The BER’s surveys: their origin, how they work and selected survey results

George Kershoff
3 Feb 2010
Outline

• The BER’s surveys
  – The BER’s business surveys
    • Business confidence
  – The BER’s consumer confidence survey
  – The retail survey – more details

• Selected survey results
The BER’s business surveys
Origin

• Business tendency surveys (BTS) developed independently in Europe and US between world wars
• When BER started surveys in 1954, SA became 7th country in the world
• Today they are conducted world wide by
  – Statistical agencies (France, China),
  – Central banks (Belgium, Japan, Korea, Thailand)
  – Research Institutes (Germany, Italy, SA)
  – Business organisations (UK, Australia)
Origin

• Harmonised standards –
  – OECD – BTS handbook
  – Workshops and academic conferences organised by Ciret (Centre for International Research on Economic Tendency Surveys) and EU / OECD
How business surveys are conducted

• Requirements: simple, rapid, voluntary
• Use deliberate (convenience non-probability) sampling to create and maintain a panel of participants
  – Degree of representation
  – Response rate
• Questionnaire
  – Few questions
  – Business activity and constraints
  – Only indicate “up”, “remain the same” or “down” compared to a year ago
Calculating the results

- Firm and sector weights
- Example:
  - 60% “up”, 30% “same” and 10% “down”
  - Net balance: 60% “up” less 10% “down” = 50%
Survey data vs. official data: for example, manufacturing production

BER

Stats SA

Net balance

% change YoY

91 93 95 97 99 01 03 05 07 09

91 93 95 97 99 01 03 05 07 09
Survey data vs. official data

Manuf production

Net balance

% change YoY

BER
Stats SA
The BER’s business surveys cover the following economic sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Business confidence</td>
<td>BCI Res Note</td>
</tr>
<tr>
<td>2. Building &amp; Construction</td>
<td>Build &amp; Constr</td>
</tr>
<tr>
<td>Architects</td>
<td></td>
</tr>
<tr>
<td>Quantity surveyors</td>
<td></td>
</tr>
<tr>
<td>Residential &amp; non-residential contractors</td>
<td></td>
</tr>
<tr>
<td>Residential &amp; non-residential sub-contractors</td>
<td></td>
</tr>
<tr>
<td>Civil engineering contractors</td>
<td></td>
</tr>
<tr>
<td>3. Manufacturing</td>
<td>Manufacturing Survey</td>
</tr>
<tr>
<td>Quarterly manuf survey</td>
<td></td>
</tr>
<tr>
<td>Monthly purchasing managers</td>
<td>PMI report on web</td>
</tr>
</tbody>
</table>
The BER’s business surveys cover the following economic sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Internal trade</td>
<td>Retail Survey</td>
</tr>
<tr>
<td>Retail</td>
<td></td>
</tr>
<tr>
<td>Wholesale</td>
<td></td>
</tr>
<tr>
<td>Vehicle trade (new, used, spare parts)</td>
<td></td>
</tr>
<tr>
<td>5. Consumer confidence</td>
<td>CCI Res Note</td>
</tr>
<tr>
<td>6. Financial services</td>
<td>Web report</td>
</tr>
<tr>
<td>Retail banks</td>
<td></td>
</tr>
<tr>
<td>Merchant &amp; Investment banks</td>
<td></td>
</tr>
<tr>
<td>Investment managers</td>
<td></td>
</tr>
<tr>
<td>Life insurers</td>
<td></td>
</tr>
<tr>
<td>Short-term insurers</td>
<td>(Not published yet)</td>
</tr>
</tbody>
</table>
The BER’s business surveys cover the following economic sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. Other services</td>
<td>Not published yet</td>
</tr>
<tr>
<td></td>
<td>Catering &amp; accommodation</td>
</tr>
<tr>
<td></td>
<td>Transport, storage &amp; communication</td>
</tr>
<tr>
<td></td>
<td>Real estate &amp; business services</td>
</tr>
<tr>
<td></td>
<td>Personal services</td>
</tr>
</tbody>
</table>
In sum

• Compliment official data – indicate direction of change prior to its release

• Reliability
  – Aggregate sector vs. sub-sector
  – Direction of change vs. size of change
Business confidence

• Covers manufacturers, building contractors, retailers, wholesalers and new vehicle dealers
• Indicates % rating prevailing business conditions as satisfactory
Business confidence

RMB/BER BCI

High

Low

75 77 79 81 83 85 87 89 91 93 95 97 99 01 03 05 07 09
Business confidence is an excellent indicator of business cycle.
Business confidence peaks before SARB cyclical indicator
Business confidence bottoms at the same time as the SARB cyclical indicator.
Business confidence vs. GDP growth

BCI Index (lhs) vs. Real GDP %ch YoY (rhs)
GDP growth deconstructed

Mnf, constr, trade
Agric, mining
Rest
Business confidence vs. a deconstructed GDP growth

BCI Index (lhs)  Mnf, constr, trade %ch YoY (rhs)
Consumer confidence
Origin and how consumer confidence surveys are conducted

• University of Michigan
• Personal interviews of a representative sample of 2500 adults
• Questions
  – Economic performance of country in 12 months’ time
  – Household financial position in 12 months’ time
  – Rating of present time to buy durable goods
Origin and how consumer confidence surveys are conducted

• Net balance ➔ results could vary between -100 and +100

• Results are available per
  – Question
  – Race group
  – Income group
  – Other: LSM group, Age, Gender, Province
Consumer confidence

CCI per question

- Economy
- Own finances
- Time to buy durables

CCI per income group

- High > R5000
- Low < R5000
The trade survey - more details
Retail survey: questions

• Prevailing business conditions ➔ confidence
• Compared to a year ago
  – Business conditions
  – Sales volumes
  – Orders placed
  – Employment
  – Rate of increase in purchase / selling prices
  – Profitability
• Stocks compared to expected demand
Results are available per

- Type of good
  - Durables (excl motor vehicles, incl building material)
  - Semi-durables
  - Non-durables
- Per province
Wholesale and motor trade sector

• Wholesalers of
  – Consumer goods
  – Non-consumer goods

• Motor trade
  – New vehicles
  – Used vehicles
  – Spare parts
09Q4 survey results
BER survey results

- Mnf production
- Retail sales
- Wholesale sales
- New vehicle...
BER survey results

Building activity

04 05 06 07 08 09
Copyright & Disclaimer
This publication is confidential and only for the use of the intended recipient. Copyright for this publication is held by Stellenbosch University.
Although reasonable professional skill, care and diligence are exercised to record and interpret all information correctly, Stellenbosch University, its division BER and the author(s)/editor do not accept any liability for any direct or indirect loss whatsoever that might result from unintentional inaccurate data and interpretations provided by the BER as well as any interpretations by third parties. Stellenbosch University further accepts no liability for the consequences of any decisions or actions taken by any third party on the basis of information provided in this publication. The views, conclusions or opinions contained in this publication are those of the BER and do not necessarily reflect those of Stellenbosch University.