

SOUTH AFRICAN CHAMBER OF COMMERCE AND INDUSTRY

Business Confidence Index

September 2021



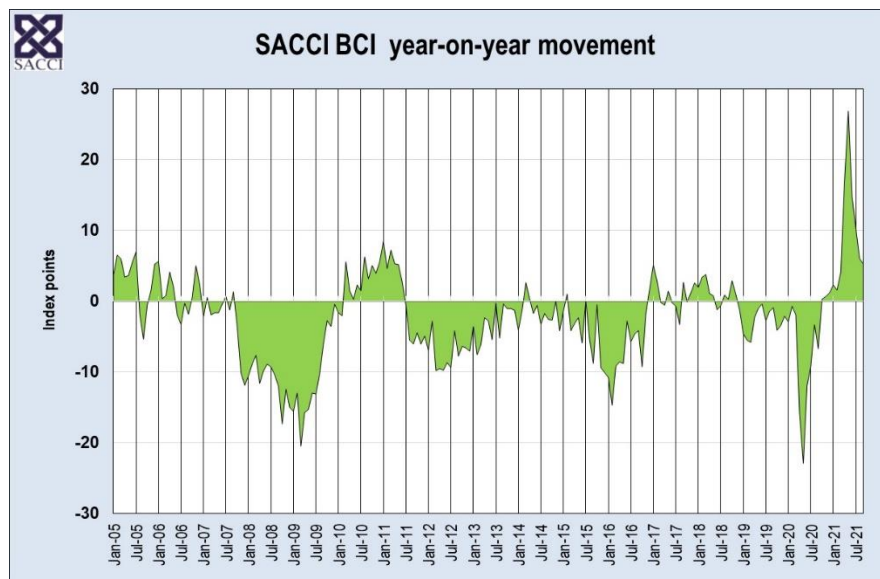
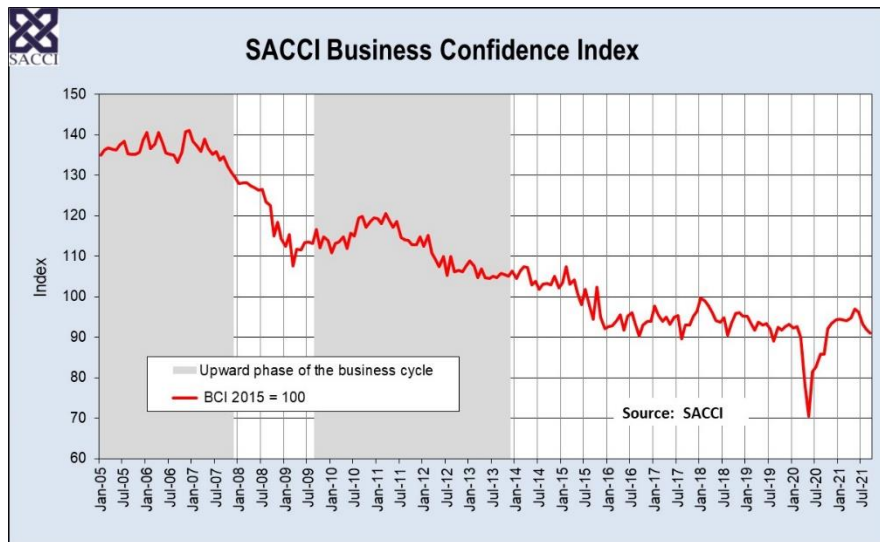
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Because of information lags and changes in expectations, the dynamics of the business mood, may, at times, be at variance with the economic environment. As a result, always read the BCI with other economic data and the accompanying economic commentary.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

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	93.2
August	103.0	97.6	92.9	89.6	90.5	89.1	85.8	91.9
September	103.3	94.5	90.3	93.0	93.3	92.4	85.7	91.0
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	
Average	104.2	100.0	93.5	94.4	95.5	92.6	86.5	



This month's BCI results

The **SACCI** Business Confidence Index (BCI) monitors developments in markets and the economy that are relevant and judged by business to have a significant bearing on the business mood, the business climate and the business environment. In September 2021 the BCI declined to 91.0 after registering a highest level so far this year of 97.0 in May. The lowest level for the BCI since its inception was recorded in May 2020 – measuring 70.1. Nevertheless, the level of 91.0 in September 2021 reflects a better business confidence level than the pre-Covid level of 89.9 in March 2020.

Although the BCI declined over the last four months from 97.0 in May to 91.0 in September, the average for the **SACCI** BCI of 94.1 for the first nine months of 2021 is a 9.8 index point improvement on the corresponding period for 2020. The present business climate appears to have levelled out with the BCI, maintaining pre-Covid levels. Since measuring 91.6 in the pre-Covid 1st quarter of 2020 and declining to 76.4 in the 2nd quarter of 2020, the BCI improved from 94.3 in the 1st quarter of 2021 to 96.0 in 2nd quarter of 2021 before dipping to 92.0 in the 3rd quarter of 2021.

The effect of the looting and disruption in certain parts of South Africa during July 2021 had its most severe negative month-on-month impact on the business mood in July (BCI dip by 3 index points) followed by a 1.3 and 0.9 points dip in August and September 2021, respectively. The upward momentum of the business climate up to June in 2021 was disrupted by these short-term declines.

Five sub-indices of the BCI had a positive month-on-month impact on the business climate between August and September 2021. Notable positive month-on-month contributions came from increased merchandise export and import volumes, and an increased number of new vehicle sales. Less retail sales volumes, lower manufacturing output and a decline in the real value of building plans passed were detrimental to the business climate in September 2021.

Compared to a year ago when the business climate was still on its initial recovery path, the September 2021 level of the BCI reflects a much improved business climate despite the lagged effects of the July 2021 disruptions. Nevertheless, the level of 91.0 compares favourably with the 85.7 of September 2020.

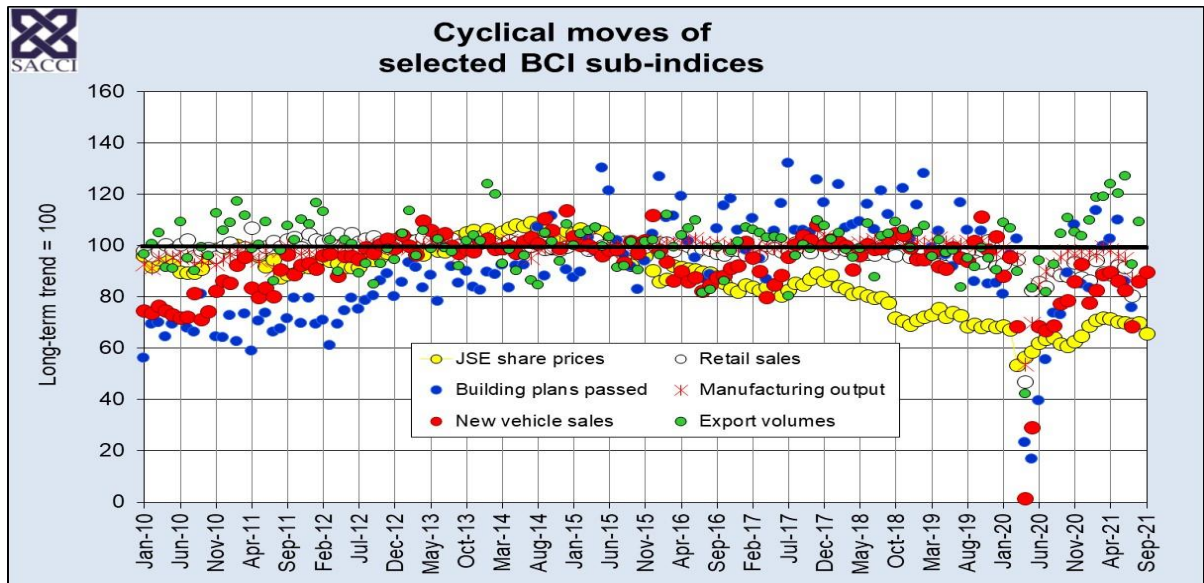
Energy and water supply concerns (with increased utility tariffs) and higher fuel prices were also of major contributors to a wary business outlook. Secure energy supply remains a crucial concern generally to the business community.

Business Climate Indicators

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

* See notes on BCI on www.saccci.org.za

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



This month's economic review

Reinforcing an Economic Recovery

The IMF envisages economic growth of 6.0% in 2021 and 4.9% in 2022 for the world economy with less growth for emerging market and developing economies in 2021, particularly for Emerging Asia. Owing to additional fiscal stimulus in the 2nd half of 2021 by notably the United States and enhanced health conditions in advanced economies, the growth forecasts for these economies were revised upward.

On a cautionary note, vaccine access and roll out has become an important element that universally affects economic recovery.

Inflation, though uncertain, is expected to ease to pre-Covid pandemic levels in most economies in 2022 given that the pandemic distortions have worked through prices. Higher inflation can be expected in some emerging market and developing economies due to rising food prices. The expectation is that interest rate policy will remain cautious. This approach was evident when the South African Reserve Bank recently decided to keep interest levels unchanged.

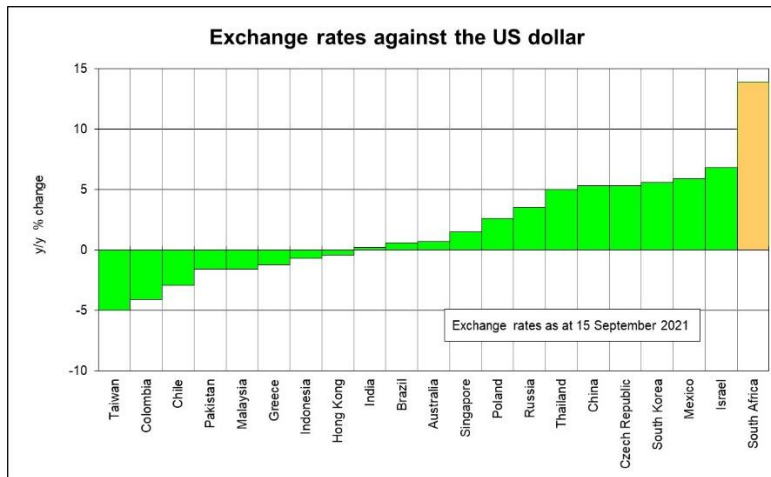
Domestic economic developments

Up to the 2nd quarter of 2021 the South African economy gained some positive momentum as was mirrored by economic data released recently. After the devastating economic impact of the Covid pandemic in the 2nd quarter of 2020 and lockdown processes that contained economies worldwide, the recovery process was slow and painful.

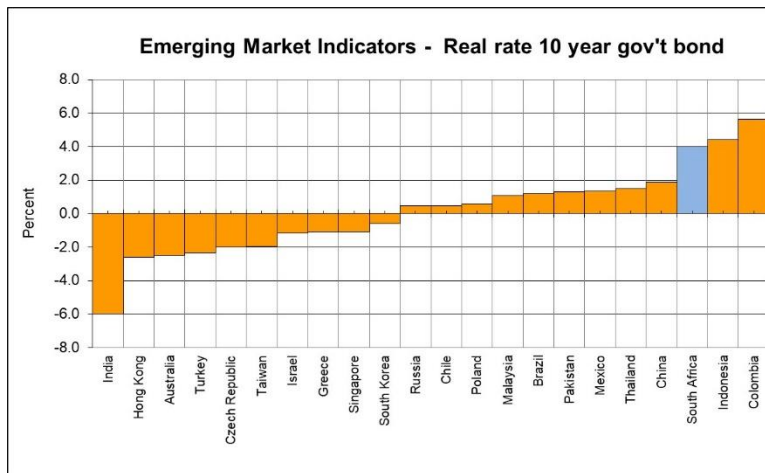
The openness of the South African economy further highlighted its sensitivity to global events. Much of the later year-on-year improvements were emanating from an unnatural low level of economic activity and uncertain business climate in the 2nd quarter of 2020. The table and figures below indicate the improvements the South African economy experienced since last year – even amongst its peer group of countries.

GDP GROWTH - %								
SECTOR	1Q 2020	2Q 2020	3Q 2020	4Q 2020	2020	1Q 2021	2Q 2021	2Q 2021 / 1Q 2020 pre-covid
	Y-o-Y %Δ	Y-o-Y %Δ	Y-o-Y %Δ	Y-o-Y %Δ	Y-o-Y %Δ	Y-o-Y %Δ	Y-o-Y %Δ	%Δ
Construction	-4.9	-33.3	-21.9	-19.2	-19.8	-16.8	17.1	-18.0
Transport and communication	-4.0	-29.1	-16.0	-12.7	-15.4	-12.5	27.6	-6.5
Manufacturing	-3.6	-34.1	-8.4	-2.8	-12.3	-1.8	42.1	-2.6
Wholesale and retail trade; hotels and restaurants	-2.0	-28.2	-10.0	-7.7	-12.0	-4.5	33.2	-2.3
Finance, real estate and business services	7.4	-5.0	0.1	0.8	0.8	-0.6	10.7	-1.0
General government services	1.4	0.2	-0.1	0.3	0.5	0.4	-0.1	-0.5
Electricity and water	-4.2	-15.1	-2.9	-1.4	-5.9	-0.8	13.0	-0.1
Personal services	0.6	-5.9	-2.5	-0.6	-2.1	0.3	9.2	2.8
Mining and quarrying	-4.6	-33.6	-3.7	-5.8	-11.9	3.2	52.8	5.2
Agriculture, forestry and fishing	26.5	11.8	5.2	11.9	13.4	0.9	12.0	7.1
GDP excluding general government	0.6	-18.8	-6.2	-3.7	-7.0	-2.8	21.5	-1.5
GDP excluding agriculture	0.1	-17.9	-6.0	-3.8	-6.9	-2.6	19.6	-1.4
GDP at market prices	0.7	-17.2	-5.7	-3.4	-6.4	-2.5	19.4	-1.4

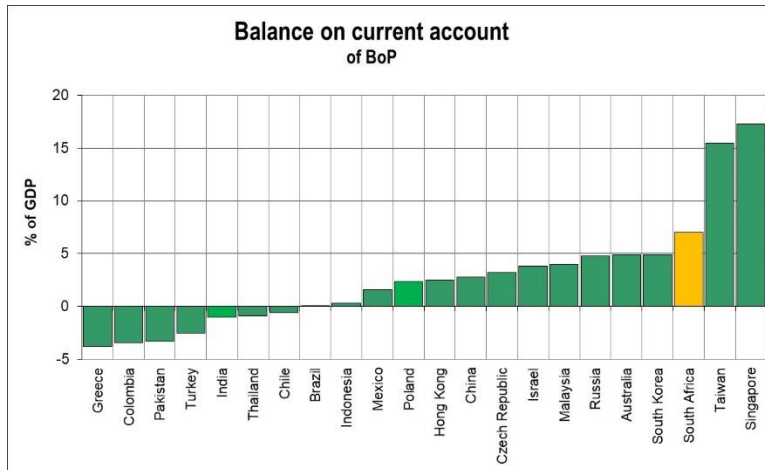
Note: Y-o-Y %Δ = year-on-year % change



Source: *The Economist*

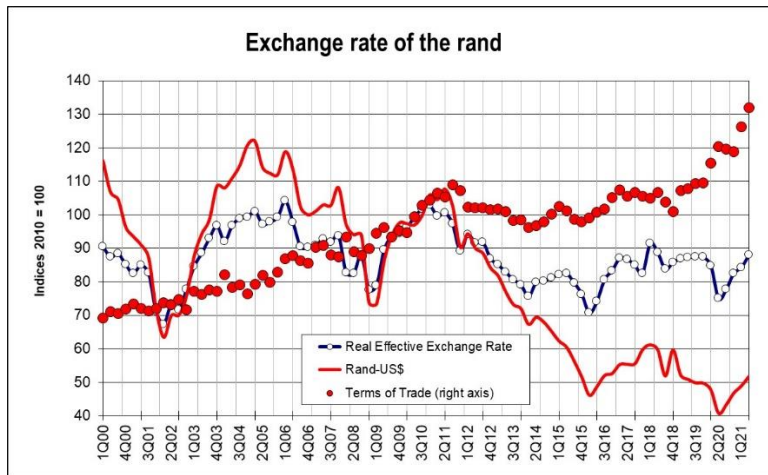


Source: *The Economist*



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An exceptional positive element was the substantial surplus on the Trade Account of the Balance of Payments (BoP). This not only led to a positive balance on the Current Account of the BOP and a surge in the terms of trade, but also positively influenced the rand exchange rate and tax receipts from the mining sector.

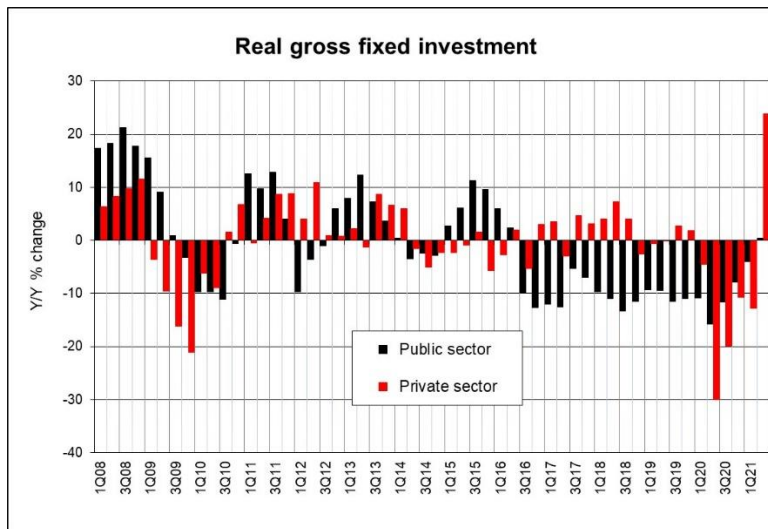


Source: SARB, Quarterly Bulletin, June 2021.

Aiming for accelerated economic growth

It remains imperative that South Africa’s real economic growth improves to beyond 3% per annum. The dire need for capital to finance fixed investment remains a key element influenced by short-term business confidence developments, but more importantly, hinges on investor confidence of foreign as well as local investors. The turmoil in July 2021 did not only quell the then positive momentum in the economy, but also destroyed fixed capital assets and inventories that will have to be rebuilt.

The figure below indicates the change in fixed investment that took place in the economy. It is evident that investment from both the public and the private sector has for quite some time (since 2016) not been adequate to sustain economic development. Clear, consistent and investment friendly economic policy certainty as well as the application thereof, is critical to convince both local and foreign investors of a reasonable return on investment.



Source: SARB, Quarterly Bulletin, June 2021.

Conclusion

Although the Covid pandemic had a worsening effect in some parts of the globe since early 2021, improved vaccine application has supported economic recovery as a rule in other areas.

South Africa has been fortunate that high international commodity prices continued in the 3rd quarter of 2021 reflecting both global supply shortages and strong demand from leading advanced economies' return to 'normality'. This provides the South African economy with a welcome windfall.

The Medium Term Budget Policy Statement (MTBPS) in November should serve to give direction on positive economic and business developments going forward.

Annexure 1

General Economic Indicators

Indicator	Latest Period	Direction	Latest	Previous	2020	2015
Consumer inflation headline urban (%)	Aug-21	▲	4.9	4.6	3.3	4.6
Consumer inflation urban - excl. food, bev. & fuel (%)	Aug-21	▲	3.7	3.6	3.6	4.6
Money supply M3 eop (% Δ Y-o-Y)	Aug-21	▲	2.3	1.9	9.5	10.5
Private sector credit eop (% Δ Y-o-Y)	Aug-21	▲	1.1	0.7	3.8	10.0
Real prime overdraft rate eop (%)*	Aug-21	▼	3.2	3.3	3.5	4.9
Prime overdraft rate eop (%)	Sep-21	▶	7.00	7.00	7.00	9.75
Liquidations number sa	Aug-21	▼	155	158	2180	1962
Bond yield 5-10y govt eop (%)	Sep-21	▲	9.23	8.76	8.78	8.82
R / US\$ average	Sep-21	▼	14.57	14.77	16.46	12.75
R / Euro average	Sep-21	▼	17.24	17.38	18.77	14.14
Indicator	Latest Period	Direction	Latest	Previous	2020	2015
Income & wealth tax / GDP sa (%)	2q-21	▲	14.7	13.2	13.1	13.5
Total tax / GDP sa (%)	2q-21	▲	26.8	25.5	24.9	25.7
Public sector borrowing requirement / GDP (%)	2q-21	▼	1.8	7.8	9.9	3.9
Public sector expenditure / GDP (%)	2q-21	▼	22.5	24.2	24.7	25.6
Budget balance / GDP (%)	2q-21	▼	-1.5	-8.2	-9.7	-3.8
Imports / GDE (%)	2q-21	▲	26.3	26.1	24.4	28.6
Exports / GDP (%)	2q-21	▲	37.0	31.1	28.9	27.4
Net foreign financial flows excl. loans / GDP (%)	2q-21	▼	-3.1	-2.3	-0.7	1.9
Current account balance / GDP (%)	2q-21	▲	7.0	2.3	1.8	-4.3
Gross domestic saving / GDP sa (%)	2q-21	▲	18.0	16.6	14.7	14.3
Gross capital formation / GDP sa (%)	2q-21	▲	12.4	12.3	12.9	18.6
Net fixed capital formation / GDP (%)	2020	▼	-	-	0.2	5.0
GDP growth (% Δ Y-o-Y)	2q-21	▲	19.4	-2.5	-6.4	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.