

**Cape Higher Education Consortium (CHEC) /  
City of Cape Town (CoCT)  
Cape Chamber of Commerce**

**JOINT RESEARCH PROGRAMME 2023/2024**

**Project Progress Report: 13 December 2025**

**Development of a credible business confidence survey  
methodology and instrument for the City of Cape Town**

## 1. COVER PAGE

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## 2. ABSTRACT

This project is being funded by the Consortium for Higher Education in the Cape (CHEC). The City of Cape Town wants to explore the use of a Business Confidence Index (BCI) survey/ index to improve the availability of local economic intelligence and data on the performance of the Cape Town economy. The City of Cape Town already publishes Economic Performance Indicators for Cape Town (EPIC) on a quarterly basis<sup>1</sup>.

The OECD (<https://www.oecd.org/sdd/leading-indicators/31837055.pdf>) in 2023 developed a Handbook stating the following:

*“Business Tendency Surveys are carried out to obtain qualitative information for use in monitoring the current business situation and forecasting short-term developments. Information from these surveys has proved of particular value in forecasting turning points in the business cycle. The purpose of this Handbook is to show how these surveys are designed and carried out, how the results are processed and how they can be used for economic analysis”.*

Ideally, business confidence levels in the Cape Town economy need to be compared to business confidence index levels in other Metropolitan cities and/or national business confidence levels wherever this may be feasible so to inform a comparative analysis of business confidence levels.

The following points of departure are informing this Cape Town business confidence survey methodology project:

1. The methodology will be informed by a review of existing business confidence surveys in South Africa. This will include exploring whether it is possible for the proposed survey methodology to replicate existing survey methodologies in important aspects so as to allow comparability in survey results (either national surveys and/or other local business confidence surveys).
2. The methodology will seek to build on existing business confidence survey initiatives wherever possible. This will require exploratory discussions with the Bureau of Economic Research and potentially others.
3. The methodology will seek to balance the need to obtain timeous/ rapid / regular insights and feedback on business confidence with the need to ensure a credible

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<sup>1</sup> <https://www.capetown.gov.za/work%20and%20business/doing-business-in-the-city/business-support-and-guidance/economic-reports>

sample and sufficient number of respondents that addresses issues such as the level of confidence and margin of error when interpreting the survey results.

Van Rooyen (2011)<sup>2</sup> summarises some of the literature on what business confidence is and why it is important as follows:

According to Pellissier (2002: 52), business confidence means “the degree of sentiment towards risk-taking by business for whatever reason”. The concept of business confidence is a valuable tool for measuring the prevailing economic climate. Research has shown that business-conditions surveys (the term preferred by Aylmer & Gill 2003:19) help us to predict business behaviour (Collins 2001: 1). An increase in business confidence might increase private investment in fixed capital goods, which will also eventually support economic growth. A decline in business confidence suggests that people are uncertain about the prospects of their company’s performance and in the business environment within which the company operates (Aylmer & Gill 2003; Kershoff 2000: 2–4).

The BER has found that business confidence index levels are good indicator for the business cycle.

Key progress to date has involved an initial literature review, the development of an BCI methodology framework document and conducting key informant interviews with five following organisations involved in existing BCI surveys in South Africa.

### **3. INTRODUCTION AND PROJECT AIMS / QUESTIONS**

The purpose of this project is to review existing BCIs primarily conducted in South Africa and to explore the recommended way forward with a Cape Town or Cape BCI. This way forward may included partnering with an organisation currently conducting BCIs to incorporate a Cape Town/ Cape BCI or a new Cape Town/ Cape BCI initiative. Key factors informing the recommended way forward will be explored.

### **4. PROJECT PROGRESS AND FINDINGS TO DATE**

In August 2023, a meetings took place with the CoCT and the CCCI to discuss this project and which the CCCI supported. A proposal was submitted in September 2023

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<sup>2</sup> D van Rooyen (2011). The ‘U-turn’: Business confidence in a Karoo town.

to CHEC. In March 2024, this application was approved. The project funds were transferred to the Chamber on May 31, 2024.

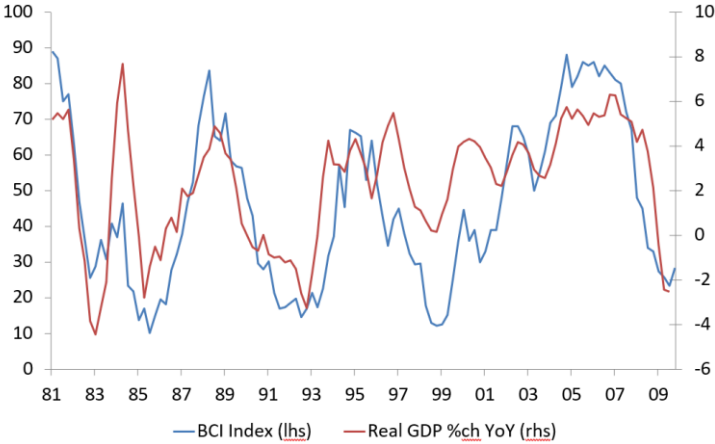
Some of the significant milestones achieved to date include the following:

1. BCI interview/ research framework completed (see Annexure A)
2. Key informant interviews conducted with five organisations involved in conducting BCIs.

Key findings to date per organisation interviewed are summarised below:

**Table 1 Initial findings from preliminary discussions with existing BCI implementing organisations in South Africa**

Organisation	Initial BCI findings
Bureau of Economic Research BCI	<ul style="list-style-type: none"> <li>• Oldest running BCI in South Africa. Based on OECD Business tendency surveys (BTS) methodology developed independently in Europe and US between world wars.</li> <li>• When BER started surveys in 1954, SA became 7th country in the world to conduct business confidence index surveys.</li> <li>• Use deliberate (convenience non-probability) sampling to create and maintain a panel of participants.</li> <li>• The survey results are obtained from questionnaires completed by senior executives in the trade (retailers, wholesalers and new vehicle dealers), manufacturing and building sector during the last month of every quarter. Questionnaires are sent to 1 400 business people in the building sectors, 1 400 in the trade sectors and 1 000 in manufacturing. The response rate is about 50%. The sample of executives remains the same from one survey to the next. A panel is in effect established. The sample is divided according to main sectoral categories. Each firm gets a weighting in relation to turnover or size of workforce to provide for widely differing sizes. Participants have to complete a “participant details form” every few years to ensure that they are correctly classified and to provide for changes in turnover. The list of participants is also reviewed every few years to ensure an agreeable representation of the universe.</li> <li>• Questionnaire: Very few questions on business activity and constraints and only indicate "up", "remain the same" or "down" compared to a year ago. Compared to the same quarter a year ago, are the volume of sales up, the same or down?"</li> <li>• Business confidence indicates % rating prevailing business conditions as satisfactory</li> <li>• Survey responses are weighted according to firm size and sector.</li> <li>• BCI level corresponds closely to Stats SA survey data on production levels as well as GDP growth trends:</li> </ul>

Organisation	Initial BCI findings
	<p data-bbox="440 230 1091 271"><b>Business confidence vs. GDP growth</b></p>  <ul data-bbox="464 763 1390 2029" style="list-style-type: none"> <li>• Short-term planning is hampered as numeric (official) data is released with a time lag. Business survey results reveal what happened between the release of the last official figures and the current state of affairs. The results not only reveal beforehand the direction of sales, selling prices, employment etc. (for which official figures are published), but also provide unique information, such as business confidence, rating of business conditions and respondents' expectations (or forecasts) for the next quarter for which no official figures exist. It is now widely recognised that these subjective individual expectations play a key role in economic developments. Furthermore, the survey results of successive quarters provide a means of tracking cyclical movements, pinpointing trend changes and establishing forecasts.</li> <li>• Regarding the BCI: The business survey questionnaire contains questions on, amongst others, current and expected developments regarding sales, orders, employment, inventories, selling prices and constraints. All of the above obviously have an impact on business confidence. Poor sales, for instance, dampen confidence, as will a lack of orders received. In fact, research done in Europe has shown that orders received are an important determinant of manufacturers' confidence. Research has also shown that the various determinants listed above do not always have a similar impact on confidence. This implies that the responses need to be weighted in order to obtain a reliable composite index. Subjectively one feels that these weights will not remain constant over the course of the business cycle. Furthermore, it is difficult to use conventional statistical measures to obtain a weighted index based on subjective inputs.</li> <li>• The SACCI survey does not measure confidence; it employs indexes that incorporate various data points. When the economy performs well, sentiment tends to improve as well. Differences exist in data availability; for instance, SACCI lacks retail sales and manufacturing production data at the city level, which complicates confidence measurement.</li> <li>• The only true confidence indicator recognized is the <b>BER (Bureau for Economic Research)</b>, while other indices are derivatives based on different data sources. However, city-level data remains limited.</li> <li>• Survey Execution</li> <li>• Response Rates and Data Management: The BER's survey's response rates have dwindled, with a current national sample size of</li> </ul>

Organisation	Initial BCI findings
	<p>approximately <b>1,700</b> respondents. However, specific breakdowns by sector or province cannot be disclosed.</p> <ul style="list-style-type: none"> <li>• All data collection is now conducted electronically, necessitating email addresses for respondents. While these lists can be rented, response rates remain low—below 1%. Maintaining respondent engagement has become increasingly challenging as participants are reluctant to click on survey links.</li> <li>• Respondents receive survey results as an incentive for participation, ensuring transparency in how their input is used.</li> <li>• The BER survey primarily targets formal businesses, which tend to be larger in size. Responses are weighed based on sector representation, ensuring that different types of businesses are appropriately considered in the analysis.</li> <li>• There are a number of reasons why the CCCI / CoCT should consider and explore partnering with the BER existing BCI survey: <ul style="list-style-type: none"> <li>○ Sentiment analysis requires large sample sizes for city comparisons, which poses challenges as people may tire of participating in multiple surveys, leading to dropout rates.</li> <li>○ To enhance comparability with national data, it is essential to align the timing of local surveys with national surveys. This synchronization allows for more accurate national comparisons.</li> <li>○ The BER survey is part of international research networks focused on business confidence, providing a robust backing compared to other measures.</li> <li>○ Long-term average trends are necessary for meaningful analysis. Historical data helps establish a track record that adds context to current findings.</li> </ul> </li> <li>• Other issues raised re a possible CoCT// CCCI partnership:</li> <li>• The CoCT and or CCCI could encourage its businesses to opt in to a future BCI survey run by the BER- this complying with <b>POPIA (Protection of Personal Information Act)</b> .The City / CCCI can thus provide access to a larger business registry that informs sampling without compromising individual privacy.</li> <li>• There is openness to partnerships that could enhance survey reach and effectiveness. Established infrastructure and operational processes facilitate engagement with respondents.</li> <li>• Future surveys will need to consider seasonal impacts on various sectors over at least one year to accurately reflect economic conditions.</li> <li>• The SACCI business confidence index survey methodology integrates various elements aimed at capturing accurate business sentiment while navigating challenges related to sample size, sector representation, and respondent engagement. The commitment to maintaining independence in research outputs ensures credibility in the findings shared with stakeholders.</li> <li>• If a City BCI is combined with the BER national BCI, the BER could extract and report on the City BCI findings separately.</li> <li>• Report nationally include CCT respondents then extract CCT respondent provide additional city level insights. Wary lose respondents at CCT then natl number not include cape town.</li> </ul>

Organisation	Initial BCI findings
	<ul style="list-style-type: none"> <li>• The quarterly BCI surveys run on a fixed national time-frame as follows and so any future CoCT// CCCI partnership needs to bear this in mind in terms of commencement dates: <ul style="list-style-type: none"> <li>○ Q1 early Feb first two weeks</li> <li>○ Q2 May- 2nd – 3rd week</li> <li>○ Q3 August first 2 weeks</li> <li>○ Q4 November first 2 weeks</li> </ul> </li> <li>• Further details on the BER’s methodology can be found in: BER (2010). Measuring Business and Consumer Confidence in South Africa available at <a href="https://www.ber.ac.za/Documents/Download/892DD733-B38D-488A-ACE3-89182D76DF3C">https://www.ber.ac.za/Documents/Download/892DD733-B38D-488A-ACE3-89182D76DF3C</a></li> </ul>
SACCI BCI	<ul style="list-style-type: none"> <li>• SACCI does not depend on actual questionnaires, but rather uses various economic and market indicators to compile the 13 sub-indices that make up their monthly business confidence index (SACCI, 2016).</li> </ul>
Ilembe BCI	<ul style="list-style-type: none"> <li>• Conducted bi-annually</li> <li>• Uses a hybrid methodology including economic trend statistics at a municipal level (adapted from the SACCI methodology) and business survey perception data.</li> <li>• Questionnaire has been requested from Ilembe Chamber CEO, however, this has not been provided. It is assumed that the Chamber and/or service provider is unwilling to provide a copy of the questionnaire.</li> <li>• Survey is distributed to database of 5000 businesses and 150 responses are obtained.</li> </ul>
Durban Metro// Chamber/ University KZN BCI	<ul style="list-style-type: none"> <li>• Conducted quarterly.</li> <li>• Not clear if BCI is still being maintained- waiting for confirmation of a meeting to discuss further details</li> </ul>
Cape Town Central City Improvement District; CBD Business confidence	<ul style="list-style-type: none"> <li>• Survey started in 2020 and is conducted quarterly.</li> <li>• Focus is on retail businesses in the Cape Town CBD.</li> <li>• Survey includes approximately four key questions, one of which addresses changes in employment trends since the last quarter.</li> <li>• CCID has promised to send the questionnaire- requires follow-up.</li> <li>• Data Collection Process: CCID employs two full-time data collectors on contract, who conduct surveys throughout the year. Businesses participate for various reasons, including the potential benefits of data insights.</li> <li>• Target Sample: The target sample represents about 25% of retail businesses located in the Inner City, although actual respondent numbers are to be confirmed.</li> <li>• Data Collection Methodology: Methodology: Data is collected through face-to-face interviews conducted by CCID staff members. There is a need to verify if daily targets for completed surveys are set for these staff members.</li> <li>• Challenges: Data collection from informal businesses is avoided due to cooperation issues, while other sectors are excluded due to cost concerns. Sensitive data such as business turnover is not requested.</li> <li>• Confidence Index Calculation: Details regarding how the confidence index is calculated, including any weighting methods, require further clarification.</li> </ul>

Organisation	Initial BCI findings
	<ul style="list-style-type: none"> <li>Reporting and Use of Results: Survey findings are reported and communicated through various channels, including media coverage. Results are utilized by developers and retail businesses considering expansion or relocation within the inner city.</li> </ul>

### 3. Literature Review commenced:

The two main sets of literature reviewed to date are as follows:

1. OECD methodologies re BCIs
2. Bureau of Economic Research documentation on the BER/ RMB BCI survey

Selected extracts from the OECD BCI Methodology are as follows<sup>3</sup>:

The OECD system of Composite Leading Indicators (CLIs) is designed to provide early signals of turning points in business cycles - fluctuation in the output gap, i.e. fluctuation of the economic activity around its long term potential level. This approach, focusing on turning points (peaks and troughs), results in CLIs that provide qualitative rather than quantitative information on short-term economic movements. CLIs are computed monthly.

Potential leading indicators are classified to one of four types of economic rationale, shown below, that can be used to assess their suitability as leading indicators:

- Early stage: indicators measuring early stages of production, such as new orders, order books, construction approvals, etc.
- Rapidly responsive: indicators responding rapidly to changes in economic activity such as average hours worked, profits and stocks.
- Expectation-sensitive: indicators measuring, or sensitive to, expectations, such as stock prices, raw material prices and **expectations based on business survey data concerning production or the general economic situation/climate e.g. confidence indicators.**
- Prime movers: indicators relating to monetary policy and foreign economic developments such as money supply, terms of trade, etc

Trend GDP estimates are set at 100 in the system for all economies and all months, and, so a CLI above 100 anticipates that GDP levels will be above trend levels in six to nine months,

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<sup>3</sup> Including the 2003 OECD Business Tendency Survey Handbook available at: <https://www.oecd-ilibrary.org/business-tendency-surveys/5lmqcr2k50ls.pdf?itemId=%2Fcontent%2Fpublication%2F9789264177444-en&mimeType=pdf>

whilst a CLI below 100 anticipates that GDP levels will be below long trend levels in six to nine months.

**Table 1 CLI growth rate vs CLI below/above 100**

		CLI is below/above 100	
		Below	Above
Change in month-on-month CLI	Up	<p><b>Real GDP levels remaining below long-term trend</b></p> <p><i>Negative GDP-gap narrowing</i></p> <p>Real GDP growth anticipated above long-term growth</p>	<p><b>Real GDP levels remaining above long-term trend</b></p> <p><i>Positive GDP-gap widening</i></p> <p>Real GDP growth anticipated above long-term growth</p>
	Down	<p><b>Real GDP levels remaining below long-term trend</b></p> <p><i>Negative GDP-gap widening</i></p> <p>Real GDP growth anticipated below long-term growth</p>	<p><b>Real GDP levels remaining above long-term trend</b></p> <p><i>Positive GDP-gap narrowing</i></p> <p>Real GDP growth anticipated below long-term growth</p>

Notwithstanding the fact that there may be a one-to-many relationship between a potential component indicator and the four rationale above, the CLI system attempts to balance the composition of a given CLI and the cyclical events that can impact on it, by including indicators from each of the 4 categories.

The BCI is therefore one set of data that the OECD uses. It has not yet been established if the OECD uses the BER/ RMB BCI data-set for South Africa, however, it is assumed that this is the case (we will attempt to confirm this).

Business Confidence Indicators (BCI) correspond to the average of the following components:

- Expected production
- Order books levels
- Stock of finished goods (inverted sign).

Annexure 2 contains a list of potential business confidence survey questions as informed by the OECD Business Tendency Methodology.

The OECD has developed a (complex) statistical methodology to develop Standardised Confidence Index for business and consumer tendency surveys across the OECD and BRICS countries in order to achieve comparability of confidence indicators across countries and business cycles phases. This methodology can be found here:

<https://www.oecd.org/content/dam/oecd/en/data/methods/oecd-standardised-business-confidence-indicators-and-consumer-confidence-indicators.pdf>

The OCED CLIs cover the following countries, including South Africa:

- Twelve OECD member countries: Australia, Canada, France, Germany, Italy, Japan, Korea, Mexico, Spain, Türkiye, United Kingdom, United States
- Five non member economies: Brazil, China, India, Indonesia, South Africa
- G7: Canada, France, Germany, Italy, Japan, United Kingdom, and United States
- Major G20: Australia, Canada, France, Germany, Italy, Japan, Korea, Mexico, Türkiye, United Kingdom, United States, Brazil, China, India, Indonesia, South Africa
- Four Big European countries: France, Germany, Italy, and United Kingdom
- NAFTA: Canada, Mexico, and United States
- Major Five Asia: China, India, Indonesia, Japan and Korea.

As per the Proposal, the planned activities have been completed by mid-December 2024 and the planned activities for Jan-March 2025 remained on track as planned:

	Month 1 June	Month 2 July	Month 3 August	Month 4 September	Month 5 October	Month 6 November	Month 7 December	Month 8 January	Month 9 February	Month 10 March
Research Project Inception Meetings	√									
Participate in Research Project Steering Committee	√									
Project approach, methodology and data collection	√	√	√	√						
Review city based confidence survey documents and identify		√	√	√	√					
Conduct key informant stakeholder interviews X 5				√	√	√				
Synthesise research findings and identify way forward options								√	√	
Discussion on way forward proposals and next steps								√	√	
Detail next steps incl. operational procedures and processes and questionnaire if appropriate								√	√	
Draft Report (Clive to submit)								√	√	
Revise report										
Submit Final Report										√

We have encountered no real issues or problems to date, with the exception of the following:

1. Need to follow up requests for existing BCI questionnaires. Some partners may be reluctant to share these.
2. We do not expect partners to share details of the BCI statistical calculation methodologies as this may be commercially sensitive information with intellectual property ramifications. In addition, survey cost information cannot easily be extracted as this depends on a number of factors.
3. A meeting with the role-players involved in the Durban BCI is taking some time to confirm due to the non-availability of some of the partners in mid-December (specially the University of Kwazulu-Natal). This meeting will be confirmed for Jan. 2025.

## 5. STEPS TO COMPLETION

The principal activities to be completed are:

1. Following up outstanding information gaps: January// Feb. 2025.
2. Data synthesis and recommendations and draft report: February 2025.
3. Discussion of draft report and recommendations with the CCCI and City of Cape Town: March 2025.

## **6. BUDGET**

Actual Spend to Date = R50,000.

Original Budget = R100,000

Available = R50,000

## **Annxure 1: BCI Methodology Research Framework**

**Cape Chamber of Commerce and Industry (CCCI)– City of Cape Town Partnership**

**Business Confidence Index and Survey:**

**Methodology incl. data collection framework for existing business confidence surveys:**

**November 2024**

### **1 Introduction**

The purpose of this document is to outline the research approach to be followed by the CCCI in developing a methodology for a Cape business confidence index survey. This project is being funded by the Consortium for Higher Education in the Cape (CHEC). The City of Cape Town wants to explore the use of a BC survey/ index to improve the availability of local economic intelligence and data on the performance of the Cape Town economy. The City of Cape Town already publishes Economic Performance Indicators for Cape Town (EPIC) on a quarterly basis<sup>4</sup>.

Ideally, business confidence levels in the Cape Town economy need to be compared to business confidence index levels in other Metropolitan cities and/or national business confidence levels wherever this may be feasible so to inform a comparative analysis of business confidence levels.

The following points of departure are informing this Cape Town business confidence survey methodology project:

4. The methodology will be informed by a review of existing business confidence surveys in South Africa. This will include exploring whether it is possible for the proposed survey methodology to replicate existing survey methodologies in important aspects so as to allow comparability in survey results (either national surveys and/or other local business confidence surveys).
5. The methodology will seek to build on existing business confidence survey initiatives wherever possible. This will require exploratory discussions with the Bureau of Economic Research and potentially others.
6. The methodology will seek to balance the need to obtain timeous/ rapid / regular insights and feedback on business confidence with the need to ensure a credible sample and sufficient number of respondents that addresses issues such as the level of confidence and margin of error when interpreting the survey results<sup>5</sup>.

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<sup>4</sup> <https://www.capetown.gov.za/work%20and%20business/doing-business-in-the-city/business-support-and-guidance/economic-reports>

<sup>5</sup> 1. Survey level of confidence: The survey level of confidence is a measure of how sure the researchers are that the results of the survey accurately reflect the true opinions of the population being surveyed. It is typically expressed as a percentage, ranging from 90% to 99%. A higher level of confidence indicates that the researchers are more confident that the survey results are accurate. The survey level of confidence is based on a statistical calculation that takes into account the size of the sample, the sampling method used, and the variability of the population being surveyed. A larger sample size, a more rigorous sampling method, and a more homogeneous population will all lead to a higher level of confidence. It is important to note that no survey is perfect, and there will always be some degree of error. However, a high level of confidence indicates

Van Rooyen (2011)<sup>6</sup> summarises some of the literature on what business confidence is and why it is important as follows:

According to Pellissier (2002: 52), business confidence means “the degree of sentiment towards risk-taking by business for whatever reason”. The concept of business confidence is a valuable tool for measuring the prevailing economic climate. Research has shown that business-conditions surveys (the term preferred by Aylmer & Gill 2003:19) help us to predict business behaviour (Collins 2001: 1). An increase in business confidence might increase private investment in fixed capital goods, which will also eventually support economic growth. A decline in business confidence suggests that people are uncertain about the prospects of their company’s performance and in the business environment within which the company operates (Aylmer & Gill 2003; Kershoff 2000: 2–4).

The BER has found that business confidence index levels are good indicator for the business cycle.

The following business confidence methodology comparative framework and summary will be used to document and compare existing business confidence surveys. The first step will be to obtain documentation on each survey and populate this descriptive framework as comprehensively as possible. Gaps in information available from the documentation will also be noted/ listed in the framework. Interviews with relevant implementing organisations will then be requested to obtain missing information to address these gaps and complete each descriptive framework. An alternative approach would be to contact each implementing organisation and request that organisation to complete the framework below in Section 2 as a questionnaire if the implementing organisation is amenable (A meeting would first need to take place to explain the purpose of this exercise and clarify any sensitivities around sharing of information etc.).

Once existing surveys have been documented, an assessment and synthesis of the implications of the current “What is” context will take place to inform proposal for the “To be” Cape Town business confidence survey index project.

Only surveys that involve the calculation of a confidence index are included in this project scope. The three main business confidence index calculation methodologies used are as follows:

1. Business qualitative feedback on perceptions using a time-series panel (the BER methodology);

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that the researchers have taken steps to minimize the error and that the survey results are likely to be a good representation of the true opinions of the population.

2. Survey margin of error: The survey margin of error is the amount of error that is expected to be present in the survey results. It is typically expressed as a percentage point range around the survey estimate. For example, if the survey estimate is that 50% of businesses are confident about the future, and the margin of error is  $\pm 3$  percentage points, then this means that the true value could be anywhere from 47% to 53%. The survey margin of error is directly related to the survey level of confidence. A higher level of confidence will generally result in a smaller margin of error. This is because a higher level of confidence indicates that the researchers are more confident that the survey results are accurate, and therefore, there is less likely to be any significant error in the results. It is important to consider the survey margin of error when interpreting the results of a business confidence index survey. A large margin of error means that the results are less precise, and the true value could be further away from the survey estimate. However, even with a large margin of error, the survey results can still be useful for identifying trends and changes in business confidence over time.

<sup>6</sup> D van Rooyen (2011). The ‘U-turn’: Business confidence in a Karoo town.

2. Qualitative perception snap-shot at a specific point in time;
3. Quantitative economic indicator data analysis (the SACCI methodology).

Confidence indexes can be calculated in different ways<sup>7</sup>. In addition, perception surveys can be constructed in different ways. They can rely on perceptions of the present and future or they can rely on feedback on factual business conditions (i.e. did and/or will sales increase or decrease for calculating purchasing manager's confidence index)<sup>8</sup>.

To-date, the following relevant surveys have been identified to be included in this process (it is possible that additional surveys may come to light and be added as the research process moves forward). In addition, the OECD Business Tendency<sup>9</sup> as well as the EU general methodology guidelines will also be reviewed for relevant guidance on the proposed CCCI methodology.

1. Rand Merchant Bank Index quarterly survey compiled by the BER<sup>10</sup>
2. SACCI Business Confidence Index<sup>11</sup>
3. Ilembe Chamber of Commerce Business Confidence Index (iBCI) (running since 2015)<sup>12</sup>
4. Durban Business Confidence Index (running since 2022)<sup>13</sup>
5. Business Partners SME Confidence Index<sup>14</sup>
6. Cape Town Central City Improve District Quarterly Business Confidence Survey
7. OECD methodology.
8. EU methodology.

It is assumed that the CCCI methodology will involve a choice between the qualitative business perceptions methodology and the quantitative economic data methodology

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<sup>7</sup> See Pakistan business confidence index calculation methodology as an example:

<https://www.sbp.org.pk/research/BCS-m.asp>

<sup>8</sup> In the United States, the National Association of Purchasing Managers Report on Business Purchasing Managers' Index is based on the percentage of positive responses. The reason why this monthly report on business is so highly respected is that it is based on hard survey data rather than on conjecture (Collins 2001: 3). The Business Survey Committee, comprising more than 300 purchasing and supply executives from across the country, provides its views on business trends. Members of the committee respond anonymously and confidentially to a monthly questionnaire designed to elicit fact – rather than opinion – about changes in production, new orders, new export orders, imports, employment, inventories, prices, lead times and the timelines of supplier deliveries in their companies, comparing the current month with the previous month (Institute of Supply Management 2008).

The Index of Business Confidence, the quarterly survey of chief executive officers (CEOs) of Canadian business organisations, uses a confidential questionnaire mailed to the CEOs of approximately one thousand Canadian business organisations. The questionnaire includes both general attitudinal questions designed to measure people's perceptions of the current economic environment and questions on investment intentions and their determinants (Conference Board of Canada 2008). The percentage of respondents who stated positive opinions (belief that the financial situation of a business will improve) and negative ones (worsening of the financial situation of a business) is calculated for each of the ten attitudinal questions.

<sup>9</sup> [https://read.oecd-ilibrary.org/economics/business-tendency-surveys\\_9789264177444-en#page1](https://read.oecd-ilibrary.org/economics/business-tendency-surveys_9789264177444-en#page1)

<sup>10</sup> <https://www.ber.ac.za/BER%20Documents/RMB/BER-Business-Confidence-Index/?doctypeid=1050> and <https://www.rmb.co.za/news/business-confidence-gains-some-ground>

<sup>11</sup> <https://sacci.org.za/sacci-business-confidence-index/>

<sup>12</sup> <https://www.ilembechamber.co.za/insight-ilembe/>

<sup>13</sup> <https://mru.ukzn.ac.za/durban-business-confidence-index/> and Prof. Harold Ngalawa from UKZN's Macro Economic Research Unit, on [ngalawa@ukzn.ac.za](mailto:ngalawa@ukzn.ac.za) and eThekweni Municipality's Economic Development Unit on [nuthan.maharaj@durban.gov.za](mailto:nuthan.maharaj@durban.gov.za)

<sup>14</sup> <https://www.businesspartners.co.za/latest-sme-index-paints-a-picture-of-resilience-over-pivotal-2024-election-period/>

(although it is conceivable that some combination or hybrid methodology may be recommended).

It is possible that some form of survey partnership can be explored with the BER re supplementing their RMB quarterly business confidence survey- such issues will require exploration as part of this project process.

## 2 “What Is” Business confidence methodology comparative framework

Survey framework issues	Descriptive Notes
Name/ Title of survey	
Explicitly stated survey purpose (i.e. what purpose does the implementing organisation identify) other than tracking business confidence in the economy?	
Main survey implementing organisation as well as partners involved (and their roles in the survey. Describe the main partnership arrangements)	
Contact person details	
List all of the survey questions (or attach the questionnaire) or the economic data variables	
Survey geographic focus	
Survey sectoral focus	
Date survey commenced	
Survey frequency and date of last survey conducted	
Time-frame for implementing the next including when survey data collection starts and when the next survey results will be published	
Describe the survey business mobilisation process (incl. identify the main reasons why businesses complete the survey).	
What is the survey target sample?	
What are most recent response rates/ respondent profile.	
Survey level of confidence in survey results (clarify/ discuss)	
Survey margin of error (clarify/ discuss)	
Is this a panel survey? If yes, describe how the panel is maintained and how respondents are selected and recruited for the panel?	
Describe the survey sampling strategy and any special sampling issues. For example: <ul style="list-style-type: none"> <li>a) Geographic: how is local area representativity dealt with, what is the lowest geographic level of reporting?</li> <li>b) Sector level: How is sector representativity dealt with (at what SIC digit level);</li> </ul>	

<p>c) Formal and informal businesses;  d) Size of business incl. large, medium and small businesses etc.?</p>	
Describe the data collection methodology	
Describe any key data collection challenges and survey risks experienced and what measures are put in place to deal with these challenges?	
Describe the confidence index calculation methodology (incl. weighting).	
What data governance arrangements are in place with respect to data ownership, sale of data, data storage and security, other?	
Reporting: How results are reported/ communicated? Is there a communication plan/ strategy (especially where survey partners are involved) and what are the key elements of this?	
Who uses the survey results (and how/ for what purposes)?	
<p>Survey funding arrangements and costs to conduct the survey?</p> <p>Cost to access survey results and sale of survey data (are survey results freely available (only at a high level and/or detailed results?))</p>	
Other important survey considerations	
Potential survey partnership considerations regarding a possible future focused Cape Town (and/or Western Cape) business confidence survey.	

## **Annexure 2: Example BCI survey questions as informed by OECD Business Tendency Methodology and composition of different sectoral confidence indicators:**

### **Production Trends:**

- Excluding normal seasonal changes, what has been your company's experience over the past three to four months with regard to the volume of production: up, unchanged, down?
- Excluding normal seasonal changes, what changes do you expect during the next three to four months with regard to the volume of production: up, unchanged, down?

### **Order Books:**

- Excluding normal seasonal changes, do you consider that the present level of your total order book in volume terms is: above normal, normal, below normal?
- Excluding normal seasonal changes, do you consider that the present level of your export order book in volume terms is: above normal, normal, below normal?

**Stocks of Finished Goods:** Excluding normal seasonal changes, do you consider that the present level of your stocks of finished goods in volume terms is: above normal, normal, below normal?

**Selling Prices:** Excluding normal seasonal changes, what changes do you expect during the next three to four months with regard to average selling prices: increase, remain stable, decrease?

**Employment:** Excluding normal seasonal changes, what changes do you expect during the next three to four months with regard to the number of people employed in your company: up, unchanged, down?

**Production Constraints:** What factors are limiting your ability to increase production? (e.g., insufficient domestic demand, insufficient foreign demand, competitive imports, shortage of labor, shortage of skilled labor, lack of appropriate equipment, shortage of semi-finished goods, shortage of raw materials, shortage of energy, financial problems, unclear economic laws, uncertainty of the economic environment, others)

**Capacity Utilization:** What is your current level of capacity utilization (in percent of normal capacity utilization)?

### **Business Situation:**

- Do you consider that the present business situation of your company is: good, satisfactory, bad?
- Do you expect that the business situation of your company during the next six months will be: better, same, worse?

## Financial Situation:

- Do you consider that the present financial situation of your company is: good, satisfactory, bad?
- Do you consider that the present situation concerning access to credit for your company is: easy, normal, tight?

The OECD has identified the following different sectoral confidence indicators which are comprised of various sub-questions- these are examples and the composition of these sectoral confidence indicators may need to be adjusted for the local or national economic contexts and structure / sectoral composition of the economy:

### *Composite confidence indicators*

202. Rather than using answers to a single question, a set of survey variables can be combined into a single *composite confidence indicator*, which summarises economic agents' assessments and expectations of the general economic situation. The following paragraphs describe composite indicators that have been found useful in several countries by analysts at the European Commission and the OECD. They are given only as examples since other combinations may perform better for particular countries or over particular time periods. The balances are averaged by taking means as indicated below. The questions are taken from the standard questionnaires in Annex A.

### *Industry*

203. The *industrial confidence indicator* (ICI) is an average of the balances to the three questions in the industry survey relating to:

- *Question 2: production, future tendency (PE)*
- *Question 3: total order books (OB)*
- *Question 5: stocks of finished goods (ST) (inverted)*
- $ICI = (PE + OB - ST)/3$

### *Construction*

204. The *construction confidence indicator* (CCI) is an average of the balances to the two questions in the construction survey relating to:

- *Question 3: total order books (OB)*
- *Question 8: employment, future tendency (EE)*
- $CCI = (OB + EE)/2$

*Retail trade*

205. The *retail trade confidence indicator* (RCI) is an average of the balances to the three questions in the retail trade survey relating to:

- *Question 1: business situation , present (BS)*
- *Question 2: business situation, future tendency (BF)*
- *Question 6: stocks (inverted) (ST)*
- $RCI = (BS + BF - ST)/3$

*Services*

206. The *confidence indicator for services* (SCI) is an average of the balance to the three questions in the survey relating to:

- *Question 4 : employment, future tendency (EE)*
- *Question 6: business situation, present (BS)*
- *Question 7: business situation, future tendency (BF)*
- $SCI = (EE + BS + BF)/3$