



## South African Reserve Bank

**For further information regarding this release, please contact:**

Adri Wolhuter: +27 (12) 313 3228

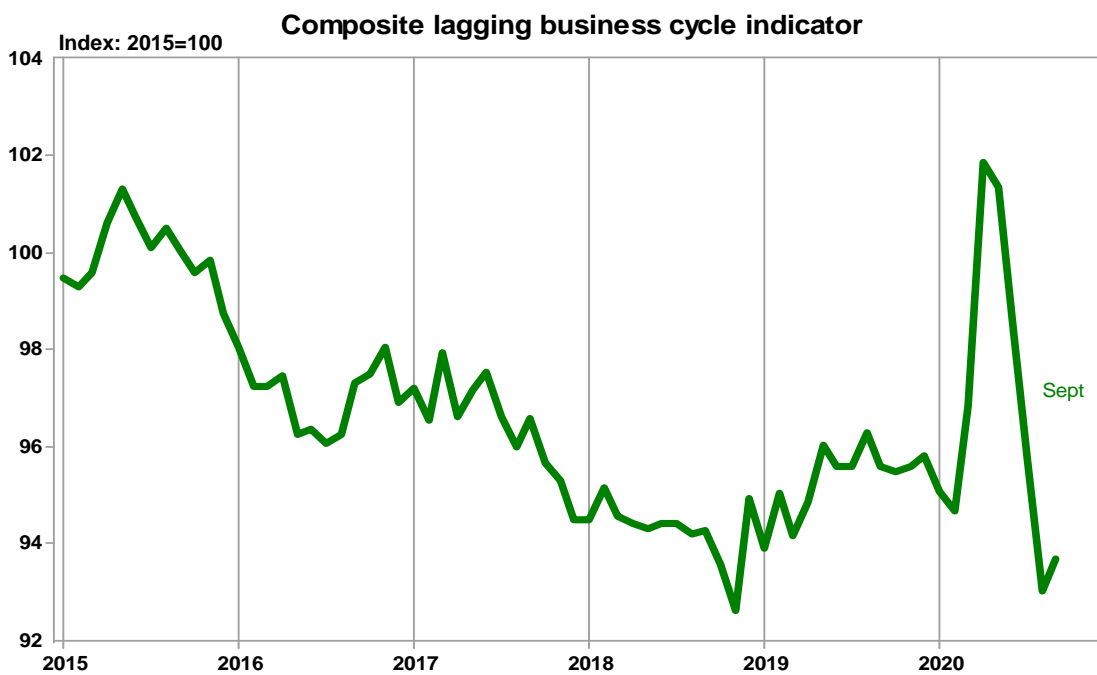
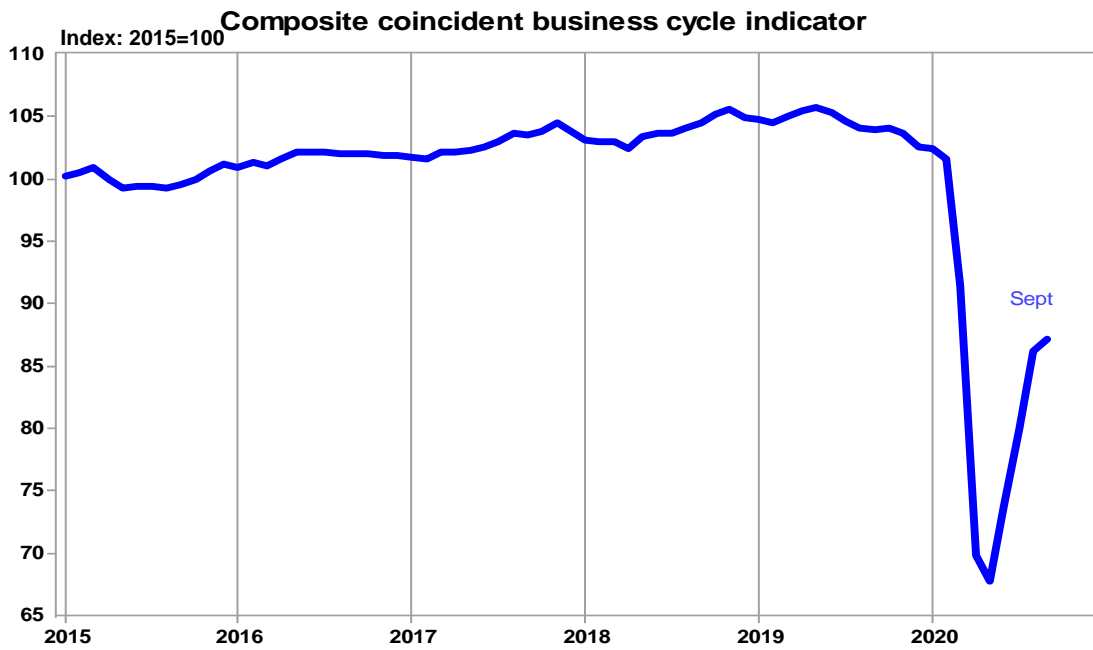
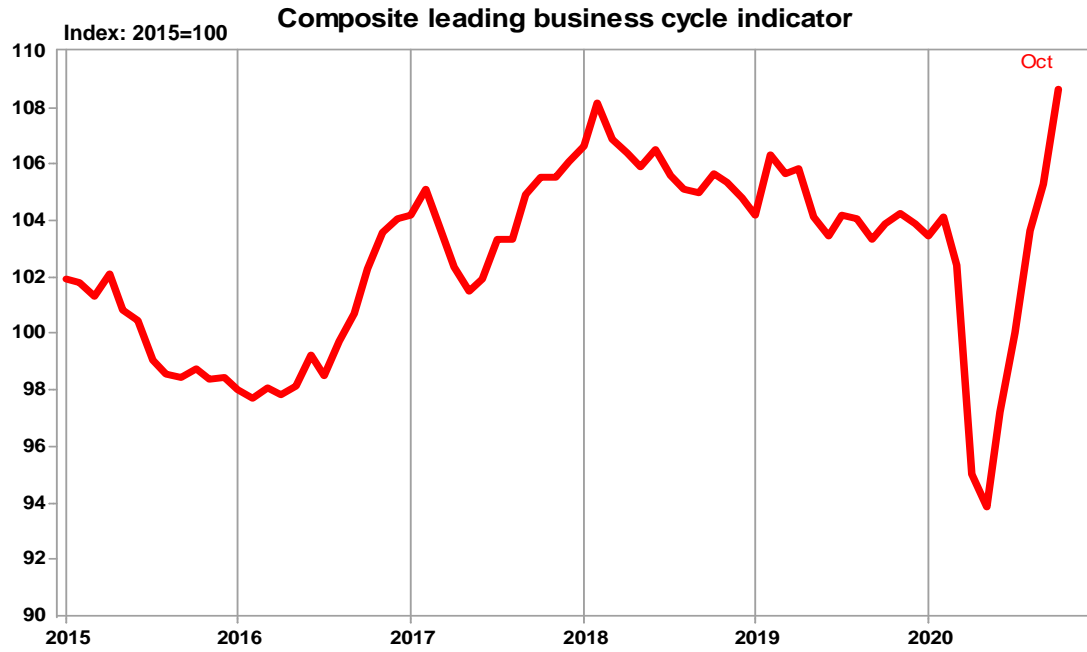
[Adri.Wolhuter@resbank.co.za](mailto:Adri.Wolhuter@resbank.co.za)

**FOR RELEASE: 09:00 A.M., Tuesday, 15 December 2020**

### **Composite business cycle indicators for South Africa**

- The composite leading business cycle indicator *increased* further by 3.1% on a month-to-month basis in October 2020 as all ten of the available component series increased during the month. The largest contributors to the increase in the composite leading business cycle indicator in October were an acceleration in the twelve-month rate of change in job advertisement space and an improvement in the RMB/BER Business Confidence Index.
- The pace of *increase* in the composite **coincident** business cycle indicator moderated to 1.0% on a month-to-month basis in September 2020 following the strong recovery in the preceding three months which reflected the rebound in real gross domestic product in the third quarter. The rate of increase in the industrial production index as well as in retail and new vehicle sales moderated in September.
- The composite **lagging** business cycle indicator *increased* by 0.7% on a month-to-month basis in September 2020. The notable revisions in the lagging indicator from April 2020 resulted from the movement in a number of component series which are ratios incorporating national accounts statistics. The impact of COVID-19 and the national lockdown led to a severe contraction in economic activity in the second quarter of 2020 and a sharp rebound in the third quarter. The ratio of investment in machinery and equipment to consumer goods consumption decreased notably due to the rebound in the denominator, reversing the strong increase of the second quarter. The ratio of inventories to manufacturing and trade sales displayed a similar movement due to the sharp contraction in sales in the second quarter followed by a rebound in the third quarter. Consequently, the strong increase in the lagging indicator from February to April 2020, which gave the impression of a build-up of pressure and imbalances in the economy, has subsequently been reversed. These data distortions occurred due to the exogenous nature of COVID-19, with the lagging indicator now more accurately reflecting the lack of cost pressures or other imbalances in the domestic economy.

**The next release is scheduled for 26 January 2021, at 09:00 A.M.**



**Table 1 Summary of the composite business cycle indicators\***

Indices: 2015 = 100	2020								
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct
Leading indicator	104.1	102.4	95.0	93.9	97.2	100.0	103.6	105.3	108.6
<i>12-month percentage change</i>	-2.1	-3.1	-10.2	-9.8	-6.0	-4.0	-0.4	1.9	4.6
Coincident indicator	101.6	91.4	69.8	67.8	73.7	80.0	86.3	87.1	-
<i>12-month percentage change</i>	-2.8	-13.0	-33.9	-35.9	-30.1	-23.6	-17.2	-16.2	-
Lagging indicator	94.7	96.9	101.9	101.4	98.7	95.8	93.0	93.7	-
<i>12-month percentage change</i>	-0.4	2.8	7.4	5.6	3.3	0.2	-3.4	-2.0	-

\* 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 October 2020 data point:**

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

\* Bureau for Economic Research, Stellenbosch University