

SACCI PRESS RELEASE

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Recapture Business Confidence

SACCI today released the **SACCI** Business Confidence Index (BCI) for June 2016 at the Offices in Rosebank, Johannesburg.

The rebased **SACCI** Business Confidence Index (BCI) with 2015 as 100 measured 95.1 in June 2016. It is 3.3 index points higher than the 91.8 (2015 base year) in May 2016. The June improvement recaptured some of the 3.7 index points lost in May 2016. Notwithstanding the improvement, the **SACCI** BCI was 2.8 index points below the BCI level of June 2015.

The BCI was launched in 1985 and at its highest, the BCI stood at 141.2 in December 2006 (base year 2015=100) and at its lowest of 88.1 in April 1985. The decline in the BCI from the first half of 2015 to the second half of 2015 was 5.3% and from the second half of 2015 to the first half of 2016 the decline was 3.8%. It appears that the pace of the decline in business confidence has slowed, but the BCI, however, remained at relative depressed levels.

Contrary to May 2016, there were less setbacks in the real business environment in June 2016 with two of the seven sub-indices declining month-on-month on June 2016 compared to four declining in May. The month-on-month financial climate also improved with three sub-indices improving in June 2016 compared to none in May. The annual BCI comparison also suggests an easier business climate in the real economy in June 2016 than in June 2015 although financial circumstances remained tight compared to a year ago.

The monthly positive contributions to the BCI mainly came from merchandise export volumes, and to a lesser extent followed by building plans approved and inflation. Seasonally adjusted merchandise import volumes had the largest negative month-on-month effect in June 2016 followed by real financing cost (default due to lower inflation) and real retail sales.

The largest negative year-on-year contribution to the BCI in June 2016 came from the weaker rand exchange rate followed by financing costs and merchandise import volumes. Notable positive year-on-year impacts on the BCI in June came from merchandise export volumes and building plans passed. The financial environment, compared to a year ago, was marginally better in June 2016 where two sub-indices remained unchanged while all the financial sub-indices declined year-on-year in May 2016.

The impact of the Brexit decision on the world economy lead early commentators to speculate which added further to economic uncertainty. South African trade agreements already exist with the EU and Britain, and although it can be contractually reviewed, the potential economic impact on South Africa will not be felt in the foreseeable future. However, a possible recession in Britain and weaker growth in the EU due to the repercussions of the Brexit decision may have a negative effect on the South African economy and a struggling world economy.

South Africa will continue to benefit from retaining Britain and the EU as important trading and investment partners.

For a full background to this month's **SACCI** BCI see the Economic Commentary in the BCI report on www.sacci.org.za.

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