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Other services

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

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

Executive summary

Business confidence in the Other Services Survey dipped by one point in the first quarter of 2024. The essentially level result comes despite lower business volumes and deteriorating business conditions. Compared to the RMB/BER Business Confidence Index (BCI), confidence in the other services sector is slightly better, driven by relatively upbeat sentiment in the hospitality and business services subsectors.

In contrast to the others, the **business services** subsector was positive in terms of sentiment and volumes this quarter. Sentiment in the business services subsector rose by nine points to 51, revealing that more than half of respondents in this subsector are satisfied with prevailing business conditions. In like manner, business volumes also moved upward and remained above the long-term average.

The **real estate** subsector was one of two subsectors where confidence improved, although remaining at an uninspiring 14. After slipping to near-record low levels of 8 in 2023Q4, confidence in the real estate subsector rose by six points this quarter. The level of confidence remains well below long-term average levels. This is reflective of the very low business volumes in this subsector. In fact, business volumes moved in the opposite direction compared to sentiment, plunging deep into negative territory this quarter.

Even though sentiment in **hotels and restaurants** is still relatively high, confidence declined from 74 to 62 in 2024Q1. Business volumes in this subsector experienced an especially large setback, declining by 57 net percentage points to end the quarter at negative eight. It has not been below zero since the pandemic period ensued, signalling a post-recovery normalisation occurring in this subsector.

In the **transport and storage** subsector, sentiment declined by seven points to reach 38 in 2024Q1. Although gesturing a lacklustre mood in this subsector, it is not as low historically. Moving in the same direction as confidence, transport volumes declined sharply.

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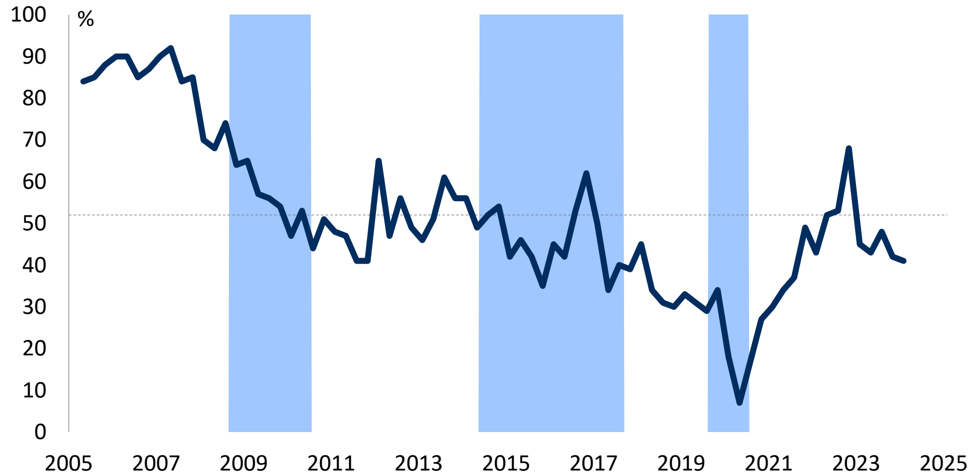
Introduction

Business confidence in the other services sector[1] declined by a further one point to 41 in the first quarter of 2024. This implies that about 6 out of 10 businesses in this sector are unsatisfied with business conditions. Following a recent peak reached in 2022Q4, confidence has moved lower.

Business volumes and business conditions moved in the same direction as sentiment, both declining by more than one standard deviation[2]. Business volumes dropped from positive 3 to negative 26, while business conditions dropped from negative 4 to negative 24. This implies that more respondents say business volumes and conditions are worse than a year ago. However, this may indicate a normalisation in this sector, as both business volumes and conditions come from a protracted period of above-average levels.

Figure 1: Other services confidence down in 2024Q1



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

There was an increase in the indicator tracking the rate of increase in the **average selling price,** from 1 to 18 in 2024Q1. All subsectors except hotels and restaurants recorded an acceleration in price increases compared to a year ago. The uptick in prices in the first quarter could be a second-round price increase following higher petrol prices faced by businesses. Indeed, the declining volumes had the overriding effect since **profitability** dived deeper into negative territory. A net 40% of respondents now state that profitability is lower than a year ago.

This quarter, slightly fewer firms listed **finances** (down from 57% to 51%) and a **shortage of skilled labour** (down from 50% to 45%) as a serious constraint on business activity. The issue of

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[1]Hotels, restaurants, transport, real estate and business services make up the other services sector. They are denoted as "other" services to distinguish them from the retail, wholesale and motor trade sectors, which are also part of the services sector but included in the RMB/BER business confidence index (BCI). The other services sector is not included in the BCI due to its lagging business cycle characteristics, i.e., it recovers/deteriorates later than the BCI sectors. Although the other services sector contributes a considerable 22% (2019) to GDP and employment, the BER does not include it in the BCI to safeguard its advanced signalling properties.

[2]One way to determine whether a change is significant or not is to calculate the standard deviation of a long-term time series. If the size (regardless if it is an increase or decline) of a change is greater than the standard deviation, then it displays a statistically significant variation. See the technical note at the back for more information on the descriptive statistics.

insufficient demand remains a major constraint for 71% of respondents, and there was also more listing the **shortage of space and/or equipment** as an impediment on business activity (now 30% vs 26% in 2023Q4).

Details

Business confidence in two subsectors increased this quarter, and two were down relative to 2023Q4[3]. The most notable increase was in **business services** (up by 9 points to 51), while **real estate** saw a much-needed uptick in confidence (up from a dire 8 to 14 points). In contrast, confidence in the **hospitality** subsector declined, although it remains at above-average levels (now 62 compared to 74 last quarter). It was also no surprise to see respondents in the **transport** subsector with lower sentiment in the first quarter of 2024 (down by 7 points to 38).

BUSINESS SERVICES CONFIDENCE TICKS UP

Confidence in business services ticked up to 51 from 42 in the previous quarter, edging closer to the long-term mean. Although a welcome move, confidence is still below the levels it was in 2022 and early 2023. This rise in confidence can be ascribed to somewhat greater business volumes and higher selling prices. Despite this, there was a dip in profitability, and insufficient demand is still the most serious constraint of those surveyed, at 68%.

One thing that bodes well for business services is the recent positive movement in sentiment in the construction sector, as highlighted by the latest FNB/BER Civil Confidence Index**.** Some of the firms surveyed in business services, like civil consultancies, benefit because they form part of the construction pipeline.

Every quarter, comments from business services respondents highlight the shortage of skilled labour that constrains this subsector. Although this issue is still mentioned numerous times this quarter, there were two positive changes. The first is that realised and expected employment in this subsector improved and both are in positive terrain, attaining recent highs. It also stands in contrast to the decreasing employment numbers in all the other subsectors. The second is that the percentage of respondents listing the shortage of skilled labour as a serious constraint lowered from 61 to 49, below 50 for the first time in two years.

REAL ESTATE CONFIDENCE EDGES UP, BUT ACTIVITY PLUNGES

In the real estate subsector, confidence ticked up slightly this quarter, yet it remains very weak and below the bottom confidence band of the long-term average. Furthermore, volumes declined even further to negative 75, the lowest since 2020Q2. Insufficient demand continues to weigh heavily on activity, with almost nine out of ten respondents listing it as a serious constraint. The high interest rates are mostly responsible for the weak demand. That said, according to the Estate Agents Survey from FNB, there was a slight decline in the percentage of listed properties on the market for more than three months.

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

Positively, business conditions in real estate improved and are now slightly less pessimistic than one year ago. This movement is in accord with the movement in sentiment. The rate of increase in the average selling prices/fees charged still declined, although at a slower pace than before. This implies that the majority of respondents still feel prices are lower than one year ago. Data from FNB's Average House Price Index supports this showing that growth in house prices was only 0.6% in January 2024, compared to 2.8% in January 2023. Because of the weakening volumes and overall lower asking price, realised profitability slid further to negative 71.

This quarter, estate agents' expectations for business conditions remained stable, maintaining its position above the low points experienced in mid-2023. Notably, South Africa's publicly traded real estate investment trusts (Reits) concluded 2023 with robust performance, signalling a marginally more optimistic forecast for the sector. It is anticipated that interest rates will decrease over the course of this year, which could potentially boost consumer demand.

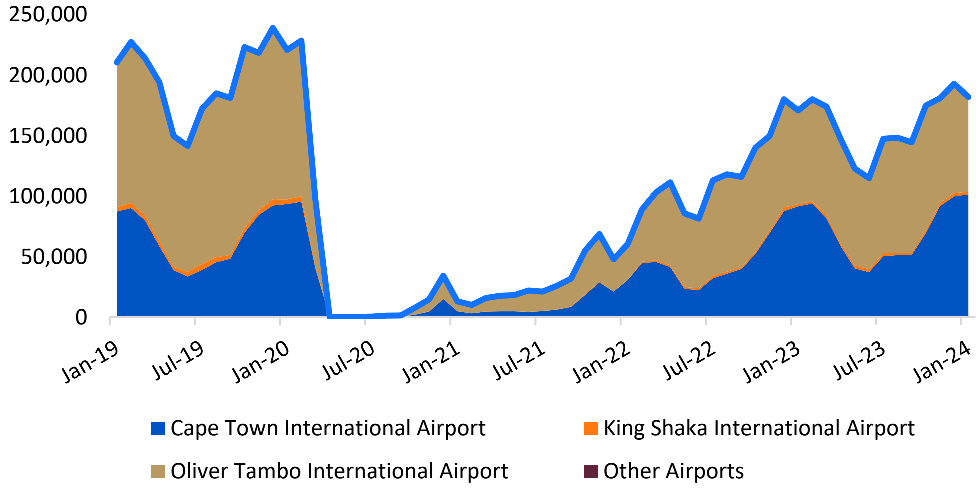
HOSPITALITY SECTOR DIPS BUT REMAINS UPBEAT

Confidence in the hotels and restaurants subsector fell by 12 points in the first quarter to 62, a level above the long-term average. All the indicators, realised and expected, dropped, but specifically business conditions and volumes were lower by more than one standard deviation. A net 12% of respondents now rate business conditions as worse than a year ago, while a net 8% of respondents say that volumes are worse than a year ago. We think that instead of an outright contraction, this signals a sort of stabilisation in this subsector, after a positive boom period post lockdown.

According to the latest available data, South Africa experienced a strong summer tourism season with the number of arrivals still recovering. That said, except for Cape Town International Airport, arrivals at other airports are still below the pre-pandemic experience (see Figure 2). Moreover, it may be that volumes were down in the restaurant industry at the start of this year after a very strong performance last year, especially towards the end of 2023.

Figure 2: Overseas visitors to South Africa by international airport

JAN 2019 TO JAN 2024



Source: Stats SA

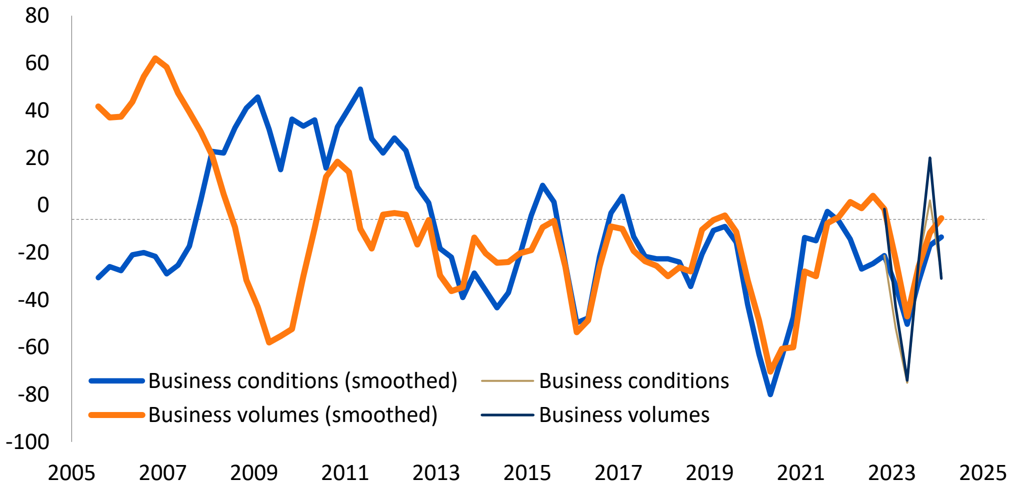
TRANSPORT[4] VOLUMES DROP SHARPLY IN Q1

The results from the survey among businesses in the transport and storage subsector were fairly positive in the third and fourth quarter of 2023 and, as it turns out, this was corroborated with positive GDP growth in this subsector. Indeed, the transport subsector provided the biggest boost to GDP in 2023Q4. Transport gross value added (GVA) increased by 2.9% q-o-q, the second increase following a 0.8% expansion in Q3. Land and air transport, transport support services and communication drove this.

This quarter, respondents were slightly less optimistic, and confidence dipped by 7 points to 38 in 2024Q1. Business volumes fell sharply in the first quarter of 2024. However, the series can be volatile, and the long-term trend is slightly more positive (see Figure 3). Business volumes were weak, but better than the lows experienced in the first and second quarters of 2023. Business conditions in the transport sector showed a similar trend, where current business conditions deteriorated, but the smoothed parameter is above where it was last quarter.

Figure 3: Transport and storage underlying conditions

NET %



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

The drop in both business volumes and conditions are not surprising given the logistics dilemma in South Africa. When considering the latest payload data from Stats SA's Land Transport Survey, payload via road transport, i.e. tonnage transported via roads and rail, had an overall downward trajectory throughout 2023. Troubles at the ports are causing many delays, slowing down the pace of operations in this subsector.

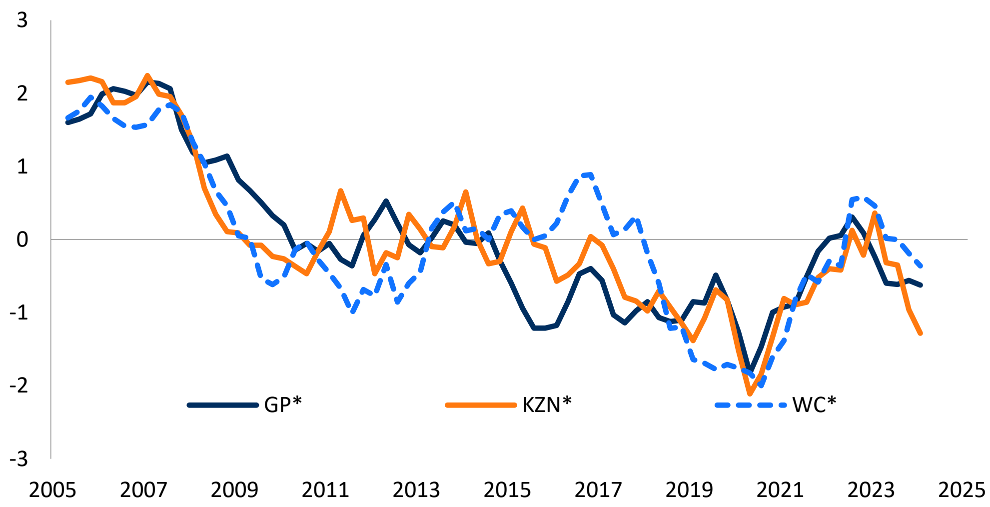
CONFIDENCE DOWN IN ALL THREE MAJOR PROVINCES

The most notable change was the deterioration in confidence in the Western Cape, dropping from 55 to 37. Aligned with this movement, respondents also experienced weaker business conditions, business volumes and profitability compared to a year ago. The reason for this is that the Western Cape experienced relatively more favourable economic conditions after the

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

COVID-19 pandemic, so what we see now is a normalisation of sorts. Confidence in Gauteng's other services sector trended roughly sideways, narrowing the gap between this province and the Western Cape, as seen in Figure 4. Meanwhile, confidence in KwaZulu-Natal continued a downward trajectory, a trend seen in many of the other BER surveys as well.

Figure 4: Business confidence by province
NORMALISED SCALE



*Source: BER, *three-quarter centred moving average*

FINAL REMARKS

The initial quarter experienced a modest decrease in confidence, coupled with significant drops in the indicators for both business volumes and conditions. This represents a challenging start to the year, yet not all hope is lost, as there are some positive risk factors poised to bolster services throughout the remaining months.

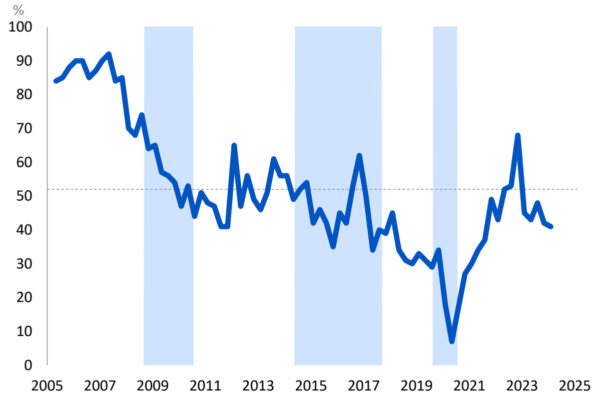
In a strategic move to enhance South Africa's logistics scene, the government has recently appointed a new, market-oriented leader for Transnet, signalling their commitment to positive changes. These efforts should contribute to improved business conditions, especially in the transport subsector. Additionally, the outlook includes potential consumer relief through sustained low-price inflation and a high probability of interest rate cuts later in the year. Political uncertainty surrounding the national elections on 29 May 2024 will remain a risk in the near term.

Survey results

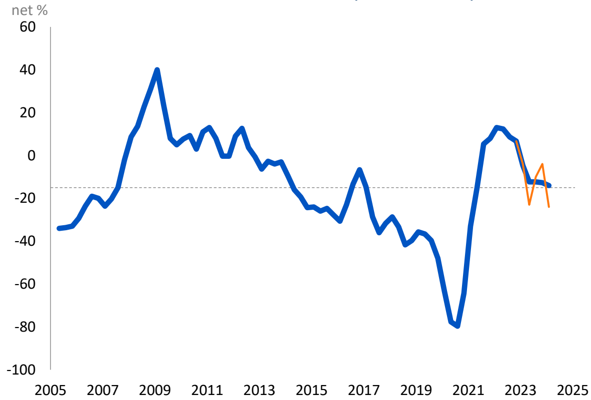
OTHER SERVICES: TOTAL[5]

Indicator	Unit	μ-σ	μ	μ+σ	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	Δ	σ Δ
Confidence	%	33	52	71	52	53	68	45	43	48	42	**41**	-1	8
Business conditions	Net %	-40	-14	12	2	11	13	-4	-23	-10	-4	**-24**	-20	17
Smoothed	Net %	-37	-14	10	13	12	9	7	-5	-12	-12	**-13**	-1	9
Business volumes	Net %	-40	-10	20	21	12	23	-4	-6	-8	3	**-26**	-29	16
Smoothed	Net %	-38	-10	18	17	20	19	10	4	-6	-4	**-10**	-6	9
Selling prices / fees charged	Net %	-21	-3	15	26	13	22	18	15	18	1	**18**	17	12

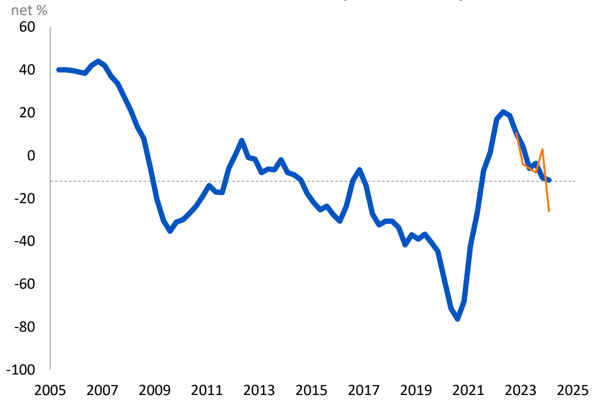
Confidence



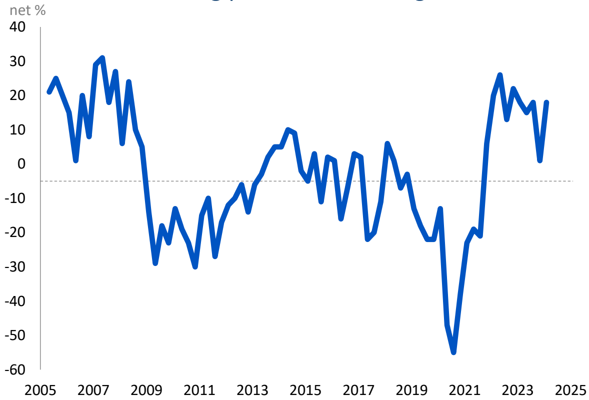
Business conditions (smoothed)



Business volumes (smoothed)



Selling prices / fees charged



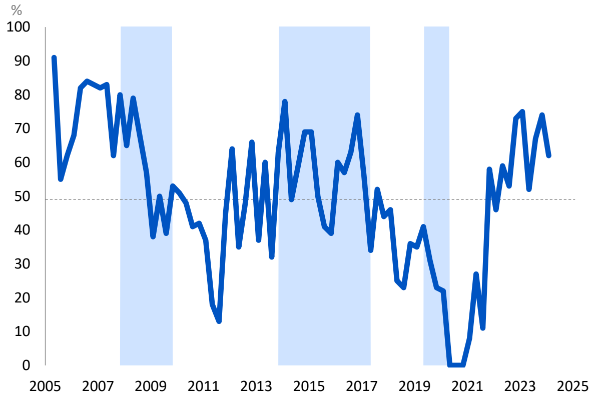
[5] The "other services: total" includes hotels & restaurants (15%), transport & storage (22%), real estate (18%) and business services (45%). The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the subsector's share according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

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

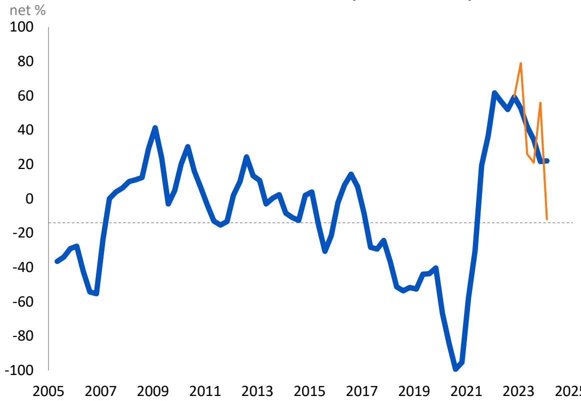
HOTELS & RESTAURANTS[6]

Indicator	Unit	μ-σ	μ	μ+σ	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	Δ	σ Δ
Confidence	%	29	50	72	59	53	73	75	52	67	74	**62**	-12	16
Business conditions	Net %	-49	-8	33	57	46	53	79	26	21	56	**-12**	-68	33
Smoothed	Net %	-43	-8	27	62	57	52	59	53	42	34	**22**	-12	15
Business volumes	Net %	-54	-9	37	57	48	56	80	18	36	49	**-8**	-57	32
Smoothed	Net %	-50	-9	32	60	58	54	61	51	45	34	**26**	-8	15
Selling prices / fees charged	Net %	-24	13	50	45	27	51	85	62	36	41	**13**	-28	31
Smoothed	Net %	-19	13	45	40	39	41	54	66	61	46	**30**	-16	14

Confidence

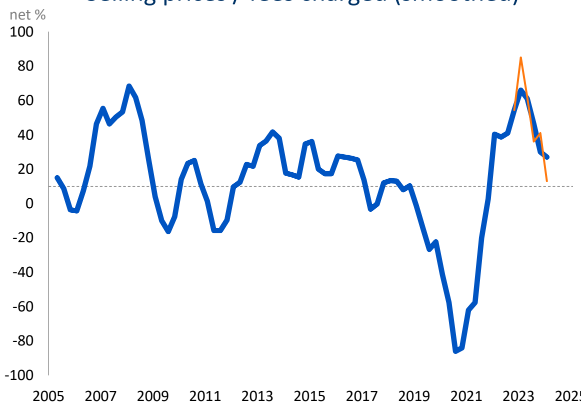


Business conditions (smoothed)



Business volumes (smoothed)

Selling prices / fees charged (smoothed)



[6] 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 subsector's share according to Stats SA's business censuses.

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σ – standard deviation
Δ – change from previous period
σΔ – volatility (standard deviation of the changes)
All of the above calculated over 2005 to the present
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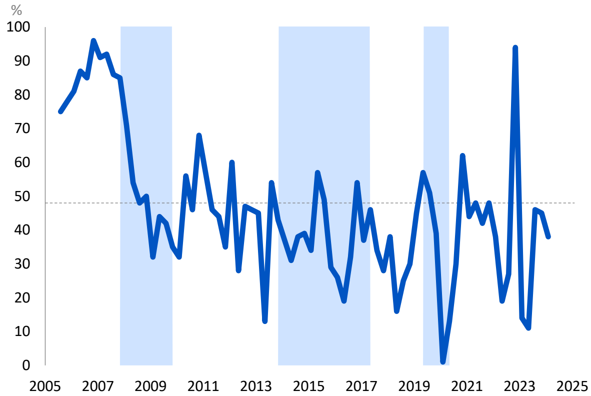
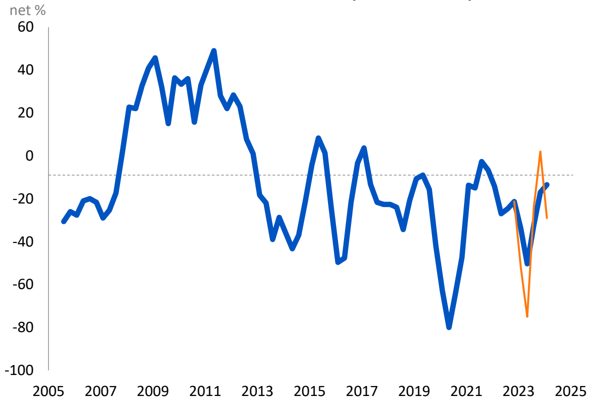
TRANSPORT & STORAGE[7]

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	Δ	σ_Δ
Confidence	%	25	47	69	19	27	94	14	11	46	45	**38**	-7	19
Business conditions	Net %	-47	-11	25	-62	-37	25	-52	-75	-24	2	**-29**	-31	37
Smoothed	Net %	-39	-11	18	-14	-27	-25	-21	-34	-50	-32	**-17**	15	14
Business volumes	Net %	-48	-11	25	-26	-10	48	-43	-74	-24	20	**-31**	-51	34
Smoothed	Net %	-41	-12	18	1	-1	4	-2	-23	-47	-26	**-12**	14	14
Selling prices / fees charged	Net %	-13	7	27	22	25	58	33	-11	28	30	**40**	10	18
Smoothed	Net %	-10	6	22	28	28	35	39	27	17	16	**33**	17	8

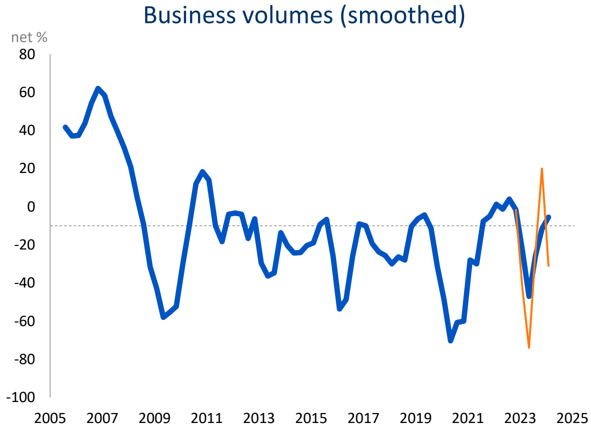
Confidence



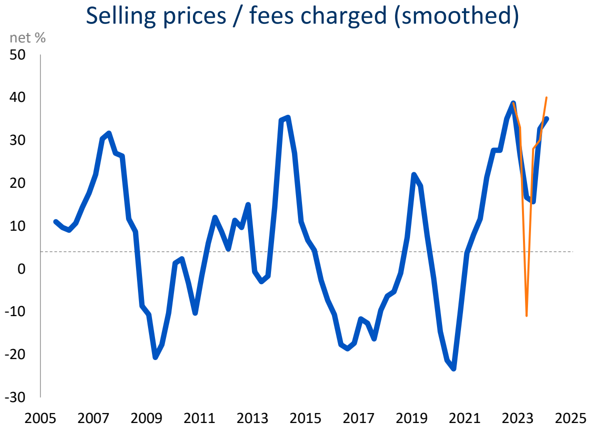
Business conditions (smoothed)



Business volumes (smoothed)



Selling prices / fees charged (smoothed)



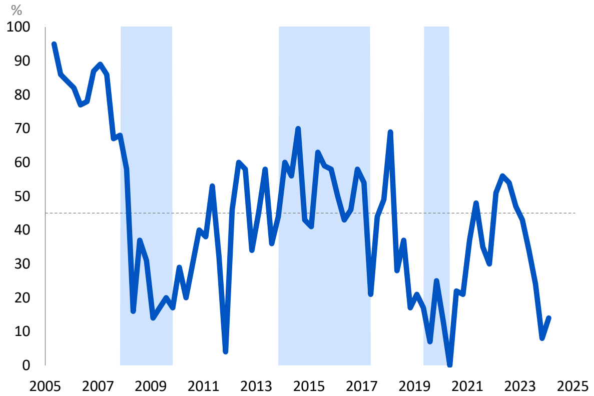
[7] 1) Land transport (39%): road freight (SIC code 7123)
2) Supporting transport & travel agencies (61%): cargo handling (7411), travel agencies & tour operators (7414), other (e.g., freight forwarding) (7419)
The figures in brackets indicate the BER's weights, which account for the sector coverage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

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

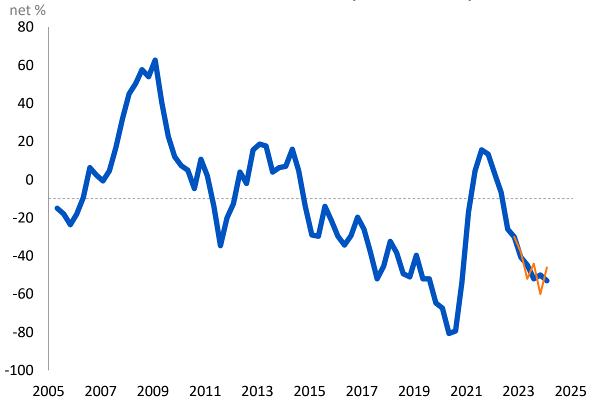
REAL ESTATE[8]

Indicator	Unit	μ-σ	μ	μ+σ	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	Δ	σ_Δ
Confidence	%	21	44	66	56	54	47	43	34	24	8	**14**	6	15
Business conditions	Net %	-49	-13	24	-26	-20	-32	-38	-52	-44	-60	**-46**	14	29
Smoothed	Net %	-44	-12	20	3	-7	-26	-30	-41	-45	-52	**-50**	2	12
Business volumes	Net %	-56	-27	2	9	-13	-13	-28	-22	-52	-51	**-75**	-24	28
Smoothed	Net %	-50	-27	-3	13	9	-6	-18	-21	-34	-42	**-59**	-17	11
Selling prices / fees charged	Net %	-43	-12	19	27	12	-20	-20	9	2	-45	**-7**	38	26
Smoothed	Net %	-38	-12	15	8	17	6	-9	-10	-3	-11	**-17**	-6	14

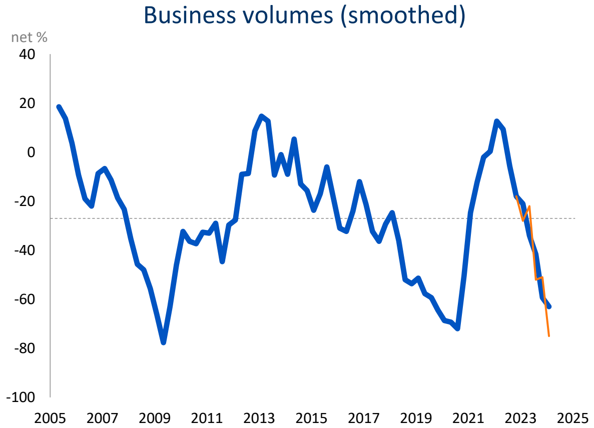
Confidence



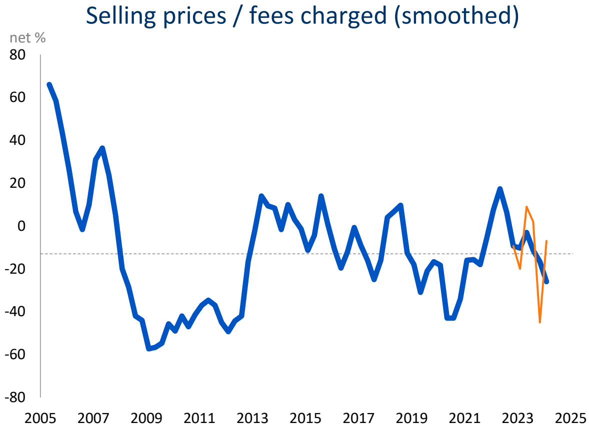
Business conditions (smoothed)



Business volumes (smoothed)



Selling prices / fees charged (smoothed)

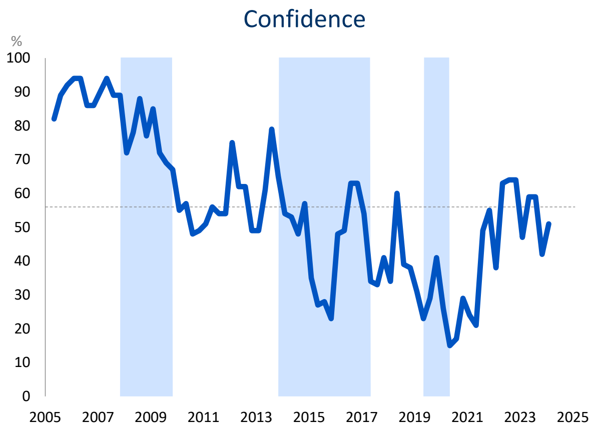


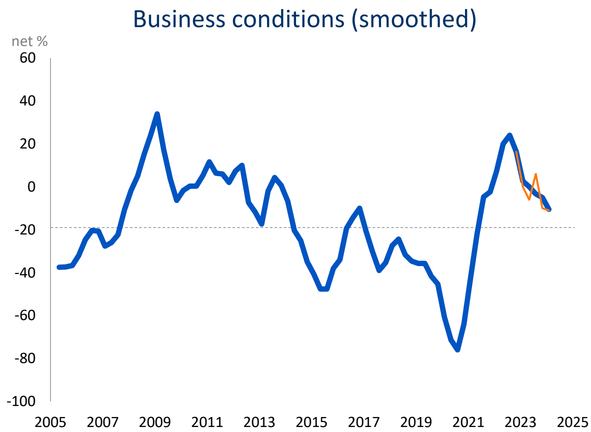
[8] Estate agents (auctioneering and sale of property) (SIC code 841) (35%) and property management (841) (65%). The figures in brackets indicate the BER's weights, which account for the sector coverage and participation. Consult Table 2 for the subsector's share according to Stats SA's business censuses.

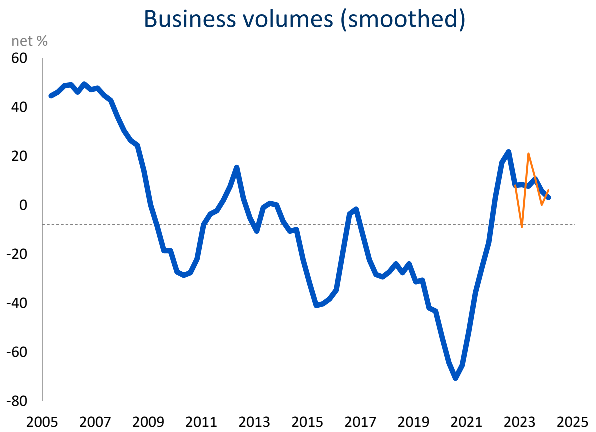
μ – average
σ – standard deviation
Δ – change from previous period
σ_Δ – volatility (standard deviation of the changes)
All of the above calculated over 2005 to the present
See Technical note for further details

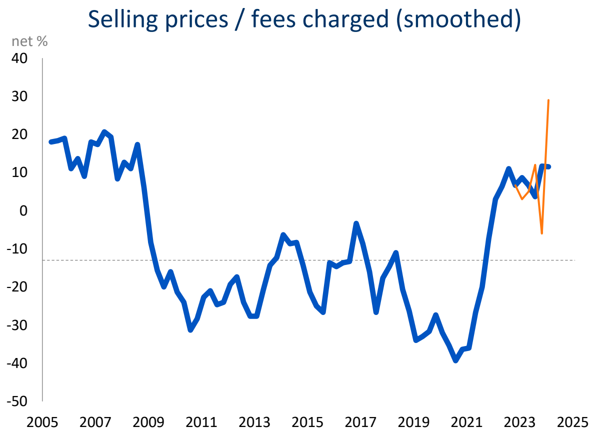
BUSINESS SERVICES[9]

Indicator	Unit	μ-σ	μ	μ+σ	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	Δ	$σ_Δ$
Confidence	%	35	56	77	63	64	64	47	59	59	42	**51**	9	11
Business conditions	Net %	-42	-16	10	23	35	14	0	-6	6	-10	**-11**	-1	19
Smoothed	Net %	-40	-16	7	7	20	24	16	3	0	-3	**-5**	-2	10
Business volumes	Net %	-38	-6	26	32	20	13	-9	21	11	0	**6**	6	16
Smoothed	Net %	-36	-6	24	3	17	22	8	8	8	11	**6**	-5	9
Selling prices / fees charged	Net %	-30	-10	9	16	-1	18	3	5	12	-6	**29**	35	16
Smoothed	Net %	-28	-11	6	3	6	11	7	9	7	4	**12**	8	6









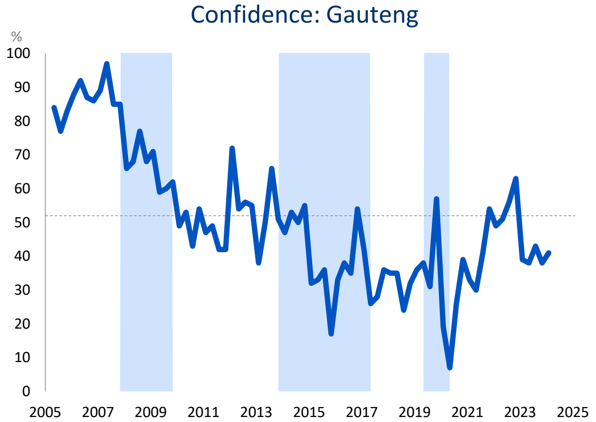
[9] 1) Renting of machinery & equipment (8%): transport equipment (SIC code 851), other machinery & equipment (852).
2) Computer services (19%): hardware consultancy (861), software consultancy (862).
3) Legal services, accounting & other (30%): legal services, accounting, bookkeeping, auditing & tax 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 subsector's share according to Stats SA's business censuses.

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

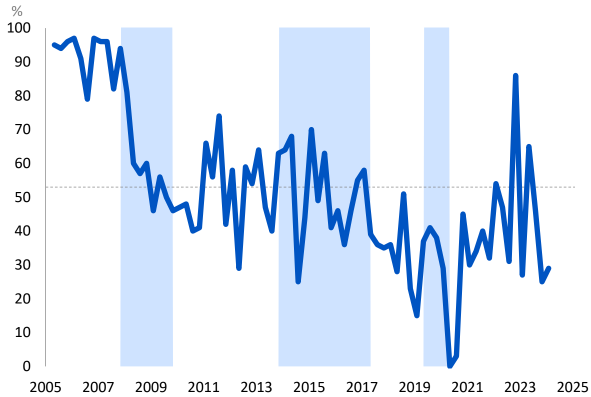
PROVINCES

Indicator	Unit	µ-σ	µ	µ+σ	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	Δ	σ_{Δ}
Gauteng														
Confidence	%	31	51	71	51	56	63	39	38	43	38	**41**	3	12
Business volumes	Net %	-44	-12	19	8	19	12	-16	-16	-22	2	**-31**	-33	20
Smoothed	Net %	-41	-12	17	12	19	13	5	-7	-18	-12	**-17**	-5	10
KwaZulu-Natal														
Confidence	%	29	52	75	47	31	86	27	65	46	25	**29**	4	19
Business volumes	Net %	-44	-9	27	10	-22	27	-17	-1	5	9	**9**	0	38
Smoothed	Net %	-41	-12	17	12	19	13	5	-7	-18	-12	**-17**	-5	10
Western Cape														
Confidence	%	31	53	75	54	55	82	56	48	56	55	**37**	-18	15
Business volumes	Net %	-39	-5	30	16	22	41	14	18	2	14	**-24**	-38	21

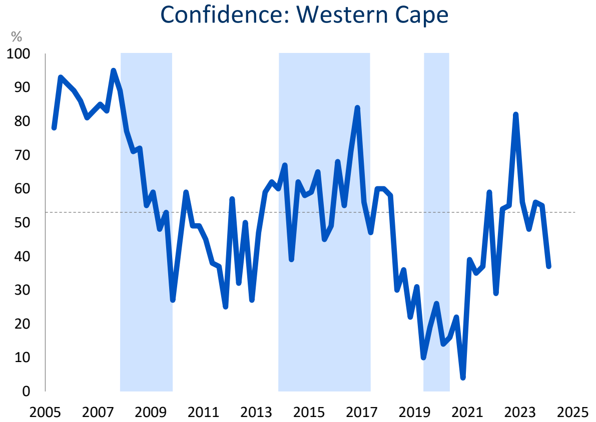
Confidence: Gauteng



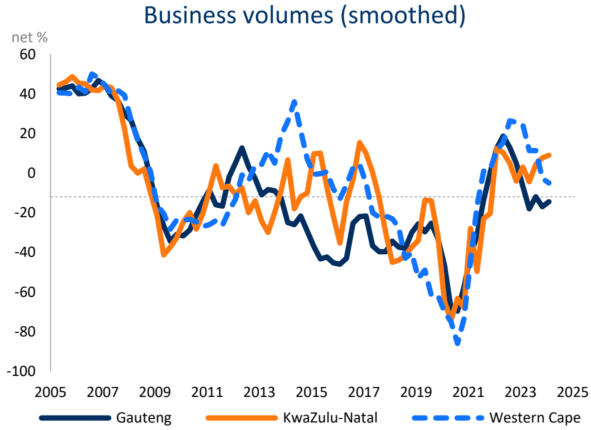
Confidence: KwaZulu-Natal



Confidence: Western Cape



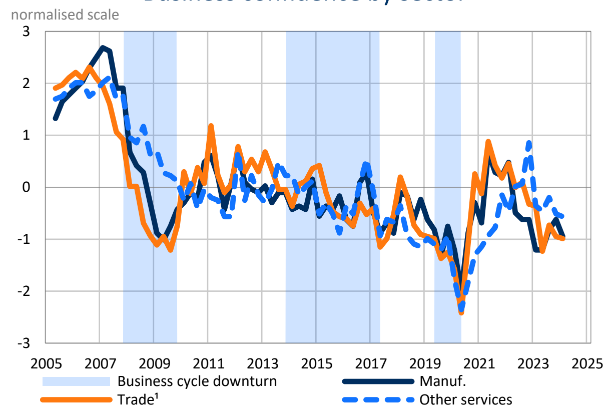
Business volumes (smoothed)



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

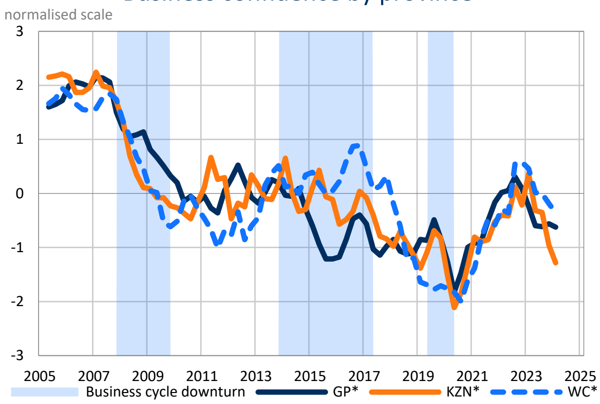
SUMMARY

Business confidence by sector

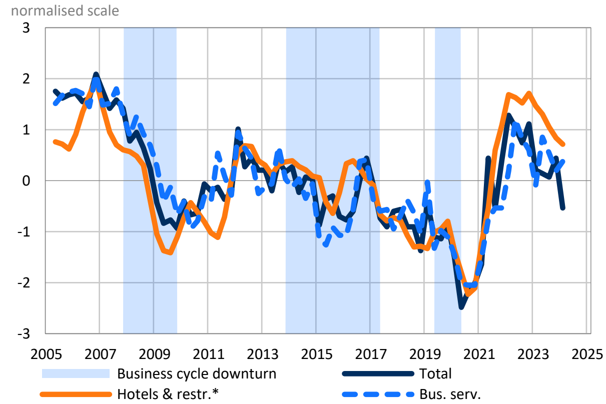


[1] *Trade = average of retail, wholesale & motor trade*

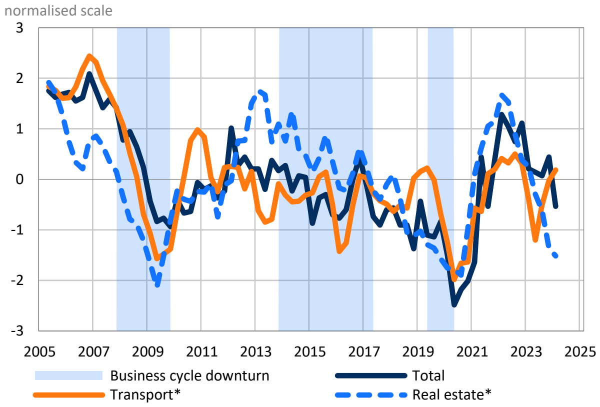
Business confidence by province



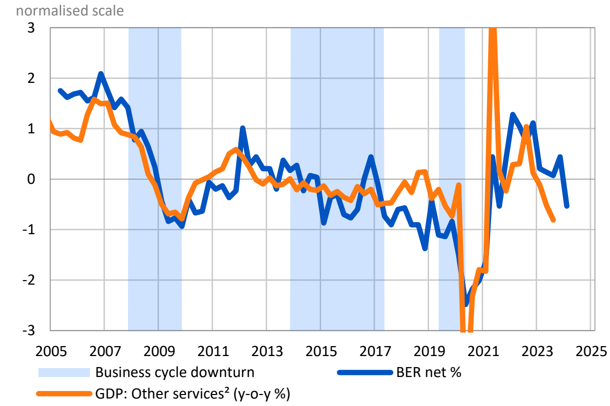
Business volumes



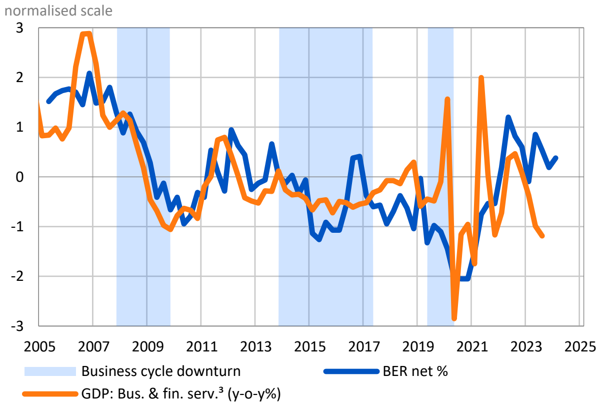
Business volumes



Total other services: volumes



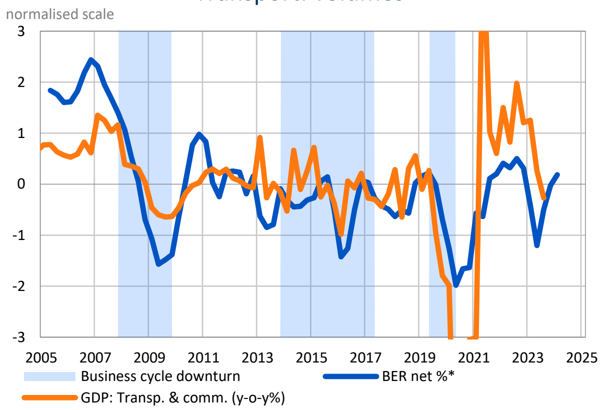
Business services: volumes



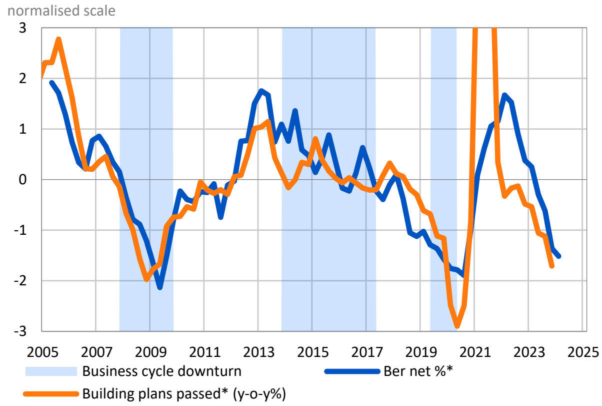
* *three-quarter centred moving average*

SUMMARY CONTINUES

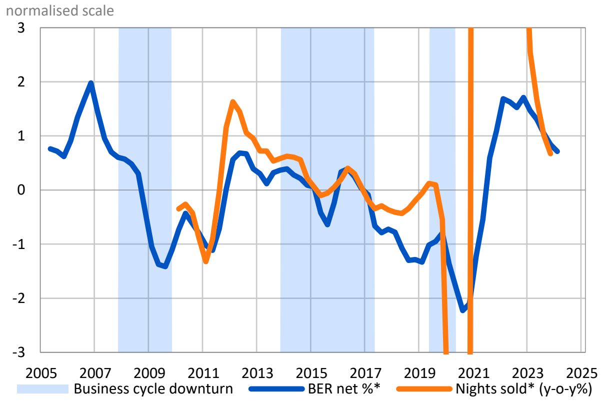
Transport: volumes



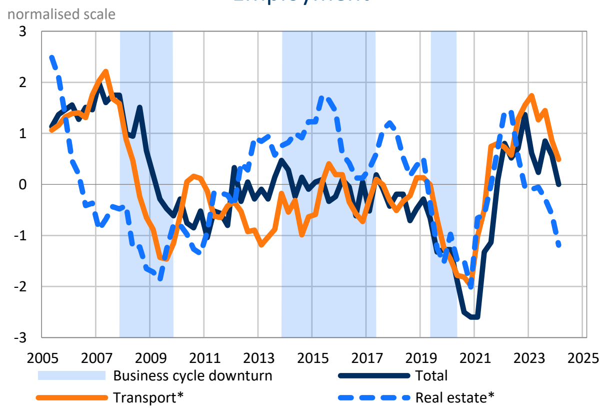
Real estate: volumes



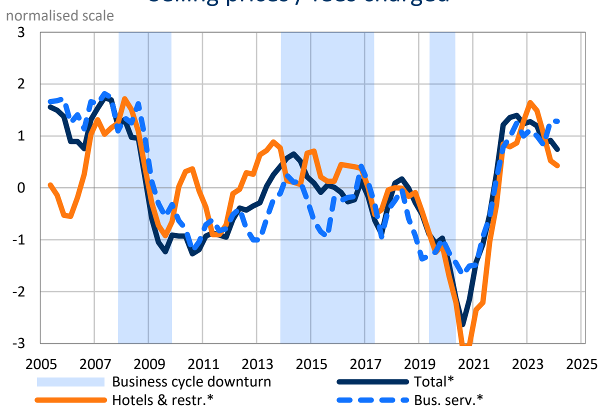
Hotels & restaurants: volumes



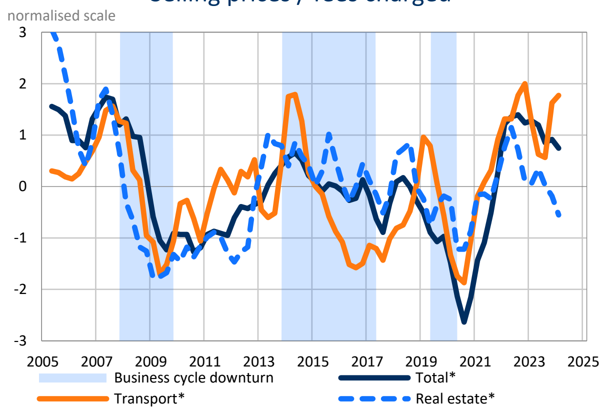
Employment



Selling prices / fees charged



Selling prices / fees charged



* *three-quarter centred moving average*

Technical note

THE OTHER SERVICES SURVEY METHOD

Short-term planning is hampered as official (quantitative or numeric) data is released with a time lag. Business tendency *survey* (BTS) *results reveal what happened between the release of the last official figures and the current state of affairs*. The survey results not only reveal earlier developments in activity, employment etc. (for which official figures are published), but also provide unique information, such as business confidence and respondents' expectations (or forecast) for the next quarter for which no official figures exist. It is now widely recognised that such subjective individual expectations play a key role in economic developments. Furthermore, the survey results of successive quarters *provide a means of tracking cyclical movements, pinpointing trend changes* and establishing forecasts.

Of the various subsectors making up the services sector of the economy, the BER's surveys have covered the domestic trade sectors (i.e. the retail, wholesale and motor trade) since their inception in the 1950s. In 2005, the BER expanded the surveys' sector coverage to select other services sectors, namely catering (restaurants and take-away outlets), accommodation (hotels and guest houses), transport, real estate and business services. Click **here** for a short video about the BER's other services survey.

In deciding which of the remaining services sector to cover, the BER followed its international counterparts. While the government provides the bulk of services, the selected sectors are those in which private firms dominate. For reasons of focus and feasibility, the BER does not cover personal services and sectors dominated by a few large firms (e.g. telecommunication and air transport).

These other services sectors are responsible for a large and rising share of GDP and employment, but the cyclical turning points in their overall confidence, business climate and activity time series lag those of the sectors that the BER traditionally reported on. Therefore, they are not included in the BER's composite cyclical indicators (e.g. the business confidence index). A short video on how this survey compares to the RMB/BER BCI can be found **here**.

Firms in the other services sector differ from those that the BER has been reporting on traditionally (i.e. building contractors, manufacturers, retailers, wholesalers and vehicle dealers) in several important aspects.

The most obvious difference is that other services providers do not carry stocks to balance unexpected changes in demand. In contrast to stocks of raw material inputs and finished goods in manufacturing, as well as retail, wholesale and new vehicle inventories, other services cannot be stored temporarily. Instead, other service providers have to take care of short-term fluctuations in demand via adjustments in the utilisation of their workforce and/or space.

Another difference is that the cyclical peaks and troughs in other services sector's activity are not symmetrical and do not move in synch with those of the sectors reported on traditionally. While the five sectors included in the RMB/BER business confidence index (BCI) reach upper and lower cyclical turning points at more or less the same time, other services lag the recovery at the bottom, as it takes time before capital and other business spending increase and starts to lift accommodation, transport and business services. To safeguard the cyclical and advanced signalling (predictive) properties of the RMB/BER BCI, the other service sector is not included in the BCI. Whereas quantitative estimates benefit from an expanded sector coverage, this is not necessarily the case for cyclical measures.

A final major difference is that there is no readily available equivalent official monthly reference measure of other services activity. Stats SA has been producing high-frequency data on the performance of hotels, restaurants and transport for a couple of years, but nothing on real estate and business services. The latter two are only covered together with financial intermediation in the quarterly GDP production numbers.

Table 1: A comparison of the sectors covered in the BCI vis-à-vis Other Services survey

	GDP %	Employment %	BCI	Other services
Primary sector	**10.3**	**10.2**		
Agriculture, forestry & fishing	2.2	7.1		
Mining and quarrying	8.2	3.1		
Secondary sector	**21.7**	**15.5**		
Manufacturing	14.0	9.3	√	
Electricity, gas and water	3.7	0.4		
Construction	4.0	5.8	√	
Tertiary (services) sector	**68.0**	**74.3**		
Trade, catering and accommodation	14.9	23.2		
Wholesale trade	4.9	5.1	√	
Retail trade; repair of household goods	7.0	10.7	√	
Motor trade; repair of motor vehicles	2.1	4.0	√	
Catering and accommodation	1.0	3.4		√
Transport, storage & communication	10.0	4.7		
Transport	8.0	3.9		√
Communication	2.0	0.7		
Finance, real estate & business services	19.4	17.6		
Finance and insurance	6.1	2.5		
Real estate	5.5	1.1		√
Business services*	7.8	13.9		√
General government services	17.8	12.9		
Personal services **	5.9	16.0		
All sectors	**100.0**	**100.0**	**31.9**	**22.3**

Notes: GDP = Gross Domestic Product (National Accounts) from the production side; sector division according to the Standard Industrial Classification (SIC) of All Economic Activities, at current prices, 2019

Employment covers the formal and informal sectors.

Sources: Quantec,and 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 (subsectors as % of the total)

	Stats SA		BER	
	2016	**2020**	**2016**	**2020**
1. Hotels & restaurants	**5.4**	**5.9**	**12.8**	**15.2**
Hotels and other accommodation	2.5	2.5	9.4	11.2
Restaurants and other food outlets	2.9	3.4	3.4	4.0
2. Transport, storage & communication	**40.9**	**41.8**		
2.1 Transport & storage	**25.2**	**26.2**	**24.4**	**22.1**
2.1.1 Land transport & pipelines	9.8	10.4	11.5	8.7
Rail transport	2.8	2.9	2.4	
Other land transport	6.7	7.1	9.0	8.7
Bus & other passenger transport	0.6	0.7	1.2	
Road freight	6.0	6.4	7.7	8.7
Pipelines	0.3	0.4		
2.2.2 Water transport	0.0	0.0	0.1	
2.2.3 Air transport	3.2	3.0		
2.2.4 Supporting transport & travel agencies	12.1	12.7	12.8	13.4
Cargo handling	0.9	0.8	2.1	1.8
Storage & warehousing	1.3	1.5	1.9	
Other (e.g., airport & harbour operation)	1.4	1.6		
Travel agencies & tour operators	0.8	1.0	1.8	3.1
Other (e.g., freight forwarding)	7.8	7.8	7.1	8.5
2.2 Post & telecommunication	**15.7**	**15.6**		
Postal and courier activities	0.7	0.8		
Telecom & cellular	15.0	14.8		
3. Real estate	**12.9**	**12.1**	**16.7**	**17.8**
Auctioneering & property sales	4.5	4.6	5.6	6.3
Property management & other	8.5	7.5	11.1	11.5
4. Business services	**40.8**	**40.2**	**46.1**	**44.9**
4.1 Renting of machinery & household goods	**2.4**	**2.0**	**3.5**	**3.5**
Rental of transport equipment	0.9	0.5	0.9	0.7
Rental of other machinery & equipment	1.4	1.3	2.5	2.8
Rental of personal & household equipment	0.1	0.2	0.1	
4.2 Computer and related services	**6.1**	**7.4**	**7.5**	**8.7**
Hardware consultancy	0.3	0.3	0.5	1.3
Software consultancy	4.6	5.9	5.9	7.4
Data processing & database activities	0.7	0.9	0.8	
Maintenance, repair & other	0.4	0.2	0.3	
4.3 Research & development	**0.9**	**0.7**		
4.4 Other business activities	**31.3**	**30.0**	**35.0**	**32.6**
4.4.1 Legal, accounting & consultancy	8.4	9.3	12.5	13.4
Legal services	1.7	1.9	7.1	7.5
Accounting, auditing & tax consultancy	1.4	1.8		
Market research & public opinion polling	0.2	0.2	0.2	
Business & management consultancy	5.0	5.3	5.1	6.0
4.4.2 Architectural & other technical activities	4.5	3.5	9.7	10.4
Architectural & engineering consultancy	4.2	3.1	9.7	10.4
Consulting engineering activities	3.5	2.4	9.7	10.4
Architectural activities	0.3	0.4		
Quantity surveying & other	0.5	0.3		
Technical testing & analysis	0.3	0.3		

	Stats SA	BER		Stats SA
	2016	2020		2016
4.4.3 Advertising	1.3	1.5	1.3	1.5
4.4.4 Business activities n.e.c.	17.1	15.8	11.6	7.3
Labour recruitment & provision of personnel	2.0	2.0	1.4	
Investigation and security activities	3.1	2.9	2.7	
Building & industrial plant cleaning activities	1.2	0.8	1.5	1.5
Photographic activities	0.0	0.0	0.5	
Packaging	0.2	0.2		
Other	10.6	9.9	5.5	5.8
Debt collection & credit rating	4.1	-		
Business brokerage	0.0	-		
Specialised design (e.g., interior design)	1.2	-	1.0	-
Telephone services (e.g., telemarketing)	2.3	-	2.0	-
Other appraisal	0.0	-		
Demonstration & exhibition	1.2	-	1.0	-
Other n.e.c.	1.7	-	1.5	-
Total	**100.0**	**100.0**	**100.0**	**100.0**

Notes: - not available; n.e.c. = not classified elsewhere; shaded = BER does not cover

Stats SA sources:

Accommodation: Report 64-11-01, 2015 & 2018
Restaurants: Report 64-20-01, 2015 & 2018
Land Transport: Report 71-02-01, 2016 & 2019
Post & Telecommunication: Report 75-01-01, 2016 & 2019
Real Estate & Business Services: Report 80-04-02, 2016 & 2020

Used the GDP deflator for "wholesale, retail, hotels & restaurants" and "transport, storage & communication" to estimate income in 2016 and 2020.

BER: *2016 applied to the period 2017 to 22Q2, 2020 applies since 22Q3*

The survey results are obtained from questionnaires completed by senior executives during the middle month of every calendar quarter.

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

The sample of executives remains the same from one survey to the next. A panel is in effect established. The sample provides for the main sectors (see Table 2). The list of participants is reviewed every few years to replace those firms that went out of business or stopped responding during the previous two years with new ones. The sector weights are updated every five years and adjusted for the response pattern.

To provide for widely differing sizes, each firm in the manufacturing, trade and other services sectors is allocated a weight based on its turnover. Firms in the building sector are not weighted. Participants have to complete a "participant details form" at the time of recruitment and every few years to ensure that their sector classification and turnover (optional) are correct.

Consult the BER web page (**www.ber.ac.za**) for more information about the business tendency survey method.

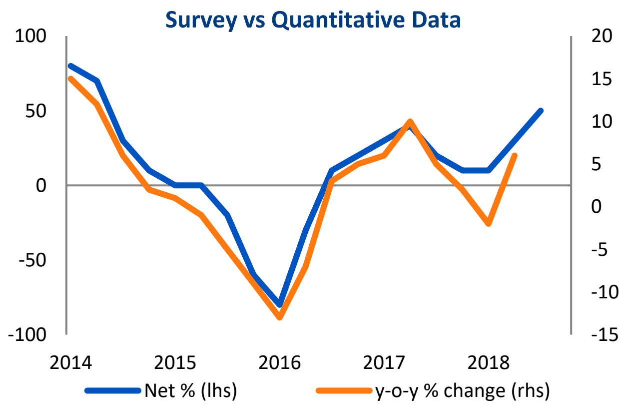
THE UNIQUE UNITS OF MEASUREMENT OF QUALITATIVE SURVEYS

Net percentage (net %)

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

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

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



Percentage (%)

The responses relating to business confidence are presented as percentages.

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

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

DESCRIPTIVE STATISTICS IN THE TABLES

Smoothed

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

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

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

Seasonal adjustment (SA)

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

Average (μ)

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

One standard deviation below (μ-σ) and above (μ+σ) the average

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

Change (Delta: Δ)

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

Volatility (standard deviation of the deltas: Δσ)

This statistic indicates the volatility of the quarter-on-quarter change. If the size (regardless if it is an increase or decline) of the change is greater than the standard deviation of the deltas, then it displays a statistically significant variation.

CONVENTIONS AND AIDS PROVIDED IN THE CHARTS

Shaded areas

Indicates cyclical downturns as demarcated by the South African Reserve Bank. Users need to take note that the business cycle could have already reversed course towards the end of the period covered in the chart, but usually we wait until the bank determines a turning point before changing the shaded areas.

Solid vs. dotted horizontal (X) axes:

A solid line indicates the theoretical mid-points of 50 or zero respectively, while a dotted line indicates the long-term average (mean). Also see the section on the "average" above.

Normalised scale

Time series data is normalised (standardised) when one wishes to observe the co-movement among indicators with different units of measurement, say for instance, between a diffusion index (confidence) and the growth rate in a volume index (GDP growth). Normalisation converts both series to the same scale (unit) by subtracting the long-term average from each series and dividing it by its standard deviation. This ensures that one compares "apples" with "apples" when making a visual inspection and not mistakenly identify co-movements or deviations that different scales could produce.