

SOUTH AFRICAN CHAMBER OF COMMERCE AND INDUSTRY

Business Confidence Index

November 2022



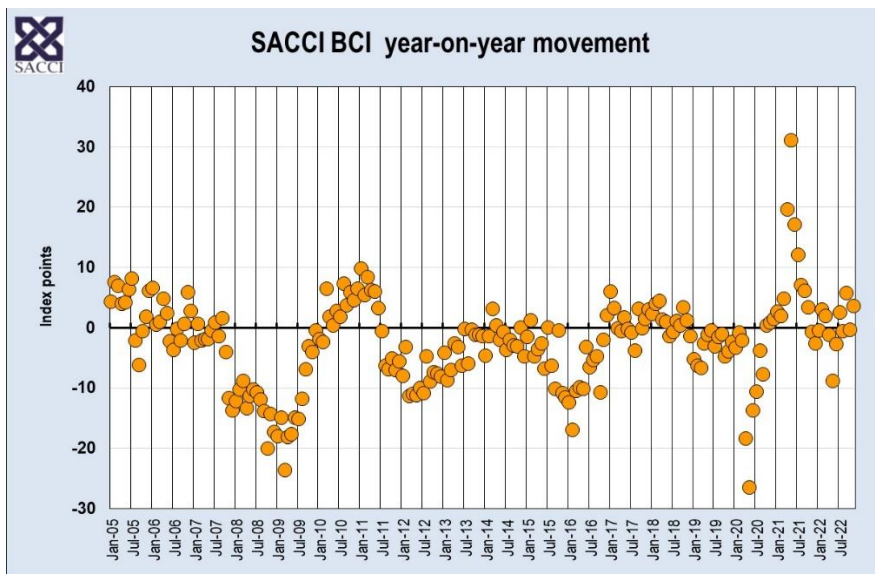
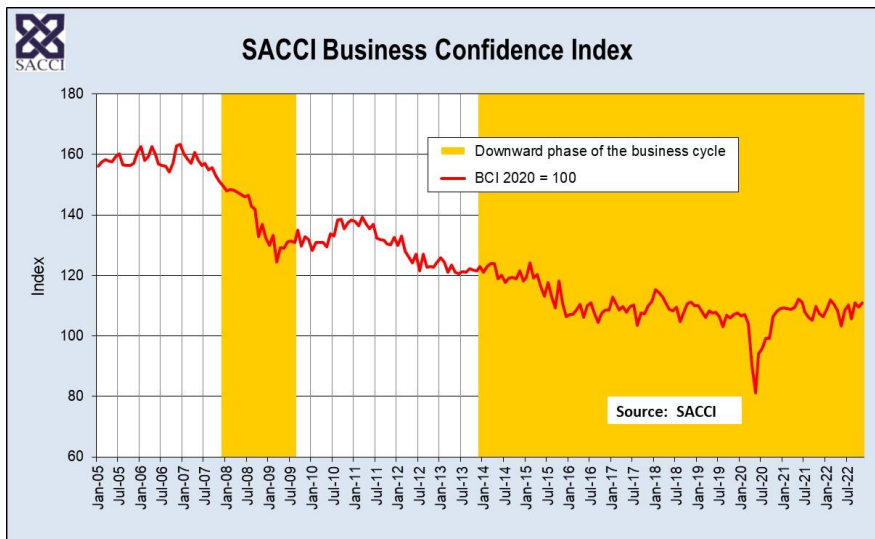
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Because of information lags and changes in expectations, the dynamics of the business mood, may, at times, be at variance with the economic environment. As a result, always read the BCI with other economic data and the accompanying economic commentary.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

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	110.9
October	118.2	107.5	107.4	110.8	106.0	106.4	109.7	109.4
November	110.6	108.6	109.9	111.1	107.2	108.0	107.3	110.9
December	106.5	108.4	111.4	110.1	107.6	109.0	106.4	
Average	115.6	108.0	109.1	110.4	107.1	100.0	108.5	



This month's BCI results

During November 2022 the **SACCI** Business Confidence Index (BCI) recorded a reading of 110.9 with 2020 = 100 as basis. Although the BCI declined by 1.4 index points to 109.4 in October, it again recovered the 1.4 index points in November 2022. The BCI was 3.6 index points higher in November 2022 than in November 2021 and 2.9 index points up on November 2020. The average of 109.0 for the SACCI BCI in the first eleven months of 2022 was slightly higher than the 108.7 for the corresponding period in 2021.

The unexpected performance of business confidence during 2022 has been a combination of global and local economic. However, the present level of the **SACCI** BCI indicates that the disruptions experienced during and after Covid in 2020 and in 2021. This was replaced by global and domestic events that impacted the business fraternity. The erratic movement of the **SACCI** BCI in 2022 from a high of 112.0 in February to a low of 103.2 in May – a spread of 8.8 index points – in itself mirrors the risk and uncertainty surrounding the business climate in South Africa during 2022.

The level of 110.9 for the November 2022 BCI is higher than the average of 109.0 for the first eleven months. Eight of the fourteen sub-indices monitored had a positive or neutral impact on the BCI between October and November 2022. Of these eight sub-indices, increased new vehicle sales, share prices on the JSE, and manufacturing output made the largest positive **short-term (month-to-month)** impact on the BCI in November. Less inbound tourism and merchandise import and export volumes as well as higher real interest rates particularly dampened business confidence in the **short-term (month-to-month)**.

On an annual basis, i.e. over the **medium-term (year-on-year)**, increased inbound overseas tourism, increased new vehicle sales and higher merchandise import volumes had a notable positive effect on the BCI. Less merchandise export volumes, higher real interest rates, and rising inflation had quite a negative effect on business confidence between November 2021 and November 2022. However, the real economic sub-indices of the BCI were on a better level in November 2022 than a year ago even through the financial environment was tougher than in November 2021.

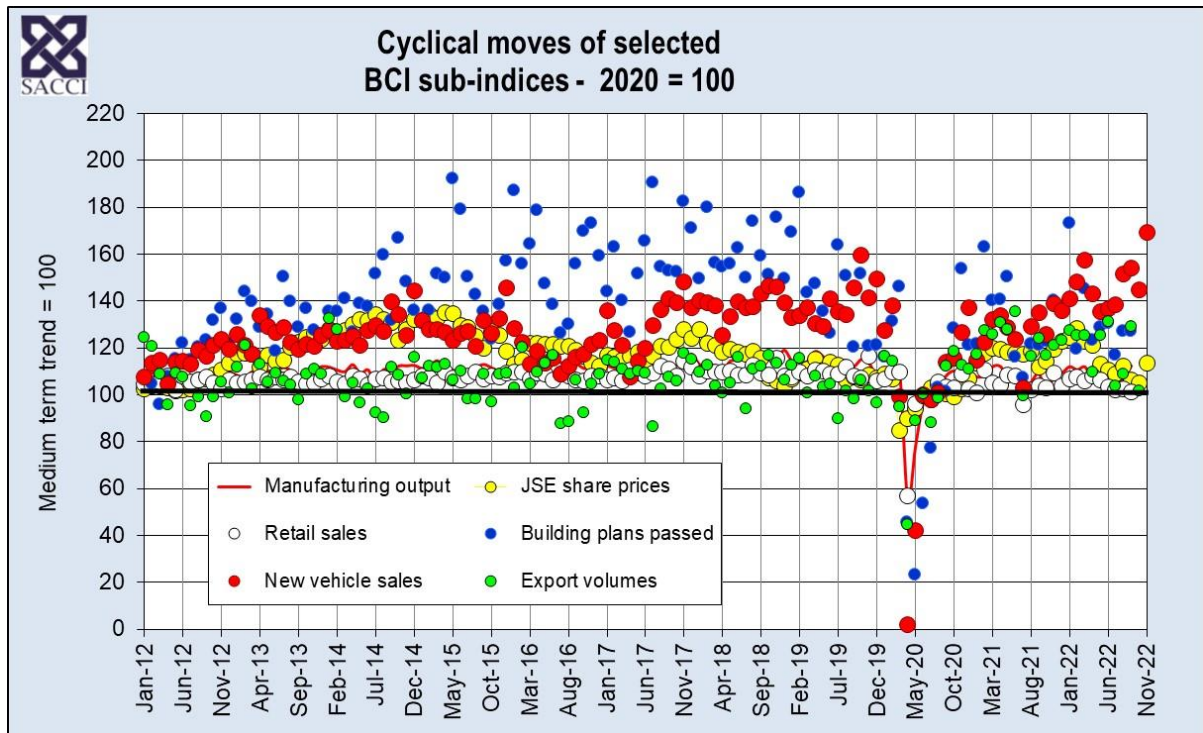
See the economic commentary for the latest economic developments and background.

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	-	+	-	+
Tourism inward	-	+	+	+
Imports	-	+	+	+
Vehicle sales	+	-	+	+
Retail sales	-	o	-	o
Construction - buildings	o	+	+	+
Inflation ¹	-	-	-	-
Share prices	+	-	-	-
Real private sector borrowing	o	+	+	+
Real financing cost	+	-	-	-
Precious metal prices	+	+	-	-
Rand exchange rate	+	-	-	-

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

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



This month's economic review

Tough Global Economic Conditions

The Covid pandemic was a major factor affecting the world economy up to 2021 but time became secondary since February 2022 as it was replaced by the effect of the war in Ukraine which disrupted energy and food markets.

Economic slowdowns are looming in several economies given higher real interest rates introduced to counter the inflationary impact and the disruptions to global trade. Whilst America may experience a mild recession, Europe is at greater risk given its proximity to Ukraine and its dependence on Russian energy resources. For South Africa a European slowdown could have consequences as Europe is a major trading partner and investor. Traveller spending is expected to almost regain the pre-Covid level although the number of international tourist trips may not yet reach the pre-pandemic levels.

Global economic slowdown

The world economy is affected by an overall slowdown accompanied by high inflation that became evident more so than in recent years. The inflation coupled with higher interest rates causes less real disposable income for households due to strict monetary policy by way higher interest rates in most countries.

Global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth prospects since 2001 apart from the 2007/08 global financial crisis and during the severe lockdown phase of the Covid pandemic.

Global inflation is forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 followed by a decline to 6.5 percent in 2023 and to 4.1 percent in 2024. Monetary policy will remain tight until more price stability prevails. If the fiscal situation allows, the goal should be to assist households to manage the cost-of-living pressures.

The table below is the latest forecasts by the IMF in its World Economic Outlook (WEO) published in October 2022. The trends reflect the difficult period the global economy faces in the next few years. Special notice should be taken of global trade trends envisaged in the WEO given South Africa's important foreign trade relations.

SACCI Business Confidence Index – November 2022

Economic Growth	2019	2020	2021	2022f	2023f
	%	%	%	%	%
World	2.8	-3.0	6.0	3.2	2.7
United States	2.3	-3.4	5.7	1.6	1.0
Euro Area	1.6	-6.1	5.2	3.1	0.5
Germany	1.1	-3.7	2.6	1.5	-0.3
United Kingdom	1.7	-9.3	7.4	3.6	0.3
Japan	-0.4	-4.6	1.7	1.7	1.6
Emerging & Developing Europe:	2.5	-1.7	6.8	0.0	0.6
Emerging & Developing Asia:	5.2	-0.6	7.2	4.4	4.9
China	6.0	2.2	8.1	3.2	4.4
India	3.7	-6.6	8.7	6.8	6.1
Sub-Sahara Africa:	3.2	-1.6	4.7	3.6	3.7
South Africa	0.3	-6.3	4.9	2.1	1.1

Source: IMF, WEO October 2022. f = forecast.

World Trade	2019	2020	2021	2022f	2023f
Goods and Services Trade Volumes					
World - %Δ	0.9	-7.8	10.1	4.3	2.5
Imports by advanced economies - %Δ	2.1	-8.4	9.5	6.0	2.0
Exports by advanced economies - %Δ	1.2	-9.0	8.7	4.2	2.5
Imports by emerging economies - %Δ	-1.0	-7.8	11.8	2.4	3.0
Exports by emerging economies - %Δ	0.5	-4.8	11.8	3.3	2.9
World Trade Prices in US\$					
Oil - %Δ	-5.2	-32.2	62.2	49.8	-11.9
Average oil spot price per barrel in US\$	61.2	41.8	69.4	98.2	85.52
Non-fuel primary commodities -					
Food - %Δ	-3.1	1.7	26.1	14.2	-6.8
Raw agricultural materials - %Δ	-5.4	-3.4	15.4	2.5	-6.9
Metals - %Δ	3.9	3.5	46.7	-5.5	-12.0

Source: IMF, WEO October 2022. f = forecast. %Δ = percentage change.

Local economic performance

South Africa as an open economy with 33% of domestic expenditure on imported goods and services and 35% of output being exported, remains sensitive to the performance of the economies of trading and investment partners. Business confidence also benefits largely from business and trade relations with other countries.

Import and export volumes both experienced increased activity in the first nine months of 2022 and increase significantly by 15.9% y/y and 9.6% y/y respectively. Foreign trade activity also

played an important role in support of business confidence.

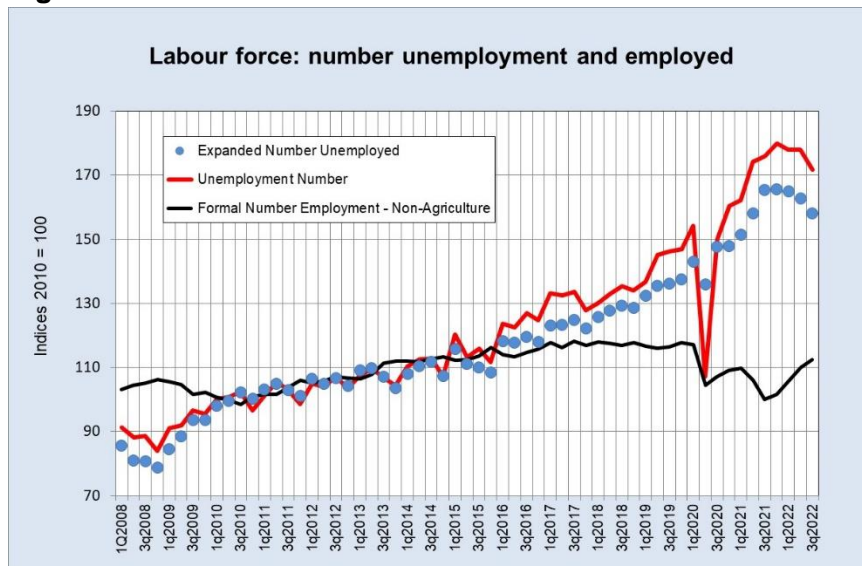
South Africa’s real GDP grew by 2.3% y/y in the first three quarters of 2022. The tertiary sector increased by 4.1% y/y over this period; the secondary sector declined by 0.9% y/y; and the primary sector dipped by 6.1% y/y. The level of unemployed still remains at concerning levels – see figure 1.

A positive aspect of the recently released GDP numbers indicate that real fixed investment increased by 4.4% y/y in the first nine months of 2022 compared to only 0.2% y/y in 2021 after a decline of 14.6% in 2020 when the economy was hamstrung by Covid and the impact of the State of Disaster. However, more fixed investment is required to offset the 14.6% y/y decline of 2020 and to replenish the capital stock necessary to maintain and support an economic growth rate of above 3% per year. Investor confidence is of critical importance.

GDP GROWTH						
SECTOR	2020	2021	1Q 2022	2Q 2022	3Q 2022	¾ 2022
	%Δ	%Δ	Y-o-Y %Δ	Y-o-Y %Δ	Y-o-Y %Δ	%Δ
Transport and communication	-15.4%	4.7%	9.0%	6.2%	11.3%	8.9%
Wholesale and retail trade; hotels and restaurants	-12.4%	6.4%	6.0%	1.1%	7.5%	4.8%
Finance, real estate and business services	0.7%	3.3%	1.6%	4.8%	5.5%	4.0%
Personal services	-2.0%	5.5%	6.2%	3.7%	2.0%	3.9%
Manufacturing	-12.5%	6.5%	1.2%	-3.4%	2.7%	0.2%
General government services	0.7%	0.1%	0.9%	-0.7%	-0.6%	-0.2%
Electricity and water	-5.9%	2.2%	-0.2%	-1.8%	-4.6%	-2.3%
Construction	-18.5%	-2.2%	-6.5%	-5.1%	-2.4%	-4.7%
Agriculture, forestry and fishing	14.9%	8.8%	-1.7%	-23.8%	22.3%	-4.9%
Mining and quarrying	-11.8%	12.0%	-4.6%	-9.6%	-6.2%	-6.9%
GDP excluding general government	-6.6%	5.2%	2.9%	0.3%	4.5%	2.5%
GDP excluding agriculture	-6.5%	4.6%	2.8%	1.4%	3.5%	2.6%
GDP at market prices	-6.3%	4.9%	2.7%	0.2%	4.1%	2.3%

Source: StatsSA. Note: Y-o-Y %Δ = year-on-year %

Figure 1



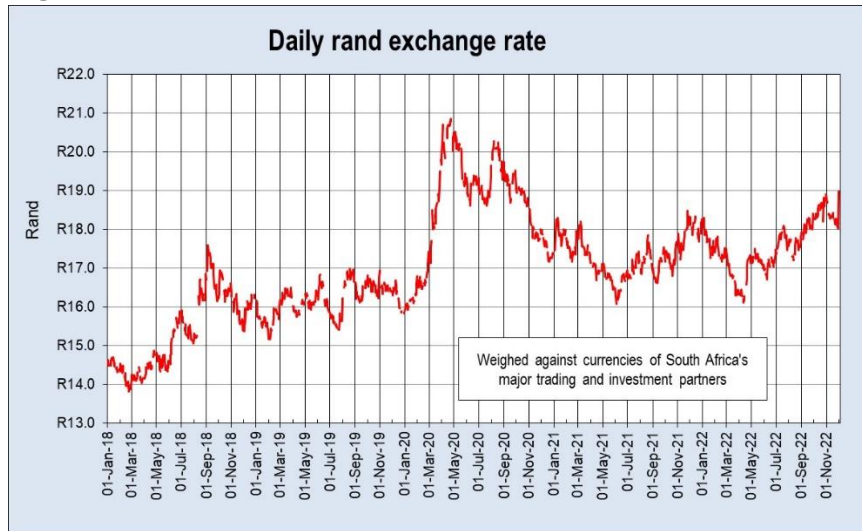
Source: StatsSA

Economic sensitivity to domestic stability

The openness of the South African economy and the necessity for foreign investment are a key to socio-political stability.

The effects of instability have on numerous occasions impacted the economy negatively. Some of the impacts may be immediate effects while others may affect medium-term and longer-term economic performance and eventually the welfare of the population. It is therefore essential that political and social stability are maintained. The rand exchange rate is usually one of the leading indicators of the economy. See figure 2.

Figure 2



Conclusion

Despite energy supply and logistics challenges, the economy has watered through though the performance was not broad based and mainly limited to the tertiary sector. International trade in goods and services provided an important backstop and assisted in maintaining a reasonable level of local economic activity and stability.

It remains important to return greater economic stability and more certainty to South Africa. Political and social stability are also critical elements affecting investor confidence. South Africa cannot afford instability in a global environment of possible recessionary forces impacting on keener investor choices.

Annexure 1

General Economic Indicators

Indicator	Latest Period	Latest Direction	Latest	Previous	2021	2016
Consumer inflation headline urban (%)	Oct-22	▲	7.6	7.5	4.5	6.3
Consumer inflation urban - excl. food, bev. & fuel (%)	Oct-22	▲	5.2	4.9	3.5	5.8
Money supply M3 eop (% Δ Y-o-Y)	Oct-22	▲	9.8	8.8	6.4	6.1
Private sector credit eop (% Δ Y-o-Y)	Oct-22	▼	9.2	9.8	2.5	4.8
Real prime overdraft rate eop (%)*	Oct-22	▼	4.3	4.6	3.6	4.4
Prime overdraft rate eop (%)	Nov-22	▲	10.50	9.75	7.25	10.50
Liquidations number sa	Oct-22	▼	155	158	1932	1934
Bond yield 5-10y govt eop (%)	Nov-22	▼	10.23	10.81	9.39	8.69
R / US\$ average	Nov-22	▼	17.47	18.11	14.79	14.71
R / Euro average	Nov-22	▶	17.81	17.82	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	1.8	-3.1	4.5
Current account balance / GDP (%)	2q-22	▼	0.2	0.5	3.7	-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.