

SURVEY PUBLICATION | FOURTH QUARTER 2023

# Retail Trade

Quarterly analysis of  
activity in retail, wholesale and motor trade

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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 results from the BER's latest Retail Survey show that the business confidence levels of retailers recovered further during the fourth quarter of 2023, even though sales volumes remained weak. Lower levels of load-shedding in the run-up to the festive season and improved profitability likely bolstered retailer confidence.

Although retailer confidence increased to the highest level in a year (47%), both durable goods and non-durable goods retailers in fact reported lower sales volumes compared to the previous festive season. Surging egg prices amid an avian flu outbreak, in turn, will likely interrupt the downward trajectory of food inflation and constrain non-durable goods sales volumes during the fourth quarter, while high interest rates, a weak rand exchange rate and low consumer confidence weigh on durable goods sales volumes. In contrast, semi-durable goods retailers (e.g., clothing & footwear) continued to post positive growth, albeit at a slower rate compared to the bumper third quarter when the sale of Springbok-related merchandise significantly boosted sales. Some clothing and footwear retailers noted that congestion at South African ports led to the late arrival of their summer ranges in recent months, adversely affecting sales in the run-up to the summer holidays.

Similarly, wholesales sales remained under pressure during the fourth quarter, while vehicle dealers reported sharp declines in car sales.

In all, the BER's survey results suggest that **retail tills will not jingle merrily this festive season**, even though lower levels of load-shedding at the beginning of the quarter and increased usage of solar power (instead of expensive diesel generators) improved retailer profitability and bolstered confidence.

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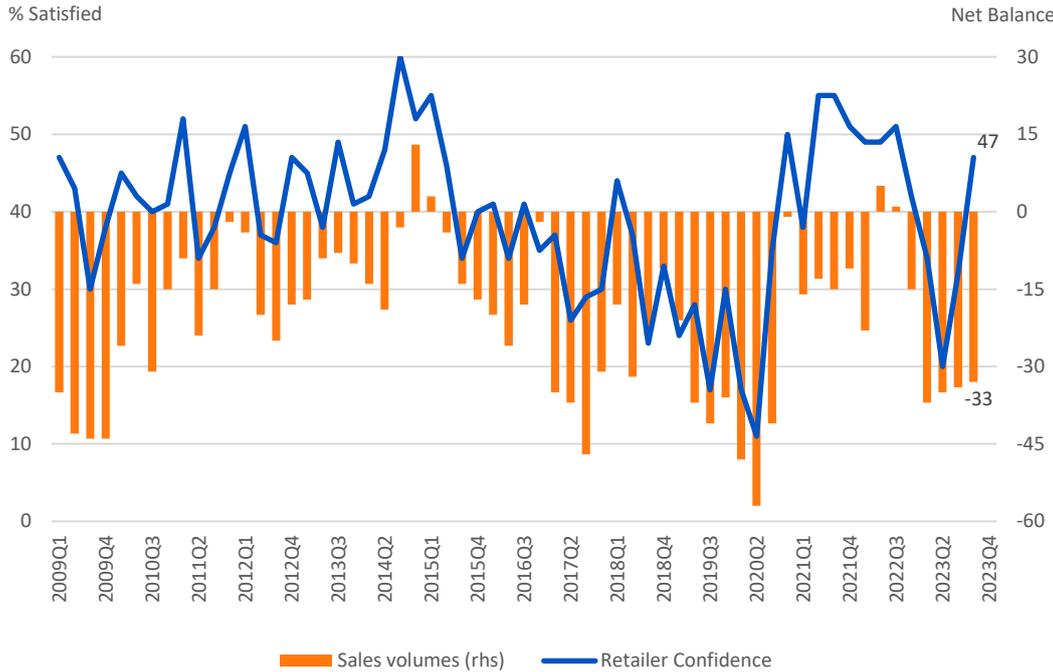
The 2023Q4 Retail Trade publication covers the **BER Retail Survey**. It presents a quarterly analysis of activity in the retail, wholesale and motor trade sectors.

# Summary of the 2023Q4<sup>1</sup> trade sector survey results

## RETAIL CONFIDENCE RISES FURTHER DESPITE WEAK SALES<sup>2</sup>

The results from the BER’s latest Retail Survey show that the business confidence levels of retailers continued to recover during the fourth quarter of 2023, despite another year-on-year contraction in retail sales volumes. Having edged up from a three-year low of 20 to 32 during the third quarter (Figure 1), the percentage of retailers reporting that they are satisfied with prevailing business conditions improved further to 47 in the fourth quarter – the highest reading since 2022Q3.

**Figure 1: Retail business confidence (%) versus retail sales volumes (BER Net Balance)**



Source: BER

Official data from Statistics South Africa (Stats SA) shows that retail sales volumes contracted by 2.4% y-o-y in 2023Q2, but the rate of contraction eased to only 0.1% y-o-y in 2023Q3 on the back of soaring semi-durable goods sales volumes (e.g., textiles, clothing & footwear, Table 1). Robust sales of Rugby World Cup merchandise no doubt boosted semi-durable goods sales during the third quarter. However, the BER’s latest survey results suggest that the growth in semi-durable goods sales volumes slowed during the fourth quarter. Meanwhile, durable goods

<sup>1</sup> The survey was conducted between 25 October and 13 November 2023.

<sup>2</sup> This report was completed on 20 November 2023.

(e.g., furniture and hardware) and non-durable goods (e.g., food, beverages, groceries, cosmetics and pharmaceuticals) sales volumes remained noticeably lower compared to the sales volumes recorded during the previous festive season. **The uptick in retailer confidence appears to be driven by improvements in profitability and general business conditions, rather than better sales growth.**

**Table 1: Percentage change in retail sales<sup>3</sup> volumes (y-o-y)**

	Total	Non-durable goods	Semi-durable goods	Durable goods
<b>2022Q3</b>	3.6%	4.0%	8.6%	-2.4%
<b>2022Q4</b>	-0.6%	-1.6%	4.4%	-3.2%
<b>2023Q1</b>	-1.8%	-2.8%	4.5%	-4.4%
<b>2023Q2</b>	-2.4%	-3.9%	3.1%	-3.3%
<b>2023Q3</b>	-0.1%	-2.3%	11.8%	-3.9%

Source: Statistics South Africa, Retail Sales Statistics

**During the fourth quarter, non-durable goods retailers reported significant further contractions in sales volumes** compared to the same quarter of the previous year. The BER's non-durable goods sales volumes index dropped from a net balance of -31 to -47 during the 2023Q4. Both purchasing and selling price inflation remained elevated in the sector, albeit at slower rates compared to the first half of 2023. Surging egg prices amid an avian flu outbreak will likely interrupt the downward trajectory of food inflation witnessed during the second and third quarters of 2023.

However, lower levels of load-shedding (at the time of the survey) and a further improvement in profitability, albeit slight, in all likelihood bolstered non-durable goods retailer confidence. The return of three units of the Eskom's Medupi power station since July this year (following a chimney collapse at the end of 2022) led to a noticeable reduction in load-shedding in recent months. Combined with increased utilisation of solar power, this would have reduced the need to run expensive diesel generators and likely boosted the profitability levels (and hence business confidence) of food retailers in particular.

**Durable goods retailers also reported lower sales volumes** (with a net balance of -26) compared to the previous festive season. However, there seems to be some improvement relative to the very weak third quarter when the sales volumes index dropped to a three-year-low of -45. Furniture and household appliances sales remained under significant pressure in the run-up to Christmas, but hardware sales improved notably relative to the third quarter. The improvement in hardware sales may be tied to the recovery witnessed in the building industry, as well as repairs by homeowners in the Western Cape following flood damage during the heavy rains in September.

Despite sustained high durable goods purchasing price inflation (on the back of a weak rand exchange rate), durable goods retailer selling price inflation eased. Black Friday sales were no doubt used to entice customers in a sector currently strained by high interest rates and cost-of-living pressures. Nevertheless - similar to non-durable goods retailers – durable goods retailers also reported improved profitability and higher confidence levels during the fourth quarter.

<sup>3</sup> Non-durable goods retailers include general dealers, retailers in specialised food, beverages and tobacco, and retailers in pharmaceutical and medical goods, cosmetics and toiletries. Durable goods retailers include retailers in household furniture, appliances and equipment, and retailers in hardware, paint and glass. Semi-durable goods retailers include retailers in textiles, clothing, footwear and leather goods.

**Semi-durable goods retailers continued to post positive volume growth during the festive season**, albeit that the BER's survey results point to a slowdown relative to the sterling third quarter when Springbok-related merchandise sales boosted the sector. Some clothing and footwear retailers noted that congestion at South African ports led to the late arrival of their summer ranges in recent months, adversely affecting sales in the run-up to the summer holidays. Purchasing and selling price inflation eased notably on the semi-durable goods front, while profitability improved.

## WHOLESALE SALES AND PROFITABILITY REMAIN UNDER PRESSURE

Official trade statistics from Statistics South Africa show that wholesale sales volumes contracted by 2.9% y-o-y during 2023Q3, and the BER's survey results suggest that **wholesale sales remained very weak during the fourth quarter**. Both consumer goods (e.g., textiles, clothing, footwear, food, beverages, furniture and household appliances) and non-consumer goods (e.g., machinery, building material, chemicals, petroleum products and office equipment) sales volumes remained under significant pressure.

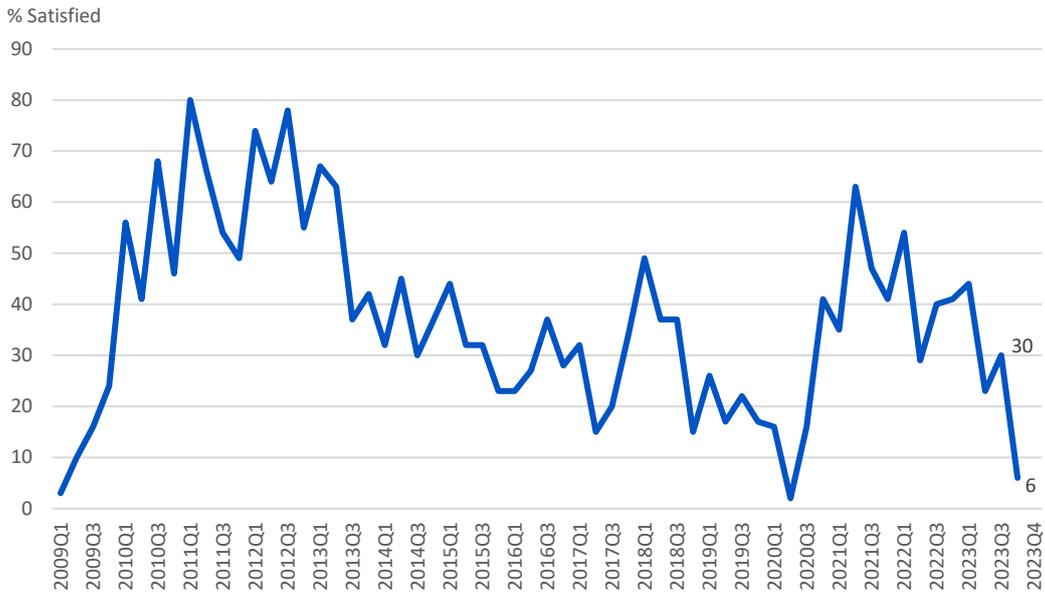
After some easing in cost pressures during the third quarter, wholesale purchasing price inflation accelerated again during the festive season. Plagued by weak demand, wholesalers were unable to pass the full extent of the cost increases on to their customers, leading to a deterioration in profitability and a slight decline in wholesaler confidence (to 36). With consumers under significant cost-of-living-pressure, **the consumer goods wholesale sector in particular is taking strain** (and being squeezed by retailers). Not only did profitability levels drop to the lowest level since the hard Covid-19 lockdown in 2020Q2, but consumer goods wholesalers are also struggling with insufficient stock levels (which may be tied to the delays at South African ports).

## NEW VEHICLE DEALER SALES TANK

The business confidence levels of new vehicle dealers nosedived from 30 to 6 index points during the fourth quarter. With a mere 6% of new vehicle dealers indicating that they are satisfied with prevailing business conditions, **the confidence levels of new vehicle dealers have now dropped to the lowest level since 2020Q2** (Figure 2). Naamsa data for domestic passenger car sales shows that new vehicle sales volumes contracted by 8.6% y-o-y during the third quarter, followed by a 3.5% y-o-y decline in October. October 2023 new passenger car sales were a massive 17% below October 2019 levels. With the BER's sales volumes index slumping dramatically from -54 in 2023Q3 to -89 in 2023Q4, the BER's survey results suggest that sales remained extraordinarily weak (and possibly even deteriorated further) during the remainder of the fourth quarter.

The alarming increase in new car stock levels relative to expected demand underscores the deterioration in the demand for new vehicles. Following robust volume growth of 19.5% in 2022, factors such as rapidly rising interest rates, high vehicle price inflation (8.4% y-o-y in September 2023) and low consumer confidence weighed down car sales through 2023. Used vehicle dealers have not fared much better than new car dealers, with the BER's used vehicle sales index deteriorating from -52 to -78 in 2023Q4.

**Figure 2: new vehicle dealer confidence**



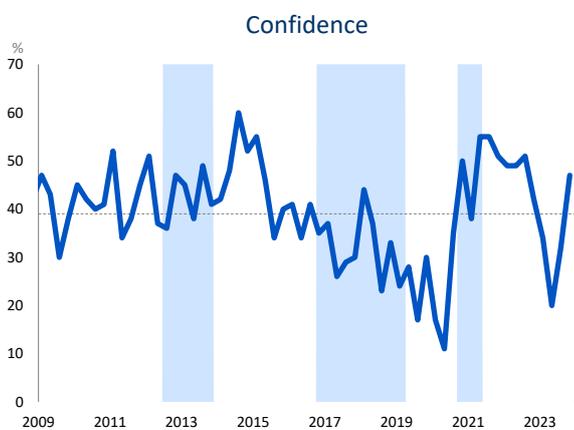
Source: BER

**In all, the BER’s survey results suggest that trade sector tills will not jingle merrily this festive season.** Retail, wholesale and especially motor trade sales volumes will likely disappoint relative to the same quarter of last year. Lower levels of load-shedding and an uptick in profitability bolstered the confidence levels of retailers, but wholesaler and new vehicle dealer confidence remain in the doldrums. With interest rates and cost-of-living pressures projected to remain high in the near-term, business conditions will likely remain challenging during the first half of 2024.

# Survey results

## RETAIL TRADE: TOTAL<sup>4</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	29	39	50	49	49	51	42	34	20	32	<b>47</b>	15	9
Business conditions	Net %	-48	-31	-14	-20	-9	-15	-23	-41	-69	-36	<b>-26</b>	10	15
Sales volumes	Net %	-36	-21	-6	-23	5	1	-15	-37	-35	-34	<b>-33</b>	1	13
Seasonally adjusted	Net %	-36	-21	-7	-21	9	3	-23	-35	-31	-32	<b>-41</b>	-9	11
Smoothed	Net %	-34	-21	-9	-10	-6	-3	-17	-29	-35	-34	<b>-34</b>	0	6
Selling prices	Net %	17	38	60	76	81	76	77	68	75	50	<b>44</b>	-6	14



<sup>4</sup> The “retail trade total” consists of the “retail trade durables”, the “retail trade semi-durables” and the “retail trade non-durables” goods sectors. The BER does not cover the retail trade in second hand goods in stores (SIC code 624), the retail trade not in stores (625) and the repair of personal and household goods (626).

$\mu$  – average

$\sigma$  – standard deviation

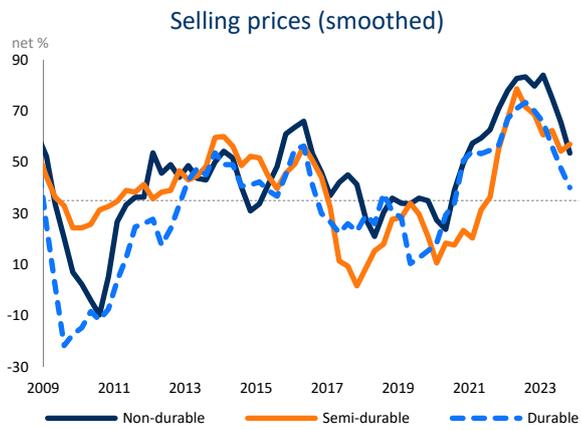
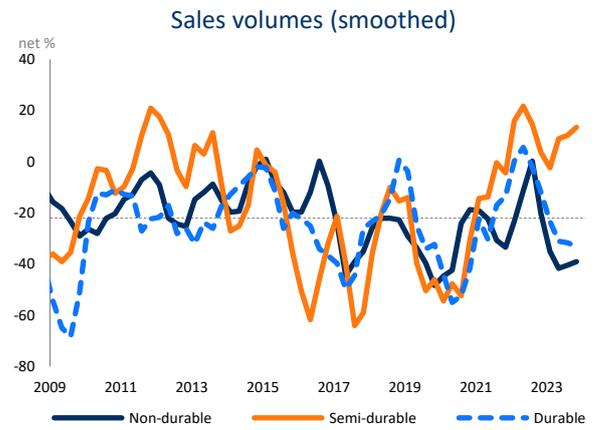
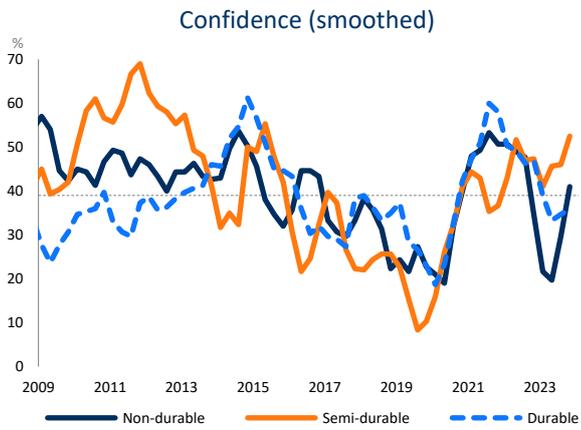
$\Delta$  – change from previous period

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

All of the above calculated over 2009 to the present

See Technical note for further details

## RETAIL TRADE: BY CATEGORY



$\mu$  – average

$\sigma$  – standard deviation

$\Delta$  – change from previous period

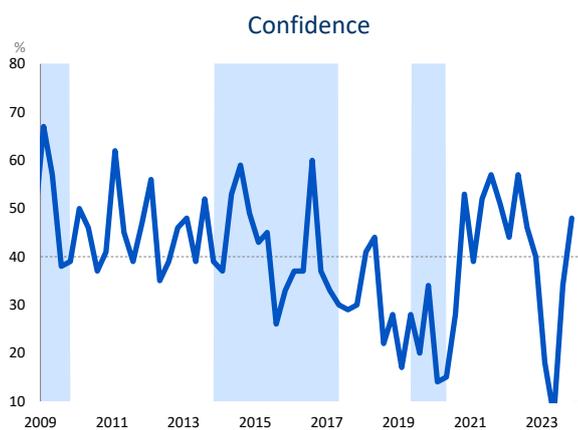
$\sigma_{\Delta}$  – volatility (standard deviation of the changes)

All of the above calculated over 2009 to the present

See Technical note for further details

## RETAIL TRADE: NON-DURABLES<sup>5</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	27	40	53	44	57	46	40	18	7	34	<b>48</b>	14	13
Business conditions	Net %	-52	-33	-14	-41	-1	-18	-17	-68	-89	-32	<b>-22</b>	10	21
Sales volumes	Net %	-38	-22	-5	-46	11	1	-11	-51	-43	-31	<b>-47</b>	-16	18
Seasonally adjusted	Net %	-39	-22	-5	-44	15	3	-19	-49	-39	-29	<b>-55</b>	-26	18
Smoothed	Net %	-34	-22	-10	-23	-11	0	-20	-35	-42	-40	<b>-39</b>	1	8
Selling prices	Net %	20	43	67	81	90	77	83	79	90	56	<b>51</b>	-5	19



<sup>5</sup> Food, inedible groceries, tobacco (SIC code 621), beverages (622), pharmaceutical & medical goods, cosmetic & toiletry articles (6231), reading matter, stationery, office supplies (62391), other non-durable goods (62399)

$\mu$  – average

$\sigma$  – standard deviation

$\Delta$  – change from previous period

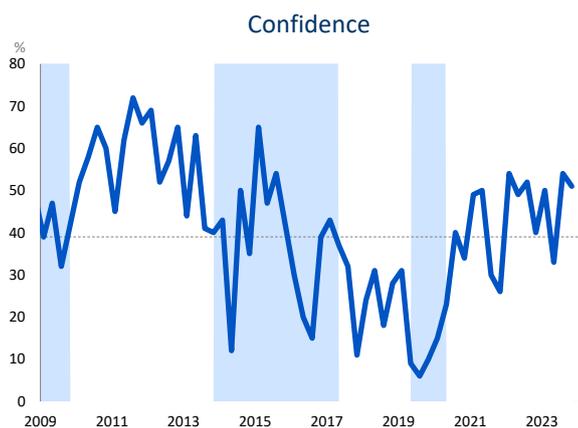
$\sigma_{\Delta}$  – volatility (standard deviation of the changes)

All of the above calculated over 2009 to the present

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## RETAIL TRADE: SEMI-DURABLES<sup>6</sup>

Indicator	Unit	$\mu - \sigma$	$\mu$	$\mu + \sigma$	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	24	41	58	54	49	52	40	50	33	54	51	-3	14
Business conditions	Net %	-63	-32	-2	6	34	22	-19	1	-46	-36	2	38	33
Sales volumes	Net %	-47	-17	14	9	34	22	-12	1	4	22	5	-17	33
Smoothed	Net %	-39	-16	7	16	22	15	4	-2	9	10	14	4	12
Selling prices	Net %	18	39	59	91	72	73	70	63	49	75	39	-36	20



<sup>6</sup> Textiles, clothing, footwear & leather goods (SIC code 6232), sports goods & entertainment requisites (62393), other semi-durable goods (62399)

$\mu$  – average

$\sigma$  – standard deviation

$\Delta$  – change from previous period

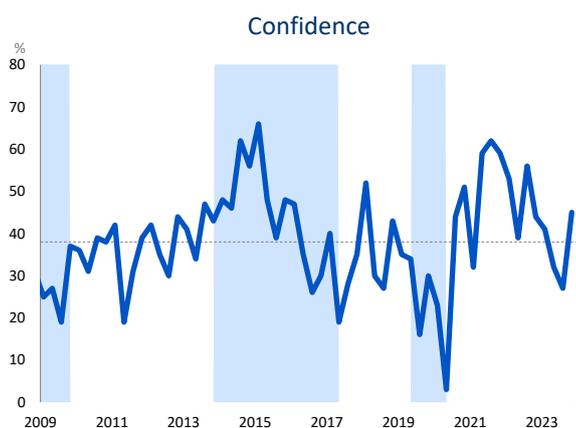
$\sigma_{\Delta}$  – volatility (standard deviation of the changes)

All of the above calculated over 2009 to the present

See Technical note for further details

## RETAIL TRADE: DURABLES<sup>7</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	26	38	51	53	39	56	44	41	32	27	<b>45</b>	18	13
Business conditions	Net %	-50	-29	-7	1	-31	-22	-30	-32	-49	-38	<b>-35</b>	3	21
<b>Sales volumes</b>														
Total	Net %	-44	-22	1	-2	-11	-6	-19	-37	-34	-45	<b>-26</b>	19	22
Hardware	Net %	-48	-19	11	-18	-23	-14	-29	-41	-39	-54	<b>-21</b>	33	26
Furniture	Net %	-47	-25	-2	13	-1	5	-10	-31	-29	-33	<b>-33</b>	0	25
Selling prices	Net %	7	33	58	65	72	76	72	62	63	43	<b>37</b>	-6	18



<sup>7</sup> "Retail trade durables" consists of "hardware" and "furniture". "Hardware" includes hardware, paint and glass (SIC code 6234). "Furniture" consists of household furniture, appliances, articles and equipment (6233), jewellery and related items (62392) and other durable goods (62399)

$\mu$  – average

$\sigma$  – standard deviation

$\Delta$  – change from previous period

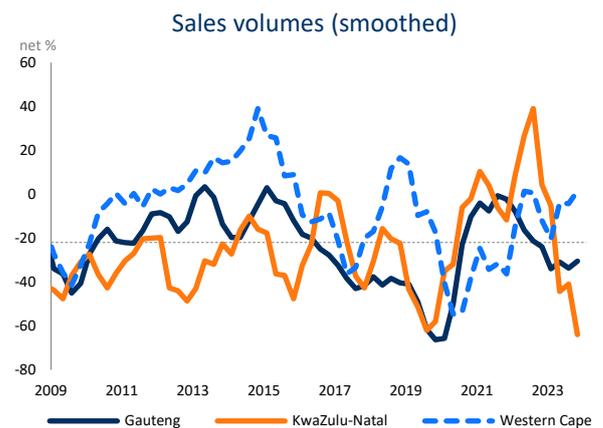
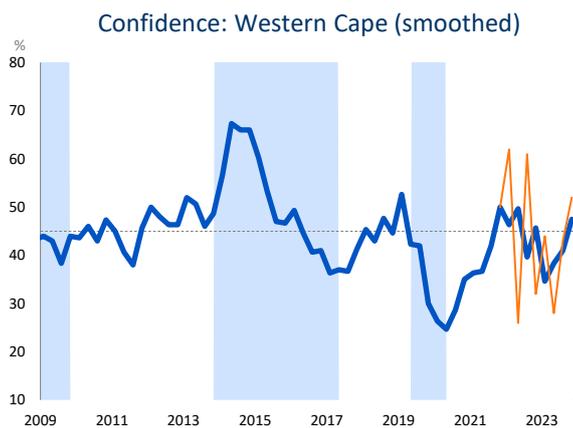
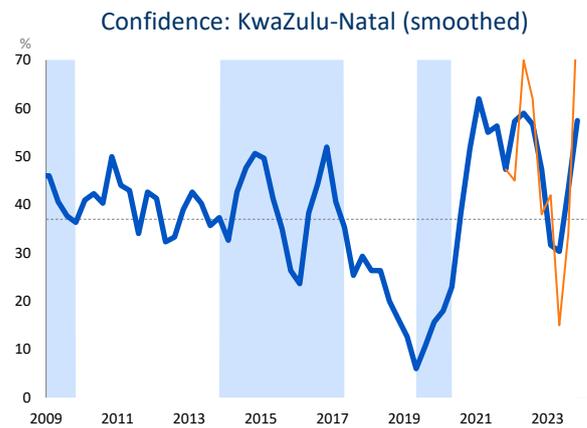
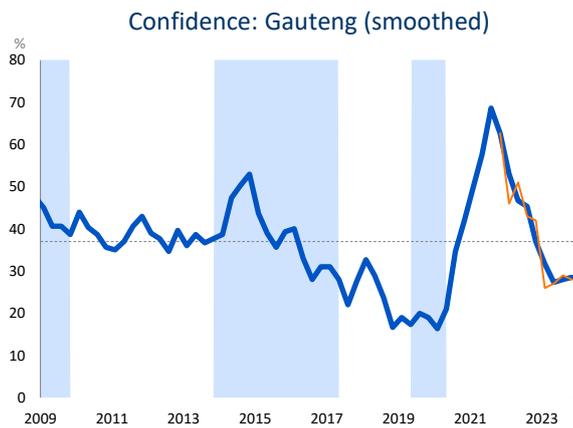
$\sigma_{\Delta}$  – volatility (standard deviation of the changes)

All of the above calculated over 2009 to the present

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## RETAIL TRADE: PROVINCES

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	$\Delta$	$\sigma_{\Delta}$
<b>Gauteng</b>														
Confidence	%	23	37	50	46	51	43	42	26	27	29	<b>28</b>	-1	13
Smoothed	%	26	37	48	53	47	45	37	32	27	28	<b>29</b>	1	5
Sales volumes	Net %	-44	-24	-3	-17	-22	-10	-32	-30	-40	-23	<b>-38</b>	-15	18
Smoothed	Net %	-41	-24	-7	-8	-16	-21	-24	-34	-31	-34	<b>-31</b>	3	8
<b>KwaZulu-Natal</b>														
Confidence	%	20	38	56	45	70	62	38	42	15	34	<b>81</b>	47	20
Smoothed	%	25	38	51	57	59	57	47	32	30	43	<b>58</b>	15	7
Sales volumes	Net %	-53	-25	3	-11	57	34	26	-47	5	-91	<b>-37</b>	54	33
Smoothed	Net %	-46	-25	-4	9	27	39	4	-5	-44	-41	<b>-64</b>	-23	13
<b>Western Cape</b>														
Confidence	%	32	45	57	62	26	61	32	44	28	43	<b>52</b>	9	16
Smoothed	%	36	44	53	46	50	40	46	35	38	41	<b>48</b>	7	5
Sales volumes	Net %	-34	-8	18	-26	21	9	-28	-17	-16	21	<b>-18</b>	-39	27
Smoothed	Net %	-29	-8	13	-14	1	1	-12	-20	-4	-4	<b>2</b>	6	10



$\mu$  – average

$\sigma$  – standard deviation

$\Delta$  – change from previous period

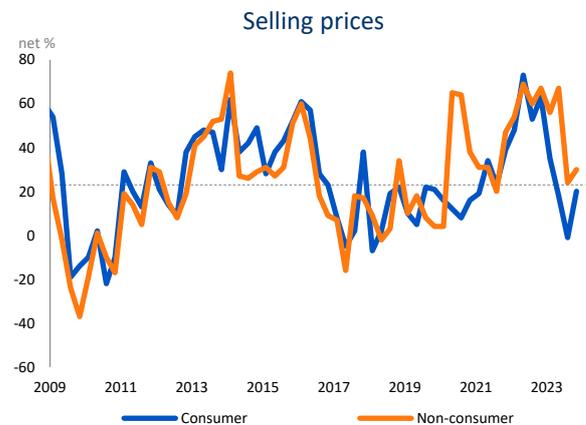
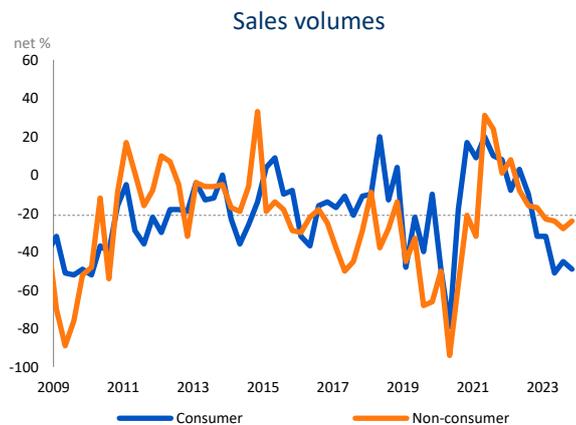
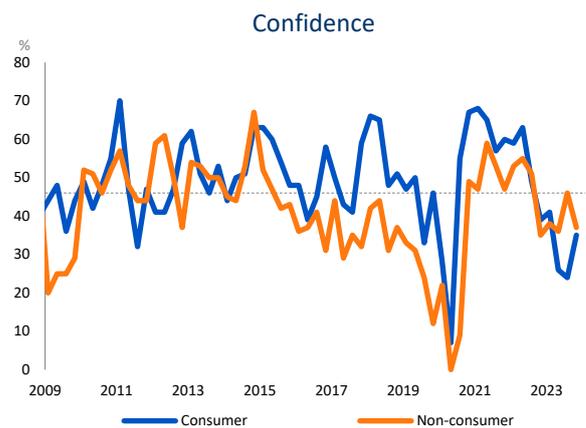
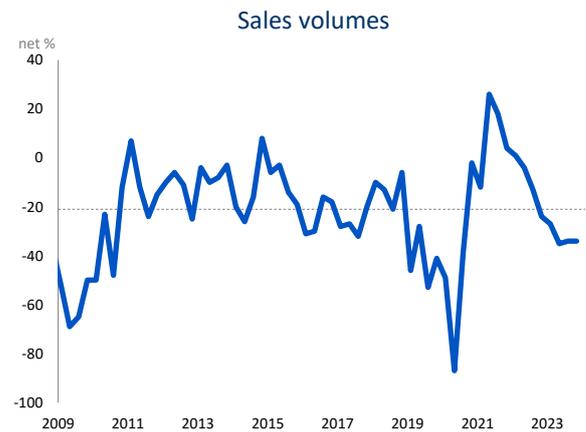
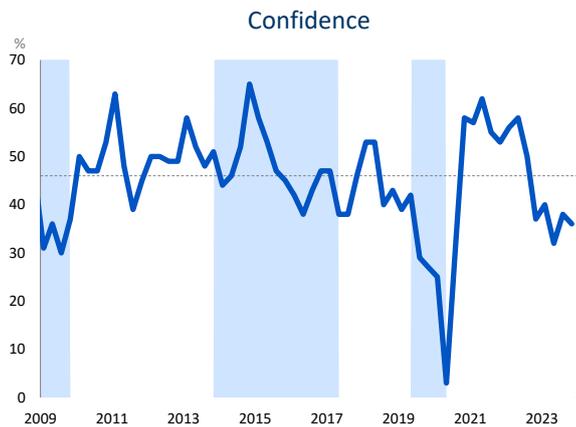
$\sigma_{\Delta}$  – volatility (standard deviation of the changes)

All of the above calculated over 2009 to the present

See Technical note for further details

## WHOLESALE TRADE: TOTAL<sup>8</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	34	45	56	56	58	50	37	40	32	38	<b>36</b>	-2	9
Business conditions	Net %	-52	-30	-8	4	-6	-12	-22	-39	-40	-62	<b>-46</b>	16	20
Sales volumes	Net %	-43	-22	-1	1	-4	-13	-24	-27	-35	-34	<b>-34</b>	0	17
Selling prices	Net %	3	25	47	52	70	57	65	47	48	15	<b>26</b>	11	16



<sup>8</sup> The “wholesale trade total” consists of the “wholesale trade consumer goods” and the “wholesale trade non-consumer goods” sectors. The BER does not cover the wholesale trade on a fee or contract basis (SIC code 611), the wholesale trade in precious stones, jewellery and silverware (61393) and the wholesale trade in solid, liquid and gaseous fuels and related products (6141)

$\mu$  – average

$\sigma$  – standard deviation

$\Delta$  – change from previous period

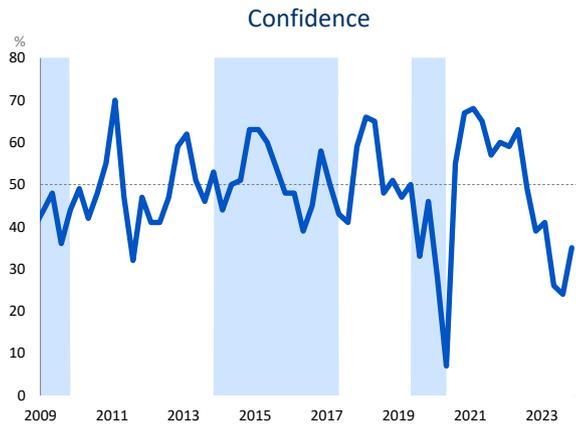
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All of the above calculated over 2009 to the present

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## WHOLESALE TRADE: CONSUMER GOODS<sup>9</sup>

Indicator	Unit	$\mu - \sigma$	$\mu$	$\mu + \sigma$	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	37	49	61	59	63	49	39	41	26	24	<b>35</b>	11	12
Business conditions	Net %	-54	-31	-7	1	-11	-19	-30	-58	-37	-72	<b>-66</b>	6	23
Sales volumes	Net %	-41	-20	0	-8	3	-10	-32	-32	-51	-45	<b>-49</b>	-4	19
Selling prices	Net %	3	25	47	48	73	53	63	35	18	-1	<b>20</b>	21	18



<sup>9</sup> Agricultural raw materials and livestock (SIC 6121), food, beverages and tobacco (6122), textiles, clothing and footwear (6131) and other household goods (6139).

$\mu$  – average

$\sigma$  – standard deviation

$\Delta$  – change from previous period

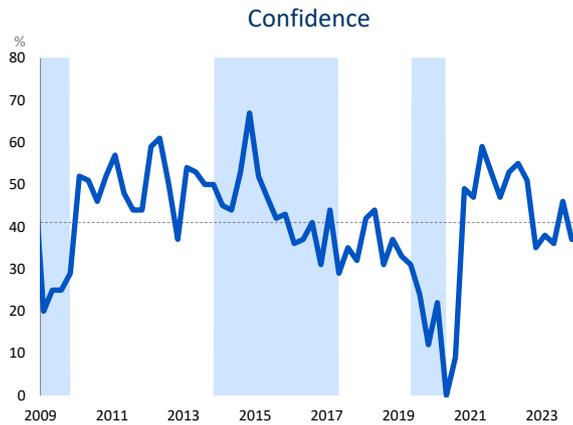
$\sigma_{\Delta}$  – volatility (standard deviation of the changes)

All of the above calculated over 2009 to the present

See Technical note for further details

## WHOLESALE TRADE: NON-CONSUMER GOODS<sup>10</sup>

Indicator	Unit	$\mu - \sigma$	$\mu$	$\mu + \sigma$	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	28	41	54	53	55	51	35	38	36	46	<b>37</b>	-9	11
Business conditions	Net %	-55	-30	-5	7	-2	-7	-19	-25	-40	-54	<b>-31</b>	23	22
Sales volumes	Net %	-51	-24	3	8	-8	-16	-17	-23	-24	-28	<b>-24</b>	4	23
Selling prices	Net %	0	25	51	54	69	60	67	56	67	24	<b>30</b>	6	19



<sup>10</sup> Metals and metal ores (SIC code 6142), construction materials, hardware, plumbing and supplies (6143), other intermediate products, waste and scrap (6149) and machinery and equipment (615).

$\mu$  – average

$\sigma$  – standard deviation

$\Delta$  – change from previous period

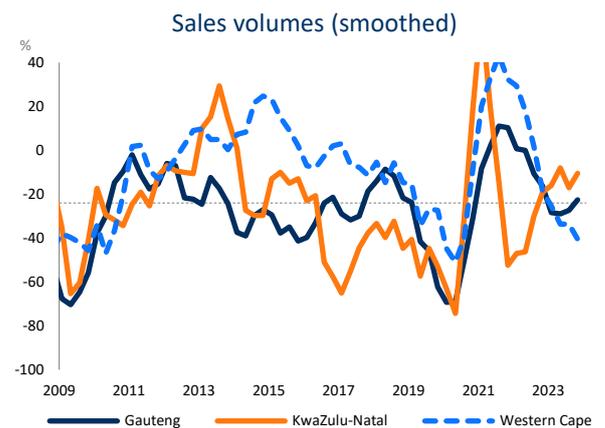
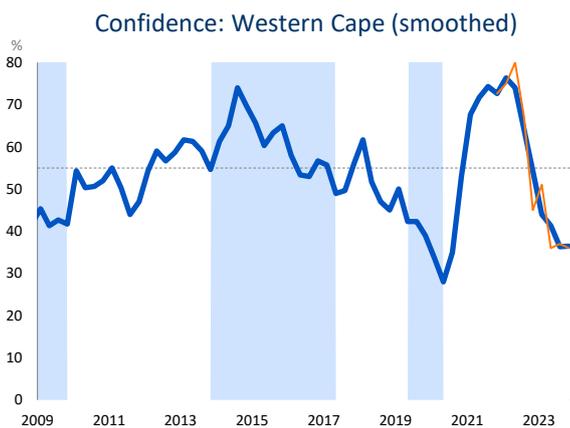
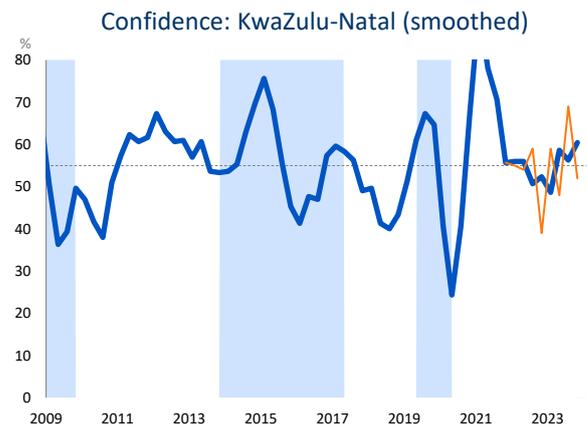
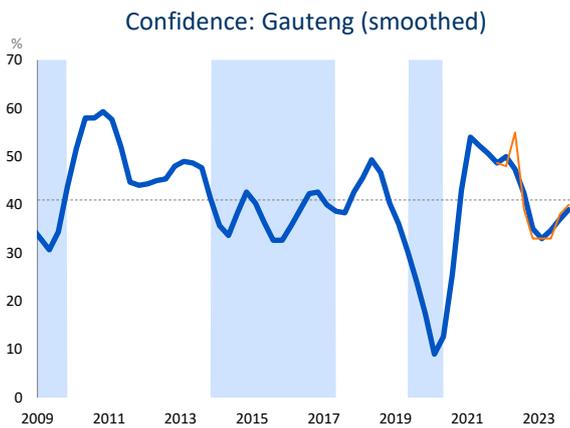
$\sigma_{\Delta}$  – volatility (standard deviation of the changes)

All of the above calculated over 2009 to the present

See Technical note for further details

# WHOLESALE TRADE: PROVINCES

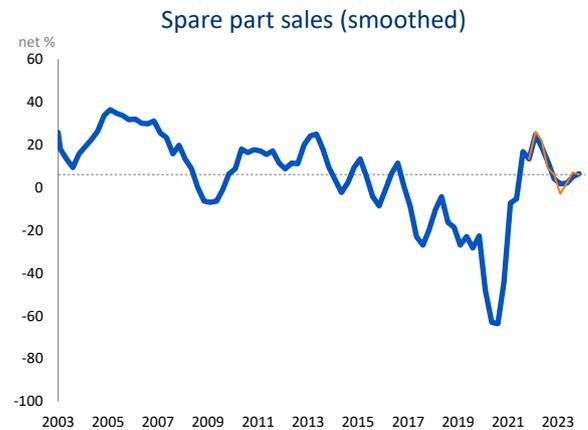
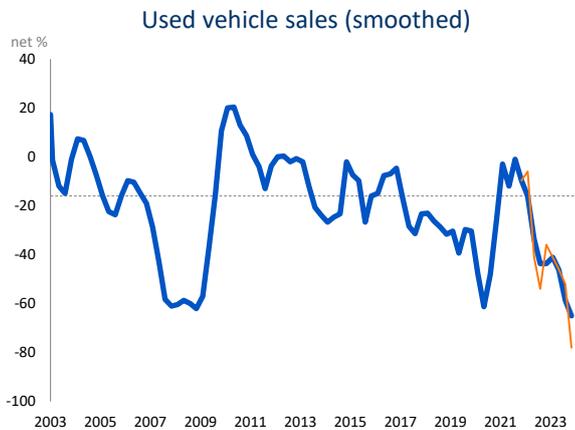
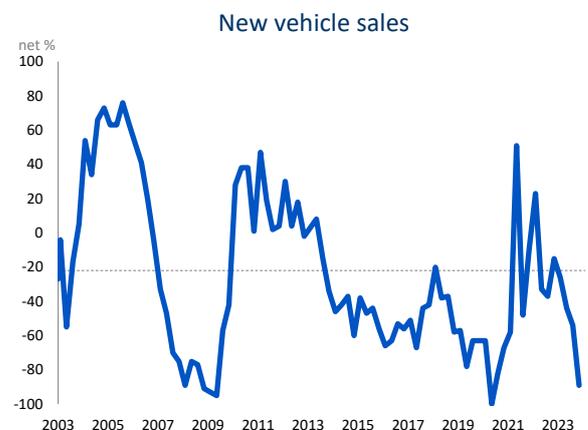
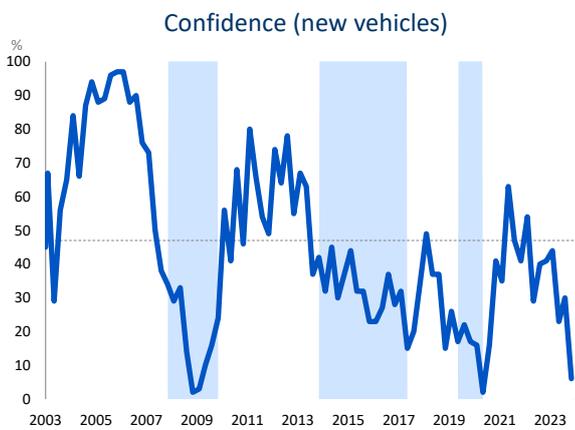
Indicator	Unit	$\mu - \sigma$	$\mu$	$\mu + \sigma$	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	$\Delta$	$\sigma_{\Delta}$
<b>Gauteng</b>														
Confidence	%	29	41	53	48	55	39	33	33	33	38	<b>40</b>	2	9
Smoothed	%	31	41	51	50	47	42	35	33	35	37	<b>39</b>	2	5
Sales volumes	Net %	-50	-27	-3	7	-6	-1	-25	-23	-37	-27	<b>-18</b>	9	21
Smoothed	Net %	-46	-27	-7	1	0	-11	-16	-28	-29	-27	<b>-23</b>	4	9
<b>KwaZulu-Natal</b>														
Confidence	%	37	55	72	55	54	59	39	59	48	69	<b>52</b>	-17	22
Smoothed	%	44	55	66	56	56	51	52	49	59	56	<b>61</b>	5	9
Sales volumes	Net %	-61	-26	9	-54	-46	-39	-5	-13	-30	19	<b>-40</b>	-59	38
Smoothed	Net %	-51	-25	0	-47	-46	-30	-19	-16	-8	-17	<b>-11</b>	6	18
<b>Western Cape</b>														
Confidence	%	40	54	68	75	80	67	45	51	36	37	<b>36</b>	-1	15
Smoothed	%	43	54	65	76	74	64	54	44	41	36	<b>37</b>	1	6
Sales volumes	Net %	-35	-8	19	25	29	0	-24	-32	-20	-49	<b>-32</b>	17	25
Smoothed	Net %	-31	-8	15	29	18	2	-19	-25	-34	-34	<b>-41</b>	-7	11



$\mu$  – average  
 $\sigma$  – standard deviation  
 $\Delta$  – change from previous period  
 $\sigma_{\Delta}$  – volatility (standard deviation of the changes)  
 All of the above calculated over 2009 to the present  
 See Technical note for further details

# MOTOR TRADE<sup>11</sup>

Indicator	Unit	$\mu - \sigma$	$\mu$	$\mu + \sigma$	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	$\Delta$	$\sigma_{\Delta}$
<b>New vehicles</b>														
Confidence	%	19	44	70	54	29	40	41	44	23	30	6	-24	14
Sales volumes	Net %	-72	-24	24	23	-33	-37	-15	-26	-44	-54	-89	-35	27
<b>Used vehicles</b>														
Sales volumes	Net %	-47	-22	4	-6	-41	-54	-36	-41	-46	-52	-78	-26	23
Smoothed	Net %	-43	-22	-1	-16	-34	-44	-44	-41	-46	-59	-65	-6	10
<b>Spare parts</b>														
Sales volumes	Net %	-20	5	29	26	22	9	6	-3	2	7	6	-1	20
Smoothed	Net %	-16	5	26	25	19	12	4	2	2	5	7	2	8

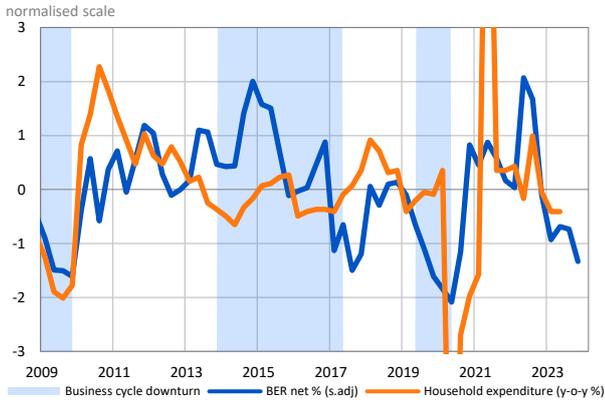


<sup>11</sup> The “motor trade” consists of the retail sales of new and used vehicles (SIC code 6312), as well as new spare parts and accessories (6331). The BER does not cover the wholesale sale of motor vehicles (6311), the maintenance and repair of motor vehicles (632), the sale of used parts and accessories (6332), the sale, maintenance and repair of motor cycles (634) and the retail sale of automotive fuel (635).

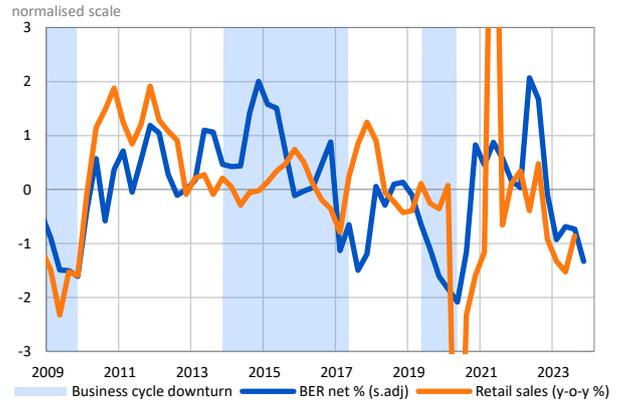
$\mu$  – average  
 $\sigma$  – standard deviation  
 $\Delta$  – change from previous period  
 $\sigma_{\Delta}$  – volatility (standard deviation of the changes)  
 All of the above calculated over 2009 to the present  
 See Technical note for further details

# SUMMARY

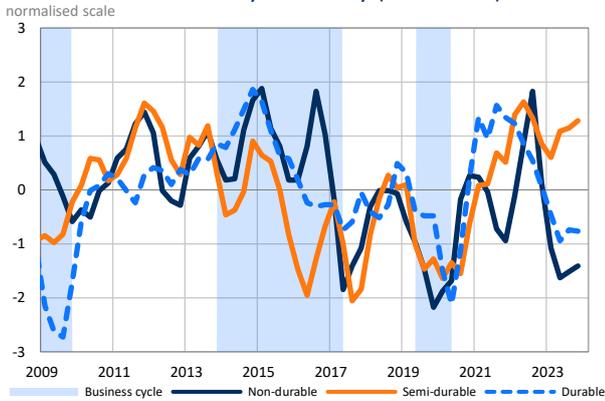
BER retail sales & FHCE\*



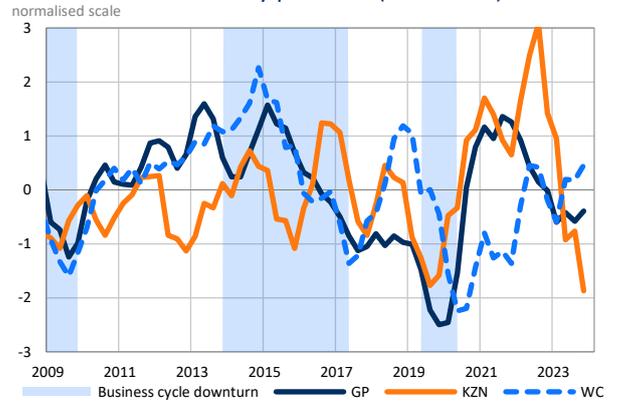
Retail sales



Retail: sales by durability (smoothed)



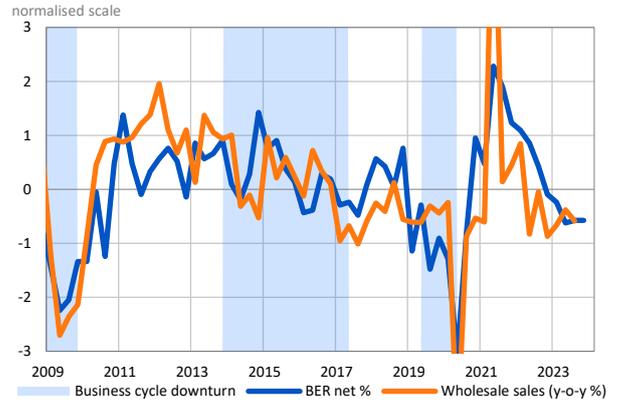
Retail: sales by province (smoothed)



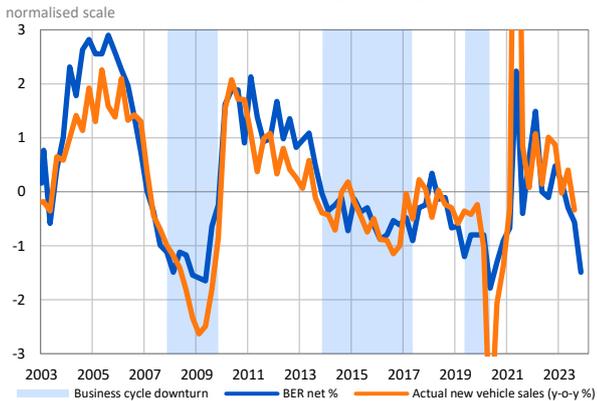
Retail: selling prices & core CPI



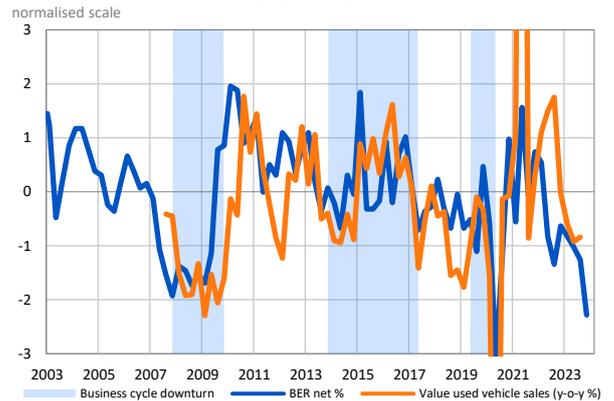
Wholesale sales



Motor: new vehicle sales



Motor: used vehicle sales



\* Incl. spending on cars, petrol and services.

# Technical note

## THE CONSUMER CONFIDENCE SURVEY METHOD

Consumer opinion surveys (COS) provide regular assessments of consumer attitudes and expectations and are used to evaluate economic trends and prospects. The surveys are designed to explore why changes in consumer expectations occur and how these changes influence consumer spending and saving decisions.

The FNB/BER consumer confidence index (CCI) combines the results of three questions posed to adults in South Africa, namely the expected performance of the economy, the expected financial position of households and the rating of the suitability of the present time to buy durable goods, such as furniture, appliances and electronic equipment.

Until the second quarter of 2019, the FNB/BER CCI was based on face-to-face interviews of between 2 000 and 2 500 urban adults. The BER switched to telephone call surveys in the third quarter of 2019. The 500 respondents are representative of the racial and household income composition of the urban adult population of South Africa. Internationally, the majority of CCIs is based on telephone call surveys. The results per home language, LSM group and province are no longer produced.

Consumer confidence is expressed as a net balance. The net balance is derived as the weighted percentage of respondents expecting a considerable or slight improvement / good time to buy durable goods less the percentage expecting a considerable or slight deterioration / bad time to buy durable goods. The percentage replying “remain the same” or “neither a good nor a bad time” is ignored.

A low level of confidence indicates that consumers are concerned about the future. They may be worried about job security, pay raises and bonuses. With such a frame of mind, consumers tend to cut spending to basic necessities (e.g. food and services) to free up income for debt repayment. If confidence is high, consumers tend to incur debt (or reduce savings) and increase spending on discretionary items, such as furniture, household equipment, motor vehicles, clothing and footwear. Some of these items are often financed on credit. Spending on these items declines when confidence is low, as households can generally delay their purchase without experiencing an immediate deterioration in living conditions.

A rise in consumer confidence reflects an increased willingness of consumers to spend. However, this willingness only translates into actual sales if consumers’ ability to spend improves. Their ability to spend depends on their inflation adjusted after-tax income and the availability of credit. A rise in consumer confidence could therefore result in an upturn in household consumption spending in general and retail and motor vehicle sales in particular if their ability to spend improve and/or credit extension rise in step. The opposite applies when the level of consumer confidence declines.

Consult the BER web page ([www.ber.ac.za](http://www.ber.ac.za)) for more information about the consumer opinion survey method.

## THE RETAIL, WHOLESALE AND MOTOR TRADE 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.

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

The business survey questionnaire contains a small number of questions. These questions are qualitative in nature, e.g. "Compared to the same quarter a year ago, is the volume of 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. 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.

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. Each response is weighted according to the firm's size and the sector's contribution, and this is, in turn, adjusted for the response pattern. These weights are updated every 5 years. The new weights will apply from the third quarter of 2022 onwards. At the same time, the historical time series for the retail and wholesale trade going back to 2009 were revised to reflect the latest business census and other official results. No changes were made to the historical time series for the motor trade. The revision led to very small changes in the results relative to those published previously.

The BER conducted its first survey of the manufacturing and trade (i.e. retail, wholesale and motor trade) sectors in 1954. The sector coverage was expanded to the building sector (i.e. main contractors and sub-contractors) in 1969. Architects, quantity surveyors and civil engineering contractors were added later to the building survey.

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

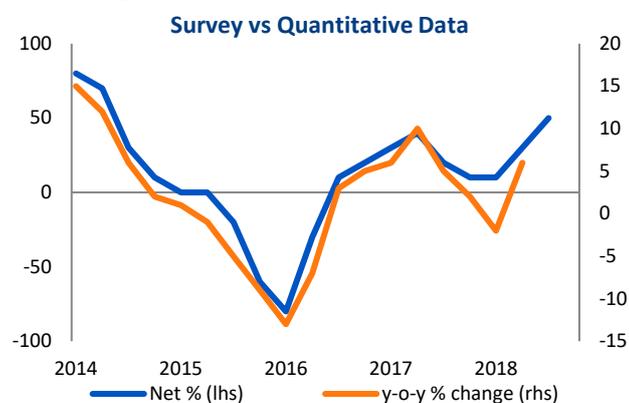
# THE UNIQUE UNITS OF MEASUREMENT OF QUALITATIVE SURVEYS

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

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

### Seasonal adjustment (SA)

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

### Average ( $\mu$ )

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.