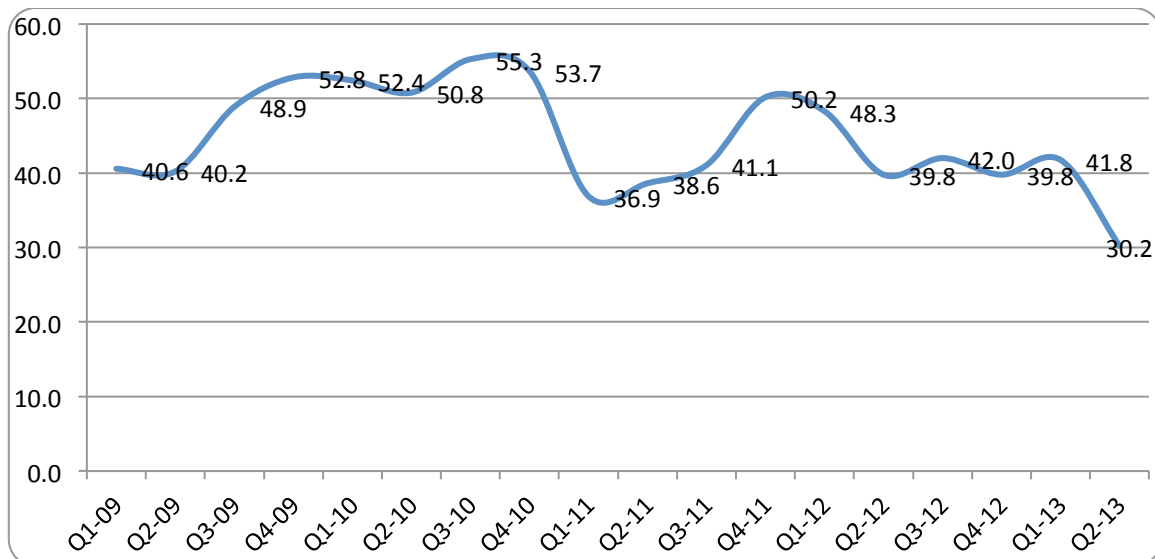


## PRESS RELEASE JUNE, 2013

### Business Confidence Index plummets to all time three year low

The confidence of the South African SMME sector in the business environment decreased during the second quarter of the year 2013. The overall business confidence index declined considerably from 41.8% during the first quarter of 2013 to 30.2% in the second quarter of 2013. The level of confidence of the South African SMME is at its lowest point in the past three years. Figure 1 shows the overall trend of South African SMMEs Business Confidence Indices from the first quarter of 2009 until the second quarter of 2013.



The decreasing trend in confidence can be attributed to the decline in the confidence of the SMMEs in all sectors of the economy. The worst performing sector was the trade sector which declined, on average, from 36.31% in the first quarter of 2013 to 27.69% in the second quarter of 2013. This represents a decrease of 31.12%. The business confidence in the services sector decreased from 49.19% in the first quarter of 2013 to 34.68% during the second quarter of 2013, representing a decrease of 29.48%. The industrial sector also witnessed a decline in confidence from 39.80% in the first quarter of 2013 to 28.27% in the second quarter of 2013 representing a decrease of 28.96%. Most of the businesses surveyed cited a number of inhibiting factors impacting negatively on their businesses. These include high employee costs, government taxes & regulations, high operating costs, the insufficient demand and access to markets and the BEE policy.

The South African Reserve Bank reiterated that growth prospects remained fragile and below estimated potential coming into the second quarter of 2013. This reflects a weaker global outlook and the negative effect of some domestic developments. The marked loss of growth momentum was also largely due to a contraction in manufacturing output. The exchange value of the rand also depreciated in the second quarter of 2013 and this was driven by apprehension about a range of factors including South Africa's comparatively large current-account deficit, loss of international competitiveness and electricity-supply constraints among other reasons. Severe industrial action and violent unrest highlighted the risk of further mining-supply disruptions, exacerbating the depreciation of the exchange rate and contributing to a decline in the BCI over the second 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*

Contact:

Professor Nicholas Biekpe

President: Africagrowth Institute; Tel: 021-914 6778; Email: [nicholas@afriagrowth.com](mailto:nicholas@afriagrowth.com)

