

# Retail Trade

Quarterly analysis of activity in retail, wholesale  
and motor trade

Fourth quarter 2020  
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# Executive summary

The overall BER Trade survey results were quite positive in the fourth quarter. This upbeat performance was not only significantly better than pre-crisis levels but also contributed immensely to the overall positive RMB/BER Business Confidence Index (BCI).

**Retailer** confidence surprised on the upside in 2020Q4, rising from 36 to 50 index points.

Despite an overall improvement in business conditions, retailers continue to face several challenges in their operating environment.

Retailer volume growth is set to tick up significantly in 2020Q4.

Semi-durable sales volumes remain under pressure, while durable and non-durable goods categories posted higher sales volumes.

Semi-durable and durable goods retailers lacked pricing power in 2020Q4.

Despite massive gains in sentiment, questions remain about whether the sector can sustain this momentum amid the significant headwinds that lie ahead.

**Wholesale** confidence climbed from 33 to 59 in 2020Q4 on higher spending on consumer goods.

Sales volumes improved across all wholesale categories (from -35 to 1).

Wholesale selling prices remained low, reflecting reduced purchasing prices.

**New vehicle dealer** confidence surged to a two-year high of 41 index points.

Vehicle sales improved in 2020Q4 but remain significantly below pre-crisis levels.

Used vehicle sales are still outperforming new car purchases.

The outlook for the **motor trade sector** remains gloomy, especially in the absence of any changes to SA's weak macroeconomic outlook. Globally, the resurgence of COVID-19 infections in Europe also poses significant downside risks for the vehicle export market.

This report was completed on 3 December 2020.

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

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# Summary of the 2020Q4 trade sector survey results

Trade sector a star performer in 2020Q4

## Trade sector surprises on the upside in 2020Q4

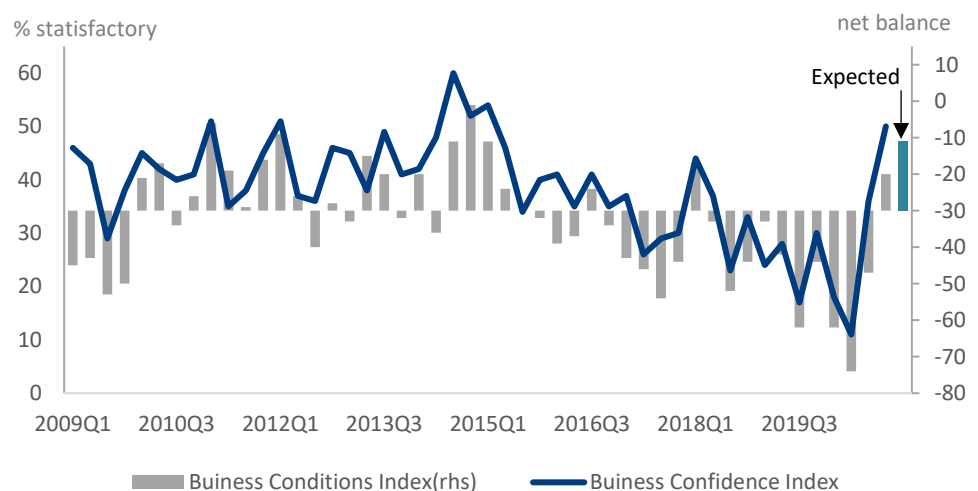
The overall BER Trade survey<sup>1</sup> results were quite positive in the fourth quarter. This upbeat performance was not only significantly better than pre-crisis levels, but also contributed immensely to the overall optimistic RMB/BER Business Confidence Index (BCI). Major improvements can be seen across all trade categories, with retailer, wholesaler and new vehicle dealer confidence all increasing remarkably on the back of improved operating conditions, a noteworthy uptick in sales volumes and an overall improvement in profitability. But, despite massive gains in sentiment, questions remain about whether the sector can sustain this momentum amid the significant headwinds that lie ahead.

Business confidence surprised on the upside in 2020Q4, rising to 50 index points

## Retail confidence surges on higher sales volumes

After crashing to a 29-year low of 11 in the second quarter of 2020, business confidence soared remarkably from what seemed to be an upbeat 36 in the third quarter to 50 in the fourth quarter. At these levels, retailer confidence is significantly higher than the historic average of 38 index points - the fourth quarter confidence boost was also bigger than the seasonal improvement usually linked to Black Friday and festive holiday sales. Retailer confidence was supported by an improved operating environment amid eased trading restrictions and increased footfall traffic at malls and shopping centres (albeit still not at pre-crisis levels).

Figure 1: Retailer business confidence ticks up in 2020Q4



Source: BER

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Despite an overall improvement in business conditions, retailers continue to face several challenges in their operating environment

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Business conditions improved by a noteworthy 27 index points in the fourth quarter (from -47 to -20). The last time the retail sector experienced similar levels of satisfaction in prevailing business conditions was in 2018Q1 when the print was -17. But, despite an overall improvement in business conditions, retailers have indicated that they continued to face several challenges in their operating environment. Chief among these is the sustained impact of COVID-19 on the balance sheets of households and corporates. Secondly, several retailers have flagged global supply chain constraints – especially the sourcing of steel and plastic raw materials. Anecdotal evidence also suggests that a number of retailers have reported lower earnings, increased impairments, and the closure of stores in the third quarter. However, in all, retailers expect business conditions to improve further as we head into the new year – only a net 11% expect conditions to deteriorate in 2021Q1 relative to early-2020 (see figure 1).

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Retailer volume growth set to tick up further in 20Q4

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According to Stats SA, retail sales volumes expanded by 23.9% q-o-q (seasonally adjusted) in the third quarter after posting a 23.4% contraction in the second quarter. The expansion matches the 2020Q3 survey results which showed an improvement in sales volumes and overall business conditions during the third quarter. The latest survey results point to a further healthy increase in sales volumes during 2020Q4. Sales volumes improved remarkably (from -42 to -1), underpinned by pent-up demand, the low interest rate environment, the disposal of accumulated savings resulting from less spent on petrol, sustained social grant top-ups and UIF payments, substitution away from spending on services such as restaurants, entertainment and travel, to spending on ready-made meals as well as office equipment and DIY products related to work-from-home. Retailers were also optimistic about the upcoming Black Friday and festive holiday sales.

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Semi-durable sales volumes under pressure

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Sales volume growth is expected to improve across the entire retail sector, except for the semi-durable (e.g. textiles, clothing, footwear, and leather goods) category, which remains under pressure. The weak sales volumes suggest that people are still spending less on work attire and formal clothing. Moreover, sport equipment retailers continue to feel the impact of the closure of school sporting activities. The latest Stats SA official retail sales data supports this view. Sales volumes of textiles, clothing, footwear & leather goods declined by 9.9% y-o-y in 2020Q3.

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<sup>1</sup> The fieldwork for the 2020Q4 survey was conducted between 5 October and 16 November.

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Durable goods posted higher sales volumes

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In contrast to other retail categories, durable goods retailers (i.e. retailers in hardware, furniture, and household appliances) reported higher sales volumes in 2020Q4 (from -45 to 17), while overall profitability improved markedly (despite a reduction in selling prices). According to Stats SA, sales volumes of hardware retailers expanded by 12.4% y-o-y in 2020Q3, while furniture retailers also grew their sales by 11.7% over the same period. These results suggest that people are still spending a lot of time at home and are therefore upgrading their homes, entertaining indoors, cooking and working from home.

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Non-durable goods sales volumes improved further in 2020Q4 on higher alcohol sales.

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Following a recovery in the third quarter, the non-durable goods category improved further in the fourth quarter (from -35 to -10). Sales volume growth has been supported by a strong pick-up in alcohol sales following the removal of the weekend COVID-19 trade restrictions. Alcohol sales volumes are also anticipated to increase during the festive season, bar the reintroduction of liquor trade restrictions in the near future. Spending on ready-made meals has also held up very well as some people remain wary of frequenting restaurants.

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Semi-durable goods retailers lacked pricing power

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In terms of selling prices, the survey results suggest that semi-durable goods retailers in particular lacked pricing power in the fourth quarter. In fact, only non-durable goods retailers were able to increase their selling prices on the back of increased food prices (meat in particular) and the operating costs associated with the sustained implementation of COVID-19 hygiene protocols. Following a muted recovery in sales volumes during the third quarter, semi-durable goods retailers are offering price discounts in an attempt to bolster sales volumes over the festive season, and also to dispose of old fashion stock that was not bought during the lockdown period. Having increased prices during the third quarter (on the back of a weaker exchange rate), durable goods retailers kept prices fairly flat during the fourth quarter.

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Uncertainty about the sustainability of the upbeat retail sector performance

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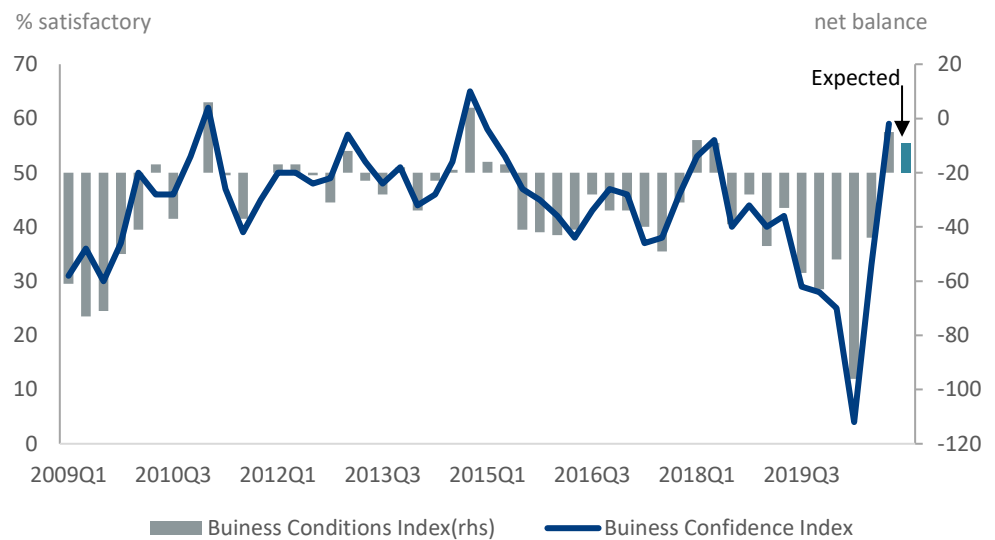
Looking ahead, while the 2020Q4 survey results are encouraging, it is unclear whether the retail sector can sustain this upbeat performance. Significant risks lie ahead, especially with the social grant top-ups expiring at the end of December, and the Social Relief of Distress grant set to end in January. Combined, these COVID-19 measures amounted to an additional R6bn to R7bn disposable income per month, greatly benefitting the retail sector - and especially the non-durable goods category where low-income households spend the bulk of their budgets. Secondly, COVID-19 cases appear to be resurging in the Western Cape and the Eastern Cape.

Renewed lockdown restrictions to curb the spread of the virus would be devastating to the retail sector during the festive season. Thirdly, poorer-than-expected Black Friday and festive sales should not be ruled out amid a weak COVID-19 induced labour market.

## Wholesaler confidence soars in Q4 on higher sales, profit

Wholesale confidence climbed from 33 to 59 in the fourth quarter, reflecting a positive change in the business conditions (improved from -44 to -5) and overall profitability (from -59 to -19), which in turn was driven by higher sales volumes (-35 to 1). At the current level, confidence is way higher than pre-pandemic levels and at a six-year high.

Figure 2: Wholesaler confidence and conditions improve in 2020Q4



Source: BER

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Sales volumes improved across all wholesale categories in 2020Q4 (from -35 to 1)

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The upbeat confidence and sales growth in the retail space certainly bodes well for wholesalers. Therefore, it is no surprise that wholesalers also expect business conditions to improve in 2021Q1 (see figure 2). The BER survey indicated that overall sales volumes improved across all wholesale categories in the fourth quarter (from -35 to 1). However, spending on consumer goods outperformed non-consumer goods. Possible explanations for the relatively better performance of wholesale sales of consumer goods (with a net balance of 18 in 2020Q4) are the sustained bumper maize crop, the strong growth in alcohol sales as well as the proceeds from exports.



Meanwhile, non-consumer goods are expected to benefit from improved trading conditions in the building, construction, and manufacturing sectors. The latest wholesale trade sales by Stats SA mirror these trends, with wholesale sales volumes up 26.5% q-o-q in the third quarter. Indeed, consumer goods were the positive contributor to this reading.

Wholesale selling prices kept low

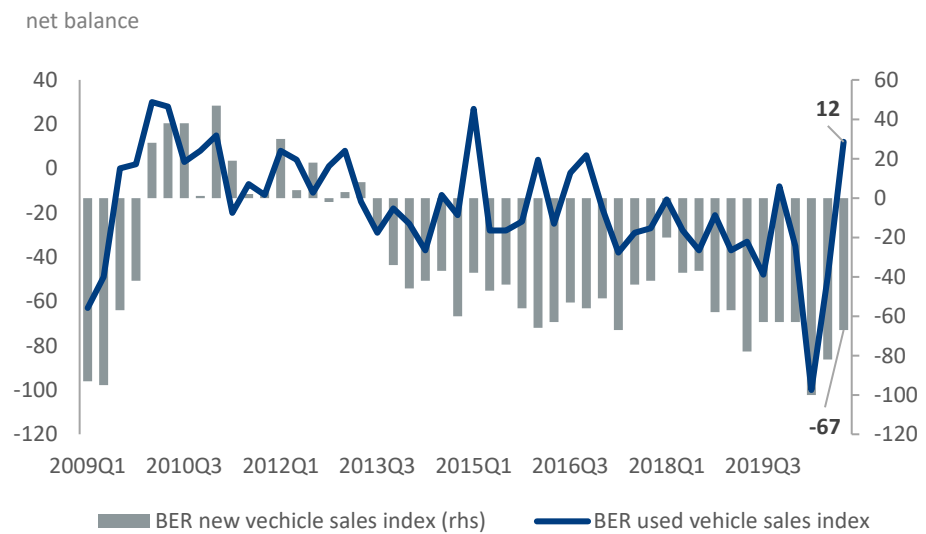
Wholesale selling prices were subdued in the fourth quarter (declining from 37 to 28) and in line with reduced purchasing prices. However, the decline was not broad-based. Only the selling prices of non-consumer goods (i.e. building materials, chemicals, and machinery) - which are mainly imported and sensitive to exchange rate movements - are expected to decline in the fourth quarter. This comes largely on the back of a stronger rand exchange rate in recent months.

New vehicle dealer confidence surges to a two-year high of 41 index points

### New vehicle dealer confidence continues to mend in 2020Q4

Despite the macroeconomic environment not being supportive of the motor trade sector (i.e. weak labour market and consumers still not committing to big ticket purchases), new vehicle dealer confidence surprised on the upside in the fourth quarter, surging to a two-year high of 41 index points. The rise in confidence was underpinned by a further recovery in sales volumes, even though sales volumes remain well below pre-COVID levels.

Figure 3: Used vehicle sales outperformed new car purchases



Source: BER

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Vehicle sales improved in 2020Q4 but still significantly below pre-crisis levels

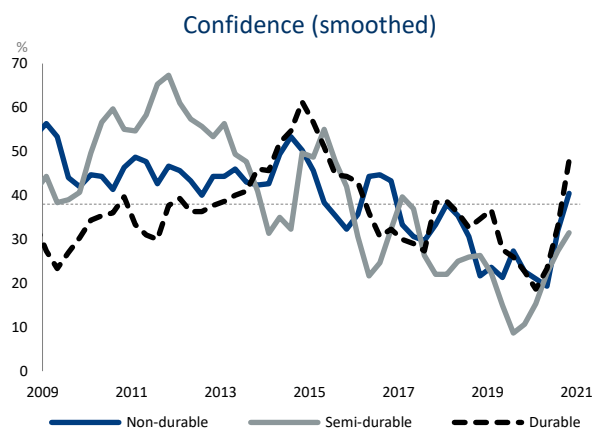
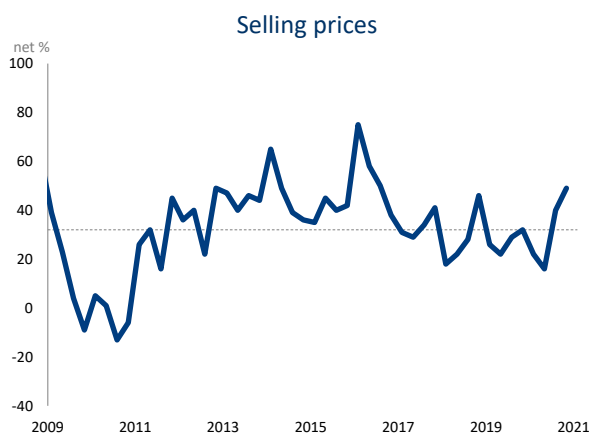
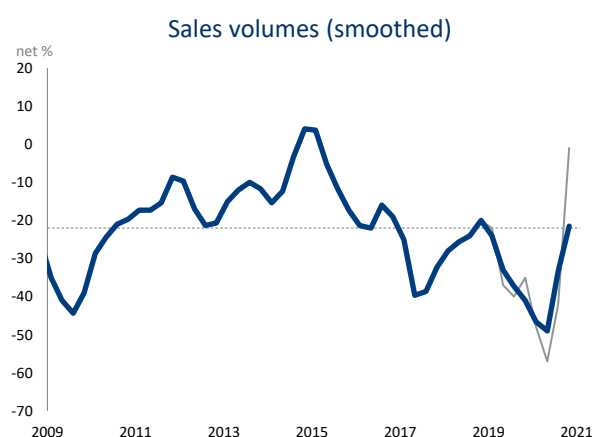
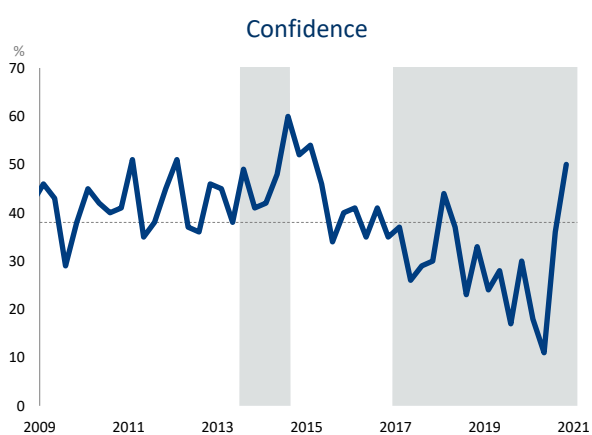
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Looking at sales volumes, it is evident that used vehicle sales are still outperforming new car purchases (see figure 3). This suggests that consumers are still more likely to buy a second-hand car in this current economic climate rather than a brand-new car. The 300-basis points interest rate reduction and the increased supply of used cars seem to continue to be supportive of the used vehicle market. In contrast, the sustained lockdown of the tourism sector has certainly had a significant negative impact on car rental companies, and by implication new vehicle sales. According to Stats SA's latest motor trade sales data, the value of new vehicle sales contracted by 13.2% y-o-y in the third quarter. Meanwhile, the value of used vehicle sales was up 7.2% over the same period. The recent passenger car sales data from NAAMSA shows that new vehicle sales volumes were still down 25.4% y-o-y in October 2020.

Given South Africa's rather weak macroeconomic outlook, large scale job losses and the emergence of the "homebody" economy, it will likely take years for new vehicle sales to recover to pre-crisis levels. Globally, the resurgence of COVID-19 infections in Europe also poses significant downside risk for the domestic vehicle export market, whereas rapidly rising infection rates in South Africa now also increase the likelihood for lockdowns here as well. It is for these reasons that new vehicle traders remain pessimistic about any improvements in business conditions - a net 67% indicated that general business conditions had deteriorated relative to a year ago.

## Retail trade: total<sup>2</sup>

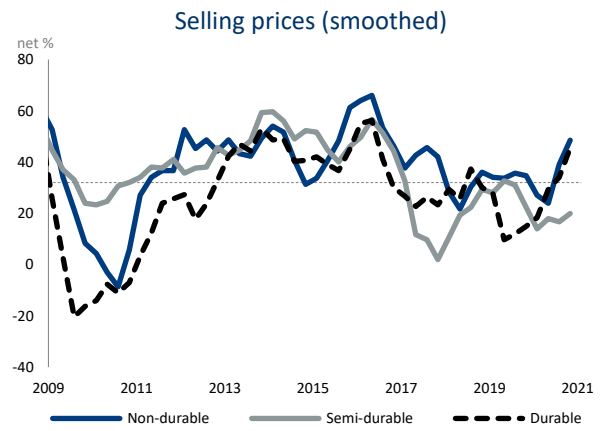
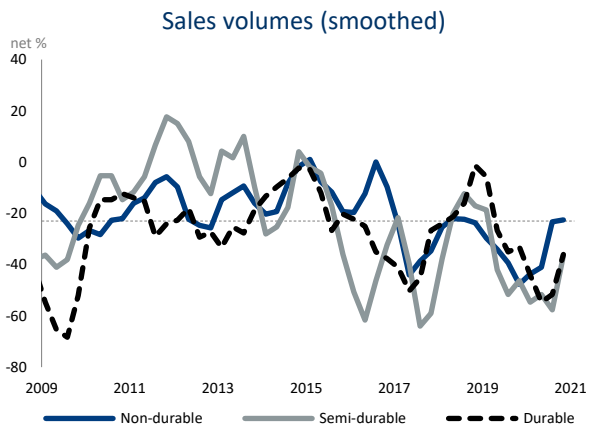
Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	28	38	48	24	28	17	30	18	11	36	<b>50</b>	14	9
Business conditions	Net %	-49	-33	-17	-33	-42	-62	-44	-62	-74	-47	<b>-20</b>	27	14
Sales volumes	Net %	-38	-23	-7	-22	-37	-40	-35	-48	-57	-42	<b>-1</b>	41	13
Seasonally adjusted	Net %	-37	-23	-8	-26	-31	-35	-42	-52	-51	-37	<b>-8</b>	29	11
Smoothed	Net %	-35	-23	-10	-24	-33	-37	-41	-47	-49	-33	<b>-22</b>	11	6
Selling prices	Net %	14	32	50	26	22	29	32	22	16	40	<b>49</b>	9	15



<sup>2</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

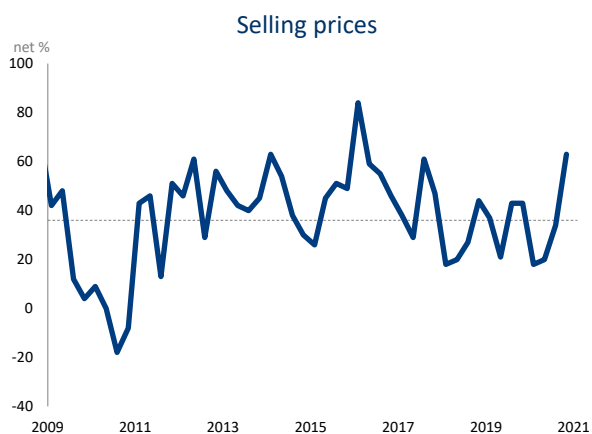
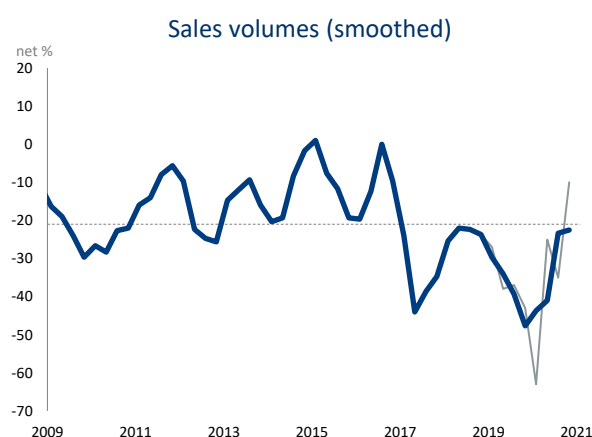
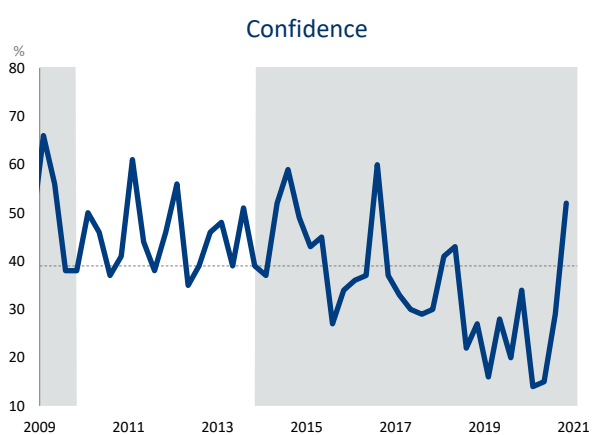
# Retail trade: total



$\mu$  – average  
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 $\Delta$  – change from previous period  
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 All of the above calculated over the last 20 years  
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## Retail trade: non-durables<sup>3</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	27	39	52	16	28	20	34	14	15	29	<b>52</b>	23	12
Business conditions	Net %	-51	-34	-17	-37	-37	-60	-43	-73	-51	-38	<b>-35</b>	3	19
Sales volumes	Net %	-36	-21	-6	-27	-38	-37	-43	-63	-25	-35	<b>-10</b>	25	15
Seasonally adjusted	Net %	-36	-21	-6	-26	-32	-38	-49	-62	-19	-36	<b>-16</b>	20	14
Smoothed	Net %	-33	-21	-9	-30	-34	-39	-48	-44	-41	-23	<b>-23</b>	0	7
Selling prices	Net %	17	37	57	37	21	43	43	18	20	34	<b>63</b>	29	20

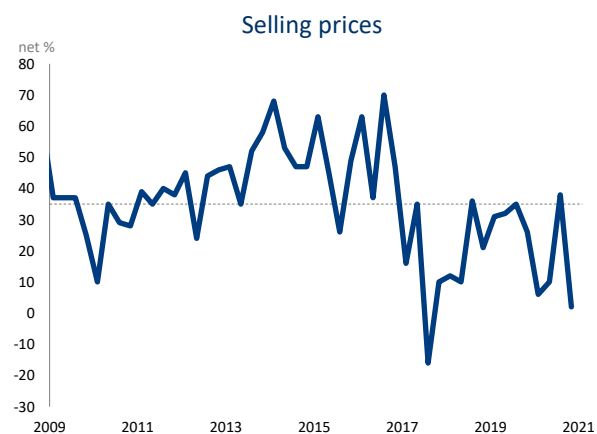
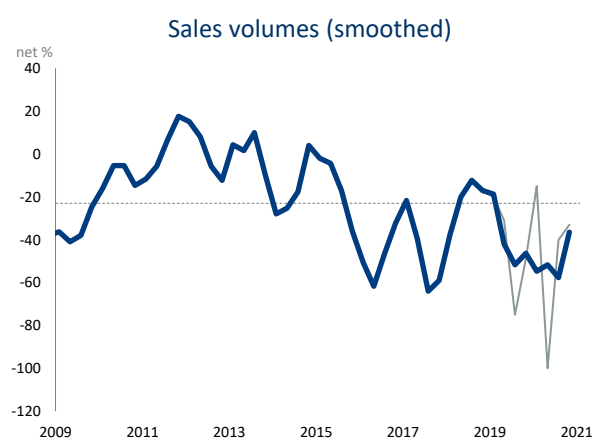
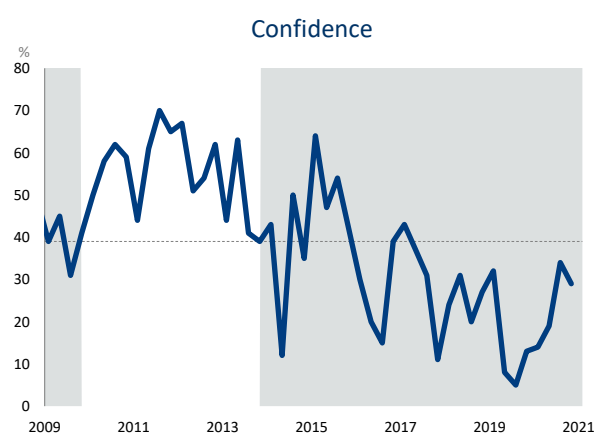


<sup>3</sup> Food, inedible groceries, tobacco (SIC code 621), beverages (622), pharmaceutical & medical goods, cosmetic & toiletry articles (6231), reading matter, stationery, office supplies (62391), other non-durable goods (62399)

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 $\sigma$  – standard deviation  
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 All of the above calculated over the last 20 years  
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## Retail trade: semi-durables<sup>4</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	22	39	57	32	8	5	13	14	19	34	<b>29</b>	-5	14
Business conditions	Net %	-66	-39	-12	-67	-61	-75	-73	-49	-100	-52	<b>-38</b>	14	28
Sales volumes	Net %	-53	-23	6	-20	-31	-75	-49	-15	-100	-40	<b>-33</b>	7	33
Smoothed	Net %	-45	-23	-1	-19	-42	-52	-46	-55	-52	-58	<b>-37</b>	21	12
Selling prices	Net %	17	35	52	31	32	35	26	6	10	38	<b>2</b>	-36	18

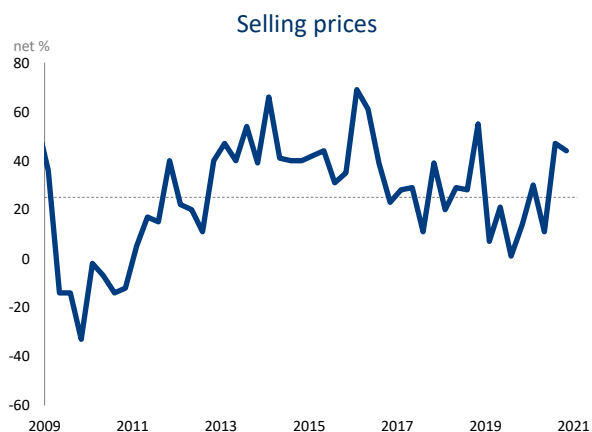
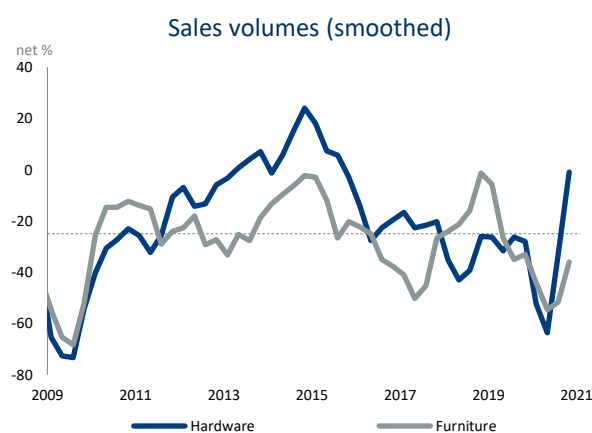
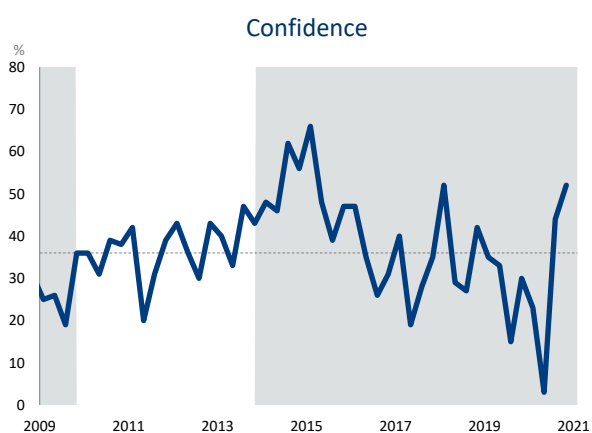


<sup>4</sup> Textiles, clothing, footwear & leather goods (SIC code 6232), sports goods & entertainment requisites (62393), other semi-durable goods (62399)

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 $\sigma$  – standard deviation  
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 All of the above calculated over the last 20 years  
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## Retail trade: durables<sup>5</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	25	37	49	35	33	15	30	23	3	44	<b>52</b>	8	12
Business conditions	Net %	-53	-31	-9	-19	-44	-63	-38	-53	-95	-56	<b>0</b>	56	21
<b>Sales volumes</b>														
Total	Net %	-47	-24	-1	-14	-39	-36	-18	-39	-91	-49	<b>17</b>	66	22
Hardware	Net %	-50	-21	8	-27	-44	-24	-11	-49	-97	-45	<b>43</b>	88	27
Furniture	Net %	-50	-27	-5	2	-32	-50	-23	-26	-83	-55	<b>-17</b>	38	24
Selling prices	Net %	3	26	48	7	21	1	14	30	11	47	<b>44</b>	-3	20

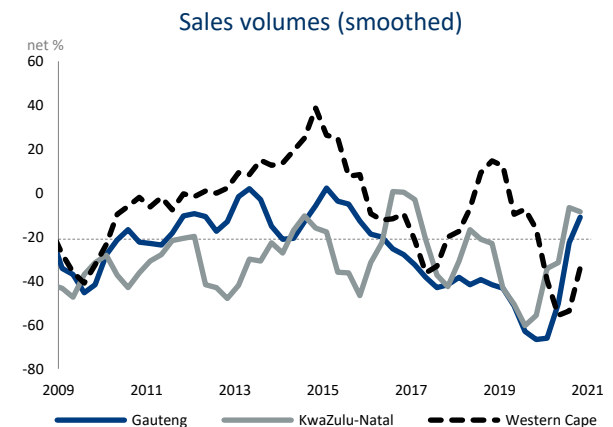
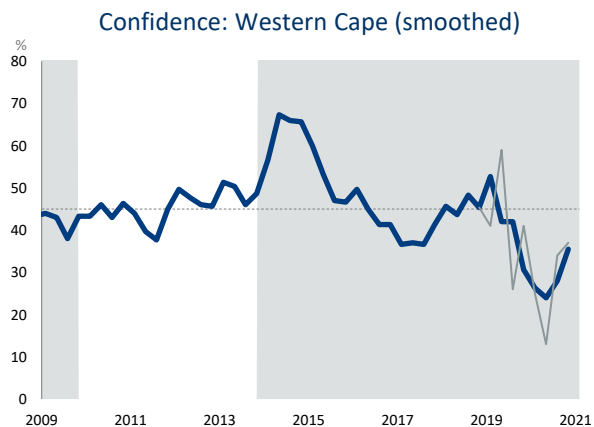
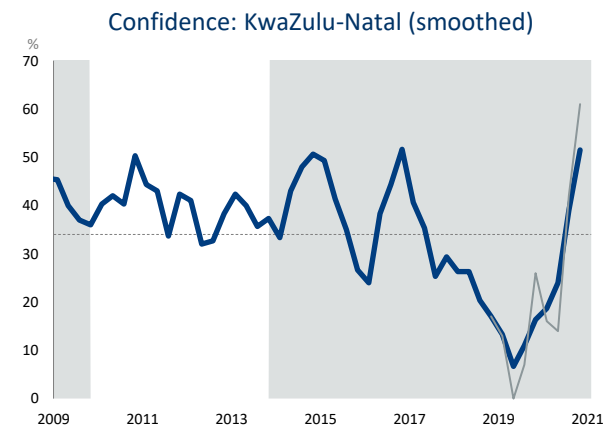
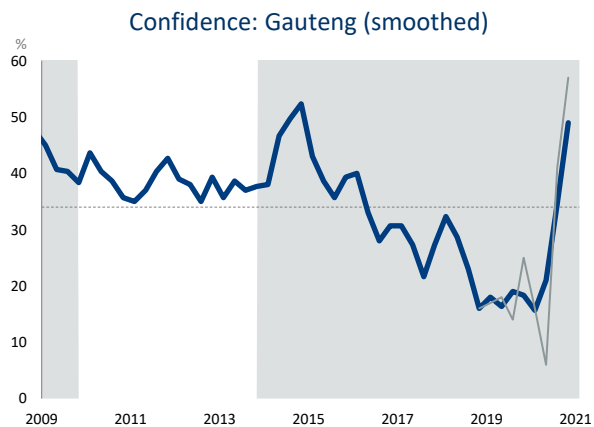


<sup>5</sup> "Retail trade durables" consists of "hardware" and "furniture". "Hardware" includes hardware, paint and glass (SIC code 6234). "Furniture" consists of household furniture, appliances, articles and equipment (6233), jewellery and related items (62392) and other durable goods (62399)

$\mu$  – average  
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 $\Delta$  – change from previous period  
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 All of the above calculated over the last 20 years  
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## Retail trade: provinces

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	$\Delta$	$\sigma_{\Delta}$
<b>Gauteng</b>														
Confidence	%	22	35	47	17	18	14	25	16	6	41	<b>57</b>	16	12
Smoothed	%	25	34	44	18	16	19	18	16	21	35	<b>49</b>	14	5
Sales volumes	Net %	-47	-26	-5	-43	-63	-48	-78	-74	-46	-31	<b>9</b>	40	18
Smoothed	Net %	-44	-26	-8	-43	-51	-63	-67	-66	-50	-23	<b>-11</b>	12	8
<b>KwaZulu-Natal</b>														
Confidence	%	19	35	51	13	0	7	26	16	14	42	<b>61</b>	19	19
Smoothed	%	24	35	46	13	7	11	16	19	24	39	<b>52</b>	13	6
Sales volumes	Net %	-51	-30	-8	-9	-76	-67	-38	-62	-3	-30	<b>13</b>	43	28
Smoothed	Net %	-44	-30	-16	-43	-51	-60	-56	-34	-32	-7	<b>-9</b>	-2	11
<b>Western Cape</b>														
Confidence	%	33	45	57	41	59	26	41	25	13	34	<b>37</b>	3	15
Smoothed	%	36	45	54	53	42	42	31	26	24	28	<b>36</b>	8	5
Sales volumes	Net %	-33	-7	19	-14	8	-23	-7	-19	-93	-55	<b>-13</b>	42	26
Smoothed	Net %	-29	-7	14	12	-10	-7	-16	-40	-56	-54	<b>-34</b>	20	10

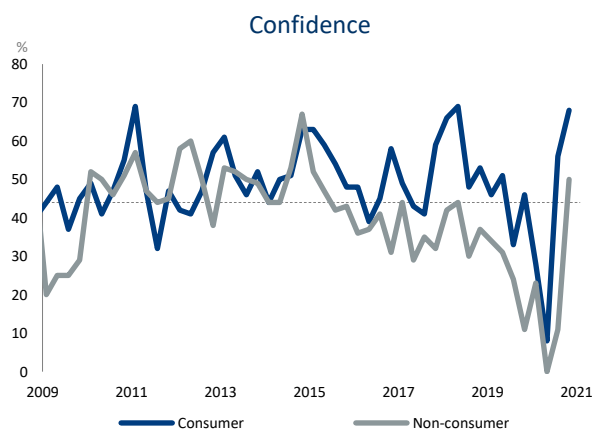
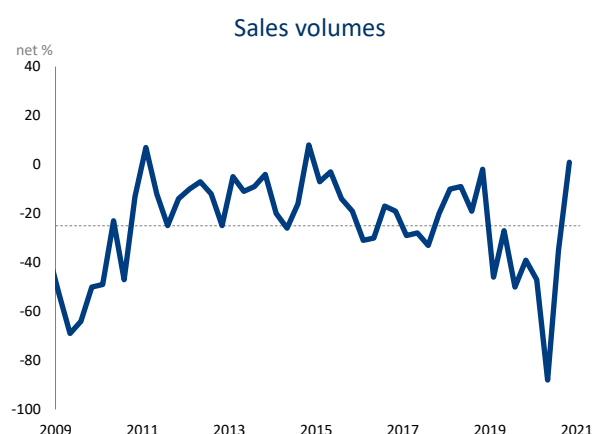
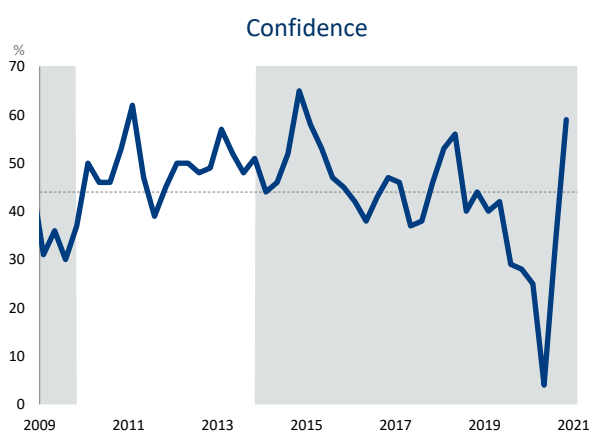


$\mu$  – average  
 $\sigma$  – standard deviation  
 $\Delta$  – change from previous period  
 $\sigma_{\Delta}$  – volatility (standard deviation of the changes)  
 All of the above calculated over the last 20 years  
 See Technical note for further details



## Wholesale trade: total<sup>6</sup>

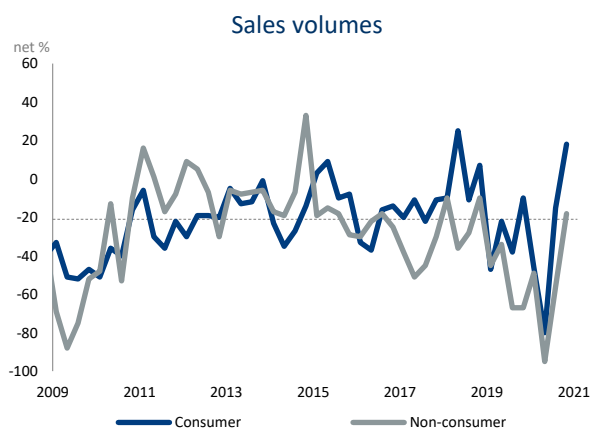
Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	34	44	55	40	42	29	28	25	4	33	<b>59</b>	26	9
Business conditions	Net %	-53	-33	-13	-47	-33	-57	-63	-52	-96	-44	<b>-5</b>	39	19
Sales volumes	Net %	-45	-24	-4	-46	-27	-50	-39	-47	-88	-35	<b>1</b>	36	19
Selling prices	Net %	0	21	42	10	11	17	13	11	40	37	<b>28</b>	-9	16



<sup>6</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

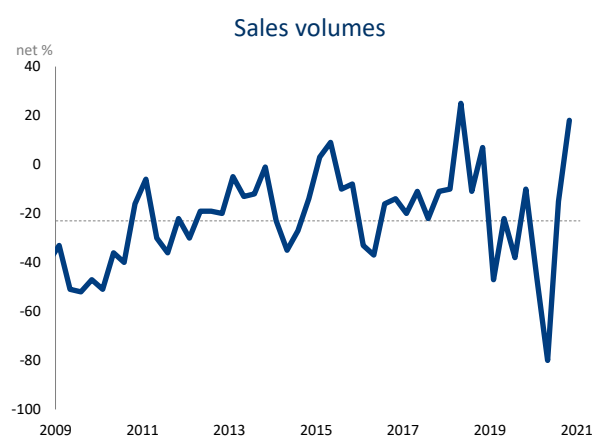
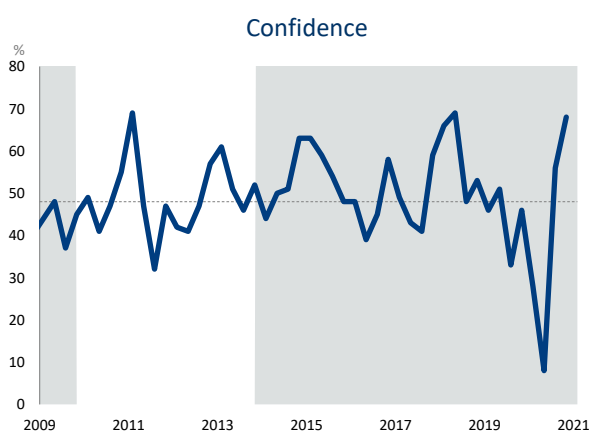
## Wholesale trade: total



$\mu$  – 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>7</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	38	49	60	46	51	33	46	28	8	56	<b>68</b>	12	12
Business conditions	Net %	-52	-32	-12	-55	-25	-51	-50	-57	-99	-31	<b>19</b>	50	22
Sales volumes	Net %	-41	-22	-2	-47	-22	-38	-10	-46	-80	-15	<b>18</b>	33	21
Selling prices	Net %	1	22	44	9	5	23	23	17	12	7	<b>17</b>	10	18

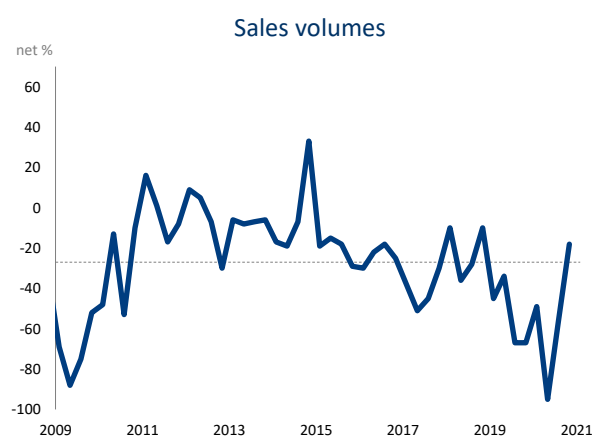
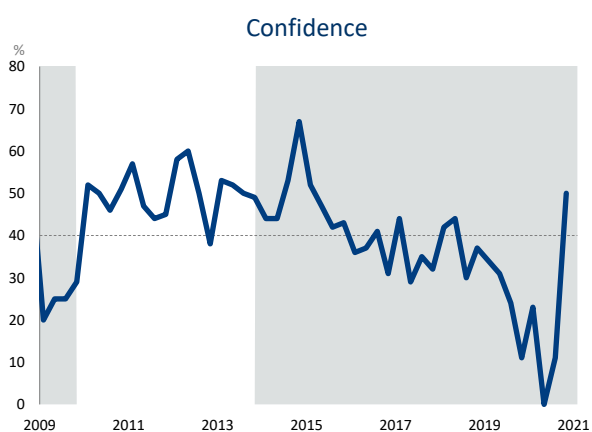


<sup>7</sup> Agricultural raw materials and livestock (SIC 6121), food, beverages and tobacco (6122), textiles, clothing and footwear (6131) and other household goods (6139).

$\mu$  – 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>8</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	26	40	54	34	31	24	11	23	0	11	<b>50</b>	39	12
Business conditions	Net %	-58	-34	-10	-40	-42	-66	-75	-45	-93	-57	<b>-32</b>	25	20
Sales volumes	Net %	-54	-28	-1	-45	-34	-67	-67	-49	-95	-56	<b>-18</b>	38	23
Selling prices	Net %	-4	20	44	11	18	8	4	5	67	66	<b>39</b>	-27	19

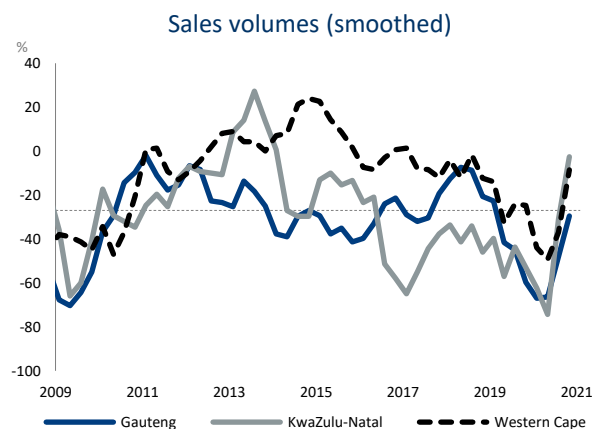
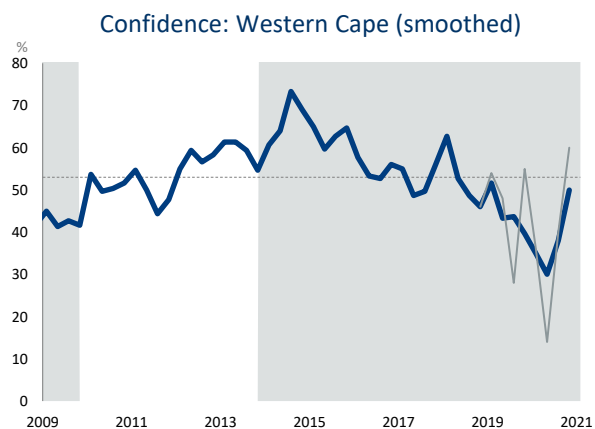
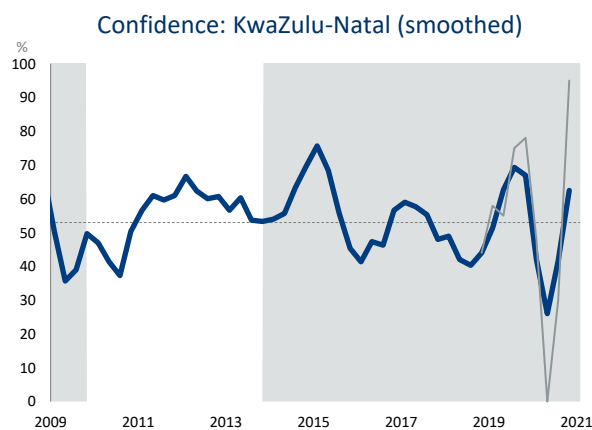
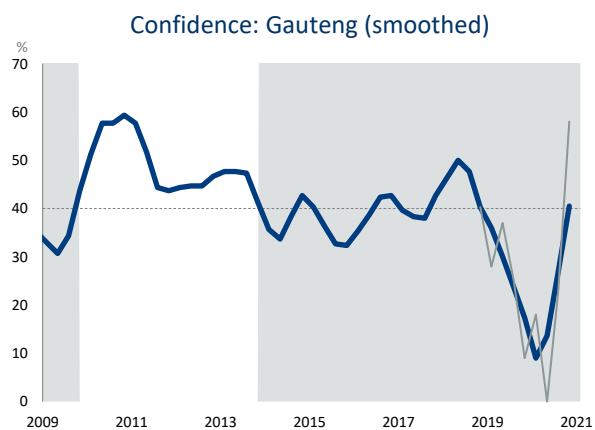


<sup>8</sup> Metals and metal ores (SIC code 6142), construction materials, hardware, plumbing and supplies (6143), other intermediate products, waste and scrap (6149) and machinery and equipment (615).

$\mu$  – 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

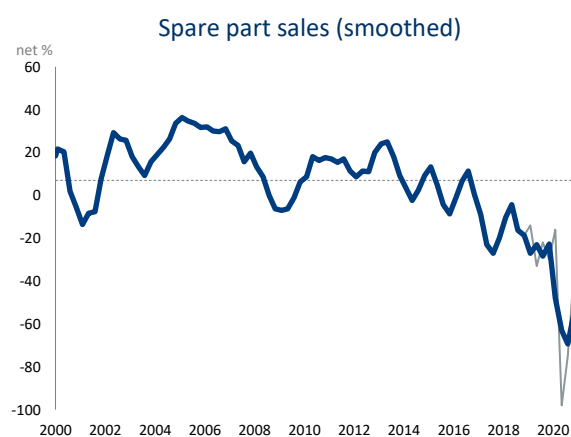
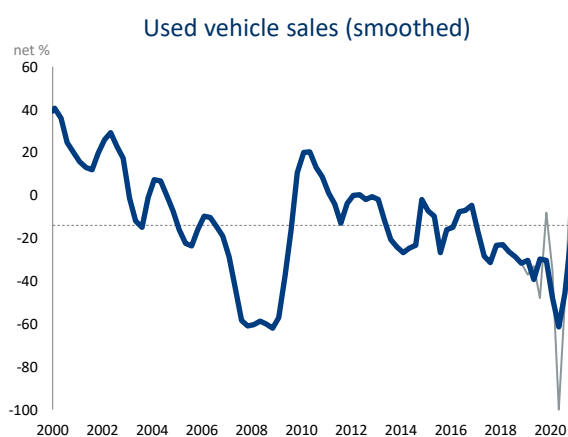
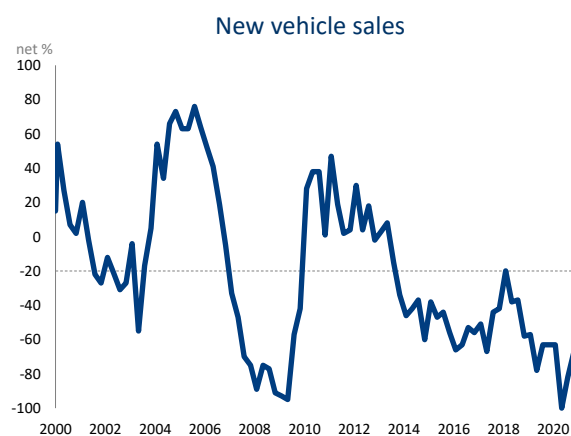
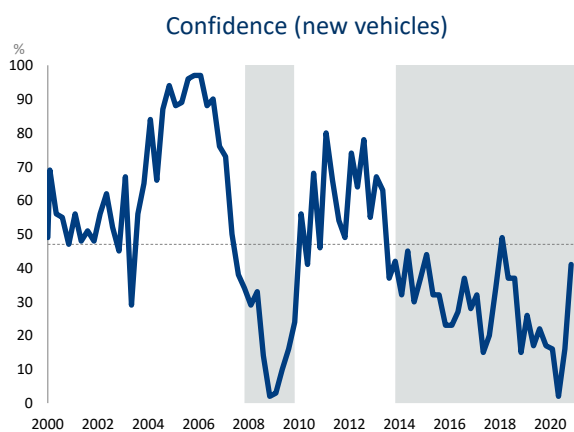
Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	$\Delta$	$\sigma_{\Delta}$
<b>Gauteng</b>														
Confidence	%	27	40	53	28	37	25	9	18	0	23	<b>58</b>	35	10
Smoothed	%	29	40	51	36	30	24	17	9	14	27	<b>41</b>	14	5
Sales volumes	Net %	-53	-31	-8	-49	-13	-63	-59	-57	-85	-57	<b>-2</b>	55	22
Smoothed	Net %	-48	-31	-13	-23	-42	-45	-60	-67	-66	-48	<b>-30</b>	18	9
<b>KwaZulu-Natal</b>														
Confidence	%	36	53	71	58	55	75	78	48	0	30	<b>95</b>	65	22
Smoothed	%	43	53	64	51	63	69	67	42	26	42	<b>63</b>	21	9
Sales volumes	Net %	-61	-29	4	-75	-36	-60	-35	-64	-88	-71	<b>66</b>	137	37
Smoothed	Net %	-52	-29	-6	-40	-57	-44	-53	-62	-74	-31	<b>-3</b>	28	15
<b>Western Cape</b>														
Confidence	%	40	53	66	54	48	28	55	36	14	40	<b>60</b>	20	16
Smoothed	%	44	53	62	52	43	44	40	35	30	38	<b>50</b>	12	5
Sales volumes	Net %	-35	-10	15	-31	-31	-36	-5	-33	-94	-21	<b>4</b>	25	26
Smoothed	Net %	-30	-11	9	-14	-33	-24	-25	-44	-49	-37	<b>-9</b>	28	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>9</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	$\Delta$	$\sigma_{\Delta}$
<b>New vehicles</b>														
Confidence	%	22	47	72	26	17	22	17	16	2	16	<b>41</b>	25	14
Sales volumes	Net %	-69	-22	24	-57	-78	-63	-63	-63	-100	-82	<b>-67</b>	15	21
<b>Used vehicles</b>														
Sales volumes	Net %	-42	-15	11	-37	-33	-48	-8	-35	-100	-49	<b>12</b>	61	21
Smoothed	Net %	-38	-15	7	-30	-39	-30	-30	-48	-61	-46	<b>-19</b>	27	9
<b>Spare parts</b>														
Sales volumes	Net %	-19	5	30	-14	-33	-22	-30	-16	-98	-75	<b>-35</b>	40	17
Smoothed	Net %	-17	5	27	-27	-23	-28	-23	-48	-63	-69	<b>-55</b>	14	7



<sup>9</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

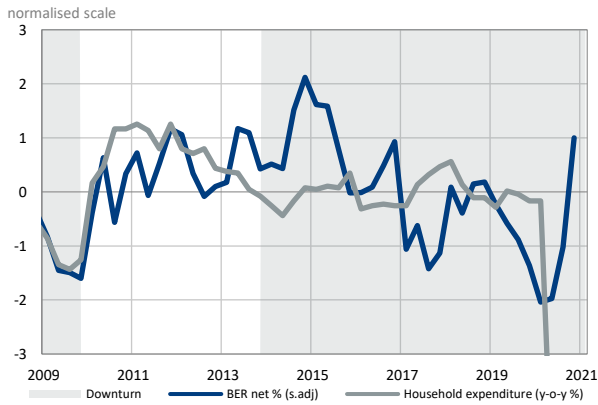
$\sigma_{\Delta}$  – volatility (standard deviation of the changes)

All of the above calculated over the last 20 years

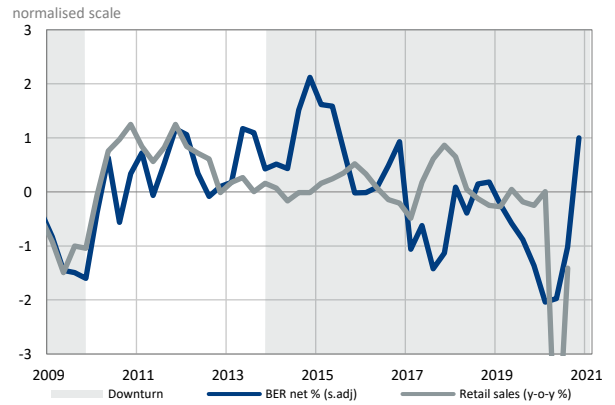
See Technical note for further details

# Summary

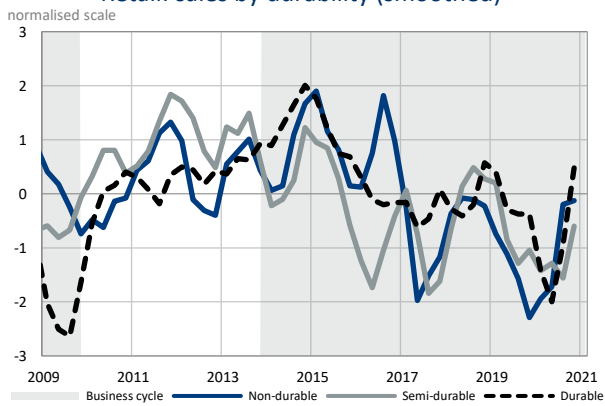
BER retail sales & FHCE\*



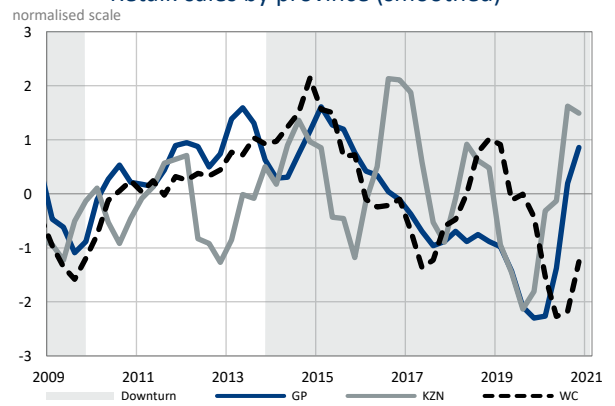
Retail sales



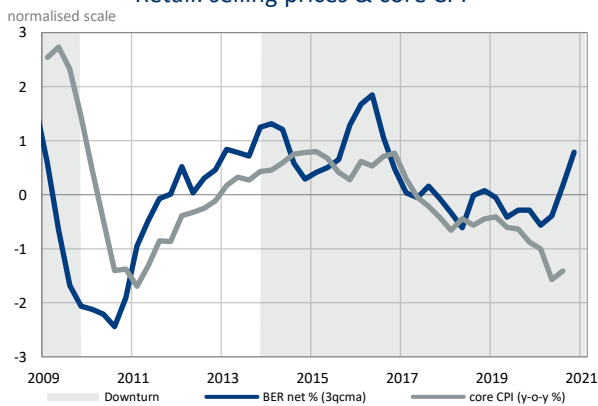
Retail: sales by durability (smoothed)



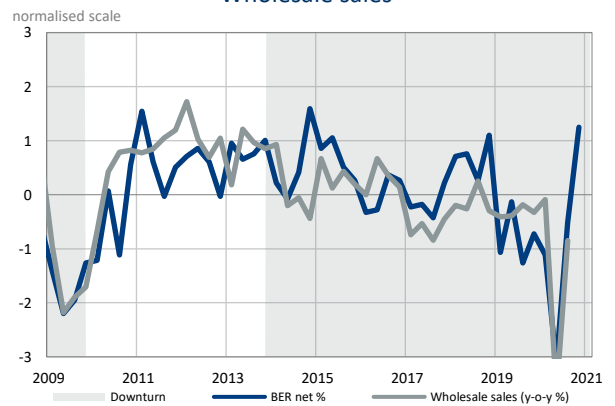
Retail: sales by province (smoothed)



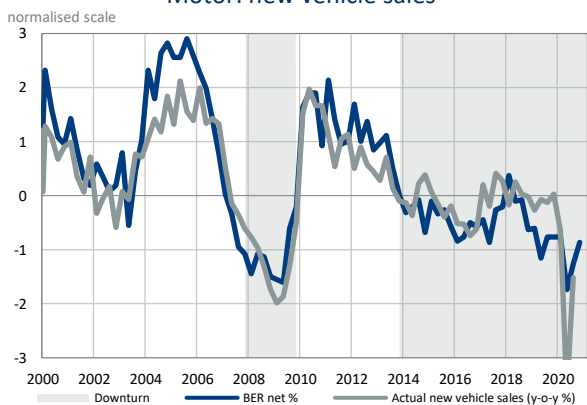
Retail: selling prices & core CPI



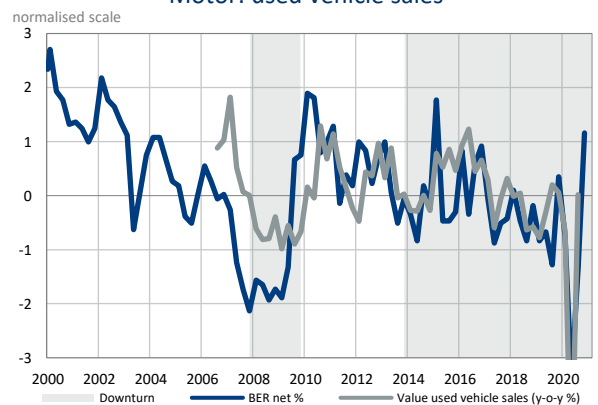
Wholesale sales



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 retail, wholesale and motor trade 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. 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.

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 %)

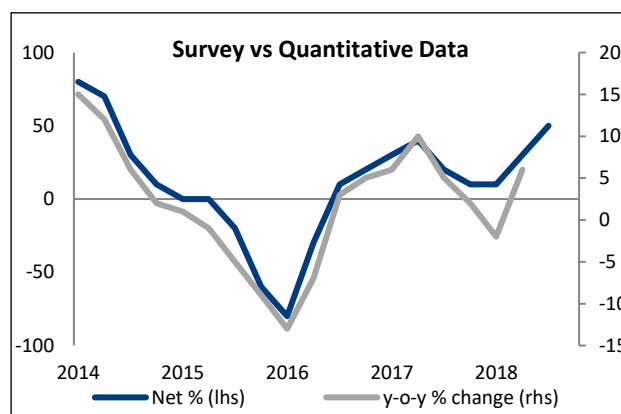
The responses related to the change in activity, prices, employment, business conditions, expected economic performance etc. are presented as a "net percentage" (also called a "net balance" or a "net majority"). If, for example, the percentages of respondents rating the volume of sales as "higher", the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