

Business Survey Results 2017Q3

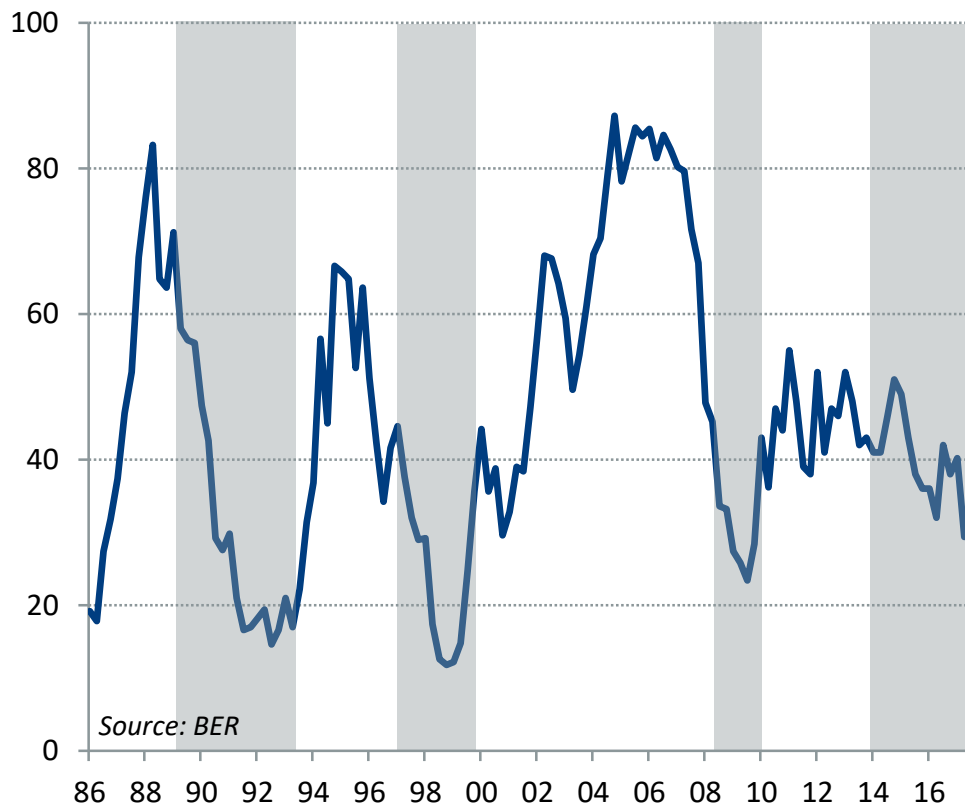
Main results and implications at a glance

September 2017

Please note that the information provided is under embargo until the respective survey publications are released on the BER website

RMB/BER Business Confidence Index (BCI)

% rating satisfactory



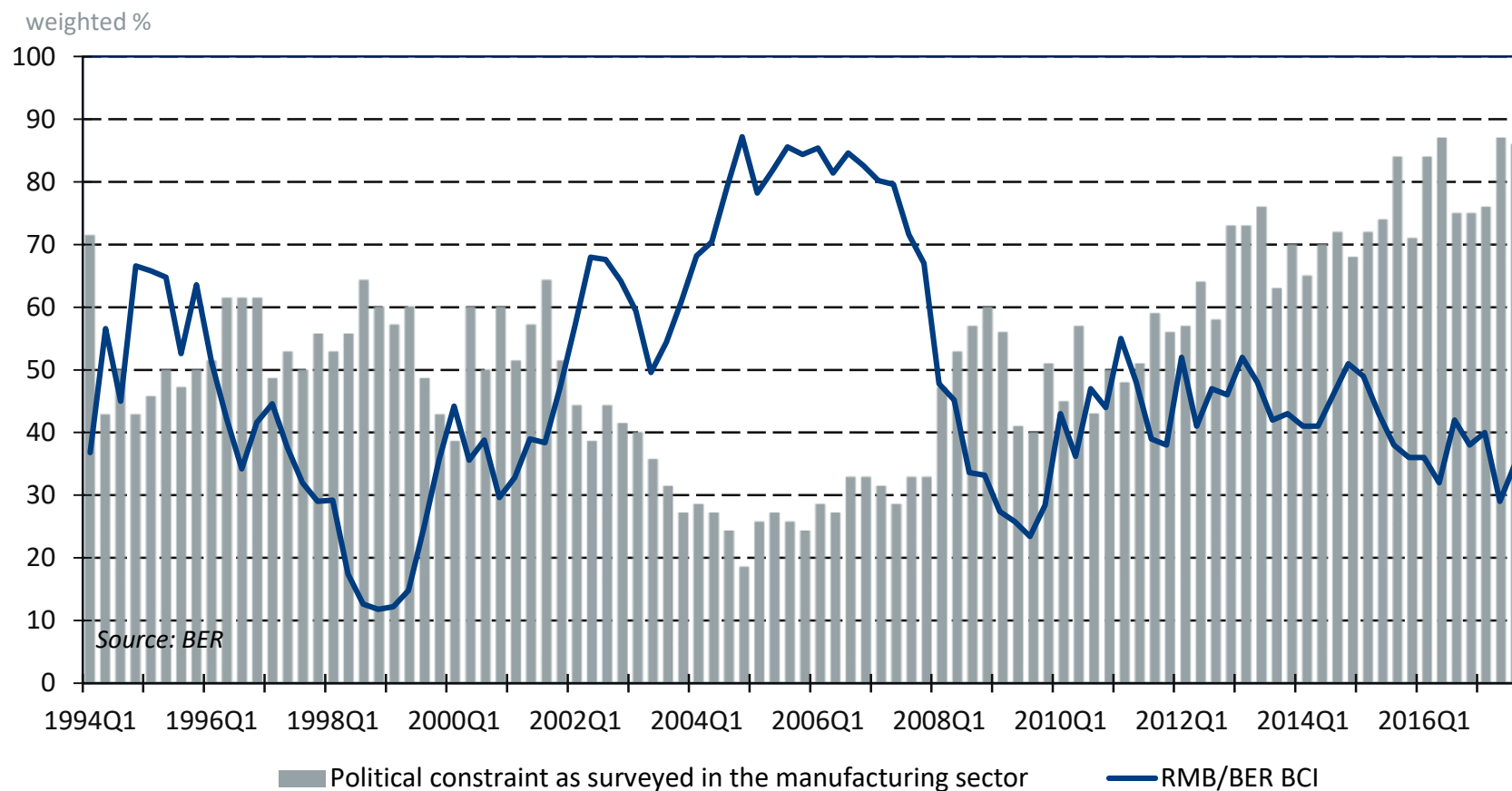
More detailed sectoral analyses are provided in the individual BER survey publications

RMB/BER BCI recovered partially, rising by 6 points, to 35 in 17Q3

- This was on the back of a broad-based sharp (11 points) decline to 29 in 17Q2
- Confidence remains lower than in Q1 when the index improved to 40 (in line with sentiment improving globally)
- Sectoral components of the BCI all remained below 50
- Biggest increases were in Manufacturing, New Vehicles and Building (latter not supported by underlying indicators)
 - Building contractors: 44 (36)
 - Manufacturing: 27 (16)
 - Wholesale: 48 (49)
 - Retail: 38 (35)
 - New Vehicles: 19 (11)

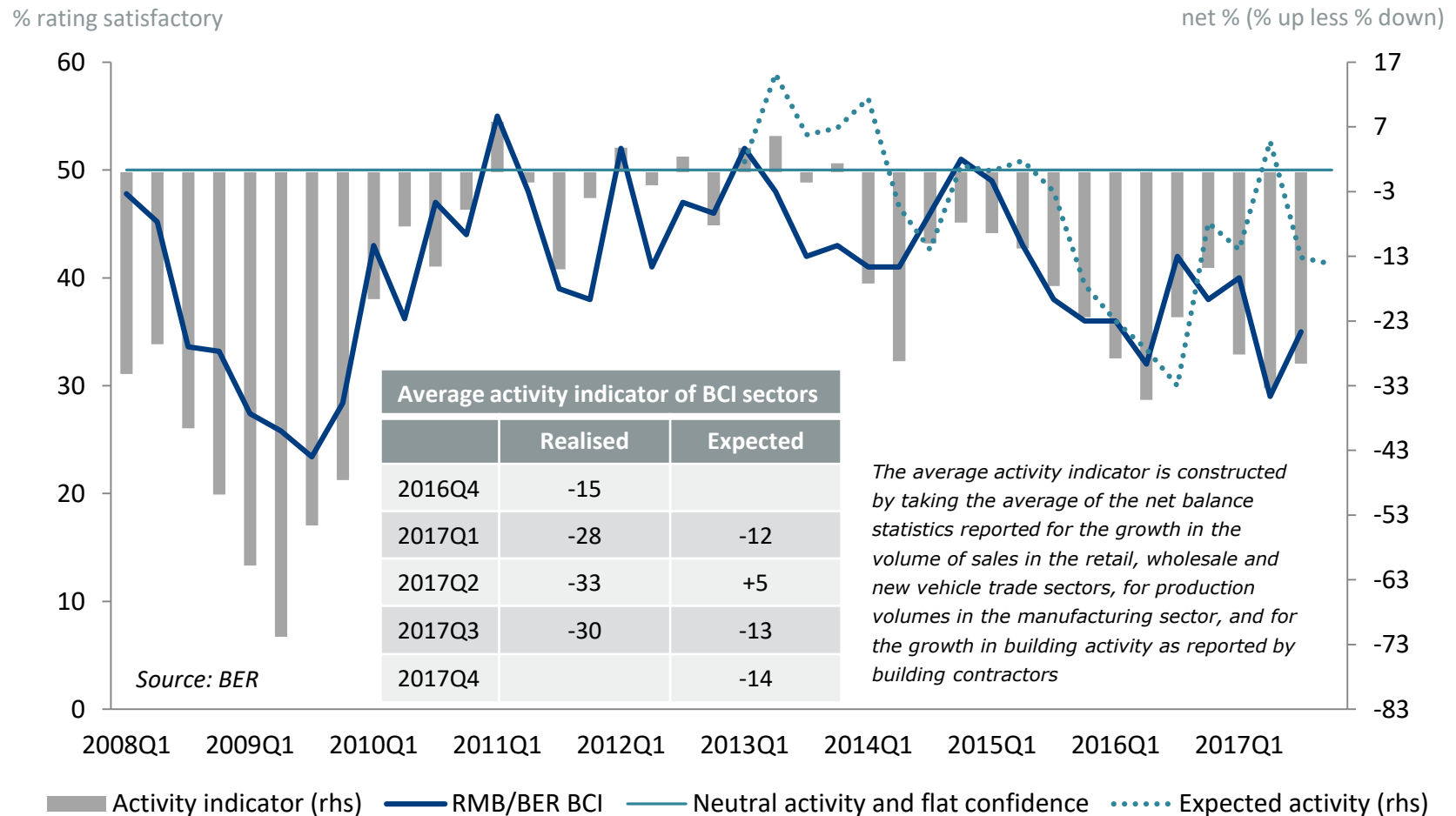
Confidence recovered partially after the steep drop in Q2, but remains low. Business conditions were tough in Q3 and the underlying results signal very weak effective demand.

Percentage rating the general political climate as a serious constraint on business activity remains close to its record level



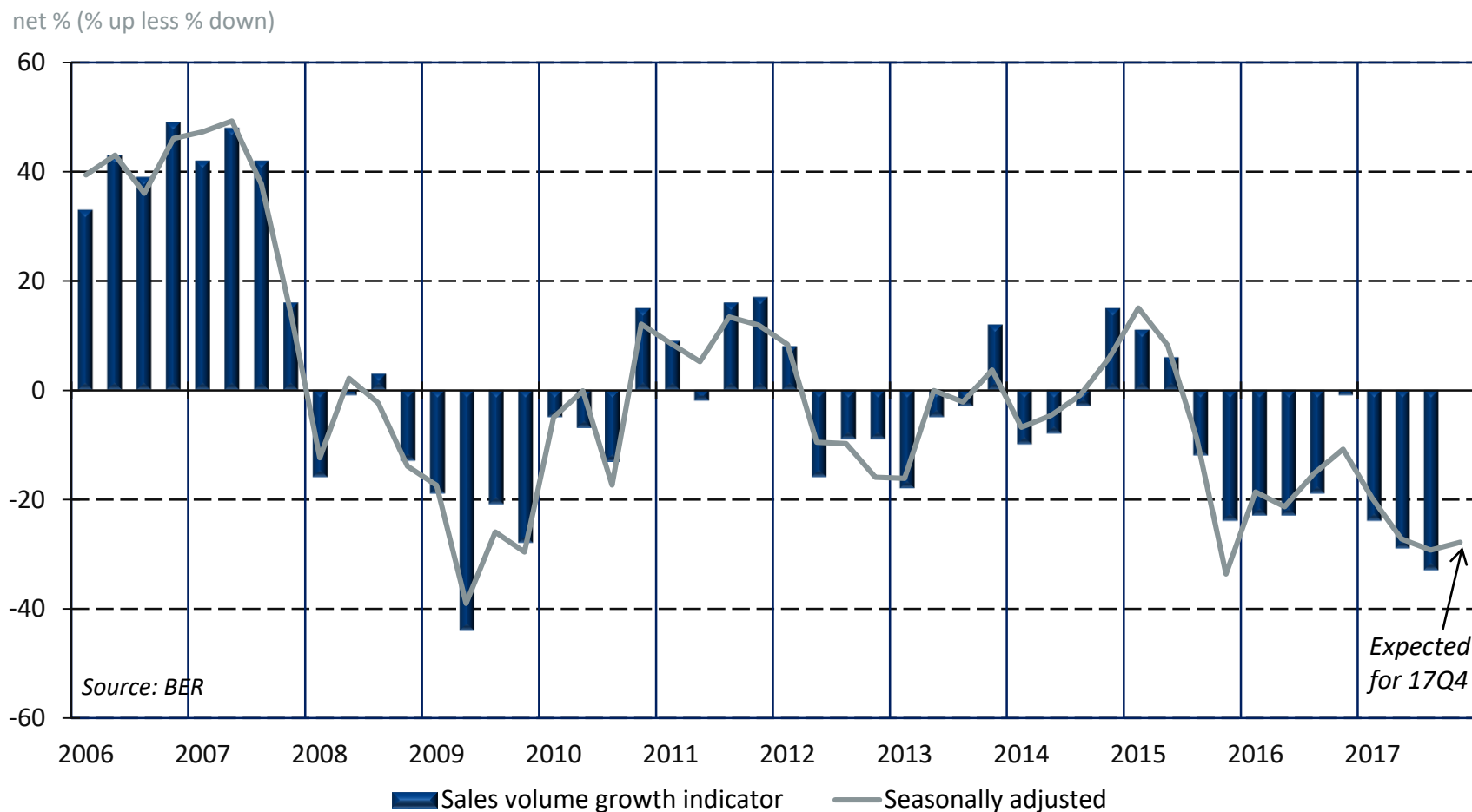
The indicator (from the manufacturing survey) regarding the political climate as serious constraint on business activity did not increase further in Q3. This indicator is negatively correlated with the BCI and the fact that it remained stable also supports the partial recovery in business confidence.

RMB/BER BCI versus average activity indicator



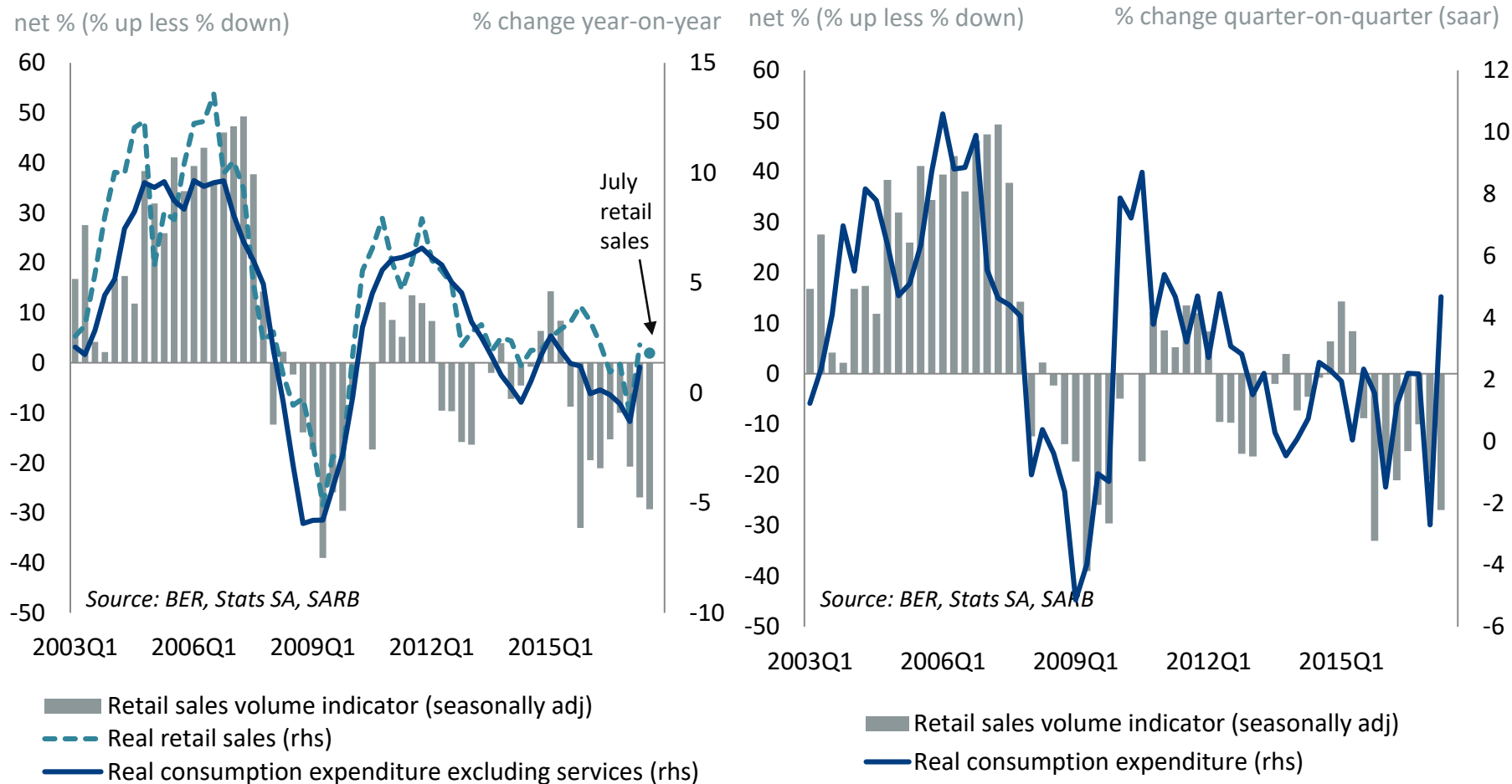
The average activity indicator did not improve much in Q3 and has been low since Q1. The gap between expected and realised activity has shrunk, due to downbeat expectations for Q3 being lower. Confidence tends to be less negatively affected when producers expect lower activity. Expectations for activity in Q4 are relatively muted.

Retail trade: growth in the volume of sales



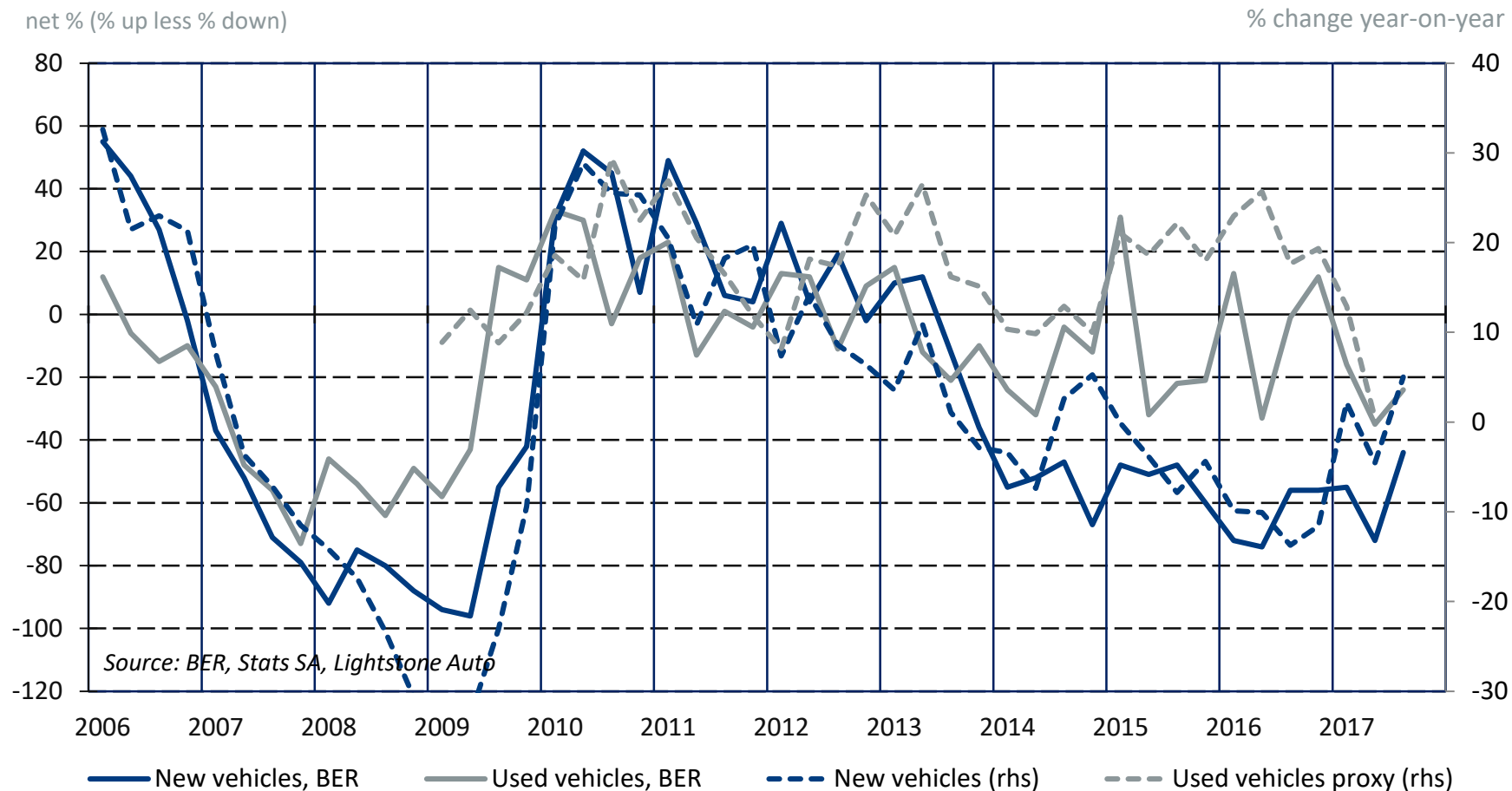
The retail trade sales volume growth indicator deteriorated during Q3 and is currently at its lowest level since 2009 (unadjusted). The deterioration was reported across the board for non-durable, semi-durable and durable goods, but was most pronounced in the semi-durable goods subsector. For total retail trade, the rating of general business conditions is at its lowest level in 17 years.

Retail sales indicator versus actual retail trade sales and real household consumption expenditure



One of the key questions after the Q2 GDP statistics is how weak the consumer outlook is during Q3. The retail survey results highlight that sales volume growth in both the non-durable and semi-durable goods sectors might be vulnerable in Q3.

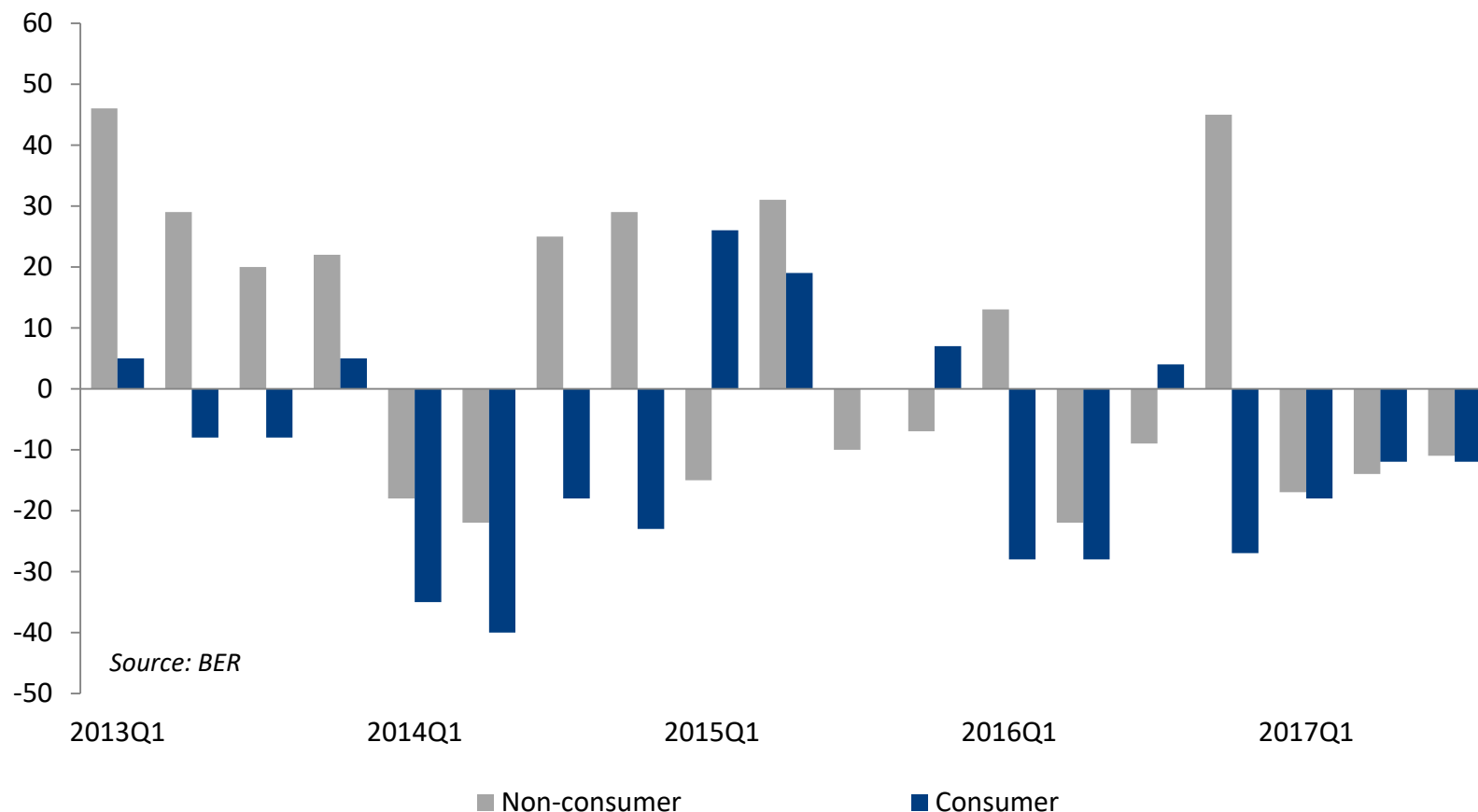
Motor trade: growth in units sold versus industry data



An improvement in new vehicle sales volume growth was reported. This is in line with official data, albeit that sales volumes remain at low levels. Used vehicles may no longer be outperforming. The survey indicator for used vehicle sales volume growth did, however, tick up slightly in Q3.

Wholesale trade: growth in the volume of sales

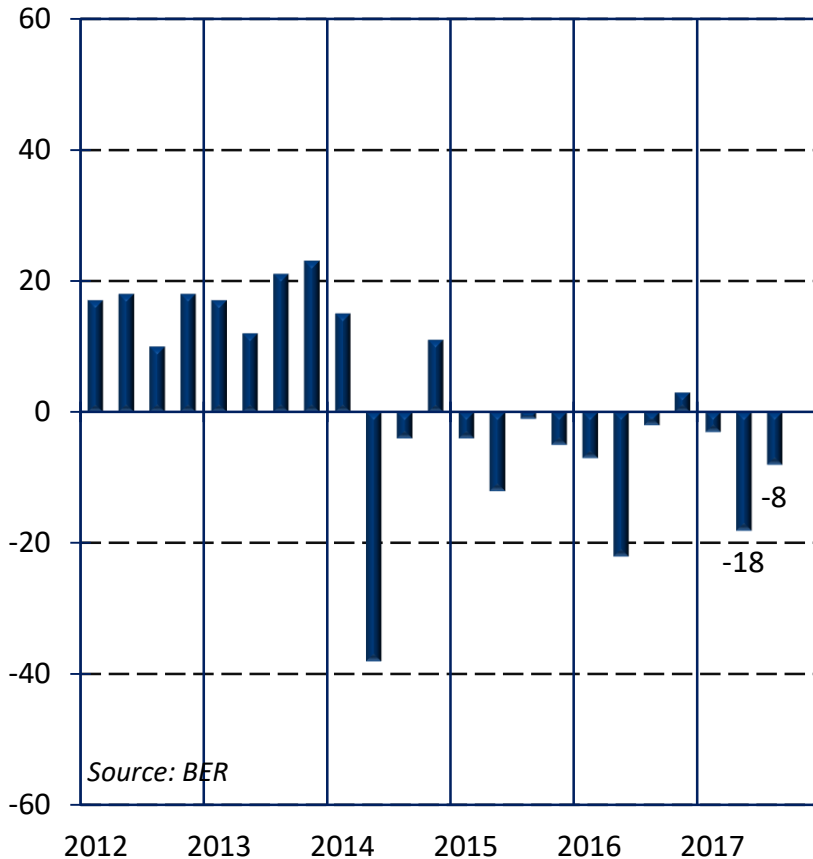
net % (% up less % down)



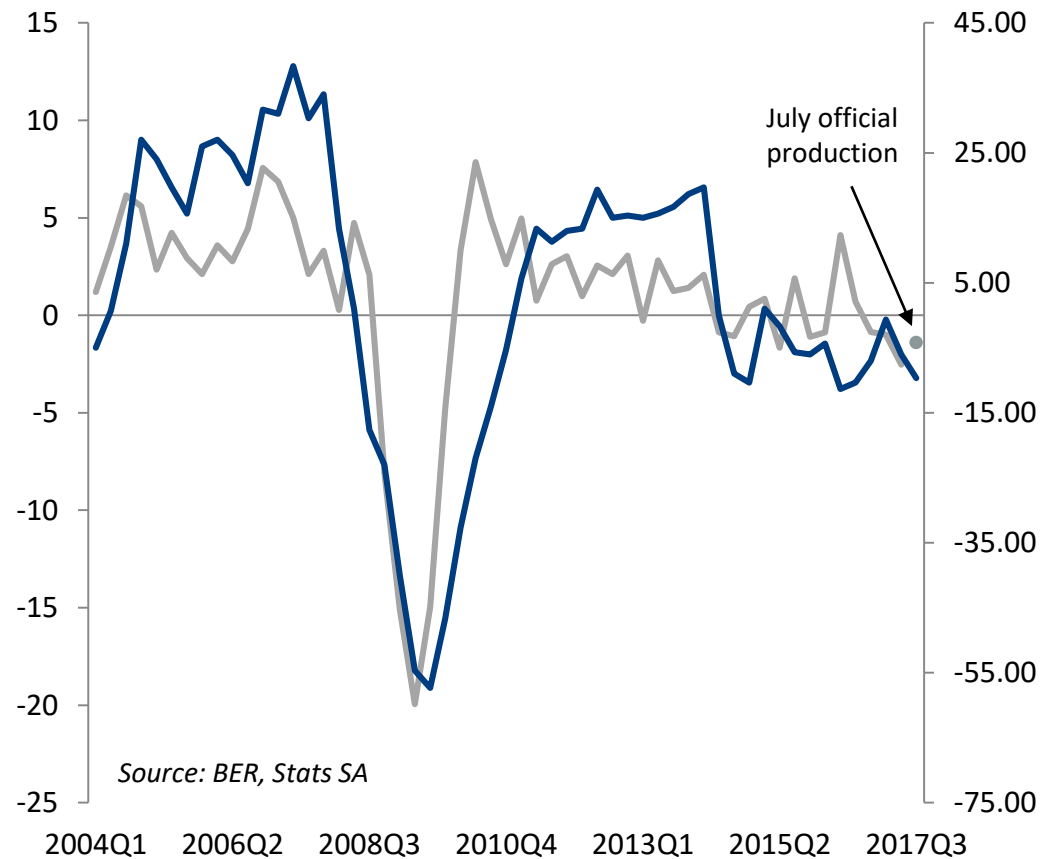
Non-consumer and consumer sector wholesalers are both under pressure. According to official data, wholesale performance was weak in Q2 and the survey suggests that at least conditions did not deteriorate further during Q3. Wholesalers of machinery and equipment are currently outperforming peers in the non-consumer subsector.

Manufacturing: production volumes

net % (% up less % down)



% change

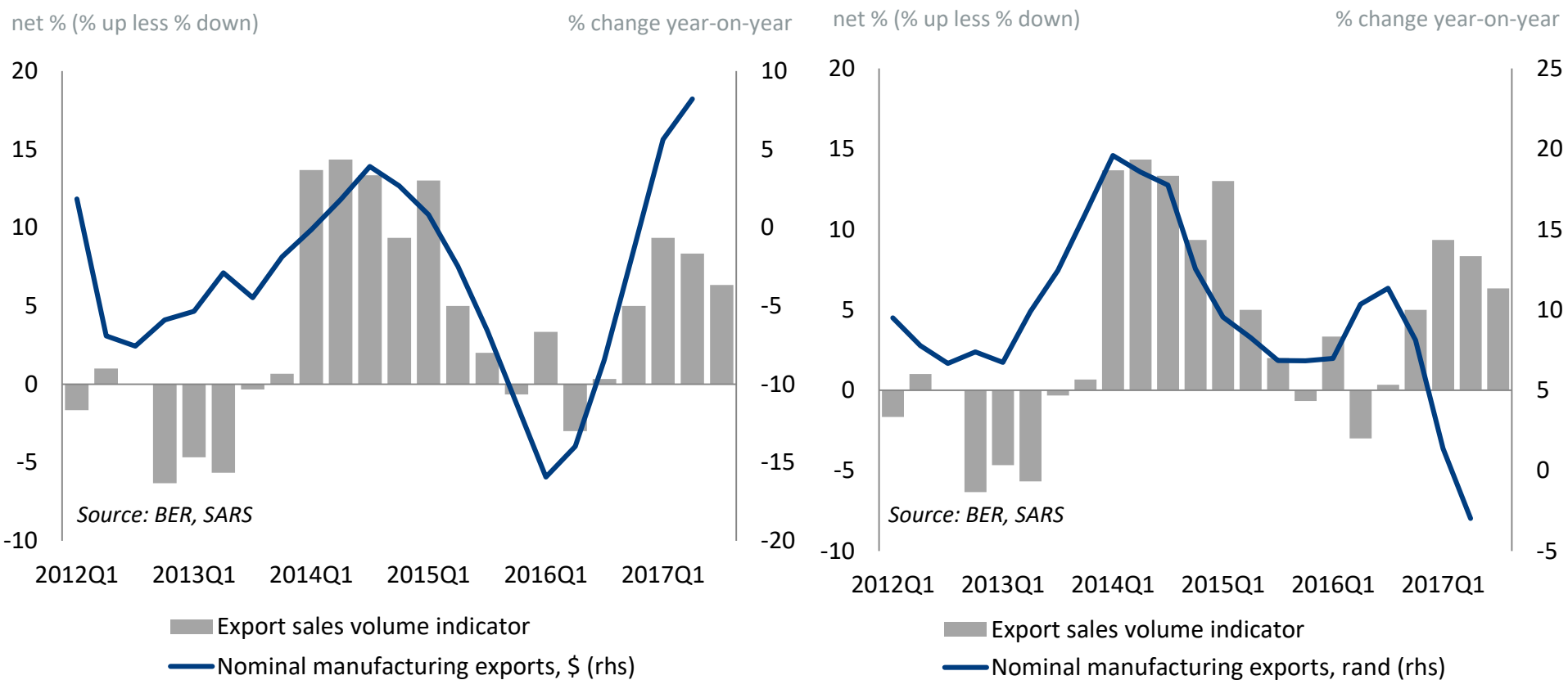


— Official production growth y-o-y

— Smoothed production indicator (3Q MA, rhs)

Manufacturing production improved relative to Q2 but is essentially moving sideways, as one would expect given underlying weak demand conditions. Export sales and order volumes do provide some support to production in the sector.

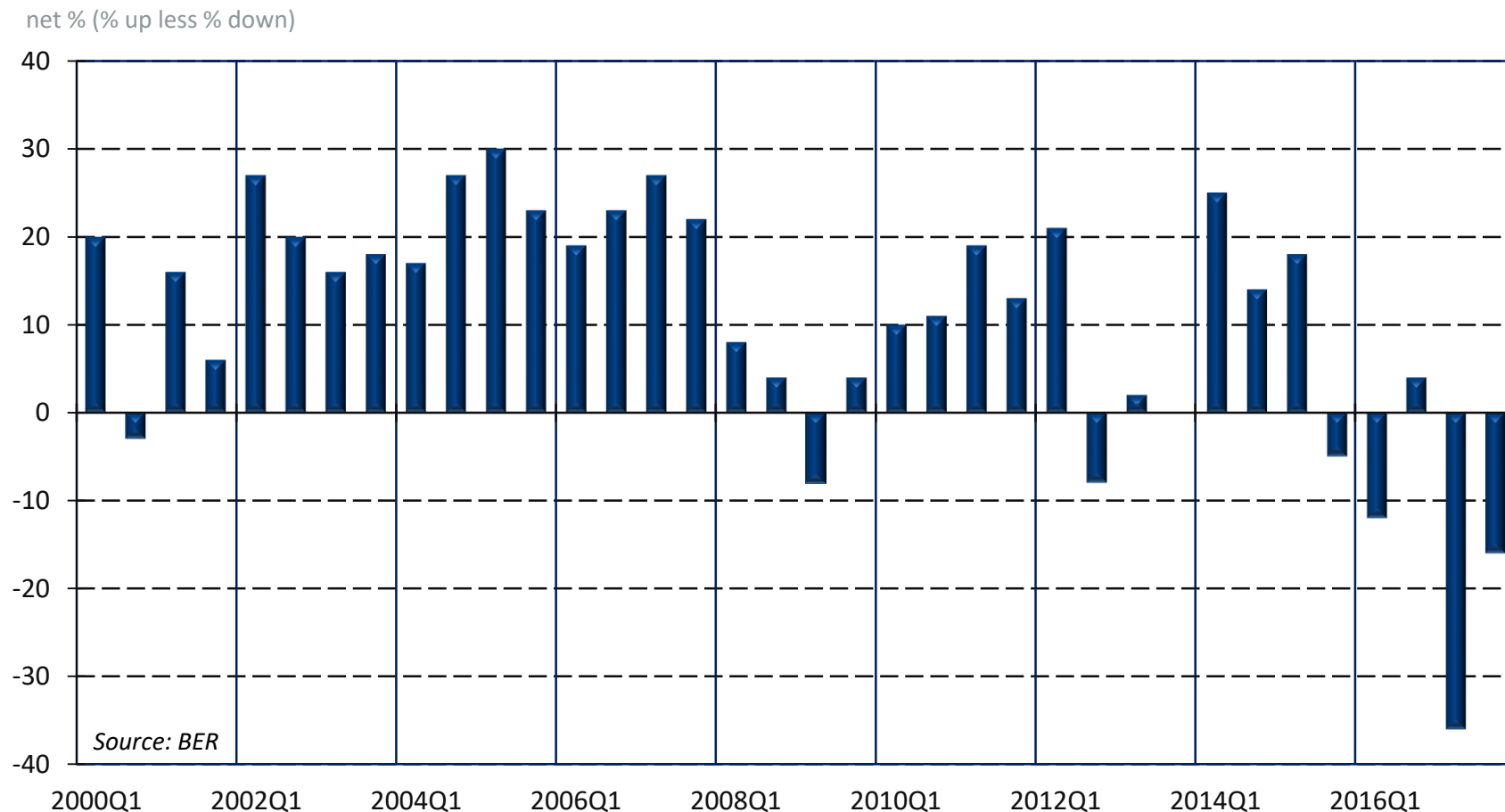
Manufacturing: export sales volumes versus the value of manufacturing exports from SARS



Series were all smoothed using a 3-quarter moving average (3Q MA)

The improvement in foreign demand is benefitting manufacturing export volumes, with the sales and order volume indicators in positive territory during Q3. However, earnings in rand terms have been decelerating. Exporters reported a recovery in export selling price inflation in Q3.

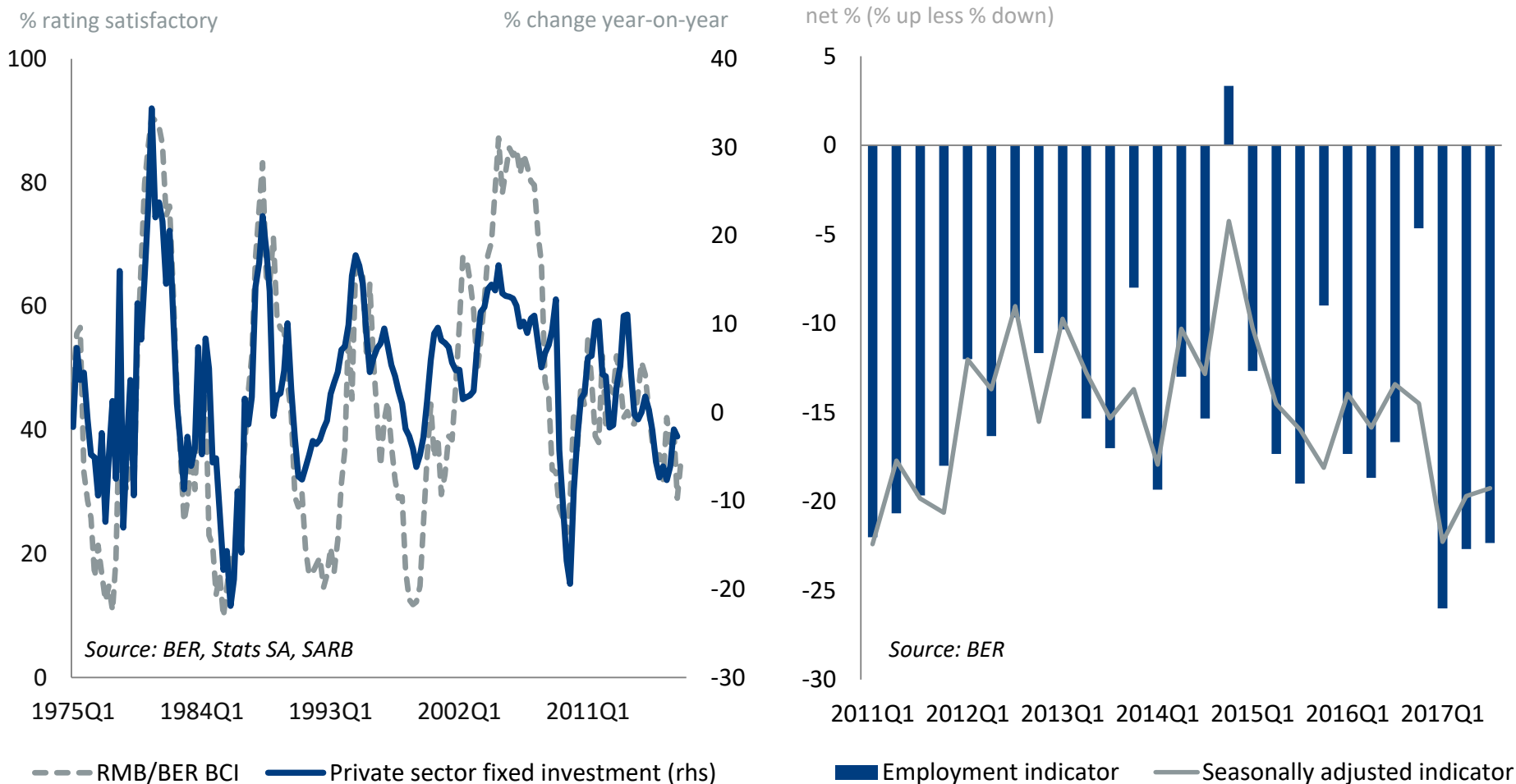
Manufacturing: expected total investment in 12 months' time



While manufacturers have not reported an acceleration in the downscaling of their investment plans over the next 12 months relative to Q1, the outlook for private sector investment remains extremely weak. The building sector survey confirmed this with non-residential building and civil construction activity at the lowest levels since 2011.

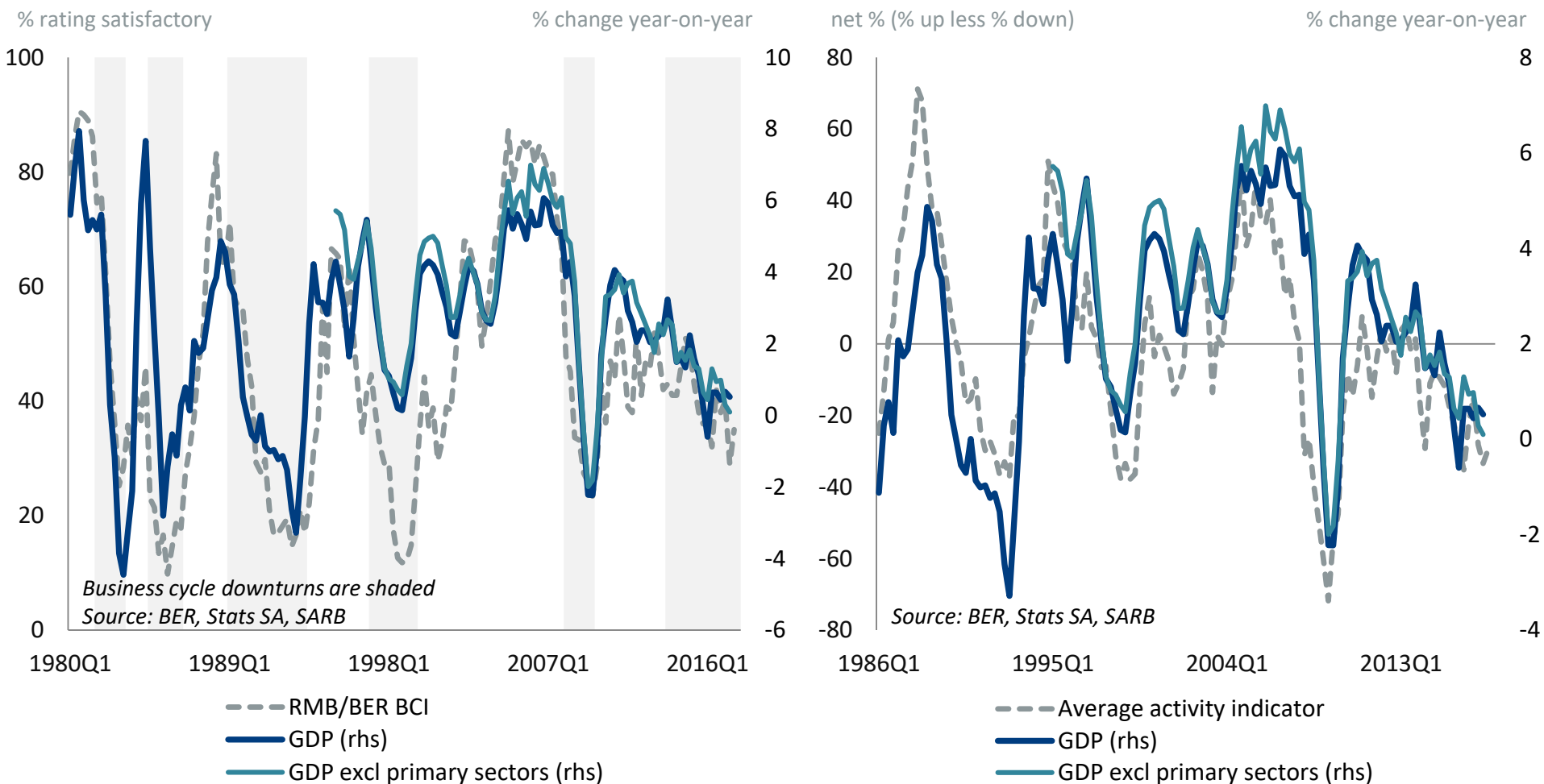
Macroeconomic implications

Private sector fixed investment and employment



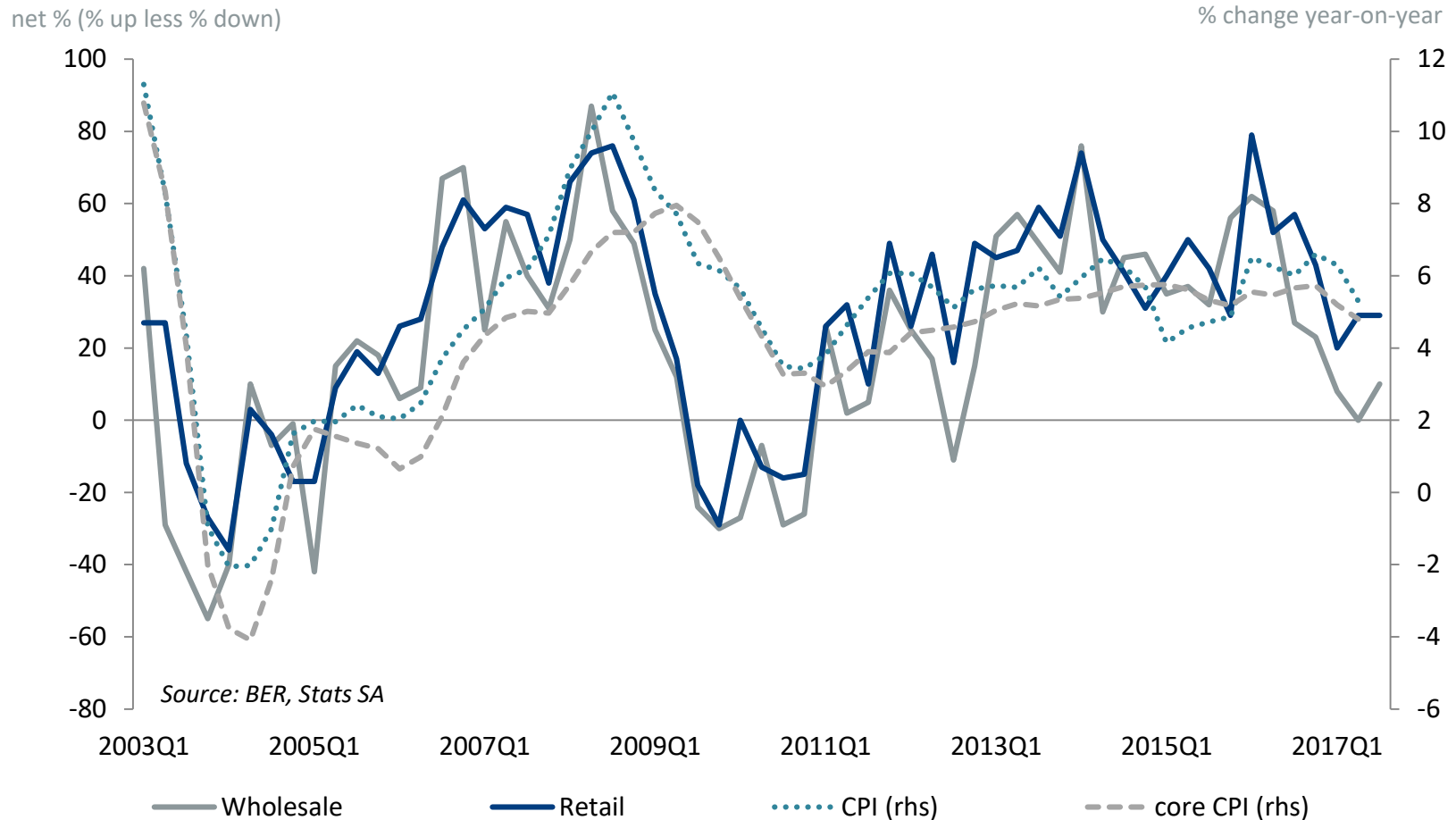
The survey results do not signal any improvement in private sector fixed investment and formal sector employment. Hence, even after the technical exiting of the recent recession in Q2, the results confirm that we are far from exiting the downswing phase of the business cycle in which we have been since December 2013.

RMB/BER BCI and activity indicator versus GDP



The RMB/BER BCI as well as the average activity indicator are better correlated with year-on-year (as opposed to quarter-on-quarter) GDP growth. The survey results imply that year-on-year growth is not likely to improve much in Q3 and are consistent with annual average growth of below 1% for this year.

Trade price indicators are consistent with continued deceleration in consumer inflation



Wholesale selling price inflation remained relatively low in Q3, while the total retail selling price inflation indicator stabilised. These remain consistent with a further deceleration in headline and core CPI inflation.

Technical note

A cornerstone of the BER's work is its regular business surveys in the trade, manufacturing and building industries. The surveys provide an early indication of likely developments in the real economy until official data becomes available. Also, it provides unique information such as confidence, expectations and constraints on activity.

The BER's methodology is closely related to the European Commission and Munich based IFO Institute. Please refer to the [BER's website](#) for more background on the surveys.

Survey indicators:

Business confidence

- The BCI covers the building, manufacturing, retail, wholesale and new vehicle trade sectors and indicates the percentage (%) of respondents that rated prevailing business conditions as satisfactory. It can vary between 0 and 100 and 50 is taken as the neutral level.

Most other survey indicators

- The survey results reflect trends and not actual magnitudes
- The respondents indicate "up", "same" or "down" when comparing current activity with that of a corresponding quarter of a year ago
- These responses are quantified by converting them into percentages and portraying them as net balances, i.e. the difference between percentages "up" and percentages "down"
- Thus, net balances can vary from -100 to 100 and are referred to as net percentages (%)
- Respondents are prompted about expectations for the next quarter as well

Constraints

- Weighted percentage rating the factor as a serious or slight constraint on activity/investment

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