

# Business Survey Results 2017Q4

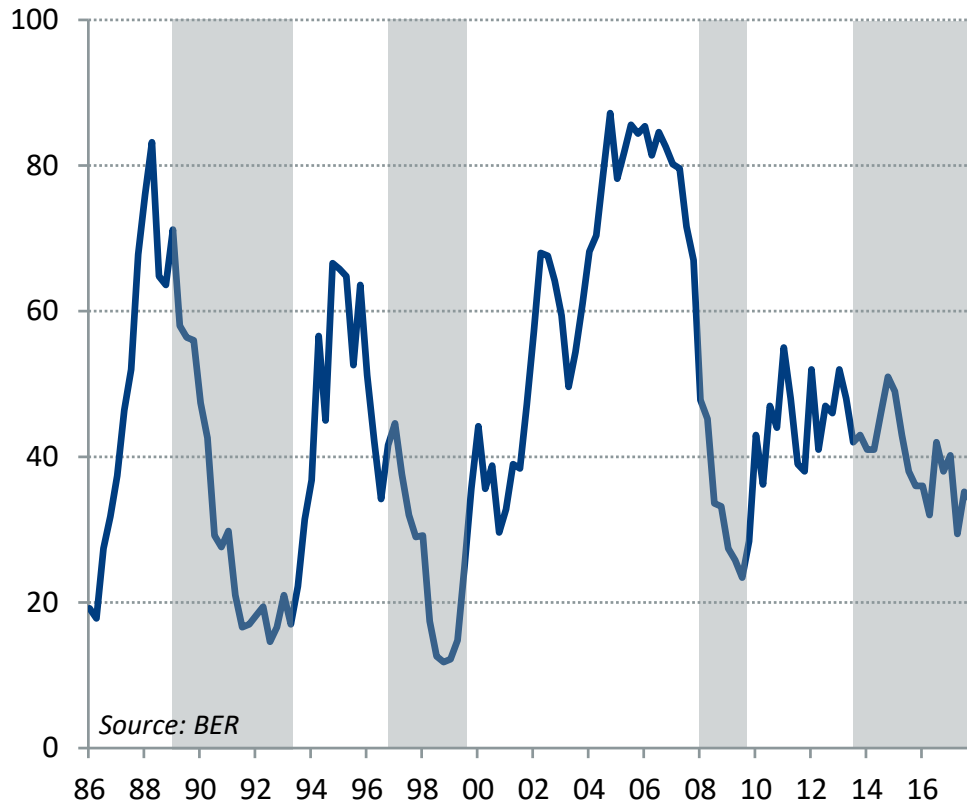
Main results and implications at a glance

**November 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



Business cycle downturns are shaded

The 2017Q4 survey was conducted between 16 October and 21 November 2017

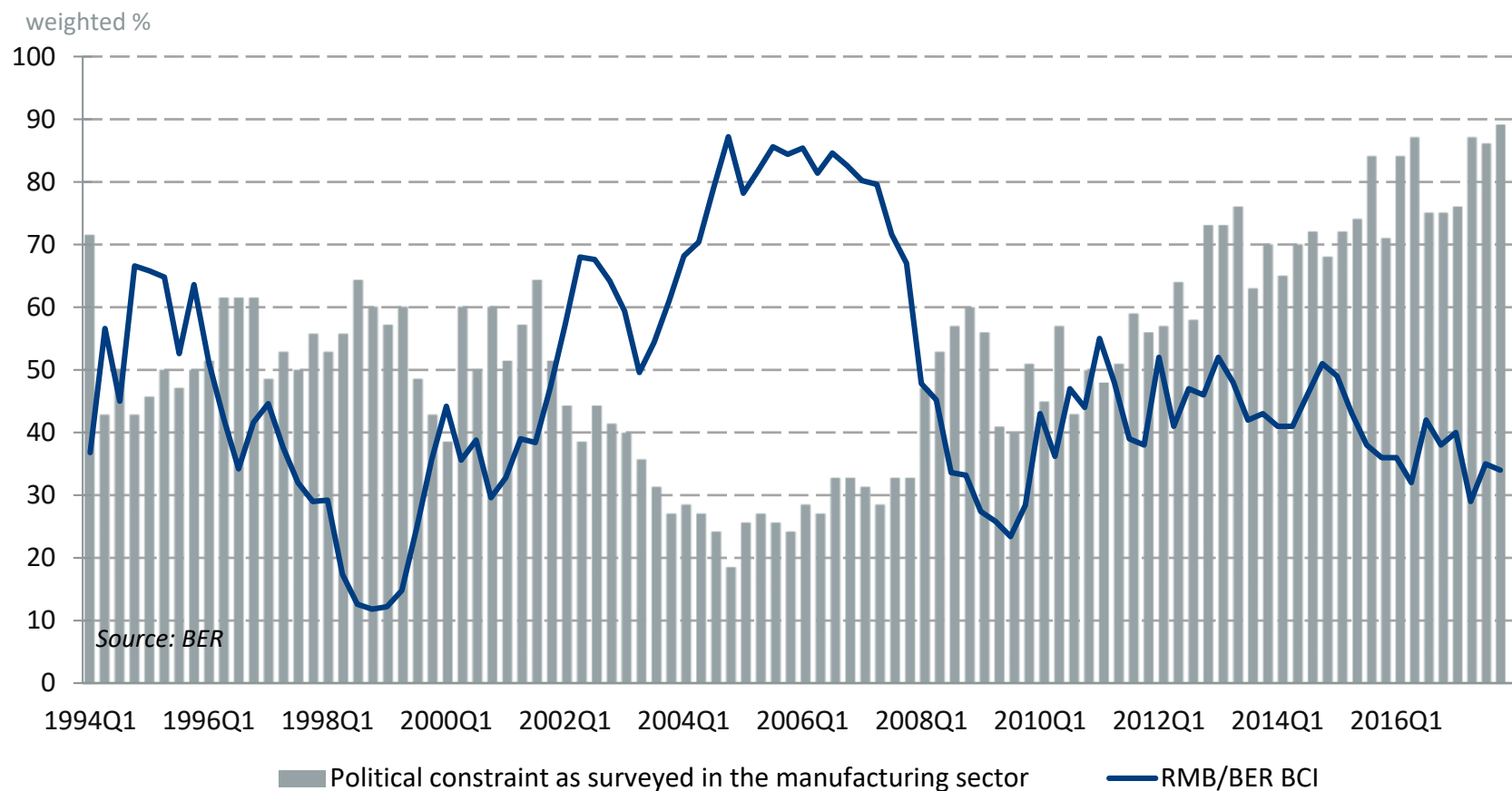
More detailed sectoral analyses are provided in the individual BER survey publications

## RMB/BER BCI declined to 34 in 17Q4 (from 35 in 17Q3)

- Underlying indices
  - Building contractors: 34 (44)
  - Manufacturing: 24 (27)
  - Wholesale: 51 (48)
  - Retail: 29 (38)
  - New Vehicles: 32 (19)
- Confidence is low relative to a slight improvement in survey indicators for business conditions and activity
- Factors that likely dampened confidence include the fact that the Monetary Policy Committee did not lower the policy interest rate further (as expected at their September meeting), the disappointing Medium-Term Budget Policy Statement late-October, the anxiety related to key events such as ratings decisions (the survey was completed before the S&P and Moody's credit ratings reviews on 24 November) and the apprehension about the upcoming December ANC conference, as well as the increased pressure on profitability

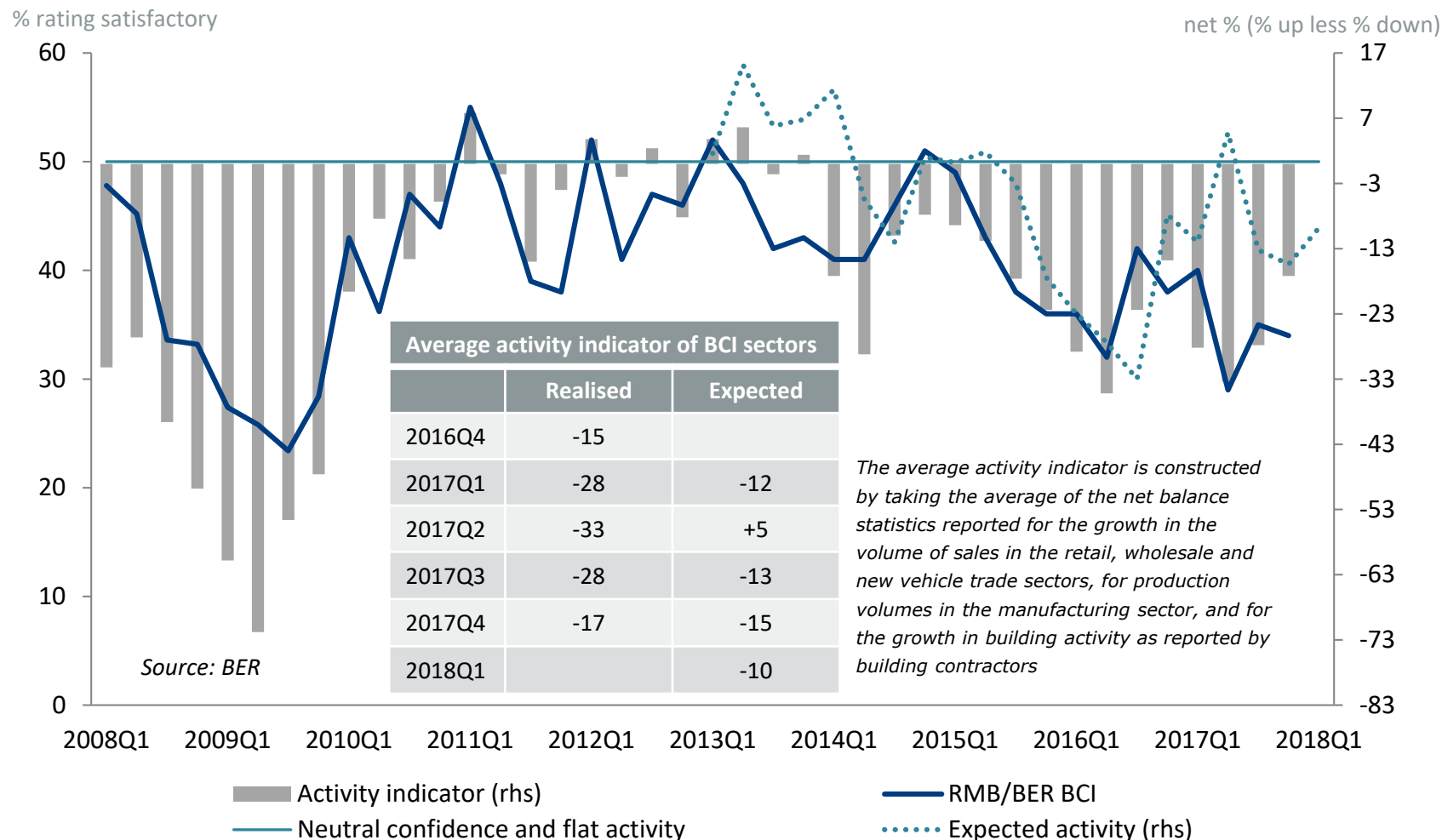
Confidence remained low despite an improvement in underlying business conditions. However, given the many sentiment-negative factors this quarter, one could have expected confidence to remain relatively low. Furthermore, albeit that activity improved, respondents reported increased pressure on profitability.

# Percentage rating the general political climate as a serious constraint on business activity reached a new record high



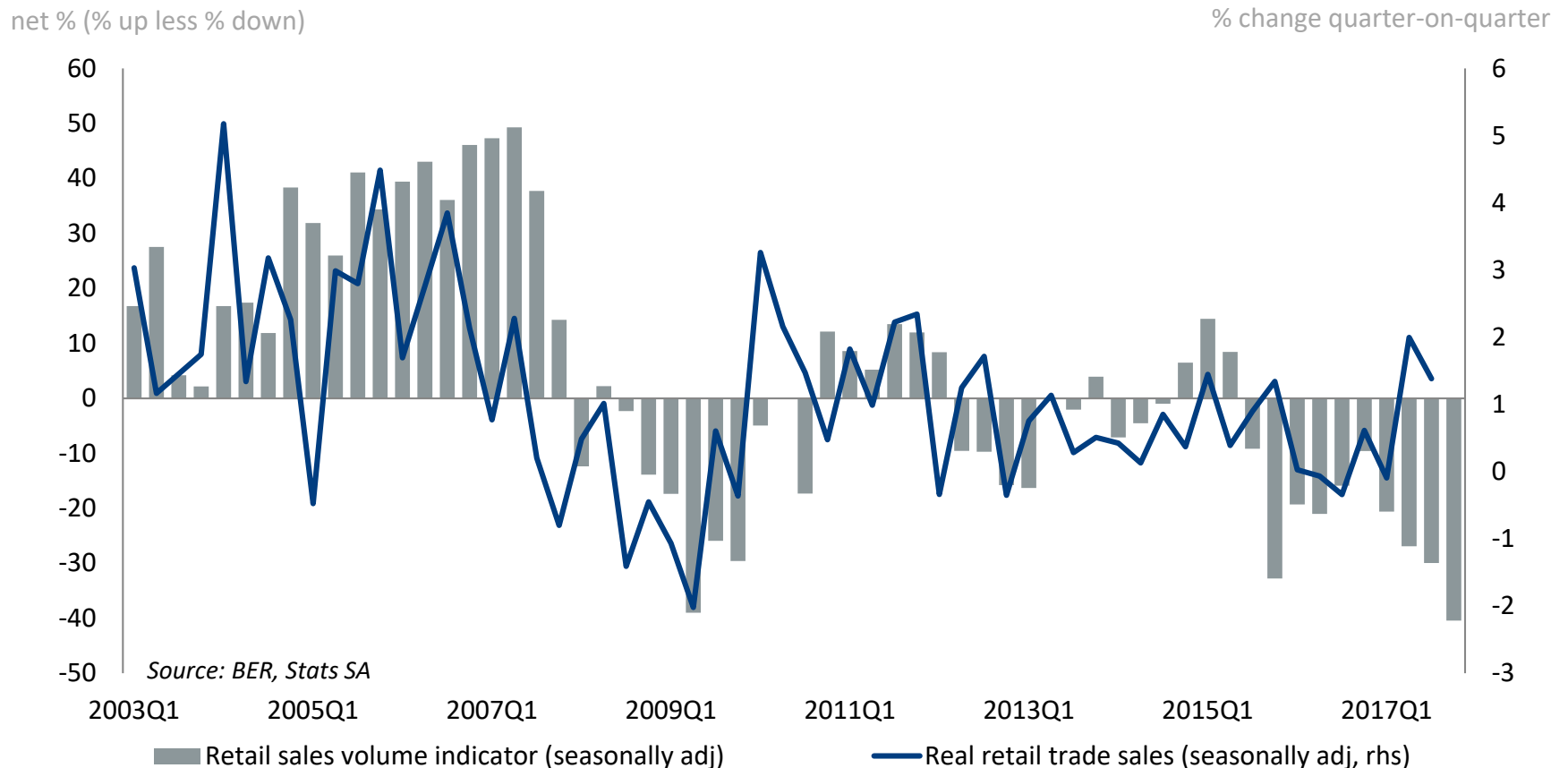
The indicator (from the manufacturing survey) regarding the political climate as a serious constraint on business activity reached a new record high in Q4. This indicator is negatively correlated with the BCI and helps to explain why confidence was not boosted more by the uptick in underlying activity indicators.

# RMB/BER BCI versus average activity indicator



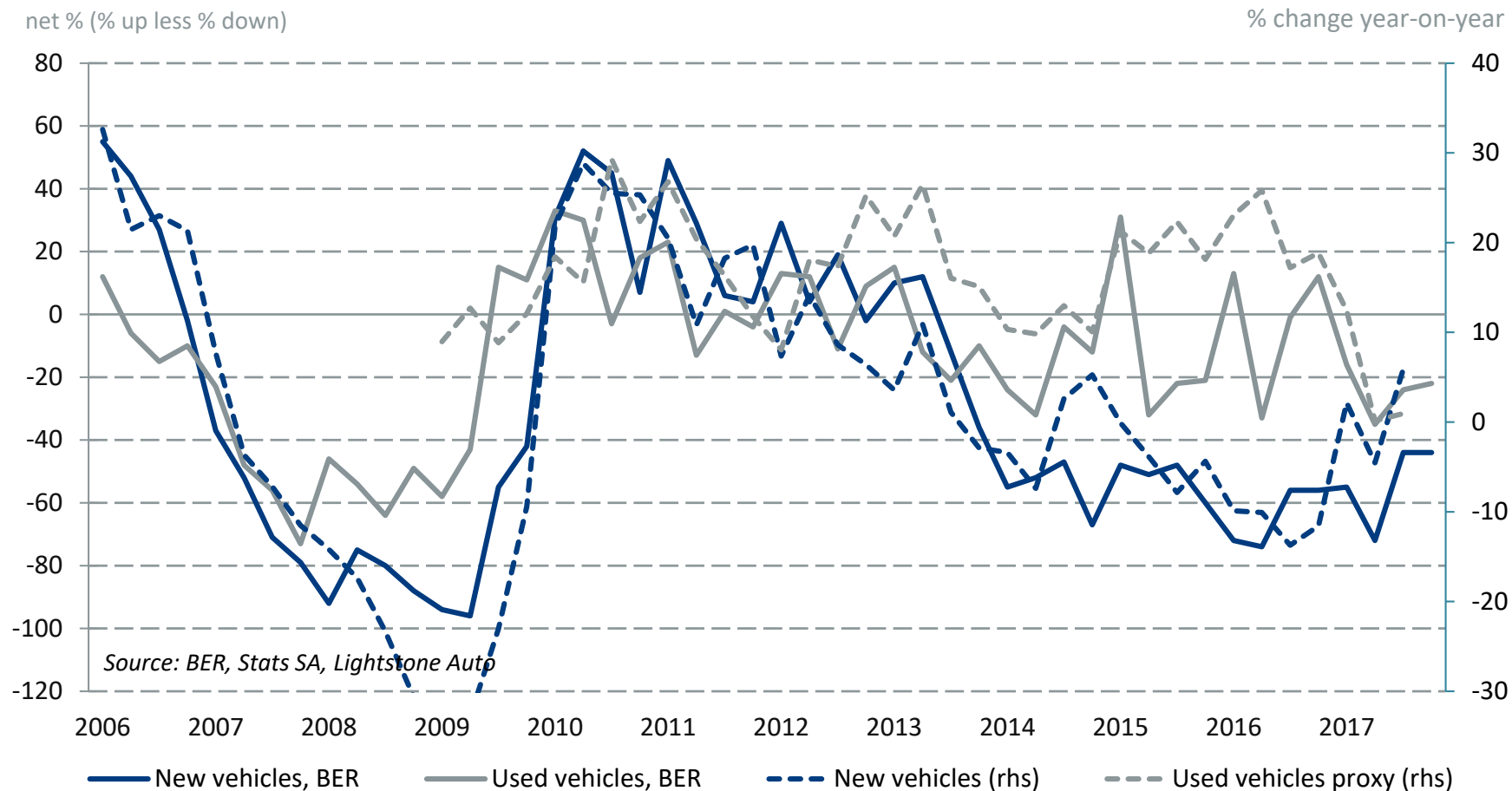
The average activity indicator improved during Q4. The improvement was more or less in line with expectations for the quarter and activity is also expected to improve further in 18Q1. The manufacturing and wholesale sectors drove the improvement in the overall activity indicator.

# Retail sales indicator versus quarter-on-quarter growth in real retail trade sales



The retail trade sales volume growth indicator remained low and is particularly weak (in line with 09Q2) for a year-end quarter, on a seasonally adjusted basis. Durable goods outperformed. The survey was concluded before Black Friday. The survey results have, since 17Q2, been more pessimistic than retail trade sales as published by Statistics South Africa (Stats SA).

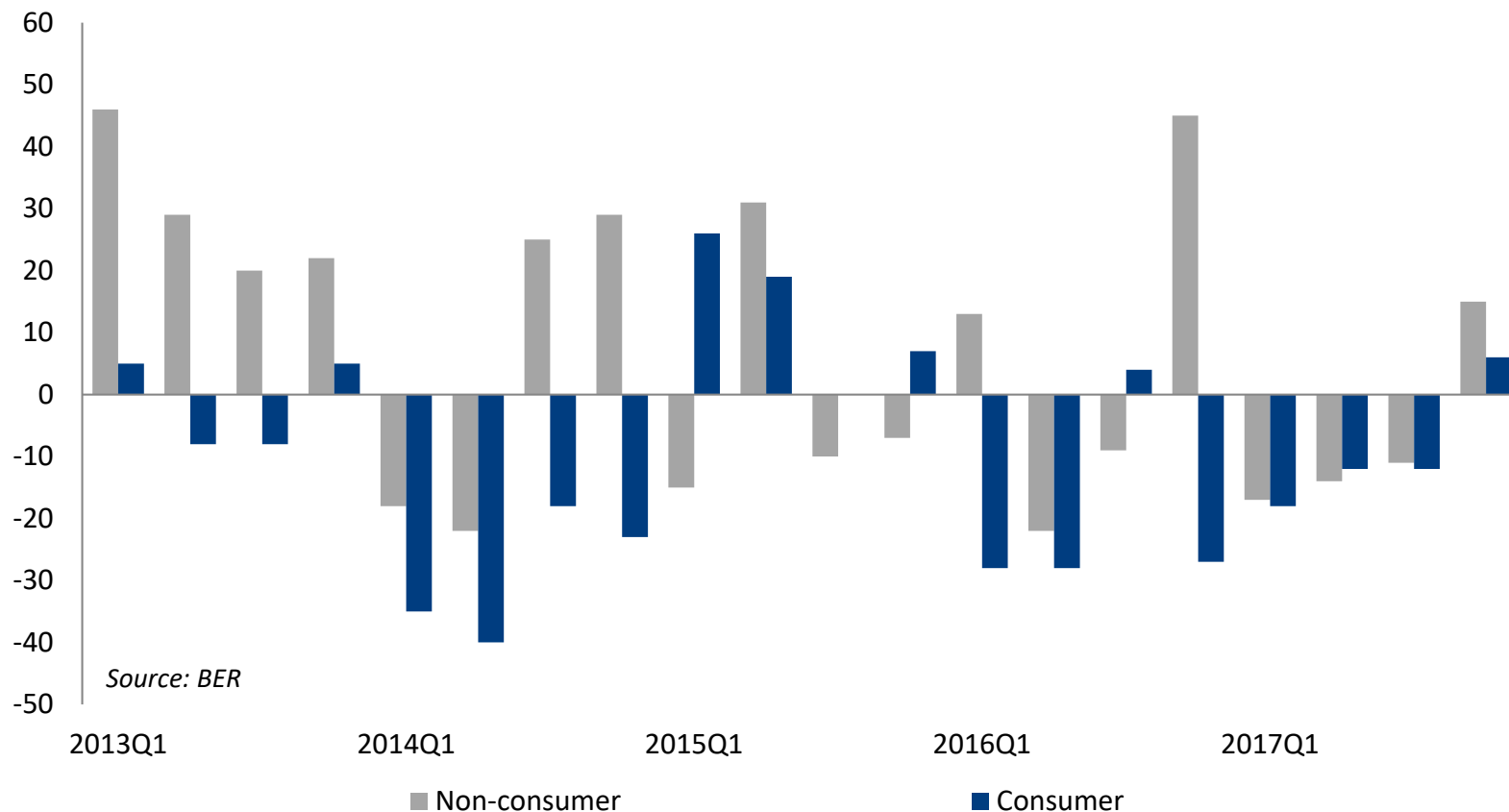
# Motor trade: growth in units sold versus industry data



New vehicle sales volume growth was reported in line with Q3. Official monthly sales data for new vehicles for October also do not point towards a further acceleration in new vehicle sales growth. The survey indicator for used vehicle sales volume growth ticked up slightly further in Q4.

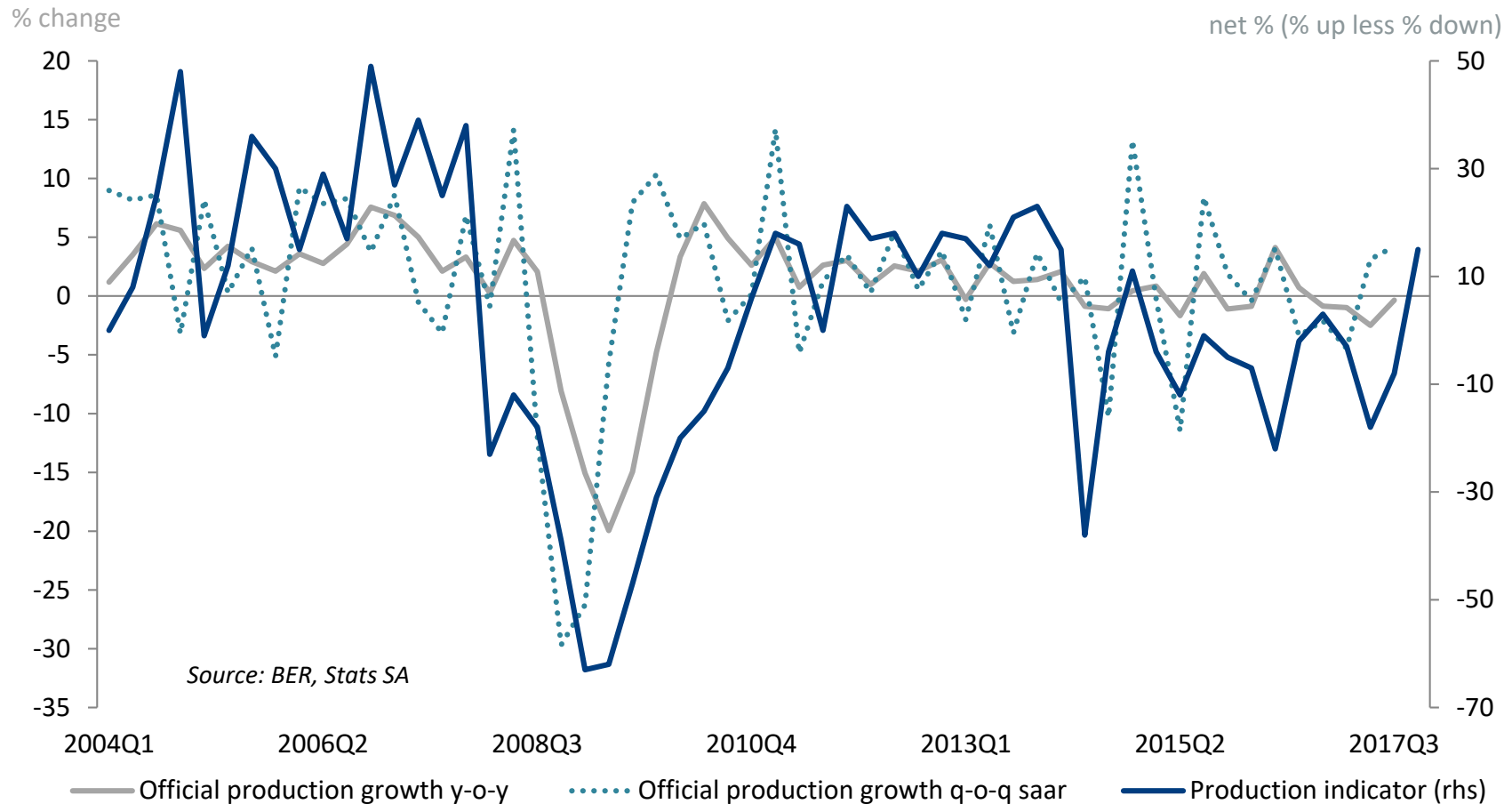
# Wholesale trade: growth in the volume of sales

net % (% up less % down)



Non-consumer and consumer sector wholesalers reported an improvement in sales volume growth. However, for the non-consumer subsector this was achieved via low selling price inflation, which placed pressure on profitability and saw business confidence decline. This was not the case in the consumer subsector, where profitability and business confidence also improved.

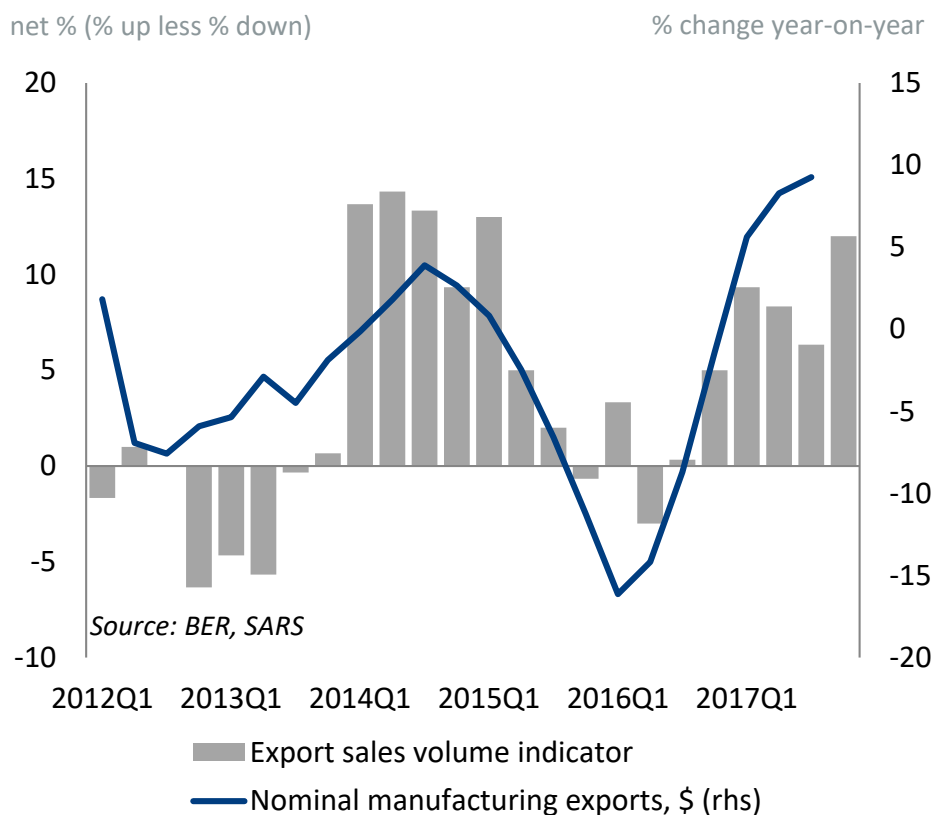
# Manufacturing production volumes versus official manufacturing production



The manufacturing production indicator jumped into positive territory during Q4. The survey results suggest that we might see an improvement in official production in Q4 on a year-on-year basis. The increase in production volumes was on the back of an improvement in domestic as well as export demand.

# Manufacturing export sales volumes

Versus the value of manufacturing exports from SARS



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

Expected volume of goods exported in 12 months

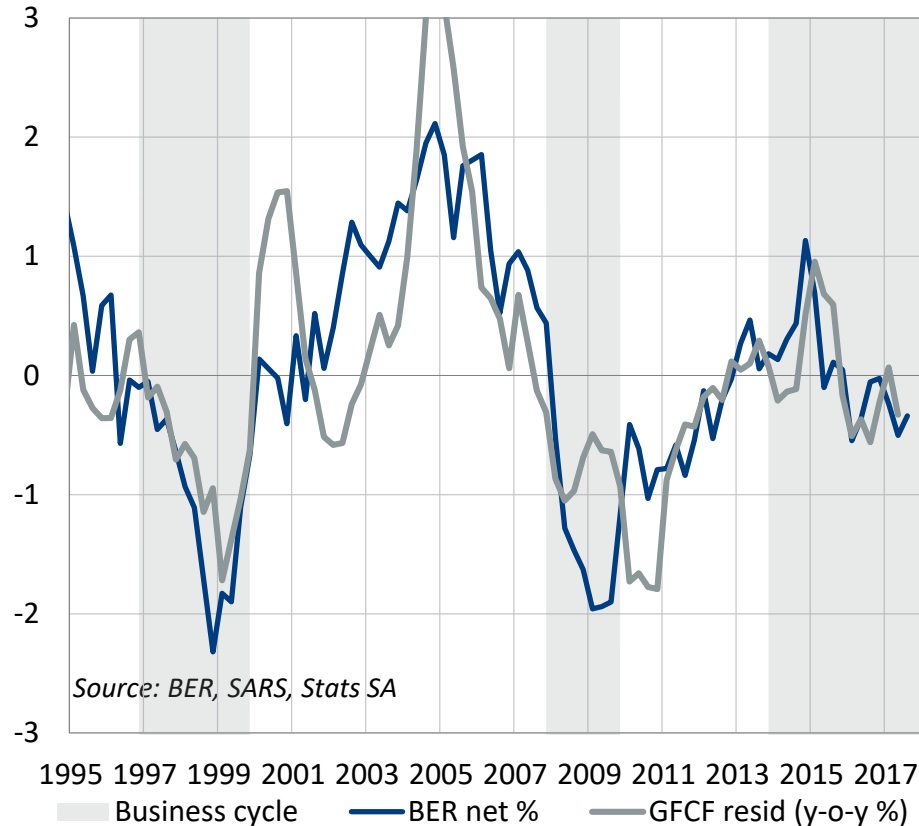


The improvement in foreign demand is benefitting manufacturing export volumes, with the sales and order volume indicators robustly positive in Q4. Moreover, export selling price inflation accelerated further. Manufacturers' expectations for the volume of goods exported in 12 months have also recovered.

# Building activity versus Gross Fixed Capital Formation (GFCF)

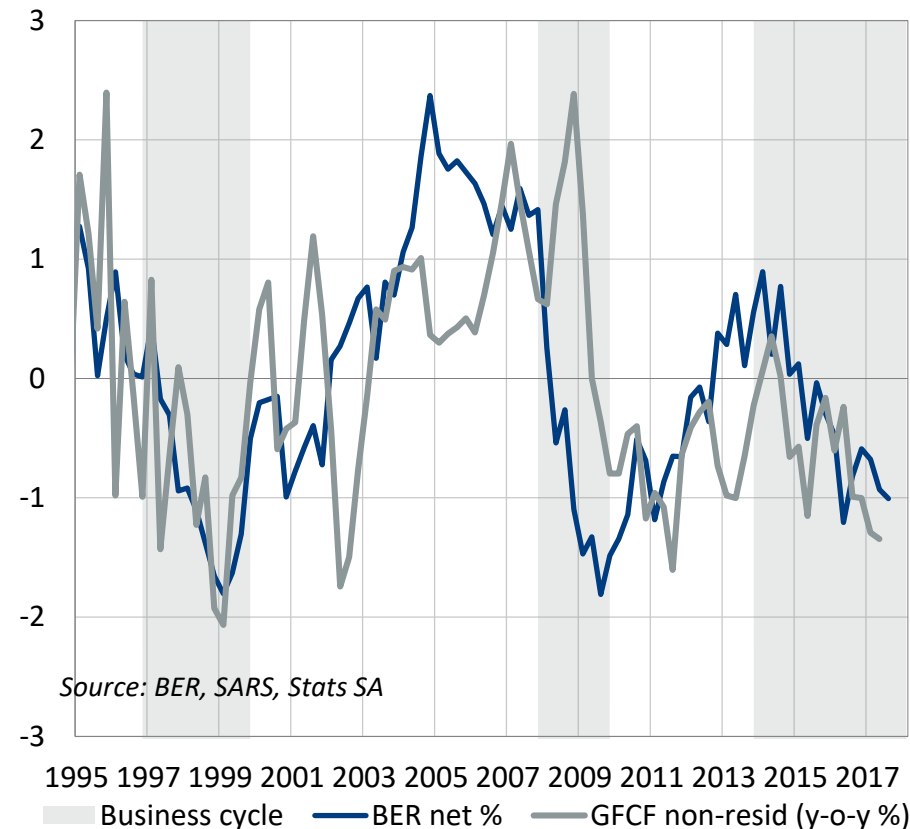
## Residential building activity

normalised scale



## Non-residential building activity

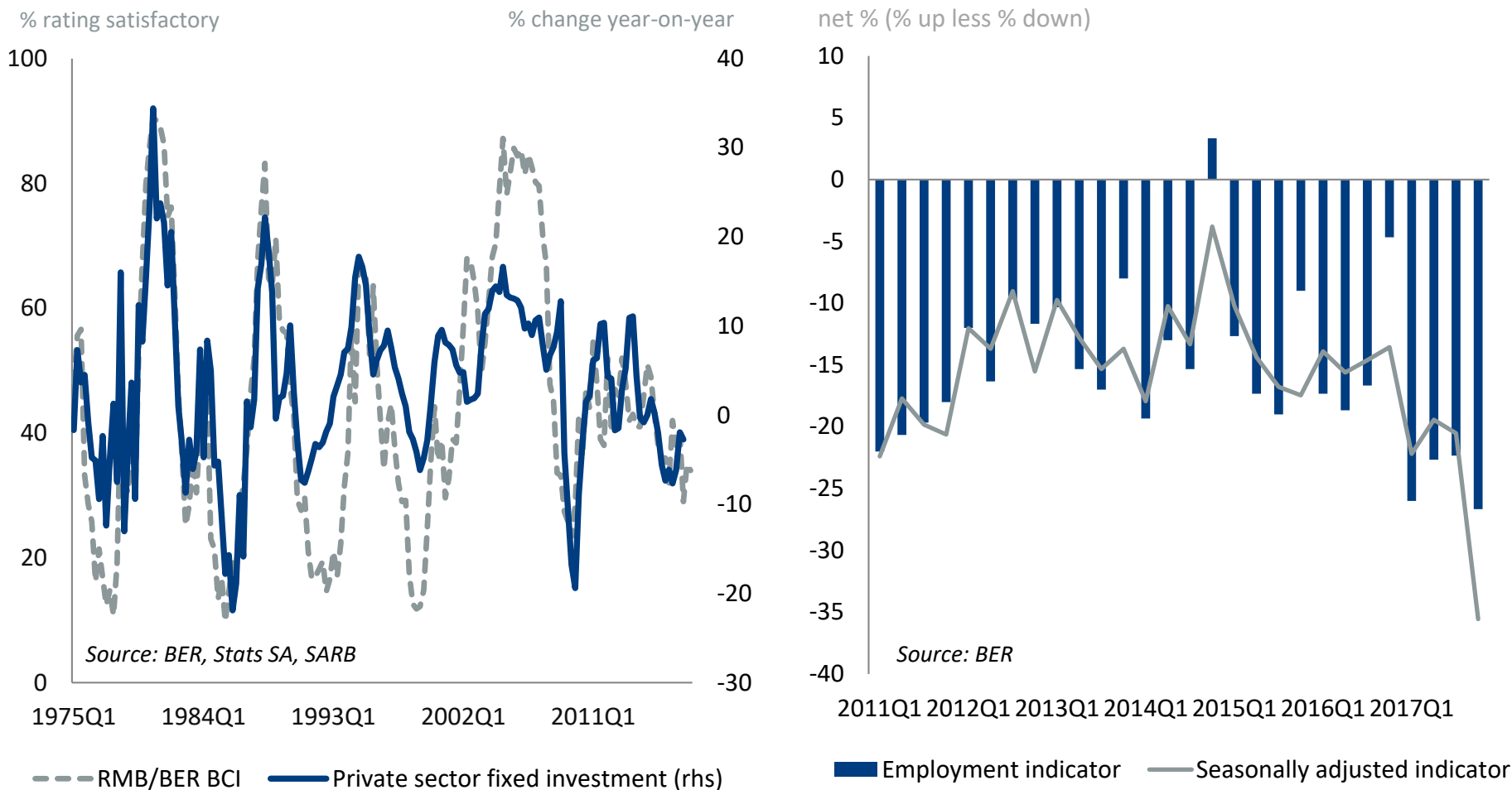
normalised scale



Building activity remained weak in Q4. Residential building activity registered a slight improvement, while non-residential building activity deteriorated further. According to the survey results for architects and quantity surveyors, the building pipeline does not point towards sustained improvements in the near term.

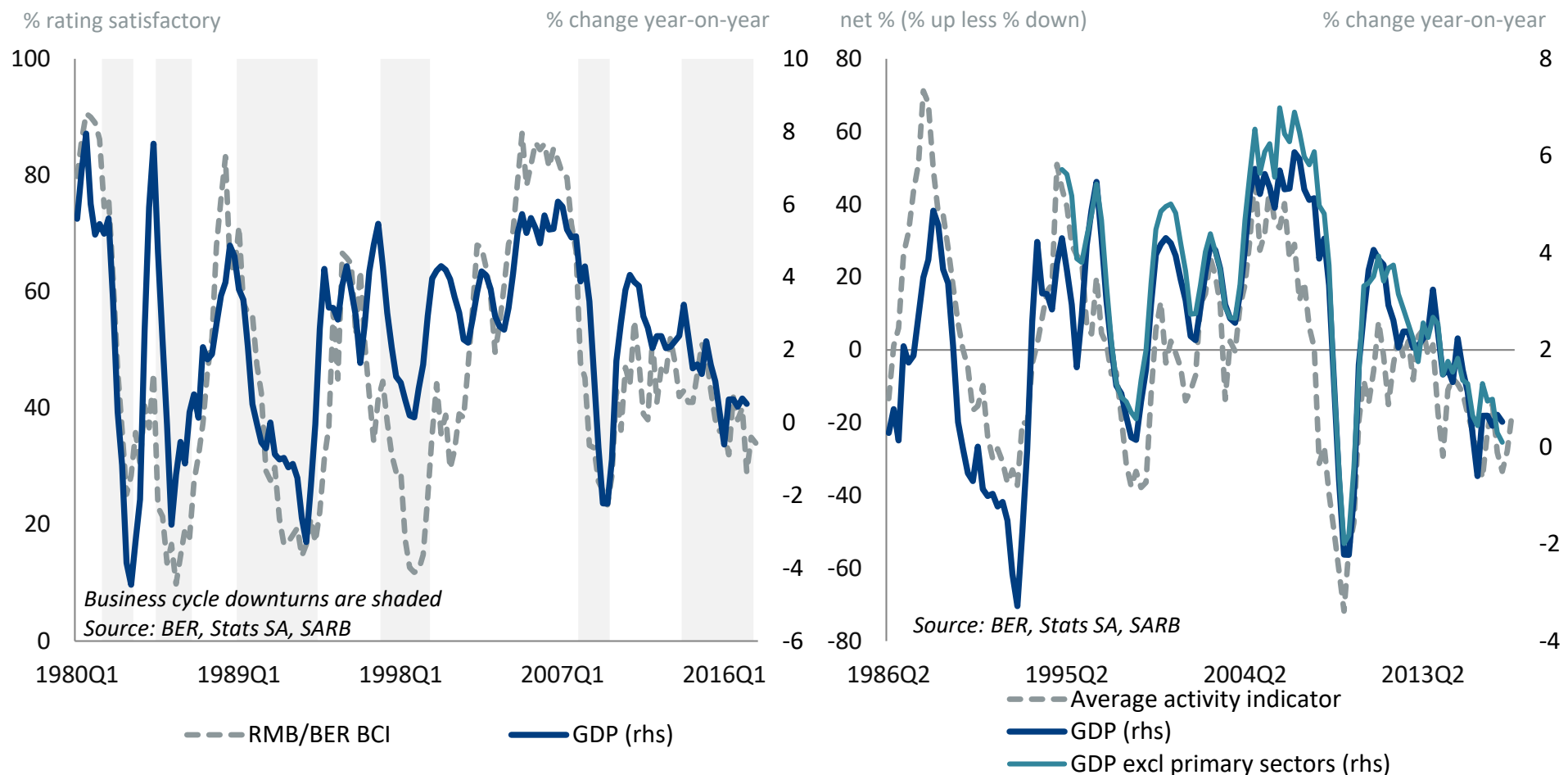
# Macroeconomic implications

# Private sector fixed investment and employment



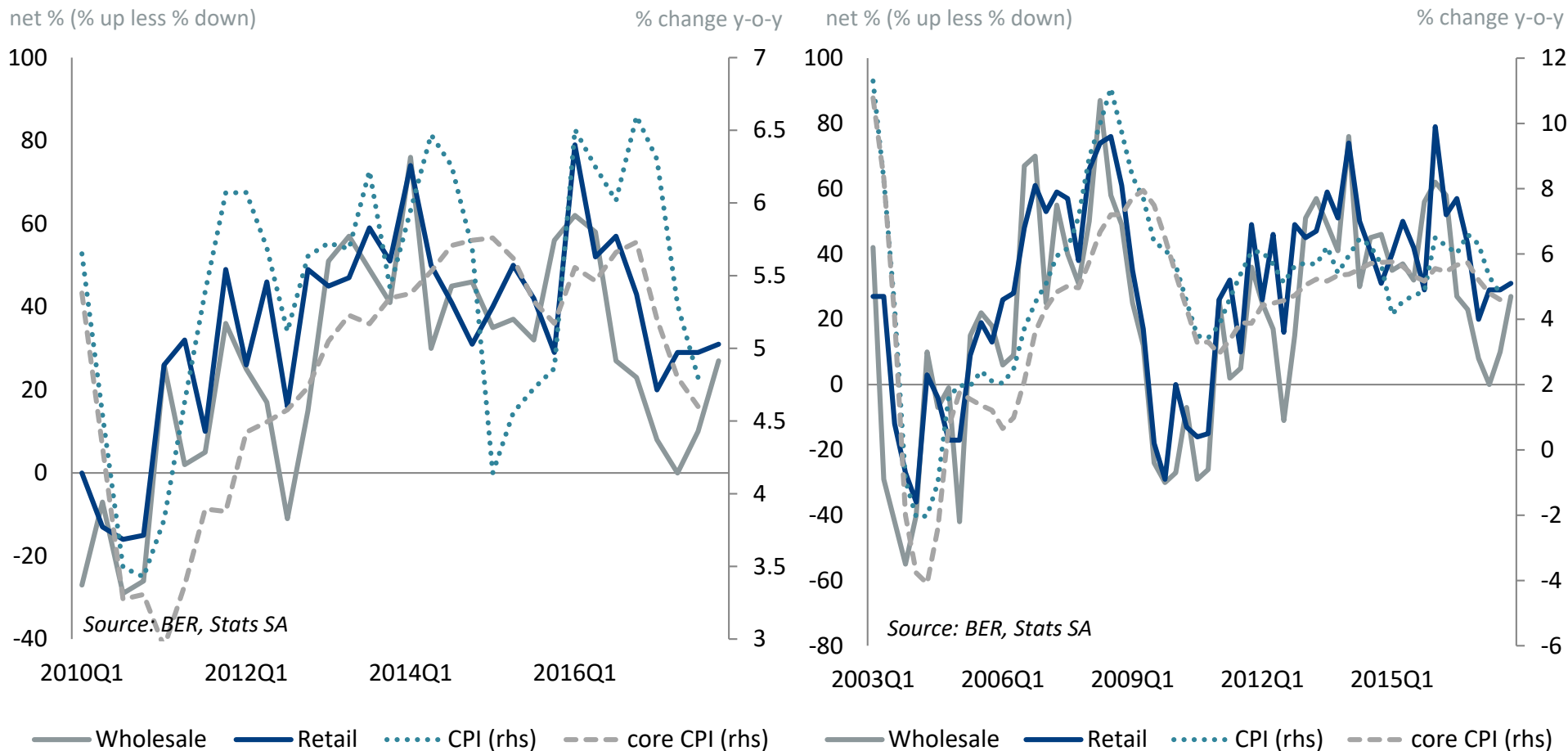
The survey results do not signal any improvement in private sector fixed investment and formal sector employment, confirming the wait-and-see approach firms are currently taking. In fact, the survey results are particularly weak for Q4 formal sector employment on a seasonally adjusted basis.

# RMB/BER BCI and activity indicator versus GDP



The average activity indicator is more strongly correlated with GDP growth. We expect GDP growth, on a year-on-year basis, to be marginally higher in 17H2 compared to the 17H1 average (quarter-on-quarter growth should slow relative to 17Q2). The outlook for 2018 remains challenging, with the risks to our 0.9% growth forecast to the downside.

# Trade selling price indicators and CPI inflation



The wholesale selling price inflation indicator rose in Q4, from very low levels so far this year. The retail selling price indicator also increased slightly – but remains relatively low. These indicators are consistent with current and projected consumer inflation trends. CPI & core CPI inflation are expected to bottom around 4.4% in 18Q1.

# Economic information that works for you

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