



South African Reserve Bank

For further information regarding this release, please contact:

Adri Wolhuter: +27 (12) 313 3228

Adri.Wolhuter@resbank.co.za

FOR RELEASE: 09:00 A.M., Tuesday, 22 September 2020

Composite business cycle indicators for South Africa

- The composite **leading** business cycle indicator *increased* further by 2.6% on a month-to-month basis in July 2020. Increases occurred in eight of the ten available component time series while the remaining two component time series decreased. The largest positive contributions to the movement in the composite leading business cycle indicator in July were increases in the number of residential building plans approved and in the RMB/BER Business Confidence Index. The two negative contributors were a deceleration in the six-month smoothed growth rate in the real M1 money supply and in the twelve-month percentage change in job advertisement space.
- The composite **coincident** business cycle indicator *increased* by 3.7% on a month-to-month basis in June 2020, supported by increases in retail and new vehicle sales and, to a lesser extent, industrial production following improved economic activity as lockdown restrictions were gradually lifted.
- The composite **lagging** business cycle indicator *increased* by 2.1% on a month-to-month basis in June 2020. Large revisions occurred particularly in the month of April following the publication of the second quarter of 2020 gross domestic product and related national account statistics, which are incorporated into a number of ratio time series that constitute some of the components of the composite lagging business cycle indicator. More specifically, the ratio of inventories to sales in manufacturing and trade, and the ratio of instalment sale credit to disposable income of households increased significantly, as the denominator in both ratios almost halved in the second quarter of 2020. An increase in these ratios normally gives an indication of pressures building up in an economy, in the form of over-stocking and rapid credit growth relative to disposable income. However, the impact of the lockdown caused the unusual outcomes in these component time series of the composite lagging indicator, which should rather be interpreted as outliers due to the exogenous nature of the pandemic than true signals of the current stance of the business cycle.

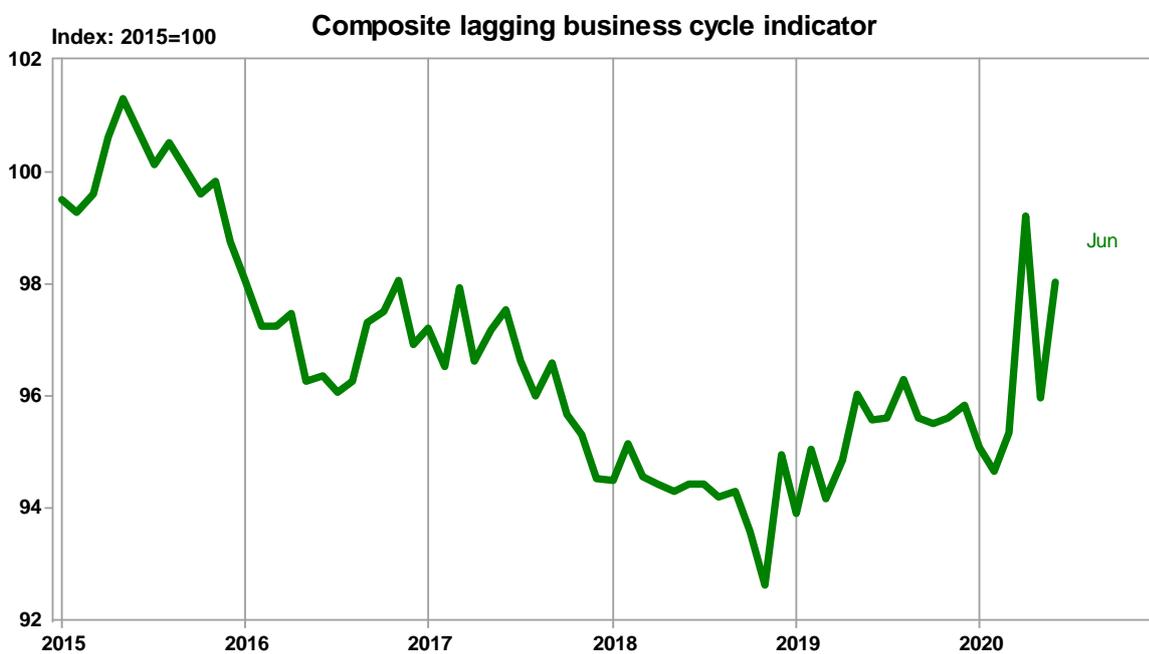
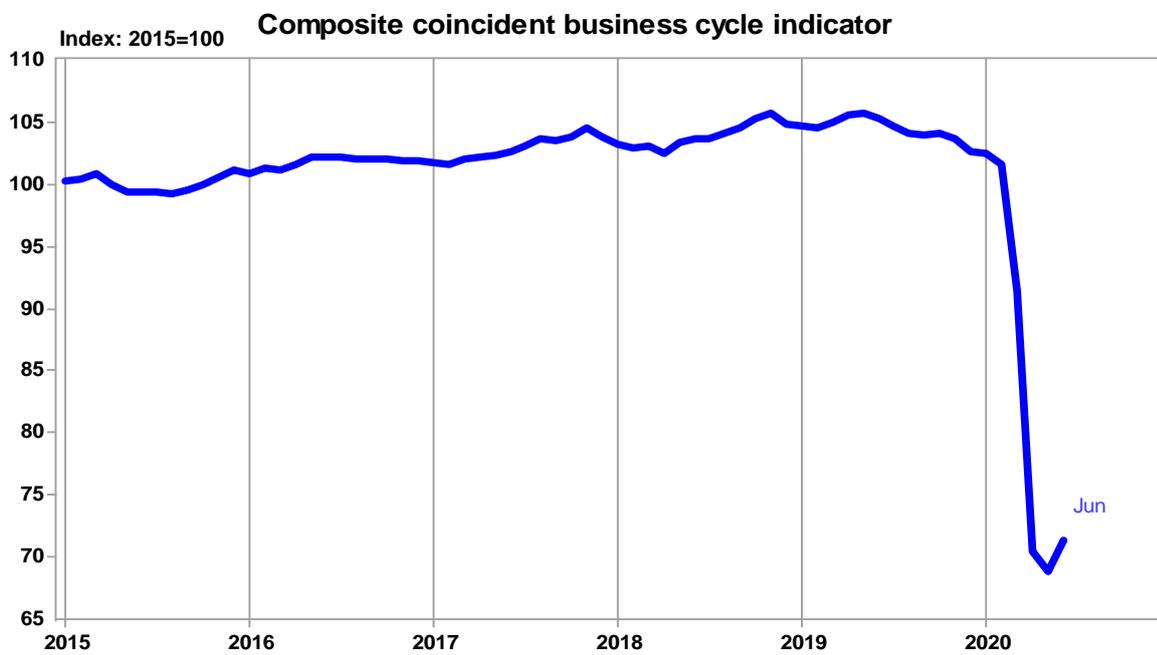
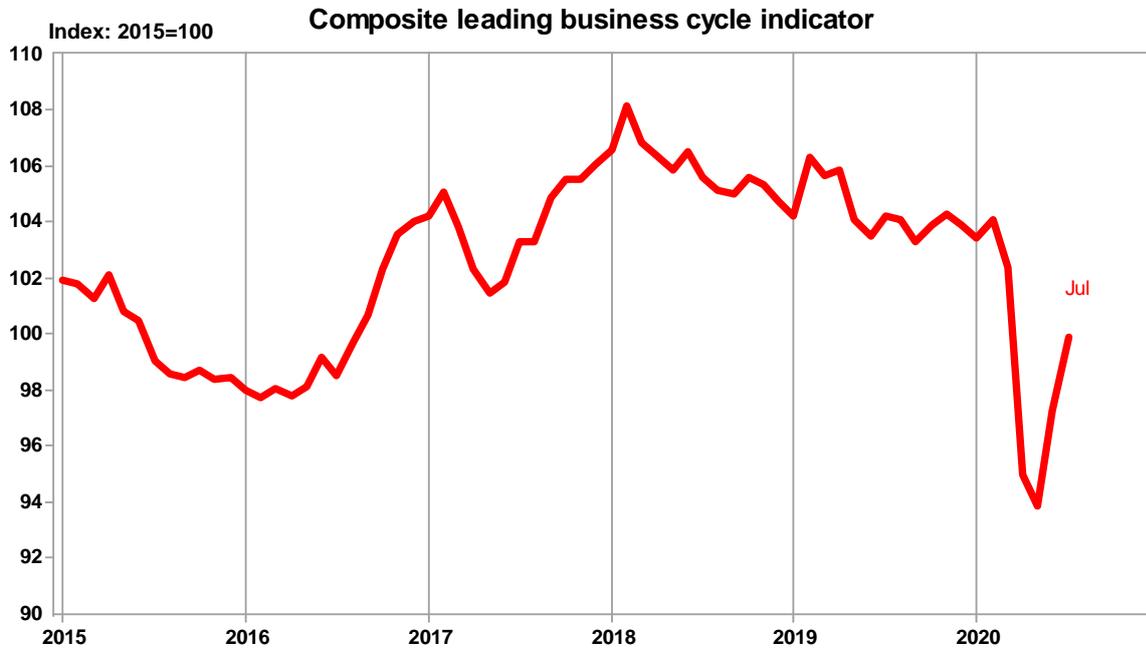


Table 1 Summary of the composite business cycle indicators*

Indices: 2015 = 100	2019		2020						
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Leading indicator	104.3	103.9	103.5	104.1	102.4	95.0	93.9	97.3	99.9
12-month percentage change	-1.0	-0.9	-0.7	-2.1	-3.1	-10.2	-9.8	-6.0	-4.2
Coincident indicator	103.6	102.6	102.5	101.6	91.4	70.5	68.8	71.3	-
12-month percentage change	-1.9	-2.2	-2.1	-2.8	-13.0	-33.2	-34.9	-32.3	-
Lagging indicator	95.6	95.8	95.1	94.7	95.3	99.2	96.0	98.0	-
12-month percentage change	3.2	0.9	1.3	-0.4	1.2	4.6	-0.1	2.5	-

* 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 July 2020 data point:

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

* Bureau for Economic Research, Stellenbosch University

The next release is scheduled for 20 October 2020, at 09:00 A.M.

