

SURVEY PUBLICATION | SECOND QUARTER 2025

# 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

The Other Services sector has been fairly optimistic over the last year, with confidence levels above those of the other sectors surveyed by the BER. In the second quarter of 2025, however, the confidence reading in Other Services fell below the long-run average again. This points to a cooling in the sector following a streak of outperformance. Confidence increased slightly in Q2 for the Transport and Business Services subsectors, but this was more than offset by meaningful declines in Hotels and Restaurants and Real Estate.

**Overall** business conditions, volumes, employment, profitability, and asking prices were all in the red, though some remain above their long-run average. This shows that although the operating environment has deteriorated relative to last quarter, it may just indicate a normalisation and not a contraction in this sector. Yet, it also indicates that the uncertainty in the world did not leave the services sector untouched.

The **hotel and restaurant subsector** recorded the weakest results this quarter. Following a period of outperformance, confidence declined sharply in 2025Q2, accompanied by statistically significant declines in both business conditions and business volumes. Although these events occurred toward the end of the survey period, respondents may have been worried about the strained diplomatic relationship between SA and the USA, as well as the broader weakness in the global economy.

In the **transport subsector**, business volumes remained largely unchanged, while respondents experienced slightly improved business conditions. Positively, the survey data showed a notable decline in finance constraints, as well as lower impediments from insufficient demand and a shortage of labour, all helping to ease business conditions. As a result, transport confidence improved. A much better profitability reading may also explain the more upbeat outcome among transport respondents.

After about a year in optimistic territory, there was a statistically significant decline in confidence in the **real estate subsector**, again dipping below the long-run average. Business conditions and volumes are weaker than a year ago, but still high in a historical context. A robust rental market may have kept things alive in real estate, and a relatively good environment for industrial, office and retail properties. While the prospects for interest rate cuts lifted the outlook in this subsector last year, this was substantially diminished at the time of the 2025Q2 survey<sup>1</sup>.

Meanwhile, in the **business services subsector**, the results point to a “business as usual” outcome this quarter. Confidence has been hovering around the long-run mark for over three years, and there were no significant downward movements or reasons for more optimism.

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<sup>1</sup> The second quarter survey took place from the 7th to the 26th of May 2025. The SA Reserve Bank (SARB) cut the repo rate after the survey period, on 29 May, after it kept the rate unchanged in March.

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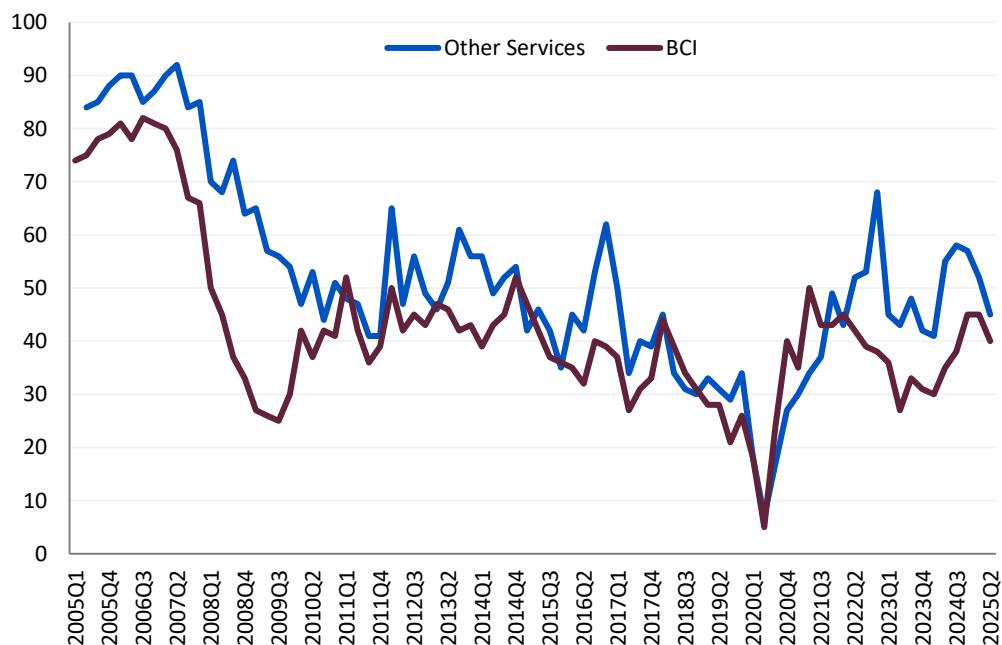
# Introduction

Confidence in the Other Services<sup>2</sup> Sector declined in 2025Q2, falling by seven points to 45, below the long-run average of 50. Despite recent resilience, ongoing local and global uncertainty is beginning to weigh more heavily on sentiment and activity in the sector.

As evidenced in Figure 1, confidence in Other Services has hovered above some of the other sectors surveyed by the BER for over three years. However, confidence dipped lower this quarter, closer to the overall BCI, losing some of its advantage over the other sectors.

Figure 1: Business confidence, Other Services vs BCI

PERCENT



Sources: BER

**While underlying indicators such as business conditions, volumes, employment, profitability, and asking prices were broadly negative, many remained above their long-run averages.** Moreover, the smoothed versions of these variables were relatively flat, suggesting the underlying weakness has not deepened dramatically, though momentum has slowed.

<sup>2</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.

**Confidence levels diverged across subsectors.** Two of the four saw marginal increases, but notable declines in the remaining two outweighed these. Sector-specific concerns, including reputational issues and global trade dynamics, contributed to the overall deterioration.

**According to respondents' comments,** the most prevalent factors weighing on business confidence were the high levels of uncertainty driven by global geopolitical tensions and domestic political instability, particularly due to disputes within the Government of National Unity (GNU), which were notably heightened during the survey period<sup>3</sup>.

## HOSPITALITY CONFIDENCE SUFFERS ON THE BACK OF WEAKER VOLUMES AND DETERIORATING BUSINESS CONDITIONS

**Confidence in the hotels and restaurants subsector declined sharply, dropping by 26 points to 41 in 2025Q2, a significant reversal following last year's strong performance.** This was despite total overseas airport arrivals increasing by 10.5% y-o-y in April, suggesting a disconnect between headline tourism volumes and local business sentiment. This downturn in confidence did, however, coincide with heightened concerns over South Africa's international image, especially after the US government issued a revised travel advisory warning of terrorist threats, which likely acted as another aggravating factor<sup>4</sup>.

**Domestically, the average South African consumer remains under pressure, limiting demand for luxury services like lodging away from home and dining out.** Even though inflation has been low, real incomes are being squeezed. There was a 2.2% decline in real take-home pay among formal sector employees between March and April<sup>5</sup>. The pressure is expected to intensify with no change to personal income tax brackets, an upcoming electricity tariff hike in July, and an increase in the fuel levy. All are expected to put further strain on disposable incomes.

**This drop in confidence was accompanied by sharp declines in business conditions (down 47 points to -21) and business volumes (down 45 points to -17).** Interestingly, employment in the subsector improved, one of the few positive developments in an otherwise weak set of results. The increase in staffing aligns with the observed rise in foreign tourist arrivals, suggesting that hiring was driven by continued demand from these consumers. However, this uptick in employment does not align with the reported decline in business volumes, pointing to a possible mismatch between expectations and realised activity, or a delayed adjustment in labour relative to changing demand patterns.

## SURPRISINGLY RESILIENT TRANSPORT PERFORMANCE

**The transport subsector showed mixed but relatively resilient results.** Business volumes fell slightly (by 2 points) but remain close to the long-run average, notable given the sector's typical

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<sup>3</sup> The survey was conducted between 7 and 26 May 2025.

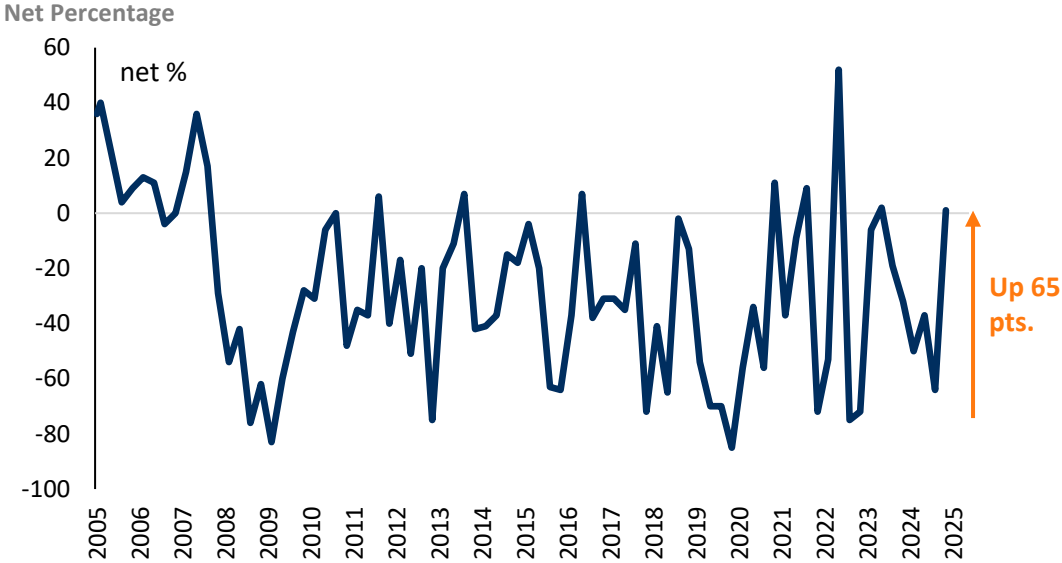
<sup>4</sup> Although the second quarter survey took place from the 7th to the 26th of May 2025, the bulk of responses were received early on in the survey period, while diplomatic relations between the US and South Africa remained tense throughout the survey period.

<sup>5</sup> <https://www.businesslive.co.za/bd/economy/2025-05-28-take-home-pay-falls-for-second-month-as-economic-uncertainty-grows/>

volatility. Business conditions improved meaningfully, rising from -37 to -18, supported by a decline in key constraints such as financing, insufficient demand, and labour shortages.

**Business confidence rose by 8 points to 42, driven in part by a strong rebound in profitability, up 65 points to +1, well above the long-run average—see Figure 2.** The surge in profitability reflects lower input costs, particularly due to reduced fuel prices relative to 2025Q1 and the same period last year, see Figure 3. Despite these gains, expectations remain subdued, with outlook indicators for business volumes, prices, and profitability all deep in negative territory.

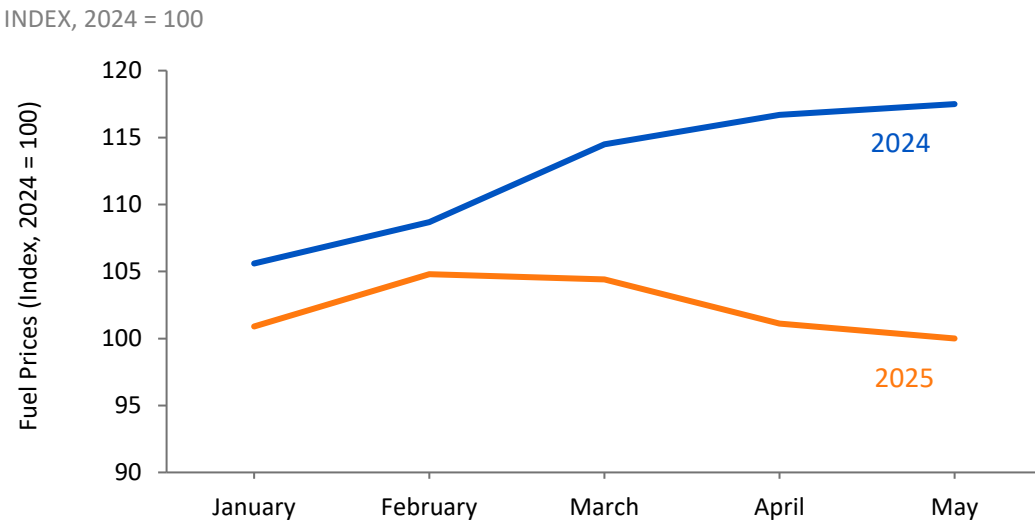
**Figure 2: Profitability in the transport subsector**



Source: BER

**The uptick in confidence in this subsector may have been supported by increased wholesale trade activity.** According to the BER’s Retail Survey, wholesale activity ticked up in 2025Q2, which may have spurred a rise in demand for transport and storage facilities.

**Figure 3: Monthly Fuel Prices Comparison: 2024 vs 2025**



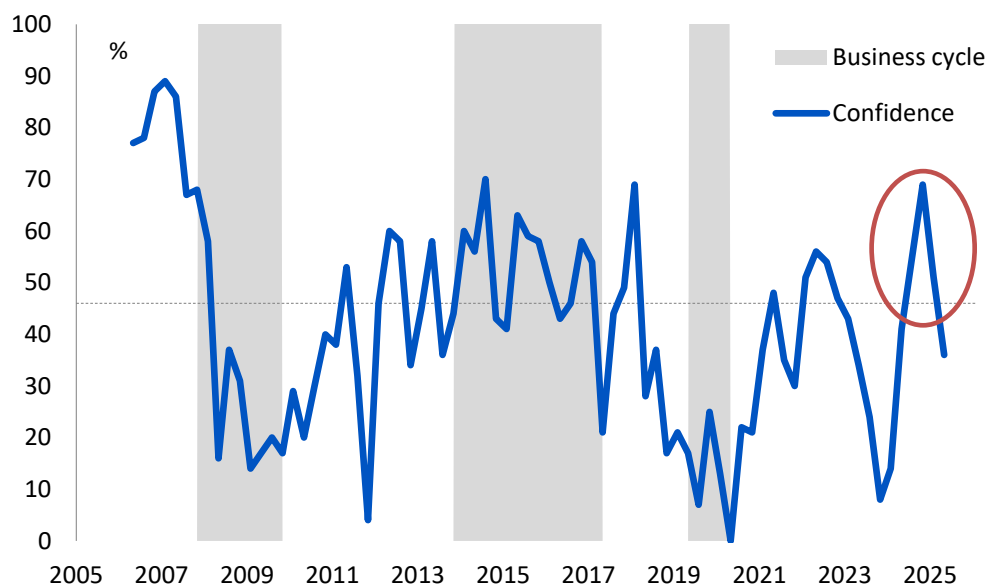
Source: Stats SA

## SHARP DROP IN REAL ESTATE CONFIDENCE

**After about one year in optimistic (above average) territory, confidence in the real estate subsector is again below the long-run average, as seen in Figure 4.** Confidence declined significantly, falling by 15 points to 36. Business conditions and volumes are weaker than a year ago. However, they remain above historical lows, partly supported by a robust rental market and steady demand in the industrial, office, and retail segments. The residential property market shows particular softness, as also evidenced by its lacklustre performance in the FNB/BER Building Confidence Index.

**Figure 4: Real-estate confidence, 2025Q2**

PERCENT



Source: BER and SARB

**Towards the latter half of 2024 and the start of this year, high hopes for interest rate cuts buoyed expectations in this subsector.** However, during the 2025Q2 survey, there was still much uncertainty about whether more monetary policy easing would come soon after the SARB kept the policy rate on hold in March. As a result, forward-looking indicators were much weaker. A few days after the survey results were collected, the SARB initiated further monetary policy easing, which may lift sentiment again in this subsector, especially if followed by a further decline in Q3.

## BUSINESS AS USUAL IN BUSINESS SERVICES

**The business services subsector remained stable, with confidence increasing slightly by three points to 52, just above the long-run average, where it has hovered for over three years.** Most indicators pointed to a “business-as-usual” scenario, with no significant cause for concern, nor significant reason for optimism.

**This modest improvement in confidence occurred despite declines in business volumes and conditions.** The increase may be attributed to higher average asking prices (rising from five to 17 net percentage points), which provided some revenue support and implies that respondents feel they can continue to pass prices on to consumers. In the end, however, respondents have

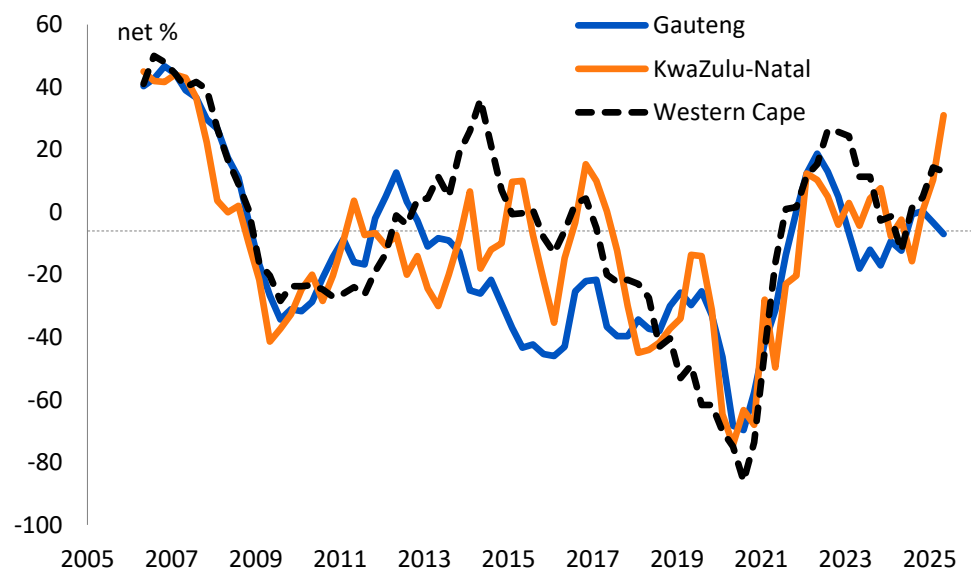
ongoing (and potentially deepening) concerns with government bureaucracy and red tape, which are obstacles to doing business in this subsector.

## KZN CONFIDENCE SURGES

**KwaZulu-Natal (KZN) recorded a surprisingly strong rise in confidence, jumping by 60 points, although this series tends to be volatile.** Business conditions and business volumes both improved notably. See Figure 5 for a visual of the jump in business volumes relative to the other two provinces. The improvement may be linked to better performance at the Durban Harbour, likely boosting demand for transport and storage services. Impediments to doing business, such as insufficient demand and financial constraints, eased significantly, dropping by 69 and 65 points, respectively, the largest decline among the results for the different provinces. It is, however, worth pointing out that the optimistic results for KZN in Other Services this quarter is unique. The province performed relatively poorly in most of the other surveys.

**Figure 5: Business volumes by province**

NET PERCENT



Source: BER

**Meanwhile, confidence in the Western Cape fell from 71 to 49, declining from well above to slightly below the long-run average.** The drop can be attributed to weaker business conditions (down 35 points to -1) and a decline in business volumes, although very slight (see Figure 5). After a very strong 2025Q1, some normalisation was expected, but the extent of the downturn was notable.

**Confidence and business volumes also declined in Gauteng, although less dramatically.** Weaker business conditions and muted volume growth contributed to the softer sentiment. Unlike in KZN, no significant easing in business constraints was reported.

## FINAL REMARKS

**While the Other Services survey has been relatively upbeat over the last year, boosted by interest rate easing, a more stable government, and a robust tourism season, many of these**

**factors started to fade during the survey period.** This weighed on activity and eroded confidence in this sector.

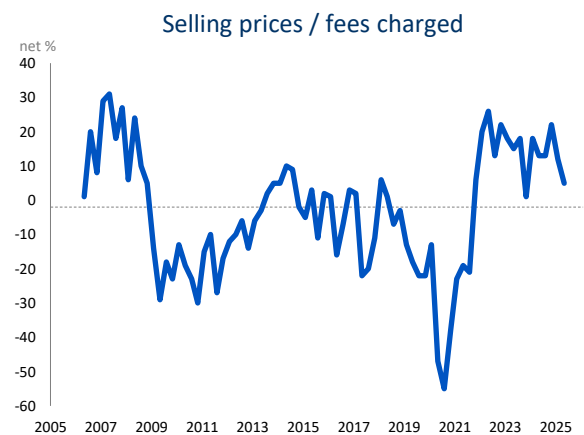
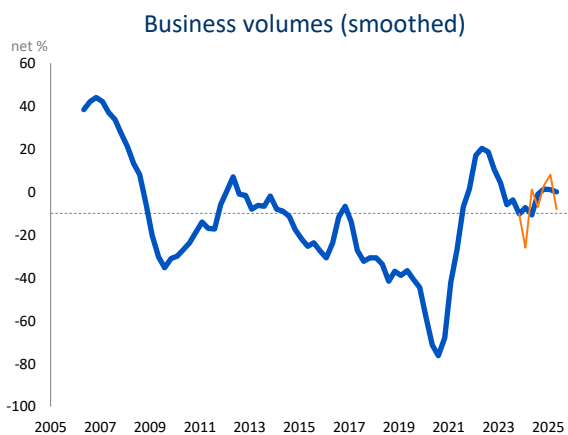
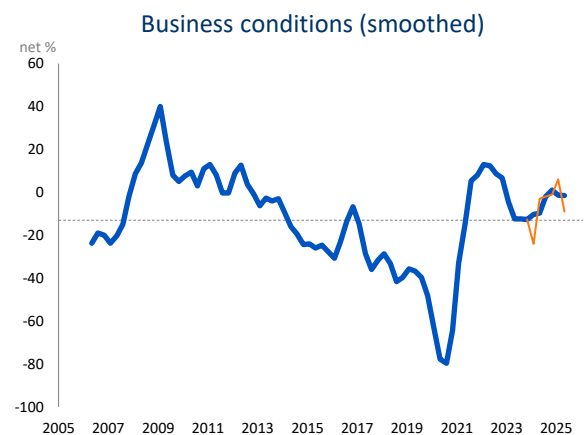
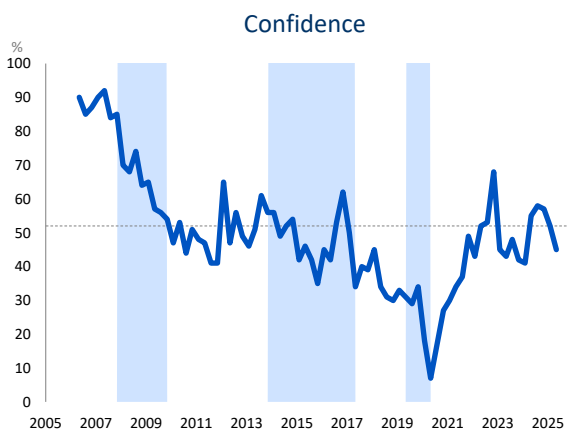
**While some subsectors, like transport improved, the outlook has weakened immensely, as reflected in very downbeat expectation metrics.** Concerns around future business conditions are driven mainly by weak domestic demand, global uncertainty, and local political instability, particularly stemming from tight financing conditions, ongoing US trade tensions, and internal disputes within the GNU. However, since the conclusion of the survey period, there have been encouraging signs of improvement in both SA–US relations and the broader global environment, notably following the recent trade-war truce between the US and China.

**Domestically, the inflation outlook has eased, supporting a recent interest rate cut and increasing the likelihood of a further reduction later this year.** These developments could help reduce uncertainty, stimulate consumer spending, and lift overall sentiment in the coming months. We therefore remain cautiously optimistic about business conditions in the Other Services Sector.

# Survey results

## OTHER SERVICES: TOTAL<sup>6</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	$\Delta$	$\sigma_{\Delta}$
Confidence	%	33	52	70	48	42	41	55	58	57	52	45	-7	8
Business conditions	Net %	-38	-13	12	-10	-4	-24	-3	-2	-1	6	-9	-15	17
Smoothed	Net %	-35	-12	11	-12	-13	-10	-10	-2	1	-1	-2	-1	9
Business volumes	Net %	-38	-10	19	-8	3	-26	1	-7	3	8	-8	-16	16
Smoothed	Net %	-37	-12	13	-4	-10	-7	-11	-1	1	1	0	-1	9
Selling prices / fees charged	Net %	-20	-2	16	18	1	18	13	13	22	12	5	-7	11



<sup>6</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

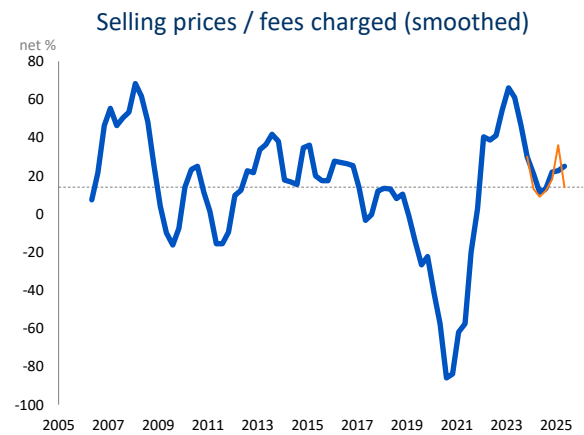
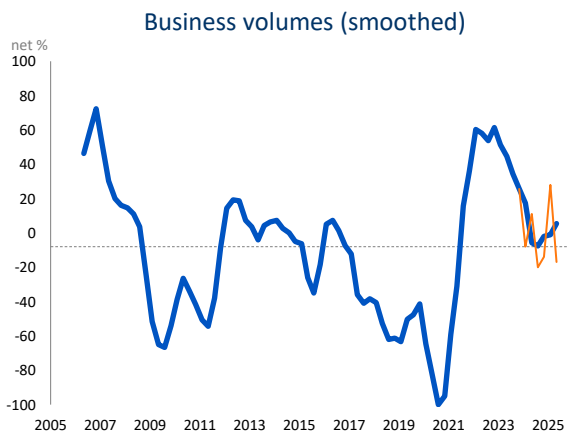
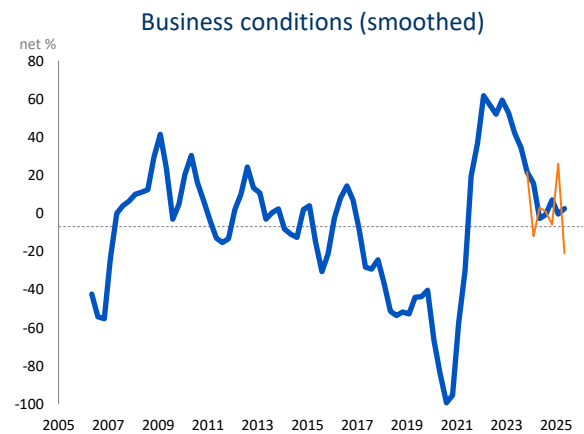
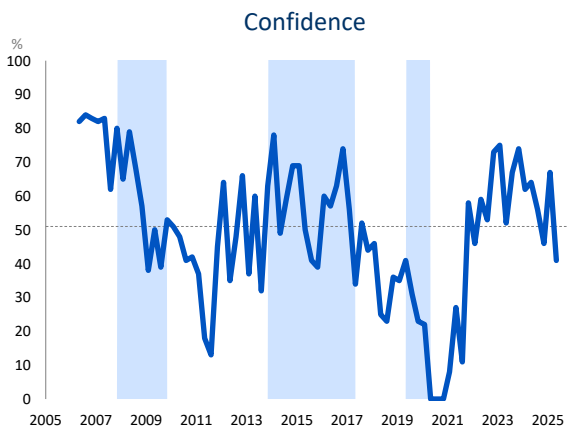
$\sigma_{\Delta}$  – volatility (standard deviation of the changes)

All of the above calculated over 2005 to the present

See Technical note for further details

# HOTELS & RESTAURANTS<sup>7</sup>

Indicator	Unit	$\mu - \sigma$	$\mu$	$\mu + \sigma$	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	$\Delta$	$\sigma_{\Delta}$
Confidence	%	30	51	72	67	74	62	64	56	46	67	<b>41</b>	-26	16
Business conditions	Net %	-47	-7	32	21	56	-12	3	1	-6	26	<b>-21</b>	-47	33
Smoothed	Net %	-41	-6	29	34	22	16	-3	-1	7	0	<b>3</b>	3	15
Business volumes	Net %	-53	-8	36	36	49	-8	11	-20	-14	28	<b>-17</b>	-45	32
Smoothed	Net %	-50	-10	30	34	26	17	-6	-8	-2	-1	<b>6</b>	7	15
Selling prices / fees charged	Net %	-23	14	50	36	41	13	9	12	18	36	<b>14</b>	-22	30
Smoothed	Net %	-18	14	46	46	30	21	11	13	22	23	<b>25</b>	2	13

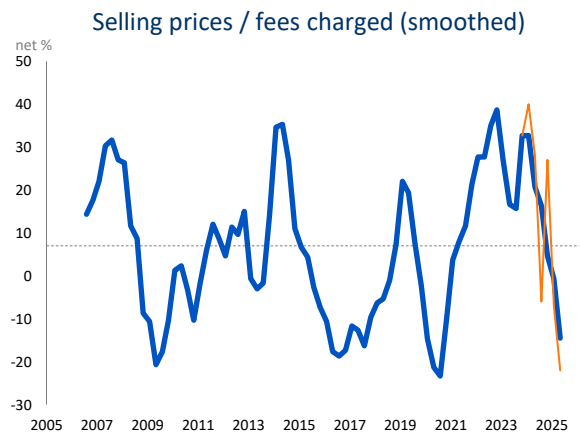
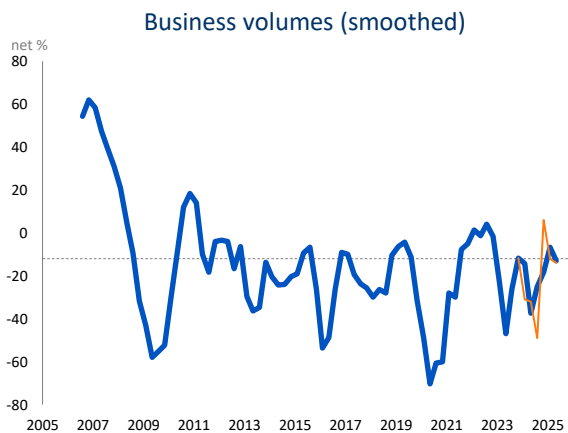
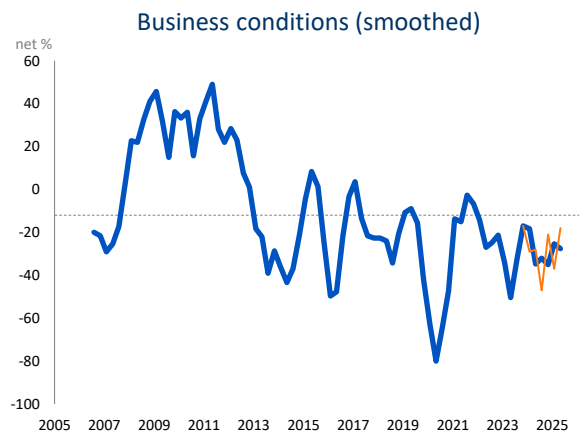
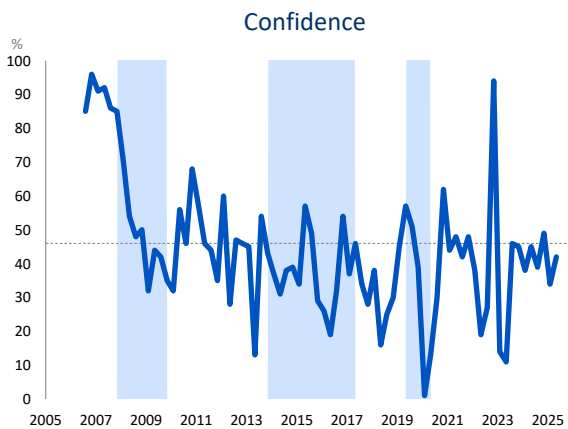


<sup>7</sup> Hotels & other accommodation (SIC code 641) (74%), restaurants and other food outlets (642) (26%). The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the sub-sector's share according to Stats SA's business censuses.

$\mu$  – 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>8</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	$\Delta$	$\sigma_{\Delta}$
Confidence	%	25	46	68	46	45	38	45	39	49	34	<b>42</b>	8	19
Business conditions	Net %	-48	-12	23	-24	2	-29	-28	-47	-21	-37	<b>-18</b>	19	36
Smoothed	Net %	-40	-11	17	-32	-17	-18	-35	-32	-35	-25	<b>-28</b>	-3	13
Business volumes	Net %	-47	-12	24	-24	20	-31	-32	-49	6	-12	<b>-14</b>	-2	34
Smoothed	Net %	-42	-15	12	-26	-12	-14	-37	-25	-18	-7	<b>-13</b>	-6	14
Selling prices / fees charged	Net %	-13	6	26	28	30	40	28	-6	27	-7	<b>-22</b>	-15	19
Smoothed	Net %	-10	6	23	16	33	33	21	16	5	-1	<b>-15</b>	-14	8



<sup>8</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

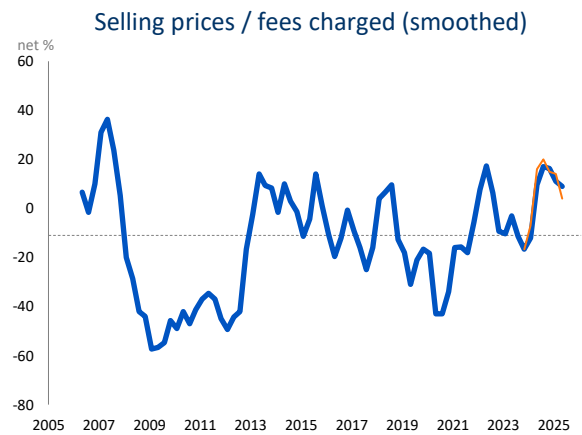
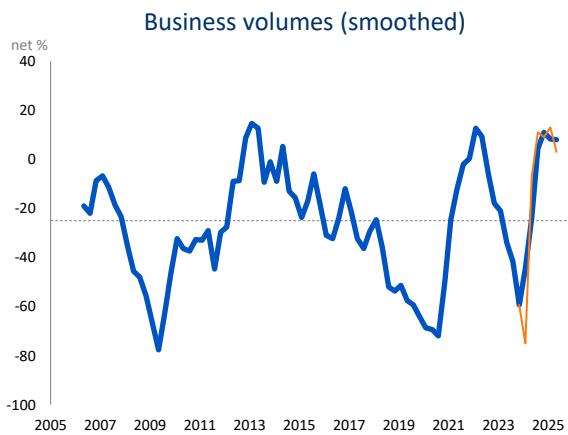
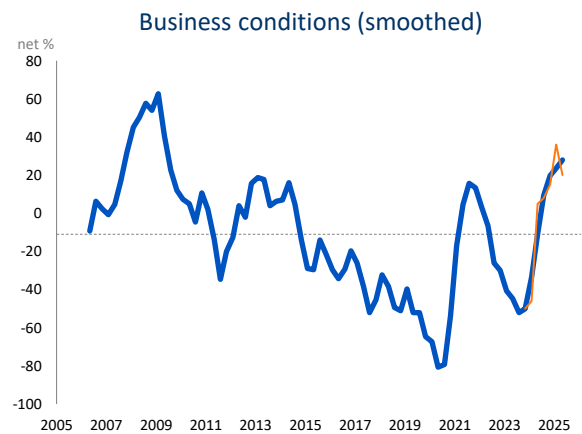
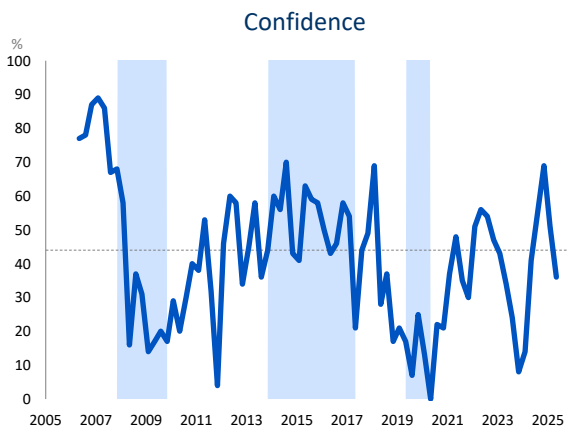
$\sigma_{\Delta}$  – volatility (standard deviation of the changes)

All of the above calculated over 2005 to the present

See Technical note for further details

# REAL ESTATE<sup>9</sup>

Indicator	Unit	$\mu - \sigma$	$\mu$	$\mu + \sigma$	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	$\Delta$	$\sigma_{\Delta}$
Confidence	%	22	44	66	24	8	14	41	55	69	51	<b>36</b>	-15	16
Business conditions	Net %	-47	-11	25	-44	-60	-46	5	8	15	36	<b>20</b>	-16	29
Smoothed	Net %	-43	-11	22	-52	-50	-34	-11	9	20	24	<b>28</b>	4	12
Business volumes	Net %	-54	-25	4	-52	-51	-75	-7	11	9	13	<b>3</b>	-10	28
Smoothed	Net %	-50	-27	-3	-42	-59	-44	-24	4	11	8	<b>8</b>	0	11
Selling prices / fees charged	Net %	-41	-10	20	2	-45	-7	16	20	15	14	<b>4</b>	-10	25
Smoothed	Net %	-36	-13	9	-11	-17	-12	10	17	16	11	<b>9</b>	-2	11

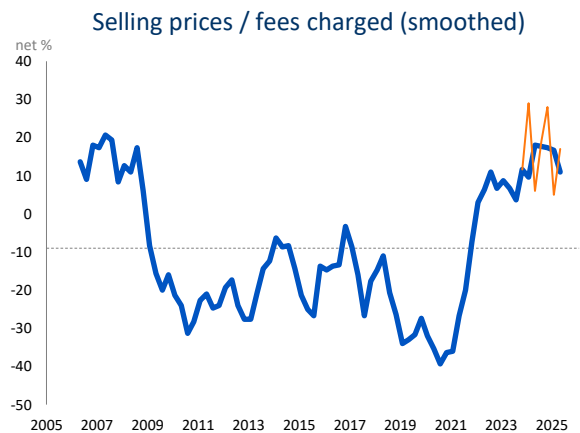
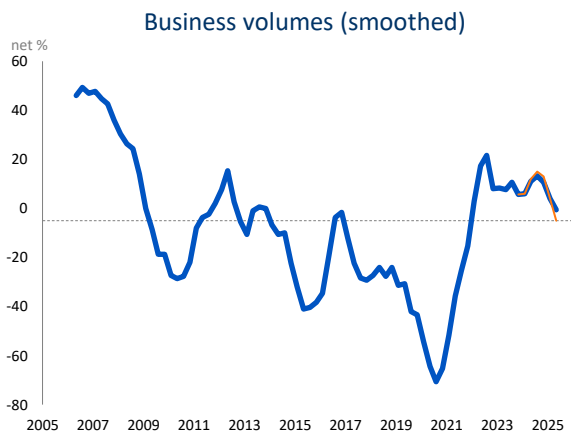
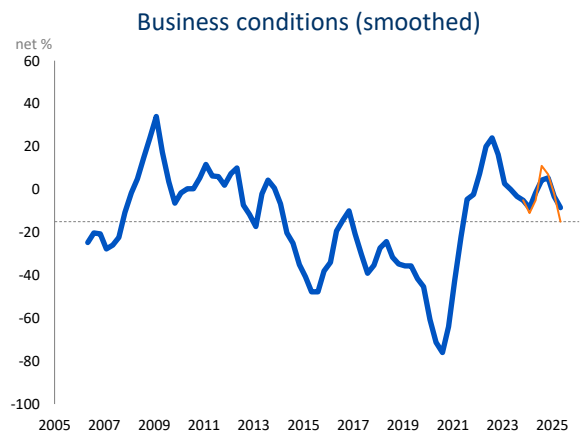
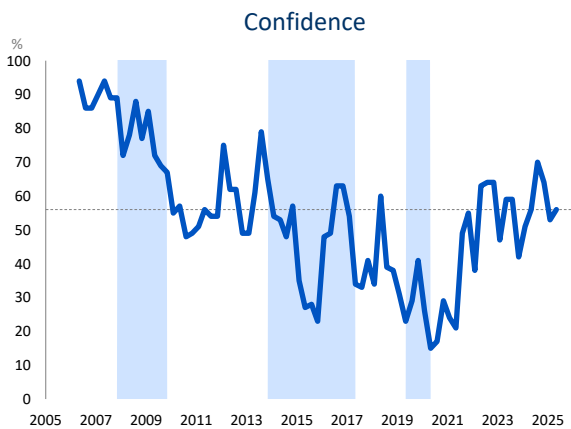


<sup>9</sup> Estate agents (auctioneering and sale of property) (SIC code 841) (35%) and property management (841) (65%). The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the sub-sector's share according to Stats SA's business censuses.

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 $\Delta$  – 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>10</sup>

Indicator	Unit	$\mu - \sigma$	$\mu$	$\mu + \sigma$	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	$\Delta$	$\sigma_{\Delta}$
Confidence	%	35	56	77	59	42	51	56	70	64	53	56	3	11
Business conditions	Net %	-41	-15	10	6	-10	-11	-5	11	7	-2	-15	-13	18
Smoothed	Net %	-37	-14	9	-3	-5	-9	-2	4	5	-3	-9	-6	9
Business volumes	Net %	-36	-5	26	11	0	6	12	15	13	4	-5	-9	16
Smoothed	Net %	-35	-8	20	11	6	6	11	13	11	4	-1	-5	9
Selling prices / fees charged	Net %	-29	-9	11	12	-6	29	6	19	28	5	17	12	16
Smoothed	Net %	-28	-10	7	4	12	10	18	18	17	17	11	-6	6



<sup>10</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

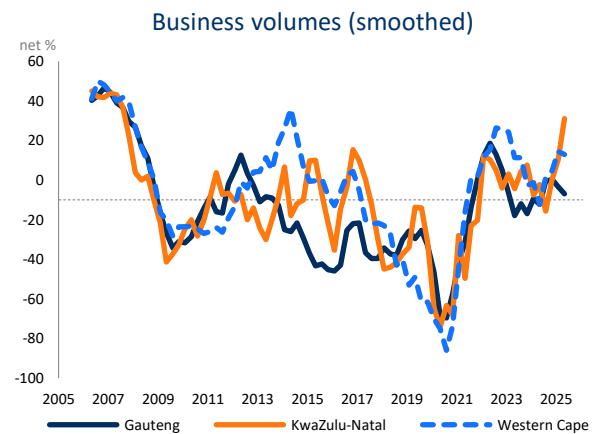
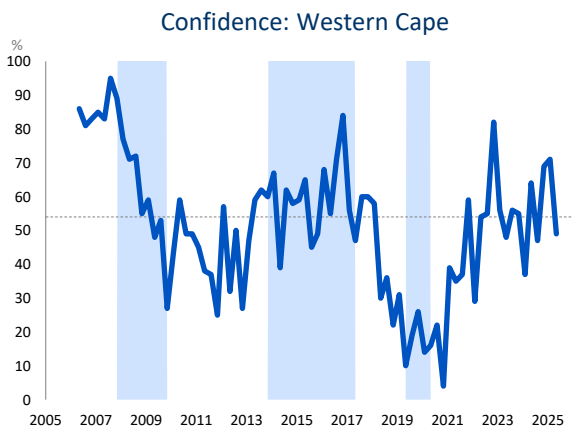
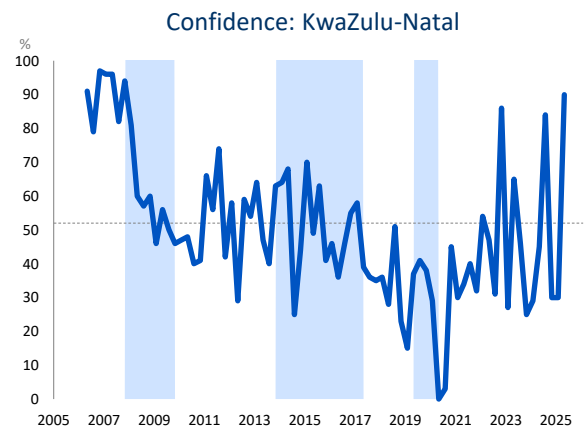
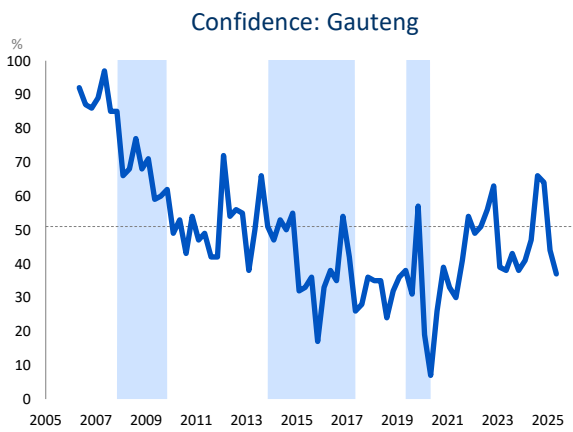
$\sigma_{\Delta}$  – volatility (standard deviation of the changes)

All of the above calculated over 2005 to the present

See Technical note for further details

# PROVINCES

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	$\Delta$	$\sigma_{\Delta}$
<b>Gauteng</b>														
Confidence	%	32	51	71	43	38	41	47	66	64	44	<b>37</b>	-7	12
Business volumes	Net %	-42	-12	19	-22	2	-31	1	-7	4	4	<b>-18</b>	-22	20
Smoothed	Net %	-40	-14	12	-12	-17	-9	-12	-1	0	-3	<b>-7</b>	-4	9
<b>KwaZulu-Natal</b>														
Confidence	%	29	52	75	46	25	29	45	84	30	30	<b>90</b>	60	21
Business volumes	Net %	-44	-8	28	5	9	9	-41	25	-31	7	<b>55</b>	48	39
Smoothed	Net %	-40	-14	12	-12	-17	-9	-12	-1	0	-3	<b>-7</b>	-4	9
<b>Western Cape</b>														
Confidence	%	32	53	75	56	55	37	64	47	69	71	<b>49</b>	-22	15
Business volumes	Net %	-37	-4	30	2	14	-24	6	-19	17	16	<b>10</b>	-6	21



$\mu$  – average

$\sigma$  – standard deviation

$\Delta$  – change from previous period

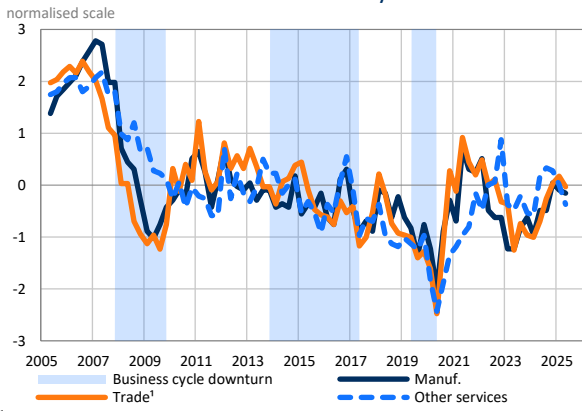
$\sigma_{\Delta}$  – volatility (standard deviation of the changes)

All of the above calculated over 2005 to the present

See Technical note for further details

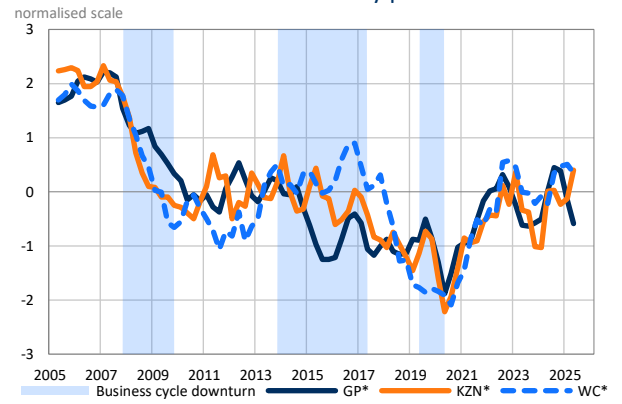
# SUMMARY

### Business confidence by sector

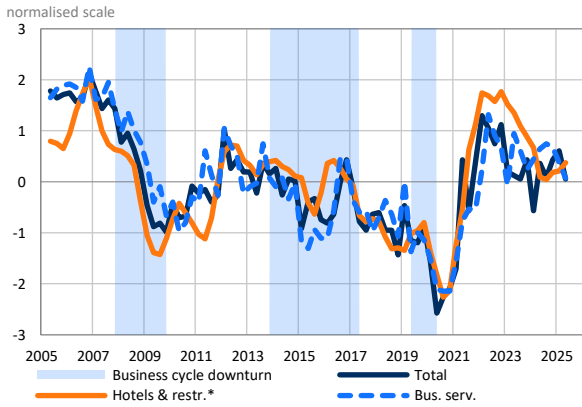


<sup>1</sup> Trade = average of retail, wholesale & motor trade

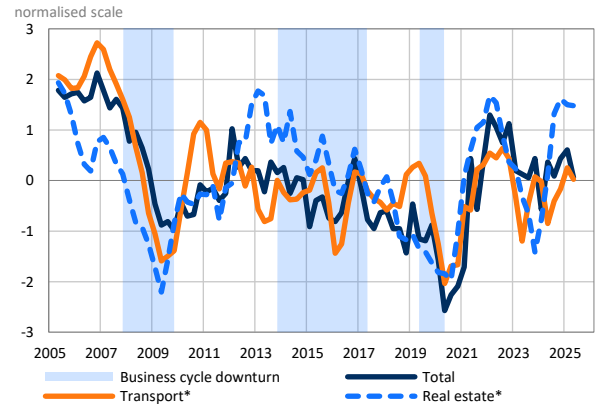
### Business confidence by province



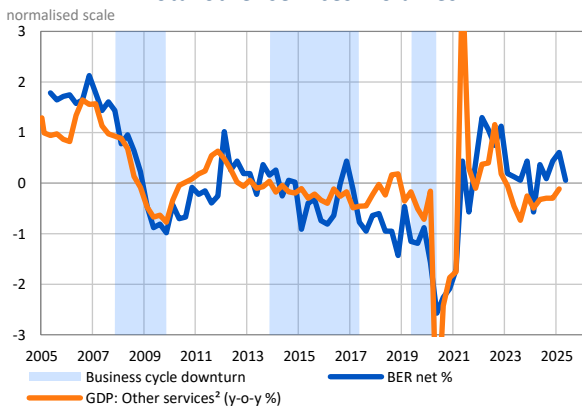
### Business volumes



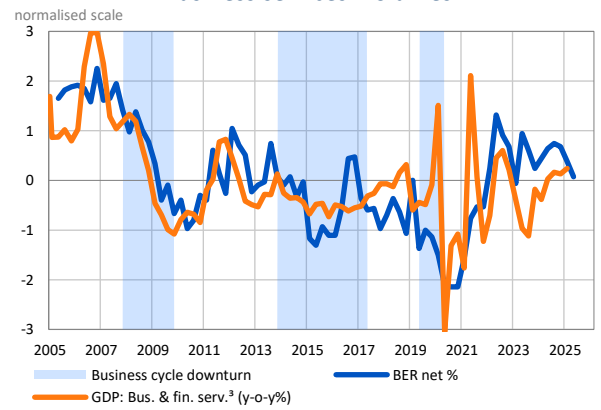
### Business volumes



### Total other services: volumes



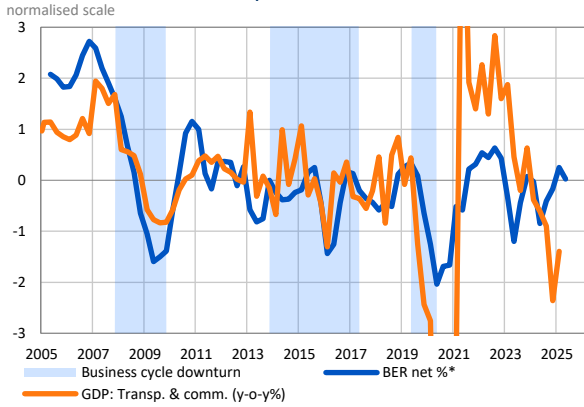
### Business services: volumes



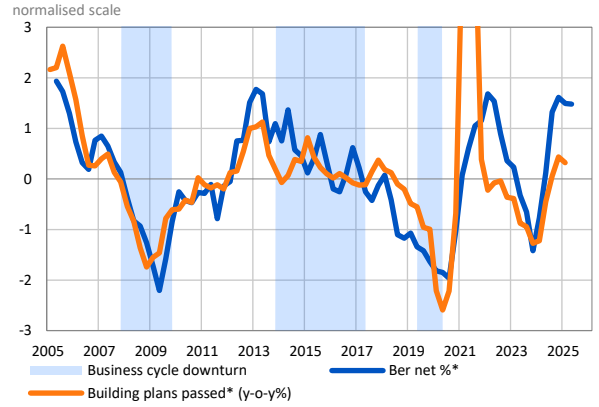
\* three-quarter centred moving average

# SUMMARY CONTINUES

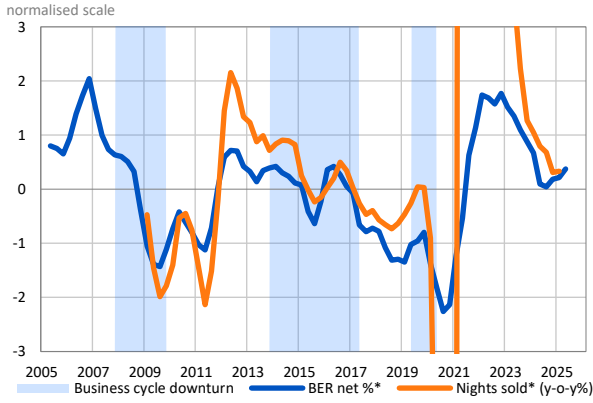
Transport: volumes



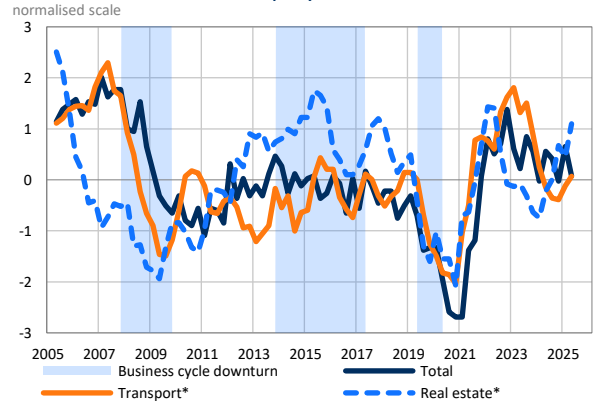
Real estate: volumes



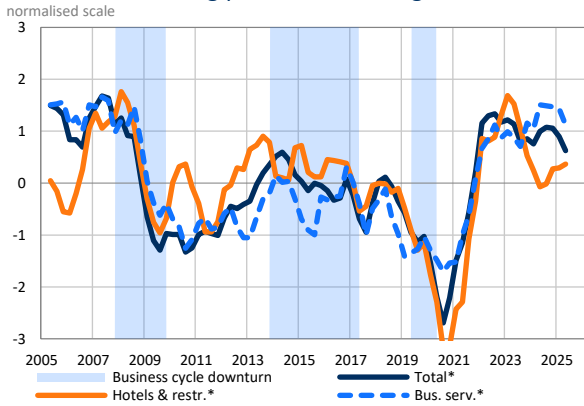
Hotels & restaurants: volumes



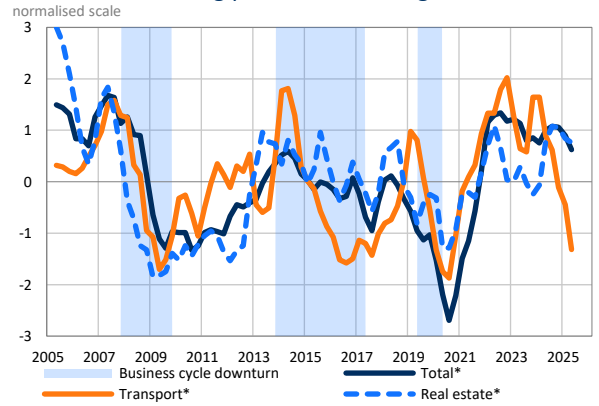
Employment



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.

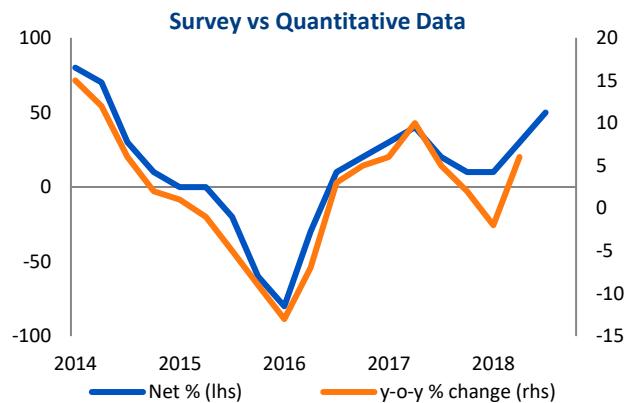
# THE UNIQUE UNITS OF MEASUREMENT OF QUALITATIVE SURVEYS

## 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.