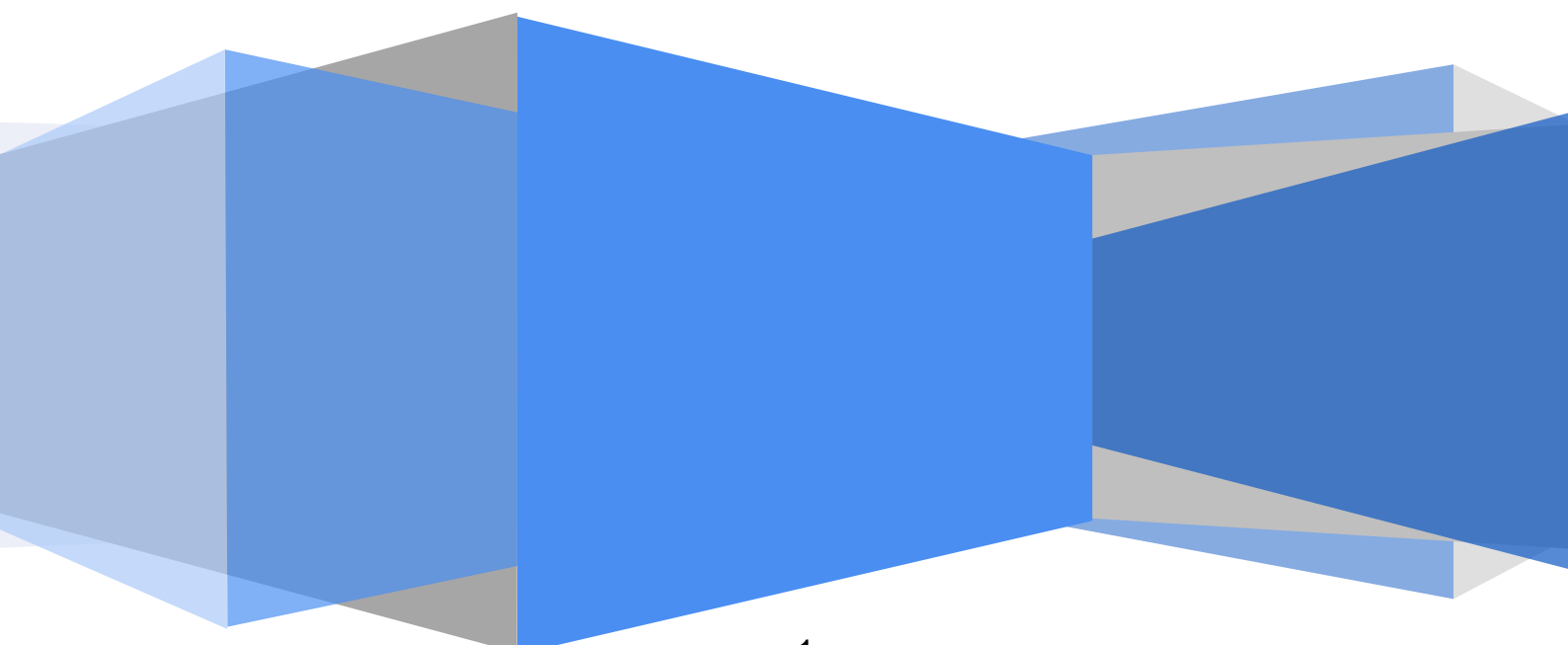




SOUTH AFRICAN CHAMBER OF COMMERCE AND INDUSTRY

**Business Confidence Index
April 2016**



South African Chamber of Commerce and Industry Business Confidence Index April 2016

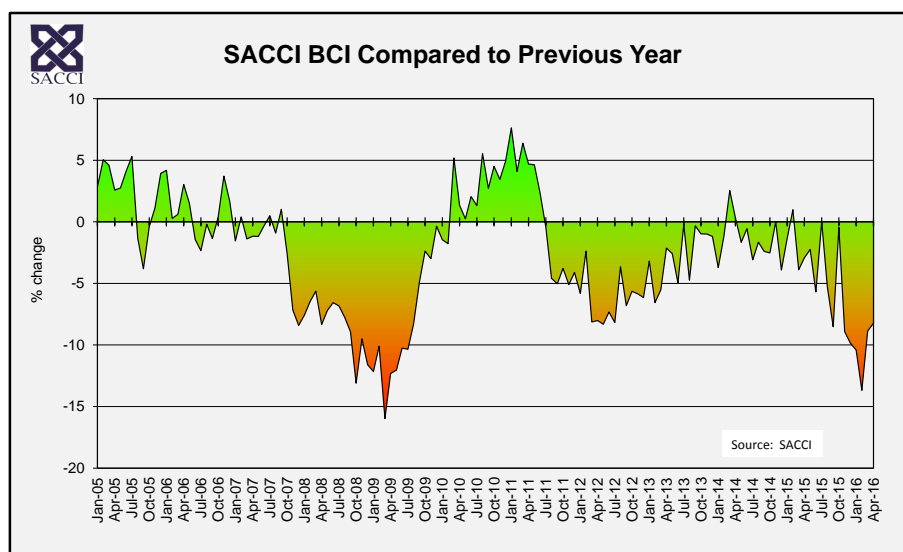
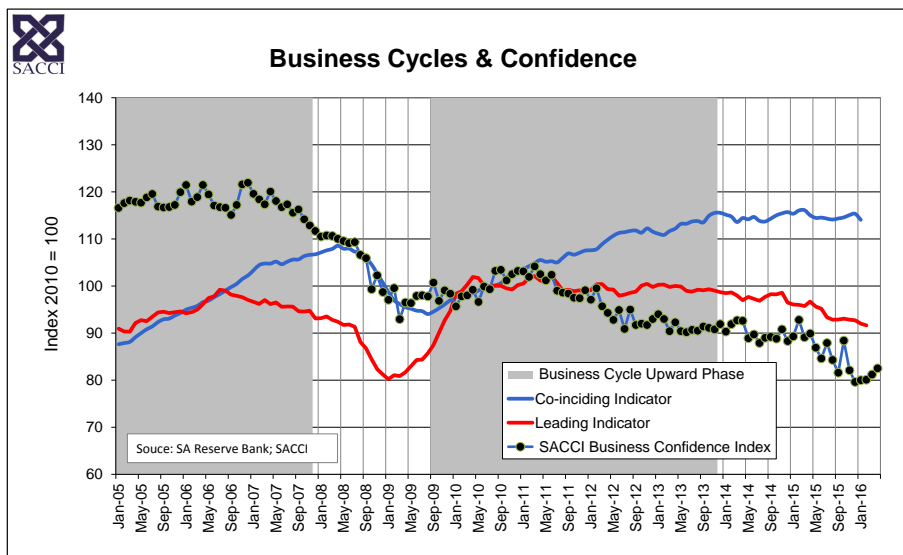
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Because of information lags and changes in expectations, the dynamics of the business mood, at times, may be at variance with the economic environment. As a result, always read the BCI with other economic data and the accompanying economic commentary. For notes on the BCI, see the SACCI website at www.sacci.org.za.

The SACCI Business Confidence Index 2010=100

Month	2009	2010	2011	2012	2013	2014	2015	2016
January	97.2	95.8	103.1	97.1	94.0	90.5	89.3	80.0
February	99.7	97.9	101.9	99.5	93.0	91.9	92.8	80.1
March	93.1	97.9	104.2	95.7	90.4	92.7	89.1	81.2
April	96.6	97.9	102.5	94.3	92.3	92.6	89.9	82.5
May	96.5	96.7	101.2	92.8	90.4	88.9	86.9	
June	98.0	100.0	102.4	94.9	90.2	89.7	84.6	
July	98.1	99.4	99.0	90.9	90.7	87.9	87.9	
August	97.9	103.3	98.6	95.0	90.5	89.0	84.3	
September	100.9	103.6	98.4	91.7	91.4	89.2	81.6	
October	97.0	101.3	97.5	92.0	91.1	88.8	88.4	
November	99.2	102.6	97.4	91.7	90.8	90.8	82.7	
December	98.5	103.3	99.1	93.0	91.9	88.3	79.6	
Average	97.7	100.0	100.4	94.1	91.4	90.0	86.4	



This Month's BCI Results

The **SACCI** Business Confidence Index (BCI) continued its gradual recovery in April 2016 from a historic low level of 79.6 in December 2015. April 2016 has been the fourth consecutive month that the **SACCI** BCI improved on the previous month albeit only marginally. The BCI came in at 82.5 and although still 7.4 index points below the April 2015 level, it improved by 1.3 index points on March 2016. Given that the BCI declined throughout 2015, the annual differences in 2016 are more notable as the BCI departs from the low level of 80. Though it appears that the BCI is widening the gap on 80, the BCI has not yet made convincing advances.

Month-on-month progression in the real business environment was evident in April 2016 with five of the seven sub-indices improving on March 2016. However, the financial climate was slightly less positive than in March 2016 as the real cost of financing increased by default due to lower inflation. The annual BCI comparison suggests a tighter business climate in April 2016 than a year ago with financial circumstances and the real economy being worse off.

The month-on-month (m/m) changes of the sub-indices of the **SACCI** BCI were marginally more positive in April 2016 than in March 2016. Seven sub-indices were positive in April 2016, three were neutral and three were negative. Five real activity sub-indices and four financial sub-indices contributed positively or remained neutral to the BCI in April 2016 with real activity more encouraging. The largest positive monthly contributions came from merchandise import volumes, the weighted rand exchange rate, and manufacturing output. Seasonal adjusted merchandise export volumes had the largest negative m/m effect in April 2016.

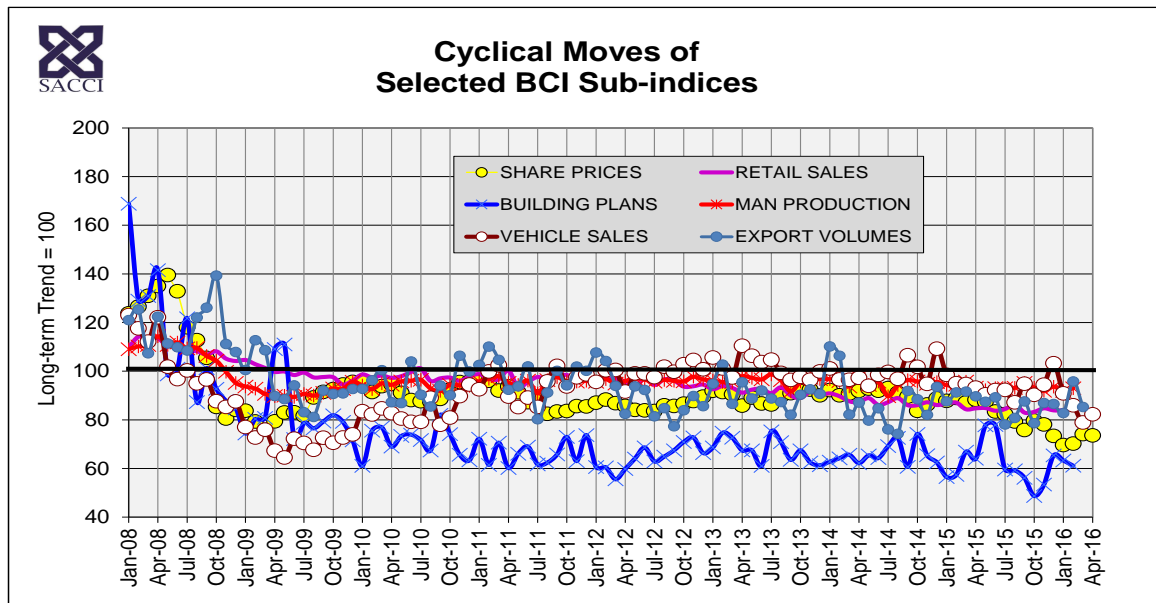
The year-on-year (y/y) changes in the business climate were worse in April 2016 with three compared to five sub-indices in March 2016 making positive contributions to the BCI. Ten sub-indices made negative y/y impacts on the BCI in April 2016. Two of the seven real activity sub-indices had a positive y/y impact on the BCI in April 2016 while one of the six financial sub-indices had a positive y/y effect. The largest positive y/y contribution to the BCI in April 2016 came from the real value of building plans approved. The largest negative y/y impacts on the BCI came from the rand exchange rate, merchandise export volumes, share prices and new vehicle sales. The financial environment, compared to a year ago, was marginally more negative in April 2016 than in March 2016.

Impact of the BCI Sub-indices on the BCI

BUSINESS CLIMATE INDICATORS *	m/m Changes		y/y Changes	
	This Month	Previous Month	This Month	Previous Month
Municipal Services	+	-	+	+
Manufacturing	+	-	-	-
Exports	-	+	-	+
Imports	+	+	-	+
Vehicle sales	+	-	-	-
Retail sales	+	-	-	-
Construction - buildings	-	-	+	+
Inflation ¹	o	o	-	o
Share prices	+	+	-	-
Real private sector borrowing	o	+	+	+
Real financing cost	-	o	-	-
Precious metal prices	o	+	-	-
Rand exchange rate	+	+	-	-

* See notes on BCI on www.sacci.org.za

1. Excludes petrol, food and non-alcoholic beverages.



Economic Commentary

Business Resilience Cope With Economic Distractions

The January 2016 World Economic Outlook of the IMF for global economic growth was revised downward in April 2016 by 0.2 percentage point. However, a recovery is anticipated to start in 2017 and will mainly be led by emerging market and developing economies as circumstances in these depressed economies increasingly stabilise. The current risk for weaker global growth is more noticeable and thus necessitates a broad-based policy response to promote growth and manage uncertainties according to the IMF.¹

World growth prospects are likely to start increasing in 2017 mainly led by Emerging and Developing Asia. India in particular will experience growth in excess of 7%. No exceptional growth is expected for the USA, the Euro Area and other advanced economies. Sub-Saharan Africa, given high population growth, will experience higher but relative modest growth around 4% to 5% with South Africa lagging behind with growth increasing from an expected 0.6% in 2016 to a projected subdued 1.2% in 2017 and 2.4% by 2021.

Table: World Economic Prospects

Economic Growth	2012	2013	2014	2015	2016f	2017f
	%	%	%	%	%	%
World	3.5	3.3	3.4	3.1	3.2	3.9
United States	2.2	1.5	2.4	2.4	2.4	2.5
Euro Area	-0.9	-0.3	0.9	1.6	1.5	1.6
Germany	0.6	0.4	1.6	1.5	1.5	1.6
United Kingdom	1.2	2.2	2.9	2.2	1.9	2.2
Japan	1.7	1.4	0.0	0.5	0.5	-0.1
Emerging & Developing Europe:	1.2	2.8	2.8	3.5	3.5	3.3
Emerging & Developing Asia:	6.9	6.9	6.8	6.6	6.4	6.3
China	7.7	7.7	7.3	6.9	6.5	6.2
India	5.6	6.6	7.2	7.3	7.5	7.5
Sub-Sahara Africa:	4.3	5.2	5.1	3.4	3.0	4.0
South Africa	2.2	2.2	1.5	1.3	0.6	1.2

Source: IMF, WEO April 2016. f = forecast.

World trade volumes are not expected to grow by more than 3% in 2017 (see next table). Emerging market economies' performance particularly depend on the imports by advanced economies that are expected to increase by about 4% in 2017. Commodity export economies should not expect commodity prices to be of assistance as it does appear that commodity prices in US dollar terms are to remain low after recent severe price declines. Crude oil prices might be the exception by increasing at a relative high rate of about 18% in 2017 after severe declines of 47% and 32% in 2015 and 2016 respectively. International US dollar prices of food, raw agricultural materials and metals are expected to remain stable in 2017.

¹ IMF. World Economic Outlook, April 2016.

Table: World Trade Prospects

World Trade	2013	2014	2015	2016f	2017f
Goods and Services Trade Volumes					
World - %Δ	3.4	3.5	2.8	3.1	3.0
Imports by advanced economies - %Δ	2.2	3.5	4.3	3.4	4.1
Exports by advanced economies - %Δ	3.0	3.5	3.4	2.5	3.5
Imports by emerging economies - %Δ	5.2	3.7	0.5	3.0	3.7
Exports by emerging economies - %Δ	4.4	3.1	1.7	3.8	3.9
World Trade Prices in US\$					
Oil - %Δ	-0.9	-7.5	-47.2	-31.6	17.9
Average oil spot price in US\$ per barrel	104.1	96.3	50.8	34.8	41.0
Non-fuel primary commodities -					
Food - %Δ	0.7	-4.1	-17.1	-5.6	-0.9
Raw agricultural materials - %Δ	1.6	1.9	-13.5	-10.3	0.4
Metals - %Δ	-4.3	-10.3	-23.1	-14.1	-1.5

Source: IMF, WEO April 2016. f = forecast. Percentage change = %Δ.

Local Distractions

South Africa is in the midst of preparing for local government elections. Political parties have already started their campaigns by putting forward policy positions. Although this posturing will have to find practical application within the confines of scarce resources and allow for economic growth, it tends to create uncertainty and distract attention. Businesses have nevertheless adjusted to cope with such situations and remain resilient in producing the goods and services for a growing population.

A major distraction, however, remains the subdued global and domestic economic growth business has to deal with in the presence of tight financial conditions. The extent to which socio-economic disturbances add to the weak financial and economic circumstances is a matter of concern. South Africa is in the downward phase of the business cycle since December 2013 and the weak and uncertain global economic prospects are weighing heavily on business confidence. Policy positions in future should augment economic growth to achieve substantial higher rates than that foreseen by the IMF. Much higher economic growth is an imperative given the number of employment opportunities needed in South Africa.

It appears that present short-term developments have gradually turned South Africa away from a worse-case scenario. It is, however, not a time for complacency if the following are kept in mind:

- The rand remains vulnerable as an emerging market and global traded currency,
- Inflationary pressures and the possibility of higher interest rates,
- Limited space for fiscal manoeuvring,
- Public sector and household debt levels,
- The mining, agricultural sector and manufacturing producing well below potential due to various exogenous factors,
- Depressed domestic new vehicle sales, and
- Shortages of utility services for a growing population.

The economic situation in South Africa calls for a swift resolve that should as is the case with business confidence, gradually turn circumstances around to enhance economic growth with a resilient private sector to assist. This necessitates economic affordable and implementable decisions to be taken to set the momentum for a faster growing economy.

Conclusion

The gradual improvement of the **SACCI** BCI from a desperate situation in December 2015 has demonstrated that the right atmosphere created by credible policy institutions like the SA Reserve Bank and National Treasury has been reassuring to the business community here and abroad. Therefore, the short-term month-on-month improvements in critical economic and market indicators for business as used for compiling the **SACCI** BCI could continue to bring business confidence back to levels enjoyed before.

General Economic Indicators

Indicator	Period	Direction	Latest	Previous	2015	2010
Consumer inflation headline urban (%)	Mar-16	▼	6.3	7.0	4.6	4.3
Consumer inflation urban - excl. food, bev. & fuel (%)	Mar-16	▼	5.8	5.9	5.7	4.6
Money supply M3 eop (% Δ Y-o-Y)	Mar-16	▶	10.3	10.3	10.5	6.9
Private sector credit eop (% Δ Y-o-Y)	Mar-16	▼	8.9	9.0	10.2	5.5
Real prime overdraft rate eop (%)*	Mar-16	▲	4.4	4.3	3.8	4.2
Liquidations number sa	Mar-16	▼	149	193	1962	3992
Bond yield 5-10y govt eop (%)	Apr-16	▼	8.83	9.00	8.82	7.41
R / US\$ average	Apr-16	▼	14.60	15.36	13.02	7.32
R / Euro average	Apr-16	▼	16.62	17.09	14.14	9.71
Prime overdraft rate eop (%)	Apr-16	▶	10.50	10.50	9.75	9.00
Indicator	Date	Direction	Latest	Previous	2015	2010
Income & wealth tax / GDP (%) saar	q4-15	▲	14.9	14.2	15.2	14.2
Total tax / GDP (%) saar	q4-15	▲	28.4	27.0	28.4	25.4
Public sector borrowing requirement / GDP (%)	q4-15	▼	3.0	5.4	5.0	5.0
Public sector expenditure / GDP (%)	q4-15	▲	28.1	28.0	27.9	27.1
Budget Balance / GDP (%)	q4-15	▼	-1.7	-8.7	-4.5	-4.6
Imports / GDE (%)	q4-15	▼	31.6	31.9	31.6	27.7
Exports / GDP (%)	q4-15	▼	30.6	31.4	30.9	28.6
Net foreign financial flows / GDP (%)	q4-15	▼	-3.3	-0.4	0.4	3.8
Current account balance / GDP (%)	q4-15	▼	-4.4	-5.7	-4.4	-1.5
Gross domestic saving / GDP (%) saar	q4-15	▼	14.2	14.6	15.1	18.0
Gross capital formation / GDP (%) saar	q4-15	▲	19.3	19.0	19.5	19.5
Net fixed capital formation / GDP (%)	q4-15	▲	-	-	6.2	6.1
GDP growth (% Δ Y-o-Y)	q4-15	▼	0.6	1.0	1.3	3.0

Notes: Δ=change; eop=end of period; Y-o-Y=year-on-year; q=quarter; saar=seasonal adjusted annual rate; GDP=Gross Domestic Product; GDE=Gross Domestic Expenditure; sa=seasonally adjusted. *Deflated by inflation excluding food, beverages and fuel.