

# **SOUTH AFRICAN CHAMBER OF COMMERCE AND INDUSTRY**

Business Confidence Index

July 2021



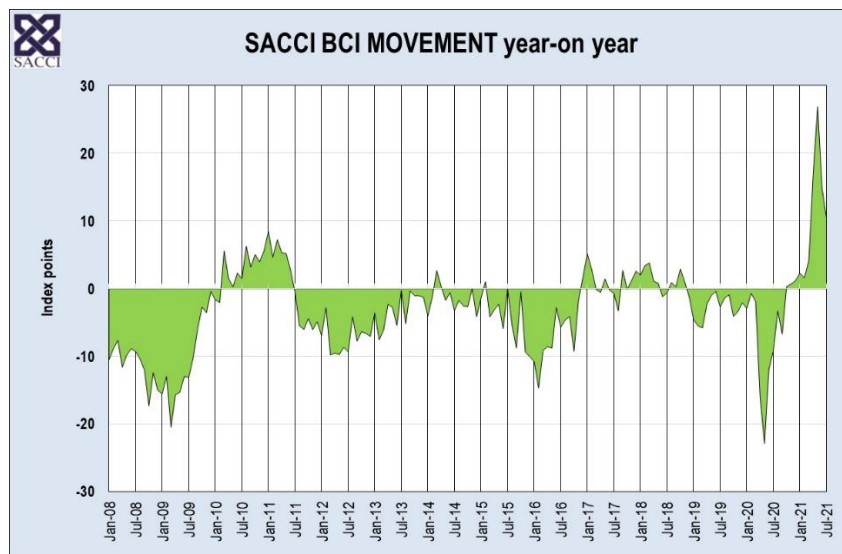
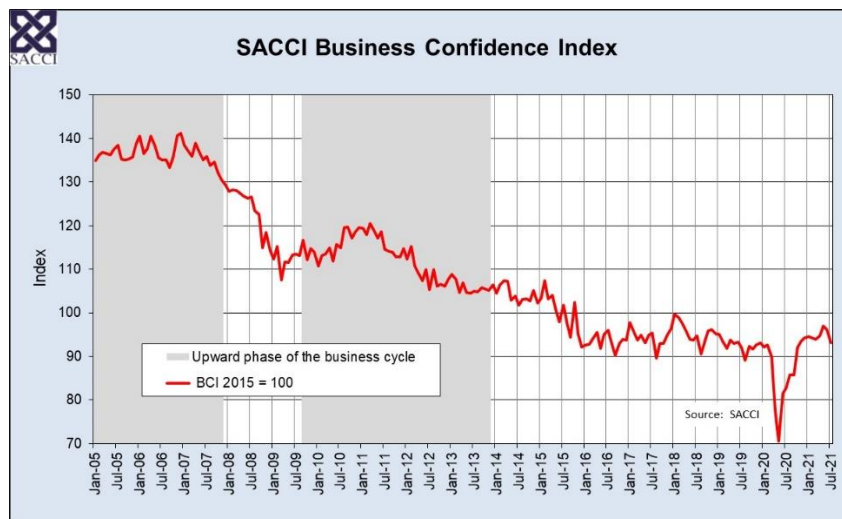
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*Because of information lags and changes in expectations, the dynamics of the business mood, may, at times, be at variance with the economic environment. As a result, always read the BCI with other economic data and the accompanying economic commentary. For notes on the BCI, see the SACCI website at [www.sacci.org.za](http://www.sacci.org.za).*

## The SACCI Business Confidence Index (BCI) 2015=100

Month	2014	2015	2016	2017	2018	2019	2020	2021
January	104.5	103.4	92.6	97.7	99.7	95.1	92.2	94.5
February	106.4	107.4	92.7	95.5	98.9	93.4	92.7	94.3
March	107.3	103.2	94.0	93.8	97.6	91.8	89.9	94.0
April	107.2	104.1	95.5	94.9	96.0	93.7	77.8	94.7
May	102.9	100.6	91.8	93.2	94.0	93.0	70.1	97.0
June	103.8	97.9	95.1	94.9	93.7	93.3	81.4	96.2
July	101.8	101.8	96.0	95.3	94.7	92.0	82.8	<b>93.2</b>
August	103.0	97.6	92.9	89.6	90.5	89.1	85.8	
September	103.3	94.5	90.3	93.0	93.3	92.4	85.7	
October	102.8	102.3	93.0	92.9	95.8	91.7	92.0	
November	105.1	95.1	93.9	95.1	96.1	92.7	93.4	
December	102.2	92.2	93.8	96.4	95.2	93.1	94.3	
<b>Average</b>	<b>104.2</b>	<b>100.0</b>	<b>93.5</b>	<b>94.4</b>	<b>95.5</b>	<b>92.6</b>	<b>86.5</b>	



## This month's BCI results

The **SACCI** Business Confidence Index (BCI) dipped slightly in June 2021 by 0.8 index points to 96.2 and declined further by 3.0 index points to 93.2 in July 2021. The three index points decline in July was less than the 6.6 index point month-on-month decline in November 2015 and the 3.6 month-on-month decline in December 2015 when there was a switch of finance ministers over a weekend.

The month-on-month negative move of 19.8 index points of the BCI between March and May 2020 during the level 5 Covid-19 lockdown of April and May 2020 was much more severe than the effect on the BCI in July 2021. However, the recent short-term decline in business confidence could compound and upset investor confidence over the longer-term.

The recent month-on-month dip of 3 index points from 96.2 in June 2021 to 93.2 in July 2021 suggest a more muted and limited effect than the disruptions had on the overall business climate in the country. The collective actions of businesses and communities resulted in a containment of the disruptions caused by the rioting/looting mobs in certain areas.

Three sub-indices positively impact the BCI month-on-month between July 2021 and in June 2021. The positive month-on-month contributions to the BCI in July 2021 mainly came from merchandise export volumes and retail sales volumes. Less new vehicle sales and less merchandise import volumes had a notable negative impact on the business environment.

Compared to July 2020, there was still an unusual year-on-year improvement of 10.4 index points to the **SACCI** BCI in July 2021 compared to a business climate that already showed signs of improving in July 2020 from the strict lockdown of April and May 2020. The continuing and exceptional trade surplus continued to be driven by the extraordinary value of merchandise exports caused by higher global prices and increased demand volumes. Manufacturing output and building plans passed also made valued year-on-year contributions to the improved business climate.

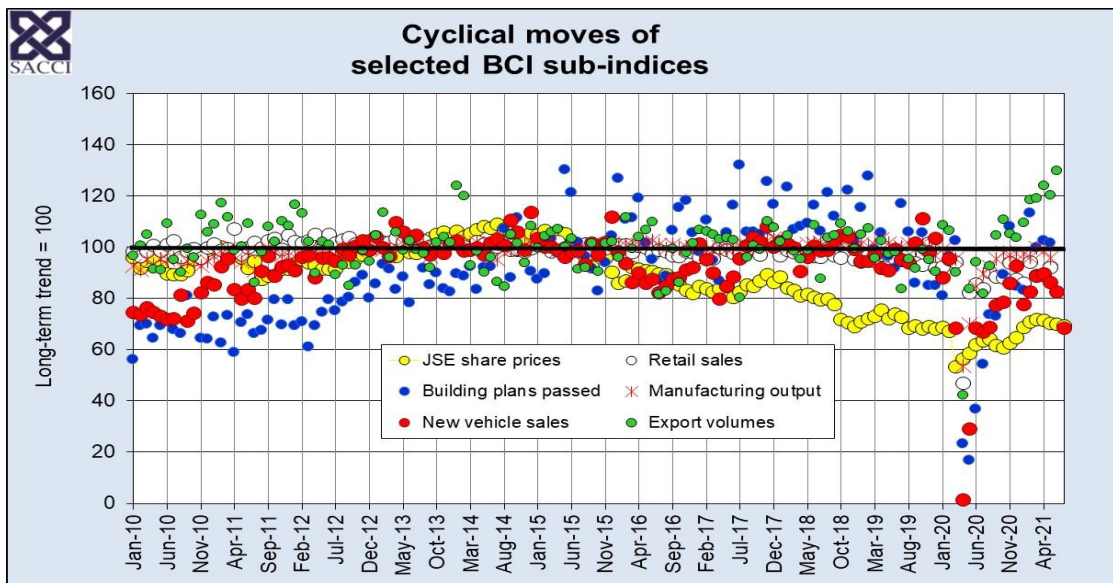
Except for energy supply (which has to deal with higher crude oil prices and increased tariffs on water and electricity) and tighter credit extension to the private sector, eleven of the thirteen sub-indices of the **SACCI** BCI had a positive impact on July 2021 compared to July 2020. The real economy benefitted the business climate the most between July 2021 and July 2020.

### Business Climate Indicators

Business climate indicators *	m/m changes		y/y changes	
	This month	Previous month	This month	Previous month
Energy supply	O	O	-	-
Manufacturing	-	-	+	+
Exports	+	-	+	+
Imports	-	+	+	-
Vehicle sales	-	-	+	+
Retail sales	+	O	+	+
Construction - buildings	O	O	+	+
Inflation <sup>1</sup>	-	-	O	+
Share prices	O	O	+	+
Real private sector borrowing	O	+	-	-
Real financing cost	+	+	O	+
Precious metal prices	-	-	+	+
Rand exchange rate	-	-	+	+

\* See notes on BCI on [www.sacci.org.za](http://www.sacci.org.za)

1. Excludes petrol, food and non-alcoholic beverages.



## This month's economic review

### *Smoother landing*

The South African economic and business environment had a positive response when it became clear that the rule of law is still applicable without fear, prejudice or favour given the Constitutional Court passing important judgements on the rule of law. However, South Africa also experienced some lawlessness in July amid government's failure to timeously fulfil its role in law and order. The mobilisation and collaboration of the private sector and civil society in supporting law enforcement to protect property/business and community infrastructure was unprecedented.

### *Gaining economic momentum*

Economic data and information indicate the economy gained upward momentum up to June 2021. The business environment was recovering lost ground after the strict Covid-19 lockdown process particularly the first lockdown in April and May 2020, it was necessary to get the economy functioning normally again. The vaccination process should be accelerated with urgency to attain a degree of herd immunity. The slow vaccination process led to follow-up surges in Covid-19 infections and further lockdowns in December 2020 and in May 2021. Specific sectors like tourism and catering and accommodation were especially hard hit.

### *A number of positive trends*

Since the **SACCI** BCI bottomed in May 2020, it improved up to May 2021, pulled back slightly in June 2021 and was marginally down in July 2021. The BCI still mirrored a much improved business climate in July 2021 than in May 2020.

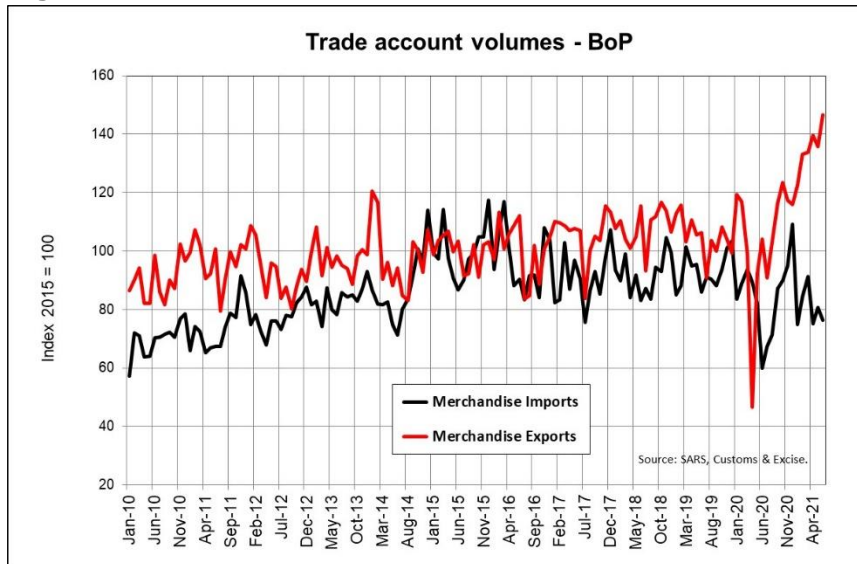
If compared to the lockdown levels of May 2020, the July levels of a number of the sub-indices of the **SACCI** BCI improved notably on their long-term trend:

- Rand exchange rate +10%
- Real interest rate +6%
- Retail sales volumes +11%
- Gold and platinum US dollar price +15%
- Merchandise export volumes +40%
- New vehicle sales +136%
- Manufacturing output +37%
- JSE All-share +18%

These positive trends nevertheless experienced a temporary setback due to the disruptions in July. The private sector stepped up to the challenge and has shown the ability to recover rapidly and fulfil its role in the economy. The business climate and business confidence, however, are short-term phenomena. The bigger challenge remains investor confidence and to inspire the private sector and business to take a longer-term view on the economy and business prospects. The latter view propels fixed investment decisions. It is within this context that economic policy and a capable state influences the perceptions around investor confidence. Handling the Covid-19 pandemic and fumbling the security and law and order issue are causes for concern.

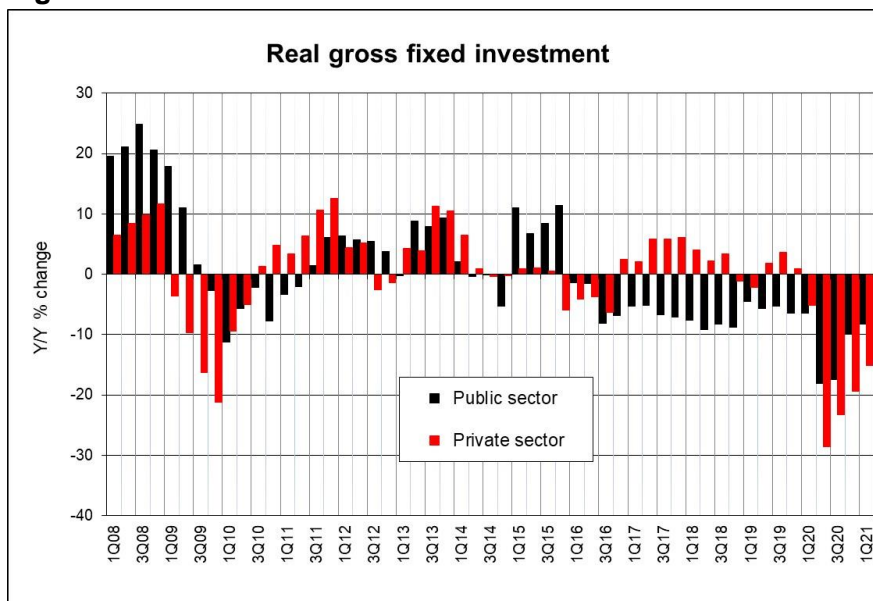
A further continuing positive development was the recovery of the global economy and the effect it had on international commodity prices and merchandise export volumes. This resulted in a surplus on the trade account of the balance of payments (BoP). The trade surplus amounted to R255.6 billion for the first six months of 2021. This also had quite a positive effect on the revenue of the fiscus and allowed Treasury to address some critical additional expenditure. Given the fiscal dilemma South Africa still faces, the windfall from the trade account does not imply a long-term sustainable situation. **Figure 1** gives an indication of the extraordinary balance on the trade account of the BoP.

**Figure 1**



**Figure 2** reflects the levels of fixed investment (creating capital stock) to enhance economic growth. An already difficult situation was exacerbated by the events that took place in July and the destruction of fixed assets during the recent riots. This will exert an additional opportunity cost on investment and employment and will prolong the country’s resolve to foment greater inclusivity, job creation and economic growth.

**Figure 2**



Source: SA Reserve Bank. June 2021 Quarterly Bulletin.

## **Conclusion**

The **SACCI** BCI pointed towards an improving business climate that is still well above the levels for business confidence experienced a year ago. The continuing effect of the covid-19 pandemic and the lockdown that accompanied the third wave of infections again affected the business climate negatively – notably specific sectoral activities. However, the impact was less severe as more attention was paid to the economic effect of lockdowns. The focused attention on the vaccination process in the weeks ahead should bring a further sense of normality to a fractured economy and society.

The spate of looting and destruction during July in certain areas of South Africa, whatever the intention, was a setback to economic objectives like inclusivity, growth and job creation. The recent rioting and unrest exposed government's inability to act timeously and decisively in a crisis. Subsequent actions have nevertheless corrected the situation and similar events of this nature are unlikely to happen as a result of the measures implemented to prevent future occurrences.

It remains important to attend to the process of creating expectations that could only be fulfilled by equal opportunities, the ability to create wealth and empowerment of the individual.



## Annexure 1

### General Economic Indicators

Indicator	Latest Period	Direction	Latest	Previous	2020	2015
Consumer inflation headline urban (%)	Jun-21	▼	4.9	5.2	3.3	4.6
Consumer inflation urban - excl. food, bev. & fuel (%)	Jun-21	▲	3.4	3.3	3.6	4.6
Money supply M3 eop (% Δ Y-o-Y)	Jun-21	▼	0.1	1.8	9.5	10.5
Private sector credit eop (% Δ Y-o-Y)	Jun-21	▼	-0.6	-0.4	3.8	10.0
Real prime overdraft rate eop (%)*	Jun-21	▼	3.5	3.6	3.5	4.9
Prime overdraft rate eop (%)	Jul-21	▶	7.00	7.00	7.00	9.75
Liquidations number sa	Jun-21	▼	132	196	2180	1962
Bond yield 5-10y govt eop (%)	Jul-21	▼	8.85	8.91	8.78	8.82
R / US\$ average	Jul-21	▲	14.53	13.93	16.46	12.75
R / Euro average	Jul-21	▲	17.18	16.87	18.77	14.14
Indicator	Latest Period	Direction	Latest	Previous	2020	2015
Income & wealth tax / GDP sa (%)	1q-21	▲	16.0	15.4	15.5	14.8
Total tax / GDP sa (%)	1q-21	▼	30.1	31.3	29.4	27.5
Public sector borrowing requirement / GDP (%)	1q-21	▲	8.5	5.6	10.5	4.1
Public sector expenditure / GDP (%)	1q-21	▲	1.3	1.2	1.3	1.8
Budget balance / GDP (%)	1q-21	▲	-9.1	-4.9	-10.8	-4.3
Imports / GDE (%)	1q-21	▲	28.3	27.3	26.9	31.1
Exports / GDP (%)	1q-21	▼	34.6	34.7	31.9	29.8
Net foreign financial inflows excl. loans / GDP (%)	1q-21	▼	-2.6	2.8	-0.8	1.9
Current account balance / GDP (%)	1q-21	▼	3.0	4.9	2.0	-4.6
Gross domestic saving / GDP sa (%)	1q-21	▲	19.3	15.3	15.2	16.1
Gross capital formation / GDP sa (%)	1q-21	▲	13.9	11.3	13.1	20.7
Net fixed capital formation / GDP (%)	2020	▼	-	-	0.6	6.5
GDP growth (% Δ Y-o-Y)	1q-21	▲	-3.2	-4.2	-7.0	1.2

Δ=change; eop=end of period; Y-o-Y=year-on-year; q=quarter; sa = seasonally adjusted;

GDP=Gross Domestic Product; GDE=Gross Domestic Expenditure. \*Deflated by inflation excl. food, bev. & fuel.