

# **SOUTH AFRICAN CHAMBER OF COMMERCE AND INDUSTRY**

Business Confidence Index

May 2022



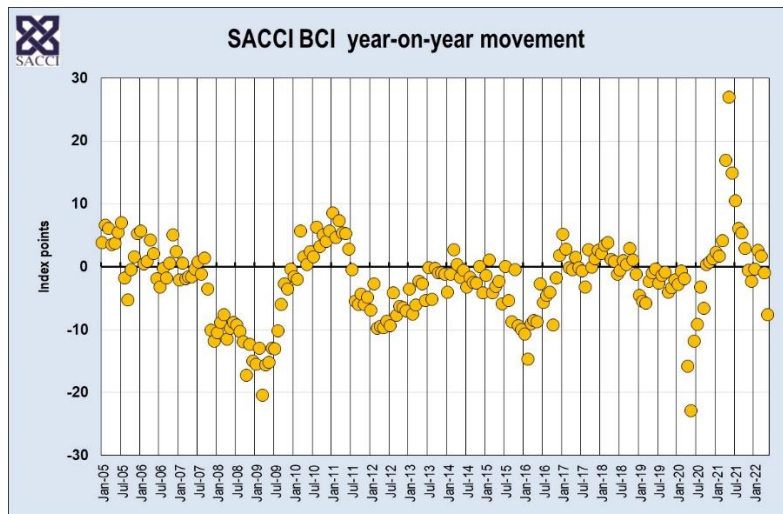
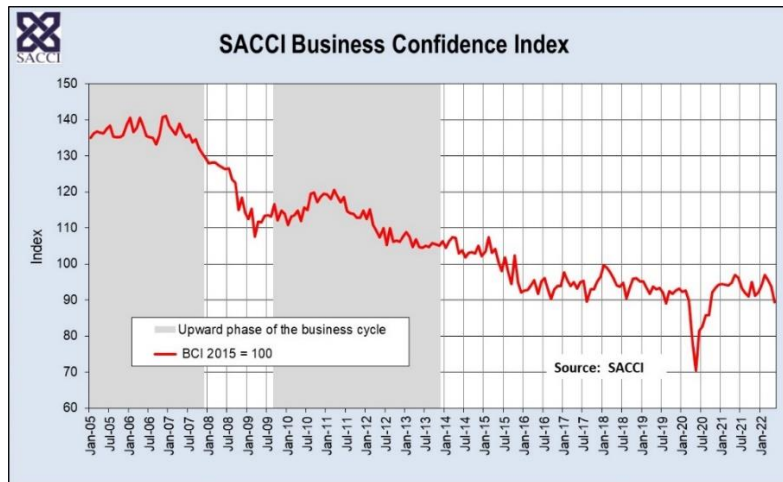
**Content:**

- **The SACCI Business Confidence Index (BCI)**
- **This month's BCI results**
- **Impact of business climate indicators**
- **This month's economic review**
- **Annexure 1 – General economic indicators**

*Because of information lags and changes in expectations, the dynamics of the business mood, may, at times, 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](http://www.sacci.org.za).*

## The SACCI Business Confidence Index (BCI) 2015=100

Month	2015	2016	2017	2018	2019	2020	2021	2022
January	103.4	92.6	97.7	99.7	95.1	92.2	94.5	94.1
February	107.4	92.7	95.5	98.9	93.4	92.7	94.3	96.9
March	103.2	94.0	93.8	97.6	91.8	89.9	94.0	95.6
April	104.1	95.5	94.9	96.0	93.7	77.8	94.7	93.7
May	100.6	91.8	93.2	94.0	93.0	70.1	97.0	<b>89.3</b>
June	97.9	95.1	94.9	93.7	93.3	81.4	96.2	
July	101.8	96.0	95.3	94.7	92.0	82.8	93.2	
August	97.6	92.9	89.6	90.5	89.1	85.8	91.9	
September	94.5	90.3	93.0	93.3	92.4	85.7	91.0	
October	102.3	93.0	92.9	95.8	91.7	92.0	94.9	
November	95.1	93.9	95.1	96.1	92.7	93.4	92.8	
December	92.2	93.8	96.4	95.2	93.1	94.3	92.0	
<b>Average</b>	<b>100.0</b>	<b>93.5</b>	<b>94.4</b>	<b>95.5</b>	<b>92.6</b>	<b>86.5</b>	<b>93.9</b>	



## This month's BCI results

The **SACCI's** Business Confidence Index (BCI) recorded 89.3 in May 2022 – its lowest level since the 85.7 of September 2020. The BCI declined from 95.6 in March 2022 to 93.7 in April and then further to 89.3 in May. This contributed to an uncertain business climate in April and May 2022. The BCI lost 6.3 index points between March 2022 and May 2022 and was 7.7 index points lower in May 2022 than in May 2021.

The GDP data that was released lately indicated that the economy is catching up on the setbacks since the 2<sup>nd</sup> quarter of 2020 by growing at 3% y/y in the 1<sup>st</sup> quarter 2022.

Information lags, changes in expectations and the dynamics of the business mood are at times at variance with economic developments. As a result, the **SACCI** BCI must be reconciled with other economic and financial market data. Although the general trend in business confidence during the first three months of 2022 was positive and in harmony with improved economic activity (GDP growth), a more negative sentiment in the business climate set in since April and May 2022.

In the **short-term (month-to-month)** the increased real value of building plans passed was the only sub-index that positively influenced the BCI in May 2022. Particular negative impacts came from decreased merchandise import and export volumes. Increased real financing costs (interest rates adjusted for inflation) also had a negative effect but it was not significant. The all-share price index on the JSE reflected negative and uncertain business perspectives and expectations. The inconsistency of energy supply (electricity) continued to contribute to the overall business mood.

The BCI for April and May 2022 also implied a negative **medium-term (year-on-year)** business sentiment. It was only real credit extension to the private sector that notably contributed to a more positive business mood compared to a year ago. Although widespread, the most negative year-on-year effects came from decreased merchandise export volumes and rising inflation. Decreased merchandise import volumes and declining share prices contributed relatively less to the negative business mood compared to April and May in 2021.

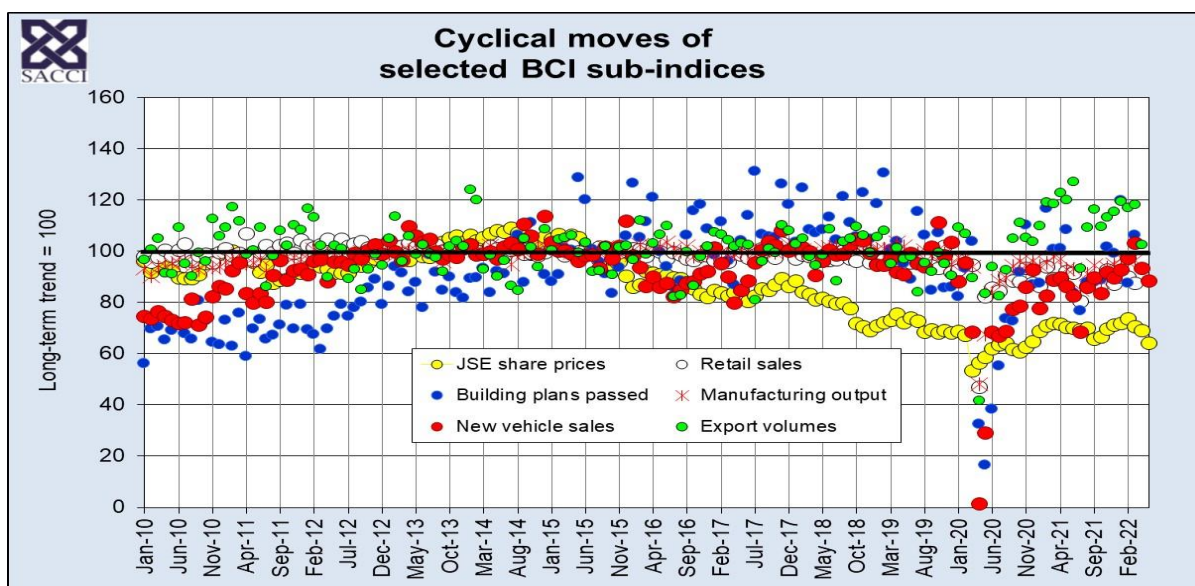
See the economic commentary for more information on the economic background to developments that impacted business confidence and the business climate.

### Business Climate Indicators

Business climate indicators *	m/m changes		y/y changes	
	This month	Previous month	This month	Previous month
Energy supply	0	-	-	-
Manufacturing	+	-	-	0
Exports	-	0	-	-
Imports	-	-	-	-
Vehicle sales	-	-	+	+
Retail sales	-	0	-	-
Construction - buildings	+	-	+	-
Inflation <sup>1</sup>	-	-	-	-
Share prices	-	-	-	-
Real private sector borrowing	0	0	+	+
Real financing cost	-	+	-	+
Precious metal prices	-	-	-	-
Rand exchange rate	0	0	-	-

\* See notes on BCI on [www.sacci.org.za](http://www.sacci.org.za)

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

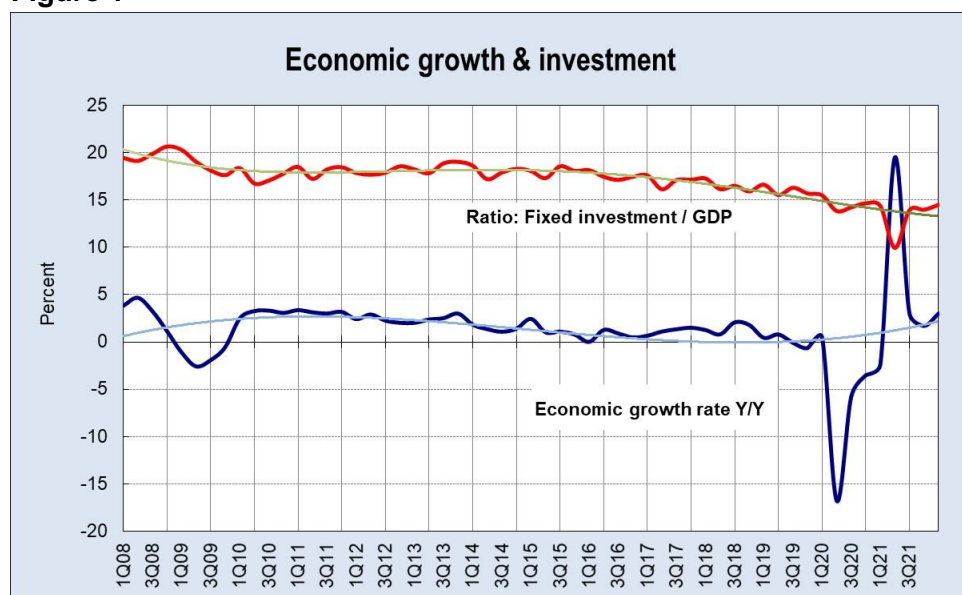


## This month's economic review

### *Economy Faces Interim Challenges*

Recently released GDP data for the 1<sup>st</sup> quarter of 2022 indicates that real fixed capital formation (fixed investment) increased by 3.9% y/y in the 1<sup>st</sup> quarter of 2022 after declining by 3% in the 4<sup>th</sup> quarter of 2021. The sharp decline of real fixed investment by 14.6% in 2020 was followed by a meagre 0.2% y/y increase in 2021. The slightly improved fixed investment to GDP ratio of 14% in the 1<sup>st</sup> quarter of 2022 falls far short of the required 25% to GDP ratio in support of sustainable medium-term growth of 3% per year. See Figure 1.

**Figure 1**



Source: StatsSA, 7 June 2022.

### ***Tentative Recovery of Economic Activity***

The latest data for the 1<sup>st</sup> quarter 2022 GDP shows that the seasonally adjusted annualised real economic output of R4613 billion was marginally higher (+R22 billion at constant 2015 prices) than in the 1<sup>st</sup> quarter 2020 – it is before the Covid-19 pandemic struck. Agriculture (+R10 billion), finance and business services (+R4 billion), government services (+R5 billion), and personal services (+R46 billion) made positive contributions to the improved economic output. The output of all the other sectors were still below the levels of the 1<sup>st</sup> quarter 2020.

Table 1

GDP GROWTH								
SECTOR	2019	2020	1Q 2021	2Q 2021	3Q 2021	4Q 2021	2021	1Q 2022
	Y-o-Y %Δ	Y-o-Y %Δ	Y-o-Y %Δ	Y-o-Y %Δ	Y-o-Y %Δ	Y-o-Y %Δ	%Δ	Y-o-Y %Δ
Construction	-3.4%	-18.5%	-12.6%	14.6%	-1.1%	-5.0%	-6.3%	-6.3%
Mining and quarrying	-0.6%	-11.8%	2.9%	50.7%	3.3%	1.8%	-4.1%	-4.1%
Electricity and water	-3.3%	-5.9%	-1.2%	13.3%	0.9%	-3.1%	-0.2%	-0.2%
General government services	1.4%	0.7%	0.4%	0.4%	0.4%	-0.7%	0.9%	0.9%
Manufacturing	-1.0%	-12.5%	-1.3%	42.3%	-0.4%	-3.1%	1.1%	1.1%
Finance, real estate and business services	2.5%	0.7%	-1.2%	9.9%	4.4%	0.8%	1.6%	1.6%
Agriculture, forestry and fishing	-6.4%	14.9%	6.3%	27.1%	-6.2%	1.6%	3.6%	3.6%
Wholesale and retail trade; hotels and restaurants	-0.7%	-12.4%	-5.5%	34.1%	0.9%	3.4%	6.0%	6.0%
Personal services	1.4%	-2.0%	0.0%	9.9%	6.1%	6.4%	6.2%	6.2%
Transport and communication	-0.7%	-15.4%	-11.0%	22.5%	6.4%	4.8%	9.0%	9.0%
<b>GDP excluding general government</b>	0.1%	-6.6%	-2.5%	20.8%	3.0%	1.8%	3.1%	3.1%
<b>GDP excluding agriculture</b>	0.0%	-6.5%	-2.5%	18.2%	3.1%	1.6%	2.9%	2.9%
<b>GDP at market prices</b>	0.3%	-6.3%	-2.4%	19.5%	3.0%	1.7%	3.0%	3.0%

Note: Y-o-Y %Δ = year-on-year % change

Table 1 contains the data on real y/y growth of the major sectors of the economy. The best performing sectors were transport and communication, personal services, and trade. It is worrying that construction remains the worst performing sector. This may partially be a reason for the lack of real fixed investment taking place. General government services (which include local governments), were underperforming at 0.9% y/y growth. Although in positive territory, real economic growth could remain uneven and volatile.

### ***Convergence of Challenges Facing the Economy***

Investment and business confidence levels are critical to maintain the improved activity and growth levels of the 1<sup>st</sup> quarter 2022 GDP. Although the business climate started off on a more promising note in the first three months of 2022, the incidents that are listed below weigh negatively on business confidence - directly and indirectly.

- The Russian invasion of Ukraine and the continuing conflict since 24 February 2022 impacted on Europe’s economic performance. Given the strategic dependence on the Russian Federation for oil and gas, this conflict has a negative effect on European economies as well as global supply chains and commodity prices of crude oil and some vital raw agricultural produce for global markets. The global commodity price increases are becoming main components of worldwide rising inflation.

It is important to note that Europe and the USA are important trading and investment partners of South Africa with 56% of foreign investment, 39% of merchandise imports and 40% of merchandise exports emanating to and from Europe and the USA.

- Increasing inflation experienced by many countries leads to a tighter monetary policy stance and thus real economic activity. Higher real interest rates could lead to slowing real economic growth. Financial markets mirror that unease and are putting additional pressure on investors. Crypto-currencies have for instance been part of the casualties of the global economy disruptions.
- Towards the middle of April and again near the end of May 2022, devastating floods affected Kwa-Zulu Natal – notably the coastal areas. Businesses lost property, equipment and stock. This had a negative effect on jobs and livelihoods

of households.

- The Covid pandemic, logistical breakdowns in supply chains, and lately the invasion of Ukraine by Russia and its economic consequences have led the IMF to review its Global Economic Outlook in April 2022. This caused a downward revision of economic prospects for growth and international trade. The continuation of the Russian/Ukraine conflict and particularly its effect on commodity prices could even lead to further downward revisions for growth in global economic activity.

World Trade	2018	2019	2020	2021f	2022f	2023f
<b>Goods and Services Trade Volumes</b>						
World - %Δ	4.0	0.9	-7.9	10.1	5.0	4.4
Imports by advanced economies - %Δ	3.8	2.1	-8.7	9.5	6.1	4.5
Exports by advanced economies - %Δ	3.6	1.3	-9.1	8.6	5.0	4.7
Imports by emerging economies - %Δ	5.1	-1.1	-7.9	11.8	3.9	4.8
Exports by emerging economies - %Δ	4.1	0.4	-4.8	12.3	4.1	3.6
<b>World Trade Prices in US\$</b>						
Oil - %Δ	29.4	-10.2	-32.7	67.3	54.7	-13.3
Average oil spot price per barrel in US\$	68.3	61.4	41.3	69.1	106.8	92.6
Non-fuel primary commodities -						
Food - %Δ	-1.2	-3.1	1.7	27.8	13.9	-5.7
Raw agricultural materials - %Δ	2.0	-5.4	-3.3	15.8	4.3	-6.6
Metals - %Δ	6.6	3.7	3.5	46.8	9.9	-0.1

Source: IMF, WEO April 2022. f = forecast. Percentage change = %Δ.

Economic Growth	2018	2019	2020	2021	2022f	2023f
	%	%	%	%	%	%
<b>World</b>	<b>3.6</b>	<b>2.9</b>	<b>-3.1</b>	<b>6.1</b>	<b>3.6</b>	<b>3.6</b>
United States	2.9	2.3	-3.4	5.7	3.7	2.3
<b>Euro Area</b>	<b>1.8</b>	<b>1.6</b>	<b>-6.4</b>	<b>5.3</b>	<b>2.8</b>	<b>2.3</b>
Germany	1.1	1.1	-4.6	2.8	2.1	2.7
United Kingdom	1.7	1.7	-9.3	7.4	3.7	1.2
Japan	0.6	-0.2	-4.5	1.6	2.4	2.3
<b>Emerging &amp; Developing Europe:</b>	<b>3.4</b>	<b>2.5</b>	<b>-1.8</b>	<b>6.7</b>	<b>-2.9</b>	<b>1.3</b>
<b>Emerging &amp; Developing Asia:</b>	<b>6.4</b>	<b>5.3</b>	<b>-0.8</b>	<b>7.3</b>	<b>5.4</b>	<b>5.6</b>
China	6.8	6	2.2	8.1	4.4	5.1
India	6.5	3.7	-6.6	8.9	8.2	6.9
<b>Sub-Saharan Africa:</b>	<b>3.3</b>	<b>3.1</b>	<b>-1.7</b>	<b>4.5</b>	<b>3.8</b>	<b>4.0</b>
<b>South Africa</b>	<b>1.5</b>	<b>0.1</b>	<b>-6.4</b>	<b>4.9</b>	<b>1.9</b>	<b>1.4</b>

Source: IMF, WEO April 2022. f = forecast.

- South Africa, as an open economy, has already been feeling the impact of disruptions besetting the world economy while local incidents exemplified and add

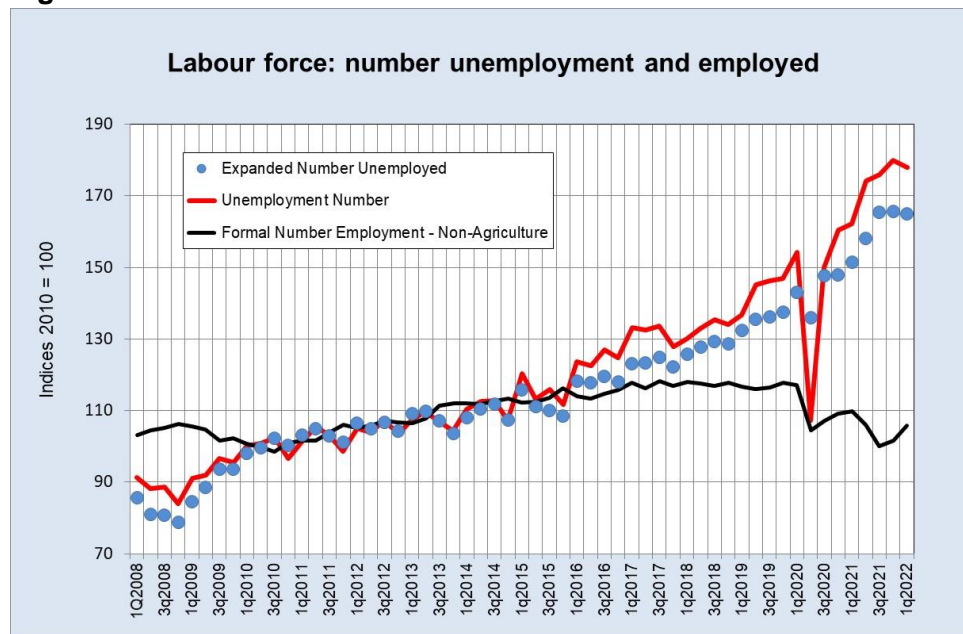


to structural domestic economic challenges. It however appears that the health effect of the Covid pandemic has largely waned while scrapping of the State of Disaster and easing regulations have substantially freed up the economy.

This could further improve the economic environment as reflected by the latest GDP data. However, it might take a while for the economy to gain momentum from the structural economic disruptions that followed on the lockdown regulations.

The subdued economic performance (notable during the advent of Covid) caused additional hardship for SMMEs and workers – especially those that still suffer from unemployment with limited prospects for jobs in the near future - see Figure 2. It is therefore important that the investment drive continues for local and foreign investors to believe in South Africa as a future investment destination and most importantly to create employment.

Figure 2



Source: StatsSA

## Conclusion

Although some challenges lie beyond the scope of the public and/or the private sector, attention should be paid to those issues that could be corrected and thus support and enhance economic performance. Investor confidence/trust and the business climate should be the foremost objective to drive economic growth and employment.

## Annexure 1

### General Economic Indicators

Indicator	Latest Period	Direction	Latest	Previous	2021	2016
Consumer inflation headline urban (%)	Apr-22	▶	5.9	5.9	4.5	6.3
Consumer inflation urban - excl. food, bev. & fuel (%)	Apr-22	▲	4.4	4.3	3.5	5.8
Money supply M3 eop (% Δ Y-o-Y)	Apr-22	▼	7.5	8.4	6.4	6.1
Private sector credit eop (% Δ Y-o-Y)	Apr-22	▲	6.0	5.8	2.5	4.8
Real prime overdraft rate eop (%)*	Apr-22	▼	3.0	3.1	3.6	4.4
Prime overdraft rate eop (%)	May-22	▲	8.25	7.25	7.25	10.50
Liquidations number sa	Apr-22	▼	98	109	1932	1934
Bond yield 5-10y govt eop (%)	May-22	▼	9.72	9.99	9.39	8.69
R / US\$ average	May-22	▲	15.89	15.04	14.79	14.71
R / Euro average	May-22	▲	16.81	16.25	17.50	16.28
Indicator	Latest Period	Direction	Latest	Previous	2021	2016
Income & wealth tax / GDP sa (%)	4q-21	▲	15.3	14.3	14.3	13.6
Total tax / GDP sa (%)	4q-21	▲	29.3	26.8	27.1	25.7
Public sector borrowing requirement / GDP (%)	4q-21	▼	2.0	5.6	4.4	4.4
Public sector expenditure / GDP (%)	4q-21	▲	23.3	22.9	23.0	25.5
Budget balance / GDP (%)	4q-21	▼	-1.0	-11.5	-5.5	-3.8
Imports / GDE (%)	4q-21	▲	28.2	27.1	26.8	27.9
Exports / GDP (%)	4q-21	▼	33.1	33.2	33.1	28.3
Net foreign financial flows excl. loans / GDP (%)	4q-21	▼	-3.5	-4.1	-3.3	4.5
Current account balance / GDP (%)	4q-21	▲	3.4	2.3	3.6	-2.7
Gross domestic saving / GDP sa (%)	4q-21	▼	15.2	17.3	16.6	14.3
Gross capital formation / GDP sa (%)	4q-21	▼	13.3	13.8	12.9	17.0
Net fixed capital formation / GDP (%)	2021	▼	-	-	0.3	4.1
GDP growth (% Δ Y-o-Y)	4q-21	▼	1.7	2.9	4.9	0.1

Δ=change; eop=end of period; Y-o-Y=year-on-year; q=quarter; sa = seasonally adjusted;

GDP=Gross Domestic Product; GDE=Gross Domestic Expenditure. \*Deflated by inflation excl.food, bev. & fuel.