

SACCI PRESS RELEASE

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Business Remains Resilient

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

The Business Confidence Index (BCI) of SACCI increased by 2.7 index points in October 2016 to register 93.0 compared to 90.3 in September 2016. Since December 2015, the BCI moved sideways and became more unpredictable which had a notable negative effect on the business climate since the end of 2015. The consequence was that the BCI averaged 93.3 since December 2015 to October 2016 compared to 101.3 over the eleven months to October 2015 – down by 8.0 index points.

The more transparent and enlightened atmosphere that followed the local government elections in the beginning of August 2016 was followed by allegations early October 2016 against the Minister of Finance. This created renewed uncertainty in the business environment with adverse market and business reaction. Although this had a bearing on the business mood, business showed resolve and remained resilient.

In general the BCI sub-indices were more positive in October 2016 than in September 2016. Three more sub-indices made a positive contribution in October 2016 than in September 2016. Seven sub-indices contributed positively month-on-month to the BCI in October 2016 and one remained unchanged. Positive monthly contributions to the BCI mainly came from merchandise export volumes, the rand exchange rate, merchandise import volumes and real retail trade. The largest negative impact on the BCI came from the dollar price of gold and platinum, prices of energy supply and share prices on the JSE.

The largest negative year-on-year contributions to the BCI in October 2016 came from lower merchandise import volumes, lower share prices, lower merchandise export volumes and more expensive energy supply. Financial conditions were less restrictive on the business climate than a year ago.

Much hinges on economic growth over the medium-term. Should the GDP growth outlook remains weak, South Africa could be downgraded by the ratings agencies for a lengthy period. The effort by the Minister of Finance in the MTBPS to prevent a downgrade in December 2016 should be commended. The imperative to lift economic growth is also a precursor for business confidence to translate into investor confidence.

South Africa may not be on the edge of a sudden drop to junk status. The MTBPS, if fittingly implemented, is the first shield to prevent a further downgrade.

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

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