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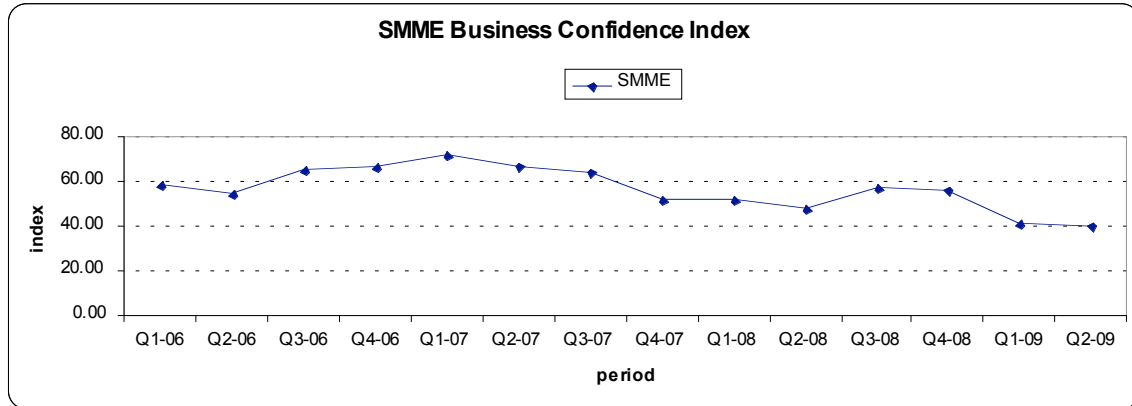
### **South African SMMEs blame government and banks for continuous decline in business confidence in the sector**

The battle to stay afloat by SMMEs continues. As expected, business confidence in the South African SMME sector has continued to decline during the second quarter of 2009. SMME owners are, however, optimistic about future prospects of their businesses. Most businesses expect an economic recovery with an improvement of the business climate over the next 6 months of 2009 but urgently need more support from government and banks to see them through the financial crisis.

Confidence levels in all the three main sectors, that is, the industrial, trade and services sectors have decreased significantly. The confidence index for the trade sector decreased from 26.78% in the first quarter of 2009 to 25.87% in the second quarter of 2009, representing a decrease of 3.40%. In the industrial sector, the confidence index for the second quarter of 2009 decreased to 31.33% from 36.87% in the first quarter of 2009, a decrease of 15.03% whereas that of the services sector decreased to 41.69% from 42.92% in the first quarter of 2009 and this represents a decrease of 2.87%. The overall Business Confidence Index (which averages all the three business sectors in the country) shows a decrease from 40.55% in the first quarter of 2009 to 40.23% in the second quarter of 2009, a decrease of 0.79% in business confidence. The graph below shows the overall trend of South African SMMEs Business Confidence Indices from 2007 until the second quarter of 2009.

Despite the dip in business confidence, there appears to be a glimmer of hope for the future compared to future expectations in the previous period. More specifically, SMME operators within the trade and services sectors express optimism about the future of their business. This is probably a result of the coming FIFA World which will mostly the services and trade sector more. The confidence index for future outlook in the trade sector has increased from 43.07% in the first quarter of 2009 to 46.20% in the second quarter of 2009, an increase of 7.27%. The index for the services sector also increased from 49.54% in the first quarter of 2009 to 52.47% in the second quarter of 2009, representing an increase of 5.91%.

Of the SMME surveyed, 80% felt that the banks and government are not doing enough to support them. They also sighted high operating costs, high taxes, lack of access to finance, employee cost as some of the key factors affecting their businesses most. When asked what they will want to see done to support their businesses, they wanted banks to reduce interest charges on loans and also ease the conditions that banks impose on loans. They also want government to further reduce corporate tax and review current labour laws which makes it very difficult to hire and retain skilled workers.



*The South African SMME Index is constructed by Africagrowth Institute. The index is sponsored by the Industrial Development Corporation and part funded by the WK Kellogg Foundation<sup>1</sup>*

*Contact:*

*Professor Nicholas Biekpe*

*President: Africagrowth Institute*

*Tel: 021-914 6778*

*Email: [nicholas@afriagrowth.com](mailto:nicholas@afriagrowth.com)*

*Research Assistant: Ms. Yoliswa Gumbi*

*Africagrowth Institute*

*[yoliswa@afriagrowth.com](mailto:yoliswa@afriagrowth.com)*

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