

# Retail Trade

Quarterly analysis of activity in retail,  
wholesale and motor trade

Second quarter 2020  
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# Executive summary

## **The economic shutdown to contain COVID-19 dominated the second quarter of 2020.**

Almost overnight nearly all businesses stopped generating income, but continued to be liable for expenses.

Only retailers and wholesalers of non-durable goods could trade on condition that they adhered to strict hygiene measures.

Non-durable goods **retail** barely got by, but semi-durable and durable goods fell off the cliff.

Overall retailer confidence dropped to a 29-year low of 11.

Sales of non-durable goods performed better compared to the first quarter.

The recovery is expected to be slow due to households' reduced ability and willingness to spend.

Semi-durable and durable goods survey respondents do not expect sales to rebound fully in the near term.

The retail environment has become even more challenging than previously. Profits fell off a cliff.

Retailers could not pass on higher costs in the form of higher prices.

**Wholesaler** confidence at a record low after falling from 25 to 4.

The sales volumes of wholesale sales contracted at record-high rates.

**Motor trade** came to a complete halt.

New vehicle trade confidence fell to a mere 2.

This report was completed on 22 June 2020.

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

# Contents

Summary of the 2020Q2 trade sector survey results .....	2
The economic shutdown to contain COVID-19 dominated the second quarter of 2020 .....	2
Non-durable goods retail barely got by, but semi-durable and durable goods fell off the cliff .....	2
Motor trade came to a complete halt .....	5
Survey results.....	7
Retail trade: total.....	7
Retail trade: non-durables .....	9
Retail trade: semi-durables.....	10
Retail trade: durables .....	11
Retail trade: provinces .....	12
Wholesale trade: total.....	13
Wholesale trade: consumer goods.....	15
Wholesale trade: non-consumer goods.....	16
Wholesale trade: provinces .....	17
Motor trade .....	18
Summary.....	19
Technical note.....	20
The retail, wholesale and motor trade survey method.....	20
The unique units of measurement of qualitative surveys .....	21
Descriptive statistics in the tables .....	22
Conventions and aids provided in the charts .....	23

# Summary of the 2020Q2 trade sector survey results

## The economic shutdown to contain COVID-19 dominated the second quarter of 2020

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Almost overnight nearly all businesses stopped generating income, but continued to be liable for expenses

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The completely unexpected emergence and spread of the COVID-19 virus and the five-week shutdown (from the end of March to the end of April) of almost all non-essential economic activity as a first step to deal with the public health emergency completely overshadowed the second quarter of 2020. Almost overnight nearly all businesses stopped generating income, but continued to be liable for expenses (such as rent, wages, interest on loans and unpaid earlier supplier deliveries). Only businesses producing and selling basic necessities were allowed to operate. They, in turn, faced supply chain disruptions and additional costs to keep staff and clients safe.

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Only retailers and wholesalers of non-durable goods could trade on condition that they adhered to strict hygiene measures

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The second quarter survey was conducted online between 13 May and 1 June. The fieldwork covered the period during risk level 4 and the announcement of the switch to the less restrictive risk level 3 on 1 June. During the risk level 4 period, most businesses were still not allowed to operate or only at a very limited scale bar those producing and selling essentials. Retailers and wholesalers of non-durable goods (such as uncooked food, cold prepared food, cleaning materials, inedible groceries, non-alcoholic beverages, toiletries and pharmaceuticals) could trade on condition that they adhered to strict hygiene measures. Retailers of semi-durable goods were restricted to selling only selected winter and baby clothing. In contrast, durable goods (such as furniture, appliances and electronics) and motor vehicles dealers were not allowed to open for business. Towards the end of May, hardware (classified under durable goods) sales to tradesmen were permitted.

## Non-durable goods retail barely got by, but semi-durable and durable goods fell off the cliff

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Overall retailer confidence dropped to a 29-year low of 11

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The sudden appearance of the COVID-19 virus and subsequent restriction of economic activity to manage the health emergency produced a huge confidence shock. Traffic volumes to malls and shops plummeted as the lockdown began on 27 March. Accordingly, retailer confidence dropped to a 29-year low of 11 in the second quarter of 2020 – down from 18 in the first quarter of 2020. At this level, confidence was significantly weaker than the 29 recorded during the global

financial crisis. In fact, confidence in the retail sector has been on a downward trend since the first quarter of 2014.

A reading of 11 indicates that nine out of ten respondents were unsatisfied with prevailing business conditions. In the past, retail confidence has been lower than 11 (namely in 1977, 1984 and 1991, which were all times of major political unrest in South Africa) and has fallen by more than 7 points between consecutive quarters (as recently as the first quarter of 2020).

It does not surprise that the performance of the different categories of retail sales closely matches the lockdown restrictions. Sales of (essential) non-durable goods performed better than in the first quarter (although still poorly relative to the 2011-17 period), but sales of (non-essential) semi-durable and durable goods plunged to record lows. Thanks to the non-durable goods sector, overall retail confidence managed to remain above 10, the only sector to do so out of the five sectors making up the RMB/BER business confidence index (BCI).

Relative to the other two categories, non-durable goods not only benefited from the fact that stores remained open during the lockdown period, but also by a shift in spending. The confidence shock and the closure of restaurants and fast-food outlets resulted in consumers limiting their spending to essentials (i.e. food and pharmaceuticals) while foregoing spending on services (e.g. restaurants, entertainment and travel) and durable goods (i.e. items where the “time to buy” could be postponed without a commensurate immediate fall in personal livelihoods). Furthermore, the government’s additional financial support to low-income households also supported non-durable goods rather than semi-durable goods.

The expected gradual lifting of the lockdown restrictions and subsequent resumption of economic activity will most likely lift confidence and support a partial recovery in sales in the third quarter and beyond. However, the road to full recovery (and return to pre-lockdown levels) is likely to be slow and bumpy.

The main reasons why the recovery is expected to be slow are that both the major drivers of consumer spending, namely household’s ability and willingness to spend, were severely adversely impacted in the second quarter.

Many firms’ (temporary and permanent) retrenchment of staff and, in many cases, large reductions in monthly pay to survive the lockdown, reduced households’ disposable income. Although the Reserve Bank lowered the interest rate by 2¾ points in a very short time span, the support that this provides to the cash flow of households with outstanding debt would still be far outweighed by the adverse impact of falling earnings. The closure (in many cases, probably

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Sales of non-durable goods performed better

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Non-durable goods benefited from a number of factors

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The recovery is expected to be slow due to ...

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households' reduced ability to and ...

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permanently) of small and informal businesses, the discontinuation of bonuses and commissions, as well as the reduction in or halt of financial support among family members reduced households' ability to spend further. The government's additional temporary financial support to low-income households and unemployment insurance payouts brought relief to some households, but they were unlikely to fully compensate for all the other adverse household income developments.

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willingness to spend

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Households' willingness to spend in general, and on non-essential goods and services in particular, was severely reduced due to the unexpected, big fall in household income, uncertainty about employment and fear about the COVID-19 virus.

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Semi-durable and durable goods survey respondents do not expect sales to rebound fully in the near term

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In line with this, semi-durable (e.g. clothing) and durable goods (furniture and electronics) survey respondents do not expect sales to rebound fully in the near term due to pent-up demand (as a result of the earlier store closures). Instead, job losses and the fall in consumer confidence all point to households rather restricting their spending to mainly basic necessities, such as food and pharmaceuticals. Furthermore, some semi-durable and durable goods dealers also fear that supply chain disruptions will prevent them from having sufficient stock of the right items available when demand finally starts to recover. If this happens, potential sales will not be converted to actual sales. Another concern is that the COVID-19 virus and resultant heightened hygiene measures and risks may change (at least temporarily) shopping behaviour. If, for instance, fewer people regard shopping and going to a mall as safe, enjoyable entertainment compared to the time before the virus, then "impulse" buying will most likely suffer.

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The retail environment has become even more challenging than previously. Profits fell off a cliff.

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In the second quarter and immediate future, the retail environment has become even more challenging than previously. The retail sector has been struggling for some time due to weak consumer demand, especially in 2018 and 2019. The COVID-19 induced lockdown could not have come at a worse time. Profits fell off a cliff as non-essential dealers generated no revenue, but most operating costs could not be slashed as quickly and to the same extent, if at all. Although essential dealers generated revenue, profits suffered, as sales of goods with higher profit margins (such as alcoholic beverages, cigarettes and high-end beauty products) were prohibited and costs related to COVID-19 protocols (such as the sanitisation of stores and the procurement of personal protective equipment for staff) escalated.

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Retailers could not pass on higher costs in

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Even though essential (non-durable) stores benefited from a stronger demand, to sustain turnover they had to keep price margins thin, i.e. not pass on higher costs to the end-consumer in the form of higher prices. The low inflation

the form of  
higher prices

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environment and prosecution of price “gougers” also kept price increases low. Regarding the latter, the government enforced consumer protection regulations and prosecuted companies that took advantage of the situation and hiked the prices of essential goods by unjustifiably large margins.

## Wholesaler confidence at a record low

The business environment in the wholesale trade was exceptionally tough in the second quarter. Wholesalers, just like retailers, were prohibited from operating or could only trade on a limited scale except for those selling essential goods directly to the public or supplying inputs to essential goods producers.

The sales  
volumes of  
wholesale sales  
contracted at  
record-high rates

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The sales volumes of both sub-categories of total wholesale sales contracted at record-high rates. Of the two categories, non-consumer goods (such as building materials, chemicals and machinery) performed the worst. Consumer goods (such as agricultural raw materials and other household goods) also took a huge knock, even though several items within this category could continue to be sold during the lockdown.

Given the inter-linking role that the wholesale sector plays between the various sectors within the economy (e.g. among agriculture, mining, construction, manufacturing and domestic trade), as well as between the South African and the international economy, it is no wonder that the standstill in activity in all these sectors severely disrupted the wholesale sector.

Wholesale  
confidence fell  
from 25 to 4

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Wholesale confidence fell from 25 to 4, thereby significantly exceeding the previous record low of 12 registered in 1999. More disconcerting, though, is that wholesaler respondents do not expect business conditions to improve notably in the third quarter, even as lockdown restrictions are eased.

The rate of increase in wholesale selling prices edged up to the fastest pace in a while. This came on the back of a sharp acceleration in wholesale purchasing price increases. The faster rise in purchasing prices, in turn, was mainly driven by non-consumer goods (i.e. machinery and equipment). Non-consumer goods are largely imported and were, therefore, particularly adversely affected by the significant rand exchange rate depreciation in the second quarter.

## Motor trade came to a complete halt

In tandem with durable goods in the retail trade, the motor trade came to a complete standstill in the second quarter. The lockdown restrictions prohibited



the sale of both new and used vehicles. Servicing of vehicles was only permitted for emergency repairs.

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New vehicle  
trade confidence  
fell to a mere 2

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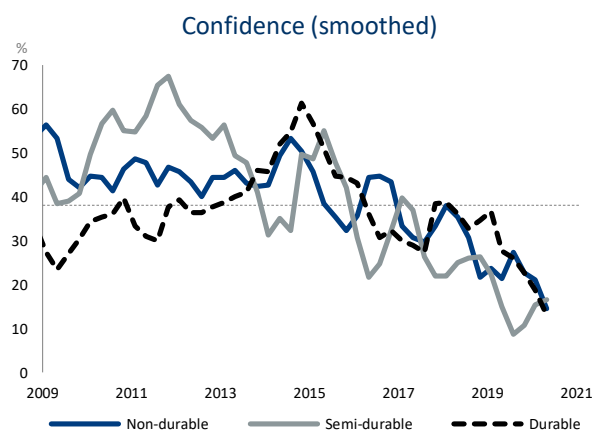
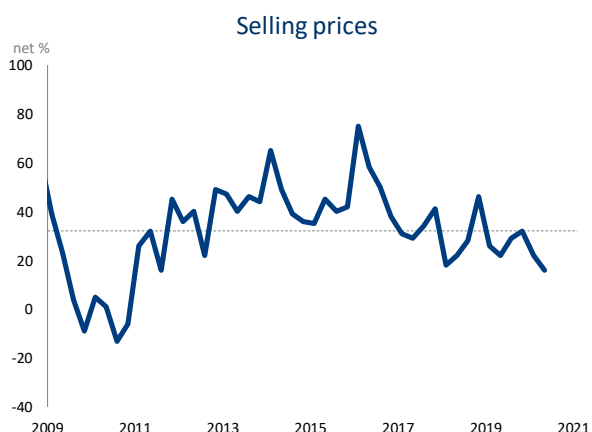
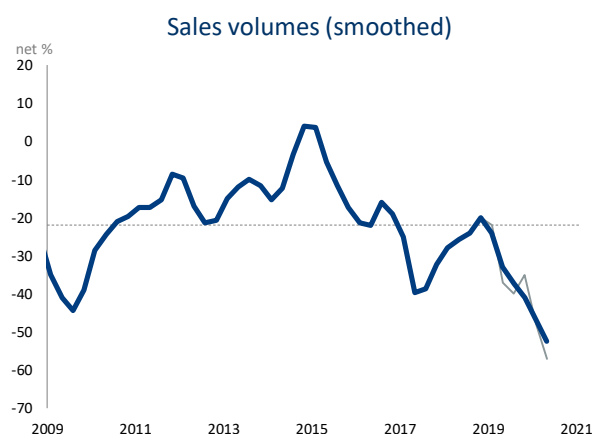
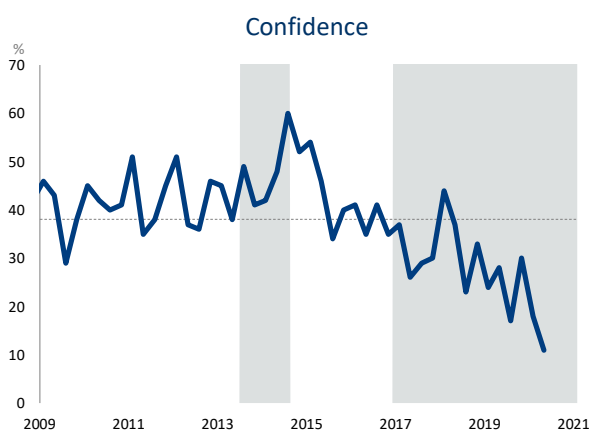
As a result, new vehicle trade confidence fell from an already-low 16 in the first quarter to a mere 2 in the second quarter. The last time confidence hit rock bottom was during the global financial crisis (2008 and 2009).

Looking forward, the motor trade is likely to remain under severe pressure owing to the economic disruption caused by the Covid-19 outbreak on the weakened balance sheets of households and corporates. As such, consumers may delay big-ticket purchases, such as new vehicles, despite low interest rates. Moreover, vehicle and spare parts sales will be adversely affected in years to come should more people continue to work from home after the virus threat has passed.

# Survey results

## Retail trade: total<sup>1</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	$\Delta$	$\sigma_{\Delta}$
Confidence	%	28	38	48	23	33	24	28	17	30	18	<b>11</b>	-7	8
Business conditions	Net %	-49	-33	-17	-52	-44	-33	-42	-62	-44	-62	<b>-74</b>	-12	14
Sales volumes	Net %	-38	-23	-8	-25	-13	-22	-37	-40	-35	-48	<b>-57</b>	-9	11
Seasonally adjusted	Net %	-37	-23	-8	-20	-20	-26	-31	-35	-42	-52	<b>-51</b>	1	10
Smoothed	Net %	-35	-22	-10	-24	-20	-24	-33	-37	-41	-47	<b>-53</b>	-6	6
Selling prices	Net %	13	32	50	28	46	26	22	29	32	22	<b>16</b>	-6	14



<sup>1</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

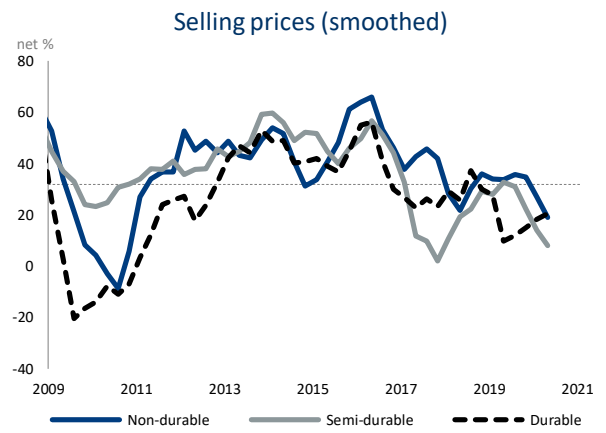
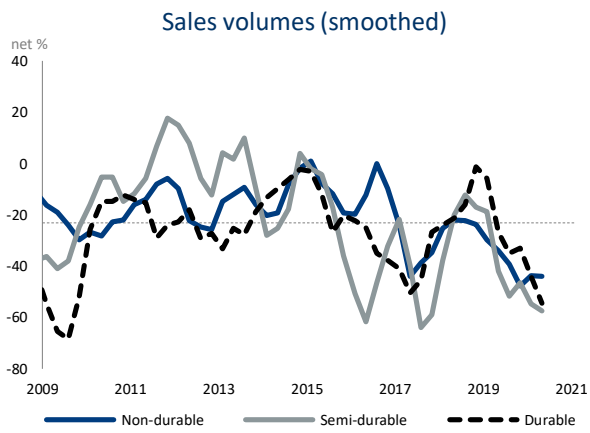
$\Delta$  – change from previous period

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

All of the above calculated over the last 20 years

See Technical note for further details

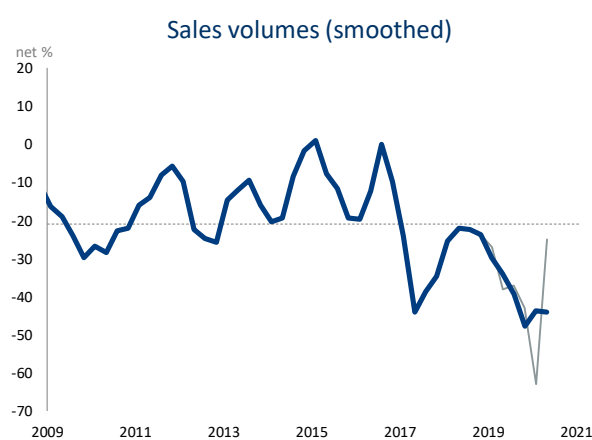
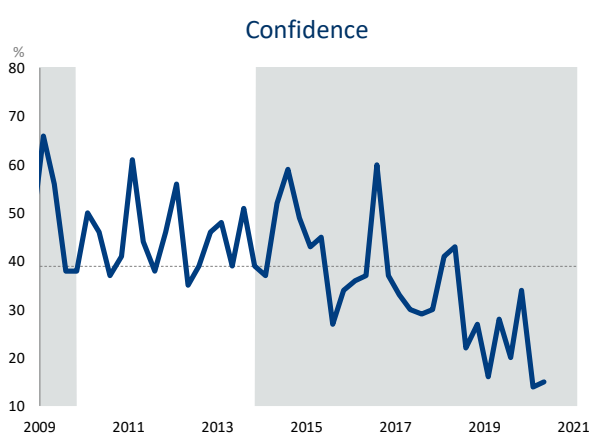
## Retail trade: total



$\mu$  – 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>2</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	$\Delta$	$\sigma_{\Delta}$
Confidence	%	27	39	52	22	27	16	28	20	34	14	<b>15</b>	1	12
Business conditions	Net %	-51	-34	-16	-61	-57	-37	-37	-60	-43	-73	<b>-51</b>	22	19
Sales volumes	Net %	-36	-21	-6	-20	-24	-27	-38	-37	-43	-63	<b>-25</b>	38	15
Seasonally adjusted	Net %	-35	-21	-6	-21	-30	-26	-32	-38	-49	-62	<b>-19</b>	43	14
Smoothed	Net %	-33	-21	-9	-22	-24	-30	-34	-39	-48	-44	<b>-44</b>	0	7
Selling prices	Net %	16	36	57	27	44	37	21	43	43	18	<b>20</b>	2	19

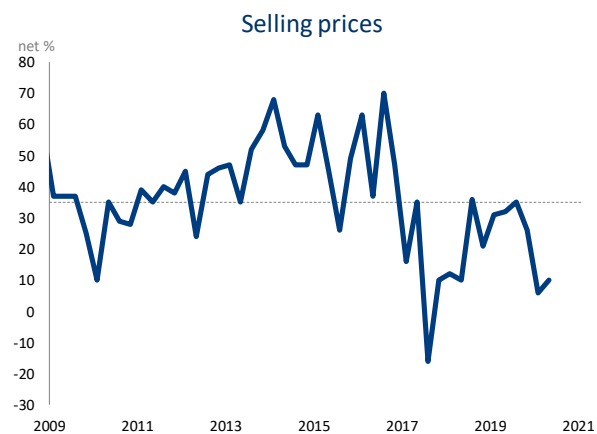
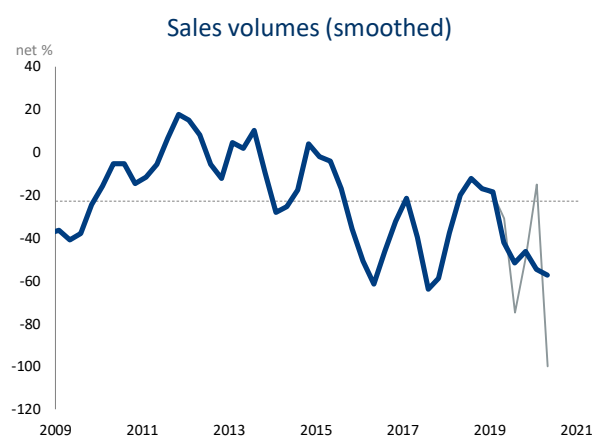
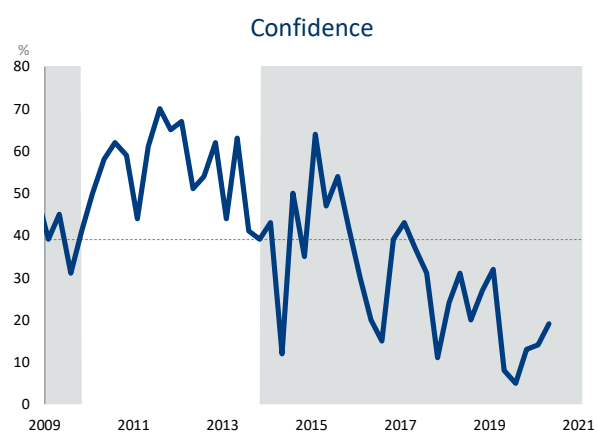


<sup>2</sup> Food, inedible groceries, tobacco (SIC code 621), beverages (622), pharmaceutical & medical goods, cosmetic & toiletry articles (6231), reading matter, stationery, office supplies (62391), other non-durable goods (62399)

$\mu$  – 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>3</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	$\Delta$	$\sigma_{\Delta}$
Confidence	%	22	39	57	20	27	32	8	5	13	14	<b>19</b>	5	14
Business conditions	Net %	-67	-39	-12	-38	-40	-67	-61	-75	-73	-49	<b>-100</b>	-51	28
Sales volumes	Net %	-53	-23	7	-26	-5	-20	-31	-75	-49	-15	<b>-100</b>	-85	32
Smoothed	Net %	-44	-22	0	-12	-17	-19	-42	-52	-46	-55	<b>-58</b>	-3	12
Selling prices	Net %	18	35	53	36	21	31	32	35	26	6	<b>10</b>	4	17

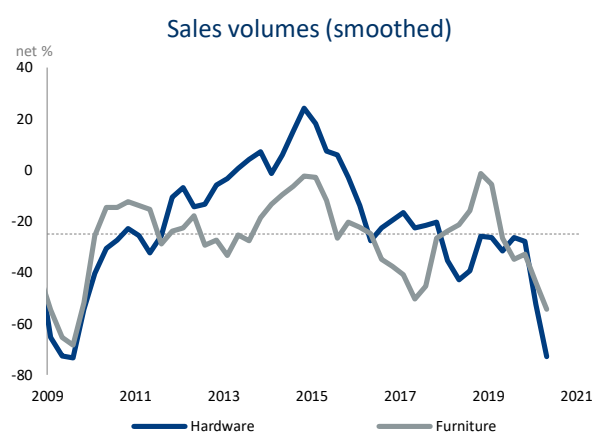
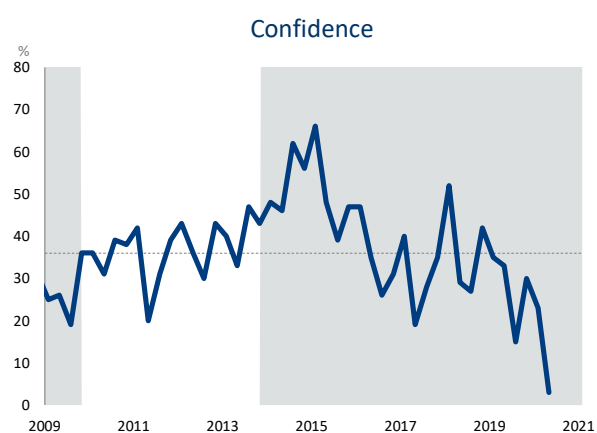


<sup>3</sup> Textiles, clothing, footwear & leather goods (SIC code 6232), sports goods & entertainment requisites (62393), other semi-durable goods (62399)

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 $\sigma$  – 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>4</sup>

Indicator	Unit	$\mu - \sigma$	$\mu$	$\mu + \sigma$	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	$\Delta$	$\sigma_{\Delta}$
Confidence	%	24	36	48	27	42	35	33	15	30	23	<b>3</b>	-20	11
Business conditions	Net %	-53	-31	-10	-44	-28	-19	-44	-63	-38	-53	<b>-95</b>	-42	19
<b>Sales volumes</b>														
Total	Net %	-47	-25	-2	-30	1	-14	-39	-36	-18	-39	<b>-91</b>	-52	19
Hardware	Net %	-50	-22	6	-43	-8	-27	-44	-24	-11	-49	<b>-97</b>	-48	22
Furniture	Net %	-49	-27	-5	-19	13	2	-32	-50	-23	-26	<b>-83</b>	-57	24
Selling prices	Net %	2	25	48	28	55	7	21	1	14	30	<b>11</b>	-19	19

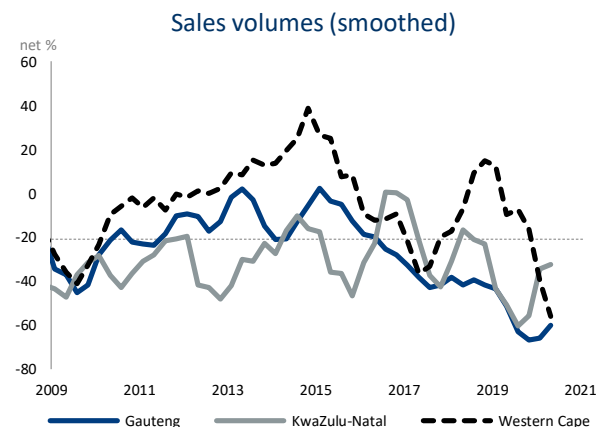
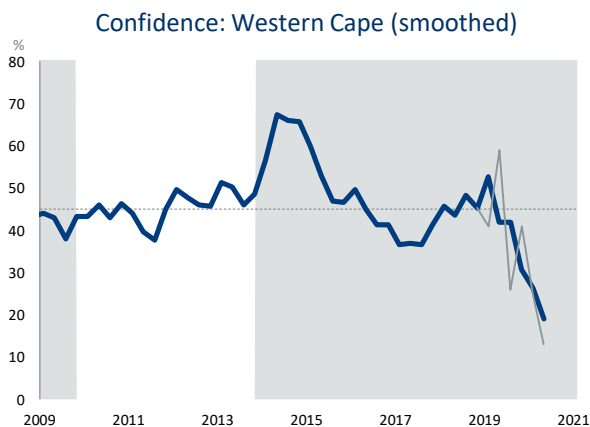
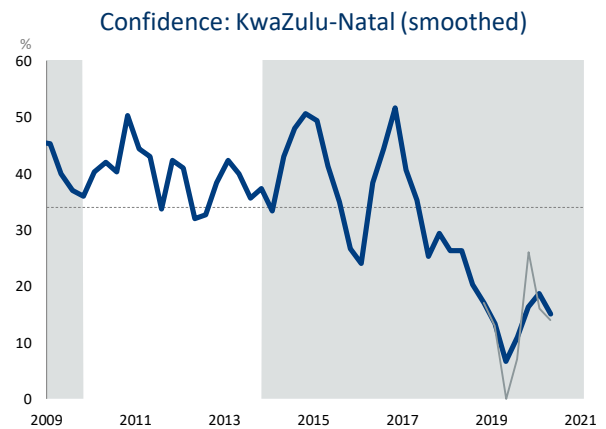
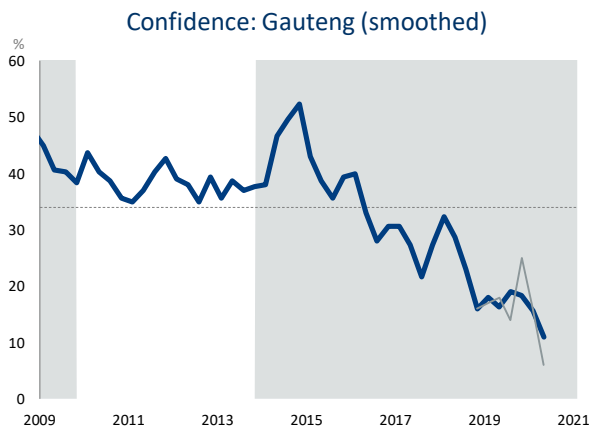


<sup>4</sup> "Retail trade durables" consists of "hardware" and "furniture". "Hardware" includes hardware, paint and glass (SIC code 6234). "Furniture" consists of household furniture, appliances, articles and equipment (6233), jewellery and related items (62392) and other durable goods (62399)

$\mu$  – average  
 $\sigma$  – standard deviation  
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 All of the above calculated over the last 20 years  
 See Technical note for further details

## Retail trade: provinces

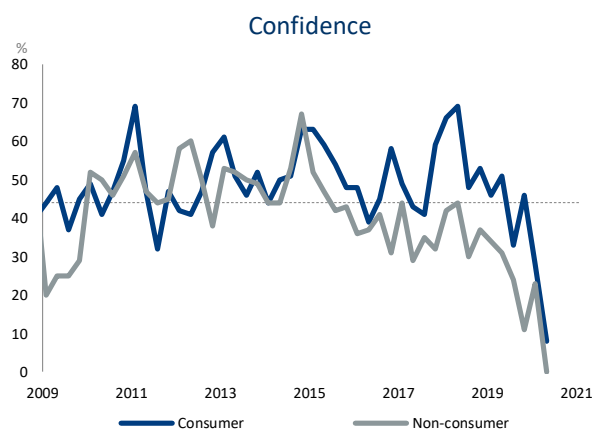
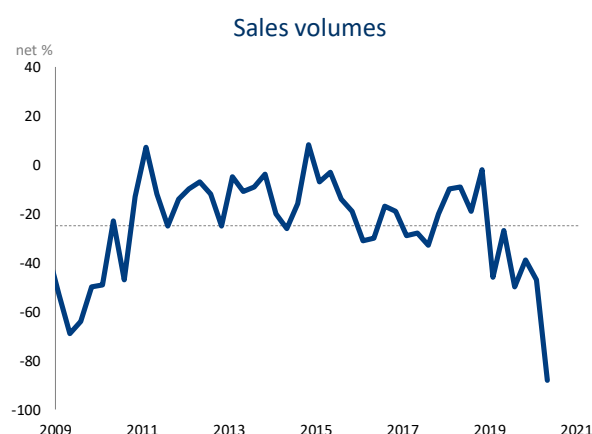
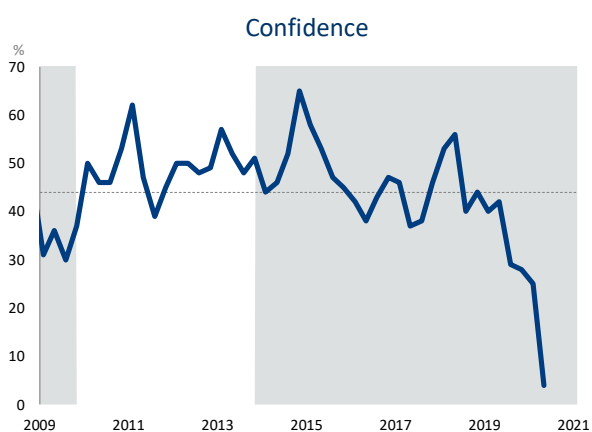
Indicator	Unit	$\mu - \sigma$	$\mu$	$\mu + \sigma$	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	$\Delta$	$\sigma_{\Delta}$
<b>Gauteng</b>														
Confidence	%	22	34	46	12	19	17	18	14	25	16	<b>6</b>	-10	11
Smoothed	%	24	34	44	23	16	18	16	19	18	16	<b>11</b>	-5	4
Sales volumes	Net %	-47	-27	-6	-58	-24	-43	-63	-48	-78	-74	<b>-46</b>	28	18
Smoothed	Net %	-45	-27	-8	-39	-42	-43	-51	-63	-67	-66	<b>-60</b>	6	6
<b>KwaZulu-Natal</b>														
Confidence	%	19	34	50	11	27	13	0	7	26	16	<b>14</b>	-2	18
Smoothed	%	23	34	46	20	17	13	7	11	16	19	<b>15</b>	-4	6
Sales volumes	Net %	-52	-31	-10	-15	-45	-9	-76	-67	-38	-62	<b>-3</b>	59	27
Smoothed	Net %	-45	-31	-17	-21	-23	-43	-51	-60	-56	-34	<b>-33</b>	1	10
<b>Western Cape</b>														
Confidence	%	33	45	58	37	58	41	59	26	41	25	<b>13</b>	-12	15
Smoothed	%	36	45	54	48	45	53	42	42	31	26	<b>19</b>	-7	5
Sales volumes	Net %	-32	-6	20	15	43	-14	8	-23	-7	-19	<b>-93</b>	-74	25
Smoothed	Net %	-26	-6	15	9	15	12	-10	-7	-16	-40	<b>-56</b>	-16	10



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

## Wholesale trade: total<sup>5</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	$\Delta$	$\sigma_{\Delta}$
Confidence	%	34	44	55	40	44	40	42	29	28	25	4	-21	8
Business conditions	Net %	-53	-33	-13	-39	-28	-47	-33	-57	-63	-52	-96	-44	16
Sales volumes	Net %	-45	-25	-4	-19	-2	-46	-27	-50	-39	-47	-88	-41	16
Selling prices	Net %	-1	21	42	12	28	10	11	17	13	11	40	29	16

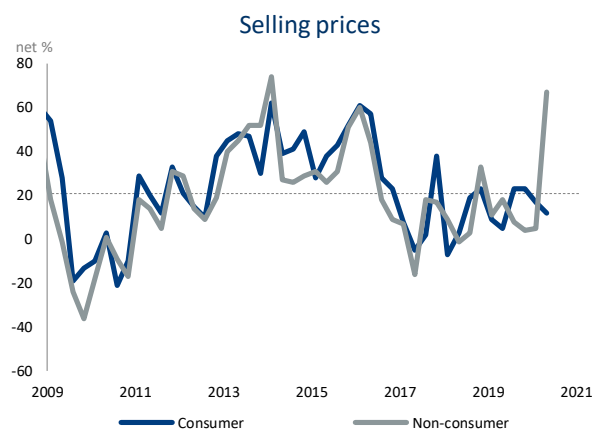
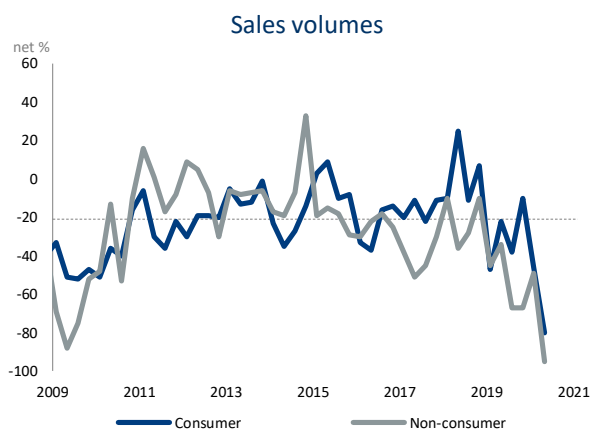


<sup>5</sup> The "wholesale trade total" consists of the "wholesale trade consumer goods" and the "wholesale trade non-consumer goods" sectors. The BER does not cover the wholesale trade on a fee or contract basis (SIC code 611), the wholesale trade in precious stones, jewellery and silverware (61393) 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



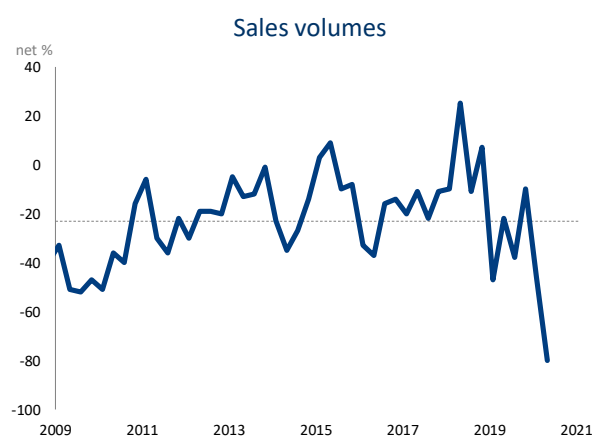
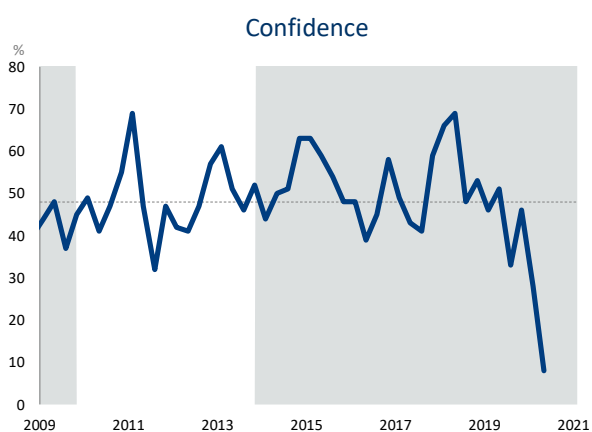
## Wholesale trade: total



$\mu$  – 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>6</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	$\Delta$	$\sigma_{\Delta}$
Confidence	%	37	48	59	48	53	46	51	33	46	28	<b>8</b>	-20	10
Business conditions	Net %	-52	-34	-15	-40	-29	-55	-25	-51	-50	-57	<b>-99</b>	-42	18
Sales volumes	Net %	-42	-23	-3	-11	7	-47	-22	-38	-10	-46	<b>-80</b>	-34	19
Selling prices	Net %	1	23	45	19	23	9	5	23	23	17	<b>12</b>	-5	18

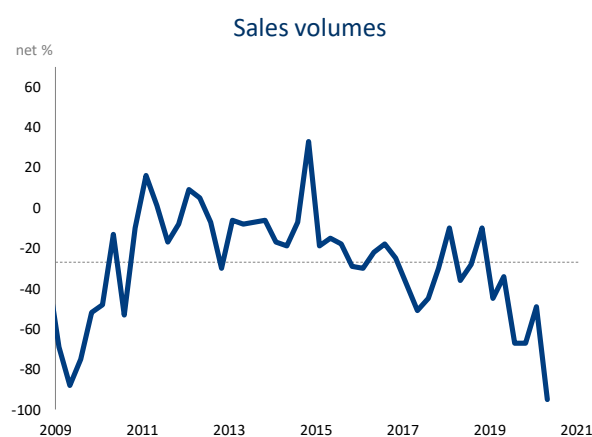
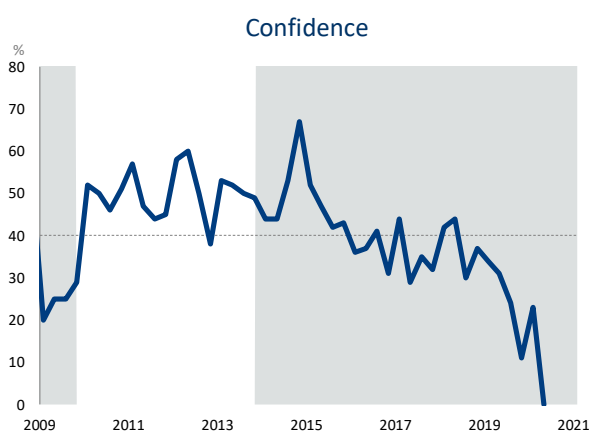


<sup>6</sup> Agricultural raw materials and livestock (SIC 6121), food, beverages and tobacco (6122), textiles, clothing and footwear (6131) and other household goods (6139).

$\mu$  – 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>7</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	$\Delta$	$\sigma_{\Delta}$
Confidence	%	27	40	53	30	37	34	31	24	11	23	<b>0</b>	-23	10
Business conditions	Net %	-57	-33	-9	-37	-27	-40	-42	-66	-75	-45	<b>-93</b>	-48	20
Sales volumes	Net %	-54	-27	0	-28	-10	-45	-34	-67	-67	-49	<b>-95</b>	-46	22
Selling prices	Net %	-5	19	42	3	33	11	18	8	4	5	<b>67</b>	62	19

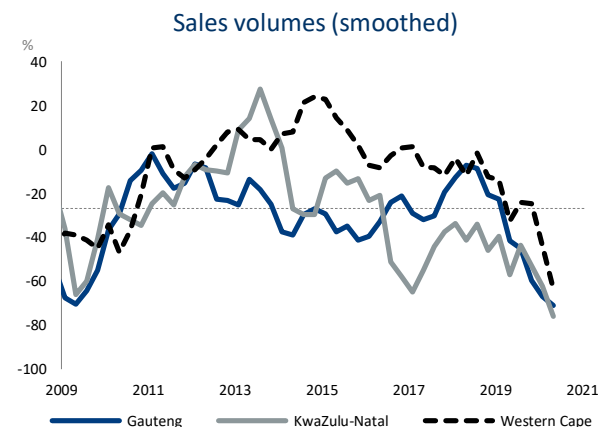
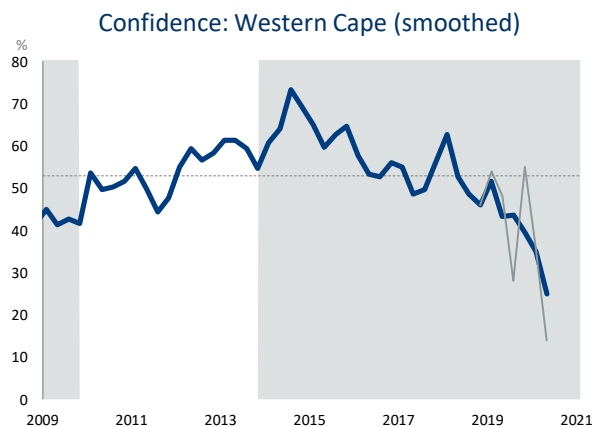
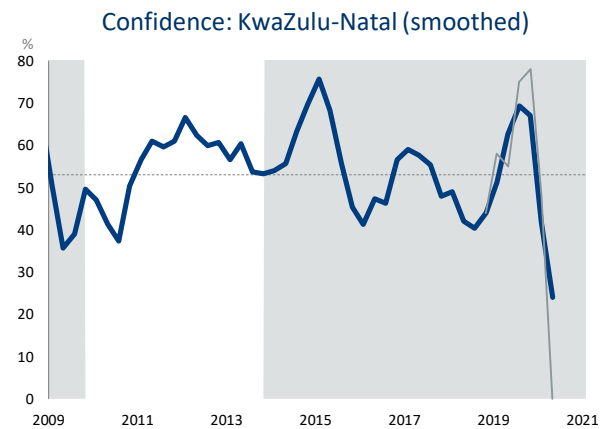
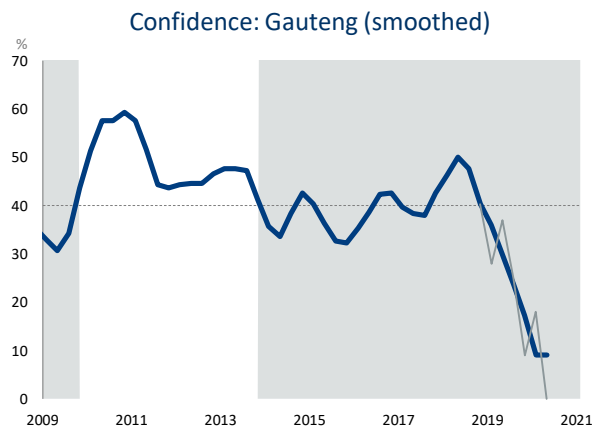


<sup>7</sup> Metals and metal ores (SIC code 6142), construction materials, hardware, plumbing and supplies (6143), other intermediate products, waste and scrap (6149) and machinery and equipment (615).

$\mu$  – average  
 $\sigma$  – standard deviation  
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 All of the above calculated over the last 20 years  
 See Technical note for further details

## Wholesale trade: provinces

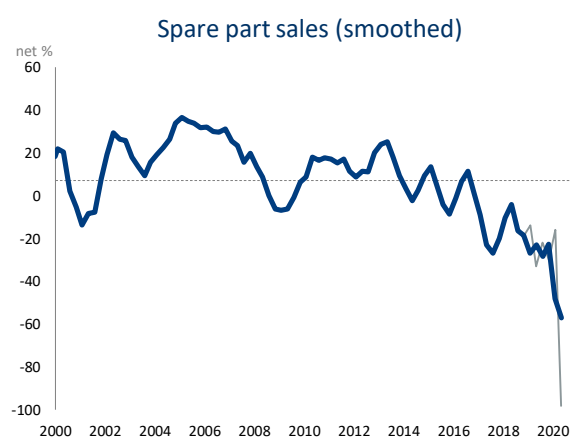
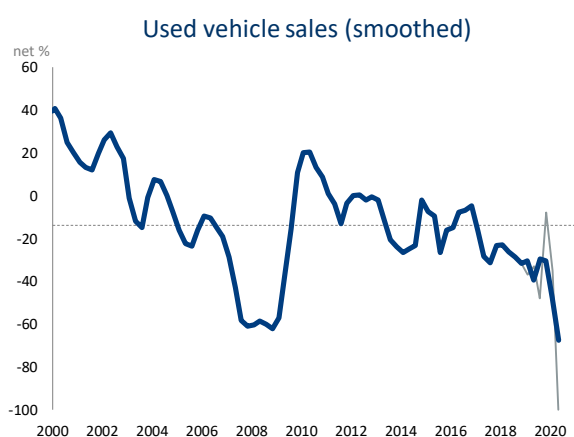
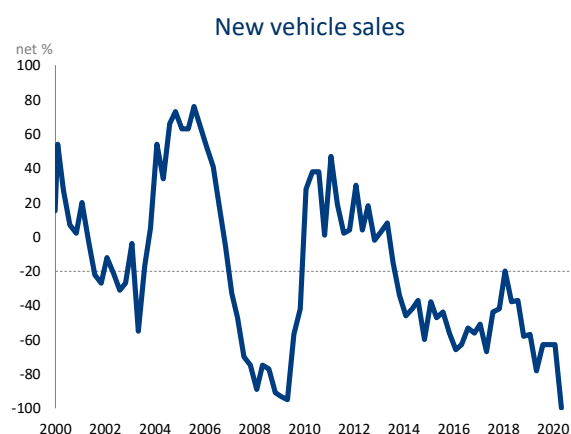
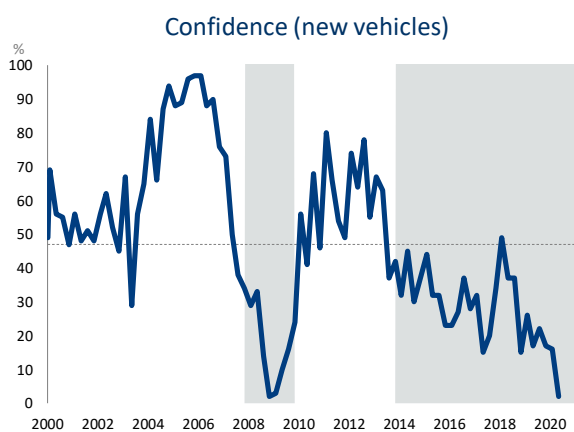
Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	$\Delta$	$\sigma_{\Delta}$
<b>Gauteng</b>														
Confidence	%	28	40	52	50	43	28	37	25	9	18	<b>0</b>	-18	9
Smoothed	%	29	40	51	48	40	36	30	24	17	9	<b>9</b>	0	4
Sales volumes	Net %	-53	-31	-8	-7	-6	-49	-13	-63	-59	-57	<b>-85</b>	-28	20
Smoothed	Net %	-49	-30	-12	-9	-21	-23	-42	-45	-60	-67	<b>-71</b>	-4	8
<b>KwaZulu-Natal</b>														
Confidence	%	37	53	69	33	41	58	55	75	78	48	<b>0</b>	-48	20
Smoothed	%	43	53	64	40	44	51	63	69	67	42	<b>24</b>	-18	8
Sales volumes	Net %	-59	-30	-1	-55	-8	-75	-36	-60	-35	-64	<b>-88</b>	-24	31
Smoothed	Net %	-52	-29	-6	-34	-46	-40	-57	-44	-53	-62	<b>-76</b>	-14	13
<b>Western Cape</b>														
Confidence	%	40	53	66	31	53	54	48	28	55	36	<b>14</b>	-22	15
Smoothed	%	44	53	62	49	46	52	43	44	40	35	<b>25</b>	-10	5
Sales volumes	Net %	-36	-10	15	-26	20	-31	-31	-36	-5	-33	<b>-94</b>	-61	24
Smoothed	Net %	-31	-10	10	-2	-12	-14	-33	-24	-25	-44	<b>-64</b>	-20	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

## Motor trade<sup>8</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	18Q3	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	$\Delta$	$\sigma_{\Delta}$
<b>New vehicles</b>														
Confidence	%	22	47	72	37	15	26	17	22	17	16	<b>2</b>	-14	14
Sales volumes	Net %	-66	-20	25	-37	-58	-57	-78	-63	-63	-63	<b>-100</b>	-37	21
<b>Used vehicles</b>														
Sales volumes	Net %	-41	-14	12	-37	-21	-37	-33	-48	-8	-35	<b>-100</b>	-65	19
Smoothed	Net %	-37	-14	9	-29	-32	-30	-39	-30	-30	-48	<b>-68</b>	-20	9
<b>Spare parts</b>														
Sales volumes	Net %	-16	6	29	-8	-34	-14	-33	-22	-30	-16	<b>-98</b>	-82	17
Smoothed	Net %	-13	7	26	-16	-19	-27	-23	-28	-23	-48	<b>-57</b>	-9	7

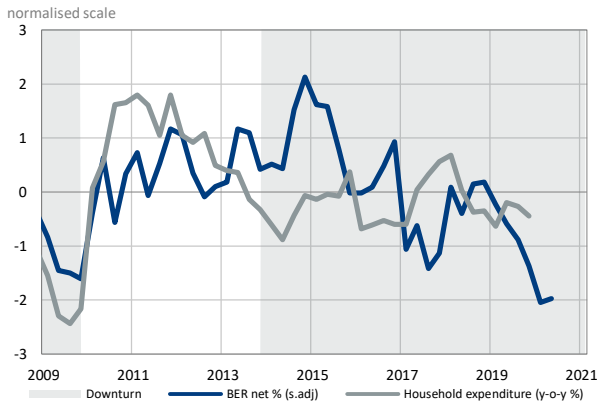


<sup>8</sup> The "motor trade" consists of the retail sales of new and used vehicles (SIC code 6312), as well as new spare parts and accessories (6331). The BER does not cover the wholesale sale of motor vehicles (6311), the maintenance and repair of motor vehicles (632), the sale of used parts and accessories (6332), the sale, maintenance and repair of motor cycles (634) and the retail sale of automotive fuel (635).

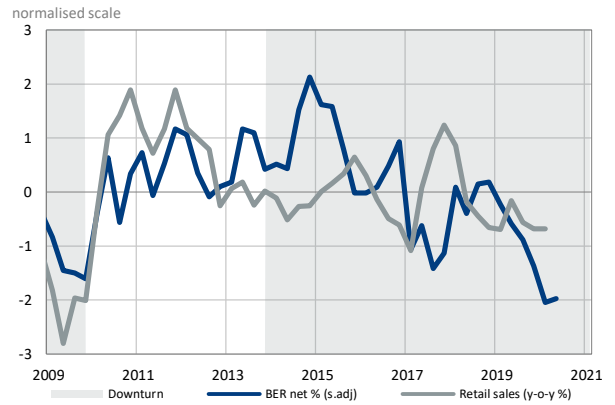
$\mu$  – average  
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 All of the above calculated over the last 20 years  
 See Technical note for further details

# Summary

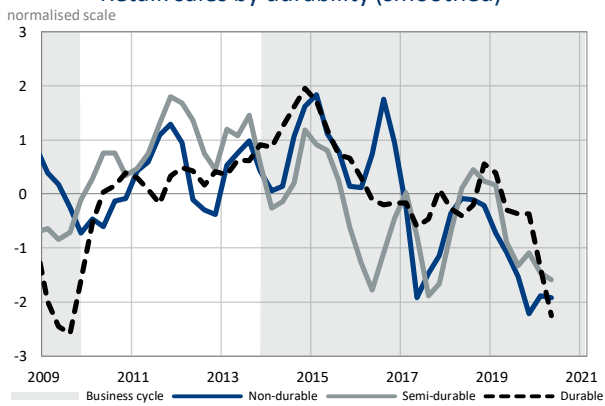
BER retail sales & FHCE\*



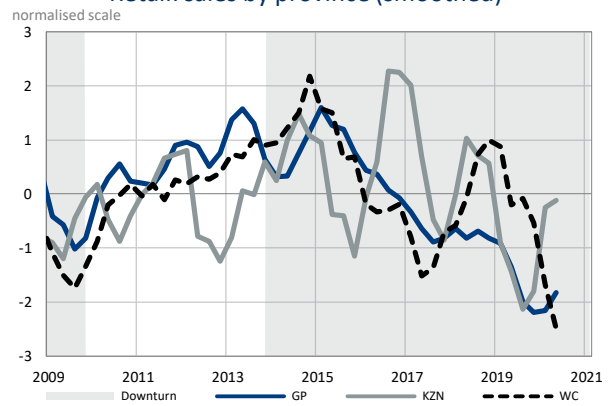
Retail sales



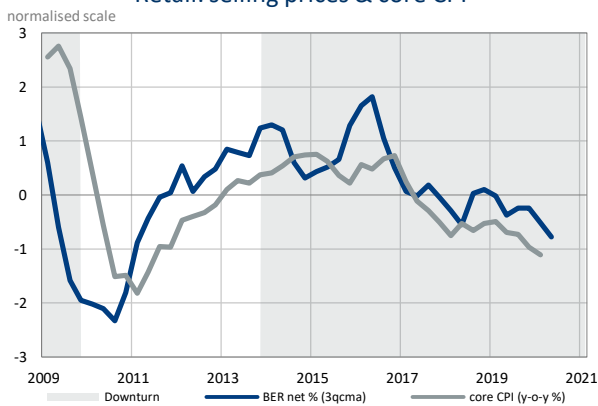
Retail: sales by durability (smoothed)



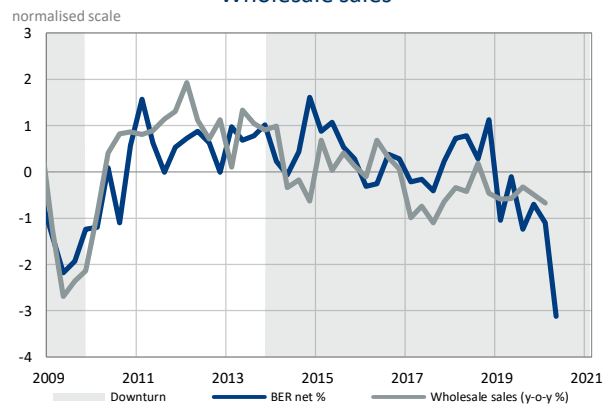
Retail: sales by province (smoothed)



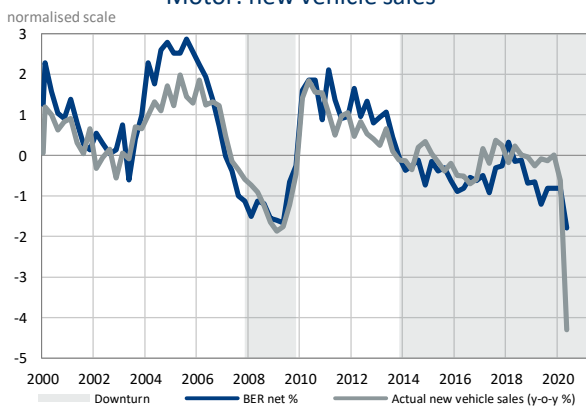
Retail: selling prices & core CPI



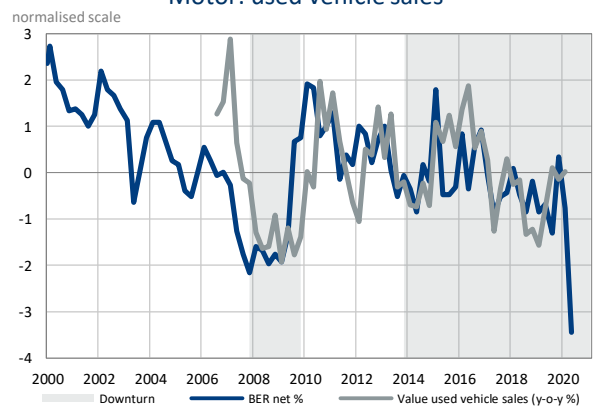
Wholesale sales



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 %)

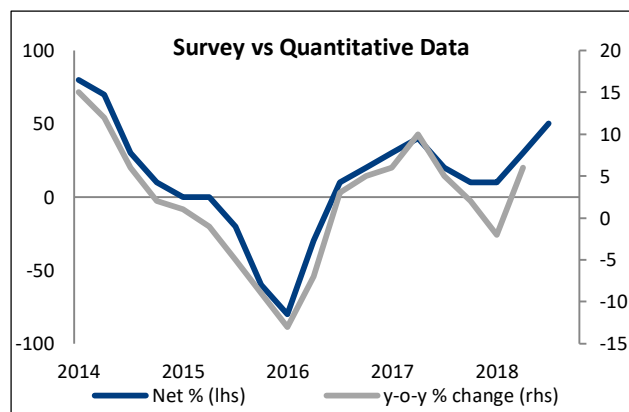
The responses related to the change in activity, prices, employment, business conditions, expected economic performance etc. are presented as a "net percentage" (also called a "net balance" or a "net majority"). If, for example, the percentages of respondents rating the volume of sales as "higher", the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