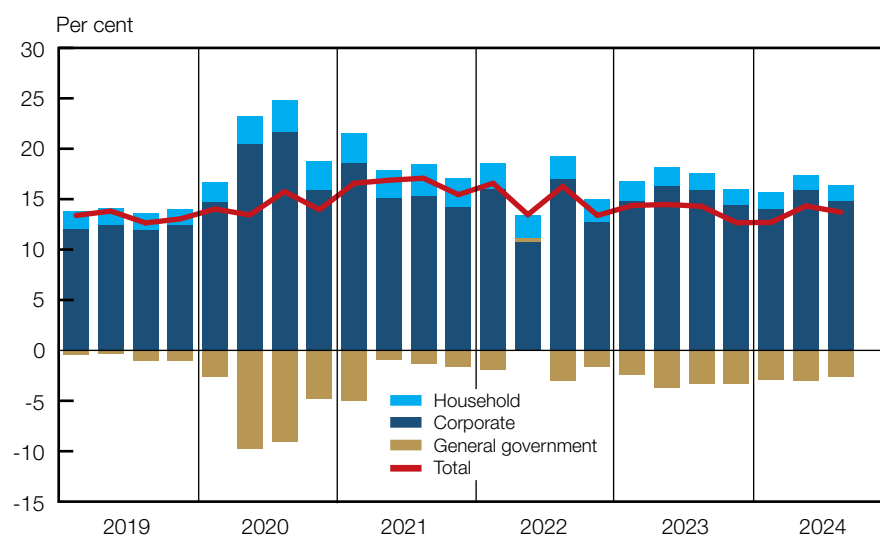




Gross saving by the *corporate sector* as a percentage of nominal GDP decreased from 15.9% in the second quarter of 2024 to 14.9% in the third quarter due to increased seasonally adjusted dividend and tax payments. Dissaving by *general government* as a percentage of GDP decreased from 3.0% in the second quarter of 2024 to 2.7% in the third quarter as seasonally adjusted nominal revenue collections increased more than government expenditure. Gross saving by the *household sector* as a ratio of GDP remained steady at 1.5% in the third quarter of 2024 as the increase in seasonally adjusted nominal household disposable income was neutralised by an increase in nominal household consumption expenditure.

Gross saving as a percentage of gross domestic product



Sources: Stats SA and SARB

## Box 1 Revisions to the composite business cycle indicators

The South African Reserve Bank (SARB) periodically reviews the performance of the composite business cycle indicators and their constituent time series. Changes to the components of these indicators result from, among other factors, structural changes in the economy, the discontinuation of existing economic indicators, the availability of new economic indicators or an improvement in the coverage of some indicators. The most recent revision to the components of the composite leading and coincident business cycle indicators occurred in 2015,<sup>1</sup> while the composition of the composite lagging business cycle indicator was last revised in 2004.<sup>2</sup> This box describes the most recent revisions to all three composite business cycle indicators.

Composite business cycle indicators are constructed by integrating various individual economic time series into a single indicator time series that mirrors the movement of, and the turning points in, the business cycle. Three groups of indicators are distinguished, namely those that change direction ahead of the business cycle (leading indicators), those that move more or less in tandem with the business cycle (coincident indicators) and those indicators that lag behind the business cycle (lagging indicators).

Each business cycle is unique and as such the behaviour of individual economic time series could vary somewhat during different business cycles, thereby affecting the degree of reliability of these individual time series as business cycle indicators from one business cycle to the next. However, combining the individual economic indicators into composite indicators reduces the risk of false signals, with the resultant composite indicators exhibiting a more consistent and reliable timing relationship with changes in the business cycle than each of the individual economic indicators. In addition, the composite business cycle indicators tend to display less volatility (noise) than most of their individual component time series due to the offsetting of measurement errors and other irregularities or random deviations in the individual time series when grouped together, thereby providing clearer signals of business cycle turning points.

1 See 'Box 1 Revisions to the composite leading and coincident business cycle indicators' in the June 2015 edition of the *Quarterly Bulletin (QB)*, available at <https://www.resbank.co.za/content/dam/sarb/publications/quarterly-bulletins/boxes/2015/7149/2015Revisions-to-the-composite-leading-and-coincident-business-cycle-indicators.pdf>

2 See 'Note on the revision and significance of the composite lagging business cycle indicator' in the March 2004 edition of the *QB*, available at <https://www.resbank.co.za/content/dam/sarb/publications/quarterly-bulletins/articles-and-notes/2004/4407/Note-on-the-revision-and-significance-of-the-composite-lagging-business-cycle-indicator.pdf>

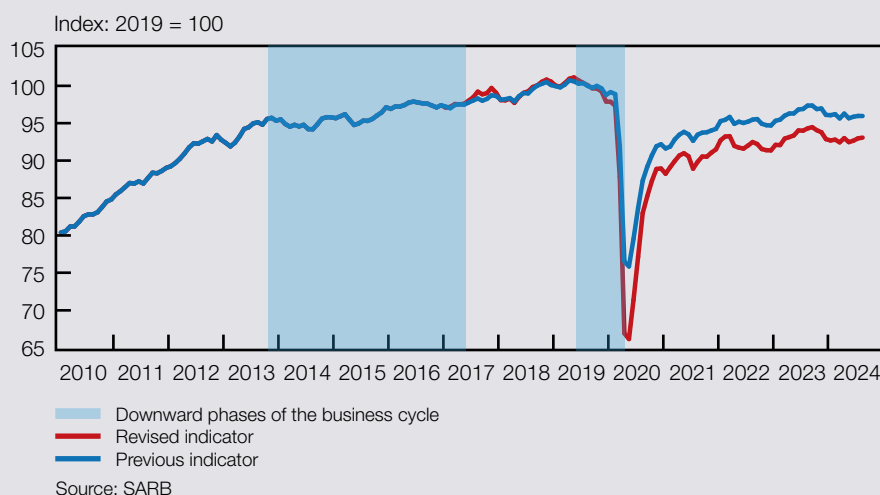


In this update, the coverage of the time series included in the composite coincident indicator was reviewed, with three of the five component time series previously included being retained without changes, while the remaining two have been retained with some improvements.

- The coverage of the time series measuring the real value of retail trade and new vehicle sales was expanded to also include real wholesale trade sales, while the real value of new vehicle sales was replaced with the real value of total motor trade sales. These changes resulted in a much more comprehensive domestic trade indicator now being included in the composite coincident business cycle indicator.
- By contrast, the coverage of the time series measuring the total real gross value added (GVA) at basic prices, excluding agriculture, forestry and fishing, was reviewed to avoid double counting in the composite index and now excludes trade- and production-related indicators. This component now measures only the real GVA by the construction; transport, storage and communication services; finance, insurance, real estate and business services; and community, social and personal services sectors.

The final step in the compilation methodology of the composite coincident business cycle indicator is to adjust its long-term trend to match that in the real GVA at basic prices, excluding agriculture, forestry and fishing. During the 2015 revision, the long-term trend of the composite coincident business cycle indicator was adjusted lower as it outpaced the long-term trend of the non-agricultural real GVA. Following the initial recovery from the global financial crisis of 2008–09, growth in the real non-agricultural GVA gradually slowed from 2014 as the South African economy was increasingly affected by structural constraints such as insufficient electricity supply. Since then, the growth trend in the composite coincident business cycle indicator has outpaced the growth trend in real non-agricultural GVA by a slightly bigger margin than before. During the current revision, the long-term trend of the composite coincident business cycle indicator was thus adjusted downwards by a slightly larger margin than before and the revised composite index was linked to the historical composite index from January 2017.

### Composite coincident business cycle indicator



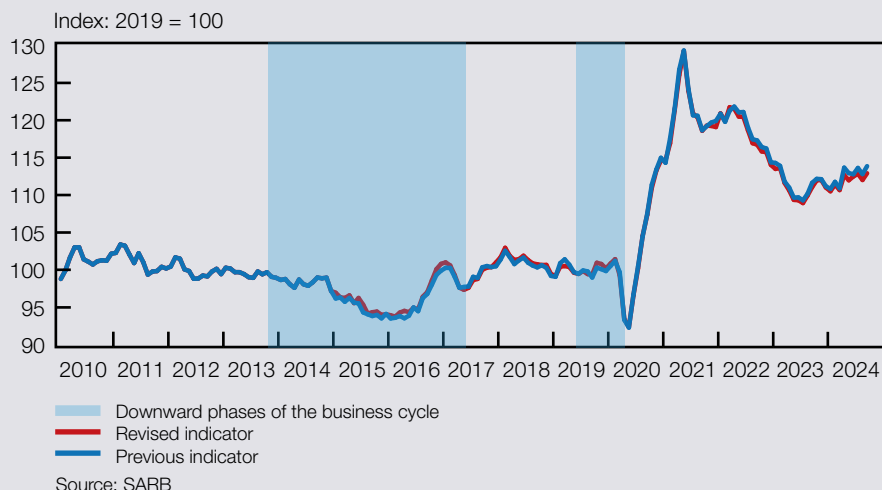
Changes in the compilation of the composite leading business cycle indicator were minimal as 10 of the 11 component time series were retained unaltered in the revised composite indicator, while the coverage of the remaining indicator was broadened.

- The coverage of the time series measuring job advertisement (ad) space in the *Sunday Times* newspaper was expanded to also include job ads on the Pnet online platform. In the newly combined job ads time series, the *Sunday Times* ads were assigned a weight of 20% and the Pnet job ads received a weight of 80%. Apart from significantly improving the coverage, the new indicator is also considerably less volatile than the previous indicator, enabling the identification of cyclical turning points more clearly.

The inherent trend of the composite leading business cycle indicator has no economic meaning as most of its component time series are stationary, implying that they display no discernible long-term trend. In compiling the composite leading business cycle indicator, the final step is to adjust its long-term trend to match that of the composite coincident business cycle indicator. During this revision, the long-term trend of the composite leading business cycle indicator was adjusted upwards by a slightly smaller margin than before to match the adjustment made to the trend in the composite coincident business cycle indicator. The revised composite leading business cycle indicator was linked to the historical indicator from January 2015.



### Composite leading business cycle indicator

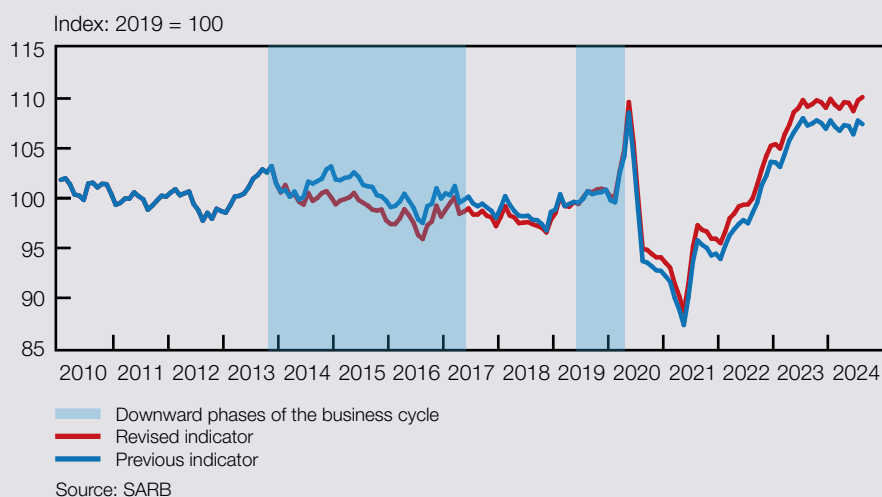


There was one change to the seven component time series used to compile the composite lagging business cycle indicator, with the other six components retained without changes.

- The prime overdraft rate charged by commercial banks was replaced with the weighted average interest rate charged by commercial banks. Although these two interest rates are fairly closely aligned, the prime overdraft rate moves in step with the repurchase rate, while the weighted average rate charged by banks sometimes deviates from the prime overdraft rate and is thus a better reflection of the actual cost of capital in the economy.

For similar reasons to the composite leading business cycle indicator, the inherent trend of the composite lagging business cycle indicator also has no economic meaning. The final step in compiling the composite lagging business cycle indicator therefore also involves matching its long-term trend to that of the composite coincident business cycle indicator. The long-term trend of the composite lagging business cycle indicator was adjusted upwards by a slightly smaller margin than before to match the adjustment made to the trend of the composite coincident business cycle indicator. The revised composite lagging business cycle indicator was linked to the historical composite indicator from January 2014.

### Composite lagging business cycle indicator



The revised component series included in the three composite business cycle indicators are listed in the table below.

**Component time series of the composite business cycle indicators\***

Leading indicator	Coincident indicator	Lagging indicator
<i>Job ad space in the Sunday Times newspaper and the Pnet online platform: six-month smoothed growth rate</i>	<i>Real GVA by the construction; transport, storage and communication services; finance, insurance, real estate and business services; and community, social and personal services sectors</i>	Ratio of gross fixed capital formation in machinery and equipment to final consumption expenditure on goods by households
Number of residential building plans passed for flats, townhouses and houses larger than 80m <sup>2</sup>	Total formal non-agricultural employment	Nominal labour cost per unit of production in the manufacturing sector: percentage change over 12 months
Interest rate spread: 10-year government bonds less 91-day Treasury bills	<i>Real value of wholesale, retail and motor trade sales</i>	Value of non-residential buildings completed at constant prices
Real M1 money supply (deflated with the consumer price index (CPI): six-month smoothed growth rate	Industrial production index	Ratio of inventories to sales in manufacturing and trade
Index of commodity prices (in US dollar) for a basket of South African-produced export commodities	Utilisation of production capacity in manufacturing	Ratio of consumer instalment sale credit to disposable income of households
Composite leading business cycle indicator of South Africa's major trading-partner countries: percentage change over 12 months		<i>Weighted average interest rate charged by commercial banks</i>
Gross operating surplus as a percentage of GDP		Real value of cement sales
Rand Merchant Bank/Bureau for Economic Research (RMB/BER) Business Confidence Index		
Net balance of manufacturers observing an increase in the average number of hours worked per factory worker (half weight)		
Net balance of manufacturers observing an increase in the volume of domestic orders received (half weight)		
Number of new passenger vehicles sold: percentage change over 12 months		

\* The component series that were changed during this review are italicised.