

# Retail Trade

Quarterly analysis of activity in retail,  
wholesale and motor trade

4th quarter 2021  
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# Executive summary

**Retailer** confidence declined marginally from 56 to 52 in the fourth quarter of 2021. Despite the slight decline, overall sentiment is still significantly higher than pre-covid levels and remains well above the historic average of 39 index points.

Confidence was largely dragged down by non-durable goods retailers (food and beverages) on the back of a deterioration in their business conditions, weaker sales volumes, a lack of pricing power and, by implication, lower profitability.

After falling further into negative territory in the previous quarter due to the third wave of COVID-19 infections and the civil unrest in KwaZulu-Natal and Gauteng, overall business conditions improved in the fourth quarter.

Total retail sales volumes picked up in 2021Q4. However, the performance was unfortunately not broad-based. Sales of clothing and footwear, furniture, electronics and household appliances edged up, while those of food and beverages subsided.

Retail inflation remained elevated, but purchasing prices continue to escalate at an even higher rate.

**Wholesaler** confidence dropped by 2 index points to 52 in the fourth quarter.

The decline was primarily caused by supply-side factors such as global supply chain disruptions and domestic challenges, including load-shedding and the lingering impact of the looting that took place in July.

**New dealer** confidence contracted by 6 index points to reach 41 in the fourth quarter.

Sentiment was dented by insufficient stock of vehicles and car parts to meet demand, mainly caused by the ongoing global semiconductor shortage which continues to hamper the production and sales of new vehicles.

Looking ahead, the discovery of the new COVID-19 variant in the country, load-shedding, escalating cost increases, global supply chain disruptions and a weak labour market remain causes of uncertainty for the sector.

This report was completed on 2 December 2021.

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

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# Introduction

The 2021Q4 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

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Domestic trade likely to have weighed significantly on 2021Q3 GDP

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### Domestic trade sales disappoint in Q3

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

	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3
Non-durable goods <sup>1</sup>	-1.2%	-0.5%	-1.8%	-3.8%	12.6%	-0.5%
Semi-durable goods <sup>2</sup>	-9.2%	-3.9%	-11.9%	13.3%	57.1%	7.0%
Durable goods <sup>3</sup>	12.2%	8.0%	-1.2%	14.7%	0.8%	-4.9%
<b>Total</b> <sup>4</sup>	<b>-5.2%</b>	<b>-3.0%</b>	<b>-6.9%</b>	<b>-1.4%</b>	<b>30.3%</b>	<b>-0.2%</b>

Source: Statistics South Africa, Retail Sales Statistics

<sup>1</sup> Non-durable goods retailers include general dealers, retailers in specialised food, beverages and tobacco, and retailers in pharmaceutical and medical goods, cosmetics and toiletries.

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

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

<sup>4</sup> Including "other".

According to the latest Stats SA data, real retail trade sales rose 2.1% y-o-y in September, significantly exceeding expectations for a 0.7% y-o-y increase as local retailers geared up for the festive season shopping period and Black Friday. The reinstatement of the Social Relief of Distress (SRD) grant and cash bonuses paid to government employees no doubt helped to boost the purchasing power of consumers towards the end of the third quarter. Most of the improvement in retail sales during September was driven by a higher demand for textiles, clothing, footwear and leather goods, which surged by 11.3% y-o-y and contributed 1.6% pts to annual growth. On a monthly basis, retail sales increased by 5.1%. Unfortunately, this still did not come close to undoing July's upwardly revised 11.2% m-o-m fall (when civil unrest in KZN and Gauteng and a severe third COVID-19 wave wreaked havoc with the SA economy). Despite September's performance, seasonally adjusted retail sales were down a notable 5.4% in the third quarter compared to 2021Q2.

In contrast to retail sales, wholesale trade sales decreased by 0.3% y-o-y (-1.3% m-o-m) in September, to register a seasonally adjusted decline of 2.4% in the three months to September.

Measured in current prices, motor trade sales slowed to 8.9% y-o-y (2.1% m-o-m), which brought the quarterly figure to a disappointing -3.0%. In all, despite the recovery in retail (and motor trade) sales in September, the domestic trade sector is likely to have weighed significantly on GDP growth in 2021Q3.

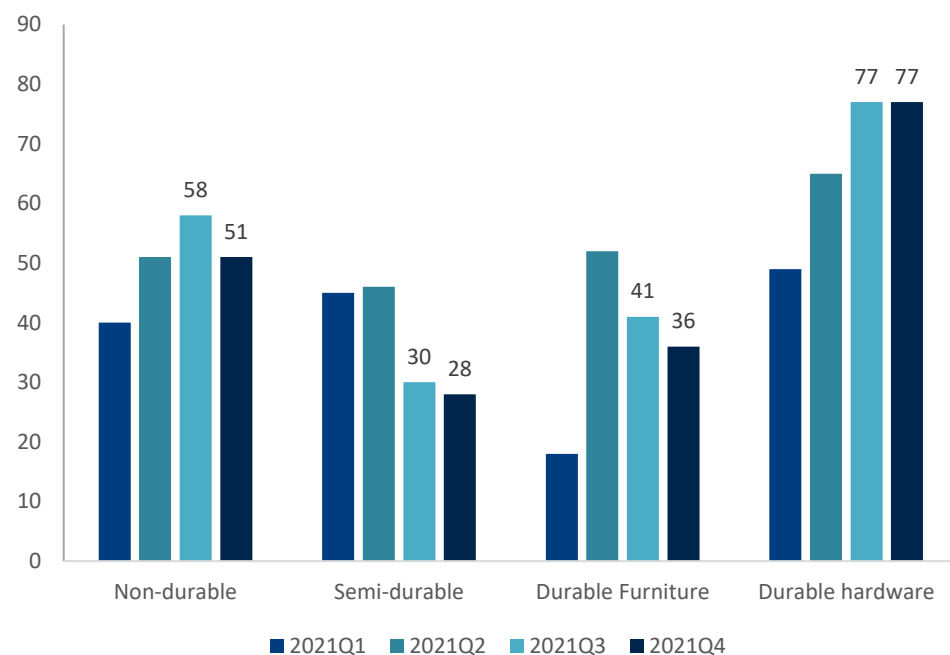
# Summary of the 2021 Q4 trade sector survey results

## Retailer confidence ticks down but remains significantly above pre-covid levels

Confidence dragged down by non-durable goods retailers

Retailer confidence declined marginally from 56 to 52 in the fourth quarter of 2021. Underlying data shows that this decline was mainly driven by non-durable goods retailers (see Figure 1), whose sentiment was dented on the back of a deterioration in business conditions, weaker sales volumes, a decline in pricing power and, by implication, lower profitability. Despite the slight decline, overall retailer confidence is still significantly higher than pre-covid levels and remains well above the historic average of 39 index points.

Figure 1: Confidence in Q4 dragged down mainly by non-durable goods retailers



Source: BER

After falling further into negative territory in the previous quarter due to the third wave of COVID-19 infections and the civil unrest in KwaZulu-Natal and Gauteng, overall business conditions improved in the fourth quarter. This is mostly attributable to the absence of stringent lockdown restrictions, additional fiscal stimulus in the form of SRD grants and cash bonuses to civil servants and increased traffic footfall at malls and shopping centres. The country exited a

third wave of COVID-19 infections amid a ramped-up vaccination programme. However, constraints such as the lingering impact of the civil unrest, supply chain disruptions and continuous bouts of load-shedding all continued to weigh on the operating environment of retailers.

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Non-durable  
goods sales  
volumes hurt by  
services sector  
reopening

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Total retail sales volumes edged higher in the fourth quarter (from -14 to -10), but declined on a seasonally adjusted basis. However, the performance was unfortunately not broad-based. Sales of clothing and footwear, furniture, electronics and household appliances edged up as consumers splashed out on Black Friday and festive season deals, while sales of food and beverages subsided. Food and beverage sales were knocked by the reopening of the services sector (e.g. restaurants, pubs, hotels and theatres). In the third quarter, the trading capacity of restaurants was constrained due to pandemic-related restrictions and fears. This led to spending shifting away from services and other discretionary categories to essential products, which greatly benefitted non-durable goods retailers. However, with the third wave behind us, consumers are able to divert spending away from non-durable goods to restaurants. Furthermore, supply chain bottlenecks which are causing delays, high input costs and non-availability of raw materials are also hurting sales volumes and the profitability of these retailers.

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Semi-durable  
and durable  
goods retailers  
set to maximise  
on Black Friday  
and festive  
season sales

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For semi-durable goods in particular, the 34-index-points surge in sales reflect numerous favourable conditions in the fourth quarter. These include base effects from depressed activity in the third quarter due to the civil unrest and stricter lockdown restrictions; higher demand for summer clothing ahead of the holiday season and pent-up demand as the work-from-home culture abates and more people require formal attire. This narrative is congruent with the latest official retail sales data, wherein the demand for textiles, clothing, footwear and leather goods was the biggest driver of improved retail sales in September.

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Home  
improvement  
demand remains  
resilient in Q4

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In the case of durable goods retailers, sales volumes increased by 17 index points, largely driven by the sustained home improvement demand amid pandemic-related restrictions. This resilience is testament to the fact that the balance sheets of high-income earners remain in good standing, and they therefore continue to purchase furniture, appliances and electronic equipment.

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Global supply  
chain disruptions  
keep selling  
prices elevated

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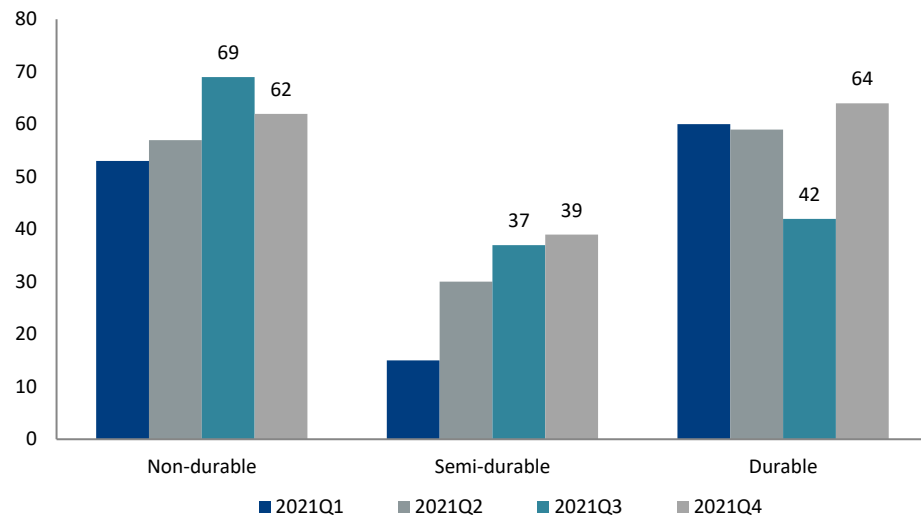
Retailers in general kept selling prices elevated, but purchasing price inflation continues to increase at an even faster rate. Among the three retail groups, durable goods recorded the highest increase in purchasing prices in six years. This multi-year record is a by-product of supply chain disruptions, increased freight prices, a weaker rand as well as rising fuel and electricity prices. The 2021Q4 survey results suggest that semi-durable and durable goods retailers are



passing on these higher input costs to consumers in the form of higher selling prices.

However, this is no longer the case for non-durable goods retailers - following many months of very high food price inflation, non-durable goods retailers have become more hesitant to shift costs to consumers in the face of deteriorating non-durable goods demand (see figure 2).

Figure 2: The only category to report lower selling prices in Q4 was non-durable goods



Source: BER

Looking ahead, as the services sector journeys on the road to full recovery, the retail sector is expected to lose momentum. However, of the three retail categories, semi-durable goods retailers may be able to take some advantage of this recovery as more people return to work and spend more money on summer clothing. However, the discovery of the new COVID-19 variant in the country, load-shedding, escalating cost increases, global supply chain disruptions and a weak labour market remain causes of uncertainty for the sector.

## A modest decline in wholesaler confidence

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Wholesaler confidence dragged down by non-consumer goods

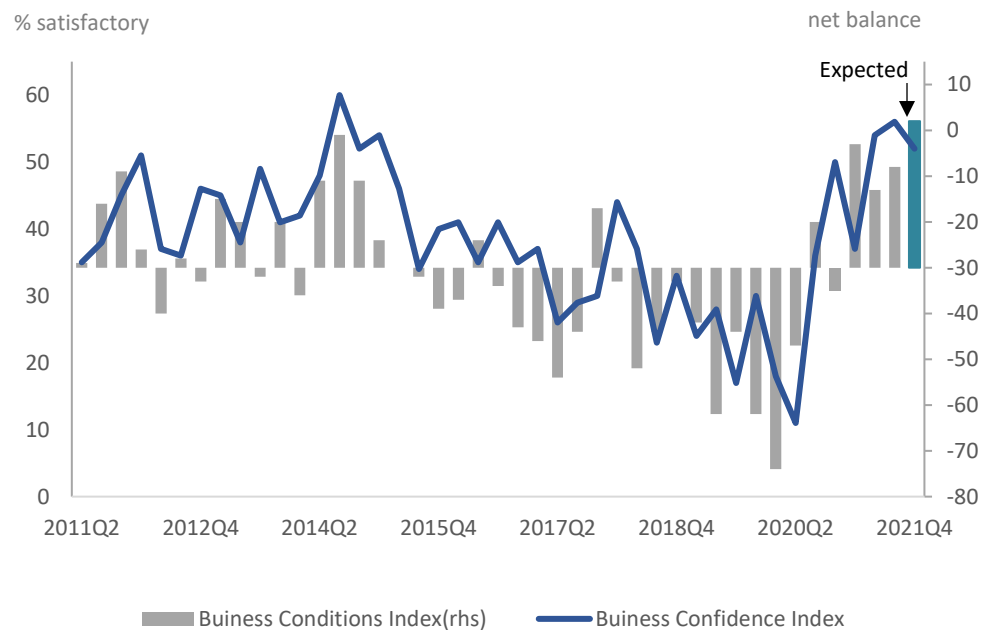
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Wholesaler confidence dropped by 2 index points to 53 in the fourth quarter. The decline was driven by a deterioration in business conditions, sales volumes and selling prices. In particular, the survey results indicate that pessimism among wholesalers was exacerbated by weaker sales volumes of non-consumer goods

(including metal ores, building materials and chemicals), which plunged by 26 index points in the fourth quarter.

This was primarily caused by supply-side factors such as global supply chain disruptions and the ensuing significant stock shortages of items such as steel and microchips. On the domestic front, the issues flagged include the recent strike by steel workers, the impact of the looting in July, Eskom electricity constraints and logistical disruptions caused by Transnet, which have adversely impacted business operations. Interestingly, respondents also highlighted issues surrounding increased competition, which is unfortunately not supported by higher sales volumes.

Figure 3: Wholesaler confidence declined marginally in Q4



Source: BER

Like durable and semi-durable goods retailers, wholesalers displayed less reluctance to increase selling prices (+24 index points) on the back of a weaker rand and higher input costs caused by soaring freight, electricity and fuel prices.

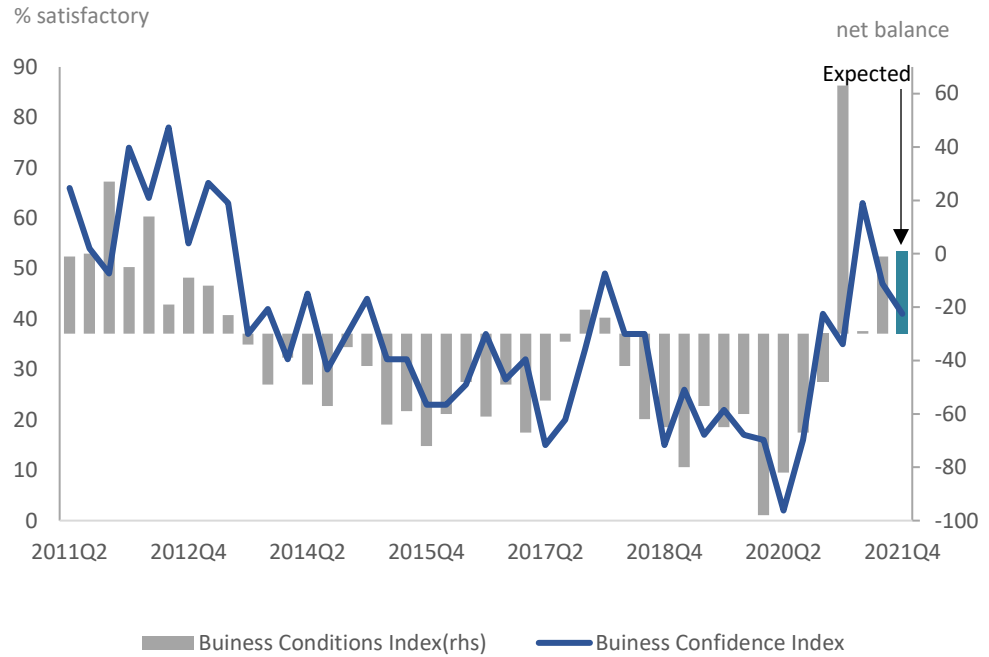
Going forward, the outlook for wholesalers remains disheartening, with fewer wholesalers of both consumer (net majority of 10%, down from 24% in Q4) and non-consumer goods (-16 from 19) expecting sales volumes to improve in 2022Q1.

Stocks-relative-to-demand indicator at the lowest since 1994Q3

## New dealer confidence constrained by insufficient stock

New dealer confidence contracted by 6 index points to reach 41 in the fourth quarter. Sentiment was dented by insufficient stock of vehicles and car parts to meet demand, or in some cases, the non-availability of stock.

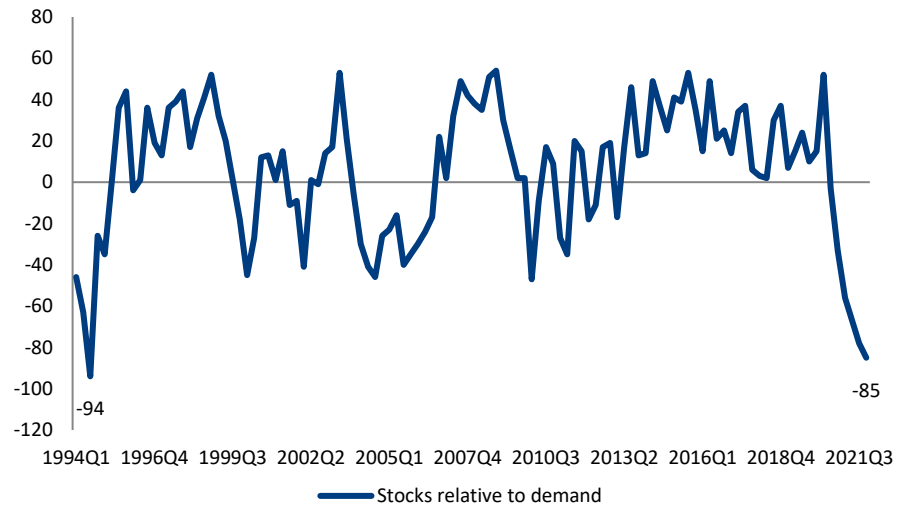
Figure 4: New dealer vehicle confidence sagged further in Q4



Source: BER

The impacts of the civil unrest and third COVID-19 wave led to a slump in new vehicles sales during the third quarter, but new vehicle sales volumes recovered some lost ground (from -48 to -10) in the fourth quarter. The improvement in sales volumes suggests that there is demand for vehicles, but unfortunately this is being curbed by supply constraints. Indeed, the ongoing global semiconductor shortage continues to hamper the production of new vehicles and, by implication, sales. A closer look at underlying factors reveals that the stocks-relative-to-demand indicator for new vehicles posted a weak -85 in the fourth quarter, the worst reading since 1994Q3 (see Figure 5).

Figure 5: Major stock shortages are adversely affecting new vehicle sales



Source: BER

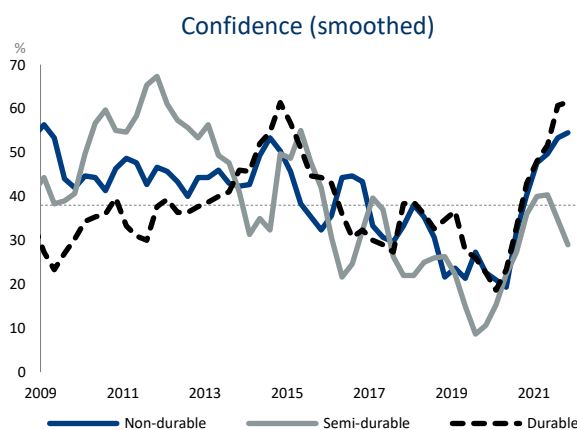
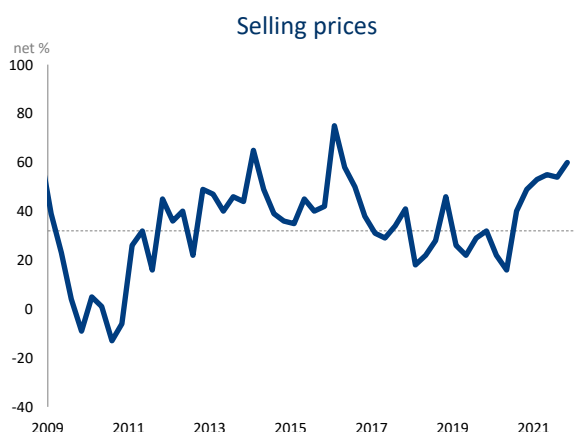
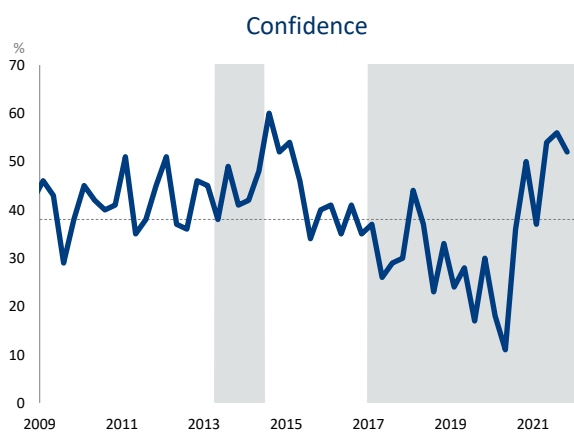
New vehicle dealers less optimistic about 2022Q1

Looking ahead, the outlook for the motor trade sector remains discouraging, with new vehicle dealers expecting business conditions and sales volumes to deteriorate notably in the first quarter of 2022. A net majority of only 4% (down from 35%) of new vehicle dealers expect sales volumes to improve in 2022Q1. Significant headwinds still lie ahead for the sector, such as a possible fourth wave of infections in late December or early January, which could see further restrictions being imposed on tourism and trade. Moreover, the persistent global supply chain bottlenecks causing stock shortages may continue to harm sales volumes in 2022Q1. A weaker exchange rate will also put further upward pressure on new vehicles prices, while the fact that the SARB has now commenced with its interest rate hiking cycle will weigh on the affordability of new vehicles.

# Survey results

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

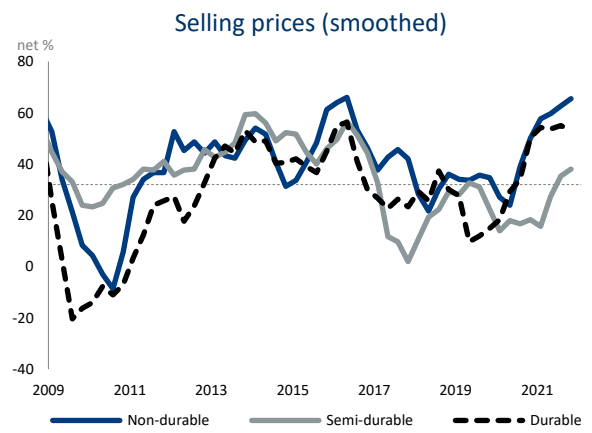
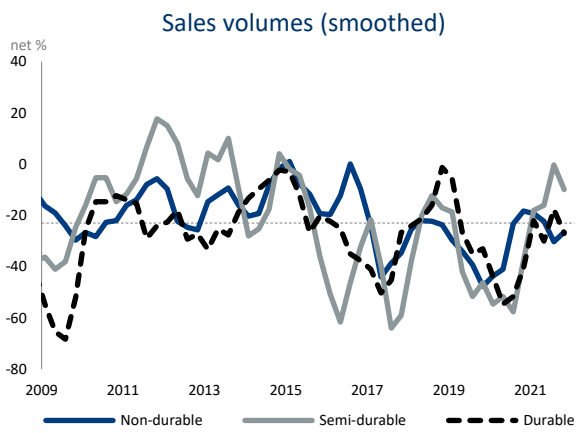
Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3	21Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	29	39	49	18	11	36	50	37	54	56	<b>52</b>	-4	9
Business conditions	Net %	-48	-31	-15	-62	-74	-47	-20	-35	-3	-13	<b>-8</b>	5	15
Sales volumes	Net %	-37	-22	-7	-48	-57	-42	-1	-16	-13	-14	<b>-10</b>	4	13
Seasonally adjusted	Net %	-36	-22	-8	-50	-49	-38	-11	-18	-5	-10	<b>-21</b>	-11	10
Smoothed	Net %	-34	-22	-9	-47	-49	-33	-20	-10	-14	-12	<b>-12</b>	0	6
Selling prices	Net %	15	34	52	22	16	40	49	53	55	54	<b>60</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

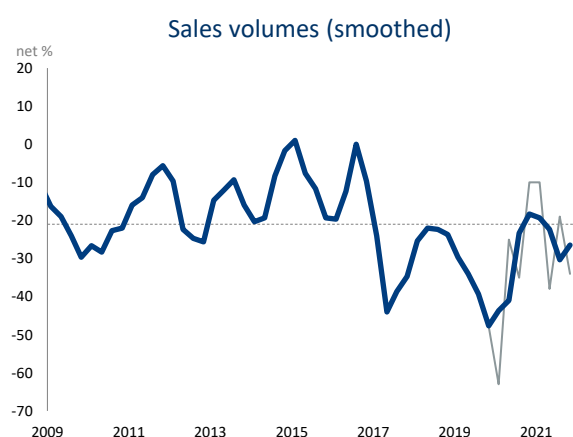
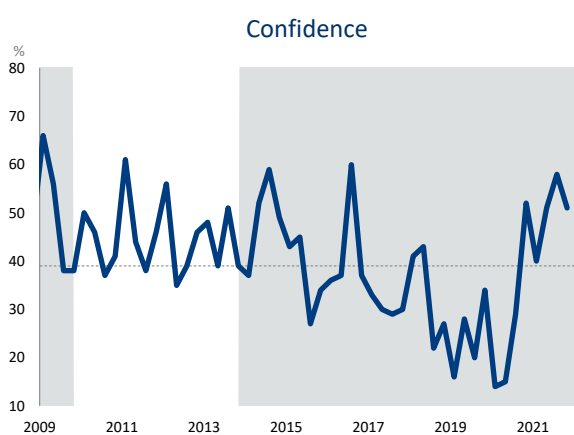
## Retail trade: total



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 All of the above calculated over the last 20 years  
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## Retail trade: non-durables<sup>2</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3	21Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	28	40	52	14	15	29	52	40	51	58	<b>51</b>	-7	12
Business conditions	Net %	-50	-33	-16	-73	-51	-38	-35	-28	-16	-13	<b>-20</b>	-7	19
Sales volumes	Net %	-36	-21	-6	-63	-25	-35	-10	-10	-38	-19	<b>-34</b>	-15	16
Seasonally adjusted	Net %	-36	-21	-7	-62	-18	-37	-15	-10	-31	-21	<b>-39</b>	-18	14
Smoothed	Net %	-33	-21	-10	-44	-41	-23	-18	-19	-22	-30	<b>-27</b>	3	7
Selling prices	Net %	18	39	59	18	20	34	63	53	57	69	<b>62</b>	-7	19

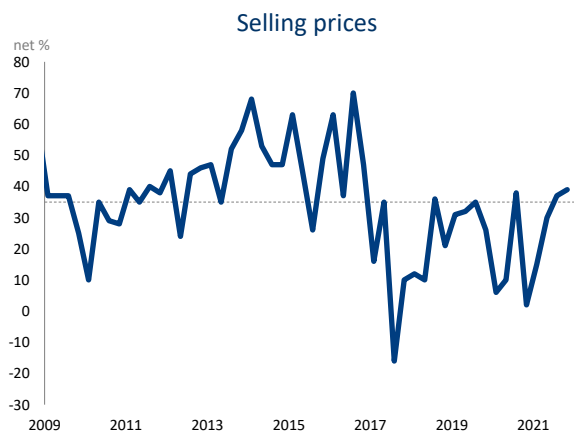
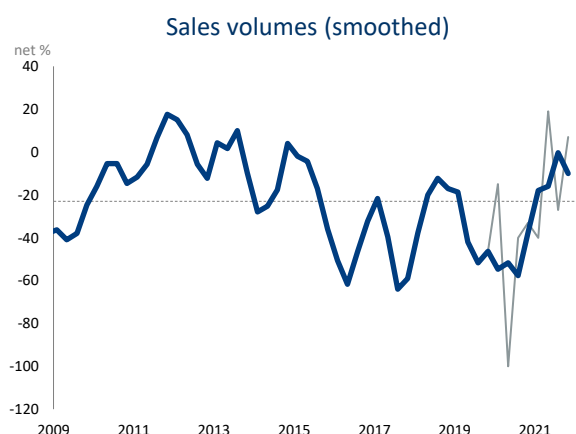
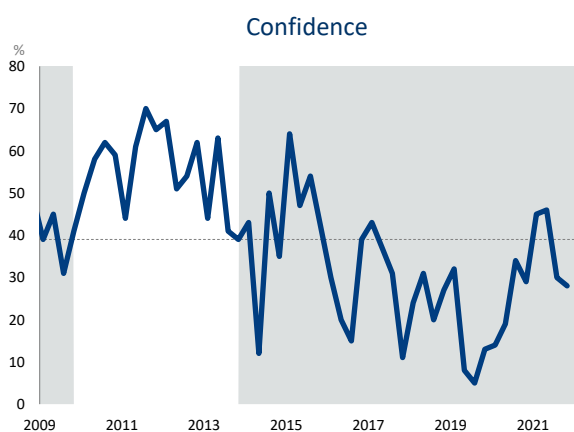


<sup>2</sup> Food, inedible groceries, tobacco (SIC code 621), beverages (622), pharmaceutical & medical goods, cosmetic & toiletry articles (6231), reading matter, stationery, office supplies (62391), other non-durable goods (62399)

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## Retail trade: semi-durables<sup>3</sup>

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3	21Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	22	39	56	14	19	34	29	45	46	30	<b>28</b>	-2	14
Business conditions	Net %	-66	-37	-9	-49	-100	-52	-38	-46	37	-36	<b>-17</b>	19	32
Sales volumes	Net %	-52	-22	7	-15	-100	-40	-33	-40	19	-27	<b>7</b>	34	34
Smoothed	Net %	-44	-22	-1	-55	-52	-58	-38	-18	-16	0	<b>-10</b>	-10	12
Selling prices	Net %	17	34	52	6	10	38	2	15	30	37	<b>39</b>	2	18



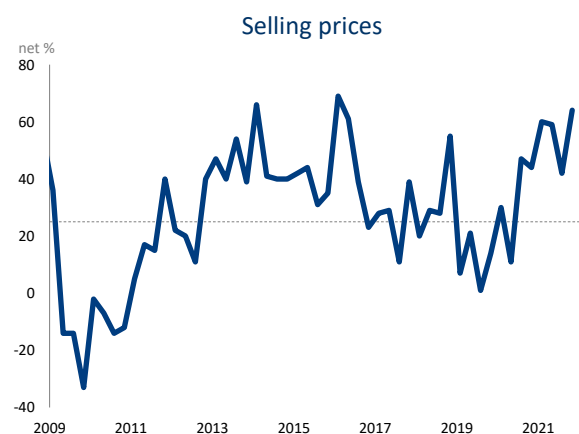
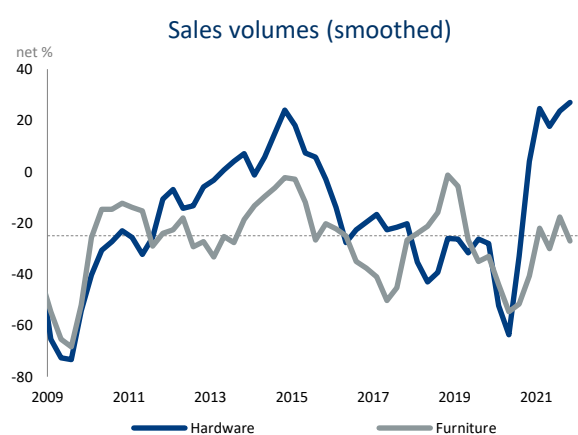
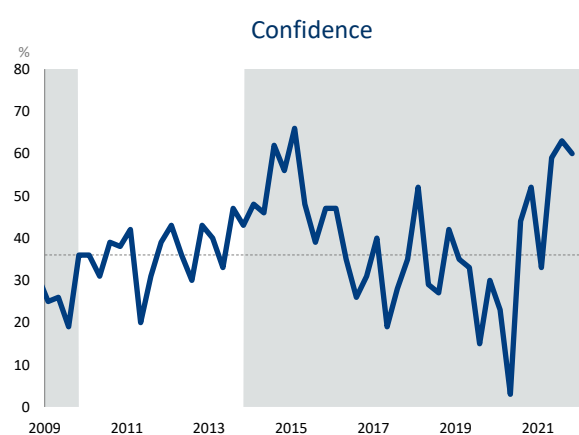
<sup>3</sup> Textiles, clothing, footwear & leather goods (SIC code 6232), sports goods & entertainment requisites (62393), other semi-durable goods (62399)

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 $\sigma$  – standard deviation  
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 See Technical note for further details



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

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3	21Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	25	38	51	23	3	44	52	33	59	63	<b>60</b>	-3	13
Business conditions	Net %	-52	-29	-7	-53	-95	-56	0	-40	5	-6	<b>10</b>	16	22
<b>Sales volumes</b>														
Total	Net %	-46	-22	1	-39	-91	-49	17	-17	9	-4	<b>13</b>	17	22
Hardware	Net %	-48	-18	13	-49	-97	-45	43	14	17	22	<b>32</b>	10	26
Furniture	Net %	-49	-27	-5	-26	-83	-55	-17	-50	1	-41	<b>-13</b>	28	26
Selling prices	Net %	5	28	51	30	11	47	44	60	59	42	<b>64</b>	22	19

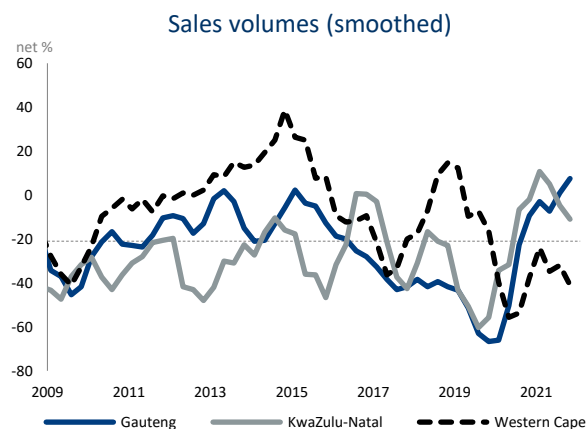
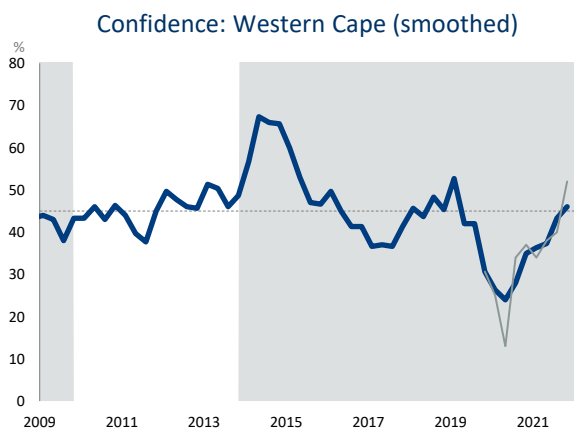
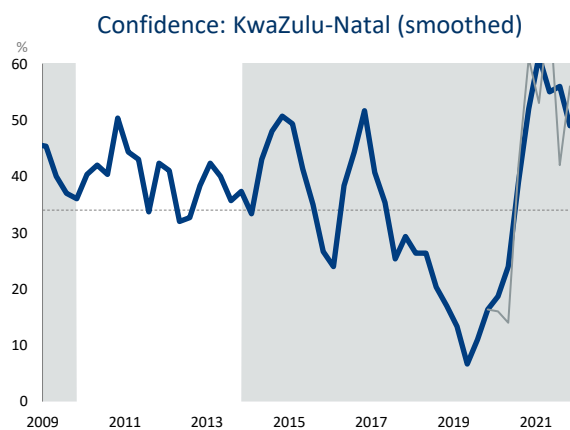
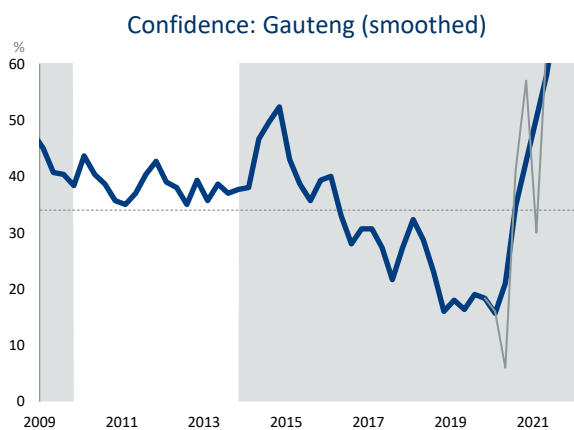


<sup>4</sup> "Retail trade durables" consists of "hardware" and "furniture". "Hardware" includes hardware, paint and glass (SIC code 6234). "Furniture" consists of household furniture, appliances, articles and equipment (6233), jewellery and related items (62392) and other durable goods (62399)

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## Retail trade: provinces

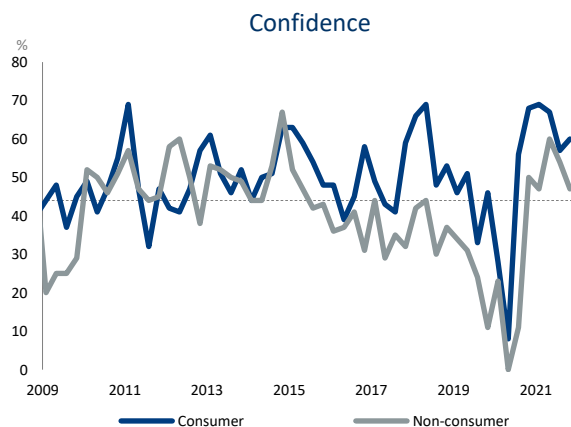
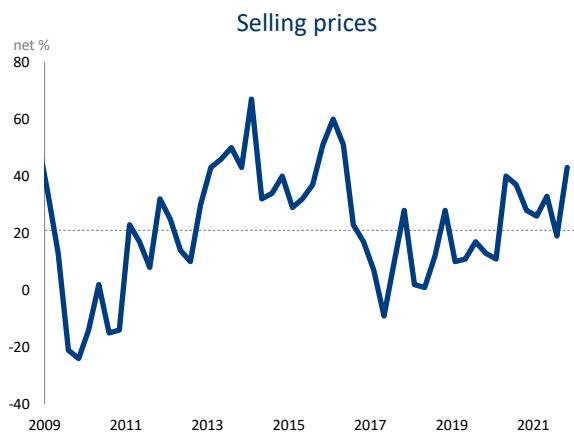
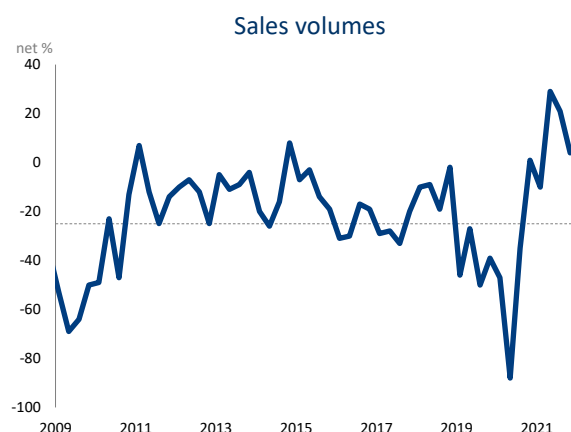
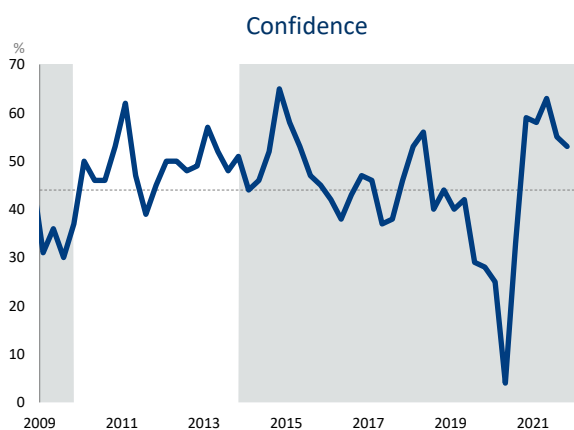
Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3	21Q4	$\Delta$	$\sigma_{\Delta}$
<b>Gauteng</b>														
Confidence	%	22	36	51	16	6	41	57	30	64	80	<b>64</b>	-16	14
Smoothed	%	25	36	48	16	21	35	43	50	58	69	<b>72</b>	3	5
Sales volumes	Net %	-46	-24	-2	-74	-46	-31	9	-6	-12	-4	<b>19</b>	23	18
Smoothed	Net %	-42	-24	-6	-66	-50	-23	-9	-3	-7	1	<b>8</b>	7	8
<b>KwaZulu-Natal</b>														
Confidence	%	20	37	53	16	14	42	61	53	70	42	<b>56</b>	14	19
Smoothed	%	24	37	49	19	24	39	52	61	55	56	<b>49</b>	-7	7
Sales volumes	Net %	-50	-28	-5	-62	-3	-30	13	11	8	-4	<b>-18</b>	-14	27
Smoothed	Net %	-44	-27	-11	-34	-32	-7	-2	11	5	-5	<b>-11</b>	-6	11
<b>Western Cape</b>														
Confidence	%	33	45	57	25	13	34	37	34	38	40	<b>52</b>	12	14
Smoothed	%	36	45	53	26	24	28	35	36	37	43	<b>46</b>	3	5
Sales volumes	Net %	-36	-9	17	-19	-93	-55	-13	-45	-14	-45	<b>-37</b>	8	26
Smoothed	Net %	-31	-9	13	-40	-56	-54	-38	-24	-35	-32	<b>-41</b>	-9	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>

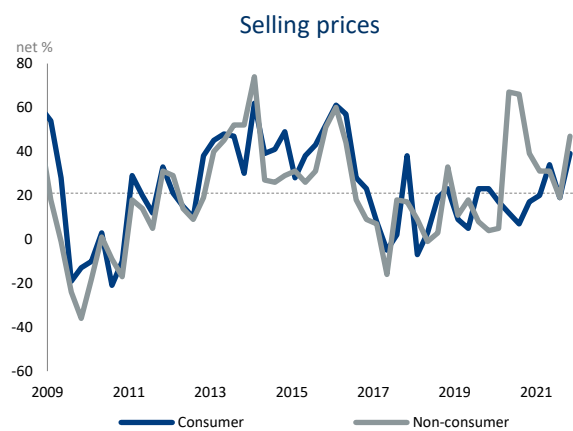
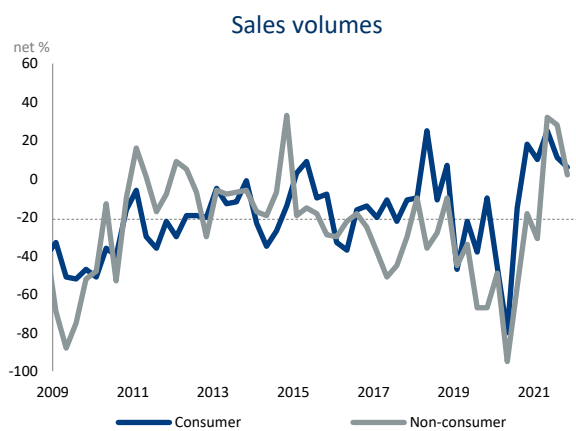
Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3	21Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	34	45	56	25	4	33	59	58	63	55	<b>53</b>	-2	9
Business conditions	Net %	-53	-30	-8	-52	-96	-44	-5	-29	39	0	<b>-4</b>	-4	21
Sales volumes	Net %	-44	-22	0	-47	-88	-35	1	-10	29	21	<b>4</b>	-17	19
Selling prices	Net %	1	22	43	11	40	37	28	26	33	19	<b>43</b>	24	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

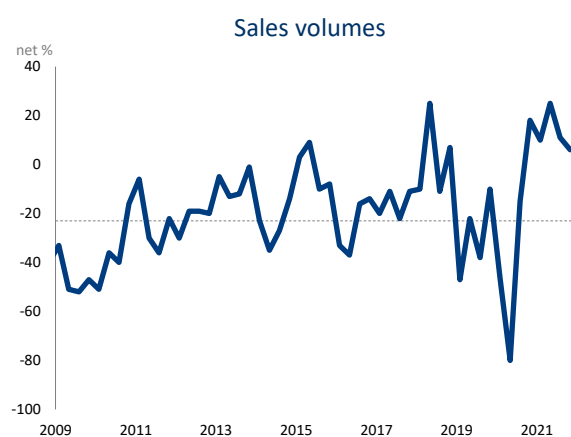
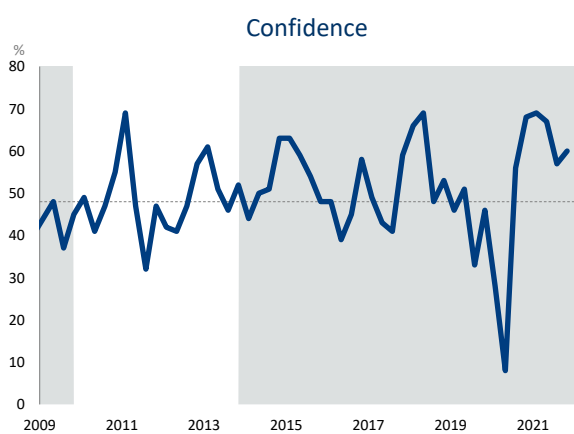
## Wholesale trade: total



$\mu$  – 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	$\mu-\sigma$	$\mu$	$\mu+\sigma$	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3	21Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	39	50	61	28	8	56	68	69	67	57	<b>60</b>	3	12
Business conditions	Net %	-52	-30	-7	-57	-99	-31	19	-19	39	3	<b>-1</b>	-4	24
Sales volumes	Net %	-40	-19	2	-46	-80	-15	18	10	25	11	<b>6</b>	-5	20
Selling prices	Net %	2	23	44	17	12	7	17	20	34	19	<b>39</b>	20	18

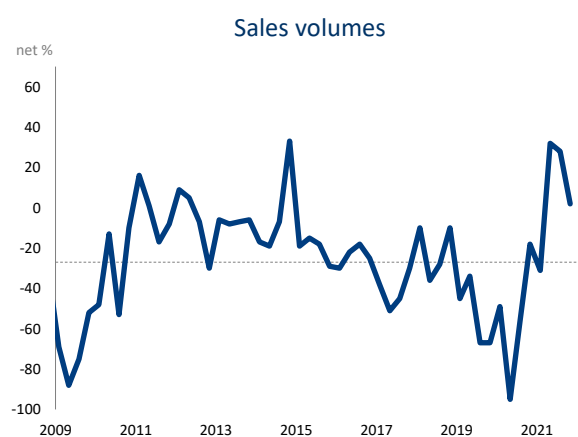
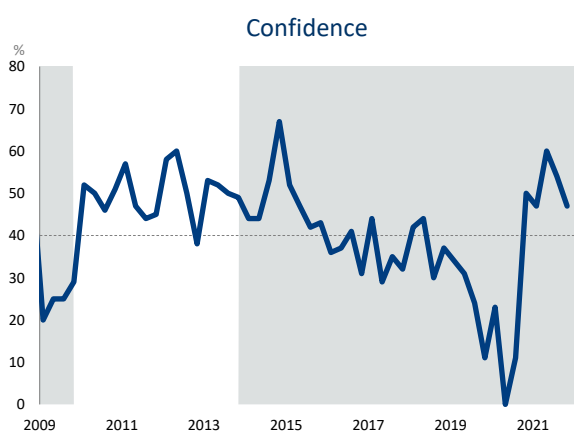


<sup>6</sup> Agricultural raw materials and livestock (SIC 6121), food, beverages and tobacco (6122), textiles, clothing and footwear (6131) and other household goods (6139).

$\mu$  – 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	$\mu-\sigma$	$\mu$	$\mu+\sigma$	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3	21Q4	$\Delta$	$\sigma_{\Delta}$
Confidence	%	27	41	54	23	0	11	50	47	60	54	<b>47</b>	-7	11
Business conditions	Net %	-57	-31	-5	-45	-93	-57	-32	-39	39	-2	<b>-7</b>	-5	23
Sales volumes	Net %	-53	-25	3	-49	-95	-56	-18	-31	32	28	<b>2</b>	-26	24
Selling prices	Net %	-3	21	45	5	67	66	39	31	31	19	<b>47</b>	28	19

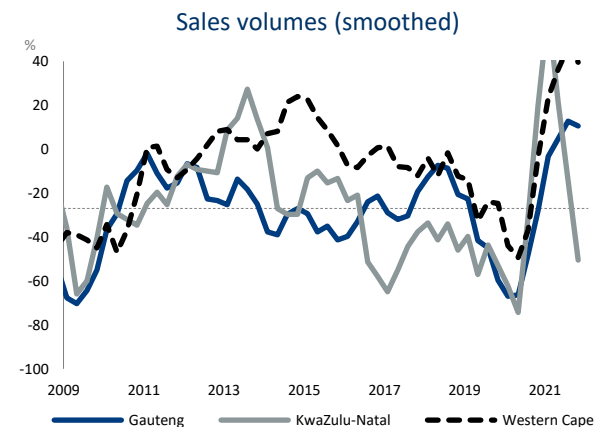
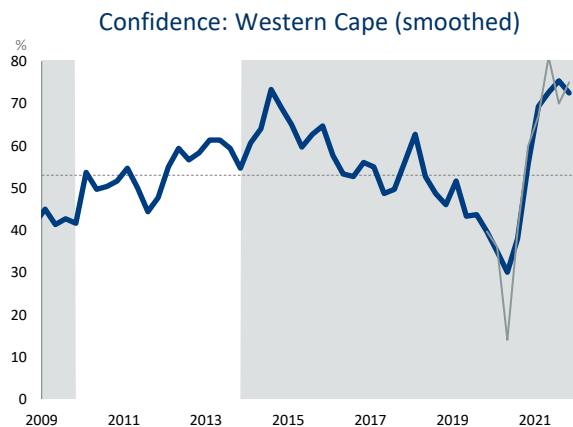
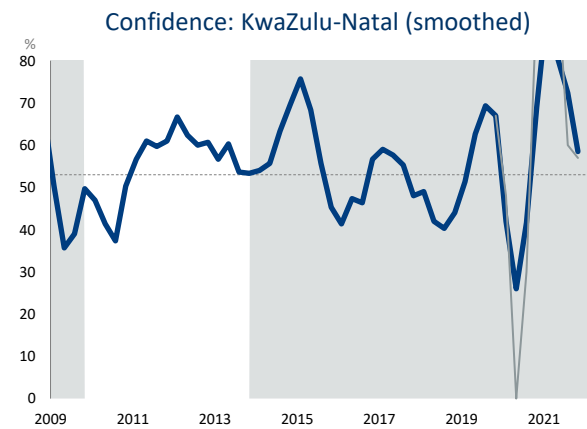
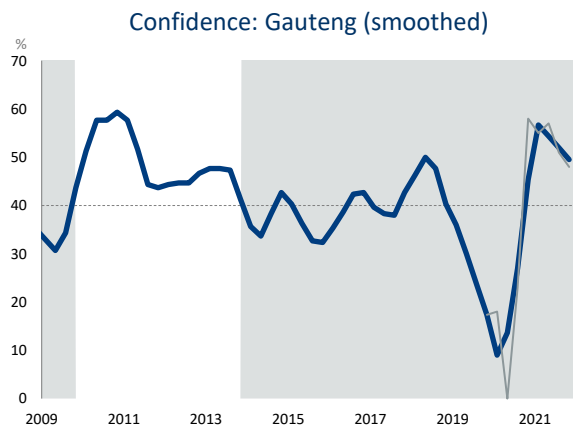


<sup>7</sup> Metals and metal ores (SIC code 6142), construction materials, hardware, plumbing and supplies (6143), other intermediate products, waste and scrap (6149) and machinery and equipment (615).

$\mu$  – average  
 $\sigma$  – standard deviation  
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 $\sigma_{\Delta}$  – 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

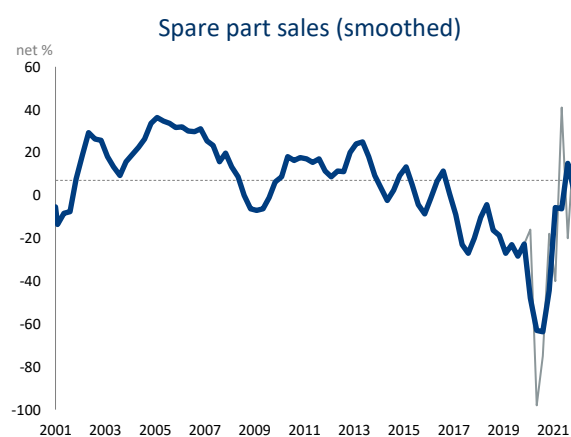
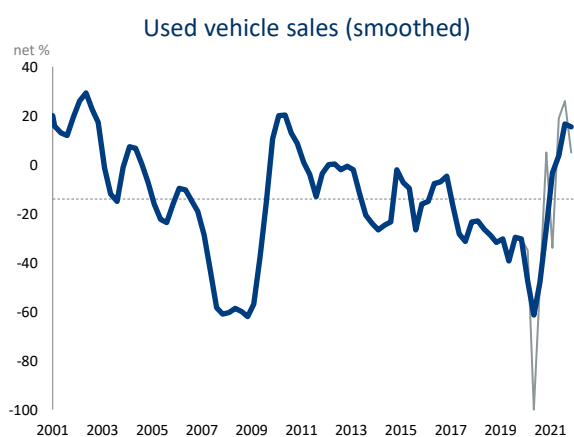
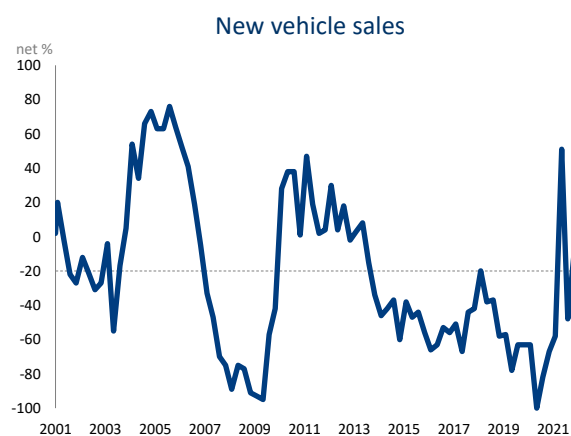
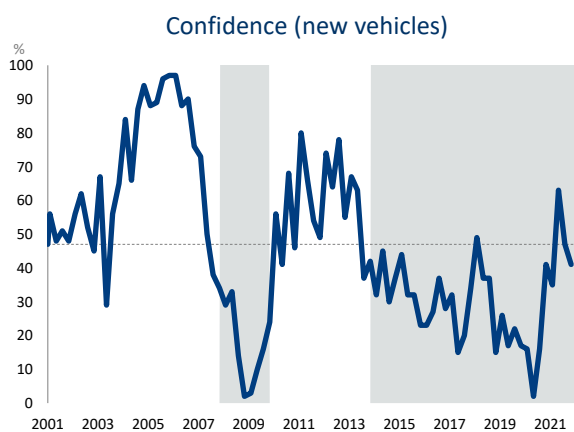
Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3	21Q4	$\Delta$	$\sigma_{\Delta}$
<b>Gauteng</b>														
Confidence	%	28	41	54	18	0	23	58	55	57	51	<b>48</b>	-3	10
Smoothed	%	30	41	52	9	14	27	45	57	54	52	<b>50</b>	-2	5
Sales volumes	Net %	-52	-28	-4	-57	-85	-57	-2	-25	17	22	<b>-1</b>	-23	22
Smoothed	Net %	-48	-28	-8	-67	-66	-48	-28	-3	5	13	<b>11</b>	-2	10
<b>KwaZulu-Natal</b>														
Confidence	%	37	55	73	48	0	30	95	82	100	60	<b>57</b>	-3	22
Smoothed	%	43	55	68	42	26	42	69	92	81	72	<b>59</b>	-13	10
Sales volumes	Net %	-62	-26	10	-64	-88	-71	66	64	58	-58	<b>-43</b>	15	39
Smoothed	Net %	-53	-26	1	-62	-74	-31	20	63	21	-14	<b>-51</b>	-37	19
<b>Western Cape</b>														
Confidence	%	41	54	68	36	14	40	60	67	81	70	<b>75</b>	5	15
Smoothed	%	44	54	64	35	30	38	56	69	73	75	<b>73</b>	-2	6
Sales volumes	Net %	-34	-7	21	-33	-94	-21	4	6	60	43	<b>36</b>	-7	27
Smoothed	Net %	-30	-7	16	-44	-49	-37	-4	23	36	46	<b>40</b>	-6	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

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

Indicator	Unit	$\mu-\sigma$	$\mu$	$\mu+\sigma$	20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3	21Q4	$\Delta$	$\sigma_{\Delta}$
<b>New vehicles</b>														
Confidence	%	21	47	72	16	2	16	41	35	63	47	<b>41</b>	-6	15
Sales volumes	Net %	-70	-23	24	-63	-100	-82	-67	-58	51	-48	<b>-10</b>	38	27
<b>Used vehicles</b>														
Sales volumes	Net %	-42	-16	11	-35	-100	-49	5	-34	19	26	<b>5</b>	-21	23
Smoothed	Net %	-38	-16	7	-48	-61	-48	-26	-3	4	17	<b>16</b>	-1	10
<b>Spare parts</b>														
Sales volumes	Net %	-19	6	31	-16	-98	-75	-18	-40	41	-20	<b>24</b>	44	22
Smoothed	Net %	-16	6	27	-48	-63	-64	-44	-6	-6	15	<b>2</b>	-13	9



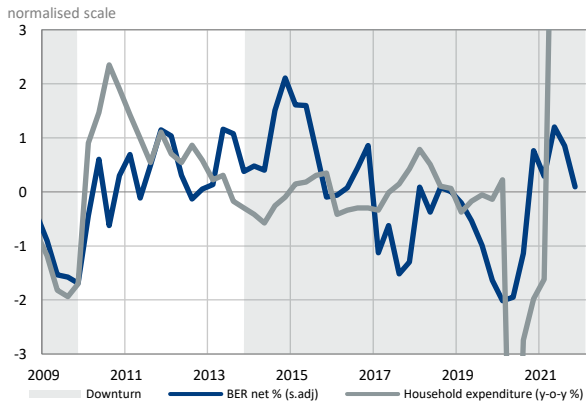
<sup>8</sup> The "motor trade" consists of the retail sales of new and used vehicles (SIC code 6312), as well as new spare parts and accessories (6331). The BER does not cover the wholesale sale of motor vehicles (6311), the maintenance and repair of motor vehicles (632), the sale of used parts and accessories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

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

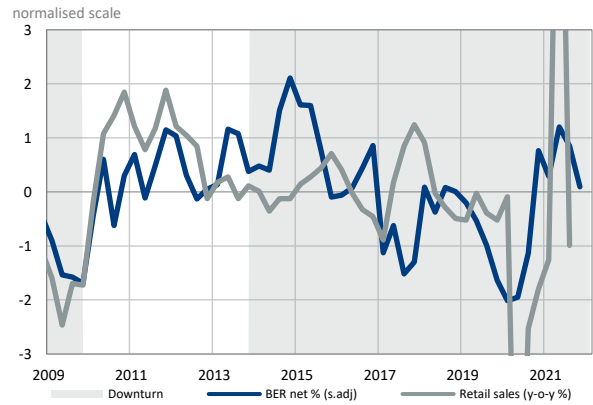


# Summary

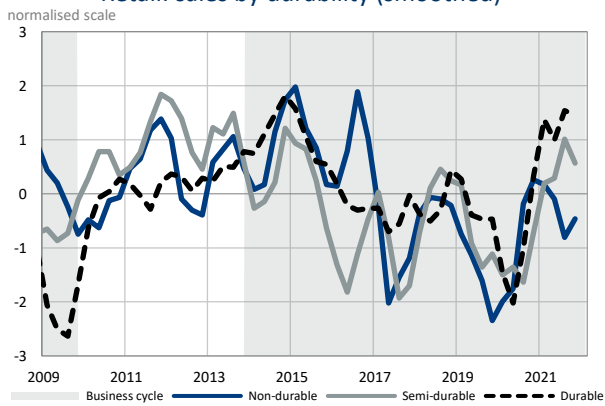
BER retail sales & FHCE\*



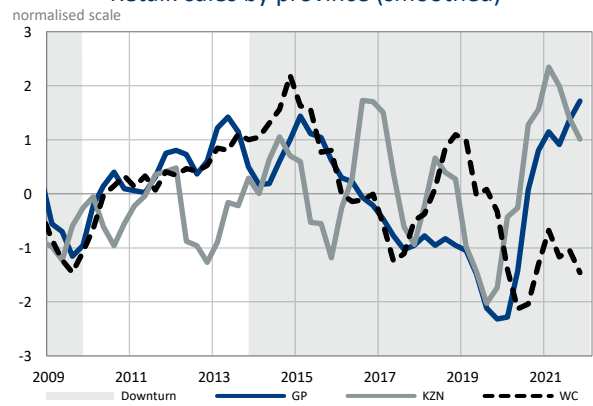
Retail sales



Retail: sales by durability (smoothed)



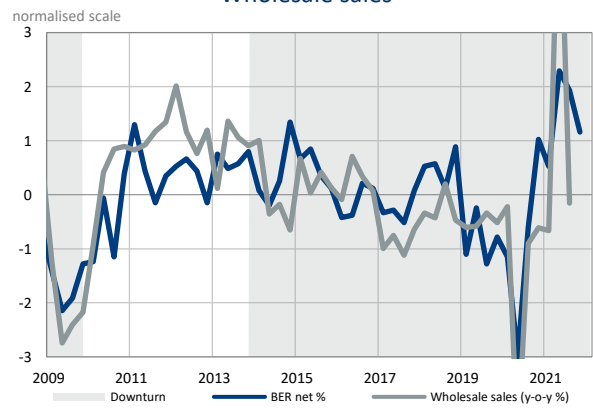
Retail: sales by province (smoothed)



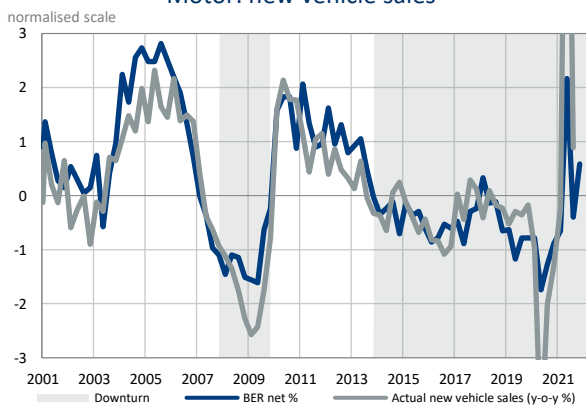
Retail: selling prices & core CPI



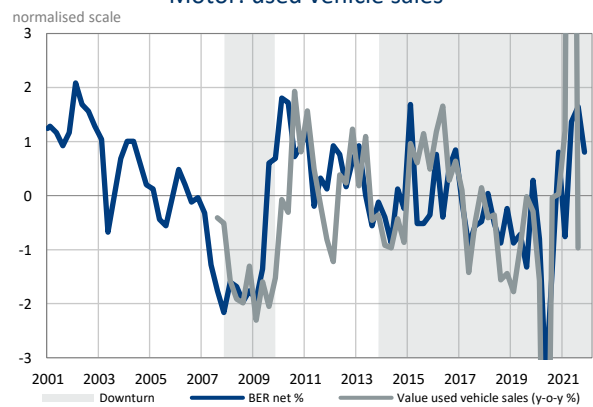
Wholesale sales



Motor: new vehicle sales



Motor: used vehicle sales



\* Incl. spending on cars, petrol and services.

# Technical note

## The retail, wholesale and motor trade survey method

Short-term planning is hampered as official (quantitative or numeric) data is released with a time lag. Business tendency survey (BTS) results reveal what happened between the release of the last official figures and the current state of affairs. The survey results not only reveal earlier developments in activity, employment etc. (for which official figures are published), but also provide unique information, such as business confidence and respondents' expectations (or forecast) for the next quarter for which no official figures exist. It is now widely recognised that such subjective individual expectations play a key role in economic developments. Furthermore, the survey results of successive quarters provide a means of tracking cyclical movements, pinpointing trend changes and establishing forecasts.

The survey results are obtained from questionnaires completed by senior executives in the trade, manufacturing and building sector during the middle month of every calendar quarter.

The business survey questionnaire contains a small number of questions. These questions are qualitative in nature, e.g. "Compared to the same quarter a year ago, is the volume of sales up, the same or down?". No figures are requested.

The sample of executives remains the same from one survey to the next. A panel is in effect established. The sample provides for the main sectors. The list of participants is reviewed every few years to replace those firms that went out of business or stopped responding during the previous two years with new ones.

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

The BER conducted its first survey of the manufacturing and trade (i.e. retail, wholesale and motor trade) sectors in 1954. The sector coverage was expanded to the building sector (i.e. main contractors and sub-contractors) in 1969. Architects, quantity surveyors and civil engineering contractors were added later to the building survey.

Consult the BER web page ([www.ber.ac.za](http://www.ber.ac.za)) for more information about the business tendency survey method.

## The unique units of measurement of qualitative surveys

### Net percentage (net %)

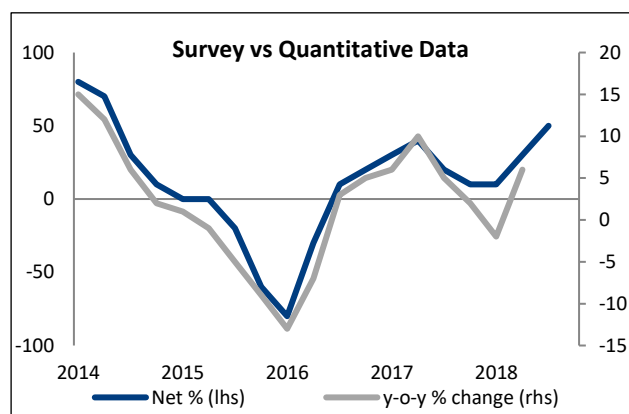
The responses related to the change in activity, prices, employment, business conditions, expected economic performance etc. are presented as a "net percentage" (also called a "net balance" or a "net majority"). If, for example, the percentages of respondents rating the volume of sales as "higher", the "same" or "lower" compared to a year ago are 70%, 10% and 20% respectively, then one can conclude that the majority of participants experienced higher sales. The net percentage is calculated as the percentage of respondents rating "sales" as higher less the percentage rating it as "lower". The percentage rating it as the "same" is ignored. The net percentage in this example is therefore 50%, being the difference between the 70% "higher" and the 20% "lower". A net percentage of -10%, for instance, would indicate a decline in sales compared to a year ago. Take note that this does not mean a year-on-year contraction of 10%. It only means that the activity of a majority of 10% of the respondents was lower compared to a year ago.

The net percentage, or net balance statistic, can theoretically vary between a minimum of -100 (when all participants replied "lower") and a maximum of +100 (when all respondents replied "higher"). Theoretically a value of zero, therefore, indicates no change, between 0 and 100 reflects a rise (or improvement) and between 0 and -100 a decline (or deterioration) compared to the same quarter a year ago. The net balance statistic is a diffusion index, i.e. it indicates the degree to which the indicated change is "diffused" (spread) throughout the sample population. It indicates both the direction and size of the change.

Given that it reflects respondents' estimation of the change in the phenomenon/variable in the current quarter relative to the same quarter a year ago, the net percentage corresponds to a year-on-year percentage change/growth rate in the corresponding/equivalent official data series (see the figure on the right).

### Percentage (%)

The responses relating to business confidence are presented as percentages.



In the case of business confidence, respondents have to rate prevailing business conditions as either "satisfactory" or "unsatisfactory". The percentage of respondents rating prevailing business conditions as satisfactory is taken as an indicator (proxy) for business confidence. A reading of 10 for business confidence, for instance, means that only 10% of the respondents indicated that they were satisfied. In this example, 90% were, therefore, unsatisfied.

Theoretically, the confidence series can vary between a minimum of zero and a maximum of 100. A value of zero would reflect an extreme lack of confidence and 100 extreme confidence. These results reflect respondents' evaluation of the phenomenon/the survey variable in respect to that specific survey quarter, i.e. not relative to some period in the past or future.

## Descriptive statistics in the tables

### Smoothed

Some series show erratic/volatile movements, i.e. data jumps around quite a bit between consecutive quarters. In such cases, it is necessary to smooth these movements over a longer period to obtain a general trend. Another case where we added moving averages is when the correlation between the survey results and the corresponding reference series is low or non-existent.

Three-quarter centred moving averages (3qcm) were selected in order to not disturb turning points too much, e.g. the moving average of 17Q4 is calculated as the average of 17Q3, 17Q4 and 18Q1, that of 18Q1 is calculated as the average of 17Q4, 18Q1 and 18Q2 etc. In order for the smoothed series to run up to the last unsmoothed data point, the last smoothed data point is only the average of two quarters, namely the previous and current quarter.

When a smoothed series is added, it is prudent not to attach too much value to the unsmoothed results of a particular quarter, but rather to evaluate it in its historical context.

### Seasonal adjustment (SA)

In theory, the time series ought to display no seasonal patterns because respondents are instructed to compare the current quarter with the same one of a year ago (e.g. they have to compare the current Festive Season or wet/dry winter period with the same time a year ago). However, in practice, some series nevertheless reveal seasonal patterns, probably because some respondents incorrectly compare the survey quarter with the one directly preceding it. In such cases, a seasonally adjusted series (i.e. where such seasonal variation is eliminated with X12 ARIMA) is added.

### Average ( $\mu$ )

The neutral level of the time series for the two measurement types, net percentage and percentage, is 50 or zero respectively. The long-term average (mean) is often not equivalent to this neutral level. In such cases, it is more useful to evaluate the current results relative to such a long-term average than the neutral level.

### One standard deviation below ( $\mu-\sigma$ ) and above ( $\mu+\sigma$ ) the average

The standard deviation indicates the common variation in or dispersion of the values. Data points falling between one standard deviation below and above the average could be regarded as common. Any data point falling outside these ranges, therefore, displays statistically significant variation.

### Change (Delta: $\Delta$ )

This statistic indicates the change in the results of the latest quarter relative to the preceding quarter.

### Volatility (standard deviation of the deltas: $\Delta\sigma$ )

This statistic indicates the volatility of the quarter-on-quarter change. If the size (regardless if it is an increase or decline) of the change is greater than the standard deviation of the deltas, then it displays a statistically significant variation.

## Conventions and aids provided in the charts

### Shaded areas

Indicates cyclical downturns as demarcated by the South African Reserve Bank. Users need to take note that the business cycle could have already reversed course towards the end of the period covered in the chart, but usually we wait until the bank determines a turning point before changing the shaded areas.

### Solid vs. dotted horizontal (X) axes:

A solid line indicates the theoretical mid-points of 50 or zero respectively, while a dotted line indicates the long-term average (mean). Also see the section on the "average" above.

### Normalised scale

Time series data is normalised (standardised) when one wishes to observe the co-movement among indicators with different units of measurement, say for instance, between a diffusion index (confidence) and the growth rate in a volume index (GDP growth). Normalisation converts both series to the same scale (unit) by subtracting the long-term average from each series and dividing it by its standard deviation. This ensures that one compares "apples" with "apples" when making a visual inspection and not mistakenly identify co-movements or deviations that different scales could produce.