	0.0	0.0	0.0	1.3	1.4	1.2	0.0
Office and banking space	20.9	11.2	0.4	0.0	0.0	6.8	0.0	2.5	0.0	0.0
Shopping space	47.8	0.6	12.8	0.0	0.0	9.1	18.2	1.8	1.0	4.4
Industrial and warehouse space	215.8	17.9	1.7	0.0	0.0	57.8	7.0	128.1	1.8	1.5
Other non-residential buildings	34.5	7.9	0.0	0.0	0.0	3.1	10.8	12.7	0.0	0.0
Additions and alterations: Dwelling-houses	130.0	41.3	17.6	1.5	0.6	20.3	10.7	31.8	5.7	0.6
Additions and alterations: Other buildings	54.2	11.7	12.9	0.5	0.0	9.3	1.3	15.1	3.3	0.0
Total	1195	401	63	4	11	177	82	402	28	27
y-o-y % change	3.5	4.9	-44.6	-52.8	-33.8	26.5	53.6	7.0	-26.9	4.0

Source: Statistics South Africa

Technical note

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, tendering prices, business conditions, constraint indicators and respondents' expectations (or forecast) for the next quarter for which no official figures exist. It is now widely recognised that such subjective individual expectations play a key role in economic developments. Furthermore, the survey results of successive quarters provide a means of tracking cyclical movements, pinpointing trend changes and establishing forecasts.

THE SURVEY METHOD

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

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

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

To provide for widely differing sizes, each firm in the manufacturing and trade 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.

The BER conducted its first survey of the manufacturing and trade (i.e. retail, wholesale and motor trade) sectors in 1954. The sector coverage was expanded to the building sector (i.e. main contractors and sub-contractors) in 1969. The BER also took responsibility for a quantitative building cost survey in that year. The breadth of the building survey was expanded on two occasions: 1) architects and quantity surveyors were added in 1986 in order to track developments along the whole building pipeline (i.e. from the initiation to the completion of projects) and 2) civil engineering contractors were added in 1997.

Consult the BER web page (www.ber.ac.za) for more information about the business tendency and building cost survey methods.

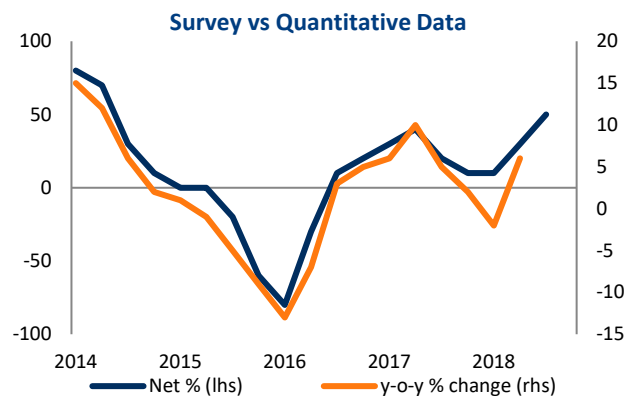
THE UNIQUE UNITS OF MEASUREMENT OF QUALITATIVE SURVEYS

Net percentage (net %)

The responses related to the change in activity, prices, employment, business conditions etc. are presented as a “net percentage” (also called a “net balance” or a “net majority”). If, for example, the percentages of respondents rating building activity 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 activity. The net percentage is calculated as the percentage of respondents rating “activity” 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 activity 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 and constraints 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.

In the case of the constraints, respondents have to rate if a particular issue – for instance, a shortage of skilled labour – “seriously”, “slightly” or “not at all” hampers their activity. Composite constraint indices are calculated by weighting the responses as follows: The answers of respondents rating a particular constraint as “serious” are weighted by 0.67%; “slightly” by

0.33% and “not a constraint at all” are discarded. The results are then multiplied by $100/67 = 1.49$ to convert it to an index that can vary between zero and 100.

Care must be taken when making inferences from the constraints indices given that the list of constraints (issues) remains unchanged over time. Each constraint ought to be analysed relative to its own historical performance rather than comparing the ratings of the different constraints at a specific point in time. The latter inference would be more appropriate if respondents had to list all issues hampering their activity at a particular point in time and rank them in order of their impact.

Theoretically, the confidence and constraints series can vary between a minimum of zero and a maximum of 100. A value of zero would reflect an extreme lack of confidence/no limitation at all and 100 extreme confidence/complete limitation. 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

Three-quarter centred moving average (smoothed)

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

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

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

Seasonal adjustment (SA)

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

Average (μ)

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

One standard deviation below ($\mu-\sigma$) and above ($\mu+\sigma$) the average

The standard deviation indicates the common variation in or dispersion of the values. Data points falling between one standard deviation below and above the average could be regarded as common. Any data point falling outside these ranges, therefore, displays statistically significant variation.

Change (Delta: Δ)

This statistic indicates the change in the results of the latest quarter relative to the preceding quarter.

Volatility (standard deviation of the deltas: σ_{Δ})

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.