SOUTH AFRICAN CHAMBER OF COMMERCE AND INDUSTRY

Business Confidence Index

January 2025

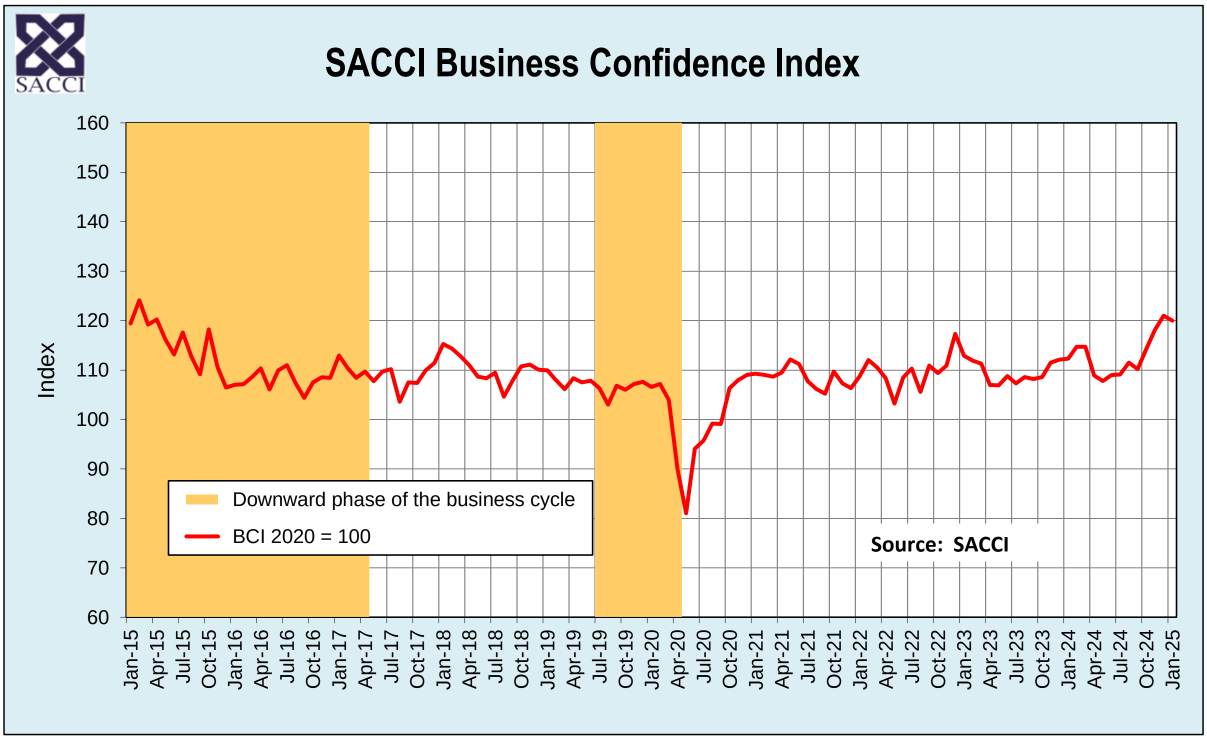
SACCI

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	2018	2019	2020	2021	2022	2023	2024	2025
January	115.3	109.9	106.6	109.2	108.8	112.9	112.3	**120.0**
February	114.3	108.0	107.2	109.0	112.0	111.9	114.7	
March	112.8	106.1	103.9	108.7	110.5	111.3	114.7	
April	111.0	108.3	89.9	109.5	108.3	107.1	108.9	
May	108.7	107.5	81.0	112.1	103.2	106.9	107.8	
June	108.3	107.9	94.1	111.2	108.5	108.8	109.0	
July	109.5	106.4	95.7	107.7	110.3	107.3	109.1	
August	104.6	103.0	99.2	106.2	105.6	108.6	111.5	
September	107.9	106.8	99.1	105.2	110.9	108.2	110.2	
October	110.8	106.0	106.4	109.7	109.4	108.6	114.2	
November	111.1	107.2	108.0	107.3	110.9	111.5	118.1	
December	110.1	107.6	109.0	106.4	117.3	112.1	121.0	
Average	**110.4**	**107.1**	**100.0**	**108.5**	**109.6**	**109.6**	**112.6**	



This month's BCI results

The positive assessment of economic prospects by business still supports an improved business climate. More inclusive administrations in government are feeding expectations that a *more* free-enterprise and free-market economic policy environment will emanate over the medium to longer-term. This improved sentiment and stability were reflected by the sub-indices from which the **SACCI** Business Confidence Index (BCI) is compiled. The BCI has since the formation of the inclusive administration in June 2024, increased gradually from a low level of 107.8 in May 2024 (the month of elections), to 121.0 in December 2024 and on to record 120.0 in January 2025. The 120.0 for January 2025 is a 12.2 index point surge since May 2024 and a 7.7 index point increase on January 2024.

Political posturing by parties during the election period created uncertainty and nervousness up to May 2024, but a change in political collaboration and the formation of the GNU at the national level caused the BCI to improve rapidly. An average 112.6 was measured for the BCI in 2024 compared to an average of 109.6 in 2023 – a 3 index point improvement.

Over the short-term from November 2024, December 2024 and January 2025 the **SACCI** BCI improved by 1.9 index point. Month-to-month only one of the fourteen sub-indices had a notable negative short-term effect on the BCI in January 2025. Less merchandise export volumes had the only noteworthy negative m/m impact on the BCI.

Despite the four sub-indices that were negative in January 2025, the BCI lost a negligible one index point in January 2025. Greater volumes of imported merchandise, more new vehicles sold, and rising inward tourism had notable positive effects on the BCI in January 2025.

SACCI's BCI increased by 7.7 index-points **year-on-year** in January 2025– the largest year-on-year improvement for a month since the Covid-19 restrictions were lifted in December 2022. Increased inward tourist numbers, increased new vehicle sales, lower inflation, and better retail sales volumes made the largest impact on the BCI in January 2025. Less merchandise export volumes also had a significant negative y/y impact on the BCI.

Economic activity and **financial** sub-indices of the BCI in general, had an even positive and negative short-term impact on business sentiment. Improved sub-indices on **economic activity** had a strong positive effect on the medium-term business perceptions compared to a year ago – see Box on next page: *Impact of BCI sub-indices.*

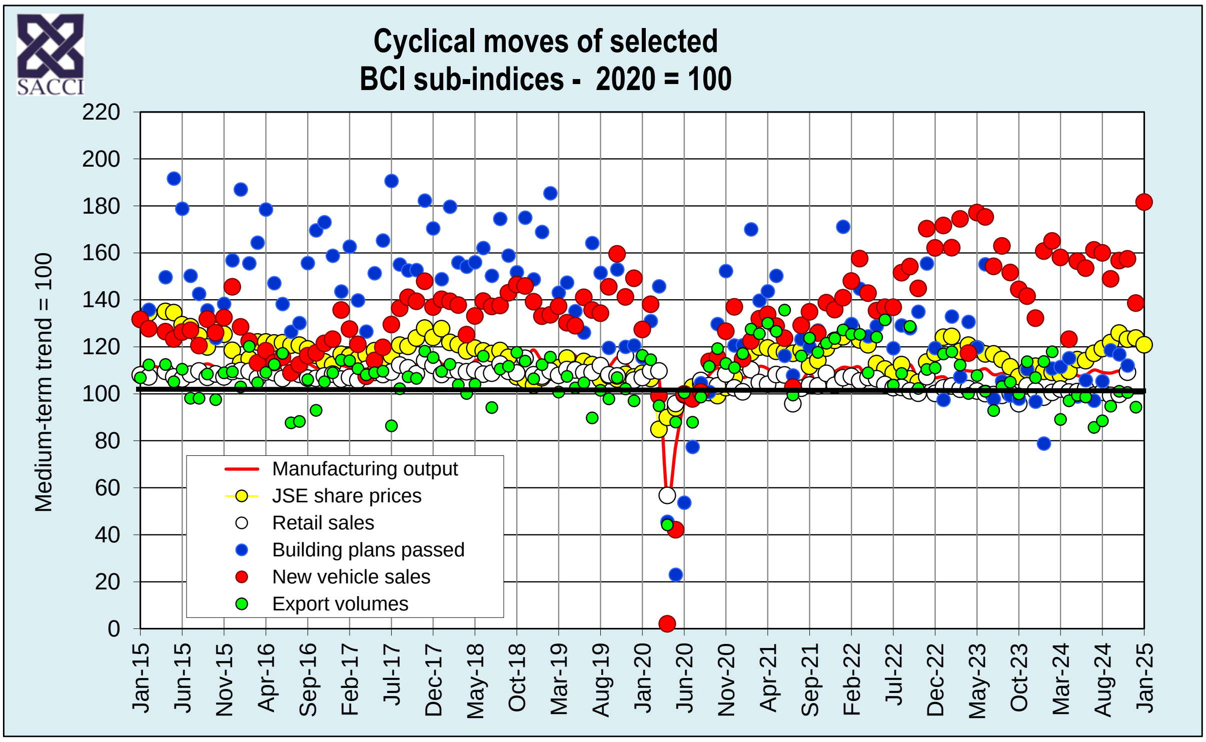
For a broader perspective on business confidence, refer to the Economic Commentary on local and global economic developments on page 5.

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				
Exports				
Tourism inward				
Imports				
Vehicle sales				
Retail sales				
Construction - buildings				
Inflation[1]				
Share prices				
Real private sector borrowing				
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

A Tentative Economic Environment

With a changed administration in Washington, DC, the world could face some challenges in adhering to a different approach towards international political and economic affairs, which could cause some uncertainty and transform economic and trade relationships between countries. Under such circumstances, economic policy options and decisions should be carefully considered.

The IMF projects global economic growth at 3.3% in 2025 and 2026 to be 'divergent and uncertain.' World headline inflation could decline to just above 4.2% in 2025 and 3.5% in 2026. Short-term expectations are spoiled by opposing risks. Upside risks could be strong growth in the USA in the short run, while risks in other countries lie with policy uncertainty. This requires a policy focus on balancing inflation and real activity, rebuilding fiscal and balance of payments (BoP) defences, and adhering to structural reforms to increase medium-term growth prospects.

The Staff Report and Statement by the IMF after the 2024 South Africa Article IV Consultation were released on 30 January 2025. The report noted the Government of National Unity (GNU) being in place since June 2024 and the positive market reaction to the GNU. The report listed challenges like a declining GDP per capita, high unemployment, poverty, inequality, and rising public debt and debt service costs. The GNU thus faces the task of applying the necessary structural reforms to safeguard macroeconomic stability. The GNU should place the economy on a path toward higher, more inclusive, and sustainable growth.

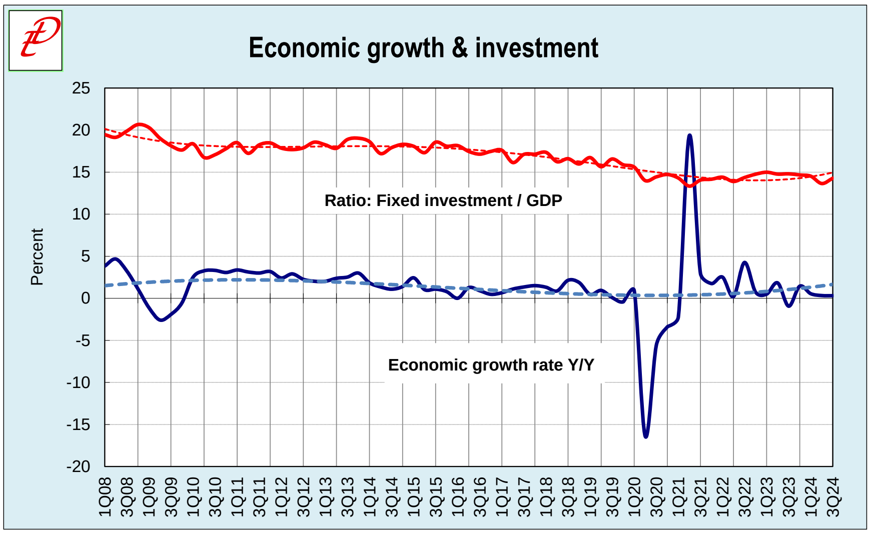
The IMF listed a number of challenges the South African economy had to accommodate:
• Power shortages
• Disruptions to rail and port operations
• Slow growth of 0.7% in 2023
• Severe droughts
• Public sector deficits that remained eminent
• Public debt above 75% of GDP by the end of 2024

Some of the challenges were addressed:
• Power generation was stabilized
• Formation of a reform-oriented Government of National Unity in June 2024
• Consumer, business, and investor confidence improved
• Inflation moderated from 5.9% in 2023 to an estimated 4.5% in 2024
• The Reserve Bank cut interest rates by 50 basis points in 2024
• Still high unemployment, but it declined to an estimated 32.8% in 2024
• Real GDP growth for South Africa could reach 1.5% in 2025 if the necessary fixed investment takes place to augment the available capital stock

Sufficient Capital for Growth

The National Development Plan (NDP) envisages that fixed investment as a percentage of GDP should reach 30% by 2030 to address many of the challenges named above. To achieve higher growth, fixed investment as a percentage of GDP should rise from the present 15% of GDP—see Figure 1. South Africa does not generate the necessary capital (savings) to finance its fixed investment needs and, therefore, foreign investors must be convinced to invest in South Africa. Gross domestic saving amounted to only 14% of GDP—see Figure 2.

Figure 1



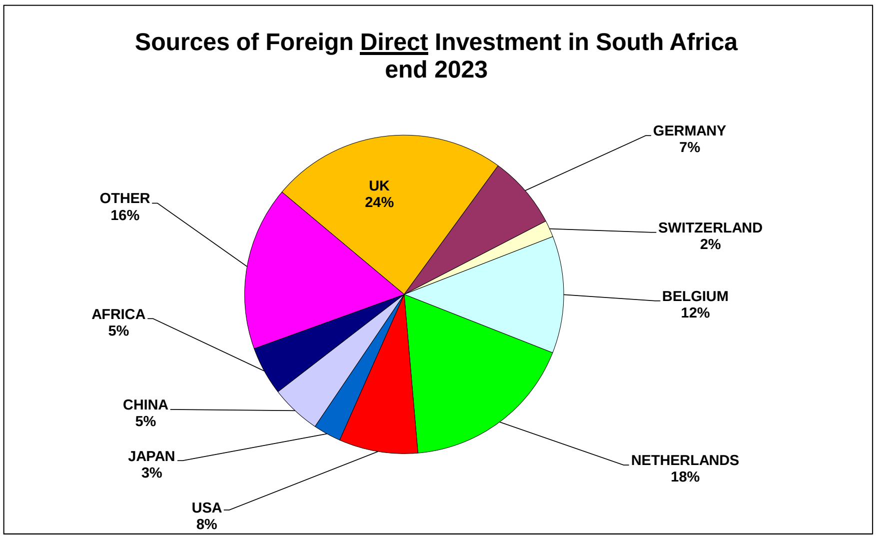
Source: SA Reserve Bank. Quarterly Bulletin, December 2024.

Figure 2

Source: SA Reserve Bank. Quarterly Bulletin, December 2024.

Investor confidence, notably among foreign investors, is therefore critical in valuing South Africa as an investment destination. Figure 3 highlights the countries that are mainly responsible for fixed direct investment in South Africa. In this respect, the President, in January 2025, again highlighted South Africa as a potential investment destination at the World Economic Forum in Davos for potential investors.

Figure 3



Source: SA Reserve Bank. Quarterly Bulletin, December 2024.

Foreign investors take note of a number of issues that could affect the return on investment in the future. However, surety of investment, pricing, and the trading of assets are essential aspects of investment. The longer-term outlook of an investment destination and its economic policy directions should refrain from posturing uncertainty and minimizing risks and misinterpretations. Exogenous risks due to geo-economic and political fragmentation and anti-free trade protectionist policies may scare off investors. More ambitious reform implementation by government, sensitivity towards foreign and local investor sentiment, and stronger world economic growth could boost fixed investment and growth.

Conclusion

Business confidence remained stable after strong improvement in the second half of 2024. The improvement was triggered by the majority of the sub-indices that make up the composite BCI and that inform business sentiment. The broader representation in policy formulation and public sector administration is noted in a broader global and investor context. Although many challenges persist, the goodwill towards South Africa in rectifying and addressing pressing problems is acknowledged. The final convincing moment of achievement should be when success finds its way towards investor confidence—locally and abroad. All South Africans should be able to benefit from a bigger and performing economy.

Annexure 1

General Economic Indicators

Indicator	Latest Period	Latest Direction	Latest	Previous	2024	2019
Consumer inflation headline urban (%)	Dec-24	▲	3.0	2.9	4.4	4.1
Consumer inflation urban - excl. food, bev. & fuel (%)	Dec-24	▼	4.0	4.1	4.8	4.4
Money supply M3 eop (% Δ Y-o-Y)	Dec-24	▼	6.7	7.6	6.7	6.1
Private sector credit eop (% Δ Y-o-Y)	Dec-24	▼	3.8	4.2	3.8	6.1
Real prime overdraft rate eop (%)*	Dec-24	▼	6.7	6.9	6.9	5.7
Prime overdraft rate eop (%)	Jan-25	▼	11.00	11.25	11.25	10.00
Liquidations number sa	Dec-24	▼	101	126	1551	2042
Bond yield 5-10y govt eop (%)	Jan-25	▼	8.98	9.04	9.04	8.37
R / US$ average	Jan-25	▲	18.71	18.17	18.33	14.44
R / Euro average	Jan-25	▲	19.38	19.04	19.83	16.17

Indicator	Latest Period	Latest Direction	Latest	Previous	2023	2018
Income & wealth tax / GDP sa (%)	3q-24	▲	15.1	14.1	14.1	13.9
Total tax / GDP sa (%)	3q-24	▲	27.6	26.2	26.6	26.1
Public sector borrowing requirement / GDP (%)	3q-24	▲	7.5	4.0	5.0	3.3
Public sector expenditure / GDP (%)	3q-24	▲	23.5	22.8	23.5	24.3
Budget balance / GDP (%)	3q-24	▲	-11.1	-2.8	-6.0	-3.5
Imports / GDE (%)	3q-24	▼	30.5	30.8	32.7	27.1
Exports / GDP (%)	3q-24	▶	32.1	32.1	32.9	27.6
Net foreign financial flows excl. loans / GDP (%)	3q-24	▲	4.8	-2.6	0.6	1.3
Current account balance / GDP (%)	3q-24	▲	-2.4	0.5	-1.6	-3.0
Gross domestic saving / GDP sa (%)	3q-24	▼	13.7	14.3	13.9	13.2
Gross capital formation / GDP sa (%)	3q-24	▼	14.7	15.4	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.