SOUTH AFRICAN CHAMBER OF COMMERCE AND INDUSTRY

Business Confidence Index

November 2024

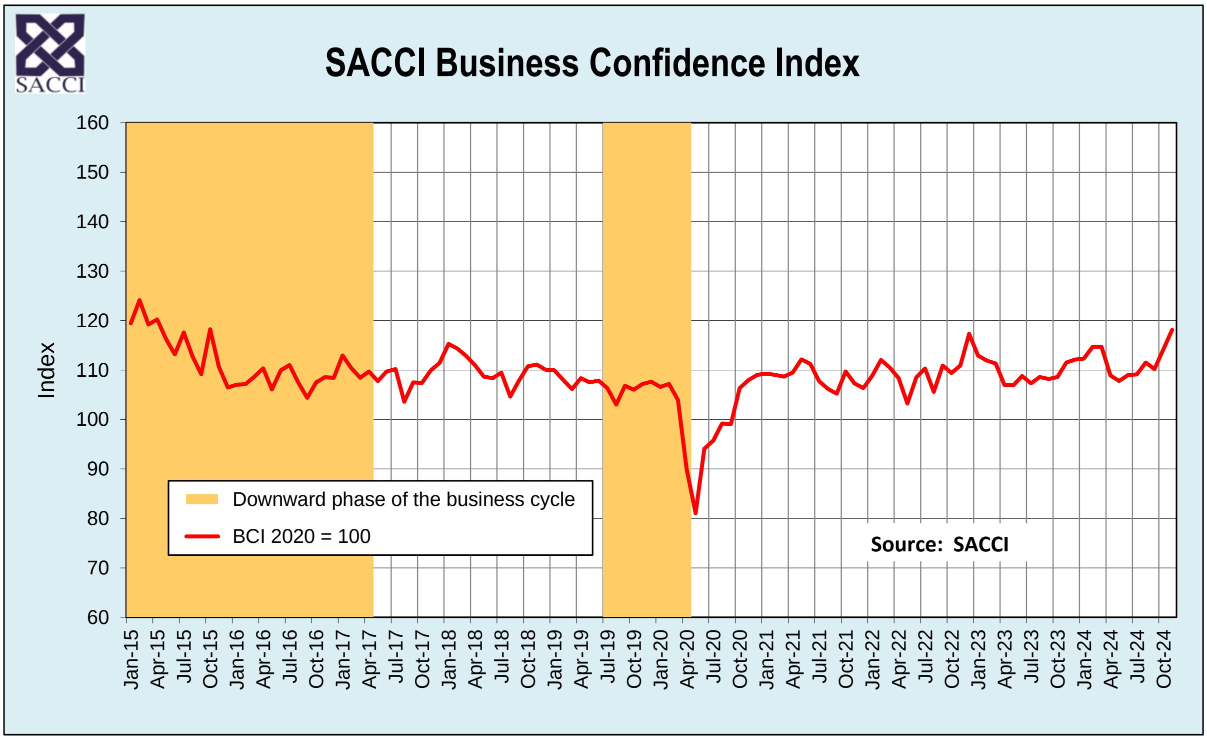
SACCI

Content:

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	2017	2018	2019	2020	2021	2022	2023	2024
January	112.9	115.3	109.9	106.6	109.2	108.8	112.9	112.3
February	110.4	114.3	108.0	107.2	109.0	112.0	111.9	114.7
March	108.4	112.8	106.1	103.9	108.7	110.5	111.3	114.7
April	109.7	111.0	108.3	89.9	109.5	108.3	107.1	108.9
May	107.7	108.7	107.5	81.0	112.1	103.2	106.9	107.8
June	109.7	108.3	107.9	94.1	111.2	108.5	108.8	109.0
July	110.2	109.5	106.4	95.7	107.7	110.3	107.3	109.1
August	103.6	104.6	103.0	99.2	106.2	105.6	108.6	111.5
September	107.5	107.9	106.8	99.1	105.2	110.9	108.2	110.2
October	107.4	110.8	106.0	106.4	109.7	109.4	108.6	114.2
November	109.9	111.1	107.2	108.0	107.3	110.9	111.**5**	**118.1**
December	111.4	110.1	107.6	109.0	106.4	117.3	112.1	
Average	**109.1**	**110.4**	**107.1**	**100.0**	**108.5**	**109.6**	**109.6**	



This month's BCI results

The broader political representation in the administration of the national government has facilitated a positive assessment of economic prospects by business. This spilled over into the business climate and improved sentiment and stability, as reflected by the sub-indices from which the **SACCI** Business Confidence Index (BCI) is compiled. The BCI has, since the formation of the new administration in June 2024, improved gradually from a low level of 107.8 in May 2024 to 118.1 in November 2024 – a 10.3 index-point improvement. Over the year to November 2024, the BCI improved by 6.6 index points.

The initial improvement in the BCI since June 2024 has gained traction despite a small let-up in September. Business confidence experienced increased momentum in October and November 2024 as the effects of the new national administration on the economy and business became more concrete. Notwithstanding the mixed effects of the elections in May 2024 and the recovery since the formation of the GNU at the national level, the BCI averaged 111.9 in the first eleven months of 2024 compared to an average of 109.4 in the corresponding period of 2023 – a 2.5 index-point improvement on 2023.

Over the short term (**month-to-month**), from September 2024 to October 2024 and November 2024, the BCI improved by 3.6 and 3.4 index points, respectively, after the dip of 1.2 index points in September. Only two of the fourteen sub-indices had a negative bearing on the BCI in October 2024, and despite the five sub-indices that turned negative in November, the BCI still improved by 3.4 points in November. Inward tourism and the higher volume of merchandise exports had a notable positive effect in November. There was no significant negative effect of a sub-index on the BCI in November.

SACCI's BCI increased by 6.6 index points **year-on-year** in November 2024 – the largest year-on-year improvement for a month since the Covid-19 restrictions were lifted in December 2022. More inward tourist numbers, higher precious metal prices, and increased new vehicle sales made the most notable positive impact on the BCI in November. Lower merchandise import volumes had the only noteworthy negative impact on the BCI.

Sub-indices of the BCI on **economic activity** in general had a positive short- and medium-term impact on business sentiment, as greater private sector participation is gathering momentum to improve economic growth and employment. The **financial environment** sub-indices had a marginally negative effect in the short term but were positive compared to a year ago.

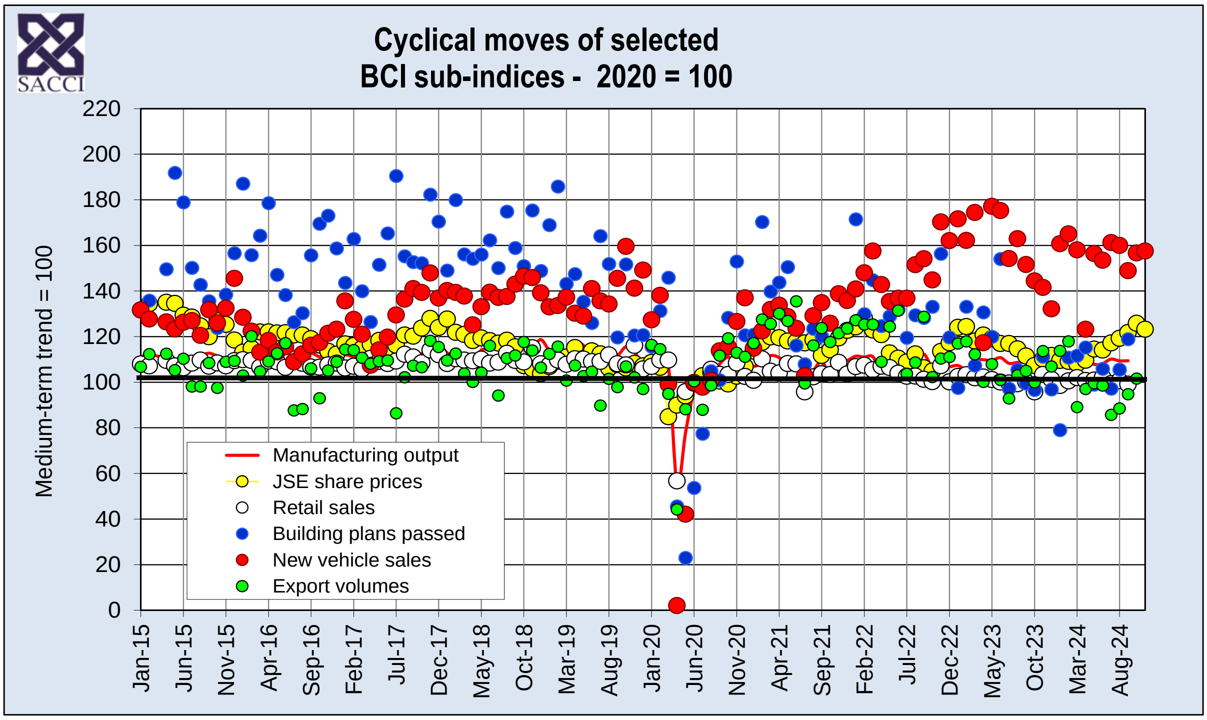
For a broader perspective on business confidence, refer to the Economic Commentary on local and global economic developments on page 5.

Impact of BCI sub-indices

Business climate indicators *	m/m changes		y/y changes	
	This month	Previous month	This month	Previous month
Energy supply	-	+	+	+
Manufacturing	o	o	+	o
Exports	+	+	+	-
Tourism inward	+	-	+	+
Imports	o	+	-	+
Vehicle sales	o	+	+	+
Retail sales	-	o	-	+
Construction - buildings	+	-	+	o
Inflation¹	o	o	+	+
Share prices	-	+	+	+
Real private sector borrowing	o	o	o	o
Real financing cost	+	+	+	-
Precious metal prices	-	+	+	+
Rand exchange rate	-	+	+	+

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

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



This month's economic review

Economic Environment Remains Delicate

Global economic growth remains subdued but relatively stable, according to the IMF in its October 2024 World Economic Outlook (WEO). Since the April 2024 IMF WEO, economic growth for the United States economy for 2025 has been revised upward by +0.3 percentage points, while growth for advanced economies in the Euro region was reduced by -0.3 percentage points. Disruptions to output and logistics in emerging markets and developing economies in supplying commodities may result in anticipated lower growth in the Middle East, Central Asia, and Sub-Saharan Africa. However, emerging Asia is forecast to experience higher growth (+5%), supported by substantial public investment in China and India. See the table below.

Table 1

Economic Growth	2022 %	2023 %	2024f %	2025f %
World	**3.6**	**3.3**	**3.2**	**3.2**
United States	2.5	2.9	2.8	2.2
Euro Area	**3.3**	**0.4**	**0.8**	**1.2**
Germany	1.4	-0.3	0.0	0.8
United Kingdom	4.8	0.3	1.1	1.5
Japan	1.2	1.7	0.3	1.1
Emerging & Developing Europe:	**0.6**	**3.3**	**3.2**	**2.2**
Emerging & Developing Asia:	**4.4**	**5.7**	**5.3**	**5.0**
China	3.0	5.2	4.8	4.5
India	7.0	8.2	7.0	6.5
Sub-Sahara Africa:	**4.1**	**3.6**	**3.6**	**4.0**
South Africa	**1.9**	**0.7**	**1.1**	**1.5**

Source: IMF, WEO October 2024. f = forecast.

The IMF sees 'cyclical imbalances in the global economy waning,' with short-term policy emphasis ensuring a smooth adjustment. However, structural reforms remain necessary to lift medium-term growth prospects, which could also accommodate responsible social reforms.

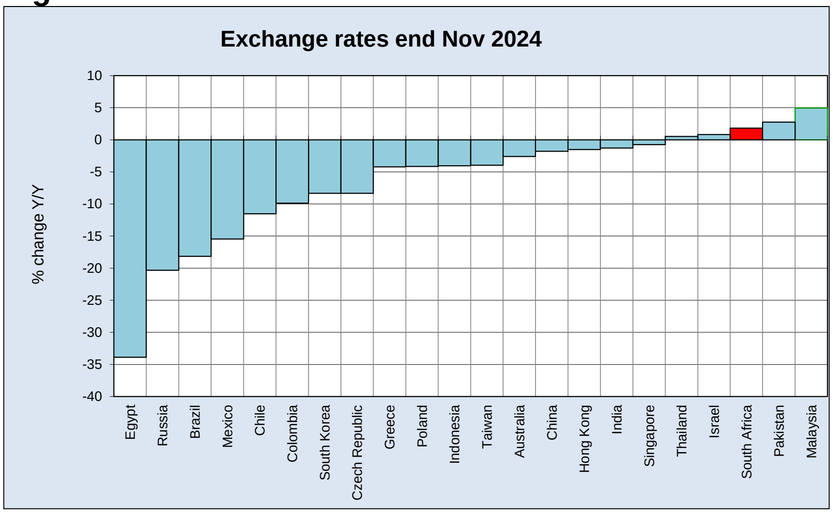
Signs of Deflation

Sector-specific subtleties accompanied by the responsible application of monetary policy are resulting in lower inflation globally. In an IMF Staff Country Report, the IMF concludes that the South African Reserve Bank (SARB) sets a high benchmark for transparency and is considered by external stakeholders as one of the most reputable and effective public institutions in South Africa and globally. The SARB's transparency practices are regarded as broadly aligned with expanded and comprehensive practices. The SARB's commitment to open and transparent communication, as rooted in its 2025 Strategic Plan, is highly valued. SARB's recent success in curtailing the inflationary process in South Africa provides evidence of its effectiveness.

Inflation in South Africa currently suggests deflationary tendencies. Consumer inflation declined to 2.8% in October 2024, while producer prices declined by 0.7% y/y. However, the production prices of intermediary manufactured inputs rose by 5.5%, and electricity tariffs increased by 12.2%. The relatively strong rand among its peer group of countries (see Figure 1) since a more representative national government was formed also contributed to lower fuel prices and, thus, lower inflation. After non-residents were net sellers of bonds and shares amounting to R68 billion from January to May 2024, the net sales of bonds and shares by non-residents declined to R12 billion between June and October 2024, which also supported the rand exchange rate.

The demand for salary and wage increases higher than inflation, coupled with a possible hike of some 36% in electricity tariffs, has caused the SARB to restrain lowering interest rates by more than 0.25 percentage points. This left the real prime rate above 8%.

Figure 1



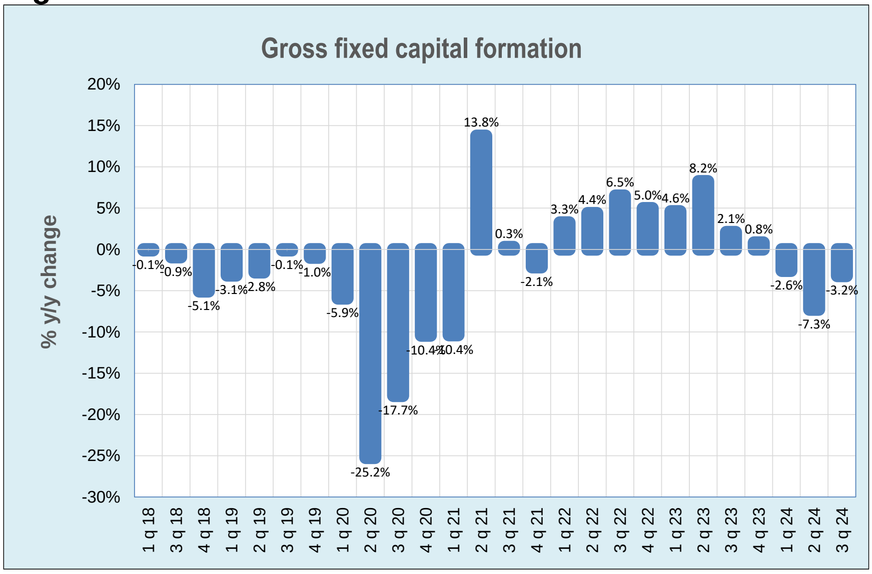
Source: Exchange rates. https://www.google.com/search

South African Economic Growth Stutters

GDP data for the 3rd quarter of 2024 indicates that economic growth stalled at around 0.3% y/y. The primary sector (agriculture and mining) real output contracted by 4.6% y/y in the first nine months of 2024; the secondary sector's (manufacturing, electricity, water, construction) real output declined by 1.4% y/y, while the output of the services sector (finance, personal, government) increased by 1.4% y/y.

Although some political shenanigans continued after the national and provincial elections, the resolve to address the stalled economic performance is bearing fruit as the business climate has turned for the better. However, economic growth requires fixed investment (see Figure 2), which calls for a longer-term assessment of economic policy and its implementation. In this regard, an efficient and proficient public sector (especially public enterprises and local governments) plays a pivotal role in supporting economic activity. It becomes apparent that the neglect of several years will not be fixed in the short term.

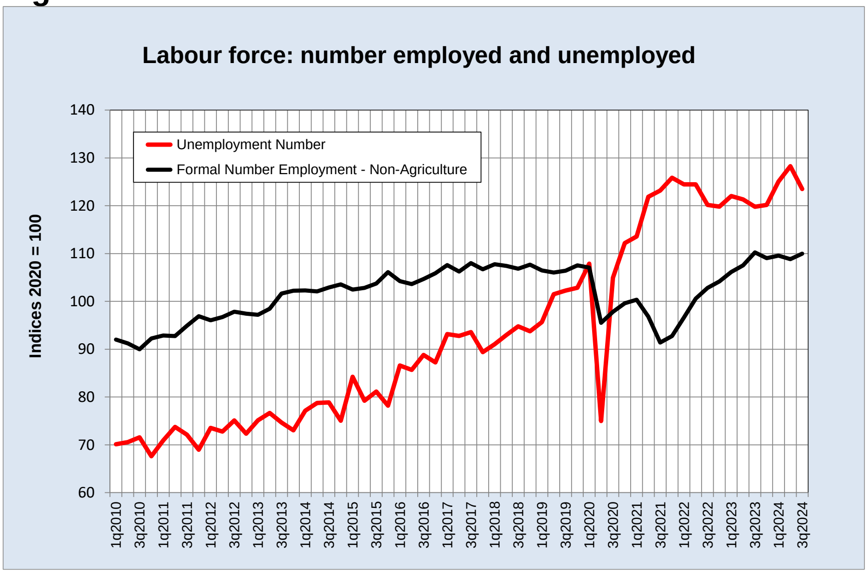
Figure 2



Source: StatsSA.

The importance of economic growth for job creation, specifically in the primary and secondary sectors, could become a panacea to address joblessness. Figure 3 represents the effect of slow economic growth on the sideways shift in formal employment.

Figure 3



Source: StatsSA.

Conclusion

The slow economic growth of 0.3% y/y recorded up to the 3rd quarter of 2024 reflects the desperate situation in which the South African economy finds itself. The realisation that a comprehensive effort by responsible role players to collaborate has become inevitable. Although the economic growth of 0.4% for the first nine months of 2024 disappointed, the strong upward momentum of business confidence confirms the resolve and understanding of the private business sector to contribute and play its respective role, and to complement an efficient and proficient public sector in its particular role. The translation of business confidence into investor confidence, economic growth, and job creation will, over time, mark the ultimate success.

Annexure 1

General Economic Indicators

Indicator	Latest Period	Latest Direction	Latest	Previous	2023	2018
Consumer inflation headline urban (%)	Oct-24	▼	2.8	3.8	5.9	4.6
Consumer inflation urban - excl. food, bev. & fuel (%)	Oct-24	▼	4.4	4.5	5.2	4.3
Money supply M3 eop (% Δ Y-o-Y)	Oct-24	▲	7.8	7.3	7.6	5.6
Private sector credit eop (% Δ Y-o-Y)	Oct-24	▼	4.2	4.6	5.1	5.1
Real prime overdraft rate eop (%)*	Oct-24	▲	8.2	7.4	5.1	4.4
Prime overdraft rate eop (%)	Nov-24	▼	11.25	11.50	11.75	10.25
Liquidations number sa	Oct-24	▲	190	110	1657	1845
Bond yield 5-10y govt eop (%)	Nov-24	▼	8.99	9.28	9.73	9.04
R / US$ average	Nov-24	▲	17.95	17.56	18.45	13.23
R / Euro average	Nov-24	▼	19.06	19.15	19.95	15.60

Indicator	Latest Period	Latest Direction	Latest	Previous	2023	2018
Income & wealth tax / GDP sa (%)	2q-24	▼	14.0	14.8	14.1	13.9
Total tax / GDP sa (%)	2q-24	▼	26.1	27.2	26.6	26.1
Public sector borrowing requirement / GDP (%)	2q-24	▲	4.2	1.6	5.1	3.3
Public sector expenditure / GDP (%)	2q-24	▼	22.8	24.1	23.5	24.3
Budget balance / GDP (%)	2q-24	▲	-2.8	-2.3	-6.0	-3.5
Imports / GDE (%)	2q-24	▶	30.9	30.9	32.7	27.1
Exports / GDP (%)	2q-24	▲	32.2	30.8	32.9	27.6
Net foreign financial flows excl. loans / GDP (%)	2q-24	▲	-2.6	-0.1	0.6	1.3
Current account balance / GDP (%)	2q-24	▼	0.5	-3.0	-1.6	-3.0
Gross domestic saving / GDP sa (%)	2q-24	▲	14.1	12.7	13.9	13.2
Gross capital formation / GDP sa (%)	2q-24	▲	15.0	14.2	15.5	16.2
Net fixed capital formation / GDP (%)	2023	▼	-	-	1.4	3.1
GDP growth (% Δ Y-o-Y)	3q-24	▶	0.3	0.3	0.7	1.6

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.