

# Retail Trade

Quarterly analysis of activity in retail, wholesale  
and motor trade

Third quarter 2019

**Editor: Harri Kemp**

Email: [jhkemp@sun.ac.za](mailto:jhkemp@sun.ac.za)

Tel: +27 21 808 9778

**Technical assistance:**

Nicolaas van der Wath

**© Stellenbosch University**

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.

For more information on the BER's services please visit: [www.ber.ac.za](http://www.ber.ac.za)

# Executive summary

After recovering marginally in 2019Q2, business confidence among retailers fell to the weakest level since 1992 in Q3. Trading conditions remain extremely challenging as numerous headwinds continue to weigh on overall consumer spending.

According to the 2019Q3 **BER Retail Survey** results, only two out of every 10 respondents reported being satisfied with prevailing business conditions, with business confidence falling to the lowest reading in almost three decades. Additionally, a sizeable majority reported that business conditions deteriorated notably.

Trading conditions deteriorated across the entire retail sector, with semi-durable and durable goods retailers, in particular, posting disappointing results. Sales volume growth slowed significantly despite moderate selling price inflation. The combination of weak volume growth, subdued selling price inflation and rising input costs resulted in overall profitability in the sector remaining under pressure.

Disconcertingly, and in contrast to previous survey rounds, retailers do not expect conditions to improve materially in 2019Q4. Consumer demand remains under pressure and a meaningful acceleration in retail sales (and overall consumer spending) is not expected.

After averaging close to 50 index points since 2015, **wholesale confidence** fell sharply in 2019Q3, with only 29% of wholesalers reporting being satisfied with prevailing trading conditions. General business conditions are extremely challenging, with both consumer and non-consumer goods wholesalers reporting that sales volumes and profitability came under renewed pressure during 2019Q3.

**New vehicle trader** confidence recovered marginally in Q3. That being said, only 22% of new vehicle traders reported being satisfied with prevailing business conditions, while most traders indicated that general business conditions had deteriorated relative to a year ago. In all, the third quarter survey results suggest that vehicle sales will remain weak over coming months. Given that new passenger car sales are a good leading indicator of overall consumer spending, the continued weakness does not bode well for overall spending going forward.

The latest survey results suggest that consumer demand conditions remain constrained. Trading conditions in both the retail and wholesale sector are extremely challenging. Combined with the general headwinds facing the consumer, this suggests that a meaningful and sustained acceleration in overall consumer spending over coming quarters is unlikely.

This report was completed on 19 September 2019.

Please refer to the [glossary on the BER's website](#) for explanations of technical terms.

# Contents

Summary of the 2019Q3 trade sector survey results .....	1
Retailer confidence falls to multi-decade low .....	1
Wholesaler confidence dips to multi-year lows.....	4
New vehicle trader confidence ticks up, but conditions remain tough .....	5
Concluding Remarks .....	7
Survey results.....	8
Retail trade: total.....	8
Retail trade: non-durables .....	10
Retail trade: semi-durables .....	11
Retail trade: durables .....	12
Retail trade: provinces .....	13
Wholesale trade: total .....	14
Wholesale trade: consumer goods .....	16
Wholesale trade: non-consumer goods.....	17
Wholesale trade: provinces .....	18
Motor trade .....	19
Summary .....	20
Technical note.....	21
The retail, wholesale and motor trade survey method .....	21
The unique units of measurement of qualitative surveys .....	22
Descriptive statistics in the tables.....	23
Conventions and aids provided in the charts .....	24

# Summary of the 2019Q3 trade sector survey results

## Retailer confidence falls to multi-decade low

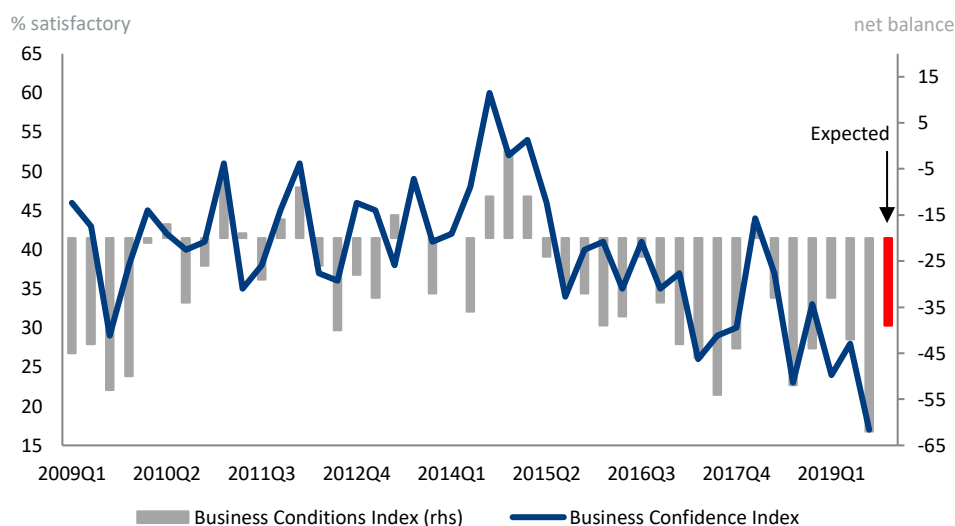
After recovering marginally in 2019Q2, business confidence among retailers fell significantly during the third quarter (see Figure 1 below). According to the latest BER Retail Survey<sup>1</sup>, only 17% of retailers reported being satisfied with prevailing business conditions in 2019Q3, down from 28% in Q2. This implies that eight out of every 10 retailers surveyed are unsatisfied with current conditions – the lowest reading since 1992. Sales volumes deteriorated notably during the third quarter, and retailer pricing power remained constrained, resulting in sustained pressure on overall profitability. As a consequence, a net majority of 62%<sup>2</sup> of retailers reported that business conditions deteriorated in 2019Q3 relative to a year ago – the worst reading for this index since the emerging market debt crisis of 1998/99.

---

Retailer confidence drops on lower volumes, weak profits

---

Figure 1: Retailer business confidence falls sharply in 2019Q3



Source: BER

Retailers expect conditions to improve marginally in 2019Q4 (see Figure 1). However, as mentioned in previous editions of this report, the consumer remains under pressure and a meaningful acceleration in retail sales (and overall consumer spending) is not expected. Subdued income growth, lacklustre job creation, higher petrol and electricity prices, more restrictive fiscal policy and

---

Consumer under pressure

---

<sup>1</sup> The fieldwork for the 2019Q3 survey was conducted between 29 July and 2 September 2019.

<sup>2</sup> A net majority indicates the percentage of respondents reporting an improvement in business conditions compared to the same quarter of the previous year less the percentage reporting a deterioration in business conditions.

subdued credit extension will continue to weigh on disposable income and consumer spending in 2019H2.

In all, the latest survey results point to extremely tough trading conditions in the retail sector. According to Statistics South Africa (Stats SA), retail volume growth slowed to 1.7% y-o-y in 2019H1, down from the 2.4% measured in 2018. Disconcertingly, the latest survey results indicate that volume growth remained under pressure in Q3, while a significant acceleration over the festive season seems unlikely. Subdued consumer confidence, weak income growth and the pervasive weakness in the general economy suggest that overall retail sales volume growth (and consumer spending in general) likely remained constrained in the third quarter.

We now proceed to a more detailed breakdown of the latest survey results per retail category.

### Trading conditions deteriorate across retail categories

According to Stats SA, **retail sales volume growth** accelerated to 2.4% y-o-y in 2019Q2, up from the 0.9% recorded in the first quarter (see Table 1 below). However, much of the acceleration can be ascribed to base effects (volume growth slowed throughout most of 2018) and the timing of the Easter holiday season (in 2018 Easter fell in Q1, whereas in 2019 it fell in Q2). Additionally, while retail volume growth accelerated on a quarterly basis, this can partly be ascribed to the lack of load shedding in the second quarter. Electricity supply constraints do not necessarily affect retailers to the same extent as heavy industry, but store closures in the event of load shedding do affect turnover to some extent. Unfortunately, the latest survey results do not suggest that the improved performance of Q2 was sustained into the third quarter. The survey pointed to a broad-based deterioration in retail trading conditions.

Table 1: Year-on-year percentage change in retail sales volumes

	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2
<b>Total</b>	<b>2.2%</b>	<b>1.8%</b>	<b>1.2%</b>	<b>2.4%</b>	<b>0.9%</b>	<b>2.4%</b>
Non-durable goods <sup>1</sup>	-0.4%	0.8%	0.1%	0.7%	0.9%	2.3%
Durable goods <sup>2</sup>	3.5%	0.4%	2.0%	2.6%	-0.3%	1.3%
Semi-durable goods <sup>3</sup>	2.4%	4.2%	2.1%	3.9%	1.9%	4.0%

Source: Statistics South Africa, Retail Sales Statistics

<sup>1</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

<sup>2</sup>Durable goods retailers include retailers in household furniture, appliances and equipment, and retailers in hardware, paint and glass

<sup>3</sup>Semi-durable goods retailers include retailers in textiles, clothing, footwear and leather goods

According to Stats SA, sales volumes in the **semi-durable** category (e.g. clothing, footwear, sporting equipment, CDs and toys) expanded by a solid 4% y-o-y in 2019Q2 after posting growth of 1.9% in 2019Q1 (see Table 1). Volume

Survey points to subdued volume growth in '19H2

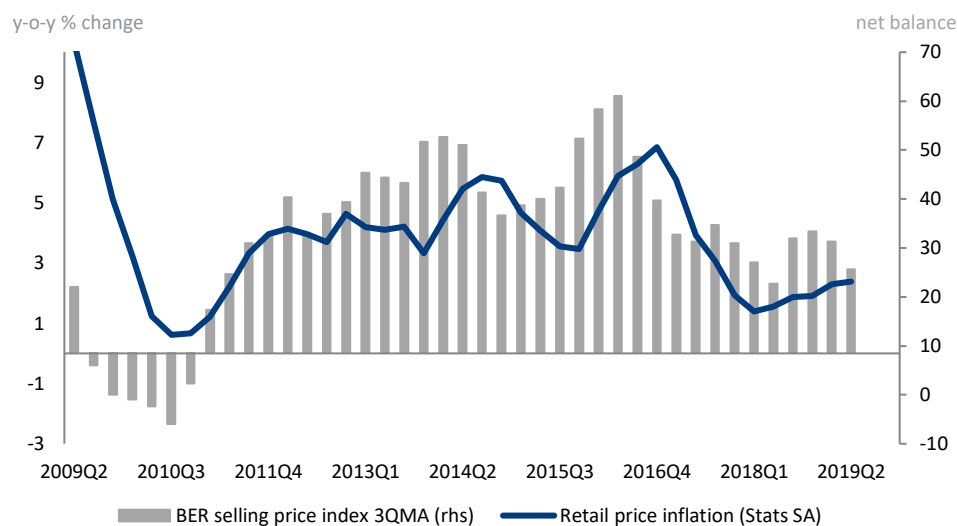
Volume growth ticked up in Q2, unlikely to be sustained

Lack of pricing power, weak demand hitting retail profits

growth in the category has held up reasonably well when compared to the other categories. However, as mentioned in previous editions of this publication, sales volume growth in the category has come at the expense of selling price inflation – semi-durable goods price inflation measured just 0.7% y-o-y in 2019H1.

In fact, overall **retail price inflation** has moderated from a recent peak of almost 7% y-o-y in 2016Q4 to 2.3% in 2019H1. This corresponds with the moderation in goods inflation as measured by the CPI from close to 8% y-o-y in late-2016 to around 3.5% in mid-2019. The recent trend in retail price inflation has matched that of the BER survey results, with the retail selling price index trending broadly lower since early-2016 (see Figure 2 below). This reflects the lack of pricing power on the part of retailers in an environment of subdued income growth and weak consumer demand. At the same time, retailer input costs have remained elevated. The combination of weak pricing power, subdued demand and stubbornly high input costs has resulted in a significant deterioration in overall profitability in the sector in recent years. This could partly explain the persistently low confidence levels among retailers.

Figure 2: Subdued retail price inflation



Source: BER, Stats SA

After recovering somewhat in 2019Q2, confidence among **non-durable** (e.g. food, beverages, groceries, pharmaceuticals and cosmetics) retailers fell back during the third quarter. Underlying business conditions in the category remain extremely poor. While volume growth improved somewhat in 2019H1, at just 1.6% y-o-y, real growth in non-durable goods sales remain below the long-run average of 2.4%. The latest survey results suggest that volume growth remained subdued during 2019Q3. Volumes came under pressure on the back of weak consumer demand and a marginal uptick in non-durable selling prices. Overall profitability remained under pressure as the uptick in selling price inflation was

not enough to offset the fall in volumes. Looking ahead, elevated petrol and electricity prices, and subdued employment growth will likely weigh on consumers' disposable income and non-durable spending in particular during 2019H2.

---

Durable goods retailers under pressure as low confidence, weak demand bite

---

Confidence among **durable goods** retailers (i.e. retailers in hardware, furniture and household appliances) ticked up to 42 index points in 2018Q4 on the back of strong sales growth for furniture and household appliances retailers. However, since then confidence has fallen significantly, measuring just 15 index points in 2019Q3 – the lowest reading since 1999. Retailers in both the household furniture, appliances & equipment and hardware & building material categories reported lower sales volumes, with furniture retailers in particular recording very poor numbers. Additionally, overall profitability deteriorated on the back of a sharp drop in selling price inflation and rising input costs. According to Stats SA, furniture & appliances sales slowed to just 3% y-o-y in 2019H1, down from the 9.8% growth recorded in 2018, while hardware & building material sales contracted by 1.1%. According to the latest survey results, this trend looks set to continue in 2019Q3, with the sales volumes indicator for both categories remaining in deep negative territory.

---

Retail volume growth stuck in the doldrums

---

The latest survey results indicate that trading conditions in the broader retail sector deteriorated notably during 2019Q3. Weak volume growth, reduced pricing power and continued pressure on input costs saw overall profitability and general business conditions deteriorate markedly. While volume growth ticked up in 2019Q2, the latest survey results suggest that volumes likely came under renewed pressure during the third quarter. Retailers are cautiously optimistic that conditions will improve in 2019Q4. However, the numerous headwinds facing the consumer will likely continue to weigh on retail volume growth, and overall consumer spending, over coming months.

## Wholesaler confidence dips to multi-year lows

Confidence among **wholesalers** has held up reasonably well over the last couple of years, averaging 45 index points since 2015. However, the latest survey results point to a sharp deterioration in trading conditions during 2019Q3. Overall confidence fell to the lowest level since 2000, while the business conditions index dropped to the worst level since late-2009 – the height of the Global Financial Crisis (see Figure 3). The deterioration in the underlying survey results is also reflected in official statistics. According to Stats SA, total wholesale sales volumes contracted by 0.7% y-o-y in 2019H1. The Q3 survey results suggest that volume growth remained under pressure in 2019Q3, with the sales volumes index deteriorating notably. Combined with persistently low selling price

---

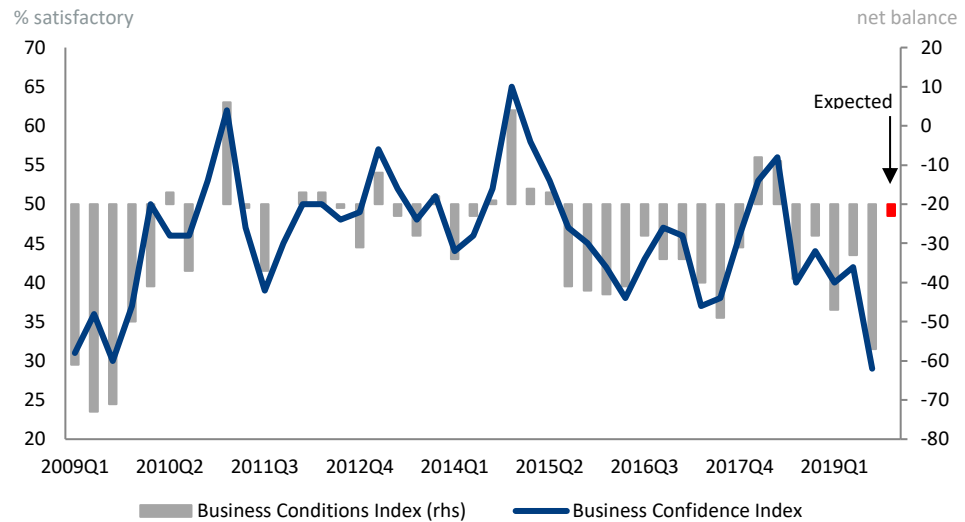
Wholesaler confidence dips on lower volumes, tough conditions

---



inflation, the drop in volume growth resulted in a significant deterioration in profitability, which likely weighed on overall confidence in the sector.

Figure 3: Wholesale confidence falls sharply in 2019Q3



Source: BER

Results for the different sub-categories mirror the findings for the sector as a whole. **Consumer goods** wholesaler (i.e. wholesalers in textiles, clothing, footwear, food, beverages, furniture and household appliances) confidence fell to the lowest level since 2011 on the back of lower volumes and deteriorating profitability, while conditions in the **non-consumer goods** category (e.g. machinery, building material, chemicals, petroleum products and office equipment) worsened substantially. Non-consumer goods wholesalers, in particular, have been hit by deteriorating conditions in the building & construction and manufacturing sectors.

In all, the latest survey results suggest that wholesale volume growth remained in the doldrums during 2019Q3.

## New vehicle trader confidence ticks up, but conditions remain tough

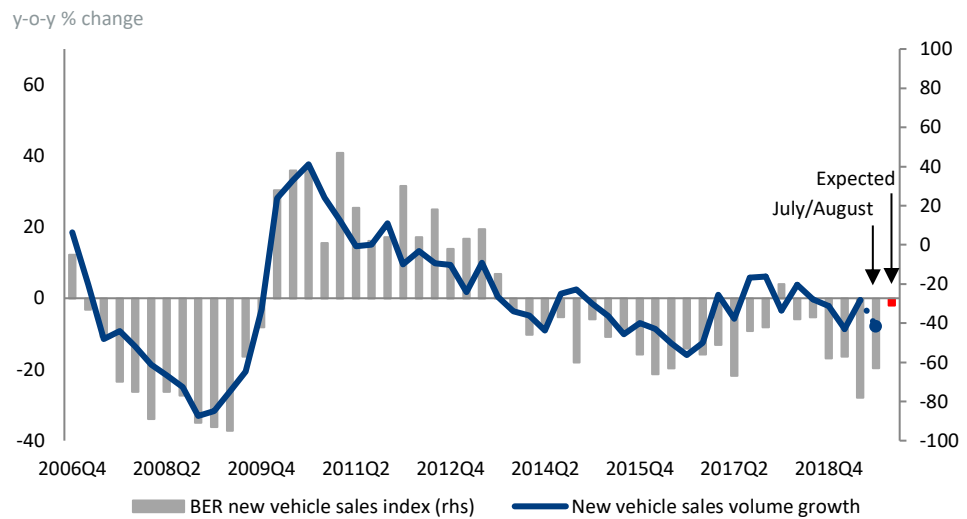
After declining markedly in 2019Q2, **new vehicle trader** confidence ticked up marginally in Q3. That being said, only 22% of new vehicle traders were satisfied with prevailing business conditions, while a net 57% indicated that general business conditions had deteriorated relative to a year ago. New passenger car sales recovered somewhat in 2019Q2 (see Figure 4). However, sales contracted by close to 8% y-o-y in July/August. Year-to-date, new passenger car sales have contracted by 5.7% y-o-y. Unfortunately, the latest survey results do not inspire confidence in a meaningful recovery any time soon.

---

New vehicle traders face tough trading environment

---

Figure 4: Passenger car sales remain under pressure



Source: dti, BER

In contrast, conditions in the **used car** market improved somewhat in 2019Q2, with sales ticking up by 1.8% y-o-y. However, the improvement came at the expense of selling prices, with prices in the category falling by close to 1% y-o-y during the second quarter (according to Stats SA). Unfortunately, the latest survey results suggest that this improved performance is unlikely to be sustained into 2019H2. Confidence among used car traders dipped on the back of deteriorating volumes and worse overall trading conditions.

In all, the third quarter survey results suggest that both new and used vehicle sales will remain under pressure over coming months. In a switch from previous survey rounds, vehicle traders are not overly optimistic that conditions will improve meaningfully going forward. In fact, the numerous headwinds facing the consumer will likely continue to weigh on the vehicle market over the foreseeable future. As new passenger car sales are a good leading indicator of overall consumer spending, the continued weakness in the car market does not bode well for overall spending.

Vehicle sales set to remain under pressure

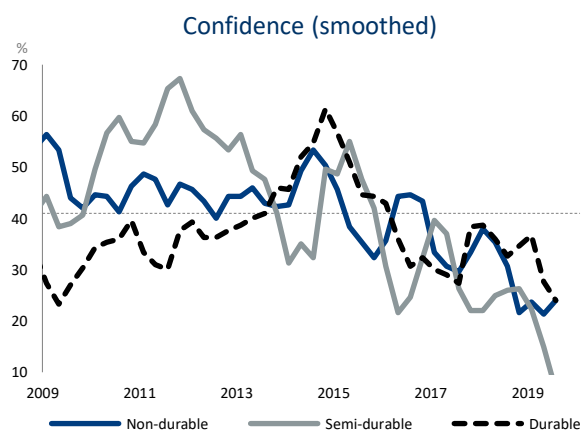
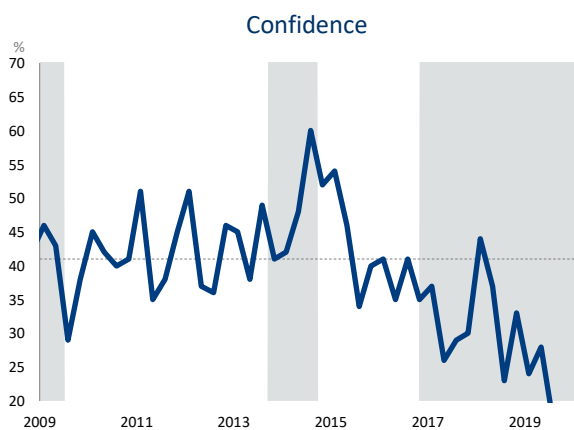
# Concluding Remarks

After contracting by 3.6% q-o-q (annualised) in 2019Q1, the Q3 GDP data showed that the trade sector bounced back in Q2, expanding by 3.9%. Similarly, total real household consumption expenditure expanded by 2.8% q-o-q in 2019Q2 after contracting by 0.6% in Q1. That being said, the recovery is likely to be temporary. The latest survey results suggest that consumer demand conditions deteriorated in 2019Q3. Trading conditions in both the retail and wholesale sector are extremely poor, with the index measuring current conditions stuck in the doldrums. Consumers are experiencing a significant disposable income squeeze. This will continue to weigh on consumer spending over the foreseeable future. As such, a meaningful and sustained acceleration in consumer spending over coming quarters is unlikely.

# Survey results

## Retail trade: total<sup>3</sup>

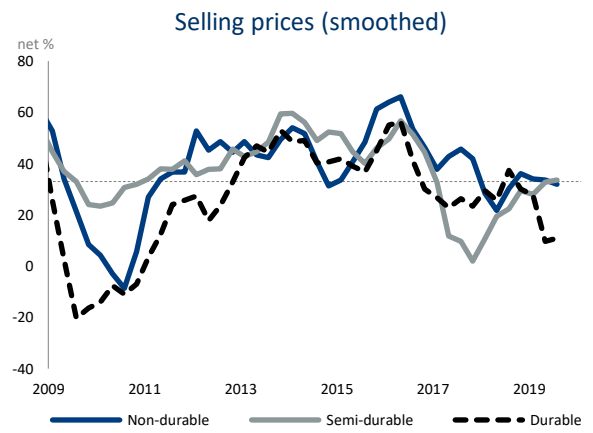
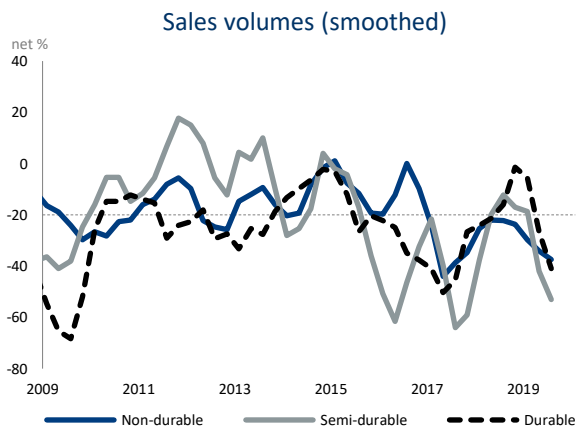
Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	$\Delta$	$\sigma_{\Delta}$
Confidence	%	30	39	48	30	44	37	23	33	24	28	17	-11	8
Business conditions	Net %	-45	-31	-17	-44	-17	-33	-52	-44	-33	-42	-62	-20	13
Sales volumes	Net %	-35	-21	-7	-32	-18	-34	-25	-13	-22	-37	-40	-3	12
Seasonally adjusted	Net %	-36	-21	-6	-25	-16	-39	-29	-6	-19	-42	-44	-2	15
Smoothed	Net %	-32	-21	-9	-32	-28	-26	-24	-20	-24	-33	-39	-6	6
Selling prices	Net %	13	32	51	41	18	22	28	46	26	22	29	7	15



<sup>3</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 the last 20 years  
 See Technical note for further details

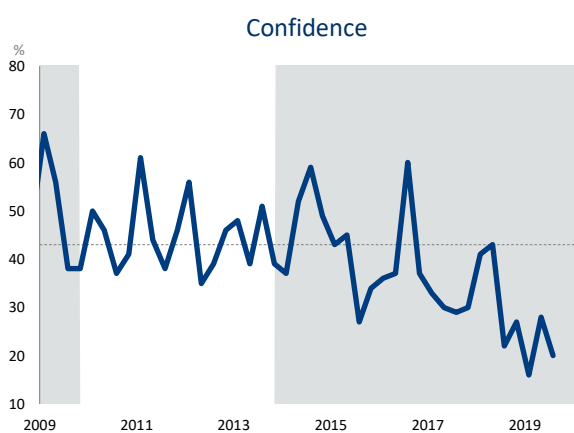
## Retail trade: total



$\mu$  – average  
 $\sigma$  – standard deviation  
 $\Delta$  – change from previous period  
 $\sigma_{\Delta}$  – volatility (standard deviation of the changes)  
All of the above calculated over the last 20 years  
See Technical note for further details

## Retail trade: non-durables<sup>4</sup>

Indicator	Unit	$\mu - \sigma$	$\mu$	$\mu + \sigma$	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	$\Delta$	$\sigma_{\Delta}$
Confidence	%	29	41	52	30	41	43	22	27	16	28	<b>20</b>	-8	12
Business conditions	Net %	-49	-32	-15	-43	-20	-32	-61	-57	-37	-37	<b>-60</b>	-23	19
Sales volumes	Net %	-33	-19	-6	-30	-23	-23	-20	-24	-27	-38	<b>-37</b>	1	14
Seasonally adjusted	Net %	-35	-19	-4	-22	-26	-30	-19	-16	-30	-45	<b>-36</b>	9	19
Smoothed	Net %	-30	-19	-9	-35	-25	-22	-22	-24	-30	-34	<b>-38</b>	-4	7
Selling prices	Net %	17	37	58	47	18	20	27	44	37	21	<b>43</b>	22	20

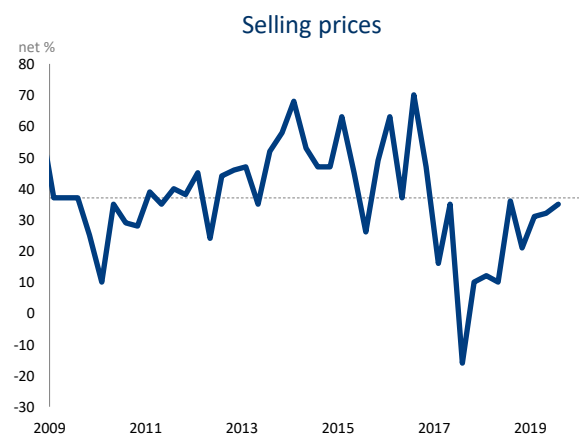
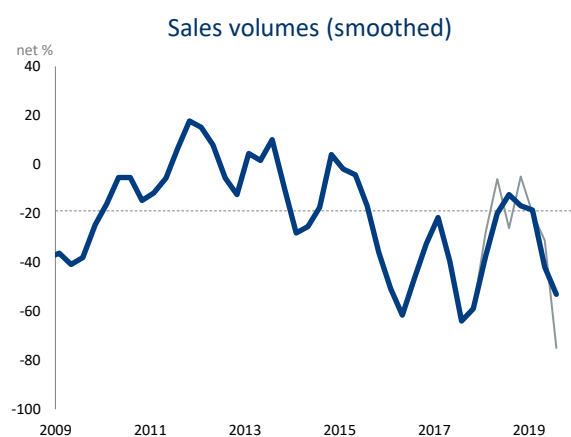
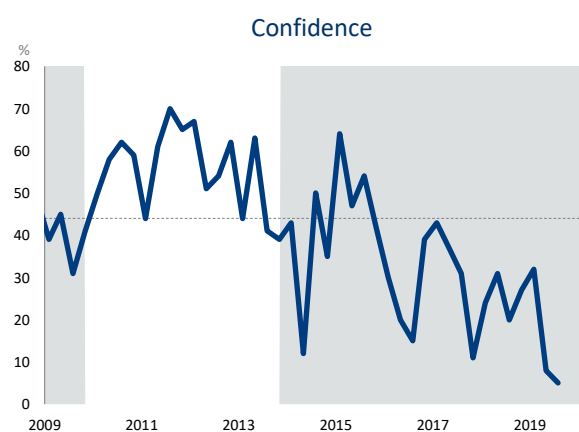


<sup>4</sup> Food, inedible groceries, tobacco (SIC code 621), beverages (622), pharmaceutical & medical goods, cosmetic & toiletry articles (6231), reading matter, stationery, office supplies (62391), other non-durable goods (62399)

$\mu$  – average  
 $\sigma$  – standard deviation  
 $\Delta$  – change from previous period  
 $\sigma_{\Delta}$  – volatility (standard deviation of the changes)  
 All of the above calculated over the last 20 years  
 See Technical note for further details

## Retail trade: semi-durables<sup>5</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	$\Delta$	$\sigma_{\Delta}$
Confidence	%	24	41	58	11	24	31	20	27	32	8	5	-3	15
Business conditions	Net %	-63	-37	-10	-78	-41	-23	-38	-40	-67	-61	-75	-14	28
Sales volumes	Net %	-49	-21	8	-79	-28	-6	-26	-5	-20	-31	-75	-44	30
Smoothed	Net %	-41	-20	1	-59	-38	-20	-12	-17	-19	-42	-53	-11	13
Selling prices	Net %	20	37	54	10	12	10	36	21	31	32	35	3	18

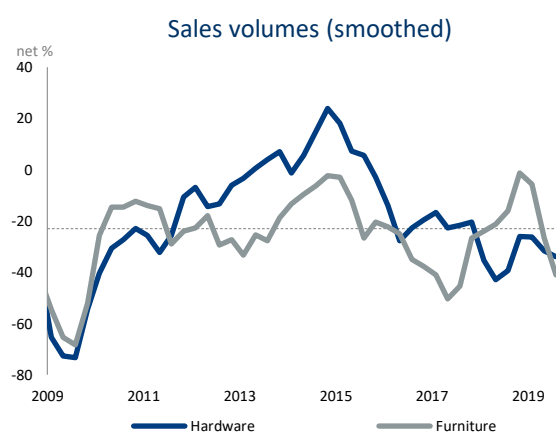
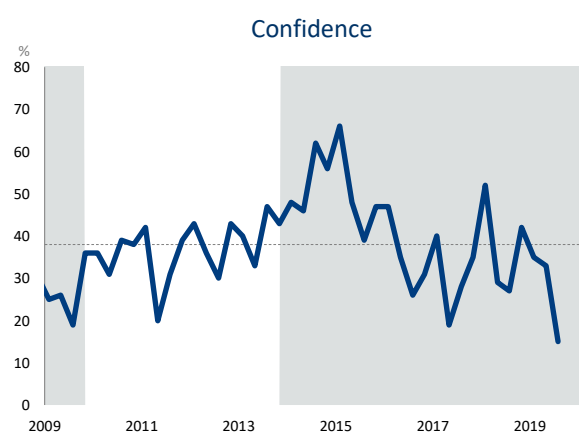


<sup>5</sup> Textiles, clothing, footwear & leather goods (SIC code 6232), sports goods & entertainment requisites (62393), other semi-durable goods (62399)

$\mu$  – average  
 $\sigma$  – standard deviation  
 $\Delta$  – change from previous period  
 $\sigma_{\Delta}$  – volatility (standard deviation of the changes)  
 All of the above calculated over the last 20 years  
 See Technical note for further details

## Retail trade: durables<sup>6</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	$\Delta$	$\sigma_{\Delta}$
Confidence	%	26	37	48	35	52	29	27	42	35	33	<b>15</b>	-18	11
Business conditions	Net %	-48	-29	-9	-39	-8	-38	-44	-28	-19	-44	<b>-63</b>	-19	18
<b>Sales volumes</b>														
Total	Net %	-44	-23	-2	-23	-10	-55	-30	1	-14	-39	<b>-36</b>	3	18
Hardware	Net %	-46	-20	7	-20	-19	-67	-43	-8	-27	-44	<b>-24</b>	20	21
Furniture	Net %	-47	-26	-4	-27	-3	-42	-19	13	2	-32	<b>-50</b>	-18	23
Selling prices	Net %	2	25	49	39	20	29	28	55	7	21	<b>1</b>	-20	19



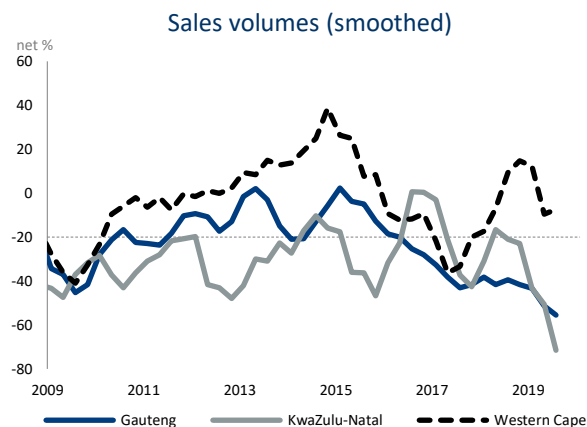
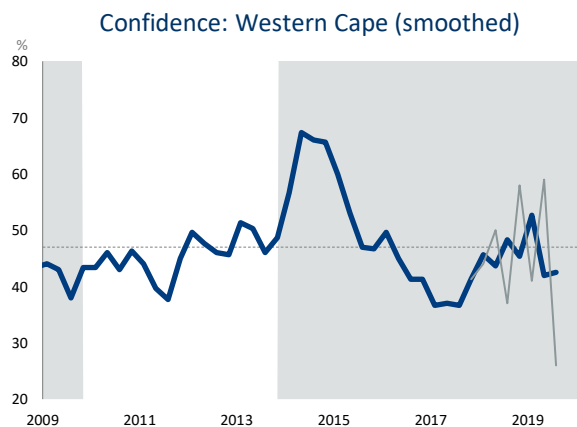
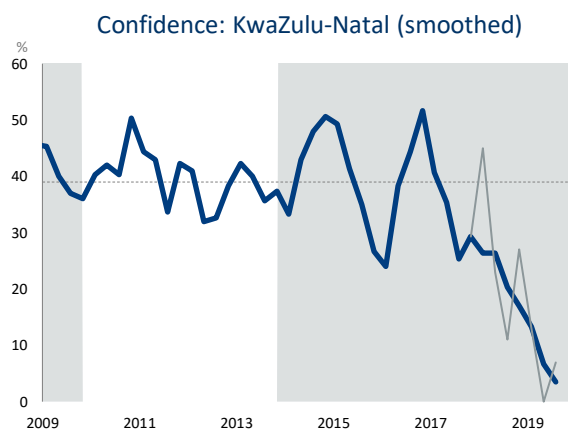
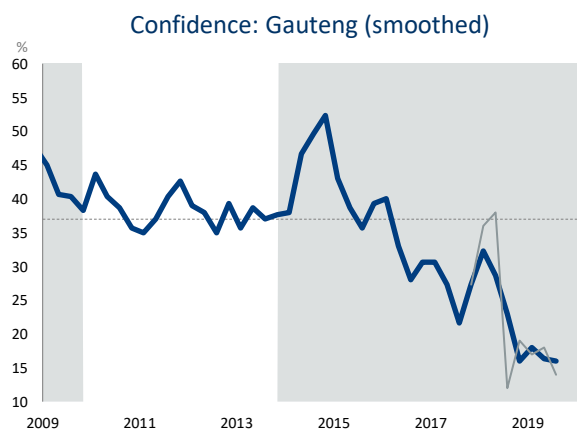
<sup>6</sup> "Retail trade durables" consists of "hardware" and "furniture". "Hardware" includes hardware, paint and glass (SIC code 6234). "Furniture" consists of household furniture, appliances, articles and equipment (6233), jewellery and related items (62392) and other durable goods (62399)

$\mu$  – average  
 $\sigma$  – standard deviation  
 $\Delta$  – change from previous period  
 $\sigma_{\Delta}$  – volatility (standard deviation of the changes)  
 All of the above calculated over the last 20 years  
 See Technical note for further details



## Retail trade: provinces

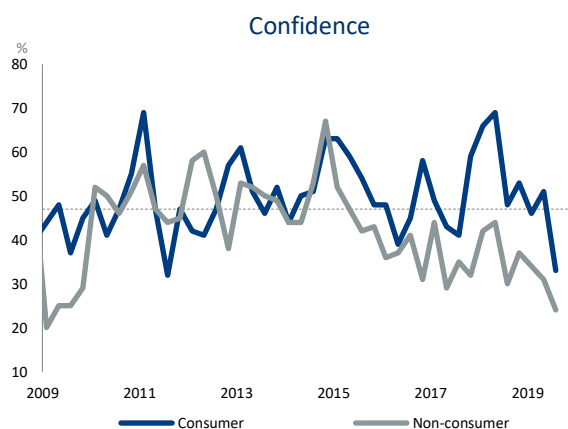
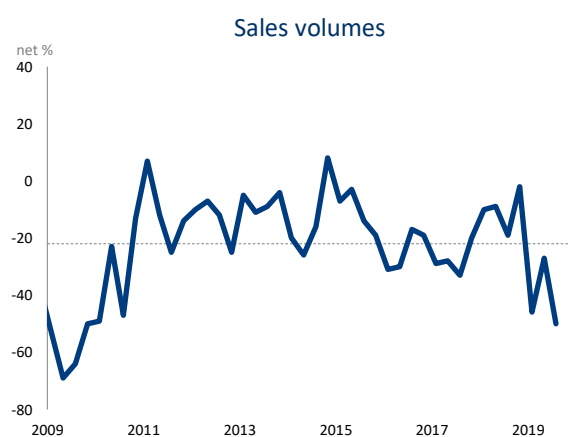
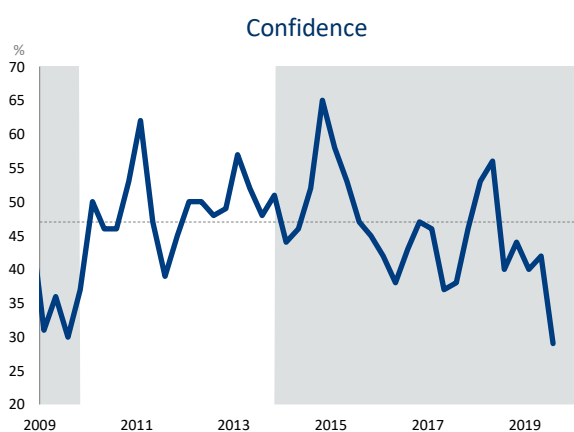
Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	$\Delta$	$\sigma_{\Delta}$
<b>Gauteng</b>														
Confidence	%	24	35	46	23	36	38	12	19	17	18	<b>14</b>	-4	11
Smoothed	%	26	35	44	27	32	29	23	16	18	16	<b>16</b>	0	4
Sales volumes	Net %	-42	-24	-5	-48	-31	-36	-58	-24	-43	-63	<b>-48</b>	15	17
Smoothed	Net %	-39	-24	-9	-42	-38	-42	-39	-42	-43	-51	<b>-56</b>	-5	6
<b>KwaZulu-Natal</b>														
Confidence	%	20	35	51	11	45	23	11	27	13	0	<b>7</b>	7	19
Smoothed	%	24	35	47	29	26	26	20	17	13	7	<b>4</b>	-3	6
Sales volumes	Net %	-51	-31	-10	-58	-32	-3	-15	-45	-9	-76	<b>-67</b>	9	26
Smoothed	Net %	-45	-30	-16	-43	-31	-17	-21	-23	-43	-51	<b>-72</b>	-21	10
<b>Western Cape</b>														
Confidence	%	35	47	58	43	44	50	37	58	41	59	<b>26</b>	-33	15
Smoothed	%	39	47	54	41	46	44	48	45	53	42	<b>43</b>	1	5
Sales volumes	Net %	-27	-4	20	-16	-6	-30	15	43	-14	8	<b>-23</b>	-31	23
Smoothed	Net %	-22	-3	15	-20	-17	-7	9	15	12	-10	<b>-8</b>	2	9



$\mu$  – average  
 $\sigma$  – standard deviation  
 $\Delta$  – change from previous period  
 $\sigma_{\Delta}$  – volatility (standard deviation of the changes)  
 All of the above calculated over the last 20 years  
 See Technical note for further details

## Wholesale trade: total<sup>7</sup>

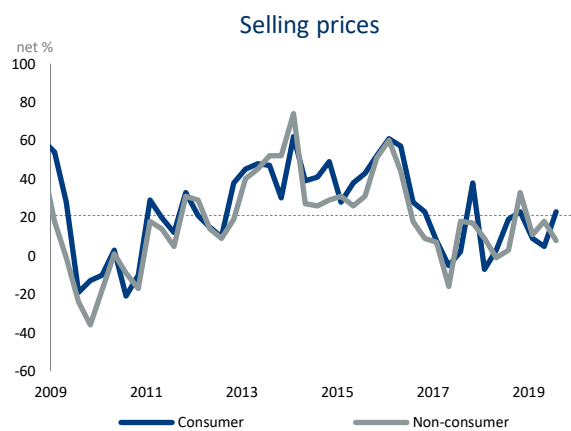
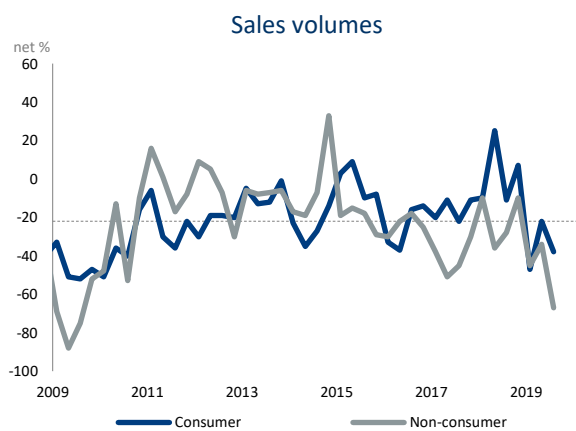
Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	$\Delta$	$\sigma_{\Delta}$
Confidence	%	38	46	54	46	53	56	40	44	40	42	<b>29</b>	-13	7
Business conditions	Net %	-48	-31	-13	-31	-8	-9	-39	-28	-47	-33	<b>-57</b>	-24	15
Sales volumes	Net %	-40	-22	-4	-20	-10	-9	-19	-2	-46	-27	<b>-50</b>	-23	16
Selling prices	Net %	-1	21	43	28	2	1	12	28	10	11	<b>17</b>	6	16



<sup>7</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  
 $\sigma_{\Delta}$  – volatility (standard deviation of the changes)  
 All of the above calculated over the last 20 years  
 See Technical note for further details

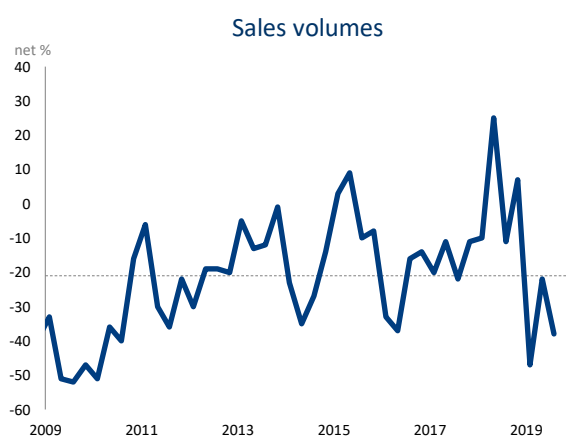
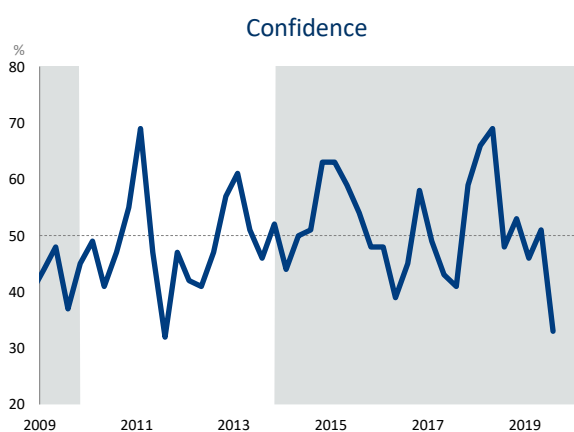
## Wholesale trade: total



$\mu$  – average  
 $\sigma$  – standard deviation  
 $\Delta$  – change from previous period  
 $\sigma_{\Delta}$  – volatility (standard deviation of the changes)  
All of the above calculated over the last 20 years  
See Technical note for further details

## Wholesale trade: consumer goods<sup>8</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	$\Delta$	$\sigma_{\Delta}$
Confidence	%	41	50	58	59	66	69	48	53	46	51	<b>33</b>	-18	10
Business conditions	Net %	-47	-31	-15	-21	-8	11	-40	-29	-55	-25	<b>-51</b>	-26	18
Sales volumes	Net %	-38	-21	-4	-11	-10	25	-11	7	-47	-22	<b>-38</b>	-16	17
Selling prices	Net %	1	23	46	38	-7	3	19	23	9	5	<b>23</b>	18	19

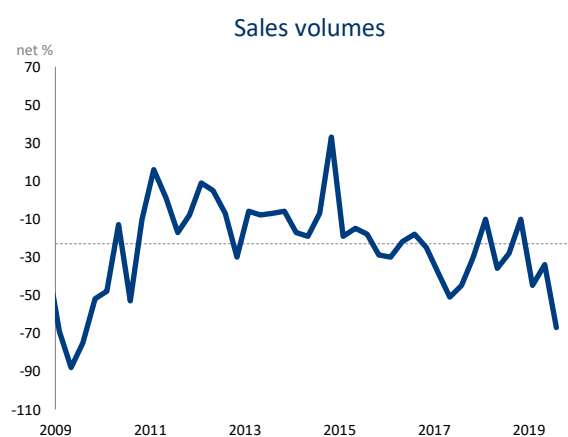
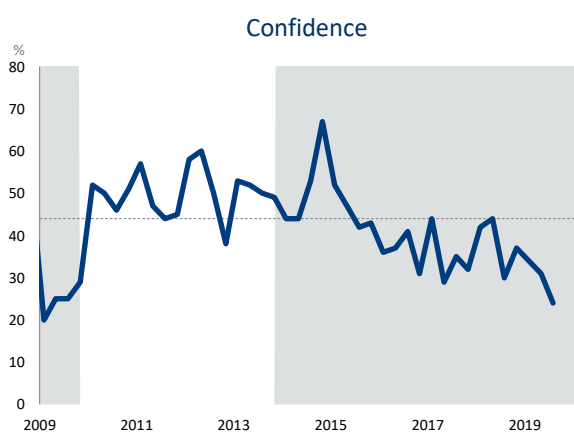


<sup>8</sup> Agricultural raw materials and livestock (SIC 6121), food, beverages and tobacco (6122), textiles, clothing and footwear (6131) and other household goods (6139).

$\mu$  – average  
 $\sigma$  – standard deviation  
 $\Delta$  – change from previous period  
 $\sigma_{\Delta}$  – volatility (standard deviation of the changes)  
 All of the above calculated over the last 20 years  
 See Technical note for further details

## Wholesale trade: non-consumer goods<sup>9</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	$\Delta$	$\sigma_{\Delta}$
Confidence	%	32	42	53	32	42	44	30	37	34	31	<b>24</b>	-7	10
Business conditions	Net %	-53	-31	-8	-40	-8	-24	-37	-27	-40	-42	<b>-66</b>	-24	19
Sales volumes	Net %	-49	-24	0	-30	-10	-36	-28	-10	-45	-34	<b>-67</b>	-33	21
Selling prices	Net %	-5	18	41	17	9	-1	3	33	11	18	<b>8</b>	-10	18

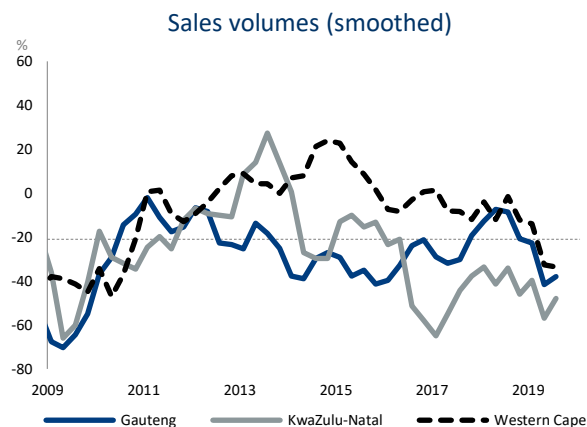
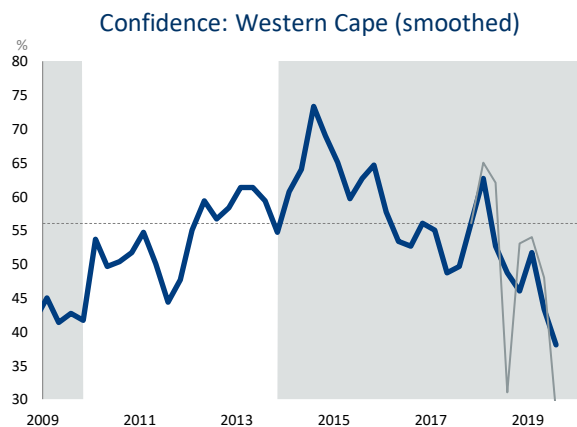
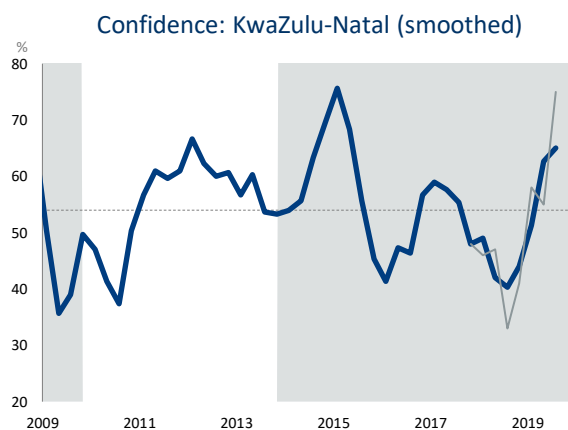
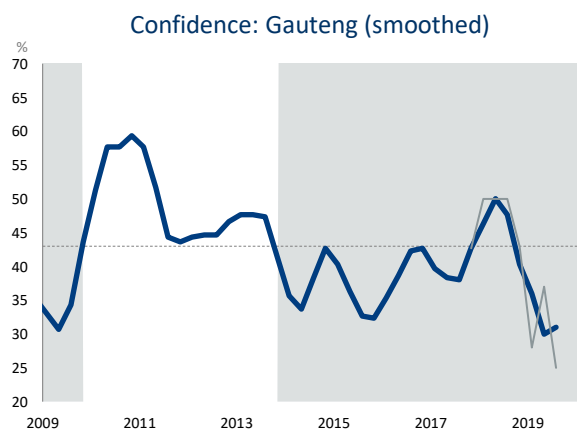


<sup>9</sup> Metals and metal ores (SIC code 6142), construction materials, hardware, plumbing and supplies (6143), other intermediate products, waste and scrap (6149) and machinery and equipment (615).

$\mu$  – average  
 $\sigma$  – standard deviation  
 $\Delta$  – change from previous period  
 $\sigma_{\Delta}$  – volatility (standard deviation of the changes)  
 All of the above calculated over the last 20 years  
 See Technical note for further details

## Wholesale trade: provinces

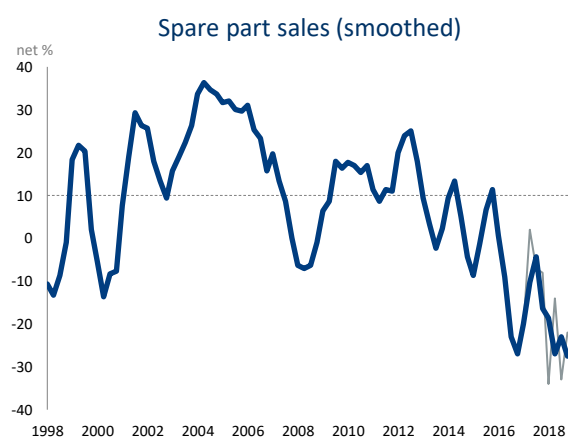
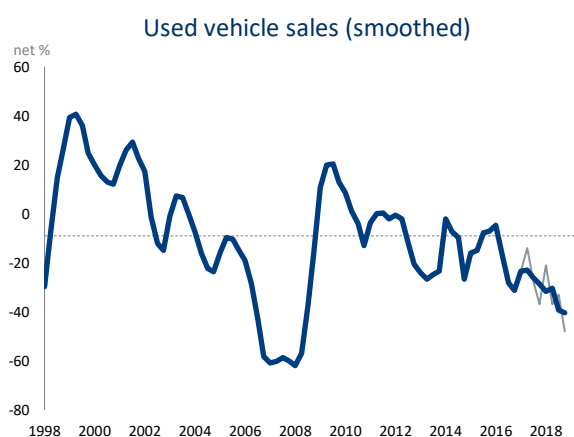
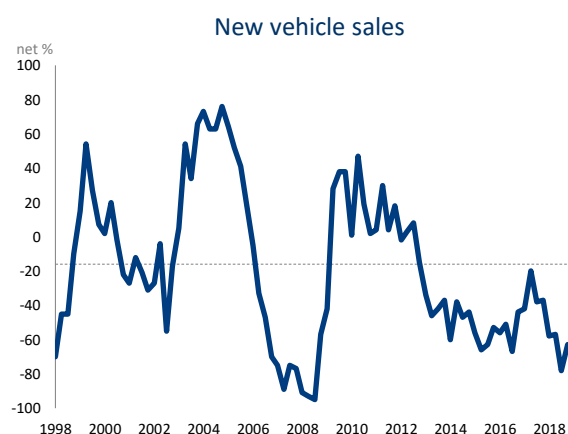
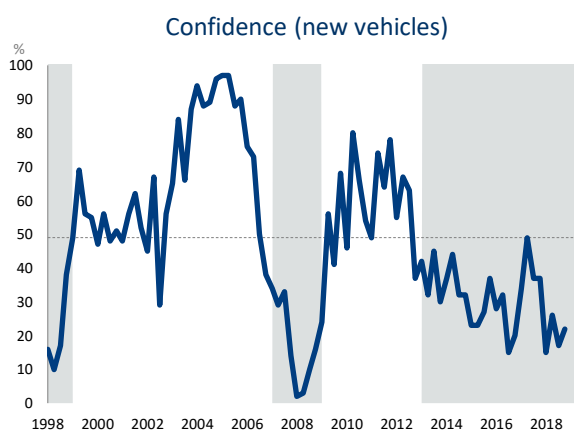
Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	$\Delta$	$\sigma_{\Delta}$
<b>Gauteng</b>														
Confidence	%	33	42	52	39	50	50	50	43	28	37	<b>25</b>	-12	8
Smoothed	%	35	42	50	43	46	50	48	40	36	30	<b>31</b>	1	4
Sales volumes	Net %	-49	-28	-8	-23	-2	-13	-7	-6	-49	-13	<b>-63</b>	-50	21
Smoothed	Net %	-44	-28	-12	-19	-13	-7	-9	-21	-23	-42	<b>-38</b>	4	8
<b>KwaZulu-Natal</b>														
Confidence	%	39	54	68	54	46	47	33	41	58	55	<b>75</b>	20	18
Smoothed	%	45	54	63	48	49	42	40	44	51	63	<b>65</b>	2	7
Sales volumes	Net %	-56	-28	1	-32	-30	-39	-55	-8	-75	-36	<b>-60</b>	-24	32
Smoothed	Net %	-49	-27	-5	-38	-34	-41	-34	-46	-40	-57	<b>-48</b>	9	13
<b>Western Cape</b>														
Confidence	%	42	54	66	61	65	62	31	53	54	48	<b>28</b>	-20	14
Smoothed	%	46	54	62	56	63	53	49	46	52	43	<b>38</b>	-5	5
Sales volumes	Net %	-31	-8	14	-2	-11	1	-26	20	-31	-31	<b>-36</b>	-5	23
Smoothed	Net %	-27	-8	10	-12	-4	-12	-2	-12	-14	-33	<b>-34</b>	-1	8



$\mu$  – average  
 $\sigma$  – standard deviation  
 $\Delta$  – change from previous period  
 $\sigma_{\Delta}$  – volatility (standard deviation of the changes)  
 All of the above calculated over the last 20 years  
 See Technical note for further details

## Motor trade<sup>10</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1	19Q2	19Q3	$\Delta$	$\sigma_{\Delta}$
<b>New vehicles</b>														
Confidence	%	25	49	73	34	49	37	37	15	26	17	<b>22</b>	5	14
Sales volumes	Net %	-62	-16	29	-42	-20	-38	-37	-58	-57	-78	<b>-63</b>	15	21
<b>Used vehicles</b>														
Sales volumes	Net %	-38	-11	16	-27	-14	-28	-37	-21	-37	-33	<b>-48</b>	-15	17
Smoothed	Net %	-35	-11	13	-23	-23	-26	-29	-32	-30	-39	<b>-41</b>	-2	9
<b>Spare parts</b>														
Sales volumes	Net %	-9	9	28	-26	2	-7	-8	-34	-14	-33	<b>-22</b>	11	14
Smoothed	Net %	-7	9	25	-20	-10	-4	-16	-19	-27	-23	<b>-28</b>	-5	7

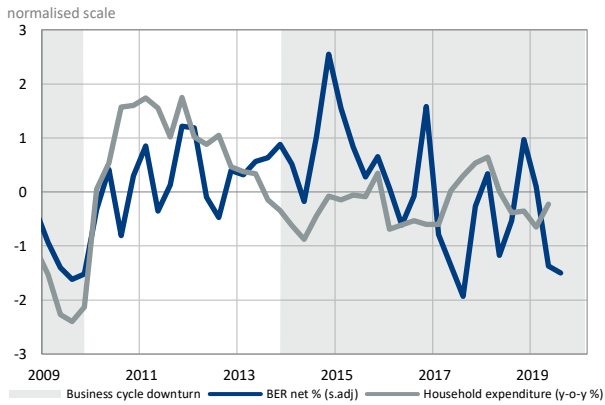


<sup>10</sup> The "motor trade" consists of the retail sales of new and used vehicles (SIC code 6312), as well as new spare parts and accessories (6331). The BER does not cover the wholesale sale of motor vehicles (6311), the maintenance and repair of motor vehicles (632), the sale of used parts and accessories (6332), the sale, maintenance and repair of motor cycles (634) and the retail sale of automotive fuel (635).

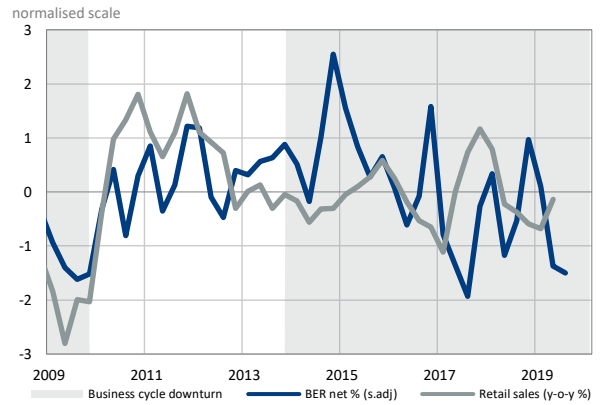
$\mu$  – average  
 $\sigma$  – standard deviation  
 $\Delta$  – change from previous period  
 $\sigma_{\Delta}$  – volatility (standard deviation of the changes)  
 All of the above calculated over the last 20 years  
 See Technical note for further details

# Summary

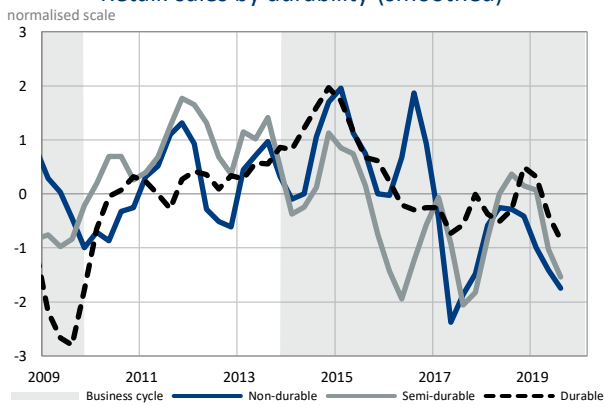
### BER retail sales & FHCE\*



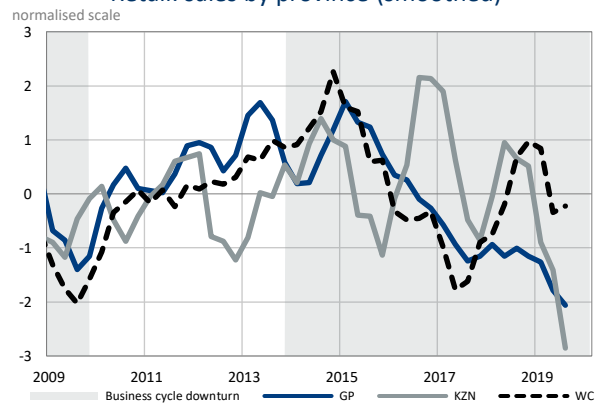
### Retail sales



### Retail: sales by durability (smoothed)



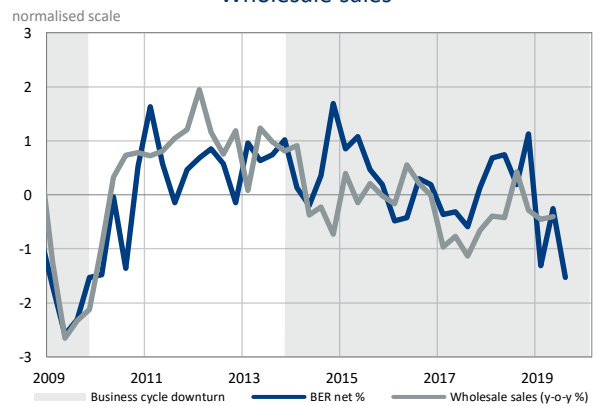
### Retail: sales by province (smoothed)



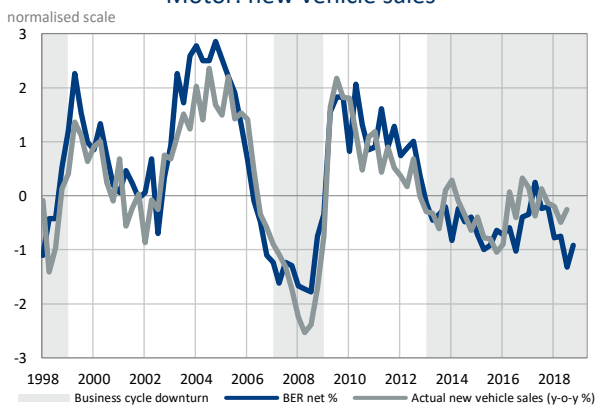
### Retail: selling prices & core CPI



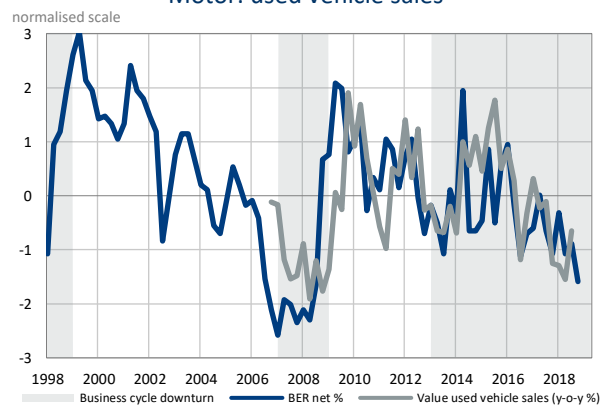
### Wholesale sales



### 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.

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

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 %)

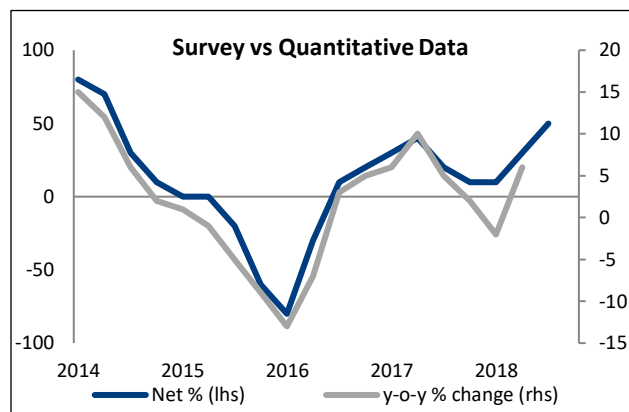
The responses related to the change in activity, prices, employment, business conditions, expected economic performance etc. are presented as a "net percentage" (also called a "net balance" or a "net majority"). If, for example, the percentages of respondents rating the volume of sales as "higher", the "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.