

SACCI PRESS RELEASE

Wednesday, 5 April 2017

Business Confidence under Pressure

SACCI today released the March 2017 **SACCI** Business Confidence Index (BCI) at its Offices in Rosebank, Johannesburg.

The **SACCI** Business Confidence Index (BCI) pulled back by 1.7 index points to 93.8 in March 2017 from 95.5 in February 2017. This is the first month since November 2016 that the **SACCI** BCI declined year-on-year after it improved year-on-year for three consecutive months in December 2016, January and February 2017. The BCI is nearly four index points lower than the high of 97.7 in January 2017.

Towards the end of March, developments extraneous to the economy abruptly upset the momentum of further improving business confidence. The March 2017 **SACCI** BCI, however, does not yet capture the full impact of uncertainty that was created as these developments commenced on the 24th of March 2017 when the Minister of Finance was recalled from an overseas investment roadshow before relieved of responsibilities on the last day of March.

The latest events dented the renewed positive motion of the BCI after the uncertain business climate in 2016. The developments since the 24th of March up to the release of the Standard and Poor's downgrading, at this stage mainly impacting on the exchange rate and capital markets, would have knocked 0.6 index points off the **SACCI** BCI to read 93.2.

If the rand continues on these exchange rate levels, the **SACCI** BCI could therefore shed another 0.6 index points in April 2017. Taking into account that no further repercussions will follow on the reshuffling of the cabinet and South Africa's credit rating will not deteriorate further.

The year-on-year changes in the sub-indices show that the business climate deteriorated from February 2017 to March 2017; however, the 1st quarter 2017 BCI was still 2.6 index points better than the 1st quarter of 2016. The stronger rand exchange rate made the largest positive year-on-year contribution to the BCI followed by lower inflation. Substantially less merchandise import volumes, higher real financing cost and lower share prices than a year ago made the largest negative year-on-year contributions to the business climate.

All indications are that economic growth will depend on whether fiscal consolidation will prevail while prudent public sector governance continues. It is important that there is adherence to the advice of the credit rating agencies to keep attending to serious structural economic deficiencies.

Tenacity amongst business will prevail while **SACCI**, in a press release on the 31st of May 2017, stated that ".....business strongly believes that some measure of prudence is exercised to avoid the subsequent knock-on effect such decisions are likely to have on the economy of our country. On the political front it is our call as business formation that there be cooperative partnership in managing sensitivities that may adversely impact our risk profile in international markets."

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