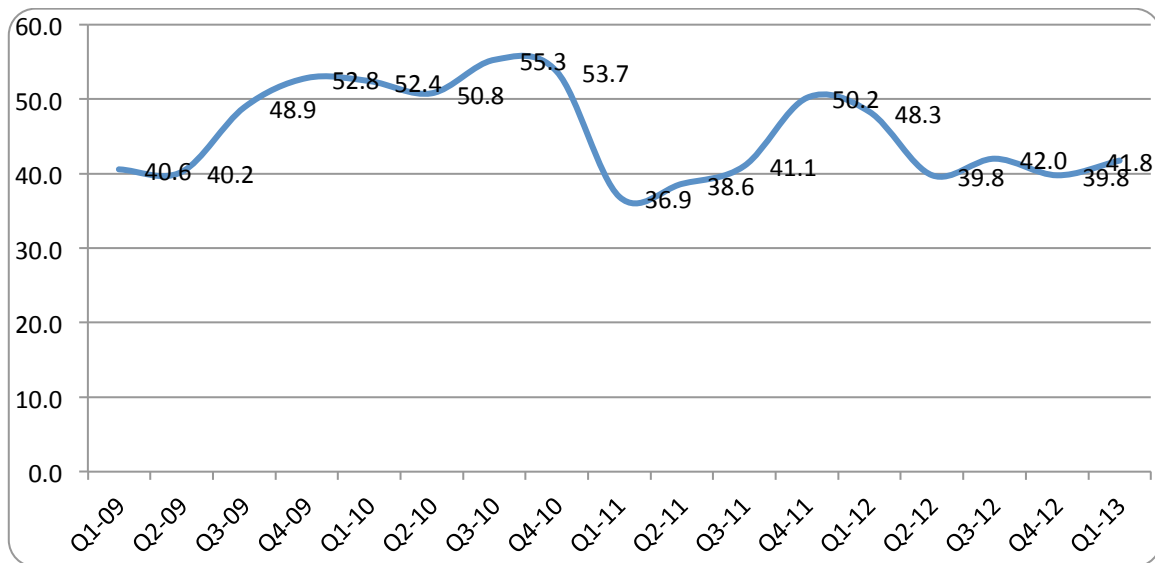


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### Business Confidence in SMME sector improves in first quarter of 2013

The confidence of the South African SMME sector in the business environment increased during the first quarter of the year 2013. The overall business confidence index improved from 37.5% during the fourth quarter of 2012 to 41.8% in the first quarter of 2013. The level of confidence of the South African SMME sector, however, is lower than it was for the first quarter of 2012. Figure 1 shows the overall trend of South African SMMEs Business Confidence Indices from the first quarter of 2009 until the first quarter of 2013.



The increasing trend in confidence can be attributed to the improvement in the confidence of the SMMEs in all sectors of the economy, with a marginal decrease in the trade sector. The poorest performing sector was the trade sector which declined marginally in overall confidence from 37.56% in the fourth quarter of 2012 to 36.31% in the first quarter of 2013. This represents a decrease of 3.34%. The business confidence in the industrial sector increased from 34.92% in the fourth quarter of 2012 to 39.8% during the first quarter of 2013, representing an increase of 13.96%. The services sector also witnessed a marked slight increase in confidence from 46.86% in the fourth quarter of 2012 to 49.19% in the first quarter of 2013, representing an increase of 4.97%.

Most of the businesses surveyed cited a number of inhibiting factors impacting negatively on their businesses. These include high employee costs, high operating costs, high government taxes and regulations, limited access to bank credits and insufficient demand.

The South African Reserve Bank estimates that economic growth has picked up moderately over the first quarter. The manufacturing sector recorded a firm increase in real output in the first quarter, supported by the expansion in activities in emerging-market economies and improved competitiveness arising from the depreciation of the external value of the rand. In the services sector real output growth accelerated in the first quarter of 2013 as real value added gained momentum in most subsectors, impacted by factors such as increases in household consumption expenditure. This has led to an improvement in output growth in the economy for the first quarter of 2013.

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*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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