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# Retail Trade

## Quarterly analysis of activity in retail, wholesale and motor trade

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# EDITOR:

**Retail trade: Helanya Fourie**

helanya@sun.ac.za
+27 (21) 808 3004

# TECHNICAL ASSISTANCE:

**Nicolaas van der Wath**

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

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# Executive summary

## The BER's Retail Survey shows confidence in the sector improved to 32% in the third quarter, up from 20% in quarter two. While confidence remains below the long-term average, the index recovered most of the losses experienced during the second quarter.

Although load-shedding remains a harsh reality, inflation has moved to within the SARB's target band so far in quarter three. For the first time since November 2021, the SARB did not hike the policy rate at its July meeting. These factors likely contribute to the improvement we see in retail confidence. However, a more detailed look at the results shows that sectors sensitive to the interest rate show signs of strain. The BER's Retail Trade Survey suggest that dealers of new vehicles and retailers selling durable goods[1] see declining volumes. In contrast, non-durable goods[2] retailers are more optimistic about sales volumes in the third quarter than in quarter two. Sales of semi-durable goods[3] also seem to be continuing the growth trend that has emerged since the lifting of lockdown restrictions.

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[1] Harware and furniture

[2] General dealers, retailers in specialised food, beverages and tobacco, and retailers in pharmaceutical and medical goods, cosmetics and toiletries

[3] Textiles, clothing, footwear and leather goods.

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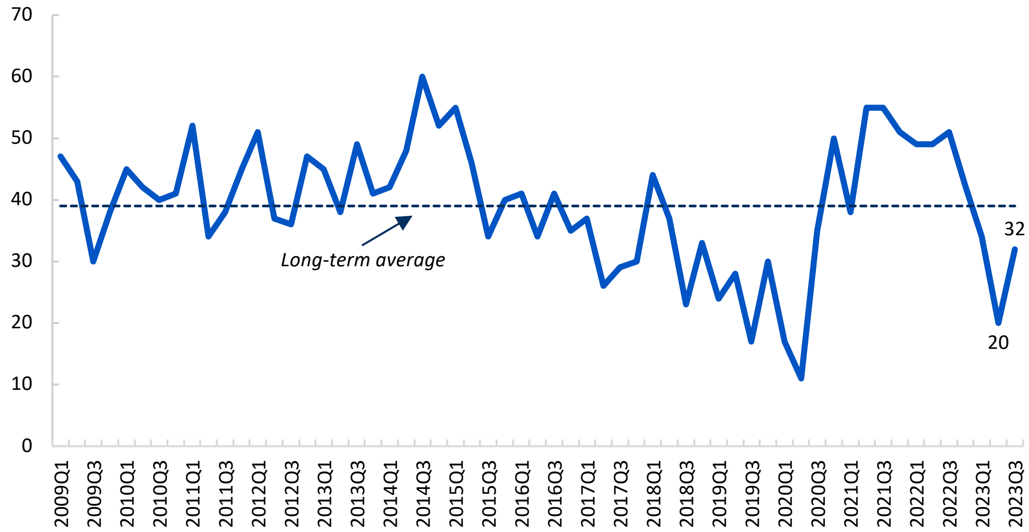
# Summary of the 2023Q3 trade sector survey results

## RETAIL CONFIDENCE UP AFTER SECOND-QUARTER SLUMP

The BER's Retail Survey[4] shows confidence in the sector improved to 32% in the third quarter, up from 20% in quarter two. While confidence remains below the long-term average, the index recovered most of the losses experienced during the second quarter.

**Figure 1: Retail business confidence (%)**




The low confidence reading during the second quarter (Figure 1) was likely affected by inflation not yet returning to within the SARB's target band and cumulative repo rate hikes of 50bps over the same period. Expectations of severe load-shedding during winter would also have impacted confidence.

The BER's Retail Trade Survey foreshadowed this weakening, confirmed by the official Stats SA data (Table 1). Consumers continued to spend cautiously amid a tight economic environment, causing real retail sales to fall by 1.4% y-o-y during 2023Q2. Stats SA's GDP release for the second quarter shows that household consumption declined by 0.3% compared to the first quarter (constant 2015 prices, seasonally adjusted).[5]

[4] Conducted between 16 and 29 August 2023.

[5] Stats SA (2023). P0441 - Gross Domestic Product (GDP), 2nd Quarter 2023

**Table 1: Percentage change in retail sales volumes (year-on-year)[6]**

| | Total | Non-durable goods | Semi-durable goods | Durable goods |
|---|---|---|---|---|
| **2021Q1** | -1.3% | -3.6% | 13.6% | 14.7% |
| **2021Q2** | 29.0% | 12.1% | 56.3% | 51.0% |
| **2021Q3** | 0.2% | -0.1% | 7.3% | -4.8% |
| **2021Q4** | 2.5% | 1.5% | 12.0% | -2.3% |
| **2022Q1** | 3.2% | 4.0% | 9.7% | -4.8% |
| **2022Q2** | 1.0% | 1.0% | 6.6% | -5.0% |
| **2022Q3** | 3.3% | 4.0% | 8.0% | -2.5% |
| **2022Q4** | -0.1% | -1.1% | 4.5% | -2.6% |
| **2023Q1** | -1.0% | -1.7% | 4.8% | -3.9% |
| **2023Q2** | -1.4% | -3.0% | 5.7% | -3.7% |

*Source: BER calculations from Stats SA data (Retail Trade Sales)*

The BER's Retail Trade Survey for quarter three signals some recovery in confidence and volumes. The business conditions index corroborates the improvement in confidence, climbing from -69 to -36. It is at the highest level this year and moving nearer to the long-term average of -31.

Although there wasn't much movement in the aggregate retail sales volume index, the different categories reveal varying trends. The sales volume indices for non-durable and semi-durable goods improved, while the same index for durable goods dropped. It suggests that sales in sectors more sensitive to the interest rate (like durable goods and the vehicle trade) are diverging from the rest.

The sales volume index for *non-durable good*s is still below the long-term average but the highest it has been all year. Tapering food price inflation is likely helping the sector: although it remains high (with a print of 10% in July), the monthly rate of change has come down substantially. The BER's selling price index for non-durable goods dropped by almost two standard deviations and is the lowest in two years. Respondents seem increasingly confident that retail inflation will continue to taper. On the other hand, load-shedding may still dampen demand for non-durables, giving consumers a reason to eat out when there is no electricity at home.

*Semi-durable goods* seem to be continuing the growth trend that has emerged since the lifting of lockdown restrictions. At 22 points, the sales volume index for semi-durable goods is far above the long-term average of -17, suggesting that volume growth remained surprisingly strong during the third quarter. Respondents' views on volume growth in Q3 are likely also impacted by strong growth in Q2: the official Stats SA data shows an impressive increase of 5.7% compared to 2022Q2 (Table 1). The decline in the BER's "stock relative to demand" index also suggests that semi-durable goods sales volumes surprised on the upside during the third quarter. For the first time since Q2 last year, the semi-durable goods stock index is below the long-term average (at 4 points, compared to an average of 22).

There are several explanations for the relative outperformance of semi-durable goods: For one, a sustained strong recovery in employment – with 412 000 jobs created during the first half of 2023 – would have bolstered clothing and footwear growth in particular. Secondly, during

[6] **Non-durable goods** retailers include general dealers, retailers in specialised food, beverages and tobacco, and retailers in pharmaceutical and medical goods, cosmetics and toiletries; **Semi-durable goods** retailers include retailers in textiles, clothing, footwear and leather goods; **Durable goods** retailers include retailers in household furniture, appliances and equipment, and retailers in hardware, paint and glass; **Total** excluding "other" categories.

difficult economic times, when consumers cannot afford expensive luxuries such as new cars or overseas holidays, consumers tend to spend more on relatively smaller indulgences such as beauty products, fragrances and fashionable clothing. In addition, clothing and footwear inflation – at only 3% during the second quarter – remains below the CPI inflation rate. Low semi-durable goods inflation increases affordability and boosts sales volumes. Finally, demand for apparel associated with the 2023 Rugby World Cup that is taking place this quarter may likely also boost sales among sportswear retailers.

However, the BER's selling price index for semi-durable goods climbed significantly during the second quarter, suggesting that prices may now be playing some catch-up. The sharp depreciation in the rand exchange rate (increasing the cost of imported goods) and surge in load-shedding led to a significant increase in the operational costs, and semi-durable goods retailers now appear to be passing this on more fully to consumers (especially with semi-durable goods demand seemingly remaining resilient).

Durable goods follow a different trend. The sales volume indices for hardware and furniture signal volume declines this quarter. Hardware sales, in particular, are doing poorly, with the sales volume index at -54 compared to the long-term average of -19. This is despite the selling price index for durable goods dropping significantly. As a sector sensitive to the policy rate, it is clear that constraints on consumers' real disposable income and a deterioration in credit extension are taking a toll. Stats SA's Q2 GDP release shows that household spending on furnishings, equipment, and maintenance was 2.1% lower than in quarter one.

Nevertheless, we may see some improvement in overall retail sales during the coming quarters if headline CPI continues to move towards the middle of the SARB's target range and the central bank maintains its pause in rate hikes. So long as load-shedding persists, however, it will continue to dampen consumer spending in the sector.

## WHOLESALE CONFIDENCE ALSO RECOVERS

Stats SA's trade statistics show that real wholesale trade was only marginally lower (-0.11%) in 2023Q2 than in the same quarter last year. The drop in wholesale confidence during Q2 (from 40% to 32%) would have suggested a larger volume decline, which may explain the rebound in confidence to 38% during quarter three. In addition, much-improved wholesale purchase and selling price indices suggest that the rebound in confidence can partially be ascribed to lower cost-price pressure.

On aggregate, the wholesale sales volume index stayed flat, with a small improvement in consumer goods (up by 6 points) counterweighed by a small deterioration in non-consumer goods (down by 4 points). Consumer goods, however, still have quite a bit further to go before reaching the long-run average. For this category, the index reflecting stocks relative to demand is at its highest since COVID-19, indicative of soft demand and remaining constraints in the retail sector.

Despite the improvement in confidence, there was a steep decline in the wholesale business conditions index, down from -40 to -62, contrasting with the trajectory we saw in retail. This may, to an extent, be ascribed to the taxi strike in the Western Cape from 2-10 August. In this province, the wholesale business conditions index dropped from -15 to -80, and the sales volume index dropped from -20 to -49, both at their lowest levels since COVID-19. Whereas our survey results do not signal a substantial impact of the taxi strike on the Western Cape's retail sector, it seems to have impacted wholesalers. Barring more disruptions in the province, the wholesale business conditions index will likely bounce back next quarter.

## MOTOR TRADE

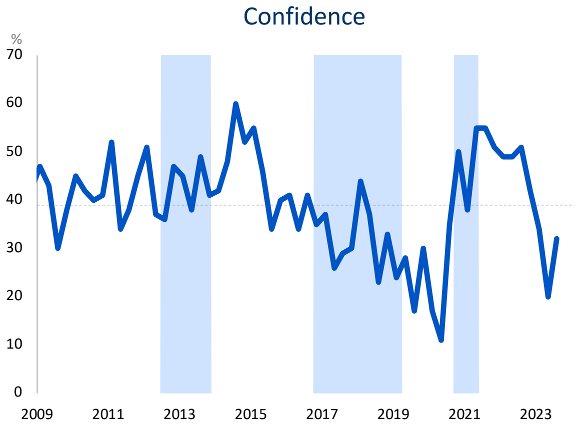
Confidence among dealers of new vehicles increased to 30% in the third quarter, up from 23% in 2023Q2. However, this trend contradicts most of the other vehicle market indicators we track. The sales volume index for new vehicles dropped from -44 to -54. In addition, the index reflecting stocks relative to demand climbed from 11 to 44, indicative of soft demand in the sector. Naamsa's statistics for domestic sales of passenger vehicles during July show a 10% drop compared to last year.

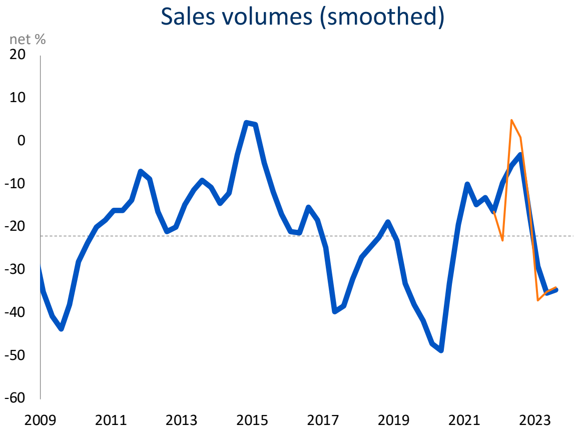
As a sector sensitive to interest rate hikes, these trends suggest that the policy rate of 8.25% – well above pre-COVID levels – is starting to affect consumer behaviour. In July, the South African Reserve Bank (SARB) decided to keep the repo rate unchanged for the first time since November 2021. This likely boosted confidence among new vehicle dealers. Following the meeting, the SARB revealed a downwardly revised headline and core CPI, although the governor stressed that risks to their forecast are judged to the upside. New vehicle sales will likely remain under pressure until interest rate cuts are implemented (possibly from the second quarter of 2024), especially given the upward pressure on vehicle prices from the sharp deterioration in the rand exchange rate.

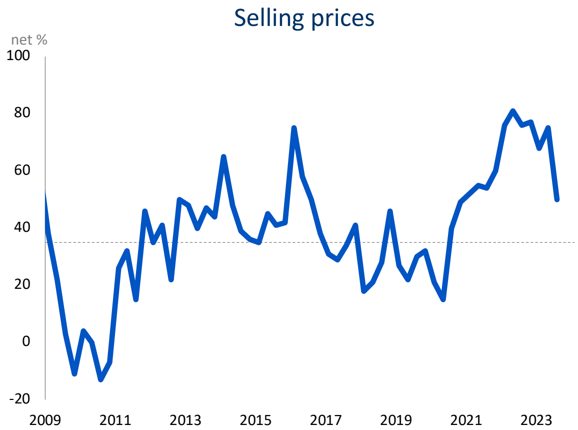
# Survey results

## RETAIL TRADE: TOTAL[7]

| Indicator | Unit | μ-σ | μ | μ+σ | 21Q4 | 22Q1 | 22Q2 | 22Q3 | 22Q4 | 23Q1 | 23Q2 | 23Q3 | Δ | $\sigma_\Delta$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Confidence | % | 29 | 39 | 50 | 51 | 49 | 49 | 51 | 42 | 34 | 20 | **32** | 12 | 9 |
| Business conditions | Net % | -48 | -31 | -14 | -10 | -20 | -9 | -15 | -23 | -41 | -69 | **-36** | 33 | 15 |
| Sales volumes | Net % | -36 | -21 | -6 | -11 | -23 | 5 | 1 | -15 | -37 | -35 | **-34** | 1 | 13 |
| Seasonally adjusted | Net % | -35 | -21 | -7 | -19 | -21 | 9 | 3 | -23 | -35 | -31 | **-32** | -1 | 11 |
| Smoothed | Net % | -34 | -21 | -9 | -16 | -10 | -6 | -3 | -17 | -29 | -35 | **-35** | 0 | 6 |
| Selling prices | Net % | 16 | 38 | 60 | 60 | 76 | 81 | 76 | 77 | 68 | 75 | **50** | -25 | 14 |



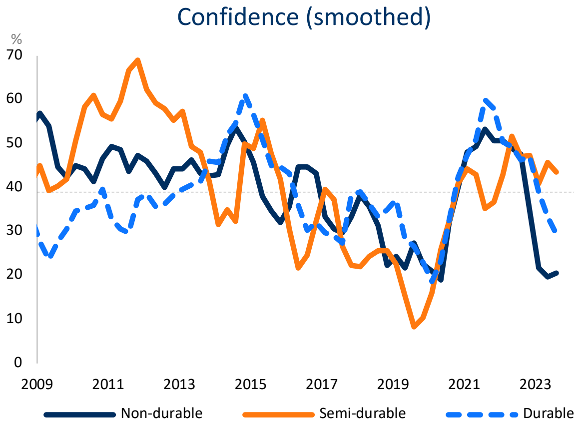



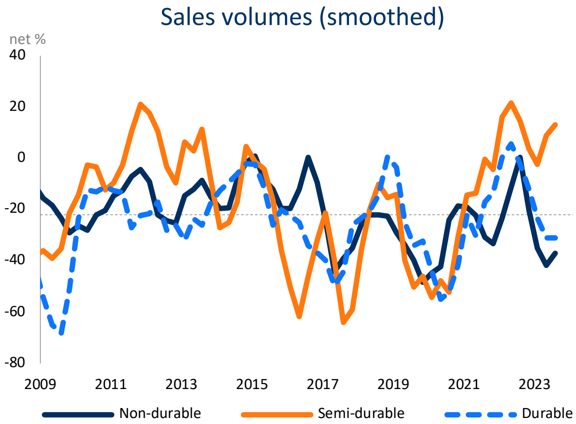



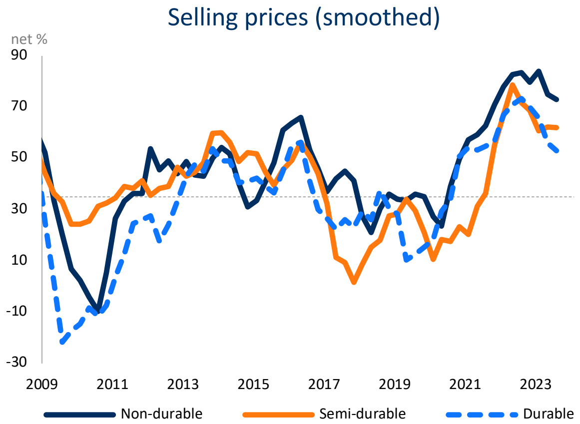

[7] The "retail trade total" consists of the "retail trade durables", the "retail trade semi-durables" and the "retail trade non-durables" goods sectors. The BER does not cover the retail trade in second hand goods in stores (SIC code 624), the retail trade not in stores (625) and the repair of personal and household goods (626).

*μ – average*
*σ – standard deviation*
*Δ – 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




*μ – average*
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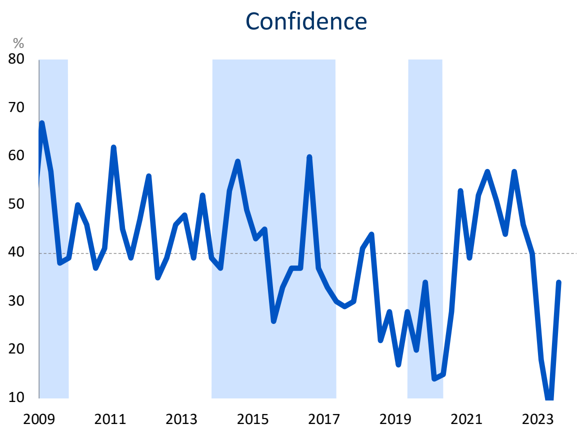
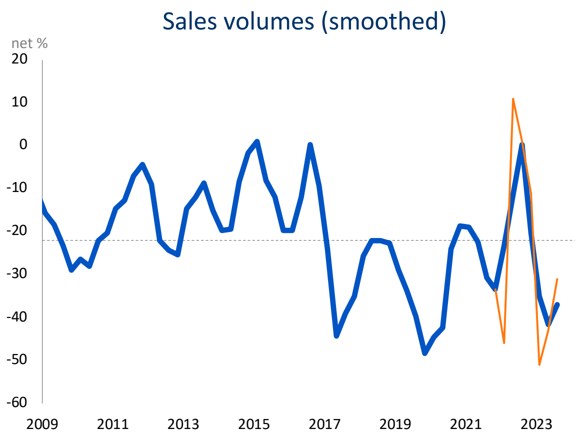
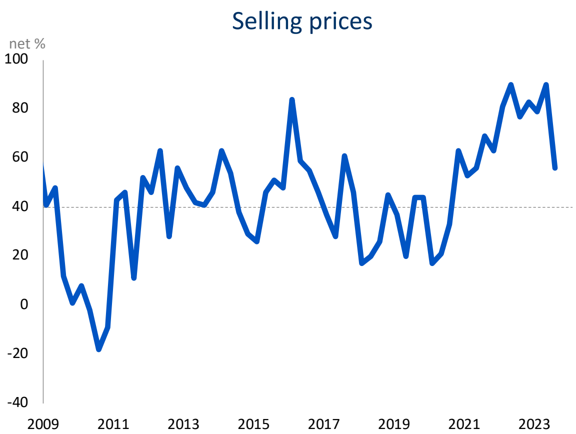
*$\sigma_\Delta$ – volatility (standard deviation of the changes)*
*All of the above calculated over 2009 to the present*
*See Technical note for further details*

# RETAIL TRADE: NON-DURABLES[8]

| Indicator | Unit | μ-σ | μ | μ+σ | 21Q4 | 22Q1 | 22Q2 | 22Q3 | 22Q4 | 23Q1 | 23Q2 | 23Q3 | Δ | σ Δ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Confidence | % | 27 | 40 | 53 | 51 | 44 | 57 | 46 | 40 | 18 | 7 | **34** | 27 | 13 |
| Business conditions | Net % | -53 | -33 | -14 | -20 | -41 | -1 | -18 | -17 | -68 | -89 | **-32** | 57 | 22 |
| Sales volumes | Net % | -38 | -21 | -5 | -35 | -46 | 11 | 1 | -11 | -51 | -43 | **-31** | 12 | 18 |
| Seasonally adjusted | Net % | -38 | -21 | -5 | -43 | -44 | 15 | 3 | -19 | -49 | -39 | **-29** | 10 | 18 |
| Smoothed | Net % | -33 | -22 | -10 | -33 | -23 | -11 | 0 | -20 | -35 | -42 | **-37** | 5 | 8 |
| Selling prices | Net % | 19 | 43 | 67 | 63 | 81 | 90 | 77 | 83 | 79 | 90 | **56** | -34 | 19 |




[8] 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)

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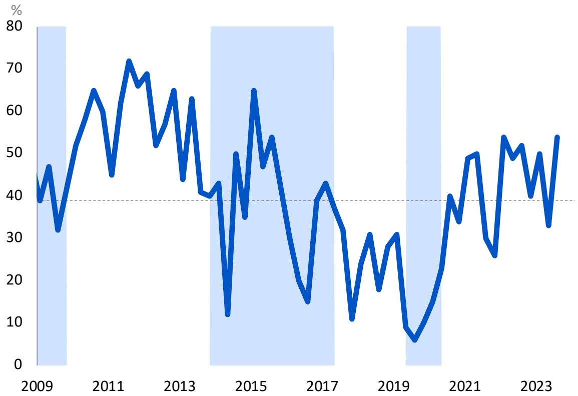
*σ – standard deviation*
*Δ – change from previous period*
*$σ_Δ$ – volatility (standard deviation of the changes)*
*All of the above calculated over 2009 to the present*
*See Technical note for further details*

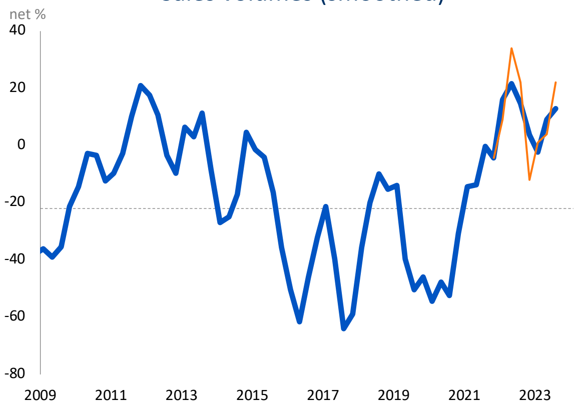
# RETAIL TRADE: SEMI-DURABLES[9]

| Indicator | Unit | μ-σ | μ | μ+σ | 21Q4 | 22Q1 | 22Q2 | 22Q3 | 22Q4 | 23Q1 | 23Q2 | 23Q3 | Δ | σ Δ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Confidence | % | 24 | 41 | 57 | 26 | 54 | 49 | 52 | 40 | 50 | 33 | **54** | 21 | 15 |
| Business conditions | Net % | -63 | -33 | -3 | -30 | 6 | 34 | 22 | -19 | 1 | -46 | **-36** | 10 | 32 |
| Sales volumes | Net % | -47 | -17 | 14 | 5 | 9 | 34 | 22 | -12 | 1 | 4 | **22** | 18 | 33 |
| Smoothed | Net % | -40 | -17 | 6 | -4 | 16 | 22 | 15 | 4 | -2 | 9 | **13** | 4 | 12 |
| Selling prices | Net % | 18 | 39 | 59 | 38 | 91 | 72 | 73 | 70 | 63 | 49 | **75** | 26 | 19 |

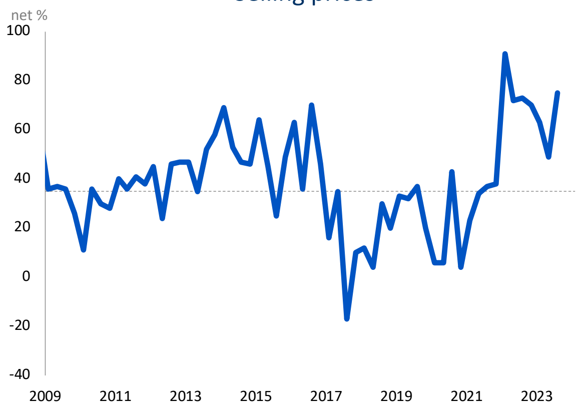
Confidence




Sales volumes (smoothed)




Selling prices



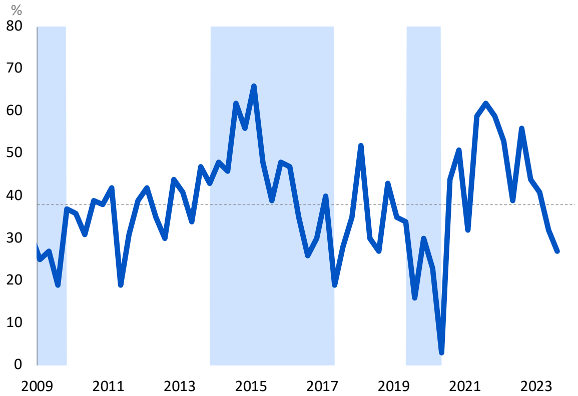

[9] Textiles, clothing, footwear & leather goods (SIC code 6232), sports goods & entertainment requisites (62393), other semi-durable goods (62399)

*μ – average*
*σ – standard deviation*
*Δ – change from previous period*
*σ$_Δ$ – volatility (standard deviation of the changes)*
*All of the above calculated over 2009 to the present*
*See Technical note for further details*

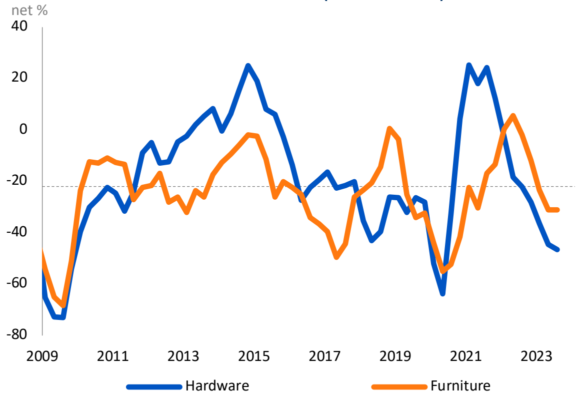
# RETAIL TRADE: DURABLES[10]

| Indicator | Unit | μ-σ | μ | μ+σ | 21Q4 | 22Q1 | 22Q2 | 22Q3 | 22Q4 | 23Q1 | 23Q2 | 23Q3 | Δ | σ Δ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Confidence | % | 26 | 38 | 51 | 59 | 53 | 39 | 56 | 44 | 41 | 32 | **27** | -5 | 13 |
| Business conditions | Net % | -51 | -29 | -7 | 10 | 1 | -31 | -22 | -30 | -32 | -49 | **-38** | 11 | 22 |
| Sales volumes | | | | | | | | | | | | | | |
| Total | Net % | -44 | -22 | 1 | 14 | -2 | -11 | -6 | -19 | -37 | -34 | **-45** | -11 | 22 |
| Hardware | Net % | -48 | -19 | 11 | 33 | -18 | -23 | -14 | -29 | -41 | -39 | **-54** | -15 | 26 |
| Furniture | Net % | -47 | -25 | -2 | -11 | 13 | -1 | 5 | -10 | -31 | -29 | **-33** | -4 | 25 |
| Selling prices | Net % | 7 | 32 | 58 | 64 | 65 | 72 | 76 | 72 | 62 | 63 | **43** | -20 | 19 |

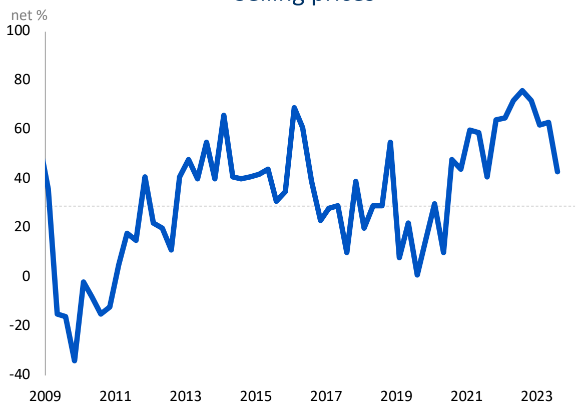
Confidence




Sales volumes (smoothed)




Selling prices

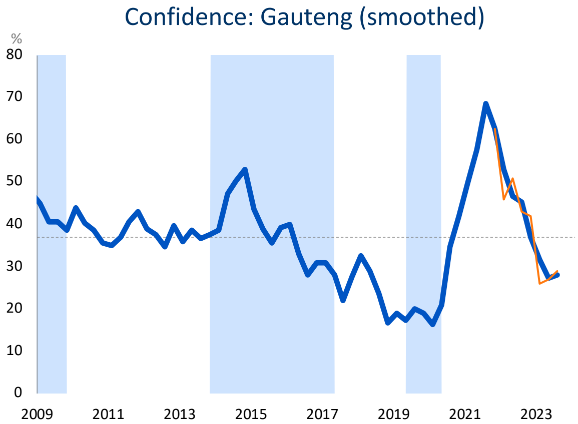


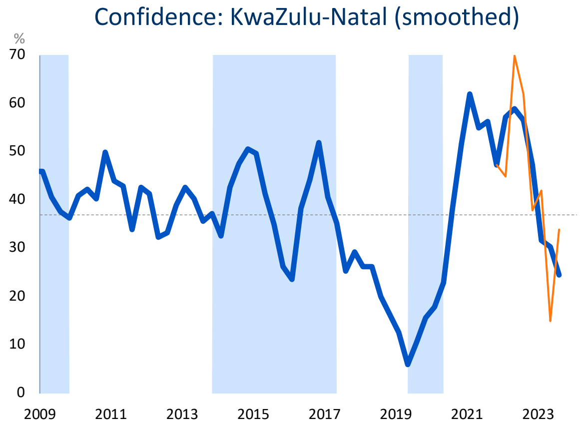

[10] "Retail trade durables" consists of "hardware" and "furniture". "Hardware" includes hardware, paint and glass (SIC code 6234). "Furniture" consists of household furniture, appliances, articles and equipment (6233), jewellery and related items (62392) and other durable goods (62399)

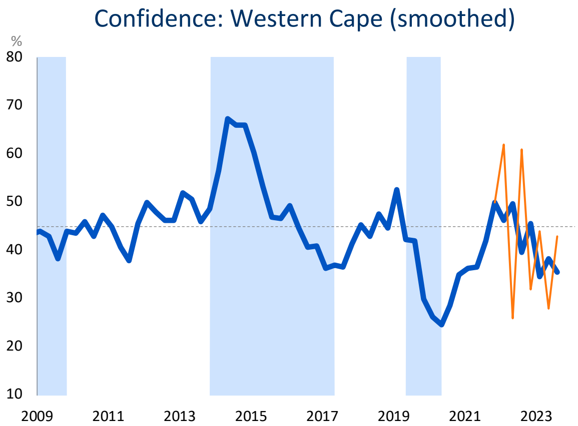
*μ – average*
*σ – standard deviation*
*Δ – change from previous period*
*$\sigma_\Delta$ – volatility (standard deviation of the changes)*
*All of the above calculated over 2009 to the present*
*See Technical note for further details*

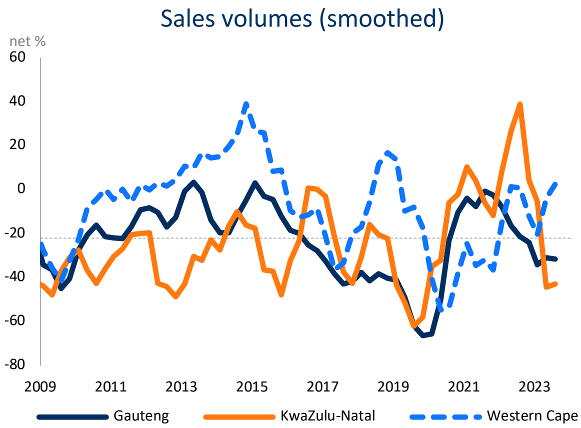
# RETAIL TRADE: PROVINCES

| Indicator | Unit | μ-σ | μ | μ+σ | 21Q4 | 22Q1 | 22Q2 | 22Q3 | 22Q4 | 23Q1 | 23Q2 | 23Q3 | Δ | σ Δ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Gauteng | | | | | | | | | | | | | | |
| Confidence | % | 23 | 37 | 50 | 62 | 46 | 51 | 43 | 42 | 26 | 27 | **29** | 2 | 13 |
| Smoothed | % | 26 | 37 | 48 | 63 | 53 | 47 | 45 | 37 | 32 | 27 | **28** | 1 | 5 |
| Sales volumes | Net % | -44 | -24 | -3 | 15 | -17 | -22 | -10 | -32 | -30 | -40 | **-23** | 17 | 18 |
| Smoothed | Net % | -41 | -24 | -7 | -2 | -8 | -16 | -21 | -24 | -34 | -31 | **-32** | -1 | 8 |
| KwaZulu-Natal | | | | | | | | | | | | | | |
| Confidence | % | 21 | 37 | 54 | 57 | 45 | 70 | 62 | 38 | 42 | 15 | **34** | 19 | 19 |
| Smoothed | % | 25 | 37 | 50 | 47 | 57 | 59 | 57 | 47 | 32 | 30 | **25** | -5 | 7 |
| Sales volumes | Net % | -53 | -25 | 3 | -19 | -11 | 57 | 34 | 26 | -47 | 5 | **-91** | -96 | 32 |
| Smoothed | Net % | -45 | -24 | -4 | -12 | 9 | 27 | 39 | 4 | -5 | -44 | **-43** | 1 | 13 |
| Western Cape | | | | | | | | | | | | | | |
| Confidence | % | 32 | 44 | 57 | 51 | 62 | 26 | 61 | 32 | 44 | 28 | **43** | 15 | 16 |
| Smoothed | % | 36 | 44 | 53 | 50 | 46 | 50 | 40 | 46 | 35 | 38 | **36** | -2 | 5 |
| Sales volumes | Net % | -34 | -8 | 18 | -38 | -26 | 21 | 9 | -28 | -17 | -16 | **21** | 37 | 27 |
| Smoothed | Net % | -29 | -8 | 13 | -36 | -14 | 1 | 1 | -12 | -20 | -4 | **3** | 7 | 10 |

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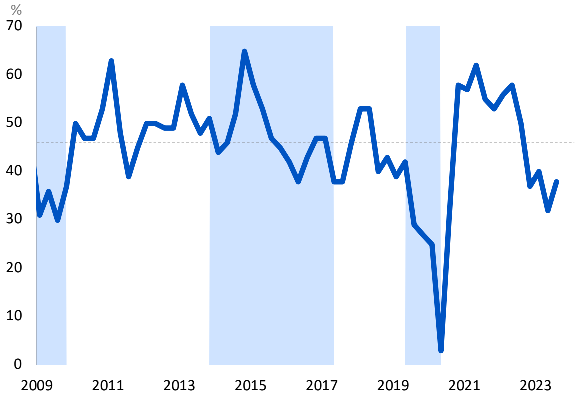
*σ – standard deviation*
*Δ – change from previous period*
*$σ_Δ$ – volatility (standard deviation of the changes)*
*All of the above calculated over 2009 to the present*
*See Technical note for further details*

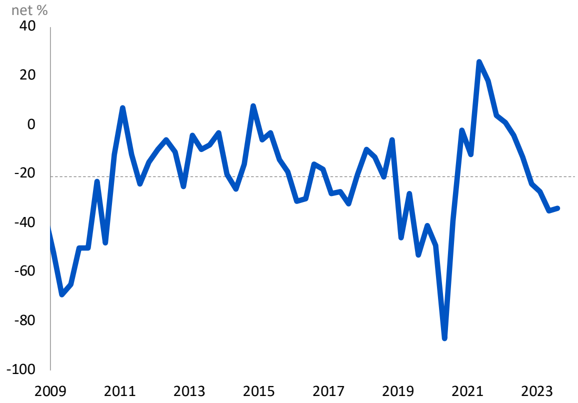
# WHOLESALE TRADE: TOTAL[11]

| Indicator | Unit | μ-σ | μ | μ+σ | 21Q4 | 22Q1 | 22Q2 | 22Q3 | 22Q4 | 23Q1 | 23Q2 | 23Q3 | Δ | σ Δ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Confidence | % | 34 | 45 | 56 | 53 | 56 | 58 | 50 | 37 | 40 | 32 | **38** | 6 | 9 |
| Business conditions | Net % | -52 | -30 | -7 | -4 | 4 | -6 | -12 | -22 | -39 | -40 | **-62** | -22 | 20 |
| Sales volumes | Net % | -43 | -22 | -1 | 4 | 1 | -4 | -13 | -24 | -27 | -35 | **-34** | 1 | 17 |
| Selling prices | Net % | 3 | 25 | 48 | 43 | 52 | 70 | 57 | 65 | 47 | 48 | **15** | -33 | 16 |

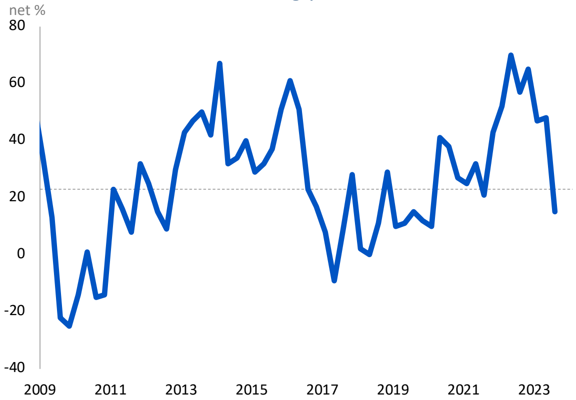
Confidence



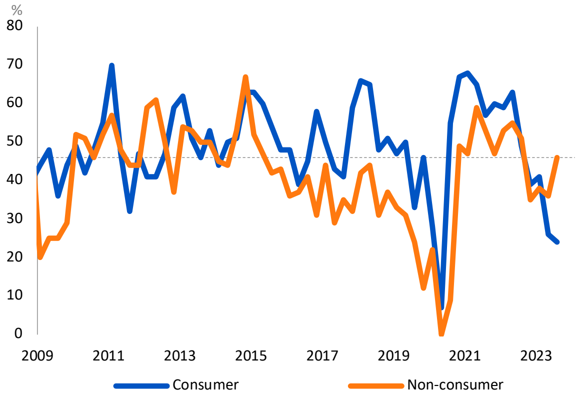

Sales volumes



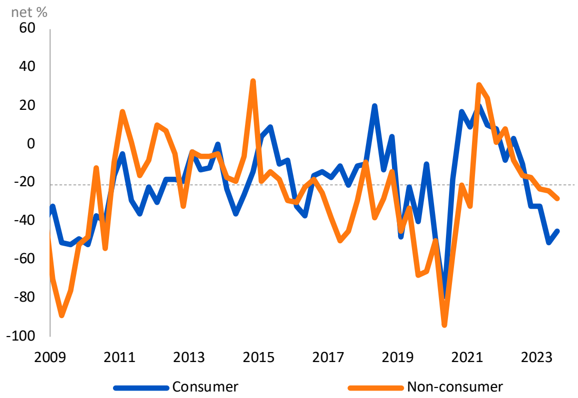

Selling prices



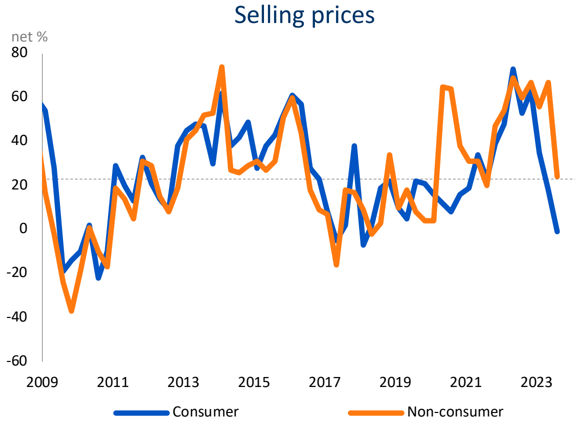

Confidence




Sales volumes




Selling prices

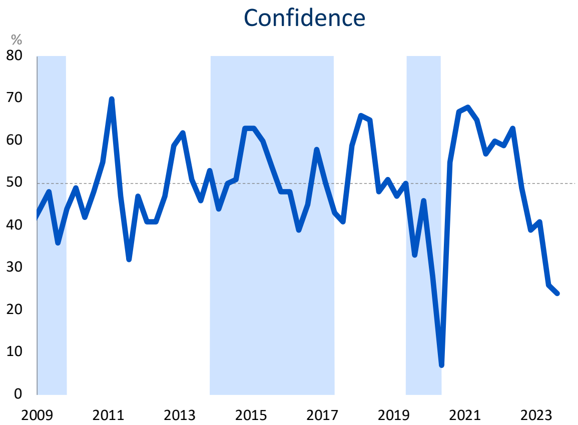


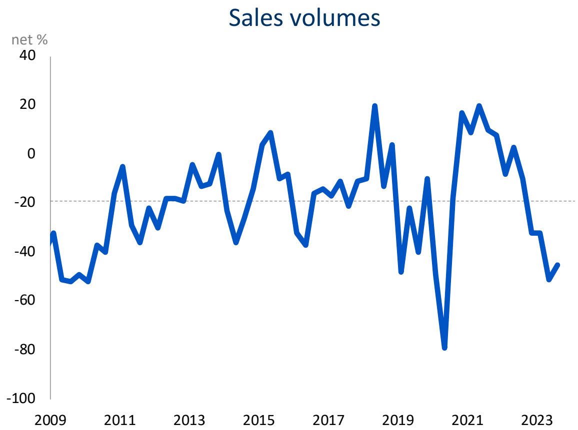

[11] The “wholesale trade total” consists of the “wholesale trade consumer goods” and the “wholesale trade non-consumer goods” sectors. The BER does not cover the wholesale trade on a fee or contract basis (SIC code 611), the wholesale trade in precious stones, jewellery and silverware (61393) and the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

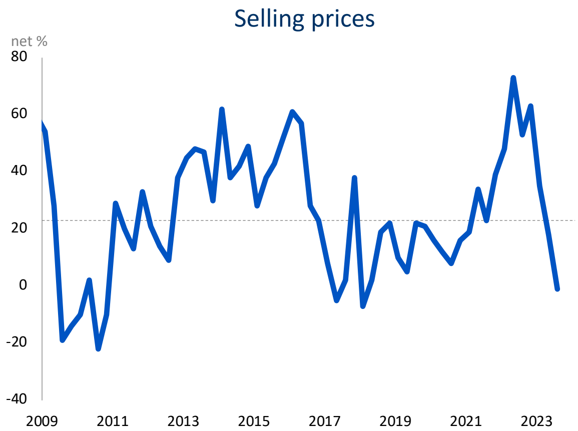
*μ – average*
*σ – standard deviation*
*Δ – change from previous period*
*σΔ – volatility (standard deviation of the changes)*
*All of the above calculated over 2009 to the present*
*See Technical note for further details*

# WHOLESALE TRADE: CONSUMER GOODS[12]

| Indicator | Unit | μ-σ | μ | μ+σ | 21Q4 | 22Q1 | 22Q2 | 22Q3 | 22Q4 | 23Q1 | 23Q2 | 23Q3 | Δ | σ Δ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Confidence | % | 37 | 49 | 61 | 60 | 59 | 63 | 49 | 39 | 41 | 26 | **24** | -2 | 12 |
| Business conditions | Net % | -53 | -30 | -7 | 2 | 1 | -11 | -19 | -30 | -58 | -37 | **-72** | -35 | 23 |
| Sales volumes | Net % | -41 | -20 | 1 | 8 | -8 | 3 | -10 | -32 | -32 | -51 | **-45** | 6 | 19 |
| Selling prices | Net % | 3 | 25 | 47 | 39 | 48 | 73 | 53 | 63 | 35 | 18 | **-1** | -19 | 18 |



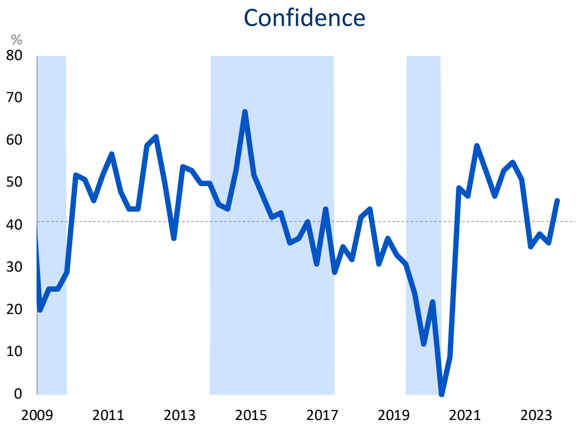



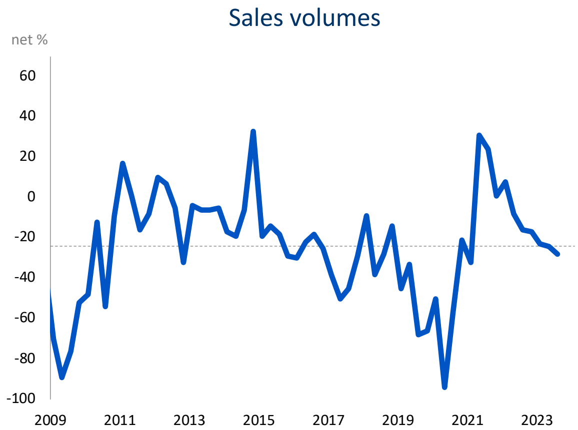

[12] Agricultural raw materials and livestock (SIC 6121), food, beverages and tobacco (6122), textiles, clothing and footwear (6131) and other household goods (6139).

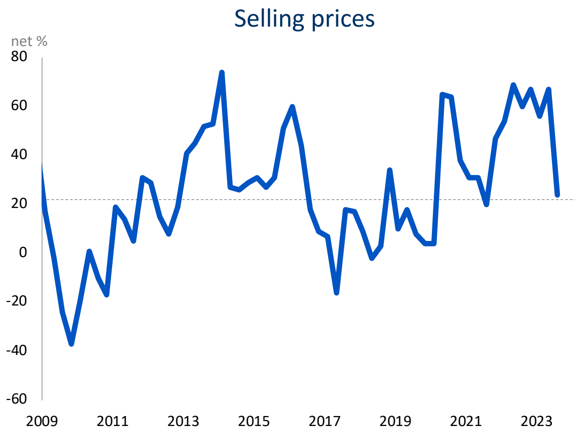
*μ – average*
*σ – standard deviation*
*Δ – change from previous period*
*σΔ – volatility (standard deviation of the changes)*
*All of the above calculated over 2009 to the present*
*See Technical note for further details*

# WHOLESALE TRADE: NON-CONSUMER GOODS[13]

| Indicator | Unit | µ-σ | µ | µ+σ | 21Q4 | 22Q1 | 22Q2 | 22Q3 | 22Q4 | 23Q1 | 23Q2 | 23Q3 | Δ | σ Δ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Confidence | % | 28 | 41 | 55 | 47 | 53 | 55 | 51 | 35 | 38 | 36 | **46** | 10 | 11 |
| Business conditions | Net % | -55 | -30 | -4 | -10 | 7 | -2 | -7 | -19 | -25 | -40 | **-54** | -14 | 22 |
| Sales volumes | Net % | -51 | -24 | 3 | 1 | 8 | -8 | -16 | -17 | -23 | -24 | **-28** | -4 | 23 |
| Selling prices | Net % | -1 | 25 | 51 | 47 | 54 | 69 | 60 | 67 | 56 | 67 | **24** | -43 | 19 |



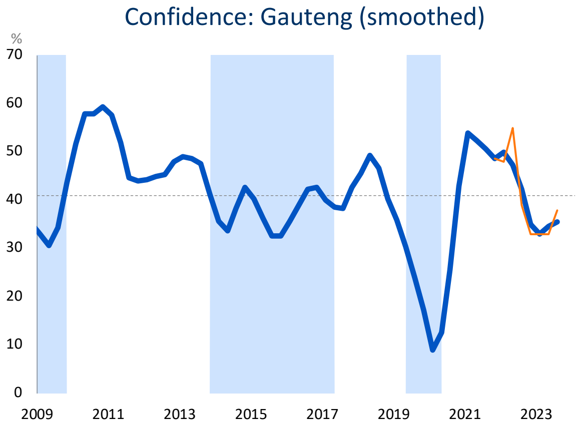



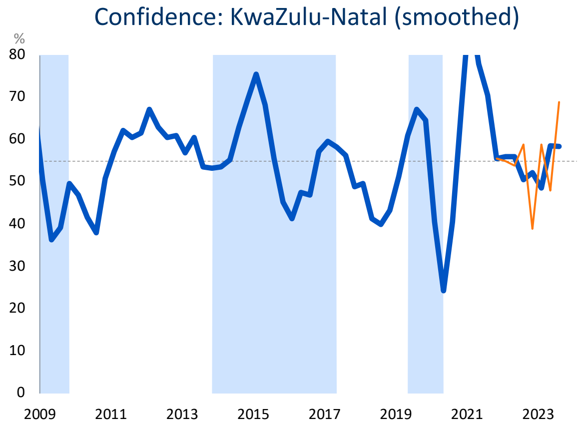

[13] Metals and metal ores (SIC code 6142), construction materials, hardware, plumbing and supplies (6143), other intermediate products, waste and scrap (6149) and machinery and equipment (615).

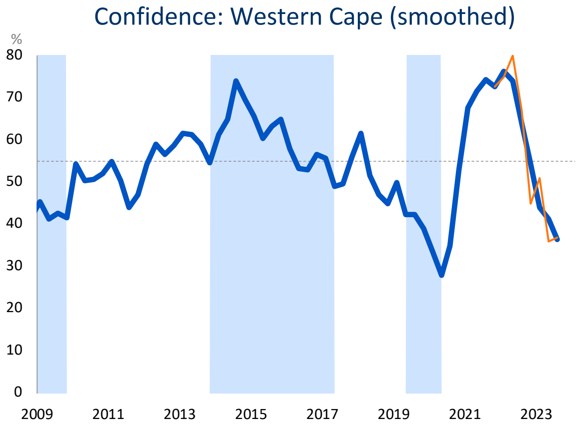
*µ – average*
*σ – standard deviation*
*Δ – change from previous period*
*$σ_Δ$ – volatility (standard deviation of the changes)*
*All of the above calculated over 2009 to the present*
*See Technical note for further details*

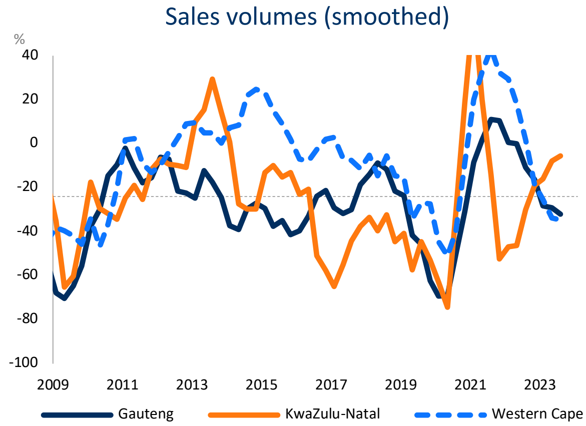
# WHOLESALE TRADE: PROVINCES

| Indicator | Unit | μ-σ | μ | μ+σ | 21Q4 | 22Q1 | 22Q2 | 22Q3 | 22Q4 | 23Q1 | 23Q2 | 23Q3 | Δ | σ Δ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Gauteng | | | | | | | | | | | | | | |
| Confidence | % | 29 | 41 | 53 | 47 | 48 | 55 | 39 | 33 | 33 | 33 | **38** | 5 | 9 |
| Smoothed | % | 31 | 41 | 51 | 49 | 50 | 47 | 42 | 35 | 33 | 35 | **36** | 1 | 5 |
| Sales volumes | Net % | -50 | -27 | -3 | 1 | 7 | -6 | -1 | -25 | -23 | -37 | **-27** | 10 | 21 |
| Smoothed | Net % | -46 | -27 | -7 | 10 | 1 | 0 | -11 | -16 | -28 | -29 | **-32** | -3 | 9 |
| KwaZulu-Natal | | | | | | | | | | | | | | |
| Confidence | % | 37 | 55 | 72 | 59 | 55 | 54 | 59 | 39 | 59 | 48 | **69** | 21 | 22 |
| Smoothed | % | 44 | 55 | 66 | 56 | 56 | 56 | 51 | 52 | 49 | 59 | **59** | 0 | 9 |
| Sales volumes | Net % | -61 | -26 | 9 | -41 | -54 | -46 | -39 | -5 | -13 | -30 | **19** | 49 | 38 |
| Smoothed | Net % | -52 | -26 | 1 | -52 | -47 | -46 | -30 | -19 | -16 | -8 | **-6** | 2 | 18 |
| Western Cape | | | | | | | | | | | | | | |
| Confidence | % | 40 | 54 | 69 | 74 | 75 | 80 | 67 | 45 | 51 | 36 | **37** | 1 | 15 |
| Smoothed | % | 43 | 54 | 65 | 73 | 76 | 74 | 64 | 54 | 44 | 41 | **37** | -4 | 6 |
| Sales volumes | Net % | -35 | -8 | 20 | 34 | 25 | 29 | 0 | -24 | -32 | -20 | **-49** | -29 | 26 |
| Smoothed | Net % | -30 | -8 | 15 | 32 | 29 | 18 | 2 | -19 | -25 | -34 | **-35** | -1 | 11 |



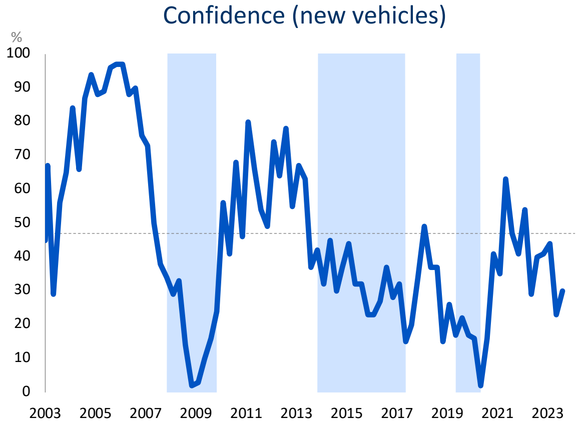




*μ – average*
*σ – standard deviation*
*Δ – change from previous period*
*$\sigma_\Delta$ – volatility (standard deviation of the changes)*
*All of the above calculated over 2009 to the present*
*See Technical note for further details*

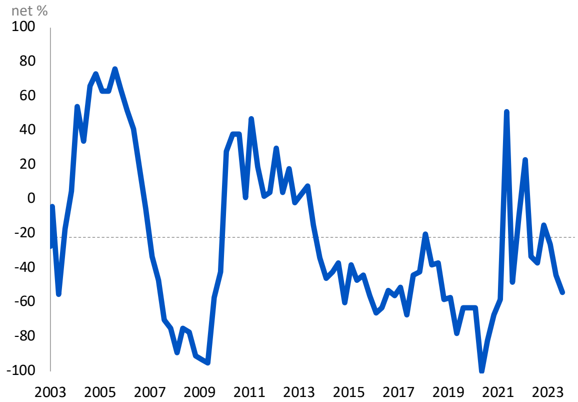
# MOTOR TRADE[14]

| Indicator | Unit | μ-σ | μ | μ+σ | 21Q4 | 22Q1 | 22Q2 | 22Q3 | 22Q4 | 23Q1 | 23Q2 | 23Q3 | Δ | σ Δ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| New vehicles | | | | | | | | | | | | | | |
| Confidence | % | 20 | 45 | 70 | 41 | 54 | 29 | 40 | 41 | 44 | 23 | **30** | 7 | 14 |
| Sales volumes | Net % | -70 | -23 | 24 | -10 | 23 | -33 | -37 | -15 | -26 | -44 | **-54** | -10 | 27 |
| Used vehicles | | | | | | | | | | | | | | |
| Sales volumes | Net % | -46 | -21 | 4 | -1 | -6 | -41 | -54 | -36 | -41 | -46 | **-52** | -6 | 23 |
| Smoothed | Net % | -41 | -21 | 0 | -10 | -16 | -34 | -44 | -44 | -41 | -46 | **-49** | -3 | 10 |
| Spare parts | | | | | | | | | | | | | | |
| Sales volumes | Net % | -19 | 5 | 29 | 26 | 26 | 22 | 9 | 6 | -3 | 2 | **7** | 5 | 20 |
| Smoothed | Net % | -16 | 5 | 26 | 13 | 25 | 19 | 12 | 4 | 2 | 2 | **5** | 3 | 8 |

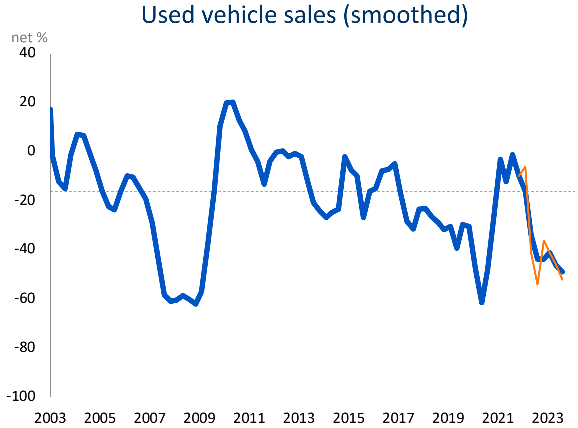
Confidence (new vehicles)



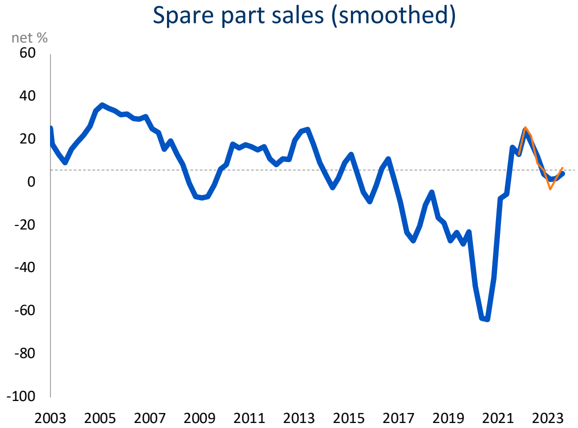

New vehicle sales




Used vehicle sales (smoothed)




Spare part sales (smoothed)

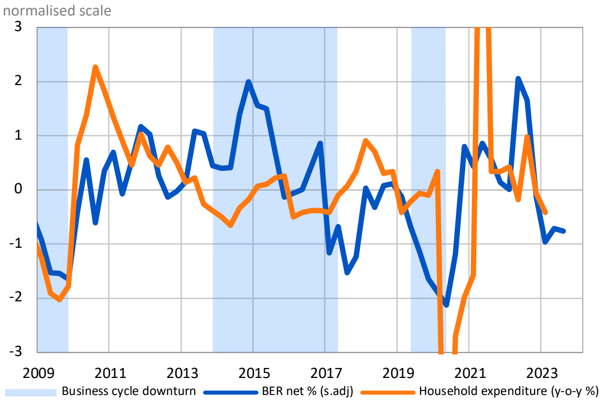



[14] The "motor trade" consists of the retail sales of new and used vehicles (SIC code 6312), as well as new spare parts and accessories (6331). The BER does not cover the wholesale sale of motor vehicles (6311), the maintenance and repair of motor vehicles (632), the sale of used parts and accessories (6332), the sale, maintenance and repair of motor cycles (634) and the retail sale of automotive fuel (635).

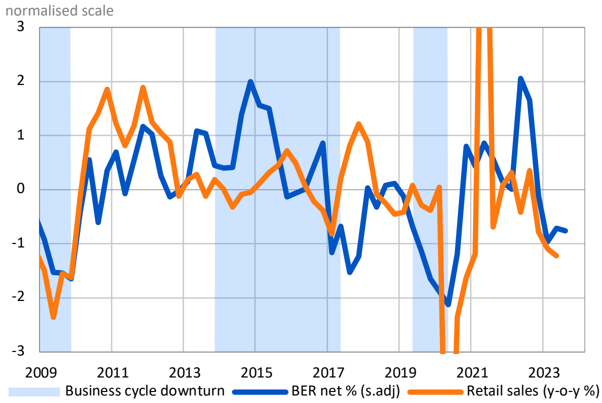
*μ – average*
*σ – standard deviation*
*Δ – change from previous period*
*$σ_Δ$ – volatility (standard deviation of the changes)*
*All of the above calculated over 2009 to the present*
*See Technical note for further details*

# SUMMARY

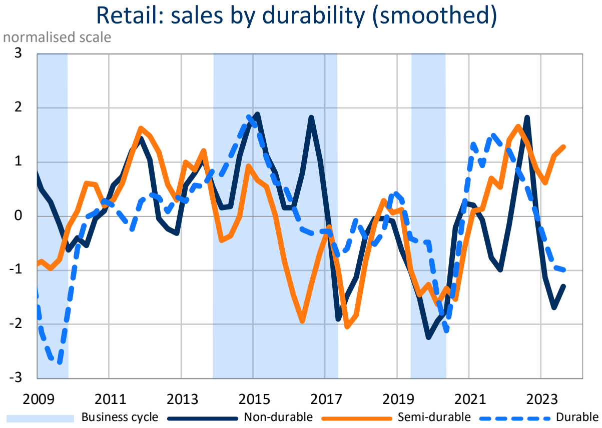
BER retail sales & FHCE*



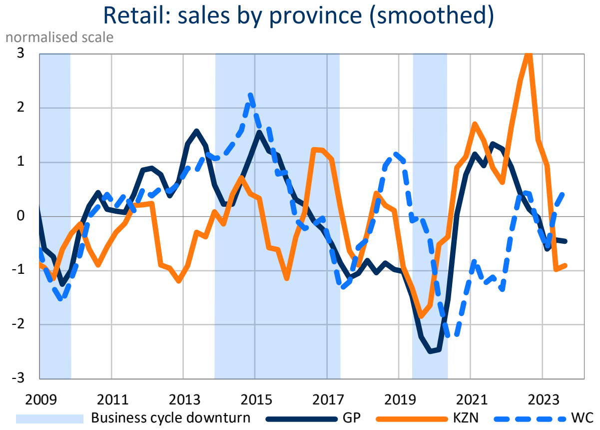

Retail sales



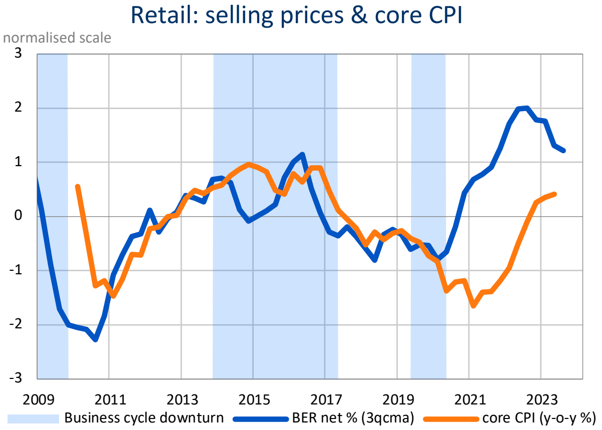

Retail: sales by durability (smoothed)



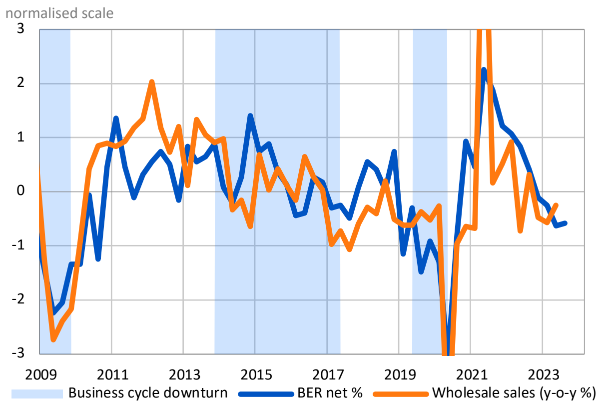

Retail: sales by province (smoothed)



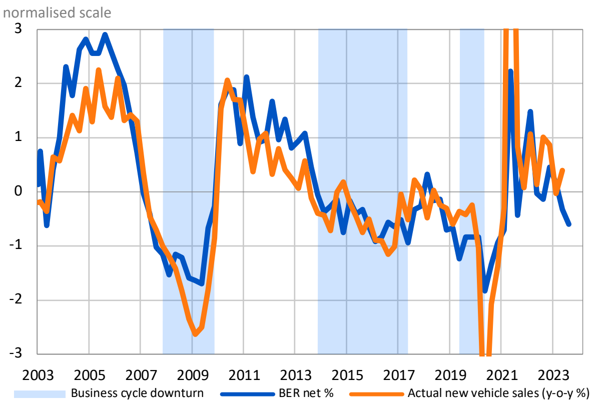

Retail: selling prices & core CPI



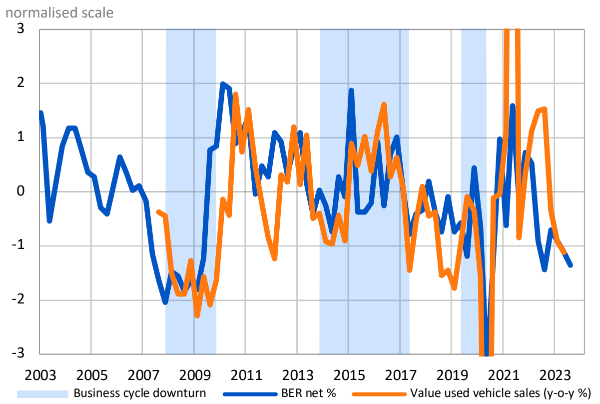

Wholesale sales




Motor: new vehicle sales




Motor: used vehicle sales




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

# Technical note

## THE 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**) for more information about the business tendency survey method.

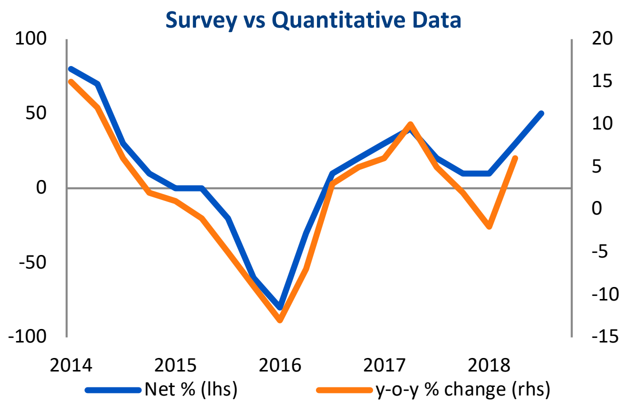
# THE UNIQUE UNITS OF MEASUREMENT OF QUALITATIVE SURVEYS

### 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: $\Delta\sigma$)

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.