

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

Business Confidence Index

September 2022



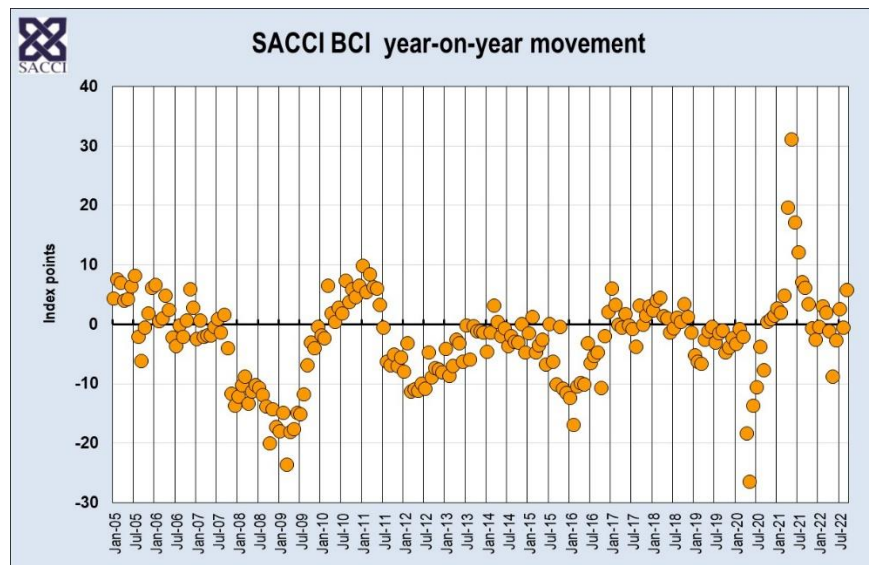
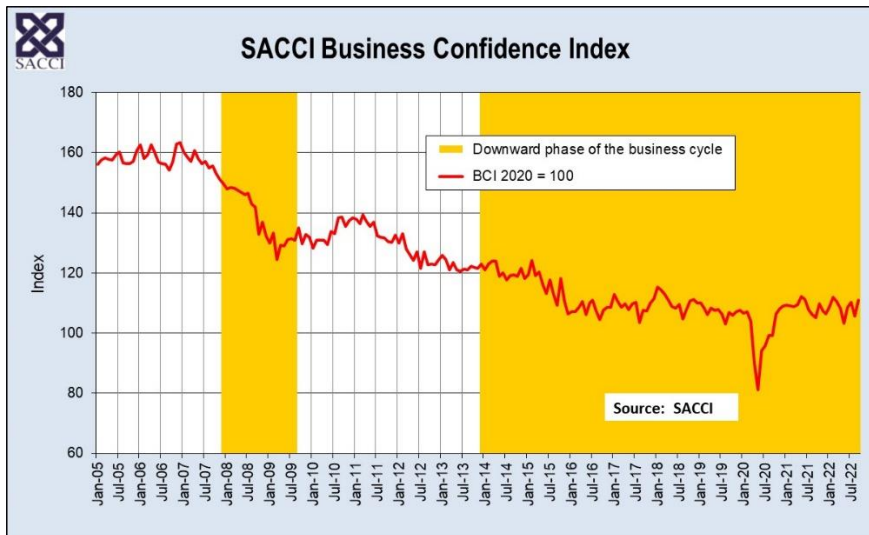
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*Because of information lags and changes in expectations, the dynamics of the business mood, may, at times, be at variance with the economic environment. As a result, always read the BCI with other economic data and the accompanying economic commentary. 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) 2020=100

Month	2015	2016	2017	2018	2019	2020	2021	2022
January	119.5	107.0	112.9	115.3	109.9	106.6	109.2	108.8
February	124.1	107.1	110.4	114.3	108.0	107.2	109.0	112.0
March	119.2	108.6	108.4	112.8	106.1	103.9	108.7	110.5
April	120.3	110.4	109.7	111.0	108.3	89.9	109.5	108.3
May	116.2	106.1	107.7	108.7	107.5	81.0	112.1	103.2
June	113.2	109.9	109.7	108.3	107.9	94.1	111.2	108.5
July	117.6	111.0	110.2	109.5	106.4	95.7	107.7	110.3
August	112.8	107.4	103.6	104.6	103.0	99.2	106.2	105.6
September	109.2	104.4	107.5	107.9	106.8	99.1	105.2	<b>110.9</b>
October	118.2	107.5	107.4	110.8	106.0	106.4	109.7	
November	110.6	108.6	109.9	111.1	107.2	108.0	107.3	
December	106.5	108.4	111.4	110.1	107.6	109.0	106.4	
<b>Average</b>	<b>115.6</b>	<b>108.0</b>	<b>109.1</b>	<b>110.4</b>	<b>107.1</b>	<b>100.0</b>	<b>108.5</b>	



## **This month's BCI results**

The September 2022 **SACCI** BCI measured 110.9 (with 2020 = 100 as the reference point). This implies that business confidence presently remains resilient and at a better level than the average for 2020 and higher than the March 2020 level of 103.9 before the Covid pandemic struck and lockdown was imposed.

The September 2022 BCI improved by 5.3 index points in August 2022 and 5.7 index points in September 2021. The average **SACCI** BCI for the 3<sup>rd</sup> quarter 2022 improved by 2.2 index points on the 2<sup>nd</sup> quarter 2022. The average for the BCI in the first nine months of 108.7 was virtually unchanged on the corresponding period in 2021.

South Africa had to deal with fiscal constraints, the interruption of electricity supply and the high fuel prices which rippled through the economy. Although these developments impacted on business confidence, it appears that businesses are capable of at least maintaining some normality.

Half of the fourteen sub-indices monitored in compiling the **SACCI** BCI reflected a negative impact on the business climate between August and September 2022. Of these seven sub-indices higher real interest rates, lower share prices, and the real value of building plans passed had the most notable **short-term (month-to-month)** negative effect on the BCI. On the positive side inward overseas tourism and merchandise import and export volumes came in support of the business confidence in the **short-term (month-to-month)**.

During August and September 2022 business confidence improved marginally on August and September 2021, i.e., over the **medium-term (year-on-year)**. Inward tourism and increased merchandise import volumes in particular had positive impacts on the BCI. Increased retail sales and output activity of the manufacturing sector, as major employers, were also positive on a year-on-year basis.

Though real credit extension to the private sector increased (despite higher debt servicing costs), higher inflation and higher real interest rates had a greater negative effect on the business climate than a year ago.

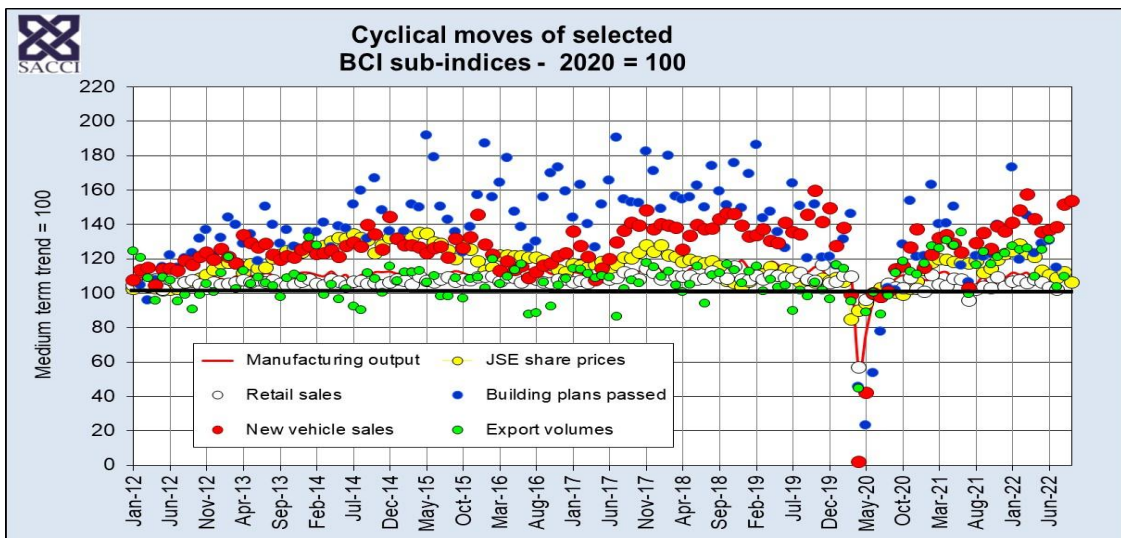
See the economic commentary for the latest economic developments.

### Business Climate Indicators

Business climate indicators *	m/m changes		y/y changes	
	This month	Previous month	This month	Previous month
Energy supply	-	+	0	-
Manufacturing	0	-	+	-
Exports	+	-	-	+
Tourism inward	+	-	+	+
Imports	+	-	+	+
Vehicle sales	+	+	+	+
Retail sales	-	-	+	-
Construction - buildings	-	+	+	+
Inflation <sup>1</sup>	+	+	-	-
Share prices	-	+	-	-
Real private sector borrowing	0	0	+	+
Real financing cost	-	-	-	-
Precious metal prices	-	+	-	-
Rand exchange rate	-	+	-	-

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

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



## This month's economic review

### *World economy on a tight rope*

Economic growth has been revised downwards while inflationary pressures have been building. A firmer monetary stance to contain inflation further contributed to hardship for households and business universally.

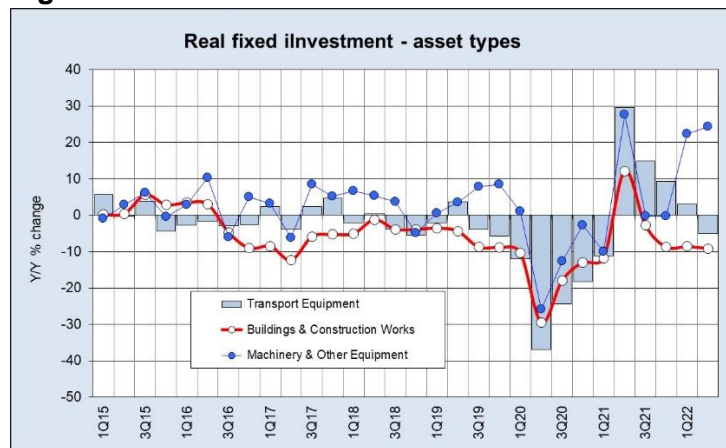
The Ukraine/Russian conflict has had a knock-on effect with the fuel prices raising together with food prices. In preventing undue credit expansion, monetary authorities have had to raise interest rates.

In South Africa the situation is further complicated by a consistent lack of sufficient energy supply to the economy. Fiscal constraints as well as other infrastructure impediments constrained economic growth to below 2%. Subdued economic performance makes it difficult to create an environment that would entice investors (local and abroad) to investment and thereby push economic growth up in the longer term.

### ***Lack of sufficient fixed investment***

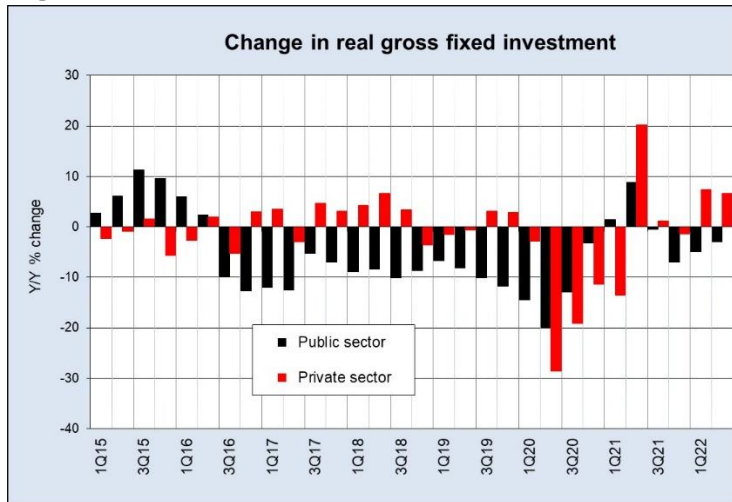
The fixed investment needed by both the private and the public sector is not at a level necessary to inspire and drive economic growth. Proper maintenance of infrastructure and the enforcement of law and order to protect existing infrastructure have also become an issue for investors. This insecurity has created serious challenges for logistics and storage facilities. Figures 1 and 2 indicate the slow pace at which fixed investment is taking place.

**Figure 1**



Source: SA Reserve Bank, Quarterly Bulletin. June 2022

Figure 2



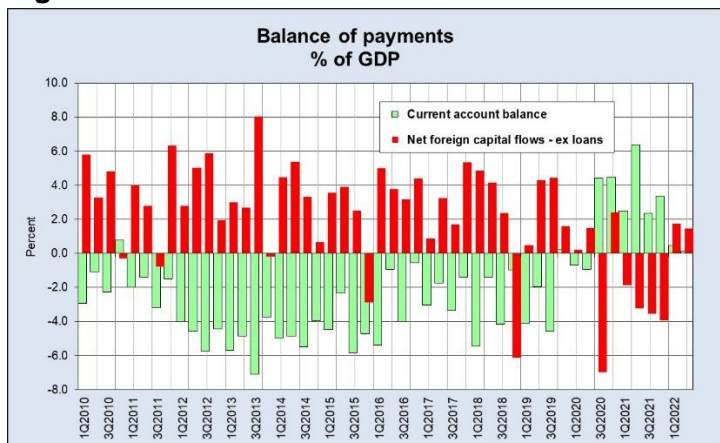
Source: SA Reserve Bank, Quarterly Bulletin. June 2022

### Foreign trade plugging gaps

Substantial surpluses on the current account of the balance of payments (BoP) from the 3<sup>rd</sup> quarter of 2020 to the 4<sup>th</sup> quarter of 2021 helped to ease economic pressure by supporting the rand as well as raising fiscal revenue through the mining sector and commodity prices. However, the surpluses on the current account have declined noticeably recently but were countered by capital inflows (excl. loans) taking place in the 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2022 – figure 3

Although US-dollar crude oil prices rose substantially, the terms of trade (export versus import prices) were nonetheless more favourable to South Africa up to the 2<sup>nd</sup> quarter of 2021 before it declined somewhat. These global price movements were particularly beneficial to the mining sector.

Figure 3



Source: SA Reserve Bank, Quarterly Bulletin. June 2022

Tourism also made a visible contribution to the current account of the BoP in terms of export of services. The recovery in Inward tourism from overseas not only positively impacted the current account, but also benefitted various subsectors in the entertaining and catering business sector that have a high employment impact – notably for semi-skilled labour.

Figure 4

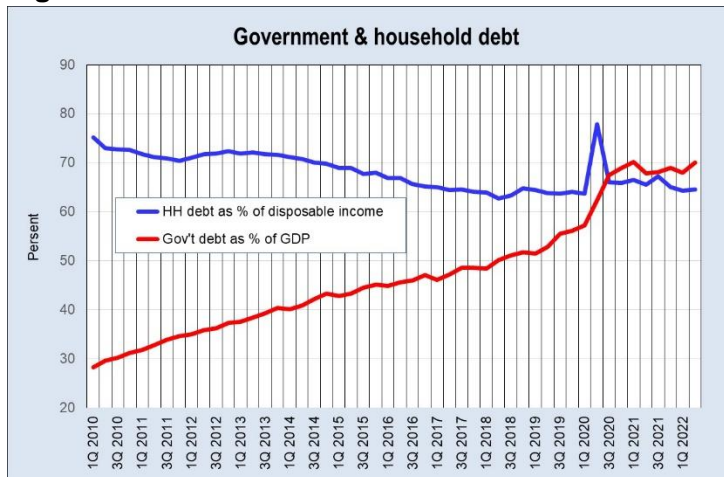


Source: Stats SA, July 2022

### Financial stability

Figure 5 gives an indication of the relative debt of households and government over time. During the Covid period households and government were caught off guard with the result that debt levels rose to unsustainable levels. Financial institutions and the Reserve Bank came to partial rescue of households while the fiscus softened the impact by providing assistance financed by borrowing. Given the unsustainable situation that could threaten financial stability, the Reserve Bank gradually normalised its monetary policy stance while the fiscus is still considering its options.

Figure 5



Source: SA Reserve Bank, Quarterly Bulletin. June 2022

Although consumer and producer inflation still reflect price instability it appears that both consumer and producer inflation lately might have eased.



**Table: Price stability and interest rates**

Date	CONSUMER INFLATION %					PRODUCER INFLATION %				OVERDRAFT RATE %	REAL OVERDRAFT RATE %
	Total metro & urban	CPI excl. owner rent	CPI excl. food, bev. & petrol	Services	Food	All	Imported Commodities	Local Output	Electricity		
31-Aug-19	4.4	4.4	4.6	4.6	3.9	3.7	1.9	4.5	15.1	10.0	5.4
31-Aug-20	3.1	3.2	3.5	4.0	3.9	2.7	3.2	2.4	6.5	7.0	3.8
31-Aug-21	4.9	5.6	3.7	2.7	6.9	10.5	17.7	7.2	18.7	7.0	2.0
31-Aug-22	7.6	8.3	4.6	4.3	11.3	15.6	13.4	16.6	9.9	9.0	1.3

## **Conclusion**

The global as well as the local economy is facing a difficult period ahead that stands in the aftermath of Covid and the effects of the Ukraine/Russian conflict. The local economy is additionally confronted by structural deficiencies like uncertain energy supply, an unsustainable fiscal situation, deteriorating infrastructure, and high unemployment.

In this regard **SACCI** has lately issued a media release with regard to the critical energy situation:

*“The process of the assessment and performance review is not likely to address the root causes of the Eskom crisis and other SOEs, if such review does not include the role of cabinet as the appointing authority. The review ought to include the evaluation of the skills, competencies, experience and performance track record of the selectors and decision makers as well.*

*This is the only way in which effective, sustainable solutions can be realised. Otherwise, it will be the moving around of chairs and the avoidance of dealing with the root causes.”*

## Annexure 1

### General Economic Indicators

Indicator	Latest Period	Latest Direction	Latest	Previous	2021	2016
Consumer inflation headline urban (%)	Aug-22	▼	7.6	7.8	4.5	6.3
Consumer inflation urban - excl. food, bev. & fuel (%)	Aug-22	▼	4.6	4.8	3.5	5.8
Money supply M3 eop (% Δ Y-o-Y)	Aug-22	▼	8.1	8.2	6.4	6.1
Private sector credit eop (% Δ Y-o-Y)	Aug-22	▲	7.9	7.2	2.5	4.8
Real prime overdraft rate eop (%)*	Aug-22	▲	4.9	4.0	3.6	4.4
Prime overdraft rate eop (%)	Sep-22	▲	9.75	9.00	7.25	10.50
Liquidations number sa	Aug-22	▲	224	158	1932	1934
Bond yield 5-10y govt eop (%)	Sep-22	▲	10.81	10.24	9.39	8.69
R / US\$ average	Sep-22	▲	17.60	16.70	14.79	14.71
R / Euro average	Sep-22	▲	17.42	16.80	17.50	16.28
Indicator	Latest Period	Latest Direction	Latest	Previous	2021	2016
Income & wealth tax / GDP sa (%)	2q-22	▼	15.9	13.4	14.4	13.6
Total tax / GDP sa (%)	2q-22	▼	28.0	26.1	26.7	25.7
Public sector borrowing requirement / GDP (%)	2q-22	▼	-2.3	5.2	4.3	4.4
Public sector expenditure / GDP (%)	2q-22	▼	22.7	24.3	23.5	25.5
Budget balance / GDP (%)	2q-22	▼	0.7	-6.8	-5.5	-3.8
Imports / GDE (%)	2q-22	▲	32.5	29.8	26.5	27.9
Exports / GDP (%)	2q-22	▲	35.4	33.5	33.2	28.3
Net foreign financial flows excl. loans / GDP (%)	2q-22	▲	1.5	1.1	-3.1	4.5
Current account balance / GDP (%)	2q-22	▼	0.2	0.6	3.6	-2.7
Gross domestic saving / GDP sa (%)	2q-22	▼	13.3	16.3	16.5	14.3
Gross capital formation / GDP sa (%)	2q-22	▼	14.6	13.8	12.8	17.0
Net fixed capital formation / GDP (%)	2021	▼	-	-	0.2	4.1
GDP growth (% Δ Y-o-Y)	2q-22	▼	0.2	2.7	4.9	0.1

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.