



South African Reserve Bank

For further information regarding this release, please contact:

Adri Wolhuter: +27 (12) 313 3228

Adri.Wolhuter@resbank.co.za

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Composite business cycle indicators for South Africa

- The composite **leading** business cycle indicator decreased by 5.1% on a month-to-month basis in April 2020, as seven of the nine available component time series decreased while the remaining two increased. The largest negative contributions to the movement in the composite leading business cycle indicator April were the marked accelerations in the twelve-month rate of *decrease* in the number of new passenger vehicles sold and in job advertisement space. The two positive contributions came from a widening in the interest rate spread and an acceleration in the six month smoothed growth rate in the real M1 money supply.

Although the national lockdown restrictions caused temporary distortions to some of the component time series, the initially reported increase in the leading indicator for March 2020 was revised to a decrease of 0.9% following the later availability of one additional component time series and revisions to others. The exogenous nature of the COVID-19 pandemic implies that it was not possible for the composite leading business cycle indicator to have predicted its impact on economic activity in advance. However, the gradual downward trend in the leading indicator that has prevailed since March 2018 suggested a slowdown in real economic growth even before the start of the pandemic, which did materialise in the form of a technical recession that began in the third quarter of 2019.

- The composite **coincident** business cycle indicator *decreased* by 2.6% on a month-to-month basis in March 2020, extending its downward trend further and showing the increased contractionary effect of the first few days of the lockdown, and the run-up thereto, on economic activity.
- The composite **lagging** business cycle indicator *decreased* by 1.5% on a month-to-month basis in March 2020.

The next release is scheduled for 21 July 2020, at 09:00 A.M.

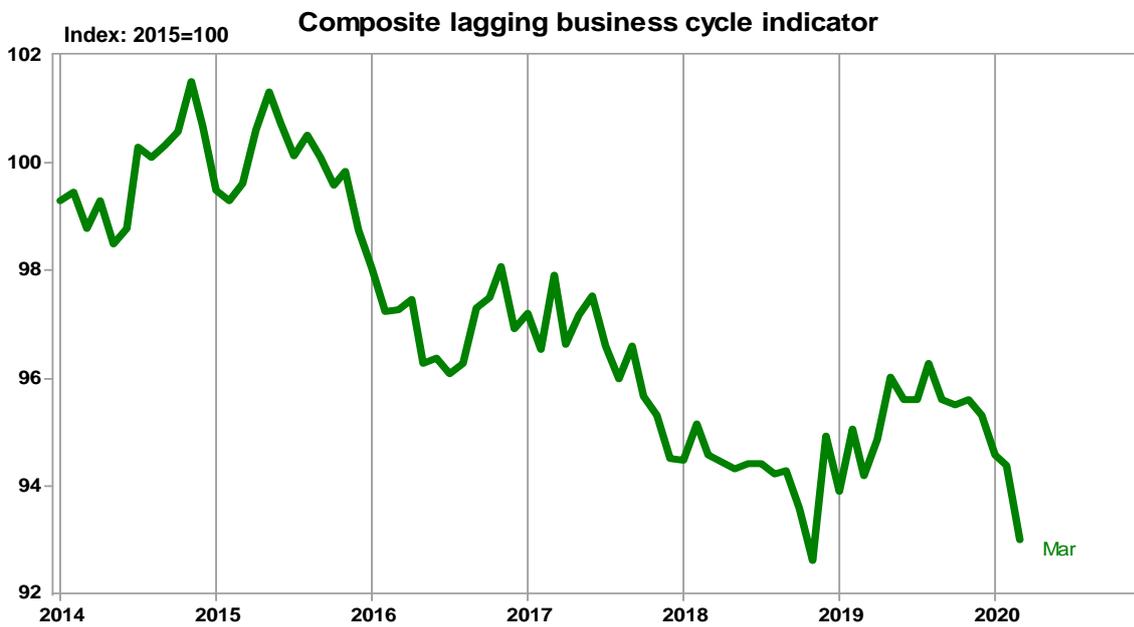
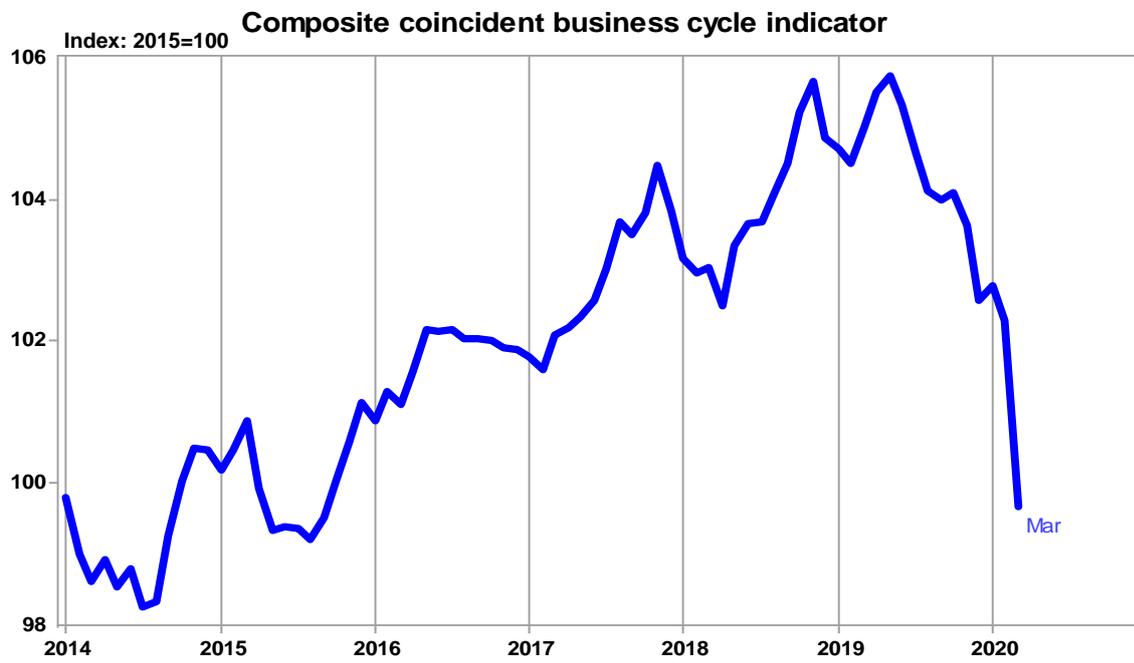
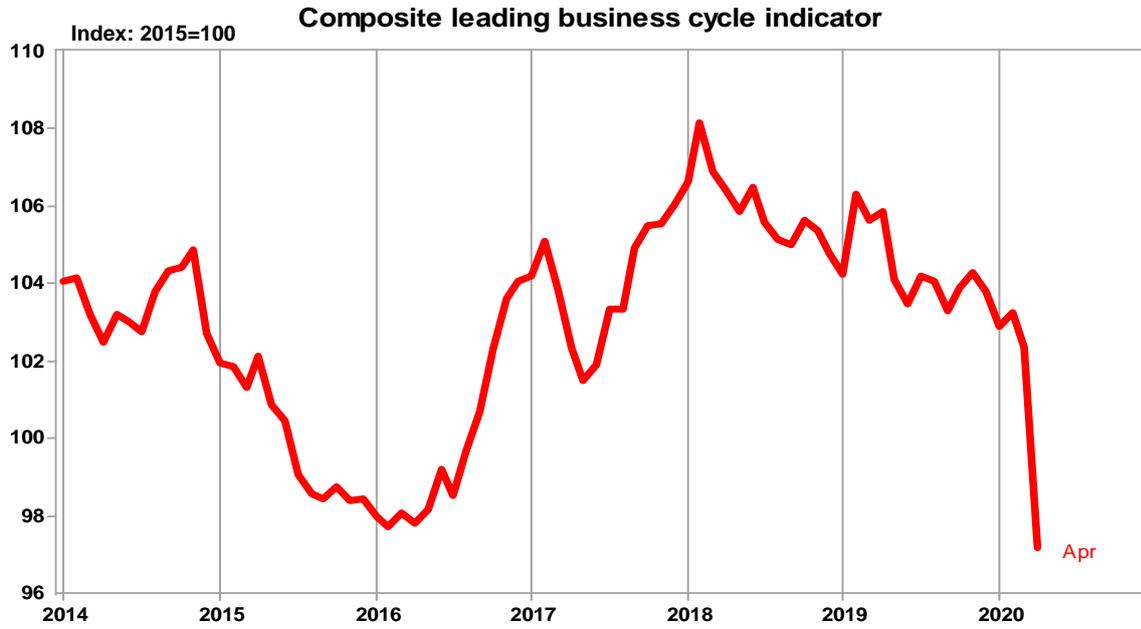


Table 1 Summary of the composite business cycle indicators*

Indices: 2015 = 100	2019					2020			
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Leading indicator	104.1	103.3	103.9	104.3	103.8	102.9	103.3	102.4	97.2
<i>12-month percentage change</i>	<i>-1.0</i>	<i>-1.6</i>	<i>-1.7</i>	<i>-1.0</i>	<i>-0.9</i>	<i>-1.3</i>	<i>-2.9</i>	<i>-3.1</i>	<i>-8.2</i>
Coincident indicator	104.1	104.0	104.1	103.6	102.6	102.8	102.3	99.7	-
<i>12-month percentage change</i>	<i>0.0</i>	<i>-0.5</i>	<i>-1.1</i>	<i>-1.9</i>	<i>-2.2</i>	<i>-1.9</i>	<i>-2.1</i>	<i>-5.1</i>	<i>-</i>
Lagging indicator	96.3	95.6	95.5	95.6	95.3	94.6	94.4	93.0	-
<i>12-month percentage change</i>	<i>2.2</i>	<i>1.4</i>	<i>2.1</i>	<i>3.2</i>	<i>0.4</i>	<i>0.7</i>	<i>-0.7</i>	<i>-1.3</i>	<i>-</i>

* The composite business cycle indicators are revised continuously following revisions to underlying component time series data.

Table 2 Component time series of the composite leading business cycle indicator and their contribution to the April 2020 data point:

Negative contributors (ranked from largest to smallest)
Number of new passenger vehicles sold (percentage change over 12 months)
Job advertisements: The Sunday Times (percentage change over 12 months)
Composite leading business cycle indicator for South Africa's major trading-partner countries (percentage change over 12 months)
BER*: Average hours worked per factory worker in manufacturing (half weight)
BER*: Business Confidence Index
BER*: Volume of orders in manufacturing (half weight)
Commodity price index for South Africa's main export commodities (US dollar based)
Positive contributors (ranked from largest to smallest)
Interest rate spread: 10-year government bonds minus 91-day Treasury bills
Real M1 (six-month smoothed growth rate)
Unavailable component series
Number of building plans approved: Flats, townhouses & houses larger than 80m ²
Gross operating surplus as a percentage of gross domestic product

* Bureau for Economic Research, Stellenbosch University