

SACCI PRESS RELEASE

EMBARGO: 11:30 on Wednesday, 5 November 2014

Paralysis of Confidence

The **SACCI** Business Confidence Index (BCI) for October 2014 was released today at the **SACCI** Offices in Rosebank, Johannesburg.

The BCI decreased by 0.4 index points to 88.8 in October 2014 from 89.2 in September 2014. The BCI was 2.3 index points below the level of a year ago when the BCI measured 91.1 in October 2013. Although eleven of the thirteen sub-indices of the BCI were either positive or neutral in October compared to that of September, the overall BCI still declined slightly as six sub-indices did not materially change between September and October 2014.

The BCI of 88.8 is the lowest October level since October 1999. The lowest ever reading for the BCI since its inception in 1985 was in April 1985 at 76.1. The BCI's highest reading was 122.1 in December 2006. The current BCI is based on 2010 as its base year set at 100.

The poor performance of the BCI in 2014 that continued into October brought to account whether the economy and the business climate could improve in the short term. The mood gripping the business climate calls for the business environment to be thoroughly interrogated for factors affecting the local business environment negatively. The Labour Indaba on the 4th November is the start of one such process.

The neutral position of half of the sub-indices of the BCI indicates tentativeness in anticipation of being directed away from the present adverse circumstances. A sign of the possible bottoming out from the present levels of business confidence emerges from the year-on-year improvements in levels of the physical economic sub-indices of the BCI in October. The lower year-on-year level of business confidence in October 2014 stems mainly from tighter financial conditions than a year ago with no relief for business confidence expected soon from the financial sub-indices.

The challenge to improving business confidence is for the private sector to be convinced that the economy is entering a new era of economic growth. The Minister of Finance acknowledged the challenges faced in the economy when presenting his medium-term fiscal outlook. However, fiscal policy improvements are but one aspect of a comprehensive package of policy and business environment reforms required to bolster 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.

For more information contact:

Richard Downing
Neren Rau

SACCI Economist
SACCI CEO

082 822 5566
011 446 3800