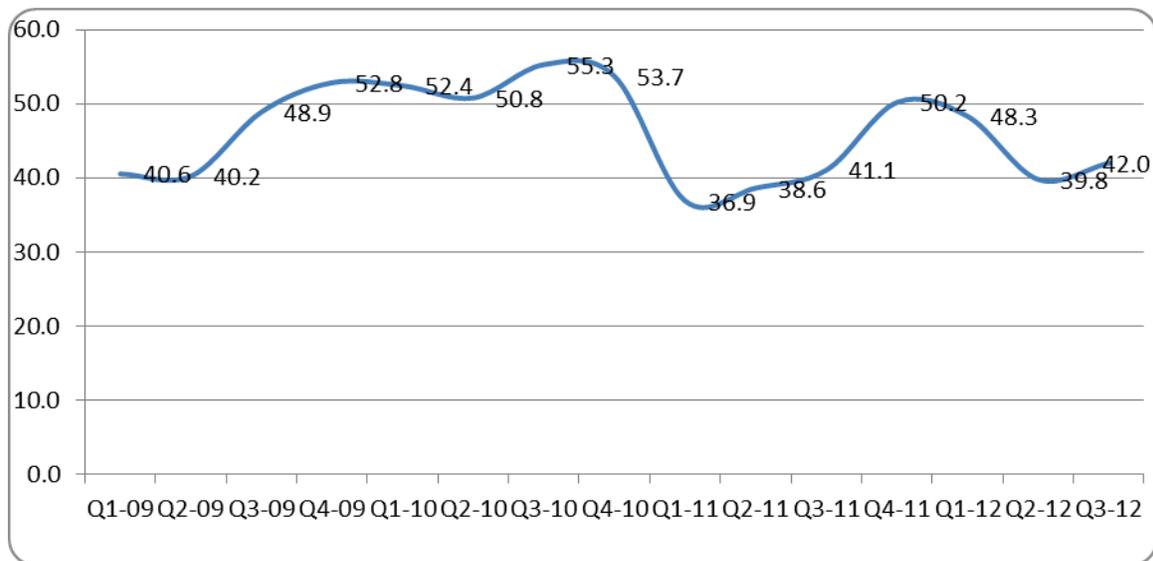


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The SMME Business Confidence improves - A glitter of hope?

The business confidence of the South African SMME sector has increased during the third quarter of the year 2012. The overall business confidence index improved from 39.8% during the second quarter of 2012 to 42.0% in the third quarter of 2012. The trend reflects a recurrent upsurge in the third quarter of each year. The level of confidence of the South African SMME sector improved by 5.59 per cent in the third quarter 2012 compared to 6.26 per cent in the previous year's period. Figure 1 shows the overall trend of South African SMMEs Business Confidence Indices from the first quarter of 2009 until the third quarter of 2012.

Figure 1: Business Confidence Index



The increasing trend can be attributed to the improvement in business conditions in all three sectors of the economy. The best performing sector was the services sector which improved from 37.82% in the second quarter of 2012 to 42.47% in the third quarter of 2012. This represents an increase of 12.29%. The trade sector increased from 45.19% in the second quarter of 2012 to 46.51% during the third quarter of 2012, representing an increase of 2.91%. The industrial sector performed the least; it witnessed a slight increase in confidence from 36.35% in the second quarter of 2012 to 37.06% in the third quarter of 2012, representing an increase of 1.96%. The reason for this small increase in the industrial sector could be as a result of strike actions that paralyzed mining and other business sectors which led to loss of confidence in the sector.

Most of the businesses surveyed cited a number of inhibiting factors that slow down their business activities. These include high employee costs, high operating costs, high government taxes and regulations and limited access to bank credits.

According to the South African Reserve Bank, the domestic economy has continued to expand, characterised by growth in production, increase in growth of household

consumption expenditures mainly due to the increase in disposable income and a rise in the rate of currency appreciation against the US dollar. The increase in growth of household spending on goods and services tends to impact positively on businesses. However, according to the SARB, the domestic outlook is also likely to be constrained by local developments, particularly in the mining sector, which have the potential to undermine the already fragile private sector investment sentiment despite the accommodative macroeconomic policy environment.

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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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