

SACCI PRESS RELEASE

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Business Confidence in Anticipation

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

The SACCI Business Confidence Index (BCI) remained almost steady with a small decline of 0.1 index point between 93.9 in November 2016 and the 93.8 of December 2016. The severe year-on-year decline of December 2015 of 10 index points was reversed with a year-on-year increase of 1.6 index points in December 2016 taking account of the low figure of December 2015. This is the first time since February 2015 that the SACCI BCI improved on a year earlier.

The annual average for the BCI in 2016 was 93.5 compared to 100 in 2015 (the base-year for the BCI) and 104.2 in 2014. During 2016, the BCI recovered reasonably well up to July 2016 when the BCI reached 96.0 after which it contracted to the low 90.3 in September 2016. Towards the end of 2016, the BCI improved slowly and gradually and remained steady.

Overall, a similar number of BCI sub-indices was positive in December as in November 2016 with five sub-indices making positive month-on-month contributions to the BCI in December 2016. Six sub-indices weighed negatively on the BCI in December 2016 month-on-month while two remained unchanged. Positive monthly contributions to the BCI mainly came from merchandise export and import volumes, the rand exchange rate and the real value of building plans passed. The US-dollar price of precious metals, credit to the private sector, real retail sales and share prices made the largest negative month-on-month impacts on the BCI in December 2016.

The year-on-year comparison in December 2016 reflects a more restrained business climate with three of the thirteen sub-indices improving on a year ago. One real activity sub-index was positive and two of the six financial sub-indices made positive impacts on the BCI in December 2016. The rand exchange rate had a notable positive year-on-year effect on the BCI.

The IMF, rating agencies, private sector entities and Treasury have identified areas in the economy that need adjustment. The leeway in maintaining the investment status by reputable rating agencies in December 2016, afforded South Africa an opportunity to address matters that seriously restrain the economy. Apart from not creating wealth and feeding unemployment, the consequences of these restraints for public sector and household debt, the erosion of savings, the degrading of capital stock and inappropriate investment levels will continue too seriously hamper future economic growth.

There are looming global and domestic uncertainties on political, economic and institutional arrangements. Challenges could provide new opportunities for economies and for countries. This could loosen up the momentum for improved business confidence.

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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