

SACCI PRESS RELEASE

EMBARGO: 11:30 on Monday, 8 August 2016

Mending Business Confidence

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

The **SACCI** Business Confidence Index (BCI) recorded 96.0 in July 2016 compared to 95.1 in June 2016 – a monthly improvement of 0.9 index points. The July 2016 BCI was nonetheless 5.8 index points lower than in July 2015. The turnaround of the BCI in June and July might have stemmed the declining tide and lead to further improvements in business confidence.

There were marginally less impediments in the real business environment in July 2016 compared to June 2016 with five of the seven sub-indices improving month-on-month. The month-on-month financial climate also improved with three sub-indices improving in July 2016, two remaining unchanged and one declining. The annual BCI comparison does not indicate any material change in the subdued business climate in the real economy or the tight financial environment of a year ago.

The main monthly positive contributions to the BCI came in the order of firstly the rand exchange rate, merchandise export volumes, real retail sales and the US dollar gold and platinum price. Building plans passed, new vehicle sales, and inflation had the largest negative monthly effects in July 2016.

The year-on-year change in the business climate paused in July 2016 with a similar number (three) of sub-indices making positive contributions to the BCI as in June 2016. Ten sub-indices made negative year-on-year contributions in July 2016. Two of the seven real activity sub-indices and one of the six financial sub-indices had a positive year-on-year impacts. The foreign sector sub-indices in particular had positive year-on-year impacts on the BCI in July 2016 as reflected by merchandise export volumes and the gold and platinum prices. The financial environment continued to restrict business climate – virtually similar to a year ago with only precious metal prices that improved.

South Africa experienced stronger merchandise export trade in June and July 2016 while the rand gained a healthy plus 10% on a weighted rand exchange rate against the US dollar, British pound and the euro. However, **SACCI** is concerned that the IMF and the Reserve Bank has lowered South Africa's economic growth projections. With the probability of a credit ratings downgrade for South Africa in December 2016, caution must be exercised on vulnerable economic issues over the short to medium term. A concerted effort will be necessary to avoid even tighter economic conditions in 2017 as such lower economic growth holds additional repercussions for public finance, unemployment and the real cost of borrowing.

Apart from a stronger exchange rate and improved merchandise export volumes, investor and business confidence have to improve in order to propel the economy to higher activity levels. This could provide the public sector with the necessary resource base to alleviate the pressure on public finances and ease unemployment.

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

For more information, contact:

Alan Mukoki	SACCI CEO	011 446 3800
Richard Downing	SACCI Economist	082 822 5566