

SACCI Press Release

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Mixed Signals to Trade Environment

According to the August 2016 SACCI trade survey, the Trade Activity Index (TAI) improved after the index contracted into negative terrain in June and July 2016. The TAI registered 49 in August 2016 compared to 44 in July 2016 while the seasonally adjusted TAI measured 52 – up from 47 in July 2016. The seasonally adjusted TAI was 3 points higher in August 2016 than the 49 of a year ago. Respondents cited political instability, low economic prospects, volatility of the currency, seasonal factors, and regulatory compliance costs as impeding the trade conditions. The successful completion of the local government elections and a return to normal business activity after the hectic election process were positive experiences. Lower profit margins and an unsatisfactory return on investment are consequences of the tight trade environment.

The new orders sub-index picked up 5 points to 49 in August 2016 after the decline of 5 points in July. Sales volumes also improved with the sub-index up to 50 from 46. Inventories recovered from 45 index points to 49. The backlog on orders increased slightly by 3 index points to 37 and reflects on the ongoing listless trade conditions.

Price pressures stabilized as the sub-index on sales prices increased by 1 point to 55 in August 2016. Input price, however, rose with the index increasing from 56 to 61 in August 2016. Price expectations accelerated substantially as the sales price index jumped by 12 points to 72 and expectations on input prices also speeded up as the index rose to 76 from 64 in July 2016. Tighter credit availability, stable interest rates, the weaker and more volatile rand and higher inflationary expectations sent mixed signals to the trade environment.

Trade expectations remained in positive area and improved as both the seasonally adjusted and non-seasonally adjusted Trade Expectations Index (TEI) increased to 59 and 60 respectively from 52 and 53 July 2016. Expectations on sales volumes and new orders notably improved respectively by 9 points to 67 and expected new orders improved by 12 points to 65 in August 2016. Inventory levels remained stationary, but expected supply delivery improved. The latest better than expected data for output in the 2nd quarter of 2016 could justify the improved expectations if further momentum could be gained.

The decline in the employment sub-index to 47 in July 2016 was turned around to 54 in August 2016 while the prospects for employment over the next six months also improved to 50 in August 2016 after the sub-index declined to 47 in July 2016.

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For more information, see the SACCI website, www.sacchi.org.za or contact:

Richard Downing
Economist for SACCI

Cell: 082 822 5566