

Retail Trade

Quarterly analysis of activity in retail, wholesale
and motor trade

First quarter 2021
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Executive summary

The **trade** sector lost significant momentum in Q4, but still made a positive contribution to 2020Q4 GDP.

Retailer confidence declined by 13 index points to 37 in the first quarter.

Disconcertingly, after improving in 2020Q4, business conditions weakened further by a noteworthy 15 index points in the first quarter (from -20 to -35). Apart from navigating through the COVID-19 restrictions, retailers faced several challenges in their operating environment.

Sales volume growth worsened on aggregate in the first quarter (from -1 to -16), largely dragged down by significant declines in the durable goods category (i.e. retailers in hardware, furniture, and household appliances).

Likewise, semi-durable goods retailers also reported lower sales volumes in 2021Q1 (from -33 to -40).

In terms of the non-durable goods category (e.g. food, beverages, tobacco, pharmaceuticals and cosmetics), sales volumes in the first quarter remained at similar levels recorded in the fourth quarter.

Retailers in general kept selling prices elevated, and durable goods retailers in particular hiked their prices.

Wholesaler confidence remained largely unchanged despite a tough business environment and low sales volumes.

After edging up to 41 index points in 2020Q4, **new vehicle trader** confidence declined to 35 in Q1.

New vehicle sales volumes recovered some lost ground (from -67 to -58) in the first quarter, although remaining depressed and well below the 12-year average reading for this indicator.

Looking ahead, the outlook for the motor trade sector is slightly more encouraging, with new vehicle dealers expecting both business conditions and sales volumes to improve notably in the second quarter.

This report was completed on 23 March 2021.

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

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Introduction

The trade sector...." once a star performer during the fourth quarter of 2020, rallying its fellow Business Confidence Index troops, now has to eat humble pie at the start of 2021".

As expected, the trade sector experienced another tough start to the new year. Much of the performance of the sector still largely reflects a COVID-19 narrative. Be it in terms of its restrictions on trade or its impact on the labour market, the pandemic's sustained influence on business and consumer sentiment remains concerning amid the uncertainty about its trajectory.

It is important to note the timing of the Q1-survey period. South Africa moved from level 1 to level 3 of the risk adjusted strategy on 29 December 2020. Restrictions on the sale of alcohol were eased on 1 February and South Africa moved back down to level 1 of the risk adjusted strategy on 1 March. The survey took place from 18 January (post date for questionnaires; electronic questionnaires were emailed on 10 February) to 1 March 2021, but most of the responses were received during the last two weeks of February. At this time, it was clear that the peak of South Africa's second wave of COVID-19 infections had passed.

The 2021Q1 Retail Trade report provides an overview of the developments in the retail, wholesale, and motor trade sectors. Apart from business confidence, the survey data highlights current trends in business conditions, sales volumes and selling prices. Regional perspectives are provided for three main provinces (the Western Cape, KwaZulu-Natal and Gauteng).

A brief overview of the latest official data

Trade activity data in Q4 points to mixed consumer demand

According to the latest Stats SA data, retail sales dropped by 1.2% y-o-y in December, with most of the decline attributed to the 'other' retailer category (which includes jewellery, recreational and entertainment goods as well as online sales). The full-year trend showed a big swing, with retail sales falling by 6.9% in 2020 – the worst overall annual contraction on record – from 1.2% growth in

2019. In contrast, on a quarterly basis, growth in the fourth quarter was positive as sales volumes improved by 2.7% on a seasonally adjusted (sa) basis.

In the case of the wholesale trade, December sales volumes increased by 1.8% y-o-y. However, sales volumes contracted by a notable 6.6% in 2020 compared to 2019. This decline is no surprise given the weak corresponding sales in the retail sector (i.e. wholesalers mainly supply retailers). Compared to Q3, sales were down by 1.7% (sa) in Q4. Meanwhile, motor trade sales fell by 1% y-o-y in December in nominal terms but were 2.7% higher q-o-q (sa) in Q4. For the year in total, sales value declined by 16.4% in 2020.

Trade sector lost significant momentum in Q4, but still made a positive contribution to 2020Q4 GDP

In all, the data revealed that, while the internal trade sector lost significant momentum in Q4, it still made a positive contribution to 2020Q4 GDP.

Annualised real GDP growth moderated sharply to 6.3% quarter-on-quarter (q-o-q) in 2020Q4 from an upwardly revised 67.3% in Q3. The trade sector made the third biggest contribution of all major sectors to 2020Q4 GDP growth. On the back of a 9.8% q-o-q expansion, the sector contributed 1.3 percentage points (% pts) to GDP growth. The 9.8% expansion was a notable slowdown from the staggering 137% growth rate recorded in Q3 (although that figure is again distorted due to the annualisation of the growth rate).

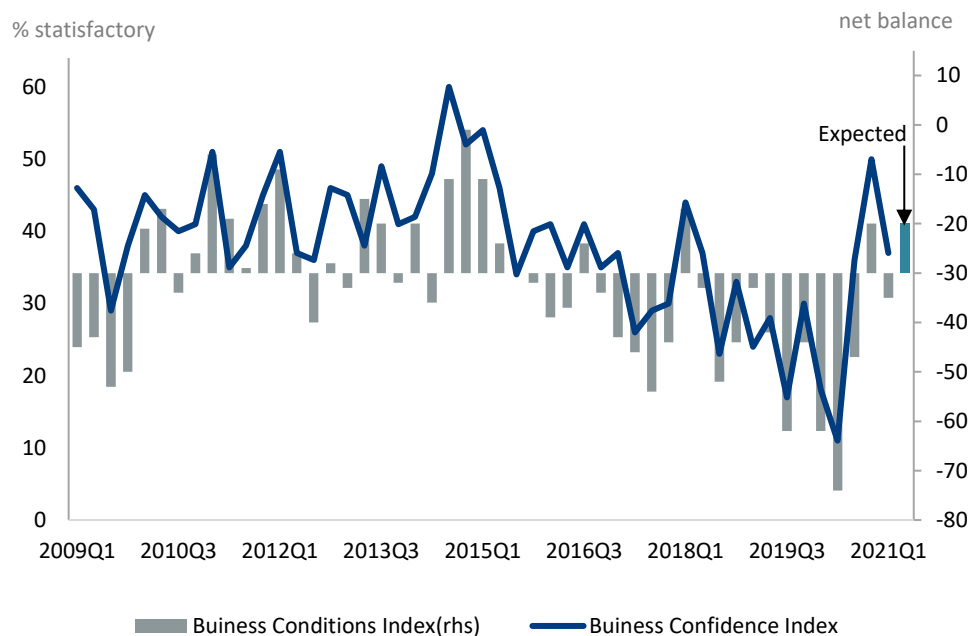
Summary of the 2021 Q1 trade sector survey results

Retailer confidence drops on lower volume growth

Retailer confidence declined by 13 index points to 37 in Q1

After crashing to a 29-year low of 11 in the second quarter of 2020 amid severe trade restrictions, business confidence soared remarkably from what seemed to be an upbeat 36 index points in the third quarter to 50 in the fourth quarter. In the first quarter of 2021, retailer confidence declined by 13 index points to 37. This was to be expected considering that much of the momentum gained in the final quarter of last year was from pent-up demand on alcohol, anticipated festive season sales and the lucrative social grant top up boost, which have all petered out in Q1. Furthermore, the sector also benefitted from a significant uptick in the durable goods category in the fourth quarter, as many people still worked from home, or home-schooled their children, and continued to effect home improvements and purchase home office equipment and furniture. However, this trend reversed in the first quarter of 2021. Despite the decline in Q1, overall retailer confidence levels remain in line with the long-term average of 38.

Figure 1: Retailer business confidence declines in Q1



Source: BER

The business environment remains tough for retailers

Disconcertingly, after improving in 2020Q4, business conditions weakened further by a noteworthy 15 index points in the first quarter (from -20 to -35). Apart from navigating through the COVID-19 restrictions, retailers faced several challenges in their operating environment. Chief among these were the supply chain disruptions that persisted and continued to impact prices. Secondly, several retailers, particularly those selling semi-durable goods, have flagged that a number of small independent retailers and suppliers are closing down due to aggressive competition from large chain stores. It is apparent that manufacturers also get locked into supplying large corporations with goods exclusively. Wretchedly, if this holds true, it could have a significant adverse impact on employment and competition in the sector. Thirdly, retailers with a presence at airports and in tourism dependant provinces continue to feel the impact of the travel restrictions.

The volume of retail sales petered out somewhat in Q1

Sales volume growth worsened on aggregate in the first quarter (from -1 to -16), largely dragged down by significant declines in the durable goods category (i.e. retailers in hardware, furniture, and household appliances). Clearly, the pent-up demand for durable goods (which benefitted from people spending more time at home) has petered out. Hence the stark reversal of sales volumes, from 17 in Q4 to -17 in Q1. The latest survey results suggest that the fourth quarter was the peak for durable goods sales volumes and therefore this retail sub-category is expected to be muted for much of 2021. This is also evident in the fact that durable goods retailers do not expect business conditions to improve in the second quarter.

Semi-durable goods retailers also reported lower sales volumes

Likewise, semi-durable goods retailers also reported lower sales volumes in 2021Q1 (from -33 to -40). Sales volumes for this category continue to be weighed upon by most people still working from home and limitations on sporting activities. Moreover, the uncertainty surrounding how schools will operate amid the pandemic has also impacted on the sale of school uniforms. Despite the decline in the first quarter, semi-durable goods retailers remain optimistic about a pick-up in sales volumes in the second quarter, particularly those trading in textiles, clothing, footwear and leather goods.

Non-durable goods volumes remained at Q4 levels

In terms of the non-durable goods category (e.g. food, beverages, tobacco, pharmaceuticals and cosmetics), sales volumes in the first quarter remained at similar levels recorded in the fourth quarter. Given the loss of the social grant top-ups - which came to an end in October - and renewed alcohol sales restrictions in January, it is quite heartening that non-durable goods sales volumes held firm in the first quarter of 2021.

Selling prices
remained
elevated

In the first quarter, retailers in general kept selling prices elevated, and durable goods retailers in particular hiked their prices. Current price increases can be attributed to several factors. Among these are the increases in import prices, particularly of steel and raw materials, as well as relatively high food inflation. Costs associated with COVID-19 related hygiene protocols also remain an extra expense to retailers. Looking ahead, rising fuel and electricity prices will also have an impact on prices. However, in the fourth quarter, retailers (particularly in non-durables goods) had pricing power that was aided by the social grant top-ups as well as trade restrictions imposed on restaurants. Now, with the grant payments halted at the end of last year and more competition from restaurants, retailers will not be able to sustain this pricing power moving forward.

Significant risks
lie ahead with
the prospect of a
third wave in SA
looming amid a
very slow
vaccine rollout.

Looking ahead into the second quarter, it is discouraging that the overall retail sector (except for the non-durable retailers) is pessimistic about business conditions and sales volumes. Significant risks lie ahead with the prospect of a third wave in SA looming amid a very slow vaccine rollout. Renewed lockdown restrictions to curb the spread of the virus will certainly harm the sector. Furthermore, given the hikes in fuel and electricity prices, rising food inflation, below-inflation adjustments to social grants and the expiration of the SRD grant and TERS programme at the end of April, there is a real risk that the household finances of low-income consumers could come under significant pressure. This could hurt non-durable goods sales volumes in particular. The weak labour market as well as the power supply crisis at Eskom also do not bode well for the trade sector in general.

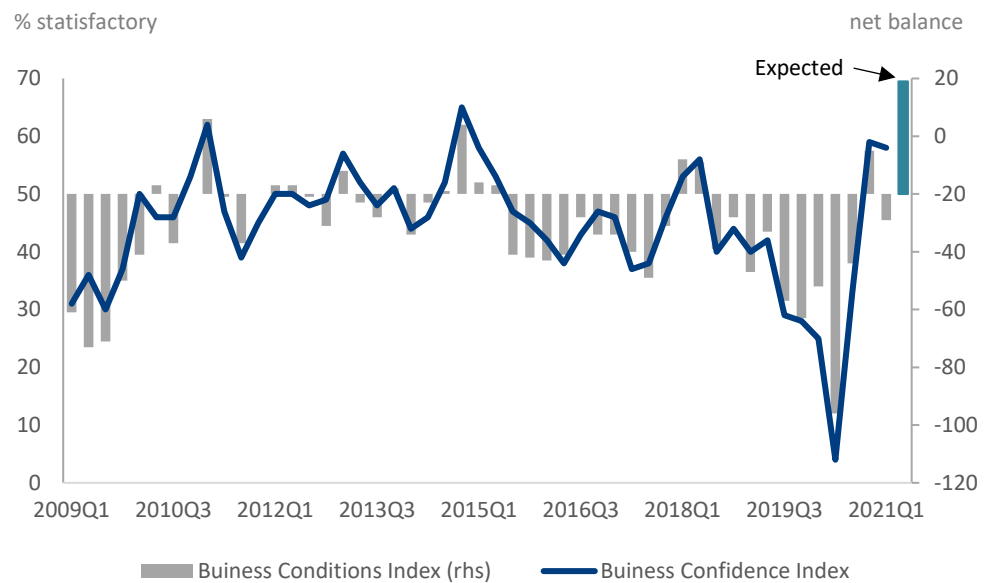
In all, given that the pent-up demand for durable goods has now mostly been met, coupled with some warning bells for the hitherto robust non-durable goods sector, momentum in the second quarter will in all likelihood depend on the performance of semi-durable goods retailers, particularly through the sale of winter clothing and school uniforms.

Wholesaler confidence remained largely unchanged despite a tough business environment and low sales volumes

Wholesalers continued to take strain

After climbing from 33 to 59 in 2020Q4 on higher spending on consumer goods, wholesaler confidence remained largely unchanged during the first quarter. It is somewhat surprising that wholesalers were able to sustain their Q4 confidence levels despite a deterioration in business conditions (from -5 to -29), lower sales volumes (from 1 to -10) and a lack of pricing power (from 28 to 26). Therefore, the sustained confidence in the first quarter could merely reflect wholesaler’s optimism about business conditions in the second quarter (see figure 2).

Figure 2: Wholesaler confidence remained largely unchanged in Q1



Source: BER

The BER’s survey also indicated that wholesalers expect strong growth in sales volumes in the second quarter for both sub-categories (i.e. consumer and non-consumer goods). Consumer goods wholesalers expect to profit from a pick-up in alcohol sales amid eased trading restrictions, winter clothing sales and more importantly, the resilient agricultural sector which has benefitted from favourable weather conditions and bumper crops. In 2020, SA became the world’s largest exporter of citrus, wine, maize, nuts, deciduous fruit, and sugar cane. Meanwhile, non-consumer goods wholesalers (which includes those selling metal ores, building materials and chemicals) should benefit from the better global growth in 2021 which is expected to keep commodity prices elevated and boost SA export volumes. In addition, improved conditions in the building and construction sector also bode well for this wholesale goods sub-category.

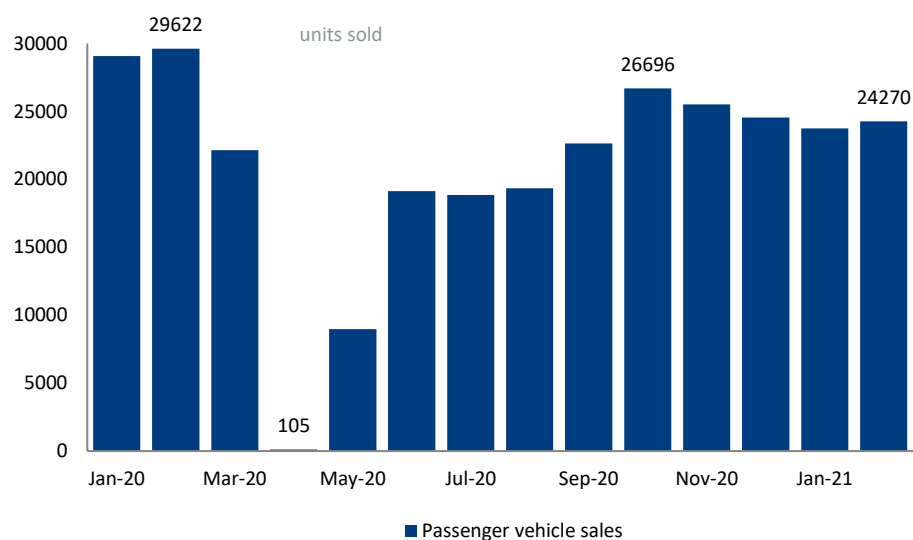
After edging up to 41 index points in 2020Q4, new vehicle trader confidence declined to 35 in Q1.

Motor trade remains under pressure

Difficult times continue to persist in the domestic motor trade industry amid weak economic growth, low business and consumer confidence levels as well as a fragile labour market which has weakened the balance sheets of households and corporates. The impact of this weak macroeconomic backdrop is certainly reflected in the fall in confidence in the first quarter. After edging up to 41 index points in 2020Q4, new vehicle trader confidence declined to 35 in 2021Q1.

New vehicle sales volumes recovered some lost ground (from -67 to -58) in the first quarter, although remaining depressed and well below the 12-year average reading for this indicator. The sustained weak trend in new vehicle sales is reflected more pronouncedly in the latest passenger car sales data from naamsa, which illustrates that sales volumes remain down 13.3% y-o-y in February 2021 (see figure 3).

Figure 3: New passenger car sales have not fully recovered



Source: naamsa

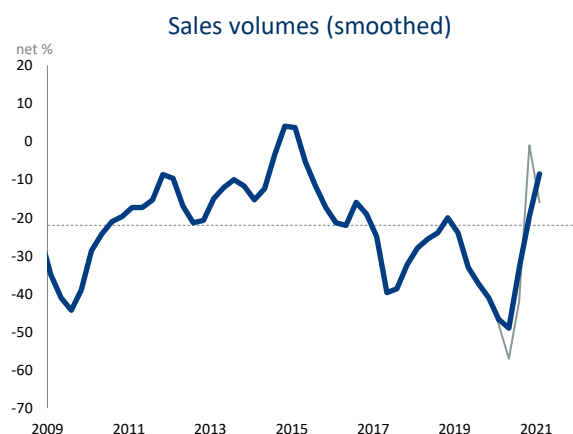
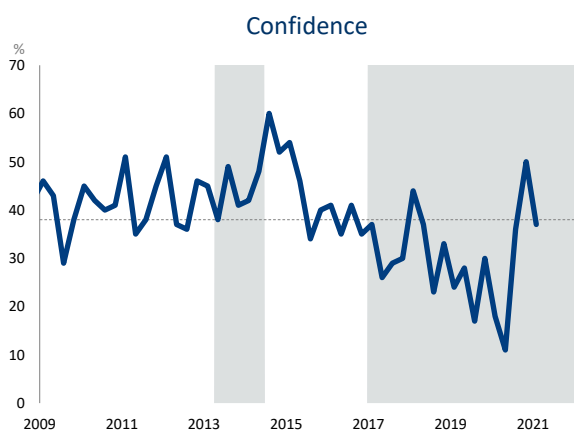
New vehicle dealers expect both business conditions and sales volumes to improve in Q2

Looking ahead, the outlook for the motor trade sector is slightly more encouraging, with new vehicle dealers expecting both business conditions and sales volumes to improve notably in the second quarter. Much of the optimism is fuelled by the prospect of a further recovery in the domestic economy and more people returning to work, which could boost sales volumes given that interest rates remain low.

Survey results

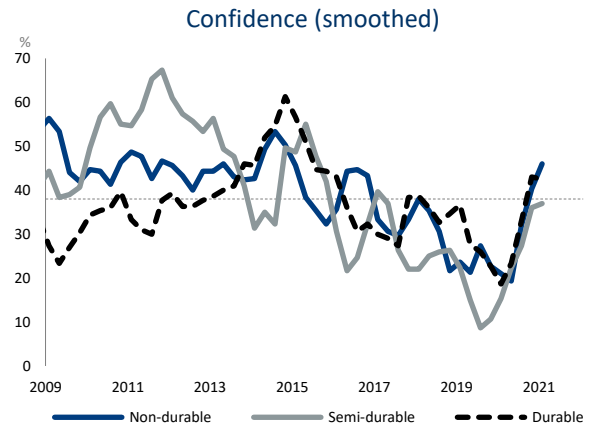
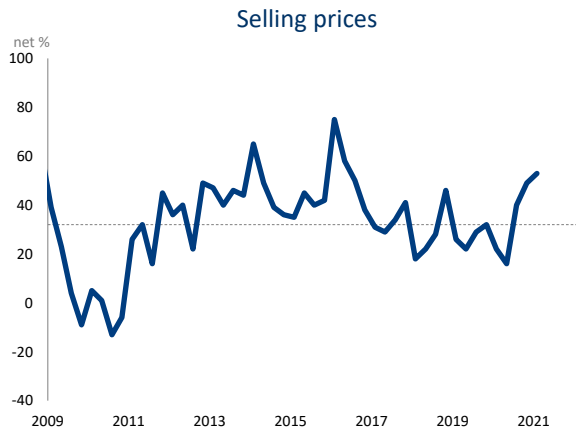
Retail trade: total¹

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	21Q1	Δ	σ_{Δ}
Confidence	%	28	38	48	28	17	30	18	11	36	50	37	-13	9
Business conditions	Net %	-49	-33	-17	-42	-62	-44	-62	-74	-47	-20	-35	-15	14
Sales volumes	Net %	-38	-22	-7	-37	-40	-35	-48	-57	-42	-1	-16	-15	13
Seasonally adjusted	Net %	-37	-22	-8	-29	-35	-44	-51	-49	-37	-11	-19	-8	10
Smoothed	Net %	-35	-22	-10	-33	-37	-41	-47	-49	-33	-20	-9	11	6
Selling prices	Net %	14	33	51	22	29	32	22	16	40	49	53	4	14



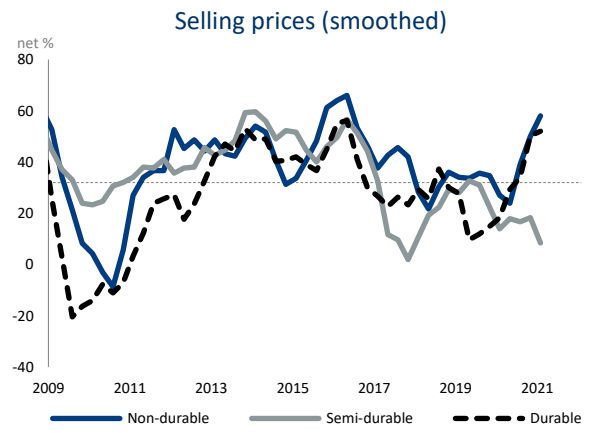
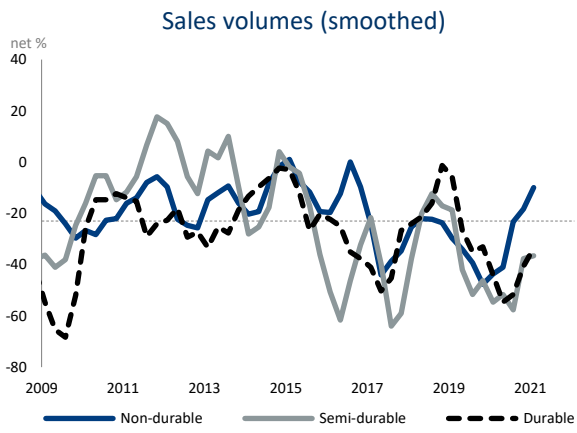
¹ The "retail trade total" consists of the "retail trade durables", the "retail trade semi-durables" and the "retail trade non-durables" goods sectors. The BER does not cover the retail trade in second hand goods in stores (SIC code 624), the retail trade not in stores (625) and the repair of personal and household goods (626).

μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – volatility (standard deviation of the changes)
 All of the above calculated over the last 20 years
 See Technical note for further details



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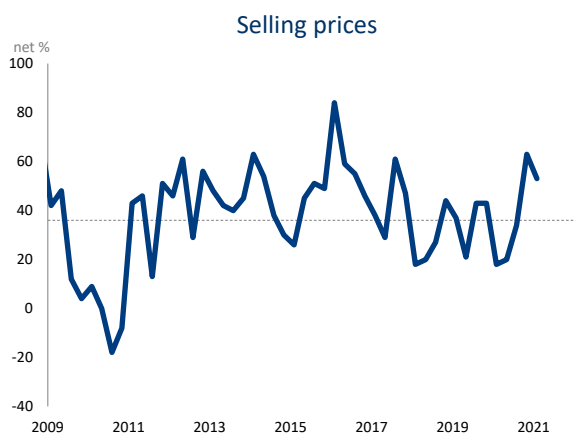
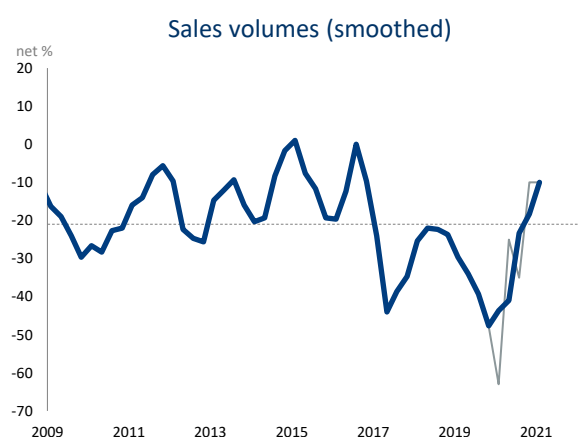
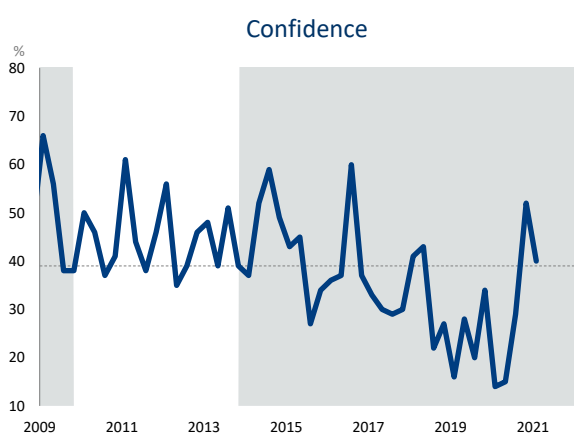
Retail trade: total



μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – 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-durables²

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	21Q1	Δ	σ_{Δ}
Confidence	%	27	39	51	28	20	34	14	15	29	52	40	-12	12
Business conditions	Net %	-51	-34	-17	-37	-60	-43	-73	-51	-38	-35	-28	7	19
Sales volumes	Net %	-36	-21	-6	-38	-37	-43	-63	-25	-35	-10	-10	0	15
Seasonally adjusted	Net %	-35	-21	-6	-35	-38	-49	-59	-22	-36	-16	-6	10	14
Smoothed	Net %	-32	-21	-9	-34	-39	-48	-44	-41	-23	-18	-10	8	7
Selling prices	Net %	17	37	57	21	43	43	18	20	34	63	53	-10	19

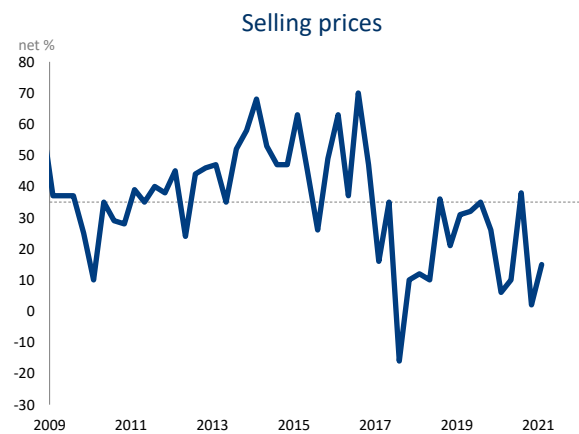
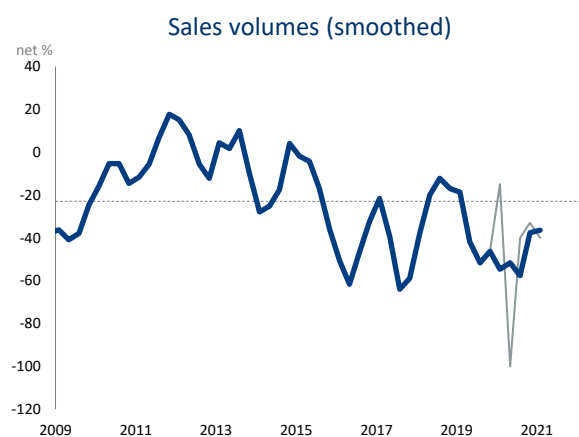
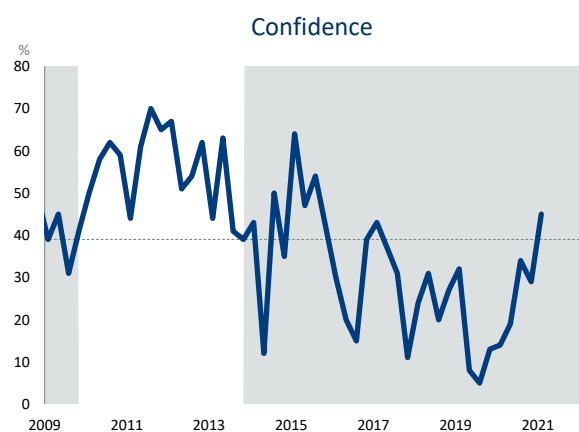


² Food, inedible groceries, tobacco (SIC code 621), beverages (622), pharmaceutical & medical goods, cosmetic & toiletry articles (6231), reading matter, stationery, office supplies (62391), other non-durable goods (62399)

μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – 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-durables³

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	21Q1	Δ	σ_{Δ}
Confidence	%	22	39	57	8	5	13	14	19	34	29	45	16	14
Business conditions	Net %	-66	-39	-13	-61	-75	-73	-49	-100	-52	-38	-46	-8	28
Sales volumes	Net %	-53	-24	6	-31	-75	-49	-15	-100	-40	-33	-40	-7	32
Smoothed	Net %	-45	-23	-1	-42	-52	-46	-55	-52	-58	-38	-37	1	12
Selling prices	Net %	16	34	52	32	35	26	6	10	38	2	15	13	18

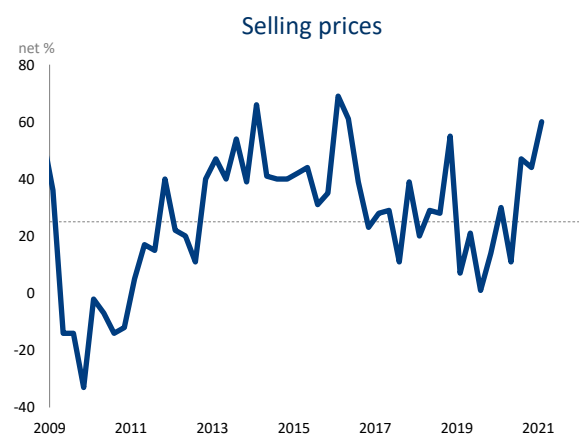
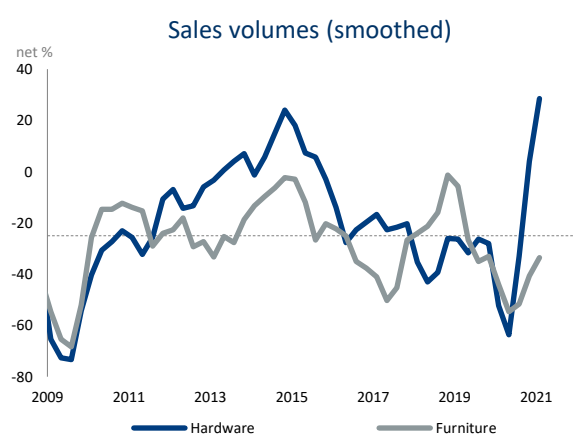
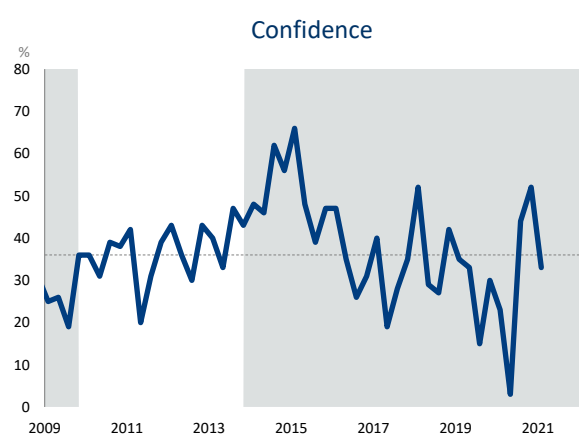


³ Textiles, clothing, footwear & leather goods (SIC code 6232), sports goods & entertainment requisites (62393), other semi-durable goods (62399)

μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – volatility (standard deviation of the changes)
 All of the above calculated over the last 20 years
 See Technical note for further details

Retail trade: durables⁴

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	21Q1	Δ	σ_{Δ}
Confidence	%	25	36	48	33	15	30	23	3	44	52	33	-19	13
Business conditions	Net %	-53	-31	-9	-44	-63	-38	-53	-95	-56	0	-40	-40	22
Sales volumes														
Total	Net %	-47	-24	-1	-39	-36	-18	-39	-91	-49	17	-17	-34	22
Hardware	Net %	-50	-20	9	-44	-24	-11	-49	-97	-45	43	14	-29	27
Furniture	Net %	-50	-28	-5	-32	-50	-23	-26	-83	-55	-17	-50	-33	24
Selling prices	Net %	3	26	49	21	1	14	30	11	47	44	60	16	19

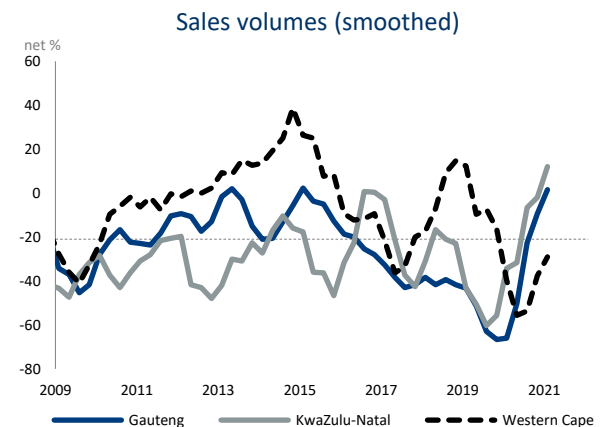
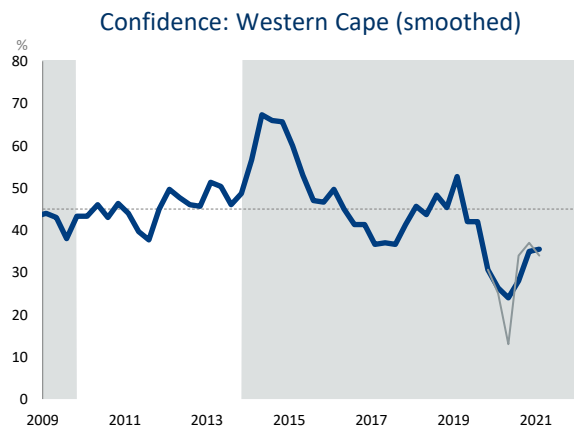
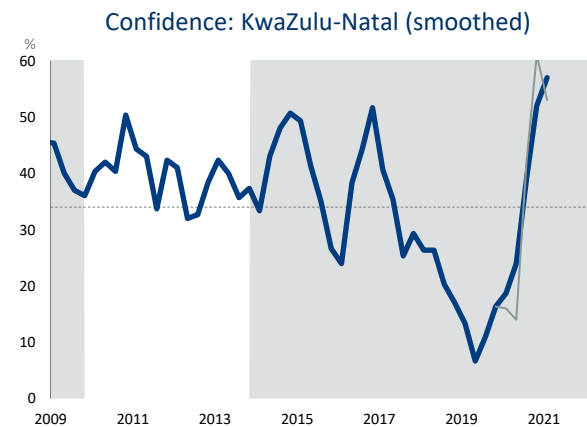
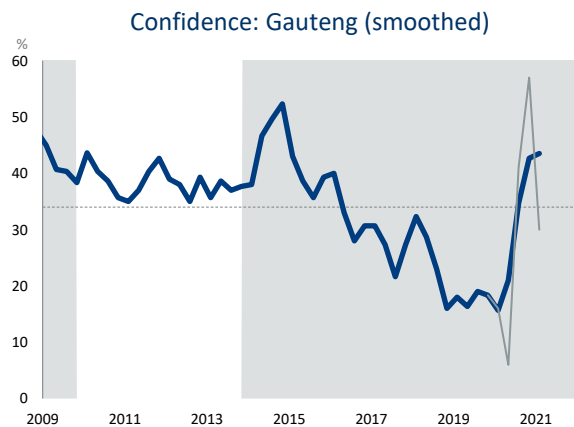


⁴ "Retail trade durables" consists of "hardware" and "furniture". "Hardware" includes hardware, paint and glass (SIC code 6234). "Furniture" consists of household furniture, appliances, articles and equipment (6233), jewellery and related items (62392) and other durable goods (62399)

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 σ_{Δ} – 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

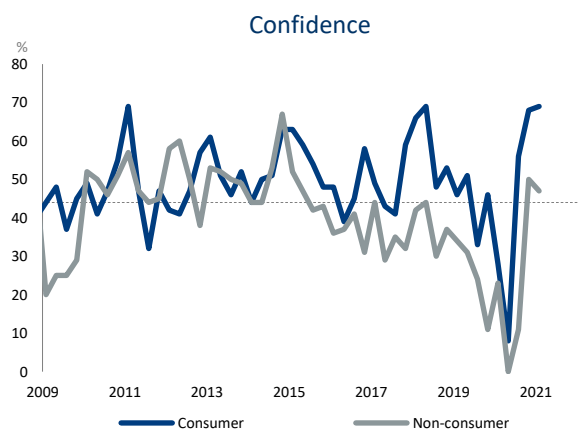
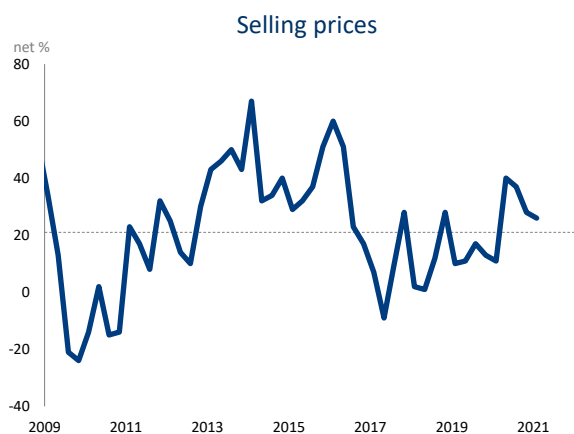
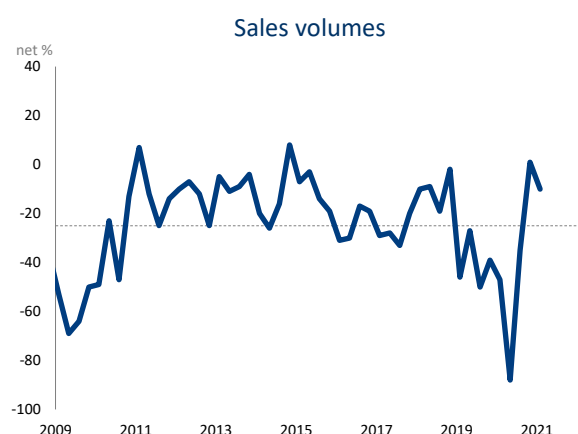
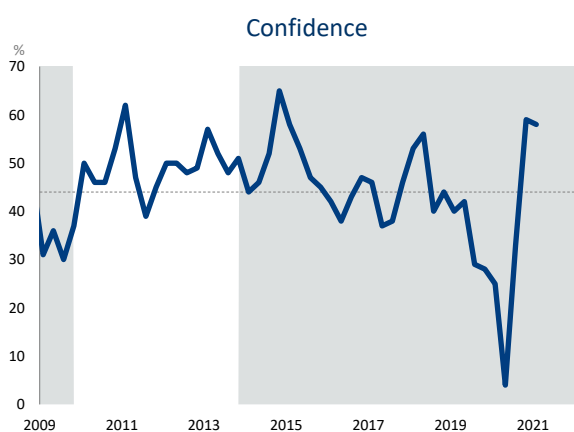
Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	21Q1	Δ	σ_{Δ}
Gauteng														
Confidence	%	22	34	46	18	14	25	16	6	41	57	30	-27	13
Smoothed	%	25	34	44	16	19	18	16	21	35	43	44	1	4
Sales volumes	Net %	-47	-25	-4	-63	-48	-78	-74	-46	-31	9	-6	-15	18
Smoothed	Net %	-43	-25	-8	-51	-63	-67	-66	-50	-23	-9	2	11	8
KwaZulu-Natal														
Confidence	%	20	35	51	0	7	26	16	14	42	61	53	-8	18
Smoothed	%	24	35	47	7	11	16	19	24	39	52	57	5	6
Sales volumes	Net %	-51	-29	-7	-76	-67	-38	-62	-3	-30	13	11	-2	27
Smoothed	Net %	-44	-29	-13	-51	-60	-56	-34	-32	-7	-2	12	14	11
Western Cape														
Confidence	%	32	45	57	59	26	41	25	13	34	37	34	-3	14
Smoothed	%	36	45	54	42	42	31	26	24	28	35	36	1	5
Sales volumes	Net %	-34	-8	19	8	-23	-7	-19	-93	-55	-13	-45	-32	26
Smoothed	Net %	-29	-8	14	-10	-7	-16	-40	-56	-54	-38	-29	9	10



μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – volatility (standard deviation of the changes)
 All of the above calculated over the last 20 years
 See Technical note for further details

Wholesale trade: total⁵

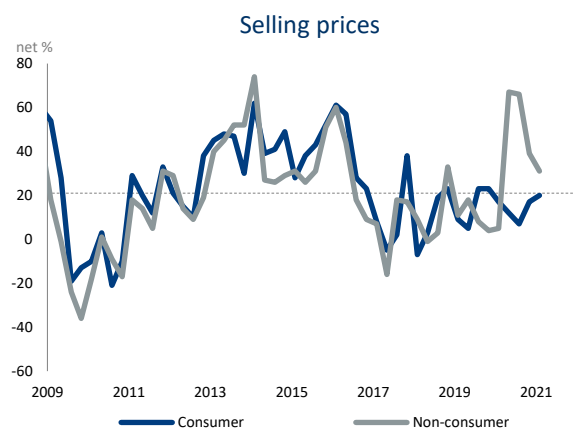
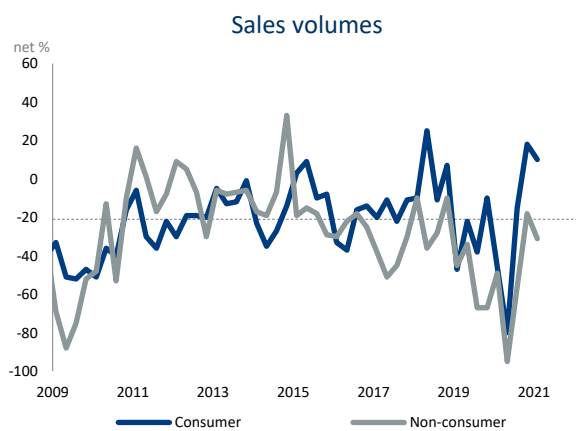
Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	21Q1	Δ	σ_{Δ}
Confidence	%	34	45	55	42	29	28	25	4	33	59	58	-1	9
Business conditions	Net %	-53	-33	-13	-33	-57	-63	-52	-96	-44	-5	-29	-24	19
Sales volumes	Net %	-44	-24	-4	-27	-50	-39	-47	-88	-35	1	-10	-11	18
Selling prices	Net %	0	21	42	11	17	13	11	40	37	28	26	-2	16



⁵ 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)

μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – volatility (standard deviation of the changes)
 All of the above calculated over the last 20 years
 See Technical note for further details

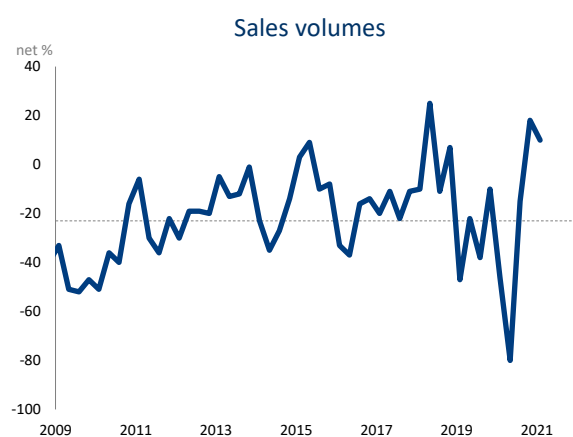
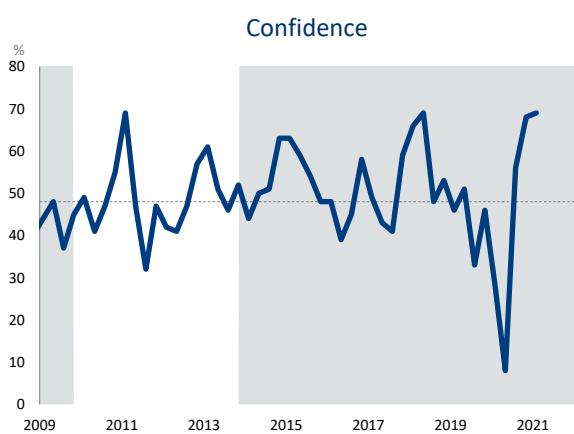
Wholesale trade: total



μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – 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 goods⁶

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	21Q1	Δ	σ_{Δ}
Confidence	%	38	49	61	51	33	46	28	8	56	68	69	1	12
Business conditions	Net %	-52	-32	-12	-25	-51	-50	-57	-99	-31	19	-19	-38	22
Sales volumes	Net %	-41	-21	-1	-22	-38	-10	-46	-80	-15	18	10	-8	21
Selling prices	Net %	1	22	44	5	23	23	17	12	7	17	20	3	18

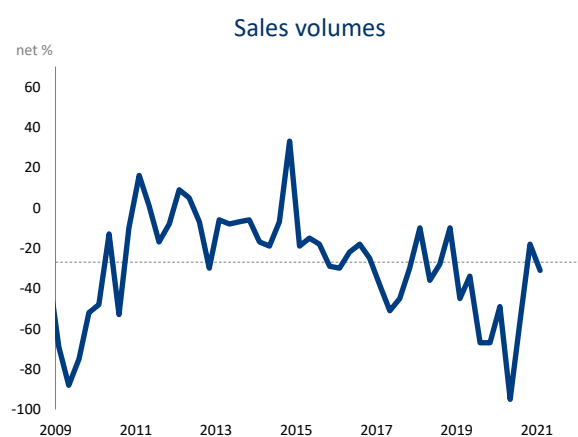
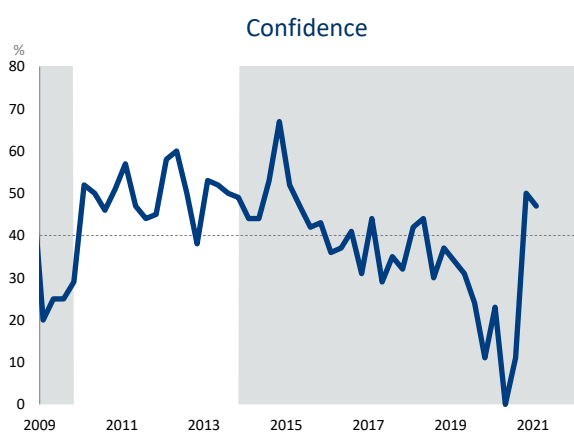


⁶ Agricultural raw materials and livestock (SIC 6121), food, beverages and tobacco (6122), textiles, clothing and footwear (6131) and other household goods (6139).

μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – 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 goods⁷

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	21Q1	Δ	σ_{Δ}
Confidence	%	27	40	54	31	24	11	23	0	11	50	47	-3	12
Business conditions	Net %	-58	-34	-10	-42	-66	-75	-45	-93	-57	-32	-39	-7	20
Sales volumes	Net %	-54	-28	-1	-34	-67	-67	-49	-95	-56	-18	-31	-13	23
Selling prices	Net %	-4	20	44	18	8	4	5	67	66	39	31	-8	19

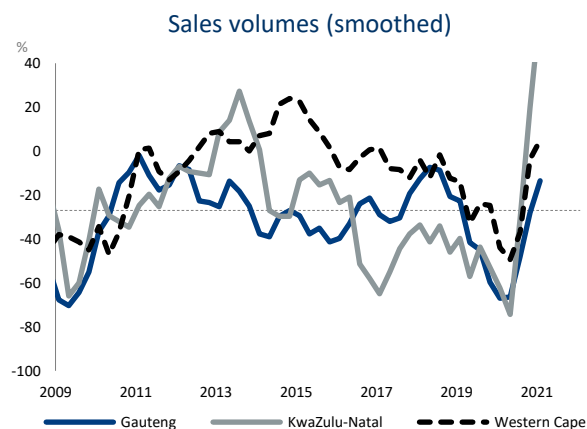
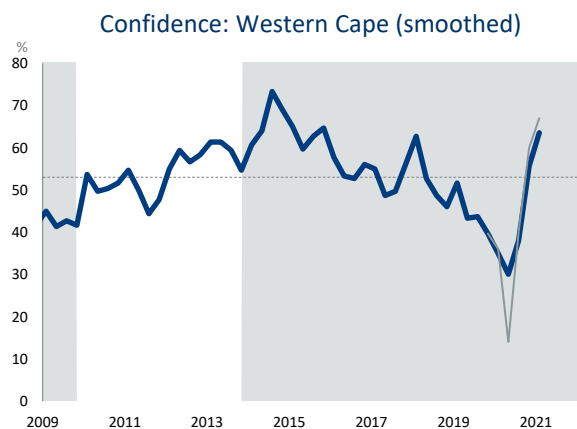
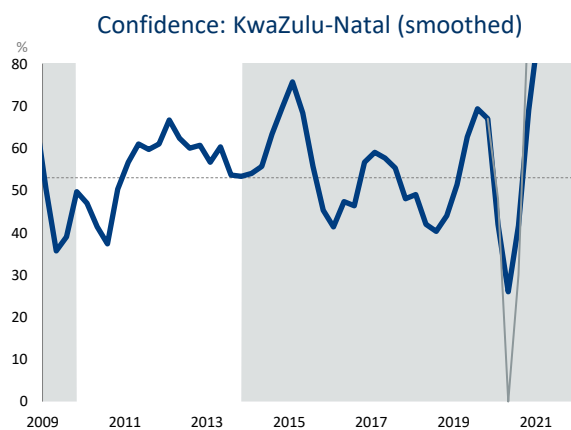
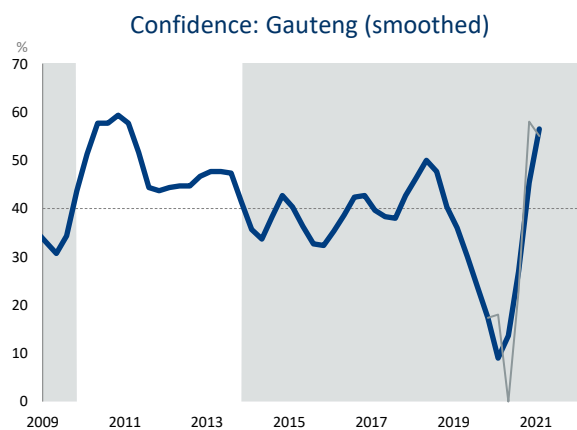


⁷ Metals and metal ores (SIC code 6142), construction materials, hardware, plumbing and supplies (6143), other intermediate products, waste and scrap (6149) and machinery and equipment (615).

μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – 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

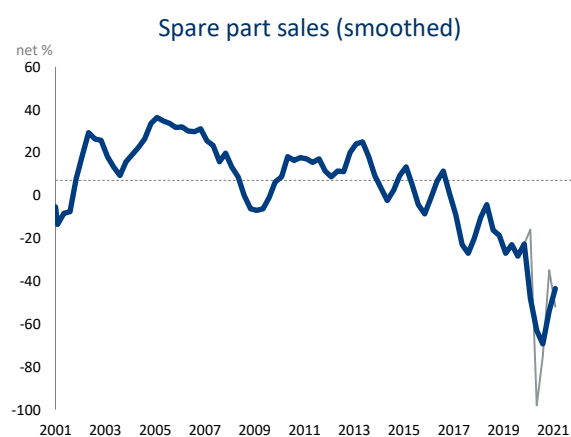
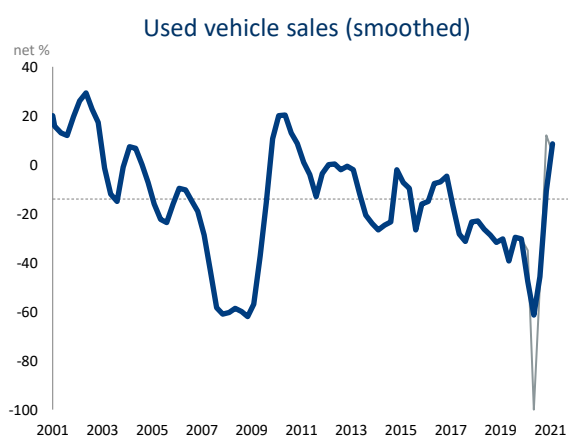
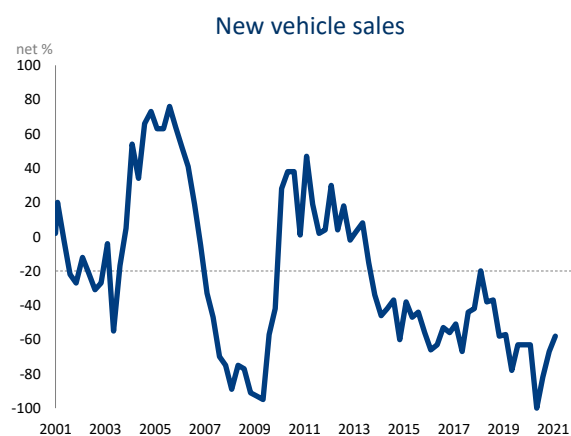
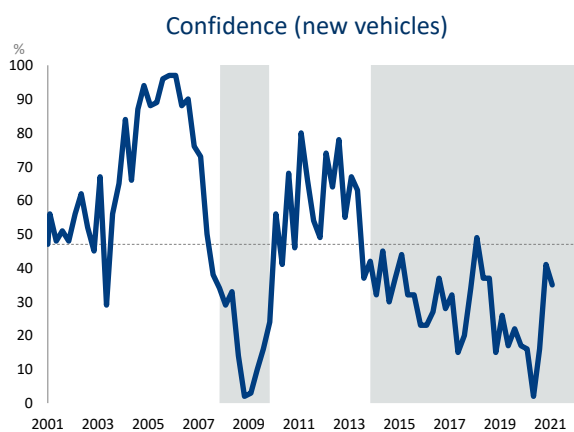
Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	21Q1	Δ	σ_{Δ}
Gauteng														
Confidence	%	28	40	53	37	25	9	18	0	23	58	55	-3	10
Smoothed	%	30	40	51	30	24	17	9	14	27	45	57	12	6
Sales volumes	Net %	-53	-30	-8	-13	-63	-59	-57	-85	-57	-2	-25	-23	22
Smoothed	Net %	-48	-30	-12	-42	-45	-60	-67	-66	-48	-28	-14	14	9
KwaZulu-Natal														
Confidence	%	36	54	72	55	75	78	48	0	30	95	82	-13	22
Smoothed	%	43	54	66	63	69	67	42	26	42	69	89	20	9
Sales volumes	Net %	-62	-27	8	-36	-60	-35	-64	-88	-71	66	64	-2	36
Smoothed	Net %	-53	-26	0	-57	-44	-53	-62	-74	-31	20	65	45	17
Western Cape														
Confidence	%	40	53	66	48	28	55	36	14	40	60	67	7	15
Smoothed	%	44	53	62	43	44	40	35	30	38	56	64	8	6
Sales volumes	Net %	-35	-10	15	-31	-36	-5	-33	-94	-21	4	6	2	26
Smoothed	Net %	-30	-10	9	-33	-24	-25	-44	-49	-37	-4	5	9	10



μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – volatility (standard deviation of the changes)
 All of the above calculated over the last 20 years
 See Technical note for further details

Motor trade⁸

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	21Q1	Δ	σ_{Δ}
New vehicles														
Confidence	%	21	46	72	17	22	17	16	2	16	41	35	-6	14
Sales volumes	Net %	-69	-23	23	-78	-63	-63	-63	-100	-82	-67	-58	9	21
Used vehicles														
Sales volumes	Net %	-42	-15	11	-33	-48	-8	-35	-100	-49	12	5	-7	21
Smoothed	Net %	-38	-15	7	-39	-30	-30	-48	-61	-46	-11	9	20	10
Spare parts														
Sales volumes	Net %	-21	5	30	-33	-22	-30	-16	-98	-75	-35	-52	-17	17
Smoothed	Net %	-18	5	27	-23	-28	-23	-48	-63	-69	-54	-44	10	7

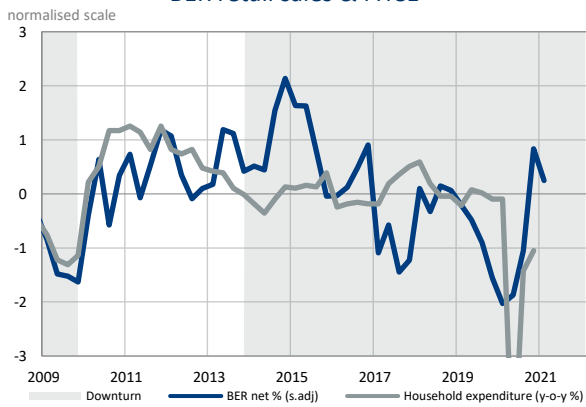


⁸ The "motor trade" consists of the retail sales of new and used vehicles (SIC code 6312), as well as new spare parts and accessories (6331). The BER does not cover the wholesale sale of motor vehicles (6311), the maintenance and repair of motor vehicles (632), the sale of used parts and accessories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

μ – average
 σ – standard deviation
 Δ – change from previous period
 σ_{Δ} – volatility (standard deviation of the changes)
 All of the above calculated over the last 20 years
 See Technical note for further details

Summary

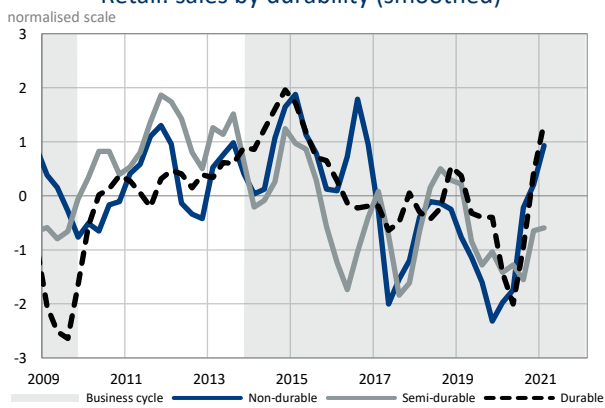
BER retail sales & FHCE*



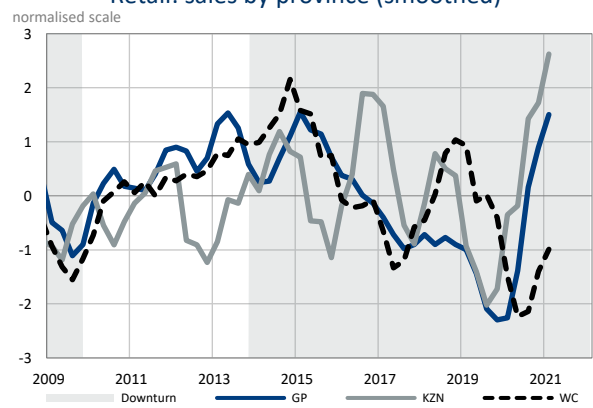
Retail sales



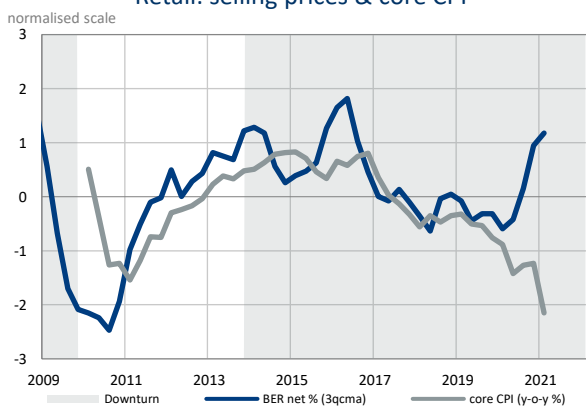
Retail: sales by durability (smoothed)



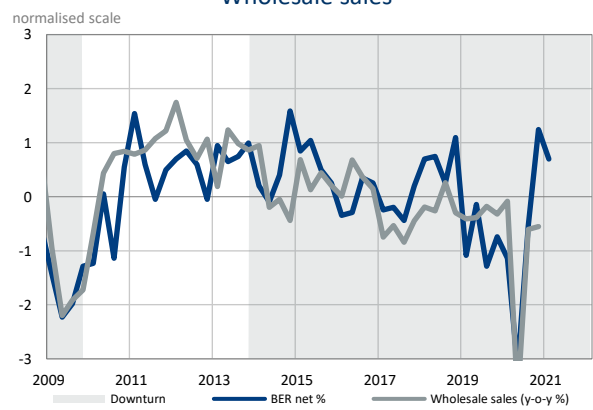
Retail: sales by province (smoothed)



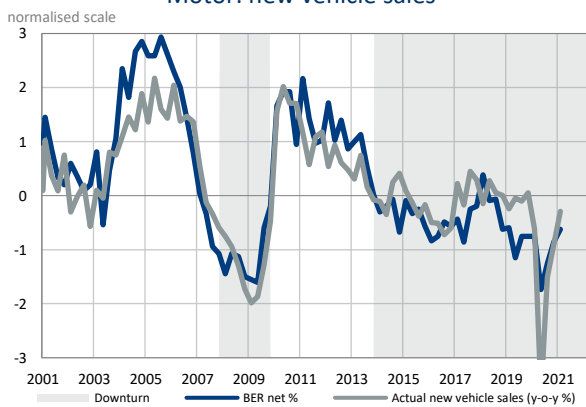
Retail: selling prices & core CPI



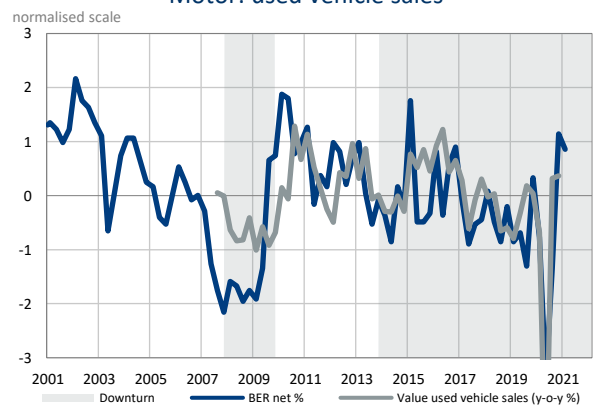
Wholesale sales



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) for more information about the business tendency survey method.

The unique units of measurement of qualitative surveys

Net percentage (net %)

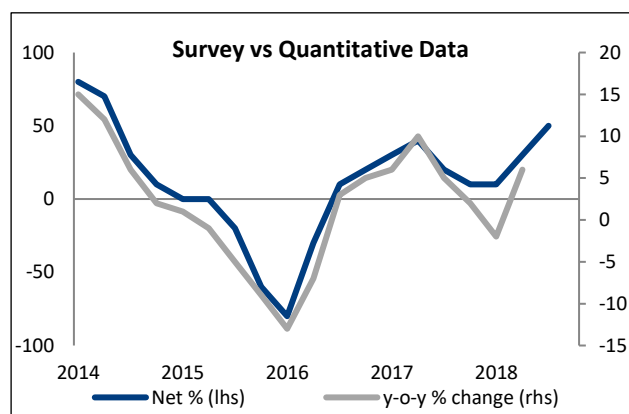
The responses related to the change in activity, prices, employment, business conditions, expected economic performance etc. are presented as a "net percentage" (also called a "net balance" or a "net majority"). If, for example, the percentages of respondents rating the volume of sales as "higher", the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

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: Δ)

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.