Bureau for
Economic
Research

UNIVERSITY OF STELLENBOSCH
Christiaan Gustav Waldemar Schumann was born on December 17, 1898. He attended the University of Stellenbosch and obtained a B.Sc. degree (cum laude) in 1919.

After further study in Economics at Rotterdam he accepted an appointment as senior lecturer in Business Economics at the University of Stellenbosch. He became professor in 1932. From 1936 until his retirement in 1961 he was dean of the Faculty of Commerce.

Professor Schumann played a leading role in the economic awakening of the Afrikaner and was chairman of the Economic Institute of the Federatie van Afrikaanse Kultuurvereniginge for many years. Throughout his brilliant career he has created a deep impression as a personality, educationist, researcher, economic adviser, businessman, sportsman and leader for which he has received many honorary awards.

Professor Schumann founded the Bureau for Economic Research in 1944. He is still director of the Bureau.
ESTABLISHMENT

Since the inception of the Faculty of Commerce at the University of Stellenbosch in 1924 opportunities were sought for well-planned and purposeful research. The basic idea was not only to promote closer integration of theory and practice in the minds and work of both staff and students but also to contribute, through economic research and forecasting, to an improvement of business practice and public policy.

Through the initiative of Prof. C. G. W. Schumann this endeavour assumed concrete form on 15th January, 1944, when the Bureau for Economic Research of the Faculty of Commerce of the University of Stellenbosch (B.E.R.) was established on a modest scale.

The following summary of the aims of the B.E.R. is based on the original concept:

- To make a continuous study of economic conditions in the country, with special reference to:
  - diagnosis and prognosis of the business cycle, structural changes in the South African economy, and the analysis of various economic sectors;
- to collect and process economic statistical data;
- to undertake research projects commissioned by governmental and private bodies;
- to assist members of the teaching staff with their research work and to afford post-graduate students an opportunity to become conversant with methods of economic and business research.

ACTIVITIES

In pursuance of these aims the research activities of the B.E.R. have in the past 25 years assumed the following forms:

1. Basic research on the business cycle, economic forecasting and other aspects of the economy.
2. Economic diagnosis and forecasting, including the compilation of economic-statistical data.
3. Study projects commissioned by private and governmental bodies.
1. Basic Research

In the initial years of its existence, with the services of one research officer at its disposal and with part-time assistance from lecturers and students of the Faculty of Commerce, the B.E.R. applied itself to investigating the course of the business cycle and structural changes in the South African economy. Its first publication, *Industrial and Commercial Share Price Indices in South Africa*, by C. G. W. Schumann and A. E. Scheurkogel, appeared in March 1948, to round off a project for the compilation of indices of prices of shares quoted on the Johannesburg Stock Exchange. After the B.E.R. had for some years undertaken the calculation of share price indices on a current basis and had made these available to the South African Reserve Bank for publication in its *Quarterly Bulletin* and also to *Moody’s Services* of London, this task was taken over by the Bureau for Statistics in 1960.


Although at this stage the B.E.R. started to concentrate on actual economic forecasting, basic research continued, particularly in the field of transport economics and the methodology of economic forecasting. On the economics of transport the following were published under the auspices of the B.E.R.: *Road Transport of Goods in South Africa* (1958), *The Effects of Railway Rates on the location of Industry* (1959), *South African Transportation Policy* (1961) and *Urban Road Needs in South Africa* (1965) all of them by C. Verburgh. Specialisation in this field of research led to the establishment by the University of Stellenbosch in 1966 of the Transport Research Centre.

as applied by the Bureau for Economic Research by G. J. Hupkes (1960) and Long-term Economic Forecasting – Background and Methodology by C. J. van Wyk (1963). In addition to these studies, members of the B.E.R. staff and of the teaching staff of the Faculty of Commerce chose the methodology of economic forecasting as thesis subjects.

Basic research is at present in progress on, inter alia, (a) the methods of forecasting used by the B.E.R. and (b) the growth of and structural changes in the South African economy since 1910.

2. Economic Diagnosis and Forecasting

Although the B.E.R. had since 1946 published quarterly articles on economic conditions in South Africa in Volkshandel, Schumann and Van den Bogaerde pointed out in Economic Diagnosis and Business Forecasting that the need existed for a specialised institution which would be constantly occupied with the diagnosis and forecasting of economic conditions in South Africa. The possibilities of such a service being provided by the B.E.R. were limited by factors such as lack of statistical information, the time-lag inherent in the compilation and publication of statistics and financial limitations.

During 1949–50, however, the IFO-Institut für Wirtschaftsforschung in Munich and the Institut de la Statistique et des Etudes Economiques (INSEE) in Paris, started applying a method, the so-called Konjunkturtest, which was specially designed to cope with these restrictive factors. In contrast to the quantitative information provided by ordinary statistics the Konjunkturtest offered the B.E.R. possibilities of undertaking, independently of other concerns and with limited financial resources, qualitative surveys of economic conditions, specifically with a view to economic diagnosis and forecasting. Not only does this method afford a means of collecting data on a number of strategic economic indicators such as sales, production, orders, stocks and the general business climate in the immediate past, but the prospects regarding these indicators can at the same time be obtained from businessmen. In addition this method also makes it possible to restrict to the minimum any delays in releasing information.
(a) The Opinion Survey

In 1953 the B.E.R. decided to prepare the ground for a quarterly *Opinion Survey of Business Conditions in Commerce and Industry*, framed on the lines of the *Konjunkturtest* and designed to analyse both economic tendencies in commerce and industry during the past quarter and developments expected during the quarter to come. This was to be based on data obtained from businessmen in reply to questionnaires sent out by the B.E.R. The introduction of this service made South Africa the sixth country in the world to use the *Konjunkturtest*.

The financial support received for this project from a number of private concerns and from the former Council for Social and Economic Research was encouraging but inadequate. Most important, however, was the task of enlisting the co-operation of private commercial and industrial undertakings in the regular completion and return of questionnaires. The projected surveys enjoyed the approbation of the Afrikaanse Handelsinstituut, the South African Federated Chamber of Industries and the Association of Chambers of Commerce of South Africa; with their support the first Opinion Survey could be launched in March 1954, with the promised co-operation of 600 private undertakings.

At the time the relatively small number of collaborators on the Opinion Survey gave rise to the notion that South African businessmen compared unfavourably with their overseas counterparts as regards support for research. Although only half of the collaborators have been completing questionnaires regularly since the inception of the Opinion Survey, support has increased to such an extent that the B.E.R. has at present approximately 2,000 firms on its mailing list. Financial support from private undertakings has also increased considerably.

The most important feature of this increasing co-operation and financial support was the gain in depth and scope which it brought to the forecasts of the B.E.R. Originally the Opinion Survey comprised the publication of data relating to 9 sectors in industry, 5 in the wholesale trade and 6 in the retail trade, including the motor trade. At present a distinction is drawn between 54 separate sectors in industry, 10 in each of the wholesale and retail trades and 3 in the motor trade. Since 1968 data has also been published in respect of 8 geographic regions, thus making it possible to discover possible fluctuations in business conditions within and between such regions.
Not only does increasing co-operation on the Opinion Survey ensure more reliable results, but it also conduces towards more detailed analysis of prevailing and expected business conditions.

(b) One-year and Medium-term Forecasting

The Opinion Survey covers only a relatively short period and includes only the commercial and manufacturing sectors. Some of the major policy decisions in the business world and public sector require planning over longer periods, however, and developments in all sectors affect the general economic policy. For these reasons additional forecasting projects, made possible by the increasing support of the business sector, have been undertaken. In 1956 A Survey of Post-war Economic Conditions in the Union of South Africa and Prospects for 1957 was published. As the title implies, a forecast of economic developments for 1957 was presented in addition to a survey of the post-war economic development. This publication can be regarded as the forerunner of the B.E.R.'s well-known series of one-year forecasts. During the period 1957–58 the methods used in this type of forecast received special attention. An important result which followed from this was to adapt Opinion Survey data for the extrapolation of national accounts. Since 1958, with the publication of a forecast for 1959, this project, which may be regarded as an analysis of prevailing conditions in all sectors of the economy, designed to serve as a basis for an economic forecast over a term of 12 to 15 months, has become an annual undertaking. In the event of rapidly changing economic conditions the B.E.R. publishes a re-appraisal of this forecast, as happened in 1962, 1966 and 1967. A further extension followed in 1966 with the publication of the first medium-term forecast. Whereas the one-year forecast predicts expected developments for a year, the medium-term forecast deals with a period of 15–30 months. The forecasting horizon is thus set further into the future in order to facilitate policy decisions over a medium term.

These forecasts are mainly compiled in a national accounts framework. The forecasting methods used include an adapted form of the Opinion Survey and econometric relations while qualitative information is obtained by way of interviews with representatives of government departments and other bodies. The B.E.R. regularly
invites economists in the service of private concerns to act as co-authors of these two forecasts. This helps to enhance insight into prevailing and expected economic conditions.

The enthusiasm with which the one-year and medium-term forecasts are regularly received by government and private policy-makers and by the public bears testimony to the useful purpose they serve.

(c) Quarterly Surveys for the Building Industry

During 1968 the National Development Fund for the Building Industry requested the B.E.R. to undertake quarterly surveys of prevailing and expected business conditions in the building industry as well. This project, which commenced at the beginning of 1969, is conducted among building and sub-contractors, building material manufacturers and merchants, and enjoys financial support from the industry.

Although more statistical data are required from the collaborating firms, the methods used for this survey correspond closely to those of the Opinion Survey. So far some 700 firms have promised co-operation on this project.

3. Commissioned Studies

Whereas in basic research projects the B.E.R. relies to a large extent on its own financial resources, commissioned studies are financed entirely by the sponsors and they have a primary claim to the contents. For this reason such studies are dealt with in this brochure as a separate group. During the past 25 years various such studies have been executed by the B.E.R. at the instance of business undertakings and government bodies. It is particularly in recent years, however, that these activities of the B.E.R. have increased in scope.

Thus, for example, more than ten such commissioned studies have been executed since the beginning of 1967. As the attached list of publications shows, these studies cover a very extensive range of topics and vary from commodity studies to regional studies. These studies aim at the collection of data and at an objective analysis and interpretation of such data in order to present impartial conclusions and recommendations. As a rule the results of such com-
missioned studies are made available only to the sponsors, but with their permission the results are frequently made available also for general publication.

**ORGANISATION**

The B.E.R. functions within the framework of the University of Stellenbosch. In the initial years of its existence the B.E.R. worked on an informal footing within the Faculty of Commerce, but in 1950 a controlling body for the B.E.R. was appointed from among members of the staff of this faculty. This was called the Research and Publications Committee and from its ranks an executive committee was chosen to decide on urgent matters. In 1965 a Management Committee was appointed in the stead of both the Research and Publications Committee and the Executive Committee and in 1968 further reorganisation had the result that the Management Committee became a special committee of the Senate of the University of Stellenbosch and as such directly responsible to this authority. The following diagram represents the lines on which the B.E.R. functions within the University. (A complete list of the names of the members of the various committees and staff will be found in the B.E.R.'s regular publications.)

![Diagram of B.E.R. Organisation](image-url)
(a) The Management Committee

This Committee consists of the Director, the Chief Economist (who is also the Professor of Applied Economics), the Rector of the University (ex officio), the heads of the departments of Economics and Mathematical Statistics and a maximum of two other persons nominated by the Senate. The Management Committee is responsible for the research and general policy of the B.E.R. and also scrutinises research work before its completion and publication.

Although the B.E.R. is directly responsible to the Senate of the University its links with the Faculty of Commerce are maintained through its functioning under the guidance of the Professor of Applied Economics, while at least two of the other professors in this faculty are members of the Management Committee.

(b) The Advisory Committee

The Advisory Committee, which consists of members of the Management Committee together with a number of prominent businessmen and economists, was formed to create and develop contact with the private business sector. This Committee meets once a year to discuss general policy with a view to practical suggestions and proposals to enhance the value of the B.E.R.'s research to the private and government sectors.

FINANCE

The B.E.R.'s annual expenditure is increasing continuously. During the decade 1958–1968 it increased from approximately R10,000 to R55,000. The funds to meet this expenditure are obtained from donations, grants by the Human Sciences Research Council, fees for commissioned research and allocations by the University of Stellenbosch. Subscriptions to publications yield a small but constant income.

The accompanying diagram indicates the relative importance of individual sources of income and items of expenditure. Changes in these are apparent from the comparative figures for the years 1958 and 1968.

In recent years donations have become the most important single source of income, while expenditure on printing has, as a result of an increase in the number of regular publications of the B.E.R., increased markedly. Salaries, however, remain the most important
item of expenditure. An expansion of the B.E.R.'s activities and staff is tied up directly with an increase in the income from donations.

![Expenditure and Income Graphs]

Financing as set out above comprises ±80% of the B.E.R.'s total income and expenditure. The balance is provided by the University. Aid received from the University consists of payment of part of the salary of the Chief Economist and Professor of Applied Economics, provision of office accommodation, water and power and certain administrative services, including the administration of finances.

Although donations comprise virtually 60% of the income of the B.E.R., it must be emphasised that in its inquiries the B.E.R. at all times endeavours to follow the only true principle of research, viz., to investigate objectively and reach results and conclusions impartially. No donations are accepted when the suspicion of a request for vested interests being supported is attached thereto.

**STAFF**

Whereas in 1944 the Bureau started with one research officer, there are at present six research posts, as well as posts for three typists/secreteraries and one messenger. In addition, the B.E.R. also regularly avails itself of the assistance of students and the specialised services of lecturers of the University who participate in research projects on a part-time basis.
RESEARCH FACILITIES

Since a survey of the opinions of businessmen and government bodies is involved in all forecasting projects of the B.E.R. the co-operation of private firms, in particular, is of the utmost importance. There is in fact a special understanding between the B.E.R. and the Afrikaanse Handelsinstituut, the South African Federated Chamber of Industries, the Association of Chambers of Commerce of South Africa and the National Development Fund for the Building Industry as well as individual firms, in terms of which they participate in the research work of the B.E.R. by co-operating regularly on surveys.

Without the kind co-operation of the approximately 2,700 private firms and the bodies mentioned above, the B.E.R. would not have been able to provide the services to the business world that are in fact being rendered.

The views of government bodies are usually obtained through personal contact, although questionnaires are also sometimes used.

In the execution of its research work the B.E.R. has access to the University’s electronic computer at a special tariff. The use of this apparatus considerably expedites the processing of survey results.

In addition to using the University Library the B.E.R. has established a special library and archives which in recent years have been expanded with the co-operation of the Faculty of Commerce to some 5,000 books, 300 Blue Books, copies of 68 periodicals and numerous pamphlets on the South African economy and those of other countries. Students at the University have free access to this library. Apart from this contribution to the training of students members of the B.E.R. staff assist in lecturing in the Faculty of Commerce. In return University lecturers take an active part in the research of the B.E.R.

CONTACT ABROAD

As a result of specialisation in the field of economic forecasting and particularly through using the Opinion Survey method the B.E.R. maintains contact with foreign institutes working in this field. This is done through two channels. Firstly, the Director of the B.E.R. has been a member of Ciré (Contact International de Recherches Economiques Tendancielles) since its founding. This is an international organisation which distributes research data on forecasting
to its members and which arranges regular biennial conferences for
the discussion of such research results. Members of the staff of the
B.E.R. have contributed regularly by reading papers at these
conferences.

Secondly, regular visits to institutes undertaking forecasting in
countries abroad lead to further contacts, also through a regular
exchange of publications with all such institutions. This ensures that
the B.E.R. keeps abreast of economic conditions in such countries,
and at the same time it furnishes information on progress made in
methods of forecasting.

AVAILABILITY OF PUBLICATIONS

(a) Economic Forecasting
Reports under this heading are available free of charge to all firms
collaborating on the B.E.R.'s surveys and to donors and government
bodies. To others the quarterly Opinion Survey, the quarterly
survey of conditions in the Building Industry and the One-year and
Medium-term forecasts which appear annually are available at a
subscription charge of R25 per annum. (Firms qualifying for collab-
oration on the B.E.R.'s surveys are not accepted without good
grounds as subscribers to the reports of the B.E.R. They are ex-
pected to take part in the surveys, which entitles them to free copies
of all publications.)

(b) Commissioned Studies
The results of these are published at the discretion of the sponsors
and are, therefore, not always freely available. If available, they can
be purchased at the prices shown.

(c) Basic Research
Publications under this heading are available at the prices shown.

GENERAL
A service rendered by the B.E.R. over the past 25 years which merits
special mentioning is the practical training it provides to economists.
Numerous past employees of the B.E.R. now occupy important
posts in government institutions, private undertakings and at uni-
versities. Although the loss of such personnel can on occasion be a
source of grave concern to the B.E.R., the trained personnel it sacrifices may also be considered a positive contribution to South Africa’s business world.

The B.E.R. ventures into various fields of research in the economy, but research in the field of economic diagnosis and forecasting is clearly its principal activity. It can indeed pride itself on the fact that as far as South Africa is concerned it is not only the pioneer but also the most prominent institution in the field of economic forecasting.

The increasing demands for purposeful planning on the part of entrepreneurs and authorities make it imperative that the B.E.R. should not merely maintain these activities, but intensify and expand them. This can be achieved only through increased co-operation and financial support from private undertakings.

Correspondence should be addressed to:

The Director,
Bureau for Economic Research,
University of Stellenbosch,
STELLENBOSCH.
LIST OF PUBLICATIONS (1944—1969)

(a) Economic Diagnosis and Forecasting

(i) Opinion Survey

Up to July, 1969, 62 reports had appeared.

1. Reports numbers 1–28 were published in the form of the *Könjunkturspiegel.*
2. Reports numbers 29, 30, 32, 34, 40–42 and 46 by G. J. Hupkes.
5. Reports numbers 44 and 45 by D. J. van Walsem.

(ii) One-year Forecasting

(iii) Medium-term Forecasting


(iv) Quarterly Survey for the Building Industry

*Report on Building Conditions*, numbers 1 and 2 by D. J. van Walsem had appeared up to August, 1969.

(b) Basic Research

4. *Economic Diagnosis and Business Forecasting, with special reference to South Africa* by C. G. W. Schumann and F. van den Bogaerde (1955).*
5. *Road Transport of Goods in South Africa* by C. Verburgh (1958).*
6. An evaluation of the Opinion Survey Method of Business Forecasting as applied by the Bureau for Economic Research by G. J. Hupkes (1959).*
7. *The Effects of Railway Rates on the Location of Industry* by C. Verburgh (1963).*
(c) Commissioned Studies

Not all commissioned studies undertaken by the B.E.R. are shown here, as some of the publications were meant for internal use only.

1. *An Enquiry into the Motor Trade in South Africa* (1958).*
4. *Demografiese Oorsig van die Kaapse Skiereiland* by M. L. Truu (1963).*
8. *'n Ekonomiese Opname van die Beneu-Orange rivier* by D. J. van Walsem (1967).
9. *'n Ekonomiese Onderzoek na die Philippi-gebied in die Kaapse Vlakte* by J. van der Meulen, G. J. Hupkes and M. C. Best (1967).
10. *'n Onderzoek na die Ekonomiese Struktuur van die Groter Kaapstad-gebied* (Voorlopige Verslag) by D. J. van Walsem (1968).

(d) Papers Read at Ciret Conferences


*Out of print.