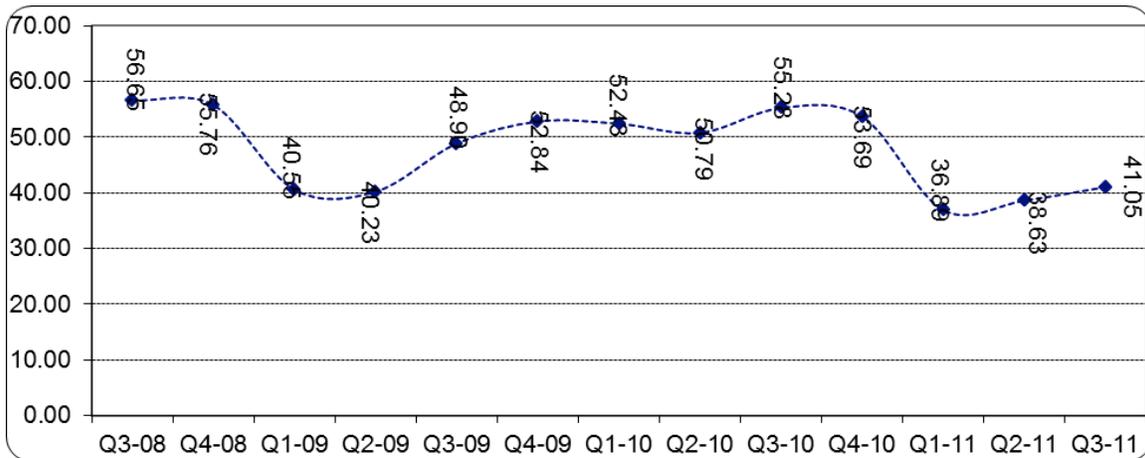


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SMMEs continue to weather the global financial storm

The South African SMME sector has continued its marginal and slow recovery in the third quarter of the 2011, with an increase in the overall Business Confidence Index from 38.6% in the second quarter to 41.05% in the third quarter of the year representing a 6.3% increase. The quarterly overall indices have witnessed marginal increases for the second and third quarters in succession after a sharp decline in the last quarter of 2010. Figure 1 shows the overall decreasing trend of SMMEs Business Confidence Indices from the first quarter of 2006 until the third quarter of 2011. This is a very worrying trend for the sector.



The best performing sector during the period under review was the services sector which increased in overall confidence by 16.8% during the third quarter of 2011. The increase in confidence in the services sector could be attributed to the seasonal nature of hospitality-related activities which tend to increase during spring and summer in the country. The industry sector also increased in confidence by 13.6% over the same period. This could be attributed to improved credit availability. During the third quarter of 2011, the overall confidence in the trade sector, however, declined by 0.76%. The marginal decline in confidence in the trade sector is the result of a slow-down in the growth of South Africa's GDP from 4.55 % in the first quarter of 2011 to 1.3 % in the second which, as a result, reduced the overall demand for goods and services.

The survey revealed a number of factors that constrain SMMEs' activities and impact negatively on their businesses. These include high government taxes and regulations, high operating costs, high employee costs and insufficient demand. The broader global economy is not likely to improve significantly during the 3rd and 4th quarters of 2011 and the South African business community remains cautiously optimistic about the future of the business environment.

*The South African SMME Index is constructed by Africagrowth Institute. The Founding Sponsors for the Index are the Industrial Development Corporation (IDC) and WK Kellogg Foundation:
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