



South African Reserve Bank

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Composite business cycle indicators for South Africa

- The composite **leading** business cycle indicator *increased* further by 3.7% on a month-to-month basis in August 2020. All 10 available component time series increased as activity levels in the economy continued to rebound following the extended lockdown. The largest contributions to the increase in the composite leading business cycle indicator in August were increases in the US dollar-denominated South African export commodity price index and the RMB/BER Business Confidence Index.
- The composite **coincident** business cycle indicator *increased* further by 5.2% on a month-to-month basis in July 2020, supported by increases in industrial production as well as retail and new vehicle sales.
- The composite **lagging** business cycle indicator *decreased* by 0.2% on a month-to-month basis in July 2020. However, revisions occurred from March 2020 onwards following the recent publication of the *Quarterly Employment Statistics* (QES) survey and the National Accounts data for the second quarter of 2020. This was reflected in a sharp increase in unit labour cost in the manufacturing sector and a number of other ratios in the lagging indicator. The decrease in manufacturing production volumes in the second quarter of 2020 exceeded that in salaries and wages in the sector, resulting in a sharp increase in the unit labour cost in the manufacturing sector. While an increase in the lagging indicator is usually indicative of a build-up of cost pressures or of increased structural imbalances within an economy, the impact of the extended lockdown on nominal unit labour cost measurement outcomes superficially suggests that labour market conditions are becoming tighter (which usually only occurs late in an expansion phase). However, this outcome is not coherent with the actual stance of the labour market at present with notable job losses and falling wages. The data distortions due to COVID-19 are visible in unusual outcomes in some economic indicators which currently reflect the exogenous nature of the pandemic rather than the true stance of the economy, and should therefore be treated with circumspection.

The next release is scheduled for 24 November 2020, at 09:00 A.M.

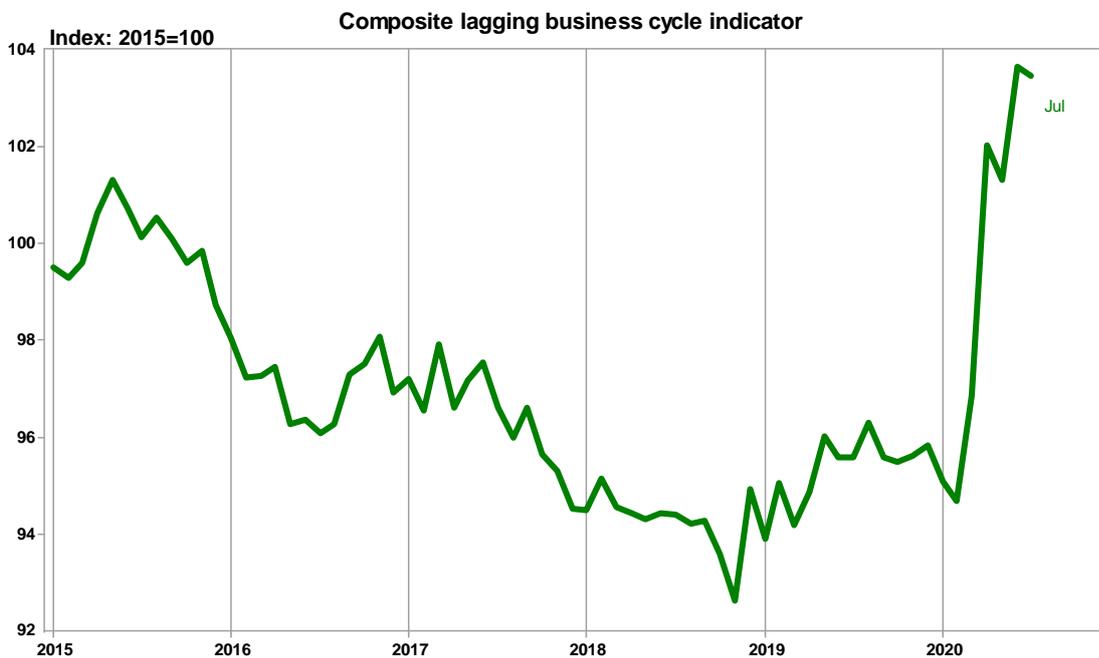
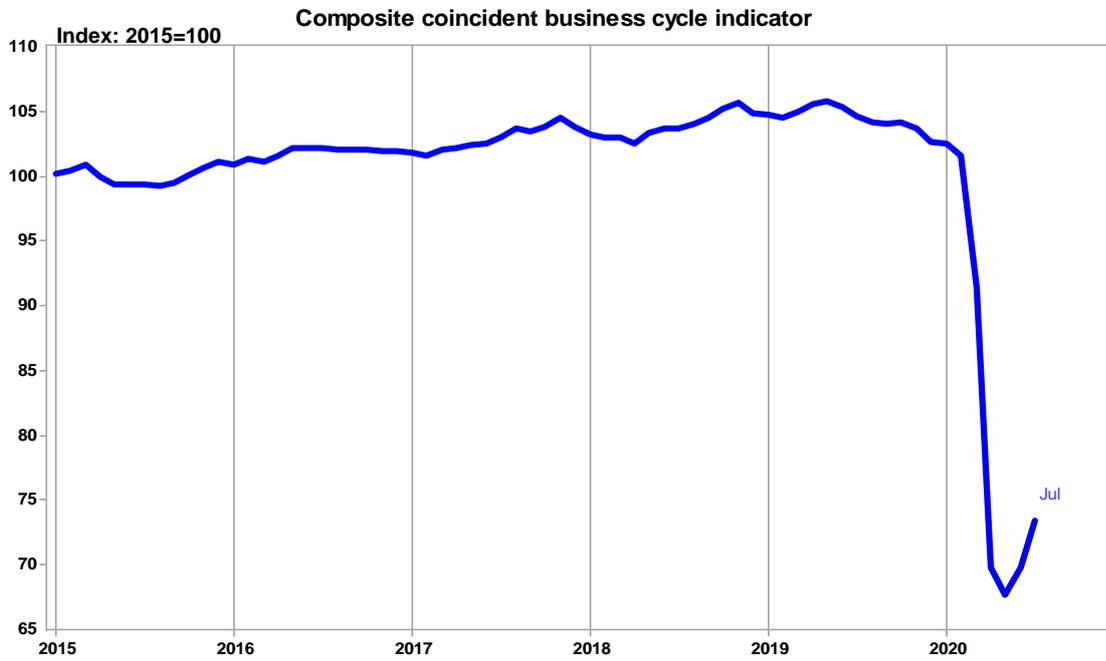
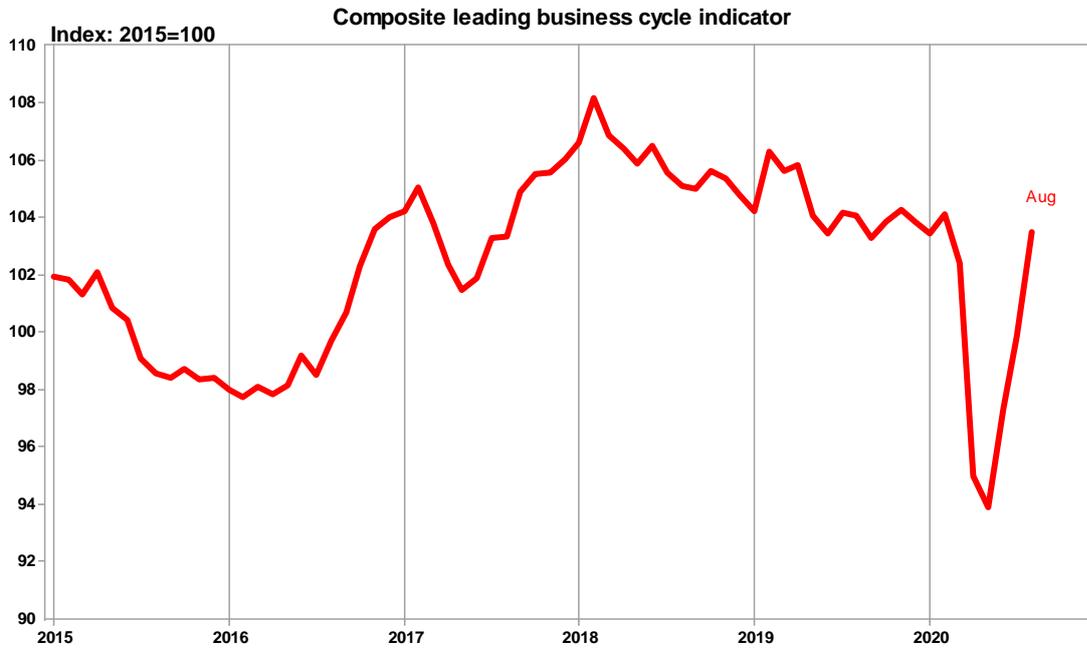


Table 1 Summary of the composite business cycle indicators*

Indices: 2015 = 100	2019	2020							
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Leading indicator	103.9	103.5	104.1	102.4	95.0	93.9	97.3	99.9	103.5
12-month percentage change	-0.9	-0.7	-2.1	-3.1	-10.2	-9.8	-6.0	-4.2	-0.5
Coincident indicator	102.6	102.5	101.6	91.4	69.8	67.6	69.8	73.4	-
12-month percentage change	-2.2	-2.1	-2.8	-13.0	-33.9	-36.0	-33.7	-29.8	-
Lagging indicator	95.8	95.1	94.7	96.9	102.1	101.3	103.6	103.5	-
12-month percentage change	0.9	1.3	-0.4	2.8	7.6	5.5	8.4	8.2	-

* 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 August 2020 data point:

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

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